

5-29-09

Statewide Energy

Policy, Bethel

Public

Testimony,

HB 218, HB 219

<target><bill>HB 218</bill><subject>5-29-09 Statewide Energy
Policy, Bethel Public Testimony, HB 218, HB
219</subject><comm>HENE26</comm></target>

House Special Committee on Energy

Rep. Charisse Millett

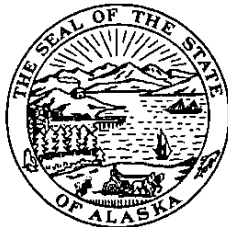
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AGENDA

Friday, May 29, 2009

1:00 p.m. – 4:00 p.m.

Bethel City Council Chambers

-
- + = STATEWIDE ENERGY POLICY DISCUSSION
 - + = **HB218** CREATING DEPT OF ENERGY / AEA BD
 - + = **HB219** RENEWABLE ENERGY GRANT REQUIREMENTS

- * First hearing in first committee of referral
- + Teleconferenced
- = Bill was previously heard / scheduled

AVCP Calista Region

Biennial Energy Plan 2008-2010

***Nuvista Light and Electric Cooperative, Inc.
A regional wholesale cooperative participated by
Calista Corporation/AVCP/AVCPRHA/YKHC/AVEC/Chaninik Wind
Group/MKEC/Kwethluk Power/ Yukon Delta Fisheries Development
Association***

Introduction

The AVCP CALISTA Regional Biennial Energy Plan is the work and the progress of the AVCP Calista Regional Leadership to:

- **develop and adopt a long term energy policy for sustainable energy**
- **work collectively and combine our resources**
- **identify conventional and non-conventional renewable energy development**
- **identify strategies for funding and deployments methods**

Regional Leadership

Executive officers, board members, staff of the major regional organizations, local governments, utilities and the business community.

The Leadership is using the Nuvista Light and Electric Cooperative on the Biennial Energy Plan.

The Nuvista Light and Electric Cooperative, Inc. a regional wholesale utility formed by Calista Corporation and currently administered by the Association of Village Council Presidents.

Energy Planning Participants

**Sven Paukan, Nuvista Chairman, AVCP Board, Andreafski Tribe
Paul George Guy, Nuvista Vice-Chairman, Calista Board, Kwethluk
Power Company and Kwethluk Inc.**

**Arthur S. Heckman Sr., Nuvista Secretary, Calista Board, Pilot
Station Village Corporation**

Daniel Waska, Nuvista Treasurer, AVCP Board, Atmaultluak Tribe

Moses Owen, Nuvista Board, AVCP Board, Akiak Tribe

Willie Kasayulie, Nuvista Board, Calista Board

Myron Naneng, AVCP President

Ron Hoffman, AVCP Regional Housing Authority CEO

Robert Nick, AVCP Regional Housing Authority Board Chairman

Martin B. Moore, City of Emmonak

William Igkurak, Chaninik Wind Group Chairman

Matthew Nicolai, Calista Corp., President & CEO

Andrew Guy, Calista Corp., General Counsel

Doug Nicholson, Donlin Creek, LLC, General Manager

Brent Petrie, Alaska Village Electric Cooperative, VP

Ernie Baumgartner, Middle Kuskokwim Electric Cooperative, CEO

Gene Peltola, Yukon Kuskokwim Health Corporation, CEO

Task Force and Committees

Western Alaska Fuel Task Force

Chair - Meera Kohler, AVEC

Elaine Brown, Northstar Gas

Greg McIntyre, YKHC

Ivan M. Ivan, Akiak TC

Willie Kasayulie, Calista Corporation

Deborah Vo, Yukon Delta Fisheries Development Association

Allen Joseph, AVCP Regional Housing

Legislative Committee

Chair- Michelle Sparck, AVCP

Elaine Brown, North Star Gas

Rep. Bob Herron

Allen Joseph, AVCP Regional Housing Authority

Meera Kohler, AVEC

Mary Nelson, Donlin Creek LLC Biennial Energy Plan

Renewable Energy Committee

Chair - John Sargent, City of Bethel

William Igkurak, Chaninik Wind Group

Brent Petrie, AVEC

Goals and Deployment Objectives

Energy Security and Economic Stability

- **Develop integrated energy solutions that meet local energy requirements and economic development needs**

Energy Parity and Stability

- **Establish statewide energy cost parity to make home heating affordable and equitable**

Energy Generation and Transmission

- **Pursue an All Alaskan Generation and Transmission Utility to save energy dollars and reduce electricity rates across All Alaska**

Integrated Renewable Energy Solutions

- **Expand Wind Energy Projects along the eastern Bering Sea Coast and the Bethel area**
- **Determine feasibility for integrated wind/diesel/solar/biomass heating and electric systems with community heat storage system.**
- **Determine feasibility of Regional Hydroelectric Project (Lake Chikuminuk) to provide region-wide electricity and heat.**
- **Develop and install Biomass projects: including wood fired boilers, heaters and wood chippers for community facilities and buildings.**

Statewide heating fuel price parity

Introduce statewide heating fuel price parity legislation to cap at \$3 per gallon (September 1 through March 31) for all Alaska residents

- **Formula (delivered fuel cost above \$3.00 X total gallons for number of households served) not including O&M, overhead cost, etc.**
- **Fuel Price Parity set only when price of oil per barrel results in delivered cost of fuel above \$3.00 per gallon (note: in 2009 most communities delivered costs are under \$3.00 per gallon)**
- **Formula (delivered cost above \$3.00 X total gallons for number of households served) not including O&M, overhead cost, etc.**

All Alaskan G&T Utility to include Rural, Southeast and Railbelt

- **Takes ownership of G&T Assets across Alaska**
- **Power costs are pooled and power bought back at postage-stamp rate or a 2 tier rate (utilities then add their costs and sell it to customers)**
- **Costs range from 5¢ to 50¢ kWh**
- **Distribution costs range from 3¢ to 20¢ kWh**
- **PCE currently costs \$30 million per year**
- **Rural school electricity costs \$20 million per year**
- **Other state rural offices pay \$20 million per year**

By going to All Alaska G&T the state saves energy money to pay for a significant portion of major project investments thereby driving generation costs down to stabilize rates.

Rural utilities can work together to reduce their delivered costs via shared services and other methods.

End results are rates costing about 25¢ kWh and making PCE unnecessary.

Regions and communities no longer have to compete for investment grants as the AAG&T would build the projects to benefit all Alaskans.

Rural villages will no longer have to struggle with O&M.

The State is currently promoting a Generation and Transmission (commonly known as a G&T) utility for the entire Railbelt. Under that scenario, the existing six utilities will no longer be responsible for developing new G&T projects and possibly will also turn their existing G&T assets over to the new G&T. Power will be generated by the G&T and will be delivered to the existing utilities, generally at a "postage-stamp" rate. The receiving utilities, which will be distribution utilities, will be responsible to deliver the electricity to the end users and will bill the customers.

The AAG&T expands this concept to the entire state. The AAG&T would essentially take ownership of the generation assets throughout the state. To accomplish this, the existing utility essentially "spins-off" its generating plant to the new organization, which would then operate it. All the power costs across the state would be pooled into a single bucket. Each distributing utility would then buy power back from the pool at a postage-stamp rate or, perhaps, a two-tiered rate, and would then add their own costs to that power and sell it to their customers.

- Power generation costs currently range from 5 cents to 50 cents a kWh.
- Distribution costs range from 3 cents to 20 cents a kWh.
- PCE currently costs the State \$30 million a year.

- Rural school electricity costs the State \$20 million a year.
- Other State rural offices pay electric bills of \$20 million a year.

By going to an AAG&T concept, the State could conceivably save enough energy dollars to pay for a significant portion of investment into major projects benefiting the Railbelt, thereby driving the cost of generation down enough to essentially pay for the power cost subsidy necessary to equalize the cost of generated power across the state. The delivered cost across the state will vary because smaller utilities will obviously have higher distribution and administration costs per kWh, but those utilities can work together to reduce those costs through shared services and other measures.

The end result would be electricity costing from about 8.5 cents a kWh to about 25 cents a kWh to every Alaskan. PCE would no longer be needed and the endowment could be put to its best use as an investment in a major project like Susitna. Regions and communities would no longer have to compete for investment grants as the AAG&T would build the projects that will deliver the maximum benefit to **all** Alaskans. Rural villages would no longer have to struggle to operate and maintain complex generation systems and instead would all support the best investments for the State since they would all benefit directly from every dollar invested in generation assets.

Goals and Deployment Objectives (cont.)

Consolidate local individual utilities into Regional Cooperative Utilities

- *Bethel and nearby 12 villages*
- *Coastal and Tundra villages*

Sub-regional inter-ties

- *Pursue sub-regional inter-ties and distribution systems beginning with an inter-tie to connect the villages of Alakanuk and Emmonak; and the villages of St. Mary's, Mountain Village and Pilot Station.*

Bulk Fuel – Western Alaska Fuel Task Force

1. *Reduce fuel consumption in 2009 by 10%*
 - a. *Determine fuel users, consumption, and storage capacity of each community (utility, schools, village corporations, local organizations, tribal council)*
 - b. *Link villages/users together under cooperative purchase agreements*
2. *Seek changes to State and Federal Fuel Programs*
3. *Conduct Education Outreach*

AVCP Calista Region's Energy Supply and Demand

Fuel Price and Electricity

Prices for residential heating oil, regular gasoline increased well over 100% since 2007 in many of the regions villages (prices without taxes). The AVCP Calista region's prices have followed national trends and will continue to be linked to world oil prices. Delivered prices in spring 2008 rose to \$8.00 gallon for home heating fuel throughout the region.

Electric utility rates are higher as 2009 begins, between 53¢ and 65¢ per kWh, and electric bills have been averaging around \$342 to \$360 per month in villages of the region. Usage has been anywhere around 530kWh to 750kWh per household. Increases in the electric rates have been reflective of higher delivered fuel costs in recent years and the PCE program has been significant in every community in helping to make electricity affordable to families in the region.

Fuel costs have been going up between \$6.00 and \$8.00 per gallon. Recently in the village of Emmonak fuel had to be flown in at a cost near \$10.00 per gallon when local storage runs out. Energy costs take up a significant portion of family disposable income, which in recent months is estimated 60% to 70% due to price hikes.

Any further increases in fuel costs and electric rates will have the effect of making fuel and electricity unaffordable. Recent studies that were conducted in the region (Nuvista Light and Power 2002 and 2004 Energy Studies) have shown that lower income residents devote higher amounts of their disposable income to energy and use less.

Unemployment rates are currently between 16.6 and 22.8 for the Bethel and Wade Hampton Census districts respectively. However, the jobless rate is even more significant and relevant indicator of the economic condition in the region. The rate is 38.5% and 43.3% for the Bethel and Wade Hampton census districts. Total income in 2007 for the Bethel census district was \$431.4 million and \$124.8 million which provided a median income of \$45,200 and average monthly income about \$2,700 for the Bethel

census district; and \$36,600 median income and \$1,750 average monthly for the Wade Hampton census district.

2008 Kuskokwim Salmon Fishery

A total of 494,108 salmon was harvested in 2008 in the Kuskokwim area by 462 permit holders for an estimated ex-vessel value of \$1,487,111. This provides an exvessel value of \$3,219 per permit holder. (2008 ADF&G Kuskokwim River Salmon Fishery Report)

2008 Yukon Commercial Fishery Summary

A total 312,513 salmon were commercially harvested in the Lower Yukon in 2008. A total of 444 permit holders fished in the Lower Yukon area for a total of \$1,363,746 in ex-vessel earnings from the 2008 commercial fishery. This provides an exvessel value of \$3,071 per permit holder. (ADF&G 2008 Annual Yukon Salmon Fishery Report)

Both higher fuel costs and increases to electric rates also have the effect of making other local goods and services unaffordable. This has been demonstrated since the fall of 2008 with the onset of winter and freezing temperatures. Because of low income and higher energy costs, there were numerous families in the region that were unable to afford fuel, electricity and food items from the local store. This humanitarian crisis surfaced in numerous news media and generated food drives and donations to villages in the Yukon delta.

This is an indicator that populations throughout the region are vulnerable, local economies are fragile and susceptible to further fuel and price and electric rate increases.

Fuel Price and Use

Prices for residential heating oil, regular gasoline increased well over 100% since 2007 in many of the regions villages (prices without taxes). The AVCP Calista region's prices have followed national trends and will continue to be linked to world oil prices. Delivered prices in spring 2008 rose to \$8.00 gallon for home heating fuel throughout the region.

The news media reported earlier in 2008 the fuel bill for the Alaska Village Electric Cooperative, which serves 53 small villages in the west of the state, went up to \$26 million from \$14 million in 2007.

Village residents are already paying electric bills of \$300 a month and will look to rates increasing to an unaffordable one-third to one-half from fuel increases. With average household incomes of only \$17,500 many families are unable to maintain their livelihood and support their families.

Fuel costs by village (Tundra Drums Newspaper 1/3/08)

The price of gasoline and heating oil in the Yukon-Kuskokwim Delta is sometimes twice that of prices in Anchorage and Fairbanks. Villages are ranked by the cost of heating oil, from highest to lowest.

| Village | Vendor | Gasoline | Heating oil |
|------------------|---------------------------------|----------|-------------|
| Akiachak | Akiachak Fuel Sales Inc. | \$5.55 | \$5.44 |
| Akiak | Stephan Ivan and Sons Store | \$5.00 | \$4.60 |
| Alakanuk | Alakanuk Native Store | \$5.83 | \$5.04 |
| Aniak | Crowley Maritime Corp. | \$4.62 | \$4.28 |
| Atmautluak | Atmautluak Ltd. Store | \$4.93 | \$4.81 |
| Bethel | Northstar Gas | \$4.84 | \$4.55 |
| Chefornak | Chefarnmute Inc. Yupiak Store | \$5.46 | \$4.44 |
| Chevak | Chevak Co. Store | \$5.35 | \$5.15 |
| Chuathbaluk | City of Chuathbaluk | \$5.10 | \$5.15 |
| Crooked Creek | Thomas Trading Post | \$5.95 | \$5.85 |
| Eek | Iqijouaq Co. Inc. | \$5.11 | \$5.15 |
| Emmonak | Emmonak Corp. | \$5.91 | \$4.85 |
| Gambell | Gambell Native Store | \$6.02 | \$4.89 |
| Goodnews Bay | Mumtram Pikkai Inc. | \$5.25 | \$4.12 |
| Grayling | HYL Fuel | \$5.50 | \$4.50 |
| Holy Cross | Holy Cross Oil Co. | \$5.30 | \$4.55 |
| Hooper Bay | Crowley Maritime Corp. | \$5.32 | \$5.05 |
| Kasigluk | Kasigluk Inc. | \$5.45 | \$5.40 |
| Kipnuk | Kugkaktlik Ltd. | \$5.51 | \$4.60 |
| Kongiganak | Qemirtalek Store | \$4.48 | \$4.45 |
| Kotlik | Kotlik Yup'ik Enterprises | \$5.95 | \$5.11 |
| Kwethluk | Kwethluk Sports Store | \$5.16 | \$4.96 |
| Kwigillingok | Kwik Inc. | \$5.35 | \$4.85 |
| Marshall | Marshall Enterprises | \$4.83 | \$4.88 |
| McGrath | Crowley Maritime Corp. | \$5.73 | \$4.92 |
| Mekoryuk | NIMA Store | \$5.42 | \$4.82 |
| Mountain Village | Azachorok Fuel Co. | \$5.01 | \$4.81 |
| Napaskiak | Napaskiak Tribal Council | \$5.08 | \$5.15 |
| Newtok | Newtok Traditional Council | \$4.99 | \$4.90 |
| Nunapitchuk | Nunapitchuk Ltd. general store | \$5.40 | \$5.35 |
| Pilot Station | Pilot Station Inc. Native Store | \$6.08 | \$5.98 |
| Quinhagak | Qanirtuuq Inc. | \$5.40 | \$4.87 |
| Russian Mission | Russian Mission Native Corp. | \$5.52 | \$4.75 |
| Savoonga | Savoonga Native Store | \$5.76 | \$4.83 |
| St. Marys | Crowley Maritime Corp. | \$4.85 | \$4.86 |
| Togiak | Togiak Fuel Distributors LLC | \$4.21 | \$3.68 |
| Toksook Bay | Nunakaviak Yup'ik Corp. | \$5.89 | \$5.24 |
| Tuluksak | Tuluksak Native Store | \$4.93 | \$4.32 |
| Tuntutuliak | Qinarmiut Corp. Store | \$5.00 | \$5.15 |
| Tununak | Tununmiut Rinit Corp. | \$4.75 | \$4.56 |
| Upper Kalskag | City of Upper Kalskag | \$5.15 | \$5.00 |

For comparison:

Anchorage Various \$3.06 \$3.20

Fairbanks Various \$3.07 \$3.18

SOURCE: Telephone survey by The Tundra Drums

Fuel Prices as of May 12, 2009

| Villages | Stove oil per gallon | with tax | Fuel | with tax |
|---------------|-------------------------|----------|------|----------|
| Akiachak | 7.06 | 7.41 | 6.59 | 6.91 |
| Akiak | 6.45 | no tax | 6.25 | no tax |
| Alakanuk | 7.25 | 7.54 | 6.74 | 7.03 |
| Atmautluak | 5.69 | 5.86 | 5.75 | 5.92 |
| Chefornak | 7.90 | 8.06 | 7.55 | 7.70 |
| Chevak | 5.95 | no tax | 6.00 | no tax |
| Eek | 6.62 | 6.75 | 6.29 | 6.42 |
| Emmonak | 7.60 | 7.83 | 7.04 | 7.25 |
| Goodnews Bay | 6.14 | 6.32 | 6.71 | 6.91 |
| Kasigluk | 5.69 | 5.92 | 5.74 | 5.97 |
| Kipnuk | 7.71 | 7.94 | 7.13 | 7.34 |
| Kongiganak | 6.50 | no tax | 5.90 | no tax |
| Kotlik | Cash | 7.85 | 7.55 | 8.55 |
| Kotlik | Charge | 7.79 | 7.61 | 8.55 |
| Kwethluk | 8.10 | no tax | 5.86 | no tax |
| Kwigillingok | 6.70 | | | |
| Marshall | 7.25 | 7.54 | 6.98 | 7.26 |
| Mekoryuk | 6.08 | 6.32 | 5.49 | 5.71 |
| Mtn. Village | 6.82 | 7.02 | 6.31 | 6.50 |
| Napakiak | 6.40 | 6.59 | 5.75 | 5.92 |
| Napaskiak | | | | |
| Newtok | 6.47 | no tax | 6.30 | 6.42 |
| Nightmute | 7.93 | no tax | 7.74 | no tax |
| Nunam Iqua | 7.35 | no tax | 7.20 | no tax |
| Nunapitchuk | 5.69 | 5.86 | 5.74 | 5.91 |
| Oscarville | | | | |
| Pilot Station | 7.13 | 7.42 | 6.55 | 6.81 |
| Platinum | 5.45 | no tax | 5.75 | no tax |
| Quinhagak | 7.02 | 7.23 | 6.22 | 6.41 |
| Scammon Bay | 6.90 | 7.07 | 6.79 | 6.93 |
| Toksook Bay | 7.86 | no tax | 7.98 | 8.13 |
| Tuluksak | 6.79 | 6.99 | 6.39 | 6.58 |
| Tuntutuliak | 6.86 | no tax | 6.60 | no tax |
| Tununak | 6.14 | no tax | 5.43 | no tax |
| Hooper Bay | 7.37 | no tax | 7.16 | no tax |
| St. Mary's | 6.67 | no tax | 6.41 | no tax |

Electricity

| Utility | Community | Pop 06/30/07 | Total Fuel Used (gallons) | Total Cost of Fuel/Gallon | Avg Price of Fuel/Gallon | Total Diesel Generated kWhs |
|---|------------------|-----------------|---------------------------------|------------------------------|--------------------------------|--------------------------------------|
| Akiachak Native Community Electric Co. | Akiachak | 644 | 181,453 | \$ 596,325.38 | \$ 3.29 | 1,800,172 |
| Akiak, City of | Akiak | 378 | 90,305 | \$ 272,651.20 | \$ 3.02 | |
| AVEC | Alakanuk | 678 | 132,087 | \$ 248,342.41 | \$ 1.88 | 1,757,214 |
| AVEC | Chevak | 916 | 180,785 | \$ 345,846.13 | \$ 1.91 | 2,287,638 |
| AVEC | Eek | 291 | 56,570 | \$ 108,336.85 | \$ 1.92 | 775,087 |
| AVEC | Emmonak | 740 | 202,893 | \$ 385,988.38 | \$ 1.90 | 2,884,529 |
| AVEC | Goodnews Bay | 238 | 54,725 | \$ 105,155.68 | \$ 1.92 | 686,347 |
| AVEC | Hooper Bay | 1,133 | 207,586 | \$ 389,582.77 | \$ 1.88 | 922,360 |
| AVEC | Kasigluk | 534 | 162,151 | \$ 310,947.73 | \$ 1.92 | 2,235,444 |
| AVEC | Lower Kalskag | 252 | | \$ | *** | |
| AVEC | Marshall | 370 | 86,539 | \$ 164,360.37 | \$ 1.90 | 1,203,402 |
| AVEC | Mekoryuk | 192 | 68,559 | \$ 128,585.15 | \$ 1.88 | 962,073 |
| AVEC | Mountain Village | 786 | 176,569 | \$ 330,378.50 | \$ 1.87 | 2,615,914 |
| AVEC | Nightmute | 234 | 45,085 | \$ 84,482.52 | \$ 1.87 | 588,666 |
| AVEC | Nunapitchuk | 516 | | \$ | *** | |
| AVEC | Pilot Station | 565 | 128,455 | \$ 241,443.70 | \$ 1.88 | 1,701,354 |
| AVEC | Pitkas Point | 103 | | \$ | *** | |
| AVEC | Quinhagak | 642 | 134,072 | \$ 259,790.18 | \$ 1.94 | 1,802,038 |
| AVEC | Russian Mission | 329 | 59,709 | \$ 111,665.65 | \$ 1.87 | 815,679 |

| | | | | | | | |
|--|---------------------------|-------|-----------|---------------|----|-----|------------|
| AVEC | Scammon Bay | 509 | 121,579 | 296,144.96 | \$ | \$ | 1,635,960 |
| AVEC | St. Mary's, Andreafsky | 715 | 215,077 | 408,856.64 | \$ | \$ | 3,196,819 |
| AVEC | Toksook Bay | 596 | 139,588 | 267,737.43 | \$ | \$ | 2,552,597 |
| AVEC | Tunanak | 328 | - | - | \$ | *** | - |
| AVEC | Upper Kalsag | 276 | 91,301 | 172,331.09 | \$ | \$ | 1,255,023 |
| Aniak Light & Power Company | Aniak | 528 | 195,889 | 540,199.25 | \$ | \$ | 2,569,600 |
| Atmautluak Joint Utilities | Atmautluak | 304 | 53,931 | 173,703.84 | \$ | \$ | 33,269 |
| Bethel Utilities Corp. | Bethel/Oscarville | 6,019 | 3,084,531 | 11,632,705.15 | \$ | \$ | 42,140,800 |
| Kipnuk Light Plant | Kipnuk | 688 | 142,565 | 451,036.54 | \$ | \$ | 1,427,939 |
| Kotlik Electric Services | Kotlik | 609 | 151,270 | 486,744.88 | \$ | \$ | 1,763,129 |
| Kwethluk, Inc. | Kwethluk | 695 | 100,363 | 285,573.91 | \$ | \$ | 1,438,119 |
| Kwig Power Company | Kwigilligok | 361 | 70,347 | 189,187.38 | \$ | \$ | 1,065,250 |
| Lime Village Electric Utility | Lime Village | 28 | 9,721 | 51,666.35 | \$ | \$ | 101,016 |
| MKEC | Chuathbaluk | 93 | 25,565 | 81,655.43 | \$ | \$ | 258,721 |
| MKEC | Crooked Creek | 145 | 23,876 | 76,182.40 | \$ | \$ | 274,824 |
| MKEC | Red Devil | 36 | 15,424 | 49,270.05 | \$ | \$ | 151,124 |
| MKEC | Sleetmute | 92 | 27,655 | 87,272.92 | \$ | \$ | 286,831 |
| MKEC | Stony River (11) | 42 | 15,078 | 47,499.46 | \$ | \$ | 143,427 |
| Napakiak Ircinraq Power Company | | 373 | - | - | \$ | *** | - |

| | | | | | | |
|--------------------------------------|-----------------|-----|--------|---------------|---------|---------|
| Napaskiak Electric Utility | | 428 | 74,098 | \$ 235,252.27 | \$ 3.17 | 934,527 |
| Naterkaq Light Plant | Chefornak | 457 | 73,122 | \$ 264,217.17 | \$ 3.61 | 904,180 |
| Nunam Iqua Electric Company | | 158 | 51,717 | \$ 154,223.89 | \$ 2.98 | 699,396 |
| Platinum, City of | | 38 | 20,570 | \$ 76,508.11 | \$ 3.72 | 199,072 |
| Puvurna Power Company | Kongiganak | 427 | 77,820 | \$ 229,133.10 | \$ 2.94 | 951,274 |
| Tuluksak Traditional Power Utility | | 466 | 75,738 | \$ 228,234.80 | \$ 3.01 | 869,717 |
| Tuntutuliak Community Service Assoc. | Tuntutuliak (7) | 399 | 43,963 | \$ 100,930.75 | \$ 2.30 | 542,072 |
| Unqusrag Power Company | Newtok | 315 | 39,791 | \$ 60,148.68 | \$ 1.51 | 274,248 |

(2007 PCE Statistical Report, State of Alaska)

Economic and Community Development Analysis

High costs of living impact on regional income, poor salmon runs and competition from international markets on local fishery, high dependency on government grants, high energy costs, fuel shortages combined with high fuel costs, inadequate transportation and energy infrastructure, high unemployment; all of which are symptomatic of basic economic and community problems the region is faced with today. These present very comprehensive challenges requiring initiatives that involve coordination of efforts between the various service organizations with resources to assist in economic development activities in the region.

