

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

980 SCOMM44: HOUSE POWER ALTERNATIVES STUDY COMM, 1979-80 980

No matter what the increase or decrease in energy consumption will be, the Susitna Project will not come on until the turn of the century. Utility companies will be required to build new power plants to meet the needs before the Susitna could come on line. Susitna power then represents an enormous glut of energy. In order to make the project economically feasible, the Corps will have to find a way to sell the excess power. Their proposed solution is rapid industrialization and the introduction of some highly energy intensive industries to the railbelt. Some of their proposals are a bauxite processing plant, a uranium enrichment plant, mineral processing plants, coal gasification plants, liquid natural gas plants, oil refineries, etc. Not only is this highly speculative (coal gasification plants are not yet a reality), but such industrialization is totally incompatible with the expressed opinions of the majority of Alaskans who do not desire rapid large-scale industrial growth. The Susitna project, in fact, represents a de facto imposition of an accelerated growth plan upon Alaska which is totally contrary to Alaska's desire for planned growth and control over their future. No consideration appears to have been given to the impact which doubling and tripling the population in less than 20 years will have on land use in the railbelt area and the large increase in hunting pressure in the surrounding region and throughout the State, nor to the environmental impact of such large industrialization to the railbelt area.

2. The economic feasibility of the Susitna project is highly questionable.

Even when using the Corps' very conservative cost estimate of \$2.6 billion, economic feasibility has been judged as marginal. The Susitna project would involve two dams, each one larger than the Hoover Dam. The project would be the biggest and most expensive ever attempted by the Corps. It would also be the first large-scale hydro-project ever attempted by the Corps in a subarctic region, an environment notorious for its engineering difficulties. Compounding the engineering problems is the fact that the dam sites will be located in a highly active seismic region. Dealing with such problems can easily lead to significant cost overruns on the project.

The Office of Management and Budget (OMB) has shown that if the Susitna project has a cost overrun of as low as 30%, the benefitcost ratio would be less than unity, making the project economically unfeasible. The Snettisham Dam in Juneau, Alaska, had a cost overrun of 36%, over and above inflation, and it was a much smaller project. A study made for the U.S. Senate showed that large custom engineering projects, such as Susitna, have cost overruns, over and above inflationary costs, of between 50 and 500%. In Alaska the best cost estimates for construction of the oil pipeline, based on all the final environmental stipulations, was \$2.5 billion. The end costs were \$9 billion, a cost overrun of 300%.

Several additional hidden costs have not yet been brought up or discussed by the Corps. For example, the Susitna project is going to be a highly centralized source of electrical energy. The major metro area,

Not for Distribution

Susitna Summary

3/5/79

Re: SJR 6 and SB 63 - Susitna Hydroelectric Project

HISTORY

The Susitna project has a complex history. Ironically, it was originally proposed by the Bureau of Reclamation as an alternative to the Ramparts dam project proposed by the Army Corps of Engineers. The Ramparts vs. Susitna struggle stalemated both projects until some/most of the rivalry between the two competing federal agencies was resolved with a reorganization of responsibilities in 1962. The original estimated cost was \$498 million in 1961, and the project purpose was clearly to expand population and industrialize the railbelt area.

Requests for Susitna studies were reopened in 1972 by Stevens, Gravel and the Alaska Legislature. The Corps requested study funds for FY 74, but the Office of Management and Budget disallowed the funds. In January, 1974, Gravel arranged for \$50,000 in federal monies to update the Corps feasibility study. In the same year an Alaska Power Authority study reaffirmed the project feasibility and desirability, and the Legislature passed a supporting resolution.

Tony Motley chaired an ad hoc review task force which issued recommendations in early 1976. I have not read the recommendations which were part of a February 18, 1976, report to Hammond, but apparently Motley wanted a mechanism established so that state and local government officials could participate with federal officials in the dam design and review.

In 1977 the Alaska Power Authority contracted with the Army Corps of Engineers for a Plan of Study. The \$100,000 contract work was done last year while Gravel attempted to amend the Water Resources Act (PL 94-587) so as to provide a federal reserve of \$25 million to repay/pay the state for Phase I feasibility studies. The amendment failed, caught in the D-2 scramble. So the appropriation this year is meant to take the place of federal funds originally envisioned as initiating the project.

BASIC (AND SIMPLISTIC) DESCRIPTION OF THE PROJECT

The plan, as described in the Corps Plan of Study, is for a two-dam system: 635 ft-high concrete thin arch dam at Devil Canyon; 810 ft-high earth fill dam at Watana, with 365 miles of transmission line to Fairbanks and Anchorage. The dam would deliver 75% of its electricity to Anchorage, 25% to Fairbanks. It would be capable of developing 6.1 billion kilowatt hours annually, "roughly triple the energy consumed in Anchorage and Fairbanks in 1974." The Alaska Conservation Society points out that that means roughly five times the electrical energy consumed in those areas. The cost would be \$2.6 billion, with operations to begin in 1994.

PHASE ONE FEASIBILITY STUDIES

The Phase One feasibility studies (toward which the \$8 million appropriation would go) would cost a minimum of \$24 million, with some estimates going to \$40 million, over a 46 month period. It has three parts:

1. Preliminary screening: would re-examine "the best plan" for the project already identified in 1976 and other possible damsites and dam combinations and heights. Cost: \$4.3 million, time: 7 months.
2. Detailed feasibility studies which would concentrate on the best plan identified in step one. It would yield "firm basis for recommending for or against construction of the project, whether Federally funded, State supported under Section 203, or totally financed by the State of Alaska." Cost: \$16.7 million, time: 25 months.
3. Detailed design studies of any dams, power houses, access roads, transmission lines and substations. Cost: \$3.1 million, time: 14 months.

CONCERNS/ISSUES

1. Lack of an effective oversight/disinterested review. The Corps is doing the feasibility study on the project which means a minimum of 15 years employment for the Corps, if it is built. There was a \$300,000 appropriation last year for Legislative Affairs to review the Corps work; Greg Erickson will testify on the problems he has with that enabling legislation.
2. Lack of examination of alternatives for providing energy. The Susitna project was proposed as an alternative to Ramparts, yet no real examination has been done of alternatives to it.
3. Concern about whether the market for so much power now/will exist, or whether the project in itself will force industrialization and development which might not otherwise have taken place.
4. Geological risks. The dam is presently sited for construction on an earthquake area.

5. Financing.

First, the way the resolution and appropriation bills are now worded we are committing ourselves to financing "the cost of the Phase I feasibility studies," that is, to \$24-40 million. The amount of the appropriation, \$8 million, is only for the first year of Phase I.

Payback: The Legislature passed a similar supportive resolution last year, but it was conditional on the amendment of the U.S. Water Resources Act so as to provide a mechanism for federal payback/pay of the feasibility studies. The Gravel amendment failed, and even under the proposed amendment, payback would have occurred only if the project proves feasible. The current bills do not make state money conditional on federal payback provisions.

Next, there are some major concerns about the total project financing. The feds are phasing out large hydroelectric projects. The Office of Management and Budget has already turned down federal funds for Susitna studies, both in 1974 under the Ford administration and, have issued a detailed request for more information about the project before giving any final approval to Corps participation. The Corps response has not yet been submitted to OMB. Yould testified in the Senate that federal funds for project construction are unlikely, especially because it benefits relatively few people for such a large amount of federal money.

Next, there is apparently some problem about the ability of the Alaska Power Authority to issue revenue bonds for the project. Yould has applied to the Internal Revenue Service for an exemption, allowing APA to issue project bonds, but there has been no ruling yet. We need more information about this area. Establish a reserve using public money is limited to a one year period, according to IRS code.

Budget breakdown: the committee has not been provided with a budget breakdown beyond the major categories for the first year only. This issue is important because the Dept. of Fish and Game has expressed its concern that the amount allotted for biological studies is very inadequate. Skoog writes that the budget level "will, however, sorely impair the level of technical and professional sophistication needed to determine feasibility," and consequently result in our not meeting the requirements of federal law, i.e. the National Environmental Policy Act and the Fish and Wildlife Coordination Act, and thus result in litigation. Skoog says the biological studies budget should be \$5,158,000 while the Corps has allotted \$2,264,000.

Next, the way the resolution and appropriation bills now read, there is no reporting mechanism, nor reporting requirements, although we're asking Legislative Affairs to do a review. Erickson will probably speak to this on Wednesday.

6. Land ownership. Most of the area has been designate a wild and scenic river, but also has been selected by six village corporations and the Cook Inlet Regional Corporation as part of the native lands to be conveyed this August. Tindell, BLM, will speak Wednesday on the status of the lands. This situation is complicated because neither BLM nor the Corps has done a "wetlands" survey yet, and both are charged with protecting "wetlands." We need to find out what the results of such a survey would be for the project. Also some concern has been raised over preservation of Subsistence and Alaskan life styles of both native and nonnative residents from Talkeetna to Nenana.

7. Risks to moose, birds, salmon.

APA Board Meeting

3-30-79

John
Yould, Hinton from 1st SW
MacGuire
Kutherford - intertie feasibility
Stone - Int. Engineering - private sector vs. Corps.

Status with Internal Revenue Service in O.C.

meeting 3/26 - IRS - Wayne Johnson / Hinton, McCall, Whitford
4 other IRS members / Gravel's aide, Yould

IRS - must assume one fund, no arbitrage

4 → general - should forget IRS, finance in way other than revenue bond

Cost of direct funding slightly less than ^{acceptable} IRS alternatives

(20%)
Some chance of turning IRS around

(Yould's rec: delay withdrawing ruling until IRS answers Gravel's letter
don't want IRS ruling finalized
passed by Board action)

Ward
Ullober - Gov's Task Force - alternatives - 8 in app - not favored
wants something to happen
this year.

(rec.)
State financing
private industry
100,000
to assist APA
in studying
bond issue - initial
financial feasibility
study
other methods of
accomplishing
NOT Alternative
study

Gov. favors

GO bond referendum for whole study

enabling legislation - interim loan to general fund to APA
(if election is favorable)

Adm. of
election

intelligible - legislature

Adm. - GO bond election, legislation

Special election.

You'd's concern - would bring out special interests
and not a x-section of Alaska

You'd - interim app to FOG to get environmental studies going
1 million a year

You'd - Corps time-scale for drilling stretched. Might
be able to shorten

Q - state doing it without US help?

APA / private engineering firm / DOT venture

Private consulting firms more sensitive to revenue and market

If healthy growth during 80's - project will be easier
hard to finance without federal guarantees

Feds - will reimburse only if project
is economically, not financially feasible

GO lands v. direct app.

money in one lump, voters have crack at issue.

draft agreement - provides for payments to Natives
for use of lands / environmental studies

You'd - biological study - 1 m

Native, 100,000

APA 100,000 for private alt.

APA 100,000 admin

if GO land
issue

1.3 m. request for Swittha

Susitna

You'd - Would do study - advice from environmental groups
will be done out-of-house

Q - study expense (more than 100,000)
~~study~~ may not be in form/time to influence voters

legislation - wording of bond proposition
Corps or private / or discretion of APA
bonding - for ~~the~~ \$ only, not to whom

also need interim financing (app. 2 million?)
til bonds are sold

Motion:

APA introduce to leg. & recommend a bill

(a) authorizing special election for GO bond
for Phase I study

(b) interim financing until bond sale

(c) leg. appropriate ^{of} 1.3 million for continuation
biological, environmental studies

loan
to be
repaid by
GO if it
passes.

T will get revised cost estimate from Corps

PASSED

*return letter
to me -
Susitna file*

479-3703

Terry Reichardt
SR 20263
Fairbanks, Ak 99701

March 20, 1979

Brian Rogers
Pouch V
Juneau, Ak 99811

Dear Brian:

First, I want to thank you for the hearing in Fairbanks on the Haul Road and for your valuable time afterwards. We tremendously appreciated it. I would like to have written sooner but have been too bogged down with deadlines on other things. I was very dissatisfied and surprised to see Parr's bill come out of Finance, but I do appreciate the efforts that you put into stopping it. If you have any ideas on other things that we might do to stop it or ammend it, please let me know.

Secondly, I want to ask for your help on the Susitna Dam Feasibility Study appropriation bill. Such a committment to the project as this bill makes seems to be a real put-down to the many people who have been working very hard toward a complete energy plan for the State. Such a plan would look at all of our needs and at ALL the possible sources of energy for those needs, including conservation.

Many of us are currently guessing that the cost of the Feasibility study will be around 47 million dollars. A good study of energy alternatives probably wouldn't cost a fourtieth of that price. When it seems that there are so many economic, social and environmental risks with the Susitna project, it would appear that we would have nothing to lose and everything to gain by doing an alternative energy study first.

I'm sure that you already have a fair amount of information on the Susitna, but I wonder if you are aware of some of these points.

The Office of Management and Budget claimed that if the project has more than a 30% cost over-run, the benefit-cost ratio will be less than unity and the project would not then be economically feasible. The Snettisham Dam had a cost overrun of 36% and it is a much smaller project than the Susitna. Most large projects have cost overruns between 50 and 500%. The oil pipeline had a cost overrun of 900%.

★ The Corps used an inflation rate of 6 to 7%. The Capital Move Study used an inflation rate of 8%. The real inflation rate is 9 to 10%. Somebody should ask the Corps why they used such a low rate.

APA's projected energy needs for the railbelt include the Kenai Peninsula and the military. In fact, the Bradley Lake Project should assuage much of the Kenai's energy demand. The military has always generated its own power and will most likely continue to do so. It would not wish to be dependent on such a centralized, vulnerable source.

*Snettisham only selling 1/2 of power to utility
price what twice Corps projected*

The Corps' energy projections for the Fairbanks area have been high so far by 260%. This is because, contrary to their projections, per customer usage in both the residential and the industrial sectors in Fairbanks has been decreasing at a rate of 5.5% per year over the past three years. At the same time, the commercial and industrial sections have been growing by 10%. In fact, last year, the total energy consumption in Fairbanks decreased.

No large-scale hydro-projects have ever been attempted by the Corps in a sub-arctic region before.

Studies have shown that there is an increased use of natural gas for direct home heating in Anchorage, as opposed to the more common use of electricity generated from natural gas. This trend is expected to continue.

To construct single, centralized energy sources for this state is contrary to what we consider to be good energy planning today. Rather, energy sources should be decentralized and varied. There are so many alternatives that need to be looked into. What about encouraging the electrically heated homes in Anchorage to heat directly with natural gas, which use the federal government would approve of? The use of natural gas as a source of electricity is only $\frac{1}{2}$ as efficient as using it directly for home heating, cooking, etc. What about insulating the homes in the Anchorage area better. A tremendous amount of energy could be saved this way, for I am under the impression that most of the homes in the Anchorage area are very poorly insulated due to the fact that in the past, energy has been so very cheap. There appear to be a number of other hydro-sites nearer to Anchorage that have not been properly studied past the point of knowing that they are there.

Although many people find it hard to believe, solar power in Alaska is practical and could be used. Other places in the country that have tried solar as a source of heat have found it to be most economical.

With the Beluga coal fields going to be developed anyway, why should we send it all to Japan? Why not use some of it ourselves?

This project will have to introduce large, energy-intensive industry to Alaska's railbelt. With it, are going to come some big changes for our citizens, much of them in lifestyle. That is a very important consideration to most Alaskans. Alaskans are concerned with lifestyle, perhaps more than citizens of any other state. Before we commit ourselves to something that is going to entail such changes, we should be sure to find out from our citizenry how they feel about it and whether they want such changes.

Finally Brian, there is something that really bothers me about the way this thing has been moving. Did you see the advertisement in the March 10 edition of the Newsminer, paid for by GVEA?

"The all-important Upper Susitna Hydroelectric Project is in danger of being delayed and possibly killed by no-growth obstructionists." etc. Why are some groups so panicked at the idea of thoroughly examining this project and the entire energy problem? You would think that they would be enthusiastic about such a move. Why is this panic arising at a time when it is rumored that the Corps is running out of work and desperately needs a job such as this? Why do we find it so very difficult to get information from APA? Why is it that whenever I talked to the Department of Fish and Game in Anchorage, they tell me that they are very worried about this project and see

the possibility of some severe fish and wildlife problems. I was told that

mac
mb

file - time
starting
idea
Glenallen
Dallert
F. Taylor
Schneider
Muel

they had prepared such testimony for the hearing before the House Resource Committee. However, I have heard rumor that Hammond's Office caught wind of it and, that same day, ordered that such testimony not be given. Consequently, Fish and Game's concerns were not aired and I know of some very angry staff members in the Anchorage office. Maybe these are the kinds of games that are always played over legislation, or maybe these rumors are off-base, but I find it very discouraging as a citizen, to run into these sorts of things when I am so concerned that everybody look at all the factors possible so that we can make this very important decision a good one.

