

State of Alaska
FY2022 Governor's Operating Budget

**Department of Commerce, Community, and Economic
Development**
**Alaska Energy Authority Rural Energy Assistance
Component Budget Summary**

Component: Alaska Energy Authority Rural Energy Assistance

Contribution to Department's Mission

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

Major Component Accomplishments in 2020

Circuit Rider: In FY2020, AEA's Circuit Rider program assisted 85 eligible utilities by providing remote monitoring, training, technical consultation, onsite assistance, and minor repairs to their power systems. The Circuit Rider and Technical Assistance programs provide essential preventative assistance to reduce the number of emergency responses needed due to power outages in communities.

Denali Commission: The Denali Commission is the primary federal funding partner of AEA for programs and projects. There is currently about \$30 million of Denali Commission investment in AEA rural programs. The Denali Commission also added \$500,000 to the \$1 million funding for the Village Energy Efficiency Program (VEEP) from Wells Fargo. In addition, the Denali Commission has provided \$250,000 in matching funds to AEA's Biomass program.

Emergency Assistance: AEA provides power-related emergency response services to rural Alaska communities as required by AS 42.45.900. Emergency community assistance was provided to one community during FY2020.

Environmental Protection Agency Regulatory Relief: AEA worked cooperatively with Alaska's Congressional Delegation, the Alaska Department of Environmental Conservation, and the Environmental Protection Agency (EPA) to remove the Diesel Particulate Filter requirement contained in §40 CFR 60.4216(c) for model year 2014 and newer diesel engines in prime power applications in remote areas of Alaska. This legislation, introduced by Senators Dan Sullivan and Lisa Murkowski of the Senate and Congressman Don Young of the House, relaxes stringent EPA emission regulations for generators used in remote Alaska to allow residents in these communities to reliably and affordably power their villages.

Maintenance and Improvement: AEA and the Denali Commission are leveraging available funding by shifting focus towards maintenance and improvement projects. The goal is to maximize the useful life of rural energy infrastructure so that fewer complete facility replacements are required. This strategy has been incorporated into both the Rural Power System Upgrade (RPSU) and Bulk Fuel Upgrades (BFU) programs.

Rural Energy Infrastructure Projects: AEA completed two powerhouse projects in the communities of Clark's Point and Port Heiden, and two bulk fuel projects in the communities of Holy Cross and Mertarvik at a total investment of \$13.5 million. These projects provide energy safety, security, reliability, and affordability through the bulk fuel and rural power systems upgrade programs administered by AEA.

Rural Programs: The RPSU program is completing an inventory and assessment of over 180 eligible rural power generation and distribution systems. This project will inform the prioritization of rural program projects. To streamline the process AEA automated many of report and intake forms to create efficiency and consistency in the gathering and sharing of this valuable data. In addition, we partnered with the Coast Guard's enforcement efforts to reduce the cost of rural bulk fuel facility assessment work by approximately \$1.5 million.

3D Imaging and GIS Software: AEA now uses three-dimensional (3D) imaging and GIS software to capture imagery, collect measurements, and process data to create, edit, and share 3D renderings of rural power systems. This will be used for construction management, operator training, and remote assistance. The 3D platform enables AEA project managers to keep track of key project milestones and immediately assess project information. The targeted result is accelerated productivity, decision-making, and cost-savings.

Technical Assistance: AEA provided planning and technical assistance to communities by reviewing resource specific project plans; providing feedback to communities exploring energy generation and efficiency options;

analyzing community energy use; providing building energy audits; evaluating financing options for project development; helping to complete federal award applications; and providing technical assistance as needed to support community participation in the Power Cost Equalization (PCE) program.

Training Programs: AEA's Rural Training Program trains community operators on skills to operate their energy infrastructure, helping utilities keep their facilities code-compliant and sustainably managed. In FY2020, 18 operators received certification of completion in Bulk Fuel Operations and 18 operators for Power Plant Operations from 23 communities. This training was conducted in AEA's courses at the Alaska Vocational Technical Center (AVTEC). An additional 22 communities received on-site itinerant training in bulk fuel operations. This is with two classes canceled due to COVID-19.

Key Component Challenges

Bulk Fuel Upgrade (BFU) Program: The BFU program has not received state funding for the last two years. The BFU program requires state funding in Fiscal Year 2022 to be able to match the federal funding that has sustained the program. Without Fiscal Year 2022 funding BFU granted construction grants will cease. This comes at a time when Alaska's rural bulk fuel facilities face mounting challenges from aging infrastructure and increased ocean and river erosion.

Community Turnover and Training Challenges in Local Rural Work Force: Turnover of trained energy infrastructure operators and managers presents a challenge to successful operation of utilities, power plants, and bulk fuel facilities. Considerable time and expense is spent training local personnel who often do not continue employment in the positions for which they were trained. Lack of funding due to improper utility management, leaving the community to use the new skills elsewhere, and migration to larger population centers all impact the longevity of the trained work force. New options need to be explored including a secondary operator model, regionalized local circuit rider funding, and contracted operations and maintenance.

