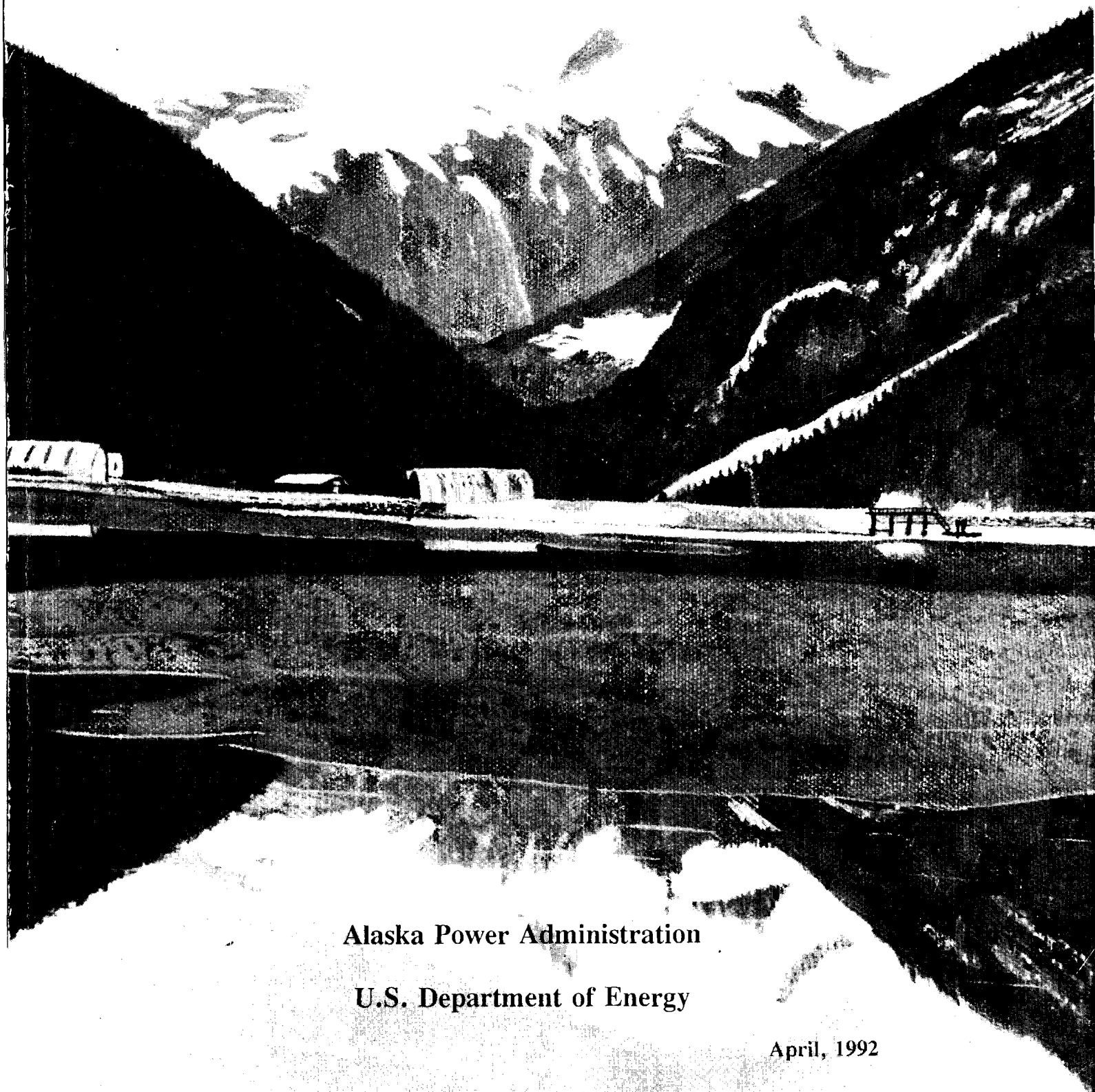


Divestiture Summary Report

Sale of Eklutna and Snettisham Hydroelectric Projects



Alaska Power Administration

U.S. Department of Energy

April, 1992

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Note: This report was prepared to accompany the legislative proposal authorizing sale of the Eklutna and Snettisham Hydroelectric Projects and subsequent close out of the Alaska Power Administration. The report contains negotiated agreements covering sale terms and post-sale fish and wildlife management, which will be implemented on Congressional authorization of the sales.

EXECUTIVE SUMMARY

This report accompanies the legislative proposal to authorize sale of the two Alaskan Federal hydroelectric projects and close out the Alaska Power Administration (APA). Briefly:

- The 78,210 kW Snettisham Project serving Juneau would be sold to the Alaska Energy Authority, a State corporation which owns six other hydroelectric projects.
- The 30,000 kW Eklutna Project serving the Anchorage and Matanuska Valley areas would be sold to the three electric utilities which now purchase power from that project, namely Anchorage Municipal Light and Power, Chugach Electric Association, and Matanuska Electric Association.
- Terms and conditions for the sales are set out in negotiated Purchase Agreements. Key aspects include:
 - Development of Transition Plans within six months after Congress authorizes the divestiture.
 - Transaction Date to be set in the Transition Plans.
 - Description of assets to be transferred.
 - Price and payment terms.
 - Environmental Management Plans.
 - Protection of interests in several important "non-power" uses of project land and water.

- Under a separate agreement, the Purchasers assume responsibility for developing and implementing post-sale programs for protection, mitigation, and enhancement of fish and wildlife resources impacted by hydroelectric development in the Eklutna and Snettisham basins.

The estimated sale proceeds to the United States Treasury are between \$73.5 and \$80.3 million, assuming the transactions are completed between October 1, 1992 and October 1, 1993. The proceeds represent approximately 95 percent of the present value of post-sale interest and principal payments the United States Treasury would receive under continued Federal ownership of the projects. The Federal Government would no longer be responsible for staffing and funding operation, maintenance, repair, and replacement of the project facilities.

Eklutna and Snettisham are modest-sized, single-purpose hydroelectric projects involving small river basins entirely within Alaska. Locally, they are important long-term suppliers of economically-priced hydroelectric power. They are well suited for ownership and control within Alaska. They do not involve international or interstate river basin considerations.

The sale terms and structure assure that the projects will continue to serve their intended purposes. Modest rate increases are expected over the short term, but long-term power rates are expected to be similar to those that would prevail under continued Federal ownership. APA, the Department of Energy, and the Purchasers will all cooperate in efforts to minimize impacts on APA employees.

The divestiture will close out a small Federal power program by transferring its functions to existing State and utility organizations which are fully capable of handling the functions without further Federal involvement.

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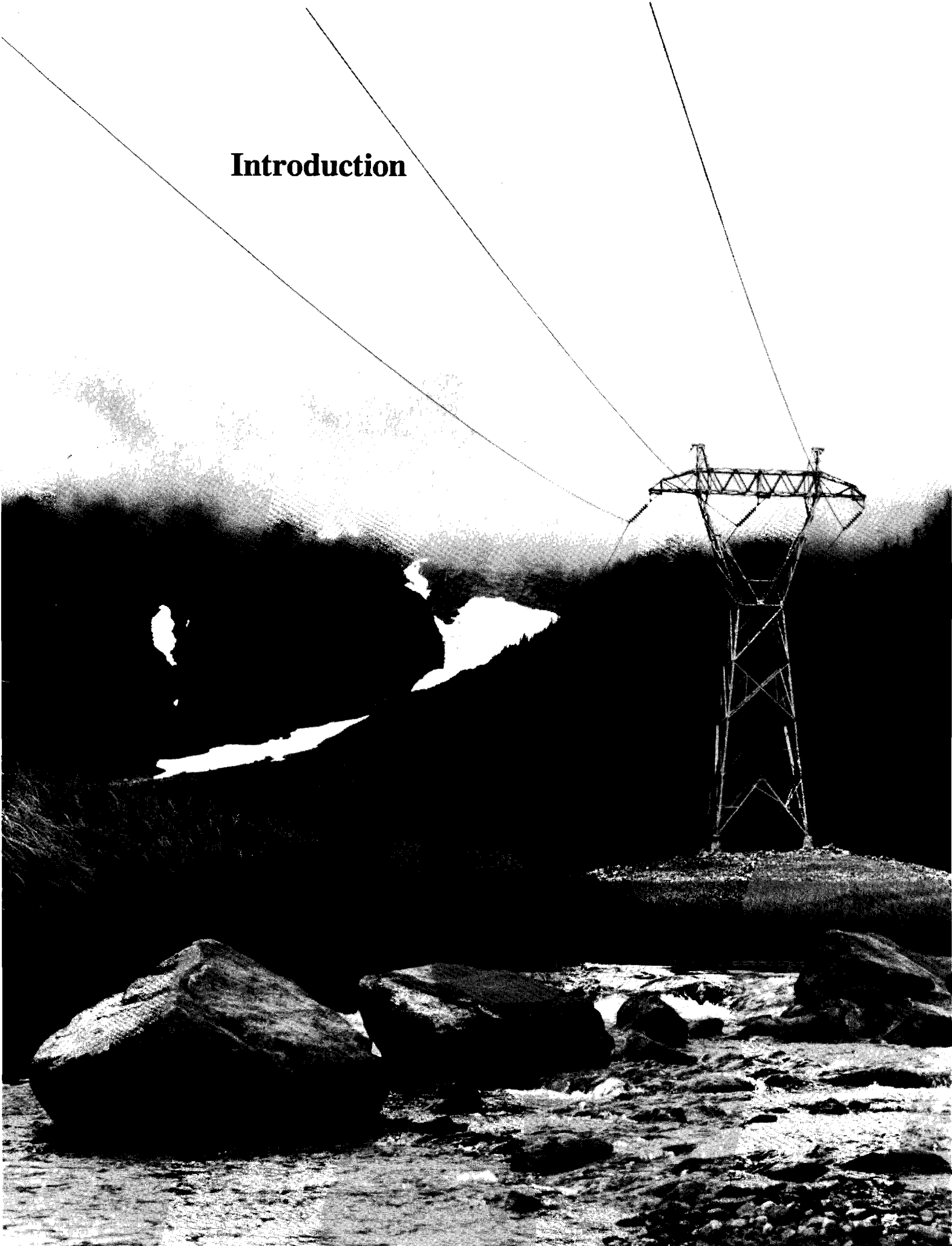
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Introduction



A view of the Snettisham transmission line as it leaves the Snettisham Project. This 138,000 volt line carries 80 percent of Juneau's electrical energy.

This report was prepared to accompany the legislative proposal to authorize sale of the two Federal hydroelectric projects in Alaska and subsequent close out of the Alaska Power Administration (APA).

The report contains:

- A summary of the processes which led to the legislative proposal.
- Negotiated purchase agreements which contain the sale terms, and a separate agreement which provides for post-sale management of fish and wildlife resources.
- Financial analyses which detail expected proceeds to Treasury and describe the anticipated impact to ratepayers and taxpayers.
- Discussion of key issues raised by the sale.

BACKGROUND

APA has responsibility for operation, maintenance, transmission, and power marketing for the two Alaskan Federal hydroelectric projects. These are the 30,000 kilowatt (kW) Eklutna Project, which has served the Anchorage and Matanuska Valley areas since 1955; and the 78,210 kW Snettisham Project, which has been Juneau's main power source since 1975. The projects presently provide about eight percent of the energy requirements for Alaska's electric utilities (about 80 percent for Juneau and about five percent for the Eklutna market area).

The projects were authorized to encourage economic and industrial development in Alaska. The authorizations direct that project power be sold so as to encourage widespread use at lowest rates to consumers, consistent with sound business principles, with all costs, including investment

costs, to be recovered from power sale revenues. The projects are serving the authorized purposes well. They are important, relatively low cost, long term suppliers of renewable energy for the areas they serve. Power sales revenues to the United States Treasury are recovering the Federal costs as intended in the authorizing legislation. There are no plans, proposals, or authorizations to expand the Federal power programs in Alaska.

Sale of the Alaskan projects was proposed in Presidential budgets for FY 1986 and subsequent years. It had been discussed on an informal basis for several years previously. The proposal recognizes it is no longer necessary to have the separate small Federal power program in Alaska, that Eklutna and Snettisham are well suited to ownership and control within Alaska, and that the State and its electric utilities have excellent capability to manage the projects.

The divestiture was approached through a series of studies and public reports and consultation with interested parties. The reports are listed subsequently. Briefly, the process involved evaluation of issues, objectives, alternative approaches, an asset valuation, and consideration of public comments at three separate stages of the process. Formal invitation of proposals to purchase the projects were extended in the Spring of 1987 to the electric utilities served by the projects, municipalities in the project service areas, and the State of Alaska.

In response to the solicitations, APA received one proposal for each project:

- A September 15, 1987 proposal by the Alaska Energy Authority to purchase the Snettisham Project.
- A November 9, 1987 joint proposal from the City of Anchorage, the Matanuska Electric Association, and the Chugach Electric Association to purchase the Eklutna Project.

APA and the proposing parties negotiated Purchase Agreements which set forth specific terms and conditions for sale of the projects. The Agreements (February 10, 1989, for Snettisham;

August 2, 1989, for Eklutna) are presented in Appendix A. Each Agreement was amended once in 1991, primarily to extend the term of agreement.

APA and the Department of Energy (DOE) developed a legislative proposal authorizing sale of the projects in accordance with the two Purchase Agreements. During review of the legislative proposal in late 1989, concerns were raised about post-sale management of fish and wildlife resources. Those concerns led to negotiation of a formal agreement between the "Purchasers," the State of Alaska, and the Departments of Interior and Commerce providing for long-range protection, mitigation, and enhancement of fish and wildlife resources affected by Eklutna and Snettisham hydroelectric development. This agreement, dated August 7, 1991, is presented in Appendix B.

The two Purchase Agreements and the Fish and Wildlife Agreement become effective upon Congressional authorization of the divestiture.

Background information on APA and its programs is included in Appendix C. APA's Personnel Management Plan as approved by DOE is found in Appendix D.

Numbers in this report for FY 1991 sales and revenues are estimated based upon 10 months' experience. "Finals" for FY 1991 may differ slightly.

An Environmental Assessment (EA) was prepared on the proposed action (the legislative proposal to authorize sale of Eklutna and Snettisham). The EA and DOE's March 27, 1992 "Finding of No Significant Impact for the Proposed Sale of the Eklutna and Snettisham Projects" are included in Appendix E.

PREVIOUS REPORTS

APA's previous reports on the divestiture are listed below for reference.

- The Alaska Power Administration Transfer Study, April, 1986, provides review of issues surrounding the proposed sale of the Alaskan Federal hydroelectric projects. This is a joint report by the State of Alaska's Office of Management and Budget, and APA.
- The Alaska Power Administration Divestiture Work Plan, APA, July 17, 1986, outlining objectives, guidelines, activities, and schedules for obtaining proposals for purchase of the two projects.
- The draft report, Alternative Structures for Sale of Alaska Power Administration, APA, July 18, 1986, discusses a fairly wide range of possible approaches to the divestiture and issues raised in the choices amongst the alternatives.
- Divestiture Status Report: Comments on Divestiture Work Plan and draft report, Alternative Structures for Sale of Alaska Power Administration, APA, September 26, 1986, presenting a compilation of comments received on the two documents.
- Valuation of Alaska Power Administration Electric Power Assets, October 30, 1986, an independent asset valuation prepared by Coopers & Lybrand for APA.
- Review of Alternative Sale Structures, November 14, 1986, prepared by Coopers & Lybrand for APA.
- Divestiture Status Report: Revised Work Plan and Proposed Sale Structure, APA, January 14, 1987. This report discusses priorities for the divestiture goals and

objectives, summarizes consideration of comments received, reviews several key sale structure issues, and presents a revised work plan and structure for the sale.

- Divestiture Status Report: The Purchase Proposal Process, APA, July 10, 1987. This report outlines the process used to obtain specific proposals to purchase the APA projects and contains the invitations for proposals.

Appendix F lists a number of other important references.

A high-contrast, black and white photograph of a power substation. The foreground and middle ground are dominated by a complex network of metal structures, including tall towers and horizontal cross-arms, with numerous power lines stretching across the scene. The background features a large, rugged mountain range with significant snow cover under a bright sky. The overall aesthetic is stark and industrial.

Alaska Power Administration

This photo shows the 69 kV circuit breakers located at the Thane Substation, four miles south of Juneau. Gastineau Channel is visible in the photo as well as the mountains on Douglas Island. Not only is the Snettisham Project operated remotely from Thane Substation, but it serves as the main control center for the entire Juneau area power system.

OVERVIEW

The Alaska Power Administration (APA) is a unit of the Department of Energy (DOE). It is responsible for operation, maintenance, transmission and power marketing for the two Federal hydroelectric projects in Alaska: the 30,000 kW Eklutna Project serving the Anchorage and Matanuska Valley areas, and the 78,210 kW Snettisham Project which is Juneau's main power source.

LEGISLATIVE AUTHORITIES

Each project has specific legislative authorization. The Eklutna Project Act of July 31, 1950 (64 Stat. 382) provided authorization to the Secretary of the Interior to construct, operate, maintain and market power from that project.

The Snettisham authorization is contained in Section 204 of the 1962 Flood Control Act (82 Stat. 875). Design and construction responsibility is assigned in that law to the Secretary of the Army, with operation, maintenance and power marketing assigned to the Secretary of the Interior. Section 201 of the 1976 Water Resources Development Act (Public Law 94-587) fixes repayment criteria for the Snettisham Project.

Interior's responsibilities with respect to these projects were carried out by the Bureau of Reclamation until June 1967. At that time, the Secretary of the Interior established APA by Secretarial Order. APA took over all of Reclamation's Alaska work, including operation, maintenance and power marketing for the two projects.

The Department of Energy Organization Act of August 1977 (91 Stat. 565) transferred all of the Interior Department's functions with respect to APA to DOE. The referenced legislation and subsequent amendments appear in Appendix C.

ORGANIZATION AND STAFFING

APA maintains its Headquarters Office in Juneau and field offices at each project. Each project office is headed by a Project Manager who is responsible for the full range of operation and maintenance activities.

The Headquarters Office includes a Power Division which provides technical supervision and oversight for the operation and maintenance and conducts the power marketing work; and an Administrative Division which handles such things as finance, accounting, procurement, personnel, environmental management, and safety. The two Divisions report to the Administrator, who in turn reports to the DOE Assistant Secretary for Conservation and Renewable Energy.

Present staffing includes 34 permanent positions, with 16 at the two field offices and 18 at the Juneau Headquarters.

Organization and function charts appear in Appendix C.

PROJECT INFORMATION

The Eklutna Project is located near Palmer, Alaska, about 34 miles northeast of Anchorage. The 30,000 kW project provides an average of 153 million kWh of firm electrical energy to the Anchorage and Matanuska Valley areas, or about 5 percent of the area need. The project consists of a dam, power tunnel, generating plant, switchyard, transmission lines, and substations. The project is staffed by seven full-time APA employees who handle all maintenance work. It is operated by remote control from the Chugach Electric Association dispatch center in Anchorage.

Non-power uses of Eklutna project lands and water include:

- A fish hatchery operated by Cook Inlet Aquaculture Association which draws water from the Eklutna tailrace;
- A state park with camping and picnicking facilities at Eklutna Lake;
- A municipal water supply project operated by the Municipality of Anchorage which draws water from Eklutna Lake; and
- An Alaska Energy Authority storage yard near Eklutna powerplant.

The Snettisham Project is located in a remote area about 45 miles southeast of Juneau. The project consists of a small dam, power tunnels, underground generating plant, switchyard, transmission line and substation. Due to its remote location, the project also has its own airstrip, boat dock, residential quarters and utility system. Nine APA employees cover the maintenance functions. The project is operated by remote control from Juneau under a contract with Alaska Electric Light and Power Company. The 78,210 kW project presently provides about 80 percent of Juneau's electrical energy, and has the capability of providing 285 million kWh firm energy and 330 million kWh average energy annually.

The State of Alaska operates a fish hatchery adjacent to the Snettisham Project and draws water from the powerplant tailrace.

Project sketches and maps appear in Appendix C.

MARKETING AND RATES

The Project Authorizations include important instructions on power marketing:

- Marketing objectives of widespread use at lowest cost to consumers consistent with good business principles;
- Preference in sale of power to public bodies and cooperatives; and,
- Rate schedules to produce sufficient revenues to repay costs, with interest over a 60-year period for the Long Lake phase of Snettisham, a 50-year period for Crater Lake, and a "reasonable period of years" for Eklutna (administratively set at 50 years).

Interest rates for repayment are set by the authorizing legislation generally reflecting long-term Federal borrowing costs at the time of authorization. The rate for Eklutna is 2½ percent, and the rate for Snettisham is 3 percent.

DOE administrative procedures provide substantial additional criteria. APA must make an annual review of rate sufficiency, and propose changes if the projected revenues are either too high or too low to meet the repayment objectives. Interim rate authority is delegated to DOE's Assistant Secretary for Conservation and Renewable Energy. Rates are subject to confirmation and approval by the Federal Energy Regulatory Commission (FERC).

DOE uses a levelized rate approach, and does not require a fixed repayment schedule. An interest penalty is assessed if revenues in any given year fail to cover annual operation, maintenance and interest costs. In effect, the principal payments can be deferred if revenues are below normal, for example, in a low runoff year, or if costs are above normal.

Eklutna power is marketed under wholesale contracts with the Chugach Electric Association (Chugach), Anchorage Municipal Light & Power (ML&P) and the Matanuska Electric Association (MEA), with plant capability and all energy produced allocated amongst the three. Present rates are 17 mills (1.7 cents) per kWh for firm energy and 10 mills (1.0 cents) for non-firm energy. These rates were placed into effect on October 1, 1990, for a period not to exceed four years. APA does not expect a need to increase Eklutna rates during that period.

Significant amounts of power produced by ML&P and Chugach are wheeled over APA transmission lines. The present wheeling rate is 0.3 mills (0.03 cents) per kWh.

Nearly all Snettisham power is marketed under wholesale contracts with the Alaska Electric Light & Power (AEL&P). The State of Alaska purchases a relatively small amount of energy for operation of a fish hatchery at Snettisham.

The present rate for firm energy from Snettisham is 32.1 mills (3.21 cents) per kWh and was placed in effect on October 1, 1991, for a period of up to five years and appears sufficient to meet repayment obligations during that time. Non-firm energy is sold under two incentive programs at rates of 11.8 mills (1.18 cents) and 21.7 mills (2.17 cents) per kWh.

All revenues collected from sale of Eklutna and Snettisham power are returned to the Treasury and credited to miscellaneous receipts, except that certain operation and maintenance costs provided by customer utilities are taken from revenues by net-billing.

A summary of recent and projected sales and revenues is presented in Appendix C.

FEDERAL INVESTMENT

APA's FY 1990 financial statements and the audit report by the Office of Inspector General, DOE, are presented in Appendix C.

The financial statements show several measures of Federal investment in the Eklutna and Snettisham hydroelectric projects. Construction costs and annual costs for operations, maintenance, and replacements have been funded by direct Congressional appropriations to the Alaska Power Administration, Corps of Engineers, and Bureau of Reclamation. Interest during construction and annual interest charges for unpaid debt are calculated amounts based on interest rates applicable for each project.

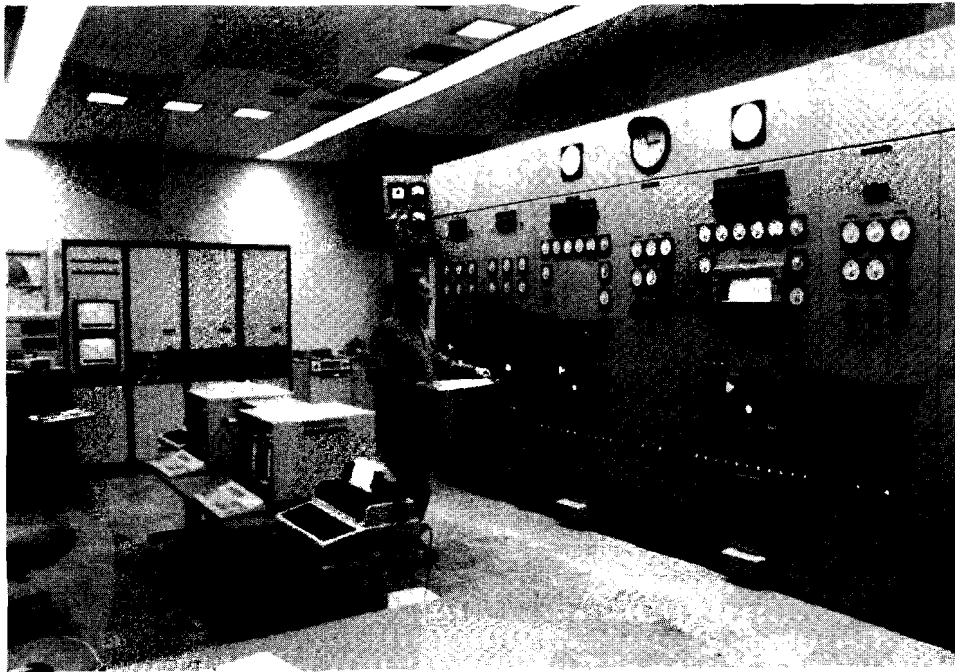
Through FY 1990, the statements show a gross Federal investment of \$213 million, including \$70 million of calculated interest charges. Some \$111 million of revenues have been returned to the Treasury, leaving a net investment of \$102 million (\$91 million for Snettisham and \$11 million for Eklutna). The FY 1990 figures do not include costs for the Crater Lake Unit of the Snettisham Project. The Crater Lake costs will appear in APA statements beginning with FY 1991, the start of the Crater Lake repayment period.

The FY 1990 power repayment studies show year-end balances to be repaid of \$89.5 million for Snettisham and \$10.3 million for Eklutna. APA projects FY 1991 unpaid balances of \$154.2 million for Snettisham (including Crater Lake investment) and \$9.1 million for Eklutna. These numbers are lower than the net investment from the financial statements because of construction in progress and year-end accounts receivable at each project.

The financial statements and the repayment studies do not include certain Federal costs which, by law, are non-reimbursable. These are: repairs at Eklutna following the 1964 great Alaskan earthquake; and the costs of repairing and relocating a portion of the original Snettisham Project transmission lines (the Salisbury Ridge section).

PROGRAM LEVELS

APA receives funds to cover its operation, maintenance, marketing, and administrative expenses through the annual Energy and Water Development Appropriation Act. In recent years, the appropriation language provides that the funds are available until expended, i.e., unexpended funds in a given year may be carried forward. New appropriations for FY 1991 were \$3,232,000; the FY 1992 amount is \$3,218,000. The FY 1984 appropriations bill established a \$200,000 emergency fund, none of which has been expended.



Eklutna Powerplant operation is monitored by a modern computer system and controlled remotely from a utility dispatch center in Anchorage.

The Purchasers



A view of the 115 kV transformers and associated switchgear in the Anchorage Substation of the Eklutna Project. When built in the mid-1950's, it was located in a rural area and was a key intertie point in the Anchorage area electrical system. Today the Anchorage area is much larger and the area more urban.

The three Eklutna Purchasers are:

- Matanuska Electric Association, Inc., of Palmer, Alaska (MEA)
- Anchorage Municipal Light and Power (ML&P)
- Chugach Electric Association, Inc. (Chugach), headquartered in Anchorage.

These are the same three electric utilities which have purchased Eklutna power since the project entered commercial service. They are also among the largest electric utilities in the State of Alaska.

Chugach and MEA are non-profit electric cooperatives. ML&P is owned by the Municipality of Anchorage. Chugach and ML&P are major power generators. Chugach and MEA own most of the high voltage transmission system in Southcentral Alaska. All three transmit and distribute power at retail. For the year 1990, the three "Eklutna Purchasers" served approximately 120,000 retail customers with retail sales of about 1.8 billion kWh.

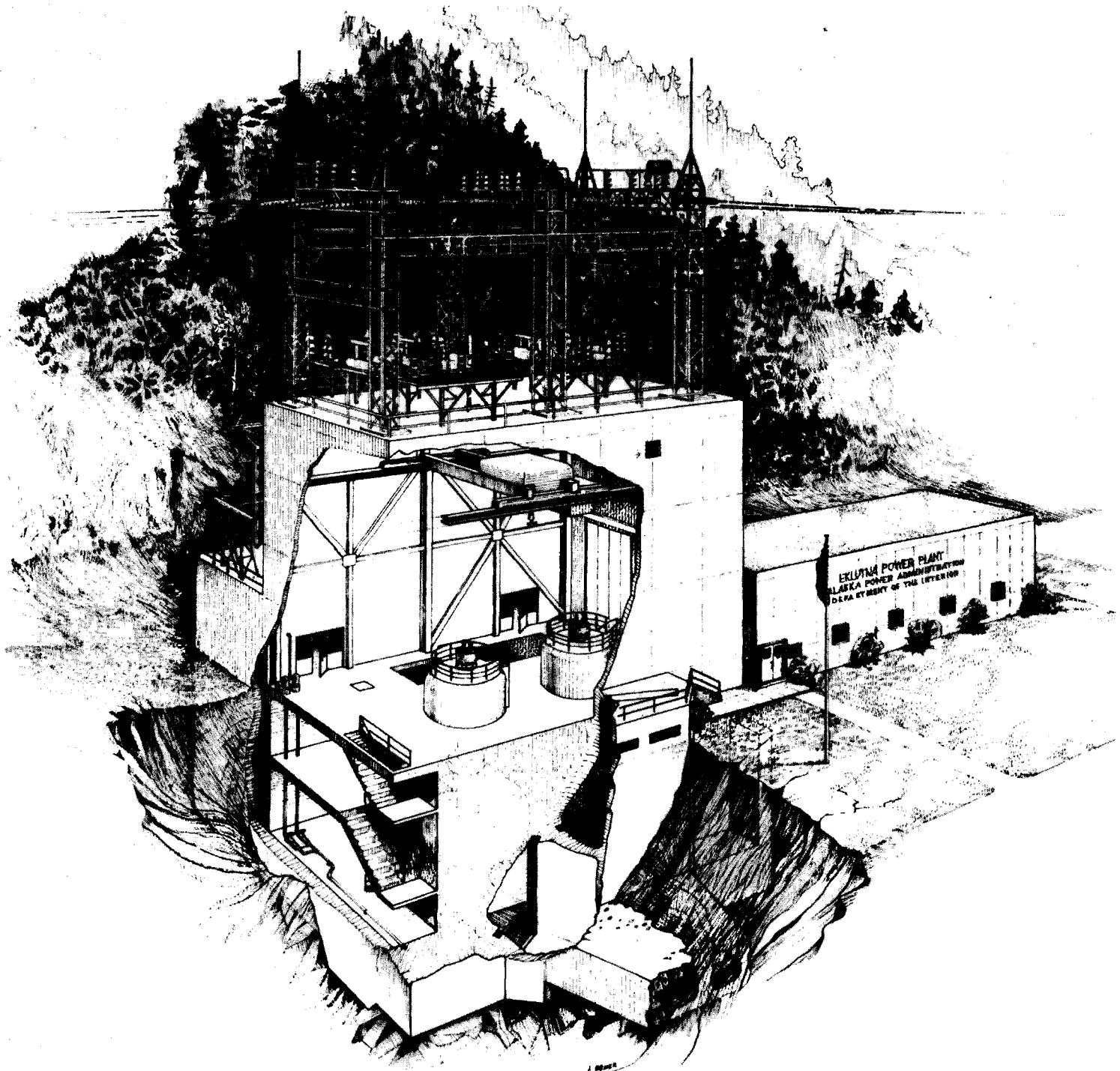
Per Section 10 of the Eklutna Purchase Agreement, the three "Eklutna Purchasers" will establish and put into effect before the Transaction Date the necessary organizational, functional, and staffing arrangements for post-sale operation, maintenance, and administration of Eklutna.

The Alaska Energy Authority (AEA) would purchase the Snettisham Project. AEA is a public corporation of the State of Alaska established by the Legislature in 1976. Since that time, AEA has been involved in planning, financing, constructing, acquiring, and operating power projects around the State. AEA presently owns six hydroelectric projects with installed capacity of 164 megawatts. AEA also owns 420 miles of transmission lines.

AEA plans to contract Snettisham operation and maintenance with the Alaska Electric Light and Power Company (AELP), the electric utility serving Juneau. AELP owns and operates generators (hydroelectric and oil-fired), transmission, and distribution facilities. In addition, AELP has operated Snettisham by supervisory control under contract with APA since 1975. In 1990, AELP served approximately 12,000 retail customers, with retail sales of 260 million kilowatthours.

Without question, the proposed purchase and operating arrangements reflect organizations which have demonstrated that they have excellent organizational, technical, and financial capabilities to handle the ownership and operating responsibilities for Eklutna and Snettisham in a thoroughly effective and efficient manner.

The Purchase Agreements



This cutaway sketch of the Eklutna Powerplant was drawn by Joe Ebner, APA's first Environmental Specialist, in 1974. It shows (from the bottom) the tailrace conduit, the turbine draft tube and scroll case, the two generators, an overhead crane, and the switchyard on the roof of the powerplant. As shown in the sign on the plant, when this was sketched in 1974 Alaska Power Administration was part of the Department of the Interior. APA was moved to the Department of Energy when the Department was organized in 1977.

The legislative proposal seeks Congressional authorization to sell the two APA projects under terms of the February 10, 1989, Snettisham Purchase Agreement and the August 2, 1989, Eklutna Purchase Agreement.

The agreements provide and require:

- A description of assets to be sold or transferred to the new owners.
- Price and payment terms.
- Transition plans.
- Delineation of responsibilities of the purchasers and the sellers through the transition to new ownership.
- Protection for "non-power" users of project lands and water.
- Environmental management plans.

The assets to be transferred include the project facilities, property, and records held by APA as well as lands and rights-of-way needed for project operation. Each agreement includes an Exhibit A narrative and land status map detailing land and rights-of-way actions to be completed. The Exhibit A maps are in the "back pocket" of this report.

The Transition Plans are to be adopted within six months after Congress authorizes the divestiture. Each Transition Plan would establish a Transaction Date, which is the date on which ownership would be transferred, and plans and schedules for accomplishing such transfer.

