

**ALASKA ENERGY AUTHORITY
BOARD OF DIRECTORS
October 26, 2007 10:30am
Anchorage, Alaska**

MEETING MINUTES

1. CALL TO ORDER

Chairman Notti called the meeting of the Alaska Energy Authority to order on October 26, 2007, at 10:40 a.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); and Mr. John Winther, Vice Chair (Public Member). Mr. John Kelsey (Public Member) was not present.

3. PUBLIC ROLL CALL

Staff present in Anchorage: Ron Miller (Executive Director); Chris Anderson (Deputy Director-Credit & Business Development); Bruce Chertkow (Loan Officer); Sara Fisher-Goad (Deputy Director-Operations); Mike Harper (Deputy Director-Rural Energy); Sherrie M. Siverson (Admin Asst); Jim Strandberg (Project Manager); and Valorie Walker (Deputy Director-Finance).

Others present: Brian Bjorkquist and Mike Mitchell (Department of Law); Chris Brechbuhler (Alaska Permanent Capital Management); Joe Everhart (Wells Fargo); MaryElla Kercher (Kron Associates Recorder); Patrick Lavin (Attorney, National Wildlife Federation); Jeff Pantages (Alaska Permanent Capital Management); Andy Petro (Wells Fargo); Jan Sieberts (Washington Capital); Christine Vecchio (MEA Ratepayers Alliance); and Bert Wagnon (Alaska Permanent Capital Management).

Teleconference: Mike O'Leary (Callan and Associates, Inc.).

Joined the meeting in progress: Leona Hakala (Loan Officer II); Danita Martin (Loan Servicing Supervisor); Mark Schimscheimer (Project Manager); and Charlie Cole (Attorney).

4. PUBLIC COMMENTS

VERBATIM

CHRISTINE VECCHIO: Good morning, my name is Christine Vecchio. I live in Palmer and I am a member of the MEA Ratepayers Alliance and I thank you very very much for having the opportunity to come and attend and make some comments. MEA Ratepayers Alliance is a newly founded

organization that we started in the Matanuska-Susitna Valley because we are faced with certain energy issues with the Matanuska Electrical Co-op.

Our goal and our main intent is to focus on ways in providing information and education, advocacy for clean, affordable and responsible energy generation and transmission. I come to you today in support wholeheartedly of your study, your railbelt study. I first learned about the study through a newspaper article and then also participated in the hearing and public meeting over at the Regulatory Commission of Alaska, at which point I met Mr. Strandberg and got more information about the Alaska Energy Authority. Our group sees this very very critical need for statewide and regional planning and so we feel and I personally feel also, that this is a very very important study. We would like to do what we can. We are encouraging our co-op to participate in the study because we feel that Alaska as well as the United States and the World, we are all facing some very critical issues that have to deal with our environment, our health and what we are to do in the future and for future generations. So whatever we can do to support the study to provide you input from consumers, what we have learned on our own doing our own research, we would really wholeheartedly like to do. We are also writing to the governor and legislatures and people who I think need to know that this study is very important to us as consumers. So we hope that we can work in partnership with you and continue hearing about the project and doing what we can to support it. So again, thank you very much, please continue the study, bring in what you need to do to get it done and for us to work together in partnership, really, because I think this is an issue that goes across the board, no pun intended, for all of us here in Alaska. So thank you very much.

CHAIRMAN NOTTI: Thank you for your comments. Any questions?

COMMISSIONER von SCHEBEN: I have a question Mr. Chairman. You say clean, affordable energy. What is your groups' perception of that? What does that mean to you?

CHRISTINE VECCHIO: For us, what it means is (1) that I think the issue that brought it out for us would be that we are dealing with the possibility of having a coal plant being built in our valley and all the research that we have done, we feel that for us clean and affordable would be to work for renewable energy. Affordable, I think what we would need to factor in, you know, a lot of times what I'm hearing from people is "what is this going to cost per kilowatt" bottom line things. And for us, I think, to factor in bottom line issues would also be, include "what would be the impact on health?" We know that there are certain things like mercury, CO2 emissions, heavy metals and then also you have things that would contribute to asthma, probably also with ecosystem impacts, those kinds of things we would like to be addressed in deciding what kind of energy generation happens for us minimally here in the region. We would like to see those considerations come in statewide. There is now research and some figures that have come up where they have factored in health costs, environmental impact costs into the cost of energy generation, so that for us is bottom line, that we factor in all those things and then see and compare what would be the actual, not only dollar and cents cost, but also impacting industry, impacting wildlife, health concerns, because one of the things that we are concerned about in the Valley is in the winter time we've got that inversion layer. So one concern we had was if we do have a coal-generating plant that keeps the emissions that are coming out staying put and so that for us is a major concern.

