

SCOMM

9:188

#188

10/17/77

TO: Clark Gruening
Chairman

FROM: Mike Doogan *MD*
Administrative Assistant
House Special Committee on
The Alaska Permanent Fund

SUBJECT: Report on Permanent Fund Panel at Southeast Conference
Sitka
October 13, 1977

Members of the Southeast Conference, mainly municipal officials, were unanimous in their endorsement for using Permanent Fund money to finance hydroelectric projects. Although several financing methods were discussed--ranging from debt guarantees to direct appropriation of a percentage of the Fund to such projects--none was specified. Such specification may come from the Conference's policy statement on the Permanent Fund.

Several formal statements were presented, most like the one attached.

Present representing state government were Revenue Commissioner Sterling Gallagher, Deputy Commissioner Jim Edenso, Senator Pat Rodey, and Representatives Russ Meekins and Ernie Haugen.

The Southeastern Conference
21st Annual Convention October 13-14, 1977
Sitka, Alaska

ROLE OF THE ALASKA PERMANENT FUND
IN FUNDING
THE WATER RESOURCES REVOLVING LOAN FUND

Presented by James V. Williamson
R. W. Beck and Associates, Inc.

BACKGROUND TO WATER RESOURCES REVOLVING LOAN FUND

Implementing Legislature

In 1975 the Alaska Legislature enacted House Bill 171 creating a Water Resources Revolving Loan Fund. The Act specified that loans from this fund are to be used to develop and conserve in the public interest, the water resources of Alaska using State revenues from mineral development. The Act stated that loans from this fund shall be long-term and at low interest and shall be utilized for capital improvement projects for hydroelectric generation and water supply. The purpose of this loan fund then was to use revenues from mineral development (primarily oil and gas) which are depletable resources, to develop renewable water resources. The principle inherent in the Act then is to utilize oil and gas revenues to finance construction of water resources and hydroelectric projects in needy communities so that Alaska will have the benefits of these projects long after the oil and gas sources are exhausted.

In 1977 the legislature amended House Bill 171 by House Bill 356 which was enacted. The principal purpose of this amendment was to set more precisely the conditions for loans from the fund. As now enacted, loans from the fund shall be for a term not to exceed 50 years, and the rate of interest shall be not less than 3 nor more than 5% per year on the unpaid balance. Repayment of a loan shall commence on the date of commercial operation of the project, or 10 years from the date the loan is granted, whichever is sooner. We have combined the provisions of the 1975 Act as amended in 1977 as shown in Exhibit A.

Section 45.86.030 states that receipts from mineral rentals and royalties and from the Alaska mineral lease bonus permanent fund, shall be appropriated annually and deposited in the Water Resources Revolving Loan Fund. The mineral lease bonus permanent fund was ultimately enacted as the Alaska Permanent Fund, but the intent of the 1975 legislature was that monies from such a permanent fund would be appropriated annually and deposited in the Water Resources Revolving Loan Fund.

Appropriations to Water Resources Revolving Loan Fund

An appropriation bill to provide seed money to the Water Resources Revolving Loan Fund to various communities, in the amount of \$3,000,000, failed to pass in the 1975 legislature but was enacted in 1976. House Bill 700 listed the communities and their funding requirements as shown in Exhibit B, Sheet 1. The Governor reduced the \$3,000,000 amount to \$2,500,000. Sitka was the only community which took advantage of the amount provided for it of \$450,000, and commenced detailed investigation of its Green Lake Project in the summer of 1976. The other communities were reluctant to borrow money from the loan fund since the loan conditions stipulated by the administration were not especially attractive.

However, based on the proposed revisions to the implementing legislature in 1977, an appropriation bill (House Bill No. 357) was introduced in the amount of \$3,500,000 for various communities as listed in Sheet 2 of Exhibit B. The bill as actually passed is shown in Exhibit B, Sheet 3 and provides for a total of \$3,600,000 being appropriated from the general fund, but with only \$200,000 going to the Water Resources Revolving Loan Fund. The remainder of the funds were distributed as \$1,600,000 to the Department of Revenue for a loan to Sitka for its Green Lake Project, and \$1,800,000 to the power project revolving loan fund. The Governor reduced the amount in the power project revolving loan fund from \$1,800,000 to \$540,000, and deleted the \$200,000 amount in the Water Resources Revolving Loan Fund.

In September this year the Water Resources Revolving Loan Fund Committee approved loans to the communities shown in Exhibit B, Sheet 1, except Anchorage and Cordova, and in the amounts shown on that schedule except that Petersburg's loan is \$910,000 (\$100,000 additional). Hence, the entire \$2,500,000 in the original appropriation bill has now been committed. In addition, the Department of Revenue approved a \$1,600,000 loan to Sitka based on House Bill 357 for continuing work on the Green Lake Project in FY 78. These communities are now proceeding with detailed investigations including exploratory drilling and other field work as a basis for preparation of an application for an FPC License, and design of the project, as soon as possible.

IMPORTANCE OF LONG-TERM - LOW INTEREST FINANCING

Hydroelectric projects are capital intensive. Once the project is built the major part of the annual cost of the project is the debt service since operating costs are small. Hence although the overall cost of power from a hydroelectric project is often less than that from a diesel generating plant, the large amount of capital required by a small community is essentially impossible to obtain from conventional sources. Further, the impact of revenue bond financing with its related higher interest rate and shorter term results in a significant increase in cost of power from a hydroelectric project. This is demonstrated by a comparison made for the proposed Virginia Lake Project of the Thomas Bay Power Commission in the following table. This table shows the estimated cost of power from the Virginia Lake Project, based on conventional financing at 7%, 30-year term, as compared to 3%, 4%, and 5%, 50-year term financing from the Water Resources Revolving Loan Fund. The cost of power is also compared with that estimated for new diesel generation in the same time frame. This comparison has been made on the first year of operation, and also over the first 10 years of operation of the hydro project.

Financing Source	Interest Rate and Term	Estimated Cost of Power (Cents/kWh)			
		First Year (1984) Virginia Lk.	Diesel	Average over First Ten Years (1984-1993) Virginia Lk.	Diesel
Conventional	7%, 30-year	12.6	6.9		8.9
Water Resources Revolving Loan Fund	5%, 50-year	8.9		9.9	
	4%, 50-year	7.7		8.6	
	3%, 50-year	6.7		7.5	

As can be seen, the estimated cost of power with 7%, 30-year financing is almost twice the cost of power with 3%, 50-year term financing. Further, only with 3%, 50-year financing available from the Water Resources Revolving Loan Fund would the estimated cost of power from the Virginia Lake Project in the first year of operation be less than that of the alternative new diesel generation, assuming escalation of oil fuel at 7% annually. The average cost of power over the first 10 years of operation of the Virginia Lake Project is about equal to that for diesel generation if 4%, 50-year financing is available for the hydro. This demonstrates the importance of low interest, long-term financing to the small communities in Alaska.

FUTURE FUNDING REQUIREMENTS OF
WATER RESOURCES REVOLVING LOAN FUND

A broad estimate has been made of the Revolving Loan Fund Requirements through 1985 for the communities which have already obtained loans as follows:

Sitka - Green Lake Project

Petersburg-Wrangell (Thomas Bay Power Commission) -
Virginia Lake Project or Thomas Bay Project -
Phase 1

Ketchikan - Swan Lake Project

Kodiak - Terror Lake Project

The purpose of this projection is to provide a basis for consideration by the Permanent Fund Committee in considering future requirements of the Water Resources Revolving Loan Fund. The list is not intended to be all inclusive; it simply enables a reasonable assumption of the order of magnitude of loans and their timing to be developed. We have prepared preliminary feasibility reports on the projects for Ketchikan, Petersburg-Wrangell and Sitka and hence there is a reasonable confidence factor in the estimated costs and schedules for these projects. The estimate for Kodiak has been based assuming the project developed for that City would have a similar cost and construction schedule as the Swan Lake Project at Ketchikan.