Up to the Transaction Date, APA would be responsible for operation and maintenance of the projects and the Federal government would continue to receive revenues from power sold. APA

would also be responsible for preparing the assets for transfer so that on the Transaction Date the new owners would receive clear and sufficient title for continued operation of the projects. In the event that portions of the assets are not available for transfer on the Transaction Date, APA would provide reasonable assurance that such assets would be transferred at a later date.

The parties would conduct inspections and make a joint determination of specific maintenance activities to be completed by APA.

As of the Transaction Date, the Purchasers would take over full responsibilities for the projects and the APA responsibilities would terminate, except for specific items of unfinished business (for example, completing unfinished lands and permitting activities).

The Transaction Date also triggers the pricing mechanism (Section 5 of each agreement). In each case, the purchase price is to be based upon the present value of the estimated interest and principal payments the U.S. Treasury would receive if Federal ownership of the projects were to continue. The estimated interest and principal payments are displayed in Exhibit B of each agreement. The purchase price is set as of the Transaction Date, reflecting those payments that would occur after the Transaction Date.

For Eklutna, the purchase price is the present value as of the Transaction Date of the remaining interest and principal payments discounted at a rate of 9 percent, plus \$1 million. The Purchasers are allowed up to five years to pay the purchase price, but any portion of the price paid after the Transaction Date would have interest charges at the rate of 9 percent. If full payment is made on the Transaction Date, there would be no interest charges. The Purchasers have agreed not to seek Federal financing.

For a Transaction Date of October 1, 1992, the Eklutna purchase price is \$9,022,000. For a Transaction Date of October 1, 1993, the Eklutna purchase price is \$8,818,000.

AEA will issue revenue bonds to finance the purchase of Snettisham. The sales price would be the present value as of the Transaction Date of the remaining interest and principal payments. The full Snettisham purchase price is to be paid to the U.S. Treasury on the Transaction Date. The price is to be the larger of two present value calculations:

- The present value using a discount rate equal to the actual net interest costs for AEA's Snettisham revenue bonds plus 2 percent; and
- Eighty-five percent of the present value using yield rate for recent 30-year U.S. Treasury Bonds.

Under these formulas, the Snettisham purchase price will be based upon actual borrowing costs at the time of the transaction. The purchase price increases with each drop in interest rates. The purchase price is expected to be between \$64,741,000 and \$71,456,000 for a Transaction Date between October 1, 1992, and October 1, 1993.

Sale proceeds for the two projects are thus expected to be between \$73.5 and \$80.3 million.

Each Purchase Agreement was amended once in 1991, primarily to extend for two years the terms of the agreement.

The above discussion provides a general overview of the Purchase Agreements. APA is confident that the agreements provide a sound and workable framework for implementing the divestiture.

The Purchase Agreements appear in their entirety in Appendix A of this report, including the amendments.



Fish and Wildlife Agreement

This is a view of the area around Eklutna Lake. When constructed in the mid-1950's, the Eklutna Project was a single purpose power project, but has since become a popular recreation area and source of municipal water. The Chugach State Park, located on Eklutna Lake, has picnic and camping facilities and provides hiking, cross-country skiing, and off-road vehicle trails.

The Purchasers, the State of Alaska, the U.S. Department of Commerce National Marine Fisheries Service, and the U.S. Department of the Interior Fish and Wildlife Service entered into a formal agreement providing for post-sale protection, mitigation, and enhancement of fish and wildlife resources affected by Eklutna and Snettisham. The Agreement is included in Appendix B.

The Fish and Wildlife Agreement would become effective with respect to each project on the Transaction Date established under the Purchase Agreements. It sets up a process of consultation, studies, and public involvement for development of a fish and wildlife program which would be implemented by the Purchasers. It assigns costs of the studies and implementation measures to the Purchasers. The process is quite similar to that under the Federal Energy Regulatory Commission (FERC) licensing of hydroelectric projects with the Governor of Alaska assigned a role similar to FERC's in decisions on fish and wildlife measures.

Specifically, the Agreement:

- Commits the Purchasers to fund studies to determine impacts and propose measures for protection, mitigation, and enhancement of fish and wildlife affected by the projects. These studies will result in a Fish and Wildlife Program.
- Assures that the studies will be conducted in consultation with State and Federal resource management agencies.
- Requires that the draft Fish and Wildlife Program be reviewed by the Resource Management agencies as well as the public.
- Designates the Governor of Alaska to review the Proposed Fish and Wildlife Program, reconcile differences, and establish a final Fish and Wildlife Program. In doing so, the Agreement requires the Governor to give consideration to

efficient power production, energy conservation, protection to fish and wildlife, recreation, municipal water supplies, other aspects of environmental quality, public uses, and requirements of law.

- Requires the Purchasers to implement the Fish and Wildlife Program subject to their rights of judicial review.
- Requires the study and program development process described above to be repeated every 35 years.
- Makes this agreement binding as long as the projects continue to operate or until the projects become subject to the Federal Power Act.

Specific fish and wildlife measures were not contemplated in the earlier divestiture studies and reports or in negotiations for the Purchase Agreements. This was because the projects were generally viewed as not involving fish and wildlife problems.

During reviews of the legislative proposal, loss of a sockeye salmon run that once spawned in Eklutna Lake was identified. The loss was caused by a small private power project constructed in the 1920's. The loss was not identified in pre-authorization studies for the Federal Eklutna Project and the Federal project does not include mitigation. This specific problem and the desires of the fish and wildlife agencies to provide appropriate consideration to fish and wildlife resources over the long run led to the August 7, 1991 Agreement.

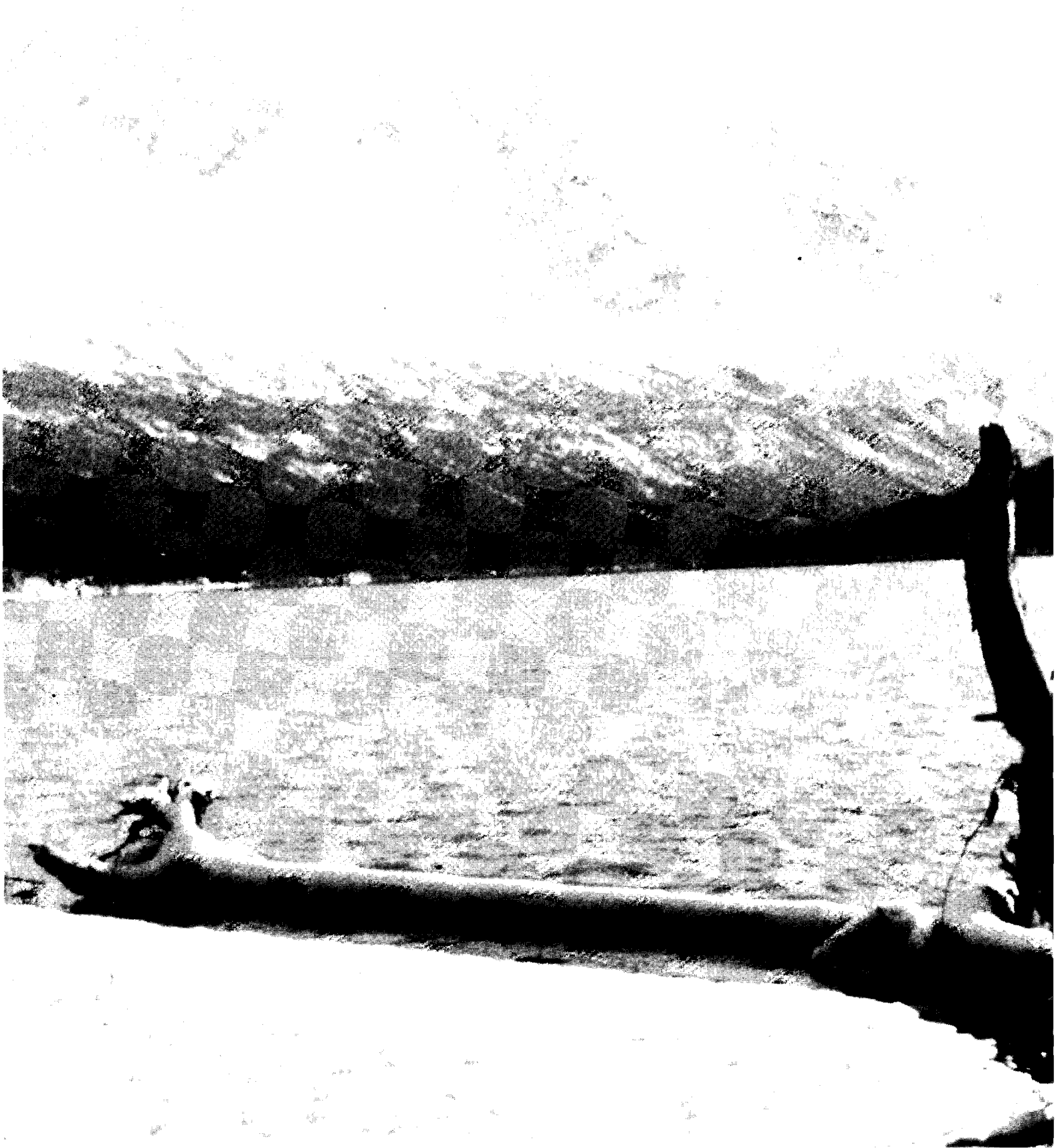
The formal process to develop fish and wildlife programs is to begin no later than 25 years after the Transaction Date with formal fish and wildlife programs to be in place within 30 years for Eklutna and 35 years for Snettisham. The agreement provides for an earlier start if the parties find that to be desirable. These timing provisions are designed primarily to reduce uncertainties in financing and repayment of new debt while recognizing that known fish and wildlife concerns are not of the type that will require near future action.

Given the nature of the projects and the river basins affected, there is good reason to believe that the proposed arrangements will work at least as well as Federal regulation for the intended purpose of mitigation and enhancement of affected fish and wildlife resources. The August 7, 1991 Agreement affords fish and wildlife interests a stronger voice in project management than would be available under continued Federal ownership.



The State of Alaska's Snettisham Fish Hatchery uses water from the powerplant to incubate and rear chinook and sockeye salmon.

Lands and Permits



A view from the shore of Eklutna Lake. The area around the lake is not only a popular recreation spot, but the lake also provides some of Anchorage's municipal water supply. In 1988, the Municipality of Anchorage completed construction of a water treatment facility near Eklutna Lake. This facility is specially designed to treat water from the glaciers which feed the lake.

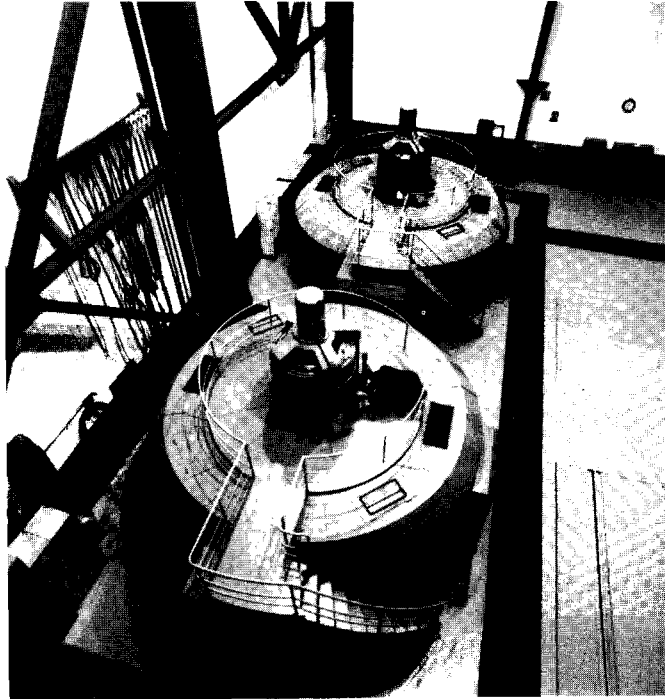
Lands used for Eklutna and Snettisham include Federal land withdrawal for the projects, rights-of-way and easements, and lands purchased during construction.

The Purchase Agreements and the proposed legislation include provisions that will provide the Purchasers sufficient rights and interests in these lands for continued operation and maintenance of the projects. The lands provisions were worked out in close cooperation with the Forest Service, the Bureau of Land Management, and the Alaska Department of Natural Resources. Each Purchase Agreement contains an Exhibit A (narrative and map) detailing land provisions. The maps appear in the back "pocket" of this report.

The land actions are to include:

- Conveyance under the Alaska Statehood Act Entitlements of approximately 2,671 acres of land used for Snettisham Project and approximately 853 acres of land used for Eklutna Project.
- Issuance by the Forest Service of a 40-year land use permit for operation of the Snettisham transmission system and two radio repeater sites on Forest Service lands.
- Issuance by the Bureau of Land Management to APA of rights-of-way assignable to the Eklutna Purchasers for Federal lands used for the Eklutna transmission system and to AEA for a portion of the Snettisham transmission system.
- Transfer of APA held fee lands, rights-of-way, and easements to the Purchasers, including all actions necessary to ensure that the Purchasers will have sufficient title for continued use of these lands.

APA expects to incur costs of approximately \$500,000 to \$800,000 for surveys, appraisals, and actions to clear title for easements across private lands used for the Eklutna transmission system. Much of this work would be needed eventually if Federal ownership were to continue.



The two 15,000 kW generators at the Eklutna Project supply energy to three utilities in the Anchorage area.

Analysis



This photo shows the tailrace area and entrance to the Snettisham Powerplant. The powerplant is located underground, 200 feet inside the mountain. Just downstream from this picture is the Snettisham fish hatchery operated by the State of Alaska. The water flowing from the powerplant is used by the hatchery to incubate nearly 12 million chinook and sockeye salmon.

This section discusses financial implications of the divestiture. Costs and revenues to the purchaser and seller are examined, as are ratepayer impacts.

Impact on the Federal Treasury is estimated by comparing Federal revenues and costs with and without the divestiture. Briefly, the Federal Treasury would receive up front payment for the Eklutna and Snettisham purchases and revenues up to the Transaction Date. Federal costs would include project O&M up to the Transaction Date, costs to prepare assets for transfer to the new owners, and costs to close out APA.

The Purchasers would incur new debt to purchase the projects and would assume responsibility for post-sale project activities. The Purchasers' costs would become the basis for post-sale rates for project power.

Also examined are revenue and cost experience since the purchase terms were negotiated. The purchase terms were based on actual experience through FY 1987 and APA's estimate of costs and revenues for 1988 and subsequent years. (APA's FY 1987 Power Repayment Study or 1987 PRS). Actual costs and revenues for FY 1988-1991 and APA's current estimates for FY 1992 and subsequent years (APA's 1991 PRS) are compared with the earlier data.

The Eklutna financial analyses are quite simple. The purchase price is fixed in the Purchase Agreement for any given transaction date. The project is small in comparison to its market area. The price is quite small because over 70 percent of the initial investment has been repaid.

The Snettisham analysis requires more detail. This is a newer, more expensive project which is the main power supply for its market area. Also, the price is to be set based upon actual borrowing costs as of the Transaction Date.

Present value calculations are used fairly extensively. This report uses 7.9 percent as a discount rate for determining present value to the U.S. Treasury of future revenues and costs. The 7.9 percent represents the yield on 30-year Treasury bonds in late December, 1991. As with

most other Federal investments in similar projects, interest rates for repaying Eklutna (2½ percent) and Snettisham (3 percent) investments are well below current Federal borrowing costs.

EKLUTNA FINANCIAL ANALYSIS

Unpaid Balances

Eklutna began commercial operations in 1955. The Eklutna investment of \$30.2 million is to be repaid by 2006, with interest of 2½ percent. Through FY 1991, project revenues have covered all annual costs including interest, all investment in replacements, and repaid \$21 million or over 70 percent of the initial investment. The unpaid balance as of October 1, 1991 is \$9,106,000.

APA projects unpaid balances of \$8,151,000 for October 1, 1992, and \$7,394,000 for October 1, 1993 (FY 1991 PRS).

Present Value

The October 1, 1991 present value of the 1992-2006 interest and principal payments shown in the 1991 Eklutna PRS is \$6,629,000 using a discount rate of 7.9 percent.

The October 1, 1992 present value of 1993-2005 payments is \$6,031,000; the October 1, 1993 present value of 1994-2005 payments is \$5,519,000.

Purchase Price

The purchase price formula is: discounted present value of remaining principal and interest payments in Exhibit B of the Purchase Agreement after the Transaction Date plus \$1 million. The discount rate for the computation is 9 percent.

The Eklutna purchase price for a Transaction Date of October 1, 1992 is \$9,022,000 and the price for a Transaction Date of October 1, 1993 is \$8,818,000, as stated in Section 5 of the Eklutna Purchase Agreement.

Rate Impact

Eklutna provides approximately 5 percent of the power supplies for the three Purchasers. Present Eklutna wholesale revenues amount to about 2 percent of revenues for the three.

The Purchasers expect to achieve some scale economies in operation and maintenance (O&M) and overhead costs but will see a net increase in revenues needed to cover debt. Purchasers' total annual costs for Eklutna will likely be quite similar to the Federal costs.

It is unlikely that the Eklutna sale will produce noticeable rate impacts at the retail levels.

Comparative Analyses

As shown in the following tabulation, the purchase price exceeds the estimated unpaid balances for Transaction Dates of October 1, 1992 and October 1, 1993.

Transaction Date	Purchase Price	Unpaid Balance	Price As % of Balance
October 1, 1992	\$9,022,000	\$8,151,000	110
October 1, 1993	\$8,818,000	\$7,394,000	119

The Purchase Agreement was premised on actual revenue and cost experience through FY 1987 and APA's estimates of cost and revenues for FY 1988 and subsequent years. The negotiators recognized that costs and revenues between 1988 and the Transaction Date could be higher or lower than the estimates.

As shown in the following tabulation, the FY 1988-1991 period experienced higher revenues and lower costs than expected: actual revenues were about \$800,000 above the estimates due to above-average water supply and power production; actual expenses were about \$800,000 below the estimates; and the October 1, 1991 unpaid balance is \$1.6 million lower than estimated at the time of the negotiations.

EKLUTNA REPAYMENT (FY 1988 - 1991)		
	FY 1987 PRS	FY 1991 PRS
Revenues	\$12,242,400	\$13,054,454
O&M Expenses	5,492,000	4,933,652
Interest Expenses	1,302,034	1,169,106
Replacement Expenses	2,056,000	1,969,659
Principal Paid	3,392,366	4,982,037
Unpaid Balance - FY 1991	10,605,771	9,016,101

The favorable revenue and cost experience for the 1988-1991 period make the Eklutna purchase terms more favorable to the U.S. Treasury than expected at the time the Purchase Agreement

was concluded. The post-sale production values are not diminished, so Eklutna's post-sale value to the Purchasers is as large as expected.

SNETTISHAM FINANCIAL ANALYSES

Unpaid Balances

The Long Lake stage of Snettisham began service in 1975. The Crater Lake stage began service in 1990. Investment as of October 1, 1991 is \$164.8 million, including the Crater Lake investment. The unpaid balance as of that date is \$154.2 million, to be repaid by 2041 with interest at 3 percent.

APA projects unpaid balances of \$153.5 million for October 1, 1992, and 152.5 million for October 1, 1993 (1991 PRS).

Present Value

The October 1, 1991 present value of the 1992-2041 interest and principal payments in the 1991 Snettisham PRS is \$75,898,000, using a discount rate of 7.9 percent.

The October 1, 1992 present value of the 1993-2041 payments is \$76,347,000; the October 1, 1993 present value of the 1994-2041 payments is \$76,542,000.

Purchase Price

The purchase price for Snettisham is to be established and paid in full to the Federal government on the Transaction Date. The funds are to come from proceeds of AEA Snettisham Revenue Bonds, and the bond sale is to be finalized on the Transaction Date. The bonds are to be tax exempt within the State's allocation for such bonds. The exemption provides a lower cost of

borrowing to the State and thus a higher purchase price for the projects. Tax revenues foregone are actually returned to the Treasury through the higher purchase price.

Section 5 of the Snettisham Purchase Agreement has two sales price formulas. Both use the discounted present value of principal and interest payments (Exhibit B payments) after the Transaction Date. The formulas provide alternate methods of fixing the discount rate.

The first formula (formula 1) sets the discount rate at the actual interest cost for Snettisham Revenue Bonds, plus two percent. The second or "floor price" formula is equal to 85 percent of the present valuation with a discount rate set equal to the most recent 90-day average yield rate of 30-year Treasury Bonds as of the Transaction Date.

The formulas reflect the negotiators' concerns about uncertainty of future interest rates and the impact of these rates on sale proceeds and future power rates. Under formula 1, annual debt service for the revenue bonds would be essentially the same regardless of the final interest rate, but the Purchase Price or proceeds to the Treasury would increase for each drop in interest rate. Thus the rate payers would be protected relating to changing interest rates and the taxpayer would receive full benefit when interest rates go down.

The floor price formula provides protection for the taxpayers in the event the borrowing costs for the State's revenue bonds turn out to be high relative to other interest rates. The "floor price" formula would control pricing only if the interest rate on the Snettisham bonds approaches or exceeds the rates for 30-year Treasury Bonds. Based on recent years' experience, we estimate that actual interest rates for the Snettisham bonds will be at least one percent below the rate for 30-year Treasury Bonds as of the Transaction Date. Thus formula 1 would govern the price.

AEA's most recent issuance of revenue bonds for hydroelectric financing is their July, 1990, Bradley Lake, Second Series which produced funds of \$60,259,000 to complete construction of the Bradley Lake Project with terms varying up to 30 years and a weighted average interest rate

of 7.2 percent. At that time, the most recent 90-day average yield rate for 30-year Treasury Bonds was 8.8 percent, or 1.6 percent above the rate for the Bradley Lake bonds.

As of the end of CY 1991, yield rates for 30-year Treasury Bonds were somewhat below 8 percent. It is estimated that revenue bonds similar to the Bradley Lake or Snettisham bonds would have received interest rates of 1.1 to 1.3 percentage points below the rate for 30-year Treasury Bonds.

It is estimated that, for a Transaction Date between October 1, 1992, and October 1, 1993, the interest rate for Snettisham revenue bonds will be in the range of 6½ to 7½ percent. This would produce a formula 1 discount rate of 8½ to 9½ percent and a purchase price between \$64.5 and \$71.5 million, as shown in the following table.

Transaction Date	Selling Price if AEA bond rate = 6.5%	Selling Price if AEA bond rate = 7.5%
October 1, 1992	\$71,269,000	\$64,510,000
October 1, 1993	\$71,456,000	\$64,741,000

Rate Impacts

The following tabulation compares expected revenue requirements and rates under Federal and State ownership. A Transaction Date of October 1, 1993 and an interest rate of 6.8 percent for the Snettisham revenue bonds are assumed.

For continued Federal ownership, the sales, revenues, and rates are from APA's FY 1991 PRS.

For State ownership, the same sales forecast is used and the revenue requirements reflect estimated costs for debt service, operation, maintenance, replacements, insurance, and administration under State ownership.

The debt service costs reflect a bond issue of sufficient size to cover the purchase price, establishment of maintenance and replacement reserves, insurance on the bonds, and the costs of financing. For the case examined here, the purchase price would be \$69.3 million and the total bond issue would be \$80.9. Earnings from the reserve funds offset the other annual costs.

The comparison shows that, in the first 10 years, revenue requirements and rates are higher under the State ownership case. For the next 20 years, estimated State and Federal rates are essentially the same. After 30 years, the Snettisham revenue bonds will have been returned. At that point, estimated State rates drop below those for continued Federal ownership.

In this comparison, the average rate for the first 10 years of State ownership is estimated at 3.2 cents per kWh, compared to 3.06 cents under Federal ownership. For that 10-year period, wholesale power rates from Snettisham under State ownership are estimated to average 4.6 percent above the estimate for Federal ownership. Impact on retail rates would likely be under 2 percent for this period.



An interior view of the Snettisham Powerplant, which is the only powerplant in Alaska located underground.

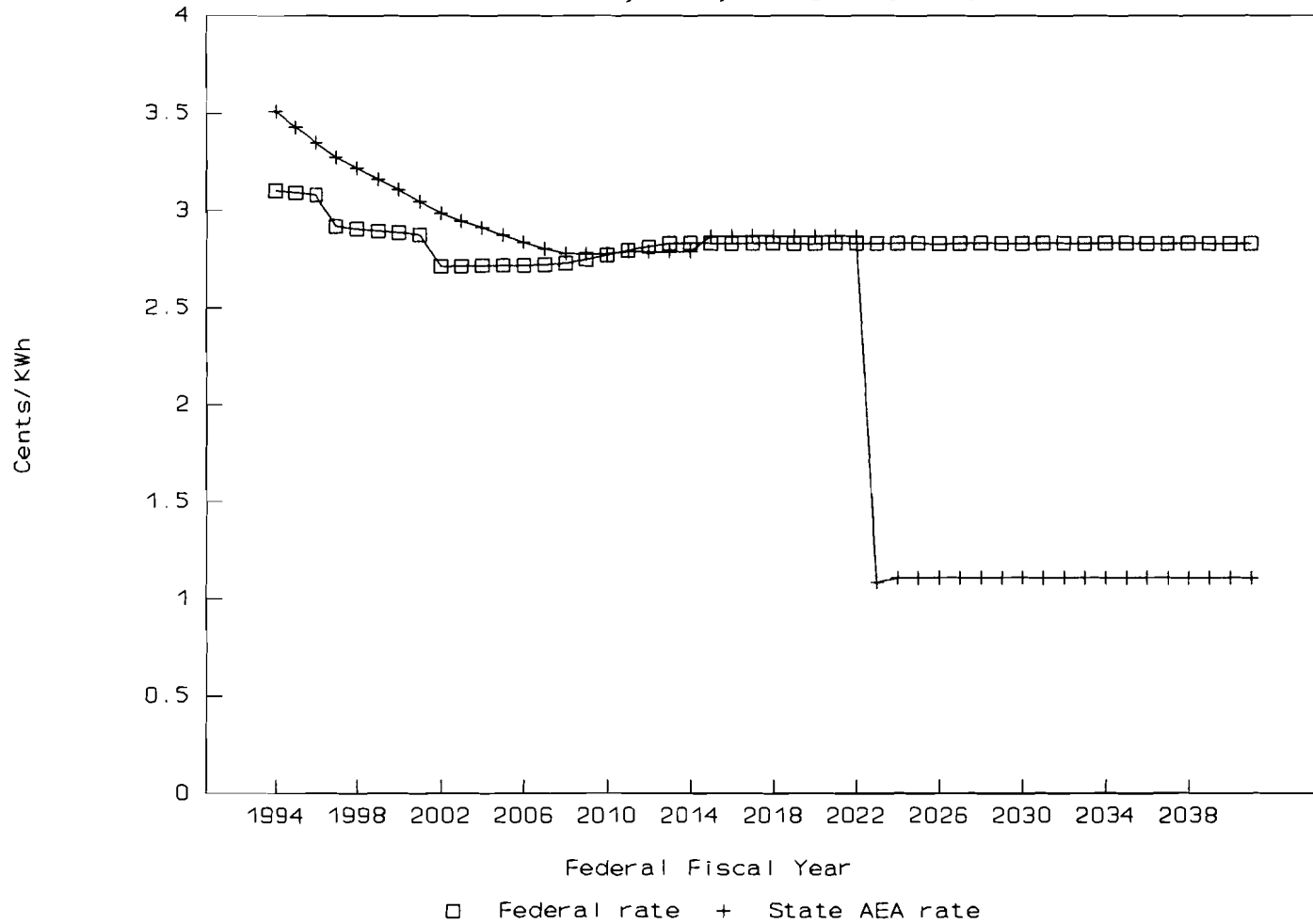
FEDERAL OWNERSHIP

STATE OWNERSHIP

FY	Energy Sales (GWh)	Annual Rev. Reqmts	Avg cents/kWh	Debt Svc	Int. Earnings	Operating	Insurance	Admin.	Repl'mnts	Total	cents/kWh
1988	195										
1989	204										
1990	216										
1991	228	6,454	2.83								
1992	239	7,478	3.13								
1993	248	7,724	3.11								
1994	257	7,970	3.10	6,359	(477)	1,444	734	390	570	9,919	3.51
1995	266	8,218	3.09	6,359	(477)	1,501	760	403	570	9,115	3.43
1996	275	8,465	3.08	6,359	(477)	1,549	786	416	570	9,202	3.35
1997	280	8,167	2.92	6,359	(477)	1,511	812	390	570	9,165	3.27
1998	285	8,281	2.91	6,359	(477)	1,511	812	390	570	9,165	3.22
1999	290	8,394	2.89	6,359	(477)	1,511	812	390	570	9,165	3.16
2000	295	8,508	2.88	6,359	(477)	1,511	812	390	570	9,165	3.11
2001	301	8,652	2.87	6,359	(477)	1,511	812	390	570	9,165	3.04
2002	307	8,325	2.71	6,359	(477)	1,511	812	390	570	9,165	2.99
2003	311	8,440	2.71	6,359	(477)	1,511	812	390	570	9,165	2.95
2004	315	8,555	2.72	6,359	(477)	1,511	812	390	570	9,165	2.91
2005	319	8,668	2.72	6,359	(477)	1,511	812	390	570	9,165	2.87
2006	323	8,784	2.72	6,359	(477)	1,511	812	390	570	9,165	2.84
2007	327	8,899	2.72	6,359	(477)	1,511	812	390	570	9,165	2.80
2008	330	9,003	2.73	6,359	(477)	1,511	812	390	570	9,165	2.78
2009	330	9,074	2.75	6,359	(477)	1,511	812	390	570	9,165	2.78
2010	330	9,144	2.77	6,359	(477)	1,511	812	390	570	9,165	2.78
2011	330	9,215	2.79	6,359	(477)	1,511	812	390	605	9,199	2.79
2012	330	9,286	2.81	6,359	(477)	1,511	812	390	605	9,199	2.79
2013	330	9,339	2.83	6,359	(477)	1,511	812	390	605	9,199	2.79
2014	330	9,339	2.83	6,359	(477)	1,511	812	390	605	9,199	2.79
2015	330	9,339	2.83	6,359	(477)	1,511	812	390	864	9,459	2.87
2016	330	9,339	2.83	6,359	(477)	1,511	812	390	864	9,459	2.87
2017	330	9,335	2.83	6,359	(477)	1,511	812	390	864	9,459	2.87
2018	330	9,339	2.83	6,359	(477)	1,511	812	390	864	9,459	2.87
2019	330	9,339	2.83	6,359	(477)	1,511	812	390	864	9,459	2.87
2020	330	9,338	2.83	6,359	(477)	1,511	812	390	864	9,459	2.87
2021	330	9,339	2.83	6,359	(477)	1,511	812	390	864	9,459	2.87
2022	330	9,339	2.83	6,359	(477)	1,511	812	390	864	9,459	2.87
2023	330	9,339	2.83	0	0	1,511	812	390	864	3,577	1.08
2024	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2025	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2026	330	9,338	2.83	0	0	1,511	812	390	933	3,646	1.10
2027	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2028	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2029	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2030	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2031	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2032	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2033	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2034	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2035	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2036	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2037	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2038	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2039	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2040	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10
2041	330	9,339	2.83	0	0	1,511	812	390	933	3,646	1.10

Snettisham Wholesale Rate Impact

US30 Treasury=7.9%; STATE cost=6.8%



Comparative Analyses

As above, the Snettisham purchase price is expected to be in the range of \$64.5 to \$71.5 million for a Transaction Date between October 1, 1992, and October 1, 1993. This price range is about 42 to 44 percent of the unpaid balance.

The purchase price is expected to be in the range of 90 to 95 percent of the present value of remaining principal and interest payments.

Market conditions as of the end of CY 1991 would likely have produced interest rates for the Snettisham-type revenue bonds at about 1.1 to 1.3 percent below the 7.9 percent yield rate for 30-year Treasury Bonds. If similar conditions occurred along with a Transaction Date of October 1, 1993, the purchase price would be in the range of \$69.3 to \$70.7 million, or between 90.5 and 92 percent of "present value."

The Purchase Agreement was premised on actual revenue and cost experience through FY 1987 and APA's estimates of costs and revenues for FY 1988 and subsequent years. The negotiators recognized that actual costs and revenues between 1988 and the Transaction Date could be higher or lower than the estimates.

The following tabulation compares cost and revenue experience for the fiscal years 1988 to 1991 with the estimated values at the time the sale terms were negotiated.

SNETTISHAM REPAYMENT (FY 1988 - FY 1991)		
	FY 1987 PRS	FY 1991 PRS
Crater Lake Investment	\$ 61,700,000	\$ 66,143,000
(Start of Crater Repayment)	(10/89)	(10/91)
Revenues (4-year total)	25,884,600	23,983,536
O&M Expenses (4-year total)	6,618,000	7,455,223
Replacement Investment (4-year total)	1,224,000	508,654
Principal Paid (4-year total)	3,738,038	4,614,076
Unpaid Balance - FY 1991	150,651,080	154,218,037

Completion of Crater Lake construction and start of repayment for the new investment were delayed for two years because of problems with construction contracts. Because of the delay, APA deferred a rate adjustment to begin repayment of the new investment, and revenues for the four-year period were \$1.9 million below the estimate.

All of the changes since the 1987 estimates are reflected in FY 1991 unpaid balance of \$154.2 million compared to \$150.7 million projected at the time of the negotiations.

At the time of the negotiations, a Snettisham purchase price of somewhat under \$60 million was anticipated. It is now expected that the price will be in the range of \$64.5 to \$71.5 million. The higher price reflects the outlook that interest rates will remain well below those that prevailed at the time of the negotiations.

IMPACT TO U.S. TREASURY

The impact on the Federal Treasury is estimated by comparing Federal revenues and costs, with and without the divestiture.

APA's 1991 Power Repayment Studies for Eklutna and Snettisham provide the estimates for continued Federal ownership.