COVID-19 Impacts: COVID-19 has impacted AEA projects and programs. Project schedules and budgets are affected primarily through increased travel difficulty and the loss of transportation in rural Alaska. There are fewer air carriers and flights. The requirements of communities differ and change frequently. This has increased the cost of logistics and delayed schedules. RPSU program Inventory and Assessment project schedule has slipped a year because of the difficulty in traveling to the 185 eligible communities. The Circuit Rider program and training programs also experience delays and increased cost due to the requirement of some communities to have a negative COVID-19 test within three days of travel.

Maintenance of Rural Infrastructure: Lack of proper maintenance of energy infrastructure continues to be an ongoing challenge in many rural communities. Improper maintenance shortens the useful life of rural power plants, electrical distribution, and bulk fuel facilities. AEA is addressing this issue through increased Circuit Rider visits and expanded training for power plant operators, bulk fuel operators, and utility managers. This training takes place at AVTEC's Seward facility as well as itinerantly in the communities. Currently the Denali Commission provides almost all the funding for these efforts. As federal funding declines, state funding may be necessary to adequately protect the investment in rural energy infrastructure.

Rural Program Sustainability/Long-Term Federal Funding Stability: AEA's rural programs support about 195 rural communities. While AEA has increased Maintenance and Improvement projects and training programs to assist rural utilities and communities to maximize the useful life of their energy infrastructure, the unmet funding need to maintain the energy infrastructure in rural Alaska grows each year. For the RPSU program, the unmet deferred maintenance is \$327.25 million. For the BSU program, the unmet deferred maintenance is \$800 million. Declining state and federal funds for the RPSU program in rural Alaska means that critical energy infrastructure that operates and wears out every day does not get built or upgraded, nor often optimally maintained. For the BSU program it means communities are left with aging fuel tanks that may not meet the capacity needs of the community or are at risk of leaks, contamination, and/or failure. In recent budget cycles, AEA has relied on funding from the Denali Commission to pay for critical AEA initiatives historically covered with State Undesignated General Funds. Future federal dollars for training for energy infrastructure projects is subject to federal funding variation and prioritization.

Significant Changes in Results to be Delivered in FY2022

No significant changes are anticipated.

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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Component Detail All Funds
Department of Commerce, Community, and Economic Development

Component: Alaska Energy Authority Rural Energy Assistance (2600)
RDU: Alaska Energy Authority (453)

Non-Formula Component

	FY2020 Actuals	FY2021 Conference Committee	FY2021 Authorized	FY2021 Management Plan	FY2022 Governor	FY2021 Management Plan vs FY2022 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	35.6	104.8	104.8	104.8	104.8	0.0	0.0%
73000 Services	3,404.2	5,255.5	5,255.5	5,255.5	5,255.5	0.0	0.0%
74000 Commodities	36.7	48.0	48.0	48.0	48.0	0.0	0.0%
75000 Capital Outlay	23.0	10.0	10.0	10.0	10.0	0.0	0.0%
77000 Grants, Benefits	0.0	100.0	100.0	100.0	100.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	3,499.5	5,518.3	5,518.3	5,518.3	5,518.3	0.0	0.0%
Fund Sources:							
1001 CBR Fund (UGF)	0.0	211.8	211.8	211.8	0.0	-211.8	-100.0%
1002 Fed Rcpts (Fed)	403.1	1,202.0	1,202.0	1,202.0	1,202.0	0.0	0.0%
1004 Gen Fund (UGF)	847.3	635.5	635.5	635.5	0.0	-635.5	-100.0%
1005 GF/Prgm (DGF)	0.0	50.0	50.0	50.0	50.0	0.0	0.0%
1007 I/A Rcpts (Other)	0.0	123.9	123.9	123.9	123.9	0.0	0.0%
1061 CIP Rcpts (Other)	1,460.2	1,767.8	1,767.8	1,767.8	1,767.8	0.0	0.0%
1062 Power Proj (DGF)	455.4	995.5	995.5	995.5	995.5	0.0	0.0%
1108 Stat Desig (Other)	5.0	150.0	150.0	150.0	150.0	0.0	0.0%
1169 PCE Endow (DGF)	328.5	381.8	381.8	381.8	1,229.1	847.3	221.9%
Unrestricted General (UGF)	847.3	847.3	847.3	847.3	0.0	-847.3	-100.0%
Designated General (DGF)	783.9	1,427.3	1,427.3	1,427.3	2,274.6	847.3	59.4%
Other Funds	1,465.2	2,041.7	2,041.7	2,041.7	2,041.7	0.0	0.0%
Federal Funds	403.1	1,202.0	1,202.0	1,202.0	1,202.0	0.0	0.0%
Positions:							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios with Descriptions
Department of Commerce, Community, and Economic Development

