
**Alaska Energy Authority
BOARD MEETING MINUTES
February 26, 2009
Anchorage, Alaska**

1. CALL TO ORDER

Chairman Pat Galvin called the meeting of the Alaska Energy Authority to order on February 26, 2009 at 10:42 a.m.

2. BOARD OF DIRECTORS ROLL CALL

A quorum was established.

Members present in Anchorage: Chairman Pat Galvin (Commissioner, Department of Revenue); Vice Chair John Winther (Public Member); Commissioner Emil Notti (Department of Commerce, Community & Economic Development); and Commissioner Leo von Scheben (Department of Transportation & Public Facilities). Absent: John Kelsey (Public Member).

Chairman Galvin confirmed that public notice requirements had been met.

3. AGENDA APPROVAL

The agenda was approved as presented.

4. PUBLIC ROLL CALL

Staff present in Anchorage: Steve Haagenon (AEA Executive Director); Chris Anderson (Deputy Director-Credit); Mike Harper (Deputy Director-Rural Energy); James Hemsath (Deputy Director-Development); Valorie Walker (Deputy Director-Finance); Bruce Chertkow (Loan Officer); Karsten Rodvik (Project Manager-External Affairs); Mark Schimscheimer (Project Manager); Brenda Fuglestad (Administrative Manager); and Sherrie M. Siverson (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist and Mike Mitchell (Department of Law); Ken Vassar (Birch, Horton, Bittner and Cherot); Bruce Levy and Nicholas Goodman (TDX North Slope Generating, Inc.); Tim Leach (MEA Ratepayers Alliance); and Pat Lavin (National Wildlife Federation).

5. PUBLIC COMMENTS

There were no public comments.

6. PRIOR MINUTES – January 15, 2008

The minutes were approved as presented.

7. OLD BUSINESS

There was no old business.

8. NEW BUSINESS

8A. Resolution No. 2009-02 TDX North Slope Generating, Inc., Power Project Fund Loan

Mr. Haagenson said TDX North Slope Generating Inc. is requesting a Power Project Fund (PPF) 20-year loan in the amount of \$2,500,000 for the acquisition and installation of a 5 MW Solar Combustion Turbine and associated distribution cables.

Credit committee recommended approval of this loan.

Mr. Mitchell outlined the changes made in the replacement resolution stating Section 1 is a technical change which states that the Authority finds the standards in 3 AAC 106.110 for this loan as described in the Memorandum were met.

Ms. Anderson provided an overview of the transaction. It is for the acquisition and installation of a 5MW Solar Combustion Turbine in the company's Deadhorse north power plant, to include distribution cable. The loan will be secured by a purchase money security interest in the 5MW Solar Combustion Turbine being acquired with the loan proceeds.

Funding of this loan will increase total outstanding debt to the Authority owed by TDX (including undisbursed related debt) from \$4,251,484 to \$6,751,484.

TDX North Slope Generating, Inc. was formed in January 2002 as an Alaska electric utility serving Deadhorse and Prudhoe Bay. Management of TDX is quite strong and is described in the Memorandum and organization chart in the board packet. TDX Power, Inc. is a wholly owned subsidiary of Tanadgusix Corporation (TDX, Inc.) a village corporation.

Approval of this credit will increase TDX (companies) liability to AEA from 15.51% to 25.21% of AEA's total PPF loan portfolio (outstanding plus unfunded commitments) and from 10.63% to 17.28% of AEA's total PPF (total fund dollars).

Staff recommended approval with the condition that the borrower pays no management fees, cash, dividends or profits, or makes distribution of assets to TDX Power, Inc., or Tanadgusix Corporation, unless EBITDA (earnings before interest, taxes, depreciation, and amortization) services the debt at a minimum of 1.10:1. All of these companies are quite healthy financially and this debt is affordable to them.

A discussion ensued comparing use of a diesel turbine versus a gas turbine and how cost savings were determined in the Northern Economics Report. Mr. Lévy discussed load growth averaging 30% a year over the past few years and said they are out of spinning reserve and out of capacity to handle a catastrophic loss of any of their 7 or 8 turbines. New service connections during the coming construction season will add 4MW to the current system. Rapid growth is making it difficult to keep up with not only the peak demand, but the average demand.

A variety of components from regulatory to technology to load growth are currently being addressed. The load is directly related to temperature and weather as it affects the housing. The 400-room Aurora Hotel under construction in Deadhorse is already 66% booked by BP. Electrical use by the Baker-Hughes warehouse is predicted to peak at 2.2MW. The two drivers are the price of oil and an increased focus on maintenance.

Under normal operations the utility has 12MW of power, 9MW of peak and 7MW of average. Loss of a turbine or the 3MW gas-fired Caterpillar reciprocating engine would blackout the town. They are addressing not only the load growth but the constant possibility of catastrophic failure in one of the major units. The turbine, subject to approval of the loan, is ready to be shipped and is scheduled for start up in late August 2009.

MOTION: Mr. Winther moved to approve Resolution 2009-02. Seconded by Commissioner Notti. There being no discussion, the question was called. A roll call vote was taken and the motion passed 4-0.