Average Prices of Fuel and Food Items in the Region

These are some current prices as of 02/25/09

| | |
|--|---|
| Stove Oil: | Average Ticket from Village to Bethel Round Trip: |
| <u>\$7.00</u> per gallon (Bulk) | <u>\$410.86</u> |
| Regular Unleaded Gasoline: | Average Ticket from Village to Anchorage Round |
| <u>\$6.69</u> per gallon | Trip: |
| Propane: | <u>\$556.36</u> |
| <u>\$264.00/100#</u> -25 gal. bottle | Basic Cellular Service: |
| Telephone Service (Basic): <u>\$34.43/mo</u> | <u>1200/min \$55.00/avg. Monthly</u> |
| Housing Payment/Rent: <u>\$290.00</u> to | Snow-machine 550-800cc <u>\$8,200.00</u> |
| <u>\$683.00</u> | Outboard Motor 100-115hp <u>\$10,713.00</u> |

SELECTED FOOD ITEMS (ON SALE IN LOCAL STORE)

| | |
|-----------------------|----------------------|
| 10lb of Potatoes: | 10 lb. Flour: |
| <u>\$10.99</u> | <u>\$15.43</u> |
| Apples: | Beef Steak: |
| <u>\$2.86/lb</u> | <u>\$13.44/lb</u> |
| Bath Tissue: | Ground Beef: |
| <u>\$34.56/24 pkl</u> | <u>\$5.11/lb</u> |
| 1 Doz. Grade A Eggs: | Gallon of Milk: |
| <u>\$4.36</u> | <u>\$9.26</u> |
| 1 Lb. Coffee: | White Bread: |
| <u>\$10.28</u> | <u>\$4.12</u> |
| 1 lb. Butter | Sales Tax: <u>2%</u> |
| <u>\$5.00</u> | |

2008 Kuskokwim Salmon Fishery

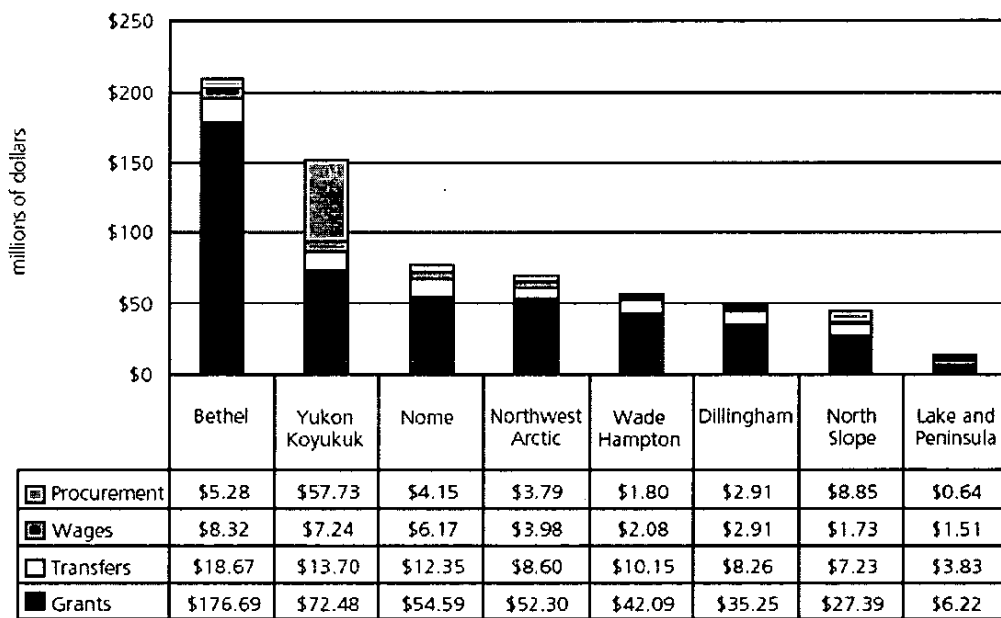
A total of 494,108 salmon was harvested in 2008 in the Kuskokwim area by 462 permit holders for an estimated ex-vessel value of \$1,487,111. (2008 ADF&G Kuskokwim River Salmon Fishery Report)

2008 Yukon Commercial Fishery Summary

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Grants in the Bethel Region

Figure 5-3. Federal Money in Remote Rural Census Areas, 2000



Source: ISER, Status of Alaska Natives Report, 2004, page 5-13; [Consolidated Federal Funds Report]

As the center for goods, services and government the Bethel census area is heavily dependent upon government grants. The graph above demonstrates how much the Bethel census area weighs in compared to other regions of Alaska when it comes to government grants. The region is susceptible to policy changes in government that impact the level of government grant funding.

Fossil Fuel Resources

Petroleum Supply

The AVCP Calista region has a few identified potential fossil fuel resource exploration targets and imports 100 percent of its petroleum. There are no refineries that exist in the region and distances from large bulk fuel facilities are far from villages making transportation of fuel an issue.

Fuel Shipping

Transporting the fuel from West Coast USA/Canada or Cook Inlet to Bethel and points along the Kuskokwim River requires the following steps: (1) line-haul barge transportation from the supply source across open ocean and up the Kuskokwim River to Bethel, (2) off-load and temporary storage at Bethel, and (3) transfer of fuel to smaller river barges and delivery to Kuskokwim area villages. The shallow nature of the Kuskokwim River above Aniak (between Bethel and Crooked Creek) provides the greatest challenge, both physically and financially, to delivering fuel to middle Kuskokwim River villages.

Both Yukon Fuel Company and Crowley Marine each operate tank farms in Bethel. Fuel for mid and lower Yukon villages is barged down river from Nenana to fuel storage facilities in villages along the Yukon River by Yutana Barge lines. Early spring often means air shipment by Everts Air Cargo or by other air cargo freighter to villages in the region when villages run out of fuel.

Disruptions in the supply and distribution chain of fuel throughout the system can create a severe and prolonged shortage of fuel and price volatility. Added surcharges when fuel often has to be delivered by air cargo, creates a additional hardship on village residents.

Fuel is delivered from the months of June to September with approximately 150 days of barge delivery. Bulk fuel storage for Bethel is shown as follows:

Tank Owners / Total Capacity

Yukon Fuel Co. 9.4 million gal

Crowley Marine 5.6 million gal

Airport 120,500 gal

Bethel Utilities Corporation 51,000 gal

U.S. Federal Aviation Administration 44,000 gal

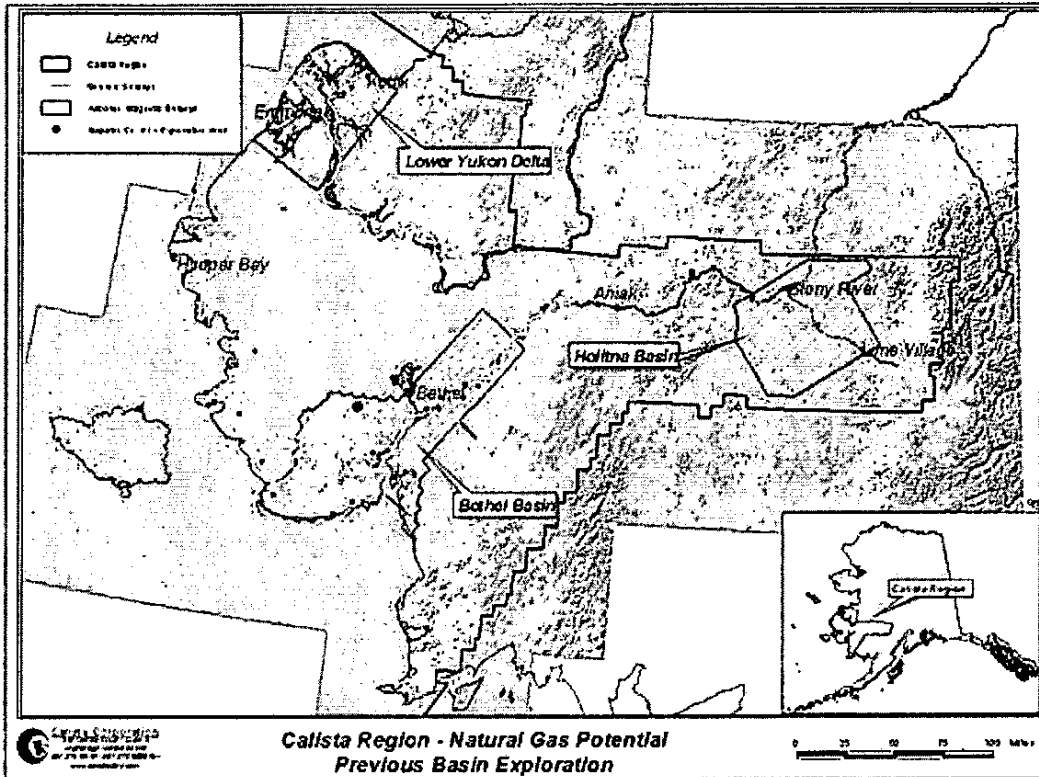
Natural Gas Supply

Natural Gas and Oil Exploration/Venture Activities

(Calista Corporation - AVCP 2004 Economic Summit)

Aeromagnetic surveys in the region conducted by the State of Alaska Division of Geological & Geophysical Surveys for conventional hydrocarbon resources focused on three geographic areas: The Bethel Basin, the Lower Yukon Delta, and the Holitna Basin. According to geologists the potential for conventional petroleum resources is nonexistent. The source rock studies done to date have been mostly negative in this regard. However, there has been no drilling conducted to provide information about subsurface conditions to make definitive results on the potential for shallow gas. And in each basin the potential for shallow gas within the Tertiary section has not been fully explored. As technology improves for developing small shallow gas resources then it is possible to re-examine these areas for exploration.

The Bethel Basin is a Cenozoic non-marine basin, roughly outlined by a 5800 square mile airborne magnetic survey area flown by the state in 1994-1996. The regions lone exploration well is the Napatuk Creek #1 drilled by Pan American in 1961 to a very dry depth of 14,890 feet. The main target was a very subtle low gravity area, which turns out to be on the flank of the basin. 2-D seismic data collected for Shell Oil in the early seventies outlined an elongate structural basin to the south (ed. near the village of Kipnuk). The Yukon Delta is a large modern deltaic complex underlain by non-marine Tertiary sandstone and shale, unconformably overlying a thick, complexly deformed flysch. The delta is on the edge of Norton Basin in Norton Sound. 2D seismic coverage by Amoco in the early eighties identified an antiformal closure (ed. at the mouth of the Yukon River) that was apparently slated to be drilled. The Holitna Basin is a Cenozoic non-marine tectonic basin in the lowland draining the Alaska Range to the east and the Kuskokwim Mountains to the west. It is adjacent to the Denali Farewell fault zone, a regionally dominant right-lateral fault system. It has many similarities to other interior basins like the Minchumina Basin further east. It is characterized by a prominent, but small, -40mgal gravity low. Note that it is also about 45 miles from Donlin Creek. The Holitna is rimmed by Paleozoic basinal and platform carbonates; Triassic carbonates and marine siliciclastics.



Propane (LPG – Liquid Petroleum Gas)

Households and Utilities

Propane is presently used in most villages in the region, primarily for cooking, and some water heating, and to a lesser extent space heating. Total Household and Utility Propane Demand in Bethel are approximately as follows:

ISO Container Barge (Gallons)
Bethel 378,000 household and 7,761,000 utility

Renewable Energy Resources

Wind, hydroelectricity projects, biomass (wood and organic solid waste), and to some degree solar energy along with alternative fuels can provide the AVCP Calista region with energy sustainability, independence and rural community development. The recently completed Alaska Energy Authority Energy guide demonstrates the potential generation capability for renewable energy based upon location to potential hydroelectric power and wind class and other available renewable energy sources.

Wind

There is abundant wind energy resource available in the AVCP Calista region. The 2002 Nuvista study evaluated wind generation in those villages where there is sufficient wind resources to justify installation of wind turbines. The study assumed wind generation would be considered in areas where the Wind Power Class is 4/5 or greater as designated in the Wind Energy Resource Atlas of the United States.

| <u>Wind Power Class</u> | | | |
|-------------------------|-------------|-------------|-------------|
| 7 | 6 | 5 | 4 |
| Sheldon's Point | Emmonak | Kotlik | Mt. Village |
| Scammon Bay | Alakanuk | Nunapitchuk | St. Mary's |
| Hooper Bay | Tuntutuliak | Kasigluk | |
| Chevak | | Atmautluak | |
| Newtok | | Eek | |
| Tununak | | | |
| Toksook Bay | | | |
| Nightmute | | | |
| Chefornak | | | |
| Kipnuk | | | |
| Kongiganak | | | |
| Kwigillingok | | | |
| Quinhagak | | | |
| Goodnews Bay | | | |
| Platinum | | | |
| Mekoryuk | | | |

It is assumed that a maximum allowable wind penetration of 50% would not be unreasonable. A maximum wind penetration of 50% would require a total installed wind turbine capacity of 935 kW. Using this information, in conjunction with wind power density in Watts/meter² for each wind power class, it is possible to develop an approximate relationship involving installed wind turbine capacity, annual energy generated and wind power class. This relationship is summarized in the following table.

(Assumes 50% Wind Penetration)

Percent of Total EnergyKilowatts Generated per

| Wind Power Class | Generated from Wind | Installed KW |
|-------------------------|----------------------------|---------------------|
| 4/5 | 6.5 | 1505 |
| 5/6 | 8 | 1912 |
| 6/7 | 16.5 | 3824 |
| 7 | 23.7 | 5481 |

The data can be used to estimate the total installed capacity and the total annual kWhs generated by wind turbines if the wind power class and annual village energy requirements are specified. For example, if a village's annual energy requirement is 4,000,000 kWhs and it is located in wind power class 7 area, the total percent of the village's annual energy requirements generated by wind turbines is 23.7% x 4,000,000 or 948,000 kWhs annually. Installed wind turbine capacity is calculated by dividing 948,000 kWhs by 5481 kWh/KW, which results in a total installed wind turbine capacity of 173 kW.

There are two wind generation projects developed and managed by the Alaska Village Electric Cooperative. These are located in the communities of Toksook Bay on Nelson Island on the Eastern Bering Sea Coast, and Kasigluk which is 20 miles west of Bethel.

Toksook Bay (Alaska Village Electric Cooperative)

Three 100 kW Northern Power Systems Northwind 100 turbines were installed in 2006. This wind-diesel system also supplies power to nearby Tununak and Nightmute. This system is estimated to displace 52,000 gallons of diesel fuel per year. (AEA)

Kasigluk (Alaska Village Electric Cooperative)

Three 100 kW Northern Power Systems Northwind 100 turbines were installed in the summer of 2006. This wind-diesel system also supplies power to nearby Nunapitchuk and Old Kasigluk. This system is estimated to displace 52,000 gallons of diesel fuel per year. (AEA)

In recent years local utilities have become more interested in co-generation capabilities based upon the wind energy potential demonstrated by these projects. Four villages of the lower Kuskokwim River Bay area joined together under an organization called the Chaninik Wind Group whose aim is to develop wind generation capacity of the four villages in that area and reduce their dependence on fossil fuel generated electricity and heating. They are currently engaged in developing a wind development project to determine the feasibility of a subregional wind farm project to serve the four villages and will also determine the wind resource availability for expansion and possible build-out to other parts of the region. The Chaninik Wind Group received a \$4.8 million state grant in 2008 to pursue these efforts.

Regional Hydroelectric Power

It has been estimated from previous studies conducted involving a potential Kuskokwim region Hydroelectric project that approximately 16 to 30 megawatts of power and roughly 130 million kwh of energy may be available for Bethel and the 12 villages from Tuluksak to Quinhagak located along the Kuskokwim River. This project has the potential of replacing diesel as the primary source of energy in this region. Reconnaissance studies conducted for the Alaska Power Authority of this project demonstrated energy costs of 18¢ per kwh as opposed to 30¢ per kwh for continued diesel generation with a medium interest rate of 7%. In today's dollars that could equate to approximately 23¢ per kwh as opposed to 38¢ per kwh based upon conservative estimates of inflation costs. 2007 PCE reports indicate costs of 40¢ per kwh to 60¢ per kwh without PCE adjustments for continued diesel power generation demonstrating greater potential savings per household. Additional savings to the state in the form of reduced PCE requirements provide added cost saving benefit to the state over the long term. Hydroelectric power in the Kuskokwim Region is a viable first alternative compared to wind and other renewable energy options. Wind energy systems installed in the region have proven to be expensive and can only provide a portion savings in diesel fuel costs. Diesel fuel costs are expected to remain high for the foreseeable future and the consistency of lower energy costs provided by a full capacity regional hydroelectric system offers a significant advantage over the long term for the region. This fact has been demonstrated by other successful regional hydroelectric projects constructed in Alaska during the past 30 years for other communities. Even more importantly, the project may allow communities to switch to partial electric heating and eliminate the use of very expensive heating fuel oil. The economic savings from this project will allow area residents to save more of their disposable income for other economic endeavors.

Hydrokinetic Electric Projects

As technology advances hydrokinetic power projects may offer some communities an alternative solution over wind and biomass. Certain locations at or near the conjunctions of rivers and sloughs where water depths and currents create year-round ice-free or minimal ice flows may offer potential sites for hydrokinetic generators without the construction of a dam. This would involve a commercial hydrokinetic turbine, which harnesses the power from moving water. This technology is being tested in other river locations with oversight provided by FERC.

Biomass

Biomass resources are available in the AVCP Calista Region and include wood, plant and to some extent fish waste, other organic matter, or gasses from the decomposition of that matter. Currently there are no biomass fuels utilized for generation of electricity, commercial heat and transportation. Wood fired heaters and stoves are used in many homes throughout the region as a main source of heating. Wood fired steambaths

exist in most every village in the region. Approximately 36% of heating is with wood in the region.

Woody Biomass

A 2006 University of Alaska Cooperative Extension Service study for the Kuskokwim Native Association determined nearly 23 million ft³ commercial stands of spruce and 22.7 million ft³ of non-commercial stands for a total 44.6 million ft³ grow in the Lower Kuskokwim. The study shows that it increases 1.3 percent annually. A similar analysis would be appropriate for the lower Yukon area communities to determine available woody biomass.

The Alaska Energy Authority's Biomass Energy Program provides practical working community scale working examples in other parts of Alaska that are applicable to the region, particularly in the middle Kuskokwim and lower Yukon parts of the region. The City of Craig's Gasification Heater System and wood fired heating systems in the interior Alaska for community facilities provide examples for project deployment. The "Fuel for Schools" program employed in the lower 48 states also provides a working program model for local school districts to plan and develop their own community heating replacement project.

Community or business wood chipper development to supply wood chips for wood fired community heating and home wood fired heating systems offers a viable economical development option for the AVCP Calista Region. There are a variety of low cost equipment and options that are available for community or business development considerations.

Fish Oil and Bio Diesel

The feasibility of producing by-product fish oil from shore-based and floating salmon processors on the Kuskokwim and Lower Yukon from as a byproduct of fish processing plants should be determined. This oil can be utilized as boiler fuel. AEA conducted successful tests of raw fish oil/diesel blends in a 2.2 MW 2-cycle Fairbanks Morse engine generator using 50-50 raw fish oil-diesel blend for power production.

Biodiesel is an engine fuel manufactured from renewable sources, such as vegetable oils, recycled cooking greases or oils, or animal fats. Biodiesel is a U.S. EPA-approved substitute manufactured to established industry standards. Currently AEA is working with University of Alaska Fairbanks ' (UAF's) Arctic Energy Technology Development Laboratory, Alaska Department of Environmental Conservation, and the National Park Service to test performance of biodiesel in generators at UAF and Denali National Park. The team has produced a brochure describing the project.

Municipal Waste

Solid wastes offer potential for providing additional local heating of public facilities. Waste heat energy should be incorporated into each community biomass wood energy project to determine feasibility for combined operations.

"Alaskans generate approximately 650,000 tons of garbage per year. Currently there is no large scale recovery of energy from burning unsorted garbage in Alaska. The Sitka Waste-to-Energy facility operated from 1985 to 2000 and provided heat to nearby Sheldon-Jackson College. Fairbanks Memorial Hospital operated a small onsite heat recovery incinerator from 1989 to 2001..." (Alaska Energy Authority website)

Geothermal

Geothermal resources include high-temperature (100 degrees Celsius or 212 degrees Fahrenheit and higher) for electricity generation, intermediate temperature (100 - 50 degrees C) for industrial, agricultural and municipal applications and low temperature heat pump applications. There is one potential site near Mount Hamilton on Ophir Creek southwest of Aniak, and another small site in the upper Chuilnuk River with the closest village at Stony River. The site on Ophir Creek has potential for producing between 200 and 300 degrees of heat. Water from the Ophir Creek Hot Springs is currently utilized by a local family at a nearby residence.

Solar

Solar energy presents a challenging renewable resource for development in the region. Annual average solar insolation is calculated at 3.5 to 4.0 kWh/m²/day. There is one active solar power generation system in the region located at Lime Village, where a 106 panel hybrid photovoltaic-diesel-battery system is generating 12 kW. Larger community utility scale solar generation hybrid projects are determined to have high capital costs and low yearly solar output. However, in locations where individual homeowners and facilities are located off the power grid and where relatively electricity needs are lower, solar hybrid systems may prove to be a viable option as shown by the Lime Village example. Solar panels may cost less over time and photovoltaic systems for small power uses would become more economical as fuel prices and cost of fossil-fueled electricity increase.

There are three primary ways in which solar energy is collected: directly for light and heat; by heating water in piped water designed solar panel collectors; and to generate electricity using photovoltaic panels. There are a wide variety of solar energy technologies, each with their own market constraints and costs. Solar energy used directly in homes and facilities for light and heat can help reduce energy needs if buildings are designed properly and effective technologies are employed.

