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Official Business

# Alaska State Legislature

## Senate Resources Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: Senate Resources Committee  
FROM: Senate Resources Committee Staff  
RE: Committee Meeting, Friday, March 5, 1982  
DATE: March 4, 1982

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Please find attached background information for this Friday's meeting on the following bills:

- SB 730 An Act establishing the Aleksandr Baranov State Game Refuge
- SB 731 An Act establishing the Shuyac Island State Park
- SB 769 An Act removing the requirement that power projects constructed under the energy program for Alaska be owned by the state.

The meeting will be held at 1:30 p.m. in the Beltz Room.

LEGISLATION SUMMARY

SB 769: "An Act removing the requirement that power projects constructed under the energy program for Alaska be owned by the state; and providing for an effective date."

Sec. 1: Eliminates the requirement under existing law that power projects acquired or constructed under the energy program for Alaska are owned by the state. The amendment does not effect the provision that projects so acquired or constructed shall be administered by the Alaska Power Authority.

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PRIME SPONSOR: Gilman

C)-SPONSOR(S): None

MEMORANDUM

TO: Senator Fahrenkamp  
FROM: Kurt S. Dzinich *KSD*  
SUBJECT: Bradley Hydroelectric Project  
DATE: March 1, 1982

On 22 February 1982 representatives of Alaska Power Administration, Alaska Power Authority and Alaska District Corps of Engineers held their second meeting originally scheduled for 5 February 1982. The meeting covered two main items of agenda with progress detailed below:

Memorandum of Understanding (MOU). The parties agreed to a draft MOU which was slightly modified since then. Current copy of the draft MOU is attached for your information. All parties are in the process of having the MOU reviewed by their respective supervisory elements. Mr. Robert Cross of the Alaska Power Administration took a copy along to Washington D.C. and will try to obtain informal review comments by the the federal agencies involved.

Working Agreements. It was agreed that working agreements would be drawn up addressing details of design, construction, operation, maintenance, financing and power marketing. The attendees further agreed to an initial draft of a Working Agreement for Design and Construction which is currently being staffed and reviewed. This agreement will again be discussed at the next meeting in Anchorage on Monday 8 March 1982. Other agreements will be drafted as required.

Project Costs. The Corps indicated that in October 1981 dollars the estimated project cost is \$320.031 million. ( includes 20% for contingencies, 6.5% for Surveillance and Administration and 8% for engineering and design) and that when escalated to midpoint of construction it would total \$363.684 million. As previously noted these figures are being reviewed by APA and exclude transmission system costs.

Future Actions. According to Corps and based on their discussion with Gianellis office the final step would probably be a meeting in D.C. to finalize MOU which will require approval by OMB but not by the appropriations committee (since no federal funds involved).

KSD/bb

DZINICH

24 February 1982

(DRAFT)

BRADLEY LAKE HYDROELECTRIC PROJECT

MEMORANDUM OF UNDERSTANDING

ALASKA POWER AUTHORITY, STATE OF ALASKA,

ALASKA DISTRICT CORPS OF ENGINEERS, AND

ALASKA POWER ADMINISTRATION, U.S. DEPARTMENT OF ENERGY

This agreement, effective \_\_\_\_\_, 1982, is made between the ALASKA POWER AUTHORITY (hereinafter called the AUTHORITY) on behalf of the STATE OF ALASKA (hereinafter called the STATE), the CORPS OF ENGINEERS (hereinafter called the CORPS), and the ALASKA POWER ADMINISTRATION (hereinafter called the ADMINISTRATION),

WHEREAS, the parties to this agreement are desirous of an early start on construction and early completion of the project, and

WHEREAS, the Bradley Lake Hydroelectric Project is authorized for design and construction by the Corps under the 1962 Flood Control Act, and the Corps has prepared a General Design Memorandum for the project, and under Title 33 U.S.C. 701h the Corps has authority to accept nonfederal funds for design and construction activities, and the Corps has the capability to design and construct the project, and

WHEREAS, the Authority recognizes that no Federal funds are programed for this project beyond fiscal year 1982, and the Authority is desirous of financing and obtaining the expeditious design and construction of

the Bradley Lake Hydroelectric Project, and to eventually acquire the completed project, including operation, maintenance, and marketing responsibilities, and

WHEREAS, the Authority will independently determine project feasibility pursuant to requirements of State law, and

WHEREAS, the Administration has power marketing responsibility for the project pursuant to Section 5, 1944 Flood Control Act (58 Stat. 890, 16 U.S.C. 825s) and operation and maintenance responsibility under a separate agreement with the Corps.

NOW, THEREFORE, it is mutually agreed, subject to successful completion of the necessary Federal and State feasibility tests, availability of appropriations, and necessary approvals:

The Corps agrees to perform the design, contract supervision, and inspection work in accordance with applicable Federal laws and regulations and essentially as shown and scheduled in the Bradley Lake General Design Memorandum as supplemented by feature Design Memorandums at the actual cost to the Government.

