

State of Alaska FY2022 Governor's Operating Budget

Department of Commerce, Community, and Economic Development Statewide Project Development, Alternative Energy and Efficiency Component Budget Summary

Component: Statewide Project Development, Alternative Energy and Efficiency

Contribution to Department's Mission

Assist in developing projects in Alaska that reduce and stabilize the cost of energy and decrease dependency on diesel and heating oil.

Major Component Accomplishments in 2020

Alaska Cargo and Cold Storage: AEA, the state's energy office, teamed with Alaska Cargo and Cold Storage partners to participate in a unique job-creating opportunity at the Ted Stevens Anchorage International Airport. The project is to develop a state-of-the-art cargo transfer and cold storage facility that is exceptionally energy efficient by maximizing available renewable and energy efficient technologies.

AEA applied for a United States Department of Energy's Better Utilizing Investments to Leverage Development (or BUILD) grant in the amount of \$21 million. AEA, in its role beyond accepting funding, will be to deliver its expertise in renewable energy design and operation ultimately making a ~715,000-square-foot facility a reality. The project will transform a challenging but optimally situated build site at the Anchorage airport into an energy-efficient and technologically-advanced cold storage and cargo transfer facility.

Construction during Phase I will generate 830 jobs with \$56.9 million in labor income and \$147.6 million in total Alaska expenditures. Phase II is projected to generate an additional 1,245 jobs, \$75.6 million in labor income, and \$220.5 million in total Alaska expenditures. ACCS operations are expected to generate 115 jobs and \$9.1 million in total labor income following the completion of Phase I; Phase II operations are expected to generate an additional 190 jobs and \$15.5 million in total labor income.

Alternative Energy and Energy Efficiency: AEA has increased statewide knowledge and capacity to install and operate effective alternative energy systems by providing technical workshops, training and technical assistance through the alternative energy program. AEA facilitates collaborative working groups on various renewable technologies and energy efficiency.

Biomass Program: The biomass program has provided funding and/or technical support for over 50 operating woody biomass heating systems for schools and public buildings. These projects reduce diesel fuel use and keep the money for fuel (wood) within the community. Along with the United States Forest Service, the program has provided funding for over 170 pre-feasibility studies to evaluate a community's biomass potential and develop sustainable harvest plans. Biomass use in lieu of diesel is reducing diesel fuel consumption and creating local jobs. It is estimated that biomass heating projects are displacing over 500,000 gallons of diesel annually. The program provides trainings for biomass boiler operators to ensure the projects operate successfully and sustainably. Additionally, the program seeks to expand partnerships with other local, state, and federal stakeholders to increase funding for biomass projects throughout the state.

Commercial Property Assessed Clean Energy (C-PACE): In February 2019, AEA was awarded a Department of Energy, State Energy Program grant to assist with the development of a C-PACE finance program. The grant funds are dedicated to paying for staff time to work on building the program, and to provide funding for professional technical assistance, including a specialized technical advisor, a survey company to better understand the needs and preferences of commercial building owners, marketing, and legal counsel. Contracts for specialized services to support program development are subject to the request for proposal process. Since awarded, a C-PACE Stakeholder Advisory Group has been formed and is gaining momentum with program development. At present the Municipality Anchorage is considering adoption of a city C-PACE program.

Energy Planning: AEA has initiated new processes to improve the transparency of program decision making. AEA continues to improve data dashboards to improve the access and interpretation of data for stakeholders to make energy-related decisions in communities. AEA has provided management assessment and assistance for a number of rural electric utilities by leveraging funds from the United States Department of Agriculture. A management guidebook for Power Cost Equalization (PCE) eligible utilities will be available through AEA's website.

Hydroelectric Energy: AEA's hydroelectric program owns or assists approximately 70 projects throughout the state. Projects range from concepts to operational hydroelectric facilities. AEA recognizes that hydroelectric power is critical to meeting Alaska's renewable energy goal and provides long-term benefits and energy security to Alaska communities. The hydroelectric program is currently focused on improving efficiency and quality in development, lowering the cost of construction, and coordinating with other state agencies, federal agencies, municipalities, tribal entities, and private investors in analyzing, planning, and generally assisting hydroelectric development.

Power Project Fund Loan Program: As of June 30, 2020, AEA's Power Project Loan program included 20 outstanding loans for hydro, wind, biomass, diesel, solar, and energy conservation. The outstanding loan balance was \$31 million. Pending applications total approximately \$4.7 million. There are no delinquent loans.

Renewable Energy Fund (REF): On July 20, 2020, AEA sought applications from organizations interested in obtaining funds that would enable the development of renewable energy in Alaska. Applications for funding were received. They are being evaluated at present. The evaluation and ranking of applications is done according to statutory requirements. Applications will be submitted to the legislature for consideration of funding. In past years the Renewable Energy Fund (REF) has provided \$268 million in funding to Alaska's renewable energy pioneers for almost 300 projects. In 2017, AEA estimated that consumers realized approximately \$74 million in fuel cost savings as a result of operational REF projects. The REF program will sunset on June 30, 2023 if it is not renewed and funded by legislative action.

