

SB

307

Alaska State Legislature

ALASKA STATE CAPITOL
JUNEAU, ALASKA 99801-1182
(907) 465-4925
(800) 521-4925
(907) 465-3517 FAX

P.O. BOX 795
CRAIG, ALASKA 99921
(907) 826-3005 OFFICE
(907) 826-2930 HOME

REPRESENTATIVE
JERRY MACKIE



MEMORANDUM

House of Representatives

April 17, 1996

To: Representative Joe Green, Co-Chair
House Resources Committee

From: Representative Jerry Mackie
Democrat Leader of the House

Subject: *Scheduling Request - SB 307 - "An Act authorizing the Department of Natural Resources to exchange with the federal government state within, and adjoining, Dude Creek Critical Habitat Area for federal land adjacent to Fall Creek; and providing for an effective date."*

SB 307 will facilitate the development of the Fall Creek hydropower project by authorizing the state to engage in a land exchange with the federal government, contingent on Congress passing a land exchange authorization. The timely passage of SB 307 will provide a strong message to Congress in regards to HR 2561, introduced by Don Young which provides federal Authority for this land exchange.

I cannot stress the importance of the legislation enough at this time; SB 307 will play a vital role in the future economic health of the entire State of Alaska. The power cost equalization program is currently funded at \$17 million for FY 97. This amount reflects a cut of almost \$3 million from FY 96.

• This program is funded by the Power Cost Equalization and Rural Electric Capitalization Fund (PCE&RECF). Alaska Statute 42.45.100, created by Chapter 18, 1993 Session Laws provided: **Section 1(b) of the enabling legislation reflects the legislative intent and long-term commitment to fund PCE at a minimum level of \$17 million through the year 2013. However, based on current projections, the PCE&RECF will be unable to provide funding through FY 2000.**

It is vital that we work together to develop and support alternative power resources throughout the urban and rural areas of the state. Please join me in support of this bill and the development of this alternative energy resource in Gustavus.

- **SB 307 will potentially save up to \$118,750 per year.**
- **SB 307 will reduce the environmental impact of diesel generation and bulk fuel storage.**
- **Alternative energy resource development must be a priority for the State of Alaska - proposals such as SB 307 will minimize the impact of future state and federal budget reductions.**

FISCAL NOT

No. 2

Bill Version: CSSB307(FIN)

(S) Publish Date: 4/11/96

STATE OF ALASKA 1996 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources
 Title: An Act authorizing a land exchange with the BRU: Resource Development
federal government near Gustavus Component: Land Development
 Sponsor: Senate Finance
 Requestor: Senate Rules Component Serial No. 431

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	7.0					
TRAVEL	0.8					
CONTRACTUAL						
SUPPLIES	0.2					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	8.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	8.0					
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	8.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ None

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	1	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This land exchange may result in the construction of a new hydroelectric project to serve residents of the Gustavus area. If the project is built the Gustavus Electric Company projects a reduction in the Power Cost Equalization (PCE) subsidy, projected at .125/kwh less for generation, plus additional revenue from usage fees and resources. It will also create new employment opportunities.

Since the final exchange is dependent on the Federal Energy Regulatory Commission process, cost may be deferred to a future fiscal year.

Since the notice provisions of AS 38.50 will not apply, staff time for this version of the bill has been reduced to one position for two months.

Prepared by: Jane Angvik, Director Phone: 269-8503
 Division: Land Date: 10-Apr-96
 Approved by Commissioner: [Signature] Date: 10-Apr-96
 Agency: Natural Resources

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

P O BOX 25526
JUNEAU ALASKA 99802-5526
PHONE (907) 465-4100
FACSIMILE (907) 465-2332

March 29, 1996

The Honorable Jerry Mackie
Alaska State Legislature
State Capitol, Room 404
Juneau, AK 99801

Dear Representative Mackie:

It is our understanding that discussions have been underway for the past couple of years regarding the possibility of developing a small hydropower site near Gustavus to provide environmentally sound and economically feasible electrical service to that community. The power site is located at Fall Creek on land that is within Glacier Bay National Park. A land exchange between the state and the National Park Service is needed in order to develop this hydropower potential.

Preliminary indications are that this project has substantial merit. We are told that discussions among the residents of Gustavus, the Gustavus Electric Company, the National Park Service, and affected interest groups, including the National Parks and Conservation Association, have been very constructive. We have been advised that the National Park Service has recently prepared amendments to HR 2561, which was originally introduced by Representative Don Young last October. HR 2561, when amended, will provide federal authority for a land exchange, contingent on an economic and environmental review by the Federal Energy Regulatory Commission.

Senate Bill 307, now before the Alaska legislature, will facilitate development of the Fall Creek hydropower project by authorizing the state to engage in a land exchange with the federal government, contingent on Congress passing a land exchange authorization. SB 307 has the full support of the administration. We will continue to follow with interest the progress of HR 2561. Thank you for your work in bringing this matter to the attention of the legislature.

Sincerely,



Frank Rue
Commissioner

Department of Community & Regional Affairs

Division of Energy

Comments to Senate Bill 307

The following comments regarding Senate Bill 307 are limited to the potential construction of a hydroelectric project that would serve the Gustavus area and the resulting positive impact on the Power Cost Equalization Program.

Power Cost Equalization is funded from the Power Cost Equalization and Rural Electric Capitalization Fund (PCE&RECF). The PCE&RECF is expected to be depleted by Fiscal Year 2000. In the meantime, the program is not expected to be fully funded based on the current statutes.

