



City of Gustavus
P.O. Box 1
Gustavus, AK 99826
Phone: (907) 697-2451

June 25, 2024

To: The National League of Cities.

As Mayor of the City of Gustavus, Alaska I am writing to confirm our application to the NLC Advancing Economic Mobility Rapid Grant program for \$20,000, which will be used to provide \$500 matching incentives for residents and community facilities converting to use of air source heat pumps powered by clean, locally-produced renewable energy.

If awarded funding – and subject to finalization of a grant agreement approved by the City Council – I would serve as the seniormost authority for the project. City Administrator Kathy Leary would serve as the administrative lead. Councilman Mike Taylor, a retired engineer with heat pump experience, would serve as a project coordinator. The local utility – Alaska Power & Telephone – has offered to provide additional technical assistance and support. Their key point of contact will be Jason Custer – Vice President of Corporate Development, and a certified accountant and project manager. Together, the members of this team have successfully managed well over \$100m in grant-funded projects.

Quote to be used in NLC communications materials: *“The City of Gustavus, Alaska is excited to provide residents with the ability to switch from heating oil barged into the community at costs as high as \$6 per gallon, to air-source heat pumps using clean, affordable electricity produced at the local Falls Creek hydropower project. Our new incentive match program will help residents to access an additional \$500 incentive from local utility Alaska Power & Telephone, to access federal tax credits, and to utilize Power Cost Equalization to help pay for home heating costs.”* - Mayor Shelley Owens.

Sincerely,

Shelley K. Owens
Mayor, City of Gustavus, AK

1. What is your municipality's vision and overarching goals for the work that will be funded by a rapid grant and support from NLC? (Limit your response to a maximum of 250 words.)*

The City of Gustavus is an islanded municipal government in rural southeast Alaska. It has a vision of leading the region as a sustainable, resilient community powered by clean, renewable energy from the local Falls Creek hydropower project. It requests \$20,000, which will be used to provide \$500 matching incentives for residents and community facilities converting to use of air source heat pumps powered by clean, locally-produced renewable energy. Goals are to 1) help facilitate conversion from diesel heating oil (barged into the community at costs as high as \$6 per gallon) to electric air source heat pumps powered by local renewable energy from the Falls Creek project; 2) reduce emissions in the Glacier Bay National Park region; 3) better position residents to access federal tax incentives and utility incentives for heat pumps through a local matching incentive of \$500 per resident; 4) help residents utilize power cost equalization (an electrical subsidy available in Alaska) for their heating costs. 5) make rural energy costs more affordable through use of more efficient heat pumps.

2. Describe your proposed project and note any populations that will be prioritized and why? (Limit your response to a maximum of 500 words.)*

The City of Gustavus is an islanded municipal government in rural southeast Alaska. It has approximately 660 residents, and is most famous for being located next to Glacier Bay National Park. The community's electrical grid is 89% hydropower-based. Residents lack access to natural gas and use diesel heating oil at a cost of \$6 per gallon and more - a tremendously high cost. Local electrical utility Alaska Power & Telephone provides a \$500 incentive for customers converting to air-source heat pumps. Gustavus proposes to use NLC funds to provide an additional \$500 matching incentive, bringing the total clean energy incentive to \$1,000. This will help empower residents to access the utility's incentive, as well as federal tax incentives that are currently available. Rural Alaska residents receive "power cost equalization" - a subsidy that applies to electric, but not to heating oil. Switching from heating oil to electric heat will allow Gustavus residents to access the benefit of "power cost equalization" to help support home heating costs. All full-time residents face significant socioeconomic challenges due to the high cost of living in a rural location, and will be eligible to apply. Gustavus will prioritize matching incentives to community facilities, the school, and non-profit organizations serving the community as a whole. It will also seek to prioritize requests by vulnerable populations such as low-income families, single parent homes, disabled residents, and senior citizens - people who may otherwise have difficulty accessing incentives and participating in the clean energy economy. The program will catalyze new economic opportunity, by providing work for rural installers within the community. Additionally, the program will help reduce emissions in the Glacier Bay National Park area, substituting clean, locally-available hydropower for diesel heating oil that must be barged into town. The existing hydropower project - Falls Creek - is significantly underutilized. Increased sale of electricity helps to spread the utility's fixed costs over a larger volume of sales, helping to keep rates more affordable.

