

Agency: Commerce, Community and Economic Development**Grants to Municipalities (AS 37.05.315)****Grant Recipient: Saxman****Federal Tax ID: 3008E****Project Title:****Project Type: Planning and Research**

Saxman - Mahoney Lake Hydroelectric Project Phase III Pre-Construction

State Funding Requested: \$1,000,000**House District: 33 / Q**

Future Funding May Be Requested

Brief Project Description:

The City of Saxman seeks \$1,000,000 State investment in the following pre-construction tasks for the 9.6MW Mahoney Lake Hydroelectric project (FERC License P-11393): A) FERC Final Design -- Finalization and Design Report; B) Permit Renewal and Re-issuance of Environmental Assessment, if necessary; C) Cost Estimate Updated with new Permit Conditions . Funding for an identical scope of work has been requested via the Alaska Energy Authority Renewable Energy Round VI Grant Program.

Funding Plan:

Total Project Cost:	\$51,000,000
Funding Already Secured:	(\$4,000,000)
FY2014 State Funding Request:	<u>(\$1,000,000)</u>
Project Deficit:	\$46,000,000

Funding Details:

During the 1990s, Cape Fox Corporation and Alaska Power & Telephone invested \$4,000,000 in pre-construction activities, resulting in issuance of a FERC license to the City of Saxman.

Detailed Project Description and Justification:**Description:**

The City of Saxman seeks \$1,000,000 State investment in the following pre-construction tasks for the 9.6MW Mahoney Lake Hydroelectric project (FERC License P-11393):

\$400,000 FERC Final Design -- Finalization and Design Report

\$400,000 Permit Renewal and Re-issuance of Environmental Assessment, if needed

\$200,000 Cost Estimate Updated with new Permit Conditions

These activities are consistent with the Southeast Alaska Integrated Resource Plan's (SEIRP's) recommendations to allocate near-term investment to activities which reduce "unknowns" for potential future hydroelectric projects.

The Mahoney Lake Hydroelectric Project will provide ratepayers with 41,743,000 kWh of affordable, renewable electricity per year. The Mahoney Lake Partnership's current estimated busbar cost of power, assuming 50% State investment, is 7.3 cents per KWH. The project is capable of accommodating the Ketchikan / SEAPA region's growing load demands, while supporting economic growth and quality job creation in priority industries such as mining/ore processing, the marine industry

sector, shipbuilding & repair, tech-based industries, and more. Performance of the tasks described above will help pinpoint Mahoney Lake's power costs and construction costs with greater accuracy, providing essential information which can inform future power sales agreements and decision-making by local and regional leadership.

Priority Ranking:

--#1 City of Saxman Priority

--#3 Overall priority identified on City of Ketchikan, Ketchikan Gateway Borough, City of Saxman "Joint Regional Priority List"

--City of Saxman / Ketchikan Indian Community Joint Legislative Priority

Community Support:

--Heatherdale Resources (Niblack Mine Project)-- letter of support

--SE Conference (regional ARDOR for Southeast Alaska) -- letter of support

--Ketchikan Indian Community -- letter and resolution of support

--Ketchikan Chamber of Commerce -- letter of support on behalf of Ketchikan's business community

--Ketchikan Gateway Borough School District -- letter of support

--Alaska Ship & Drydock -- letter of support

--US Congressman Don Young -- letter of support

--#1 community development priority on joint City of Saxman / Organized Village of Saxman CEDS List

--Regional development priority on most recent Ketchikan Gateway Borough Comprehensive Economic Development Strategy (CEDS) list -- only hydroelectric project on list

--Highest rated priority on community member poll conducted by Ketchikan Daily News in October of 2012

Project Partnership Structure:

In September of 2011, the City of Saxman, Cape Fox Corporation (CFC), and Alaska Power & Telephone (AP&T) renewed a public-private partnership for development of the Mahoney Lake hydroelectric project. The FERC license for the project is issued to the City of Saxman. Cape Fox Corporation and Alaska Power & Telephone each have 50% ownership of "Ketchikan Electric Company, LLC" (AK Business License # 267588) -- a company formed to develop, own, and operate the Mahoney Lake project. In the mid-90s, CFC and AP&T invested approximately \$2 million each in the project, which resulted in issuance of a FERC license, and construction of roads to the site of the project's future powerhouse.

Project Size:

The 9.6 MW Mahoney Lake project can provide 41,743,000 KWH (41.7 GWH) of power per annum. The project is ideally sized to support rapidly-emerging economic opportunities in priority industries such as mining/ore processing, the marine industry sector, shipbuilding & repair, tech-based industries, the visitor industry, and more. Approximately 17,900,000 KWH (17.9 GWH) of power is available between November and April as winter storage. AP&T's 2012 cost estimate for the project is \$46,000,000, +/- 20% -- one of southeast Alaska's most affordable options for new hydropower. (See attached SEIRP Tables 10-4 and 10-7 for "Refined Screened Hydro Project List" comparison.) The Mahoney Lake Partnership's current estimated busbar cost of power, assuming 50% State investment, is 7.3 cents per KWH.

Mahoney Lake: Advanced Development Conditions:

Mahoney Lake's advanced state of development-readiness helps make the project a particularly attractive possibility for new, affordable hydroelectric power, capable of coming online in a timely manner within the next two years:

-- FERC License Received (FERC P-11393). Repeating this FERC licensing process for new hydro projects concepts

requires 9+ years, and comes with a risk of the license not being awarded.

-- Work completed on the project to date helps to provide a greater degree of certainty regarding the project's cost than other, as-yet-unlicensed project concepts. (See SEIRP Tables 10-4 and 10-7 for comparison.)

-- Access roads to project completed. Project is connected to the Ketchikan road system via Cape Fox Corporation's White River road system.

-- Project is located approximately 5 miles from existing transmission lines (both Beaver Falls, and the Swan-Tyee Intertie lines)

-- \$4,000,000 of private-sector investment in the project to date.

-- Project is located 2 road miles from a former sortyard offering barge access, suitable for redevelopment in accordance with industry needs. (Example: ore processing facility for the Niblack mine)

Funding Options:

The City of Saxman has submitted a request for \$1,000,000 in AEA Renewable Energy Round VI Grant funding for the scope of work described above. Saxman suggests State investment in the Mahoney Lake project either via direct capital appropriation, or AEA grant funding. Additional details of project and proposed \$1,000,000 investment can be found in the City of Saxman's application for AEA Renewable Energy Round VI Grant funding.

Project Benefits:

- Assures sufficient power for growth of mining industry (letter of support from Heatherdale Resources / Niblack Mine)
- Reduced reliance upon heating oil and diesel generation of electricity
- Responds to regional business/population growth, and growing regional demand for affordable energy
- Responds to increased conversion to electric heat by residential, commercial, industrial, municipal, and non-profit sectors
- Reduces operating costs for resident businesses, supporting growth and expansion
- Cuts operating expenses for schools and non-profit organizations by supporting addition of or conversion to electric boilers, reducing regional tax burdens
- Supports construction of new community facilities requiring additional energy
- Assures availability of clean, renewable energy for resident ratepayers
- Affordable energy rates and abundant supply of renewable energy attracts new businesses, and supports new economic opportunities
- Keeps southeast Alaska competitive with peer/benchmark coastal communities competing to attract new businesses and jobs (ex: British Columbia, Puget Sound, San Diego, etc.)
- Supports new economic development and rapidly emerging opportunities in priority industries, such as Ketchikan-based ore processing, mining industry development, growth of the regional maritime industry sector, tech industries, and more
- Provides enhanced stability to region-wide system
- Could help provide electricity to cruise ships, lowering environmental impact of the visitor industry, and assuring compliance with federal environmental quality standards/regulations. (SEIRP forecasts 35,529 MWH annual demand by Ketchikan/Wrangell/Petersberg-area cruise ships)
- Reduces dependence on foreign oil

Growth in Regional Demand for Electricity:

Demand for electricity has been increasing substantially in the Ketchikan and SEAPA regions. The Southeast Alaska Integrated Resource Plan (SEIRP) states: "The number of [Ketchikan area] customers increased from 7,347 in 2008 to 7,418 in 2010. Most of the customer increases have been due to high growth in commercial and industrial activities. Unlike other areas in Alaska, Ketchikan has seen a recent spurt in commercial and industrial activities which has led to new customers coming into the area."

In January of 2012, Ketchikan Public Utilities experienced new peak demands for electricity, with peak demand exceeding the prior record by 13.7%, and total KWH delivered in a 24-hour period exceeding the prior record by 14.3%.

Proximity to Opportunities

In the 1990s, the collapse of Southeast Alaska's robust forest products industry devastated southern southeast Alaska's economy. Currently, the region's future is looking brighter due to proximity to emerging opportunities.

Southern southeast Alaska has the potential to contribute substantially to new private sector economic activity, including: ore processing; mining; growth of advanced manufacturing (shipbuilding and repair); serving as a supply/support sector to Arctic offshore oil and gas fleets seeking ice-free winter moorage in communities with well-developed supply chains; State-wide growth of maritime activity; technology-based business; and more. Southeast Alaska must have infrastructure already in place to support these emerging opportunities. Southeast Alaska's infrastructure capacity will make the critical difference between these jobs remaining in Alaska, and jobs being exported to other states or nations with greater foresight.

As an example, Heatherdale Resources is currently advancing geological, engineering and environmental studies towards the future development of the Niblack Copper-Gold-Zinc-Silver project on Prince of Wales Island. Part of these investigations includes studies of the suitability of an ore-processing facility in the Ketchikan area. Recognizing that additional renewable energy would be critical to establishing a Ketchikan-based ore-processing facility, Heatherdale Resources has provided a letter of support for the \$1m Mahoney Lake pre-construction request. (See attachments.)

Affordable electricity is an area of common need shared by all business types. Because demand for electricity currently outpaces supply, it should be prioritized as an area requiring imminent investment; otherwise, southeast Alaska runs the risk of seeing jobs exported to communities and nations which are better able to respond to private sector demand.

Social Benefits:

The Mahoney Lake Hydroelectric Project will produce enough energy to displace 3,105,000 gallons of diesel per annum. Over the initial term of its existing FERC license, the project would displace 142,830,000 gallons of diesel. The avoided cost of the diesel in nominal dollars is \$3 billion, and in 2011 dollars is \$530 million. Total carbon dioxide emissions avoided over the initial term of the existing FERC license would equal 1.8 million metric tons, valued at \$67.7 million in 2007 dollars. (Assumptions in attached documents.)

Additional info and graphics are provided as attachments to Saxman's CAPSIS request.