With the divestiture, the Federal government would continue to fund project activities and receive revenues for power produced up to the Transaction Date. The Federal government would receive payment from the purchasers up front and would be responsible for costs associated with preparing the assets for transfer and closing out APA.

APA estimates that the costs for preparing the assets for transfer and for closing out APA after the transfer will be approximately \$1.9 million. These are estimated costs over and above those expected under continued Federal operation. They include allowances for implementing the Divestiture Personnel Management Plan.

The following table demonstrates the expected impact on the U.S. Treasury. It assumes a Transaction Date of October, 1993 and completion of all close out activities by the June, 1994. Sale proceeds of \$76,353,000 are estimated in FY 1994.

In these estimates, Federal costs for the years 1992 through 1994 are \$9,103,000, revenues are \$98,235,000, and net revenues (including sale proceeds) are \$89,222,000. There would not be additional Federal costs or revenues after FY 1994.

A present value comparison was made as of October 1, 1993 (discount rate of 7.9 percent). On this basis, the value of net revenues is \$76.4 million with divestiture and \$83.5 million under continued Federal ownership.

There are other cost-related factors not evaluated in this example.

- The divestiture Fish and Wildlife Agreement provides a clear commitment for non-Federal funding of protection, mitigation, and enhancement measures. It is likely that part of these costs would be borne by the Federal government under continued Federal ownership.
- The Forest Service will receive permit fees for the transmission line, but would not receive these revenues under continued Federal ownership.
- The State will use up some 3,524 acres of its Statehood Act land selection entitlements to facilitate the divestiture; the entitlements would be used to select other Federal lands if it were not for the divestiture.
- The Federal government will be relieved of costs associated with any future problems associated with Eklutna and Snettisham, such as damages due to natural causes or equipment failure.

Impact to U.S. Treasury

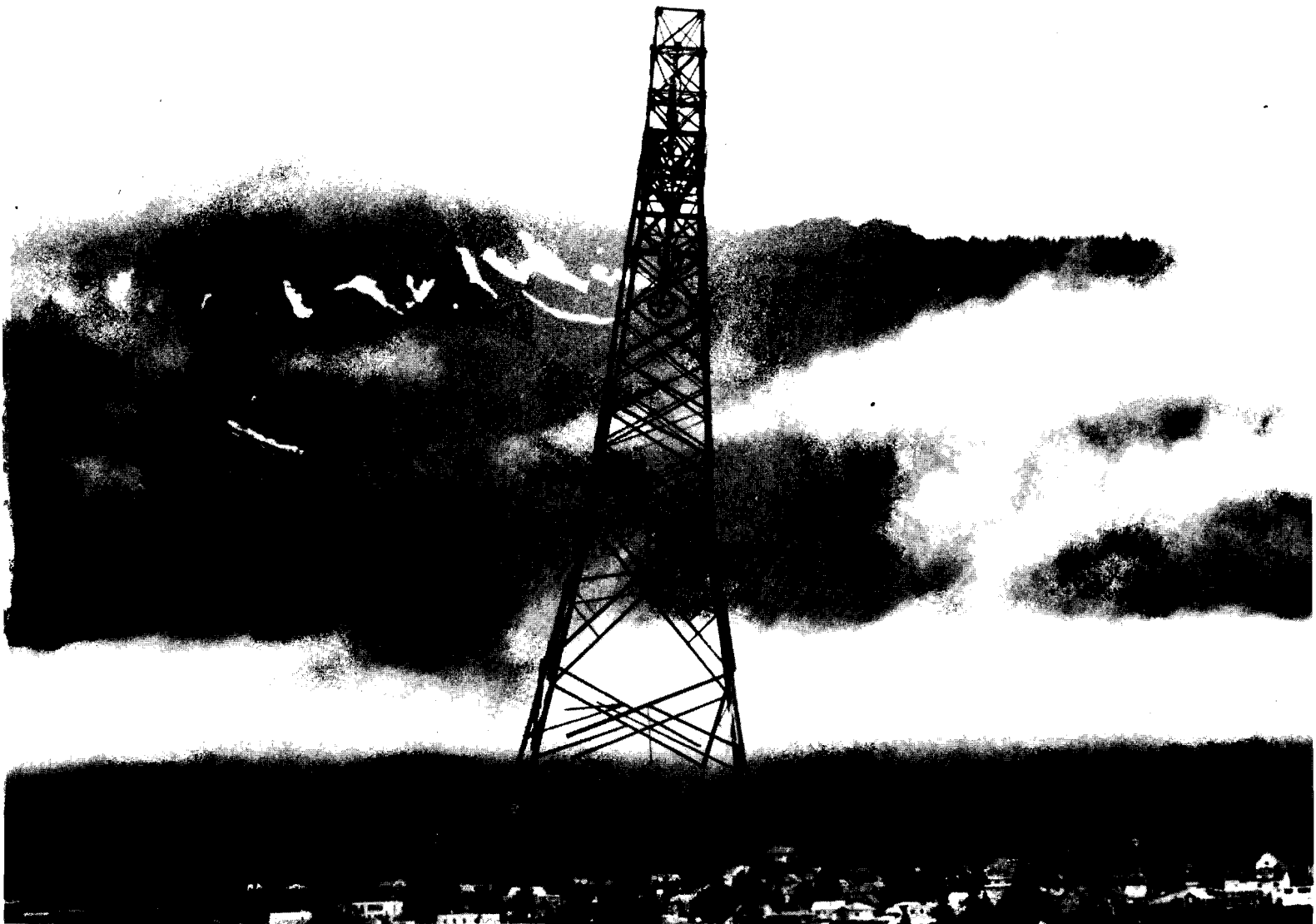
Without Divestiture

FY	Budget	Total Revenues	Net Revenue to Treasury
1992	\$3,400,000	\$10,000,000	\$6,600,000
1993	3,800,000	10,200,000	6,400,000
1994	3,700,000	10,400,000	6,700,000
.	.	.	.
.	.	.	.
.	.	.	.
2041	4,200,000	8,900,000	4,700,000
Total	\$207,800,000	\$534,300,000	\$326,500,000
Present Value, FY 1994			\$83,560,347

With Divestiture

FY	Budget	Total Revenues	Net Revenue to Treasury
1992	\$3,400,000	\$10,000,000	\$6,600,000
1993	3,950,000	10,200,000	6,250,000
1994	1,753,000	78,125,000	76,372,000
Total	\$9,103,000	\$98,235,000	\$89,222,000
Present Value, FY 1994			\$76,372,000

Key Issues



This photo was taken in 1975 during construction of the newest portion of the Snettisham transmission line. The picture shows a helicopter carrying the upper portion of a tower to its site. There is no overland access along the 43-mile long Snettisham transmission line. All construction, inspection, maintenance and repair is done by helicopter. Most of the transmission line is overhead, but a three-mile portion of the transmission line is underwater cable.

NON-POWER USES

Eklutna and Snettisham were authorized and developed as single-purpose hydroelectric projects, with development costs to be repaid from power revenues.

Other valuable uses of project land and water have been developed by State and local interests. Total investment in these non-Federal developments probably exceeds \$200,000. Public benefits from the non-Federal investment are as important as the values for power.

Each Purchase Agreement recognizes the rights of the non-power users and commits the Purchasers to assumption of APA responsibilities and benefits under existing agreements with the non-power users.

Eklutna

Important non-power uses of Eklutna project resources are:

- Use of Eklutna Lake water for municipal water supply by the Municipality of Anchorage.
- Use of water from the tailrace by the Cook Inlet Aquaculture Association for operation of a fish hatchery.
- Use of land around Eklutna Lake by the State of Alaska as part of Chugach State Park. The park includes camping and picnic facilities.
- Use of project land for other recreational purposes such as fishing or picnicking.

Section 8 of the Eklutna Purchase Agreement assures that rights of the non-power users are not affected by the divestiture. The Purchasers agree to assume APA responsibilities with respect to formal agreements with the Municipality of Anchorage and Cook Inlet Aquaculture Association. They also agree to work with the Bureau of Land Management and Alaska Department of Natural Resources in management of Eklutna lands. A third provision of the Agreement is a commitment by the Purchasers to continue to make Eklutna lands and water available for recreational uses, except as limited by safety or operational considerations.

AEA operates an equipment and storage yard near the Eklutna Powerplant under a permit from the Bureau of Land Management. This is on land that will be conveyed to the State and operation of the storage yard will not be affected adversely by the divestiture.

Snettisham

Existing agreements for non-power use of Snettisham resources include:

- An agreement with the Alaska Department of Fish and Game for operation of a fish hatchery at Snettisham.
- An agreement with the U.S. Forest Service for use of surplus rock spoil material stored at Snettisham.

Section 9 of the Snettisham Purchase Agreement requires the Purchasers to continue these existing agreements. It guarantees that any new agreements with the Department of Fish and Game will be at least as favorable as existing ones. The Agreement also requires the Purchaser to continue to make lands and water accessible and available to the public.

ENVIRONMENT AND PUBLIC SAFETY

Each Purchase Agreement provides that:

- APA develop, in consultation with the Purchasers, a management plan to assure continued compliance with environmental and public safety standards and law.
- APA and Purchasers will conduct inspections and make a joint determination of items and matters requiring correction by APA prior to the transfer.
- After the divestiture, Purchasers will continue implementation of the management plan, including periodic updates of the plan.

APA has accomplished much of the work to establish the management plan. Based on results so far, including in-house audits and inspections by APA and limited inspections by DOE, the Environmental Protection Agency, and the State of Alaska, there are a number of relatively minor corrective and cleanup actions needed, but no known or suspected major environmental or public safety problems at either project.

PERSONNEL MANAGEMENT

The divestiture poses a difficult set of personnel management challenges. APA employees are faced with the loss of their jobs and the financial and other dislocations associated with that loss. At the same time, APA must maintain a high quality staff to carry out operation responsibilities prior to the transfer, make the preparation to transfer assets, and then conduct the transfer and close out. There is potential for serious harm to individuals and to continuity of service for APA functions.

APA and DOE have adopted a Divestiture Personnel Management Plan addressing management and employee interests (see Appendix D). Key elements include training, assistance in locating other jobs, use of temporary hires and details where appropriate, and action by DOE in locating jobs for employees after the APA work is completed.

The divestiture will result in loss of 33 or 34 permanent APA jobs and a net loss of 15 to 20 jobs. Some new jobs will be created on the rolls of the new owners/operators of Eklutna and Snettisham.

The Purchase Agreements provide first call on post sale jobs at the two projects for those APA employees who transfer to the new owners/operators and assistance in locating job opportunities for displaced employees.

APA's small size enhances the ability to tailor training and assistance to individual needs. The Purchase Agreements provide a framework for completing expeditiously the transfer of functions and close out of APA when authorization of the divestiture is obtained.

TRANSITION

Purchase Agreements for both projects require a transition plan to be adopted within six months after Congressional authorization. Specific items include:

- Setting a "Transaction Date" on which ownership would transfer to the Purchasers.
- Finalizing financial plans: for the Eklutna Project, a schedule for payments to Treasury; for the Snettisham project, a schedule for obtaining financing and making the price determination.
- Arranging for and scheduling the transfer of operation and administrative functions to the Purchasers
- Defining remaining activities to be accomplished to complete the transfer.
- Creating a specific list of assets to be transferred.
- Developing staffing plans to assure continuity of project operations and minimize adverse impacts on APA employees.

Appendices

- A. Purchase Agreements
- B. Fish and Wildlife Agreement
- C. APA Background and Information
- D. APA Divestiture Personnel Management Plan
- E. Environmental Assessment and DOE's Finding of No Significant Impact
- F. Other References



Stephens Passage and Taku Inlet south of Juneau, Alaska. Portions of the Snettisham 138kV transmission line are in the lower left of the photo.

APPENDIX A

The Purchase Agreements

February 10, 1989

Snettisham Purchase Agreement

Including Amendment No. 1, January 25, 1991

**Alaska Power Administration
United States Department of Energy**

**Alaska Energy Authority
State of Alaska**

Snettisham Purchase Agreement

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Appended Material:

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Exhibit B: Future Principal & Interest Payments
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Sales Price Determination

Amendment No. 1, January 25, 1991

February 10, 1989

SNETTISHAM PURCHASE AGREEMENT

1. Parties to the Agreement.

The parties to this agreement are the Alaska Power Administration (APAd), a unit of the United States Department of Energy, and the Alaska Power Authority (APAu), a corporate entity of the State of Alaska.

2. Purpose.

This agreement sets out arrangements, terms, and conditions for sale of the Snettisham hydroelectric project ("Snettisham") to APAu, such arrangements, terms, and conditions to be implemented if the United States Congress authorizes such sale and the APAu receives all necessary approvals and is able to sell revenue bonds in an amount sufficient to pay the Sales Price.

3. Definitions. As used in this Agreement:

"ADF&G" means the Alaska Department of Fish and Game.

"APAd" means the Alaska Power Administration, a unit of the United States Department of Energy.

"APAu" means the Alaska Power Authority, a corporate entity of the State of Alaska.

"BLM" means the Bureau of Land Management, a unit of the United States Department of Interior.

"Corps of Engineers" means the United States Army Corps of Engineers.

"Crater Lake" or "Crater Lake addition" means the Crater Lake portion of Snettisham now under construction by the Corps of Engineers and described in section 4 of this agreement (Assets to be Sold or Transferred).

"DOE" means the United States Department of Energy.

"Federal authorization" means legislation by the United States Congress authorizing the transfer of Snettisham to the APAu.

"Final Interest Rate" means the net interest cost on the date of sale of the Snettisham Bonds.

"Sales Price" means the price set out in section 5 (Sales Price).

"Exhibit B Payments" means the schedule of interest and principal payments shown in Exhibit B to this agreement.

"Snettisham" means the Snettisham hydroelectric project and includes both the Long Lake portion and the Crater Lake portion as well as all other assets generally described in section 4 (Assets to be Sold or Transferred).

"Snettisham Bonds" means the APAU revenue bonds to be issued to finance the purchase of Snettisham by the APAU.

"Transaction Date" means the date on which ownership of Snettisham is to be transferred to the APAU as discussed in section 6 (Transfer).

"USFS" means the United States Forest Service.

4. Assets to be Sold or Transferred.

The Snettisham assets to be transferred comprise the power production, transmission, and all other facilities and assets constructed or otherwise provided and held by the Corps of Engineers and APAd for the "Crater-Long Lakes Division of the Snettisham project" authorized in Section 204 of the Flood Control Act of 1962 (76 Stat. 1194, as amended).

The Long Lake portion of Snettisham, on which construction was completed in the 1970's, includes such assets as the improvements and property including: an underground powerhouse containing two complete turbine-generator sets with ratings of 23,580 kilowatts, each; auxiliary electrical and mechanical systems; waterways and hydraulic structures; reservoir and low concrete dam; switchyards, transformers, 138,000 kilovolt transmission line connecting the Snettisham powerplant and Juneau; the Juneau substation; project roads, airstrip, boat basin, and barge dock; water, sewage, and waste disposal facilities; maintenance facilities and vehicles; spare parts and materials; supervisory control and communications systems; and various buildings such as living quarters, garage, and warehouses.

The Crater Lake portion of Snettisham is now under construction by the Corps of Engineers with power production expected to begin in March 1989 and all construction expected to be completed by September 1990, and includes such assets as the improvements and property including: one complete turbine-generator set with a rating of approximately 31,000 kilowatts; auxiliary electrical and mechanical systems;

waterways and hydraulic structures; a reservoir; a transformer and certain switchyard modification; a new supervisory control system; and all spare parts and materials.

The above description of assets is intended to be general and not precise or all inclusive. As part of the transition activities, the parties will jointly prepare a particularized listing of the assets to be sold or transferred.

Other assets acquired or otherwise provided by the Corps of Engineers and APAd for Snettisham include: lands, easements, and permits; studies, records, drawings, operating data, and other technical information; and improvements and replacements for original equipment; and warranties or other intangible rights associated with the assets to be transferred or sold.

Federal lands administered by the United States Forest Service (USFS) and Bureau of Land Management (BLM) are used for project purposes. With respect to these lands, the parties intend that approximately 2,666 acres in the vicinity of Port Snettisham (generally identified in Exhibit A) be selected by the State of Alaska under Statehood Act entitlements and that rights-of-way be provided to APAU to operate and maintain the Snettisham transmission facilities between Port Snettisham and Juneau. Such rights-of-way are included in the assets to be sold and transferred. Alaska will acquire the approximately 2,666 acres under its Statehood Act entitlement; that land is not a part of the assets to be sold by the APAd.

The parties intend that the sale of Snettisham and accompanying transfer of assets to APAU not result in additional costs to APAU for licenses, permits, or other rights for Snettisham, which costs would not have been encountered under continued Federal ownership of Snettisham.

In full consideration of the payment by APAU of the sales price to the federal government, APAd will convey title to all Snettisham assets, including but not limited to those assets described above by bill of sale or other appropriate documents; provided that for any Snettisham assets not yet available for transfer at the Transaction Date, APAd will provide: 1) satisfactory assurances that such remaining assets will be transferred to APAU subsequently and in a timely fashion, and 2) clear authority to APAU for use and/or beneficial occupancy of such remaining assets pending their conveyance to APAU.

All costs associated with preparing the Snettisham assets under control of the Corps of Engineers and APAd for conveyance to APAU, including the costs of completing construction of the Crater Lake unit, shall be the responsibility of the federal government.

5. Sales Price.

The sales price will be calculated by APAd immediately after APAu has notified APAd of the Final Interest Rate for the APAu revenue bonds issued to finance the purchase of Snettisham ("Snettisham Bonds").

The sales price shall be the larger of:

1. The present value as of the Transaction Date of the remaining interest and principal payments after the Transaction Date according to the schedule shown in Exhibit B ("Exhibit B Payments") discounted at a rate two (2) percentage points above the final interest rate for the Snettisham Bonds; or

2. Eighty-five (85) percent of the present value as of the Transaction Date of the remaining Exhibit B payments after the Transaction Date discounted at a rate equal to the average yield rate for the most current 30 year United States Treasury Bonds during the 90 day period immediately preceding the selling price determination, with such average yield rate to be based upon Treasury bond yield rates as published in "The Bond Buyer."

For purposes of the price determination, the Exhibit B payments will be assumed to occur at the federal fiscal mid-year (April 1). For the federal fiscal year in which the Transaction Date occurs, the Exhibit B payments will be prorated to reflect the portion of the year remaining after the Transaction Date.

APAu will make full payment of the sales price to the United States Treasury by wire transfer on the Transaction Date.

The sales price described above is to be full consideration for all Snettisham assets, including Crater Lake, described in section 4 (Assets to be Sold or Transferred).

6. Transfer.

APAu will pay the sales price to the United States Treasury simultaneously with the transfer of available Snettisham assets from the federal government or APAd to APAu on the Transaction Date. "Transaction Date" means the date on which ownership of Snettisham is to be transferred to the APAu. The date will initially be set in the transition plans described in section 10. The parties recognize, however, that there may arise circumstances that would warrant deferral of the Transaction Date. Accordingly, each party has a one-time option to defer the scheduled Transaction Date up to 90 days if a party notifies the other in writing at any time prior to 45 days before the

scheduled Transaction Date. By mutual agreement the parties may defer the Transaction Date to any mutually agreeable date. If on the Transaction Date the federal government or APAd is unable to either transfer all Snettisham assets (including Crater Lake) or produce satisfactory assurances of reasonable future delivery and interim use of such assets, then the parties agree to discuss and implement appropriate remedies, including but not limited to termination of the agreement.

7. Liabilities and Responsibilities.

As of the Transaction Date, APAU will assume all ownership responsibilities and liabilities for Snettisham and federal responsibilities and liabilities shall cease, except that:

1. APAd will be solely responsible for all costs to close out APAd responsibilities including but not limited to federal employee entitlements and benefits for APAd employees;

2. The parties recognize that there may be unfinished work as of the Transaction Date which is the responsibility of APAd and/or the Corps of Engineers to complete. Such unfinished work could include completion of construction on the Crater Lake unit, incomplete transfer of some assets, or specific APAd responsibilities arising out of the joint determination of maintenance activities to be completed by APAd. APAd will be solely responsible for such unfinished work, including provisions of appropriate assurances that unfinished work under control of the Corps of Engineers will be completed at federal expense; and

3. APAU assumes no responsibility for any claims filed or legal proceedings initiated by any other parties concerning Snettisham and arising from actions or alleged actions by APAd and the Corps of Engineers while those entities controlled Snettisham assets, regardless of the date on which such claims may be asserted or proceedings may be initiated.

8. Operation and Maintenance Expenses, Revenues.

All Snettisham operation and maintenance expenses incurred up to the Transaction Date, including all obligations incurred by the federal government for payments to be disbursed after the Transaction Date, will be the responsibility of the APAd. Operation and maintenance expenses for assets transferred after the Transaction Date will be the responsibility of the federal government until the date of transfer to the APAU or

until APAu gains use and/or beneficial occupancy of such assets. Subsequent operation and maintenance expenses will be the responsibility of APAu. APAd fund balances from Congressional appropriations as of the Transaction Date will remain with APAd.

All revenues for power delivered up to the Transaction Date will be returned to the United States Treasury. APAu will receive all revenues for power delivered after the Transaction Date.

9. Non-Power Users.

The parties do not intend to adversely affect non-power users as a result of transfer of ownership from federal control.

APAu, consistent with state and federal law, will continue to make lands and water accessible and available to the public.

The existing agreement between APAd and the Alaska Department of Fish and Game ("ADF&G") will be continued. Any new agreement will contain terms at least as favorable to ADF&G as now exist.

APAu will continue to honor the existing agreement between the APAd and the USFS for use of surplus rock spoil material stored at Snettisham.

APAu will work with the USFS and BLM in a cooperative manner to ensure effective and proper management of lands required for Snettisham.

10. Transition Plans.

Within six months after the state and federal authorizations are obtained, APAu and APAd will adopt specific transition plans setting forth the arrangements and a timetable for completing the sale and transfer. The parties intend that the transition plans will foster an efficient, orderly, and expeditious transfer of Snettisham and its operation to APAu, help minimize transition costs, and help minimize adverse impacts on employees. The transition plans shall be developed jointly by APAu and APAd and, among other items, will include:

1. A "Transaction Date" on which ownership of Snettisham would transfer to APAu;

2. A timetable for obtaining the financing and making the price determination;

3. Arrangements and timetable for the transfer of operations, maintenance, power marketing, and administration of Snettisham;

4. A definition of activities and schedules for completing the sale and assignment of responsibilities for such activities;

5. A continuation of the consultations and access to records and data, and arrangements and timetable for transfer of data and other records to APAU;

6. Provisions for engineering and safety inspections by APAU and APAd and a joint determination by APAU and APAd of specific maintenance activities, including procurement, to be completed by the APAd;

7. If necessary, provisions for completing asset transfer actions that may not be completed as of the Transaction Date, including transfer of the Crater Lake addition;

8. Provisions for the completion of necessary agreements, including a particularized listing of the assets to be sold or transferred;

9. Transition staffing plans as necessary to assure continuity of operations and minimizing adverse impacts on APAd employees. In this regard, the parties intend that APAd Snettisham personnel have first call on post-transfer Snettisham jobs for which they are qualified, and APAU will include such a requirement in any operations contract. The staffing plans shall also consider transferring portions or all of the operations and maintenance functions to its operations contractor in advance of the Transaction Date, if that course of action is found to be feasible and helpful in minimizing adverse impacts to employees. APAU will request assistance through state personnel and employment offices and from its operations contractor in locating suitable employment opportunities for displaced APAd employees; and

10. Other matters as may be considered necessary by the parties.

11. Interim Activities.

The parties to this agreement recognize that, in addition to the transition plan described above, a number of actions still need to be taken by the parties and other entities. The asset transfer will involve several administrative jurisdictions within the federal and state governments. The

parties intend to maintain full coordination with each of these jurisdictions and that legislation authorizing the sale provide appropriate authority to implement the asset transfer. The parties agree to take all actions necessary to complete the asset transfer including, but not limited to, the following actions:

a. APAd and the United States Department of Energy (DOE) will prepare federal legislation needed to implement this agreement. The legislation, among other items, will include provisions to accomplish the following:

(1) Authorize in accordance with this agreement the sale and transfer of Snettisham to APAU;

(2) Direct and authorize other federal agencies, including the United States Departments of Defense, Agriculture, and Interior, to assist and cooperate in sale implementation including transfer of Snettisham assets under their jurisdiction;

(3) Provide for the selection by the state and conveyance to the state of lands needed for Snettisham, including improved lands, under Alaska's Statehood Act entitlements;

(4) Exempt Snettisham and APAU or state activities associated with Snettisham, including but not limited to exempting subsequent project modifications, from jurisdiction of the Federal Energy Regulatory Commission under the Federal Power Act (16 U.S.C. 791), unless such modifications impact federal lands other than those presently used for Snettisham; and

(5) Affirm tax-exempt status, subject to the State of Alaska's private activity bond volume limit if applicable, for the Snettisham bonds.

b. APAd will be responsible for the following actions:

(1) Apply for USFS and BLM rights-of-way necessary for operation and maintenance of Snettisham transmission facilities crossing federal lands, such rights-of-way to be subsequently transferred to APAU;

(2) Arrange for expeditious transfer of all Snettisham assets held by the Corps of Engineers or other agencies of the federal government to APAd for subsequent transfer to APAU; and

(3) Arrange and be prepared to transfer to APAU all other Snettisham assets including but not limited to those assets described in section 4 (Assets to be Sold or Transferred).

c. APAU will be responsible for the following:

(1) Pursue state selection of the approximately 2,666 acres of Snettisham land identified in Exhibit B with appropriate state agencies; and

(2) Arrange for the payment of the amounts set out in section 5 (Sales Price) to be paid to the United States Treasury.

d. APAU and APAd will conduct engineering and safety inspections at Snettisham, APAU and APAd will jointly determine a list of items or matters they consider necessary to be changed or modified prior to transfer. APAd will make the changes prior to the Transaction Date, or provide appropriate assurances that those changes or modifications will be made. APAU and APAd will also jointly determine the acceptability of Snettisham for transfer to APAU. Failure to reach agreement on the joint determination of either the list of necessary changes or modifications or the acceptability of Snettisham for transfer will constitute grounds for either party to terminate this agreement.

The parties agree that the above-listed actions in subsections (a) through (d) along with passage of the legislation described in (a) are crucial to the Snettisham purchase and that failure to complete such actions by the Transaction Date, or provide appropriate assurance of subsequent completion, shall constitute grounds for either party to terminate this agreement.

12. Post-sale Operation, Maintenance and Power Marketing Arrangements.

APAU intends to contract for operation and maintenance of Snettisham and for sale of project power with the power sales contract standing as the instrument backing APAU revenue bonds issued to purchase the project.

To assist in implementation of these post-sale arrangements, APAd will make available for inspection and use by APAU all project records and data and will consult with APAU on operating procedures, replacement schedules, staffing plans, and training on a continuing basis starting on the effective date of this agreement.

These provisions are intended to ensure that APAu has full opportunity to become fully familiar with Snettisham and to help identify further specific actions that will facilitate the transfer of operation of Snettisham to state ownership.

13. Effective Date.

This agreement shall become effective as of the calendar date as of which signatures on behalf of the parties and the approval of the APAu board of directors have been obtained.

14. Environmental Management.

The parties intend that the transfer of ownership be accomplished in a manner that assures continued compliance with environmental and public safety standards and laws. The parties note that, under applicable Department of Energy instructions, APAd is required to prepare a management plan for the Snettisham Project covering environmental and safety regulations.

APAd agrees to develop and implement such management plan prior to the Transaction Date and in full consultation with APAu.

APAu agrees to continue the implementation of such management plan after the Transaction Date, and to update the plan periodically as needed.

15. Severability.

If any provision of this agreement is held invalid, the remaining provisions shall not be affected thereby.

16. Term.

This agreement shall remain in effect for such time as is necessary both to complete the sale and transfer of Snettisham to APAu and to complete payments for such sale to the United States Treasury, provided that this agreement shall terminate two years after the effective date if authorization by federal legislation has not been obtained within those two years, and provided further that this agreement shall terminate two years after the date of the federal authorization if transfer of Snettisham to APAu has not occurred by that time. The above termination dates may be extended by mutual agreement of the parties.

The above termination provisions are intended to provide ample time to obtain state and federal authorizations and complete the transaction. However, it is the intent of the parties to obtain those authorizations as quickly as possible and complete the sale as quickly thereafter as is practicable.

This agreement shall be terminated if, at any time prior to the Transaction Date, APAu determines that it is not able to meet the payment terms and so notifies APAd in writing.

17. Disputes Resolution.

The parties agree to provide best efforts to resolve any disputes arising out of interpretation of this agreement. Either party may request mediation assistance in disputes, in which case the parties will jointly select a mediator to provide such assistance.

18. Amendment.

This agreement may be modified only by mutual agreement between APAu and APAd. Any such modifications must be consistent with applicable state and federal law.

19. Continuing Support and Assistance.

The parties agree to support and assist each other in the mutually satisfactory resolution of any unforeseen problems associated with the transfer. APAd and APAu recognize that new issues involving the transfer process may arise prior to and after transfer, or that issues considered resolved may need further clarification, implementation, or other resolution. APAd and APAu agree that open lines of communication are desirable after the date of this agreement and after transfer to facilitate the transfer process. To that end, APAd and APAu each agree to exercise their good faith efforts to resolve any such disputes expeditiously. APAd further agrees to use its best efforts to make available an appropriate federal entity to implement this section in the event that APAd as an identifiable federal entity ceases to exist.

DATED this 10th day of February, 1989.

ALASKA POWER ADMINISTRATION

ALASKA POWER AUTHORITY

by: Robert J. Cross
Robert J. Cross
Administrator

by: Robert E. LeResche
Robert E. LeResche
Executive Director

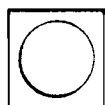
Lands, Easements and Rights-of-Ways

Exhibit A consists of this narrative (pages 1 and 2 of 2) and the map labeled "Exhibit A," signed by BLM, USFS and APAd, and dated February 3, 1989.

This exhibit describes and displays present land status for Snettisham Hydroelectric Project and describes in general terms the conveyances of land and land rights contemplated in the purchase agreement.

1. /BLM. Refers to Federal lands managed by BLM used for the Snettisham Project for which BLM is to provide APAd rights-of-way sufficient for operation, maintenance, repair and replacement of Snettisham facilities, such rights-of-way to be assigned by APAd to the State of Alaska; and includes Federal lands withdrawn for project purposes subject to selection and conveyance to the State of Alaska.

Legend Symbols and Description.



Withdrawals. Refers to approximately 2,671 acres of public lands withdrawn for Snettisham housing such major facilities as the "Snettisham Powerhouse," "Intake Area," "Power Tunnel," "Crater and Long Lake Reservoirs" and "Thane Substation." The total acreage is comprised of the following land:

- a. Approximately 2,666 acres withdrawn for major facilities including the "Snettisham Powerhouse," "Intake Area," "Power Tunnel" and "Crater and Long Lake Reservoirs," such lands subject to selection and conveyance to the State of Alaska on or about the Transaction Date.
- b. Approximately 5 acres withdrawn for the "Thane Substation" for which BLM is to provide APAd rights-of-way, such rights-of-way to be assigned to the State of Alaska.



BLM Lands. Refers to rights-of-way across State-selected lands covering a small portion of the 138kV transmission line from the Tongass Forest to approximately a mile from "Thane Substation."

2. USFS. Refers to federal lands managed by the Forest Service within the Tongass National Forest.

Legend Symbols and Description.



FS-R/W. Refers to rights-of-way and permits across approximately 40 miles of federal lands housing the majority of the 138kV transmission line between Snettisham and the City of Juneau, such rights-of-way to be provided to APAd for assignment to the State of Alaska.

3. Acquired-Easements.

Map Symbol:



Acquired-Easements

Refers to easements acquired by the Corps of Engineers for a small portion of the 138kV transmission line near Thane Substation during construction of Snettisham, such easements to be provided to APAd for assignment to the State of Alaska.

Snettisham Purchase Agreement
 Future Principal & Interest Payments
 June 27, FY 1988 Power Repayment Study Data
 (\$1,000's)

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
1989	914	2,740	3,655
1990	942	4,563	5,505
1991	994	4,534	5,529
1992	1,090	4,503	5,593
1993	1,167	4,469	5,636
1994	1,253	4,433	5,686
1995	1,351	4,394	5,745
1996	1,441	4,352	5,793
1997	1,544	4,307	5,852
1998	1,658	4,260	5,918
1999	1,857	4,207	6,064
2000	1,748	4,152	5,901
2001	1,904	4,098	6,002
2002	1,984	4,040	6,024
2003	2,383	3,974	6,357
2004	2,563	3,900	6,463
2005	2,190	3,829	6,019
2006	2,935	3,752	6,687
2007	2,406	3,672	6,078
2008	2,675	3,596	6,271
2009	2,972	3,511	6,483
2010	2,190	3,434	5,624
2011	3,513	3,348	6,861
2012	3,619	3,241	6,860
2013	3,708	3,131	6,839
2014	3,840	3,018	6,858
2015	908	2,946	3,854
2016	935	2,919	3,854
2017	1,153	2,889	4,043
2018	3,879	2,813	6,692
2019	4,142	2,692	6,835
2020	2,108	2,599	4,707
2021	4,338	2,502	6,839
2022	4,467	2,370	6,837
2023	4,574	2,234	6,808
2024	4,748	2,094	6,843
2025	1,221	2,004	3,224
2026	2,053	1,955	4,008
2027	4,106	1,862	5,969
2028	4,230	1,737	5,967
2029	4,397	1,609	6,006
2030	4,446	1,475	5,922
2031	5,450	1,328	6,778
2032	5,674	1,161	6,835
2033	5,867	988	6,856
2034	6,041	810	6,850
2035	4,776	648	5,424
2036	6,382	480	6,862
2037	6,566	286	6,852
2038	6,197	93	6,290
TOTAL FY89-2039	152,587	141,216	293,803
TOTAL FY90-2039	151,645	136,653	288,298
TOTAL FY91-2039	150,651	132,119	282,770

EXHIBIT B
Snettisham Purchase Agreement

Sample Projected Floor Selling Price
(\$1,000's)

Transaction Date	Avg of US 30 Year Treasury Yields During 90 Days Prior Transaction	Present Value of Remaining Payments (assumed to occur mid Fiscal Year)	Floor Selling Price Equal Eighty-five (85) Percent of Present Value
Oct 1, 1989 (start of FY90)	9%	\$66,942	\$56,900
Oct 1, 1990 (start of FY91)	9%	\$67,219	\$57,136
Oct 1, 1991 (start of FY92)	9%	\$67,496	\$57,372

Sample Projected Formula Selling Price
(\$1,000's)

Transaction Date	Projected Final Interest Rate for the APau Revenue Bonds plus addi- tional discount	Formula Selling Price Equal to Discounted Present Value of Remaining Payments
Oct 1, 1989 (start of FY90)	8.5% + 2%	\$57,987
Oct 1, 1990 (start of FY91)	8.5% + 2%	\$58,288
Oct 1, 1991 (start of FY92)	8.5% + 2%	\$58,597

Sales Price Determination

The above are samples only. The actual US30 average yields and APau Final Interest Rate will be determined on the Transaction Date. The sales price will be the larger of the floor or formula selling price. If the sales transaction occurs on October 1, 1990, and the average US 30 Treasury yield is 9%; and APau's cost of borrowing is 8.5%; then the Sales Price would be \$58,288,000.