Component: Alaska Energy Authority Rural Energy Assistance (2600)

RDU: Alaska Energy Authority (453)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2021 Conference Committee To FY2021 Authorized *****												
Conference Committee												
	ConfCom	5,518.3	0.0	104.8	5,255.5	48.0	10.0	100.0	0.0	0	0	0
1001 CBR Fund		211.8										
1002 Fed Rcpts		1,202.0										
1004 Gen Fund		635.5										
1005 GF/Prgm		50.0										
1007 I/A Rcpts		123.9										
1061 CIP Rcpts		1,767.8										
1062 Power Proj		995.5										
1108 Stat Desig		150.0										
1169 PCE Endow		381.8										
	Subtotal	5,518.3	0.0	104.8	5,255.5	48.0	10.0	100.0	0.0	0	0	0
***** Changes From FY2021 Management Plan To FY2022 Governor *****												
Fund Source Adjustment of CBRF to UGF												
	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1001 CBR Fund		-211.8										
1004 Gen Fund		211.8										
Replace Constitutional Budget Reserve Fund (CBRF) used as a one-time funding mechanism in FY2021.												
Replace Unrestricted General Funds with Power Cost Equalization Endowment Funds												
	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		-847.3										
1169 PCE Endow		847.3										
Replace unrestricted general funds in the Alaska Energy Authority (AEA) with Power Cost Equalization Endowment funds. General funds in AEA are currently used as match for the circuit rider program, training programs, and other technical assistance provided by the Denali Commission. General funds in AEA are also used to support management and oversight of programs through the personal services line.												
	Totals	5,518.3	0.0	104.8	5,255.5	48.0	10.0	100.0	0.0	0	0	0

Line Item Detail (1676)
Department of Commerce, Community, and Economic Development
Travel

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
2000	Travel		35.6	104.8	104.8
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
2000 Travel Detail Totals			35.6	104.8	104.8
2000	In-State Employee Travel	In-State Transportation - Transportation costs for travel relating to administration, meetings, boards and commissions.	34.9	88.8	88.8
2001	In-State Non-Employee Travel	In-State Transportation - Transportation costs for travel relating to meetings and boards for non-employees.	0.3	0.0	0.0
2002	Out of State Employee Travel	Out-of-State Transportation - Transportation costs for travel relating to administration, meetings, boards and commissions.	0.4	16.0	16.0

Line Item Detail (1676)
Department of Commerce, Community, and Economic Development
Services

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3000	Services		3,404.2	5,255.5	5,255.5
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3000 Services Detail Totals			3,404.2	5,255.5	5,255.5
3000	Education Services	Training, educational conferences, agency memberships, tuition, books and fees for work-related courses.	14.3	20.0	20.0
3001	Financial Services	Accounting, auditing, management consulting, grantee monitoring, loan servicing and insurance related services.	4.2	10.0	10.0
3002	Legal and Judicial Services	Legal and judicial services, including costs to conduct hearings and transcription fees.	0.0	10.0	10.0
3003	Information Technology	Information Technology - Training, consulting, equipment and software leases, licensing and maintenance.	28.0	35.0	35.0
3004	Telecommunications	Local, long distance, and cellular telephone charges, television, data/network, telecommunication equipment, and other wireless charges from outside vendors.	9.0	17.6	17.6
3006	Delivery Services	Freight, courier services, and postage.	1.5	10.0	10.0
3007	Advertising and Promotions	Advertising, promotions and legal notices.	9.9	15.0	15.0
3008	Utilities	Electricity, heating fuel, water, sewage and disposal services.	0.6	22.0	22.0
3009	Structure/Infrastructure/Land	Structure, infrastructure and land repairs, maintenance, rentals and leases.	0.1	2.0	2.0

Line Item Detail (1676)
Department of Commerce, Community, and Economic Development
Services

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3000 Services Detail Totals			3,404.2	5,255.5	5,255.5
3010	Equipment/Machinery	Machinery, furniture and equipment purchase, repairs, maintenance, rentals, and leases.	0.1	10.0	10.0
3011	Other Services	Other professional services.	222.2	300.0	100.0
3011	Other Services	Federal funding to address rural community energy needs, including technical assistance and operator training, that is not allocated until awards are received.	0.0	700.0	700.0
3011	Other Services	General Fund Program Receipts from participation fees for AEA-sponsored trainings and conferences. These receipts will not be allocated until they are received.	0.0	50.0	50.0
3011	Other Services	Inter-agency receipts that will not be allocated until agreements are entered into.	0.0	123.9	123.9
3011	Other Services	Statutory designated program receipts in support of AEA-sponsored trainings, conferences, and events. These receipts will not be allocated until they are received.	0.0	150.0	150.0
3024	Inter-Agency Legal	Law - Department-wide	44.5	50.0	50.0
3038	Inter-Agency Management/Consulting	Commerce - Administrative Services (1028)	23.0	30.0	30.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	3,046.8	3,700.0	3,900.0

