Susitna-Watana Hydroelectric Project Document
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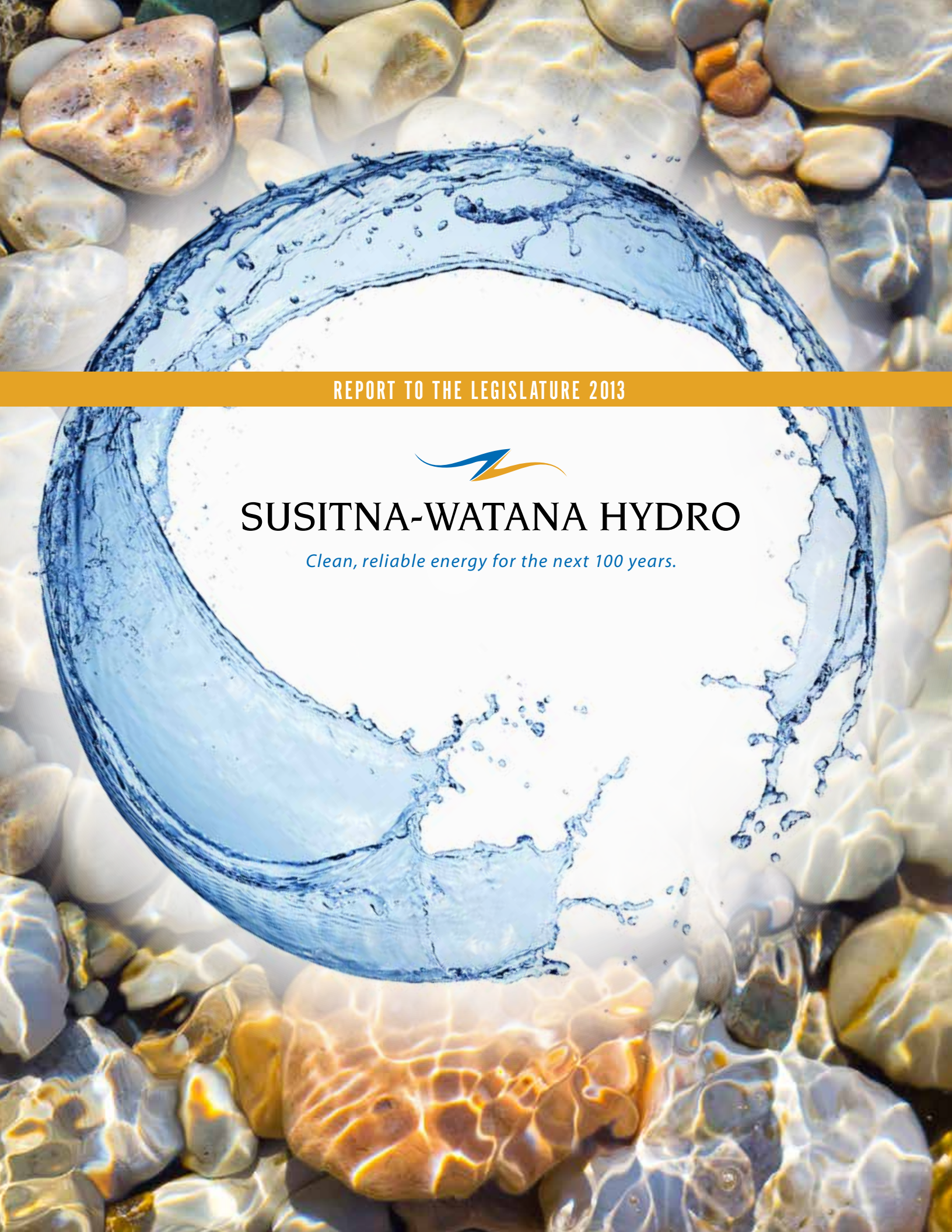
SUSITNA-WATANA HYDRO



REPORT TO THE LEGISLATURE 2013

SUSITNA-WATANA HYDRO

Clean, reliable energy for the next 100 years.

TABLE OF CONTENTS

LETTER FROM EXECUTIVE DIRECTOR

The past year marked positive momentum for Susitna-Watana Hydro. After more than a year of planning and intensive stakeholder engagement, the Federal Energy Regulatory Commission (FERC) approved 58 environmental studies.

Quality data was collected that will result in more being understood about the Susitna Basin than ever before. The Alaska Energy Authority (AEA) collaborated with the Alaska Department of Fish and Game to provide synergy between Susitna-Watana Hydro fisheries studies and other work in the Matanuska-Susitna region.

Perhaps most exciting is the partnership with the private sector. The scope of work not only requires environmental and engineering contractors to be brought on board, but the positive economic impacts expand to local restaurants, hardware stores, boat operators, retailers and more.

As we look to 2014, Susitna-Watana Hydro enters another phase of the multi-year FERC licensing effort. AEA will prioritize the critical items, including environmental studies, that will continue to advance the project. The financial advisory team is putting together financing proposals and has reaffirmed that Susitna-Watana Hydro is a valuable and financially sound project.

