



NAKNEK ELECTRIC ASSOCIATION, INC.

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February 11, 2008

The Honorable Ted Stevens
United States Senate
522 Hart Senate Office Building
Washington, D.C. 20510

Fax: 202 224 2354

Dear Senator Stevens,

Naknek Electric Association, Inc. (NEA) submitted a Fiscal Year 2008 Project Request for the Southwest Alaska Regional Geothermal Energy Project and moving forward with the project timeline has completed seismic studies at two sites. NEA is submitting a Fiscal Year 2009 Project Request for the next phase of geothermal resource identification and assessment.

Southwest Alaska, as you are well aware, is culturally unique and rich in natural resources. Despite its bounty, the increasing and unpredictable cost of fossil fuel energy is destabilizing. Rural communities are experiencing high rates of out-migration as residents wrestle with the question of whether to "eat or heat". Lowering the cost of energy will radically improve local economies, foster resource development and preserve the culture. The Southwest Alaska Regional Geothermal Project serves as a bellwether for cost-effective renewable energy development. The development of a regional power supply using geothermal energy will serve to increase the body of knowledge of geothermal applications, demonstrate the benefits of the technology, and provide support for expanded geothermal utilization in rural environs.

Change is imminent: the national interest in renewable energy alternatives is peaking. This project provides a long-term stable source of electricity and demonstrates renewable alternatives to fossil fuel dependence in remote areas that are off the grid and subject to extremely high costs of energy. Western Alaska experiences some of the highest energy costs in the nation and faces diversification and infrastructure development obstacles in the midst of a region rich in natural resources, both finite and renewable. The Bristol Bay Region is poised for world class natural resource development requiring reliable and affordable energy. Your work on behalf of the State of Alaska is very much appreciated. It is my hope that you will consider funding this project as it is one of the first steps toward a healthy economy and long-term sustainability in Southwest Alaska.

Sincerely,

General Manager

attachment: FY09 Project Request

Submission Date: Feb 11, 2008

Priority: 1 of 1



Ted Stevens

United States Senator for Alaska

Please Note:

- Fill out one request form for each request
- This form (and any attachments) can be returned via:

Fax - (202) 224-2354
 Mail - The Honorable Ted Stevens
 United States Senate
 522 Hart Senate Office Bldg.
 Washington, D.C. 20510

- Requests are due by February 15, 2008.

FISCAL YEAR 2009 PROJECT REQUEST FORM

Project Name: Southwest Alaska Regional Geothermal Energy Project

Project Location: Naknek, in the Bristol Bay Region of Southwest Alaska

Project Description (please attach additional pages as required):

Short Term Goals: Geothermal resource exploration, assessment and knowledge acquisition in the Bristol Bay Region.

Long Term Goals: 25MW geothermal powered electric generation plant serving 25 remote villages and 425 miles of transmission lines. The project aims to reduce dependency on #2 diesel fuel in several villages and reduce #1 diesel fuel used in residential home heating applications replacing these energy requirements with local geothermal electrical generation and direct use district heating.

This request specifically addresses the exploration phase of the project and funds resource identification, quantification and knowledge base acquisition. The scope of activities during this phase includes drilling exploration up to 12,000 feet deep for resource assessment in addition to permitting, research and reporting requirements.

Related Appropriations Bill: EWD / RUS / EDA

Amount of federal funding requested for FY09: \$5,000,000

Total funding to complete this project: \$10,000,000

Number of years to fund this project: 1

Matching funds from the State of Alaska: \$5,000,000

Matching funds from local and private entities:

Naknek Electric Association, Inc. \$1,000,000, Denali Commission \$325,000, Northern Dynasty Mines (Pebble Project) \$20,000

List legislation that authorizes this project:

Energy Independence Act of 2007

Check all that apply:

- A change in the current law is necessary in order to proceed with the project. (If so, attach language and a list of laws that need to be amended)
- Bill or report language is needed. (If so, attach requested language)

Alaska Contact Information

If this project was funded in prior appropriations bills (within the last five years), list each bill and the amount funded:

NA

Amount included in the President's FY09 Budget: No

Amount included in the State of Alaska FY09 Budget: Unknown

Check this box if state funding was sought but not provided.

Project Justification

World wide market demand for finite fossil fuels and fossil fuel generated energy is growing, its carbon footprint is growing and costs associated with its production, security and transportation are growing. Fortunately, the national interest in renewable energy alternatives is also growing and supports exploration expansion and technological advances that will decrease the costs of renewable energy exploration and production.

Western Alaska is vast, culturally significant, rich in natural resources and undeveloped. The key to sustainability and resource development is reasonably priced energy. The Southwest Alaska Regional Geothermal Project will demonstrate the feasibility of firm commercial grade electric and district heating energy production from a geothermal resource, its efficiency gains and cost reduction. It will also confirm the government's willingness to support a long range perspective on an environmentally benign, reliable, secure and renewable energy and its application in a unique, valuable and strategic rural environment poised for world class resource development.

Project Budget Outline

Exploration Phase Components and Unit Costs

Description	Unit	Cost per unit
Drilling (1D slim hole)	Per foot	500
Drilling (1D slim hole: roads and pad)	Per well	150,000
Drilling (1D slim hole: temperature logs)	Per well	50,000
Drilling (thermal gradient holes)	Per foot	50
Geochemistry Survey	Per project	40,000
Geology (field mapping)	Per project	30,000
Geophysical Survey (gravity)	Per project	35,000
Geophysical (ground magnetics)	Per project	50,000
Geophysical Survey (MT or DC resistivity)	Per project	250,000
Other	Per project	50,000
Directional Drilling	Per foot	350
Administration	Per project	10% of total
Reporting, Documentation, Studies	Per project	10% of total
Well Development (1D slim hole 3-10 days)	Per well	90,000

Source: GeothermEx, "New Geothermal Site Identification and Qualification" 2004