



City of Gustavus

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February 27, 2023

Regulatory Commission of Alaska
701 West 8th Avenue, Suite 300
Anchorage, AK 99501

Dear Regulatory Commission of Alaska:

Subject: Alaska Power Company Filing TA905-2, for Gustavus, Alaska
Reference: RCA Public Notice of 2-21-23

I write as Mayor of the City of Gustavus for the benefit of the ratepayers of Gustavus, (population 658) supporting adoption of Alaska Power Company's (APC) filing TA905-2. APC proposes to create a Credit Balancing Account related to energy sold to the National Park Service (NPS) and to add new provisions to its tariff to pass all revenues from the NPS on to APC's non-NPS Rate Group 3 customers. Both the City of Gustavus and I are APC Rate Group 3 customers.

The construction of the Falls Creek Hydroelectric Facility over a decade ago ended the community's total dependence on expensive, polluting diesel generation. Nearly all our electricity is now generated by non-polluting hydropower. The Falls Creek project was designed and constructed to a size that would meet both the community and the NPS' energy needs. However, the community distribution system did not originally include the NPS facilities at Bartlett Cove, which remained on remote diesel generation. While the NPS planned to develop an intertie, funding and completing the project took far longer than anticipated. In the interim, Falls Creek was underutilized for years, and fixed costs were shouldered by the community without support from the NPS. High electricity costs to businesses and residents have been a drag on the Gustavus economy, while a substantial excess of hydroelectric generating capacity went unused. High electric rates discourage customers from switching

from fossil fuel energy to hydroelectric power for local transportation, heating, and appliances.

Environmental responsibility, plus the need to use our hydroelectric resource more fully and reduce electricity costs, led the community and the City of Gustavus to support construction of an intertie from the Gustavus distribution system to the NPS facilities at Bartlett Cove. The benefits were clear. Eliminating the need for diesel generation at Bartlett Cove would eliminate about 600 tons of carbon dioxide emission per year, while allowing the fixed costs of the power system in Gustavus to be spread over more kilowatt hours; a major efficiency improvement. Based on energy use data provided by the NPS, Gustavus anticipated the NPS provisions of the 2017 Stipulation accepted by the RCA should have resulted in cost-savings of approximately 11 to 12 cents per kilowatt-hour, a substantial improvement for residences and businesses. Expecting these benefits, the Gustavus City Council unanimously supported and promoted the intertie construction.

The intertie was completed in fall of 2021 and went into operation in December 2022 to the celebration of all. The diesel engines at Bartlett Cove shut down and hydropower flowed to the NPS facilities. However, when new electric bills arrived in January, we found the net reduction in electric rates would not be as expected. Nearly all the benefits expected by residential ratepayers were transferred to the Power Cost Equalization fund. You can imagine the resulting disappointment and even cynicism. This result is particularly unfortunate for our community's lower income families, who struggle the most to afford energy. But fortunately, APC stepped in with the TA 905-2 filing, proposing to solve the problem and meet the intent of the original Stipulation.

The City of Gustavus urges the RCA to approve APC's proposed tariff revisions, which will correct the formula for rate calculation, restore the full PCE credit to qualified ratepayers, and restore to Gustavus residents and businesses the full economic benefit of the increased electricity sales through the intertie to the NPS at Bartlett Cove. Citizens in Gustavus will feel that their State government is working in their favor. Ratepayers will be better able to afford clean energy and have increased incentive to switch to hydroelectric energy for transportation, heating, and appliances. The City of Gustavus will encourage them to do so. The City is planning to install its first heat pump system for City Hall and hopes to apply the technology to other City buildings. More residents are considering electric vehicles, appliances, and heat pumps. The NPS intends to electrify vehicles, heating, and eventually even boats.

Revising the rate calculation structure as proposed by the APC TA 905-2 filing will help us reduce carbon emissions, make wise energy use decisions, and boost our economy. Importantly, it will meet the intent of the original Stipulation. We are grateful to the Alaska Power Company for identifying the rate calculation problem and developing the filing to enable Gustavus ratepayers to capture the full value of public investments in clean power generation and the intertie. We are glad to be part of a system that encourages communities to reduce their carbon footprint by making the most of alternative generation means. On behalf of our community, I urge the Regulatory Commission of Alaska to approve APC's filing as presented. Thank you for giving the APC filing your most thoughtful consideration.

Sincerely,

Mike Taylor

Mike Taylor, MS
Mayor, City of Gustavus, Alaska

Copy: Mr. Jason Custer, VP, Alaska Power Company