

Agency: Commerce, Community and Economic Development**Grant Recipient: Gustavus Electric Co.****Federal Tax ID: 92-0104443****Project Title:****Project Type: New Construction and Land Acquisition**

AEA - Gustavus Electric Company Falls Creek Hydroelectric Debt Reimbursement

State Funding Requested: \$1,300,000
One-Time Need

House District: 5 / C**Brief Project Description:**

Retirement of Gustavus Electric Co. debt of \$1,300,000 associated with the recently completed Falls Creek Hydroelectric Project to reduce the electric rates to the Gustavus ratepayers.

Funding Plan:

Total Project Cost:	\$8,700,000
Funding Already Secured:	(\$7,400,000)
FY2012 State Funding Request:	<u>(\$1,300,000)</u>
Project Deficit:	\$0

Funding Details:

Funding already secured includes grants from the Denali Commission (\$2,800,000), The RUS (\$1,500,000), Capital Appropriations (\$1,450,000), Alternative Energy Grant (\$750,000) and equity matching funds. This funding request is to retire debt associated with project construction. There are two loans with the Alaska Energy Authority and loans from private individuals. Retirement of this debt is what is being requested here.

Detailed Project Description and Justification:

The Falls Creek Hydroelectric Project was built by Gustavus Electric Co. (GEC) to serve the community of Gustavus. GEC is the electric utility serving Gustavus and is regulated by the Regulatory Commission of Alaska. The Project went on line in July 2009 and was completed in September, 2009. This has lowered the electric rates by \$.20 to \$.40 per kWhr, depending on the price of fuel. GEC is carrying \$1,300,000 in debt associated with the construction of the Project. This debt would be added to the rate base, resulting in an increase of approximately \$.06/kWhr that the Gustavus ratepayer would have to pay over the next 30 years.

Reducing the cost of electricity is a top economic priority for the City of Gustavus. This request for debt relief has the full support of the Gustavus City Council. A Resolution to this effect is on file with the office of Representative Thomas. Lower electric rates will encourage economic development in Gustavus, leading to further reductions in these rates. Beneficiaries of lower rates also include State facilities such as the school, the DOT/PF operated airport and the PCE program.

Debt relief for this \$1,300,000 would be a great assistance to the residents of Gustavus and the State of Alaska. If full debt relief is not possible, any fraction thereof would be very beneficial.

Project Timeline:

The project is complete and operating. The requested funds would be used immediately to repay loans acquired to build the project.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Gustavus Electric Co.

Grant Recipient Contact Information:

Name: Richard Levitt
Title: President
Address: Box 102
Gustavus , Alaska 99826
Phone Number: (907)697-2299
Email: richardlevitt@cs.com

Has this project been through a public review process at the local level and is it a community priority? Yes No

Agenda Item 7/10/2008 - Motion passed to postpone until August 14, 2008 General Meeting
Agenda Item 8/14/2008 - Motion passed to postpone until August 21, 2008 Work Session
Agenda Item 9/11/2008 -

CITY OF GUSTAVUS, ALASKA

RESOLUTION No. 2008-12

A RESOLUTION BY THE CITY OF GUSTAVUS SUPPORTING GUSTAVUS ELECTRIC COMPANY'S APPLICATION FOR AVAILABLE GRANTS TO COMPLETE CONSTRUCTION OF AND PROVIDE DEBT RELIEF FOR THE FALLS CREEK HYDROELECTRIC PROJECT

WHEREAS, The Gustavus Strategic Plan lists reduction of electrical rates as a number one priority, and

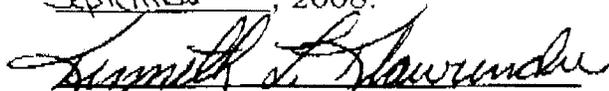
WHEREAS, the citizens of Gustavus have pursued renewable energy resource development since 1980, and

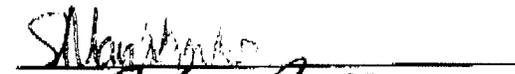
WHEREAS the Regulatory Commission of Alaska requires all such grant money be used for the purpose of reducing electrical rates produced by the Falls Creek hydroelectric project, and

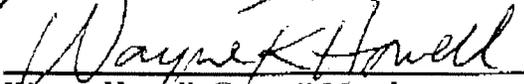
WHEREAS, all grant funding for the Falls Creek Hydroelectric project will be used for final construction and debt relief to reduce the high cost of electricity for Gustavus Citizens,

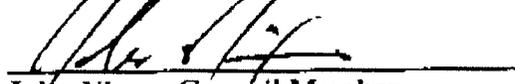
AND NOW THEREFORE BE IT RESOLVED, the City of Gustavus supports the application for and the use of grants for funding final construction of the Falls Creek Hydroelectric project and for funding all debts accrued during project completion.

