

State of Alaska FY2024 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 2022

Circuit Rider: In FY2022, AEA's Circuit Rider program assisted 413 eligible utilities by providing remote monitoring, training, technical consultation, including 66 instances of 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 \$35 million of Denali Commission funds in AEA rural programs. AEA expects to spend \$4 million this year for bulk fuel maintenance and improvement projects statewide, Venetie electrical distribution, and additional phases for the electrical distribution upgrades in Port Heiden. AEA expects similar levels of funding in the coming year and is prepared to maximize federal funding with required state match funding.

Emergency Assistance: AEA provides power-related emergency response services to rural Alaska communities as required by Alaska Statute 42.45.900 at an annual cost of \$168,000 per year.

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 the Rural Power System Upgrade and Bulk Fuel Upgrades programs. The need has never been greater. Damage to the barge header, secondary containment or the tanks themselves are not only a life health safety issue to each community, the risk of fuel spill would contaminate local food resources of a community.

Rural Energy Infrastructure Projects: AEA has started the inventory and assessment program for eligible bulk fuel facilities per 3 Alaska Admin Code 108.110 (b), (d), and (e). This will be a multi-year effort and provide accurate information regarding the condition of bulk fuel facilities, which will enable the same benefits realized from the power systems inventory and assessment. AEA now uses three-dimensional imaging (3D) and Geographic Information System (GIS) software to capture imagery, collect measurements, and process data to create, edit and share 3D renderings or rural power systems. The 3D platform is used for construction management, operator training, and remote assistance, and allows AEA project managers to see project information immediately during key milestones. The targeted result is accelerated productivity, decision-making, and cost savings.

The Rural Power System Upgrade inventory and assessment has proven to be a valuable tool for the program, enabling AEA to quickly identify projects for potential funding opportunities. Major projects are underway in Nikolai, Venetie, and Nunapitchuk. Projects are in early phases of construction for Napaskiak and Rampart.

Technical Assistance: AEA assists communities with planning and technical assistance in several ways, including but not limited to 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 necessary to support community participation in the Power Cost Equalization 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 fiscal year 2022, 18 operators earned a certification for completion in Bulk Fuel Operations from 14 communities; five operators earned a certification of Person in Charge (PIC) training from five communities, and 14 operators for Power Plant Operations from 13 communities. AEA conducted these training courses at the Alaska Vocational Technical Center in Seward, Alaska. An additional 33 communities received on-site itinerant training in bulk fuel operations. Due to the COVID-19,

pandemic classes have moved to a hybrid model of online and in person training.

Key Component Challenges

Bulk Fuel Upgrades: The Bulk Fuel Upgrade program (BFU) received \$5.5 million in state funding for the second year in a row. This comes at a time when Alaska’s approximately 400 eligible bulk fuel facilities face mounting challenges from aging infrastructure and increased ocean and river erosion. The current amount of funding does not allow for the timely replacement of existing facilities. The deferred maintenance for BFU is estimated at approximately \$864 million.

Community Turnover and Training Challenges in Rural Workforce: The turnover of trained energy infrastructure operators and managers presents a challenge to the successful operation of utilities, power plants, and bulk fuel facilities. Considerable time and expense are invested into the training of local personnel who often do not continue to be employed in the positions for which they are 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 workforce. New options need to be explored including a secondary operator model, regionalized local circuit rider funding, and contracted operations and maintenance.

Cost Escalations: Project schedules and budgets are affected primarily by 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. Logistical and supply chain challenges have contributed to an approximately 40 percent increase in construction costs.

Maintenance of Rural Infrastructure: Properly maintained energy infrastructure has a useful life of 20 years or more. 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 the Alaska Vocational Technical Center in Seward, Alaska as well as itinerant training in the communities. Currently, the Denali Commission provides almost all of the funding for these efforts.

