

ANNUAL REPORT 2011



TRANSFORMING ALASKAN COMMUNITIES

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HISTORY OF THE COMMISSION

Denali Commission (Commission) is an innovative independent federal-state partnership designed to provide critical utilities, infrastructure and support for economic development in Alaska by delivering federal services in the most cost-effective manner possible.

The Commission was created to find solutions, both immediate and long-term, to the inequities between rural Alaska and the rest of America. Initially, the Commission's primary objective was to provide reliable power and healthcare to every community while securing contamination threats to the environment from leaking bulk fuel facilities.

Since inception in 1998, the Commission has been extraordinarily effective at accelerating the delivery of badly needed infrastructure projects. The Commission is widely regarded as efficient and necessary by the people in rural Alaska, the private sector and by government partners.

The Commission has a lengthy history that demonstrates the agency's ability to not only respond to critical infrastructure needs, but also provide innovative solutions that work in rural Alaskan environments. Examples include the installation of efficient and reliable generators and switchgear equipment that power schools, homes and healthcare facilities. The Commission has replaced or repaired fuel storage facilities so they have appropriate, code compliant capacity. The Commission's work in the Health Facilities Program has enabled communities to design and construct clinics throughout the entire state and has made a great impact in the lives and health of rural Alaskans. The Commission has built roads and provided harbor access for rural communities which serve as the essential lifeblood of a thriving community. To help ensure that these projects are sustainable, the Commission has initiated job training and economic development projects to complement its investment in infrastructure.

TRANSFORMING ALASKAN COMMUNITIES



Joel Neimeyer
Federal Co-Chair,
Denali Commission

We find ourselves returning again to the core mission of the Commission in our 12th year of administering critical infrastructure and job training initiatives across Alaska. In a time of declining federal funding, our mission to work with partners to develop basic public infrastructure, opportunity, and quality of life in Alaskan communities has never been more important.

In 2011 we continued to advance our goals to:

- Modernize and develop stronger and sustainable infrastructure in rural Alaska
- Promote the sustainability of rural Alaskan communities
- Fortify accountability policies and procedures

Some of the nation's poorest and most underserved people live in rural Alaska, facing the unique and daunting hardships of remote and inhospitable geography, harsh climate, high energy and transportation costs, and atypical infrastructure designed for Arctic conditions. The difficulties under which rural Alaskans continue to live make the Commission's work as important today as it was in 1999.

I hope the 2011 Annual Report provides readers with some insight into the great people and heritage of rural Alaska, and the positive role that the Commission has played over the past 12 years and our evolving role in future years. In support of the goal to modernize and develop stronger and sustainable infrastructure in rural Alaska, during FY 2011, the Commission continued in concert with our program partners to construct code compliant fuel tanks, power plants, rural health clinics, and many roads and docks. We've chosen to highlight our legacy of work by featuring our investments in the community of Hooper Bay in each of our program areas this year.

In FY 2011 the Commission's work to strengthen the sustainability of rural communities helped to further efforts to develop renewable and alternative energy, sponsor regional planning efforts, conduct studies of docks and mooring points across Alaska, and provide more than 50 training opportunities across the state in construction trades, allied health occupations, leadership and management. The Commission continues to be a lead agency in Alaska on the concepts of tribal consultation and governmental coordination at the federal level.

I am pleased to share this annual report with the Alaskans we serve and the stakeholders who allow our work to continue.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel Neimeyer". The signature is fluid and cursive, with a large loop at the end.

MISSION

The Denali Commission works with partners to develop basic public infrastructure, opportunity, and quality of life in Alaska communities.

VALUES

Catalyst for Positive Change

The Commission will be an organization through which agencies of government, including tribal governments, may collaborate, guided by the people of Alaska, to aggressively do the right things in the right ways.

Respect for People and Cultures

The Commission will be guided by the people of Alaska in seeking to preserve the principles of self-determination, respect for diversity, and consideration of the rights of individuals.

Inclusive

The Commission will provide the opportunity for all interested parties to participate in decision making and will carefully reflect their input in the design, selection, and implementation of programs and projects.

