G&T to Save Members Millions

Membership vote set for November

Being Alaskans, we like to think of ourselves as different than the rest of the Lower 48. And in terms of our cooperative structure, we are. We own the distribution system and the generation and transmission (G&T) systems for our utility.

Linemen Frank Stoneman and Walt Becker operate a by-pass switch at one of GVEA's 35 substations.

The national model among over 900 electric cooperatives is for a G&T to exist separate from the distribution co-op. The distribution co-op purchases its power from the G&T and then distributes it to members.

Following this national model, in 2004 your Board formed a new legal entity called GVEA G&T. They formed the G&T as a strategy the co-op may want to use in the future. It's a strategy that will save the co-op millions of dollars.

The structure of the GVEA G&T follows the national G&T model although the assets would remain under GVEA control.

The GVEA G&T would allow us to separate the costs for power plants and other major construction projects, such as our Interties and the Battery Energy Storage System, from distribution operating costs.

The Northern Intertie has prevented outages due to the reliability created by separate routes for the two interties from Healy. Most recently during the forest fire in Nenana which necessitated deenergizing one of the transmission lines for firefighting safety.

G&T's benefits

By transferring these generation and transmission assets to the GVEA G&T, your co-op would save approximately $30 million over the next five years. This is money we wouldn't have to collect from our ratepayers.

The benefit of moving assets into the GVEA G&T is reducing our revenue requirements. This would allow Golden Valley to collect less money from members. We could do this because bankers look at assets in a G&T differently and require the co-op to collect less revenue for G&T capital assets than they do for distribution assets.

The G&T assets

The generation facilities to be transferred to the GVEA G&T include: GVEA's Delta, Fairbanks, Healy, North Pole and Zehnder Power Plants and the new North Pole Expansion Power Plant.

The transmission facilities to be transferred include: all transmission lines rated above 38 kilovolts, including both interties, substations rated at 38 kilovolts or higher and the Battery Energy Storage System (BESS).

Public Relations Analyst Dianne Porter gets a close up look at the LM6000 combustion turbine at the North Pole Expansion Plant. Plant construction is expected to be complete this fall.

Control of the assets doesn't change – your co-op will still own them and they would be managed by the board members you elected to represent your interests in GVEA.

In essence, the GVEA G&T will only require creating a more complicated bookkeeping system for our accounting section, but isn't expected to add any employees. Nor will it change the duties employee currently perform. Using the G&T should be seamless other than the reduced revenue requirement.

The G&T Timeline

Now is the right time to implement the G&T. The recent addition of major generation and transmission assets to GVEA makes this the ideal time to take advantage of this financial opportunity.

In June, GVEA filed for a Certificate of Public Convenience and Necessity with the Regulatory Commission of Alaska. This process requires a six-month review period with the RCA.

Having the GVEA G&T operational on January 1, 2007 will assist GVEA's accounting staff with the orderly separation of the G&T's and GVEA's accounts and records.

The next step is to put this to a vote of the membership before the end of the year. Why? Our bylaws require a vote of the membership to transfer 15 percent of cooperative assets. We are looking to transfer approximately 60 percent of GVEA's assets to the GVEA G&T.

So in order to transfer these G&T assets, 10 percent of the membership must vote and the measure must be approved by a majority of those voters. We expect to have ballots in the mail in November.

While this isn't a new concept in our industry, it is new for our members. We'll be holding town hall meetings for members in the fall to provide more information and answer questions. Watch for dates and times on our website at www.gvea.com and in the Fairbanks Daily News-Miner or call (907) 452-1151.

Jet Engine Technology for the North Pole Expansion Plant

The LM6000 combustion turbine that is being installed at the North Pole Expansion Plant is a variant of Boeing 747, 767 and Airbus A300 jet engines.

The plant will burn Naphtha, an ingredient typically used in jet fuel. It can also burn natural gas, when it becomes available from Alaska's North Slope.

Here are a few more statistics about this turbine:

- This turbine will produce 47 megawatts of power
- The LM6000 turbine is equipped with water injection for lower nitrous oxide emissions
- The turbine weighs 20,000 pounds compared to 80,000 pounds for existing North Pole Power Plant combustion turbines
- The LM6000's modular design will facilitate maintenance as sections can be removed and replaced within a day
- GE boasts these units' reliability and fast loading to full power in 10 minutes