SB

255

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Sponsor Statement

Senate Bill 255

"An Act regarding best interest findings and land use permits issued by the Department of Natural Resources"

Senate Bill 255 is intended to clarify the fact that permits issued by the Department of Natural Resources (DNR) pursuant to AS 38.05.850 are exempt from the best interest finding requirement imposed by AS 38.05.035 (e) which applies to disposals of State land.

AS 38.05.850 authorizes the director of the Division of Lands, without the DNR Commissioner's consent and without the necessity of a best interest finding, to issue permits, rights-of-way, and easements on State land for such purposes as roads, field gathering lines, or transmission and distribution pipelines, telephone or electric transmission and distribution lines, log storage, oil well drilling sites and production facilities. All permits issued by DNR are issued pursuant to AS 38.05.850

Recently the Alaska Supreme Court ruled that a conditional right-of-way permit issued by DNR for construction of an electric transmission line required a best interest finding. The Court's decision jeopardizes the status of permits previously issued by DNR under AS 38.05.850 as each of those permits may, under the Court's logic, constitute a disposal of State land for which a best interest finding was required. The court's decision has potentially dramatic implications for the oil, gas, mining, timber, utility and transportation industries. In order for DNR to comply with the Court's ruling and to survive legal challenges to the permits which it issues, DNR will likely have to issue best interest findings for almost every permit issued under AS 38.95.850.

The consequences of such an approach would (1) strain DNR's budget, (2) substantially delay the permitting process and, (3) negatively impact development and use of State land resources.

SB 255 confirms by clarification and amendment that permits, right-of-way and easements issued under AS 38.05.850 are exempt from the best interest finding requirement of AS 38.05.035(e). SB 255 allows DNR to continue managing State lands cost effectively. There are no negative monetary implications to this Bill.

The request that SB 255 be applied retroactively to all DNR permits issued since July 27, 1981 coincides with the effective date of the permit exception in AS 38.05.035 (e)(6)(C). Retroactive application will eliminate challenges to DNR permits that were issued without a best interest finding and that may still be subject to challenge.

Examples of Rights-of-Way issued under AS 38.05.850
without a best interest finding under AS 38.05.035(e)

SOUTHEAST REGION

ADL 30442 **Snettisham Power Project** -- Issued to the Corps of Engineers
Power transmission and related facilities from Snettisham to Juneau

ADL 106314 **Municipal Sewage Outfall Line** – Issued to City of Klawock
Forced main and marine outfall line

SOUTHCENTRAL REGION

ADL 226847 **Whittier Access Road Project** – Issued to Dept of Transportation & Public Facilities
Roadway and bridges on state-owned land

ADL 22701 **Whittier Access Road Project** – Issued to Dept of Transportation & Public Facilities
Shoreline fill placement at Portage Lake

ADL 226756 **Communication Line** – Issued to Matanuska Telephone Association Inc.
1200 foot buried communication line on the bottom of Willow Lake

ADL 227360 **Electric Distribution Line** – Issued to Matanuska Electric Association Inc.
250 foot power line on the south edge of Locke Lane and across Willow Creek Road

NORTHERN REGION

ADL 412401 **Access Road** – Issued to SOHIO (now known as BP Exploration Alaska)
11 mile permanent gravel road for access to the Duck Island Unit in conjunction with the Endicott Pipeline

ADL 413263 **Natural Gas Distribution Line** – Issued to Norgasco Inc.
Gas distribution lines in Deadhorse (industrial leased area at Prudhoe Bay)

Pete

Here is some info that will be helpful for Friday.

Mtr

12/11/97

Benefit-Cost Analysis

The benefits of this project were evaluated in the 1991 AEA Railbelt Intertie Feasibility Study, a 1989 study by Decision Focus, Inc. (DFI, 1989), and a draft study on the benefits of a battery energy storage system (BESS) prepared by Chugach Electric Association for the Electric Power Research Institute (EPRI, 1997). The DFI report estimated benefits of a limited upgrade of the existing Anchorage-Fairbanks line and a new transmission line between Healy and Fairbanks at $105.8 million in several different categories. The AEA study added an additional benefit of savings during reconstruction of the existing line. The present value of this benefit was estimated at about $29.6 million. The EPRI study estimated benefits of a BESS in Fairbanks at $49.6 million under the assumption that a second transmission line is in place between Healy and Fairbanks.

Since the DFI study and the AEA report were completed a number of factors related to the energy situation in Alaska and Fairbanks changed. These include seven years of time, increased electrical energy demand in the Fairbanks area, construction of the 50 MW Healy Clean Coal Project (HCCP), lower fuel prices, and the inclusion of a BESS system to the proposed project, among others. DFI recently prepared an update of the economic feasibility of the southern intertie between Kenai and Anchorage that addressed similar items.[1]

The previous studies provided benefits for projects with different parameters than proposed here so the analyses are not directly transferable to this project. Certain categories of benefits described in the EPRI report can be used directly but using total benefits from the EPRI, DFI, and AEA studies is not appropriate for this analysis. This evaluation uses appropriate information from the BESS study and additional information provided by GVEA to generate potential estimates of benefits and costs. The methodology for calculating benefits other than those directly derived from the EPRI study is described in this section. Benefits from the EPRI study are summarized and the net present value from the report is also presented.

Benefit-cost analysis is a method of evaluating competing uses of resources in a comprehensible fashion. This methodology assesses the benefits and costs of a project and reduces them to a common dollar denominator. As such, benefit-cost analysis may appear to not address the possible alternative uses of resources in other projects. Costs are defined relative to their opportunity cost, which is the "benefit foregone by not using these resources in the best of the available alternative investments that cannot be undertaken if the resources are used in the project."[2] In theory, the use of a discount rate employed in benefit-cost analysis also reflects the opportunity cost, or next best use of capital. The cost of capital in the financial markets is frequently used as a proxy for the opportunity cost of capital.

[1] Decision Focus, Inc. *Review and Update of Economic Feasibility of Southern Intertie Project (DRAFT)*. Prepared for Power Engineers, Inc. August 1997.

[2] Squire, Lyn and Herman G. van der Tak. *Economic Analysis of Projects*. Published for the World Bank by the Johns Hopkins University Press. 1975.

This evaluation focuses on the traditional efficiency evaluation of investments and does not attempt to measure all potential benefits and costs. Such a task would be beyond the resources available for this effort. With the exception of air quality benefits described in the EPRI study, environmental and social benefits and costs are not included in this analysis for several reasons:

1. Information to address these issues is not readily available from existing sources.
2. Resources are not available to undertake such a comprehensive study.
3. There are significant differences of opinion within the economics profession on the proper manner to measure many of the social and environmental parameters.

