HB
219

STATE OF ALASKA
THE LEGISLATURE

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

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May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

SENATE RESOURCES COMMITTEE, 4/24/85, 1:10

Alaska State Legislature

POUCH V
JUNEAU, ALASKA. 99811
(907) 465-4907

Senate
Committee on Resources

MEMORANDUM April 23, 1985

TO: All Members
Senate Resources Committee

FROM: Staff
Senate Resources Committee

RE: CS HB 219 (Finance) "An Act relating to the applicability of the Alaska Public Utilities Commission Act to certain electric utilities; power development loans; and the energy program for Alaska."

CS HB 219 (Finance) would establish a set of criteria which must be followed in the negotiations for repayment of the $196 million loan made last year to the Power Development Revolving Loan Fund for the four dam pool. Originally HB 219 called for specific terms and interest rates. This approach was found unsatisfactory in the House and a committee substitute was adopted in the House Finance Committee. CS HB 219 (Finance) now allows the parties involved to reach agreement within a framework of general conditions. CS HB 219 (Finance) passed the House by a vote of 33 yeas and 4 nays.

A memorandum from Representative John Sund to the Senate Resources Committee detailing the progress of the bill and a bill analysis is attached.

The fiscal note is zero.

Attachments:
1. fiscal note
2. Rep. Sund's memo with attachments

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STATE OF ALASKA 1985 LEGISLATIVE SESSION

FISCAL NOTE

Revision Date:

REQUEST

Bill/Resolution No.: CSHB 219(Fin

Title: 4 Dam Pool Loan terms

Sponsor: Loans

Requestor: House Finance Committee

Date of Request: 4/1/85

FISCAL DETAIL

Agency Affected: A.P.A.

Program Category Affected:

BRU, Program or Subprogram(s) Affected:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		-0-				
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-				
FEDERAL FUNDS		-0-				
OTHER		-0-				
TOTAL		-0-				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

This fiscal note better expresses the impact of this bill since no new funds are involved. The loan funds were appropriated last year. This bill only puts loan terms into statute.

APA

Prepared By: Representative Adams - Chairman Phone: 465-3706

Division: House Finance Committee Date: 4/1/85

Approved by Commissioner: Date:

Agency:

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

7/1/84

Alaska State Legislature

House of Representatives

REPRESENTATIVE
JOHN L. SUND

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WHILE IN JUNEAU
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CHAIR, HOUSE SPECIAL COMMITTEE ON LOANS
VICE-CHAIR, JUDICIARY COMMITTEE
MEMBER, SPECIAL COMMITTEE ON OIL AND GAS
MEMBER, RESOURCES COMMITTEE

4/22/85

MEMORANDUM

TO: Sen. Arliss Sturgulewski, Chair,
Senate Resources Committee

FROM: Rep. John Sund

RE: HB 219 "An act relating to the applicability of the Alaska Public Utilities Commission Act to certain electric utilities; power development loans; and the energy program for Alaska."

The purpose of this bill is to resolve the problems holding up four-dam-pool power sales agreements and to provide for payback of the $196 million appropriation made last year to complete the hydroelectric projects. The Alaska Power Authority and the six communities served by the four dams have been negotiating power sales agreements for 2½ years without success. The goal is a long-term power sales agreement that provides affordable electricity for the communities and a maximum return on the state's investment.

$210 million was appropriated last year; $196 million has been spent to complete the dams and pay off short-term construction financing issued by the APA. This appropriation was structured as a loan from the Department of Commerce and Economic Development to the APA to be paid off through power sales from the project. AS 44.33.620 sets terms for the loan.

As in existing law, the Finance Committee Substitute does not set in law exact terms for the loan, nor does it set power rates. These are left open for further negotiation. The bill provides specific guidelines for resolving the issue under a plan developed by Gordon Harrison of the APA board.

The APA and the six communities report recent significant progress in power sales agreement negotiations; the plan they are now working with requires the passage of CSHB 219 (Fin). Action is required this session to permit sales agreements which will capture additional loads for the under-utilized hydroelectric capacity.

