

**TESTIMONY OF JULIE KITKA,
PRESIDENT, ALASKA FEDERATION OF NATIVES
THURSDAY, MAY 1, 2008**

**Oversight Hearing on Indian Energy Development:
Regaining Self-Determination over Reservation Resources**

Before the SENATE COMMITTEE ON INDIAN AFFAIRS

Mr. Chairman, Members of the Committee, Ladies and Gentlemen:

For the record, my name is Julie Kitka; and I serve as President of the Alaska Federation of Natives. AFN is a statewide Native organization whose membership includes over 200 villages and tribes, 13 regional Native corporations and 12 regional non-profit tribal consortia that contract and run federal and state programs.

Thank you for inviting AFN to provide testimony today. I ask that the hearing record be kept open for a period of time to allow our tribes and corporations, and interested individuals to provide additional written comments.

Alaska, which is our homeland, is an incredibly large land mass: it is two and half times the size of Texas, and has vast energy resources that are largely untapped and undeveloped. Alaska Natives, as the largest private landowners in the state are committed to working together with the state and federal governments, and other private sector partners, to help meet the energy needs of this country. We know that our country needs to become more energy self-sufficient, and less dependent on potentially unstable foreign sources. We are also aware that global competition for energy resources, especially from China and India, and many other rapidly developing countries impact our lives today and our future. Even news of oil finds near the Tupi field in Brazil travels north to Alaska, as we learn they may have discovered as much as 33 billion barrels, which would make it the third largest field ever found. We know if further explorations confirms this - we all will be affected in many ways. So it's time to get very serious about what we can do to help both our own communities and our country.

We are strong supporters of the development of alternative energy sources as an important avenue to add to our country's energy resources. We offer our tribal communities, in their vastness, to be considered part of national demonstration projects on alternative energy technologies and as a proving ground to show how Alaska Native people, and their institutions have the experience, the capital, and the community relationships that will be necessary to effectively implement workable solutions to the developing energy crisis. Our Alaska Native corporations in particular have shown their ability to pull together both large and small projects, and deliver results on time. Our recommendations following this testimony will include national, statewide and local considerations.

Let me now focus on energy development which has the potential to make our local communities more self-sufficient in energy and capable to deal with rapid climate change and all its uncertainties.

Alaska is so large and diverse that one village's alternative resources may not be available elsewhere. Some areas have strong wind for electrical generation; but in other locations, there is no such thing. Thus, there is no "one-size-fits-all" solution for rural Alaska, making local solutions more specific and expensive. Because of the vastness of our State and its virtually unlimited potential, we would like to encourage the Committee to hold hearings in Alaska focused on the potential for development of energy resources on Native owned lands, as well as on what can be done to reduce the high cost of energy in our rural communities.

The undeveloped energy resources most often discussed for rural Alaska are small hydro power (using rivers to provide power to small communities and serving as America's "experimental backyard" for rural America), solar energy, sea wave action, biomass usage, coal, methane and geothermal energy; and each brings its own problems and barriers. Many alternative energy ideas look fascinating on paper, but actually getting them up and operating in the lives of real people can be very complex and frustrating.

WIND: Alaska has world-class wind energy resources, especially along the coastal and western regions of our State. There are 31 rural Alaskan communities that already have good opportunities for wind generation - and 17 more that are "potentially attractive." There are at least seven projects currently operational with another eight in the planning stages. The potential is obvious in locations like Kotzebue, Upper Cook Inlet, the Lake and Peninsula area. Barriers to harnessing wind power include high development costs, the need for trained maintenance, problems of land ownership and licensing, and the absence of public incentives to wind developers.

HYDRO: Existing hydro generation produces nearly 25% of the state's electricity. But Alaska also has almost 45 billion watts of large and small hydro potential, more than any other state. Hydro also brings its problems, especially regarding environmental damage; but eight billion watts of the state's potential is in small projects that produce less than one million watts - and which don't require dam construction.

SOLAR: Summer in Alaska produces a huge amount of sunlight; but winter darkness is the time of greatest energy demand. Large-scale solar projects do not presently have a great potential; but in some places, small projects are possible. This also requires the homeowner or community to make up-front capital investments, largely without public incentives from the state or federal governments.

OCEAN WAVE ACTION: Alaska has over 34,000 miles of coastline, making it one of the best ocean energy resources in the world. The total wave potential, just on Alaska's southern coast, could produce almost 300 times the electricity used in the entire state each year. But the significant barrier to wave development is often the distance between the resource and the demand, requiring costly transmission infrastructure.

GEOTHERMAL: A recent study points out four potential geothermal areas in Alaska: interior hot springs, southeast hot springs, the Wrangell Mountains, and a combination of the Alaska Peninsula and the Aleutian Chain. The value of geothermal power is magnified by the fact that it can produce both heat and electricity. But problems include accessibility to volcanic areas, transmission distances and possible environmental damage.