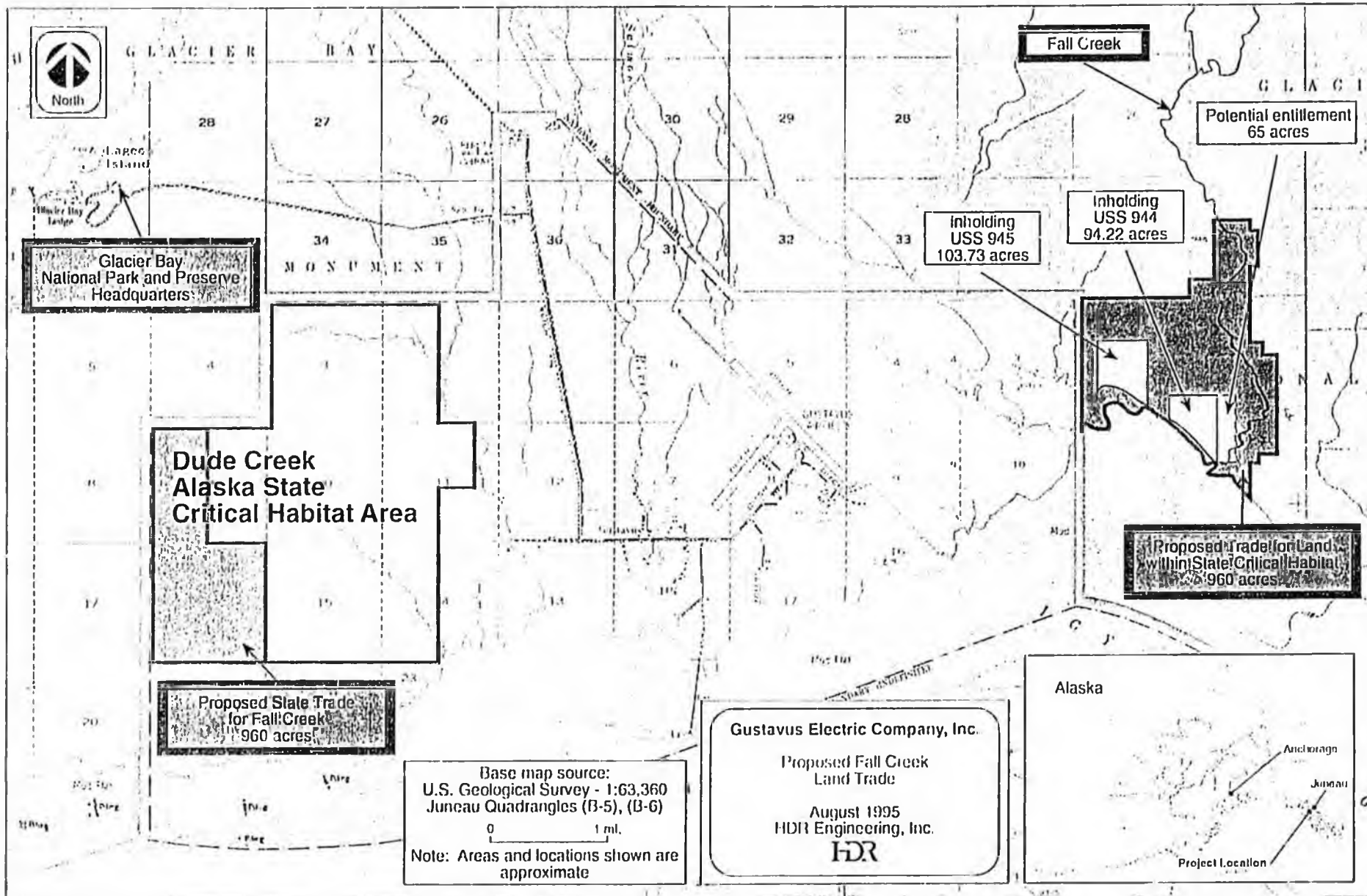
Assumptions relating to the fiscal impact of SB 307 are based on the following:

- A. Gustavus Electric Company participates in and receives PCE credits on about 950,000 kilowatt-hours per year. Based upon the utility's projected reduction of .125/kwh, the resulting PCE savings would be up to \$118,750 per year if the program remained at the 100% funding level. However, due to the uncertain funding levels of PCE in future years, the actual savings to the program would more likely be about \$100,000 per year.
- B. The hydroelectric project is expected to be operational by the year 2000.
- C. The PCE&RECF is expected to be depleted by Fiscal Year 2000.

Independent of the impact of the hydro project on PCE, we support passage of the bill and the development of an alternative energy source in Gustavus to reduce the cost and environmental impact of diesel generation and bulk fuel storage.

Fall Creek Mini Hydro Background
SE Corner Glacier Bay National Park & Preserve

- Approx Acreage . 5 acres to be affected
- Proposal . 800 KW Run of Stream Electrical Generation for Gustavus, Alaska and National Park Service(NPS)
- National Policy . Consistent with President's Environmental and Economic Priorities
- Land . Steep canyon above falls; 600' Pink salmon stream; Buried utility along old logging road; water diverted to powerhouse along gentle slope, always leaving what is needed to maintain stream habitat.
. Two patented Native allotments nearby, about 300 acres. Both logged in early 1900's and 1960's.
- Improvements . Small powerhouse-size of cottage(30X40), to blend into scenery and bluff;
. Two 18" plastic penstock;
. Small bridge improvements;
. Diversion weir;
- Action to Date . Hired habitat biologist, Greg Streveler, governmental affairs consultant, Kellus Sewell, and engineering consultants
- Park Service . Formerly approved land swap
- Major Advantages . Electricity substantially reduced 16 to 3.5 ¢/KWh
. Savings to State from Power Cost Equalization Program estimated at \$245,000 annually, or 50%; Currently Consumers pay 1/3, State 2/3s;
. Savings to Park Service at 50% annually, estimated at \$248,000 + ongoing maintenance and capital costs estimated at \$4 Million the next few years;
. Reliable, cheaper, stable priced, consistent power;
. Avoidance of High Pressure NO_x pollutants which is 10-20 times worse than gas vehicle contribution to green house warming and acid rain; aesthetic pollutants; fuel oil spills;
- Cost . Born solely by utility owner with private capital;
. \$1.8 Million
- Incentive to Utility Owner . Improve environment; Invest NPS & State Savings in local environmental enhancements; No profit advantage.



H.R. 2561 - Fall Creek Mini Hydropower Proposal

Mr. Chairman, distinguished members of the committee, and members of the audience, my name is Richard Levitt, owner and President of Gustavus Electric Company. Accompanying me is Kellus Sewell, my economic and government affairs consultant.