Economic analysis differs from financial analysis in several ways:

- A primary difference is that capital costs are not amortized over time in economic analysis. Costs are incurred in the year of expenditure, and not in the year in which payments are made. The time value of funds is accounted for by discounting expenditures in any given year back to the current year with the use of an appropriate discount rate.
- Another difference is that the economic analysis evaluates benefits and costs throughout the entire economy, not just the firm or organization undertaking the project. These economic costs and benefits may differ substantially from the financial costs and revenues of the entity operating the project.
- Lastly, the basic criterion for measuring the economic benefits of an investment is the "with and without" test: what will costs be with the investment, and what would they have been without it? The often mistakenly applied "before and after" test: what were the costs before the facility was built and what will they be afterward, usually leads to a serious underestimate of economic benefits.[3]

Net present value calculations for this analysis are based on a 50-year life for the transmission line and BESS system. No residual value is claimed for any project components at the end of that time period. The EPRI study assumed a 20-year life so annual benefits for the BESS system have been extended through the 50th year and battery replacement costs have been included on a 20-year cycle. The time period extension projects the benefits for the 20-year period through the 50th year without adjusting for load growth or other factors that would occur in years 21 through 50. As a result, the benefits shown here are less than could be achieved if the EPRI analysis was redone and, subsequently, this report presents a conservative estimate of the potential BESS benefits.

The EPRI study used a 9 percent nominal, and a 6 percent real discount rate. The same discount rate is employed in this analysis to permit use of the BESS benefits calculated by EPRI where possible. Information is not readily available, nor are there adequate resources for this analysis to provide an estimate of the BESS benefits using a lower discount rate. GVEA's opportunity cost of capital is unknown but the organization's financial cost of capital is 7.5 percent.[4] The average annual inflation rate for the U.S. Consumer Price Index (All

[3] Hans A. Adler. Economic Appraisal of Transport Projects. Economic Development Institute Series in Economic Development. Published for the World Bank by Johns Hopkins University Press. 1987.

[4] Haagenson, Steve. Manager of Engineering Services, Golden Valley Electric Association. Personal communication. October 14, 1997.

Urban Consumers) was 3.0 percent from 1990 through 1996.[5] This suggests that the real financial cost of capital for GVEA is about 4.5 percent. If the discount rate used in this analysis were lowered to 4.5 percent net benefits from the proposed Northern Intertie would increase. Conversely, a higher discount rate would lower the net benefits.

1 Estimated Benefits by Category

1.1. Economical Energy from Increased Transmission Capability

The greatest benefit of this project would be the value of increased transfer of economical energy. GVEA's most economical power sources are its Healy # 1 coal-fired generation plant in Healy and natural gas-fired generation from the Cook Inlet area. These southern power sources are less expensive than the oil-fired generation units in the Fairbanks area. Currently there is not enough transmission capacity from Healy to Fairbanks for GVEA to transfer all of the power that will be generated in Healy and economical power purchases from southcentral Alaska sources. By increasing the transfer capacity between Healy and Fairbanks, the proposed transmission line allows economic benefits to be realized by GVEA members as a result of substituting locally produced energy with lower priced energy from southcentral Alaska.

Table 1-1 presents an example for one year of the type of benefit that the additional capacity offered by the Northern Intertie project provides to the Fairbanks area. This example uses the total system requirements projected for GVEA and FMUS in 2001.[6] With the proposed project, GVEA can replace more expensive electricity from oil-fired units with less expensive electricity from gas-fired generating plants in southcentral Alaska.

[5] Bureau of Labor Statistics data. Consumer Price Index-All Urban Consumers (http://stats.bls.gov/cgi-bin/surveymost). Extracted on 10/13/97. Annual average calculated by Northern Economics.

[6] R.W. Beck, Inc. *1997 Power Requirements Study Final Report.* Prepared for Golden Valley Electric Association, Inc.

Table 1-1
Example Benefits from Increased Transmission Capability

Without Project	Capacity (MW)	Plant Factor	Annual Hours	Energy (MWh)	Cost/kWh	Annual Costs
Healy # 1	25	0.85	7,446	186,150	$ 0.018	$ 3,350,700
HCCP	53	0.85	7,446	394,638	$ 0.045	$ 17,758,710
Bradley Lake (37% of time)	20	0.37	3,241	64,824	$ 0.050	$ 3,241,200
Anchorage gas units	22	0.66	5,813	127,896	$ 0.022	$ 2,813,706
Subtotal						$ 27,164,316
Fairbanks generation	82	0.50	4,403	361,017	$ 0.034	$ 12,274,587
Aurora Energy	18	0.85	7,446	134,028	$ 0.040	$ 5,361,120
Total				1,268,553		$ 44,800,023
With Project						
Healy # 1	25	0.85	7,446	186,150	$ 0.018	$ 3,350,700
HCCP	53	0.85	7,446	394,638	$ 0.045	$ 17,758,710
Bradley Lake (37% of time)	20	0.37	3,241	64,824	$ 0.050	$ 3,241,200
Anchorage gas units	62	0.90	7,886	488,913	$ 0.022	$ 10,756,094
Subtotal						$ 35,106,704
Fairbanks generation	82	0.00	-	-	$ 0.034	$ -
Aurora Energy	18	0.85	7,446	134,028	$ 0.040	$ 5,361,120
Total				1,268,553		$ 40,467,824
Annual Benefits						$ 4,332,199

The load requirements for 1997 through 2006 are taken directly from the R.W. Beck study, and a straight-line interpolation is used between the R.W. Beck projections for 2006 and 2016. Fifty-year projections were extrapolated beyond 2016 using the average annual increase in system requirements between 2006 and 2016. Assuming constant price differentials between generating units, fixed utilization factors for the coal plants, the same order of dispatch as the listing of generation units in Table 1-1, and employing the annual electrical requirements described above results in a net present value for this benefit of $57.3 million. This relatively simple model provides an estimate of current 1997 benefits that is comparable to that estimated in the 1989 DFI study and the 1991 AEA study, after adjusting for the HCCP and other factors that have changed since the early 1990s. The economical energy benefit identified in the Railbelt Intertie Feasibility Study was about $43 million in 1991 dollars (AEA, 1991), or about $51.6 million in 1997 dollars.

1.2. Reduction of Transmission Losses

Currently, approximately 13.1 MW of electricity is lost to GVEA and its members during the transfer of power from Healy to Fairbanks over the existing intertie, operating at 105 MW. By constructing another intertie and splitting the electric load between the two interties, the loss between Healy and Fairbanks on both lines would be reduced to 4.3 MW, for a loss reduction of 8.8 MW. Table 1-2 shows the calculations for estimating transmission losses over the 50-year life of the transmission line.

Table 1-2
Savings From Transmission Losses

Current losses, Healy-Gold Hill	13.1 MW
Losses with project Northern Intertie and Healy-Gold Hill	4.3 MW
Loss reduction from second line	8.8 MW
Typical load level - 78 to 113.8 MW	
Load factor (LF)	0.835
Loss factor 0.84(LF)^2+0.16(LF)	0.72
Annual Savings from Loss Reductions (LF)*(reduced losses)*hours/year)*(cost of power) (0.72)*(8,800 kW)*(8,712)*($0.035/kWh)	$ 1,930,012
Net Present Value	$25,541,701

The system load factor (LF) shown in Table 1-2 is computed by dividing the energy in megawatt-hours produced by all generating units (adjusting for maintenance and other factors) by the peak system demand in megawatts times the hours in a year. Losses on a line are non-linear so the loss factor equation adjusts the load factor to account for losses. Transmission losses do increase with the length of the transmission line but losses for each alternative are not addressed here because of the relatively small differences in distance between each alternative and the effect of other factors in addition to distance on line losses.

