

Alaska Energy Policy Task Force

Created by the 23rd Alaska Legislature

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Approved Minutes of the March 9, 2004 Meeting of the Energy Policy Task Force (EPTF) AIDEA/AEA Board Room Anchorage

Call to Order: Vice Chair Boucher called the meeting to order at 10:05 a.m. Chair Barry arrived and took over the Chair shortly thereafter.

Roll Call: Members present – Red Boucher, Mike Barry, Steve Haagenson, Wayne Carmony and Rick Eckert, with Tom Boutin online. **Staff:** Becky Gay and Bernie Smith (EPTF.)

Others attending: Randy Hobbs of Hobbs Industries, Steve Denton of Usibelli Coal Mine, Frank Bettine of Nuvista Light and Power, Eric Yould of Alaska Power Association, Bob Charles of Calista Corporation, Georgia Shaw of AVEC, Bob Chaney of SAIC, 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 and 24 meetings: Hearing no objection, Boucher stated the minutes were approved as presented.

<http://www.aidea.org/EnergyPolicyTaskForce/EnergyTaskForceMinutes2-24-04.pdf>
<http://www.aidea.org/EnergyPolicyTaskForce/EnergyTaskForceMinutes2-10-04.pdf>

Presentation on Power Cost Equalization (PCE) funding issues: Sarah Fisher-Goad, Financial Analyst, gave a brief presentation and distributed a summary spreadsheet describing the PCE Endowment Fund and the PCE prorated funding mechanism's relationship to recent Legislative appropriations. The PCE Endowment fund was created in 2000 to provide a stable source, not necessarily full funding, to the PCE program. Full funding for the program is about \$19 million, but the \$15.7 million appropriation level of the past few years amounts to about 82% funding to the utilities. AEA cannot "anticipate a supplemental" in its payments to the utilities, nor could it administer such funding. Under discussion, Carmony asked about a "balancing account" approach with quarterly adjustments as a model. Barry asked what is the likely gap of funding in the future and if there is political will to make the endowment sustainable. Barry estimated it would take about \$163 million to make a sustainable endowment to PCE and offering a policy recommendation to limit the annual "take" to a sustainable amount, like 5% instead of 7%, which is the present practice. Haagenson questioned if and how PCE could be made to "incentivize Bush communities to move costs down." Barry thought that funding only 80% was a mechanism that encouraged more efficient behavior. Carmony wondered about a needs test. Boutin noted that House Ways and Means Committee had a leg finance presentation projecting an

annual operating deficit between \$700 and one billion dollars, which meant that pockets of money not for core government services will disappear. Secondly, Boutin noted that a 7% return on investment mandate would drive policy to high-risk investments, citing the last three years as an example of how varied the interest rate could be. Barry asked if PCE was a core government service. Boucher emphasized that PCE is a core government issues, but suffers from urban/rural divide, noting the fiscal gap discussion has been going on for some fifteen years.

Presentation on Coal as a Utility Resource: Steve Denton, V.P. of Business Development for Usibelli Coal Mine (UCM), gave a Power Point presentation underlining the risk mitigation measures of using coal as a fuel source to reduce fuel cost volatility, since most capital costs are up front with coal. Denton noted over 50% of all electricity produced in America is from coal. Denton stated the key is to use resources that are close to communities, noting many small coal deposits around Alaska. Denton spoke to local trends and opportunities for coal, including cogeneration with biomass potential, Railbelt economic growth potential and improving existing plants, giving as a example the 22.5 MW capacity at CLEAR AFB (using only 5MW) and shedding load to ground. Challenges to coal include market resistance to low ranked coal and numerous constraints to surface mining, like being in a view shed of a park concerns. Denton concluded with an overview of the Emma Creek project. Haagenson asked if UCM has considered Wishbone Hill production for reliability and security. Boucher complimented Denton's presentation asking what action could the Task Force take to assist. Gay asked Denton to elaborate on the "under-utilized existing plants" which he mentioned as military. Denton noted most were military and had been used with a focus on heat, so they had large boilers, not turbines. Haagenson noted GVEA likes coal for long-term, instate use, with a mix of renewables, leaving higher value fuel to export. He went on to describe the military base plants "running on the heat curve," produce little electricity now, and often dump excess to ground or to cooling ponds.

