Economic Evaluation of Renewable Energy Projects

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REF Project Evaluations at AEA

- Renewable Energy Fund provides a major benefit to the state by evaluating applications on a level playing field
  - Also, saved 12.9 million gallons last year
- Honed and crafted over 7 years of annual applications
- Selected good projects
Renewable Energy Fund Projects, Rounds I - VI

Statewide Impacts
Renewable Energy Fund: Annual Fuel Savings
Renewable Energy Fund: Value Generated

- For first 36 projects in operation
- Fund Investment of $82M
- Total NPV cost of $290M
- NPV Benefits: $840M

NPV Benefits/ NPV Costs

2.9
Four-Stage Review

- **Stage 1:** Eligibility, completeness, commitments
  - Pass/fail

- **Stage 2:** Technical and economic evaluation
  - Minimum score required to advance
  - Partial funding may be recommended
  - Special provisions may be made

- **Stage 3:** Project ranking
  - Based on criteria

- **Stage 4:** Regional spreading
Stage 2: Technical & Economic Evaluation

- Project management, development and operations
- Qualifications and experience
- Technical feasibility
  - Resource availability, permits obtainable
  - Site suitability
  - Technical and environmental risk evaluation
  - Energy system assessment
- Economic feasibility
  - Lifetime economic evaluation (B/C ratio)
  - Financing plan
  - Other benefits to Alaska public
Stage 3: Project Ranking

- Cost of energy (currently)
- Matching funds
- Feasibility (Stage 2 score)
- Project readiness
- Public benefits
- Sustainability
- Local support
The Economic Evaluation

- Based on Benefit/Cost (B/C) ratio
- Lifetime benefits / lifetime costs
- Compares against base case
- Places all applications on level field
  - Includes price projections for fuel
  - Accounts for inflation
- Primary benefit: displaced hydrocarbon fuels
- Economic model available with RFA in July
- In Excel, with instructions
- Demonstration of the model...
Calendar for Round 8

- July 1, 2014  Request for Applications announced
- Aug. 22, 2014  Designs due
- Sept. 22, 2014  Application deadline
- Jan. 6, 2015  REF Advisory Committee
- Jan 29, 2015  AEA makes recommendations to legislature

DRAFT -- RFA will have final dates
Community Assistance

- Contact community assistance staff or project managers for guidance and ideas

- Also available:
  - Economists to help with model
  - Grants staff
  - Finance staff
  - Directors

- We’re seeking the best applications possible!
Handouts

- Round 7 Recommendations list
- 2014 REF Status Report
- Energy Atlas
New This Year

- Deeper economic evaluations
- Better base-case
- Improved O&M and R&R estimates
Kodiak’s Terror Lake Hydro
Production and Rolling 12 Month Average Performance Against Goal

Turbine 1 - Turbine 6

Turbine Production (kW)

July 2009 to July 2013

ASKA ENERGY AUTHORITY
Pelican Hydro Before, During & After

- Wood stave and blue tarp penstock before
- Aerial view of site during construction
- AEA project manager with new surge tank
Unalakleet, Alaska
Delta Junction Biomass

- High-efficiency, low-emissions wood chip biomass heating system in school
- Wood chips from Dry Creek Saw Mill waste product
- Funding $2 million grant/$2.8 million total
- Simple Pay Back: 13 years for Renewable Energy funds, 19 years on total cost
- Successes:
  - During the first winter, saved $153,000 and 53,000 gallons in heating
  - Allowed the school to save 2 teacher positions, reopen music program and remodel the school kitchen
  - Potential to add additional facilities
  - Easy maintenance
Thank you. Questions?

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