There are a lot of bumper stickers on cars and trucks around town with your name on them Brian, and I recognize many of their owners as people who are concerned that we make good energy decisions. I know that you are concerned about these issues and I sure hope that you can find the opportunity to influence the decision that is made in Juneau this year.

Finally, thank you for being down there in that endlessly, demanding job. I wish that there were more like you willing to do it.

Sincerely yours,



Terry Reichardt

P.S. Thought you might like to see the enclosed

OMB study - compare Railbelt to outside urban areas

!
used industrial levels

QUESTIONS ON THE ECONOMIC FEASIBILITY OF THE SUSITNA PROJECT, ALASKA

PUT FORTH BY THE OFFICE OF MANAGEMENT AND BUDGET

There are a number of areas where additional information on the Susitna Project is needed to provide an adequate basis for assessing its engineering and economic feasibility. These areas are as follows:

1. Watana site geology and test borings

The cost estimates for Watana have been derived without benefit of any test borings at the Watana Site. This is a departure from standard Corps practice, which calls for exploratory drilling at all sites before projects are proposed for authorization. Test borings would provide more reliable data on which to base cost estimates and on which to assess any potential seismic problems. The Watana Site is located near the Susitna fault and also within 50 miles of the Denali fault--an area where major earthquakes have occurred in the past.

2. Contingency estimates

A standard 20% contingency factor was used in arriving at cost estimates. A contingency of 30% could result in reducing the benefit cost ratio to 1. A larger contingency factor could reduce the ratio below unity. The recently completed Snettisham project in Alaska cost 36% more than original estimates, after correction for inflation.

A review of the 20% contingency factor should be undertaken in light of the best existing information on comparable projects and project locations.

3. Area redevelopment benefits

These benefits are a correction for the use of otherwise unemployed labor during construction. Though standard procedures permit this benefit category for power projects, it would seem that such benefits should not be accepted in the Susitna Report because private development for power purposes would produce equivalent benefits.

An evaluation of the validity of the use of ARA benefits in the Susitna Report should be made.

4. Construction schedule

The 11-year construction schedule for the Watana project, based on preliminary inspection of comparable projects, appears to be on the short side. A longer schedule of 14 years appears more reasonable because of (1) normal slippages and (2) a three-year peak construction schedule that calls for more work to be put in place on a single site than the Corps has ever accomplished in similar time periods. This should be reexamined and its effects on the project B/C ratio calculated.

5. Supply estimates

The analysis of the without project condition needs to be expanded considerably to clearly analyze the following:

1. Why, with natural gas projected to be in such short supply, the Anchorage utilities have only contracted for 55% of proved reserves or 25% of estimated ultimate reserves.
2. The sensitivity of the analysis to the collapse of OPEC and the cost of shipping oil to the East Coast.
3. The necessity for an Anchorage-Fairbanks intertie at a cost of \$200-300 M.
4. Scheduling of powerplants and the reduced risk of building small increments.

6. Demand estimates

The analysis of load growth should be more specific with respect to:

1. Increasing use by consumers; and,
2. Increasing number of consumers.
3. Industrial growth, i.e., where does Alaska's comparative advantage lie outside the area of raw materials and government functions?

7. Sensitivity analysis

Power demand should be subjected to a sensitivity analysis to better assess the uncertainties in development of such a large block of power. The typical utility invests on the basis of an 8-10 year time horizon. The Susitna plan has an 11-16 year horizon in face of risks that loads may not develop and the option of wheeling power to other markets is not available. It should be noted that the power demand for Snettisham was unduly optimistic when it was built. This resulted in delays in installing generators. A similar error in a project the size of Susitna would be much more costly and would have a major adverse effect on the project's economics.

STATE
of ALASKA**MEMORANDUM**TO: ☐ All Interested Persons

DATE: 3/22/79

FILE NO:

TELEPHONE NO:

FROM: Eric P. Yould

SUBJECT: Board Meeting of the
Alaska Power Authority

NOTICE OF MEETING

ALASKA POWER AUTHORITY

PLEASE TAKE NOTICE that the Board of Directors of the ALASKA POWER AUTHORITY will hold a public meeting in the Conference Room of the Department of Administration, Labor Relations Board, 10th Floor of the State Office Building, Juneau, Alaska, on Friday March 30, 1979 at 8:30 A.M. for the purposes of: (1) Review and Approval of Minutes of the March 20, 1979 meeting; (2) Consideration of Actions by the Alaska Power Authority relative to initiation of the Susitna Project Feasibility Analysis; (3) Consideration of State Legislation pertinent to actions of the Power Authority; (4) Internal Operations of the Alaska Power Authority; and (5) Any other Business or Action which may properly come before the Meeting.

DATED AT: Anchorage, Alaska
March 22, 1979

ALASKA POWER AUTHORITY

BOARD MEETING

AGENDA

Juneau, Alaska

March 20, 1979

- I. Review and Approval of Minutes of February 14, 1979 meeting in Juneau.
- II. Susitna Considerations
 - A. Alaska Power Authority letter to Department of Energy relative to IRS Ruling Request.
 - B. IRS Ruling Request
 - C. Susitna Position Paper
 - D. Susitna Plan of Finance
 - E. Draft Agreements with Cook Inlet Native Corporations and the U. S. Army Corps of Engineers.
- III. Pertinent Legislation
- IV. Internal Operations of the Alaska Power Authority.

Eric Yould

H. McCall - First SW

E. Wolford

Colonel Yero - Corps

Yould / Board 3-20-78

① OMB favorably disposed
→ but has not approved yet

② Native Corps / BLM - provided stipulations
tentative agreement ready to be signed

9/78 IRS regulations

IRS ^{said} no
APA asked for ruling

3/12 Grovel → state should proceed with direct funding

What can be accomplished this year?

Colnel Fero, Corps - wanted decision by 2/1
discussing going into Devils Canyon by road. after breakup have at DC
if natives get land - go into Watona next winter
if not - helicopter operation

How 8.2 million could be spent in first year

Survey - 1.2 million etc.

or breakdown into FY 79 - 4.3 to 9/79 - no reports yet

FY 80 - 8.6

FY 81 - 8.5

FY 82 - 2.4

Would allow environmental studies to get underway

Is Devils Canyon decent site? No drilling has been done.
Can year program to any funding.
8.2m for 12 months

"Project is still viable with one dam."

DC won't work without Watana

Feel Watana 99% go - need data only for design

— 1st SW
H. McCall - IRS ruling

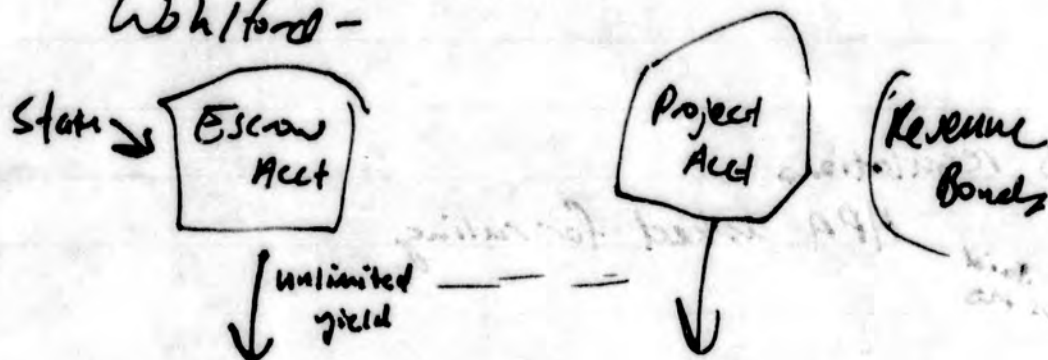
"arbitrary" bonds - not tax exempt

IRS - determines if bonds are

Debt - no income tax bonds to make the project work

IRS not clear on reasons

Whitford -



any plan which takes advantage of any - critique

IRS may ~~page~~ permit any on project acct
modified ruling

project will have no revenues^{franchise} - need higher
rates for taxable bonds

Much more expensive for state to make direct appropriation

Hoping into federal guarantee (still to be passed)

ult. judgement - ability of project to be financed in public bond market

IRS told McCall entire plan is an critique

Various options will now be presented to IRS

Congressional legislation may be introduced to correct this.

APA - 3-20-79

Once direct app. begins, can't use Revenue Bonds

IRS meeting Friday (tent.)

position of Admin. (met 3-13-79)

Bob Ward - if direct app., would not want to proceed
but don't want project to lose time
want add. options explored private engineering firms
leave up to APA for alternate financing through private contractors
Gov. - wants to hear from APA

Possible options

- ① Restructure Revenue Bond Finance
- ② Pursue favorable IRS ruling
- ③ Direct fund to Corps
- ④ " " " Private Eng. Firm
- ⑤ Delay a year
- ⑥ Bond Proposition

Want to work options
through legislative process

- ① good to have financing plan, it feels can back up
staff at APA most favorable to this
- ② Resubmit redesigned plan / probably wouldn't win
- ③ would have to fund full 25 million
- ④ save time, efficiency but couldn't get ~~the~~ guarantee
- ⑤ make section 203 in place before proceeding (Gravel)
cost goes up - utilities want to know
- ⑥ GO for 25 million for vote
lose year or two
off-year prone to influence by special interest groups

Miles - on mood of the legislature

many questions

alternatives?

fox (corps) in the chicken coop

too much power?

legislators are listening to those questions

Mood in House; Mood in Senate is go

★ Cal. Yero - would like to see leg., not Corps or APA
do alternative study

150,000 in budget for alternative

project has been compared to alternatives since 1950's

esp. coal; also gas, oil, other hydropower

use 150 thousand to have alternative, studied,
by someone else

primary issue - How to proceed with financing?

How does alternative #1 differ in bill

acc. of interest important point

must hold in acct, not pay back to state

Differences in risks

May have revenue bond problem which could affect
long-term financing

Could price product out of the market

Very sensitive to varying interest rates.

Timing question - now different for gov. consideration

Coal at 7.5%

Breaker - Wolam only - 8.7%

W+DC - 9.2%

Equal int. for coal

W only - 8.7%

W+DC - excess of 10%

if coal escalates

W - 9%

proposal by
① Board - initiate environmental
let out contract for alternatives
Hold rest of program, e.g. until next year

loss of momentum.

Corps will be doing Bradley Lake, will
have to put equipment back in.

or /

② Get

Results of IRS, quantification of risks under alt. #1,
then make decision - 10 days after IRS revises

leg. under pressure to decide

PASSED

RECEIVED
24 Capital Budget

RECEIVED
OCT 9 1978
BUDGET & MANAGEMENT

FUNDING SOURCE, YEAR, RANK	PROJECT TITLE (Group Projects by State Funding Source)	PROJECT TYPE				LOCATION(S)	ULTIMATE ANNUAL OPERATING COST	AGENCY Appropriation REQUEST	GOVERNORS BUDGET	LEGISLATIVE ALLOWANCE
		CONST	IMPR	EQUIP	LAND					
80-1	Green Lake Hydroelectric Project	X				Sitka	-0-	3,600.0	0	
80-2	Swan Lake Hydroelectric Project	X				Ketchikan	-0-	2,000.0	0	
80-3	Tye or Virginia Lake or Thomas Bay Hydro	X				Petersburg/ Wrangell	-0-	2,000.0	0	
80-4	Terror Lake Hydroelectric Project	X				Kodiak	-0-	2,000.0	0	
80-5	Cordova Hydroelectric Development	X				Cordova	-0-	500.0	0	
80-6	IPD small Hydro Demonstration	X				Anchorage	-0-	60.0	0	
80-7	Bradley Lake Hydroelectric CORPS	X				Homer	-0-	80.0	0	
80-8	Salmon Creek Hydroelectric	X				Juneau	-0-	200.0	0	
80-9	Chakachamna Hydroelectric	X				Anchorage	-0-	200.0	0	
80-10	Anchorage Energy Pooling	X				Anchorage	-0-	120.0	0	
80-11	Mennonite Creek Hydroelectric	X				Port Lions	-0-	90.0	0	
	Gartina Creek Hydroelectric	X				Hoonah	-0-		0	
80-12	Gunnak Creek Hydroelectric	X				Kake	-0-	120.0	0	
	Thayer Creek Hydroelectric	X				Anoon	-0-		0	
	Black Bear Lake Hydroelectric	X				Klawock	-0-		0	
80-13	Larson Bay Hydroelectric	X				Larson Bay	-0-	80.0	0	
	Old Harbor Hydroelectric	X				Old Harbor	-0-		0	
80-14	Lake Elva Hydroelectric	X				Dillingham	-0-	80.0	0	
80-15	Chilkat Hydroelectric	X				Haines	-0-	50.0	0	
80-16	Grant Lake & Crescent Lake Hydroelectric	X				Seward	-0-	70.0	0	
80-17	Kisaralik Hydroelectric	X				Bethel	-0-	80.0	0	
80-18	Assess Kotzebue Hydroelectric	X				Kotzebue	-0-		0	
	Assess Nome Hydroelectric	X				Nome	-0-	80.0	0	
80-19	ALASKA POWER AUTHORITY LOANS	X				STATEWIDE	-0-		3,000.0	
TOTAL							-0-	11,410.0	3,000.0	

getting
443.2k from
contract
in sp. budget

FUNDING SOURCE	FEDERAL RECEIPTS			
	REQUIRED GENERAL FUND			
	OTHER GENERAL FUND	-0-	11,410.0	3,000.0
	INTER-AGENCY TRANSFER			
	OTHER (Specify)			
	G. O. BONDS			

CATEGORY Electrical Energy AGENCY Alaska Power Authority PROGRAM Energy Development

24 CAPITAL BUDGET SUMMARY

00047

Introduced: 2/26/79
Referred: Resources

BY HURLBERT, BRANSON, CARNEY, COTTEN,
FULLER, GUY, HAUGEN, HAYES, MCKINNON,
MALONE, METCALFE, MOSS, MUNSON,
O'CONNELL, OSTERBACK, PARKER, PARR,
PHILLIPS, RANDOLPH, ROGERS, SCHAEFFER,
ZHAROFF AND GARDINER.

1 IN THE HOUSE

2 HOUSE JOINT RESOLUTION NO. 24

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 Relating to studies of hydroelectric
6 potential in rural Alaska.

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

8 WHEREAS electric rates in rural areas of Alaska where diesel generation
9 is required are abnormally high for many reasons, including

10 (1) the high cost of diesel fuel compounded by the very high cost
11 of delivery to rural locations;

12 (2) costs of installing tankage and inventory of fuel for a full
13 year which is often required because of transportation difficulties;

14 (3) lower thermal efficiencies of small diesel plants;

15 (4) high costs of repair because of the requirement of air trans-
16 portation over substantial distances to many locations; and

17 WHEREAS the United States Army Corps of Engineers has funds available
18 and future funds programmed to perform studies of small hydroelectric pro-
19 jects in small communities under the federal Small Hydroelectric Plants
20 program; and

21 WHEREAS utilization of hydroelectric power can largely alleviate the
22 special conditions existing in rural Alaska leading to abnormally high costs
23 of electricity; and

24 WHEREAS sites which may be highly feasible for hydroelectric projects
25 exist in rural Alaska, including the westcentral region, and reconnaissance
26 studies would allow accurate determination of the hydroelectric potential;
27 and

28 WHEREAS the reconnaissance studies are necessary in order that hydro-
29 electric power may be developed to replace or at least supplement the expen-

1 sive and wasteful reliance on diesel power;

2 BE IT RESOLVED by the Alaska State Legislature that the United States
3 Army Corp of Engineers assign the highest possible priority to use of the
4 funds available under the Small Hydroelectric Plants program or other funds
5 which may be available for reconnassiance studies in rural Alaska, including
6 the westcentral region, to define and assess potential hydroelectric sites.

7 COPIES of this resolution shall be sent to Lt. General John W. Morris,
8 Chief of Engineers, U. S. Army Corps of Engineers; to Colonel George R.
9 Robertson, Alaska District, U. S. Army Corps of Engineers; and to the
10 Honorable Ted Stevens and the Honorable Mike Gravel, U. S. Senators, and the
11 Honorable Don Young, U. S. Representative, members of the Alaska delegation
12 in Congress.

Original sponsors: Gardiner and Freeman

Offered: 3/30/79
Referred: Finance

Funding Information

General Fund \$7,365,000
Other Funds -0-
\$7,365,000

IN THE HOUSE

BY THE RESOURCES COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 32

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act making special appropriations to the power project revolving fund of the Alaska Power Authority; and providing for an effective date."

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

* Section 1. The sum of \$3,115,000 is appropriated from the general fund to the power project revolving fund of the Alaska Power Authority (AS 44.56.-170) for costs associated with the Swan Lake hydroelectric project.

* Sec. 2. The sum of \$2,000,000 is appropriated from the general fund to the power project revolving fund of the Alaska Power Authority (AS 44.56.170) for costs associated with the Terror Lake hydroelectric project.

* Sec. 3. The sum of \$250,000 is appropriated from the general fund to the power project revolving fund of the Alaska Power Authority (AS 44.56.170) for costs associated with the Cordova Power Creek hydroelectric project.

