

October 3, 2008

Doug Hall, Project Manager
Teeland-Douglas Transmission Line Upgrade Project
Municipal Light and Power
1200 East 1st Avenue
Anchorage, Alaska 99501-1685

Re: Additional Scope of Work

Dear Doug:

This letter will briefly summarize recent discussions and confirm the additional scope of work that the Alaska Energy Authority (AEA) requests Municipal Light & Power (ML&P), and its consultants, provide as project managers for AEA's Teeland-Douglas Transmission Line Upgrade Project.

During the last Legislative session, funds were appropriated away from this project to provide for Alaska Intertie upgrades which were deemed an overriding immediate priority. AEA will return to the Alaska Legislature next session to secure necessary funding for completion of this project. For several reasons, it is prudent that AEA provide the Legislature with an additional routing option for consideration, along with those advanced in the 2004 preliminary routing study by Dryden & Larue for AEA. Dryden & Larue have furnished the basis of the project team's work to date.

We request you develop a route for a new high-voltage transmission line which would still run south from the Douglas substation, but which would now terminate at a new substation in the Lake Lorraine area (to be included as part of the project), rather than terminate at the Teeland substation.

The desirability of this potential route terminating at Lake Lorraine surfaced in discussions as the result of recent work on an unrelated project dealing with grid reliability and load studies in the area. The work revealed a weakness in the electric grid between the Point Mackenzie switchyard and the Teeland Substation: the transmission feed to the 115 kV backbone of the MEA system is presently vulnerable to a single-contingency outage and would remain so if the upgrade project terminated at Teeland. The Douglas/Lorraine route would overcome the deficiency by allowing a grid feed to the MEA backbone through the Douglas substation, as well as through Teeland. The new route will further the primary purpose of the project's original legislation - to upgrade the segment of the State's Intertie south of the Douglas substation.

As the MEA 115 kV backbone segment would also provide a valuable redundancy for the Douglas/Lorraine Intertie segment, the project's additional scope should consider enhancement of the MEA 115 kV line to 138 kV capacity. However, you should

approach MEA on this matter, and if they concur, only then should it be made a part of the additional scope. I expect that they may have plans for this segment which could influence this approach. You should identify interconnection measures with the MEA owned network which are cost neutral to MEA, and harmonize with their system plans.

In addition to grid reliability enhancement warranting exploration of a potential Douglas/Lorraine routing, AEA seeks to accommodate public concerns on use of the MEA parallel route for the new line. Your project team's extensive initial Public Involvement Process concluded with the August 6, 2008 public hearing. At that meeting, misgivings were registered through written resolution from the City of Houston and the Willow Community Organization. The resolution accepted the desirability in the greater regional interest of upgrading this segment of the Intertie, but the resolution authors clearly were concerned with the "significant negative impact on residents and property owners where a double line would lie within private property." In testimony, they, and other members of the public, expressed a strong desire that the new transmission facility consist of tall, dual-circuit single towers carrying both MEA and AEA lines, rather than smaller, single-circuit towers carrying only the new AEA line alongside the still smaller existing towers carrying the MEA line.

Implementation of the one-tower transmission facility would require MEA's consent to relocate with AEA onto dual circuit towers. AEA approached MEA on this subject following the August 6 hearing, but MEA declined to join in dual-circuit construction and likely cannot be compelled to do so by us. A copy of MEA's response letter is attached. Accordingly, we request that in the development of the Douglas/Lorraine proposal you make every effort consistent with sound engineering and reasonable costing to avoid, or at least mitigate, the community concern expressed about parallel tower situations.

With respect to scheduling, please provide a short concept paper as soon as possible. The paper should outline the general scope, anticipated benefits, and a first approximation of expected costs for a Douglas/Lorraine route option (and any necessary clarifications for the option outlined in this letter). If the project team and AEA concur that the option warrants further development, this concept paper may be used as a 'placeholder' for AEA purposes pending more definitive analysis.

Following delivery of the concept paper, and unless we direct you otherwise, we request you proceed with development, and by December 1, 2008, or as soon as possible thereafter, of a supplement to the 2004 routing study which presents the Douglas/Lorraine option comparable in detail and projected costing to the initial routing proposals. The presentation should include a system or 'load flow' study establishing, as necessary, the option's acceptable integration into the Railbelt grid.

In developing the option, we would also like you to integrate two elements beyond those discussed thus far.

1. Please define a utility corridor that could accommodate additional facilities that may become necessary in the future. Accordingly, the option should incorporate between a 200 and 300 foot wide right-of-way for future expansion.

2. Consistent with the utility corridor approach, we would like the project team to explore the potential of co-locating the Douglas/Lorraine routing with rights-of-way being considered for the Railroad's new spur line in the Mat-Su Borough. AEA will assist you in this exploration as you deem necessary.

AEA is very active at this time in near-term and long-term generation and transmission planning for the Railbelt grid, particularly in the area in which you are and will be active on this project. Therefore, it is conceivable that occasions may arise requiring aspects or elements from those activities be included in your work.