It has been shown that facility and home life-cycle cost can be lower than conventional energy sources if solar is installed when the building is constructed. A determination should be made for new housing and facility construction as to the level of solar energy that can be employed in each construction for lighting and heating. As technologies continue to improve, state incentives need to be developed to promote local investment in solar energy as part of a renewable energy system. Solar photovoltaics (PV) generate electricity directly from sunshine. Solar electric systems have minimal maintenance requirements, have power warranties in excess of 25 years and in many locations can directly interface with the utility grid. As the world market for solar electric power increases, the manufacturing cost is expected to fall substantially.

Alaska Energy Authority Renewable Energy Grants Round I

AVCP Calista Region Projects Funded in Round I

| Project Name | Project_Cost | Grant_Fund_Request |
|--|---------------------|---------------------------|
| Bethel Wind Power x 4 | \$3,197,986 | \$2,598,320 |
| Hooper Bay Wind Farm Construction | \$2,220,141 | \$2,220,141 |
| Kongiganak Wind Farm Construction | \$3,200,000 | \$1,700,000 |
| Kwigillingok Wind Farm Construction | \$3,200,000 | \$1,700,000 |
| Mekoryuk Wind Farm Construction | \$3,506,406 | \$3,155,765 |
| Quinhagak Wind Farm Construction | \$4,313,603 | \$3,882,243 |
| Toksook Bay Wind Farm Expansion Construction | \$1,153,056 | \$1,037,750 |
| TOTALS | \$20,791,192 | \$16,294,219 |

AVCP Calista Region Projects not Funded in Round I

| Project Name | Project_Cost | Grant_Fund_Request |
|--|---------------------|---------------------------|
| Bethel Wind Farm Construction (BNC land) | \$8,710,000 | \$6,960,000 |
| Napaimute Solar PV Construction | \$123,494 | \$109,471 |
| Napaskiak Wind Farm Feasibility Study | | |

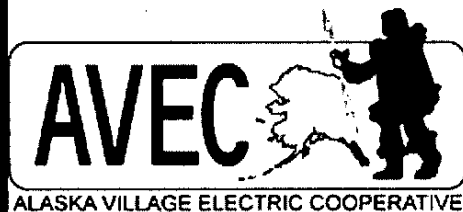
AVCP Calista Region Project not Forwarded to State II Review

| Project Name | Project_Cost | Grant_Fund_Request |
|---|---------------------|---------------------------|
| Crooked Creek Renewable Energy Reconnaissance Study | \$178,000 | \$137,543 |

Alaska Energy Authority Renewable Energy Grants Round II

| Project_Name | Project_Cost | Grant_Fund_Request |
|---|--------------|--------------------|
| Akiachak Wind_ANCEC | \$600,000 | \$4,500,000 |
| Akiachak Wind_ANCEC | \$600,000 | \$4,500,000 |
| Akiak Wind | | \$200,000 |
| Emmonak Wind and Transmission_AVEC | \$1,062,818 | \$10,733,179 |
| Scammon Bay Wind Analysis_AVEC | \$6,190 | \$4,436,800 |
| St. Mary's Wind Analysis_AVEC | \$5,500 | \$6,310,000 |
| Mountain Village Wind_City and Tribe | \$11,155 | \$133,255 |
| Kiseralik_Chikuminuk Hydro_AVCP | \$150,000 | \$400,000 |
| Bethel Wind Power x4_City of Bethel | \$599,666 | \$3,197,986 |
| Crooked Creek Hydro Kinetic | | \$368,000 |
| High Penetration Wind Diesel Heat_Kipnuk | \$1,600,000 | \$10,188,000 |
| Kotlik Pellet Stove_KYE | \$50,000 | \$626,400 |
| Orutsaramiut Native Council | \$771,900 | \$70,200 |
| Tuntutuliak High Penetration Wind Diesel | \$1,600,000 | \$3,360,000 |

AVCP Calista Regional Energy



Middle *Kuskokwim* Electric Cooperative

Y Chaninik Wind Group

Kwethluk Power House

Introduction

The AVCP CALISTA Regional Biennial Energy Plan is the work and the progress of AVCP Calista Regional Leadership to:

- develop and adopt a long term energy policy
- sustainable energy
- collectively and combine our resources
- identifying conventional and non-conventional
- sustainable energy development
- strategies for funding and deployments
-

Regional Leadership

Executive officers, board members, staff of the major regional organizations, local governments, utilities and the business community.

The Leadership is using the Nuvista Light and Electric Cooperative on the Biennial Energy Plan.

Nuvista Light and Electric Cooperative, Inc. a regional wholesale utility formed by Calista Corporation and currently administered by the Association of Village Council Presidents.

Energy Planning Participants

Ken Paukan, Nuvista Chairman, AVCP Board, Algaaciq Tribe

George Guy, Nuvista Vice-Chairman, Calista Board, Kwethluk

Power Company and Kwethluk Inc.

S. Heckman Sr., Nuvista Secretary, Calista Board, Pilot

tion Village Corporation

aska, Nuvista Treasurer, AVCP Board, Atmautluak Tribe

en, Nuvista Board, AVCP Board, Akiak Tribe

ylie, Nuvista Board, Calista Board

ng, AVCP President

AVCP Regional Housing Authority CEO

AVCP Regional Housing Authority Board Chairman

re, City of Emmonak

k, Chaninik Wind Group Chairman

i, Calista Corp., President & CEO

alista Corp., General Counsel

n, Donlin Creek, LLC, General Manager

aska Village Electric Cooperative, VP

ner, Middle Kuskokwim Electric Cooperative, CEO

kon Kuskokwim Health Corporation, CEO

Task Force and Committees

Western Alaska Fuel Task Force

Chair - Meera Kohler, AVEC

John Brown, Northstar Gas

John McIntyre, YKHC

John Man, Akiak TC

John Myulie, Calista Corporation

Yukon Delta Fisheries Development Association

AVCP Regional Housing

Committee

John Sparck, AVCP

North Star Gas

AVCP Regional Housing Authority

AVEC

Chin Creek LLC Biennial Energy Plan

Committee

John Smith, City of Bethel

Maninik Wind Group

Goals and Deployment Objectives

Energy Security and Economic Stability

***Develop integrated energy solutions that meet
local energy requirements and economic
development needs***

Cost Parity and Stability

***Establish statewide energy cost parity to make
space heating affordable and equitable***

Generation and Transmission

***Form an All Alaskan Generation and
Transmission Utility to save energy dollars and
lower electricity rates across All Alaska***

Goals and Deployment Objectives

Integrated Renewable Energy Solutions

**Study and Wind Energy Projects along the eastern Bering Sea
and the Bethel area**

**Determine feasibility for integrated
wind/diesel/solar/biomass heating and electric systems with
community heat storage system.**

**Determine feasibility of Regional Hydroelectric Project (Lake
Kuk) to provide region-wide electricity and heat.**

**Install Biomass projects: including wood fired
stoves and wood chippers for community facilities
S.**

Goals and Deployment Objectives

Alaskan G&T Utility

Ownership of G&T Assets across Alaska

Costs are pooled and power bought back

at a single-stamp rate or a 2 tier rate (utilities
pay their costs and sell it to customers)

Costs range from 5¢ to 50¢ kWh

Production costs range from 3¢ to 20¢ kWh

Currently costs \$30 million per year

Pool electricity costs \$20 million per year

State rural offices pay \$20 million per year

Goals and Deployment Objectives

By going to All Alaska G&T the state saves energy by not having to pay for a significant portion of major project investments thereby driving generation costs down to competitive rates.

Utilities can work together to reduce their delivered rates through shared services and other methods.

Current rates are costing about 25¢ kWh and are unnecessarily high.

Remote communities no longer have to compete for grant money as the AAG&T would build the infrastructure to benefit all Alaskans.

Utilities will no longer have to struggle with O&M.

Goals and Deployment Objectives

**Consolidate local individual utilities into Regional
Cooperative Utilities**

Bethel and nearby 12 villages

Coastal and Tundra villages

Sub-regional inter-ties and distribution

beginning with an inter-tie to connect

villages of Alakanuk and Emmonak; and the

of St. Mary's, Mountain Village and Pilot

Goals and Deployment Objectives

Goal – Western Alaska Fuel Task Force

Reduce fuel consumption in 2009 by 10%

Determine fuel users, consumption, and storage capacity of each community (utility, schools, village corporations, local organizations, tribal council)

Link villages/users together under cooperative purchase agreements

Changes to State and Federal Fuel

Education Outreach

Goals and Deployment Objectives

Statewide heating fuel price parity capped at \$3 per gallon (Sept. 1 through March 31) to reduce the cost of heating for all Alaska residents

Formula (delivered fuel cost above \$3.00 X total gallons for number of households served) not including O&M, overhead cost, etc.

Fuel Price Parity set only when price of oil per barrel results in delivered cost of fuel above \$3.00 per gallon (note: in 2009 most communities delivered costs are under \$3.00 per gallon)

Alaska State Legislative Priorities for 2010

**Statewide G&T utility to include Rural,
Southeast and Railbelt**

**Reduce statewide heating fuel price parity
protection to cap at \$3 per gallon**

**(November 1 through March 31) for all
residents**

**Formula (delivered cost above \$3.00 X total
protections for number of households served) not
including O&M, overhead cost, etc.**

Alaska Energy Authority Renewable Energy Grants Round I

| | Cost | Grant |
|-----------------------|---------------------------|---------------------------|
| <i>Wind Power x 4</i> | \$3,197,986 | \$2,598,320 |
| <i>Wind Farm</i> | \$2,220,141 | \$2,220,141 |
| <i>Wind Farm</i> | \$3,200,000 | \$1,700,000 |
| <i>Wind Farm</i> | \$3,200,000 | \$1,700,000 |
| <i>Wind Farm</i> | \$3,506,406 | \$3,155,765 |
| <i>Wind Farm</i> | \$4,313,603 | \$3,882,243 |
| <i>Wind Farm</i> | <u>\$1,153,056</u> | <u>\$1,037,750</u> |
| | \$20,791,192 | \$16,294,219 |

AEA Grants Round II - pending

| | Cost | Grant |
|-------------------------------------|--------------------|---------------------|
| Wind ANCEC | \$600,000 | \$4,500,000 |
| | \$200,000 | |
| Wind & Transmission AVEC | \$1,062,818 | \$10,733,179 |
| Wind Analysis AVEC | \$6,190 | \$4,436,800 |
| Analysis AVEC | \$5,500 | \$6,310,000 |
| Wind City and Tribe | \$11,155 | \$133,255 |
| Hydro AVCP | \$150,000 | \$400,000 |
| x4 | \$599,666 | \$3,197,986 |
| Hydro Kinetic | | \$368,000 |
| Heat | \$1,600,000 | \$10,188,000 |
| YE | \$50,000 | \$626,400 |
| Council | \$771,900 | \$70,200 |
| sel | \$1,600,000 | \$3,360,000 |

American Recovery & Reinvestment Act

Energy Efficiency and Conservation Block Grant: tribes receive 2% set-aside of \$2.8 billion.

Renewable Energy Bonds: One-third of the total amount is available to tribes.

Energy Conservation Bonds: allocations available to local governments.

Support for tribal Smart Grid Demonstration

Alaska Weatherization Assistance
\$28,232,000 for the State Energy Program (currently declined by Governor Palin)

DoE Energy Efficiency and Conservation Block Grants

Amount of funding for each Tribe will be based on a [REDACTED] to be published in the Federal Register.

[REDACTED] to the \$56 million EECBG tribal set-aside funds, [REDACTED] eligible to receive awards on a competitive basis [REDACTED] 10,000 made available under the Act. These [REDACTED] amounts include administrative, training, and [REDACTED] assistance costs that will reduce available [REDACTED] grants by 1-2%.

Program information is available at
www.energy.gov/wip/block_grants.cfm

2009 Omnibus Appropriation Act

Appropriations Act Provides Nearly \$2 Billion in New Funding to DoE Energy Efficiency & Renewable Energy

1.5 billion for biomass energy;

500 million for solar energy

100 million for concentrating solar power

100 million for wind energy

100 million for "water power," which includes both

small hydropower and tidal and marine

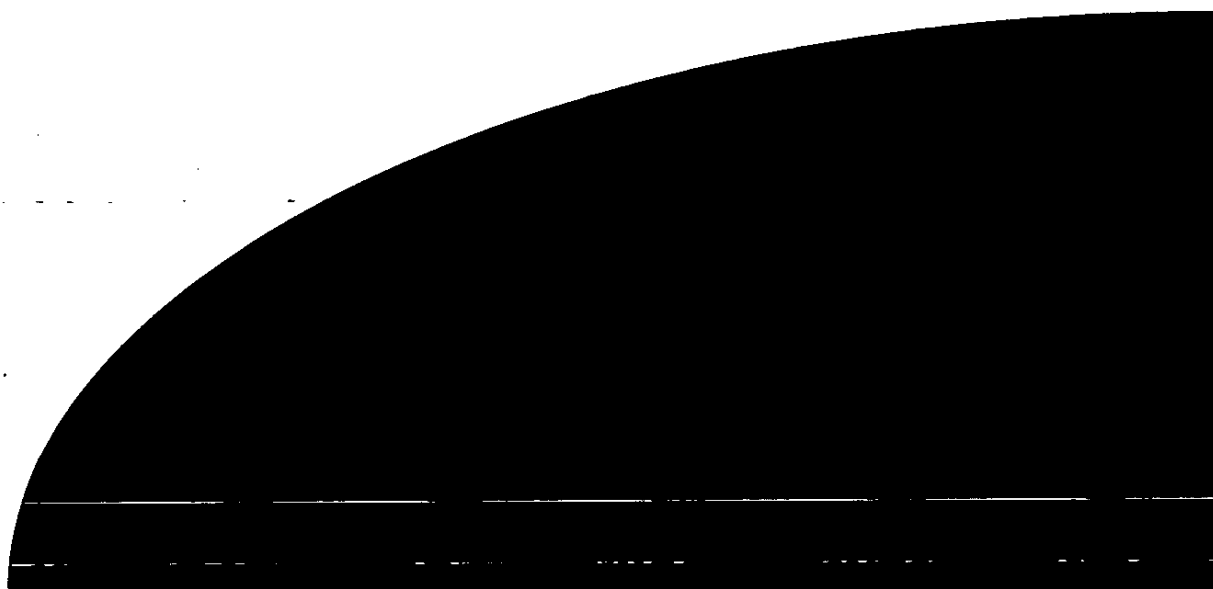
energy

for research, development activities, and other

activities also received funding increases

under the appropriations act.

Quyana Cakneq





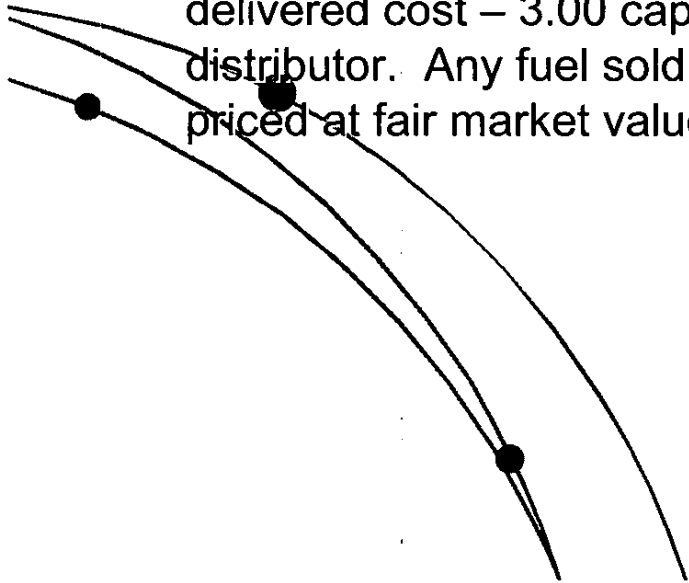
Fuel Costs to Rural Alaska

- **Fuel prices in every community are made up from 3 components**
- 1 – Market pricing (OPIS & Platt's & Anchorage Jet) on the day the fuel is lifted from the refinery
- 2 – Transportation Costs – Transportation cost vary by location (Lower, Middle, Upper Kuskokwim).
- 3 –OH&M & Community Profit Margin – Landed cost of fuel plus overhead & maintance plus a % profit margin. Each community's OH&M plus the % of profit margin varies and this is why you see the varied prices in neighboring communities.

| ● Product | Applicable Index: | Price | | | | |
|---|--------------------|---------------|-------------|------------------|----|--|
| ● Diesel Fuel #1 | Platt's LA Jet | 1.4009 | | | | |
| ● Diesel Fuel #2 | OPIS SEA DF 2 ULS | 1.5891 | | | | |
| ● Unleaded Gas | OPIS SEA UNL Gross | 1.6678 | | | | |
| ● AV100LL | Chevron ANC Rack | 2.5999 | | | | |
| ● Village Differential | | 1.172 | | | | |
| ● All Prices shown include Fed, State Taxes | | | | | | |
| ● QTY (GAL) 50,000 - 99,999 | DF#1 - 2.8678 | HF#1 - 2.6248 | #2 - 2.6248 | UNL Gas - 3.0747 | AV | |
| 100 - 4.0168 | | | | | | |
| 100,000 | DF#1 - 2.8178 | HF#1 - 2.5748 | #2 - 3.0060 | UNL Gas - 3.0247 | AV | |
| 100 - 3.9668 | | | | | | |



- Statewide heating fuel price parity capped at \$3.00 per gallon (Sept. 1 – March 31).
- The reimbursement would take place at the Rural Community fuel distributor level.
- Formula (# of households * XXX gallons allowed per household * cost above the \$3.00). Example 500 households * 500 gallons allowed per household = 250,000 total gallons allowed for reimbursement * .35 (3.35 delivered cost – 3.00 capp) = \$87,500.00 to be reimbursed to the fuel distributor. Any fuel sold to households above the 500 gallons would be priced at fair market value.





NORTHSTAR GAS
Native Owned Petroleum Retailer

| | Coast | | L Kusko | | M Kusko | | U Kusko | | Yukon | |
|------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
| | HF Spring | HF Fall | HF Spring | HF Fall | HF Spring | HF Fall | HF Spring | HF Fall | HF Spring | HF Fall |
| 2004 | 2.0076 | 1.9455 | 2.0076 | 1.9455 | 2.0876 | 2.0255 | 2.1476 | 2.0855 | 2.0076 | 1.9455 |
| 2005 | 2.4000 | 2.6700 | 2.4000 | 2.6700 | 2.4800 | 2.7500 | 2.5400 | 2.8100 | 2.4000 | 2.6700 |
| 2006 | 3.1150 | 3.2930 | 3.1150 | 3.2930 | 3.1950 | 3.3730 | 3.2550 | 3.4330 | 3.1150 | 3.2930 |
| 2007 | 2.9070 | 2.9210 | 2.9070 | 2.9210 | 2.9890 | 3.0030 | 3.0510 | 3.0650 | 2.9080 | 2.9220 |
| 2008 | 4.8920 | 3.8960 | 4.8920 | 3.9860 | 4.9740 | 4.0680 | 5.0350 | 4.1290 | 4.8920 | 3.9860 |
| 2009 | \$2.7122 | | \$2.6997 | | \$2.6722 | | 3.4226 | | 3.0726 | |
| | | | | | | | | | | |
| | Coast | | L Kusko | | M Kusko | | U Kusko | | Yukon | |
| | UL Spring | UL Fall | UL Spring | UL Fall | UL Spring | UL Fall | UL Spring | UL Fall | UL Spring | UL Fall |
| 2004 | 2.4260 | 2.2090 | 2.4260 | 2.2090 | 2.5060 | 2.2890 | 2.5660 | 2.3490 | 2.4260 | 2.2090 |
| 2005 | 2.5770 | 2.8670 | 2.5770 | 2.8670 | 2.6570 | 2.9470 | 2.7170 | 3.0070 | 2.5770 | 2.8670 |
| 2006 | 3.3650 | 3.1430 | 3.3650 | 3.1430 | 3.4450 | 3.2230 | 3.6320 | 3.4100 | 3.3650 | 3.1430 |
| 2007 | 3.4600 | 2.9460 | 3.4600 | 2.9460 | 3.5420 | 3.0280 | 3.6040 | 3.0900 | 3.4600 | 2.9460 |
| 2008 | 4.2400 | 4.1200 | 4.2400 | 4.1200 | 4.3220 | 4.2020 | 4.3830 | 4.2640 | 4.2400 | 4.1200 |
| 2009 | 3.2636 | | 3.2513 | | 3.2738 | | 3.7242 | | 3.6242 | |



NORTH STAR GAS
Native Owned Petroleum Retailer

| Price Per Barrel | Delivered Cost | Price Per Gallon | Transportation |
|------------------|----------------|------------------|----------------|
| 114.53 | 4.37 | 3.12 | 1.25 |
| 100.87 | 4.17 | 2.92 | 1.25 |
| 93.97 | 3.96 | 2.71 | 1.25 |
| 81.19 | 3.59 | 2.34 | 1.25 |
| 71.85 | 3.38 | 2.13 | 1.25 |
| 66.75 | 3.29 | 2.04 | 1.25 |
| 60.77 | 3.19 | 1.94 | 1.25 |
| 53.62 | 3.01 | 1.76 | 1.25 |
| 50.77 | 2.95 | 1.70 | 1.25 |
| 46.96 | 2.83 | 1.58 | 1.25 |
| 40.81 | 2.68 | 1.43 | 1.25 |
| 36.22 | 2.62 | 1.37 | 1.25 |

Example on Pricing Your Fuel

Operating Expenses

Wages

Operator
 Rate/Hour \$ 10.00
 Hours per Week 20

Annual Wages (50 weeks) \$ 10,000

Clerical
 Rate/Hour \$ 10.00
 Hours per Week 10

Annual Wages (50 weeks) \$ 5,000

Administrator
 Rate/Hour \$ 15.00
 Hours per Week 10

Annual Wages (50 weeks) \$ 7,500

Total Wages \$ 22,500

Taxes & Workers Comp \$ 2,250

Equipment Rental \$ 2,000

Phone \$ 500

Electric \$ 3,000

Interest (6.0%) \$ 7,736

Office Rent \$ 4,800

Prop & Liab Ins \$ 5,000

RAFS Services \$ 5,000

Maintenance \$ 2,500

Facility Payments \$ 2,000

Reserves \$ 5,000

Miscellaneous \$ 2,500

Total Operating Expenses \$ 64,786

Gallon

Fuel Purchases

Gas

Gallons 20,000
 Price Per Gallon 3.85
 Dollars 77,000

HF#1

Gallons 30,000
 Price Per Gallon 3.80
 Dollars 114,000

Total Fuel Costs:

Gallons 50,000
 Dollars 191,000

Operating Expenses per Gallon

1.30

(Total Operating Expenses / Total Gallons) = 64,786 / 50,000

Sales:

Gas

Gallons 20,000
 Price** 5.15 = (3.85 + 1.30)
 Dollars \$ 103,000

HF#1

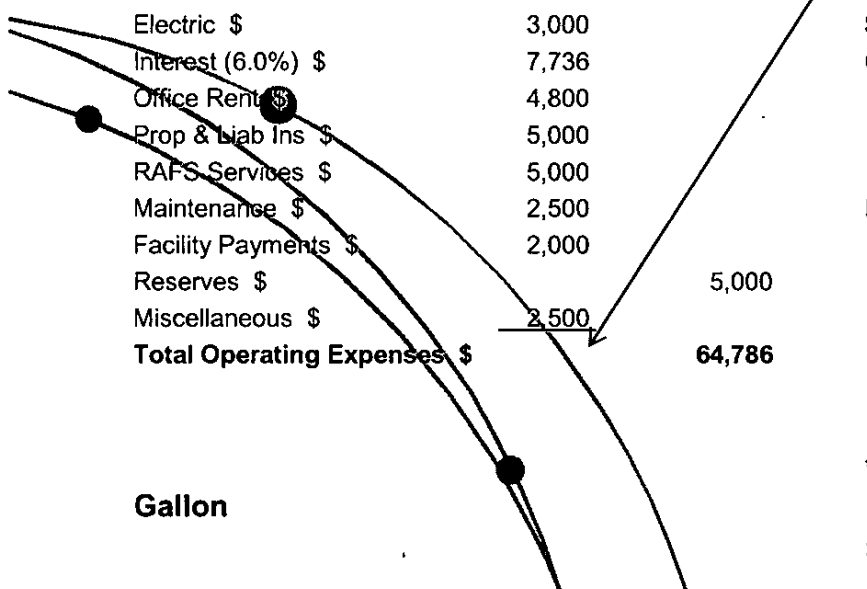
Gallons 30,000
 Price ** 5.10
 Dollars \$153,000

Total Sales:

Gallons 50,000
 Dollars \$256,000

****Fuel Purchase Expense Plus Operating Expense per**

Sales - Fuel Costs = \$256,000 - \$191,000 = \$65,000





- Revision of AEA Loan Application:
- Make the AEA Loan Application valid for 5 years. This eliminates Rural Alaska Communities from having to fill out an 11 page application on an annual basis. This would also allow the letter of intent, promissory note, waiver of sovereign immunity resolution, borrowing resolution, bulk fuel facilities questionnaire, fuel tank farm information sheet to be valid for the life of the application (5yrs). Due to seasonal activities, participation in community meetings to get approval and signatures have been proven to be difficult and holds up the whole loan process.
- On an annual basis, the Rural Alaska Communities would be responsible for filling out a 2 page Bulk Fuel Loan Agreement.
- Allow approval of the AEA Loan Application from a faxed copy rather than waiting for the original Application to arrive in the US Mail. This would expedite the application process. Funds would only be released upon receipt of the Original Signed Application.
- The loan approval process would be based on prior years payment history. If a community is late in payment or has a questionable history, their 5 year loan approval would be revoked and an annual application would need to be filled out until the communities history improves.
- If a loan is approved based on payment history but the community still has one or two months of payments due, the approved funds would not be released until the final prior years loan payment is received. The written approval letter would allow the community to become a credit worthy customer rather than a risk.

