



## ***Minto Development Corporation***

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February 13, 2012

**Representatives Bryce Edgmon, Bob Herron, Neal Foster, & Cathy Munoz  
Alaska State Legislature**

**State Capitol, Room 416  
Juneau, AK 99801-1182**

*- Sent via email - Bryce.Edgemon@legis.state.ak.us*

**RE: Support Return of Power Cost Equalization V27-LS1107-A**

Dear Representative Edgmon, et al,

The prolonged period of high fuel and energy costs has had a tremendous impact on rural Alaska. School district budgets have been forced to shift funding from education costs to cover the cost of heating fuel. Businesses have seen freight costs skyrocket and find they have to charge outrageous prices for staple goods just to break even. The strain has been especially poignant this past winter as bitter cold gripped much of the interior for an extended period.

Allowing power cost equalization to again assist the schools and rural stores lower their energy costs will greatly help to provide services and products to the people of rural Alaska. This legislation is very important, and we support your efforts to return PCE to the 1998 levels.

In addition, we hope that village councils that provide electric power generation, water and sewer as well as other public services are also included in the list of entities that will become eligible for PCE under this bill.

Thank you for the good work you do, as I remain,

Respectfully,

**Marjorie Grunin  
General Manager**

**Cc: Alaska House of Representatives**

# BRISTOL BAY NATIVE ASSOCIATION

P.O. BOX 310  
DILLINGHAM, ALASKA 99576  
PHONE (907) 842-5257

Friday, March 16, 2012

Representative Bryce Edgmon

House of Representatives

State Capitol, Room 416

Aleknagik

Juneau AK, 99801

Tribal Councils  
Served by BBNA:

Chignik Bay

Chignik Lagoon

Chignik Lake

Clarks Point

Dear Mr. Edgmon,

Curyung

Egegik

Ekuk

Ekwok

Igiugig

Iliamna

Ivanof Bay

Kanatak

King Salmon

Kokhanok

Koliganek

Levelock

Manokotak

Naknek

New Stuyahok

Newhalen

Nondalton

Pedro Bay

Perryville

Pilot Point

Port Heiden

Portage Creek

South Naknek

Togiak

Twin Hills

Ugashik

## RE: Letter of Support for House Bill 294, "Returning Power Cost Equalization Program to 1998 Levels"

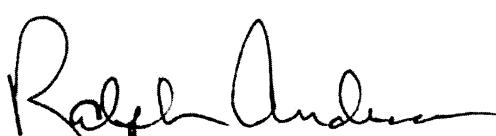
The Bristol Bay Native Association is writing to express support of House Bill 294 and its intent to return the Power Cost Equalization program to its 1998 levels.

The high and volatile price of energy is a serious issue for Bristol Bay. The average price of electricity for residential customers is .5967 per kWh, and we anticipate rates to only increase - the majority of electric utilities in the region are powered by diesel-fired generators. The high rates impact all payers, including schools and businesses, and any assistance to help lower their energy expenses would greatly help with the costs for goods and services.

In general, we recognize the critical need for energy assistance - it is the only way to deliver an immediate solution to a long-term and pervasive problem. We also recognize the importance of pursuing solutions to help fix the problem including, conservation and alternative energy projects that help offset the need for fossil fuels.

The Bristol Bay Native Association appreciates your backing of policies and programs that support energy assistance, and again would like to express our support of House Bill 294.

Sincerely,



Ralph Andersen

President & Chief Executive Officer

Cc: Senator Gary Stevens

Senator Lyman Hoffman

Representative Bryce Edgmon

Representative Alan Austerman

The Aleutian Pribilof Islands Association, on behalf of the 13 federally-recognized tribes and four Head Start sites in our region, wish to thank Representative Edgmon, the co-sponsors of House Bill 294.

