

Revised October 2009

Project Fact Sheet: ALASKA INTERTIE

CURRENT STATUS: The Intertie is currently in operation. Several repair and renovation projects have been authorized by the Intertie Operating Committee and AEA has started to pursue the projects. The projects are the STATIC VAR COMPENSATOR replacement project and the TOWER 195 RELOCATION project. There is \$10M available to accomplish this work.

The continued operation of the intertie is changing with an emerging gas shortage in Cook Inlet, which reduces the ability for Chugach Electric and Municipal Light and Power to generate economy energy for sale to GVEA. Operation is expected to continue, but with reduced power flows. The line is also being used for GVEA to transfer firm energy south under conditions with gas supplies to Chugach are curtailed, either during maintenance periods or during extreme cold weather conditions. The Alaska Intertie Contract between AEA and participating Railbelt Utilities, schedule to terminate in 2010, remains in a "being renegotiated" status. Completion of renegotiation is on hold, pending legislative action on the Greater Railbelt Energy and Transmission Company (GRETC) bill, which would transfer the ownership of the Intertie to the new GRETC Company.

PROJECT COST: Initial capitals costs of \$124 million. Warranty and repair and replacement fund is paid into by utilities to cover costs.

DESCRIPTION: The Alaska Intertie transmission line is a 170-mile long, 345kV transmission line between Willow and Healy that is owned by AEA. It is presently operated at 138 KV.

PURPOSE: The purpose of the Alaska Intertie is to interconnect Golden Valley Electric Association, the regulated utility that serves areas north of the Alaska Range with south central Alaska Utilities. The intertie also allows resources north and south of the range to be shared to improve reliability. Notably, the GVEA storage battery, as well as GVEA generation resources, can and have been used to send emergency power southward to minimize catastrophic network wide outages. The operation of this intertie materially improves overall system reliability.

SOURCE OF FUNDS: The Intertie was built in the mid-1980s with State of Alaska appropriations totaling \$124 million. Currently, there is no debt associated with this asset.

PARTICIPANTS: The operation of the Intertie is governed by the Alaska Intertie Agreement entered into in 1985 and amended in 1991. The parties to this agreement are AEA (formerly Alaska Power Authority), Anchorage Municipal Light & Power, Chugach Electric Association Inc., Alaska Municipal Utilities System, Golden Valley Electric Association, Inc., and the Alaska Electric Generation and Transmission Cooperative (AEG&T is comprised of Matanuska Electric Association and Homer Electric Association).

BENEFITS: In 1981, a study demonstrated a positive feasibility of the line and recommended construction of an intertie to allow exchange of economy energy and the sharing of reserve generation capacity between the Anchorage and Fairbanks load centers. It was estimated that the benefits from the project would be approximately \$17 million per year.

ADDITIONAL BACKGROUND: Agreements have been developed over a span of 30 years to govern the cooperative management, operation of the connected network at large. AEA has agreements with participating utilities that assure the Alaska Intertie operates with prudent maintenance and operation by utilities. ML&P is the intertie operator, while MEA and GVEA provide maintenance and operations services.

AEA serves as financial administrator, providing basic accounting services to establish a cost-based wheeling rate that is trued up each year. AEA collects payments from Intertie users and pays expenses, including reimbursement of costs incurred by the two operators of the line, ML&P and GVEA, and the three maintenance contractors, MEA, CEA, and GVEA.