The bill is supported by both the APA and the four-dam-pool communities. Bob Heath, Executive Director of the APA and representatives of the communities are expected to testify before the Resources Committee.

Sectional analysis:

Section 1:
Sections 1 and 5, propose a change in law to allow two communities to get together for joint operation of a dam. The main purpose is to allow the Thomas Bay Power Authority to operate the Tyee Dam. Tyee serves two communities (Wrangell and Petersburg); Current law requires one or the other to operate the dam. This section corrects that by adding "electric operating entities established as an instrumentality of two or more public utilities owned and operated by a political subdivision of the state" to the APUC statutes. Like the communities, the 'joint operating entity' would not be subject to APUC regulation.

Section 2:
This section amends the loan terms for the Power Development Revolving Loan Fund (AS 44.33.620). This fund was created last session and the statutory loan terms give little direction to the APA. The added language sets clear guidelines for the agencies to work with. Deleted is the requirement that the loan terms be set considering market rates of interest.

Section 3 adds a definition: "initial project" means the four dams.

Section 4 adds a provision for power sales contract rate reopeners. This protects the state in times of inflation when the power sales rate could not provide sufficient loan repayment in real terms and protects the communities should the price of alternate power generation drop significantly. An important provision is added allowing an agreed schedule of wholesale power rates to be included in the contracts. This allows a contract to be reached through negotiation which will provide for certainty in power rates as needed by utility planners. This also will provide for a greater return to the state in debt service from the project.

Section 5 adds joint operating entities to the definition of "qualified utilities" which may purchase power from the APA. (See explanation of Section 1)

RETAIL RATES
(cents per kwh)

Community	@ 200 kwh/month	@ 500 kwh/month	@ 700 kwh/month
Copper Valley			
-Glenallen	23.5	20.1	18.8
-Valdez	21.3	16.0	14.7
Kodiak	19.0	18.1	17.5
Wrangell	19.1	16.3	15.7
Petersburg	13.9	11.7	11.2
Ketchikan	14.3	10.8	10.2

COMPONENTS OF THE RATES
(cents per kwh)

Community	APA O&M	APA Debt Service	Other*/	Total (@ 700 kwh/month)
Copper Valley				
-Glenallen	2.76	2.64	13.4	18.8
-Valdez	2.76	2.64	9.3	14.7
Kodiak	2.00	2.64	12.86	17.5
Wrangell	4.59	2.64	8.47	15.7
Petersburg	4.59	2.64	3.97	11.2
Ketchikan	2.26	2.64	5.3	10.2

*/ "Other" includes distribution, administrative and general, reserve generation, and other generation (other hydro as well as diesel in the case of Ketchikan and Petersburg.)

Draft: April 23, 1985

SHORTCOMINGS OF PRICING APA POWER AS A PERCENTAGE OF AVOIDED COST

A. Problems for the purchasing utility (in the Alaskan context)*/

1. Loss of potential loads: Some or all potential large new loads that could increase project utilization will be lost, because such loads demand a higher degree of certainty over longer periods. Many such loads will either be met with private generation or cogeneration (e.g., Wrangell Forest Products) or will be lost entirely (e.g., Phillips). In the cogeneration case, the utility may be required by law to purchase excess cogenerated power from the private party, thus reducing the utility's own purchases from the APA project. In the case of loads lost because the economic activity is relocated (e.g., to the Lower 48), the community loses not only employment and taxes, but also the "induced" loads, i.e., increases in other community loads resulting from the economic activity represented by the primary load.

2. Ratemaking and billing problems: The utility must make its retail rates prospectively, yet its power costs will become known only retrospectively. Matching costs to rates during each rate period (and keeping rates fairly predictable for consumers), always a chore, becomes significantly more difficult.

