

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7675 SENATE RESOURCES

plan which would serve the needs of southeast Alaska well into the next century.

It was originally intended this plan would not be an official endorsement of any group but rather a model to be used by the various agencies. It seemed appropriate at the time, but now the Tongass Timber Reform Act has passed and the Tongass Land Management Revision is being considered. There will be additional Congressional oversight. It is time for the Alaska Legislature to take a unified and formal stand in support of Southeast Alaska's economic future by endorsing this plan for the region .

PARTICIPATING AGENCIES AND ORGANIZATIONS

The group was represented by the following state agencies:

- Department of Commerce, Alaska Power Authority (AEA)
- Department of Transportation, S.E. Region
- Department of Commerce and Economic Development
- Department of Natural Resources, SE Region
- Department of Transportation, Marine Highway Division

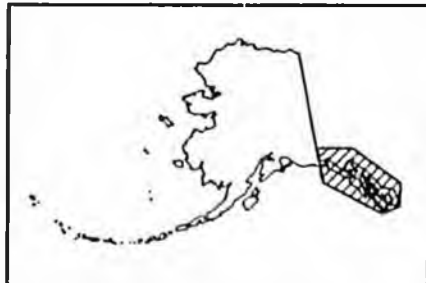
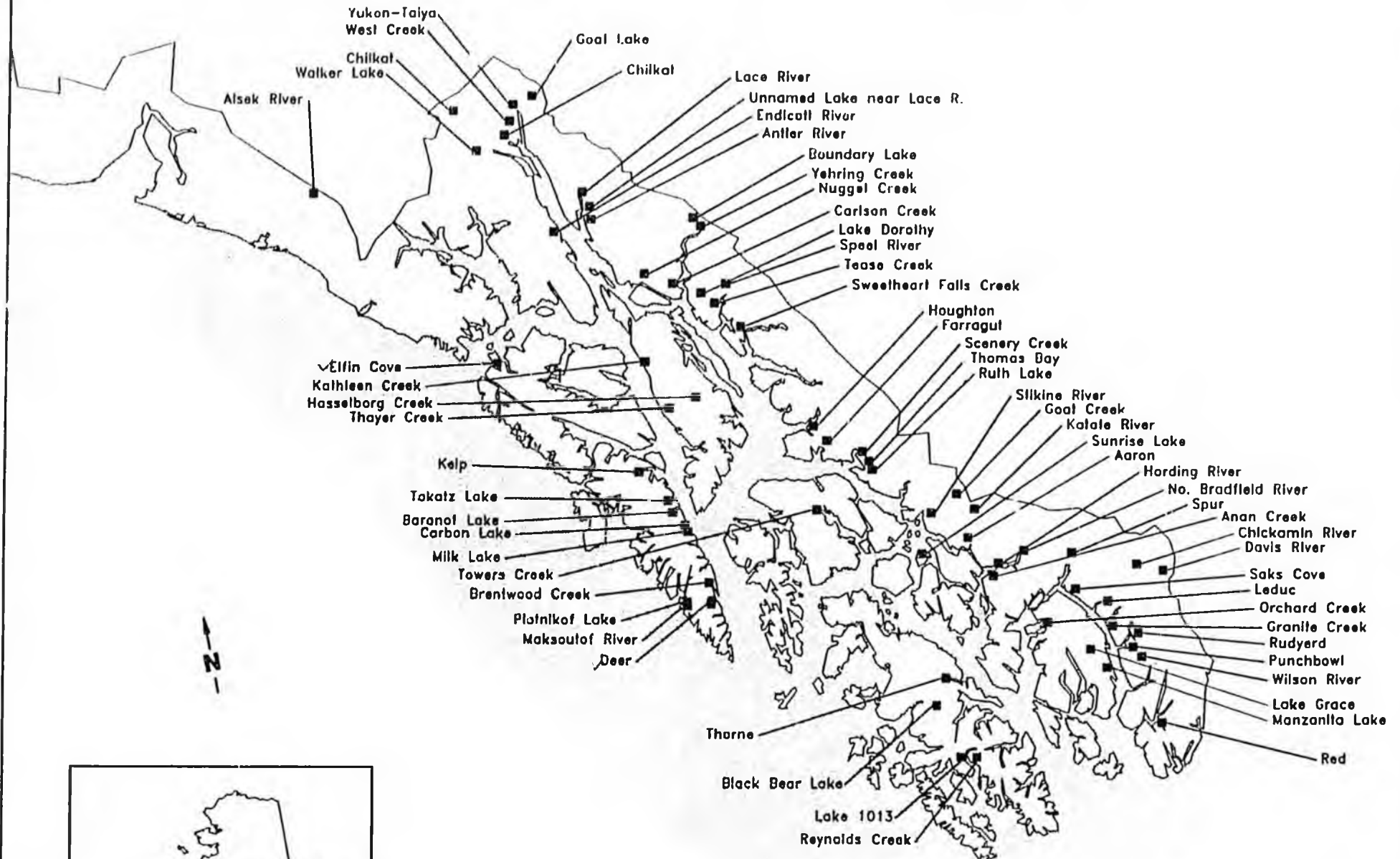
The following federal agencies were represented:

- Federal Highway Administration
- United States Forest Service
- Bureau of Indian Affairs
- Bureau of Mines
- Department of Energy, Alaska Power Administration
- Army Corps of Engineers

These private interests were represented:

- Sealaska Corporation
- Tlingit and Haida Regional Electric Authority

POTENTIAL HYDROELECTRIC SITES



State of Alaska
Alaska Energy Authority
 P.O. Box 190869
 701 East Tudor Road
 Anchorage, Alaska 99519-0869

POTENTIAL HYDROELECTRIC SITES

| | | | | |
|----------|------------------|---------|---------|--------|
| Drawn | CH | Checked | - | AEA No |
| Designed | - | Date | 1-16-92 | |
| File | AD MAPS\SE HYDR0 | Sheet | | 1 of 1 |

Potential Hydroelectric Sites

| No. | Power Site | Stream | USGS Map sheet | Drainage Area (sq. mi.) | Maximum Regulated Water Surface (ft.) | Average Head (ft.) | Average Annual Runoff (1000 AF) | For Cent Regulation | Firm Energy (million kwh) | Installed Capacity (1000 KW) | 1/ (plant factor %) | Index Cost 2/ | |
|----------------------------|--------------------------|-------------------|-------------------|-------------------------|---------------------------------------|--------------------|---------------------------------|---------------------|---------------------------|------------------------------|---------------------|---------------|---|
| STATUTE REGION | | | | | | | | | | | | | |
| 63 (25) | Crooked Creek | Kuskokwim R. | Blenhuta D-6 | 11,100 | 500 | 352 | 12,400 | 100 | 9,400 | 2,140 | 50 | 5.0 | |
| 64 | So. Fork Kuskokwim River | S.F. Kuskokwim R. | M. Grath A-1 | 870 | 2,000 | 174 | 840 | 60 | 72 | 15 | 55 | 112.0 | |
| 67 | Lake Kulik | Wind R. | Dillingham | 236 | 121 | 10 | 3,000 | 100 | 95 | 20 | 55 | 40.6 | |
| 68 (26) | Muyakub Lake | Muyakub R. | Dillingham D-6 | 1,510 | 342 | 176 | 4,300 | 90 | 555 | 127 | 50 | 15.9 | |
| 69 | Chikuminuk | Allan R. | Taylor Mtns. | 286 | 630 | 262 | 800 | 90 | 154 | 32 | 55 | 22.8 | |
| 70 | Ugnuk Lake | Tikhik R. | Taylor Mtns. | 100 | 830 | 170 | 280 | 100 | 39 | 8 | 55 | 46.6 | Would be reduced 11 million kwh by development of Nu |
| 71 (27) | Iliamna Lake | Kulchak R. | Dillingham A-2 | 6,440 | 150 | 114 | 14,600 | 100 | 1,170 | 311 | 50 | 11.1 | |
| 72 | Kakhonak Lake | Kakhonak R. | Iliamna B-4 | 145 | 300 | 200 | 275 | 100 | 45 | 9 | 55 | 53.8 | |
| 73 | Neshalen River | Neshalen R. | Iliamna D-6 | 1,319 | 325 | 74 | 6,675 | 100 | 411 | 85 | 55 | 11.9 | New mapping indicates Neshalen could be included on lower priced hydro. |
| 74 (28) | Tasimina | Tasimina R. | Iliamna D-5 | 346 | 725 | 193 | 724 | 96 | 224 | 51 | 50 | 15.0 | |
| 75 | Kontrahilina | Tanalian R. | Lake Clark A-4 | 200 | 510 | 226 | 461 | 99 | 83 | 17 | 55 | 17.6 | |
| 76 (29) | Ingersol | Kijik R. | Lake Clark B-1 | 300 | 1,460 | 1,120 | 695 | 99 | 630 | 144 | 50 | 14.2 | |
| 77 | Alagnak River | Alagnak R. | Iliamna A-8 | 530 | 775 | 170 | 960 | 35 | 47 | 10 | 55 | 51.5 | |
| 78 | Nonvianuk Lake | Nonvianuk R. | Iliamna A-7 | 370 | 631 | 115 | 6.0 | 100 | 63 | 13 | 55 | 22.6 | |
| 72 (30) | Kukakluk Lake | Alagnak R. | Iliamna A-7 | 480 | 825 | 326 | 870 | 100 | 232 | 53 | 50 | 10.9 | |
| 80 (31) | Maknek | Maknek R. | Maknek C-2 | 2,720 | 150 | 124 | 4,600 | 100 | 473 | 108 | 50 | 11.2 | |
| 81 | American Creek | American Creek | Mt. Katmai D-4 | 100 | 1,625 | 861 | 180 | 95 | 120 | 25 | 55 | 22.7 | |
| 82 | Ukak River | Ukak R. | Mt. Katmai B-4 | 194 | 375 | 145 | 310 | 75 | 30 | 6 | 55 | 164.0 | |
| 83 | Contact Creek | Contact Creek | Mt. Katmai A-6 | 54 | 1,050 | 274 | 92 | 65 | 13 | 3 | 55 | 154.0 | |
| 84 | Nacharof | Kyggalik R. | Maknek A-3 | 1,200 | 70 | 58 | 1,600 | 100 | 76 | 16 | 55 | 21.3 | |
| 85 | Uqashik Lakes | Uqashik R. | Uqashik C-3 | 830 | 50 | 33 | 1,100 | 100 | 30 | 6 | 55 | 50.2 | |
| BRITICENTRAL REGION | | | | | | | | | | | | | |
| 86 | Olga Bay | Olga Narrows | Kariuk A-1 | 335 | 70 | 64 | 710 | 100 | 37 | 8 | 55 | 68.6 | Alternative to Fraser Lake. |
| 87 | Fraser Lake | Dog Salmon Creek | Kariuk A-1 | 72 | 353 | 302 | 110 | 100 | 12 | 7 | 55 | 33.0 | |
| 88 | Ayukulik | Ayukulik | Kariuk A-2 | 181 | 200 | 181 | 330 | 100 | 49 | 10 | 55 | 42.6 | |
| 89 | Kariuk Lake | Kariuk | Kariuk C-1 | 165 | 400 | 344 | 300 | 100 | 85 | 18 | 55 | 24.9 | |
| 90 | Terror Lake | Unnamed | Kodiak C-4 | 15 | 1,325 | 1,057 | 72 | 94 | 85 | 12 | 55 | 24.9 | |
| 91 | McNeil River | McNeil River | Iliamna A-4 | 102 | 150 | 112 | 180 | 50 | 8 | 2 | 55 | 145.0 | |
| 92 | Paint River | Paint R. | Iliamna A-4 | 205 | 150 | 115 | 370 | 80 | 28 | 6 | 55 | 115.0 | |
| 93 (12) | Crescent Lake | Crescent R. | Kanal B-8 | 200 | 599 | 517 | 454 | 98 | 179 | 41 | 50 | 9.9 | |
| 94 (33) | Chakachama | Chakachama R. | Tyonek A-7 | 1,120 | 1,127 | 793 | 2,460 | 100 | 1,600 | 366 | 50 | 6.5 | |
| 95 | Chulitna | Chulitna R. | Tyonek A-4 | 66 | 800 | 552 | 140 | 70 | 45 | 9 | 55 | 83.4 | |
| 96 | Lower Beluga | Beluga R. | Tyonek A-3 | 950 | 100 | 49 | 1,790 | 100 | 72 | 15 | 55 | 19.1 | |
| 97 (34) | Coffee | Beluga R. | Tyonek A-4 | 860 | 210 | 109 | 1,800 | 100 | 160 | 37 | 50 | 11.5 | |
| 98 (15) | Upper Beluga | Beluga R. | Tyonek B-4 | 840 | 375 | 142 | 1,800 | 100 | 210 | 48 | 50 | 11.3 | |
| 99 | Strandline Lake | Beluga R. | Tyonek B-6 | 54 | 1,300 | 852 | 115 | 100 | 81 | 17 | 55 | 30.8 | Development of Upper Beluga would reduce energy 12 mi |
| 100 | Lake Creek (Lower) | Lake Creek | Talkeetna A-2 | 335 | 800 | 385 | 710 | 60 | 105 | 22 | 55 | 32.6 | |
| 101 | Upper Lake Creek | Lake Creek | Talkeetna B-3 | 85 | 1,400 | 560 | 180 | 90 | 74 | 15 | 55 | 20.3 | |
| 102 | Talachulitna River | Talachulitna R. | Tyonek C-1 | 360 | 700 | 231 | 720 | 100 | 137 | 28 | 55 | 41.6 | |
| 103 | Hayes, Skwentna R. | Skwentna R. | Tyonek D-5 | 1,730 | 575 | 187 | 3,500 | 80 | 429 | 89 | 55 | 72.8 | |
| 104 | Emerald | Skwentna R. | Tyonek D-8 | 370 | 1,900 | 166 | 790 | 74 | 177 | 37 | 55 | 69.7 | |
| 105 (36) | Yentna | Yentna R. | Tyonek C-2 | 6,400 | 150 | 82 | 12,750 | | 145 | | | | |
| 106 (37) | Talachulitna | Skwentna R. | Tyonek D-4 | 2,250 | 350 | 124 | 4,500 | 79 | 1,390 | 75 | 50 | 10.1 | Assumes operation as a system. |
| 107 (18) | Skwentna | Skwentna R. | Tyonek D-6 | 950 | 1,000 | 291 | 1,900 | | 98 | | | | |
| 108 | Chulitna Creek | Chulitna Creek | Talkeetna B-1 | 240 | 800 | 198 | 380 | 40 | 25 | 5 | 55 | 50.9 | |
| 109 (39) | Lower Chulitna | Chulitna R. | Talkeetna B-1 | 2,600 | 500 | 39 | 6,350 | 04 | 394 | 90 | 50 | 8.1 | |
| 110 (40) | Tklichitna | Chulitna R. | Talkeetna C-1 | 2,560 | 725 | 186 | 6,200 | 85 | 806 | 184 | 50 | 8.8 | |
| 111 | Talkeetna River (sheep) | Talkeetna R. | Talkeetna Mt. B-6 | 1,790 | 605 | 91 | 4,400 | 50 | 149 | 31 | 55 | 40.4 | |
| 112 (41) | Keetna | Talkeetna R. | Talkeetna Mt. B-6 | 1,260 | 950 | 286 | 1,690 | 82 | 324 | 74 | 50 | 11.1 | |
| 113 | Iron Creek | Iron Creek | Talkeetna Mt. B-5 | 210 | 1,750 | 750 | 400 | 60 | 147 | 31 | 55 | 63.9 | |
| 114 | Granite Gorge | Talkeetna R. | Talkeetna Mt. B-5 | 865 | 1,500 | 416 | 1,160 | 87 | 345 | 72 | 55 | 43.8 | |
| 115 | Greenstone | Talkeetna R. | Talkeetna Mt. C-5 | 790 | 1,575 | 304 | 1,150 | 65 | 226 | 51 | 55 | 38.6 | Alternative to Granite Gorge. |
| 116 | Trapper | Talkeetna R. | Talkeetna Mt. C-5 | 760 | 1,700 | 245 | 1,140 | 94 | 216 | 45 | 55 | 68.6 | |
| 117 | Lucy | Chulitna R. | Talkeetna Mt. D-5 | 1,080 | 1,100 | 166 | 2,600 | 20 | 71 | 15 | 55 | 19.3 | |
| 118 | Coal | Chulitna R. | Talkeetna Mt. D-6 | 985 | 1,450 | 241 | 2,400 | 40 | 193 | 40 | 55 | 36.3 | Would be inundated by development of Ch.3 site. |
| 119 | Ohio | Chulitna R. | Talkeetna Mt. D-6 | 916 | 1,500 | 224 | 2,220 | 35 | 144 | 30 | 55 | 21.0 | |
| 120 | Chulitna-Hurricane | Chulitna R. | Ikaly A-6 | 795 | 1,600 | 207 | 1,900 | 50 | 166 | 34 | 55 | 26.7 | Would be inundated by development of Ohio site. |
| 121 | West Fork Chulitna | W.F. Chulitna R. | Healy A-6 | 355 | 1,900 | 287 | 640 | 45 | 68 | 14 | 55 | 33.4 | |
| 122 | East Fork Chulitna | E.F. Chulitna R. | Healy A-5 | 135 | 2,500 | 180 | 240 | 80 | 59 | 12 | 55 | 31.3 | |
| 123 (42) | Whiskern | Susitna R. | Talkeetna B-1 | 6,320 | 490 | 59 | 7,500 | 109 | 368 | 84 | 50 | 11.5 | |
| 124 (43) | Lane | Susitna R. | Talkeetna C-1 | 6,280 | 660 | 169 | 7,500 | 100 | 1,052 | 240 | 50 | 8.9 | |
| 125 (44) | Gold | Susitna R. | Talkeetna Mt. C-6 | 6,160 | 850 | 189 | 7,327 | 100 | 1,139 | 260 | 50 | 13.1 | |
| 126 | Deadman Creek | Deadman Cr. | Talkeetna Mt. D-3 | 160 | 3,000 | 962 | 350 | 60 | 165 | 34 | 55 | 22.7 | |
| 127 (45) | Devil Canyon | Susitna R. | Talkeetna Mt. D-5 | 5,810 | 1,450 | 575 | 6,840 | | 738 | | | | |
| 128 (46) | Malana | Susitna R. | Talkeetna Mt. D-4 | 5,180 | 1,905 | 425 | 6,040 | 100 | 7,000 | 478 | 50 | 6.3 | Assumes operation as a system. |
| 129 (47) | Vee | Susitna R. | Talkeetna Mt. C-2 | 4,140 | 2,355 | 430 | 4,730 | | 386 | | | | |
| 130 (48) | Denali | Susitna R. | Talkeetna Mt. D-1 | 1,260 | 2,552 | --- | 2,310 | | --- | | | | |
| 131 | McLaren River | McLaren R. | Gulkana D-6 | 485 | 2,875 | 263 | 1,410 | 85 | 263 | 55 | 55 | 45.2 | |
| 132 | Boulder Creek | Boulder Cr. | Healy B-1 | 42 | 3,575 | 917 | 67 | 70 | 35 | 7 | 55 | 55.6 | |
| 133 | Palmer | Matanuska R. | Anchorage C-6 | 2,070 | 400 | 166 | 2,918 | 20 | 79 | 16 | 55 | 195.5 | |
| 134 | Moore Creek | Matanuska R. | Anchorage C-6 | 2,070 | 500 | 166 | 2,918 | 25 | 100 | 21 | 55 | 124.2 | Alternative to Palmer site. |
| 135 | King Mountain | Matanuska R. | Anchorage D-5 | 1,615 | 1,050 | 278 | 2,100 | 40 | 310 | 44 | 55 | 12.4 | |

