



YUKON-KUSKOKWIM HEALTH CORPORATION

"Working Together to Achieve Excellent Health"

Testimony of

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**to the
Alaska State Legislature
House Special Committee on Energy
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Good afternoon Speaker Chenault, Co-Chairs Edgmon and Millet and members of the House Special Committee on Energy. Thank you for traveling to Bethel to take testimony regarding the important issues of sustainable energy, high energy costs and their impacts on Rural Alaskans

I am Gene Peltola, President and Chief Executive Officer of the Yukon-Kuskokwim Health Corporation (YKHC). YKHC is the regional tribal health organization for the 58 Tribes of the YK Delta, and as the principal health care provider in the region, we serve Natives and non-Natives alike. Within a service unit the size of Oregon, we operate a hospital, 5 sub regional clinics, 44 village clinics and a variety of outpatient and inpatient services here in Bethel.

The impact of high energy costs on the delivery of health care to our residents and its affect on the Company are staggering and certainly not sustainable. For village residents, high energy costs effectively deny access to higher levels of health care. For example, if a patient in Kotlik was seen at our village clinic and was referred to the Bethel hospital, travel costs alone could likely prevent the visit.

The one-way air fare from Kotlik to St. Mary's is \$125 and \$150 from St. Mary's to Bethel. If the patient was then referred to Anchorage for treatment, the round-trip Alaska Airlines fare is currently \$542.60. Patients are beginning to forego their health care visits, simply because patient travel costs are too expensive as a result of high fuel costs. This often leads to higher acuity patients not being seen in a timely manner.

YKHC owns and operates five Sub-Regional Clinics in Aniak, St. Mary's, Emmonak, Toksook Bay and Hooper Bay. In 2004 we spent \$84,000 and this year we expect to spend \$150,000 on heating fuel and utilities at the Emmonak Sub-Regional Clinic. We experienced similar costs and increases at the other Sub-Regional Clinics.

Here in Bethel, the Yukon-Kuskokwim Delta Regional Hospital consumes approximately 10% of the local power production and YKHC's total power consumption for all our Bethel facilities is closer to 15% of local power generation. We are struggling to manage the steady rise in energy costs. In 2006 the electric bill for the Hospital alone was \$1.19 million. We are projecting electrical costs for 2009 at nearly \$2 million. In 2004 YKHC, corporate wide, spent a total of \$3 million on fuel and utilities. For 2009, we are projecting to spend over \$7 million on fuel and utilities. These energy cost increases are not due to any significant increases in our demand, instead the substantial rise in fuel costs. Unfortunately, for every dollar increase, we must decrease health services that we otherwise would have been able to provide to the residents of the YK Delta.

A strong and fully funded Power Cost Equalization (PCE) program is extremely important for residents to be able to continue living in rural Alaska, and is necessary for non-profit businesses operating community facilities.

Unfortunately, the PCE statutes and regulations do not differentiate between a small village and a larger rural hub like Bethel. There is no allowance for the fact that a hub community will have more and larger community facilities that in fact serve their larger regions. The current PCE allocation for community facilities is 70 KWH per resident per community. This gives Bethel a community facilities allocation of about 420 thousand KWH which is too small for its size. YKHC's Community Health Services Building alone uses about 100 thousand kilowatt hours of electricity per month. The current community facilities formula should be revisited. My staff is prepared to work with your Committee on this important statewide issue.

We endorse the concept of an All-Alaskan Generation and Transmission Utility bringing low cost electricity to every community on our State through interties and power purchasing agreements. We know that this is being seriously considered for the road system and should be extended to all of Rural Alaska.

YKHC has had the benefit of lessons learned from our Rural Utility Cooperative, or RUC, which provides a variety of technical assistance and management services to community water and sewer systems. These lessons point to two things – economies of scale and the need for continuity in system components. My point here is that it should be the policy of the State, as new energy systems are developed and brought on line to ensure uniformity of technology and the provision of technical assistance.

While we encourage the development of new generating systems, particularly wind systems, we do not believe it is economical for an organization like ours to build stand-alone capacity. A 50 KW wind powered turbine contributing about 1% of the Hospital's electric needs hardly offsets the high cost of construction and operation. Aggregated wind systems like AVECs and Chaninik's make far more sense.

There is no incentive here in Bethel for the local power utility to explore alternative energy to reduce energy costs when they can simply pass on fuel costs to their consumers, including YKHC. Also waste heat costs from the local power plant per BTU are nearly the same as heating oil costs per BTU when it seems it should be substantially less.

Thank you, and I will be happy to answer any questions you might have.