3. Added administrative costs: A fairly sophisticated formula is needed to calculate true avoided cost, and the values for each variable in the formula must be recalculated at frequent (e.g., monthly) intervals. This would create some administrative burden even if (a) diesel were the only alternative, and (b) disputes with APA over the proper value for each variable never arose. (It is also difficult to continue getting realistic quotes for a large volume of diesel once the utility begins buying reduced volumes.) In practice, the difficulties are even greater because (a) the formula must accommodate other alternatives (e.g., cogeneration) as such alternatives become available, and (b) disputes with the APA over the value of individual variables are likely.

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*/ Such pricing works well in power "pools" in which a sophisticated computer controls the generators of many producers on an instantaneous central-dispatch basis. The computer is programed to minimize total generation costs at all times, based on each generator's fuel cost, efficiency, and maximum/minimum operating guides. Cost savings made possible by using Utility A's generator rather than Utility B's to serve a portion of Utility B's load are "split" (usually on a 50/50 basis) through use of a share-the-savings rate the computer charges to Utility B and credits to Utility A. The actual rate for each transaction, and each utility's costs and savings for any given period, are known at once, facilitating utility ratemaking and billing. Nothing similar exists in Alaska, nor could it exist in the Four Dam Pool context where (a) the communities are not electrically interconnected, and (b) APA power is intended to displace thermal generation completely for most days of the year.

4. Regulatory costs: For the cooperatives (Kodiak and Copper Valley), whose retail rates are regulated by the Alaska PUC, rate filings and rate cases will become more frequent, more complex, and more costly. If the past is a guide, the APUC may also require the co-ops to raise/lower retail rates to "track" the fluctuating wholesale cost of power to the co-op, thus producing fluctuating retail rates.

5. Planning problems: The search for alternative sources of power supply with more predictable long-term costs would be intensified and simultaneously complicated. Presumably the planning process would be biased (rationally) toward predictability, even if the price of predictability were that somewhat higher retail rates might result from the more predictable alternatives.

6. Uncertain impact on utility financing: It is not clear that a utility would be able to finance additions to its distribution system and/or its generating plant as easily or inexpensively as would otherwise be the case, since the utility's revenue stream and its ability to maintain required coverage ratios and reserves would be somewhat unpredictable.

B. Problems for the State of Alaska as the seller of power

1. Reduced revenue: Compared with long-term contracts under the terms of HB 219 pricing method, power sold on a percentage-of-avoided-cost basis is likely to produce less total revenue for the State, even if one assumes that loads are equal in both cases. But loads will actually be less (see ¶ A.1. above). The loss of potential large new loads that would have produced more revenue for the State would make the comparative revenue disadvantage to the State worse.

2. Increased revenue risk: This would take two forms. First, the State would take the entire risk of further downward movement in the price of diesel and the cost of alternative resources, whereas under HB 219 the communities would bear that risk entirely. Second, because the utilities would be free, over time, to switch wholly or partially to other sources of supply, and because the utilities would have an incentive to investigate and pursue such other sources, the State would face some risk of losing even the existing loads of the utilities, as well as utility load growth.

3. Risk of negative rate of return (failure to cover current costs): This simply indicates the extreme to which the State's additional risk could take it. Under HB 219, the State is assured that (a) O&M costs will be completely paid by the utilities, and (b) some positive return, in addition to return of the principal, will be earned on the State's loan. If wholesale rates are tied to actual avoided costs of the utilities, however, a sufficiently great drop in actual avoided costs would result in the APA failing to cover even its O&M costs. In less extreme cases, APA might cover its O&M costs but fail to earn sufficient revenue to repay the principal and/or interest on the loan.

4. Added administrative costs: Administering such a pricing system would be just as complex and labor-intensive for the APA as it would be for the utilities.