PUT ON LETTERHEAD

Testimony to the Special Committee on Energy

By

Myron P. Naneng, Sr., President

May 29, 2009

About the YK and Advocacy

On behalf of our 56 federally recognized Tribes, I would like to welcome you all to Bethel, the hub of the Yukon Kuskokwim Delta. We tried this gathering before in February when the darkness, snow and cold was still prevalent and would help us better illustrate energy efficiencies our part of the State needs. Nevertheless, we are glad to have you here.

My name is Myron Naneng, I am the President of this region's non-profit corporation. We are pleased to have this Committee formed in response to the Energy Crisis a large part of the State experiences. Quyan, thanks to Representative Co-Chairs, Charisse Millett and Bryce Edgmon for hosting this hearing, and for bringing such an important Legislative presence to parts not traditionally visited in the course of your duties representing your own districts.

We'd also like to thank the Speaker of the House, Mike Chenault and Rules Chairman, John Coghill for joining the other Committee members to hear directly from Rural Alaska on our lack of energy infrastructure, consumption, needs, challenges and long-term plans. Senator Lyman Hoffman has long represented our interests for the greater parts of Rural Alaska, and we are glad to have Representative Bob Herron join him in Juneau.

We continue to present our position in seeking appropriate and adequate energy relief for rural regions of this great state outside the railbelt, natural gas, hydro-electric and road-system.

AVCP recognizes the many attempts the State Legislature has made to address the rural energy crisis as it loomed in the last session, as well as in the first few weeks of the 26th Legislature. We have presented supporting comments to many pieces of legislation like SB 88 (extending the PCE program), 91 (a fuel cap subsidy); 114 (utilizing State transportation resources for compassionate aid to Yukon villages) 115 and 116 (to authorize and appropriate funds for emergency energy relief) and most recently, for the \$28.6 million in federal stimulus money for weatherization and renewable energy projects that the Governor has rejected.

I want to make it perfectly clear, that we did not want to advocate for costly emergency legislation this winter. Last summer, we wanted very much to be proactive in addressing

the high fuel costs most of our villages had to lock-in at in order to service their communities when oil was going for over \$140 a barrel. What may have been good for State coffers was ironically a debt sentence for our village households, corporations and services. SB 4002 attempted to address our concerns in a comprehensive and long-term manner that were trumped by the well-intentioned but badly formulated energy rebate. However, we are grateful for the far-sighted benefits that a fully funded Renewable Energy Grant program authorized under the Alaska Energy Authority (AEA) beyond the first \$100 million in FY2009 would provide for areas such as ours.

When oil prices plummeted, the State went through a very serious budget shortfall and fears of a monumental deficit – that affected intended state capital projects and other appropriated mandates. Since mid-January, the price of Alaska North Slope crude oil has rebounded by a third, bringing money back into the state treasury through taxes and royalties.

Petroleum Dependency at the YK Level and living in Disaster Mode

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.

There have always been constantly expressed concerns by some of your colleagues within the Senate and your House counterpart that the subsidy 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.

Frankly, this winter's river break-ups and flooding that finally prompted a Governor Declared Disaster also heavily exacerbates our region's economy. By the time the National Weather Service called off its flood warning for Emmonak and other Lower Yukon River villages Tuesday, May 26, breakup flooding had soaked a total of roughly 40 communities along more than 3,000 miles of rivers, according to the state. There is no limit to how much federal money Alaska can get in disaster funding and the state is still assessing the damages on both rivers even after the letter requesting aid has gone out to President Obama. Even with a cap on how much a single family can receive at \$30,300, it is rare for families to get the maximum amount allowed.

We appreciate the state authorized spending up to \$2.5 million on the emergency response to the floods to cover things like delivering food, testing water and travel, but we hope that a coordinated response with the federal government and tribal organizations such as AVCP, the Housing Authority and the Health Corporation will maximize the benefits of the effort and provide for smart, lasting and sustainable results.

Rebuilding with State Renewable Energy Program, ARAA and Emergency Funds

With continued and full funding by the Legislature of the Renewable Energy Fund coupled with federal stimulus infrastructure and emergency disaster 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 and break-up and flooding will.

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 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**. Enclosed is a worksheet on the fuel prices at each of our villages, you can see that the lowest price for stove oil is published at \$5.45 per gallon with no tax. The highest is listed as \$8.10 in Kwethluk. Gas is offered at its lowest in Tununak at \$5.43 and at its highest in Kotlik at \$8.55 a gallon.

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.

Much publicity has gone out on our energy crunch affecting our Subsistence hunting capabilities and our pantries. The food we traditionally obtain through fishing and hunting usually stock our winter supply and commodities from the stores usually supplement our diet. Because so many families could not afford to outfit hunting expeditions, and Subsistence fishing was disastrous, there are instances of people going cold and hungry each month in this colder than normal winter. I am also providing an inventory of Bethel prices for food, and you can see how expensive it is to stock your pantry and refrigerator with healthy and nutritious foods for our households. A box of corn flakes goes for \$8.49, goldfish crackers for \$13.99, a bag of carrots go for \$12.99, a case of corn is \$29.88, one case of Apple Juice is \$74.16 and a case of Tuna goes for

\$90.72. The staples alone can break a whole month's budget, we aren't even talking about a well rounded shopping list for nutritious meals.

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 shuttered City Office, because the village couldn'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 continue to go a long way to keeping our homes heated, and saving our families from deciding between freezing or going hungry next winter.

But what we truly seek, and I think you lawmakers from other parts of the State agree, is a long-term solution to our energy needs. You being here is a very serious attempt to address these needs, and seeking solutions to curbing energy consumption, maximizing bulk fuel purchases and creating greater efficiencies with supplemental / alternative energy sources will help make village life more economical and feasible. Once we can provide affordable energy sources in our communities, the potential to diversify and establish new industry and economy is possible, and we want to see that for our villages and our youth. The answer is not to continue to export our workforce to the North Slope or other points beyond our geographical border, industry and economy can happen out here as long as the State invests in us and allows us to explore responsible and reasonable development that has appropriate energy sources to support it. I would think that what is good for Rural Alaska, is good for the whole of Alaska, and I think you share that sentiment with us.

I'd like to introduce the work we've been doing with all our regional non-profit and for-profit organizations on energy. Over the last year we've been working together in developing a regional energy plan which our tribes adopted last fall.

The AVCP CALISTA Regional Biennial Energy Plan is the work and the progress of the AVCP Calista Regional Leadership to:

- ◆develop and adopt a long term energy policy for sustainable energy
- ◆work collectively and combine our resources
- ◆identifying conventional and non-conventional renewable energy development
- ◆identify strategies for funding and deployments methods

Regional Leadership of the AVCP Calista Regional Energy Plan includes:

- Executive officers, board members, staff of the major regional organizations, local governments, utilities and the business community.
- The Leadership is using the Nuvista Light and Electric Cooperative on the Biennial Energy Plan.
- The Nuvista Light and Electric Cooperative, Inc. a regional wholesale utility formed by Calista Corporation and currently administered by the Association of Village Council Presidents.

Energy Planning Participants included

- Sven Paukan, Nuvista Chairman, AVCP Board, Algaaciq Tribe*
 - Paul George Guy, Nuvista Vice-Chairman, Calista Board, Kwethluk Power Company and Kwethluk Inc.*
 - Arthur S. Heckman Sr., Nuvista Secretary, Calista Board, Pilot Station Village Corporation*
 - Daniel Waska, Nuvista Treasurer, AVCP Board, Atmaultluak Tribe*
 - Moses Owen, Nuvista Board, AVCP Board, Akiak Tribe*
 - Willie Kasayulie, Nuvista Board, Calista Board*
 - Myron Naneng, AVCP President*
 - Ron Hoffman, AVCP Regional Housing Authority CEO*
 - Robert Nick, AVCP Regional Housing Authority Board Chairman*
 - Martin B. Moore, City of Emmonak*
 - William Igkurak, Chaninik Wind Group Chairman*
 - Matthew Nicolai, Calista Corp., President & CEO*
 - Andrew Guy, Calista Corp., General Counsel*
 - Doug Nicholson, Donlin Creek, LLC, General Manager*
 - Brent Petrie, Alaska Village Electric Cooperative, VP*
 - Ernie Baumgartner, Middle Kuskokwim Electric Cooperative, CEO*
 - Gene Peltola, Yukon Kuskokwim Health Corporation, CEO*
- Task Force and Committees formed during the planning process included:***

Western Alaska Fuel Task Force

- ◆*Chair - Meera Kohler, AVEC*
- ◆*Elaine Brown, Northstar Gas*
- ◆*Greg McIntyre, YKHC*
- ◆*Ivan M. Ivan, Akiak TC*
- ◆*Willie Kasayulie, Calista Corporation*
- ◆*Deborah Vo, Yukon Delta Fisheries Development Association*

◆ *Allen Joseph, AVCP Regional Housing*

Legislative Committee

◆ *Chair- Michelle Sparck, AVCP*

◆ *Elaine Brown, North Star Gas*

◆ *Rep. Bob Herron*

◆ *Allen Joseph, AVCP Regional Housing Authority*

◆ *Meera Kohler, AVEC*

◆ *Mary Nelson, Donlin Creek LLC Biennial Energy Plan*

Renewable Energy Committee

◆ *Chair - John Sargent, City of Bethel*

◆ *William Igkurak, Chaninik Wind Group*

◆ *Brent Petrie, AVEC*

Goals and Deployment Objectives we've developed included:

Energy Security and Economic Stability

■ *Develop integrated energy solutions that meet local energy requirements and economic development needs*

Energy Parity and Stability

■ *Establish statewide energy cost parity to make home heating affordable and equitable*

Energy Generation and Transmission

■ *Pursue an All Alaskan Generation and Transmission Utility to save energy dollars and reduce electricity rates across All Alaska*

Quyana, thank you for coming here today, and we look forward to continuing to be of assistance to the Alaska Legislature on these issues.

AVCP Calista Region's Energy Costs

**Testimony of Felix Hess
Calista Corporation, Board Secretary
Before the Alaska Legislative House Special Committee on Energy
Bethel, Alaska
May 29, 2009**

Fuel Price and Electricity

Prices for residential heating oil, regular gasoline increased well over 100% since 2007 in many of the regions villages (prices without taxes). The AVCP Calista region's prices have followed national trends and will continue to be linked to world oil prices. Delivered prices in spring 2008 rose to \$8.00 gallon for home heating fuel throughout the region.

Electric utility rates are higher as 2009 begins, between 53¢ and 65¢ per kWh, and electric bills have been averaging around \$342 to \$360 per month in villages of the region. Usage has been anywhere around 530kWh to 750kWh per household. Increases in the electric rates have been reflective of higher delivered fuel costs in recent years and the PCE program has been significant in every community in helping to make electricity affordable to families in the region.

Fuel costs have been going up between \$6.00 and \$8.00 per gallon. Recently in the village of Emmonak fuel had to be flown in at a cost near \$10.00 per gallon when local storage ran out. Energy costs take up a significant portion of family disposable income, which in recent months is estimated 60% to 70% due to price hikes.

Any further increases in fuel costs and electric rates will have the effect of making fuel and electricity unaffordable. Recent studies that were conducted in the region (Nuvista Light and Power 2002 and 2004 Energy Studies) have shown that lower income residents devote higher amounts of their disposable income to energy and use less.

Unemployment rates are currently between 16.6 and 22.8 for the Bethel and Wade Hampton Census districts respectively. However, the jobless rate is even more significant and relevant indicator of the economic condition in the region. The rate is 38.5% and 43.3% for the Bethel and Wade Hampton census districts. Total income in 2007 for the Bethel census

district was \$431.4 million and \$124.8 million which provided a median income of \$45,200 and average monthly income about \$2,700 for the Bethel census district; and \$36,600 median income and \$1,750 average monthly for the Wade Hampton census district.

2008 Kuskokwim Salmon Fishery

A total of 494,108 salmon was harvested in 2008 in the Kuskokwim area by 462 permit holders for an estimated ex-vessel value of \$1,487,111. This provides an exvessel value of \$3,219 per permit holder. (2008 ADF&G Kuskokwim River Salmon Fishery Report)

2008 Yukon Commercial Fishery Summary

A total 312,513 salmon were commercially harvested in the Lower Yukon in 2008. A total of 444 permit holders fished in the Lower Yukon area for a total of \$1,363,746 in ex-vessel earnings from the 2008 commercial fishery. This provides an exvessel value of \$3,071 per permit holder. (ADF&G 2008 Annual Yukon Salmon Fishery Report)

Both higher fuel costs and increases to electric rates also have the effect of making other local goods and services unaffordable. This has been demonstrated since the fall of 2008 with the onset of winter and freezing temperatures. Because of low income and higher energy costs, there were numerous families in the region that were unable to afford fuel, electricity and food items from the local store. This humanitarian crisis surfaced in numerous news media and generated food drives and donations to villages in the Yukon delta. This is an indicator that populations throughout the region are vulnerable, local economies are fragile and susceptible to further fuel and price and electric rate increases.

Goals and Deployment Objectives

Calista Corporation concurs with the goals and deployment objectives developed for energy sustainability and economic viability in the AVCP Calista Region.

Energy Security and Economic Stability

- *Develop integrated energy solutions that meet local energy requirements and economic development needs*

Energy Parity and Stability

- *Establish statewide energy cost parity to make home heating affordable and equitable*

Calista also firmly supports the concept of an All Alaska Energy Generation and Transmission Utility to bring together all the energy needs of rural and

urban Alaska and bring the costs of energy down to an affordable rate for all Alaskans.

We agree that we need to seek Integrated Renewable Energy Solutions and desire to expand Wind Energy Projects along the eastern Bering Sea Coast and the Bethel area. Including, determine feasibility for integrated wind/diesel/solar/biomass heating and electric systems with community heat storage system.

For the villages in the vicinity of Bethel it is vital that hydroelectric power be determined. In that light we support a determination of feasibility for a Regional Hydroelectric Project such as at Lake Chikuminuk to provide region-wide electricity and heat.

We want to see the development and installation of Biomass projects in those communities where it is appropriate: including wood fired boilers, heaters and wood chippers for community facilities and buildings.

So for the upcoming Alaska State Legislative Session, our Legislative Priorities for 2010 include:

- *Statewide G&T utility to include Rural, Southeast and Railbelt*
- *Introduce statewide heating fuel price parity legislation to cap at \$3 per gallon (September 1 through March 31) for all Alaska residents*
 - *Formula (delivered cost above \$3.00 X total gallons for number of households served) not including O&M, overhead cost, etc.*

Concerning federal funding, we seek the legislature support and assistance to make sure that as much of the assistance directed to energy in rural Alaska be applied for and acquired. These include:

American Recovery & Reinvestment Act

- **DoE Energy Efficiency and Conservation Block Grant:** tribes receive 2% set-aside of \$2.8 billion.
- **Clean Renewable Energy Bonds:** One-third of the authorized amount is available to tribes.
- **Qualified Energy Conservation Bonds:** allocations to tribes as local governments.
- **DoE support for tribal Smart Grid Demonstration projects.**
- **\$18,142,580 Alaska Weatherization Assistance Program and \$28,232,000 for the State Energy Program (currently declined by Governor Palin) Calista Corporation,** as with many other organizations are adamant in opposing the governor's position in denying these funds for rural Alaska.

DoE Energy Efficiency and Conservation Block Grants

- **The amount of funding for each Tribe will be based on a formula to be published in the Federal Register.**

- In addition to the \$56 million EECBG tribal set-aside funds, tribes are eligible to receive awards on a competitive basis for \$400,000,000 made available under the Act. These funding amounts include administrative, training, and technical assistance costs that will reduce available funding for grants by 1-2%.

2009 Omnibus Appropriation Act

- Appropriations Act Provides Nearly \$2 Billion in New Funding to DoE Energy Efficiency & Renewable Energy
 - \$217 million for biomass energy;
 - \$175 million for solar energy
 - \$30 million for concentrating solar power
 - \$55 million for wind energy
 - \$40 million for "water power," which includes both conventional hydropower and tidal and marine technologies.
- Infrastructure development activities, and other supporting activities also received funding increases under the appropriations act.

In closing, we want to thank the Alaska Legislature's dedication and commitment to all Alaska in seeking a statewide energy solution to the energy crisis our people are facing and will continue to face if action is not taken. We look forward to working with each and everyone of you in developing a plan that can achieve our energy sustainability and economic viability.

Quyana Cakneq



“Created to serve the people of Rural Alaska.”

NorthStar Gas, LLC was formed in July of 1998 to grant Native ownership of a fuel company, primarily to deliver bulk fuel to Rural Alaskan Villages. As a Native Owned Petroleum Retailer, NSG manages a gas station in Bethel, deliver Heating Fuel and Unleaded Gasoline* in the Yukon Kuskokwim Delta Region and retails petroleum products in bulk, i.e. snowmachine oil, outboard motor oil.

The owners consist of 2 Regional Corporations and 16 Village Corporations

Regional Corporations

Calista Corporation
NANA Development

Village Corporations

Akiachak Enterprises – Akiachak
Askinuk Corporation – Scammon Bay
Atmautluak LTD. – Atmautluak
Azachorok, Inc. – Mountain Village
Chinuruk, Inc. – Nightmute
Choggiung Ltd. – Dillingham
Iqfijouaq, Inc. – Eek
Kasigluk, Inc. – Kasigluk

Kokarmiut Corp. – Akiak
Kwethluk, Inc. – Kwethluk
KWIK, Inc. – Kwigillingok
Napaskiak, Inc. – Napaskiak
Nunapitchuk, LTD. – Nunapitchuk
Qanirtuuq, Inc. – Quinhagak
Qemirtalek Coast Corp. – Kongiganak
The Kuskokwim Corporation



Fuel Costs to Rural Alaska

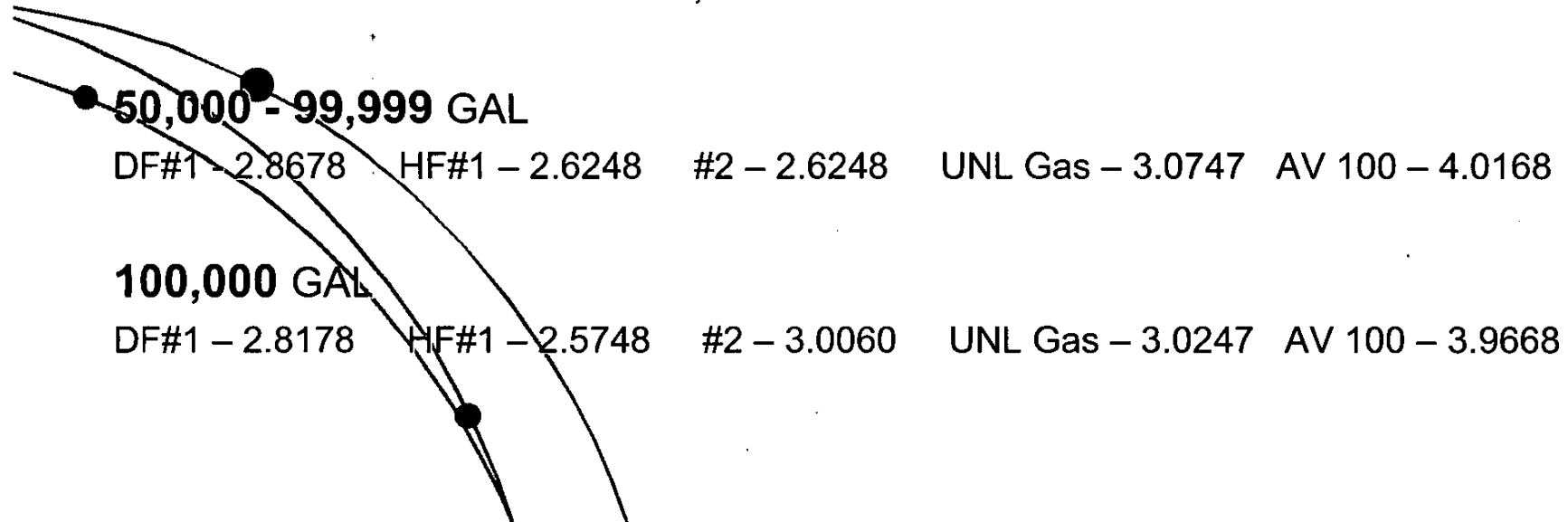
Fuel prices in every community are made up from 3 components

1. Market pricing (OPIS & Platt's & Anchorage Jet) on the day the fuel is lifted from the refinery
2. Transportation Costs – Transportation cost vary by location (Lower, Middle, Upper Kuskokwim).
3. OH&M & Community Profit Margin – Landed cost of fuel plus overhead & maintenance plus a % profit margin. Each community's OH&M plus the % of profit margin varies and this is why you see the varied prices in neighboring communities.

