



City of King Cove
PO Box 37
King Cove, Alaska 99612

United States Senate Committee on Indian Affairs

**“OVERSIGHT HEARING ON BUY AMERICAN NATIVE: FEDERAL
SUPPORT FOR NATIVE BUSINESS CAPACITY AND BUILDING SUCCESS”**

March 16, 2022

Dear Chairman Schatz, Ranking Member Murkowski and Members of the Senate Indian Affairs Committee,

Thank you for the opportunity to submit testimony on “*Buy Native American: Federal Support for Native Business Capacity.*” My name is Gary Hennigh and I have been the City Administrator for King Cove, Alaska for the last 32 years. I would like to share with you a very successful story of renewable energy development in rural Alaska involving a local government, a Native Tribe, and local for-profit Native corporation.

King Cove is the 32nd largest community in Alaska with a population of 950 residents. The community is located 625 miles southwest of Anchorage at the western end of the Alaska Peninsula – right before the start of the Aleutian Islands. King Cove was founded in 1911 when a Seattle-based fish company decided to locate a salmon cannery on the Gulf of Alaska and adjacent the Bering Sea. Aleut people had already been living in this area for the past 4,000 years.

King Cove was one of the first, and smallest, local municipal governments to incorporate in the Territory of Alaska in 1949 – ten years before Alaska Statehood. This decision was an early indication of the awareness and insight of the majority Native American population in King Cove at that time and that being part of a larger statewide governance network would be very important.

The majority of residents today are Aleuts with approximately 550 members of the Agdaagux Tribe of King Cove and 50 members of the Belkofski Tribal Council. The King Cove Corporation (KCC), created by the Alaska Native Claims Settlement Act (ANSCA) in 1971, further solidified the community’s need and desire to be economically and culturally linked to the State and the Pacific Northwest.

Today, King Cove is one of coastal Alaska’s premier fishing communities having two large boat harbors and one of the State’s largest seafood processing plants. Residents maintain both an active commercial fisheries and subsistence lifestyle and are very experienced living in harmony with the location’s natural and physical environment, which is a combination of rugged, volcanic mountains (some active), earthquakes, melting glaciers and relentless winds that will top 100 mph many times throughout the year. However, on top of all this is a spectacular beauty that nature has bestowed on this very remote region of Alaska!

Living and prospering in this area requires strong human survival skills, great resilience and maintaining an understanding of the relationships between the physical and human environments. One such example is that King Cove, over the last three decades, has emerged as Alaska's premier rural renewable energy community where 85% of our annual electricity is created by our two, very successful, run-of-the-river hydroelectric facilities.

These renewable energy accomplishments are a direct result of the long-established partnership between the two tribes in King Cove, the KCC, and the local government. Starting back in the late 1980's, then-U.S. Senator, Ted Stevens, encouraged the community to actively explore and develop our first hydro facility, Delta Creek, based on feasibility work completed by the Army Corp of Engineers. Further adding to this encouragement and financial support was then-Alaska Governor and former U.S. Secretary of Interior, Walter J. Hickel.

An initial \$250,000 grant to the Agdaagux Tribe from the Tribal Energy Office in the U.S. Department of Energy was the initial financial catalyst to amass the necessary \$5.7 million to construct our first hydro site using Delta Creek. And, KCC was very anxious to provide a 50-year, no-cost lease for 250 acres of their ANSCA land to site the facility, including two impound structures (i.e. small dams less than 10' high), two miles of access roads, powerhouse, and a 5-mile transmission line. KCC also provided a significantly reduced fee for the gravel required for this construction from their ANCSA selected lands.

This partnership is further accentuated by the reality that most King Cove residents are tribal members, shareholders of KCC, and active members in the city's municipal government. The community has established the awareness and necessity of working together, and when required, "wearing the same hats" to achieve community sustainability, progress, and survival. And, they have rightfully concluded it works well!

The next step in the evolution of renewable energy in King Cove is to begin selling our substantial amount of "surplus" hydro energy to the community's seafood processor. This additional revenue will further allow the city to further reduce the city's current kWh electric costs, reduce energy production costs for the seafood processor (i.e. green energy to produce some incredible natural resources from the ocean), and remove additional carbon emissions in our environment.

Finally, the City may resume its earlier efforts to consider adding wind generation to our energy portfolio. We previously learned from a few years of collecting wind data, that King Cove has "class 6 winds" knowing that anything over class 3 winds are commercially viable. Any next step will involve our continuing partnership with both of our Tribes seeking the possibility of another DOE Tribal Energy grant and another potential long-term land lease with KCC where the wind turbines would ultimately be located.

In summary, our working partnerships with the Agdaagux and Belkofski Tribes and KCC have been an excellent model in our quest for renewable energy independence. Attachment A provides additional background information regarding our renewable energy evolution and success in King Cove, Alaska.