4/12/85

MEMORANUDM

TO: Rep. John Sund
FROM: J. Hartle, PA

RE: Amendment to Subcommittee draft of HB 219

Here are some reasons for adding the section:

*Sec. 4. AS 44.33 is amended by adding a new section to read:

Sec. 44.33.625. RATE REOPENERS. A power sales agreement for the sale of power from the initial project financed under AS 44.33.610 may include among its provisions an agreed schedule of wholesale power rates notwithstanding the provisions of AS 44.83.398 but must include a provision for a rate reopener.

1. Will allow the present negotiations to continue.

Negotiations are presently moving forward under a plan from Gordon Harrison. His plan is to offer a wholesale power rate which combines debt service and O & M. The plan would offer the purchasers of power a certain rate per kwh, O&M would be taken out of that rate and whatever is left above O&M would go to debt service. This is not allowed under AS 44.83.398 which specifies that O&M and Debt service must be separated and debt service must be the same for all projects.

2. Will return more debt service to the state.

Per KWH, Tyee has the highest O&M rate; this rate is by itself almost equal to the cost of alternative sources of power. Therefore, if the "Harrison plan" is implemented, very little would be left over for debt service thus limiting the debt service rate that can be paid by the other projects as well (under 398). Other projects with lower O&M are, with this amendment, allowed to provide a greater return to the state for debt service.

3. It still leaves the rate open to negotiations.

The amendment only provides for an agreed schedule, it is silent as to what that rate will be. Under AS 44.83.398 there is no way to agree on a schedule - the rates must fluctuate with loads - if loads go down, rates go up, if loads go up, rates go down. This is the exact problem the communities are trying to get away from - certainty is more important than the actual rate itself; the amendment allows for agreement.

Table 1
Electric Rates and Production Costs For Selected Utilities
1983

Utility	Production Cost (cents/kwh)	Retail Rate (cents/kwh)	Difference (Rate-Cost)
Regulated			
Alaska Electric (AEL&P)	3.5	5.9	2.4
Alaska Power (AP&T)	12.4	16.1	3.7
Alaska Villages (AVEC)	29.6	44.8	15.2
Anchorage (AML&P)	3.6	5.5	1.9
Aniak (APC)	28.3	33.9	5.6
Barrow (BU&EC)	2.7	9.0	6.3
Bethel (BUC)	15.7	18.1	2.4
Bettles (BL&P)	25.5	49.1	23.6
Chugach Electric (CEA)*	3.0	6.5	3.5
Cold Bay (NP&E)	16.4	19.3	2.9
Copper Valley (CVEA)	8.3	13.3	5.0
Ft. Yukon (FYU)	24.5	34.3	9.8
Galena (M&DE)	30.2	38.1	7.9
Golden Valley (GVEA)	6.4	10.0	3.6
Haines (HL&P)	13.7	16.4	2.7
Kodiak (KdEA)	12.1	16.4	4.3
Kotzebue (KtEA)	18.0	23.4	5.4
McGrath (MGL&P)	24.5	32.0	7.5
Northway (NP&L)	18.9	26.5	7.6
Pelican (PUC)	8.3	10.6	2.3
Sandpoint (PUC)	15.5	17.3	1.8
Tanana (TPC)	24.6	31.8	7.2
Tlingit-Haida (THREA)	25.3	38.4	13.1
Yakutat (YPI)	13.3	18.1	4.8
Unregulated			
Cordova (CEC)	14.6	20.4	5.8
Fairbanks (FMU)	6.6	7.5	.9
Glacier Highway (GHEA)	5.2	11.1	5.9
Ketchikan (KPU)	5.9	9.0	3.1
Metlakatla (MP&L)	5.6	8.2	2.6

Table 1 (continued)
Electric Rates and Production Costs For Selected Utilities
1983

Utility	Production Cost (cents/kwh)	Retail Rate (cents/kwh)	Difference (Rate-Cost)
Naknek (NEA)	14.7	22.8	8.1
Nome (NTUB)	17.7	20.4	2.7
Petersburg (PMP&L)	10.4	13.3	2.9
Sitka (SED)†	8.0	6.8	-1.2
Wrangell (WML&P)	10.5	14.6	4.1

* Homer Electric Association, Matanuska Electric Association and the City of Seward are combined with Chugach Electric. Seward is an unregulated utility.

