

# Independent power producers air grievances at legislative roundtable

---

Suzanna Caldwell November 14, 2013

A battle quietly -- though contentiously -- has been brewing among electrical producers in Alaska. On one side are independent power producers, a group with wildly different entities sharing one goal: To privately produce power, usually renewable power, either for themselves or to sell to utilities.

On the other side are the electric utilities, who ultimately are beholden to their customers, and are constantly looking to produce and sell power at the cheapest rates possible.

And for both sides, there's the state of Alaska's energy policy, which in 2009 set a goal of having 50 percent of the state's power come from renewable projects by 2025.

Almost five years since that goal was set, state Sen. Lesil McGuire, R-Anchorage, is looking back to see if Alaska is on its way -- and what can be done to move toward the goal. On Tuesday she brought together the independent power producers and a handful of other legislators to figure out the challenges facing independent power producers and what, if anything, can be done at the state level to encourage them. Today, about 21 percent of all Alaska energy comes from renewables, mostly hydropower projects.

According to numbers from Department of Energy, Alaska ranks last in terms of power produced by independent power producers. In the Lower 48, about 38 percent of all power comes from independent producers. In Alaska, that number is around 3 percent -- mostly through Fire Island Wind, the CIRI subsidiary that sells wind power to Chugach Electric in Southcentral Alaska.

McGuire got an earful. Independents say the reasons why more hasn't been done are complicated, but it comes down to this: Utilities don't want to play nice when it comes to negotiations.

"We just want a fair playing field," said Duff Mitchell, executive director of the Alaska Independent Power Producers Association. "We have a policy that says 50 percent renewables. We shouldn't be kicking and fighting those."

## **Looking to cut costs**

Most Alaska communities struggle with high energy costs. In Fairbanks, Unalaska and most rural villages across the state, residents use fuel oil to run the diesel-powered generators that power those communities.

But that cost is directly tied to the increasing cost of oil. That burden has become harder and harder to bear. The Fairbanks North-Star Borough is trying to work with the Environmental Protection Agency to clean up its toxic air, which has only become worse as more people turn to wood to heat their homes in winter, a direct result of the high cost of energy.

Even in Anchorage, Alaska's largest city, costs have crept up. Gone are the days of stable, 25-year natural gas contracts that kept the price of gas consistently low. Instead, with production waning in Cook Inlet, producers are only meeting demands a few years out, leaving the 300,000 Anchorage residents at the will of Cook Inlet suppliers and global market prices.

That's led to Anchorage residents joining the "choir of concern" over the availability of affordable energy, McGuire said.

“As a state it should not take that kind of thing to happen,” McGuire said. “But sadly, it did.”

Independent power producers play a role in solving the energy puzzle, she said, though she pointed out that the meeting was not meant to be anti-utility or anti-hydrocarbon producers. Still, mostly renewable energy entities were represented at the table, including the Delta Wind Farm, Ocean Renewable Power Company, Chenega Energy and Alyeska Resort. Some have projects and energy being produced in Alaska; others are just starting to look or make investments.

“We're brothers-in-arms, but we're competitors,” said Mitchell.

### **Challenges to independent power producers**

Mitchell gave a presentation on the biggest challenges power producers are facing in the Alaska marketplace. He said there's plenty of room to grow, too.

Mitchell noted that independent power producers often make their own private investments, different from the massive state projects funded by taxpayers. He noted that projects like the Susitna-Watana dam and natural gas pipelines that could bring energy relief are expected to cost the state billions of dollars and take decades to complete.

Independent power producers can help bridge the gap. “It's wishful thinking if we think the state or feds can do everything,” Mitchell said.

He noted that a vast amount of renewable energy has yet to be tapped in Alaska. According to a study, Alaska has the potential to produce 192 billion kilowatts of energy from renewable resources like geothermal, tidal, biomass and wind. Mitchell said that “virtually untapped” resource would equate to roughly 40 percent of the the Lower 48's total use of power.

“We're a breadbasket of energy resources,” he said.

### **Small changes on the way**

Last month, Mike Craft, co-owner of the Delta Wind Farm, filed a complaint with the Regulatory Commission of Alaska in September. His goal is to get the RCA to reconsider the rules [3] on how utilities engage small power producers wanting to connect to the grid. In a hearing last month, the regulatory body noted that it was time to reconsider the regulations, which haven't been updated since 1982. A formal RCA hearing on Craft's complaint is expected in January.

Randall Call, general council of Alyeska Resort, outlined the challenges his company faced in trying to come onto the grid. While classified as an independent power producer, Alyeska, Alaska's largest ski resort, has no intentions to sell back to grid. The resort bought two microturbine combined heat and power generators to help go “green” and reduce their utility costs. Before the generators came on-line in February, the company paid \$1.2 million for electricity and \$500,000 for natural gas in 2012. Call said they're still calculating how much they've saved in energy costs, but the resort expects a net benefit.

But the hotel still uses small amounts of power generated by Chugach Electric. If their generators go out and they have to use Chugach power more than 15 minutes, they pay a “standby demand” charge. Those are higher rates based on what the utility thinks the entity should be charged for that backup generation. They get charged every month for that power whether they use it or not. As an example, Call said if the resort used \$3,600 worth of standby power in January, they would be charged that amount for the next 11 months, whether it was used or not, to the tune of about \$43,000 a year.

It's been a difficult concept for Call and the hotel to understand. The resort currently has a proposed regulation change to modify the standby demand charges before the RCA.

"We feel like we should be encouraged to reduce our carbon footprint, not discouraged," Call said.

### **Utilities on the sidelines**

Not seated at the roundtable Wednesday were representatives from the utilities. Instead they sat on the sidelines -- Cory Borgeson, president and CEO of Golden Valley Electric, Gene Therriault of the Alaska Energy Authority and Meera Kohler, CEO and president of the Alaska Village Electric Cooperative.

Kohler said she can identify with independent power producers. Her electrical cooperative provides power to 55 villages across Alaska, none of which are connected to larger electrical grids. The cooperative is always looking for ways to make energy more affordable and has experienced first hand which projects work and which fail in rural communities.

"I can bring reality to their perspective," she said.

Therriault said the AEA is watching "with interest" to see how the RCA handles issues involving independent power producers. He also noted that any sort of changes should address the difference between variable and firm sources of power.

McGuire said the hope is to have another roundtable by the end of the month bringing electric utilities into the discussion. From there, the goal is to move forward with legislation.

"The tendency (in Alaska) is to think this is the only model that can work," she said. "(To make changes) will require sacrifices and a change in the way things are done on both sides."