

Alaska Energy Authority  
BOARD MEETING MINUTES  
Thursday, December 5, 2013  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Dick called the meeting of the Alaska Energy Authority to order on December 5, 2013 at 9:03 am. A quorum was established.

**2. ROLL CALL: BOARD**

Members present: Chair Russell Dick (Public Member); Vice-Chair Dana Pruhs (Public Member); Susan Bell (Commissioner of the Department of Commerce, Community and Economic Development); Crystal Nygard (Public Member); Michael Pawlowski (Department of Revenue); and Gary Wilken (Public Member).

**3. ROLL CALL: STAFF, PUBLIC**

Staff present: Sara Fisher-Goad (AEA Executive Director); Michael Lamb (Deputy Directory - Finance & Operations); Sean Skaling (Deputy Director – Alternative Energy & Energy Efficiency); Amy Adler (Finance Controller); Cady Lister (Energy Efficiency Manager); Kelli Veech (Accounting Systems Analyst); Gene Therriault (Deputy Director – Energy Policy Development); Teri Webster (Executive Assistant); and Brian Bjorkquist (Department of Law).

Others present: Tim Bradner and Elwood Brehmer (Alaska Journal of Commerce); Clay Koplin (Cordova Electric Cooperative); Jeff Logan (Jeff Logan & Associates); Katie Palaniuk, Beth Stuart (KPMG); Richard Peterson (Alaska Natural Gas To Liquids Company); Richard Seifert (Fairbanks); Heather William (MWH); and John Walsh (Juneau - phone); Sunny Morrison (Accu-Type Depositions).

**4. AGENDA APPROVAL**

The agenda was approved as amended.

**5. PRIOR MINUTES**

The October 29, 2013 AEA Board meeting minutes were adopted.

**6. PUBLIC COMMENTS**

Mr. Seifect, former professor at University of Alaska Fairbanks, stated he has been involved in energy issues for 35 to 40 years. He noted he is familiar with the longstanding record of former Senator Wilken. Mr. Seifect said he is an advocate for many renewable energy issues. Mr. Seifect discussed his experience of traveling to Iceland this summer and meeting with a public works agency that oversees the development of renewable energy in Iceland. Mr. Seifect

commented Iceland had a devoted and successful organization for the development of renewable energy. Mr. Seifect believes Alaska is so overwhelmed with the oil focus that attention is not paid to the enormous potential for renewables in the state. Mr. Seifect expressed hope that the Susitna-Watana project goes forward and believes the future for the state has to have reliable and renewable electricity that is not adding to the fossil fuel problem. Mr. Seifect stated the renewable base needs to be developed with AEA providing that vision.

Mr. Wilken commented that Mr. Seifect's presence here today speaks to his commitment to renewable energy. Mr. Wilken noted Mr. Seifect has stayed active in attending meetings and is a respected advocate for renewable energy. Mr. Wilken expressed his appreciation to Mr. Seifect.

Mr. Pawlowski commented there have been a lot of renewable energy focused programs put on AEA. He believes Mr. Seifect's challenge to AEA to work toward setting a strategic vision for the agency is a good one. Chair Dick agreed with Mr. Pawlowski.

## **7. NEW BUSINESS**

### **7A. Resolution No. 2013-06 Power Project Loan - Cordova Electric Cooperative Humpback Creek**

Ms. Fisher-Goad explained the details of this resolution and advised it is for approval of the Humpback Creek Power Project Loan of \$8.9 million.

Vice-Chair Pruhs requested explanation of the economic and technical analysis for this resolution. Ms. Fisher-Goad advised the technical feasibility analysis and financial feasibility analysis is handled by AEA staff, as well as coordination with AIDEA staff. Vice-Chair Pruhs asked for information regarding Cordova Electric Cooperative's history of payments. Mr. Koplín advised Cordova Electric Cooperative has a very solid payment history and a very solid cash reserve.

Vice-Chair Pruhs asked how long the Humpback Creek facility has been in place. Mr. Koplín reported the Humpback Creek facility was originally built in 1907 and was a temporary project back in the railroad days. The facility was rebuilt in 1990 and provided 15 to 20 percent of the community's power until 2006, when a horrific, massive flood occurred. The facility has since been rebuilt and has been operating since 2011 with spectacular results, saving a million dollars' worth of diesel fuel last year and this year, so far.

Mr. Wilken asked what the cost of power is. Mr. Koplín noted the cost of power is under six cents a kilowatt hour. Mr. Koplín requested approval of the resolution and endorsement of the program.

Mr. Wilken asked if the diesel plant serves as back-up. Mr. Koplín stated this is a river hydroelectric project, which fits the community's business model well. He noted this is an economic development loan.

Ms. Nygard asked for explanation of the lease agreement conditions with Eyak Corporation and how long Mr. Koplin has been involved with Eyak Corporation. Mr. Koplin stated Cordova Electric Cooperative has had a strong working partnership with the Eyak Corporation for a very long time.

Vice-Chair Dick asked if Cordova Electric Cooperative has any issues with the covenants listed in the requirements. Mr. Koplin stated Cordova Electric Cooperative, as well as their lender, have no issues with the covenant requirements.

