

Agency: Commerce, Community and Economic Development**Grants to Named Recipients (AS 37.05.316)****Grant Recipient: Inside Passage Electric Cooperative****Federal Tax ID: 43-1964262****Project Title:****Project Type: Other**

Inside Passage Electric Cooperative - Southern Energy, Inc. Hydroelectric Project Purchase

State Funding Requested: \$1,265,000**House District: 5 / C**

One-Time Need

Brief Project Description:

IPEC buys hydropower from Southern Energy Inc. (SEI) for the Chilkat Valley. SEI's hydro project is for sale and IPEC would like to purchase this asset.

Funding Plan:

Total Project Cost:	\$1,265,000
Funding Already Secured:	(\$0)
FY2012 State Funding Request:	<u>(\$1,265,000)</u>
Project Deficit:	\$0

*Funding Details:**\$ 1,265,000 grant request from state 2011***Detailed Project Description and Justification:**

IPEC currently buys hydropower from Southern Energy Inc. (SEI) for the Chilkat Valley including Klukwan. If SEI does not have enough hydropower to supply the current demand then IPEC buys what power is necessary from AP&T. SEI's hydro project is currently for sale with IPEC having first right of refusal. IPEC has determined it's in the best interest of our customers to buy this resource to stabilize rates and also to meet our goal of becoming diesel independent by 2015.

Project Timeline:

IPEC is currently finalizing a purchase agreement with the owner of Southern Energy Inc. Once the documents are executed IPEC will buy the assets from SEI as outlined in the purchase agreement. This process should be completed during the 2011 calendar year.

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

IPEC

Grant Recipient Contact Information:

Name:	Jodi Mitchell
Title:	CEO/General Manager
Address:	PO Box 210149 Auke Bay, Alaska 99821
Phone Number:	(907)789-3196
Email:	jmittchell@alaska.com

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

Summary of IPEC CIP Budget Request

Requesting Entity: Inside Passage Electric Cooperative, Inc.
(a nonprofit rural electric cooperative)

Amount of Request: \$350,000

Purpose of Request: Grant support for acquisition and transaction costs to purchase the 550 KW 10 Mile hydroelectric plant outside of Haines for approximately \$1.2 million

Communities Benefiting: All residents and businesses in Angoon, Chilkat Valley, Hoonah, Kake and Klukwan

Brief Description of Grant Benefits

Over the next eighteen years, electric consumers will benefit an estimated **\$0.1532** per kWh generated by the 10 Mile hydroelectric plant. The 10 Mile hydroelectric plant generates approximately 1,000,000 kWh per year, representing almost 10% of IPEC annual electric generation. The net present value of the benefit to all electric consumers from reduced electric costs is approximately \$1.551 million. In addition to the direct financial benefit, the purchase of the hydroelectric plant will ensure a reliable source of renewable energy for IPEC's members and give IPEC the opportunity to increase its experience with hydroelectric power and continue to pursue other hydroelectric projects. As a nonprofit electric cooperative, all IPEC savings from the purchase will flow through to the community.



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February 11, 2011

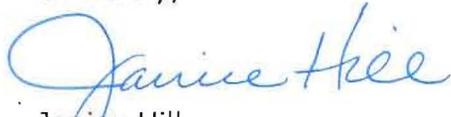
State of Alaska

To Whom It May Concern:

The Haines Borough has for many years supported Inside Passage Electric Cooperative (IPEC) in their quest to reduce electric rates to its members in the Chilkat Valley and Klukwan. These initiatives include reduction of IPEC's construction-related debt, and/or reduction of its operating expenses.

IPEC's acquisition of the hydroelectric facility at 10-Mile Haines Highway will result in lower operating costs for IPEC that can be passed through to the rate payers. We hereby lend our support to IPEC for this initiative, and ask that you assist our valley rate payers in any way possible.

Sincerely,


Janice Hill
Mayor