A greater level of detail regarding project activities is available via Saxman's Renewable Energy Round VI grant application, available via the Alaska Energy Authority.

Project Timeline:

July 1st, 2013 - June 30th 2014.

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

Ketchikan Electric Company, LLC

Grant Recipient Contact Information:

Name: Jason Custer
Title: Chairman, Mahoney Partnership
Address: Rt. 2, Box 1 -- Saxman
Ketchikan, Alaska 99901
Phone Number: (907)225-4166
Email: jasonryancuster@gmail.com

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



January 10, 2013

City of Saxman
Rt. 2, Box 1 -- Saxman
Ketchikan, AK
99901

ATTN: Jason Custer – Development Coordinator, City of Saxman

Dear Mr. Custer,

As you are likely aware, Heatherdale Resources Ltd. (Heatherdale) is currently advancing geological, engineering and environmental studies toward the future development of the Niblack Copper-Gold-Zinc-Silver Project (Niblack) on Prince of Wales Island. Part of these investigations includes studies of the suitability of an ore-processing facility separate from the mine location, yet still within the Ketchikan area.

It has recently come to our attention that the City of Saxman (Saxman) is requesting State investment in pre-construction activities to advance the 9.6 MW Mahoney Lake Hydroelectric Project. We understand that the Mahoney Lake Project would meaningfully enhance the Ketchikan area's supply of clean, renewable and low-cost hydroelectric power, and will become an important long-term asset for meeting local residential, commercial and industrial energy needs.

As an anticipated user of industrial power in southeast Alaska, Heatherdale would like to express support for Saxman in its efforts to secure funding for the Mahoney Lake Hydroelectric Project. It is our understanding funding would go towards 2014 activities that include Federal Energy Regulatory Commission (FERC) design finalization, permit renewal (if necessary), and a cost estimate update which would reflect any new permit conditions. Ensuring a reliable, long-term supply of low-cost, renewable and clean power for the Ketchikan region is a critical foundation for future economic and community development, and we applaud Saxman for its leadership in this realm.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick Smith", with a long horizontal flourish extending to the right.

Patrick Smith
President & CEO



Table 10-4 Refined Screened Potential Hydro Project List

PROJECT NAME	LOCATION	CATEGORY	CAPACITY (MW)	CAPITAL COST		ANNUAL ENERGY (MWH)
				(\$ MILLIONS)	\$/KW	
SEAPA						
Anita - Kunk Lake	Wrangell	Storage	8.60	90.54-135.82	10,528-15,793	28,100
Cascade Creek	Petersburg	Storage	70.00	146.35-219.53	2,091-3,136	202,300
Connell Lake	Ketchikan	Storage	1.70	5.40-10.80	3,176-6,353	10,600
Lake Shelokum	Wrangell	Storage	10.00	39.00-91.00	3,900-9,100	40,000
Mahoney Lake	Ketchikan	Storage	9.60	34.50-51.76	3,594-5,392	46,066
Orchard Lake	Meyers Chuck	Storage	10.00	34.20-79.80	3,420-7,980	56,000
Ruth Lake	Petersburg	Storage	20.00	84.54-126.82	4,227-6,341	70,700
Scenery Creek	Petersburg	Storage	30.00	128.98-193.48	4,299-6,449	128,700
Sunrise Lake	Wrangell	Storage	4.00	16.64-24.96	4,160-6,240	13,500
Thoms Lake	Wrangell	Storage	7.50	110.11-135.17	14,681-18,023	24,200
Triangle Lake	Metlakatla	Storage	3.50	12.63-18.95	3,609-5,414	13,100
Tyce New Dam Construction	Wrangell	Storage	1.40	36.60-85.4	26,143-61,000	9,100
Tyce New Third Turbine	Wrangell	Storage	10.00	13.20-30.80	1,320-3,080	-
Virginia Lake	Wrangell	Storage	12.00	103.21-154.81	8,601-12,901	43,800
Baranof Island						
Takatz Lake	Sitka	Storage	27.70	117.04-175.56	4,225-6,338	106,900
Chichagof Island						
Crooked Creek and Jim's Lake	Elfin Cove	Storage/Run-of-River	0.16	1.48-2.22	9,250-13,875	666
Indian River	Tenakee Springs	Run-of-river	0.25	2.02-3.02	8,080-12,080	916
Water Supply Creek	Hoonah	Run-of-river	0.40	5.49-8.23	13,725-20,575	1,480

Table 10.7 Results of Economic and Risk Screening

PROJECT NAME	LOCATION	PROJECT DEVELOPMENT					OPERATIONAL		PROJECT LINE MAINTENANCE (1,3,5)
		DEVELOPMENT LEVEL (1-5)	LICENSING/ PERMITTING (1,3,5)	CONSTRUCTABILITY/ RELIABILITY/ ACCESS (1,3,5)	BUSINESS AND FINANCIAL STRUCTURE (1-5)	HYDROLOGY (1,3)	OPERATING FLEXIBILITY (1,3,5)		
SEAPA									
Aurora - Knik Lake	Wrangell	4	5	5	5	5	5	5	5
Cascade Creek	Petersburg	2	3	5	4	1	5	5	5
Gonnell Lake	Ketchikan	4	3	1	5	1	5	5	1
Lake Sheldikon	Wrangell	5	3	5	4	1	5	5	5
Mahoney Lake	Ketchikan	1	1	1	4	1	3	1	1
Orchard Lake	Meyers Chuck	5	5	5	5	1	5	5	1
Rish Lake	Petersburg	4	3	5	4	5	5	5	5
Seavey Creek	Petersburg	4	3	5	4	5	5	5	5
Summe Lake	Wrangell	3	3	3	5	1	5	5	3
Thomas Lake	Wrangell	4	5	3	5	1	5	5	3
Triangle Lake	Metlakatla	3	5	3	4	1	5	5	3
Type New Dam Construction	Wrangell	4	5	5	5	1	1	1	1
Type New Third Turbine	Wrangell	4	5	5	5	1	5	5	1
Virginia Lake	Wrangell	4	5	5	5	1	5	5	5
Baranof Island									
Takatz Lake	Sitka	3	3	5	4	1	1	1	5
Chickapof Island									
Crooked Creek and Hen's Lake	Ellin Cove	2	5	1	5	1	3	3	3
Indian River	Tendee Springs	3	5	5	4	1	5	5	3
Water Supply Creek	Hoonah	3	5	1	4	1	5	5	1
Juneau Area									
Lake Dorothy Expansion	Juneau	2	5	3	2	1	1	1	1
Sweetheart Lake	Juneau	2	3	5	4	1	1	1	5
Upper Lynn Canal									
Gonnely Lake	Haines	3	3	3	2	1	5	5	3
Schubert Lake	Skegway	5	3	5	2	5	3	5	5
Walker Lake	Chitka Valley	4	5	1	5	1	5	5	3
West Creek	Skegway	5	5	1	4	5	5	5	3

Note: The risk-rated ratings shown in this table are based upon the project-specific information available at this time and subject to change as projects move through the development process. These ratings are not additive for the purpose of a competitive ordering of projects. Consequently, the AEA believes that this information should not be used in its current form to make any investment decisions.



Ketchikan Gateway Borough Office of the Mayor
1900 First Avenue, Suite 115 907-228-6605
Ketchikan, AK 99901

City of Ketchikan Office of the Mayor
334 Front Street 907-228-5658
Ketchikan, AK 99901

City of Saxman Office of the Mayor
Rt 2 Box 1 907-225-4166
Ketchikan, AK 99901

October 16, 2012

The Honorable Sean Parnell
Governor of Alaska
PO Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

The "Community of Ketchikan" (comprised of the three Ketchikan area local governments) is pleased to present to you its FY 2014 Community Legislative Priority List. Ketchikan local governments worked together to compile the following priority list of improvement projects for the benefit of the Community of Ketchikan:

Ketchikan Gateway Borough Priority Projects:

Ketchikan Performing Arts Center	\$1,800,000
Service Area Road Construction and Repair	\$4,090,150

City of Ketchikan Priority Projects:

Ketchikan Medical Center	\$20,000,000
Off-System City Bridges and Repairs	\$12,750,000

City of Saxman Priority Projects:

Mahoney Lake Hydroelectric Project	\$1,000,000
Saxman Community Center Parking Lot	\$557,740

Community Priority Project from Alaska Industrial Development & Export Authority (AIDEA):

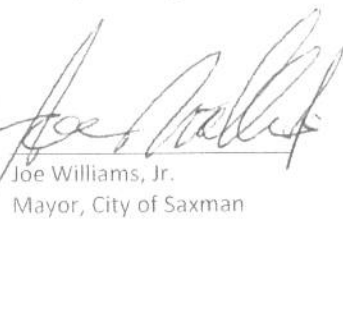
Ketchikan Shipyard Improvements	\$11,000,000
---------------------------------	--------------

The Community Legislative Priority List serves as the foundation of Ketchikan's attempt to move forward toward economic sustainability. The Ketchikan Gateway Borough, the City of Ketchikan, and City of Saxman request your favorable consideration of Ketchikan's priority projects for inclusion in your FY 2014 capital budget.

Sincerely,


Dave Kiffer
Mayor, Ketchikan Gateway Borough


Lew Williams
Mayor, City of Ketchikan


Joe Williams, Jr.
Mayor, City of Saxman



September 19, 2012

Mayor, Harvey Shields
City of Saxman
Attn: Jason Custer
Rt. 2, Box 1 -- Saxman
Ketchikan, AK 99901

Re: Support for Mahoney Lake Hydro

Dear Mayor Harvey,

Southeast Conference is pleased to continue its support of the Mahoney Lake project. One of the key findings of the recent Southeast Alaska Integrated Resource Plan (SEIRP) planning process was that immediate investment be made in determining which storage hydros can best meet the region's growing load demands, while supporting economic growth and quality job creation in priority industries such as maritime, mining and ore processing.

Mahoney Lake's advanced state of development-readiness helps make this project a particularly attractive possibility for new, affordable hydroelectric power, capable of coming online in a timely manner.

Southeast Conference urges all potential funders to give the Mahoney Lake hydro project the fullest support possible as the next steps are taken to determine the project's final permitting and design and economic viability. Storage hydros offer the best opportunity to solve the energy needs of the region and will aid in our mission to develop strong economies, healthy communities and a quality environment in southeast Alaska. If you or any potential funding agency has any questions, feel free to contact me or Southeast Conference Energy Coordinator, Robert Venables.

Sincerely,

A handwritten signature in cursive script that reads "Shelly Wright".

