

**ALASKA ENERGY AUTHORITY
BOARD OF DIRECTORS
January 26, 2004, @ 11:47 a.m.
Anchorage, Juneau, and Petersburg, Alaska and Chicago, Illinois
Teleconference**

1. CALL TO ORDER

Chairman Barry called the meeting of the Alaska Energy Authority to order on January 26, 2004, at 11:47 a.m. A quorum was established.

2. BOARD OF DIRECTORS ROLL CALL

Directors present in Anchorage: Mr. Mike Barry (Chairman/Public Member), Commissioner Mike Barton (Department of Transportation and Public Facilities), and Deputy Commissioner Bill Noll (Designee for Department of Community and Economic Development).

Directors present in Juneau: Deputy Commissioner Tom Boutin (Designee for Department of Revenue).

Directors present in Petersburg: Mr. John Winther (Public Member).

3. PUBLIC ROLL CALL

Staff present in Anchorage: Ronald W. Miller (Executive Director), James A. McMillan (Deputy Director-Credit), Valorie Walker (Deputy Director-Finance), Brenda J. Fuglestad (Administrative Manager), Reuben Loewen (Development Specialist), Karl Reiche (Projects Development Manager), Sara Fisher-Goad (Financial Analyst), Art Copoulos (Project Manager), and Bernie Smith (Project Manager).

Others attending in Anchorage: Brian Bjorkquist (Department of Law), Richard Richtmyer (Anchorage Daily News), Mike Pauley, Wayne Carmony, Don Zoerb, Larry DeVilbiss, Tuckerman Babcock and Lee Jordan (Matanuska Electric Association), and John Cooley (Chugach Electric).

4. PUBLIC COMMENTS

There were no public comments.

5. PRIOR MINUTES

The November 17, 2003 Board minutes were approved as presented.

6. OLD BUSINESS

There was no old business.

7. NEW BUSINESS

7A. Alaska Intertie

Mr. Copoulos said that currently the northern half of the intertie is maintained by Golden Valley Electric Association and the southern half is maintained by Matanuska Electric Association (MEA). MEA has indicated that they no longer want to maintain the southern portion of the intertie because of concerns they have with snow-loading. AEA is in the process of assigning a contract to Chugach Electric Association for the maintenance of the southern portion of the intertie. The process is on-going and is expected to be finalized in a few weeks.

He said the other issue is with regard to the 19-mile by-pass. Currently, the intertie is from Healy to Willow and then from Willow to the Tealand Substation, with the exception of a five mile portion, which is owned by MEA. There is currently a transmission services agreement (TSA) between AEA and MEA that expires in July of 2004. The status of the agreement is being reviewed and is the subject of a Regulatory Commission of Alaska (RCA) case.

Mr. Bjorkquist said there have been some developments in the last week with respect to the RCA case. Last May MEA gave notice that they would not extend the transmission services agreement beyond June 30, 2004. That became the subject of an RCA pleading where the utilities that used the Alaska Intertie brought a petition to the RCA seeking joint use and interconnection of that 19-mile transmission line to extend beyond June 30, 2004. After discussions between MEA and the Utilities, with AEA participating, MEA agreed to extend the use of those 19 miles under the same terms and conditions as are currently in existence under the TSA, however the new arrangement would replace AEA with the Utilities. This extension would take us through December 31, 2004. The purpose of the extension is to give time for all of the parties to get together and discuss issues and concerns with respect to those 19 miles and the Alaska Intertie. If the discussions fail, then the RCA still has jurisdiction over this and would take up the issues before the extended period expires on December 31, 2004. At this point, the use of the 19-miles is assured through December 31, 2004.

Mr. Bjorkquist stated that after June 30, 2004, AEA will no longer be a direct party regarding the MEA 19-mile transmission line.

Mr. Copoulos said that two years ago the Legislature appropriated approximately \$19 million to build a by-pass around the 19-mile section of the intertie. He said that currently, Anchorage Municipal Light & Power and Chugach Electric Association have expressed an interest in taking a lead role in managing the project. It appears that a parallel route to the existing line is the most desirable option for the project. He said the route would include some of the MEA right-of-way, how much of the right-of-way is unresolved at this time.