Sustainability

The Commission will promote programs and projects that meet the current needs of communities and provide for the anticipated needs of future generations.

Accountability

The Commission will set measurable standards of effectiveness and efficiency for both internal and external activities. Priority will be generally given to projects with substantial cost sharing.

COMMISSIONERS

The Denali Commission Act teams seven leading Alaska policy makers together. Commissioners meet at least twice a year to develop and monitor an annual work plan that guides the Commission's activities. Commissioners draw upon community-based comprehensive plans as well as comments from individuals, organizations, partners and staff to guide funding decisions. This approach helps provide basic services in the most cost-effective manner by moving the problem solving resources closer to the people best able to implement solutions.

Joel Neimeyer
Federal Co-Chair,
Denali Commission

Vince Beltrami
Executive President,
Alaska AFL-CIO

John MacKinnon
Executive Director,
Associated General
Contractors of Alaska

Karen Rehfeld
State Co-Chair,
Director of the Office of
Management & Budget,
State of Alaska

Loretta Bullard
Director,
Alaska Federation of Natives

Kathie Wasserman
Executive Director,
Alaska Municipal League

Patrick K. Gamble
President,
University of Alaska

ENHANCED INTERNAL CONTROLS

The Commission has continued to strengthen its internal practices over the past several years. Specifically in FY 2011, our grants administrator qualified for the newly created Grants Management Certification Program in which she earned the accreditation of certified grants management specialist. This credential demonstrates a valuable asset to the Commission in all areas of full life-cycle grants management. In addition, as a micro agency, the Commission continues to value its partnership with the US Treasury, Bureau of Public Debt (BPD) utilizing their services at the Administrative Resource Center in Parkersburg, West Virginia, has served to improve the cost, quality and performance of the agency management systems. This shared services solution has given us the opportunity to collaborate with experts in several “Lines of Business” including Travel, Finance, Human Resources and Procurement. We expect to further expand our use of this excellent Financial Management Line of Business (FMLOB) Center as we anticipate budget transitions into the future.

INNOVATION IN RURAL CONSTRUCTION

The Transportation Program, in partnership with the State of Alaska and the Native Village of Kwigillingok, provided \$177,379 to Western Federal Lands Highway Division (WFLHD) for the design and construction of the Kuicuang Slough geo-grid subsistence ATV trail . The geo-grid material used on this project is an innovative, inexpensive and environmental friendly solution to addressing basic transportation needs in rural Alaska. Surrounding communities with similar transportation challenges are now looking to this project to help them identify similar innovative ways they can address their needs.



COLLABORATING FOR HEATING SOLUTIONS

The Energy Program, in partnership with the U.S. Department of Energy, U.S. Department of Agriculture Rural Utilities Service, State of Alaska, Council of Athabascan Tribal Governments, and Gwitchyaa Zhee Corporation, has provided funding for a biomass project in Fort Yukon, Alaska. The project is intended to provide combined heat and power to the community utilizing abundant woody biomass in the area through sustainable forest management and fire hazard mitigation.

GOVERNMENT COORDINATION

The Commission is charged with the special role of improving government effectiveness. The Commission does so by acting as a catalyst and strategic partner for many federal and state programs in Alaska. The Commission joined others in a Memorandum of Understanding (MOU) that outlines the roles of agencies in coordinating resources and efforts in areas such as community planning, sustainability, data sharing and coordination of pre-construction activities. This MOU served as the basis for creating several multi-agency workgroups and cooperative projects that have increased overall government effectiveness. The MOU was amended in 2003 with increased participation from both state and federal partners and renewed once again in 2008. This renewed effort focuses on improving channels of communication among the leaders of all federal and state agencies with an emphasis on critical issues that affect the entire state of Alaska: the high cost of energy, outmigration, and coordination of efforts among all government agencies.



