

September 26, 2005

Honorable Lyda Green
Co-Chair, Senate Finance Committee
State Capitol, Room 516
Juneau, AK 99801

Honorable Kevin Meyer
Co-Chair, House Finance Committee
State Capitol, Room 515
Juneau, AK 99801

Dear Senator Green and Representative Meyer:

A rare opportunity exists for this session of the Legislature to appropriate funds intended for Railbelt Energy projects in a manner that accomplishes the top priorities of both the Administration and the major electric utilities of Alaska's Railbelt.

The remaining balance in the Railbelt Energy Fund, which was established using funds left over after the Susitna Dam project was abandoned, is approximately \$28.5 million. The fund was intended to benefit the electric ratepayers of Alaska's interconnected Railbelt, from the Kenai Peninsula to Fairbanks. An additional \$40 million appropriated from the Railbelt Energy Fund for the Southern Intertie project remains available after the project was abandoned, and these funds are at AIDEA. Thus, a total of \$68.5 million is available for appropriation or reappropriation by the Legislature.

Previous allocations from the Railbelt Energy Fund have proven beneficial to consumers in different regions of the Railbelt. For example, in 1993 Golden Valley Electric Association received \$42 million (plus \$22 million in interest) to construct the Northern Intertie. In 2002, \$20.3 million was appropriated to AIDEA to upgrade the Anchorage to Fairbanks Intertie, thus increasing the capacity of Golden Valley Electric Association to purchase economy energy from utilities in Anchorage. Also in 2002, Anchorage Municipal Light & Power received \$19.8 million to upgrade its transmission line running from Anchorage to the Eklutna Power Plant.

We endorse a distribution of the remaining \$68.5 million in a manner that is mutually agreeable to the undersigned, and which will "zero out" the fund so that the Legislature and Administration will not be faced with incessant lobbying for competing uses of these monies.

We respectfully urge the Legislature to appropriate/reappropriate the remaining funds to the Alaska Energy Authority and allocate the monies for the following purposes:

- A) \$4.5 million to Copper Valley Electric Association for debt reimbursement for costs incurred in cogeneration projects.
- B) \$14 million to AIDEA for a 115 kV transmission line from the Douglas substation to the Stevens substation, to be transferred as a grant to Matanuska Electric Association prior to being energized.
- C) \$12.5 million to Chugach Electric Association for new substations and transmission lines, generation site acquisition and infrastructure development.
- D) \$12.5 million to Homer Electric Association for augmentation of existing, and or, new generation at HEA's Nikiski facility and upgrade of bulk transmission facilities within the Kenai Peninsula Borough subdivision.
- E) \$12.5 million to Matanuska Electric Association for new substations and transmission lines, generation site acquisition and infrastructure development.
- F) \$12.5 million to AIDEA for restart of the Healy Clean Coal Plant.

The allocation of funds as proposed above has been agreed to after thorough discussion and deliberation among the parties that are signatory to this letter. We urge your favorable consideration.

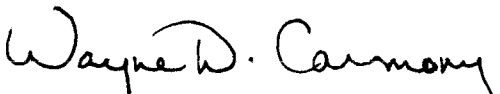
Sincerely,



Mike Barry
AIDEA/AEA



Bill Stewart, Chief Executive Officer
Chugach Electric Association



Wayne D. Carmony, General Manager
Matanuska Electric Association



Brad Janorschke, General Manager
Homer Electric Association, Inc.