I wish to take this opportunity to thank you for the opportunity to testify in support of this proposal which will bring both enhancements to the environment but also significant savings to the National Park Service, the State of Alaska, and local consumers in Gustavus. I would like have entered for the record my written testimony included in the document entitled, "H.R. 2561, 1995-Fall Creek Mini Hydropower Proposal", which includes a map, State of Alaska Legislature Joint Concurrent Resolution of support, Letter of approval from the Gustavus Community Association, and Letter from Alaska Commissioner Fish & Game, Frank Rue

Gustavus is a small community adjoining the boundary and the land Gateway to Glacier National Park and Preserve. We have a population that ranges from 600 plus residents in the Summer to about 350 in the Winter. Consequently, our utility is small and we manage a very conservative budget with rates regulated by the APUC, Alaska Public Utility Corporation.

I offer the following for your perspective and ask your consideration for approval.

- . Project makes environmental sense
- . Consistent with the President's Environmental and Economic Policies
- . No profit incentive, rates regulated by APUC
- . Exchange of Alaska Critical Habitat Area for Federal Wilderness Preserve, 960 acres each
- . Federal land not pure wilderness area: Has been logged twice; contains road, habitable cabin, & two 160 acre Native allotments; and 1920's vantage fish trap on tidelands.
- . Benefits
 - State land provides two new resources for NPS, sandhill cranes and low lying wet lands
 - NPS management as wilderness preserve or park status will curtail or eliminate development, which can occur under present State status
 - NPS can be instrumental on preventing development or other infringements to sandhill crane habitat on adjoining property through NPS rights as adjoining owner of sandhill crane migratory bird habitat, noted in decisions in court cases
 - Rates reduced from .16 to .035/KWh will yield:
 - Savings in excess of \$250,000/year each to the State and NPS
 - Cost Avoidance, about \$2 Million to the NPS in electrical enhancements, \$4 Million total when tank farm upgrades are included.
- . Approved in concept by NPS in 1981
- . Feasibility determined by engineering firms, Corp. of Engineers, local Environmental Firm, and GEC
- . Cost about \$2 Million, conventional financing
- . Review Map which Describes Project - Run of Stream with no dam required
- . Support:
 - Local environmental organizations, FOGB
 - Local Community, unanimous vote of support
 - State of Alaska, unanimous support of Concurrent Legislative Resolution, signed by the Governor
- . Support
 - Personal letters of support
 - Discussed on a number of occasions with 7 environmental organizations, the NPS, the Assistant Secretary of Interior for Alaska, the State of Alaska, Community of Gustavus, and other interested parties.

[DISCUSSION DRAFT]

SEPTEMBER 26, 1995

104TH CONGRESS
1ST SESSION

H. R. 2561

*Young's (ante
waiting remarks)*

IN THE HOUSE OF REPRESENTATIVES

Mr. YOUNG of Alaska introduced the following bill; which was referred to the
Committee on _____

A BILL

To provide for an exchange of lands located near Gustavus,
Alaska.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Glacier Bay National
5 Park and Preserve Boundary Adjustment Act of 1995".

6 **SEC. 2. LAND EXCHANGE.**

7 (a) **IN GENERAL.**—If the State of Alaska transfers
8 all right, title, and interest in and to the State lands de-

1 scribed in subsection (b)(1) to the Secretary of the Inte-
2 rior, the Secretary, in exchange, shall transfer to the State
3 of Alaska all right, title, and interest of the United States
4 in and to the Federal lands described in subsection (b)(2).

5 (b) LANDS DESCRIBED.—

6 (1) STATE LANDS.—The lands referred to in
7 subsection (a) to be transferred by the State of Alas-
8 ka comprise approximately 960 acres within the
9 Dude Creek Critical Habitat Area more particularly
10 described as follows:

11 Township 40 South, Range 58 East, C.R.M.

12 Section 16 in its entirety.

13 Section 9, W $\frac{1}{2}$.

14 (2) FEDERAL LANDS.—The lands referred to in
15 subsection (a) to be transferred by the Secretary
16 comprise approximately 960 acres more particularly
17 described as follows:

18 In Township 39 South, Range 59 East,
19 Copper River Meridian (C.R.M.) partially sur-
20 veyed—

21 Section 36 (unsurveyed, SE $\frac{1}{4}$ SW $\frac{1}{4}$,
22 S $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ W $\frac{1}{2}$,
23 NW $\frac{1}{4}$ SE $\frac{1}{4}$, and S $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, contain-
24 ing approximately 130 acres.

1 In Township 40 South, Range 59 East,
2 partially surveyed—

3 Section 1 (unsurveyed) NW $\frac{1}{4}$, SW $\frac{1}{4}$,
4 W $\frac{1}{2}$ SE $\frac{1}{4}$, and SW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$, exclud-
5 ing US Survey 944 and Native Allotment
6 A-442;

7 Section 2 (unsurveyed), fractional
8 that portion lying above the mean high tide
9 line of Icy Passage, excluding US Survey
10 944 and U.S. Survey 945;

11 Section 11 (unsurveyed), fractional,
12 that portion lying above the mean high tide
13 line of Icy Passage, excluding US Survey
14 944;

15 Section 12 (unsurveyed), fractional,
16 NW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$, those
17 portions of NW $\frac{1}{4}$ and SW $\frac{1}{4}$ lying above
18 the mean high tide line of Icy Passage, ex-
19 cluding US Survey 944 and Native Allot-
20 ment A-442,

21 containing approximately 830 acres,
22 aggregating approximately 960 acres.

23 (c) GLACIER BAY NATIONAL PARK AND PRE-
24 SERVE.—The lands acquired from the State of Alaska
25 under this section shall be added to and administered as

1 part of the Glacier Bay National Park and Preserve. Upon
2 completion of the exchange of lands under this section,
3 the Secretary shall adjust the boundary of Glacier Bay
4 National Park and Preserve to include the lands acquired
5 from the State of Alaska and to exclude the lands trans-
6 ferred to the State of Alaska under this section.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

WALTER J. HICKEL, GOVERNOR

DIVISION OF ENERGY

*Received
5/13/94*

Kellus Sewell
Nordic Alaska Company
3640 Young Street
Anchorage, Alaska 99508
(907) 561-2164

April 25, 1994

Re: Gustavus Hydroelectric Project

Thank you for the opportunity to attend the preliminary project meeting and to comment on Gustavus Electric's proposed mini-hydro project at Falls Creek in Gustavus. Although the technical and financial details of this project have not been provided for review, the Fall Creek Hydro project appears at present to be a viable project which holds the promise of energy self-sufficiency for Gustavus. Small hydro projects such as this one can provide long-term affordable electricity, while reducing state subsidies, and displacing diesel fuel with a clean, local, renewable energy source.

