



Representative Beth Kerttula

House Minority Leader

April 25, 2008

The Honorable Sarah Palin
Juneau, Alaska 99801

Dear Governor Palin:

Congratulations on the birth of your new baby. It is wonderful to have a new Alaskan, and the whole state shares in your family's joy.

I am writing you today on behalf of the Juneau legislative delegation and our community with a number of thoughts and questions about our current energy crisis. I have had very good responses from your office and agencies, as well as from AEL&P, and the other branches of our government. I know we are all in this together and at this point I wanted to articulate some questions and ideas in writing.

Thank you and everyone for all the work that is being done, it is a very difficult time for us, as I know you understand. I apologize in advance if I have some facts or figures incorrect, it is not out of intent but because we have all been working as fast as possible.

First, there's a cash flow problem for the utility (AEL&P).

With high fuel costs (estimated to be as high as \$25 - \$27 million for the next three months), even if the full cost of power adjustment (COPA) were implemented immediately, no collections under the new rates would be available to pay for that fuel until late May, and collections would continue to lag behind costs until the transmission line was back up.

The City & Borough of Juneau will probably provide a \$3 million loan (as mentioned in today's press), and I know AEL&P has a substantial line of credit, but I am concerned there is still not enough cash.

Of greater concern, if there is not enough cash available to buy fuel, doing it this way could require the ratepayers to pay back a large part of the fuel surcharge as the power is used. This would lead to the 500% rate increase, which most people and businesses simply cannot afford.

I think one key to this first problem is providing short-term (one year) loans at good interest rates (it's the ratepayers who pay the interest in the end, not the utility)

sufficient to allow the COPA to be termed out over a year, rather than paid on a current basis. As I mentioned above, the city will almost certainly be contributing, and AEL&P should likewise contribute.

My question is this: Can AIDEA (the owner of the downed towers and transmission line) loan the utility funds at a one-year tax-exempt rate, secured by receivable COPA rates termed out over a full year?

This would allow ratepayers to pay the extraordinary cost of fuel over four times the time period, with little interest, and would likely keep the rate increase much lower.

Second, is the issue of whether the repair (estimated to be approximately \$7 million) will be paid for by the ratepayers (which would be the case if no disaster declaration were involved) or by agencies or emergency funds put in place to reimburse for disasters.

I have heard the concern that this is just an economic disaster, and therefore not covered under the revised state disaster statute. I have also been told that even FEMA does not pay for disasters that destroy public infrastructure if things are still functioning.

I do not know all the circumstances surrounding it, but my understanding is that Kodiak Electric is currently spending FEMA money given to AIDEA to repair damage to Terror Lake from a flood, or storm, several years back. This seems completely appropriate. I think that FEMA pays to fix roads & other public infrastructure to get them back to their original condition, when they are harmed by a natural disaster.

The Snettisham Transmission Line is a public facility (owned by AIDEA), that has been damaged (and is not functioning) by a natural disaster (the avalanche). I hope that you will declare that a natural disaster has occurred, and request that the President do the same.

Third, I am hopeful that there is an avenue to relieve Juneau ratepayers of at least a portion of the fuel surcharge.

This is obviously not just a problem for Juneau and our sister communities in Southeast Alaska, but one for many areas in Alaska given the extremely high cost of fuel. You have taken leadership to alleviate the range of suffering other Alaskans endure every day due to this, and you have my great thanks for that.

If Juneau's rates go up, under the Power Cost Equalization program's formula, the base rises. This will cause problems throughout the state. If the rate determination could be made using an earlier time frame, before Juneau's rates increase, this would help.

I hope these questions and ideas will be of some service in your decisions concerning our home and state. I know that your attention is with us, and I greatly appreciate it.

Thank you, and again, we all welcome Trig!

Sincerely,

A handwritten signature in black ink, appearing to read "Beth". The signature is fluid and cursive, with a large initial "B" and a trailing flourish.

Representative Beth Kerttula

cc AELP
Mayor Bruce Botelho
Senator Kim Elton
Representative Andrea Doll