

The Business Case for GRETC

International Association for Energy Economics

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- The looming future
- Economic uncertainty
- Aging generation
- Traditional fuels more expensive and becoming scarce
- A time for decisions – and actions
- By Railbelt Utilities and the State of Alaska



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- Railbelt residents need
 - Plentiful, reliable, power supplies for consumers at stable, predictable prices
- To provide this, Railbelt Utilities need
 - *Access to reliable, long term, wholesale power supplies at stable prices*

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- To achieve long run controlled economic development
- Maintain our Alaskan quality of life



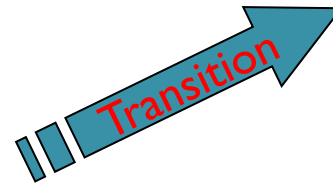
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The GRETC vision



Our present Situation

- Limited redundancy
- Limited economies of scale
- Dependence on fossil fuels
- Limited Cook Inlet gas deliverability & storage
- Aging G&T infrastructure
- Inefficient fuel use
- Difficult financing
- Duplicate G&T expertise



- Robust transmission
- Diversified fuel supply
- System wide power rates
- Spread risk
- State financial assistance
- Regional planning
- Wise resource use
- Respond to large load growth
- Technical resources
- New technologies



Embrace our future together



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- Some Definitions
 - **REGA** means “Railbelt Electrical Grid Authority”
 - **GRETC** means “Greater Railbelt Energy & Transmission Company”
 - **RIRP** means “Railbelt Integrated Resource Plan”

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- Three discrete tasks
- **REGA** study determined the business structure for future Railbelt G&T
- **GRETC** initiative is the joint effort between Railbelt Utilities and AEA to unify Railbelt G&T.
- **RIRP** is the economic plan for future capital investment in G&T and in fuel portfolios that GRETC would build, own and operate.

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Our Discussions today

1. The business case for GRETC – the REGA study.
2. The Railbelt G&T business of the future – GRETC.
3. Create a new Regulatory Regime for GRETC.
4. Develop a plan for new power plants and transmission lines and fuel supplies – RIRP.
5. The GRETC legislation – where is it now?

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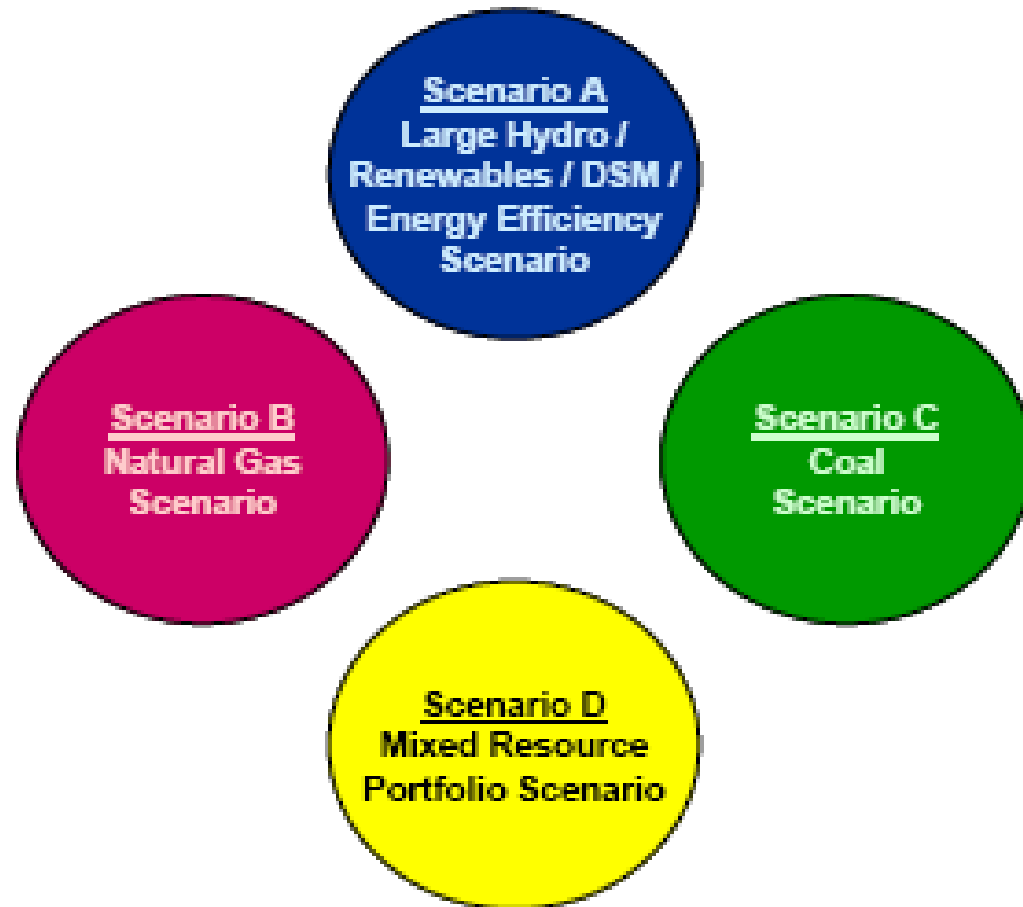
- ***1. THE BUSINESS CASE FOR GRETC – THE REGA STUDY***