HOOPER BAY

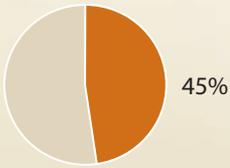
The Commission and several of its partners have had the opportunity to play key roles in major infrastructure development initiatives in the community of Hooper Bay in the past 12 years. In many ways, Hooper Bay serves as an example of the elegant and efficient solutions government coordination offers: joint funding of key energy, health, education and housing projects, community-driven solutions to transportation challenges and robust conversations with partners, residents and project developers regarding solutions which are sustainable.

ENERGY PROGRAM

The Commission was originally established with the Energy Program to address bulk fuel storage tank code deficiencies in rural Alaska. The Energy Program goals are to address environmental compliance issues while also improving energy efficiency, decreasing diesel consumption, and exploring alternative-renewable and emerging energy technologies. Rural power system and bulk fuel storage upgrade projects remain a priority and are identified by a statewide deficiency list. The Commission also continues to support alternative and renewable energy projects such as wind, hydro, and biomass and has partnered with the State of Alaska to develop emerging energy technology projects to reduce costs and decrease fossil fuel dependency for power generation and space heating.

Total Funding Uses

FY 1999 - 2011



Projects Funded

- Bulk Fuel Storage Facilities
- Rural Power System Upgrades
- Transmission Interties
- Energy Cost Reduction Projects
- Renewable, Alternative, and Emerging Energy Technologies

Program Staff

- Denali Daniels
Senior Program Manager
- Jodi Fondy
Deputy Program Manager

HOOPER BAY: ENERGY EFFICIENCY

In Hooper Bay, the Energy Program provided funding for a new, high efficiency generator and remote monitoring equipment in the existing power plant; a bulk fuel storage facility conceptual design report and business plan; and three wind turbines to offset diesel consumption for power generation in the community. Often, a 25% efficiency increase is realized with the installation of a higher efficiency generator in rural power plants. In addition to these immediate savings, remote monitoring allows the Alaska Village Electric Cooperative (AVEC), a long-standing program partner of the Commission, to monitor the generator functionality and assist the local power plant operator from their headquarters in Anchorage. In FY 2011, the wind turbines provided up to 27% of the total power production, offsetting the use of over 45,000 gallons of diesel fuel for power generation.

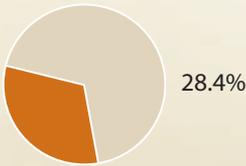


HEALTH FACILITIES PROGRAM

The Health Facilities Program is a collaborative effort which has invested in regional networks of primary care clinics across Alaska. The program has contributed to clinic design and construction, behavioral health facilities, dental spaces in clinics, elder supportive housing, and hospitals. Since 2000, the Health Program has contributed to 126 primary care clinics, 20 behavioral health facilities, 20 elder supportive housing buildings, and 49 hospital primary care projects. Currently, 10 clinics are in construction and 9 are in the planning or design stages.

The Commission's Health Program has made a positive impact in the lives and health of rural Alaskans by improving access to health facilities and services throughout the state. Changing economies and the high costs of energy led the Health Program to develop a small (< 1,000 square feet) clinic prototype for communities throughout the state. In addition, the program launched a small group of statewide health-centered organizations to gather, research and disseminate accurate, objective, Alaska-specific information about the Affordable Care Act (ACA).

Total Funding Uses FY 1999 - 2011



Projects Funded

- Primary Care Facilities
- Behavioral Health Facilities
- Elder Housing/Assisted Living Facilities
- Primary Care in Hospitals

Program Staff

Nancy Merriman
Senior Program Manager

HOOPER BAY: COMPREHENSIVE HEALTH CARE

The 12,000 square foot Hooper Bay Subregional Clinic which opened in 2009 is a good example of the way in which health care services are delivered in rural Alaska. A four-tier system – small village-based clinics, subregional clinics, regional hub hospitals, and the central Alaska Native Medical Center – form the delivery system for tribal health care. The subregional clinics allow for higher level care (usually by physician extenders, nurses or physicians) for residents in that community and several adjacent villages.

This model reduces travel costs for patients, reduces stress on the patient and family members, and increases the level and quality of care people receive. Hooper Bay celebrated their new subregional clinic with a region-wide event that included speakers from the Indian Health Service (IHS), Yukon Kuskokwim Health Cooperation (YKHC) and the Commission and lots of grilled hamburgers and salmon.