Shelly Wright
Executive Director



September 8, 2011

Greater Ketchikan Chamber of Commerce

P.O. Box 5957, Ketchikan, Alaska 99901

Phone (907) 225-3184

Fax (907) 225-3187

E-mail: info@ketchikanchamber.com

www.ketchikanchamber.com

To Whom it May Concern,

The purpose of this letter is to express the Greater Ketchikan Area Chamber of Commerce's support for development of the Mahoney Lake hydroelectric project in a manner which:

- a) Assures affordable electricity to Ketchikan residents and businesses.
- b) Supports Ketchikan's economic growth and development, attracts new businesses, and leads to creation of new jobs.
- c) Contributes to the Ketchikan region's overall economic health and sustainability.


Although Ketchikan's population has declined, demand for electricity in the region continues to grow. An increasing number of homeowners and businesses are using electric heating systems. New public facilities will create concurrent new needs for power. Major development activities with great economic potential for the region -- such as the continued expansion of Alaska Ship and Drydock, the possible construction of Alaska Class Ferries in Ketchikan, expansion of Ketchikan's maritime industry sector and future mining activities on Prince of Wales -- will create additional demand for electricity. The cost of burning diesel fuel during times of high demand cuts into businesses' bottom lines, and adds to families' living expenses.

Increased availability of affordable electricity will support the development of Ketchikan's economy, driving business growth, and making the region more attractive for new private sector investment. Surplus, affordable power will attract new jobs and businesses to the region.

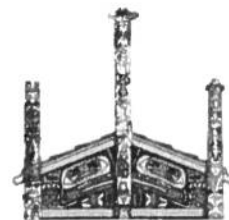
The City of Saxman owns the FERC license for a 9.6 megawatt hydroelectric project at Mahoney Lake. The Mahoney Lake project is "low hanging fruit" capable of providing for Ketchikan's energy needs for years to come.

The Greater Ketchikan Chamber of Commerce support construction of the Mahoney Lake project before expiration of permits and licensing.

Respectfully


Kimberly Glisson, President

Ketchikan Indian Community



RESOLUTION: KIC-12-48

TITLE: KETCHIKAN INDIAN COMMUNITY SUPPORTS THE CITY OF SAXMAN'S REQUEST FOR STATE FISCAL YEAR 2014 CAPITAL APPROPRIATIONS

WHEREAS, the Tribal Council of the Ketchikan Indian Corporation doing business as the Ketchikan Indian Community ("KIC or the "Tribe"), is a federally recognized Tribal government organized under a Constitution and Bylaws (collectively, the "Constitution") ratified on January 16, 1979, and previously organized under a Constitution and Bylaws ratified on January 27, 1940, in each instance pursuant to Section 16 of the Indian Reorganization Act ("IRA") of 1934 as amended; and

WHEREAS, the KIC Tribal Council (the "Tribal Council") is the representative Tribal Government of the Tribe; and

WHEREAS, the KIC Tribal Council is empowered under Article V, Section 1(c) of the KIC Constitution to "sell, convey, pledge, lease, exchange, transfer or otherwise dispose of all any part of its property...with the approval of the Tribal Council; and

WHEREAS, There is significant overlap between Ketchikan Indian Community membership and City of Saxman residents; and

WHEREAS, Ketchikan Indian Community and the City of Saxman share strong, longstanding cultural, traditional, and economic ties; and

WHEREAS, City of Saxman projects such as Mahoney Lake and Saxman Harbor respond to region-wide infrastructure needs, carry the potential to support and accelerate commercial / industrial growth, and would support creation of quality jobs in priority industries such as mining and the marine industry sector; and

WHEREAS, the Saxman Community Center is a vital hub for Alaska Native traditional and cultural events, and is utilized by residents of Ketchikan, Saxman, Metlakatla, and Prince of Wales; and

WHEREAS, the City of Saxman and Ketchikan Indian Community believe that a cooperative, coordinated, integrated approach to community, economic, and workforce development will result bring greater levels of sustainable benefit to both entities, as well as the region as a whole; and

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE TRIBAL COUNCIL OF THE KETCHIKAN INDIAN COMMUNITY AS FOLLOWS:

Section 1. Ketchikan Indian Community supports the City of Saxman's requests for State Fiscal Year 2014 Capital Appropriations investment, which include the following priorities:

1. Mahoney Lake Hydroelectric Project: Preconstruction -- \$1,000,000
2. Saxman Community Center Parking Lot: Phase I + II -- \$557,740
3. Saxman Public Works / Public Safety Upgrades -- \$176,020
4. New Raw Water Source -- \$996,500
5. Saxman Harbor: Phase I Construction -- \$1,400,000 (Funding needed circa 2015)

Section 2. In the event that investment via direct capital appropriation is not available for SFY2014, Ketchikan Indian Community requests that the State of Alaska consider funding the abovementioned projects via SFY2014 grant funding opportunities, including but not limited to the following programs:

- Alaska Energy Authority Renewable Energy Fund Round 6 Grants (Mahoney Lake)
- Alaska Energy Authority LED Streetlight Retrofit Program (Public Works / Public Safety Request)
- Alaska Energy Shelter Generator Grant Program (Public Works / Public Safety Request)


CERTIFICATION

The foregoing resolution was adopted at a duly convened meeting of the Ketchikan Indian Community Tribal Council, assembled this 10th day of October, 2012 at 2960 Tongass, Ketchikan, Alaska 99901, by a vote of: 7 FOR and 0 AGAINST


Irene Dundas, President Date: 10/9/12

Effective <u>October 10</u> , 2012	Yes	No	Absent
Roll Call			
DUNDAS			
HUDSON	X		
ARRIOLA	X		
FRANK	X		
SANDERSON	X		
CHURCHILL	X		
LECORNU	X		
REEVES	X		
4 Affirmative Votes Required for Passage			

ATTEST:


Andre LeCornu, Secretary Date: 10/9/12



October 9, 2011

Re: Industry support for the Mahoney Lake Hydroelectric project

To whom it may concern;

The purpose of this letter is to express Alaska Ship & Drydock Inc's (ASD) support for development of the Mahoney Lake Hydroelectric project in a manner which assures competitive priced energy to ratepayers in southeast Alaska. ASD operates the Ketchikan Shipyard under agreement with the Alaska Industrial Development and Export Authority (AIDEA) and we are engaged primarily in ship building and repair.

Alaska Ship and Drydock is working to develop Alaska's infrastructure and workforce, to support growth of Alaska's marine transportation, resource development, fisheries, and on/off-shore gas industries through shipbuilding and repair, a subsector of advance manufacturing. Ketchikan's shipyard attracts marine vessel fleet owners and operators (AMHS and NOAA) to the region, and enhances Ketchikan's potential as a base port for commercial vessels engaging in economic activity throughout Alaska. Growth in demand for shipyard supplies, material, and workforce supports expansion of local businesses, attracts new businesses, and creates new economic opportunities and diversity.

Along with other components of the region's maritime industry cluster, Alaska Ship & Drydock's facilities are expanding. With such growth comes concurrent, long-term demand for competitive priced energy, that can only be provided by hydroelectric projects like Mahoney Lake .

The Mahoney Lake project can provide our region's industries with a dependable, renewable source of hydropower, and help drive development of a more robust, sustainable economy.

Alaska Ship & Drydock urges you to do your utmost in supporting construction of this federally-licensed project at the earliest possible time.

Respectfully Submitted,

Doug Ward

DON YOUNG
CONGRESSMAN FOR ALL ALASKA
WASHINGTON OFFICE
2111 RAYBURN BUILDING
TELEPHONE 202-225-5765



Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEE ON
NATURAL RESOURCES
CHAIRMAN, SUBCOMMITTEE ON
INDIAN AND ALASKA NATIVE AFFAIRS
COMMITTEE ON
TRANSPORTATION & INFRASTRUCTURE
REPUBLICAN
POLICY COMMITTEE

December 8, 2011

Ms. Karen Rehfeld
Director, Office of Management and Budget
State of Alaska
PO Box 110020
Juneau, AK 99811

Dear Ms. Rehfeld:

The City of Saxman recently updated me on the Mahoney Lake Hydropower project. The project is a partnership between the City of Saxman, Cape Fox Corporation and Alaska Power & Telephone. It is the City's number one priority on their FY2013 project list.

The recent completion of the Swan-Tyee Intertie has brought additional hydropower energy to Ketchikan and the surrounding area, but even with that project fully online, it is estimated that they will be fully subscribed by 2015 and unless additional hydropower projects are completed, will have to turn to the use of diesel to supplement the hydro to meet its energy needs.

The Mahoney Lake project is a 9.6mw project that has already received its Federal Energy Regulatory Commission (FERC) license and is in the process of seeking funds to complete construction. The project is needed to meet increasing regional demand for electricity, support projects such as the expansion of Alaska Ship and Drydock and Ketchikan General Hospital, and take advantage of evolving economic opportunities.

I understand that an Integrated Resource Plan (IRP) for Southeast is nearing completion and will include an assessment of regional energy concerns and issues, a regional transmission and inter-connection plan, and address individual community energy needs. I encourage your consideration of the Mahoney Lake Project as you develop your funding strategies for energy projects to bring access to affordable, reliable energy for electricity, heating and transportation to all Alaskans.

Sincerely,

A handwritten signature in black ink that reads "Don Young".

DON YOUNG
Congressman for all Alaska

DY:cm
cc: City of Saxman

Provided for your information
By Bill Williams

An Open Letter to Governor Sean Parnell, and Ketchikan's Local and Regional Leadership

August 15th, 2012

After my years of service in Alaska's House of Representatives, including time spent as Co-Chair of the House Finance Committee, there is one vital regional investment, as yet unrealized, which continues to weigh upon my mind more than any other; Saxman's 9.6 MW Mahoney Lake hydroelectric project.

In the 1990s, Cape Fox Corporation and Alaska Power & Telephone invested \$4 million in private sector funding to bring the Mahoney Lake hydro project to construction-ready status. A federal FERC license for the project was issued to the City of Saxman – a significant achievement which would now take a decade to repeat. Roads have been constructed to the site of the Mahoney Lake powerhouse. The project is located a short distance from existing transmission lines. Documents such as the Southeast Alaska Integrated Resource Plan (SEIRP) demonstrate that the Mahoney Lake project will provide more bang for the buck than other energy investments being discussed for our region. The size of the Mahoney Lake project -- 9.6 megawatts – is ideal for supporting ore processing activities in Ketchikan. (Heatherdale Resources has indicated their milling facilities will require 8 megawatts of power.) The Mahoney Partnership has reported that with 50% State investment, the Mahoney Lake hydro project can provide power at a cost of 7.3 cents per kilowatt hour.

