

## **Alaska State Chamber of Commerce 2008 Priority**

### **In Support of a Statewide Energy Policy for Alaska**

There is no coherent, comprehensive energy policy for Alaska. A policy is needed to direct the development of a strategic comprehensive plan to address huge disparities in the cost of energy and fuel throughout Alaska. Hope is not a strategy. Therefore, the Alaska State Chamber of Commerce supports development of a comprehensive energy policy and plan that meets the short- and long-term needs of its citizenry. Alternative energy, while not a complete solution is a significant component of a state energy policy. Key components of any comprehensive plan that results from the adoption of a statewide energy policy include the creation of a renewable energy loan fund and the public-private approach to the Fire Island Wind Project.

#### **Support for the Position**

- Current energy issues and the future of our State economy are linked. With increasing energy prices across the state of Alaska, the status quo is creating “energy refugees”<sup>1</sup>. Energy is a statewide issue, and as such, the issue must be approached from a statewide perspective.
- The State has no fiscal plan. Alaska needs a fiscal plan that prepares us to get beyond the transfer economy- a plan that bridges the gap between present day spending, declining oil royalty revenue, and expected surpluses from a gas pipeline. A budget is not a fiscal plan.
- The State’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.”
- Using Alaska’s energy resources to meet the direct energy needs of all Alaskans should be high on the list of how our resources are used.
- BC Hydro is a great example of an entity that has developed an effective model to manage energy resources.
- The Bradley Lake hydro project is a good example of the benefit level priced power. When the plant came on line it was among the most expensive sources of electricity. Today it is among the lowest cost resources because it requires no fuel.
- Non fuel power generation is relatively flat priced power.
- “Flat priced” power helps buffer the impact of fuel cost increases. Flat priced power is produced by renewable energy sources such as wind, hydro and geothermal.
- The upfront cost of these sources will be higher however the long term cost is lower.
- A comprehensive statewide energy policy should ensure the electric grid has adequate, reliable and cost-effective generation and transmission capacity to meet the needs of the communities served.
- Cook Inlet natural gas supplies have fallen below comfortable capacity levels. The Railbelt economy is highly dependent upon it for power and heat.

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<sup>1</sup> As presented to the Anchorage Chamber’s Southcentral Energy task force by Nels Anderson on March 20, 2007

- Supply and deliverability have become a challenge for energy managers. There was a near miss in the winter of '06/'07 in which the system nearly collapsed due low pressure.
- Cook Inlet energy prices have grown at high rates for the past three years and are likely to continue to do so.
- Industrial gas usage in the Railbelt should be encouraged to broaden the market basis for North Slope gas.
- Efficiency in the use of our natural gas by electric utilities should be encouraged coupled with an energy policy calling for inclusion of renewable sources such as wind, hydro and geothermal.
- The regulatory environment is inconsistent and reactive, thus increasing business risks and reducing reliability and consistency.
- The lack of a Railbelt and rural energy policy leaves residents exposed to fuel price risk. We will be dependent of fossil energy for generations but over dependence pushes undue risk on to consumers.
- High energy prices have eliminated a great deal of discretionary income for many Alaska families; the situation in rural areas is especially troublesome.
- High energy prices and reduced supplies are likely to damage the regional economies throughout Alaska and have already damaged rural economies. This directly impacts virtually every business in Alaska.

It is widely understood that Cook Inlet natural gas reserves are becoming strained. Economic growth is placing even more pressure on these resources. From the Mat Su Valley through Anchorage to the Kenai Peninsula, we are now dependent on natural gas for more than 90% of our power generation. The remaining power comes from non-fuel, hydro, generation.

- While natural gas is a preferred fuel for power generation, we must find ways to generate with more non fuel sources such as wind. The wind resources at Fire Island have been under study since early 2000. Four of the six Railbelt utilities are signers of a Memorandum of Understanding seeking to explore ways to get the project built. A wind project on Fire Island will help stretch natural gas supplies for the region.
- On a state level, the Fire Island project will serve as an “anchor project” to promote more use of non-fuel wind power in the state. An anchor project will provide a place for training and maintenance of wind turbine technologies. Coupled with the project concept is the potential for locating smaller, village size turbines for training purposes as well.
- Renewable energy generates electricity that is immune to escalating fossil fuel prices and probable carbon taxes.
- States and nations around the world are enacting policies to incentivize the development of their renewable energy resources. Alaska needs to adopt a similar strategy to promote renewable energy in both urban and rural areas. There are currently 26 states with renewable energy policies.
- Alaska has some of the best renewable energy resources in the world, and no policy to encourage their development.
- Alaska needs to adequately capitalize the renewable energy fund so that Alaska can remain economically competitive through the development of its flat priced energy resources.

### **Matters to be considered in the development of the Plan:**

- As a business community, we see benefits in integrated solutions among the business entities that make up the current electrical power system.
- Engaging the business community in finding mitigating programs to deal with the energy challenge is needed and overdue.
- Consumer education programs explaining the benefits of energy conservation in reducing consumers' energy bills and increasing the state's energy efficiency need to be developed, and the public urged to participate.
- Develop regulatory guidance for rate-makers that will encourage energy conservation and development of Alaska's renewable, "flat priced" power.
- Alaska possesses substantial renewable energy resources that could be developed using mature technologies, e.g. wind, geothermal, hydro.
- Alternative and renewable energy sources should be studied and thoroughly evaluated both on an economic basis and with respect to the value of diversifying our energy portfolio.
- Power cost equalization should be continued until a better system of meeting the energy needs of rural Alaska is developed.
- The propriety of a statewide propane distribution system must be evaluated such as the demonstration project suggested by Alaska Natural Gas Development Authority (ANGDA).
- The possibility of cost-increasing monopolies that may exist in the supply or logistics of energy delivery in Alaska should be examined.
- Alaska's university system should be encouraged to develop curricula to train more Alaskans in energy development, production, delivery and management.
- Energy research that will benefit Alaska in the 21<sup>st</sup> Century should be encouraged and supported.
- Support from the Administration and Governor Palin for the Fire Island wind project as a public-private partnership focused on diversification for fuel sources and the overarching goal of utilizing renewable resources. The Fire Island project is divided into two broad categories, infrastructure and the wind project itself. The "Public Sector" component is the infrastructure needs including electric transmission, substation, roads and barge landing and is estimated at \$43 million. The "private sector" component is the wind project itself consists of the wind turbines, foundations control systems and interconnection with the substation feeders and is estimated at \$75 to \$95 million.
- Support of the creation of a Renewable Energy Loan Fund.

### **Action Required for the Position**

The Alaska State Chamber Board of Directors should pass a resolution endorsing the following conclusions, take all appropriate measures to carry the message to all corners of the state and prepare and submit appropriate legislation that implements the steps necessary to address following:

- A Cabinet-level individual, charged with creating a statewide energy policy for managing in-state energy assets, should be appointed and given rein to resolve the energy issues at hand.

- State government must understand the severity of the problem and take appropriate steps to respond to the compelling need for leadership, and through that leadership, develop and adopt a statewide energy policy for the State of Alaska.
- With a statewide energy policy in place that brings unity of effort and common goals to all divisions of state government, the State of Alaska should then immediately develop a strategic comprehensive Energy plan to address all issues raised in this 2008 priority.