



Alaska Energy Authority

BOARD MEETING MINUTES

Thursday, May 10, 2012

Anchorage, Alaska

1. CALL TO ORDER

Chairman Hugh Short called the meeting of the Alaska Energy Authority to order on May 10, 2012 at 10:38 a.m. A quorum was established.

2. ROLL CALL: BOARD

Members present: Chairman Hugh Short (Public Member); Gary Wilken (Public Member); Robert Sheldon (Public Member); Wilson Hughes (Public Member); Ron Arvin (Public Member); Bryan Butcher (Commissioner, Department of Revenue); Commissioner Susan Bell and Deputy Commissioner Curtis Thayer (Department of Commerce, Community, and Economic Development - phone); Commissioner Bryan Butcher and Deputy Commissioner Angela Rodell (Department of Revenue – phone).

3. AGENDA APPROVAL

MOTION: Mr. Sheldon made a motion to move Agenda Item D to Item A. Motion seconded by Mr. Butcher. The motion was approved unanimously.

The agenda was approved as amended.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Sara Fisher-Goad (Executive Director); Sandra Moller (Deputy Director-Rural Energy); Valorie Walker (Deputy Director Finance); Wayne Dyok (Project Manager, Susitna-Watana); Jim Strandberg (Project Manager); Sean Skaling (Project Manager); Bryan Carey (Project Engineer, Susitna-Watana); Kirk Warren (Project Manager); Emily Ford (Public Outreach Liaison, Susitna-Watana); Chris Rutz (Procurement Officer); Karsten Rodvik (Project Manager, External Affairs); Shauna Howell (Executive Assistant); May Clark (Administrative Assistant); Teri Webster (Administrative Assistant, AIDEA).

Others present: Brian Bjorkquist (Department of Law); Doug Johnson (Alaska Projects Director, Ocean Renewable Power); Jason Evans (CEO Sitnasuak Native Corp); Ethan Schutt (Cook Inlet Region, Inc.); Meera Kohler (CEO, Alaska Village Electric Cooperative); Jan Sieberts (WCM); and Paul D. Kendall (Cold Fusion).

5. PUBLIC COMMENTS

Paul D. Kendall

Mr. Kendall, a political energy activist, presented several documents relating to Cold Fusion. He stated there is research which supports evidence that one square mile of ocean contains the equivalent of energy of all the oil on the planet. He is concerned that if the oil pipeline is shut down there could be a collapse of the US dollar.

6. PRIOR MINUTES

Minutes from the March 30, 2012 board meeting were unanimously approved.

7. NEW BUSINESS

7A. Meera Kohler, Commonwealth North Report

Ms. Kohler, President and CEO of Alaska Village Electric Co-op, Co-Chair of Commonwealth North Study Group, introduced herself. Mr. Schutt, Senior Vice President of Land and Energy Development, Cook Inlet Region, Inc., also introduced himself. Ms. Kohler said the Commonwealth North Study Report entitled "Energy for a Sustainable Alaska – the Rural Conundrum" was released in February 2012. The mission of Commonwealth North is to identify significant public policy issues that affect Alaska's future. Ms. Kohler stated the hallmark of a healthy sustainable community is the availability of reliable and affordable energy which remains unavailable to many rural Alaskans. As a result, Alaska's rural and indigenous communities are at severe risk. She said the Study Group's task is to understand what is currently happening in energy production and consumption in rural Alaska. The Study Group is also tasked to determine what other groups around the state are doing to develop cost-effective solutions to meet these challenges. She said Alaska needs a statewide energy plan and an implementation strategy to increase efficiency and utilize economically viable alternatives.