Line Item Detail (1676)
Department of Commerce, Community, and Economic Development
Commodities

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
4000	Commodities		36.7	48.0	48.0
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
4000 Commodities Detail Totals			36.7	48.0	48.0
4000	Business	Supplies for office, library, training, and instructional needs, including small equipment, tools and subscriptions.	24.9	42.0	42.0
4002	Household/Institutional	Cleaning, food, and other household supplies.	0.5	2.0	2.0
4005	Building Materials	Building materials, lumber, masonry materials.	11.1	0.0	0.0
4020	Equipment Fuel	Fuel and gasoline.	0.2	4.0	4.0

Line Item Detail (1676)

**Department of Commerce, Community, and Economic Development
Capital Outlay**

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
5000	Capital Outlay		23.0	10.0	10.0
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
5000 Capital Outlay Detail Totals			23.0	10.0	10.0
5004	Equipment	Equipment and furniture.	23.0	10.0	10.0

Line Item Detail (1676)

**Department of Commerce, Community, and Economic Development
Grants, Benefits**

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
7000	Grants, Benefits		0.0	100.0	100.0
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
		7000 Grants, Benefits Detail Totals	0.0	100.0	100.0
7001	Grants	Grants.	0.0	100.0	100.0

Revenue Detail (1681)

Department of Commerce, Community, and Economic Development

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
5002 Fed Rcpts (1002 Fed Rcpts)			403.1	1,202.0	1,202.0
5002 Federal General Government - Miscellaneous Grants		Federal receipts from the Denali Commission and other agencies.	403.1	1,202.0	1,202.0
5005 GF/Prgm (1005 GF/Prgm)			14.2	50.0	50.0
5104 Program Receipts Charges for Services - 3rd Party Collectns		Program Receipts - Third party collections.	0.0	50.0	50.0
5107 Program Receipts General Government - Sale of Surplus		Disposal of surplus assets purchased with federal funds.	14.2	0.0	0.0
5007 I/A Rcpts (1007 I/A Rcpts)			0.0	123.9	123.9
5301 Inter-Agency Receipts		Inter-agency receipts.	0.0	123.9	123.9
5061 CIP Rcpts (1061 CIP Rcpts)			1,460.2	1,767.8	1,767.8
5351 Capital Improvement Project Inter-Agency		Capital Improvement Project Receipts.	1,460.2	1,767.8	1,767.8
5062 Power Proj (1062 Power Proj)			455.4	995.5	995.5
5413 Power Project Loan Fund		Power Project Loan Funds.	455.4	995.5	995.5
5108 Stat Desig (1108 Stat Desig)			5.0	150.0	150.0
5205 Statutory Dsgntd Prgm Rcpts Development - Charges for Svcs		Charges for services.	5.0	150.0	150.0
6169 PCE Endow (1169 PCE Endow)			328.5	381.8	1,229.1
6815 PCE Endowment Fund - Miscellaneous		Power Cost Equalization Fund receipts for program administration.	328.5	381.8	1,229.1
FUND Fund Only (1004 Gen Fund)			178.8	0.0	0.0
6090 Fund Only - Transfers In Other Funds		Reimbursement of cash balance of the Rural Electrification Revolving Loan Fund to the State per AS 42.45.020(g).	66.3	0.0	0.0
6095 Fund Only - Interest Earned		Return of Interest Earned - Railbelt Fund.	1.1	0.0	0.0

Revenue Detail (1681)

Department of Commerce, Community, and Economic Development

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Revenue Type (OMB Fund Code)				FY2021	
Revenue Source	Component	Comment	FY2020 Actuals	Management Plan	FY2022 Governor
6095 Fund Only - Interest Earned		Return of Interest Earned - General Fund.	97.6	0.0	0.0
6095 Fund Only - Interest Earned		Return of Interest Earned - Power Development Fund.	13.8	0.0	0.0

Inter-Agency Services (1682)

Department of Commerce, Community, and Economic Development

Component: Alaska Energy Authority Rural Energy Assistance (2600)

	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
Component Totals	3,114.3	3,780.0	3,980.0
With Department of Law	44.5	50.0	50.0
With Department of Commerce, Community, and Economic Development	3,069.8	3,730.0	3,930.0

Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3024	Inter-Agency Legal	Law - Department-wide	44.5	50.0	50.0
3038	Inter-Agency Management/Consulting	Commerce - Administrative Services (1028)	23.0	30.0	30.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	3,046.8	3,700.0	3,900.0