
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: William Homka, City Manager
Date: November 14, 2023
Re: Identifying the City of Unalaska's Federal Priorities for Fiscal Year 2023

SUMMARY: Every year a delegation of city council members and the mayor travels to Washington, DC to meet with our congressional delegation to lobby for City projects and discuss issues affecting Unalaska. At the various meetings the city presents a congressional briefing memo with the list of projects and issues the city is facing at the Federal level. This resolution will be used to create a list of projects that will be used in the development of a congressional briefing memo for distribution during our visits.

Tonight work session will be led by our federal lobbyist Sebastian O'Kelley. Once we determine our priorities memo will be prepared for the trip. The draft City resolution will be prepared for adoption at the next Council meeting on November 28, 2023. The most important part of the memo is the "ask" -- how much money are we seeking from the Federal Government? This needs to be *accentuated* because often we only have 15 minutes to meet with our delegation. We are also setting up meetings with various agencies and the Governor's office in DC.

Recent lobby visits to Washington included our trilateral partners Ounalashka Corporation and the Qawalangin Tribe. The three organizations adopt priorities independently and agree to support mutual priorities and projects where possible.

PREVIOUS COUNCIL ACTION: Council adopted Resolution 2022-43 on November 10, 2022, with last year's priorities.

DISCUSSION: Please see attached Resolution 2022-43 for capital projects that were included last year, and the staff memo for a description of the projects. Right now we need to approve the projects in sequence of importance for this year's resolution. It is important to simplify the resolution to be more to the point. The more succinct the better. Here is last year's list:

Projects:

1. **Captains Bay Road and Utility Improvements Project - \$42.4 million.** There will be an update on this project during the workshop just prior to taking up the federal priorities. Costs are significantly higher than what was stated.
2. **Robert Storrs Boat Harbor Improvements - \$9.5 million.** Likely we will be putting in for a state grant for this project which would cover 50% of the costs. We don't have updated numbers as of yet. We may want to put in for a MARAD PIDP grant.
3. **Unalaska Marine Center Cruise Ship Terminal - \$18.59 million.** We have not identified a funding source for this project.
4. **Light Cargo Dock and Unalaska Marine Center Dredging - \$6.65 million.** This is a project that has been on the books for years. I think a new part of the project is dredging in front of UMC. We had always talked about Light Cargo needing dredging in the past.

5. **Makushin Geothermal - \$5.7 million.** This in support of work that needs to be accomplished for interconnection of the grid prior to geothermal coming on line.
6. **Solid Waste Gasifier - \$8.3 million.** The utilities director will be giving an update on this project during this workshop. I know he has been working on this project with representatives of the Department of Energy for some time now.

The following are the issues from last year's congressional briefing memo ([attached](#)), this year's memo is in process and will be done by the end of November. Some of the issues go away. Have we missed any that need to be added? This is a summary of the issues we are working on.

CITY CAPITAL PROJECTS

1. Unalaska Bay Entrance Channel Dredging Project

The Port of Dutch Harbor has grown in importance as a regional port for the Alaska fishing fleet, transient vessels, Arctic exploration support vessels and drill ships, military craft, and vessels in distress. Filling in of the entrance channel to Dutch Harbor has increased the risks of larger cargo and other vessels hitting bottom or running aground.

The project has been authorized in WRDA, with a total project cost of \$35,956,000, of which \$26,967,000 is the Federal Share and \$8,989,000 is the Non-federal share. Subsequently, the Corps issued a Supplemental Report that the channel will have to be dredged 8' deeper than originally planned to a depth of 58' to meet keel clearance safety standards. The Corps is recommending in this case that the local cost-share remain 25 percent as opposed to a higher cost-share traditionally used for dredging at a greater depth. The FY 2023 NDAA includes this technical correction.

On a separate but related development, the Tribe was awarded a \$22.3 million DOT RAISE grant this summer in partnership with major vessel company and terminal operator CMA-CGM. The funds will be used to build a new commercial dock along with uplands development to increase the efficiency and volume of cargo movement in and out of Unalaska.