During my time in the State House of Representatives, I was urged by Ketchikan and other regional officials to prioritize construction of the Swan-Tyee Intertie ahead of the Mahoney Lake hydro project. Though a difficult decision, I conceded to pressure by Ketchikan officials, and supported the intertie over Mahoney Lake, with the expectation that investment in Mahoney would soon follow.

Had I known that Mahoney Lake would subsequently be overlooked in favor of less economical projects such as Whitman Lake, or projects such as raising the height of the Swan Lake dam, which does not add the additional generation capacity needed to support ore processing and economic growth, I would have advocated for investment in Mahoney Lake instead. I remain painfully disappointed that the State is yet to support the efforts of Cape Fox, Saxman, and AP&T by investing in the project. I am disappointed that our local leaders are yet to provide unified support for Mahoney Lake's construction, and are not yet promoting the project as a regional priority.

Mahoney Lake remains our region's most cost-effective option for new hydro generation. I cannot imagine ore processing and meaningful economic growth occurring in our community within the additional generation and storage which Mahoney Lake can provide. The private sector will not wait for years as we develop new energy resources – they will take their jobs elsewhere, to better prepared communities – perhaps even Canada. We need to develop additional generation capacity by constructing projects like

Mahoney Lake now, so that we are well positioned to support rapidly emerging opportunities.

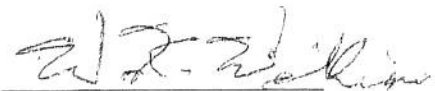
I am heartened to see that the City of Saxman, Cape Fox Corporation, and Alaska Power & Telephone have renewed efforts to develop the Mahoney Lake project, and are building renewed support for State investment. I have noticed that much of the renewed support for Mahoney Lake is coming from the business community, which sees our region's desperate need for energy in their bottom lines. Our business community understands that the investment, expertise, and efficiency of the private sector (CFC and AP&T) can help produce regional energy projects which offer greater efficiency and "bang for the buck."

At a recent Ketchikan City Council meeting in August, the Chairman and Spokesperson for the Mahoney Lake partnership, Jason Custer, expressed the Mahoney Lake partnership's willingness to partner with KPU, SEAPA, and others to find a way to bring the project online as a regional resource. I would like to urge our elected officials in Ketchikan to give serious consideration to these suggestions, and begin to view and support Mahoney Lake's construction as a regional investment priority.

I also urge our State and regional leadership to diversify energy investments in Southeast Alaska by including the Mahoney Lake project within upcoming energy investments, either via investment of AEA grant funding, or direct capital appropriation. In a time of government spending cuts, it is more important than ever to partner with private sector businesses, and leverage the expertise and investment they can contribute to development of regional energy resources. Communities around the world are using effective public-private partnerships to rapidly develop the energy resources they need to strengthen their economies. We need to take a similar approach in Southeast Alaska, so that we can meet our own growing needs, and remain competitive.

I am sincerely disappointed that our elected leadership is not demonstrating a greater level of interest and support for the Mahoney Lake project. We owe it to our residents to find a way to bring this project online, so that they can benefit from affordable energy, new job creation, and the presence of ore processing jobs in Ketchikan. Let's start rallying behind the significant potential of this regional project; our community needs Mahoney Lake energy, and soon.

Sincerely,



Bill Williams

Note: The views and opinions expressed in this letter are those of Bill Williams and do not necessarily reflect the official policy or position of any business, government, or agency.



Ketchikan Gateway Borough School District
Robert Boyle, Superintendent
333 Schoenbar Road
Ketchikan, AK 99901
phone 907-247-2109; fax 907-247-3820
boyle@kgbsd.org

September 26, 2011

To Whom It May Concern,

The purpose of this letter is to express my support, as Superintendent of the Ketchikan Gateway Borough School District, for development of the Mahoney Lake Hydroelectric Project in a manner which ensures Ketchikan residents can benefit from affordable, sustainable energy.

Although Ketchikan's population has declined, demand for electricity in the region grows steadily. As heating oil costs continue to rise, more homes, businesses, and community facilities are converting to electric heating systems.

The City of Saxman, Cape Fox Corporation, and Alaska Power & Telephone are partnering to meet this need through the development of a 9.6-megawatt hydroelectric project at Mahoney Lake. This project has the potential to meet the region's current and future energy needs in a sustainable manner, and to contribute to long-term economic growth and creation of legacy jobs.

Affordable power provided by the project will also help to:

- ❑ Reduce School District operating costs, and contribute to a more affordable school system which provides our children with the highest quality of education possible.
- ❑ Increase family sustainability by reducing household energy expenses, and supporting economic development and job creation.
- ❑ Displace consumption of diesel fuel and reduce associated greenhouse gas emissions.
- ❑ Build a more robust economy, characterized by quality jobs which allow Ketchikan's youth to remain within the Ketchikan community as successful adults.

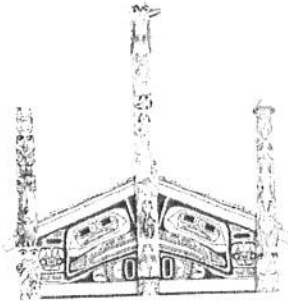
The Ketchikan Gateway Borough School District sees the Mahoney Lake Hydroelectric Project as a pathway to a more sustainable future, and supports construction of the project in a timely fashion.

Sincerely,

A handwritten signature in black ink that reads "Robert Boyle".

Robert Boyle, Superintendent

RECEIVED JUL 25 2012



Ketchikan Indian Community

Office of the General Manager

2960 Tongass Avenue — Ketchikan, AK 99901

(907) 228-9271 Phone

(800) 308-9331 Fax

www.kictribe.org

July 20, 2012

Ms. Karen Rehfeld
Director, Office of Management and Budget
State of Alaska
P.O. Box 10020
Juneau, Alaska 99811-0020

Dear Ms. Rehfeld,

The purpose of this letter is to express Ketchikan Indian Community's very strong support for the Mahoney Lake Hydroelectric Power Project. This project, a partnership between the City of Saxman, Cape Fox Corporation and Alaska Power & Telephone, merits serious funding consideration.

Even with the recent completion of the Swan Lake-Tyee Intertie and the anticipated completion of the Whitman Lake project, our area will be faced with hydro power shortages in 2015 forcing Ketchikan to use expensive diesel generators.

Providing a sustainable economic base since the closure of the pulp mill in 1996 has been a top priority for Ketchikan. The recent sale of Alaska Ship & Drydock to Vigor Industries and agreement between them and the Alaska Marine Highway virtually assures construction of replacement ferries here. Development of the Bokan and Niblack mining projects makes Ketchikan the obvious staging area; even possibly milling ore from those mines. These industries, providing family wage jobs, can't occur if Ketchikan doesn't provide reliable and affordable power for them.

Ketchikan Indian Community strongly encourages you to include the Mahoney Lake Hydroelectric Power Project in your funding requests in the next session of the legislature.

Sincerely,

Debbie Patton
General Manager

CC: City of Saxman



ROUTE 2, BOX 2 – SAXMAN, KETCHIKAN, ALASKA 99901 • FAX: (907) 247-2504 • PHONE (907) 247-2502

November 8, 2011

To Whom it May Concern,

The purpose of this letter is to express that the Organized Village of Saxman, Saxman I.R.A. supports for development of the Mahoney Lake hydroelectric project in a manner which:

- a) Assures affordable electricity to Ketchikan residents and businesses.
- b) Supports Ketchikan's economic growth and development, attracts new businesses, and leads to creation of new jobs.
- c) Contributes to the Ketchikan region's overall economic health and sustainability.

Although Ketchikan's population has declined, demand for electricity in the region continues to grow. An increasing number of homeowners and businesses are using electric heating systems. New public facilities will create concurrent new needs for power. Major development activities with great economic potential for the region, such as the continued expansion of Alaska Ship and Drydock, There is the possible construction for Alaska Class Ferries in Ketchikan, expansion of Ketchikan's maritime industry sector and future mining activities on Prince of Wales, which will create additional demand for electricity. The cost of burning diesel fuel during times of high demand cuts into businesses' bottom lines, and adds to families' living expenses.

Increased availability of affordable electricity will support the development of Ketchikan's economy, driving business growth, and making the region more attractive for new private sector investment. Surplus, affordable power will attract new jobs and businesses to the region.

The City of Saxman owns the FERC license for a 9.6 megawatt hydroelectric project at Mahoney Lake. The Mahoney Lake project is "low hanging fruit" capable of providing for Ketchikan's energy needs for years to come.

The Organized Village of Saxman, Saxman I.R.A. Council supports construction of the Mahoney Lake project before expiration of permits and licensing occurs.

Respectfully,

Lee Wallace, President

Cc: Saxman I.R.A. Council

A3

Resolution No. 09-2013-73

**A RESOLUTION OF THE SAXMAN CITY COUNCIL REQUESTING
RENEWABLE ENERGY FUND GRANT INVESTMENT BY THE ALASKA
ENERGY AUTHORITY FOR THE MAHONEY LAKE HYDROELECTRIC
PROJECT.**

WHEREAS, the Ketchikan and SEAPA (Ketchikan, Wrangell, Petersburg) regions are faced with rapidly increasing resident demand for electricity; and

WHEREAS, regional economic development and creation of new, quality jobs within priority industries such as mining/ore processing, shipbuilding and repair, advanced manufacturing, technology, and more depend upon a reliable source of affordably priced electricity; and

WHEREAS, Saxman, in partnership with Cape Fox Corporation and Alaska Power & Telephone, owns the FERC license for a 9.6 MW hydroelectric storage project at Upper Mahoney Lake; and

WHEREAS, the Ketchikan Chamber of Commerce, the Ketchikan Gateway Borough School District, the City of Saxman, the Organized Village of Saxman, Ketchikan Indian Community, and other regional entities have provided letters and resolutions of support for construction of the Mahoney Lake project; and

WHEREAS, Saxman seeks parity with peer communities such as Hydaburg, Ketchikan, Metlakatla, Wrangell, Petersburg, and others, which have received and benefitted from State investment in regional energy projects; and

WHEREAS, in addition to preparing the Mahoney Lake project for construction, the scope of work proposed in the "Mahoney Lake Phase III" request will help pinpoint construction and power costs with a greater degree of accuracy, which will help support development of responsible power sales agreements, help local leadership make better-informed decisions about the project, and assist private sector businesses in planning efforts; and

WHEREAS, the scope of work proposed in the "Mahoney Lake Phase III" request are consistent with investment recommendations of the Southeast Alaska Integrated Resource Plan (SEIRP), which prioritizes investment in predevelopment activities which help pinpoint construction and power costs for hydro projects with greater accuracy, leading to more informed regional planning; and

**NOW THEREFORE BE IT RESOLVED BY THE CITY OF SAXMAN AS
FOLLOWS:**

Section 1. The City of Saxman hereby endorses and requests grant funding under the Alaska Energy Authority Renewable Energy Fund Round 6 program for the capital project identified below:

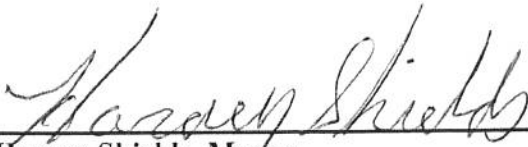
Mahoney Lake Phase III

Request Amount -- \$1,000,000

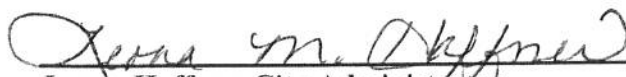
Anticipated In-Kind -- \$100,000

DATED THIS 19th Day of Sept. 2012

ATTEST:



Harvey Shields, Mayor



Leona Haffner, City Administrator



September 16, 2012

Re: Renewable Energy Fund grant request

To Whom It May Concern:

Cape Fox Corporation recognizes that there is an increased demand for electricity from both citizens and businesses in our region of Southeast Alaska. To keep energy costs affordable for residents and to foster regional economic development and create jobs, additional sources of renewable electricity must be developed.