COMMISSIONER von SCHEBEN: Well, renewable energy, what would that be?

CHRISTINE VECCHIO: We were thinking of – there's hydro as a possibility, there are several projects that are going on around the area, and then also wind, you've got tidal, geothermal, so right now, as far as we're concerned, we would like to see, I don't know if this falls within the purview of the study, I know the study is dealing with looking at generation and transmission and a possible utility operator, but for us, I think it, we really do need to look at what it would cost overall with all the different types of scenarios. So that's why I think for us the study is important because my understanding is that you will be looking at different types of scenarios, you know, and really just go and look and talk to different utilities and get public input.

COMMISSIONER von SCHEBEN: Okay. I'm very interested in this aspect of energy as a big deal. When people come to us and they start limiting what we can use, then I kind of wonder what they are thinking about. And your points are well taken, tidal, wind, hydro, but a lot of times we get people that come to us and just pretty much limit us to nothing, there are no solutions, so at least you have an open mind as to the various areas.

CHRISTINE VECCHIO: Well, I think because we are in such a critical time, because I think we've got a window of opportunity here, which is why I think the timing of the study is so important because whatever decisions are made about the kind of energy generation we do, it's going to affect us 30-40 years down the line. So thank you very much.

COMMISSIONER von SCHEBEN: Thank you.

RON MILLER: Mr. Chairman, for the Board's information, this Railbelt Electrical Grid Authority Study, we have identified a consultant and we will be working on a contract and issuing a notice of intent to award in the next few days. We do have a conference scheduled for here in Anchorage on November 26 & 27, 2007 and we'll be looking at all potential fuel sources for the railbelt. Mr. Pat Lavin with the National Wildlife Federation has put together what is titled "A Balanced Energy Plan for Alaska's Railbelt" and there is an abstract of that that the Board has and copies out for the public as well.

PAT LAVIN: Thanks Ron. Thanks for the opportunity to comment. I'm Pat Lavin. I'm at the National Wildlife Federation office here in Anchorage.

Briefly, just a little bit about us and what brings me before you on a topic of energy matters that National Wildlife Federation on the national scale has identified global warming as a top priority and so efforts on that take a lot of forms and in some of the field offices including ours there's work on clean energy and on transition to bringing on renewable energy, energy efficiency to the extent practicable and that was really the premise behind the balanced energy plan that Ron just mentioned. I'll just say that it is still in draft form, but Ron's been kind enough to suggest that I come give you a heads up about that and provide a little bit of information about it for your packet and at a subsequent meeting, maybe the next one, or the one after that, be able to get you a public discussion draft that we'll be sharing with a lot of audiences and get into it with a little more detail, but two things for today. I wanted to provide a heads up about that and the second was to talk a little bit about the Railbelt Energy Grid Authority project as well. On the latter, the notion of some kind of regional authority on the railbelt has been around a long time and also emerges from the preliminary drafts that I have of our own balanced energy plan that that's a worthy topic to pursue. There is a lot of interest, I think, on the railbelt changing the status quo. Ms. Vecchio was just indicating that out in the Valley is a concept that resonates there and I guess my pitch, there is a

two-day conference happening in about a month to sort of kick that off at least formally and at this point, to the best of my knowledge, there is no formal or clear mechanism for stakeholder participation or input into that process and I think that is at least part of the thinking about it. You know the conference is two days, it represents a substantial time commitment for someone of the public in order to attend so I think if there is a clear mechanism in place that that sort of stakeholder participation will be a formal part or at least a clearer part of the proceeding and folks wouldn't just be coming and listening for two days or not getting to a point where their input really is considered, then participation is likely to be less. I would make a pitch for that and (double you up) definitely participate in that. I feel like I may have skipped some talking points on the balanced energy plan but you've got a little bit of information about it, so maybe I can stop there and just take any questions about either.

RON MILLER: Mr. Chairman, if I could add, in the scope of work that we have set for the consultant there will be public meetings to take input, there will be an advisory group formed in the railbelt of stakeholders and at the conference we will have two days. The final session will be a round table discussion of experts and with the public having the opportunity to provide comments and engage those experts and pose questions to those experts about the railbelt electrical grid. How it should be managed, regulated, what fuel sources and we'll have opportunity again for people to comment. We do have a session scheduled for future fuel sources so people can be given overviews of all the plans in the railbelt for future generation and the types of fuels that will be used.

