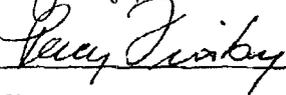


| <b>Financial Assistance Award</b>   |  | Project Number<br>0001-DC1999-II - Amendment No. 1 |
|---|--|--|
|  <p><b>DENALI COMMISSION</b><br/>510 "L" Street, Suite 410<br/>Anchorage, Alaska 99501<br/>(907) 271-1414</p>  | Accounting Code<br>95X1200 95870000 95-67  |  |
|   | Recipient Name<br>State of Alaska, Division of Energy  |  |
| Recipient Address<br>333 West 4 <sup>th</sup> Avenue<br>Anchorage, AK 99501   | Denali Commission Share of Cost<br>\$ 10,500,000 (Bulk Fuel)<br>\$ 5,750,000 (Power Generation)    |  |
|   | Recipient Share of Cost<br>\$ 8,677,000 (Bulk Fuel)<br>\$ 1,778,000 (Power Generation)             |  |
|   | Total Estimated Cost<br>\$ 19,177,000 (Bulk Fuel)<br>7,528,000 (Power Generation)<br>\$ 26,705,000 |  |
|   | Award Performance Period<br>From July 1, 1999 to June 30, 2003                                     |  |
| Authority<br>112 Stat 1854  |  |  |
| Project Title<br>Bulk Fuel Consolidation Upgrades and Power Generation  |  |  |
| <p>This Financial Assistance Award approved by the Federal Co-Chair of the Denali Commission is issued in triplicate and constitutes an obligation of federal funding. By signing the three documents, the Recipient agrees to comply with the Award provisions indicated below and attached. Upon acceptance by the Recipient, two signed Award documents shall be returned to the Federal Co-Chair of the Denali Commission and the third document shall be retained by the Recipient. If not signed and returned without modification by the Recipient within 30 days of receipt, the Federal Co-Chair may unilaterally terminate this Award.</p> <p><input type="checkbox"/> EDA Standard Terms and Conditions Public Works and Implementations Construction Components, dated 3/99</p> <p><input checked="" type="checkbox"/> Special Award Conditions and Attachments</p> <p><input checked="" type="checkbox"/> Line Item Budget</p> <p><input checked="" type="checkbox"/> 15 CFR 24, Uniform Admin Requirements for Grants/Cooperative Agreements to State and Local Governments</p> <p><input checked="" type="checkbox"/> OMB Circular A-87, Cost Principles for State and Local Governments and Indian Tribal Governments</p> <p><input checked="" type="checkbox"/> OMB Circular A-133, Audits of States, Local Governments and Indian Tribal Governments</p> <p><input type="checkbox"/> 15 CFR, Part 14, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, Other Nonprofit, and Commercial Organizations</p> <p><input type="checkbox"/> OMB Circular A-122, Cost Principles for Nonprofit Organizations</p> <p><input type="checkbox"/> OMB Circular A-21, Cost Principles for Educational Institutions</p> <p><input type="checkbox"/> EDA Standard Terms and Conditions Capacity Building Programs</p> <p><input type="checkbox"/> Department of Commerce Financial Assistance Standard Terms and Conditions, dated 10/98</p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> |  |  |
| Signature of Authorized Official - Denali Commission<br>   | Typed Name and Title<br>Jeffrey Staser, Federal Co-Chair   | Date<br>7/26/99                                    |
| Signature of Authorized Official - Division of Energy<br>  | Typed Name and Title<br>Percy Frisby, Director   | Date<br>7/30/99                                    |

**Award Conditions**  
**Amendment No. 1 to the Financial Assistance Award**  
**Project No. 0001-DC1999-I1 – Bulk Fuel Consolidation Upgrades & Power Generation**  
**Division of Energy**

1. This Amendment No. 1 to the Financial Assistance Award replaces in its entirety the Agreement signed by the Denali Commission on June 4, 1999 and by the Division of Energy on June 9, 1999 for Project No. 0001-DC1999-I1, which provided for \$10,000,000 in Commission funding for design and construction of bulk fuel consolidation upgrade projects (14 total) in 13 communities. The primary reason for this Amendment No. 1 includes additional Commission funding for rural power generation projects (\$5,750,000 for 9 projects in 9 communities) and planning and conceptual design of future bulk fuel upgrades (\$500,000 for up to 19 communities). Total Commission funding for the Division of Energy through this Agreement is \$16,250,000; total Division of Energy funding (including from other sources) is \$10,455,000. The Project Officer for the Division of Energy is Ms. Terry Ganther and for the Denali Commission Mr. Joel Neimeyer.
  
