

Federal Funds for Capital Energy Projects**FY2001 Request: \$30,450,000****Reference No: 32592****AP/AL:** Appropriation**Project Type:** Construction**Category:** Development**Location:** Statewide**Contact:** D. Randy Simmons**House District:** Statewide (HD 1-40)**Contact Phone:** (907)269-3000**Estimated Project Dates:** 07/01/2000 - 06/30/2005**Brief Summary and Statement of Need:**

To facilitate receipt of expected federal grants for energy projects including bulk fuel tank farms, alternative energy, regional interties and upgrade of electric systems.

Funding:	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>Total</u>
Fed Rcpts	\$30,450,000						\$30,450,000
Total:	\$30,450,000	\$0	\$0	\$0	\$0	\$0	\$30,450,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input 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
One-Time Startup:	0	0
Totals:	0	0

Additional Information / Prior Funding History:**Project Description/Justification:****Purpose of the Appropriation**

This request is for \$30,450,000 in authority to receive and expend federal funds in FY2001. This will allow AEA to provide for pass-through federal grants to communities, electric utilities or other eligible entities. Partnerships among various federal offices - U.S. Environmental Protection Agency, U.S. Department of Energy, U.S. Coast Guard, Denali Commission, etc. - with the AEA acting as facilitator and providing technical assistance and management during project construction, have resulted in a substantial increase in federal funds for energy projects appropriated to AEA. As of October 21, 1999, AEA has utilized \$35 million of its existing authority to receive federal funds and expects to exhaust this authority by the end of FY00. This request is needed to accommodate other federal grants for energy projects now being pursued by AEA.

This authority request does not obligate the State to perform or to fund any project. This authority is valuable for providing statewide assistance to utilities and local governments. AEA is actively pursuing federal funds to replace or supplement the declining State funds made available for energy projects, and federal offices are more frequently relying on AEA expertise in energy matters to administer and supervise federal energy grants to entities in rural Alaska. Federal pass-through grant funds are usually received from the U.S. Department of Energy, the U.S. Department of Housing and Urban Development, the U.S. Department of Health & Social Services and the Department of Agriculture and the Environmental Protection Agency.

Projects Funded

This request for \$30,450,000 authority to receive and expend federal funds will include at least three programs: Bulk Fuel Systems Upgrades, Rural Power Systems Upgrades, and Alternative Energy. Each of these programs will include multiple projects. The projects will provide communities with safe, efficient, code-compliant electrical systems and bulk fuel tank farms necessary to generate electricity for heating and transportation - all essential elements for a community's quality of life, health and safety.

State of Alaska Capital Project Summary

Department of Commerce, Community, and Economic Development

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Impact on the State Operating and Capital Budgets

The projects funded by these federal funds are developed under grants to communities, and the communities are responsible for related operating costs, therefore there is no direct impact on the State operating budget. The State benefits from the availability of the federal capital grants as it lessens the demand for State capital funds to meet the energy needs of the rural communities. Also, the existence of code-compliant electric systems and bulk fuel tank farms are critical to avoid emergencies, fuel spills, etc. The State would be called upon to help in case of emergencies or spills, because the great majority of the rural communities do not have an economic base that would allow them to pay for the cost of repair and remediation.

To complete a project under the various programs in this request, the federal funds are combined with funds appropriated by the legislature, other direct grants to villages by federal agencies such as HUD (ICDBG), matching contributions from the communities, and grants awarded by the State from appropriated funds (RDA or grants from the Department of Administration). There are no specific regulations; however, the principle of maximizing contributions from all available sources applies to all energy projects.

AEA contracts out all the specialized work needed for pre-construction and during construction (engineering and technical firms), purchases the equipment and materials from vendors, utilizes commercial transportation companies (marine or air) and uses local labor at the highest possible extent. Therefore, the funds either provide for continued employment of existing private sector positions or may create new jobs.

Previous Authority to Receive Federal Funds

AEA was authorized to receive federal funds under the following appropriations:

FY97	\$1,000,000	AR 56267
FY98	\$10,000,000	AR 56386
FY99	\$30,000,000	AR 53488

As of October 21, 1999, the combined unused balance of those appropriations is about \$5.1 million. Contingent upon the date of issuance of other expected federal grants it is anticipated that this authority will be exhausted at the beginning of FY2001.

Anticipated Federal Receipts for Capital Energy Projects

The following federal grants are expected to be received in the next two years:

Fiscal Year	Amount	Description
FY00	1,000,000	*Sitka Diesel Gen
FY00	1,700,000	*Power Creek Hydro
FY00	300,000	*Old Harbor Hydro
FY00	<u>1,000,000</u>	*Nome Diesel
	\$ 4,000,000	
FY01	150,000	Biomass Program
FY01	2,300,000	Wind Hybrid Fuel Cell
FY01	2,000,000	DOE Battery Storage
FY01	3,000,000	EPA
FY01	<u>23,000,000</u>	Denali Commission
	\$30,450,000	

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*Funds have been approved and appropriated by Congress. Grants are expected prior to June 30, 2000.