TRANSPORTATION PROGRAM

The Commission Transportation Program began in 2005. This program focuses on basic road improvement and waterfront development needs, connecting rural Alaskans through roads and critical waterways. The road program focuses on providing access to public facilities within a community, connectivity to other communities and the state highway system, while enhancing rural economic development through the overall connection to resources. The waterfront development program focuses on port, harbor and other waterfront needs for rural communities. The emerging focus areas are improvements to regional ports, and construction of barge landings and docking facilities.

Total Funding Uses

FY 1999 - 2011



Projects Funded

- Local Roads and Boardwalks
- ATV Roads
- Community Connection and Economic Development Roads
- Regional Ports and Local Small Boat Harbors
- Barge Landings

Program Staff

- Tessa DeLong
Senior Program Manager
- Mike McKinnon
Contractor
- Adison Wetzel
Deputy Program Manager

HOOPER BAY: PARTNERING FOR TRANSPORTATION

The Transportation Program, in partnership with the State of Alaska, provided \$414,483 to Alaska Village Electric Cooperative for the Construction of the Hooper Bay Wind Turbine Access Road and ATV Trail. The project was completed in 2009 and now provides access from the community to the site of three wind turbines, funded by the Commission's Energy Program, the cemetery and surrounding subsistence trails.



TRAINING PROGRAM

The Training Program was developed early on to enable residents to build, maintain and operate their own facilities, especially in areas of Alaska where unemployment often reaches 50%. Commissioner's realized that job training was critical to the success of the Commission's Energy, Transportation and Health Facility programs and became part of the overall vision statement: "Alaska will have a healthy, well-trained labor force working in a diversified and sustainable economy that is supported by a fully developed and well-maintained infrastructure". This statement has been the driving force behind the development of construction, allied health, community administration, energy efficiency and weatherization training systems in rural Alaska for rural Alaskans.

Total Funding Uses

FY 1999 - 2011



4.3%

Projects Funded

- Allied Health Professions
- Construction Trades
- Facility Operations and Maintenance
- Community Administration

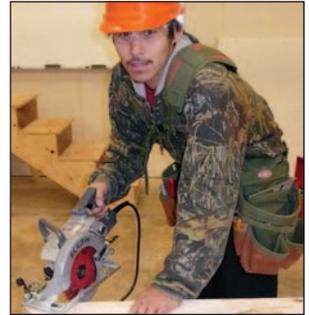
Program Staff

Karen Johnson
Program Manager

HOOPER BAY: REGIONAL TRAINING SUCCESS

Weatherization

In 2009, the Training Program began working with partners to initiate weatherization training that precedes the State of Alaska's initial \$360 million investment in residential weatherization. Through this federal-state partnership, energy assessors and crews were trained and quickly weatherized thousands of rural homes around Alaska between 2009 and 2011. Many homes and trainees also benefitted from the program in Hooper Bay.



Wind Technician

The Training Program also supports smaller job training projects like the Chaninik Wind Group, a regional collaboration of four villages on the Lower Kuskokwim. Fifteen students gained comprehensive wind technician/diesel operators skills, building the communities capacity and confidence in the operation and maintenance of their energy systems.



FY 2011 SUMMARY

At any given time Commission staff and partners are engaged with several hundred grants and/or projects in various stages of planning, design and/or construction. Program partners range from large line agencies to small village-level organizations. The ability to deliver timely, sustainable projects with the right level and type of oversight and guidance, while also being nimble and agile, requires constant attention. Commission leadership emphasizes the paramount importance of public integrity, transparency and accountability. The Commission maintains an aggressive staff training program and uses the latest in grant processing technology through the U.S. Department of Health and Human Services. During FY 2011, the Commission increased its use of expert federal staff at the US Department of Treasury, Bureau of Public Debt in order to meet federal mandates and legal requirements. These services include the areas of financial transactions, financial reporting, travel reimbursements, procurement actions and personnel appointments. In addition, the Commission continues to utilize a full network of current (and former) government officials as advisors on a variety of federal matters.

