

ALASKA LEGISLATURE COMMITTEE FILES 2007 2000
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eligible for payment in FY 2007. Since a \$30 per barrel increase in oil price in 2008 translates into a roughly 10 per kwh increase in power cost—no wonder the shortfall in the PCE was \$9 million. ^(cents)

- If the average cost for PCE eligible utilities was just over 41 cents per kwh in FY 2007, the doubling or more of diesel prices will result in power costs for many qualifying utilities that will significantly exceed the 52.5 cents cap now in the statute. This dramatically increases power rates to rural consumers relative to urban regions of the state. This will be particularly economically devastating in many areas since many of these rural consumers there are low income residents.

The governor has proposed a short term solution to take care of the fuel price escalation this year in the form of direct electricity cost relief in the form of a grant to each electric utility equal to their 2007 energy usage for each rate class time 8.29 cents per kilowatt hour at a projected cost of \$475 million. One medium term solution to this problem would be to index half of the 52.5 cents per kwh PCE payment formula cap to changes in oil prices. In FY 2007, just over half of the cost of power generation in FY 2007 was accounted for by fuel cost. This approach relies on two basic relationships.

1. Changes in oil prices directly affect changes in the price of fuels made from that oil. When oil prices go up so do gasoline and diesel prices. Although exact, this relationship is highly correlated.
2. When oil prices go up, as long as they go up faster than oil production in Alaska goes down, State revenues go up.

The index could take the form of the following:

Monthly Max PCE Eligible Cost Basis = 52.5 cents per kwh plus an amount equal to .213 multiplied by the Fiscal Year-to-Date Average Alaska North Slope Price as reported by the Alaska Department of Revenue.

.213 is a fraction equal to one half of 52.5 cents per kwh or 26.25 cents per kwh divided by \$61.63 per barrel, the price of oil in FY 2007 according to the Alaska Department of Revenue.

ANS Price = West Coast ANS Spot Price as tracked by the Alaska Department of Revenue

Fiscal Year-to Date Monthly Average Oil Price = sum of monthly oil prices to date divided by number of months to date.

Using the fiscal year to date average monthly price is a way to smooth out monthly changes in oil prices and will by year's end automatically result in a formula adjustment that will reflect the annual change in oil prices from the base year of FY 2007.

The following is an example of calculation of the monthly average price to date over the first 3 months of the fiscal year and the resulting PCE Cap/kwh for October:

July Price = 145
August Price = 130
September Price = 80

Sum of Prices Year to Date = 145+130+80
Sum of Prices Year to Date/3 months = 355/3
Year to Date Average Price = 118.33

Change in PCE Max/kwh for October = 52.5 + .213 * 118.33
= 77.07 cents per kwh

Advantages of this approach:

1. It is administratively simple
2. It is directly correlated with the predominate variable cost in generating power
3. The information on oil prices used to make the adjustment are transparent and readily available.
4. When oil prices are high State revenues will be high in an environment where critical energy costs to state residents are also high so that increased funding for the PCE is not only an appropriate policy it is one that is affordable.

Clearly in the long run, with ANS Oil production falling, programs to increase use of alternative sources of energy as well as conservation and development of new sources of oil and gas will be needed to ensure affordable power to the citizens of the State.

Fiscal Impact on Program

A precise estimate would need to be calculated at the utility level. A simpler big picture measure would be to calculate an estimate by aggregating the costs for all the PCE eligible utilities as if they were a single entity. In this case the added costs to the program of indexing the cap would be as follows.

Estimate of Cap Index proposal effect on program cost as if all costs aggregated into a single entity

ANS West Coast Oil Price	Added Program Cost
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\$140 per barrel	\$13,500,000
\$130 per barrel	\$10,600,000
\$120 per barrel	\$ 7,700,000
\$110 per barrel	\$ 4,700,000
\$100 per barrel	\$ 1,800,000
\$ 90 per barrel	\$ 0.0

Obviously this is a conservative estimate since aggregating averages out utilities with costs significantly above the cap. This is why at prices below \$90 there is no estimated program cost.

Technical Testimony for an HB 4002 amendment to establish a home heating fuel equalization program.

heating fuel

An amendment that would provide for 500 gallons of heating fuel to eligible Alaskan residents at a price equal to the british thermal unit equivalent price of heating fuel available to Alaskan urban residents. - Anch Fairbanks, Juneau

AS 47.25 is amended by adding new sections to read

Article 3C. Alaska Heating Cost Equalization Program

Sec. 47.25.xxx The Alaska heating cost equalization program is established in the Department of Health and Social Services to provide for an annual home heating cost equalization for Alaska residents with heating costs higher than the average heating oil costs of residents of the railbelt communities to the extent funds are appropriated by the legislature for that purpose.

Sec 47.25.xxx An individual is eligible for home heating cost equalization under the Alaska home heating assistance program if the individual

1. is a resident of an area of the state with home heating costs higher than the average cost in urban Alaska;
2. is physically present and resides in a home in the state when home heating costs are incurred;
3. meets other eligibility requirements specified in regulation adopted under AS 47.25.62

Sec.47.xxx Annual home heating cost equalization

1) The annual home heating cost equalization payment is calculated as the difference between the cost of the heating equivalent of 500 gallons of diesel heating fuel paid by a qualified household as measured in british thermal units (btu's) and the average cost of the same quantity of btu's in the Anchorage, Fairbanks, and Juneau averaged over the months of July, August, and September of the year in which the heating fuel is purchased.

(b) The Department shall establish the requirements for applying for and receiving the home heating cost equalization payment

Analysis of the Amendment

* Home heating equalization

This amendment is intended to provide a minimum "lifeline" amount of heating fuel to Alaskans who do not live in urban Alaska. The program would require a general fund appropriation every year and would not be supported by an endowment or other state fund established for this expenditure.

The calculation of the eligible payment would require collection of heating fuel information on fuel type and price from various sources in Anchorage, Fairbanks, and Juneau including gas and electrical utilities as well as fuel oil dealers. For simplifying purposes, propane dealers as well as wood lots and coal yards in these cities would be ignored. In most parts of the state the program would be run through the fuel oil distributors, much like the Low Income Home Energy Assistance program but would bill their customers the urban average and the state for the difference between the market price and the average.

AFN's Priorities for the Special Session on the Energy Crisis

Alaskans, especially in our rural communities, are experiencing an energy crisis unlike anything that we have seen in the past, and it is not likely to improve in the short-term. Oil prices are at an all-time high – in some villages the cost of fuel oil has gone as high as \$10 per gallon. A village home can use four or five 55-gallon drums of oil for heating each month during the winter months (a total of \$2,000 per month in Arctic Village, for example). With gasoline prices reaching above \$7.50 per gallon, many families and individuals are having difficulty getting to fish camp this summer in order to harvest next winter's food; and this will be true of hunting in the fall and winter months. In short, the current energy crisis threatens the very survival of our rural villages.

AFN at its May Board meeting passed a resolution urging Governor Palin and the State Legislature to adopt a long-term energy policy for the State, covering all regions of Alaska. Such a plan should have as its overall goal the equalization of energy costs for all Alaskans. It must also provide additional funding for long-term development of alternative energy resources and conservation measures and provide immediate relief through measures that will help individuals deal with the rising cost of energy.

With those goals in mind, AFN has developed a matrix that sets forth a number of ideas for addressing the current crisis and for developing long-term programs/projects that will lessen our dependence on fossil fuel. Our top five recommendations for the Governor and the Legislature are as follows:

1. Strengthen the Power Cost Equalization Program by fine-tuning its mission, adding more resources and expanding the eligibility requirements;
2. Buy down debt of rural utilities in order to reduce costs passed on to consumers and include a price cap on fuel stock purchased prospectively.
3. Expand and support bulk fuel purchasing, transportation and cooperative purchase agreements.
4. Provide a family fuel subsidy to help meet the immediate crisis.
5. Make a sizeable investment in projects that promote renewable/alternative energy and conservation. The high cost of fossil fuel is not going to go away, so we need to start investing in alternative/renewable energy now.

Written testimony for 2008 Special Session on Energy

Prepared and given by Jason Metrokin, Director of Shareholder & Corporate Relations, Bristol Bay Native Corporation

July 23, 2008

Chair/Co-Chair, Members of the committee,

Thank you for the opportunity to address the committee on behalf of Bristol Bay Native Corporation.

My name is Jason Metrokin, I live in Anchorage and am a BBNC shareholder. As Director of Shareholder & Corporate Relations for BBNC, I am testifying on behalf of the Corporation.

BBNC supports House Bills 4002 and 4003 relating to the \$1,200 energy rebate and Power Cost Equalization. We understand the steep cost in fuel prices and home heating costs are a matter of rising oil prices worldwide. When we notice the painful price of gas at the pump in Anchorage, you can bet that village residents in rural Alaska are being impacted far greater. And so are their communities as a whole.

Alaska has entered into an energy crisis. Some of you have heard from Bristol Bay residents for several years that the cost of energy is public enemy #1. I urge you to recall that statement and take action now, on legislation that has been an underlying problem for many years already.

From a remote village perspective, residents in South Naknek - in Bristol Bay, are anticipating annual home heating, fuel and utility costs at \$18,000 - \$20,000 in the coming year. A recent white paper from ISER supports this notion and adds that Alaska households overall in 2008 are paying 70% more for home energy and fuel than in 2006 and 180% more than in 2000.

The proposed \$1,200 energy rebate is a helpful policy decision but one that only helps keep many residents afloat. While this may be a short term solution to get people through the winter, Anchorage and other urban centers are not prepared for the migration of rural residents should they be forced out due to the high costs of village life.

Last year in Manokotak - another Bristol Bay village, residents were forced to fly fuel in by airplane, springing prices up beyond \$7/gallon. Should airlifts be needed again this fall, that price could climb to near \$12/gallon.

BBNC shareholders and Bristol Bay residents are beneficiaries of the Power Cost Equalization program. We ask that you consider an amendment to PCE that allows for indexing the current \$.52 ½ per kwh cap, to meet fluctuations in North Slope/West Coast oil prices on a monthly basis. This would allow for appropriate equalization of power costs that keep in line with the dramatic rise in oil prices.

This medium term solution recognizes that when the cost of fuel increases due to the price of oil, so do State revenues that provide for increased funding of PCE.

Bristol Bay Native Corporation has supported energy solutions for our region over the years. We participated in wind studies in several communities with the help of the U.S. Department of Energy. While there is hope for wind energy in our region, it is not happening over night.

We've engaged in conversations with Naknek Electric on their geothermal project and have toured Bristol Bay gaining an understanding of the alternative energy options that are realistically on the horizon. Our biggest problem is just that, it will take some years to get these projects beyond feasibility and into development for lowering energy costs.

As an ANCSA for-profit corporation, we have joined forces with our regional non-profit, regional health corporation, housing authority, CDQ group and the Lake and Peninsula and Bristol Bay Boroughs to form a regional Bristol Bay Partnership. This group has come to the table to address these and other energy solutions for our region in conjunction with the statewide leadership of the Alaska Federation of Natives. We again have addressed energy as the #1 problem.

I urge you to support HBs 4002 and 4003 and to consider an amendment to HB 4003 as it pertains to indexing the current \$52.5 per kwh cap to meet fluctuations in oil prices.

(hard copy amendment language)

Thank you for your time.

First Alaskans • Institute

**HB 4002:
Testimony
and
Supporting Research Note**

Janie Leask
President & CEO

July 2008

First Alaskans Institute

Testimony on House Bill 4002
Janie Leask, President & CEO
July 2008

Thank you for the opportunity to testify regarding House Bill NO. 4002 - The Alaska Resource Rebate Program.

My name is Janie Leask. I'm President/CEO of First Alaskans Institute, a statewide Alaska Native 501(c)(3) non-profit organization whose mission is to *advance Alaska Natives through community engagement, information and research, collaboration, and leadership development.* First Alaskans has three major focus areas – leadership development, community investments and public policy research for, and on behalf of, Alaska Native Peoples through the Alaska Native Policy Center. I'm here today in support of this legislation which provides eligible Alaskans the opportunity to receive a payment of \$1,200 to help offset energy costs.

In light of the energy crisis in rural Alaska and its detrimental effect on the well-being of rural residents, Native and Non-Native alike, households, and key infrastructure, FAI fully supports HB 4002 and believes it will be of great assistance to Alaskans by the "First Frost" (winter freeze up).

When I refer to "rural" in this testimony, it's important to recognize the term "rural Alaska" encompasses both Native and non-Native people with non-Natives making up the majority (60%) of the population.

It's imperative that we as a state make the investment in short-term aid while looking for long-term solutions to our current situation because our communities will be facing immediate problems once the first frost occurs. I'd like to take some time to speak to this crisis, and the information First Alaskans has put together. We've collected and analyzed data and information from seven villages across the state. This data describes the state of economic conditions in rural Alaska and provides a comparison to urban Alaska, using Anchorage as a baseline.

Through our snapshot we have verified the obvious for those familiar with rural Alaska – economic conditions in rural Alaska are under-developed while the cost of living is high.

Economic conditions in rural Alaska are under-developed

Rural Alaska is largely remote, disconnected from the road system, and faces extreme and changing environmental conditions. Villages in rural Alaska have an underdeveloped cash economy and a high unemployment rate - May 2008 Department of Labor data shows that 17 out of 27 Boroughs and Census Areas have unemployment above the state average of 6.7 percent, and with some like the Wade Hampton Census Area, it's as high as 22.6 percent.

The Median Household Income for these seven communities surveyed is well below that of Anchorage and the state average. Conditions are compounded by the high cost of energy, transportation, and the high cost of living.

The Cost of Living in rural Alaska is high.

The staff of our Policy Center researched the cost of fuel, gas, energy consumption, and cost of goods, in villages of Emmonak, Elim, Grayling, Kiana, Old Harbor, Stebbins, and Togiak. These communities were randomly selected and are located in various regions of the state. Although each community is different in its traditions, culture, and environment, they all share the same issue of the current energy crisis, which is creating a real sense of uncertainty for the coming winter.

According to the data we collected, rural Alaska consumes less energy while paying more for that energy. Over a three-year period from 2005-2007 on an average monthly usage, the seven villages surveyed consumed less energy than Anchorage. Anchorage households used more than 500 kWh, while rural household usage ranged from about 280 to 430 kWh during that same time period.

Rural residents also pay more per kWh than Anchorage residents. Even with the current rate of PCE, rural households in the sample communities pay from 0.19 to 0.30 cents per kWh, well above the 0.09 to 0.10 cents that Anchorage households pay. In some cases the average monthly bill for electricity in rural Alaska is twice that of Anchorage. Without PCE, the villages sampled would pay in the range of 0.50 per kWh.

According to the Division of Community and Regional Affairs, Director's report - the average statewide price for heating fuel (#1) - the heating fuel that's used to heat homes - in June of this year is \$5.51 per gallon with prices for heating oil ranging from \$1.30 to \$9.10 per gallon (\$3.36 without the North Slope subsidy to residents). According to our recent survey, all the seven communities are paying more than the average price. The average statewide price for a gallon of gas is \$5.35, and again all seven communities are above the average with prices ranging from \$3.45 to \$8.35 per gallon.

First Alaskans Institute looked at the USDA and UAF basket of goods and compiled an abbreviated list using goods (food and non-food items) that are commonly consumed in rural Alaska and asked the seven communities to price the abbreviated basket of goods. Four of the seven villages responded with prices and quantities for goods. We then compared the cost of food and non-food items to the average cost of the same items in Anchorage and adjusted the basket of goods for missing items. We found that it cost between \$69 and \$120 dollars more to buy the same basket of goods in the four responding communities than it does in Anchorage. Results recently published by the Department of Labor and the University of Alaska Fairbanks parallels these findings.

Having noted these price differentials, it's important to acknowledge that the purchasing power of \$1,200 in rural Alaska is not the same as \$1,200 in urban communities.

The Policy Center also looked at the cost of getting to and from the seven villages surveyed. Staff looked at a 'snapshot' of airfare prices at the beginning of July 2008. We found that roundtrips from Anchorage to the seven communities ranged between \$709 (Stebbins) to \$1220 (Elim).

The increasing cost of flying in and out of rural Alaska hinders rural residents' ability to come to urban areas for services, makes the cost of doing business in rural Alaska more expensive and could potentially impact the long-term economy of urban Alaska.

The human and cultural importance of Rural Alaska.

Rural Alaskans add rich diversity to the fabric of the state of Alaska. In 2000, the US Census reported that the population of the rural areas was comprised of about 60 percent White alone and in combination with other races. The Census showed about 38 percent Alaska Native alone and in combination with other races, and about two percent was made up of other racial combinations.

