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Rural Alaska

Adak fights to keep the lights on

Joshua Saul | Jan 11, 2010

Far out on the Aleutian chain, on windy Adak Island, a world-class Nautilus gym sits dark and cold because the city of Adak can't afford the electricity to light and heat it.

The gym is an artifact left over from when the island was a naval base, home to 6,000 military personnel. Today Adak has about 200 residents who are struggling to find a way to make their remote lifestyle sustainable.

Adak's most pressing problem is electricity. The island's run-down power system was designed for a large military installation, and is poorly suited to a small residential community. The company that's temporarily in charge of powering the island isn't sure it wants the job, and no one knows what will happen if it pulls out.

"The clock is ticking, calendar pages are flipping, and we are at a point where come June 18 of this year there may not be a functional electric utility on Adak," said Robert Pickett, one of five Regulatory Commission of Alaska commissioners who held a hearing on the issue on Friday.

In September 2008 the RCA took away Adak's authority to run its own utility after numerous outages, including one that shut off the city's light and heat during Christmas Eve and Day in 2006. The RCA temporarily gave the electrical utility to TDX Power, a subsidiary of the village corporation Tanadgusix Corp., and the company is now struggling to provide electricity to Adak Island without bankrupting itself. According to an income statement filed in December, TDX lost about \$650,000 during its first 10 months of operation on Adak.

TDX has until June to decide if it wants to assume permanent responsibility for Adak's power, a decision that in some ways will forecast the future of a community that has had trouble finding its future after the Navy's departure more than 10 years ago.

At Friday's RCA hearing, four groups -- the RCA, the city of Adak, TDX and Aleut Corp., the regional Native corporation -- hashed over possibilities for a sustainable way to power Adak as about 25 Adak residents called in to listen from the island.

The sticking point: The system will need an infusion of cash in order for TDX to accept the permanent responsibility of powering the island. Nicholas Goodman, TDX's outgoing chief executive, estimated that it would take between \$3 and \$5 million to improve Adak's electrical infrastructure to the point at which it could be run without losing money. The city doesn't have that kind of money, and so far others haven't been enthusiastic about chipping in.

Goodman said TDX has asked the Legislature, Alaska's congressional representatives, and the Denali Commission for funds that could upgrade the island's electrical infrastructure. He also said he's nervous about taking over Adak's permanent utility and the attached requirement to invest in a situation where TDX sees nothing but losses.

"If we made the investment ourselves there is zero possibility of our recovering our investment," Goodman said. "It's just too small a rate base."

The same day as the RCA hearing, a press release announced that Goodman will leave TDX later this month to become chief executive of Raser Technologies, a Utah-based energy company.

Adak was first used as a military base in the early years of World War II, after Japanese soldiers occupied islands west of Adak and Japanese planes attacked Dutch Harbor, killing 43. During the Cold War, Adak was used as a submarine surveillance center.

The Adak Naval Air Station closed in 1997, and over the next seven years the Navy spent almost \$200 million cleaning up munitions, asbestos, and spilled fuel. In 2004 the Navy turned the land over to Aleut Corp.

At the RCA hearing, TDX's attorney, Lisa Ross, said TDX asked to serve Adak because of the company's Aleut connection. But TDX has had a couple of unpleasant surprises since it took over Adak's power. To begin with, the island's poles, lines, and transformers were in even worse shape than the company had thought. Then, in September, Adak Fisheries, the island's biggest industry and largest user of electricity, declared bankruptcy. TDX's controller, Neil Gunn, said in an e-mail that Adak Fisheries paid only about \$11,000 out of over \$300,000 owed to TDX for electricity provided in fiscal year 2009. TDX has not been able to collect that money, and is not guaranteed to receive any money from the sale of Adak Fisheries' assets.

Adak Fisheries is also the company that has been at the center of a high profile controversy involving two Alaska politicians. Former state legislator Ben Stevens secretly held an option to buy part of the company while his father, Sen. Ted Stevens, steered a lucrative pollock allocation to Adak fishermen.

Goodman said that an operational fish processing plant should provide 70 to 80 percent of TDX's revenue on the island. A profitable electrical system on Adak depends on a large paying customer like a fish processor, she added. Adak Fisheries is bankrupt and will not operate again, and the company replacing it, Adak Seafood, is already in conflict with Aleut Corp., the owners of the processing building. On Dec. 30 Aleut Corp. sent a letter to Adak Seafood evicting the new company from the property.

In the meantime, Adak residents are paying about six times the rate Anchorage residents pay for electricity. City clerk Peggy Campbell said she and her husband usually pay between \$250 and \$300 per month to power their home.

Without safe and affordable power, Adak will have trouble supporting industry and creating any jobs -- a poor omen for the community's already uncertain future.

"The cost of electricity has put the entire economy at risk," city manager John Schroeder said.

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