1.3. RECONSTRUCTION SAVINGS

The existing 138 kV transmission line between Healy and Fairbanks was constructed in 1967. Reconstruction of the existing intertie is expected to include an upgrade from 138 kV to 230 kV and could include realignment of the route in limited areas, such as near the Nenana Airport, where the existing line is close to the landing strip and float plane takeoff/landing area. With a second intertie in place, the existing intertie could be taken out of service for periods of time with the new intertie supplying power from the Healy generation units and southcentral Alaska sources. The existing line would be reconstructed over a period of five years, with the old intertie out of service for 7 months during each year.[7]

Reconstruction of the existing line without the proposed Northern Intertie would prevent Fairbanks area utilities from importing lower priced power from Healy and southcentral Alaska during the reconstruction period. Reconstruction would still take place over a five-year period with the existing line being taken out of service only during low demand periods. Portions of the line between Healy and Rex, and between Nenana and Gold Hill, would need to be constructed during summer periods. The portion between Rex and Nenana, crossing the Tanana Flats, would need to be reconstructed during short periods of the winter (November-December and March-April) when the Tanana Flats are frozen and electric demand is lower.

[7] Alaska Energy Authority, 1991. Railbelt Intertie Feasibility Study Final Report.

Table 1-3 calculates the benefits provided by the Northern Intertie during reconstruction of the existing 138 kV transmission line. The benefit analysis incorporates the benefits and costs for Anchorage and Fairbanks during normal operations and the reconstruction period. The table uses the same energy requirements for the with- and without-project scenarios to avoid double counting the benefits from increased capacity.

Under the existing situation GVEA would sell its HCCP and Bradley Lake power to southcentral utilities during the reconstruction period since these sources are "take or pay" contracts. The economic costs of this situation are the higher costs incurred by the economy by displacing lower cost power with higher cost power. The financial costs to GVEA would be the production or purchase price for this generation less the sales price to southcentral utilities. However, southcentral utilities would benefit from this transaction to the extent that their purchase price is less than their cost of production.

Replacing the Healy and Anchorage generation units with Fairbanks oil-fired units does not appreciably increase the total generation costs, but replacement of the Anchorage gas-fired generation with the HCCP and Bradley Lake results in substantial economic costs to the Railbelt utilities, with GVEA incurring substantial financial losses.

The value of having the new intertie in service during reconstruction of the existing intertie was estimated at $29.6 million in 1991 dollars (AEA, 1991). The current estimate of benefits, $25.4 million, is smaller than the 1991 estimate at least partly because of the "take or pay" contracts for HCCP and Bradley Lake that motivate GVEA to sell the higher cost power from these generating sources into Anchorage markets to capture any sort of revenue. In the economic analysis this results in the displacement of low cost energy with higher cost energy.

Table 1-3
Reconstruction Benefits

Without Project		Operating Cost		Reconstruction Cost		
Generation Unit	Capacity (MW)	Per kWh	Normal Operation	Replacement Generation Unit	Per kWh	During Reconstruction
Fairbanks				Fairbanks		
Healy # 1	25	$ 0.018	$ 3,350,700	Fairbanks generation	$ 0.034	$ 6,329,100
HCCP	53	$ 0.045	$ 17,758,710	Fairbanks generation	$ 0.034	$ 13,417,692
Bradley Lake (37% of time)	20	$ 0.050	$ 3,241,200	Fairbanks generation	$ 0.034	$ 2,204,016
Anchorage	62	$ 0.022	$ 2,813,706	Fairbanks generation	$ 0.034	$ 4,348,455
Fairbanks generation	160	$ 0.034	$ 12,274,587	Fairbanks generation	$ 0.034	$ 12,274,587
Aurora Energy	18	$ 0.040	$ 5,361,120	Aurora Energy	$ 0.040	$ 5,361,120
Subtotal			$ 44,800,023			$ 43,934,970
Anchorage				Anchorage		
Anchorage gas	53	$ 0.022	$ 5,107,080	HCCP	$ 0.045	$ 10,446,300
Anchorage gas	22	$ 0.022	$ 2,119,920	Bradley Lake	$ 0.050	$ 4,818,000
Subtotal			$ 7,227,000			$ 15,264,300
Total Costs Without Project			$ 52,027,023			$ 59,199,270

With Project		Operating Cost		Reconstruction Cost		
Generation Unit	Capacity (MW)	Per kWh	Normal Operation		Per kWh	During Reconstruction
Fairbanks				Fairbanks		
Healy # 1	25	$ 0.018	$ 3,350,700	Healy # 1	$ 0.018	$ 3,350,700
HCCP	53	$ 0.045	$ 17,758,710	HCCP	$ 0.045	$ 17,758,710
Bradley Lake (37% of time)	20	$ 0.050	$ 3,241,200	Bradley Lake (37% of time)	$ 0.050	$ 3,241,200
Anchorage	62	$ 0.022	$ 2,813,706	Anchorage	$ 0.022	$ 2,813,706
Fairbanks generation	160	$ 0.034	$ 12,274,587	Fairbanks generation	$ 0.034	$ 12,274,587
Aurora Energy	18	$ 0.040	$ 5,361,120	Aurora Energy	$ 0.040	$ 5,361,120
Subtotal			$ 44,800,023			$ 44,800,023
Anchorage				Anchorage		
Anchorage gas	75	$ 0.022	$ 7,227,000	Anchorage gas	$ 0.022	$ 7,227,000
Total Costs With Project			$ 52,027,023			$ 52,027,023
Annual Savings During Reconstruction						$ 7,172,247
Net Present Value						$ 25,366,673

1.4. CAPACITY DEFERRAL

The EPRI study evaluates the needs for additional generation capacity in the future and calculates the savings associated with deferral of new generation facilities, through increased sharing of generator planning reserves. The utility's largest generator typically determines generator planning reserves. The utility must have enough generation to meet demand even with the loss of its largest generator. The Railbelt Utility system allows the seven participating utilities to share generator planning reserves. The ability to share generator planning reserves throughout the Railbelt defers the need for new generation capacity. This benefit of capacity deferral resulting from the proposed 40 MW BESS in Fairbanks was estimated at $8.8 million by EPRI (EPRI, 1997). Over 50 years this stream of savings is estimated at $12.2 million.

1.5. Production Expense Savings

Another significant benefit of the BESS is its provision of 40 MW of spinning reserves and the saved production expenses associated with these reserves. Spinning reserves are a buffer or extra generation that is already up and running and able to respond immediately if a generator or transmission line were to trip off line. The supply of spinning reserves typically has high costs associated with the fuel needed to run a generator year-round to provide spinning reserves. The BESS provides spinning reserves through the energy stored in the batteries, and does not require the constant fuel use of a generator. The savings associated with this reduced production of spinning reserves were estimated at $5.1 million. The benefits over 50 years are estimated at $7.1 million.