Typically, the early costs for a project (seed money) are small and increase in magnitude over the first three or four years of investigation, design and FPC licensing prior, to the major expenditure incurred during construction of the project. The schedule for Sitka's Green Lake Project and the estimated cash flow requirements are shown in Exhibit C. The lead time for this project is estimated to be about 6 years from initial investigations. Ketchikan's Swan Lake Project has an estimated lead time of about 7 years which is more typical of hydroelectric projects in Southeast Alaska. The proposed schedule for Swan Lake is shown in Exhibit D. Hence, it can be seen that since most of the communities involved already have power shortages, it is extremely important that the projects are not delayed by non-availability of financing. One of the critical items on the schedule is the preparation of an FPC License application and its processing which is estimated to take from 2 to 2-1/2 years under the best of conditions.

The estimated requirement from the Water Resources Revolving Loan Fund, including investments, less debt service repayment through 1985, is shown in Exhibit E. It can be seen that once the project goes on-line the debt service payment reduces the amount of the outstanding loans. By 1985 the estimated net cumulative amounts loaned from the Fund for the subject projects would be about \$200 million.

FUNDING REQUIREMENTS FOR FY79

A broad estimate has been made of the funding requirements for the four projects listed above and other communities which have shown prior interest, for FY79. A broad estimate of the requirements is about \$15,000,000 of which approximately \$10,500,000 would be required for Sitka's Green Lake Project as it enters into its first year of major construction. At the same time Sitka should obtain a commitment from the Water Resources Revolving Loan Fund for the full amount of the loan to finish construction of the project in the amount of \$44,450,000, which is in addition to the \$2,050,000 borrowed to date. It is understood that there are now no monies remaining in the Water Resources Revolving Loan Fund. Hence, the Fund will require a sizable appropriation in FY79. We believe the most logical source for this funding, and the commitment to Sitka for construction of its Green Lake Project, is the Alaska Permanent Fund.

1 expenses incurred in securing necessary permits and licenses, design of
2 the project and construction of capital improvements. Existing hydro-
3 electric and water supply projects may be expanded or rehabilitated with
4 loan funds under this chapter if the rehabilitation and expansion is a
5 capital improvement project.
6

7 (c) Loans shall be repaid to the fund by the borrower from reve-
8 nue derived from the sale of electric power or water.
9

10 Sec. 45.86.030. LOAN FUND SOURCE. Receipts from mineral rentals
11 and royalties and from the Alaska mineral lease bonus permanent fund,
12 shall be appropriated annually and deposited in the water resources re-
13 volving loan fund.
14

15 Sec. 45.86.040. ADMINISTRATION OF LOANS. (a) Administration of the
16 water resources revolving loan fund shall be performed by the Department
17 of Commerce which is empowered to adopt procedres and promulgate the regu-
18 lations necessary to carry out the provisions of this chapter.
19

20 (b) There is created within the department the Water Resources
21 Revolving Loan Fund Committee chaired by the commissioner or his deputy,
22 and including as members the director of the division of energy and
23 power development and the director of the division of business loans.
24 The committee shall review all applications referred to it for approval
25 by the department.
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1 (c) The department shall establish a priority list for the approval
2 of project applications based upon a determination of which projects
3 will better serve the interests of the state. An applicant may appeal
4 the level of priority assigned to his application by requesting a re-
5 view of the list of priorities by the committee. The committee, upon
6 sufficient notice and a public hearing, may change an assigned priority.
7 Applications not approved due to a lack of funds will retain the
8 priority assigned and may be held for reconsideration.
9

10 Sec. 45.86.050. ELIGIBILITY FOR PROJECT LOANS. A public utility
11 is an eligible borrower for a project loan under this chapter if
12

13 (1) it is a public utility as defined in AS 42.05.701.(2)(A),
14 and (C);

15 (2) the utility can demonstrate in its loan application that
16 the project is economically and technically feasible and, taking into
17 account the low interest on loans under this chapter, is the most eco-
18 nomical means of furnishing the proposed service.

19 Sec. 45.86.060. DEFINITIONS. In this chapter,

20 (1) "commissioner" means the commissioner of the Department
21 of Commerce and Economic Development;

22 (2) "department" means the Department of Commerce and Econo-
23 mic Development.
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29

ALASKA WATER RESOURCES PROJECTS

REV. 1/30/76

SUMMARY OF ESTIMATED PRIORITY FUNDING REQUIREMENTS
FY 1976 and FY 1977

CITY	PROJECT NAME	SCHEDULED IN-SERVICE DATE	FUNDING REQUIREMENTS (\$)	
			FY 1976	FY 1977
PETERSBURG	BLIND SLOUGH EXPANSION	JAN. 1979	130,000	680,000
PETERSBURG - WRANGELL	THOMAS BAY	JAN. 1983	20,000	280,000
SITKA	GREEN LAKE	JULY 1981	50,000	400,000
KETCHIKAN	SWAN LAKE OR LAKE GRACE	JULY 1982	30,000	390,000
KODIAK	TERROR LAKE	JULY 1982	30,000	390,000
ANCHORAGE	MUNICIPAL WATER		--	230,000
CORDOVA	POWER CREEK	JULY 1982	10,000	270,000
TOTAL			\$ 270,000	\$ 2,640,000
USE			<u>\$ 300,000</u>	<u>\$ 2,700,000</u>

APPROPRIATION TO WATER RESOURCES REVOLVING LOAN FUND
FISCAL YEAR 1978

SUMMARY OF ESTIMATED PRIORITY FUNDING REQUIREMENTS

<u>COMMUNITY - OWNER</u>	<u>PROJECT NAME</u>	<u>SCHEDULED IN-SERVICE DATE</u>	<u>FUNDING REQUIREMENTS (\$)</u>
PETERSBURG - WRANGELL THOMAS BAY POWER COMMISSION	VIRGINIA LAKE HYDRO	NOVEMBER 1983	300,000
SITKA - CITY AND BOROUGH	GREEN LAKE HYDRO	OCTOBER 1981	1,600,000
KETCHIKAN - CITY	SWAN LAKE HYDRO OR LAKE GRACE HYDRO	JULY 1983	400,000
KODIAK - KODIAK ELECTRIC ASSOCIATION	TERROR LAKE HYDRO	JULY 1983	190,000
ANCHORAGE - MUNICIPALITY	MUNICIPAL WATER SUPPLY		200,000
CORDOVA - CITY	POWER CREEK HYDRO	JULY 1983	380,000
KENAI - BOROUGH	MUNICIPAL WATER SUPPLY		150,000
JUNEAU - ALASKA ELECTRIC LIGHT AND POWER COMPANY	AUTOMATING ANNEX CREEK HYDRO		480,000
CRAIG - KLAWOCK - HYDABURG MUNICIPALITIES	BLACK BEAR LAKE HYDRO		30,000
	SUBTOTAL		3,730,000
	LESS LEFTOVER FY 1977		230,000
	TOTAL		<u>3,500,000</u>

Original sponsors: Gardiner, Duncan,
Eliason, et al

Offered: 4/27/77
Referred: Rules

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 357 am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act making a special appropriation for power and
7 water projects; and providing for an effective date."