† According to John McCracken, Finance Director for the City and Borough of Sitka, the utility did show a paper loss of approximately $69,000 in 1983; however, this does not account for the large negative difference between the retail rate and the production cost. This difference is the result of not counting substantial income from interest on cash reserves and on overlapping financing, while apportioning the interest expense of this financing to production costs.

Source: Alaska Power Authority, Advisory Committee Report on Statewide Power Production Costs, December 15, 1984.

Table prepared by the House Research Agency, February 1985.

Alaska State Legislature

Advisory Council Members
Senator Bennett, Chairman
Senator Kerttula
Senator Abood
Senator Sackett

Pouch V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

SENATE ADVISORY COUNCIL

MEMORANDUM

TO: Senator Sturgulewski
Chairman, Senate Resources

FROM: Kurt S. Dzinich KSD
Senior Advisor

DATE: April 23, 1985

RE: HB 219

In preparing to address HB 219 in the Senate Resources Committee, I thought you might find a brief summary of where we are today and how we got here helpful. As you know I have been monitoring APA activities since January of 1982 in general and the four dam pool negotiations for over two years.

Contrary to popular belief APA had power sale agreements for all projects except Tyee before they proceeded with construction or acquisition. These were take or pay type contracts that required the utilities to pay regardless of whether the projects could deliver and at whatever the rates would be. Apparently the communities were not overly concerned with these provisions when they originally signed them believing that state grants would eventually fund all construction costs.

From 1981 on APA issued about $200 million short-term (3 yr) bonds to complete construction of Swan, Terror and Tyee projects. In 1983 it became apparent that long-term revenue bonds would be needed to refinance the short-term notes coming due in 1984 and early 1985. The negotiations were carried out under increasing urgency as the due dates of the short-term notes approached in 1984.

By April of 1984 APA and most of the communities had reached a tentative agreement on the new power sale agreements. In order to make the agreements valid the legislature would be required to rescind the "Susitna blackmail clause" and to appropriate $49 million for rate stabilization which would have assured that the APA rates were no higher than the alternative cost of generation in the early years (about 10) of projects operation.

Due to continuing uncertainty as to whether the plan would work, the legislature passed new legislation setting up the Power Development Revolving Loan Fund in the Department of Commerce and appropriating $210 million for the specific purpose of repaying the short-term debt of the four dam pool. The statutes specified that an amount in excess of the principal amount would be repaid in not to exceed 50 years and at an interest rate that would consider the market rate of interest for comparable loans (upper limit now about 10.5%) and the estimated costs of alternative generation (lower limit never specifically established nor agreed to between APA and the participants).

Based on this new legislation and working backwards from the earlier revenue bond financing and $49 million rate stabilization plan, APA prepared a new proposal that would have been for 35 years (same) and 8% yield on total loan (rates somewhat lower than under revenue bond financing). Under this proposal rate stabilization effect was achieved by trending the debt service and by charging about 3% less than market rate of interest or 11%. The communities rejected this and made a counteroffer in September of 1984 calling for a repayment period of 50 years and a 3.3% yield on total loan. Their counterproposal did not receive approval by the APA board.

Early in 1985 the communities sponsored introduction of HB 219 which was based on their earlier proposal of September 1984 and calling for a repayment period of 50 years and an interest rate not to exceed 2.3% yield on total loan (the bill actually said not to exceed 4% but in comparable terms to APA's interest that equates to about 2.3%).

The bill before you now, CSHB 219 (Finance), appears initially to be substantially different than the original version. Upon closer examination, and based on the testimony by the sponsoring parties, the four dam pool participants clearly expect that CSHB 219 (Finance) will eliminate existing loan term criteria and replace them with broad guideline type language which would enable the Department of Commerce to modify their loan terms and thereby allow APA to sign power sale agreements essentially along the lines proposed by the communities in the first place in HB 219. The communities only apparent concession was to allow for inclusion of mandatory rate reopener language in CSHB 219 (Finance) because otherwise HB 219 was perceived by many as a 50 year sweetheart deal. Only under the scenario of continually decreasing oil prices over 50 years could HB 219 be considered as a good deal for the State.

