

Alaska Energy Security Task Force
MEETING MINUTES
Tuesday, September 19, 2023
Anchorage, Alaska

1. Welcome and Introductions

Chair Lieutenant Governor Nancy Dahlstrom called the meeting of the Alaska Energy Security Task Force (AESTF) to order on September 19, 2023, at 9:03 am.

2. Roll Call

Members present: Chair Lieutenant Governor Nancy Dahlstrom; Vice-Chair Curtis Thayer; Clay Koplin; Joe Burns for Commissioner John Boyle; Nils Andreassen; Andrew Guy; Karl Hanneman; Tony Izzo; Jenn Miller; Duff Mitchell; John Sims; Isaac Vanderburg; Daniel White; Anne Rittgers for Senator Bishop; Garrett Boyle (Ex Officio); Keith Kurber (Commissioner, Ex Officio); Representative George Rauscher (Ex Officio); and Erin Whitney (Ex Officio).

Also present were Andrew Jensen, Policy Advisor to Governor Dunleavy; Marc Luken, Michael Baker International (consultant); and Jennifer Bertolini, AEA.

A quorum is present to conduct business.

3. Prior Meeting Minutes – August 29, 2023

MOTION: Vice-Chair Thayer made a motion to approve the Minutes of August 29, 2023, as presented. Motion seconded by Unidentified Task Force Member.

A roll call vote was taken, and the motion to approve the Minutes of August 29, 2023, passed without objection.

4. Power Cost Equalization (PCE) Presentation - Tim Sandstrom, AEA

Vice Chair Thayer introduced this item. Tim Sandstrom, Chief Operations Officer with Alaska Energy Authority (AEA) who is responsible for the Power Cost Equalization Program presented. Mr. Sandstrom started by stating that the mission of AEA is to reduce the cost of energy in Alaska. To achieve this mission, AEA strives to diversify Alaska's energy portfolio by increasing resiliency, reliability, and redundancy. Therefore, AEA is involved in six basic areas of activity-- Rail Belt Energy, Power Cost Equalization (PCE), Rural Energy; Renewable Energy and Energy Efficiency; Grants and Loans; and Energy Planning. Today we're going to talk about Power Cost Equalization or PCE.

The PCE program was established in 1985 as one of the components of the statewide energy plan to help "equalize" the high cost of electricity in rural communities with lower costs in more urban areas. Basically, the PCE Fund was established to balance the investment that was found

in the rail belt and to help reduce the cost of energy over rural Alaska. PCE eligibility is determined by the Regulatory Commission of Alaska (RCA) in accordance with Alaska statutes. Eligible customers include residential and community facilities such as water, sewer, public lighting, clinics, etc. Non-eligible customers include state and federal facilities and commercial customers. And any community with rates lower than the urban average.

The PCE program is 193 communities with 91 utilities and affects over 82,000 citizens of Alaska, reducing the cost of energy. Recently the power cost that's eligible for compensation has gone up from 500 kWh to 750 kWh, and we haven't seen 100% utilization of that. A lot of the utilization still covers around the 500 kW mark, although we did see some uptick in that. Community facilities are eligible up to 70 kilowatt hours times the number of people in the community. The last payout was about \$27.4 million and this year, while the numbers aren't complete yet, we expect to payout between \$40 to \$42 million this year.

In 2001 the PCE Endowment Fund was created for AEA and is managed by the Alaska Permanent Fund Corporation. PCE disbursements are funded from the PCE Endowment fund, which, as of March 31, 2023, has a current market value of \$978.8 million. Per Alaska statute, five percent of the endowment, over a three year average market value, can be appropriated to the program. For a breakdown of the fund disbursements, the first \$25 million goes to community assistance. Then the overage goes to PCE program. If there are any extra funds after that, they go to fund rural powerhouse systems, bulk fuel, revolving loans or renewable energy fund. Per action by our state legislature, the PCE program funds are exempt from a state budget sweep. Mr. Sandstrom concluded his presentation by stating that AEA is here to provide energy solutions to meet the unique needs of Alaska's rural and urban communities. He opened the floor for any questions or discussion.

