



DENALI COMMISSION

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Chairman Perry, Ranking Member Titus, and Honorable Members of the Subcommittee,

Thank you for inviting me to testify and providing this opportunity to present the Denali Commission's perspective. We are unique among the other regional commissions, as we operate solely in Alaska. While that may seem like a narrow focus, I assure you it is not. Alaska has a population of just over 730,000 people, spread out over more than 571,000 square miles of land area, which makes the state larger than Texas, California, and Montana combined, and leaves us with a population density of 1.27 people per square mile.

Alaska has approximately 160 municipalities, ranging in size from around 20 to about 300,000. Of those municipalities, 86 percent are not connected to the road system, which means everything the community needs is either flown or barged in, significantly driving up costs and logistical problems. About 80 percent of the municipalities are considered rural, meaning a population of less than 1,500. Slightly more than 50 percent have less than 500 residents, 13 percent less than 100 residents.<sup>1</sup> Only six have more than 30,000 residents. Many of those smaller communities do not have much in the way of a cash economy; many who live there still follow a traditional lifestyle, the municipality often does not have tax authority and there is not much to tax even if it did, and the infrastructure base is frequently decades behind most of the country.

I share this information with the Committee to illustrate the challenges of promoting economic development in the rural parts of Alaska, which is where the Denali Commission does the majority of its work. To illustrate: in fiscal year 2022, of the \$21 million the Commission

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<sup>1</sup> [AKMBPA2.pdf \(alaska.gov\)](#)

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awarded, 97% was allocated to areas that were considered economically distressed or disadvantaged. For fiscal year 2023, we will be making awards that total just under \$32 million, of which 97 percent will go to disadvantaged or distressed areas. The Denali Commission aims to address the challenges presented by Alaska's geography and low population in a holistic way.

To begin, many villages are powered exclusively by diesel generators. The cost of electricity averages 47 cents per kilowatt hour in rural communities, but it ranges from a high of \$1.50 to a low of about 37 cents.<sup>2</sup> As a point of comparison, the Bureau of Labor Statistics states the average cost of power here in the DMV area is 16.2 cents per kilowatt hour. It is incredibly hard to have an economy when power costs that much. Rural Alaskan households spend an estimated 27 percent of their annual income on energy – which includes both power and home heating – compared to 7 percent for urban Alaskans.

One factor that influences the cost of all rural energy is the availability of bulk fuel purchasing—which relies on an appropriately sized and code compliant bulk fuel tank farm—such that heating oil and diesel for power generation, as well as transportation fuels, can be purchased and delivered in bulk by barge during the brief seasonal windows of<sup>3</sup> opportunity, where that's possible, rather than in smaller, more costly quantities throughout the year delivered by airplane. Even in communities with renewable energy integrated into the power generation mix there's still a critical need for bulk fuel purchase and storage. Without significant state and federal investment in these critical bulk fuel facilities, the cost of rural energy would be exponentially higher. A 2016 study found that public investments in this infrastructure saved sometimes more than \$2.00/gallon in the cost of the fuels stored there.<sup>4</sup>

As Alaska continues advancing down the long and slow road to a carbon-reduced energy future, our rural communities' energy systems will have an unavoidable place for diesel. At a

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<sup>2</sup> [akenergyauthority.org/Portals/0/Power Cost Equalization/FY22 PCE Community Report.pdf](https://akenergyauthority.org/Portals/0/Power%20Cost%20Equalization/FY22%20PCE%20Community%20Report.pdf)

<sup>3</sup> [avec.org](https://avec.org)

<sup>4</sup> [2016\\_10\\_26-TrueCostElectricityFuelRuralAK.pdf \(iseralaska.org\)](https://www.iseralaska.org/2016_10_26-TrueCostElectricityFuelRuralAK.pdf)

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minimum, it will be needed for backup power generation and for building heat, and the futuristic possibility of someday displacing all of rural Alaska's diesel with renewables for power and heat is at best several decades away if for no other reason than it takes a long time to make change in these far-flung places. In the meantime, bulk fuel tank farms will continue playing a critical role in the rural Alaska community landscape. One bulk fuel project costs around \$9 million these days. Since 1999, the Commission has invested more than \$255 million in bulk fuel projects; \$115.7 million of those funds have come from the TAPL transfers, \$70 million from the Rural Utilities Service (RUS), and \$44.5 million from the Commission's "base" appropriations that come from the Energy & Water bill to match the RUS funds. Additional base appropriations have been used to reach more communities, and the Commission has also received funding from the EPA to do bulk fuel work. While we have partnered with the Rural Utilities Service to fund some of these projects in the past, but going forward, the Commission will likely be the only federal agency to provide funding for diesel power generation.

While they may not fit into the idealistic picture of renewable and sustainable energy, well maintained bulk fuel tank farms in good condition provide a level of security that helps manage energy costs and, by allowing confidence to members of a community that they will make it through winter without having to make the impossibly hard choice between feeding their families or keeping the house warm, builds the kind of resilience that makes planning and innovation possible – the very things we need to advance farther down our carbon-reduced energy road.