Fuel Cost Example:

| Product | Applicable Index | Price |
|---|--------------------|--------|
| ● Diesel Fuel #1 | Platt's LA Jet | 1.4009 |
| ● Diesel Fuel #2 | OPIS SEA DF 2 ULS | 1.5891 |
| ● Unleaded Gas | OPIS SEA UNL Gross | 1.6678 |
| ● AV100LL | Chevron ANC Rack | 2.5999 |
| ● Village Differential (Transportation) | | 1.172 |

- All Prices shown include Fed, State Taxes





FUEL PRICE PARITY – HEATING FUEL

- **Statewide heating fuel price parity capped at \$3.00 per gallon (Sept. 1 – March 31)**
- **The reimbursement would take place at the Rural Community fuel distributor level.**
- **Formula (# of households X gallons allowed per household X cost above the \$3.00). Example 500 households * 500 gallons allowed per household = 250,000 total gallons allowed for reimbursement * .35 (3.35 delivered cost – 3.00 cap) = \$87,500.00 to be reimbursed to the fuel distributor. Any fuel sold to households above the 500 gallons would be priced at fair market value.**



NORTHSTAR GAS
Native Owned Petroleum Retailer

| | Coast | | L Kusko | | M Kusko | | U Kusko | | Yukon | |
|------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
| | HF Spring | HF Fall | HF Spring | HF Fall | HF Spring | HF Fall | HF Spring | HF Fall | HF Spring | HF Fall |
| 2004 | 2.0076 | 1.9455 | 2.0076 | 1.9455 | 2.0876 | 2.0255 | 2.1476 | 2.0855 | 2.0076 | 1.9455 |
| 2005 | 2.4000 | 2.6700 | 2.4000 | 2.6700 | 2.4800 | 2.7500 | 2.5400 | 2.8100 | 2.4000 | 2.6700 |
| 2006 | 3.1150 | 3.2930 | 3.1150 | 3.2930 | 3.1950 | 3.3730 | 3.2550 | 3.4330 | 3.1150 | 3.2930 |
| 2007 | 2.9070 | 2.9210 | 2.9070 | 2.9210 | 2.9890 | 3.0030 | 3.0510 | 3.0650 | 2.9080 | 2.9220 |
| 2008 | 4.8920 | 3.8960 | 4.8920 | 3.9860 | 4.9740 | 4.0680 | 5.0350 | 4.1290 | 4.8920 | 3.9860 |
| 2009 | \$2.7122 | | \$2.6997 | | \$2.6722 | | 3.4226 | | 3.0726 | |



NORTHSTAR GAS
Native Owned Petroleum Retailer

| | Coast | | L Kusko | | M Kusko | | U Kusko | | Yukon | |
|------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
| | UL Spring | UL Fall | UL Spring | UL Fall | UL Spring | UL Fall | UL Spring | UL Fall | UL Spring | UL Fall |
| | | | | | | | | | | |
| 2004 | 2.4260 | 2.2090 | 2.4260 | 2.2090 | 2.5060 | 2.2890 | 2.5660 | 2.3490 | 2.4260 | 2.2090 |
| 2005 | 2.5770 | 2.8670 | 2.5770 | 2.8670 | 2.6570 | 2.9470 | 2.7170 | 3.0070 | 2.5770 | 2.8670 |
| 2006 | 3.3650 | 3.1430 | 3.3650 | 3.1430 | 3.4450 | 3.2230 | 3.6320 | 3.4100 | 3.3650 | 3.1430 |
| 2007 | 3.4600 | 2.9460 | 3.4600 | 2.9460 | 3.5420 | 3.0280 | 3.6040 | 3.0900 | 3.4600 | 2.9460 |
| 2008 | 4.2400 | 4.1200 | 4.2400 | 4.1200 | 4.3220 | 4.2020 | 4.3830 | 4.2640 | 4.2400 | 4.1200 |
| 2009 | 3.2636 | | 3.2513 | | 3.2738 | | 3.7242 | | 3.6242 | |



NORTHSTAR GAS
Native Owned Petroleum Retailer

| Example: Price Per Barrel | Example: Delivered Cost | Example: Price Per Gallon | Example: Transportation |
|--------------------------------------|------------------------------------|--------------------------------------|------------------------------------|
| 114.53 | 4.37 | 3.12 | 1.25 |
| 100.87 | 4.17 | 2.92 | 1.25 |
| 93.97 | 3.96 | 2.71 | 1.25 |
| 81.19 | 3.59 | 2.34 | 1.25 |
| 71.85 | 3.38 | 2.13 | 1.25 |
| 66.75 | 3.29 | 2.04 | 1.25 |
| 60.77 | 3.19 | 1.94 | 1.25 |
| 53.62 | 3.01 | 1.76 | 1.25 |
| 50.77 | 2.95 | 1.70 | 1.25 |
| 46.96 | 2.83 | 1.58 | 1.25 |
| 40.81 | 2.68 | 1.43 | 1.25 |
| 36.22 | 2.62 | 1.37 | 1.25 |

Example on Pricing Your Fuel

Operating Expenses

Wages

| | |
|-----------------------------------|---------------|
| Operator | |
| Rate/Hour \$ | 10.00 |
| Hours per Week | <u>20</u> |
| Annual Wages (50 weeks) \$ | 10,000 |

| | |
|-----------------------------------|--------------|
| Clerical | |
| Rate/Hour \$ | 10.00 |
| Hours per Week | <u>10</u> |
| Annual Wages (50 weeks) \$ | 5,000 |

| | |
|-----------------------------------|--------------|
| Administrator | |
| Rate/Hour \$ | 15.00 |
| Hours per Week | <u>10</u> |
| Annual Wages (50 weeks) \$ | 7,500 |

Total Wages \$ 22,500

Taxes & Workers Comp \$ 2,250

Equipment Rental \$ 2,000

Phone \$ 500

Electric \$ 3,000

Interest (6.0%) \$ 7,736

Office Rent \$ 4,800

Prop & Liab Ins \$ 5,000

RAFS Services \$ 5,000

Maintenance \$ 2,500

Facility Payments \$ 2,000

Reserves \$ 5,000

Miscellaneous \$ 2,500

Total Operating Expenses \$ 64,786

Fuel Purchases

Gas

| | | |
|------------------|--------|-------------|
| Gallons | 20,000 | |
| Price Per Gallon | | <u>3.85</u> |
| Dollars | 77,000 | |

HF#1

| | | |
|------------------|---------|-------------|
| Gallons | 30,000 | |
| Price Per Gallon | | <u>3.80</u> |
| Dollars | 114,000 | |

Total Fuel Costs:

| | |
|---------|----------------|
| Gallons | 50,000 |
| Dollars | 191,000 |

Operating Expenses per Gallon

1.30

(Total Operating Expenses / Total Gallons) = 64,786 / 50,000

Sales:

Gas

| | | |
|---------|------------|-----------------------------|
| Gallons | 20,000 | |
| Price** | | <u>5.15 = (3.85 + 1.30)</u> |
| Dollars | \$ 103,000 | |

HF#1

| | | |
|----------|-----------|--|
| Gallons | 30,000 | |
| Price ** | 5.10 | |
| Dollars | \$153,000 | |

Total Sales:

| | |
|---------|------------------|
| Gallons | 50,000 |
| Dollars | \$256,000 |

****Fuel Purchase Expense Plus Operating Expense per Gallon**

Sales – Fuel Costs = \$256,000 - \$191,000 = \$65,000



Revision of AEA Loan Application:

- Make the AEA Loan Application valid for 5 years.
 - Eliminates annual filing of an 11 page application.
 - Supporting documentation (ie: letter of intent, promissory note, waivers, resolutions) to be valid for 5yrs.

Due to seasonal activities, participation in community meetings to get approval and signatures have been proven to be difficult and holds up the whole loan process.

- Annually a 2 page Bulk Fuel Loan Agreement would need to be filed.

Revision of AEA Loan Application (cont.):

- Allow approval of the AEA Loan Application from a faxed copy rather than waiting for the original mailed application. This would expedite the application process. Funds would only be released upon receipt of the Original Signed Application.
- Loan approval would be based on prior years payment history. Late payments or questionable credit would revoke the 5 year loan approval requiring an annual application to be filled out until credit history improves.
- If a loan is approved based on payment history but the community still has payments outstanding, the approved funds would not be released until the final prior years loan payment is received. The written approval letter would allow the community to become a credit worthy customer rather than a risk.



May 29, 2009

Members of the House Energy Committee
House of Representatives
State of Alaska

Honorable Co-Chairs and Committee Members:

Welcome to Bethel! Thank you for making the time to visit our rural communities to see firsthand what we are doing to cope with our energy issues.

I am Meera Kohler, President and CEO of Alaska Village Electric Cooperative. We were established 40 years ago to bring "the light" to Alaska's villages – communities where Alaskans relied upon kerosene lamps and seal oil for their modest energy needs.

I'm sure many of you have read Willie Hensley's recent book – Fifty Years from Tomorrow. Willie was AVEC's first president. He had the vision that, by perseverance and dedication, we could make the impossible happen. That vision led the way to ANCSA – and to AVEC.

But AVEC was not a slam dunk. We teetered on the brink of bankruptcy for many years. It was not until the early 80s that we were able to finally collect enough revenue to pay for our very modest operations and PCE made that possible.

It surprises many to know that AVEC's generation and distribution assets were not built with state or federal largesse. We now have more than \$114 million invested in our utility systems, not counting any grant-funded plant. All we had at the beginning were REA loans that had to be paid back. It was not until this decade, when we became a Denali Commission partner, that we were able to start upgrading our power plants and tank farms to acceptable utility standards. Our villages are still the only communities that actually bring a substantial amount of cash to match our various federal construction grants. We have almost \$100 million of federally funded plant improvements now and more than \$12 million in AVEC equity match.

This morning, you visited Kasigluk and toured the wind farm there. Kasigluk is one of our villages. Power from the diesel and wind generators there serve both Kasigluk and the nearby village of Nunapitchuk. The power plant, wind turbines tank farm and intertie cost some \$15 million. 10% came from AVEC's equity – the rest came from the Denali Commission and the RUS. Not a penny of state funds were used. About 20% of the two communities' power comes from wind and the fuel cost per kWh is 12 cents lower than neighboring communities.

But wind is not the answer to reduce the cost of power. Our average cost of electricity is more than 62 cents a kWh. Fuel alone is 37 cents this year and non fuel costs are 25 cents. PCE helps make power affordable for homes and public facilities, but it does nothing for commerce and schools. We must find a way to do away with PCE so that electricity can be affordable for everyone!

4831 EAGLE STREET * ANCHORAGE, ALASKA * PHONE (907) 561-1818 * FAX (907) 562-4086

The answer is for all Alaskans to be treated the same, at least as far as electricity is concerned. To that end, we propose the All Alaska Generation and Transmission plan. The concept is very simple. The AAG&T in effect operates all the generation and transmission assets in the state of Alaska. All the existing utilities become distributing utilities only. Power is sold back from AAG&T at a "postage stamp" rate and the local utilities add their local administration, billing and operating costs to achieve local retail rates, likely ranging from 13 cents to 25 cents a kWh.

Currently, utilities sell some 6.5 billion kWh in the state. 85% of those sales are in the Railbelt and in other low-cost areas like Barrow, Juneau and Sitka, where retail rates average less than 13 cents a kWh. Of the remaining 15%, about 8.5% of sales are in non-PCE communities like the Four Dam Pool where the cost of power is now around 30 cents and the last 6.5% covers the PCE communities where the average retail rate is around 55 cents.

By pooling all power and selling it to utilities at a uniform rate, we achieve many purposes:

- Communities outside the Railbelt are no longer second-class citizens when it comes to reliable electricity. Even diesel power plants are complicated to operate and many communities have tenuous generation systems because of the lack of qualified local personnel.
- Economic development becomes feasible. Unaffordable electricity is a prime reason why local commerce cannot develop and flourish.
- The need for PCE goes away, saving the state some \$32 million a year.
- The cost of operating rural schools declines dramatically as electricity cost drop, likely saving another \$20 million annually.
- Similarly, costs to operate other state facilities decline, estimated to save another \$20 million each year.
- The perennial challenges in keeping the lights on across the state diminish as a technically competent operations team will work across the state to address local generation challenges.
- And of paramount importance, vying for scarce capital grants disappears. The entire state will unite behind generation projects that deliver the maximum benefits to the largest area because reducing the cost of power in Anchorage, for example, will translate to lower generation costs for the entire state. Regional projects that deliver the maximum benefits will not have to compete for funds because they will naturally fall into a state-wide priority list.

Honorable legislators, it is time to end the politics of separation. We are all Alaskans equally. We all deserve affordable and reliable electricity. Electricity is the basic underpinning of modern society. Without it, we would not have schools, potable water, sewer systems, healthcare or airports. For too long, electricity for rural Alaskans has been an almost unaffordable luxury. You can change that and our children and grandchildren will thank you, as I do.

Thank you for the opportunity to comment.

Yours very sincerely,



Meera Kohler
President & CEO



Yukon Delta Fisheries Development Association

1016 West Sixth Avenue • Suite 301 • Anchorage • AK 99501
Tel: (907) 644-0326 Fax: (907) 644-0327

To: The State of Alaska – Legislative House Special Committee on Energy

Co-Chairs: Rep. Bryce Edgmon and Rep. Charisse Millett

**Members: Rep. Nancy Dahlstrom, Rep. Kyle Johansen, Rep. Jay Ramras,
Rep. Pete Petersen, and Rep. Chris Tuck**

**Written & Oral Testimony of:
Yukon Delta Fisheries Development Association (YDFDA)
May 29, 2009**

Good afternoon members of the House Special Committee on Energy. My name is Deborah Vo and I am the Rural Development Specialist for Yukon Delta Fisheries Development Association (YDFDA), one of the six Community Development Quota (CDQ) organizations representing the Lower Yukon villages of Alakanuk, Emmonak, Kotlik, Nunam Iqua, Mountain Village, and Grayling. I am here to provide public testimony on energy issues as it relates to the Yukon-Kuskokwim Delta region.

First, YDFDA supports the Goals and Deployment Objectives outlined in the AVCP Calista Regional Energy Plan. These goals and objectives reduce the costs of generating power by integrating renewable energy solutions such as wind, hydro, and biomass projects.

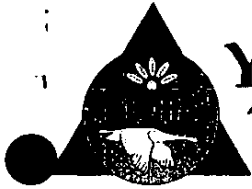
Secondly, YDFDA supports bulk fuel purchasing under cooperative purchase agreements. It will reduce purchasing costs by our villages by participating in this type of arrangement.

On the All Alaskan Generation and Transmission Utility (AAG&T), YDFDA supports the concept as a long-term solution since the benefits reaped from such arrangement will be advantageous to all Alaskans. The Power Cost Equalization (PCE) subsidy that is necessary to equalize the cost of generated power across the state will no longer be needed under this scenario. However, the high cost of energy must be reduced in rural Alaska to spark economic development in our communities immediately.

Until the concept of the AAG&T is realized, YDFDA recommends and supports expanding the PCE program to private enterprises and public facilities, such as schools and clinics, in rural communities at 50% of what is subsidized to households and other community facilities and utilities. Currently, our subsidiary, Kwipak Fisheries that operates in Emmonak, pays for the full cost of power including the fuel surcharge. The exorbitant cost of power, coupled with the high cost of transporting our product to market, makes it extremely difficult to compete globally and with non-rural communities. The savings incurred by lowering the cost of power will allow Kwipak Fisheries to pay

a higher price to the fishermen in our villages for their fish, therefore contributing more cash to the local economy. Along the same lines, making PCE available to local schools and clinics to operate and maintain quality service at a more reasonable cost contributes to overall healthy and sustainable villages. Private investment by local and regional businesses is important to our communities and for our communities to thrive, affordable energy must be an important part of that equation.

Thank you.



YUKON-KUSKOKWIM HEALTH CORPORATION

"Working Together to Achieve Excellent Health"

Testimony of

GENE PELTOLA

**President and Chief Executive Officer
Yukon-Kuskokwim Health Corporation**

**to the
Alaska State Legislature
House Special Committee on Energy
Bethel, Alaska May 29, 2009**

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.



Napaskiak Incorporated

P.O. Box 6069
Napaskiak, Alaska 99559
(907) 737-7413

May 29, 2009

RE: Energy Testimony

Honorable Legislators and Representatives:

On behalf of the Napaskiak Incorporated Shareholders we want to thank the Alaska Legislature's efforts in addressing the energy needs of all Alaskans. Even with the proximity of Napaskiak to Bethel we have seen record fuel prices. With the prices fuel as they are in Napaskiak and our region we have been crippled with choices on whether or not to pay our electric bill or go cold in our homes or to go out to subsistence hunt and gather for meat or fish. This fall we were faced with a dilemma on whether to go cold or pay for a fuel delivery in the upwards of \$1.43 delivery fee per gallon, and a record wholesale cost for fuel oil, combined with cold weather and the basic need for survival our customer and shareholders had to pay \$7.096 a gallon the whole winter which amounted to \$354 a barrel of oil, some families had to sacrifice more than half of their paycheck a month to survive the unyielding cold this winter.

In the Corporation's store we have a delinquency rate of 34% and rising of all of our customers who charge for food and everyday necessities. The delinquency rate is due to the struggling economy and the choice to heat their homes or pay for their electricity so they don't spoil their foods or go cold because some of those homes do not have wood stoves. The Corporation Store is not eligible for the PCE program for being a profit entity and we have to pay \$0.60 per kilowatt hour, which translates to an average of \$3,500 a month.

We (Napaskiak Residents) have been fortunate with the help of the Association of Village Council Presidents helping our shareholders, customers and Tribal Members in the community of Napaskiak, without their help this winter would have looked very bleak. Thank you AVCP.

Inflation is here! The cost of the dollar is decreasing at an alarming rate. Postal rates have gone up, thus increasing the cost of food and other necessities, more than ever we will see a migration of shoppers going elsewhere for shopping instead of supporting their local store and local economy unless something is done. We have fought and made our voices known to keep the postal rates down to no avail. Something needs to be done and fast to increase the viability of our local economies in Napaskiak and Rural Alaska that are struggling or on the brink of failure.

Cordially,

Phillip Nicholai Jr.
General Manager.

Cc: file



College of Rural and Community Development
P.O. Box 368 • Bethel, Alaska 99559 • (907) 543-4500 • FAX (907) 543-4527

May 29, 2009

House Special Committee on Energy:

Honorable Co-Chair Bryce Edgemon
Honorable Co-Chair Charisse Millet
Honorable Nancy Dalstrom
Honorable Kyle Johansen
Honorable Jay Ramran
Honorable Pete Petersen
Honorable Chris Tuck

Welcome to Bethel and the Yukon-Kuskokwim Delta. I thank you for providing us this opportunity to testify on energy. I am the director of the Kuskokwim Campus – University of Alaska Fairbanks, which is the institution of higher education for this region of approximately 25,000 people. KuC primarily offers certificates and associate degrees, with a select few bachelors degrees, including one exclusive to our campus—the BA in Yup'ik Language and Culture. We are the only rural campus in western Alaska with a dormitory and multiple buildings that cost money to maintain and operate.

In FY 05, KuC total utility bill for the year was \$243,607. Estimating the bill for the final month of this fiscal year, it will cost \$439,704—an increase of nearly \$197,000 or 80 percent this fiscal year. This increase equates to nearly three jobs at KuC. I have had to cut positions or find grant funds to cover them. It means any growth in academic programs does not happen or has to be supported by soft money. It leaves me apprehensive about equipment or utility failure, such as vehicles and the heating or water and sewage system. It means I now routinely request a longer holiday closure to save on utility and personnel costs and I reduce the duration of staff contracts. I know at some point, valued and dedicated staff will look elsewhere for 12-month jobs; they have families to feed and bills to pay.

This is just an illustration to support what you hear from organizations and people in this region that energy cost relief is desperately needed. As a college campus, I am willing to partner with other groups to pilot alternative energy projects. One suggestion I have for possible assistance is to extend Power Cost Equalization to state and federal customers, or at least educational institutions.

I thank you for your time and am willing to answer any questions you may have.

Sincerely,

Mary C. Pete
Director

University of Alaska Fairbanks **UAF**

House Special Committee on Energy
Hearing at Bethel, Alaska May 29, 2009

Representative Bryce Edgmon Co-Chair
Representative Charisse Millett Co-Chair
Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Jay Ramras
Representative Pete Petersen
Representative Chris Tuck
Representative Mike Chenault, Speaker of the House

Testimony of Jerry Drake, Bethel Alaska

Honorable Representatives,

As you are all well aware of the high costs of energy in rural Alaska and the effects it has, I would like to take this opportunity to offer instead a suggestion that may help reduce those costs and our reliance on high cost energy sources.

The way that wind and solar energy is currently being presented/marketed simply does not work. I base that on the simple fact that if it were cost effective, you would see it in wide use. An example of this was just shown on the evening Anchorage news last week. Where a gentlemen in Anchorage installed a solar water heating system in his home at a cost of some \$14,000.00 with a payback period of 15 years. As long as we keep looking at the problem the same way, only the wealthy will be able to afford renewable energy with a questionable payback period, as is the case today.

Here's the suggestion. As State and Federal agencies are already providing housing in many areas of the State. A joint research project through perhaps the Denali Commission be instituted. The research would be to find out what components are available off the shelf to provide supplemental heat alone. These could be either wind, solar or a combination of the two. This supplemental heat would be simple and not intended to be a replacement for current heating systems. Converting a home over to complete reliance on wind and/or solar power and selling back to the grid add expensive and extremely complicated systems to a home. Both are project killers in rural Alaska.

If the right combinations of off the shelf wind, solar and heaters can be found that are inexpensive, reliable and easy to maintain, then we will have an effective system. The target total cost should be in the \$3,000.00 to \$7,500.00 range. I say this because if a house uses say 600 gallons of oil per year at \$5.00 per gallon. Then a 20% reduction in use would save approximately \$600.00 per year or \$3,000.00 over 5 years. And if a 50% reduction could be achieved then the savings would be \$1,500.00 per year or \$7,500.00 over 5 years. I believe that if these costs and payback periods are met, a cost effective system would be in place that anybody could take advantage of.

If the State is unable to conduct the necessary research to achieve this goal, how about a one time X-Prize like competition? The first person or organization that can achieve something like the above costs and payback period wins a cash prize. It stays in effect till it's met. That could be the best \$500,000.00 the State ever spent.

This would be an excellent use of stimulus energy funds. If the only reason not to accept the stimulus energy funds is the requirement of a statewide energy standard, then that is a non-issue. As the State already has a Building Energy Efficiency Standard (BEES) there is no issue here. The financial institutions have always been the de-facto code enforcers in rural Alaska, ensuring that new construction meets this standard. Anyone that does not adhere to the standard doesn't care because they are not getting financing or ever planning to sell.

AVCP Calista Region's Energy Costs

**Testimony of Felix Hess
Calista Corporation, Board Secretary
Before the Alaska Legislative House Special Committee on Energy
Bethel, Alaska
May 29, 2009**

Fuel Price and Electricity

Prices for residential heating oil, regular gasoline increased well over 100% since 2007 in many of the regions villages (prices without taxes). The AVCP Calista region's prices have followed national trends and will continue to be linked to world oil prices. Delivered prices in spring 2008 rose to \$8.00 gallon for home heating fuel throughout the region.

Electric utility rates are higher as 2009 begins, between 53¢ and 65¢ per kWh, and electric bills have been averaging around \$342 to \$360 per month in villages of the region. Usage has been anywhere around 530kWh to 750kWh per household. Increases in the electric rates have been reflective of higher delivered fuel costs in recent years and the PCE program has been significant in every community in helping to make electricity affordable to families in the region.

Fuel costs have been going up between \$6.00 and \$8.00 per gallon. Recently in the village of Emmonak fuel had to be flown in at a cost near \$10.00 per gallon when local storage ran out. Energy costs take up a significant portion of family disposable income, which in recent months is estimated 60% to 70% due to price hikes.

Any further increases in fuel costs and electric rates will have the effect of making fuel and electricity unaffordable. Recent studies that were conducted in the region (Nuvista Light and Power 2002 and 2004 Energy Studies) have shown that lower income residents devote higher amounts of their disposable income to energy and use less.

Unemployment rates are currently between 16.6 and 22.8 for the Bethel and Wade Hampton Census districts respectively. However, the jobless rate is even more significant and relevant indicator of the economic condition in the region. The rate is 38.5% and 43.3% for the Bethel and Wade Hampton census districts. Total income in 2007 for the Bethel census

district was \$431.4 million and \$124.8 million which provided a median income of \$45,200 and average monthly income about \$2,700 for the Bethel census district; and \$36,600 median income and \$1,750 average monthly for the Wade Hampton census district.