Mr. Mitchell thanked Tim for his great presentation. He asked Tim to elaborate for the record that this year's expenditures would be around \$40 million. And according to the presentation slide on the endowment fund's status, the 5% pro-rated portion is at \$54 million with a net of \$49 million. So, for the record, it seems to me from your presentation that the PCE endowment fund is sound and is working like it's supposed to. Mr. Sandstrom responded that is an accurate assessment, yes.

Mr. Hanneman asked if the increase of disbursement from \$27 million to \$40 million is because of increased car consumption in the communities or because of increased barriers through the railbelt grid. Mr. Sandstrom responded that it's largely due to an increase in eligible kilowatt hours that can be reimbursed. Mr. Hanneman stated so it's not from consumption but from reimbursables. Thank you.

Member asked how often eligible recipients hit that 750 kilowatt hour mark each month. Mr. Sandstrom responded that he would have to research their records to provide an answer. He does know it's not as much as was anticipated. We were expecting more people to take full advantage of 750 kilowatt hours. Even if you consider railbelt consumption, per household is not as high as 750 kilowatt hours. Vice-Chair Thayer added that this is the first year of the 750

kilowatt hour increase, and we haven't closed out this year yet because they have up to three months to submit. So, we don't have the final numbers yet, but we'll have them soon.

Member asked why was usage increased from 500 to 750 kilowatt hours. Vice Chair Thayer responded that this change came from the state legislature. Years ago the amount was set at 750 kWh, the legislature lowered it to 500 kWh. And recently they increased it to 750 kWh again. So it was a policy call on behalf of the legislature.

Member stated that she assumes for previous years there is data available on how many folks met the 500 kWh amount. And that would include the community facilities too. Mr. Sandstrom responded that this information is available on the AEA website.

Ms. Whitney asked if there were any planned or proposed changes to the PCE by the state legislature in the future. Mr. Sandstrom responded there are none, to his knowledge.

Mr. Vanderburg asked what determines if a facility is considered a community facility, and are airports considered a community facility? Mr. Sandstrom responded that for community facilities, a community fills out a form with information about how the facility is used, how much is paid by other funding sources, etc. Then there's a formula used to determine if the facility is eligible or not for the PCE program. Concerning airports, they are not considered community facilities at this time.

Chair Lieutenant Governor Dahlstrom asked if airports have been considered before as a community facility. Mr. Sandstrom responded that there have been efforts to have more parts of communities considered community facilities. However, that's going to take legislative action to make that change. So, it's unknown what will happen in the future.

Ms. Miller stated that we've heard comments that if we want economies and businesses to thrive in rural Alaska, they need help with their cost of power. Has there been an evaluation of what the funding change would be if we were to allow commercial businesses to be eligible for this program? Mr. Sandstrom responded that it's a great question. He doesn't really know the answer to that. However, he thinks it would definitely raise the amount that PCE program would pay out. But he doesn't know to what extent that increase would be.

Mr. Koplin stated that for reference, Cordova's average residential usage is under 500 kilowatt hours. And for a lot of the airports, the State of Alaska pays the electric bill for them. He asked Tim to go back to slide number eight, PCE Endowment History, and transfers to other funds in the approximate amount of \$44 million, \$14 million, and \$49 million. Can Tim describe what those other funds are? Mr. Sandstrom responded that he did not have that information in front of him and he would have to get back to Mr. Koplin with an answer.

Mr. Hanneman asked Tim to describe how eligible costs are determined very broadly. For example, costs incurred by a local utility are included. How are costs incurred by an independent power producer in the community and sold to the utility included in allowable

costs. Mr. Sandstrom responded that those allowable costs are determined by the RCA. He's not sure how the costs of an independent power producer would be calculated, as far as their sales agreement to the utility is concerned. That would be on an individual basis.

Mr. Hanneman stated that we heard testimony in prior meetings that some entities that had created new generation projects in the communities at apparently pretty low cost had decided that they should restructure and sell the power to the utility so that their margins could be included and therefore essentially increase the cost as the PCE still came into the community. And I was just wondering if there have been discussion around that type of structure. Mr. Sandstrom responded that he has not had those type of discussions.

Mr. Kurber wanted to explain, on slide eight, the administrative fee that flows to the Regulatory Commission, that's essentially the ISA that the AEA has with us. We have a staff person who substantially does the calculations and things that allows the AEA to cut the checks. So that's what that's about there.

