

SCOMM

136:1

Alaska State Legislature

Juneau

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Representative Mike Kelly *House District 7*

SPONSOR STATEMENT

HB 163

(WO - LS0413\Y)

"An Act directing the sale of certain power projects acquired or constructed by the Alaska Industrial Development and Export Authority and the Alaska Energy Authority by the State of Alaska to a joint action agency composed of three or more Railbelt electric utilities."

The recent Railbelt Energy Study reported that over five billion dollars of investment and O&M expenses would be required over the next 25 years to insure adequate stable power production for the Railbelt. HB 163 is an important step in providing a mechanism for Railbelt electric utilities to efficiently assume ownership and to continue to operate existing shared facilities, and provides a mechanism for better coordinating planning and operation of future resources.

The Railbelt area has six utilities that are interconnected and utilize the state-owned Alaska Intertie and Bradley Lake Hydroelectric Project.

During the 1980's and '90's the Alaska Energy Authority took the lead on planning and developing a number of generation and transmission projects. AEA, and the Governor, have now made clear that the era of state planned and financed energy projects is over and that the state wants to turn over that role to a single entity acting on behalf of the Railbelt utilities.

In 2001, the Alaska Legislature authorized the formation of Joint Action Agencies (JAAs) as the vehicle for multi-utility purchase of State-owned power projects and development of additional resources (AS 42.45.300-310). The Four Dam Pool Power Agency was formed under these statutes in 2002, and purchased and now operates four previously state-owned hydroelectric projects. Among other things, the statute provides that public utilities that purchase power from a power project owned by the Alaska Energy Authority may form a joint action agency and purchase the power project from the Alaska Energy Authority.

A JAA is an important tool for meeting the growing needs of Alaska's citizens for reliable, low-cost power. The JAA will be a separate legal entity, governed by its own Board of Directors and bound by its own Joint Action Agency Agreement and Bylaws. A JAA will allow utilities to come together to work more cost effectively, and to attract the lowest-cost financing available, a key component of the overall cost of infrastructure improvement. Membership in the Railbelt Joint Action Agency (JAA) would be available to all of the interconnected Railbelt utilities, and Associate memberships to non-Railbelt utilities.

Purchases of power, operation and maintenance of facilities and other activities related to the Intertie and the Bradley Lake project are currently governed by various agreements to which the Railbelt utilities and the State (Alaska Energy Authority) are parties. The rights of the utilities under those agreements would be unaffected by the transfer of ownership.

HB 163 would direct AEA, as the owner of Bradley Lake and the Intertie, and AIDEA, as the owner of the Healy Clean Coal Project (HCCP) to negotiate the transfer of those projects to the Railbelt JAA.

Both Bradley Lake and the Intertie were constructed for the purpose of benefiting Railbelt residents. In order to avoid any increased cost to such residents of the transfer, terms of the transfer call for the JAA to assume the existing debt on Bradley Lake, and to take ownership of the Intertie in exchange for the commitment to make necessary repairs of that facility.

Because HCCP is not currently operating, nor under contract to any utility, the JAA would commit to assume ownership and work to make the plant operational, and any compensation to AIDEA for the transfer would be determined and funded by the Legislature.

Transfer of these projects to the JAA will result in increased utility coordination, facilitate necessary investments in the Intertie and HCCP, and relieve the State of obligations and risks associated with each project.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 163
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Railbelt Power Projects RDU AEA (453)
 Component AEA Owned Facilities
 Sponsor Kelly
 Requester House Econ. Dev., Int'l Trade, and Tourism Component No. 2599

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel	5.0					
Contractual	45.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	50.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	SEE ATTACHED ANALYSIS FOR PRESENT VALUE ESTIMATE
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	50.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	50.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill directs the Alaska Energy Authority (AEA) to negotiate the transfer of ownership of the AEA-owned electric power projects (Bradley Lake Hydroelectric Project and the Alaska Intertie) and the AIDEA-owned Healy Clean Coal Project (HCCP) to a joint action agency (JAA) formed under AS 42.45.300 and AS 42.45.310 by three or more railbelt utilities. The bill restricts compensation from the purchasers to the debt related to the Bradley Lake Hydroelectric Project and an appropriation related to AIDEA's HCCP debt.

AEA does not have discretionary funds to finance negotiation costs.

(see attached analysis)

Prepared by: Sara Fisher-Goad, Financial Analyst Phone 269-4623
 Division Alaska Energy Authority Date/Time 4/2/05 1:09 PM
 Approved by: Edgar Blatchford, Commissioner Date 4/2/2005
 Agency Commerce, Community, and Economic Development

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB 163

ANALYSIS CONTINUATION

The fiscal impact to AEA is limited to negotiation costs of the transfer of the energy assets; AEA will request an additional appropriation for the divestiture costs when the negotiations result in a memorandum of understanding between AEA and the purchasing utilities.

With respect to the compensation restrictions related to the AEA-owned Bradley Lake hydroelectric project: The debt service on the Bradley Lake Power Revenue Bonds is paid by the utilities that purchase power from the project. At June 30, 2004 the face amount of outstanding bonds was \$142,155,000. Annual debt service payments are approximately \$12 million with the following allocation obligations:

30.4% Chugach Electric Association; 25.9% Anchorage Municipal Light and Power; 13.7% Matanuska Electric Association; 12.1% Homer Electric Association; 16.9% Golden Valley Electric Association; 1% Seward Electric Association.

The bill would transfer to the JAA anticipated future revenue payments with a present value of \$70 million, calculated using a discount rate of 5%. Pursuant to the Power Sales Agreement (PSA), after the bond debt is retired in 2021, the utilities will continue making the average annual debt service payment to the state for deposit into the Railbelt Energy Fund. These payments are required until the PSA terminates (2041 or later). The present value of these revenues through 2041 that would be lost to the Railbelt Energy Fund from the \$12 million annual payment is \$70 million assuming a discount rate of 5%.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 163
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title Railbelt Power Projects RDU AIDEA (125)
Component AIDEA
Sponsor Kelly
Requester House Econ. Dev., Int'l Trade, and Tourism Component No. 1234

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (1140)	*	*	*	*	*	*
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal: ☐

POSITIONS

Full-time						
Part time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would direct the Alaska Energy Authority (AEA) under AS 42.45.310(a) to negotiate the transfer of ownership of the AEA-owned electric power projects (Bradley Lake Hydroelectric Project and the Alaska Intertie) and the AIDEA-owned Healy Clean Coal Project (HCCP) to a joint action agency formed under AS 42.45.300 and AS 42.45.310 by three or more railbelt utilities. The bill restricts compensation from the purchasers to the debt related to the Bradley Lake Hydroelectric Project and an appropriation related to AIDEA's HCCP debt. This bill would not allow the purchasers to compensate AIDEA for HCCP.

(see attached analysis)

Prepared by: Sara Fisher-Goad, Financial Analyst Phone 269-4623
Division: Alaska Industrial Development and Export Authority Date/Time 4/2/05 1:07 PM
Approved by: Edgar Blatchford, Commissioner Date 4/2/2005
Agency: Commerce, Community, and Economic Development

FISCAL NOTE

**STATE OF ALASKA
2005 LEGISLATIVE SESSION**

BILL NO. HB 163

ANALYSIS CONTINUATION

The bill does not accomplish a divestiture, but directs AEA to negotiate a transfer of the energy projects. Assuming successful negotiations, AIDEA's compensation for the transfer of the Healy Clean Coal Project would be restricted to a legislative appropriation for the Healy Clean Coal Project debt. Such an appropriation would require a separate appropriation bill and is not germane to a fiscal note.

At June 30, 2004, the principal balance of the Healy Clean Coal Project debt was \$73.145 million. If the legislative appropriation failed to adequately compensate AIDEA, the bill would violate AIDEA's dividend policy reflected in AIDEA's dividend statute AS 44.88.088.

Alaska Industrial Development and Export Authority



April 4, 2005

The Honorable Nancy Dahlstrom, Chair
Economic Development, Trade and Tourism Committee
Alaska State Legislature
State Capitol, Room 432
Juneau, AK 99801

RE: HB 163 – transfer of AIDEA and AEA energy assets to a Joint Action Agency (JAA)

Dear Chair Dahlstrom and Members of the Committee:

Thank you for the opportunity to comment on HB 163, an act directing the sale of State energy assets to a joint action agency formed by three or more Railbelt utilities.

I recently served as Chair of the Alaska Energy Policy Task Force (Task Force) as one of the Governor's two appointments. As many of you know, the Task Force was created in 2003 by the 23rd Alaska Legislature to develop recommendations for the Legislature regarding Alaska energy policy and the future of State energy assets. The Task Force did its job and delivered to the Legislature its findings and recommendations, both for the Railbelt and the Non-Railbelt parts of the state.

Since the Task Force ended in April 2004 on its "sunset" date, I am pleased to now see various pieces of legislation that mention the recommendations of the Task Force as an underlying element. Although HB 163 is not one of them, I believe I can confirm that the Task Force would applaud the formation of a Joint Action Agency (JAA).

During our deliberations, every Railbelt utility testified to the Task Force in favor of a Unified System Operator (USO) for the Railbelt. While everyone agreed on the necessity of unified system operations, to date there has been no agreement on how such a system would be formed and operated. It would seem practical not to transfer State assets to a JAA until the JAA has some operating history, or has secured the support of all the utilities.

What is not apparent from HB 163 is how the JAA would operate. Prior discussions with members of the JAA indicated there is an "opt in, opt out" arrangement. That option may create problems with the transfer of State assets.

The Honorable Nancy Dahlstrom
April 4, 2005
Page 2

For instance, with regard to the Bradley Lake Hydroelectric Project (Bradley), would members of the JAA take ownership of Bradley and exclude the non-members of the JAA from ownership, even if such non-members presently receive electricity from the Bradley project and are, therefore, liable for repayment of the Bradley Lake Bonds?

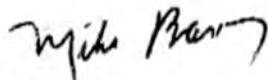
With regard to the Healy Clean Coal Project (HCCP), nothing in HB 163 indicates that HCCP would be brought up and running using clean coal technology, or operated at all. Under the "opt-in, opt-out" scenario, what would happen if HCCP was transferred to the JAA and every member opted out? (Or just one utility that has been outspoken against the clean coal technology opted in?)

With regard to transfer of the Alaska Intertie, being an intertie it is vital that all participants in Railbelt energy have access to this transmission facility. While HB 163 does not on its face preclude that, it doesn't seem to ensure that either.

