

STATE OF ALASKA

**DEPARTMENT OF MILITARY & VETERANS AFFAIRS
OFFICE OF THE COMMISSIONER**

SARAH PALIN, GOVERNOR

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May 09, 2008

Senator Kim Elton
State Capitol Room 506
Juneau, AK 99801-1182

Dear Senator Elton,

Governor Palin has asked me to respond to your letters dated April 17, 25, May 5, and 8, 2008, regarding the avalanche that damaged the transmission lines from the Snettisham hydroelectric project. I too share your concerns with the impacts this event will have on individuals, families, and businesses in the Juneau-Douglass area.

I can assure you that all departments and agencies in the Executive Branch are taking appropriate measures to respond to this situation. Upon receipt of the City and Borough of Juneau's (CBJ) declaration of local disaster emergency experts from both the Alaska Industrial Development and Export Authority (AIDEA) and my Division of Homeland Security and Emergency Management were dispatched to provide technical assistance. Furthermore, I have had personal discussions with CBJ Mayor Botelho concerning the State response to the Avalanche over the past couple of weeks.

On Wednesday, April 23 the Disaster Policy Cabinet (DPC) met to discuss the disaster request submitted by the CBJ. The DPC exists to provide a balanced review of each situation affecting any area of the State. This ensures all State agencies are involved in developing solutions to current problems. This includes recommendations for State disaster declarations when necessary.

The DPC met again on May 1, and determined a disaster declaration was not appropriate. The DPC recommended to Governor Palin that a State Disaster not be declared and she has agreed. AIDEA is providing financing for the repair of the transmission lines currently underway. The Juneau Assembly, at the request of Mayor Botelho, has provided \$3 million for residential and business assistance. This will assist residents and businesses unable to bear the burden of the increased costs.

I applaud these efforts. The State disaster statutes were established by the Legislature to be used as the last resort when no other resources are available for events which threaten life, safety or property. In this case the State and local governments are responding and the situation concerning power to CBJ residences and businesses is stable.

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Based on the actions of the DPC, the State Department of Commerce, Community and Economic Development (DCCED) is working with the Small Business Administration (SBA) concerning a potential economic injury disaster which would access the Federal Economic Injury Disaster Loan Program. Both SBA and the Federal Emergency Management Agency (FEMA) have been extremely helpful in responding to this event.

At this point the power needs of CBJ are being met. Over time the increased cost of fuel and the increased cost of the loan for repairs to the utility, may not be offset by the current actions. The Administration has been working to develop solutions to high energy costs across Alaska. Governor Palin will unveil a statewide plan next week to address the state energy crisis, caused by the significant and rapid increase in oil prices, and would appreciate your support of her plan in light of the situation affecting Juneau.

In response to several areas of concern you have raised in your correspondence I provide the following:

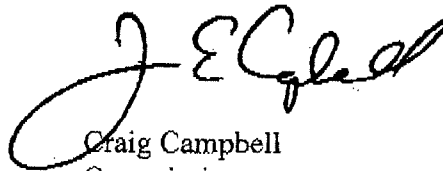
- The fisheries disasters declared in 1997, 1998 and 2000 were all written for expressed food shortages and imminent widespread threats to health and safety.
- The request for assistance from our Federal partner agencies is implicit in our request for the appropriate response from SBA. The issue of funding the repair of the transmission lines was reviewed by our Attorney General and the Federal Emergency Management Agency (FEMA) at our request. Both the State and Federal disaster programs only provide funding to eligible applicants who are responsible for repairs. In this case Alaska Electrical Light and Power (AELP) is not an eligible applicant because it is a for-profit entity. In the agreements between AIDEA and AELP for the sale of the project the O&M agreement places the responsibility for repairs on AELP. As an ineligible applicant this eliminates them from established State or Federal disaster public assistance programs. In the 2005 Southeast Disaster AELP was denied State disaster funding for their losses at the Salmon Creek Facility access road, so this determination was not unexpected.
- The issue of FEMA disaster assistance being provided for damage to Terror Lake is accurate. The eligible applicant is Four Dam Pool a non-profit entity, an eligible applicant.
- We too were concerned there might be a cash flow problem for AELP and were considering the potential for a loan for the repairs. However, that was negated by AIDEA having funds available and the ability to provide quick assistance in obtaining financing for this need.
- Again, the disaster relief fund can be accessed by Governors when all other means are exhausted to provide relief from an occurrence of widespread threats to health and safety. In this case we believe the need has been met.
- Finally, it is important to note that power and fuel rates for many other Alaskan communities are extremely high. This is critical in consideration of the State's energy situation as a whole and we encourage the Legislature's involvement in a statewide solution.

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The administration will continue our efforts to reduce power consumption in the Juneau area in order to reduce the amount of diesel fuel required and reduce financial impacts to the State. Through the combined efforts of the State and the citizens of Juneau we will be able to mitigate a portion of the increased fuel demands on the area.

Again let me express my sincere concerns regarding this unfortunate situation and to express Governor Palin's commitment to work together to ensure the citizens of Juneau's needs are being met. We look forward to your support of Governor Palin's statewide energy plan. In the meantime, should you have any questions concerning the SBA process please feel free to contact Commissioner Emil Notti, DCCED. I am confident he'll be able to address your concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "J. E. Campbell". The signature is fluid and cursive, with a large initial "J" and "E".

Craig Campbell
Commissioner

Cc: Governor Palin
Mayor Botelho
Representative Kerttula
Representative Doll
Senator Stevens
Senator Murkowski
Representative Young
Mike Nizich, Deputy Chief of Staff
Commissioner Emil Notti, DCCED