

ALASKA ENERGY AUTHORITY

MODERNIZING THE RAILBELT GRID

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Executive Director

Anchorage Rotary Club
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About AEA

AEA's mission is to reduce the cost of energy in Alaska. To achieve this mission, AEA strives to diversify Alaska's energy portfolio — increasing resiliency, reliability, and redundancy.



Railbelt Energy — AEA owns the Bradley Lake Hydroelectric Project, the Alaska Intertie, and the Sterling to Quartz Creek Transmission Line — all of which benefit Railbelt consumers by reducing the cost of power.



Renewable Energy and Energy Efficiency — AEA provides funding, technical assistance, and analysis of renewable energy technologies such as biomass, electric vehicles, geothermal, hydroelectric, solar, and wind.



Power Cost Equalization (PCE) — In rural Alaska, PCE reduces the cost of electricity for residential customers as well as community facilities, thus ensuring its sustainability.



Grants and Loans — AEA offers loans to local utilities, local governments, and independent power producers for the construction or upgrade of power generation and other energy facilities.



Rural Energy — AEA constructs bulk fuel tank farms, diesel powerhouses, and electrical distribution grids in rural villages. AEA supports the operation of these facilities through circuit rider and emergency response programs.



Energy Planning — In collaboration with local and regional partners, AEA provides economic and engineering analysis to plan the development of cost-effective energy infrastructure.

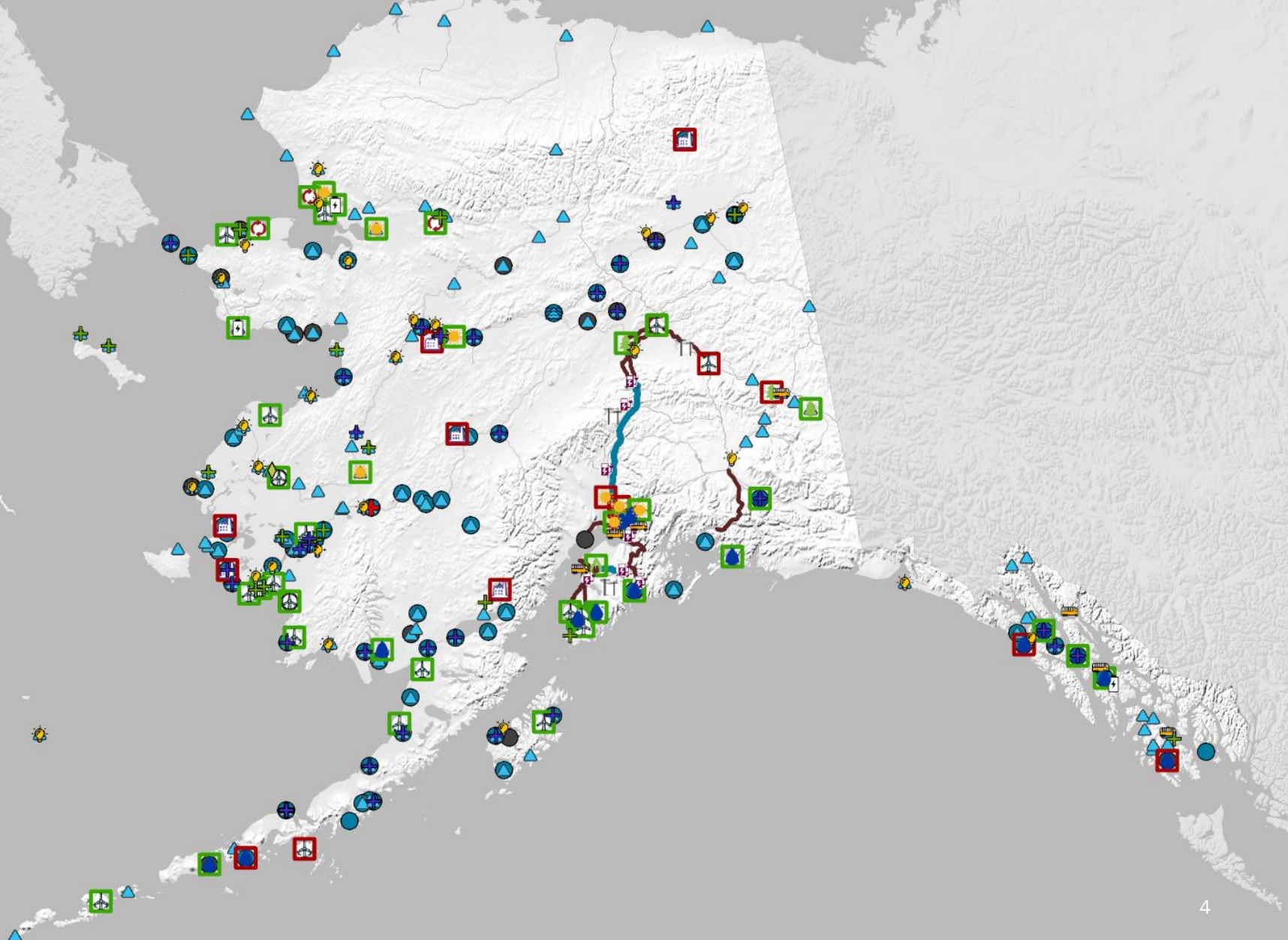
House Bill 307: Integrated Transmission Systems

House Bill 307 is one of the most important pieces of legislation affecting energy policy for the Railbelt since Alaska statehood.

- The bill also **incentivizes new energy development** by extending tax-exempt statutes to independent power producers.
- This law also fundamentally **changes how AEA operates**:
 - **Established its own distinct board of directors** — better positioning the state's energy office to address Alaska's unique energy challenges and opportunities.
 - Authorized AEA to have its own **direct-hire employees**.
 - Created the **Railbelt Transmission Organization**, as a division of AEA, to establish and administer a non-discriminatory open access transmission tariff that provides for recovery of transmission costs and ancillary services and replaces wholesale charges assessed by each utility with a new mechanism that fairly recovers the costs of operating the backbone transmission system.

AEA Active Projects and Services

- 🌱 Biogas (1)
- 🌳 Biomass (4)
- ⊕ Bulk Fuel Upgrades (25)
- 🏠 Diesel (6)
- 🚗 Electric Vehicles (9)
- 💡 Emerging Energy Technology Fund (1)
- 🔥 Heat Recovery (3)
- 💧 Hydroelectric (18)
- 🌊 Hydrokinetic (1)
- ⊕ Rural Power System Upgrades (33)
- ☀️ Solar (8)
- 🔋 Storage (3)
- 🏗️ Transmission (3)
- 💡 Village Energy Efficiency Program (27)
- 🚗 Volkswagen Diesel Settlement Grants (7)
- ✈️ Wind (21)
- 👤 Circuit Rider Assistance (93)
- ⊕ Emergency Assistance (3)
- 📍 PCE Communities (193)
- 🏠 Power Project Fund
- 🌱 Renewable Energy Fund
- Transmission Line owned by AEA
- Other Transmission Line
- Utility Training (81)

