

Agency: Commerce, Community and Economic Development**Grants to Named Recipients (AS 37.05.316)****Grant Recipient: Copper Valley Electric Association, Inc.****Federal Tax ID: 92-0023631****Project Title:****Project Type: New Construction and Land Acquisition**

Copper Valley Electric Association, Inc. - Allison Creek Hydroelectric Project Construction

State Funding Requested: \$4,028,500**House District: 6 / C**

One-Time Need

Brief Project Description:

Allison Creek is a 6.5 megawatt run of the river hydroelectric project

Funding Plan:

Total Project Cost:	\$38,804,000
Funding Already Secured:	(\$13,288,000)
FY2014 State Funding Request:	(\$4,028,500)
Project Deficit:	\$21,487,500

*Funding Details:**Project total cost is 38,804,000 there is a max State Investment of 50% or 19,402,000**Grant #1 State Capitol Budget 1,000,000**Grant #2 REF1 2,288,000**Grant #3 Capital Budget FY12 10,000,000**Grant #4 REF6 Partial funding 2,085,509**Total Grants 15,373,509***Detailed Project Description and Justification:**

Allison Creek is a 6.5 megawatt run of the river hydroelectric project. When complete the project will displace 1.1 million gallons of fuel and save members nearly \$1.5 million annually. Objective is to increase CVEA's renewable energy portfolio and save members money on their power bills. This project will provide a long term clean and renewable source of electric power.

Project Timeline:

CVEA is awaiting a license from the Federal Energy Regulatory Commission. The license is anticipated to be granted in Spring 2013. Construction to begin Summer 2013 and to be completed Summer 2015.

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

Copper Valley Electric Association

Grant Recipient Contact Information:

Name:	Robert A. Wilkinson
Title:	Chief Executive Officer
Address:	Copper Valley Electric Ass. Glennallen, Alaska 99585
Phone Number:	(907)822-3171
Email:	wilkinson@cvea.org

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



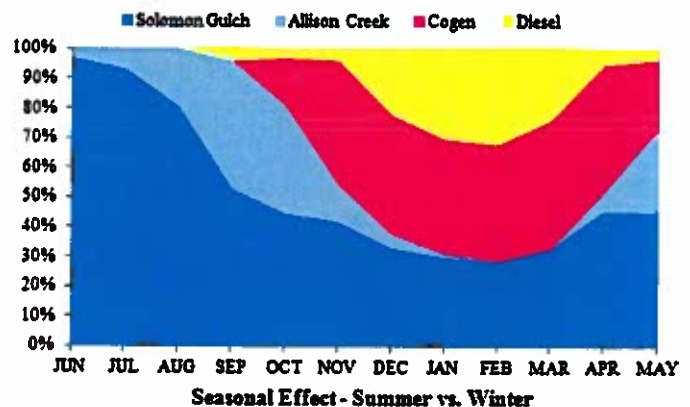
Renewable Energy Benefits

- Allison Creek will displace 1.1 million gallons of fuel annually when it is commissioned in 2015
- Allison Creek will eliminate 13,000 tons per year (TPY) of carbon dioxide, 9 TPY of carbon monoxide, 39 TPY of nitrogen oxide, and 6 TPY of sulfur dioxide annually
- At current fuel cost (\$.25/kWh) Allison Creek will lower annual power cost by \$1.48 million every year
- Allison Creek will generate 16 million kWhs to increase CVEA renewable energy portfolio to 67% of total generation requirements

2012 Progress

- Hired Design Engineer, 30% design complete
- Proposals due February 14, 2013, for Construction Manager at Risk
- FERC noticed Draft Environmental Assessment on December 28, 2012; comment period closes February 11, 2013
- Majority of environmental plans written
- Permitting underway
- Transmission/penstock mapping done
- Renewable Energy Fund Round 6 application

Generation Resources (kwhs)



2013 Goals

- Secure license from FERC
- Secure additional State funding to reach 50% State investment
- Secure remainder of project financing
- Continue engineering design
- Select construction contractor
- Order long lead time equipment
- Begin construction

Economic Benefits

- The project is expected to cost \$39 million
- \$14 million of project financing is in place including a \$10 million State grant obtained in 2011
- CVEA estimates the first year cost of power to be 16¢/kWh
- This cost assumes borrowing \$25 million at 7%
- A 1% reduction in interest rates would reduce power cost by 1.1¢/kWh; every \$1 million in grant funds received reduces power cost by .5¢/kWh

Alaska Renewable Energy Fund: Round 6

App # 930 Allison Creek Project

Proposer: Copper Valley Electric Association, Inc. (CVEA)

Applicant Type: Utility

Resource: Hydro

Proposed Project Phase: Construction

AEA Program Manager: Doug Ott

Project Description as defined by applicant

The Allison Creek Project is a run of the river (ROR) alternative involving construction of a diversion structure on Allison Creek at elevation 1,300 feet. Water will be diverted from the creek into a 42 inch surface / buried penstock to a 6.5 megawatt powerhouse near tidewater. Attachment A is the Final Feasibility Study which provides details on this project as presented and approved by the CVEA Board of Directors.

