



City of Bethel

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REGULAR MEETING AGENDA ENERGY COMMITTEE

Monday, May 5, 2014 – 6:30 p.m.
City Hall Council Chambers, Bethel, AK

Members

Mary Weiss
Chair

Shari Neth
Vice Chair

Richard Robb

Jeff Sanders

Eddie Stanley

Alternate Members

Ex-Officio Member

Libby Furlong

I. Call to Order

II. Roll Call

III. People to be Heard

IV. Approval of Agenda -Agenda May 5, 2014

V. Approval of Meeting Minutes -Regular Meetings April 7, 2014

VI. Special Order of Business A. Update on BUC/AVEC transfer from AVEC representative

VII. Unfinished Business A. Update Alternative Energy Report B. Municipal Solid Waste Gasification

VIII. New Business A. Consideration of becoming a member of Renewable Energy Alaska Project B. Modification of ongoing agenda to consider inclusion of continued news related to Alternate Energy

IX. Committee Member Comments

X. Adjournment

City of Bethel, Alaska

Energy Committee

April 7, 2014

Regular Meeting

Bethel, Alaska

I. CALL TO ORDER

A regular meeting of the Energy Committee held on April 7, 2014 at 6:29 pm in the City Hall Conference Room, Bethel, Alaska.

Vice Chair, Mary Weiss called the meeting to order at 6:29pm.

II. ROLL CALL

Compromising a quorum of the Committee, the following members were present for roll call:

Present:

Mary Weiss
Richard Robb
Shari Neth
Jeff Sanders

Absent:

None

Ex-Officio members present were the following:

Sharri Salyers

III. Special Order of Business: A. Election of Chair

MOVED:	Shari Neth	Nomination of Mary Weiss for Chair
SECONDED:	Richard Robb	
VOTE ON MAIN MOTION	All in favor	

III. Special Order of Business: B. Election of Vice-Chair

MOVED:	Richard Robb	Nomination of Shari Neth for Vice-Chair
SECONDED:	Jeff Sanders	
VOTE ON MAIN MOTION	All in favor	

IV. People to be Heard

No People to be heard

V. Approval of Agenda

MOVED:	Jeff Sanders	Motion to approve April 7, 2014 Agenda
SECONDED:	Shari Neth	
VOTE ON MAIN MOTION	All in Favor	

VI. Approval of Meeting Minutes

MOVED:	Jeff Sanders	Motion to approve July 1, 2013 regular meeting minutes
SECONDED:	Shari Neth	
VOTE ON MAIN MOTION	All in Favor	

MOVED:	Shari Neth	Motion to approve August 5, 2013 & October 7, 2013 regular meeting minutes due to lack of quorum
SECONDED:	Jeff Sanders	
VOTE ON MAIN MOTION	All in Favor	

VII. Unfinished Business

- A. Update on Alternative/Renewable Energy Tracking Sheet-** Discussion of tracking sheet is a continuing report of what is going on in our community and will continue on every agenda as Unfinished Business.

MOVED:	Jeff Sanders	Motion to invite AVEC representative to speak at Energy Committee Meeting
SECONDED:	Richard Robb	
VOTE ON MAIN MOTION	All in Favor	

VIII. New Business

- A. Acceptance of Leif Albertson's resignation from committee**

MOVED:	Jeff Sanders	Motion to accept Leif Albertson's resignation from committee
SECONDED:	Shari Neth	
VOTE ON MAIN MOTION	All in Favor	

- B. Declaring the seat of Greg McIntyre vacant**

MOVED:	Jeff Sanders	Motion to declare the seat of Greg McIntyre vacant
SECONDED:	Shari Neth	
VOTE ON MAIN MOTION	All in Favor	

VIII. NEW BUSINESS

C. Declaring the seat of Martin Leonard III vacant

MOVED:	Jeff Sanders	Motion to declare the seat of Martin Leonard III vacant
SECONDED:	Shari Neth	
VOTE ON MAIN MOTION	All in Favor	

