

New brand of borough aimed at cheaper energy, but critics worry it could do more harm than good

BETHEL – A new kind of government with a singular purpose is being proposed for the poorest part of Alaska.

This novel borough would have broad taxing power for one stated end: to build energy infrastructure such as wind turbines, new electricity lines, a natural gas pipeline or whatever else could help bring down what are now extraordinarily high energy costs.

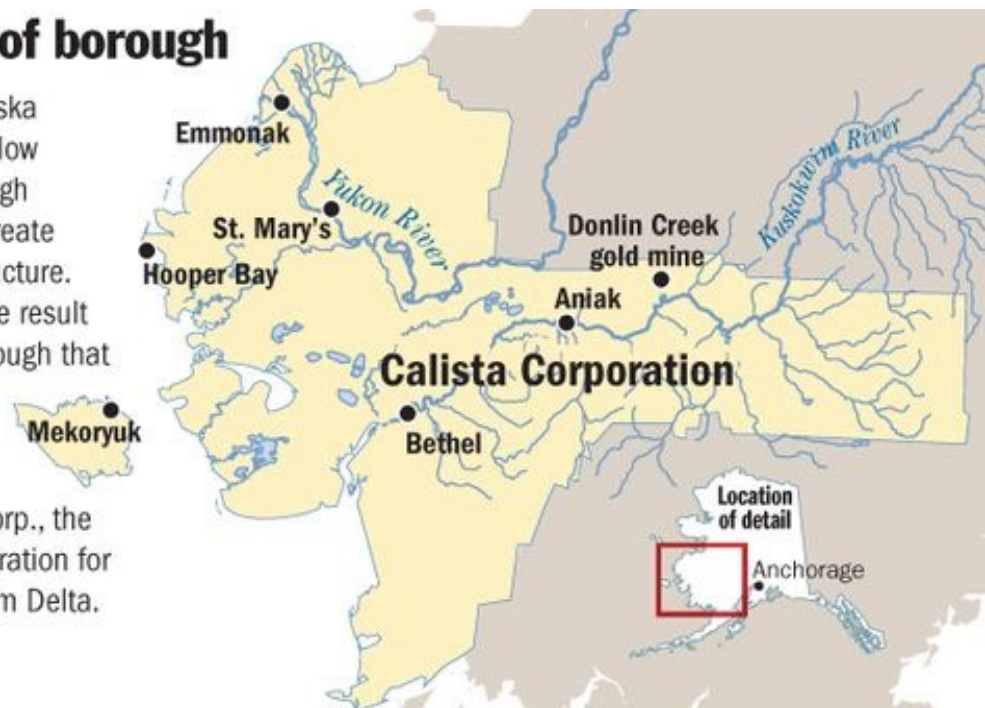
A bill filed in the Legislature to accomplish that instantly caused an uproar. An Alaska Native corporation for villages along the middle Kuskokwim River says the measure has troublesome ramifications. A Bethel resident thinks it could rip the region apart.

"Absolute shock," is how Maver Carey, chief executive of The Kuskokwim Corp., summed up her reaction. Wording in the six-page measure about education and air quality may be prompting unnecessary worry, said the bill's sponsor, state Sen. Lyman Hoffman, a Democrat from Bethel who is co-chairman of the powerful Senate Finance Committee. He doesn't intend to change existing law in those areas and plans a rewrite. An aide called the bill "messy."

"That is my fault," Hoffman said this week. "I did not want to wait for a perfect bill to be drafted, which might be a month or a month and a half down the road, then submit it and lose all this time."

A new kind of borough

A bill before the Alaska Legislature would allow a new kind of borough that exists only to create new energy infrastructure. The sponsor says the result could be a new borough that matches the boundaries of the region served by Calista Corp., the Alaska Native corporation for the Yukon-Kuskokwim Delta.



Instead, he filed Senate Bill 18 just before the Jan. 17 start of the new legislative session so lawmakers could fully study and debate it.

The measure will be fine-tuned as it moves through committees, Hoffman said.

The goal, he said, is to create "a borough with energy powers" in the Yukon-Kuskokwim Delta, one financed by an as-yet-undeveloped gold mine. Its boundaries would match those of the region served by Calista Corp., an Alaska Native corporation.

"We're not talking about full-blown government," Hoffman said. "We're talking about trying to address the high cost of energy, from a resource that the people of the Calista region can all benefit from."

But some think a regionwide borough would be too big and disjointed. It would encompass villages and areas with competing interests, those that fight now over salmon and those with lingering resentments from wars of long ago, said Grant Fairbanks, a Bethel resident with a homestead on the Holitna River. Villages midway up the Kuskokwim River wouldn't want a borough headquartered in Bethel, he said. He emailed Hoffman that it would be "the most harmful piece of legislation."

One big worry is that low-income people could lose homes if they couldn't pay property taxes, Fairbanks said. There's no intent to levy taxes on private homeowners, Hoffman said, although that option is in the bill as filed.

Backed by gold

Hoffman said this latest version of a borough, like others that have been discussed and studied, would rely on revenue from the Donlin Gold mine prospect near the village of Crooked Creek, up the Kuskokwim River from Bethel.

The project — which some call a monster deposit, with the potential extraction of a million ounces of gold a year — is under federal environmental review. The Kuskokwim Corp. owns the land and Calista owns the mineral rights leased to the developers. The Donlin Gold development company is jointly owned by Barrick Gold Corp., the world's biggest gold mining company, and NovaGold, a new player focused on Donlin.

