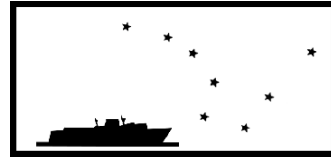


SOUTHEAST CONFERENCE



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Good morning, my name is Robert Venables. I am the Energy Coordinator for Southeast Conference.

SE Conference is private membership organization that works to advance the collective interests of the people, communities, and businesses of Southeast Alaska. It is the Alaska Regional Development Organization (ARDOR), Federal Economic Development District (EDD), and USDA Resource Conservation and Development (RC&D) Council for the region. The Conference's Mission is to help develop strong economies, healthy communities, and a quality environment in Southeast Alaska.

I would like to speak in support of Senate Bill 132, the Southeast Energy Fund.

In 1986, lawmakers created the Railbelt Energy Fund. Between 1986 and 2005 a total of \$486 million was appropriated to the Railbelt Energy Fund and appropriations of about \$437 million during that time were been made from the Railbelt Energy Fund and invested into a variety of projects (including Susitna, Bradley Lake, the Alaska, Northern and Southern interties and the Healy Cogeneration project). In 1993, lawmakers amended the fund's enabling legislation to include authorization for "programs, projects and other expenditures to assist in meeting Railbelt energy needs."

This is a funding mechanism that can be used as a model for southeast Alaska.

In 1997 Southeast Conference formed its Energy Committee (originally the Intertie Committee) to work toward the development of a regional electrical grid system in southeast Alaska. Such a system was first envisioned by various entities since the 1920's and as recently as 1987 by the Alaska Power (Energy) Authority, who found that an electrical intertie system was both technically and economically feasible and proposed a 20-year planning and construction horizon. Had that work been prioritized and funded, it would be complete today. Instead, after 20 years, we have much work yet to do – although considerable progress is now being made.

The best example of this progress is the 57 mile Intertie connecting Tyee Lake that currently serves Petersburg and Wrangell with Swan Lake which serves the Ketchikan and Saxman areas. This is the first of many phases designed to evolve into an interconnected electrical grid serving southeast Alaska. Southeast Conference commissioned a study done by Acres International in 1997, entitled the "Southeast Alaska Electrical Intertie System Plan" that has been the blueprint for our efforts to date. It was this report that the U.S. Congress cited in its authorization for federal spending of up to \$384 million (PL 106-511 was enacted into law on Feb. 1, 2001).

Since the 1997 Acres Report and 2001 Congressional authorization, Southeast Conference has continued to work with its member communities and funding partners such as USDA Rural Development, the Denali Commission and State Legislature to further the development of a regional electrical Intertie system. But while progress is being made, there are many energy needs in the region that are costly to build with no funding mechanism available to develop the southeast intertie system.

Today the intertie system needs that we are focusing on are two-fold. There is the obvious need for the physical links connecting the transmission lines community to community. The Swan-Tyee Intertie will be completed this fall and good progress is being made on the POW Island electrical grid. Thanks to all of you in the State Legislature, additional funding was made available through HB 152 grants to complete the island's intertie system to Coffman Cove and Naukati. Funding was also made available to design the Kake Intertie and the Metlaktla Intertie that will connect into the regional intertie system at Ketchikan. But construction funds are still needed. The estimated cost for constructing these intertie links is approximately \$500 million.

The second system need is to develop capacity within the Intertie System to meet an ever increasing growth of electrical use. The spike in oil prices last year quickened the pace toward conversion from diesel-generated space heat to electricity-based heat which will consume the excess capacity of many of the utilities renewable energy resources in the foreseeable future.

There are many projects within the region that can meet these needs. We are most grateful for the Legislative support given recently to further the development of hydro facilities at Reynolds Creek, Whitman Lake, Ruth Lake and Takatz Lake. Reynolds Creek is a 5 MW project on POW Island that will meet the island's needs for electricity as that grid is completed and its economy grows. Whitman Lake is a 4.6 MW hydro near Ketchikan that will help prevent the supplemental use of diesel generated power. Ruth Lake, a proposed 20MW hydro near Petersburg, and Takatz Lake, a 28MW hydro project near Sitka, are in the early stages of reconnaissance and feasibility and will take many years and millions of dollars to bring on line. These facilities will be critical to meet the region's future need for power. It became very apparent during the recent call for "shovel-ready" projects that southeast Alaska is not ready to construct the facilities needed to meet the renewable energy needs of the future. The construction costs for these regional hydroelectric projects continue to climb and will exceed \$1 billion.

The communities of southeast Alaska have worked together for many years to forge a vision to develop its vast renewable resources into a regional electrical intertie system, but a funding mechanism to construct such a system still eludes us.

SB 132 can be the mechanism our region needs to facilitate the construction of critical infrastructure that will provide energy security to southeast Alaska. Please give this bill your fullest consideration and support. Southeast Conference thanks you for the opportunity to testify today and is available as a resource for any questions you might have regarding issues here in southeast.

Thank you.