

# ALASKA STATE LEGISLATURE

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### *Independent Power Producers (IPPs) and the Railbelt Integrated Resource Plan (RIRP)*

The *Railbelt Integrated Resource Plan* (RIRP) prepared by Black and Veatch for the Alaska Energy Authority (AEA) provides a holistic, scenario based picture of the future of electric generation and transmission in the Railbelt. Through a base case and several alternatives the RIRP presents a picture of the volume of investment that will be required to maintain the reliability and availability of electricity to the majority of the State's residents. In the *Summary of Results*<sup>1</sup> section, projected capital spending is presented for each case in both "Cumulative Present Worth Cost" and "Total Capital Investment" terms. In the following table is a selection of scenarios that are variations on the base case provided for illustrative purposes:

Scenario	Cumulative Present Worth Cost (\$000)	Total Capital Investment (\$000)
Scenario 1A (Base Case Load Forecast) Least Cost Plan	\$12,924,812	\$10,034,684
Scenario 1A (Without DSM/EE Measures) <sup>2</sup>	\$13,261,877	\$9,791,215
Scenario 1A (Without CO2 Costs)	\$10,401,631	\$8,684,957
Scenario 1A (With Higher Gas Prices)	\$14,944,729	\$9,797,961

The range of projected capital investment is broad and the amounts are certainly substantial. The RIRP recommends the formation of a region-wide generation and transmission entity (GRETC) due to the limited ability of the existing utilities to finance the projected investments.

In addition to financing benefits, the RIRP also suggests that the formation of GRETC would provide a level field and facilitate the entrance of independent power producers (IPPs) into the market. The RIRP notes that: "Depending on the specific circumstances, the ownership and development by IPPs may be the least-cost alternative."<sup>3</sup> Further, that "[t]he region would likely benefit from the adoption of policies that attract IPP development of project alternatives under the resource addition parameters established by the RIRP."<sup>4</sup>

<sup>1</sup> The *Summary of Results* section can be found in section 13, pages 18 to 36 [13-18:13-26]

<sup>2</sup> DSM/EE stand for "Demand Side Management" and "Energy Efficiency"

<sup>3</sup> RIRP, page 2

<sup>4</sup> RIRP, section 14, page 6.

*Independent Power Producers (IPPs), Renewables and the Railbelt Integrated Resource Plan  
(RIRP)*

Continued

The importance of IPPs to the future development of renewable energy in the Railbelt becomes clearer upon a review of the *Resource Specific Risk* tables found in section 14 of the RIRP. IPPs are mentioned in the tables for small hydro, wind, geothermal, solid waste, and tidal resources but not for natural gas, coal, modular nuclear, or large hydro resources. The specific references to IPPs in the renewable resource risk tables imply that these projects will be undertaken primarily by IPPs. This presumption compliments the conclusions drawn by the Energy Information Administration; that restructured markets encourage the penetration of renewable energy.<sup>5</sup>

Independent Power Producers are a relatively new entrant into Alaska's electric market and they will most likely play a key role in the development of renewable power in Alaska. In its recognition of IPPs and exploration of renewable resources, the RIRP provides important guidance document for policy makers.

Disclaimer: *This document was prepared by Michael Pawlowski, aide to Senator McGuire and is not intended to be a definitive or authoritative interpretation of the RIRP.*

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<sup>5</sup> The EIA is referenced in a NERA publication found at: [http://www.nera.com/Publication.asp?p\\_ID=3425](http://www.nera.com/Publication.asp?p_ID=3425)