The City of Saxman, in partnership with Cape Fox Corporation and Alaska Power & Telephone, owns the FERC license for a 9.6 MW hydroelectric storage project at Upper Mahoney Lake.

In recent months, the level of local and regional support for construction of the Mahoney Lake project has increased greatly, and to prepare the Project for construction, funding of the *Mahoney Lake Phase III* request is needed. Phase III will help pinpoint construction and power costs with a greater degree of accuracy, and will support development of responsible power sales agreements, help local leadership make better-informed decisions about the project, and assist private sector businesses in planning efforts.

Cape Fox Corporation endorses and requests grant funding of \$1,000,000 under the Alaska Energy Authority Renewable Energy Fund Round 6 program on behalf of our Mahoney Lake partner, the City of Saxman.

Sincerely,

Michael E. Brown
Chief Executive Officer
Cape Fox Corporation



ALASKA POWER & TELEPHONE COMPANY
PORT TOWNSEND, WA 98368
(360) 385-1733 – (800) 982-0136
FAX (360) 385-5177

September 19, 2012

Re: Renewable Energy Fund grant request

To Whom It May Concern:

Alaska Power & Telephone Company (AP&T) recognizes that there is an increased demand for electricity from both citizens and businesses in our region reflected in the Southeast Alaska Integrated Resource Study (SEIRP). The SEIRP also highlights the current shortage of winter time energy storage in the region and advises that additional electrical load is expected to occur as customers now using oil for heating switch to electric heat. An adequate supply of affordable electric power is needed for the well being of the residents and to foster increased regional economic development that create jobs and can be achieved by further investment in hydropower.

The City of Saxman, in partnership with Cape Fox Corporation and Alaska Power & Telephone, owns the FERC license P-11393 for a 9.6 MW hydroelectric storage project at Upper Mahoney Lake and has a possessory interest in land rights and roads needed to begin construction.

AP&T and Cape Fox Corporation endorse and requests grant funding of \$1,000,000 under the Alaska Energy Authority Renewable Energy Fund Round 6 program on behalf of our Mahoney Lake partner, the City of Saxman.

By completing the FERC design approval process, it will provide assurance of a safe, fundamentally sound project. This will also allow project costs to be more accurately estimated, permits brought current and renewed. This new and updated information will allow the process of negotiating a power sales agreement with potential purchasers of the energy and capacity from the project to begin in earnest.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Grimm', is written over the typed name and title.

Robert S. Grimm
CEO/President
Alaska Power & Telephone Co.

CERTIFICATE OF CORPORATE RESOLUTION

The undersigned Secretary of Alaska Power & Telephone Company (the Corporation) hereby certifies that the following resolution was duly adopted by the board of directors of the Corporation at its annual meeting on May 17, 2001, and that such resolution has not been modified or rescinded as of the date hereof:

That the president, each vice president, or any one of them, or their designee is hereby authorized to execute and deliver: (i) routine contracts and other routine documents related thereto on behalf of AP&T that arise in the ordinary course of its business that involve the sale or purchase of goods, or the leasing of equipment, real property or other fixed assets pursuant to operating leases; (ii) governmental permit and grant applications and other documents relating to the securing, renewing, and amending of such permits and grants as deemed necessary or desirable for the routine operation of the affairs of AP&T; or (iii) other documents involving routine day-to-day matters arising in the ordinary course and operation of the business of AP&T and its subsidiaries.

WITNESS my hand and seal of the corporation, this 12th day of September, 2012.



Stan Selmer
Corporate Secretary

Date: 9-12-12

Saxman 2012 Comprehensive Economic Development Strategy List

UPDATE 4/16/2012

Economic Development Priority	Community Development Priority	Strategy	Project	Contact	Estimated Cost	Project Status	Funding Source
1			Waterfront Development	City of Saxman -- 907-225-4166			
					\$20m-\$25m (Total Construction Cost)	Current: Planning / design funded and in progress. Future: Construction funding for breakwater / dredging (2015-2016?)	State, Federal, Local.
		1.1, 1.2, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6	1.a. Harbor Planning / Design	"		Current: State funding awarded to replace warehouse (SFY2013). Future: Construct paved improvements to yard and work with private industry to expand infrastructure to meet port customer needs.	State, Federal, Local, Private.
		1.1, 1.2, 2.1, 2.3, 2.4, 2.5, 2.6	1.b. Seaport Redevelopment	"	TBD		
						Current: Signed lease with Rainforest Islands Ferry. Future: Work with Rainforest Islands Ferry to support service to POW / Wrangell / Petersburg and expand to Hyder. Explore opportunities for AMHS, IFA, etc. to share Saxman Terminal and expand service (ex: Metlakatla)	State, Federal, Local, Private
		1.1, 1.2, 2.1, 2.3, 2.6	1.c. Establish Ferry Service	"	TBD		
2			Tourism Development				
			2.a. Tourism Development Master Plan	"	\$50,000	Future: Contract for planning services or develop partnership with KGB Planning Department	State, Federal, Local
		1.1, 1.2, 2.1, 2.3					

3	1.1, 1.2, 2.1, 2.3	2.b. Totem Row Park Improvements Business Development	"	\$100,000	Current: Restroom and trash receptacles. Future: Benches and lighting	State, Federal, Local
	1.1, 1.2, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6	3.a. Market community investment opportunities	"	TBD	Develop promotional materials. Collaborate with Shipyard / Borough / Ketchikan Chamber of Commerce / Ketchikan Marine Industry Council / Prince Rupert, etc.	State, Federal, Local, Private.
	1.1, 1.2, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6	3.b. Collaborate with private industry to develop new economic opportunities	"	TBD	TBD	Private, Local, State, Federal.
	1.1, 1.2, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6	3.c. Plan/implement small projects (ex: Saxman Arts Market)	"	TBD	TBD	Private, Local, State, Federal.
	1.1, 1.2, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6	3.d. Partner in regional workforce development / training initiatives	"	TBD	Ex: Shipyard, Mining, Chamber of Commerce, Ketchikan Marine Industry Council, etc.	Private, Local, State, Federal, Philanthropic.
	1.1, 1.2, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6	Mahoney Lake Hydroelectric Project	"	\$46,000,000	Current: Public-private partnership reestablished. Seeking \$46m for construction. (April 2012 Estimate.) \$1m in remaining pre-construction activities.	Private, State, Federal, Local
	2 1.1, 1.2	Organized Village of Saxman: Tribal Offices	Organized Village of Saxman -- 907-247-2502	TBD	Planning/Design	State, Federal, Local
	3 1.1, 1.2, 2.3	Saxman Community Center	City of Saxman -- 907-225-4166		Pre-planning activities and paving concept completed. Seeking construction funding.	State, Federal, Local.
	1.1, 1.2, 2.3	3.a. <i>Pave Parking Areas</i>	"	\$600,000	Ongoing. Develop long-term relationship with non-profits for sustainable delivery of programming.	State, Federal, Local, Philanthropic, Private.
	1.2 3.b. <i>Youth Programming</i>		"	TBD		

	4								
					Community Water / Sewer Improvements				
		1.1, 1.2, 2.1		"	4.a. <i>New Raw Water Source</i>		\$1,993,000	Engineering/design 75% complete	State, Federal, Local
		1.1, 1.2		"	4.b. <i>Residential Water Meters</i>		\$62,000	Seeking funding for implementation	State, Federal, Local
		1.1, 1.2, 2.1		"	4.c. <i>Water/Sewer Tie-in to Neighboring Service Areas</i>		TBD	Future: Conduct planning with Ketchikan Gateway Borough	State, Federal, Local

(Did not change in 2012)

2011 KETCHIKAN GATEWAY BOROUGH CEDS PROJECT LIST

Community	Priority	Tribal	Strategy	Project	Contact	Estimated Cost	Project Status	Potential Funding Sources
Ketchikan Gateway Borough				ECONOMIC DEVELOPMENT				
			1 & 6	Ketchikan Shipyard Expansion and Improvement	Alaska Ship & Drydock, Inc. 907-225-7199	\$70 m / \$12.1 m (13.7 m KILL)	Construction-- Dry Dock 2 completed	Federal, State
			1 & 4	Commercial Fishing Vessel Fleet infrastructure in Ketchikan: Drive down dock	Ketchikan Gateway Borough 907-228-6625	\$5 mil	Planning	Federal, State, Local
			1 & 8	Business Expansion and Retention Program	Greater Ketchikan Chamber of Commerce 907-225-3184	\$60,000	Conceptual	Federal, State, Local
			1, 3 & 4	Airport Dock move seafood south rebuild & expand dock	Ketchikan Gateway Borough 907-228-6625			Federal, State, Local
			1 & 3	Performing Arts Center	First City Players 907-225-4792			Federal, State, Local
			4	Mariculture Project needs to be identified				Federal, State, Local
			1 & 6	Maritime & Marine Technology Consortium Work Plan	Greater Ketchikan Chamber of Commerce	\$440,000	Planning	Federal, State, Local

2011 KETCHIKAN GATEWAY BOROUGH CEDS PROJECT LIST

I.1.S., I.1.T., II.1.D., II.5.A.	Waterfront Development: a.) Harbor Planning, b.) Seaport Renovation, c.) Ferry Terminal	City of Saxman 907-225-4166	\$350,000 Harbor Planning, \$1,000,000 Seaport Renovation, Ferry TBD	a.) Planning, b.) Construction c.) Construction	Private, State, Federal, Local
I.1.L., I.1.M., I.1.R.II.5. G., 7	Mahoney Lake Hydroelectric Project	City of Saxman 907-225-4167	TBD	Construction	Private, State, Federal, Local
1	Mining				Federal, State, Local
1	KIC Hatchery				Federal, State, Local
3	White River Access				Federal, State
1	Peace Health Medical Center				Federal, State, Local
2	Biomass Boilers				Federal, State, Local

EDITORIAL

New priorities

While the legislative priority list looks the same, it is different. Ketchikan's top capital projects remain Ketchikan International Airport, Ketchikan Medical Center, Ketchikan Shipyard and City of Ketchikan bridges — you see why they're called Ketchikan projects.

