

April 19, 2011

The Honorable Bill Stoltze  
The Honorable Bill Thomas  
Co-Chairs, House Finance Committee  
Alaska State Legislature  
State Capitol Rm 516  
Juneau, Alaska 99801-1182

RE: CSSB 42 (FIN) - Power Project: Susitna/ Alaska Energy Authority

Dear Representatives Stoltze and Thomas:

Thank you for scheduling SB 42 for the House Finance Committee during this first special session of the Twenty-Seventh Legislature. This legislation is required to allow for the Alaska Energy Authority (AEA) to move forward with the Susitna (Watana Location) Hydroelectric Power Project.

On April 19, 2011 CSSB 42 (FIN) was calendared for a vote in the Senate. Assuming no additional changes will be made by the Senate, CSSB 42 (FIN) would authorize the Alaska Energy Authority (AEA) to 1) move forward on the Sustina power project 2) increase the quorum for the AEA Board of Directors from three to four of seven members and 3) provide legislative approval for two power project fund loan projects.

The legislation will assist AEA in fulfilling its mission to support the development of energy resources in Alaska. Alaska's Energy Policy target is to reach 50 percent of its electricity generation through renewable energy by 2025. A new large hydroelectric project is needed to achieve this goal. In November 2010, AEA released its "Preliminary Decision Document" identifying the Watana hydroelectric project on the Susitna River as the recommended project to pursue. This legislation would authorize AEA to file a preliminary permit application with the Federal Energy Regulatory Commission.

The Senate Resources Committee amended SB 42 by removing AEA's ability to adopt its own procurement regulations and the Senate Finance Committee further amended the bill by:

- Deleting the creation of a new Alaska Railbelt Energy Fund and repeal of the existing Railbelt Energy Fund.
- Deleting provisions to enable AEA to hire staff in the exempt services and deleting related transitional provisions for transferring staff from the Alaska Industrial Development and Export Authority to AEA.

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- Deleting proposed re-establishment of AEA's power to acquire and own new power projects. AEA is given authority to acquire and own one new power project located on the Susitna River.
- Amending AEA's powers by adding the ability for AEA to acquire property rights and interests by eminent domain under AS 09 specific to the Susitna River power project.
- Adding a requirement that AEA submit an annual report on the Susitna River power project to the legislature.
- Deleting provisions to enable AEA to form subsidiary corporations as a legal structure to acquire, own and operate projects and deleting related provisions which would have made any AEA subsidiary corporation subject to statutes that apply to AEA in acquiring, owning and operating power projects. The Senate Resources Committee had required legislative approval for specific subsidiaries.
- Adding legislative approval for two power project fund loans for the Haida Energy, Inc. Reynolds Creek hydroelectric project and Cordova Electric Cooperative Humpback Creek hydroelectric project.
- Minor technical corrections and edits by Legislative Legal Division were also made to the bill.

On April 12, 2011 the House Finance Committee passed HB 103 from committee; HB 103 is the companion bill to SB 42. There is one word change difference from CS HB 103 (FIN) and CS SB 42 (FIN); the House bill amended AS 44.83.080(10) by inserting the word "acquisition" on page 2, line 29; the Senate bill does not change existing language. AEA has no objection to the changes in CS SB 42 (FIN).

On behalf of AEA, thank you for scheduling SB 42 pending referral and we urge favorable action on this bill. A copy of CS SB 42 (FIN) and other related materials are included with this letter. Please let me know if you require any other information. Thank you for considering this request.

Sincerely,

ALASKA ENERGY AUTHORITY



Sara Fisher-Goad  
Executive Director

Attachments