Thank you.

Gary Hennigh
City of King Cove, Alaska – City Administrator

Attachment A

Testimony of Gary Hennigh, City Administrator
City Administrator – City of King Cove, Alaska

The following testimony was provided by King Cove City Mayor, Warren Wilson, to the *U.S. Senate Committee on Energy and Natural Resources* on January 11, 2022. This testimony further details the history of success that the City of King Cove, and its partners the Agdaagux Tribe of King Cove and King Cove Corporation (created by the Alaska Native Claims Settlement Act) have experienced with renewable energy production and our reliance on it for the past 28 years in our remote and rugged environment at the western end of the Alaska Peninsula, which is 625 air miles southwest of Anchorage. A few minor edits have been made subsequent to filing this testimony with the Committee.

HEARING TO EXAMINE THE OPPORTUNITIES AND CHALLENGES FOR HYDROPOWER CAPACITY

January 11, 2022

Thank you for the opportunity to submit testimony on the opportunities and challenges for maintaining existing hydropower capacity, expanding hydropower at non-powered dams, and increasing pumped storage hydropower. The role of hydropower in our nation's energy mix is more important than ever, particularly in rural Alaska.

I am very pleased to report that the City of King Cove is truly a leader in remote/rural Alaska hydropower! King Cove's municipal electric utility generates about 85% of its annual electricity demand of approximately 4.5MWh from two, small run-of-the-river hydro facilities. We have worked long and hard to achieve this success and are very proud of our accomplishments.

Our first hydro facility, Delta Creek, came online in December 1994. From that time through mid 2017, Delta Creek was producing at least 50% of the community's electricity demand. As we learned more about this facility and observed its excellent performance, we started to investigate the feasibility of developing another adjacent source of water to compliment this facility. We further learned that another hydro project would have bring a significant cost advantage by being able to share/benefit some of the Delta Creek investment in transmission lines and expanding the hydro powerhouse where our generator and turbine are located.

Then, our second hydro facility, Waterfall Creek, came online in June 2017. This hydro is about 60-70% the size/capability of Delta Creek. They operate together in great harmony. Together, these two hydro facilities are displacing over 300,000 gallons of diesel fuel on an annual basis, as well as eliminating a substantial amount of carbon emissions in our community. This is a big deal in helping to provide substantial cost savings to our municipal utility and our community. We are saving our residential customers about a \$1,000 annually in electric costs.

We also have approximately 1.5 MWh of "surplus hydro" that we are now expecting to soon start selling to the local fish processing plant in King Cove. Currently, this large processing facility, New Peter Pan Seafoods, has their own independent diesel system. They are very interested in purchasing this surplus hydro and reducing their reliance on diesel-generated energy. This next chapter in the evolution of renewable energy reliance at the western end of the Alaska Peninsula is exciting.

Next, I would like to briefly summarize the key cost and financial operating parameters of these two hydro facilities.

- Delta Creek – cost \$5.7 million (1993/94). This project was funded through a variety of sources including a U.S. Dept of Energy/Indian Tribal grant (\$250,000); local government grants (\$750,000); State of Alaska grants (\$2.8 million); and USDA/RD (\$1.9 million). The 25-year loan from USDA/RD was paid in full in 2019.
- Waterfall Creek - cost \$6.5 million (2015/2017). This project was also funded through a variety of sources including the State of Alaska Renewable Energy Funds grants (\$2.8 million), local government grants & cash of \$500,000, and \$3.1 long-term debt from the Alaska Municipal Bond Bank and Alaska Energy Authority's Power Project Fund.

The King Cove electric rate is \$0.30/kWh. While this rate is about 2½ times more than the average kWh rate throughout the Lower 48, it is the “cheapest” non-subsidized rate of electricity in rural Alaska. And, the good news for King Cove is that we expect to soon be in a position to further lower this rate by possibly as much as 1/3 due to the cost savings now accruing from our initial investments in renewable energy.

I would also like to note that in 1995 our Delta Creek project received the Grand Award from the American Consulting Engineers for “excellence in engineering and design” and then in 2017 Delta Creek was selected as one of the 13 small hydro projects worldwide to be profiled in the “Good Practice Report” prepared by the International Energy Agency. Finally in September 2017 at the Arctic Energy Summit in Helsinki, Finland, King Cove was selected for the “Best Practice Award” for community renewable energy independence. These acknowledgements reinforce that our past decisions (and risk) to invest in renewable energy were the right decisions to make.

In summary, the City of King Cove proudly suggests that our experience and success with these two, small run-of-the-river hydro facilities can be used as a positive model to follow for other small, rural communities throughout the United States. I encourage you, Chairman Manchin and the other ENR Committee members, to encourage these types of small hydro projects as excellent examples of renewable energy that can be accomplished in balance with the physical and human environments.