We have learned that migration to and from rural areas is not a one-time event. Rather, migration is a process in which people move at different times and for different reasons, and it is often a reoccurring event in the life of Alaskans. Alaska Natives living in rural areas live on lands defined as theirs by their ancestors, histories and deep cultural roots. In rural Alaska, residents use both ancient traditions and the more modern ways of living in their daily lives. This is true for Alaska Native and non-Native alike. Each community has seasonal subsistence gathering, and for this, residents use tools and motorized vehicles as well as traditional means of hunting and gathering.

As the energy crisis continues to escalate, rural residents are increasingly unable to sustain themselves by subsistence activities alone. For some families, the price of gas is cost-prohibitive and precludes the gathering of food. Rural families depend on subsistence. Under normal circumstances, a family can store fish, birds, berries, caribou, moose, reindeer, and much more for their livelihood. Every seasonal activity and food gathering is tied to the fact that people need to live and survive. As store-bought food becomes unaffordable and subsistence becomes more expensive and out of the reach of local people – what is left?

Items such as freezers, four wheelers, out-board motors, and store-bought goods, purchased in urban areas for a fairly decent price, can be shipped to rural Alaska. But these items are flown and barged in at an extraordinarily high price because the cost of fuel it takes to ship them.

We've heard over the years how rural and urban Alaska remain dependent on each other. Commonwealth North – a statewide public policy 'think tank' - published the "Urban Rural Unity Study" in 2000. As part of that study, they described an "ideal" Alaska and cited a number of characteristics of that society which would honor and respect the diversity of its people and recognize the many areas where urban and rural interests coincide.

The report stated:

"A basic element of the envisioned social and economic partnership between urban and rural Alaska is the recognition of people's right to support their families in the manner they choose and in the location of their choice. For this reason, one of the goals is to encourage the economic viability of the smaller 'rural' locations in Alaska and to maintain the diversity of cultures and lifestyles in the state. Likewise, an equally important goal is to foster understanding of the economic, political, and social inter-dependence of rural and urban Alaska, so that all Alaskans truly understand that Alaska's future depends on cooperation between urban and rural Alaska."

Anchorage is Alaska's largest port and is the gateway to shipping goods to rural communities. Anchorage, Fairbanks and other major hub communities are also the headquarters of a number of businesses and corporations which provide goods and/or services to rural Alaska. The healthy economies of urban and rural Alaska are inter-dependent.

I've heard such statements as "why don't rural residents just leave their villages . . . they have a choice of where they want to live." Yes, we have a choice – we choose to remain in the lands of our ancestors which doesn't mean we're not interested in living smarter through alternative forms of fuel, winterizing and/or upgrading housing which is better suited for the conditions found in our communities, and making better use of the resources we have. But this will take time - which is why we support a short-term "fix" offered through House Bill 4002, while also supporting an accelerated look for sound, practical and affordable energy alternatives for all communities of our state

In the short term, I don't think any rural hub – whether it's Bethel, Anchorage, Fairbanks or the Valley – is prepared for a mass influx of rural residents and the subsequent impact on their community's infrastructure. And rural residents don't want to leave their homelands. So we need to work together – across party lines and with all Alaskans at the table.

First Alaskans Institute is among several Native organizations that are in support of the Alaska Resource Rebate Program.

In addition to the testimony I've offered today, I also want to voice our support of the Alaska Federation of Natives' top 5 priorities:

1. Strengthen the Power Cost Equalization Program by fine-tuning its mission, adding more resources and expanding the eligibility requirements;
2. Buy down debt of rural utilities in order to reduce costs passed on to consumers and include a price cap on fuel stock purchased prospectively;
3. Expand and support bulk fuel purchasing, transportation and cooperative purchase agreements.
4. Provide a family fuel subsidy to help meet the immediate crisis.

5. Make a sizeable investment in projects that promote renewable/alternative energy and conservation. The high cost of fossil fuel is not going to go away. We need to start investing in alternative/renewable energy now.

Based on the evidence we found, we believe there is compelling evidence that families in rural Alaska need the additional monetary income to offset the increasingly high cost of energy and its subsequent impact felt at the local level.

We also believe by working together to make this a better state, we will improve our collective future. Again, I thank you for the opportunity for this testimony and urge you to pass House Bill 4002 or a similar piece of legislation which will provide a much-needed short-term solution to the energy crisis facing our state.

First Alaskans  Institute

**Rural Alaska: Current Conditions in
Selected Villages**

Emmonak

Elim

Grayling

Kiana

Old Harbor

Stebbins

Togiak

ALASKA NATIVE POLICY CENTER

Research Note

July 2008

Introduction

This report, *Rural Alaska: Current Conditions in Selected Villages*, prepared by First Alaskans Institute's Alaska Native Policy Center depicts what most public policy makers already know— it costs more to live in rural Alaska and the rising costs of fuel makes for an increasing hardship for rural residents.

In order to better understand the current conditions in rural Alaska and help decision-makers put in place short-term solutions to the energy crisis now being addressed by the State Legislature, First Alaskans' Alaska Native Policy Center produced this report to provide a perspective on the complex economic conditions across the state, with an emphasis on rural communities.

The report examines conditions in seven randomly selected villages—Emmonak, Elim, Grayling, Kiana, Old Harbor, Stebbins, and Togiak and compares them to Anchorage. The high price of energy has put financial pressure on all Alaska households. However, the pressure felt by rural Alaska households is very different from that felt by other places in Alaska and the nation, and creates grim conditions and a crisis that threatens the very survival of entire communities. Rural Alaska is an essential part of the state. Not only does it house the majority of natural resources, which fuel the state economy, but it is also the birthplace and ancestral home of Alaska Native cultures.

Rural Alaska is a complex place—it is remote, disconnected from the road system, has extreme and changing environmental conditions, and an underdeveloped cash economy. The effects of these characteristics are compounded by the high cost of energy, increasing costs of transportation, and high cost of living.

We hope that through this report, public policy makers and the general public will gain a better insights of the impact the rising costs of fuel is having on their fellow citizens.

Methodology

First Alaskans Institute's Alaska Native Policy Center developed a data collection strategy designed to gauge the current economic conditions in rural Alaska. The Center randomly selected seven communities in rural Alaska and gathered current information on the level of energy consumption by rural households, the cost of energy (heating fuel #1 and gasoline at the pump), the cost of key food and non-food items and air fare. Center staff collected the data via telephone and fax from key informants within each community. The data was collected within a short period of time in the first half of July 2008 to ensure comparative integrity between the responses. However, the information collected is meant to represent conditions at a certain point in time for the communities surveyed only; because

time and resources were not available to conduct a comprehensive survey of all communities across Alaska, or even a big enough number to constitute a representative pool of responses, this survey is considered a non-scientific study with results non-representative of the entire population of rural Alaska communities. Other studies and resources are referenced throughout this report for purposes of illustrating the economic dynamics of rural Alaska. It is important to note that regionalization of data may vary from source to source.

Executive Summary

First Alaskans Institute's Alaska Native Policy Center, through this report found that current economic conditions in rural villages are grave. The data collected demonstrate the following key points: that rural Alaska households consume less energy and pay more for that energy than households in Anchorage; the villages sampled pay above the state average for heating fuel and gas; a basic basket of goods costs between \$69 - \$120 more in respondent villages than in Anchorage, and, at the beginning of July 2008, roundtrips from Anchorage to the seven communities ranged between \$709 (Stebbins) to \$1220 (Elim).

As the State of Alaska reaps the benefits of the high price of oil, it is imperative that it looks towards short-term solutions to help households cope with the fast-approaching winter, and long-term solutions to ensure the survival of rural households.

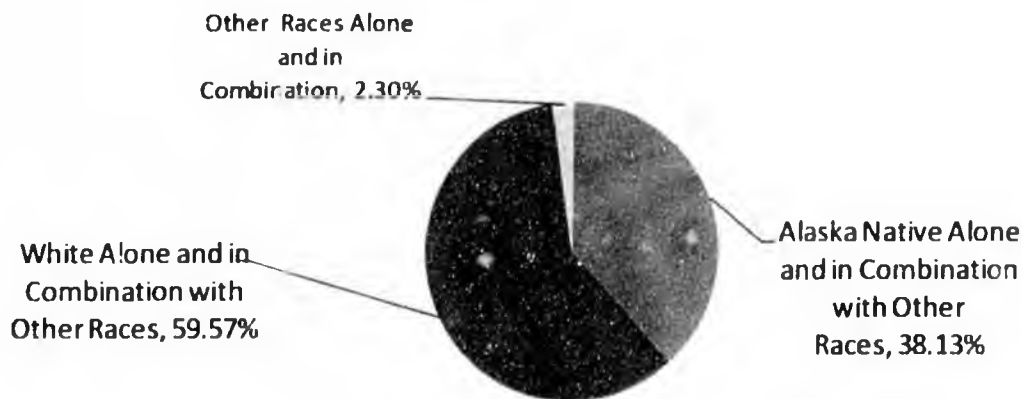
SELECTED CHARACTERISTICS OF RURAL ALASKA

Rural Alaska cannot be explained in simple terms, and often, standard economic measures and indicators do not apply. The remote nature of the villages in rural Alaska, the climate, the cost and logistics of obtaining goods, the rich and varying traditions, cultures, and values of Alaska Natives and Non-Natives alike make rural Alaska unique and unlike any other place in the globe.

Population

Rural Alaska's population is complex and dynamic. According to Census 2000 (Figure 1), and as configured by the ANPC, almost 60 percent of rural Alaska residents are White, alone and in combination with other races, while approximately 38 percent are Alaska Native, alone and in combination with other races, and the remaining approximate two percent are made up of other races in various combinations. Recent Alaska Department of Labor and Workforce Investment (DOL) shows that Alaska Natives tend to live in smaller places, while Non-Natives are concentrated in the regional centers.

Figure 1 Population by Race in Non Metropolitan Areas: Rural Alaska



Note: Metropolitan areas include: Anchorage, Fairbanks North Star Borough, City and Borough of Juneau and Mat-Su Borough.

Source: Census 2000

Dr. Scott Goldsmith of the Institute of Social and Economic Research (ISER), using data from DOL, in *Understanding Alaska's Remote Rural economy* (January 2008), wrote that one in 11 Alaskans lives in rural Alaska (about 60,500 people). Of these, about a third live in hubs or regional centers and rest live in almost 150 small communities. From 2000 to 2006, DOL reports that the Northwest Arctic Borough, Nome Census Area, Bethel Census Area and Wade Hampton Census Area all increased in population; while, the Dillingham Census Area, North Slope Borough, Yukon-Koyukuk and Lake and Peninsula Borough declined in population.

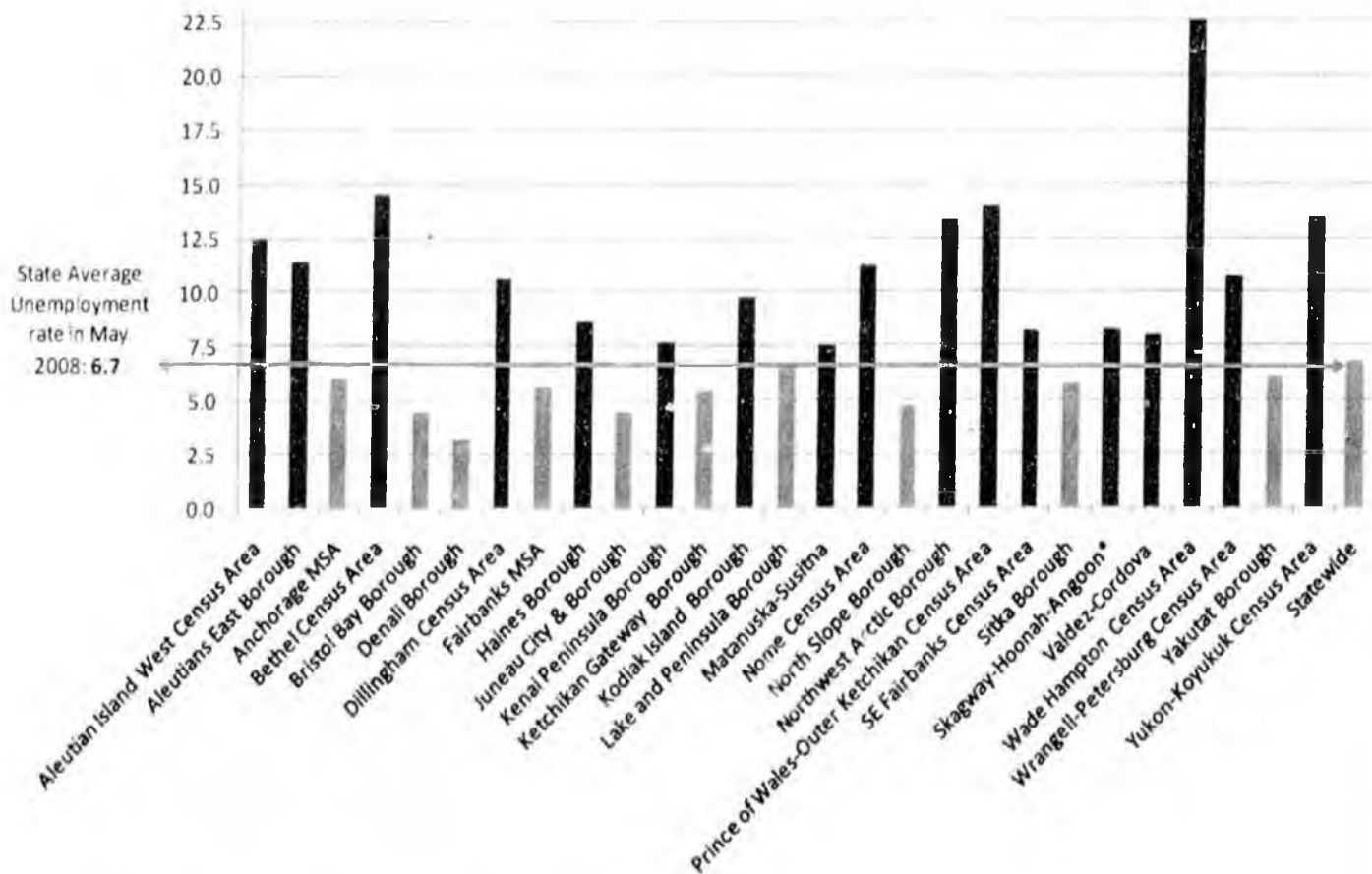
During the time period between 2000-2006, remote rural population increased only one percent despite thousands of births. Natural births continue to outnumber natural deaths but migration out of the rural areas accounts for the small change in population figures. In other words, while there were 6,500 more births in the region than deaths for 2000-2006, 6,100 people also moved out. Dr. Goldsmith cites lack of jobs in smaller places as one of the primary reasons for this migration.

There have been a number of research studies on the subject of the high cost of fuel and the effects on rural Alaska. One such study done by ISER in collaboration with First Alaskans Institute, *Fuel Costs, Migration, and Community Viability*, looks at the effects of fuel on migration and sheds light on the idea that, "Migration is not a one-time event. It tends to be a self-perpetuating process as people move back and forth several times over a lifetime. People move to places where they have friends and family. In turn, their move creates more social ties and job contacts connecting people in the sending community with people in urban areas...It is important to remember that in some communities people are leaving to pursue educational goals and then returning, adding to the human capital of the original community." The study found that despite the high burden of fuel costs, respondents do not cite high fuel cost alone as the reason for leaving rural Alaska. However, it is very possible that the high cost of energy, in combination with other economic pressures such as high unemployment, increasing cost of goods, transportation and services may be compelling reasons to look for opportunities outside of the rural areas.

Rural Alaska: High Unemployment

Measuring unemployment in rural Alaska is difficult because conventional methods of measuring unemployment do not account for traditional subsistence activities. Seasonality also adds another layer of complexity to defining unemployment in rural Alaska. Unemployment rates at the community level are only available for Census years. However, DOL data is able to track unemployment at higher geographies such as Census Areas and Boroughs. The chart below shows the most recent unemployment rates published for May 2008. The data show that 17 out of 27 boroughs/census areas have higher unemployment than the state average of 6.7; the majority of these areas are in Rural Alaska.

Figure 2 May 2008: Unemployment Rate



*Note: Skagway-Hoonah-Angoon includes the Municipality of Skagway and the Hoonah-Angoon Census Area. Separate data for the two areas will be published starting in January 2009. The graph shows seasonally unadjusted data; the data will likely be revised.

Source: Alaska Department of Labor and Workforce Investment
<http://alms.labor.state.ak.us/?PAGEID=67&SUBID=188>

Lots of cash but no jobs...