So where is the beef? Clearly, the Commerce loan terms are the central issue. I believe that the main reason for not concluding power sale agreements was the ambiguous loan term language of the existing statute, i.e., AS 44.33.620(a)(2) which is supposed to set the lower limit

on the interest rate to be charged by Commerce. On this critical point CSHB 219 again remains ambiguous and leaves it up to the communities and administration to work out an acceptable deal.

How is the Senate to judge whether the loan terms to be worked out are fair and equitable to all Alaskans? One way is to pass CSHB 219 and accept on faith that the administration will in fact negotiate such a deal. The danger is that political factors could overshadow economic factors thereby resulting in less than optimal contract terms. For example, would a 2.3% yield on total loan be acceptable?

The second way would be for the Senate to set a minimum rate of interest (yield on total loan) after considering such factors as:

1. Cost of alternative now (to determine entry rate) and over life of contract (to judge reasonableness of proposed future rates).

2. Load growth forecast.

3. Market rate of interest.

4. Cost of power at other Alaskan communities over the life of the contract.

5. Amount of state grants for the projects.

6. Affordability to consumers (really tied to item 1 but almost as difficult to define as good art or beauty).

It is fair to say that throughout the hearings on the House side, item 1 was never presented in equivalent terms so that apples could be compared to apples. For example, Ketchikan testified that they could buy diesel fuel for 75¢/gal and that their diesel alternative costs were about 5¢/KWH in 1985. Compare that to AEL&P of Juneau who in 1984 added three 2.5 MW diesel units:

Capital Costs	3.91¢/KWH	
Maintenance Costs	1.33¢/KWH	
Fuel Costs	7.00¢/KWH	@ 95¢/gal, 13.6KWH/gal
Busbar Generation Cost	12.24¢/KWH	

I believe that it is possible to conclude acceptable power sale agreements under the present statutes. If adopted, CSHB 219 (Finance) would increase the chances of concluding power sale agreements at whatever terms the administration set as long as the loan was repaid - principal

plus undefined excess - over the term not to exceed 50 years. The question is what would be the terms and how acceptable would they be. The Senate can either proceed on faith or provide specific guidance.

It is also possible to address this complex issue in the interim by extending the existing power sale agreements for one year and then addressing additional legislation after it has been thoroughly analyzed and reviewed.

Please let me know if you have any questions.

KSD;crb

RETAIL RATES
(cents per kwh)

Community	@ 200 kwh/month	@ 500 kwh/month	@ 700 kwh/month
Copper Valley			
-Glenallen	23.5	20.1	18.8
-Valdez	21.3	16.0	14.7
Kodiak	19.0	18.1	17.5
Wrangell	19.1	16.3	15.7
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Ketchikan	14.3	10.8	10.2

COMPONENTS OF THE RATES
(cents per kwh)

Community	APA O&M	APA Debt Service	Other*/	Total (@ 700 kwh/month)
Copper Valley				
-Glenallen	2.76	2.64	13.4	18.3
-Valdez	2.76	2.64	9.3	14.7
Kodiak	2.00	2.64	12.86	17.5
Wrangell	4.59	2.64	8.47	15.7
Petersburg	4.59	2.64	3.97	11.2
Ketchikan	2.26	2.64	5.3	10.2

*/ "Other" includes distribution, administrative and general, reserve generation, and other generation (other hydro as well as diesel in the case of Ketchikan and Petersburg.)

Bill may aid power sales pacts

JUNEAU (AP)—House lawmakers passed a bill Tuesday that supporters say offers new hope to officials trying to negotiate power sales agreements between the Alaska Power Authority and the so-called "Four-Dam Pool" communities.