| No. | Power Site | Stream | USGS Map sheet | Drainage Area (sq. mi.) | Maximum Regulated Water Surface (ft.) | Average Head (ft.) | Average Annual Runoff (1000 AF) | Per Cent Regulation | Firm Energy (million Kwh) | Installed Capacity (1000 KW) | 1/ (plant factor %) | Index Cost 2/ | |
|----------|-------------------------|-------------------|--------------------|-------------------------|---------------------------------------|--------------------|---------------------------------|---------------------|---------------------------|------------------------------|---------------------|---------------|---|
| 136 | Coal Creek | Matanuska R. | Anchorage D-4 | 1,128 | 1,300 | 291 | 1,600 | 80 | 107 | 64 | 55 | 78.5 | Alternative to Ring Min. site. |
| 137 | Boulder Creek | Boulder Cr. | Anchorage D-4 | 90 | 2,680 | 1,317 | 82 | 80 | 69 | 14 | 55 | 57.0 | |
| 138 | Rush Lake | Boulder Cr. | Anchorage D-4 | 89 | 1,950 | 092 | 78 | 79 | 45 | 9 | 55 | 92.7 | |
| 139 | Furinton Creek | Matanuska R. | Anchorage D-4 | 1,082 | 1,450 | 291 | 1,500 | 90 | 324 | 67 | 55 | 100.1 | Alternative to Hick site. |
| 140 | Hicks Site | Matanuska R. | Anchorage D-3 | 950 | 1,675 | 281 | 1,300 | 90 | 206 | 59 | 55 | 37.2 | |
| 141 | Caribou Creek | Caribou Cr. | Anchorage D-2 | 260 | 2,450 | 527 | 220 | 91 | 90 | 19 | 55 | 21.7 | |
| 142 | Eagle River | Eagle R. | Anchorage B-7 | 194 | 450 | 167 | 397 | 82 | 45 | 9 | 55 | 38.8 | |
| 143 | Sunrise | Sixmile Cr. | Seward D-7 | 238 | 450 | 127 | 350 | 55 | 52 | 11 | 55 | 122.2 | |
| 144 | Lower Kenal | Kenal R. | Kenal B-3 | 1,650 | 160 | 84 | 4,300 | 88 | 263 | 55 | 55 | 16.2 | |
| 145 | Moose Horn | Kenal R. | Kenal C-2 | 1,540 | 275 | 95 | 4,000 | 91 | 290 | 60 | 55 | 18.8 | |
| 146 | Killay River | Killay R. | Kenal B-2 | 160 | 725 | 158 | 385 | 90 | 100 | 71 | 55 | 38.1 | |
| 147 | Stalters Ranch | Kenal R. | Kenal B-1 | 849 | 500 | 199 | 2,600 | 97 | 401 | 84 | 55 | 17.9 | |
| 148 | Kenal Lake | Kenal R. | Seward B-8 | 660 | 650 | 341 | 2,030 | 97 | 552 | 115 | 55 | 22.3 | Alternative to Stalters Ranch site. |
| 149 | Crescent Lake | Crescent L. | Seward B-7 | 21 | 1,454 | 934 | 10 | 100 | 29 | 6 | 55 | 31.4 | |
| 150 (49) | Snow | Snow R. | Seward B-7 | 85 | 1,250 | 653 | 535 | 97 | 278 | 63 | 50 | 11.2 | |
| 151 | Kasilof River | Kasilof R. | Kenal B-4 | 738 | 200 | 136 | 1,729 | 100 | 193 | 40 | 55 | 15.8 | |
| 152 | Tuntumena | Tuntumena Glacier | Kenal A-2 | 57 | 1,426 | 1,100 | 133 | 85 | 102 | 21 | 55 | 17.1 | |
| 153 | Sheep Creek | Sheep Cr. | Seldovia D-2 | 101 | 725 | 382 | 460 | 54 | 94 | 20 | 55 | 23.8 | |
| 154 (50) | Bradley Lake | Bradley Cr. | Seldovia D-3 | 88 | 1,195 | 1,155 | 445 | 93 | 410 | 94 | 50 | 8.0 | Authorized Project. |
| 155 | Resurrection River | Resurrection R. | Seward A-7 | 141 | 425 | 233 | 600 | 75 | 86 | 18 | 55 | 58.5 | |
| 156 | Nellie Juan River | Nellie Juan R. | Seward B-5 | 130 | 460 | 240 | 708 | 74 | 47 | 10 | 55 | 32.0 | |
| 157 | Upper Nellie Juan | Nellie Juan R. | Seward B-6 | 35 | 1,189 | 421 | 190 | 90 | 57 | 12 | 55 | 17.6 | |
| 158 (51) | Love | Love R. | Valdez A-6 | 190 | 800 | 334 | 1,400 | 66 | 254 | 55 | 50 | 11.2 | |
| 159 | Allison Creek | Allison Cr. | Valdez A-7 | 6 | 1,380 | 1,191 | 32 | 55 | 18 | 4 | 55 | 19.5 | |
| 160 | Solomon Gulch | Unnamed | Valdez A-7 | 18 | 660 | 608 | 100 | 20 | 11 | 2 | 55 | 27.0 | |
| 161 | Silver Lake | Duck R. | Cordova D-7 | 25 | 390 | 346 | 180 | 95 | 48 | 10 | 55 | 15.6 | |
| 162 | Power Creek | Power Cr. | Cordova C-5 | 21 | 560 | 498 | 182 | 90 | 66 | 14 | 55 | 20.9 | |
| 163 (52) | Million Dollar | Copper R. | Cordova C-2 | 24,200 | 200 | 89 | 38,000 | 71 | 1,927 | 440 | 50 | 14.0 | |
| 164 | Van Cleave | Unnamed | Cordova C-1 | 17 | 1,450 | 475 | 95 | 25 | 10 | 2 | 55 | 234.0 | |
| 165 | Little Bremner River | Little Bremner R. | Valdez A-2 | 182 | 600 | 272 | 503 | 62 | 70 | 15 | 55 | 67.8 | |
| 166 | Bremner R., Salmon Site | Bremner R. | Valdez A-1 | 660 | 525 | 166 | 2,100 | 30 | 86 | 18 | 55 | 46.7 | |
| 167 | So. Fork Bremner River | S.F. Bremner R. | Cordova D-1 | 148 | 1,150 | 537 | 470 | 75 | 156 | 32 | 55 | 32.5 | |
| 168 | Three Mile Canyon | Bremner R. | Cordova D-1 | 526 | 725 | 228 | 1,660 | 41 | 127 | 26 | 55 | 51.5 | Alternative to Salmon site. |
| 169 | No. Fork Bremner River | N.F. Bremner R. | Bering Glacier | 150 | 1,625 | 490 | 470 | 87 | 166 | 35 | 55 | 56.0 | |
| 170 (53) | Cleava | Copper R. | Valdez A-3 | 21,500 | 420 | 165 | 28,000 | 96 | 3,600 | 820 | 55 | 13.3 | |
| 171 | Taina | Taina | Valdez A-5 | 104 | 1,750 | 360 | 220 | 90 | 58 | 17 | 55 | 64.2 | |
| 172 | Tiekel River | Tiekel R. | Valdez A-3 | 421 | 950 | 400 | 900 | 35 | 105 | 22 | 55 | 37.8 | |
| 173 (54) | Wood Canyon | Copper R. | Valdez B-2 | 20,600 | 1,400 | 950 | 26,700 | 100 | 21,900 | 3,600 | 69.4 | 3.2 | |
| 174 | Hanaqita Lake | Hanaqita R. | McCarthy A-8 | 100 | 2,575 | 1,010 | 228 | 85 | 160 | 33 | 55 | 27.0 | |
| 175 | Tebay Lakes | Tebay R. | Valdez A-1 | 105 | 1,875 | 1,007 | 240 | 95 | 193 | 40 | 55 | 23.6 | |
| 176 | Kuskulana River | Kuskulana R. | McCarthy C-8 | 260 | 2,050 | 508 | 550 | 50 | 114 | 24 | 55 | 66.9 | |
| 177 | Young Creek | Young Cr. | McCarthy A-4 | 40 | 3,475 | 2,017 | 110 | 45 | 82 | 17 | 55 | 60.3 | High Wood Canyon plan would reduce potential by about |
| 178 | Canyon Creek | Canyon Cr. | McCarthy A-4 | 100 | 3,100 | 1,308 | 270 | 45 | 131 | 27 | 55 | 46.1 | |
| 179 | Klaqna River | Klaqna R. | McCarthy A-4 | 185 | 2,500 | 970 | 490 | 50 | 193 | 40 | 55 | 77.9 | High Wood Canyon plan would reduce potential by about |
| 180 | Kotaina River | Kotaina R. | Valdez C-1 | 209 | 2,075 | 524 | 440 | 70 | 133 | 28 | 55 | 47.9 | |
| 181 | Klutina | Klutina R. | Valdez D-5 | 670 | 1,800 | 335 | 950 | 100 | 263 | 54 | 55 | 17.6 | |
| 182 | Tolsona Creek | Tolsona Cr. | Gulkana A-4 | 174 | 2,025 | 460 | 200 | 70 | 51 | 11 | 55 | 52.5 | |
| 183 | Tazlina | Tazlina R. | Gulkana A-5 | 1,970 | 1,875 | 273 | 2,300 | 100 | 503 | 104 | 55 | 15.6 | |
| 184 | Welchiana River | Welchiana R. | Gulkana A-6 | 820 | 2,250 | 285 | 940 | 99 | 219 | 45 | 55 | 51.3 | |
| 185 | Lower Gulkana River | Gulkana R. | Gulkana B-3 | 1,850 | 1,700 | 232 | 2,000 | 11 | 42 | 9 | 55 | 64.8 | |
| 186 | Upper Gulkana River | Gulkana R. | Gulkana B-3 | 1,770 | 1,850 | 124 | 1,900 | 23 | 45 | 9 | 55 | 86.8 | |
| 187 | Gulkana River | Gulkana R. | Gulkana C-4 | 575 | 2,475 | 405 | 620 | 80 | 164 | 34 | 55 | 27.5 | |
| 188 | West Fork Gulkana River | W.F. Gulkana R. | Gulkana C-5 | 398 | 2,375 | 192 | 440 | 100 | 69 | 14 | 55 | 58.7 | |
| 189 | Summit Lake | Gulkana R. | McCarthy A-4 | 83 | 1,210 | 500 | 88 | 100 | 36 | 8 | 55 | 19.9 | |
| 190 | Gakona Site | Copper F | Gulkana B-3 | 3,965 | 1,750 | 266 | 4,400 | 75 | 727 | 150 | 55 | 35.2 | Alternative to Sanford site. |
| 191 | Sanford | Copper R. | Gulkana B-3 | 3,365 | 1,875 | 178 | 3,700 | 70 | 385 | 80 | 55 | 29.3 | |
| 192 | White River | White R. | Bering Glacier A-4 | 29 | 375 | 282 | 210 | 80 | 19 | 0 | 55 | 51.3 | |

SOUTHEAST REGION

| | | | | | | | | | | | | | |
|----------|---------------------------|-----------------|-------------|--------|-------|-------|--------|-----|-------|-----|----|------|---|
| 193 | Aleek River | Aleek R. | Yakutat B-1 | 11,000 | 450 | 166 | 12,000 | 90 | 1,490 | 310 | 55 | 17.9 | Major portion of reservoir area is in Canada. |
| 194 | Endicott River | Endicott R. | Juneau D-5 | 56 | 800 | 483 | 270 | 97 | 105 | 21 | 55 | 25.9 | |
| 195 | Chilkoot | Chilkoot R. | Skagway B-2 | 130 | 175 | 136 | 780 | 90 | 78 | 16 | 55 | 35.8 | |
| 196 (55) | Chilkat | Chilkat R. | Skagway C-3 | 190 | 600 | 320 | 870 | 80 | 180 | 41 | 50 | 10.6 | |
| 197 | West Creek | West Creek | Skagway C-2 | 40 | 800 | 625 | 268 | 75 | 105 | 21 | 55 | 25.9 | |
| 198 | Goat Lake | Fitchfork Falls | Skagway C-1 | 4 | 2,915 | 2,017 | 10 | 95 | 46 | 10 | 55 | 16.5 | |
| 199 | Lace River | Lace R. | Juneau D-3 | 363 | 200 | 166 | 2,300 | 97 | 298 | 62 | 55 | 51.8 | |
| 200 | Unnamed Lake near Lace R. | Unnamed | Juneau D-3 | 3 | 3,160 | 3,003 | 20 | 100 | 48 | 10 | 55 | 19.4 | |
| 201 | Antler River | Antler R. | Juneau D-3 | 5 | 1,950 | 1,813 | 29 | 105 | 43 | 9 | 55 | 17.8 | |
| 202 | Nugget Creek | Nugget Cr. | Juneau B-2 | 16 | 725 | 607 | 151 | 40 | 30 | 6 | 55 | 52.9 | |
| 203 | Carlson Creek | Carlson Cr. | Juneau B-1 | 24 | 450 | 344 | 246 | 66 | 46 | 10 | 55 | 17.5 | |
| 204 | Boundary Lake | Boundary Cr. | Taku R. C-6 | 23 | 925 | 795 | 170 | 85 | 95 | 20 | 55 | 22.2 | |
| 205 | Yehring Creek | Yehring Cr. | Taku R. B-6 | 16 | 1,100 | 1,077 | 112 | 26 | 26 | 5 | 55 | 29.0 | |
| 206 (56) | Lake Dorothy | Dorothy Cr. | Taku R. A-6 | 11 | 2,422 | 2,248 | 81 | 100 | 150 | 34 | 50 | 7.1 | |
| 207 (57) | Speck Division | Speck R. | Taku R. A-5 | 104 | 375 | 333 | 333 | 100 | 333 | 333 | 55 | 33.3 | |

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|----------|---------------------|----------------------|---------------------|-------------------------|---------------------------------------|--------------------|---------------------------------|---------------------|---------------------------|------------------------------|---------------------|---------------|
| 208 (58) | Tease Creek | Tease Cr. | Taku R. A-5 | 11 | 1,100 | 1,014 | 110 | 75 | 70 | 16 | 50 | 14.9 |
| 209 (59) | Sweetheart Falls | Sweetheart Falls Cr. | Sumdum D-5 | 35 | 684 | 612 | 250 | 100 | 125 | 29 | 50 | 9.6 |
| 210 (60) | Houghton | Unnamed | Sumdum D-3 | 19 | 550 | 457 | 170 | 98 | 136 | 31 | 50 | 11.0 |
| 211 | Farragut | Farragut R. | Sumdum A-3 | 64 | 525 | 493 | 480 | 56 | 163 | 37 | 50 | 13.0 |
| 212 (61) | Scenery Creek | Scenery Cr. | Sumdum A-3 | 21 | 957 | 620 | 147 | 90 | 67 | 15 | 50 | 10.8 |
| 213 (62) | Thomas Bay | Cascade Cr. | Sumdum A-3 | 19 | 1,514 | 1,442 | 160 | 88 | 166 | 38 | 50 | 8.1 |
| 214 | Ruth Lake | Delta Cr. | Petersburg D-3 | 8 | 1,550 | 1,449 | 9 | 90 | 63 | 13 | 55 | 18.1 |
| 215 (63) | Stikina River | Stikina R. | Petersburg C-1 | 20,000 | 350 | 291 | 45,000 | 90 | 9,900 | 2,260 | 50 | 9.0 |
| 216 (64) | Goat | Goat Cr. | Bradfield Canal C-6 | 14 | 1,298 | 1,056 | 112 | 90 | 07 | 20 | 50 | 13.9 |
| 217 | Katate River | Katate R. | Bradfield Canal C-6 | 73 | 650 | 249 | 594 | 82 | 99 | 21 | 55 | 10.3 |
| 218 | Aaron | Aaron Cr. | Bradfield Canal C-6 | 81 | 300 | 183 | 652 | 56 | 58 | 12 | 55 | 86.0 |
| 219 | Harding River | Harding R. | Bradfield Canal C-5 | 68 | 250 | 207 | 548 | 92 | 85 | 18 | 55 | 49.2 |
| 220 | No. Bradfield River | N. Bradfield R. | Bradfield Canal B-5 | 150 | 250 | 157 | 1,200 | 61 | 131 | 27 | 55 | 71.0 |
| 221 (65) | Tyee Creek | Tyee Cr. | Bradfield Canal A-5 | 15 | 1,307 | 1,275 | 123 | 93 | 120 | 27 | 50 | 8.9 |
| 222 | Anan Creek | Anan Cr. | Bradfield Canal A-6 | 27 | 325 | 230 | 200 | 89 | 33 | 7 | 55 | 34.4 |
| 223 (66) | Spur | Unnamed | Bradfield Canal A-4 | 10 | 1,889 | 1,776 | 83 | 87 | 105 | 24 | 50 | 10.7 |
| 224 | Sahn Cove | Sahn Cr. | Ketchikan D-4 | 22 | 675 | 623 | 150 | 93 | 72 | 15 | 55 | 18.7 |
| 225 (67) | Leduc | Leduc R. | Ketchikan | 7 | 1,384 | 1,241 | 61 | 100 | 62 | 14 | 50 | 14.5 |
| 226 | Chickamin River | Chickamin R. | Bradfield Canal A-2 | 562 | 125 | 228 | 4,800 | 82 | 727 | 150 | 55 | 26.1 |
| 227 | Granite Creek | Granite Cr. | Ketchikan C-3 | 9 | 945 | 863 | 82 | 67 | 39 | 8 | 55 | 17.2 |
| 228 (69) | Punchbowl Creek | Punchbowl Cr. | Ketchikan C-3 | 14 | 650 | 622 | 126 | 99 | 64 | 15 | 55 | 10.6 |
| 229 (68) | Rudyard | Unnamed | Ketchikan C-2 | 8 | 1,775 | 1,600 | 63 | 100 | 03 | 19 | 50 | 10.6 |
| 230 | Wilson River | Wilson R. | Ketchikan B-2 | 70 | 400 | 166 | 560 | 93 | 71 | 15 | 55 | 30.7 |
| 231 (70) | Red | Red R. | Ketchikan A-2 | 44 | 400 | 347 | 410 | 89 | 104 | 24 | 50 | 12.2 |
| 232 | Davis River | Davis R. | Ketchikan D-1 | 78 | 450 | 367 | 667 | 67 | 131 | 28 | 55 | 17.4 |
| 233 | Kelp | Unnamed | Sitka B-4 | 21 | 675 | 612 | 161 | 82 | 66 | 16 | 50 | 15.1 |
| 234 (75) | Takatz Creek | Takatz Cr. | Sitka A-3 | 11 | 1,040 | 991 | 129 | 87 | 97 | 20 | 50 | 12.5 |
| 235 | Baranof Lake | Baranof R. | Sitka A-3 | 32 | 145 | 108 | 316 | 42 | 11 | 2 | 55 | 19.1 |
| 236 | Carbon Lake | Unnamed | Sitka A-3 | 27 | 300 | 260 | 350 | 65 | 49 | 10 | 55 | 24.8 |
| 237 | Milk Lake | Unnamed | Port Alexander D-3 | 11 | 700 | 666 | 167 | 36 | 33 | 7 | 55 | 19.0 |
| 238 | Brentwood Creek | Brentwood Cr. | Port Alexander C-3 | 7 | 950 | 655 | 98 | 71 | 38 | 8 | 55 | 27.7 |
| 239 (74) | Deer | Unnamed | Port Alexander C-3 | 7 | 374 | 339 | 114 | 96 | 31 | 7 | 50 | 14.0 |
| 240 (73) | Maknoutof River | Maknoutof R. | Port Alexander C-3 | 24 | 600 | 570 | 272 | 93 | 117 | 24 | 50 | 12.6 |
| 241 | Plotnikof Lake | Unnamed | Port Alexander F-3 | 20 | 350 | 315 | 24 | 76 | 44 | 9 | 55 | 17.7 |
| 242 (76) | Green Lake | Vodopad R. | Port Alexander D-4 | 29 | 400 | 353 | 212 | 84 | 52 | 11 | 50 | 12.4 |
| 243 | Hasselborg Creek | Hasselborg Cr. | Sitka C-1 | 83 | 131 | 106 | 343 | 90 | 77 | 16 | 55 | 22.3 |
| 244 | Thayer Creek | Thayer Cr. | Sitka C-2 | 61 | 407 | 377 | 252 | 100 | 78 | 16 | 55 | 22.1 |
| 245 | Kathleen Creek | Kathleen Cr. | Sitka D-3 | 29 | 525 | 502 | 126 | 94 | 40 | 10 | 55 | 33.7 |
| 246 | Towers Creek | Towers Cr. | Petersburg D-5 | 81 | 275 | 259 | 300 | 100 | 64 | 13 | 55 | 108.7 |
| 247 | Orchard Creek | Orchard Cr. | Ketchikan D-5 | 60 | 200 | 170 | 420 | 75 | 44 | 9 | 55 | 17.8 |
| 248 (71) | Lake Grace | Grace Cr. | Ketchikan C-3 | 29 | 500 | 456 | 281 | 90 | 99 | 20 | 50 | 10.1 |
| 249 | Manzanita Lake | Unnamed | Ketchikan C-4 | 63 | 300 | 269 | 620 | 91 | 124 | 26 | 55 | 17.0 |
| 250 (72) | Swan Lake | Falls Cr. | Ketchikan C-4 | 16 | 326 | 275 | 336 | 91 | 69 | 15 | 50 | 12.0 |
| 251 | Thorne | Thorne R. | Craig C-2 | 166 | 125 | 103 | 1,100 | 85 | 80 | 17 | 55 | 17.6 |
| 252 | Reynolds Creek | Reynolds Cr. | Craig A-2 | 7 | --- | --- | 54 | 99 | 54 | 11 | 55 | 19.7 |

