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David B. Olson,

Federal Register Liaison Officer, U.S. Army Corps of Engineers.

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DENALI COMMISSION

Denali Commission Fiscal Year 2011 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 in 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 Pub. L. 105-277, 42 USC 3121). The Denali Commission 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 2011.

DATES: Comments and related material to be received by July 13, 2011.

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

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

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 Pub. L. 105-277, 42 U.S.C. 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 Denali Commission Act, as amended, 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:

- Commissioners first forward an approved 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 Work Plan authorizes the Federal Co-Chair to enter into grant agreements, award grants and contracts and obligate the federal funds identified by appropriation in the chart below.

FY 11 Appropriations Summary

The Denali Commission has historically received several federal funding sources (identified by the varying colors in the table below). These fund sources are governed by the following general principles:

- In FY 2011 no project specific earmarks were directed.

- The Energy and Water

Appropriation is eligible for use in all programs, but has historically been used substantively to fund the Energy Program.

- The Energy Policy Act of 2005 established new authorities for the Commission's Energy Program, with an emphasis on renewable and alternative energy projects. No new funding accompanied the Energy Policy Act, and prior fiscal year Congressional direction has indicated that the Commission should fund renewable and alternative Energy Program activities from the available Energy and Water appropriation.

- All other funds outlined below may be used only for the specific program area and may not be used across programs. For instance, Federal Transit Administration funding, which has in the past been appropriated for the Transportation Program, may not be moved to the Energy Program.

- Final transportation funds received may be reduced due to agency modifications, reductions and fees determined by the U.S. Department of Transportation. Final program available figures may not be provided until later this spring.

- All Energy and Water Appropriation funds, including operational funds, designated as "up to" may be reassigned to the Legacy Energy Program, Bulk Fuel and Rural Power System Upgrades, if they are not fully expended in a program component area or a specific project.

- Total FY 2011 Budgetary Resources Provided in the Continuing Resolution

These are the figures that appear in the rows entitled "FY 2011 Appropriation" and are the original appropriations amounts which do not include Commission overhead deductions. These funds are identified by their source name (*i.e.*, Energy and Water Appropriation, USDA—RUS, etc.). The grand total for all appropriations appears at the end of the FY 2011 Funding Table.

- Total FY 11 Program Available Funding

These are the figures that appear in the rows entitled "FY 2011 Appropriations—Program Available" and are the amounts of funding

available for program(s) activities after Commission overhead has been deducted. The grand total for all program available funds appears at the end of the FY 2011 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 2011 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 2011 Program Available Funding.

| Denali Commission FY 2011 Funding Table | Totals |
|--|---------------------------|
| FY 2011 Energy & Water Appropriation | \$10,700,000 |
| FY 2011 Across the Board Reduction | \$21,400 |
| FY 2011 Energy & Water Appropriation—Administrative Funds | \$2,558,250 |
| FY 2011 Energy & Water Appropriation—Program Available | \$8,120,350 |
| Energy | |
| Emerging Energy Technology Program | \$2,400,000 |
| Bulk Fuel/RPSU Planning, Design & Construction | \$3,770,350 |
| Renewable Energy Technical Assistance | Up to \$300,000 |
| Total Energy Projects | \$6,470,350 |
| Health | \$700,000 |
| Training Program—emphasis on building maintenance for an array of facilities to include health clinics | \$500,000 |
| Economic Development | \$250,000 |
| Solid Waste Program | \$100,000 |
| Sponsorship Program | \$100,000 |
| Sub-total \$ | \$8,120,350 |
| FY 2011 USDA, Rural Utilities Service (RUS)—pending estimate | \$0–\$5,350,000 |
| FY 2011 USDA, Rural Utilities Service (RUS)—Program Available (less 4% overhead) | \$0–\$5,136,000 |
| Bulk Fuel/RPSU Planning, Design & Construction | \$0–\$5,136,000 |
| Sub-total \$ | \$0–\$5,136,000 |
| FY 2011 Trans Alaska Pipeline Liability (TAPL) Trust | \$7,010,000 |
| FY 2011 Trans Alaska Pipeline Liability (TAPL)—Program Available (less 5% overhead) | \$6,659,500 |
| Bulk Fuel Planning, Design & Construction | \$6,659,500 |
| Sub-total \$ | \$6,659,500 |
| FY 2011 Federal Transit Administration (FTA)—Estimate | \$5,000,000 |
| \$5,000,000 from section 3011 (FTA) for docks and harbors | |
| FY 2011 Federal Highway Administration (FHWA)—Estimate | \$14,025,000 |
| For necessary, expenses for the Denali Access System Program as authorized under Section 1960 of Public Law 109–59 | |
| FY 2011 Transportation Program Available—(less 5% overhead)—Estimate | \$18,073,750 |
| Transportation Program: Docks & Harbors—Estimate | \$4,750,000 |
| Transportation Program: Roads—Estimate | \$13,323,750 |
| Sub-total \$ | \$18,073,750 |
| Total FY 2011 Federal Program Available—Estimate | \$32,853,600–\$37,989,600 |