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

9 * Section 1. The sum of \$3,600,000 is appropriated from the general fund
10 in the following manner:

11 (1) \$1,600,000 to the Department of Revenue for a loan to the
12 municipality of Sitka for design, site preparation and preconstruction
13 activity for the Green Lake hydroelectric project; the terms and con-
14 ditions of the loan are to be determined by the commissioner of revenue
15 in consultation with the commissioner of public works;

16 (2) \$1,800,000 to the power project revolving loan fund
17 established by AS 44.56.170 to carry out the purposes of that loan
18 program;

19 (3) \$200,000 to the water resources revolving loan fund with-
20 in the Department of Commerce and Economic Development to carry out the
21 purposes of the water resources loan program.

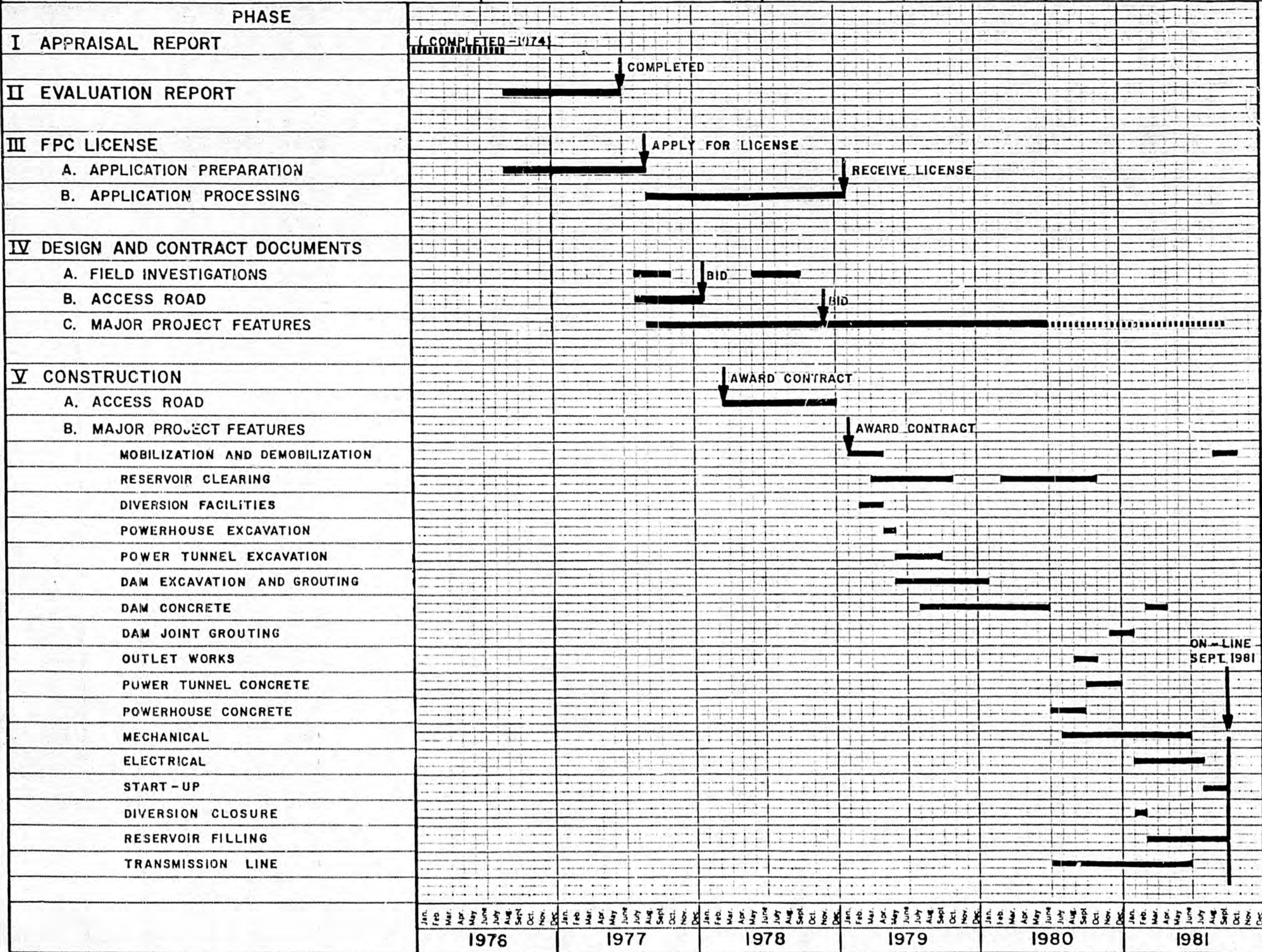
22 * Sec. 2. This Act takes effect immediately in accordance with
23 AS 01.10.070(c).

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ANNUAL FUNDING REQUIREMENTS, F. Y. (\$ 1,000)	450 *	1,600	10,430	12,140	17,420	4,460
CUMULATIVE FUNDING REQUIREMENTS (\$ 1,000)	450	2,050	12,480	24,620	42,040	46,500

EXHIBIT C



NOTE

STUDIES FUNDED IN 1976-77
F.Y. * INITIATED IN SEPTEMBER 1976.

LEGEND

- MAJOR EFFORT
- CONTINUING EFFORT

R. W. BECK and ASSOCIATES
ENGINEERS AND CONSULTANTS

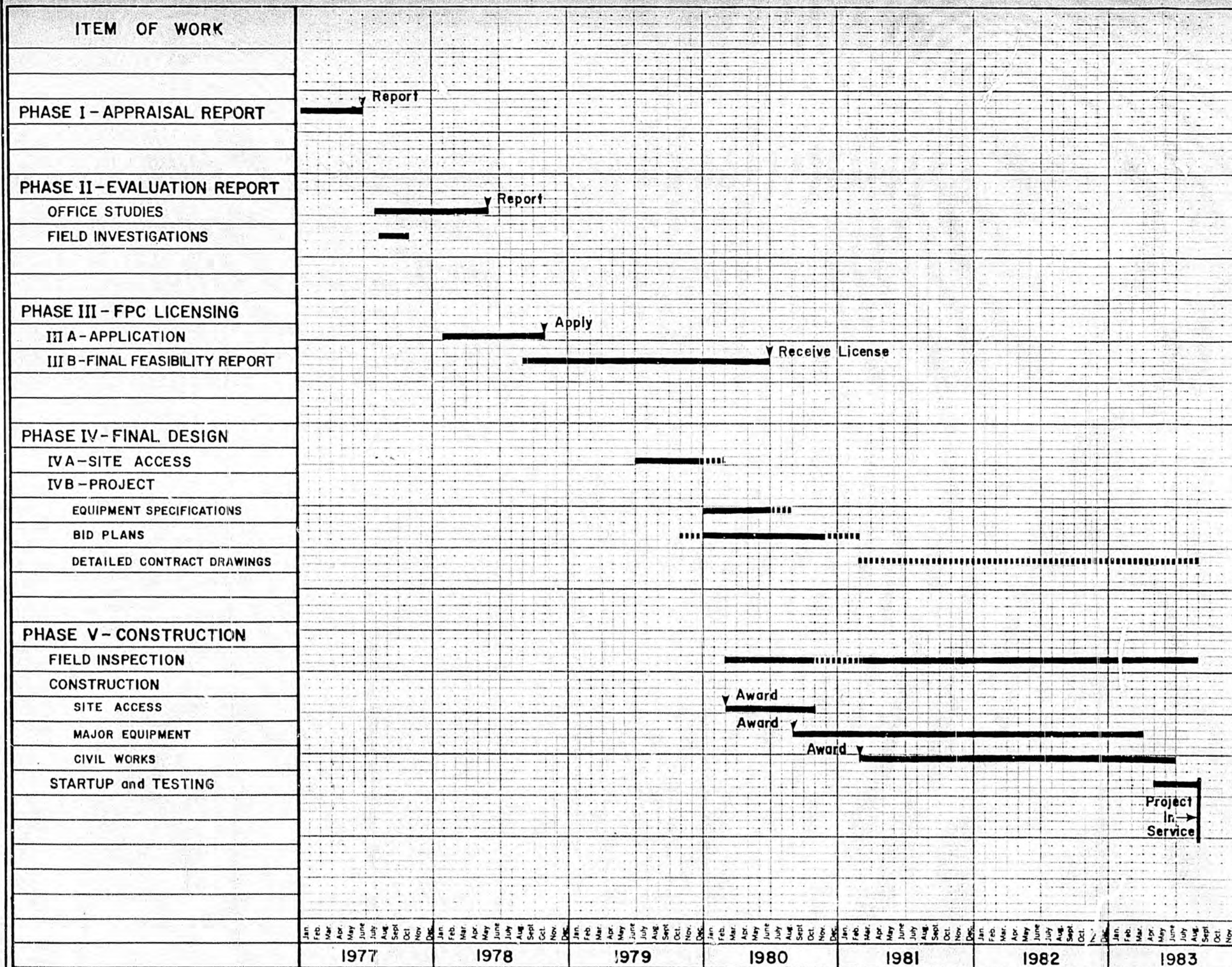
Seattle, Washington
Columbus, Nebraska
Denver, Colorado
Phoenix, Arizona
Orlando, Florida
Woburn, Massachusetts

