

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 24, 2004
Meeting of the
Energy Policy Task Force (EPTF)
AIDEA/AEA Board Room
Anchorage**

Call to Order: Chair Barry called the meeting to order at 1:05 p.m.

Roll Call: Members present – Mike Barry, Meera Kohler and Steve Haagenon, with Tom Boutin Robert Wilkinson, and Wayne Carmony online. **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), Earle Ausman of Polarconsult AK, Chris Rose of the Alaska Conservation Foundation (ACF) and Jim Strandberg, Commissioner of the Regulatory Commission of Alaska (RCA.)

Approval/Changes to Minutes of February 10 meetings: Minutes were deferred for later since they were extensive to review at one sitting. Will be brought back at next meeting, with time until then for members to give edits to staff for new draft if needed.

Presentation on Kotzebue Electric Association (KEA): www.kotzebueelectric.com

Brad Reeve, General Manager, gave a Power Point presentation and distributed hardcopy on the Kotzebue Wind Energy Project and the 2002 KEA Annual Report. Reeve gave a brief history of KEA, noting that Board members conducted the census in 1954 in order to start the association. KEA serves the Northwest Arctic Borough's hub, Kotzebue, with a population of 3705. KEA's 2003 highlights included environmental hurdles, like passing air permit quality compliance, with an \$320,000 spent on air permit and an addition \$500,000 on fuel tank compliance and heating the city water loop system project. The KEA wind farm provided cost saving for the seventh year and KEA and AVEC are doing a wind-consulting project for Selawik. Although Kotzebue load is flat, 2003 fuel use was up due to new construction for hospital. There are 1,000 residential customers, receiving \$450,000 of PCE benefit. Wind energy provides a hedge on price volatility of fuel. Other fuel issues include cost of delivery with literage, and antitrust issues regarding the competitive nature of the barge companies supplying Western Alaska Fuel Buying Consortium to which KEA belongs. Other members are Nome Joint Utilities, Naknek Electric Association, Nushagak Electric Cooperative and Unalakleet Electric. KEA provides circuit rider support for 8 villages, has an MOU with AVEC, and operates six diesel generators with a total capacity of 11,083kW with all engines overhauled in the last three years. KEA has a high level of maintenance and on the job training for its staff. It also provides service for code and safety requirements and inspects distribution systems since there is no building inspection program for

the area. With regard to its wind projects, KEA installed three turbines in 1997 and seven more AOC 15/40 models in 1999. KEA has innovated arctic foundations and a tilt-up tower design application for the limited heavy equipment available on site in remote locations. KEA operates two wind turbines in Wales with great success after much experimentation in arctic conditions.

Presentation on Hydroelectric permitting process: Keven Kleweno, RCA, gave a Power Point presentation. <http://www.state.ak.us/rca/hydroelectric.html>

The development of the State Waterpower Licensing Program to meet the regulations of having the State of Alaska 02/11/1999 – Senator Frank H. Murkowski introduced a bill [S.422] entitled "A bill to provide for Alaska state jurisdiction over small hydroelectric projects".

- 11/09/2000 – The Federal Power Act was amended by adding section 32 [16 U.S.C. 823(c)] entitled "Alaska State Jurisdiction over Small Hydroelectric Projects".
 - 03/13/2001 – Senators Torgerson, Taylor, Austerman, and Cowdery introduced SB 140 entitled "An Act relating to regulation and licensing of certain water-power development projects; and providing for an effective date".
 - 01/31/2003 – AS 42.45.350 becomes effective. Requires the Commission to adopt regulations to establish a regulatory program for small [5 MW or less] waterpower development projects.
- The RCA has held 3 workshops for comments, which have been few, and they forming a working Committee to develop the proposed regulations.

Discussion of regulatory changes: A brief discussion regarding whether or not the Task Force had time to get into details ensued. Further recommendations and consideration of this item was left to subsequent meeting.

Discussion of Final Report and format of document: After a brief discussion, it was agreed that Kohler would meet with staff to draft a working document, including elements discussed, so the EPTF members will have a working document at the next meeting.

Public Comments: Chris Rose of the ACF spoke to the subject of sustainability, saying that renewables, especially wind, offered “free fuel in perpetuity” and those alternatives were the best for long term solutions to Alaska’s energy and fuel source, mentioning fossil fuel dependency and pollution in the mix. Rose commented on Reeve’s KEA wind presentation and the trend toward big turbines, noting Bush Alaska needs smaller infrastructure that can be transported and erected easier. Agreeing with cost/benefit analysis with sustainability as a benefit, Rose also suggested that it would be appropriate to ask the Legislature to fund renewable energy research and possibly a research center in Alaska as a recommendation of the report. Smith noted the DOE had renewable energy funding available. Kohler mentioned bringing back the Energy Tax Credit. An open exchange with EPTF members followed, centering on formulating a map which listed known wind, geothermal and small hydro sites, overlaid with communities and known equipment needs in the next five years. Carmony asked if the EPTF has funds for creating a map, to which Barry replied no.

Staff Report: Gay noted that Chair Barry had given a successful presentation to the Resource Development Council breakfast crowd on Feb. 19 and entertained questions, thanking Kohler for attending as a Task Force member in the audience. Smith gave an update on the Energy Bill in Congress. Gay noted recent print media clips on EPTF were included in packet.

Task Force member comments: Haagenson pointed out the same basic job in this report is to identify load, identify resources and how to deliver. Carmony offered MEA's help with creating a map for the non-Railbelt areas, if it did not get too large of a job. Kohler asked if there were any suggestions for extending the Task Force, to which Barry replied his intent was to finish under the deadlines of March 31 for the report and April 15 to sunset the EPTF. Barry also mentioned there was at least one JAA bill, HB453, introduced in the legislature with referrals to Labor and Commerce, then Finance. Carmony asked if the EPTF had a sense of what to address in the next report, or would Kohler be doing this with the staff? Haagenson asked about the guiding issues to be included. Wilkinson pointed out that the Alaska Power Authority had a detailed packet of specific regulatory issues, which could be endorsed by the group if it wanted to address specifics in the report. Barry asked for an in-depth presentation of Power Cost Equalization (PCE) to be on the next agenda, since it is an overriding issue to be addressed, since it takes the Legislature to fund the gap in PCE or create a sustainable endowment.

Schedule next meeting: After attempting to set a date, Barry instructed staff to poll the Board for a date between March 9 and 11 to suit a quorum. Staff reported next agenda would include a presentation on Usibelli Coal Mine by Steve Denton and a presentation on the PCE "gap" by Sara Fisher-Goad, Financial Analyst of AIDEA/AEA. A list of non-Railbelt energy assets will be compiled by staff. Other topics of interest should be advanced to staff by next meeting.

Meeting adjourned at 5:00 p.m.