



# City and Borough of Sitka

**Electric Department**  
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January 6, 2015

Gary Paxton Industrial Park Board  
Attn: Mr. Garry White, Director  
329 Harbor Drive, Suite 212  
Sitka, AK 99835

Re: GPIP Real Estate Purchase Proposals

Garry,

This letter is in response to the recent proposals discussed at the GPIP Board Meeting of December 17, 2014 and is intended to provide you relevant information concerning electric service for the proposed park expansion and planned disposition of remaining materials from the Blue Lake Expansion Project.

I have reviewed the Silver Bay proposal of June 26, 2014, the Silver Bay proposal modification of December 12, 2014, the Alaska and Pacific Packing proposal of September 2, 2014, the Summary of Salient Facts provided by Alaska Appraisal Associates, Inc. dated November 14, 2014, and your transmittal letters of December 9, 2014 and December 11, 2014.

Silver Bay Proposal (June 26, 2014):

*Area A – Seafood By-Product/Oil Plant:* The intent is to install facilities to manufacture wild Alaskan salmon oil. I am unaware of the existing capacity or condition of electric service to the facility, therefore electric upgrades may be required at both the facility and substation level. Service upgrades can be readily accommodated however; substation upgrades will require purchase and installation of long-lead time equipment. The existing substation transformer is rated at 7.5 MW and the current peak load is 3.5 MW. I anticipate there is adequate capacity for this new load but cannot confirm that until we review the planned project additions.

*Area B – Administrative Building:* To my knowledge the existing electric service provided to the Administrative Building at full occupancy during the Blue Lake Expansion Project was acceptable. I would therefore not expect any significant electrical upgrades for this facility.

*Area C – Seafood Value-Added, Reprocessing and Cold Storage:* Although there are no specifics provided in the proposal, the electric infrastructure to support this “new” industry could be substantial.

Providing additional electric service to this parcel should be relatively simple as the GPIIP Electric Substation abuts this property and required utility corridors and/or rights-of-way, if any, should be easy to accommodate. However, if there is inadequate electric capacity, the substation will require additional infrastructure including an additional power transformer, circuit breakers, switchgear cabinets, distribution bus, and related system protection.

There is adequate space within the existing substation to accommodate this growth, however, the equipment often requires a long lead time to design, specify, purchase and install. Coordination with Silver Bay Seafood will be critical to ensure this capacity is available to meet their expansion needs.

*AREA D-F – Marine Service Center:* We do not anticipate significant electric load growth to support a marine facility and allied industries. However, as discussed in the proposal, growth in this sector will be driven by market demand. As such there should be adequate time to install necessary electric infrastructure to accommodate this business sector.

However, one key issue will be the thoughtful design, development and construction of utility corridors and/or rights-of-way to facilitate expansion. A 250-ton travel-lift is a significant load and all surface/subsurface installations, including utilities, must be designed to withstand these loads.

*Purchase Price:* Offer is contingent upon the property being returned to an “as-was” condition prior to the Blue Lake Expansion project. SBS further states they recognize the earth and rock stored on the property was intended to be used for the construction of a multi-use dock and SBS is willing to accommodate a transitional period.

As you are aware the Electric Department is presently leasing lots 8, 9a, 17 and will continue to do so until final disposition of the Blue Lake material is resolved.

#### Silver Bay Proposal Modifications (December 12, 2014):

*Reduced Area D:* This area is reduced to allow CBS to retain additional waterfront area. This modification further states this reduction leaves less desirable property available for the implementation of the SBS proposal – which includes utilizing existing rock at the GPIIP as fill beyond the current uplands. As noted above, the Electric Department is responsible for disposition of the Blue Lake material. As such, SBS will be eligible to negotiate procurement of this material.

Please note the appraisal for these properties assume all rock and other materials are cleared from the properties. It appears the SBS proposal contemplates rock fill as part of their proposal, and as such, they should be prepared to negotiate purchase of this material.

Alaska and Pacific Packing Proposal (September 2, 2014):

*Lots 4, 8, and portion of 9a:* Proposal includes potential manufacturing, fabrication, and servicing of seafood processing equipment as well as floating processors and support vessels. All of these allied industries could utilize large amounts of electric energy and consequently would require service and substation upgrades, depending on the final facility configuration. This will require utility substation upgrades to provide electric service to the facility.

The lease offer would begin after all rock is removed from the lots and the site graded to useable condition. As noted, the Electric Department is responsible for disposition of the materials resulting from the Blue Lake Expansion Project.

Summary of Salient Facts - Alaska Appraisal Associates, Inc. (November 14, 2014)

*Extraordinary Assumptions:* (1) As noted, the Blue Lake Expansion Project has utilized a significant portion of the Industrial Park for temporary placement of construction materials and all material will ultimately be removed or utilized. Did the appraisal consider a value added assessment of the rock? This would be very helpful information as at least one proposer has implemented use of this material in their planned project development. Obviously, there would be a cost component to the proposer to bring in construction materials if the site did not presently contain a significant amount of rock.

(4) The parking lot across Sawmill Creek Road adjacent to the Blue Lake Road gate was constructed as a Federal Energy Regulatory Commission (FERC) 4(e) condition pursuant to relicensing the Blue Lake Hydroelectric Project. This parking lot must be maintained for the purpose of public parking for access to the Blue Lake Road.

Thanks for your hard work in bringing these proposals forward, please contact me if you have questions or need amplifying information.

Sincerely

  
Christopher Brewton  
Utility Director

Cc: Mark Gorman, Municipal Administrator