* Sec. 4. The sum of \$2,000,000 is appropriated from the general fund to the power project revolving fund of the Alaska Power Authority (AS 44.56.170) for costs associated with the Tyee Lake hydroelectric project.

* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-070(c).

*passed House
will be voted on by Senate this weekend
Committee - do pass*

Passed leg., being read by Governor

Original sponsors: Zharoff, Anderson,
Branson, et al

Offered: 4/5/79
Referred: Rules

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 30

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 Relating to the sale of revenue bonds
6 of the Alaska Power Authority for the
7 Terror Lake hydroelectric generating
8 project at Kodiak, Alaska, and for
9 the Solomon Gulch hydroelectric
10 generating project near Valdez,
11 Alaska.

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

13 WHEREAS the State of Alaska has funded a feasibility study for the
14 Terror Lake hydroelectric project in the Kodiak Island Borough through money
15 loaned from the Alaska Power Authority power project revolving fund and the
16 water resources revolving fund in the amount of \$520,000; and

17 WHEREAS the completed study shows that the hydroelectric project is
18 feasible; and

19 WHEREAS the Alaska Power Authority has submitted to the legislature and
20 to the governor a statement of its recommendations for financing the hydro-
21 electric project, as required in AS 44.56.180(b), and a statement outlining
22 the general design, demonstration of financial feasibility, and maximum
23 amount of revenue bonds necessary for the project; and

24 WHEREAS according to statements by the authority, it is to finance the
25 project only through the issuance of revenue bonds and may not construct,
26 acquire, or own the project; and

27 WHEREAS the statements by the authority provide that the project is to
28 be designed, acquired, and constructed by the Kodiak Electric Association
29 under an agreement with the authority which shall provide that the authority

1 have ownership rights in the project only as may be necessary to secure the
2 payment of the principal and interest on revenue bonds issued for the pro-
3 ject; and

4 WHEREAS the statements submitted to the governor and to the legislature
5 fully satisfy the conditions set out in AS 44.56.180 which must be satisfied
6 before the adoption of this resolution; and

7 WHEREAS the cost to be incurred in financing the project will require
8 the issuance of revenue bonds of the authority in a presently estimated
9 amount not to exceed \$120,000,000; and

10 WHEREAS it is considered to be in the best interests of the state that
11 revenue bonds of the authority be issued to finance the cost of the project;
12 and

13 WHEREAS the Copper Valley Electric Association, Inc. has received a
14 Federal Energy Regulatory Commission license for the Solomon Gulch hydro-
15 electric generating project near Valdez, Alaska, and construction has begun
16 on the project; and

17 WHEREAS initial financing for the project has been secured from other
18 sources but it is considered in the public interest to finance a portion of
19 the project from the proceeds of the sale of revenue bonds of the Alaska
20 Power Authority; and

21 WHEREAS the Alaska Power Authority has submitted to the legislature and
22 to the governor a statement of its recommendations for financing a portion of
23 the Solomon Gulch hydroelectric project, as required in AS 44.56.180(b), and
24 a statement outlining the general design, demonstration of financial feasi-
25 bility, and maximum amount of revenue bonds necessary for that purpose; and

26 WHEREAS, according to statements by the authority, it is to finance a
27 portion of the project only through the issuance of revenue bonds and is not
28 to construct, acquire or own the project; and

29 WHEREAS the statements by the authority indicate that the project is to

1 be designed, acquired, and constructed by the Copper Valley Electric Associ-
2 ation under an agreement with the authority which shall provide that the
3 authority have ownership rights in the project only as may be necessary to
4 secure the payment of the principal and interest on revenue bonds issued for
5 the project; and

6 WHEREAS the statements submitted to the governor and to the legislature
7 fully satisfy the conditions set out in AS 44.56.180 which must be satisfied
8 before the adoption of this resolution; and

9 WHEREAS the cost to be incurred in financing a portion of the project
10 will require the issuance of revenue bonds of the authority in a presently
11 estimated amount not to exceed \$20,000,000; and

12 WHEREAS it is considered to be in the best interests of the state that
13 revenue bonds of the authority be issued to finance a portion of the cost of
14 the project;

15 BE IT RESOLVED that the Alaska State Legislature approves the general
16 design of the Terror Lake hydroelectric project in the Kodiak Island Borough
17 and the sale of revenue bonds by the Alaska Power Authority in an amount not
18 to exceed \$120,000,000 to pay the costs of the project; and be it

19 FURTHER RESOLVED that the Alaska State Legislature approves the general
20 design of the Solomon Gulch hydroelectric project near Valdez, Alaska, and
21 the sale of revenue bonds by the Alaska Power Authority in an amount not to
22 exceed \$20,000,000 to pay the cost of a portion of the project.

Introduced: 2/26/79
Referred: Resources

BY HURLBERT, BRANSON, CARNEY, COTTEN,
FULLER, GUY, HAUGEN, HAYES, MCKINNON,
MALONE, METCALFE, MOSS, MUNSON,
O'CONNELL, OSTERBACK, PARKER, PARR,
PHILLIPS, RANDOLPH, ROGERS, SCHAEFFER,
ZHAROFF AND GARDINER.

1 IN THE HOUSE

2 HOUSE JOINT RESOLUTION NO. 24

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 Relating to studies of hydroelectric
6 potential in rural Alaska.

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

8 WHEREAS electric rates in rural areas of Alaska where diesel generation
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10 (1) the high cost of diesel fuel compounded by the very high cost
11 of delivery to rural locations;

12 (2) costs of installing tankage and inventory of fuel for a full
13 year which is often required because of transportation difficulties;

14 (3) lower thermal efficiencies of small diesel plants;

15 (4) high costs of repair because of the requirement of air trans-
16 portation over substantial distances to many locations; and

17 WHEREAS the United States Army Corps of Engineers has funds available
18 and future funds programmed to perform studies of small hydroelectric pro-
19 jects in small communities under the federal Small Hydroelectric Plants
20 program; and

21 WHEREAS utilization of hydroelectric power can largely alleviate the
22 special conditions existing in rural Alaska leading to abnormally high costs
23 of electricity; and

24 WHEREAS sites which may be highly feasible for hydroelectric projects
25 exist in rural Alaska, including the westcentral region, and reconnaissance
26 studies would allow accurate determination of the hydroelectric potential;
27 and

28 WHEREAS the reconnaissance studies are necessary in order that hydro-
29 electric power may be developed to replace or at least supplement the expen-

1 sive and wasteful reliance on diesel power;

2 BE IT RESOLVED by the Alaska State Legislature that the United States
3 Army Corp of Engineers assign the highest possible priority to use of the
4 funds available under the Small Hydroelectric Plants program or other funds
5 which may be available for reconnassiance studies in rural Alaska, including
6 the westcentral region, to define and assess potential hydroelectric sites.

7 COPIES of this resolution shall be sent to Lt. General John W. Morris,
8 Chief of Engineers, U. S. Army Corps of Engineers; to Colonel George R.
9 Robertson, Alaska District, U. S. Army Corps of Engineers; and to the
10 Honorable Ted Stevens and the Honorable Mike Gravel, U. S. Senators, and the
11 Honorable Don Young, U. S. Representative, members of the Alaska delegation
12 in Congress.

Energy costs

(A copy of the following was submitted as a Letter to the Editor).

P.O. Box 73312
Fairbanks

Representative Bill Miles
Co-Chairman, Resources
Pouch V
Juneau

Dear Representative Miles:

I was sorry to hear, via the teleconference call on Susitna appropriations, that your Energy Policy Committee had "self destructed." I thought that the booklet you published explaining the issues and options facing our state as we formulate an energy policy was an excellent start at citizen participation in this important area of public policy. I firmly believe that an informed citizenry is essential today for rational energy planning. After all, energy is the issue which most directly affects Alaskans. The ways we obtain it, how much we use, and the trade-offs we make to get and use energy has much to do with the kind of life we are allowed to live in this state. For these reasons I had high hopes for the Energy Policy Committee. I certainly hope that it can be revived, or can rise again in some similar form.

Nowhere is the necessity for energy planning more obvious than in the Susitna hydro project. From the teleconference the other day you no doubt learned that there is quite a diversity of opinion on the desirability of large-scale generation facilities for Alaska.

It's apparent to nearly everyone that Alaskans need power. More specifically, we need warm homes, hot water, and transportation. As I see it, the task of the Legislature is to investigate how we might get these desired things with the least cost possible.

The benefit of the Susitna hydro project is clear: electricity for our homes, if we happen to live in the railbelt area. The cost of this electricity will be far-reaching. Among the costs are:

Reduced credit rating for Alaska (which means we may have to choose between state funded development projects)

The loss of thousands of acres of land, and the resources on or under that land

Increased cost of electricity, per kilowatt hour

Changes in our way of life

This last point needs some clarification. I believe that Susitna will invite drastic changes in our lifestyle by virtue of the fact that the project will produce more electricity than we can immediately be able to use. This is especially true considering that during the oil crisis people have been struggling to get by with less energy, thus serving the energy they do

trend is unmistakeable, and tends to make suspect old growth forecasts which comfortably predict ever-increasing demand at a more or less predictable level. If we accept that Susitna will produce more power than we can immediately consume we need to ask what will become of the excess.

Electricity is a power source that can't be stored. Once produced it needs to be used. I'm afraid that Susitna will undeniably create the "need" for industry in the railbelt, in much the same way that inflated growth projections are creating the need for Susitna. The trend of consumptive habits could just as easily swing the other way. A commitment by the state to put an equivalent amount of money into conservation of energy could result in foreclosing the necessity of having to bring Susitna on line.

I believe that the state ought to be fostering an attitude of conserving energy, rather than proposing to build a facility which will encourage over-consumption. As much of the rest of the country has discovered, perpetuating the myth of abundance is, in the end, a cruel joke.

There's little doubt that we could have all the electricity our homes could consume—and then some. I urge you to work to find out the answer to the more important question; are Alaskans willing to pay for it.

Sincerely,
Mark Baumgartner

Cabins lost

Let's be sure

SR 20263
Fairbanks

Dear Editor:

I am writing about an advertisement that was placed in the March 10th paper by GVEA. The ad claimed that the Susitna Hydropower Project is being delayed by "no-growth obstructionists." I think it is very sad that we have come to the point when groups such as GVEA feel compelled to divide all interests into the good guys and the "no-growth obstructionists." Is this the basis on which our state-wide decisions are to be made?

The people that I know who are concerned about these dams (each one bigger than the Hoover or Coulee) are physicists, engineers and geologists who would not look kindly at being called "no-growth obstructionists." And the delays being caused on this project mostly seem to be due to APA and the Army Corps of Engineers' not having done their homework.

So far, the Army Corps' projections for Fairbanks appear to have been too high by 260%, the financial viability of the project is questionable and the bill itself has been found to be in violation of an IRS law.

I am thankful that a few people in Juneau are concerned about how our money is spent. I would think that GVEA would also be concerned that we not commit ourselves to a project that could end up driving our energy costs up instead of down.

Before we commit millions of dollars to the first phase of this many billion dollar project, let's take a really critical look at what our needs are and what all our possible solutions to them are.

These huge dams are like quicksand. Once you get in you can't get out. That's fine if we want to be in, but we'd better be sure. If GVEA, APA and the Corps really know what they are talking about and are convinced that these dams are the answer to our problems, then they shouldn't mind the questions that are arising. Instead of lobbying with inflammatory dogma, they should be answering the questions and presenting facts. If they can't, then they should go back and do their homework.

Sincerely yours,
Terry Reichardt

#6 N-M
321-79

Look closely at hydro proposals

The Susitna Dam project is presently undergoing intensive resuscitation efforts by local business interests, GVEA, the Hon. Mike Gravel et al. Those of us who are labeled as 'stumbling blocks to progress' might not be forced into so negative a stance if the advocates of measures authorizing projects which impact heavily on the public interest would be more critical and demanding of facts and honest evaluations of costs vs. benefits. The typical attitude of the promoters of such schemes is: "Don't confuse me with facts. My mind is made up."

Even to plead for time in which the true facts can be assembled, and the long-range consequences assessed is suspected of being mere obstructionism. It would be interesting to go back through recent history and to document the instances where projects hastily conceived and executed have resulted in environmental and financial catastrophe.

I think of one off-hand: the Teton Dam. Opposed early on by critics who pointed out that the geologic formations created hazards to such a dam, it was pushed through to completion in total disregard for these factors, and finally gave way, with terrible consequences in human lives lost, farms and other investments destroyed, and a huge bill

Celia
Hunter



for clean-up and restitution incurred.

The casualness with which the boosters of the Susitna Dam project dismiss the earthquake hazard of the Susitna fault lying only five miles below the dam site brings echoes of other equally vehement protestations about the safety of other construction operations. We can believe what we want to believe, but such an attitude has its problems—trouble is, it's always the public that pays, not the promoters. We pay for the building and financing, and we pay over and over again for the unwise use of scarce resources, whether financial, or wildlife, or environmental or human.

Alaskans today are massing support for moves away from being controlled from afar, but this movement seems to be highly selective, aimed only at the federal government represented by the

National Park Service and the U.S. Fish and Wildlife Service, the supposed 'preservationist' agencies. Meanwhile the Trojan horse carrying subjugation and total dependency on outside forces is being wheeled into their midst, where it is greeted with cries of joy and celebration. How can anyone with any understanding of the implications such an enormous project brings with it fail to comprehend the inevitable loss of personal freedoms and the economic and energy options we forego from such a move?

We would have all our eggs in one basket. It has been pointed out repeatedly that such total dependence on an integrated system is a major weakness in the Lower 48, witness the disastrous New York City blackouts, and less massive but equally threatening power failures elsewhere in the country. Amory Lovins, and many other energy experts argue logically and persuasively for development of a system of smaller, self-sustaining power supplies, which insure communities against such calamities. We need to study carefully our options for providing additional power in small increments, including an assessment in depth of some 30 smaller hydroelectric power sites within the railbelt area.

The power from a Susitna dam may

be virtually all surplus to local needs when it comes on stream many years from now. Our present and future power needs must be met somehow by smaller incremental units in the meantime, and these in themselves may prove quite sufficient to handle our power demands, especially as increased prices slows projected requirements. After all, one reason given by GVEA for cancelling Healy No. 2 was that electrical power use here had failed to reach projected demands.

The message I'm attempting to convey here is simple: let's look before we leap. And especially let's look before we take hard-to-come-by tax dollars to shore up a faltering project which its chief sponsor, Sen. Mike Gravel, admits has "tenuous economic viability" (story in News-Miner 3/13: "IRS ruling called threat to Fairbanks power plans.")

That "tenuous economic viability" is sufficient cause to reject the Susitna Dam project. In addition to that fundamental issue, we have the slipperiness of projected power demands, primarily developed by a self-serving agency, the Alaska Power Authority, which is overstepping its original charge when created, and is now planning and promoting power development projects in general, and

the Susitna Dam in particular. Alaska desperately needs to do some comprehensive planning of realistic energy needs and resources, rather than jumping from one crash program to another, attempting to bail out a faltering economy with enormous public works programs, such as the Susitna Dam.

We need more time—and by we, I mean the Alaskan citizen and taxpayer—before we buy into the Susitna Dam, whether for \$8 million, or \$25 million, or to be saddled with the entire cost, which undoubtedly will escalate out of sight due to cost overruns as these projects inevitably do. We need to take a hard look at the effects such a quantum jump in available energy will have on individual independence and self-reliance, as well as its effects on our communities.

Furthermore, I object to my rural electrification association—GVEA—buying newspaper space to promote state financing support of this project. It's easy to label the opposition as "no-growth obstructionists" as they do in their ads—sounds great and gets instantaneous positive reaction from some local residents—but it takes more than labels to determine what the public good really is. Let's get the facts—first!

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Corps holds out hope for Susitna

JUNEAU (AP)—Although funding has bogged down, the U.S. Army Corps of Engineers says it still can accomplish a full year of Susitna River dam studies beginning about May 1.

But the Corps says lack of snow cover will not permit ground access to one of the two sites proposed for the hydroelectric dams.

Meanwhile, top state officials huddled here Tuesday in an effort to resolve federal roadblocks to the state's financing method for the \$25 million feasibility study.

The officials reached no decisions, other than to return to the Internal Revenue Service and hope for a more favorable ruling.

Alaska Power Authority officials earlier told the governor and Legislature that this year's proposed "phase one" feasibility studies would be in jeopardy if the project wasn't started before breakup.

But Corps Col. Jim Fero outlined a new work schedule at the meeting.

"We feel the project is salvageable for this year, just by re-arranging our schedule," he said.

The future of the studies is still uncertain, with both the administration and the state House waiting to see if financing problems can be straightened out before throwing support behind continuing the studies this year.

The project has been on hold since IRS recently informed the Alaska Power Authority that it couldn't use an \$8 million appropriation from the Legislature to back the sale of revenue bonds to pay for the studies.

