



# ALASKA POWER ASSOCIATION

## LEGISLATIVE PRIORITIES 2008

### Statewide Energy Policy and Plan

Alaska Power Association is working on and will seek legislative support for **statewide energy policies** in the areas of energy supply, deliverability, sustainability, and planning. A comprehensive energy plan would conceivably address the following issues currently being addressed by the Legislature:

Economic relief from **high fuel prices**: The impact of the unprecedented increase in the cost of oil is significant economic hardship to all Alaskans. Alaska Power Association supports relief funding from the State's oil tax windfall to offset a portion of these stifling fuel prices and to help sustain local economies.

Full funding for **Power Cost Equalization** (Resolution 05-3): Alaska Power Association urges the Legislature to continue the PCE benefit at 100% for FY08 and to fully fund PCE in the Administration's FY09 operating budget.

Funding for the **research and development of alternative energy** (Resolution 06-3): APA seeks legislation that includes prudent funding mechanisms from an appropriation, the general fund or an endowment to assist with the research, development and application of alternative energy sources. (SB 246, the Susitna Hydropower Project study, is a step in the right direction.)

HB 288, **Net Metering** (Resolution 07-3): HB 288 would mandate a net metering program for electric utilities and their consumers in which utilities would be forced to purchase power from customers generating their own electricity. The Regulatory Commission of Alaska is considering adoption of federal net metering standards (R-06-5) as part of the Energy Policy Act of 2005. The commission must render an opinion by August 2008. This decision is better handled by the appropriate agency than by the Legislature.

### Regulatory issues

Request for an extension of Alaska's waiver against the imposition of unnecessary lower sulfur levels in Alaska fuels (Resolution 06-8): The **ultra low sulfur diesel fuel** requirement in Alaska is not justified because of the open spaces, lack of dense industrial or transportation base, and non-existent spot congestion from fuel systems exhaust.

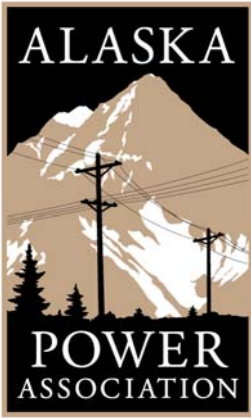
Inclusion of ADEC equipment in **rural tank farm** spill response contingency plans (Resolution 01-1): APA urges the Alaska Department of Environmental Conservation to permit fuel tank farms in rural Alaska to list the equipment in ADEC's response depots as available to tank farms in case of a spill.

Streamlining of **air quality construction permits** (Resolution 99-2): Alaska Power Association encourages the Alaska Department of Environmental Conservation to simplify permitting procedures for utilities and to become more familiar with power supply planning and reliability criteria.

**Anchorage Office**  
703 W. Tudor  
Road, Suite 200  
Anchorage, AK  
99503  
Phone:  
(907) 561-6103  
Toll-free:  
1-877-992-7322  
Fax:  
(907) 561-5547

**Juneau Office**  
302C Assembly  
Building,  
211 Fourth Street  
Juneau, AK 99801  
Phone:  
(907) 463-3636  
Fax:  
(907) 463-3611

[www.alaskapower.org](http://www.alaskapower.org)



# ALASKA POWER ASSOCIATION R E S O L U T I O N S

## ENERGY POLICY

### **(08-03) A Resolution Issuing an Urgent Legislative Call to Action for Comprehensive Statewide Energy Policy**

**Anchorage Office**  
703 W. Tudor  
Road, Suite 200  
Anchorage, AK  
99503  
Phone:  
(907) 561-6103  
Toll-free:  
1-877-992-7322  
Fax:  
(907) 561-5547

**Juneau Office**  
302C Assembly  
Building,  
211 Fourth Street  
Juneau, AK 99801  
Phone:  
(907) 463-3636  
Fax:  
(907) 463-3611

[www.alaskapower.org](http://www.alaskapower.org)

Alaska's Constitution (Article 8, Section 2) mandates, "utilization, development, and conservation of all natural resources belonging to the state, including land and waters, for the maximum benefit of the people."

Cook Inlet natural gas supplies have fallen below what is a reliable capacity upon which to base the Railbelt economy. Supply and deliverability have become a challenge for energy managers. Cook Inlet energy prices have grown at high rates for the past three years and are likely to continue to do so.