3. Note any potential challenges or obstacles you anticipate encountering during the implementation of your proposed project and how you plan to mitigate them.? (Limit your response to a maximum of 500 words.)*

The City of Gustavus does not anticipate significant challenges. This program will match an existing, well-proven incentive program that has been used successfully by Alaska Power & Telephone Company (AP&T). AP&T has helped other entities establish local matching programs successfully. The personnel involved in managing this process will be the Mayor, the City Administrator, Councilman Mike Taylor (a retired engineer), and utility liaison Jason Custer - a certified accountant and project manager. In combination, these individuals have managed more than \$100m of grant-funded projects.

4. What, if any, existing municipal priorities or initiatives support the selected focus area? (Limit your response to a maximum of 250 words.)*

This project fits within the energy objectives of the Southeast Conference Community Economic Development Strategy (CEDS)- a regional economic development plan by the local EDA-designated ARDOR for the region. For years, Gustavus has highly prioritized clean, sustainable, affordable energy within the community. It has issued numerous letters supporting efforts by the utility to help increase availability of clean energy at an affordable cost.

5. Describe any specific opportunities you would capitalize on if selected for funding and support. This could include new state or federal investments in your community, emerging community needs or trends, etc.? (Limit your response to a maximum of 250 words.)*

1. Increased use of the underutilized Falls Creek hydroelectric project.
2. Expanding community access to federal tax incentives for heat pumps.
3. Expanding access to the utility's \$500 incentive for heat pumps.
4. Allowing community members to access "power cost equalization" (a state electrical subsidy) for heating purposes. (Power cost equalization does not apply to diesel heating oil or propane costs, but it helps to pay power bills.)
5. The utility is proposing optional "time of use" rates for on-peak and off-peak energy use. This is pending regulatory approval. Residents may soon be able to access the benefits of off-peak rates, as well.

82 / 250 words

6. What outcomes do you hope to measure to gauge your teams' success in meeting your previously stated goals? (Limit your response to a maximum of 250 words.)*

Gustavus would track:

- 1) Incentives utilized by community members.
- 2) Community facilities using the program.
- 3) Amount of federal tax credits leveraged through use of the program.
- 4) Amount of utility heat pump incentive payments leveraged through use of the program.
- 5) Amount of private investment leveraged by the program.
- 6) Vulnerable population use of the program. This would be self-reported on an optional basis, and may include: a) low income b) disabled c) senior citizen d) single parent family e) tribal member.

Gustavus would obtain this information by asking recipients of the \$500 incentive to fill out a questionnaire after completing the installation.

7. What key partners are (or will be) engaged and committed to realizing your plan and meeting your outcomes? What will their roles be? How can they contribute to the strength of the team? (Limit your response to a maximum of 500 words.)

Local utility Alaska Power & Telephone Company - will provide a matching incentive, and will promote availability of the program through its social media, and possibly utility bill mailings.

The Tongass Green Bank - a new initiative by Spruce Root (an indigenous CDFI). Tongass Green Bank can provide technical information and support as needed, in concert with their heat pump deployment initiative for Prince of Wales Island. (And other projects.)

Southeast Conference - the local economic development organization for the region. SE Conference is working to provide administrative support for heat pump projects.

The Sustainable Southeast Partnership - a network of rural villages and indigenous communities. SSP can help promote awareness of the program.

Sitka Conservation Society - Alaska's oldest conservation and environmental organization. SCS can help promote awareness of the program.

Alaska Heat Smart - a state-wide heat pump deployment organization. While not active in Gustavus yet, Alaska Heat Smart can help provide technical advice.

List each senior leader or high-level staff with expertise related to the objectives of the Advancing Economic Mobility Rapid Grant who will serve on your local municipal team. For each, provide a brief description of their expected role. Note that the project lead must be a municipal leader or staff member.



	A	B	C	D	E
1	Name	Title	Organization	City, State	Role
2	Mike Taylor	Council Member	City of Gustavus	Gustavus, AK	Former engineer. Tecl
3	Shelley Owens	Mayor	City of Gustavus	Gustavus, AK	Senior Oversight
4	Kathy Leary	City Administrator	City of Gustavus	Gustavus, AK	Administrative Oversig
5	Jason Custer	Volunteer	Volunteer	Juneau, AK	Administrative Support
6					

Budget: Complete and submit the budget template demonstrating the anticipated use of funds.

Budget: Complete and submit the budget template demonstrating the anticipated use of funds. *



	A	B	C	D	E
21	Training		0		0
22	Subcontract to Partner Organization/ Consultant		0		0
23	Food		0		0
24	Other:	\$ 20,000	0		0
25	Other:		0		0
26	Other:		0		0
27	Total Program Costs:		0		0
28					
29	TOTAL ANTICIPATED EXPENSES	\$20,000	0		0
30	Please provide a brief budget narrative:	\$20,000 for \$50i			