



March 11, 2016

Senator Lesil McGuire
Alaska State Legislature
State Capitol, 120 4th Street
Room 121
Juneau, AK 99801-1182

Dear Senator McGuire:

Senate Bill 192 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 AS 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 is 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. Supplying the Kensington mine with Sweetheart Lake power, however, is dependent upon completion of Phase 1 of the Lynn Canal Transmission project. Additional power generated may be sold to AEL&P. AEL&P currently serves the Greens Creek mine but has to interrupt service when they lack generation capacity.

The economic benefits of the project include potential lower energy cost for local power customers, including Kensington mine. Kensington mine is an important economic driver of the regional economy. Sweetheart Lake hydropower could potentially lower the operating costs of Kensington mine and extend the economic life of the mine. Environmental benefits may also be realized by switching from diesel power to cleaner hydro power.

AIDEA would need to complete suitability, feasibility and due diligence analyses on the potential project prior to endorsing the Sweetheart Lake Hydro project, or stating that it could finance the project under AS 44.88.172. Based on the preliminary description of the project and the potential economic and environmental benefits of the project, this project may meet the project suitability requirements for AIDEA to evaluate financing the project under AS 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 Senate Bill 192.

If have any questions, please let me know.

Sincerely,

John Springsteen
Executive Director - AIDEA