The power authority's directors, plus lawmakers and other officials, met to debate what to do about the four-year study for the \$2.6 billion project in the wake of the IRS ruling.

The \$8 million appropriation had the support of Gov. Jay Hammond and had

already cleared the Senate at the time of the ruling. But House Resources Committee Co-Chairman Bill Miles, D-Anchorage, told the power authority meeting that the House has numerous questions about the proposal and has adopted a "show me" attitude.

State Transportation Commissioner Robert Ward told the meeting that the governor's Susitna task force was unenthusiastic about pushing the dam studies appropriation through the Legislature if the revenue bonding plan falls through.

"If direct appropriation is the only alternative, there was reluctance expressed that the task force would not want an \$8 million appropriation to compete with other capital needs this year," he said.

But he said the new work plan presented by the Corps, and the

(See SUSITNA, page 7)

war?

3.21.79 FL N-M

SUSITNA . . .

(Continued from page 1)

possibility that some revenue bonds still might be used for the project are important considerations in the administration's view.

Tax consultants said the initial IRS ruling didn't necessarily preclude a modified financing plan, and they believe tax-free bonds may be allowed to pay for at least part of the studies.

The power authority discussed alternatives for getting the study money—including simply writing a check to the Corps or private engineering firm—but decided to wait

for about two weeks while tax experts talk again with IRS.

The Bureau of Land Management is apparently going to let the Corps haul equipment to the Devil Canyon site on an old Bureau of Reclamation trail, Fero said.

Devil Canyon site is about 20 miles from the other dam site—Watana—and equipment and people could be ferried between the sites, he said.

JUPITER . . .

(Continued from page 1)

Avon
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a bond tion allot?

MARY SHINOHARA
Bureau Chief
A special election this
voter approval of an
25 million general
sale for Susitna dam
studies was proposed
by the Hammond
on and the Alaska
ity board.
is legal doubt that a
ation bond sale can be
dies without knowing
actual project will
n Condon, deputy state
eral, told The Daily

DOUBTS that you can
study a matter when
w if the project is going
ondon said. He said the
ave to be decided by a

authority board voted
ecommend the special
r it became clear that
d not approve an earlier
ance the studies with
evenue bonds.

ld, power authority
rector, said he and tax
net with IRS officials in
Monday in an attempt to
compromise but the
als were unrelenting in
ion to the plans.

WARD, state Transpor-
artment commissioner
ber of the governor's
ask force, said the
on supports the special
posal assuming it is
looked upon favorably
ature.

resources Committee
ill Miles said he thinks
has a chance of passing
re. "It's such a major
omething so important to
nd Southcentral," Miles

he spectre of tripling gas
uthcentral and fuel shor-
1980s make continuation
studies an important
legislature.

President Clem Tillion
e dam studies, but said
like the idea of a special

rather just appropriate
I think \$4 million would
the first year of the
hase I study program for
" Tillion said.

n to the special election,
nued on Page 2)

•Dam bonds

(Continued from Page 1)

the Power Authority board also
decided to ask the legislature for an
appropriation of about \$1.3 million,
primarily for biological studies
which will take a full four years.

CHUCK BEHLKE, board chair-
man, said it is believed that at least
that amount of work must be perfor-
med this year to keep the \$2.6 billion
hydropower project on schedule.
Lost time is big dollars on this
project, he said.

Engineering feasibility studies,
which had also been proposed this
year, can probably be speeded up
once voters approve the general
obligation bonds, Behlke said.

U.S. Army Corps of Engineers,
which carried out initial dam studies
before its funding ran out, believes
the engineering work cannot be
expedited enough to keep the project
on track, Behlke said, but
traditionally such work can be com-
pressed, he said.

U.S. Sen. Mike Gravel, D-Alaska,
is working for congressional
approval of legislation that would
have the federal government pick up
the tab for the feasibility studies. If
the federal government does that,
the studies would have to be per-
formed by the Corps of Engineers. The
Power Authority board is not com-
mitted to using the Corps, however.

ations

Kevin's side

March 9, 1979

Dear Editor:

I feel it's unfair of your newspaper to state that my letter on the Susitna project was "not the first time Harun has used stationery with a borough letterhead." I did not use a borough letterhead to write on Susitna. What in fact I did, was express my concerns on Susitna as one Borough Assemblyman, using the borough as a typewritten return address.

I consider it one of my roles on the assembly to speak out on issues which affect our community. I've done this on countless issues, ranging from the Department of Transportation's harassment of local homesteaders to the Army Engineers prohibitions on local wood cutting. My stands on these issues have not received as much prominence.

Enclosed is a copy of my letter on Susitna feasibility studies which I'd like to request you to publish.

Some borough assembly members have chosen to "lobby" for their personal views by traveling at taxpayer expense to Palm Springs, Honolulu and Juneau. I prefer to express my concerns by mail and at my own expense.

Very sincerely,
Kevin Harun

(Editors Note: The following is the letter Assemblyman Kevin Harun sent to Juneau.)

Fairbanks North Star Borough
Box 1267
Fairbanks, Alaska

Dear legislator:

I am hoping you have the guts to stand up and choose a different energy path for Alaska than that chosen by the lower 48.

I know the Susitna hydropower project may seem attractive, because with one fell political swoop this project appears to provide a solution to our urban electrical needs. Hydropower projects can certainly have many positive benefits, but Susitna is not our only hydro possibility. By committing such a large expenditure to feasibility studies for Susitna is to make a tacit commitment to this project. For not only would approval of this large feasibility study neglect the study of decentralized alternatives (of which there are dozens), but this study would

also commit us to the project if we ever wanted our state money back.

Susitna is the largest hydro project ever proposed by the Corps of Engineers in the history of the United States. At a time when many urban and rural Alaskans are seeking to maintain the freedoms of decentralized governmental and economic systems, Susitna provides a large force to centralize power production in the railbelt area. Many of us are trying to develop our resources and communities in such a way that we can engender greater self-sufficiency rather than plugging into more centralized ways of living.

And who will benefit primarily from this project? The Alaska Power Authority and the Corps have used grossly inflated growth projections to justify this project. The lowest growth pattern cited by the APA projects a quadrupling of energy usage per capita over the next 15 years. While this estimate seems extremely unrealistic, our local utilities will still have to construct new power plants to meet what needs exist before Susitna comes on line. When Susitna comes on line, existing power plants would not be dismantled. The net result will be large amounts of excess power to attract highly energy intensive industries to the railbelt. Rather than attracting such large energy intensive industries, we should be developing smaller-scale decentralized industries to promote local self-sufficient economies.

Sure, hydropower is good, but Susitna is too easy of an answer. I strongly urge you to look at energy alternatives with the same vigor as Susitna is being pursued. I urge you to vote no on the Susitna feasibility study.

Very sincerely,
Kevin Harun
Borough Assemblyman

A. News 3-21-79 p.1

Susitna Dam plan turnabout

By ROSEMARY SHINOHARA
Our Juneau Bureau Chief

JUNEAU — The U.S. Army Corps of Engineers did a turnabout Tuesday, saying it can accomplish a full year of Susitna River Dam studies beginning around May 1, even though the lack of snow cover will not permit ground access to one of the proposed dam sites.

Those involved in the dam studies told the governor and legislature earlier this year that a year's work would be in jeopardy if the project was not begun before the spring thaw.

COL. JIM FERRO of the Corps of Engineers outlined a new work schedule Tuesday, and said, "We feel the project is salvageable for this year, just rearranging our schedule."

The future of the \$25 million study project is still in a muddle, however, with both the administration and the state House waiting to see if financing problems can be straightened out before they renew support for continuing the dam studies this year.

The project has been on hold since the IRS nearly two weeks ago infor-

med the Alaska Power Authority that it could not use an \$8 million appropriation from the legislature to back the sale of revenue bonds that would pay for the studies.

THE POWER authority's board of directors met Tuesday to debate what to do about the four-year feasibility study for the \$2.6 billion hydropower project in the wake of the IRS ruling.

The \$8 million appropriation was half-way through the legislature at the time of the ruling, and had the support of the governor.

Robert Ward, commissioner of the state Department of Transportation, told the power authority board Tuesday that the governor's Susitna task force was unenthusiastic about pushing the dam studies appropriation through the legislature if the revenue bonding plan falls through.

"**IF DIRECT** appropriation is the only alternative, there was reluctance expressed that the task force would not want an \$8 million appropriation to compete with other needs for the capital this year," Ward said.

But he said the new work plan presented by the Corps of Engineers Tuesday, and the possibility that some revenue bonds still might be used for the project are important considerations in the administration's view.

"The administration supported it once, and I don't know why they wouldn't again if these elements fall into place," he said.

TAX CONSULTANTS for the power authority say the initial IRS

(Continued on Page 20)

• Susitna Dam plan

(Continued from Page 1)

ruling did not specify what part of the state plan was unacceptable, and they believe tax-free bonds may be allowed to pay for at least part of the studies.

Representatives of the power authority are hoping that Sen. Mike Gravel, D-Alaska, will be able to set up a meeting for them with top IRS officials late this week or early next week.

The power authority board discussed about half a dozen alternatives for obtaining funds for the studies, but finally decided to wait another 10 days to two weeks while tax experts explore the situation with the IRS.

FERRO TOLD the board that the Corps, given the money, would be able to keep the studies on schedule in spite of the spring thaw because the federal Bureau of Land Management is apparently going to allow an old bureau of reclamation trail into the Devil's Canyon Dam site to be upgraded and used to haul equipment in.

The Devil's Canyon site is 20 miles from the Watana site, and the equip-

ment and people could be ferried from one site to the other, Ferro said.

Access over land would not be allowed to the Watana site because it is a roadless area and is subject to restrictions under the wilderness provisions of the BLM Organic Act.

FERRO PRESENTED an alternative plan for spending only \$4.3 million this year. He said if that plan is followed, the engineering studies would not be kept on the "critical path" for completion on time, but environmental studies would.

He also said it would permit the Corps to find out if Devil's Canyon is an appropriate site for a dam. "There's never been a hole drilled there." About three holes need to be drilled at the site to see if the rock is suitable for the huge hydropower project, he said.

Holes were drilled at the Watana site last winter, and it appears to be "a very sound site," Ferro said. "At Watana, we feel we're a 99 percent go."

But Ferro emphasized his belief that the project could not be kept on schedule if only \$4 million is spent this year.

Index

Alaska Living .. 5-7	Money	10
Am Landers	Obituaries	19
Bridge	Opinion	4
Comics	Sports	11-12
Crossword	Television	8
Jack Anderson .. 20	Want Ads	17-19

Rain

Rain today, letting up for a while in the afternoon and continuing again tonight and Thursday. High today near 40. Low tonight near 35. Outlook for Friday is mostly cloudy and cooler. More weather information on Page 20.

Gravel, Stevens clash again over d-2

By LAURIE MCGINLEY

Of Our Washington Bureau

WASHINGTON — Accusing Sen. Ted Stevens of breaking a pledge to remain neutral, Sen. Mike Gravel Tuesday said Stevens had persuaded a coalition of 20 western senators not to endorse Gravel's Antiquities Act repeal bill.

But Stevens angrily disrupted both claims, contending he had never agreed to remain neutral and had not tried to discourage the coalition from backing the bill.

"THE COALITION wanted to know my opinion and I told them," Stevens said. "And that was it. I did not meet separately with any of its members on this issue."

Gravel's bill would greatly reduce the president's powers under the 1906 Antiquities Act,

the law used by President Carter. It would be retroactive to mid-October, thus nullifying the president's Alaska withdrawals.

Though he supports the bill "in principle," Stevens opposes its introduction now, fearing it would detract from efforts to get an acceptable Alaska lands bill.

GRAVEL HOPED to pick up the western senators' support because of the vast tracts of federal land in western states. The coalition's endorsement would have meant an automatic 20 co-sponsors, enough to "really get this thing moving," he said.

Now, Gravel said, he will have to solicit each senator for his individual support.

The Alaska Democrat made his pitch for the coalition's backing at a traditionally off-the-

record meeting last Wednesday, five days after he and Stevens reportedly struck a tenuous peace agreement at a summit conference in Anchorage.

ACCORDING TO a tape recording of the meeting Gravel made available to a reporter, the senator told his western colleagues the president could "thwart the will of Congress" on water policy or other projects by simply creating national monuments.

Replying to a question from coalition co-chairman, Sen. Paul Laxalt, R-Nev., Stevens said, "If the bill at all waters down our attempts to get an acceptable d-2 bill through Congress, I'm opposed to it."

The Republican senator said his goal was "to get this blasted land issue settled". He pointed out

(Continued on Page 20)

(Continued from Page 1)

that once a d-2 bill is enacted, the Antiquities Act withdrawals are "dead."

SEVERAL senators voiced support of the concept of Gravel's bill, but like Stevens, questioned the timing and its chance of passage right now.

In an interview Tuesday, Gravel claimed he left the meeting convinced the coalition would endorse the bill. He said a day or two later after he sent the documents to Laxalt's office, the Nevada senator told another senator the coalition had decided not to back the bill because "Stevens had made it a partisan issue."

But Tuesday, through his press secretary, Laxalt denied that he had blamed Stevens. "The coalition decided to stay out of it because the senators can't agree," the press aide said, "so I guess it's as much Gravel's fault as Steven's. If both could agree to defer action on the Antiquities Act repeal bill, the coalition would back that. If they would agree to go with the bill, the coalition would back that."

THE DISPUTE about the western coalition once again points up the differing recollections the two Alaska senators have of the recent meeting in Anchorage, where they met with Gov. Jay S. Hammond and several state legislators about d-2 strategy.

According to Stevens, Hammond, and Reps. Terry Gardiner, Sam Cotten, Joe Hayes, Sally Smith, and Sen. Mike Colletta, the leaders decided passage of the d-2 bill introduced by Rep. Jerry Huckaby, D-La., was the state's first priority.

In addition, said a letter circulated by the officials, "no one will take any action, including efforts toward a repeal of the national Antiquities Act in the House, that is detrimental to the state's priority strategy of passage of the Huckaby bill or a better version of the Huckaby bill . . ."

But Gravel Tuesday said the state's first priority should be repeal of the Antiquities Act, "so people won't lose their jobs this summer."

Improved Alaska lands legislation is the second priority, he said. Any other strategy is "preposterous," he claimed.

(JUNEAU) -- THE HOUSE RESOURCES COMMITTEE WAS TOLD TODAY (TUESDAY)

JB25

UNBX SE29

UNBX

ALASKA ALASKA

SUSITNA DAMS

(JUNEAU) -- A KENAI LAWMAKER SAYS THE STATE SHOULD INVESTIGATE ALTERNATIVES BEFORE COMMITTING ITSELF TO THE PROPOSED TWO-POINT-SIX BILLION DOLLAR SUSITNA HYDROELECTRIC PROJECT.

HUGH MALONE TODAY (MONDAY) CALLED FOR AN INDEPENDENT EVALUATION OF OTHER ENERGY POSSIBILITIES BEFORE; IN HIS WORDS: "THE TAXPAYERS GO ON THE HOOK FOR TWO-POINT-SIX BILLION."

THE HOUSE RESOURCES COMMITTEE STARTED HEARINGS ON A SENATE-PASSED BILL TO PROVIDE EIGHT-MILLION DOLLARS IN STATE FUNDS FOR FEASIBILITY STUDIES ON THE DAMS. THE HEARINGS WILL CONTINUE THIS WEEK.

MALONE SAYS FURTHER STUDY COULD DETERMINE IF THE SUSITNA PROJECT IS BETTER THAN THIRTY OTHER IDENTIFIED HYDROELECTRIC SITES; USING POWER GENERATED FROM THE BELUGA COAL FIELDS OR ANY OTHER ALTERNATIVES.

MALONE - HOUSE SPEAKER IN THE LAST LEGISLATURE - SAID THAT LEGISLATURE INTENDED STUDY OF THE ALTERNATIVES.

ENVIRONMENTALIST JIM BRENNAN URGED A YEAR'S DELAY IN THE FEASIBILITY STUDY FUNDING. BRENNAN IS PRESIDENT OF THE ALASKA CENTER FOR THE ENVIRONMENT; BUT SAYS HE WAS SPEAKING AS A CONCERNED CITIZEN.

HE SAYS LAWMAKERS SHOULD WAIT FOR COMPLETION OF A CORPS OF ENGINEERS STUDY ON THE PROJECT. HE SAYS THAT STUDY COULD PROVIDE A NEWER COST ESTIMATE AND ANSWER OTHER QUESTIONS.

JN 3-5

JB26

UNBX SE29

UNBX

ALASKA ALASKA

Gravel - 3/12/79

You'd  Corps → possible federal guarantee
private - no fed support
can it for this year

Gravel - I can get guarantee eventually / grandfather right

By IRS refusal - project is economically unfeasible
triggers federal payback mechanism

Ruling hurts ability of Authority.