FY 11 Program Details & General Information

The following section provides narrative discussion, by each of the Commission Programs identified for FY 08 funding in the table above, in the following categories:

- Program History and Approach;
- FY 2011 Project Description;
- FY 2011 Project Selection Process;
- FY 2011 Program and Project Policy

Issues (as applicable).

Government Coordination

The Commission is charged with the special role of increasing the effectiveness of government programs by acting as a catalyst to coordinate the many federal and state programs that

serve Alaska. In FY 2011 the Commission will continue its role of coordinating State and Federal agencies and other partner organizations to accomplish its overall mission of developing Alaska's communities. Particular focus will be given to the collaborative efforts of the Commission's Federal and State Memorandum of Understanding (MOU) and the Sustainable Rural Communities initiative. Strategies and next steps for this effort will be formulated as the Denali Commission leads this unique collaborative effort. No funding is dedicated to this activity.

Energy Program

The Energy Program is the Commission's original program and is identified as a “legacy” program. The program focuses on bulk fuel facilities (BFU) 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 the fuel storage in most villages is used for these power plants for distribution. Alternative means of generating power can reduce the capacity needed for fuel storage and ultimately reduce the cost of power to the community.

Alternative/Renewable Program

The *Energy Policy Act of 2005* established new authorities for the Commission's Energy Program with an emphasis on alternative and renewable energy projects. Although the 2005 Energy Policy Act did not include appropriations, the Commission is expected to carry out the intent of the Act through a portion of its Energy and Water Appropriation funding. To date, the Commission has co-funded a number of renewable projects and each year new initiatives are considered. In 2007, the State of Alaska passed legislation and funded the Renewable Energy Fund (REF) which modeled the project selection process set forth by the Commission's early investment.

Emerging Technologies

With the advent of the REF, more resources to meet commercial-ready renewable technology needs are now available. The area of emerging technologies, meaning pre-commercial, yet post-research/development, has become an appropriate role for the Commission in keeping with the congressional direction in 2005. A solicitation was conducted in FY 2009 identifying over \$50 million in project requests (and only \$4 million in available funds). In FY 2010, the Commission provided \$3.1 million in funding to the program and a solicitation process is currently underway. Similar to the REF, this initiative is a leveraging opportunity with State of Alaska's recent legislation for an emerging technology fund that could accept funds from multiple sources to meet needs. The goal of the program is to fund demonstration projects for applied research and further technologies focusing on replication in rural Alaska so they are commercially viable.

Other Renewable Initiatives

In addition to the emerging technology program, the Commission has funded energy efficiency efforts with the goal of energy cost reduction and leveraging of funding sources. For example, in FY 2009 the Commission provided match funding to tribes that submitted group applications to the Energy Efficiency and Conservation Block Grant program under the Department of Energy. The Commission received 8 eligible group applications, representing 106 Alaskan tribes, totaling \$456,710 in Commission funding and leveraging over \$4 million of federal funding. While the FY 2011 Work Plan allocates all renewable funds toward emerging technologies, it also

recommends that if funds become available to support efforts to incentivize energy efficiency or other coordination opportunities around energy for rural Alaska, it be considered allowable. *No funds are currently set aside for these needs.*

The FY 2011 Work Plan outlines a strategy to balance the Energy Program in both legacy and renewable components, providing up to \$2.4 million of available program funds specifically toward the emerging technology program pending state match. If match for this program is not provided, this funding shall be reallocated to legacy projects.