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 Rural Power System Upgrade program, the unmet deferred maintenance is approximately \$327 million. For the Bulk Fuel Upgrade program, the unmet deferred maintenance is \$864 million. If state and federal funds decline for the Rural Power System Upgrade program critical energy infrastructure that operates and wears out every day will not be built or upgraded, nor will it be optimally maintained. For the Bulk Fuel Upgrade 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.

Weather Disruptions: The September storms in western Alaska affected many communities bulk fuel infrastructure. This in turn may affect the crucial fall delivery of fuel that are relied upon to provide fuel for the winter. While there was fortunately no major environmental damage, infrastructure was damaged in many communities. AEA’s Maintenance and Improvement projects will be focused to mitigate the damage.

Significant Changes in Results to be Delivered in FY2024

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

	FY2022 Actuals	FY2023 Conference Committee	FY2023 Authorized	FY2023 Management Plan	FY2024 Governor	FY2023 Management Plan vs FY2024 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	79.3	104.8	104.8	149.3	149.3	0.0	0.0%
73000 Services	3,606.5	5,255.5	5,269.9	5,225.4	6,496.5	1,271.1	24.3%
74000 Commodities	47.3	48.0	48.0	48.0	98.0	50.0	104.2%
75000 Capital Outlay	6.9	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	3,740.0	5,518.3	5,532.7	5,532.7	6,853.8	1,321.1	23.9%
Fund Sources:							
1002 Fed Rcpts (Fed)	695.3	1,202.0	1,208.6	1,208.6	1,208.6	0.0	0.0%
1004 Gen Fund (UGF)	847.3	847.3	852.2	852.2	1,215.3	363.1	42.6%
1005 GF/Prgm (DGF)	0.0	50.0	50.0	50.0	50.0	0.0	0.0%
1007 I/A Rcpts (Other)	99.5	123.9	124.3	124.3	124.3	0.0	0.0%
1061 CIP Rcpts (Other)	1,250.0	1,767.8	1,769.4	1,769.4	2,727.4	958.0	54.1%
1062 Power Proj (DGF)	490.0	995.5	996.4	996.4	996.4	0.0	0.0%
1108 Stat Desig (Other)	1.1	150.0	150.0	150.0	150.0	0.0	0.0%
1169 PCE Endow (DGF)	356.8	381.8	381.8	381.8	381.8	0.0	0.0%
Unrestricted General (UGF)	847.3	847.3	852.2	852.2	1,215.3	363.1	42.6%
Designated General (DGF)	846.8	1,427.3	1,428.2	1,428.2	1,428.2	0.0	0.0%
Other Funds	1,350.6	2,041.7	2,043.7	2,043.7	3,001.7	958.0	46.9%
Federal Funds	695.3	1,202.0	1,208.6	1,208.6	1,208.6	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 FY2023 Conference Committee To FY2023 Authorized *****												
FY2023 Conference Committee												
	ConfCom	5,518.3	0.0	104.8	5,255.5	48.0	10.0	100.0	0.0	0	0	0
1002 Fed Rcpts		1,202.0										
1004 Gen Fund		847.3										
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										
Transfer Unallocated Rate Adjustments to AEA Rural Energy Assistance												
	Unalloc	14.4	0.0	0.0	14.4	0.0	0.0	0.0	0.0	0	0	0
1002 Fed Rcpts		6.6										
1004 Gen Fund		4.9										
1007 I/A Rcpts		0.4										
1061 CIP Rcpts		1.6										
1062 Power Proj		0.9										
Subtotal		5,532.7	0.0	104.8	5,269.9	48.0	10.0	100.0	0.0	0	0	0
***** Changes From FY2023 Authorized To FY2023 Management Plan *****												
Align Authority with Anticipated Expenditures												
	LIT	0.0	0.0	44.5	-44.5	0.0	0.0	0.0	0.0	0	0	0
Align authorization for anticipated expenditures in the travel line, consistent with the FY2023 Travel Plan.												
Subtotal		5,532.7	0.0	149.3	5,225.4	48.0	10.0	100.0	0.0	0	0	0
***** Changes From FY2023 Management Plan To FY2024 Governor *****												
Executive Health Insurance, SBS, and Risk Management Rate Changes												
	IncM	67.2	0.0	0.0	67.2	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		67.2										
In FY2023 the Office of Management and Budget calculated increments for increases charged to departments for exempt positions health insurance. Through that calculation the Alaska Energy Authority (AEA) was inadvertently excluded. This change adds general fund to support increased costs that will be passed through to AEA.												
FY23 Exempt 5% COLA Increase	IncM	295.9	0.0	0.0	295.9	0.0	0.0	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		
										PFT	PPT	NP
1004 Gen Fund		295.9										
<p>In FY2023 the Office of Management and Budget calculated increments for increases charged to departments for exempt positions salary increases. Through that calculation the Alaska Energy Authority (AEA) was inadvertently excluded. This change adds general fund to support increased costs that will be passed through to AEA.</p>												
Infrastructure Investment and Jobs Act (IIJA) Staff Support (FY2024-FY2027)												
	IncT	958.0	0.0	0.0	908.0	50.0	0.0	0.0	0.0	0	0	0
1061 CIP Rcpts		958.0										
<p>The Alaska Energy Authority (AEA) received multiple capital appropriations in the FY2023 budget related to the Infrastructure Investment and Jobs Act (IIJA) bill. This change adds five positions and associated costs to support IIJA programs. Positions will be funded from capital improvement project receipts received in AEA and passed through to the Alaska Industrial Development and Export Authority (AIDEA) as inter-agency receipts to fund positions.</p> <p>The following positions are added: Full-time Project Manager (08-#059), range 24, located in Anchorage Full-time Project Manager (08-#060), range 24, located in Anchorage Full-time Contracting Officer (08-#061), range 20, located in Anchorage Full-time Senior Accountant (08-#062), range 18, located in Anchorage Full-time Grant Coordinator (08-#063), range 18, located in Anchorage</p> <p>Personal Services in the Services line: \$704.0 (personal services costs reflected in AIDEA) Legal support: \$15.0 Statewide Core Services, \$30.0 per position per year: \$150.0 Office space costs, per year: \$39.0 Commodities costs, \$10.0 per position, one-time: \$50.0</p>												
Totals		6,853.8	0.0	149.3	6,496.5	98.0	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		FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
2000	Travel		79.3	149.3	149.3
Object Class	Servicing Agency	Explanation	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
2000 Travel Detail Totals			79.3	149.3	149.3
2000	In-State Employee Travel	In-State Transportation - Transportation costs for travel relating to administration, meetings, boards and commissions.	73.7	129.3	129.3
2002	Out of State Employee Travel	Out-of-State Transportation - Transportation costs for travel relating to administration, meetings, boards and commissions.	5.6	20.0	20.0