FY 2011 FUNDING

Funding Sources — Program and Administration

Energy & Water Development Appropriations Bill	\$10,678,600
Trans-Alaska Pipeline Liability Fund (TAPL)	\$7,029,941
USDA Rural Utilities Service (RUS) Funds	\$5,775,000
Federal Transit Administration (FTA)	\$4,990,000
Total	\$28,473,541

Funding Uses — Program

Energy Program.....	\$20,901,043
Transportation Program	\$4,740,500
Total	\$25,641,543

FUNDING SOURCES FY 1999-2011

(Total Funding in Millions)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
U.S. Department of the Interior	\$20.0	\$25.0	\$66.4	\$97.3	\$99.2	\$120.5	\$140.1	\$140.6	\$133.8	\$108.9	\$74.5	\$58.4	\$28.4
U.S. Department of Labor						\$5.0	\$6.9	\$6.9	\$6.9	\$6.8	\$3.4		
USDA Solid Waste						\$1.0	\$1.5	\$0.7	\$0.7	\$0.4	\$0.4		
U.S. Department of Housing & Urban Development						\$2.0	\$1.3						
U.S. Environmental Protection Agency				\$3.0	\$3.0	\$3.5	\$4.0						
U.S. Department of Health & Human Services		\$10.0	\$19.9	\$27.2	\$34.7	\$39.5	\$39.5	\$39.3	\$39.3	\$38.6	\$19.6	\$10.0	
U.S. Department of Agriculture		\$15.0	\$15.0	\$25.0	\$18.5	\$15.0	\$15.0	\$15.0	\$15.0	\$10.0	\$8.5	\$8.0	\$5.8
Trans-Alaska Pipeline Liability Fund		\$5.0	\$11.4	\$11.4	\$2.5	\$4.3	\$4.4	\$4.2	\$4.0	\$5.8	\$7.3	\$7.1	\$7.0
Energy & Water Appropriation	\$20.0	\$20.0	\$30.0	\$38.0	\$48.0	\$55.0	\$66.5	\$49.5	\$49.5	\$21.8	\$11.8	\$12.0	\$10.7
U.S. Department of Transportation (FTA & FHWA)								\$25.0	\$18.4	\$25.5	\$23.5	\$21.3	\$4.9

FUNDING USES FY 1999-2011

	FY 1999 - 2011
Total	\$1,066,979,352
Community Facilities and Other Programs	9.1%
Economic Development Program	1.4%
Energy Program	45%
Health Facilities Program	28.4%
Training Program	4.3%
Transportation Program	11.8%

ALASKA'S UNIQUE CHARACTERISTICS

ALASKA IS VAST AND GEOGRAPHICALLY DIVERSE

Alaska is 656,425 square miles (2 ½ times the size of Texas), has 3 million lakes over 20 acres in size (compared with Minnesota's 10,000 lakes), has an estimated 10,000 glaciers (covering nearly 5% of the state), holds 80% of all active volcanoes in the U.S. and 39 mountain ranges containing 17 of the 20 highest peaks in the U.S. Alaska is home to 229 of the 564 federally recognized tribes.



Due to the challenges of terrain and ground conditions, many rural communities use boardwalks in lieu of roads. This is evident where growth has occurred on wet and soggy tundra, along beaches, tidelands, and coastal dunes or where there is a lack of flat land. Boardwalks are necessary for pedestrians or sometimes vehicles to access facilities and utility structures.



From the smallest villages to the larger regional centers; cost, quality and access are some of the primary healthcare issues that consistently challenge Alaskans.





In most rural Alaska communities electricity is expensive, unreliable, and almost solely dependent on diesel-powered generation to produce power. Fuel delivery is limited to one or two annual shipments via barge and storing enough fuel to last a community for 12 months can be daunting.



Alaska's terrain of vast wilderness creates natural barriers to transportation. Most cities and villages in the state are accessible only by sea or air, including Juneau, the state capital. For many rural Alaskans, use of airplane, seaplane, ferry, snowmachine and ATV are a regular part of their daily lives.





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