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Rural
Development

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Office of the State Director

June 12, 2002

Meera Kohler
Chair
Sustainability and Bench Marking Sub-Committee
Sustainable Utilities in Rural Alaska Steering Committee
Denali Commission-Memorandum of Understanding
Alaska Village Electric Cooperative, Inc.
4831 Eagle Street
Anchorage, Alaska 99503

Dear Meera:

Permit me to preface my remarks by saying thanks for agreeing to serve as chair of one of the most important committees dealing with the issue of sustainable utilities in rural Alaska. The work and the results expected of your committee will play a critical role as we begin connecting the "dots" to satisfy our mission of improving the quality of life for the residents of rural Alaska.

The purpose of this letter is to give the charge of the work the committee is to engage in and discuss the benefits/results of the efforts of the committee.

- 1). The committee is expected to determine what utility sustainability means for a community with an existing system given the size/population of the affected rural area.

How is a "bench mark" for an existing utility system established and what purpose does it serve?

What does bench marking mean? Is it a point of reference by which performance can be measured over time?

Once the cost to sustain a utility system is known, how do we determine where to establish the benchmark?

Why is sustainability and bench marking important to rural Alaska and what are we trying to accomplish by determining sustainability and performance measurements; what does it mean to the small utility owners in terms of rewards?

- 2). Recommend a set of uniform standards for utility operations that will lead to RCA Certification.

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- 3). The committee must determine what a reasonable "cost of doing business " is based on the size of the community to arrive at an average cost for each location. Please limit the sizes of communities to three.

Review in each management quality, maintenance and operations standard operating procedures (SOP) and examine the deficiencies and the efficiencies. Determine why some communities are successful and others have not based on the same geographical area.

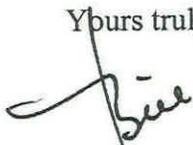
- 4). As we develop new utility systems throughout the state we need to examine a policy on determining sustainability. The committee needs to address the issue of community affordability by taking into consideration the cost of operating the entire community under review.
- 5). Finally, I am asking the committee to examine the ownership structure of utility systems in rural Alaska. To my knowledge there are only three forms of ownership for utilities to consider, i.e. private, municipal and cooperatives. What will work best in rural Alaska and provide cost effectiveness, prolongs the economic life of systems and creates the lowest possible cost to the consumer?

Meera, to reiterate, the work of this committee is extremely challenging, however, in order for the efforts by many over the past years pertaining to the issue of sustainable utilities in rural Alaska to be meaningful, the objectives of this committee must be satisfied.

Please be prepared to present your approach/strategy for your committee's work, including the names of the committee members and the estimated time for completion, to the Steering Committee at their July meeting.

If you have any questions please do not hesitate to contact me.

Yours truly,



B.B. ALLEN
Chair

Sustainable Utilities in Rural Alaska Steering Committee