

State of Alaska FY2007 Governor's Operating Budget

Dept of Commerce, Community, & Economic Development Alaska Energy Authority Rural Energy Operations Component Budget Summary

Component: Alaska Energy Authority Rural Energy Operations

Contribution to Department's Mission

Assist in the development of safe, reliable and efficient energy systems throughout Alaska, which are sustainable and environmentally sound, and to reduce the cost of energy in rural Alaska.

Core Services

- Utility systems training, fuel systems training, business plan training
- Active Loan Programs - Power Project Fund, Bulk Fuel Revolving Loan Fund
- Coordination and management of AEA capital projects

End Results	Strategies to Achieve Results
<p>A: Reduction in the unit cost of energy in rural Alaska</p> <p><u>Target #1:</u> Increase in generation capacity <u>Measure #1:</u> percentage change in generation capacity</p>	<p>A1: Reduce the number of Bulk Fuel non-code compliant facilities</p> <p><u>Target #1:</u> Upgrade 13 rural Bulk Fuel facilities annually. <u>Measure #1:</u> Number of completed upgrade projects per year</p> <p>A2: Upgrade equipment at rural power systems to increase diesel efficiency and utilize other energy sources</p> <p><u>Target #1:</u> 3 Rural Power System Upgrades completed annually <u>Measure #1:</u> Number of upgraded projects annually</p> <p>A3: Perform energy audits and install energy cost saving equipment in community facilities</p> <p><u>Target #1:</u> Maximize fuel cost savings. <u>Measure #1:</u> Fuel cost savings at FY 2005 levels of use and price per gallon.</p> <p>A4: Manage the Bulk Fuel Revolving Loan Fund to maximize the amount available to eligible communities</p> <p><u>Target #1:</u> Loans over 90 days delinquent not more than 5% <u>Measure #1:</u> Percentage of loan delinquencies</p> <p>A5: Train rural residents to manage and operate rural energy infrastructure and programs</p> <p><u>Target #1:</u> 100 rural residents trained annually to manage</p>

and operate rural energy infrastructure and programs
 Measure #1: Number of rural residents trained annually

Major Activities to Advance Strategies

- Issue/administer contracts and loans
- Coordinate with communities and other government agencies
- Develop business plans
- Apply for grant funds
- Provide technical assistance
- Perform energy audits
- Project management
- Recruitment of eligible trainees
- Development of site-specific training curriculum
- Develop/expand curriculum for powerhouse training

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$1,941,300

Personnel:

Full time	0
Part time	0
Total	0

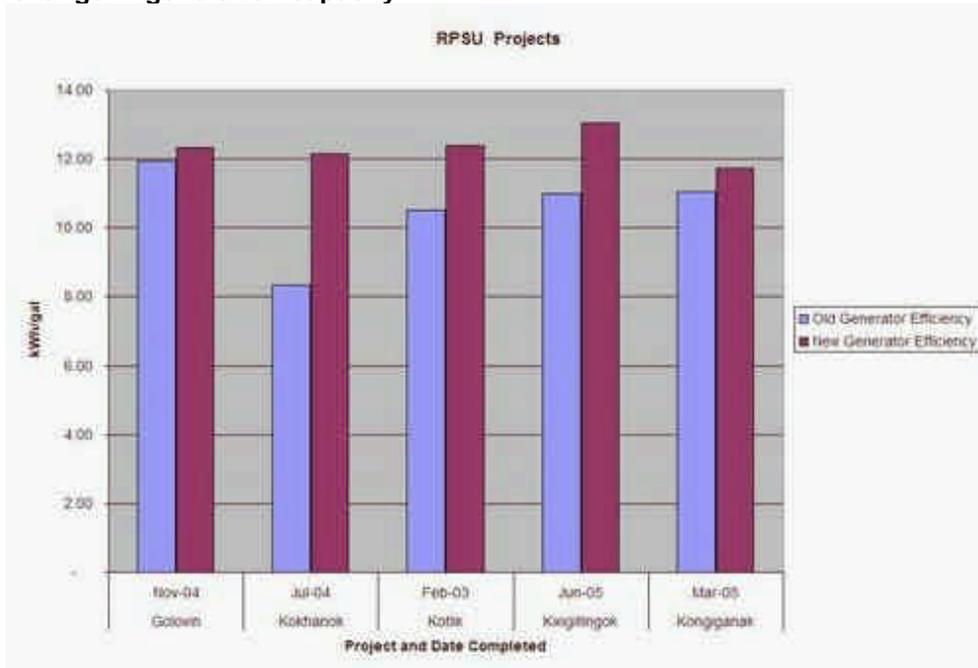
Performance Measure Detail

A: Result - Reduction in the unit cost of energy in rural Alaska

Target #1: Increase in generation capacity

Measure #1: percentage change in generation capacity

Percentage change in generation capacity



Analysis of results and challenges: AEA estimates a 10% increase in capacity kilowatt hours produced in

upgraded facilities.

A1: Strategy - Reduce the number of Bulk Fuel non-code compliant facilities

Target #1: Upgrade 13 rural Bulk Fuel facilities annually.

Measure #1: Number of completed upgrade projects per year

Number of Completed BF Upgrade Projects per Year

Year	Quarter 3	Quarter 4	YTD Total
2000	0	0	3
2001	0	0	9
2002	0	0	8
2003	0	0	12
2004	0	0	11
2005	5	3 Projected	8

Analysis of results and challenges: A total of 21 projects were completed in years previous to 2000.

A2: Strategy - Upgrade equipment at rural power systems to increase diesel efficiency and utilize other energy sources

Target #1: 3 Rural Power System Upgrades completed annually

Measure #1: Number of upgraded projects annually

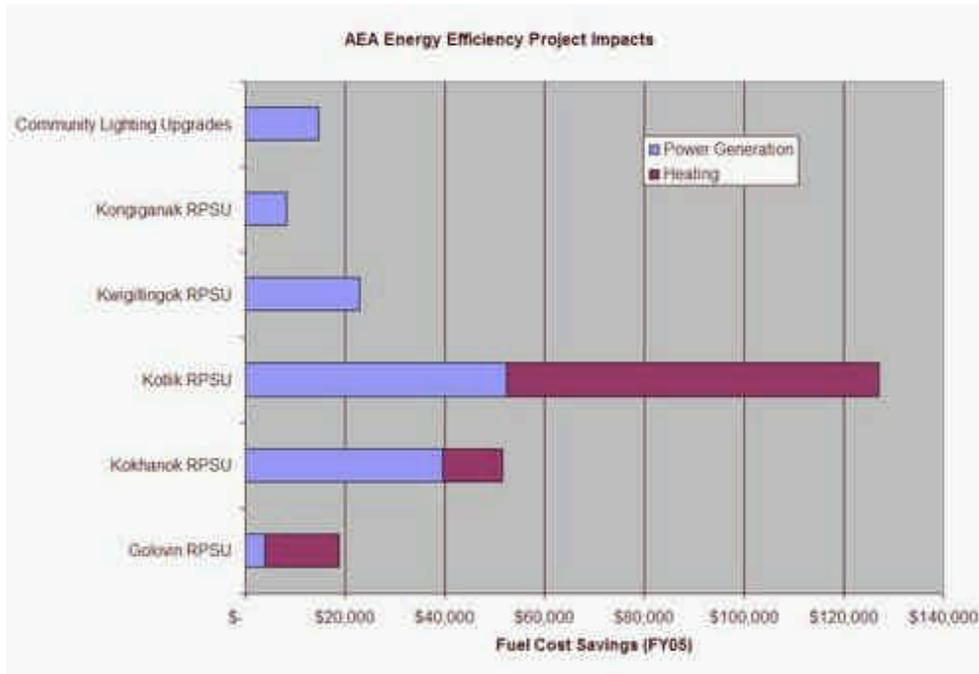
RPSU Projects Completed by AEA

Year	Quarter 3	Quarter 4	YTD Total
2001	0	0	2
2002	0	0	1
2003	0	0	2
2004	0	0	4
2005	4	5 projected	9

A3: Strategy - Perform energy audits and install energy cost saving equipment in community facilities

Target #1: Maximize fuel cost savings.

