

**Federal Energy Projects****FY2005 Request: \$35,750,000****Reference No: 38950****AP/AL:** Appropriation**Project Type:** Construction**Category:** Health/Human Services**Location:** Statewide**Contact:** Ron Miller**House District:** Statewide (HD 1-40)**Contact Phone:** (907)269-3000**Estimated Project Dates:** 07/01/2004 - 06/30/2009**Brief Summary and Statement of Need:**

Multiple federally funded energy programs of Bulk Fuel Upgrades, Rural Power Systems Upgrades, Alternative Energy and Energy Efficiency projects.

<b>Funding:</b>	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Total
ASLC Bonds	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000		\$1,250,000
Fed Rcpts	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000		\$175,000,000
I/A Rcpts	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000		\$2,500,000
<b>Total:</b>	<b>\$35,750,000</b>	<b>\$35,750,000</b>	<b>\$35,750,000</b>	<b>\$35,750,000</b>	<b>\$35,750,000</b>	<b>\$0</b>	<b>\$178,750,000</b>

<input checked="" 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
2% = 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>	<u>0</u>	<u>0</u>
Totals:	0	0

**Additional Information / Prior Funding History:**

Refer to the funding matrix in the detailed description.

**Project Description/Justification:**

Continuation of the Alaska Energy Authority's (AEA) long-standing energy related programs of Bulk Fuel Upgrades, Rural Power Systems Upgrades, and Alternative Energy and Energy Efficiency Projects. The funding for these programs is provided predominately by the federal agencies of Denali Commission, U.S. Department of Agriculture – Rural Utility Services, and the U.S. Department of Energy. The specifics are:

**(1) Bulk Fuel Upgrades:** 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:

- ? 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

This program's mission over the last several years has been to replace these tank farms with new or refurbished facilities that meet all applicable safety and environmental codes.

This program began in approximately in 1997 and has expanded since 1999 with funding from the Denali Commission. In fiscal year 2004 AEA received an additional \$20 million in grant funds from the Denali Commission. A General Fund

match is not required. In fiscal year 2005 AEA anticipates \$15 million in federal funding. A State match will not be required.

**(2) Rural Power System Upgrades:** The electric utility systems are part of the basic infrastructure of rural communities. The power plant and distribution systems in most rural communities do not meet accepted utility standards for safety, reliability, and environmental protection. Due to high costs and limited economies of scale, most local communities cannot make the capital investments needed to meet the accepted utility standards.

AEA gives priority to electric utility systems that are in the worst condition. AEA has built a detailed database of electric utility conditions and characteristics. Deficiencies of each utility have been scored with respect to generating equipment, distribution systems, powerhouse structures, and other major physical components. Rural systems are then ranked according to the level of these deficiencies. Additional criteria that are applied to the project selection process include:

- ? Imminent threat to health and safety
- ? Imminent threat of system failure during winter conditions
- ? Financial need based on the level of existing rates, average income, availability of other financing, and project cost compared with utility revenue
- ? Local commitment and contribution to the project
- ? The utility's ability to operate and maintain the facility without future state assistance or the community's willingness to join an established qualified regional utility.
- ? Projects required in order to meet efficiency guidelines under the Power Cost Equalization Program.

Once upgraded, the rural utility is required to employ a qualified operator to ensure that the system is properly operated and maintained.

This is a long standing energy program that has expanded since 1999 with funding from the Denali Commission. In fiscal year 2004 AEA received an additional \$6 million in grant funds from the Denali Commission. A General Fund match is not required. In fiscal year 2005 AEA anticipates \$7 million in federal funding. A State match will not be required.

**(3) Alternative Energy and Energy Efficiency Programs :** The objective is to lower the cost of power and heat to predominantly rural communities while maintaining system safety and reliability. The alternative energy program has received funding for several years from the US Department of Energy (USDOE) and has recently expanded with funding from the Denali Commission. In fiscal year 2004 AEA received an additional \$9 million in federal funds from the Denali Commission and USDOE. A State match is required from USDOE. In fiscal year 2005 AEA anticipates \$13.0 million in federal funding, \$500,000 in federal funding passed through Alaska Housing Finance Corporation, and an estimated State match requirement of \$250,000.

The AEEE program includes the following projects:

- ? Fuel efficiency improvements, including the Diesel Generation Efficiency Improvements program, the "Waste Heat" Recovery from Diesel Generators program, and the Energy Storage System Development program.
- ? Hydroelectric and intertie project pass through grants. AEA manages several federal pass through grants for larger power projects. The Southeast Conference has requested that AEA manage an anticipated USDOE grant for the southeast intertie project.
  - ? Rebuild America program provides grants to conduct energy audits to identify conservation measures saving schools and other rural facilities over \$2 million per year. AEA receives the USDOE funds through an RSA with AHFC. This program requires a 1:1 match of federal and state dollars.
  - ? Wind energy development activities which include wind resource mapping and assessment, AEA's anemometer loan program, project siting and bird habitat impact assessment, conceptual design and technology analysis for

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hybrid wind-diesel systems, and evaluation of field results from operating systems required for additional federal construction funds.

- ? Biomass program which tests air emissions and performance of fish oil and diesel blends as fuel, and utilization of sawmill and municipal wastes for energy.
- ? In FY03 and FY04, using USDOE funds requiring a 25% state cost share, AEA conducted a statewide assessment of geothermal energy resources. The assessment identified several potentially favorable geothermal project locations, including the City of Akutan and a local fish processor which together import 4.3 million gallons of diesel per year into the community. AEA plans to support follow-up work with USDOE and other interested industry and government partners to test suitability of the resource.
- ? Energy Cost Reduction Initiative began in FY2003, this initiative provides grants to match communities loan funds necessary for the study and/or implementation of energy cost reduction initiatives. This program is funded 100 percent by the federal Denali Commission.

Summary of Anticipated Funding by Federal Agency:

Federal Agency	Federal	ASLC Bond	Interagency	Total
Denali Commission	15,000,000			15,000,000
Denali Commission from USDA	7,000,000			7,000,000
USDOE	13,000,000	80,000		13,080,000
USDOE (Through AHFC)		170,000	500,000	670,000
Total	35,000,000	250,000	500,000	35,750,000

**Funding History (includes both State and Federal funding)**

Year	Amount	Legislation
FY 1997	1,000,000	SLA 96 Ch 123 Page 45 Line 31
FY 1998	10,000,000	SLA 97 Ch 100 Page 42 Line 20
FY 1999	30,000,000	SLA 98 Ch 139 Page 40 Line 21
FY 2001	30,450,000	SLA 00 Ch 135 Page 3 Line 9
FY 2002	4,950,000	SLA 01 Ch 61 Page 3 Line 13
FY 2002	10,000,000	SLA 01 Ch 61 Page 3 Line 15
FY 2002	5,487,000	SLA 01 Ch 61 Page 3 Line 17
FY 2003	30,000,000	SLA 02 Ch 1 Page 3 Line 32
FY 2004	100,000	SLA 03 Ch 82 Page 3 Line 10
FY 2004	35,000,000	SLA 03 Ch 82 Page 3 Line 13