Electric Transmission Week
Monday 27 January 2003

Costs, benefits of Alaska intertie still in dispute; final decision postponed to July to allow for project review

Five of the six Alaskan utilities that make up the Southern Intertie Participants Group voted earlier in January to set a July 15 deadline for participating utilities to commit to the Southern Intertie transmission project. This project would build 61 miles of 138-kV line from Anchorage south to the Kenai Peninsula (*ETW, 11/4/02*).

Chugach Electric Association will manage the project's construction if it goes forward. The other utilities in the Intertie Participants Group are Golden Valley Electric Association of Fairbanks, Municpal Light and Power of Anchorage, Homer Electric Association, the city of Seward, and Matanuska Electric Association of Palmer, which cast the sole vote against setting the July 15 deadline.

The intertie has been in the works since the mid-1980s. The state set aside over $46 million for the project in 1993; with interest, that amount has now grown to about $70 million.

However, controversy continues over whether the benefits of the line exceed its costs. An independent company hired by the state in 1998, Decision Focus, Inc.-Aeronomics, released a study concluding that the benefit to the Railbelt region of Alaska from the project would be $143 million. (The Railbelt is the region in Alaska centered around the railroad between Fairbanks and Anchorage.) When the federal Rural Utilities Service selected and approved a route for the line, it cited these numbers as part of the project's justification.

However, last November the Chugach board released the results of another study, also performed by DFI, which had been completed a month prior to the publicly disseminated report.

This "secret" report found only $56.7 million in benefits from the project, and with the line's construction now anticipated to cost more than $100 million, Alaska ratepayers could be socked with a whopping bill, according to Chugach Consumers, a community group composed of Chugach Electric customers.

Chugach Electric explained that the first report failed to accurately consider the fuel-cost savings or value reliability as highly as the utility does. And another report, prepared last year by Chugach staff, said the second DFI study accurately assessed the benefits.

Ray Kreig, who served on the Chugach Electric board from 1994-2000, balked at the utility's tactics and explanations.

"The [original] DFI report was fine with Chugach management when they briefed it to the board in executive session on February 16, 1998," Kreig said in written testimony to the board during the Jan. 2 public comment period. "The sliming of the report by Chugach should be considered to be nothing more than spin and damage control until the necessary independent review has run its course."

In the Intertie Participants Group decision, the five members agreed to:

- Obtain a third-party review of the construction cost estimates by April 15;
- Review the price estimates for owner-furnished equipment and materials;
- Release an updated project timeline by May 1;
- Petition the state for another $30 million in grant money from the Railbelt Energy Fund, which was created when the multi-billion Susitna River hydro project fell through in 1986; and
- Set the decision deadline for July 15. This represents the last day any utility can notify the other IPG members if it plans to drop out of the project.

Matanuska declined to approve the IPG resolution because it wants more time to perform a detailed investigation into the expected costs and benefits of the project. Although the project expenses are generally expected to run nearly $100 million, Matanuska argued that because of the inflation that has occurred since the last study, the actual costs could be closer to $140 million. AWT

Volume 2, No. 4

Electric Transmission Week

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Published and distributed by email 50 weeks/year on Mondays by Io Energy LLC,1925 N. Lynn St., Suite 1050, Arlington, VA 22209. ISSN 1541-7948. Single subscriptions to *Power Daily's Electric Transmission Week* are $797/year. Subscribers to *Power Daily* receive an additional discount.

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