January 25, 1991

SNETTISHAM PURCHASE AGREEMENT

Amendment No. 1

1. Purpose.

This Amendment No. 1 reflects new information with respect to lands, and extends the terms of the February 10, 1989 Snettisham Purchase Agreement. It also recognizes that, subsequent to the February 10, 1989 Agreement, the Alaska Power Authority became the Alaska Energy Authority.

2. Alaska Energy Authority (AEA).

Wherever used in the February 10, 1989 Agreement, "Alaska Power Authority" or "APAU" means "Alaska Energy Authority" or AEA. This reflects a name change only and does not change the intent of or responsibilities under the February 10, 1989 Agreement.

3. Amendment to Section 4. Assets to be Sold or Transferred.

The sixth (6th) and seventh (7th) full paragraphs under Section 4 of the February 10, 1989 Agreement are amended to read as follows:

"Federal lands administered by the United States Forest Service (USFS) and Bureau of Land Management (BLM) are used for project purposes. With respect to these lands, the parties intend that approximately 2,666 acres in the vicinity of Port Snettisham and approximately 5 acres of Thane Substation (generally identified in Exhibit A) be selected by the State of Alaska under Statehood Act entitlements and that rights-of-way be provided to APAU to operate and maintain the Snettisham transmission facilities between Port Snettisham and Juneau. Such rights-of-way are included in the assets to be sold and transferred. Alaska will acquire the approximately 2,671 acres under its Statehood Act entitlement; that land is not a part of the assets to be sold by the APAd."

"The parties intend that, to the extent possible, the sale of Snettisham and accompanying transfer of assets to AEA not result in additional costs to AEA for licenses, permits, or other rights for Snettisham, which costs would not have been encountered under continued Federal ownership of Snettisham. The parties recognize that existing law requires the Forest Service to assess fees for use of rights-of-way for project transmission lines on Forest Service lands."

These changes correct a minor discrepancy between the body of the February 10, 1989 Agreement and Exhibit A of that Agreement and recognize that the U.S. Forest Service must assess a land use fee upon issuance of the Special Use Permit to the Alaska Energy Authority for transmission rights-of-way.

4. Amendments to Section 11. Interim Activities.

Section 11b.(1) of the February 10, 1989 Agreement is amended to read as follows:

"11b.(1) Assuring that USFS and BLM rights-of-way necessary for operation and maintenance of Snettisham transmission facilities crossing Federal lands will be available to the Alaska Energy Authority as of the Transaction Date."

A new Section 11e. is added:

"11e. The Parties shall each designate one person and an alternate as representatives to coordinate activities under this agreement."

5. Amendment to Exhibit A.

The narrative descriptions under "1.BLM. Withdrawals" and "1.BLM.a." at page 1 of Exhibit A of the February 10, 1989 Agreement are amended to read as follows:

"Withdrawals. Refers to approximately 2,671 acres of public lands withdrawn for Snettisham. The total acreage is comprised of the following land:"

"a. Approximately 2,666 acres withdrawn for major facilities including the "Snettisham Powerhouse," "Intake Area," "Power Tunnel," and lands surrounding "Crater and Long Lake Reservoirs," such lands subject to selection and conveyance to the State of Alaska on or about the Transaction Date."

The narrative description under "2.USFS." at page 2 of Exhibit A of the February 10, 1989 Agreement is amended by inserting a period in place of the comma after "City of Juneau" and deleting the phrase "such rights-of-way to be provided to APAd for assignment to the State of Alaska."

6. Extended Term.

Under provisions of Section 16 of the February 10, 1989 Agreement, the term of that agreement is hereby extended two full years until February 10, 1993.

7. Effective Date.

This Amendment No. 1 to the February 10, 1989 Agreement shall become effective as of the calendar date on which the parties have executed this amendment.

DATED this 25th day of January, 1991.

ALASKA POWER ADMINISTRATION

ALASKA ENERGY AUTHORITY

by:


Robert J. Cross
Administrator

by:


Robert E. LeResche
Executive Director

August 2, 1989

Eklutna Purchase Agreement

Including Amendment No. 1, July 30, 1991

Chugach Electric Association, Inc.

Matanuska Electric Association, Inc.

**Municipality of Anchorage
d/b/a Municipal Light and Power**

**Alaska Power Administration
United States Department of Energy**

Eklutna Purchase Agreement
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Appended Material:

Exhibit A: Lands, Easements and Rights-of-Ways, Including Map
Marked Exhibit A, Dated February 3, 1989.

Exhibit B: Future Principal & Interest Payments
Projected Selling Price.

Amendment No. 1, July 30, 1991.

August 2, 1989

EKLUTNA PURCHASE AGREEMENT

1. Parties to the Agreement.

The parties to this Agreement are the Alaska Power Administration (A.P.A.), a unit of the United States Department of Energy, and the Municipality of Anchorage d/b/a Municipal Light and Power (ML&P), the Chugach Electric Association, Inc. (Chugach) and Matanuska Electric Association, Inc. (MEA) (Purchasers).

2. Purpose.

This Agreement sets out arrangements, terms and conditions for sale of the Eklutna Hydroelectric Project (Eklutna) to Purchasers, such arrangements, terms and conditions to be implemented if the United States Congress authorizes such sale.

3. Definitions. As used in this Agreement:

"ADNR" means the Alaska Department of Natural Resources.

"ANCSA" means the Alaska Native Claims Settlement Act (PL-92-203).

"APAd" means the Alaska Power Administration, a unit of the United States Department of Energy (including any successor entity).

"Chugach" means the Chugach Electric Association, Inc.

"BLM" means the United States Bureau of Land Management.

"Eklutna" means the Eklutna Hydroelectric Project authorized, constructed and operated pursuant to the Eklutna Project Act of July 31, 1950 (64 Stat. 382, as amended), including any and all property and facilities acquired or used in connection with Eklutna.

"MEA" means the Matanuska Electric Association, Inc.

"ML&P" means the Municipality of Anchorage, d\b\a Municipal Light and Power.

"Purchasers" means ML&P, Chugach, and MEA.

"Actions" means actions, inaction, and omissions.

"Transaction Date" means the date on which ownership of Eklutna is to be transferred to the Purchasers as set forth in Sections 4 and 9.

4. Assets to be Sold and Transferred.

a. The Eklutna assets to be sold and transferred consist of the power production, transmission, associated real property and all other facilities and assets provided or otherwise acquired for Eklutna under the Eklutna Project Act of July 31, 1950 (64 Stat. 382, as amended) including but not limited to:

(1) Eklutna Dam; power intake structure; power tunnel and penstock; the Eklutna powerplant containing two complete turbine-generator sets with ratings of 15,000 kilowatts, each; auxiliary electrical and mechanical systems; a tailrace and tailrace embankment; switchyard, transformers, 115 kilovolt transmission lines connecting the powerplant with Palmer and Anchorage; Anchorage, Palmer and Reed Substations; access roads; maintenance facilities and vehicles; supervisory control and communications systems; various buildings including office, warehouse, and garage; personal property, including spare parts and equipment; and any improvements, replacements and renewals of such major items;

(2) Title in acquired land at Palmer Substation, and easements or rights-of-way for Eklutna facilities on privately owned land as described in Exhibit A; and fee title to lands at Anchorage Substation if the Department of Interior determines that the lands are available under law for conveyance to the Purchasers;

(3) Granted rights-of-way for existing Eklutna facilities located on BLM managed lands and military lands as described in Exhibit A;

(4) Studies, records, drawings, operating data, technical information; water rights including the reservoir rights; licenses and any other permits; accurate location maps of Eklutna facilities tied to public land surveys; acceptable land descriptions of the areas of the easements, permits and licenses showing the location of the Eklutna facilities within the described areas; other tangible rights as required for operations and maintenance of Eklutna facilities; and warranties or other intangible rights associated with the assets to be transferred and sold.

b. Granted rights-of-way for existing Eklutna facilities located on BLM managed lands including lands selected by the State of Alaska and military lands shall:

(1) Be sufficient for operation, maintenance, repairs, renewals and replacements of Eklutna facilities located on such lands, including provisions for access.

(2) Be issued consistent with existing Federal statutes, at no cost to the Purchasers, and remain effective for a period equal to the life of Eklutna as extended by any improvements, repairs, renewals or replacements; provided further that if Eklutna is further sold or transferred to private ownership, BLM may assess such reasonable and customary fees for continued use of the rights-of-way on BLM managed lands and military lands as consistent with law or regulation.

c. The life of Eklutna shall continue as long as Eklutna is capable of generating and transmitting electricity. Temporary interruptions in service or generation of power shall not constitute a termination of the life of Eklutna. Disuse of one portion of the project system shall not cause the life to Eklutna as a whole to terminate.

d. APAd shall provide satisfactory assurance that ANCSA 17(b) easement rights crossing native lands are sufficient for continued operation, maintenance, repair and replacement of Eklutna facilities by the Purchasers.

e. The above description of assets is intended to be general and not precise or all inclusive. As part of the transition activities, the parties will jointly prepare a particularized listing of the assets to be sold and transferred.

f. APAd intends that the sale and transfer of Eklutna to the Purchasers not result in additional costs to the Purchasers for licenses, permits or other rights for Eklutna, which costs would not have been incurred under continued Federal ownership of Eklutna.

g. Nothing in this Agreement shall prevent Purchasers from seeking substantial change in Eklutna. Purchasers shall be responsible for any appropriate approvals by affected government and non-governmental entities required for such substantial change.

h. On the Transaction Date, the APAd shall convey or cause to be conveyed title to all Eklutna assets to the Purchasers by bill of sale or other instrument of conveyance, provided that Purchasers pay or make arrangement for payment under Section 5 of

this Agreement, and provided further that for any assets not available for transfer at the Transaction Date, APAd shall provide:

(1) Mutually satisfactory assurance that such remaining assets will be transferred to the Purchasers subsequently and in a timely fashion, and

(2) Clear authority to the Purchasers for the beneficial use, enjoyment and occupancy of such remaining assets pending their conveyance to the Purchasers.

(3) If APAd fails to perform any of the requirements stated in paragraphs 4(h), 4(h)(1) or 4(h)(2) above, the parties agree to discuss appropriate remedies. The parties may agree to mediation, arbitration or other means to resolve issues presented by a failure of APAd to perform such requirements. Purchasers shall also have an absolute right to terminate the Agreement in the event APAd fails to perform such requirements.

i. If after the Transaction Date some event occurs which prevents APAd from transferring title and beneficial use, enjoyment and occupancy of Eklutna to the Purchasers, the parties agree to discuss and implement appropriate remedies including resolution through negotiation, arbitration or litigation, as appropriate.

5. Price and Payment Terms.

a. If the Transaction Date is October 1, 1989, the selling price shall be \$10,435,000.

If the Transaction Date is October 1, 1990, the selling price shall be \$9,580,000.

If the Transaction Date is October 1, 1991, the selling price shall be \$8,631,000.

If the Transaction Date is other than one of the three above dates, the selling price will be calculated by APAd as the discounted present value as of the Transaction Date of all remaining principal and interest payments after the Transaction Date according to the payment schedule shown on Exhibit B of this agreement plus \$1,000,000 (\$1 million). Exhibit B payments for the first year will be prorated to reflect the portion of the year remaining after the Transaction Date. Subsequent Exhibit B payments will be assumed at mid-year (April).

The price determination is to be included in the transition plan required under Section 9 below.

b. The Purchasers shall pay the full selling price to the United States Treasury within five years after the Transaction Date. Any portion of the selling price paid after the Transaction Date will carry interest charges payable to the United States Treasury as discussed below. If the full price is paid by the Transaction Date, there will be no interest charges.

The purpose for allowing up to five years for the payments is to provide some flexibility to the Purchasers in arranging for payment and start up costs so as to minimize adverse impacts on Purchasers' ratepayers. The purpose of the interest charges is to assure that the United States Treasury receives the full value of the selling price. The Purchasers shall not seek Federal financing for the purchase.

c. The discount rate to be used for determination of the selling price shall be nine percent (9%).

The interest rate to be charged for payments after the Transaction Date shall be nine percent (9%).

The sales price described above is full consideration for all Eklutna assets described in Section 4 (Assets to be Sold and Transferred).

d. APAd shall not change its rate criteria for the purpose of accelerating principal payments before the Transaction Date. The Purchasers shall not delay their take of allocated power for the purpose of shifting revenues beyond the Transaction Date.

6. Responsibilities.

a. As of the Transaction Date, the Purchasers shall assume all ownership responsibilities for Eklutna and ownership responsibilities of APAd and its successors for Eklutna shall cease, except as follows:

(1) APAd shall be solely responsible for all costs to close out APAd responsibilities including but not limited to Federal employee entitlements and benefits for APAd employees.

(2) The parties recognize that there may be unfinished work as of the Transaction Date which is the responsibility of APAd to complete. Such unfinished work could include incomplete transfer of some assets to be completed by APAd under Sections 4 and 10 or specific APAd responsibilities

arising out of the joint determination of maintenance activities to be completed by APAd under Sections 9 and 10. APAd shall be solely responsible for such unfinished work.

(3) APA shall be solely responsible for any claims or other legal proceedings arising from actions or alleged actions by APAd while APAd managed or operated Eklutna or from actions or alleged actions by APAd in carrying out remaining APAd responsibilities under this agreement after the Transaction Date."

7. Operation and Maintenance Expenses, Revenues.

Operation and maintenance expenses up to the Transaction Date, including all obligations incurred by APAd which require payments after the Transaction Date shall be the responsibility of APAd. Subsequent operation and maintenance expenses shall be the responsibility of the Purchasers. APAd fund balances from Congressional appropriations as of the Transaction Date shall remain with APAd.

All revenues for power sold up to the Transaction Date will be returned to the United States Treasury. The Purchasers shall be responsible for sales of power after the Transaction Date, including the collection and disposition of revenues therefrom.

8. Non-Power Users.

a. The parties do not intend to adversely affect non-power users' rights as a result of transfer of ownership and control of Eklutna from the Federal government to the Purchasers.

As of the Transaction Date, the Purchasers shall assume all APAd responsibilities and benefits with respect to the following agreements, including amendments and supplemental agreements made or entered into prior to the Transaction Date, provided that after the effective date of this Agreement, APAd shall consult with the Purchasers prior to making additional amendments and supplemental agreements:

(1) The agreement dated February 17, 1984, between APAd and the Municipality of Anchorage concerning the Eklutna Water Project; as amended by Supplemental Agreement No. 1 dated August 24, 1988;

(2) The agreement dated November 1, 1982, between APAd and Cook Inlet Aquaculture Association concerning the Eklutna hatchery.

b. The Purchasers shall consult with BLM and ADNR to ensure effective and proper management of lands required for Eklutna.

c. Except to the extent Purchasers determine public recreational uses shall be limited by safety and operational requirements, the Purchasers will continue to make Eklutna lands and water available to the public for recreation uses.

9. Transition Plans and Activities.

a. Within six months after the Congressional authorization is obtained, the Purchasers and APAd shall adopt specific transition plans setting forth the arrangements and a timetable for completing the sale and transfer. The parties intend that the transition plans shall foster an efficient, orderly and expeditious transfer of Eklutna and its operation to the Purchasers, minimize transition costs and minimize adverse impacts on employees. The transition plans and activities shall be developed jointly by the Purchasers and APAd and, among other items, shall include:

(1) The selection of a "Transaction Date" on which ownership of Eklutna would transfer to the Purchasers;

(2) A schedule for payments to the United States Treasury including provisions for reasonable grace periods;

(3) Arrangements and timetable for the transfer of operations, maintenance, power marketing and administration of Eklutna;

(4) A definition of activities and schedules for completing the sale and the assignment of responsibilities for such activities;

(5) A continuation of the consultations and access to records and data, and arrangements and timetable for transfer of data and other records to the Purchasers;

(6) Provisions for environmental, engineering and safety inspections by the Purchasers and APAd and a joint determination by the Purchasers and APAd of specific maintenance activities, including procurement, to be completed by the APAd;

(7) If necessary, provisions for completing any asset transfer actions that may not be completed as of the Transaction Date;

(8) A particularized listing of all the Eklutna assets to be sold and transferred, including photocopies of all

rights-of-way obtained from BLM, accurate location maps of the Eklutna facilities tied to public land surveys, and suitable legal descriptions of all real property interest. The parties to this Agreement recognize that the lands work will not be completed before the date of the transition plans.

(9) A description of the condition of title to the Eklutna assets as of the date of the transition plans, identifying with particularity third party interests and rights and other matters affecting title that may materially impair the ability of the Purchasers to have the full beneficial use, enjoyment, occupancy and operation of the Eklutna assets, and a description of APAd's intended course of action prior to the Transaction Date to remove, resolve or limit such matters.

(10) Transition staffing plans as necessary to assure continuity of operations and minimizing adverse impacts on APAd employees. In this regard, the parties agree that for two years after the Transaction Date APAd Eklutna personnel have first call on post-transfer Eklutna jobs for which they are qualified subject to the labor agreements of Purchasers. The staffing plans shall also consider transferring portions or all of the operations and maintenance functions to the Purchasers in advance of the Transaction Date, if that course of action is found to be feasible and helpful in minimizing adverse impacts to employees. In a manner consistent with their personnel policies and staffing requirements, the Purchasers will assist in locating suitable employment opportunities for displaced APAd employees for a period of two years after the Transaction Date; and

(11) Other matters as may be considered necessary by the parties.

10. Interim Activities.

The parties to this Agreement recognize that, in addition to the transition plans and activities described above, a number of actions need to be taken by the parties and other entities. The asset transfer and sale involves several entities including the Federal, State and local governments and two Alaska Native corporations. The parties intend to maintain full coordination with each of these entities and ensure that legislation authorizing the sale and transfer provides appropriate authority to implement the sale and transfer. The parties shall take all actions necessary to complete the sale and transfer including, but not limited to, the following listed actions:

a. APAd shall prepare Congressional legislation needed to implement this Agreement. The legislation, among other items, shall include provisions to accomplish the following:

(1) Authorize in accordance with this Agreement the sale and transfer of Eklutna to the Purchasers.

(2) Direct and authorize other Federal agencies, including the United States Department of the Interior, to assist and cooperate in sale implementation including transfer of Eklutna assets under their jurisdiction.

(3) Authorize and direct the Secretary of Interior to issue rights-of-way to Alaska Power Administration for subsequent assignment to Purchasers at no cost to remain effective for a period equal to the life of Eklutna as extended by improvements, repairs, renewals or replacements, sufficient for operation, maintenance, repair and replacement of Eklutna facilities located on lands managed by the BLM including land selected by the State of Alaska, and military lands, including access; provided that if Eklutna is further sold or transferred to private ownership, the BLM may assess such reasonable and customary fees for continued use of the rights-of-way on BLM managed lands and military lands as consistent with current law or regulation; provided further that at no additional cost fee title to lands at Anchorage Substation shall be transferred to Purchasers if the Department of Interior determines that the lands are available under law for conveyance to the Purchasers.

(4) Authorize the State of Alaska (State) to select and direct the Secretary of Interior to convey to the State certain Eklutna lands identified in Exhibit A, including the lake bed of Eklutna Lake if not navigable under the submerged Lands Act and approximately 853 acres of improved lands housing the powerhouse, intake structure, dam facilities, and a portion of the power tunnel under the provision of Section 6 of the Alaska Statehood Act of July 7, 1958, Public Law 85-508, and the North Anchorage Land Agreement of January 31, 1983, such conveyances to be subject to the rights-of-way being provided to Purchasers under Section 10(a)(3) above.

(5) Exempt Eklutna and the Purchasers, including but not limited to subsequent facilities modifications, from jurisdiction of the Federal Energy Regulatory Commission under the Federal Power Act (16 U.S.C. 791), unless such modifications impact Federal lands other than those presently used for Eklutna.

(6) Authorize expenditure of such sums as are necessary to prepare Eklutna assets for sale and conveyance, such preparations to provide sufficient title to ensure the beneficial use, enjoyment and occupancy to the Purchasers of the assets to be sold.

b. APAd shall, in addition to the responsibilities set forth in Section 4:

(1) Prepare all Eklutna assets including but not limited to those assets described in Section 4 (Assets to be Sold and Transferred) for conveyance to the Purchasers including all actions necessary to establish sufficient title to ensure the beneficial use, enjoyment and occupancy to the Purchasers of such assets.

(2) Apply for and obtain BLM rights-of-way necessary for operation, maintenance, repair and replacement of Eklutna facilities located on Federal lands, managed by the BLM, such rights-of-way to be subsequently transferred to the Purchasers.

(3) Provide satisfactory assurance that the Purchasers have sufficient ANCSA 17(b) easement rights for continued operation, maintenance, repair and replacement of Eklutna facilities.

(4) Continue to maintain Eklutna in accordance with prudent utility practices, and Federal, and utility industry standards.

(5) Appoint one person and an alternate to represent APAd for all activities required of APAd after the execution of this Agreement and prior to the Transaction Date.

(6) Manage and operate Eklutna in accordance with prudent utility practices, and Federal and utility industry standards in such a manner as to not diminish the capability of Eklutna to produce energy and power at historic levels.

c. Purchasers shall:

(1) Establish organizational, functional and staffing arrangements for operations, maintenance and administration of Eklutna to be in effect on or before the Transaction Date including the following:

(A) Purchasers agree with each other and the APAd that each Purchaser shall appoint one person and an

alternate to represent that Purchaser for all activities required of Purchasers after the execution of this Agreement and prior to the Transaction Date.

(B) By the Transaction Date, Purchasers shall agree in writing to have an effective organization which shall be responsible for the sale of power, operation and maintenance of Eklutna and, if necessary, Purchasers shall execute power sales agreements to purchase power from Eklutna.

(C) Purchasers shall provide in their organizational agreements that if one or more of the Purchasers are unable or unwilling to purchase its share of Eklutna, then the other Purchasers may purchase that share.

(2) Arrange for the payment of the amounts set out in Section 5 (Price and Payment Terms) to be paid to the United States Treasury.

d. The Purchasers and APAd shall conduct engineering, environmental and safety inspections at Eklutna and jointly determine a list of items or matters they consider necessary to be changed or modified prior to transfer. APAd shall make such changes and modifications prior to the Transaction Date, or provide appropriate assurances that those changes or modifications shall be made. The Purchasers and APAd shall also consensually and jointly determine the acceptability of Eklutna for transfer to the Purchasers. Failure to reach agreement on the joint determination of either the list of necessary changes or modifications or the acceptability of Eklutna for transfer shall constitute grounds for termination of the Agreement.

e. This Agreement may be terminated by Purchasers if, prior to the Transaction Date, the value of Eklutna or its capability to produce energy and power has been diminished by any cause after the execution of this Agreement. Any notice of termination shall be provided to APAd in writing.

f. The parties agree that the above-listed action in subsections (a) through (d) are crucial to the sale and transfer of Eklutna. The Purchasers may elect to terminate this Agreement if the authorizing legislation does not contain substantially the same provisions set forth in Section 10(a) or if APAd fails to complete its obligations under Sections 10(b) and 10(d). APAd may elect to terminate this Agreement if the Purchasers fail to complete their obligations under Sections 10(c) and 10(d).

11. Post-sale Operations, Maintenance and Power Marketing Arrangements.

The Purchasers shall establish appropriate organizational, staffing and administrative arrangements for Eklutna on or before the Transaction Date.

To assist in implementation of these post-sale arrangements, APAd shall make available for inspection and use by the Purchasers all Eklutna records and data and shall consult with the Purchasers on operation procedures, replacement schedules, staffing plans and training on a continuing basis starting on the effective date of this Agreement.

These provisions are intended to ensure that the Purchasers have full opportunity to become fully familiar with Eklutna and to help identify further specific actions that shall facilitate the transfer of operation of Eklutna to the Purchasers.

12. Effective Date.

This Agreement shall become effective as of the calendar date on which all parties have executed this Agreement.

13. Environmental Management.

The parties intend that the transfer of ownership be accomplished in a manner that assures continued compliance with environmental and public safety standards and laws including appropriate dam safety measures. The parties note that, under applicable Department of Energy instructions, APAd is required to prepare a management plan for Eklutna covering environmental and safety requirements.

APAd shall develop and implement such management plan prior to the date on which the transaction plans are adopted and in full consultation with the Purchasers. Failure by the Purchasers to agree to such a plan shall be grounds for termination of this Agreement by the Purchasers.

The Purchasers agree to continue the implementation of such management plan after the Transaction Date, including periodic updates of the plan as needed.

14. Term.

This Agreement shall remain in effect for such time as is necessary to complete the sale of Eklutna to the Purchasers and payments for such sale to the United States Treasury, provided that this Agreement shall terminate two years after the effective date if authorization by Congressional legislation has not been obtained within those two years, and provided further

that this Agreement shall terminate two years after the date of the Congressional authorization if transfer of Eklutna to the Purchasers has not occurred by that time. The above termination dates may be extended by mutual agreement of the parties.

The above termination provisions are intended to provide ample time to obtain Congressional authorization and complete the transaction. However, it is the intent of the parties to obtain such authorization as quickly as possible and complete the sale as quickly thereafter as is reasonably practicable.

This Agreement shall be terminated if, at any time prior to the Transaction Date, the Purchasers determine they are not able to meet the payment terms and so notify APAd in writing.

15. Dispute Resolution.

The parties shall attempt to settle any claim or controversy arising out of this Agreement in good faith. The parties may agree to submit any claim or controversy to a mutually-acceptable mediator, the cost of which shall be borne equally by APAd and Purchasers. The use of such a procedure shall not be construed to affect adversely the rights of either party under the doctrines of laches, waiver or estoppel. Nothing in this section shall prevent any party from resorting to judicial procedures. Any judicial action shall be filed in the Federal court at Anchorage, Alaska.

16. Notice.

All notices under this Agreement shall be in writing directed to the Purchasers through the General Managers of the Purchasers, and to the APAd through the Administrator of the APAd or its successor.

17. Amendment.

This Agreement may be modified only by mutual agreement in writing between the Purchasers and APAd. Any such modifications must be consistent with applicable State and Federal law.

18. Approvals.

Any final sale and transfer of Eklutna shall become effective only on the obtaining of all required regulatory and administrative approvals or on receiving satisfactory assurance that such approvals are forthcoming.

19. Assignment.

This Agreement shall inure to the benefit of, and be binding upon the respective successors and assigns of the parties to this Agreement, provided however, that neither this Agreement nor any interest therein shall be transferred or assigned by any party to any other party except to the United States or an agency thereof, without the written consent of the others whose written consent shall not be unreasonably withheld.

However, any assignment by Purchasers must be made to a successor in interest to the Purchasers and such assignment shall provide that the power from Eklutna be used for the benefit of customers in the service area of the Purchasers. Any of the Purchasers may assign its interest to the Alaska Electric Generation & Transmission Cooperative, Inc. (AEG&T) subject to any existing agreements, including amendments, between Chugach, AEG&T and MEA.

20. Force Majeure.

Failure by either APAD or the Purchasers to perform any of the requirements of this Agreement brought about by causes beyond their control and without fault or negligence of the parties shall constitute an excusable delay. In any instance where excusable delay occurs, the time for completing the work shall be extended by negotiation of the parties.

21. Continuing Support and Assistance.

The parties agree to support and assist each other in the mutually satisfactory resolution of any unforeseen problems associated with the transfer. APAD and the Purchasers recognize that new issues involving the transfer process may arise prior to and after transfer, or that issues considered resolved may need further clarification, implementation or other resolution. APAD and the Purchasers agree that open lines of communication are desirable after the date of this Agreement and after transfer to facilitate the transfer process. To that end, APAD and the Purchasers each agree to exercise their good faith efforts in implementing the terms of this Agreement expeditiously. APAD further agrees to use its best efforts to make available an appropriate Federal entity to implement this section in the event that APAD as an identifiable Federal entity ceases to exist.

22. Relationship of Purchasers.

The covenants, obligations and liabilities of the Purchasers are intended to be several and not joint or collective, and nothing contained herein shall be construed to

create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on or with regard to any of the Purchasers. Each Purchaser shall be individually responsible for its own covenants, obligations and liabilities as provided in this Agreement. No Purchaser shall, by virtue of this Agreement, be under the control of, or be deemed to control, the other Purchaser. No Purchaser shall be the agent of, or have a right or power to bind, the other Purchasers without its express written consent, except as may be expressly provided in this Agreement, or as may be otherwise provided by existing law. The provisions of this Section may be modified by the final approved agreements provided for under Section 10(c)(1).

23. Agreement for Benefit of Parties Only.

As provided in Section 8, above, the parties intend to protect fully the rights of non-power users of Eklutna land and water. The parties do not intend by this Agreement to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement, or as a beneficiary of any duty, covenant, obligation or undertaking established by, or performed pursuant to, this Agreement.

24. Miscellaneous Provisions.

a. The parties agree, upon request of the other parties, to make, execute and deliver any and all documents reasonably required to implement this Agreement.

b. Captions and headings appearing in this Agreement are included to facilitate reference to the Agreement, and they are not to be read as a part of this Agreement, nor shall they have bearing on its interpretation.

c. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREFORE, the parties have caused this Agreement to be executed the day and year written hereafter.

DATED this 2nd day of August, 1989.

CHUGACH ELECTRIC ASSOCIATION, INC.

by: Lace Walls
Lace Walls
President

MATANUSKA ELECTRIC ASSOCIATION, INC.

by: Robert L. Husted
Robert L. Husted
President

MUNICIPALITY OF ANCHORAGE
D/B/A MUNICIPAL LIGHT AND POWER

by: Tom Fink
Tom Fink
Mayor

ALASKA POWER ADMINISTRATION

by: Robert J. Cross
Robert J. Cross
Administrator

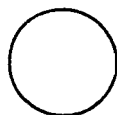
Lands, Easements and Rights-of-Way

Exhibit A consists of this narrative (pages 1 and 2 of 2) and the map prepared by BLM, signed and dated February 3, 1989.

This exhibit describes and displays present land status for the Eklutna Hydroelectric Project and describes in general terms the conveyances of land and land rights contemplated in the purchase agreement.

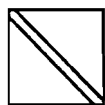
1. BLM - managed lands and military lands used for Eklutna Project for which BLM is to provide APAd rights-of-way sufficient for operation, maintenance, repair and replacement of Eklutna facilities, such rights-of-way to be assigned by APAd to the Purchasers.

Legend Symbols and Description.



Withdrawals. Refers to approximately 863 acres of public lands withdrawn for Eklutna at the "Intake Area," "Power Tunnel," "Eklutna Powerplant" and "Anchorage Substation." The total acreage is comprised of the following land:

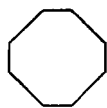
- a. Approximately 320 acres withdrawn for the "Power Tunnel" under Public Land Order 1231 dated September 28, 1955.
- b. Approximately 230 acres utilized for the "Intake Area" and approximately 60 acres for a portion of "Eklutna Powerplant" as described by ANCSA 3(e) determination AA-51183 dated July 30, 1986.
- c. Approximately 243 acres utilized for "Eklutna Powerplant" as described by ANCSA 3(e) determination AA-42534 dated September 1, 1982.
- d. Approximately 10 acres withdrawn for "Anchorage Substation" under Secretarial Order dated April 4, 1952.



State Land-R/W. Refers to rights-of-way across State-selected lands covering the transmission line east of "Eklutna Powerplant" to the Knik River.



Military Land-R/W. Refers to rights-of-way across military lands used for Eklutna transmission lines.



Acquired-3(e). Refers to approximately 2.5 acres of acquired land used for "Reed Substation" as described by ANCSA 3(e) determination AA-45155 dated July 30, 1985.

2. ANCSA 17(b) Easements.

Map symbol:



Native Land - 17(b) Easements.

Refers to rights-of-way that are reserved for portions of the 115kV transmission line, access roads and other Eklutna facilities located on Native corporation lands, and exist as easement reservations in the ANCSA conveyances to the Native corporations pursuant to Section 17(b) of ANCSA. These easements will not be altered by the sale of Eklutna and the Purchasers may use these easements for their intended purposes.

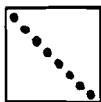
3. APAd Acquired Land and Easements.

Refers to land and easements acquired by the Bureau of Reclamation (predecessor of APAd) during construction of Eklutna and now controlled by APAd. APAd will assign the land and easements to the Purchasers.

Legend Symbols and Description:



Acquired. Refers to approximately 0.8 acres of land owned by APAd at Palmer Substation.



Acquired-Easements. Refers to approximately 33 easements across private lands acquired by the Bureau of Reclamation (predecessor of APAd) and now held by APAd.

4. Other Easements on Private Land.

Map [Symbol]:

Note: Other Easements on Private Lands To Be Acquired - See Exhibit A Narrative

Refers to approximately two hundred and fifty (250) parcels of private land located along the 115kV transmission line, many of which require title curative action for purposes of perfecting assignable easement rights or rights-of-way for the Purchasers. APAd shall be responsible for acquiring assignable easement rights or rights-of-way across these lands, for subsequent assignment to Purchasers.