FY 2011 Program & Project Policy Issues

Cost Share Match

The approved FY 2008 Denali Commission Policy Document requires and prioritizes cost share match for funded projects. In implementing this policy, 10% match was required in FY 2010. In FY 2011, in anticipation of mandated match language through one version of the appropriations process, Energy Advisory Committee (EAC) concurred with this direction of 50% for non-distressed and 20% for distressed communities. Since that language was not included in the final passed Continuing Resolution, the minimum 10% match will be required and projects with greater match may be prioritized for funding as in prior years. It is expected that future year appropriations will statutorily require match in the amounts of 50% for non-distressed and 20% for distressed communities.

Sustainability Policy

All energy construction grants will proceed after business plans are reviewed and approved by Commission staff. Additionally, Commission staff is expected to be engaged throughout the planning process of projects to assure policy requirements are adhered to earlier in the process.

Construction Contingency Pool

The Commission has historically handled construction cost overruns on an ongoing basis, with the requirement that those in excess of 10% be reported to Commissioners via an "exceptions report". *No funding for contingency is recommended for FY 2011.*

FY 2011 Project Selection Process

The Energy Advisory Committee (EAC) provides guidance to Commissioners and staff on the program, and is comprised of members involved in energy development in

Alaska. Members include representatives of Associated General Contractors, Alaska AFL-CIO, Department of Energy National Renewable Energy Lab, the University of Alaska Institute of Northern Engineering, USDA, Kotzebue Electric Association and two public members representing rural Alaska. The EAC provided general recommendations supporting the ongoing priority for funding Bulk Fuel/Rural Power System Upgrade planning, design and construction, providing match funding for the emerging energy technology program and for renewable energy regional planning in coordination with the Alaska Energy Authority's initiative to meet statewide energy infrastructure needs for all of the above.

Legacy Program (Bulk Fuel/RPSU)

Due to the nature of the due diligence requirement of energy projects, seasonal logistics in Alaska and funding restrictions (*i.e.* TAPL funds may only be used for bulk fuel projects)—a project may not progress as quickly as another. Given the late timing of funding in FY 2011, summer construction grants are not anticipated. A final project list will be developed based on available funds, project readiness, available match and other due diligence. EAC feedback on a final project list will be solicited prior to final grant execution.

Emerging Technologies Program

Newly passed state legislation creates a project selection process involving a Governor-appointed technical advisory committee to develop selection criteria and review proposals. Final project/grant approval for Commission funds is subject to final approval by the Federal Co-Chair.

FY 2011 Energy Funding Strategy

The energy funding strategy for the Energy Program allows for an estimated range of funds available for this legacy program with other areas fixed. Commissioners recommended funding strategy including \$3,770,350 (Base), \$5,136,000 (pending RUS) and \$6,659,500 (TAPL) for legacy program. Following summarizes the total energy program funding strategy:

| | |
|------------------------------------|------------------|
| Bulk Fuel and RPSU Legacy Program. | \$10.4M–\$15.6M |
| Renewable Energy Planning. | \$300K (up to) |
| Emerging Technology Fund. | \$2.4M |
| Total Estimated Energy Funds. | ~\$13.1M–\$18.3M |

Health Facilities Program

The Denali Commission Act was amended in 1999 to provide for the “planning, constructing and equipping of health facilities.” Since 1999, the Health Facilities Program has been methodically investing in the planning, design and construction of primary care clinics across Alaska.

Primary care clinics have remained the “legacy” priority for the Program. However, in 2003 the “Other Than” primary care component of the Program was adopted in response to Congressional direction to fund a mix of other health and social service related facility needs. Over time, the Program has developed Program sub-areas such as Behavioral Health Facilities, Domestic Violence Facilities, Elder Housing, Primary Care in Hospitals, Emergency Medical Services Equipment and Hospital Designs. The Program has utilized a “universe of need” model for primary care and a competitive selection process for other sub-program areas. In 1999 the Program created a

deficiency list for primary care clinics, which totaled 288 communities statewide in need of clinic replacement, expansion and/or renovation. Over the course of its history, the Commission has invested approximately \$300 million in health projects, contributing to the repair, renovation or replacement of more than 115 clinics. This substantial investment represents progress in meeting the universe of needs; however, the facility work accomplished to date leaves a number of projects with the greatest need, limited local capacity, and in many cases low population.

The Program is guided by the Health Steering Committee, an advisory body comprised of the following membership organizations: The State of Alaska, Alaska Primary Care Association, the Alaska Native Tribal Health Consortium, the Alaska Mental Health Trust Authority, the Alaska Native Health Board, the Indian Health Service, the Alaska State Hospital and Nursing

Home Association, and the University of Alaska.

