

Fairbanks Daily News-Miner

\$125 million loan for Healy power plant in the works

By SAM BISHOP News-Miner Washington Bureau

Sunday, May 04, 2003 - WASHINGTON—Sen. Lisa Murkowski has resurrected a \$125 million loan to the state's development agency to rebuild an experimental power plant in Healy. Murkowski secured language authorizing the loan in a national energy policy bill approved by the Senate Energy Committee this week.

The full Senate will begin debating the bill next week. The Senate approved a similar loan in an energy bill passed last year, but negotiations with the House never produced a joint proposal for final approval in each body.

The loan would go to the Alaska Industrial Development and Export Authority, which owns the Healy Clean Coal Project. The Fairbanks-based Golden Valley Electric Association has been pushing for the money, though.

GVEA wants to rip out the plant's experimental burners and replace them with ones that are similar to those in the electric cooperative's older, smaller power plant in Healy.

While Murkowski's language authorizes the loan, it doesn't actually provide the money. That could be done in one of the annual appropriations bills that Congress passes later in the year.

AIDEA and GVEA have tried for years to reach an agreement under which the electric cooperative would operate the plant. That was the plan as it was being built in the mid-1990s. The project was created with a \$120 million grant from the federal Department of Energy, a \$25 million grant from the state, an \$85 million bond sale by AIDEA and contributions from future power producers such as GVEA. AIDEA lists the project's budget at \$297 million.

After startup, GVEA refused to take control, saying the plant didn't meet efficiency and safety goals. AIDEA disagreed, but the plant has sat idle since December 1999.

AIDEA applied for but didn't get a \$35 million grant from the Department of Energy to do a less comprehensive retrofit than GVEA wants.

Steve Haagenson, GVEA president, said Friday that he and AIDEA representatives have met twice in the past two weeks to plan what to do next. The plant needs to be restarted, he said.

"The \$125 million would be an excellent way to kick-start that," he said. He said he hopes the loan will be at a below-market rate.

The Healy plant is designed to produce 50 megawatts of power. GVEA wants the power because the utility's peak demand is nearing the capacity it has available when its largest generating unit, an oil-fired generator in North Pole, is down. The utility's customers draw about 185 megawatts at top demand periods.

A news release from Murkowski's office said additional generating capacity probably will be needed in the Interior by 2006.

Even if GVEA gets the federal loan, it's not yet certain what it can do with the money.

GVEA's proposed retrofit drew objections last year from the Northern Alaska Environmental Center in Fairbanks. The center contends that GVEA should stick with the experimental burners. They produce cleaner exhaust than the burners on the older plant, which are known as "low-NOx" burners because they produce fewer nitrogen oxides.

GVEA says the experimental burners are much more expensive to operate and it would have to raise customer rates if they aren't removed. At the same time, the burners it wants to use will produce exhaust that is well within the pollution standards that were set when the state issued a permit for the experimental burners about 10 years ago.

Nevertheless, the state Department of Environmental Conservation last year rejected GVEA's application for an expedited change to its operating permit that would allow the low-NOx burners.

Because the low-NOx burners will produce more pollutants than the experimental burners, the law doesn't allow them to be permitted through the expedited process, said Tom Chapple, director of DEC's Air and Water Quality Division.

Chapple said Friday that GVEA could go through a more lengthy review process but it has not been asked to do so. Haagenson said that's because GVEA and AIDEA haven't decided on the next step.

Staff writer Sam Bishop can be reached at sbishop@newsminer.com .