

**2-08-09**

**Alaska Energy**

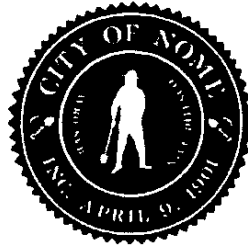
**Authority**

**Statewide Energy**

**Report, Nome**

**Testimony**

<target><bill></bill><subject>2-08-09 Alaska Energy Authority  
Statewide Energy Report, Nome  
Testimony</subject><comm>HENE26</comm></target>



## 2009 LEGISLATIVE PRIORITIES PRESENTED TO THE STATE OF ALASKA



September 1955  
Photo Courtesy of the Carrie M. McLain Memorial Museum

~ Carrie M. McLain, Nome City Clerk-Treasurer, 1943-1957 ~

Carrie was the first woman to be elected City Clerk and kept Nome's records safe during her tenure. After retirement she made collecting and preserving Nome's history her top priority. Nome's Museum is named in her honor.

*"There's no place like Nome"*

**City of Nome, Alaska  
2009 State Legislative Priorities**

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**City of Nome, Alaska**  
Denise Michels, Mayor

**Nome Common Council**

Stan Andersen  
Jerald Brown  
Neal Foster



Mary Knodel  
Jon Larson  
Randy Pomeranz

**Nome School Board**

Gloria Karmun, President  
Betsy Brennan    Barb Nickels  
Albert McComas    Kirsten Timbers

**Nome Joint Utility Board**

Jim West, Jr., Chairman  
Carl Emmons    David Barron  
Fred Moody    Berda Willson

**Nome Planning Commission**

Irene Anderson, Chairman  
Jerald Brown    Tom Sparks  
Gregory Smith    Charlie Weiss  
James Adams    Jeff Darling

**Nome Port Commission**

Jim West, Jr., Chairman  
Charlie Lean    Jim Rowe

**Personnel**

Josephine Bahnke, City Manager	Caroline Kauer, City Controller
John Handeland, Utility Manager	Rick Luthi, Superintendent of
Sandy Babcock, City Clerk	Schools
Dallas Massie, Interim Police Chief	Wendy Chamberlain, Lobbyist
Brooks Chandler, City Attorney	Larry Markley, Lobbyist



# CITY OF NOME

*Celebrating 100 Years of Gold Rush History*

Incorporated April 9, 1901

January 20, 2009

The Honorable Sarah Palin, Governor  
The Honorable Gary Stevens, Senate President  
The Honorable Mike Chenault, Speaker of the House

**Subject:** 2009 State Legislative Priorities for the City of Nome, Alaska

**Dear Fellow Alaskans:**

The City of Nome is pleased to provide you with its 2009 State Legislative Priorities. The Nome Common Council conducted meetings with Citizens, Boards and Commissions and adopted resolutions endorsing the capital projects and position statements for inclusion in this session's Legislative Priorities package.

We find ourselves with the strong will to continue investing in our community. Nome desires to improve our economic base and to pursue and develop long-range projects that will provide stable employment for our Citizens. Nome's aggressive approach to move forward is evidenced by seeking projects that will improve the quality of life for the Citizens of Nome, our welcomed visitors and for the surrounding villages, who view Nome as the center for many of their needs.

We work closely with our local partners to diversify and strengthen our economy. We do seek State assistance to help us meet the demands and needs of our citizens.

We seek the State of Alaska's assistance and support for Capital Projects and Legislative Positions contained within this document. The City has prioritized the following capital projects for consideration:

1. Water and Sewer Infrastructure Improvements; and
2. Carrie M. McLain Memorial Museum Construction.

The City has identified other issues of importance to the community meriting state consideration:

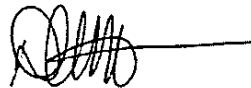
- A. Nome City Community Infrastructure;
- B. Nome School Capital Improvements;
- C. NJUS Power Generation Issues;
- E. Alaska Army National Guard Readiness Center;
- F. State Office Building;

- G. Pioneer/Veterans Home in Northwest Alaska;
- H. Norton Sound Health Corporation Detoxification Center;
- I. State Fiscal Issues; and
- J. Department of Transportation Planning.

We will actively promote State assistance for these items through our lobbyist, Ms. Wendy Chamberlain. She will be able to assist you on these projects and can describe our need and interest for the projects included within the Legislative Priorities. The City's staff and I are available and eager to provide additional information to you and your staff. If I can be of any assistance, please do not hesitate to call me at 443-6610 or Ms. Josie Bahnke, City Manager at 443-6600.