BIOMASS: Alaska has a great amount of wood, wood waste and sawdust for potential use in space heating and electrical generation; and a few villages have begun to talk of making wood pellets from plentiful willow brush. Alaska's fish processing plants produce about eight million gallons of fish oil each year. With some chemical changes, this oil can be mixed (50-50) with diesel for generation. Community waste disposal produces 650,000 tons of garbage in Alaska each year; but again, design and capital costs are expensive and need public incentives.

COAL: Coal is abundant in Alaska, but has higher CO₂ emissions than other energy sources. However, coal can be used to produce synthetic "natural" gas with and without carbon capture. The problem is that these gasification technologies are expensive and still under development. Finally, coal-bed methane has been identified in the Susitna Basin, but its economic potential has not been established. Coal-bed methane may also exist in specific locations close to some remote communities.

Many of our villages in rural Alaska are actively working to develop a wide array of alternative energy projects. They see not only the potential for reducing the cost of energy, but also the tremendous manufacturing and sales and service components – wind and solar will need tailored products and service; alternative building materials, plans and supplies for hybrid homes and facilities that are now being developed and manufactured abroad, could be done in Alaska.

It is critical for the continued viability of Alaska Native villages that dependence on petroleum be reduced, that local power generation and space heat shift to alternative energy sources, and that conservation methods be widely adopted. When provided with innovative energy solutions, our tribal communities are embracing them.

But I would be remiss, Mr. Chairman, if I failed to alert Congress to the fact that right now there is a full-blown economic crisis of energy costs in rural Alaska's 230+ Native villages. Unbelievable energy costs threaten the very survival of remote communities. While all Americans suffer from rising costs of gasoline, home heat and electricity, rural Alaska is in a category all by itself. The increase in energy costs that communities are struggling with threatens to erase the past several decades of progress in reducing poverty. Whatever cash income many families have, just disappears into home heat and electricity. The ability for some of our people to even put food on the table will be affected by both the shortage and high cost of fuel. And we all know that these energy costs are expected to remain elevated.

Native families in villages put together a combination of household cash income and subsistence foods each year; and the largest drain on the household's meager cash is the cost of residential space heat in an extremely cold winter climate. Most homes - especially those

without access to firewood - are heated by oil-burning furnaces and stoves. The original cost of such oil, plus the transportation surcharge to get it into villages, create the highest heating costs in the U.S.

Typically, oil is barged from Seattle to villages that have bulk fuel storage facilities, but some families have to haul oil from larger communities by boat. Nearly every winter, the normal water-based transportation system will break down for particular villages, due to weather or difficulty arranging bulk fuel purchases, and the village may be forced to fly in winter fuel supplies at even more exorbitant costs.

A January, 2008 survey of fuel oil prices in 195 villages and regional centers found prices as high as \$9.00 per gallon. More recently, the cost of oil in the village of Nikolski reached above \$11 per gallon. In December, January and February, the average village house can easily use four or more 55-gallon drums of oil for heating. In Arctic village, this means \$1,980 or more for a single household per month; in Hughes, it requires \$1,650; and in Iliamna, it takes \$1,375. [We also include a snapshot of 22 villages, taken this week, to update these data.] I must add that space heat is critical to village businesses and public facilities as well. Some school districts are now having to cut into their instructional budgets in order heat and light their village buildings.

Electricity in villages, which is mainly produced by community diesel generators, receives a state-sponsored subsidy that covers about 30% of the homeowner's costs; but monthly household kilowatt/hour charges in the bush are between three and seven times what the Anchorage homeowner pays per kilowatt/hour.

The third use of energy in Native villages is for transportation, usually gasoline for snow machines, outboard motors and all-terrain vehicles. Machinery is necessary for subsistence food-gathering, which has to be capitalized with cash for store-bought equipment and energy. With gasoline prices between \$5.00 and \$7.50 per gallon in most villages, some Native families will either be unable to go to fish camp to get next winter's food supply or will be able to do this only sporadically.

What does this mean for the future of Native villages? The combination of cold and hunger will inevitably force many Native families out of their traditional communities and into poor, crowded housing in Alaska's urban areas and/or regional centers. The social and economic problems that such a dislocation creates in people are enormous; and this adds to the burdens on the urban public sector. The rural-to-urban migration pattern in Alaska is already well along - and will become more obvious in the 2010 Census.