- **Recommendations to the Delegation** – Support for inclusion of \$25.6 million for the project in the Senate Energy & Water Approps Bill to be included in the final FY 2023 Omnibus Appropriations Bill. Support for technical correction amendment in WRDA that clarifies the 25 percent local cost-share for the deeper dredging.

2. City Utility Electrical Grid Upgrades

The City's electrical utility infrastructure is aging and in need of upgrading, especially if it is to be ready to transmit electricity generated by the planned geothermal project. Based on an interim study, we have identified associated projects costing \$5.7 million which would include replacement of the aging submarine cable at Iliuliuk Bay, upgrades to numerous feeder connections and substations, and improvements to the current data management system and automated controls.

- **Recommendations to the Delegation** – Support for inclusion of \$2.5 million for the project in the Senate Energy & Waters Approps Bill to be included in the final FY 2023 Omnibus Appropriations Bill.

FISHERIES

1. Crab Fisheries Disasters

Crab fisheries are critical to Unalaska. The Bristol Bay red king crab and the Eastern Bering Sea snow crab fisheries were closed or severely restricted during the 2021-2022 fishing seasons. Estimates of combined ex-vessel fishery value losses are upwards of \$165 million. In addition, the Governor also included the Bering Sea snow crab and tanner crab fisheries in that disaster request. These declarations are also pending, submitted by the Governor in March and October, 2022. The declines are believed to be environmental in nature and not the result of fishing pressure. The Governor estimated total losses to Alaska communities on the order of \$200 million.

The City derives substantial revenue from these crab fisheries from its raw fish tax on the landing of product in Unalaska. We estimate these losses to City coffers from the 2021-22 restrictions to be approximately \$2.7 million and a like amount in losses for 2022-23.

Separately but closely linked is legislation to reform the Federal fisheries disaster process -- S. 2923, the Fishery Resource Disasters Improvement Act, which passed the Senate in September 2021 and has been agreed to by the House Natural Resources Committee in recent weeks. The bill includes provisions that qualify local government loss of raw fish tax revenues as eligible for reimbursement from Federal fisheries disaster relief funds. However, there is a critical sticking point on timing that impacts all of the above AK crab disasters in that the bill disqualifies any disasters **requested** prior to passage of the bill from consideration of lost raw fish tax revenues.

Recommendations to the Delegation – Request that the Secretary expedite these fishery disaster declaration and support emergency fisheries disaster funding in appropriations. Amend and support passage of the Fishery Resource Disasters Improvement Act this year so that the City would be eligible for crab disaster relief to offset its raw fish tax losses.

2. Trawl Bycatch Issues

House legislation to reauthorize of the Magnuson-Stevens Act (MSA) seeks to strengthen the Act's bycatch protections, in part due to salmon bycatch in the large trawl pollock fisheries that Unalaska is dependent upon. Further, a December 2021 petition requested that the Secretary of Commerce close the 2022 pollock fishery and further restrict harvest levels but the petition was rejected by the Secretary based on the best available science. The issue remains a regional hot button.

These trawl fisheries are necessary for the landing and processing of Pacific cod and AK pollock in volumes sufficient to sustain Unalaska's primary workforce and economic base. Our trawl fisheries have worked hard to reduce bycatch over the years, with Chinook salmon bycatch down almost 90 percent from 15 years ago. The fleet has 100% observer coverage and has made and continues to make substantial modifications in fishing practices and technologies to further lower bycatch for a species whose declines are **not fishing-related** but connected to climate change.

The NPFMC manages the Bering Sea pollock fishery to avoid Chinook salmon bycatch under hard caps which if breached close the fishery. The overall bycatch limit is either 60,000 Chinook

salmon or 45,000 Chinook salmon, depending on whether the previous year's Chinook run size was average or below average (which triggers the lower cap). The Council reports the pollock fleet in 2021 harvested 1.34 million metric tons of pollock with 13,884 Chinook salmon caught as bycatch, of which an estimated 2.3% (319) were fish destined for the upper Yukon watershed.

