

May 7, 2007

Mr. Jim Strandberg
Alaska Energy Authority
Anchorage, AK

Subject: Comments to draft Hatch Energy Report dated April 5, 2007

Dear Jim,

The following are my comments concerning the draft Hatch report on the AK/BC Intertie:

- 1) Page 13 – First bullet under ‘Southeast Alaska Market’: FDPPA should be spelled out in this first reference for understandability in the Executive Summary. Should be ‘Four Dam Pool Power Agency’.
- 2) Page 14 – 2nd bullet under ‘External Markets and Market Structures’: ‘PNW’ should be spelled out – ‘Pacific Northwest’.
- 3) Page 14 – 4th bullet: Same as above. Fully write out BCTC.
- 4) Page 14 – 1st bullet under ‘Market Opportunities’: Some explanation is needed for what \$70/MWh means. For the casual and layman reader, some of these terms will not be understood.
- 5) Page 15 – 1st sentence: ‘New export projects.....’ should read ‘New hydro projects with power that could be exported...’
- 6) Page 15 – Bottom of page – 1st sentence under ‘Without Export’: Wrangell is misspelled.
- 7) Page 16 – 1st continued paragraph from previous page: I would be careful to state that ‘PCE subsidies can be redirected’. This will be an issue with these communities and may not be the case anyway. I don’t think Hatch has a good understanding of the PCE program and its guidelines. For example, the Prince of Wales power supply has changed from diesel to hydro over the past 20 years and the PCE program is still in place. This program is based upon the cost of power and that relationship to a benchmark.
- 8) Page 29 – 1st bullet: Add ‘submarine cables’ to the upgraded line. It is important to note that the submarine cables may limit total transfer capability of power and they are very expensive to upgrade.
- 9) Page 29 – ‘Markets and Market Structure’ – last sentence: This is very good and very worthy of repeating. This report should hammer home the need for a long-term energy policy for Southeast Alaska.
- 10) Page 30 – 1st continued sentence: A note should be added that the transmission system is a radial system and not looped therefore any outages, whether planned or unplanned, causes disruptions in service.
- 11) Page 32 – 2nd paragraph under ‘Phase II – Development Assistance for AK-BC Intertie Project’: ‘log-term debt’ should be ‘long-term debt’ and ‘ability to instill’ should be ‘ability to instill’.
- 12) Page 32 – 1st bullet under SE Alaska Market: ‘WMPL’ should be ‘WMLP’ or at least I’m pretty sure it should be – you should verify. Wrangell MPunicipal Light & Power is the name of the electric utility in Wrangell. Please verify.
- 13) Page 34 – 2nd to last line on page: Should read ‘pending before’ and not ‘before pending’.
- 14) Page 35 – 3rd line down: There’s an extra (space) between ‘a’ and ‘transmission’.

- 15) Page 35 – 1st line of ‘Future SE Alaska Transmission Segment Projects’:
Change ‘segments’ to ‘segment’.
- 16) Page 42 – Under 2.1.1 – Options Removed from Further Consideration – Non-Profit Corporation: I question the finding about the exemption from property taxes. The State does not levy property taxes. The local cities and boroughs do and their ordinances may well allow a non-profit to be exempt from property taxes. I just don’t know for sure and Hatch should verify that this may be or may not be true.
- 17) Page 44 – footnote 12: There’s a typo here that makes the sentence not understandable.
- 18) Page 48 – Regulatory Considerations: I think some background discussion is needed about RCA – who they regulate and who they don’t. The FDPPA is currently exempt from regulation. Municipal utilities are generally exempt from RCA regulation. Coops are regulated unless their members vote not to be regulated. IOUs in general are regulated.
- 19) Page 48 - Has KWETICO formally agreed to take on this segment? Has the KWETCIO board of directors taken this matter up?
- 20) Page 52 – 1st bullet: ‘WMPL’ should be ‘WMLP’.
- 21) Page 54 – 2nd paragraph under ‘Wrangell’: Change Wrangell Municipal Power & Light to ‘Light & Power’ (verify first).
- 22) Page 55 – General note: I noted that there needs to be some discussion about the PCE program and how it works. Also worth noting in the report ‘monthly kWh purchases by residential customer’ in Kake and other PCE communities and how that compares to Petersburg, Wrangell and Ketchikan. What you will find is the per month purchases by each residential customer in Kake will closely track the maximum amount per month that are eligible under the PCE program. This is important because I believe residential usage would grow if affordable power was available in those communities such as Kake.
- 23) Page 60 – 1st paragraph – Forecast Approach – last sentence: This may be true except for ‘fuel switching’ for heating loads. This is a huge potential market and needs to be acknowledged throughout the report.
- 24) Page 91 – 3rd bullet: Typo – ‘ore’ less should be ‘or’ less.
- 25) Page 103 – 2nd bullet: Some explanation that Kake Tribal Corporation is a certified utility but is not certified to serve Kake. It owns the Pelican hydro plant there and supplies that community with power. That project is currently planned to be sold to the City of Pelican. Pelican is outside the study area for this study.
- 26) Page 103 – 2nd to last bullet: Wrangell Municipal Power & Light should be changed to ‘Wrangell Municipal Light & Power’.
- 27) Page 105 – 1st paragraph – 3rd line from the bottom: Typo – It reads ‘KWETICO On November 9, 2006.....’ should delete ‘KWETICO’.
- 28) Page 109 – last line in first continued paragraph: The sentence does not make sense. Clarify.
- 29) Page 109 – under the subtopic ‘Environmental Consequences of Proposed Projects’ – 7th line down: ‘The year mentioned is ‘199855’ should be fixed.
- 30) Page 133 – Following ‘Swan-Tyee Intertie’ – 1st line: Typo – should be ‘pending before’ rather than ‘before pending’.
- 31) Page 137 – 2nd paragraph: Should change to ‘The FDPPA has approximately \$9.8 million in available funding for the project....’
- 32) Page 137 – last dollar figure on table needs to be corrected.
- 33) Page 140 – 6.2.5: Typo in last sentence: ‘am’ is inserted there and not sure what or how it should read.

- 34) Page 148 – last paragraph: insert a '\$' in front of '350,000.
- 35) Page 151 – under 'Thomas Bay Transmission': I disagree with the proposed routing. While this may be an option, I do not think it is a good one for a host or reasons including the need for a 2nd submarine from Kupreanof back to Mitkof and also the visual impact concerns that were potentially identified along the routing on Kupreanof Island.
- 36) Page 156 – 6.5.2 – Load Flow for Year 2011: The last sentence in the first paragraph states that 'two diesel units at Petersburg are running to supply local loads in order to balance the system total demand and generation resources. I question this assumption and also recommend you contract Petersburg.
- 37) Page 157 – 6.5.6 – Conclusions: Typo in the 1st sentence under the topic – change 'loads' to 'load'.
- 38) Page 160 – table at bottom: Align the numbers in the table.
- 39) Page 171 – 1st paragraph – 7.2.1.2: The price of fuel is misstated. The numbers of \$0.22 and \$0.268 are ones that we can only wish were the case.
- 40) Page 172 – 7.2.1.5: In the table – correct the extra characters following #14.
- 41) Page 193 – 8.4.9 – Fuel Prices: Please put the fuel prices in dollars per gallon as opposed to cents per gallon.
- 42) Page 195 – Table at top of page: What is the Tyee Lake Extension??

That's the bottom of the list. Please pass these on to Hatch and the Work Group.

Dave