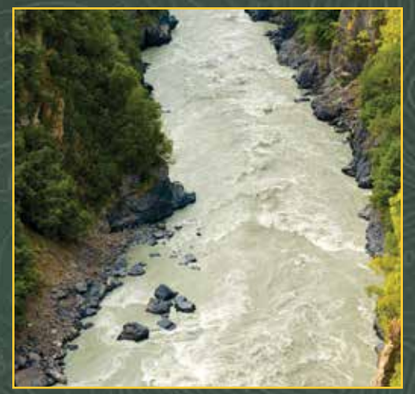
Stakeholder engagement will continue to play a critical role in project success. The project team is committed to engaging with Alaskans. A management-level position was added to lead this important project component and to focus on positive working relationships with the Alaska Native regional and village corporations and tribes within and near the project area.

AEA has a full suite of programs designed to reduce the cost of energy in Alaska by diversifying Alaska's energy portfolio, informing energy policy and planning, developing energy infrastructure and providing technical training and assistance. Susitna-Watana Hydro plays an important role in achieving our mission and in moving the state toward our goal of 50 percent renewable power by 2025.

We will continue our work toward a process that engages stakeholders, resource agencies, regulators and Alaskans to develop a safe, renewable energy resource that has the potential to provide clean, reliable power for 100+ years. I am proud of the small and dedicated project team and of all of our top-notch contractors and the work we have accomplished.

Sincerely,

Sara Fisher-Goad, Executive Director
Alaska Energy Authority



Devils Canyon, a natural fish impediment

Susitna-Watana Hydro
PROJECT AT A GLANCE & MAP

Location:
River mile 184,
above Devils Canyon

Size:
735-foot-high dam

Reservoir:
About 42 miles long,
average width of 1 mile

Estimated Supply:
About 50 percent of Railbelt electrical demand

Cost:
$5.19 billion

Installed Capacity:
600 MW

Annual Energy:
2,800,000 MWh

Licensing:
Federal Energy Regulatory Commission (FERC)

Project Life:
100+ years, providing long-term, stable rates

BOOTS ON THE GROUND
A REMARKABLE YEAR OF PROGRESS

More than 60 years after Alaskans first considered building a hydroelectric project on the Susitna River, 2013 will be known as the year we made real progress towards turning the river's power into electricity.

During the past 12 months, the Alaska Energy Authority commenced the implementation of the Susitna-Watana Hydro study plan with two key achievements: conducting elements of 58 Federal Energy Regulatory Commission-approved studies in 11 critical categories and strengthening a culture of safety.

An estimated 350 scientists, archeologists, biologists and other specialists worked in the field, collecting water samples, radio-tagging fish, studying cultural resources and much, much more. The Susitna-Watana Hydro team stressed and fostered a culture of safety and this commitment was recognized by other resource agencies and individuals in the field.

The project study area spans from the mouth of the Cook Inlet to the glacial headwaters of the Alaska Range. With an area of this magnitude, extensive coordination and project management are at the forefront.

2013 was a year of successes for Susitna-Watana Hydro and forward momentum continues toward filing for a FERC license. We have moved closer to clean, reliable, affordable energy for generations of Alaskans.

Alaska is one of the nation's most important energy producers and leads the way in investments in renewable and alternative energy sources. We have committed to a goal of 50 percent renewable power by 2025 and Susitna-Watana Hydro can make this a reality.

Sara Fisher-Goad
Executive Director,
Alaska Energy Authority

Sara Fisher-Goad is executive director of the Alaska Energy Authority, a position to which she was appointed in February 2011. She has been with AEA since November 2000, serving as the deputy director-operations.

Prior to joining AEA, Sara worked for a Minnesota financial advisory firm, structuring bond issues for municipal clients. She received a bachelor's degree in mathematics from University of Alaska Fairbanks and a Master of Business Administration from University of Alaska Anchorage.