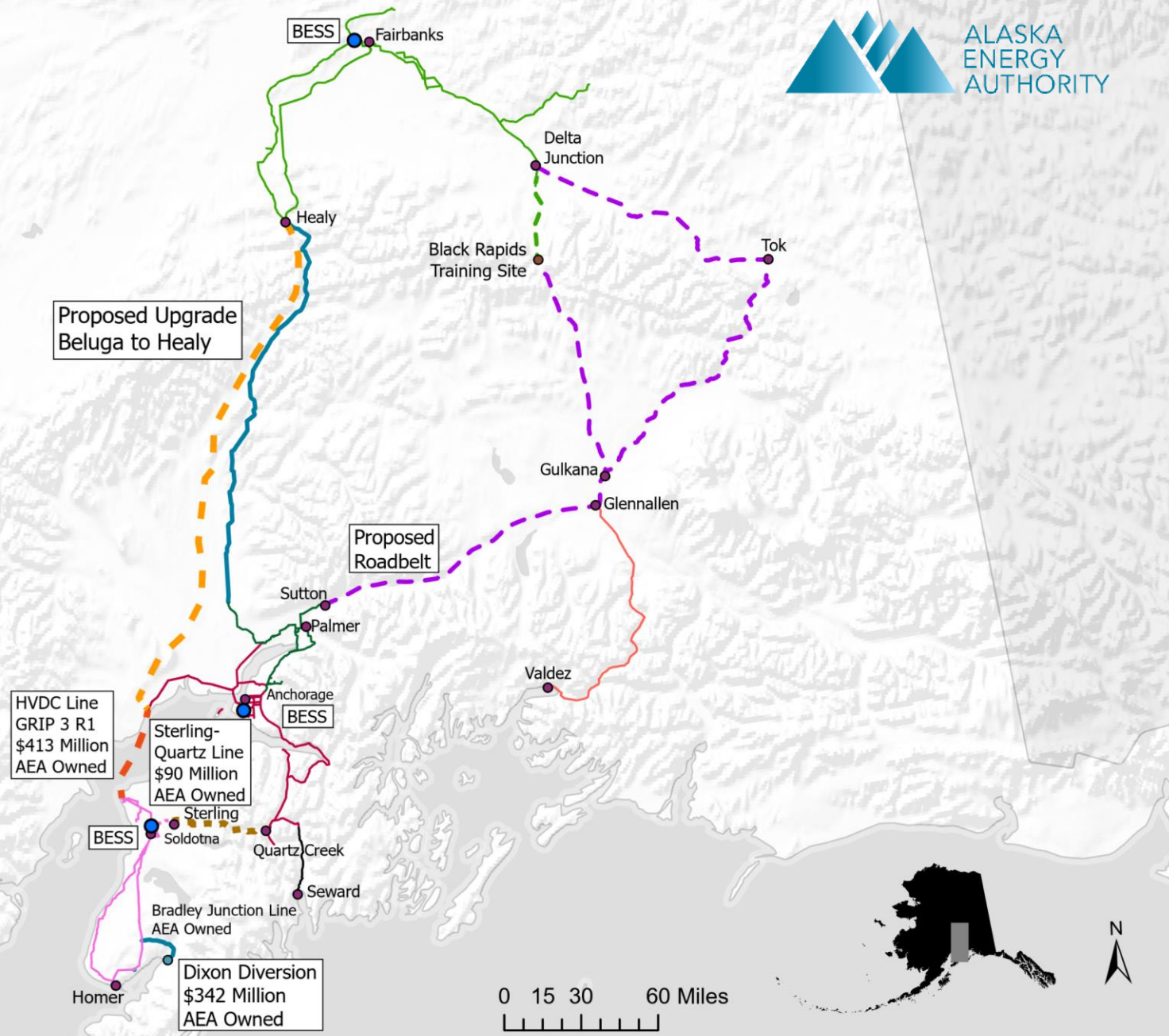


An aerial, grayscale photograph of a city skyline. In the foreground and middle ground, several multi-story office buildings of varying heights and architectural styles are visible. Some buildings have flat roofs, while others have more complex structures. A street with cars and a few trees is visible in the lower center. In the background, a range of mountains stretches across the horizon under a hazy sky. The overall tone is professional and urban.

URBAN ENERGY

Railbelt Opportunities

- Alaska Energy Authority
- Chugach Electric Association
- Copper Valley Electric Association
- Golden Valley Electric Association
- Homer Electric Association
- Matanuska Electric Association
- Seward Electric System
- - - Sterling to Quartz Creek (Upgrade to 230 kV)
- - - Proposed HVDC Line Grip 3 Round 1
- - - Proposed Upgrade Beluga to Healy (Upgrade to 230 kV)
- - - Proposed Roadbelt (230 kV)
- - - Black Rapids Intertie (25 kV)
- Proposed Battery Energy Storage System (BESS) (3)
- Dixon Diversion



CAPACITY

120MW

Bradley Lake generators are rated to produce up to 120 MW of power.

ENERGY

10%

Bradley Lake generates about 10 percent of the total annual electrical energy used by Railbelt electric utilities.

GENERATION COST PER KWH

\$0.04

From 1995 through 2020, the project averaged 392,000 MWh of energy production annually at \$0.04 per kWh.

Bradley Lake Hydroelectric Project

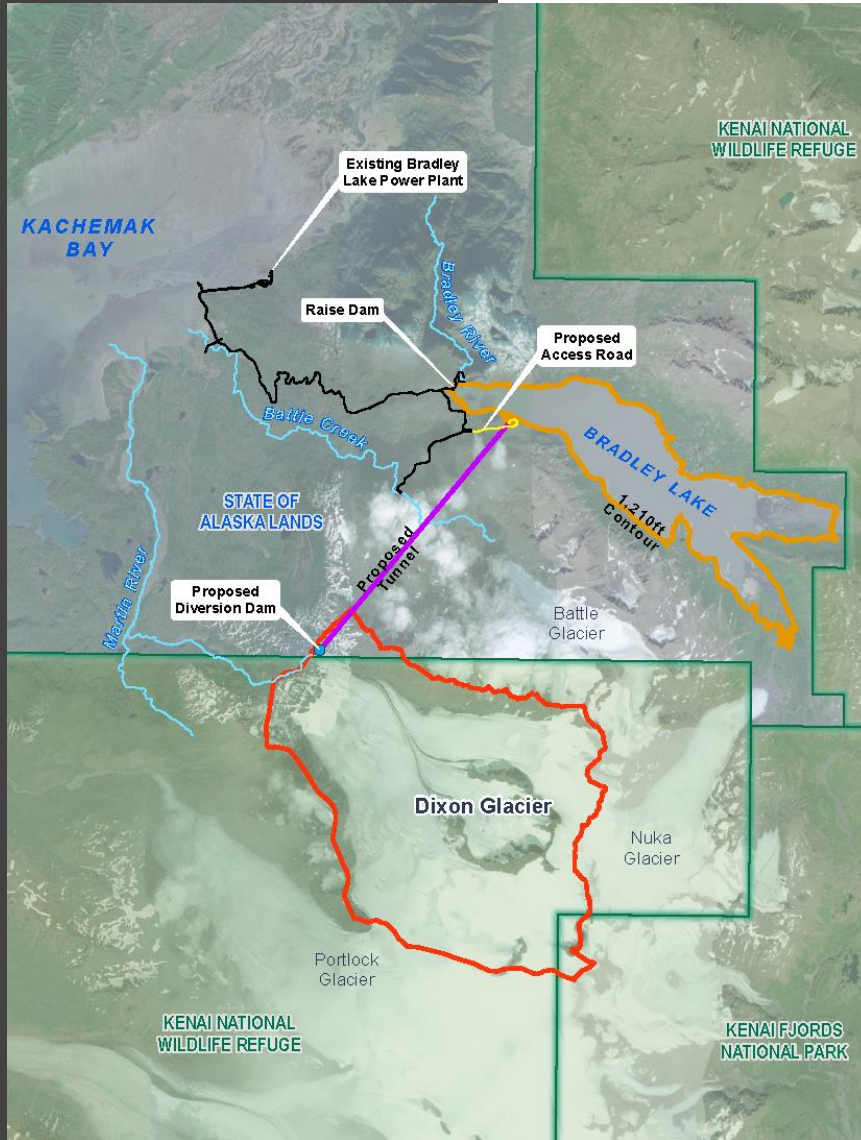
- Energized in 1991, the Bradley Lake Hydroelectric Project is **Alaska's largest renewable energy source**. It is located 27 air miles northeast of Homer.
- The 120 MW facility provides **low-cost energy to 550,000+** people on the Railbelt.
- Bradley Lake's **annual energy production** is ~10% of Railbelt electricity at 4.5 cents/kWh (or ~54,400 homes/year) and over \$20 million in savings per year for Railbelt utilities from Bradley Lake versus natural gas.
- AEA, in partnership with Railbelt utilities, **is studying the Dixon Diversion Project**, which would increase the annual energy production of Bradley Lake by 50% (the equivalent of up to 30,000 homes).

