

Alaska Energy Policy Task Force

Created by the 23rd Alaska Legislature

Headquartered at AIDEA/AEA
907-269-3000 Fax: 269-3044
In State Only: 1-888-300-8534

813 W. Northern Lights
Anchorage, AK 99503
www.aidea.org/EnergyTaskForce.htm

**draft Minutes of the February 10, 2004
Meeting of the
Alaska Energy Policy Task Force (EPTF)
AIDEA/AEA Board Room
Anchorage**

Call to Order: Chair Barry called the meeting to order at 9:35 a.m.

Roll Call: Members present – Mike Barry, Wayne Carmony, Rick Eckert (online), Robert Wilkinson, Meera Kohler and Dave Carlson. **Staff:** Becky Gay and Bernie Smith (EPTF.)

Others attending: Tuckerman Babcock of Matanuska Electric Association (MEA), Bob Chaney of SAIC, Robin Taylor of Dept. of Transportation and Public Facilities (DOT/PF), and Earle Ausman of Polarconsult AK.

Approval of minutes of December 30 and January 13 meetings: Minutes were approved as amended, with minor changes and typos noted by Carlson, Barry and Carmony.

Report on Feb. 3 and 5 Legislative hearing: Chair Barry summarized his presentation in Juneau on Feb. 3 before the House Special Committee on Economic Development, International Trade and Tourism, chaired by Representative Cheryl Heinze. Barry believed the report was well received, raised questions and focused attention on the report as a resource for the Legislature for policy guidance. Carlson and Eckert both attended the hearings in person and gave their comments on presentations, noting Chugach had good visual charts and that the Committee seemed highly concerned about the availability of natural gas. Barry was complimented on his ability to provide the framework for discussion of utility issues. Gay noted the inclusion of written comments in the packet by Bruce Davison, Chair of the Chugach Electric Association's Board of Directors.

Presentations from Non-Railbelt utilities: Invited presenters spoke throughout the day.

Alaska Electric Light and Power Company (AEL&P): Tim McLeod, President and General Manager, gave a Power Pt. presentation on Alaska's largest investor-owned utility founded in 1893 serving the City and Borough of Juneau. AEL&P is the sixth largest electric utility in Alaska, with 15,000 customers and sales of 312 GWh. It is hydro-based, with 100% diesel standby generation, with generation sources of 98% hydroelectric and 2% diesel. It has 9 substations with 25 feeders operated by 59 regular and 15 seasonal employees. McLeod showed photos contrasting historic Gold Creek (1900) and today, Salmon Creek Dam construction (1913) of the constant angle arch dam, tram and construction site and today, Annex Creek from 1916 and

2000, with plant and power lines in severe winter conditions, giving a bird's eye view of the tough conditions faced in Southeast. The Snettisham Hydroelectric project was described by photos, noting the lack of a dam needed for power. The new shore power facility in Juneau was used to demonstrate a fast response to a unique challenge, i.e., 6-10 MW of short-term cruise ship load on shore-based hookups. AEL&P's load forecast assumptions include approximately 15 new tourism jobs annually, a two year decrease in state employment, then a gradual increase, no change in Green's Creek Mine, Kensington Mine operating in 2010 with 203 employees, a new high school in 2006 with 20 new jobs, 15 miscellaneous jobs added annually, a loss of 50 Kmart jobs in 2004 and 1.2 additional secondary jobs to every job listed above. McLeod touched on future developments, including Lake Dorothy hydro, Juneau/Green's Creek/Hoonah Intertie, and the Southeast Intertie Plan.

City & Borough of Sitka: Charlie Walls, Utility Director, gave a brief overview of Sitka's municipal utility, with slides and also distributing a one page Executive Summary of A Long Range Plan for Sitka's Electric Utility System. The summary said that Sitka has adequate existing hydroelectric generation capability to fully meet its power requirements through the year 2022, projecting growth at 0.9%/year on average. Any shortfall of hydroelectric energy is made up by diesel generation, with long-range projections planning for Sitka to be linked with other communities by 2020 to 2030 to enable power to be purchased from sources off Baranof Island. Excluding new stand-by generation capacity being built, the work plan for 2005-2010 averages about \$1 million/year for major maintenance or capital improvement projects. The emergency standby generation deficit is 6-8 MW, depending on the event. A white paper outlined a request and justification for a \$6.6 million emergency power generating plant to back-up Sitka's hydroelectric power supply since virtually all of the load (17.5 MW) is concentrated within the main community, with most the generation, namely Green Lake Hydro (20 MW) and Blue Lake Hydro (8.6 MW), being at the other end of a transmission line with an eight mile on lane gravel road between them, both subject to rock and snow slides.

Kodiak Electric Association (KEA): Manager Darron Scott gave a Power Pt. presentation on Kodiak's service area, noting it serves Kodiak which is the seventh largest city in Alaska with 13,852 residents, the largest Coast Guard post in the U.S., and the homeport of 700 boats, ranking fourth in value of fish landed in 2002. It has 5,634 meters, 315 miles of line, 24.6 MW system peak load, 5 substations and 46 employees. Its power consumption by class is grouped between large power (36%), fish processors (20%), commercial (17%) and residential (26%), with streetlights taking the remainder of 1%. Load has been flat over the last 10 years and margins down. Load declines correlate to the value and quantity of fish caught which are also declining with the Stellar Sea Lion issues. Terror Lake (20 MW) is part of the four dam pool. Reliable back-up emergency generation is needed. KEA wants more economic development to help drive rates down, since most costs are fixed. A triangle diagram modeling the creation of a positive business environment is centered on economic development and includes decreasing labor restrictions, providing financial support, and lessening business regulations. The Task Force was requested to support economic development efforts since that would help drive rates down.