Much of Alaska's foundational energy infrastructure – bulk fuel tank farms, rural powerhouses, and distribution systems – are aged beyond their expected useful life. Inadequate operations and maintenance due to funding shortages and management capacity challenges, combined with the harsh climates in which these facilities are located, exacerbated by the effects of a rapidly changing climate, has created an overwhelming backlog of deferred maintenance for energy infrastructure throughout rural Alaska. The Alaska Energy Authority estimates more than \$300 million for powerhouses and more than \$800 million for bulk fuel tank farms is needed for

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critical repairs or replacements. The cost of distribution system upgrades is not included in this estimate but is undoubtedly a high cost as well. The more time it takes to meet the deferred maintenance need for critical rural energy facilities will inevitably raise the price tag, and more importantly, it increases the risk of infrastructure failure, which results in a cascade of additional social, environmental, and financial consequences. We fund a wide array of energy projects – from new powerhouses, tank farms, and increasingly, renewables – in order to bring those costs down.

We also engage in efforts to bring broadband to these rural areas. Several years ago, the Commission started hosting working groups to raise awareness and consider a statewide strategy, working with 12 Alaska Native Regional Corporations, 12 regional Native nonprofits, and other statewide nonprofits. This outreach resulted in technical assistance planning grants in eight regions supporting planning, engineering, strategy, and applications. As a specific example, the Commission’s Grant to the Tanana Chiefs Conference, representing 42 interior tribes, resulted in Applications submitted to U.S. Department of Agriculture (USDA) Community Connect, National Telecommunications and Information Administration (NTIA) Tribal Broadband Connectivity Program 1, USDA ReConnect 3, and USDA ReConnect 4, resulting in three winning grants for over \$90 million as of Spring 2023, with several anticipated Awards pending as of Fall 2023. The Commission achieved success through early awareness of the opportunity and focused response, developed with key regional partners meshing the best approach to building complex networks in remote communities.

The Commission’s transportation program was reauthorized in the Infrastructure Investment and Jobs Act, and we are engaged in helping build out economically impactful projects in this space as well. One such project is the Commission’s award to the village of Emmonak for dock storage. The Denali Commission awarded the Emmonak Dock Storage Project \$200,000 to remove the scrap metal and convert the site into the first-ever secure, fenced storage facility for port operations, emergency response supplies and boats in Emmonak. This will advance the City’s goals toward building a full-service port that will support the regional commercial fishing

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industry that employs hundreds of workers from local communities in the region. The Dock Storage Project will not only benefit the City of Emmonak but will support better operations for barge services that provide many goods to communities of the Lower Yukon Region. Another award to the Bristol Bay Native Association aims to identify the preferred alignments for approximately 60 miles of new roads that will connect the communities of Ekwok, New Stuyahok, Koliganek, to Aleknagik, which has road access to the regional community of Dillingham. The project increases access to economic opportunities in the region by surveying more reliable and efficient travel routes that could be utilized year-round, and will conduct planning, engagement, and preliminary engineering activities for the project.

We also have direct economic development efforts. Last year, we partnered with the Southeast Conference – a regional economic development organization – and pledged \$1.5 million in non-federal match to their Build Back Better regional challenge application, which resulted in a \$49 million award to the Alaska Mariculture Cluster. This award will help grow the mariculture industry to a target of \$325 million per year, supporting 1,800 jobs across the state from Ketchikan in the Southeast to Unalaska, far out the Aleutian Chain, in the Southwest in 20 years. This project also involves numerous private sector partners, ranging from the Sealaska Corporation and numerous seafood companies to several philanthropic partners. In fiscal year 2022, the Commission awarded \$1.3 million in direct economic development awards.

Finally, the Village Infrastructure Protection Program has been working with Tribal, local, regional, state, and federal partners to continue to support the resilience of Alaskan communities. We have funded the planning, partnership, and construction efforts to move communities to safer environments while also protecting communities in place and assisting in managed retreats. All of these impact the well-being of the Alaskan economy. One project has used our funding to leverage more funding and generate more opportunity for Alaskan communities. The Commission's partnership with the Alaska Native Tribal Health Consortium – Grant Center for Environmentally Threatened Communities (CETC) began in 2016. Recognizing the value in this partnership, the Commission has increased the award over the years with the most recent

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amendment providing the CETC with another \$500,000. Between program inception and June 30, 2023, CETC has provided technical assistance to 39 communities and secured \$43 million to benefit 44 communities across 133 projects. Every three cents invested by the Denali Commission into CETC has resulted in one dollar for infrastructure protection in Alaska communities.

The Denali Commission is proud of our work to improve the lives of Alaskans, especially those living in rural communities. We look forward to working with your Committee, and we would welcome a discussion about potential legislative changes that can strengthen the work of the Commission. Thank you for convening this important hearing, and I welcome your questions.

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