

**ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE**

April 5, 2001

8:08 a.m.

COMMITTEE CALENDAR

OVERVIEW OF THE DENALI COMMISSION [INCLUDING ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA) AND RURAL ACTIVITIES OF THE U.S. DEPARTMENT OF AGRICULTURE]

TAPES

01-17, SIDES A & B

01-18, SIDE A

CALL TO ORDER

REPRESENTATIVE CARL MORGAN, CO-CHAIR, convened the House Community and Regional Affairs Committee at 8:08 a.m.

PRESENT

Committee members present were Representatives Morgan, Meyer, Scalzi, Murkowski, and Kerttula.

SUMMARY OF INFORMATION

[Mr. Jeff Staser's handout dated April 5, 2000, was distributed to the committee and included in the committee packet.]

MR. JEFF STASER, Federal Co-Chair, Denali Commission, testified via teleconference. Mr. Staser gave an overview of the Denali Commission activities this year. The commission has a budget of \$65 million and of that amount, \$20 million is going into a health initiative for clinics and sub-regional hospitals and similar facilities. The commission is working from a steering committee list of recommendations. Both repair and new construction will be accomplished this summer.

The other main theme of the commission's activities is energy and power projects. This started in 1999 and has two years of construction experience. To date about \$30 million in federal funds have been moved to the State of

Alaska (Alaska Industrial Development and Export Authority).

The commission has started a new partnership with the Alaska Village Electrical Cooperative (AVEC) and has moved \$18 million for 24 separate projects.

MR. STASER thanked the legislature for its interest in Denali Commission projects.

REPRESENTATIVE MURKOWSKI asked Mr. Staser to comment on statewide energy planning.

MR. STASER said not having an energy plan has presented problems for the Denali Commission who is available to help facilitate a plan, and be guided by a plan. The Denali Commission must proceed regardless of plan status, but he shared his frustration of not having a plan.

[Mr. Robert Poe, Executive Director, AIDEA and Alaska Energy Authority distributed a handout titled "Alaska Energy Plan Outline and Status, April 2, 2001, and is included in the committee packet.]

MR. ROBERT POE, Executive Director, AIDEA and Alaska Energy Authority (AEA), gave an update on the upcoming construction season, including some projects that will be completed in 2002. He said the actual numbers of completed projects are an improvement over past years. This is possible in large part to being able to partner with the private sector. According to Mr. Poe, there are a tremendous amount of projects yet to be done in Rural Alaska.

MR. POE commented on Representative Murkowski's energy plan question and said it gets to the heart of all issues, and gave a brief overview (beginning in 1999) of the statewide energy planning process, including the mutual activities of the Denali Commission, U.S. Department of Agriculture (USDA) Rural Development, and AIDEA.

MR. POE covered the recently completed Rural Utility Condition Assessments during the past year.

MR. POE informed the committee that AEA has proposed a request for proposal process to identify cost reduction projects in Rural Alaska.

REPRESENTATIVE MURKOWSKI asked Mr. Poe about the timing of a statewide energy plan.

MR. POE responded that he doesn't know when it will be completed, but there are some pieces already in place and provides a great place to start.

MR. POE, in response to Co-Chair Meyer, explained the history of the formation of the Railbelt Energy Fund.

CO-CHAIR MEYER asked Mr. Poe about whether Alaska should be taking a more aggressive role in the gasline project.

MR. POE replied that both coal and gas can be combusted cleanly. He deferred to the Governor on the gasline questions.

REPRESENTATIVE MURKOWSKI and MR. POE exchanged questions, answers, and comments on Railbelt energy needs.

REPRESENTATIVE MORGAN asked Mr. Poe for an update on the 4-Dam Pool sale because it has a big effect on Power Cost Equalization (PCE).

MR. POE replied it is a high priority to get the issues resolved and the sale completed. He believes the job can be done by the end of the year.

MR. POE, in response to Co-Chair Morgan, replied that, to his knowledge, there are no utilities in Alaska that have not been subsidized; there are subsidies on a regular basis. He discussed several examples of projects that were built with state funds and public subsidies.

REPRESENTATIVE KERTTULA asked about the future of electricity and bulk fuel projects as opposed to the bigger energy projects.

MR. POE replied that the screening analysis illustrates the need to focus on localized energy use, and the need to use all of the energy efficiently.

[Dr. Sheila Selkregg, State Director, Rural Development, distributed a handout entitled "Efficient Management, Maintenance and Operation of Rural Alaska Utilities

(electric, water, sewer, bulk fuel, solid waste)", which is also included in the committee packet.]

DR. SHEILA SELKREGG, State Director, Rural Development, USDA. Presented an overview of USDA's programs. The issue for USDA is that the department spends about \$100 to \$200 million on public infrastructure in rural Alaska. The administrators felt there is a crisis in terms of operation, management and sustainability, and thus they were seeing a significant failure rate. Therefore, it was too expensive for them not to participate or support a strategy in rural Alaska regarding operation and maintenance. This was about the same time the Denali Commission was discussing the same issue, so USDA partnered with them and with AIDEA on an energy plan. Dr. Selkregg went on to cover USDA's specific involvement and findings in the process, which are covered in the handout.

REPRESENTATIVE MURKOWSKI said she appreciated Dr. Selkregg's perspective and commented in detail about the state's focus on building facilities. She also noted her appreciation of Dr. Selkregg's presentation on management and maintenance.

CO-CHAIR MORGAN related his experiences with water/wastewater facilities being built in rural villages without the input of the village.

There was further dialogue between Dr. Selkregg and Co-Chair Morgan on community involvement and management structure.

REPRESENTATIVE MURKOWSKI commented on the need for training.

DR. SELKREGG related some of her recent experience on the subject.

MR. STASER interjected that all Denali Commission projects must include 10 percent of the funds for training, management, bookkeeping, et cetera. Also a memorandum of understanding (MOU) has been signed by all federal agencies and all state commissioners to work together on community-based plans that are regionally supported. The MOU also expresses the need to share data so that communities know what is going on, when it is going on, and where its going on. Contractors want to know where the trained work force

is. This is all based on the community-based plan that Dr. Selkregg and her team has helped to develop and produce.

DR. SELKREGG reiterated that from a federal perspective there has been a great benefit for federal agencies to have the Denali Commission set the expectations that all parties work together. Also the relationship between the State of Alaska and the Denali Commission is a powerful one.

REPRESENTATIVE MURKOWSKI asked Mr. Staser if Alaska can likely count on receiving \$65 million in future years.

MR. STASER replied that Alaska cannot count on it and that he is soon going to Washington for an investigative hearing to explain what is being done with these dollars. The President has budgeted \$30 million for this year, which is a base line anticipated amount. Estimates of what will be appropriated range from \$30 million to \$150 million based on how well the case is made. Health and energy are two areas where this federal administration's major thrust lays.

DR. SELKREGG added that USDA normally asks for a 50 percent match for grant money, but in Alaska they ask for a 25 percent match, so Alaska is already at a benefit above other states. However, Dr. Selkregg noted that at times it is difficult to get that 25 percent match.

REPRESENTATIVE MORGAN inquired as to whether the USDA would take the match in-kind.

DR. SELKREGG replied that they would take it in-kind and this year there is a potential \$50 million in community facility money that they are working hard [to obtain]. She expressed the hope that Alaska will be sophisticated enough to build infrastructure.

ANNOUNCEMENTS

There were no announcements.

COMMITTEE ACTION

There was no committee action.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:58 a.m.

NOTE: The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2214, and after adjournment of the second session of the Twenty-Second Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.