But Saxman, which listed its seaport and harbor as its priorities and had them included in the top six on the list, has changed its top priority. The City of Saxman has elevated the Mahoney Lake Hydroelectric Project to its No. 1 spot.

It's a \$50 million project. Once built, it would generate 46 million kilowatt hours of electricity per year. Four million dollars has been spent to date; another \$46 million is needed.

The completed project wouldn't generate only electricity well into the future, but during construction it would enhance the economic well-being of Saxman and Ketchikan. Jobs would be provided; people would find work; they'd pay living expenses, some of which would support the local government.

Saxman, along with Cape Fox Corp and Alaska Power & Telephone, established a public-private partnership to advance the project. It would be operated by Ketchikan Electric Company, an AP&T and Cape Fox Corp joint venture.

Ketchikan's appetite for power has been unquenchable. It built the Swan Lake/Tyee Lake Hydroelectric Project, and about the time it went on line, predictions were it wouldn't provide enough power beyond 2014. The Whitman Lake Hydroelectric Project is being undertaken by Ketchikan, but its power also is expected to stave off a power thirst for only a short time.

Mahoney Lake is necessary. Power demand doesn't decline in a growing and technologically advancing community like Ketchikan. Looking at the full list of projects on the Legislative Priority List is a testament to that.

The airport, the hospital and the shipyard all will be requiring increasing power as they expand. The shipyard is building a new assembly hall, which is scheduled to open this year. It also has big projects, including construction of Alaska Class ferries, on its schedule in the near future.

The City of Ketchikan is set to build an addition to the hospital in order to update surgical units.

Airport improvements are planned, including lighting and airport-ferry moorage.

Ketchikan got its start with mining. Mining is returning, with exploration for rare earth elements and copper, gold, silver and zinc in the Ketchikan and Prince of Wales Island area. Millions of dollars are being invested.

Not only industry and business, but individual households require power they can afford.

The Mahoney project, once completed, could provide power to Kake, Metlakatla, Petersburg and Wrangell in addition to Ketchikan and Saxman. It eventually would become a link in the Southeast Alaska Hydroelectric Intertie.

This is a project growing in importance as months pass. Just since early winter, it has overtaken Saxman's two top projects as the 'one' most needed. It's likely only a matter of a few months before it not only ranks higher on Saxman's list, but on Ketchikan's and Alaska's as well.



Alaska can ben

By JOHNNY ELLIS

You may have seen a lot of news lately about the rising cost of Alaska's corrections system. We have to face the facts: Prisons are incredibly expensive, regardless of where or how they are built. It's time for us to start focusing on why we have had to build a new prison in the first place.

Alaska is not alone in its prison cost woes. When Texas Republican Rep. Jerry Madden was appointed Chair of the Texas Department of Corrections budget committee, the very conservative Speaker of the Texas House sat him down and said: "Don't build new prisons; they cost too much." Those eight words shaped Madden's work on the Texas corrections budget. At the Smart Justice Summit I hosted in early October, Rep. Madden told the bipartisan panel that since he heard those eight words, Texas hasn't built

ally — driven rate at which prison after re partment of C 66 percent of a prison after re percentage ar crimes. Most r their probatio stance abuse cause of those

In 2008 Texa skyrocketing o ation after rele; abuse and tech tackled this pr data-driven cos sound busines ployed taxpayt most cost-effec gies for reducir criminals reor nison Here

10/19/2012

KETCHIKAN DAILY NEWS

A DIVISION OF PIONEER PRINTING CO., INC.

501 Dock St./P.O. Box 7900 • Ketchikan, Alaska 99901
(907) 225-3157 • Fax (907) 225-1096 • news@ketchikandailynews.com

[Home](#) | [Ketchikan](#) | [Alaska](#) | [Sports](#) | [Waterfront](#) | [Business](#) | [Education](#) | [Religion](#) | [Scene](#)
[Place a class ad](#) | [PDF Edition](#) | [Calendar](#) | [Discussions](#) | [Moderated Chat](#) | [Home Delivery](#) | [How to](#)

Poll Results

What should be Ketchikan's top capital budget priority for the upcoming state legislative session?

Ketchikan Medical Center surgical unit 8.66 % (38)



Off-system bridges repairs 1.82 % (8)



Ketchikan Performing Arts Center 14.35 % (63)



Service-area road building repair 8.43 % (37)



Mahoney Lake hydroelectric project 56.26 % (247)



Saxman Community Center parking lot 0.23 % (1)



Ketchikan Shipyard improvement 10.25 % (45)



#1 Saxman Priority
#3 Joint Regional Priority
(Ketchikan, Ketchikan Borough, Saxman)

Task 1 -- \$400,000 Permitting Activities

Examine existing permits, and determine whether permits require reissuance or update.

Task 2 -- \$400,000 FERC Final Design

A final design was submitted to FERC just prior to a stay being placed on Mahoney Lake's license. The stay went into effect before FERC could complete a review and offer commentary on the design. Saxman will submit a new final design to FERC, which will reflect any new permitting conditions.

Task 3 -- \$200,000 Cost Estimate Update

Cost estimate will be updated based upon the outcomes of tasks 1 and 2. Updates will be performed with assistance from experienced construction contractors (NOT just by an engineering firm), to provide the greatest degree of accuracy possible.

YOUR QUESTIONS:

"What will it cost to build this project?"

"What will the power sales agreement look like?"

"What will power cost?"

Saxman's \$1m Request for Mahoney Lake

Responding to your questions, and informing better decision-making by local leadership.

OUTCOMES:

- Most accurate understanding of construction cost, and cost of power
 - Information vital to developing power sales agreements
- Information which is essential to helping leadership understand if, how, and when to bring the Mahoney Lake project online as a regional asset
- ANSWERS TO YOUR QUESTIONS, BACKED BY THE INVESTMENT AND INTEGRITY OF THE ALASKA ENERGY AUTHORITY

Contact: Jason Custer, Chairman – 907-225-4166 x 13 / jasonryancuster@gmail.com

#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction



Applicant:

City of Saxman, Alaska,

in partnership with Alaska Power & Telephone Company and Cape Fox Corporation (d.b.a. Ketchikan Electric Company, LLC: State of Alaska Business License #267588)

Contact:

Jason Custer, Chairman – Mahoney Lake Hydroelectric Development Partnership

Phone: 907-225-4166 x 13

Fax: 907-225-6450

Email: saxmangrants@kpunet.net or jasonryancuster@gmail.com

Municipal Tax Exempt #: 3008E

Project Summary:

- **Request Amount:** \$1,000,000
- **Request Source:** Direct Capital Appropriation or AEA Renewable Energy Round VI Grant
- **One Time Request**
- **Expenditures to Date:** \$4,000,000 (AP&T and Cape Fox Corporation)
- **Completion Date:** June 30th, 2014

- **Description:** The City of Saxman seeks \$1,000,000 State investment in the following pre-construction tasks for the 9.6MW Mahoney Lake Hydroelectric project (FERC License P-11393):

\$400,000	FERC Final Design -- Finalization and Design Report
\$400,000	Permit Renewal and Re-issuance of Environmental Assessment, if needed
\$200,000	Cost Estimate Updated with new Permit Conditions

These activities are consistent with the Southeast Alaska Integrated Resource Plan's (SEIRP's) recommendations to allocate near-term investment to activities which reduce "unknowns" for potential future hydroelectric projects.

The Mahoney Lake Hydroelectric Project will provide ratepayers with 41,743,000 kWh of affordable, renewable electricity per year. The Mahoney Lake Partnership's current estimated busbar cost of power, assuming 50% State investment, is 7.3 cents per KWH. The project is capable of accommodating the Ketchikan / SEAPA region's growing load demands, while supporting economic growth and quality job creation in priority industries such as mining/ore processing, the marine industry sector, shipbuilding & repair, tech-based industries, and more. Performance of the tasks described above will help pinpoint Mahoney Lake's power costs and construction costs with greater accuracy, providing essential information which can inform future power sales agreements and decision-making by local and regional leadership.

Priority Ranking:

- #1 City of Saxman Priority
- #3 Overall priority identified on City of Ketchikan, Ketchikan Gateway Borough, City of Saxman "Joint Regional Priority List"
- City of Saxman / Ketchikan Indian Community Joint Legislative Priority

City of Saxman: Mayor Joe Williams, Jr.
Request for SFY 2014 State Funding for
#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

Community Support:

- SE Conference (regional ARDOR for Southeast Alaska) – letter of support
- Ketchikan Indian Community – letter and resolution of support
- Ketchikan Chamber of Commerce – letter of support on behalf of Ketchikan’s business community
- Ketchikan Gateway Borough School District – letter of support
- Alaska Ship & Drydock – letter of support
- US Congressman Don Young – letter of support
- #1 community development priority on joint City of Saxman / Organized Village of Saxman CEDS List
- Regional development priority on most recent Ketchikan Gateway Borough Comprehensive Economic Development Strategy (CEDS) list – only hydroelectric project on list
- Highest rated priority on community member poll conducted by Ketchikan Daily News in October of 2012

Project Attributes

Project Partnership Structure – In September of 2011, the City of Saxman, Cape Fox Corporation (CFC), and Alaska Power & Telephone (AP&T) renewed a public-private partnership for development of the Mahoney Lake hydroelectric project. The FERC license for the project is issued to the City of Saxman. Cape Fox Corporation and Alaska Power & Telephone each have 50% ownership of “Ketchikan Electric Company, LLC” (AK Business License # 267588) – a company formed to develop, own, and operate the Mahoney Lake project. In the mid-90s, CFC and AP&T invested approximately \$2 million each in the project, which resulted in issuance of a FERC license, and construction of roads to the site of the project’s future powerhouse.