CITY AND BOROUGH OF SITKA
ALASKA

GREEN LAKE PROJECT
DESIGN AND CONSTRUCTION
SCHEDULE

DATE: JUNE 1977 DRAWN: *BBB* APPROVED: *DBS* PG. 10

EXHIBIT D



LEGEND

Major Effort

Continuing Effort

R. W. BECK and ASSOCIATES
ENGINEERS AND CONSULTANTS

Columbus, Nebraska Seattle, Washington Orlando, Florida
 Indianapolis, Indiana Denver, Colorado Phoenix, Arizona Wellesley, Massachusetts

KETCHIKAN PUBLIC UTILITIES

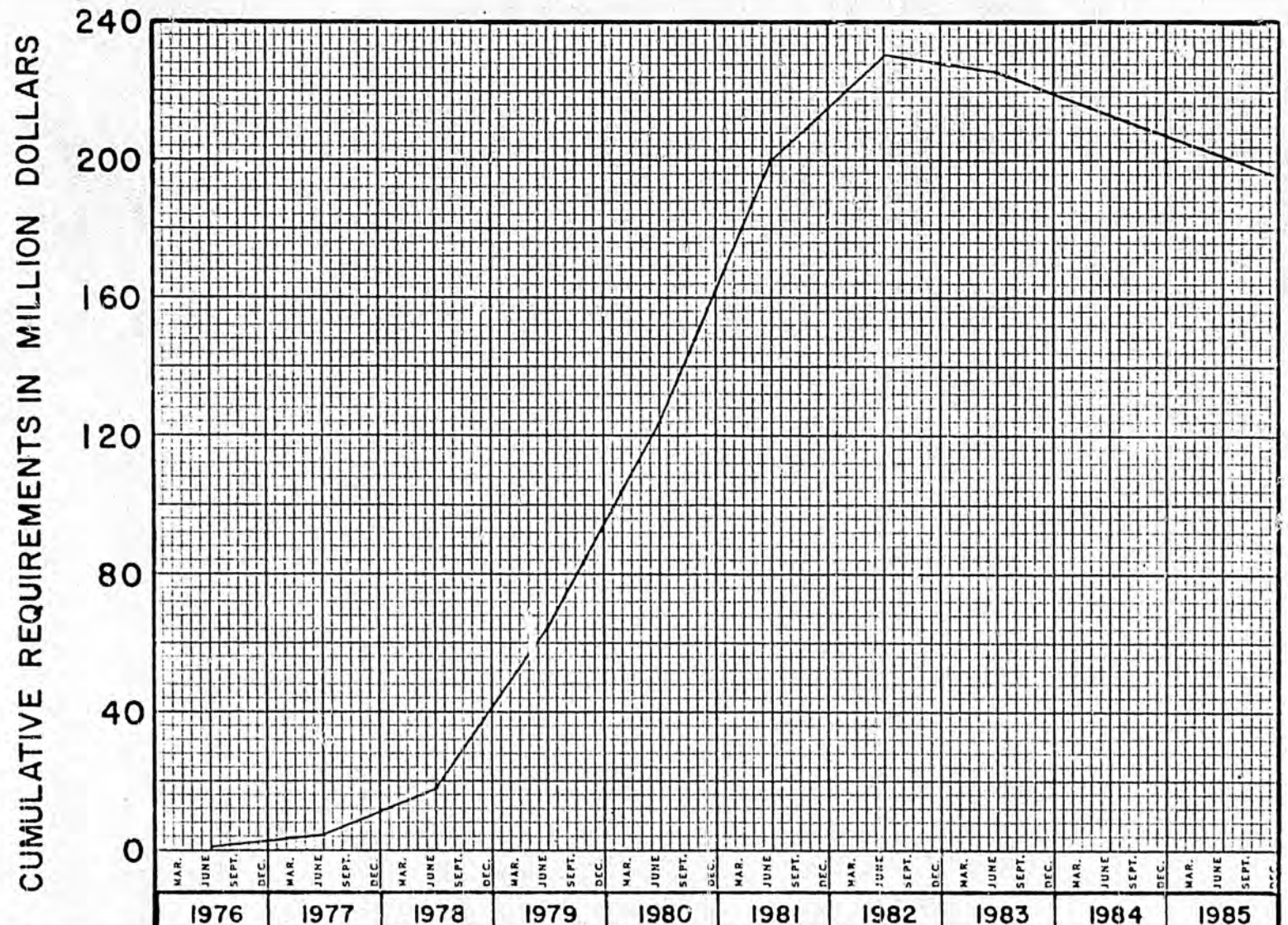
KETCHIKAN, ALASKA

DESIGN AND CONSTRUCTION SCHEDULE

DATE: JUNE 1977 DRAWN: BBB APPROVED: *gal* FIG: 6

WATER RESOURCES REVOLVING LOAN FUND BROAD ESTIMATE OF FUND REQUIREMENTS ⁽¹⁾

EXHIBIT E



	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
ANNUAL REQUIREMENTS (\$1000)	450	3,650	14,130	46,530	58,970	77,660	31,560	5,800		
NET CUMULATIVE REQUIREMENTS	450	4,100	18,180	64,960	123,880	201,490	230,410	226,010	213,580	201,140

(1.) For hydroelectric projects for which some loans have already been made including: Sitka - Green Lake, Ketchikan - Swan Lake, Petersburg + Wrangell - Virginia Lake, and Kodiak - Terror Lake.

