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DEPARTMENT OF ENERGY

Alaska Power Administration

Long-Term Allocation of Power from the Snettisham Project

AGENCY: Alaska Power Administration, Department of Energy

ACTION: Finding of No Significant Impact for the Environmental Assessment for Long-Term Allocation of Power from the Snettisham Project, Alaska Power Administration.

SUMMARY: The Alaska Power Administration (APA) has prepared an Environmental Assessment (EA) (DOE/EA-0839) evaluating the Final Marketing Plan for the Snettisham Project that establishes long-term allocation and sales of power. The proposed long-term sales contract will replace a 20-year sales agreement that expires at the end of December, 1993.

The EA evaluates the proposed alternative and the no action alternative. The proposed alternative replaces the expiring contract with a new 20-year contract with the same terms, conditions and allocation as the previous long-term contract. No other alternatives were developed, as there is only one utility in the Juneau area. The divestiture of this Federal project is expected to be approved by Congress; the present contractor would then assume the ownership and operation of the Snettisham Project.

The EA identified no actions associated with the proposal that will cause significant environmental or socio-economic impacts. The Final Marketing Plan for the Snettisham Project deals with the replacement of an expiring contract. The Final Marketing Plan does not include the addition of any major new resources, service to discrete major new loads, or major changes in operating parameters. No changes in rates are proposed in the Final Marketing Plan.

MAILED

FOR FURTHER INFORMATION CONTACT: Rob Waldman, NEPA Compliance Officer, Alaska Power Administration, 2770 Sherwood Lane, Suite 2B, Juneau, Alaska 99801, phone (907) 586-7405.

For general information on the Department of Energy's (DOE) National Environmental Policy Act (NEPA) review procedures or the status of a NEPA review, contact Carol M. Borgstrom, Director, Office of NEPA Oversight, EH-25, U.S. Department of Energy, 1000 Independence Avenue SW, Washington, DC 20585, phone (202) 586-4600 or (800) 472-2756.

PUBLIC AVAILABILITY: The EA and FONSI are available from APA at the address listed herein.

DETERMINATION: Based on the EA, DOE has determined that the proposed action will not significantly affect the quality of the human environment within the meaning of the National Environmental Policy Act, 42 U.S.C. 4321, et seq. Therefore, the preparation of an Environmental Impact Statement is not required, and DOE is issuing this FONSI.

Issued in Washington, D.C., this 23rd day of June, 1993.


Peter N. Brush
Acting Assistant Secretary
Environment, Safety and Health

MASTER

**ENVIRONMENTAL ASSESSMENT
FOR LONG-TERM ALLOCATION OF POWER FROM THE
SNETTISHAM PROJECT, ALASKA POWER ADMINISTRATION**

This Environmental Assessment (EA) was prepared pursuant to the National Environmental Policy Act (NEPA), Council on Environmental Quality implementing regulations, and the Department of Energy (DOE) NEPA regulations (10 CFR 1021). These regulations stipulate an EA for the "establishment and implementation of contracts, policies, marketing plans, or allocation plans for the allocation of power for periods of five years or longer that do not involve (1) the addition of major (greater than 50 average megawatts) new generation resources, (2) service to discrete major (10 average megawatts or more over a 12 month period) new loads, or (3) major changes in the operating parameters of power generation resources".

Purpose and Need

Alaska Power Administration (APA) needs to replace expiring long-term power sales contracts for the Snettisham Project with new contracts. The old contracts have been in place since 1973 and expire at the end of December 1993. APA has developed a Final Marketing Plan - Snettisham Project which details policies for allocating energy and capacity from Snettisham (a copy of the plan is attached). The plan does not include the addition of any major new generation resources, service to discrete major new loads, or major changes in operating parameters.

Background

APA markets power and energy from the Snettisham Project. Revenues from the sale of power and energy are returned to the U.S. Treasury to repay the Federal investment in the Project. The Project was authorized by Congress in 1962. Construction of the Long Lake phase began in 1967 and was completed in 1973. Construction of the Crater Lake phase began in 1984 with commercial power production beginning in 1991. The original power sales contracts signed in 1973 had 20-year terms and expire at the end of 1993.

APA published a Draft Marketing Plan for Snettisham power, requested public comments on the plan and held a public meeting. Based on comments received, APA published a Final Marketing Plan - Snettisham Project (57 FR 53320). The new long-term power sales contracts would be developed based on the Final Marketing Plan.

The Juneau area of Alaska is electrically isolated, and retail customers are served by a single utility, Alaska Electric Light and Power (AEL&P). About 80% of the area's energy requirement comes from purchase of Snettisham energy with the remaining 20% provided by AEL&P's own generation. Virtually 100% of the area's electricity is generated with hydropower. APA also sells a small amount of energy to the State of Alaska for operation of a fish hatchery at Snettisham. Sales to the hatchery are covered under another agreement and are not included in this Marketing Plan.