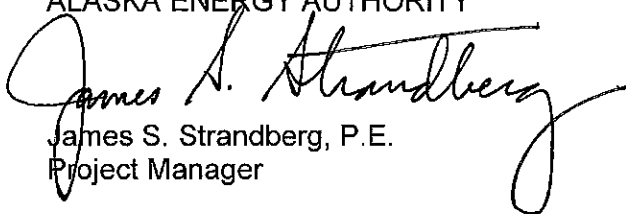
Because \$10M of the original \$20.3M appropriation has been appropriated to renovate the static VAR system on the Alaska Intertie, we request that you work with us in renegotiating the contract scope of work and contract dollar value to comply with the re-appropriation.

I would like to meet with you at your earliest convenience to discuss the renegotiation. Please include the tasks outlined in this letter in the revised scope of work.

As always, feel free to contact me if you have any questions.

Sincerely,

ALASKA ENERGY AUTHORITY



James S. Strandberg, P.E.
Project Manager

cc: Steve Haagenson
AEA Executive Director

James M. Posey
ML&P General Manager

Louis Agi
ML&P Project Administrative Officer

Ms. Lois Lester, Chairman
MEA Board of Directors

Mr. Wayne Carmony
General Manager, MEA



**Matanuska Electric
Association, Inc.**

P.O. Box 2929
Palmer, Alaska 99645-2929
Telephone: (907) 745-3231
Fax: (907) 761-9368

Sp.

August 13, 2008

James S. Strandberg, P.E.
AEA Project Manager
Teeland-Douglas Intertie Project
813 W Northern Lights Boulevard
Anchorage, AK 99503-2495

Dear Mr. Strandberg:

In a recent communication to the MEA Board President, Lois Lester, you asked a number of questions. I have been asked to respond.

Question: How much of the existing MEA right-of-way can be shared on this Project?

Answer: MEA's response is essentially unchanged since it was previously communicated to AIDEA/AEA Executive Director Mr. Ron Miller on May 9, 2003 (with the clarification that MEA does and will object to any sharing of right-of-way between Teeland Substation and our Hollywood Road 115 kV line crossing).

Question: Which of the scenarios best fits with MEA's needs (a reference to the connection at Douglas Substation)?

Answer: c. (Until such time as AEA is notified to the contrary.)

Question: Does MEA wish to be included on a double circuit tower or to be left as-is on their existing line?

Answer: As-is. MEA's position is unchanged since this information was communicated to Mr. Miller on May 9, 2003. It is of importance that we maintain the flexibility to operate our own facilities, for our own purposes, and in the manner of our choosing, in either a single or double circuit configuration.

Sincerely,

Wayne D. Carmony
Wayne D. Carmony
General Manager

cc: MEA Board of Directors

Enclosure

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AUG 15 2008

AIDEA/
AEA



**Matanuska Electric
Association, Inc.**

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**VIA FACSIMILE
AND CERTIFIED MAIL**

May 9, 2003

Mr. Ron Miller
Executive Director
Alaska Industrial Development and
Export Authority/Alaska Energy Authority
813 West Northern Lights Boulevard
Anchorage, Alaska 99503

Dear Mr. Miller:

I am writing to follow up on our May 2, 2003 telephone conversation, and my January 28, 2003 letter to James McMillan concerning the December 18, 1986 Transmission Services Agreement (Agreement) between MEA and the Alaska Power Authority. A copy of my letter to Mr. McMillan is enclosed.

This letter constitutes MEA's notice that it will not be extending the Agreement upon its scheduled June 30, 2004 expiration. Although we had previously notified AIDEA/AEA that we might not arrive at a decision on the future of the Agreement until later this summer, our evaluation has concluded earlier than expected and I wanted to share this information with you as soon as possible as a gesture of good faith to your agency.

As you are probably already aware, this line segment is a major element in MEA's current and future operating plans. The line will undoubtedly play a key role in the ultimate future use of MEA's Hollywood Road generation site, and it is critically important that MEA have the flexibility of operating it in the manner of our choosing, in either a single or double circuit configuration.

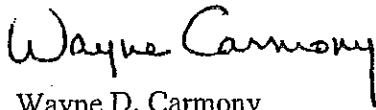
As a general proposition MEA will, of course, cooperate with AIDEA/AEA in allowing for some easement overlap for a new transmission line, should your agency decide to proceed with construction adjacent to our existing right-of-way easements. We will, however, require that any overlap be limited to that portion of our easements between our closest phase conductor and the edge of our right-of way. Further, the new line will have to be constructed at a sufficient distance from MEA's existing

Ron Miller
May 9, 2003
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facilities as to avoid the possibility of contact between the two lines in the event a structure in either line should fall over. Although our intent is to cooperate with AIDEA/AEA in allowing for some easement overlap, it must be understood that no physical intrusions into our existing easements will be permitted.

We will be happy to discuss these conceptual requirements in greater detail with your consultants at a time that is mutually convenient.

Sincerely,



Wayne D. Carmony
General Manager

Enclosure

dz/prw