Measure #1: Fuel cost savings at FY 2005 levels of use and price per gallon.



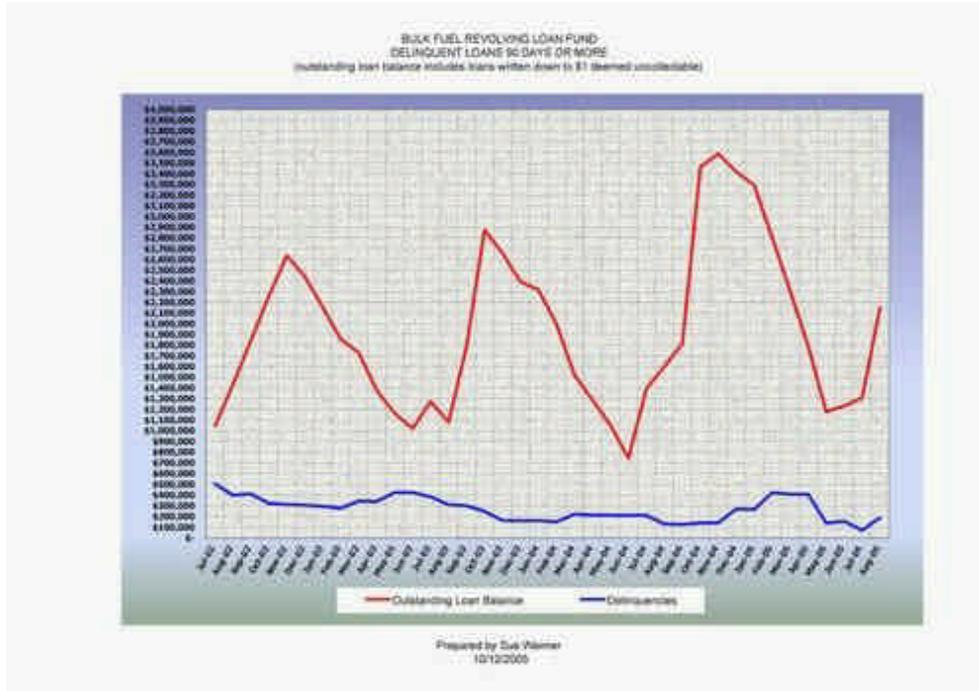
Analysis of results and challenges: Energy cost saving equipment installation will reduce the dependency on diesel fuel. In addition to fuel cost savings by upgrading powerhouses, heat recovery equipment installed in Golovin, Kokhanok and Kotlik show annual fuel savings of 5,000, 4,000, and 25,000 gallons respectively.

Cumulative fuel cost savings of lighting upgrades in Aniak, Chuathbaluk, Kotzebue, and McGrath are shown in the graph.

A4: Strategy - Manage the Bulk Fuel Revolving Loan Fund to maximize the amount available to eligible communities

Target #1: Loans over 90 days delinquent not more than 5%

Measure #1: Percentage of loan delinquencies



Analysis of results and challenges: Bulk fuel purchases reduce a community's cost of energy. As of 9/30/05, \$ amount of total loans over 90 days delinquent/\$ amount of total loans outstanding is 6.00%. 12 loans out of a total of 42 outstanding loans are delinquent.