5. Reservoir.

Eklutna Lake as designated on the map is the reservoir described in the body of the Agreement.

Exhibit B
Eklutna Purchase Agreement

Future Principal and Interest Payments.
(FY 1987 Power Repayment Study Data)

Units: \$1000's

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
1989	693	346	1,039
1990	1,316	316	1,632
1991	1,383	283	1,666
1992	0	265	265
1993	629	258	887
1994	1,476	231	1,707
1995	0	213	213
1996	1,318	196	1,514
1997	1,548	160	1,708
1998	1,586	121	1,707
1999	1,624	81	1,705
2000	0	61	61
2001	1,472	43	1,515
2002	952	12	964
<hr/>			
TOTAL '89 - 02	\$13,997	\$2,586	\$16,583
TOTAL '90 - 02	\$13,304	\$2,240	\$15,544
TOTAL '91 - 02	\$11,988	\$1,924	\$13,912
TOTAL '92 - 02	\$10,605	\$1,641	\$12,246

Projected Selling Price

Units: \$1000's

Transaction Date	Present Value of ^{1/} Remaining Payments	Selling Price
Oct. 1, 1989 (start of FY 1990)	\$9,435	\$10,435
Oct. 1, 1990 (start of FY 1991)	\$8,580	\$ 9,580
Oct. 1, 1991 (start of FY 1992)	\$7,631	\$ 8,631

^{1/} Discount Rate of 9.0%; payments assumed at mid year.

Eklutna Purchase Agreement
August 2, 1989

Amendment No. 1

1. Purpose.

This Amendment No. 1 reflects new information with respect to lands, extends the term of the August 2, 1989, Eklutna Purchase Agreement ("Agreement"), and states the selling price if the Transaction Date is October 1, 1992, or October 1, 1993.

2. Amendments to Section 10. Interim Activities.

Section 10a.(4) of the Agreement is amended to read as follows:

"10.a.(4) Authorize the State of Alaska (State) to select and direct the Secretary of the Interior to convey to the State certain Eklutna lands identified in Exhibit A, including approximately 853 acres of improved lands housing the powerhouse, intake structure, dam facilities, and a portion of the power tunnel under the provision of Section 6(a) of the Alaska Statehood Act of July 7, 1958, Public Law 85-508, and the North Anchorage Land Agreement of January 31, 1983, such conveyances to be subject to the rights-of-way being provided to Purchasers under Section 10(a)(3) above."

3. Amendment to Section 5. Price and Payment Terms.

Section 5 (a) of the Agreement is amended to read as follows:

"a. If the Transaction Date is October 1, 1991, the selling price shall be \$8,613,000.

If the Transaction Date is October 1, 1992, the selling price shall be \$9,022,000.

If the Transaction Date is October 1, 1993, the selling price shall be \$8,818,000.

If the Transaction Date is other than one of the three above dates, the selling price will be calculated by APAd as the discounted present value as of the Transaction Date of all remaining principal and interest payments after the Transaction Date according to the payment schedule shown on Exhibit B of this agreement plus \$1,000,000 (\$1 million). Exhibit B payments for the first year will be prorated to reflect the portion of the year remaining after the Transaction Date. Subsequent Exhibit B payments will be assumed at mid-year (April).

The price determination is to be included in the transition plan required under Section 9 below."

4. New Exhibit B.

A new Exhibit B dated June 25, 1991, reflecting the above amendment to Section 5, Price and Payment Terms, is incorporated in the Agreement in place of the original Exhibit B.

5. Extended Term.

The first paragraph of Section 14 of the Agreement is amended to read as follows:

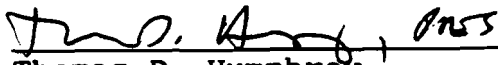
"This Agreement shall remain in effect for such time as is necessary to complete the sale of Eklutna to the Purchasers and payments for such sale to the United States Treasury, provided that this Agreement shall terminate four years after the effective date if authorization by Congressional legislation has not been obtained within those four years, and provided further that this Agreement shall terminate two years after the date of the Congressional authorization if transfer of Eklutna to the Purchasers has not occurred by that time. The above termination dates may be extended by mutual agreement of the parties."

6. Effective Date

This Amendment No. 1 to the Agreement shall become effective as of the calendar date on which all parties have executed this Amendment.


DATED this 30th day of July, 1991.

CHUGACH ELECTRIC ASSOCIATION, INC.

By: 
Thomas D. Humphrey
President


7/30/91
Date

MATANUSKA ELECTRIC ASSOCIATION, INC.

By: 
Jess Lee
President


7/29/91
Date

MUNICIPALITY OF ANCHORAGE
D/B/A MUNICIPAL LIGHT AND POWER

By: 
Tom Fink
Mayor

7/30/91
Date

ALASKA POWER ADMINISTRATION

By: 
Robert J. Cross
Administrator

July 26, 1991
Date

APPENDIX B

The Fish and Wildlife Agreement

August 7, 1991

Fish and Wildlife Agreement

Snettisham and Eklutna Projects

**Municipality of Anchorage
d/b/a Anchorage Municipal Light and Power**

Chugach Electric Association, Inc.

Matanuska Electric Association, Inc.

Alaska Energy Authority

**United States Department of Commerce
National Marine Fisheries Service**

**United States Department of Interior
Fish and Wildlife Service**

State of Alaska

AGREEMENT

**AGREEMENT BETWEEN
THE MUNICIPALITY OF ANCHORAGE,
DBA ANCHORAGE MUNICIPAL LIGHT AND POWER,
CHUGACH ELECTRIC ASSOCIATION, INC.,
MATANUSKA ELECTRIC ASSOCIATION, INC.,
U.S. FISH AND WILDLIFE SERVICE,
NATIONAL MARINE FISHERIES SERVICE,
ALASKA ENERGY AUTHORITY,
AND THE
STATE OF ALASKA,
RELATIVE TO THE EKLUTNA AND SNETTISHAM
HYDROELECTRIC PROJECTS**

This Agreement is entered into on August 7, 1991, between The Municipality of Anchorage, dba, Anchorage Municipal Light and Power, Chugach Electric Association, Inc., and Matanuska Electric Association, Inc. (hereinafter collectively "Eklutna Purchasers"), the United States Fish and Wildlife Service (hereinafter "USFWS"), the National Marine Fisheries Service (hereinafter "NMFS"), the Alaska Energy Authority (hereinafter "AEA") and the State of Alaska (hereinafter "the State"), regarding protection, mitigation of damages to, and enhancement of fish and wildlife (including related spawning grounds and habitat) affected by hydroelectric development of the Eklutna and Snettisham Projects. With respect to the implementation provisions called for in this Agreement, the Eklutna Purchasers will be responsible for the consultation, study and implementation provisions applicable to the Eklutna Project and AEA shall be responsible for the consultation, study and implementation provisions applicable to the Snettisham Project.

WITNESSETH THAT:

WHEREAS, subject to the approval of Congress, the Eklutna and Snettisham Projects will be transferred from the Federal Alaska Power Administration to the Eklutna Purchasers and AEA (collectively, "the Purchasers") without the necessity of their having to obtain a Federal Energy Regulatory Commission (FERC) License for project operation; and

WHEREAS, the Eklutna and Snettisham hydroelectric developments may have resulted in a yet to be quantified impact to fish and wildlife resources; and

WHEREAS, concerns have been expressed that without FERC licensing, there is no opportunity to determine the extent of that fish and wildlife impact, develop measures to protect, mitigate

damages to, and enhance fish and wildlife (including related spawning grounds and habitat), and implement fish and wildlife measures found to be in the public interest.

NOW THEREFORE, the parties agree as follows:

1. FERC Licensing.

NMFS, USFWS and the State agree that the following mechanism to develop and implement measures to protect, mitigate damages to, and enhance fish and wildlife (including related spawning grounds and habitat) obviate the need for the Eklutna Purchasers and AEA to obtain FERC licenses.

2. Study Plan.

The Purchasers agree to fund studies to examine, and quantify if possible, the impacts to fish and wildlife from the Eklutna and Snettisham Projects. The studies will also examine and develop proposals for the protection, mitigation, and enhancement of fish and wildlife affected by such hydroelectric development. This examination shall consider the impact of fish and wildlife measures on electric rate payers, municipal water utilities, recreational users and adjacent land use, as well as available means to mitigate these impacts.

3. Carrying Out The Study Plan.

Study Plans shall be developed by the Purchasers in consultation with the USFWS, NMFS, the Alaska Department of Fish and Game, the Alaska Department of Environmental Conservation and the Alaska Department of Natural Resources (the "State Resource Management Agencies"), or their successors to aid in the formulation of the Program called for in this Agreement. Prior to implementation, the parties to this Agreement shall review the plans and concur with their scope of work.

The Purchasers shall conduct the studies and prepare the evaluations called for in the plans, seeking input from the USFWS, NMFS, the State Resource Management Agencies and other interested parties as the studies progress. The USFWS, NMFS, and State Resource Management Agencies shall have an opportunity to comment on draft study reports, and their comments and a response to their comments shall be included in the final study reports. All study plans, data, reports and comments will be made available to the parties and, upon request, to the public.

4. Review of Findings.

After final study reports are prepared, the Purchasers shall prepare a draft Summary of Study Results and prepare a draft Fish and Wildlife Program. The draft Fish and Wildlife Program shall consist of the measures recommended by the Purchasers for the protection, mitigation of damages to, and enhancement of fish and wildlife (including related spawning grounds and habitat) and set a tentative schedule for their implementation. The Purchasers shall provide copies of the draft Summary and draft Fish and Wildlife Program to the USFWS, NMFS, and State Resource Management Agencies for comments or recommendations. If USFWS, NMFS, or the State Resource Management Agencies' comments or recommendations differ from those of the Purchasers, the Purchasers will attempt to resolve such differences giving due weight to the recommendations, expertise, and statutory responsibilities of USFWS, NMFS, and the State Resource Management Agencies.

Once comments and recommendations have been received, the Purchasers shall hold at least one public meeting each in Anchorage and the Matanuska Valley (with respect to the Eklutna Project) and in Juneau (with respect to the Snettisham Project) to receive public comment on the draft Summary, the draft Fish and Wildlife Program, and the comments and recommendations of the USFWS, NMFS, and the State Resource Management Agencies. At least thirty days prior to the proposed public meetings, copies of the draft Fish and Wildlife Program, reports and recommendations will be distributed to representative public libraries in the Anchorage and Matanuska Valley areas (in the case of the Eklutna Project) and in the Juneau area (in the case of the Snettisham Project). Public notice will also be posted in at least two newspapers serving the Anchorage and Matanuska Valley areas (for Eklutna) and the Juneau area (for Snettisham). The public notice shall specify meeting places, times and dates; where studies, reports and recommendations may be obtained for review; and where written comments may be sent. The Purchasers will provide copies of the draft Summary, draft Fish and Wildlife Program, and the comments and recommendations of the USFWS, NMFS, and State to interested members of the public at no charge.

5. Public Interest Determination.

The Purchasers shall compile all comments and testimony received; prepare a summary and analysis of them; develop a Proposed Final Fish and Wildlife Program to protect, mitigate, and enhance fish and wildlife resources; and prepare an explanatory statement describing the basis for its Proposed Final Fish and Wildlife Program. All comments, testimony, summary, and analysis materials and the Proposed Final Fish and Wildlife Program shall be provided to the parties to this Agreement and to the Governor

of Alaska. The parties shall have 60 days to submit written comments on the proposed Fish and Wildlife Program, and any alternative recommendations for the protection, mitigation, and enhancement of fish and wildlife resources, to the Governor. The Purchasers shall have 30 days to submit written reply comments to the Governor.

The Governor shall review the Proposed Final Fish and Wildlife Program, the comments, testimony, summary and analysis materials, and any alternative recommendations for the protection, mitigation, and enhancement of fish and wildlife resources. The Governor shall attempt to reconcile any differences between the parties, giving due weight to the recommendations, expertise, and statutory responsibilities of USFWS, NMFS, the State Resource Management Agencies and the Purchasers. In order to ensure that Eklutna and Snettisham are best adapted for power generation and other beneficial public uses, the Governor shall give equal consideration to the purposes of efficient and economical power production, energy conservation, the protection, mitigation of damage to, and enhancement of fish and wildlife (including related spawning grounds and habitat), the protection of recreation opportunities, municipal water supplies, the preservation of other aspects of environmental quality, other beneficial public uses, and requirements of State law. Based on his/her review and consideration, the Governor shall establish a final Fish and Wildlife Program that adequately and equitably protects, mitigates damage to, and enhances fish and wildlife resources (including affected spawning grounds and habitat) affected by the Eklutna Project and the Snettisham Project.

6. Implementation.

The Purchasers shall implement the Fish and Wildlife Program established by the Governor, subject to their right to judicial review as provided in Section 9 hereof. However, the Purchasers will implement all provisions of the Program that do not require major capital expenditures pending judicial review, unless otherwise agreed among the Parties or unless a stay is granted by the Court.

7. Schedule.

The consultation process leading to the Programs shall be initiated no later than 25 years after the Transaction Date specified in the respective Eklutna and Snettisham Agreements. The Study Plans shall include a schedule for the consultation, comment, and decision making, called for in this Agreement, which shall be adopted by the parties in consultation with the Governor. The schedule shall call for implementation of all provisions of the Fish and Wildlife Program by the Eklutna Purchasers to begin no

later than 30 years after the Transaction Date, and to be completed no later than 35 years after the Transaction Date. The schedule shall call for implementation of all provisions of the Fish and Wildlife Program by AEA (Snettisham) to begin no later than 35 years after the Transaction Date, and to be completed no later than 40 years after the Transaction Date. The schedules shall call for the issuance of the Fish and Wildlife Program by the Governor at least three years prior to the commencement of the period for implementation.

The Purchasers shall repeat the process called for in Sections 2 through 6 of this Agreement on a recurring basis every 35 years, beginning within 25 years of the time implementation of the Fish and Wildlife Program has been completed for the prior consultation process. In addition, prior to undertaking any major structural or operational modification substantially affecting water usage or fish and wildlife at the projects, the Purchasers shall follow the process called for in Sections 2 through 6 of this Agreement. Compliance with the terms of the Agreement for Public Water Supply and Energy Generation from Eklutna Lake, Alaska, entered into between the Alaska Power Administration and the Municipality of Anchorage on February 17, 1984, as amended by a Supplemental Agreement dated August 2, 1988, shall not be construed to be a major structural or operational modification. However, the Eklutna Purchasers will discuss major structural or operational changes from current operations with NMFS and USFWS and will consider any recommendations they have for fisheries mitigation related to such changes.

8. Dam Construction, Modification, Removal or Abandonment.

The Purchasers agree to comply with 11 AAC 93.151-.201 with respect to safety inspections, new construction or modifications to existing structures, removal and/or abandonment of all or part of the project.

9. Enforcement of Fish and Wildlife Program and Agreement.

The provisions of this Agreement, including the decisions of the Governor and the provisions of the Fish and Wildlife Program, shall be reviewable and enforceable in the United States District Court for the District of Alaska and the Court may order specific performance thereof.

At least thirty days prior to seeking review or enforcement in the United States District Court for the District of Alaska, a party shall send written notice of its concerns to all parties and hold a meeting to attempt informal resolution of its concerns. During the period of informal resolution, any statute of limitations shall toll.

10. Authority of Parties.

Each party to this Agreement warrants that it has the legal authority to sign this Agreement and be fully bound by its terms, subject to any administrative or regulatory approval, if required. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns.

11. Term of Agreement.

This Agreement shall be effective, as to each project, upon the Transaction Date specified in the respective Purchase Agreement and shall remain in full force and effect so long as that project remains in operation. The Agreement shall terminate, as to either project, if that Project becomes subject to the provisions of the Federal Power Act.

12. Severability.

If any section, paragraph, clause or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction or administrative agency to be invalid or unenforceable as to either project, the Agreement shall nonetheless remain in full force and effect as to the other project.

13. Cooperation With Studies.

The Parties agree that they will cooperate with one another in conducting studies pertaining to fish and wildlife other than those called for in this Agreement by:

- a. Notifying and consulting with the other parties before beginning a new fish and wildlife study,
- b. Providing each other with data on flows, fish populations, and other data already in their possession,
- c. Having the option of funding fish and wildlife studies before the process called for in Sections 2 and 3 of this Agreement would otherwise require, whether such studies are conducted by the parties themselves, or by third parties.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

MUNICIPALITY OF ANCHORAGE, DBA ANCHORAGE MUNICIPAL LIGHT & POWER

By: Tom Fink Date 7/30/91
Tom Fink, Mayor

CHUGACH ELECTRIC ASSOCIATION, INC.

By: Thomas D. Humphrey Date 7/30/91
Thomas D. Humphrey, President

MATANUSKA ELECTRIC ASSOCIATION, INC.

By: Jess Lee Date 7/29/91
Jess Lee, President

ALASKA ENERGY AUTHORITY

By: Charles Bussell Date 8-7-91
Charles Bussell, Executive Director

U.S. DEPARTMENT OF COMMERCE, NATIONAL MARINE FISHERIES SERVICE

By: John A. Knauss Date JUL 12 1991
John A. Knauss, Under Secretary of Commerce for Oceans and Atmosphere

U.S. DEPARTMENT OF INTERIOR, FISH AND WILDLIFE SERVICE

By: S. Scott Sewell Date 7/19/91
S. Scott Sewell, Principal Deputy Assistant Secretary for Fish and Wildlife and Parks

STATE OF ALASKA

By: Walter Hickel Date 8/7/91
Walter Hickel, Governor

APPENDIX C

APA Information and Legislative Authorities

This Appendix Contains:

- **Principal Legislation Governing Alaska Power Administration**
- **Organization and Function Charts**
- **Project Maps and Sketches**
- **Sales and Revenues, 1987-1993**
- **FY 1990 Audit Report and Financial Statements**

Principal Legislation Governing APA

Alaska Power Administration
December 1985

Principal Legislation Governing Alaska Power Administration

1. Eklutna Project Act of 1950 as amended.
 - a. Eklutna Project Act of July 31, 1950 (64 Stat. 382).
 - b. Amending Act of August 13, 1953 (67 Stat. 574).
 - o Raised cost limit to \$33 million from initial estimate of \$20.4 million.
 - o Made completion contingent upon obtaining an agreement with Anchorage to convey old Eklutna power project to Federal Government.
 - o Eliminated a \$200,000 contingency fund established in the initial authorization.
 - c. Section 4 of Public Law 98-552, 98 Stat. 2824 (1984). Authorizing Anchorage to use a portion of the Eklutna water supply for M & I purposes, subject to February, 1984 agreement between Anchorage and Alaska Power Administration.

(See also Act of September 26, 1968 (82 Stat. 875) concerning Eklutna earthquake rehabilitation -- costs of repairing damages were made non-reimbursable.)

2. Snettisham Project Authorization, 1962 Flood Control Act, as amended.
 - a. Section 204 of 1962 Flood Control Act, (76 Stat. 1194) authorizing Crater-Long Lakes Division of Snettisham Project.
 - b. Section 201 of 1976 Water Resources Development Act, Public Law 94-587, provides for:
 - o reimbursable costs to exclude costs of replacing and relocating the original Salisbury Ridge section of the transmission line.
 - o amending repayment requirement to permit interest deferrals in an initial 10-year period and requiring repayment of all costs including the deferred interest in a subsequent 50-year period.

3. Department of Energy Organization Act of August, 1977, (91 Stat. 565). Section 302 of the Act transferred all the functions of the Alaska Power Administration to Energy and requires:

- o preserving APA as a separate and distinct entity within DOE, headed by an Administrator with principal offices in Alaska.
- o that the DOE Secretary is to exercise his functions with respect to APA acting by and through the APA Administrator.

Notes: The DOE Act was the first authorizing legislation for APA. Between 1967 and 1977, APA operated under authorities delegated by the Secretary of the Interior (Secretarial Order 2900, June, 1967). A copy of that order is attached. It references other legislative authorities delegated to APA: a 1955 Alaska Investigations Act, Sections 5 and 8 of the 1944 Flood Control Act which concerns power marketing and irrigation facilities at Corps of Engineers projects. These other authorizations do not have bearing on operations, maintenance, and marketing for the Eklutna and Snettisham projects.

Eklutna Project Act and Amendments

EKLUTNA PROJECT

An act to authorize construction of the Eklutna project hydroelectric generating plant and transmission facilities in connection therewith, and for other purposes. (Act July 31, 1930, ch. 510, 64 Stat. 382)

SEC. 1. [Secretary authorized to construct Eklutna project—Interest at rate of $2\frac{1}{2}$ per centum—Disposition of minerals discovered—Reservation of waters.]—That in order to encourage and promote the economic development of the Territory of Alaska, to foster the establishment of essential industries in said Territory, and to further the self-sufficiency of national defense installations located therein, the Secretary of the Interior (hereinafter referred to as the "Secretary") is authorized to construct, operate, and maintain the Eklutna project in the vicinity of Anchorage, Alaska, consisting of a low dam at Lake Eklutna, a diversion tunnel and penstock, a power plant with an installed capacity of thirty thousand kilowatts, transmission lines to Anchorage and other load centers, and related works (except recreational facilities) substantially in accordance with the plans and recommendations in the report adopted by the Secretary of the Interior on January 18, 1949, on file with the Committee on Public Lands of the House of Representatives and the Committee on Interior and Insular Affairs of the Senate at an estimated cost of \$20,365,400. The capital investment properly allocable to each unit of said project, as determined by the Federal Power Commission, shall be amortized over a reasonable period of years, and interest shall be charged on the unamortized balance of the full capital investment in said project at a rate of $2\frac{1}{2}$ per centum per annum and shall be covered into the Treasury of the United States to the credit of miscellaneous receipts. All minerals discovered in the course of constructing the Eklutna project are hereby reserved to the United States and may be sold or otherwise disposed of in such manner as may be prescribed by the Secretary, if he finds and so reports to the Congress in writing that the only economically, practicable method of recovering the ore so reserved is to provide for the salvage of any minerals that may be contained in the excavated materials removed from the tunnel during the normal process of construction. The net proceeds from any such sale or other disposition shall be covered into the Treasury of the United States to the credit of miscellaneous receipts. The waters of Eklutna Lake and its tributaries which are required for the operation of the Eklutna project are hereby reserved for that purpose.

SEC. 2. [Disposition of power developed—Revenues to miscellaneous receipts of the Treasury—Continuing fund.]—Electric power and energy generated at the Eklutna project, except that portion required in the operation of such project, shall be disposed of in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles and the maintenance of adequate electric service, the rate schedules to become effective upon confirmation and approval by the Federal Power

EKLUTNA PROJECT

Commission. Such rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the project) of the cost of producing and transmitting the power and energy including the amortization of the capital investment as provided in section 1 hereof. Preference in the sale of such power and energy shall be given to all public bodies and cooperatives on the same terms, and to Federal agencies. It shall be a condition of every contract made under this Act for the sale of power and energy that the purchaser, if it be a purchaser for resale, will deliver power and energy to Federal agencies or facilities thereof within its transmission area at a reasonable charge for the use of its transmission facilities. All receipts from the transmission and sale of electric power and energy generated at said project shall be covered into the Treasury of the United States to the credit of miscellaneous receipts, save and except that the Treasury shall set up and maintain from the receipts for said project a continuing fund of \$200,000 to the credit of the Secretary and subject to expenditure by him, to defray emergency expenses and to insure continuous operation.

SEC. 3. [Agreements and contracts.]—The Secretary is authorized to perform any and all acts and enter into such agreements as may be appropriate for the purpose of carrying the provisions of this Act into full force and effect, including the acquisition of rights and property, and the Secretary, when an appropriation shall have been made for the commencement of construction or operation and maintenance of said project, may, in connection with the construction or operation and maintenance of such project, enter into contracts for miscellaneous services for materials and supplies, as well as for construction, which may cover such periods of time as the Secretary may consider necessary but in which the liability of the United States shall be contingent upon appropriations being made therefor.

SEC. 4. [Report to Congress on transfer of project to public ownership.]—Upon completion of amortization of the capital investment allocated to power, the Secretary is authorized and directed to report to the Congress upon the feasibility and desirability of transferring the Eklutna project to public ownership and control in Alaska.

SEC. 5. [Delegation of authority.]—Wherever in this Act authority is vested in, or functions are to be performed by, the Secretary, such authority may be exercised, and functions performed, through such agencies of the Department of the Interior as he may designate.

SEC. 6. [\$20,365,400 authorized to be appropriated.]—There are authorized to be appropriated the sum of \$20,365,400 for the construction of the Eklutna project, and, in addition, such sums as may be necessary for the operation and maintenance of such project.

Legislative history.—H. R. 940, Public Law 628 in the 81st Congress. House Report 556; Senate Report 1754.

EKLUTNA PROJECT, ALASKA

An act to amend the act of July 31, 1950 (64 Stat. 382), relating to appropriations for construction by the Secretary of the Interior of the Eklutna project, Alaska. (Act August 13, 1953, ch. 430, 67 Stat. 574)

SEC. 1. [Eklutna project, Alaska.]—That the Act of July 31, 1950 (64 Stat. 382), be amended as follows:

(1) By amending the first sentence of section 1 to read as follows: "That in order to encourage and promote the economic development of the Territory of Alaska, to foster the establishment of essential industries in said Territory, and to further the self-sufficiency of national defense installations located therein, the Secretary of the Interior (hereinafter referred to as the 'Secretary') is authorized to construct, operate, and maintain the Eklutna project in the vicinity of Anchorage, Alaska, consisting of a low dam at Lake Eklutna, a diversion tunnel and penstock, a power plant with an installed capacity of thirty thousand kilowatts, transmission lines to Anchorage and other load centers, and related works (except recreational facilities) substantially in accordance with the plans and recommendations in the report adopted by the Secretary of the Interior on January 18, 1949, on file with the Committee on Public Lands of the House of Representatives and the Committee on Interior and Insular Affairs of the Senate at an estimated cost not to exceed \$33,000,000."

(2) [Continuation of construction.]—By adding a new paragraph to section 1, as follows: "The continuation of construction of the Eklutna project beyond December 1, 1953, is hereby made contingent upon there being a finding by the Secretary by that date that he and the proper officials of the city of Anchorage, Alaska, have approved a form of contract whereby the city would agree to convey to the United States such hydroelectric and other properties, including water rights, as the Secretary has determined should be acquired by the United States in connection with the Eklutna project, and whereby in consideration therefor the United States would agree to deliver to said city electric energy upon terms which in the Secretary's judgment would accord said city just compensation for the properties agreed to be conveyed."

(3) By amending the last sentence of section 2 to read as follows: "All receipts from the transmission and sale of electric power and energy generated at said project shall be covered into the Treasury of the United States to the credit of miscellaneous receipts."

(4) [Appropriation.]—By amending section 6 to read as follows: "There are authorized to be appropriated the sum of \$33,000,000 for the construction of the Eklutna project, and, in addition, such sums as may be necessary for the operation and maintenance of such project."

Legislative history.—S. 2097, Public Law 260 in the 83d Congress, 1st Session. Senate Report 383; House Report 835.

EKLUTNA PROJECT, ALASKA—REHABILITATION

PUBLIC LAW 90-523; 82 STAT. 875

[S. 224]

An Act to provide for the rehabilitation of the Eklutna project, Alaska, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That:

The total sums expended by the Secretary of the Interior in rehabilitation of the Eklutna project, Alaska, from damage caused by the earthquake of March 27, 1964, less the difference between the actual cost of the new dam and the estimated cost of rehabilitating the old dam, shall be nonreimbursable and nonreturnable, and not subject to the provisions of the second sentence of section 1 of the Act of July 31, 1950, as amended: *Provided, however,* That the nonreimbursable and nonreturnable expenditures shall not exceed \$2,805,497.

Approved September 26, 1968.

66. 10 U.S.C.A. § 2733(b) (4), (e).

EKLUTNA PROJECT - ALASKA PUBLIC WATER SUPPLY

Section 4, Public Law 98-552, October 30, 1984

98 Stat 2824

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the first section of the Act entitled "An Act to authorize construction of the Eklutna project, hydroelectric generating plant and transmission facilities in connection therewith, and for other purposes", approved July 31, 1950 (64 Stat. 382; 48 U.S.C. 312), is amended in the last sentence by striking out "purpose," and inserting in lieu thereof "purpose: Provided, that a portion of the waters so reserved may be diverted from Eklutna Lake for public water supply purposes, if compensation for reduced electric energy production due to such diversions is made as required by the February 1984, agreement between the Municipality of Anchorage and the Alaska Power Administration".

Snettisham Project Authorization

Section 204 of the Flood Control Act of 1962

Alaska.
Hydroelectric
power
development.

76 Stat. 1194.

Sale of power
and energy.

Contract
authority.

SEC. 204. (a) For the purpose of developing hydroelectric power and to encourage and promote the economic development of and to foster the establishment of essential industries in the State of Alaska, and for other purposes, the Secretary of the Army, acting through the Chief of Engineers, is authorized to construct and the Secretary of the Interior is authorized to operate and maintain the Crater-Long Lakes division of the Snettisham project near Juneau, Alaska. The works of the division shall consist of pressure tunnels, surge tanks, penstocks, a powerplant, transmission facilities, and related facilities, all at an estimated cost of \$41,634,000.

(b) Electric power and energy generated at the division except that portion required in the operation of the division, shall be disposed of by the Secretary of the Interior in such a manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles. Rate schedules shall be drawn having regard to the recovery of the costs of producing and transmitting the power and energy, including the amortization of the capital investment over a reasonable period of years, with interest at the average rate (which rate shall be certified by the Secretary of the Treasury) paid by the United States on its marketable long-term securities outstanding on the date of this Act and adjusted to the nearest one-eighth of 1 per centum. In the sale of such power and energy, preference shall be given to Federal agencies, public bodies, and cooperatives. It shall be a condition of every contract made under this Act for the sale of power and energy that the purchaser, if it be a purchaser for resale, will deliver power and energy to Federal agencies or facilities thereof within its transmission area at a reasonable charge for the use of its transmission facilities. All receipts from the transmission and sale of electric power and energy generated at said division shall be covered into the Treasury of the United States to the credit of miscellaneous receipts.

(c) The appropriate Secretary is authorized to perform any and all acts and enter into such agreements as may be appropriate for the purpose of carrying the provisions of this Act into full force and effect, including the acquisition of rights and property, and the Secretary of the Army, when an appropriation shall have been made for the commencement of construction or the Secretary of the Interior in the case of operation and maintenance of said division, may, in connection with the construction or operation and maintenance of such division, enter into contracts for miscellaneous services for materials and supplies, as well as for construction, which may cover such periods of time as the appropriate Secretary may consider necessary but in which the liability of the United States shall be contingent upon appropriations being made therefor.

Section 201, Water Resources Development Act of 1976

Public Law 94-587

Section 201. (a) Section 204 (b) of the Act of October 23, 1962 (76 Stat. 1173, 1774), is amended by striking the period at the end of the second sentence and insert the following: ": *Provided*, That the Secretary of the Interior, in determining reimbursable costs, shall not include the costs of replacing and relocating the original Salisbury Ridge section of the 138-kilovolt transmission line: *Provided further*, that the Secretary of the Army, acting through the Chief of Engineers, shall relocate such transmission lines, at an estimated cost of \$5,641,000."

(b) The Crater-Long Lakes division of the Snettisham Project near Juneau, Alaska, as authorized by section 204 of the Flood Control Act of 1962, is modified with respect to the reimbursement payments to the United States on such project in order to provide (1) that the repayment period shall be sixty years, (2) that the first annual payment shall be 0.1 per centum of the total principal amount to be repaid, (3) thereafter annual payments shall be increased by 0.1 per centum of such total each year until the tenth year at which time the payment shall be 1 per centum of such total, and (4) subsequent annual payments for the remaining fifty years of the sixty-year repayment period shall be one-fiftieth of the balance remaining after the tenth annual payment (including interest over such sixty-year period).

by law in the officers and components of either such Administration.

Federal Power Commission. (b) Except as provided in title IV, there are hereby transferred to, and vested in, the Secretary the function of the Federal Power Commission, or of the members, officers, or components thereof. The Secretary may exercise any power described in section 402(a) (2) to the extent the Secretary determines such power to be necessary to the exercise of any function within his jurisdiction pursuant to the preceding sentence.

TRANSFERS FROM THE DEPARTMENT OF THE INTERIOR

42 USC 7152. SEC. 302. (a) (1) There are hereby transferred to, and vested in, the Secretary all functions of the Secretary of the Interior under section 5 of the Flood Control Act of 1944, and all other functions of the Secretary of the Interior, and officers and components of the Department of the Interior, with respect to—

16 USC 825s. (A) the Southeastern Power Administration;

(B) the Southwestern Power Administration;

(C) the Alaska Power Administration;

(D) the Bonneville Power Administration including but not limited to the authority contained in the Bonneville Project Act of 1937 and the Federal Columbia River Transmission System Act;

16 USC 832. (E) the power marketing functions of the Bureau of Reclamation, including the construction, operation, and maintenance of transmission lines and attendant facilities; and

16 USC 838 note. (F) the transmission and disposition of the electric power and energy generated at Falcon Dam and Amistad Dam, international storage reservoir projects on the Rio Grande, pursuant to the Act of June 18, 1954, as amended by the Act of December 23, 1963.

68 Stat. 255. (2) The Southeastern Power Administration, the Southwestern Power Administration, the Bonneville Power Administration, and the Alaska Power Administration shall be preserved as separate and distinct organizational entities within the Department. Each such entity shall be headed by an Administrator appointed by the Secretary. The functions transferred to the Secretary in paragraphs (1) (A), (1) (B), (1) (C), and (1) (D) shall be exercised by the Secretary, acting by and through such Administrators. Each such Administrator shall maintain his principal office at a place located in the region served by his respective Federal power marketing entity.