Mr. Bjorkquist said that it is his understanding that portions of the route would overlap with the MEA right-of-way and the issue is to build it sufficiently far away so that there is not a conflict of use with the existing transmission line. There would be a new right-of-way, but it would overlap with the existing MEA right-of-way.

Mr. Miller said that some of the utilities thought that there could be some economies of scale brought to the project if entities such as ML&P played a lead role in the construction of the 19-mile by-pass.

In response to Board questions, Mr. Copoulos said that the direction is to have ML&P be the project manager. He said that staff is currently envisioning a project management agreement

between AEA and ML&P. The intertie agreement assigns the IOC certain responsibilities associated with an upgrade of the line, so we have to take that into account in the management agreement. There are still quite a few details that need to be worked out.

Chairman Barry urged staff to be extremely careful that the functions to be performed are delineated very clearly in writing before anybody starts spending money. And, to the best that we can, directly involve those that are going to have to live with the operation, namely the Utilities, in the decision making.

- **Matanuska Electric Association Proposal to Purchase the Alaska Intertie**

Mr. Wayne Carmony asked that they be allowed to present their proposal to the Board in executive session.

Mr. Bjorkquist stated that the discussion of MEA's confidential proposal for the purchase of the Alaska Intertie is grounds for the Board to meet in executive session. The basis is that AEA is dealing with matters associated with the negotiation of the sale of an asset, the immediate knowledge of which could have an adverse impact on the finances of the Alaska Energy Authority. With respect to that, it is important to note on the public record that all the Board is dealing with is the proposal made by Matanuska Electric Association. The Board is not in a position to accept and close a deal at this point. A public process would need to take place before any type of arrangement could be finalized; and, in this circumstance it would probably include a legislative process with authorization for the Alaska Energy Authority to dispose of the asset. These are preliminary negotiations which would then become a public process for the disposal of an asset.

As such, Mr. Bjorkquist stated that there are negotiations, strategy, and financial matters to discuss related to Matanuska Electric Associations' proposal to purchase the Alaska Intertie. Under the open meetings act a body, such as the AEA Board, can go into executive session for matters the immediate knowledge of which would clearly have an adverse affect on the finances of AEA. The appropriate procedure for doing that is to have a Board member make a motion to go into executive session for that purpose and to vote on that motion.

MOTION: Commissioner Barton moved to go into executive session to discuss negotiation, strategy, and financial matters related to Matanuska Electric Associations' proposal to purchase the Alaska Intertie. Seconded by Deputy Commissioner Noll. There being no discussion, the question was called. A roll call vote was taken and the motion passed with Messrs. Barry, Boutin, Winther, Barton and Noll voting yea.

EXECUTIVE SESSION – 12:00 p.m.

The Board reconvened its regular meeting at 1:17 p.m.

Roll call was taken and a quorum was established. Chairman Barry advised that the Board had not taken any formal action on the matters discussed while in Executive Session.

Chairman Barry requested that staff prepare a recommendation on the MEA proposal and explore with other railbelt utilities whether they have any interest in making an offer to AEA. Also, please inform any interested parties that it would be AEA's intention to work with the Administration and the Legislature to the extent that is appropriate.

8A. DIRECTORS COMMENTS

There were no director's comments.

8B. Next Board Meeting Date

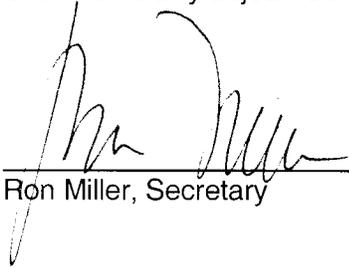
The Board would be polled as to the next meeting date.

9. BOARD COMMENTS

There were no Board comments.

10. ADJOURNMENT

Chairman Barry adjourned the meeting at 1:20 p.m.



Ron Miller, Secretary