IRS ruling on technique for Switna

IRS - doesn't want see state app. put into pot for securing project
want bonds secured by project

Are trying to shut down revenue bond market

New scheme - direct app. to APA, then to Corps

Legislative FY79 8m / FY80 7.2m
(budget timing out of phase)

Gov's Task Force - Hold back a year & see what happens

Gravel - \$ needed for momentum

Economics only question

Switna's problems - new financing device - controversial

(Term. project under attack)

Jim - tax exemption doesn't matter
for full project, affects project's viability

Need economic evaluation before deciding on project - should go

tax exemption (IOB)

hydro projections → gas line

(Carter's support on your side)

Gravel - timing of payback - up to two years

Momentum on Sudan

Gravel's idea - watching the way the Corps were used
in Saudi Arabia

local utility decisions

(Gravel is fully behind project - wants to see it going)

("National environmentalists have put this on their hit list.")

⇒ "They'll get it any way they can."

Kertulla - ^{environmentalist} tradeoffs - wanted ^{Delili Canyon} it during Ramparts

Gravel - they always look to next approach
site's only use would be for hydro

⇒ "boulders of gov't strewn with greenies."

RECEIVED
24 Capital Budget

RECEIVED
OCT 9 1978

BUDGET & MANAGEMENT

BUDGET & MANAGEMENT

FUNDING SOURCE, YEAR, RANK	PROJECT TITLE (Group Projects by State Funding Source)	PROJECT TYPE				LOCATION(S)	ULTIMATE ANNUAL OPERATING COST	AGENCY Appropriation REQUEST	GOVERNORS BUDGET	LEGISLATIVE ALLOWANCE
		CONST	IMPR	EQUIP	LAND					
G.F.										
80-1	Green Lake Hydroelectric Project	X				Sitka	-0-	3,600.0	⊖	
80-2	Swan Lake Hydroelectric Project	X				Ketchikan	-0-	2,000.0	⊖	
80-3	Tye or Virginia Lake or Thomas Bay Hydro	X				Petersburg/ Wrangell	-0-	2,000.0	⊖	
80-4	Terror Lake Hydroelectric Project	X				Kodiak	-0-	2,000.0	⊖	
80-5	Cordova Hydroelectric Development	X				Cordova	-0-	500.0	⊖	
80-6	IPD small Hydro Demonstration	X				Anchorage	-0-	60.0	⊖	
80-7	Bradley Lake Hydroelectric CORPS	X				Homer	-0-	80.0	⊖	
80-8	Salmon Creek Hydroelectric	X				Juneau	-0-	200.0	⊖	
80-9	Chakachamna Hydroelectric	X				Anchorage	-0-	200.0	⊖	
80-10	Anchorage Energy Pooling	X				Anchorage	-0-	120.0	⊖	
80-11	Mennonite Creek Hydroelectric	X				Port Lions	-0-	90.0	⊖	
	Gartina Creek Hydroelectric	X				Hoonah	-0-		⊖	
80-12	Gunnak Creek Hydroelectric	X				Kake	-0-	120.0	⊖	
	Thayer Creek Hydroelectric	X				Angeon	-0-		⊖	
	Black Bear Lake Hydroelectric	X				Klawock	-0-		⊖	
80-13	Larson Bay Hydroelectric	X				Larson Bay	-0-	80.0	⊖	
	Old Harbor Hydroelectric	X				Old Harbor	-0-		⊖	
80-14	Lake Elva Hydroelectric	X				Dillingham	-0-	80.0	⊖	
80-15	Chilkat Hydroelectric	X				Haines	-0-	50.0	⊖	
80-16	Grant Lake & Crescent Lake Hydroelectric	X				Seward	-0-	70.0	⊖	
80-17	Kisaralik Hydroelectric	X				Bethel	-0-	80.0	⊖	
80-18	Assess Kotzebue Hydroelectric	X				Kotzebue	-0-	80.0	⊖	
	Assess Nome Hydroelectric	X				Nome	-0-		⊖	
80-19	ALASKA POWER AUTHORITY LOANS	X				STATEWIDE	-0-		3,000.0	
TOTAL							-0-	11,410.0	3,000.0	

getting
443.2K for
contracted
in go budget

FUNDING SOURCE	FEDERAL RECEIPTS				
	REQUIRED GENERAL FUND				
	OTHER GENERAL FUND	-0-	11,410.0	3,000.0	
	INTER-AGENCY TRANSFER				
	OTHER (Specify)				
	G. O. BONDS				

CATEGORY Electrical Energy AGENCY Alaska Power Authority PROGRAM Energy Development

24 CAPITAL BUDGET SUMMARY

00047

ALASKA POWER AUTHORITY
PLAN OF FINANCE

\$47,000,000 ALASKA POWER AUTHORITY
REVENUE BONDS

*Original Finance
Plan - Impact of
interest earned
on Escrow Fund
Returning to the
General Fund,*

USE OF PROCEEDS

Feasibility Study Funds	\$24,092,000
Capitalized Interest (8 years @ <u>6%</u>)	22,560,000
Cost of Issuance	<u>348,000</u>
	<u>\$47,000,000</u>

ESCROW FUND

<u>March 1</u>	<u>Deposits to Escrow Fund (1)</u>	<u>Fund Balance (2)</u>
1979	\$ 8,178,000	\$ 8,178,000
1980	7,444,000	15,622,000
1981	7,880,000	23,502,000
1982	590,000	24,092,000
1983		24,092,000
1984		24,092,000
1985		24,092,000
1986		24,092,000
1987		24,092,000
	<u>\$24,092,000</u>	

(1) From State or Federal appropriations.

(2) Assumes interest earnings on Escrow Fund
are transferred to the State of Alaska Gen-
eral Fund and/or to the U.S. Treasury.

ALASKA POWER AUTHORITY
PLAN OF FINANCE
(CONT'D)

BOND FUND

<u>March 1</u>	<u>Fund Balance*</u>	<u>Interest Earned @ 9% and Transferred to Project Fund</u>
1979	\$22,560,000	
1980	19,740,000	\$2,030,400
1981	16,920,000	1,776,600
1982	14,100,000	1,522,800
1983	11,280,000	1,269,000
1984	8,460,000	1,015,200
1985	5,640,000	761,400
1986	2,820,000	507,600
1987	-0-	253,800
		<u>\$9,136,800</u>

*Fund balance reduced by the interest payments on the Revenue Bonds (\$2,820,000 per year).

PROJECT FUND

<u>March 1</u>	<u>Beginning Fund Balance</u>	<u>Less: Funds Expended on Feasibility Study</u>	<u>Plus: Interest Earned @ 9% on Project Fund Balance</u>	<u>Plus: Transfers from Bond Fund</u>	<u>Ending Fund Balance</u>
1979	\$24,092,000	\$ 8,178,000			\$15,914,000
1980	15,914,000	7,444,000	\$1,432,260	\$2,030,400	11,932,660
1981	11,932,600	7,880,000	1,073,939	1,776,600	6,903,139
1982	6,903,139	590,000	621,283	1,522,800	8,457,222
1983	8,457,222		761,150	1,269,000	10,487,372
1984	10,487,372		943,863	1,015,200	12,446,435
1985	12,446,435		1,120,179	761,400	14,328,014
1986	14,328,014		1,289,521	507,600	16,125,135
1987	16,125,135		1,451,262	253,800	17,830,197
		<u>\$24,092,000</u>	<u>\$8,693,457</u>	<u>\$9,136,800</u>	

ALASKA POWER AUTHORITY
PLAN OF FINANCE
(CONT'D)

ANALYSIS

<u>March 1</u>	<u>Escrow Fund Balance</u>	<u>Bond Fund Balance</u>	<u>Project Fund Balance</u>	<u>Total</u>	<u>Par Excess (Deficiency)</u>
1979	\$ 8,178,000	\$22,560,000	\$15,914,000	\$46,652,000	\$ (348,000)
1980	15,622,000	19,740,000	11,932,660	47,294,660	294,660
1981	23,502,000	16,920,000	6,903,139	47,325,139	325,139
1982	24,092,000	14,100,000	8,457,222	46,649,222	(350,778)
1983	24,092,000	11,280,000	10,487,372	45,859,372	(1,140,628)
1984	24,092,000	8,460,000	12,446,435	44,998,435	(2,001,565)
1985	24,092,000	5,640,000	14,328,014	44,060,014	(2,939,986)
1986	24,092,000	2,820,000	16,125,135	43,037,135	(3,962,865)
1987	24,092,000	-0-	17,830,197	41,922,197	(5,077,803)

(insurance expense)

ALASKA POWER AUTHORITY
PLAN OF FINANCE

\$47,000,000 ALASKA POWER AUTHORITY
REVENUE BONDS

USE OF PROCEEDS

Feasibility study funds	\$24,092,000
Capitalized interest (8 years @ 6%)	22,560,000
Costs of Issuance	<u>348,000</u>
	<u>\$47,000,000</u>

*Original
Finance
Plan - Interest
earned on appropriated
funds remains in the
Project Fund.*

ESCROW FUND

<u>Date</u>	<u>Deposits to Escrow Fund*</u>	<u>Fund Balance</u>	<u>Interest Earned @ 8% and Transferred to Project Fund</u>
3-1-1979	\$ 8,178,000	\$ 8,178,000	
3-1-1980	7,444,000	15,622,000	\$ 654,000
3-1-1981	7,880,000	23,502,000	1,249,000
3-1-1982	590,000	24,092,000	1,880,000
3-1-1983		24,092,000	1,927,000
3-1-1984		24,092,000	1,927,000
3-1-1985		24,092,000	1,927,000
3-1-1986		24,092,000	1,927,000
3-1-1987		24,092,000	1,927,000
	<u>\$24,092,000</u>		<u>\$13,418,000</u>

* From State or Federal appropriations.

ALASKA POWER AUTHORITY
PLAN OF FINANCE
(CONT'D)

BOND FUND

<u>Date</u>	<u>Fund Balance*</u>	<u>Interest Earned @ 8% and Transferred to Project Fund</u>
3-1-1979	\$22,560,000	
3-1-1980	19,740,000	\$1,804,000
3-1-1981	16,920,000	1,579,000
3-1-1982	14,100,000	1,353,000
3-1-1983	11,280,000	1,128,000
3-1-1984	8,460,000	902,000
3-1-1985	5,640,000	676,000
3-1-1986	2,820,000	451,000
3-1-1987	-0-	225,000
		<u>\$8,118,000</u>

* Fund balance reduced by the interest payments on the Revenue Bonds (\$2,820,000 per year).

PROJECT FUND

<u>Date</u>	<u>Beginning Fund Balance</u>	<u>Funds Ex- pended on Feasibility Study</u>	<u>Interest Earned @ 8% on Project Fund Balance</u>	<u>Transfers from Escrow Fund</u>	<u>Transfers from Bond Fund</u>	<u>Ending Fund Balance</u>
3-1-79	\$24,092,000	\$ 8,178,000				\$15,914,000
3-1-80	15,914,000	\$ 7,444,000	\$ 1,273,000	\$ 654,000	\$ 1,804,000	12,201,000
3-1-81	12,201,000	7,880,000	976,000	1,249,000	1,579,000	8,125,000
3-1-82	8,125,000	590,000	650,000	1,880,000	1,353,000	11,418,000
3-1-83	11,418,000		913,000	1,927,000	1,128,000	15,386,000
3-1-84	15,386,000		1,230,000	1,927,000	902,000	19,445,000
3-1-85	19,445,000		1,555,000	1,927,000	676,000	23,603,000
3-1-86	23,603,000		1,888,000	1,927,000	451,000	27,869,000
3-1-87	27,869,000		2,229,000	1,927,000	225,000	32,250,000
		<u>\$24,092,000</u>	<u>\$10,714,000</u>	<u>\$13,418,000</u>	<u>\$ 8,118,000</u>	

ALASKA POWER AUTHORITY
PLAN OF FINANCE
(CONT'D)

ANALYSIS

Under the above assumptions, the balance in the Escrow Fund would be \$24,092,000 at the maturity of the Revenue Bonds, with \$32,250,000 in the Authority's Project Fund. If the project is feasible and refunding bonds are sold, the balance in the Escrow Fund (\$24,092,000) plus the interest earned thereon (\$13,418,000) would be returned to the State or Federal Government, leaving \$18,832,000 in the Authority's Project Fund. If the project is deemed unfeasible, the Revenue Bonds will be paid first, from the \$32,250,000 in the Project Fund and second, from \$14,750,000 in the Escrow Fund, leaving \$9,342,000 to be returned to the State or the Federal Government.

	ESCROW FUND.	End Fund	PROJECT FUND.	TOTAL.
3-1-79				
80	8,178	22,500	15,914	46,652 (341)
81	15,622	19,700	12,201	47,563
82	23,502	16,920	8,125	48,547
	24,092	14,100	11,418	49,610
		11,250	15,386	50,958
		8,400	12,405	
		5,600	27,603	
		2,820	27,809	54,781
		-0-	22,250	56,342 → 13 1/2 %

ALASKA POWER AUTHORITY
PLAN OF FINANCE

\$59,000,000 ALASKA POWER AUTHORITY
REVENUE BONDS

USE OF PROCEEDS

Feasibility Study Funds (Sept. 77)	\$24,092,000	
Inflation Adjustment (17 mos. @ .83%)	3,400,000	
Contingency (10%)	<u>2,750,000</u>	
Project Funds		\$30,242,000
Capitalized Interest (8 years @ 6%)		28,320,000
Cost of Issuance		<u>438,000</u>
		<u>\$59,000,000</u>

ESCROW FUND

<u>March 1</u>	<u>Deposits to Escrow Fund (1)</u>	<u>Fund Balance (2)</u>
1979	\$ 8,178,000	\$ 8,178,000
1980	7,444,000	15,622,000
1981	7,880,000	23,502,000
1982	590,000	24,092,000
1983		24,092,000
1984		24,092,000
1985		24,092,000
1986		24,092,000
1987		24,092,000
	<u>\$24,092,000</u>	

(1) From State or Federal appropriations.

(2) Assumes interest earnings on Escrow Fund are transferred to the State of Alaska General Fund and/or to the U.S. Treasury.

ALASKA POWER AUTHORITY
PLAN OF FINANCE
(CONT'D)

BOND FUND

<u>March 1</u>	<u>Fund Balance*</u>	<u>Interest Earned @ 9% and Transferred to Project Fund</u>
1979	\$28,320,000	
1980	24,780,000	\$ 2,548,800
1981	21,240,000	2,230,200
1982	17,700,000	1,911,600
1983	14,160,000	1,593,000
1984	10,620,000	1,274,400
1985	7,080,000	955,800
1986	3,540,000	637,200
1987	-0-	318,600
		<u>\$11,469,600</u>

*Fund balance reduced by the interest payments
on the Revenue Bonds (2,820,000 per year).

PROJECT FUND

<u>March 1</u>	<u>Beginning Fund Balance</u>	<u>Less: Funds Expended on Feasibility Study</u>	<u>Plus: Interest Earned on Project Fund Balance</u>	<u>Plus: Transfers from Bond Fund</u>	<u>Ending Fund Balance</u>
1979	\$30,242,000	\$ 7,740,000			\$22,502,000
1980	22,502,000	7,444,000	\$ 2,025,180*	\$ 2,548,800	19,631,980
1981	19,631,980	7,880,000	1,766,878*	2,230,200	15,749,058
1982	15,749,058	1,028,000	1,417,415*	1,911,600	18,050,073
1983	18,050,073		1,083,004**	1,593,000	20,726,077
1984	20,726,077		1,243,564**	1,274,400	23,244,041
1985	23,244,041		1,394,642**	955,800	25,594,483
1986	25,594,483		1,535,669**	637,200	27,767,352
1987	27,767,352		1,666,041**	318,600	29,751,993
		<u>\$24,092,000</u>	<u>\$12,132,393</u>	<u>\$11,469,600</u>	

*Assumes 9% rate of interest.