High energy costs have impacted a great deal of discretionary income for many Alaska families; the situation in rural areas is especially troublesome.

Currently there is not a comprehensive energy plan and related policy for Alaska. Alaska Power Association, the statewide electric utility association, is developing an energy plan to ensure the electric systems of Alaska have adequate, reliable and cost-effective generation and transmission capacity to meet the needs of the communities served.

APA and other organizations believe that a cabinet-level state department of energy, charged with creating a statewide energy policy for managing state energy assets, should be created and given authority to resolve the energy issues at hand.

The Palin Administration and the Alaska Legislature need to acknowledge the severity of this imminent energy crisis by taking appropriate steps to work with the Alaska Power Association membership in resolving Alaska's energy supply and deliverability problem.

Alaska Power Association urges the Administration and Legislature to make electric energy policy development the highest priority on their respective agendas. Failure to do so will ultimately be disastrous for Alaska.

(Adopted Dec. 2007)

## **(06-5) A Resolution Opposing the Implementation of Mandatory Renewable Portfolio Standards in Alaska**

Many states in the Lower 48 have enacted Renewable Portfolio Standards (RPS). These portfolio standards compel covered utilities to acquire a stated percentage of the energy they sell from specific renewable resources. The selection of resources, the deadline for meeting different percentages, the percentages themselves, and other details vary widely among the various state standards and proposals.

Ninety percent of Alaska's electric consumers are served by locally owned, not-for-profit utilities - a unique situation in the U.S., mirrored only by Nebraska. Absent the profit-making motive, these utilities already strive to deliver safe, reliable and cost-effective power.

A broad, balanced power supply portfolio can help electric utilities reduce their power supply costs and risks. Renewable energy can provide one part of a balanced portfolio. Although there are states in which renewable energy resources are able to give a strong showing based on costs that are on a par with traditional generation resources, Alaska is simply not one of them. In many cases, the higher costs associated with renewable energy are outweighed by their non-economic benefits to the electric utility. Alaska's electric utilities will pursue renewable energy projects as long as they make economic sense on behalf of the consumers.

Alaska Power Association strongly supports the research and development of renewable energy, the responsible inclusion of cost-effective renewable resources in the energy portfolio, the development of policies and procedures for the interconnection of consumer-owned generation, and efforts to educate policymakers and the public about renewable energy.

Furthermore, the APA membership firmly believes that an arbitrary enforcement of a mandatory Renewable Portfolio Standard by the State of Alaska for electric utilities would ultimately raise electric rates for consumers, thereby lowering the overall quality of life in the state and increasing economic disparity between rural and urban regions.

(Adopted Feb. 2006; updated Oct. 2007)

## **(04-2) A Resolution Supporting Construction of the Alaska Natural Gas Pipeline**

America's demand for natural gas is being met by decreasing supplies of domestic reserves and growing imports from foreign suppliers. Not only does this threaten the national security of the United States, but it weakens its overall economy by exacerbating its growing trade deficit.

The North Slope of Alaska has 35 trillion cubic feet (TCF) of known reserves of natural gas and it is estimated by the U.S. Geological Survey that there may be as much as 100 TCF that could be economically produced in a competitive market. This is the largest reserve of natural gas on the North American continent.

Cook Inlet reserves of natural gas available for Railbelt consumption are becoming increasingly scarce and costly to produce. This is creating a growing negative impact on the State's economy and treasury.

Bringing North Slope natural gas to market could enhance national security, strengthen the U.S. economy, provide a critical energy source for space heating and utility generation in the Alaska Railbelt, and be a major contributor to the State's economy and treasury.

Alaska Power Association strongly encourages our Governor, Congressional Delegation, and Legislature to take all reasonable actions to facilitate, and, if it is in the State's best interests, actively participate in the prudent development of an Alaska Natural Gas pipeline that will bring North Slope natural gas to market immediately. Alaska Power Association further encourages the use of Alaska royalty natural gas in communities along the pipeline route.

(Adopted Dec. 2004; updated 2006)

## **FUNDING**

### **(06-3) A Resolution in Support of Legislation that Provides Funding Sources for the Research and Development of Alternative Energy Sources**

Alaska Power Association members are facing the challenge of providing reliable and cost-effective electric power service while paying rapidly escalating costs for fuel with no substantial financial relief in sight.

