



Testimony of Janie Leask
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Rural Energy Crisis Field Hearing

U.S. Senate Committee on Indian Affairs

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Thank you for the opportunity to testify at today's field hearing regarding the effects of the energy crisis on Alaska people, especially in rural Alaska.

My name is Janie Leask. I'm President/CEO of First Alaskans Institute, a statewide Alaska Native 501(c)(3) non-profit organization whose mission is to *advance Alaska Natives through community engagement, information and research, collaboration, and leadership development.* First Alaskans has three major focus areas – leadership development, community investments and public policy research for, and on behalf of, Alaska Native Peoples through the Alaska Native Policy Center. I'm here today to provide testimony on the effects of high energy costs on the Alaska Native village lifestyles and Native institutions in light of the current energy crisis.

In light of the energy crisis in rural Alaska and its detrimental effect on the well-being of rural residents, Native and Non-Native alike, households, and key infrastructure, FAI is on record advocating assistance – be it state or federal - by the "First Frost" (winter freeze up).

When I refer to "rural" in this testimony, it's important to recognize the term "rural Alaska" encompasses both Native and non-Native people with non-Natives making up the majority (60%) of the population.

It's imperative that we as a state make the investment in short-term aid while looking for long-term solutions to our current situation because our communities will be facing immediate problems once the first frost occurs.

I'd like to take some time to speak to this crisis, and the information First Alaskans has put together. We've collected and analyzed data and information from seven villages across the state. This data describes the state of economic conditions in rural Alaska and provides a comparison to urban Alaska, using Anchorage as a baseline.

Through our snapshot we have verified the obvious for those familiar with rural Alaska – economic conditions in rural Alaska are under-developed while the cost of living is high.

Economic conditions in rural Alaska are under-developed.

Rural Alaska is largely remote, disconnected from the road system, and faces extreme and changing environmental conditions. Villages in rural Alaska have an underdeveloped cash economy and a high unemployment rate - May 2008 Department of Labor data shows that 17 out of 27 Boroughs and Census Areas have unemployment above the state average of 6.7 percent, and with some like the Wade Hampton Census Area, it's as high as 22.6 percent.

The Median Household Income for these seven communities surveyed is well below that of Anchorage and the state average. Conditions are compounded by the high cost of energy, transportation, and the high cost of living.

The Cost of Living in rural Alaska is high.

The staff of our Policy Center researched the cost of fuel, gas, energy consumption, and cost of goods, in villages of Emmonak, Elim, Grayling, Kiana, Old Harbor, Stebbins, and Togiak. These communities were randomly selected and are located in various regions of the state. Although each community is different in its traditions, culture, and environment, they all share the same issue of the current energy crisis, which is creating a real sense of uncertainty for the coming winter.

According to the data we collected, rural Alaska consumes less energy while paying more for that energy. Over a three-year period from 2005-2007 on an average monthly usage, the seven villages surveyed consumed less energy than Anchorage. Anchorage households used more than 500 kWh, while rural household usage ranged from about 280 to 430 kWh during that same time period.

Rural residents also pay more per kWh than Anchorage residents. Even with the current rate of PCE, rural households in the sample communities pay from 0.19 to 0.30 cents per kWh, well above the 0.09 to 0.10 cents that Anchorage households pay. In some cases the average monthly bill for electricity in rural Alaska is twice that of Anchorage. Without PCE, the villages sampled would pay in the range of 0.50 per kWh.

According to the Division of Community and Regional Affairs, Director's report - the average statewide price for heating fuel (#1) – the heating fuel that's used to heat homes - in June of this year is \$5.51 per gallon with prices for heating oil ranging from \$1.30 to \$9.10 per gallon (\$3.36 without the North Slope subsidy to residents). According to our recent survey, all the seven communities are paying more than the average price. The average statewide price for a gallon of gas is \$5.35, and again all seven communities are above the average with prices ranging from \$3.45 to \$8.35 per gallon.

First Alaskans Institute looked at the USDA and UAF basket of goods and compiled an abbreviated list using goods (food and non-food items) that are commonly consumed in rural Alaska and asked the seven communities to price the abbreviated basket of goods. Four of the seven villages responded with prices and quantities for goods. We then compared the cost of food and non-food items to the average cost of the same items in Anchorage and adjusted the basket of goods for missing items. We found that it cost between \$69 and \$120 dollars more to buy the same basket of goods in the four responding communities than it does in Anchorage. Results recently published by the Department of Labor and the University of Alaska Fairbanks parallels these findings.

Having noted these price differentials, it's important to acknowledge that the purchasing power of \$1,200 in rural Alaska is not the same as \$1,200 in urban communities.

The Policy Center also looked at the cost of getting to and from the seven villages surveyed. Staff looked at a 'snapshot' of airfare prices at the beginning of July 2008. We found that roundtrips from Anchorage to the seven communities ranged between \$709 (Stebbins) to \$1220 (Elim).