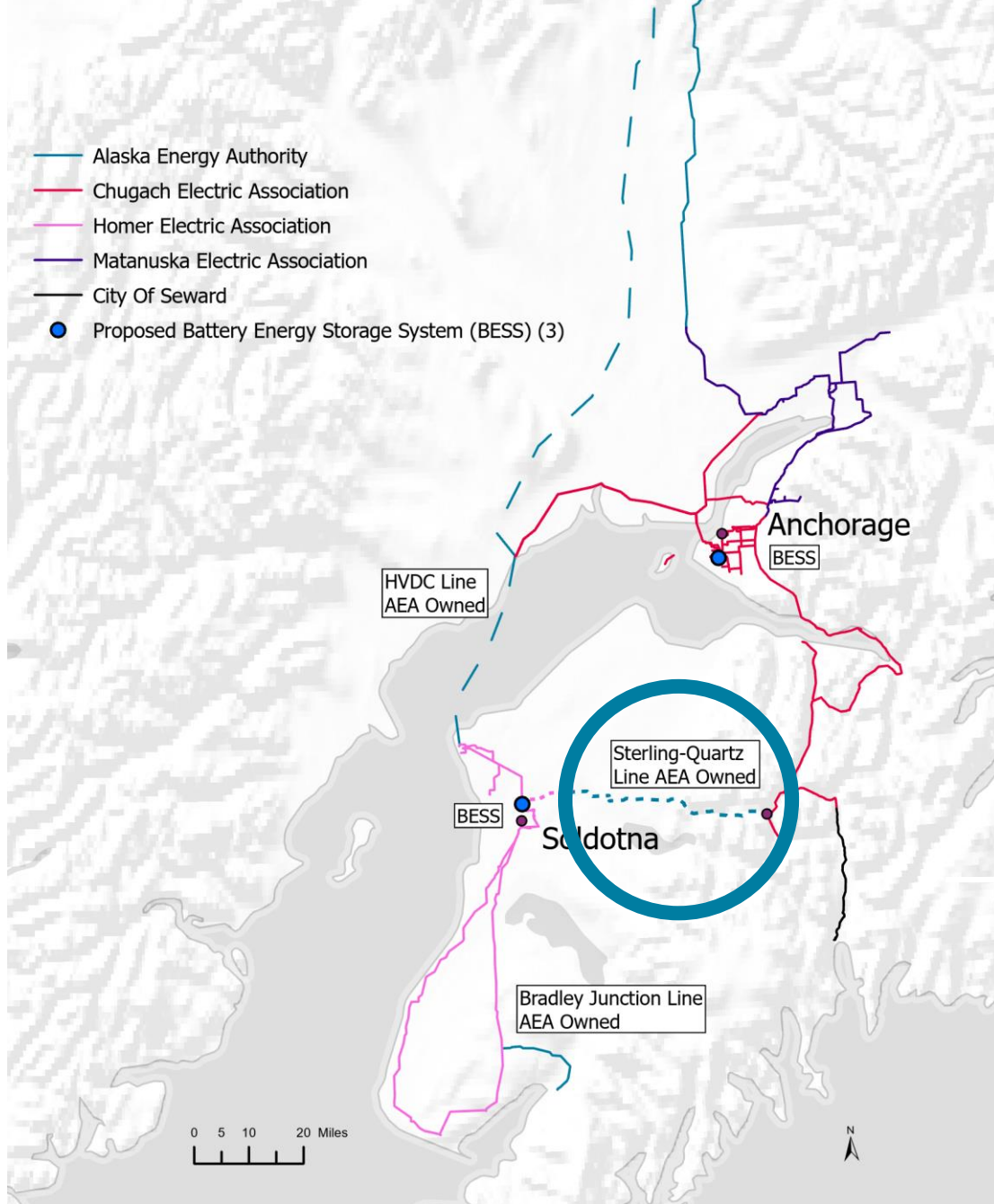
\$342 Million

Dixon Diversion Project

AEA is studying the Dixon Diversion Project to maximize the Bradley Lake Hydroelectric Project's energy potential. Much like the West Fork Upper Battle Creek Diversion Project, the Dixon Diversion Project would divert water from Dixon Glacier to increase Bradley Lake's annual energy production by 50 percent.

- Located five miles from Bradley Lake and would utilize existing powerhouse at Bradley Lake
- Estimated annual energy 100,000-200,000 MWh (the equivalent of up to 30,000 homes).
- Estimated to offset 1.5-1.6 billion cubic feet of natural gas per year in Railbelt power generation (equal to 7.5% of Alaska's unmet natural gas demand projected for 2030)
- Estimated completion is 2030





\$90 Million (Under Construction; AEA Bonds Existing)

Sterling to Quartz (SSQ) and Soldotna to Sterling Transmission Lines

In 2020, AEA acquired the SSQ Transmission Line, as part of the Bradley Lake Hydroelectric Project.

- **Location** – 39.4 miles of 115 kilovolt (kV) transmission and out of use 69 kV transmission from Sterling to Quartz substation (Kenai Lake).
- **Benefits** – AEA ownership ensures better cost alignment, reduce line losses, increased reliability, and more timely repairs and upgrades.
- **Status** – 69 kV line decommissioned and removed; engineers are designing and are procuring equipment for the upgrade of the existing 115 kV line to 230 kV. Construction has started on first section.
- **Cost** – Estimated cost to upgrade line is \$90 million for the SSQ transmission line and Sterling to Soldotna transmission line.