1.6. Increased Reliability

Construction of the Northern Intertie would significantly improve the reliability of electric service throughout the Fairbanks area. GVEA currently receives up to 65% of its total power from the Anchorage area over the existing 138 kV transmission line. The 1991 Feasibility Study estimated that 50% of power outages in Fairbanks are transmission related and could be avoided with the proposed new intertie (AEA, 1991). Sixty-nine outages within the last 11 years (1986-1996) are related to the Railbelt Intertie transmission system between Anchorage and Fairbanks. Fifteen of these outages would have been directly mitigated through construction of a second line. The impacts of the remaining outages in the Fairbanks area would have been further reduced by the BESS.

The EPRI study notes that avoidance of load interruption is one of the primary benefits of a BESS for GVEA. The BESS provides a back-up for local generators, so that when a generator is lost the BESS takes its place and keeps power flowing throughout the system. The BESS also provides a back-up for power being transferred over transmission lines. The value of increased reliability provided by the BESS was estimated at $13.6 million (EPRI, 1997). Adjusting for a 50-year life results in total benefits of $18.9 million. No estimates of increased reliability benefits associated with the transmission line are made here.

1.7. Environmental Savings/Reduced Air Emissions

EPRI modeled the emissions that would be produced if thermal generation units were used to provide the spinning reserves provided by the BESS. Emissions were modeled for sulfur oxides (SO_x), nitrogen oxides (NO_x), and carbon dioxide (CO_2). These emissions were selected due to the costs associated with their monitoring and control, and the recent development of markets placing a monetary value on emission reductions. The cost savings associated with reductions of these emissions was estimated at $2.6 million (EPRI, 1997) and reaches $3.6 million after 50 years.

1.8. Benefit Summary

Table 1-4 summarizes the benefits associated with the various alternatives for the Northern Intertie project. The total benefits of $150.0 million (in 1997 $) are comparable to the $135.4 million estimate (in 1991 $) by the AEA in 1991 after accounting for inflation over

that time period. These estimates for the build alternatives represent additional benefits in comparison those provided by the no-build alternative.

• Table 1-4
Summary of Project Benefits
(thousands of dollars)

Benefit Category	Additional Transmission Line and BESS
Increased Transmission Capability	$57.300
Reduction of Transmission Losses	$25.500
Reconstruction Savings	$19.300
Capacity Deferral	$12.200
Production Expense Savings	$7.100
Increased Reliability	$18.900
Environmental Savings	$3.600
Total Benefits	$143.900

2 Cost Summary

There are seven different route alternatives under consideration for the proposed Northern Intertie expansion and the *No Action* alternative. The additional line alternatives have different lengths and some alternatives have requirements for substations and other facilities in addition to the transmission line. Table 2-1 shows the net present value of costs for each build alternative and the differential between the *No Action* alternative and each route. Transmission line and other facility construction is assumed to take place in one year to avoid developing construction schedules for all of these components. This represents a conservative approach since it results in higher costs than if the construction work were scheduled over several years.

• Table 2-1
Summary of Project Costs by Alternative

Cost Category	No Action	Old Intertie Route	Option A	North Route	South Route	Rail/South Route	Option B	Tatlanika Route
Rebuild Existing Transmission Line	$ 84,463	$ 84,554	$ 84,554	$ 84,554	$ 84,554	$ 84,554	$ 84,554	$ 84,554
New Transmission Line		$ 32,350	$ 56,079	$ 59,094	$ 44,941	$ 45,644	$ 48,324	$ 43,717
Additional Costs for Upgrade								
Right-of-Way Acquisition	$ -	$ 1,607	$ 1,522	$ 1,531	$ 422	$ 442	$ 472	$ 361
Substations								
Allison-Healy		$ 7,000	$ 7,000	$ 7,000	$ 7,000	$ 7,000	$ 7,000	$ 7,000
Gold Hill		$ 7,500	$ 7,500	$ 7,500				
Ft. Knox		$ 3,000	$ 3,000	$ 3,000				
North Pole Industrial		$ 3,000	$ 3,000	$ 3,000				
BESS		$ 27,960	$ 27,960	$ 27,960	$ 27,960	$ 27,960	$ 27,960	$ 27,960
VAR	$ 10,500							
Environmental/Design	$ 1,500	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000
Operation and Maintenance	$ 152	$ 5,053	$ 5,001	$ 5,749	$ 5,325	$ 5,316	$ 5,849	$ 5,882
Total Costs	$ 103,715	$ 183,224	$ 183,616	$ 183,447	$ 153,102	$ 153,916	$ 157,708	$ 152,701
Incremental Cost	$ -	$ 34,309	$ 79,901	$ 79,733	$ 49,387	$ 50,201	$ 53,994	$ 48,986

3 Benefit to Cost Summary

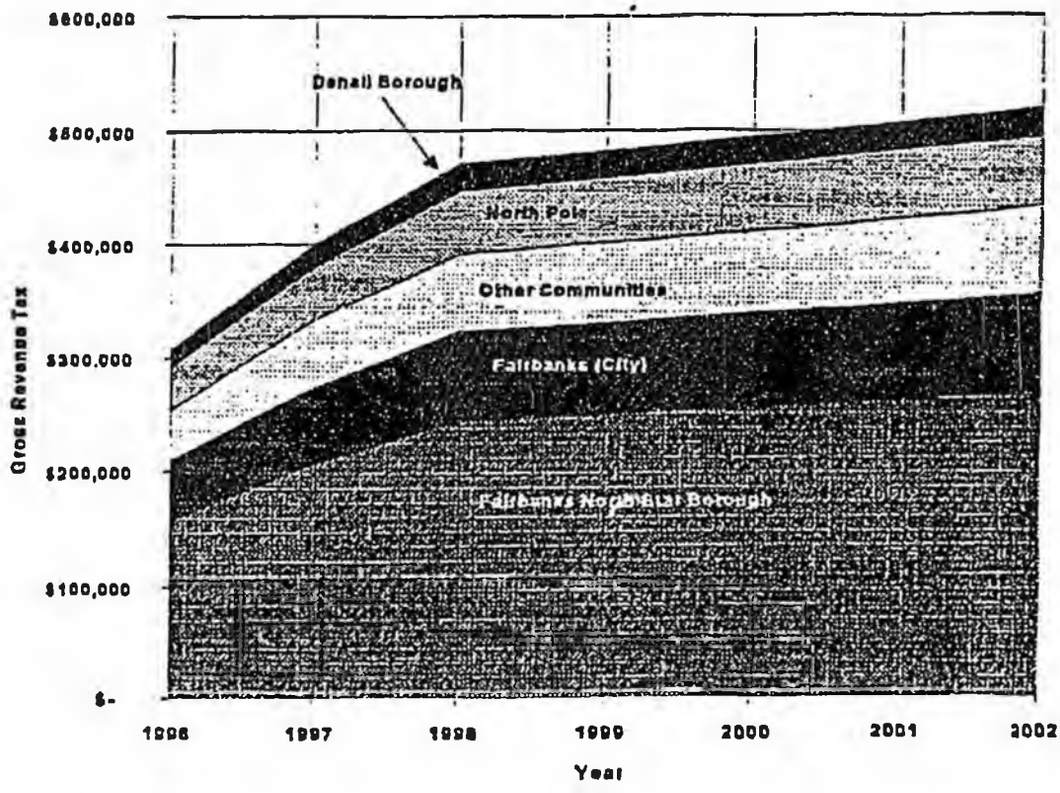
Table 3-1 compares the estimated benefits and costs for each alternative. The southern routes are ranked relatively close together and have higher net benefits and benefit-cost ratios than the northern routes. Given the reliability of 50-year projections and the uncertainty regarding load growth and other factors affecting electricity demand, any of the southern routes should be considered as reasonable alternatives for development. The northern routes have substantially lower net benefits and benefit-cost ratios and are unlikely to represent the most economical alternatives under any scenario.

