

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

4275 SRES SB 338 155

1 with that thought, is that there is one way
2 that the court could limit it's relief in a
3 fashion that would provide maximum possible
4 protection to plaintiffs without harming their
5 plan at all.

6 And that is that the relief could be
7 limited to some time certain within the regular
8 legislative session, say January 30th.

9 THE COURT:

10 You mean until, say, February?

11 MR. SMITH:

12 February 15th, and if Your Honor is correct
13 that the legislature would, in fact,
14 reappropriate that money, that would give them
15 ample time to do so.

16 THE COURT:

17 Well, I'm not prepared to do that at this
18 point, but it seems to me that it's always --
19 relief is always available to you either from
20 me or, if I lose jurisdiction from the supreme
21 court, it could dissolve the stay that's been
22 issued; and if, in fact, the legislature makes
23 it very clear that they're not about to act on
24 this until -- until the supreme court acts,
25 then, I assume, that it would be appropriate to

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make a motion to dissolve the stay.

It's -- it's -- I'm not -- I don't want --
I don't think it's appropriate for me, at this
point, to give the legislature a timetable. It
seems very clear to me that this is a very
important issue and that they will probably be
dealing with it almost immediately when they go
into session.

And if I still have jurisdiction, is the
question, in January, I'd be looking very
seriously at dissolving any stay if they gave
clear indication that they weren't going to
act.

Anything else?

MR. BALDWIN:

Not from the State.

THE COURT:

Do you require a written order?

MR. BALDWIN:

Your Honor, I...

THE COURT:

In my view, my reasons for issuing the stay
are clear on the record, and if you don't think
so or if you think they need supplementation,
you can propose an order to me. But I really

1 don't think a written order is necessary.

2 MR. BALDWIN:

3 Yes, Your Honor, if we have a disagreement,
4 I think, we'll settle it by presenting an order
5 to the court, but I...

6 THE COURT:

7 Okay. That's fair -- that's fair enough.

8 Now, given the argument that was just made
9 by the State's counsel, are you sure that you
10 don't want further brief this issue, the one
11 issue that remains?

12 MR. SMITH:

13 The issue on confinement?

14 THE COURT:

15 Yes.

16 MR. SMITH:

17 Your Honor, I think, we will make a
18 decision in the next day or so whether or not
19 to request written brief if that's permissible
20 to the court.

21 THE COURT:

22 Okay. All you have to do is then contact
23 opposing counsel and stipulate to a briefing
24 schedule, and I will defer decision until
25 you've fully briefed the matter.

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MR. SMITH:

Thank you, Your Honor.

THE COURT:

But I won't defer decision any further than ten days. So you won't get any more than ten days to file additional briefs.

MR. BALDWIN:

Your Honor, with the additional relief of a stay, makes us want to think about it for a couple of days as well, and we do...

THE COURT:

Sure, that's fine with me, and I won't be getting to it until next week surely. So let me know and maybe you can just drop a phone call to my secretary, and then if you want to stipulate in writing you can also do that.

MR. BALDWIN:

Certainly, Your Honor.

THE COURT:

Okay. Thank you, Mr. Baldwin.

MR. BALDWIN:

Thank you.

MR. SMITH:

Thank you.

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THE CLERK:

Please rise. Court stands in recess
subject to call.

(Whereupon the hearing adjourned at 4:12
p.m.)

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CERTIFICATE

UNITED STATES OF AMERICA)
) ss.
STATE OF ALASKA)

I, Georgi Ann Haynes, Notary Public in and for the State of Alaska, residing at Anchorage, Alaska, and verbatim reporter for H & M Court Reporting, do hereby certify:

That this transcript, as heretofore annexed, is a true and correct transcription of testimony of said proceedings, to the best of my knowledge, and thereafter transcribed;

I am not a relative, or employee, or attorney, or counsel of any of the parties, nor am I financially interested in this action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal this 20th day of September, 1985.

Georgi Ann Haynes
Notary Public in and for Alaska
My commission expires: 1/10/87



**Anchorage • Star of the North
Chamber of Commerce**

File
SB338
APR 4 1986

April 3, 1986

Senator Arliss Sturgulewski
Alaska State Legislature
Pouch V (MS 3100)
Juneau, Alaska 99811

Dear Arliss:

Thank you for your request to the Energy Committee to comment on pending issues relating to the Alaska Power Authority. We are aware of legislation which has been drafted which would convert the APA into a line agency within the Department of Commerce & Economic Development. It appears this approach may be related to recent decisions by the APA board of directors and to recurring discussions among the utilities regarding possible restructuring of the railbelt utilities.

The energy committees of both the Anchorage Chamber of Commerce and the Alaska State Chamber of Commerce met yesterday to discuss the issues surrounding the APA and both committees came to unanimous agreement on the following points:

1. We support continuation of the APA, but we believe the board should be restructured as an independent body comparable to the board of the Alaska Railroad. We need an entity which is capable of long-range planning and has the ability to act. Power supply problems have to be resolved which extend one or two decades in length. They are not going to be resolved by a politicized agency whose planning horizon extends only to the next election.

2. A generation and transmission cooperative (G&T) has been proposed for the railbelt as an alternative to the APA for developing power projects for this region. This may be a reasonable alternative for that purpose, but we strongly

**President: Elaine Atwood Executive Committee: Larry Baker,
Ken Calhoon, George Easley, Lee Fisher, Joe Heintz, Harold Heinze, Glenda Rhodes
Board: Col. Larry Bolls, Mike Burns, Dave Dittman, Sen. Jan Faiks, Al Fleetwood, Alice Hartig, Jack Hayes,
Duane Heyman, Col. Scott Tippin, Kay Linton, Bill MacKay, Earl Miller, George N. Nelson, John Norman, Al Parrish,
Bob Penney, Chief Brian Porter.**

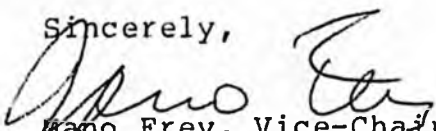
415 F Street, Anchorage, Alaska 99501-2254 (907) 272-2401

believe the APA should remain in place until such an entity has in fact been created by the railbelt utilities. Even if a G&T is organized and it assumes responsibility for the development of future power projects for the railbelt, there will still be a need for a statewide power agency such as the APA.

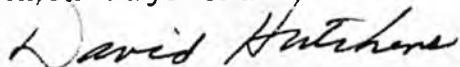
3. Detailed feasibility assessment of the Devil Canyon project should continue while alternative energy studies are being conducted. The state has a substantial investment in time and money in studies of the upper Susitna River, and completion of a feasibility determination of the Devil Canyon project is estimated to cost approximately \$3 1/2 million over a 6 month period. There has never been any question about the need for new and replacement generating capacity in the next decade to serve the railbelt. Studies on the Upper Susitna over the years have repeatedly found Devil Canyon to be economically attractive.

We appreciate the interest you and the Senate have in developing a rational energy future for Alaska. We know that despite the oil glut which now exists, we must plan now for a future which will have very different problems. We are pleased to respond to your request for our comments and would be happy to comment further as these issues develop.

Sincerely,



Hans Frey, Vice-Chairman
Energy Committee
Anchorage Chamber of Commerce



David Hutchens, Co-Chairman
Energy Committee
Alaska State Chamber of Commerce

cc: Senator Jan Faiks

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

DIVISION OF STRATEGIC PLANNING

File SB338
BILL SHEFFIELD, GOVERNOR

POUCH AD
JUNEAU, ALASKA 99811
PHONE: (907) 465-3568

APR 4

1986

April 3, 1986

Mr. Robert Heath
Executive Director
Alaska Power Authority
P.O. Box 190869
Anchorage, AK 99519

Dear Bob:

The board of the Alaska Power Authority must soon define more closely the "review of alternatives" that we have resolved to initiate in the wake of our actions on the two-dam Susitna Project. Since staff will be drafting a work plan for the board to consider, I would like to express my ideas on this subject, and my concerns about how we proceed.

Foremost on my mind is the implication for the Power Authority of declining State revenues. The fiscal situation of the State has changed the fundamental premises under which the Alaska Power Authority has been operating since the early 1980s. Our inability to devise a workable financing plan for the Susitna project is symptomatic of the new fiscal reality.

All of the energy projects undertaken by the Power Authority have been funded fully from the State's general fund (e.g., the Anchorage-Fairbanks intertie, and rural waste heat projects) or funded in substantial measure from the general fund (e.g. the four-dam pool projects, and Bradley Lake). It seems very doubtful that there will be significant amounts of general fund money available for new energy projects

(in the foreseeable future, anyway). Regrettably, this is so notwithstanding the political bargain struck years ago that the Railbelt would eventually get its own large energy project as a quid pro quo for the heavy expenditures on the four-dam pool and rural energy subsidies. The money simply won't be there.

If this is the case, it seems to me the board needs to assess the new situation; and then explore its implications for project planning. Only after we have a clearer understanding of our financial resources should we turn to the evaluation of specific projects. Specifically, I have two major concerns about moving immediately and directly to a technical review of project alternatives to the Susitna development. One concern is that there may be innovative options and smaller-scale alternatives that now deserve consideration, but which are not in the existing list of competitors to the Susitna megaproject and will therefore be excluded from a technical review. A second concern is that the leading alternatives to the Susitna project are also megaprojects, and therefore equally unfinanceable and unrealistic in the current fiscal circumstances of the State.

Much more than updated engineering reports, at the present time the Power Authority needs some thoughtful analysis, creative planning, and serious dialog with Railbelt utilities about the energy future of the Railbelt and the role of the Alaska Power Authority in it.

How can the State maximize subsidy to power consumers in the Railbelt from the limited funds it may have available for this purpose? If the State's financial contribution to new generating capacity is going to be relatively small, should the State play a direct role in acquiring and operating these facilities or should it work through existing utilities? There are lots of such questions that we should work ourselves through before spending more money on engineering assessments of currently-identified alternatives to Susitna. We may well need the assistance of a qualified consultant in this effort, as well as advice from utility planners and other experts from outside the State.

