



BOARD MEETING MINUTES
Thursday, June 25, 2015
Fairbanks, Alaska

1. CALL TO ORDER

Chair Dick called the meeting of the Alaska Energy Authority (AEA) to order on June 25, 2015 at 10:04 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Russel Dick (Public Member); Vice-Chair Dana Pruhs (Public Member); Jerry Burnett (Deputy Commissioner, Department of Revenue); Fred Parady (Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED)); Crystal Nygard (Public Member); and Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AEA & AIDEA Staff present: Sara Fisher-Goad (AEA Executive Director); Gene Therriault (AEA Director-Energy Policy & Outreach (EPO)); Emily Ford (AEA EPO Manager); Kirk Warren (AEA Project Manager); Teri Webster (AEA Executive Assistant); John Springsteen (AIDEA Executive Director); Ted Leonard (AIDEA Director Emeritus); Jim Hemsath (AIDEA Director-Project Development & Asset Management (PDAM)); Michael Lamb (Chief Financial Officer); Karsten Rodvik (AIDEA External Affairs Officer); Nick Szymoniak, (AIDEA Energy Infrastructure Development Officer); Sherrie Siverson (AIDEA Executive Assistant); and Brian Bjorkquist (Department of Law).

AEA Staff participating via teleconference: Jennifer Haldane (Human Resources Director); Sandra Moller (AEA Director/COO-Project Implementation); Sean Skaling (Director-Program Development & Project Evaluation); Tom Erickson (Chief Procurement Officer); Catherine Bliss (AIDEA Administrative Assistant); and Krin Kempainen (AIDEA Administrative Assistant).

Public present: Elwood Brehmer (AK Journal of Commerce); Dan Britton (Fairbanks Natural Gas (FNG)); Tim Gallagher (HDR); Mark Gardiner (Western Financial Group); Doug Issacson (Former SOA Representative); Linda Leary (Alaska Railroad); Bob Shefchik (Interior Energy Project (IEP) Team Leader); and Jamie Schwartzwald (Channel 13 Fairbanks).

Public participating via teleconference: Bernie Smith (Regulatory Commission of Alaska (RCA)); Mark Fineman and Robert Scanlon (Blood Bank of Alaska (BBA)); Jerry Juday (Department of Law); Ladonna Lindley (Accu-Type Depositions).

4. AGENDA APPROVAL

The agenda was approved as presented.

5. PRIOR MINUTES - May 27, 2015

MOTION: A motion was made by Vice-Chair Pruhs to adopt the minutes of May 27, 2015. Motion seconded. Motion passed.

6. PUBLIC COMMENTS

None.

7. NEW BUSINESS

7A. Railbelt Transmission Issues Update

Ms. Fisher-Goad introduced Mr. Therriault and Mr. Warren, who gave a PowerPoint presentation regarding the Alaska Railbelt Transmission System. The current AEA Transmission Study was reviewed. Mr. Therriault explained the AEA Transmission Plan is a 10-year planning proposal for the Railbelt. He noted FERC does not have jurisdiction in the state of Alaska because there is no transmittal of power across state lines. AEA does provide FERC's level of forward-looking planning. AEA plans to provide one-year status updates to the study to address technology changes or load increases.

Mr. Therriault described the project upgrades and benefits to the Railbelt and stated the total estimated cost for all of the proposed projects is \$900 million. He reported the estimated benefits per year would range from \$146 million to \$241 million, if all of the proposed projects were currently online. Mr. Warren explained this would provide a savings of .03 cents to .06 cents per kilowatt hour to approximately 500,000 ratepayers over what they would pay if economic dispatch were not allowed in the Railbelt. He clarified the savings would not provide a reduction in the rate payers current bill.

Deputy Commissioner Burnett requested the cost per kilowatt hour to pay for the \$900 million. Mr. Warren noted he will determine an estimate and report that information to the Board. Mr. Therriault stated the completed projects would provide a net savings.

Mr. Therriault presented the primary concepts for a future Railbelt transmission system. He discussed the structure of responsibilities for a transmission company (TransCo) and for an independent system operator (ISO).

Vice-Chair Pruhs asked if a study has been completed identifying the amount of debt on the 500 miles of existing transmission infrastructure. Mr. Therriault stated the debt components are substantial. He does not have a specific numerical figure. The existing bond holders have to be satisfied they will continue to see a return, before the asset can be pledged to an aggregated system. Assurances have been given in similar structures in the Lower 48.

Mr. Wilken asked if there is a model used in the Lower 48 that Alaska could replicate. Mr. Warren noted Alaska is unique because there is no possibility for an energy market. He advised much of the modeling that has been completed has been premised on the independent Electric Reliability Council of Texas (ERCOT) model. Mr. Wilken asked if there needs to be money in the budget to engage in an advisory capacity on a formal basis. Mr. Therriault believes the utilities understand money is tight and private capital would be considered for investment. Mr. Warren informed a number of equity investing firms have expressed interest in the next phase of the study.