2. The Division of Energy shall submit written progress reports to the Commission Project Officer quarterly (January/March, April/June, etc.). The reports are due within 30 calendar days of the end of the quarter. Interim reports are required in the event of significant project events that may extend the project schedule and/or impact the project budget. Quarterly progress reports shall include a narrative summary of the project status and accomplishments to date, and address the following questions: is the project on schedule, is the project on budget, and what actions are planned to address any project problems. These progress reports shall be sent to:

Denali Commission  
510 "L" Street, Suite 410  
Anchorage, AK 99501.
  
3. Three forms of project financial reports are required.
  - A. Project financial status reports shall be submitted to the Commission Project Officer quarterly (included as part of the quarterly progress reports). Included in the quarterly financial status reports shall be a project performance analysis on budgeted project line items, as defined by the Division of Energy, showing budget costs compared to actual expenditures and obligations to date versus work performed to date (for each line item).
  
  - B. Monthly project checking account summaries for each community and revolving fund account summary shall be provided to the Commission Project Officer (see Paragraph No. 6 below).
  
  - C. A final Financial Status Report (Standard Form 269) shall be submitted to the Commission Project Officer within 90 days after the end of the Award Performance

Period. If the Period is longer than one year, or if the Agreement is revised to extend the Award Performance Period beyond one year, the Division of Energy must annually submit a completed Standard Form 269 within 90 days after the end of each anniversary of the award date.

4. The cost principles of OMB Circular A-87 are applicable to this award. Since there are no indirect costs included in the assistance award budget, they are not allowable under this Agreement.
5. The Division of Energy agrees to comply with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."
6. To receive payment, the Division of Energy must submit a "Request for Advance or Reimbursement", Standard Form-270, to the Commission Project Officer. Commission funds will be transferred initially to the State of Alaska. Subsequently, funds will be placed by the Division of Energy in a "revolving fund", non-interest bearing, checking account in the name of the Division of Energy at a bank insured by the Federal Deposit Insurance Corporation. The Division of Energy shall move Commission funds for this Agreement from the revolving account into separate project checking accounts at a bank insured by the Federal Deposit Insurance Corporation. These project-level fund transfers shall occur when project funds are required to make payment upon Division of Energy approved project invoices or when requesting working capital advances. It is expected that the Division of Energy will forecast by letter or spreadsheet format, Commission funds or working capital advances needed on a monthly (or as needed) basis for each project. The Commission reserves the right to consolidate project level payments into one payment. This does not preclude more frequent Commission payments, then monthly, given project specific needs. Commission funds held in the separate project checking accounts shall be subject to interest provisions as set forth in 31CFR205.12. The Commission Project Officer may review all payments to determine if payments made from the separate project checking accounts are justified and supported by appropriate records, invoices and other documentation. The Commission reserves the right to prohibit further payments to the Division of Energy, at any time, if discrepancies involving the checking account funds arise, until such time that the discrepancies are resolved to the satisfaction of the Commission. Pay requests for Division of Energy administrative costs shall be on a separate Standard Form - 270 (quarterly) from project pay requests.
7. To the maximum extent feasible, considering applicable laws, the Division of Energy shall accomplish the work of this Agreement utilizing local labor and small, minority owned and disadvantaged businesses.
8. No portion of this award may be used for lobbying or propaganda purposes as prohibited by 18 U.S.C. Section 1913 or Section 607(a) of Public Law 96-74.

9. The Division of Energy agrees to comply with the Hotel and Motel Fire Safety Act of 1990.
10. Attached to these Award Conditions are: Budget Schedule for Bulk Fuel upgrades, Budget Schedule for Power Generation, Project List for Bulk Fuel upgrades, Project List for Power Generation projects, and a listing of "Additional Proposed Bulk Fuel Storage Projects" that shows the projects eligible for planning and design for future bulk fuel upgrade projects.
11. Project budget revisions shall be in accordance with 15CFR24.30(c.iii.2). Written request by letter from the Division of Energy Project Officer to the Commission Project Officer for concurrence is necessary for budget revision approval.

