



October 25, 2010

The Regulatory Commission of Alaska  
701 W. Eighth Avenue, Suite 300  
Anchorage, AK 99501

Dear Commissioners:

I am writing this letter as the Chairman of the group of Railbelt Utilities responsible for maintaining the reliability of the Railbelt Electric Grid in order to provide your agency with as much notice as practicable regarding an emerging regulatory issue.

The issue of great concern involves identifying and allocating the cost of integrating power generated from renewable resources into the Alaska Railbelt grid in a manner that the reliability of the Railbelt electric grid can be maintained. The utilities believe they are being portrayed as “against” power generated from renewable resources. Nothing could be further from the truth. We are raising this important issue of reliability and the cost to maintain the reliability, because we believe the issues regarding who should pay for the full cost of acquiring power from the larger electric generation facilities using renewable resources has not been properly identified and analyzed.

Renewable resource generation projects of all types (e.g., solar, wind, biomass, geothermal, and hydro) have been operating and providing power to the citizens of Alaska for some time. There is no question that power generated by renewable resources can be an important supply-side electric power resource for the citizens of Alaska. The lower cost of fuel and the benefits to the environment compared to most carbon-based generation resources are genuine. To date, however, there have not been any large intermittent, non-dispatchable projects added to the electric generation mix in the state. These types of projects, whether connected to a small utility system or interconnected with the Railbelt utility system, have unique considerations that must be addressed in order to maintain system reliability for the electric grid. The reliability of the electric grid is everyone’s concern.

There are engineering and operating solutions available that can be implemented to alleviate most, if not all, potential problems created by the introduction of new generation resources. These solutions may come with a high price tag. The concerns of the undersigned utilities involve the costs associated with properly integrating the power from renewable resources into the electric grid which serves the Alaska Railbelt communities and who should pay for those solutions.

The cost of identifying and then paying for integration of new generation can be significant. Integration of electric generation from wind turbines is especially costly because electric generation from a wind resource is not constant. We all know that the wind does not blow all the time and can stop and start without any notice. What we need to know and understand is how much it will cost Alaska consumers to make sure those wide swings in delivered power do not affect the reliability of their current electric service. The utilities in the lower 48 are struggling with this issue. The challenge in Alaska is even greater because our electric transmission grid is not anywhere near as robust and flexible as the electric grid in the lower 48. The assertions that have been made to date regarding the cost of integrating wind power into the Railbelt Utility grid are currently based on incomplete data and analyses. These issues can be addressed and resolved, but not without a cost. The cost of the necessary solutions could easily be in the tens of millions of dollars. The private wind developer must be responsible for paying that cost.

The Railbelt utilities strive to provide the least-cost reliable electric power supply for their customers. We naturally seek a balance and diverse resource mix whenever practicable. We are for the wise use of natural resources. It is of great concern to us that the reliability of the Railbelt transmission grid will be jeopardized without additional investment to protect it from the proposed intermittent resources. We are in favor of maintaining reliable electric generation, distribution, and transmission systems. To be clear, we are not in favor of obtaining electric power at any price or incurring significant system-related investment costs and forcing that cost on to our individual utility customers.

Please do not construe this letter as a “no vote” for the development of renewable resources; rather, consider this an alert that there is an emerging issue that must be addressed for large-scale wind projects to be viable. This letter is being copied to the agencies and people that we “partner with” to provide reliable electric power to the people of Alaska so that the discussions can begin regarding this important issue. We would like to meet with the Commission and discuss these important issues at a public meeting scheduled in the very near future.

Sincerely,

A handwritten signature in black ink that reads "Brian L. Newton". The signature is written in a cursive, flowing style.

Brian L. Newton, President/CEO Golden Valley Electric Association and on behalf of:

Brad Evan, President/CEO, Chugach Electric Association

Jim Posey, General Manager, Anchorage Municipal Power & Light

Joe Griffith, President/CEO, Matanuska Electric Association

Brad Janorschke, President/CEO, Homer Electric Association

John Foutz, Utility Manager, City of Seward

cc: Alaska Energy Authority  
House Energy and Resource Committee  
Senate Energy and Resource Committee