77 Stat. 475. (3) The functions transferred in paragraphs (1) (E) and (1) (F) of this subsection shall be exercised by the Secretary, acting by and through a separate and distinct Administration within the Department which shall be headed by an Administrator appointed by the Secretary. The Administrator shall establish and shall maintain such regional offices as necessary to facilitate the performance of such functions. Neither the transfer of functions effected by paragraph (1) (E) of this subsection nor any changes in cost allocation or project evaluation standards shall be deemed to authorize the reallocation of joint costs of multipurpose facilities theretofore allocated unless and to the extent that such change is hereafter approved by Congress.

Federal leases. (b) There are hereby transferred to, and vested in, the Secretary the functions of the Secretary of the Interior to promulgate regulations under the Outer Continental Shelf Lands Act, the Mineral Lands Leasing Act, the Mineral Leasing Act for Acquired Lands, the Geo-

43 USC 1331 note.
30 USC 181 note,
351 note.

thermal Steam Act of 1970, and the Energy Policy and Conservation Act, which relate to the—

30 USC 1001
note.
42 USC 6201
note.

(1) fostering of competition for Federal leases (including, but not limited to, prohibition on bidding for development rights by certain types of joint ventures);

(2) implementation of alternative bidding systems authorized for the award of Federal leases;

(3) establishment of diligence requirements for operations conducted on Federal leases (including, but not limited to, procedures relating to the granting or ordering by the Secretary of the Interior of suspension of operations or production as they relate to such requirements);

(4) setting rates of production for Federal leases; and

(5) specifying the procedures, terms, and conditions for the acquisition and disposition of Federal royalty interests taken in kind.

(c) There are hereby transferred to, and vested in, the Secretary all the functions of the Secretary of the Interior to establish production rates for all Federal leases.

Production rates.

(d) There are hereby transferred to, and vested in, the Secretary those functions of the Secretary of the Interior, the Department of the Interior, and officers and components of that Department under the Act of May 15, 1910, and other authorities, exercised by the Bureau of Mines, but limited to—

30 USC 1, 3, 5-7.

(1) fuel supply and demand analysis and data gathering;

(2) research and development relating to increased efficiency of production technology of solid fuel minerals, other than research relating to mine health and safety and research relating to the environmental and leasing consequences of solid fuel mining (which shall remain in the Department of the Interior); and

(3) coal preparation and analysis.

ADMINISTRATION OF LEASING TRANSFERS

SEC. 303. (a) The Secretary of the Interior shall retain any authorities not transferred under section 302(b) of this Act and shall be solely responsible for the issuance and supervision of Federal leases and the enforcement of all regulations applicable to the leasing of mineral resources, including but not limited to lease terms and conditions and production rates. No regulation promulgated by the Secretary shall restrict or limit any authority retained by the Secretary of the Interior under section 302(b) of this Act with respect to the issuance or supervision of Federal leases. Nothing in section 302(b) of this Act shall be construed to affect Indian lands and resources or to transfer any functions of the Secretary of the Interior concerning such lands and resources.

Federal leasing of mineral resources.
42 USC 7153.

Indian lands.

(b) In exercising the authority under section 302(b) of this Act to promulgate regulations, the Secretary shall consult with the Secretary of the Interior during the preparation of such regulations and shall afford the Secretary of the Interior not less than thirty days, prior to the date on which the Department first publishes or otherwise prescribes regulations, to comment on the content and effect of such regulations.

Regulations.

(c) (1) The Secretary of the Interior shall afford the Secretary not less than thirty days, prior to the date on which the Department of the Interior first publishes or otherwise prescribes the terms and conditions on which a Federal lease will be issued, to disapprove any term

Terms and conditions, disapproval.

TEXT OF ORDER CREATING ALASKA POWER ADMINISTRATION

Office of the Secretary
Order No. 2900
ALASKA POWER ADMINISTRATION
Establishment

SECTION 1 Purpose. This order, issued pursuant to the authority of the Secretary of the Interior under Reorganization Plan No. 3 of 1950, 5 U.S.C. 133z-15 (note), establishes the Alaska Power Administration as a Bureau of the Department of the Interior, defines its organization and functions, and provides for the related delegation of authority of the Secretary of the Interior under various acts of Congress.

SEC. 2 Organization. The head of the Alaska Power Administration shall be the Administrator, who shall administer the functions of the Administration subject to the supervision and direction of the Assistant Secretary — Water and Power Development.

SEC. 3 Functions. The functions of the Alaska Power Administration are as follows:

(a) Promote the development and utilization of the water, power, and related resources of Alaska;

(b) Operate and maintain the Eklutna project and the Crater-Long Lakes division of the Snettisham project;

(c) Dispose of Federal power and energy not needed for project or agency purposes in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles;

(d) Cooperate with all agencies of government in Alaska; including the Federal Field Committee for Development Planning in Alaska, established by Executive Order 11182 (Oct. 2, 1964);

(e) Investigate, plan, and submit to the Secretary recommendations for Federal projects and programs;

(f) Represent the Secretary of the Interior in Alaska on power matters.

SEC. 4. Delegation of Authority. The Administrator, Alaska Power Administration, is authorized, except as provided in 200 DM 1.4 and 1.5 and in section 5 of this order to exercise the authority of the Secretary of the Interior pursuant to the following, insofar as they relate to activities within the State of Alaska:

(a) The Eklutna Project Act of July 31, 1950, 64 Stat. 382, as amended;

(b) Section 204 of the Flood Control Act of 1962 (Crater-Long Lakes division, Snettisham project), 76 Stat. 1193;

(c) Sections 5 and 8 of the Flood Control Act of 1944, 58 Stat. 890, 16 U.S.C. 825s, 58 Stat. 891, 43 U.S.C. 390;

(d) The Act of August 9, 1955, 69 Stat. 618 (Alaska water resources investigations);

(e) Appropriation acts or other statutory provisions respecting investigations relating to projects for the development and utilization of water, power, and related resources in Alaska;

(f) Land and Water Conservation Act of 1965 (78 Stat. 897) and Executive Order 11200 (30 F.R. 2645). The authorities of the Administrator under this Act and Executive order shall be restricted to the following;

(1) The authority to designate areas under his jurisdiction at which recreation fees will be charged as specified by sections 1, 2, and 3 of Executive Order 11200.

(2) The authority to post such designated areas as specified by section 4 of Executive Order 11200.

(3) The authority to select from the fees established by 43 CFR Part 13 (30 F.R. 3265) the specific fees to be charged at the designated areas in accordance with section 5(a) of Executive Order 11200.

(g) Section 7(c) of the Federal Water Project Recreation Act of July 9, 1965 (79 Stat. 213).

SEC. 5 Limitations. Excepted from the foregoing delegation is the authority to:

(a) Act for the Secretary of the Interior in approving and adopting project feasibility reports as the Secretary's proposed reports or as his reports to the President and to the Congress;

(b) Promulgate rate schedules or fix rates for the sale of electric power and energy;

(c) Make finding and reports to the Congress respecting minerals, as provided in section 1 of the Eklutna Project Act, *supra*, as amended;

(d) Make the report to the Congress upon the feasibility and desirability of transferring the Eklutna Project to public ownership and control in Alaska, as provided in section 4 of the Eklutna Project Act, *Supra*.

SEC. 6 Contracts. The Administrator may, without Secretarial approval, consummate contracts for the sale, interchange, purchase, or wheeling of power and energy, if such contracts are composed entirely of standard provisions which have previously received Secretarial approval. If such a contract is not composed entirely of standard provisions, the Administrator may only execute the contract subject to Secretarial approval.

SEC. 7 Revocation. Delegations of authority previously made to the Commissioner of Reclamation are revoked to the extent they are inconsistent with the delegations herein.

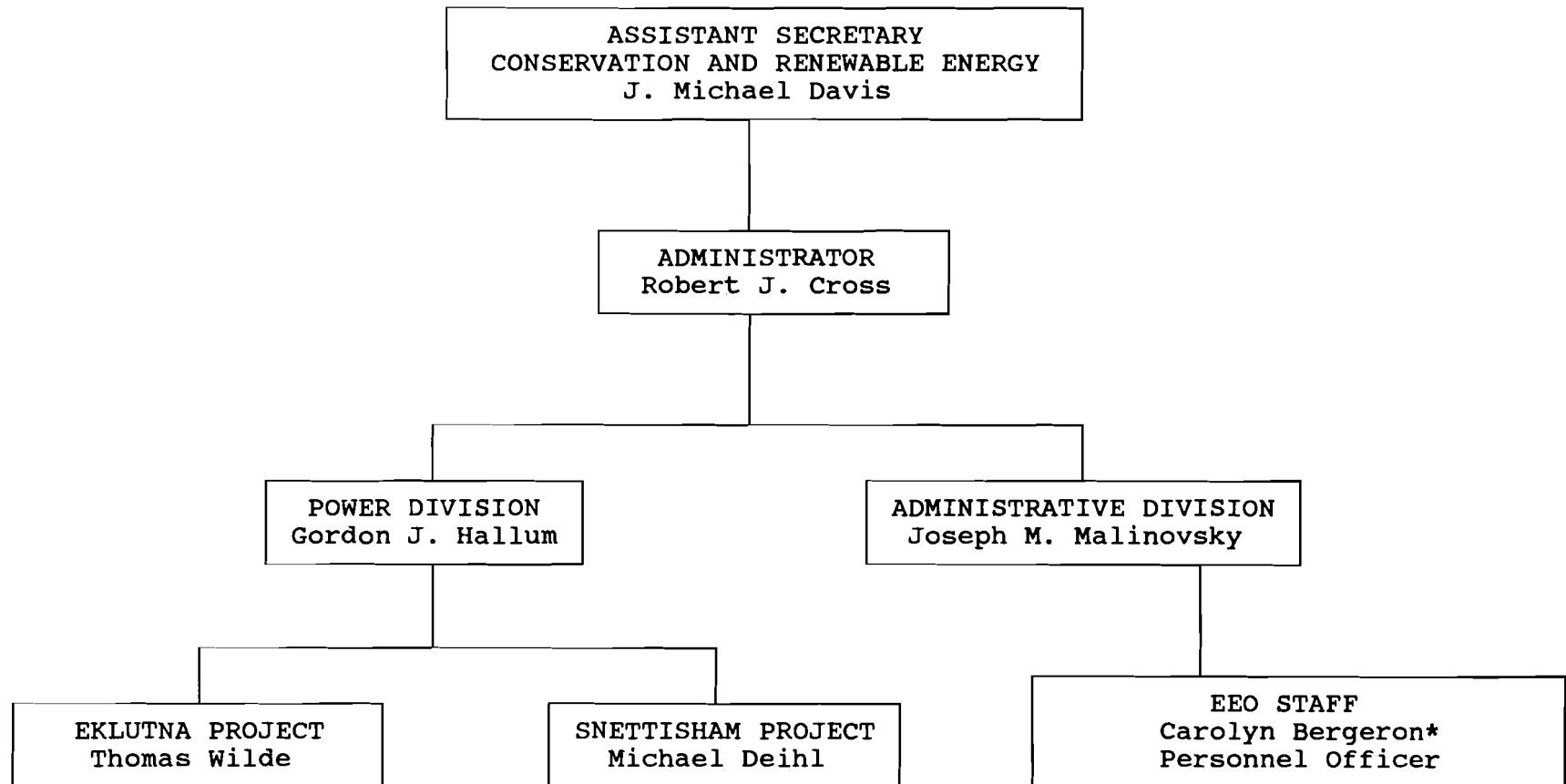
SEC. 3 Transfer. Effective at the close of business on the day of the signing of this order, all personnel, property, funds, and equipment formerly employed by the Bureau of Reclamation in the State of Alaska are transferred to Alaska Power Administration.

STEWART L. UDALL
Secretary of the Interior.

Organization and Function Charts

Revised October 18, 1991

U.S. DEPARTMENT OF ENERGY
ALASKA POWER ADMINISTRATION
ORGANIZATION CHART



*Will retire effective December 27, 1991.

Revised October 18, 1991

FUNCTIONAL CHART
Alaska Power Administration
U.S. Department of Energy

OFFICE OF THE ADMINISTRATOR
Administrator APA Programs

POWER DIVISION

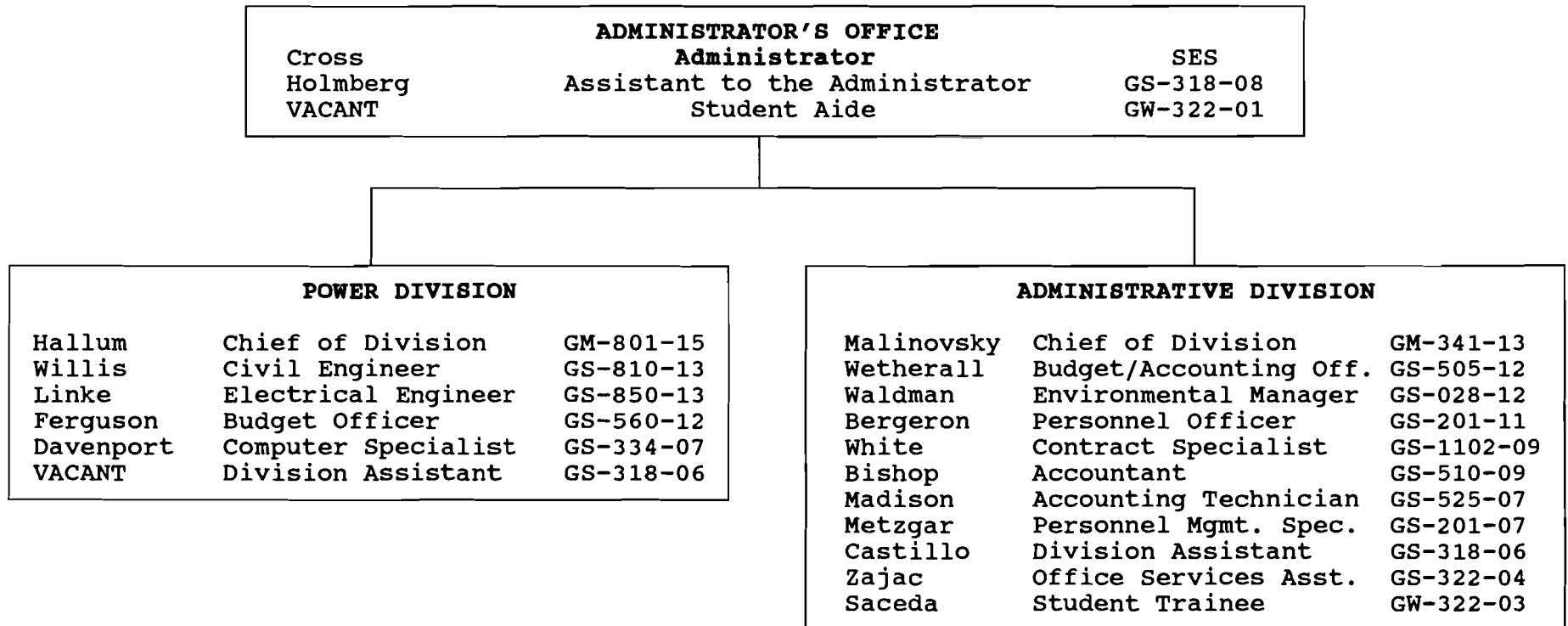
- o Operation and maintenance of Eklutna and Snettisham hydroelectric plants, including power production, transmission, and sub-station.
- o Power marketing, power sales contracts.
- o Rate and repayment studies, rate schedules.
- o Planning and scheduling project replacements and improvements.
- o Maintain coordination with customer utilities.
- o Engineering support for operating projects.
- o Preparation of budget estimates and justifications.
- o ADP management.

ADMINISTRATIVE DIVISION

- o Administrative support for APA programs.
- o Fiscal operations, accounting, billing, payroll.
- o Personnel management.
- o Property management, procurement, contract management.
- o Records management.
- o Internal controls.
- o Environmental, Safety and Health compliance

Revised October 18, 1991

**U.S. DEPARTMENT OF ENERGY
ALASKA POWER ADMINISTRATION
HEADQUARTERS**



*Stay-in-School Program

Revised October 18, 1991

**U.S. DEPARTMENT OF ENERGY
ALASKA POWER ADMINISTRATION
SNETTISHAM PROJECT**

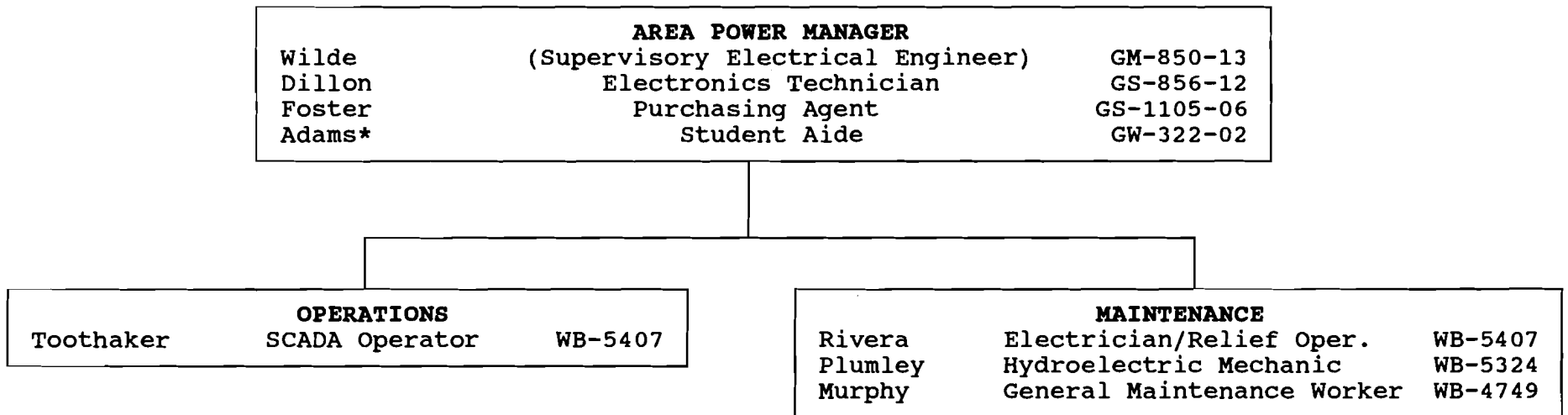
PROJECT MANAGER
Deihl (Supervisory Electrical Engineer) GM-850-13
Boone Purchasing Agent GS-1105-06

OPERATIONS
Dohrn Supervisory Electronics Technician GS-856-12

MAINTENANCE
Cox Lineman/Electrician/Oper. WB-2810
Boothe Hydroelectric Powerplant Mechanic/Operator WB-5324
Pittman Hydroelectric Powerplant Mechanic/Operator WB-5324
Pickle Mechanic/Operator WB-5803
Doty Pwrplant Electrician/Operator WB-2810
Osborn Pwrplant Electrician/Operator WB-2810

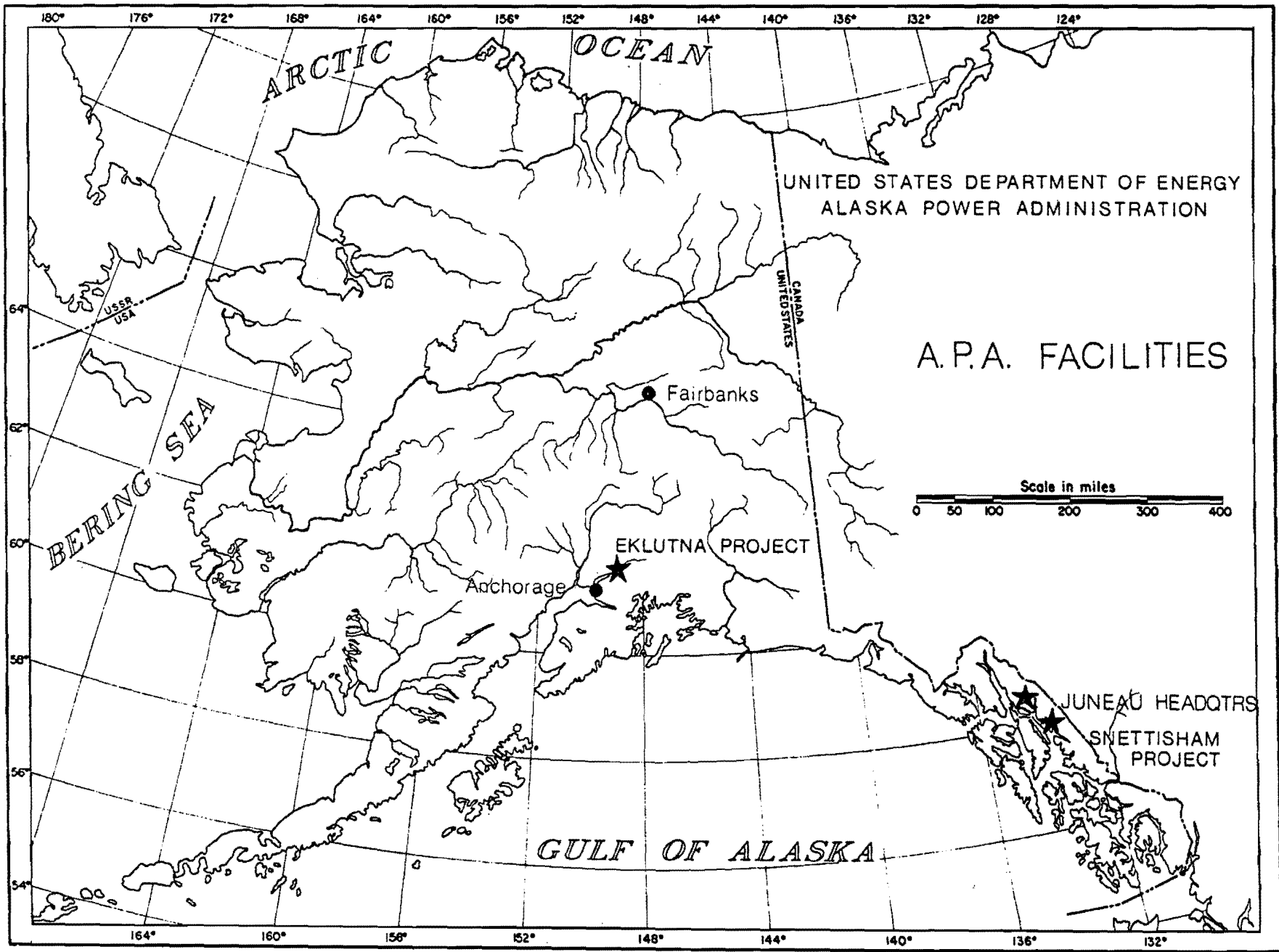
Revised October 18, 1991

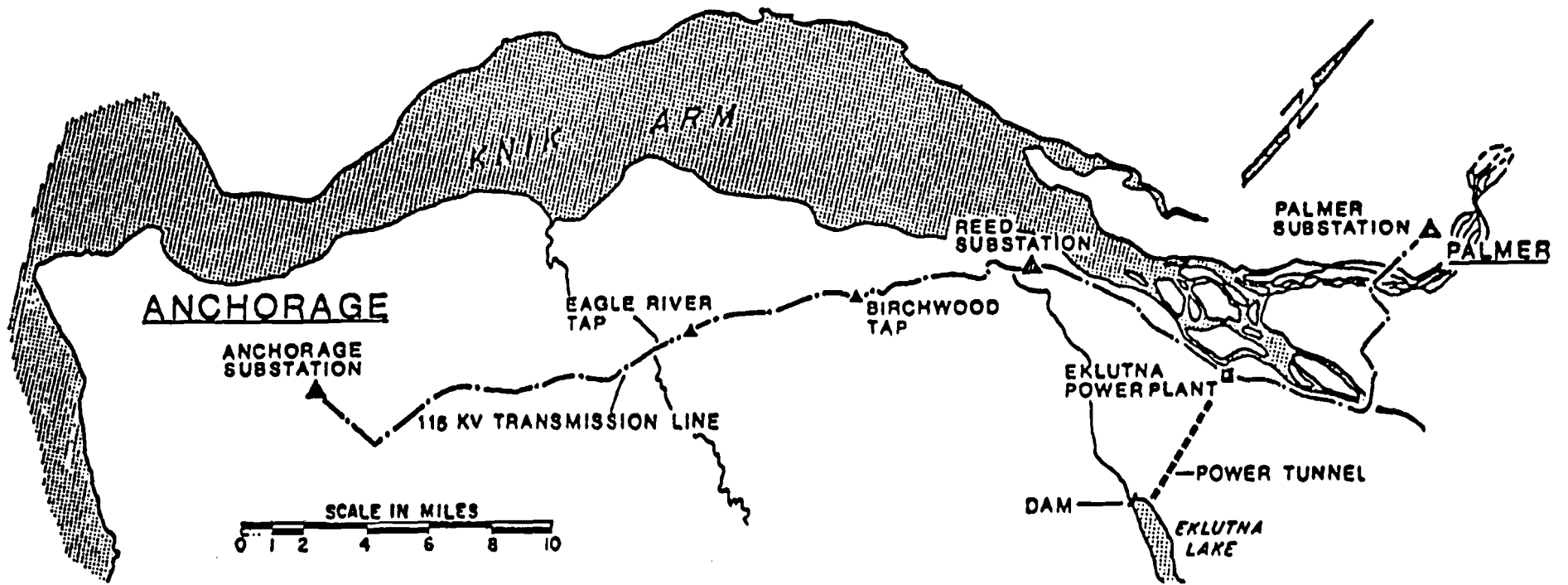
**U.S. DEPARTMENT OF ENERGY
ALASKA POWER ADMINISTRATION
EKLUTNA PROJECT**



*Stay-in-School Program

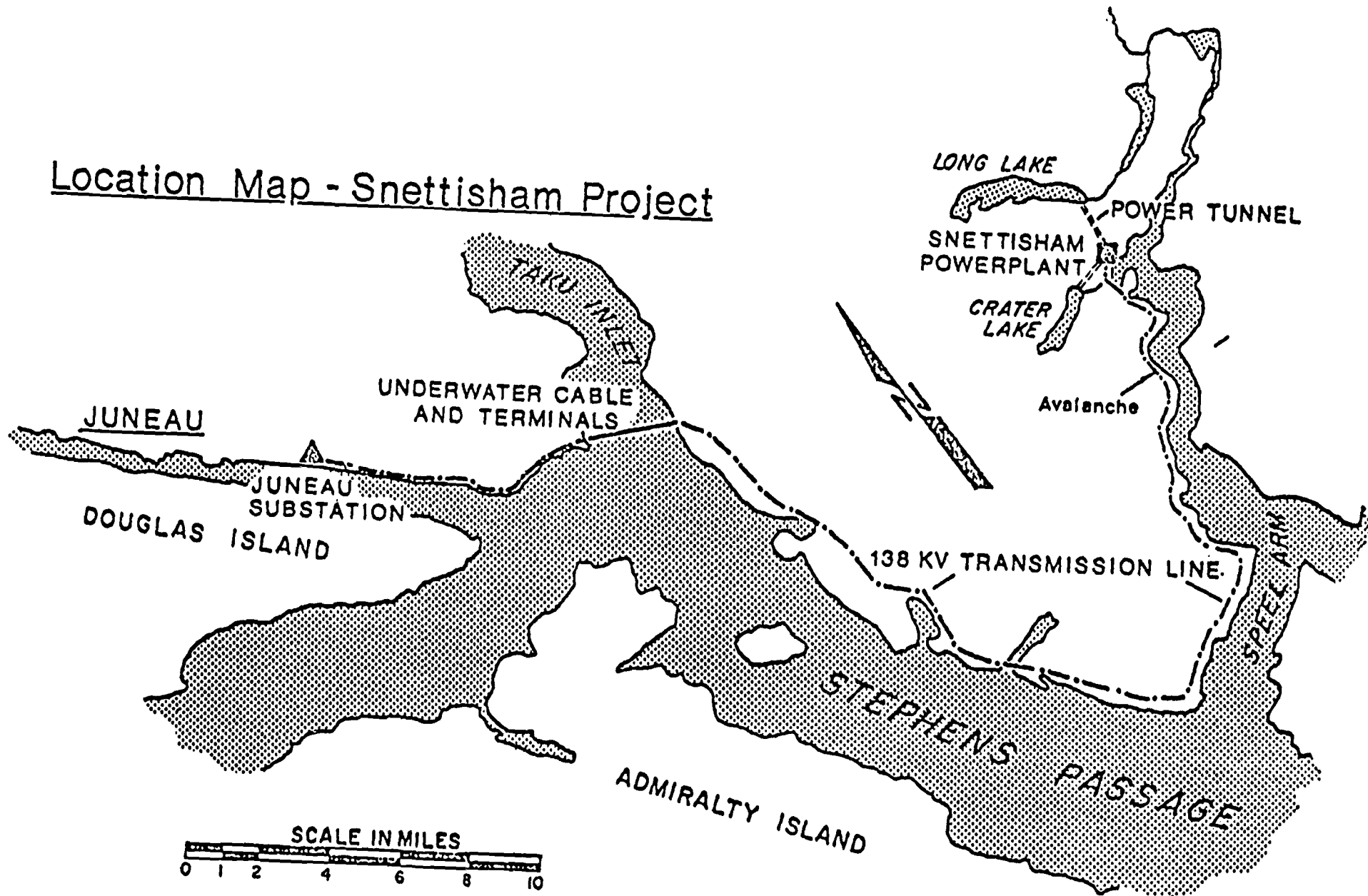
Project Maps and Sketches





Location Map - Eklutna Project

Location Map - Snettisham Project



Sales and Revenues, 1987 - 1993

POWER SALES
(kWh X 1,000)

FY	Eklutna	Snettisham	Total
1987	146,271	189,177	335,448
1988	188,264	194,668	382,932
1989	176,238	204,195	380,433
1990	210,427	216,301	426,728
1991	169,765	230,180	399,945
1992 (est)	164,000	239,000	403,000
1993 (est)	164,000	248,000	412,000

TOTAL REVENUES (\$)

FY	Eklutna	Snettisham	Total
1987	2,837,185	5,466,207	8,303,392
1988	3,476,190	5,614,764	9,090,954
1989	3,240,562	5,809,049	9,049,611
1990	3,496,702	6,105,723	9,602,425
1991	2,880,000	6,483,000	9,363,000
1992 (est)	2,790,000	7,477,900	10,267,900
1993 (est)	2,790,000	7,724,600	10,514,600

FY 1990 Audit Report and Financial Statements

OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDITS
WESTERN REGION
ALBUQUERQUE, NEW MEXICO 87115

FINANCIAL AND COMPLIANCE AUDIT
ALASKA POWER ADMINISTRATION
FEDERAL POWER PROGRAM
JUNEAU, ALASKA
FISCAL YEAR 1990

Audit Report No: WR-BC-91-1

May 14, 1991

PART I: REPORT ON FINANCIAL STATEMENTS

Independent Auditor's Opinion

At the request of the Alaska Power Administration (APA), we have audited the accompanying statements of assets, Federal investment and liabilities of APA as of September 30, 1990 and 1989, and the related statements of revenues and expenses and accumulated net revenues, and sources and uses of funds for the years then ended. These financial statements are the responsibility of APA management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards for financial audits in the U.S. General Accounting Office "Government Auditing Standards." These standards require the audits give reasonable assurance that the financial statements are free of material misstatement. To provide a reasonable basis for our opinion, the audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing management's accounting principles and significant estimates; and, evaluating the overall financial statement presentation.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in note 3 to the financial statements, management changed its method of accounting for uncompleted projects being constructed by the U.S. Army Corps of Engineers.

In our opinion, the financial statements referred to above present fairly, in all material respects, and in conformity with generally accepted accounting principles, the assets, Federal investment and liabilities at September 30, 1990 and 1989; and its revenues and expenses and sources and uses of funds of APA for the years then ended.

Office of Inspector General

ALASKA POWER ADMINISTRATION

Statements of Assets, Federal Investment and Liabilities

September 30, 1990 and 1989

Assets	<u>1990</u>	1989 As Restated (Note 3)
Utility plant (notes 3 and 4):		
Plant in service	\$ 115,369,587	114,887,481
Accumulated depreciation	(11,566,228)	(10,839,510)
Construction work in progress	<u> -</u>	<u> 156,194</u>
Net utility plant	<u>103,803,359</u>	<u>104,204,165</u>
Current assets:		
Unexpended appropriations:		
Power projects	1,478,803	997,727
Administration	101,059	691,819
Accounts receivable	628,454	761,682
Advances to employees	629	9,117
Materials and supplies	<u> 26,253</u>	<u> 17,565</u>
Total current assets	<u> 2,235,198</u>	<u> 2,477,910</u>
Deferred interest on Federal investment	<u> 19,273,741</u>	<u> 19,273,741</u>
Total assets	<u>\$ 125,312,298</u>	<u>125,955,816</u>
Federal Investment and Liabilities		
Federal investment:		
Investment of U. S. Government (note 3):		
Congressional appropriations:		
Power projects	\$ 72,363,025	68,648,184
Administration	101,059	691,819
Interest during construction	11,051,497	11,051,497
Transfers from other Federal agencies	69,981,093	69,981,093
Interest on Federal investment	59,340,754	56,358,033
Less funds returned to U. S. Treasury	<u>(110,874,871)</u>	<u>(101,360,839)</u>
Net investment of U. S. Government	101,962,557	105,369,787
Accumulated net revenues	<u> 23,172,964</u>	<u> 20,410,868</u>
Total Federal investment	125,135,521	125,780,655
Current liabilities - accounts payable and accrued liabilities	<u> 176,777</u>	<u> 175,161</u>
Total Federal investment and liabilities	<u>\$ 125,312,298</u>	<u>125,955,816</u>

See accompanying notes to financial statements.