Over the years, the State has invested heavily in the construction of power systems, and subsidizes the high costs of production in rural Alaska through the Power Cost Equalization (PCE) program. Currently, the PCE program subsidizes electrical rates in Gustavus by over \$.38 per kilowatt hour (kWh), lowering the residential rate of \$.51 per kWh to an effective customer rate around \$.12 per kWh. That level of support results in a customer subsidy of around \$1000 per year. There is a real question whether the state will be able to continue this level of assistance indefinitely. If PCE funding were to end abruptly, it would be disastrous for this community. Therefore, Gustavus should be aggressively pursuing the development of lower cost energy sources, such as Fall Creek Hydro.

Opponents to the project may point to the potential environmental degradation caused by the diminished stream flow in Fall Creek. The resulting degradation must to be compared to the damage and risk associated with diesel generation. Diesel generators are noisy, pollute the air, and emit harmful nitrous oxides. More importantly, diesel generation requires the storage of large quantities of fuel. Bulk fuel storage represents a fire hazard which threatens human lives and a spill hazard which threatens contamination of soil and water. Spills at the National Park Service Tank Farm have already occurred in Glacier Bay. The possibility of reducing the Park Service's generation and bulk fuel storage needs,

will further reduce the level of environmental risk in the Park. All of these factors should be considered when comparing the relative environmental impacts.

Development of an alternative site identified at North Creek in Excursion Inlet would involve a submarine cable with an estimated cost of \$4 million. Without the guarantee of additional loads, and unless the added development costs can be mitigated with a substantial federal subsidy, and since it is unlikely that state support will be available, this alternative doesn't offer the same potential for affordable energy as Fall Creek.

The fundamental importance of reliable electricity is often taken for granted. Without basic electrical infrastructure, and the services it makes possible, it would be extremely difficult for visitors to enjoy Glacier Bay National Park. The question that must be addressed is not whether the community of Gustavus should have electricity, but how to provide that energy at the lowest sustainable cost to the users and the environment. As State oil revenues decline, communities like Gustavus must be allowed to develop their available hydro resources to replace the anticipated loss of subsidies. The federal government while protecting the resources of the park should not overlook its responsibility to provide for the welfare of its local residents, and cooperate in making the wisest energy choice for the future.

The Division of Energy recognizes the importance of this project to Gustavus's future, and is interested in assisting you with your efforts. Please feel encouraged to call on myself or anyone at the Division for assistance.

Sincerely,



Dennis Meijers

Special Assistant

Division of Energy

Department of Community and Regional Affairs

(907)-465-4632

H.R. 2561, 1995

Fall Creek Mini Hydropower System Proposal
Gustavus, Alaska

Authorizes transfer of Federal Land
in Glacier Bay National Park and Preserve to the State of Alaska for
Adjoining Land in the Dude Creek Critical Habitat Area.

November 3, 1995

Richard Levitt
President

Gustavus Electric Company
P.O. Box 102
Gustavus, Alaska 99826
Tel: 907-697-2299
Fax: 907-697-2355

Kellus Sewell
Governmental Affairs

Gustavus Electric Co.
3475 Meander Way
Juneau, Alaska 99801
Tel: 907-790-4477

"find ways to combine economic growth with environmental protection...to bring our people together to meet the needs of the present without jeopardizing the future."

President Bill Clinton
Mandate to President's Council
On Sustainable Development
June 1993

"Our objective is results that are cleaner for the environment and cheaper for the economy."

Vice President Al Gore
Opening Remarks to
President's Council on
Sustainable Development
January 13, 1994

Table of Contents

Testimony. **Gustavus Electric Company**

Appendices

- A. Map. Fall Creek Mini Hydropower System Proposal & Land Transfer
- B. CSS Joint Resolution 27(RES), 1995 Alaska Legislature
- C. Letter. Gustavus Community Association
- D. Letter. Commissioner Frank Rue, Alaska Dept. of Fish & Game
- E. Table 2. Estimated Usage & Savings to State of Alaska, Gustavus customers, and National Park Service Over 30 years, 1994-2024
- F. Brochure. Dude Creek Critical Habitat Area

H.R. 2651 Testimony
Gustavus Electric Company
Richard Levitt
President

Testimony of Richard Levitt before the US House of Representatives Committee on Resources Concerning HR 2561, Glacier Bay National Park & Preserve Boundary Adjustment Act.

Mr. Chairman, distinguished members of the committee, and members of the audience, my name is Richard Levitt, owner and president of Gustavus Electric Company. Seated beside me is Kellus Sewell, my economic and government affairs consultant.

I would like to take this opportunity to thank you for the opportunity to testify in support of this proposal, which will not only bring enhancements to the environment but also significant savings to the National Park Service, the State of Alaska, and local consumers in Gustavus. I would like to have entered for the record my written testimony included in the document entitled, "H.R. 2561, 1995-Fall Creek Mini Hydropower Proposal", which includes a map, State of Alaska Legislature Joint Concurrent Resolution of support, Letter of Approval from the Gustavus Community Association, and Letter from Alaska Commissioner Fish & Game, Frank Rue.

Gustavus is a small community adjoining the boundary and the land gateway to Glacier Bay National Park and Preserve. It has a population that ranges from 700 plus residents in the summer to about 375 in the winter.

The idea of using Fall Creek as a hydroelectric source for the energy needs of the NPS at Glacier Bay National Park & Preserve has been around for over 30 years. The Fall Creek area in GBNP&P was classified wilderness in the ANILCA (Alaska National Interest Lands Conservation Act). In 1981, the Superintendent of GBNP proposed to the State of Alaska in exchange of lands so that a hydroelectric project could be built at the Fall Creek site. After a year of negotiations a Memo of Understanding for the exchange of lands was signed in August 1982 by then Alaska Gov. Jay Hammond and then Sec. of the Interior James Watt. However, an exchange of deeds never occurred, as it was determined an act of Congress was necessary both to declassify wilderness lands and to create wilderness lands. This is why we are here today.

