

**AK-BC INTERTIE WORK GROUP TELECONFERENCE**  
**JANUARY 19, 2007**  
**2:00 PM**  
1-800-315-6338 with access code 813#

**PARTICIPANTS:**

J. C. Conley, Chair  
Jon Boling, Craig  
Dave Carlson, FDPPA  
Dick Griffith, Hatch Acres Team  
Pat Lavin, Prince William Sound Manager, Alaska Natural Resource Center of the National Wildlife Federation  
Dennis Lewis, Petersburg  
David Lockard, AEA  
Nan Nalder, Hatch Acres Team, Project Manager, for AK-BC Intertie Feasibility Study  
Joe Nelson, PMPL Superintendent  
Ted Smith, Mayor, Petersburg  
David Scott, Staff to Representative Johansen  
David Stone, AELP  
Jim Strandberg, AEA, Project Manager for AK-BC Intertie  
Phelan Straube, Southeast Conference – Intertie Coordinator

**DISCUSSION:**

1. Call to order
2. Roll Call
3. Public comments

Introduced Phelan Straube, Southeast Conference Intertie Coordinator.

4. Update from Jim Strandberg

Jim expressed his thanks to all for participation in the teleconference noting that teleconference meetings save money.

Jim stated to the Work Group that the December 2006 Draft Report prepared by the Hatch Acres Team had been timely presented and complied with the terms of the AEA – Hatch Acres Contract.

Jim referred to a handout prepared by the Hatch Acres Team regarding Regulatory Issues and potential jurisdiction that had been prepared following the discussion at the December 19, 2006, meeting in Ketchikan. Discussion will occur later on this agenda.

Jim discussed the concept that the review of feasibility for the transmission backbone could center on reducing costs of electricity in southern SE Alaska and also successful encouragement of new generation for export to British Columbia and potentially the lower 48.

Status of the contract with Hatch Acres is we are at mid-point and the consultants are continuing with data collection.

Referred to the Abstract prepared by Hatch Acres presenting a summary overview of work to date regarding feasibility of the Swan Tyee Intertie and the AK-BC Intertie.

#### 5. Proposal of additional services

Chairman Conley suggested the work group consider the Item 6 proposal for additional services ahead of discussion of the interim report.

Nan Nalder then discussed her suggested additional work scope to the Work Group. She explained that questions had been raised at the earlier work group meeting that the Hatch Acres Team did not feel qualified to render an opinion:

- Overarching issue of whether requirements under Interstate Commerce would be triggered by interconnection of the State of Alaska with British Columbia and the potential to sell Alaska-generated power to the lower 48 by wheeling across the BCTC grid.
- Issue of whether if FERC were to assert jurisdiction over the transmission intertie: what would the effect be on individual members.
- Question regarding pricing of services on the Intertie – FERC has well established procedures and basis for tariff; the RCA reaches decisions on a case-by-case basis and there is no guidance regarding market pricing and transmission outside the state of Alaska.
- Question of whether interconnection with BCTC, that operates under FERC Open Access Transmission Tariffs, would “reach” to the Owner/Operator of the AK-BC Intertie.
- Question of whether sales from Alaska wheeled by BCTC to the Washington State border would trigger Interstate Commerce and FERC jurisdiction after the fact that Alaska might design a system that was solely State regulated.

Ms. Nalder stated that, while they could complete the study under the existing contract scope of work, hiring a regulatory attorney would put a finer point on the report conclusions and allow more in-depth answers to the questions posed above. She agreed that even with the additional services, there may still be unanswered questions on where jurisdiction would land between FERC and the RCA. Questions of jurisdiction likely would only be conclusively established through a declaratory ruling from the FERC.

Following these discussion, the members of the AK-BC Intertie Work Group determined that:

While these are important topics that need to be addressed in the development of the project, delving into jurisdictional matters beyond that required by the contract scope of work is premature. It is important to determine how the cost of power from prospective Alaska projects would stack up with market prices in Canada and further south. If that question is answered with Alaskan power projects being competitive, then further analysis of regulatory regimes would be more relevant.

Hatch Acres agreed to pursue the existing contract scope of work.

## 6. Interim report AKBC Intertie

Consideration of the Interim Report began with a short statement by Jim Strandberg.

