

Report of the Anchorage Chamber of Commerce Southcentral Energy Task Force

Background and objectives:

The objective of the Anchorage Chamber's Southcentral Energy Task Force is twofold:

- 1) To identify and articulate the short and long-term issues surrounding the need for energy in Southcentral, and specifically, the effects on the membership of the Anchorage Chamber.
- 2) To identify potential short and long-term solutions for meeting the energy demands of commercial and residential interests, specifically, the membership of the Anchorage Chamber.

The intent of the committee's work is to create a single point of reference and a guideline for statewide policymakers to use when considering individual projects that may affect the long-term supply of energy to Southcentral Alaska.

The Anchorage Chamber represents more than 1,200 business members, equaling nearly 75,000 employees across Alaska. The business community recognizes energy is a business issue and as such, it is the responsibility of businesses to take ownership and drive toward a solution and not rely on the government for answers.

In testimony provided to the committee, it was made clear that energy issues affect the state as a whole and solutions must be grounded in a statewide approach. Thus, the committee expanded the scope of the report based on findings below.

Findings:

- Hope is not a strategy.
- 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"¹. 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.
- There is no coherent, comprehensive energy policy for Alaska. A plan is needed to address huge disparities in the cost of energy and fuel throughout Alaska.

¹ As presented to the task force by Nels Anderson on March 20, 2007

- BC Hydro is a great example of an entity that has developed an effective model to manage energy resources.
- 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 what is a comfortable 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.
- Industrial gas usage in the Railbelt should be encouraged to broaden the market basis for North Slope gas.
- The regulatory environment is inconsistent and reactive, thus increasing business risks and reducing reliability and consistency.
- 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 economy of Southcentral Alaska and have already damaged rural economies. This directly impacts virtually every business in Alaska.

Conclusions:

Issues for immediate attention:

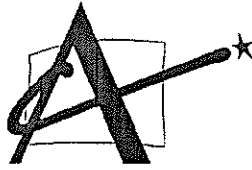
- A Cabinet-level Department of Energy, charged with creating a statewide energy policy for managing state energy assets, should be created and given rein to resolve the energy issues at hand.
- State government must understand the severity of the problem and take appropriate steps to respond to the compelling need for leadership.
- 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.
- Alaska possesses substantial renewable energy resources that could be developed using fairly 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 21st Century should be encouraged and supported.

Recommendations:

The Anchorage Chamber Board of Directors should pass a resolution endorsing the foregoing 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 those conclusions.

Further, the Anchorage Chamber should offer a briefing of the results of this report to entities across the state that have a role or interest in the resolution of energy challenges faced by this state.



**ANCHORAGE CHAMBER
of COMMERCE**

**A resolution of the Anchorage Chamber of Commerce regarding the South Central
Energy Task Force final report**

WHEREAS the board of directors of the Anchorage Chamber of Commerce has created a task force to conduct a study and analysis of energy in southcentral Alaska; and

WHEREAS a substantial group of members have spent many hours researching and studying the energy situation in southcentral and rural Alaska; and

WHEREAS this group of knowledgeable people has completed a final report that draws conclusions of substantial import to Alaska's citizens and the business community; and

WHEREAS this board has reviewed the report and endorses the conclusions and recommendations therein; and

WHEREAS this report recommends several actions by this board.

NOW THEREFORE BE IT RESOLVED the board of directors of the Anchorage Chamber of Commerce resolves:

1. That the report as submitted is approved and endorsed by this board.
2. That this resolution and report should be delivered to the attached list of people and organizations across the state.
3. That a briefing presenting the results of this effort be prepared and offered across the state to all interested parties.
4. That a joint letter be prepared for signature by interested and involved parties that share the documented concerns requesting immediate action by state and local governments to resolve the issues listed in this report.
5. That a copy of this resolution and report be made available to the entire membership of the Anchorage Chamber of Commerce.

Approved the __ Day of __, 2007

Kathleen Porterfield, Chair
Anchorage Chamber of Commerce

Stacy Schubert, IOM, President
Anchorage Chamber of Commerce