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- **IS THERE A BUSINESS CASE FOR UNIFYING RAILBELT G&T ASSETS OVER TIME?**
 - **SAVE MONEY?**
- **RELIABLE AND AFFORDABLE POWER OVER THE LONG RUN?**

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ENERGY FUTURES CONSIDERED BY THE REGA STUDY



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REGA result for GRETC employing **tax exempt** financing – Average Annual Present Worth Net Savings (Costs)

Scenario	Annual Savings (x 1000 \$/yr)	Percent Savings (%)	Monthly Residential Bill Impact (\$/month)
A – Large Hydro	\$42,683	10.9	11.50
B – Natural Gas	\$12,795	4.1	4.30
C - Coal	\$37,177	10.8	11.30
D – Mixed Resource	\$34,195	9.4	9.90

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REGA result for company employing **non-tax exempt** financing – Average Annual Present Worth Net Savings (Costs)

Scenario	Annual Savings (x 1000 \$/yr)	Percent Savings (%)	Monthly Residential Bill Impact (\$/month)
A – Large Hydro	\$28,166	7.9	8.30
B – Natural Gas	\$10,452	3.6	3.70
C - Coal	\$30,872	10.1	10.60
D – Mixed Resource	\$25,114	7.5	7.90



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THE RESULT REGA PROJECTS SAVINGS WHEN GENERATION AND TRANSMISSION IS UNIFIED FOR ALL RAILBELT ENERGY FUTURES