• Table 3-1
Benefits and Costs by Alternative
(thousands of dollars)

Category	Old Intertie Route	North Route	Option A	South Route	Rex/South Route	Option B	Tatlanika Route
Total Benefits	$ 143,900	$ 143,900	$ 143,900	$ 143,900	$ 143,900	$ 143,900	$ 143,900
Total Costs	$ 84,300	$ 79,900	$ 79,700	$ 49,400	$ 50,200	$ 54,000	$ 49,000
Net Benefits	$ 59,600	$ 64,000	$ 64,200	$ 94,500	$ 93,700	$ 89,900	$ 94,900
Benefit-Cost Ratio	1.71	1.80	1.81	2.91	2.87	2.66	2.94

The benefit-cost ratio shown in Table 3-1 is applicable to the entire Railbelt area served by the seven utilities, and incorporates the entire capital contribution by the State of Alaska and GVEA. The benefit-cost ratio from the perspective of GVEA and the Fairbanks consumers is greater than shown here because the Fairbanks region captures most of the benefits, while only providing about half of the capital cost; the state provides a grant for the balance of the capital.

Figure 3.13-6
Projected Total Gross Revenue Taxes Paid to the State of Alaska by GVEA
(by Borough/Community Reallocation)



Source: Appendix I

Construction of the Northern Intertie is not expected to result in any significant increases in the sale of electricity. Although the loss of electricity sales resulting from power outages is expected to be reduced in years following construction of the intertie, the value of electricity sales lost during outages would have a very small impact (i.e., a few thousand dollars) on GVEA's annual gross revenue tax payment (R. Hansen, GVEA - Personal communication, 1997).

3.13.2.4. Benefit Cost Analysis

Benefit-cost analysis is a method of evaluating competing uses of resources in a comprehensible fashion This methodology assesses the benefits and costs of a project and reduces them to a common dollar denominator (Appendix I). As such, benefit-cost analysis may not appear to address the possible alternative uses of resources in other projects. Costs are defined relative to their opportunity cost, which is the "benefit foregone by not using these resources in the best of the available alternative investments that cannot be undertaken if the resources are used in the project." (Squire and van der Tak, 1975). In theory, the use of a discount rate employed in benefit-cost analysis also reflects the opportunity cost, or next best use of capital. The cost of capital in financial markets is frequently used as a proxy for the opportunity cost of capital.

The benefits of this project were evaluated in three previous studies:

- The 1991 AEA Railbelt Intertie Feasibility Study (AEA, 1991).
- A 1989 study by Decision Focus, Inc. (DFI, 1989).
- A draft study on the benefits of a BESS prepared by CEA for the Electric Power Research Institute (EPRI, 1997).

The DFI report estimated benefits of a limited upgrade of the existing Anchorage-Fairbanks line and a new transmission line between Healy and Fairbanks at $105.8 million in several different categories. The AEA study added an additional benefit of savings during reconstruction of the existing line. The present value of this benefit was estimated at about $29.6 million. The EPRI study estimated benefits of a BESS in Fairbanks at $49.6 million under the assumption that a second transmission line is in place between Healy and Fairbanks.

Since the DFI study and the AEA report were completed, a number of factors related to the energy situation in Alaska and Fairbanks have changed. These include seven years of time, increased electrical energy demand in the Fairbanks area, construction of the 50 MW HCCP, lower fuel prices, and the inclusion of a BESS system to the proposed project, among others. DFI recently prepared an update of the economic feasibility of the southern intertie between Kenai and Anchorage that addressed similar items (DFI, 1997).

The previous studies provided benefits for projects with different parameters than proposed for the Northern Intertie so the analyses are not directly transferable to this project. Certain categories of benefits described in the EPRI report can be used directly but using total benefits from the EPRI, DFI, and AEA studies is not appropriate for this analysis. This evaluation uses appropriate information from the BESS study, and additional information provided by GVEA and others, to generate potential estimates of benefits and costs. The methodology for calculating benefits other than those directly derived from the EPRI study and additional information on costs are described in Appendix I. Benefits from the EPRI study are summarized and the net present values from the EPRI report are also presented in Appendix I. This section provides a summary of the benefits and costs for each alternative.

Benefit Summary: Table 3.13-5 summarizes the incremental benefits (above those associated with the *No Action* alternative) for the alternatives that include an additional intertie, and the alternative for upgrading the existing line. The total benefits of $143.9 million (in 1997 $) are similar to the $135.4 million estimate (in 1991 $) by the AEA in 1991, after accounting for inflation over that time period. These estimates for the build and upgrade alternatives represent additional benefits in comparison to those provided by the *No Action* alternative. There are no significantly discernible differences in benefits between any of the alternatives that include an additional transmission line.

Cost Summary: There are seven different route alternatives under consideration for the proposed Northern Intertie expansion, and the *No Action* alternative. The additional line alternatives have different lengths and some alternatives have requirements for substations and other facilities in addition to the transmission line. Table 3.13-6 shows the net present value of total costs for each alternative. The cost differential is the difference between the total cost of a route alternative and the total cost of the *No Action* alternative. Transmission line and other facility construction is assumed to take place in one year to avoid developing construction schedules for all of these components. This represents a conservative approach since it results in higher economic costs than if the construction work were scheduled over several years.

Table 3-13-5
Summary of Project Benefits
(Net Present Value in Thousands of 1997 dollars)

Benefit Category	Additional Transmission Line and BESS
Increased Transmission Capability	$57,300
Reduction of Transmission Losses	$25,500
Reconstruction Savings	$19,300
Capacity Deferral	$12,200
Production Expense Savings	$7,100
Increased Reliability	$18,900
Environmental Savings	$3,600
Total Benefits	$143,900

Benefit-Cost Summary: Table 3.13-7 compares the estimated benefits and costs for each alternative. The southern routes are ranked relatively close together and have higher net benefits and benefit-cost ratios than the northern routes. Given the reliability of 50-year projections and the uncertainty regarding load growth and other factors affecting electricity demand, any of the southern routes could be considered as reasonable alternatives for development. The northern routes and upgrading the existing line have both lower net benefits and benefit-cost ratios, and are unlikely to represent the most economical alternatives under any scenario.