The Authority will seek necessary authority and funds to finance design and construction of the Bradley Lake Project, and make the funds available to the Corps in sufficient amount to allow the work to progress in an orderly manner.

The Administration will consult fully with the Authority in development of power marketing policies and allocations of power from the Bradley Lake Project so that the policies and allocations are consistent with applicable State and Federal law.

Federal revenue requirements would be limited to revenues necessary to recover Federal investment in the project including applicable interest plus any annual expenditures of Federal funds for operation, maintenance, and replacements.

The three parties to this agreement will coordinate fully on operation and maintenance requirements to assure consistency with State and Federal law.

The Authority will operate and maintain the project under contract with the Administration.

The three parties will adopt working agreements addressing details of design, construction, operation, maintenance, financing, and power marketing.

The three parties will pursue steps necessary to accomplish the State's objective of acquiring the project; including operation, maintenance, and marketing responsibilities.

DATE: \_\_\_\_\_

\_\_\_\_\_  
U.S. Army Corps of Engineers

\_\_\_\_\_  
Alaska Power Authority

\_\_\_\_\_  
Alaska Power Administration

SECTIONAL ANALYSIS

CSSB 769 (Change of Title)

Title: "An Act relating to the use of the power development fund for federal power projects under the energy program for Alaska; approving the Bradley Lake hydroelectric project under AS 44.83.185; and providing for an effective date."

Bradley Lake is a project authorized by Congress to be constructed by the Corps of Engineers. It has gone through the entire Economic Feasibility and Environmental Impact stages. The project is expected to receive full approval for construction by July 1982.

Under ordinary circumstances, the Corps would receive funds to proceed with this project during FY 83. Due to Federal budget restrictions, there are no new-start water projects anywhere in the United States during FY 83.

Under Title 33 U.S.C. 701h, the Corps has authority to accept non-Federal funds for design and construction of water projects. Under AS 44.83.030(10), the Alaska Power Authority has the power to enter into contracts with the United States for financing and construction of power projects.

Under Section 5, 1944 Flood Control Act (58 Stat. 890, 16 U.S.C. 825s) the Alaska Power Administration has power marketing responsibility for Federal power projects. Under AS 44.83.080(11), the Alaska Power Authority has the power to enter into contracts to purchase power from the United States.

AS 44.83.396 provides that any project acquired or constructed by the Authority is owned by the state. AS 44.83.-398 addresses marketing of the power.

AS 44.83.185(c) requires all new power projects except the small projects (1.5 MW), to be authorized by law.

Section 1. Clarifies the ownership and marketing relationship. Marketing would be handled in the contract required in AS 44.83.080(10).

Section 2. Approves the Bradley Lake project provided that it meets all other tests required for any state project.



**Homer Electric Association, Inc.**

P.O. BOX 429 ■ HOMER, ALASKA 99603 ■ (907) 235-8551

March 11, 1982

Senator Don Gilman  
Pouch V  
Juneau, Alaska 99811

Re: Bradley Lake Hydroelectric Project

Dear Don:

Recently, Homer Electric Association requested the Alaska Power Authority to review the feasibility of building a transmission line from the proposed Bradley Lake hydroelectric project to Anchorage. It is my understanding that the Power Authority is currently reviewing this.

Should it become evident that the transmission line is not a feasible project for state financing, you should be aware that Homer Electric would be willing to finance and build that portion of the transmission facilities necessary within the Homer Electric service area. In the original plans for construction of Bradley Lake, it was anticipated that Homer Electric would build the required transmission facilities from the Fox River area to Soldotna and to the appropriate intertie in Homer. Should state financing of the transmission facilities not be feasible, Homer Electric would proceed on its own to build the required transmission facilities. At present, we anticipate these facilities to be 115 KV lines. These two lines have been identified in the long-range plans for Homer Electric and will be built. Also, it appears possible that Anchorage Municipal Light and Power and/or Chugach Electric might be interested in building a line from Soldotna to Anchorage.

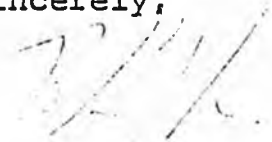
You need to also be aware that the cost of wholesale power is increasing dramatically. During 1981, Homer Electric paid 16.705 mills per KWH to Chugach Electric for all wholesale power. In early 1982, that rate was increased to 19.370 mills. Immediately after receiving notification of that increase, Chugach announced its intention to file for a retail rate increase and the corresponding necessity to increase wholesale rates by 72.1 percent. The resultant wholesale rate by the end of 1982 will most likely be in excess of 30 mills. This means that in the two-year period from 1980 through 1982, the cost of wholesale power has nearly doubled. This near-doubling

Page 2

in wholesale power cost is due primarily to the increase from approximately \$130,000,000 of generation and transmission plant owned by Chugach in 1980 to in excess of \$250,000,000 by the end of 1982. This increase has been financed at a much higher interest cost.

I trust the above information will help you. If I can be of any further assistance, please advise.