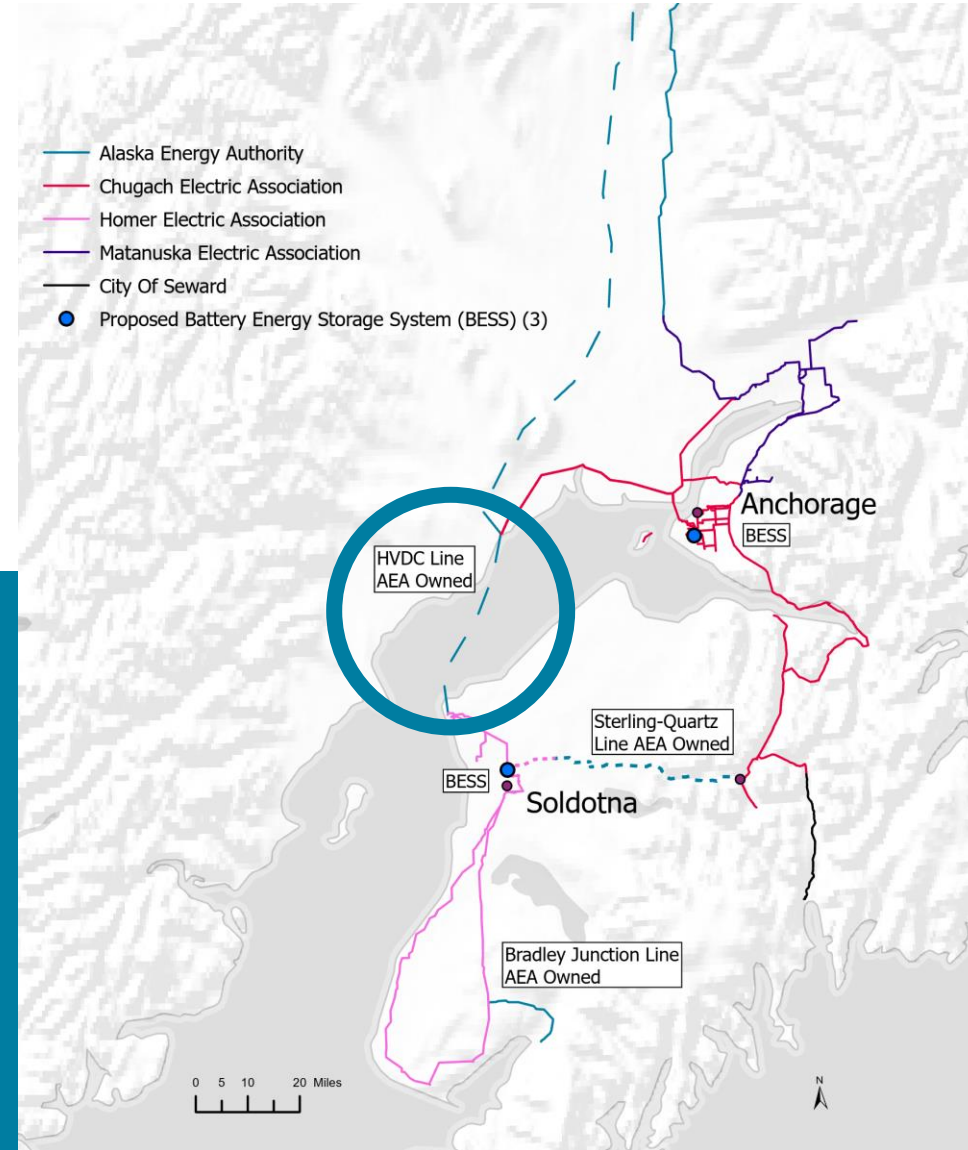
\$413 Million (206.5 Million Federal and \$206.5 Million Alaska Match)

Grid Resilience and Innovation Partnerships (GRIP): HVDC Line

AEA secured \$206.5 million for GRIP Topic Area 3: Grid Innovation through the U.S. Department of Energy's Grid Deployment Office. A cost share of 100 percent, or \$206.5 million, is required for a total project amount of \$413 million. High-voltage direct current (HVDC) submarine cables will be constructed to serve as a parallel transmission route from the Kenai Peninsula to Anchorage.

The project addresses several challenges facing Alaska's Railbelt regions:

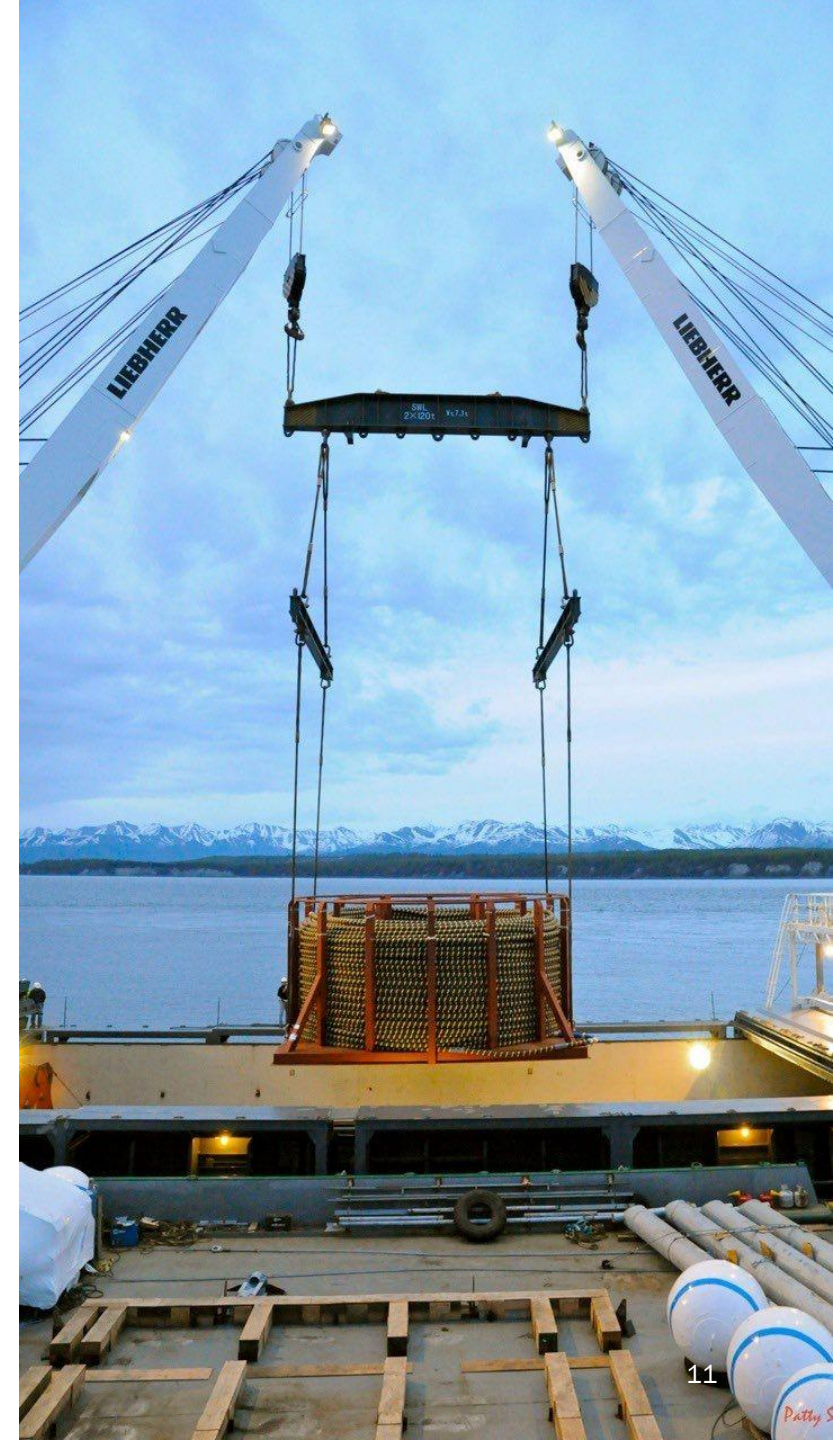
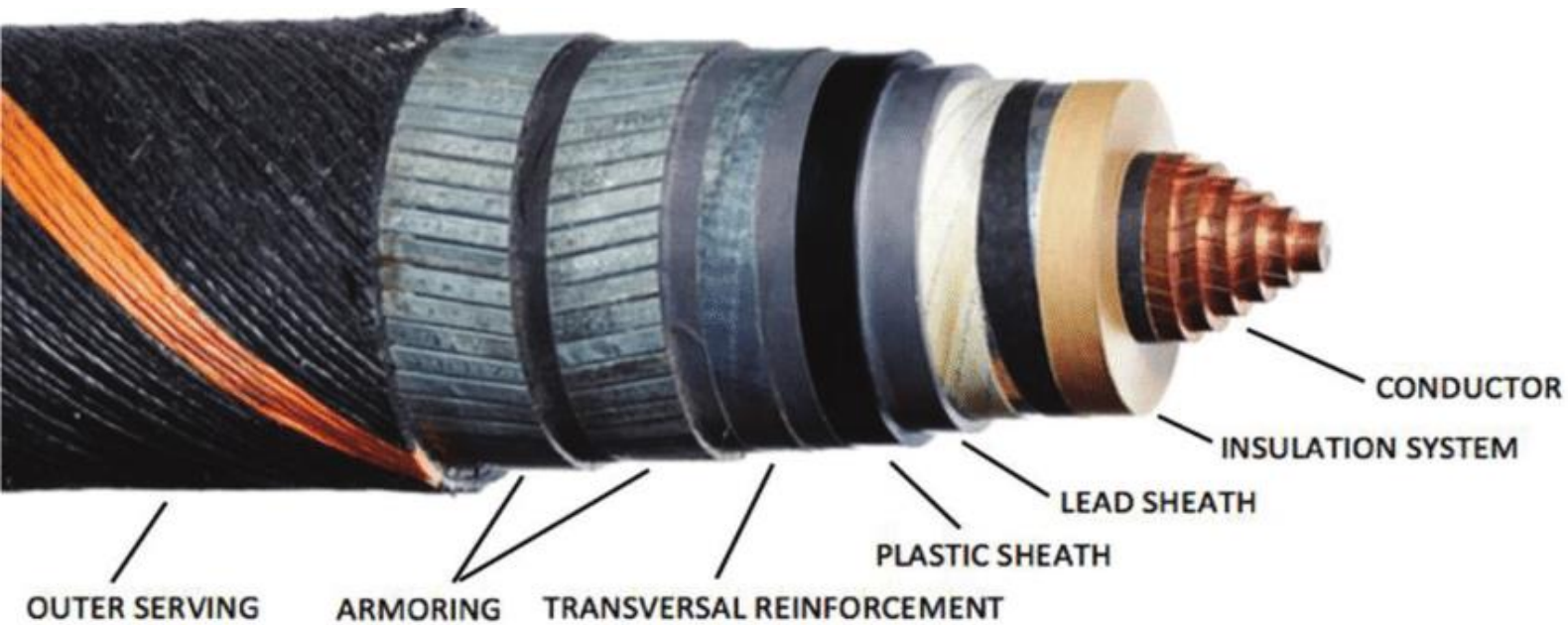
- It provides a **redundant pathway** between the Southern (Kenai Peninsula) and Central (Anchorage and Mat-Su) Regions
- Thus, eliminating the **single-point-of-failure** inherent in the previous system (the system will still be subject to single point of failure between Willow and Healy)
- Allows for **more renewable power** to be added to the grid and distributed across the Railbelt
- **Increases the ability to share power** between the Southern, Central, and Northern Regions of the Railbelt, allowing the most economical power to be used at all times