2008 Kuskokwim Salmon Fishery

A total of 494,108 salmon was harvested in 2008 in the Kuskokwim area by 462 permit holders for an estimated ex-vessel value of \$1,487,111. This provides an exvessel value of \$3,219 per permit holder. (2008 ADF&G Kuskokwim River Salmon Fishery Report)

2008 Yukon Commercial Fishery Summary

A total 312,513 salmon were commercially harvested in the Lower Yukon in 2008. A total of 444 permit holders fished in the Lower Yukon area for a total of \$1,363,746 in ex-vessel earnings from the 2008 commercial fishery. This provides an exvessel value of \$3,071 per permit holder. (ADF&G 2008 Annual Yukon Salmon Fishery Report)

Both higher fuel costs and increases to electric rates also have the effect of making other local goods and services unaffordable. This has been demonstrated since the fall of 2008 with the onset of winter and freezing temperatures. Because of low income and higher energy costs, there were numerous families in the region that were unable to afford fuel, electricity and food items from the local store. This humanitarian crisis surfaced in numerous news media and generated food drives and donations to villages in the Yukon delta. This is an indicator that populations throughout the region are vulnerable, local economies are fragile and susceptible to further fuel and price and electric rate increases.

Goals and Deployment Objectives

Calista Corporation concurs with the goals and deployment objectives developed for energy sustainability and economic viability in the AVCP Calista Region.

Energy Security and Economic Stability

- *Develop integrated energy solutions that meet local energy requirements and economic development needs*

Energy Parity and Stability

- *Establish statewide energy cost parity to make home heating affordable and equitable*

Calista also firmly supports the concept of an All Alaska Energy Generation and Transmission Utility to bring together all the energy needs of rural and

urban Alaska and bring the costs of energy down to an affordable rate for all Alaskans.

We agree that we need to seek Integrated Renewable Energy Solutions and desire to expand Wind Energy Projects along the eastern Bering Sea Coast and the Bethel area. Including, determine feasibility for integrated wind/diesel/solar/biomass heating and electric systems with community heat storage system.

For the villages in the vicinity of Bethel it is vital that hydroelectric power be determined. In that light we support a determination of feasibility for a Regional Hydroelectric Project such as at Lake Chikuminuk to provide region-wide electricity and heat.

We want to see the development and installation of Biomass projects in those communities where it is appropriate: including wood fired boilers, heaters and wood chippers for community facilities and buildings.

So for the upcoming Alaska State Legislative Session, our Legislative Priorities for 2010 include:

- *Statewide G&T utility to include Rural, Southeast and Railbelt*
- *Introduce statewide heating fuel price parity legislation to cap at \$3 per gallon (September 1 through March 31) for all Alaska residents*
 - *Formula (delivered cost above \$3.00 X total gallons for number of households served) not including O&M, overhead cost, etc.*

Concerning federal funding, we seek the legislature support and assistance to make sure that as much of the assistance directed to energy in rural Alaska be applied for and acquired. These include:

American Recovery & Reinvestment Act

- **DoE Energy Efficiency and Conservation Block Grant:** tribes receive 2% set-aside of \$2.8 billion.
- **Clean Renewable Energy Bonds:** One-third of the authorized amount is available to tribes.
- **Qualified Energy Conservation Bonds:** allocations to tribes as local governments.
- **DoE support for tribal Smart Grid Demonstration projects.**
- **\$18,142,580 Alaska Weatherization Assistance Program and \$28,232,000 for the State Energy Program (currently declined by Governor Palin)** Calista Corporation, as with many other organizations are adamant in opposing the governor's position in denying these funds for rural Alaska.

DoE Energy Efficiency and Conservation Block Grants

- **The amount of funding for each Tribe will be based on a formula to be published in the Federal Register.**

■ In addition to the \$56 million EECBG tribal set-aside funds, tribes are eligible to receive awards on a competitive basis for \$400,000,000 made available under the Act. These funding amounts include administrative, training, and technical assistance costs that will reduce available funding for grants by 1-2%.

2009 Omnibus Appropriation Act

- Appropriations Act Provides Nearly \$2 Billion in New Funding to DoE Energy Efficiency & Renewable Energy
 - \$217 million for biomass energy;
 - \$175 million for solar energy
 - \$30 million for concentrating solar power
 - \$55 million for wind energy
 - \$40 million for "water power," which includes both conventional hydropower and tidal and marine technologies.
- Infrastructure development activities, and other supporting activities also received funding increases under the appropriations act.

In closing, we want to thank the Alaska Legislature's dedication and commitment to all Alaska in seeking a statewide energy solution to the energy crisis our people are facing and will continue to face if action is not taken. We look forward to working with each and everyone of you in developing a plan that can achieve our energy sustainability and economic viability.

Quyana Cakneq



May 29, 2009

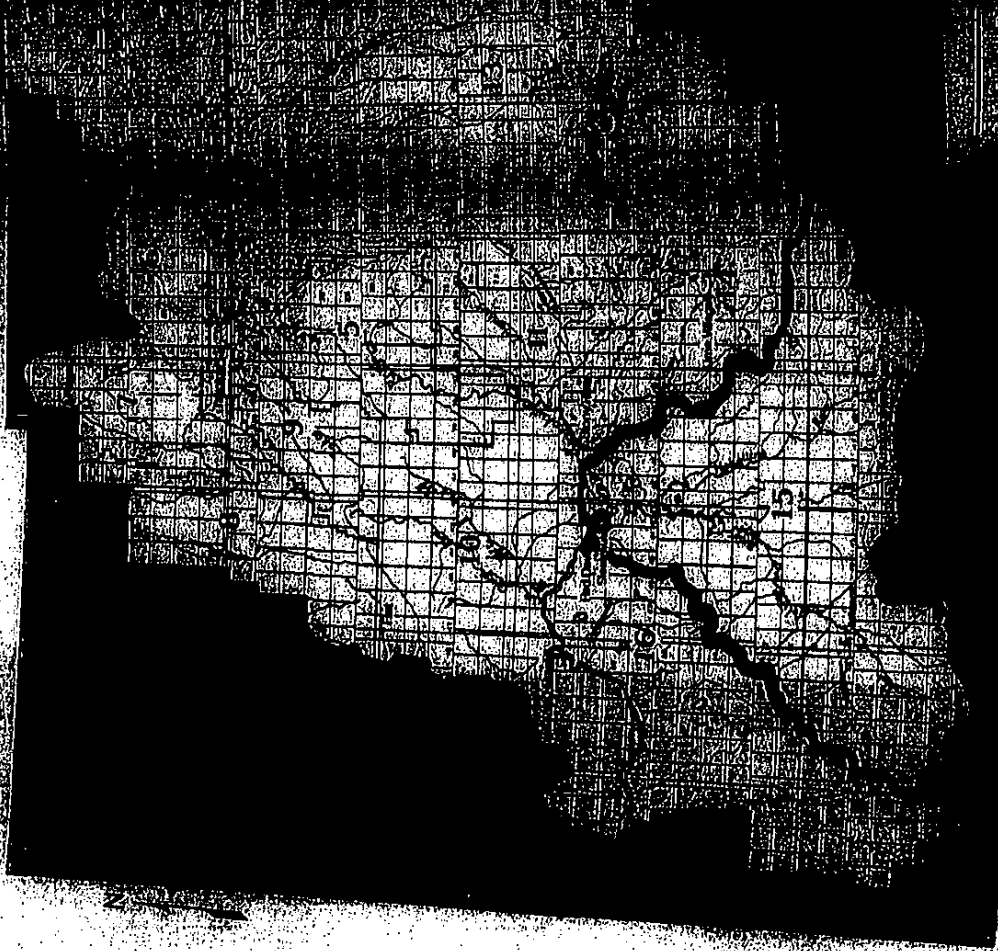
To: House Energy Committee

From:  Greg Roczicka, Director – Natural Resource Dept.

Though perhaps not in a direct line of what your current hearings are after or anticipating, the attached is highly relevant and directly related to energy savings and cost reduction in the long term (in addition to its primary intent). A basic fact here is that the less time and distance someone has to spend or travel in pursuit of subsistence harvest activities, the less energy is burned or monetary costs incurred. We strongly urge and appreciate your positive consideration and support for the attached legislation when it comes before you next session. Quyana.

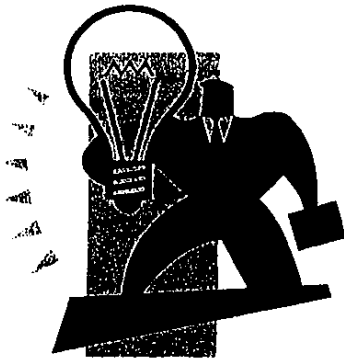
P.O. Box 927, Bethel, Alaska 99559-0927 Phone (907) 543-2608

Management Unit



- Management Unit 1: North Fork
- Management Unit 2: East Fork
- Management Unit 3: Skozona
- Management Unit 4: Big River — South Fork
- Management Unit 5: Kuskokwim River
- Management Unit 6: Chipsona Fork
- Management Unit 7: Shuroko
- Management Unit 8: Dishina — Iditarod
- Management Unit 9: Takotna River
- Management Unit 10: George River
- Management Unit 11: Swift River
- Management Unit 12: South Alaska Range
- Management Unit 13: North Alaska Range
- Management Unit 14: Sbooy River
- Management Unit 15: Hootna River
- Management Unit 16: Hootkut — Oskowalik
- Management Unit 17: Aniak River
- Management Unit 18: Birch Tree Crossing

*William Area
Hunting, Fishing
Reserve. (HB#227)*



Napaskiak Utilities
P.O. Box 6041
Napaskiak, Alaska 99559
Phone #1-907-737-7432
Fax #1-907-737-7989
May 28, 2009

Honorable Representative Bob Herron
Honorable House Special Committees on
Energy and Honorable House Speaker Mike Chenault
State Capital, Room 415
Juneau, Alaska 99801-1182
Phone: 1-907-465-4942 Fax 1-907-465-4589

RE: Fuel & Energy (electricity) Crisis:

As you are already aware of our Fuel & Energy Crisis in our community of Napaskiak, Alaska, through media news and State of Alaska's agencies from Governor's office on down the chain of command, that we did not receive any of our fuel for winter use to community this fall fuel barge delivery that triggered our Emergency Crisis for both villages of Napaskiak, Alaska to power plant (generators) and residents of our communities.

We-Napaskiak Utility ordered fuel with Crowley Fuel Co. paid for \$277,000.00 at and around October 12-15, 2008 for 60,000 dollars/DF#1 fuel for Generators(Power Plant) at \$4.plus a gallon delivered and confirmed- that didn't make the delivery as expected this fall delivery-Oct. 08 due to ice thickness on the Kuskokwim river. Crowley did tried to do everything that they can to delivery fuel, but with a price to deliver fuel at 7.00 to 8.00 a gallon cutting our purchase order to 30,000 gallons of fuel from 60,000 gallons and on top of that pricing is a lease for 3,000 gallon tank delivered at for \$3,000 a trip times 2 = \$6,000 with equipment (pump & hoses from the airport to tank farm. As of we did and tried looking at air delivery same payment for \$277,000.00 plus with way less to deliver at 30,000 gallons DF#1 fuel cut in half instead of 60,000 gallons ordered at \$277,000.00 for \$4.00 to \$5.00 a gallon and the copy of the quote pricing can be sent for reference That means we have had to double our electrical service rate to \$1.00 a KWH or more to keep up with the economy and running as a non-profit business(local) municipality of

Napaskiak, AK to buy more fuel this fall and in the future in Spring and fall for FY10 and 80% of the community is in poverty level/disaster list with Dept of Commerce. Nobody won't be proud for the proposed rate in anyway at all. Our current rate is at .60 cents a kilowatt and most likely it will double to over \$1.00 a kilowatt hour service charge without any assistance from state or the federal agencies to deliver fuel at that time. We as a community desperately in need of assistance fast for Wind Turbine System from State Program Grants to disdressed community of Napaskiak. The copies of fuel delivery are can be sent by air and it is with a price to accommodate the needs of our communities.

Per our conservation with State of Alaska officials/administrations from Governors office down the chain of command (key personnels) to the public services that the great State of Alaska operates on and were not willing to help or assist at that time with any financial and fuel delivery for winter fuel that did not happen this fall for winter fuel to Napaskiak, Alaska that has put the communities of Napaskiak in EMERGENCY FUEL CRISIS for Power Plant Generators Fuel and residents of our communities for heating & basic essential electrical needs for cooking, etc in households. The manifested fuel delivery by Crowley Company is not at fault by Napaskiak. Instead of awaiting for up-river or tundra villages to get enough high water to deliver fuel, somebody should of detour to both villages and deliver fuel to village of Napaskiak, Alaska. At requesting any assistance from State and the agencies concerning energy needs-I am starting to think that the state's chain of command at some point down the line is looking at the difference between urban and rural areas/get laugh at afterwards the conversations with any subjects that deal with business from Urban and Rural settings that needs to be looked into for any service and communications that state has for services., if so .regards to our situation with our high cost of fuel that we use to operate in a year of over \$200,000.00 and more a year for fuel alone not including Operation & Maintenance and the generators run on Diesel that are not in fuel efficiency to operate at this time of the year during winter uses at 24/7 electrical use daily is uncontrollably rising fast.

We did everything possible contacting state's Governors Rural Affairs-Alaska Energy Authority-North Star Gas-Division of Emergency and Representatives from Juneau, Alaska, also the media from Alaska concerning our fuel crisis that jeopardize both community of Napaskiak memo to your office.

Having to exhaust all the alternative of getting assistance from state we have no choice but to buy fuel at a price that is not at our fault that lead to fuel crisis at any time, PLEASE respectfully consider for assistance in financial transportation and equipment for Wind Turbine System that will greatly reduce use of fuel and reduce the rates for services to community of Napaskiak in our fuel crisis.

If you have any questions, Please give my office a call at above address or by fax and respectfully thank-you for your consideration to this very important matter to the public.

*Sincerely,
City of Napaskiak-Utility(electricity)*

*Joseph Bavilla-Mayor
City of Napaskiak*

*Carl Maxie Sr
Napaskiak Utility Manager-Acting Admin.*

May 29, 2009

To the Legislative Energy Committee

I would like to express my thoughts for the problem of energy costs in rural Alaska.

First, we need to stop the artificial high prices and monopoly of fuel here. To my understanding, all the fuel we get in Bethel comes from the Kenai oil fields. It does not come from the Middle East. It is also my understanding the oil in the ground belongs to the people of Alaska. So instead of getting a discount price, we are paying an outrageous price for fuel. The fuel companies buy the fuel in Kenai at world price, and then tack on extra shipping and handling charges. Instead, the state should renegotiate contracts with the oil producers. As citizens of an owner state, we should be paying a lower price for our fuel.

There is a fuel monopoly here in Bethel. Crowley sets its own price, and controls the entire market. By definition, this is a monopoly and should be investigated under federal anti-trust laws. There is supposed to be an alternative, Delta Fuel. Two years ago I went there to buy fuel. They stated their price was "2 cents less than Crowley". The attendant did not know the price, only that it was 2 cents less. They also refused to sell me fuel because of Crowley's policies on size of containers. It seemed to me Crowley still controlled the price and the delivery of fuel. As a solution, I suggest the City of Bethel, the state, and the Feds enforce anti-trust laws. An independent arbitrator should set the price of fuel we pay here.

Last year, the State gave us \$1200 each on dividend checks to help with the high cost of fuel. We also get a PCE credit on electric rates. These programs help people a lot. However, they do not help solve the problems; they just subsidize high fuel and energy prices. Instead, the State should use its resources to push permanent solutions to energy problems in rural Alaska. The State could spend money to develop alternative energies, such as wind power, which has great and realistic potential in rural Alaska. This could provide permanent solutions, instead of just subsidizing the existing system.

In conclusion, I am advocating for a change in fuel pricing based not upon world price plus but upon internal Alaska oil policy, an end to Crowley's monopoly here, and finally putting resources into permanent solutions including alternative energy development.

Richard Robb
Bethel, Alaska



HOUSE BILL NO. 227

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE HERRON

Introduced: 4/10/09

Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing state fish and game reserves; creating the Holitna River Basin**
2 **Hunting, Fishing, and Trapping Reserve; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 16.20 is amended by adding new sections to read:

5 **Article 6. Fish and Game Reserves.**

6 **Sec. 16.20.700. Purpose.** The purpose of AS 16.20.700 - 16.20.720 is to
7 promote management activities to rebuild or enhance fish and wildlife populations and
8 habitats to maintain historical and sustainable harvest levels for continued high levels
9 of human consumptive use of these resources.

10 **Sec. 16.20.710. Regulations.** The Board of Fisheries or the Board of Game,
11 where appropriate, shall adopt regulations identifying areas each considers advisable
12 for conservation and protection purposes to carry out the purpose of AS 16.20.700.

13 **Sec. 16.20.720. Holitna River Basin Hunting, Fishing, and Trapping**
14 **Reserve established.** (a) All state-owned surface and subsurface water and all land

1 acquired in the future by the state within the watershed of the Holitna River and
2 Hoholitna River is designated as the Holitna River Basin Hunting, Fishing, and
3 Trapping Reserve.

4 (b) The Holitna River Basin Hunting, Fishing, and Trapping Reserve is
5 established to

6 (1) ensure management and protection of fish and wildlife populations
7 and habitat to perpetuate subsistence, commercial, and sport use of the area's fish and
8 wildlife;

9 (2) implement maximum use and benefit, sustained yield, and common
10 use principles by using effective management techniques for conserving and
11 developing the area's natural resources to regain or maintain historical harvest levels
12 with human consumptive use of these resources as a priority;

13 (3) maintain and enhance healthy and abundant fish and wildlife
14 populations commonly used for consumption by humans to provide high levels of
15 human consumptive use in keeping with amounts determined by the Board of
16 Fisheries and the Board of Game to be reasonably necessary to provide for subsistence
17 uses and with other population and use goals or objectives set by the appropriate
18 board.

19 (c) In order to fulfill the purposes of this section, and notwithstanding any
20 other provision of law, the Department of Fish and Game, the Board of Fisheries, and
21 the Board of Game shall manage the fish and game resources of the area to provide for
22 high levels of human harvest and, as necessary, shall

23 (1) control predation and adjust predator and prey population ratios
24 through whatever methods or means are considered appropriate to particular
25 circumstances;

26 (2) conduct management actions designed to further the purposes of
27 this section so long as the appropriate board has not found, based upon substantial
28 evidence, that the challenged management actions are counterproductive or ineffective
29 in maintaining or enhancing healthy and abundant fish or wildlife populations
30 commonly used for consumption by humans for food to provide for high levels of
31 human consumptive use;

1 (3) use the information the department or the appropriate board
2 considers to be the most credible for conducting management activities, including
3 historic information, scientific information, and traditional environmental knowledge.

4 (d) The Department of Natural Resources may not acquire by eminent domain
5 privately owned land within the Holitna River Basin Hunting, Fishing, and Trapping
6 Reserve but may acquire privately owned land by purchase, exchange, or other means
7 for inclusion in the reserve.

8 (e) Public access to the Holitna River Basin Hunting, Fishing, and Trapping
9 Reserve by boat, aircraft, dog team, snow machine, all-terrain vehicle, or other means
10 consistent with the purposes of this section may not be prohibited but may be
11 regulated by either the Board of Fisheries or Board of Game as necessary to meet the
12 purposes of this section.

13 (f) Access to and from private property within the Holitna River Basin
14 Hunting, Fishing, and Trapping Reserve shall be guaranteed through access corridors
15 established through agreement among the Department of Fish and Game, Department
16 of Natural Resources, and a private property owner.

17 (g) Entry upon the Holitna River Basin Hunting, Fishing, and Trapping
18 Reserve for purposes of exploration and development of oil and gas resources is
19 subject to final approval by the Department of Fish and Game and may not be
20 permitted unless a person fully demonstrates that exploration and development is
21 compatible with the purpose of this section.

22 (h) Except as otherwise provided in this section, the Department of Fish and
23 Game and the Department of Natural Resources shall exercise each department's
24 respective authority over the Holitna River Basin Hunting, Fishing, and Trapping
25 Reserve through a management plan prepared by the Department of Fish and Game in
26 consultation with the Department of Natural Resources.

27 * **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

Holitna Basin Hunting Fishing Trapping Reserve Summary Statement:

Although provided for in AS 16.05.251 & 255 giving BOG & BOF authority for "setting aside reserve areas, refuges and sanctuaries...subject to the approval of the legislature;" the only areas created to date under 16.020., Articles 1-5 are for refuges, sanctuaries, ranges & critical habitat areas. No "reserve" has ever yet been actually designated. In essence – a blank slate as to identifying the purpose and intent for what a "reserve" is...

A primary purpose for this legislation is to address significant conflicts caused by Animal Welfare Groups' legal challenges that suspend or pre-empt active management programs (e.g. predator control) regarding the issue of managing fish or game populations for human harvest benefit. It intends to switch the burden of proof to their shoulders, so they must first conclusively and scientifically show or prove them as ineffective prior to their being suspended or curtailed. It seeks to further block legal avenues for "process challenges" in designated Reserve areas by such animal welfare entities, who work to embed their singular/ philosophic/political differences of opinion into the state's management structure to the detriment of all other uses.

Although some limited active management programs are currently being conducted with the support of the present gubernatorial administration, with past history as any indication, this cannot be counted upon to continue into or through future administrations. There are several areas within currently identified Intensive Management Areas that may be noted as essential "Breadbasket Areas" which exemplify high quality habitat and productivity contributions to the entire GMU sub-region that could qualify for such an elevated level of management protections. Game Management Unit 20E, portions GMU 13 or the Kenai Peninsula, the Koyukuk, Copper, Mulchatna or Noatak River drainages may be similarly considered to be added in future to follow this Reserve concept being established here for the Holitna River basin.

The Holitna River drainage is an extremely productive area in Western Alaska that (prior to 1996 & 2000 ballot initiatives) has been a major contributor for providing a large diversity of fish or wildlife uses ever since statehood. It is the largest drainage feeding the Kuskokwim Watershed that is the major contributor for salmon production: prime habitat for moose, bear, caribou and furbearers, along with being an important rearing & staging area for several species of migratory waterfowl. It is unique in the respect that its productive habitat encompasses a wide area, rather than being confined to a relatively narrow riparian corridor, as is more commonly found in the majority of other rivers throughout the region. Recognition of its exceptional status is further emphasized by the State DNR's 2006 denial of the coal bed methane exploration permits in the area; stating that "...the possible adverse impacts to the high fish & wildlife values and related human uses are too great to be mitigated with the project as proposed..."

To fulfill the stated management intent of the Kuskokwim Area Plan adopted by the State of Alaska in March, 1988 that "The emphasis of state land management for the Holitna management unit is protection of fish and wildlife populations and habitat to support continued subsistence, commercial and sport use of these resources." The Holitna River Basin Hunting Fishing and Trapping Reserve is hereby created pursuant to the State's Intensive Management law, with the explicit intent to fully implement and promote those concepts embodied in the State's established principles of development and conservation of its resources for maximum common use, benefit, and welfare of the people; sustained yield for all those who are similarly situated with regard to the subject matter and purpose to be served of recognizing subsistence use harvest as a priority; and in maintaining abundant fish and game populations important to providing amounts necessary or identified management objectives in providing high levels of consumptive use.

The proposed reserve concept was initiated by Sleetmute Traditional and Orutsararmiut Native Councils; has records of support from the Lower Kuskokwim, Central Kuskokwim, Stony/Holitna and Anchorage Fish & Game Advisory Committees, Kuskokwim Salmon Mgmt Working Group, Association of Village Council Presidents and Calista Corporation; undergone legal review through the State Board of Game process and twice received their endorsement. It presently awaits Board of Fisheries action through their Habitat Committee.

Holitna Basin Hunting, Fishing and Trapping Reserve (HHFTR) Legislation
Development Recap and Status

January, 2006: Proposal #45 to designate the Holitna drainage as a new Game Management Sub-unit (as 19E) deliberated at Board of Game (BOG) Statewide regulatory meeting. In response to public testimony, BOG amended to incorporate Reserve concept; reissued as new proposal #158; and publishes for further public review, comment, and deliberation at the Region III regulatory meeting in March.