Sincerely,



Robert Wick  
General Manager

# Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN  
VIC FISCHER, VICE-CHAIRMAN  
BRAD BRADLEY  
DICK ELIASON  
DON GILMAN  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STAT CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3735

## Senate

### Committee on Resources

TO: Senator Don Gilman                      DATE: 3/5/82

FROM: Senator Bettye Fahrenkamp              Re: Subcommittee on  
Chairman    Bradley Lake  
Hydroelectric Project.

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The following legislation has been referred to the Senate Resources Committee for consideration:

SB 769      "An Act removing the requirement that power projects constructed under the energy program for Alaska be owned by the state and providing for an effective date."

I am appointing you to Chair a Subcommittee of the Senate Resources Committee entitled "Bradley Lake Hydroelectric Project Subcommittee". I would appreciate you selecting two other Senators to serve with you on this Subcommittee. I am assigning SB 769 to this Subcommittee for your consideration.

cc: Senate Resources Committee Members

# Alaska State Legislature

BETT FAHRENKAMP, CHAIRMAN  
VIC F. J. HER, VICE-CHAIRMAN  
BRAD BRADLEY  
DICK ELIASON  
DON GILMAN  
BOB MULCAHY  
ARLISS STURGULEWSKI



POUCH V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

## Senate

### Committee on Resources

March 5, 1982  
1:35 p.m.

Beltz Room  
Room 211 - Capitol

#### MEMBERS PRESENT

Senator Fahrenkamp  
Senator Gilman  
Senator Sturgulewski  
Senator Kertulla, President

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#### Hearing:

SB 730 An Act establishing the Aleksandr Baranov State Game Refuge.  
SB 731 An Act establishing the Shuyak Island State Park.  
SB 769 An Act removing the requirement that power projects constructed under the energy program for Alaska be owned by the state.

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#### SB 730

Senator Sturgulewski moved the bill with individual recommendations.

#### SB 731

Chip Dennerlein, Director, Division of Parks, Department of Natural Resources, spoke in support of the bill, but suggested two amendments: page 1, line 18 and page 5, line 17 replace "compatible" with "other", to avoid creating classes of users by implication. The Division of Parks would like to participate in writing the Committee Report or a letter of intent concerning tidelands inclusion, to assure them authority to build a boat ramp or dock in the future. The fiscal note on this bill is zero, as easements will be platted on paper only, and not constructed.

March 5, 1982

Page 2

Bob Hinman, Deputy Director, Game Division, Alaska Department of Fish and Game, spoke in opposition to the suggested amendments, stating that "compatible" may have been deliberate wording so as not to exclude commercial hunting or trapping.

Senator Sturgulewski moved that the bill be held until Monday, so this concern could be resolved.

SB 769

Senator Gilman explained the reason for this bill. Bradley Lake is a Corps of Engineers hydro project. Feasibility studies and design work have been completed, but there are no federal funds for construction. SB 769 would allow the State to put money into the project without owning it. However, the Legal Division has informed Gilman that the proposed Committee Substitute may be unconstitutional because it is "special legislation." In addition, there have been several different cost estimates for the project. Gilman suggested the bill be held until he meets with the Alaska Power Authority, the Corps of Engineers, and the Office of Budget and Management to discuss the project.

Senator Fahrenkamp appointed Senator Gilman to chair a committee to resolve this issue, at which time the Resources Committee will expedite their action on SB 769.

The meeting was adjourned at 2:15 p.m.



DEPARTMENT OF THE ARMY

ALASKA DISTRICT, CORPS OF ENGINEERS

P.O. BOX 7002

ANCHORAGE, ALASKA 99510

REPLY TO  
ATTENTION OF:

NPAEN

26 FEB 1982

SUBJECT: Draft Memorandum of Understanding (MOU) for Bradley Lake  
Hydroelectric Project, Alaska

CDR USACE (DAEN-CWZ-A)  
WASH, DC 20314

1. Forwarded for your information and approval is the draft MOU for the Bradley Lake Hydroelectric Project, as requested by your staff. This document has been tentatively agreed to by representatives of the Alaska District, Alaska Power Authority, and Alaska Power Administration.
2. It is our understanding that your staff will review this document and determine if the Corps can enter into this agreement and proceed with negotiations leading to design and construction of the project. All parties to this agreement are desirous of an early construction start. Therefore, your expeditious review and approval is requested.
3. In a related conversation with Mr. Robert Eiland of the ASA(CW) office, Mr. Eiland indicated that the MOU should be reviewed by OMB and be available to his office prior to Mr. Gianelli presenting his program to Congress in early April.

