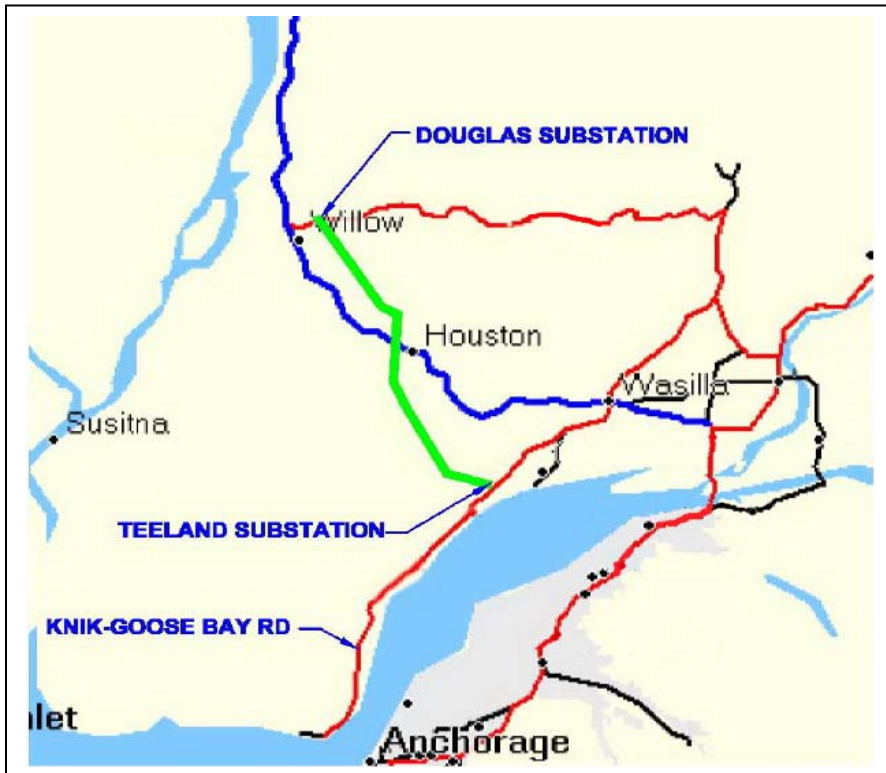


NEWSLETTER of the KNIK-WILLOW TRANSMISSION LINE PROJECT

July 2008

I. Introduction



Notice of Public Hearing

August 6, 2008
6:00 p.m. to 8:00 p.m.

Wasilla Sports Complex
Rooms 1 and 2
1001 S. Mack Drive
Wasilla Alaska

The public is invited to attend
and provide testimony on the
Knik-Willow Transmission
Line Project

This Newsletter shares the current status of the Knik-Willow Transmission Line Project that will build approximately 25 miles of new electrical transmission line between the Teeland (Knik) and Douglas (Willow) substations for the Alaska Intertie. Constructed in the mid-1980s, the 170-mile Intertie is owned by the State of Alaska through the Alaska Energy Authority (AEA). The Intertie constitutes the essential infrastructure permitting bulk energy transfers between Fairbanks and Anchorage.

The Project will provide the Intertie with a 230 kilovolt (kV) link, the minimum size in the balance of the Intertie, to replace approximately 25 miles of transmission line that includes a 20-mile span of 115 kV line owned by Matanuska Electric Association (MEA) and a five-mile segment of 138 kV line in which AEA and MEA both have ownership interests and share use. The MEA 20-mile span had historically been leased to AEA for Intertie purposes and jointly used, but MEA declined to renew the lease and desires its return for local use only.

Thus, the Project will return MEA's span and complete the Intertie as a facility exclusively dedicated to bulk energy transfers at a greater potential carrying capacity, also offering greater efficiency, reliability and safety. The new line will be energized at only 138 kV, the current operating voltage of the Intertie, but building to the higher standard now realizes economies that would be lost if the greater capacity were to be built at a later time when growing demand should require the capacity increase.

Through the spring and early summer of this year, the Project team has been conducting meetings with community stakeholders and open houses for the community at large concerning the Project. The sessions all commenced with the Project Team presenting the nature and history of the Intertie, and then the routing study that had been done in 2004 and resulted in an initial array of potential routes including a preferred route at that time. The Team answered questions on all aspects of the Project and solicited input from the stakeholders and public at large concerning the precise choices for routing of the new line.