Project Size – The 9.6 MW Mahoney Lake project can provide 41,743,000 KWH (41.7 GWH) of power per annum. The project is ideally sized to support rapidly-emerging economic opportunities in priority industries such as mining/ore processing, the marine industry sector, shipbuilding & repair, tech-based industries, the visitor industry, and more. Approximately 17,900,000 KWH (17.9 GWH) of power is available between November and April as winter storage. AP&T’s 2012 cost estimate for the project is \$46,000,000, +/- 20% -- one of southeast Alaska’s most affordable options for new hydropower. **(See attached SEIRP Tables 10-4 and 10-7 for “Refined Screened Hydro Project List” comparison.)** The Mahoney Lake Partnership’s current estimated busbar cost of power, assuming 50% State investment, is 7.3 cents per KWH.

Current State of License / Permit Renewal & Reissuance -- A stay was placed on the Mahoney Lake project’s FERC license for the purpose of assuring completion of the Swan-Tyee Intertie. The stay is still in effect, until request of the license holder. Because existing permits are stale-dated, Mahoney Lake’s permits require renewal – and in the case of USFS permits – may

#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

require reissuance. The City of Saxman requests a \$1,000,000 appropriation to complete the following pre-construction tasks:

- FERC Final Design – Finalization and Design Report -- \$400,000
- Permit Renewal and Re-issuance of EA, if needed -- \$400,000
- Cost Estimate Updated with new Permit Conditions -- \$200,000

The terms and conditions assumed in this request are based upon the outcome of previous permitting. While we hope that there are not new issues or permit conditions which arise from the renewal and reissuance process, the partnership recognizes the importance of completing remaining permitting-related activities as soon as possible, so that the Mahoney Lake hydroelectric project can be developed in a timely fashion in synch with rapidly-emerging commercial/industrial opportunities.

Mahoney Lake: Advanced Development Conditions -- Mahoney Lake's advanced state of development-readiness helps make the project a particularly attractive possibility for new, affordable hydroelectric power, capable of coming online in a timely manner within the next two years:

- **FERC License Received (FERC P-11393). Repeating this FERC licensing process for new hydro projects concepts requires 9+ years, and comes with a risk of the license not being awarded. (For perspective, the City of Ketchikan reported in October of 2012 that it took 12 years to receive a FERC license for the Whitman Lake hydro project funded by the legislature in SFY2012.)**
- **Work completed on the project to date helps to provide a greater degree of certainty regarding the project's cost than other, as-yet-unlicensed project concepts. (See SEIRP Tables 10-4 and 10-7 for comparison.)**
- **Access roads to project completed. Project is connected to the Ketchikan road system via Cape Fox Corporation's White River road system.**
- **Project is located approximately 5 miles from existing transmission lines (both Beaver Falls, and the Swan-Tyee Intertie lines)**
- **\$4,000,000 of private-sector investment in the project to date.**
- **Project is located 2 road miles from a former sortyard offering barge access, suitable for redevelopment in accordance with industry needs.**

Work Completed to Date --

The following documents can be provided to the State Legislature or AEA to demonstrate that considerable reconnaissance, feasibility, design, and permitting work has been completed:

- R.W. Beck and Associates, Inc. June, 1977 *Appraisal Report Swan Lake, Lake Grace, and Mahoney Lake Hydroelectric Projects.*
- R.W. Beck and Associates, Inc. March 1986 *Appraisal Study 1985 Update Future Hydropower Resources Ketchikan, Petersburg, Wrangell, and Quartz Hill.*

City of Saxman: Mayor Joe Williams, Jr.

Request for SFY 2014 State Funding for

#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

- HDR Engineering, Inc. 1993 *Mahoney Lake Hydroelectric Project Feasibility Report*
- City of Saxman and HDR Engineering, Inc. May 1996 *Application for License for Major Unconstructed Project Mahoney Lake Hydroelectric Project* (3 volumes).
- City of Saxman and HDR Engineering, Inc. May 1996 *Preliminary Supporting Design Report Mahoney Lake Hydroelectric Project* (3 volumes).
- Robert B. Forbes Sept. 1998 *Geotechnical Reconnaissance of the Mahoney Lake Project Area, Ketchikan District, Alaska*
- Alaska Power & Telephone Co. July, 2001 *Mahoney Lake Hydroelectric Project, FERC Project No. 11393 Technical Specifications for FERC Review Per Article 303*
- Alaska Power & Telephone Co. July, 2001 *Mahoney Lake Hydroelectric Project, FERC Project No. 11393 Supporting Design Report for FERC Review Per Article 303*
- Alaska Power & Telephone Co. July, 2001 *Mahoney Lake Hydroelectric Project, Ketchikan, Alaska General Construction, Contract No. 1* (design drawings)

Saxman is aware of other studies of the Mahoney Lake site by the Corps of Engineers, but does not have documentation.

Funding Options -- The City of Saxman has submitted a request for \$1,000,000 in AEA Renewable Energy Round VI Grant funding for the scope of work described above. Saxman suggests State investment in the Mahoney Lake project either via direct capital appropriation, or AEA grant funding. **Additional details of project and proposed \$1,000,000 investment can be found in the City of Saxman's application for AEA Renewable Energy Round VI Grant funding.**

Project Benefits

- Reduced reliance upon heating oil and diesel generation of electricity
- Responds to regional business/population growth, and growing regional demand for affordable energy
- Responds to increased conversion to electric heat by residential, commercial, industrial, municipal, and non-profit sectors
- Reduces operating costs for resident businesses, supporting growth and expansion
- Cuts operating expenses for schools and non-profit organizations by supporting addition of or conversion to electric boilers, reducing regional tax burdens
- Supports construction of new community facilities requiring additional energy
- Assures availability of clean, renewable energy for resident ratepayers
- Affordable energy rates and abundant supply of renewable energy attracts new businesses, and supports new economic opportunities
- Keeps southeast Alaska competitive with peer/benchmark coastal communities competing to attract new businesses and jobs (ex: British Columbia, Puget Sound, San Diego, etc.)
- Supports new economic development and rapidly emerging opportunities in priority industries, such as Ketchikan-based ore processing, mining industry development, growth of the regional maritime industry sector, tech industries, and more
- Provides enhanced stability to region-wide system

#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

- Could help provide electricity to cruise ships, lowering environmental impact of the visitor industry, and assuring compliance with federal environmental quality standards/regulations. (SEIRP forecasts 35,529 MWH annual demand by Ketchikan/Wrangell/Petersberg-area cruise ships)
- Reduces dependence on foreign oil

Growth in Regional Demand for Electricity

Demand for electricity has been increasing substantially in the Ketchikan and SEAPA regions. The Southeast Alaska Integrated Resource Plan (SEIRP) states: “The number of [Ketchikan area] customers increased from 7,347 in 2008 to 7,418 in 2010. Most of the customer increases have been due to high growth in commercial and industrial activities. Unlike other areas in Alaska, Ketchikan has seen a recent spurt in commercial and industrial activities which has led to new customers coming into the area.”

In January of 2012, Ketchikan Public Utilities experienced new peak demands for electricity, with peak demand exceeding the prior record by 13.7%, and total KWH delivered in a 24-hour period exceeding the prior record by 14.3%.

Growing Demand in Ketchikan – New January, 2012 Peak Demand

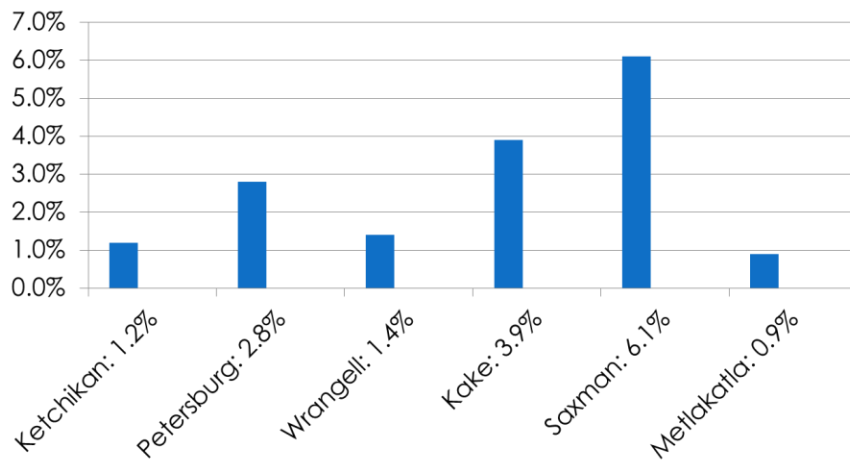
	Jan 2012	Prior Record	Difference	% Increase
Peak	34.7 MW	30.5 MW	4.2 MW	13.7%
Total KWH (per 24-hour period)	726,600 KWH	634,700 KWH	91,300 KWH	14.3%

Source: Interview with Ketchikan Public Utilities Staff

In addition to meeting the current growing demand for electricity, investment in new hydroelectric resources will support new private sector investment and job creation in an array of industry sectors, which will help assure that Southeast Alaska has a bright future characterized by a healthy, diverse economy. Southeast Alaska’s most promising industry sectors – shipbuilding and repair; mining / ore processing; the seafood industry; the maritime industry; and tech-based enterprise – all require significant amounts of affordably-priced electricity to assure growth and long-term prosperity. Private sector business owners understand that “time is money,” and will not “wait” for southeast Alaska to build infrastructure capacity necessary to support proposed business activities; if the infrastructure they need is unavailable, they will operate and create employment in better-prepared communities.