LEE R. NUNN  
Colonel, Corps of Engineers  
Commanding

1 Incl  
as

CF w/Incl:  
(See page 2)

NPAEN

SUBJECT: Draft Memorandum of Understanding (MOU) for Bradley Lake  
Hydroelectric Project, Alaska

CF w/Incl:

Mr. Robert Cross  
Alaska Power Administration  
P.O. Box 50  
Juneau, Alaska 99802

Mr. Eric Yould  
Alaska Power Authority  
333 West Fourth Avenue  
Anchorage, Alaska 99501

Mr. Robert Eiland  
Office of the Assistant  
Secretary of the Army (CW)  
Room 2E 570  
Pentagon  
Washington, D.C. 20310

Mr. Kurt Dzinich  
Hydro Development Specialist  
Senate Advisory Council  
Pouch V, State Capitol  
Juneau, Alaska 99811

Representative Hugh Malone  
Pouch V, State Capitol  
MS 3100  
Juneau, Alaska 99811

Representative Patrick O'Connell  
Pouch V, State Capitol  
MS 3100  
Juneau, Alaska 99811

✓ Senator Donald Gilman  
Pouch V, State Capitol  
MS 3100  
Juneau, Alaska 99811

NPDDE (ATTN: Dave Geiger)

25 February 1982

(DRAFT)

BRADLEY LAKE HYDROELECTRIC PROJECT  
MEMORANDUM OF UNDERSTANDING  
ALASKA POWER AUTHORITY, STATE OF ALASKA,  
ALASKA DISTRICT CORPS OF ENGINEERS, AND  
ALASKA POWER ADMINISTRATION, U.S. DEPARTMENT OF ENERGY

This agreement, effective \_\_\_\_\_, 1982, is made between the ALASKA POWER AUTHORITY (hereinafter called the AUTHORITY) on behalf of the STATE OF ALASKA (hereinafter called the STATE), the CORPS OF ENGINEERS (hereinafter called the CORPS), and the ALASKA POWER ADMINISTRATION (hereinafter called the ADMINISTRATION),

WHEREAS, all parties to this agreement are desirous of an early construction start and early completion of the project, and

WHEREAS, the Bradley Lake Hydroelectric Project is authorized for design and construction by the Corps under the 1962 Flood Control Act, and the Corps has prepared a General Design Memorandum and an Environmental Impact Statement for the project, and under Title 33 U.S.C. 701h the Corps has authority to accept nonfederal funds for design and construction activities, and has the capability to design and construct the project, and

WHEREAS, the Authority recognizes that Federal funds have not been programmed for this project beyond fiscal year 1982, and the Authority is desirous of financing and obtaining the expeditious design and construction of the Bradley Lake Hydroelectric Project, and to eventually acquire the completed project, including operation, maintenance, and marketing responsibilities, and

WHEREAS, the Authority will independently determine project feasibility pursuant to requirements of State law, and

WHEREAS, the Administration has power marketing responsibility for the project pursuant to Section 5, 1944 Flood Control Act (58 Stat. 890, 16 U.S.C. 825s) and operation and maintenance responsibility under a separate agreement with the Corps.

NOW, THEREFORE, it is mutually agreed, subject to successful completion of Federal and State feasibility tests, availability of appropriations, and necessary approvals:

The Corps agrees to perform the design, contract supervision, and inspection work at the actual cost to the Government, in accordance with applicable Federal laws and regulations and essentially as shown and scheduled in the Bradley Lake General Design Memorandum and as supplemented by feature Design Memorandums.

The Authority will seek necessary authorization and funds to finance the design and construction of the Bradley Lake Project, and will make the funds available to the Corps in sufficient amount to allow the work to progress in an orderly manner. ✓

The Administration will consult fully with the Authority in development of power marketing policies and allocations of power from the Bradley Lake Project so that the policies and allocations are consistent with applicable State and Federal law. Federal revenue requirements would be limited to revenue necessary to recover Federal investment in the project including applicable interest plus annual expenditures of Federal funds for operation, maintenance, and replacement.

The Authority will operate and maintain the project under contract with the Administration.

All parties to this agreement will coordinate fully on operation and maintenance requirements to assure consistency with State and Federal law.

All parties will adopt working agreements addressing details of design, construction, operation, maintenance, financing, and power marketing.

All parties will pursue steps necessary to accomplish the State's objective of acquiring the project; including operation, maintenance, and marketing responsibilities. *new*

DATE: \_\_\_\_\_

\_\_\_\_\_  
U.S. Army Corps of Engineers

\_\_\_\_\_  
Alaska Power Authority

\_\_\_\_\_  
Alaska Power Administration

Sec. 44.83.080. Powers of the authority. In furtherance of its corporate purposes, the authority has the following powers in addition to its other powers:

- (1) to sue and be sued;
- (2) to have a seal and alter it at pleasure;
- (3) to make and alter bylaws for its organization and internal management;
- (4) to make rules and regulations governing the exercise of its corporate powers;
- (5) to acquire, whether by construction, purchase, gift or lease, and to improve, equip, operate, and maintain power projects;
- (6) to issue bonds to carry out any of its corporate purposes and powers, including the acquisition or construction of a project to be owned or leased, as lessor or lessee, by the authority, or by another person, or the acquisition of any interest in a project or any right to capacity of a project, the establishment or increase of reserves to secure or to pay the bonds or interest on them, and the payment of all other costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers;
- (7) to sell, lease as lessor or lessee, exchange, donate, convey or encumber in any manner by mortgage or by creation of any other security interest, real or personal property owned by it, or in which it has an interest, when, in the judgment of the authority; the action is in furtherance of its corporate purposes;
- (8) to accept gifts, grants or loans from, and enter into contracts or other transactions regarding them, with any person;
- (9) to deposit or invest its funds, subject to agreements with bondholders;
- (10) to enter into contracts with the United States or any person and, subject to the laws of the United States and subject to concurrence of the legislature, with a foreign country or its agencies, for the financing, construction, acquisition, operation and maintenance of all or any part of a power project, either inside or outside the state, and for the sale or transmission of power from a project or any right to the capacity of it or for the security of any bonds of the authority issued or to be issued for the project;
- (11) to enter into contracts with any person and with the United States, and, subject to the laws of the United States and subject to the concurrence of the legislature, with a foreign country or its agencies for the purchase, sale, exchange, transmission, or use of power from a project, or any right to the capacity of it;
- (12) to apply to the appropriate agencies of the state, the United States and to a foreign country and any other proper agency for the permits, licenses, or approvals as may be necessary, and to construct, maintain and operate power projects in accordance with the licenses or permits, and to obtain, hold and use the licenses and permits in the same manner as any other person or operating unit;
- (13) to perform reconnaissance studies, feasibility studies, and engineering and design with respect to power projects;
- (14) to enter into contracts or agreements with respect to the exercise of any of its powers, and do all things necessary or convenient to carry out its corporate purposes and exercise the powers granted in AS 44.53.010 — 44.83.510;
- (15) to exercise the power of eminent domain in accordance with AS 09.55.250 — 09.55.410;
- (16) to recommend to the legislature  
(A) the issuance of general obligation bonds of the state to finance the construction of a power project if the authority first determines that the project cannot be financed by revenue bonds of the authority at reasonable rates of interest;

(B) the pledge of the credit of the state to guarantee repayment of all

(B) the pledge of the credit of the state to guarantee repayment of all or any portion of revenue bonds issued to assist in construction of power projects;

(C) an appropriation from the general fund

(i) for debt service on bonds or other project purposes; or

(ii) to reduce the amount of debt financing for the project;

(D) an appropriation to the power project fund for a power project;

(E) an appropriation of a part of the income of the renewable resources investment fund for a power project;

(F) development of a project under financing arrangements with other entities using leveraged leases or other financing methods.

(G) an appropriation for a power project acquired or constructed under the energy program for Alaska (AS 44.83.380 — 44.83.425). (§ 1 ch 278 SLA 1976; am §§ 6 — 11 ch 156 SLA 1978; am §§ 16, 17 ch 83 SLA 1980; am § 5 ch 118 SLA 1981)

**Sec. 44.83.185. Submission to the legislature.** (a) The authority shall submit a feasibility study and plan of finance for a proposed new project to the legislature. When the report of the division of budget and management examining the feasibility study and plan of finance is completed as required by AS 44.83.183, it shall be submitted to the legislature.

(b) The authority may not proceed with work on the engineering or design phase of a proposed new project for which legislative approval is required until the legislature approves the proposed new project. However, the authority may proceed with the engineering or design work necessary to meet the requirements for submission of a license application for the proposed new project to the Federal Energy Regulatory Commission without obtaining legislative approval of the proposed new project.

(c) The legislature shall consider and must approve all proposed new projects except proposed new projects that are exempt under AS 44.83.187. The legislature may approve a proposed new project only by enacting law authorizing that project. (§ 24 ch 83 SLA 1980)

**Cross reference.** — As to application of pending projects of the Alaska Power Authority, see editor's note to AS 44.83.177.  
this section to current projects of the Alaska Power Authority and exemption from the provisions of this section of

**Sec. 44.83.380. Program established.** (a) The energy program for Alaska is established. The program shall be administered by the Alaska Power Authority.

(b) The energy program for Alaska is a program by which the authority may acquire or construct power projects with money appropriated by the legislature to the power development fund established in AS 44.83.382. A power project may be acquired or constructed as part of the energy program for Alaska only if the project is submitted to and approved by the legislature in accordance with procedures set out in AS 44.83.177 — 44.83.187.

(c) The provisions of AS 36.10.010 — 36.10.125 apply to power projects constructed by the authority under AS 44.83.380 — 44.83.425 (AS 44.83.400; § 1 ch 118 SLA 1981)

DRAFT

Sec 1: The Legislature finds that substantial benefits will inure to the State of Alaska through the prompt and expeditious construction of the Bradley Lake project and that prompt and expeditious construction will be facilitated through financial assistance by the Alaska Power Authority prior to and in anticipation of acquisition of the project by the Authority pursuant to AS 44.83.080 (10) (11) (14) and 44.83.380.