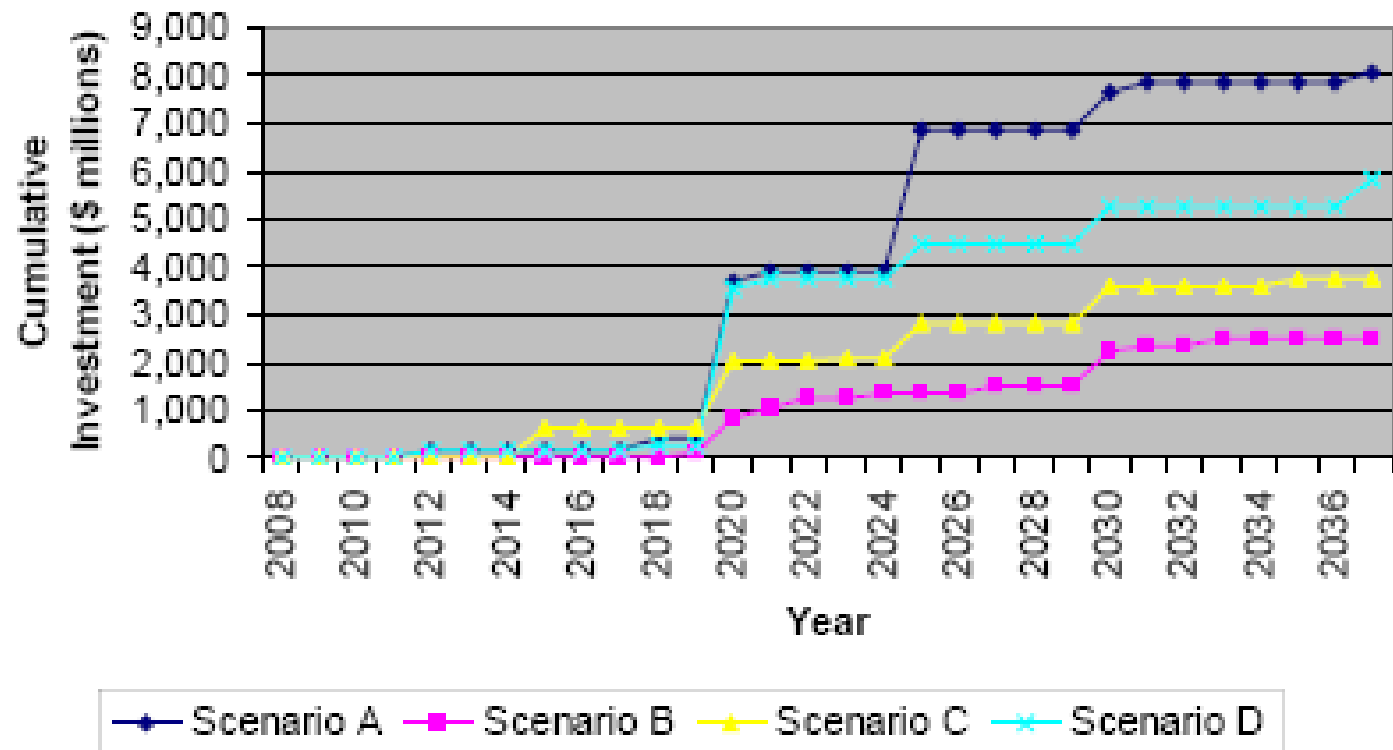


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RAISING CAPITAL FOR BUILDING THE RAILBELT'S G&T FUTURE

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Figure 5 - Required Cumulative Capital Investment



REGA Analysis – Numbers to be updated in present Integrated Resource Plan Project

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- **THE CONCLUSION:**
- **THE BORROWING ABILITY OF RAILBELT UTILITIES IS ESTIMATED *TO BE LESS THAN \$1 BILLION.***
- ***THE REGION IS FACING A CAPITAL SHORTFALL IN BOTH THE NEAR AND LONG TERM.***

