



Waterfall Creek Hydroelectric Project
Senate Bill 26 - Budget - Capitol Projects

DATE: April 6, 2015
TO: Senate Finance Committee
FROM: Gary Hennigh City Administrator, City of King Cove
RE: *Comments/Testimony on SB26 Budget: Capital*

I urge the Senate Finance Committee to include the Governor's FY16 capital budget recommendations for the Renewable Energy Fund (REF) program of \$15 million. The REF program will fund a wide geographical balance and diverse number of very viable renewable energy projects throughout the State.

In particular, the FY16 REF will fund the City of King Cove's Waterfall Creek hydroelectric project for \$1.5 million. This \$1.5 million in funding will allow the city to sign a current, construction-ready contract for this project to be completed yet this year (2015).

The total Waterfall Creek hydro project cost is \$6.6 million. With this FY16 capital appropriation, the State will contribute \$4.3 million (65%) of the total project cost. The other \$2.3 million in costs are a combination of local government debt (\$1.7 million) and cash (\$600,000). Of note, other recent, similar-sized hydro facilities funded through the REF program have been funded with a 85% (State) to 15% (local) ratio. The City of King Cove has always been willing, when fiscally possible, to exceed conventional funding expectations in supporting a higher level of local government commitment.

This run-of-the-river hydro will produce 1MW of renewable energy for the city's owned and operated electrical utility. Combined with the city's existing Delta Creek hydro facility (came online in 1994), which is already producing 2.5MW, renewable energy in King Cove will account for over 70% of the community's annual demand of 5MW. **This magnitude and percentage of annual renewable energy powering up a single-grid power system in rural Alaska is both unique and unprecedented!**

Finally, the value of this investment for maintaining King Cove's PCE rate is significant, which in turn, puts a minimal demand on the State's annual PCE subsidy funds. The City has maintained the distinction of having the "cheapest" PCE rates (i.e. \$0.08/kWh to \$0.10/kWh) for the past 20+ years of the 140+ communities which receive this subsidy. This is due directly to our existing Delta Creek hydro. The addition of the Waterfall Creek hydro facility will further sustain this cost status. The City's long-term vision and commitment to renewable energy are excellent examples for other Alaska communities.