Sec 2: Pursuant to the findings set forth in section 1 of this act, the Alaska Power Authority is authorized to enter into contracts with the appropriate agencies of the United States Government for the financing of the Bradley Lake project and to expend such amounts appropriated to the Power Development Fund for this project as may be necessary, pursuant to such contracts, provided however that such contracts shall contain provisions which will allow and permit the acquisition by the Authority of the project at a later date.

Sec 3: The authorization contained in Sect 2 of this act constitutes an approval of the Bradley Lake project under 44.83.185.

Sec 4: This act takes effect immediately in accordance with AS 01.10.070(c).

## DRAFT OF PROPOSED

Bradley Legislation (Art 9, AS 44.83.380)

### New Section

As part of the energy program for Alaska, the Alaska Power Authority may also utilize the services of appropriate federal agencies to design, construct and operate hydropower projects in Alaska provided that the authority receives from the project a share of power comparable to its share of funding of the total project costs. For its share of the power the authority will set the wholesale power rate in accordance with AS 44.83.398. The authority may expend funds for a project only after a Memorandum of Agreement is approved by the parties concerned and AS 44.83.185 complied with.

### New Section

Should it appear that the state funding share of the total project cost will approach or become 100%, the authority will initiate action to have the ownership transferred from the federal agency to the authority.

KSD/bb

MEMORANDUM

TO: Senator Gilman  
FROM: Kurt S. Dzinich *KSD*  
SUBJECT: Bradley Hydroelectric Project  
DATE: March 1, 1982

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KSD/bb

24 February 1982

*Deinich*

(DRAFT)

BRADLEY LAKE HYDROELECTRIC PROJECT

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DATE: \_\_\_\_\_

\_\_\_\_\_  
U.S. Army Corps of Engineers

\_\_\_\_\_  
Alaska Power Authority

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Alaska Power Administration



# Alaska State Legislature

Official Business

## Senate Resources Committee

Pouch V  
State Capitol  
Juneau, Alaska 99811

TO: Senate Resources Committee  
FROM: Senate Resources Committee Staff  
RF: 3/22/82 Committee Hearing  
DATE: March 19, 1982

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Please find attached background information for Monday's hearing on the following bills:

SB 731 Establishing the Shuyak Island State Park.  
(This bill has been heard before. Technical language changes were required, resulting in the attached Committee Substitute.)

SB 769 Removing the requirement that power projects constructed under the energy program for Alaska be owned by the State.  
(This bill has been heard before. A Committee Substitute has been prepared.)

SB 843 Relating to surface coal mining and the surface effects of underground coal mining.  
(This will be a continuation of the Friday, 3/19/82, meeting. Materials have been distributed.)

SJR 70 Relating to commercial fishing of North Pacific chinook salmon.

SJR 79 Requesting the National Park Service to adopt procedures providing public notice of proposed regulations, emergency regulations, and field orders for national parks, preserves, and monuments in Alaska.



# Alaska State Legislature

## SENATE Resources Committee

### Office Business

BETTYE FAHRENKAMP, Chairman  
VIC FISCHER, Vice-Chairman  
BRAD BRADLEY  
DICK EL'ASON  
DON GILMAN  
BOB MULCAHY  
ARLISS STURGULEWSKI

### MEMBERS PRESENT

Senator Fahrenkamp  
Senator Eliason  
Senator Gilman  
Senator Mulcahy  
Senator Sturgulewski

POUCH V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

March 22, 1982  
1:35 p.m.

Beltz Room  
Room 211 - Capitol

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### Hearing:

- SB 731      Establishing the Shuyak Island State Park.  
SB 769      Removing the requirement that power projects constructed under the energy program for Alaska be owned by the State.  
SB 843      Relating to surface coal mining and the surface effects of underground coal mining.  
SJR 70      Relating to commercial fishing of North Pacific chinook salmon.  
SJR 79      Requesting the National Park Service to adopt procedures providing public notice of proposed regulations, emergency regulations, and field orders for national parks, preserves, and monuments in Alaska.

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### SB 731

Senator Mulcahy said a Committee Substitute had been prepared, changing the word "compatible" to "other".

Jim Lieb, Alaska Department of Fish and Game, expressed support for the Committee Substitute.

Senator Gilman moved the acceptance of the Committee Substitute. He then moved CSSB 731 with individual recommendations.

### SB 769

Senator Gilman explained that a Committee Substitute with a changed title had been prepared. It requires that federal power projects in which the State participates must meet the same tests as all State projects, and gives the Alaska Power Authority approval to proceed with the Bradley Lake project.

Senator Mulcahy moved the acceptance of the Committee Substitute. He then moved CSSB 769 with individual recommendations.

SB 843

Jay Nelson, Alaska Environmental Lobby, stated that some provisions of SB 843 are not strong enough to protect the people and the environment. He stressed the need for revegetation with native species, the designation as unsuitable for surface coal mining areas that are highly biologically productive, and the recognition of the fisheries value.