Mr. Mitchell stated that most people know that the PCE base rate is determined by aggregation of the rail belt or Anchorage, Fairbanks and Juneau rates. That is a pretty big lever of determining how much is paid out in any one given year. Lowering the costs and keeping costs in check statewide, that Juneau, Fairbanks and Anchorage have a direct impact on the payouts of PCE. So I'm just throwing this out for the Task Force that it's incumbent upon us that, as we take the governor's mission to lower costs of energy, it stabilizes the PCE fund for longer duration and then perhaps into perpetuity by ensuring that we work together to lower the cost of energy. That being said, is there any sensitivity analysis or is there something that may be anticipated if rates in Anchorage go catastrophically higher or are increased as natural gas contracts expire and some of our rail belt utilities need to "raise rates higher" Mr. Sandstrom responded that he's not quite sure how to answer that question. There's definitely a direct correlation between the rail belt prices and the PCE levels. So I think it would be a part of the Task Force vision, take that whole idea into consideration when they're making decisions on what they're going to put forward.

Vice Chair Thayer added that when you look at the PCE calculation and the floor, the floor right now is approximately 20 cents. For every penny that drops below that 20 cents, it's \$1.7 million more available into rural Alaska for PCE. So one can also say that if it goes up by a penny, then it's \$1.7 million less available in rural Alaska. Because the three largest cities establish the floor, and then the cap is roughly one dollar per kilowatt. And so if that floor raises to 25 now the spread \$0.75 that you can reimburse on, but if the floor is \$0.15 now, that's \$0.85 you can reverse on. And generally the floor has not changed from the 20 cents. It might go up half a cent or something. But between 19.5 and 21 cents is where it's generally been. One of the reasons for this stability is that Juneau has hydro, which is a very cheap power. So that's part of the equation.

Ms. Whitney followed up on Jenn Miller's question on commercial eligibility, what are the arguments for currently excluding commercial customers. Mr. Sandstrom responded that comes

down to whether or not they have other sources that pay part of their costs; do they serve all of the community rather than a subset of the community. Things like that.

Mr. Guy stated that he thinks we should get rid of PCE because it's not working. It's not good for the state and it's not good for rural Alaska for sure. We've been operating a PCE program for decades and it's not doing any good for the state. There has been a lot of out migration going on from rural Alaska now because of the high cost of energy. Best way to lower costs of rural Alaska would be to get a grid going everywhere like you have here in the rail belt--700, 800 miles from Homer to Fairbanks. You can do it to rural Alaska too.

Each individual village has its own operating cost already for very expensive diesel power. That's why we started looking at alternative forms of energy way back in the 1980's as part of that process. I was with Calista Corporation board of directors at that time. Decades later, we're still in the same situation because the state is not stepping up and doing its obligation for the whole state. Tony's taking care of the rail belts and trying to push micronuclear into rural Alaska. Well, we need to spend big in rural Alaska now to get it in parity with the rail belts. We can do micronuclear on the rail belts. We can put them here and there and it will lower costs. We have these discussions about PCE, and will they be there for everyone? Our businesses, our corporations that run these businesses out there. There is a high cost of doing business out there and energy cost is a major part of it. We need to do something else, not PCE. Even if we apply PCE to businesses, it will still be a very high cost. You look at an individual household like my own, my mom, she's paying over 50 plus cents a kilowatt hour with PCE. Here, I'm lucky.

We need to take a look at the big picture. We did the big projects in the rail belts. But the state has lots of money. Let's do it with the rural. Maybe later we can do the big projects with rural that have money issues. We won't be able to get out of this situation without getting affordable energy out to the rest of the state because that's where the resources are, that's where the potential jobs are. Chair Lieutenant Governor Dahlstrom asked Mr. Guy if he's had the opportunity to have those conversations with any of the members of the legislature, specifically the rural members who sit on House Finance. Mr. Guy responded when I go to Juneau. They have to fight for funding too. In his opinion, the recommendations from this committee would be for the legislature to dedicate funding for these huge projects that will really lower the cost of energy out there. Chair Lieutenant Governor Dahlstrom thanked Mr. Guy for his comments and insight.

