

**ALASKA ENERGY AUTHORITY
BOARD OF DIRECTORS
August 23, 2007 12:06pm
Anchorage, Alaska**

MEETING MINUTES

1. CALL TO ORDER

Chairman Notti called the meeting of the Alaska Energy Authority to order on August 23, 2007, at 12:06 p.m. A quorum was established.

2. BOARD OF DIRECTORS ROLL CALL

Directors present in Anchorage: Commissioner Emil Notti, Chairman (Department of Commerce, Community & Economic Development); Deputy Commissioner Brian Andrews (Designee for Department of Revenue); Commissioner Leo von Scheben (Department of Transportation & Public Facilities); Mr. John Winther, Vice Chair (Public Member).

3. PUBLIC ROLL CALL

Staff present in Anchorage: Ron Miller (Executive Director); Chris Anderson (Deputy Director - Credit & Business Development); Sara Fisher-Goad (Deputy Director - Operations); Brenda J.M. Fuglestad (Admin Manager); Mike Harper (Deputy Director - Rural Energy); Linda MacMillan (Accountant); Amy McCollum (Controller); Karl Reiche (Projects Development Manager); Karsten Rodvik (Project Manager); Sherrie Siverson (Admin Asst); Jim Strandberg (Project Manager).

Others present: John MacKinnon (Deputy Commissioner, Highways & Public Facilities); Mike Mitchell (Department of Law); Jan Sieberts (Washington Capital Management); Paul Kendall (Public Member).

4. PUBLIC COMMENTS

Mr. Paul D. Kendall discussed several issues. He asked if it was possible to put cameras in the upcoming Technology Conference in October so the public could view the proceedings and asked to meet with Board or staff members to discuss Hydrogen Use in Alaska.

5. PRIOR MINUTES – May 29, 2007

The May 29, 2007 minutes were approved as presented.

6. OLD BUSINESS

No old business.

7. NEW BUSINESS

7A. John MacKinnon, Deputy Commissioner, Highways & Public Facilities Presentation regarding Rural Alaska Infrastructure

Deputy Commissioner John MacKinnon provided an overview. DOT&PF is looking at the feasibility of building roads between rural villages that are in close proximity which could lead to consolidation of services in the villages and reduce the costs for: duplication of power plants, schools, landfills, and health clinics.

He displayed a map which was developed 3-4 years ago when former Commissioner Blatchford was putting together a program called "Access to the Future". The intent was to combine this program with former Governor Murkowski's dream of industrial resource development roads. Resource development and community access roads could provide accessibility between villages and eliminate duplication of services.

Different roads have been proposed and are shown on the map: a road west from Fairbanks that could eventually lead to Nome; an extension of the road between Williamsport and Pile Bay connecting to the Pebble Mine and ultimately all the way down to the Alaska Peninsula; a road between King Cove and Cold Bay; and roads connecting Chignick Bay, Chignick Lagoon, and Chignick Lake.

Proposed industrial development roads shown on the map included the Bullet Point Road towards Point Thompson; the Coleville River Road which could potentially access NPRA; a road from the Parks Highway to McGrath connecting to Ophir and eventually to Donlin. This could provide an opportunity to tap into railbelt power and connect it to Donlin.

DOT&PF owns, operates and maintains 258 airports in the State including Anchorage and Fairbanks International airports. Of those, approximately 232 airports are in communities where air service is the only way in and out. The lead explorer at Donlin is considering an 80-mile pipeline to Kalskag on the Kuskokwim River. However, they are concerned about the siltation rate in the river and the inability or risk of getting fuel up because of low water levels. This has caused problems in getting construction equipment into McGrath this year.

There has been a lot of thought put into road connections for a variety of uses from industrial resource access to connecting communities in a way to achieve savings in their cost of living. DOT&PF has been working on a case study for roads on Nelson Island in Western Alaska. The surrounding areas including Nunavak Island, are very spongy and difficult to build on. Nelson Island is volcanic core with fairly competent material. There are three villages on Nelson Island; Tununak, Toksook Bay, and Nightmute. A fourth village will be established about eight miles away when Newtok relocates to Mertarvik.

The three villages passed resolutions and came to DOT&PF approximately four years ago saying they would like to explore the concept of connecting the three villages by roads. Nightmute is up river with no access to salt water or port facilities. Toksook Bay was established approximately 100 years ago when residents migrated from Tununak. Populations vary from approximately 300 each in Nightmute and Tununak to 600 in Toksook Bay, which is the youngest, biggest and most progressive. Toksook Bay received a new airport approximately 5 years ago and construction is scheduled to begin on one in Nightmute.

Tununak needs a new airport but is surrounded by prehistoric house pits prohibiting construction in the area.

After a number of visits with the people of the Nelson Island Villages, we are very close to completing an environmental assessment for the road system. It is quite impressive that an EIS was not required because of scoping meetings and meetings with the villagers. It is located in the clearance road unit of the National Wildlife Refuge, so Fish & Wildlife Service didn't have any concerns. Because no one had serious objections to the road, Federal Highways allowed DOT&PF to proceed with an environmental assessment instead of requiring an environmental impact study.