2013 KEY ACCOMPLISHMENTS

A YEAR OF SUCCESSES

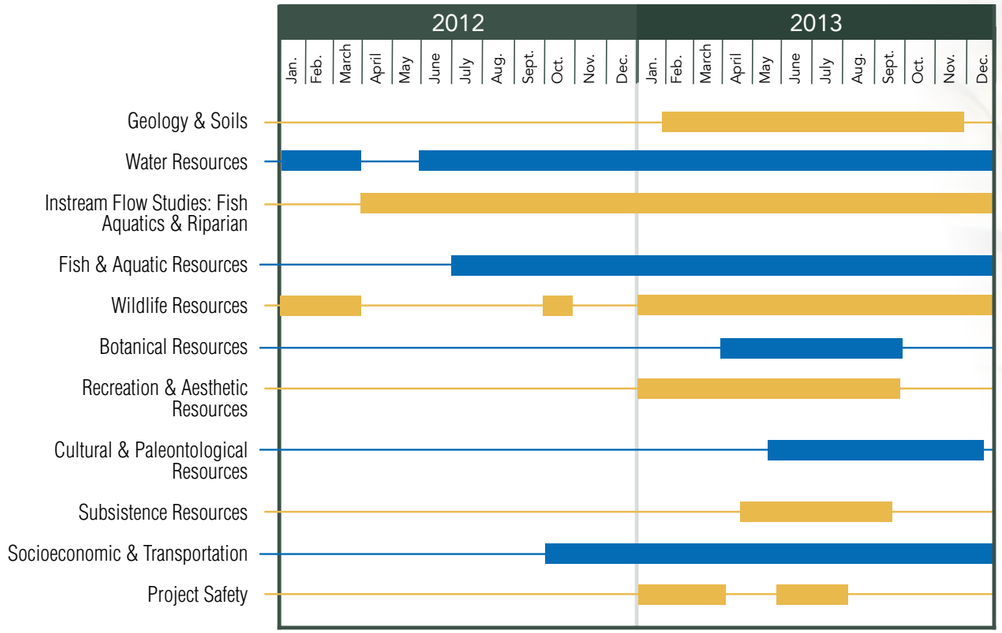
FERC approval and studies under way

There was a significant step toward filing for the federal hydropower license. The Federal Energy Regulatory Commission (FERC) approved the Susitna-Watana Hydro environmental study plan, which includes 58 studies in categories such as geology and soils, water resources and fish. (Please read more about the categories at Susitna-WatanaHydro.org/study plan.)

The FERC licensing process is extremely iterative, with many public comment periods and opportunities for stakeholder collaboration. The development of the environmental study plan included dozens of full-day technical meetings with federal and state resource agencies, Alaska Native regional and village corporations, environmental organizations and stakeholders. During the course of a year and a half, several drafts were proposed and comments and suggestions from stakeholders and FERC were incorporated into the final study plan. Perhaps most significant, FERC endorsed the scientific approach to the studies and moved the project toward implementing the work.

After receiving FERC approval, an unprecedented environmental study of the Susitna Basin was underway. Biologists, engineers, hydrologists, archeologists and scientists of many other disciplines began collecting valuable data to build upon the 3,000 reports fielded as part of the 1980s effort and the early studies initiated in 2012.

The project team was able to keep the studies on schedule and budget while meeting critical licensing milestones. Results from these studies will be released throughout the coming months.



Culture of safety

The Alaska Energy Authority has worked hard to establish safe work practices and guidelines for all personnel involved in the project. This year, we brought an experienced team leader on board as health, safety, environment and stakeholder manager and additional HSE contract support was provided.

A logistics management firm was hired to manage the field operations and emphasize the culture of safety in the field. Not only was it important to remain vigilant on Susitna-Watana Hydro's efforts, but to be aware of surrounding projects and coordinate to ensure safe operations. AEA staff was on site weekly to attend safety briefings, visit field camps and talk to crews in the field. No major safety incidents were reported this field season.

Financing

Work is underway to develop potential financing models for Susitna-Watana Hydro. A leading, independent financial-advisory firm has been hired and reconfirmed that Susitna-Watana Hydro remains a viable and financially feasible project.

Engineering

The engineering feasibility report will be complete in spring 2014. Work is underway with the internationally-experienced Board of Consultants to determine the means to construct the safest structure possible, designed to withstand significant seismic and flooding events.

Stakeholder engagement

As one of the most significant state resource development projects in recent years, Alaskans expect to be kept informed about Susitna-Watana Hydro and efforts to advance the federal licensing process.

A management-level position was added for the critical role of engaging stakeholders, including Alaska Native regional and village corporation land owners in the project area. More than 100 public meetings and presentations about Susitna-Watana Hydro were held during 2013, demonstrating the commitment of an open, accurate and collaborative approach to managing stakeholder expectations.

Focus was placed on online resources to provide cost-effective communications tools.

Wayne Dyok
Project Manager

Wayne Dyok has more than 35 years of U.S. and international experience in Federal Energy Regulatory Commission licensing, engineering design, environmental studies and energy planning on hydroelectric projects. He has managed major hydroelectric licensing projects for the California Department of Water Resources, Seattle City Light and Dominion Generation.

Wayne has a master's degree in civil engineering and is a licensed civil engineer in Alaska. He served as chief hydraulic engineer and assistant manager for six years on the Alaska Power Authority's (now AEA) Susitna hydroelectric project in the 1980s.

INVESTING IN **RENEWABLE ENERGY**

Hydroelectric power is one of the longest term, least expensive ways to produce electricity and has the added benefits of being reliable, clean and local. Susitna-Watana Hydro will stabilize energy costs for nearly 80 of percent Alaskans, from Fairbanks through Mat-Su and Anchorage to Homer, inspiring confidence in Alaska as a stable place to do business.

After two cost estimates and a third independent cost estimate, project costs remain $5.19 billion. These costs include current licensing activities; construction of the project, roads and all related facilities; and transmission of electricity from the project to the Railbelt Intertie.

AEA has hired an independent financial-advisory firm, which will work with AEA throughout the next year to define the range of financing opportunities. It has reaffirmed that Susitna-Watana Hydro remains a viable and financeable project. The State of Alaska has the potential to recover its investment in Susitna-Watana Hydro while providing long-term and affordable power.

Susitna-Watana Hydro vs. Natural Gas Power Costs

COST OF POWER

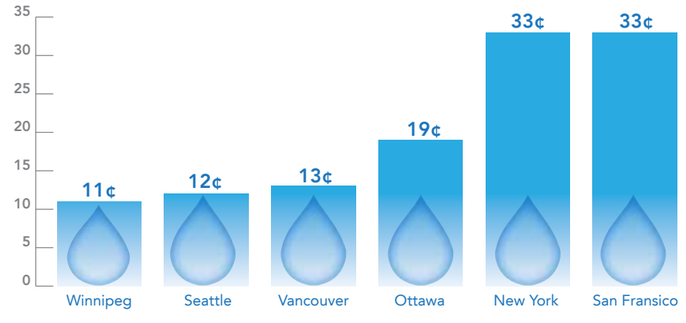
AEA projects that the cost of power from Susitna-Watana Hydro will be competitive with other sources at start-up, even with no direct State investment, then grow more affordable over time until Susitna-Watana Hydro is one of the most economic energy sources in the state. In addition, the project will help insulate Alaska's energy costs from inflation, giving confidence to investors and stabilizing operating costs for businesses.

