

One of the speakers at the Rural Energy Conference held in Valdez last week likened the State of Alaska to the human body—the “brain” functions centered out of urban Alaska and the “heart” of the state housed in rural Alaska, but the whole is dependent on the working of the parts. He urged everyone listening to help move the state beyond the urban/rural divide.

While I’m not ready to concede urban Alaska as the brain of our state, no more than many urban residents would want to be overlooked for their contributions to the heart and soul of Alaska, it is another way of relaying a message I also tried to convey when I spoke to those attending the conference: Nobody—not the governor, not congress, not the legislature, not local leadership, not private sector—is going to be able to assure Alaskans affordable and sustainable energy on their own. We’ve got to figure it out together.

This year’s high fuel prices are creating hardship, but hopefully we can also grasp opportunity in these times to rethink strategies and respective responsibilities. We should start by taking stock of what has been accomplished in recent years.

- Many communities are benefiting from bulk fuel tank upgrades that provide safer and more efficient fuel storage.
- Power Cost Equalization (PCE) payments (even when short-funded as they’ve been in recent years) have helped offset some of the high cost of electricity for most rural communities.
- Some communities and organizations have found cost efficiencies by combining their bulk fuel purchases.
- More villages are benefiting from safe water and sanitation projects, most of which also impact local energy needs.
- A state-funded bulk fuel revolving loan fund helps many communities with the up-front cash for fuel orders.
- Training programs have helped local communities with management responsibilities associated with running their utilities.

Behind each of these and other energy-initiatives is the fact that affordable energy is an important foundation to economic/sustainable development in Bush Alaska. With cheap energy not in our foreseeable future, we need to identify and take action on other solutions, both short term and long term.

On the legislative front, in the short term, I expect to see a push for “full funding” of the PCE Program, estimated at \$25 million for the coming fiscal year. I think there will also be an effort to increase the maximum allowable loan under the bulk fuel revolving loan fund.

Short term, I hope to see success this year in bringing some form of revenue sharing back to local communities. I’m hopeful because we’re starting to hear more from larger urban communities that feel the strain of increased operating costs, partly as a result of increased fuel costs.

Record high oil prices, now hovering around \$60 per barrel but speculated to rise more, could generate as much as \$1.5 billion additional state revenue in the coming year. But the list of requests for additional state spending is starting to form: Assistance in paying for PERS/TRS costs, the University, K-12 schools (including funding for the area cost differential), funding for Medicaid cost increases, increased fuel costs in state agencies, and so on.

Arguing long-term benefit, the Governor has suggested we allocate \$1 billion toward Alaska's share of the gas line. If contract negotiations are not resolved very soon we're unlikely to see a special session to deal with the issues and the legislature will be preoccupied with issues the gas line when it convenes in January. Long term the legislature *should* focus on energy policies that reduce the stranglehold individual Alaskans and communities that high oil has.

For example, it has been suggested that the legislature rethink the way we tax the resource agencies that, in the midst of record oil prices, are reaping record profits. Or the way the state spends its windfall revenues. One suggestion I particularly like is an energy dividend paid back to individual Alaskans when oil exceeds a certain dollar amount.

This year's Rural Energy Conference included a number problem/solution oriented workshops. We learned that alternative energy solutions—while still not a silver bullet—have come a long way in the past decade. For example, wind is becoming more viable as a way to reduce a part of the community's diesel needs in many places, including the Y-K Delta. Other ideas are progressing in niche markets based on regional resources: hydro in Southeast Alaska, biomass, geothermal, fish oil, nuclear in Galena. There is new lighting technology that can save substantial electricity costs for community buildings and school districts. There are innovative ways to capitalize on alternative energy production by collecting and selling "green credits" to out-of-state users. I was also hearted by the work going into establishment of fuel purchasing cooperatives and the training opportunities given for local managers who are struggling to collect payments and keep their utilities solvent.

Senator Donny Olson and I spent some of our allotted time at the Rural Energy Conference to let attendees know how high energy costs impact rural Alaskans. Sometimes our urban neighbors, even those that do business with our communities, don't understand how much we pay to keep our lights on and homes heated. Senator Olson spoke about watching out for the end "user" at the village level. I shared data from the University that validated cost difference ratios between urban and rural Alaskans. While it seems old hat to those of us who live in the Bush, we heard from numerous people after that they appreciated the reality check. It's so easy for us to live in our own world and forget that we are not just long distance neighbors; we are connected economically and politically as well.

Part of the reality check for those of us in the Bush is that even with encouraging news about progress on alternative energy (including the potential for wind in our region), diesel will continue to be the backbone of our energy technology for some time.

Even with government subsidies and assistance, our bills will be high. While we struggle to balance our personal and community budgets we need to think about ways to strengthen our local economies to improve cash flow at the local level—how can we reverse the pattern of importing goods and services and often workers?

While we think about our quality of life and the future, how can we guide our young people to excel in their education and in the development of critical thinking skills? We need them for our future, just like we need critical thinking today in the development of energy policies that work for Alaskan.