THE SOUTHEASTERN CONFERENCE

21ST ANNUAL CONVENTION

OCTOBER 13 - 14, 1977

CENTENNIAL BUILDING SITKA, ALASKA

THURSDAY, OCTOBER 13

8:30 am Registration (Fee \$25.00)

9:30 am Opening Session

Mayor of Sitka, Welcome to Sitka
James Eide, President, Welcome to Conference

Appointments

Policy Statement Committee (Chairman, Director Harry Aase)
Nomination Committee (Chairman, 1st Vice Pres. John Halliwell)

10:30 am Southeast Transportation Study

Don Harris, Commissioner, Dept of Transportation
John Umlaref, Director, Division Transportation Planning
Morton Cook, Southeast Regional Planning Engineer
Andrew Hughes, Project Manager, S.E. Transportation Study

12:00 noon Lunch Break

1:30 pm Role of the Alaska Permanent Fund

Discussion Chairman, John Halliwell
Jim Edenso, Deputy Commissioner, Dept of Revenue, State
Investment Advisory Committee

~~Representative Clark Gruening, Chairman~~
House Special Committee Permanent Fund

~~Senator George Hohman, Chairman~~
Senate Special Committee Permanent Fund

Don Bowey, Assistant Manager
Ketchikan Public Utilities

Rocky Gutierrez, City Administrator
City & Borough of Sitka

Richard Ballard, Chairman

Thomas Bay Power Authority - *Dan*

James V. Williamson

R. W. Beck & Associates

5:30 pm Adjournment Evening Open

FRIDAY, OCTOBER 14

9:00 am State Land Selection

Chip Dennerlien, Selection Team
Department of Natural Resources

10:15 am Coffee Break

10:30 am Southeast Coastal Management Program
Mark Stevens, Division of Planning
Department of Community & Regional Affairs
Dean Lemon
U.S. Borax Corporation
Don Fenney
Ketchikan Pulp Company

12:00 noon Lunch Break

1:30 pm Business Meeting
Report by Policy Statement Committee
Harry Aase, Chairman

Action on Policy Statement

Report by Nomination Committee
John Halliwell, Chairman

Election of Board of Directors

Site Selection for 1978 Conference

Other Business

4:00 pm Board of Directors Meeting

6:30 pm Bourbon Renewal Seminar
Courtesy of R.W. Beck & Associates.

7:30 pm Banquet, Centennial Building
Entertainment will be provided

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 276-3433

528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501

[POUCH V. JUNEAU, AK. 99811]
(907) 465-3873



MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK URION

House of Representatives

September 22, 1977

The Honorable Bill Miles
528 West Fifth
Anchorage, AK 99501

Dear Bill:

The Committee has been invited to make a presentation and answer questions during the Southeast Hydropower Conference in Sitka. These activities have been scheduled for October 13, at 1:30 p.m. in the Centennial Building.

If you plan to attend, please notify this office so that we can make the appropriate arrangements.

Sincerely,

A handwritten signature in cursive that reads "Mike".

Mike Doogan
Administrative Assistant

MD:LAD

*Mike -
Don't count
on me.
Bill*

October 21, 1977

To All Legislators of
The State of Alaska

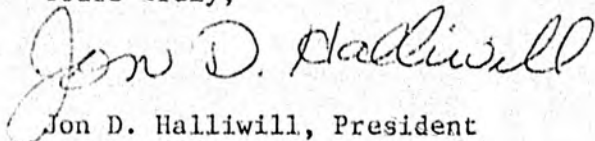
Gentlemen:

At our annual meeting held in Sitka on October 13 and 14, the Southeastern Conference drafted the enclosed Policy Statement. We would like to urge you to familiarize yourself with each of the areas involved. The statements made, we feel, are brief and quite self-explanatory.

At the present time we are seeking a lobbyist to represent our Conference during the upcoming legislative session. We will be putting great emphasis on the permanent fund and hydro-electric development as well as an equal emphasis on the release of trust land for development in Southeast Alaska. Mental Health and trust land now held by the State of Alaska are strangling the growth of many Southeast Alaska communities and it is the feeling of the Southeastern Conference that more must be done to release these lands for private ownership.

I urge your consideration of the Policy Statement, and look forward to your support in the next legislative session.

Yours truly,



Jon D. Halliwill, President
Southeastern Conference
P. O. Box 547
Haines, AK

THE SOUTHEASTERN CONFERENCE

21st ANNUAL CONVENTION

OCTOBER 13 - 14, 1977

CENTENNIAL BUILDING, SITKA, ALASKA

The 21st Annual Convention of The Southeastern Conference was opened at 9:45 a.m., October 13, 1977, by its President, James Eide.

Mr. Larry Armstrong, President of the Sitka Chamber of Commerce gave a short welcome address.

James Eide reviewed the role of the Southeastern Conference and its accomplishments. He mentioned that the Southeastern Conference had been instrumental in the development of the Alaska Marine Highway System, establishment of airports in many communities, development of ports and harbors in Southeast, and in hydroelectric power development. He outlined areas of concern of the Conference as coastal management, transportation, and the permanent fund.

Committee appointments were made as follows:

Policy Statement Committee:

Harry Aase, Chairman
Pat Teaugeu
Sam Privett
Dave Fremming
Carl Heinmiller
Rocky Gutierrez

Nominations Committee

John Halliwill, Chairman
Bill Overstreet
Monte Guyman

Jim Davis, Manager of the Sitka Chamber of Commerce welcomed everyone to Sitka. Jim Eide then introduced the Board of Directors.

Southeast Transportation Study. A panel consisting of Don Harris, Commissioner, Department of Transportation; Don Stater, Division of Harbor Design and Construction; Doug Burton, Manager, Marine Highway System; John Umlauf, Director, Division of Transportation Planning; Morton Cook, Southeast

Regional Transportation Manager; and Andrew Hughes, Project Manager, Southeast Transportation Study reviewed the transportation system in Southeast Alaska. It was announced that Cecil McClain is a member of the Governor's Transportation and Planning Council.

Don Harris, first speaker outlined the organization of the Department of Transportation. Most of the Department is located in Juneau, however there are a few divisions in Anchorage.

Don Stater indicated that a great amount of money has been spent in this State for ports and harbors. There is additional demand for harbor space in all communities in Southeast and in all Alaskan coastal cities. Construction of new facilities cannot hope to keep pace with the constant increase in demand. He indicated that Southeast has been able to provide better harbors than most of the rest of the State. He mentioned that a number of the harbors are beginning to generate income and can improve facilities such as parking with this revenue.

Doug Burton, Traffic Manager of the Marine Highway System, reviewed the operation of the System. He explained the relationship between traffic, fares, and expenses of the System. He indicated that an effort needs to be made to increase traffic from outside during the winter months in order to increase revenues. He explained possible additional commuter routes for future years and how they effect expenses and revenues. Plans as explained were tentative.

John Umlauf, Director, Division of Transportation Planning posed the question, "How much transportation is too much?" He pointed out that every road that is built needs to be maintained. Many roads in Alaska are deficient and need substantial repairs. The cost to build highways is steadily increasing, and so is the cost to maintain those highways after they are built. Many roads are built for convenience, and that convenience costs a lot of money.

Morton Cook and Andrew Hughes refered to a multi-modal system, integrating air, land, and water transportation. They reviewed the transportation study being done by Wilbur Smith and Associates, its objectives and its progress to date. Three items under study at the moment are: 1. The three possible southern terminus for the Marine Highway System, 2. Additional roads connecting Southeast with the Canadian highway system, and 3. Centralized or decentralized barge service in Southeast.

Role of the Alaska Permanent Fund was the discussion topic for the afternoon session on October 13. Panel members were: John Halliwill, Discussion Chairman; Jim Edenso, Deputy Commissioner, Department of Revenue, State Investment Advisory Committee; Representative Ross Meekins, Jr., House Special Committee Permanent Fund; Senator Pat Roddy, Senate Special Committee Permanent Fund; Don Bowey, Assistant Manager, Ketchikan Public Utilities; Rocky Gutierrez, City Administrator, City & Borough of Sitka; Richard Ballard, Chairman, Thomas Bay Power Authority; Sterling Gallegher, Commissioner, Department of Revenue; and James V. Williamson, R. W. Beck & Associates.

Jim Edenso, State Investment Advisory Committee, reviewed the legislation leading up to establishment of the Permanent Fund. He reviewed the structure being set up to administer the Permanent Fund, indicating that there was a 9-member Policy Board, and a 5-member Investment Committee to review and approve all investments. He charted the balances in the General Fund through the next several years based on 25, 50, and 75% contribution to the Permanent Fund.