**Division of Energy**  
**Budget Schedule**  
2-Jun-99

|    |                      |               |
|----|----------------------|---------------|
| 1  | Personnel            | 180,710.00    |
| 2  | Fringe benefits      | 53,065.00     |
| 3  | Travel               | 30,000.00     |
| 4  | Equipment            | 0.00          |
| 5  | Supplies             | 0.00          |
| 6  | Contractual          | 2,200,000.00  |
| 7  | Construction         | 7,536,225.00  |
| 8  | Other                | 0.00          |
| 10 | Indirect Costs       | 0.00          |
| 11 | Total Direct Charges | 10,000,000.00 |

Personnel

Project Manager 100%  
Engineer III, Range 22E. Salary = \$75,869 annually plus benefits

Engineer II 100%  
Range 20A. Salary = \$49,760 annually plus benefits

Project Assistant 50%  
Range 16D. Salary = \$50,450 annually plus benefits

Engineer II 50%  
Range 20A. Salary = \$49,760 annually plus benefits

Fringe Benefits:

|                          |                          |
|--------------------------|--------------------------|
| Health Insurance         | \$448.50 mo<br>nthl<br>y |
| Legal Trust Contribution | 8.5 mo<br>nthl<br>y      |

The following benefits are calculated as a percentage of annual salary.

|   |             |
|---|-------------|
| State Benefits System (in lieu of FICA) | 6.13%       |
| Public Employee Retirement System       | 14.08%      |
| Unemployment                            | 0.95%       |
| Medicare                                | 1.45%       |
| Workers Comp                            | 0.77%       |
| Terminal Leave                          | 1.40%       |
| Leave Cash In                           | <u>0.55</u> |
| Total                                   | 25.33%      |

**Bulk Fuel Consolidation Plan  
Project List**

Summary of Proposals and Funding  
(\$ Thousands - Subject to Change)

| Community       | Denali<br>Commission | EPA            | HUD            | Dept. of<br>Education | Other        | Division of<br>Energy -<br>GRANT &<br>Pers Svcs | Division of<br>Energy -<br>PPF | Total           |
|-----------------|----------------------|----------------|----------------|-----------------------|--------------|---|--------------------------------|-----------------|
| Noorvik         | 300.0                | 1,200.0        | 500.0          | 500.0                 | 250.0        | 300.0   |                                | 3,050.0         |
| Chefornak       | 200.0                |                | 500.0          | 425.0                 | 40.0         | 275.0   |                                | 1,440.0         |
| Emmonak         | 900.0                |                | 500.0          |                       |              | 200.0   |                                | 1,600.0         |
| Napaskiak       | 200.0                |                | 500.0          |                       |              | 275.0   |                                | 975.0           |
| Tuntutuliak (1) | 400.0                |                | 500.0          |                       | 129.0        |   | 275.0                          | 1,304.0         |
| Tuntutuliak (2) | 200.0                |                |                | 300.0                 |              |   |                                | 500.0           |
| Tanana          | 900.0                |                |                | 328.0                 |              | 165.0   |                                | 1,393.0         |
| Arctic Village  | 600.0                |                |                | 225.0                 |              |   |                                | 825.0           |
| Kiana           | 1,500.0              | 250.0          |                |                       |              | 250.0   |                                | 2,000.0         |
| Nikolski        | 700.0                |                |                |                       | 100.0        |   |                                | 800.0           |
| Upper Kalskag   | 700.0                |                |                | 30.0                  |              | 165.0   |                                | 895.0           |
| Lower Kalskag   | 1,100.0              |                |                |                       |              | 165.0   |                                | 1,265.0         |
| Tooksook Bay    | 1,700.0              |                |                |                       |              | 165.0   |                                | 1,865.0         |
| Graham          | 600.0                |                |                |                       |              | 165.0   |                                | 765.0           |
| <b>TOTALS</b>   | <b>10,000.0</b>      | <b>1,450.0</b> | <b>2,500.0</b> | <b>1,808.0</b>        | <b>519.0</b> | <b>2,125.0</b>                                  | <b>275.0</b>                   | <b>18,677.0</b> |

Division of Energy  
Budget Schedule  
25-Jul-99

|    |                      |              |
|----|----------------------|--------------|
| 1  | Personnel            | 122,000.00   |
| 2  | Fringe benefits      | 34,600.00    |
| 3  | Travel               | 18,000.00    |
| 4  | Equipment            | 0.00         |
| 5  | Supplies             | 0.00         |
| 6  | Contractual          | 0.00         |
| 7  | Construction         | 5,575,400.00 |
| 8  | Other                | 0.00         |
| 10 | Indirect Costs       | 0.00         |
| 11 | Total Direct Charges | 5,750,000.00 |

Personnel

Project Manager 100%  
Rural Electrical Utility Coordinator, Rg 19J, \$75,100 (includes benefits)

Fringe Benefits:

|                          |                  |
|--------------------------|------------------|
| Health Insurance         | \$448.50 monthly |
| Legal Trust Contribution | 8.5 monthly      |

