

February 4, 2010

Regulatory Commission of Alaska
Commissioners
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501-3469

RE: IPEC Tariff request TA159-240 denial

Dear RCA Commissioners,

I am a ratepayer of IPEC that has had to move myself and my family from Kake in order to seek employment that I can raise my family on. I maintain a household in Kake. The major reason why there is limited work in Kake is due to the unreasonably and unnecessary high cost of energy in Kake. Our fisheries plant and other industry cannot compete with other Southeast communities because IPEC has not been able to effectively reduce the cost of energy to my community to a rate equal to other Southeast communities, and they have taken steps and actions that perhaps impair intertie development that will usher in the lowest cost attainable energy for my community.

I am asking you to take a hard long look at IPEC's basis for a rate increase. Many of our elderly on fixed incomes cannot afford the rates that IPEC charges. IPEC needs to become a bare bones utility operation by curtailing expenses and cutting out its overhead and high paid management expenses to be more in line with the small utility that it is.

Below are some areas and questions that I request you resolve with IPEC before considering any current and or future tariff increase.

1. High Management costs. Are IPEC salaries plus benefits higher than industry and higher than comparable jobs with local government in IPEC's service areas? RCA should require IPEC to hold off any tariff increase until IPEC pays for and conducts independent wage survey on all "management and technical" individual job classifications and justify the need for apparent high number of management personnel needed to run what is comparatively a very small utility.

2. Sell off assets like the Juneau Headquarters and move to a member community. RCA should require IPEC to hold off any tariff increase until IPEC appraises and sell its headquarters building and investigate moving its headquarters to one of the IPEC member communities of Angoon, Hoonah or Kake. IPEC member communities offer lower labor rates, lower building costs and IPEC can pay its own electricity cost for its management operations rather than pay another utility for electricity. The member communities of Angoon, Kake or Hoonah have lower labor costs and provide a trained workforce suffering from high unemployment. IPEC can reduce office staff labor costs by relocating and providing jobs and economic activity greatly needed in one of the member communities. RCA should require IPEC to hire an independent consultant to analyze selling the IPEC headquarters

building and relocating IPEC management operations to a member community to pass this savings on and to lower ratepayer costs.

3. Reduce or eliminate Board of Director Fees. IPEC pays board members monthly salaries and board fees that are in excess of similarly sized electrical cooperatives in the United States. IPEC is a member cooperative and cooperative board members should serve as non-paid volunteers. IPEC violated its bylaws by holding meetings at Casinos and paying board expenses and then ask cooperative members to foot the bill. RCA should audit and investigate to determine if IPEC board and management is unjustly enriching board members or offering travel trips under the guise of official IPEC business at the ratepayer expense. RCA should require IPEC to hold off any tariff increase until IPEC conducts an independent third party analysis comparing similarly sized American electrical cooperative board compensation and salaries to IPEC's and then reducing IPEC's Board and director fees to non-paid volunteer status.

4. Remove secrecy from ratepayers. IPEC does not advertise its meetings adequately or not at all in some member communities. IPEC fails to provide a toll free number for members to call in to meetings and does not post agenda, meeting minutes or tape recordings for board meetings on its website. Further, IPEC does not adequately advertise for elections nor post election rules and articles of incorporation, and bylaws on their website. These actions have retarded and prevented the candidacy of more fiscal conscientious candidates from running for a board seat. Lack of transparency with ratepayers has led to ballooning overhead and management budgets that are not itemized and publicly disclosed to IPEC members. RCA should require IPEC to publicly publish its articles of incorporation, bylaws, election procedures, advertise for elections and provide a toll free member for members to call in, listen and speak at all board meetings in written announcements posted in each member community and on the IPEC website. Further recordings of each meeting should be required to be posted to the website so members can monitor management and board of directors, actions, votes at any time and have a historical record to weigh the effectiveness of the board and management. Additionally, IPEC as a result of their excessive overhead costs, should be required to post on the internet the position title, job description, duties performed, job classification, base cost of salary, benefits and total compensation of all salaried and technical positions for ratepayer scrutiny. RCA should require IPEC to implement these transparency requests before implementation of any proposed tariff rate increase.

5. Eliminate Excessive Travel. Apparently IPEC sends management and board of directors to excessive amounts of meetings, training and other junkets at the ratepayer expense. IPEC management seems to sign up IPEC as a member of every electrical organization and association in Alaska and the Western US. These organizations require dues and have periodic meetings which then become perks for management and board of directors to attend at ratepayer expense for frequent and expensive travel at ratepayer expense. RCA should require an independent auditor to evaluate IPEC's travel budget for board and management and suggest items to curtail and or eliminate spending on that are not materially required to operate a comparatively small utility. RCA commissioner should ask, "Why are ratepayers getting a rate increase to fly management and board to excessive conventions and meetings and even out of state junket trips to casinos for management and board of directors? IPEC should be required to have an independent third party audit and analyze what similarly sized (based on

customer count) electrical cooperative pay in travel, member dues and to conventions and restrictions placed on management and board travel before RCA approves any proposed tariff increase.

6. Institute Contracting procedures to save ratepayers money. RCA should require that IPEC be required to implement a bid procedure and require three bids on any work performed on behalf of IPEC of more than \$10,000 per each work item. Failure to provide aggressive bid requirements has led to inflated contractor and consultant costs that are passed onto ratepayers. RCA should require IPEC to develop a published and board approved bid procedure before approving any proposed tariff increase.

7. Ratepayer meetings and ratepayer communications. IPEC has requested a rate increase in excess of 10.62%, but has failed to justify to the ratepayers the reasons for the high costs that have led to this rate increase. IPEC has not justified this rate increase to its ratepayers. RCA should require that IPEC conduct heavily advertised ratepayer meetings conducted in evening hours (to allow working ratepayers the opportunity to attend) in each member community attended by top management and all board of directors to inform ratepayers of the reasons for the rate increase, to listen to ratepayer complaints of high costs and to receive ratepayer suggestions for reducing costs. These ratepayer meetings should be recorded and supervised by the RCA. RCA should mandate that IPEC comply with this requirement and obtain ratepayer feedback and answers to ratepayer cost reduction suggestions prior to approving any proposed tariff increase.

8. IPEC does not negotiate power sales agreements in good faith. IPEC has failed to negotiate a lower power sales cost agreement with Kootznoowoo Inc. Thayer Lake project for Angoon and Cascade Creek for Kake. Cascade Creek's project will be on line in 2015 and has offered Kake market rate costs equal to SEAPA rates, but IPEC apparently refuses to deal with Cascade and therefore has proven that it does not want low-cost power even though savings would be passed onto the Kake ratepayers. RCA should investigate why IPEC habitually does not act with a fiduciary responsibility to their ratepayers.

RCA should not approve IPEC's tariff increase because IPEC must cut costs and demonstrate its fiduciary responsibility to rate payers before any tariff increase can be considered. If IPEC cannot adhere to sound business principles which offer the lowest possible cost to ratepayers, then RCA should consider divestiture of IPEC's assets to member communities so member communities can operate electrical utility responsibilities that are more responsible to local ratepayers who are demanding lower cost electricity.

Sincerely,

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