This unfortunate reality, coupled with advances in the application of alternative energy technology in cold weather climates, is moving the consideration of distributed generation and renewable energy sources to the forefront of many electric utilities' long-term strategic plans. The Alaska Power Association Board of Directors recognizes that renewable energy will play an important role in Alaska's future energy supply.

Without a funding mechanism to assist Alaska's electric utilities with researching and developing renewable energy generation, whether it be in the form of alternative energy project grants, low interest loans or production tax credits, the utilities are forced to decide between either not pursuing such opportunities due to their extraordinarily high capital costs or raising electric rates to help offset the cost of adding new generation into the energy portfolio. Alaska's electric utilities will pursue renewable energy projects as long as they make economic sense on behalf of the consumers.

Alaska Power Association urges the Legislature to pass legislation that includes solid funding mechanisms from an appropriation, general fund or endowment designed to assist with the research, development and eventual application of alternative energy sources into the Alaskan electric utility generation portfolio.

(Adopted March 2006; updated Oct. 2007)

### **(07-1) A Resolution Seeking State Funds to Remove Danger Trees**

Bark beetle infestations have devastated spruce trees in large areas of the State. The dead spruce trees remain standing and over time will fall to the ground. Falling trees near power lines can cause extensive damage to the power lines causing service outages.

Utilities have programs to clear trees from the rights of way for their power lines. "Danger trees" are trees outside the rights of way that can fall into a power line. Alaska Power Association supports state grants to electric utilities to cut danger trees on State-owned lands.

(Adopted Dec. 2006; updated Oct. 2007)

**(07-4) A Resolution Supporting Alaska Power Association Member Energy Projects**

Alaska Power Association supports its members' efforts to obtain state and federal funding and tax-exempt financing for economically viable electric utility projects that will benefit their consumers.

(Adopted Dec. 2006)

**(03-2) A Resolution Urging Follow Through on the Energy Authorizations in HB 528 Passed by the 2002 Legislature**

The 2002 Alaska State Legislature passed House Bill 528 that authorized energy projects benefiting communities across the state by way of directing funds to the following electric utility organizations: Copper Valley Electric Association, Cordova Electric Cooperative, Kodiak Electric Association, Metlakatla Electric, and the Four Dam Pool Power Agency.

Alaska Power Association strongly urges the 25<sup>th</sup> Alaska Legislature to fully fund the authorizations contained in HB 528.

(Adopted Feb. 2003; updated Nov. 2006)

**(05-3) A Resolution Supporting Full Funding for Power Cost Equalization**

Alaska Power Association strongly supports full funding for Power Cost Equalization. We urge the Alaska Legislature to continue the PCE benefit at 100% for FY08 and to fully fund PCE in the Administration's FY09 operating budget.

(Adopted Dec. 2005, updated Oct. 2007)

## **OPERATIONAL**

### **(08-1) A Resolution Urging the Legislature to Impose Tougher Penalties for Copper Wire Theft**

The number of copper wire theft incidents around the country, including Alaska, has escalated the last couple of years due to the rising price being paid for scrap metal.

These crimes create several problems for electric utilities including the high cost of replacing the stolen material, the potential for a disruption of service to the membership, and a serious safety risk to those involved in the crime. There have been several instances of people being electrocuted while attempting to remove copper wire and other materials from utility facilities.

Several states have recently enacted legislation that increases penalties for copper theft. In 2007, Kansas, Georgia, Indiana and Hawaii adopted legislation aimed at dealing with the problem. A common provision in the legislation allows a state to prosecute a copper wire theft case based on the aggregate replacement cost, not just the salvage value. This elevates what may have been a misdemeanor crime to a felony charge. Another often-used stipulation requires scrap metal dealers to verify the identity of the seller and keep a copy of the photo ID.

Alaska Power Association urges the Alaska State Legislature to consider legislation that toughens penalties related to the theft of copper wire and other metals.

(Adopted Dec. 2007)

### **(08-2) A Resolution Supporting Voting Via Internet for Cooperative Members**

Member representation through the exercise of voting rights is a cornerstone of the principles of cooperatives. Voting is permitted under the cooperative statute in person and by US mail if the cooperative's bylaws allow it. The evolution and refinement of the Internet and e-commerce has made it possible for secure and private activity to be conducted via electronic means. Alaska Power Association urges and supports amendments to the Alaska Statutes that would allow cooperative members to exercise their voting rights via the Internet.