#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

2010-2011 SEAPA Region Population Growth



Source: 2012 Alaska Department of Labor Report <http://labor.alaska.gov/research/pop/popest.htm>

Market Conditions – As Oil Costs Continue to Rise, so will Consumer Demand for Clean, Reasonably-Priced Hydroelectricity

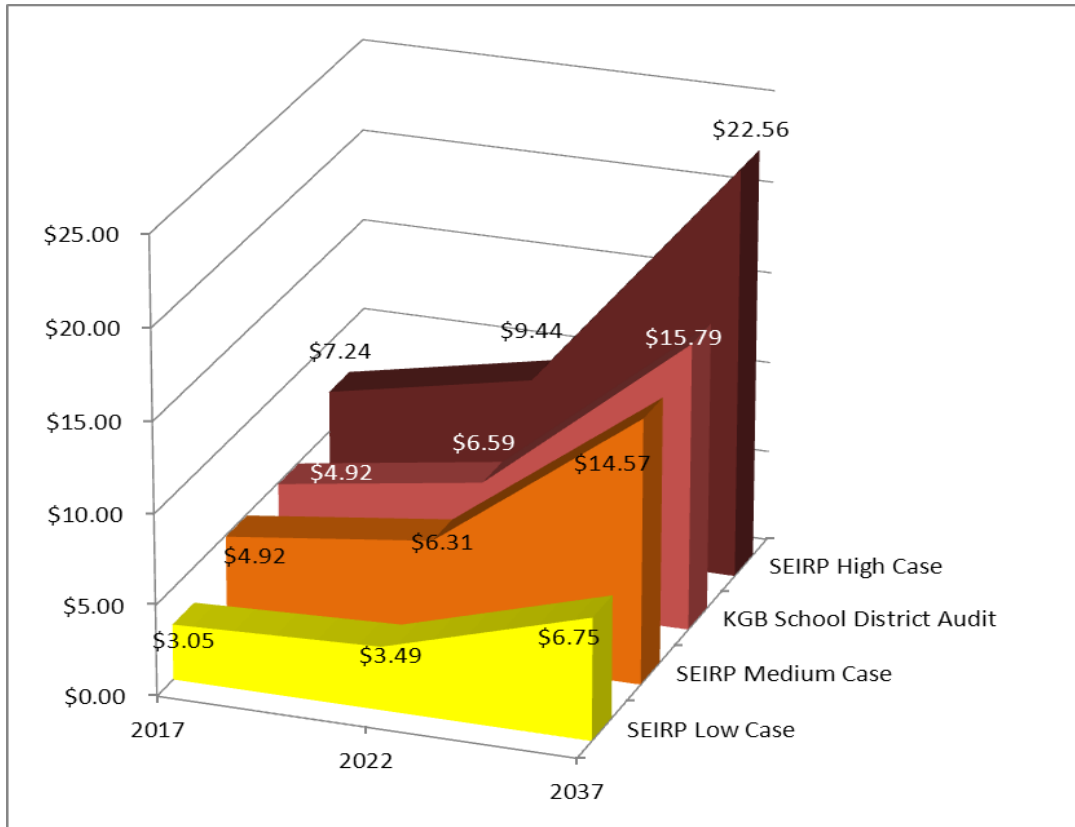
Businesses, residents, and non-profit organizations all seek to purchase the most affordable energy available. Rising heating oil costs have caused many Ketchikan-region residents and businesses to convert to more affordable electric boilers, which see heaviest use during winter months, when storage hydro projects are not receiving new flows. At present, the SEAPA region's growing demand for renewable electricity exceeds supply; a trend which is unlikely to change.

It is particularly difficult to alter consumer behavior; with all other factors being equal, consumers will always follow the lowest bottom line. Responding to Southeast Alaska's existing homeowner and private sector demand for affordably priced renewable electricity offers the most effective approach to supporting continued community and economic growth, and expanding Southeast Alaska's tax base.

A 2011 Energy Audit completed for the Ketchikan Gateway Borough School District projects that the cost of heating oil is rising at 6% annually. Section 5 of the SEIRP presents ISER-generated heating oil price projections which were developed using historical heating oil prices, imported crude oil prices from the AEO, and the CORAC. The SEIRP's "Medium Case Scenario" for the cost of Ketchikan heating oil in 2037 is \$14.57 / gallon (expressed in nominal 2012 dollars, not adjusted for inflation). The SEIRP's "High Case Scenario" is \$22.56 (nominal 2012 dollars, not adjusted for inflation). The SEIRP's "Low Case Scenario" is \$6.75 per gallon. In June of 2012, the price of heating oil in Ketchikan was approximately \$5/gallon (Source: June 2012 Ketchikan Gateway Borough / City of Ketchikan Cooperative Relations Committee Meeting Notes).

City of Saxman: Mayor Joe Williams, Jr.
Request for SFY 2014 State Funding for
#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

Ketchikan Heating Oil Cost Projections: 5, 10, and 25 Years (In Nominal 2012 Dollars)



Source: Ketchikan Gateway Borough School District 2011 Energy Audit and Southeast Alaska Integrated Resource Plan

The Ketchikan Gateway Borough School District’s October 2011 Energy Audit for Ketchikan High School, funded by the Alaska Housing Finance Corporation and conducted by Alaska Energy Engineering, LLC (Juneau) recommends adding electric boilers to assist the school district in lowering heating oil consumption and operating costs. The School District desires to add electric boilers at regional schools so that it can provide a more cost-effective education system, but is challenged by regional energy shortages; as a result, taxpayers must bear the burden of costlier oil bills via taxes. The School District Superintendent reports that KGBSD still plans to convert to electric boilers, and anticipates that following conversion, KGBSD would purchase \$500,000 of electricity per annum.

Proximity to Opportunities

In the 1990s, the collapse of Southeast Alaska’s robust forest products industry devastated southern southeast Alaska’s economy. Currently, the region’s future is looking brighter due to proximity to emerging opportunities.

Southern southeast Alaska has the potential to contribute substantially to new private sector economic activity, including: ore processing; mining; growth of advanced manufacturing (shipbuilding and repair); serving as a supply/support sector to Arctic offshore oil and gas fleets seeking ice-free winter moorage in communities with well-developed supply chains; State-wide growth of maritime activity; technology-based business; and more. Southeast Alaska must have infrastructure already in place to support these

#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

emerging opportunities. Southeast Alaska's infrastructure capacity will make the critical difference between these jobs remaining in Alaska, and jobs being exported to other states or nations with greater foresight.

Affordable electricity is an area of common need shared by all business types. Because demand for electricity currently outpaces supply, it should be prioritized as an area requiring immanent investment; otherwise, southeast Alaska runs the risk of seeing jobs exported to communities and nations which are better able to respond to private sector demand.

Social Benefits:

The Mahoney Lake Hydroelectric Project will produce enough energy to displace 3,105,000 gallons of diesel per annum. Over the initial term of its existing FERC license, the project would displace 142,830,000 gallons of diesel. The avoided cost of the diesel in nominal dollars is \$3 billion, and in 2011 dollars is \$530 million. Total carbon dioxide emissions avoided over the initial term of the existing FERC license would equal 1.8 million metric tons, valued at \$67.7 million in 2007 dollars.

(Assumptions: 8% Discount Rate. Initial operating term of FERC License begins 2016, ends 2061. KPU fuel efficiency = 14.81 kilowatt-hours per gallon of diesel #2. Mahoney Lake average annual energy = 41.7 GWH, per the FERC License P-11393. Fuel price projections from Black & Veatch, under contract with AEA for SE Alaska Integrated Resource Study. Carbon Dioxide emissions from Department of Energy and EPA, July 2000 Social Cost of Carbon per Metric ton of Carbon Dioxide Emissions from Interagency Working Group on Social Cost of Carbon, February 2010. This study concludes the cost is \$24.3 in 2016 and increases to \$44.9 per metric ton in 2061 in 2007 dollars.)

The project reduces dependence upon foreign oil, allowing Alaskans to invest half of a billion dollars of their hard-earned money locally, rather than sending it overseas where much of it will end up in the hands of hostile regimes. By supplanting "dirty" diesel fuel with clean, renewable energy, Mahoney Lake will help avoid 1.8 metric tons of carbon dioxide emissions, valued at \$67.7 million in 2007 dollars.

Mahoney lake will support new economic activity, jobs, and prosperity which will increase family sustainability, expand the regional tax base, and allow southeast Alaska's young residents to remain within their communities as gainfully employed, successful adults. The project will result in lower energy costs for businesses, families, non-profit organizations, and community facilities.

#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

Mahoney Lake Socioeconomic Benefits

Supports creation of new jobs and economic activity

1.8 metric tons of carbon dioxide emissions avoided

Displaces 3.1 million gallons of diesel (\$500m value)
Reduces dependence on foreign oil.

Expanded tax base generates additional revenue for community services

Lower energy costs for businesses, families, non-profits, community facilities, etc.

Healthier Community & Robust Economy,
Powered by Sustainable, Renewable Energy

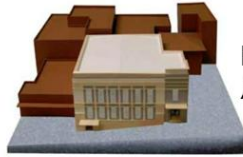
Support for a Growing Community

Ketchikan's population is growing, and with it, the community's array of facilities. New projects in varying stages of planning and development include the new Ketchikan library, PeaceHealth Medical Center Expansion, Community Connections's new facility, Saxman Harbor, a redeveloped Saxman Seaport, Ketchikan Indian Community's SSEATEC, the Ketchikan Performing Arts Center, Ketchikan Aquatic Center, Alaska Ship & Drydock's new Assembly Hall, a new Women's Shelter for WISH, Saxman Harbor, and more.

City of Saxman: Mayor Joe Williams, Jr.
Request for SFY 2014 State Funding for
#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

Ketchikan's New Facilities Will Result in Increased Regional Demand for Electricity

Community Connections



Performing Arts Center

New Library



Hospital Expansion



Mahoney Lake

Ketchikan Aquatic Center



KIC SSEATEC Training Center



Ketchikan Shipyard



School District



WISH:
New Shelter

Quantified Benefits (Excerpted from AEA Renewable Energy Round VI Application):

Project Costs & Benefits	
<i>(Summary of total project costs including work to date and future cost estimates to get to a fully operational project)</i>	
2.7.6 Total Project Cost (Summary from Cost Worksheet including estimates through construction)	\$ 51,100,000
2.7.7 Estimated Direct Financial Benefit (Savings)	\$6,136,221 per annum. (Expressed in 2012 dollars.)
	\$306,811,050 over initial 50-year license period of the project. (Expressed in 2012 dollars.)

#1 Mahoney Lake Hydroelectric Project: Phase III Pre-Construction

	<p>Direct Benefit-Cost Ratio: 6.7</p>
<p>2.7.8 Other Public Benefit (If you can calculate the benefit in terms of dollars please provide that number here and explain how you calculated that number in your application (Section 5.)</p>	<p>Economic Development / Job Creation Benefit -- \$651,499,200 <i>(Total Payroll – direct, indirect, and induced – supported by Project.)</i></p> <p>Economic Development Benefit Cost Ratio: 14.2 <i>(Total payroll creation benefit divided by estimated capital construction cost)</i></p> <p>Total Project benefits: \$958,310,250 <i>(potential annual fuel displacement savings plus total payroll creation)</i></p> <p>Total Benefit Cost Ratio: 20.8 <i>[Potential annual fuel displacement savings + total payroll creation] divided by estimated capital construction cost</i></p>