AYES: Notti, von Scheben, Winther, Galvin

NAYS: None

ABSENT: One

9. EXECUTIVE DIRECTOR COMMENTS

Renewable Energy Fund

The Legislative Budget and Audit committee met last Tuesday and approved 77 Renewable Energy Projects totaling \$100 million for FY09. The Board was referred to their packets for the evaluation method and a complete list of projects.

Mr. Haagenson said he is on the record with a zero acceptable failure rate for projects. Staff is currently conducting a review of projects, identifying scopes of work, kill points and grant agreement conditions. The review for submittal of the Round II list is behind schedule, but staff will provide a list to the Legislature as soon as possible

Round II funding has not been appropriated and requires appropriation by the full Legislature.

In response to questions from the Board, Mr. Haagenson explained the funding caps. During the review, the most weight was given to high-cost-of-energy areas, then to match, and then regional spreading. There is a \$2 million dollar cap for areas in Southeast affecting 6 or 7 projects. There is a \$4 million dollar cap for rural projects, anything outside the Railbelt or Southeast.

AEA has already gone back to the applicants and asked "If you only get half of the money, what is your plan? They can either say "We are not going to go forward because we can't find the money." "We can find more money." or "We can reduce our scope." They have three options ahead of them. They can accept it or not. Some of them were reduced because the projects were not ready. If they asked for money for feasibility, design and construction, we said you need to build a foundation so we are not going to give you all the money for the whole thing

we're only going to give you money for feasibility. At that point we reduced the scope and the funding.

Alaska Energy: A first step toward energy independence

The Alaska Energy Plan has been out for approximately one week. Staff is currently working with native corporations and utilities to apply the document and database. They are also working on regional rolls based on the data, and will be going out into the regions to engage Alaskans in the solution and obtain their recommendations.

Railbelt Electric Grid Authority

AEA has been investigating opportunities to consolidate the Railbelt Electric utilities for the past two years.

The infrastructure is aging and will require significant money to build new generation. Together the utilities can finance projects which they could not do separately.

AEA will be contracting for a Railbelt Integrated Resource Plan this week to evaluate and size the energy and delivery options for the Railbelt. The contracted consultant will look at Susitna, Chakachamna, Fire Island, FT plants, Chuitna coal, Nenana gas, new Cook Inlet gas, Bullet lines and trucking LNG from the North Slope.

Legislation will soon be introduced to form an entity that provides a vehicle to consolidate the Railbelt electric generation and transmission operations and assets.

Emergency Response

Mr. Harper provided an update on situations in Kipnuk, Chignik, and Pilot Point. AEA provides emergency services for small villages with single site utilities that typically are underfunded, understaffed, and dealing with old equipment.

In Kipnuk, a community of 700 near Bethel, one of the generators threw a rod through the block and is down. They need to run two parallel to provide adequate power for the community. AEA rural electrical utility workers are going to transport a generator from the Anchorage warehouse to Kipnuk in two trips, reassembled it and have it running by this weekend. Hopefully this will provide adequate service to carry the load through the rest of the winter.

In Chignik, a community of 95 in the Bristol Bay Region, one of the two power plants burned down two nights ago. AEA staff at working with them to get the power back up on the East Bay. Supplies are going out today and hope to have short-term power back up by tonight. Staff plans to transport more equipment and work on a long-term solution.

This morning AEA staff received a message that Pilot Point, also in the Bristol Bay area, had no power and no immediate solution to fix the problem. They anticipated running out of battery power, but staff received a phone call just before the meeting that the problem was fixed temporarily. AEA will work with the community on a long-term solution.

The good news is AEA staff has the situations under control and will get power back to these rural communities shortly.

Budget Sub-Committees

Mr. Haagenson shared an overview of 19 AEA programs.

1. Alaska Energy Plan/Policy
2. Renewable Energy Fund
3. Power Cost Equalization
4. Bulk Fuel Loans
5. Circuit Rider
6. Power Project Fund
7. Training - Power Plant and Bulk Fuel Tank
8. Emergency Response
9. Rural Power System Upgrades
10. Bulk Fuel Upgrades
11. End-Use Efficiency Program
12. Denali Commission Energy Program
13. Alaska Intertie
14. Bradley Lake
15. Susitna Review
16. Railbelt Electrical Grid Authority (REGA)
17. Organizational Structure
18. Strategic Planning
19. Stimulus Plan- Energy funds

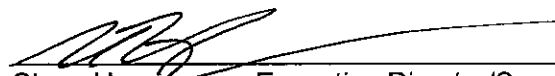
The next board meeting will be April 2, 2009.

10. BOARD COMMENTS

Chairman Galvin thanked Jim Strandberg and Brian Bjorkquist for all their work on the REGA project over the past few weeks. The Chairman said they are also working on a bill for the Greater Railbelt Energy and Transmission Corporation (GRETC).

11. ADJOURNMENT

There being no objection and no further business of the Board, the meeting was adjourned at 11:30 a.m.



Steve Haagenson, Executive Director/Secretary
Alaska Energy Authority