To follow, AEA has in the past done regular updates on our alternative energy and energy efficiency programs and we just completed the most recent update. This will be posted on the AEA website, but I do have printed copies for the Board. It takes a look at all the alternative energy and energy efficiency programs in which we are involved. It has the various project managers and program managers giving their overview of what we are doing and where we are with various projects: wind, hydro, geothermal, ocean and river energy, end-use efficiency and biomass and also diesel efficiency and heat recovery. In addition to this we are putting together finishing touches on a geothermal plan. We have been working throughout the summer and early fall on that and we'll get it to the Board first and then out to the public. We have identified 14 priority projects that we should be looking at in conjunction with federal entities and private and other state entities.

COMMISSIONER NOTTI: Thank you. In order to comply with the opens meetings, I have to report that I had scheduled two separate board members and we ended up at the same table having coffee this morning and we talked about background information on something for Executive Session and then about the Ketchikan Dock loan, but no discussion on trying to arrive at any decisions, just for background information.

BRIAN BJORKQUIST: Mr. Chairman, that is for the other board meeting, the AIDEA board meeting, as opposed to this board meeting, the Alaska Energy Authority. I believe you mentioned that there was no conversation about matters on the Alaska Energy Authority.

COMMISSIONER NOTTI: That's right.

BRIAN BJORKQUIST: So you will have to make that disclosure again at the AIDEA board meeting. I'll speak about the Open Meetings Act at that point.

COMMISSIONER NOTTI: Yeah, I tend to forget that they are two separate entities. Okay, prior minutes?

5. PRIOR MINUTES – August 23, 2007

The August 23, 2007 minutes were approved as presented.

6. OLD BUSINESS

Mr. Miller updated the Board with regard to the Railbelt Electric Grid Authority Study. He said staff will notify the Board as soon as we have concluded an agreement with the consultant identified. We do have to issue a Notice of Intent to Award then allow an appeal period under State Procurement Law.

Staff has also met with representatives from the Railbelt Utilities to discuss the Alaska Intertie Agreement. We had sent notice last year that it was our intent to terminate that Agreement within 48 months because the way the agreement is written now, there are problems with addressing operation and maintenance, there is no R&R fund, and there are problems with the budgetary process. It is an agreement that tries to do too much in one document and so we had a very good meeting with the representatives of the Railbelt Utilities. We do have a work plan to go forward. We have a meeting scheduled for January 24, 2008 and so we will be pursuing a lot of work on the railbelt in a parallel path in addition to the REGA Study. We also have the Build-Around Project going on where we have contracted with Municipal Light & Power (ML&P) to be essentially the general contractor for that project. They are working through their initial steps of that agreement now. We were assured by ML&P representatives yesterday that they are going forward with that project.

Mr. Bjorkquist clarified that the date of the meeting has been moved from January 24, 2008 to February 1, 2008.

Commissioner von Scheben requested staff send him information for the Governor. He said she is very interested in a statewide energy plan for this Railbelt. He requested staff send a couple of paragraphs as to what the plan is and the status and goals are. I would like this information to come through me to the Governor so I can let her know what is going on, at least with the Railbelt. Mr. Miller said staff would comply with this request.

Deputy Commissioner Andrews requested that staff give some background information to the Board as to what is needed from a financing standpoint for the Railbelt.

Mr. Miller said we are focusing on financing infrastructure in the railbelt at the conference and the consultant will be looking at that as well. We've heard numbers from the utilities saying that a billion dollars will be needed over the next 10-20 years for generation and transmission and new infrastructure and improvements. I don't know if they have sat down and assigned values to particular projects, but we will dig that out.

We've provided financing scenarios for the railbelt utilities in conjunction with the improvements needed for the Alaska Intertie. That's a much smaller amount and we'll dig around and see what we can find.

Commissioner von Scheben said this is a huge elephant and I'm trying to take a bite out at a time and I think the railbelt is a good one, but I don't know if the Governor knows the plan that AEA is putting together. I don't know if that's something we might want to outline. Has she ever been presented an energy plan that we're looking at or working on?

Mr. Miller said we have given briefing documents to Special Assistants and to the Chief of Staff on energy issues. We've recapped for the Administration what the Legislature's Energy Policy Task Force came out with, and provided copies of AEA's Rural Energy Plan that we put together in 2004. I think on several occasions we've provided that information but have not had a direct meeting with the Governor. Commissioner von Scheben stated that he will talk with Mr. Miller after the meeting.

