



Denali Commission
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February 9, 2011

Mayor Jim Mackovjak
City of Gustavus
P.O. Box 1
Gustavus, AK 99826

Dear Mayor Mackovjak,

Thank you for inviting the Denali Commission to visit Gustavus, and we look forward to our trip on February 18, 2011. We understand there will be a public meeting in the morning followed by site visits. There has been a lot of successful work in Gustavus and we are excited to see it firsthand.

As we have discussed, in terms of protocol the Alaska Energy Authority (AEA) is the Commission's grantee on the bulk fuel project. Our agreement is directly with the AEA and in turn the AEA's agreement is with the City of Gustavus. As it relates to grant activity, it is important to maintain communications with AEA. As always, the Commission may be included on the cc to communications.

Our intent for this visit is to gather information and feedback about the various projects in Gustavus, with specific focus on the bulk fuel project. We have included a copy of the Commission's private enterprise policy and invite input on how this policy is being implemented. There appear to be a number of issues for discussion around this project, and at this point we intend to listen to concerns and gather information. The Commission is not a party to local contracts, nor is the Commission an enforcer or adjudicating entity.

We look forward to hearing more from the City and Gustavus Dray about how to make the federal investment in your infrastructure the most successful. Please do not hesitate to contact me with any questions at (907) 271-1414 or ddaniels@denali.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Denali L. Daniels", is written over a large, loopy scribble.

Denali L. Daniels, MPA
Senior Energy Program Manager

CC: Dick Leavitt, Gustavus Dray
David Lockard, Alaska Energy Authority

Attachment: Denali Commission Private Enterprise Policy

ATTACHMENT "C" to Energy Advisory Committee 2-3-2011 Briefing Paper FY11 Work Plan

Denali Commission Policy on Match Funding & Private Enterprise

Source: Quarterly Meeting on Denali Commission Policies (11-18-2008)

MATCH FUNDING POLICY

The Commission will give priority to projects that have cost share match from the following sources: the State of Alaska, other federal government agencies and other (to include local, tribal, corporate, philanthropic, etc.) in addition to Commission funding for a project. Local sources of match may include, but are not limited to, the following: land valuation, equipment, right of way, etc. In some cases, the Commission shall require a cost share match contribution from one or all of the sources listed above prior to approving funding. This requirement does not apply to the statutory cost share match identified for the health facilities program. Projects which provide a variety of match funding from multiple sources shall be viewed more favorably than those that do not.

PRIVATE ENTERPRISE POLICY

In general, the Commission will support private enterprise where it is functioning or can function efficiently and adequately to meet the needs of all members of the local community. Where private enterprise is inadequate or non-existent to achieve this purpose, consideration must be given to providing these services through other means. The Commission will not support the replacement of new structures for a publicly funded service to compete with services delivered by private enterprise as long as those services are:

1. Accessible to all members of a community including temporary members;
2. Reasonably priced when compared to comparable communities;
3. Predictably available and sustainable for the long term.

All proposals for new or upgraded infrastructure facilities to be funded with Denali Commission funds shall be evaluated on the basis of public benefits resulting from the project. A proposal for funding may be approved where the facility is or will be owned, operated, and/or maintained by private entities only if there is found to be a direct and substantial public benefit from the project. Facilities funded in whole or in part by the Denali Commission may not be sold, leased, subleased, or interest otherwise assigned without the express approval of the Denali Commission or its successor agency. In any event, the facility shall continue to provide the originally intended public benefit until such time as that public need no longer exists or until the serviceable life of the facility has expired.

Funding decisions must take into account existing private enterprise in the community. Funding should not generally be used to create new or additional competition with existing private enterprise in the community. However in cases where an unregulated monopolistic or other wise inefficient condition exist in which current services are not available at fair and reasonable rates the Commission, after appropriate consultation, may consider funding projects that would contribute to more competitive rates.

Provisions Specific to Health Care: The Commission seeks to support health care facilities in a manner which improves access to quality, affordable health services, be it by a private entity or a

publicly funded one. The Denali Commission does not seek to create or enhance competition in an inefficient market. In this scenario, an inefficient market is one that cannot support two mutually exclusive health care providers. Given the economic fragility of rural health care systems, Denali Commission funding for health care facilities will be deployed in a manner which encourages a cooperative and collaborative arrangement for the health benefit of the community in question, and improves the sustainability of the overall care delivery system for that population. Denali Commission health facility funding supports systems that ensure access to care for everyone regardless of ability to pay. It is expected that a system that is exclusively private in rural Alaska will not be able to meet that criteria. Thus, some integration of public and private provider entities will likely be required in areas where any private provider system currently exists.

Provisions Specific to Bulk Fuel Storage: The development of any bulk fuel storage consolidation project funded in whole or in part by Denali Commission funds will consult with all retail fuel suppliers within a community in the course of developing the project's conceptual design to ensure that their interests are understood and, to the extent feasible, dealt with in the course of conceptual design.

The existing market share balance among retail fuel suppliers within a community may be significantly altered as a result of a Denali Commission funding only if all of the affected retail fuel suppliers currently operating in the community agree to it or if such alteration is deemed necessary to facilitate competitive conditions in the community. For each type of fuel, the existing market share for a retail fuel supplier is defined as the supplier's existing in-service storage capacity as a percentage of the total gallons of existing in-service storage capacity for all retail fuel suppliers in the community.

Where multiple retail fuel suppliers are involved in a project, comparable levels of investment in project costs (based on market share) will be sought from each participating retail fuel supplier in the community, whether public or private.

Denali Commission funds may be used to upgrade or replace fuel storage facilities owned by private sector retail fuel suppliers if there is determined to be significant public benefit. However, to ensure that long term project benefits flow through to the public, such new or improved fuel storage and dispensing facilities will generally be owned by a local government entity which may lease the facilities to the private sector fuel supplier at a nominal cost or contract with the private sector fuel supplier for facility operation. The term of such lease or contract will be for the life of the assets, and is not transferable as an asset of the leaseholder without express written approval of the Denali Commission or its successor agency.