We thank you for your continuous support and consideration of our 2009 Legislative Priorities.

Sincerely,  
CITY OF NOME, ALASKA



DENISE MICHELS  
MAYOR



Presented by:  
Mayor  
Action Taken:  
Yes 5 No 0  
Abstain 0

**CITY OF NOME, ALASKA**

**RESOLUTION NO. R-08-12-03  
A RESOLUTION ENDORSING PROJECTS AND POSITION STATEMENTS  
FOR THE CITY OF NOME 2009 STATE LEGISLATIVE PRIORITIES**

**WHEREAS**, a public hearing and joint work session of the Nome City Council, Nome Joint Utility Board, Nome School District Board, Nome Planning Commission, and Nome Port Commission was held in Nome, Alaska on Wednesday, November 19, 2008; and,

**WHEREAS**, it is with unanimity that the following prioritized projects are considered worthy of advocacy to State of Alaska legislative and administrative leaders:

Priority #1- Water and Sewer Infrastructure Improvements;

Priority #2 - Carrie M. McLain Memorial Museum Construction; and,

**WHEREAS**, it is with unanimity the following Community Infrastructure items are considered worthy of advocacy to State of Alaska legislative and administrative leaders:

Nome City Community Infrastructure:

- Remodel Recreation Center for Emergency Shelter Services
- Extension of Steadman Street to the By-pass Road for Future Community Development
- Covered Multi-Use Recreational Structure
- Construction of Consortium Library with the University of Alaska;

Nome School Capital Improvements:

- Fire Alarm Facility Upgrade – Part B
- Nome Elementary School Hot Water Boiler System Replacement
- Nome Elementary School Gym Floor Replacement

NJUS Power Generation Issues:

- Develop Alternative Energy Production Sources, including Geo-Thermal and Energy Storage Technology
- Protection/Relocation of Electrical Distribution Facilities in Flood Prone Areas
- Expand Eligibility and Maximum Loan Limits for Participation in State Revolving Bulk Fuel Loan Fund;

**WHEREAS**, it is with unanimity that the following legislative position statements are supported by the City of Nome and considered worthy of advocacy to State legislative and administrative leaders:

Alaska Army National Guard Readiness Center;

State Office Building;

Pioneer/Veterans Home in Northwest Alaska; and,

Detoxification Center

WHEREAS, it is with unanimity that the following legislative position statements are supported by the City of Nome and considered worthy of advocacy to State of Alaska legislative and administrative leaders:

State Fiscal Issues:

- Support for the Municipal Revenue Sharing Program
- Support for PERS/TRS Liability Funding and Establishment of a Program to Insure a Sustainable Retirement System
- Support to Expand the PCE Program to include Municipal Facilities, Schools, Health Facilities and Commercial Enterprises not Eligible Under Existing Law
- Long Range Community/ Infrastructure Development Nome Airport Master Plan
- Support of Transportation Infrastructure Funding
- Support of DOT/PF Northwest Alaska Access Study
- Support of the Development of the State of Alaska's Renewable Energy Resources and the Continuance and Expansion of Programs that Increase End-Use Conservation and Energy Efficiency


NOW, THEREFORE, BE IT RESOLVED that the Nome City Council endorses the aforementioned items for inclusion in the City of Nome 2009 State of Alaska Legislative Priorities Package.

APPROVED and SIGNED this 22<sup>nd</sup> day of December, 2008.



DENISE MICHELS, Mayor

ATTEST:



SANDY STURGIS-BABCOCK, City Clerk/Treasurer



## Develop Alternative Energy Production Sources Including Geothermal and Energy Storage Technology

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Diesel-powered generation is the primary source of electricity for distribution to the Nome area. The volume of diesel fuel required, combined with the maritime freight cost associated with its delivery to Nome, results in a high production cost, nearly 300% of the National average; a family's electric bill in Nome can easily cost double that of electric service in larger metropolitan areas of the state. Seeking alternative methods of power generation to reduce reliance on diesel and the associated extreme energy costs is a high community priority. Native corporations have installed wind generation and the City utility is seeking to increase wind capacity through construction of additional wind generation.

In collaboration with DOE's National Energy Technology laboratory (NETL) and the Alaska Energy Authority, a Nome Region Energy Assessment analyzed options available to Nome for electric power production and space heating, and reviewed options available to reduce the dependence on diesel generators. The study considered various alternatives, including coal, natural gas, geothermal and wind. The most promising option was wind generation to supplant some of the power produced by diesel fuel. The City's Nome Joint Utility System (NJUS) committed local funds and with cooperation by Alaska Energy Authority, wind-monitoring sites were established – and data used to develop the Native corporation farm. Additional data is being collected to confirm previous data collections for the planned City addition. In the construction of a new power generation facility for the community, switchgear and other requisite control technology was incorporated to allow the addition of wind generation in the future.