Village Energy Efficiency Program (VEEP): In FY2020, AEA was awarded a \$500,000 grant from the Denali Commission for a second round of outdoor lighting retrofit projects. These projects are a continuation of the program funded by Wells Fargo and AEA in FY2019, which funded 33 projects that are currently in progress. AEA released a request for applications in the fall of 2020 using VEEP regulations. Applicants are required to provide a 20 percent cash or in-kind match. AEA anticipates making an additional 17 awards for the Denali Commission projects. All VEEP outdoor lighting retrofit projects will be complete by September 2021. In total there will be an estimated 50 awards administered to communities for outdoor lighting retrofits through the VEEP program. The total investment was approximately \$2 million.

Volkswagen (VW) Diesel Settlement Grants: The Environmental Mitigation Trusts (Trust) established as part of the VW Settlement are explicitly intended for funding Eligible Mitigation Actions (Appendix D-2 of Environmental Mitigation Trust Agreement) to fully mitigate the total lifetime excess NOx emissions from the 2.0L and 3.0L subject vehicles. Through the Trust, Alaska has been allocated \$8.125 million to fund eligible actions to be completed by 2027. AEA was named lead agency for the State of Alaska. As required by the agreement, AEA developed a Beneficiary Mitigation Plan through a public process that describes how the funds will be disbursed. In FY2020, AEA amended the Plan to increase the disbursement for school bus replacement instead of repowering commercial marine vessels. The Trust funds will be used to replace school buses (60 percent), replace public transit buses (10 percent), replace diesel engines used for prime power (15 percent), repower commercial marine vessels (10 percent), and purchase and install an electric vehicle (EV) charging infrastructure (15 percent).

In FY2020, AEA committed approximately \$2.8 million for eligible projects. AEA awarded 22 school bus replacements in the following school districts: Alaska Gateway School District (Tok) (1), Anchorage School District (7), Juneau School District (1), Kake City School District (2), Kenai Peninsula Borough School District (3), Matanuska-Susitna Borough School District (4), and the Southeast Island School District (4). More than \$300,000 of VW Trust funds were used as mandatory cost-share for Environmental Protection Agency (EPA) Diesel Emissions Reduction Act (DERA) projects to replace gensets in Arctic Village and Chenega Bay. AEA staff have also met with stakeholders (utilities, state and local agencies, EV owners) to determine how to most effectively distribute the Trust funds for EV infrastructure in FY2021. AEA assisted the Native Villages of Manley, Buckland, and Diomedea, and the Loudon Tribe of Galena in successfully accessing VW Tribal Trust funds and/or EPA Tribal DERA funds for genset replacement in their powerhouses.

Wind Energy: Since 2012, Alaska's wind energy installed capacity has grown from 15.3 megawatts to more than 70 megawatts. The development has been strongly supported through AEA's wind program and the REF program. The Wind Program has also facilitated the reformation of the Alaska Wind Working Group and the formation of the Wind Advisory Group. In concert with the Wind Advisory Group, the Wind Program is developing a Feasibility and Technical Assistance Program with the goal of helping new projects get started and optimizing existing projects.

Key Component Challenges

VW Diesel Settlement Grants: AEA will disburse 15 percent of the Trust towards EV infrastructure to create an EV charging corridor between the Kenai Peninsula and Fairbanks, to the extent funding allows. However, demand charges are such that the cost of charging with direct current fast chargers is economically prohibitive. AEA has created a calculator for potential site hosts to calculate and understand the cost of electricity for a given charge. AEA has identified the current demand charge structures as a topic of discussion for the newly formed AK EV Workgroup, which includes representatives from state agencies, the utilities, EV owners, and other stakeholders. The Regulatory Commission of Alaska has agreed to open an R-docket. AEA will participate in the workshop and continue to monitor the situation.

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
AS 44.83 Alaska Energy Authority
3 AAC 107 Grant Programs

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

Component: Statewide Project Development, Alternative Energy and Efficiency (2888)
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	1.5	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	1,749.7	2,200.0	2,200.0	2,200.0	2,200.0	0.0	0.0%
74000 Commodities	4.5	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	2.3	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	1,758.0	2,200.0	2,200.0	2,200.0	2,200.0	0.0	0.0%
Fund Sources:							
1061 CIP Rcpts (Other)	861.7	800.0	800.0	800.0	800.0	0.0	0.0%
1210 Renew Ener (DGF)	896.3	1,400.0	1,400.0	1,400.0	1,400.0	0.0	0.0%
Unrestricted General (UGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Designated General (DGF)	896.3	1,400.0	1,400.0	1,400.0	1,400.0	0.0	0.0%
Other Funds	861.7	800.0	800.0	800.0	800.0	0.0	0.0%
Federal Funds	0.0	0.0	0.0	0.0	0.0	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: Statewide Project Development, Alternative Energy and Efficiency (2888)