The benefit-cost ratio shown in Table 3.13-7 is applicable to the entire Railbelt area served by the seven utilities, and incorporates the entire capital contribution by the State of Alaska and GVEA. The benefit-cost ratio from the perspective of GVEA and the Fairbanks area consumers is greater than shown here because the Fairbanks region captures most of the benefits, while only providing about half of the capital cost; the state provides a grant for the balance of the capital.

Following is a discussion of the potential impacts on socioeconomic resources for the alternatives under consideration.

No Action: The No Action alternative will result in more power outages in Fairbanks as the demand for power continues to increase. Increased power outages could have an adverse impact to human health and safety. It will also result in higher electric rates in the long-term, as more expensive local units are used to fill in for the power that could be accessed via the new intertie. GVEA would still be required to pay for the energy generated at Bradley Lake and in Healy, even if this energy cannot be transferred to Fairbanks. Higher electric prices resulting from this action would likely have a relatively higher impact on low income communities, which spend a greater proportion of their income on utility bills, as compared to higher income communities. This alternative would not affect fire suppression costs and impacts on employment, wages, and quality of life are expected to be negligible. However, impacts associated with electric costs and reliability are expected to be high.

Table 3.13-6
Summary of Project Costs by Alternative
(net present value in thousands of 1997 dollars)

Cost Category	No Action	Old Intertie Route	Option A Alaska Railroad ROW	North Route	South Route	Rex/South Route	Option B Chicken Creek Bypass	Tatlanika Route
Rebuild Existing Transmission Line	$84,463	$64,544	$64,544	$64,544	$64,544	$64,544	$64,544	$64,544
New Transmission Line		$62,350	$58,079	$59,094	$44,841	$45,644	$48,824	$43,717
Additional Costs for Upgrade								$17,300
ROW Acquisition		$2,607	$2,522	$1,591	$422	$422	$472	$587
Wilson/HealySubstation		$7,000	$7,000	$7,000	$7,000	$7,000	$7,000	$7,000
Gold Hill Substation		$7,500	$7,500	$7,500				
Ft. Knox Substation		$3,000	$3,000	$3,000				
North Pole Substation		$3,000	$3,000	$3,000				
BESS		$27,960	$27,960	$27,960	$27,960	$27,960	$27,960	$27,960
Reactive Compensation	10,500							
Environmental/Design	3,500	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Operation and Maintenance	$7,152	$7,053	$7,001	$6,749	$5,325	$5,316	$5,898	$5,883
Total Costs	$105,715	$188,024	$183,616	$183,447	$153,102	$153,916	$157,708	$152,701
Cost Differential [1]		$82,309	$77,901	$77,733	$47,387	$48,201	$51,944	$46,986

Notes: 1 = Total cost of the alternative route minus the *No Action* total cost.

All of the build alternatives result in benefits to Fairbanks area residents and businesses when compared to the "No Action" alternative over the anticipated 30 year economic life of the project. These benefits represent savings by making economical power supplies more readily available, increasing reliability, reducing transmission losses, reducing the need for reserve capacity, deferring the need to add more generating capacity, and environmental quality improvements.

Table 3.13-7
Benefits and Costs by Alternative (thousands of dollars)

Category	Old Intertie Route	North Route	Option A - Railroad ROW	South Route	Rex/South Route	Option B - Chicken Creek By-Pass	Tatlanika Route
Total Benefits	$143,900	$143,900	$143,900	$143,900	$143,900	$143,900	$143,900
Total Costs	$82,300	$77,900	$77,700	$47,400	$48,200	$52,000	$56,600
Net Benefits	$61,600	$66,000	$66,200	$96,500	$95,700	$91,900	$96,900
Benefit-Cost Ratio	1.75	1.85	1.85	3.04	2.99	2.77	2.20

"The majority of the lands in the study area are administered by the state and the Department of Defense. The BLM has oversight responsibilities and co-manages military controlled lands for certain non-military purposes with the concurrence of the Department of Defense."

3.10.1.2 General Landscape Characterization

Page 3-64, fourth paragraph, fifth sentence - change "Appendix F" to "Appendix G".

3.11 RECREATIONAL RESOURCES

Figure 3.11-2 - add the following description to the legend:

"Pink with red hatching indicates unauthorized recreational use."

Figures 3.11-3 and 3.11-4 - add the following description to the legends:

"Blue with red hatching indicates unauthorized recreational use."

3.12 TOURISM

3.12.1 Affected Environment

Page 3-81, first paragraph, third sentence - change "Appendix G" to "Appendix H".

3.13 SOCIOECONOMIC RESOURCES

3.13.1.4 Healy

Page 3-87, second paragraph, first sentence - replace with the following:

"Coal Mining in the Healy area commenced in 1918. Healy emerged following the development of the Usibelli Coal Mine in 1943."

3.13.2.4 Benefit Cost Analysis

Page 3-100 - insert the following after the first paragraph:

"Using 1997 data on average residential consumption by month and the additional cost of $0.0046 per kilowatt hour (kWh), the increased cost to the average residential customer would be about $41 per year. This is an approximate 3.8 percent increase above the annual

cost that would be incurred with the *Rex/South Route*. This estimate is based on the following assumptions:

	Item	Amount/Value
a.	Differential cost between existing corridor and *Rex/South Route*	$ 34,000,000
b.	Interest rate	7.5%
c.	Term of loan	25
d.	First year interest costs (a*b)	$ 2,550.000
e.	Depreciation costs (a/34)	$ 1,000,000
f.	Debt coverage factor	1.5:1
g.	GVEA sales (million kWh)	1,050
h.	Required rate increase (d + e + f)/g	$0.0046
i.	Current residential rate ($/kWh)	
	First 500 kWh	$ 0.1125
	Over 500 kWh	$0.0950
j.	Average residential cost	
	Average use - 750 kWh	$80.00
	Customer Charge	$10.00
	Total Average Cost	$90.00"

3.13.3 Summary

Page 3-101 - replace second sentence with the following:

"Each of the route alternatives also will create benefits in the form of long-term electric supply reliability and lower electric costs; however, the *South, Rex/South*, and *Tatlanika Routes* would have a higher degree of reliability and cost savings."

Page 3-101 - replace fifth sentence with the following:

"The *South Route* would require ROW acquisition in rural communities that have opposed routes through the Parks Highway corridor."

Replace seventh sentence with the following:

"The *Tatlanika Route* minimizes the impacts on rural communities."

The amount of savings varies by alternative, but the minimum net present value of the stream of savings over that time period is about $59 million (Note: net present value is a term describing a methodology that accounts for the time value of money; $10 received 5 years in the future has less value to a person than $10 received now). The *No Action* alternative would impose a cost on GVEA customers equal to the savings foregone by not choosing a build alternative. This cost is at least $59 million, although the amount of potential savings foregone could be almost $95 million, depending on the alternative selected.