He said the report was in compliance in form and content with the contract and noted that the Abstract presented an excellent synopsis. Jim asked the work group to consider the “interim report” (December 2006 Draft Report) and provide him with their opinion on the report’s adequacy.

Next, Ms Nalder and Mr. Griffith gave a short summary of the report findings to date.

First on the list for investigation is addressing the potential cost of power from new generation, in particular development of the potential new hydro projects at Thomas Bay. Dick Griffith gave an overview of information gleaned from existing reports: 11 cent power was cited in the 1985 report prepared by Hosey & Associates for Petersburg – cost of the transmission line was included and the proposed development was categorized as “utility-grade.” Petersburg decided not to proceed with development.

Dick noted that “utility-grade” project category would apply to Bradley Lake, Snettisham and the Four Dam Pool Power Agency projects. Developers today are proposing less than “utility-grade” projects and costs are notably less. Dave Carlson agreed that the cost of power at the FDPPA projects in SE Alaska would not cover the cost of constructing those projects today at “utility-grade.”

David Stone stated that the cost of power from Lake Dorothy is estimated to come in at 6 to 7 cents at the busbar. The first phase of the project will be fully utilized and the second phase energy may come in at a lower busbar cost.

Existing projects:

- Snettisham is at 3.4 cents
- Annex-Salmon is at 3.2 cents
- Goat Lake is at 6.6 cents levelized cost

Discussion regarding “government-plated” vs IPP-level projects continued. Dick noted that he is talking about tunnels with colleagues in another entity of Hatch who have been involved in several recent tunnels similar to those proposed at Thomas Bay. Dick also discussed the hybrid proposal of tunnels and buried conduits at Thomas Bay.

Nan noted that work was progressing on further investigations into the Business Structure; identifying the Regulatory Regime; and developing the basis for Developmental Scenarios and the Model.

Nan stated that she had received information from the US Department of Energy (USDOE) and the US Forest Service (USFS) regarding the prior 1988 Bradfield Intertie. Nan shared that USDOE was surprised to learn that the proposed 1988 Johnny Mountain Transmission Line across the Bradfield had not been constructed. USDOE was concerned that the proposed AK-BC Intertie would conflict with the 1988 Bradfield

Intertie. USDOE has provided information regarding current protocol for requesting Export Authority and the Presidential Permit. USFS has also provided some information regarding their role. Nan noted that the most expensive and significant effort from a regulatory perspective will be compliance with NEPA and related environmental studies and consolidated permitting effort involving several US federal and State of Alaska agencies. This information will be presented in the March 2007 Draft Final Report.

Discussion then returned to the December 2006 Draft Report and the opinion of the Work Group.

- JC Conley stated that it was a “great document.”
- Dave Carlson stated that it was a “good document.” Dave shared recent experience in Juneau with the legislature and discussions (Dave, Ted Smith, Mayor of Petersburg; Bob Weinstein, Mayor of Ketchikan; and David Stone, AELP). He stated that Energy will be a big issue this year.

Consensus was that the December 2006 Draft Report was accepted by the Work Group.

#### 7. Member comments

Work Group Next Steps:

February 28, 2007 – teleconference with the Work Group – Nan, JC & Jim will prepare an agenda by February 20<sup>th</sup>.

The AK-BC Intertie Work Group will convene in person March 28 – 30 in Juneau during the Southeast Conference Mid-Winter Meeting. Nan Nalder will present the results of the Draft Final Report.

Tidal Conference in Ketchikan January 23-24 in Ketchikan. David Lockard noted that the “Who’s Who in Tidal Energy” will be present. Nan Nalder and Dick Griffith will discuss the AK-BC Intertie Feasibility Study during the conference.

Other:

Dennis Lewis requested that notification to him can occur through Joe Nelson’s e-mail as Dennis is in the PMPL office often.

Jon Boling noted that he would like to discuss further with Nan Nalder some of his thoughts on the reserve fund to finance other segments – Jon & Nan will discuss in Ketchikan next week.

Chairman Conley reported to Jim Strandberg that the December Draft 2006 Report is acceptable to the Working Group..

#### 8. Teleconference Adjourned

Notes recorded by Nan Nalder and presented for review and comment prior to posting.