The wind study model was comprised of adding 3 megawatts. At a projected cost of \$15 million, Alaska Energy Authority's evaluation assigned a benefit/cost ratio of 2.38. It is estimated that 400,000 gallons of diesel fuel can be displaced on an annual basis. AEA has recommended the City's Newton Wind Farm for funding under the State's Renewable Energy Grant Program.

The City believes additional energy storage technology must be included to achieve the maximum benefit and opportunity for additional savings. A battery energy storage component is being investigated.

A geothermal site at Pilgrim Hot Springs may provide additional opportunity to convert electrical generation from diesel. Additional investigation and confirmation is required to determine potential production that could be available. If viable, use of this site by Nome would require the construction of a 50 mile transmission line.

### **Recommendation:**

The City of Nome requests state and federal agencies' support and financial assistance to install wind generation and energy storage technology, and to continue evaluation of other alternatives, including geothermal potential.

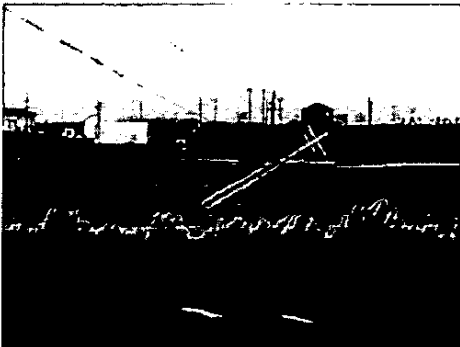


## Protection/Relocation of Electrical Distribution Facilities in Flood Prone Areas



Existing overhead power distribution lines are threatened with destruction by storms, ice, and coastal erosion. Failure or destruction of these primary electrical distribution lines has potential to plunge the entire community into the dark, jeopardizing the health and welfare of Nome's citizens and puts other community and utility infrastructure in peril. A high priority of the community is to relocate and reconstruct these primary electrical distribution feeders from

overhead distribution lines that cross aerially to lines that are buried under the Snake River.



All main distribution feeders from the power plant route aerially over the Snake River. In fall storms (2004 and again in 2005) the river banks eroded and put these power distribution feeders in peril. Emergency repairs were done to stabilize the structures; however, a permanent fix or alternative is a high priority to insure continued uninterrupted power distribution to the entire community. This critical need is identified in the 2006 All-Hazards Mitigation

Plan Update submitted to the US Department of Homeland Security/FEMA.

The interruption of power service in the community can result in immediate hazards to public health, which can be exacerbated during winter months. The community's water and wastewater systems are also heavily dependent on electricity, which if lost results in sewage disposal pumps not functioning, and if for any appreciable duration would allow manholes to fill and overflow untreated sewage onto streets. Water wells to supply the community are dependent on electricity to bring water to town, and because of freezing potential, it must be constantly circulated.

Routing the feeders under the Snake River will mitigate the potential for interruption of the power supply by removing existing infrastructure from locations within the flood plain that are subject to coastal erosion, seasonal sea storm surges, floating debris and ice flows during annual seasonal breakup of the Snake River.

### **Recommendation:**

The City of Nome requests \$3 million in state and federal assistance to allow relocation of the facilities in peril from flooding and erosion.



## Expand Eligibility and Maximum Loan Limits for Participation in State Revolving Bulk Fuel Loan Fund

Rural communities must purchase fuel for electric generation for an entire year during open shipping seasons. Because of the short window, communities are often saddled with higher costs throughout the year, with no ability to make periodic multiple purchases to take advantage of any favorable price fluctuations.

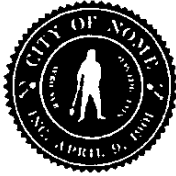
The Legislature established the Bulk Fuel Revolving Loan Fund (AS 42.45.250) for the purpose of assisting communities in purchasing bulk fuel supplies. However, the program is limited to communities with a population under 2,000 and a maximum loan amount of \$750,000 per fiscal year. Interest rates vary – generally no interest on the first loan, 5% on the second, and at a rate based on average weekly yield of municipal bonds in subsequent years.