Regarding chum salmon the Council reports it has not set limits on chum salmon bycatch because the analyses indicated that measures to avoid chum salmon bycatch would likely result in increased Chinook bycatch. The Council has stated that establishing limits is complicated by consistent annual genetic data showing the majority of chum bycatch (~68%) is of Asian hatchery origin, that just < 1 % are fish destined for the middle and upper Yukon, and 8.9% are fish from western AK river systems. Because hard caps can lead to increased bycatch of other species, the Council has indicated it must proceed carefully to avoid unanticipated consequences.

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- **Recommendations to the Delegation** – Help protect Unalaska's fisheries from MSA legislative efforts to alter national bycatch standards that would spill over into managing our fisheries, likely through Court-litigated restrictions; support the North Pacific Fishery Management Council and the State of Alaska's efforts to better understand and address bycatch issues going forward; and support passage of S. 3429, the Alaska Salmon Research Task Force Act which passed the Senate Commerce Committee back in May 2022.

3. Heart of the Ocean (PRIME) Sanctuary

On June 8, 2022 NOAA formally added the "Heart of the Ocean" Sanctuary to the National Marine Sanctuary inventory for possible future designation. The request, submitted by the Aleut Tribe of St. Paul and supported by the Climate Action Network, Audubon, Ocean Conservancy, Oceana, and the World Wildlife Fund among others, is highly controversial. An earlier proposal identified an area of ocean off the Pribilof Islands that Unalaska's home and visiting fleet actively fishes. The Qawalangin Tribe requested formal tribal government-to-government consultation with NOAA on this process, which was just granted two weeks ago.

The proposal has precipitated uncertainty around possible boundaries, including the potential impact of fisheries management measures in the sanctuary on fisheries allocations and fleet economics in Unalaska. New and expanded marine sanctuaries such as the PRIME initiative are potentially consistent with the Administration's efforts pursuant to Executive Order 14008 requiring "conservation" of at least 30% of the EEZ by 2030. Communities such as ours that rely on access to Federally-managed fisheries in this area may be negatively impacted by a shift in fisheries management away from the MSA and NPFMC process toward decision-making by the National Ocean Service, home to the Office of Marine Sanctuaries, and an overly restrictive application of what constitutes marine "conservation".

- **Recommendations to the Delegation & NOAA** – Oppose/delay any movement on designation of the PRIME Sanctuary until key elemental uncertainties can be addressed including but not limited to: preserving the lead role of the NMFS & NPFMC for all fisheries management in the area; promote meaningful government-to-government consultation between NOAA and the Qawalangin Tribe; and require extensive local and regional support as a prerequisite for any future designation.

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1. Coast Guard

The City appreciates the Coast Guard's long-time presence in our community which will grow in importance as marine transportation expands in the region. We encourage the USCG to become an accompanied duty station in Unalaska. After our meetings with the Coast Guard and the Delegation last year, Congressional staff informed us that the USCG would undertake a full evaluation in 2023 of the issues surrounding establishment of an accompanied duty station. Separately, the Tri-Lateral Commission is working on a paper highlighting the community's benefits and services (schooling, transportation, job opportunities, healthcare, etc.) for submission to the USCG.

- **Recommendations to the Delegation** – Urge the USCG to follow through on its proposed 2023 evaluation. Forward the community's paper to the USCG when it is ready.

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- **Recommendations To The Delegation** – Continued consideration and awareness of Unalaska's potential as an Arctic Port as part of the long-term evolution of the Arctic in trade, security, research and natural resource matters.