So what can we do to deal with the immediate energy crisis in rural Alaska, and how can the federal government play a key role in addressing the problem? We believe a multi-faceted approach much be taken - one that provides greater economic opportunities for Native tribes and corporations to develop energy resources and one that drives down local costs of energy. **Here are some practical ideas, as a starting place:**

Congress should urge the Department of Interior to publish regulations on an expedited

basis to implement the programs authorized by the Indian Tribal Energy Development and Self-Determination Act, Title V of the Energy Policy Act of 2005, and Congress should fully fund their implementation. The Indian Tribal Energy Development and Self-Determination Act authorizes a variety of financial, technical, environmental and other programs that are intended to empower tribes and Alaska Native Corporations to develop energy resources. It authorizes the Department of Interior's Office of Indian Energy Policy and Programs to reduce energy costs, enhance tribal energy infrastructure and improve delivery of electricity to tribal communities. It also authorizes a multi-billion loan guarantee program, as well as other assistance to encourage development of renewable and non-renewable resources by tribes and tribal organizations. **We have projects that are being held up because of the delay in the publication of regulations implementing this legislation.** An important consideration for Alaska in the regulations is the inclusion of the Native corporations, who are crucial stakeholders. The Native corporations hold our land and resources, and must be included in any program affecting our land base.

The congressionally created Denali Commission has requested Letters of Interest on developing small-scale alternative/renewable energy and energy efficiency projects in Alaska, with a budget of only \$5 million. The Commission has received far more proposals than it has funds to support. Congress should increase funding to the Denali Commission for developing alternative/renewable energy projects. (Attached for the record is a matrix of the types of ideas and projects being proposed. This is included to give you a sense of the strong interest and the range of ideas.)

State and federal strategies should be developed to provide **economic incentives to conserve energy** (including tax credits, low interest loans, rebates and grants to weatherize homes, and grants to purchase more efficient heating systems, wind generators, solar panels, and other technologies).

Congress should increase the supply of energy by encouraging exploration and development of private, state and federal uplands, both onshore and off-shore. This can be done by providing incentives, such as **OCS revenue sharing for Alaska's coastal communities, as has been done for Florida, Louisiana and Texas.** If our communities could count on sharing some of the revenue from off-shore leasing for their own critical infrastructure and other needs, there would be greater local support for exploration and development in off-shore areas. **AFN strongly supports the right of self-determination for our Native communities and urges that leases which have generated a lack of widespread community support be revisited and discussions opened up with affected communities to address their concerns.**

Congress should work closely with the State to ensure that in **development of a Natural Gas Pipeline in Alaska,** our communities have access to the natural gas that will pass through that pipeline through spur connections and pipe; and that ownership, partnership, and contracting opportunities for Alaska Native tribes and corporations be part of the development. Serious training funds should be appropriated for workforce development to ensure broad Native participation in the projects. If the Committee is interested, we could submit much more detailed information and recommendations on the natural gas project.

Congress should provide additional funding for the Low-Income Home Energy Assistance Program (LIHEAP) in Alaska – and should urge the State to add its own appropriations for this excellent program. This country should be concerned when its poorest citizens are left to rely on the generosity of companies like Citco to meet their basic energy needs.

Congress should urge, and provide incentives for, states to develop their own comprehensive energy plans, with effective processes for local input. Despite all the data-gathering on the severity of today's crisis, the State of Alaska has been singularly reluctant to plan long-term for the energy needs of all Alaskans. This is perhaps the most critical step of all, since it can open the door to more specific solutions at the regional and community levels.

Congress should create real opportunities for alternative energy projects, at least one major demonstration project within each Native region in Alaska. And further projects should be structured to encourage Native to Native partnerships, both within Alaska and with Native American tribal partners. There is much sharing of information and experience which can take place, and greater inter-tribal collaborations are to be encouraged.

Congress should fully fund and implement the Energy Independence and Security Act of 2007, which was authorized last year. That bill includes a host of provisions to further renewable energy development, including a Renewable Energy Deployment Grant Program that would provide federal grants for up to 50% of the cost of building a wide variety of renewable electricity projects, including wind, geothermal, ocean, biomass, solar, landfill gas and hydroelectric projects in Alaska. It provides for a federal grant program specifically to help with construction of geothermal energy projects in areas of high electricity costs like rural Alaska.

Congress and the State should **provide homeowners with incentives to shift to supplemental alternative energy**, including a weatherization programs, rebates for installation of energy saving changes.

Congress should enact and fund S. 2232, the Native American Challenge Demonstration Project Act, creating a total of five pilot projects in remote, predominately Native American areas modeled after lessons learned from the US experience in providing foreign aid to the developing world. The project would use a compacting model to channel significant development funds to implement locally designed economic development strategies, **including energy strategies**. The objectives would be to enhance the long-term job creation and revenue generation potential of Native economies by creating investment-favorable climates and increasing Native productivity.

In order to supplement this brief outline of major energy opportunities in Alaska, I will provide the Committee with a number of professional studies on rural energy potentials.

Finally, Mr. Chairman, I am hoping that the Committee will be able to hold energy hearings in Alaska this summer; and I recommend that they be held in regional centers (like Kodiak, Dillingham, Bethel, Nome, Kotzebue, Barrow and in southeast), rather than confining them to Anchorage or Fairbanks.

