



# Homer Electric Association, Inc.

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## Healy Clean Coal Project

The Healy Clean Coal Project grew out of a nationwide competition sponsored by the U.S. Department of Energy to test new technologies to help solve the international problem of acid rain. From a field of 48 applicants, Alaska was selected to receive one of 13 available grants.

The grant was administered by the Alaska Industrial Development and Export Authority (“AIDEA”), who also contributed significant funding to the project. AIDEA is a public corporation of the State of Alaska created to “promote, develop, and advance the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment, and to create additional employment.” AIDEA’s announced purpose of supporting the project was “to demonstrate an environmentally sound technology for burning waste coal, create additional energy generation to serve the Interior and show the attractiveness of Alaska coal in combination with modern combustion technology for primarily overseas markets.” Golden Valley Electric Association (“GVEA”) was a member of the project team and agreed to operate, maintain, and purchase power from the plant if certain specifications were met.

The 50 megawatt plant was constructed in the mid-nineties with significant public funds at a cost of approximately \$300 million. The new technology involves a combustion system that burns coal in stages to minimize the formation of nitrogen and sulfur oxides. A 90-day test of the power plant and its new technology was completed in December 1999. Although AIDEA found that the new technology met or exceeded the technical and environmental objectives established for the project, GVEA maintains that the project does not meet its requirements in terms of safety, reliability, and economics. Subsequent to plant operations, four nationally recognized engineering firms/coal plant operating companies with expertise in coal-fired electric generating facilities have reviewed HCCP performance and concluded that it is capable of commercial operation in a safe, reliable, and economic manner utilizing clean coal technology. HCCP has not operated since the end of 1999.

According to the recent Railbelt Energy Study, a substantial amount of additional generation capacity will be needed by the Railbelt utilities in the foreseeable future due to the age of existing generation facilities. Natural gas supplies in Cook Inlet are limited and the price is steadily rising. Given the rising cost of Cook Inlet natural gas, the Railbelt Energy Study recommends coal as the fuel for the next significant increment of new generation. The additional cost of making HCCP operational would be modest compared with the cost of constructing a new generation facility, regardless of the fuel source. A new grass roots coal fired power plant would require 8 to 10 years to complete and may cost up to \$3,000/kw. Experienced power plant engineers estimate that HCCP can be placed in operation in no more than 15 months at a cost of around \$300/kw. Using the Alaska Intertie, HCCP power could be provided to Alaskans from Fairbanks to Homer. HCCP could displace usage of approximately 3.6 billion cubic feet of natural gas annually freeing it up for other uses.

Particularly in recognition of the significant state and federal funds that have been devoted to the Project, commercial operation of HCCP using clean coal technology is in the interest of the citizens of the State of Alaska. Operation of the facility would put a valuable asset to productive use and provide a significant additional supply of power to the Railbelt using advanced, environmentally sound technology.

*This summary was prepared by Homer Electric Association General Manager Brad Janorschke at the request of David Carey, member of the Governor’s Agrium Task Force.*