ENERGY/ENVIRONMENT

1. Makushin Geothermal Energy Project

In August of 2020, the City entered into a 30 year Power Purchase Agreement (PPA) with Ounalashka Corporation-Chena Power (OCCP) to buy all of its electricity from the Makushin Geothermal Project once it is up and running. By doing so, the City demonstrated it strongly supports OCCP's development of geothermal energy in our community and enabled OCCP's efforts to obtain project financing. However, there are some challenges that must be met for the project to reach its potential. Per the PPA, the City has agreed to pay an annual lump sum

payment of \$16.3 million (with a 1% increase per year) starting in 2027. The payment will reach \$22 million in year 30. Other project details can be found at the link – <https://www.alaskageothermal.info/project>

OCCP previously qualified for submission of a Phase 2 application to the DOE for a Title 17 loan. However, the Inflation Reduction Act now makes the Tribal Energy Loan Program a more attractive option. OCCP is working directly with DOE to pursue funding under TELP. Phase 1 of the Title 17 Loan has been submitted to DOE LPO under the TELP. Survey work for location of undersea cable to bring power from the project site to the City was completed in 2021. After a year of negotiations, OCCP and Ormat Technologies Inc, an Israeli company, expect to have a virtual EPC signing ceremony soon to construct the project. The Ounalashka Corporation's investment in the project so far includes \$2.5 million for seeding the partnership; \$9 million for the purchase of 7,000 acres of private property where the geothermal production facility will be located; and \$8 million for construction of a utility access corridor. Additionally, the Qawalangin Tribe received \$2.5 million in Congressionally-directed spending in FY 2022 for the project and is working with DOE's Office of Energy Efficiency and Renewable Energy on one of two possible activities for use of the funds.

From the City's perspective, the two main challenges are as follows. First, much of the Unalaska's energy use is in private hands. Its heaviest energy users, the seafood processing companies, operate their own diesel energy electric power systems. While many are interested in the OCCP project, they are reluctant to commit to purchasing geothermal power at this point until they better understand the rates versus their own diesel operating costs. Without processor buy in, the City's residential rate payers, including residents, would see a major increase in their utility bills in order for the project to be economically-feasible. DOE's Office of Tribal Energy is funding a socioeconomic study which may help sell the value of geothermal energy to the processing community as well as to the Coast Guard during its vessel visits to Unalaska. The study has just been completed and provided to us last week,

Another one of the challenges will be the demands geothermal power will place on the City's electrical grid which is currently not ready to handle or distribute the power load from the project. Substantial municipal utility and grid upgrades will be necessary (see item #2 on pages 1-2 for pending FY 2023 community project funding). A detailed interconnection study is underway and will outline specific projects and improvements as well as their associated costs.

- **Recommendations to the Delegation** – Support for the OCCP DOE Tribal Energy loan application. Encourage Unalaska's seafood processing companies to pursue agreements to purchase OCCP geothermal power.

2. Environmental Remediation of Native & City Lands

Unalaska unfortunately has many contaminated lands that go back to the WW2 conflict on the Island, including leftover environmental hazards from the old Naval base, chemical agents and unexploded ordnance. The City has been working with the Army Corps of Engineers Formerly Utilized Defense Sites (FUDS) Program as part of the Amaknak Restoration Advisory Board on contaminated site identification and characterization. However, the FUDS program has a major backlog in project work, plus much of the former Federal lands are now in the possession of the City, Tribe and Ounalashka Corporation.

Without additional environmental assessment and follow on clean up, there are severe limitations on the use of these contaminated properties for economic development or human use. Additional sources of assistance beyond FUDS are necessary. We very much appreciated the field hearing and the chance to testify this summer before the Senate Indian Affairs Committee. The hearing was helpful in getting the relevant Federal agencies (Army Corps FUDs, EPA, DOI) on the record for the need to address contaminated Federal lands since conveyed to Alaska's tribes, but much more work needs to be done, including sustaining Federal agency focus, coordination and funding over a long period of time.

Last year the City submitted, and was awarded \$500,000 for an EPA Brownfields assessment grant. OC is now working in collaboration with the same environmental consulting firm, Stantec, and has just submitted a Brownfields assessment grant application (\$2 million) to EPA.

OC also has been certified as a Section 8a company in collaboration with Alaska Peninsula Corporation and Waste Management Inc. to clean up its own lands. The Tribe has been a recipient of funds from DOD's Native American Lands Environmental Mitigation Program. The Bipartisan Infrastructure Investment & Jobs Act increased funding for EPA's Brownfields Program and also raises the per project cap from \$500,000 to \$5 million, ostensibly to press EPA to dedicate more funding for actual clean up.