**MOTION: A motion was made by Vice-Chair Pruhs to adopt Resolution No. 2013-06. Motion seconded by Commissioner Bell. Motion passed unanimously.**

### **7B. FY 2013 Financial Statements - presentation by KPMG**

Ms. Fisher-Goad expressed her appreciation to AEA's Finance Department for doing a phenomenal job. Ms. Fisher-Goad expressed her appreciation to Deputy Director Lamb for providing a seamless transition to his position.

Ms. Stewart and Ms. Palaniuk gave a detailed presentation regarding FY 2013 financial statements.

Vice-Chair Pruhs asked if KPMG has given evaluations for AEA's assets, including the worth or appreciative value of the intertie. Ms. Stewart noted the financial statement does not include fair value or current value information. Accounting policies require assets be presented on a historical cost basis. The information on the balance sheet of page 8 of the financial statement is historical cost information.

Vice-Chair Pruhs asked if KPMG has delineated the asset values anywhere in the financial statement. Ms. Stewart advised there is a footnote on page 26 that shares more information, but does not provide detail by project. It lists an infrastructure line of \$434 million, which is also historical cost and not current value. Ms. Stewart stated KPMG can consider giving more detailed information. Vice-Chair Pruhs noted the financial statement does not provide the book value of AEA's assets and he believes that information is important.

Mr. Wilken asked Mr. Lamb if Vice-Chair Pruhs' request was a big request or a little request. Mr. Lamb noted these financial statements follow GASB standards, which list the assets' historical value. Mr. Lamb noted more detail can easily be provided regarding how the historical value was reached per project. Mr. Lamb asked Vice-Chair Pruhs if he requested the current value of assets. Vice-Chair Pruhs noted he was not requesting appraisals and current value of assets. Ms. Stewart noted the schedule to the financial statement on page 34 provides more detail for capital assets.

Vice-Chair Pruhs asked for clarification regarding the appropriation of the \$10 million in repairs. Mr. Lamb advised depending upon the capitalization threshold for a particular asset category, even if money is spent on repairs, it may show up as an income statement item instead of a

balance sheet item. Mr. Lamb said he can provide the specifics as to where the \$10 million in repairs is included in the statement.

Chair Dick requested an update on the notations of discrepancies and noncompliance with grants. Ms. Stewart advised one of the requirements before expending any federal grant money to a contractor is to ensure the contractor is not on the federal suspended and debarred list. During the audit of 2012, KPMG found the federal suspended and debarred list was being checked and documented sometimes, but not always. Ms. Stewart stated this year when KPMG tested expenditures, some of them still fell under the previous contract and during the period prior to management changing their process. She understands from management that the process was changed in August or September of 2012 and expects that finding would not be repeated again next year.

Chair Dick asked if Ms. Stewart is confident the internal controls are such to move forward. Ms. Stewart stated KPMG recently reviewed a draft of a contract to validate the language that was proposed and it would meet current federal requirements, as well as additional federal requirements.

**MOTION: A motion was made by Commissioner Bell to accept FY 2013 Financial Statements. Motion seconded by Mr. Wilken. The motion was adopted.**

**MOTION: A motion was made by Vice-Chair Pruhs to go into Executive Session to discuss personnel issues related to the AEA Executive Director Review. Motion seconded by Ms. Nygard. The motion was approved.**

**7C. Executive Session - Executive Director Review: 9:41 am.**

The Board reconvened its regular meeting at 10:27 am. Chair Dick noted he and Vice-Chair Pruhs will meet with Ms. Fisher-Goad at a mutually convenient time to go over her review.

## **8. EXECUTIVE DIRECTOR COMMENTS**

Ms. Fisher-Goad commented the review of the Renewable Energy Fund is going well. She noted the projects that are not advancing for consideration are sending letters of appeal for reconsideration. Ms. Fisher-Goad stated Mr. Skaling's group has done a phenomenal job of keeping on schedule. She believes every year the process has improved with more efficiency and better applications.

**8A. Next regularly scheduled meeting will be Tuesday, January 14, 2013.**

Chair Dick asked if Ms. Fisher-Goad will attend by teleconference. Ms. Fisher-Goad noted she will phone in for the next meeting and does not believe an action item is planned for the next meeting. She stated Mr. Gene Therriault will give a presentation on the intertie. An update will be given on AEA-owned assets, including the Bradley Lake Project and Transmission Study.

Mr. Wilken asked who will provide an update on Susitna-Watana at the next meeting. Ms. Fisher-Goad said she had not planned on having an update on Susitna-Watana at the next meeting, but can certainly have Mr. Wayne Dyok prepare and provide an update on Susitna-Watana.

## 9. BOARD COMMENTS

Commissioner Bell noted she likes the idea that AEA will be reviewing their programs with the board on future agendas.

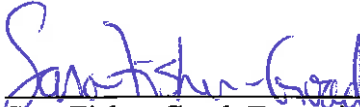
Ms. Nygard expressed her appreciation to the AEA staff for their guidance and support of her as a new Board member.

Chair Dick expressed his appreciation to the AEA staff for answering his questions and providing updates on specific projects. He thanked the staff for addressing issues and concerns of ongoing projects.

Mr. Wilken added his congratulations on a clean audit and appreciated the good report given during the meeting.

## 10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 10:32 am.

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