Rural Alaska sees billions of dollars flow or generated within its regions annually but only a fraction influences local economies. According to Dr. Goldsmith's 2006 calculations, in the report mentioned earlier, nearly \$18.5 billion was either generated in or flowed into remote areas, but out of that only \$2.35 billion (less than 12.5 percent) entered the local economy. However, out of the \$2.35 billion, approximately \$1 billion leaked out again because many non-rural residents take their paychecks home when they leave rural Alaska and many resident households and businesses cannot buy or will not buy goods locally. This means that in 2006, the purchasing power of rural Alaska households and businesses was only \$1.35 billion. Because the economic multiplier in rural Alaska is be-

lieved to be small, the \$1.35 billion only generated an additional \$250 million in economic activity, bringing total personal income in the region to \$1.6 billion in 2006.

Figure 3 Trade jobs generated by \$1 million in Household Income

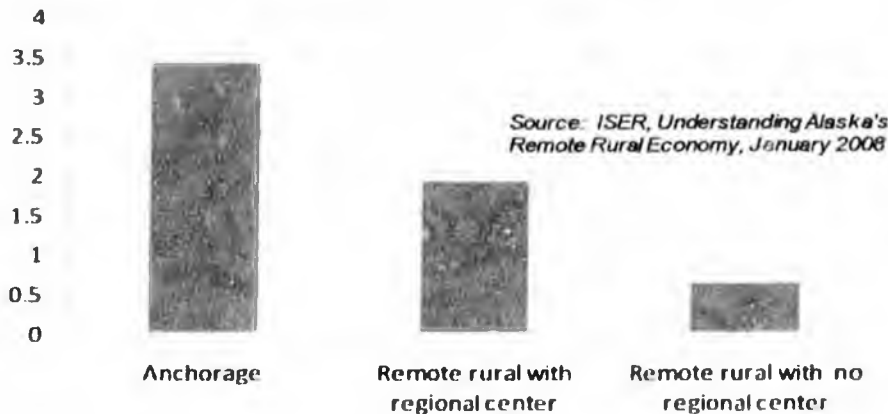


Figure 3 depicts the estimated number of trade jobs generated by \$1 million in household income. Dr. Goldsmith calculates that in Anchorage, \$1 million of household income generates 3.4

trade jobs. With 270,000 people, Anchorage can support a range of businesses. By contrast, remote areas with regional centers can generate only about half as many jobs—1.9 jobs per \$1 million in household income. In remote areas without regional centers, like the Wade Hampton Census Area, the number of jobs generated is much smaller: only 0.6 trade jobs for every \$1 million of household income. Wade Hampton Census Areas also reported the highest unemployment rate in the state at 22.6 percent in the month of May 2008 (see **Figure 2**).

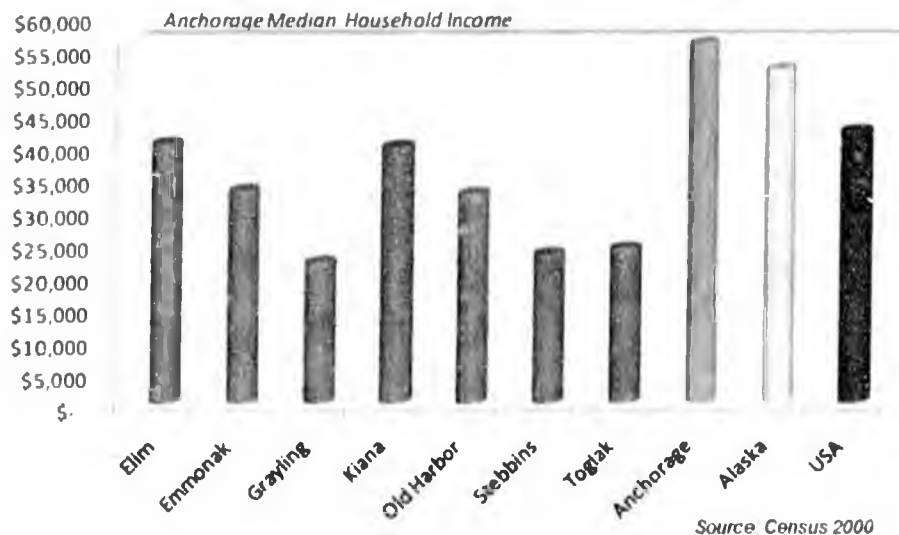
Seven Villages

The report examines conditions in seven randomly selected villages, Emmonak, Elim, Grayling, Kiana, Old Harbor, Stebbins, and Togiak and compares them to Anchorage and statewide measures in an effort to provide perspective on the complex economic conditions across the state. The Alaska Native Policy Center researched the cost of fuel, gas, energy consumption, cost of goods and air fare. Although each community is different in its traditions, culture, and environment, they all share the same issue of the current Energy Crisis, thus creating a sense of uncertainty for the coming winter. They are also located in various regions of the state.

Comparing Median Household Income of the Seven Villages to Municipal, State and National Levels

As seen in previous sections, billions of dollars are generated within or flow into rural Alaska but only a small percentage of that cash influences the local economy. The data collected in **Figure 4** illustrates that for the seven communities sampled, Median Household Income is well below that of Anchorage, the state average and even the national average.

Figure 4 Median Household Income



ENERGY IN RURAL ALASKA

First Alaskans Institute's Alaska Native Policy Center surveyed (via telephone) key informants in seven randomly selected communities about the current levels of energy consumption and costs. The ANPC found that:

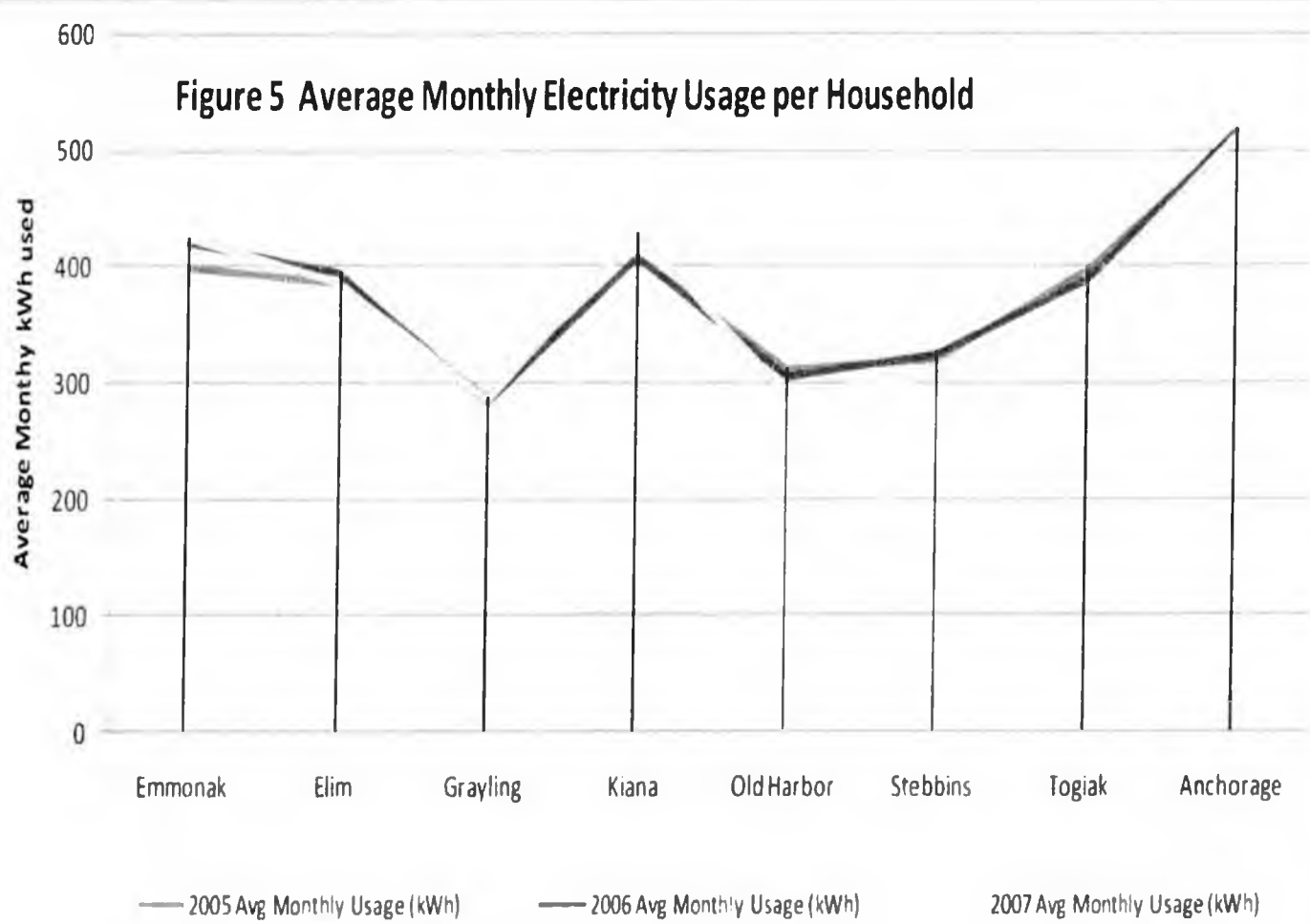
1. Rural Alaska households consume less energy than households in Anchorage.
2. Even with Power Cost Equalization subsidies, rural households still pay more per kilowatt hour (kWh) than households in Anchorage.
3. Estimated monthly electricity bills for rural households are far higher than electricity bills in Anchorage, in some cases twice as high.

Methodology for this section:

ANPC staff randomly selected seven villages that are eligible for Power Cost Equalization (PCE) and compared the respective average household electricity consumption (per kilowatt hour [kWh]) to the average household consumption in the Municipality of Anchorage (Anchorage). In order to do this, ANPC staff contacted key informants at utility companies and asked for the average monthly consumption for 2005, 2006, and 2007. ANPC staff also collected average rates for Anchorage per kWh. ANPC staff then applied PCE data, residential and effective rates, in order to estimate the average cost of consumption for households in each community. The Residential rate is the actual cost per kWh, or what electricity actually costs per kWh; the Effective rate is what the households in rural Alaska pay out of their own pockets for electricity per kWh and reflects the contribution of PCE to their monthly bill.

Using the method and resources described in the previous page FAI ANPC found that:

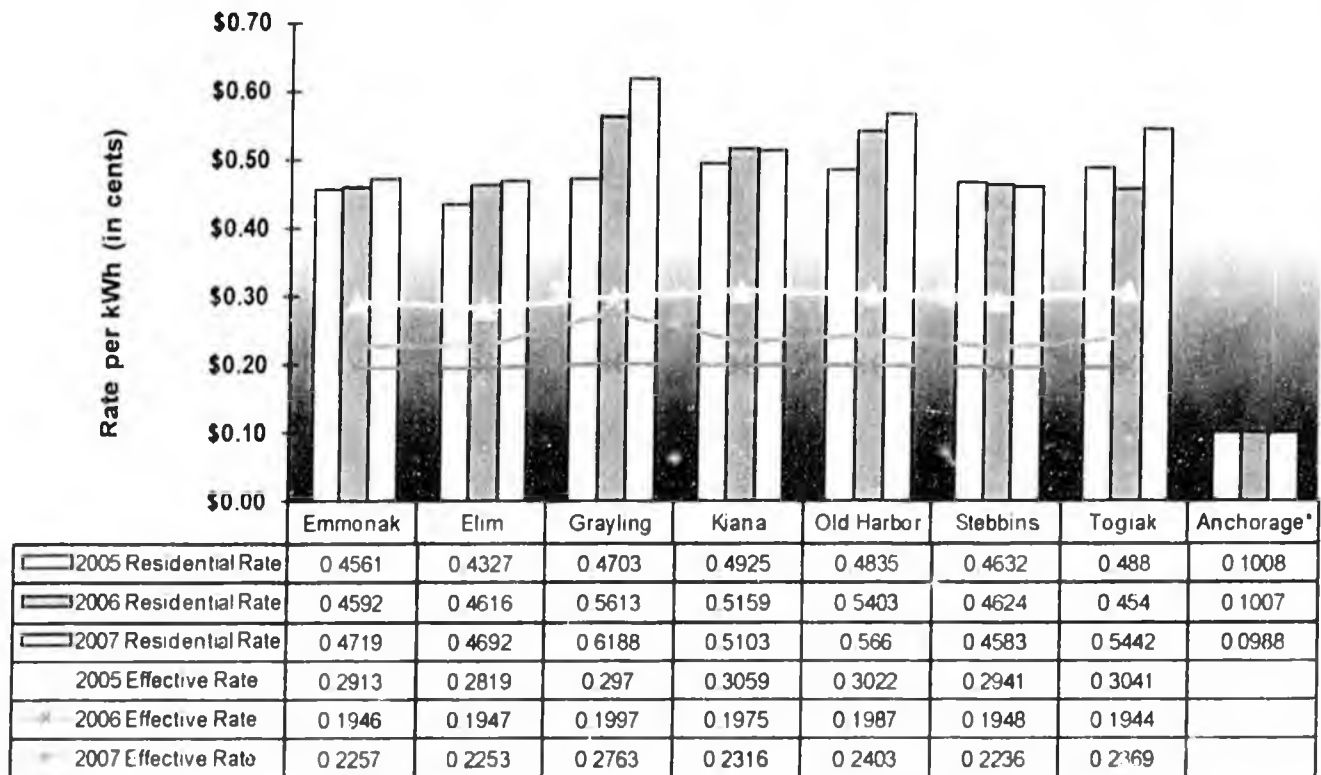
1. According to the data illustrated in **Figure 5**, rural Alaska consumes less energy while paying more for that energy. Over a three-year period from 2005-2007, the seven villages sampled consumed less energy than Anchorage on an average monthly usage. Anchorage households used more than 500 kWh per month, while rural household usage ranged from about 280 to 430 kWh during that same time period.



Source: Alaska Energy Authority, Alaska Village Electric Cooperative, Anchorage Municipal Light & Power

2. **Figure 6** below shows rural residents pay more per kWh than Anchorage residents. Even with the current rate of PCE, rural households in the sampled villages pay from 0.19 to 0.30 cents per kWh, well above the 0.09 to 0.10 cents that Anchorage households pay. In some cases the average monthly bill for electricity in rural Alaska is twice that of Anchorage. Without PCE, the villages sampled would pay in the range of 0.50 per kWh.

Figure 6 Residential and Effective Rates per kWh

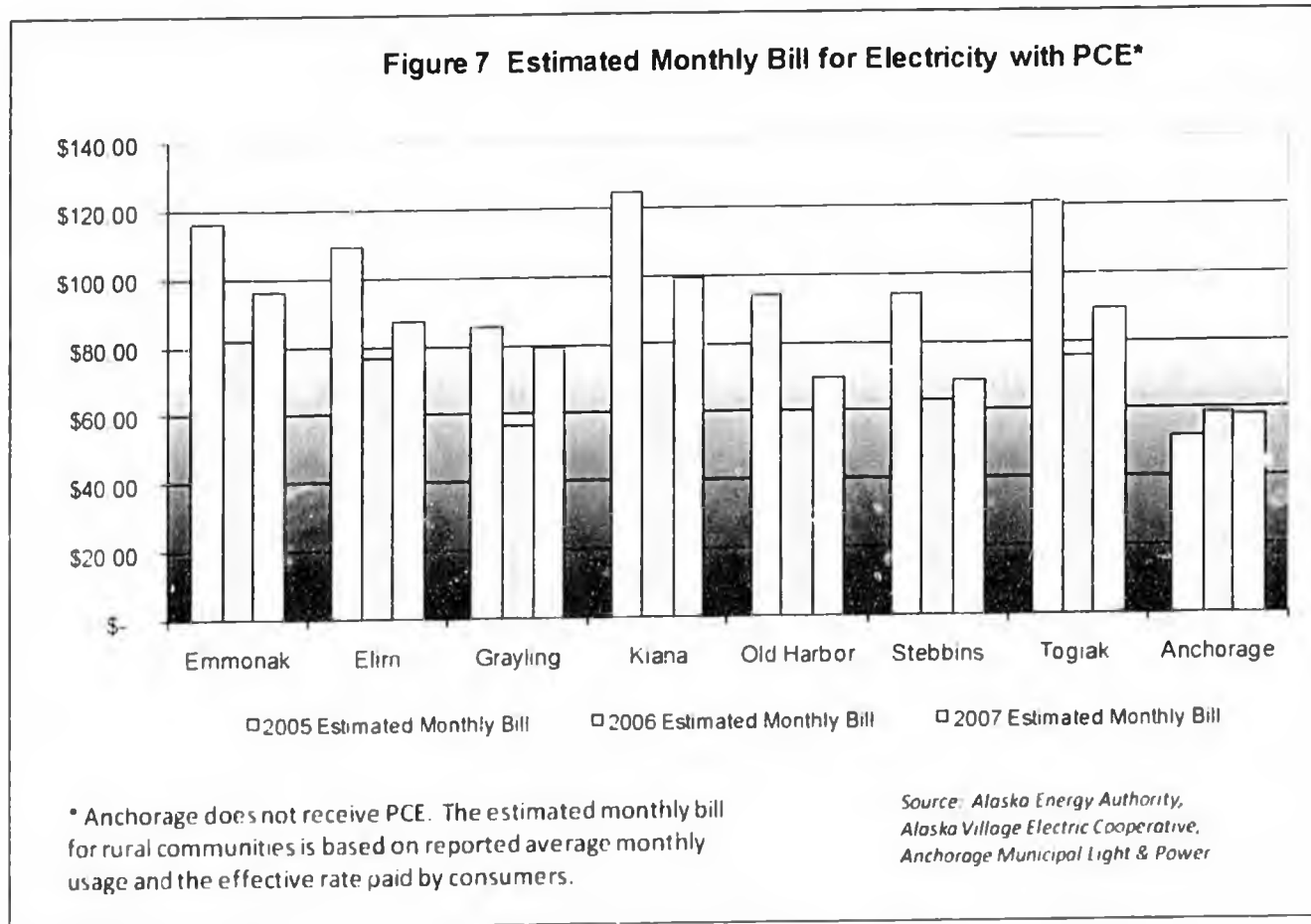


The chart and table above show the residential and effective rate per kWh that consumers pay in each community. Residential rates are the actual cost of electricity by kWh. Effective rates are what the consumer pays out of his/her own pocket. The Effective rate reflects the PCE subsidy.