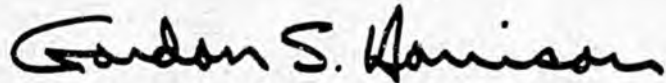
Mr. Robert Heath

- 3 -

April 3, 1986

Perhaps we should think in terms of a two- or three-phase review, with the first phase covering the planning issues. In any case, at this point I am reluctant for the board to request an appropriation solely for the purpose of more project-oriented analysis and review.

Sincerely,

A handwritten signature in dark ink, reading "Gordon S. Harrison". The signature is written in a cursive, slightly slanted style.

Gordon S. Harrison
Associate Director

cc: Board Members



POUCH V
JUNEAU, ALASKA 99811

Alaska State Legislature Senate

A G E N D A

SENATE FINANCE COMMITTEE

Wednesday, April 9, 1986 -- 4:30 p.m.

- SB 338 "An Act making, amending, and repealing appropriations for energy programs; and providing for an effective date."
- SB 468 "An Act creating the Railbelt energy fund."

Testimony of Dr. Joyce Murphy
President of the Board
Chugach Electric Association

Senator Faiks - Senator Sackett
- Ladies and Gentlemen of the committee:

Thank you for allowing me the time to speak before you this afternoon.

My name is Dr. Joyce Murphy. I am president of the board of directors of Chugach electric association. CEA is the largest producer of electric energy in the state. We serve nearly 3/4 of the state population. Our member/consumers are very concerned about the energy needs of the railbelt area and the allocation of the funds designated for the railbelt energy use.

Chugach Electric Association supports the establishment of a railbelt energy fund into which the \$200 plus million (including accrued interest) would be deposited. CEA concurs with the other railbelt utilities that these funds should be set aside in a trust fund to be used for railbelt energy needs.

We also are in favor of the establishment of a railbelt council which would bring all the concerned parties together to evaluate all of the options and to make a recommendation on the best option or options for the use of these funds. It is also important that the council work together to determine the energy future of the railbelt area and what the best options are to meet these energy needs. We believe there is a need for community input from the consumer and this council could act as a forum for this purpose. We would support a specific time frame for the council's existence and for its recommendations to be made to the 1987 legislative body.

Thank you for your help on this very important issue that affects all consumers in the railbelt area.

Introduced: 3/26/86
Referred: Resources and
Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE BILL 43

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act creating the Railbelt energy fund; and pro-
7 viding for an effective date."

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

9 * Section 1. AS 44.25 is amended by adding a new section to read:

10 Sec. 44.25.050. RAILBELT ENERGY FUND. There is established in
11 the general fund the Railbelt energy fund. The fund consists of money
12 appropriated to it by the legislature. The Department of Revenue
13 shall manage the fund. Interest received on money in the fund shall
14 be accounted for separately and may be appropriated into the fund
15 annually. The legislature may appropriate money from the fund to
16 assist in meeting Railbelt energy needs.

17 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

3/26/86

Date 4/2/86

Mr. President

The Committee on RESOURCES considered SB 468
creating the Railbelt energy fund; efd.

and (a majority of the committee) (~~the committee~~) reports it back with the following recommendations:

- do pass
- do pass with attach 1 amendment(s)
- replace with/or adopt CS for _____
- new title _____
- same title and recommends _____
- and attached a "LETTER OF INTENT" ~~NEW~~ FISCAL NOTE
- reports it back without recommendation Ø
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

Railbelt No Rec

[Signature] " "

[Signature] No Rec

[Signature]
Chairman

[Signature]
Chairman recommendation

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No: SB 468
Title: Creating Railbelt Energy Fund

Sponsor: Senate Resources
Requestor: Senate Resources
Date of Request: April 1, 1986

FISCAL DETAIL

Agency Affected: Department of Revenue
BRU: Treasury Management

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS "	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
Division: Treasury

Phone: 465-2350
Date: April 1, 1986

Approved by Commissioner: *Henry H. Stedake*
Agency: Department of Revenue

Date: 4/1/86

Distribution (by Agency preparing fiscal note):

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

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

...with your Permanent Fund Dividends

It's
in
Your
Hands

You will pay for this...

On January 24, 1986, the executive director of the Alaska Power Authority (APA) felt that he had no choice but to recommend that virtually all work on Susitna dam planning and licensing be called to a halt, pending an emergency review of the most current financial information available.

Four days earlier, APA's east-coast financial consultants had released a report concluding that the state of Alaska can afford the Susitna dams only if it offers all interest from the Permanent Fund as security for special revenue bonds or reinstates both state income and sales taxes.

There are many other compelling reasons not to proceed with the Susitna dam project. A few of these are spelled out in this brochure.

As you read this, state decision-makers are considering a scaled-down version of the two-dam Susitna project. You can make a tremendous difference in the course of the Susitna River — and in the energy policy of the state of Alaska as a whole — by writing today.

Governor Bill Sheffield
Pouch A
Juneau, AK 99811
465-3500

Senators and Representatives
Pouch V
Juneau, AK 99811

★ Urge that no further money be spent on Susitna dam planning and licensing. \$150 million has already been spent, but this is not good reason to lock the state of Alaska into a \$20.5 billion debt, and it is not a good reason to take the "permanent" out the Permanent Fund.

★ Urge decision-makers to seriously consider the full range of alternatives to the huge, centralized, extremely costly Susitna project. Some of these alternatives have been recommended by the Federal Energy Regulatory Commission (FERC). Many are addressed in "Alaska's Energy Future," a report released in January 1986 by the Northern Alaska Environmental Center, the Alaska Public Interest Research Group and Trustees for Alaska.



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Fairbanks, Alaska

Northern Alaska Environmental Center

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(907) 452-5021



Artiss Sturgulewski

2957 Sheldon Jackson

...with your Permanent Fund Dividends

It's
in
Your
Hands

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Juneau, AK 99811
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Northern Alaska Environmental Center

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(907) 452-5021



Arliiss Sturgulewski

2957 Sheldon Jackson

TELECOPY COVER SHEET
ANCHORAGE INFORMATION OFFICE

Please
Deliver
ASAP

TO: Sen. Sturgubewski
Sen. References PHONE: _____

FROM: Municipal Light & Power PHONE: _____

ADDITIONAL INSTRUCTIONS: SB 338

DATE/TIME SENT: _____ PLEASE ACK. RECEIPT: _____

DISPOSAL OF ORIGINAL: _____ THROW AWAY
_____ HOLD FOR PICK UP _____

NUMBER OF PAGES: 8 (NOT COUNTING COVER SHEET)

BY: Mr. Johnson
not able to
present at
teleconference
today

Municipality of Anchorage



POUCH 6-650

ANCHORAGE, ALASKA 99502-0650

(907) 264-4431

CITY AND VILLAGE
MAYOR

OFFICE OF THE MAYOR

November 13, 1985

Honorable Bill Sheffield
Governor of the State of Alaska
Third Floor, State Capitol
Pouch A
Juneau, Alaska 99811

Dear Governor Sheffield:

Anchorage has supported the construction of the Bradley Lake Hydroelectric project because we believe it constitutes a critical element in the long term power supply for Anchorage and the surrounding areas. With the Alaska Intertie operational, Bradley Lake should logically become an integral part of the Railbelt's power supply and should be so constituted.

Over the past several years Anchorage has repeatedly requested of the Alaska Power Authority that provisions be made so that Anchorage can contract for and receive Bradley Lake power. To meet our requirements it is necessary to have an improved transmission line connection with Bradley Lake, or in the interim, to have contractual arrangements such that Anchorage would be entitled to its share of Bradley power when the necessary transmission circuits are built. Since our latest request, which was for the interim accomodation only, has been summarily dismissed, we have no further recourse but to appeal to you.

It is not only the customers of Anchorage's municipal electric utility that are being deprived of Bradley power, but all consumers in Anchorage and north to Fairbanks. Even though Chugach Electric Association has contracted for a large increment of Bradley power this power cannot reach their customers in Anchorage but can only be used to meet wholesale commitments on the Kenai. Therefore as presently constituted Bradley Lake is of no benefit to Alaskans outside the Kenai and even the displaced generation cannot be effectively used elsewhere. The deficiencies of the existing transmission will also militate against reliability on the Kenai because to a great extent they will remain electrically isolated from the remainder of the Railbelt's interconnected

GOVERNOR SHEFFIELD
November 13, 1985
Page 2

system. The improved Kenai to Anchorage transmission link will result in a strong electrical connection from Homer to Fairbanks thus maximizing reliability and insuring that the rate and rate stabilizing benefits of the Bradley Lake Project will become available to nearly three-quarters of all Alaskans.

Considering that the Bradley Lake Hydroelectric project will cost nearly as much as the Four Dam Pool combined, it is incumbent that it be configured to benefit the maximum number of Alaskans as possible. Certainly to restrict for all time these benefits just to consumers whose utilities can take delivery of Bradley Lake power at the time the power comes on line is discriminatory. And at the same time to delay initial studies on the transmission facilities necessary to provide the wider benefit is shortsighted.

We request that you ask the Alaska Power Authority to immediately commence preliminary studies on a Kenai-Anchorage tie line of adequate capacity and reliability at a minimum to transmit to Anchorage the power displaced by Bradley Lake and to modify the conditional sales contracts for Bradley power to allow other utilities to opt in on equal terms; i.e., post card rates, at such time as adequate transmission becomes available.