The mine developers are evaluating SB 18. Donlin has stayed out of borough debates so far but expects that some type of government could form if the mine is built, said Kurt Parkan, Donlin's external affairs manager.

High taxes, however, could hurt the mine's viability. "Any extra cost is a cost to the bottom line and affects the feasibility of the project altogether," Parkan said.

Instant opposition

This new third-class borough would be allowed very limited powers. While Haines used to be organized as a third-class borough, it had authority over schools, unlike what is being proposed by Hoffman. Haines voters in 2002 switched over to a more standard, home-rule borough. Now there aren't any third-class boroughs among the 19 that function as Alaska's version of a county.

"This new bill creates a kind of borough that has never existed anywhere before," said Marty McGee, state tax assessor and supervisor over the staff of the Local Boundary Commission, which must approve any new borough.

The borough could levy property taxes. It could collect payments instead of taxes, the way the Northwest Arctic Borough receives its revenue from Red Dog Mine. And it could leverage that money by investing in bonds "to finance an energy infrastructure project in the borough," the bill says. That's it.

"It's very creative," said Lamar Cotten, who has worked as an administrator in various rural boroughs and as a consultant to those considering a borough government. The desire to lower energy costs is understandable, he said.

But: "Is that the right vehicle to achieve those goals?" he asked. "I think that is a fair public policy question." State corporations already exist as a financial mechanism for public projects, he said.

The legislation blindsided The Kuskokwim Corp., Carey said. That is the for-profit Alaska Native corporation for 10 mid-river villages, from Lower Kalskag to Stony River.

Its board voted Thursday to oppose SB 18. The legislation is rushed, flawed and jarring, TKC leaders said. It had set up a framework for its villages to study a small, traditional borough with authority over schools, planning and taxes. It wanted to be sure residents would be ready if and when Donlin is a go, said Carey, TKC chief executive.

"That process was a very public process with years of meetings in our communities under the existing framework of state law," said Andrea Gusty, vice president of corporate affairs.

Its effort was focused on a borough that would be voter-initiated and voter-approved. A draft charter was written. The project was put on hold while Donlin works its way through environmental reviews and government permissions. Donlin's decision on whether the mine will be built won't come until 2019 or after, Parkan said. Hoffman said his vision of a borough also would need voter approval. His bill just sets up a mechanism.

Calista encompasses a region that includes 56 tribes, or about 50 occupied villages including the hub of Bethel. The region includes six school districts. TKC's section just includes one, Kuspuk School District.

Villages in the Y-K Delta are some of the poorest in Alaska. Most people live off wild animals and fish, birds and berries, greens and roots harvested from the land and water. In the Bethel area, about one-quarter of the people live in poverty. Farther west, it's closer to one-third. Statewide, about one in 10 Alaskans live in poverty.

Impacting generations

The Kuskokwim Corp. doesn't want a Calista-wide borough because Donlin won't generate enough to support that, its leaders said. TKC leaders don't understand why Hoffman is pushing a borough focused only on energy in a region that has many needs including education and water and sewer services.

"When we look at this bill, it is very clear that it has the potential to impact generations of residents in the region. It really feels like it deserves a much more thoughtful, measured, inclusive approach," said Sam Boyle, chief operating officer of The Kuskokwim Corp. "Where are the town hall meetings? Where is the public discussion? Where is the input?" People can voice concerns during the legislative debate, Hoffman said. He said he is presenting an option that would spread revenue from Donlin throughout the region, not just to some villages.

TKC says the bill would create a Calista borough that its residents don't want. The anxiety level is heightened because Calista has been talking about improving efficiencies between villages by clustering services and has raised the possibility of regionalized high schools.

But Calista didn't propose the bill and isn't pushing a borough, spokesman Thom Leonard said. Back in 2014 and 2015, it led an effort to examine a borough or regional tribe. Shareholders, tribal leaders and others didn't want a borough, and the project was shelved after two meetings, Leonard said. Calista is studying the new bill and hasn't yet taken a position on it, Leonard said.

The bill includes multiple references to rural education. That is only to ensure the new borough conforms with the way things already are run, Hoffman said. School operations wouldn't change, he said. Neither would control over air quality, also addressed in the bill.

Hoffman said he presented the idea of an energy borough to Calista chief executive Andrew Guy last year, not the other way around.

Cheap fuel source?

What kind of energy projects could result? That is not defined in the bill but Hoffman's office said it could include wind power and new technologies.

The biggest might use the natural gas capacity that Donlin will bring to the region, Hoffman said. The mine developers plan a \$1 billion-plus, 300-plus-mile, natural gas pipeline from Cook Inlet to the mine site.

The borough wouldn't pay for Donlin's pipeline, because that is already part of the mine plan, Hoffman said. Instead, Donlin could pay to bring cheaper power to the borough, the senator said. The borough's ability to finance projects with low-cost bonds will be key, he said.

Maybe the mine power plant could generate electricity for the region. Maybe excess gas could be distributed throughout villages of the delta. Maybe the region could be wired so that cheap electricity could heat homes.

The region now relies on barged-in heating oil, diesel-fueled power plants and other expensive energy sources.

The proposal is not specific to Calista or the Yukon-Kuskokwim Delta. If the bill becomes law, it could be used to carve out a limited borough elsewhere in rural Alaska or perhaps even change the function of an existing borough.

No hearing has yet been set.