IX. COMMITTEE MEMBER'S COMMENTS

Shari Neth

- Thanks new committee members for volunteering their time

Mary Weiss

- Thanks new committee members for volunteering their time

Richard Robb

- Glad to be able to work on this committee

Jeff Sanders

- Possible new members of the committee

X. ADJOURNMENT

MOVED:	Sari Neth	Motion to Adjournment at 7:19 pm
SECONDED:	Jeff Sanders	
VOTE ON MAIN MOTION	All in Favor	

Next meeting on Monday, May 5, 2014

_____, Chairperson

ATTEST:

Libby Furlong, Recorder



City of Bethel

Committees and Commissions

Recommendation to City Council

Committees and Commissions that wish to make a recommendation to City Council should turn this form in to the City Clerk or to the City Council representative on the committee or commission.

Committee/Commission: Energy Committee	Chairman: Leif Albertson
Date Submitted: 1-2-2012	Council Rep: Eric Whitney

Issue: *Privatization of the recycling operation.*

Recommendation: *Issuing a Request for Proposal for the operation of a privately run recycling center within the City of Bethel.*

Although beneficial to the community and the City of Bethel as an organization, the Recycling Operation was closed in 2011 due to lack of funding appropriation. With the intent to reopen operation of a recycling center for residents and businesses, the Energy Committee recommends the issuance of a Request for Proposal (RFP) for the operation of the recycling operation. The objective in reopening the recycling center will be to provide sustainable quality of service to the community with reasonable costs while optimizing the life of the landfill.

The suggestion of the Energy Committee is to perform an "asset sale" of the recycling center business in the form of an RFP as provided under BMC 4.10.020 (3). The best qualified proposer who responds to a request for proposals to acquire the property would be awarded the asset. This asset sale would only relate to the recycling center business, not the land, building or equipment. The council would have to pass by a majority vote, a resolution identifying 4.10.020 (3) as the means of disposal of the asset.

In addition to the asset sale, if the private organization intended to operate out of the current recycling center, the city would have to by ordinance, dispose of the land and building through a lease agreement, outlined under BMC 4.08.030 B. and 4.08.050. The lease agreement disposing of city land should be done by ordinance and may be done without seeking sealed bid and for less than current assessed value because the property would be used in providing a necessary public service.

Other: *Passed by an Energy Committee vote of _ in favor and _ opposed.*

Received by: _____
Date: _____



Renewable Energy
Alaska Project



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REAP has been bringing diverse energy stakeholders together since 2004 to increase the development of renewable energy in Alaska.

About REAP

Renewable Energy Alaska Project (REAP) is a coalition of large and small Alaska utilities, businesses, conservation and consumer groups, Alaska Native organizations, and municipal, state and federal entities with an interest in developing Alaska's vast renewable energy resources.

REAP's goal is to increase the production of renewable energy in Alaska and bring the benefits of clean, economic and inexhaustible renewable power to the citizens of Alaska.

The organization is led by a diverse board of directors selected from its membership.

[Donate to REAP](#), Alaska's only advocacy and education group for renewable energy development in Alaska.

Who we are

Renewable Energy Alaska Project is a coalition of energy stakeholders working to facilitate the development of renewable energy in Alaska through collaboration, education, training, and advocacy.

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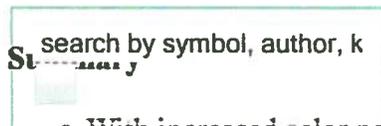
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SolarCity Retained Value Redux: The Utilities Strike Back

Apr. 17, 2014 11:43 AM ET | [33 comments](#) | About: [SCTY](#), Includes: [FSLR](#), [RGSE](#), [SPWR](#), [SUNE](#)
by: Casual Analyst

Disclosure: I am long FSLR. [\(More...\)](#)



- With increased solar penetration, utilities are looking at a dramatic reduction in energy sales and the threat of having to write off the uncompetitive or underutilized assets.
- Connection charges and rate tiers are examples of the powerful option that utilities have to slow down solar penetration.
- Companies like SCTY and SUNE are likely to see significant compression in retained values as the utilities fight back.

