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DENALI COMMISSION

Denali Commission Fiscal Year 2015 Draft Work Plan

AGENCY: Denali Commission.

ACTION: Notice.

SUMMARY: The Denali Commission (Commission) is an independent federal agency based on an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development and training in Alaska by delivering federal services in the most cost-effective manner possible. The Commission was created in 1998 with passage of the October 21, 1998 Denali Commission Act (Act) (Title III of Public Law 105-277, 42 USC 3121). The Act requires that the Commission develop proposed work plans for future spending and that the annual Work Plan be published in the Federal Register, providing an opportunity for a 30-day period of public review and written comment. This Federal Register notice serves to announce the 30-day opportunity for public comment on the Denali Commission Draft Work Plan for Federal Fiscal Year 2015 (FY 2015).

DATES: Comments and related material to be received by July 1, 2015.

ADDRESSES: Submit comments to the Denali Commission, Attention: Sabrina Cabana, 510 L Street, Suite 410, Anchorage, AK 99501.

FOR FURTHER INFORMATION CONTACT: Ms. Sabrina Cabana, Denali Commission, 510 L Street, Suite 410, Anchorage, AK 99501. Telephone: (907) 271-1414. Email: scabana@denali.gov

SUPPLEMENTARY INFORMATION:

Background: The Denali Commission (Commission) is an independent federal agency based on an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development and training in Alaska by delivering federal services in the most cost-effective manner possible. The Commission was created in 1998 with passage of the October 21, 1998, Denali Commission Act (Act) (Title III of Public Law 105-277, 42 USC 3121).

The Commission's mission is to partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government services, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure the operation and maintenance of Alaska's basic infrastructure.

By creating the Commission, Congress mandated that all parties involved partner together to find new and innovative solutions to the unique infrastructure and economic development challenges in America's most remote communities.

Pursuant to the Act, the Commission determines its own basic operating principles and funding criteria on an annual federal fiscal year (October 1 to September 30) basis. The

Commission outlines these priorities and funding recommendations in an annual Work Plan. The Work Plan is adopted on an annual basis in the following manner, which occurs sequentially as listed:

- Project proposals are solicited from local government and other entities.
- Commissioners forward a draft version of the Work Plan to the Federal Co-Chair.
- The Federal Co-Chair approves the draft Work Plan for publication in the *Federal Register* providing an opportunity for a 30-day period of public review and written comment. During this time, the draft Work Plan is also disseminated widely to Commission program partners including, but not limited to, the Bureau of Indian Affairs (BIA), the Economic Development Administration (EDA), and the United States Department of Agriculture – Rural Development (USDA-RD).
- Public comment concludes and Commission staff provides the Federal Co-Chair with a summary of public comment and recommendations, if any, associated with the draft Work Plan.
- If no revisions are made to the draft, the Federal Co-Chair provides notice of approval of the Work Plan to the Commissioners, and forwards the Work Plan to the Secretary of Commerce for approval; or, if there are revisions the Federal Co-Chair provides notice of modifications to the Commissioners for their consideration and approval, and upon receipt of approval from Commissioners, forwards the Work Plan to the Secretary of Commerce for approval.
- The Secretary of Commerce approves the Work Plan.
- The Federal Co-Chair then approves grants and contracts based upon the approved Work Plan.

FY 2015 Appropriations Summary

The Commission has historically received federal funding from several sources.

These fund sources are governed by the following general principles:

- In FY 2015 no project specific direction was provided by Congress.
- The Energy and Water Appropriation (i.e. discretionary funding) is eligible for use in all programs.
- Certain appropriations are restricted in their usage. Where restrictions apply, the funds may be used only for specific program purposes.
- Final appropriation funds received may be reduced due to Congressional action, rescissions by the Office of Management and Budget, and other federal agency action.
- All Energy and Water Appropriation funds, including operating funds, designated as “up to” may be reassigned to other programs, if they are not fully expended in a program component area or a specific project.

- **Total FY 2015 Budgetary Resources provided:**

These are the figures that appear in the rows entitled “FY 2015 Appropriation” and are the original appropriations amounts which do not include Commission operating funds. These funds are identified by their source name (i.e., Energy and Water Appropriation, TAPL, etc.). The grand total for all appropriations appears at the end of the FY 2015 Funding Table.

- **Total FY 2015 Program Available Funding:**

These are the figures that appear in the rows entitled “FY 2015 Appropriations – Program Available” and are the amounts of funding available for program(s) activities after Commission operating funds have been deducted. The FY 2015 appropriations bill contains language that the Commission may utilize more than five percent for operating costs, *Notwithstanding the limitations contained in section 306(g) of the Denali Commission Act of 1998.*

However only, five percent of Trans Alaska Pipeline Liability (TAPL) Trust Funds are used for agency operating purposes. The grand total for all program available funds appears at the end of the FY 2015 Funding Table.

- **Program Funding**

These are the figures that appear in the rows entitled with the specific Program and Sub-Program area, and are the amounts of funding the Draft FY 2015 Work Plan recommends, within each program fund source for program components.

- **Subtotal of Program Funding**

These are the figures that appear in rows entitled “subtotal” and are the subtotals of all program funding within a given fund source. The subtotal must always equal the Total FY 2015 Program Available Funding.