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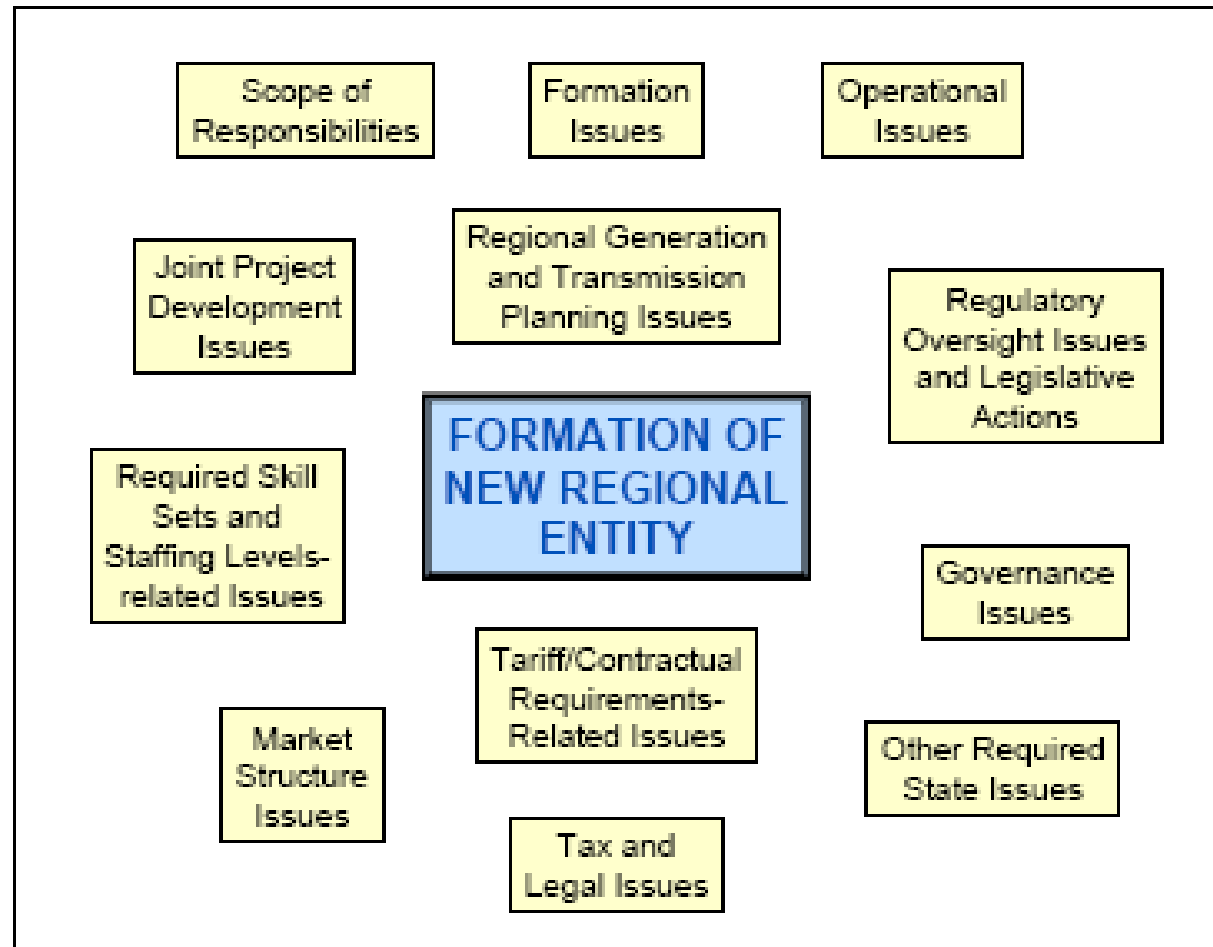
- Reasons for GRETC – a “take-away”
- ***1. GRETC SAVES MONEY FOR UTILITY SERVICE OVER THE LONG RUN FOR ALL ENERGY FUTURES***
- ***2. GRETC MEETS THE CAPITAL NEEDS OF THE REGION FOR THE NEAR AND LONG TERM WITH LEAST COST TO RAILBELT RATE PAYERS***

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2. THE RAILBELT G&T BUSINESS OF THE FUTURE – GRETC

- GRETC = Greater Railbelt Energy and Transmission Company

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Things to consider when forming a GRETC G&T company



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GRETC is envisioned to be:

- A statutory company
- Own and operate Railbelt power generators and transmission lines
- Build Infrastructure specified in the Regional Integrated Resource Plan (RIRP)

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- Privately owned not for profit company with public responsibilities defined in law

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- Significant financial muscle to shoulder long term debt
- Make use of State and federal financial underwriting
- To benefit All Railbelt Rate payers equally

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***The GRETC Unified
Business Structure***



***Rational Economic Decision
Making***

Lowest Financing Costs

***Business continuity,
technical competence, and
corporate memory***



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3. CREATE A NEW REGULATORY REGIME FOR GRETC

