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August 22, 2008

The Honorable Lisa Murkowski  
United States Senate  
709 Hart Building  
Washington, DC 20510-0202

Subject: Testimony to the Senate Committee on Indian Affairs

Dear Senator Murkowski:

Thank you for the opportunity to present testimony before the Senate Committee on Indian Affairs. The State of Alaska is moving rapidly to help reduce our dependence upon fossil fuels. HB 152 establishes a Renewable Energy Fund. Initially \$100,000,000 will be available for the development of renewable energy projects with continued funding over the next 5 years. The request for applications will be issued on August 29th. An advisory board has been named by the Governor and draft regulations are being prepared. The advisory board will review the applications and prepare recommendations for consideration and award by the legislative Budget and Audit Committee. We expect that process to be completed by late fall. The selection criteria for these grants will be based upon economic and technical feasibility, energy cost per capita, statewide balance and matching funds.

From the State's perspective, continued federal support is critical to help us meet the challenge of high energy costs. Federal funding of the Denali Commission has been in steady decline over the past several years. The Alaska Energy Authority (AEA) has constructed some 60 bulk fuel storage facilities and 32 power generation facilities in bush communities throughout the state in partnership with the Denali Commission using federal funds. However, these programs have not been completed. We all know that it is important to reduce our dependence upon diesel for heating and power generation in rural communities. It is not possible for the time being, to completely eliminate the need for diesel fuel in bush Alaska. Small communities off the grid that have wind, hydro or other alternative energy potential must first have a diesel power plant with modern control systems into which alternative energy can be integrated. Energy conservation starts with a tank farm that doesn't leak. Energy efficiency starts with a modern power plant that gets up to 26% more kW/per gallon than the old power plant and uses stack and jacket heat recovery systems to provide clean heat to nearby buildings.

Congress approved Senator Murkowski's Renewable Energy Deployment Grant program last year and authorized up to 50/50 matching grants to pay for construction of renewable energy projects in Alaska. This program needs to be implemented by the Department of Energy (DOE) and generously funded. It would also be helpful if congress funded the grants programs authorized under the Energy Policy Act of 2005. There are potential renewable energy projects on native lands throughout the state including wind projects here in the Bethel region.

Lastly, we would like to see support for the Regional Biomass Energy Partnership. DOE eliminated its support for this program in 2006. AEA has continued development in this area at a lower level. Recent work includes:

- Developing small, clean-burning wood boilers to heat schools and community facilities in Fort Yukon and more than 30 other rural communities.
- Cost-sharing the City of Craig's sawmill waste-fired heating system which saves an estimated \$100,000 in school and facility heating costs.
- Testing biodiesel and assisting fish processors in developing a portable fish oil rendering module.
- Support Chena Hot Springs and the Fairbanks Borough in developing a 400kw biomass-fired power suitable for village power.

Federal and regional partnerships are critical as we deploy new technologies using biomass and we hope that you support funding for this program.

I thank you again for the opportunity to give testimony before the committee on Indian affairs.

Sincerely,

ALASKA ENERGY AUTHORITY  


Chris Mello  
Program Manager