It would seem premature for the State to take sides in such a vital part of the utility business before the utilities have had ample opportunity to work it out among themselves. It also seems premature to transfer such important State assets, valued at over one billion dollars in replacement costs today, to a JAA that has neither an operating history nor the support of all the Railbelt utilities.

I would be happy to work with the Committee as it considers this legislation. Thank you again for consideration of my comments on HB 163 and the need for a Unified System Operator for the Railbelt that includes all the utilities.

Sincerely,



Mike Barry
Chairman

Alaska Industrial Development and Export Authority

AIDEA/AEA

Alaska Energy Authority

April 5, 2005

The Honorable Nancy Dahlstrom
Chair
House Special Committee
Economic Development, International Trade and Tourism
State Capitol, Room 432
Juneau, Alaska 99801-1182

RE: HB 163 Railbelt Power Projects

Dear Representative Dahlstrom:

This letter constitutes comments on HB 163 on behalf of the Alaska Energy Authority (AEA) and the Alaska Industrial Development and Export Authority (AIDEA). HB 163 proposes to direct AEA to negotiate the transfer of Railbelt energy assets owned by AEA and AIDEA to a joint action agency that may be formed by three or more Railbelt utilities.

AEA and AIDEA support the recommendations of the Alaska Energy Policy Task Force (Task Force) that was created by the Legislature in 2003. Task Force recommendations relevant to the subject of HB 163 are that the Railbelt utilities should form a unified systems operator (USO) and the USO should acquire state-owned Railbelt energy assets. Those assets are the AEA-owned Alaska Intertie (Intertie) and the Bradley Lake Hydroelectric Project (Bradley Lake), and the AIDEA-owned Healy Clean Coal Project (HCCP).

As discussed by the Task Force, a USO could perform planning functions for the entire Railbelt utility grid. A single entity could be responsible for planning, training, economic dispatch, siting, constructing, and operating of all generation and common transmission facilities. Utilities could still retain ownership of their generation and transmission assets, but the USO would manage, operate and control these assets.

The Task Force concluded that consolidating operation of the Railbelt generation and transmission system through a USO could "efficiently energize Alaska's economic development." (Task Force Report on the Railbelt, p.11) The Task Force did not recommend a particular type of USO, noting in its report that the utilities could form a power pool, a joint action agency or a generation and transmission cooperative.

AEA and AIDEA have been approached in the recent past by various Railbelt utilities regarding divestiture of Railbelt energy assets. AEA received a proposal in April 2004 from Homer Electric Association (HEA), Matanuska Electric Association (MEA) and the City of Seward for the acquisition of Bradley Lake by a Generation and Transmission Cooperative or a Joint Action Agency that is open to membership to all Railbelt electric utilities. MEA submitted a proposal to

acquire the Alaska Intertie. GVEA submitted to AIDEA an offer for HCCP that constituted a negative value to AIDEA. During the second session of the 23rd Legislature, GVEA, Chugach Electric Association and Municipal Light and Power supported HB 453 in furtherance of their efforts to acquire state energy assets. In response to all these separate initiatives, AEA and AIDEA informed the Railbelt utilities that they, as a group, should engage in direct discussions of possible divestiture with us since we are owners of the assets and that, once agreement is reached, we would jointly present the divestiture plan to the Legislature. (See attached letter of April 30, 2004 to Railbelt electrical utilities.)

Regarding divestiture of state-owned assets and the process proposed in HB 163, AEA and AIDEA offer the following general comments:

1. Participation by All Railbelt Utilities

AEA and AIDEA believe that legislative approval of any divestiture plan may prove difficult to obtain if all Railbelt utilities are not given the opportunity to share in the benefits and assume the risks and burdens of ownership of AEA and AIDEA owned energy projects.

2. Legislation Directing Divestiture of Railbelt Energy Assets is Premature

AEA and AIDEA support the legislative model used for the divestiture of the Four Dam Pool hydroelectric projects. A plan for acquisition of the AEA and AIDEA owned assets should be negotiated and available for legislative review before the Legislature is called upon to enact any legislation proposing to implement divestiture.

Specific comments on HB 163:

1. The bill "directs" rather than "authorizes" AEA to negotiate the transfer of assets, dictating terms of transfer including no compensation to the state except what is appropriated to AIDEA by the Legislature for HCCP and the joint action agency assuming Bradley Lake debt which is already an obligation of the Railbelt utilities.
2. The bill may violate the separation of powers doctrine with the Legislature usurping Executive Branch authority by dictating disposal of public corporation property rather than authorizing disposal.
3. The bill directs AEA to negotiate the transfer of HCCP which is owned by AIDEA, a separate corporation. AEA has no authority, or control, over HCCP.
4. The purchasers of HCCP provide no compensation to AIDEA; instead the compensation is limited to whatever is appropriated to AIDEA by the Legislature. No companion appropriation bill has been offered. If the appropriation does not adequately compensate AIDEA for HCCP, transfer of the power plant under HB 163 would likely be viewed by the financial community as being, effectively, an appropriation of AIDEA assets to a private entity and an appropriation of AIDEA assets outside AIDEA's dividend statute (AS 44.88.088). Such a negative perception could, in turn, lead to a lower bond rating and higher borrowing costs for AIDEA and its customers.

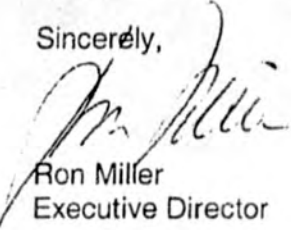
The Honorable Nancy Dahlstrom
April 5, 2005
Page 3

5. As explained in the Fiscal Note submitted by AEA, under HB 163, the purchasers of Bradley Lake would receive a future revenue stream with a present value of \$70 million (based on a discount rate of 5%), but the bill restricts the compensation to be provided by the purchasers to the existing debt service the utilities are already obligated to pay.

6. HB 163 assumes that AS 42.45.310(a) gives the Legislature authority to dictate to AEA a transfer of energy assets when that statutory provision actually imposes limitations on the formation of a joint action agency, including the restriction that a joint action agency may be formed to acquire AEA assets only after the purchase and sale of the assets are approved by law.

Thank you for the opportunity to present these comments. We believe HB 163 is premature and that the Railbelt utilities, AEA and AIDEA should negotiate a plan for divestiture and then present that plan to the Legislature for their review according to the model of the Four Dam Pool divestiture. We will be available for testimony and questions by teleconference this afternoon.

Sincerely,



Ron Miller
Executive Director

cc: Committee Members
Representative Mike Kelly
Railbelt Utility General Managers

AIDEA/AEA

Alaska Energy Authority

April 30, 2004

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Mr. Wayne Carmony
General Manager
Matanuska Electric Association, Inc.
(MEA)
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Mr. Dave Calvert
Utility Manager
City of Seward
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Seward, Alaska 99664
Fax: (907) 224-4085

Mr. Joe Griffith
Chief Executive Officer
Chugach Electric Association, Inc. (CEA)
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Anchorage, Alaska 99519-6300
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Mr. Jim Posey
General Manager
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Mr. Steve Haagenson
President & Chief Executive Officer
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(GVEA)
P.O. Box 71249
Fairbanks, Alaska 99707-1249
Fax: (907) 458-5951

RE: State Divestiture of Railbelt Energy Assets

Gentlemen:

The possibility of state divestiture of AEA owned Railbelt energy assets is a topic we understand is garnering a significant amount of your attention, much of which without direct communication with AEA.¹ We believe some of this effort may prove to be counterproductive, and make more

¹ AEA understands that GVEA, ML&P and Chugach are actively discussing formation of a joint action agency to acquire state assets, and seek legislative changes in HB 453 which they believe to be supportive of that effort. HEA by letter dated April 22, 2004, shared with AEA a proposal endorsed by HEA, MEA and the City of Seward that calls for the acquisition of Bradley Lake hydroelectric project by a Generation and Transmission Cooperative or a JAA that is open for membership to all Railbelt electric utilities. HEA's proposal appears to use the state's divestiture of the Four Dam Pool as a model. Finally, MEA has submitted to AEA a proposal to acquire the Alaska Intertie, and in response to an AEA letter soliciting interest in purchasing the intertie, CEA, ML&P and GVEA have requested an extension of time until October 1, 2004, to

difficult any divestiture. The purpose of this letter is to invite a more direct dialog regarding possible divestiture of energy assets by sharing AEA's views on the subject. These views are also shared by AIDEA with respect to the Healy Clean Coal Project, the divestiture of which has been the topic of discussions between AIDEA and GVEA.

It has been AEA policy since the legislative reorganization in 1993, to transfer ownership and operation of energy assets to local utilities and get AEA out of the energy business, to the maximum extent feasible. *See, e.g.,* The Alaska Energy Authority's 1996 Annual Report at page 2.

The Alaska Energy Policy Task Force ("Task Force") appears to fully support this AEA policy:

The Task Force supports the transfer of AIDEA/AEA electrical assets in a manner that recognizes existing contracts. Current state ownership of energy assets should be transferred to a Unified System Operator to support the cooperation of the utilities in that endeavor.

Findings and Recommendations of the Alaska Energy Policy Task Force; Report on the Railbelt at page 10 (December 2003) ("Report on the Railbelt"). The Task Force recommended:

All other considerations being equal, projects should in general not be owned, operated or maintained by the State. The State should encourage Railbelt utilities to accept ownership of state-owned Railbelt energy assets to reduce bureaucracy, thereby reducing state expenses and offering utilities the benefits of long-term ownership.

Report on the Railbelt at 11.

AEA generally supports the Railbelt system envisioned by the Task Force. We believe Railbelt utilities should take ownership of, and long-term responsibility for all AEA and AIDEA owned Railbelt energy assets. AEA further believes that a Railbelt Unified Systems Operator offers the potential for significant benefit to the Railbelt.

Whether the Unified Systems Operator also owns the Railbelt energy assets is a matter for the utilities to decide. AEA believes it would be inappropriate for it to dictate how the Railbelt utilities organize to establish a Unified Systems Operator. The Task Force recommended several examples of organizational models, including power pooling, a joint action agency, and a generation and transmission cooperative. Any decision needs to reflect the best judgment of the utilities.

For divestiture to be timely and successful, AEA and the Railbelt utilities need to start discussions soon. As you know, AEA has committed to the legislature that it will not divest any of its energy assets without legislative approval. AEA believes that details regarding divestiture should be established early so that legislation may be drafted in October, for early introduction for the 2005 legislative session.² To meet the October drafting schedule, discussions need to

respond. As reflected in this letter, AEA believes it would be inappropriate to postpone until October discussions related to the possible divestiture of any of our Railbelt energy assets.