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	2,200.0	0.0	0.0	2,200.0	0.0	0.0	0.0	0.0	0	0	0
1061 CIP Rcpts		800.0										
1210 Renew Ener		1,400.0										
	Subtotal	2,200.0	0.0	0.0	2,200.0	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2021 Management Plan To FY2022 Governor *****												
	Totals	2,200.0	0.0	0.0	2,200.0	0.0	0.0	0.0	0.0	0	0	0

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

Component: Statewide Project Development, Alternative Energy and Efficiency (2888)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
2000	Travel		1.5	0.0	0.0
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
2000 Travel Detail Totals			1.5	0.0	0.0
2000	In-State Employee Travel	In-State Transportation - Transportation costs for travel relating to administration, meetings, boards and commissions.	1.5	0.0	0.0

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

Component: Statewide Project Development, Alternative Energy and Efficiency (2888)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3000	Services		1,749.7	2,200.0	2,200.0
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3000 Services Detail Totals			1,749.7	2,200.0	2,200.0
3000	Education Services	Training, educational conferences, agency memberships, tuition, books and fees for work-related courses.	0.0	1.0	1.0
3001	Financial Services	Accounting, auditing, management consulting, grantee monitoring, loan servicing and insurance related services.	0.0	20.0	20.0
3003	Information Technology	Information Technology - Training, consulting, equipment and software leases, licensing and maintenance.	0.4	1.0	1.0
3004	Telecommunications	Local, long distance, and cellular telephone charges, television, data/network, telecommunication equipment, and other wireless charges from outside vendors.	10.3	11.0	11.0
3006	Delivery Services	Freight, courier services, and postage.	0.8	1.0	1.0
3007	Advertising and Promotions	Advertising, promotions and legal notices.	2.4	4.0	4.0
3010	Equipment/Machinery	Machinery, furniture and equipment purchase, repairs, maintenance, rentals, and leases.	0.2	1.0	1.0
3011	Other Services	Other professional services.	50.5	55.0	55.0
3024	Inter-Agency Legal	Legal services.	3.8	5.0	5.0
3038	Inter-Agency Management/Consulting	Commerce - Administrative Services (1028) Core and allocated services, including Administrative Services and Commissioner's Office support.	45.9	55.0	55.0

Line Item Detail (1676)

**Department of Commerce, Community, and Economic Development
Services**

Component: Statewide Project Development, Alternative Energy and Efficiency (2888)

Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3000 Services Detail Totals			1,749.7	2,200.0	2,200.0
3038 Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	Alaska Industrial Development and Export Authority support.	1,635.4	2,046.0	2,046.0

Line Item Detail (1676)

**Department of Commerce, Community, and Economic Development
Commodities**

Component: Statewide Project Development, Alternative Energy and Efficiency (2888)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
4000	Commodities		4.5	0.0	0.0
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
4000 Commodities Detail Totals			4.5	0.0	0.0
4000	Business	Supplies for office, library, training, and instructional needs, including small equipment, tools and subscriptions.	4.2	0.0	0.0
4002	Household/Institutional	Cleaning, food, and other household supplies.	0.3	0.0	0.0

Line Item Detail (1676)

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

Component: Statewide Project Development, Alternative Energy and Efficiency (2888)

Line Number	Line Name		FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
5000	Capital Outlay		2.3	0.0	0.0
Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
5000 Capital Outlay Detail Totals			2.3	0.0	0.0
5004	Equipment	Equipment and furniture.	2.3	0.0	0.0

Revenue Detail (1681)

Department of Commerce, Community, and Economic Development

Component: Statewide Project Development, Alternative Energy and Efficiency (2888)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
5061 CIP Rcpts (1061 CIP Rcpts)			861.7	800.0	800.0
5351 Capital Improvement Project Inter-Agency		Capital Improvement Project Receipts.	861.7	800.0	800.0
6210 Renew Ener (1210 Renew Ener)			896.3	1,400.0	1,400.0
6881 Renewable Energy Grant Fund - Transfers In Other Funds		Renewable Energy grant funds.	896.3	1,400.0	1,400.0

Inter-Agency Services (1682)

Department of Commerce, Community, and Economic Development

Component: Statewide Project Development, Alternative Energy and Efficiency (2888)

	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
Component Totals	1,681.3	2,101.0	2,101.0
With Department of Commerce, Community, and Economic Development	1,681.3	2,101.0	2,101.0

Object Class	Servicing Agency	Explanation	FY2020 Actuals	FY2021 Management Plan	FY2022 Governor
3038 Inter-Agency Management/Consulting	Commerce - Administrative Services (1028)	Core and allocated services, including Administrative Services and Commissioner's Office support.	45.9	55.0	55.0
3038 Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	Alaska Industrial Development and Export Authority support.	1,635.4	2,046.0	2,046.0