Mr. Mitchell wanted to follow-up on Andrew's comments. One of the suggestions coming out of the Coastal Subcommittee is to create a fund with federal dollars and maybe some state match to do up to 3,000 miles of additional transmission line. Like I stated earlier, the territory of Puerto Rico has more high voltage and medium voltage line than Alaska put together. So Andrew's point is well taken that we are third world and second world in many areas and if we had such a fund by the federal government like they've done for Puerto Rico, we may be able to move that direction. So I just applaud Mr. Guy's efforts to try to equalize on market forces and to have the transmission paid for. It would be no different than the 1936 Rural Electrification Act that went through Missouri and Kansas and electrified villages and towns of 100 people to put

them on low cost power. So I just want to thank him for his comments, but I think there is some recommendations that can evolve on the task force that address and share his feelings with trying to get transmission built out not just in the rail belt, but in all regions of Alaska to move us forward. Thank you.

Chair Lieutenant Governor Dahlstrom thanked Mr. Mitchell for his comments. She thanked Mr. Sandstrom for his presentation and the good conversation from everyone. She asked Vice Chair Thayer to explain the procedure for the breakout sessions and how we're going to proceed from here.

5. Breakout Session Preparation - Curtis Thayer

a. Prioritization Exercise Overview

Vice-Chair Thayer introduced this item and Marc Luken with Michael Baker International presented. Marc stated to help Task Force Members with this step, a survey was sent out for members to complete and return. We had about 50% participation and we will re-send this survey after today and hope that Task Force members have a better idea of what we're looking for. So that as you take this survey again, you can then judge does this particular category help serve the prioritization process.

Marc stated that we will go over the questions to look at evaluation criteria to prioritize your tasks, each of the recommendations, each of the action items so that we have a better idea of what you desire as the priority actions going forward in the draft report that is due October 3rd. While we don't have final survey results, the raw data suggests that Task Force Members are in alignment with the goals of the plan which are affordability, reliability, and resiliency of our energy.

While we've got the raw data, the results ultimately aligned with what the task force identified as kind of the key goals of the plan, that is, affordability, reliability, energy, resilience. The questions we have are how many of these actions are related to the Coastal Region, Railbelt Region and Rural Region. And do some of these actions apply to more than one region. And we suggested some additional action categories to the discussion--legislative/regulatory; best available energy data; related to other actions; best agency champion; other state and local objectives; funding mechanism; administrative; and legal. Task Force members can add more categories as you get into your discussions.

Task Force members discussed the survey and how it is used. Some found it confusing and wondered if they were only to select their top three criteria for prioritization and how did it apply to the three regions. Mr. Luken stated that the purpose of the survey was to be a scoring mechanism of the different categories to help Task Force members determine their priorities. All categories will be equally weighted. If all the actions you identify fall into a category of affordability, reliability, and resilience, then all of your actions are a priority. And that can be perfectly fine, if that's what you want to advance. The intent here was to find a way to help

members delineate your actions into a prioritized list. Through these facilitated discussions, committee members can learn about the ramifications good or bad of the recommendations put forward.

Members discussed the value of in addition to affordability, reliability, and resilience, they add equal assets and leave no one behind. How this would lead to implementation of an action, it's likelihood of success or the cost benefit analysis. Are there additional environmental benefits or what's the technology readiness level. Do we weight these items differently than the top three. Or can there be a combined grading criteria. And further, rather than just say all actions are important, should we actually rank them one through whatever. If we say they're all important, they're all equally weighted, it doesn't really help us. Ranking them by importance would be helpful.

Members further discussed if re-taking the survey has any value, as those members that did take the survey support the goals of affordable, reliable, and resilient energy. It would be better to focus on the text in our proposed actions within the context of these top three priorities for the entire state. Concern was expressed that while the definition of reliability matches up with acceptable industry definition, reliance does not. It seems to have drifted away from definitions that were set out in the beginning of the task force. By having clear definitions of terms, it helps us with our mission.

