

Alaska State Legislature

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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.