These meetings and open houses, twelve all told, were conducted as part of the Public Involvement Plan filed by the Project team with the Matanuska-Susitna Borough Planning Department. The last meeting scheduled in the Plan is a **formal public hearing to be held on August 6, 2008 in the Wasilla Sports Complex, at Rooms 1 and 2, between 6:00 PM and 8:00 PM**. This hearing will be devoted to receiving formal public testimony addressing the Project's line choices. This meeting is being noticed by media advertising and direct mailing to stakeholders.

The following sections of this Newsletter will again review briefly the initial array of line choices and basic supporting considerations. A summary of the discussions from the meetings and open houses is presented, followed by a statement of our preliminary routing selection. The material presented will hopefully provide a useful background for persons desiring to testify at the August 6 hearing.

Following the hearing, the Project team will consider the material presented throughout the public process including the hearing, conduct further technical work as may be necessary to insure route feasibility such as additional permitting and right of way review, undertake preparation of a preliminary line design, and update our work for late developments including the funding needs and progress on potentially related Intertie matters. At the conclusion of this process the Project team will present a decisional document containing its formal recommendation to the AEA on final selection of routing and line design for the Intertie's Knik-Willow segment.

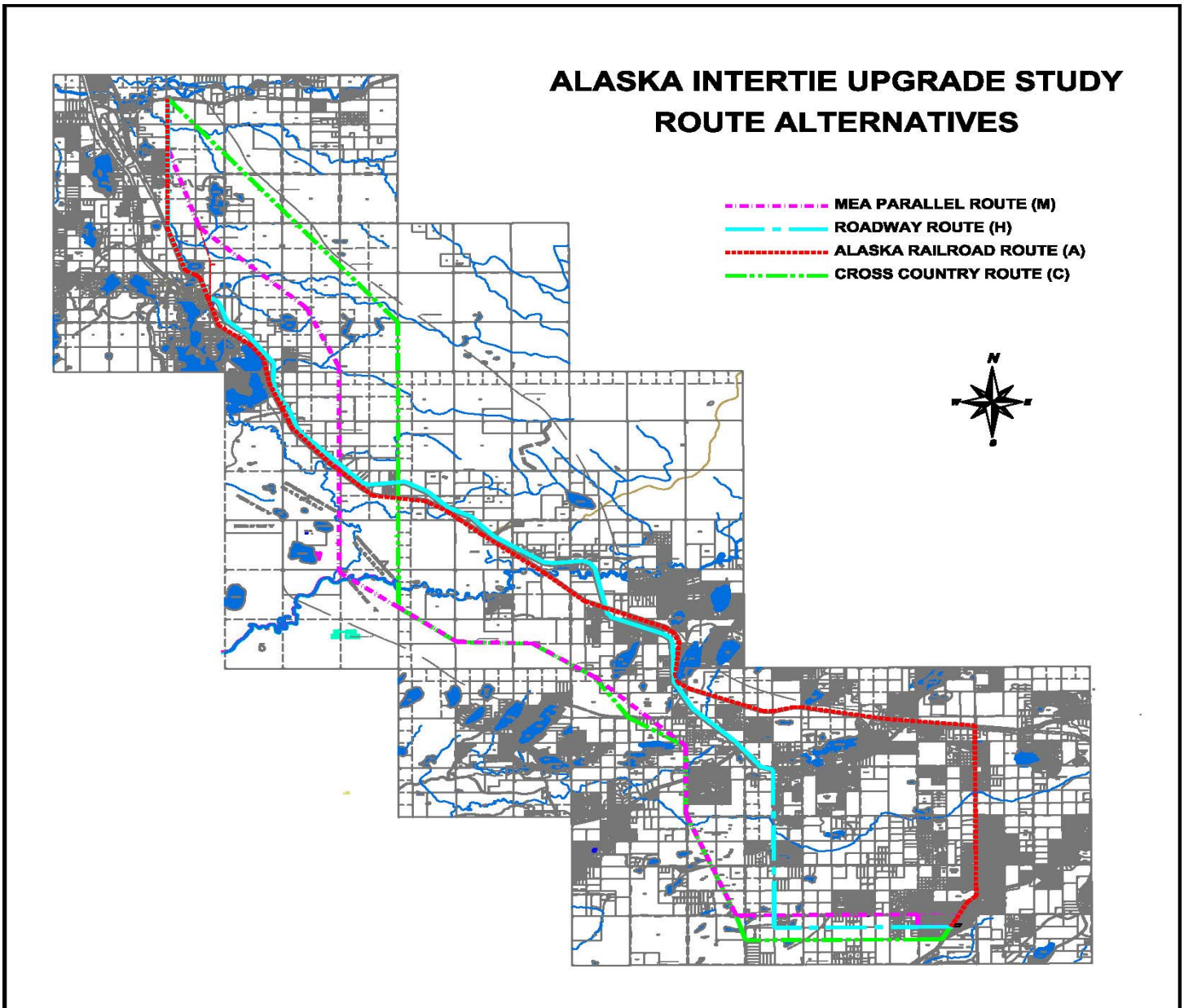
The present expectation is for the decisional document to be completed in the late fall, and it will be made available at <http://www.akenergyauthority.org/> under the Teeland- Douglas Intertie Upgrade Project. Notice of the document's availability will be distributed to the community.

