March 16, 2015

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

Dear Representative Muñoz:

House Bill 143 provides the Alaska Energy Authority (AEA) the required legislative approval under AS 42.45.010 for a Power Project Fund (PPF) loan in an amount not to exceed $22,000,000 to the Lynn Canal Transmission Corporation (LCTC) for the transmission electrification of the Veteran's Memorial Highway.

The project includes approximately 35 miles of transmission line from the existing Lena Cove substation to Kensington Mine. Project benefits include: providing power to properties north of Juneau that are currently off the grid and connecting to the Kensington Mine. Total estimated cost last reported to AEA was $29,000,000. This project is contingent on development of the Sweetheart Lake Hydroelectric Project proposed by Juneau Hydropower, LLC.

Sweetheart Lake has the potential to significantly offset existing diesel electric generation at the Kensington Mine and to support additional demand growth in the Juneau area. Juneau Hydropower has performed preliminary engineering, submitted a license application, and proposed a preliminary financing arrangement. The Federal Energy Regulatory Commission has issued a notice of intent to prepare an environmental impact statement and is soliciting comments under p-13563. The Lynn Canal transmission proposal connecting the Kensington mine is not included as a component of the Sweetheart Lake Hydroelectric project.

Independent of the legislative authorization and upon receipt of a PPF loan application AEA will complete project due diligence analysis of the financial, economic and technical feasibility of the project per AS 42.45.010. After analysis is complete, the PPF loan Committee, comprised of the AEA executive director and four directors, will make a recommendation to the AEA Board of Directors who have final approval authority for loans greater than $2,000,000.

Although HB 143 provides AEA with required authorization for a loan, the PPF does not have a balance sufficient to fund a $22,000,000 loan. The PPF currently has approximately $13,000,000 in uncommitted funds. Without additional funds AEA would be able to provide a loan of approximately $9,000,000.

Please contact me with any questions.

Sincerely,

Sara Fisher-Goad
Executive Director

813 West Northern Lights Boulevard Anchorage, Alaska 99503 T 907.771.3000 Toll Free (Alaska Only) 888.300.8534 F 907.771.3044