Recent calculations indicate Farragut could be included of lower priced hydro.

Three power plants and lakes involved.

Power site numbers refer to map locations.

Numbers in parentheses refer to the published list and map of lower priced hydroelectric potentials 2500 kw continuous power and larger.

- 1/ The size and cost of the power plants for the inventory study was based on 55% plant factor. The list of the 76 lower priced sites assumes 50% plant factor with no significant change in cost. There are exceptions for the larger sites which were considered base load plants. Specific plant factors are noted.
- 2/ The index cost is a relative comparison cost of energy at the power plant bus bar. Substation and transmission costs are not included.
- 1/ An alternative development of the Ruby site to elevation 325 would inundate the Rampart dam site. Power production at Ruby would increase to 14.2 billion kwh annually and 3,250,000 kw.

FISCAL NOTE

No. 1

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Bill Version: SJR 40

(S) Publish Date: 3-11-92

Revision Date: March 10, 1992 Department Affected: Senate Transp. Comm

Title: Relating to Energy Transmission BRD: _____

and Surface Transp. in Southeast AK Component: _____

Sponsor: Sen. Lloyd Jones

Requestor: Sen. Curt Menard COMPONENT SERIAL NO.

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

| | | | | | | |
|--------------|---|---|---|---|---|---|
| REVENUE | | | | | | |
| FUND SOURCE: | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|---|---|---|---|---|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| FUND SOURCE: | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

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

Estimate of current year impact: _____

| | |
|---|--|
| <p>ANALYSIS: (Attach a separate page if necessary.)</p> | <p>Changes in <u>CSSJR 40 (RES)</u> have no fiscal impact. This fiscal note is appropriate.</p> <p style="text-align: right;"> <u>3-25-92</u> date _____ Comte Aide(initial) </p> |
|---|--|

Prepared By: Johanna Munson, Sen. Transp. Comm Phone: 465-2679

Division: _____ Date: 3/10/92

Approved by Chairman _____ Date: 3/10/92

Agency: _____

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SJR 40

Revision Date: _____ Department Affected: DCED

Title: Relating to energy transmission and surface transportation requirements for Southeast Alaska BRU: Alaska Energy Authority

Sponsor: Jones, Eliason, Duncan Component: Operations

Requestor: _____ COMPONENT SERIAL NO.

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|----------------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------|---|---|---|---|---|---|

| | | | | | | |
|-----------------------------|---|---|---|---|---|---|
| REVENUE FUND SOURCE: | 0 | 0 | 0 | 0 | 0 | 0 |
|-----------------------------|---|---|---|---|---|---|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|--------------------|---|---|---|---|---|---|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER FUND SOURCE: | | | | | | |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Charlie Bussell *Charlie Bussell* Phone: 561-7877

Division: Alaska Energy Authority Date: 2/5/92

Approved by Commissioner: Glenn A. Olds *Glenn A. Olds*

Agency: Department of Commerce and Economic Development Date: 2-6-92

*Commerce Zero
Fiscal Note*



CITY OF PETERSBURG

P.O. BOX 329 • PETERSBURG, ALASKA 99833

TELEPHONE (907) 772-4511

TELECOPIER (907) 772-3759

November 22, 1991

Senator Lloyd Jones
Alaska State Senate

352 Front St.
Ketchikan, Alaska 99901

Dear Senator Jones:

Enclosed please find a copy of Resolution No. 1270-R passed and approved by the City Council of the City of Petersburg at their regular meeting of November 13, 1991.

The resolution resolves:

1. That the City of Petersburg supports the continued federal power site designations at Cascade Creek and Scenery Creek in Thomas Bay and urges the Forest Service to maintain these designations.
2. That the City of Petersburg supports the utility corridors which the State of Alaska and related federal agencies have identified for southeast Alaska.
3. That the City of Petersburg strongly recommend that the Forest Service should not designate the Eagle River on the Cleveland Peninsula as a Wild & Scenic River in the Tongass Land Management Plan revision.

Sincerely,

Patricia Curtiss
City Clerk

Resolution No. 1270-R

A RESOLUTION RELATING TO FEDERAL LANDS AND ENERGY REQUIREMENTS OF PETERSBURG AND SOUTHEAST ALASKA.

Whereas, the community of Petersburg will need long term and reliable sources of energy for the future; and

Whereas, the communities of Petersburg and Wrangell have a proven commitment to developing long term energy production by the formation of the Thomas Bay Power Authority, a jointly operated electric utility which operates the State of Alaska Tye Lake Hydroelectric facility; and

Whereas, the communities of Petersburg and Wrangell had originally planned to build a power project at Thomas Bay but were advised by state and federal energy regulatory agencies that Tye Lake would better suit the energy requirements for that time period; and

Whereas, the interconnection of Tye and the Ketchikan power facilities seems likely to become a reality soon and with the connection to Juneau's Snettisham power facility appearing more plausible day by day, making the utilization of the Thomas Bay power sites more probable with the result being more reliable power for Petersburg and southeast Alaska; and

Whereas, contrary to the statements made in the Tongass Land Management Plan revision, the worth of the power site withdrawals at Thomas Bay is undiminished to Petersburg, Wrangell and now the balance of southeast Alaska; and

Whereas, an electrical intertie from the Swan Lake Hydroelectric facility near Ketchikan to the Tye Hydroelectric facility is currently in the preliminary design process; and

Whereas, the Eagle River Valley on the Cleveland Peninsula has been identified as the most desired route; and

Whereas, the U.S. Forest Service may recommend to include the Eagle River in the National Wild and Scenic River System as a Scenic River; and

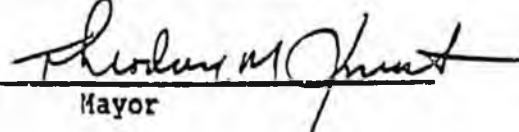
Whereas, historically there is a well founded concern that such a designation, if applied, would be too restrictive and would heighten the impression that the area is more valuable in its present state, adding mitigating factors which translate into increased costs for the overall transmission line between the

Tyee Hydroelectric Facility and Ketchikan by that potentially threatening the economic viability of the proposed electrical intertie.

Therefore, Be It Resolved by the City Council of the City of Petersburg, Alaska:

1. That the City of Petersburg supports the continued federal power site designations at Cascade Creek and Scenery Creek in Thomas Bay and urges the Forest Service to maintain these designations.
2. That the City of Petersburg supports the utility corridors which the State of Alaska and related federal agencies have identified for southeast Alaska.
3. That the City of Petersburg strongly recommend that the Forest Service should not designate the Eagle River on the Cleveland Peninsula as a Wild & Scenic River in the Tongass Land Management Plan revision.
4. That copies of this resolution be sent to the Honorable Dale Robertson, U.S. Dept. of Agriculture; Mike Barton, U.S. Forest Service, Tongass National Forest; Ted Stevens, U.S. Senate, Frank Murkowski, U.S. Senate; Don Young, U.S. Representative; Lloyd Jones, Alaska State Senate, Robin Taylor, Alaska House of Representatives; Cheri Davis, Alaska House of Representatives; and the communities of Wrangell, Ketchikan, Kake, Sitka and Juneau.

Passed and Approved by the City Council of the City of Petersburg, Alaska this 18 day of November 1991.



Mayor

ATTEST:



City Clerk

SOUTHEAST ALASKA ENERGY

A Regional Solution

For years, only the larger urban communities enjoyed the benefits of low-cost, low-pollution hydroelectric power. Small communities which investigated the feasibility of hydroelectric or transmission intertie projects for their areas found that electric rates would rise dramatically if the project were built. The problem was simple: small numbers of people having to pay for large projects. For instance, a transmission line from Kake to Petersburg would increase the rates in Kake by 50¢ per kWh. If the line was downgraded to serve only Kake, rates would increase by 15¢.

Meanwhile, the urban communities which enjoy hydroelectric power are now reaching the capacity limits of their hydros. Ketchikan is using all of Swan Lake, Sitka is nearing the capacity limits of Green and Blue Lake hydros, Juneau will exceed capacity from Snettisham when the AJ mine is brought on line, and Skagway already supplements its hydro with diesel. Wrangell and Petersburg have excess hydro energy at Tye Lake, but no one can use it. The irony is that these communities now face a larger version of the rural problem. That is, power project development exceeds their ability to pay or to finance the project.

The significant common factor is that each community is trying to find a solution only for itself. They are forced to look at projects which are inherently unfeasible because they are too small to benefit from economies of scale, or because they are too large for the community's size. None are looking at a project that could benefit the entire region. Such a solution is a regional transmission intertie. If all of the Southeast communities were connected, a number of positive benefits and opportunities result:

1. Individual communities would not have to pay the entire cost of any project by themselves. For instance, Kake would not have to pay for an expensive intertie to Petersburg. Rather, Kake would only pay for a fair portion of an intertie that serves Juneau, Sitka, Wrangell, Petersburg and Ketchikan, not to mention all of the smaller communities along the route of the intertie.
2. Communities would not be forced to look at projects in their area which may be too small or too large an increment of power than they need or can afford at that time. Rather, only the best project meeting the needs of the entire region would be considered. For instance, the Takatz Project, which is too large to meet Sitka's current need, may

be just the right size to meet the needs of the entire region. The project could then go forward--and it would enjoy the political and financial support of the entire region.

3. No longer would a parade of community leaders come to the Governor and the Legislature asking for funds to build projects in their communities. Rather, the community leaders in concert would lend their support to projects that would benefit the entire region. Because of economies of scale, the regional projects would have more long-term benefits than the sum of all of the individual projects.
4. I propose that the communities join with the Administration and the Legislature to promote this regional solution. It is a solution that can be applied across the State, providing benefits to all Alaskans.

A regional intertie system would start with a connection of Tyee Lake to Swan Lake. Excess power from Tyee would be immediately available to Ketchikan where it's needed. The next logical step would be an intertie from Petersburg to Snettisham, but from a regional solution perspective, the intertie would run through Kake to Sitka (at the Takatz site) then on to Green's Creek, finally joining the Juneau system at Douglas Island. The communities of Angoon Tenakee Springs and Hoonah could then easily be tied into the system. The line could then be extended to Haines, Skagway and finally to Yukon Energy at Carcross. In the south, Prince of Wales Island and Metlakatla would be connected.

The total load represented by the interconnected communities would be large enough to consider joining the continental grid, either at Prince Rupert or through the Misty Fjord Monument to Stewart, B.C., picking up the Quartz Hill mineral development. Power could be provided to mineral developments in B.C. at Johnny Mountain east of Wrangell, and to proposed mineral developments at Kensington/Jualin mines at Berners Bay and the Windy Craggy mine northwest of Haines in Canada.

The attraction of this regional solution is that each community contributes its fair share to the project and no more. No one community will be forced to develop and pay for small, unfeasible power projects. Only the best, most efficient projects with lowest unit costs need be developed. Each community would pay only for the portion of the energy used by that community. Everyone benefits.

Lonnie Anderson, Mayor
Kake, Alaska



State of Alaska
Walter J. Hickel, Governor

Alaska Energy Authority

A Public Corporation

March 24, 1992

The Honorable Lloyd Jones
Alaska State Senator
P.O. Box V
Juneau, Alaska 99811

Subject: Position Statement on CS for Senate Joint Resolution No. 40

Dear Senator Jones:

The Alaska Energy Authority strongly supports the subject resolution relating to identified hydroelectric sites and energy transmission and surface transportation requirements for Southeast Alaska. We support the development of energy and transportation infrastructure consistent with future economic growth and opportunity. As evidenced by previous projects of the Energy Authority in Southeast Alaska and elsewhere, such development can and will be accomplished in balance with environmental objectives. Additional Federal land use restrictions are unnecessary and counterproductive.

Enclosed for your information is a letter of comment provided last summer by the Authority to the U.S. Forest Service regarding our support for this position, and the reply to our letter of comment by the Forest Service. Please let me know if I can provide you with additional information.

Sincerely,

Charlie Bussell
Executive Director

Enclosures

March 7, 1992

Senator Lloyd Jones
State Capitol
Juneau, Alaska 99811-1182

Dear Senator Jones:

I am writing in support of Senate Joint Resolution 40 asking the Congress and the Forest Service to refrain from placing further unnecessary land use designations/restrictions in Southeast Alaska. This statement is necessary given the Forest Service's current revision of the Tongass Land Management Plan. These land restrictions hamper transportation and utility corridor planning and construction. Both the state and federal governments through these designations have placed needless, yet costly, bureaucratic hurdles on reasonable economic development.

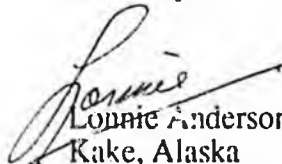
An example of the need for this resolution is my community of Kake located on Kupreanof Island, some 100 miles from Juneau. Kake has been anticipating for some time both an energy transmission line and road extending from near Petersburg to Kake. Kake lies some 60 air miles due west of Petersburg. The Forest Service has nearly completed a forest road between Kake and the east side of Kupreanof Island near Petersburg. Most the residents of Kake would like to have the opportunity to drive into Petersburg to use the medical and dental facilities both in emergency and non-emergency situations. Another benefit would be more commerce and less costly access for Kake's residents.

This past fall the Forest Service had made a preliminary decision to build the final link between the two road segments. The village of Kupreanof located on the east side of Kupreanof Island near Petersburg objected because they have chosen to be a roadless community. An outside group American Rivers also objected because they wanted the upper portion of the Duncan-Saltchuck River designated a Wild River under the Wild and Scenic River System. This river may be recommendation by the Forest Service for inclusion in the Wild and Scenic River System. The road was nearly built, except for these objections. Because of these small group's objections the Forest Service abandoned the project for now.

The people of my community want this road with a power line to help the local economy. The federal government is hampering our economic development efforts. This resolution is needed to tell the Congress and the Forest Service to let us get on with becoming economically self-sufficient.

I urge passage of this resolution. Thank you for your consideration of my testimony.

Sincerely,


Lonnie Anderson, Mayor
Kake, Alaska

Testimony of Robert Martin, Jr., General Manager of Tlingit Haida REA:
May 7, 1992
Senate Joint Resolution No. 40

Energy and Transmission Corridors within the Tongass National Forest.

1. General Manager of Tlingit-Haida REA
2. Serves five SE villages directly, a sixth on contract, and working to build a new system in a community which does not have central electricity.
3. Like many rural utilities, we are dependent on PCE.
4. Unlike many, we are working extremely hard to prepare for the day PCE is gone. Our success is reflected in continuous rate decreases since PCE--from 41¢ / kwh in 1981 to 29¢ / kwh today.
5. Rate decreases means the State pays less PCE to us than it would have.
6. When faced with an emergency, it is always best to turn to the tried and proven solutions. We have seen only two solutions with consistently good results:
 - a. Consolidation of utilities to gain administrative, financial and technical economies of scale. THREA, AVEC, AP&T are successful consolidated utilities.
 - b. Regional interties which would connect community load centers with the most efficient and cost-effective sources of power. Connection of Craig to Klawock allowed rates to decrease in both communities.
7. Interties have benefits beyond connection to a source of power.:
 - a. Peak loads are not additive. The combined load peak is not the sum of the individual peaks. This means less generation is needed.
 - b. Standby capability can be reduced because standby generation in one community can be standby generation for both. Again, less generation capability is needed.
 - c. More efficient generation equipment can be acquired, because the larger generating units tend to be more efficient.

- d. Small hydro and other generation units tend to be fairly expensive per unit of power. Generally, the larger the project, the lower the per unit cost. Combining load centers with interties allows consideration of larger, less costly projects. Tyee Lake was made possible by the connection of Wrangell and Petersburg.
- e. Connection of load centers allows consideration of projects far beyond the confines of the immediate area surrounding the community. (cite examples of Lake Dorothy-Juneau: expensive. Takatz Lake-Sitka: too large. But if intertied to Sitka and Tyee, next project would be Takatz--or Thomas Bay. Dorothy would never be considered.
- f. Many active fuel-storage tank farms can be eliminated. This eliminates many potential sources of spills, because every active tank farm presents a potential for fuel spill.

8. Interties (and Regionalization) allow delivery of low-cost energy to all of the areas within the transmission route. Sitka-Petersburg includes Kake. Sitka Juneau includes Angoon, Tenakee, Hoonah, Greens Creek and West Douglas.

