



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Environmental Conservation

DIVISION OF AIR QUALITY
Director's Office

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June 23, 2014

U.S. Department of Energy
1000 Independence Ave. SW
Washington, DC 20585

Subject: Support for Alaska Energy Authority Grant Application

To Whom It May Concern:

This letter is written in support of the grant application submitted by the Alaska Energy Authority (AEA) to the Department of Energy (DOE) to support implementation of a Property Assessed Clean Energy (PACE) program in the Fairbanks North Star Borough (FNSB). The FNSB is the 2nd largest metropolitan area in Alaska with over 100,000 people and more than 1,300 privately owned commercial properties currently heating with diesel fuel. The high and unpredictable expense of fossil fuels coupled with our harsh northern climate make the cost of energy a severe burden in the community.

The Interior Energy Project, another energy project being implemented by the state, will expand the availability of natural gas to consumers in the FNSB by 2016. Development of a PACE program can offer an important financing tool to help businesses transition to this less expensive and cleaner burning fuel as soon as possible. The faster the business community is able to convert from diesel to natural gas the sooner residential properties will see the benefits of access to natural gas for space and water heat. The more businesses that sign up for natural gas the better the economics for expanding the distribution system to encompass more residences.

The City of Fairbanks and the City of North Pole, both within the FNSB, are within the EPA-designated fine particulate matter (PM_{2.5}) air quality non-attainment area, meaning they exceed the limit of 35 micrograms/cubic meter for PM_{2.5}. This is a serious concern for public health as well as economic development. Division of Air Quality analysis shows that local emissions from wood stoves, burning distillate oil, industrial sources, and mobile emissions contribute to particulate pollution. Conversion of space heating from diesel to natural gas will improve PM_{2.5} air quality in the FNSB.

In addition to the benefits of reduced heat cost and improved air emissions associated with conversion to natural gas, establishment of a PACE program has the added benefit of creating a tool for financing other types of efficiency measures including lighting and weatherization. Efficiency measures reduce power demand and heating needs that result in less fuel burned and a reduction in PM_{2.5} air pollution.

I encourage the DOE to give favorable consideration to the AEA grant application that will support development of a PACE program in the FNSB. Funds for this effort could be critical in incentivizing businesses to invest in conversion to natural gas in the short run and create a financing mechanism to ease

Clean Air

implementation of additional efficiency measures for years to come. The co-benefits that would result to air quality in the FNSB will help the state and local community to achieve their PM2.5 attainment goals.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alice Edwards".

Alice Edwards
Director