(Adopted Dec. 2007)

**(08-4) A Resolution Supporting Internet Noticing for Unclaimed Distributions of Electric and Telephone Cooperatives**

Alaska's electric and telephone cooperatives account to their members for monies received over and above the cost of providing electric service. Those funds are held in an account in the name of the member pending distribution which may not be made for a generation or longer. In some cases, when distributions are authorized former members cannot be located.

The State of Alaska has an unclaimed property statute that speaks directly to unclaimed distributions of electric and telephone cooperatives. While the statute is well intended, in practice it is burdensome, outdated and expensive.

Alaska Power Association supports legislation to allow electric and telephone cooperatives an Internet web site option for noticing unclaimed distributions to cooperative members.

(Adopted Jan. 2008)

**(07-5) A Resolution Encouraging Electric Infrastructure Support for Resource Development**

Alaska Power Association encourages the development of modern-class electric infrastructure to serve prudent, economically beneficial resource development projects around the state.

(Adopted Dec. 2006)

**(06-4) A Resolution Supporting a Statutory Change to Title 36 that will Exempt Both its Own Crews and Contract Work Performed by a Privately-owned Public Utility on its Own System**

In 2004, the Alaska Department of Labor took a position that DOT/PF utility relocation reimbursement agreements are public contracts subject to the Little-Davis Bacon Act, Title 36, through misapplication of HB155 from the 23<sup>rd</sup> Alaska Legislature. The change seems innocent enough, but there may be unintended consequences that will negatively affect the costs, personnel, and interface between the DOT/PF and utilities that are requested to relocate their facilities to make room for highway construction.

Construction labor for the relocations can be easily correlated to both the federal and State Little-Davis Bacon. The larger utilities tend to maintain wages near the Davis Bacon levels, but this is not necessarily true for the smaller or remote utilities. Design labor is not covered in either the federal or State Little-Davis Bacon. Survey personnel are not covered under the federal Davis Bacon act but are covered under the Little-Davis Bacon act.

The unintended consequences come from the changing of wages from normal utility work to DOT P/F relocation work when the worker is providing the same work product. The effect on the State will be small, while the effect on the utility, through a higher expected wage rate will be increased costs for all other utility construction and maintenance work into the long-term future.

Currently, to protect themselves from this increased cost exposure, the utilities may have the DOT/PF contract out all the design, surveying and construction efforts. This inefficient means will increase the DOT/PF involvement, costs and potentially delay relocation of utility facilities to clear the way for road construction.

Alaska Power Association supports a statutory change to Title 36 that would exempt both its own crews and contract work performed by a privately-owned public utility on its own system from Little-Davis Bacon Act, Title 36.

(Adopted Feb. 2006; updated Oct. 2006)

## **(05-1) A Resolution in Support of Changing Alaska Statute 18.60.670 to Define Overhead Power Line Approach Distances**

Alaska Statute 18.60.670 establishes overhead power line approach distances and applies to all persons. The statute does not define a high voltage overhead electrical line or conductor nor does it increase the approach distance for voltages above 50 kv.

Changing the existing statute has the positive impact of giving Alaska electric utilities the option of gaining assistance from law enforcement agencies to enforce safe public minimum approach distances in circumstances where the persons involved are not subject to OSHA regulations. It would also remove the speculation now needed to decide what is or is not a high voltage overhead line or conductor.

APA and the State of Alaska would both be advantaged by partnering to increase the safety margin for all of the people of Alaska which does have the potential of saving lives.

The cost to the State of Alaska in making this change is minimal. The existing statute needs only to be modified. Creating a new section is not needed. It will not increase enforcement capacity requirements.

Existing language, Alaska Statute 18.60.670:

A person individually or through an agent or employee may not (1) place any type of tool, equipment, machinery, or material that is capable of lateral, vertical, or swinging motion, within 10 feet of a high voltage overhead electrical line or conductor; (2) store, operate, erect, maintain, move, or transport tools, machinery, equipment, supplies, materials, apparatus, buildings, or other structures within 10 feet of a high voltage overhead electrical line or conductor.

Alaska Power Association proposes the addition of this language from current OSHA regulations:

(3) A high voltage overhead electrical line or conductor is defined as any conductor energized at a nominal voltage of 600 volts or more phase to ground (4) For voltages to ground over 50kV, the approach distance must be no less than 10 feet (305 cm) plus 4 inches (10 cm) for every 10kV over 50kV.

