

Joe Griffith  
General Manager



January 15, 2003

Norm Story, HEA  
Steve Haagensohn, GVEA  
Jim Posey, ML&P  
Wayne Carmony, MEA  
Dave Calvert, SES

**Subject: Southern Intertie Project - Construction Estimate Update**

The IPG resolution passed at the meeting on January 2, 2003, requires that the 1998 construction cost estimates for the project be updated by April 15, 2003. This guidance requires that the estimates prepared by Power Engineers (Cost Summary Report, Phase 1B, January 23, 1998) be reviewed and validated or updated with newer information available.

Here is how I propose to accomplish that task.

1. Design information and detail will remain as in the Power Engineers study.
2. Power Engineers will be asked to provide an update of the 1998 estimates. They indicate they can accomplish such within a 90-day period for about \$65,000.
3. One or more local firms will be asked to accomplish a peer review of the Power Engineers work to achieve the desired independent aspect of the review. We estimate this task could cost \$15,000 - \$20,000.
4. Submarine cable updates will be developed by Chugach staff. We estimate this work will cost \$10,000.

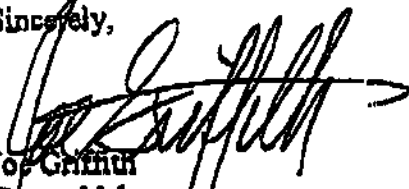
This approach makes sense because no new design information is being developed.

The late "Decision Date" of July 15, 2003 will cost the project one construction season. If timely cost estimates are not obtained, further delays will be encountered; hence, the EIS could be more than three years old by the time design starts which might lead to challenges of its validity. With no additional design information available, a contractor other than Power Engineers could only review the assumptions stated, opine on the validity, and update stale costs (labor and material) in the same way Power would. The additional costs would cover the "learning curve" and staff time to provide background information.

Funding for the cost estimate update would come from grant funds at 75% and from the participating utilities (except MEA) at 25% in accordance with the "settlement agreement" of December 2002. The IPG will need to approve the expenditure in a separate action since the previously approved ceiling of \$7,384,799 will be exceeded.

Please let me hear your thoughts on the foregoing by January 17, 2003.

Sincerely,



Joe Griffin  
General Manager

cc: Ron Saxton, Larry Hittle - Ater Wyane  
Eric Yould -- ARECA  
Jim McMillan - AIDEA