Sterling Gallegher, Commissioner, Department of Revenue, reviewed the development bank concept being considered and the reasons for it. Senator Pat Roddy reviewed the administration of the Fund, the rate of contribution to the Fund, and possible uses for the Fund. Representative Russ Meekins, Jr., discussed the issue of accountability vs. efficiency of the Fund, the type of investments the Fund should make, and who should decide where the Fund invests. Don Bowey, urged that the Fund be used for hydro power development. He reviewed the advantages of hydro power and emphasised the fact that hydroelectric power is a renewable resource. Dick Ballard of the Thomas Bay Power Authority reviewed the Renewable Resources Revolving Fund. Rocky Gutierrez read a letter emphasizing the need for more hydro power development and money from the Permanent Fund for its development.

There was a great deal of discussion about ways the Permanent Fund could be used to finance hydroelectric power projects. This was a primary concern of the people present and generated a lot of discussion and questions both from the floor and from the panel. There was also a good deal of discussion about whether to invest the Permanent Fund in the State or outside of the State.

The Convention was opened at 9:00 a.m. on Friday October 14, 1977.

State Land Selection. Chip Dennerlien, Selection Team, Department of Natural Resources gave a lengthy talk about the first phase of the State Land Selection which is almost complete. He emphasized that public cooperation has been stressed during the selection process and response has been excellent. One of the main problems of the land selection process is the mental health lands which ring most Southeastern cities. This land is needed for community development but is not available for selection. Sterling Gallegher, Commissioner of Revenue, also spoke and outlined the State's intention with respect to the Mental Health Lands. There was some discussion on ways cities could work with the State to release Mental Health lands for community development.

Southeast Coastal Management Program. Mark Stevens, Division of Planning, Department of Community & Regional Affairs, and Don Finney, Louisiana Pacific, Ketchikan Division comprised the panel for this discussion. Dean Lemon, U. S. Borax Corporation sent his regrets. Mark Stevens reviewed the legislation effecting coastal management in Southeast Alaska. He indicated that the program is new and many of the details have not yet been worked out. Each organized city and borough, called a district in the legislation, is charged with the responsibility of developing its own Coastal Management Program. Guidelines set up for each district program include: 1. How far inland does the coastal zone extend; 2. What are the uses that need to be managed; 3. What are the policies to be applied to those uses in the area; 4. What means will be applied to enforce the policies; 5. What are the policies for special areas; and 7. What means are to be used to measure the progress of the program.

Don Finney, presented private industries view of coastal management. He indicated that coastal management is viewed as a necessary program. He indicated that industry is concerned with the number of permits required for any development at the present time. He felt that a coastal management program should not just require additional permits. He felt that planning and control of coastal areas could be done and growth still be allowed in the area.

There was some discussion and concern about coastal areas in unorganized cities and boroughs and how a program would be drawn up for those areas. The effect of a district's program, or lack of a program, on adjoining districts was also a concern of persons present.

The afternoon of October 14 started off with a presentation by James Johnson of Alaska Airlines. Alaska Airlines is presently involved in trying to get authorization for flights from Alaska to Oregon and California. They have built several new buildings in the last two years, and look forward to a number of new planes in the next several years.

The business meeting was opened by President Jim Eide. The roll was called and a quorum was declared. Communities with representatives present were: Haines, Hoonah, Juneau, Kake, Ketchikan, Petersburg, Sitka, and Wrangell.

The first item of business was the presentation of the draft Policy Statement by the Policy Statement Committee. Chairman, Harry Aase, presented the statement. The members of the committee were Pat Teaugeu, Dave Fremming, Sam Privett, Rocky Gutierrez, John Halliwill, and George Davidson. Mr. Aase thanked all members of the committee for the work they did.

Municipal Land Selections. The statement as submitted reads as follows:

Because communities of Southeast Alaska are for the most part surrounded by Mental Health Lands making logical and orderly land selections by those municipalities under the NFCG impossible. Since the State is in the process of nominating lands to be withdrawn under selection from the National Forest for community expansion, and Southeast community needs cannot be met by selecting non-contiguous lands, the Southeastern Conference urges the State to reclassify certain lands surrounding Southeastern municipalities from Mental Health, to a classification allowing municipal selection.

MOTION by Cecil McClain seconded by John Halliwell to accept the statement as read. Motion passed.

Coastal Zone Management. The statement as submitted reads as follows:

The Southeastern Conference strongly supports the concept of the development of coastal zone management policies which will maximize local municipal control over the development of land use planning for all coastal areas within the corporate boundaries of each organized municipality.

MOTION by John Halliwill, seconded by Sunny Hicks to accept the statement as read. After some discussion this item was deferred for further consideration.

CMAL Proposal. The statement as submitted reads as follows:

The Southeastern Conference supports the program and ongoing efforts of the Citizens for the Management of Alaska Lands. CMAL's balanced approach to the problem of equitable land allocation in Southeast Alaska embodies the most practical solution that will allow for adequate economic growth and provide work for residents while at the same time protecting the environmental values we feel are important to our quality of life.

MOTION by Monte Guyman, seconded by Mike Salazar to accept the statement as read. Motion passed.

Permanent Fund. The statement as submitted reads as follows:

The Southeastern Conference supports the policy of setting aside a percentage of the Permanent Funds to be used solely for the construction of hydro-electric energy sources.

MOTION by Chuck Poole, seconded by Don Bowey to accept the statement as submitted. After some discussion this item was deferred for further consideration.

Tourism. The statement as submitted reads as follows:

The Southeastern Conference urges the State to provide effective support for tourism development by supporting projects which enhance community identification, and by assisting communities to develop projects which enhance off-season travel, such as convention centers. The development of multi-use facilities such as combination convention center/community center complexes are supported strongly.

MOTION by Bill Verwolf, seconded by Bill Sherman to accept the statement as read. Motion passed.

New Capital City. The statement as submitted reads as follows:

The Southeastern Conference opposes any State appropriation of investment from the Permanent Fund to build a new capital city until the critical needs of existing communities have been satisfied in such areas as adequate school facilities; housing; hospitals; energy supplies and/or power sources; sewer and water systems; transportation facilities; ports and harbors; communications; tourist and other economic diversification projects; etc. We support the right of the people to know the full cost and impact of building a new capital city and their right to vote on an initiative regarding bonding for the full amount.

MOTION by Monte Guyman, seconded by Bill Verwolf to accept the statement as read. MOTION to amend by Mike Salazar, seconded by Chuck Poole to add the word "airports" after "transportation facilities". Amendment passed, motion passed.

Fisheries Rehabilitation. The statement as submitted reads as follows:

The Southeastern Conference supports the development of a maximum sustained yield from Alaska waters through the development of salmon enhancement and rehabilitation projects. We urge the State and the National Marine Fisheries Center to conduct ground fish stock analysis and to design appropriate gear types for the harvesting of ground fish. We support regional

cooperation in a one-year demonstration catching and processing project to demonstrate the ability of Americans to take advantage of the opportunity provided by the Fisheries Management Conservation Act and strong markets for bottom fish.

MOTION by Ben Grusendorf, seconded by Monte Guyman to accept the statement as read. After some discussion the item was deferred for further consideration.

Land Management Concerns. The statement as submitted reads as follows:

The Southeastern Conference urges that potential hydroelectric projects be eliminated from Federal and State D-2 selections by providing sites for dam sites, corridors for water and electric transmission lines, associated substations and all attendant facilities.

The Conference further supports the preservation of rights-of-way from all Non-State land selection and classification for the purpose of providing for future construction of public accesses of various types.

MOTION by Sunny Hicks, seconded by John Halliwill to accept the statement as submitted. This item was deferred for further consideration.