Proposed Alternative

APA proposes to replace the existing Snettisham long-term power sales contracts when they expire on December 31, 1993, with essentially identical contracts and to establish a Final Marketing Plan for the Snettisham Project. The proposed action is, therefore, a continuation of the status quo. The long-term power sales contracts would commit 72 megawatts of capacity, 275 gigawatthours of firm energy, and 50 gigawatthours of secondary energy, for a period of 20 years. APA has in developed the attached Final Marketing Plan to establish the policies for the long-term power contracts. The contracts would be with AEL&P, the sole utility in the Juneau area. Power or energy that is surplus to Juneau's needs will be available for allocation outside the Juneau area, subject to a requirements for firm plans to build the necessary transmission facilities. Potential major industrial loads will be eligible for energy or power surplus to Juneau's needs and will be served as customers of AEL&P rather than discrete customers of APA. Electric rates for the Snettisham Project were approved by FERC in 1991 for the period from October 1991 through September 1996. No changes in rates are proposed as part of the Marketing Plan.

The No Action Alternative

The no action alternative would have the present long-term power sales contracts expire without being replaced. Since Federal law requires APA to repay the Federal investment in the Snettisham Project, APA would attempt to market power without long-term contracts.

Impacts of Proposed Alternative

The proposed alternative will continue the long-term power marketing arrangements that presently exist. AEL&P will have assurance of a long-term, dependable source of electricity for resale. AEL&P customers will have continued access to stable electric rates. APA will have long-term guarantees of a market for Snettisham power to be able to repay the Federal debt on the project. No operational changes are anticipated which would result in additional impacts to the physical environment (changes on flow patterns, water surface elevation, etc.).

Impacts of the No Action Alternative

The Snettisham marketing area is unique in that it is electrically isolated. Presently, the only market for Snettisham power is the single utility in the Juneau area. If APA did not commit to secure power sales with long-term contract, the utility would have to make other arrangements for long-term power supply. This would include investment in more expensive new generation. Electric rate payers in Juneau would bear the burden of the capital investment in the new generation which would be reflected in higher electric bills. It is quite possible that the new generation sources would be fossil-fuel based with the associated impacts on air quality, fuel transportation and storage, etc.

Attachment

Final Marketing Plan - Snettisham Project

A. General

Alaska Power Administration (APA) is establishing new allocations of power and long-term power sales contracts for the Snettisham Project. The new contracts will replace contracts which have been in place since 1973 and which expire at the end of December, 1993.

The Snettisham Project authorization (Section 204 of the 1962 Flood Control Act, 76 Stat. 1194) establishes the general criteria for marketing project power and energy. The marketing plan will describe APA's implementation policies for these legislated marketing criteria.

APA also plans an Environmental Assessment on the marketing plan and allocations to be finalized before new contracts are agreed to. The Environmental Assessment will meet requirements of the Department of Energy's NEPA regulations (10 CFR 1021).

Presently, APA sells a small amount of power to the State of Alaska Department of Fish and Game (ADF&G) for its Snettisham Hatchery. These power sales are under a long-term agreement between APA and ADF&G. This plan and subsequent allocations will not alter availability of power for sale to ADF&G.

B. Background

APA markets power and energy from the Snettisham Project. The Long Lake and Crater Lake divisions of the Snettisham Project were authorized by Congress in 1962. Construction of the Long Lake phase began in 1967 and was completed in 1973. The original power sales contracts signed at that time had 20-year terms and expire at the end of 1993. The Juneau area had a surplus of hydroelectric energy until 1985 when area loads exceeded the hydro resource. Construction of the Crater Lake phase of the project began in 1984 with commercial power production beginning in 1991. With the completion of the Crater Lake phase, the Juneau area once again has a surplus of hydroelectric energy.

The Juneau area is electrically isolated and retail customers are served by a single utility, Alaska Electric Light and Power (AELP). About 80% of the area energy requirement comes from purchase of Snettisham energy with the remaining 20% provided by AELP's own generation. While AELP is the only utility customer purchasing Snettisham energy, APA also markets a small amount of energy to the State of Alaska for operation of a fish hatchery at Snettisham.

Studies have been made in the past of the feasibility of interconnecting the various load and generation centers in Southeast Alaska with themselves and ultimately with Canada to the north and south. These interties are technically feasible, but significant portions have not yet proven to be economically feasible.

An important consideration in the Juneau area electrical power market is the potential for the addition of relatively large industrial loads. A number of mining projects are in various stages of development in the Juneau area. The Green's Creek mine began operation in 1988 on Admiralty Island, and studies are currently proposed to determine the feasibility of connecting this project to the area power grid. Echo Bay Exploration is pursuing permits for development of two large mining projects in the area, one of which, the A-J mine, is located only four miles from downtown Juneau. Other mining projects are also being proposed which could conceivably be linked to the Juneau electrical system. The energy requirements for these potential mining loads would greatly exceed the present hydroelectric surplus.