- GRETC = Greater Railbelt Energy and Transmission Company

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- A new Regulatory Regime for GRETC
 - Protect rate payers
- Tailor RCA regulation to a GRETC G&T
- Develop adequate financial and quality of service checks and balances for a large public G&T utility that is member owned

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- A new Regulatory Regime for GRETC
- Allow rate making methods for unified public purpose not-for-profit company
- Rate Stabilization for large, long lived power projects



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4. Develop a plan for new power plants and transmission lines – RIRP

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- The GRETC **RIRP**
- **RIRP** means “Railbelt Integrated Resource Plan
- A plan that economically schedules when to build, what to build, and where to build, based on available fuel and energy supplies.

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- The GRETC **RIRP**
 - **RIRP** means “Railbelt Integrated Resource Plan
- Three key parts
 - Future Generators
 - Transmission Network
 - Fuel and Energy Portfolios of the future

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- The RIRP project
 - A 50 year economic plan
 - Competes generation, transmission and fuel supply options
 - Arrives at a plan to build future infrastructure for minimum long run cost to rate payer
 - Considers fuel supply risks
 - Will define capital requirements

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- The RIRP project
 - Includes major renewable energy projects
 - Susitna
 - Chackachamna
 - Wind projects
 - Other Alternative/Renewable Energy Projects
 - Considers fuel supply options
 - Bullet line
 - AGIA spur
 - LNG
 - Cook Inlet

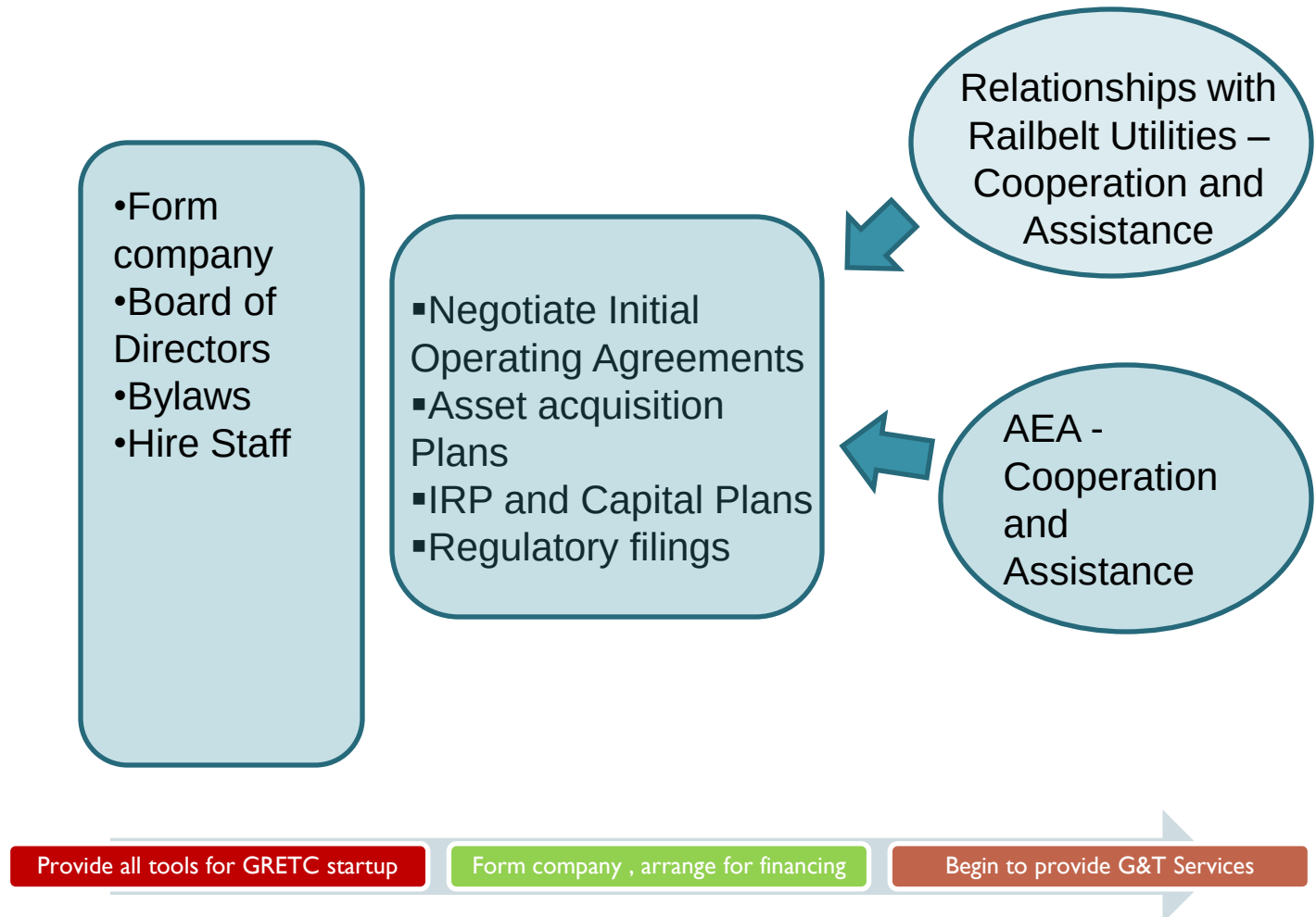
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- ***5. THE GRETC LEGISLATION – WHERE IS IT NOW?***
 - ***WHAT TO EXPECT THIS LEGISLATIVE SESSION?***