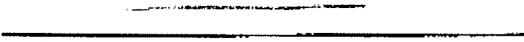
PASSED and APPROVED by the Gustavus City Council this 11th day of September, 2008.

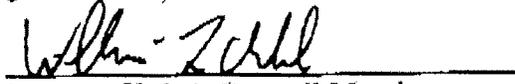

Kenneth L. Klawunder, Mayor

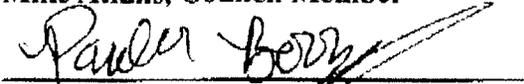

Sandi Marchbanks, Vice Mayor


Wayne Howell, Council Member


John Nixon, Council Member


Mike Atkins, Council Member


William Unkel, Council Member


Paul Berry, Council Member


Attest:
Kapryce Manchester, City Clerk

Resolution No. 2011-01

Advisory Work Group for the Southeast Alaska Integrated Resource Plan

Whereas: The Alaska Energy Authority is conducting a Southeast Integrated Resource Plan as directed by the 26th Alaska State Legislature.

Whereas: The Southeast Integrated Resource Plan will not be completed until January 2012.

Whereas: Many citizens and businesses in the Southeast are suffering severe economic impact from the high cost of oil contributing to very high electricity and space heating costs.

Whereas: The following list of projects will help alleviate the impacts of the high cost of oil on citizens and businesses in the Southeast.

Whereas: The following list of projects have been under development for many years, have completed or nearly completed exhaustive FERC licensing or similar process, and have broad public support.

NOW THEREFORE BE IT RESOLVED THAT The Advisory Work Group for the Southeast Alaska Integrated Resource Plan unanimously requests that AEA accelerate consideration of the below listed projects and that they not be delayed as AEA conducts the SE Integrated Resource Plan project.

NOW THEREFORE BE IT FURTHER RESOLVED THAT The Advisory Work Group for the Southeast Alaska Integrated Resource Plan unanimously requests that the 27th Alaska State Legislature provide funding for the continued development of the following projects in alphabetical order to provide relief to the citizens and businesses in Southeast Alaska from the high cost of electricity and space heating.

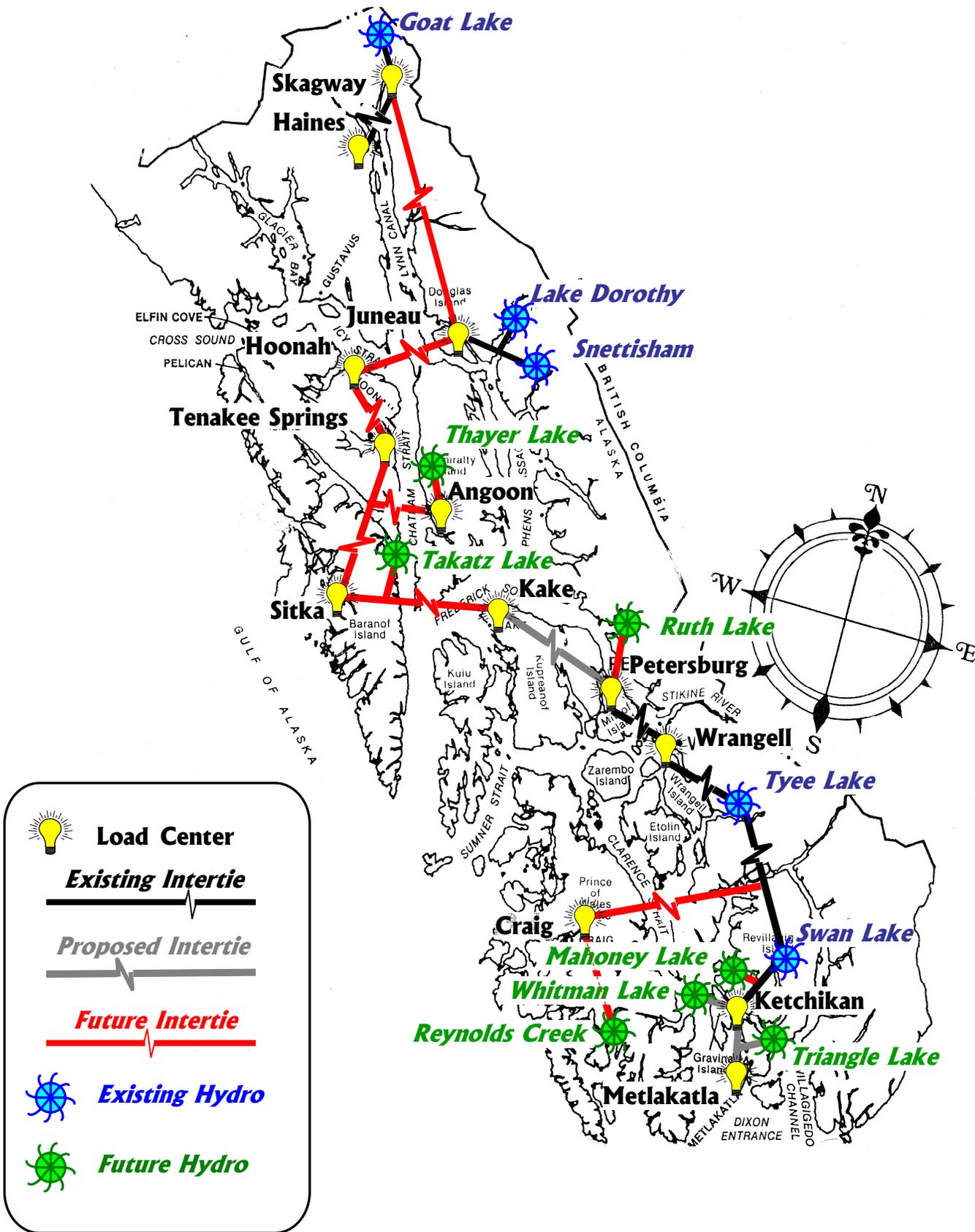
- Blue Lake Hydro
- Kake to Petersburg Intertie
- Metlakatla to Ketchikan Intertie
 - Reynolds Creek Hydro
 - Thayer Creek Hydro
 - Whitman Lake Hydro