AEA Review Comments and Recommendation

Full Funding Special Provision

CVEA requests \$6,114,000 to construct a 6.5 MW r-o-r hydroelectric power plant on Allison Creek. The funds would be used to purchase owner-furnished long lead items for the project. The project is expected to defer (annually) over 4 million gallons of diesel fuel now used for power generation.

AEA has the following reservations with this request: the FERC license application is being processed but has yet to be issued; the final design documents and a final construction estimate are not complete; the items to be purchased are not identified; CVEA already has \$10M in state capital funds to purchase long lead items needed; the project development schedule provided is quite aggressive;

Despite these shortcomings, it is a valid renewable energy project.

Special provision: Complete prior grant funded activities and acceptance by AEA for: final design documents, construction cost estimates, construction schedule and plan of finance

Funding & Cost	Project Cost:	\$38,804,000
Cost of Power: \$0.28 /kWh	Requested Grant Funds:	\$6,114,000
Energy Region:	Matched Funds Provided:	
Copper River/Chugach	Total Potential Grant Amount:	\$6,114,000
	AEA Funding Recommendation:	\$6,114,000

Allison Creek Funding

Summary of Funding Sources

TOTAL PROJECT PRICE	38,804,000
Max 50% State Investment	19,402,000
Grant #1: State Capital Budget	1,000,000
Grant #2: REF1	2,288,000
Grant #3: Capital Budget FY 12	10,000,000
Grant #4: REF6 - Partial funding (pending approval)	2,085,509
TOTAL GRANTS	15,373,509

**Remaining amount eligible for 50% State investment
not funded by Renewable Energy Fund in 2013** **4,028,491**

	Total Retained Amount
Breakdown of Project Price	
Feasibility & Pre-Design (Filing License Application)	3,575,383
Design and Permitting	2,670,000
Project Scoping / contractor solicitation	50,000
Plans & water/land permits	120,000
Final system design	1,900,000
Owner's Representative	600,000
Construction	32,558,617
Procurement & contractor selection	200,000
Construction phases (each project will have unique phases)	850,000
Integration and testing	200,000
Equipment & Materials Misc.	4,093,000
Mobilization	1,625,000
Diversion Intake	2,531,000
Penstock	9,335,000
Powerhouse	9,957,000
Substation & Transmission Line	2,771,000
Other: Project Mgmt, Insurance, Etc.	846,617
Final acceptance, commissioning and start up	150,000
TOTAL COSTS	38,804,000
Breakdown by Funding Source	
1 Million Capital Budget Appropriation (FY09)	1,000,000
Round 1 REF	2,288,000
10 Million Capital Budget Appropriation (FY11)	10,000,000
Renewable Energy Fund Round 6 (recommended)	2,085,509
Capital Budget (FY14) (requested)	4,028,491
CVEA Cash / Financing	19,402,000
TOTAL COSTS	38,804,000

COPPER VALLEY ELECTRIC ASSOCIATION, INC.

RESOLUTION 13-01

RESOLUTION FOR THE ALLISON CREEK PROJECT PLAN OF FINANCE

WHEREAS, Copper Valley Electric Association (CVEA) is a rural electric cooperative organized under Alaska Statute 10.25 that provides central station electric service to the Copper River Basin and Valdez regions of Alaska; and

WHEREAS, CVEA has a strong desire to expand its renewable energy portfolio thus reducing its dependence on fossil fuel for the production of electricity; and

WHEREAS, CVEA has been working diligently to develop the Allison Creek run of river hydroelectric project since 2007; and

WHEREAS, CVEA submitted a license application to the Federal Energy Regulatory Commission on August 30, 2011; and

WHEREAS, the license application is pending before FERC and is expected to be issued in Spring 2013; and

WHEREAS, CVEA is in compliance with all federal, state, and local laws regarding the Project and its utility operations including existing credit and federal tax obligations; and

WHEREAS, the Allison Creek Project is estimated to cost \$38,804,000; and

WHEREAS, CVEA has received \$13,288,000 in grant funds from the State of Alaska; and

WHEREAS, CVEA has applied for a \$6,114,000 State of Alaska Round 6 Renewable Energy Fund grants and been recommended by the Alaska Energy Authority for full funding; and

WHEREAS the aforementioned two sources of State funding will equal 50% State investment in the Allison Creek Hydroelectric Project; now, therefore

BE IT RESOLVED, the CVEA Board of Directors declares its intent to secure the balance of project funding with other sources of financing including long term debt; and

BE IT FURTHER RESOLVED, the CVEA Board of Directors authorizes Robert A. Wilkinson, Chief Executive Officer, to market, select, negotiate and solidify rates for financing the CVEA portion of the Allison Creek 50 percent match.

Approved and signed this 14th day of February 2013, in Glennallen, Alaska.

Secretary (attest)

Carl Crosman, President

(seal)