If rural areas are to survive, they need jobs. If jobs are to be created, they need industry. If industry is to be developed in rural areas, industry needs low cost power.

For instance, interties would allow development of fish processing facilities closer to the fishermen. Quality and value would be enhanced, and both the fishermen and the processors would benefit.

9. The routes for transmission and for transportation within the Tongass are well-known. Transmission lines are relatively unobtrusive, and even brand-new aluminum wires become less visible with only a few months of weathering. The Snettisham line, the Tyee line and the Swan Lake line are all good examples.

10. I strongly urge passage of this important resolution, because it will preserve the option to create permanent solutions to the energy and transportation problems in Southeast Alaska.

March 7, 1992

Senator Lloyd Jones
State Capitol
Juneau, Alaska 99811-1182

Dear Senator Jones:

I am writing in support of Senate Joint Resolution 40 asking the Congress and the Forest Service to refrain from placing further unnecessary land use designations/restrictions in Southeast Alaska. This statement is necessary given the Forest Service's current revision of the Tongass Land Management Plan. These land restrictions hamper transportation and utility corridor planning and construction. Both the state and federal governments through these designations have placed needless, yet costly, bureaucratic hurdles on reasonable economic development.

An example of the need for this resolution is my community of Kake located on Kupreanof Island, some 100 miles from Juneau. Kake has been anticipating for some time both an energy transmission line and road extending from near Petersburg to Kake. Kake lies some 60 air miles due west of Petersburg. The Forest Service has nearly completed a forest road between Kake and the east side of Kupreanof Island near Petersburg. Most the residents of Kake would like to have the opportunity to drive into Petersburg to use the medical and dental facilities both in emergency and non-emergency situations. Another benefit would be more commerce and less costly access for Kake's residents.

This past fall the Forest Service had made a preliminary decision to build the final link between the two road segments. The village of Kupreanof located on the east side of Kupreanof Island near Petersburg objected because they have chosen to be a roadless community. An outside group American Rivers also objected because they wanted the upper portion of the Duncan-Saltchuck River designated a Wild River under the Wild and Scenic River System. This river may be recommendation by the Forest Service for inclusion in the Wild and Scenic River System. The road was nearly built, except for these objections. Because of these small group's objections the Forest Service abandoned the project for now.

The people of my community want this road with a power line to help the local economy. The federal government is hampering our economic development efforts. This resolution is needed to tell the Congress and the Forest Service to let us get on with becoming economically self-sufficient.

I urge passage of this resolution. Thank you for your consideration of my testimony.

Sincerely,

Lonnie Anderson, Mayor
Kake, Alaska

1

4

Jan 24, 1992 KTN Daily News

Editorial

Future planning

We support Ketchikan Sen. Lloyd Jones' proposal to the Alaska Legislature to identify utility and transportation corridors on federal and state land.

While corridors won't be used immediately, it is clear that a route connecting Southeast Alaska to a possible power grid with British Columbia likely will be needed. Commissioner Glenn A. Olds, Department of Commerce and Economic Development, said late in 1991 that it might be possible in the future to beam power from point to point without using transmission lines. We hope that develops soon, but in the event it doesn't we should have a corridor designated for power lines.

Also, there is interest in building a road off Revillagigedo Island to the mainland. The road would link into British Columbia's extensive highway system. It would provide a land option for vacationers to leave Revilla and for goods to be transported.

The Tongass Land Management Plan has some of the area that could be used for either type of corridor placed in designations that limit or prevent development. Those designations should be changed to accommodate the corridors. A road can be built in the most environmentally sound manner possible. With time, technology will improve and we might have techniques that would have less impact. Possibly laser cutters?

If federal and state governments designate land use without considering those two needs, we could run into roadblocks on expanding our power and transportation systems.

Electrical and transportation options are good long-term planning, something we need more of in Southeast, to accommodate a likely future need.

It never hurts to plan.

From other editors

Need rational dialogue

It's a cloudy situation in Algeria. We hope this calm reaction would continue, but we fear the possible civil war.

A logical dialogue must be initiated among both leaders as both

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*Department of Transportation
and Public Facilities*

POSITION PAPER

BILL NO: SJR 40

APPROVED: *[Signature]*

TITLE: Energy Trans and Surface trans. in SE Alaska

DATE: 2-10-92

DOT&PF supports SJR 40. The resolution states the US Congress and the US Forest Service NOT place further land use designation restrictions on the potential utility corridors or the surface transportation corridors in Southeast Alaska. The resolution is aimed specifically at the current US Forest Service Tongass Land Use Management Plan (TLMP) planning effort, and at congressional actions in general.

The department has worked very successfully with the US forest Service planning team manager to see that all potential corridors for roads in southeast Alaska have been included in the TLMP EIS currently in process. Those corridors are reflected in the Supplemental EIS that is now out for review. The department has also worked with the Governor's Office, Division of Governmental Coordination (DGC) to see that transportation concerns including the corridor reservations are incorporated into the state's official response to the EIS.

This resolution is in support of those actions. It reinforces the determination of the State of Alaska that the evolution of a surface transportation system in southeast not be impeded by restrictive land use designations by US Forest Service planning efforts.

The department will continue to work with the Forest Service and DGC to see that the importance of corridor identification and preservation is recognized. DOT&PF will be participating in the Governor's Task Force on TLMP, which has as one of its major policy issues the preservation of regional transportation and utility corridors.

For Further Information contact Katy McHugh at 465-3900.

WJH:PC

State of Alaska
Waller J. Hickel, Governor



Alaska Energy Authority

A Public Corporation

July 3, 1991

Mr. Steve Brink
Forest Plan Revision Team Leader
Tongass Land Management Planning Team
8505 Old Dairy Road
Juneau, Alaska 99801

Subject: Tongass Land Use Management Plan

Dear Mr. Brink:

The Alaska Energy Authority (formerly the Alaska Power Authority) has previously submitted to the U.S. Forest Service extensive documentation on potential electric transmission line routes and hydroelectric sites within the Tongass National Forest. Copies of past correspondence related to this issue are enclosed with this letter.

My staff informs me that this information has been entered into the computerized data base maintained by the Forest Service, and that your agency is aware of the State's desire to reserve these proposed intertie corridors and hydroelectric sites from restrictive land use designations that would inhibit their future development.

As you are preparing to issue the Supplemental Draft Tongass Land Use Management Plan this fall, I want to reiterate and emphasize our concern that the Land Management Plan recognize these corridors and sites such that their future development is allowed. While all of these routes and locations represent potential developments over the long run, the project that now appears to have the best chance for becoming a reality in the near term is the proposed intertie between the Tyee Lake and Swan Lake hydroelectric projects. Reserving the Tyee-Swan corridor to allow this development therefore represents a high priority.

I appreciate the past efforts of the Forest Service to solicit and accommodate State concerns with management of the Tongass. The Alaska Energy Authority looks forward to receipt of the Supplemental Draft Management Plan, and will provide our comments on the document at that time.

Sincerely,

Charlie Bussell
Executive Director

TJA:CB:tlj

☐ PO Box AM Juneau, Alaska 99811 (907) 465-3575
✳ PO Box 190869 701 East Tudor Road Anchorage, Alaska 99519-0869 (907) 561-7877

TJ1092(1)

United States
Department of
Agriculture

Forest
Service

Alaska Region

P.O. Box 21628
Juneau, AK 99802-1628

Reply to: 1920-2 (B)

Date: July 18, 1991

Mr. Charlie Bussell
Executive Director
Alaska Energy Authority
P.O. Box 198069
Anchorage, AK 99519-0869

RECEIVED

JUL 22 1991

ALASKA ENERGY AUTHORITY

Dear Mr. Bussell:

I appreciate your July 3, 1991 letter and enclosure of past correspondence.

As you noted, we have electronically stored State of Alaska power transmission intertie corridors into our Geographic Information System. We've worked closely with local Juneau ADOTPF officials and contacted local Alaska Energy Authority officials to try to obtain most recent information.

The State of Alaska transportation and power transmission corridors will be shown on a map in the Tongass Plan Revision Supplement map packet, which is scheduled to be available for public review about the end of August, 1991.

We have developed a land use designation specifically for future transportation and utility corridors for the TLMP Supplement. Three of the five alternatives apply the special land use designation to all of the proposed corridors. Keep in mind that even in the two alternatives that do not apply the special designation, no land use designation precludes a State transportation or utility development.

The public comment period will run for the months of September, October and November. We look forward to any comments you may have, particularly if we've made errors in depicting corridors on the map, so they can be incorporated into development of the Final Environmental Impact Statement next year.

I have enclosed a copy of the current Tongass Plan map, as amended by the November, 1990 Tongass Timber Reform Act, which provides the land allocation direction until the Tongass Revision is complete.

Steven A Brink

STEVEN A. BRINK
Tongass Plan Revision Team Leader

Enclosure

ONG: Tom A
cc: Dick Em w/o map
Stan w/o map

SOUTHEAST ALASKA CORRIDOR PLANNING

SCOPE

- * Identify potential opportunities for coordinating planning efforts and sharing of resources to achieve actual improvements.
- * Assign agency priorities in terms of general time frames in which significant activity is expected to occur.

MATRIX DEFINITIONS

Transportation - Extensions of Regional or Sub-regional surface transportation links.

Utility - Transmission of power and/or other utilities, including pipelines.

Timber - Development and harvest of timber resources.

Mining - Exploration, extraction, processing, and transportation of mineral resources.

Lands - Access to lands for community expansion, or for development of new recreational opportunities.

Time Codes -

- O = Existing
- A = less than 5 years
- B = 5 to 20 years
- C = more than 20 years
- X = Unknown

S.E. ALASKA CORRIDOR PLANNING

| CORRIDOR SEGMENT | MAP REF. | ACTIVITY | | | | |
|---|----------|----------|---------|--------|--------|-------|
| | | TRANSP. | UTILITY | TIMBER | MINING | LANDS |
| Metlakatla to Ketchikan | 01 | C | A | | | |
| Ketchikan to Kasaan | 02 | O | B | | | |
| Kasaan to Thorne Bay | 03 | B | B | B | | B |
| Hollis to Thorne Bay via Karta Bay | 04 | C | C | | | B |
| P.O.W. Island - Control Lake to Pt. Baker | 05 | B | C | O | | B |
| Craig to Klawock to Hydaburg to Hollis | 06 | O | O/B | O | | O |
| Klawock to Thorne Bay | 07 | O | B | O | | O |
| Revilla Island - Ketchikan to Carroll Inlet | 08 | B | O | B | | B |
| Carroll Inlet to Portland Canal | 09 | | C | | C | |
| Carroll Inlet to Cow Creek | 10 | B | A | B | | |
| Cow Creek to Tyee Lake | 11 | C | A | | | |
| Ketchikan to Cleveland Peninsula | 12 | | C | | | |
| Cleveland Peninsula to Thorne Bay | 13 | | C | | | |
| Cleveland Peninsula to Tyee Lake | 14 | | C | | | |
| Bradfield River Route to Border | 15 | B | A | | O | |
| Tyee Lake to Wrangell | 16 | C | O | | | C |
| Wrangell to Tolstoi Bay | 16A | C | | | | |
| Wrangell to Petersburg | 17 | C | O | | | B |
| Aaron Creek Route to Border | 18 | C | X | | | |
| Stikine River Route to Border | 19 | C | X | | | |
| Kake to Petersburg | 20 | B | B | B | | |
| West Petersburg to Petersburg | 20A | B | | | | |
| Kake to Snettisham | 21 | | B | | | |
| Kake to Baranof Warm Springs | 22 | | C | | | B |
| Baranof Warm Springs to Sitka | 23 | C | C | | | |
| Sitka to Rodman Creek | 24 | C | B | | | C |
| Rodman Creek to Rodman Bay | 25 | C | B | | | |
| Rodman Creek to Sitkoh Bay | 26 | | B | | | |
| Sitkoh Bay to Angoon | 27 | | C | | | |
| Sitkoh Bay to Hoonah | 28 | | B | | | |
| Hoonah to Young Bay | 29 | | B | | | C |
| Juneau to North Douglas Middle Point | 30 | B | A | | | C |
| N. Douglas Middle Point to Greens Creek | 31 | | A | | O | |
| Juneau to Border via Taku River Route | 32 | C | X | | | C |
| Juneau to Snettisham | 33 | | O | | C | |
| Juneau to Echo Cove | 34 | O | C | B | | B |
| Echo Cove to Berners Bay | 35 | B | C | B | B | |

S.E. ALASKA CORRIDOR PLANNING

| CORRIDOR SEGMENT | MAP REF. | ACTIVITY | | | | |
|-------------------------------------|----------|----------|---------|--------|--------|-------|
| | | TRANSP. | UTILITY | TIMBER | MINING | LANDS |
| Berners Bay to Skagway | 36 | C | C | | | |
| Skagway to Whitehorse | 37 | O | C | | | |
| Berners Bay to William Henry Bay | 38 | C | X | | | C |
| William Henry Bay to Haines | 39 | C | X | | | |
| Haines to Skagway | 40 | C | C | | | C |
| Haines to Border via Haines Highway | 41 | O | C | | | C |
| Yakutat to Border via Alsek River | 42 | C | X | C | C | |

*** MAP REFERENCE AND CORRIDOR SEGMENT**

*** ROUTE DESCRIPTION**

*** MAJOR ACTIVITIES**

*** INVOLVED AGENCIES**

01 METLAKATLA TO KETCHIKAN

From end of the existing road system at Metlakatla northwesterly to the north end of Annette Island, across Revilla Channel to the road system on Revilla Island.

Road and ferry transportation between communities.
Electric power transmission.
Community expansion.

DOT/PF, APA, BIA

02 KETCHIKAN TO KASAAN

From Ketchikan to Kasaan via Clarence Strait and Kasaan Bay.

Ferry service between communities.
Electric power transmission.

APA, DOT/PF

03 KASAAN TO THORNE BAY

From Kasaan northerly to Tolstoi Bay and Thorne Bay via upgraded logging roads.

Transportation between communities.
Electric power transmission.
Timber harvest.
State Lands.

BIA, SEALASKA, APA, DNR, USFS

04 HOLLIS TO THORNE BAY

From Hollis, along the east shore of Kasaan Bay via Karta Bay and Tolstoi Bay to Thorne Bay.

Transportation between communities.

Timber harvest.

Recreation opportunities.

State Lands

DOT/PF, DNR, USFS

05 CONTROL LAKE TO POINT BAKER

From existing State Highway at Control Lake to north end of Prince of Wales Island near Point Baker, via upgraded logging roads.

Transportation between communities.

Timber harvest.

Recreational opportunities.

State selected lands.

USFS, DOT/PF, DNR

06 CRAIG TO KLA WOCK TO HYDABURG TO HOLLIS

Existing State Highway system.

Transportation between communities.

Timber harvest.

Recreational opportunities.

State lands & State selected lands.

DOT/PF, USFS, DNR

07 KLAWOCK TO THORNE BAY

From the Hollis Highway near Klawock to Thorne Bay via the existing State Highway system.

Transportation between communities.

Timber harvest.

Recreational opportunities.

State Lands.

USFS, DOT/PF, DNR

03 KETCHIKAN TO CARROLL INLET

From Ketchikan, via Harriet Hunt Lake Road to head of Carroll Inlet.

Transportation between communities.

Electric power transmission.

Recreational opportunities.

Timber harvest.

Community expansion.

State lands & State selected lands.

USFS, APA, DOT/PF, DNR

09 CARROLL INLET TO PORTLAND CANAL

From head of Carroll Inlet (Corridor segment 08) to Quartz Hill mine site, then easterly to Canadian border at Portland Canal (with an extension to Kitsault, B. C.).

Electric power transmission.

Mining.

APA

10 CARROLL INLET TO COW CREEK

From head of Carroll Inlet (Corridor segment 08) to north end of Revilla Island at Cow Creek.

Transportation between communities.

Electric power transmission.

Timber harvest.

Recreational opportunities.

USFS, APA, DOT/PF

11 COW CREEK TO TYEE LAKE

From Cow Creek via Anchor Pass and Eagle River to Tyee Lake power plant.

Transportation between communities.

Electric power transmission.

DOT/PF, AF/A

12 KETCHIKAN TO CLEVELAND PENINSULA

From Ketchikan, northerly across Behm Canal to Cleveland Peninsula near Helm Bay.

Electric power transmission.

APA

13 CLEVELAND PENINSULA TO THORNE BAY

From Cleveland Peninsula (Corridor segment 12) westerly across Clarence Strait to Thorne Bay.

Electric power transmission.

APA

14 CLEVELAND PENINSULA TO TYEE LAKE

From Cleveland Peninsula (Corridor segment 12) easterly to Tyee Lake power plant.

Electric power transmission.

APA

15 BRADFIELD RIVER ROUTE TO BORDER

From head of Bradfield Canal (Tyee Lake) to Canadian Border via Bradfield River (with an extension to Cassiar Highway).

Transportation connection with continental road system.

Electric power transmission.

Mining.

APA, DOT/PF

16 TYEE LAKE TO WRANGELL

From Tyee Lake power plant via Blake Island and Thoms Lake to Wrangell.

Transportation between communities.

Electric power transmission.

State lands.

APA, DOT/PF, DNR, USFS

16A WRANGELL TO TOLSTOI BAY

From Wrangell to Tolstoi Bay via Alaska Marine Highway.

Transportation between communities.

DOT/PF

17 WRANGELL TO PETERSBURG

From Wrangell via Dry Strait and Wrangell Narrows to Petersburg.

Transportation between communities.

Electric power transmission.

Community expansion.

Recreational opportunities.

Timber harvest.

State lands.

DOT/PF, APA, DNR, USFS

18 AARON CREEK ROUTE TO BORDER

From the Wrangell/Petersburg route (Corridor segment 17) via Aaron Creek and West Fork Katete River to Canadian border (with an extension to Cassiar Highway).

Transportation connection with continental road system.

Recreational opportunities.

DOT/PF

19 STIKINE RIVER ROUTE TO BORDER

From Wrangell/Petersburg route (Corridor segment 17) via Stikine River to Canadian border (with an extension to Cassiar Highway).

Transportation connection with continental road system.

Recreational opportunities.

DOT/PF

20 KAKE TO PETERSBURG

From Kake to Petersburg.

Transportation between communities.

Electric power transmission.

Timber harvest.

Recreational opportunities.

APA, DOT/PF, USFS

20A WEST PETERSBURG TO PETERSBURG

From West Petersburg to Petersburg via ferry.

Transportation between communities.

DOT/PF

21 KAKE TO SNETTISHAM

From Kake via Stephens Passage to power plant at Snettisham.

Electric power transmission.

APA

22 KAKE TO BARANOF WARM SPRINGS

From Kake via Frederick Sound and Chatham Strait to Baranof Warm Springs.

Electric power transmission.
State selected lands.

APA, DNR

23 BARANOF WARM SPRINGS TO SITKA

From Baranof Warm Springs to Sitka via Blue Lake.

Electric power transmission.
Transportation between communities.
Recreational opportunities.
Timber harvest.

APA, DOT/PF, USFS

24 SITKA TO RODMAN CREEK

From Sitka to head of Rodman Creek.

Electric power transmission.
Transportation between communities.
Potential State land selection.