It is important that Head Start programs be included as a part of the school system and the Power Cost Equalization Program be made available to rural Head Start programs regardless of if they are housed in school district buildings, standalone Head Start Facilities or utilized space in a tribal or other community facility. Rapidly escalating electrical costs have directly impacted rural Head Start programs ability to provide for basic program needs such as Health, Safety oversight and nutritional services. Inclusion of the Head Start in the PCE program will allow resources to return to providing for these basic and required services for Alaska's most vulnerable citizens, our children. We are encouraged by this bill and strongly urge its passage.

Thank you Mr. Chairman,

My name is Robert Venables, Energy Coordinator for Southeast Conference (the State's regional development organization for southeast Alaska and the federally recognized Economic Development District).

Southeast Conference has worked since 1958 to advance the collective interests of the people, communities and businesses of the region with a mission to help develop strong economies, healthy communities and a quality environment in Southeast Alaska. Our Energy Committee continues to bring focus to the need to develop our vast renewable resources and displace diesel dependency – especially in our rural communities devastated by high energy costs, unemployment and outmigration.

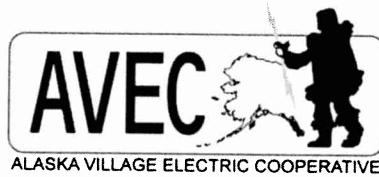
And we thank the State Legislature for efforts to date that will bring about the long-term improvements in developing those renewable energy resources that will diminish, and hopefully someday displace the need for PCE as well.

But that day is not here yet. There are still communities with decimated economies that need help now. Businesses are hurting in rural communities like Hoonah – and they are disappearing in communities like Angoon and Kake. The costs of operating our schools here in southeast continue to increase in an era of diminished federal support. This legislation would be a life-saver to school districts and businesses in our most needy communities.

Perhaps HB 294 should be called the “Back to the Future” bill. It does not seek to establish a new program, but restores back to what was the original intent of the PCE program and give rural businesses a future and possibly survive. The program was understandably cut back during the days of \$9/barrel oil. That is not the case today with oil prices well above historic averages.

HB 294 can help make a difference – and help now as we all work toward better long-term solutions. Thank you, Mr. Chairman for the many efforts you all are making on our region and state's behalf and for this opportunity to provide comment.

I am available for any questions.



February 14, 2012

House Energy Committee

Re: AVEC Testimony on HB 294

Honorable Committee Members,

Alaska Village Electric Cooperative would like to express support for HB 294, which seeks to restore Power Cost Equalization benefits to levels that existed before 1999.

PCE was established in 1984 in an effort to bring the cost of electricity to rural Alaskans – both households and businesses – to a level more or less equal to that enjoyed by urban Alaskans. This benefit was extended to the first 700 kWh for all non-government consumers.

In an effort to reduce the cost of the program, it was trimmed back several times by the legislature – first to reduce the number of beneficiaries by eliminating all but the first meter owned by a consumer, later to reduce the number of eligible kWh and then to eliminate commercial customers, and finally to increase the floor from the original 8 cents per kWh. The floor is now around 14 cents.

The cumulative impact of these changes over the years has resulted in the number of eligible kWh (and their associated cost) being reduced by about half. HB 294 seeks to restore the eligible kWh from the current 500 to the original 700 kWh and to restore eligibility to commercial customers.

Although it may appear that a 700 kWh benefit is of negligible impact to commercial customers, this is not the case. This would be an extremely meaningful benefit for thousands of Alaskans who are operating very modest businesses in their communities – creating jobs and multiplying the spending power of local dollars.

AVEC communities account for about one third of the state's PCE benefits - \$11.3 million in CY2011. Analyzing our billing records for last year, we calculate that increasing the eligible kWh and adding back commercial consumers will result in an additional \$4.28 million in PCE to our communities. If the ~100 school facilities are also included, that would add another \$227,000, for a total increase of 40% to the program as it currently stands.

In FY10, the total cost of generating electricity in the PCE communities amounted to \$157.6 million. PCE provided \$30.6 million – less than 20%. Restoring part of the benefit that has been eliminated over the last two decades will result in the program cost increasing to about \$43 million, still only 27% of the cost of delivering electricity in rural Alaska.

Your support is strongly encouraged.