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 - The Task at hand
 - Collaboration – Railbelt Utilities – AEA on completing draft statute
 - Work cooperatively with this legislature on passing the formation law
 - Develop a transition plan so GRETC can operate effectively as it leaves the starting gate and move, over time to unified operation
 - Move AEA assets (Alaska Intertie and Bradley Lake Hydro project) into GRETC.

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The Birth of a public infrastructure company



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 - AEA role in GRETC
 - Nurturing Agency
 - Granting Agency for State funded start up costs
 - Completing initial system wide integrated resource plan – responsibility will flow to GRETC
 - Technical expertise in start-up

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 - Railbelt Utility role in GRETC
 - Agree to phased commitment process
 - Commit selected G&T assets to new company, under individual, bi-lateral negotiations with GRETC
 - Technical expertise in start-up
 - Transfer selected, and negotiated talent pool into new company

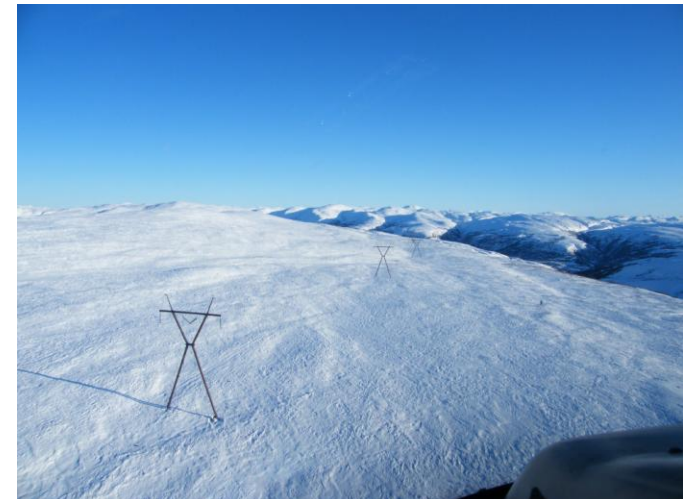
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- ▣ Governor's Office – Mr. Joe Balash

- ▣ AEA – Mr. Jim Strandberg

- ▣ RCA

- ▣ DNR



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- Thank you for your attention and time
- Jim Strandberg, Alaska Energy Authority
 - GRETC Program Manager
- Questions?