Mark Wittow, Department of Natural Resources, stated that the Department of Fish and Game and the Department of Environmental Conservation both have permitting requirements that protect fisheries which would still stand. He further stated that performance standards will determine the type of reclamation and the amount of habitat protection required.

Senator Sturgulewski stated that State lands on which surface mining will not be allowed should be further defined.

Phil Holdsworth, COAL, in supporting the bill, clarified the point that all State agencies will continue to work together, so there are "built in" protections.

Senator Fahrenkamp stated that SB 843 would be held until 3/24/82.

SJR 70

Senator Mulcahy stated that SJR 70 had been heard in the Fisheries Subcommittee. He moved the acceptance of the Committee Substitute. He then moved CSSJR 70 with individual recommendations.

SJR 79

Senator Mulcahy stated that SJR 79 had been heard in the Fisheries Subcommittee. He moved the acceptance of the Committee Substitute. He then moved CSSJR 79 with individual recommendations.

The meeting was adjourned at 2:35 p.m.



## Alaska Environmental Lobby, Inc.

419 6th Street, Suite 328 Juneau, Alaska 99801

907-586-2345

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Remarks of David Allison, Executive Director  
of the Alaska Environmental Lobby, before the  
Senate Finance Committee, regarding CS SB 769 (Finance),  
on April 7, 1982.

For further information:  
David Allison or  
Paul Lowe  
586-2345



## Alaska Environmental Lobby, Inc.

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Mr. Chairman, members of the Committee, Senator Gilman, my name is Dave Allison, I'm an attorney, a consultant, and currently the Executive Director of the Alaska Environmental Lobby, a coalition of eleven environmental and outdoor recreation organizations in Alaska. By conservative estimates, our combined membership is more than 4,000 Alaskans.

We appreciate the opportunity to testify before you today on CS for SB 769.

This proposal to construct a power generating facility at the head of Kachemak Bay brings clearly into focus the often competing issues of energy development and protection of the environment.

Kachemak Bay has for years, especially since the buy-back of the oil leases almost eight years ago, been the focus of concern by the environmental community. Those concerns continue today.

Energy issues have also long been a priority for the various groups that AEL represents. The Alaska Center for the Environment, based in Anchorage, and the Northern Alaskan Environmental Center, based in Fairbanks, have been especially active in the area of energy policy and made considerable efforts toward the development



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of an environmentally acceptable and fiscally responsible energy future for Alaska. Particularly because some have perceived these efforts as anti-development or obstructionist, we greatly welcome this opportunity to clarify our position on hydroelectric development generally and the proposed Bradley Lake project specifically.

AEL feels strongly that the Bradley Lake project has an important role to play in establishing an energy mix to meet the need for electrical energy demand in Alaska's railbelt region. Representation from our member groups have reviewed available information on the project and it is our conclusion that development of Bradley Lake hydropower is an appropriate investment in Alaska's energy future. The Bradley Lake project is especially attractive because of its minimal environmental impacts and because all indications are that the project is economically sound as well. I should be absolutely clear: AEL supports responsible hydroelectric development and Bradley Lake is a project that fits that description both environmentally and economically.

With regard to CS for SB 769 (Resources), we specifically note our support of the section which provides for the approval of feasibility studies and plan of finance by the Division of Budget



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and Management in the Office of the Governor. We still are not certain how the project's financing would relate to the electrical rate provisions established by SB 25 (the Energy Program for Alaska) last year, but the important point to be made is that the project is a good one that deserves support.

The Bradley Lake project provides an important example of responsible hydro development. Recent work done by Battelle Northwest shows Bradley Lake to be very competitive economically with other major baseload generating alternatives. Most importantly, however, the size of the Bradley Lake project (approximately 100MW) is such that the need for the capacity addition is unquestioned and the project will enjoy optimal utilization. There is no need to fear over-built, under-utilized, and unnecessarily expensive excess capacity as we have repeatedly contended is the case with the Susitna dams proposal. In sum, the Bradley project would be a part of a sensible energy mix in response to the Kenai Peninsula and railbelt future demand requirements for at least the next 10-20 years.

AEL feels that the Bradley Lake project is exemplary of the kinds of projects that the State should invest in because they are of medium to large scale, and well sized in relation to reasonable



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demand projections. The possibility of developing Lake Chackachamna (approximately 400MW depending on the information) is also extremely attractive for the same reasons. Other projects that are attractive to AEL include Chester Creek, Terror Lake, and Solomons Gulch, while the Green Lake project for Sitka is virtually an ideal example of appropriate hydro development.

Because these projects are of small to medium size, they are not subject to the risks that are likely to plague a far more ambitious project like Susitna, the need for which is based on a pyramid of tenuous assumptions. We encourage further investigation of the potential use of gas-turbine power generation and amendment of Alaska Statutes and appropriate regulations to encourage maximum conservation and wise use of all of our energy resources.

In conclusion, I should note that funding for the Bradley Lake project is among this year's AEL energy priorities, along with other energy projects and programs which we feel will provide for a sustainable, environmentally acceptable and fiscally responsible energy future for Alaska.