APA, DOT/PF, DNR, USFS

25 RODMAN CREEK TO RODMAN BAY

From head of Rodman Creek (Corridor segment 24) to Rodman Bay.

Transportation between communities.

DOT/PF, USFS

26 RODMAN CREEK TO SITKOH BAY

From head of Rodman Creek (Corridor segment 24) across Peril Strait to Sitkoh Bay.

Electric power transmission.

APA

27 SITKOH BAY TO ANGOON

From Sitkoh Bay (Corridor segment 26), across Chatham Strait to Angoon.

Electric power transmission.

APA

28 SITKOH BAY TO HOONAH

From Sitkoh Bay (Corridor segment 26) to Tenakee Springs and to Hoonah.

Electric power transmission.

APA

29 HOONAH TO YOUNG BAY

From Hoonah via Icy Strait, across Chatham Strait, to Young Bay.

Electric power transmission.
Potential State land selection.

APA, DNR

30 JUNEAU TO NORTH DOUGLAS MIDDLE POINT

From Juneau, via existing State highway to Outer Point, then along west shore of Douglas Island to Middle Point.

Community expansion.
Recreational opportunities.
State lands.

DOT/PF, SEALASKA, GOLDBELT, DNR

31 MIDDLE POINT TO GREENS CREEK

From Middle Point, across Stephens Passage, to Greens Creek.

Electric Power transmission.
Mining.

APA

32 JUNEAU TO BORDER VIA TAKU RIVER

From Juneau to Canadian Border via Taku River route (with an extension to Alaska Highway via Atlin).

Transportation connection with continental road system.
Recreational opportunities.
Timber harvest.
State lands.

DOT/PF, DNR, USFS

33 JUNEAU TO SNETTISHAM

From Juneau to Snettisham power plant.

Electric power transmission.

APA

34 JUNEAU TO ECHO COVE

From Juneau north to Echo Cove via existing State highway system.

Transportation between communities.

Electric power transmission.

Timber harvest.

Community expansion.

Recreational opportunities.

State lands.

DOT/PF, APA, USFS, GOLDBELT, DNR

35 ECHO COVE TO BERNERS BAY

From Echo Cove (Corridor segment 34) north to Berners Bay.

Transportation between communities.

Electric power transmission.

Timber harvest.

Community expansion.

Recreational opportunities.

Mining.

DOT/PF, APA, USFS,

36 BERNERS BAY TO SKAGWAY

From Berners Bay, along the east side of Lynn Canal, to Skagway.

Transportation between communities.

Electric power transmission.

DOT/PF, APA

37 SKAGWAY TO WHITEHORSE

From Skagway to Canadian border via existing State highway (with an extension to Whitehorse).

Transportation connection with continental road system.
Electric power transmission.

DOT/PF, APA

38 BERNERS BAY TO WILLIAM HENRY BAY

From Berners Bay (Corridor segment 35) across Lynn Canal.

Transportation between communities (ferry route).
State selected lands.

DOT/PF, DNR

39 WILLIAM HENRY BAY TO HAINES

From William Henry Bay, along west side of Lynn Canal, to Haines.

Transportation between communities.

DOT/PF, USFS

40 HAINES TO SKAGWAY

From Haines to Skagway via new highway system.

Transportation between communities.
Electric power transmission.

DOT/PF

41 HAINES TO BORDER

From Haines to Canadian border via existing State highway system (with an extension to Alaska Highway).

Transportation connection with continental road system.

Electric power transmission.

Petroleum pipeline.

State lands.

DOT/PF, DNR

42 YAKUTAT TO BORDER

From Yakutat to Canadian border via Alsek River route (with an extension to Alaska Highway via Tatshenshini River).

Transportation connection with continental road system.

Timber harvest.

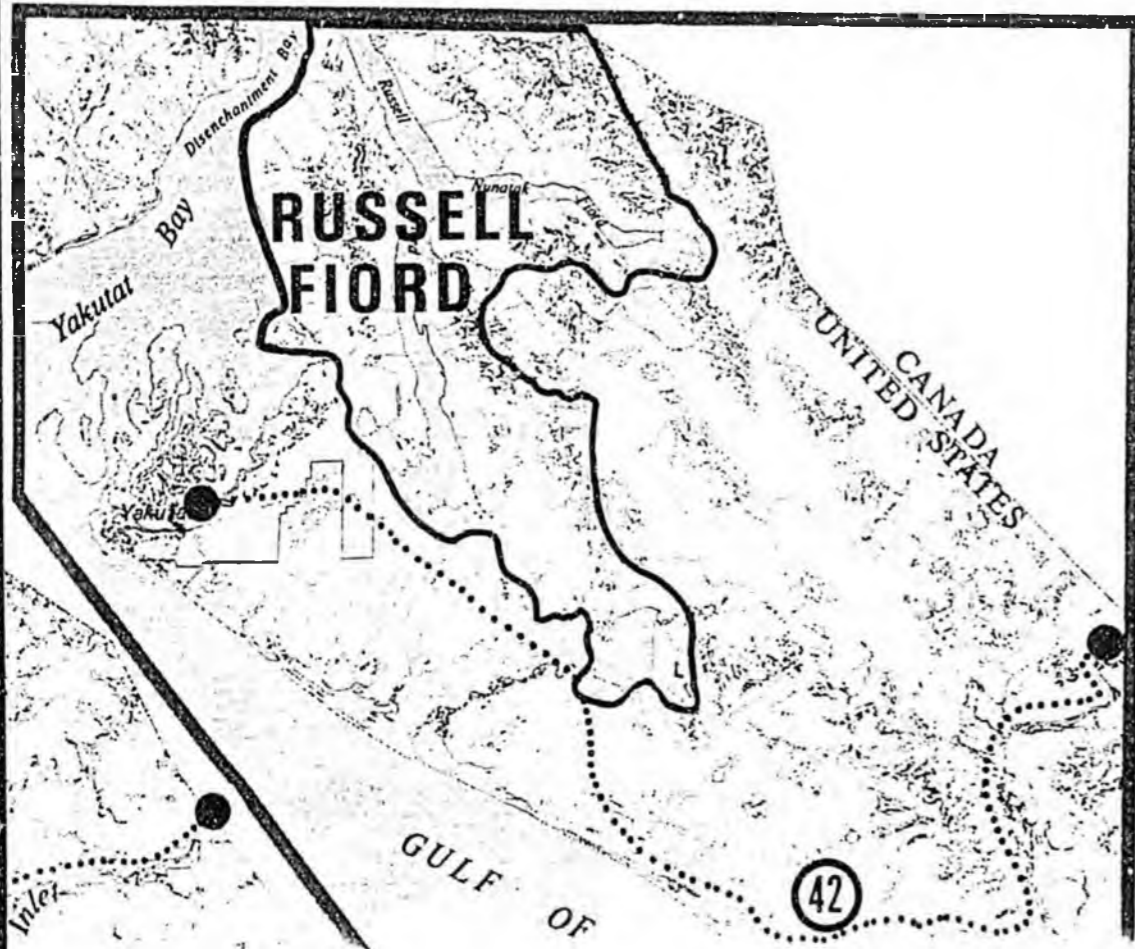
Mining.

USFS, DOT/PF

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

REGIONAL MAP

SOUTHEAST ALASKA CORRIDOR PLANNING



SJR

45

S. JATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 2/5/92

FURTHER:

Date of 5-Day Notice: Feb 20, 1992
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: Feb 26, 1992

Resources Committee considered SJR 45

Urging the use of canned pink salmon in the "Public Law 480 - Food for Peace" program.

and recommends:

replace with _____ CS _____ (_____)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

same title
 new title
 technical
title change
(HB only)

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes Resources 2/26/92

fiscal notes _____

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:

zero fiscal notes _____

fiscal notes _____

DO PASS:

[Handwritten signatures]

OTHER RECOMMENDATIONS:

[Handwritten signature: Lloyd Jones]
Chair: Signature and Recommendation

FISCAL NOTE

**STATE OF ALASKA
1992 LEGISLATIVE SESSION**

BILL NO. SJR 45

Revision Date: _____ Department Affected: _____
 Title: Urging the use of canned pink BRU: _____
salmon in the "Public Law 480-Food for Component: _____
Peace" program
 Sponsor: Senator Kertulla
 Requestor: Senate Resources COMPONENT SERIAL NO.

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |

| | | | | | | |
|----------------|-----|-----|-----|-----|-----|-----|
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
|----------------|-----|-----|-----|-----|-----|-----|

| | | | | | | |
|---------------------------------|-----|-----|-----|-----|-----|-----|
| REVENUE FUND SOURCE: | -0- | -0- | -0- | -0- | -0- | -0- |
|---------------------------------|-----|-----|-----|-----|-----|-----|

FUNDING: (Thousands of Dollars)

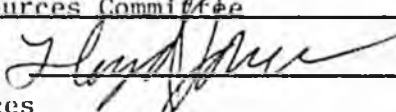
| | | | | | | |
|-----------------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER FUND SOURCE: | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

POSITIONS:

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

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Senator Lloyd Jones, Chairman Phone: 465-3743
 Division: Senate Resources Committee Date: February 26, 1992
 Approved by Commissioner:  _____
 Agency: Senate Resources Date: February 26, 1992

Alaska State Legislature

Sen. Jay Kerttula, Co-Chairman

Sen. Pat Pourchot, Co-Chairman

Sen. Al Adams

Sen. Jim Duncan

Sen. Lyman F. Hoffman

Sen. Dick Shultz

Sen. Rick Uehling

Senate Finance Committee

State Capitol
Juneau, AK 99801-1182

(907) 465-1200
(907) 463-3066 Fax

Box 1009
Palmer, AK 99645
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SPONSOR STATEMENT

SJR 45

by

Senator Jay Kerttula

SJR 45 attempts to alleviate some of the problems which are being experienced within the pink salmon industry due to a severe drop in prices, at least partially caused by a surplus inventory of canned pink salmon.

By this resolution, the Alaska Legislature is urging the Department of Agriculture to place canned pink salmon on the 1992 "Food for Peace" docket; this is essentially a list of the commodities which are available to countries under our foreign food aid programs.

Public Law 480 governs the foreign food aid programs of the Agricultural Trade Development Assistance Act of 1954. The programs are administered jointly by the Agency for International Development (AID) and the U. S. Department of Agriculture (USDA). This program provides humanitarian assistance and market development activities for U.S. agricultural products overseas.

The prices for each commodity are set through an open bid process.

Title I of PL 480 (Sales Program) is a long-term concessional loan program for countries where the annual per capita income is above \$600. Loan terms are for 20-30 years. Each country looks at the commodities that are available and the prices which are being quoted and then decides if they wish to purchase the commodity. The country purchases directly from the seller.

Title II (Foreign Donations) provides for foreign donations through private, nonprofit organizations. The organizations request an available

commodity and the Department of Agriculture purchases the commodity at commercial prices.

Title III of PL 480 (Food for Development) is a grant program for the neediest countries who cannot afford any long-term loans. The Department of Agriculture issues an invitation to bid on commodities which have been approved and USDA then pays the supplier directly. Each country decides which commodities they wish to purchase and how much of their allocation they wish to utilize.

Now that the Department of Commerce has declared canned pink salmon a surplus commodity, the next "step" is for the U.S. Department of Agriculture to place the commodity on its docket so it is available for the various programs under PL 480.

IB90064

08-14-9

Foreign Food Aid

Background. Section 416 of the Agricultural Act of 1949 and P.L. 480, Food for Peace, are the two primary U.S. foreign food aid programs. Both foreign food aid programs conduct humanitarian assistance and market development activities for U.S. agricultural products overseas. P.L. 480 is the larger, providing about 5 million metric tons of farm commodities overseas each year for long-term concessional credit sales (Title I) and foreign donations (Title II). Section 416 is a much smaller program, authorizing USDA to donate CCC-owned commodities, as needed and as available, to fill short-term food deficits in foreign countries. In contrast to P.L. 480, about 1 to 2 million metric tons of surplus commodities are shipped annually under Section 416. (See CRS Issue Brief 90035 for more detail on foreign food aid programs.)

Prior to the 1990 act, both USDA and the Agency for International Development (AID) jointly administered all foreign food aid programs; USDA was the lead agency in administering P.L. 480, Title I and Section 416, and AID was the lead agency in administering P.L. 480, Title II.

Both P.L. 480 and Section 416 were amended by the 1985 farm act. P.L. 480 was reauthorized through Dec. 31, 1990. Congress included a number of amendments in 1985 to move more commodities abroad; a reinstatement of the sales for local currency program (long-term Title I loans for currencies that are inconvertible to dollars), the Food for Progress Program (multiyear food programming using Title I of P.L. 480 and Section 416), and monetization (sales of donated commodities within the country to help fund distribution costs) are a few examples. Section 416 was amended to include all CCC-held surplus commodities, not just wheat and dairy products, as was formerly the case.

The Food Security Wheat Reserve (FSWR), a 4 million metric ton reserve of Government-owned wheat, was established by Congress in 1980 at the time of the U.S. grain embargo to the USSR. It was designed to remove the amount of wheat that would have been purchased by the USSR, to offset any negative impact the surplus wheat might have on the domestic market, and to be available when urgent world food needs cannot be met through production or normal P.L. 480 commodity programming.

Funding. Funding authority for Title I is within the CCC budget. Annual funding authority for P.L. 480 Title II was increased from \$1 billion to \$1.2 in the Food Security Act of 1985. The FY1990 appropriations act sets total P.L. 480 programming levels at more than \$1.522 billion. The FY1991 appropriations law (P.L. 101-506) sets total P.L. 480 funding at \$1.576 billion.

1990 Changes. The 1990 Act extends the P.L. 480 program, Food For Progress, and the authority to replenish the Food Security Wheat Reserve through FY1995. It also directs new funds and commodities to "emerging democracies" such as the countries of Eastern Europe.

The new law makes a number of significant changes in the P.L. 480 program, with the intention of streamlining it and increasing its effectiveness in delivering food grants and developing future markets. One fundamental change in P.L. 480 under the Act is that it assigns USDA primary responsibility for the long-term concessional sales program in Title I, while assigning the Agency for International Development (AID)

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primary responsibility for food grant activities under Titles II and III. Prior to this act, an interagency committee maintained the responsibility for all foreign food aid activities under P.L. 480; no single agency had final authority.

Under the 1990 Act, Title I continues to provide for sale of U.S. agricultural commodities using long-term concessional credit. The 1990 act allows for repayment to be in dollars or local currencies. The Title also specifies various eligible uses for the acquired local currencies under this Title.

Title II continues as the primary foreign food donation component of P.L. 480. As before, this Title distinguishes between emergency and nonemergency assistance, with minimum annual tonnages specified through 1995. The act provides authority for maximum funding of \$1 billion for Title II activities. However, the President can waive this limit if urgent humanitarian needs require greater funding. A Food Aid Consultative Group is established under this Title; it will meet regularly, and is to terminate Dec. 31, 1995. The Group will include representatives from AID, USDA, private voluntary organizations (PVOs), and African, Asian, and Latin American nongovernmental organizations.

A new provision in Title II requires that between \$10 million and \$13.5 million be made available to assist PVOs and cooperatives in administering the program and distributing the food.

Title III, Food for Development, is a government-to-government bilateral grant program. Donated food to least developed countries may be used for direct feeding programs, for developing emergency food reserves, or may be sold in the recipient country for local currency. The local currency then is to be used for specific economic development activities as agreed to by the AID Administrator and the recipient country government.

Title IV contains administrative and technical requirements, including definitions and consultation requirements. It cites ineligible commodities -- tobacco and alcoholic beverages (restricting tobacco only under Title II) -- and provides for multi-year commodity agreements under P.L. 480.

Title V, the Farmer-to-Farmer program, provides a minimum of 0.2% of total P.L. 480 funds annually from FY1991-95 to assist farmers and agribusiness operations in developing countries by transferring knowledge of farming technologies and methods from U.S. farmers, agriculturalists, land grant universities, private agribusinesses and nonprofit farm organizations to farm and agribusiness operations in developing countries, middle income countries, and emerging democracies. (A minimum of 0.1% of P.L. 480 funds is to be used for farmer-to-farmer activities in developing countries.)

Title VI authorizes certain activities for the reduction of Latin American and Caribbean country debts. This Title also extends Food for Progress through Dec. 31, 1995. It provides authority for the President to use an additional \$10 million of CCC commodities or funds to enhance development of private sector agriculture in countries participating in the Food for Progress program.

The 1990 act also amends cargo preference law with respect to P.L. 480. Cargo preference, a law requiring a percentage of gross tonnage of government subsidized

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Exports be shipped on U.S. flag vessels, has been applied to P.L. 480 exports since 1954. Many in the Great Lakes area have argued that this requirement has favored Gulf and Coastal ports over Great Lakes ports. The 1990 farm Act attempts to address this criticism by authorizing that foreign-flag vessels can be designated (if certain criteria are met) as American Great Lakes vessels and can carry certain preference cargoes without having to wait the requisite 3 years. The act guarantees Great Lakes operators access to 50% of P.L. 480 cargoes on a lowest landed cost basis.

Current Issues. In the first half of 1991, P.L. 480, Title II, has been strained by the approximately 8 million people starving in Sudan, the widespread starvation that is a result of civil unrest in Liberia, and the plight of Kurdish refugees (approximately 2 million) after the Persian Gulf War. Administration officials believed the funding of the overall P.L. 480 program would be adequate, if given blanket authority to transfer funds from Titles I and III into Title II in order to meet the numerous emergencies around the world. This authority is provided only for FY1991 in the Emergency Supplemental Persian Gulf Refugee Assistance Act of 1991 (P.L. 102-45). In addition, President Bush authorized the use of up to 300,000 metric tons of wheat from the Food Security Wheat Reserve (FSWR). So far, an estimated 60,000 tons have been tapped for food needs in Ethiopia.

With respect to the Middle East refugee emergency, the Administration states that a total of \$32 million worth of P.L. 480 Title II commodities have been provided to the World Food Programme (WFP) for distribution in the region. In addition, the Administration is considering tapping wheat from the FSWR.



THE SECRETARY OF COMMERCE

Washington, D.C. 20230

November 27, 1991

1991 DEC -4 AM 9:56

Honorable Ted Stevens
United States Senate
Washington, D.C. 20510-6025

Dear Ted,

Thank you for your letter regarding the inclusion of
canned pink salmon as an eligible commodity in the Public
Law 480 (P.L. 480) Food For Peace Program.

We have concluded that a surplus of U.S. harvested and
processed canned pink salmon exists. The necessary
information is being sent to Secretary Madigan at the U.S.
Department of Agriculture with our recommendation that canned
pink salmon be placed on the P.L. 480 docket for FY 1992.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Mosbacher", written over a light-colored background.

Robert A. Mosbacher

NEWS

United States
Department of
Agriculture

Office of Press and Media Relations
News Division, Room 404-A
Washington, D C 20250

Office of
Public Affairs

Rebecca Broeking (202) 720-0328
Arthur Whitmore (202) 720-4026

USDA REVISES P.L. 480 ALLOCATIONS FOR FISCAL 1992

WASHINGTON, Jan. 21--The U.S. Department of Agriculture today issued revised country-commodity allocations for the second quarter of fiscal 1992 under the Food for Peace (Title I of Public Law 480) and Food for Progress Programs.

