

**Bulk Fuel Systems Upgrades****FY2003 Request: \$1,600,000****Reference No: 32584****AP/AL:** Appropriation**Project Type:** Health and Safety**Category:** Health/Human Services**Location:** Statewide**Contact:** Robert Poe, Jr.**House District:** Statewide (HD 1-40)**Contact Phone:** (907)269-3000**Estimated Project Dates:** 07/01/2002 - 06/30/2004**Brief Summary and Statement of Need:**

This appropriation is requested for expected Federal funds and state match for construction of new consolidated bulk fuel storage tank systems in rural Alaska.

| <b>Funding:</b> | FY2003             | FY2004             | FY2005             | FY2006             | FY2007             | FY2008             | Total              |
|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| AIDEA Div       | \$800,000          | \$800,000          | \$800,000          | \$800,000          | \$800,000          | \$800,000          | \$4,800,000        |
| Oil/Haz Fd      | \$800,000          | \$800,000          | \$800,000          | \$800,000          | \$800,000          | \$800,000          | \$4,800,000        |
| <b>Total:</b>   | <b>\$1,600,000</b> | <b>\$1,600,000</b> | <b>\$1,600,000</b> | <b>\$1,600,000</b> | <b>\$1,600,000</b> | <b>\$1,600,000</b> | <b>\$9,600,000</b> |

|   |   |                                       |   |  |
|---|---|---------------------------------------|---|--|
| <input type="checkbox"/> State Match Required | <input type="checkbox"/> One-Time Project | <input type="checkbox"/> Phased - new | <input type="checkbox"/> Phased - underway  | <input checked="" type="checkbox"/> On-Going |
| 0% = Minimum State Match % Required           |   | <input type="checkbox"/> Amendment    | <input type="checkbox"/> Mental Health Bill |  |

**Operating & Maintenance Costs:**

|                          | <u>Amount</u> | <u>Staff</u> |
|--------------------------|---------------|--------------|
| Project Development:     | 0             | 0            |
| Ongoing Operating:       | 0             | 0            |
| <u>One-Time Startup:</u> | 0             |              |
| <b>Totals:</b>           | <b>0</b>      | <b>0</b>     |

**Additional Information / Prior Funding History:**

Match Funding: FY 94 2,250.0; FY 95 700.0; FY 96-00 Federal funding was received as part of a larger federal energy program appropriation, which contained several programs. Prior funding history for this larger appropriation: FY 96 1,000.0; FY 97 10,000.0; FY 98 30,000.0; FY 99 0.0; FY 00 0.0 FY 01 30,450,.0. In FY 02 the project received its own appropriation of 4,950.0.

**Project Description/Justification:**

There are approximately 1100 above-ground tank farms in 171 remote villages in rural Alaska. Most of these tank farms have serious deficiencies that typically include the following:

- inadequate dikes to contain fuel spills
- inadequate foundations, which can lead to gradual tank movement and fuel leakage
- improper piping systems and joints -the most common source of fuel leaks
- improper siting near wells, beaches, and buildings, or within a flood plain
- tanks that are rusted or damaged beyond repair
- electrical code violations
- inadequate security

The U.S. Coast Guard and the Environmental Protection Agency are continuing to issue citations to owners of many substandard facilities in rural Alaska but have thus far refrained from ordering them closed as long as effective measures are under way to bring them into regulatory compliance.

Bulk fuel tank farms are part of the basic infrastructure of rural communities and are necessary for their survival. They need to be durable and secure -oil contamination of soil and groundwater can be a serious threat to public and fish and wildlife. The resources needed to upgrade and replace the dilapidated tank farms of rural Alaska are not locally available. The Alaska Energy Authority's (AEA) best estimate of the total cost to upgrade and replace tank farms throughout rural Alaska is \$450 million, based on the actual costs of tank farm construction incurred over the last several years and the total storage capacity needed to meet current energy demand.

## Bulk Fuel Systems Upgrades

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Relying primarily on federal funds, the State has conducted a program over the last several years to replace these tank farms with new or refurbished facilities that meet all applicable safety and environmental codes. Most of these projects seek to consolidate several tank farms into a single facility so that the potential for adverse impacts is no longer spread among several tank farm sites around the community. Consolidation also helps to avoid the inconsistent maintenance and operations practices that can result from multiple projects operated by multiple owners. A typical rural village may have separate tank farms owned and operated by the City government, the tribal government, the village corporation, the local school, the electric utility, and other public or private entities.

The primary federal funding source for the tank farm upgrade program has been the Denali Commission, which has committed over \$24.6 million over the last three years. The Denali Commission's funding is not intended to supplant the state's funding effort. The Denali Commission funding, annual state appropriations and AEA's efforts assisting communities to obtain loans and direct federal grants has resulted in the following accomplishments and construction schedule:

| <b>Projects Completed<br/>in 2001</b> | <b>Projects to be<br/>completed in<br/>2001/2002</b> | <b>Planned<br/>construction for<br/>2002/2003</b> | <b>Planned<br/>construction for<br/>2003/2004</b> |
|---------------------------------------|--|---|---|
| Kiana                                 | Arctic Village                                       | Aleknagik   | Atka  |
| Noorvik                               | Buckland   | Chuathbaluk                                       | Birch Creek                                       |
| Emmonak                               | Chignik Bay  | Chalkyitsik                                       | Clark's Point                                     |
| Chefornak                             | Chignik Lagoon                                       | Beaver  | Crooked Creek                                     |
| Tuntutuliak                           | Kongiganak   | Larsen Bay  | Diomedea  |
| Allakaket                             | Napaskiak  | Takotna   | Hoonah  |
| Kotlik                                | Nikolski   | Venetie   | Point Baker                                       |
| Manokotak                             | Tanana   | Akhiok  | Port Protection                                   |
| Port Graham                           |  | Akiachak  | Rampart   |
|                                       |  | Akutan  | Red Devil   |
|                                       |  | Chenega Bay                                       | Nunam Iqua  |
|                                       |  | Deering   | Platinum  |
|                                       |  | Egegik  | Saint George                                      |
|                                       |  | Igiugig   | Sleetmute   |
|                                       |  | Kokhanok  |   |
|                                       |  | Koyukuk   |   |
|                                       |  | Lime Village                                      |   |
|                                       |  | Nelson Lagoon                                     |   |
|                                       |  | Newhalen  |   |
|                                       |  | Port Heiden                                       |   |
|                                       |  | Nikolai   |   |
|                                       |  | Sand Point  |   |

By the end of FY2003 AEA will have completed or started consolidation projects in 51 of the 171 communities that have above ground storage tanks. The project expenditures will total over \$40 million for the projects completed in 2001 or to be completed in 2002. Although the annual state appropriation appears to be a minor portion of total funding for the bulk fuel program, it has proven to leverage significant amounts of federal funding and has allowed AEA to continue with its efforts to correct deficient and substandard tank farms in rural Alaska.