Submarine Power Cable's Attributes

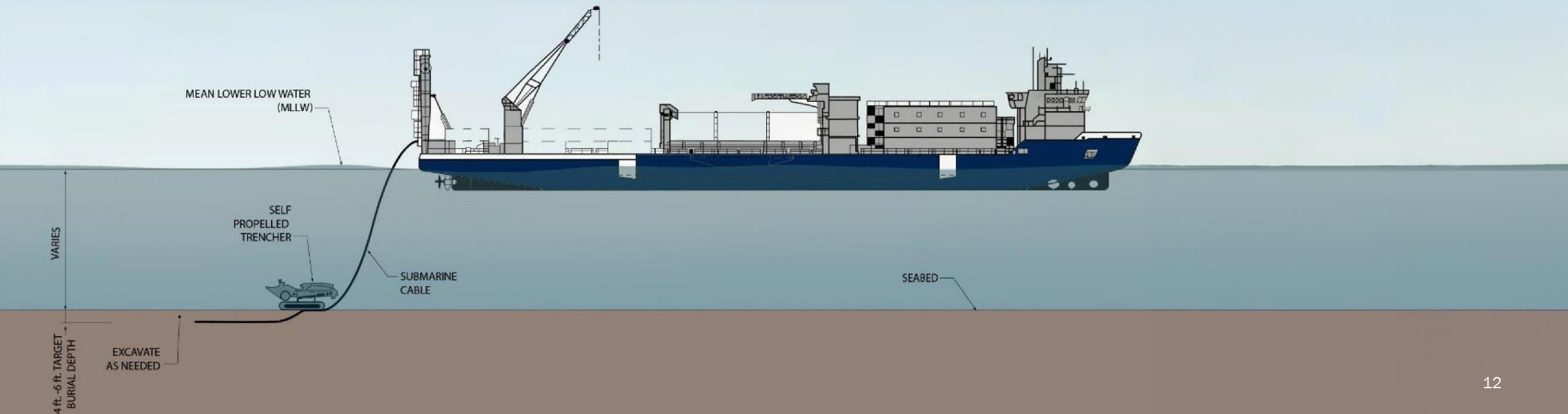
Submarine power cables are designed for the transport of electric energy under the sea.

- Outside diameter – 4.5"
- Weight per foot – 20 lbs. with standard armor (may spec for Cook Inlet)
- Length is about 35 miles under water
- Estimated lifespan is 50 years