Christopher E. Goldthwait, acting general sales manager for USDA's Foreign Agricultural Service, said that of the \$511.6 million available for Title I and Food for Progress commodity purchases, \$73.1 million remains unallocated as a reserve.

Goldthwait also said that El Salvador, Guyana, Jamaica, Morocco, and Tunisia signed P.L.480 agreements with the United States in the last quarter of 1991.

Because situations develop that can cause a change in country and commodity allocations during a fiscal year, these allocations do not represent final U.S. commitments with participating governments.

Title I of P.L. 480 is a concessional sales program to promote exports of agricultural commodities from the United States and to foster broad-based sustainable development in recipient countries. The program provides export financing over payment periods of up to 30 years, grace periods of up to seven years, and low interest rates.

Countries eligible for the Title I program are developing countries experiencing a shortage of foreign exchange earnings and having difficulty meeting all of their food needs through commercial channels.

Under the Food for Progress Program, commodities are provided to developing countries and emerging democracies that have made commitments to introduce or expand free enterprise in their economies. New agreements have been signed with Albania and Panama. Resources for this program can be provided using the authority of P.L. 480, Section 416(B) of the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act.

The priorities for country allocations are based on several factors including need for food, undertaking of economic and agricultural measures to improve food security, and potential for becoming a U.S. commercial market. The allocations take into account changing economic and foreign policy situations, market development opportunities, existence of adequate storage facilities and possible disincentives to local production.

Additional information is available from Mary Chambliss, U.S. Department of Agriculture, Foreign Agricultural Service, at (202) 720-3573.

TABLE 1: Country and Commodity Allocations
Public Law 480
Title I
Second Quarter, Fiscal 1992

| | Total Allocation (\$ Mil) | Undesignated (\$ Mil) | Wheat/ Flour a/ -----1,000 | Rice Metric Tons | Feed Grains |
|--------------------|---------------------------------|--------------------------|----------------------------------|---------------------|----------------|
| | | | | | |
| Congo | 5.0 | 0 | - | 17 | - |
| Costa Rica | 10.0 | 0 | 30 | - | - |
| Cote d'Ivoire | 10.0 | 0 | - | 34 | - |
| Dominican Republic | 10.0 | 0 | 37 | - | - |
| Egypt | 150.0 | 0 | 986 | - | - |
| El Salvador | 30.0 | 0 | 152 | - | 27 |
| Guatemala | 15.0 | 0 | 120 | - | - |
| Guyana | 5.0 | 0 | 42 | - | - |
| Jamaica | 30.0 | 0 | 86 | 31 | 81 |
| Jordan | 20.0 | 0 | 134 | - | - |
| Morocco | 35.0 | 0 | 48 | - | - |
| Pakistan | 20.0 | 0 | - | - | - |
| Philippines | 20.0 | 0 | - | - | - |
| Poland | 10.0 | 0 | - | - | - |
| Sierra Leone | 7.0 b/ | 0 | 8 | 15 | - |
| Sri Lanka | 5.0 | 0 | 37 | - | - |
| Tunisia | 10.0 | 0 | 81 | - | - |
| Yemen | 10.0 | 0 | - | - | 31 |
| Totals | 402.0 | 0 | 1,811 | 97 | 190 |

-more-

(TABLE 1, cont'd)

| | Vegoil | Oilseed Meals | Tallow | Cotton |
|--------------------|---|------------------|--------|--------|
| | ----1,000 Metric Tons or 1000 Bales---- | | | |
| | ----- | ----- | ----- | ----- |
| Congo | - | - | - | - |
| Costa Rica | - | - | - | - |
| Cote d'Ivoire | - | - | - | - |
| Dominican Republic | 7 | - | - | - |
| Egypt | - | - | - | - |
| El Salvador | - | - | 28 | - |
| Guatemala | - | - | - | - |
| Guyana | - | - | - | - |
| Jamaica | - | - | - | - |
| Jordan | - | - | - | - |
| Morocco | 60 | - | - | - |
| Pakistan | 30 | - | - | - |
| Philippines | - | 87 | - | - |
| Poland | - | - | - | 27 |
| Sierra Leone | - | - | - | - |
| Sri Lanka | - | - | - | - |
| Tunisia | - | - | - | - |
| Yemen | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| Totals | 97 | 87 | 28 | 27 |

-more-

TABLE 2: Country and Commodity Allocations
Public Law 480
Food for Progress Program
Second Quarter, Fiscal 1992

| | Total Allocation (\$ Mil) | Undesig- nated (\$ Mil) | Wheat/ Flour a/ -1,000 Metric Tons- | Rice |
|---------------|---------------------------------|-------------------------------|---|----------|
| Albania | 7.5 c/ | 0 | 40 | - |
| Panama | 4.0 c/ | 0 | - | - |
| Nicaragua | 25.0 c/ | 0 | 45 | - |
| Totals | 36.5 | 0 | 85 | 0 |

| | Feed Grains | Vegoil | Meal | Tallow |
|---------------|-------------------|-----------|----------|-----------|
| | 1,000 Metric Tons | | | |
| Albania | - | - | - | - |
| Panama | - | 7 | - | - |
| Nicaragua | - | 13 | 9 | 19 |
| Totals | 0 | 20 | 9 | 19 |

Note: Numbers may not add due to rounding.

a/ Wheat Flour included as grain equivalent.

b/ Total includes \$2 million for financing transportation costs.

c/ Total includes transportation costs as follows: Albania, \$2.3 million; Panama, \$800,000; and Nicaragua, \$4.9 million.

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United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, DC 20510-8025

JAMES H. ENGLISH, STAFF DIRECTOR
J. KEITH KENNEDY, MINORITY STAFF DIRECTOR

December 12, 1991

The Honorable Edward R. Madigan
The Secretary of Agriculture
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250

Row

Dear Ed:

Secretary Mosbacher recently informed me that the Department of Commerce has determined canned pink salmon to be a surplus commodity and has recommended to the Department of Agriculture that it be placed on the Public Law 480, Food for Peace, docket for 1992.

The salmon industry in Alaska is currently facing a great hardship. A worldwide glut of pink salmon has depressed prices being paid to Alaska fishermen to a ten-year low of twelve cents a pound. Last year's pink salmon run increased stocks by 27% and a run of this magnitude or greater is expected next year.

In an effort to help alleviate the economic distress that this has brought to many of Alaska's fishing communities, I urge you to implement Secretary Mosbacher's recommendation as soon as possible and place canned pink salmon on the P.L. 480 docket for 1992.

Thanks for your help.

With best wishes,





Melanie A. Alvord
Staff Assistant

Ted Stevens
United States Senator
Alaska

522 Hart Senate Office Bldg.
Washington, D. C. 20510
(202) 224-3004

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United States
Department of
Agriculture

Foreign
Agricultural
Service

Food for Peace

1988 Annual Report on Public Law 480

INTRODUCTION

The Food Security Act of 1985 (P.L. 99-198) and other legislation in the 99th and 100th Congresses significantly changed the foreign food aid programs of the Agricultural Trade Development Assistance Act of 1954 (P.L. 83-480), often referred to as P.L. 480. These changes provided for monetization (sale or barter) of donated commodities, for local currency sales, and for a new commodity donation program, Food for Progress, to promote agricultural policy reform and private sector development in receiving countries. More recently, Congress has authorized an expansion of monetization of donated food aid.

U.S. food aid programs serve multiple objectives: U.S. market development, recipient country economic development, humanitarian relief, and support of foreign policy goals. The programs are administered jointly by the Agency for International Development (AID) and the U.S. Department of Agriculture (USDA). The Office of Management and Budget, the U.S. Department of the Treasury, and the U.S. Department of State participate in the decision-making process for food aid.

In addition to reporting the status of the P.L. 480 program in fiscal 1988, this report highlights achievements in the Food for Progress Program and in the Local Currency Loan Initiative legislated by the Food Security Act of 1985 and amended by the Omnibus Trade and Competitiveness Act of 1988.

Under the Food for Progress Program, commodities financed under section 416(b) or from P.L. 480 title I resources can be programmed on a multiyear basis to countries that agree to promote free enterprise in their agricultural sector. A maximum of 500,000 tons of commodities were to be made available for each of the fiscal years 1986 through 1990.

The objective of the Local Currency Loan Initiative is to promote the development of private enterprise by authorizing U.S. Government sales of agricultural commodities for local currencies rather than for long-term dollars. Local currency obtained from the sale of title I commodities is loaned by the U.S. Government to private intermediate financial institutions in the recipient country. These institutions then lend to the private sector within the recipient P.L. 480

country. Under this program, the President is directed to enter into section 108 sales at a level of not less than 10 percent of the aggregate value of all title I agreements unless the total level of agricultural exports would be adversely affected. To the maximum extent practicable, the President is to use at least 5 percent of the local currencies to provide agricultural technical assistance, including the funding of market development activities.

PROGRAM SUMMARY

U.S. agricultural exports amounted to 148.4 million tons valued at \$35.3 billion in fiscal 1988. The P.L. 480 program accounted for approximately \$1.2 billion of this, or about 3 percent. Commodities under the program were shipped to 74 countries. The largest recipients of food under title I/III were Egypt and Bangladesh. They accounted for 37 percent of the total title I/III exports. Under title II, the Asia/Near East region was the largest recipient, with India the largest single recipient. This region accounted for 46 percent of the total title II exports.

Title I and Title III

The fiscal 1988 aggregate program value of title I/III agreements signed was \$728.6 million. Title I agreements and amendments were signed with 26 countries. The objectives of the title III Food for Development Program were met through the signing of two agreements with Bolivia and Bangladesh, totaling \$80 million.

Title II

Commodities were shipped under the title II program to approximately 59 million needy people in 72 countries in fiscal 1988. The Commodity Credit Corporation (CCC) valued these commodities at \$458.3 million. Major commodities donated under title II were wheat and wheat products, including flour, blended foods, nonfat dry milk, and vegetable oil.

TITLE I--SALES PROGRAM

Summary

During fiscal 1988, 46 title I sales agreements and amendments were signed with an export market value of \$728.6 million. The agreement actions were concluded with 26 countries considered to be friendly with the United States, in accordance with section 103(d) of P.L. 480.

In fiscal 1988, convertible local currency sales agreements (including title III) comprised 95 percent of the total value of agreements signed. The remaining 5 percent of the agreements signed were on section 108 local currency terms.

The five countries with the largest amounts programmed were: Egypt--\$180 million; Pakistan--\$80 million; Bangladesh--\$60 million; El Salvador--\$41.5 million; and the Sudan--\$40 million.

Commodities programmed included wheat, wheat flour, corn, sorghum, rice, vegetable oil, tallow, and cotton. Wheat and wheat flour (3.2 million tons) were the major commodities. Other quantities were 381,000 tons of vegetable oil, 286,000 tons of feed grains (corn and sorghum), 208,000 tons of rice, 40,000 tons of tallow and 40,000 bales of cotton.

Allocation Requirements

Title I programming during fiscal 1988 met the requirement that at least 75 percent of food allocations go to countries with per capita incomes of less than \$835. This 75:25 ratio is set forth in section 111 of the Agricultural Trade Development and Assistance Act of 1954, as amended. Tables 8 and 9 provide the initial and final country and commodity allocations for fiscal 1988.

Loan Terms

Title I of P.L. 480 provides for the concessional sale of agricultural commodities to friendly countries. Agreements under title I may be signed either for dollar credit with up to a 20-year repayment period or for convertible local currency credit with up to a 40-year repayment period. The grace period for dollar credit agreements may go up to 2 years, and for convertible local currency agreements it may be as long as 10 years.

Initial payments that are not part of long-term credit may be required under both types of agreements. Minimum interest rates under both types of financing are set by law at not less than 2 percent during the grace period and 3 percent thereafter. Terms for agreements are determined on a case-by-case basis.

Section 401 Section 401 of the Act requires that the Secretary of Agriculture determine the availability of commodities for inclusion in concessional sales agreements and donation programs. In determining this availability, the Secretary must consider U.S. productive capacity, domestic requirements, farm and consumer price levels, adequacy of carryover stocks, and anticipated exports for dollars.

Role of the CCC Although the CCC finances the sale and export of commodities under title I, actual sales are made by private U.S. suppliers to foreign importers or government agencies. The CCC finances sales by paying suppliers directly through the U.S. banking system for their sale except for any portion not covered by a required initial payment. The CCC then collects the amount provided in the agreement with the importing country. These funds are used to support current title I programs.

Accounting for Title I Costs The gross cost to the CCC of financing long-term credit sales for U.S. agricultural commodities from July 1, 1961, through September 30, 1988, totaled \$34,777 million--\$31,856 million of commodity and other costs, \$2,669 million of ocean transportation costs (including \$1,982 million for ocean freight differential), and \$251 million of interest costs.

Through September 30, 1988, the CCC had been reimbursed for all costs by dollar payments under government-to-government and private trade entity agreements in the amount of \$4,945 million, by \$4,650 million in foreign currency funds used to finance long-term credit sales, and by appropriations of \$24,934 million.

*Self -Help
Provisions*

All P.L. 480 title I sales agreements since 1967 have contained self-help measures to which recipient countries have committed themselves. Examples of self-help provisions contained in agreements include the following:

- *Devoting land resources to production of needed food;*
- *Developing agricultural, chemical, farm machinery and equipment, transportation, and other necessary industries;*
- *Training farmers in agricultural techniques, and reducing illiteracy among the rural poor;*
- *Constructing adequate storage facilities;*
- *Improving marketing and distribution systems;*
- *Creating a favorable environment for private enterprise and investments;*
- *Adopting governmental policies that ensure adequate incentives for producers;*
- *Expanding institutions for adaptive agricultural research;*
- *Allocating sufficient national funds and foreign exchange resources for self-help provisions;*
- *Implementing health programs for the rural poor; and*
- *Carrying out voluntary programs to control population growth.*

TITLE II--FOREIGN DONATIONS

Summary

The title II food aid program is the U.S. Government's most direct effort to combat hunger and meet food shortages abroad. Food aid is best known historically for meeting emergency and short-term needs of the hungry. However, a considerable portion of title II food commodities are also used to promote long-term development to address the underlying issues that prevent developing countries from meeting their own food needs.

During fiscal 1988, about 2.3 million tons grain equivalent of title II commodities were shipped to approximately 58.6 million needy people in 72 countries. The CCC valued these commodities at \$458.3 million.

Wheat and wheat products, including flour, comprised over half the commodities donated through title II in fiscal 1988. Feed grains and their products, rice, vegetable oil, and nonfat dry milk were also donated.

In both value and volume, the Asia/Near East region was the largest recipient of title II food aid. Approximately 41 percent of the total title II tonnage was distributed to Asia, with another 5 percent to the Near East. Distributions in Africa increased from 30 percent in fiscal 1987 to 42 percent in fiscal 1988, with Ethiopia, Mozambique and the Sudan receiving the largest amounts for famine relief.

Operations

One of the main objectives of the P.L. 480 title II food donation program is to alleviate hunger and malnutrition of people in the poorest countries of the world. The target recipients included 15.4 million women, infants, preschool children in maternal child and day-care centers; 9.3 million older children in school feeding programs; and 12.1 million adults and dependents through food-for-work projects. In addition, another estimated 16.2 million people, including 7.8 million refugees, were fed through emergency, general relief, and other self-help programs.

Administered jointly by the USDA and AID, title II activities are carried out by the following groups:

Private voluntary organizations

Adventist Development and Relief Agency (ADRA)
American Jewish Joint Distribution Committee (AJJDC)
American ORT Federation (ORT)
Catholic Relief Services (CRS)
Church World Service (CWS)
Cooperative for American Relief Everywhere (CARE)
Doulos Community
Ethiopian Orthodox Church (EOC)
Food for the Hungry (FHI)
Jamaica Agricultural Development Foundation (JADF)
Joint Relief Program (JRP)
League of Red Cross and Red Crescent Societies (LICROSS)
Lutheran World Relief (LWR)
National Cooperative Business Association (NCBA)
Oxford Famine Relief (OFR)
Projects in Agriculture, Rural Industry, Science and
Medicine, Incorporated (PRISM)
Save the Children Federation (SCF)
World Vision Relief Organization (WVRO)

Intergovernmental organizations

International Committee of the Red Cross (ICRC)
League of International Red Cross
and Red Crescent Societies (LICROSS)
World Food Program (WFP)
U.N. High Commissioner for Refugees (UNHCR)
U.N. International Children's Education Fund (UNICEF)

Recipient governments

Distribution Private, voluntary agencies and international organizations distributed 52.7 percent of 2.0 million tons of commodities shipped (1.1 million tons, valued at \$243.1 million); the World Food Program including the International Emergency Food Reserve, 24.3 percent (490,000 tons, valued at \$108.3 million); and the bilateral government-to-government programs, 23 percent (465,000 tons, valued at \$106.9 million). Of the total, nearly \$201.2 million in commodities were channeled to meet emergency programs around the world.

Famine Prevention Ethiopia was an outstanding example in fiscal 1988 of title II commodities being used to prevent a famine of major proportions. A number of nongovernmental organizations distributed food to millions of Ethiopians suffering from the drought and civil war which ravaged the country. In order to avoid a repetition of the 1984-85 starvation and massive shelter feeding programs, the U.S. Government and other donors repositioned food stocks and began early distribution of food while the people were still strong enough to carry rations and return to their farms. The United States and other donors responded quickly and efficiently to meet the needs. By April 1988, confirmed food pledges totaled 1.04 million tons, of which the United States supplied 268,866 tons valued at \$47.4 million. Port and logistical capacities were greatly improved, airlift operations were implemented where needed, and financial support for transport and management was granted to the nongovernmental organizations to avert massive starvation. The U.S. Government also supported an agricultural recovery program of some \$19 million in Ethiopia, making the total value of the P.L. 480 contributions approximately \$100 million.

Maximizing Development Potential In recent years, there has been a growing recognition that food aid also can play a longer term development role in addressing problems which prevent developing countries from meeting their own food needs. Recurring drought in Africa highlights the need for developmental efforts to overcome the underlying causes of famine. AID continues to help develop mutually reinforcing approaches to strengthen the effectiveness and development impact of food aid.

Through two title II full monetization programs in Indonesia, sufficient initial capital and interest income are being provided for two private voluntary organizations to implement targeted development activities over the next 5 years. CARE's Community Self-Financing and Water and Sanitation Facilities project will support technical assistance for communities to develop and construct their own clean

water and sanitation systems, and to provide technical training while developing community self-help capacity and skills for undertaking loans and debt servicing.

Also in Indonesia, the National Cooperative Business Association is establishing the Indonesian Enterprise and Trade and Development Foundation. This foundation will provide both long-term lending and equity capitalization to high-priority, labor-intensive business ventures and promote viable Indonesian enterprises while developing and testing flexible private sector investment strategies. The project is intended to promote U.S. and Indonesian mutual trade interests.

World Food Program

The World Food Program (WFP), under the auspices of the United Nations and the Food and Agriculture Organization, had a \$1.4-billion pledge target for the most recent biennial (calendar years 1987 and 1988). The United States, in turn, pledged \$250 million for the same biennial as its share. The pledge authorized \$175 million through title II and \$75 million under section 416 for commodities and transportation, of which \$2.9 million is for administrative support. Section 416(b) of the Agricultural Act of 1949 authorizes overseas donations from CCC surplus stocks.

