

SJR

50

COMMITTEE REPORT  
SENATE

4/18/78

FURTHER: Finance

Date: 4/18/78

Mr. President:

The Committee on RESOURCES has had SJR 50  
Alaska Power Authority / Susitna Hydroelectric Project

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass                       recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for \_\_\_\_\_

and \_\_\_\_\_  new title               same title

- AND attaches a Letter of Intent               New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

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H. Poland  
Chairman

Offered: \_\_\_\_\_  
Referred: \_\_\_\_\_

BY: \_\_\_\_\_

IN THE \_\_\_\_\_

\_\_\_\_\_ JOINT RESOLUTION NO. \_\_\_\_\_  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE - SECOND SESSION

Relating to the Alaska Power Authority, the Phase I environmental, economic, social and engineering studies of the Susitna Hydroelectric Project and the incurring of indebtedness for Phase I.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS, the Alaska Power Authority pursuant to AS 44.36.180 has submitted to the Legislature and to the Commissioner of Commerce and Economic Development a statement outlining the status of the Susitna Hydroelectric Project and the Plan of Study outlining the necessary feasibility studies of the project which is planned to be designed, and may be acquired or constructed by the United States under an agreement providing for ownership of the Project by the Authority; and

WHEREAS, the Congress of the United States on October 22, 1976, enacted P.L. 94-587, the Alaska Hydroelectric Power Development Act, which Act authorized the Secretary of the Army and the U. S. Army Corps of Engineers to participate in the Susitna Hydroelectric Project; and

WHEREAS, there is now pending before the Congress a proposal which would amend P.L. 94-587 so as to authorize an agreement between the United States and the Alaska Power Authority which will provide that the United States will reimburse the Authority for any of the Authority funds expended in the Phase I stage of the Busitna Hydroelectric Project should the Phase I report not be favorable or should the Authority within three years of the completion of the report be unable to borrow money to pay the construction costs of the project, including the costs of the Phase I studies, based on the security of the project or its revenues; and

WHEREAS, the Phase I activities outlined delineate the environmental, economic, social and engineering studies requisite to informed decision making; and

WHEREAS, the cost to be incurred during Phase I is now estimated to be \$25,000,000 but may exceed that amount; and

WHEREAS, it is deemed to be in the best interests of the State of Alaska to proceed with Phase I of the project through the use of Alaska Power Authority sponsored financing.

WHEREAS, Phase I studies shall provide for substantive public involvement throughout the study process; and

WHEREAS, Legislative approval of project construction is required should project feasibility and desirability result from the study process conducted under Phase I activities.

BE IT RESOLVED that the Legislature of the State of Alaska urges the passage by the Congress of the United States of the proposed amendments to P.L. 94-587 so that the Alaska Power Authority may go forward with a program of financing and may enter into any necessary agreements pursuant to the proposed amendments; and be it

FURTHER RESOLVED that, based on the plan outlined in the statement of the Alaska Power Authority to the Legislature and to the Commissioner of Commerce and Economic Development, the Legislature agrees to the incurring of indebtedness by the Alaska Power Authority contingent upon passage of amendments to P.L. 94-507 in an amount necessary to finance the cost of the Phase 7 feasibility studies of the Kusinac Hydroelectric Project, including interest.

Outline of the Present Status of the Susitna  
Hydroelectric Project and Action to be Taken by the  
Alaska Power Authority for Financing of the Phase I  
Advanced Engineering and Design of the Project