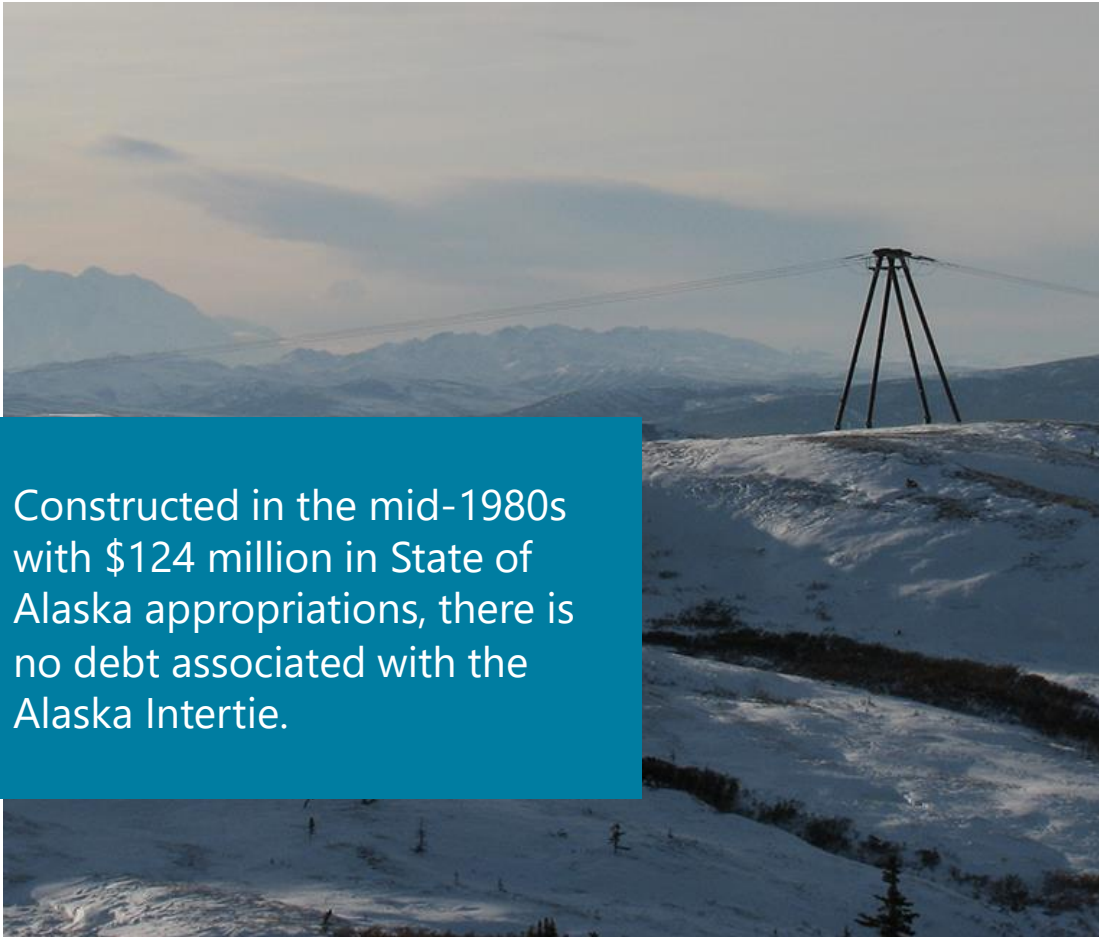


Schedule

- The statutory period for the project is eight (8) years and the construction schedule below is based on a design-bid-build process — a traditional project delivery method that consists of three distinct phases in sequence:
 - September 2024 – Award
 - Fourth Quarter 2024 – Start Preliminary Engineering
 - Second Quarter 2025 – Complete Preliminary Design
 - July 2027 – Complete National Environmental Policy Act (NEPA) Process
 - January 2028 to December 2029 – Long Lead Items
 - January 2030 to December 2031 – Construction



Alaska Intertie



Constructed in the mid-1980s with \$124 million in State of Alaska appropriations, there is no debt associated with the Alaska Intertie.

- AEA owns the **170-mile Alaska Intertie transmission line that runs between Willow and Healy**. The line operates at 138 kV (it was designed to operate at 345 kV) and includes 850 structures.
- A **vital section of the Railbelt transmission system**, the Intertie is the only link for transferring power between northern and southern utilities.
- The Intertie transmits power north into the Golden Valley Electric Association (GVEA) system and provides Interior customers with low-cost, reliable power — between 2008 and 2021, the Intertie **saved GVEA customers an average of \$30 million annually**.
- The Intertie provides benefits to Southcentral customers as well through **cost savings and resilience to unexpected events**.



\$168 Million Total Cost (\$28 Million Current Available Funds)

Battery Energy Storage Systems for Grid Stabilization

- **Scope** – The BESS projects consist of an upgrade to the existing BESS system in the North, and also new BESS systems in the Southern, and Central regions of the grid. The Northern BESS is located at Fairbanks, the Southern BESS is located in Kenai, the Central Region BESS will be located at Anchorage. BESS will be needed to fully realize the benefits of a 230 kV bulk power supply system, regulate energy from various generation, and increase resilience.
- **Benefits** – Increase system resilience, transfer capability, more efficient use of system, and lowers impediments to additional renewable generation development.
- **Schedule** – Estimated completion date is 2026:
 - Southern (Kenai) – In service
 - Central (Anchorage) – October 2024
 - Northern (Fairbanks) – To be determined
- **Budget** – Estimated total cost is up to \$168 million (depending on technology choices and capacity)

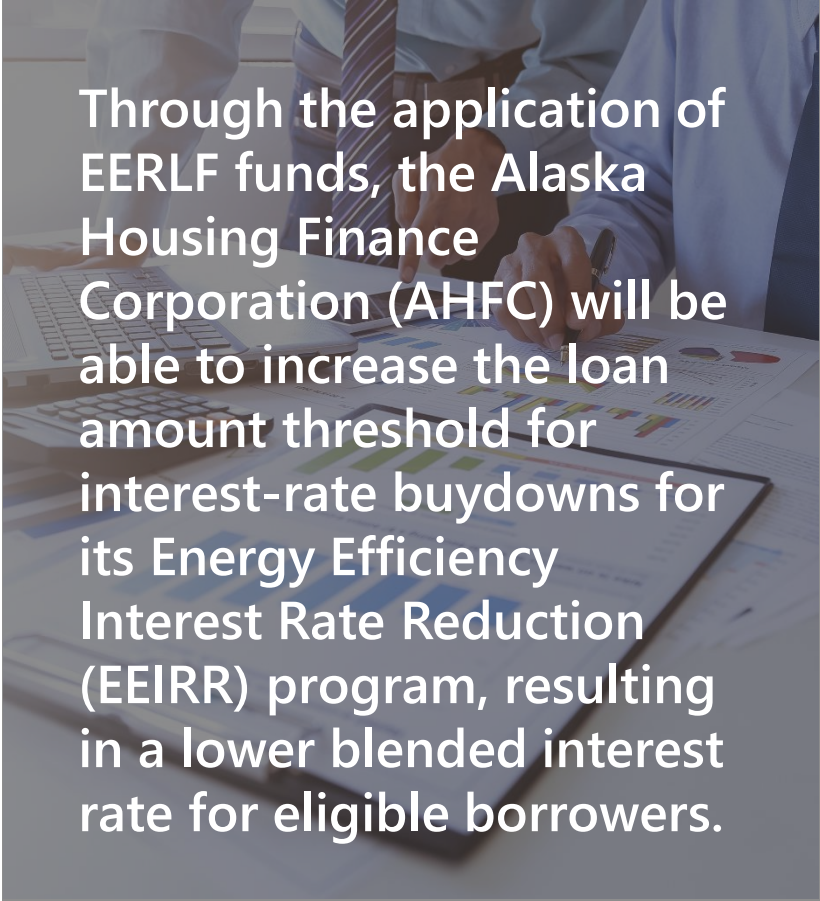
\$52 Million (Over Five Years)

Grid Resilience Formula Grant Program IIJA 40101(d)

- Under 40101(d), the AEA is expected to receive **\$60 million in federal formula grants** to catalyze grid resilience projects. In August 2023, the **first two years of allocations, \$22.2 million**, were awarded to AEA.
- AEA's competitive solicitation for these funds closed in February 2024, with **seven applications received**.
 - Three preliminary sub-award selections have been made totaling \$20.9 million in sub-award funds.
 - Official sub-award agreements are expected for the fourth quarter of 2024, and are currently pending the Department of Energy review and approval.
- In August 2024, AEA received \$17,627,018 in federal program formula funds for fiscal year 2025, requiring \$2.6 million in state matching funds.
- **Resilience measures include** but are not limited to:
 - Relocating or reconductoring powerlines
 - Improvements to make the grid resistant to extreme weather
 - Increasing fire resistant components
 - Integrating distributed energy resources like microgrids and energy storage
- Formula-based funding requires a **15% state match** and a **33% small utility match**.