Vice Chair Thayer stated that he understood the concerns expressed of how re-taking the survey might take away time from defining our actions and recommendations. However, Michael Baker staff can quickly re-work the survey to include the comments expressed in the discussion so task force members can re-take the survey today. Re-taking the survey will give the task force a foundation of how we made our recommendations and that there was agreement among the members of how to go forward with these recommendations. Mr. Luken stated that with the survey, task force members will have the opportunity to add any other criteria to consider in prioritizing the recommendations. Help us help you in setting the priorities. So, we'll readjust the survey, send it to task force members to review and complete with a recommendation to rank order them. Chair Lieutenant Governor Dahlstrom stated good discussion by everyone.

b. Report Template - Marc Luken

Mr. Luken showed an outline of how the report will be laid out. Each subcommittee will have its own section showing priorities, strategies, actions, and timeline. So as the subcommittees go into their breakout sessions, depending on where you are in the process, you'll either confirm or identify your strategies and actions and then move on to prioritizing them. All of this will funnel into the draft report.

Mr. Luken then went over the schedule for today. The regional subcommittees will meet first and then after lunch the subcommittees will meet by focus area such as State Energy Data, Statutes and Regulations Reform and so on. Each subcommittee has some tasks to complete, and the chairs of each committee will work through that.

Mr. Kurber asked if it would be possible for members without an assigned committee or some free time be able to sit in on the different regional sessions to gain an understanding of their perspective and their challenges. Especially since it's looking like we're going to see something have to come out of nothing. For example, where there isn't enough transmission, we get more transmission. Where there's not appropriate generation, we get more generation. I think that we've heard about the need from various members of all the communities.

And I think that for us, especially given the title of Promote Coordinated Governance of Energy Policy and Regulations, hearing from the other subcommittees is going to be crucial. We want to hear from you so we can get behind what are largely going to be statutory efforts, which aren't necessarily going to be a tinkering with current statutes as much as supporting initiatives that will require a whole of government approach from the governor's office to the legislators. Hence why some of the ex officio people are here. I am feeling the pressure of the calendar as well with the approaching deadlines. It would be great to be the fly on the wall and listen in on the different discussions.

Chair Lieutenant Governor Dahlstrom thought that this is a great idea, and she recommends that anyone with downtime sit in on another committee. All sessions are publicly available through the Teams link. There were no further comments or questions.

6. Break

7. Subcommittees Concurrent Session 1

- a. Rural Generation, Distribution, and Storage**
- b. Coastal Generation, Distribution, and Storage**
- c. Railbelt Transmission, Generation, and Storage**

8. Lunch

9. Subcommittees Concurrent Session 2

- d. State Energy Data**
- e. Statutes and Regulations Reform**
- f. Incentives and Subsidies**

10. Break

Lt. Governor Dalhstrom reconvened the meeting at 2:37 pm.

11. Subcommittee Report Outs and Round Table Discussion

- a. Task Force Action Prioritization (by subcommittee)**

Chair Lieutenant Governor Dahlstrom requested that each of the subcommittees called on below provide an overview of their strategies, actions, and prioritization discussion.

Railbelt Transmission, Generation, and Storage Subcommittee, Co-Chaired by Mr. Tony Izzo and Ms. Jenn Miller

Ms. Miller stated that John Sims suggested that before we go through our action items, we step back and really look at what our goal is for the future for the Rail Belt. It was groundbreaking for us, and it may be as well for other subcommittees. Our long term goal is significant diversification of energy supply that is affordable, local, and reliable. So that's what we're shooting for. And then we also have a midterm goal that is public investment in infrastructure to enable the long term goal. And so that's around transmission storage, and that helps us bring in those new diverse generation assets and have that be the infrastructure. To have it be more of a shared cost rather than a per project cost. Then looking at the short term that's all around, just kind of dealing with our near term immediate needs and somewhat of a triage effect. And the short term goal is to minimize regret costs while meeting supply needs and really keeping the lights on. And we did expand our scope beyond just electricity generation or supply to heat as well. So, at a high level, that's the direction we're heading in.

And we've reviewed all of our action items and brainstormed new ones to meet those goals. And then the different subcommittee members are writing one pagers for each of our recommendations. We are meeting on Monday afternoon next week to review those as a team and to get the key concepts down. And then we'll be rolling those up into executive summaries around our key strategies of generation, storage, transmission demand. That's the direction we're heading in. Ms. Miller asked Tony Izzo if he had anything to add. Mr. Izzo didn't have anything to add.