**Assumes 6% rate of interest.

ALASKA POWER AUTHORITY
PLAN OF FINANCE
(CONT'D)

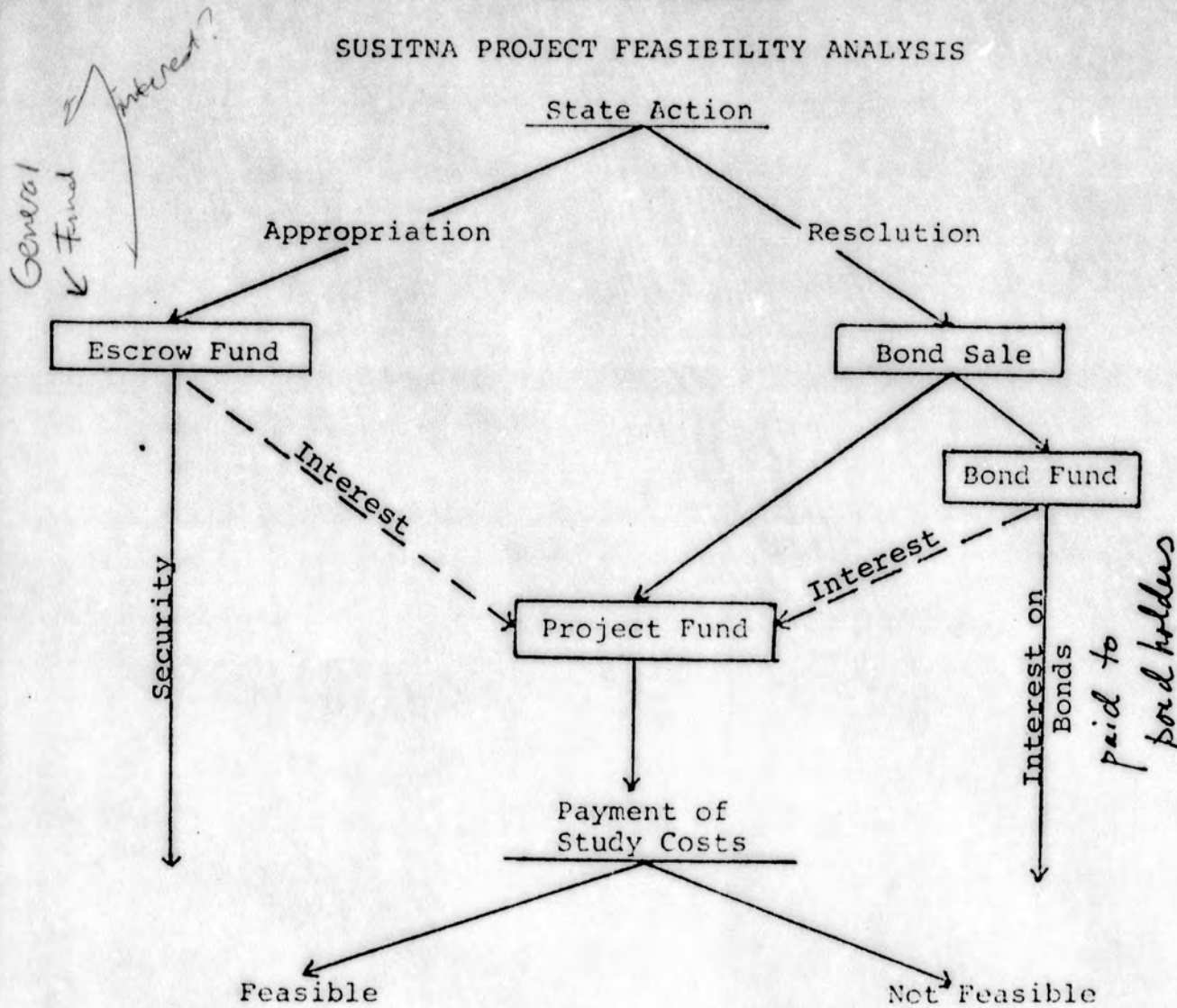
ANALYSIS

<u>March 1</u>	<u>Escrow Fund Balance</u>	<u>Bond Fund Balance</u>	<u>Project Fund Balance</u>	<u>Total</u>	<u>Par Excess (Deficiency)</u>
1979	\$ 8,178,000	\$28,320,000	\$22,502,000	\$59,000,000	\$ -0-
1980	15,622,000	24,780,000	19,631,980	60,033,980	1,033,980
1981	23,502,000	21,240,000	15,749,058	60,491,058	1,491,058
1982	24,092,000	17,700,000	18,050,073	59,842,073	842,073
1983	24,092,000	14,160,000	20,726,077	58,978,077	(21,923)
1984	24,092,000	10,620,000	23,244,041	57,956,041	(1,043,959)
1985	24,092,000	7,080,000	25,594,483	56,766,483	(2,233,517)
1986	24,092,000	3,540,000	27,767,352	55,399,352	(3,600,648)
1987	24,092,000	-0-	29,751,993	53,843,993	(5,156,007)

APA's plan

PLAN OF FINANCE

SUSITNA PROJECT FEASIBILITY ANALYSIS



Bond Holders Paid from
Income of Refunding Revenue
Bonds

Bond Holders Paid from
Balance of the Project
Funds and a Portion of
the Escrow Fund

State Repaid Principal from
Escrow Fund and Interest
from Balance of Project Fund

State Repaid from
Balance of the Escrow
Fund after Revenue Bonds
are Paid

MEMORANDUM

The purpose of this memorandum is to summarize the proposed plan of finance for the funding of Phase I (feasibility study) of the Susitna Hydroelectric Project. This proposal is based on the following basic assumptions:

1. The Authority has no funds of its own to finance the feasibility study.
2. The State is not obligated to finance the feasibility study.
3. No Federal funds for the feasibility study or arrangements therefor have been obtained to date.
4. The Authority has no revenues with which the Bonds may be secured.

The Authority would first request an appropriation by the Alaska legislature of an amount of money at least equal to the projected costs of the feasibility study to be incurred prior to the commencement of the succeeding legislative session. Concurrently with the granting of the requested initial appropriation, the Authority would issue its interim financing bonds (the "Bonds") in an amount which, together with projected interest earnings, is estimated to be sufficient (1) to pay the total costs of the feasibility study during the entire four to six year study period, (2) to capitalize total interest on the Bonds to maturity, and (3) to pay costs of issuance of the Bonds.

The proceeds of the Bonds, less costs of issuance thereof, would be deposited (1) in a Feasibility Study Fund in an amount which, together with projected interest earnings on the Feasibility Study Fund, Bond Fund and Reserve Fund, would be sufficient to pay the total costs of the feasibility study, (2) in a Bond Fund in an amount sufficient to capitalize interest on the Bonds for 8 years, and (3) in a Reserve Fund in an amount not larger than 15% of the principal amount of the Bonds. The Bonds would be term bonds with an 8 year maturity. Interest on the Bonds would be payable semiannually during the term. The Bonds would be callable at any time at par and accrued interest, which would require that the Bonds be sold by private placement directly with commercial banks at a negotiated rate of interest. The monies placed in the Feasibility Study Fund, the Bond Fund and the Reserve Fund would be invested in U.S. Government obligations maturing not later than the date on which such monies are anticipated to be needed. All investment income would be deposited in the Feasibility Study Fund.

The Bonds would be issued under and secured by a Trust Indenture or similar instrument. The Bonds are to be secured by revenues and other funds of the Authority, Federal funds made available for such purpose, refunding bond proceeds, or if necessary,

proceeds of then existing appropriations of the State legislature, appropriately escrowed for such purpose. If the project is determined to be feasible from an engineering and financial standpoint, refunding bonds could be issued.

The initial annual appropriation by the legislature would be placed in escrow with a bank (probably the "lead" bank purchasing the largest portion of the Bonds). The amount placed in escrow would be invested in U.S. Government obligations maturing not later than the dates on which such monies are anticipated to be needed. Interest earnings on the escrow would be used for the same purposes as the monies in the Feasibility Study Fund. Under the escrow agreement, the funds held in escrow would be used first to the extent necessary, to retire and/or redeem the Bonds and second, returned to the general fund of the State if not so used. To the extent Federal funds are not available, each subsequent annual session of the legislature would be requested to appropriate an amount of money at least equal to the costs of the feasibility study to be incurred during the ensuing year. Such annual appropriations would, again, be deposited in escrow and administered accordingly.

The Feasibility Study Fund would be used to pay the costs of the feasibility study as required. However, withdrawals from the Feasibility Study Fund cannot exceed a cumulative amount equal to the balance held in escrow plus the amount of investment income deposited in the Feasibility Study Fund. If Federal Funds are not available, withdrawals of money from the Feasibility Study Fund will continue to fund the feasibility study to the extent the legislature makes appropriations. If such State appropriations or Federal funds are not forthcoming, or if the feasibility study determines that the project is not feasible, the provisions of the Bonds would require the Authority to call the Bonds for redemption. Upon being so called for redemption, the Bonds would be paid first, from the funds available in the Feasibility Study Fund, Bond Fund and Reserve Fund and second, to the extent necessary, from the funds held in escrow. Any funds remaining in escrow would be returned to the State.

The entire structure of the financing of the feasibility study is designed to assure the purchasers of the Bonds that the interest and principal of the Bonds will be paid whether the project is determined to be feasible or not. If the project is determined to be feasible, the principal of the Bonds will be paid from revenues and other funds of the Authority or the proceeds of refunding Bonds. If the project is determined to be not feasible, the principal of the Bonds will be paid by application of the unexpended funds in the Feasibility Study Fund, Bond Fund and Reserve Fund, together with the funds of the State held in escrow. In either case, the interest on the Bonds is paid by application of the interest capitalized out of the proceeds of the Bonds.

The State's exposure is limited to its appropriations held in escrow which, at any given time, consists only of the appropriations made to date. Such limited exposure is contingent upon an unfavorable feasibility report or the inability of the Authority to sell project permanent financing revenue bonds to retire or refund the Bonds or to reim-

burse the State for its appropriations to the extent actually drawn upon by the Authority should the project be determined feasible, and in either event, to the extent Federal funds are not available. The State would have no obligation to continue appropriations.

This plan has been designed to be flexible enough to maintain the time schedule of the Susitna study, while allowing the Federal government to replace the State in this structure at any time.

James H. Kerley, Jr.

11-1-78

Introduced:
Referred:

IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

SENATE JOINT RESOLUTION NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - FIRST SESSION

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

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

WHEREAS the Alaska Power Authority under AS 44.56.180 has submitted to the legislature and to the governor a statement outlining the necessary feasibility studies of the project which is planned to be designed, and may be acquired or constructed, by the United States under an agreement providing for ownership of the project by the authority; and

WHEREAS the statement and the Plan of Study submitted to the legislature and to the governor are together considered to in all respects fulfill the requirements contained in AS 44.56.180(b) that the Alaska Power Authority complete a reconnaissance study and submit a financing plan containing its recommendations for financing the Phase I studies, as well as the statements required by AS 44.56.180(c) regarding general design, financial feasibility, maximum amount of bonds and appropriations necessary and its intentions as to whether the authority or the United States should design, acquire, construct, finance and own the Susitna Hydroelectric Project; and

WHEREAS the Congress of the United States, on October 23, 1976, enacted P.L. 94-587, the Alaska Hydroelectric Power Development Act, which Act authorized the Secretary of the Army and the U. S. Army Corps of Engineers to participate in the Susitna Hydroelectric Project; and

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

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

WHEREAS it is considered to be in the best interests of the State of Alaska to proceed at this time with Phase I of the project through the use of Alaska Power Authority sponsored financing; and

WHEREAS legislative approval of project construction is required if project feasibility and desirability result from the study process conducted under Phase I activities;

BE IT RESOLVED that, based on the plan outlined in the statement of the Alaska Power Authority and the Plan of Study submitted to the legislature and to the governor, the legislature approves the incurring of indebtedness by the Alaska Power Authority in such maximum amount as may be necessary to finance the cost of the Phase I feasibility studies of the Susitna Hydroelectric Project, including interest, and approves an agreement between the authority and the U. S. Army Corps of Engineers providing for the Phase I feasibility studies, including partial design of the project; and be it

FURTHER RESOLVED that Phase I studies must provide for substantive public involvement throughout the study process; and be it

FURTHER RESOLVED that the Legislative Affairs Agency shall conduct or contract for an independent review, in consultation with the Alaska Power Authority, based on existing data, of the economic, financial, biological and geophysical implications of the proposed Susitna Hydroelectric Project, and shall report to the legislature by January 15, 1980.

(c) Before making any loans, except loans made under (f) of this section, from the power project revolving fund, the authority shall by regulation specify the standards for those loans with respect to the following:

(1) criteria regarding the eligibility of borrowers and of types of projects;

(2) standards regarding the technical and economic viability and revenue self-sufficiency of eligible projects;

(3) interest rates and other terms and conditions, and collateral or any other security required for loans; and

(4) other relevant criteria, standards, or procedures.

(d) Any loan made by the authority must be made according to the standards, criteria, and procedures established by regulation under this section.

(e) Repayment of the loans shall be secured in such manner as the authority determines is feasible to assure prompt repayment under a loan agreement entered into with the borrower. The authority may forgive repayment of loans made for reconnaissance studies if the study shows that a project is not feasible. Under a loan agreement, repayment may be deferred for 10 years or until the project for which the loan is made has achieved earnings from its operations sufficient to pay the loan, whichever is earlier.

(f) Projects for which loans are outstanding from the water resources revolving loan fund (AS 45.86) on July 13, 1978 may receive additional funding from the power project revolving loan fund for a term not exceeding 50 years and at an interest rate of not less than three nor more than five per cent a year on the unpaid balance. Repayment of loan principal and interest shall commence on the date of commercial operation of the project funded by the loan or 10 years from the date the loan is granted, whichever is earlier. (§ 1 ch 278 SLA 1976; am § 16 ch 156 SLA 1978)

Effect of amendment. — The 1978 amendment, effective July 13, 1978, added the language beginning "and which shall be composed" to the end of subsection (a), rewrote subsections (b) and (c), redesignated subsection (d) as subsection (e), added present subsection (d), added the present second sentence of present subsection (e), and in the present third

sentence of subsection (e), inserted "for 10 years or", substituted "for which the loan is made" for "with respect to which a loan is made," and added "whichever is earlier" to the end. The amendment also deleted former subsection (e), which defined "eligible borrower," and added subsection (f).

Article 5. General Provisions.

Section

180. Assessment, proposal, and construction of projects

210. Appropriations and reports

Section

224. Long-term plan

230. Definitions

Sec. 44.56.180. Assessment, proposal, and construction of projects.

(a) The authority shall, for each new project, determine the most appropriate means by which to finance a project which may include, but is not limited to,

(1) the issuance of revenue bonds;

(2) a guarantee of indebtedness by the Alaska Permanent Fund Corporation in accordance with AS 37.13.200;

(3) an appropriation from the general fund; or

(4) any combination of (1), (2), and (3) of this subsection.

(b) Upon completion of the reconnaissance study, the authority shall submit to the governor and the legislature a statement of its recommendations for financing each new project. The financing plan may include a recommendation for a guarantee of indebtedness or a general fund appropriation only when necessary to supplement private financing in order to make a project financially feasible. If the recommended financing for the project includes a guarantee of indebtedness by the permanent fund or an appropriation from the general fund, the legislature must first give its approval by joint resolution before the authority may proceed with the engineering or design phase of the project. The legislative approval required in this subsection may not be considered the approval required under AS 37.13.230 for granting of a permanent fund guarantee.

(c) The authority shall submit a statement outlining the general design, demonstration of financial feasibility, and maximum amount of bonds and appropriations estimated to be necessary for each new project to the governor and the legislature, together with a statement that the authority intends to design, acquire, construct or finance the project itself or that it intends that the project be designed, acquired, constructed or financed by the United States or another person under agreement with the authority which may provide for ownership of all or a portion of the project by the authority or of a right to the capacity of it. If the legislature adopts a joint resolution approving the general design and maximum amount of bonds, the authority shall, in accordance with the terms of the joint resolution, (1) proceed to design, acquire and construct the new project, or (2) agree with the United States or other person for design, acquisition and construction of the project by the United States, for payments to the United States or other person for such design, acquisition and construction, reimbursement by the United States or other person in certain events, and otherwise on the terms and conditions as may be set out in such agreement.

(d) If the new project is to be designed, acquired and constructed by the authority, it shall be designed, acquired and constructed as a public work of the state. For the purpose of this section a new project does not include (1) an addition or modification to an existing project if the total cost of the addition or modification does not exceed \$1,000,000; (2) any repair or reconstruction of a project; or (3) any design, acquisition or construction necessary to complete a project for which bonds previously authorized by the legislature have been issued. Any such addition, modification, repair, reconstruction, design, acquisition or construction may be undertaken by the authority without any of the approvals necessary for a new project.

(e) Any power project proposal requiring approval by the legislature under this chapter, except on projects with a complete reconnaissance study on July 13, 1978, together with supporting data, analyses, and

→ Susita

3/10

Current status (likely)

Will need straight appropriation from legislature
something less than 8 million

— basic point

2 to 3 extra months for competitive work

First Southwest
would

APA attempting to get permission for whole project.

Expert witnesses to look

at first year
Return at end of Phase I studies

Alternatives - go / no go, being

Southwest overcapacity

Pacific Alaska LNG

- ① Clearly level app. on 1st year
- ② Comparison study

comparisons

→ Ask for first-year report

④ growth rates
⑤ inflation / cost
⑥ overruns
" till runs
measure of feasibility

Market - not easy to raise \$ for project
official \$s - can do it
more - ?

Mark W.

