

Copper Valley Electric Association, Inc.

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February 13, 2012

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Senator Lesil McGuire
Alaska State Legislature
120 4th Street, State Capitol, Room 3
Juneau, Alaska 99801-1182

SUBJECT: Senate Bill 25 Letter of Support

Dear Senator McGuire:

Copper Valley Electric Association enthusiastically supports your recently introduced sponsor substitute for SB 25 establishing the Sustainable Energy Transmission and Supply Development Program within the Alaska Industrial Development & Export Authority.

CVEA is the certificated electric utility serving Valdez and the Copper River Basin along 260 miles of the Richardson and Glenn Highways. I refer you to the attached brochure which provides background about the cooperative and summary information about the Allison Creek Run of the River Hydroelectric Project that we are currently developing.

With the growing number of energy infrastructure projects contemplated or in the development stage throughout our State, the financing program under SB 25 fills a significant void in state energy policy. Presently, many electric utilities and other energy project developers are able to secure funding for reconnaissance, feasibility and other preliminary studies through the Renewable Energy Fund but no source of construction funding exists for viable medium sized projects such as the \$40 million Allison Creek Hydro.

Large grants are becoming increasingly scarce and on the federal level are almost non-existent. Reliance on sufficient, reasonably priced credit will certainly increase. For energy projects such as CVEA's, we must rely on specialized lending institutions out of State. Our payments go to banks in the Washington, DC area, when those dollars could be retained in Alaska for reinvestment.

SB 25 will go a very long way toward resolving the dual issues of tailored credit sources and of keeping our money in-state while providing for Alaskans' long term energy needs, in most cases with renewable resources. SB 25 is tailored to the needs of the electric industry and other energy providers in the following ways:

- meaningful funding (\$250 million authorized)
- meaningful amounts available for individual projects (up to one third of capital costs, or \$20 million)
- longer amortization (up to 50 years for hydro or transmission projects)
- AIDEA ability to defer principal payments, permit capitalized interest, and interest rebate incentives of up to one percent for renewable energy projects

As the Legislature knows, much of Alaska electric power supply infrastructure is aging and in need of replacement, at the very time renewable and alternative energy technology offers cleaner and more efficient ways to generate and transmit this vital resource. Moreover, continued dependence on fossil fuel sources drains valuable resources from communities which instead could be used to support development of renewable energy. At CVEA we applaud your initiative to provide a program to support this difficult and costly transition away from oil in favor of renewable energy. SB 25 could not have come at a more opportune time. CVEA urges lawmakers to enact this law without delay.

Sincerely,



Robert A. Wilkinson
Chief Executive Officer

Attachment

Copper Valley Electric Association

Vision: To reduce or eliminate our dependence on fossil fuel and stabilize the Cooperative's cost of generation with regional, sustainable resources

Mission: To provide exceptional customer service through safe, reliable, cost-effective electric service and programs

January 2012

About CVEA

- CVEA provides electric service to over 3,800 business and residential customers in the Copper River Basin and Valdez regions of the state
- CVEA covers a large area: 160 miles north to south and 100 miles east to west; we provide service from Valdez to Kenny Lake to Sourdough to Sheep Mountain
- Dependent on fossil fuel (50% of the annual generation requirement)
- CVEA does not participate in the Power Cost Equalization program
- CVEA is not interconnected electrically to any other utility

CVEA Assets

- 45 Alaskan employees
- Over 500 miles of distribution and transmission line
- 8 substations
- Solomon Gulch hydro, Cogen Plant, 2 Diesel Plants
- SCADA system with remote control of all four generating plants from one main station
- Density of 9 customers per mile



The Winter of 2011-2012



In the Copper Basin we get COLD!



In Valdez we get SNOW!

Major Undertakings

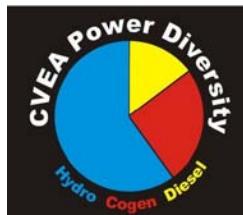
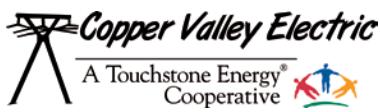
- Build Allison Creek
- Move transmission line out of avalanche zone in Thompson Pass
- Implement 2011 Rate Study
- Evaluate mid-system hydro opportunity
- Participate in Regional Energy Plan
- Find ways to deal with fuel costs

Web: www.cvea.org

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 **Copper Valley Electric**
A Touchstone Energy® Cooperative 

Copper Valley Electric Association



January 2012

ALLISON CREEK HYDROELECTRIC PROJECT – Will provide members of the Cooperative with 23 million kilowatt hours of sustainable, environmentally clean energy

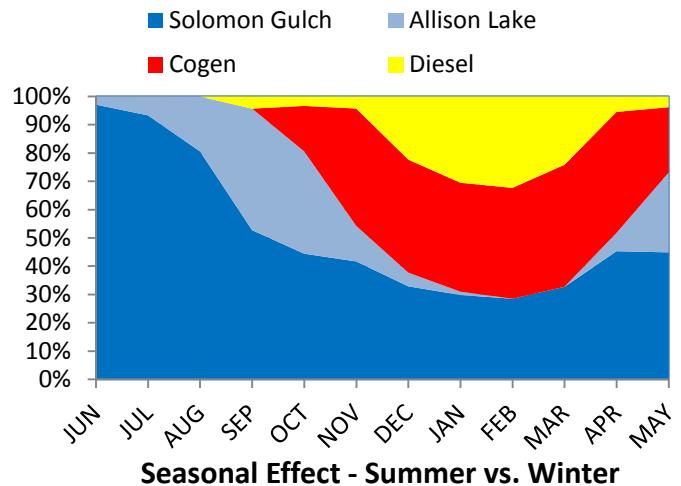


2011 Progress & Milestones

- CVEA chose Run of River alternative in October 2010
- Retooled engineering and environmental effort in early 2011
- Formed Aquatic Resources Task Force to focus on fish issues
- FERC review of preliminary draft application for license, found complete
- Filed application for original license on August 29, 2011
- FERC noticed application for filing on August 30, 2011
- FERC found application acceptable for filing on December 9, 2011
- Final design underway, procurement strategy being developed
- Plan of Finance development is ongoing

Renewable Energy Benefits

- Allison Creek will displace 1.1 million gallons of fuel annually when it is commissioned in 2015
- Allison Creek will eliminate 13,000 tons per year (TPY) of carbon dioxide, 9 TPY of carbon monoxide, 39 TPY of nitrogen oxide, and 6 TPY of sulfur dioxide annually
- At current fuel cost (\$.25/kwh) Allison Creek will lower annual power cost by \$1.44 million per year



Project Economics

- In 2010 dollars, the project is expected to cost \$39 million
- \$14 million of project financing is in place including a \$10 million State grant obtained in 2011
- CVEA estimates the first year cost of power to be 16¢/kwh
- This cost assumes borrowing \$25 million at 7%
- A 1% reduction in interest rates would reduce power cost by .6¢; every \$1 million in grant funds received reduces power cost by .5¢