Historical Background: The tremendous energy potential of the Susitna River has been known for many years. The Bureau of Reclamation and the Corps of Engineers, along with private institutions have conducted numerous studies of Susitna's potential. Both of the Federal agencies conducted reconnaissance level studies in the late 1940's and each published their findings in the early 1950's. The more specific and detailed early studies were performed by the Bureau of Reclamation. In fact, in a 1960 feasibility report, the Bureau of Reclamation outlined a plan of development in the Upper Susitna River Basin consisting of four high-head dams with a combined firm annual energy capability of roughly 6.3 billion kilowatt hours. The Bureau studies were backed up by limited foundation exploration for three of the four damsites (Devil Canyon, Vee and Denali were drilled, Watana was not drilled). However, with the discovery of Cook Inlet natural gas, the economic attractiveness of the Susitna project plummeted. With the formation of the international oil cartel and the dramatic rise in fuel costs during the 1970's, Congress requested that the Corps of Engineers re-evaluate the Bureau of Reclamation proposal for developing the Upper Susitna River and to report its recommendations and findings to Congress. Because of questionable foundation conditions at the upper two damsites (Vee and Denali), and the attendant environmental impact associated with those two projects, the Corps modified the proposed development by raising the height of the second upstream dam, Watana, and deleting the Vee and Denali dams. The two-dam Devil Canyon-Watana scheme of development would provide 6.1 billion kilowatt hours firm annual energy but at a lesser cost and environmental impact than the four dam scheme. The Corps evaluated a number of energy alternatives and concluded that coal fired generation and Susitna hydroelectric are the most feasible long range options for the rail-belt energy demand. Of the two options, the economic attractiveness of the Susitna project appears to be significantly greater than coal fired steam generation. In October 1977 dollars, the estimated construction cost of the two dam scheme and attendant transmission facilities is \$2.1 billion. The average annual energy cost from Susitna is estimated to be at least 30 percent less than that of its coal counterpart.

Project Description: The Upper Susitna River Basin is a 5810 square mile area bordered on the North and West by the Alaskan Mountain range, and on the South by the Talkeetna Mountains.

## Attachment A

Present Susitna Status  
Page Two

Primary wildlife within the basin consists of moose, bear, dall sheep, caribou, wolf, raptors, and resident fish. Anadromous fish do not migrate into the Upper Susitna, but they do spawn in the streams and sloughs downstream from the basin outlet. The river is glacially fed and averages 7.1 million acre feet of runoff annually. The plan of development includes an 810 foot high earthfill dam at the Watana site, a 635 foot high thin-arch dam at Devil Canyon and 365 miles of transmission line. The Watana project would inundate 43,000 acres of land and 54 miles of natural river. Devil Canyon would flood 7500 acres of land and 28 miles of river. In tandem, the projects would produce a total of 6.1 billion kilowatt hours of firm annual energy and an average of 0.8 billion kilowatt hours of annual secondary energy. It is estimated that Watana could be on line by 1990 and as demand dictates, presumably five years later, Devil Canyon would be brought on line. Based on the preliminary design, the two projects would be capable of withstanding the effects of an 8.5 magnitude earthquake with an epicenter of 40 miles from the projects.

Present Status: The Corps of Engineers submitted their Susitna feasibility report to Congress in 1976. Pending the Chief of Engineers final report to Congress, the project was given conditional authorization to proceed to Phase I Advanced Engineering and Design as a federal project. (Section 160, Water Resources Development Act of 1976, P.L. 94-587). Contained in the same bill is Section 203 known as the Alaska Hydropower Development Fund. This section provides for a joint venture in developing hydropower projects in Alaska in which, for previously authorized hydropower projects, the Corps of Engineers would design and construct the project using state financing and the state would own and operate the project. Bradley Lake and Snettisham are the only authorized projects in the state which qualify for development under this program. Because the Office of Management and Budget (OMB) felt that there was insufficient field exploration to substantiate the project cost estimate contained in the Corps 1976 feasibility report, the Chief of Engineers did not make his final report to Congress. Thus, Susitna remains an unauthorized project, disqualifying it for participation under Section 203. However, in order to provide the necessary explorations the Corps has made \$3.0 million available for a twelve month foundation exploration program which should lead to final authorization of the project. That twelve month effort began on January 1, 1978, and the Corps is presently conducting its explorations at the Watana damsite.