The following is a quote from the General Management Plan prepared for GBNP&P by the NPS, dated Sept. 1984 and still current; "A proposal has been made to develop a small hydroelectric plant at Fall Creek, just inside the park boundary near Gustavus (see Management Zoning map). The U.S. Army Corps of Engineers has initiated a feasibility study for this project. The study was scheduled for completion in May 1983; however, a final report has not been received. If the project is feasible and desirable to Gustavus residents, Congress may approve such use of the water. The site of the power plant is included in the NPS Gustavus land package being considered for exchange with the state of Alaska for state-owned lands within the boundary of Wrangell-St. Elias National Park and Preserve."

The State-NPS land exchange in 1982 would have given 7,000 acres of park land adjacent to Gustavus to the State for equal land given to the NPS by the State in the area of

Wrangell-St. Elias National Park & Preserve. The NPS and State now prefer to exchange the minimum amount of land needed to develop the hydroelectric project, which is 960 acres.

Also, the lands given by the State to the NPS will be in the area of the sandhill crane Critical Habitat area adjacent to the GBNP&P boundary near Gustavus. These lands were selected with input from GBNP&P personnel, the local environmental community-Friends of Glacier Bay, and members of the community of Gustavus. The area of the trade was also approved by the State of Alaska Departments of Natural Resources and Fish and Game. The state proposed land trade provides two new valuable resources, sandhill cranes and wetlands. Further, protection would be enhanced under NPS management.

A joint resolution was passed by the Alaska Legislature and signed by the Governor in support of the land trade and urging the U.S. Congress to pass appropriate legislation. The Gustavus Community Association has held numerous meetings on the subject of the hydroelectric project and land trade and all votes taken have resulted in unanimous support of both.

Throughout the entire land trade process, the NPS, the environmental community, including the Friends of Glacier Bay, the S.E. Alaska Conservation Council, the Sierra Club, the Wilderness Society, the Audubon Society, the National Parks and Conservation Society, and the National Wildlife Alliance have been kept fully informed and have been invited to participate.

At present, the NPS and the Gustavus Electric Company maintain separate electric generation facilities. The facilities are approximately nine miles apart and use diesel engines to produce the electricity. The NPS has a staff of about twenty employees on site throughout the year increasing to about sixty during the May-September tourist season. Facilities include about 160 beds in 55 cabin units and two dormitories, employee housing, power house, 82,500 gallon fuel tank farm, water and sewer treatment plant, and other facilities. Current 1994 demand needs are 180kw and peak demand needs over the next twenty years are estimated at 360kw. Gustavus Electric Company serves an area of approximately fourteen square miles with a peak demand of almost 300kw which is expected to increase to 550kw in 20 years.

Hydropower has many benefits over diesel electric generation, the primary one being cost. Hydro also has more reliability, price stability and is consistent. Diesel power has many disadvantages. Most of these are apparent to the end user but increasing pollutant risks occur throughout the discovery, production, and transportation cycles. Some disadvantages of diesel are:

- a. it produces heavy concentrations of unhealthy nitrogen oxide, a significant air pollutant;
- b. spill pollution transfers during transportation, and transfers at storage sites and through pipelines are always at risk;

- c. costs can fluctuate due to market conditions, war, embargoes, allocations, restrictions, inflationary forces, and other factors;
- d. contributes to noise and otherwise aesthetic pollution.

Alternative electrical energy sources were studied for the area by the consulting firm of Acres America in 1982 under contract with the State of Alaska, Division of Energy. Hydropower was determined the best alternative by far, with diesel being the only other possibility. Wind, solar, geothermal, coal, gas, tidal, and biomass energy were studied and determined not safe or practical alternatives for the nearby vicinity of Gustavus and the Glacier Bay Park Service facilities.

Alternate hydroelectric sites were also investigated outside of park boundaries and none were found to be economically viable. The best of these sites was still twice as expensive as diesel.

The present costs of diesel generation for Gustavus Electric Company ranges between \$.12 and \$.16 per kwhr, depending on fuel oil costs (generation costs only). An in house study by the NPS lists their generation cost at \$.174. The cost per kwhr over the next forty years using Fall Creek Hydro is \$.035 per kwhr. The rates for Fall Creek Hydropower will be regulated by the Alaska Public Utilities Commission (APUC). It will be financed entirely by private investors, with no government funds, and the rate of return on the investment will be set by the APUC. The estimated cost of the project will be 1.8 million dollars, which includes an intertie power line of five miles between Gustavus and the NPS headquarters and generation facilities.

Reduced electrical costs of the Fall Creek Hydroproject would result in savings to the rate payers of Gustavus of \$315,000 per year on average over a forty year span, based on projected growth of the community. Since the State of Alaska subsidizes a portion of the electric generation costs in rural Alaska, the above savings would translate to a savings of \$70,000 per year for residents of Gustavus and a savings of \$245,000 per year for the State of Alaska; however, this electrical generation subsidy provided by the State of Alaska will probably not continue much longer because of declining state revenues. Therefore, a cheaper source of electricity will become even more important to the residents of Gustavus.

The reduced electrical costs of the Fall Creek Hydroproject will also result in an annual savings to the Park Service of \$200,000 per year, on average over a forty year span, based on projections of the NPS in their general management plan for GBNP&P. Some of their electricity is sold to the Park concessionaire. In addition, the NPS has plans to build a diesel generation facility for \$2,000,000 and a new fuel oil storage tank farm for another \$2,000,000, both scheduled for 1998. If these needs were met by private enterprise, utilizing the Fall Creek Hydroproject, the NPS would not only save the \$200,000 per year, but also the capital cost of four million dollars for construction. All rates charged the NPS for electricity would be approved by the APUC.

The area of Fall Creek is approximately one mile East of the Gustavus-NP Boundary. The creek itself empties into Icy Straits. It was determined by the NPS in 1982 that this land trade "will not significantly affect the purpose for which the Park was established".

The proposed NPS exchange is not pure park property. There are two patented Native allotment inholdings in the park's immediate vicinity of Fall Creek. Both have been logged twice and one contains a habitable cabin. Although it is the NPS policy to acquire all inholdings within its boundaries, eliminating these allotments as inholdings would further negate any need for future appropriations to acquire them.