Old Intertie Route: Benefits associated with this route are expected to include increased employment and wages resulting from intertie construction, lower electric costs, and increased electric reliability in the Fairbanks area. This route would be expected to have the highest ROW acquisition cost. The *Old Intertie Route* has the greatest potential for impacting privately-owned properties and residences and the rural communities along the Parks Highway corridor. This alternative is not expected to affect fire suppression costs. Socioeconomic benefits are expected to be associated with increased employment and wages. Electric cost and reliability impacts and quality of life impacts are expected to be moderate.

Option A - Railroad ROW: *Option A* would be expected to reduce the potential for impacting privately-owned properties and residences, and rural communities, along the Parks Highway. *Option A* would also be expected to reduce the visual impact of the intertie along the Parks Highway.

North Route: Benefits associated with this route are expected to include increased employment and wages resulting from intertie construction, lower electric costs, and increased electric reliability in the Fairbanks area. Total benefits would be reduced as a result of the higher project costs associated with ROW acquisition along the *North Route*, residential relocation costs, and the potential for lengthy and expensive court cases to acquire the ROWs. The *North Route* has the potential to impact the rural communities between Healy and Fairbanks along the Parks Highway corridor. The Denali Borough and the Ferry Community Association are strongly against a route through this area. This alternative would not be expected to result in any increase in fire suppression costs.

South Route: The *South Route* has the potential to impact communities along the Parks Highway, from Healy to Nenana, as well as Native and private lands at the Tanana River crossings west of Fairbanks. The Denali Borough and Ferry Community Association have passed resolutions requesting GVEA to use a route other than the *South Route*. This alternative would not be expected to result in any increase in fire suppression costs. Socioeconomic benefits associated with the route are expected to include higher employment and wages, lower electric costs, and higher electric system reliability. Quality of life impacts are expected to be moderate.

Rex/South Route: Economic impacts from this route would be similar to the *South Route*. However, this route would be expected to have reduced impacts on the communities along the Parks Highway. Socioeconomic benefits are expected to include increased employment and wages, lower electric costs, and increased electric reliability. Quality of life impacts are expected to be low.

Option B - Chicken Creek By-Pass: *Option B* would increase the impacts to communities and privately-owned properties located along the Parks Highway over *the Rex/South Route*. *Option B* would also be expected to increase the ROW acquisition cost by moving the route closer to the Parks Highway.

Tatlanika Route: Benefits associated with this route are expected to include increased employment and wages resulting from intertie construction, lower electric costs, and increased electric reliability in the

Fairbanks area. This route has relatively low ROW acquisition costs, avoids the rural communities along the Parks Highway corridor, and minimizes impacts on all residential areas. Socioeconomic benefits are expected to include increased employment and wages, lower electric costs, and increased electric reliability. Quality of life impacts are expected to be low.

3.13.3 Summary

All of the routes (except *No Action*) will result in short-term socioeconomic benefits from increased construction employment and wages during intertie construction. Each of the route alternatives will also create benefits in the form of long-term electric supply reliability and lower electric costs. The *Old Intertie Route* and *North Routes* are expected to have comparatively high project costs (primarily associated with ROW acquisition). *Option A* would reduce *Old Intertie Route* ROW acquisition costs by moving the ROW further away from the Parks Highway. The *South* and *Rex/South Routes* would achieve the electric reliability benefits, but would require ROW acquisition in rural communities which have opposed routes through the Parks Highway corridor. *Option B* may reduce quality of life impacts in the *Rex/South Route* by moving away from Rex Dome and closer to the Parks Highway ROW. The *Tatlanika Route* minimizes the impact on rural communities and achieves system reliability benefits. None of the alternatives are expected to have an effect on fire suppression costs (T. Kurth, ADNR Division of Forestry - Personal communication, 1997).

3.14 CULTURAL RESOURCES

3.14.1 Affected Environment

Cultural Resources are prehistoric, ethno-historic, or historic properties, sites, objects or districts that reflect past human use of the land. NEPA requires consideration of cultural resources, as does the National Historic Preservation Act of 1966, as amended (NHPA). The NHPA mandates that federally funded, licensed, or permitted actions must afford the federal Advisory Council on Historic Preservation an opportunity to comment on actions that may affect cultural resources. Other key laws that pertain to assessment, mitigation, and preservation of cultural resources and graves include the Archaeological and Historic Preservation Act of 1974, the Archaeological Resources Protection Act of 1979, and the Native American Graves and Repatriation Act of 1990.

The primary source of information for this review was the Alaska Heritage Resource Files, maintained by the Office of History and Archaeology in Anchorage, and published and unpublished sources in the files and library of Northern Land Use Research Inc. Additional sources were examined in archives of the Rasmuson Library at the University of Alaska Fairbanks, the ADNR, the BLM, the Alaska Railroad, the University of Alaska Fairbanks Geophysical Institute, and Usibelli Coal Mine. Information was also obtained from a limited 1994 field survey conducted on BLM, ADNR, Usibelli Coal Mine, and Fort Wainwright lands as part of the EA process for the Northern Intertie. It should be emphasized that no field inspection was done in 1997 as final routes have not yet been determined. Field surveys will undoubtedly be required by appropriate land managers of the final route before NHPA Section 106 requirements will be satisfied. More detailed information on cultural resources in the study area can be found in Appendix J.

The study area contains archaeological and historic sites which span the entire period from the late Pleistocene (ice-age) to present, and includes some of the oldest, most well-documented archaeological sites in North America. Much of the research efforts took place in the vicinity of Healy and adjacent

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. SB 255

Revision Date/Time:
Dept Affected: Natural Resources
Title: PUBLIC LAND PERMITS/HEALY-FAIRBANKS INTERTIE
BRU: Minerals, Land & Water Development
Component: Claims, Permits and Leases
Sponsor: Sen. Pete KELLY
Requestor: SRES
Component No 2460

Expenditures/Revenues (Thousands of Dollars)
Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	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 (fund code)	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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: $ n/a

POSITIONS

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

ANALYSIS: *(Attach a separate page if necessary)*

There is no anticipated fiscal impact associated with implementation of this legislation.

Prepared by: Robert M. Loeffler
Phone : 907-269-8600
Division: Mining, Land and Water
Date : 17-Feb-00
Approved by Commissioner:
John Shively
Date: 2-17-00
Agency: Natural Resources

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SB 255 ~ Best Interest Findings and Permits

TO: House Resource Members
DATE: March 20, 2000

Alaska Conservation Alliance and Alaska Conservation Voters are sister nonprofit organizations dedicated to protecting Alaska's environment through public education and advocacy. Our 40 member organizations represent over 21,000 registered Alaskan voters who use and enjoy state public land for subsistence, commercial and recreational activities. Many of our members actively participate in the public comment process when issues of land use arise. SB 255 would remove the accountability and responsibility that the state has towards its citizens to show that the state is managing our publicly-owned assests properly.