As a final administrative note in this section, the Project is being conducted under a Project Management contract from AEA to Municipal Light and Power (ML&P), the Intertie's southern administrator. ML&P has retained the engineering firm of Dryden & LaRue (D&L) as its prime subcontractor, which firm had also conducted 2004 initial route study. D&L has retained Travis/Peterson Environmental Consulting (TPEC) for the Project's environmental permitting work and for assistance with the public involvement process.

For more project information please visit www.drydenlarue.com/07-0263/. Further comments can be directed to either of the following persons:

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II. 2004 Route Study



*A clear view of all graphs and tables can be found at www.drydenlarue.com/07-0263/

In 2004, D&L under contract to AEA prepared an initial route analysis study for the Knik-Willow Transmission Line Project. D&L developed the conceptual design of the line, as well as cost estimates for construction and acquisition of rights of way for each route. TPEC identified environmental issues and permits required for each route. Four possible transmission routes were identified; AARC (or existing railroad) Route, Cross Country Route, Highway Route and the MEA Parallel Route. All segments except the Cross Country Route are adjacent to an existing linear facility such as a roadway.¹

¹ Three options that entailed upgrading the existing transmission line were also considered in the study, but they all involved discontinuing transmission service over the Intertie during the line's construction. Those options are not being investigated at this time as current economics indicate they are no longer feasible, as the price of such discontinuance of transmission service would be in the \$15 to \$17 million range for each year of the year or more required for construction.

EVALUATION CRITERIA:

QUALITATIVE DATA

- Visual Impacts
- Public Safety
- Existing Facilities
- Construction Impacts
- Land Use Conflicts
- Terrain Obstacles
- Minimal Distance and Clearing
- Environmental Impacts

QUANTITATIVE DATA

Costs for:

- Construction
- Engineering
- Easements
- Permits

Route comparison involved arranging the combined data into qualitative and quantitative criteria. Qualitative data included aspects that must be considered but are not easily amenable to objective measurement, such as land use conflicts, terrain obstacles, amount of land clearing required, environmental impacts, visual impacts, public safety, impacts on existing facilities, and construction impacts. Quantitative criteria were definitive and measurable data, including construction costs, engineering/owner and contingency costs, costs of acquiring permits and easements.

Based on this methodology, a route was selected for initial recommendation that offered the lowest cumulative impacts and least estimated costs. The preferred route resulting from this analysis was the MEA Parallel Route.

One or more copies of the 2004 study were provided at each of the community meetings, and a copy may be viewed on the Project website referenced at the end of the preceding section of this Newsletter.

III. Public Involvement

2008 Public Involvement Table

Date	Action
Feb 20	Presented to City of Houston city officials Presented to Matanuska Susitna Borough officials
March 7	Contacted Stakeholders to organize a meeting
April 9	Presented to Meadow Lakes CC
April 16	Presented to Stakeholders in Palmer Presented to Knik/Fairview Community Council (CC) board
May 5	Presented to the Willow Area Civic Organization CC
May 7	Presented at Knik/Fairview CC general membership meeting
May 8	Presented to City of Houston Council
May 29	Posted Fliers in Big Lake, Houston, Willow, Knik and Meadow Lakes communities
June 11	Presented to Big Lake Community Council
June 1, 8, 15	Published announcement in Anchorage Daily News and Frontiersman
June 1-16	Aired radio announcements
June 17	Open House at Willow Community Center Open House at Houston City Hall
June 19	Open House at Settler's Bay Lodge
Aug 6	Formal Public Hearing at Wasilla Sports Facility

As reflected in the Public Involvement Table, the Project Team held scoping meetings with public officials, attended community council and city council meetings and held open house forums. In this process, the team received many questions and comments; both written and verbal.