March, 2006: Board of Game action passes the proposal with records of support from ONC, AVCP, Lower Kuskokwim, Central Kuskokwim, and Anchorage Fish & Game Advisory Committees. Makes title change from "Game Reserve" to "Hunting and Trapping Reserve". Requested sponsors to further develop draft legislative language in consultation with DWC & BOG Dept. of Law (DOL) representatives.

April, 2006: Companion proposal (#157) submitted (per proposal cycle deadline) to Board of Fisheries by Sleetmute Tribal Council and Orutsarmiut Native Council to add fisheries component.

August, 2006: Draft language for Holitna Reserve sent to DWC & BOG-DOL for review and comment.

- Representative Kapsner/Nelson & Senator Hoffman agree to support legislation when language ready.

September, 2006: Proposal #157 supported/endorsed by Kuskokwim Salmon Mgmt. Working Group.

October, 2006: DNR issues Final Best Interest Finding that denies coal bed methane exploration permits in the Holitna Basin after two year review period stating "...the possible adverse impact to the high fish & wildlife values and related human uses are too great to be mitigated with the project as proposed..."

- Support resolution (#06-10-04) passes unanimous at annual AVCP Convention

- BOG formally receives/reviews draft language at special regulatory meeting in Anchorage and reaffirms support of proposed legislative effort. Requests sponsors to continue working with DWC and BOG-DOL to further refine statutory language prior to legislative introduction.

November, 2006: Calista Corporation provides letter of support for draft language as currently written.

December, 2006: Lower & Central Kuskokwim Advisory Committees reaffirm support. Draft language sent to legislative counsel for bill formatting by Representative Nelson.

January, 2007: Draft bill re-circulated for additional review and comment from DWC, BOG-DOL, Board of Fisheries and public.

February, 2007: Board of Fish tables proposal (#157) to their October, 2007 work session and refers to a Habitat Committee created from Bristol Bay area proposal #121, addressing Tularik Creek Refuge/Reserve connected to Pebble Mine development project.

- BOG Chair provides final comments on draft language from BOG-DOL to sponsors and offers open invitation for additional BOG support if needed .

- Final BOG/legal comments incorporated into draft language and presented to Representative Nelson for introduction.

March, 2007: Notified by Representative Nelson that due to legislative protocol she should not be the primary bill sponsor. Though the area is part of her constituents Customary & Traditional hunting area, it is not physically within her voting district, but that of Representative Woody Salmon. She has forwarded all information to date to his office and remains committed to work as co-sponsor in helping with its passage. Efforts to solicit support and introduction from Rep. Salmon produce no response. Sleetmute/ONC sponsors confer and given surrounding circumstances agree to hold off pursuing introduction until the 26th legislative session.

October, 2007: Board of Fish takes no further action on proposal as agenda item at fall work session, other than noting it is still a "live" issue, with any further action dependent on recommendation from referral to their habitat committee.

February/March, 2009: Discussions reinitiated with Rep. Herron who stated willingness to pursue introduction and support for HHFTR intent and passage. Favorable response received at Board of Game spring meeting from new ADFG personnel appointed through current administration.

April, 2009: After consulting w/ Rep. Salmon (who states no objection), Rep. Herron introduces HB #227 w/ understanding/intent to further develop support base for interim and pursue action during 2010 legislative session.

To Support Our Future Subsistence Harvests On August 26, Please Vote NO on Ballot Measure #2



AVCP Children of Subsistence - Photo by Marvin Okitkun

Ballot Measure #2 would shut down the few current predator management programs and only allow them in the future on an emergency basis. Managing to provide amounts necessary for subsistence should not be done on an emergency basis!

Predator management has strong support in bush Alaska. A poll conducted by Dittman Research, Inc. of villages in the Bristol Bay, Kuskokwim, Yukon and Tanana River drainages, found 70% in favor of predator control efforts.

The Alaska Federation of Natives have gone on record for 8 consecutive years expressing their support and the need for predator management programs, and specifically opposing ballot initiatives such as this one through Resolution #'s 00-47, 01-07, 02-12, 03-08, 04-08, 04-09, 05-13, 06-12, & 07-15.

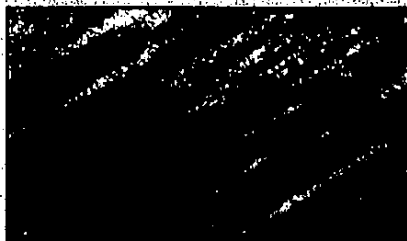
Since the 1996 and 2000 ballot initiatives were passed, moose populations have declined by 75-80% in many areas, largely attributed to the lack of adequate predator management. The result has been that many moose & caribou subsistence hunts have been severely restricted, or closed to hunting entirely!

Failure to incorporate and employ predator management as a basic management function undermines the State's subsistence priority law and does not provide reasonable subsistence harvest opportunity.

"We understand there is another effort underway to place a measure on the ballot that would effectively halt the State's predator management efforts. We strongly oppose all such ballot initiatives." (AFN letter to Governor, December 2, 2005).



ADF&G Moose Surveys 1960-1996



ADF&G Moose Surveys 2002-Present



1 Wolf in 20 Minutes on 40 Miles Hard Carving Grounds
16 Caribou Calves Killed - None Eaten.

To Bring Back & Keep our Moose and Caribou Herds Healthy & Abundant, Please Vote NO on Ballot Measure #2

This message sponsored by Oritsaramiut Native Council, with support of Association of Village Council Presidents, Bristol Bay Native Association, and Yukon-Kuskokwim Health Corporation.

Testimony to:

**Alaska State House of Representatives
Special Committee on Energy**

**By Robert Nick
Nunapitchuk, AK**

May 29, 2009

Introduction

Good morning, my name is Robert Nick, from Nunapitchuk. I am chair of AVCP Regional Housing Authority and a member of the Nunapitchuk IRA Council.

Please allow me to express my thanks to Rep. Bob Herron of Bethel for this opportunity for myself and others to testify before this committee and allowing us provide input on rural Alaska energy issues, which are dramatically affecting us today and our State in many ways. Because of that, I'm very encouraged that members of the Alaska State Legislature are willing to come this far and listen to our concerns. I and others appreciate that very much.

Rural Challenges

As you know we have certain unique challenges especially in rural Alaska. As of today, regular gas prices in Anchorage and the road system range under \$3. But in the rural areas, such as Bethel, gas prices are about \$5.65 to \$5.75. Further out in the villages, gas costs \$6 to \$8, while heating oil is just above the price of gas. Gas and heating oil costs more the further you get from hub communities.

These new energy prices of the last two years were very distressing, to say the least, on the state of the people in rural Alaska and the local economies in which they live. For many people, it is causing them to use all their personal resources, namely cash, to stay warm or fed. A person can buy 15 gallons of gas in Anchorage at \$2.39 a gallon for their car and pay just \$37.85. A person in Toksook Bay has to pay \$116.90 for the same quantity of gas, at the cost of \$7.74. That's just about 300 percent of the cost of paying for gas in Anchorage. Say that same person in Anchorage buys car gas every two weeks: In one year he buys \$1,059.80 for his gas; the guy in Toksook will pay \$3,273.20.

You have heard in some of our villages, people with few cash resources were being forced this past winter to buy food or fuel. Many chose fuel over food so their children could sleep in a warm house. As for food, children were told by their parents to eat breakfast and/or lunch at school. As for the parents, they say "they make do" with whatever they can. Many homes experienced empty cupboards and refrigerators over the winter, getting by on 100 percent subsistence foods, which in late winter gets harder to get. It had gotten so bad that the now famous "Emmonak" case was borne out of it.

This past winter was very cold and dumped some of the deepest snows. People living in poorly insulated homes, we are told, were trying to keep their homes warm using electric stoves, radiant heaters, or other electric burners. The red, hot glow of those electrical appliances as we all know has a financial bite to it in the end. To heat their homes this way, some households paid up to \$1,000 or more when their electricity bills arrived.

Electricity in bush Alaska is very expensive for most communities. AVEC is one such electric company in the bush. I hope you read in the Anchorage Daily News in June 2008, that AVEC's fuel bill went from \$14 million in 2007 to \$26 million in 2008. Five years ago, that same bill was only \$6 million. At nearly \$30 million this year, being passed down to consumers. Needless to say, we heard that families fell behind in paying their monthly electric bills.

Marshall-area folks stated that despite their village being located in a wooded area, there was so much snow this winter that was hard to go look for logs along the river and collect firewood.

Lack of Jobs in Rural Alaska

Many Alaska village residents that really need help during this energy crisis don't have jobs or have low-paying jobs because of the depressed local economies of rural communities. Even during times when the economy of the United States is healthy, Alaska communities usually suffer depressed economies. But due to the recent high energy prices, grocery items are now very expensive because most have to be flown in. So for each grocery item, we have to pay the airline's freight cost, fuel and surcharges along with the cost of running the store and their employees. The lack of jobs is tough for people relying on store bought foods to supplement subsistence foods.

Like I said, rural Alaska doesn't consist of a strong economy. This region consists of Bethel Census and Wade Hampton Census Districts, whose April 2009 unemployment rates are 16.8% and 24.5 % respectively. (24.5% is the highest in the State.) Overall, the Alaska unemployment rate is 8.4%, while the U.S. unemployment rate is 8.9% (U.S.D.O.L., April 2009). In Alaska, the poverty rate is 7.8% or 52,264 Alaska residents out of 670,053. The Bethel Census poverty rate is 20.7% (U.S. Census, 2004 est.) or a fifth of the people out of the 17,147 population (U.S. Census, 2006 est.), while in Wade Hampton, the poverty rate is 26% (U.S. Census 2004) or a *quarter* of the population of 7,580 (2006 est.). When you think about it, these people living at or under the poverty levels already live a very tough life even before the energy crisis hit.

We depend on commercial salmon fishing in summer in both the Kuskokwim and Yukon Rivers for much of our cash resources for the summer and fall, and to take care of our needs for the coming winter. But that is no more. Fishing used to contribute a lot to the region's economy, but now the money that we make from fishing barely pays for expenses. As you might know, Fish and Game canceled the Yukon River's commercial king salmon fishery this spring, due to the expected low numbers of Chinook this year. That means Yukon River fishermen who depended on this fishing income for an economic boost won't make or have any money like they used to, to help them get over

the winter's slump. That means bills can't be paid, loan payments can't be paid (those tied to commercial fishing), and there won't not be much cash reserves to spend on summer and fall food gathering activities, which is the number #1 expense for rural Alaskan families.

AVCP Housing in Bethel reports that some families from the villages are falling behind in making their monthly house payments. In this era, when you have to choose between buying food or fuel, other bills not in these two categories become a lot less of a priority. That means many businesses will lose money. Coupled with no fishing income, the AVCP Region may soon suffer the severe economic crisis that recently hit the rest of the nation and undermine the entire economic system under which we operate. That is why some of our non-profits have been calling for an economic disaster declaration in the Y-K Delta by the Governor of Alaska.

Conclusion - Request and Support for Assistance to Rural Residents with Energy Issues

In conclusion, I fully and wholeheartedly support the House Special Committee on Energy's activities and fact-finding missions to Bethel and other Alaska communities regarding energy issues.

By way of combating high energy costs in Alaska, there are many options we should consider for combating the high cost of energy. First of all, efforts to drill for more oil in Alaska, with environmental safety in mind, should be pursued and supported by the Alaska State Legislature. Alternative energy options should also be pursued and funded; for example, harnessing wind energy appears to be the first of the new technological advances easily available to Alaska villages, and wind turbines have stabilized energy costs wherever they have been deployed. In some villages, households are reportedly paying electricity costs at what an average Anchorage home might pay. But though energy costs have not come down in the vast majority of those villages that have wind turbines, they have kept them from rising as they have in other communities without wind turbines. These wind projects are expensive to maintain, therefore, I urge the Alaska State Legislature to support and fund wind generation projects in rural Alaska.

In addition, the State of Alaska should support and provide funding other green projects, namely geothermal, hydro, tidal, gasification, inter-ties, and/or biomass projects – even nuclear if possible – to address the energy crisis one way or another, once and for all. If the military can safely harness and utilize nuclear energy in their submarines, then there ought to be a way to apply that energy option into bush Alaska. We should also support the Governor's idea to merge rail-belt utilities into one entity, but go one farther; include rural Alaska into that merger of utilities. We'd welcome the opportunity to share our expenses with the rest of the state and pay the lower costs that other areas of the state seem to be paying.

We also ask the Alaska State Legislature to request all of the Economic Stimulus funding from the American Recovery and Reinvestment Act that is slated for Alaska, including that for weatherization and renewable energy projects. We are deeply disheartened by the Governor of Alaska for turning money away slated for weatherization and renewable

energy projects. Why turn money away that other states are willing to grab? We also need to support and expand improvement of weatherization programs by non-profits, tribes and local organizations, for the sake of those folks in villages who have to use electric stoves, radiant heaters, hot plates and other heaters that cause their monthly heating bills to spike to \$1,000 or more this past winter.

AVCP Housing weatherized 114 homes this past year and is slated to weatherize another 121 this year. They are only required to do 90 homes a year but they want to do more. Weatherization dollars really do help the residents of the State of Alaska, and it is ALREADY helping families to tighten their homes and reduce their energy costs. We've heard their fuel bills have gone down substantially but we have not yet done a study to see what kinds of savings are happening. We have around 6,500 to 7,000 homes in the Y-K Delta. That means we only weatherized just fewer than 2 percent of the homes in the said area. With the \$28 million that the Governor is turning away, we could have weatherized many more homes than just 2% of the homes in the Y-K Delta.

The Governor's turning away money for weatherization and renewable energy projects was unneeded. AVCP Regional Housing and all other (14) housing authorities in the State are already mandated to comply with Alaska Building Energy Efficiency Standards of the State of Alaska. This went into effect on January 1, 1992. This also applies to schools, public buildings and commercial property.

In any case, we encourage the State of Alaska to develop a statewide energy policy. The energy policy would be a good way to have an energy plan for the state of Alaska, one with strategies on development of sustainable energy in all areas of Alaska, along with funding strategies. It would also help to make it easier for communities with little expertise to implement energy saving activities or options that are best suited for their area or situation.

Thank you very much for listening to me and hearing me out. I don't speak only for myself, but many of the residents in the Y-K Delta who are facing many hardships this winter because of high energy costs. Again, I welcome you to Bethel and the Y-K Delta, and thank you very much for coming.

Tua-i!

Willie Keppel

From: "Willie Keppel" <wkeppel@unicom-alaska.com>
To: "deMarban, Alex" <AdeMarban@adn.com>
Sent: Friday, February 23, 2007 8:22 AM
Subject: snags/energy study

Good morning Alex,

Have a good one for you.

Bethel Alternative Energy Committee put together a proposal for bid for the initial engineering study for a wind farm.

The winning bidder was Electric Power Supply of Anchorage.

The problem we are facing is, Bethel Utilities Corp., a private monopoly electric supplier, is balking and foot dragging to stall the study. By statue and tariff, they have to comply, but in which century seems to be the issue. It's already to the point where EPS is considering dropping the contract. That's exactly what BUC wants.

This sets the stage for an in-depth article, which explains to all urbanites, part of the main problems of paying for the high cost of energy in Rural Alaska.

Consider some of these points:

1. BUC is the only monopoly that serves three communities in the State.
2. BUC makes it's profit on the cost plus system, instead of a tariff incentive for higher profits, based on the lowest cost for a kWh produced.
3. BUC has rejected bids from the two Native owned and operated fuel delivery services, in favor of delivery from Crowley.
4. Crowley gets every single penny provided by the State's PCE program.
5. BUC's October filing with the regulatory commission shows their delivered fuel cost at \$3.85 per gallon. [they buy in excess of two million gallons of fuel a year]
6. If you as a private consumer purchase 3000 gallons of fuel or more in a single day, your bulk fuel is \$3.64 a gallon, including taxes. You can cut a deal with Hoffman Fuel to deliver for 17 cents a gallon, to a single tank. Add that up, \$3.81 a gallon.
7. In a nut shell, the legal scam, allowed by tariff, flies in the face of all the Administrations and Legislators that have worked diligently to try and lower or stabilize the cost of electricity in Rural Alaska.
8. Crowley was allowed to buy out Yukon Fuel as former Att. Gen. Renkes decided that this buy out would not constitute a monopoly.
9. In Bethel, Crowley is masquerading as a duel competitor with Delta Western as opposing opponent. Nothing could be further from the truth.
10. For the first time ever, we just received conformation from the State that we officially lost population. It's not just the Villages. Wait until you see the exodus that will happen when the barges arrive this spring and people can load their vehicles and containers of household goods. I lost track of how many people I know that are leaving, come spring. All of them are escaping because of the market driven prices for goods and services, directly related to fuel and electricity.
11. I didn't know the exact numbers for prices until recently, so it follows that Legislators don't have a clue what is going on out here. An in-depth story will help bring to focus the needed changes in law and tariff that only a NEW administration, can make happen.

I'm a walking wealth of info, so is our new City administration. All of us are dedicated to getting the costs of living in line. Please feel free to contact Manager Wally Baird, 543-2047, Public Works Director, Wayne Ogle, 543-3110, Councilman Tundy Rodgers, 543-2035, or Mayor Dan Lineberger, 543-3733.

Dan and Tundy also serve on our Alternative Energy Comm.

2/27/07

If you contact Wayne Ogle, he can get you hooked up to the City website that allows you to follow the Cities main projects, i.e., wind, water and sewer.

Alex you have the power of the pen and all the space you need to expose one of the biggest State sponsored scams, in favor of industry over it's own citizens. I have more than enough documentation to back my mouth. Lets put them together and make a real, lasting difference.

Happy trails, Willy

2/27/07

Cite as AK, 423 P. 2d 285

Kenai peninsula is \$6,100,000.¹⁴ At the time this action was instituted below, appellant's total investment within the city of Kenai was \$160,000, and it was serving a total of eighty-five consumers within the city.¹⁵ The evidence adduced at the preliminary injunction hearing demonstrated that the city of Kenai had duplicated portions of appellant's electrical distribution system located within the city of Kenai and had succeeded in persuading eleven of appellant's customers to subscribe to its own electrical service. The record also discloses that at no time had the city of Kenai ever granted a franchise to appellant Homer Electric Association to operate within its city limits.

We are called upon to decide the effect of the 1963 amendments to Alaska Public Service Commission Act. More particularly, we must determine whether the issuance of a certificate of public convenience and necessity to appellant is a grant of an exclusive right, or monopoly, within the delineated service area, which is entitled to protection against competition from the city of Kenai's utility which is exempt from the Public Service Commission's regulation. The 1963 amendments to the Alaska Public

Service Commission Act are silent on the question of whether the grant of a certificate of public convenience and necessity was intended as a grant of a monopoly to the regulated utility.

In support of its contention that it received a monopoly by virtue of its certificate, appellant relies on the general policy behind state regulation of utilities and the legislative history of the 1963 amendments (House bill 228) to the Alaska Public Service Commission Act.¹⁶ Appellant lays great stress upon the Governor's letter which accompanied the introduction of House bill 158 during the 1963 legislative session.¹⁷

House bill 158 required that public utilities obtain a certificate of public convenience and necessity, and specifically included municipal utilities within the jurisdiction of the Public Service Commission. This bill was then referred to the Commerce Committee and died there. Subsequently, the House Commerce Committee introduced House bill 228 which was signed into law by the Governor without comment.

Comparison reveals that the first four sections of House bill 158 were embodied and enacted in House bill 228 with only

through its commission takes the place of competition and furnishes the regulation which competition can not give, and at the same time avoids the expense of duplication in the investment and operation of competing municipal public utilities.

3 Pond, Public Utilities § 901 (4th ed. 1932). See Corporation Comm'n of Arizona v. People's Freight Line, Inc., 41 Ariz. 158, 16 P.2d 420, 422 (1932); Calumet Serv. Co. v. City of Chilton, 143 Wis. 334, 135 N.W. 131, 143-144 (1912).

17. AS 24.30.060(b) provides in part: Bills presented by the governor shall be delivered with a letter to the rules committee of either house and bear the inscription 'Rules Committee by Request of the Governor.' * * * The governor * * * may submit a statement of purpose and effect with each bill and appear personally or through a representative before any committee consid-

minor changes.¹⁸ The significant distinction between the Governor's proposition (House bill 158) and the Commerce Committee's bill, which was enacted into law, is that the former specifically excluded municipal utilities (with the exception of water and sewer utilities) within the jurisdiction of the Alaska Public Service Commission Act, whereas the latter amended AS 640(2) of the act to exclude municipally owned and operated utilities.¹⁹

[1] We agree with appellant's contention that it is an accepted method of determining legislative intent to look to introductory executive messages.²⁰ From a review of the Governor's letter which accompanied the introduction of House bill 158, it is manifest that the Governor envisaged the issuance of a certificate of public convenience and necessity as granting a monopoly.²¹ On the other hand, it is equally apparent that the Governor also intended that municipal utilities were to be included under the proposed amendments.

18. The following were enacted with changes: Proposed AS 42.06.010 was enacted as AS 42.05.193. Proposed AS 42.06.020 was enacted as AS 42.05.194. Proposed AS 42.06.030 was enacted as AS 42.05.195 and proposed AS 42.06.040 was enacted as AS 42.05.196.

19. See note 11 supra.

20. See 2 Sutherland, Statutory Construction § 5004 (3d ed. 1943).

21. The Governor's letter reads in part: 'Municipal utilities face problems which make it a necessity for them to operate on a noncompetitive basis in the areas they serve. A utility requires an enormous amount of capital for its facilities and a long period of time to realize a return on its capital investment. Uncertainty and uncertainties are not conducive to long-range programs, and smaller utilities are subject to undesirable economic changes, the more successful they are likely to be. In competition in the utility field throughout the life of trade. Duplication of facilities for a fixed market results in increased costs which are borne by the consumer. It is the function of

14. Of this figure \$3,573,571.17 represents the value of its total investment in electrical distribution facilities; the remaining balance represents appellant's investment in generation and general plant facilities. The financing for appellant's system was received from the Rural Applications Administration pursuant to a thirty-five year loan.

15. At the time the lawsuit arose appellant had a total of 2,000 customers throughout its entire service area.

16. Typical of the authorities cited by appellant in regard to its theory of state regulation of utilities argument is the following:

The theory of the regulation of municipal public utilities by the state through such a commission is to avoid competition which is now generally recognized as a needless economic waste and an entirely insufficient method of securing the necessary regulation and control. Under this method the state

Ken #16

Message

Jump to the end of this Message

From: "Rep. John Harris" <Representative_John_Harris@legis.state.ak.us>
Subject: RE: energy
Date: Mon, 12 Mar 2007 08:11:10 -0800
To: "Willie Keppel" <wkeppel@unicom-alaska.com>

Willy:

Thanks for your comments. The earnings of the Permanent Fund are an option to provide funding for renewable energy projects. I wish you luck on your wind farm project in Bethel. If this legislation passes, maybe it will be of some help.

John Harris

From: Willie Keppel [mailto:wkeppel@unicom-alaska.com]
Sent: Friday, March 09, 2007 5:28 PM
To: Rep. John Harris
Cc: wally baird
Subject: energy

Good afternoon,

I watched you and Sen. Ellis on T.V. this morning, discussing how to fund energy.

I have been advocating this for years and even sent a letter outlining my thoughts to the Commerce Dept when the Gov. invited public input a month a or two ago.

My idea is to use the Permanent Fund.

I would like the utilities or communities to be able to approach AEA/AIDEA with their plan for alternative energy. Then when the engineering plan is acceptable to the State's experts, they should be able to submit the financial request to the board of Governors for the Permanent Fund.