The measure, first sponsored by Rep. John Sund, D-Ketchikan, was sent to the Senate after a 32-to-4 vote in the House.

The communities—Ketchikan, Wrangell and Petersburg, Kodiak, and Valdez and Glenallen—are all served by hydroelectric projects recently built in their backyards.

But municipal officials in those areas have been unable to reach long-term power agreements with the APA, fearing it will cost more to pay for hydroelectric power than to generate diesel-fueled power.

Officials from the communities are currently negotiating with the APA, trying to work out repayment schedules on a $210 million loan set aside last year by lawmakers to offset part of the cost of the four projects.

Sund said his bill outlines "general policy direction" for both sides involved in the power-sales negotiations.

A key provision in the measure would release the APA from offering repayment agreements at current market rates. By setting lower interest rates on the loan, APA officials hope to offer the communities power at more affordable rates.

State lawmakers in the late 1970s put together a $462.5 million, four-part hydroelectric project designed to make the state energy self-sufficient.

About $285 million for the projects came from state grants, with the rest provided by interim financing.

Dams have since been built at Terror Lake near Kodiak and at Swan Lake near Ketchikan, along with a lake-tap project at Tyee Lake. That project serves Petersburg and Wrangell.

Another dam has been constructed at Solomon Gulch, serving Valdez and Glenallen.

Table 8. Hydroelectric Projects Operating in Alaska

REGION	SERVICE AREA	PROJECT	INSTALLED CAPACITY (MW)	AVERAGE ANNUAL GENERATION (MWh)	DATE CONSTRUCTED
South Central	Anchorage	Cooper Lake	15.0	42,000	1961
	Anchorage	Eklutna	30.0	147,875	1955
	Kodiak	*Terror Lake	20.0	139,700	1984
	Valdez	*Solomon Gulch	12.0	55,000	1982
Southeast	Juneau	Annex Creek	3.5	27,500	1915
	Juneau	Gold Creek	1.6	6,000	1904
	Juneau	Snettisham	46.7	211,000	1973
	Juneau	Upper Salmon Creek	2.8	14,000	1914
	Ketchikan	Beaver Falls	5.4	36,200	1947
	Ketchikan	Ketchikan Lakes	4.2	16,400	1957
	Ketchikan	Silvis	2.2	11,000	1974
	Ketchikan	*Swan Lake	22.0	88,000	1984
	Metlakatla	Purple Lake	3.0	15,800	1956
	Pelican	Pelican Creek	0.5	2,500	1940
	Petersburg	Crystal Lake	1.6	11,000	1956
	Petersburg/ Wrangell	*Tyee Lake	20.0	133,000	1984
	Sitka	Blue Lake	8.0	39,800**	1961
	Sitka	Green Lake	18.5	46,500**	1982
	Skagway	Dewey Lake	0.7	700	1909

* APA Projects.
** Firm energy rather than average annual generation.

SB 219

5/9/85

MAY 10 1985

Senators:

RE: House Bill 219 Relating to Power Development Loans

Absence of my signature on the Memorandum of Understanding

Dated May 8, 1985 between APA and Four Dam Pool Communities indicates I do not endorse this agreement as it relates to HB 219.

Within this memo I strongly object to articles (1) periodic renegotiations, (7) two debt elements, (10) renegotiate in 15 years, (11) ties to Bradley Lake Project. Therefore do not support this memorandum, nor the passage of the bill.

Recommend deferring bill until next session.

Further recommend this entire issue be determined in binding arbitration, conducted by a panel of three arbitrators. Two arbitrators, appointed respectively by the municipalities and Alaska Power Authority, would select the third.

Suggested Terms of Reference for Arbitration:

Are the facilities used and useful, and were the expenditures necessary and prudently incurred?

The arbitrators would determine a fair market rate of interest, the appropriate amortization schedule to be applied to the fair value of the facilities for the purposes of sale or electric rate making.

Sincerely,

Don Koenigs