Mr. Schutt said project financing is very critical due to limited sources of financing. He said there is a status quo that has natural financing mechanisms; self-financed by local communities and utilities supplemented by public funds which come out of the state or federal governments. A regular source for project development financing is private investors or developers bringing their own equity to the status quo. There are a number of barriers to that system – small rural communities that may be outside of the scope of what a project lender would consider and the amount of investment on an individual project may be too small to attract private investors or developers. He suggested creation of an investment structure that can serve as an aggregator of financing for energy projects and equal competition based on the merits of the economics of

proposed projects. He also suggested creating a design/audit program to ensure public monies for projects are being well spent; and looking at long-term funding sustainability by supplementing some of the existing grant programs with financing options. Another barrier to the advancement of rural energy projects is the complicated regulatory and permitting process. Perhaps the Army Corps of Engineers could create a project permitting program that would expedite the process and help reduce the amount of project capital used for environmental permitting experts and attorneys.

Ms. Kohler said the state should eliminate the need for Power Cost Equalization (PCE) with the intent of lowering electrical end cost to rural consumers. The vision for Alaska is to be completely energy self-sufficient and supply all of our energy needs to eliminate importing diesel fuel. North Slope gas-fired generation could be built using Alaskan resources and can supply enough electricity to replace all the heating fuel and most of the electricity usage in the State of Alaska. She commented that the Susitna-Watana project is a 600 megawatt project and it is only going to supply a portion of the needs for Southcentral Alaska.

Questions and Answers were as follows:

Is there a table of community loads on the proposed transmission areas of this report?

Yes, it exists in the Alaska Energy statistics, but are strictly electrical.

How will a system be managed?

Ninety-five percent of power produced in the State is by non-profit municipality or electric cooperatives. Total electrical sales in Alaska are 6.5 M kwh.

How does this Plan compare to that in Northern Europe?

This plan mirrors what is happening all over the world.

The DC power idea is to support the assertion that it can be done more quickly and cheaper, as an alternative to the Susitna-Watana Project. There is confusion on Figure 1 of the presentation regarding how Alaskans heat buildings.

A clarifying footnote will be inserted.

Was there a discussion about regional government and the benefit of bringing local control to these energy projects as the state moves to become more energy efficient?

The Regional Corporations were invited to address the Study Group; however, few regional corporations are engaged in the regional process. Regional Corporations may help consolidate planning, but may not bring the expertise needed.

Clarify the wind power use statistics in rural communities and the cost of production offset.

A wind project will displace approximately 20% of diesel fuel usage.

Mr. Short said state and private investments and local contributions would be necessary because smaller rural communities will not be able to pay for the infrastructure.

Mr. Sheldon said it isn't a question of what can we do to reduce the average power per user, but it is what can we do to develop the state into a self-sustaining economic entity. Ms. Kohler said as long as there's high energy costs, we will continue to export raw resources.

7B. Susitna-Watana Project Update

Mr. Dyok, Susitna-Watana Project Manager, introduced staff Emily Ford (Public Outreach Liaison); Chris Rutz (Procurement); Bryan Carey (Project Engineer) and Jim Strandberg and Kirk Warren (Project Managers) and discussed the key milestones for 2012. Key milestones for AEA are the July 16th Proposed Study Plan filing with the Federal Energy Regulatory Commission (FERC) and the November 14, 2012 Revised Study Plan. A site visit will be held July 9¹ for resource agencies and other interested parties, and Formal Study Plan Meetings and another site visit will be held August 8-15. Project updates also included a presentation on Licensing & Environmental activities and field work – fish, wildlife, vegetation, ice observations, and recreation studies to name a few. Engineering activities and field work were also discussed including an electrical system study and turbine unit sizing. A decision on dam height decision will be made by the end of this year, but initial indications are that a dam with a maximum reservoir surface of about 2,050 feet would allow more energy to be shifted to the winter when it is most needed. The draft DOT&PF Corridor Transportation Study for the access road was received and there are no surprises. Three access areas are being considered: Denali Corridor, Chulitna and Gold Creek. The Denali corridor would have the least cost and would have the shortest construction schedule, but detailed environmental studies have yet to be completed. Regarding Utility Coordination and Financing, we met with the U.S. Department of Agriculture, Rural Utilities Services to discuss potential financing options. Project Management work continues. Public outreach continues and MSI Communications has been brought on board to assist with that effort.

Ms. Fisher-Goad requested Board members contact her if they are interested in participating in either of the site visits.

