

BILL: SB 88**SHORT TITLE:** POWER COST EQUALIZATION**BILL VERSION:****CURRENT STATUS:** (S) FIN**STATUS DATE:** 01/28/09**SPONSOR(s):** FINANCE**HEARING:** (S) FIN Feb 03 9:00 AM SENATE FINANCE 532 TELECONFERENCE

TITLE: "An Act repealing certain provisions relating to modifying the factors that apply to calculate the amount of power cost equalization; providing for an effective date by repealing the effective date of sec. 3, ch. 2, 4SSLA 2008; and providing for an effective date."

AVCP, Inc.
Testimony to the 26th Alaska State Legislature
Senate Finance Committee
By
Myron P. Naneng, Sr., President

Regarding SB 88

Tuesday, February 3, 2009

Good morning Chairman Hoffman and Co-Chairman Bert Stedman. We at the Association of Village Council Presidents, Inc. (AVCP) are grateful for you to be holding this discussion in order to bring more appropriate energy relief to remote, rural Alaska communities like the 56 villages in our Yukon Kuskokwim region.

My name is Myron Naneng, I am President of our regional non-profit corporation. What we are testifying to today comes as no surprise to either of you, since you tried to address it in the last session through SB 4002. Since early last summer, tribal leaders as well as myself were very nervous about our coming winter since we were forced to prepay our winter fuel purchases for our tank farms at the highest costs of oil on record.

Because we are roadless, all of our villages have to import fuel by barge or by air in emergencies. In most cases, we have no choice but to sign no-fault contracts with fuel vendors if weather or acts of god prevent a scheduled delivery. Some of our villages, with human resources turnover or other constraints, are unable to make their fuel orders in concordance to State programs such as the bulk fuel loan in time to lock in at more agreeable rates. Factors such as these aggravate the already challenging nature of providing light and heat to our communities with little or no energy infrastructure.

Rural Alaska village communities are faced with extremely high costs of living, in particular, the people of the Wade Hampton district are having to pay upwards of \$0.62 per kWh for electricity, \$7.68 per gallon for heating fuel and, recently upwards of \$11.00 for heating fuel that had to be flown into the village of Emmonak when they ran out of fuel. Energy costs are up to 60% or more of household costs for many rural Alaskans in this census district whose average incomes are \$30,184. Some households went without electricity and fuel for heat because of the extremely high costs and lack of income to

pay. Clearly, energy costs in rural Alaska makes life unsustainable, and practically unhealthy. The high cost of energy combined with the severe cold winter of 2008 and 2009 is a threat to the general health and wellbeing of the residents of this region.

The villages in our region are extremely remote have great distances from major transportation hubs and commercial centers, have small size and economy of scale, and there are tremendous logistical problems and high costs for transporting fuel for home heating and electricity. This contributes to a high cost of electrical power plants with high capital and operating costs. All the villages in this region are dependent upon diesel fuel for electricity and home heating. It is often the only and best solution when considering the available energy resources, cost for development and deployment, and the small loads often experienced in rural Alaska villages. Diesel-electric power plants provide an efficient and effective energy solution in many cases. PCE provides a buffer against the high costs of electricity.

There have been concerns expressed by some of your colleagues within the Senate and your House counterpart that the subsidy suggested in SB 88 creates an unending entitlement program, that it is an insufficient one-size-fits-all solution to an enduring program. Truthfully, it could be that way should the commercial fisheries continue to collapse; however, the circumstances that brought about this particular energy crisis are unusual. The price of oil topping over \$100 a barrel, the commercial salmon fishery on either river no good, but catastrophic on the Lower Yukon, the early freeze-up and particularly hard winter has sopped up whatever energy program and cash most families need for our sub-arctic winters. Because of the poor fishing season, the cash usually generated by that commercial practice was not there to outfit seal, small whale or moose hunting and gathering expeditions that make up most of our winter sustenance.

With continued and full funding by the Legislature of the Renewable Energy Fund coupled with possible federal stimulus infrastructure funds, we may be looking at a reality where accessible energy sources come to fruition in a matter of years, rather than a matter of decades. With affordable energy at the village level, a failed fishing season would not break us as badly as this hard winter has shown.

Though Governor Palin herself has not directly acknowledged the fishery or fuel crisis in our region, in her response to the U.S. Army's reduced retirement payments to 26 Alaska Native Elders who had served in the Territorial Guard during WWII, she argued:

"Rural Alaskans face the highest food and energy costs in the nation, and these veterans need their retirement checks now more than ever," Governor Palin said. "Using the emergency fund to provide monetary protection for these 26 veterans is the right thing to do."

When arguments on fairness and equality are thrown around, keep in mind, that families with mid-range incomes who live in Anchorage were projected to spend about 3% of their income on energy costs (based on May prices) and that figure increases to about 5% of your income if you live in other cities or towns on Alaska's road system.

Mid-income households in remote villages (places you can only reach by water or plane) were expected to spend about 11% of the paycheck on energy because we rely on diesel fuel, while the majority of Anchorage families use natural gas.

ISER estimates that the median annual cost of power and heating costs for an Anchorage family is about \$2,400, compared to about \$4,100 for midsize towns and cities and **\$6,600 for remote rural villages.**

AVCP provides direct assistance to many families in our member villages that include a Housing Improvement Program, TANF and LIHEAP to name a few. Last year we assisted 1,846 households with energy assistance, and we anticipate the same number if not more appeals for the remainder of this season.

On a related matter, there has been a lot of discussion among regional and tribal entities about heating and lighting village dependent offices that are necessary for operations to the community. When Governor Palin said in her Energy Plan press conference that she had tried to, but failed, to get a hold of people in Emmonak in response to a private citizens appeal for help in the Bristol Bay Times, we were confused as to whom she tried to communicate with. . . the people of Emmonak from the Mayor's office, the tribal council and Nick Tucker all said an hour before in our joint Agency teleconference that their calls were never answered in the Governor's office. It turns out that whatever attempts the Governor's office made - was communicating to a closed up City Office, because the village can't afford to keep the building operational more than one week out of the month. All other entities were operational, all of them frantically calling out for help with the State.

We tried to do this proactively, in public statements and resolutions. We warned that the \$1,200 rebate would not adequately address the remote / rural fuel needs - and with the taxes due from as little as \$90 to over \$300 per person, we will continue to see pain in affected households this year. If we had access to affordable energy sources, all the factors we laid out for you would not have hurt us so badly this winter.

Senator Hoffman's call for the state to make up the difference in the instance where an Alaskan has to pay more than \$3 a gallon for residential heating fuel up to 600 gallons purchased per residence from September through March, in addition to SB 88's extension of the PCE program, will go a long way to keeping our homes heated, and saving our families from deciding between freezing or going hungry.