RECEIVED

DEC 18 1978

LAW OFFICES
MCCALL, PARKHURST & HORTON

1400 MERCANTILE BANK BUILDING

DALLAS, TEXAS 75201

AREA CODE 214 748-9301

ALASKA POWER AUTHORITY

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G. CHARLES KOBISH

JOHN D. MCCALL (1992-1993)
MILLARD PARKHURST (1906-1973)
CLARENCE E. CROWE (1903-1962)

December 12, 1978

Commissioner of Internal Revenue
Department of the Treasury
Attention: T:PS:T
Washington, D. C. 20224

ALASKA POWER AUTHORITY PHASE I BONDS, SERIES 1979
(SUSITNA HYDROELECTRIC PROJECT)

Dear Sir:

On behalf of the Alaska Power Authority (the "Authority"), a ruling is requested with respect to the above captioned bonds (the "Bonds") regarding the applicability of Section 103(c) of the Internal Revenue Code of 1954, as amended (the "Code"), and Sections 1.103-13 and 1.103-14 of the proposed regulations of the Department of the Treasury pertaining thereto (the "Regulations").

GENERAL

The Authority was created and operates pursuant to AS 44.56.010, et seq., as amended (Exhibit A) and its by-laws (Exhibit B). The Authority is a public corporation of the State of Alaska in the Department of Commerce and Economic Development but with separate and independent legal existence. AS 44.56.020. The Authority is governed by a board of directors constituted pursuant to AS 44.56.030 (the "Board"). The purpose of the Authority is to "...promote, develop and advance the general prosperity and economic welfare of the people of Alaska by providing a means of constructing, acquiring, financing and operating power production facilities limited to fossil fuel, wind power, tidal, geothermal, hydroelectric or solar energy production and waste energy conservation facilities." AS 44.56.070. Pursuant to AS 44.56.080 and 44.56.100, the Authority may borrow money and issue bonds to carry out any of its corporate purposes.

The Authority has determined to undertake, as its first power project, the planning, construction and financing of a hydroelectric power project (the "Project") which it proposes to build on the Susitna River in the State of Alaska. Basically, the Project will consist of a system of two dams - a 635-foot-high concrete thin arch dam at Devil Canyon and an 810-foot-high earthfill dam at Watana, with 365 miles of transmission line.

The magnitude of the Project is such that the minimum estimated time from commencement of the project feasibility analysis for which the Bonds are to be issued (the "Feasibility Study") through completion of the Project is fifteen (15) to seventeen (17) years. The estimated cost of constructing the Project based on the September, 1977 price level index is \$2.1 billion. The basic purpose of the Project is to provide a source of hydro-electric energy sufficient to serve the projected needs of South Central Alaska, including the areas of Kenai Peninsula, Anchorage, and Fairbanks, in the most economic manner available.

The initial plan of study for the Project (the "POS") (Exhibit C) was prepared by the Department of the Army, Alaska District, Corps of Engineers (the "Corps") under authority of Section 203 of the Water Resources Development Act of 1976 enacted by the 94th Congress, PL 94-587, Section 203, Oct. 22, 1976, 90 Stat. 2946, to be cited as the "Alaska Hydroelectric Power Development Act" (the "Act") (Exhibit D). Senator Gravel of Alaska proposed an amendment to the Act (Exhibit E) which passed the Senate and passed the House without a quorum present in the 95th Congress. It is anticipated that a similar amendment will be introduced into the 96th Congress, 1st Session. The POS, in effect, presents a program of activities which will constitute the Feasibility Study for the Project. Although the summary of the South Central Railbelt Area Alaska Upper Susitna River Basin Interim Feasibility Report (Exhibit F) provides sufficient data to support the need and economic feasibility of a plan to develop the Project, additional field data and the more detailed Feasibility Study is required. The POS outlines the additional studies required to determine the most cost-effective plan, and its environmental impacts. The estimated cost of the Feasibility Study based on the September, 1977 price level index is \$24.1 million. The Feasibility Study is estimated to require 46 months to complete (see pages 2 and 3 of Exhibit C) and, in addition, from approximately one (1) year to three (3) additional years for submission of the report (Feasibility Study) to Congress and authorization of Congress for the Corps to enter into a contract with the Authority to construct the Project, or if the Corps does not proceed with the construction of the Project the Authority will be confronted with the task of contracting with others for the construction. The need for the additional time assumes a favorable Feasibility Study.

PLAN OF FINANCE

Generally, the overall plan for financing the Project by the Authority involves two (2) stages and types of bond issues: first, the captioned Bonds will be issued to finance the costs of

the Feasibility Study and second, assuming the Feasibility Study determines the Project to be feasible, the Authority intends to issue construction Project revenue bonds payable from the revenues of the Project. This ruling request is limited to the questions with respect to the Bonds.

The plan of finance for the funding of the Feasibility Study for the Project, which forms the basis for this request, is predicated on the following facts:

1. The Authority has no funds of its own with which to finance the Feasibility Study.
2. The State of Alaska is neither obligated nor in a position due to constitutional limitations to commit itself over a period of years to finance the Feasibility Study from its general funds.
3. No funds for the Feasibility Study or arrangements therefor have been obtained to date from the United States Government.
4. The Authority has no revenues with which the Bonds may be paid or secured.
5. Full funding for the financing of the Feasibility Study is required by March 15, 1979.

Given the foregoing facts, the Authority will be able to issue the Bonds only with the cooperation and collateral aid of the State of Alaska, and such cooperation and aid must be consistent with the State's constitutional limitations. The Plan of Finance for the Feasibility Study has to take into account the possibilities that the Feasibility Study may show that the Project is not feasible, the State Legislature may not continue appropriations and the Federal Government may not furnish the anticipated funds, and the Authority may not be able to issue Project revenue re-funding bonds.

The Authority, through the Governor of Alaska, will first request an appropriation by the Alaska legislature of an amount of money at least equal to the projected costs of the Feasibility Study to be incurred prior to the commencement of the succeeding legislative session. Concurrently with the granting of the requested initial appropriation, the Authority will issue the Bonds in an amount which is estimated to be sufficient (1) to pay the total costs of the Feasibility Study during the entire period prior to the issuance of Project revenue bonds, (2) to capitalize

(total interest on the Bonds to maturity and (3) to pay costs of issuance of the Bonds.

The proceeds received from the sale of the Bonds, less costs of issuance, will be deposited (1) in a special fund in an amount estimated to be sufficient to pay the total costs of the Feasibility Study (the "Project Fund") and (2) in a debt service fund (the "Bond Fund") in an amount sufficient to capitalize interest on the Bonds for eight years. The Bonds will be issued as term bonds with an eight-year maturity. Interest on the Bonds will be payable semiannually during the term. The Bonds will be callable for redemption prior to maturity at any time at par plus accrued interest to the date of redemption. The terms, nature and security of the Bonds will require that the Bonds be sold by private placement directly with commercial banks at a negotiated rate of interest. The monies placed in the Project Fund and the Bond Fund will be invested at market rates in U.S. Government obligations maturing not later than the date on which such monies are anticipated to be needed. All investment income therefrom will be deposited in the Project Fund to pay costs of the Feasibility Study.

The Bonds will be issued under and secured by a Trust Indenture or similar instrument. The Bonds will be secured by and payable as to principal from the proceeds of refunding bonds issued as Project revenue bonds if the Project is determined to be feasible from an engineering and financial standpoint, at the end of the Feasibility Study. The interest thereon will be paid out of the capitalized interest in the Bond Fund. If the Project is determined to not be feasible, therefore preventing the issuance of Project revenue bonds for refunding purposes, or if Project revenue bonds cannot be issued for whatever reason, then the Bonds will be paid first from any monies available therefor in the Project Fund and the Bond Fund and, to the extent necessary, from the then existing balance of the appropriations of the Alaska legislature which will be appropriately escrowed for such purpose or from any available Federal funds appropriated for a similar purpose.

The initial annual appropriation by the Alaska legislature will be placed in escrow with a trustee bank. The amount placed in escrow will be invested at market rates in U.S. Government obligations maturing not later than the dates on which such amounts are anticipated to be needed. Investment income therefrom will be deposited in the Project Fund to pay costs of the Feasibility Study. Under the escrow agreement, the funds held in escrow will be used first, to the extent necessary, to retire and redeem the Bonds and second, returned to the State of Alaska if not so used.

To the extent Federal funds are not available, each subsequent annual session of the Alaska legislature will be requested to appropriate an amount of money at least equal to the costs of the Feasibility Study to be incurred during the ensuing year. Such subsequent appropriations will also be deposited in escrow and administered accordingly. Based on the favorable conclusions of the South Central Railbelt Area Alaska Upper Susitna River Basin Interim Feasibility Report as to the need and economic feasibility of the Project, the Authority does not reasonably expect to use the appropriations held in escrow to pay debt service on the Bonds.

The Project Fund will be used to pay the costs of the Feasibility Study as required. However, withdrawals from the Project Fund will only be made to the extent the sum of the balance of the appropriations held in escrow, plus the balance in the Project Fund, is not less than the principal amount of the outstanding Bonds. If Federal funds are not available to be used therefor, withdrawals of money from the Project Fund will continue to pay the costs of the Feasibility Study as indicated in the previous sentence. If such appropriations of the Alaska legislature or Federal funds are not forthcoming, or if the Feasibility Study determines that the Project is not feasible at one (1) of the three (3) program decision steps contemplated by the POS, the provisions of the Bonds will require the Authority to call the Bonds for redemption prior to maturity. Upon being so called for redemption, the Bonds and accrued interest would be paid first, from the funds available in the Project Fund and Bond Fund and second, to the extent necessary, from the appropriations held in escrow. Any funds remaining in escrow will be returned to the State of Alaska, and such cooperation and aid must be consistent with the State's constitutional limitations. The Plan of Finance for the Feasibility Study has to take into account the possibilities that the Feasibility Study may show that the Project is not feasible, the State Legislature may not continue appropriations, the Federal Government may not furnish the anticipated funds, and the Authority for whatever reason might be unable to issue refunding bonds. The plan has been designed in a manner that will assure the purchasers of the Bonds that the Bonds will be paid in accordance with their terms regardless of the uncertainties. Due to the constitutional limitations of the State, a commitment cannot be made for payment of the Bonds beyond each current fiscal year. It is possible that federal funds will not be available until and if the Feasibility Study shows the Project to be not feasible. In that event, the proceeds of the Bonds could not be expended until periodic State appropriations are available and escrowed. If the Feasibility Study concludes that the Project is feasible, it is anticipated that the Bonds will be refunded by Project revenue bonds.

To summarize, the entire structure of the financing of the Feasibility Study is designed to assure the availability of the funds required to complete the Feasibility Study and, at the same time, assure the purchasers of the Bonds that the interest and principal of the Bonds will be paid whether the Project is determined to be feasible or not. At such time as the Project is determined to be feasible, the Bonds will be called for redemption or retired and, assuming the ability to refund, the principal of the Bonds will be paid from the proceeds of refunding Project revenue bonds or any other funds of the Authority available therefor. After refunding, any amounts remaining in the Project Fund will be retained therein and applied toward additional costs of constructing the Project. If the Project is determined to not be feasible, the principal of the Bonds will be paid by application of the unexpended funds as described above. In either case, the interest on the Bonds is paid by application of the interest capitalized out of the proceeds of the Bonds.

The Plan of Finance for the Feasibility Study has the added advantages of maintaining the continuity of funds for the Feasibility Study by allowing investment income from investment of the Funds to be utilized in the event that an annual appropriation is delayed, while minimizing the onerous burdens of multiple bond issues to fund the Feasibility Study.

ANALYSIS

Temporary Period

Under Section 1.103-14(a) of the Regulations, the Bonds will not be treated as arbitrage bonds "...solely by reason of the fact that all or a portion of the proceeds of the (Bonds) may be invested in materially higher yielding acquired obligations for a temporary period until such time as such proceeds are used for the purpose...." for which the Bonds are issued.

Section 1.103-14(b) (1) of the Regulations provides that:

"Original proceeds and investment proceeds of an issue of governmental obligations that are invested in acquired obligations during a three-year period (or the period determined under subparagraph (5) of this paragraph) beginning on the date of issue are invested for a temporary period if the requirements of subparagraphs (2), (3) and (4) of this paragraph are satisfied."

Section 1.103-14(b) (2) (i) of the Regulations provides that "... (A) n amount equal to eighty-five per cent of spendable pro-

ceeds must be expended on the project or projects by the end of the period described in subparagraph (1) of this subparagraph which applies to this issue."

Section 1.103-14(b) (3) of the Regulations, in effect, requires the Authority to incur a "substantial binding obligation" for the Feasibility Study within six (6) months of the date of issue.

Section 1.103-14(b) (4) of the Regulations requires the Authority to proceed with the Feasibility Study with due diligence after incurring a substantial binding obligation.

Section 1.103-14(b) (5) (i) provides:

"If investments of proceeds do not qualify as investments for a temporary period because the requirement of subparagraph (2) (i) of this paragraph (relating to the expenditure test) is not satisfied, such investments shall nevertheless be considered to be for a temporary period if prior to the issuance of the governmental obligations the issuer demonstrates to the satisfaction of the Commissioner that, on the basis of facts, estimates and circumstances in existence on the date of such issue, a longer temporary period is necessary."

Based upon the fact that the Feasibility Study is the first step in the Project (which may require in excess of fifteen (15) years to complete) and that the estimated time period required to commence the Feasibility Study, complete it, submit the report on the Feasibility Study to Congress, secure the approval of Congress for a construction contract with the Corps and (assuming the Project is feasible) issue refunding Project revenue bonds, is in excess of five (5) years, and could be as long as eight (8) years, it is submitted that the Authority is entitled to a temporary period for investment of the original and investment proceeds of the Bonds not longer than the earlier to occur of (1) eight (8) years or (2) the earliest practical date on which the Authority may issue Project revenue bonds to refund the Bonds. The Authority will comply with the requirements of Sections 1.103-14(b) (3) and 1.103-14(b) (4) of the Regulations.

Artifice or Device

Section 1.103-13(j) of the Regulations provides:

"(I)f an artifice or device is employed in connection with the issuance of a governmental obligation, such obligation

will be considered an arbitrage bond within the meaning of Section 103(c)(2). For purposes of this Section, the term 'artifice or device' means a transaction or series of transactions that attempts to circumvent the provisions of Section 103(c), this Section, Section 1.103-14, or Section 1.103-15, -

- (1) Enabling the issuer to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and
- (2) Increasing the burden on the market for tax-exempt obligations.

Examples of increased burdens on the market for tax-exempt obligations include selling obligations that would not otherwise be sold, selling more obligations than would otherwise be necessary, and issuing obligations sooner or allowing them to remain outstanding longer than would otherwise be necessary. In no case shall it be considered an artifice or device to invest bond proceeds (or amounts treated as bond proceeds) at a materially higher yield if specifically provided for in Section 103(c)(4)."

It is submitted that the intended application of the anticipated appropriations by the Alaska legislature, and the placement thereof in escrow as the basic if not only, although contingent, security for the payment of the principal amount of the Bonds if the Project is determined to not be feasible, does not constitute an artifice or device. But for the appropriations by the Alaska legislature, the Bonds could not be issued and the Feasibility Study could not be funded.

It is further submitted that neither the total capitalization of interest on the Bonds nor any other element of the plan of finance set forth above constitutes an artifice or device.

RULINGS REQUESTED

Rulings are requested, to-wit:

1. That the Authority is entitled to a temporary period for the Bonds of not longer than the earlier to occur of (1) eight years or (2) the earliest practical date on which the Authority may issue Project revenue bonds to refund the Bonds.

2. The application and escrow of appropriations of the Alaska legislature, the capitalization of interest on the Bonds to maturity, and the other elements of the plan of finance set forth herein or any of them do not constitute an artifice or device.
3. The Bonds are not arbitrage bonds.

SUPPLEMENTAL INFORMATION

The POS indicates that a May 1, 1979 on-site start for the Feasibility Study by the Corps is required with several months of advance notice being necessary to permit initiation of activities precedent to the Feasibility Study. The climatic conditions in Alaska necessitate mobilization of the heavy equipment required for the Feasibility Study during the winter months and the actual commencement of the on-site field work during the warmer months. Should winter mobilization not occur, initiation of the Feasibility Study would be delayed for a year, thus increasing the ultimate cost of the Project. The POS also makes it clear that the successful accomplishment of the Feasibility Study is dependent on timely funding by the Authority. This need is further amplified by the letter of December 8, 1978 from the Corps to the Authority (Exhibit G). In order to meet the parameters set forth in the POS, the Authority intends to authorize the Bonds around February 15, 1979 and issue the Bonds before March 15, 1979. This would require a favorable ruling no later than January 15, 1979. With funds available on or prior to March 15, 1979, the Corps will be able to meet its commencement schedule for the Feasibility Study. Also see Governor--Hammonds letter to Corps dated November 6, 1978 (Exhibit H). Therefore, expedited rulings are requested.