Very truly yours,


Tony Knowles
Mayor

MUNICIPALITY OF ANCHORAGE

RECEIVED
ML & P DEPT.
DEC 19 8 28 AM '85

Date: December 18, 1985
 To: All Departments
 Thru: Bob Smith, Municipal Manager *Bob Smith*
 From: Wanda Bryan, Manager, Office of Agenda Control *WB*
 Subject: Regular Meeting of December 17, 1985

ITEM

1. CALL TO ORDER
2. ROLL CALL
3. MINUTES OF PREVIOUS MEETING
4. CONSENT AGENDA
 - A. BID AWARDS
 1. AM 1423-85, remodel of Museum, Capital Projects. APPROVED
 2. AM 1424-85, furnishing newspaper advertising. APPROVED
 3. AM 1425-85, Mulcahy Baseball Park improvement, P&M. APPROVED
 4. AM 1464-85, loop feed for substation 16, ML&P. APPROVED
 - B. ORDINANCES AND RESOLUTIONS FOR INTRODUCTION
 1. AO 85-219, amending the OSHP, Planning. P.H. SET FOR 1-14-86
 2. AR 85-276, appropriating \$361,000 for slope stabilization structures above Hiland Drive, P.W. P.H. SET FOR 1-14-86
 3. AR 85-277, financing the Ridesharing Program, Transit. P.R. SET FOR 1-14-86
 - C. INFORMATION AND REPORTS
 1. AIM 282-85, age discrimination audit, Employee Relations. ACCEPTED
 2. AIM 284-85, 1985 end-of-year assessment values, Finance. ACCEPTED
 - D. RESOLUTIONS FOR ACTION
 1. AR 85-278, admin. letters to labor agreements, E.R. APPROVED
 2. AR 85-279, appropriating \$61,200 for vehicle I/M, H&HS. APPROVED
 3. AR 85-280, appropriating \$16,500 for day care assistance, H&HS. APPROVED
 4. AR 85-281, appropriating \$39,310 for rental rehab program, H&HS. APPROVED
 5. AR 85-282, appropriating \$32,000 for the seismic safety study, Community Planning. APPROVED
 - E. NEW BUSINESS
 1. AM 1403-85, Liquor License for Discount Liquor #74. APPROVED
 2. AM 1444-85, 1986 Liquor License Renewals - Beverage Dispensary: Diamond Jim's, Package Store; Diamond Jim's, Restaurant/Eating Place; Golden Phoenix Rest., Restaurant Eating Place/Restaurant Designation: Yamatoya Restaurant, Pizza Saturn, and Venesia Pizzeria. APPROVED
 3. AM 1445-85, 1986 Liquor License Renewal for The Avenue. CARRIED OVER TO 1-7-86
 4. AM 1446-85, Liquor License for New China Chinese Rest. APPROVED
 5. AM 1461-85, contract award to Fed. of Community Councils. APPROVED
 6. AM 1472-85, prof. engineering services for Merrill Field. APPROVED

3

ITEM	ASSEMBLY ACTION
7. <u>AM 1436-85</u> , Central Office switching equipment, ATU.	APPROVED
8. <u>AM 1438-85</u> , equal access hardware & software for various wire centers, ATU.	APPROVED
9. <u>AM 1435-85</u> , amend #1 to Wilder Construction Co. for coastal trail and 42" force main, C.P.	APPROVED
10. <u>AM 1436-85</u> , amend #1 for Lake Otis Pkwy, C.P.	APPROVED
11. <u>AM 1459-85</u> , CO #2 to Wilder Construction Co. for West Northern Lights Blvd., C.P.	APPROVED
12. <u>AM 1460-85</u> , Bartlett Pool design review, C.P.	APPROVED
13. <u>AM 1437-85</u> , rep. for Anchorage v. Ferche, Law Dept.	APPROVED
14. <u>AM 1439-85</u> , CO #1 for A/C Couplat landscape project, P&R.	APPROVED
15. <u>AM 1440-85</u> , CO #2 to Chester Creek Greenbelt Pkg., P&R.	APPROVED
16. <u>AM 1455-85</u> , funding of non-profit recreational org., P&R.	APPROVED
17. <u>AM 1441-85</u> , GPT equipment and software, Police Department.	APPROVED
18. <u>AM 1442-85</u> , time ext. for Brandee subd. agreement, P.W.	APPROVED
19. <u>AM 1452-85</u> , CO #2 for Birchwood/Chugiak LESA imp., P.W.	RECONSIDERED AND APPROVED
20. <u>AM 1458-85</u> , CO #2 for 1984 street light imp., P.W.	APPROVED
21. <u>AM 1443-85</u> , CO #1 for Karen LID No. 156, AMWU.	APPROVED
22. <u>AM 1447-85</u> , ext. of animal control contract, H&HS.	APPROVED
23. <u>AM 1448-85</u> , mgmt. services agreement for 4th Avenue Theater, P&R.	APPROVED
24. <u>AM 1449-85</u> , data base software products, Info Systems.	APPROVED
25. <u>AM 1451-85</u> , study for AMWU & GIS Study, Info Systems.	APPROVED
26. <u>AM 1453-85</u> , CO #1 to promote Ride-Sharing, Transit.	APPROVED
27. <u>AM 1454-85</u> , grant agreement with the ACVB.	APPROVED
28. <u>AM 1457-85</u> , Public Transit Advisory Board appointment.	APPROVED
29. <u>AM 1462-85</u> , Bidding Review Board appointment.	APPROVED
30. <u>AM 1463-85</u> , supply of distribution transformers, ML&P.	APPROVED
31. <u>AM 1465-85</u> , chest x-rays, H&HS.	APPROVED
32. <u>AM 1466-85</u> , purchase of duplicating equip., Print Shop. <u>AM 1466-85(A)</u> , regarding same.	APPROVED

END OF CONSENT AGENDA

5. REGULAR AGENDA

- A. BID AWARDS
- B. ORDINANCES AND RESOLUTIONS FOR INTRODUCTION
- C. INFORMATION AND REPORTS
- D. RESOLUTIONS FOR ACTION
- E. NEW BUSINESS

END OF REGULAR AGENDA

6. UNFINISHED BUSINESS AND UNFINISHED ACTION ON PUBLIC HEARING ITEMS

- A. AM 1407-85, lease of space at 4th & "D", P&R and Police. APPROVED
- B. AO 85-188, Anc Park, Greenbelt & Recreation Facility Plan. APPROVED AS AMENDED

4

ITEM	ASSEMBLY ACTION
C. <u>AO 85-173</u> , Title 21, Commercial Use Districts, Planning.	APPROVED AS AMENDED
D. <u>AO 85-178</u> , new fares for People Mover System, Transit.	APPROVED
E. <u>AO 85-97</u> , composition and membership, Chugiak Birchwood Eagle River, Board of Supervisors.	CARRIED OVER TO 2-11-86
1. <u>AO 85-97(8)</u>	
2. <u>AO 85-97(8-1)</u>	
3. <u>AO 85-97(8-2)</u>	
7. BOARD OF ADJUSTMENT/ASSEMBLY APPEALS	
8. SPECIAL ORDERS/EXECUTIVE SESSIONS	
A. <u>AR 85-263</u> , water revenue bonds.	APPROVED
B. <u>AR 85-284</u> , changing the name of 9th Avenue to Martin Luther King Parkway.	F.H. SET FOR 1-7-86
C. <u>AR 85-285</u> , appropriating \$25,000 to equipment management fund.	APPROVED
D. <u>AIM 286-85</u> , lease of 4th Ave. & "D" St. space for Police Dept.	ACCEPTED
E. <u>AIM 287-85</u> , parking fine increase.	ACCEPTED
F. <u>AIM 288-85</u> , revenues/expenses of parking enforcement program.	ACCEPTED
G. <u>AIM 289-85</u> , unemployment compensation claims.	ACCEPTED
H. <u>AIM 290-85</u> , Health & Human Services breastfeeding classes.	ACCEPTED
P R O C E E D I N G S	
9. APPEARANCE REQUESTS (MUST BEGIN AT 7:30 PM)	
A. Wayne D. Carpenter, funding for AK Wildlife Museum.	APPEARED
10. CONTINUED PUBLIC HEARINGS	
11. NEW PUBLIC HEARINGS (MUST END NO LATER THAN 11:30 PM)	
1. <u>AR 85-275</u> , appropriating \$741,300 for 1985 unemployment compensation claims, OMB.	APPROVED
2. <u>AR 85-265</u> , appropriating \$460,000 for construction claim on the Sullivan Sports Arena.	APPROVED
3. <u>AR 85-260</u> , appropriating \$105,000 for social service block grant projects, H&HS.	APPROVED
4. <u>AM 1456-85</u> , Liquor License for Protes.	APPROVED
5. <u>AO 85-211</u> , creating Sunny Acres water district.	CARRIED OVER TO 1-7-86
6. <u>AR 85-274</u> , addition to Chugiak High School site.	APPROVED AS AMENDED
7. <u>AR 85-263</u> , 1986 construction of Lake Otis Parkway Accelerated Road Project.	APPROVED
8. <u>AO 85-214</u> , continuing the Animal Control Advisory Board.	APPROVED
9. <u>AO 85-213</u> , damage to underground utility facilities, Law.	APPROVED AS AMENDED
10. <u>AR 85-267</u> , relating to the Power Development Fund.	APPROVED
11. <u>AO 85-218</u> , increase in penalty for Parking Violations.	APPROVED
12. <u>AR 85-208</u> , addition to Spanard recreation center.	APPROVED
13. <u>AO 85-206</u> , rezoning of Gregory Subdivision.	APPROVED
14. <u>AO 85-207</u> , rezoning of Drake Subdivision.	APPROVED AS AMENDED
15. <u>AO 85-208</u> , rezoning Lots 246 and 244A (Rabbit Creek CC).	APPROVED AS AMENDED

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12. 11

ASSEMBLY ACTION

12. UNFINISHED AGENDA
13. AUDIENCE PARTICIPATION
14. MAYOR'S COMMENTS
15. ASSEMBLY COMMENTS
16. ADJOURNMENT: 12:00 MIDNIGHT

Pub. ANCHORAGE TIMES
P.O. No. 30242-1152-85

6

Submitted by: Assemblyman Baker

For reading: November 26, 1985
For Public Hearing: 12/17/85

ANCHORAGE, ALASKA
AE NO. 85- 267

RESOLUTION RELATING TO THE POWER DEVELOPMENT FUND

WHEREAS the Assembly has expressed its commitment to the development of energy programs for Alaska as established in AS 44.83.380; and

WHEREAS an integral part of these programs include meeting the long-term energy needs of Alaska's railbelt citizens; and

WHEREAS the Power Development Fund provides Alaskans with a savings account to meet these energy needs; and

WHEREAS the Assembly continues its commitment to power projects previously approved as part of the state's energy programs, including the Railbelt power projects; and

WHEREAS the Alaska State Legislature expressed its continued support for the state to proceed with the licensing procedures for the Susitna projects through its expression of Legislative Intent which accompanied the project's \$200 million appropriation for Fiscal Year 1986 in chapter 96 SLA 84; and

WHEREAS a recent court decision invalidated the appropriation to the Susitna project in Fiscal Year 1986;

BE IT RESOLVED the Assembly encourages the Legislature to reaffirm its commitment to meeting the Railbelt's energy needs through appropriations to the Power Development Fund for this purpose.