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

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Line Number	Line Name		FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
3000	Services		3,606.5	5,225.4	6,496.5
Object Class	Servicing Agency	Explanation	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
3000 Services Detail Totals			3,606.5	5,225.4	6,496.5
3000	Education Services	Training, educational conferences, agency memberships, tuition, books and fees for work-related courses.	18.8	20.0	20.0
3000	Education Services	Training costs and fees.	142.8	0.0	0.0
3001	Financial Services	Accounting, auditing, management consulting, grantee monitoring, loan servicing and insurance related services.	0.0	10.0	10.0
3002	Legal and Judicial Services	Legal and judicial services, including costs to conduct hearings and transcription fees.	2.6	10.0	10.0
3003	Information Technology	Information Technology - Training, consulting, equipment and software leases, licensing and maintenance.	54.2	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.	9.1	17.6	17.6
3006	Delivery Services	Freight, courier services, and postage.	2.2	10.0	10.0
3007	Advertising and Promotions	Advertising, promotions and legal notices.	13.1	15.0	15.0
3008	Utilities	Electricity, heating fuel, water, sewage and disposal services.	0.1	22.0	22.0
3009	Structure/Infrastructure/Land	Structure, infrastructure and land repairs, maintenance, rentals and	0.0	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	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
3000 Services Detail Totals			3,606.5	5,225.4	6,496.5
		leases.			
3010	Equipment/Machinery	Machinery, furniture and equipment purchase, repairs, maintenance, rentals, and leases.	0.3	10.0	10.0
3011	Other Services	Other professional services.	99.6	100.0	100.0
3011	Other Services	Temporary staffing services.	152.5	0.0	0.0
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	852.2	852.2
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	124.3	124.3
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	62.8	50.0	50.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	39.1	40.0	40.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	3,009.3	3,707.3	4,978.4