1978 Water Resources Development Act: Since Section 203, as it presently reads, makes it difficult for the state to provide

## Attachment A

Present Susitna Status

Page Three

the necessary financing for Phase I studies, the Act will be amended under the 1978 Water Resources Development Act. State and federal personnel, along with their bond counsel and financial and legal advisors have agreed upon the proper language which should be contained in Section 203. Also included in the pending bill will be direct authorization of the Susitna Project thus making it eligible for Section 203 participation exclusive of the OMB desire for the \$3.0 million twelve month exploration program. The bill should reach the Senate Water Resources Subcommittee in latter April. The House version of the bill will probably not contain the amending language for Section 203 nor direct authorization for Susitna. Thus, these items will have to be added in conference committee. Considering the other national issues, it is estimated that the bill will not be authorized before July, 1978. Thus the Phase I Studies could begin by the latter part of the 1978 field season.

Alaska Power Authority Action: It is the intention of the Alaska Power Authority to participate under Section 203 for the Phase I studies. Financing for the studies would come from the sale of tax exempt municipal bonds; thus, the debt would not become a general obligation of the state. Should the \$25,000,000 plus Phase I studies indicate that the project is not feasible, the Federal Government would repay the cost and interest of the bonds. At the conclusion of the Phase I studies, the State would have the option to proceed into construction with the Corps of Engineers or to use the services of a private engineering firm. Many of the studies to be conducted under Phase I would be managed by the Power Authority rather than the Corps of Engineers.

Plan of Study: The Alaska Power Authority made \$100,000 available to the Alaska District Corps of Engineers in July, 1977 for the purpose of developing the Phase I Study program. The Corps submitted their first draft to the State in September, 1977. Based on the State's review comments, the Corps is now finalizing the Susitna Plan of Study.

Land Status: The Susitna project would flood roughly 50,000 acres of land of which roughly 24,000 acres have been classified as power withdrawal lands. This land, along with most of the remainder needed for the two proposed dams and reservoirs, has been claimed by the Cook Inlet Native Corporation and four native villages. Until the land can be transferred to the Natives, the Bureau of Land Management retains custody for the Federal Government. Prior to entry for Phase I studies, access permission would be necessary from either BLM or the Native Associations depending on the owners at that time. The Cook Inlet Region is presently

## Attachment A

### Present Susitna Status Page Four

negotiating with the four villages to trade them out of the Susitna land. Presumably, the region would then negotiate the Susitna land for possible excess military land on Fort Richardson. The State could then claim the Susitna land under the terms of the Statehood Act, if it so desired.

D-2 Classification: Although the Susitna River was included as one of twenty rivers that should be studied by the BLM for possible classification as a Wild and Scenic River in 1972, Susitna was dropped from the list during the early screening. It was suggested in the study, however, that Susitna should be studied further. The House Interior Committee has drafted their version of the D-2 Land Classification Bill and has excluded Susitna from any D-2 classification. If the project is classified as a river to be studied for Wild and Scenic River classification, without special exemption, the Phase I studies would not be permitted until the completion of the study.

Funding: \$5.45 million has been included in the federal appropriation for input to the Alaska Hydroelectric Power Development Fund. This is the estimated cost of financing the first year of the four year Phase I study. However, since the total estimated cost including interest is in excess of \$25.0 million, it would be desirable that the entire amount be placed in the Fund. As a show of good faith, upon enactment of the 1978 Water Resources Development Act, the Power Authority, through the sale of revenue bonds, would make available the full study cost amount. This would be held in escrow and could only be used to finance the Phase I studies to the extent that matching funds are made available from federal funds. This show of good faith should provide the leverage for the Federal Government to put up the remainder of matching funds needed for Phase I.

Agreement: A mutual agreement between the Alaska Power Authority and the Corps of Engineers for the Phase I studies would be developed and signed pursuant to passage of the 1978 Water Resources Omnibus Bill.

5/4/78

Anch. News

## Dam project closer to realization, Gravel says

By the Associated Press

U.S. Senate approval Wednesday of two amendments to the Waterway Users Bill brings Alaska's proposed Susitna hydroelectric project closer to realization, according to the office of Senator Mike Gravel.

The Alaska Democrat wrote both amendments, which were accepted without a vote. They change the Alaska Hydroelectric Power Development Act of 1976, also written by Gravel. That act originally authorized the Alaska dams.