(Adopted Dec. 2005; updated Oct. 2006)

## REGULATORY

### **(03-1) A Resolution Urging the State of Alaska Establish a Process to Provide an Opportunity to Rebut Agency Enforcement Decisions**

There is no process in place, other than litigation, to review decisions made by State agency personnel who interpret and enforce regulations applicable to Alaska electric utility operations. Electric utilities have no recourse to question or challenge unreasonable and prejudiced decisions that do not reflect a balanced approach to regulatory enforcement.

Additionally, it is the perception that because the State bills for its services, there is no incentive to resolve issues expeditiously and to hold State employees accountable for poor job performance. The income stream to the State continues as long as unresolved issues persist. In some cases, this has created a financial strain on electric utilities.

Alaska Power Association urges legislative action that would:

- Require State agencies to establish a policy that supports the opportunity for the presentation of information that would allow for recourse on decisions that are deemed unfair and unreasonable.
- Require State agencies to establish personnel policies for holding agency staff accountable for inadequate performance and develop opportunities to improve performance through a positive disciplinary process.
- Create an arbitration panel or an oversight committee comprised of individuals who do not have a vested interest in the decision's outcome to resolve those issues that cannot be resolved with State agency personnel who are in charge of regulatory enforcement.

The implementation of these recommendations would ultimately improve two-way communication and promote a spirit of partnership between the State of Alaska and the electric utility industry in the resolution of contentious decisions.

(Adopted Feb. 2003; updated Oct. 2007)

## **(99-1) A Resolution Regarding Small Hydropower Licensing**

In 1999, the United States Congress passed a law that gives the State of Alaska the authority to assume the responsibility of licensing small hydropower projects that were otherwise the licensing jurisdiction of the Federal Energy Regulatory Commission (FERC). To qualify for the program, the projects must be of a size of 5 megawatts or less of installed capacity. Before the State may assume responsibility for these projects, it must first establish a licensing program that fulfills the legal and technical requirements of the FERC licensing program, and FERC must approve the State program before relinquishing its jurisdiction to the State of Alaska

Alaska Power Association was very much in favor of this opportunity as long as the State program would truly expedite this otherwise cumbersome federal licensing process. Unfortunately, APA members have often found that it is more difficult to gain fair and unbiased permitting support from State agencies than it is from federal and State agencies that are subject to the jurisdiction of FERC.

In 2002, the Alaska State Legislature passed SB 140 that would require the State of Alaska to establish a small hydropower licensing process for the purpose of assuming licensing jurisdiction for such projects from the FERC. The law requires that the Regulatory Commission of Alaska (RCA) establish the program, seek jurisdiction from FERC, and administer the program.

The RCA does not have the technical expertise to administer such a program, nor does it have the necessary professional staff and resources to exert its legal, technical and scientific expertise against the federal and state permitting agencies, not to mention the special interest environmental groups, all of which may be attempting to subvert the process and the projects.

Alaska Power Association does not support the program as it is in the Regulatory Commission of Alaska and instead supports retaining jurisdiction under the Federal Energy Regulatory Commission or transferring it to the Alaska Department of Natural Resources and reexamining the draft regulations.

(Adopted Feb. 1999, updated Oct. 2006)

### **(07-3) A Resolution Encouraging the Regulatory Commission of Alaska to Decline to Implement New Federal Ratemaking Standards**

In Docket R-06-5, the Regulatory Commission of Alaska (RCA) is considering whether to implement five new federal standards that were enacted in the Energy Policy Act of 2005. If implemented, those federal standards would impose mandatory requirements on certain electric utilities regarding net metering; multiple fuel and technology source planning; 10-year fuel generation efficiency planning; time-based metering; and distribution system interconnection with customer-owned generation.

Alaska Power Association believes that imposition of the new federal standards is unnecessary and inappropriate for the following reasons:

1. Alaska's electric utility systems are very different from those in the Lower 48. Alaska's electric utilities are very small, are not interconnected with the national electric grid, and are predominantly cooperatives and municipal utilities. Mandatory standards are not necessary to provide incentives for these utilities to pursue cost-effective efficiency and customer service measures. Alaska utilities do not have the size, scale, or resources to experiment with the new federal standards.
2. The new standards will increase electric rates for Alaska customers. The cost of implementing the new standards will be passed on in utility rates, which have already experienced dramatic increases in recent years. In particular, the net metering standard will require other customers to subsidize net metering customers.
3. Alaska utility law and regulation already encourage cost-effective utility efficiency, reliability, and customer service measures. Imposing uniform federal standards is not necessary to encourage utility efficiency and reliability.
4. At a minimum, the RCA should wait and evaluate if and how the federal standards are implemented in other states that can afford to experiment with those standards.