A5: Strategy - Train rural residents to manage and operate rural energy infrastructure and programs

Target #1: 100 rural residents trained annually to manage and operate rural energy infrastructure and programs

Measure #1: Number of rural residents trained annually

Number of Rural Residents Trained Annually

Fiscal Year	YTD Total
FY 2003	69
FY 2004	106
FY 2005	112

Key Component Challenges

AEA challenges include, scheduling and managing Denali Commission requested Bulk Fuel and Rural Power System Upgrade projects with an unpredictable capital funding stream; for the training programs the primary challenges include high turnover in bulk fuel and utility clerk job classes and last minute cancellations from training participants which makes it difficult for AEA to fill available training slots. The increasing per unit cost of fuel has increased annual demand on the bulk fuel revolving loan fund.

Significant Changes in Results to be Delivered in FY2007

With the decline in available federal funds for upgrade projects, AEA anticipates an increase in requested technical and grant writing assistance.

Major Component Accomplishments in 2005

AEA administered bulk fuel operator training for 21 students, itinerant bulk fuel operator training for 20 students, power plant operator training for 14 students, advanced power plant operator training for 9 students, utility clerk training for 15 students, and hydro power plant training for 8 students.

AEA, in cooperation with AVTEC, produced bulk fuel and power plant operator training CDs.

AEA, in cooperation with UAF Arctic Energy Technology Development Laboratory, planned and prepared for the Rural Energy Conference which took place in Valdez in September 2005.

AEA committed 54 loans for \$6.7 million through the Bulk Fuel Revolving loan fund program.

For the fourth consecutive year, AEA participated in the Village Management Institute at Sheldon Jackson College. AEA recruits potential participants and AEA staff serves as instructors during the annual 7-day executive management program.

Statutory and Regulatory Authority

AS 42.45	Rural and Statewide Energy Programs
3 AAC 106	Loan Programs
3 AAC 107	Grant Programs
3 AAC 160	Rural Development Assistance and Bulk Fuel Storage Facility Grant Programs

Contact Information
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**Alaska Energy Authority Rural Energy Operations
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	153.2	164.5	164.5
73000 Services	2,905.6	3,141.6	1,618.8
74000 Commodities	38.7	48.0	48.0
75000 Capital Outlay	26.9	10.0	10.0
77000 Grants, Benefits	37.5	100.0	100.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,161.9	3,464.1	1,941.3
Funding Sources:			
1002 Federal Receipts	1.9	71.9	71.9
1004 General Fund Receipts	188.6	198.6	198.6
1007 Inter-Agency Receipts	365.7	350.0	350.0
1061 Capital Improvement Project Receipts	1,722.0	1,562.8	0.0
1062 Power Project Loan Fund	858.7	1,016.5	1,056.5
1074 Bulk Fuel Revolving Loan Fund	0.0	53.7	53.7
1108 Statutory Designated Program Receipts	25.0	210.6	210.6
Funding Totals	3,161.9	3,464.1	1,941.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Managemen t Plan	FY2007 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	18.7	0.0	0.0
Unrestricted Total		18.7	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	1.9	71.9	71.9
Interagency Receipts	51015	365.7	350.0	350.0
Statutory Designated Program Receipts	51063	25.0	210.6	210.6
Capital Improvement Project Receipts	51200	1,722.0	1,562.8	0.0
Bulk Fuel Revolving Loan Fund	51270	0.0	53.7	53.7
Power Project Loan Fund	51350	858.7	1,016.5	1,056.5
Restricted Total		2,973.3	3,265.5	1,742.7
Total Estimated Revenues		2,992.0	3,265.5	1,742.7

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	198.6	71.9	3,193.6	3,464.1
Proposed budget decreases:				
-Personal Services to be Charged Directly to Capital Appropriations	0.0	0.0	-1,562.8	-1,562.8
Proposed budget increases:				
-Personal Services Contract with Alaska Industrial Development and Export Authority	0.0	0.0	40.0	40.0
FY2007 Governor	198.6	71.9	1,670.8	1,941.3