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

Component: Alaska Energy Authority Rural Energy Assistance (2600)

Line Number	Line Name		FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
4000	Commodities		47.3	48.0	98.0
Object Class	Servicing Agency	Explanation	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
4000 Commodities Detail Totals			47.3	48.0	98.0
4000	Business	Supplies for office, library, training, and instructional needs, including small equipment, tools and subscriptions.	40.1	42.0	92.0
4002	Household/Institutional	Cleaning, food, and other household supplies.	2.5	2.0	2.0
4005	Building Materials	Building materials, lumber, masonry materials.	3.9	0.0	0.0
4020	Equipment Fuel	Fuel and gasoline.	0.8	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		FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
5000	Capital Outlay		6.9	10.0	10.0
Object Class	Servicing Agency	Explanation	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
5000 Capital Outlay Detail Totals			6.9	10.0	10.0
5004	Equipment	Equipment and furniture.	6.9	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		FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
7000	Grants, Benefits		0.0	100.0	100.0
Object Class	Servicing Agency	Explanation	FY2022 Actuals	FY2023 Management Plan	FY2024 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	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
5002 Fed Rcpts (1002 Fed Rcpts)			695.3	1,208.6	1,208.6
5002 Federal General Government - Miscellaneous Grants		Federal receipts from the Denali Commission and other agencies.	695.3	1,208.6	1,208.6
5005 GF/Prgm (1005 GF/Prgm)			0.0	50.0	50.0
5104 Program Receipts Charges for Services - 3rd Party Collectns		Program Receipts - Third party collections.	0.0	50.0	50.0
5007 I/A Rcpts (1007 I/A Rcpts)			99.5	124.3	124.3
5301 Inter-Agency Receipts		Inter-agency receipts - source not yet known.	99.5	124.3	124.3
5061 CIP Rcpts (1061 CIP Rcpts)			1,250.0	1,769.4	2,727.4
5351 Capital Improvement Project Inter-Agency		Capital Improvement Project Receipts.	1,250.0	1,769.4	2,727.4
5062 Power Proj (1062 Power Proj)			490.0	996.4	996.4
5413 Power Project Loan Fund		Power Project Loan Funds.	490.0	996.4	996.4
5108 Stat Desig (1108 Stat Desig)			1.1	150.0	150.0
5205 Statutory Dsgntd Prgm Rcpts Development - Charges for Svcs		Charges for services.	1.1	150.0	150.0
6169 PCE Endow (1169 PCE Endow)			356.8	381.8	381.8
6815 PCE Endowment Fund - Miscellaneous		Power Cost Equalization Fund receipts for program administration.	356.8	381.8	381.8

Inter-Agency Services (1682)

Department of Commerce, Community, and Economic Development

Component: Alaska Energy Authority Rural Energy Assistance (2600)

	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
Component Totals	3,111.2	3,797.3	5,068.4
With Department of Law	62.8	50.0	50.0
With Department of Commerce, Community, and Economic Development	3,048.4	3,747.3	5,018.4

Object Class	Servicing Agency	Explanation	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
3024	Inter-Agency Legal	Law - Department-wide	62.8	50.0	50.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	39.1	40.0	40.0
3038	Inter-Agency Management/Consulting	Commerce - AIDEA (1234)	3,009.3	3,707.3	4,978.4