The proposed hydroelectric project would run of stream with no impoundment planned. Capacity would be 800kw initially. Project improvements would consist of a stream diversion structure, two 18 inch penstocks, 30' x 40' powerhouse, old logging road improvements new access road and bridge improvements.

In addition to the Corp of Engineers feasibility study and Acres America's alternative energy studies already cited, the following consultants were retained by Gustavus Electric Company. The consulting engineering firm of Peratrovich, Nottingham and Drage, of Anchorage performed streamflow and hydrologic studies on Fall Creek. Kellus Sewell of Nordic Alaska prepared evaluation and supporting documentation. Energy Control Systems Inc., of Portland, Oregon evaluated design options and cost estimates of the project. Icy Strait Environmental Services provided an environmental assessment of (1.) the areas major natural attributes, (2.) sensitivities of these attributes to the proposed hydro development, (3.) how could the impacts be minimized and (4.) is there anything that strongly argues against hydro development from an environmental point of view. HDR Engineering of Anchorage provided engineering evaluation and cost estimates.

So far, all studies point to a hydroelectric project that can be economically and environmentally sound. Gustavus Electric Company is willing to do the further studies and go through the process required to obtain a hydropower license from the Federal Energy Regulatory Commission. This will allow the concerns of any governmental agencies, organizations or individuals to be addressed and responded to by the applicant.

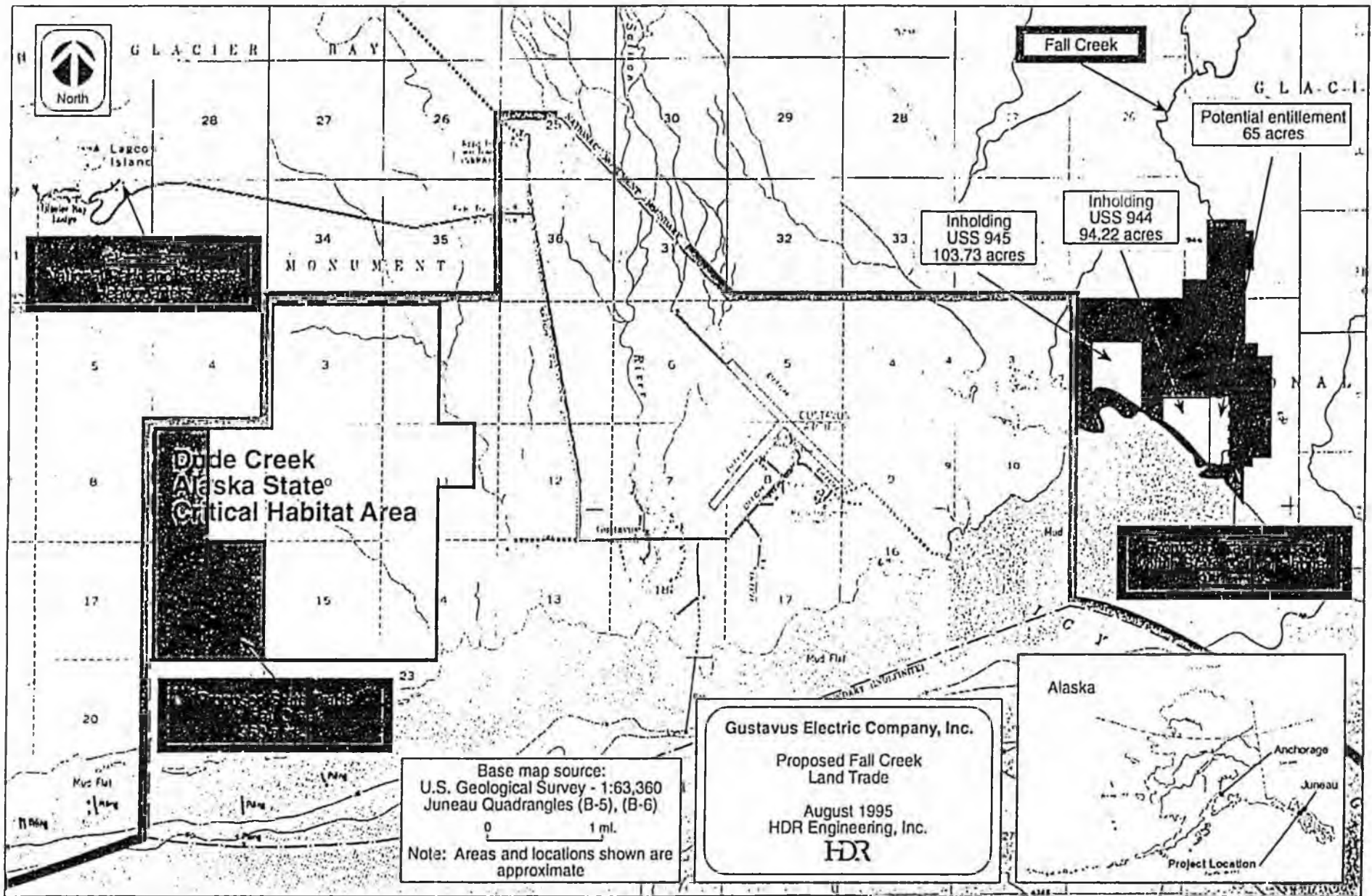
In conclusion, I respectfully request that you favorably consider this legislation. This project is an excellent example of VP Al Gore's opening remarks to the President's Council on Sustainable Development, January 13, 1994, "Our objective is results that are cleaner for the environment and cheaper for the economy." and Presidents Clinton's Mandate to Presidents's Council on Sustainable Development, June 1993, "find ways to combine economic growth with environmental protection...to bring our people together to meet the needs of the present without jeopardizing the future."

Appendix A

Map

Fall Creek Mini Hydropower System

Proposal and Land Transfer



GLACIER BAY

Fall Creek

Potential entitlement
65 acres

Inholding
USS 945
103.73 acres

Inholding
USS 944
94.22 acres

Dade Creek
Alaska State
Critical Habitat Area

Gustavus Electric Company, Inc.

Proposed Fall Creek
Land Trade

August 1995
HDR Engineering, Inc.