The WFP also administers the International Emergency Food Reserve (IEFR), which has a 500,000-ton yearly target for emergency contributions. During fiscal 1988, the United States contributed over 230,000 tons of food, valued at \$36.7 million, through the IEFR. Additional funds were provided by the U.S. Government to cover transportation costs.

The Food Aid Convention

The objective of the Food Aid Convention (FAC) of 1986 was to improve world food security by ensuring a minimum of 10 million tons of cereal aid annually to developing countries, a target first established by the World Food Conference of 1974. Signatories are obligated to pledge minimum annual amounts of cereal aid in wheat (or its equivalent) suitable for human consumption.

Ten countries and the European Community (EC) are members of the new FAC, with total pledges of 7.5 million tons. The United States is the largest donor, with a pledge of 4.47 million tons. All of the U.S. obligation is met by P.L. 480 shipments, including title I concessional sales and section 416 donations. Efforts are made to encourage the participation of other potential donors to reach the 10-million-ton target.

TITLE III - FOOD FOR DEVELOPMENT

Operations

Title III, known as Food for Development, was added to P.L. 480 in 1977. A country must be eligible for a title I agreement before a title III program can be approved. This allows low-income countries to purchase U.S. agricultural commodities on title I terms. It differs from title I in that as the proceeds from the sale of the commodities are used for developmental purposes, an equivalent dollar value of the title I loan is offset. When the offset occurs, the loan in effect becomes a grant of commodities.

Before a title III agreement may be approved and negotiated, the recipient country must submit a Food for Development Plan which describes how the commodities are to be used. The plan must describe the self-help projects to be financed by the sales proceeds. Projects and programs financed must increase food production, improve storage, transportation, and distribution of farm products, or improve the quality of rural life through health and nutrition or family planning programs. A joint evaluation of progress in the implementation of the Food for Development program is conducted each year.

Goals

The goals of title III are: "To increase the access of the poor in the recipient country to a growing and improving food supply through activities designed to improve the production, protection, and utilization of food, and to increase the well-being of the poor in the rural sector of the recipient country."

Special Provisions

A special provision of the Agricultural Trade Development and Assistance Act of 1954 provides for the negotiation of multiple-year commitments of up to 5 years, provided suitable commodities are available for programming through P.L. 480. A plan to use the commodities or the sales proceeds must be approved. Also, the recipient country must show it is making satisfactory progress in implementing the provisions of the agreement.

A second special provision of the Agricultural Trade Development and Assistance Act of 1954 allows relatively least developed countries to apply the currency use offset to any P.L. 480 principal or interest payments falling due that fiscal year. This allows recipient countries to more easily meet their obligations of remaining current in the repayment of principal and interest from previously negotiated title I agreements using the food or sales proceeds in accordance with an approved Food for Development plan. Countries not considered to

be "relatively least developed" may reduce or offset the loan under which the commodities were purchased by an amount equivalent to the dollar value of the proceeds applied.

Requirements The legislation established that, of the annual aggregate value of title I agreements, not less than 10 percent is to be under title III beginning in fiscal 1986 and each fiscal year thereafter.

Bellmon Amendment As is the case for title I, no commodity will be exported unless at the time of exportation adequate storage facilities are available to prevent spoilage and waste, and the shipped commodities will not create a significant disincentive to domestic production in the recipient country.

Self-Help Measures Each agreement or amendment, regardless of terms, must contain self-help measures which improve the production, storage, and distribution of agricultural commodities. They are to be implemented in such a way as to enable the poor to participate actively in increasing food production through small farm agriculture. In addition, the recipient government agrees to provide adequate financial, technical, and managerial resources for their implementation.

Self-help measures are to be additional to those which the recipient country would otherwise be able to undertake in the absence of the loan or grant and are to be described in specific and measurable terms. Other provisions require that the sales proceeds be used for financing the self-help measures set forth in the agreement.

Agreements During fiscal 1988, title I/III agreements valued at \$728.6 million were negotiated with 26 countries. Agreements with two of the countries-- Bangladesh and Bolivia, totaling \$80 million--contained currency use offset provisions as authorized under title III. This amounts to 10.9 percent of the aggregate total value of the program. Highlights from these two programs follow.

Highlights: 1988 Title III Food for Development Program

*Bangladesh
(\$60 million,
Title III)*

In fiscal 1988, an amendment was negotiated to a title III agreement signed initially in 1987. Bangladesh falls into the "relatively least developed country" category. Self-help measures contained in the agreement included commitments to: (1) continue to reduce the costs of the Public Food Distribution System and to redirect all reduced

SJR

46

S. JATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 2/5/92

FURTHER:

Date of 5-Day Notice: Feb 27, 1992
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: March 4, 1992

Resources

Committee considered

SJR 46

Endorsing S 1934, legislation pending before the U.S. Congress regarding the Merchant Marine Capital Construction Fund Program.

and recommends:

replace with _____ CS _____ (_____)

same title
 new title
 technical title change
(HB only)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes Sen Resources Cmte 3/4/92

fiscal notes _____

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:
zero fiscal notes _____

fiscal notes _____

DO PASS:

Sen Gote
Sen Mammone

OTHER RECOMMENDATIONS:

Thyrd Green (Do Pass)
Chair: Signature and Recommendation

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SJR 46

Revision Date: March 4, 1992 Department Affected: _____
 Title: Fishing vessel construction incentives BRU: _____
 Component: _____
 Sponsor: Senator Eliason
 Requestor: _____ COMPONENT SERIAL NO.

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | -0- | -0- | -0- | -0- | -0- | -0- |

| | | | | | | |
|---------|-----|-----|-----|-----|-----|-----|
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

| | | | | | | |
|-------------------------|-----|-----|-----|-----|-----|-----|
| REVENUE FUND SOURCE: | -0- | -0- | -0- | -0- | -0- | -0- |
|-------------------------|-----|-----|-----|-----|-----|-----|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|-----------------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER FUND SOURCE: | | | | | | |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- |

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Senator Lloyd Jones, Chairman Phone: 465-3743
 Division: Senate Resources Date: 3/4/92
 Approved by Commissioner: *Lloyd Jones*
 Agency: _____ Date: 3/4/92

February 24, 1992

Senator Dick Eliason
State Capitol
Juneau, AK 99801

Terry
FEL
I

Dear Senator Eliason

I live and commercial fish in Alaska.
I'm writing in support of your
Senate bill # S-K-34.

I have a Capitol Construction Fund
that I chose to open to save
money faster to build a boat. I'm
currently building that boat. I've
saved and fished hard to do this. Self
employment taxes were not deducted
from any of my CCF contributions.
If I had to pay those taxes retrospec-
tively, I would have to sell my
boat! A choice was made when
I opened my CCF to not be able to
depreciate the CCF portion of the boat.
It would be a real injustice
if I had to pay self employment taxes
going into the CCF, along with giving
up depreciation.

Ken Eickner

Ken Eickner

5162, Shoreline Dr N Ketchikan, AK 99901

ALASKA STATE LEGISLATURE SENATE

SENATOR RICHARD I. ELIASON

PRESIDENT OF THE SENATE
LABOR & COMMERCE COMMITTEE
RESOURCES COMMITTEE
RULES COMMITTEE
CHAIRMAN, SPECIAL COMMITTEE ON
DOMESTIC & INTERNATIONAL
COMMERCIAL FISHERIES



P.O. BOX 143
SITKA, ALASKA 99835

P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4916

FAX (907) 465-4928

Feb. 7, 1992

COMMENTS OF PRIME SPONSOR, SEN. DICK ELIASON, ON S.JR 46
RELATING TO VESSEL CONSTRUCTION INCENTIVES AND THE MERCHANT
MARINE CAPITAL CONSTRUCTION FUND PROGRAM

The Capital Construction Fund program was established under the Merchant Marine Act for the purpose of improving the U.S. fishing fleet by encouraging the construction, reconstruction, or acquisition of fishing vessels with before-tax rather than after-tax dollars. (Section 607, Merchant Marine Act).

The program was designed to offer a tax incentive, essentially a form of advance or accelerated depreciation, to assist in the purchase of new vessels, and was intended to encourage the rehabilitation of the U.S. fishing fleet.

The Internal Revenue Service (in its publication 595 based on a Revenue Ruling), and the Tax Court in Eades v. Commissioner, 79 TC 985 (Dec. 8, 1982) have ruled that while the Merchant Marine Act provided that *taxable income* would be reduced by the amount deposited in the CCF, no provisions exist for earnings to be reduced in the determination of *self-employment tax*.

These rulings do not affect those who have entered into a CCF agreement as a corporation or a partnership, so it discriminates against those who have entered into the agreement as individual proprietors (or as married couples), and effectively penalizes them. The majority, roughly 70%, of CCF agreementholders are individuals, many of them Alaskans, and they represent only a fraction of the fishermen eligible to use the program.

SJR 46

Feb. 7, 1992

page two

The self-employment tax add-back provision by the IRS effectively withdraws the very incentive the CCF program was established to provide. It is very likely discouraging many fishermen from using the CCF program, and is thus thwarting the intent of the U. S. Congress.

Last November Senator Ted Stevens introduced legislation that would amend the Internal Revenue Code (sec. 1402) and the Social Security Act (sec. 211) to exclude deposits to a Merchant Marine Act Capital Construction Fund account from net earnings for the purposes of computing self-employment tax (social security tax on a self-employed individual). It is retroactive to the 1986 tax year. A similar measure, H.R. 1363 was introduced in the House by Congressman Al Swift (WA).

Sen. Stevens has stated he believes the omission his bill seeks to correct was unintentional. He has pointed out that it is unfair for the Tax Code to permit fishermen to use their depreciation to reduce self-employment taxes, but to deny this deduction simply because they have utilized a Capital Construction Fund. This undermines the whole purpose of the fund.

There is a good chance that the changes Sen. Stevens is proposing may be tacked on as an amendment to a tax simplification bill this year. This measure demonstrates our unified support for changes in IRS rules which will benefit many Alaskans.

"(d) CERTAIN REQUIREMENTS WITH RESPECT TO LONG-TERM CARE FACILITIES.—The Secretary may not make a grant under subsection (a) unless the applicant for the grant agrees that, in providing fellowships under the grant, the amount of a fellowship provided for an individual attending the school will not exceed the amount described in subsection (c)(2).

"(e) REQUIREMENT OF APPLICATION.—The Secretary may not award a grant under subsection (a) unless—

"(1) an application for the grant is submitted to the Secretary;

"(2) with respect to carrying out the purpose for which the grant is to be made, the application provides assurances of compliance satisfactory to the Secretary; and

"(3) the application otherwise is in such form, is made in such manner, and contains such agreements, assurances, and information as the Secretary determines to be necessary to carry out this section.

"(f) AUTHORIZATION OF APPROPRIATIONS.—

For the purpose of making grants under subsection (a), there are authorized to be appropriated \$5,000,000 for each of the fiscal years 1992 through 1996."

SEC. 217. PRIMARY CARE TRAINING PROGRAM.

Subpart I of part B of title VIII (42 U.S.C. 297 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 832. PRIMARY CARE TRAINING PROGRAM.

"(a) IN GENERAL.—The Secretary may award grants to public or nonprofit private schools of nursing for the establishment or expansion of clinical training sites or training affiliations that shall be administered by such schools.

"(b) APPLICATION.—A school desiring to receive a grant under subsection (a) shall prepare and submit to the Secretary, an application at such time, in such form, and containing such information as the Secretary may require.

"(c) USE OF GRANTS.—Amounts received under grants awarded under subsection (a) shall be used to—

"(1) establish clinical training sites or new training affiliations to be run and staffed by the faculty and students of such grantee school, to provide nursing students with training in the delivery of primary care in rural areas or in areas on or within 50 miles of Indian country (as defined in section 1151 of title 18, United States Code);

"(2) provide for all aspects of clinical training program development, faculty enhancement and student scholarships; and

"(3) carry out any other activities determined appropriate by the Secretary.

"(d) DESIGN.—The training sites established under subsection (c)(1) shall be designed to provide at least 25 percent of the school's nursing students with a structured clinical experience in primary care.

"(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section, \$5,000,000 for each of the fiscal years 1992 through 1996."

SEC. 218. TECHNICAL AMENDMENTS.

Title VIII is amended—

(1) in section 836(b)(1) (42 U.S.C. 297b(b)(1)) by striking out the period and inserting in lieu thereof a semicolon;

(2) in section 851(a) (42 U.S.C. 298(a)) by striking out "a Advisory" and inserting in lieu thereof "an Advisory"; and

(3) in section 859(a) (42 U.S.C. 298b-6(a)) by striking out "as result of" and inserting in lieu thereof "as a result of".

TITLE III—MISCELLANEOUS PROVISIONS

SEC. 301. SAVINGS PROVISION WITH RESPECT TO CURRENT GRANTS OR CONTRACTS

Notwithstanding any other provision of law, in the case of any authority for the

provision of a grant or contract that is terminated by any provision of this Act, the Secretary of Health and Human Services shall, notwithstanding the termination of such authority, continue in effect any grant or contract awarded or entered into under the authority that is in effect on the day before the date of enactment of this Act, subject to the duration of any such grant or contract not exceeding the period determined by the Secretary in first approving such grant or contract, or in approving the most recent request made (prior to such date of enactment) for the continuation of such grant or contract, as the case may be.●

By Mr. STEVENS:

S. 1934. A bill to exclude deposits into a capital construction fund account under section 607(d) of the Merchant Marine Act from net earnings from self-employment; to the Committee on Finance.

EXCLUSION OF CERTAIN FUNDS DEPOSITED INTO CAPITAL CONSTRUCTION FUND ACCOUNTS

● Mr. STEVENS. Mr. President, today I am introducing a bill to permit participants in the Merchant Marine Capital Construction Fund—or CCF—Program to reduce their self-employment income by the amount of contributions to their CCF account. Under current law, an amount equal to the amount deposited for the year into a CCF account reduces taxable income, but not self-employment income. My amendment would reverse revenue ruling 79-413 and the Tax Court ruling in *Eades v. Commissioner*, 79 TC 985—December 8, 1982.

The purpose of the Capital Construction Fund Program, which was created by the Merchant Marine Act in 1936, is to improve the U.S.-flag merchant marine by providing fishermen a mechanism to facilitate accumulation of funds with which to acquire, construct, or reconstruct vessels—including processing and transporting vessels. This is accomplished by permitting any citizen owning or leasing an eligible vessel to enter into an agreement with the Secretary of Commerce to establish a Capital Construction Fund. Taxation of funds deposited into a CCF fund are deferred, in order to facilitate the accumulation of funds required for the acquisition, construction, or reconstruction of the specified vessel(s).

Essentially, this is a form of advance depreciation. Earnings which are placed into the CCF accounts are not subject to the income tax. However, when funds are taken from the CCF accounts to acquire, construct or reconstruct a vessel, the basis of the vessel is reduced to reflect the tax benefit received when the money was originally deposited.

The advance depreciation benefit does not, however, apply to self-employment income. The Internal Revenue Service and the U.S. Tax Court have ruled that although the Merchant Marine Act provided that taxable income should be reduced by the amount deposited into a CCF, no provisions exist for earnings to be reduced

in the determination of self-employment tax. Fishermen using the CCF program are therefore, in a sense, double-taxed with reference to self-employment income. They pay tax on their self-employment income at the time of the CCF deposit, and lose future depreciation deductions against self-employment income due to the basis reductions required by the program.

Despite this apparent double taxation, the Tax Court found it "unlikely that Congress ever considered whether deposits into a capital construction fund established pursuant to Section 607 of the Merchant Marine Act should be subject to the self-employment tax." Certainly, the court is correct as to the law setting up the CCF program because when Congress enacted the Merchant Marine Act in 1936, the self-employment tax did not exist. The court, however, went on to find that subsequent Merchant Marine Act amendments fail to indicate any congressional intent to apply the CCF deferrals to self-employment income.

Mr. President, there continue to be disputes and court actions regarding congressional intent on this matter. I believe the Congress should squarely address this issue and make clear that deposits into CCF accounts will reduce self-employment income. The current situation where individuals must lose future depreciation against their self-employment income in order to utilize the CCF program is inconsistent with that program's purpose. It simply doesn't make sense to provide reduction of taxable income as an incentive to use the CCF program, and at the same time have a disincentive on the self-employment income side. This reduces the benefits CCF can provide to fishermen, which undermines the purposes of the program. I have, in fact, been told by administrators at the Fisheries Service that some fishermen are not using CCF because of the double taxation disincentive.

The bill I am introducing today makes clear that deposits into CCF accounts will reduce—in addition to taxable income—"net earnings from self-employment." In addition, the bill provides for recapturing self-employment taxes for funds which are withdrawn from CCF accounts for nonqualified purposes, that is, purposes other than acquisition, construction, or reconstruction of qualified vessels. Finally, the bill would apply the self-employment tax deferral to all tax cases beginning with tax year 1986, and would provide 1 year from the date of enactment during which time tax refunds pursuant to this legislation could be claimed.

I thank my colleagues for their attention and urge the Finance Committee to act on this legislation.●

By Mr. SIMPSON (for himself,
Mr. WALLOP, Mr. BURNS, Mr.

Ted Stevens

United States Senator For Alaska

S. 1934



Contact: Press Office
(202) 224-5209

FOR IMMEDIATE RELEASE
Friday, November 15, 1991

STEVENS BILL WOULD BRING TAX RELIEF FOR FISHERMEN

Fishermen who make deposits into Capital Construction Funds (CCF) would no longer face a form of double taxation under a bill introduced by Senator Ted Stevens.

Under current law, taxation of funds deposited into a CCF are deferred, so that funds can accumulate more quickly in order to buy, construct or reconstruct a vessel.

Taxation of the deposited funds does not occur until the vessel is actually built or refurbished, at which time the permitted depreciation deductions are reduced in the amount of the CCF tax deferral.

This advance depreciation benefit does not, however, apply to self-employment income, according to Stevens. This distinction is important because most Alaska fisherman are self-employed.

The Internal Revenue Service and the U.S. Tax Court have ruled that although the Merchant Marine Act provided that taxable income should be reduced by the amount deposited in a CCF, no provision exists for earnings to be reduced in the determination of self-employment tax.

Stevens' legislation would amend the Merchant Marine Act to make clear that deposits in a CCF could also be applied to reduce self-employment income, thereby reducing the self-employment tax.

"If we are going to defer income tax with deposits to CCFs, we should defer self-employment tax as well. Otherwise, we are defeating the purpose of the program," said Stevens.

Stevens' bill would apply the self-employment tax deferral to all tax cases beginning with tax year 1986, and would provide one year from enactment of the bill for fishermen to apply for refunds.

Similar legislation has been co-sponsored in the House of Representatives by Congressman Don Young.