PASSED AND APPROVED by the Anchorage Municipal Assembly this 17 day of

December, 1985.

Chairman

ATTEST:

Municipal Clerk

7

FOR THE RECORD

ML&P TESTIMONY FOR THE FEB. 21ST TELECONFERENCE HEARING ON SENATE BILL 338.

ON DEC. 17TH, 1985, THE ANCHORAGE MUNICIPAL ASSEMBLY APPROVED RESOLUTION #85-267, TITLED "A RESOLUTION RELATING TO THE POWER DEVELOPMENT FUND". THIS RESOLUTION STATES:

"WHEREAS, ... (READ WORD FOR WORD)

ML&P APPLAUDS THIS RESOLUTION SUPPORTING APPROPRIATIONS INTENDED TO BENEFIT ALL RAILFELT CONSUMERS EQUALLY.

264-4409

HOWEVER, ML&P URGES THE SENATE TO CONSIDER THE LIMITATIONS THAT HAVE BEEN WRITTEN INTO THE ^{BRADLEY LAKE PROJECT} CONTRACT AGREEMENTS PERTAINING TO THE AVAILABILITY OF BRADLEY LAKE POWER IN THE FUTURE. SPECIFICALLY, THE "OPT-IN"

CLAUSES OF THE ALASKA POWER AUTHORITY CONTRACTS WITH HEA AND CEA PREVENT AGREEMENTS WITH NEW PARTICIPANTS FOR POWER, FOR THE LIFE OF THE PROJECT,

IF THE PARTICIPANTS DID NOT HAVE THE MEANS TO TAKE THE ^{POWER} ~~PROPERTY~~ BY THE TIME THE PROJECT IS PLACED "ON-LINE" (EST. FEB. 1990). ^{the "bottom line" of this "opt-in" clause is that} WITHOUT THE

^{or Replacement} ~~UPGRADE~~ OF THE ANCHORAGE-KENAI TRANSMISSION FACILITIES, ^{Prior to 1990} ONLY THE ELECTRIC UTILITIES ^{now}

SERVING THE KENAI AREA COULD BE GUARANTEED THE BENEFITS OF THIS PROJECT.

THEREFORE, ML&P URGES ^{the state} ~~US~~ TO

REQUEST THE ALASKA POWER AUTHORITY TO IMMEDIATELY COMMENCE PRELIMINARY

STUDIES ON A KENAI-ANCHORAGE TRANSMISSION FACILITY OF ADEQUATE

CAPACITY AND RELIABILITY ~~TO TRANSMIT~~ TO TRANSMIT TO ANCHORAGE THE

POWER DISPLACED BY BRADLEY LAKE, OR TO MODIFY THE CONDITIONAL SALES

CONTRACTS FOR BRADLEY POWER TO ALLOW OTHER UTILITIES TO "OPT-IN", ON

EQUAL TERMS, AT SUCH TIME AS ADEQUATE TRANSMISSION BECOMES AVAILABLE. ^{a letter from} ~~THIS~~ ^{this request was}

OUTLINED IN MAYOR KNOWLES ~~LETTER~~ TO GOVERNOR SHEFFIELD DATED

NOVEMBER 13, 1985.

ML&P FEELS THAT IT IS ESSENTIAL THAT AN ANCHORAGE-KENAI TRANSMISSION

LINE BE COMPLETED BEFORE THE BRADLEY HYDROELECTRIC PROJECT IS PLACED

"ON-LINE", AND THE PROJECT BENEFITS BE ASSURED FOR ALL

RAILFELT RESIDENTS.

3

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA 99811
(907) 485-4907

Senate Committee on Resources

M E M O R A N D U M

February 17, 1986

TO: Mary Nordale, Commissioner
Department of Revenue

FROM: Senator Arliss Sturgulewski
Chairman, Senate Resources Committee

RE: CSSB 338 (Resources)

"An Act making, amending, and repealing appropriations for the Alaska Power Authority for railbelt energy development, Bradley Lake hydroelectric project, and the power cost equalization fund; and providing for an effective date"

Based on Senate Resources Committee testimony on January 29, 1986, a CS for SB 338 is being proposed at our next hearing on February 21, 1986.

Please review the attached draft and advise as to its accuracy in amending the Susitna hydroelectric project fund.

Thank you.

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



APA
338

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

Senate Committee on Resources

M E M O R A N D U M

February 17, 1986

TO: Hal Brown, Attorney General
ATTN: Jim Baldwin, Assistant Attorney General
FROM: Senator Arliss Sturgulewski
Chairman, Senate Resources Committee
RE: CSSB 338 (Resources)

"An Act making, amending, and repealing appropriations for the Alaska Power Authority for railbelt energy development, Bradley Lake hydroelectric project, and the power cost equalization fund; and providing for an effective date"

Based on Senate Resources Committee testimony on January 29, 1986, a CS for SB 338 is being proposed at our next hearing on February 21, 1986.

Please review the attached draft and advise as to its accuracy in amending the Susitna hydroelectric project fund.

Thank you.

Chugach ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

RESOLUTION

WHEREAS, the Alaska Legislature has expressed its commitment to the development of an energy program for Alaska as established in AS 44.83.380; and

WHEREAS, an integral part of this program includes meeting the long-term energy needs of Alaska's railbelt citizens; and

WHEREAS, the Power Development Fund provides Alaskans with a savings account to meet these energy needs; and

WHEREAS, the Legislature continues its commitment to power projects previously approved as part of the State's energy program, including the Railbelt power projects; and

WHEREAS, the Legislature expressed its continued support for the State to proceed with the licensing procedures for the Susitna projects through its expression of Legislative Intent which accompanied the project's \$200 million appropriation for Fiscal Year 1986 in chapter 96 SLA 84; and

WHEREAS, a recent court decision invalidated the appropriation to the Susitna project in Fiscal Year 1986.

BE IT RESOLVED, that Chugach Electric Association requests that the Legislature reaffirm the State's commitment to meeting the Railbelt's energy needs through appropriations to the Power Development Fund for this purpose; and

BE IT FURTHER RESOLVED, that Chugach Electric Association requests the Legislature to expeditiously approve, upon convening of the Second Session of the Fourteenth Legislature, the appropriation of \$200 million to the Power Development Fund; and

BE IT FURTHER RESOLVED, that Chugach Electric Association respectfully requests the Governor's continued commitment to meeting the Railbelt's energy needs by support of this appropriation.

CERTIFICATION

I, Joyce M. Murphy, do hereby certify that I am Acting Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska; that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 16th day of October, 1985 that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation this 16th day of October, 1985.

(Seal)

Joyce M. Murphy
Secretary

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF

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



Senate Committee on Resources

M E M O R A N D U M

January 28, 1986

TO: Hal Brown, Attorney General

ATTN: Jim Baldwin, Assistant Attorney General

FROM: Senator Arliss Sturgulewski
Chairman, Senate Resources Committee

RE: SB 338

Please review the enclosed CSSB 338 and advise as to its technical accuracy in correcting the continuing appropriation for energy projects that was ruled invalid by the recent court rulings.

Enclosure

Proposed letter of intent to CS for SB 338 (Resources)

By the Alaska Environmental Lobby
February 21, 1986

It is the intent of the Legislature that none of the monies appropriated in sections 4 and 8 of this act be used for continuation of licensing proceedings before the Federal Energy Regulatory Commission relating to any proposed Susitna River hydroelectric project.

It is further the intent of the Legislature that "Railbelt energy development" as mentioned in sections 4 and 8 of this act specifically includes the development, promotion, and dissemination of energy conservation technologies, devices, and practices.

Frank - released 1:30 PM 1/29

ALASKA'S ENERGY FUTURE

A Policy Statement
and
Assessment of Energy Plans

by

The Northern Alaska Environmental Center
Trustees for Alaska
Alaska Public Interest Research Group

Research funding by
The Alaska Conservation Foundation

January 1986

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ALASKA'S ENERGY FUTURE

INTRODUCTION

When the Alaska Power Authority (APA) filed an application with the Federal Energy Regulatory Commission (FERC) in February, 1983, to obtain a license to construct the Susitna Project, the intent was to first build the Watana phase at 1020 MW and then the Devil Canyon phase at 600 MW.

In October, 1985, the Board of Directors of the APA approved a staff suggestion that the license application to FERC be amended so that construction of the Project would occur in three phases rather than two. As a three phase Project, a scaled down version of the Watana Dam would first be constructed, then the Devil Canyon Dam would be completed, and finally the Watana Dam would be raised to its full height. At completion, the dependable capacity of the Susitna Project would be 1,620 MW, the same as the two phase Project.

The reason for the change is that the three phase design reduces the initial costs of the Watana Dam, thereby improving its prospects for financing. Also, the three phase approach more closely matches the size of the Susitna Project to the Railbelt's load growth and its need for replacement capacity. The APA

expects to submit an amended license application to FERC by March, 1986.

The purpose of this paper is twofold. One purpose is to reassess Alaska's energy policy for the Railbelt, which has presently placed Susitna as the centerpiece of that area's energy needs by revolving the policy around that particular Project, and to then suggest alternative scenarios for meeting the actual needs of the Railbelt under a proposed new energy policy.

The second purpose is to provide constructive analysis of the material presented by the APA in the draft version of the amended license application. In short, we do not find that the amended license application conclusively demonstrates that the Susitna Project is the preferred scenario for meeting the electrical needs of the Railbelt at this time.

ENERGY POLICY FOR THE RAILBELT

During the past several years, the Susitna Project has been touted as the centerpiece of the energy future for Alaska's Railbelt. Consequently, pursuit of the FERC license application that is needed before the Susitna Project can be constructed has, in essence, been the de facto energy policy statement for the Railbelt. Much of the energy planning for the Railbelt has been

based on determining the feasibility of Susitna. The emphasis given to other possible sources of power generation as well as non-electrical uses of energy has been insignificant by comparison.

Despite all of the money which has been spent on studying the Susitna Project (approximately \$150 million to date), the Project is not a sure bet. Some of the key assumptions used to justify the Project are optimistic and there is significant risk to the State if the assumptions do not pan out. Because changes in Alaska's economic conditions are now fact instead of speculation (e.g. reduced oil revenues), it is now time to pause and reconsider the energy needs and options for the Railbelt. If this is not done now, before there is actually a commitment to construct Susitna, the price of reconsideration will be even more expensive in the future.