Consistent with the decrease in funding, the Health Program proposes one major project in FY 2011:

Small Clinic Program

Partner: Alaska Native Tribal Health Consortium (ANTHC)

Several small communities and villages across Alaska remain identified with prioritized health facility needs. High energy costs and small populations create a dilemma for these communities that need new clinics. The newly developed small clinic prototypes (all under 1,000 SF) are suitable for many of these communities. The Health Program will provide technical assistance, planning and design for a small number of communities.

Funding Summary

For historical context, the following reflects the past allocations of Health Facilities Program appropriations across the program component areas:

| Fiscal year | Primary care clinics | Primary care in hospitals | Elder supportive housing | Behavioral health | Other program areas |
|-------------|----------------------|---------------------------|--------------------------|-------------------|---------------------|
| 2007 | \$37,119,040 | \$2,500,000 | \$0 | \$5,063,000 | \$637,000 |
| 2008 | 23,319,040 | 4,000,000 | 5,840,890 | 5,000,000 | 0 |
| 2009 | 14,758,102 | 1,526,746 | 1,901,420 | 1,017,831 | 0 |
| 2010 | 7,267,400 | 734,700 | 805,000 | 492,900 | 0 |
| 2011 | 700,000 | 0 | 0 | 0 | 0 |

Training Program

Consistent with the Commission’s sustainability policy, the Training Program was instituted in 1999 as a core focus area of the Commission to ensure local residents were trained to construct, maintain and operate Commission investments in rural Alaska. The Training Advisory Committee (TrAC) provides guidance to Commissioners and staff on the program, and is comprised of members involved in rural job training. Members include representatives of Associated General Contractors, Department of Labor, Bristol Bay Area Health Corporation, State of Alaska Office of Economic Development, Alaska AFL–CIO, Alaska Native Coalition on Employment and Training, and the University of Alaska.

Primary Training Goals

The Training Program is based on two primary goals. First, the Training Program supports the Denali Commission’s Sustainability Policy through workforce development. In rural Alaska, jobs are seasonal and rural

residents are versatile in taking on a wide range of job types based on availability. Often rural residents move from construction to administration to allied health and other lines of work to sustain their families and remain in their community. It has been a longstanding goal of the Commission to create and sustain local jobs as a result of infrastructure development.

The second goal is to assure rural training systems can stand-alone and/or are upheld by federal, state, regional and local collaboration. These training systems have augmented a community’s ability to remain competent on the management and operations of public facilities. The Commission continues to provide a nexus to federal, state, regional and local entities for improved coordination between project development and job training.

Program Partners

- Department of Labor and Workforce Development is the administrator of the Denali Training Fund (DTF), a public competitive grant opportunity targeted at training for Denali Commission projects, energy conservation and public

facility operation, maintenance and management.

- University of Alaska develops and facilitates the delivery of allied health training to rural communities via distant and on-site learning methods.

- Alaska Works Partnership develops and facilitates the delivery of construction trade training and registered apprenticeship programs to rural Alaska.

- Associated General Contractors/ Construction Education Foundation (CEF) is developing access to construction trades through the enhancement of construction career pathways and the development of Rural Construction Academies in Nome, Bethel, Kodiak and Bristol Bay.

- First Alaskans facilitates a successful leadership development project for young Alaskans.

Training Funding Strategy

Commissioner recommendation for FY11 Training Program funding totals \$500,000 of Energy & Water Appropriations. These funds are intended to accomplish the specific goal of protecting the Commission’s

infrastructure investment by providing both training and financial support toward all phases of facility maintenance in rural Alaska. This activity shall include, but is not limited to, a focus on the ~125 Commission-funded health facilities, multi-use and community facilities, energy facilities or other rural infrastructure. The funds shall be allocated through a clear strategy that is not duplicative of existing programs, yet may identify existing programs that may be supplanted to accomplish this objective. The strategy may identify existing gaps in current systems while emphasizing protecting Commission-funded infrastructure through building maintenance and construction activities.

Transportation

Section 309 of the Denali Commission Act 1998 (amended), created the Commission's Transportation Program, including the Transportation Advisory Committee. The advisory committee is composed of nine members appointed by the Governor of the State of Alaska including the Chairman of the Denali Commission; four members who represent existing regional native corporations, native nonprofit entities, or tribal governments, including one member who is a civil engineer; and four members who represent rural Alaska regions or villages, including one member who is a civil engineer.