² The legislation ought to also include the divestiture of HCCP by AIDEA to demonstrate that we have an integrated plan for divestiture of state owned Railbelt energy assets.

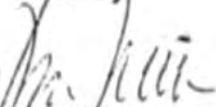
commence in the very near future. To initiate these discussions we offer the following comments regarding divestiture:

1. Participation of All Railbelt Utilities. AEA believes that legislative approval of any divestiture plan may prove extremely difficult to obtain if all Railbelt utilities are not at least given the opportunity to share in the benefits and assume the risks and burdens of ownership of the AEA owned energy projects. AEA therefore believes divestiture should be open to all Railbelt utilities who wish to be included. Although GVEA has made an offer regarding HCCP, AIDEA believes none of the Railbelt energy assets should be transferred to any single utility without the same opportunity being presented to all Railbelt utilities with the disposition endorsed by the unified systems operator.
2. Legislation affecting Joint Action Agencies is Premature. AEA supports the legislative model used for the divestiture of the Four Dam Pool hydroelectric projects. A plan for divestiture should be negotiated and available for legislative review before the legislature is called upon to enact any legislation proponents believe will support the divestiture of state owned energy assets. Any legislative changes necessary to support the divestiture of Railbelt energy assets should be narrowly tailored to such divestiture – which, of course, is impossible to meaningfully evaluate until after a divestiture plan is negotiated.

AEA notes that the Task Force did not endorse deregulation of rates that a utility may charge for power generated by a joint action agency or other Unified Systems Operator. If any deregulation is necessary to support the divestiture of Railbelt energy assets, that should be addressed by the legislature as part of a divestiture plan. Observing the Four Dam Pool model, the legislature approved a very limited deregulation of rates the Four Dam Pool utilities believed was necessary to enable them to pay the purchase price for the energy assets. The legislative-approved deregulation merely extended an existing deregulation, limited to existing contracts (including one contract for retail power sales), and limited in time – with the deregulation terminating when purchase debt owed to AIDEA is paid. Thus, terms and conditions were known, enabling the legislature to protect their constituents from unintended consequences of what could flow from broad, unlimited deregulation. Further, the potential use of the deregulation was limited to the Four Dam Pool projects; it would not be generally available to other utilities.

AEA and AIDEA encourage Railbelt utilities to begin direct discussions of possible divestiture of state-owned energy assets AEA/AIDEA at your earliest convenience. We suggest the utilities designate one or more representatives to contact me regarding a schedule for these discussions.

Sincerely,



Ron Miller
Executive Director

Homer Electric Association, Inc. (HEA)
 Comments on HB No. 163
 House Special Committee on Economic Development,
 International Trade and Tourism
April 5th 2005

HEA supports the creation of a Unified System Operator (USO), an entity identified by the Alaska Energy Policy Task Force, for the purpose of integrating system planning and operation on the Railbelt electric system. Clinically, integration of these processes will produce the best economic cost of power over the long run.

HEA is not clear on how the simple transfer of the three State assets will lead to creating the USO. The bill's purpose, as stated in the text under PURPOSE AND FINDINGS (a) is to encourage the voluntary creation of "unified generation and transmission for the electrically interconnected Railbelt area". The phrase does not describe specifically a USO. Further, the three utilities are free to accept the assets with no consequences if "unified generation and transmission" does not happen.

Finding (3) is a reiteration of the stated purpose for the bill as the most effective way to create a unified system. Since the Railbelt utilities currently plan for and operate the State assets, HEA is unclear on how ownership of these assets improves the process, particularly since only three of the utilities are needed to take ownership. It would be certain that unified planning and operation may serve the owners but may not serve non-owners.

The apparent reference to possibly changing costs from the State assets to the utilities in (6) is troublesome. Since the economic arrangement for each State asset, including pricing, is committed to a contractual agreement, HEA wonders how "fair pricing" will be developed by the new owners.

The State assets are currently held for the benefit of all the Railbelt utilities and are considered whenever system-wide planning is performed. Without the requirement of establishing a USO, there is a risk that transferring the assets to a potentially smaller group of utilities will not be in the best interest of all the utilities.

R. Eckert

MANAGER OF FINANCE AND BUSINESS
DEVELOPMENT

RICK ECKERT

HOMER ELECTRIC ASSOC., INC.

3977 LAKE ST.

HOMER, AK 99603

Post-It® Fax Note	7671	Date	# of pages 1
To	HEA	From	Rick Eckert
Conf/Recpt	HB 163 testimony	Co.	HEA
Phone #		Phone #	
Fax #	465-2293	Fax #	

Testimony in Support of House Bill 163
By Robert Wilkinson, Copper Valley Electric Association
Special Committee on Economic Development, International Trade and Tourism
April 5, 2005

Good Evening, Madam Chair and Members of the Committee

My name is Robert A. Wilkinson, and I am the CEO of Copper Valley Electric, the rural cooperative serving Valdez and the Copper River Basin.

Thank you for the opportunity to testify in support of HB 163, and specifically to share my experiences as a member of the Four Dam Pool Power Agency and how the transfer of ownership of those assets from the State to the Four Dam Pool has benefited Copper Valley Electric Association.

The Four Dam Pool unofficially began the divestiture process in 1993 after the 18th Alaska Legislature passed SB 106 where, among other things, the State announced that the Alaska Energy Authority was getting out of the business of owning and developing energy assets. That historic legislation started the ball rolling on divestiture of the Four Dam Pool.

The official process began in June 1995 when the 4DP Board met with AIDEA officials at Chena Hot Springs to conduct preliminary discussions and to establish ground rules for moving forward. Along the way there were a number of suitors and notions of putting the projects out to competitive bid, but ultimately on May 2, 2000, the 21st Legislature passed HB 446 which established the PCE Endowment Fund and authorized the sale of the Four Dam Pool assets to a joint action agency comprised

of the purchasing utilities. On January 31, 2002, the transaction closed and the utilities' dream of local ownership was finally realized.

Recently I read with interest Rep. Kelly's sponsor statement in support of HB 163. The document describes a number of benefits from transferring ownership of state owned assets to private utility ownership. Those benefits include the ability for the owner utilities to increase coordination and work more cost effectively, the ability to attract lower cost financing, and relieving the State of ownership risks and obligations.

Each of these benefits has been realized by the Four Dam Pool.

- In regards to efficiencies I say somewhat tongue in cheek, try managing a \$100 million dollar company by committee. That was the pre-divestiture model. A Board comprised of five Purchasing Utilities and the State of Alaska, as owner, each with very divergent rights and responsibilities. Let's just say the model had a few shortcomings. Today we have a small, efficient organization focused on taking care of the assets and taking advantage of opportunities that were not available under State ownership.
- On the financing question, divestiture created an opportunity to take advantage of the market, refinance our acquisition debt, and cut annual debt service by over \$1 million. This single action has the potential to lower the wholesale power rate in the near term.
- The State's risk of ownership drove the Four Dam Pool divestiture process. The economic analysis we prepared leading up to divestiture said the State had an unfunded liability under the original 1985 Four Dam Pool agreement of several hundred million dollars. Today the State's liability is 0.

I think it is fair to say divestiture of the Four Dam Pool assets has been a success story all the way around. Clearly, had the Four Dam Pool remained under State ownership, these benefits would not have been realized.

Also in support of transferring State owned assets to utility ownership is the Energy Policy Task Force which was created by HCR 21 in the first half of the 23rd Legislature. I had the privilege of being named to that body and working with a number of distinguished industry leaders to produce two reports with findings and recommendations, one for the Rail Belt region of the State and another for the Non-Rail Belt regions.

The task force was specifically charged by HCR 21 to consider how best to incorporate state owned Rail Belt energy assets as part of the solution for the Rail Belt's current and long term electrical needs. The recommendation of the Task Force was to transfer ownership of State owned assets to a system operator in a manner which recognized existing contracts. In my judgment HIB 163 is consistent with this recommendation.

For the reasons discussed I believe HIB 163 represents thoughtful and appropriate policy for the State of Alaska concerning ownership of Rail Belt energy assets. I appreciate the opportunity to testify and I encourage you to support this important bill. I am pleased to respond to any questions.

ALASKA ENERGY POLICY TASK FORCE

Report on the Railbelt 12/2003

(excerpts pages 8-14)

II. CURRENT AND LONG-TERM ENERGY NEEDS

A. Current Energy Needs

Findings

The electrical needs of the Railbelt are currently served by six utilities, consisting of four cooperatives and two municipal utilities. These are Golden Valley Electric Association (GVEA), Chugach Electric Association (CEA), Matanuska Electric Association (MEA), Homer Electric Association (HEA), Anchorage Municipal Light & Power (ML&P) and the City of Seward Electric System (SES). These utilities, along with state-owned assets, serve roughly 75% of Alaska's population and account for over 85% of the electricity generated in the state. The Railbelt grid, spanning from Homer to Fairbanks, is not connected to other parts of Alaska, to the grid in Canada nor to the 48 contiguous states. Power can neither be imported nor exported. Because it is unacceptable to come up short in arctic conditions, reserve requirements are higher than in the rest of the country.

Railbelt Generation: In 2002, total generating capacity was about 1,374 MW. Generation is fueled by natural gas (67%), coal (5%), hydro (15%), and fuel oil (13%). All of the electricity is produced by the six utilities or purchased from the State (Bradley Lake hydro) or Aurora Energy, which is an investor-owned coal-fired plant in Fairbanks. The oldest thermal units were installed in the early 1960s. Most of the thermal generation is considered aged and may need to be replaced within the next decade or so. See Appendix E.

Note: Three utilities are the main generators and dispatchers of Railbelt power -- GVEA, ML&P, and Chugach. Others (except Aurora) are distribution utilities. Homer, however, owns the Nikiski co-generation plant. Chugach takes all output of Nikiski and provides half the fuel to run it.