Reconsideration of the energy needs and options for the Railbelt should begin with a review of energy policy. The closest thing to an official energy policy statement for the Railbelt is a statute which describes the purpose of the Susitna Project (AS 44.83.310).

"The primary purpose of the Susitna River hydroelectric project is to generate, transmit, and distribute electric power in a manner which will

- (1) minimize market area electrical power costs;

(2) minimize adverse environmental and social impacts while enhancing environmental values to the extent possible; and

(3) safeguard both life and property."

In essence, the statute sets conditions for a project rather than establishes goals for relevant energy programs. Furthermore, the first condition is an ambiguous statement about economic feasibility of the Susitna Project which is not consistent with other statutes (AS 44.83.177-189) regarding economic and financial feasibility of APA projects. Although there are those who support this statement as the principal energy policy for the Railbelt, the statute does not adequately address the Railbelt's diverse energy needs and options.

Given the lack of a meaningful policy statement for charting the energy future for the Railbelt, we would like to propose the following policy statement:

The State, in conjunction with the private sector, should formulate and implement a comprehensive energy program for the Railbelt which results in an adequate supply of energy at the lowest reasonable cost to the consumer, the State, and the environment.

This policy statement closely resembles the primary energy goal suggested in the draft version of "Alaska's Energy Plan - 1986" that is being prepared by the APA. However, the policy statement which we propose is specifically for the Railbelt,

speaks to greater involvement by the private sector, and requires that earnest consideration be given to all viable alternatives.

Some elaboration is needed in order to fully understand the rationale behind the energy policy statement that we propose.

- * Environmental quality and economic development are both vital human needs. Implicit in this policy statement, then, is an understanding that, in most cases, environmental quality and economic health are not mutually exclusive goals. Economic health is fundamental to a healthy human/social environment. Conversely, a healthy environment can provide the human and natural resources needed to sustain economic well-being.

- * Underlying the policy statement is a skepticism of the State's ability to be an appropriate provider of energy. The State's track record shows that political solutions usually prevail, often contradicting rather than complementing sound technical judgment. More confidence, we feel, can be placed with the private sector, which, given the opportunity, proper incentives, and regulations to protect the public, can come closer to optimization of energy supply than any State agency.

- * The energy program for the Railbelt should be comprehensive and address all potential supplies of energy, including energy conservation, as well as all significant end-uses. In the past, the State's energy planning emphasis has been on electricity and usually one major source of generation to meet projected demand in a large region. In some cases, project planning has been based on an optimistic set of economic conditions (an example being the Lake Tyee Project) which led to significant problems when the actual cost of power turned out to be substantially higher than what was projected during the feasibility studies. The difficulties of the Four Dam Pool negotiations and the substantial subsidy that was needed for utilities to sign power sales agreements is an example which can not be ignored and should not be repeated.

- * The policy statement also implicitly underscores the probable advantages of small- or medium-sized energy projects, which can be quickly installed and can satisfy demand while not relying on long-range projections, thus avoiding inherent risks of economic failure.

- * Selecting the least expensive source of energy should be based on least cost not least price. If the

emphasis in energy planning is based on the least price to the consumer and subsidies or hidden costs are used to achieve this price, the likely result is a less than optimal utilization of natural and financial resources. Some of the worst energy boondoggles have been justified on the basis of least price to the consumer while ignoring actual costs.

- * Environmental costs must consider intangible environmental benefits such as the importance of wilderness to the Alaskan lifestyle, as well as environmental benefits which can be translated into economic value, such as fish and game resources. Unfortunately, aesthetic values can not be adequately expressed by benefit/cost methodology. Consequently, energy planners must be able to give as much consideration to the will of the people as they give to statistical data.

To further clarify the policy that we propose, and to help guide planning for the energy future of the Railbelt, we would like to refer to a recent publication by the American Public Power Association entitled The Next 10 Years: A Strategic Guide for Public Power. This publication analyzes the significant problems experienced by utilities during the past decade and suggests guidelines for avoiding these problems during the next

decade. It states, "Public power systems learned 12 lessons in the last decade." Some of these lessons directly apply to the Railbelt, and deserve serious consideration. These are:

"The least cost answers must deal with the demand side of utility operations as well as the supply side."

"Because of changed conditions, some issues -- like development of the breeder reactor and getting electric utilities off natural gas -- may not be as important or urgent today as they were earlier."

"Events and economics are pushing utilities toward regional solutions, shared power plants, unit purchases, smaller generating units, modular construction, and local energy sources where costs and technology allow." (Emphasis added.)

"Because nobody knows exactly what the future will look like, it may be best to seek a variety of cost-effective solutions which can be implemented in increments closely geared to expansion of consumer need."

Although Alaska tends to consider its conditions to be unique relative to the lower 48 states, the advice of the American Public Power Association is too compelling to ignore.

OUR PROPOSAL FOR THE RAILBELT

The FERC staff, in their Draft Environmental Impact Statement for the two phase Susitna Project, stated that "based on consideration of engineering feasibility, economic characteristics, and environmental impacts, [it is] concluded that a mixed thermal-based generation scenario appears to be the

most effective approach to meeting the projected generation requirements of the railbelt area."

After closely reviewing the amended license application, we find that the economic and financial uncertainties associated with the three phase Susitna Project are not substantially different from the original license application. FERC's recommendation for a mixed thermal-based generation scenario for the Railbelt is therefore still the most prudent strategy for the APA and utilities to pursue.

In fact, because of the economic and financial uncertainties, the APA needs to give serious consideration to a mixed thermal-based scenario if it is to avoid having all of its eggs in one basket with a weak handle. Even if the Susitna Project's feasibility is eventually confirmed, and the Project is constructed, the mixed thermal-based scenario will assure adequate firm capacity before the Susitna Project comes on line, plus adequate reserve capacity once the Project is actually operating. To us, there is no reason, other than blind commitment to a project, for the APA not to seriously support a mixed thermal-based alternative.

A serious effort to evaluate a mixed thermal alternative should consider at least the following three scenarios.

1. The existing system (including the Bradley Lake Project) with coal-fired power plants displacing gas turbines as Cook Inlet gas reserves become depleted. This is close to the thermal alternative presented in the amended license application except that greater emphasis would be given to the design and cost data available from the private sector.

2. The existing system (including the Bradley Lake Project) with power generation using North Slope gas becoming available about the time that Cook Inlet gas reserves become depleted. A North slope gas scenario should not be limited to existing technology but should make reasonable efforts to determine the technical developments that are likely to occur during the next twenty years. For instance, in the future, will DC transmission lines be more economic for long distance transmission than AC transmission lines? Also, to what degree can the Railbelt benefit from ARCO's plans to extract oil from the West Sak reserves?

3. An energy conservation scenario that evaluates technologies and programs (i.e. low-income weatherization) which can either reduce the per customer consumption of electricity or reduce the per customer consumption of gas. All energy conservation measures should be cost-effective based on economic criteria similar to that used for the Susitna Project. Data on energy conservation measures should be

incorporated into the models used to generate the load forecast, thereby influencing both the Susitna scenario and thermal scenarios. If energy conservation measures do reduce the load forecast, it could either defer the year that Susitna should come on line or result in a thermal alternative having the most favorable benefit-to-cost ratio.

Since the APA has not demonstrated enough interest in energy conservation, despite its statutory mandates, we feel it necessary to make constructive suggestions in this area. The following are some strategies which the APA should consider:

1. Residential/Commercial Buildings. Improving the heat retention of residential and commercial buildings, particularly in Anchorage, can extend the life of Cook Inlet gas reserves. Any program should avoid the difficulties experienced a few years ago with the State's energy audit program. Also, any program should be equitable, yet provide greater reward to those who make some effort to conserve.

One approach to consider is to have a State-funded program which offers financial incentive to property taxpayers that have energy efficient buildings. In line with the energy mortgage valuation concept, buildings would receive an energy conservation assessment (on a voluntary basis) and be given a rating. The rating would determine the percentage

of property tax that the State would pay to the respective municipality for that particular building. It would be up to the building owner to make whatever improvements are needed to either be rated high enough to receive payment or to improve the rating and increase the payment.

The State could offer energy audits and loan programs to facilitate the program. Some low income people who have inefficient homes may not have the upfront cash to afford a retrofit. A program like this could have support from the construction industry, especially now that new construction has drastically declined. A good case could be made to use some of the Susitna funding for this program, at least an amount which is equal to the money needed to continue the FERC license process. It would be impossible to judge what kind of response this program would have, but if the response is meager, then the money is still available for Susitna. If the response is strong, it would indicate that the Susitna studies underestimated the potential for energy conservation. Also, this program would provide a data base to estimate the effect of full penetration of energy conservation programs.

2. Load Management. Utilities have a vested interest to undertake load management programs and improve their load factor. The State can provide utilities with incentive to

initiate such programs. For instance, cooperative and investor-owned utilities pay a state tax on their revenues, and the State could allow expenses for load management to be tax-deductible. Although the tax is not very much, utilities would not pass up the opportunity for a tax deduction if it were available. Since the tax is nominal, the revenues that the State would lose would be insignificant and in large part returned to the general public via lower electric rates.

THE SUSITNA PROJECT

The APA's amended license application to FERC is the most current and complete description of the design and feasibility of the Susitna Project. Generally speaking, the three-stage Project that is proposed is closer to being a realistic attempt to match the size of the Susitna Project to the load forecast for the Railbelt. Also, the amended license application tends to be more substantive and objective.

However, we still find that the APA uses some parameters which probably do not accurately forecast future conditions. Additionally, the APA basically ignores two alternatives (energy conservation and North Slope gas generation) which may have

economic merit. And, the APA often uses inconsistent standards when comparing the feasibility of Susitna to alternatives.

Alternatives

To determine the economic feasibility of a project such as Susitna, the APA compares the expected life cycle costs of the Project to the expected life cycle costs of the existing system (often called the base case) and/or the most likely alternative. If the total costs for the Project are less than the total costs for the base case or the alternative, it will have a benefit-to-cost ratio (benefit/cost) greater than 1.0. The bottom line in determining the economic feasibility of a proposed project is whether or not its benefit/cost is greater than 1.0.