In our earlier articles on the subject of retained values (see [here](#) and [here](#)), we have discussed why retained values at SolarCity ([SCTY](#)) may be overstated and why investors need to be cautious in

estimating retained values and the risks behind them. This applies not just to SCTY but to other companies that are playing the retained value game. These companies include but are not limited to SunEdison (SUNE) and SunPower (SPWR). In this article, we extend this thesis to include competition from utilities and how that could hurt the growth prospects of these players and their retained value trends.

As the deployment of solar technology increases, utilities are facing several interesting problems. The challenges vary depending on if the utility is regulated and if the utility is investor owned. In general, utilities are not fans of solar energy's distributed nature as it disrupts their business models. The investor owned utilities in unregulated markets have the least shackles and are the best equipped to deal with the expected onslaught of solar technology. Even these utilities do not like the disruptive nature of solar deployment.

The regulated investor-owned utilities, the companies that grieve the solar deployments the most, have been forced into the solar game kicking and screaming and have no interest in making the energy market distributed. And much to the chagrin of these utilities, their hands are cuffed by regulations and they are being asked to facilitate an orderly transition to distributed energy - something that is not in the interest of their shareholders.

Until recently, solar energy was nothing more than a curiosity or an annoyance for the utility players. Most of them did not even believe solar energy would ever reach a cost threshold to make it cost competitive with alternative energy sources. But that has started to change with the dramatic decline of solar LCoEs in the last couple of years. Solar energy has not only breached the retail price points in several markets but recent energy auctions have shown that solar pricing can be cost competitive with natural gas peaker plants even in wholesale environments - especially for the high demand afternoon times.

The utilities are suddenly faced with the prospect that their higher energy need commercial customers may defect rapidly to solar if they take no actions to stem the tide. Their lower value residential customers have been on a similar path for several years now and that trend is accelerating. Some key metrics that utilities are watching in horror include:

- Reduced overall demand per residential customer
- Reduced high margin peak demand per residential customer
- Reductions in energy needs of high volume commercial customers

For utilities, the larger commercial and public sector customers' defection is a worrisome and immediate threat. Residential customer defection is also a threat but that has a much lower economic impact on a per customer basis. At current levels of solar penetration, these dynamics may not pose much of a problem for utilities. However, continuation of the current trends would lead to increasing over capacity and underutilization of the utilities centralized energy generating assets and distribution assets. It does not help that a lot of utilities in recent years have invested in substantial natural gas energy producing assets that now run the risk of being underutilized. These are relatively new assets that have been put in place to exploit low natural gas prices and are only partially depreciated. Underutilization of these assets can have serious negative repercussions for investors. With solar

penetration increasing, it is unlikely that some of these assets would ever be put to good use. This assessment, when it comes true, would be followed by major losses when the utilities are forced to write off the uncompetitive or underutilized assets. The utilities cannot let that happen. So, what options do the utilities have?

We believe Utilities are likely to fight back in several ways:

- Where possible, delay approval process and grid connections or refuse to build or delay transmission systems to carry solar energy. These are some tactics that some utilities have already deployed. However, these tactics can get considerable customer and government backlash and are not sustainable. These tactics will also give utilities a bad image and may create yet another reason for customers to defect.

