

Where Do the Benefits of the Southern Intertie Come From?

	Chugach Benefits (million \$ NPV)	Railbelt Benefits (million \$ NPV)
Energy+Spinning Reserve	11.32	15.48
Transfer Payments-Energy and Spin	(4.46)	0.00
Transfer Payments-Capacity	(0.70)	0.00
Life Extension	0.00	0.00
Avoided and Deferred Generation	0.00	4.18
Reduced Reconstruction Costs on Existing Line	1.58	3.01
Avoid Zero Loading for Maintenance	2.38	4.76
Avoid Zero Loading for Other Reasons	2.42	4.85
Total Savings	12.46	32.27
Reliability Benefits	5.27	24.42
Total Benefits	17.73	56.69

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From a Chugach perspective, the benefits come from operating savings (energy and spinning reserve), reduced maintenance on the existing line, and not having to shut down the existing line for maintenance, bad weather, and construction near the line. Partly offsetting these benefits to Chugach are reductions in payments from other utilities for energy, spinning reserve, and capacity.

From a Railbelt perspective, the story is much the same. There are, however, benefits to other utilities from deferring the addition of new generation. Since sales between Railbelt utilities net out to zero for all utilities combined, there are no transfer benefits for the Railbelt as a whole.

For both Chugach and the Railbelt as a whole, reliability benefits are large enough to rival the direct ratepayer benefits.

We will now discuss each of these specific types of benefits in more detail.

Chugach Review Comment - As noted on page 15 and 17 of the review comments, the benefits computed in this study are understated.