I encourage your further review of the two documents and thank you for the opportunity to testify today.

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL  
JUNEAU ALASKA 99811  
907-465-3800

MEMORANDUM

March 4, 1982

SUBJECT: Bradley Lake hydroelectric project  
(CSSB 769)

TO: Senator Donald E. Gilman

FROM: Linn H. Asper  
Legislative Counsel

I have prepared a draft of a Resources Committee substitute for SB 769 that would change the bill into legislation dealing specifically with the Bradley Lake hydroelectric project. It is my opinion, however, that if enacted the bill would violate the prohibition on special legislation set out in the Constitution of the State of Alaska (Article II, Sec. 19). Since this draft is requested for tomorrow, I am not doing more at this time than to notify you of the constitutional problem.

LHA:ljb

Enclosure

SEARCH - QUERY  
00010 '44.83.396'.CITATION.

AS44.83.396 DOCUMENT= 1 OF 1

HEADINGS TITLE 44.  
STATE GOVERNMENT.  
CHAPTER 83.  
ALASKA POWER AUTHORITY.  
ARTICLE 9.  
ENERGY PROGRAM FOR ALASKA.

CITATION SEC. 44.83.396.

CATCH LINE  
OPERATION OF POWER PROJECT.

TEXT (A) A POWER PROJECT THAT IS ACQUIRED OR CONSTRUCTED AS PART OF THE ENERGY PROGRAM FOR ALASKA IS OWNED BY THE STATE AND SHALL BE ADMINISTERED BY THE AUTHORITY.  
(B) WHEN A POWER PROJECT HAS BEEN ACQUIRED G.. CONSTRUCTED BY THE AUTHORITY, THE PROJECT MAY BE OPERATED FOR THE AUTHORITY UNDER A CONTRACT OR LEASE ENTERED INTO BY A QUALIFIED UTILITY AND THE AUTHORITY.  
(C) THE AUTHORITY SHALL ENTER INTO A CONTRACT OR LEASE UNDER REASONABLE TERMS AND CONDITIONS TO PERMIT THE APPLICANT UTILITY TO OPERATE THE POWER PROJECT WHEN THE APPLICANT UTILITY IS THE ONLY WHOLESALE POWER CUSTOMER TO BE SERVED DIRECTLY BY THE POWER PROJECT UNLESS THE AUTHORITY DETERMINES A UTILITY MAKING APPLICATION FOR A CONTRACT OR LEASE TO OPERATE A POWER PROJECT IS NOT CAPABLE OF OPERATING THAT POWER PROJECT.  
(D) THE AUTHORITY SHALL ADOPT REGULATIONS TO DETERMINE THE MANNER OF SELECTING A QUALIFIED UTILITY TO OPERATE A POWER PROJECT UNDER A CONTRACT OR LEASE WHEN THERE IS MORE THAN ONE WHOLESALE POWER CUSTOMER TO BE SERVED DIRECTLY BY THE POWER PROJECT.  
(E) WHEN THE AUTHORITY PERMITS A POWER PROJECT TO BE OPERATED BY A QUALIFIED UTILITY UNDER A CONTRACT OR LEASE, THE AUTHORITY SHALL  
(1) REVIEW AND APPROVE THE ANNUAL BUDGET FOR THE OPERATION AND MAINTENANCE OF THE POWER PROJECT;  
(2) ASSURE THAT THE PROJECT IS BEING OPERATED EFFICIENTLY AND IN A MANNER THAT IS CONSISTENT WITH NATIONAL STANDARDS FOR THE INDUSTRY.

HISTORY (AS 44.83.480; SEC. 1 CH 118 SLA 1981)

R0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.

IDENTIFICATION:

BILL NAME: "An Act removing the requirement that power projects constructed under the energy program for Alaska be owned by the state; and providing for an effective date."

SPONSOR(S): Gilman

RELATED BILLS PENDING:

DATE INTRODUCED: 2/16/82

REFERRALS Resources  
Finance

INITIAL RESEARCH:

INITIAL BILL SUMMARY COMPLETED \*yes\*

SUMMARY BY LEGAL DIVISION:  
DEPT. OF LAW SUMMARY:

SPONSOR CONTACTED FOR BACKUP

MATERIALS: - 3/1 - Gilman - CS language by 3/3

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR  
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS AND/OR GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE

BACKGROUND MATERIAL DISTRIBUTED

PSA/PRESS RELEASE

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/CS DRAFTED:

TO: Billy Berrier  
Director  
Legal Services  
Attn: Asper  
A

DATE: 3/22/82

FROM: Bettye Fahrenkamp  
Chairman

RE: Final Committee Substitute  
SB 769

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Attached is a work draft of CSSB 769 (Res) which the Committee would like incorporated into ~~as a final bill~~ as a final bill.

If you have any questions please contact Resa King at 465-3834. When the bill is completed please return it to Room 211 Capitol Building.

Attachment