The Alaska Energy Authority is currently working with a financial-advisory firm to further define potential financing options that allow the State to recoup its initial investment, including licensing costs.
One potential and successful model for a state-owned hydroelectric project is Bradley Lake. Through power sales agreements, the State will be repaid for its initial investment in Bradley Lake, beginning in 2021. For the purposes of economic modeling, assumptions for Susitna-Watana Hydro include no direct State investment, beyond licensing costs.

ESTIMATED POWER COSTS	($/kWh)
Year 1 Rate ($2024)	$0.181
Year 1 Rate ($2013 Real)	$0.138
10-Year Avg Rate ($2013 Real)	$0.124
25-Year Avg Rate ($2013 Real)	$0.106
50-Year Avg Rate ($2013 Real)	$0.061

Real = Adjusted for Inflation
• Assumes no direct state investment

Hyrdropower: Affordable, Stable Power Rates*



** MWH, Americas*

JOBS

Susitna-Watana Hydro will provide jobs during construction and for many decades afterward during normal operations.

The peak direct-workforce is anticipated to about 1,000 during construction. The permanent operation and maintenance crew will be smaller, likely to work shifts at the facility and travel by plane or helicopter.

Susitna-Watana Hydro will also provide jobs tangentially by purchasing goods and services from Alaska businesses. Local small businesses are already receiving economic benefit in support of the field activities. Local restaurants, lodges, tackle shops, hardware stores, boat operators and more are providing goods and services to field crews and the project team.

Construction of a large hydro project includes roads, a powerhouse and related facilities, and the dam site itself. Carpenters, welders, truck drivers, electricians, pipefitters and laborers will be needed for the estimated seven-year construction period. Alaskans are poised to benefit from these opportunities.

THE YEAR OF **ENVIRONMENTAL STUDIES**

Betsy McGregor
Environmental Manager

Betsy McGregor has more than 20 years experience as a fisheries biologist and environmental consultant. She brings an extensive background in hydropower projects across the U.S., including FERC relicensing efforts and compliance with the National Environmental Policy Act, the Endangered Species Act and the Clean Water Act.

Betsy has served on projects as the lead field biologist and task manager for numerous salmonid migration studies; aquatic and terrestrial habitat assessments; species inventories; rare, threatened and endangered species surveys; wetland delineations; and hydrogeomorphic functional assessments.

She has a bachelor's in wildlife science from Purdue University.

This spring and early summer, the Alaska Energy Authority began implementing the environmental study plan for Susitna-Watana Hydro. This effort includes 58 individual studies, approved by the Federal Energy Regulatory Commission earlier in the year.

Current efforts build upon the 3,000 reports filed as part of the 1980s licensing effort, the 18 early studies conducted in 2012 and management data that the Alaska Department of Fish and Game has continued to collect. Elements of all 58 studies were conducted this year and results will be released to the Alaska Legislature and general public in the coming months. A complete list of the 58 studies included in the environmental study effort is available online at Susitna-WatanaHydro.org/study plan.

An estimated 350 scientists, surveyors, archeologists, biologists and other specialists traveled by helicopter to the project site and began studying the surrounding environment, a total of nearly 186,000 acres. The studies will produce data on virtually every facet of the region, everything from water, cultural and botanical resources to land mammals, birds and fish.

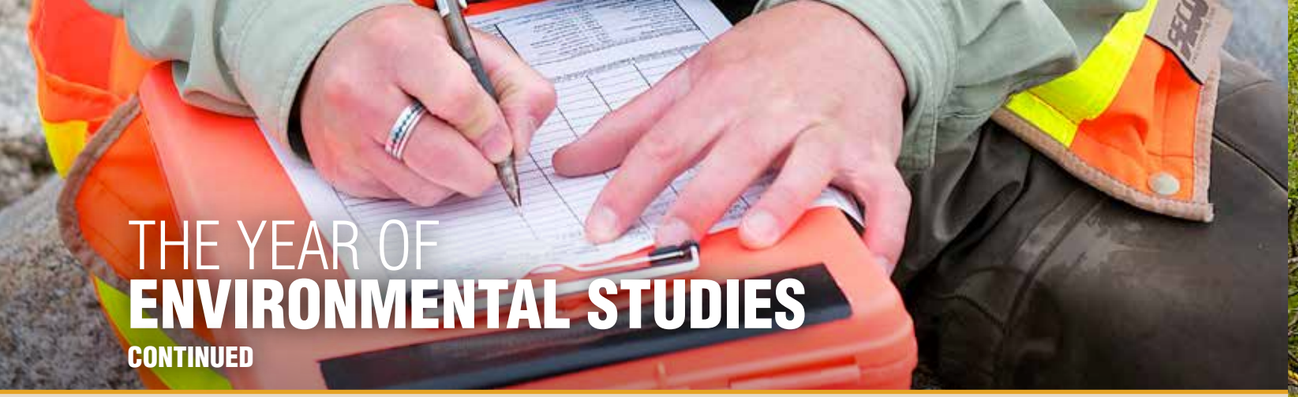
When the studies are completed, Alaska will have the benefit of knowing more about the Susitna Basin than ever before and will be one step closer to a valuable hydropower license. This will enable us to design and enforce specific procedures for engineering, construction and operation of the project to provide a balance between the need for power and environmental concerns.