ALASKA POWER ADMINISTRATION

Statements of Revenues and Expenses
and Accumulated Net Revenues

Years ended September 30, 1990 and 1989

	<u>1990</u>	<u>1989</u>
Revenues (note 2):		
Sales of electric power:		
Cooperatives	\$ 1,641,843	1,539,359
Municipalities	1,774,439	1,723,723
Privately owned utilities	6,036,795	5,604,216
Other	55,164	86,141
Wheeling	78,756	65,264
Other operating revenues	<u>15,429</u>	<u>30,909</u>
Total revenues	<u>9,602,426</u>	<u>9,049,612</u>
Expenses (note 4):		
Operation and maintenance	3,100,572	2,907,933
Depreciation	766,718	726,177
Other, net	<u>(9,681)</u>	<u>(4,123)</u>
Total expenses before interest	<u>3,857,609</u>	<u>3,629,987</u>
Net revenues before interest expense	5,744,817	5,419,625
Interest expense (note 4)	<u>2,982,721</u>	<u>3,097,990</u>
Net revenues	2,762,096	2,321,635
Accumulated net revenues (note 4):		
Balance at beginning of year	<u>20,410,868</u>	<u>18,089,233</u>
Balance at end of year	<u>\$ 23,172,964</u>	<u>20,410,868</u>

See accompanying notes to financial statements.

ALASKA POWER ADMINISTRATION

Statements of Sources and Uses of Funds

Years ended September 30, 1990 and 1989

	<u>1990</u>	1989 <u>As Restated</u> <u>(Note 3)</u>
Funds provided by operating activities:		
Funds received from customers	\$ 9,735,654	8,975,415
Funds paid for operations and maintenance	<u>(3,089,475)</u>	<u>(2,790,436)</u>
Net funds provided by operating activities	<u>6,646,179</u>	<u>6,184,979</u>
Funds used in investing activities:		
Additions to utility plant	<u>(365,912)</u>	<u>(411,608)</u>
Funds provided by (used in) financing activities:		
Funds returned to the treasury	(9,514,032)	(8,762,469)
Congressional appropriations:		
Power projects	3,714,841	2,944,716
Administration	(590,760)	214,284
Transfers to other federal agencies	<u>—</u>	<u>(18,586)</u>
Net funds used in financing activities	<u>(6,389,951)</u>	<u>(5,622,055)</u>
Net increase (decrease) in funds	(109,684)	151,316
Fund balance, beginning of year	<u>1,689,546</u>	<u>1,538,230</u>
Fund balance, end of year	<u>\$ 1,579,862</u>	<u>1,689,546</u>
Reconciliation of net revenues to funds provided by operating activities:		
Net revenues	\$ 2,762,096	2,321,635
Interest on federal investment	2,982,721	3,097,990
Loss on sale of assets	—	108,069
Depreciation	766,718	726,177
(Increase) decrease in:		
Accounts receivable	133,228	(74,197)
Advances to employees	8,488	(7,827)
Materials and supplies	(8,688)	(3,392)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>1,616</u>	<u>16,524</u>
Net funds provided by operating activities	<u>\$ 6,646,179</u>	<u>6,184,979</u>

See accompanying notes to financial statements.

ALASKA POWER ADMINISTRATION
Notes to Financial Statements
September 30, 1990 and 1989

1. Summary of Significant Accounting Policies

(a) General and Basis of Preparation of Financial Statements

The accompanying financial statements of Alaska Power Administration (APA) include the accounts of the Eklutna Project and the Snettisham Project (collectively, the Projects), divisions of APA. As described in note 5, management accounts for the administrative activities of APA separately from the Projects; allocating such costs to the Projects only as these funds are expended. Therefore, the accompanying financial statements reflect unexpended congressional appropriations allocated to these administrative divisions.

Accounts are kept in accordance with accounting principles and standards established by the Department of Energy of the United States, the uniform system of accounts prescribed for electric utilities by the Federal Energy Regulatory Commission, and the requirements of specific legislation and executive directives issued by government agencies.

(b) Utility Plant and Depreciation

Plant in service consists principally of generating and transmission facilities as follows:

	September 30, <u>1990</u>	September 30, <u>1989</u>
Generating facilities	\$ 83,108,256	83,108,256
Transmission facilities	<u>32,261,331</u>	<u>31,779,225</u>
	<u>\$ 115,369,587</u>	<u>114,887,481</u>

ALASKA POWER ADMINISTRATION

Notes to Financial Statements

September 30, 1990 and 1989

Plant in service is stated at original cost or at appraisal value at date of transfer for property transferred from other government agencies. Cost includes direct labor and materials, payments to contractors, indirect charges for engineering, supervision and similar overhead items, and allowance for funds used during construction. The costs of additions, renewals and betterments are capitalized. Repairs and minor replacements are charged to operation and maintenance expense. Generally, the cost of utility plant retired, together with removal costs less salvage, is charged to accumulated depreciation when it is removed from service. Gains and losses are recognized only on sales of significant identifiable assets.

Depreciation of utility plant is computed based on the estimated service lives of the various classes of property using the compound interest method. Service lives currently average approximately 87 years for the Eklutna Project and 75 years for the Snettisham Project.

The compound interest method was adopted pursuant to executive directives of government agencies. This method contains an annuity computation which results in annual increases in depreciation expense charges. Charges in the later years of depreciable life can be expected to greatly exceed charges in the early years of depreciable life.

(c) Unexpended Appropriations and Funds Returned to U.S. Treasury

Unexpended appropriations consist of the unexpended balance of funds appropriated by Congress for construction and operation and maintenance purposes and cash balances with the U.S. Treasury.

(d) Revenues

Operating revenues are recorded on the basis of service rendered. Rates are established for each project based on repayment studies which reflect legislative repayment studies and are to provide sufficient revenues to meet all required payments for system costs, including operation and maintenance expenses and payment to the U.S. Treasury for debt service on borrowings related to utility plant. Rates are intended to provide for recovery of the Federal investment in transmission and generating facilities within 50 years for the Eklutna Project and 60 years for the Snettisham Project from the date

ALASKA POWER ADMINISTRATION

Notes to Financial Statements

September 30, 1990 and 1989

placed in service. As set forth above, these assets are being depreciated in the accounts using a compound interest method over their estimated service lives which currently average approximately 87 years for the Eklutna Project and 75 years for the Snettisham Project. Thus, annual depreciation charges are not matched with the recovery of the related capital costs and will, in the case of these projects, continue beyond the period within which such costs will have been recovered through revenues.

The Projects have net billing arrangements with power purchasers which are offset against operation and maintenance expense and revenue.

The practice followed by the Projects is in conformity with the accounting principles and standards established by the Department of Energy of the United States and the requirements of specific legislation and executive directives issued by government agencies.

(e) Interest on Federal Investment

Interest on Federal investment is an imputed cost mandated by authorizing legislation for each project. APA computes interest in accordance with DOE Order RA 6120.2 which provides that interest be computed on the remaining investment after revenues have been applied to recovery of costs during the year, any prior year unpaid costs, and then to Federal investment, bearing the highest interest rate first (see note 4).

(f) Allowance for Funds Used During Construction (AFUDC)

The practice of capitalizing AFUDC is followed for both generating and transmission facilities. Rates are set by law, administrative order or administrative policy. The rates used are 2.5% and 3% for the Eklutna and Snettisham Projects, respectively. Rates used for replacements are based upon the rates established for the fiscal year during which the construction commenced. Such rates were 8.75% and 9.25% for 1990 and 1989, respectively.

ALASKA POWER ADMINISTRATION
Notes to Financial Statements
September 30, 1990 and 1989

(g) Retirement Benefits

Substantially all employees engaged in APA activities participate in one of two Federal Government retirement funds which are contributory defined benefit pension plans. Retirement benefit expense is equivalent to approximately 7% of eligible employee compensation and could change in the future under the Federal Employee Retirement System. Actuarial data regarding funding is not available.

(h) Funds Statement

The statements of sources and uses of funds detail changes in unexpended funds during the fiscal year.

(i) Reclassifications

Certain 1989 amounts have been reclassified to conform with the 1990 presentation.

2. Confirmation and Approval of New Rates

On September 28, 1990, the Deputy Secretary of Energy approved rate schedules on an interim basis for the period October 1, 1990 through September 30, 1991 for the Eklutna Project. These rates are still pending FERC confirmation and approval. During the current year, the project operated under the previous rate schedules which had expired in September 1989.

The rate schedules for the Snettisham Project were confirmed by FERC on March 5, 1987 for the period November 1, 1986 through September 30, 1989. Interim rates were approved by FERC and became effective for the period October 1, 1989 through September 30, 1991.

3. Restatement of Crater Lake Allocations

The Crater Lake phase of the Snettisham Project was designed by and is in the process of being constructed by the U. S. Army Corps of Engineers (COE). In previous years, certain costs incurred in site preparation had been accounted for as construction work in process. Management elected to change its method of accounting for these costs in fiscal 1990, deferring recognition of the asset until completion. Prior reporting periods have been restated to reflect this change, resulting in a \$1,999,998 reduction in construction work in process and construction in process pending transfer. Upon completion of the project, the COE will transfer the assets, at cost, to the Snettisham Project.

ALASKA POWER ADMINISTRATION

Notes to Financial Statements

September 30, 1990 and 1989

The construction costs through September 30, 1990 are approximately \$61,243,000 and total cost at completion is estimated to be approximately \$64,882,000. The Crater Lake phase is expected to be completed and transferred to the Snettisham Project in late fiscal year 1991 or 1992. For rate making purposes, the repayment period for the Crater Lake project will be 50 years beginning in the year placed in service.

4. Investment of U. S. Government

Construction and operations of the Projects' transmission system, generating plants and operations are financed, in whole or in part, through Congressional appropriations. The U. S. Government investment in each generating project and each year's investment in the transmission system is to be repaid to the U.S. Treasury within 50 years for the Eklutna and 60 years for the Snettisham Project from the time the facility is placed in service. There is no requirement for repayment of a specific amount on an annual basis. Annual revenues are first applied to the current year operating expenses (less depreciation) and interest expense. All annual amounts for such expenses have been paid for fiscal years 1990 and 1989. Remaining revenues are to be first applied to repayment of operating deficits (which include all expenses except depreciation), if any, and then to repayment of the Federal investment. To the extent possible, while still complying with the repayment period established for each increment of investment and unless otherwise required by legislation, repayment of the investment is to be accomplished by repayment of the highest interest-bearing investment first.

Interest rates applied to the unamortized investment of U. S. Government in the hydroelectric plants are 2.5% and 3% for the Eklutna and Snettisham Projects, respectively. These rates were set by law and were not meant to recover the interest costs, based on fixed current rates in effect at that time, to the U. S. Treasury to finance the investment.

5. Congressional Appropriations

Congressional appropriations received by APA are allocated to the individual projects at management's discretion. Certain allocations are made to administrative, contingency and project overhead divisions which are prorated for the benefit of the two projects. Expended funds from these divisions are transferred to the appropriate project at year end. To the extent these costs were incurred for the benefit of both projects, they are allocated equally. It is the intent of APA management to distribute congressional appropriations in amounts approximating estimated current year expenditures and to adjust the distribution as necessary within the limits of the transfer authority residing at the headquarters level.

THE SNETTISHAM AND EKLUTNA PROJECTS
(Divisions of Alaska Power Administration)

Supplementary Schedule 1

Combining Statements of Assets, Federal Investment,
Liabilities and Contributions in Aid of Construction

September 30, 1990 and 1989

Assets	Combined Totals		1990		1989	
	1990	1989	Eklutna	Snettisham	Eklutna	Snettisham
Utility plant:						
Plant in service	\$ 115,369,587	114,887,481	34,545,488	80,824,099	34,364,616	80,522,865
Accumulated depreciation	(11,566,228)	(10,839,510)	(5,629,546)	(5,936,682)	(5,408,093)	(5,431,417)
Construction work in progress	-	156,194	-	-	-	156,194
Net utility plant	<u>103,803,359</u>	<u>104,204,165</u>	<u>28,915,942</u>	<u>74,887,417</u>	<u>28,956,523</u>	<u>75,247,642</u>
Current assets:						
Unexpended appropriations	1,478,803	997,727	756,533	722,270	581,399	416,328
Accounts receivable	628,454	761,682	222,243	406,211	356,384	405,298
Advances to employees	629	9,117	-	629	428	8,689
Materials and supplies	<u>26,253</u>	<u>17,565</u>	<u>78</u>	<u>26,175</u>	<u>328</u>	<u>17,237</u>
Total current assets	<u>2,134,139</u>	<u>1,786,091</u>	<u>978,854</u>	<u>1,155,285</u>	<u>938,539</u>	<u>847,552</u>
Deferred interest on Federal investment	<u>19,273,741</u>	<u>19,273,741</u>	-	<u>19,273,741</u>	-	<u>19,273,741</u>
Total Assets	<u>\$ 125,211,239</u>	<u>125,263,997</u>	<u>29,894,796</u>	<u>95,316,443</u>	<u>29,895,062</u>	<u>95,368,935</u>
<u>=====</u>						
<u>Federal Investment and Liabilities</u>						
Federal investment:						
Investment of U. S. Government:						
Congressional appropriations	72,363,025	68,648,184	55,390,583	16,972,442	53,817,883	14,830,301
Interest during construction	11,051,497	11,051,497	1,909,047	9,142,450	1,909,047	9,142,450
Transfers from other Federal agencies	69,981,093	69,981,093	(1,531,149)	71,512,242	(1,531,149)	71,512,242
Interest on Federal investment	59,340,754	56,358,033	19,527,500	39,813,254	19,248,024	37,110,009
Less funds returned to U. S. Treasury	(110,874,871)	(101,360,839)	(64,039,874)	(46,836,997)	(60,432,276)	(40,928,563)
Net investment of U. S. Government	<u>101,861,498</u>	<u>104,677,968</u>	<u>11,256,107</u>	<u>90,605,391</u>	<u>13,011,529</u>	<u>91,666,439</u>
Accumulated net revenues	<u>23,172,964</u>	<u>20,410,868</u>	<u>18,567,925</u>	<u>4,605,039</u>	<u>16,805,151</u>	<u>3,605,717</u>
Total Federal investment	125,034,462	125,088,836	29,824,032	95,210,430	29,816,680	95,272,156
Current liabilities - accounts payable and accrued liabilities	<u>176,777</u>	<u>175,161</u>	<u>70,764</u>	<u>106,013</u>	<u>78,382</u>	<u>96,779</u>
Total Federal investment and liabilities	<u>\$ 125,211,239</u>	<u>125,263,997</u>	<u>29,894,796</u>	<u>95,316,443</u>	<u>29,895,062</u>	<u>95,368,935</u>
<u>=====</u>						

THE SNETTISHAM AND EKLUTNA PROJECTS
(Divisions of Alaska Power Administration)

Supplementary Schedule 2

Combining Statements of Revenues and Expenses and
Accumulated Net Revenues

Years ended September 30, 1990 and 1989

	Combined Totals		1990		1989	
	1990	1989	Eklutna	Snettisham	Eklutna	Snettisham
Revenues:						
Sales of electric power:						
Cooperatives	\$ 1,641,843	1,539,359	1,641,843	-	1,434,686	104,673
Municipalities	1,774,439	1,723,723	1,774,439	-	1,723,723	-
Privately owned utilities	6,036,795	5,604,216	-	6,036,795	-	5,604,216
Other	55,164	86,141	1,665	53,499	2,032	84,109
Wheeling	78,756	65,264	78,756	-	65,264	-
Other operating revenues	15,429	30,909	-	15,429	14,857	16,052
Total revenues	9,602,426	9,049,612	3,496,703	6,105,723	3,240,562	5,809,050
Expenses:						
Operation and maintenance	3,100,572	2,907,933	1,189,094	1,911,478	1,192,512	1,715,421
Depreciation	766,718	726,177	261,453	505,265	248,947	477,230
Other, net	(9,681)	(4,123)	3,906	(13,587)	7,405	(11,528)
Total expenses before interest	3,857,609	3,629,987	1,454,453	2,403,156	1,448,864	2,181,123
Net revenues before interest expense	5,744,817	5,419,625	2,042,250	3,702,567	1,791,698	3,627,927
Interest expense:						
Interest on Federal investment	2,982,721	3,097,990	279,476	2,703,245	343,017	2,754,973
Net revenues	2,762,096	2,321,635	1,762,774	999,322	1,448,681	872,954
Accumulated net revenues:						
Balance at beginning of year	20,410,868	18,089,233	16,805,151	3,605,717	15,356,470	2,732,763
Balance at end of year	\$ 23,172,964	20,410,868	18,567,925	4,605,039	16,805,151	3,605,717

THE SNETTISHAM AND EKLUTNA PROJECTS
(Divisions of Alaska Power Administration)

Supplementary Schedule 3

Combining Statements of Sources and Uses of Funds

Years ended September 30, 1990 and 1989

	Combined Totals		1990		1989	
	1990	1989	Eklutna	Snettisham	Eklutna	Snettisham
Funds provided by operating activities:						
Funds received from customers	\$ 9,735,654	8,975,415	3,630,844	6,104,810	3,139,621	5,835,794
Funds paid for operations and maintenance	(3,089,475)	(2,790,436)	(1,199,940)	(1,889,535)	(1,142,330)	(1,648,106)
Net funds provided by operating activities	<u>6,646,179</u>	<u>6,184,979</u>	<u>2,430,904</u>	<u>4,215,275</u>	<u>1,997,291</u>	<u>4,187,688</u>
Funds used in investing activities:						
Plant additions	(365,912)	(411,608)	(220,872)	(145,040)	(219,944)	(191,664)
Funds provided by (used in) financing activities:						
Funds returned to the treasury	(9,514,032)	(8,762,469)	(3,607,598)	(5,906,434)	(3,131,899)	(5,630,570)
Congressional appropriations	3,714,841	2,944,716	1,572,700	2,142,141	1,419,162	1,525,554
Transfers to other federal agencies	-	(18,586)	-	-	-	(18,586)
Net funds used in financing activities	<u>(5,799,191)</u>	<u>(5,836,339)</u>	<u>(2,034,898)</u>	<u>(3,764,293)</u>	<u>(1,712,737)</u>	<u>(4,123,602)</u>
Net increase (decrease) in funds	481,076	(62,968)	175,134	305,942	64,610	(127,578)
Fund balance, beginning of year	<u>997,727</u>	<u>1,060,695</u>	<u>581,399</u>	<u>416,328</u>	<u>516,789</u>	<u>543,906</u>
Fund balance, end of year	\$ 1,478,803	997,727	756,533	722,270	581,399	416,328
	=====	=====	=====	=====	=====	=====
Reconciliation of net revenues to funds provided by operating activities:						
Net revenues	\$ 2,762,096	2,321,635	1,762,774	999,322	1,448,681	872,954
Interest on federal investment	2,982,721	3,097,990	279,476	2,703,245	343,017	2,754,973
Loss on sale of assets	-	108,069	-	-	50,911	57,158
Depreciation	766,718	726,177	261,453	505,265	248,947	477,230
(Increase) decrease in:						
Accounts receivable	133,228	(74,197)	134,141	(913)	(100,941)	26,744
Advances to employees	8,488	(7,827)	428	8,060	(94)	(7,733)
Materials and supplies	(8,688)	(3,392)	250	(8,938)	514	(3,906)
Increase (decrease) in:						
Accounts payable and accrued liabilities	<u>1,616</u>	<u>16,524</u>	<u>(7,618)</u>	<u>9,234</u>	<u>6,256</u>	<u>10,268</u>
Net funds provided by operating activities	\$ 6,646,179	6,184,979	2,430,904	4,215,275	1,997,291	4,187,688
	=====	=====	=====	=====	=====	=====

APPENDIX D
Divestiture Personnel Management Plan

**DEPARTMENT OF ENERGY (DOE)
PERSONNEL MANAGEMENT PLAN FOR EMPLOYEES
AFFECTED BY THE
ALASKA POWER ADMINISTRATION DIVESTITURE**

This plan describes DOE Personnel Management policy for managing uncertainties and mitigating employee impacts associated with the proposed Alaska Power Administration divestiture. Broadly, the objectives of the plan are to:

- Maintain a well-qualified and effective Alaska Power Administration (APA) work force for as long as APA is responsible for the Alaska Federal power program;
- Facilitate an efficient and orderly transfer of responsibilities upon authorization of divestiture by Congress; and
- Provide opportunities for individual employees to pursue or continue their personal career objectives and minimize adverse impacts, financial and otherwise, to employees while continuing the generation and provision of electric power to APA customers.

BACKGROUND

APA has responsibility for the operation, maintenance, transmission, and power marketing for the two Alaskan Federal hydroelectric projects. The responsibilities for generating electric power are unique to the Alaska Power Administration and are not performed by the other four Power Marketing Administrations (Bonneville, Southeastern, Southwestern, and Western Area).

APA manages the 30,000 kilowatt (kW) Eklutna Project, which has served the Anchorage and Matanuska Valley areas since 1955, and the 78,210 kW Snettisham Project, which has been Juneau's main power source since 1975. The two projects presently provide about 8 percent of the energy requirements for Alaska's electric utilities (about 80 percent for Juneau and about 5 percent for the Eklutna market area).

APA maintains its headquarters office in Juneau and field offices at each of the two project sites. Each project office is headed by a project manager who is responsible for the full range of operation and maintenance activities.

The headquarters office includes a Power Division which provides technical supervision and oversight for operation and maintenance and conducts the power marketing work; and an Administrative Division which handles functions such as finance, accounting, procurement, property, personnel, environmental management, and safety. The two Divisions report to the Administrator who, in turn, reports to the Assistant Secretary for Conservation and Renewable Energy.

PLAN SUMMARY

Divestiture of APA projects and close out of APA has been proposed in each of the last several Presidential budgets. The initiative has been pursued through studies, public involvement, formal invitation for purchase proposals, negotiation of purchase agreements, and development of a legislative proposal.

Throughout this process, fair and equitable treatment of career and career conditional employees on board the date Congress authorized divestiture has been a major consideration. We want to minimize adverse impacts on employees and mitigate those impacts where possible. Existing personnel management authorities provide the tools to accomplish this objective. The purchasers of Eklutna are the Chugach Electric Association, Inc., Matanuska Electric Association, Inc., and the Municipality of Anchorage. The purchaser of Snettisham is the Alaska Energy Authority.

Key aspects of the plan include training and placement assistance in Federal and non-Federal jobs. The Purchase Agreements specify that APA project employees are to have first call for post-sale jobs at Snettisham and Eklutna projects and that the Purchasers will assist in locating other non-Federal jobs for displaced APA employees. The four other DOE Power Marketing Administrations and the U.S. Bureau of Reclamation have agreed informally to assist with placement of APA employees impacted by the divestiture. This help from other Federal power organizations is important because of similarities in work and job classifications.

The plan has three stages:

- Stage 1. Pre-authorization: This covers the period from the present through authorization of the sale by Congress.
- Stage 2. Transition: This is the time period necessary to complete transition plans and transfer operation, maintenance, and marketing responsibilities to the new owner and close the sale.
- Stage 3. Close out: During this period, activities necessary to wind up the affairs of APA will be completed.

Stage 1 affords an opportunity to develop more detailed implementation plans for the transition and close out.

The Purchase Agreements require that detailed transition plans be developed by APA and the Purchasers within 6 months after Congress authorizes the sale. The transition plan will fix the "transition date" for each project -- the date the new owners assume responsibilities for the projects. We expect that all APA positions at Eklutna and Snettisham and about half the APA headquarters positions will be eliminated through RIF procedures within a period of a few weeks before to a few weeks after the transaction date specified in the Purchase Agreements.

Stage 3 or closeout corresponds to the provision in the legislative proposal requiring completion of business and close out of APA and a report to Congress documenting the sales within 1 year after the sales are completed. The APA positions remaining after Stage 2 are to be terminated by the end of Stage 3.

The plan recognizes that the timing and outcome of the divestiture will remain uncertain until Congress decides the issue. During transition and close-out, APA will use temporary hires, details, and contractor support to maintain continuity of operations.

THE PLAN

Stage 1. Pre-authorization.

The following personnel management policies shall be adhered to by the Alaska Power Administration during the pre-authorization stage:

- Major changes in organization and staffing plans are not expected, but changes can be made to assure the best possible match of personnel with responsibilities and workload requirements.
- APA will continue to utilize existing personnel authorities to conduct daily operations.
- When vacancies occur, APA management will conduct an analysis of the position to determine whether it should be filled. Once a determination is made that the filling of the position is critical to the continuation of service, a decision will be made as to whether the position should be filled with a Federal employee or contractor support labor.
- APA will provide counseling to individual employees, through meetings and surveys, on career objectives and preferences.
- APA will continue to invest in employee development and training including a pro-active cross-training program and career development activities.
- All APA vacancy announcements will contain a statement advising potential applicants of the proposed divestiture.
- For planning purposes, APA will establish a sign-up sheet for APA employees who wish to consider options for continuing their Federal careers at other DOE locations after the effective RIF date of their position.
- APA and DOE will develop more detailed implementing plans for the transition and closeout.

Stage 2. Transition.

The objective during this stage is to complete the sale and transition to new owners/operators as quickly and effectively as possible.

During the transition period, APA will maintain high quality management, technical, and administrative staff to operate and maintain APA facilities

through the transfer of ownership and operating responsibilities to the Purchasers. The following steps will be taken:

- As vacancies occur, APA will, where feasible, utilize employees on detail, temporary hires, or contract support.
- Accurate and timely information on transition plans and schedules will be provided to all employees. Continuous dialogue will be maintained among all employees, the "Purchasers," and other Federal agencies on current and anticipated employment opportunities.
- Timing and application of RIF procedures will reflect the actual transition plans developed under the Purchase Agreements as well as results of on-going out-placement efforts.
- Placement assistance will be provided as subsequently detailed.

Stage 3. Close-out.

The close-out work is primarily administrative in nature, i.e., completion of lands or asset transfers, completion of specific APA responsibilities such as personnel or financial activities, and reports to DOE and Congress on close-out activities, etc. During the close-out stage, remaining APA staff would be augmented with details from other offices and short-term temporary hires as necessary to complete the work.

A detailed plan for accomplishing the close out is to be in place before the transaction dates. The plan for Stage 3 is similar to Stage 2:

- When feasible, utilize details, temporary hires, or contract support.
- Provide accurate and timely information on close out plans to employees.
- Adjust the timing and application of RIF procedures to reflect the actual close out plans as well as results of outplacements efforts.
- Placement assistance will be provided as subsequently detailed.

Placement Assistance.

For permanent APA staff (career and career-conditional employees employed by APA on the date Congress authorizes the sale) whose jobs are to be terminated in Stage 2 or Stage 3, and who wish to continue their Federal careers, DOE and APA will provide placement assistance as follows:

- APA employees will be encouraged to apply for DOE positions for which they are eligible. If selected, the Department will use best efforts to negotiate release dates which will allow APA maximum coverage and/or provide employees on reimbursable detail.
- Retention allowances may be requested by APA and authorized by DOE, on a case-by-case basis, when the criteria contained in the Federal Employees

Pay Comparability Act of 1990, P.L. 101-509, and implementing regulations and policies are met..

- Career counseling
- Assistance in preparing SF-171s
- Retirement counseling
- Cross-training for likely placement opportunities
- Placement referral to other agencies and within DOE
- Commitment to ensuring that the cost of travel, transportation, and relocation to a new post of duty will not preclude selection for positions within or outside of DOE. To that end, APA will provide a written memorandum to all employees for attachment to employment applications stating that APA is in a RIF mode and will pay all or part of authorized travel, transportation, and relocation costs to allow employees to accept employment within DOE or with other agencies.
- Priority consideration for vacancies within DOE in accordance with applicable policies and regulations.

For permanent APA staff whose jobs are abolished through RIF in Stage 2 or 3 and who wish to relocate and continue their DOE careers, DOE will make an offer of employment, subject to such management considerations as: (1) availability of funds and personnel ceiling; (2) performance, conduct, and/or qualifications issues; and (3) placement does not cause a RIF in the receiving DOE office. Assistance under this paragraph is limited to a single offer of employment. Pay comparability is not guaranteed in these offers. Failure to accept an offer under this paragraph would not diminish other employee rights. Inability to place an individual under this paragraph does not create an enforceable right against the Department of Energy.

Implementation Activities.

APA in consultation with DOE, the Purchasers, and others will conduct necessary preliminary planning so that this plan can be implemented as soon as Congress authorizes the divestiture.

DOE will provide adequate funding and staffing to complete the divestiture.

The assistance offered under this Plan will be re-evaluated by the Assistant Secretary for Conservation and Renewable Energy, APA, and the Office of Administration and Human Resource Management on at least an annual basis to identify specific needs of remaining employees.

Rights available to employees at different stages of the divestiture process are outlined in the attached chart.

ISSUE	PRIOR TO GENERAL NOTICE*	AFTER GENERAL NOTICE*	AFTER SPECIFIC NOTICE*	AFTER RIF
Employees can be given a Non-Competitive Reassignment	X	X	X	
Employee is eligible for placement through the DOE Re-employment Priority List and the OPM Displaced Employee Program.			X	X
Employee is eligible for consideration for promotion through the Merit Promotion Process.	X	X	X	X
Employee is eligible for retained grade and pay.		X**	X**	
Eligible employees may take discontinued service retirement.		X***	X	X
Employee may appeal or grieve a RIF.				X

* FPM Bulletin 351-52 requires that the combined general and specific notice period for employees be at least 30 days. If the Agency chooses to give a general notice more than 90 days in advance of the RIF, OPM must be notified.

** Within Agency discretion

*** OPM would need to approve involuntary nature of retirement.

APPENDIX E
Environmental Assessment and DOE's Finding
of No Significant Impact

ENVIRONMENTAL ASSESSMENT
SUBMITTAL OF A LEGISLATIVE PROPOSAL TO CONGRESS FOR
THE SALES OF THE EKLUTNA AND THE SNETTISHAM PROJECTS

MARCH 1992

(DOE/EA--0614)

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I. INTRODUCTION

A. PURPOSE AND NEED.

The Department of Energy (DOE) proposes to sell the Eklutna and Snettisham Projects. These two hydroelectric projects and associated transmission facilities represent Alaska Power Administration's (APA) sole involvement in power marketing activities in Alaska. There are no plans, proposals or authorizations to expand the Federal power program in Alaska. It is no longer necessary to have the separate small Federal power program in Alaska. The Eklutna and Snettisham are well suited to ownership and control within Alaska. This environmental assessment will analyze the proposed alternatives for the sales and determine whether significant environmental impacts and associated socio-economic impacts may result from this Federal action. This analysis includes the collection and review of data provided to APA on local environmental factors by resource managing agencies located within Alaska.

B. PROPOSAL.

The Department of Energy will submit a "Legislative Proposal" to Congress for the sale of Alaska Power Administration facilities to non-Federal organizations and the State of Alaska in fiscal year 1992. The proposed alternative involves changes of ownership for operating power facilities. The ownership change does not involve any planned changes in operational mode or major expansion or alteration of facilities. This environmental assessment will accompany that legislative package, as required by Council on Environmental Quality (CEQ) regulation 40 CFR 1506.8.

The proposal will specifically ask that Congress approve the sale of the Snettisham Project to the Alaska Energy Authority (AEA); and the sale of the Eklutna Project to the Chugach Electric Association, Inc. (CEA), Matanuska Electric Association, Inc. (MEA), and Anchorage Municipal Light and Power (AMLP). With the approval and completion of these sales, the Alaska Power Administration will formally cease its activities. (Further discussion on the range of alternatives for the proposed action will follow.)

C. BACKGROUND DATA.

Eklutna Project

The 30 MW Eklutna Project is located about 34 miles northeast of Anchorage, and about 8 miles south of Palmer, Alaska (Figures 1 and 2). It lies within the Matanuska Susitna Borough (Mat-Su) which has a widely dispersed population of approximately 40,000, while the entire service area which includes Anchorage has an approximate

population of 340,000. Using Lower-48 standards, the setting for the Eklutna Project can be described as "rural". Environmentally speaking, the facility is located in zones that are transitional from sub-arctic forest and wetlands to an alpine-glacial lake. The economics of the region is in a gradual upswing after having gone through a recession in the late 1980's. Local income is primarily derived from work in the Anchorage area, the oil industry, and local community support industries.

The project was built by the U.S. Bureau of Reclamation and has been in service since 1955. The project provides about 5 percent of the service area's electrical energy, and is considered the lowest-cost energy producer within its service area.

Major project features include a low earthfill dam at Eklutna Lake, a 4.5 mile tunnel through Goat Mountain, two generating units with a capacity of 15 megawatts each, 44 miles of 115,000 volt transmission line extending to Palmer and Anchorage, three substations, various shops, warehouses and maintenance facilities.

Non-power users of the project include: the Municipality of Anchorage with its 35 mgd Eklutna water project, the Chugach State Park of which Eklutna Lake is a major feature, and a privately-owned and operated (non-profit) salmon hatchery that is located just downstream from the power plant and takes its water from the plant's tailrace.

Snettisham Project

The 78 MW Snettisham Project is located approximately 35 air miles southeast of the City of Juneau (Figure 1 and 3) at the northeastern end of the Speel Arm which is a northern terminus of Port Snettisham (a fjord which is fed by rivers emanating from glacial ice fields to the east and north). It lies within the boundaries of the unified city and borough, which has a population of approximately 30,000. The setting for the project can be described as "wild and remote". Environmentally, the project is located in zones that are transitional from sub-arctic marine and coastal rain forest to alpine glacial lake. The project is accessible only by boat or small plane. APA employees live on-site and work for 10 days on and are flown to Juneau for 4 days of off time. The Juneau economy is strong, and primary employers are the State government, tourism industry, mineral development industry and Federal agencies.

The Snettisham Project was constructed by the Corps of Engineers as a staged project. The initial phase (Long Lake) was completed in 1975, and the second phase (Crater Lake) was completed in 1990. The project provides the sole Juneau electrical utility with about 80% of the Juneau area's electrical energy needs (local utility has its own generation capacity). Presently, Snettisham has a short-term firm surplus of approximately 65 million kWh.

The Snettisham Project taps two lakes, Long Lake and Crater Lake. Water is conveyed through two tunnels to an underground powerhouse. Two generating units, rated at 23.5 megawatts each and a third rated at 31 megawatts, generate the energy which is transmitted to the Juneau area over 41 miles of overhead 138,000 volt transmission line and 3 miles of underwater cable. Other features of the project include: the Juneau Substation which serves as the operations and dispatch center for the local utility system and the Federal project, two submarine cable terminals, and a State of Alaska operated salmon hatchery that is downstream of the power plant and utilizes water from the tailrace.