- **Recommendations to the Delegation**

- Advocacy with EPA to approve funding for OC's Brownfields grant application.
- Increase DOD's NALEMP funding nationally, or alternatively provide NALEMP funds directly to the Tribe.
- Increase Brownfields funding for actual remediation (not assessments) and encourage EPA to greater utilize existing funding for that purpose. EPA's most recent Brownfields funding awards leaned heavily toward assessment funding.

3. Solid Waste Gasifier -- The City of Unalaska has worked with the DOE National Renewable Energy Laboratory (NREL) to consider the best waste minimization technology pathway for our location. Gasification and/or anaerobic digestion was deemed to be the best long-term solution. A solid waste gasifier could be used to dispose of bales already buried in the landfill cells, vastly increasing the current landfill's projected lifespan, handling an estimated 86 percent of Unalaska's solid waste. In keeping with our commitment to clean geothermal power and an overarching goal of becoming carbon neutral, the City is seeking a technology provider that can offer a plant design that uses the syngas production from the gasification process to pre-dry the feedstock, reducing the diesel needed to reach a self-sustaining steady-state operation.

From a Federal agency perspective, the project falls between EPA (solid waste reduction) or DOE (waste to energy). We are interested to taking creative approaches to this project, including using the Tribe as the lead applicant if it results preferable consideration and seeking to fund different elements of the project from the two agencies.

- **Recommendations to the Delegation** – Support for this project as either a community project request in the FY 2024 appropriations process or as grant applications to relevant Federal programs should the City or the Tribe on its behalf submit them.

Briefing Memo – Unalaska, AK -- Washington, DC Visit (Dec. 2022)

Attendees

The Honorable Vince Tutiakoff Sr, Mayor of Unalaska & Chairman of Ounalashka Corp
The Honorable Dennis Robinson, Vice Mayor & President of Qawalangin Tribe
The Honorable Shari Coleman, Council Member
Chris Hladick, City Manager
Natalie Cale, Interim CEO, Ounalashka Corporation
Chris Price, CEO, Qawalangin Tribe
Dianne Blumer, Blumer & Associates
Brad Gilman, Sebastian O’Kelly & Rick Marks, Washington Reps -- Robertson, Monagle & Eastaugh

The visitors from Unalaska represent three entities – the City, the Qawalangin Tribe, and the Ounalashka Corporation that have signed an MOU (known as the Tri-Lateral Agreement with the group called the Tri-lateral Commission) to partner and collaborate on initiatives and projects important to Unalaska’s future, with the Federal priorities outlined below. This is the second year all three entities have traveled to Washington, DC to advocate for this shared Federal agenda.

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OCCP previously qualified for submission of a Phase 2 application to the DOE for a Title 17 loan. However, the Inflation Reduction Act now makes the Tribal Energy Loan Program a more attractive option. OCCP is working directly with DOE to pursue funding under TELP. Phase 1 of the Title 17 Loan has been submitted to DOE LPO under the TELP. Survey work for location of undersea cable to bring

power from the project site to the City was completed in 2021. After a year of negotiations, OCCP and Ormat Technologies Inc, an Israeli company, expect to have a virtual EPC signing ceremony soon to construct the project. The Ounalashka Corporation's investment in the project so far includes \$2.5 million for seeding the partnership; \$9 million for the purchase of 7,000 acres of private property where the geothermal production facility will be located; and \$8 million for construction of a utility access corridor. Additionally, the Qawalangin Tribe received \$2.5 million in Congressionally-directed spending in FY 2022 for the project and is working with DOE's Office of Energy Efficiency and Renewable Energy on one of two possible activities for use of the funds.