Denali Commission FY 2015 Funding Table	Totals
FY 2015 Energy & Water Appropriation	\$10,000,000
FY 2015 Energy & Water Appropriation - Operating Funds	\$3,000,000

FY 2015 Energy & Water Appropriation -- Program Available	\$7,000,000
Energy	
<ul style="list-style-type: none"> • Bulk Fuel Tank Replacements (to be funded in full with TAPL funding) 	\$0
<ul style="list-style-type: none"> • Rural Power System Upgrades* 	\$7,000,000
Total Energy Projects	\$7,000,000
Sub-total, FY 2015 Energy & Water - Program Available	Not to exceed \$7,000,000

*Funding for the two initiatives, programs and projects are listed as an upper amount and it is possible that several of these initiatives may require less funds than listed in the table. Under these circumstances, the remaining Energy and Water appropriations will be used for Rural Power System Upgrades.

FY 2015 TAPL Trust	\$4,000,000
FY 2015 TAPL – Program Available (less 5% operating funds)	\$3,800,000
<i>Bulk Fuel Planning, Design & Construction</i>	\$3,800,000
Sub-total	\$3,800,000
TOTAL FY 2015 PROGRAM AVAILABLE	\$10,800,000

FY 2015 Program Details & General Information

The following section provides narrative discussion for each of the Commission Programs identified for funding in the FY 2015 funding table above.

Energy Program

Basic Rural Energy Infrastructure

The Energy Program is the Commission's original program and focuses on bulk fuel facilities and rural power system upgrades/power generation (RPSU) across rural Alaska. About 94% of electricity in rural communities is produced by diesel generators and about half of the fuel storage in most villages is used for these power plants. The majority of the Commission's work in the energy program is carried out by two of our long-standing partners: Alaska Energy Authority (AEA), an agency of the State of Alaska, and the Alaska Village Electric Cooperative (AVEC), a non-profit member Organization serving 56 communities.

Since inception of the agency, the Commission has partnered with AEA on rural energy investments, and shortly thereafter, AVEC also became a program partner to address deficiencies in fuel storage and generation in the cooperative's communities. In recent years, a single combined list of energy projects has been compiled for both bulk fuel and RPSU programs. AEA maintains documents on their website that identify the universe of need for each of the programs and provides project status updates (see following links).

<http://www.akenergyauthority.org/Content/Programs/RPSU/Documents/RPSUStatusDec2014.pdf>

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FY 2015 Project Selection Process

Bulk Fuel and RPSU Projects

The legacy projects prioritized for FY 2015 funding are listed below within the two energy program themes: bulk fuel and RPSU. The selected projects in the table below exceed FY 2015 funding levels (both TAPL and Energy and Water Appropriation), with the understanding that projects may proceed out of order due to factors such as the extended period of time between project selections, draft Work Plan development, and grant execution; match funding availability; and due diligence requirements.

Beginning in FY 2012, Energy and Water Appropriations were subject to a statutory cost share requirement for construction activities of 20% for distressed communities and 50% for non-distressed communities. That cost share match requirement has since been applied to all energy program funding sources. All projects prioritized for FY 2015 funding, with the exception of Shungnak bulk fuel upgrade, are in distressed communities and will include at least a 20% project cost share match.

In FY 2015, the Commission, AEA, and AVEC will investigate opportunities with existing bulk fuel storage facilities to refurbish the infrastructure resulting in code compliance and significant extension of the life of the facilities at a reduced cost versus complete replacement. The Commission provided funding to AEA to update the statewide bulk fuel inventory assessment, which will help inform all parties of the potential for refurbishment of facilities. The updated assessment is scheduled to be

completed by the end of FY 2015 and therefore applied to FY 2016 investments if applicable. The refurbishment approach was considered for the AVEC projects listed in the bulk fuel project table.

Bulk Fuel Projects	Total Project Cost	Cost Share	DC Funding	Program Partner
Pilot Station Community Tanks**	\$4,456,000	\$891,200	\$3,564,800	AVEC
Chalkyitsik	\$2,600,000	\$520,000	\$2,080,000	AEA
Togiak AVEC Tanks	\$4,656,000	\$931,200	\$3,724,800	AVEC
Togiak Community Tanks	\$6,045,000	\$1,209,000	\$4,836,000	AVEC
Beaver	\$2,300,000	\$460,000	\$1,840,000	AEA
Shungnak	\$1,100,000	\$550,000	\$550,000	AVEC
Venetie	\$2,100,000	\$420,000	\$1,680,000	AEA

** There is a recent dispute between the City of Pilot Station and the current vendor for gasoline products (Pilot Station, Incorporated). The City desires to enter into direct completion with the vendor for gasoline sales. This is a concern for the Denali Commission as this outcome would mean that the Commission funded bulk fuel improvements would result in direct competition with the private sector, Commission staff are working with community stakeholders on this matter. If a solution cannot be reached the Pilot Station project will be passed over for the next prioritized project.

RPSU Projects**	Total Project Cost	Cost Share	DC Funding	Program Partner
Togiak	\$7,409,000	\$1,481,800	\$5,927,000	AVEC
Koliganek	\$2,900,000	\$580,000	\$2,320,000	AEA
Clark's Point	\$2,600,000	\$520,000	\$2,080,000	AEA

Project Management	Total Project Cost	Cost Share	DC Funding	Program Partner
AEA /AVEC Project Management	\$10,800,000	N/A	\$932,688***	AEA/ AVEC

***Project management costs have been estimated pending final project selection.

Joel Neimeyer,
Federal Co-Chair.

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