With the possible exception of addressing interconnection standards for larger regulated electric utilities, Alaska Power Association strongly urges the RCA to decline to implement the new federal ratemaking standards that are under consideration in Docket R-06-5.

(Adopted Dec. 2006)

## **(06-8) A Resolution Urging the Alaska Congressional Delegation to Obtain Waivers for Alaska under the Pending Ultra-Low Sulfur Fuels Requirements**

Alaska Power Association recognizes that the Alaska Department of Environmental Conservation (ADEC) is working with the Environmental Protection Agency in accepting reasonable fuels requirements already mandated for the Lower 48 states.

One such requirement would mandate the use by remote electric utilities in Alaska of Ultra Low Sulfur Diesel fuel (ULS)—that diesel fuel having not more than 15 parts per million sulfur content (15 ppm). The imposition of this requirement in Alaska is not justified because of the open spaces, lack of dense industrial or transportation base, and non-existent spot congestion from fuel systems exhaust as is sometimes found in the rest of the nation.

Alaska Power Association encourages the Congressional Delegation to obtain an extension of our long held waiver against the imposition of unnecessary lower sulfur levels in Alaska fuels. There has been a waiver for Alaska of low sulfur (below 500 ppm) fuel requirements for years for good reasons, including those referenced above. This waiver should be extended to the ULS fuels for the same reasons. Unless the waivers are granted, a catastrophic economic disaster will accompany the required changeover to new tankage, shipping containers, equipment and fuel expenses. The economic repercussions will apply to both rural and urban areas that supply and transport the fuels to the Bush.

(Adopted Feb. 2006)

## **(01-1) A Resolution Urging Inclusion of ADEC Spill Response Depot Equipment in Rural Tank Farm Contingency and Federal Response Plans**

Alaska Department of Environmental Conservation (ADEC) is required by statute to establish spill response equipment depots throughout Alaska to ensure that response materials are available in case of a spill of petroleum products in the vicinity.

Rural Alaska communities rely heavily on petroleum products to produce electricity for heating homes and businesses and for fueling vehicles, boats and airplanes. Businesses that use, store and dispense these products are required by State and federal law to have access to spill response materials similar to that which is stored by ADEC in their spill response depots. In an average rural community, there are usually three or four entities (such as a school, electric utility, government facility and a fuel business) that operate tank farms, each of which is required to have access to response material similar to the ADEC depot inventory. This duplication of such equipment caches for each rural community would represent needless expenditures of more than \$100,000 per community.

Alaska Power Association urges ADEC to permit fuel tank farms in rural Alaska to list the equipment in ADEC's Response Depots as available to tank farms in case of a spill. This change in permitting with help enable the tank farms to demonstrate their compliance with State and federal contingency requirements.

(Adopted Feb. 2001; updated Oct. 2007)

## **(99-2) A Resolution Encouraging ADEC to Streamline Air Quality Construction Permits**

Alaska Power Association recognizes that the Alaska Department of Environmental Conservation (ADEC) is responsible for the Air Quality Construction Permitting program for Alaska. ADEC's execution of this responsibility threatens to cause significant adverse impacts on the cost of electric service and the ability of utilities to provide appropriate standby generation capacities. The ADEC's lengthy air permitting process hinders utilities' ability to readily respond to changing demand, aging units and evolving technologies. Most importantly, ADEC uses an overly fundamental view of the potential to emit (PTE) regulation that has been identified to be conservative as compared to actual emissions for rural generation facilities.

Alaska Power Association encourages ADEC to work with APA's Environmental Regulations Committee to simplify permitting procedures for Alaskan utilities, especially rural generation facilities. The committee will work with ADEC to develop a permitting process. APA encourages ADEC to become more familiar with power supply planning and power reliability criteria, specifically with regard to applying more relevant PTE criteria.

(Adopted Feb. 1999; updated 2006)