<http://mail.unicom-alaska.com:8100/Session/5554-YIXxzau7tG5UL7aCI89z/Message.wssp?...> 3/12/07

Living in Bethel and paying the astronomical price we pay for electricity, has always irked me, knowing how much money we invest in Wall Street and other markets. This Republican believes that it is high time to invest in ourselves.

I figure a small change in the law would allow the people to invest in themselves. Long term, low interest. To me it is a win-win situation. You as a Legislator would not have to go through the yearly combat to find funds to invest in an infrastructure, that would only benefit the economy.

Since we generate new revenues from oil each year, nothing would have to be sold to provide the loans.

No more or no less would be invested than what is recommended by the experts at AEA/Aieda.

The City of Bethel is working with an engineering company at the moment to do phase one of the engineering for a wind farm. How we come up with the millions that will be needed is very much in the air. We do know that the power company will have to pay us 34 cents for every kilowatt we produce. That is the avoided fuel cost. I look at all the States that are investing heavily in wind and realize that they are getting less than 10 cents for their produced product. It only follows that if it is good for them, it's three times as good for us.

Close to thirty years ago, I was undecided about the dam project and intertie for Copper Valley Electric. Twenty years later and the same amount of dividends, I'm a believer in investing in ourselves.

It was dam good business and it's time to jumpstart the program again.

Thank-you for your time and consideration, Willy Keppel, Bethel, 543-3986

Jump to the beginning of this Message


 Status
 













BETHEL UTILITIES CORPORATION

3380 C Street, Suite 210
Anchorage, Alaska 99503
Phone: (907) 562-2500
Fax: (907) 562-2502

May 23, 2006

Mr. Wally Baird
City Manager
City of Bethel
P.O. Box 1388
Bethel Alaska 99559

Dear Wally,

I enjoyed meeting with you last week and think we had a very productive and much needed meeting of the minds.

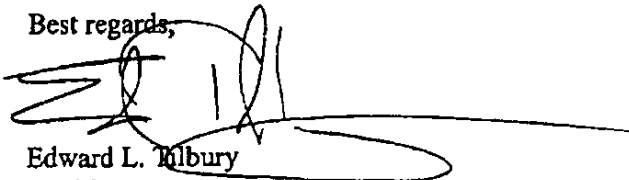
As requested, I will hereby confirm my offer to resolve the issues between BUC and the City regarding street light pole rental and heat for the City complex as follows:

- The City shall execute the pole rental agreement previously delivered to the City as written.
- BUC shall waive any right to collect pole rental amounts for prior years.
- The City shall be allowed to continue to place street lights on BUC poles on an as-needed basis per the terms of the above referenced agreement.
- BUC shall continue to supply heat to the City office complex.
- BUC and the City shall execute a heat-use agreement to provide for heat at a to-be-agreed-upon flat charge tied to BUC's cost of fuel.
- The City shall assume responsibility for the heat line servicing the City complex from where it branches from BUC's main circulating heat line. Such responsibility shall include the cost of maintenance, repairs, and liability, including environmental, property damage and personal injury.
- The City shall waive any claim for adjustments to past amounts billed by BUC for heat.

As you are aware, BUC had scheduled the termination of heat service to the City complex effective May 31, 2006. In light of our mutual pledge to try to timely resolve the two issues above in the manner described, we will forgo the termination of heat at this time.

Please present this matter to the City Council as soon as possible and let us know the outcome. If there is anything we can do in the meantime to help move this along, please let me know.

Best regards,



Edward L. Hilbury
President

Message

Jump to the end of this Message

From: Jana Grenn <jana_grenn@rca.state.ak.us>
Subject: RE: Bethel Information Request
Date: Tue, 06 Mar 2007 10:31:02 -0900
To: "wkeppel@unicom-alaska.com" <wkeppel@unicom-alaska.com>

Good Morning Mr. Keppel:

In regards to your information request, the majority of the information you are looking for can be found on the Commission's website at <http://www.state.ak.us/rca/>. On the right hand side of the page is a section called Quick Links and underneath that is an item called Data Page Search (imaged documents and transcripts), you will want to click on this. This will open a page called RCA Data Access Project, under the Reports Section, you will want to click on Current tariffs (it is the 4th item under the Reports Section). This will open a listing of all of the tariffs we have on file for regulated utilities. They are sorted according to their Certificate numbers; in this case Bethel is Certificate number (CPCN) 43. When you locate Bethel, you will want to click on number 43. This will open a page specifically on Bethel. You will want to scroll down until you reach the section titled Tariff Filings.

The tariff filings section, lists all the tariff filings that the utility has ever made and the documents associated with those filings. As a side note, if you are interested in any information prior to 2001, it will not be available to view via the website. Prior to 2001, the Commission was not scanning all of its filings into its database system. There are descriptions for each filing. In your case you will be looking for filings with descriptions, such as PCE Funding Level Change and COPA, PCE & NFPPR. You said you would like to see the last 3 modifications to Bethel's PCE; in this case you will want to select TA193-43, 192-43 and 191-43. When you click on these filings a page will be brought up that lists the initial tariff filing, all supplemental filings, staff memorandums and letter orders associated with that TA number. You can only view the documents one at a time and in order to do so, you must click on the long identification number above each item.

In addition, you also mentioned you wanted to see the last 4 years worth of what I am assuming are COPA filings, where Bethel projects its 3-month fuel costs and kWh sales. Here are the following Tariff filings you will want to look at:

TA193-43, TA191-43, TA189-43, TA185-43, TA183-43, TA181-43, TA180-43, TA177-43, TA176-43, TA175-43, TA174-43, TA171-43, TA169-43, TA167-43, TA166-43 and TA163-43

<http://mail.unicom-alaska.com:8100/Session/5554-YIXxzau7tG5UL7aCI89z/Message.wssp?...> 3/12/07

These filings will also be where you will find the invoices for the fuel purchases made by the company. The contracts or bids for these fuel purchases are not required to be filed with the Commission; however, the invoices are. As far as I can tell the Commission also does not require that bid packets for the contract to haul fuel from the bulk plant to the utility be filed; however, more research may be needed if that is your primary area of interest.

Finally, you wanted to know if Bethel filed non-regulated fuel and power cost reports. Bethel is an economically regulated utility and is not required to file non-regulated fuel and power cost reports. The information you would find in such reports, would be found in the COPA filings made by Bethel on a quarterly basis and are required by the Commission and the utility's tariff. If you would like any or all of this information in hard copy, we can accommodate that request as well, however, the Commission does charge \$0.20 per page, plus shipping.

Hopefully, you will find this information helpful. If you have any questions or need any additional information, please call or email me.

Thank You-

Jana Grenn

Utility Tariff Analyst

Regulatory Commission of Alaska

907-263-2194

From: Willie Keppel [mailto:wkeppel@unicom-alaska.com]

Sent: Sunday, February 25, 2007 7:52 AM

To: rca_mail@rca.state.ak.us

Subject:

Good morning,

I don't have the program to open a lot of documents and would appreciate some help.

<http://mail.unicom-alaska.com:8100/Session/5554-YIXxzau7tG5UL7aCI89z/Message.wssp?...> 3/12/07

I would like to see the last 3 modifications to the PCE for Bethel Utilities.

I am wondering if Bethel files non-regulated fuel and power cost reports and if so, may I have a copy of the last 2 years worth?

I would also like to know where to find the last two years worth of filings that show on the electric bill as fuel coefficient, or if you have it a copy.

In the tariff there is a page on estimated fuel cost, filed every 90 days and I would like to see the last 4 years worth. It takes 18 minutes for me to download a tariff for Bethel and it shows only the current one.

How do I find the bid packets received for contract to haul fuel from the bulk plant to Bethel Utilities.

May I see all the contracts for fuel purchase for the last 5 years?








How about the bids for the same?






Which program do I need to download to open all of the filings?

Is this program available through the State, on line?

Thank-you, Willy Keppel, Bethel, 543-3986

Jump to the beginning of this Message


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APUC No. 43

Original

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Sheet No. _____

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Sheet No. _____

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NOV 21 1986State of Alaska
Public Utilities Commission**BETHEL UTILITIES CORPORATION**

RULES AND REGULATIONS

5.15 INTERCONNECTION OF CONSUMER OWNED ALTERNATE TECHNOLOGY AND FOSSIL FUEL STANDBY GENERATION EQUIPMENT (continued) N

Customers may appeal this refusal to the Alaska Public Utilities Commission, 420 L Street, Suite 100, Anchorage, Ak. 99501, Phone number (907) 276-6222.

3. If an unauthorized interconnect is found, the Company will immediately terminate service to those facilities and reconnect the service only when all conditions of these Rules and Regulations are satisfied.

FOSSIL FUEL STANDBY GENERATION

The Company will not permit the interconnection and operation of fossil fuel standby generation facilities, such as diesel or gasoline engine driven standby generators, with its integrated distribution system under any circumstances. Diesel or gasoline driven standby generators shall be connected to the customer's load only through a double throw switch that will prevent parallel operation with the Company's distribution system.

OTHER CONSIDERATIONS

BUCI is obligated to connect with cogeneration facilities that meet the safety and reliability standards established by the Federal Energy Regulatory Commission. The customer shall be solely responsible for all accidents or injuries to persons or property caused by the operation of the customer's equipment, or by any failure of the customer to maintain his equipment in a satisfactory and/or safe operating condition, and shall indemnify, defend and save harmless the Company from any and all claims,

Tariff Advice No. 72Effective: 1/23/87Issued by: BETHEL UTILITIES CORPORATIONBy: TS Sterrett

THOMAS S. STERRETT, JR.

Title: CONTROLLER

APUC No. 43

Original

16.05

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State of Alaska
Public Utilities Commission

BETHEL UTILITIES CORPORATION

RULES AND REGULATIONS

5.15 INTERCONNECTION OF CONSUMER OWNED ALTERNATE TECHNOLOGY AND FOSSIL FUEL STANDBY GENERATION EQUIPMENT (continued)

suits, losses or damages for injuries to persons or property, of whatsoever kind or nature arising directly or indirectly out of the operation of such

equipment or by the failure of the customer to maintain its equipment in a satisfactory and/or safe operating condition.

5.16 CUSTOMER POWER OUTAGE

N

If a power outage occurs, the customer should attempt to determine if the outage is caused by failure of the customer's equipment or of the Company's equipment. If the customer determines the fault to be the Company's responsibility, the Company will send a serviceman out to investigate the reported outage. If the cause of the outage is determined to be the failure of the Company's equipment, the Company will correct the problem and restore service as soon as possible. However, if the cause of the outage is determined to be in the customer's portion of the service, the customer will be charged for all actual expenses associated with the serviceman's visit to the customer's service location (see Schedule of Fees and Charges).

5.17 PERSONAL GUARANTEE REQUIREMENTS

N

The Company reserves the right to require personal guarantees of payment from the principal shareholders or officers prior to or anytime after accepting a corporation's application for service. The Company also reserves the right to require all general partners of a partnership to sign an application for service.

Tariff Advice No. 72

Effective: 1/23/87

Issued by: BETHEL UTILITIES CORPORATION

By: TS Sterrett Title: CONTROLLER

THOMAS S. STERRETT, JR.

RECEIVED

DEC 11 1986

State of Alaska

Public Utilities Commission

BETHEL UTILITIES CORPORATION

RULES AND REGULATIONS

5.14 AUTHORIZED BREAKING OF A METER SEAL N

Under certain circumstances, a customer may request permission to break a meter seal in order to facilitate disconnection for electrical work. Such requests should be addressed to the Company. A fee will be charged for resealing the equipment (see Schedule of Fees and Charges).

5.15 INTERCONNECTION OF CONSUMER OWNED ALTERNATE TECHNOLOGY AND FOSSIL FUEL STANDBY GENERATION EQUIPMENT N

ALTERNATE TECHNOLOGY GENERATION

1. The Company will permit the interconnection and operation of alternate technology generation facilities such as wind energy conversion systems or small scale hydroelectric facilities with its intergrated distribution system upon compliance by the customer with the following provisions:

a) A customer who owns any alternate technology generation shall request approval from the Company to interconnect with its system at least forty five days prior to the date on which the customer would intend to make any connection in any way to electric circuitry common to the Company's integrated distribution system.

b) The customer shall submit to the Company along with its request for interconnection complete documentation of the alternate technology generation equipment including, but not limited to:

Tariff Advice No. 72

Effective: 1/23/87

Issued by: BETHEL UTILITIES CORPORATION

By: TS Sterrett, Jr. Title: CONTROLLER
THOMAS S. STERRETT, JR.

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Public Utilities Commission

BETHEL UTILITIES CORPORATION

RULES AND REGULATIONS

5.15 INTERCONNECTION OF CONSUMER OWNED ALTERNATE TECHNOLOGY AND FOSSIL FUEL STANDBY GENERATION EQUIPMENT (continued) N

schematics, wiring diagrams, performance specifications, descriptions of energy storage devices, circuit protection equipment, regulation equipment, automatic disconnect equipment and any other proprietary device provided by the equipment manufacturers.

c) Upon approval of the interconnection by the Company the customer shall agree under special contract with the Company to pay the cost of any special metering equipment or circuit modifications determined by the Company as necessary to accomplish the interconnection, to pay the costs incurred by the Company to make such interconnection, to install power factor corrective equipment to maintain a power factor of not less than 0.9, to operate the generation equipment in strict compliance with safety procedures established by the Company, and to accept the terms of purchase of energy as set forth in the contract or the Rate for Purchase of Non-Firm Power from Qualifying Facilities as provided in this tariff.

2. The Company reserves the right to refuse interconnection with alternate technology generation facilities or limit the number of interconnections with alternate technology generation facilities on any circuit if it is determined by the company that any such interconnection would be harmful or hazardous to its system, employees or other customers. If a proposed interconnection is refused by the Company, the Company will provide the customer, within thirty days of the initial request, written notice of refusal, including a statement of the reason(s) for the refusal.

Tariff Advice No. 72

Effective: 1/23/87

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By: TS Sterrett, Jr. Title: CONTROLLER
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Title 3. Commerce, Community, and Economic Development

Chapter 50. Telecommunications

Section 750. Application, purpose, and waiver

3 AAC 50.750. Application, purpose, and waiver

(a) 3 AAC 50.750 - 3 AAC 50.820 apply to all electric utilities subject to the regulatory jurisdiction of the commission under AS 42.05.361 - 42.05.441. These sections govern interconnection and purchases and sales of electric power between an electric utility and a qualifying facility.

(b) The purpose of 3 AAC 50.750 - 3 AAC 50.820 is to encourage cogeneration and small power production by setting out guidelines for the establishment of reasonable, nondiscriminatory charges, rates, terms, and conditions under which interconnection and purchases and sales of electric power will occur between an electric utility and a qualifying facility.

(c) Any requirement in 3 AAC 50.750 - 3 AAC 50.820 may be waived, in whole or in part, or be modified by order of the commission upon application and a showing of good cause. An entity shall file and the commission will consider an application in accordance with 3 AAC 48.805.

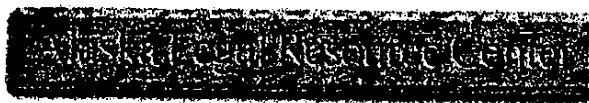
History: Eff. 11/20/82, Register 84; am 4/24/2004, Register 170

Authority: AS 42.05.141

AS 42.05.151

<http://www.touchngo.com/lglcntr/akstats/aac/title03/chapter050/section750.htm>

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Title 3. Commerce, Community, and Economic Development

Chapter 50. Telecommunications

Section 760. Interconnection

3 AAC 50.760. Interconnection

- (a) An electric utility shall make interconnection with a qualifying facility as may be necessary to accomplish purchases or sales under 3 AAC 50.750 - 3 AAC 50.820.
- (b) Notwithstanding (a) of this section, an electric utility is not required to interconnect with a qualifying facility if
- (1) the electric utility, solely because of purchases and sales over the interconnection, would become subject to federal regulation under Subchapter II of the Federal Power Act, 16 U.S.C. Â§ 824; or
 - (2) a qualifying facility does not comply with the safety and reliability standards prescribed for interconnection by the commission.
- (c) An electric utility may assess a qualifying facility interconnection charges which are reasonable and *nondiscriminatory with respect to other customers that have similar load characteristics.*
- (d) Interconnection charges may include the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions, administration, and other costs incurred by the electric utility directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility, to the extent these costs are in excess of the corresponding costs which the electric utility would have incurred if it had not engaged in interconnected operations, but instead generated an equivalent amount of electric power from other sources. Interconnection costs do not include any costs included in the calculation of avoided costs.
- (e) An electric utility shall offer a qualifying facility the option of reimbursing the electric utility for

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interconnection charges over a reasonable period of time. The electric utility may charge reasonable interest, to be prescribed in its tariff or special contract, for the financing of the interconnection costs.

(f) If a dispute arises under 3 AAC 50.810, an electric utility shall submit to the commission the information necessary to support the methodology and calculations used in developing the charges assessed to a qualifying facility for interconnection.

(g) An electric utility shall offer to operate in parallel with a qualifying facility.

(h) An electric utility shall offer a qualifying facility that has a generating capacity of 10 kilowatts or less the option of using a single detent meter during parallel operation.

History: Eff. 11/20/82, Register 84

Authority: AS 42.05.141 (a)

AS 42.05.151 (a)

AS 42.05.291 (b)

AS 42.05.301

AS 42.05.361 (a)

AS 42.05.381 (a)

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Title 3. Commerce, Community, and Economic Development

Chapter 50. Telecommunications

Section 770. Purchases

3 AAC 50.770. Purchases

- (a) An electric utility shall purchase, in accordance with (c) - (f) of this section, any electric power which is made available from a qualifying facility.
- (b) Notwithstanding (a) of this section, an electric utility is not required to purchase electric power from a qualifying facility if
- (1) due to operational circumstances, purchases from a qualifying facility result in costs greater than those which the electric utility would have incurred if it had not made such purchases but had instead generated or purchased an equivalent amount of power; if purchases have started, an electric utility seeking to stop purchase under this paragraph shall notify in writing each affected qualifying facility in time for the qualifying facility to stop the delivery of electric power to the electric utility, or the electric utility shall pay the expense it would have incurred had power continued to be purchased from the qualifying facility at established rates during the same period;
 - (2) during a system emergency, purchases from a qualifying facility would further contribute to the emergency; or
 - (3) with the agreement of the qualifying facility, the electric utility transmits the electric power to another electric utility which is obligated to purchase that electric power as if it were supplied directly by the qualifying facility.
- (c) Rates for purchases of electric power must be just and reasonable and must not discriminate against qualifying facilities or adversely affect the consumers of the electric utility.

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(d) For purchases from a qualifying facility which supplies non-firm power, rates must be based on the cost of energy which the electric utility avoids by virtue of its interconnection with the qualifying facility. Rates under this subsection must comply with the following requirements:

(1) Unless otherwise modified by the commission, avoided energy costs, expressed in cents per kilowatt-hour, must be determined from the sum of fuel and variable operation and maintenance expenses and the energy portion of purchased-power expense for a 12-month period, approved by the commission, updated by subsequent fuel costs, and divided by the number of kilowatt-hours sold for the same time period. Expenses and kilowatt-hours sold associated with hydroelectric generation must be specifically excluded from the computation of avoided costs for an electric utility which relies on hydroelectric generation for 25 percent or more of its total power requirements.

(2) An electric utility shall submit to the commission the following information for the calendar or fiscal year preceding the date of filing, or a more recent 12-month period, to support rates for purchases of non-firm power:

(A) the data and computation of avoided energy costs specified in (d)(1) of this section; and

(B) at its option, the data and computation of avoided energy costs based on any other methodology deemed appropriate and justifiable by the electric utility.

(3) Rates for purchases of non-firm power must be adjusted contemporaneously with fuel-cost rate adjustments and with changes in avoided energy costs in general rate revisions.

(e) For purchases from a qualifying facility which supplies firm power, rates must be based on the costs of energy and capacity which the electric utility avoids by virtue of its interconnection with the qualifying facility. Rates under this subsection must comply with the following requirements:

(1) In determining avoided energy and capacity costs, to the extent practicable, the following factors must be taken into account:

(A) the estimated avoided energy costs stated on a cents per kilowatt-hour basis for the current calendar or fiscal year and each of the next five years;

(B) the electric utility's plan for the addition of capacity by amount and type, for purchases of firm energy and capacity, and for requirements for each year during the next 10 years;

(C) the estimated capacity costs at completion of the planned-capacity additions and planned-capacity firm purchases, on the basis of dollars per kilowatt and the associated energy costs of each unit, on the basis of cents per kilowatt-hour; these costs must be expressed in terms of individual generating units and of individual planned firm purchases;

(D) the availability of capacity or energy from a qualifying facility during system daily and seasonal peak periods;

(E) the ability of the electric utility to avoid costs due to the availability of energy or capacity from the qualifying facility; and

(F) the costs or savings resulting from variations in line losses due solely to purchases from qualifying facilities.

(2) An electric utility shall submit to the commission the information necessary to support the methodology and calculations used in developing rates for purchase of firm power based on avoided energy and capacity costs.

(f) Rates for purchases from a qualifying facility, the construction of which was commenced on or after November 9, 1978, must be set at an electric utility's full avoided costs as determined under (d) or (e) of this section. Rates for purchases from a qualifying facility, the construction of which was commenced before November 9, 1978, may be set at less than full avoided costs, provided that the lower purchase rates are established in accordance with (c) of this section.

(g) An electric utility which is legally obligated to obtain all of its requirements for electric power from another electric utility shall submit to the commission the requisite avoided cost data of its supplying utility and the rates at which it currently purchases such energy and capacity. The supplying electric utility shall make the necessary information available to the purchasing electric utility at the time its wholesale power rates are approved by the commission.

(h) An electric utility or qualifying facility may agree by special contract, subject to 3 AAC 48.390, to different rates, terms, or conditions for purchases than otherwise required by this section. A contract between an electric utility and a qualifying facility is valid if the commission determines the rates, terms, or conditions for purchases are just and reasonable to the customers of the electric utility and in the public interest. The contract may not be nullified under 3 AAC 50.770(b)(1) without prior commission approval.

History: Eff. 11/20/82, Register 84

Authority: AS 42.05.141 (a)

AS 42.05.151 (a)

AS 42.05.291 (c)

AS 42.05.361 (a)

AS 42.05.391 (a)

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Title 3. Commerce, Community, and Economic Development

Chapter 50. Telecommunications

Section 780. Sales

3 AAC 50.780. Sales

- (a) An electric utility shall provide service to a qualifying facility including, but not limited to, supplementary power, back-up power, maintenance power, and interruptible power.
- (b) Notwithstanding (a) of this section, an electric utility is not obligated to provide supplementary power, back-up power, maintenance power, and interruptible power to a qualifying facility upon a showing to and determination by the commission, after reasonable notice and an opportunity for public comment, that compliance with that requirement will either impair the electric utility's ability to give adequate service to its customers or impose an undue burden on the electric utility.
- (c) Rates for sales must be just and reasonable and in the public interest and must not discriminate against the other consumers of the utility or against a qualifying facility in comparison to rates for sales to other customers of the electric utility with similar load or other cost-related characteristics.
- (d) An electric utility shall submit to the commission the information necessary to support the methodology and calculations used in developing rates for sales of electric power to a qualifying facility in conformance with applicable commission regulations.
- (e) Rates for sales of back-up power and maintenance power
- (1) must not be based upon an assumption that forced outages or other reductions in electric output by all qualifying facilities on an electric utility's system will occur simultaneously, or during the system peak, or both, unless the assumption is supported by factual data; and

(2) must take into account the extent to which scheduled outages of the qualifying facilities can be

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usefully coordinated with the scheduled outages of the electric utility's facilities.

(f) During any system emergency, an electric utility may discontinue sales to a qualifying facility, provided that the discontinuance is on a nondiscriminatory basis.

History: Eff. 11/20/82, Register 84

Authority: AS 42.05.141 (a)

AS 42.05.151 (a)

AS 42.05.291 (c)

AS 42.05.301

AS 42.05.361 (a)

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