

P R E S S R E L E A S E

Date: September 3, 2009

AEL&P ANNOUNCES THE COMPLETION OF PHASE ONE OF THE LAKE DOROTHY HYDRO PROJECT

AEL&P announced today that the first of two phases of the Lake Dorothy Hydro Project has been completed. Testing to commission the project started Thursday August 27th. The project was put into commercial operation August 31st. The generator is currently being run at its maximum capacity of just over 14 MW. Lake Dorothy adds 20% additional hydro capacity to Juneau's existing hydro resources. The second phase of the project will add an additional 20% of capacity and will be constructed sometime in the future as loads grow.

The Lake Dorothy project is located on the east bank of Taku Inlet, about 15 miles from Juneau. Except for 3.5 miles of its own transmission line, it utilizes a portion of the Snettisham transmission line to bring electricity into town. Water from Lake Dorothy is used by taking advantage of the natural flow of water between Lake Dorothy, Lieuy Lake and Bart Lake – a stair-step set of lakes feeding into Dorothy Creek. The side of Lake Dorothy was tapped 143 feet below the lake's surface. This water flows through a 900 foot tunnel and through a large valve into an outlet pipe used to control the amount of water released to the natural drainage from Lake Dorothy into Lieuy Lake where it then follows the natural drainage into Bart Lake. At Bart Lake, a 34 foot high dam was constructed and water is diverted into a penstock to the power house. The powerhouse houses a 14.3 megawatt generator. The project also includes a crew quarters and a substation. A road was built from the powerhouse to access the Bart Lake workings and for penstock installation.

Project Engineer, Corry Hildenbrand, has been working on this project since preliminary design work and permitting started in 1995. Construction started in May of 2006. The project is expected to cost about \$70 million.

Corry Hildenbrand commented on the completion of this project. "Seeing the generator crank out the first kilowatt-hours is a reflection on the cooperation between the staff representing state and federal agencies, and the hard work of a very large number of people – many working in tough conditions, at a remote site involving either daily commutes or camp living. There were days when about 100 workers were at Lake Dorothy. Much of the workforce was local and their construction skills have created an important addition to Juneau's energy future."

Tim McLeod, President and General Manager for the company, added that "this project is a perfect fit for Juneau. Lake Dorothy has been added to our system at a point in time when we can use the added capacity to help reduce the need for supplemental diesel

generation during times when the inflows from our other projects is below average, and for times when the Snettisham Project is not available. Having Lake Dorothy on line means we won't need to use supplemental diesel generation to meet Juneau's growing need for electricity. And until Juneau needs the full project capacity, Greens Creek Mine and Princess Cruises will purchase all available capacity on an interruptible basis.

Another benefit of the Lake Dorothy Project is that we now have an "egg in a different basket." If Lake Dorothy had been available during the avalanches of 2008 and 2009, at least 30,000 gallons of diesel would have been saved each day we were without the Snettisham transmission line. The location of this project adds supply diversity and another level of reliability to our system."

So what will happen to our rates?

A rate case will be filed with the Regulatory Commission of Alaska next spring. The rate adjustment will reflect the cost of supplying electricity given changes since our last rate case test year in 2004, as well as the operating and capital cost of bringing the Lake Dorothy project on line. The final rate adjustment is not yet determined, but our current estimate is that the increase may be on the order of a couple of cents per kilowatt-hour.