Gustavus: Dick Leavitt, Owner, noted there is no municipal Gustavus Electric and that currently Gustavus is served by diesel generation. His talk focused on his efforts over many years to access and build the hydro site with the most potential, which is in Glacier Bay Wilderness. Leavitt described his individual activities since 1983 when he began digging underground power lines, and ranged from trying to permit a small hydro at Falls Creek to writing a preliminary Environmental

Assessment, negotiating a land exchange within a FERC EIS process, funding a “resident Dolly Varden” study, for which ADF&G demanded instream flow above normal and offsite mitigation and various economic problems. One economic projection problem stems from the fact that the model is configured to take National Park Service (NPS) load and revenue, but the NPS has its own generator at Bartlett Cove and is conflicted, making NPS incapable of guarantying a switch to the proposed hydroelectric power. The 800 kW hydroelectric model projected peak loads of 350kW from Gustavus and 175 kW from the NPS, with FAA being the highest load in town.

The group recessed for lunch, and then resumed presentations.

Galena: Marvin Yoder, General Manager, described the utility’s largest concern as how to get low cost power. The 2003 cost of diesel was \$1.47 gallon. They have recently gone to an alternate carrier for diesel and saved \$90,000 and also maximize waste heat. Galena’s peak load is 1.5 MW, with 60% USAF and 40% town, with about 700 people. Alternate fuel sources explored include coal bed methane with seismic proving inconclusive, and a coal outcropping 10 miles from town owned by Doyon. Even more leading edge, recently Toshiba and Shaw Pittman have been exploring a site to locate a totally encapsulated nuclear reactor unit (10 MW or 50 MW only options). It is projected to cost \$25 million, last 30 years, and produce power at 6-8 cents/kW. Five hundred degree water would be an output. DOE nuclear staff wants briefings by October.

Four Dam Pool Power Agency (FDPPA): Tom Lovas, Chief Executive Officer, gave a Power Pt. presentation with a handout which described the FDPPA as the first and only Joint Action Agency (JAA) in Alaska. Established by special legislation in 2002, it consists of five initial members, two cooperatives and three municipalities: Kodiak Electric Assoc, Copper Valley Electric Assoc., Ketchikan Public Utilities, Petersburg Light and Power and Wrangell Light and Power. Other members can join, but not share in the initial power, which gives a special priority obligation to members. The four dams of the pool constitute the initial project and they include Terror Lake, Solomon Gulch, Tyee Lake and Swan Lake. FDPPA acquired its “initial project” from AEA and fulfills the obligations of AEA under a 1985 long-term power sales agreement. It is a G&T, with a uniform and stable cost of \$0.068/kWh since 1998. It is not regulated by RDC, as long as it has issued debt. Lovas described the \$77 million loan from AIDEA and the contingent \$5 million for Swan Tyee Intertie (or PCE, if Swan Tyee not built) mentioning an idea to refinance the debt to return money to AIDEA and keep the (so-called HB 528 promise) \$20 million debt reimbursement. Priorities are seeking Swan Tyee funding, tax exempt borrowing and low cost funds, financing for new and expanded loads, as well as keeping up with regulatory costs, land use and license fees, and crafts training opportunities.

Southeast Conference: Dave Carlson, Intertie Coordinator, gave an overview of the organization, noting it was formed in 1958 as association of communities originally to advocate for the Alaska Marine Highway system. Southeast Conference has grown into a modern, regional nonprofit corporation advancing a collective effort of individuals, native corporations and village councils, business and communities in the Southeast Alaska region. The Intertie Committee formed in 1997 to commission Acres International to explore an interconnected system, analyzing costs and benefits. Based on study results, in 2000, PL-106-511 authorized the project and federal funding participation. Since it was assumed the Swan/Tyee project was underway and funded, in 2002 the Intertie Committee prioritized the Juneau to Hoonah and Petersburg to Kake segments as next to be added to the system and commissioned D.Hittle Engineering and Economic Analysis to update the Acres report and analyze benefits of those segments. Carlson concluded with a project

status report, noting permitting and final design were underway on first phase of Juneau to Hoonah, with a line already extended to North Douglas Island. Preliminary design and route selection on the Petersburg/Kake segment will begin this spring and initial funding has been received through the Denali Commission. An “owning/operating entity analysis and formation” will begin this month. John Haberling of D. Hittle gave a briefing and answered questions on the report.

Public Comments: **Robin Taylor**, appointed by Governor to DOT/PF, gave a quick overview of his new position with the Administration, primarily concerned with roads and utility corridors in Southeast Alaska. He noted Congressional authorization is not appropriated for Swan Tyee Intertie. He went on to mention the Bradfield Canal connection road, the opportunity to sell into the British Columbia market and offered to give a briefing on subject at later date.

Staff Report: Gay noted that Chair Barry would be presenting the Railbelt Findings and Recommendations of the Energy Policy Task Force to the Resource Development Council’s Thursday breakfast meeting at the Petroleum Club on February 19 and urged attendance.

Task Force member comments: Kohler asked when the Task Force could hear about hydrogen, since there are state of the art technologies that fall within the long-term context. Carlson commented on the intriguing presentations during the meeting, suggesting the Task Force hear more about state takeover of permitting of hydro projects < 5MW. Barry noted the common theme between both areas: infrastructure needs coupled with decreasing load causing an upward pressure on rates, which is a counterforce to economic development.

Meeting adjourned at 3:00 p.m.