



March 11, 2015

Honorable Cathy Muñoz
Alaska House of Representatives
State Capitol, Room 501
Juneau, AK 99801-1182

Dear Representative Muñoz:

House Bill 143 would provide the necessary authorization from the Legislature for AIDEA to issue bonds in order to assist in the financing of the construction of the Sweetheart Lake Hydro project under 44.88.172. It is AIDEA's understanding that Juneau Hydropower, Inc. is developing the Sweetheart Lake project. Juneau Hydropower has filed for their FERC license and working through the EIS process. Sweetheart Lake has a planned capacity of 19.8 MW (for comparison, Snettisham is 78.2 MW). The project would be designed to fully supply the Kensington mine with firm power year round. Additional power generation may be sold to AEL&P. AEL&P currently serves the Greens Creek mine but has to routinely interrupt service when they lack the hydropower capacity.

The potential economic benefits of the project are lower energy cost for local power customers such as the Kensington mine and other potential industry. Kensington mine is an important economic driver of the regional economy and Sweetheart Lake hydropower may significantly lower the operating costs of Kensington mine, providing long term economic benefit to the mine and potentially extending the mine life. There would also be potential environment benefits by allowing the Kensington mine and other industry to switch from high cost diesel power to less expensive cleaner Hydro power. Supplying the Kensington mine with Sweetheart Lake power, however, is dependent completion of Phase 1 of the Lynn Canal Transmission project.

AIDEA would need to complete a feasibility and due diligence analysis on the potential project prior to endorsing the Sweetheart Lake Hydro project or stating that it could finance the project under 44.88.172. Based on the preliminary description of the project and the potential economic and environment benefits of the project, this project may meet the project suitability requirements for AIDEA to evaluate financing the project under 44.88.172. Based on the size of project and the type of project, any financing that AIDEA would provide for this project would

require the issuance of a bond. For AIDEA to move forward in financing this project, AIDEA would require the authorization provided under House Bill 143.

If have any questions, please let me know.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ted Leonard", with a long, sweeping horizontal line extending to the right.

Ted Leonard
Executive Director