The transmission line project extends 25 miles between the Knik-Fairview community and the Willow community. The four potential routes may impact four community councils and one city. At one end of the project, near the Teeland

Substation (Knik), the MEA parallel route passes through several subdivisions of one-acre lots, and then heads north and west through larger tracts to the Douglas Substation (Willow) at the other end.

Summary of Public Comments:

Fourteen written comments or questions were received by the team. Comments and questions were voiced at the 12 meetings held between February 20 and June 19 in the communities affected. Following is a synopsis of those meetings based on the Teams impressions of the public sentiment.....

A clear majority of comments recommended following the MEA parallel route because it would avoid disrupting undisturbed territory. An obvious preference was voiced to keep the utility corridor as narrow as possible to avoid infringing on neighboring properties.

Several citizens recommended the cross country route, primarily to avoid the small-lot congested area around the Teeland Substation. One comment from a property owner on the cross country route near the Teeland Substation contradicted those recommendations and recommended the MEA parallel route over the cross country route since the properties on the MEA parallel route were already next to existing electric lines and an added line would have less negative impact than developing a new route. One comment from a meeting in Willow expressed concern that the cross country route would intrude on an existing dog mushing trail.

The question asked most often was how much right-of-way will be needed and if additional right-of-way is needed, how it will be obtained. Many asked if the utility corridor could be used as a recreational trail. Another common question/suggestion was for the transmission line to be located within the new proposed railroad corridor from Willow to Pt. MacKenzie.

Geographically, the Knik area seemed most concerned with how right-of-way would be obtained, and how much right-of-way. The Meadow Lakes Community Council adopted a resolution recommending the MEA parallel route, which effectively excluded that Community Council from impact by any of the four routes. The Big Lake Community Council, which is minimally impacted by the project, took no formal action, but seemed to prefer the MEA parallel route.

The Houston and Willow areas voiced their preference for the MEA parallel route by submitting written comments and voicing their comments at public meetings. Several comments voiced preference for the utilities to work together and construct a single-tower line, to limit negative visual impact² and keep the utility corridor footprint as narrow as possible.

The City of Houston and Willow Area Civic organization are still considering a joint resolution concerning the project. No position from those bodies is available to incorporate into this Newsletter.

State and Borough elected officials attending presentations were Representative Neuman and Stoltz, Assemblymembers Woods, Bettine, Kluberton and Church. No formal comments were received from these officials³.

Matanuska Electric Association was notified of all meetings and invited to meet with the team. MEA representatives attended open house forums in Houston, Willow and Knik on June 17 and 19. The project team is schedule to make a presentation to the MEA Board of Directors on July 28. No official MEA position is included in this Newsletter.

² Burying the transmission line was discussed at several hearings. Information related to undergrounding is available on the Project website.

³ The team is complying with an existing Matanuska-Susitna Borough public involvement process ordinance.

IV. Preliminary Decision

The Project Team greatly appreciated the opportunity to present the Project before the many groups with which it met. People in attendance exhibited commendable patience in confronting and absorbing unfamiliar matters, and in turn frequently posed thought-provoking comments and questions.

Having considered the discussions to date, the Project Team believes that the MEA Parallel Route is in the community's best interest. The factors that influenced that preference in the 2004 study remain and are valid today, and recognized in much of the community dialogue. This route takes best advantage of existing corridors, resulting in the least disturbance of property interests and the most minimal impact on aesthetic sensibilities.

Although offering the smallest footprint, there are still questions concerning this route that have yet to be addressed in further study. However, no fatal obstacles appear present, and no superior routing choice has yet emerged.

Accordingly, and subject to what may be developed at the August 6 hearing and/or may be revealed through later research, the preliminary decision of the Project team is that the MEA Parallel Route is the preliminary preferred selection for the Knik-Willow transmission line.

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