Sincerely,

  
Meera Kohler  
President and CEO

## **Statement by - Ed Phillips on Power Cost Equalization -- House Bill 294**

Good afternoon. My name is Ed Phillips and I live and own a hotel in Hoonah. I want to first thank you for providing me with this opportunity to speak and more importantly for having this conversation. . I am encouraged by House Bill 294 as it could most rapidly relieve some of the economic hardship plaguing diesel electric communities. I believe that left unaddressed, for economic reasons our communities will eventually disintegrate.

It may initially seem inconsistent but I also believe that the governments focus should continue to lean toward energy conservation. While naturally struggling with increasing electric bills the majority of our residents have little understanding where their energy is going or how to reduce consumption. A "weatherization" like program that goes directly into homes and identified wasteful equipment while helping to identify and possibly provide alternative solutions would ultimately reduce everyone's costs. To help put it in perspective - A great deal on a \$20 standard electric heater could cost over \$700 a month to operate in one of our communities. In conversations with people it seems entirely possible that there could also be serious unidentified faulty electrical problems. A simple thing like a loose neutral or a defective outlet or device could also be needlessly wasting energy & jeopardizing lives. Solving these problems takes money and these electric customers are all too frequently barely able to pay their electric bills let alone solve the underlying problems. This situation is especially acute with our businesses.

After 12 years of struggling with energy costs operating a 13,000 square foot hotel in Hoonah I am especially relieved to hear that PCE eligibility may be returned to businesses. I believe that perpetuating this clearly unequal "Equalization" is "penny wise and pound foolish" and far more harmful to our communities than you may imagine. To be sustainable a community must have employment and financially stressed businesses have no choice but to reduce employment. Reduced jobs, services and goods available within the community are unavoidable. As idle time and frustrations mount social problems flourish along with all of its ramifications. In other words high energy costs have created a destructive progression that will not only destroy growth in our communities but also seriously stifle the growth of our State. Ultimately, the PCE inequality will increasingly concentrate people where energy is affordable and seriously undermine the growth of our vast State along with access to its abundant resources.

The best hope for decreasing the per KWH cost in our communities is by increasing the economies of scale for the utilities but that's not possible unless businesses are enervated. That is impossible so long as vital electrical costs are toxic to business. The current strategy also causes the State to pay more subsidy per KWH while the communities progressively suffer. Stabilizing the cost of electricity is the one thing that government can do to help turn things around in our communities.

Obviously a single 700 KWH eligibility allowance would be a good start. Despite my best efforts to conserve the lodge averages 8,500 KWH per month so all businesses are certainly not equal. Nonetheless HB 296 would provide at least some welcome relief while resurrecting the

relationship. That way the State could be tracking and studying business consumption and also be best able to respond to save businesses and our rural communities if catastrophic price increases occur due to supply volatility.

It is both ironic and most opportune that the very thing that makes the State so fabulously rich is precisely what ails our communities. It would be quite logical and certainly fair for the Legislature to take some of the States good fortune and counter this ill effect directly caused by high oil prices. It should be considered nothing more than "fighting fire with fire".

Please, do not assume that I am being negative when I honestly strive to be more realistic than anything. I am hopeful that you will care about us when it is so easy to be "out of sight out of mind". You and the resources you control are the only hope for our businesses and communities. It is my hope that you will begin to realize that some of the surplus that you are considering using is to some degree born by the exclusion of businesses from PCE. That Power Cost "Equalization" could be made true and that our communities would have renewed hope for sustainable self-sufficiency as at least in the short term PCE appears to be our only hope... Ultimately with increased recognition of the true cost of the "temporary" PCE program will help spur the development of the energy conservation projects that would finally solve the underlying problems thus eliminating the need for the PCE program and burden to the State. Thanks.

Ed Phillips

(907) 209-4806

## **Adam Berg**

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**From:** Jim <jimer53@starband.net>  
**Sent:** Tuesday, February 28, 2012 8:45 PM  
**To:** Adam Berg  
**Subject:** I am in support of HB 294

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Dear Representative Adam Berg,

My name is James Erickson and I live in a rural community in southeast Alaska, Hoonah. I am a business owner.