Enclosed are the following supplemental documents:

1. Power of Attorney, Form 2848 (Exhibit I).
2. Letter of the Authority pursuant to Section 6110(c) of the Code (Exhibit J).

If any further information is required or if a conference on this ruling request is required, please contact either the undersigned at McCall, Parkhurst & Horton, 1400 Mercantile Bank Building, Dallas, Texas 75201, Telephone # (214) 748-9501 or Mr. Eric E. Wohlforth, Wohlforth & Flint, Suite 401, 645 G Street, Anchorage, Alaska 99501, telephone # (907) 274-2519.

Very truly yours,

MC CALL, PARKHURST & HORTON

By:

274

LAW OFFICES
McCALL, PARKHURST & HORTON

1400 MERCANTILE BANK BUILDING

DALLAS, TEXAS 75201

AREA CODE 214 748-9501

HOBBY H. MCCALL
PAUL B. HORTON
ROBERT T. LEWIS
PETER M. TART
ROY M. POINSETT
RICHARD C. PORTER
G. CHARLES KOBISH

JOHN D. MCCALL (1892-1962)
MILLARD PARKHURST (1906-1973)
CLARENCE E. CROWE (1903-1962)

December 14, 1978

RECEIVED

DEC 18 1978

Director, Individual Income Tax Division
Internal Revenue Service
Department of the Treasury
Attention: T:PS:T
Washington, D. C. 20224

ALASKA POWER AUTHORITY

REQUEST FOR EXPEDITIOUS TREATMENT OF RULING REQUEST
DATED DECEMBER 13, 1978, SUBMITTED ON BEHALF OF
ALASKA POWER AUTHORITY

Dear Sir:

On behalf of the Alaska Power Authority (the "Authority") the above captioned ruling request was submitted to the Commissioner of Internal Revenue. The ruling concerns the applicability of Section 103(c) of the Internal Revenue Code of 1954, as amended (the "Code"), as applied to the Authority's proposed bonds, all as set forth in the ruling request.

This letter is submitted as a request that expeditious treatment be given the ruling request in order that the Authority's project, as set forth in the ruling request, may proceed in a timely fashion. On Page 9 of the ruling request under the heading SUPPLEMENTAL INFORMATION, we have set forth the reasons this request is necessary.

The Authority's bonds are to be issued for the purpose of funding a Feasibility Study to be undertaken by the Corps of Engineers for a hydroelectric power project to be constructed by the Authority. In order to proceed with the project in the coming year, it will be necessary for the Corps of Engineers to commence on-site work on May 1, 1979. The climatic conditions in Alaska necessitate mobilization of the heavy equipment required for the Feasibility Study during the winter months and the actual commencement of the on-site field work during the warmer months. The heavy equipment may only be moved to the site of the Feasibility Study during the winter months, as such

Director, Individual Income Tax Division
December 14, 1978
Page 2

movement would cause unacceptable environmental damage if undertaken once the tundra begins to thaw. Movement of this equipment while the tundra remains frozen will result in no significant environmental impact. Therefore, it is obvious that a delay in the commencement of the project will result if the equipment cannot be moved on-site before the spring thaw.

As explained in the ruling request, the commencement of the Feasibility Study is dependent on the timely funding by the Authority. This need has been further amplified by the letter of December 8, 1978 from the Corps to the Authority and attached to the ruling request as Exhibit G.

In order to commence the Study this year and to meet the parameters set forth in the initial plan of study for the project prepared by the Corps of Engineers, the Authority intends to authorize the bonds around February 15, 1979 and to issue the bonds before March 15, 1979. This would require a favorable ruling no later than January 15, 1979. With funds available on or prior to March 15, the Corps will be able to meet its commencement schedule for the Feasibility Study. We therefore respectfully request that expeditious treatment be given to the ruling request. Please call us collect when the ruling is ready so that we may send someone to Washington to pick it up.

If any further information is required or if a conference on this ruling request is required, please contact either the undersigned at McCall, Parkhurst & Horton, 1400 Mercantile Bank Building, Dallas, Texas 75201, telephone # (214) 748-9501 or Mr. Eric E. Wohlforth, Wohlforth & Flint, Suite 401, 645 G Street, Anchorage, Alaska 99501, telephone # (907) 274-2519.

Very truly yours,

MC CALL, PARKHURST & HORTON

By: *J. Charles Kolditz*

bcc: Mr. Eric Yould

SUSITNA HYDROELECTRIC PROJECT

BUDGET FOR CALENDAR YEAR 1979

ACTIVITY CATEGORY	JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	TOTAL
SURVEY	\$35,000	\$460,000	\$490,000	\$73,000	\$1,058,000
HYDROLOGY	73,000	150,000	196,000	130,000	549,000
ENVIRONMENTAL	20,000	22,000	2,000	2,000	46,000
RECREATION	2,000	19,000	2,000	2,000	25,000
PLAN FORMULATION	16,000	30,000	13,000	*****	59,000
POWER STUDIES	10,000	30,000	*****	*****	40,000
FOUNDATIONS & MATERIALS	200,000	921,000	1,390,000	320,000	2,831,000
DESIGN	65,000	223,000	116,000	179,000	583,000
REAL ESTATE	5,000	14,000	4,000	*****	23,000
CULTURAL	5,000	82,000	2,000	2,000	91,000
FIELD CAMP	750,000	500,000	125,000	125,000	1,500,000
REPORTS, REVIEWS PUBLIC PARTICIPATION	5,000	14,000	4,000	*****	23,000
BIOLOGICAL	10,000	262,000	649,000	223,000	1,144,000
POWER MARKET STUDIES	5,000	162,000	11,000	28,000	206,000
TOTALS	\$1,201,000	\$2,889,000	\$3,004,000	\$1,084,000	\$8,178,000

Kevin Harun
Borough Assemblyman

FAIRBANKS NORTH STAR BOROUGH
BOX 1267
FAIRBANKS, ALASKA

Dear Sally,

I am hoping that you will work to try to establish a different energy path for Alaska than that chosen by the lower 48.

I know the Susitna hydropower project may seem attractive, because with one fell political swoop this project appears to provide a solution to our urban electrical needs. Hydropower projects can certainly have many positive benefits, but Susitna is not our only hydro possibility. By committing such a large expenditure to feasibility studies for Susitna is to make a tacit commitment to this project. For not only would approval of this large feasibility study neglect the study of decentralized alternatives (of which there are dozens), but this study would also commit us to the project if we ever wanted our state money back.

Susitna is the largest hydro project ever proposed by the Corps of Engineers in the history of the United States. At a time when many urban and rural Alaskans are seeking to maintain the freedoms of decentralized governmental and economic systems, Susitna provides a large force to centralize power production in the railbelt area. Many of us are trying to develop our resources and communities in such a way that we can engender greater self-sufficiency rather than plugging into more centralized ways of living.

And who will benefit primarily from this project? The Alaska Power Authority and the Corps have used grossly inflated growth projections to justify this project. The lowest growth pattern cited by the APA projects a quadrupling of energy usage per capita over the next 15 years. While this estimate seems extremely unrealistic, our local utilities will still have to construct new power plants to meet what needs exist before Susitna comes on line. When Susitna comes on line, existing power plants would not be dismantled. The net result will be large amounts of excess power to attract highly energy intensive industries to the railbelt. Rather than attracting such large energy intensive industries, we should be developing smaller-scale decentralized industries to promote local selfsufficient economies.

Sure, hydropower is good, but Susitna is too easy of an answer. I strongly urge you to look at energy alternatives with the same vigor as Susitna is being pursued. I urge you to vote no on the Susitna feasibility study.

Very sincerely,

Kevin

Kevin Harun
Borough Assemblyman

3/7 Susitna

teleconference - ~~Feb~~

FBX -

Rich Siefert - Water Res. UA - rep. self

- 1) clean ^{high} quality elec.
- 2) large employment - expensive - fluctuating
- 3) diversify - impact - ^{employment} ~~etc~~
- 4) return on investment: \$8 million ^{6,250/person in state} _{8,330/person}
- 5) go carefully - look at all options

OPPOSE

Molly McLannon - Amber River

- 1) only benefit railbelt area
- 2) one invest in study - too late to pull out
- 3) prefer small more diversified power sources

Anch -

FAVOR

Bill Mark -

- 1) State not pursuing energy development
- 2) Don't want to be at mercy of power pool
- 3) need adequate affordable elec.
- 4) Other sources of energy not adequate or too expensive
- 5) 40% increase in railbelt elec. cost due to environmental stipulations
- 6) Susitna - most promising source
- 7) Not affected by world-energy turmoil

FAVOR

Representing
John Spencer - Anch City Council

- 1) Council unanimously in favor of Susitna
- 2) 4000 MW requirement by 2000 AD in railbelt
- 3) no fuel cost for Susitna
- 4) Anch needs more elec by 2000
- 5) Will produce 1500/4000 MW needed

Susitna
page 2

Auek - Cont

- 7) \$120 million for coal plant
- 8) Don't delay - need power soon
- 9)

~~Ktn~~

Ktn -

FAVOR

Bob Arnold - Ktn Pub Utility

- 1) Hydro power in gen'l
 - a) value lies in future - recovery of dollars invested then "free"

FAVOR

Don Bowie - Ktn Pub. Utility

- 1) agree w/ Arnold (above)
- 2) At cannot ^{expand} develop with gas, oil, coal - must be hydro

704

FAVOR

Josh Clouder - self

- 1) support feasibility study - questions nature of study - should be discussing funding of study - not necessity of project.
- 2) At should be done independent on local level (?)

FAVOR

~~Frank Auek~~
Frank Auek - self (emp^{by} 704 Municipality)

- 1) Phase I study should answer questions of environmental concern - not citizens
- 2) Fund Feasibility Study
- 3) Hydro is renewable - not so coal, oil, gas
- 4) Study will reveal facts needed to decide
- 5) 2400 / KW Healy } estimates
2000 / KW Susitna }
- 6) Current sources obsolete by time dam finished + ready
- 7) investment for future

Anch -

John Nichols - self

- 1) \$2.8 Billion 78 dollars (5-10 Billion by time done)
due to cost overruns - too expensive
- 2) Support study \$8 million
- 3) Delay one year a) D-2
b) Congress may amend Ak. Power Auth
- 4) Oppose single massive project
- 5) Encourage smaller projects closer to consumers
- 6) Other sources are possible - Beluga Coal
- 7) Support adversary study

Tindell

Richard Kendall - Anch Dist. BLM

- 1) BLM currently owns land in question
- 2) Titles to Native Organs by Aug 1979 (estimate)
- 3) Permits ^{required:} 404 from Corps - wetlands inventory
letters of non-objection from 7 villages
involved

7bx

Russel Wertz - self (emp. by U.S. Star Boro)

- 1) large investment misplaced
- 2) Money belongs to all Alaskans
- 3) Current elec. availability is more than enough Anch & 7bx
- 4) Excess usage has not materialized
- 5) Elec. is inherently expensive

Projected Demand 1974-80 550 MW 7bx ↑ 66% from 74 78 consumption 429

2000 4000 MW vs hogwash in error by 260%

- 6) Tenn. Valley Auth in favor of solar energy
- 7) Cost overruns should be considered
- 8) Spinning reserves - inadequate (691.6 MW) only
1/3 of necessity - vulnerable to failure 2 days
in Winter a disaster
- 9) 600 MW Needed in Fairbanks

Anch -

F

Steven Levy - Dir. Pub affairs OMAR

- 1) Res Development Council favors study
- 2) No one can currently make intelligent decision
- 3) ASAP or one year delay $\Rightarrow$ \$200 million / yr

A

To Bassett - self

- 1) Do not commit \$8M
- 2) lack of concern for small hydro ~~sites~~ ^{sites}
- 3) Popular & attractive project - but should not be basis for decision
- 4) Expensive white elephant
- 5) Study will provide momentum - hard to stop
- 6) Who's responsible for overruns
- 7) 54 potential sites in South Central Alaska map to Chatterton

704 -

Carl Benson -

A

- 1) Project too large
- 2) Do Al really want major industry in area - pollution potential
- 3) Pursue alternative studies
- 4) Don't Rush - it'll snow again next year
- 5) Funding underestimated - who pays overruns?
- 6) Bad plan for Firm Fund
- 7) Don't let Corps do Feasibility & Build - conflict of interest

A

Ada Charlton - self

- 1) likes Teleconference
- 2) Susitna is beautiful
- 3) Attitude of gratitude - Damudam

264 -
Cont

A

Serry Reichardt -

1) heavy concerns

a) financial - 30% overrun $\Rightarrow$ unfeasible

6% inflation too low - really 9-10%

b) glut of energy 3-6 X $\Rightarrow$

charge a lot or bring in industry

c) if no fed'l \$ why use Corps

d) is it proper solution? Anch will need more power before Susitna done - suggest smaller hydro sites

e) Corps not do study + build - indepent study ^{include} alternatives

f) Industrialization of railbelt may not be what people want

Anch -

A

Mary Evans - Denali Citizens Council

1) concerned with land use in McKinley region

2) financially risky

3) environmentally risky

4) \$ spent on study will commit state

5) Hold study for a year + study alternatives

F

Tom Starr - Gen'l Mgr Anch. Muni. L & P

1) Need Susitna

2) Gas for elec impractical

3) Susitna $\Rightarrow$ no energy surplus - will save oil + gas

4) High initial cost is cheaper in end - no fuel cost subj. to inflation

5) Coal is only likely alternative $\Rightarrow$ produces many pollutants

6) Don't need gen'l study - need specific investigation

704

A

Sam Staggs - Exec. Cond - Al Fed. Comm. Self-Reliance

- 1) Oppose study - not justified
- 2) Solar ^{coal} energy should be pursued for railbelt
- 3) expensive w/ no fed. reimbursement
- 4) Request gen'l energy study in state

A

Mark Baumgartner -

- 1) energy consumption Railbelt use 1/2 of Sisuina output
- 2) Don't encourage over consumption
- 3) Energy Policy Committee -

Arch -

A

Suzanne Weller - Atty for Trustees for Ak

- 1) agree w/ Nichols
- 2) Independent/Adversary study for Sisuina
- 3) Who pays overruns?
- 4) Fish & wildlife studies needed
- 5) Project may not be economically feasible

A

David Benton - Friends of the Earth

- 1) Support alternative energy study -
- 2) Closer to consumer area more practical than one large project

A

704 -

Mary Lee Guthrie - Ak Con. Society

- 1) Corps not study + build
- 2) energy needs will grow + more energy will be needed
- 3) Don't get in so far can't get out

A

Condy Marquette - self

- 1) All-elec. Alaska not cost-effective nor desirable too expensive - too damaging to environment

Jby - Louv.

- 3) Use gas for direct heating 1.96 more ^{efficient} effective than using to produce elec.
- 4) Postpone til 1980 - study alternate forms of energy & use of gas for heating
- 5) Project might be totally unnecessary

Anch

David Hogg -

A

1) Jan 75	1.5	} Billion \$
9/77	2.1	
Now	2.46	
Const 39/1984	4.2	
87	5.88	

- 2) Alternative study incl. coal
- 3) Study fault-line
- 4) Biological impact - need several yrs cycle
- 5) Dams will necessitate development + growth

5 more

A

Mike Erwin - self

- 1) Is it necessary?
- 2) Pop growth - is it ~~too~~ excessive
- 3) Per capita use grow?
- 4) Effect on humans - might be traumatic ^{Rural →} Urban
- 5) Small scale hydro s/b considered
- 6) Postpone study & investigate alternatives

A

Allen Wicks - self

- 1) Sanity / Insanity
- 2) Road to Survival
- 3) End of Affluence } suggested reading
- 4) Project is inflationary ^{& ↓ Population}
- 5) Project is a DISASTER - aerial transmission of power s/b developed first

A
Pat. Anderson - self

- 1) Dam will be environmentally devastating
- 2) Insect studies needed
- 3) Seek alternative sources of energy

A
Mike Macey - self

- 1) Study power alternatives
Arch will need power before Susitna
- 2) Arch + Fox on one source not recommended $\Rightarrow$
earthquake would be disaster
- 3) Don't study + build $\Rightarrow$ adversary study

Fox -

Jeff Watson

A
Jeff Wilson - self.

- 1) Fishery resource - Susitna supports 40% of
Upper Cook Inlet salmon supply
- 2) Wharves salmon potential above dam - need
studied

A
Kevin Haren - Fox N.S. Board assembly - self

- 1) Choose different path than Susitna - it's not
only possibility
- 2) Susitna is overbuilt
- 3) Decentralize - not centralize tailored to local needs

F
Dr. John Morris - psychiatrist (probably
state should be Represent CFC + labor Union)

- 1) glad to invest in study
- 2) go ASAP

→ ~~SUSTAIN~~ (Tassig, 3/8) (~~100~~) ^{FOR} ~~END~~

Corps underestimate interest rates → required by
law to use

Can go sell power

current fed. rate -
not as low

Hanger - small hydro

have more studies