Ports and Harbors. The statement as submitted reads as follows:

Since Alaska economically depends heavily upon ocean shipping, the Conference supports the State's Port and Harbor Grant programs and urges further expansion of those programs. Major port facility plans should be prepared and developed.

MOTION by Dave Fremming, seconded by Mike Salazar to accept the statement as read. Motion passed.

Transportation. The statement as submitted reads as follows:

The Conference supports effort to provide efficiencies in the operation of the Alaska Marine Highway System providing those efficiencies do not further reduce the quality of service.

The Southeast Conference strongly supports expansion of ferry service to southeast Alaskan ports and strongly urges the State to provide for community review prior to finalizing marine highway rates and schedules.

The Conference supports efforts toward an expanded Alaska railroad system to serve areas beyond the current railroad terminus and to extend said system to Southeastern Alaska.

The Conference supports the development of a transportation program which identifies the needs and establishes an improvement program for all forms of transportation in Southeastern to include commercial and private air, marine and land transportation systems and adequate consideration for emergency facilities.

MOTION by Monte Guyman, seconded by Mr. Klien to accept the statement as read. This item was deferred for further consideration.

Permanent Fund. MOTION to amend was made by Don Bowey and seconded by Sunny Hicks to 1. delete the word "a" after "setting aside" and add "an adequate", 2. add "long-term, low-interest financing of" after "used solely for", and 3. add "energy and potable water supply sources" after "hydro-electric". The President decided to divide the vote. Portion 1 of the amendment passed. A roll call vote was called on the portion 2 of the amendment, it did not pass. Portion 3 of the amendment passed. The motion was voted on and passed. The statement as adopted reads as follows:

The Southeastern Conference supports the policy of setting aside an adequate percentage of the Permanent Funds to be used solely for the construction of hydro-electric energy and potable water supply sources.

Fisheries Rehabilitation. MOTION to amend was made by Sunny Hicks and seconded by Bill Verwolf to insert the word "marketable" in place of the word "ground" after "National Marine Fisheries Center to conduct", and to delete "and to design appropriate gear types for the harvesting of ground fish." The amendment passed, the motion passed.

Land Management Concerns. MOTION to amend was made by Don Bowey and seconded by Mike Salazar to add "headwater rights" after "D-2 selections by providing" and to add "power house" after "electric transmission lines". The amendment passed, the motion passed.

Transportation. MOTION to amend was made by John Halliwill and seconded by Don Bowey to delete the paragraph referring to railroads. The amendment passed.

MOTION to amend was made by Mike Salazar and seconded by John Halliwill to delete the last word of the statement, "facilities", and add the word "airports". The amendment passed.

MOTION to amend was made by Rocky Gutierrez and seconded by John Halliwill to change the first paragraph to read "The Conference supports effort to provide efficiencies in the operation of the Alaska Marine Highway System providing those efficiencies are not in the form of a reduction of passenger service." Amendment passed.

MOTION to amend was made by Bill Verwolf and seconded by Mike Salazar to change the second paragraph to read: "The Legislature of the State of Alaska is requested to initiate and conduct a complete investigation of the administration of the Division of Marine Transportation to determine the degree of good business practice and operational responsibility being exercised in the overall planning, operation and legislative mandate creating the Alaska Marine Highway System." The amendment failed.

MOTION to amend was made by Bill Verwolf and seconded by John Halliwill to add the words "operational changes" after "marine highway" in the second paragraph. Amendment passed.

The motion passed. The statement as adopted reads as follows:

The Conference supports effort to provide efficiencies in the operation of the Alaska Marine Highway System providing those efficiencies are not in the form of a reduction of passenger service.

The Southeast Conference strongly supports expansion of ferry service to southeast Alaskan ports and strongly urges the State to provide for community review prior to finalizing marine highway operation changes, rates, and schedules.

The Conference supports the development of a transportation program which identifies the needs and establishes an improvement program for all forms of transportation in southeastern to include commercial and private air, marine and land transportation systems and adequate consideration for emergency airports.

Coastal Zone Management. MOTION to amend made by Bill Verwolf and seconded by Rocky Gutierrez to change the statement to read "The Southeastern Conference strongly supports the concept of providing maximum local participation in the development of State guidelines for coastal management, and local control over development of coastal programs." The amendment passed, the motion passed.

John Halliwill was called upon next to present the report from the Nominations Committee. The nominations for the four vacancies on the Board of Directors are as follows: Hack White, Petersburg; Sam Privett, Wrangell; Ted Ferry, Ketchikan; and George Davidson, Juneau. All four men were unanimously elected.

A MOTION was made by Sunny Hicks and seconded by Dave Fremming to hold the 1978 convention in Petersburg. Motion passed.

The meeting was then opened for new business.

Mike Salazar made a MOTION read in the form of a resolution, the motion was seconded by Cecil McClain and read as follows:

WHEREAS, The Southeastern Conference recognizes the great contributions that David F. Murdy has made to Southeast Alaska as well as the whole State of Alaska, and;

WHEREAS, His unselfish contributions to various and many organizations and his attitude to see that tasks assumed were accomplished with professionalism and dispatch thereby resulting in the enhancement of the livability and life of all Alaskans;

NOW THEREFORE BE IT RESOLVED, That the Southeastern Alaska Delegation representing all of the Southeast Alaska and known as the Southeastern Conference, do hereby officially recognize by unanimous consent, the tremendous efforts of our dear departed friend, Mr. David F. Murdy;

BE IT FURTHER RESOLVED AND DIRECTED, That a copy of this resolution be delivered to Mrs. (Phyllis) David F. Murdy.

Dated this 14th day of October 1977.

Motion passed.

A MOTION was made by Don Bowey and seconded by Bill Schirmer, "that the Southeastern Conference employ the services of a lobbyist to work in the best interests of the Southeastern community in Juneau during the forthcoming legislative session; further, contingent on the President and Board of Directors of the Southeastern Conference selecting such a person and arranging for the funding of the lobbying effort." Motion passed.

A MOTION was made by Cecil McClain and seconded by John Halliwill to reopen the policy statement for an addition. Motion passed.

Bill Verwolf invited the members present who are also members of the Municipal League to contact him to discuss the feasibility of self-insurance for basic liability and comprehensive insurance.

Jim Eide thanked the City and Borough of Sitka and the Sitka Chamber of Commerce for hosting the conference. Thanks were also extended to Jim Williamson for his seminar to be held at 6:30 p.m.

A MOTION was made by Chuck Poole and seconded by Monte Guyman to add the following to the Policy Statement

"Economic Development Policy

We support the prompt, expeditious handling of all permits and work-plan approvals by all State and Federal agencies necessary to the approval, construction, and operation of reasonable access routes to mineral deposits and natural resources in Southeast Alaska."

Motion passed.

