

# **State of Alaska FY2002 Governor's Operating Budget**

Department of Community & Economic Development  
Rural Energy Programs  
Budget Request Unit

## **Rural Energy Programs Budget Request Unit**

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### **BRU Mission**

The mission of the Rural Energy Programs BRU is to reduce the cost and increase the reliability of rural energy systems.

### **BRU Services Provided**

The Rural Energy Programs BRU includes funds and personnel for the following programs:

- o Bulk fuel storage upgrades.
- o Rural power system upgrades.
- o Power Cost Equalization.
- o Energy conservation and alternative energy development.
- o Circuit rider maintenance and emergency response.
- o Utility operator training.
- o Bulk fuel revolving loan fund.
- o Power Project loan fund.

Recent capital project funding for bulk fuel storage upgrades and rural power system upgrades has come primarily from the Denali Commission, supplemented by other federal grants from agencies such as EPA and HUD and by State capital appropriations.

Power Cost Equalization (PCE) pays a portion of the electric bills of rural consumers. Significant legislation enacted in 1999 reduced the scope of the program and the size of PCE payments, while legislation enacted in 2000 created an endowment to provide PCE funding over the long term.

Energy costs in rural Alaska are far higher than in urban Alaska or anywhere else in the United States. This is one of the key obstacles to long-term economic sustainability and growth in the region. All of the services in this BRU are designed to reduce the cost and increase the reliability of rural energy systems.

### **BRU Goals and Strategies**

Key goals and strategies stated in the component budgets are:

- o For both bulk fuel storage and rural power system upgrades, accelerate project development to take full advantage of the recent and expected increases in Denali Commission funding of these projects.
- o Through training and technical assistance, improve local capabilities to properly manage, operate, and maintain electric utility and bulk fuel storage systems.
- o Continue to issue timely and accurate PCE payments to 97 electric utilities serving 190 eligible communities.
- o Develop and implement alternative energy technologies and assess their potential to reduce energy costs in rural Alaska.

### **Key BRU Issues for FY2001 – 2002**

Key BRU issues stated in the component budgets are:

- o AEA must accelerate project development to keep pace with the availability of funding from the Denali Commission.
- o The estimated \$7.3 million contribution in FY02 from the PCE endowment fund is considerably less than the amount needed to fully fund PCE. The estimated shortfall in PCE funding for FY02 is \$7.8 million.
- o Recent fuel price increases accentuate the need for aggressive action to reduce rural energy costs.
- o Recent growth in the construction of new power supply and bulk fuel storage projects highlights the need for consistent operations, maintenance, and management skills among the local owners of these facilities.
- o The growing demand for loans from the Bulk Fuel Revolving Loan Fund continues to outstrip the available funds.

### **Major BRU Accomplishments for FY2000**

Key BRU accomplishments stated in the component budgets are:

- o Completed bulk fuel storage consolidations and upgrades in 11 communities totaling \$ 8.7 million.
- o Completed preliminary or final design work on 21 additional bulk fuel storage projects with a total estimated construction cost of \$ 46.2 million.
- o Completed rural power system upgrades in 6 communities totaling \$2.3 million.
- o Issued PCE payments as required by law in the amount of \$14.6 million.
- o Provided circuit rider maintenance and on-site operator training in 29 rural communities.
- o Responded to electrical emergencies in 14 communities, including diesel powerplant failures and distribution system failures due to avalanche or winter storms.

**Rural Energy Programs**  
**BRU Financial Summary by Component**

*All dollars in thousands*

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b>Formula Expenditures</b>												
Power Cost Equalization	0.0	0.0	0.0	0.0	0.0	0.0	15,700.0	15,700.0	0.0	0.0	15,700.0	15,700.0
<b>Non-Formula Expenditures</b>												
Energy Operations	0.0	0.0	0.0	0.0	287.9	65.6	1,797.8	2,151.3	289.7	66.0	1,808.9	2,164.6
Circuit Rider	0.0	0.0	0.0	0.0	100.0	200.0	0.0	300.0	200.0	100.0	0.0	300.0
<b>Totals</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>387.9</b>	<b>265.6</b>	<b>17,497.8</b>	<b>18,151.3</b>	<b>489.7</b>	<b>166.0</b>	<b>17,508.9</b>	<b>18,164.6</b>

## Rural Energy Programs

### Proposed Changes in Levels of Service for FY2002

The Circuit Rider program insures the reliable and efficient performance of electrical systems in rural Alaska communities and works towards completion of an inventory and assessment of facilities annually to update the Alaska Energy Authority's (AEA) database. A funding source change switching a portion of federal funds to general funds is requested because a stable source of federal funds is not available.

## Rural Energy Programs

### Summary of BRU Budget Changes by Component

#### From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2001 Authorized</b>	<b>387.9</b>	<b>265.6</b>	<b>17,497.8</b>	<b>18,151.3</b>
<b>Adjustments which will continue current level of service:</b>				
-Circuit Rider	100.0	-100.0	0.0	0.0
<b>Proposed budget increases:</b>				
-Energy Operations	1.8	0.4	11.1	13.3
<b>FY2002 Governor</b>	<b>489.7</b>	<b>166.0</b>	<b>17,508.9</b>	<b>18,164.6</b>