In 1986, the Federal government formally proposed the sale of the Snettisham Project. A purchase agreement for Snettisham was negotiated and signed with the State of Alaska in 1989. The divestiture of this Federal project is awaiting Congressional approval.

The Marketing Plan and the subsequent power sales contracts will be compatible with the divestiture proposal. Under terms of the Snettisham Purchase Agreement, the new owners will take over APA's rights and obligations under the new power sales contracts when they acquire ownership of the project.

C. Objectives

The objectives of this plan are to establish the criteria and process for allocating power from APA's Snettisham Project in accordance with provisions set forth in the Snettisham Project authorizing legislation. Such provisions include instructions to market power so as to (1) encourage the most widespread use; (2) do so at lowest possible rates to consumers consistent with sound business principles; and (3) give preference to Federal agencies, public bodies, and cooperatives. An additional objective of this plan is to facilitate implementation of the divestiture if and when Congress approves the measure.

D. Marketable Resources

The entire output of Snettisham Project power and energy is available for allocation, less government camp loads, losses, and service to ADF&G. The energy production and generation capacity available for allocation is:

Firm energy	275 gWh
Secondary energy	50 gWh
Capacity	72 mW

Firm energy is the energy available from the project in approximately 9 out of 10 years. In most years energy will be available over and above the firm amount. This energy is secondary or surplus energy. On the average, APA expects to have 50 gWh of secondary energy available, though in some years there will be more and in some years there will be less. In unusually dry years there will be no secondary energy at all.

APA proposes to offer allocations of firm energy, secondary energy, and capacity, but will consider proposals for other classes of service.

APA offers no commitment which would require APA to purchase energy or capacity.

E. Market Area and Allocation Policies

The market area for power from the Snettisham Project is the Juneau area, i.e. the AELP service area. Proposals have been advanced for interconnecting other communities in Southeast Alaska or large mining loads with the Juneau market area. The following section describes APA policy for allocating Snettisham power and energy in these circumstances.

1. Policy for possible service to additional Southeast Alaska communities

Power and energy in excess of the needs of the Juneau market area will be available for export to other communities. No power will be allocated for such exports absent firm plans to finance and build the necessary transmission facilities.

2. Policy for preference in sale of power to public bodies and cooperatives

In allocating power surplus to Juneau's needs, APA will give preference to public bodies and cooperatives who conduct utility-type operations.

3. Policy for possible service to existing and proposed mining developments in the Juneau vicinity

Power and energy in excess of the needs of the Juneau market area will be considered available to serve major industrial customers. APA prefers to serve such customers through AELP rather than as direct service customers of APA.

APA encourages such customers to work directly with AELP so that AELP's request for allocation of Snettisham power and energy will reflect their needs. APA will consider requests for allocations from major industrial customers only if it is demonstrated that service through the utility is infeasible.

4. Policy to allocate power in the event that requests for allocation exceed the supply.

The mining developments, most notably the proposed A-J development and Green's Creek, including its expansion, could easily result in requests substantially exceeding the available supply. In that case, there will need to be determinations as to what part of and which of the proposed mining loads would receive Snettisham power and energy.

APA intends that such determinations be made as a part of the AELP process for deciding AELP's allocation request, that the determinations fully consider impacts to other classes of AELP customers, and that AELP's request for allocations demonstrate that proposed AELP service to one or more mining developments works to the benefit of other classes of AELP customers.

5. Policy to allocate power in the event the available supply exceeds requests for allocation of the resource

If there is additional firm energy/capacity remaining after the initial allocations, APA will offer firm surplus energy for allocation in accordance with the marketing plan. If firm surplus energy is available, it will probably be a declining amount over time.

F. Integrated Resource Plans

Requests for allocations must be accompanied by a statement outlining the requestor's intended activities under Integrated Resource Planning (IRP) or an equivalent process. A requirement for developing and updating IRP or equivalent plans will be incorporated into the long-term power sales contracts. IRP or an equivalent process is one which gives equal consideration to supply and demand side alternatives and methods of funding the appropriate investments to assure high levels of efficiency in all energy uses.

G. Contract Arrangements

Entities receiving an allocation of Snettisham resources will be offered an electric service contract for the allocated resource based on this plan. Contracts will be for a period of up to twenty years and will include "take or pay" provisions or other arrangements subject to the integrity of the project and availability of the resource.

Delivery points will be on the Snettisham transmission system. Normal delivery will be made at Snettisham transmission voltages. Deliveries may continue to be made at subtransmission voltages at powerplant, substation, and tap locations where contractors already have systems operating at such lower voltage levels.

All costs for delivery of energy beyond the Snettisham transmission system will be the responsibility of the contractor.

H. Reallocations

Resources made available for marketing because an allocation has been reduced or withdrawn may be administratively reallocated by APA's Administrator without further public process.

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