With the recent financial market crisis, it has become more difficult for communities to arrange commercial financing for the required annual purchases. Higher fuel costs or other community bonding requirements can result higher interest rates on fuel borrowings when a community requirement exceeds \$10MM and, therefore, does not receive “bank qualified” tax exempt interest rates.

### **Recommendation:**

The City of Nome recommends the Legislature allow larger Alaska communities to participate in the Bulk Fuel Revolving Loan Fund:

- By amending AS 42.45.250 to:
  - Increase population threshold (to at least 7,500)
  - Increase maximum loan amounts (to fully fund a community’s annual fuel purchase requirement: at least \$10,000,000; loan aggregation: larger communities may require more than one fuel delivery based on barge capacity or scheduling)
  - Reduce or eliminate interest rates (“application fee” and “origination fee” could still apply)
  - Allow repayment on a flexible installment (equivalent to consumption – “pay as you take”)
  - Allow longer repayment terms (over up to 16-18 months: depending on summer delivery schedules, a community’s fuel purchase may need to be for more than 12 months to avoid running out if barges are delayed, etc. [For example: year one delivery occurs in June and perhaps year two delivery cannot occur until August or September.])
- By providing additional capitalization to the Fund to insure sufficient corpus exists to meet potential borrowing requirements of all eligible communities.



**Support to Expand the PCE Program to include  
Municipal Facilities, Schools, Health Facilities and  
Commercial Enterprises not Eligible Under Existing Law**

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Energy costs throughout the community of Nome are creating significant financial burdens for many residents and businesses. The fuel distributors purchase fuel at a contract price that remains fixed even when prices fall. Our City, school district, hospital and businesses are facing increasing difficulty meeting energy expenses. The high cost of fuel for space heating and electricity generation threatens the stability of our community.

The State of Alaska administers the Power Cost Equalization (PCE) Program to provide residents relief from burdensome fuel costs, thereby providing for community stability and economic relief. In 2008, the Alaska Legislature amended the PCE program by raising the eligibility ceiling to \$1.00 per kilowatt-hour for one year.

Although energy prices have plummeted nationwide, rural Alaska has no hope of seeing any benefit until current fuel supplies that had to be received prior to winter freeze-up are exhausted. Most rural Alaskans will continue to pay high fuel costs well in to summer or beyond.

**Recommendation:**

The City of Nome urges the Governor and the Alaska Legislature to expand the Power Cost Equalization Program to include all municipal facilities, school districts, hospitals and health facilities and commercial enterprises with an appropriate increase in the 70 Kwh per capita credit used to calculate the subsidy, and provide comprehensive assistance to eligible communities.

The City of Nome believes that the expanded PCE program should provide short-term relief from burdensome energy costs and be phased out if energy costs fall.

Further, to provide the necessary relief right now – the expanded program needs to be effective as soon as possible (or even retroactive to October 2008).



**Support of the Development of the State of Alaska's Renewable Energy Resources and the Continuance and Expansion of Programs that Increase End-Use Conservation and Energy Efficiency**

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The increased volatility in the price of oil, and the resulting uncertainty, is the cause for great alarm among Alaska's residents, businesses and public entities. Future sustainability of communities and the state as a whole depends upon the development of renewable energy resources, increasing the efficient use of energy, and increasing the widespread use of conservation measures.

Alaska is blessed with abundant renewable energy resources including wind, geothermal, hydroelectric, biomass, solar and in-water (tidal, wave, river) resources. Substantial energy savings for households, businesses and local governments will result from new and retrofitted energy-efficient buildings, appliances and heating systems.

The state's and the nation's energy security is enhanced to the extent that imported fossil fuel is replaced with renewable energy sources and energy conservation. It is both timely and urgent to reduce our dependence on fossil fuels. It is within the State's ability to implement and expand renewable energy and energy conservation programs, and see that the Alaska Gasline is constructed.

**Recommendation:**

The City of Nome urges the Governor and the Alaska Legislature to:

- Expand a fully-funded Home Energy Rebate Program to include business and industry;
- Continued funding for the Low Income Home Weatherization Program;
- Continue to provide Renewable Energy Grant funding assistance to expand the percentage of energy produced in the state from renewable and alternative sources, particularly in high-cost regions such as Nome and the Bering Straits;
- Create funding incentives for utilities, including municipalities, to develop alternative resources;
- Create a regulatory environment which will encourage development of alternative and renewable energy;
- Provide funding assistance to all new and retrofitted public buildings to meet certified energy efficiency standards; and
- Coordinate regional energy planning to promote efficiencies;
- Construct the Alaska Gasline to reduce dependency on imported fuel.