The Transportation Program addresses two areas of rural Alaska transportation infrastructure: Roads and waterfront development. There is consensus among agencies and communities that the program is successfully addressing improvements to local and regional transportation systems. This is largely a function of the TAC's success at project selection and monitoring, and the success of the program's project development partners. The program is generally a competitively-bid contractor or materials-based project opportunity grounded in Title 23 CFR. These strict project development and construction guidelines have presented some challenges to the Commission's ability to respond quickly to targets of opportunity, but they have also had the positive effect of ensuring project design and construction is executed at a professional level. The program operates under a reimbursable payment system that requires local and program partner sponsors to pay close attention to accounting procedures prior to their payments to contractors and vendors. This system helps ensure project payments are eligible when submitted to the Commission.

In FY 2011 the program will continue its focus on barge landings and mooring points in rural communities. These projects range from one or two mooring points to secure a barge, to small dock structures, depending on community size and barge operation characteristics. The value of these structures lies in improved fuel/freight transfer operations and improved worker and environmental safety. The Commission and the U.S. Army Corps of Engineers (USACE) will continue to work through the prioritized list of barge landing and mooring point projects which were identified in a formal analysis conducted in FY 2009 and FY 2010. The universe of need for the first generation of projects is in the range of \$40,000,000.

The TAC met on January 18–20, 2011 to select waterfront projects and March 3–4, 2011 to select road project priorities for FY 2011. Final project approvals and funding amounts have been approved by the Federal Co-Chair and are available on the Commission's Web site.

Economic Development

One of the purposes of the Commission is to support economic development activities across Alaska. The Commission supports the development of public infrastructure upon which allows for job creation and strategic wealth reinvestment. Additionally, the Commission supports projects which can ensure that good business ideas have a chance to become long-term, self-sustaining enterprises. Over the history of the program, the Commission has supported and advanced a wide-array of Economic Development Program activities ranging from community profile mapping to supporting innovative models for lending, and equity investment in Alaska.

The program is guided by Commission staff and the Economic Development Advisory Committee (EDAC), which provides general policy guidance and funding recommendations in broad categories. The EDAC met on April 20, 2011 to recommend projects and program funding amounts to the Commission for FY 2011.

Other Program and Policy Issues

Solid Waste Program

In Fiscal Years 2004 through 2009, the Denali Commission received annual funding to address deficiencies in solid waste disposal sites threatening to contaminate rural drinking water supplies. Annual funding reached than \$1.5 million in FY 2005. By FY 2008

program funding for the Solid Waste Program was \$437,000. Solid waste continues to be a major health and safety issue in rural Alaska.

In keeping with the Commission's goal of intergovernmental coordination and leveraging of funding sources, an opportunity in FY 2011 to leverage funds for the Solid Waste Program has been identified. Through partnerships with the USDA-Rural Development, RuralCap, Rural Community Assistance Corporation (RCAC) and the U.S. Environmental Protection Agency (EPA), funding in the amount of \$250–350k can be leveraged with \$100k in match from the Commission. The FY 2011 Draft Work Plan document includes \$100,000 in Energy and Water funding for this purpose. Grants will be awarded through a competitive Request For Proposal (RFP) process utilizing a multi-agency review panel to score and select projects to fund. Of note, this investment in solid waste may be an example for future Commission program funding. Historically, the solid waste projects were largely funded by the Commission. With this FY 2011 solid waste effort, the Commission funding will be a minority funder to the USDA community facilities program (which is one of few USDA programs that can be "matched" with other Federal funding sources).

Sponsorship Program

The Commission plans to continue conference sponsorships in FY 2011. Commissioners reinstated Conference sponsorship funding for events that were consistent with the Commission's mission and values in 2006.

Sponsorship activities provide a positive venue for communicating Commission activities. Sponsorship opportunities also provide Commission outreach to a wide variety of events and audiences. Events sponsored by the Commission promote key programmatic areas that are in alignment with the Commission's values and mission, including efforts in alternative-renewable energy conferences, health, training and leadership and transportation.

In FY 2011 this program will be funded in the amount of \$100,000. Events funded will be in line with the major program areas at the Commission and will have a statewide focus.

Corrine Eilo,

Director of Administration.

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