Base map source:
U.S. Geological Survey - 1:63,360
Juneau Quadrangles (B-5), (B-6)

0 1 mi.

Note: Areas and locations shown are
approximate

Alaska



Project Location

Appendix B

Joint Resolution 27

1995 Alaska Legislature

STATE OF ALASKA
THE LEGISLATURE

1995

Source
CSSJR 27(RES)

Legislative
Resolve No.
23



Endorsing development of the Fall Creek hydroelectric project near Gustavus.

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

WHEREAS electricity used in Glacier Bay National Park and Gustavus is provided by diesel generation; and

WHEREAS power consumption in this area is projected to increase; and

WHEREAS a small hydroelectric project at Fall Creek could satisfy the needs of Glacier Bay National Park and the community of Gustavus well into the 21st century; and

WHEREAS hydroelectric generation at Fall Creek could result in fuel savings, reduced operating and maintenance costs, and reduced capital expenditures for improvements and upgrades to the existing power system to meet demand, and thereby reduce power costs to consumers; and

WHEREAS the Fall Creek hydroelectric project is intended to be financed solely by private capital; and

WHEREAS issues related to Glacier Bay National Park are frequently contentious, but the community of Gustavus and the National Park Service agree that the Fall Creek hydroelectric project could be environmentally sound and economically advantageous; and

WHEREAS the community of Gustavus recently reaffirmed support of the Fall Creek

hydroelectric project in a unanimous vote; and

WHEREAS, because the site of the proposed hydroelectric project is within the boundaries of Glacier Bay National Park and Preserve, an Act of Congress will be needed to change designation of the land status;

BE IT RESOLVED that the Alaska State Legislature endorses private development of the Fall Creek hydroelectric project and encourages the Congress to enact appropriate measures to redesignate the land status; and be it

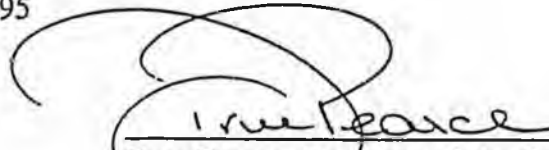
FURTHER RESOLVED that the Alaska State Legislature urges the National Park Service and other federal agencies to cooperate with the project developer and state agencies for expeditious permitting for the Fall Creek hydroelectric project.

COPIES of this resolution shall be sent to the Honorable Bruce Babbitt, Secretary of the U.S. Department of the Interior; Roger G. Kennedy, Director, National Park Service, U.S. Department of the Interior; Robert Barbee, Alaska Regional Director, National Park Service, U.S. Department of the Interior; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

AUTHENTICATION

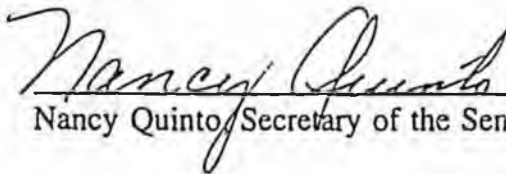
The following officers of the Legislature certify that the attached enrolled resolution, CSSJR 27(RES), consisting of 2 pages, was passed in conformity with the requirements of the constitution and laws of the State of Alaska and the Uniform Rules of the Legislature.

Passed by the Senate April 28, 1995



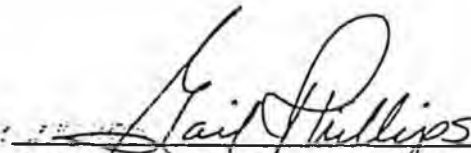
Drue Pearce, President of the Senate

ATTEST:



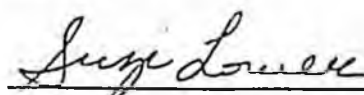
Nancy Quinto, Secretary of the Senate

Passed by the House May 9, 1995



Gail Phillips, Speaker of the House

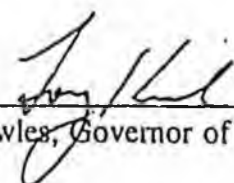
ATTEST:



Suzi Lowell, Chief Clerk of the House

ACTION BY GOVERNOR

Approved by the Governor _____ August 7, 19 95



Tony Knowles, Governor of Alaska

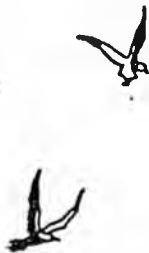
Appendix C

April 24, 1995

Letter

~~Confidential~~ Gustavus Community Association

Gustavus Community Association



Post Office Box 62
Gustavus, Alaska 99826

4-24-95

DICK LEVITT
P.O.BOX
GUSTAVUS AK
99826

DEAR MR. LEVITT

THE GUSTAVUS COMMUNITY ASSOC. HAD AN ADVISORY VOTE FROM
THE GENERAL MEMBERSHIP. THE VOTE APPROVING THE PROPOSED
HYDRO ELECTRIC PROJECT IS AS FOLLOWS; 29 IN FAVOR, 0 AGAINST.

THANK YOU

TO MORROW
PRESIDENT G.C.A.

Appendix D

May 9, 1995

Letter

Commissioner Frank Rue

Alaska Department of Fish and Game

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

TONY KNOWLES, GOVERNOR

OFFICE OF THE COMMISSIONER

P.O. BOX 25526
JUNEAU, ALASKA 99802-5526
PHONE: (907) 465-4100

May 9, 1995

Mr. Richard Leavitt, President
Gustavus Electric Company
P.O. Box 102
Gustavus, AK 99826

Dear Mr. Leavitt:

Thank you for your April 10 letter and subsequent visit to inform me of recent developments regarding your proposed Falls Creek Mini Hydropower System, and the opportunity to advance the project by trading Glacier Bay National Park lands for lands in the Dude Creek Critical Habitat Area.

The Alaska Department of Fish and Game (ADF&G) is willing to consider the proposal to add a portion of the Dude Creek Critical Habitat Area to Glacier Bay National Park, since it appears that management by the Park Service would maintain the values for which the Critical Habitat Area was established. However, a condition of any trade involving Dude Creek Critical Habitat Area lands should be that the Park Service allow hunting and other uses that are described in AS 16.20.610(d) establishing the Dude Creek Critical Habitat Area to continue.