The increasing cost of flying in and out of rural Alaska hinders rural residents' ability to come to urban areas for services, makes the cost of doing business in rural Alaska more expensive and could potentially impact the long-term economy of urban Alaska.

The human and cultural importance of Rural Alaska.

Rural Alaskans add rich diversity to the fabric of the state of Alaska. In 2000, the US Census reported that the population of the rural areas was comprised of about 60 percent White alone and in combination with other races. The Census showed about 38 percent Alaska Native alone and in combination with other races, and about two percent was made up of other racial combinations.

We have learned that migration to and from rural areas is not a one-time event. Rather, migration is a process in which people move at different times and for different reasons, and it is often a reoccurring event in the life of Alaskans. Alaska Natives living in rural areas live on lands defined as theirs by their ancestors, histories and deep cultural roots. In rural Alaska, residents use both ancient traditions and the more modern ways of living in their daily lives. This is true for Alaska Native and non-Native alike. Each community has seasonal subsistence gathering, and for this, residents use tools and motorized vehicles as well as traditional means of hunting and gathering.

As the energy crisis continues to escalate, rural residents are increasingly unable to sustain themselves by subsistence activities alone. For some families, the price of gas is cost-prohibitive and precludes the gathering of food. Rural families depend on subsistence. Under normal circumstances, a family can store fish, birds, berries, caribou, moose, reindeer, and much more for their livelihood. Every seasonal activity and food gathering is tied to the fact that people need to live and survive. As store-bought food becomes unaffordable and subsistence becomes more expensive and out of the reach of local people – what is left?

Items such as freezers, four wheelers, out-board motors, and store-bought goods, purchased in urban areas for a fairly decent price, can be shipped to rural Alaska. But these items are flown and barged in at an extraordinarily high price because the cost of fuel it takes to ship them.

We've heard over the years how rural and urban Alaska remain dependent on each other. Commonwealth North – a statewide public policy 'think tank' - published the "Urban Rural Unity Study" in 2000. As part of that study, they described an "ideal" Alaska and cited a number of characteristics of that society which would honor and respect the diversity of its people and recognize the many areas where urban and rural interests coincide.

The report stated:

“A basic element of the envisioned social and economic partnership between urban and rural Alaska is the recognition of people's right to support their families in the manner they choose and in the location of their choice. For this reason, one of the goals is to encourage the economic viability of the smaller

'rural' locations in Alaska and to maintain the diversity of cultures and lifestyles in the state. Likewise, an equally important goal is to foster understanding of the economic, political, and social inter-dependence of rural and urban Alaska, so that all Alaskans truly understand that Alaska's future depends on cooperation between urban and rural Alaska."

Anchorage is Alaska's largest port and is the gateway to shipping goods to rural communities. Anchorage, Fairbanks and other major hub communities are also the headquarters of a number of businesses and corporations which provide goods and/or services to rural Alaska. The healthy economies of urban and rural Alaska are inter-dependent.

I've heard such statements as "why don't rural residents just leave their villages . . . they have a choice of where they want to live." Yes, we have a choice – we choose to remain in the lands of our ancestors which doesn't mean we're not interested in living smarter through alternative forms of fuel, winterizing and/or upgrading housing which is better suited for the conditions found in our communities, and making better use of the resources we have. But this will take time - which is why we support a short-term "fix" while also supporting an accelerated look for sound, practical and affordable energy alternatives for all communities of our state

In the short term, I don't think any rural hub – whether it's Bethel, Anchorage, Fairbanks or the Valley – is prepared for a mass influx of rural residents and the subsequent impact on their community's infrastructure. And rural residents don't want to leave their homelands. So we need to work together – across party lines and with all Alaskans at the table.

First Alaskans Institute is among several Native organizations that are in support of the recently passed "Alaska Resource Rebate Program."

In addition to the testimony I've offered today, I also want to voice our support of the Alaska Federation of Natives' top 5 priorities:

1. Strengthen the Power Cost Equalization Program by fine-tuning its mission, adding more resources and expanding the eligibility requirements;
2. Buy down debt of rural utilities in order to reduce costs passed on to consumers and include a price cap on fuel stock purchased prospectively.
3. Expand and support bulk fuel purchasing, transportation and cooperative purchase agreements.
4. Provide a family fuel subsidy to help meet the immediate crisis.
5. Make a sizeable investment in projects that promote renewable/alternative energy and conservation. The high cost of fossil fuel is not going to go away. We need to start investing in alternative/renewable energy now.

Based on the evidence we found, we believe there is compelling evidence that families in rural Alaska need the additional monetary income to offset the increasingly high cost of energy and its subsequent impact felt at the local level.

We also believe by working together to make this a better state, we will improve our collective future. Again, I thank you for the opportunity for this testimony and urge you, Senate Committee on Indian Affairs, to provide energy assistance or a similar piece of action which will provide a much-needed short-term solution to the energy crisis facing our state.