*Anchorage does not receive a PCE subsidy, therefore it does not have an effective rate.

Source: Alaska Energy Authority, Alaska Village Electric Cooperative, Anchorage Municipal Light & Power

3. **Figure 7** shows the estimated monthly bills for households in Anchorage and the seven participating communities. In most cases, rural households are paying significantly more in electricity bills per month than their Anchorage counterparts, and in some cases even twice as much.



Heating Fuel #1 and Gas at the Pump

The average price for heating fuel (#1) statewide as of June 2008 according to the Division of Community and Regional Affairs, Director's Report is \$5.51 per gallon with prices for heating oil ranging from \$1.30 (\$3.36 without the North Slope subsidy) to \$9.10 per gallon. According to our recent survey, all seven communities are above the average. The average for a gallon of gas for the entire state is \$5.35, and again all seven communities are above the average with prices ranging from \$5.59 to \$8.35 per gallon. **See Table 1 and Figure 8.**

Table 1 Cost of Gas and Heating Fuel per gallon as of July 21, 2008***

Communities	Gas	Heating fuel
Emmonak*	\$5.91	\$4.85
Elim	\$7.25	\$8.09
Grayling	\$6.00	\$7.00
Kiana	\$7.21	\$6.64
Old Harbor	\$6.13	\$6.57
Stebbins	\$7.82	\$8.02
Togiak*	\$5.59	\$6.02
State Average**	\$5.35	\$5.51

* Emmonak has not seen a barge delivery yet, and Togiak will increase prices awaiting board meeting

**Source: DCCED, DCRA: *Current Community Conditions: Fuel Prices Across Alaska, June 2008 Update*

*** Source: First Alaskans Institute, except for state-wide data

State Average Below the state average Above the state Average

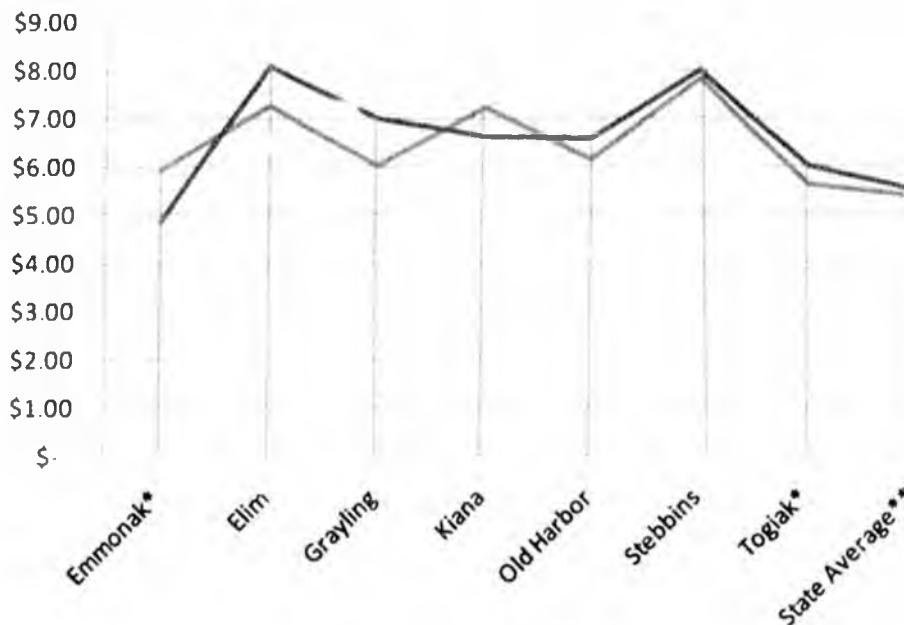


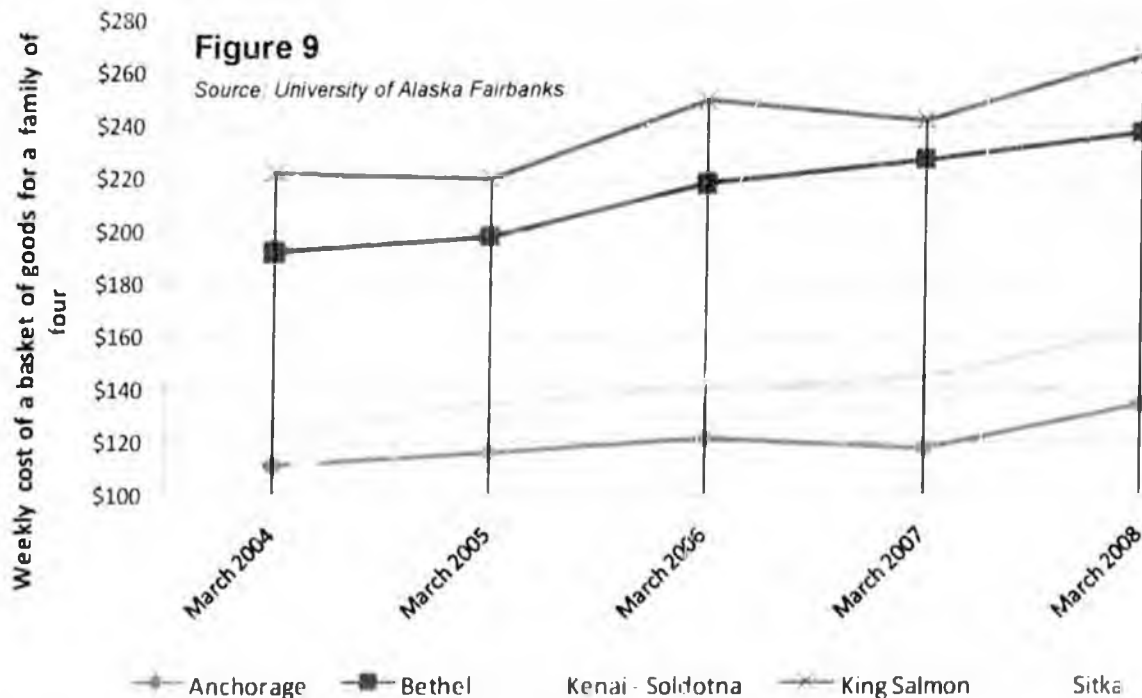
Figure 8 Prices of heating Fuel and Gasoline in Rural Alaska in early July 2008 ***

— Gas — Heating Fuel

COST OF LIVING IN RURAL ALASKA

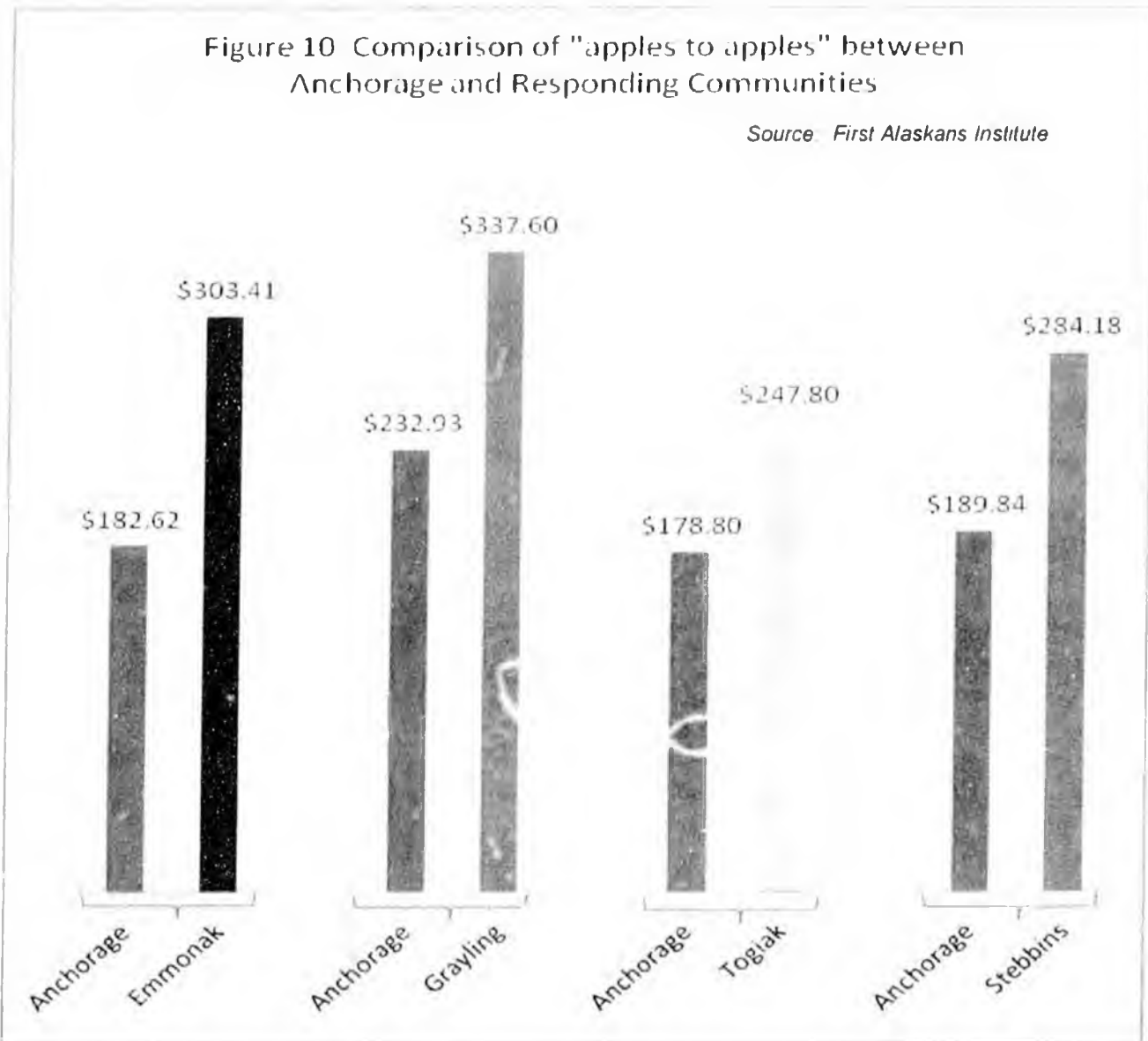
First Alaskans Institute, the Alaska Department of Labor, ISER researchers, Department of Commerce, Community, and Economic Development and others agree, and rural residents *know*— it's expensive to live in rural Alaska; often, more expensive than the urban areas. The high costs are not limited to fuel and its subsequent effects. It costs more to buy food and non-food items, get around, and receive services.

First Alaskans Institute's Alaska Native Policy Center took two approaches to looking at the cost of living in Alaska. The first was to look at existing data from the University of Alaska Fairbanks (UAF) on its survey of goods across approximately 20 communities.



Data from the UAF survey was selected minimizing the number of missing items. The data in **Figure 9** compares the weekly cost of a basket of goods for a family of four from 2004 to 2008.

The second approach was to compile an abbreviated list using goods (food and non-food items) that are commonly consumed in rural Alaska and asked the seven communities to price the abbreviated basket of goods. Four of the seven villages responded with prices and quantities for goods. We then compared the cost of food and non-food items to the average cost of the same items in Anchorage and adjusted the basket of goods for missing items. We found that it cost between \$69 and \$120 dollars more to buy the respective basket of goods in the four responding communities than it does in Anchorage as reflected in **Figure 10**. Results recently published by the Department of Labor and the University of Anchorage in Fairbanks parallels these findings.



The Policy Center also looked at the cost of getting to and from the seven villages sampled. Staff looked at a 'snapshot' of airfare prices at the beginning of July 2008. We found that roundtrips from Anchorage to the seven communities ranged between \$709 (Stebbins) to \$1220 (Elim). **Table 2** shows the high cost of flying in and out of rural Alaska. High cost of air fare hinders rural residents' ability to come to urban areas for services, makes the cost of doing business in rural Alaska more expensive, which over time, could potentially impact the economy of urban Alaska if rural residents are unable to come in to conduct business in general.

Table 2 Sample Flights at the beginning of July 2008

Community	Airline	Total RT Fare from ANC	RT Fare ANC to Hub	RT Fare Hub to Village
Emmonak	Frontier	\$781.50 via St. Mary's	\$501.49 ANC/St. Mary's	\$280.01 St. Mary's/Emmonak
Elim	Frontier	\$1220 via Nome	\$940 ANC/Nome	\$280 RT Nome/Elim
Grayling	Frontier	\$739.39 via Aniak	\$419.39 ANC/Aniak	\$320 RT Aniak/Grayling
Kiana	Frontier	\$906.98 via Kotzebue	\$646.98 ANC/Kotzebue	\$260 RT Kotzebue/Kiana
Old Harbor	Servant	\$778 via Kodiak	\$608 ANC/Kodiak	\$170 RT Kodiak/Old Harbor
Stebbins	Frontier	\$709 via Unalakleet	\$510 ANC/Unalakleet	\$199 RT Unalakleet/Stebbins
Togiak	PenAir	\$770 via Dillingham	\$546 ANC/Dillingham	\$224 RT Dillingham/Togiak
Seattle	Alaska Air	\$973.40		
San Francisco	Alaska Air	\$1,172.40		
Chicago	Alaska Air	\$1,393.40		

Source: First Alaskans Institute

FIRST ALASKANS INSTITUTE
ALASKA NATIVE POLICY CENTER

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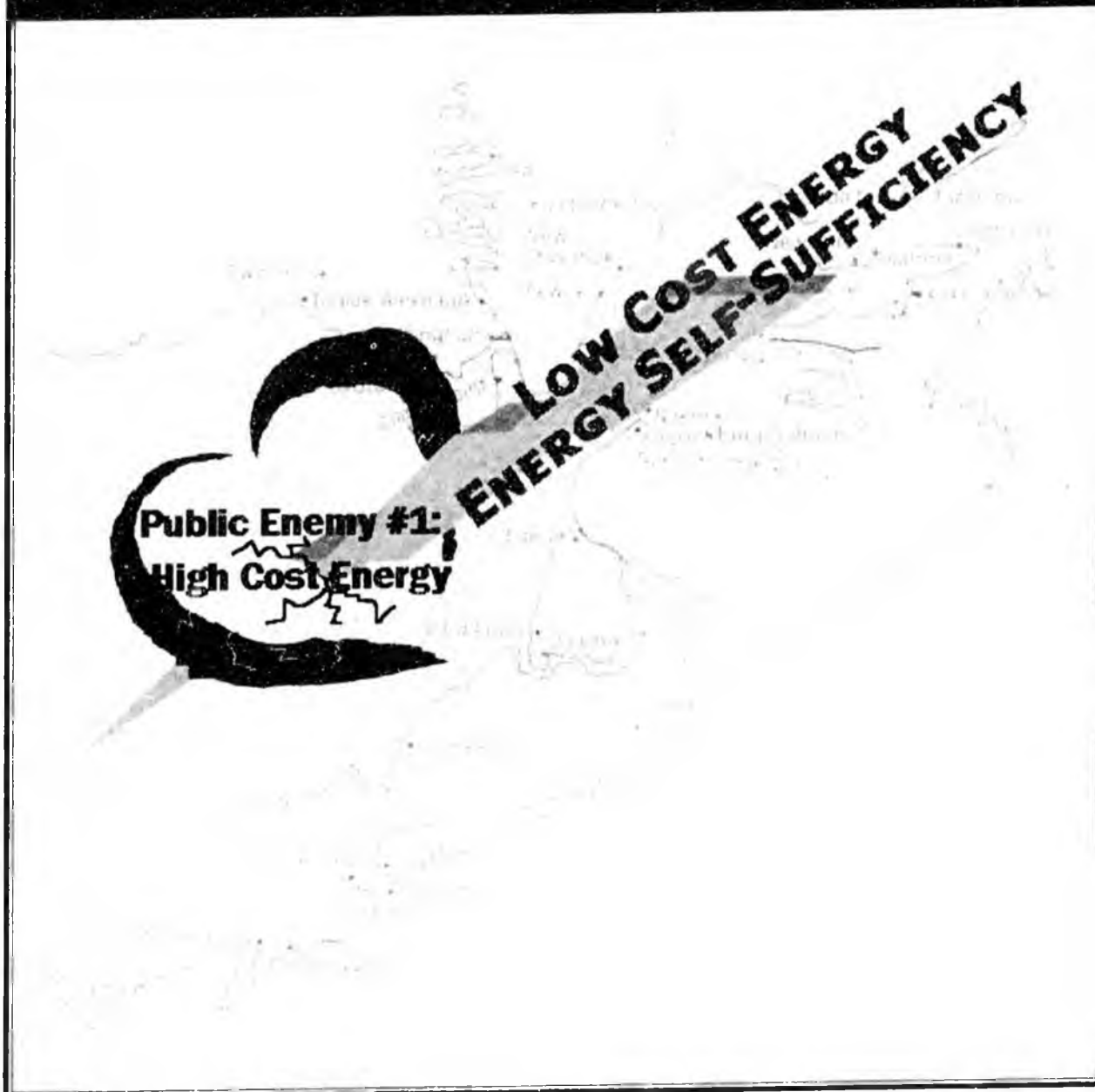
Fax: (907) 677-1780

www.firstalaskans.org

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Implementation Strategies for the Bristol Bay Energy Policy and Energy Crisis Recovery Plan: Phase Two