It is my hope and prayer that one day soon the great state of Alaska will connect us all to a electrical intertie and I can live as an equal [rate payer] to some larger communities and pay a fair and equitable fee for electric power. And that we go ahead with such projects that we seem to just talk about right now such as Geothermal, wind, tidal and current power. And certainly the Hydro projects that seem to be lingering in thoughts and future plans.

I am hostage to diesel generators for power provided by IPEC southeast.

Being a small business owner I am at a strain every month to pay my electric bill; especially hard during the winter months when our customer base is little to nothing. My rates are currently at \$0.61 and I have to pay regulatory costs and fuel surcharges, local taxes on top of that fee. If I am a day late for payment additional fees apply.

I pray that you and others will support HB 294 for at least a temporary fix. Small business's can't go on or be competitive in today's economy under this extreme cost hardship we endure. Your help is greatly needed and would be so appreciated with approval of this legislation.

Keep in mind that I employ 4 people (with family) during the winter months and twice that during the summer months when Alaska comes alive with activity. My business is every bit as important to them as it is to me and my wife and family, not to forget the support business structure.

On top of my electrical rates, I still have to buy heating oil to run the furnace and that is equally as bad as we all know. Energy is taking us down.

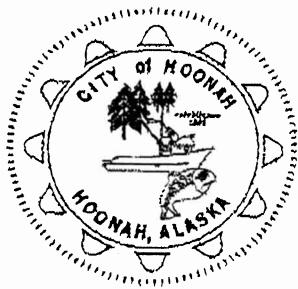
Finally, I live in hopes that some day our governing body will recognize that cheap and affordable power will propel our state into a global contender in business and exports. So many nations have done this from China to Norway and beyond. I know we can too as "Alaska".

I also believe energy is the chief reason so many of our younger people leave home and never come back to the state they grew up in.

Back to the point, Alaska needs to have PCE for small business to help us get by this struggle. HB 294 is good.

Thank you.

James Erickson - The Office Bar, LLC  
PO Box 366  
Hoonah, Alaska 99829



## City of Hoonah

P.O. Box 360 Hoonah, AK 99829 (907) 945-3663 Fax (907) 945-3445

RESOLUTION NO. 12-03-05

**A Resolution Expressing Support for House Bill 294 Relating to the Power Cost Equalization Program**

**WHEREAS**, the entire community of Hoonah is dependent upon an electrical supply currently generated from diesel fuel, which is very costly to all consumers in our community; and

**WHEREAS**, the current structure of the Power Cost Equalization does <sup>not</sup> provide assistance to all users of such costly electricity including schools, and businesses; and

**WHEREAS**, communities throughout Alaska that rely on diesel generated electricity are in great need of immediate relief from the high cost of diesel generated electricity; and

**WHEREAS**, under the provisions of House Bill 294, the PCE program will raise the ceiling from 500 to 700 kilowatt-hours per month for customers under PCE and also add customers currently not eligible for PCE such as schools and businesses.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HOONAH, ALASKA:** that the City of Hoonah fully supports House Bill 294 and urges passage by the Alaska Legislature and signature by the Governor.

PASSED AND APPROVED THIS 13 DAY OF March 2012.

*Mary J. Erickson*  
Seferino Villafreal, Mayor of City of Hoonah

ATTEST:

*Alice Williams*  
Alice Williams, City Clerk

## VOTING:

Steve Brown	<input type="checkbox"/> yes	<input type="checkbox"/> no
Mary Erickson	<input type="checkbox"/> yes	<input type="checkbox"/> no
Alan Fisher Sr.	<input type="checkbox"/> yes	<input type="checkbox"/> no
Nadine Morrison	<input type="checkbox"/> yes	<input type="checkbox"/> no
Chris Erickson	<input type="checkbox"/> yes	<input type="checkbox"/> no
Hope Anderson	<input type="checkbox"/> yes	<input type="checkbox"/> no