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Tri-Borough Commission Proposed Energy Policy For the Southcentral Region and Alaska

The mayors of Anchorage and the Matanuska-Susitna and Kenai Peninsula Boroughs have formed the Tri-Borough Commission to coordinate common action, leverage resources, and aggressively pursue solutions to common problems on a regional level. Together, this region has a combined population of more than 400,000 residents, in excess of 60 percent of the state's entire population. These local governments encompass the vast majority of Alaska's roads and other public infrastructure and serve as the state's commercial headquarters.

Adequate, affordable, sustainable and renewable energy resources are vital to the current and future economic health of the Southcentral region and Alaska. Given the current uncertainty surrounding energy supplies and costs in the Southcentral region and Alaska, the Tri-Borough Commission believes that Alaska must rethink how it addresses instate energy needs in the short-, mid- and long-term to secure a stable energy base that will allow for healthy and sustainable economic growth into the future.

Alaska now faces a fast changing energy future. In the last decade, several regional and global forces have begun to extensively shape the energy supply and demand picture for Southcentral Alaska. These forces include:

- Rising consumer demand for energy with a corresponding increase in the cost for key energy sources such as natural gas and electricity.
- A resultant growing concern for the safety and security of energy supply.
- The growing influence of market forces on the supply and cost for energy.
- Increased global competition in world energy markets affecting price and available investment dollars.
- A growing awareness of the global environmental impact of fossil fuels.

When combined with these regional and global forces, the following factors have created the need for a comprehensive energy policy for the state of Alaska:

- Alaska is now a net importer of key energy resources including jet fuel (31% of demand), distillate fuels (54% of demand), propane (50% of demand), and crude oil for refineries (16% of demand).

- The Railbelt electricity generation infrastructure is aging and needs significant investments for needed upgrades.
- Alaska currently operates in a stranded energy market for instate use of electricity and natural gas that creates constraints on needed private investments in new infrastructure and energy.
- Rising costs for Cook Inlet natural gas and declining Alaska oil production has created a growing cycle of industrial demand destruction and erosion of Alaska's value-added hydrocarbon industries with corresponding impacts to the economy and balance of trade.

The Tri-Borough Commission proposes that the state of Alaska should adopt a set of guiding principles and goals in the form of a State Energy Policy. This policy will guide all levels of state and local government in the formation of legislation, regulations and initiatives that directly affect the exploration, development and delivery of necessary energy sources that will serve residents, businesses and industries into the future. A State Energy Policy will also provide clarity and stability to energy development companies and energy reliant industries and businesses, thereby promoting healthy economic growth for Alaska.

While many of the principles and goals may already be in use or development by various agencies, departments and divisions of state and local government, the Tri-Borough Commission believes that they should be incorporated into a comprehensive policy that will provide for a consistent, understandable and uniform guidance to all levels of government in an effort to promote unity and efficiency in effort.

Alaska State Energy Policy (DRAFT PROPOSAL)

It is the policy of the state that Alaska has adequate, reliable, affordable, sustainable, and clean energy resources;

- Alaska will actively promote the development of:
 - i. nonrenewable energy resources, including natural gas, coal, oil, gas hydrates, heavy oil; and
 - ii. renewable energy resources, including tidal, geothermal, solar, wind, and biomass;
- Alaska will promote the rational development of resources and infrastructure sufficient to meet the state's growing energy demand, while contributing to the national energy supply, thus reducing dependence on international energy sources;
- Alaska will allow market forces to drive prudent use of energy resources, although incentives and other methods may be used to ensure the state's optimal development and use of energy resources in the short-, mid- and long-term;
- Alaska will pursue energy conservation, energy efficiency, and environmental quality;
- State regulatory processes should be streamlined to balance economic costs with the level of review necessary to ensure protection of the state's various interests;
- And where federal action is required, Alaska will encourage expedited federal action and will collaborate with federal agencies to expedite review; and
- Alaska will maintain an environment that provides for stable consumer prices that are as low as possible while providing producers and suppliers a fair return on investment, recognizing that:
 - i. Economic prosperity is linked to the availability, reliability, and affordability of consumer energy supplies; and
 - ii. Investment will occur only when adequate financial returns can be realized.

State to State Comparisons of Key Statistics

	Alaska	Wyoming	Utah	Montana	Date
Population (rounded)	700,000	500,000	2,600,000	900,000	2006
Per Capita Income	\$37,271	\$40,676	\$29,108	\$30,688	2006
Gross Domestic Product	\$41.4 billion	\$29.6 billion	\$97.7 billion	\$32.3 billion	2006
1st purchase Crude Price	\$61.02/bbl	\$53.98/bbl	\$58.04/bbl	\$64.23/bbl	06/07
Regular Gasoline/ Gallon	\$2.74	\$2.72	\$2.71	\$2.61	06/07
Residential Natural Gas	\$9.55 mmcf	\$9.89 mmcf	\$9.93 mmcf	\$12.58 mmcf	07/07
Residential Electric	\$0.157 Kwh	\$0.0806KWh	\$0.0886 KWh	\$0.0932 KWh	07/07
Total Electric Generation	566,000 MWh	4,094,000MWh	4,060,000 MWh	2,614,000 MWh	07/07
-Petroleum Generation	74,000 MWh	3,000 MWh	2,000 MWh	1,000 MWh	07/07
-Nat. Gas Generation	322,000 MWh	39,000 MWh	506,000 MWh	6,000 MWh	07/07
-Coal Generation	51,000 MWh	3,875,000 MWh	3,479,000 MWh	1,626,000 MWh	07/07
-Hydro Generation	118,000 MWh	141,000 MWh	58,000 MWh	936,000 MWh	07/07
-Renewable Generation	1,000 MWh	26,000 MWh	14,000 MWh	23,000 MWh	07/07
Annual Nat. Gas Prod.	487.3 Bcf	1,639.3 Bcf	301.2 Bcf	107.9 Bcf	2005
Annual Crude Oil Prod.	257.2 million bbl	51.6 million bbl	17.9 million bbl	31.2 million bbl	2007
Annual Coal Production	1.5 million short tons	404.3 million short tons	24.5 million short tons	40.4 million short tons	2005
Operational Rotary Rigs	8	99	40	22	2006
Producing Oil Wells	2,766	10,205	2,401	4,078	2006
Producing Gas Wells	227	23,734	4,092	5,751	2005

Source: U.S. Department of Energy, Energy Information Administration, State Profiles, www.eia.doe.gov