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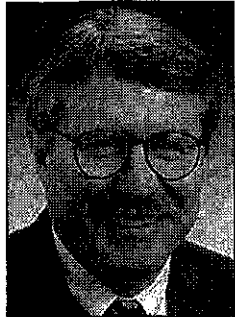
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OPINION

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Intertie promises to provide affordable power to Railbelt

ERIC P. YOULD, *Alaska Rural Electric Cooperative Association*

A project to benefit Alaska and Alaskans for the next 50 years is moving forward, thanks to the vision and efforts of legislators and electric utilities.

The Southern Intertie, an important new link in the Railbelt electric grid, recently passed a major milestone with the completion of comprehensive environmental reviews. After a thorough and public environmental impact statement process, three federal agencies last fall issued records of a decision identifying a route along the Kenai bluff of Cook Inlet and under the mouth of Turnagain Arm as the preferred path for the new transmission line.

The intertie will be a new transmission line between Nikiski and Anchorage that will improve the reliability of the Railbelt power grid. However, its most important function will be to help move power throughout the region from where it's most economical to make it to where customers need it. All six of the electric utilities that serve customers in the Railbelt are participating in the project. All six are not-for-profit utilities working on behalf of their customers. The current estimated cost of the line is \$100 million. Approximately \$70 million of the project will be paid by a state grant made by the Legislature in 1993 from the Railbelt Energy Fund — set up in 1986 to invest in projects that benefit Alaskans throughout the state's most populous region.

With the EIS completed, attention now

turns to design and construction. If work proceeds on schedule, Alaskans may be taking home paychecks from construction by 2004 and the new line could be in service by 2006 or 2007. That might seem a ways off, but it's just around the corner when you consider the need for this project that has been in the planning since the early 1980s.

Infrastructure is vital to Alaska's current and future health and economy. A strong interconnected Railbelt electric system that allows power to be made economically in one area and moved efficiently to another helps ensure that individual Alaskans and the businesses that employ them have reliable, affordable electric service. The Southern Intertie will do just that.

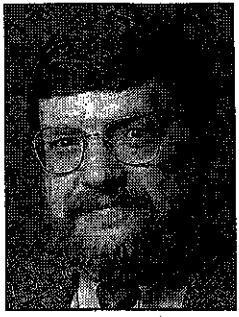
Critical infrastructure is often ignored or taken for granted until something goes wrong or existing facilities are overwhelmed by demand. That's why it's so important to plan. The fact you can flip a switch today and have the lights come on doesn't just mean someone did something special today. It happens because Alaskans decades ago had the foresight to put an electric grid in place to make it happen. It is our collective responsibility to provide the same benefit to our children and other people who are the future of this great state.

■ Eric P. Yould is executive director of Alaska Rural Electric Cooperative Association.

POINTCOUNTERPOINT Anchorage-Kenai intertie?

Southern Intertie's benefits likely not worth the cost

RAY KREIG, *former Chugach Electric board member*



Clearly the Southern Intertie has some benefits: The question is whether they are worth the cost. Are there better uses for \$125 million in public and ratepayer funds? History indicates that cost overruns are highly likely, totally at ratepayer expense.

Currently, power is on 99.975 percent of the time. How much is it worth to gain a part of that remaining 0.025 percent (two hours a year)? Utility boards, legislators and the public have no way of judging without fair, impartial and unbiased project economic advice from independent experts.

Of great concern should be a history of deceptive manipulation of intertie benefit claims by utility managers. When I was Chugach board president in 1996, we received misleading benefit-cost advice from management on the northern intertie (between Healy and Fairbanks). If Chugach had participated in that project, it would have cost our ratepayers \$600,000 a year.

We then insisted on a very detailed and comprehensive study of the benefits and cost of the Southern Intertie. We retained Decision Focus Inc. because it had performed several studies on intertie economics for the state. DFI found only \$58 million in benefits. Chugach management kept that February 1998 study secret from the public.

Meanwhile, unbeknown to the board, Chugach management supervised the same

consultant's preparation of another report issued for public consumption in March 1998. It conveniently claimed \$143 million in benefits — enough to show the \$125 million intertie cost to be barely justified. That was the only benefit information provided by Chugach to regulators and the public during the 1998-2002 environmental impact statement process.

Same consultant, two vastly different benefit numbers. What gives? In DFI's own words: "We believe our comprehensive approach (in the February 1998 study) is much more accurate."

In 1990, the state utility consumer advocate, Alan Mitchell, also found the Southern Intertie benefits to be only \$51 million to \$63 million. There is no independent third party that has found the benefits of the Southern Intertie anywhere near the \$125 million cost of this project.

Considering the deterioration that has occurred in Alaska's financial condition since the original appropriation in 1993, Southcentral utility boards and local governments should look very hard at the intertie and ask the Legislature to reappropriate the \$70 million in state funds pledged to the project. The money would better benefit Southcentral Alaskans if used to reduce utility or municipal and school debt by \$500 per household.

■ Ray Kreig is a former president of Chugach Electric Association and served on the executive committee of Alaska Rural Electric Cooperative Association.