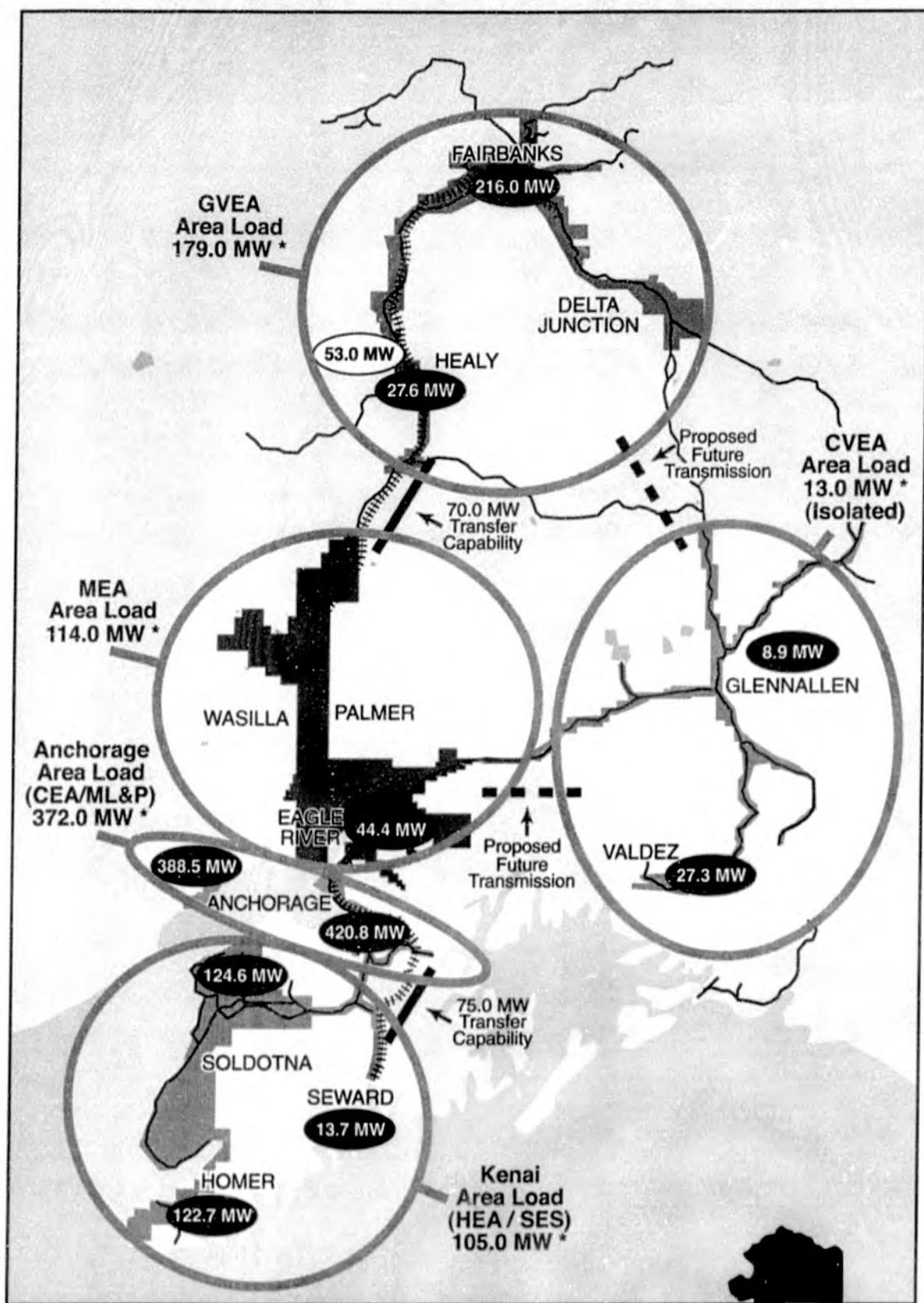
Railbelt Load: In 2002, total peak load was 721 MW. See Appendix E.

Railbelt Transmission: There are two main transmission interconnections in the Railbelt. The Anchorage to Fairbanks Intertie, a 300-mile transmission system that operates at 138kV, is composed of segments owned by MEA, CEA, AEA and GVEA. The other is the Anchorage to Kenai area transmission line, owned by HEA and CEA, and operated at 115kV. Transfer capacity on both lines is limited to approximately 70 MW. See Appendix E.

B. Current Railbelt Projects

(this section of report omitted).....

RAILBELT LOAD CENTERS



* Indicates peak load for 2002

Sources: Alaska Systems Coordinating Council, 2002 Coordinated Bulk Power Supply Report (Department of Energy EIA-411), May 23, 2003; Railbelt Energy Study, 2003; Copper Valley Electric Association

XX.X MW - Area Generation Capacity Available

53.0 MW - Healy Clean Coal Plant

C. Long-term Energy Needs

Findings

The Task Force adopted the definition of long-term as 20 years or more. The energy requirements of the Railbelt are expected to increase 39% over that time. Certain needs emerged from Task Force discussions and public testimony. Within the next 20 years, it was determined that Alaska needs to:

- **Create secure and reliable transmission between load centers**
- **Provide energy infrastructure for economic development**
- **Identify and evaluate long-term fuel sources**
- **Establish a unified system operation**
- **Connect new areas to the Railbelt grid**
- **Replace aging generation**
- **Replace an aging workforce**

D. Recommendations

Specific recommendations of how to fulfill future needs were as follows:

- Structure implementation of a unified Railbelt system operator.
- Support increased vocational trade schools, higher education and training of technical and professional utility career staff and management.
- State grants or financing should give priority to unified Railbelt system operation and expanding the grid along the road system, i.e., the "Roadbelt."
- Where common projects are identified as the most cost effective energy solutions, encourage financial risk sharing among utilities through a model similar to the Bradley Lake Project agreement.
- Increase the proportion of renewables in long-term fuel sources. Renewables include hydroelectric generation.
- Loop the existing Railbelt energy grid to improve system reliability and serve new markets. See map for details.
- Advance the physical and cyber security of the critical electrical infrastructure in Alaska.
- Strive to have nationally competitive electrical rates.

E. Long-term Railbelt Projects

III. STATE-OWNED RAILBELT ENERGY ASSETS

Findings

The Task Force supports the transfer of AIDEA/AEA electrical assets in a manner that recognizes existing contracts. Current state ownership of energy assets should be transferred to a Unified System Operator to support the cooperation of the utilities in that endeavor. The Task Force recommends the state should provide financing through AIDEA/AEA to assist development of future generation and transmission. Through AIDEA/AEA, the State owns three Railbelt energy assets, as follows:

A. The Bradley Lake Project

The Bradley Lake Project is located in south central Alaska at the southern end of the Kenai Peninsula. The project includes a 610-foot long, 125-foot high concrete-faced and rock-filled gravity dam, a 3.5-mile power tunnel and steel-lined penstock. The project transmits power to the state's main power grid via two parallel 20-mile transmission lines. The project, which cost approximately \$328 million (including reserve fund balances), went into commercial operation in 1991. Homer Electric Association under contract with AEA now operates the project. Bradley Lake serves Alaska's Railbelt from Homer to Fairbanks as well as the Delta Junction area. The Bradley Lake Project Management Committee oversees operation and maintenance duties.

B. Alaska Intertie

The 170-mile transmission line that runs approximately between Willow and Healy is the state-owned portion of the 300-mile Anchorage to Fairbanks transmission system. It is rated at 345 kV and operates at 138 kV. The Intertie allows GVEA to purchase lower cost energy from Anchorage and the Kenai generated from natural gas and the Bradley Lake hydroelectric project. CEA and ML&P generate revenue from the sale of economy energy to GVEA. The Intertie Operating Committee oversees operations and maintenance duties.

C. Healy Clean Coal Project (HCCP)

The Healy Clean Coal Project grew out of a nationwide competition sponsored by the U.S. Department of Energy (DOE) to test new technologies aimed at solving the international problem of acid rain. Alaska was one of 48 applicants selected for 13 grants. The project is located adjacent to GVEA's existing Healy No. 1 power plant, which was constructed in 1967. General construction of the power plant began in May 1995 and was completed on November 21, 1997. A 90-day test of the power plant was completed in December 1999. HCCP has been idle since the completion of that test. After several engineering studies, AIDEA continues to pursue all options for getting HCCP into operation and selling power as soon as possible. AIDEA and GVEA Boards have mutually agreed to focus on getting the HCCP up and running.

D. Recommendations

- Provide Railbelt utilities the opportunity to obtain grants and tax-exempt financing for electrical infrastructure that provides the lowest cost of power to members and efficient operation.
- All other considerations being equal, projects should in general not be owned, operated or maintained by the State. The State should encourage Railbelt utilities to accept ownership of state-owned Railbelt energy assets to reduce bureaucracy, thereby reducing state expenses and offering utilities the benefits of long-term ownership.
- Any divestiture of state-owned Railbelt energy assets should be consistent with the above.
- Future grants and financing should give priority to Railbelt projects endorsed by the Railbelt unified system operator.

IV. INDUSTRY AND /OR GOVERNMENT ACTIONS

Findings

To efficiently energize Alaska's economic development, the Task Force believes that the Railbelt utilities should develop a unified system operation. If there are legislative or regulatory issues, utilities should work cooperatively to determine actions needed to implement the unified system details. Different forms of unified systems operations may be used by the various utilities. The Task Force proposed the following examples.

A. Unified System Operations

Power Pooling:

Joint Action Agency (JAA):

Defined in AS 42.45.300 as "Two or more public utilities may form a joint action agency for the purpose of participation in the design, construction, operation, and maintenance of a generating or transmission facility and to secure financing for carrying out the design, construction, operation, and maintenance of the facility. A JAA may request AIDEA to issue revenue bonds for projects of the agency. A joint action agency has the powers of a public utility under AS 42.05." The statute broadly defines "public utilities"—includes any corporation or cooperative that owns, operates, manages, or controls any plant, pipeline, or system for furnishing, by generation, transmission, or distribution, electrical service to the public.

Generation & Transmission Cooperative (G&T):

B. Other Tools.....

Integrated Resource Planning (IRP):

V. OTHER TOPICS FOR FUTURE CONSIDERATION

Findings

The Task Force either touched on these subjects or found it did not have sufficient time to address these and form valid recommendations for the Legislature under the deadline given.

A. Critical Infrastructure Protection (CIP)

B. Energy Efficiency, Conservation and the Environment

C. Emerging Energy and Environmental Technologies

D. Renewable Energy

Renewable power can be competitive. There are a number of technologies considered renewable and these include: hydroelectric, solar, biomass, geothermal, tidal and wind.

Solar, biomass, geothermal and tidal are in various stages of technological development and do not currently contribute, to a great extent, to the national

energy supply. Solar at this time is expensive and because of Alaska's latitude isn't considered a likely candidate for large-scale energy production. There are some geothermal resources in the state. The closest geothermal site to the Railbelt is approximately 10 miles west of Chugach Electric's Beluga Power Plant. Tidal power is still early in its development and being studied as a potential resource in conjunction with a Knik Arm crossing. As with other technologies, tidal power is developing and it will be some time before it becomes a significant and competitive generation resource. However it is prudent for energy planners to continue to monitor the development of this technology.