WINTER STUDIES

Although the environmental field effort is concentrated during the summer months, work continues on Susitna-Watana Hydro year-round.

Winter had a strong grasp on Alaska in 2013 and late break-up provided a valuable opportunity to gather additional winter-related information, including documenting ice processes on the Susitna River. Winter recreation and transportation use of the Susitna River are additional areas of focus that will ultimately inform operations of the project.

In addition to the ice-processes studies, moose and caribou were tracked to better understand migration and calving grounds, aerial surveys of Dall's sheep were conducted and even fisheries work continued during the winter months. This information feeds into the valuable data being collected as part of Susitna-Watana Hydro.



THE YEAR OF **ENVIRONMENTAL STUDIES**
CONTINUED

Ongoing fisheries research

Fisheries and aquatics, namely the five species of salmon, continue to be a key focus of study for the project. This effort spans from the mouth of the Cook Inlet to the Upper Susitna River. The environmental study team is building upon previous studies on salmon migration and habitat in the Susitna River and its side channels and tributaries.

This effort is also highly-coordinated with the Alaska Department of Fish & Game, their management data and Matanuska-Susitna study efforts.

More than 200 miles of the mainstem Susitna River and 25 tributaries were mapped during the summer of 2013. Biologists and scientists were in the field manning fish wheels, electro-tagging fish, monitoring screw traps, angling, dip netting snorkeling and trapping minnows, all in the effort to better understand all life stages of salmon, resident fish like grayling and trout, and their respective habitats.

Research is indicating that Chinook salmon primarily spawn in Susitna River tributaries, with limited spawning in the mainstem of the Susitna River and Susitna River side-channels. Hydroelectric projects can provide benefit by maintaining flow levels in important spawning habitat and reducing impacts from either dangerously high or low water levels.

The United States Geological Survey (USGS) has been tracking the flows of the Susitna River at Gold Creek for more than 50 years. AEA's studies include year-round information collection regarding Susitna River water levels and extensive modeling.

The study efforts will aid in the development of future project operations and to shape enhancement efforts.

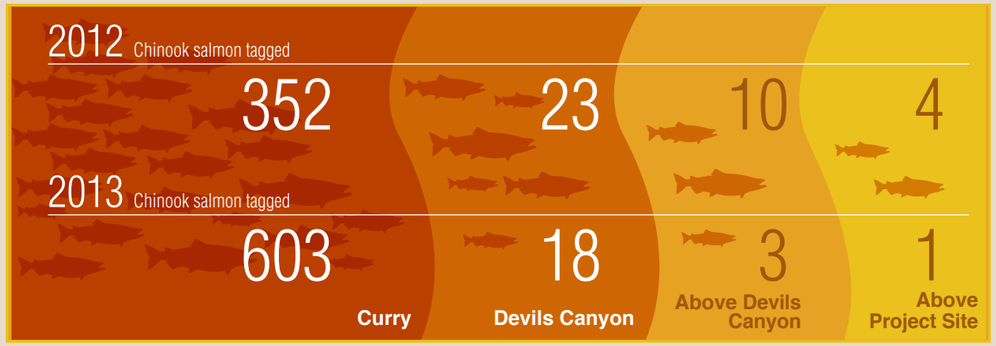
Chinook Salmon and Devils Canyon

Only one species of salmon, Chinook, has been documented within 30 miles of the project site, and only in very small numbers. It is important to note that the project site is located 22 to 32 river miles above Devils Canyon, a narrow and highly-turbulent section of the river that acts as a natural impediment to migrating fish.

Of the 58 studies in the Susitna-Watana Hydro study plan, nearly half are dedicated to understanding the Susitna River fish, water quality, flows and aquatic resources.

Chinook salmon and Devils Canyon

Only one salmon species has been documented within 30 miles of the project site.



Of the Chinook tagged at Curry, 94 percent headed up the tributaries; 6 percent stayed in the main stem.

PROJECT **MANAGEMENT**

PRIORITIZING FOR SUCCESS

Few projects have been as important to Alaska's energy future as Susitna-Watana Hydro. If the trans-Alaska pipeline made it possible for Alaska to develop into one of our nation's strongest economies, Susitna-Watana Hydro will allow for continued growth by providing affordable electricity rates and a reliable source of power that will supply Alaska with clean energy for the next 100 years.

A task this important requires the very best people at the helm and in the field, and we have assembled a truly first-rate team. The project area is remote and accessible only by helicopter. A strategic approach to logistics is important to ensure a safe, cost-effective and successful field season.

