

City of Coffman Cove

RESOLUTION 15-04

A RESOLUTION OF THE CITY OF COFFMAN COVE REQUESTING THAT THE STATE OF ALASKA TAKE ACTION TO STABILIZE RURAL ECONOMIES AND ACHIEVE RURAL/URBAN SOCIOECONOMIC PARITY BY INCREASING THE LEVEL OF POWER COST EQUALIZATION SUPPORT WHICH IS PROVIDED TO RECIPIENT COMMUNITIES.

WHEREAS, the availability of affordable energy is in many cases the key determining factor in the long term success, sustainability, and competitiveness of Alaska's businesses and communities; and

WHEREAS, communities in Alaska are challenged by lack of access to lower cost renewable and alternative energy development opportunities due to the imposition of the Roadless Rule in the Tongass National Forest in southeast Alaska, and other federal land use restrictions which are inconsistent with US federal government policies prioritizing development of domestic renewable energy; and

WHEREAS, the Alaska Energy Authority website for the Power Cost Equalization Program states: "The goal of Alaska Energy Authority's Power Cost Equalization Program is to provide economic assistance to customers in rural areas of Alaska where the kilowatt-hour charge for electricity can be three to five times higher than the charge in more urban areas of the state."; and

WHEREAS, the Power Cost Equalization fund, which became active in October of 1984, was capitalized at the same time that state funds were used to create major energy projects to assist urban areas, such as the Four Dam Pool, Bradley Lake, and the Alaska Intertie, so that rural communities not benefitting from these infrastructure investments would have an equitable opportunity to reduce the cost of energy, thereby supporting creation of new economic opportunities, and preserving the well-being of their communities' families and economies long term; and

WHEREAS, 30 years after the implementation of the Power Cost Equalization program, rural Alaskan communities remain persistently subject to forces of economic attrition, economic stagnancy, and population outmigration; and

WHEREAS, 30 years after the implementation of the Power Cost Equalization Program, there is a persistent disparity between the amount and quality of economic opportunities in rural and urban areas of Alaska; and

WHEREAS, the level of State assistance provided in the form of new direct investment in rural infrastructure has been insufficient to facilitate rural/urban parity of economic conditions, job creation, and economic opportunities; and

WHEREAS, the Alaska State Demographer’s April 2014 Report titled “Alaska Population Projections 2012-2042” predicts that disparities in population and economic growth shall persist for another 30 years; and

WHEREAS, the Power Cost Equalization Endowment currently contains nearly \$1 billion in funds; and

WHEREAS, RCA Issuance U-14-080 Order No. 2, “In the Matter of Setting of a Base Amount for Power Cost Equalization Calculations for FY2015” established the Power Cost Equalization base amount at 14.82 cents per kilowatt-hour; and

WHEREAS, Alaska Senate Bill 138, signed into law on May 9th of 2014, proposes to utilize revenue from a new gas line to provide funding for energy projects for rural communities unable to access North Slope pipeline gas; these funds could be used to: 1) further capitalize the Power Cost Equalization Fund in order to sustain a higher level of economic assistance, and/or 2) create new rural energy projects which will decrease the level of Power Cost Equalization required; and

THEREFORE, BE IT RESOLVED BY THE COFFMAN COVE CITY COUNCIL AS FOLLOWS:

Section 1. Coffman Cove finds that the Power Cost Equalization program has failed to provide socioeconomic parity between recipient and non-recipient communities.

Section 2. Coffman Cove city Council requests that State of Alaska officials follow the course of action below:

- State of Alaska officials must develop and implement a plan to utilize PCE endowment funds to provide more generous economic assistance to rural communities immediately.
 - This more generous assistance would be repaid through future gas line revenues which will be earmarked for rural community assistance.
 - Gas line revenues would also be utilized to further capitalize the PCE endowment, to sustain more generous levels of assistance long term.
 - State gas line revenues should also be invested in new renewable energy projects which decrease the need for PCE subsidization long term.
- The RCA should incorporate a “socioeconomic multiplier” variable into PCE base rate calculations to accelerate achievement of conditions of rural/urban socioeconomic parity.
 - Coffman Cove city Council believes that an initial 150% socioeconomic multiplier is necessary and appropriate.
 - Under these conditions, the definition of the PCE “base rate” would be adjusted from “the average price per KWH in Anchorage, Fairbanks, and Juneau” to “the average price per KWH in Anchorage, Fairbanks, and Juneau times a socioeconomic multiplier of 150%.”

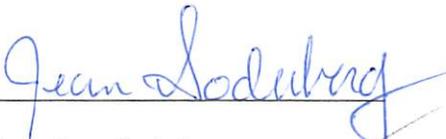
- PCE eligibility caps should be raised from the current level of 500 KWH per month to 1,000 KWH per month for residential consumers, and 3,000 KWH per month for small commercial consumers, except for State and federal offices and facilities.
- The RCA and the State of Alaska should conduct a due diligence review of socioeconomic demographics and trends on an annual basis to determine whether or not the Power Cost Equalization formula and associated “socioeconomic multiplier” has indeed facilitated socioeconomic “equalization” in recipient communities, or whether these communities are experiencing ongoing economic stagnancy, economic decline, and population outmigration due to the high cost of rural energy. This due diligence review should include generous opportunities for public comment. Findings should be utilized to periodically update the “socioeconomic multiplier” variable.
- The Alaska State Legislature should modify the definition of “small power project” under AS 42.45.180 (d)3 as follows:
 - (3) "small power project" means a new or modified project that will either generate, store, or conserve no more than 10.1-5 megawatts of power, including any associated transmission features, or provide a metering system, transmission system, distribution system, or bulk fuel storage facility that has an estimated cost of less than \$3,000,000.
 - In the event that a generation project of any capacity would seek to provide 10 MW or less of capacity to a PCE-eligible off taker, while also providing energy and capacity to a non-PCE-eligible off taker, the proportion of the project which serves the PCE-eligible offtaker shall be treated as a ‘small power project’ and shall be eligible for grant funding assistance under AS 42.45.180. In determining an appropriate proportion of grant support eligibility, the State shall consider PCE-eligible off takers’ current energy and capacity demand, as well as PCE-eligible off takers’ future energy and capacity demand projections over the commercial lifespan of the project.
 - These modifications will allow rural communities more flexibility and improved economies of scale as they seek to utilize PCE endowment funds to develop new, more efficient energy systems which reduce or eliminate PCE subsidization requirements long term.

Section 3. Coffman Cove city Council urges State government to take expedient action to:

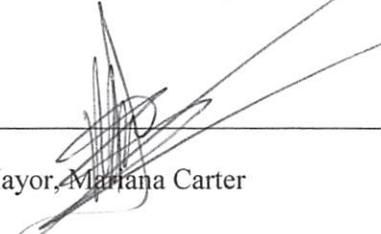
- Remove barriers to development of lower cost renewable and alternative energy on federal lands, including the applicability of the Roadless Rule in the Tongass National Forest.

- Assure that federal lands in Alaska are managed to produce affordable renewable energy, consistent with federal renewable energy policy, including the Energy Independence and Security Act of 2007, which states that: "It is the sense of Congress that it is the goal of the United States that, not later than January 1, 2025, the agricultural, forestry, and working land of the United States should – (1) provide from renewable resources not less than 25 percent of the total energy consumed in the United States," as well as all other federal policy prioritizing development of renewable energy."

PASSED AND APPROVED by the City of Coffman Cove Council on this 21 day of Aug. 2014.



Clerk, Jean Soderberg



Mayor, Mariana Carter