Wind power is being studied as a potential renewable generation resource for the Railbelt. The technology is the beneficiary of more than 20 years of intense research and development. Large-scale wind projects are being installed across the country and around the world. These projects use large turbines and are installed on a scale that allows for the power to be priced competitively. Smaller turbines have been used for rural generation applications in the state and have been shown to be rugged and reliable. For Railbelt applications, larger turbines and projects would be required to achieve economies of scale and subsequently competitive pricing. CEA and ML&P are studying a large wind project on Fire Island.

The Alaska Energy Policy Task Force

Created by the 23rd Alaska Legislature
Legislative Resolve No. 24, 2003

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Chairman of the Board

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Vice Chair
Alaska Wireless Technology
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Photo by Yutaka Suzuki, AK Division of Tourism

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Report on the RAILBELT 12/2003
Findings and Recommendations of the Alaska Energy Policy Task Force



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Legislative Directive

In the first session of the 23rd Alaska State Legislature, the Energy Policy Task Force (EPTF) was established by concurrent resolution to:

1. Develop a long-term energy plan to efficiently enhance Alaska's economic future.
2. Review and analyze the state's current and long-term energy needs.
3. Consider how best to incorporate state-owned Railbelt energy assets as part of the solution for the Railbelt's current and long-term electrical needs.
4. Address elements of Alaska's long-term energy needs that can be solved through action on the part of industry and/or government actions, such as pooling and integrated resource planning.

Final findings regarding a Railbelt energy plan were to be reported to the legislature by December 31, 2003. Reports of task force findings for non-Railbelt areas shall be submitted by March 31, 2004.



I. A LONG-TERM ENERGY PLAN TO ENHANCE ALASKA'S ECONOMIC FUTURE

A. Vision Statement

Alaska holds a worldwide leadership role in energy supply, delivery and use solutions and environmental stewardship. Alaska will have reliable, economic, sustainable and secure power supplies for its citizens.

B. Mission Statement

Electricity is essential to meeting Alaska's economic, environmental, and educational development goals. The State will conduct its activities affecting energy in such a manner as to:

- **Promote reliable and secure electric power systems**
- **Promote the lowest cost for consumers**
- **Stimulate the economy**
- **Provide employment opportunities for Alaskans**
- **Improve the quality of life for all Alaskans**
- **Promote workforce development, including training Alaskans, for Alaska's utility sector.**
- **Enhance the State's social, cultural, economic and environmental assets**

C. Goals (Listed in no particular order)

- Promote unified operation of Railbelt generation and transmission system.
- Develop Alaska's position as a leader in competitively priced and reliably available electricity.
- Develop Alaska's electrical infrastructure while maintaining competitively priced energy.
- Ensure security of physical and cyber energy infrastructure.
- Promote research, development and demonstration of clean and renewable energy technologies.
- Promote conservation and energy efficiency across all of Alaska.
- Develop Alaska as a world leader in using and exporting competitively priced and reliably available fossil fuels
- Ensure standardized and consistent permitting and regulatory processes.
- Establish Alaska as a national leader in developing energy projects using its natural resources, including its workforce.

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D. Recommendations

1. Workforce

Provide proper and focused workforce training to meet the challenges of 21st century energy industries.

Executive:

Perform an assessment of the opportunities for Alaska workers in the resource development and energy sectors and, based upon these opportunities, examine the deployment of a portion of its resources toward training and retraining of the workforce in these sectors.

Amend Department of Labor/Workforce Development (DOL/WD) regulations to facilitate the ability to develop training and internship programs with an emphasis on jobs for Alaskans.

Fund education to ensure that Alaska workers have the education and skills required to maintain energy's role in our economy.

Update certificate of fitness requirements for utility linemen to enhance workforce availability and better track the successful practices of the other 49 states.

Ensure that Alaska workforce regulatory practices conform to national practices.

Private Sector:

Work with the DOL/WD in its assessment of opportunities for the Alaska workforce in the energy and utility sectors.

Maximize internship programs that will allow entry into the Alaskan workforce.

Encourage development of new energy and energy related businesses in Alaska.

2. Energy Generation

A recent draft Railbelt Energy Study (RES) indicates that electric power generation needs of the Alaska could grow by 39 percent from 2008 to 2028. During that time, reliance on fossil fuels could grow by 90 percent, while emissions per kilowatt-hour of generation are reduced. The RES shows there is a surplus of power generation capacity on the Kenai Peninsula, with deficiencies projected in other areas of the Railbelt. Alaska must be active in its pursuit of developing new generation technologies to improve the efficiencies of present and future energy generation facilities and must be self-sufficient due to the lack of any electrical interconnections outside of Alaska.

Assist the private sector in its efforts to develop energy generation capacity.

Executive:

Examine the ability of public bodies, including the Alaska Energy Authority (AEA), to assist the private sector in efforts to develop adequate energy generation capacity funded through conduit bonds and grants to keep the energy costs low for all Alaskans.

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Utilize Alaska's abundant renewable resources in the production of hydrogen.

Executive:

Convene a workshop to discuss the potential for Alaska's leadership in hydrogen production. Such a workshop could serve as an educational tool and a platform for discussion between public, university research and private sector individuals and organizations.

Direct the University of Alaska and executive agencies to inventory ideal locations for future renewable energy generation sites that could be used as a source of hydrogen for in-state use and export.

3. Energy Infrastructure

The Task Force's goals and strategies focused on matters including, but not limited to: (1) infrastructure; (2) transmission and distribution; and (3) economic efficiency. As the electrical system ages, increased concerns about reliability and stability and needs for technology-driven system improvements will be required. In addition, the long-range need for a hydrogen-based infrastructure to support fuel cell technologies provides yet another opportunity for expansion in energy infrastructure. There must exist within the State the capacity to deliver resources and energy to end-users, whether within or outside of the State's boundaries.

Stimulate private-sector participation in its energy infrastructure to allow greater energy export capability to meet state, regional, and national energy demands.

Executive:

Provide tax-exempt bonding to fund projects, much like the Bradley Lake Hydroelectric financing model, with the State retaining only the obligations that cannot be transferred to the participating utilities.

Through AIDEA/AEA, support and encourage the formation of a Railbelt unified operations model that would operate in a consolidated manner and allow the most Alaskans to benefit from projects funded through the use of tax exempt financing.

Work with Alaska's Congressional delegation to provide financing or economic incentives to promote energy infrastructure development.

Encourage Railbelt utilities to establish a unified system by providing incentives such as conduit financing for Railbelt infrastructure.

Encourage adequate transmission infrastructure to increase economic development activity.

Conduct an assessment to identify the State's energy infrastructure security needs.

Executive:

The RCA should include in their deliberations the issue of cyber-security.

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Private Sector:

Continue in the joint planning process to identify the State's energy infrastructure needs.

Encourage adequate and secure transmission infrastructure to increase economic development activity.

Continue to promote adequate fuel delivery infrastructure.

Assess the potential for the development of a locality into a sustainable energy community that utilizes novel distributed and/or renewable energy systems for residences and commercial enterprises.

Executive:

Examine the potential for the development of an Alaska locality into a sustainable energy community.

Legislative:

Examine opportunities to provide support for the development of such a community.

Alaska regional transmission planners should work to become leaders in energy infrastructure development.

Private sector:

Establish energy infrastructure development projects that will promote the reliable transportation of electricity throughout Central and Interior Alaska, both on and off the Railbelt system, that meets the State's energy, environmental and economic needs.

Define and establish a unified system operator for the Railbelt.

4. Regulatory

Streamline all licensing, permitting, and regulatory processes of energy projects.

Executive:

Review agency practices regarding the licensing, permitting, and regulatory processes of energy projects. These agencies could also review the licensing, permitting, and regulatory processes of energy projects in other states so as to develop a study of best practices regarding these issues.

Establish and maintain regulatory processes that are consistent and have defined processing timelines and encourage utilities to maintain long-term financial health.

Legislative:

Enact appropriate legislation for the implementation of best practices regarding the licensing, permitting, and regulatory processes of energy projects.

Private sector:

Provide input to the Executive and Legislative Branches to implement best practices regarding licensing, permitting, and regulatory processes of energy projects.

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II. CURRENT AND LONG-TERM ENERGY NEEDS

A. Current Energy Needs

Findings

The electrical needs of the Railbelt are currently served by six utilities, consisting of four cooperatives and two municipal utilities. These are Golden Valley Electric Association (GVEA), Chugach Electric Association (CEA), Matanuska Electric Association (MEA), Homer Electric Association (HEA), Anchorage Municipal Light & Power (ML&P) and the City of Seward Electric System (SES). These utilities, along with state-owned assets, serve roughly 75% of Alaska's population and account for over 85% of the electricity generated in the state. The Railbelt grid, spanning from Homer to Fairbanks, is not connected to other parts of Alaska, to the grid in Canada nor to the 48 contiguous states. Power can neither be imported nor exported. Because it is unacceptable to come up short in arctic conditions, reserve requirements are higher than in the rest of the country.

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Railbelt Load: In 2002, total peak load was 721 MW. See Appendix E.