Mr. Warren gave an update on the work completed by Dr. Antony Scott of Alaska Center for Energy and Power (ACEP). The final report is due to the Legislature on June 30, 2015, and will address whether creating an independent system operator or similar structure for electric utilities in the Railbelt area is the best option for effective and efficient electrical transmission. Five public meetings have been held and an open informational docket was created. Mr. Warren discussed Dr. Scott's general findings, as presented to the RCA on May 13, 2015.

Mr. Therriault explained the issues surrounding the proposed EPA 111(d) Rule of the Clean Air Act entitled, "The Clean Power Plan." A 26 percent reduction of CO₂ from five generating sources in the Railbelt is proposed for Alaska. The difficulty is this reduction relies heavily on transmission. Mr. Therriault informed an EPA exemption from this rule for the state of Alaska has been requested, because Alaska does not have a transmission system like those in the Lower 48.

Ms. Nygard asked how increased energy efficiency is expected to be measured under the proposed EPA 111(d) Rule. Mr. Therriault noted energy efficiency is measured from the total emissions from the five targeted plants compared to the power that is produced.

Mr. Wilken commented he expects Senator Murkowski to be engaged with these issues.

Mr. Bjorkquist provided an overview of the Railbelt transmission litigation issues, particularly the disputes relating to the transmission line between Soldotna and Quartz Creek, and whether or not this line remains under the Bradley agreements. There are currently two different court cases and a proceeding before the RCA dealing with all the issues and disputes, including Homer Electric Associations (HEA) request for a tariff of \$2.7 million to \$3.4 million. The questions of jurisdiction before the Alaska Supreme Court are: Does RCA have jurisdiction over these matters, and does the Superior Court have jurisdiction to hear the question?

The RCA has a statutory deadline for answering and entering a final order on rate cases like this. If RCA does not issue an order by August 31, 2015, there is an argument that HEA's original tariff filing will become effective by operation of law. Mr. Bjorkquist informed the Supreme Court was requested to take the cases on an expedited basis because of the potential harm that could come from the statutory deadline.

Mr. Bjorkquist noted AEA has been involved with all of the proceedings with the primary interest in protecting the priority right for Bradley Lake power to be wheeled over the Soldotna

to Quartz Creek Line. Mr. Bjorkquist advised that after the Superior Court issued its decision on May 28th, the utilities, other than Homer Electric, filed for attorney fees against everyone who was not on their side, which includes AEA, RCA, RAPA, and HEA. The attorney fees issue has been put on stay pending the Alaska Supreme Court petition for review. AEA will be opposing the attorney fees at the appropriate time. Mr. Bjorkquist informed he can answer additional questions in confidential detail during executive session.

Ms. Fisher-Goad informed AEA has been more engaged and has been very careful to represent the issues well, without taking particular sides on cost.

Deputy Commissioner Burnett asked if proposed legislation is expected to be brought forth in the next year to assist the Railbelt. Ms. Fisher-Goad stated legislation has been introduced. Deputy Commissioner Burnett asked if that legislation provides the necessary assistance to the Railbelt. Ms. Fisher-Goad does not believe the legislation provides all the assistance necessary. Mr. Therriault believes the legislation is a placeholder until the RCA report is finalized, which will give additional input for the legislation. Deputy Commissioner Burnett commented on financing the intertie and discussed ways other states have addressed these issues. Ms. Fisher-Goad reported work on financial structure alternatives is ongoing.

Vice-Chair Pruhs commented a consolidated and updated Railbelt transmission system would be highly beneficial to the rate payer. He noted the state budget three years ago was \$2 billion, and currently, the state budget is \$100 million, which is a cut of 94 percent. Vice-Chair Pruhs suggested if the utilities could work together to provide the needed \$900 million worth of capital projects over a period of time without affecting the state treasury or the operating budgets, this would be a win-win, and would help to create a sustainable economy.

8. DIRECTOR COMMENTS

8A. Next regularly scheduled meeting Thursday, August 6, 2015.

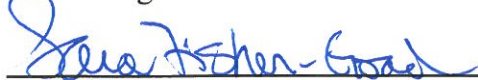
Ms. Fisher-Goad advised issues regarding Bradley Lake and Battle Creek will be discussed at the next meeting. She believes there are financing mechanism options utilized by AIDEA that could be useful to AEA. The work on the structure of financing plans will continue. Ms. Fisher-Goad expressed her appreciation to Mr. Bjorkquist for his diligent work.

9. BOARD COMMENTS

None.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 11:22 am.



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