May 6, 2008



Implementation Strategies for the Bristol Bay Energy Policy and Energy Crisis Recovery Plan: Phase Two

May 6, 2008

Prepared for the Bristol Bay Partners, an association of:



Bristol Bay Area Health Corporation



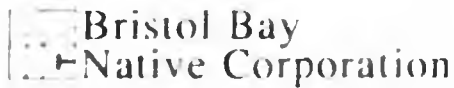
Bristol Bay Economic Development Corporation



Bristol Bay Housing Corporation



Bristol Bay Native Association



Bristol Bay Native Corporation

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Implementation Strategies for the Bristol Bay Energy Policy and Energy Crisis Recovery Plan: Phase Two

While Bristol Bay villages and other regions of the state have enjoyed reliable diesel generated electricity for over 40 years, diesel use is becoming unsustainable. To reach a long-term source of energy that is as reliable as diesel has been, Bristol Bay communities need immediate relief from rising costs of gas, heating fuel and electricity. Additionally, short-term and median initiatives are needed to assure a smooth transition to a long-term diesel-free energy regime.

No Planning Done to Stabilize the Cost of Energy – No Energy Bridge –

Short-term

2008.....2009.....2010.....

Median term

(2010.....to....2018).....

Long-term

(2018...to....2025)



Short Term

- Continuously increasing fuel and electricity prices
- Prices for goods and services continue to increase
- People move away from the region
- Villages continue to undertake projects on their own
- Uncoordinated efforts to lower the cost of energy
- No regional entity charged with lowering the cost of energy

Median Term

- Schools close
- Continued out migration
- Deterioration of village, city, transportation, city and business infrastructures

Long- Term

- Some Villages may disappear
- No keepers of the land and sea and air

Phase One of the "Bristol Bay Energy Policy and Energy Crisis Recovery Plan" has been adopted by the Bristol Bay Partners.

"Phase Two: Implementation Strategies" is a multiple planning approach that takes into consideration all the possible short-term, median and long-term alternatives listed on the following pages. Regardless of what alternatives are finally decided upon, emphasis needs to be placed upon subsidies that are the bridge to median and long-term solutions to lowering the cost of energy in Bristol Bay. Implementation components of Phase Three will include plans to employ, timelines, personnel and estimated budgets.

If Planning Occurs, We Reach the Goal of - Low-cost Energy Self-sufficiency -

Short-term

2008.....2009.....2010.....

Median term

(2010.....to... 2018).....

Long-term

(2018...to...2025)



ENERGY BRIDGE TO PREVENT FURTHER DESTABILIZATION OF BRISTOL BAY VILLAGES

Short Term

- Continued Advocacy for subsidies until no longer needed
- Energy needs assessment
- Village and Region fuel contingency plans, fuel order program, fuel buying and management training
- Energy summit
- Planning for simultaneous solutions, e.g. Fuel Coop or other energy or development entities, Interties, alternative energy assessments, Energy Resource Center
- Support for ongoing energy projects such as Naknek Geothermal, wind, wind-hybrid
- Conservation
- Encourage ON SHORE exploration for oil and gas on all Bristol Bay lands

Median Term

- Planning and implementation for Interties
- Operation and Maintenance training programs for new energy systems
- Targeted alternatives

Long-Term

- Bristol Bay Villages on common energy grid
- Bristol Bay on path to accessing lowest cost energy

Phase Two: Implementation Strategies

The following section provides the Bristol Bay Partners with recommended short-term, median and long-term implementation strategies¹.

Short-term (2008-2013) Strategies:

- Continue support and advocate for Power Cost Equalization, Low Income Home Energy Assistance Program (LIHEAP) and other energy assistance programs such as energy tax waivers, fuel subsidies, Ultra Low Sulphur diesel regulation waivers
- Conduct a Bristol Bay Regional Energy Needs Assessment for every community in the region to determine current and future electrical power and fuel needs. Coordinate with Bristol Bay regional organizations to avoid duplication of effort (reference BBNA Resolution 2003-01²)
- Develop fuel contingency plans for Bristol Bay villages
- Convene a Bristol Bay Energy summit for the single purpose of reviewing and adopting a Bristol Bay Energy Policy and Energy Recovery Crisis plan (Energy and Bristol Bay, 1980)
- Organize a Bristol Bay Regional Fuel Cooperative
- Develop a Bristol Bay Regional Energy Development Cooperative and/or a Regional Development Authority when the Partners decide what organization will implement energy policies in the region
- Develop plans for sub-regional, regional, railbelt and statewide energy interties: a regional power grid that ultimately connects to a statewide energy grid³
- Develop a plan for possible use of clean coal technology as a bridge energy source as the region moves toward renewable energy usage
- Assess geothermal, hydro and hydro-diesel hybrid and small hydro systems including run-of-the-river, wind and wind-hybrid systems, natural gas, coalbed methane, nuclear, peat, coal, nuclear, hydro, tidal, and other alternatives
- Support ongoing alternative energy development projects such as Naknek Geothermal, Kakanak wind energy, Togiak/Tuya, Lake Elva/Grant Lake and other energy projects in the region
- Advocate for conservation, energy efficiency and cost reduction initiatives
- Develop plans for a Bristol Bay village fuel order program, bill collection strategies and fuel buying and management training for utilities

¹Note: On Feb 28, 2008 an Interim Status Report was delivered to the Bristol Bay Partners, recommending immediate initiatives to stabilize the cost of fuel and electricity. The purpose of these recommendations was to provide a bridging mechanism so that short term, median and long term planning could move forward without further destabilization of Bristol Bay communities.

² See Appendix 3 of the "Bristol Bay Energy Policy and Energy Crisis Recovery Plan: Phase One" for a copy of this resolution.

³ See Appendix 5 of the "Bristol Bay Energy Policy and Energy Crisis Recovery Plan: Phase One" for information on new energy transmission technology.

- Push for establishing an Energy Resource Center at the Bristol Bay Campus or at SAVEC
- Assess workforce development programs to ensure that the region's workforce programs include energy development related training
- Convert the PCE Endowment Fund into a Rural Energy Development Fund to finance Rural and Remote Energy initiatives to achieve low cost energy for Bristol Bay villages once Bristol Bay villages no longer need the PCE program
- Create an education budget line item for school districts' heating and electricity; take energy costs out of the School Foundation Formula.

Median Term (2013 to 2018) Strategies:

- Support and extend interties that already exist and support development of additional interties to connect villages on a sub-regional, then regional grid
- Maintain a Bristol Bay operation and maintenance training program for energy systems in place
- Update environmental studies and complete any other government/regulatory studies for a Bristol Bay Regional Electrical Intertie System and transportation corridor
- Identify and aggressively move targeted energy alternatives ahead to achieve long-term energy goals
- Monitor regional intertie plans

Long-term (2018 to 2025) Strategies:

In the long term, Bristol Bay will need to determine if it has reached the goal of energy self-sufficiency and a diesel-free energy system.

- Bristol Bay communities are on a common energy grid and are ready to be tied to a state-wide energy grid
- On path to accessing the lowest cost energy measured by 5 cents/kWh goal set by 2006 Bristol Bay Economic Summit

Very long-term – lowest cost, energy security (2025-2100)

- Statewide energy grid
- Susitna project
- Naknek Geothermal on line
- Hydro projects on line and producing green
- Mt. Spur
- Natural Gas Generating Plant on the North Slope

Figure 3: Susitna Renewable Hydro Power System and Potential Rural Power Systems



Source: Peratrovich, Nottingham & Drage, 2008

Project Overview

Alaska Energy Plan
Alaska Energy Authority

Audience Participation

What is your estimate of the total yearly energy costs per household, for electric, space heating and transportation, in each of the following regions?

- Anchorage
- Fairbanks

- Southeast
- Rural

Project Goals

- Reduce the cost of energy to Alaska
 - Rapidly identify and deploy solutions
 - Complete analysis by December 2008
- Deploy solutions as soon as identified.

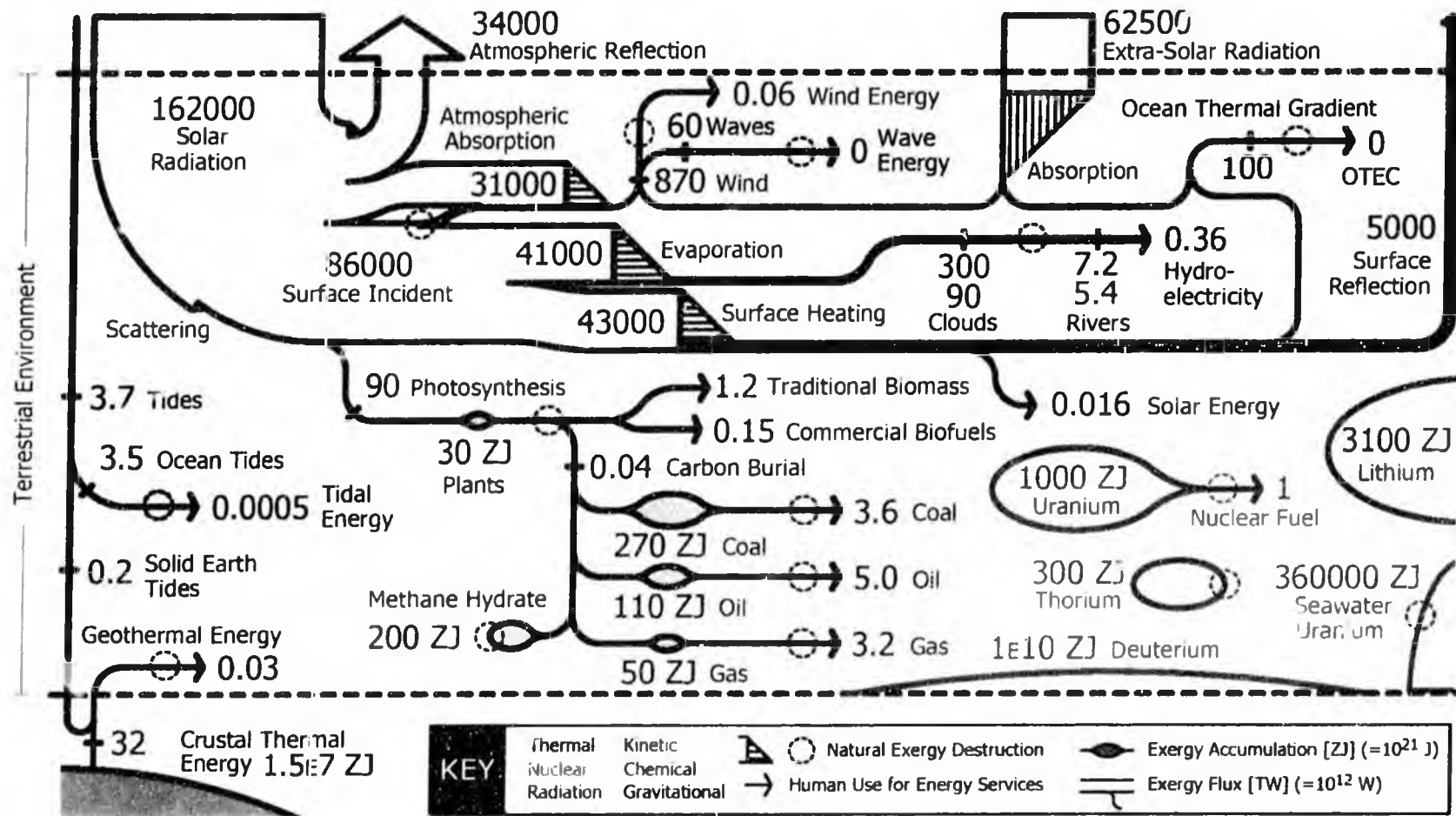
Project Results

- **Identify and deploy energy sources that are vertically integrated, economic, long-term stable priced, and sustainable.**

Guiding Principals

- **Provide energy in a form that can be used in existing infrastructure.**
- **Evaluate costs on a delivered basis.**
- **Use low-profit business structure.**
- **Minimize risk of technology failure.**
- **Engage Alaskans in the solution.**
- **Seek the lowest cost energy to each community.**

Global Exergy Flux, Reservoirs, and Destruction



Exergy is the useful portion of energy that allows us to do work and perform energy services. We gather exergy from energy-carrying substances in the natural world we call energy resources. While energy is conserved, the exergetic portion can be destroyed when it undergoes an energy conversion. This diagram summarizes the exergy reservoirs and flows in our sphere of influence including their interconnections, conversions, and eventual natural or anthropogenic destruction. Because the choice of energy resource and the method of resource utilization have environmental consequences, knowing the full range of energy options available to our growing world population and economy may assist in efforts to decouple energy use from environmental damage.

Identify the current fuel usage and costs

- **Initial Usage estimates**
 - Bulk Fuel Loan data
 - Tank Sizing estimate: 1,000 gallons per year per person.
 - PCE participation
 - Crowley and Yukon Western deliveries
 - Enstar
- **Determine the current cost of fuel**

Selawik- Energy Flow Model

FUEL ONLY

240,831 gallons Petroleum

109,157 kWh Wind

327,000 gallons Petroleum

???? Petroleum

Electric

Space Heating

Transportation

Residential
Base per household

\$ 2,500

\$ 6,500

\$??

\$ 9,000 Yearly Total

Community Facilities

Commercial

Selawik Yearly Energy Total: \$2,400,000.