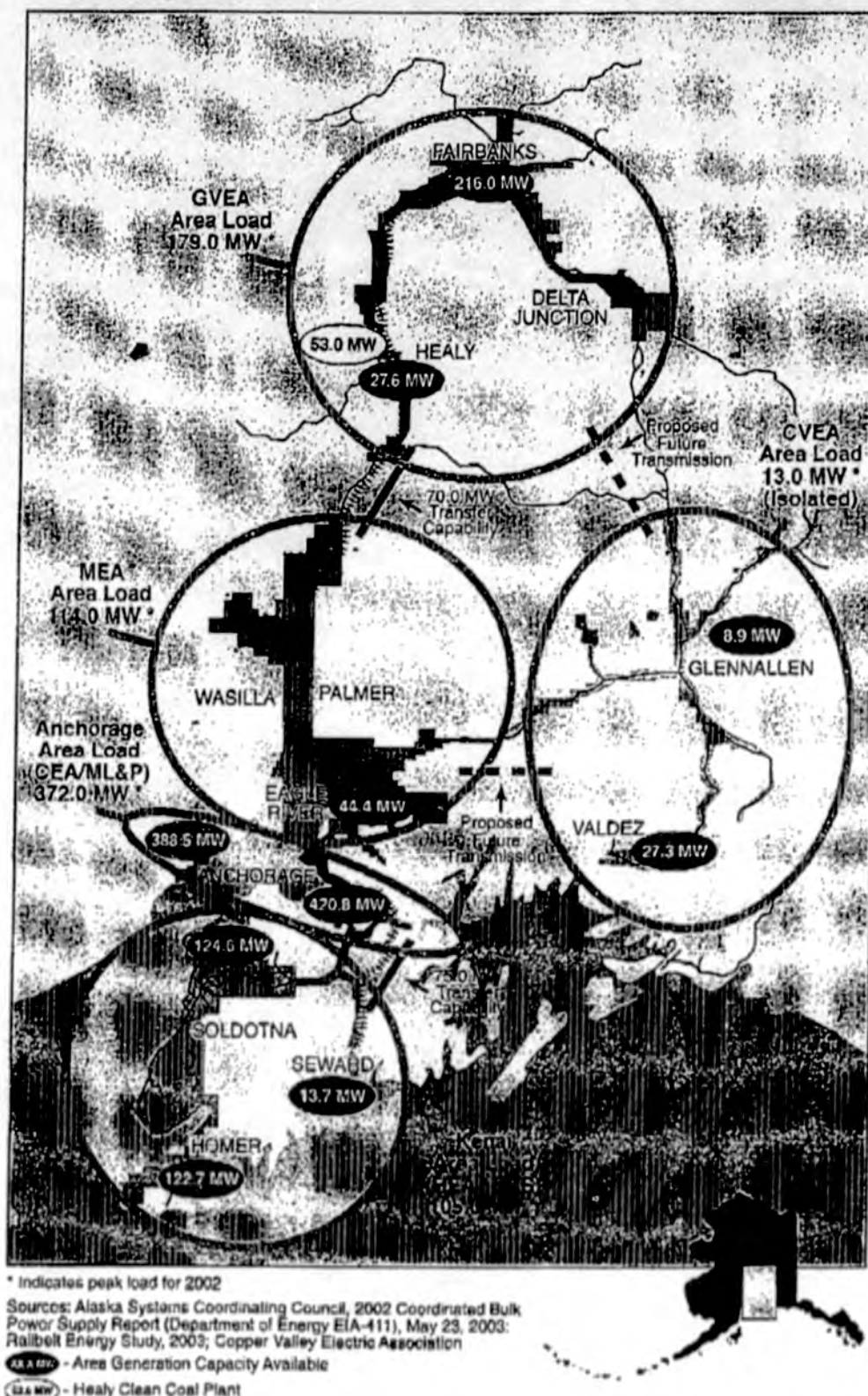
Railbelt Transmission: There are two main transmission interconnections in the Railbelt. The Anchorage to Fairbanks Intertie, a 300-mile transmission system that operates at 138kV, is composed of segments owned by MEA, CEA, AEA and GVEA. The other is the Anchorage to Kenai area transmission line, owned by HEA and CEA, and operated at 115kV. Transfer capacity on both lines is limited to approximately 70 MW. See Appendix E.

B. Current Railbelt Projects

For details see Appendix C. A road/rail map showing current loads and generation capacity, with transfer limitations noted between load centers, follows. Dotted lines indicate transmission that is needed, but not built.

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RAILBELT LOAD CENTERS



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C. Long-term Energy Needs

Findings

The Task Force adopted the definition of long-term as 20 years or more. The energy requirements of the Railbelt are expected to increase 39% over that time. Certain needs emerged from Task Force discussions and public testimony. Within the next 20 years, it was determined that Alaska needs to:

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D. Recommendations

Specific recommendations of how to fulfill future needs were as follows:

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- Increase the proportion of renewables in long-term fuel sources. Renewables include hydroelectric generation.
- Loop the existing Railbelt energy grid to improve system reliability and serve new markets. See map for details.
- Advance the physical and cyber security of the critical electrical infrastructure in Alaska.
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E. Long-term Railbelt Projects

For details see Appendix D.

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III. STATE-OWNED RAILBELT ENERGY ASSETS

Findings

The Task Force supports the transfer of AIDEA/AEA electrical assets in a manner that recognizes existing contracts. Current state ownership of energy assets should be transferred to a Unified System Operator to support the cooperation of the utilities in that endeavor. The Task Force recommends the state should provide financing through AIDEA/AEA to assist development of future generation and transmission. Through AIDEA/AEA, the State owns three Railbelt energy assets, as follows:

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Report on the RAILBELT 12/2003
Findings and Recommendations of the Alaska Energy Policy Task Force

as soon as possible. AIDEA and GVEA Boards have mutually agreed to focus on getting the HCCP up and running.

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Findings

To efficiently energize Alaska's economic development, the Task Force believes that the Railbelt utilities should develop a unified system operation. If there are legislative or regulatory issues, utilities should work cooperatively to determine actions needed to implement the unified system details. Different forms of unified systems operations may be used by the various utilities. The Task Force proposed the following examples.

A. Unified System Operations

Power Pooling:

Definition: "Two or more interconnected electric systems planned and operated to supply power in the most reliable and economical manner for their combined load requirements and maintenance program."

Source: *Edison Electric Institute*

Power pooling systems are usually set up in one of two ways; a member of the system takes on the role of the system operator or an independent operator is established. Power pools allow for better utilization of resources to meet the aggregated load. Better utilization of resources leads to lower production costs and more economical capital improvement plans. Power pools inherently share knowledge, which if transition to competition is imminent, will help smooth the process and automatically create a more level playing field.

Source: *R.W. Beck Railbelt RES Scope of Work*

The greatest benefit from a power pool assumes the utilities jointly meet capacity requirements and jointly dispatch as if they were one utility.

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Joint Action Agency (JAA):

Defined in AS 42.45.300 as "Two or more public utilities may form a joint action agency for the purpose of participation in the design, construction, operation, and maintenance of a generating or transmission facility and to secure financing for carrying out the design, construction, operation, and maintenance of the facility. A JAA may request AIDEA to issue revenue bonds for projects of the agency. A joint action agency has the powers of a public utility under AS 42.05." The statute broadly defines "public utilities"—includes any corporation or cooperative that owns, operates, manages, or controls any plant, pipeline, or system for furnishing, by generation, transmission, or distribution, electrical service to the public.

Generation & Transmission Cooperative (G&T):

A G&T is a cooperative organization comprised of one or more utilities that plan, operate and maintain G&T facilities for the benefit of the member utility systems. The G&T governing board consists of members from each member utility. It is owned by several distribution utilities to provide for their power supply needs, including in some cases ownership of generating plants and transmission lines. This is the method of unified operation that is most commonly employed by distribution cooperatives across the United States.

B. Other Tools**Integrated Resource Planning (IRP):**

The National Energy Policy Act (NEPA - 1992) defined integrated resource planning and directed states to use that process as the starting point. "The term 'integrated resource planning' means a planning process for new energy resources that evaluates the full range of alternatives, including new generating capacity, power purchases, energy conservation and efficiency, cogeneration and district heating and cooling applications, and renewable energy resources, in order to provide adequate and reliable service to electric customers at the lowest system cost."

V. OTHER TOPICS FOR FUTURE CONSIDERATION**Findings**

The Task Force either touched on these subjects or found it did not have sufficient time to address these and form valid recommendations for the Legislature under the deadline given.

A. Critical Infrastructure Protection (CIP)

Homeland security efforts to list priority infrastructure includes the utility assets. Utility groups and representatives from associated sectors such as telecommunications must continue to cooperate to provide reliable power with due regard for changing demands of security.

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B. Energy Efficiency, Conservation and the Environment

Efforts to use energy resources more efficiently can reduce energy costs and benefit the environment. Energy efficiency is broader than simple energy conservation, or eliminating unnecessary energy use. Efficiency involves achieving necessary goals, while minimizing energy requirements. Efficiency should not compromise comfort, performance or productivity, but rather meet those requirements through more proficient means. Environmental benefits are direct; if energy use is avoided, then the environmental impacts are avoided as well.

C. Emerging Energy and Environmental Technologies

Examine the establishment of public/private partnerships that benefit Alaska research institutions and commercial enterprises that engage in the commercialization of energy and environmental technologies.

D. Renewable Energy

Renewable power can be competitive. There are a number of technologies considered renewable and these include: hydroelectric, solar, biomass, geothermal, tidal and wind.

Solar, biomass, geothermal and tidal are in various stages of technological development and do not currently contribute, to a great extent, to the national energy supply. Solar at this time is expensive and because of Alaska's latitude isn't considered a likely candidate for large-scale energy production. There are some geothermal resources in the state. The closest geothermal site to the Railbelt is approximately 10 miles west of Chugach Electric's Beluga Power Plant. Tidal power is still early in its development and being studied as a potential resource in conjunction with a Knik Arm crossing. As with other technologies, tidal power is developing and it will be some time before it becomes a significant and competitive generation resource. However it is prudent for energy planners to continue to monitor the development of this technology.

Wind power is being studied as a potential renewable generation resource for the Railbelt. The technology is the beneficiary of more than 20 years of intense research and development. Large-scale wind projects are being installed across the country and around the world. These projects use large turbines and are installed on a scale that allows for the power to be priced competitively. Smaller turbines have been used for rural generation applications in the state and have been shown to be rugged and reliable. For Railbelt applications, larger turbines and projects would be required to achieve economies of scale and subsequently competitive pricing. CEA and ML&P are studying a large wind project on Fire Island.

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Acknowledgements

Representative Pete Kott, Speaker of the House
Representative John Harris
Senator Gene Therriault, Senate President
Senator Fred Dyson

Alaskan Command, Elmendorf AFB
Critical Infrastructure Protection (CIP)
Lt. Col. Bevan Orme
Julian Jensen
Alaska Conservation Foundation
Chris Rose
Alaska Natural Gas Development Authority (ANGDA)
Harold Heinze
Alaska Power Association (APA)
Eric Yould
T.C. Wilson
Chugach Electric Association (CEA)
Joe Griffith
John Cooley
Phil Steyer
Lee Thibert
Jeff Lipscomb
Denali Commission
Al Ewing
Homer Electric Association (HEA)
Myles Yerkes
Jim Cross
Matanuska Electric Association (MEA)
Tuckerman Babcock
Mike Pauley
Don Zoerb
Municipal Light & Power (Anchorage) (ML&P)
Jim Posey
Railbelt Energy Study (RES), Technical Working Group
Mark Fouts, Chair
Ron Moe, R.W. Beck
Seward Electric
Dave Calvert
Usibelli Coal Mine
Steve Denton

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Glossary

Alaska Energy Authority (AEA) <http://www.aidea.org/aea.htm>

The Alaska Energy Authority is a public corporation of the state of Alaska with separate and independent legal existence. The agency is responsible for the administration of various state power projects and programs. Pursuant to legislation enacted in 1993, the members of the Alaska Industrial Development and Export Authority (AIDEA) Board of Directors also serve as Board of Directors of AEA. Concurrently, the Executive Director of AIDEA also serves as Executive Director of AEA. Pursuant to legislation effective July 1, 1999, the rural energy programs previously administered by the former Department of Community and Regional Affairs, Division of Energy, were transferred to AEA for administration.