The 21st Annual Convention of The Southeastern Conference was adjourned at 4:30 p.m., October 14, 1977

THE SOUTHEASTERN CONFERENCE

21st ANNUAL CONVENTION

OCTOBER 13 - 14, 1977

REGISTRATION

- | | |
|-------------------------|---|
| 1. Jim Williamson | R. W. Beck and Associates, 200 Tower Bldg.
Seattle, WA |
| 2. Miles Murphy | |
| 3. Thomas Broady, Jr. | P. O. Box 6410, Anchorage |
| 4. Rocky Gutierrez | P. O. Box 79, Sitka |
| 5. Bill Overstreet | 318 Hiland Dr., Juneau |
| 6. Sam Privett | P. O. Box 841, Wrangell |
| 7. Jim Eide | P. O. Box 841, Wrangell |
| 8. Walt McPherson | P. O. Box 109, Juneau |
| 9. Drn Bowey | P. O. Box 7300 Ketchikan |
| 10. Ted Ferry | P. O. Box 3700 Ketchikan |
| 11. Carl Larson | 3356 Dale St., Ketchikan |
| 12. Mike Kouni | 1306 Water, Ketchikan |
| 13. Bill Verwolf | 344 Front, Ketchikan |
| 14. Monte Guyman | 701 Buren, Ketchikan |
| 15. Reinhardt Klien | 320 Broaden, Ketchikan |
| 16. Helen Finney | 3903 Baranof, Ketchikan |
| 17. Tom Glenn | 625 Cornwall Ave., Bellingham, WA |
| 18. John Umlauf | P. O. Box 182, Douglas |
| 19. Andy Hughes | Rt. 6, Box 4050-80, Juneau |
| 20. Larry Armstrong | P. O. Box 657, Sitka |
| 21. David Moffit | P. O. Box 329, Petersburg |
| 22. Hack White | P. O. Box 586, Petersburg |
| 23. Bill Schirmer | P. O. Box 1110, Wrangell |
| 24. Mort Cook | Rt. 4, Box 4355, Juneau |
| 25. Senator Pete Meland | P. O. Box 53, Sitka |
| 26. Ken Johnson | P. O. Box 3-1000, Juneau |
| 27. Harry Aase | P. O. Box 2895, Juneau |
| 28. John Halliwill | P. O. Box 547, Haines |
| 29. N. L. Teague | P. O. Box 7300, Ketchikan |
| 30. Susie Greggflower | Pouch V., Juneau |
| 31. Doug Burton | Rt. 6, Box 4120, Juneau |
| 32. Schaefer Dixon | P. O. Box 2268D, Pasadena, CA |
| 33. Chuck Poole | 1225 Tongass, Ketchikan |
| 34. Mike Salazar | P. O. Box 69, Ketchikan |
| 35. Jim Edenso | Pouch S.B., State of Alaska, Juneau |

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Registration
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36. Steve Race	1 Maritime Plaza, San Francisco, CA
37. Dave Fremming	200 N. Franklin, Juneau
38. Ben Grusendorf	P. O. Box 928, Sitka
39. Dale Rusnell	338 Denali, Anchorage
40. Bill Mearig	P.O. Box 329, Petersburg
41. Sterling Gallegher	Pouch S, Juneau
42. Frank Gordon	P. O. Box 142, Kake
43. Jane Hanchett	P. O. Box 7900, Ketchikan (Daily News)
44. Don Shea	P. O. Box 475, Juneau
45. Larry Stewart	Hydro Specialist, General Electric Co. 1031 N. 4th Ave., Kent, WA
46. Jim Johnson	154 S.W. 18th, Seattle, WA
47. Jamie Love	P. O. Box 1093, Anchorage
48. Charles Logsdon	P. O. Box 387, Palmer
49. Gene Erskine	3636 Low Rd., Anchorage
50. Mark Stephens	Pouch B, Juneau
51. Russ Meekins	1526 K Street, Juneau
52. Mike Doogan	926 W. 19, Anchorage
53. Dave Miller	P. O. Box 130, Juneau
54. Sam Plaia	1 Liberty Plaza, 91 Liberty St., New York
55. Ted Swick	1 Liberty Plaza, 91 Liberty St., New York
56. Bob Pride	100 W. Harrison, Seattle
57. Gordon Johnson	6551 - 47th Ave., Seattle
58. George Davison	1711 Gasier Ave., Juneau
59. Ken Freeman	Sitka
60. Dick Ballard	Thomas Bay Power Commission, Wrangell
61. Carl Steeby	P. O. Box 4610, Anchorage
62. Mike Cunningham	2035 - 2nd Ave., Ketchikan
63. Cecil McClain	P. O. Box 118, Sitka

THE SOUTHEASTERN CONFERENCE

21st ANNUAL CONVENTION

OCTOBER 13 - 14, 1977

SITKA, ALASKA

POLICY STATEMENT

MUNICIPAL LAND SELECTIONS

Because communities of Southeast Alaska are for the most part surrounded by Mental Health Lands making logical and orderly land selections by those municipalities under the NFGC impossible. Since the State is in the process of nominating lands to be withdrawn under selection from the National Forest for community expansion, and Southeast community needs cannot be met by selecting non-contiguous lands, the Southeastern Conference urges the State to reclassify certain lands surrounding Southeastern municipalities from Mental Health, to a classification allowing municipal selection.

COASTAL ZONE MANAGEMENT

The Southeastern Conference strongly supports the concept of providing maximum local participation in the development of State guidelines for coastal management, and local control over development of coastal programs.

CMAL PROPOSAL

The Southeastern Conference supports the program and ongoing efforts of the Citizens for the Management of Alaska Lands. CMAL's balanced approach to the problem of equitable land allocation in Southeast Alaska embodies the most practical solution that will allow for adequate economic growth and provide work for residents while at the same time protecting the environmental values we feel are important to our quality of life.

PERMANENT FUND

The Southeastern Conference supports the policy of setting aside an adequate percentage of the Permanent Funds to be used solely for the construction of hydro-electric energy and potable water supply sources.

TOURISM

The Southeastern Conference urges the State to provide effective support for tourism development by supporting projects which enhance community identification, and by assisting communities to develop projects which enhance off-season travel, such as convention centers. The development of multi-use facilities such as combination convention center/community center complexes are supported strongly.

NEW CAPITAL CITY

The Southeastern Conference opposes any State appropriation or investment from the Permanent Fund to build a new capital city until the critical needs of existing communities have been satisfied in such areas as adequate school facilities; housing; hospitals; energy supplies and/or power sources; sewer and water systems; transportation facilities; airports; ports and harbors; communications; tourist and other economic diversification projects, etc. We support the right of the people to know the full cost and impact of building a new capital city and their right to vote on an initiative regarding bonding for the full amount.

FISHERIES REHABILITATION

The Southeastern Conference supports the development of a maximum sustained yield from Alaska waters through the development of salmon enhancement and rehabilitation projects. We urge the State and the National Marine Fisheries Center to conduct marketable fish stock analysis. We support regional cooperation in a one-year demonstration catching and processing project to demonstrate the ability of Americans to take advantage of the opportunity provided by the Fisheries Management Conservation Act and strong markets for bottom fish.

LAND MANAGEMENT CONCERNS

The Southeastern Conference urges that potential hydroelectric projects be eliminated from Federal and State D-2 selections by providing headwater rights, sites for dam sites, corridors for water and electric transmission lines, power houses, associated substations and all attendant facilities.

The Conference further supports the preservation of rights-of-way from all Non-State land selection and classification for the purpose of providing for future construction of public accesses of various types.

PORTS AND HARBORS

Since Alaska economically depends heavily upon ocean shipping, the Conference supports the State's Port and Harbor Grant programs and urges further expansion of those programs. Major port facility plans should be prepared and developed.

TRANSPORTATION

The Conference supports effort to provide efficiencies in the operation of the Alaska Marine Highway System providing those efficiencies are not in the form of a reduction of passenger service.

The Southeastern Conference strongly supports expansion of ferry service to Southeast Alaskan ports and strongly urges the State to provide for community review prior to finalizing marine highway operational changes, rates, and schedules.

The Conference supports the development of a transportation program which identifies the needs and establishes an improvement program for all forms of transportation in Southeastern to include commercial and private air, marine and land transportation systems and adequate consideration for emergency airports.

ECONOMIC DEVELOPMENT POLICY

We support the prompt, expeditious handling of all permits and work-plan approvals by all State and Federal agencies necessary to the approval, construction, and operation of reasonable access routes to mineral deposits and natural resources in Southeast Alaska.