Energy Efficiency Revolving Loan Fund (EERLF) Capitalization Grant Program IRA 40502

- The EERLF was authorized under Section 40502 of the Inflation Reduction Act to provide capitalization funding for states to establish loan funds to eligible recipients for commercial and/or residential energy audits, upgrades, and retrofits. The state of Alaska was allocated \$4,782,480 under the federal formula, with funds being awarded to AEA in June 2024.
- With interest-rate buydowns stated as an allowable use of funds under the EERLF program, AHFC sought to apply the funds to its EEIRR program, increasing the loan amount threshold to which the interest rate reduction may apply, lowering the overall, blended interest rate for eligible borrowers.
- As the only entity eligible for the funds in the state, AEA applied with AHFC's support. AEA and AHFC have a reimbursable services agreement, and this award will be managed as a sub-award to AHFC. AEA will retain a portion of the funds for administration, reporting, and compliance, while AHFC will receive \$4.4 million to enhance its EEIRR program.



Through the application of EERLF funds, the Alaska Housing Finance Corporation (AHFC) will be able to increase the loan amount threshold for interest-rate buydowns for its Energy Efficiency Interest Rate Reduction (EEIRR) program, resulting in a lower blended interest rate for eligible borrowers.



RURAL ENERGY

Power Cost Equalization (PCE)

The PCE program was established in 1985 as one of the components of a statewide energy plan.



192

RURAL COMMUNITIES



91

ELECTRIC UTILITIES



81,700

ALASKANS

The cost of electricity for Alaska's rural residents is notably higher than for urban residents. PCE lowers the cost of electric service paid by rural residents. Ultimately ensuring the viability of rural utilities and the availability of reliable, centralized power.



750 kWh

RESIDENTIAL

Residential customers are eligible for PCE credit up to 750 kWhs per month.

70 kWh

PUBLIC FACILITIES

Community facilities can receive PCE credit for up to 70 kWhs per month multiplied by the number of residents in a community.

\$48M

FUNDS BUDGETED

In Fiscal Year 2024, AEA disbursed \$48 million to rural electric utilities for the benefit of our rural communities.

Rural Power System Upgrades



Before



After

- AEA's **Rural Power Systems Upgrade program** improves power generation in Alaska villages with less than 2,000 people.
- Approximately **170 communities** are eligible for the program, which replaces outdated, inefficient mechanical systems with new electronically controlled generator sets.
- Due to declining funds, rural **power systems aren't upgraded timely**, and communities are left with aging systems at risk of failure.
- AEA evaluates **several factors** when prioritizing projects for funding – at this time **deferred maintenance is estimated at \$300 million**.

- AEA designs and builds modern, code-compliant bulk fuel facilities through our **Bulk Fuel Upgrade program**.
- In Alaska, there are over **400 bulk fuel facilities** — each sized to support the village.
- Most of the facilities are older than 40 years, **with many exceeding 50 years**, and they average **100,000 gallons** in size.
- However, **aging infrastructure poses several safety risks for rural communities**, e.g. corrosion, erosion, and environmental.
- AEA maintains an inventory and assessment priority need-based list — so far **deferred maintenance is estimated at \$1 billion**.