From the City's perspective, the two main challenges are as follows. First, much of the Unalaska's energy use is in private hands. Its heaviest energy users, the seafood processing companies, operate their own diesel energy electric power systems. While many are interested in the OCCP project, they are reluctant to commit to purchasing geothermal power at this point until they better understand the rates versus their own diesel operating costs. Without processor buy in, the City's residential rate payers, including residents, would see a major increase in their utility) bills in order for the project to be economically-feasible. DOE's Office of Tribal Energy is funding a socioeconomic study which may help sell the value of geothermal energy to the processing community as well as to the Coast Guard during its vessel visits to Unalaska. The study has just been completed and provided to us last week,

Another one of the challenges will be the demands geothermal power will place on the City's electrical grid which is currently not ready to handle or distribute the power load from the project. Substantial municipal utility and grid upgrades will be necessary (see item #2 on pages 1-2 for pending FY 2023 community project funding). A detailed interconnection study is underway and will outline specific projects and improvements as well as their associated costs.

- **Recommendations To The Delegation** – Support for the OCCP DOE Tribal Energy loan application. Encourage Unalaska's seafood processing companies to pursue agreements to purchase OCCP geothermal power.

2. Environmental Remediation Of Native & City Lands

Unalaska unfortunately has many contaminated lands that go back to the WW2 conflict on the Island, including leftover environmental hazards from the old Naval base, chemical agents and unexploded ordnance. The City has been working with the Army Corps of Engineers Formerly Utilized Defense Sites (FUDS) Program as part of the Amaknak Restoration Advisory Board on contaminated site identification and characterization. However, the FUDS program has a major backlog in project work, plus much of the former Federal lands are now in the possession of the City, Tribe and Ounalashka Corporation.

Without additional environmental assessment and follow on clean up, there are severe limitations on the use of these contaminated properties for economic development or human use. Additional sources of assistance beyond FUDS are necessary. We very much appreciated the field hearing and the chance to testify this summer before the Senate Indian Affairs Committee. The hearing was helpful in getting the relevant Federal agencies (Army Corps FUDs, EPA, DOI) on the record for the need to address contaminated Federal lands since conveyed to Alaska's tribes, but much more work needs to be done, including sustaining Federal agency focus, coordination and funding over a long period of time.

Last year the City submitted, and was awarded \$500,000 for an EPA Brownfields assessment grant. OC is now working in collaboration with the same environmental consulting firm, Stantec, and has just submitted a Brownfields assessment grant application (\$2 million) to EPA.

OC also has been certified as a Section 8a company in collaboration with Alaska Peninsula Corporation and Waste Management Inc. to clean up its own lands. The Tribe has been a recipient of funds from DOD's Native American Lands Environmental Mitigation Program. The Bipartisan Infrastructure Investment & Jobs Act increased funding for EPA's Brownfields Program and also raises the per project cap from \$500,000 to \$5 million, ostensibly to press EPA to dedicate more funding for actual clean up.

- **Recommendations To The Delegation**

- Advocacy with EPA to approve funding for OC's Brownfields grant application.
- Increase DOD's NALEMP funding nationally, or alternatively provide NALEMP funds directly to the Tribe.
- Increase Brownfields funding for actual remediation (not assessments) and encourage EPA to greater utilize existing funding for that purpose. EPA's most recent Brownfields funding awards leaned heavily toward assessment funding.

3. Solid Waste Gasifier -- The City of Unalaska has worked with the DOE National Renewable Energy Laboratory (NREL) to consider the best waste minimization technology pathway for our location. Gasification and/or anaerobic digestion was deemed to be the best long-term solution. A solid waste gasifier could be used to dispose of bales already buried in the landfill cells, vastly increasing the current landfill's projected lifespan, handling an estimated 86 percent of Unalaska's solid waste. In keeping with our commitment to clean geothermal power and an overarching goal of becoming carbon neutral, the City is seeking a technology provider that can offer a plant design that uses the syngas production from the gasification process to pre-dry the feedstock, reducing the diesel needed to reach a self-sustaining steady-state operation.

From a Federal agency perspective, the project falls between EPA (solid waste reduction) or DOE (waste to energy). We are interested to taking creative approaches to this project, including using the Tribe as the lead applicant if it results preferable consideration and seeking to fund different elements of the project from the two agencies.

- **Recommendations To The Delegation** – Support for this project as either a community project request in the FY 2024 appropriations process or as grant applications to relevant Federal programs should the City or the Tribe on its behalf submit them.