Alaska Electric Generation and Transmission Cooperative (AEG&T)

Created in 1984 by Homer Electric Association and Matanuska Electric Association. AEG&T's mission is to assist statewide development of financially viable and environmentally sound energy systems that are safe, reliable, and efficient.

Alaska Industrial Development and Export Authority (AIDEA) <http://www.aidea.org>

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation of the state of Alaska with separate and independent legal existence. AIDEA is governed by a five member board comprised of the commissioner of revenue, the commissioner of community and economic development, one other person appointed by the governor who serves as the head of a principal department of the executive branch, and two public members appointed by the Governor. AIDEA is a profit-motivated, public corporation of the state created by the Legislature in 1967. AIDEA pays its own operating expenses while continuing to expand its ability to fuel economic development and pay an annual dividend to the state general fund.

Alaska Power Association (APA) <http://www.areca.org>

Statewide trade association for electric cooperatives. Formerly known as the Alaska Rural Electric Cooperative Association (ARECA).

Capacity

The maximum amount of power, normally expressed in megawatts, that a given system or subsystem can carry or produce at a particular moment, and is typically used to represent the real production capability rating of a generation or transmission system.

Cogeneration

The simultaneous production of power and thermal energy, such as burning natural gas to produce electricity and using the heat produced to create steam for industrial use.

Combined Cycle (CC)

An electric generating technology in which additional electricity is produced from otherwise lost waste heat exiting from the gas turbines.

Combustion Turbine (CT)

A machine that generates rotary mechanical power from the energy of a stream of fluid.

Cooperative

A group organized to supply electricity to a specific area; a cooperatively owned electric utility. A non-profit utility owned by its members.

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Demand

The rate, expressed in megawatts (MW), at which electric energy is delivered to or by a system, part of a system, or piece of equipment at a given instant, or averaged over a designated period of time.

Distributed Generation

This term generally refers to small-scale energy generation spread among several producers, but it can also refer broadly to any type of energy generation that is spread among multiple producers. Distributed generation is most commonly used to insure that sufficient energy is available to meet peak demand. It may also be used as part of a fuels diversity program

Distribution Line

A power line which delivers electricity throughout urban and rural areas. Typically between 2,300 and 25,000 volts.

Generation

The process of producing electric energy by transforming other forms of energy. It also refers to the amount of electric energy produced, expressed in megawatt-hours (MWh).

Generation and Transmission Company (G&T)

Term for a company that provides both energy production and facilities for transmitting energy to wholesale customers.

Gigawatt (GW)

A unit of measure equal to one billion watts or one thousand megawatts.

Integrated Resource Planning (IRP)

This term refers to a planning method that takes into account all resources available to or required to meet supply needs within an area or region that produce to the lowest possible cost.

Intertie

A tie permitting a flow of energy between the facilities of two electric systems.

Investor-Owned Utility

A utility owned privately (or by stockholders) and operated as a for-profit company.

Kilovolt (kV)

A unit of measurement of electrical force of pressure equal to 1,000 volts

Kilowatt (kW)

A unit of power equal to 1,000 watts.

Kilowatt-Hour (kWh)

The most commonly used electrical measurement equal to 1,000 watts for one hour.

Load

The moment-to-moment measurement of power requirement in the entire system.

Megawatt (MW)

One thousand kilowatts or one million watts.

Peak Load, Peak Demand

These two terms are used interchangeably to denote the maximum power requirement of a system at a given time, or the amount of power required to supply customers at times when

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need is greatest. They can refer either to the load at a given moment (e.g. a specific time of day) or to averaged load over a given period of time (e.g. a specific day or hour of the day).

Railbelt Energy Study (RES)

Five utilities commissioned a study on the Railbelt. The purpose of the study is to identify the location and type of generation asset that satisfies future growth within the Railbelt.

Regulatory Commission of Alaska (RCA) <http://www.state.ak.us/rca/>

Formerly known as the Alaska Public Utility Commission. The RCA is the State's regulatory body overseeing utilities

Roadbelt

That part of Alaska that is road-accessible, but not connected to the Railbelt grid, like Glennallen

Transmission Line

A set of conductors, insulators, supporting structures, and associated equipment used to move large quantities of power at high voltage.

Volt

The unit of electrical measurement, which is similar to "pressure", that pushes current through a conductor

Watt

A unit of electrical measurement used to determine the rate of energy delivered at some point
 $\text{Watts} = \text{Voltage} \times \text{Amperes}$

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APPENDIX A

Process and Appointments

The Energy Policy Task Force (EPTF) convened its first meeting on Tuesday, September 23, at the AIDEA/AEA boardroom in Anchorage.

The Task Force consists of nine members. Chosen as proscribed in HCR 21, no legislators could serve, no utility could have more than one representative and at least one member on the EPTF was to be from a non-Railbelt electrical utility.

Governor Frank Murkowski appointed **Rick Eckert of Homer**, Interim General Manager of Homer Electric Association and **Wayne Carmony of Wasilla**, General Manager of Matanuska Electric Association.

Speaker of the House Pete Kott appointed **former Lt. Governor H.A. "Red" Boucher of Anchorage**, a board member of Chugach Electric Association and **Dave Carlson of Petersburg**, Intertie Coordinator of the Southeast Conference.

Senate President Gene Therriault appointed **Steve Haagensohn of Fairbanks**, President and CEO of Golden Valley Electric Association and **Robert Wilkinson of Glennallen**, Chief Executive Officer of Copper Valley Electric Association. In accordance with the language of HCR21, **Meera Kohler of Anchorage**, President and CEO of Alaska Village Electric Cooperative, was also selected by the Senate President from a list of three names submitted by the minority leaders.

The Alaska Energy Authority (AEA) member is **Mike Barry of Anchorage**, Chairman of the AIDEA/AEA Board, who was also elected Chair of the EPTF. The Department of Revenue member is **Tom Boutin of Juneau**, Deputy Commissioner of Revenue.

Becky Gay, staff to **Representative John Harris**, provided coordination and legislative staff support through the Joint Leadership Offices of **Speaker of the House Pete Kott** and **Senate President Gene Therriault**. **Bernie Smith**, Project Manager at AIDEA/AEA and a former Regulatory Commissioner, provided research and regulatory guidance.

The Task Force was headquartered at AIDEA/AEA and held most of its meetings in Anchorage. The Task Force met every two weeks, with presentations by the all of the Railbelt utilities and others setting the stage for discussion. Interested public was encouraged to make both written and public comments. Presentations by federal and state agencies were incorporated. Long term was defined to be 20 years or more for purposes of this report. The Railbelt Energy Study (RES) currently being undertaken by five utilities has basic information that was received by the Task Force and will be completed early in 2004. A website was provided and kept current by AIDEA/AEA at www.aidea.org/EnergyTaskForce.htm.

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Alaska Energy Policy Task Force Members

Chair: Mike Barry, Chairman of the Board
AIDEA/Alaska Energy Authority (AEA)
www.aidea.org

Vice Chair: H.A. Red Boucher, Alaska Wireless Technology
Board Member, Chugach Electric Association (CEA)
www.chugachelectric.com

Tom Boutin, Deputy Commissioner
State of Alaska-Department of Revenue
www.state.ak.us

Dave Carlson, Intertie Coordinator
Southeast Conference
www.seconference.org

Wayne Carmony, General Manager
Matanuska Electric Association (MEA)
www.matanuska.com

Rick Eckert, General Manager
Homer Electric Association (HEA)
www.homerelectric.com

Steve Haagenson, President/CEO
Golden Valley Electric Association (GVEA)
www.gvea.com

Meera Kohler, President/CEO
Alaska Village Electric Cooperative (AVEC)
www.avec.org

Robert Wilkinson, CEO
Copper Valley Electric Association (CVEA)
www.cvea.org

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APPENDIX B**HCR 21 (Resolve 24)**

00 SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 21(FIN)

01 Relating to establishing the Alaska Energy Policy Task Force.

02 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

03 WHEREAS an adequate, reliable, reasonably priced, and safe supply of electric

04 energy is a basic necessity; and

05 WHEREAS other infrastructure elements such as water, wastewater, transportation,

06 and telecommunications systems are dependent on an adequate, reliable, reasonably
07 priced,

07 and safe supply of energy; and

08 WHEREAS meaningful economic development and technological advancement

09 cannot occur in Alaska without an adequate, reliable, safe, and reasonably priced energy
10 supply; and

11 WHEREAS over 85 percent of the state's electrical consumption occurs in the

12 Railbelt; and

13 WHEREAS the needs of the non-Railbelt areas of the state include more electrical

14 infrastructure and less expensive power; and

15 WHEREAS it would be beneficial to examine how electricity is generated,

16 transmitted, and distributed in Alaska in order to meet the state's existing and future
electrical

01 needs in the safest and most efficient manner; and

02 WHEREAS the financial resources of the state are limited;

03 BE IT RESOLVED that the Alaska State Legislature establishes the Alaska Energy

04 Policy Task Force to review and analyze the state's current and long-term energy needs;

and

05 be it

06 FURTHER RESOLVED that the task force shall consider how best to incorporate

07 state-owned Railbelt energy assets as part of the solution for the Railbelt's current and
long-

08 term electrical needs; and be it

09 FURTHER RESOLVED that the task force shall also address those elements of the

10 state's long-term energy needs that can be solved through action on the part of industry,

11 government, or both industry and government working together, such as through pooling
and

12 integrated resource planning; and be it

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13 **FURTHER RESOLVED** that the task force shall develop a long-term energy plan
14 for Alaska that will efficiently enhance the state's economic future; and be it
15 **FURTHER RESOLVED** that the task force shall be composed of nine members as
16 follows:
17 (1) one member from the directors of the Alaska Energy Authority, selected
18 by the directors;
19 (2) the commissioner of revenue or the commissioner's designee;
20 (3) two members chosen by the governor who are not members of the
21 legislature;
22 (4) three members chosen by the president of the senate who are not members
23 of the legislature, one of whom must be from a list of three names proposed jointly by the
24 minority leaders of the house of representatives and the senate, and the appointment from
25 the
26 list shall be made after consultation with the speaker of the house of representatives;
27 (5) two members chosen by the speaker of the house of representatives who
28 are not members of the legislature; and be it
29 **FURTHER RESOLVED** that members shall be chosen in such a manner that a
30 utility will not have more than one representative on the task force, but at least one member
31 will be from a Railbelt electrical utility, and at least one member will be from a non-Railbelt
electrical utility; and be it
01 **FURTHER RESOLVED** that the members of the task force shall select a chair from
02 among themselves; and be it
03 **FURTHER RESOLVED** that task force members who are not state employees are
04 entitled to per diem and travel expenses as for members of boards and commissions under
05 AS 39.20.180; and be it
06 **FURTHER RESOLVED** that a staff member and other resources shall be provided
07 to the task force, as necessary, by the legislature; and be it
08 **FURTHER RESOLVED** that the task force shall submit a report of its findings
09 regarding a Railbelt energy plan to the legislature by December 31, 2003, and may make
any
10 interim reports on Railbelt energy issues it considers advisable; and be it
11 **FURTHER RESOLVED** that the task force shall submit reports of its finding
12 regarding energy plans for areas of the state other than the Railbelt to the legislature by
13 March 31, 2004, and may make any interim reports it considers advisable; and be it
14 **FURTHER RESOLVED** that the task force is terminated at 11:59 p.m. on April 15
15 2004.