The Susitna-Watana Hydro team approached the 2013 field season with the following five priorities:

1. Field safety and an integrated culture focused on health, safety and environment
2. Optimize efficiencies and maximize data collection
3. Control costs
4. Reduce risks and environmental impact
5. Minimize impacts on locals and recreational users

A small, core group of project team members is responsible for managing a multitude of contractors with the goal of safely and effectively conducting field work. It is the responsibility and priority of the project team to ensure effective use of resources. This includes constant communication between contractors in the field and project team members based in Anchorage.

This type of coordination isn't limited to team meetings, but also includes a detailed scheduling mechanism to track schedule and budget variances. Field audits were routinely conducted by project team staff. As a result, Susitna-Watana Hydro executed a safe field season that remained on schedule and budget.

Julie Anderson
Health, Safety, Environment and Stakeholder Manager

Julie joins AEA from the Alyeska Pipeline Service Co., where she served as the business strategy manager, working with project and engineering teams. Previously, she was responsible for the management and operations of the commercial group after having managed the HSE/operations support department, providing essential health, safety, environment and quality support to the trans-Alaska Pipeline System (TAPS) operations.

Before joining Alyeska, Julie was appointed by Alaska Governor Hickel to develop and manage the Community Development Quota Program (CDQ), a Western Alaska economic development initiative. Following that, she worked with the Aleut Enterprise Corporation in developing the local economy in Adak.

Julie grew up in Fairbanks and her family lives throughout Alaska. She earned a bachelor's degree in business from the University of Alaska Fairbanks and a Master in Business and International Management from the American Graduate School of International Management (Thunderbird).

PROJECT **MANAGEMENT** – CONTINUED

Andrew Fraiser
Licensing, Permitting and Lands Manager

Andrew Fraiser has nearly a decade of real property and environmental permitting, acquisition and management for Southcentral Alaska capital projects. Prior to the Alaska Energy Authority, he spent eight years supporting the development, construction and maintenance of the natural gas distribution and transmission system and storage facility for Enstar. Andrew has extensive permitting and reporting experience, a GIS background and has worked with multiple land owners (private, Alaska Native corporations, federal and state) to secure appropriate permits and land access.

Andrew is active in the local chapter of the International Right-of-Way Association, serving as board member. He has lived in Alaska for 21 years and graduated with a bachelor's degree from the University of Alaska Anchorage, where he is currently pursuing his Master of Business Administration.

Licensing and permitting

Licensing a project the scale of Susitna-Watana Hydro involves a complex series of permitting issues and a diverse group of landowners, including the State of Alaska, federal government and private landowners that include Alaska Native regional and village corporations.

Extreme importance is placed on ensuring that the correct permits are in place and compliance is maintained. All field crews are equipped with land-status maps and tablets for real-time tracking of activity locations.

Ahtna Inc. owns lands adjacent to the Susitna-Watana Hydro project study area and permits were secured for studies along the Denali Corridor, one of the three potential project access routes.

Cook Inlet Region Inc. owns the subsurface rights to lands within the project area and six of the Cook Inlet village corporations - Chickaloon Moose Creek Native Association, Knikatnu Inc., Salamatof Native Association, Tyonek Native Corporation, Ninilchik Native Association and Seldovia Native Association - own surface rights to selected and conveyed lands.

For more than a year, AEA and Susitna-Watana Hydro team members have met with the Cook Inlet region working group, working toward a land-access permit. In recognition of this critical relationship, AEA has also engaged Commissioner Susan Bell and members of the governor's executive team. AEA opted not to pursue any field activities on CIRI and Cook Inlet village corporation lands for the 2013 season but continues to work toward future access.

A culture of safety

The Alaska Energy Authority manages energy projects across the state, from small villages to Railbelt energy infrastructure. As with all AEA projects, safety is the No. 1 priority for Susitna-Watana Hydro field operations.

Health and safety plans were required of all contractors, training - including swift-water rescue and bear safety - was provided, regular site visits were conducted by team members and a medic was stationed in the field. Helicopters and boats were equipped with Spyder tracking systems to provide real-time locations.

Engineering

The culture of safety does not just extend to field logistics. An extensive project safety program is underway.

Project engineers work with the Board of Consultants, an independent body of experts in the fields of dam safety and design. This group brings international experience to advise the Susitna-Watana Hydro team on dam design and construction. In addition, the Board of Consultants works with the Federal Energy Regulatory Commission division of dam safety.

Two critical areas of safety that directly feed into the project design are flooding and seismicity. The project will be designed to withstand a flood event greater than any ever recorded. Determining the maximum flooding event will help inform the dam and spillway design, as well as water release and storage capabilities.

Seismology is more than just a number on the Richter scale. It is also important in seismology to understand and design for sources, distance and types of movement. All of these factors inform the design criteria for the project.

Seven seismographs are collecting new information, building on significant historical data. The team is studying geological features for 60 miles around the project site. These features help identify ground movements that have occurred for centuries prior and inform the design of the safest project possible.

Artist rendering.

Bryan Carey
Engineering Manager

In addition to heading the engineering for Susitna-Watana Hydro, Bryan Carey is also the project manager for AEA's Bradley Lake Hydroelectric Project, currently the largest hydro project in Alaska, and the Snettisham Hydroelectric Project, which is owned by the Alaska Industrial Export Development Authority. He has more than 25 years of engineering experience.

Bryan has been the project manager for various rural-Alaska energy projects that include bulk fuel facilities, power plants and small wind and hydroelectric projects. Prior to AEA, he worked with several engineering consulting companies, performing energy and environmental work throughout the state.