#

Alaska Offices: Anchorage: 271-5915 Fairbanks: 456-0261 Juneau: 586-7400
Kenai: 283-5808 Ketchikan: 225-6880

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United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510-8025

JAMES H. ENGLISH, STAFF DIRECTOR
J. KEITH KENNEDY, MINORITY STAFF DIRECTOR

March 22, 1991

Dr. William W. Fox, Jr.
Asst Administrator for Fisheries
National Oceanic and Atmospheric Administration
Metro One Building, Room 9334
1335 East-West Highway
Silver Spring, MD 20910

Dear Bill:

This spring I will introduce a bill in the Senate to permit participants in Merchant Marine Act Capital Construction Funds (CCF) to reduce their self-employment income by the amount of contributions to their CCF. As you know, under current law, an amount equal to the amount deposited for the taxable year into a CCF account reduces taxable income, but not self-employment income. My amendment would reverse Revenue Ruling 79-413 and the Tax Court ruling in Eades v. Commissioner, 79 TC 985 (Dec. 8, 1982).

In my view, the purpose of the CCF program is to improve the US fishing fleet by allowing fishermen rapid accumulation of funds with which to replace or improve their vessels. Under Section 607 of the Merchant Marine Act, earnings deposited into a CCF are not taxed--this enables fishermen to make large downpayments or periodic payments on a new fishing vessel. Essentially, this is a form of advance or accelerated depreciation to assist in the purchase of new vessels.

Depreciation on a commercial fishing vessel can normally be used to reduce both income tax and self-employment tax liability. However, the Internal Revenue Service and the Tax Court have ruled that although the Merchant Marine Act provided that *taxable income* should be reduced by the amount deposited in a CCF, no provisions exist for earnings to be reduced in the determination of *self-employment tax*.

I believe this omission was unintentional. It is unfair for the Tax Code to permit fishermen to use their depreciation to reduce self-employment taxes, but to deny this deduction simply because they have utilized the CCF program. This reduces the benefits CCF can provide to fishermen, which undermines the purposes of the program.

In the preparation of my legislation, it would be most helpful to know the position of the Fishery Service. In particular, I would appreciate any published opinions or positions the Fishery Service has taken on this self-employment tax issue during the existence of the CCF program. You should be aware that I may make this information available to constituents who are seeking to resolve these questions through litigation.

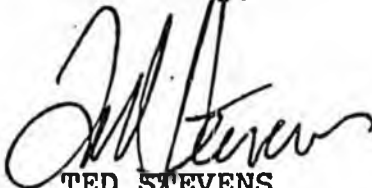
Bill Fox / CCF
3/22/91 pg 2

My staff tells me that Dorothy Bostic, in your Capital Construction Fund Office, may also have background information which could assist me in resolving this problem. I would appreciate any information she may have, as well, including statistical data which would assist us in determining the revenue impact of changing the law.

If you have any questions about this inquiry, please contact Chuck Konigsberg at 202-224-3699. Thank you for your assistance.

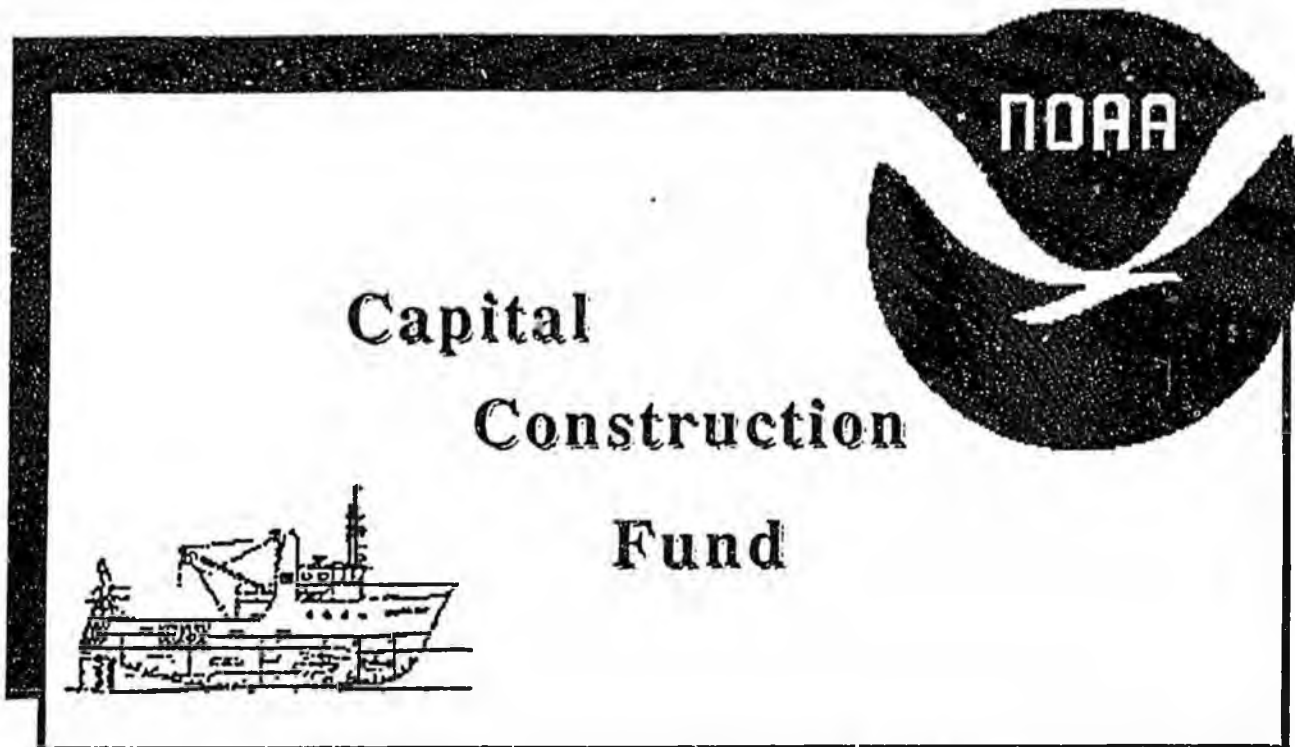
With best wishes,

Cordially,



TED STEVENS

cc: Ms. Dorothy Bostic
NOAA/NMFS
Financial Service Division
Capital Construction Fund Program
1335 East-West Highway, 5th Floor



1. What is the Capital Construction Fund (CCF) program?

The CCF program enables fishermen to construct, reconstruct, or acquire fishing vessels with before-tax, rather than after-tax dollars.

It allows fishermen to defer taxable income from their fishing vessels. This tax-deferred fishing income under the CCF program when used to help pay for a vessel project is, in effect, an interest-free loan from the Government.

The purpose of the CCF program is to improve the U.S. fishing fleet by allowing fishermen rapid accumulation of funds with which to replace or improve their vessels.

2. Who is eligible?

Eligibility is limited to U.S. citizens. Applicants must own or lease a U.S.-built fishing vessel of at least 2 net tons and have an acceptable program for constructing, reconstructing, or acquiring a fishing vessel of at least 2 net tons. Any vessel not U.S. constructed, but documented by Coast Guard or State registered on or before April 15, 1970, also qualify. The term fishing vessel includes vessels used commercially for catching, transporting, and processing fish. Also included are commercial passenger-carrying vessels used for fishing parties.

3. How do you get into the CCF program?

You must enter into a CCF Agreement with the Secretary of Commerce through the National Marine Fisheries Service (NMFS). An application kit can be obtained from NMFS. If you need any assistance or advice, please contact our Headquarters Office at the following location:

NOAA/NMFS Financial Services Division
 Capital Construction Fund Program
 1335 East-West Hwy., 5th Floor
 Silver Spring, MD 20910
 Telephone No.: (301) 427-2393.

You may apply at any time. But to be applicable in a given tax year, you must enter into a CCF Agreement on or before the due date (with extensions) for filing your Federal tax return.

If you decide to enter the CCF program, we urge you to submit your CCF application as soon as possible, or at least 45 days in advance of the tax due date, to ensure timely execution by NMFS.

4. How does the CCF program work after you get into it?

Your CCF Agreement will establish:

- (a) Which of your fishing vessels will be

eligible for deferral of taxable income. These are called "Schedule A" vessels.

(b) What kind of vessels you will construct, reconstruct, or acquire with your CCF account. These are called "Schedule B" vessels or objectives.

(c) Where you will keep the tax-deferred income you will use to pay for your objectives. The place where you keep this money is called the "CCF depository," and the account in which you keep it is called the "CCF account."

You then decide what portion of your Schedule A vessels' taxable income you want to deposit into your CCF account for the tax year. (The CCF deferral cannot create a loss in your fishing income, but can reduce it to zero.)

You then deposit that income, on or before your tax due date, with extensions, into your CCF account. Thus, you have put it into your own account in your own depository and will have it available to help you pay for your Schedule B vessels.

5. How does the CCF program save me money? Show me an example for an individual fisherman.

Assume you want to build a new fishing vessel in 5 years and want to start saving for it now.

Figure 1: Five-Year Savings without CCF

| | | |
|---|------------|------------------|
| Annual taxable income | | \$100,000 |
| Living expenses | \$(40,000) | |
| Federal taxes on \$100,000 | \$(28,440) | (68,440) |
| Annual savings | | <u>\$ 31,560</u> |
| 5 years' savings (5x\$31,560) | | \$157,800 |
| 5 years' interest earned | \$ 34,473 | |
| 5 years' Federal taxes on interest earned | \$(12,914) | |
| Net interest saved | | \$ 21,559 |

Assume that in each of the next 5 years your taxable income from your present fishing operation is \$100,000. Assume that you are married and need \$40,000 a year for living expenses and taxes.

Without the CCF program, 5-years savings would accumulate as shown in Figure 1

With the CCF program, 5-years savings would accumulate as shown in Figure 2. As you can see, use of the CCF program during those 5 years will give you an additional \$119,772 to pay for your new vessel. This means that the amount you will need to borrow will be \$119,772 less than it would be if you had not used the CCF program. You also save the interest which you would otherwise have had to pay to borrow this amount. This sum may well represent the required downpayment on your new vessel.

6. Show me another example, this time using a corporate owner.

Assume your corporation wants to build a new fishing vessel in 5 years and decides to set aside \$30,000 a year for the downpayment. Your yearly taxable fishing income must be \$35,300 in order to save the \$30,000 per year. Without the CCF program, 5-years savings would accumulate as shown in Figure 3:

With the CCF program, the corporation could deposit the full \$35,300 and funds would be accumulated as shown in Figure 4:

7. How do you notify the Internal Revenue Service?

When you prepare your Federal tax return, simply deduct from your taxable fishing income the eligible amounts you deposited to your CCF account during the tax year (list on Other Expenses/ Deductions line).

8. Do deposits in a CCF account also defer State income taxes?

This depends on the State in which you report your income. You should check with your State income tax office. If your State has adopted the CCF provisions of Federal law (or uses Federal tax statutes), then your State income tax will likewise be deferred.

Figure 2: Accumulation with CCF

| | | |
|---|------------|-------------------------|
| Annual taxable income | | \$100,000 |
| Living expenses | \$(40,000) | |
| Federal taxes on \$50,900 | \$(10,900) | <u>(50,900)</u> |
| Annual CCF savings | | <u>\$ 49,100</u> |
| 5 years' savings (5x\$49,100) | | \$245,500 |
| 5 years' interest earned and deposited into CCF | | <u>\$ 53,631</u> |
| TOTAL ACCUMULATIONS WITH CCF | | <u>\$299,131</u> |

Before making any CCF withdrawal you must obtain NMFS consent. Once consent is granted, you simply withdraw the money as you would from any other account. If you need to make a quick CCF withdrawal for a qualified purpose, a phone call will generally result in verbal consent. The necessary paper work can be completed later.

BEFORE MAKING A WITHDRAWAL, YOU

MUST OBTAIN NMFS APPROVAL. Without NMFS approval, you may jeopardize the tax-deferral associated with any such withdrawal.

9. How do you establish the CCF account?

Your CCF account can be a regular checking or savings account established at your local bank, savings and loan, or other Federally insured institution. Your CCF account is in your own name. It must be separate from your general operating account or personal savings or checking account. It must not be used for any purpose other than CCF deposits and withdrawals.

You may use more than one depository if all are designated in the CCF Agreement. After entering a CCF, additional depositories may be added by submitting to NMFS the name, address, and date the account was opened.

10. How do you withdraw CCF deposits?

11. Can CCF program funds be used to pay off a mortgage?

Yes. Where you finance with a mortgage the cost of constructing, reconstructing, or acquiring a Schedule B vessel, you may use your CCF account to pay the principal of that mortgage.

NMFS consents to CCF withdrawals of an amount equal to the total cost of the completed Schedule B project (even though payment is to be made by a series of withdrawals over an extended period of time to meet installment payments as they come due). Thus, you will not have to request NMFS consent to each and every separate installment payment.

Figure 3: Corporate Savings without CCF

| | | |
|---|----------|-------------------|
| Annual taxable income | | \$ 35,300 |
| Federal taxes | | <u>\$(5,300)</u> |
| Annual Savings | | <u>\$ 30,000</u> |
| 5 years' savings (5x\$30,000) | | \$150,000 |
| 5 years' interest earned | \$32,770 | |
| 5 years' Federal taxes on interest earned | (10,188) | |
| Net interest saved | | \$ 22,582 |
| TOTAL SAVINGS WITHOUT CCF | | \$172,582 |

12. How much can be deposited into a CCF account each year?

The total amount you can deposit during any one tax year is equal to the total of the following for each Schedule A vessel you designate in your CCF Agreement:

(a) 100 percent of taxable income from vessel operation;

(b) 100 percent of vessel depreciation;

(c) 100 percent of the net proceeds from the sale or other disposition of vessels; and/or

(d) 100 percent of the earnings from investment or reinvestment of amounts deposited. (When you deposit into your CCF account the earnings of that CCF account, you may also defer the Federal tax which you would otherwise have paid on those earnings.)

Although you can deposit up to 100 percent of the amounts listed in (a) through (d) above, it is up to you to decide how much you actually can or

meet the minimum deposit requirement for future years.

14. May you keep the investment income (earnings) of the CCF rather than redepositing it into the CCF account?

Yes, if you withdraw it within your taxable year. **IF NOT, THESE EARNINGS BECOME AN ASSET OF YOUR CCF ACCOUNT.** If withdrawn, however, the earnings will be taxable income to you. If the earnings are redeposited or left in your CCF account, taxation on those earnings is deferred and is available for payment of the cost of your Schedule B projects.

Figure 4: Total Accumulation with CCF

| | |
|---|-------------------------|
| Annual taxable income | \$ 35,300 |
| Federal taxes | <u>-0-</u> |
| Annual CCF savings | \$ 35,300 |
| 5 years' savings (5x\$35,300) | \$176,500 |
| 5 years' interest earned and deposited into CCF | <u>\$ 38,558</u> |
| TOTAL ACCUMULATIONS WITH CCF | <u>\$215,058</u> |

15. If you have already deposited 10 percent of your taxable income into a CCF account, why would you want to deposit any depreciation?

Although you do not get an additional deduction of depreciation, you may redeposit CCF account earnings from your deposit of depreciation and defer taxation on those earnings. When you are

want to deposit.

Whatever you decide to deposit cannot, of course, be more than the total amount needed to pay for the cost of all Schedule B projects.

13. How much must be deposited into a CCF account each year?

The minimum annual deposit is 2 percent of the estimated cost of all Schedule B projects; or, if that 2 percent is more than half of your taxable income in any year, then half of your taxable income. Any earnings of the CCF account which are redeposited may be used to meet the minimum annual deposit.

If you plan to complete a Schedule B project more than 3 years in the future, you may meet the annual 2 percent test on a 3-year basis. In other words, you must deposit 6 percent every 3 years. You may make deposits in any amount, and in any year, provided that you deposit a total of 6 percent of the estimated cost of all Schedule B projects for each 3-year period. You may carry forward excess deposits (over the 2 percent in any one year) to

saving money for the construction of a new vessel, this can considerably accelerate your ability to accumulate funds.

16. What benefit is derived from a CCF deposit of full net proceeds from the sale of a vessel?

If you sell a Schedule A vessel, tax on any gain may be deferred by depositing the full net proceeds in your CCF account. This applies to installment sales also, except that you must deposit the total gain in the year of sale. No deferment, not even a partial deferment, is allowed except with a deposit of full net proceeds. It's either all or nothing.

17. Why should you enter a CCF Agreement after the end of a tax year instead of doing so for the following tax year?

There are two advantages.

First, deposits into your CCF account made after the tax year's end, but before the due date of your Federal tax return, may be applied to the

previous tax year.

Second, if in the year before entering into a CCF Agreement, you make a downpayment on a vessel which would have qualified under the Agreement, NMFS will approve it as eligible. Any transaction (downpayment, mortgage payment, payment on reconstruction, etc.) must have been such that it would have qualified if the CCF Agreement existed.

For example, assume you built a vessel in 1987 and did not know of the CCF program until early 1988. You could enter the CCF program before your Federal tax due date, and NMFS would approve any amounts you paid on the vessel in 1987 as if they had been deposited to or withdrawn from your CCF account. These deposits and withdrawals are called "constructive." This would give you a 1987 income tax deduction of a like amount.

18. When income is deferred under the CCF, and you use it to pay for Schedule B projects, do you ever have to pay taxes somehow?

Yes, income deferred under the CCF program and used to pay for Schedule B projects is subject to future "recapture" by the IRS.

This "recapture" is accomplished by a reduction in the basis for depreciation of Schedule B vessels. In other words, future depreciation allowance for these vessels will be reduced to compensate for the income you deferred under your CCF Agreement.

"Recapture" of the deferred income occurs over the depreciable life of your Schedule B vessel. So the interest-free-loan aspect continues for as long as you have depreciation to claim on the vessel.

19. If you lose future vessel depreciation, why should you enter the CCF?

Although the future basis for depreciation of your Schedule B vessels is reduced, remember that you did receive a deduction of a like amount in the years in which you made your CCF deposits. Therefore, you really have not lost anything as a result of this future reduction. You have gained. You have gained a relatively quick accumulation of capital for vessel construction. You have gained by not having to borrow as much to pay construction cost, thus reducing your interest payments on

borrowed funds. You have gained by having CCF funds available to you interest free.

20. If deposits and withdrawals associated with these different sources receive different treatment, how do you keep track of all of this?

Although you have only one CCF Agreement, it has three separate "bookkeeping accounts" as follows: (a) Capital account; (b) Capital Gain account; and (c) Ordinary Income account. These bookkeeping accounts must be maintained because the Tax Reform Act of 1986 requires taxpayers to distinguish between ordinary and capital gains.

21. What is the effect of deposits into the various accounts?

(a) The Capital Account. Deposits into the capital account do NOT generate a CCF tax deduction. These are principally deposits of vessel depreciation and proceeds from the sale of CCF Agreement vessels.

Since you receive an income tax deduction for depreciation whether or not you have a CCF Agreement, you naturally do not receive another deduction when you make a deposit to your CCF account which is attributable to this depreciation. If, however, you have cash in excess of that which you want to, or may, deposit to the ordinary income account, you can deposit it to the capital account under the depreciation ceiling. Any interest earned by this deposit can be redeposited and the taxes thereon deferred.

(b) The Capital Gain Account. Deposits into the capital gain account are mainly from the sale of Agreement vessels. Insurance proceeds may also be deposited if your vessel sinks. Taxes on these deposits are deferred.

(c) The Ordinary Income Account. Deposits into the ordinary income account create an immediate income tax deduction. You deposit to this account your current year's earnings on which you wish to defer taxation. You also deposit to this account the ordinary income portion (depreciation recapture) from the sale or other disposition of Agreement vessels and the interest income of the CCF account itself.