The project would involve construction of two dams on the Susitna River between Anchorage and Fair-

banks. It would have a capacity of 1,500 megawatts and would provide about 60 percent of electricity needs in Alaska's railbelt cities. The project could be completed as early as 1980, Gravel's office reports.

One of Gravel's amendments would allow the Army Corps of Engineers to go ahead with phase one planning work. Under the 1976 act, the Office of Management and Budget was to approve the corps' feasibility studies before phase one work began. But Gravel contends favorable studies of the Alaska project and three others in the lower 48 have been held up by the OMB.

# Senate Kills Gravel's Push Of New Canal

By BETTY MILLS

Times Washington Bureau

WASHINGTON — The Senate today defeated, 49-43, an amendment offered by Sen. Mike Gravel, D-Alaska, authorizing a study of the feasibility of a new sea-level Panama Canal.

Gravel offered the amendment to the waterway users bill now being considered by the Senate.

The Alaska Democrat, the leading champion in the Senate of the sea-level canal concept, pointed out that the present canal is obsolete, saying "we're wasting money."

"To not move forward to acquire knowledge is not very foresighted," he added. The amendment would authorize \$8 million for the study.

Sen. Pete Domenici, R-N.M., spoke against the amendment, saying the Panama Canal treaties ratified by the Senate provide for a study on the possibility of a new canal.

Alaska Republican Ted Stevens voted against Gravel's amendment.

The amendment was subject only to brief debate, with Gravel, the floor manager of the waterways bill in his capacity as chairman of the water resources subcommittee, telling the Senate that the issue had been discussed extensively during the canal treaties debate.

Gravel brought the amendment up late Tuesday and said, "I know of no objection to it but put the issue over for a vote today "because of the recent controversy involved over the treaty."

In other action on the waterways bill, the senate accepted two Gravel amendments which moved the Susitna hydroelectric project closer to realization. One amendment allows the Corps of Engineers to proceed with phase one work on the project, which involves the construction of win dams on the Susitna River.

When completed, the project would provide some 60 percent of the electricity needs in Alaska's railbelt region.

Also adopted were improvements in the technical language dealing (See Page 2, Col. 1)

# Senate Rejects Bid For New Canal Study

(Continued from Page One)

with financing of the project.

Both amendments were adopted unanimously by voice vote Monday.

The 1976 law authorizing the Susitna project, which was sponsored by Gravel, provided for a preliminary feasibility study by the Corps of Engineers, assessing the project. After a review of the feasibility study by the White House Office of Management and Budget, the corps would proceed to phase one work — design, cost/benefit analysis and final environmental impact statements.

Gravel sponsored the new amendment since the budget office has held up the favorable feasibility study on the Susitna project.

The 1976 law also provided for state bonding to pay for the project, with federal guarantees for phase one work. The state would own the dams, with the corps constructing them as contractors for the state.

The second amendment improved problems in the language of the 1976 law dealing with state bonding and the federal guarantees. They included time limitations on the corps work; necessary congressional appropriations; congressional approval of a corps-state contract; and state bonding.

Gravel believes that state bonding to pay for major water projects will overcome objections to the projects.

"If we're successful in bringing this about in Alaska, it will probably

be the way all future hydro projects will be funded," Gravel said.

Also adopted unanimously by the Senate was an amendment offered by Stevens to provide for a Corps of Engineers study of an erosion control project in Bethel. The amendment sparked a brief discourse between Alaska's two senators.

Stevens said the project "is desperately needed to protect the property and lives of the people who live in this growing community in Alaska."

Gravel said the Public Works Committee authorized a similar study last September.

"Let us put it in, and the senator can drop it in conference if it is not needed," Stevens told Gravel.

Gravel responded: "I think my colleague will recognize that I would not want the impression left in Bethel that I was not Johnny-on-the-spot in taking care of their interests."

"We are both Johnnies-on-the-spot. We just want to make sure the corps tells us the same thing," Stevens said.

Gravel replied: "The Public Works Committee has already done this, but if it takes redundancy to get the attention of the corps, I do not mind it."

**CHILKOOT  
CHARLIE  
SEZ**

Old-timer: one who remembers when a man did his own withholding on his take-home pay.



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