The benefit-to-cost methodology used by the APA is well established and widely accepted nationally, although often criticized. Most of the criticism has been based on differences of opinion regarding the assumptions that are used to calculate costs and whether or not the proposed project is being compared to the most economic alternative. If the most economic alternative is not used for the benefit/cost calculations, the proposed project will appear more favorable than what it actually is.

All of the feasibility studies for the Susitna Project, including the amended license application, consider an extension of the base case as the most economic alternative. Essentially, this continues the use of Cook Inlet natural gas for power generation until the reserves are depleted (projected for soon after the year 2000), coal-fired steam plants replacing gas turbines as they become retired, and the addition of the Bradley Lake Hydroelectric Project.

Since the benefit-to-cost methodology determines life cycle costs for the alternative starting at the earliest date that phase 1 of the Susitna Project can come on line (1999), most of its costs are based on coal-fired steam plants. The two locations which have been used in the study are a mine-mouth plant at Beluga and a plant at Nenana using the Healy coal deposits.

We contend that the cost estimates for the coal-based alternative to the Susitna Project include assumptions which are exceptionally high, and therefore favor Susitna. Also, energy conservation and North Slope gas generation are viable alternatives which could either defer or supplant the need for the Susitna Project and should not be omitted from the analysis.

More specifically:

Coal

An assumption which significantly affects the cost of the thermal alternative is the 1.5% long-run real (less inflation) rate that has been applied to the 1985 price of coal. If no real escalation rate had been assumed, the benefit/cost of the Susitna Project would drop from 1.48 to 1.28. The reasons given for this escalation rate are 1) rising wages, 2) regulations governing coal production, and 3) rising operating costs.

One of the thick volumes used to support these assumptions includes a graph which shows that real hourly rates for bituminous coal workers has been relatively flat for the past decade. Considering this piece of information as well as current industrial trends, assuming any real escalation rate in wages seems unrealistic. Also, the assertion that regulatory and operating costs will rise is based more on past trends than future probability. In fact, it is conceivable that there could actually be a decline in the real price for coal.

The private sector has proposed two coal-fired power plants to serve the Railbelt.

1. Allied-Signal is investigating a 150 MW mine-mouth power plant using coal reserves from the Matanuska field. This project was not included in the

alternative scenario because of its small size relative to the overall power needs for the Railbelt. The APA has consistently ignored energy resources or technologies which cannot match the size of Susitna. This essentially eliminates consideration of any alternative scenario that is based on a diverse mix of resources or technologies that may be cost-effective but not of megawatt size. If the amended license application is to be objective, it must consider the Allied-Signal project as well as other smaller-scaled energy resources and technologies.

2. In conjunction with plans to export coal from the Beluga field, Diamond Shamrock has proposed the development of a mine-mouth power plant to serve Railbelt needs. Although the APA's alternative scenario is based on a Beluga power plant, the data provided by consultants estimate higher construction and fuel costs than the costs assumed by Diamond Shamrock. It would seem that cost estimates provided by a serious proposal would be the most reasonable costs to use in the amended license application.

Natural gas

A key assumption used in establishing prices for natural gas

illustrates an inconsistent standard that frequently appears in the amended license application. In estimating costs for the thermal alternative, the APA insists on using natural gas prices that are based on the netback price, which is the highest market value. On the other hand, the costs for Susitna are based on the State investing hundreds of millions of dollars in the Project with absolutely no return on its investment, let alone a return based on market interest rates. Obviously, the price elasticity of demand for natural gas generation and Susitna power are not based on similar assumptions. To be consistent, the value of the State's financial resources and natural resources should be based on comparable economic assumptions.

It should also be noted that the actual contract prices for domestic use of Cook Inlet natural gas are significantly less than the netback price. Although the Alaska Department of Natural Resources is intent on taxing Cook Inlet natural gas at the netback price, thereby forcing substantial price increases on the gas consumers in the Anchorage area, it is not yet clear that consumers will accept this tax without resistance. If contract prices prevail, the economic analysis will have substantially overestimated the price of natural gas for the thermal alternative, and underestimated the funding needed for rate stabilization.

One of the most serious omissions of the amended license

application is the total lack of consideration given to North Slope gas generation as a future energy resource for the Railbelt. To quote from the application: "the Alaska Power Authority believes that it is inappropriate to attempt to account for this alternative in its analysis" and "only Cook Inlet gas is considered available for purposes of this analysis."

The APA received funding a few years ago to investigate the feasibility of bringing North Slope gas to the Railbelt via a pipeline, or via a transmission line with the generation on the North Slope. The one token study which was done by Ebasco (who, with Harza Engineering, also has a contract for studying the feasibility and design of the Susitna Project) was so poorly executed that the APA staff had to make substantial corrections, stating in a cover letter that "Ebasco's transmission facility cost estimates are overly conservative [too high]." Ebasco's cost estimates were considerably higher than the actual construction costs for the Anchorage/Fairbanks Intertie along the same stretch of corridor.

If North Slope gas is developed within the next twenty years, construction of the Susitna Project could be analogous to bringing coal to Newcastle. The Susitna Project could be coming on-line about the time that the Railbelt is awash with natural gas, which could well be less expensive than Susitna. Unless the APA can conclusively demonstrate that it may be decades before

North Slope gas is developed, that North Slope gas will be prohibitively expensive to Railbelt consumers, or that the Railbelt's energy needs will be substantial enough to justify both North Slope gas and Susitna, the risk of developing two multi-billion dollar energy systems which would essentially serve the same domestic market is too great for the State to undertake.

Energy Conservation

The APA is required by statute (AS 44.83.400) to "ensure that communities that benefit from the energy program for Alaska implement cost-effective energy conservation measures for residences, commercial and public buildings, and industries." Also, the APA has statutory responsibility for "facilities that recover and use waste energy" (AS 44.83.070) and "thermal energy sources and... alternative sources of power and heat including energy conservation." (AS 44.83.177)

Despite the statutory responsibilities that the APA has for energy conservation, the track record which demonstrates that energy conservation measures can be cost-effective, and the need to comply with FERC requirements by considering all viable alternatives including energy conservation, the APA has no energy conservation program for the Railbelt, nor is it given serious consideration in the amended license application. The application clearly states APA's contention that energy

conservation programs are being "phased out" and that "the Railbelt area has limited ability to adopt conservation measures that would result in large-scale electricity savings."

There is considerable evidence which contradicts the APA's statements about energy conservation. For instance, the weatherization program continues to receive state and federal funding. Also, industrial research and development continues to produce more efficient appliances, lighting, and other end-uses.

By way of example, the latest addition of Most Efficient Appliances states that the best 17 cubic foot refrigerator now uses 750 kwh per year where last year's best model used 865 kwh. APA's load forecast assumed 1,800 kwh for existing refrigerators and 1,500 kwh for newer models. Furthermore, it is interesting to note that the gas industry, in order to penetrate markets now served by electrical utilities, is developing more efficient fuel cells which provide both heating and electrical needs. This development, which is expected to be commercially available in 1988, could be applicable to the commercial sector in Anchorage.

The list of contradictions goes on. However, the point is that unless the APA can provide data to support its rationale about energy conservation, its statements can only be viewed as value judgments rather than objective analysis.

Economic and Financial Parameters

Risk

The most compelling concern that we have with the Susitna Project is the amount of risk that is inherent in many key assumptions. Although the amended license application addresses the issue of risk in a number of ways, such as sensitivity tests, the APA does not actually discuss what would happen if construction of the Susitna Project were to proceed and economic conditions turn out to be less favorable than those used in the feasibility analyses.

For instance, what if the Alaska Department of Revenue (ADOR) oil price and revenue forecasts are reasonably correct and the subsidy (rate stabilization) that the Susitna Project needs (if its rates are to be less than the thermal alternative) has to be increased by billions of dollars? If the public is willing to accept a worse case scenario, then it will accept the risk associated with the Project. But if the public is only told about the expected benefits of a project and not about the negative aspects, then the public is being misled.

Oil Price Forecasts

The economic feasibility of the Susitna Project hinges on

long-term oil price forecasts. The oil price forecast is critical to the load forecast, the cost of the thermal alternative, and the amount of State revenues that can be appropriated to the Susitna Project.

The Alaska Department of Revenue formulates its own oil price forecast as part of its revenue forecast. Even though appropriations for the Susitna Project are dependent on these forecasts, the APA refuses to consider the ADOR forecasts in its economic analysis of the Susitna Project except when included with five other forecasts as a composite forecast. The reason for this is that the ADOR forecast is considerably lower than the other forecasts and if it were used by itself, the Susitna Project probably would not be economically feasible. When considered only as part of a composite forecast, ADOR's lower oil prices are sufficiently diluted to be insignificant.

The uncertainty of APA's 50-year oil price projections is well depicted by a recent panel of eminent world oil price experts convened by a State senator for the purposes of projecting 1987 oil prices. None of these experts were willing to make unqualified predictions for a single year, much less for many years into the future. The representative from the U.S. Department of Energy presented estimates for ten years, but noted that they were subject to a 50% range of error.

Until the APA has the courage to determine the economic feasibility of the Susitna Project using the ADOR oil price and revenue forecasts, the public will not be fully cognizant of the high risk inherent in the Project.

Rate Stabilization

The APA uses the rate stabilization concept "to reduce retail costs during the initial years of operation of the With-Susitna plan to a level equal to the cost of the Without-Susitna alternative." Although the rate stabilization concept is an interesting solution to circumvent some of the difficulties that capital-intensive projects encounter during the initial years of operation, the concept, as used by the APA, can only be considered a subsidy. If the rate stabilization concept were not used as a subsidy, the financing needed to reduce power costs during the initial years of operation would be returned to the State in real terms once the cost of Susitna power is less than the thermal equivalent.

FERC license applications are not meant to be exciting reading, but there is reason to be excited about the rate stabilization needs for the Susitna Project, particularly if power sales agreements from Railbelt utilities are conditional to the APA guaranteeing that the wholesale price of Susitna power will not exceed the equivalent price for thermal generation. If

the composite oil price and load forecast hold true, the APA will need to provide \$685 million in nominal dollars to subsidize power rates in the Railbelt. However, data presented in the sensitivity analysis show that if the Wharton forecast holds true (which would mean lower oil prices than the composite forecast) then the funding needed for rate stabilization skyrockets to \$12.570 billion in nominal dollars. No data are presented on how much funding would be needed if the ADOR forecasts (which are lower than even the Wharton forecast) were used in the load forecast and economic analysis.