The benefits of building these roads include: consolidating schools between the three villages with the potential for a wider variety curriculum; reduce landfills as they are quite expensive to maintain; operate one power plant and add transmission lines instead of a plant in each village. AVEC is in the process of building a transmission line between Toksook and Tununak and have built several wind generators and new bulk fuel storage in Toksook. Villagers voiced concerns that consolidation would reduce jobs in their communities and were worried about what they would lose, not what they would gain. Potential gains include: a professional health technician who could provide a high level of care; consolidating schools could provide jobs as bus drivers; the potential for a deep water port could provide a variety of jobs. A deep water port could provide a way to barge in freight and reduce the cost of shipping everything by air with bypass mail. Bypass mail for these three villages currently costs between \$1 and \$1.2 million dollars a year. A 5-year KAE study commissioned by the communities estimated that connecting them by roads would save every resident approximately \$1000 a year in efficiencies: lower cost product for fuel, lower energy costs, lower food costs, and lower transportation costs.

One of the other things we looked at is the potential of this island to become a regional material source. We found some very competent rock material we can build roads with. We could set up crushers and make a variety of aggregate products.

In response to a question by Mr. Miller, Deputy Commissioner MacKinnon stated that the rock can be used as armor rock for breakwater construction.

Commissioner von Scheben added that in addition to eliminating duplicate services, there is potential for a deep water port here to become a port of refuge. He asked AIDEA and AEA to work in conjunction with DOT&PF in exploring the possibility of tying future transmission line construction with road-system construction.

In response to a question from the Board, Deputy Commissioner MacKinnon stated that there are no minerals of any value on Nelson Island, just aggregate rock.

He stated that other State agencies would have to be involved in consolidation of services between villages, especially the Department of Education and how the funding they receive is allocated. The cost of operating each airport is approximately \$15,000 dollars a year and this is contracted to local village corporations and communities. Building 25 miles of road to connect these three communities would add approximately \$100,000 a year. This could result in approximately \$145,000 a year in operating costs, so from DOT&PF's perspective it doesn't make sense to combine them. But if you look at the synergies of connecting them, the cost

savings of a single landfill, single bulk fuel, single power plant, the economies of scale, it makes sense.

In response to a question from Mr. Miller, Deputy Commissioner MacKinnon stated that the report looked at the cost of power. At the time it was estimated a cut of ten cents off the cost per gallon of fuel, which was translated into the report as \$1000 dollars per capita annually.

Mr. Miller asked Mike Harper to give the Board an update on transportation projects that AEA is working on through the Denali Commission.

Mr. Harper reported that George Cannelos, the Federal Co-chair, asked AIDEA and AEA to get involved with the Denali Commission because we were doing a lot of construction in rural Alaska. He said there could be some synergies in using our engineers, consultants, design people, and construction managers to bring smaller construction projects into the bush. We are going to look first at Southwest Alaska and the Village of Kwethluk just signed an agreement to look at a road/barge landing project. Normally our mission is to build power plants and bulk-fuel tank farms, although we are also looking at alternatives such as wind, small hydro, and biomass. It is extremely expensive to bring in heavy equipment to remote rural areas, so it makes sense to look at using the heavy equipment that you bring and use it for other projects: schools, water and sewer systems, and power systems. AIDEA and AEA would be happy to work with the Denali Commission and with DOT&PF in tying potential future projects together.

8. DIRECTOR COMMENTS

8A. Director's Status Report of AEA Programs and Projects

Mr. Miller stated that he would like to budget an hour at the next board meeting for an overview of alternative and renewable energy projects that AEA is working on. A project that AEA has been working on for quite some time is a build-around on the extension of the Alaska Intertie. There was an appropriation to build a 19-mile bypass at the southern end of the Matanuska Electric Alaska (MEA) owned portion of the Intertie. A bypass of the transmission lines owned by MEA has been incorporated in to the Alaska Intertie by agreement. Mr. Strandberg has just received a notice-to-proceed and ML&P is working on some of the filings including the contract. We need to do some additional detailed design and engineering work and then construction can begin.

Mr. Strandberg reported that ML&P will begin construction after the design work is complete.

Mr. Miller introduced Kris Noonan, Program Manager, and Paul Ahlin and Curtis Hanson, Rural Electric Utility Workers, to the Board as part of the team that responded to the recent emergency fire at the Beaver Power plant. A welding accident caused a fire that destroyed the entire power plant, which was not an AEA project. After notification by Emergency Services, AEA responded by shipping a standby generator and two technicians to Beaver. They had the electricity up and running in time to save the community's subsistence harvest, which was stored in refrigerators and freezers. They are still operating on the standby generator and we are working with them to find a more permanent solution to the problem. One bay in a u-domed steel vehicle storage building has been made available for a new power plant.

8B. Next meeting date.

The Board will be polled for the date of the next meeting.

9. BOARD COMMENTS

There were no comments.

10. ADJOURNMENT

There being no objection and no further business of the Board, the meeting was adjourned at 12:37 p.m.

Ron Miller, Secretary
Alaska Energy Authority