We are opposed to SB 255 for the following reasons:

- **This bill represents a dangerous grant of authority to DNR at the expense of the public's right to know how our land is being managed.** SB 255 is a broad-sweeping reaction to an Alaskan Supreme Court decision that addressed the largest right-of-way permit ever issued by DNR – the permit for the Northern (Healy-Fairbanks) Intertie. The court ruled that, because of the size of the project, the permit was not "functionally revocable" and thus, DNR should perform a best interest finding before deciding whether or not to issue the permit. The court, in essence, was protecting Alaskans' investment in our public lands.
- **Senator Kelly's concern in his March 6th press release that, because of the court decision, every ROW or easement would require a best interest finding is markedly misleading.** The Healy-Fairbanks Intertie project is unique because of its size. The huge majority of ROW permits issued by DNR would not have required a best interest finding under this court decision.
- **This bill creates an exemption from a best interest finding for ALL permits under AS 38.05.850, regardless of size or scope.** This approach is simply not good public policy. Alaskans should expect DNR, when considering permits for big projects, to take the careful look that a best interest finding provides.
- **This bill falls short of required constitutional safeguards**. The public notice provision in section 4 of the CS for SB 255 (RES) attempts to address Article VIII, section 10 of the Alaska Constitution that requires public notice AND other safeguards prior to disposals or leases of state land, or interests in state land. We believe this provision in the CS falls far short of addressing the requirements in the constitution. Simply public noticing a project such as the Healy-Fairbanks intertie, with no requirements for any public hearings or a critical analysis of the merits of the project, is clearly not safeguarding the public interest.

OVER

Although framed as a measure that would protect DNR and developers of projects on state land from an alleged expensive, time-consuming regulatory process, this bill is yet another attack on Alaskans' ability to provide oversight of government actions. SB 255 represents special interest legislation aimed at negating a narrow court decision that had financial implications for the sponsor's family. As such, this legislation should not be supported.

Susan E. Schrader
Conservation Advocate

Library

SB 255

House Resources Committee

March 20, 2000

SB 255 was introduced to deal with a serious problem brought to light in a recent Alaska Supreme Court decision related to best interest findings and land use permits, rights-of-way, and easements issued by the Department of Natural Resources. Passage of SB255 will clarify and confirm that permits issued under AS 38.05.035 are exempt from the best interest finding requirement.

The Alaska Constitution in Article VIII, Section 10 provides *that "no disposals or leases of state lands, or interests therein, shall be made without prior public notice and other safeguards of the public interest as may be prescribed by law."* The Legislature addressed this issue in law in AS 38.05.035 by providing for an exclusion for permits that could be revoked.

Over the years, I fought long and hard to protect the Railbelt Energy Fund until we could get the votes to appropriate those monies to build the northern and southern interties. A stable, reliable, reasonably priced source of energy is the key to any future major development in the railbelt area. In 1993, we passed the most comprehensive energy bill that this state has ever seen. Since the passage of the 1993 legislation, the professional preservationists have used every conceivable effort to delay and stall these projects. Last year, their efforts were directed at the Fairbanks to Healy Electric Transmission Intertie project.

First, the opposition filed in federal court for a 'stay' on the route chosen in the Environmental Impact Statement. The 'stay' was rejected.

Second, they appealed the decision by the federal court. They lost the appeal following a series of additional public meetings.

Third, they filed in Superior Court and asked that the Right-of-Way permit that had been issued by the DNR be revoked. The issuance of the Right-of-Way permit was upheld. This is a tenacious group ..they don't give up easily.

Their last action was to file in the Alaska Supreme Court challenging the Department of Natural Resources for issuing this permit without first "making a best interest finding". Upon reviewing the matter, the Court reversed the decision of the Commissioner of the Department of Natural Resources and remanded the case back to DNR for a best interest finding.

The Court went on to say that when a Power line right-of-way permit is issued for use of state owned property, this is disposing of state land and the permit cannot be issued until a best interest finding has been made. The court cited an old case, Wilderness Society v. Morgan, in which they determined that to be revocable one would have to consider whether the structure could be moved and whether the land could be left in its original condition. The Court concluded that in this case, the permit was not functionally revocable and therefore

was subject to the best interest finding. To comply with the Supreme Court Order, the Department of Natural Resources has undertaken the process of making a best interest finding.

Since 1993, this project has been the subject of the intense scrutiny of a Federal Environmental Impact Statement and a rigorous review by the Department of Natural Resources permitting process. This project has been studied almost to death. There have been hours and hours of public testimony, scores of studies, pages of public and private input, and months of professional review. The result, BLM granted a Right of Way from a point just south of Fairbanks 28 miles west to Wood River. The Army, the federal agency that uses this area, issued a letter of non-objection. The borough also issued a letter of non-objection with one slight route shift.

The Right of Way granted to Golden Valley Electric Association by DNR was from Wood River west to a point 4 miles east of Nenana and then south to Healy. The route was determined by the agencies following multiple hearings, not by Golden Valley Electric.

GVEA needs this new line. They have just enough generating capacity to serve their existing load when everything is running. There is no margin. Any remaining generating capacity that is available to GVEA is located south of Healy. Fairbanks is connected to this additional generating capacity through one single, 33 year old undersized line that is desperately in need of rebuilding. When this line trips during peak demand in winter, power load is lost. This is expensive and unacceptable. It also jeopardizes existing businesses.

The February 22, 1999 decision by the Alaska Supreme Court ordered that the issuance of the permit to Golden Valley Electric Association for the construction of the electric transmission intertie between Fairbanks and Healy was subject to a best interest finding by the Department of Natural Resources. The Court determined that due to the magnitude and intent of the electric transmission intertie project, the project does not meet the requirements of the AS 38.05.035 exemption and therefore ruled in favor of the plaintiffs, the Alaska Center for the Environment and the Sierra Club.

Not to diminish the importance of the Fairbanks to Healy Intertie project, but of even greater concern is that several other major projects in our state have been permitted under our existing statutes; the same statutes that DNR used to issue the permit to Golden Valley. The Court's decision now jeopardizes the

status of these previously issued permits as each of them may, under the Court's logic, constitute a disposal of State land for which a best interest finding (under existing law) would be required. This is why there is a retroactive provision in the bill. These older projects include, but are not limited to, the following:

1. The right-of-way for the power transmission line and related facilities for the Snettisham Power Project from Snettisham to Juneau;

2. The Forced main and marine outfall line right-of-way issued to the City of Klawock;

3. The Right-of-Way issued to Matanuska Telephone Association for 1200 feet of buried communication line on the bottom of Willow Lake;

4. The Right-of-Way issued to Norgasco, Inc. for a gas distribution line in the industrial leased area at Prudhoe Bay; and

5. The Right-of-Way issued to SOHIO (now known as BP Exploration Alaska) for an 11 mile permanent gravel road for access to the Duck Island Unit in conjunction with the Endicott Pipeline.

SB 255 will amend and clarify the legislature's intent as it relates to the issuance of permits by the Department of Natural Resources.