Annual Income per Household \$27,000:

33% of Household Income for fuel

Regional Energy Cost Comparison

● Anchorage (gas)

Electric	\$ 1,371
Heating	\$ 1,086
<u>Transport</u>	<u>\$ 3,474</u>
Total Energy	\$ 5,931
% of Income	8.9 %

● Southeast (hydro)

Electric	\$ 1,374
Heating	\$ 1,704
<u>Transport</u>	<u>\$ 1,832</u>
Total Energy	\$ 4,909
% of Income	7.8 %

● Fairbanks (Diesel)

Electric	\$ 1,912
Heating	\$ 4,027
<u>Transport</u>	<u>\$ 3,521</u>
Total Energy	\$ 9,461
% of Income	15.3 %

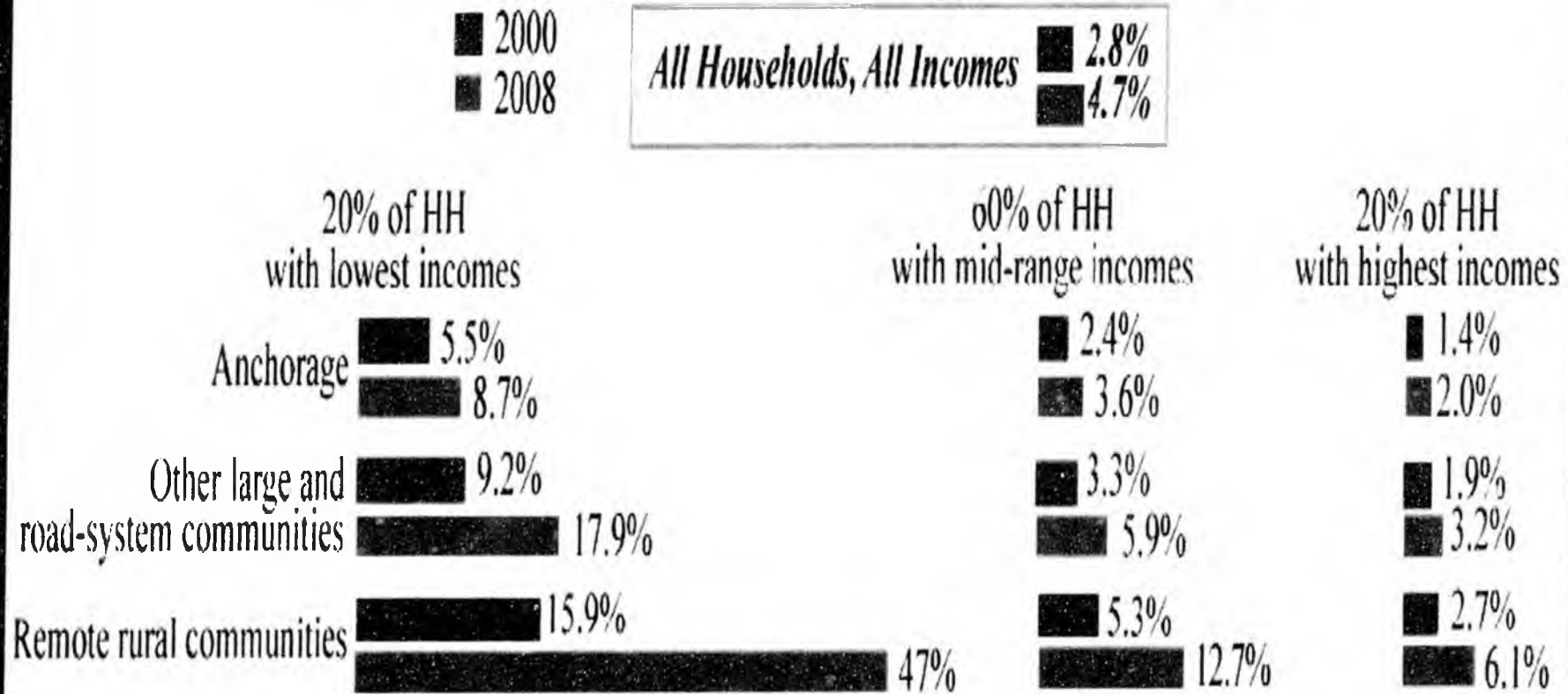
● Rural (Diesel)

Electric	\$ 1,843
Heating	\$ 7,715
<u>Transport</u>	<u>\$ 1,202</u>
Total Energy	\$ 10,145
% of Income	18.3 %

Source: AEA Staff- Initial Analysis using best available data.

Estimated Household Costs for Home Energy Use

Figure 1. Estimated Median Share of Income Alaska Households Spend for Home Energy Use, 2000 and 2008



Source: ISER, May 2008

Potential Technologies and Fuels

- **Hydroelectric**
- **Wind**
- **Solar**
- **Tidal**
- **Wave**
- **Biomass**
- **Geothermal**
- **Municipal Waste**
- **Conservation**
- **Natural Gas**
- **Propane**
- **Coal**
- **Diesel**
- **Coal Bed Methane**
- **Nuclear**
- **Gasification**
- **Fischer-Tropsch**

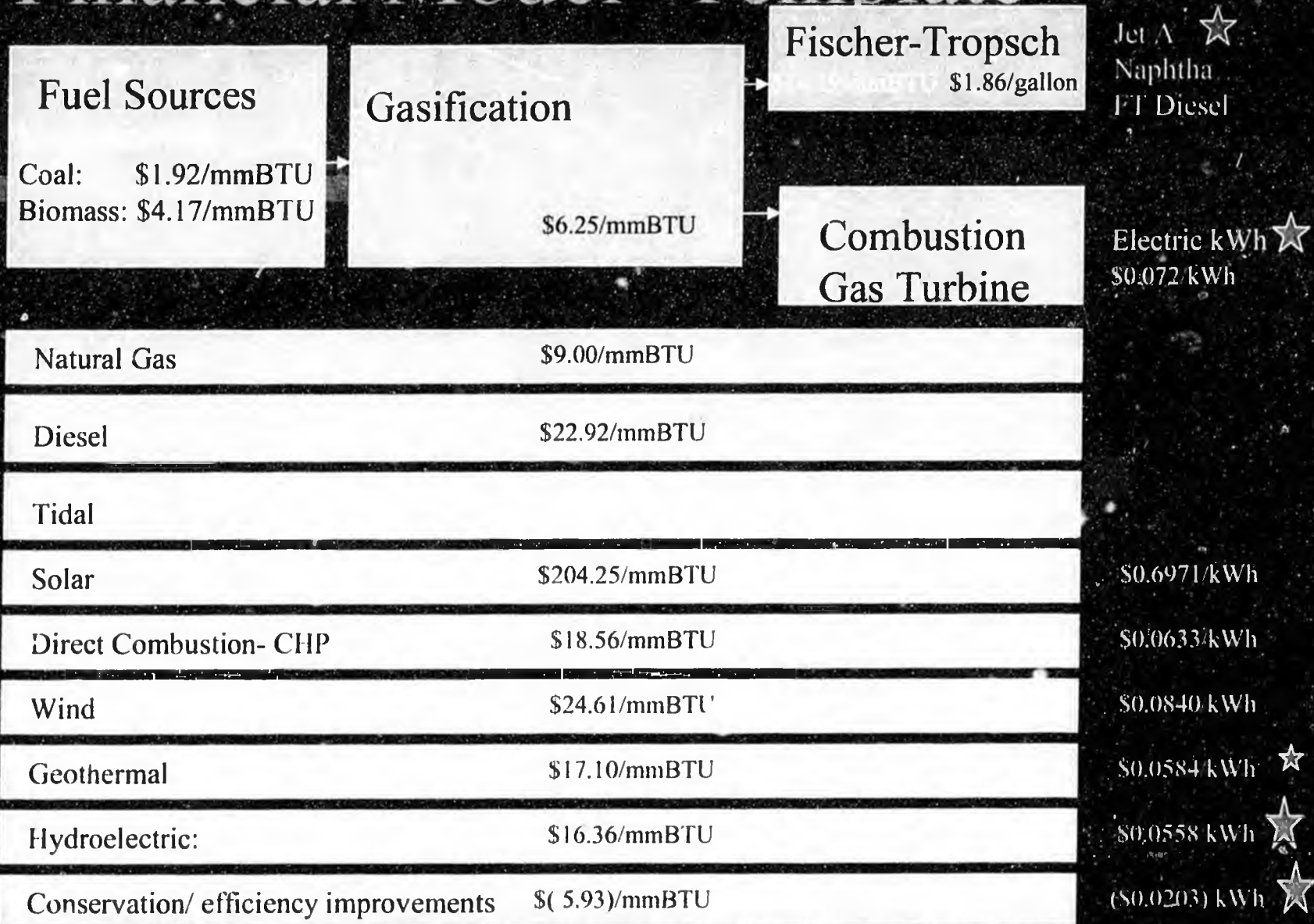
Technology Evaluation

- **Technology Assessment**
- **General Cost Estimates**
 - **Capital Costs**
 - **Operations and Maintenance Costs**
 - **Delivery Costs**

Locally Available Fuel Supplies

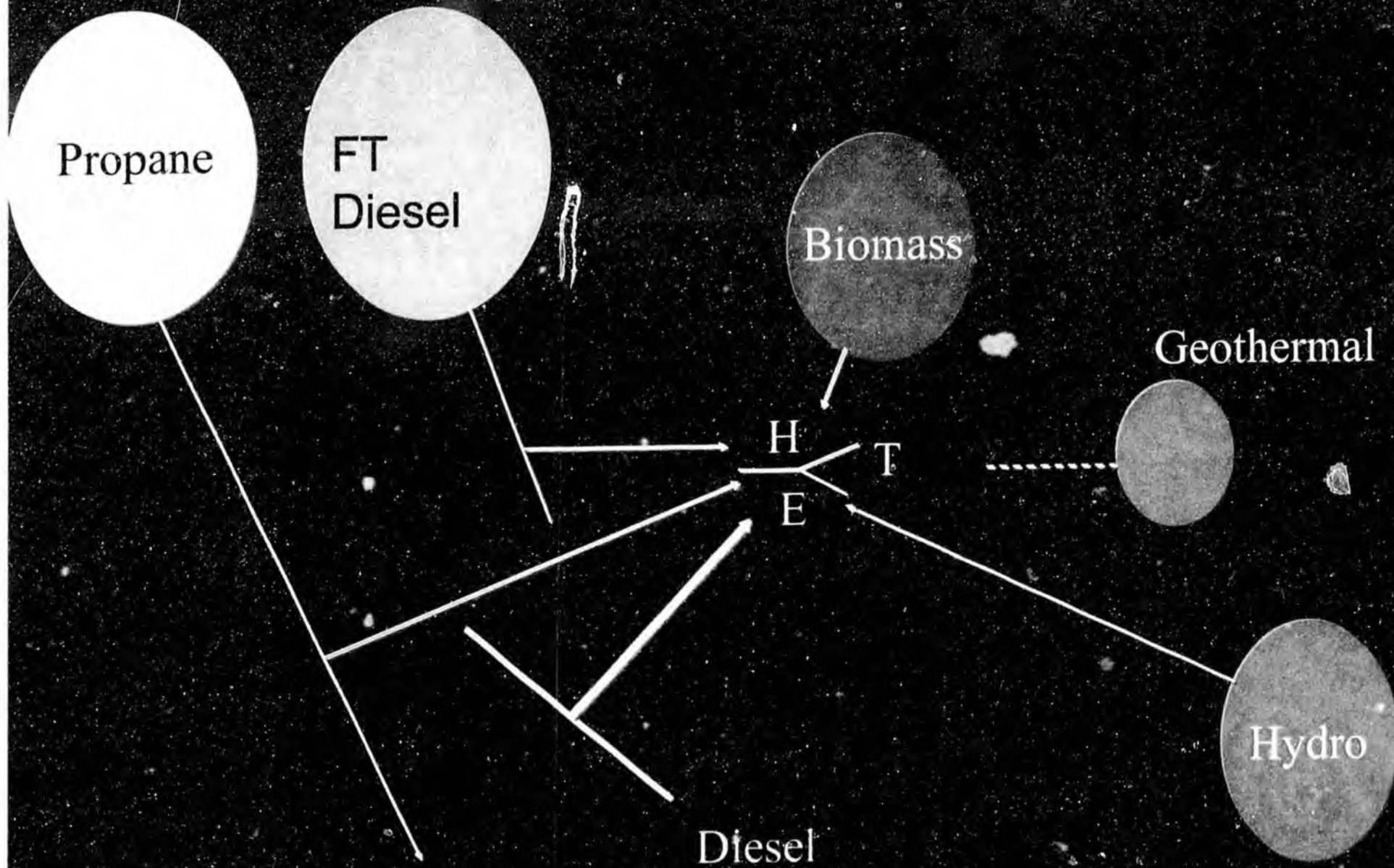
- **Visits to 28 communities to listen to locals on available energy sources.**
- **Size for the local need**
- **Determine energy delivery method.**
- **Develop energy production and delivery method and costs.**
- **Local Control using Local Fuels to make Local Energy.**

Financial Model- Template



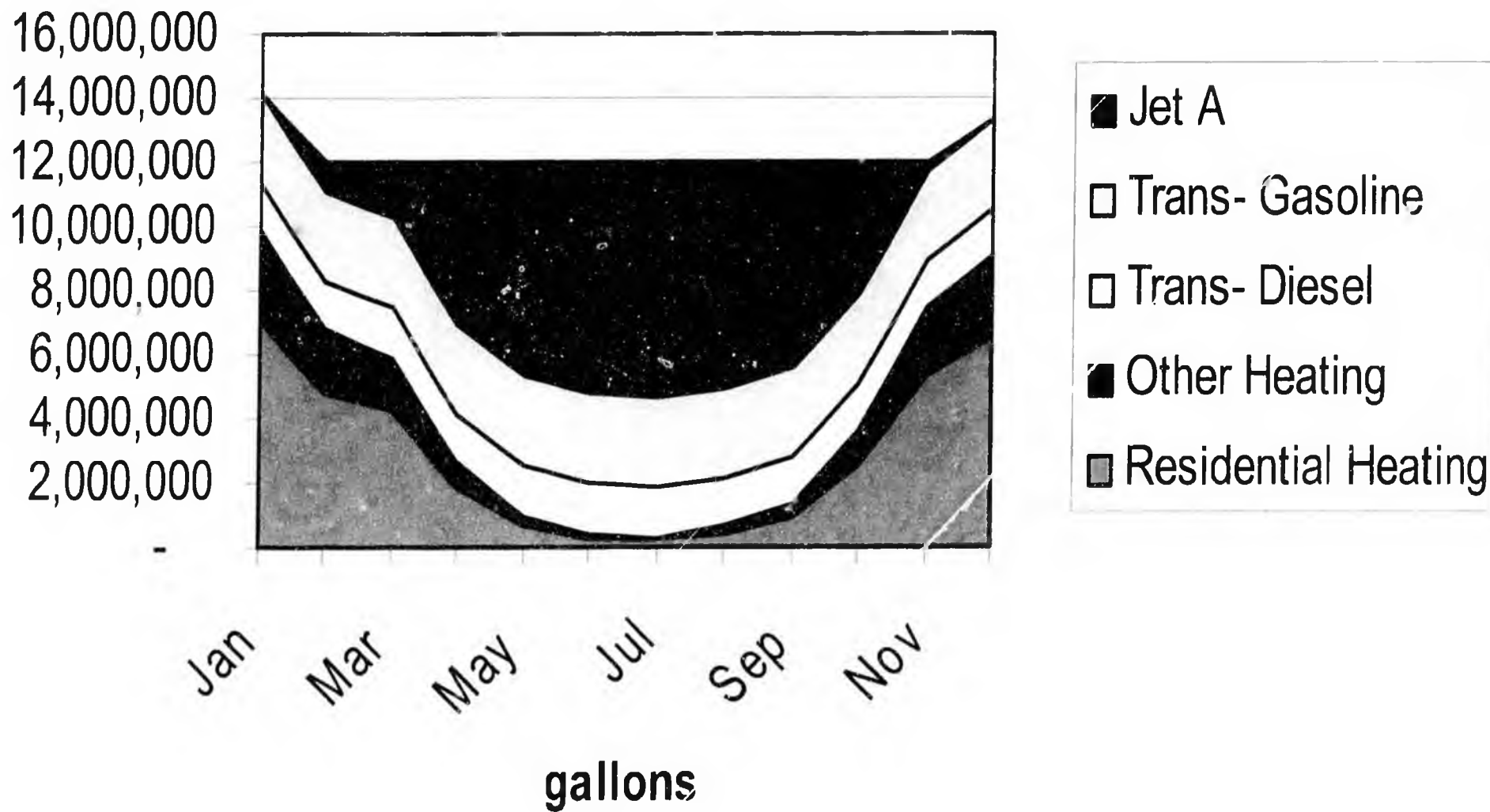
Excerpt from the Fairbanks Energy Plan, FEDC Website www.investfairbanks.com

Community - Regional Evaluation



Estimated Seasonal Use

FT Capacity by Market Sector



Rapid Option Selection

- **Determine the technology option which will deliver a usable fuel that meets the local needs at the lowest cost.**
- **Local Feedback**