Mr. Arvin said he received inquiries from local firms that would like to participate in the engineering design and construction of the project. He asked about the level of services that Alaskan companies are providing versus firms outside Alaska. He said Alaska-based firms should have the opportunity to provide the consultant services provided they are qualified. Mr. Rutz agreed and provided a summary of the contracting process to date and a list of prime contractors and subcontractors that are currently under contract with the Authority. He indicated that he would welcome the opportunity to talk with any contractors who indicated an interest in working on this project.

¹ Note because of Migratory Bird Treaty Act concerns the first site visit is now scheduled for July 25th and 26th.

Mr. Dyok said a contracting plan for engineering and construction will be developed and completed by the end of 2012.

Mr. Wilken asked if a strategic plan was being developed for mass media to inform the public about the project. Mr. Dyok said a plan is being developed by MSI Communications.

Recess: 12:39 p.m.

Reconvene: 1:02 p.m.

Mr. Rutz said contract proposals are scrutinized and must identify subcontractors and subsequent subcontractor changes must be approved. A monthly progress reporting system is in place and invoices are tracked. Contractors are required to present their monthly expenditures which are compared to progress report expenditures.

Regarding invoice payment, Mr. Rutz stated that AEA goal is to ensure contracts are made clear so the invoice processing can be prompt.

Mr. Arvin asked which Native corporations own or control lands where the reservoir will be located. Mr. Bjorkquist stated CIRI, Tyonek Native Corporation, Inc., Knikatnu, Inc., and Chickaloon Native Association have lands within the reservoir area and along some of the corridors; however, the land status of some lands remains uncertain. The surface title of some lands likely to change before the project is completed as any CIRI village corporation may become a surface owner.

7C. Resolution No. 2012-03 Authorizing Filing of the BLM Application for Transportation and Utility Systems and Facilities on Federal Lands

MOTION: Mr. Wilken moved to approve Resolution No. 2012-03. Seconded by Mr. Arvin. The motion was unanimously approved.

7D. Kake-Petersburg Intertie Update

Ms. Fisher-Goad said she and Mr. Strandberg recently attended the Southeast Alaska Power Authority's (SEAPA) board meeting at which the Kake-Petersburg Intertie Project was an agenda item. They discussed AEA's involvement in the project. The communities of Kake and Petersburg have a vested interest in being involved in this project and have provided a draft MOU to AEA. She said SEAPA is in the midst of identifying their next hydro unit and when the Intertie was first envisioned, excess power from the SEAPA system would be routed to Kake, but that power is running low so they are looking for other sources of hydro units. There are Independent Power Producers (IPPs) in the area that could potentially sell power to them. AEA

would like to be able to provide technical support to SEAPA when looking for additional energy projects in Southeast Alaska.

Mr. Hughes asked if there was an intertie between Metlakatla and Ketchikan. Ms. Fisher-Goad stated there is not an intertie, but it was a committed unit. The generation source and who is going to purchase the power is still to be resolved. She said it would cost about \$12 M for an intertie between Metlakatla and Ketchikan to tie it to the grid. The cost for the Kake-Petersburg Intertie is estimated at \$40 M, with \$5 M available for preconstruction design and engineering.

8. EXECUTIVE DIRECTOR COMMENTS

Ms. Fisher-Goad announced that Peter Crimp, Deputy Director, AEEE will be retiring June 15 and will be replaced by Sean Skaling. Mr. Crimp has helped spearhead the development of the Renewable Energy Fund and under his leadership the program has operated successfully. She also announced that Shauna Howell, Executive Assistant, will be leaving AEA on May 15 and will be replaced by May Clark. An RPSU open house will be held at AEA's warehouse on June 13.

8A. Next regularly scheduled meeting June 28, 2012

9. BOARD COMMENTS

Mr. Arvin said he was pleased with the remarkable job AEA has been doing regarding public outreach in the Mat-Su Valley.

Mr. Sheldon said he appreciated receiving the Talkeetna comments in the summarized form as recommended at the last meeting and that he is happy with the communications from AEA.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 1:33 pm.



Sara Fisher-Goad, Executive Director/Secretary
Alaska Energy Authority