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APPENDIX C

Current Railbelt Projects

- **Eklutna transmission line replacement project:** This \$19,300,000 project is in the design phase.
- **Alaska Intertie Extension:** This project will upgrade and extend the Anchorage to Fairbanks power transmission Intertie to the Teeland substation.
- **Alaska Intertie:** Maintenance repair/replacements are required to address foundations problems and replace Static VAR Compensation (SVC) equipment. In addition, a long-term fix to the uneven snow-loading events should be evaluated.
- **Cooper Lake Hydro re-licensing:** Chugach's Cooper Lake Hydro, commissioned in the 1950's, was recently overhauled and upgraded and is currently in the process of a FERC license renewal application.
- **ML&P** is acquiring property for Plant III.
- **MEA** is preparing thermal generation plant site at Hollywood Road.

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APPENDIX D

Long-term Railbelt Projects

- **Emma Creek Energy Project:** Usibelli Coal Mine Inc. has proposed a \$421 million, 200MW power plant at its mine near Healy #2.
- **GVEA's North Pole Expansion (NPE) project:** Using combined-cycle technology to add a 57MW highly efficient gas combustion turbine at the existing 120MW North Pole power plant site (built in 1975), which is GVEA's largest generating facility. The new NPE project would entail installing a 43MW gas turbine equipped with a waste heat boiler on its exhaust stack. The boiler would produce steam to power a 14MW steam turbine.
- **Southern Intertie:** Proposed new construction of a 62-mile segment to increase reliability and to provide redundancy to the Quartz Creek transmission line.
- **Chugach:** Chugach's five year construction improvement plan includes a new South Anchorage bulk transmission station, and a 138kV transmission loop that ties the new Bulk station with International and University substations. In addition, load growth in the Airport and South-East Anchorage necessitate the addition of two new distribution substations. Chugach is currently performing an Integrated Resource Plan (IRP) to identify generation and transmission requirements over the next 25 years. Chugach is also looking at development of a wind-farm on Fire Island.
- **ML&P:** Plans for the long term future include developing a robust grid, integrated resource planning, reliable sources of natural gas, developing wind power and green pricing.
- **Bradley Lake Repairs:** Repair and upgrade of the Bradley Lake Hydroelectric Project's governor.
- **HCCP:** Healy Clean Coal Project (HCCP) retrofit.
- **Donlin Creek Exploration:** Construction of power supply for the potential Donlin Creek Mine in Western Alaska, Calista region and/or Bethel area.
- **Military Power Upgrades:** Retrofit of the military's various coal generation plants, in the Fairbanks area. A Greater Fairbanks Regional Energy Study of Military Installations for long-term heat and power at Ft. Wainwright, Clear, Eielson AFB, and Ft. Greeley. Missile defense system offers opportunities and requirements. Ft. Richardson and Elmendorf AFB are undertaking privatization efforts.
- **Copper Valley Intertie:** This Intertie has been proposed to link the Copper Valley area to the Railbelt Intertie system.

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APPENDIX E

Current Energy Resources

Source: Railbelt Energy Study (RES) 2003 draft

2002 GENERATION

Thermal Resources

Owner	Name	Technology Category	Maximum Capacity (MW)
CEA	Beluga Unit 1	CT	19.6
CEA	Beluga Unit 2	CT	19.6
CEA	Beluga Unit 3	CT	64.8
CEA	Beluga Unit 5	CT	68.7
CEA	Beluga Unit 6/8	CC	109.0
CEA	Beluga Unit 7/8	CC	106.6
CEA	Bernice Lake 2	CT	19.0
CEA	Bernice Lake 3	CT	25.0
CEA	Bernice Lake 4	CT	22.5
CEA	International 1	CT	14.1
CEA	International 2	CT	14.1
CEA	International 3	CT	18.5
GVEA (Contract)	Aurora Chena	Steam	23.5
GVEA	Healy 1	Steam	25.0
GVEA	North Pole 1	CT	60.5
GVEA	North Pole 2	CT	60.5
HEA	Nikiski	CT	46.5
ML&P	ML&P Plant1 Unit 1	CT	16.2
ML&P	ML&P Plant1 Unit 2	CT	16.2
ML&P	ML&P Plant1 Unit 3	CT	19.5
ML&P	ML&P Plant1 Unit 4	CT	33.6
ML&P	ML&P Plant2 Unit 5&6 CC	CC	49.6
ML&P	ML&P Plant2 Unit 7&6 CC	CC	107.8
ML&P	ML&P Plant2 Unit 8	CT	85.0

Hydro Resources

Name	Maximum Capacity (MW)
Bradley Lake	120
Cooper Lake	20
Eklutna	40

CT = Combustion Turbine
CC= Combined Cycle

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APPENDIX E, cont.

Current Energy Resources

Source: Railbelt Energy Study (RES) 11/2003 draft

2002 LOAD

	2002 Peak Load (MW)				
GVEA	CEA	ML&P	MEA	HEA	SES
179	227	145	114	95	10

The electrical needs of the Railbelt are served by six utilities; four cooperatives and two municipal utilities. Golden Valley Electric Association (GVEA), Chugach Electric Association (CEA), Matanuska Electric Association (MEA), Homer Electric Association (HEA), Anchorage Municipal Light & Power (ML&P) and City of Seward Electric System (SES).

2002 Transmission

Major Railbelt Transmission Lines

Name	From	To	Pole Miles	Capacity (kV)	Limit (MW)	Owned by	Operated by
Fairbanks	Fairbanks	Healy	103.2	138		GVEA	GVEA
Northern Intertie	Fairbanks	Healy	97	230		GVEA	GVEA
Alaska Intertie	Healy	Willow	170	345	75	AEA	IOC
Southern Intertie	Anchorage	Quartz Creek	90.4	115	70	CEA	CEA
Kenai Peninsula	Quartz Creek	Soldotna	~ 300	115		HEA	CEA
	Soldotna	Bradley Junction		115		HEA	CEA
	Bradley Junction	Homer		115		HEA	CEA
	Soldotna	Homer		115		HEA	CEA

The Alaska Intertie includes a 170-mile, 345 kV transmission line between Willow and Healy and voltage control devices at Teeland, Healy and Fairbanks. The line was built with State grant funds, went into operation in 1985 and is operated at 138 kV. All of the operating and maintenance costs of the Intertie are paid for by the utilities (83.5% from energy transfers and 16.5% from reserve sharing).

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The Intertie Operating Committee (IOC), set up by the Intertie Agreement among AEA, GVEA, CEA, ML&P and AEG&T (MEA & HEA), oversees the operation and maintenance of the line. The current agreement does not provide a mechanism for financing capital repairs or improvements to the line. Certain repairs have been postponed for a lack of financing mechanism.

Chugach's single 115 kV transmission line, which has a stability-limited capacity of 75 MW, connects the Anchorage and Kenai areas. This line is over 50 years old and will require significant rebuilding to keep it in service. The limited capacity of these single lines limits the amount of generating reserves that may be shared between areas of the Railbelt.

GVEA recently completed construction of and energized the Battery Energy Storage System (BESS) and the Northern Intertie (a second line between Healy and Fairbanks) which reduced line losses, increased the transfer capacity and improved reliability. The line is rated at 230 kV and operates at 138 kV. This would allow energy from HCCP and GVEA's Unit 1, as well as energy transfers from Anchorage, to be simultaneously transferred to Fairbanks.



Questions Regarding HB 163/(Assignee)

1. Provide documentation that there will be a reduction in MEA rates. (Rep Kelly)
2. What is the value of the Healy Clean Coal Project and who would determine that value? (Rep Kelly)
3. How would Healy Clean Coal feel about the proposed sale? (Rep Kelly)
4. If the Healy Clean Coal Project was sold, what would happen if all members of the JAA opted out? (Rep Kelly)
5. Check on the tax exempt status of the Four Dam Pool. (Steve Haagenson/GVEA)
6. Provide a letter to the committee advising if they do/do not support the bill. (Alaska Power Association Board of Directors/Eric Yould)
7. Representative Dahlstrom asked that Sam Cason and Lee Jordan get together before leaving the building this evening (April 5, 2005) to discuss getting the two utilities together to discuss the bill. She requested that the boards advise her of the date they plan to meet and to report back to her regarding the bill and any proposals they may suggest. (Cason/Chugach Electric) and (Jordan/MEA)
8. Provide documentation about the state's desire to "get out of the loop" regarding the intertie and with regarding to SB 106 (1993) (Joe Griffith/Chugach Electric)
9. Provide documentation regarding the Four-Dam Pool model. (Ron Miller/AIDEA)
10. Provide a letter to the committee regarding the possible violation of separation of powers. (Asst AG Brian Bioquist/AIDEA)
11. Provide a letter to the committee verifying whether the RCA has the authority to put the proposal together and is it good public policy. (Asst AG Brian Bioquist/AIDEA)
12. Is the offer by MEA to buy the Intertie still on the table and provide documentation of how MEA determined the depreciated value. (Tuckerman Babcock/MEA)
13. Provide documentation that proves the intertie contract can be cancelled with a 48-month notice. (Tuckerman Babcock/MEA)

Representative Dahlstrom also asked that the 6 utilities give some thought to her facilitating a meeting between all groups to discuss the bill. She suggested that this could be behind closed doors, and that she doesn't necessarily need to attend. She was not expecting an immediate answer – just to give the matter some thought.