<http://www.aidea.org/EnergyPolicyTaskForce/UCM3-9-04.pdf>

Presentation on coal-fired power plant in Bethel: Bob Charles of Calista, Inc. introduced the project concept, noting regional interest in providing power to 8 villages along the Kuskokwim on the way to service the Donlin Creek Mine. Charles noted that Donlin Creek power was listed in the long-range projects appendix of the Railbelt Energy Report and mentioned various efforts to make the project happen – including forming a home-rule borough like the Northwest Arctic did with Red Dog Mine. Calista owns the subsurface estate. He noted the formation of **Nuvista Light and Power**, a non-profit utility to provide regional generation and transmission in the Calista Region. **Frank Bettine of Nuvista Light and Power** gave a Power Point presentation on the analysis and decision points of source of power and transmission options estimating a 60MW average load at Donlin, with a peak of 75MW and a regional load of approximately 30MW by 2020, without the mine. Bettine described two alternatives, i.e., importing energy from the Railbelt or generating in the region. He described routes A, B, C, and C Alternative all needing transmission lines of 230kV to distribute to the region. Routes D and E require 138kV AC Transmission lines within the Calista region. Bettine described various needs, including "lift ships" to avoid overbuilding barges for delivery, barge-mounted generation facilities and the need to store some 300,000 tons of coal storage in Bethel. Bettine listed the fuel sources considered as diesel, LNG, natural gas, naphtha, propane, coal and wind, comparing fuel costs at Bethel. Boucher asked what the Task Force could do to help, to which the reply was "continue to support the project, include it in the final report and help float some bonds." Boucher mentioned the idea of importing Canadian coal while Usibelli wants to develop as a "hot potato." Bettine describes some differences in the coal, stating they were still looking for a solution. Barry stated that there is

“no way to finance ahead of the mine, it is not feasible in the aggressive time frame (startup in 2010) described. Barry also suggested including all end costs, specifically the distribution lines to actual communities when describing the project costs.

<http://www.aidea.org/EnergyPolicyTaskForce/Bettine3-9-04.pdf>

Discussion of regulatory changes: After a few brief comments about responses on this agenda item, Chairman Barry asked the Task Force members to validate his decision to bypass any more discussion of details on specific regulatory items, due to lack of time and an appropriate forum. There was general agreement and no objection to not adding regulatory specifics to the remaining workweeks of the Task Force. No action taken.

Discussion of Final Report and format of document: Gay described the ongoing effort to produce a working document reflecting efforts put forth by Task Force member Kohler’s meeting with staff. An attempt to condense applicable sections of the Railbelt report to be used as the overarching connection between Railbelt and non-Railbelt policies resulted in taking an integrated approach to the final report. Strictly speaking, the legislative deadline refers to only a non-Railbelt report having a March 31 deadline, whereas the Task Force sunsets on April 15. Members expressed a preference to create just one document, rather than two. Chair Barry suggested staff try to get the deadline extended two weeks to coincide with the sunset date through the Speaker and Senate President. Attempts to schedule another meeting failed, leaving the task of polling the Task Force to staff.

Public Comments: Bob Cheney of \SAIC/DOE suggested a presentation be made to the Task Force on the most recent findings of a SouthCentral gas supply study undertaken by the Arctic office of the Department of Energy (DOE) by Charles Thomas.

Staff Report: No staff report.

Task Force member comments: No comments.

Schedule next meeting: After attempting to set a date, Barry instructed staff to poll the Board for a date between last week in March and first week of April. Meanwhile, staff was to seek an extension to the deadline until April 15, coinciding with the sunset provision in HCR 21. Staff reported next agenda would include a presentation on the SouthCentral gas supply study by Charles Thomas of DOE’s Arctic energy office in Alaska and a PCE discussion on sustainability of the endowment. Other topics of interest should be advanced to staff by next meeting.

Meeting adjourned at 1:40 p.m.