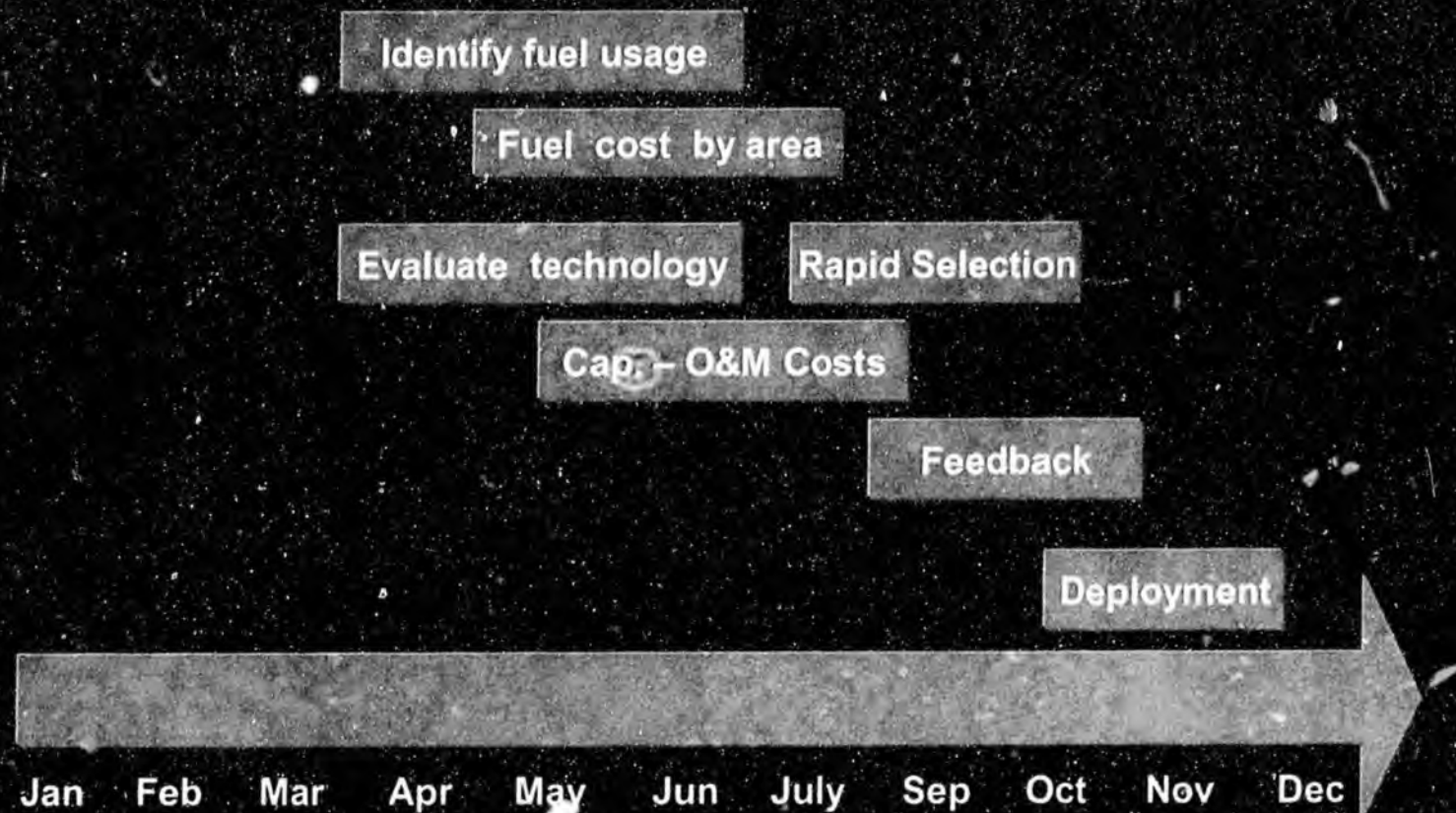
Rapid Deployment for Economic Development

- **Identify new or existing local companies that can provide deployment or support.**
- **Support Power Sales agreements where appropriate**
- **Identify and develop financial institution relationships**
 - **State**
 - **Private**
 - **Public**

Resources

- **Engage both public and private sectors in identifying a solution**
 - **AEA Team and passionate Alaskans**
 - **Local Businesses**
 - **Entrepreneurial Business training**
 - **Financial Institutions**
 - **State of Alaska financial support**

Schedule: Alaska Energy Plan



Current Status

- **Identifying local fuel needs and resources with ISER.**
- **Evaluating technology with ACEP.**
- **Regional trips to 29 communities completed.**
- **Developing the technology matrix.**
- **Developing evaluation tools**

Questions ???

Contact Information:

Alaska Energy Authority

813 W Northern Lights Blvd.

Anchorage, Alaska 99503

(907) 771-3073

www.akenergyauthority.org

Comment e-mails to:

energycoordinator@aidea.org

Wolfgang Falke
918 Seventh Avenue
Fairbanks, Ak. 99701
Tel.: (907) 452-4275

July 9, 2008

To:
Alaska State Legislature,
Every member of the House and the Senate

Re.: Reduce Cost of Refinery Products the most sensible
and cost-effective way.

Dear Legislator:

Because the "Alaska Energy Crisis" is caused by the high cost per barrel of Alaska crude oil, the only answer to fairly alleviate the "Alaska Energy Crisis" is by substantially reducing the barrel price of State royalty crude oil that is sold to Alaska refineries to a pre-crisis level, that is to about \$30.00 per barrel and to price-fix the f.o.b. cost the refinery must sell its refined products.

Should the Federal Government not like the State price-fixing, let them sue us Alaskans! Their arguments are not going to fly, because there is no discrimination for the reason that everyone who comes to Alaska will be served at the same f.o.b. price of the Alaska oil refinery products. Alaska oil refined products may not be exported at the Alaska substituted price; an export tax will be imposed for such Alaska substituted out of State sales.

Please read the hereto attached letter of Douglas Dimbat of North Pole regarding the reduction of Alaska refinery products.

Sincerely,



Wolfgang Falke

Attachment

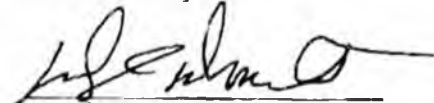
REDUSE COST OF REFINERY PRODUCTS

The State of Alaska could reduce the cost of Fuel Diesel and Heating fuel in the North Star Borough with in a day if:

1. The state sold our oil to the refinery at \$25.00 per barrel with the stipulation that the refinery could price it at \$50.00 per barrel , getting us off the world price of oil.
 - a. Only 5% of what goes through the pipeline goes to the refinery, the other 95% goes to Valdez which could stay on the world market price.
2. This would immediately cut our cost in half not only to us but to the rest of the state where the fuel is sold.
3. If our price of gas and oil were half of the lower 48 it would double our tourism industry, and allow those of us who live here to continue living here.
4. The Airlines could reduce their ticket price and advertise as such, hotels could reduce their price and those driving up could afford the trip.

This kind of a program would not hurt the State, Refinery or its customers. It can only help.

Sincerely



Douglas Dimbat, North Pole, Alaska
4563630

Suzanne Cunningham

From: Rep. Anna Fairclough
Sent: Friday, July 11, 2008 1:44 PM
To: Suzanne Cunningham
Subject: FW: Need to Stabilize Fuel Costs for Alaskans

For committee/bill file.

Representative Anna Fairclough

State Capitol: 907.465.3777
Eagle River: 907.694.8944
Representative_Anna_Fairclough@legis.state.ak.us

From: Nels and Dorothy [mailto:andora@nushtel.net]
Sent: Friday, July 11, 2008 12:07 PM
To: Rep. Anna Fairclough
Subject: RE: Need to Stabilize Fuel Costs for Alaskans

July 11, 2008

Dear Representative Fairclough:

Need to Stabilize Fuel Costs for Alaskans:

Please keep in mind that our heating fuel in Dillingham is \$6.23 a gallon at this time.

At that price, if my wife, Dorothy, and I buy heating fuel now, we will pay:

800 gallons x \$6.23 + 6% sales tax = \$5,283.04 for heating fuel for this winter.

We can't buy heating fuel now, so we will be paying more because heating fuel will rise to \$8.00 a gallon when the next fuel barge comes in:

800 gallons x \$8.00 + 6% sales tax = \$6784.00 for heating our house this winter.

This is very difficult for us since we are on fixed incomes as retirees. Heating fuel cost alone is forcing us to go into our savings.

Electricity costs are now 34 cents a kwh. That will go up this fall with higher diesel prices that Nushagak Electric will have to pay for their fuel. That will raise our prices too.

Food costs in Dillingham are almost twice as much or more for a comparable food basket in Anchorage.

Freight costs have increases plus a fuel surcharge is added.

7/11/2008

Postage rates have increases to mailing food from Anchorage is more expensive.

Gasoline is now \$6.45 a gallon and will go to \$8.50 a gallon when the next fuel barge comes in.

Our house is about as energy efficient as we can get it.

Our average annual use of electricity is 400 kwh per month.

We burn about 2.19 gallons of fuel a day to heat our home and heat our water. Thus the 800 gallons of fuel per year.

I am sure we can improve our efficiencies but it takes money to do that. Some examples:

\$1,500.00 would buy an on-demand water heater.

\$3,000+ would pay for a wood stove.

\$2,500 would buy 3 energy efficient windows including installation.

Weatherization would help but we need an energy rater to come out here to do that. We understand that the energy raters are backlogged to October in Anchorage.

Many of the energy programs require energy ratings to become eligible for rebates. One also has to have the cash to make the energy improvements that I listed above.

There is no question those energy improvements would help us lower our cost of fuel but it is difficult to pay for those improvements and also budget for the upcoming heating fuel costs for the winter. It is a balancing act now so our options are limited.

This is a summary of what we are facing with high fuel costs in Dillingham.

I know you are aware of the fact that most of our villages are paying much more than we in Dillingham pay for fuel, food, and electricity.

Recommended solution: Stabilize Fuel Costs Using Alaska State Royalty Oil

For the reasons stated above, the core problem for those of us that live in Rural and Remote Alaska is high cost fuel.

That is why we need to have our fuel costs stabilized by using our Alaska State Royalty Oil. I know, Senator Hoffman, that you said that all of our State Royalty Oil is committed.

We need to unravel those commitments and take our State Royalty Oil and have it refined in Alaska, and distributed from Flint Hills in Fairbanks or Nikiski. We need to have our fuel at no more than \$2.00 gallon to stabilize our cost of living or our communities all across Alaska, including the Railbelt, will suffer severe economic

consequences.

If you did that, we could have low cost fuel flowing to all of our communities before winter. Our electric coops would be able to deliver lower cost electricity, freight costs would drop, food costs would be less expensive, heating fuel would be affordable, gasoline for Subsistence hunting and fishing would become feasible again, and the overall cost of living for All Alaskans would drop.

How long should we do this? We should subsidize our fuel costs as long as crude oil is above \$100 a barrel.

I have not done a financial analysis of how this compares to an energy rebate, dropping the fuel tax, or other energy relief proposals being considered, but this suggestion deserves consideration. It attacks the core problem, not the symptoms of high cost energy.

Thank you for listening.

Nels Anderson, Jr.
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Dillingham, Alaska 99576
07-842-2366
andora@nushtel.net

Robert L. Beans
P.O. Box 2645
Palmer, Alaska 99645
907-746-2733 Home
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rlbeans@gmail.com

Friday, July 04, 2008

Friends and neighbors, my name is Robert Beans. I was born and raised in Mountain Village, a fishing community on the Lower Yukon River, as have my people before me, through times that were sometimes good and sometimes not so good. Because of health issues in my family, I was forced to move closer to a better healthcare system. Though I now live on the road system, I maintain close ties with Rural Alaska and feel that I am obligated to speak on behalf of the hundreds of family members and friends I left behind to struggle with the affects of unfair inequities brought on by 'short-sighted' leaders. What happen to the Statesmanship of Legislators who looked out for the welfare of All Alaskans, regardless of which district they represented? It is time to bring that trait back to the Legislature and Administration for the benefit of all Alaskans.

Today we face "not so good" times. The cost of fuel and electricity is now a real crisis for our families. It is a crisis shared in the villages throughout rural Alaska and every place else.

Urban Alaska is beginning to share our pain, the pain we have endured throughout our statehood. I won't say welcome to the world of hurt we have long struggled with over the many years. Instead I will simply say to your struggling young families: "I am sorry."

In village Alaska we have reached the crisis point. For many, more than half of family income is spent on energy, leaving very little for all the other necessities that bring a quality of life commensurate to that of their urban family and friends. And yet they are still willing share their limited subsistence harvests with others. Today I spoke with 81 year old Don Smith of Kiana who told me he and his wife, like many in the state, are living on only the Social Security check he gets and he does not know how he is going to survive with the high cost of fuel. I hear the same plight in the voices of the many people I talk to from all over the State.

For many, increasing energy cost is new. While your increases are an unwelcome new burden, believe it or not, in South-central Alaska you still have the lowest natural gas costs in the nation. As a for instance, in February 2008, residential natural gas rates in the State of Washington were 50 percent higher than in Anchorage.

In westward Alaska, our oil must be transported great distances, at costs that are more than half of those realized by urban Alaska and the communities along the road system. Villages are small markets with little or no "economies of scale", and we have to store our annual use of fuel for nine months of the year. The cold weather and fall/winter winds increase our usage. We know we must get very serious about doing our part, weatherizing our homes, and using some of the old ways, like heating rocks in evening and letting them give off this heat at night, but still all this takes energy.

Increasing oil price is good news for state revenue, but very, very bad news for family costs, whether urban or rural.

What are we to do? Today many urban communities feel some of our burden. I know there are many people in the cities that need help, but I doubt one solution is going to fit all of us. We need a common sense solution to the problem. We need to help each other in this difficult time, but we must not be foolish with an opportunity to better all of Alaska.

We should reserve some of this money for real solutions. In western Alaska we are developing wind power, and have some systems operating.

Some regions, like Anchorage, the Kenai, and the Matanuska Susitna areas still have benefit of lower cost natural gas, and Southeast Alaska communities have hydroelectric for generating electricity, although residents must still use more costly oil to heat their homes

Fairbanks has the highest costs of the big urban communities. They must use oil for home heating, and coal and oil for electricity. The extreme cold means they must burn more fuel in a day and for more days of the year.

Though I am a former rural resident. I plead my case for the rural regions. But today in urban centers many people need help to absorb increases, too.

In principle, we shouldn't just hand out money to everyone impulsively. We should focus on the needs of our Alaskan families that are below the state's median income of \$52,000 a year

In 2006 we had an estimated 221,600 households, of which the extreme-cost rural areas are only about 10 percent. Using the median income for a threshold we get down to roughly 100,000 households. If you gave assistance of \$3,000 this requires only \$300-million. Further adjustments or a lower threshold could reduce this number.

I apologize for my doubts that village Alaska will be treated fairly. We in rural Alaska have not had a good experience in recent decades with those that have held the reins of political power. Over the decades we have lost much of our legislative representatives to the cities, and for many reasons there has grown a hostile division urban and rural Alaska. Unfortunately, urban people don't have opportunity to get to know us. We are out of sight, out of mind and impractical to visit because of the high cost of transportation. "Well, you can move," we are often told. However, we of the villages are "just here." We didn't make a choice to be here, and the choice to leave is extremely painful, because we leave behind family, friends, a way of life, a culture and a heritage. But, it has come to the point that energy costs are driving people from the villages to urban Alaska. This is putting a tremendous strain on the social structure and services of the urban cities. One just has to open a page in the Anchorage Daily News, the Juneau Empire, the Frontiersman or the Fairbanks Miner to see this happening at an alarming rate.

I am not naive about the economic realities, having served on numerous Boards and Commissions including statewide boards like Governor Knowles' Rural Sanitation Council as Co-Chair and the Power Cost Equalization task force that created the PCE Endowment Fund. In addition, I was elected by the Tribal Governments in Alaska to a two year term on the National Environmental Council/Tribal Operations Council (NEC/TOC) that reported directly to the Under Secretary of Environmental Conservation on the Presidents Cabinet. NEC/TOC forwarded recommendations of federal funding levels for the EPA grants available to the American Indians and Alaska Native Tribes for programs such as the General Assistance Program (GAP) which is used for a matrix of programs to enhance the Quality of Life in Native Communities throughout the United States. I have also served on the Board of Alaska Village Electric Cooperative for many years.

Some Alaska regions have been fortunate, and had access to cheap natural gas for many years. In the beginning gas was sold at throwaway prices. Now this gas is getting more expensive, but our natural gas prices are still well below the residential national average. Alaska and Utah have the lowest natural gas prices in the country. Southeastern Alaska is rich in hydroelectric facilities, this spares them the electrical side of oil price shock.

While our people in the Lower Yukon and elsewhere in rural Alaska urgently need help, we could deal with the problem with roughly \$700 million, while investing in longer-term solutions that are practical.

This caution may sound strange coming from someone who has long wrestled with our rural energy problems. But money is money, it is a tool and like all tools should be cared for properly. We have many things to do in this state, and there is a long road ahead for our children and grandchildren. We need to invest this money wisely while shoring up our economic bases. We must encourage the development and enhancement of businesses throughout Alaska. We must look to the future, a future that will help and protect our children and grandchildren and their children and grandchildren. Please don't throw good money after bad...we went down this path before and look where it got us...on our hands and knees begging for more peanuts from the Federal Government while our savings plan grows daily by Millions. This is not the Alaska our founding fathers envisioned while they were penning our Constitution, and it is not the Alaska I would be proud to live in...it is very degrading.