Key decision-makers need to be aware of the financial volatility associated with the rate stabilization concept. Small changes in oil prices cause large changes in rate stabilization funding needs. Also, as funding needs for rate stabilization increase, State revenues to provide this need will be substantially less.

The amended license application provides data which illustrate the volatility of rate stabilization but the APA does not draw attention to or even discuss the data's significance. Given the uncertainty of long-term oil price forecasts and the fiscal implications of rate stabilization to the State, the only prudent basis for the State to appropriate funding for rate stabilization for the Susitna Project is to assume the lowest oil price forecasts (ADOR).

Tax-exempt Revenue Bonds

Critical to the economic and financial feasibility of the Susitna Project is the ability to issue tax-exempt revenue bonds. Under current conditions, the Internal Revenue Service (IRS) does not allow tax-exempt bonds for the Susitna Project. To overcome this rather significant obstacle the APA is pursuing an approach where the APA directly bills the consumer for the electricity used and the utilities essentially become collecting agencies. The APA hopes that this concept will meet the tax-exempt conditions of the IRS.

Direct Billing

There is considerably uncertainty regarding the direct-billing approach. Before IRS approval is obtained, Railbelt utilities must agree to the new role direct billing by the APA would create for them, and legislation must be enacted to give the APA the authority needed to directly bill consumers.

There are some significant policy questions about vesting that much authority in the APA (or any other agency). The direct billing concept is inventive but self-serving to the APA. It remains to be seen how well others agree that the concept is in the best interests of the consumer.

Discount Rate

The 3.5% real discount rate used by the APA in its economic analysis assumes that the Susitna Project will be financed with tax-exempt bonds. If this is not the case, the discount rate must be change to reflect financing via taxable revenue bonds. Changing this parameter will significantly affect the economic feasibility of the Susitna Project. For instance, assuming the composite revenue forecast, the benefit/cost drops from 1.48 to 1.28 when the real discount rate goes from 3.5% to 4.5%.

The APA does not suggest what a taxable discount rate would be or venture to determine the feasibility of the Susitna Project under these circumstances. However, in all likelihood, it would be significantly greater than 4.5%. It would not be surprising if the benefit/cost would drop below 1.0 if the economic analysis were based on a discount rate appropriate for taxable revenue bonds.

Combined Sensitivity Test

Although a combined sensitivity test implies that the feasibility of the Project has been tested by the complete range of conditions that can be reasonably expected to occur, we find that conditions which could result in a benefit/cost of less than

1.0 tend to be omitted. The most notable omission is the ADOR oil price forecast, which is lower than the Wharton forecast.

To give the full range of economic conditions that the Susitna Project may be exposed to, the APA should determine its economic feasibility assuming the ADOR oil price and revenue forecasts, the contract prices for Cook Inlet natural gas, no real escalation rate for coal prices, and a discount rate based on taxable revenue bonds.

Environmental Considerations

The APA's efforts to resolve the many environmental issues related to the Project are evident. However, a number of major impacts remain to be comprehensively addressed, and mitigative measures for a number of important known impacts are not set forth.

It is critical to note that the FERC consultation regulations, as amended in March 1985, are insistent that environmental and other studies required for a FERC decision on a license application must be conducted prior to filing of the application. The comments below should be read in light of this fundamental principle.

Water Flow

The APA has failed to demonstrate that an adequate source of water will be available throughout the life of the Project. In the amended license application, the APA acknowledges that glaciers play a highly significant role in the hydrology of the middle Susitna basin, and admits that little data are available to predict future trends. The implications of this inability to predict whether or not the Project will have sufficient flows to meet power demands and/or environmental flow constraints over the life of the Project pose serious ramifications not only to APA's fisheries mitigation analysis, for instance, but to the viability of the Susitna Project as a whole.

Neil Davis, in his book Energy Alaska, addressed the latter implication:

"It is uncertain whether the climate is changing, although it seems to be, and a continued warming trend appears likely because of a worldwide increase of atmospheric carbon dioxide. It is not known what will happen to glaciers if the trend continues: they may either shrink or grow, or some may shrink while others grow. Whatever happens will affect the magnitude of hydropower resource in a glaciated watershed, perhaps severely enough to make a shambles of the 50-year forecast of runoff necessary to estimate to cost of power generation at a particular hydropower site." (page 389.)

Water Quality

We find two major flaws in the APA's treatment of the water quality issue. First, the application identifies, but indicates no means of preventing, clear violations of Alaska water quality standards; without this, construction and operation of the Project will violate both State and federal law. Second, the APA fails to quantify and to evaluate possible additional water quality violations with respect to a number of parameters.

The amended license application includes admissions that Project construction and operation will result in violations of State water quality standards for at least two parameters (turbidity and suspended solids) but it is not clear whether these estimates include the full effects of Project-induced or construction-related erosion. The discussion attempts to minimize the importance of these violations by indicating that similar levels occur under natural conditions, without any adverse effect on aquatic systems. This approach is simply illegal under both State and federal law.

Furthermore, the amended license application does not properly quantify the water quality impacts of nutrients, ions, and perhaps most significantly, heavy metals. Since heavy metals such as mercury have been shown to accumulate in fish at other hydroelectric projects, this issue is of particular concern, both

from an environmental perspective and from the standpoint of commercial and sport fishermen who utilize Susitna River salmon and other species. For that standpoint, as well as from determining whether additional violations of water quality standards will occur, this analysis is seriously deficient.

Aquatic Systems

Though significant strides have been made in evaluating the flow regime since the original license application, this section in the amended license application still is lacking in five key areas.

1. The possible effects on the Susitna River below Talkeetna is given only cursory attention. The primary rationale given for this is that dilution from major tributaries (the Talkeetna and Chulitna Rivers) will mask any downstream water quality impacts. But this analysis is not season-specific.

This oversight is critical because winter flows for the Project will contribute to higher than normal middle river flows, at the time when flow contributions from the other tributaries is the lowest, resulting in increased sediment loads from the Project, along with an increase in turbidity.

More complete analysis of this flow regime may result in a revision of the repeated statement that chronic winter suspended sediment levels may be "stressful, but...are not expected to be lethal" to fish.

2. Not counting losses in smaller streams that are affected by construction and related impacts, at least 8,800 grayling will be lost due to inundation of habitat. Because of high turbidity levels, reservoirs themselves will not provide suitable replacement habitat. Despite the fact that grayling is one of the most important sportfishing species in Alaska, especially in the Susitna River basin, no effective mitigative measures for grayling are proposed.
3. The value of high summer turbidity levels for predation avoidance, particularly by juvenile salmon, is significant. Indications are that chinook salmon, for example, use turbid water for cover when structural diversity is lacking, and that juvenile chinook densities are two times higher in turbid waters than clear waters. The potential impact of lower summer turbidity levels, then, would appear significant, but no discussion of this issue is presented in the amended license application.
4. The APA in the amended license application relies almost exclusively on vertebrates as "evaluation species." This is

particularly disconcerting in that lower trophic levels are better indicators because impacts to lower trophic levels result in secondary and tertiary impacts to higher species.

Of particular concern here is the effect of decreased primary productivity during the fall and spring, due to increased turbidity levels.

Without a more complete understanding of impacts to lower trophic levels, a comprehensive evaluation of impacts to vertebrates is simply not possible. Where effects to low trophic levels are discussed, they are addressed in a cursory and conclusive fashion, and obviously do not have a complete and sound basis.

5. The amended license application indicates that the slough modification measures necessary to preserve critical overwintering habitat have not been tested, but will be at an appropriate time. As noted above, the FERC regulations require that such studies be completed before the application is submitted.

Access

The proposed Denali-North access route was selected in order to remain on schedule for the timely completion of the Project

rather than for any sound environmental reasoning. The APA admits this route will probably have more adverse impacts to both wildlife resources and archeological sites, contradicting itself with an earlier statement that the route is the most favorable solution to minimizing impacts to the environment. Moreover, several contradictory statements related to the actual time necessary to construct the road make unclear the benefits to remaining on schedule this route will allow. Thus, a less environmentally preferred route may be chosen for little or no Project benefit.

Moose

That inundation of large areas of important habitat will result in carrying capacity reduction for moose is acknowledged in the amended license application. The lost habitat includes critical winter habitat, calving areas, and early spring habitat. But this does not include possible downstream impacts due to hydrological changes, which the APA is unable to accurately assess, though the APA does admit this may be significant, so the effect of lost acreage may be even greater particularly during and following heavy winters.

Additionally, though the APA has initiated a program designed to replace or enhance moose habitat in other areas to compensate for these losses, actual areas have not been firmly

identified, so the ultimate efficacy of the program has not been demonstrated.

Wolves

The analysis on wolves admits the probable loss of the Watana wolf pack, but only speculates as to longer-range predator/prey effects. The overall effects of reduced ungulate populations, increased competition between predators (including human hunters due to increased access), and other factors are not comprehensively addressed in the amended license application. For example, lower moose populations may not only affect wolf populations, a discussion of which is lacking, but because of increased hunting demand, may result in controversial and artificial wolf-control proposals. Population dynamics as a result of these correlations are unfortunately not given attention.

Bears

Since essential black bear denning and other habitat is concentrated along the Susitna River, the Watana inundation will cause irreparable loss of bear habitat, and create tremendous competition for remaining areas that are suitable. Impacts to brown bears, while not as great, will still be significant, especially at key feeding areas such as Prairie Creek. No

discussion concerning secondary and cumulative impacts on bears from lower prey concentrations or increased human pressure is present, nor is any viable mitigation plan for either species outlined in the amended license application. It is evident, therefore, that middle Susitna bear populations will be affected extremely heavily by the Susitna Project, with little hope of adequate mitigation.

Dall Sheep

The APA does not present any evidence in the amended license application whether observed elevations of sheep reflect a preference for various elevations from an absolute perspective, or whether elevation relative to the heights of the river and nearby terrain are more significant. Since sheep prefer higher elevations to avoid predators, it would seem that relative elevation may be more important.