State Energy Data Subcommittee, Chaired by Dr. Daniel White

Dr. White stated that at the September 19th meeting, Erin Whitney presented to the task force the data committee's work and the work of the technical advisory committee. There were a number of comments and questions that Erin received. So we used those as the basis of our discussion today. The first one was a question about what are the vehicles and timelines for the subcommittee's recommendations. That is, should the recommendations, such as a data department, be in statutes and regulations subcommittee or is there some other vehicle. We focused quite a bit on a discussion of the Geospatial Council as a model for establishing our data council that operates with a specific role and responsibility for energy data and how the data that will be useful to this task force. Is this something that fits in statute or is it better in regulation or some other vehicle. The second question was around a data master and what would that look like. There was a fair bit of discussion in the Data Committee about is this a role that should be assigned the same way as the Geospatial Information Officer at DNR or something else. And we did have a lot of input from Joe Burns from DNR. I appreciate his input on that specific issue.

One of the questions was about an intersection of AML's work and particularly their data management plan. We didn't have anybody from AML at the meeting, but they are at our subcommittee. I think they're meeting parallel, but we discussed what they're up to and how that might be incorporated into our work. And then finally there was a question about incorporating information about heat and transportation fuel again. And there were a number of comments about railbelt and other areas where we need to be able to understand the impact of heating energy and transportation energy on the grid and production and consumption of electrons, particularly as it relates to economic development. And I brought up a number of the comments that were made, in particular, Mr. Hanneman made, and Dr. Whitney made about the need for heating information, the need for potential for development of mines and how those would be energized.

We were introduced to the format of the reporting by Michael Baker staff, and we'll spend this next week getting all of our information from the Technical Advisory Committee into that format and submitted for the task force consideration. Chair Lieutenant Governor Dahlstrom asked when will the committee meet next. Dr. White responded that they hope to finish the work through circulation of these forms from Michael Baker. But they are prepared to meet in the next week, if they need to do so.

Statute and Regulations, Co-Chaired by Karl Hanneman and Robert Venables

Mr. Hanneman stated that our committee sought input from AEA, Alaska Power Association (APA) and as well as all of our task force subcommittees. We value the input of the task force subcommittees at very high level. So we're actually trying to synthesize what are the statute and regulation actions that are needed to help support the objectives and strategies of the subcommittees. Working through that today, we found alignment and some overlap with input from our other sources. So, today we worked on combining those together to make a concise prioritized system coming up. So Michael Baker is going to make the first pass at that combination, give us another draft of action items to review. We'll do that by circulation, likely this week, and then decide if we need another meeting prior to our October 3rd meeting.

Incentives and Subsidies, Co-Chaired by Nils Andreassen and Isaac Vanderburg

Mr. Vanderburg stated that our goal is leveraging existing and new financial mechanisms for positive energy in Alaska. We were joined today by a significant contingent of the Railbelt Subcommittee as well as Andrew Guy. All of whom provided great comments and input. Having other subcommittee members in the room is quite helpful, as we all have some overlap and it's good to talk through those things in real time.

In terms of status of our group, we created eight strategies that have actions underneath them. I won't go through all of them. But the actions under the eight strategies include utilization of public/private investments, barriers to private sector investments, moving the economic mix of project development, hydrating, responding to evolving energy business models that consider clean energy and private investments. Maintaining residential subsidy focused on equity, while

reducing need across communities. Leveraging subsidies to offset energy costs of other users. Decreasing community transactional costs and evaluating and implementing state policy, tax, and other incentives. And so our group is fleshing out the details under each of these and is adding more language. We have a meeting scheduled for Monday of next week.

Rural Generation, Distribution, and Storage Committee, Co-Chaired by Andrew Guy and Clay Koplin.

Mr. Koplin stated that we organized all of our actions items under five overarching strategies, and I'll just go through them in the order of priority. One is increasing the availability of capital to rural areas and whether it's federal or state funding or public private partnerships, particularly around development opportunities in rural areas. Our second priority was related to investments in infrastructure, and we expanded that, recognizing it's hard to make big investments sometimes in small economies. That there are opportunities to look at other business investments, again private investments, or adjacent infrastructure investment opportunities, whether it's pipelines or roads to have maybe share the cost as infrastructure investments in transmission lines, particularly connecting communities. Also recognize that there's a lot of existing infrastructure that needs investments. Curtis pointed out like an \$800 million dollar backlog in fuel tank farms. We recognize there may be opportunities to offset those costs rather than having to replace those by making other investments which can reduce or eliminate the need for large bulk tank farms. So recognize that opportunity as well.