PUBLIC **OUTREACH**

Emily Ford
Public Outreach Liaison

Emily Ford has nearly 15 years of public relations and government affairs experience, with extensive involvement on energy issues. She previously served as a government relations staff member for the state's largest chamber of commerce and in the marketing department of the Anchorage Daily News.

Emily has lived in Alaska for 35 years and holds a bachelor's degree in journalism and public communications from the University of Alaska Anchorage. She has participated in multiple cross-cultural communications training courses and is past president of the Public Relations Society of America, Alaska Chapter.

The Alaska Energy Authority is a public entity and has a responsibility to keep Alaskans informed about Susitna-Watana Hydro and to share the results of critical study areas. AEA and the project team remain committed to providing factual information and using as many online and electronic resources as possible.

A critical component of Susitna-Watana Hydro's outreach has been the project website, Susitna-WatanaHydro.org. The site was retooled this year to include more "Frequently Asked Questions" and opportunities to provide factual answers that address misperceptions. The online conversation was expanded to include social media sites like Facebook. These online interactions provide a critical opportunity for Alaskans across the state to ask questions of the project team and become involved in project development.

We are particularly eager to share the results of the studies we conducted in 2013, which will be released early in 2014. More than 60 project meetings were held this year and AEA has provided Web and phone-based connectivity to expand accessibility.

More than 50 presentations were given to community groups across Alaska. Some discussions were with small groups and others to audiences of a couple hundred people and more.

Engaging Stakeholders

Alaska is a patchwork of land ownership, including state and federal lands and a mix of private lands that include Alaska Native regional and village corporations. Understanding and respecting this complex land status is critical to stakeholder outreach.

During the spring of 2013, historic land settlement agreements were reached. More than 40 years after the passage of the Alaska Native Claims Settlement Act, Cook Inlet Region Inc. (CIRI) transferred more than 230,000 acres to the Cook Inlet village corporations. Some of the lands conveyed are within the proposed Susitna-Watana Hydro project area. The Cook Inlet Region Working Group serves as the point of contact for AEA on land access issues.

Stakeholder engagement, namely with the landowners, remains a critical focus for Susitna-Watana Hydro. A management-level staff member was added to focus on these important relationships while exploring potential opportunities for economic development.

In addition to CIRI and the Cook Inlet village corporations, AEA is working to keep open channels of communications with tribes and regional corporations near the project area. Ahtna Inc. has lands adjacent to the project area and the Ahtna people have historical and cultural ties to the region. Ahtna representatives remain a valuable participant in the licensing process.

With a project of this scope, criticism and opposition from some groups can be expected. Alaska Energy Authority is committed to listening to and considering all concerns. We believe that the importance of the project makes it imperative for AEA to continue to communicate accurate information to keep Alaskans, particularly landowners near the project area, informed as the project progresses.

An important aspect of our public outreach is maintaining a presence on social media, such as Facebook. These "new media" platforms allow us to communicate information about the project to a worldwide audience on a frequent basis for very little expense.

LICENSING UPDATE

CONTINUING PROGRESS IN 2014 AND BEYOND

In the days prior to this report going to print, adjustments were made to the Susitna-Watana Hydro licensing schedule.

In an effort to prioritize licensing efforts and provide additional opportunity for stakeholder involvement, the Alaska Energy Authority filed a letter with the Federal Energy Regulatory Authority on Jan. 6, 2014, requesting a 120-day extension in the Susitna-Watana Hydro licensing process.

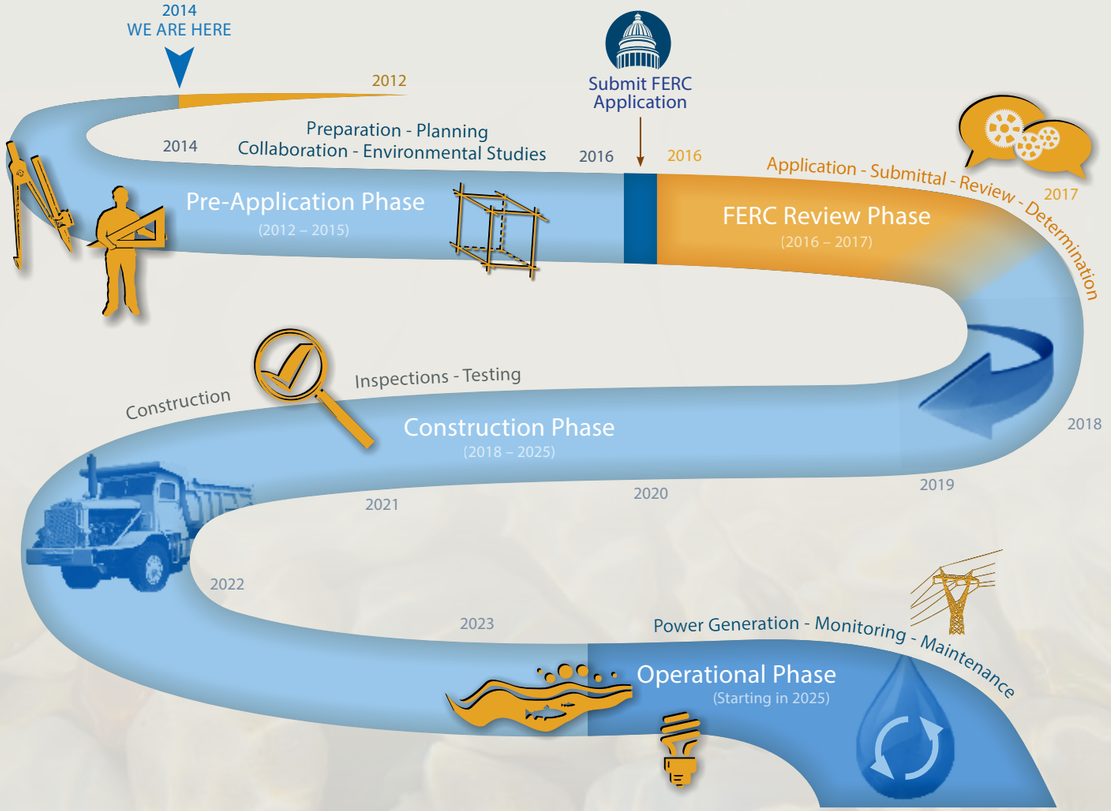
$10 million was included in the proposed Capital Budget in December. Approximately $110 million is needed to advance the project to license application.

