



# Memorandum

January 8, 2015

To: Assembly, City and Borough of Sitka  
Via: Mark Gorman, Municipal Administrator  
From: Christopher Brewton, Utility Director  
Subject: **Takatz Hydroelectric Feasibility Project – Final Report**

Attached is the Executive Summary of the Final Takatz Appraisal Study. This study addresses the feasibility and cost of constructing the Takatz Lake Project. The complete document is fairly large and can be downloaded or reviewed on the Electric Department website or in hard copy version at the library.

This final document was filed with the Federal Regulatory Energy Commission (FERC) and project stakeholders on December 30, 2014 and essentially concludes the Takatz Project studies. Please note the 2<sup>nd</sup> FERC Preliminary Permit to study this project will expire on January 18, 2015. The primary purpose of the Preliminary Permit is to establish priority of application for a license. This simply means that unless the CBS files a license application before January 18, 2015, any entity could file a license application with FERC to construct and operate the project.

Funding for the Takatz Lake Project is from the following sources:

Alaska Energy Authority Renewable Energy Grant Number 2195418	\$2,000,000
CBS Matching Funds (Electric Department)	\$231,768
Designated Legislative Grant (2012)	<u>\$770,000</u>
	\$3,001,768

There are a couple of action items to resolve before the Preliminary Permit expires.

## **1 – Should the CBS proceed with a license application for the project?**

The cost to relicense the existing Blue Lake project was several million dollars and this project was considered non-controversial and supported by the community at large. The cost to complete the additional studies and license the Takatz Lake project will be in the tens of millions of dollars, not counting estimated construction costs of \$298 - \$436 million dollars.

I recommend we do not request a 3<sup>rd</sup> Preliminary Permit or file a license application.

## **2 – Are there any post-permit costs or actions the CBS should pursue?**

The CBS has a 3-year joint funding agreement with the U.S. Department of Interior – U.S. Geological Survey for the establishment and maintenance of two (2) stream gages at Takatz Lake. This agreement will expire on December 31, 2015. The total cost to maintain these gages is \$207,774 for the CBS and \$56,177 for the USGS, billed on a quarterly basis. We have requested the use of remaining AEA grant funds to continue these gages while we seek alternative funding sources to maintain the gages.

If we cannot find an agency or source of funding I recommend we cancel the USGS agreement and remove the gages.