Third priority is reducing operational costs and several levers there. Opportunities to, again, invest in logistics, transportation in particular, and economies of scale. If there's developments or other businesses or organizations in town that can share the cost of growing business in the communities is great. A diverse economy of scale, where more shipping and more traffic in and out of a community can defray the cost of electric energy. Four, increasing economies of scale. And this was more around the fact that there are several levers there. Growing sales within a community or connecting communities to each other, or to anchor tenants, to grow the overall sales of energy. And finance bigger or better projects or transmission investments around those communities. And finally the need for data. Especially in rural areas, data resources can be a little thin. So there was a little focus on gathering necessary data around projects or investments.

Rural communities, in particular, seem to have a gap. A lot of planning is being done at the community level in several rural communities. And planning is being done at the high level, like this process. But there may be opportunities for regional planning, especially in areas where you can develop an economy of scale around resource development, such as fishing or timber in rural coastal Alaska, or whether it's mining and other opportunities in the interior. These are opportunities that can create economy of scale around energy and transportation. Some regional planning studies may have already been done whether by the state, native corporations, or community economic development districts. So, another emphasis was regional planning where it makes sense.

Our current status is we broke down our actions into five strategies some with sub-strategies. We talked a little bit about gathering some overarching initiatives or action items that can advise where we should go from here, especially short term opportunities that would impact around Alaska. So that's kind of an overview if you'd like to add anything, Andrew.

Mr. Guy stated that the lack of infrastructure places rural Alaska in a very different world than the rest of Alaska. So, you have to really change your thinking first in order to address what can be done to improve energy, which is the major source of cost for everything out there. But all our recommendations would go toward alleviating or improving health, public safety, and socioeconomic conditions, because energy plays such a vital role in all of those factors. And that was our big point in terms of getting parity with the rest of Alaska on that \$0.10 plus or minus two cent. And especially with reliable systems.

There are too many communities that don't have up to date equipment or they lack people to maintain and keep up the equipment because they might be too small. So everything that we were discussing and passing forth has actually found that those five major goals were geared toward affordability, reliability and alleviating all of those social issues that face rural Alaska.

Mr. Koplin followed up that another piece of the expected outcomes of all the strategies is to create business opportunities in rural communities and low cost and reliable power is certainly a lever for that. The other thing we discussed is the importance, especially in rural Alaska, of access to the local knowledge. And too often there can be two infrastructure projects happening in a community at the same time by a private business effort or an agency effort. And if the left and right hand don't realize those are happening, you lose opportunity again to share costs and benefits of projects. So the accessing local knowledge in rural Alaska is particularly critical for successful outcomes.

Coastal Generation Distribution and Storage, Co-Chaired by Duff Mitchell and Robert Venables.

Mr. Mitchell stated that we have kind of started from the other end of the telescope. We took 14 action items and started writing up executive summaries. And we started from that end of what we thought were important actions, and then we've rolled them into the strategies. And today we discussed how we're going to roll those up into the larger strategies. We're looking at four, but I want to discuss that with our other members. But we're looking at a federal policy, a state policy, market barrier reduction and market incentives. And those could be subject to change, as we have further input.

To date, we have drafted nine executive summaries out of the 14 action items. The other five are works in progress and they're going to have the format of task and purpose, which all of them are focusing on the lower cost of energy. And in our subcommittee, clearly we're looking at heat as well as transportation. So we'll see things with regard to beneficial electrification of the ferry system. We're talking quite a bit about transmission infrastructure, as well as how do we incorporate battery energy storage for local grid resilience. But interesting, these battery energy storage systems also tie into what the state needs to work on. I've had discussions with the DOT

Commissioner concerning future ferry electrification as well as shore power. So there's a lot of overlap in some of the action items we're taking.

