

State hydroelectric plan wins approval

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JUNEAU — The legislature voted near-final approval Saturday to a much-debated \$5 billion hydroelectric financing plan designed to be the biggest state construction effort in Alaska's history.

The bill also authorizes a big boost in the amount of money the state pays to rural utilities to subsidize bush residents' electric rates. The bill provides \$9.3 million for the state to pay 95 percent of the cost of power between 12 cents per kilowatt-hour and 45 cents per kwh. Customers would pay the cost up to 12 cents per kwh.

The two-bill energy package won unanimous Senate passage and was approved by a comfortable margin in the house. But opponents called for a reconsideration vote in the House, so another ballot was expected today.

While there was little debate in the Senate, several

House democrats blasted the financing scheme as a horrible mistake.

"The promise of cheap electricity made by these bills is a sham. Electric rates will rise and fall with political whims," said Rep. Brian Rogers, D-Fairbanks. "This (legislation) rewards excessive energy use and waste with subsidies . . . and provides for no control over costs. I predict we'll see cost overruns like we've never seen before."

Opponents argued that the dams should be financed with low-interest state loans — which would result in some return on the state's investment. In contrast, the legislation calls for the state to pay cash for the dams, with no return required on the investment.

Majority Leader Rick Halford, R-Chugiak, defended the plan, saying: "I see no reason why the people should pay back their own money."

Democratic opponents also argued that the dams should be

locally owned and controlled. The legislation specifies the dams will be state-owned and run by the Alaska Power Authority, although the APA could contract with a local utility for operation of a dam.

The two-bill energy package, which was agreed on by a House-Senate free conference committee, calls for an appropriation of \$535 million this year for construction of seven major dams, a \$75 million electric transmission line between Anchorage and Fairbanks, and funding for numerous other power projects and energy programs.

The legislation also lays the groundwork for a \$5 billion expenditure for power projects over the next five years.

The \$535 million appropriation bill (FCCSB26) won House passage on a 37-1 vote after winning Senate approval on a unanimous vote.

But the companion bill (FCCSB25), which lays out the financing plan and specifies the

dams are to be built with cash grants, rather than low-interest loans, passed by a closer margin — 25-13 in the House. The Senate passed the bill.

One of the reasons why many House democrats opposed the bill was the so-called "Susitna Blackmail" clause which was included in the measure by Sen. Ed Dankworth, R-Anchorage, the chief sponsor of the hydro financing legislation.

The clause states that unless the legislature appropriates \$5 billion for dams by 1986, which Dankworth said is intended to cover the proposed Susitna River project, the dams built prior to 1986 would be required to start paying a 10 percent return on investment to the state.

In contrast, if the \$5 billion is appropriated, no equity return would be required. Instead, the APA each year would set a statewide wholesale power rate high enough to pay for operation and maintenance of all the dams, plus

debt service in the unusual event that bonds are sold to cover cost overruns.

The legislation includes funding for construction of seven major dams. Sitka's Green Lake project would get \$60 million; Ketchikan's Swan Lake dam would get \$53 million; the Tyee Lake project designed to serve Wrangell-Petersburg would get \$45 million; Kodiak's Terror Lake dam would get \$81.5 million; the Solomon Gulch project near Valdez would get \$68 million; and the Bradley Lake project on the Kenai Peninsula would get \$15 million, which is only partial funding.

Another \$18 million is included for continued studies of the Susitna River project.

Besides financing dams, the legislation funds several energy programs. It includes \$10 million for the state's home energy audit program and \$10 million for the state's business loans for energy conservation improvements.