



ALASKA ELECTRIC LIGHT AND POWER COMPANY

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Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street N.E.  
Washington, D.C. 20426

Subj: Comments on Sweetheart Lake Hydroelectric Project Draft  
Application for License (FERC No. P-13563)

The Alaska Electric Light and Power Company (AELP) is the electric utility serving the City and Borough of Juneau (CBJ) under Certificate of Public Convenience and Necessity No.1 as issued by the Regulatory Commission of Alaska. AELP presently holds two FERC licenses - Salmon Creek/Annex Creek (FERC No. 2307) and Lake Dorothy (FERC No. 12379). AELP also operates and maintains the Snettisham Hydroelectric Project, owned by the Alaska Industrial Development and Export Authority, an agency of the State of Alaska, under a long term take or pay contractual arrangement for the total Snettisham capability. Snettisham is an integral part of the AELP electrical system.

Juneau Hydropower Inc., (the Applicant) in its draft Application dated August 31, 2012, proposes to construct the Sweetheart Lake Hydroelectric Project (FERC No. P-13563). On page 7 and 8 of Exhibit D, the Applicant states that beginning in 2016 it will annually sell 90 GWH of firm energy to current and future residential and industrial customers and 21 GWH to two of three cruise ship docks not connected to electric power and to assist AELP in offsetting diesel generation during low and average water years.

#### The Need for Sweetheart

The Juneau area electric power system is isolated, i.e. not connected to any larger grid. As a result, the amount of generation we need is limited by the load that can be served. At this point there is no load in our system to justify the additional 90 GWH output of the Sweetheart project.

Applicant states on page D-9 that firm energy demand in the AELP system increased 5.66% from 2010 to 2011; it should be noted that this was an unusually high growth year. Firm loads for the first 10 months of 2012 have actually declined -0.4% compared to the first 10 months of 2011.

Applicant also identifies the AJ and Kensington Mines as other potential loads. AELP believes the reopening of the AJ Mine is speculative at this juncture. The time to permit and construct a large new energy project to service the AJ Mine, whether by Sweetheart or another alternative, will be far shorter than permitting and construction time required for the AJ Mine.

In order to serve the Kensington Mine, portions of the AELP transmission system will have to be upgraded and a 38 mile overhead/submarine transmission line constructed to connect the Mine with AELP's existing electrical facilities.

On Pages B-14 and D-7 Applicant refers to selling 21 GWH of non-firm energy to two of three cruise ship docks not receiving electric service within the CBJ Harbor. The Franklin Dock which provides interruptible shore power to the Princess ships, started receiving interruptible electric service in 2002. It has purchased an average of 5 GWH annually. This would imply that Applicant can anticipate these two additional docks would require 10 GWH of non-firm energy annually, not 21 GWH. In addition, a considerable investment is necessary to acquire land, construct substations, distribution lines and dock facilities to connect additional cruise ships. The ability of additional ships to accept shore power is unknown.

AELP intends to defend its right to serve the customers within its service territory as provided for in its Certificate of Public Convenience and Necessity. It will not allow Applicant access to its customer base so as to cherry pick the most desirable electric loads.

#### Transmission Interconnection

Applicant's plan is to connect the Sweetheart Lake Project to the existing Snettisham transmission line and submarine cable for transmission of power to the Juneau area. AELP has contracted for the full capacity of the Snettisham transmission line, submarine cable, and step down transformers at the end of the line. AELP also invested funds for a larger submarine cable when it was replaced in 1999 to allow for transmission of Lake Dorothy power through the cable. Our understanding is that the transmission line, and particularly the submarine cable, does not have the capacity to carry the full output

of Snettisham, Lake Dorothy Phases 1 and 2 and the Sweetheart Lake Project. Applicant should be required to determine through engineering studies whether the existing system that is planned to be used for transmission of power has adequate capacity.

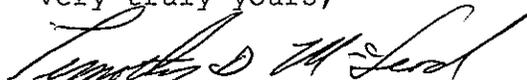
Impact on AELP Electric Rates

On Page D-8 Applicant states "The bulk of the output (90 GWH annually) would be sold into the Juneau electrical market to meet current and future residential demand on a firm basis". If AELP were forced to purchase such a large block of Sweetheart energy, on a long term take or pay basis, it would result in severe adverse consequences for its firm electrical customers. Applicant states the total cost of Sweetheart including construction, contingencies, engineering, permitting and financing to be \$174,054,513. As of September 30, 2012 the unaudited book value of AELP Hydroelectric Gross Plant was \$83,538,398 and the book value of the Snettisham capability was \$74,512,503 or total of \$158,050,901. This compares with the current Sweetheart estimate at \$174,054,513. These comparative numbers illustrate the magnitude of impact on AELP cost of service. For AELP to commit to a long term contract to annually purchase 90 GWH for which there is little if any load would have disastrous consequences for its rate payers.

Sweetheart Reliability Issues

Finally, Sweetheart proposes to interconnect with the AELP system at a point that will bypass a section of the transmission line susceptible to snow avalanches, but still will have the same exposure to the remainder of the overhead transmission line and existing submarine cable. In addition, Sweetheart's planned point of connection with the AELP transmission system includes two additional salt water submarine cable crossings. AELP, like any other potential buyer would be reluctant to sign a "take or pay" contract that would have to be honored even if Sweetheart was not available due to the failure of one or both of its additional submarine cables.

Very truly yours,



Timothy D. McLeod  
President