Additional Information on APA Operations

- Power Generation Capacity:

Snettisham	78 megawatts
Eklutna	30 megawatts

- Present Book Value and Outstanding Debts of the Projects (Based on estimates for October 1, 1992 in Millions of Dollars):

	<u>Book</u>	<u>Unpaid Balance</u>
Snettisham	127	153.5
Eklutna	<u>21</u>	<u>8.2</u>
	148	161.7

- Value of Annual Revenues (Estimates for FY 90-97 in thousands of dollars):

	<u>FY 90</u>	<u>FY 97</u>
Snettisham	\$6,097	\$8,167
Eklutna	\$3,497	\$2,790

- Annual Operating Expenses (FY 90 Actual Costs in thousands of dollars):

Snettisham	\$1,911
Eklutna	\$1,189

- Number of Employees:

	<u>FTE</u>	<u>Other</u>
Headquarters	17	1
Snettisham	9	3
Eklutna	7	2

- Value of Projects to Associated Communities:
(Projected Firm Energy Usage for 1991)

Snettisham	230 million kWh
Eklutna	153 million kWh

Eklutna and Snettisham provide roughly 8 percent of the utility power supply in Alaska, with the balance furnished from utility- and State-owned plants.

There are no other authorized or planned Federal power developments in Alaska.

II. ALTERNATIVES FOR IMPLEMENTING THE PROPOSED ACTION

A. Proposed Alternative.

Sale of the Eklutna Project to the AML&P, CEA, and MEA; and
Sale of the Snettisham Project to the AEA.

The proposed alternative is the result of a three year process undertaken by DOE directed at determining what method of divestiture would be appropriate for these two Federally-operated facilities.

Divestiture Process

Sale of the APA projects was proposed formally in the President's budgets for FY 1986 and subsequent years. The sale idea had been discussed informally for several years previously.

A rather lengthy series of studies and reports have been prepared. The process included provisions for public review and comment at several key stages including:

- The April, 1986 "Alaska Power Administration Transfer Study" which identified and discussed a wide range of divestiture issues.
- July, 1986 reports on "Divestiture Work Plan" and "Alternative Structures for Sale of Alaska Power Administration." These reports provided objectives, guidelines, and alternatives for approaching the divestiture.
- A January, 1987 report presenting a revised work plan and proposed structure for the sale.

After obtaining comments, APA implemented the revised work plan and proposed structure. Proposals were solicited and evaluated. Detailed negotiations resulted in purchase agreements laying out

terms and conditions for the sales, subject to authorization by the Congress.

Separate negotiations resulted in an agreement covering post-sale management of fish and wildlife resources.

APA and DOE drafted legislation which would authorize the sale. APA is compiling a supporting report which will present the purchase agreements, the fisheries agreement, financial analyses, and evaluations of all key issues. On completion of the supporting report and appropriate NEPA documentation, DOE will request final OMB clearance to submit the legislative proposal to Congress.

If Congress approves the measure, the sale would be implemented pursuant to the purchase agreements and any additional guidance contained in the authorizing legislation.

Under the new ownership, the projects would continue to serve the same customers and beneficiaries without major financial impact. The ownership changes do not involve any planned changes in mode of operation or major expansion or alterations of project facilities. In addition the proposed sales are neutral with respect to other Federally-owned water and power projects in other states.

Fish and Wildlife Agreement

The Proposed Alternative is enhanced by the The Fish and Wildlife Agreement: Snettisham and Eklutna Projects (August 7, 1991), that supports future fish and wildlife management (Attachment VII). Specifically, the Fish and Wildlife Agreement encompasses assessment of damages to resource, and provides for future resource enhancement and mitigation procedures. APA was involved in the negotiations; however, the participants in the agreement are the Federal fisheries agencies, the Purchasers, and the State of Alaska. Under the agreement, the Purchasers are responsible at their cost for developing and implementing plans in a fashion similar to that for Federal Energy Regulatory Commission (FERC) licensed projects.

B. No Action Alternative.

The no action alternative will require that ownership of both projects remain with the Federal government. No changes in management, operation and maintenance procedures are expected to be required. Power marketing operations will also remain unchanged. The primary objectives of the projects will remain to provide reasonable power rates for the consumer and repayment of initial costs to the government. There should be no effect on staffing.

III. Consequences of Implementing the Proposed Alternative and Associated Potential Issues

A. Analysis of Environmental Impacts for the Proposed Action.

Consultation concerning the effect of the proposed alternative on local and regional resources was conducted with resource management agencies. Attachment VI lists those contacts.

1. Environmental Program Development.

Each purchase agreement contains requirements that APA develop Environmental Management Plans in consultation with the "Purchasers" and commitments by the "Purchasers" to implement those plans. APA is presently in the second year developing its Environmental Management and Compliance Program (EMCP). Policies and standard operating procedures developed for the EMCP will be incorporated within the environmental management plan required by the sales agreement.

The work to date conducted by APA's Environmental, Safety and Health (ES&H) Office has identified a number of compliance issues, but none involve particularly expensive or difficult corrective measures. APA expects the environmental management plan will provide adequate assurance of future compliance with the various statutes and regulations including: air and water quality, solid waste, hazardous wastes, wetlands, endangered species, and others.

2. Environmental Permits.

There are no environmental permits that are required for the operation of the Eklutna Project.

The operation of the Snettisham Project requires a solid waste permit. A permit had been issued by the State of Alaska (ADEC) to the U.S. Army Corps of Engineers for operation of the Snettisham landfill during the construction phase of the project. The Corps permit has expired, and the ADEC will issue a new permit to APA in early 1992.

ADEC conducted a site visit to the Snettisham Project on October 2, 1991, and reviewed the existing solid waste facilities and their operation. Inspector Ed Emswiler found that the facilities met current standards. In fact, APA was complimented for its fine operation and told that Snettisham's facilities were the cleanest in the southeast Alaska region (communication ADEC--Emswiler 10/2/91).

3. Environmental Restoration Activities.

Environmental audits have been conducted by APA's ES&H Office for the Management of Hazardous Waste, Underground Storage Tanks, Polychlorinated Biphenyls, and Oil Pollution. No major programmatic deficiencies or contaminated sites were identified. Minor deficiencies will be corrected during the course of normal operation and maintenance procedures in conjunction with APA ES&H oversight.

The U.S. Environmental Protection Agency (EPA) conducted TSCA--PCB Inspections of both projects in the spring of 1991. No major environmental contamination was identified at either project during those inspections and no notice of violations pertaining to improper handling or historic spills were cited (EPA PCB Inspect. Eklutna and Snettisham projects, 4/91 and 5/91 respectively).

According to the purchase agreements, the new owners will assume all ownership responsibilities for Eklutna and Snettisham with the exception of unfinished work as of the transaction date. All environmental activities that are recognized as unfinished will be discussed within final negotiations to determine the party responsible for completing the required environmental activity (Eklutna Purchase Agreement; Sections 6a(2), 10d, 13).

4. Endangered Species.

There are no planned changes to operating procedures or no new construction activities anticipated after change of ownership that might impact endangered species.

Nevin Holmberg, the Field Supervisor at the U.S. Fish and Wildlife Service (USF&W) Office in Juneau and David McGilviry of the USF&W Anchorage Office were consulted in regard to effects of the proposed divestiture upon fish and wildlife at both projects. Both individuals stated that there would be no impact upon fish and game stocks by the proposed action, and that there were no identified endangered species residing within either project area (communications USF&W--Holmberg and McGilviry, 12/4/91).

5. Cultural Resources.

Evaluation of cultural resource documentation for the project areas has been conducted. No present operation and maintenance activity, or no operations under the new management is anticipated to conflict with Native lands, Native American Religious Sites or sites of significant historic importance.

The Alaska State Historic Preservation Office (SHPO) was consulted, and no concerns relating to the divestiture were raised. However,

the SHPO would like to see protective language for cultural resources within the final sales documentation (communication with SHPO--Smith, 12/4/91).

6. Emissions to the Air, Water and Soils.

Neither project in the course of normal operation and maintenance generates contaminates that could be emitted through the air, water or soil. Both projects are not subject to the new stormwater discharge permit requirements that went into effect in September 1991 (communications with EPA and ADEC, 9/91).

7. Wetland and Floodplain Management.

There are no planned changes to operating procedures or no new construction activities anticipated after change of ownership that might have impacts to wetlands and floodplains.

The USF&W was consulted on this issue and no concerns were raised in respect to the proposed alternative (communications with USF&W--Holmberg, McGilviry, 12/4/91).

8. Fish and Wildlife Agreement.

The Purchasers, the State of Alaska, the U.S. Department of Commerce National Marine Fisheries Service, and the U.S. Department of Interior Fish and Wildlife Service have entered into a formal agreement providing for post-sale protection, mitigation, and enhancement of fish and wildlife resources affected by Eklutna and Snettisham.

The Fish and Wildlife Agreement would become effective with respect to each project on the Transaction Date established under the purchase agreements. It sets up a process of consultation, studies, and public involvement for development of a fish and wildlife program which would be implemented by the Purchasers. It assigns costs of the studies and implementation measures to the Purchasers. The process is quite similar to that under FERC licensing of hydroelectric projects with the Governor of Alaska assigned a role similar to FERC's in decisions on fish and wildlife measures.

Specifically, the Agreement:

- Commits the Purchasers to fund studies to determine impacts and propose measures for protection, mitigation, and enhancement of fish and wildlife affected by the projects. These studies will result in a Fish and Wildlife Program.
- Assures that the studies will be conducted in consultation with State and Federal resource management agencies.

- Requires that the draft Fish and Wildlife Program be reviewed by the Resource Management agencies as well as the public.
- Designates the Governor of Alaska to review the Proposed Fish and Wildlife Program, reconcile differences, and establish a final Fish and Wildlife Program. In doing so, the Agreement requires the Governor to give consideration to efficient power production, energy conservation, protection to fish and wildlife, recreation, municipal water supplies, other aspects of environmental quality, public uses, and requirements of law.
- Requires the Purchasers to implement the Fish and Wildlife Program subject to their rights of judicial review.
- Sets a schedule for these activities. The consultation process to start no later than 25 years from the Transaction Date; implementation of the Fish and Wildlife Program within 30 years from the Transaction Date at Eklutna and within 35 years at Snettisham.
- Requires the study and program development process described above to be repeated every 35 years.
- The Purchasers agree to comply with specific Alaska statutes concerning dams and dam safety.
- Makes this agreement binding as long as the projects continue to operate or until the projects become subject to the Federal Power Act.

No specific fish and wildlife measures were contemplated in the earlier divestiture studies and reports or in negotiations for the purchase agreements. This was because the projects were generally viewed as not involving significant fish and wildlife problems.

During initial reviews of the legislative proposal, one significant problem was identified; namely, loss of a Sockeye salmon run that once spawned in Eklutna Lake. The loss was caused by a small private power development constructed in 1929. This problem was not identified in pre-authorization studies for the Federal Eklutna Project and the Federal project does not include any mitigation. This specific problem and the desires of the fish and wildlife agencies to provide appropriate consideration to fish and wildlife resources over the long run led first to recommendation that the two projects be placed under FERC jurisdiction; and subsequently to the August 7, 1991 Agreement that provides a process similar to FERC's but without a requirement for Federal regulation.

The formal process to develop fish and wildlife programs is to begin no later than 25 years after the Transaction Date with formal fish and wildlife programs to be in place within 30 years for

Eklutna and 35 years for Snettisham. The agreement provides for an earlier start if the parties find that to be desirable. These timing provisions are designed primarily to reduce uncertainties in financing and repayment of new debt while recognizing that known fish and wildlife concerns are not of the type that will require near future action.

The approach for fish and wildlife measures is novel. Given the nature of the projects and the river basins affected, there is good reason to believe that the proposed arrangements will work at least as well as Federal regulation for the intended purpose of mitigation and enhancement of affected fish and wildlife resources.

Informal Consultation

Despite the existence of this protective agreement, APA decided that it was appropriate to gather additional data on fish and wildlife management issues. Informal consultation was conducted with field biologists in local offices of the USF&W, NMFS, and ADF&G. Only two concerns surfaced and both related to the fisheries issue at Eklutna, and are as follows:

- The time frames within the agreement for assessing damages to the fish resources were judged to be too far in the future and not realistic. It was felt that by the time program implementation was initiated, loss to the salmon resources could not be adequately mitigated for (communications with USF&W--Holmberg and McGilviry, NMFS--Smith, ADF&G--Trasky, 12/4-6/91).

Clarification: The time frames developed within the fish and wildlife agreement were specifically done so for two reasons:

1. The time frames defined within the agreement permits proper financing of the projects. It was expected that financial institutions would not provide financing if issues were outstanding and lacked resolution. By developing a binding and protective agreement, and putting off implementation dates, financing is an achievable goal.
2. Under existing Federal ownership, resolution of potential fisheries issues would not occur because existing legislation and regulations do not prescribe natural resource damage type assessments, studies or mitigation. Through the Fish and Wildlife Agreement, the fisheries resource agencies were able to attain and require the development of a fish and wildlife management planning process that would have oversight by a regional administrator and have implementation costs assumed by the new owners.

- Loss of the Sockeye run was most likely staged, initiating with the 1929 dam construction and including the construction of Eklutna Project facilities. However, the extent of APA involvement in Sockeye run degradation could not be assessed due to the lack of fisheries background data. (Communications with USF&W--Holmberg and McGilviry, NMFS--Smith, ADF&G--Trasky, 12/4-6/91)

Clarification: Complete loss of the anadromous salmon run (Sockeye) undoubtedly occurred with the construction of the 1929 dam. Subsequent construction of Eklutna facilities might have effected resident fish populations in the Eklutna River above the 1929 dam, but had no effects upon the anadromous fish run.

One fisheries manager suggested that over fishing might have wiped out or greatly depleted the anadromous fish run prior to construction of the 1929 dam. If so, this would substantiate the lack of commercial fisheries data going back as early as 1900 when commercial fisheries were being exploited throughout the region.

9. Lands Issues.

Both purchase agreements (Attachments VIII and IX) contain specific provisions requiring the Federal government to provide clear title or interest in project lands to the Snettisham and Eklutna Purchasers after Congressional approval to complete the sale. The purpose of the land transfer is to provide sufficient rights and interest to the purchasers required to operate and maintain each project's power production, transmission, and reservoir facilities.

Lands provisions of the purchase agreement and legislation were developed in full consultation with affected Federal and State land management agencies. Those provisions should adequately protect project lands and resources from impacts of any future planned or unplanned actions.

B. Analysis of Socio-Economic Impacts of Proposed Action.

Rate Impact - Eklutna Project

The Eklutna sale is not expected to produce noticeable rate impacts at the retail level.

The Eklutna Project provides approximately 5 percent of the power supply for the three purchasers. Present wholesale revenues amount to only 2 percent of the Purchaser's combined revenue.

The Purchasers expect to achieve some economies of scale in operation, maintenance and overhead costs, but will likely see an increase in debt service. The net result should be total annual project cost similar to present Federal costs.

Rate Impact - Snettisham Project

The Snettisham sales formula has been designed to have minimal impact on the ratepayer at the retail level; increases should be far below the rate of inflation. At the wholesale level, current estimates suggest the rate increase will likely be less than 3 percent.

Loss of Jobs

The divestiture and closeout of APA will eliminate 33 or 34 permanent Federal positions. It is anticipated that 15 to 20 individuals will find employment with the State, private utilities, other Federal agencies, or take an early retirement.

DOE and APA, with cooperation of purchasers, will attempt to mitigate adverse impacts to affected Federal employees insofar as possible. A Divestiture Personnel Management Plan is being developed to that end.

The net job loss reflects efficiencies through combining similar business entities. From an area economy standpoint, the loss is not considered significant.

IV. Mitigation commitments required for Implementation of Proposed Alternative

- The final Environmental Management Plan will include language that affords protection to cultural resource that may be identified in the future.
- Protection and enhancement of fish and wildlife is ensured through the Fish and Wildlife Agreement: Snettisham and Eklutna Projects (effective August 7, 1991). This agreement encompasses assessment of damages to resource, and provides for future resource enhancement and mitigation procedures. In addition, the process includes public involvement that will be utilized toward development of a fish and wildlife program. Cost for the studies and implementation measures are assigned to the purchasers.
- The Divestiture Personnel Management Plan will address effects on APA staff through existing personnel management authorities and legislative language.

V. Review by the State of Alaska

A review of the EA by the State of Alaska was requested by the Assistant Secretary for Conservation and Renewable Energy, DOE. The Division of Governmental Coordination (DGC), Governors Office, coordinated the review of the project and requested that State agencies and local governments review the action and determine whether the sales were consistent with state and local regulations.

State of Alaska Comments:

1. The sales are seen as being consistent with local Coastal Management Plans, and other environmental and resource related regulations.
2. The Region II Habitat Division of the Alaska Department of Fish and Game recommended that the timeframes within the Eklutna Fish and Wildlife Agreement be accelerated. ADF&G recommends that the fish and wildlife mitigation analysis be initiated within three years.

As discussed above, the timeframes defined in the agreement are so designed to allow for proper financing of the projects. The agreement set maximum limits for the implementation period, but does not preclude the new owner from initiating the fish and wildlife process at an early date. In addition, there is no identifiable impacts or no discernible difference in regard to resource degradation for utilization of either timeframe.

3. The Matanuska-Susitna Borough (MSB) Parks and Recreation Department submitted a comment that the Twin Peaks trail should be reserved as part of the sale.

The MSB would like to protect the trail right-of-way, and APA agrees with this philosophy. However, the trail lies outside of Eklutna's property boundaries, and the housing area located near the trail head is no longer under Federal control. It was transferred to an ANCSA (Alaska Native Claim Settlement Act) Village Corporation in the 1970's. In addition, the sale of the Eklutna project and future operations under non-federal ownership should not impact the trail.

DEPARTMENT OF ENERGY

FINDING OF NO SIGNIFICANT IMPACT

FOR THE PROPOSED SALE OF THE EKLUTNA AND SNETTISHAM PROJECTS

AGENCY: Alaska Power Administration, Department of Energy

ACTION: Finding of No Significant Impact (FONSI) for the Submittal of a Legislative Proposal to Congress on the Sale of the Eklutna and Snettisham Projects.

SUMMARY: The U. S. Department of Energy (DOE) has prepared an environmental assessment (EA) (DOE/EA-0614) to evaluate the proposed sale of the Snettisham Project to the Alaska Energy Authority (AEA); and the sale of the Eklutna Project to Chugach Electric Association, Inc. (CEA), Matanuska Electric Association, Inc. (MEA) and Anchorage Municipal Light and Power (AML&P).

Based on the analyses in the EA, DOE has determined that the proposed action does not constitute a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act of 1969, 42 U.S.C. 4321 et seq. Therefore, the preparation of an environmental impact statement (EIS) is not required.

FOR FURTHER INFORMATION ON THIS PROJECT CONTACT:

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FOR FURTHER INFORMATION ON THE NEPA PROCESS CONTACT:

Carol Borgstrom
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1000 Independence Avenue, S.W.
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PUBLIC AVAILABILITY: Copies of this EA (DOE/EA-614) and FONSI are available from:

Rob Waldman
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2770 Sherwood Lane
Juneau, Alaska 99801.

ALTERNATIVES CONSIDERED:

- A. Proposed Action (Preferred Alternative). The proposed action is the divestiture of two Federally owned and operated hydroelectric power systems which would involve the sale of the Eklutna Project to the AML&P, CEA, and MEA; and the sale of the Snettisham Project to the AEA. The proposed action is the result of a three-year process undertaken by DOE to determine the method of divestiture that would be appropriate for these two facilities.

The sales of the Eklutna and Snettisham Projects represent only a change in ownership. Operation and maintenance procedures are not expected to be altered in any manner that would affect environmental resources. In addition, the sales agreements have been specifically designed to assure protection of the environment. If Congress approves the measure, the sales would be implemented pursuant to the purchase agreements and any additional guidance contained in the authorizing legislation.

Under the new ownership, the projects would continue to serve the same customers and beneficiaries without financial impact. The ownership changes do not involve any planned changes in mode of operation or major expansion or alteration of project facilities. In addition, the proposed sales are neutral with respect to other Federally-owned water and power projects in other states.

- B. No Action Alternative. The no action alternative would require that ownership of both projects remain with the Federal government. No changes in management, operation and maintenance procedures would be expected. Power marketing operations would also remain unchanged. The primary objectives of the projects would be to continue to provide reasonable power rates for the consumer and repayment of initial costs to the government. There should be no effect on staffing.

SUMMARY OF IMPACTS FOR THE PROPOSED ALTERNATIVE:


The following issues were analyzed in the attached EA to determine their potential impacts:

1. Environmental Program Development
2. Environmental Permits
3. Environmental Restoration Activities
4. Endangered Species
5. Cultural Resource Management
6. Emissions to the Air, Water and Soil
7. Wetlands/Floodplain Management
8. Fish and Wildlife Agreement
9. Lands Issues
10. Rate Impact on Rate Payers
11. Loss of Jobs

Based on that analysis, the preferred alternative may result in minimal impacts on power rates and employment, and no impact on the other issues analyzed.

DETERMINATION: Based on the information in the EA, DOE has determined that the proposed action will not significantly affect the quality of the human environment within the meaning of the National Environmental Policy Act, 42 U.S.C. 4321 et seq. Therefore, the preparation of an EIS is not required.

Issued in Washington, D.C., this 27th March 1992.


for Paul L. Ziemer, Ph.D.
Assistant Secretary
Environment, Safety and Health

APPENDIX F
Other References

OTHER REFERENCES

The President's FY 1986 budget proposed the transfer of APA projects to State or other non-Federal ownership within Alaska.

A May 22, 1985 Memorandum of Understanding between Alaska's Office of Management and Budget and APA provided for a joint study of the possible transfer of the Snettisham and Eklutna hydroelectric projects to State or local ownership. Findings are reported in the April, 1986 "Alaska Power Administration's Transfer Study."

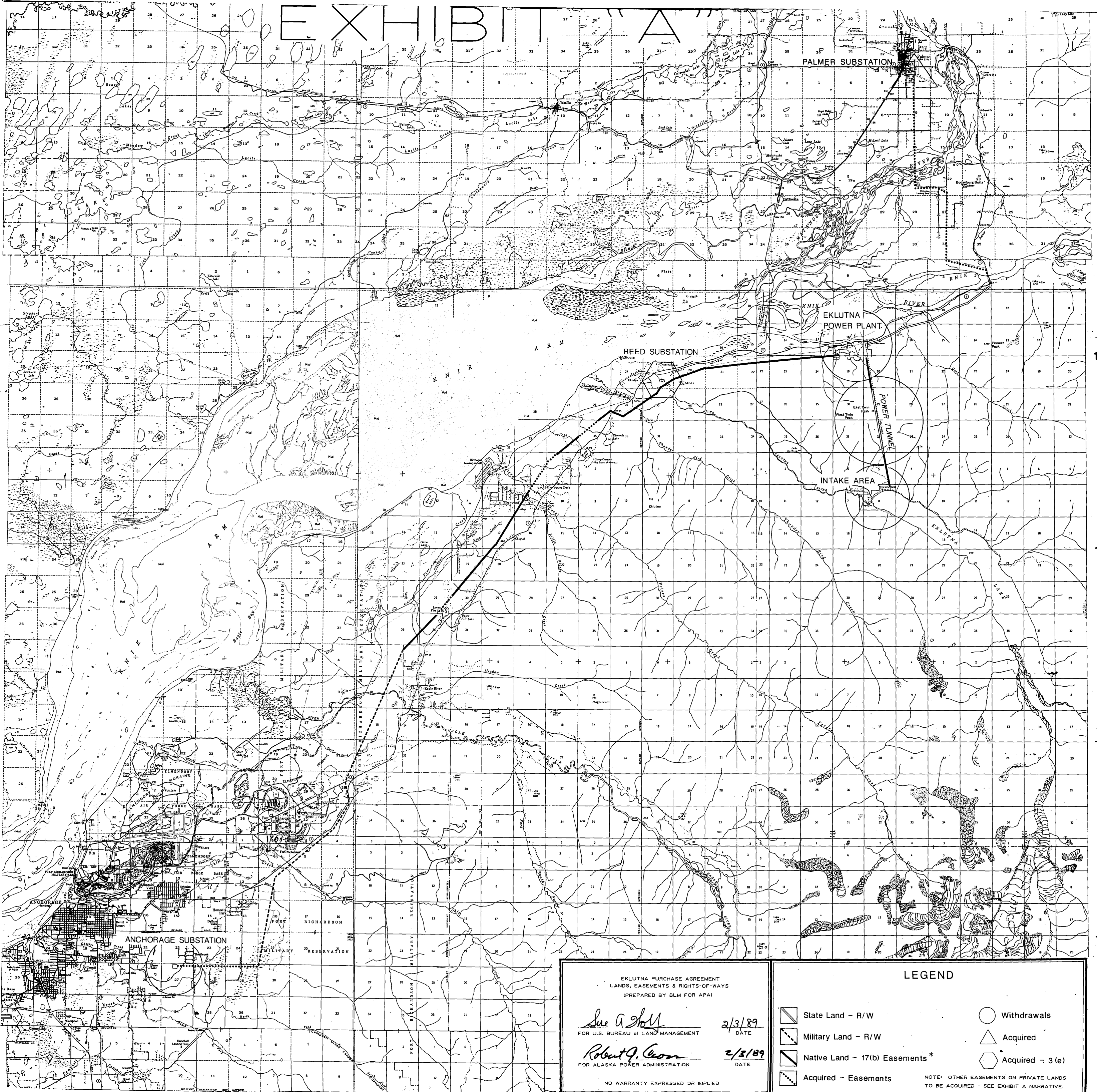
The "Transfer Study" and seven subsequent reports published by APA are listed under "Previous Reports" in the "Introduction" to this summary report.

The public record includes a number of additional important documents containing information and viewpoints on the APA divestiture which will be of value in Congressional consideration of this matter.

- 1950 Section 4 of the Eklutna Project Act of July 31, 1950 (64 Stat. 382) contemplated eventual transfer of Eklutna "to public ownership and control in Alaska," This is unique amongst the rather large body of law authorizing Federal power developments.
- 1981-1985 As a part of the Sunset Review under Title X of the DOE Organization Act, APA reviewed alternatives to continued Federal operation of APA projects and reported that change in ownership to State or local entities may become alternative (APA Sunset Review Report, September 1981). The idea was discussed informally within the Administration and with interested parties over the next three years leading to the proposal to sell the APA Projects contained in the President's Budget for FY 1986.
- 1986 The President's Budget for FY 1987 proposed to sell all five power marketing administrations. A hearing was held May 7, 1986 (Subcommittee on Environment, Energy, and Natural Resources of the House Committee on Government Operations). The Committee's Report (House Report 99-935, 99th Congress, 2nd Session) was issued October 1, 1986. The report is highly critical of efforts to sell PMA's. It contains recommendations and comments on APA's 1986 reports on "Work Plan" and "Alternative Structures" for the APA sale. The comments and recommendations were considered in preparation of APA's January 14, 1987 report, "Revised Work Plan and Proposed Site Structure."
- 1986 City of Juneau, Snettisham Transfer Study, September 1986. This report was written by City and Borough of Juneau staff after APA published its "Review of Alternative Sale Structures." The report considered the City's options with respect to the divestiture of the Snettisham Project.

- 1987 The Snettisham Transfer, Report of the Ad Hoc Committee to the Assembly of the City and Borough of Juneau, July 10, 1987. This report was written by a committee composed of local utility representatives and city staff to the City and Borough Assembly to recommend a response to APA's invitation for proposal. The report treats the questions of who should make a proposal and how it should be formulated.
- 1987-1990 General Accounting Office Review
- Responding to Congressional requests, GAO reviewed and reported twice on the APA divestiture. In each case, GAO was requested to report without obtaining DOE and APA responses to draft reports and findings, so these responses are listed separately.
- GAO March 23, 1987 letter report to DOE Secretary John S. Herrington. This and the DOE and APA responses are published in APA's July 10, 1987 report, "The Purchase Proposal Process."
- GAO February 1990 Report to Congressional Requesters, "Federal Electric Power, Views on the Sale of Alaska Power Administration Hydropower Assets. Congressman Mike Synar requested DOE views on this report by letter of March 20, 1990; DOE Under Secretary John Tuck transmitted DOE's response by letter of July 3, 1990.
- 1992 Review by DOE Inspector General
- DOE's Office of Inspector General initiated a separate review of APA divestiture in late 1991, and issued the report Audit of the Proposed Sale of Alaska Power Administration on March 16, 1992. It incorporates DOE and APA responses on draft OIG findings.

EXHIBIT A



EKLUTNA PURCHASE AGREEMENT LANDS, EASEMENTS & RIGHTS-OF-WAYS (PREPARED BY BLM FOR APA)		LEGEND	
<i>Sue A. Kelly</i> FOR U.S. BUREAU OF LAND MANAGEMENT	2/3/89 DATE	State Land - R/W	Withdrawals
<i>Robert Q. Coon</i> FOR ALASKA POWER ADMINISTRATION	2/5/89 DATE	Military Land - R/W	Acquired
NO WARRANTY EXPRESSED OR IMPLIED		Native Land - 17(b) Easements*	Acquired - 3(e)
		NOTE: OTHER EASEMENTS ON PRIVATE LANDS TO BE ACQUIRED - SEE EXHIBIT A NARRATIVE.	

R 3 W

R 2 W

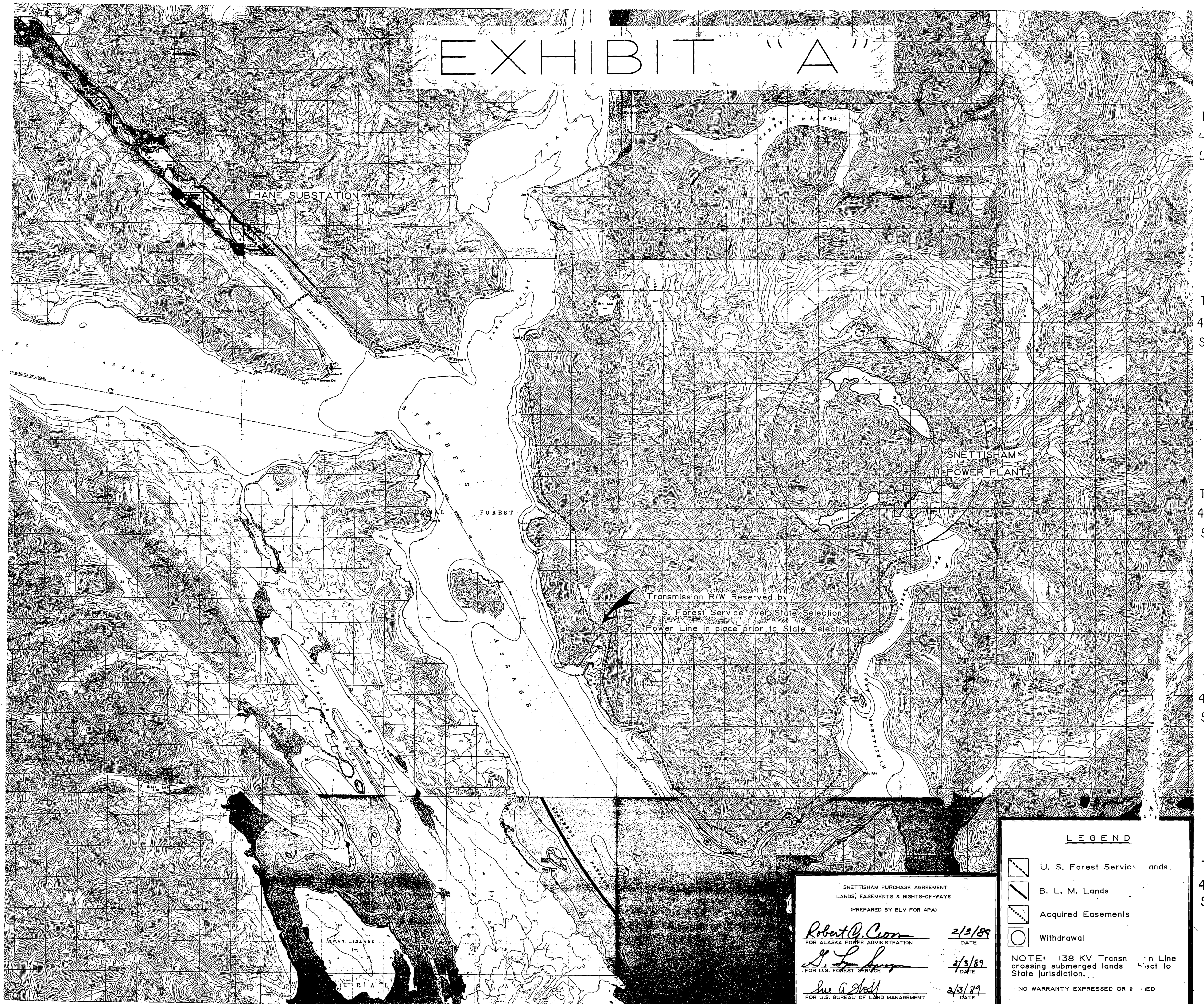
R 1 W

R 1 E

R 2 E

T 18 N
T 17 N
T 16 N
T 15 N
T 14 N
T 13 N

EXHIBIT "A"



T 41 S

T 42 S

T 43 S

T 44 S

T 45 S

SNETTISHAM PURCHASE AGREEMENT
LANDS, EASEMENTS & RIGHTS-OF-WAYS
(PREPARED BY BLM FOR APA)

Robert D. Cron 2/3/89
FOR ALASKA POWER ADMINISTRATION DATE

G. L. Long 2/3/89
FOR U.S. FOREST SERVICE DATE

Joe A. Shell 2/3/89
FOR U.S. BUREAU OF LAND MANAGEMENT DATE

LEGEND

- U. S. Forest Service lands.
- B. L. M. Lands
- Acquired Easements
- Withdrawal

NOTE: 138 KV Transmission Line crossing submerged lands subject to State jurisdiction.

NO WARRANTY EXPRESSED OR IMPLIED