- Regulated utilities may point to the competition in the energy space and successfully lobby for reduced regulation. At a minimum, utilities are likely to get significant leeway from regulators on specific rate schedules. When the rate changes happens, the competitive landscape can change dramatically for solar financiers like SCTY. Some rate related changes that utilities could fight for include:

- Charge customers for grid access: This is something that is already beginning to happen. This particular approach would make it unattractive for lower usage customers to go solar and increase the breakeven point for solar conversion for other customers. The higher the connection charge, the harder it will become for solar deployments to pencil out.
- Net metering changes: Currently some solar customers are paid at retail rates for the excess electric generation. Utilities may lobby for and change the net metering rates and rules to the detriment of solar energy customers. To help utilities to push these changes through, in some cases utilities are allowing for existing solar customers to be grandfathered under the older plans. But the news is not so good for newer installations.
- Make batteries mandatory: Utilities may also try to make it mandatory for solar systems to have a specified amount of battery backup. While there are compelling reasons for a utility to do this, such an action would increase the cost of solar deployment and impede the penetration of solar. (Note 1: This is a complex discussion. Utilities are concerned that once a customer installs a battery they may become less dependent on the grid. Note 2: Even though the solar TAM reduces, SCTY may have a slight competitive edge in this scenario)
- Change rating tiers: Utilities over the years have used a tiered rate system where customers were charged at higher rates for using more energy or for using energy at peak times. Utilities could charge the higher rate because of the market dynamics and the perceived need to disincentivize energy consumption. Part of these pricing strategies were inherently flawed economically in the sense that higher consumption typically should lead to a lower, and not higher cost.

Utilities could reduce the attractiveness of solar and slow customer defections by reverting energy pricing to a more rational model where customers with higher energy needs pay lower rates. This type of tariff change would make solar technology less attractive to larger customers and more attractive to the smaller customers. However, the larger customer on average is likely to be a better credit risk to the rooftop financiers such as SCTY. In effect, such a rate plan change could decrease the number of credit worthy, high revenue customers and increase the number of less credit worthy, lower revenue

customers.

If managed properly, rate tiers are a powerful option that utilities have that could slow down solar penetration. Once on that path, utilities could find other options that help reduce the customer loss. For example, utilities could create new tiers where night time rates are increased to higher non-solar rates.

Utilities can also use rate plans to create ill will toward solar suppliers from customers who have already bought or leased systems. Imagine a scenario where a customer makes a solar system procurement based on average energy cost of "x" only to find that utilities' revised rate schedule changes the average energy cost to "0.5X." The customer may be very happy with the utility for the price drop and very unhappy with the solar company for being stuck with an increasingly unattractive long-term lease. It is easy to imagine what these changes could do to retained values of solar deployments.

- Utilities could build energy farms and sell fractional shares to the customer base. These solar farms can be built at a significantly lower cost structure compared to rooftop systems and can be sold to customers more economically than a rooftop system. And some customers may appreciate the aesthetics of their properties without solar panels. Once again, this dynamic can put significant pressure on long-term solar system prices and thus their retained values.

It may take time for utilities to find the right models that will work for them and it will take them even longer to successfully market them. But it is naïve to expect that utilities will just sit there and let players like SCTY, RGS Energy ([RGSE](#)), SPWR and SUNE take their market share away without any resistance. Expect a hard fought battle from utilities as solar penetration increases. Consumers are the likely winner of these battles. Residential and commercial players like SCTY, RGSE and to a lesser extent SPWR and SUNE are the most likely to face the headwinds.

Make no mistake. We strongly believe that solar energy is the wave of the future and will be deployed abundantly. The article is only intended to sound a caution that competition from utilities should not be discounted and that some of the rosy growth scenarios and retained value projections may not come to a pass.

It is also likely that utility solar demand may see a resurgence as utilities try to combat the customer defections with their own utility farms and try to undercut the rooftop competition. The beneficiaries of the utilities' push back are likely large utility project developers such as [First Solar \(FSLR\)](#) and, to some extent, SPWR and SUNE.

If you are a customer thinking of signing a long-term solar lease or a PPA, you should stop and think if the utility pricing built into the agreement is realistic.

UPDATE YOUR ALERT SUBSCRIPTIONS NOW:

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CALM Cal-Maine Foods, Inc.	<input checked="" type="checkbox"/>	62.43	+0.93	+1.51
CLNE Clean Energy Fuels Corp.	<input type="checkbox"/>	9.18	+0.04	+0.44

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