Commissioner von Scheben said he has seen the statistics and we all have seen them "out of gas in 2012." So everybody's starting to wonder about what's that mean, are we going to be importing gas that's from other countries? It's a big deal and the price of oil and everybody's hearing it and we talk about an energy plan for Alaska. Alaska's got so many sources of energy, I mean, geothermal, and tidal and wind, etc. but to get them kicked off within a reasonable time frame it's concerning. Commissioner Notti stated that this is a worthy discussion as this agency is expected to take the lead.

Commissioner von Scheben said the heat is on and I listened to Mayor Begich talk about the same thing. Anchorage is putting together an energy plan, right, have you heard that? And I'm wondering, various agencies are starting to put their plans together and it should be a statewide, like you're alluding to and talking about. So, everybody's talking about it now and it seems like people are starting to go out in various directions and it seems a focal point would be statewide, which is us and I think that is very important.

7. NEW BUSINESS

Mr. Miller informed the Board that staff has a session scheduled for next week in Kake that is in relation to the Alaska-BC Intertie Study. The Legislature a couple of years ago made \$3.2 million dollars available to study the possibility of connecting Southeast Alaska to the British Columbia grid for the potential of exporting hydro power from Southeast Alaska. That study has been completed, and there is money left over and there is interest in re-appropriating that money to devote it to the Petersburg to Kake Intertie. That is one of the purposes of the meeting next week in Kake is for AEA representatives, members of the AK-BC Intertie Advisory Group and Stakeholders in Southeast to discuss this issue.

Mr. Winther asked if any part of this meeting include any discussion on that proposed Thomas Bay hydro-project that Kake is thinking about getting involved in?

Mr. Miller deferred to Jim Strandberg as the Project Manager for the Study to give details on whether that will be a topic.

Mr. Strandberg said there is an agenda and on the agenda is the export portion of the project as well as the Kake-Petersburg Intertie. Basically the project can be thought of as an export intertie portion and then an in-state build-out portion. My expectations from the conversations I've been having are that there will be representatives from various interests that want to privately develop the Thomas Bay projects at the meeting. So I would suspect that that would be a fairly active discussion.

Mr. Winther said it appears there have been two proposals: Cascade LLC and Whatcom County. Mr. Chairman, I would like to attend that meeting because it is a very hot button issue up in Petersburg. If I am able to make it, I would like to go. Commissioner Notti indicated that would be fine.

Mr. Strandberg stated the study on the BC hookup to the Southeast has been completed. It is favorable, but with caveats. The difficulty is in determining exactly what the future energy markets will do. The best advice I can give you is, you may or may not come up with this conclusion when you view the study, there is a significant upside, but it's pretty hard to go much beyond where we've gone as far as providing any more surety and feasibility.

Mr. Miller indicated that the study has been posted on the AEA website.

Mr. Strandberg said the meeting is structured to be an open public meeting. Of course AEA is funding the travel and the per diem for the work group members. They are a, I'll call it an eclectic group of stakeholders and we have a definite format and a definite agenda. The work group members will deliberate and basically the output of the meeting is going to be recommendations to AEA on how to proceed with the project. At the end of each agenda item we've provided for public input and while we're not transcribing the meeting, we will have someone taking notes and this has been the structure of the project. If you look on the web page we've had I think three other meetings with that exact same format and it's been pretty successful.

We have evolving actions in Canada where the Canadians have just decided to construct a \$300 million dollar backbone transmission line that will bring network access to within 60 miles of the Alaska border. The Business Development Manager for BCTC, the Canadian Transmission Company, will be there to brief us on that very new development and at that time I expect we'll be talking schedule.

Dave Carlson is on the Advisory Group. In addition, I might mention for Commissioner von Scheben, Mr. Hawes from your Southeast Group is going to be there with your DOT road alignments and one of the things we are going to do is get the elbow grease out and take a look at the forest service road alignments that are coming over to DOT and seeing if we can align the Kake to Petersburg Transmission Line to achieve cost efficiencies. So it will be a definite work meeting.

We have \$2.6 million left out of \$3.2. We spent \$511,000 to date on the study. I thought it was a decent study.

8. DIRECTOR COMMENTS

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

There were no directors comments.

8B. Next meeting date.

The next meeting is scheduled for Thursday, December 13, 2007. If anyone has any changes they can give those to Sherrie and or Brenda. Brenda will be back by mid-November.

9. BOARD COMMENTS

Deputy Commissioner Andrews requested that on December 13, the Board receive a full report on the AK-BC Intertie story. It may require an extra hour at the meeting, but I would like to hear the full story.

10. ADJOURNMENT

There being no objection and no further business of the Board, the meeting was adjourned at 11:15am.



Ron Miller, Secretary
Alaska Energy Authority