In closing, the resources belong to the residents of Alaska. Something like the Governor's current proposal needs to be implemented on a one time basis only and not make it an annual entitlement, but a temporary hand-up for Alaska Residents. At the same time, long term solutions need to be explored to sustain the delivery of State services. A suggestion is to look at making the CBR into an entity like our Permanent Dividend Fund. This concept is doable. Crude oil is at an all time high and bringing Millions into the State coffers. Put into place a 10 year moratorium where 80% of the revenue coming from crude oil continues to go into the PFD, while the remaining 20% goes into the CBR. Leaving the funds that would have normally gone into this fund from the investments to fund State programs until such time the CBR is at a sustainable interest revenue to be rolled into this for the State services. During this moratorium, it could be possible to cap the dividend at \$2,000 to allow the PFD to grow. I believe this long-term planning will sustain the state functions and continue to provide services. To ensure that the investments going into the CBR have the greatest possible chances of success, hire four of the top business persons in Alaska and one that is the caliber of Lee Iacocca or Donald Trump to act as Advisors to how the funds should be invested.

Thank you for considering all the suggestions Alaska Residents are putting forward

SOLAR POWER COULD HARNESS THE MIDNIGHT SUN

By Jim Crawford

July 6, 2008

Of the solutions to the "energy cost crisis", solar power for Alaskan homes and businesses may be the best long-term. Solar power can cut Alaskans' heat and light bills in half.

Standard Renewable Energy defines how simply solar power works:

1. "Solar photovoltaic (PV) panels are mounted on your roof, where they collect energy from the sun in the form of direct current electricity.
2. The direct current electricity is then converted by an inverter into alternating current electricity for use by your home.
3. The alternating current electricity is fed directly into your home, just like it is from your electricity provider. And since the solar energy system works in tandem with your electricity provider, you'll continue to get electricity from them when you need more than the solar energy system can provide (e.g. during overcast weather and at night)."

Solar power should harness the Midnight Sun. In other states, homes are tied into the power grid, produce solar power and sell it to the utilities. Would you love to sell power to your electric company? Maybe debit them \$3.50 each time for the privilege of paying you? With solar power, each Alaskan can bring their own energy costs down. It's got to be part of any Alaska energy solution.

Power grids work when homeowners and businesses feed their excess power into the utility. The utility passes that power along to its other clients instead of producing its own. That reduces consumption of expensive oil and gas. Utilities who bill on a level pay plan give credits to their solar producers during the summer months that balance out the consumers increased cost and lower generation in winter. It can drastically reduce annual energy costs.

Hot air furnaces, boilers, hot water heaters, even refrigeration and irrigation systems run on solar power. By generating electricity and heat, these systems can provide regional self-sufficiency to Alaskans regardless of the community in which we live. Kind of like the State's Power Cost Equalization program on steroids.

One of the biggest players in solar power is, surprisingly, BP. BP's solar expert Tim Burton states, "It's inescapable that solar power will become a mainstream energy source." That's from one of Alaska's top producers of oil and soon, natural gas.

Home solar panel systems are guaranteed by manufacturers to operate for 25 years. If solar cuts electricity costs in half for each of those twenty-five years, it's quite a bargain. As the price of oil and gas go up, savings only increase.

Other states like Colorado are changing consumers' energy consumption by providing incentives. Grants provided to homeowners and businesses sufficient to bring down the capital cost of installing solar energy systems can drop our electrical generation costs in half in every region of Alaska. Such grants could solve each Alaskans' personal energy crisis.

If you have a newer watch or calculator, you're using solar power today. Solar works cost effectively when states make the investment to offset the capital cost of acquisition and installation. Currently, installation credits, grants and low interest loans are not available in Alaska for solar power. The federal government, however, provides a 30% investment credit for solar power and allows accelerated depreciation for businesses that install it. It's time for Alaska to get some skin in the solar game.

The Legislature has a unique opportunity, awash as we are with petrodollars, to help Alaskans change our heating and electricity sources and reduce costs during this Special "Energy" Session. Redirecting oil riches to allow renewable energy from the sun makes incredible sense.

Cash infusions to Alaskans are important to help with short-term high-energy costs. But, let's also fund utilities to pass through grants for solar power systems that hook up to their grid. Solar power, wind generation, geothermal must have a place at the table along side oil, gas, coal and hydro generated energy. They are all part of developing a solid energy solution for Alaska. The alternatives to hydrocarbons could prove to be the best long-term solutions to Alaskans' energy cost crisis.

Jim Crawford is a life long, third generation Alaskan, a commercial real estate developer and mortgage banker. He and his wife, Terri, live in west Anchorage.

Suzanne Cunningham

From: Rep. Anna Fairclough
Sent: Monday, July 14, 2008 10:53 AM
To: Suzanne Cunningham
Subject: Fw: Energy Crisis

Fyi

----- Original Message -----

From: rwoods@gci.net <rwoods@gci.net>
To: Rep. Anna Fairclough
Sent: Sun Jul 13 19:44:52 2008
Subject: Energy Crisis

Dear Representative Fairclough:

The welfare of Alaskans and our communities require the legislature to provide fair and immediate relief. The impact of extremely high oil prices on Alaskans is not the same throughout the state. The governor's proposal to issue checks for the same amount (\$1,200) and to reduce gasoline tax by 8 cents per gallon is woefully inadequate and short-sighted when it comes to addressing the Interior and rural Alaska.

As you know, the reality is that areas with long, cold winters and electric utilities highly dependent on oil to produce electrical power are in much more dire need of relief than areas with milder winters, natural gas for heating, and relatively low electricity costs. A solution based on actual need is required. Alaskans desperately need our legislators to respond in a fair, immediately and responsible manner to protect the welfare of Alaskans and our communities. We have the very good fortune of having tremendous resources in Alaska. Let's use them to benefit Alaskans and enable our great state to move forward with our people and economics healthy and proud. Not solving this problem would be a travesty and embarrassment to Alaska throughout the nation.

Ron and Mary Woods
120 Concordia Dr.
Fairbanks, 99709

Submitted by: Patrick Flynn, Chair-Legislative
Committee, and Members
Gray-Jackson, and Johnston
Prepared by: Legislative Committee
For reading: June 10, 2008

ANCHORAGE, ALASKA
AR NO. 2008-113

**A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING GOVERNOR
PALIN'S PROPOSAL TO AMELIORATE THE EFFECTS OF HIGH ENERGY COSTS ON
ALASKANS AND RECOMMENDING AND ENCOURAGING SUPPORT FOR LONG-TERM
COMMITMENTS FROM THE GOVERNOR AND THE LEGISLATURE BY APPROPRIATING
FUNDS TO ENCOURAGE THE USE OF PUBLIC TRANSPORTATION**

WHEREAS, the Alaska State Legislature will soon hold a special session to address the effects of high energy costs; and

WHEREAS, Governor Palin has proposed using \$1.2 billion in surplus revenue to ameliorate the effects of high energy costs on Alaskans; and

WHEREAS, the Anchorage Assembly recognizes encouraging and enhancing public transit can reduce the amount of energy used for transportation, thus reducing costs to residents; and

WHEREAS, there are unmet capital and operating needs in Southcentral Alaska's public transit network.

NOW, THEREFORE, the Anchorage Assembly resolves:

Section 1: That the Anchorage Assembly recommends and encourages the Legislature to appropriate \$7 million for the People Mover fleet replacement and expansion.

Section 2: That the Anchorage Assembly recommends and encourages the Legislature to appropriate \$850,000 for the Share-a-Ride Vanpool fleet replacement and expansion.

Section 3: That the Anchorage Assembly recommends and encourages the Legislature to appropriate \$1.5 million to complete the final phase of a Paratransit Operations & Maintenance Center at the Municipality of Anchorage's Public Transportation Campus which will reduce dead-head costs.

Section 4: That the Anchorage Assembly recommends and encourages the Legislature to appropriate \$200 million to establish a transit trust fund, the proceeds of which would provide ongoing operating dollars to public transit operations throughout Alaska.

Section 5: That the Anchorage Assembly recommends and encourages the Legislature to explore changes to the pupil transportation funding requirements that would allow blending of public and pupil transit systems to achieve economies of scale.

Section 6: That copies of this resolution be forwarded to the Governor and the Legislature immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this _____ day of _____, 2008.

Chair

ATTEST:

Municipal Clerk

Qagan Tayagungin Tribe
P.O. Box 447
Sand Point, AK 99661
(907) 383-5616 telephone
(907) 383-5814 fax
qadmin@arctic.net email

Honorable Sarah Palin
Alaska State Capitol Building
P. O. Box 110001
Juneau, Alaska 99811-001

July 8, 2008

Re: State Funding for Pre-Pay Electric Meters

Dear Governor Palin:

We are writing in support of state funding for pre-pay electric meters. Our electric utility owner, Sand Point TDX Power, is currently planning to install a pre-pay metering system in Sand Point.

Several other communities that have been using the meters - some for many years have found that the pre-pay meters contribute to energy conservation and to the sustainability of electric utilities.

Residents of other communities with pre-pay meters report that the devices help them to conserve power and save money. Watching your own money run backwards on the pre-pay system is a valuable incentive to actively manage power usage. Homes that have the regular meters often passed the 500 kWh limit paid by PCE before we know it. For people with such meters, it is hard to know when you have passed the 500 kWh until it is too late. With a pre-pay meter, you can gauge your use and eliminate the unknown. Many of the customers like the pre-pay system because they can save energy and are now in control. There are no longer large bills to pay at the end of the month.

It is also stated that the pre-pay meters help utilities use less fuel because their customers all use less power. This lowers the overall load on the generators which saves fuel costs. When our utility saves money, then we all save money on electric costs. The pre-pay electric meters do exactly this. You will save money on electric costs funding these meters.

We hope you will put money into the energy program for pre-pay meters as an energy conservation measure and a way to help us with high electric bills.

Sincerely,



David O. Osterback
President, Qagan Tayagungin Tribe

Cc:

Senator Lyman Hoffman

Representative Bryce Edgemon



Association of Alaska Housing Authorities

Tlingit-Haida Regional Housing Authority
PO Box 32237
Juneau, Ak 99803-2234
907-780-6868

July 7, 2008

Interior Regional Housing Authority
828 27th Avenue
Fairbanks, Ak 99701-6918
907-452-8315

Representative Anna Fairclough

North Pacific Rim Housing Authority
8300 King Street
Anchorage, Ak 99518
907-562-1444

Cook Inlet Housing Authority
3510 Spcnard Rd, Suite 201
Anchorage, Ak 99503-2745
907-276-8822

Aleutian Housing Authority
4000 Old Seward Hwy, Suite 202
Anchorage, Ak 99503
907-563-2146

Tagiugmiullu Nunamiullu Housing Authority
PO Box 409
Barrow, Ak 99723
907-852-7150

Bristol Bay Housing Authority
PO Box 50
Dillingham, Ak 99576-0050
907-842-5956

Copper River Basin Regional Housing Authority
PO Box 89
Glenallen, Ak 99588
907-822-3633

AVCP Regional Housing Authority
PO Box 767
Bethel, Ak 99559-0767
907-543-3121

Baranof Island Housing Authority
PO Box 517
Sitka, Ak 99835-0517
907-747-5088

Bering Straits Regional Housing Authority
PO Box 995
Nome, Ak 99762-0995
907-443-5256

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Ak 99504
907-338-6100

Kodiak Island Housing Authority
3137 Mill Bay Rd
Kodiak, AK 99615-7032
907-486-8111

Northwest Inupiat Housing Authority
PO Box 331
Kotzebue, Ak 99752-0331
907-442-3450

Ketchikan Indian Community
2940 Tongass Avenue
Ketchikan, Alaska 99901

Dear Rep. Fairclough:

The Association of Alaska Housing Authorities (AAHA) represents fourteen regional housing authorities and the Alaska Housing Finance Corporation. Our members work to increase the supply of safe, affordable housing in every part of Alaska, both urban and rural.

At AAHA's June, 2008, board meeting, the organization passed a resolution supporting Governor Palin's legislation, which would establish the Alaska Resource Rebate Program and would suspend the motor fuel tax for one year. That resolution is attached.

We ask for your support of this legislation, as we believe it will provide short-term relief to Alaskans in need.

For further information, please contact our Administrator, Heather Arnett, at 338-3970 or aaha@alaska.net.

Sincerely,

Ron Hoffman
President
Association of Alaska Housing Authorities



Association of Alaska Housing Authorities

Tlingit-Haida Regional Housing Authority
PO Box 32237
Juneau, Ak 99803-2234
907-780-6868

Interior Regional Housing Authority
828 27th Avenue
Fairbanks, Ak 99701-6918
907-452-8315

North Pacific Rim Housing Authority
8300 King Street
Anchorage, Ak 99518
907-562-1444

Cook Inlet Housing Authority
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Anchorage, Ak 99503-2745
907-276-8822

Alutian Housing Authority
4000 Old Seward Hwy. Suite 202
Anchorage, Ak 99503
907-563-2146
Taglitmiulla Nunamiulla Housing Authority
PO Box 409
Barrow, Ak 99723
907-852-7150

Bristol Bay Housing Authority
PO Box 50
Dillingham, Ak 99576-0050
907-842-5956

Copper River Basin Regional Housing Authority
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Clennallen, Ak 99588
907-822-3633

AVCP Regional Housing Authority
PO Box 767
Bethel, Ak 99559-0767
907-543-3121

Baranof Island Housing Authority
PO Box 517
Sitka, Ak 99835-0517
907-747-5088

Bering Straits Regional Housing Authority
PO Box 995
Nome, Ak 99762-0995
907-443-5256

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Ak 99504
907-338-6100

Kodiak Island Housing Authority
3137 Mill Bay Rd
Kodiak, AK 99615-7032
907-436-8111

Northwest Inupiat Housing Authority
PO Box 231
Kotzebue, Ak 99752-0331
907-442-3450

Ketchikan Indian Community
2960 Tongass Avenue
Ketchikan, Alaska 99901

ASSOCIATION OF ALASKA HOUSING AUTHORITIES 4300 Boniface Parkway Anchorage, AK 99504

RESOLUTION #08-02

A RESOLUTION IN SUPPORT OF GOVERNOR SARAH PALIN'S SHORT-TERM ENERGY PLAN.

WHEREAS, the Association of Alaska Housing Authorities (AAHA) represents fourteen regional housing authorities and the Alaska Housing Finance Corporation; and

WHEREAS, with the ongoing increase in crude oil prices, Alaskans are facing unprecedented energy costs, many experiencing extreme financial hardship; and

WHEREAS, Governor Palin has proposed providing short-term, 1-year relief in the form of resource rebates in the amount of \$1,200 to Alaskans; and suspending the Alaska Motor Fuel Tax for one year; and

WHEREAS, Governor Palin and the administration will continue reviewing a proposal to make grants to utilities and introduce bills for the legislature to consider next month; and

WHEREAS, Governor Palin is developing a statewide plan to reduce costs, promote conservation and secure long-term supply solutions for all of Alaska, with the plan scheduled to be released by year-end 2008;

NOW, THEREFORE BE IT RESOLVED, that AAHA supports the Governor's short-term energy plan; and

BE IT FURTHER RESOLVED that AAHA reiterates its support for the timely development of a comprehensive Statewide Energy Policy for the state of Alaska.

AAHA Resolution 2008-02

Approved this 24th day of June, 2008 at a duly called meeting of the Association of Alaska Housing Authorities.

Certification:

 _____
AAHA Board Secretary

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

July 11, 2008

SUBJECT: Alaska resource rebate program (HB 4002)

TO: Representative John Coghill
Chair of the House Rules Committee
Attn: Rynniva Moss

FROM: Tamara Brandt Cook
Director

(1) Would the enactment of HB 4002 have an affect on the federal tax status of the permanent fund?

It does not appear that the Alaska resource rebate program has any financial connection with the permanent fund and, therefore, will not effect the tax status of that fund. The issue of the tax treatment of the permanent fund has come up in the context of converting the dividend program from a statutory program to a constitutional program. Essentially, the issue has been whether the Internal Revenue Service would find that enough of a private interest in the permanent fund is created when residents have a constitutional right to income from that fund so that some or all of the assets of the fund itself would no longer be viewed as tax-exempt public property. It is my understanding that at one point the Alaska Permanent Fund Corporation obtained advice from a tax expert concluding that there would be a substantial risk of adverse federal tax consequences if a dividend program is mandated in the constitution and no longer subject to an independent legislative evaluation each year, through the appropriation process, that the income should be used for that program rather than for another purpose. In 2004, the Attorney General obtained another review of that question by Steptoe and Johnson, LLP. That firm concluded that placing a requirement for payment of permanent fund dividends in the state constitution would result in no adverse federal tax consequences. The issue has not been addressed by the IRS.

The Alaska resource rebate program established under HB 4002 does not involve any constitutionally created right of individuals to receive money. Money for that program simply comes from appropriations, which may be from any source. In fact, the appropriation to carry out the program suggested by the Governor under sec. 3 of HB 4003 will come from the general fund rather than from the earnings reserve of the permanent fund. The only connection between the proposed Alaska resource rebate program and the permanent fund dividend program is that receipt of a dividend for 2008