Recreation and aesthetics

We understand that it is inevitable that the Project would irrevocably alter the character of the middle Susitna basin from a remote wilderness setting to a relatively highly developed and more intensively used region. However, the APA unfairly minimizes the value of wilderness recreational areas on the basis of an analysis that focuses largely on numbers of users. This

approach skews the entire analysis because high use levels are fundamentally inconsistent with wilderness use, i.e. the values would disappear under more intensive pressure.

This misunderstanding is evidenced most dramatically by the statement that an "aesthetic impact that is rarely seen is less critical than one which is occasionally seen, and much less critical than one which is seen frequently and from many different vantage points." To the wilderness recreationist, the value of an aesthetic resource is inversely proportional to the number of viewers and the difficulty of obtaining the view. This bias will always result in a more intensive use being preferred.

The approach to aesthetic and wilderness resources in the amended license application understates the primary existing values of the region by depending on this intensity of use bias. The real existing value of the region lies in the extremely unique character of the river topography, as reflected in the Vee Canyon and Devil's Canyon, and the unparalleled white water experiences that these areas have to offer.

Yet it is precisely these areas that will be destroyed by the Susitna Project, in favor of reservoirs that will not be productive enough to support a viable sport fishery, and that, despite the APA's predictions, probably will not be used as heavily as existing recreational sites that are closer to

population centers, therefore making those sites more valuable as intensive use recreation areas. The significance of this misconception is that the "recreational value" that ostensibly will be created by the Project cannot validly be cited an important secondary Project benefit, as is attempted in the amended license application. Instead, the primary Project effect in this area will be to destroy completely unique and irreplaceable recreational and aesthetic resources.

CONCLUSION

In conclusion, the amended license application does not present a convincing case that, at this time, the Susitna Project should be the centerpiece for the Railbelt's energy future. The feasibility is based more on speculation than proven need and conditions, while key environmental factors remain inconclusively determined. Most importantly, the amended license application is deficient in its consideration of alternatives to Susitna. Until this deficiency is rectified, the APA is not in a position to submit or strongly defend the amended license application.

We feel it would be in the best interest of the State and its people for decision-makers and others to step back and reassess the direction of Alaska's energy future. It is an especially opportune, if not critical, time to do this now during

a period of reduced oil revenue coupled with factors that make for an uncertain energy plan.

Cramer ✓
01/24/86

Original sponsor: Sturgulewski

Funding Information

General Fund	\$271,700,000
Other Funds	- 271,700,000
	<u> 0 </u>

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 338 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making, amending, and repealing appropria-
7 tions for the Alaska Power Authority for the Susitna
8 River hydroelectric project, Bradley Lake hydroelec-
9 tric project, and the power cost equalization fund;
10 and providing for an effective date."

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

12 * Section 1. Section 3, ch. 96, SLA 1985, page 8, line 17 (Susitna
13 Hydroelectric Project Financing - \$200,000,000) is repealed.

14 * Sec. 2. Section 3, ch. 96, SLA 1985, page 9, line 5 (Bradley Lake
15 Hydroelectric Financing - \$50,000,000) is repealed.

16 * Sec. 3. Section 26, ch. 98, SLA 1985, page 59, line 18 (Power Cost
17 Equalization - \$21,700,000) is repealed.

18 * Sec. 4. The sum of \$200,000,000 is appropriated from the general fund
19 to the power development fund (AS 44.83.382) for the purpose of equity
20 investment in, and rate stabilization for, the Susitna River hydroelectric
21 project.

22 * Sec. 5. The sum of \$50,000,000 is appropriated from the general fund
23 to the power development fund (AS 44.83.382) for the purpose of equity
24 investment in, and rate stabilization for, the Bradley Lake hydroelectric
25 project.

26 * Sec. 6. The sum of \$21,700,000 is appropriated from the general fund
27 to the power cost equalization fund (AS 44.83.162) for the purpose of
28 providing power cost equalization assistance to utilities.

29 * Sec. 7. AS 44.83.165 is amended to read:

SLA 1984 56409
CH 171
P. 17

1 Sec. 44.83.165. [CONTINUING] APPROPRIATION FOR POWER COST EQUAL-
2 IZATION. The sum of \$16,300,000 is appropriated on July 1, 1984 [,
3 AND THE SUM OF \$21,700,000 IS APPROPRIATED ON JULY 1 OF EACH SUBSE-
4 QUENT FISCAL YEAR] from the general fund to the power cost equaliza-
5 tion fund (AS 44.83.162).

6 * Sec. 8. AS 44.83.410 is amended to read:

7 Sec. 44.83.410. [CONTINUING] APPROPRIATION FOR SUSITNA RIVER
8 HYDROELECTRIC PROJECT. The sum of \$100,000,000 is appropriated on
9 July 1, 1984 [AND THE SUM OF \$200,000,000 IS APPROPRIATED ON JULY 1 OF
10 EACH SUBSEQUENT FISCAL YEAR] from the general fund to the authority
11 for deposit in the power development fund (AS 44.83.382) for the pur-
12 pose of ~~financing~~ EQUITY INVESTMENT IN, AND RATE STABILIZATION FOR,
13 the Susitna River hydroelectric project.

14 * Sec. 9. AS 44.83.420 is amended to read:

15 Sec. 44.83.420. [CONTINUING] APPROPRIATION FOR BRADLEY LAKE
16 HYDROELECTRIC PROJECT. The sum of \$50,000,000 is appropriated on July
17 1, 1984 [OF EACH FISCAL YEAR] from the general fund to the authority
18 for deposit in the power development fund (AS 44.83.382) for the pur-
19 pose of ~~financing~~ EQUITY INVESTMENT IN, AND RATE STABILIZATION FOR,
20 the Bradley Lake hydroelectric project.

21 * Sec. 10. Obligations, encumbrances, and expenditures incurred against
22 appropriations repealed or amended in this Act are considered obligations,
23 encumbrances, and expenditures of the appropriations enacted in secs. 4 - 6
24 of this Act. The appropriations enacted in secs. 4 - 6 of this Act do not
25 appropriate any more money than was previously appropriated by the appro-
26 priations amended or repealed in secs. 1 - 3 and 7 - 9 of this Act.

27 * Sec. 11. The appropriations in secs. 4 and 5 of this Act are for
28 capital projects, and lapse in accordance with AS 37.25.020.

29 * Sec. 12. Sections 1 - 9 of this Act are retroactive to July 1, 1985.

1 * Sec. 13. This Act takes effect immediately in accordance with AS 01.-
2 10.070(c).
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Introduced: 1/15/86
Referred: House Special Committee on
State Loans and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 477

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making and amending appropriations for the
7 Alaska Power Authority; and providing for an effective
8 date."

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

10 * Section 1. (a) The sum of \$200,000,000 is appropriated from the
11 general fund to the Alaska Power Authority for deposit in the power devel-
12 opment fund (AS 44.83.382) for the purpose of financing the Susitna River
13 hydroelectric project.

14 (b) Up to \$9,100,000 of the amount set out in (a) of this section may
15 be spent in fiscal year 1987 for planning and predesign activities for the
16 Susitna River hydroelectric project.

17 * Sec. 2. The sum of \$50,000,000 is appropriated from the general fund
18 to the Alaska Power Authority for deposit in the power development fund
19 (AS 44.83.382) to finance the Bradley Lake hydroelectric project.

20 * Sec. 3. The sum of \$21,700,000 is appropriated from the general fund
21 to the Alaska Power Authority for deposit in the power cost equalization
22 fund (AS 44.83.162).

23 * Sec. 4. AS 44.83.165 is amended to read:

24 Sec. 44.83.165. [CONTINUING] APPROPRIATION FOR POWER COST EQUAL-
25 IZATION. The sum of \$16,300,000 is appropriated on July 1, 1984 [,
26 AND THE SUM OF \$21,700,000 IS APPROPRIATED ON JULY 1 OF EACH SUBSE-
27 QUENT FISCAL YEAR] from the general fund to the power cost equaliza-
28 tion fund (AS 44.83.162).

29 * Sec. 5. AS 44.83.410 is amended to read:

1 Sec. 44.83.410. [CONTINUING] APPROPRIATION FOR SUSITNA RIVER
2 HYDROELECTRIC PROJECT. The sum of \$100,000,000 is appropriated on
3 July 1, 1984 [AND THE SUM OF \$200,000,000 IS APPROPRIATED ON JULY 1 OF
4 EACH SUBSEQUENT FISCAL YEAR] from the general fund to the authority
5 for deposit in the power development fund (AS 44.83.382) for the pur-
6 pose of financing [EQUITY INVESTMENT IN, AND RATE STABILIZATION FOR,]
7 the Susitna River hydroelectric project.

8 * Sec. 6. AS 44.83.420 is amended to read:

9 Sec. 44.83.420. [CONTINUING] APPROPRIATION FOR BRADLEY LAKE
10 HYDROELECTRIC PROJECT. The sum of \$50,000,000 is appropriated on July
11 1, 1984 [OF EACH FISCAL YEAR] from the general fund to the authority
12 for deposit in the power development fund (AS 44.83.382) for the pur-
13 pose of financing [EQUITY INVESTMENT IN, AND RATE STABILIZATION FOR,]
14 the Bradley Lake hydroelectric project.

15 * Sec. 7. The fiscal year 1986 appropriations made at page 8, line 17
16 and page 9, line 5, ch. 96, SLA 1985; and page 59, line 18, ch. 98, SLA
17 1985 are repealed.

18 * Sec. 8. Obligations, encumbrances, and expenditures incurred against
19 appropriations repealed or amended in this Act are considered obligations,
20 encumbrances, and expenditures of the appropriations enacted in secs. 1 --
21 3 of this Act. The appropriations enacted in secs. 1 -- 3 of this Act do
22 not appropriate any more money than was previously appropriated by the
23 appropriations amended or repealed in secs. 4 -- 7 of this Act.

24 * Sec. 9. The appropriations in secs. 1 and 2 of this Act are for capi-
25 tal projects, and lapse in accordance with AS 37.25.020.

26 * Sec. 10. Sections 1 -- 7 of this Act are retroactive to July 1, 1985.

27 * Sec. 11. This Act takes effect immediately in accordance with AS 01.-
28 10.070(c).