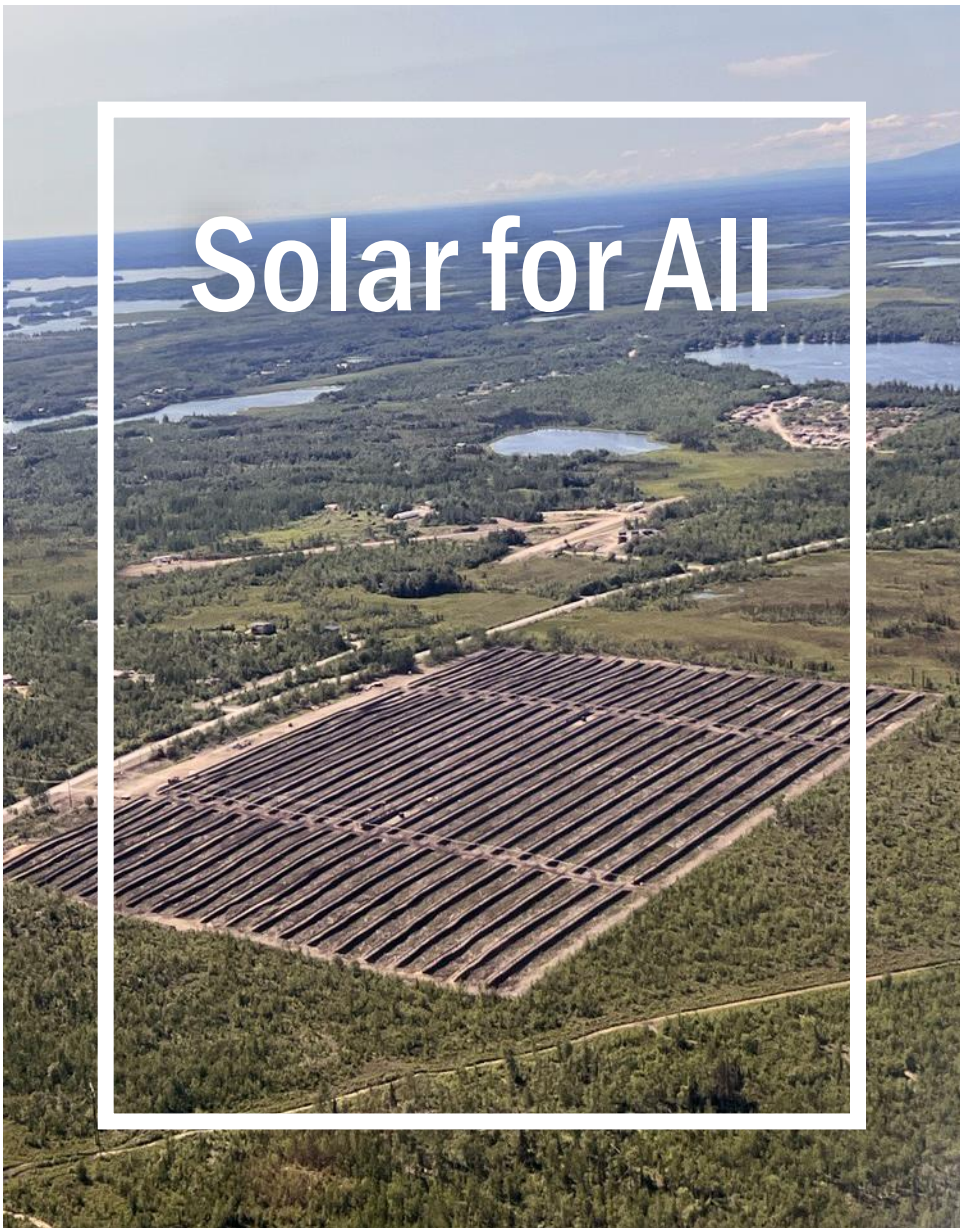


Bulk Fuel Upgrades



INFRASTRUCTURE INVESTMENT AND JOBS ACT

Solar for All



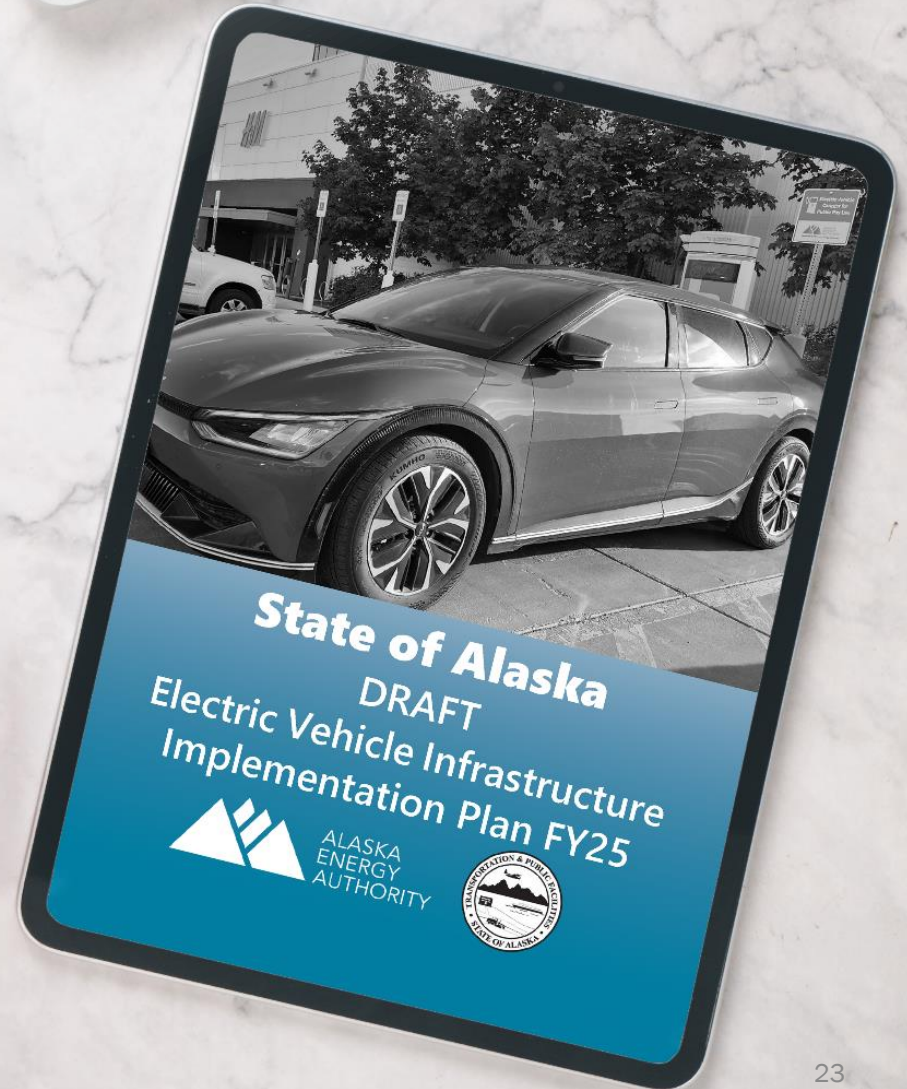
\$62.5 Million (Shared with AHFC)

- **In April 2024, AEA and the Alaska Housing Finance Corporation (AHFC) were selected for a \$62.5 million grant from the Environmental Protection Agency's Solar for All program.**
 - AEA will develop community solar in disadvantaged communities.
 - AHFC will develop residential rooftop solar for low income households.
- **Program benefits:**
 - Energy cost savings,
 - Increased resiliency,
 - Equitable access to solar,
 - Asset ownership benefits low income and disadvantaged communities,
 - Workforce development, and
 - Reduction in greenhouse gas emissions.
- **No match required for this competitive grant.**

\$52 Million (Over Five Years)

National Electric Vehicle Infrastructure (NEVI) Program

- AEA and the Alaska Department of Transportation & Public Facilities (DOT&PF) continue to deploy the **State of Alaska NEVI Plan**.
- **On August 29, 2024**, AEA and DOT&PF submitted the fiscal year 2025 plan. This will **unlock \$11 million in addition to \$30 million** available from previous fiscal years.
- In fall 2023, **the first round of Alaska NEVI awards were announced**. AEA and DOT&PF selected projects in nine communities for a total investment of \$8 million. **Private entities will own and operate the new charging stations**.
- **Phase 2** will develop charging infrastructure in more than 30 communities along **Alaska's Highway System** and the **Marine Highway System**.



Home Energy and High Efficiency Rebate Allocations

AEA is collaborating with AHFC to distribute Alaska's allocation of \$74 Million

Home Efficiency Rebates

- Rebates for energy efficiency retrofits range from \$2,000-\$4,000 for individual households and up to \$400,000 for multifamily buildings.
- Grants to states to provide rebates for home retrofits.
- Up to \$2,000 for retrofits reducing energy use by 20% or more, and up to \$4,000 for retrofits saving 35% or more.
- Maximum rebates amounts are doubled for retrofits of low-and moderate-income homes.
- **Alaska's Allocation is \$37.4 million**
- **No State match is required.**
- **Funding is estimated to be available between fall/winter 2025.**

Home Electrification and Appliance Rebates

- Develop a high efficiency electric home rebate program.
- Inclusive of means testing and will provide 50% of the project cost for incomes ranging from 80% to 150% of area median income. Rebates to cover 100% of the proposed cost for incomes 80% of area medium income and below, with similar tiers applied for multifamily buildings.
- Includes a \$14,000 cap per household, with an \$8,000 cap for heat pump costs, \$1,750 for a heat pump water heater, and \$4,000 for electrical panel/service upgrade.
- Other eligible rebates include electric stoves, clothes dryers, and insulation/air sealing measures.
- **Alaska's Allocation is \$37.1 million .**
- **No State match is required.**
- **Funding is estimated to be available between fall/winter 2025.**

\$15.7 Million

Black Rapids Training Site (BRTS) Defense Community Infrastructure Pilot Program

AEA partnered with Golden Valley Electric Cooperative (GVEA) was awarded this grant from the Office of Local Defense Community Cooperation under the Defense Community Infrastructure Pilot Program.

Federal Receipt Authority of \$12.7 Million received in fiscal year 2024. A \$3 million supplemental budget request was submitted by AEA to complete additional work requested by the Department of Defense. No State match is required.

GVEA will use the funds to extend an transmission line 34 miles along the Richardson Highway to BTRS. Currently, BTRS is powered by three diesel generators that are nearing the end of their useful lives. This extension will improve long-term sustainability and reliability for BTRS by tying them into GVEA's power grid.





Owing to recommendations from the governor's Alaska Energy Security Task Force concerning the elimination of transmission wheeling charges and the establishment of a RTO, the Legislature passed House Bill 307, which was signed into law on July 31, 2024. Under the new law, the RTO will be a division of AEA.

Railbelt Transmission Organization (RTO)

- Form the RTO on or before January 1, 2025, modeled after the Bradley Lake Project Management Committee. Governance structure must be comprised of a representatives from AEA, the Railbelt utilities, and the Railbelt Reliability Council (non-voting member).
- Apply to the Regulatory Commission of Alaska (RCA) for a certificate under AS 42.05.221 on or before December 31, 2024.
- By July 1, 2025, file with the RCA a nondiscriminatory open access tariff that provides for the recovery of Railbelt backbone transmission costs and related ancillary services, and replaces wheeling charges with a new mechanism that fairly recovers and equitably allocates the costs of operating the backbone transmission system.
- Hold and administer the certificate and tariff for the RTO. The tariff will require updates to the revenue mechanism to reflect changes in costs from year to year.



Thank You!

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