The following benefits are calculated as a percentage of annual salary.

|   |             |
|---|-------------|
| State Benefits System (in lieu of FICA) | 6.13%       |
| Public Employee Retirement System       | 14.08%      |
| Unemployment                            | 0.95%       |
| Medicare                                | 1.45%       |
| Workers Comp                            | 0.77%       |
| Terminal Leave                          | 1.40%       |
| Leave Cash In                           | <u>0.55</u> |
| Total                                   | 25.33%      |

## Proposed Electric Utility Upgrades

The following table indicates how the Division would commit \$5.0 million from the Denali Commission for electric utility upgrades. (The preliminary total adds to \$5.75 million - some budget refinement or supplemental funding would be needed.)

### SUMMARY OF PROPOSALS AND FUNDING ELECTRIC UTILITY UPGRADES (\$ Thousands - Subject to Change)

*A brief discussion of each project follows the summary table below:*

| COMMUNITY      | DENALI<br>COMMISSION | VILLAGE<br>SAFE<br>WATER | CDBG  | OTHER<br>FEDERAL | DIVISION<br>OF<br>ENERGY | TOTAL   |
|----------------|----------------------|--------------------------|-------|------------------|--------------------------|---------|
| Old Harbor     | 1,000.0              |                          |       | 900.0            | 45.0                     | 1,945.0 |
| Atka           | 600.0                |                          |       |                  | 100.0                    | 700.0   |
| Kotlik         | 700.0                | 105.0                    |       |                  | 45.0                     | 850.0   |
| Hughes         | 750.0                |                          |       |                  | 45.0                     | 795.0   |
| Koyukuk        | 500.0                |                          |       |                  | 45.0                     | 545.0   |
| Deering        | 400.0                | 113.0                    | 200.0 |                  | 45.0                     | 758.0   |
| Golovin        | 350.0                |                          |       |                  | 45.0                     | 395.0   |
| Arctic Village | 700.0                |                          |       |                  | 45.0                     | 745.0   |
| Nome           | 750.0                |                          |       |                  | 45.0                     | 795.0   |
| Total          | 5,750.0              | 218.0                    | 200.0 | 900.0            | 460.0                    | 7,528.0 |

Unlike the bulk fuel storage consolidation projects, the Division of Energy has not been able to acquire alternative sources of funding for electric utility upgrade projects for a number of years. At this point, projects of this type will be more reliant on the resources of the Denali Commission. The listed projects are briefly discussed below:

#### Old Harbor

A recent Division analysis of rural hydroelectric prospects ranked Old Harbor near the top in terms of technical and financial feasibility. AVEC is now using federal grant funds for licensing and design work. Additional grant funds are needed for project development.

#### Atka

The same Division analysis resulted in a high ranking of the proposed Atka hydroelectric project at Chuniisax Creek. The City of Atka is now working with a private developer on licensing and design using Division of Energy grant funds. Like Old Harbor, additional grant funds are needed for project development.

#### Kotlik

Division staff, as well as our assessment contractor, have determined that the powerhouse structure in Kotlik is in very poor condition and greatly undersized for the generating capacity required by the village. Construction is planned this

### Additional Proposed Bulk Fuel Storage Projects

The following projects have been selected from the Division's deficiency ranking list in order of priority, indicating the worst average tank farm conditions to the best. Project database reports have also been included to provide the Commission with information on assessed tank farms in each community.

| <u>Community</u> | <u>Projected Cost</u> |
|------------------|-----------------------|
| Nikolai          | \$ 600,000            |
| Kotlik           | 2,100,000             |
| Chalkyitsik      | 600,000               |
| Venetie          | 500,000               |
| Rampart          | 500,000               |
| Chignik Lagoon   | 500,000               |
| Takotna          | 1,500,000             |
| Red Devil        | 600,000               |
| Larsen Bay       | 600,000               |
| Diomede          | 1,400,000             |
| Birch Creek      | 500,000               |
| Old Harbor       | 600,000               |
| Atka             | 1,000,000             |
| Kongiganak       | 1,600,000             |
| Crooked Creek    | 600,000               |
| Aleknagik        | 400,000               |
| Togiak           | 3,000,000             |
| Tununak          | 1,900,000             |
| Buckland         | <u>2,200,000</u>      |
| <b>TOTAL</b>     | <b>\$24,300,000</b>   |

This project listing may change after inspection and preparation of 35% design. Conditions in the community such as number of tanks, tank condition and capacity, ownership, site selection, etc., must be verified prior to approval of final design or construction.