At the time of print, AEA had not reached land-access agreements with CIRI and the Cook Inlet village corporations for future field work. Both parties remain committed to advancing land negotiations; however, progress is needed. During the budget announcement, Gov. Parnell indicated this lack of progress as a driver behind funding levels. It is anticipated that agreements will be reached during the first quarter of 2014.

An important next step in the FERC application process is the Initial Study Report, which serves as a project progress report, and was to be filed on February 3, 2014, and include plans for second-year studies. AEA proposes filing the Initial Study Report as a draft on February 3 and will continue workgroup meetings. Under the requested time extension, the final Initial Study Report would be filed on June 3, 2014, with the intent of filing the final license application in 2016.

As shown in this report, a tremendous amount of information was gathered in 2013 as part of the Susitna-Watana Hydro environmental study plan. AEA sees value in taking the time to engage stakeholders in the process and to prioritize future efforts that will lead to a successful license application.

PROJECT TIMELINE



EXPENDITURES

Susitna-Watana Hydroelectric Project
Status Report as of Dec. 31, 2013
Project Costs (in thousands)

Activity	FY2009-FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 To Date	Total	Encumbrance	Budgeted & Committed Funds	Total
Site Determination & Pre-Feasibility (Prior to Pre-Application Document)	2,487.0	4,011.3	-	-	6,498.3	-	-	6,498.3
Personnel	-	625.7	1,432.4	1,287.1	3,345.2	10.9	2,120.6	5,476.7
Licensing Costs:	-	-						
Engineering Feasibility Study	-	1,244.3	7,304.0	2,108.0	10,656.2	3,531.1	3,740.5	17,927.9
Board of Consultants	-	-	418.6	56.8	475.4	383.0	450.0	1,308.5
Detailed Engineering Design	-	-	-	-	-	-	200.0	200.0
Utility Corridor, Dept. of Transportation Analysis	-	450.8	94.8	7.9	553.5	227.2	80.6	861.3
FERC Licensing Support	-	510.0	1,032.6	213.8	1,756.4	582.8	365.0	2,704.3
Office of Project Management & Permitting	-	165.7	1,519.0	340.8	2,025.5	1,203.3	2,041.9	5,270.7
Resource & Feasibility Studies	-	4,915.7	25,008.0	18,800.4	48,724.1	33,325.6	19,188.5	101,238.1
Project Management Consult.	-	533.3	136.3	7.0	676.6	-	141.5	818.1
Technical Assistance	-	104.0	24.2	-	128.1	18.1	200.0	346.3
Permitting	-	2.0	458.9	35.2	496.1	61.1	398.2	955.5
Logistical Support	-	134.3	6,434.3	9,852.8	16,421.5	3,677.4	431.9	20,530.8
GIS	-	199.2	415.6	39.8	654.7	453.9	67.6	1,176.2
Website and Public Info Library	-	40.8	69.0	22.0	131.7	66.1	428.2	626.0
Communications	-	9.6	223.6	62.2	295.3	69.6	238.2	603.1
Legal	-	1,084.5	1,309.1	570.9	2,964.5	470.5	1,087.5	4,522.5
Travel	-	29.1	64.7	20.4	114.2	-	79.5	193.8
Project Office	-	106.4	172.8	80.9	360.1	-	390.8	750.9
Unallocated	-	-	-	-	-	-	63.7	63.7
Total Project Costs	**2,487.0**	**14,166.6**	**46,117.9**	**33,506.0**	**96,277.4**	**44,080.7**	**31,714.2**	**172,072.4**

Funding Sources	FY2009-FY2011	FY2012	FY2013	FY2014	FY2014
Railbelt Energy Fund	1,528.1	65,700.0	-	-	67,228.1
General Fund	9,644.3	-	-	95,200.0	104,844.3
Total Funding Sources	**11,172.4**	**65,700.0**	**-**	**95,200.0**	**172,072.4**

PROJECT TEAM

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Dana Pruhs, vice chair
Commissioner Susan Bell, member
Commissioner Angela Rodell, member
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