One thing that came clear is that our action items aren't necessarily coastal centric. Some are, but many of them have overlapping and overarching considerations with other portions of the state or other subcommittees. So one of the tasks we did today was to see what the applicability is and where we need to cross pollinate or share our information with other committees. I was able to sit in on the Incentives and Subsidies Committee, and I think they feel the same way. That there was overlap with the rail belt and others. And I think that's just a natural progression that the task force process is going to take because nobody owns a good idea. We need to share it and help push that forward wherever it's beneficial. That's really my report. We're still working on finishing out these executive summaries. I know some people are saying one page executive summaries, but ours tend to be two or three pages. Maybe we need to shorten them down so that they fit. But we'll pull out the editing pen if we need to make sure that our Coastal Action items comport with the rest of the document as it's being formed up. Thank you.

Chair Lieutenant Governor Dahlstrom thanked everyone for their updates. I think it's obvious to everybody there's been a lot of thought and effort put into these committees and we're going to have a wonderful project to give to the governor when we're done. Just for the edification of the group too, we are going to extend the due date of our completed project to December 1. That means it's going to be in the governor's hands on December 1.

Mr. Sims asked Chair Lieutenant Governor Dahlstrom how the Governor will use this report. Will it be to create legislation or to drive regulation. A lot of the action items say create or develop. Then it helps him view his own committee's action items and prioritization. To bring forward recommendations that have the most impact. Or does he want every idea what makes the most sense for this task force on what we submit together? Chair Lieutenant Governor Dahlstrom responded that he would like the best ideas, not a whole bucket full of ideas. Vice Chair Thayer added that we keep in mind that there might be mechanisms or levers where we have three of the most popular, maybe one that drops one area. So I would say we want to keep all the recommendations together in an addendum or a separate section. We clearly have done the work of the task force and also have a public comment process.

Chair Lieutenant Governor Dahlstrom stated that as regulation or legislation, we could potentially see all of the above. The Governor is working with legislators. He has his own ideas on things, and we just need to fix the situation we have in the state with energy costing too much. Mr. Sims responded that it changes my mindset as far as how I tackle it as a subsidy member and whether or not I'm proposing multiple or whether I really want to focus on certain areas that would probably be the most impactful. Thank you.

Ms. Miller followed up on Mr. Sims' comment by stating that her committee discussed sharing all of our actions or recommendations. But then we like the idea of saying, if we had to pick two or three, these are our heavy hitters, and we can have the biggest impact. That way, it's just

high grades from the subcommittee. Chair Lieutenant Governor Dahlstrom asked that the committee be sure to include their reasons why these are the heavy hitters. The Governor is very interested in how you came to your decisions.

Mr. Hanneman stated that as the co-chair of the Statutes and Regulations Committee, I really take my direction from most of the other subcommittees. And so I took the opportunity to review all of the comments and the suggestions in the draft form as they exist. And this is not intended to be negative at all, but there is a lot of duplication. We know that. I only found one area that there was a potential conflict between the recommendations, and I just wanted to point that out so maybe something could be worked in the next draft, and that is with respect to the transmission unitization of the transmission and the rail belt, which I think is going to ultimately be one of the most important recommendations to be made. In the incentives and subsidies subcommittee, there is a recommendation to encourage private investment in transmission. And I think those two are at odds with each other. And I would just ask that maybe we could work together in the early stages here between those committees to resolve that, so that our focus message in the end has more opportunity to be clear. Chair Lieutenant Governor Dahlstrom responded that both Tony Izzo and Marc Luken are here and have heard your comments. Marc can catch the duplications across the subcommittees. Also, when we get that first draft, I think we're all going to have an opportunity to catch any of that.

Chair Lieutenant Governor Dahlstrom stated that Marc and his team are going to need time to get all of this put together, and we've given you a lot of information to put together. So we look forward to seeing the first draft of what you have. And I know that there's going to be some very constructive comments and additions and subtractions and things from that as we move forward. I want to thank everybody for all your participation. I know everybody's busy.

12. Next Meeting Date

- a. Tuesday, October 3, 2023, 1:30 p.m. Alaska Energy Authority, 813 West Northern Lights Boulevard, Anchorage, Alaska.**

Vice Chair Thayer discussed the milestone schedule and meeting dates for the next two months. The final report will be **due to the Governor on Friday, December 1**. Mr. Luken confirmed with the chairs the upcoming meetings of the various subcommittees over the next two weeks.

13. Adjourn

There being no further business of the Task Force, the Alaska Energy Security Task Force meeting adjourned at 3:11 pm.