

Rural Power Systems Upgrades**FY2003 Request: \$500,000**
Reference No: 32588**AP/AL:** Appropriation
Category: Health/Human Services
Location: Statewide
House District: Statewide (HD 1-40)
Estimated Project Dates: 07/01/2002 - 06/30/2004**Project Type:** Construction
Contact: Robert Poe, Jr.
Contact Phone: (907)269-3000**Brief Summary and Statement of Need:**

This appropriation is requested for expected federal funds and state match for capital improvements and new electric power systems in rural Alaska. Where required, lack of state matching funds will prevent the federal contribution.

Funding:	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>Total</u>
G/F Match	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$3,000,000
Total:	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$3,000,000

<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
One-Time Startup:	0	0
Totals:	0	0

Additional Information / Prior Funding History:

Match Funding: FY 95-FY 96 500.0; FY 97 600.0 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 10,000.0

Project Description/Justification:

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 the following:

- 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.

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

The primary source of funds for RPSU projects has been federal grant awards through the Denali Commission, which has committed approximately \$10.0 million over the last three years. The Denali Commission funding, state appropriations and AEA's efforts assisting communities to obtain loans and direct federal grants has resulted in the following accomplishments and construction schedule:

Projects Completed in 2000/2001	Projects to be completed in 2001/2002	Planned construction for 2002/2003
Golovin Distribution System	Arctic Village Powerhouse	Golovin Powerhouse
Nome Distribution System	Hughes Powerhouse & Distribution	Kwigillingok Powerhouse
Deering Powerhouse	Koyukuk Distribution System	Newtok Powerhouse
Tuntutuliak Powerhouse	Newtok Distribution System	Kongiganak Powerhouse & Distribution
Kotlik Powerhouse	Stevens Village Powerhouse	Atmautluak Distribution
	Tuluksak Powerhouse	Manokatak Powerhouse

The Denali Commission's funding is not intended to supplant the state's funding effort. The RPSU program has not received a state capital appropriation since 1997. The absence of a state-funded capital appropriation could jeopardize the planned construction schedule for 2002 and 2003.