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By the Regulatory Commission of Alaska on Feb 04, 2010

Concerned Angoon Ratepayer for Economic Change and Transparency  
c/o Post Office Box 25  
207 Beaver Trail Street  
Angoon, Alaska 99820

To: Commissioners of the Regulatory Commission of Alaska RCA

On behalf of myself and as Chairman of Concerned Angoon Ratepayers for Economic Change and Transparency (CARE C&T) I offer this notice of opposition to this tariff increase and request further action by the Regulatory Commission of Alaska (RCA). CARE C&T is an association of ratepayers, both residential and commercial who are metered customers of Inside Passage Electric Cooperative (IPEC) which is the permitted utility in the City of Angoon and four other Southeast communities. My customer number is 107-3.

We understand that the RCA regulates public utilities by certifying qualified providers of public utility ... and ensures that they provide safe, reliable services and facilities at just and reasonable rates, terms, and conditions.

CARE C&T request that the RCA undertake a full comprehensive review of the proposed tariff in the context of all of your responsibilities and duties described in law. We request that you deny the tariff rate increase and instead revoke IPEC's certificate of convenience and issue the certificate to a more qualified entity in each of IPEC's communities based on the following facts and circumstances:

- The rate proposed is patently unfair and not "just and reasonable" in a geographic region where the average utility rate to almost all non IPEC consumers is less than a quarter of the tariff proposed. IPEC charges some of the highest cost power in the United States (see enumerated paragraphs below for further discussion.)
- It is not uncommon for Angoon to experience planned and unplanned power outages – this is not safe and reliable service and has led to thousands of dollars of damaged appliances and computers of ratepayers. Spiking and power outages are common. Complaints go largely unanswered and when answered, responsibility for damaged equipment is denied.
- IPEC's rate structure prevents new customers from joining and creating a more efficient utility. Potential new and large customers are not willing to join the utility because they can operate "on a stand alone basis" and generate their own power at ½ or less the charge IPEC requires and you have recently approved. At least one private enterprise of significant energy demand has steadfastly refused to join because of an unwillingness of IPEC to negotiate a separate tariff for interruptible power in Angoon.

We request that you explore and initiate divestiture or sale of assets and assign proceeds to municipal controlled and managed utilities in each of the IPEC communities and compare the delivered cost of power to another "all diesel" community such as Yakutat. Alternatively, please consider consolidating with existing utilities such as AEL&P, APT or a single regional entity

with significantly greater economies of scale and a willingness to develop larger scale hydropower and intertie transmission plans that will result in competitive and lower rates to ratepayers.

Our association's goal is overarching with the notion that clean reliable and affordable energy is the key to economic prosperity and sustainability for our community. We support positive energy change in Angoon within the context of the existing constraints but must have a clear understanding of costs, expenditures, management, collection and recovery. It is our opinion that it is possible to:

- Achieve lower reasonable commercial rates per kilowatt hour for electrical energy in the community of Angoon.
- Achieve local sourcing of non-diesel generated electricity.
- Encourage the use of alternative sources of energy by residents and businesses through net metering.
- Achieve the lowest cost local power with the lowest cost of travel and other "central office" expenditures.
- Remove the "Politics" from our utility and its managers.

The rate increase has not been justified in the RCA record. Although members have requested P&L statements and balance sheets this information has not been forthcoming. This information is not posted on the IPEC internet website and is not provided to members. Requests for information by ratepayers go unanswered and are immediately followed with questions of why they are being requested, which intimidates some ratepayers.

CARE C&T requests that on behalf of the ratepayers the RCA address the following issues:

**1. High Management costs.** Are IPEC salaries plus benefits higher than industry and higher than comparable jobs with government? RCA should require IPEC to hold off any tariff increase until IPEC pays for and conducts independent wage survey on all "management and technical" 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 investigates moving its headquarters to Angoon, Hoonah or Kake. These 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 also have a trained workforce experiencing a much higher unemployment than in Juneau. 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 lower ratepayer costs.

Additionally, the RCA should require IPEC to sell its interest in the "Juneau to Greens Creek" underwater transmission line at its replacement cost. It is widely reported that the beneficiaries of that line are only Juneau ratepayers and the IPEC ratepayers are unaware of the possible

liabilities associated with that line (e.g. replacement cost, line condition, provision for repair, etc.). IPEC members should not continue to subsidize non-member communities.

**3. Reduce or eliminate Board of Director Fees.** Ratepayers need to know what these cost are and whether or not IPEC has considered cost reductions. Does IPEC pay 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 in the current rate environment. 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 the candidacy of more fiscal responsible individual for Board seats.

### **5. Review of all Cost Cutting efforts:**

If you choose to allow this certificate to continue, prior to granting any upward adjustment to the rate CARE C&T requests a Public Hearing be convened in Angoon to cover the following issues:

- Review IPEC Management with the Community
- Detailed operating expenditures
- Legal fees
- Itemized employee expenses including benefits by position
- Cost to lobbyists and other consultants
- Engineering and planning costs which are expensed or capitalized
- Board expenditures
- Travel (Board and Management including latest trip to Tulalip Casino)
- Itemized non monetary benefits to employees (gifts, e.g. heat exchanger paid for by grants gifted to an IPEC employee)
- Reimbursement by State of Alaska, South East Conference; and
- History of fuel cost adjustments including vendor purchasing agreement and summary of key terms,
- History of capital financing including structures, principal outstanding balances on federal (e.g. RUS) and state loans and grants (e.g. power project funds) , any loan forgiveness, whether general obligations or collateralized, operating agreements and financial reserves.

- History of COPA adjustments in relation to the current request.
- Review of cost cutting measures implemented by the Board of Directors and Management of IPEC, if any that have been enacted before submitting a tariff rate increase to ratepayers..
- Comparison of IPEC's economies of scale to other similar sized utilities in Alaska, and in the United States to determine if IPEC's rates are comparable, reasonable and fair.
- Determine the need for multiple high paid employees performing redundant work that could be executed by a sole capable manger, but instead are handled by a bureaucracy of management.
- Determine why management and board of directors has refused to listen and enter power sales agreement negotiations with an independent power producer that has offered to sell IPEC wholesale power at 6.8 cents per kilowatt hour?
- Audit review of IPEC's PCE receipts and their use and application.
- Strategic Direction and initiatives work to reducing ratepayer costs.

The average cost of power to electric ratepayers in southeast Alaska is approximately 14 cents per kW across all communities in Southeast Alaska, including the 5 IPEC communities. IPEC's postage stamp rate is nearly 500 % greater than the region wide average. The proposed tariffs increase in Angoon is nearly the total cost of power in neighboring Petersburg. How do the RCA and IPEC reconcile fairness with the idea of maintaining the status quo supporting such a rate disparity and protecting the certificate of public necessity and convenience assigned to IPEC that has failed its ratepayers?

Sincerely yours,

-S-

Floyd M. Kookesh  
Chairman  
CARE C&T