

Committee on Resources

Testimony

Testimony of Richard Levitt
before the US House of Representative
Committee on Resources
Concerning HR 3903 (H.R. 2561/104th Congress)
Glacier Bay National Park & Preserve
Boundary Adjustment Act

Mr. Chairman and members of the committee, my name is Richard Levitt, General Manager and President of Gustavus Electric Company.

I would like to take this opportunity to thank you for the opportunity to testify in support of the Glacier Bay National Park & Preserve Boundary Adjustment Act. This legislation will not only improve the environment and improve wilderness quality land, but also result in significant economic savings to the National Park Service (NPS), the State of Alaska, and local consumers in Gustavus.

In the Fall of 1995, HR 2561 was introduced in the House of Representatives. A hearing was held on November 7, 1995. However, this legislation did not move forward at that time. Over the past 2 years we have worked with the State of Alaska and the National Park Service to rework the legislation and create a bill that has their support.

In previous testimony, I gave a history of this land exchange process and a description of the proposed hydroelectric project. While I recognize many familiar faces here, I will repeat some of this testimony for the benefit of new members and to refresh the memories of those who were here then.

Gustavus is a small community adjoining the Park boundary and the land gateway to Glacier Bay National Park and Preserve (GBNP&P). It has a population that ranges from 700 plus residents in the summer to about 375 in the winter.

The idea of using Fall Creek as a hydroelectric source for the energy needs of the NPS at GBNP&P has been around for over 30 years. The Fall Creek area in GBNP&P was classified wilderness in the Alaska National Interest Lands Conservation Act (ANILCA). In 1981, the Superintendent of GBNP proposed an exchange of land to the State of Alaska so that a hydroelectric project could be built at the Fall Creek site. After a year of negotiations, a Memorandum of Understanding for the exchange of lands was signed in August 1982 by then Alaska Governor Jay Hammond and then Secretary of Interior James Watt. However, an exchange of deeds never occurred because it was determined that an act of Congress was necessary both to declassify wilderness lands and to create wilderness lands. This is why we are here today.

At present, the NPS and the Gustavus Electric Company maintain separate electric generation facilities. The facilities are approximately nine miles apart and each uses diesel engines to produce electricity. The NPS has a staff of about 30 employees on site throughout the year increasing to about 100 during the May-September tourist season. Facilities include about 160 beds in 55 cabin units and three dormitories, employee housing, power house, 82,500 gallon fuel tank farm, water and sewer treatment plant, and other

facilities. Current 1994 demand needs are 180 kW and peak demand needs over the next twenty years are estimated at 360 kW. Gustavus Electric Company serves an area of approximately fourteen square miles with a peak demand of almost 300 kW which is expected to increase to 550 kW in 20 years.

Hydropower has many benefits over diesel electric generation, the primary ones being cost and price stability. Hydro is also more reliable and consistent. Diesel power has many disadvantages. Most of these are apparent to the end user but they include increased risks of pollution throughout the discovery, production, and transportation cycles. Moreover, diesel releases green house gases.

The present costs of diesel generation for Gustavus Electric Company ranges between \$.12 and \$.16 per kWhr, depending on fuel oil costs (generation costs only). An in-house study by the NPS lists its generation cost at \$.174. The cost per kWhr over the next forty years using Fall Creek Hydro is \$.035 per kWhr.

The rates for Fall Creek Hydropower will be regulated by the Alaska Public Utilities Commission (APUC). It will be financed entirely by private investors, with no government funds, and the rate of return on the investment will be set by the APUC. The estimated cost of the project will be approximately two million dollars, which includes an intertie power line of five miles between Gustavus and the NPS headquarters and generation facilities.

Reduced electrical costs of the Fall Creek Hydroproject would result in savings to the rate payers of Gustavus of \$315,000 per year on average over a forty year span, based on projected growth of the community. Since the State of Alaska currently subsidizes a major portion of the electric generation costs in rural Alaska, the above savings would translate to a savings of \$70,000 per year for residents of Gustavus and a savings of \$245,000 per year for the State of Alaska. However, this electrical generation subsidy provided by the State of Alaska will probably not continue much longer because of declining State revenues. Therefore, a cheaper source of electricity will become even more important to the residents of Gustavus in the very near future. This will be important to the people of Gustavus who for the most part live a rural lifestyle more consistent with a subsistence economy than a cash economy.

The reduced electrical costs of the Fall Creek Hydroproject will also result in an annual savings to the Park Service of \$200,000 per year, on average over a forty year span, based on projections of the NPS in its general management plan for GBNP&P. In addition, the NPS has plans to build a diesel generation facility for \$2,000,000 and a new fuel oil storage tank farm for another \$2,000,000 both scheduled for 1998. If these needs were met by private enterprise, utilizing the Fall Creek Hydroproject, the NPS would not only save operating costs of \$200,000 per year, but would also save the capital cost of four million dollars for construction. All rates charged the NPS for electricity would be approved by the APUC.

The area of Fall Creek is approximately one mile East of Gustavus-NP Boundary. The creek itself empties into Icy Straits. It was determined by the NPS in 1982 that this land trade "will not significantly affect the purpose for which the Park was established."

The proposed NPS exchange is not pure Park property. There are two patented Native allotment inholdings in the Park's immediate vicinity of Fall Creek. Both have been logged twice and one contains a habitable cabin. Although it is the NPS policy to acquire all inholdings within its boundaries, eliminating these allotments as inholdings would further negate any need for future appropriations to acquire them.

The proposed hydroelectric project would be "run of stream" with no impoundment planned. Capacity would be 800 kW initially. Project improvements would consist of a stream diversion structure, two 18 inch

penstocks, 30' x 40' powerhouse, old logging road improvements new access road and bridge improvements.

At the 1995 hearing, Assistant Secretary of the Interior George Frampton testified that the Department of Interior (DOI) could support this land exchange bill if five conditions were met.

1. Only land necessary to develop a hydroelectric project and future impoundment be removed from the Park;

This bill sets aside a 960 acre study area and authorizes the Federal Energy Regulatory Commission (FERC) to select for the final land exchange the smallest amount of land from that study area which is necessary to complete the project.

2. The economic and environmental aspects of the project, as well as alternatives, would be studied and approved by the FERC pursuant to a review conducted under 18 CFR Part 4. Title to the lands would not pass until FERC approved the project;

This bill requires Gustavus Electric Company to conduct all studies required, including financing plans and economic analysis of the FERC licensing process. It also provides that the land exchange will not take place until the FERC license is issued and construction of the hydroelectric facility is assured.

3. The exchange would result in no net loss of Park wilderness;

This bill provides that there will be no net loss of Park wilderness.

4. The State of Alaska would transfer to the Secretary lands approved by the DOI in the area of Wrangell-St. Elias National Park; and

5. The exchange would be on an equal value basis;

This bill meets all of these conditions.

So far, all studies point to a hydroelectric project that can be economically and environmentally sound. Gustavus Electric Company is willing to do the further studies and go through the process required to obtain a hydropower license from the FERC. This will allow the concerns of any governmental agencies, organizations or individuals to be addressed and responded to by the applicant.

Finally, some minor revisions to the bill are required. Attached is a letter from my attorney to Chris Fluhr requesting those changes. The State of Alaska and the NPS join us in requesting those changes.

Again, thank you for the opportunity to testify. I would be glad to answer any questions

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