



# Anchorage

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## OUR VIEW

# Southern intertie

*Good reason to question  
this Railbelt energy project*

In 1993, the Alaska Legislature set aside \$46.8 million for building a second high-voltage power line between Anchorage and the Kenai Peninsula.

Some important things have changed in the 10 years since then. Alaska's state government finances have deteriorated, and easy spending money has disappeared. Lawmakers routinely balance the state budget by drawing at least half a billion dollars each year from a dwindling savings account.

Another noteworthy change is that doubts have recently come to light about the economic viability of the proposed power line. A 1998 utility company study that was kept secret for four years concluded the southern intertie would produce barely 50 cents' worth of benefit for every dollar spent.

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Together the shortage of state money and new doubts about the project's payoff suggest the Legislature might find higher and better uses for that \$46.8 million.

Some advocates of the southern intertie reject that notion. They claim the money is locked up tight — \$46.8 million plus interest — and there is no point in

reconsidering the matter. The intertie money was the final part of a political deal that triggered a spurge of spending on energy projects and subsidies starting in the early 1980s. Anchorage and the southern Railbelt would be denied their fair share of state-funded energy goodies, intertie advocates say, if this final project is not built.

The project's defenders say a deal's a deal, even if it means throwing good money after bad. The day when Alaska could get away with such a cavalier approach to spending money is long past.

But for purposes of argument, let's accept the basic framework of this supposedly unbreakable deal. Let's grant that regional equity requires the money to be spent to benefit the southern Railbelt. Let's grant that it has to be spent to supply cheaper energy. Let's even grant that it has to be spent on a particular type of energy, namely electricity. Granting all that, it is still not clear that the southern intertie is the best way to do it.

The money could be used to retire debt at the region's electrical utilities. It could be used to upgrade and repair the existing high-voltage power line between the Kenai Peninsula and Anchorage. It could be used to install a centralized power dispatching system, to ensure that the most efficient mix of Railbelt power plants is used to meet electricity demand as it fluctuates during the day and during the year.

The new Anchorage-Kenai intertie should, at minimum, have to prove that it is a better investment than those options. That will require an independent, rigorous look at the intertie's costs and benefits and how they compare with the alternatives.

# Intertie II

*Is \$23 million of interest money legally available? \**

During debate over the proposed electrical intertie between Anchorage and Kenai, an interesting question has come to light. Just exactly how much state money is available for the project?

The state agency handling the project, Alaska Industrial Development and Export Authority, says the available funding is about \$70 million. That's the original \$46.8 million that the Legislature set aside in 1993 plus another \$23 million or so in interest.

There's just one problem with that claim. The 1993 legislation that set aside \$46.8 million (SB 126) imposed certain conditions. One condition requires utilities involved with the project to agree in advance that they will pay all costs of the intertie over and above \$46.8 million. No legislation passed since then has repealed that requirement.

It appears that state law is clear: Only \$46.8 million of the appropriation is available to pay for the intertie. (Unless, of course, state lawyers can come up with a convincing theory that explains why the law on the books doesn't mean what it says.)

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This question is the kind that could make or break the \$100 million project. The intertie is an economically questionable investment that, even in the most optimistic analysis, produces minimal gain to Railbelt ratepayers. The more utilities have to pay for the Anchorage-Kenai intertie, the less likely they are to pursue it. In fact, project supporters are asking the Legislature to spend another \$30 million on it.

The powers that be in the Legislature and the Murkowski administration have shown no inclination to question the assumption that interest money is legally available for the southern intertie. But as critics of the project note, the legality of spending the interest money is one more important question facing an already questionable project.