By: 

Date: March 21, 2011

Rick Harris, Executive Vice President, Sealaska Corporation
Chairman, Southeast Alaska Integrated Resource Plan Advisory Work Group

SOUTHEAST ALASKA ELECTRICAL INTERTIE





Welcome Legislators!

Thank you all for your continued leadership and hard work on behalf of our region. Southeast has made great strides in many areas – but especially on the energy front. The establishment of the renewable energy grant fund and subsequent funding has seen unprecedented investment in many projects and the creation of HB 306 and SB 220 (with the southeast energy fund) will help the region achieve its quest toward energy security and diesel-independence.

This year's main task will be the development of the Southeast Integrated Resource Plan (IRP). This IRP will be one of the most important documents produced for the region since our 1997 Intertie System Plan (and subsequent updates in 2003/2005) and will provide guidance to communities, utilities – and the State of Alaska as energy infrastructure gets planned for and constructed in our region.

But while we wait for the conclusions of the IRP, there are a number of projects that have been recognized throughout the region that need funding now. The following list of energy projects are offered for your consideration (listed in alphabetical order):

- Blue Lake Hydro - The scope of this project is to raise the height of the existing dam by 83 feet construct a new intake gate and a new section of power tunnel to supply a new powerhouse to be constructed adjacent to the existing powerhouse.
- Kake to Petersburg Intertie – This project has entered the NEPA phase and is funded through the environmental process. The community of Kake is seeking funding so that the project can begin construction as soon as the intertie is designed and permitted (estimated spring 2012).
- Metlakatla to Ketchikan Intertie – The combined hydros at Chester Lake and Purple Lake generate surplus power that could be dispatched to Ketchikan or to Kake via the Southeast Alaska Power Agency (SEAPA) intertie system if extended to Metlakatla. This project is under construction but needs funding for the segment between Annette Island and Ketchikan.
- Reynolds Creek Hydro – This project is officially in the construction phase. Good progress has been made in the creation of a project management team that is now updating costs and performing “value-engineering” tasks. It is anticipated that gap funding will be sought to cover construction-inflation costs that have increased since the project began.
- Thayer Creek Hydro – This hydro is the known solution to Angoon's need for renewable energy development. The Forest Service signed the EIS Record of Decision for the Thayer Creek Hydroelectric Project in May 2009. Kootznoowoo has the rights to develop the project, and IPEC is the certificated and regulated electric provider for Angoon.
- Whitman Lake Hydro - Development of the Whitman Lake Hydroelectric Project is critical to Ketchikan's continued economic sustainability as it provides the community with a source of reliable and reasonably priced hydroelectric power. The project will operate in cooperation with the Whitman Lake Hatchery (owned by Southern Southeast Regional Aquaculture Association).

For more information, contact the communities directly or Southeast Conference Energy Coordinator Robert Venables at energy@seconference.org.