Because critical habitat areas are established by the legislature, legislative action will likely be required to accomplish the proposed land trade. In addition, some lands contemplated for trade may be Mental Health Trust lands, requiring approval by the Mental Health Trustees and possible compensation prior to transfer to the Park Service. The Department of Natural Resources (DNR) would be the appropriate agency to address this question.

With regard to specifics of your proposed hydropower project, ADF&G will work with you to address ways to avoid conflicts between withdrawal of water from Falls Creek (Kaataheena Creek) and maintenance of fish populations and habitats in Falls Creek. The issue of the power project tailrace diverting returning adult Falls Creek fish (coho, pink, and chum salmon, Dolly Varden and cutthroat trout) from productive spawning areas in Falls Creek must also be addressed. The most likely effects of the project may be on subsistence use of pink, chum, and coho salmon, particularly upon the Native allotment owners in the project vicinity.

Mr. Richard Leavitt

-2-

May 9, 1995

Thank you for keeping us informed of recent project developments. Regional Supervisor Lana Shea and Area Habitat Biologist John Palmes of our Habitat and Restoration Division will continue to work with you on the land trade request and to resolve the concerns mentioned above. Please include Ms. Shea on the committee being formed to recommend the best plan for the land trade. Thank you.

Sincerely,



Frank Rue
Commissioner

cc: Ellen Fritts, AD&FG, Juneau
Debra Clausen, AD&FG, Anchorage
Lana Shea, AD&FG, Douglas
John Palmes, AD&FG, Douglas
Ron Swanson, DNR

Appendix E

**Estimated Usage & Savings to State of Alaska, Gustavus
Customers, & National Park Service Over 30 Years, 1994-2024**

Table 2
 Estimated Useage & Savings¹ to
 State of Alaska, Gustavus Customers and
 National Park Service
 Over 30 Years
 1994-2024

Useage and Savings	%	Av Annual MWh/year	Savings In \$ Millions	
			Annual Av	30 Years
Gustavus Customers	100	2,300		
Diesel Subsidized by State	70	1,960		
Paid by Customers	20	560		
Line & Transformer Use	10	280		
National Park Service	100	<u>1,600</u>		
Total Av. Annual Useage		4,400		
		<u>\$</u>		
Cost of Diesel Power	.160			
Cost of Hydro-Fall Creek	<u>.035</u>			
Savings from Fall Creek	.125			
Savings Over Diesel				
State of Alaska	.125(1,960)		\$245,000	\$ 7.4
Gustavus Customers	.125(560)		70,000	2.1
National Park Serv. ²	.125(1,600)		200,000	6.0
Add indirect costs ²	.030(1,600)		<u>48,000</u>	<u>1.4</u>
TOTAL AVERAGE SAVINGS YEARLY			\$563,000	
SAVINGS OVER THIRTY YEARS				\$16.9
Add cost for remedial improvements and power enhancements(1994-1996)				.3
TOTAL SAVINGS OVER 30 YEARS				\$21.2 M

¹ Not adjusted for inflation which would place the savings at a considerably higher value.

²

Estimated cost of money if savings not appropriated elsewhere in government.

Appendix F

Brochure

Dude Creek Critical Habitat Area

Alaska Dept. of Fish and Game

ALASKA STATE ALASKA STATE

DUDE CREEK

ALASKA STATE ALASKA STATE

CRITICAL HABITAT AREA

ALASKA STATE ALASKA STATE



The Dude Creek Critical Habitat Area, in northern southeast Alaska adjacent to the community of Gustavus and next door to Glacier Bay National Park, encompasses the largest expanse of undisturbed wet meadow habitat in the region.

Birds—A key resting area for flocks of migrating lesser sandhill cranes, the area comes alive each fall with hoarse, throaty calls as thousands of cranes stop to rest and feed in the wet meadows before moving farther south to winter. Small numbers of cranes also stop to rest and feed during the spring migration north.

The wet meadow complex of Dude Creek differs substantially in plant composition from southeast Alaska's more common muskog and saltchuck wetland types. A high water table over broad, flat terrain has produced a complex of low-growing shrubs, sedges, mosses, and horsetail interspersed with patches of willow thicket and scrub forest. This hydrological and geophysical combination ideally meets the needs of the notoriously shy cranes, providing them long-range visibility of predators, shallow water for roosting, insulation from human development, and a food supply suitable for the high-energy demands of migration.

Old-timers report the dispersed presence of sandhill cranes in wetland meadows throughout the Juneau and Gustavus areas. Today, however, a combination of human development activities and natural forest succession in drier areas have concentrated sandhill cranes in the wet meadows of Dude Creek.

Although lesser sandhill cranes, with their great fidelity to Dude Creek's wet meadows, are the area's premier wildlife species, other birds can be found as well. Canada geese in flocks of up to 300 rest and forage in the meadows throughout much of the year, but especially during spring and fall. A few mergansers and mallards can be found nesting and raising young along small streams. Snipe, least sandpipers, and savannah sparrows nest in the meadows, while songbirds nest in adjacent shrublands and forests. Marsh hawks and other raptors pass through the area during migration. Marsh hawks and short-eared owls are known to nest in the area. Ravens, magpies, and bald eagles are year-round residents.

Mammals—During population peaks, the long-tailed vole is the most common mammal. Coyotes, wolves, and short-tailed weasels hunt the wet meadow habitat for voles. Moose are increasingly common in the area. Larger mammals, including black bears, use the forested Dude Creek corridor as a thoroughfare between the wooded inland and the coast. Black bears can sometimes be seen along the forest/wet meadow fringe. Red squirrels abound in the Dude Creek forest corridor, and marten are at times common. Porcupine are distributed sparsely in the forest. Land otter travel up and down the banks of Dude Creek and Good River.



Public Use and Access—The area is enjoyed in the fall as a sandhill crane viewing area by residents and visitors alike, while local residents use it for recreation year-round. The community of Gustavus is accessible via regularly scheduled flights from Juneau. The Gustavus road system extends almost to the eastern boundary of the critical habitat area. Primary access is gained via a section line extension of the Good River Road to the west of the community of Gustavus. There are no public use facilities in the critical habitat area.

Photo credits: Dude Creek Wetlands, Koron Bosworth; Sandhill Crane, John Hyde.

