



**ALASKA ENERGY AUTHORITY  
BOARD OF DIRECTORS  
November 9, 2004, @ 2:35 p.m.  
Anchorage and Juneau, Alaska**

**1. CALL TO ORDER**

Chairman Barry called the meeting of the Alaska Energy Authority to order on November 9, 2004, at 2:35 p.m. A quorum was established.

**2. BOARD OF DIRECTORS ROLL CALL**

Directors present in Anchorage: Mr. Mike Barry (Chairman/Public Member), Commissioner Edgar Blatchford (Department of Community, Commerce and Economic Development), and Mr. John Winther (Public Member).

Directors present in Juneau: Deputy Commissioner Tom Boutin (Designee for the Department of Revenue), and Commissioner Mike Barton (Department of Transportation and Public Facilities).

**3. PUBLIC ROLL CALL**

Staff present in Anchorage: Ronald W. Miller (Executive Director), James A. McMillan (Deputy Director-Credit & Business Development), Mike Harper (Deputy Director-Rural Energy), Valorie Walker (Deputy Director-Finance), Shauna Howell (Administrative Assistant), Sara Fisher-Goad (Financial Analyst), Karl Reiche (Projects Development Manager), Becky Gay (Project Manager), Linda MacMillan (Accountant), Brenda Applegate (Accountant), and Bruce Tiedeman (Rural Outreach Coordinator).

Others attending in Anchorage: Kathy Porterfield (KPMG) Michael O'Leary (Callan Associates), Brian Bjorkquist and Mike Mitchell (Department of Law), and Wanetta Ayers (S.W. Alaska Municipal Conference), and Margie Bauman (Journal of Commerce).

Others attending in Juneau: Gary Bater (Department of Revenue).

**4. PUBLIC COMMENTS**

There were no public comments.

**5. PRIOR MINUTES**

The January 26, 2004, board minutes were approved as presented.

**6. OLD BUSINESS**

**6A. Alaska Intertie TLS Issue**

Mr. Bjorkquist said that the Regulatory Commission of Alaska held hearings a couple of weeks ago related to the nineteen mile portion of what used to be part of the Alaska Intertie physically it is 19 miles and it is called the MEA TLS. Prior to July 1 of 2004, the Alaska Energy Authority under contract with MEA provided the right to cross over that 19 miles as part of the Alaska Intertie. MEA did not want to extend that contract and so as of July 1, 2004 it was terminated and instead MEA contracts directly with the utilities that use the Alaska Intertie to allow electricity to go over that 19-mile stretch. Basically what you have with the Alaska Intertie is that there is approximately 5.5 miles of Alaska Intertie, 19 miles of MEA transmission line and then the balance of the Alaska Intertie. All of it is necessary for power to move from Anchorage up to Fairbanks. The question before the RCA was continuing to allow the joint use and interconnection, which is basically allowing that 19 miles to be used so that energy could flow either north or south, most of it flows north over the Alaska Intertie. In the hearings themselves there is no objection to the continued use of the 19 miles so there is no indication that the Alaska Intertie would stop being used to transmit power. The only issues in dispute between the utilities are the terms and conditions that the 19 miles can be used for. One of the issues is whether the line should continue to be operated at 138kv or reduced to 115kv and then in addition to that there is disputes related to how much Matanuska Electric should be paid for power being transferred over that. Those are issues that were presented to the RCA in a hearing and it is now pending before the RCA for decision so they will decide terms and conditions for the continued use. MEA nor any of the other utilities objected to the continued use so it is just a matter of what terms and conditions they would continue to be used. Currently the right to use the line extends through the end of this year and every indication is that RCA will make its decision prior to that time so the use can continue.

In response to Board questions, Mr. Bjorkquist said if the RCA decides that the use should not continue then the rest of the intertie for the most part becomes unusable. There could be some uses for it but the primary current use would necessarily change because the primary current use of electricity is transmitted from Anchorage to Fairbanks. There are some other uses of the transmission line but they are very small in comparison to the transmission of power north to Fairbanks.

#### **7C. Financial Statements/Audit Presentation**

Ms. Porterfield, Managing Partner with KPMG LLP, summarized the audited financial statements and letter to the Board.

She said that because the Energy Authority has significant funding from the Federal Government through the Denali Commission there are additional audit requirements and KPMG has issued reports that the Federal Government requires regarding your compliance with grants. KPMG has also issued unqualified opinions on the Authority's compliance with the provisions of its federal grants agreements, which is positive.

She said the purpose of the audit is for KPMG to gain reasonable assurance that the financial statements are free of material misstatement. KPMG conducted appropriate audit procedures and has concluded that the financial statements are fairly stated in all material respects in accordance with generally accepted accounting principles, resulting in an unqualified or a clean opinion. KPMG obtained reasonable assurance during the audit that the financial statements are free of material misstatement.

She said the Authority has very good accounting records and it was not necessary to propose any significant audit adjustments. The Authority has an effective system of internal control in place.

In response to Board questions, Ms. Porterfield said her understanding is that nothing is being studied at this time as to whether GASB would require AIDEA to mark the loan portfolio to the market.

#### **7B. AEA Regulation Changes**

Mr. Miller stated that the Authority has issued a public notice that we have proposed to adopt regulatory changes to the AEA regulations with a public hearing set for December 2, 2004 and the deadline for submission of written comments on December 17, 2004. He referred the Board to their packets for detailed information.

#### **7C. Rural Transmission Lines and other Property**

He said that when the State Energy Policy Task Force was created and under Mr. Barry's direction that AIDEA and AEA should consider divesting itself of energy assets. Staff started searching through all of the AEA books and records and discovered some rural transmission lines that were actually built by the former Alaska Power Authority and listed as being owned by the Alaska Energy Authority. He referred the Board to their packets for a list of the assets owned by AEA.

Chairman Barry stated that it his understanding that one of the transmission lines is utilized by Alaska Power and Telephone. He said that he is a director of AP&T and is on record that he has a potential ethics conflict. Chairman Barry recused himself from any discussions related to that subject.

Mr. Bjorkquist stated that it is his understanding that the Chairman is recusing himself in large part based on advice that was provided by the Ethics Attorney in response to a disclosure that you made some time ago. This was the process that was recommended by the Attorney. Chairman Barry affirmed that statement.

#### **Executive Session**

Mr. Bjorkquist stated that there is proprietary information, strategy, and financial matters to discuss related to potential legislation for AEA. 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: Mr. John Winther moved to go into executive session to discuss proprietary information, strategy, and financial matters related potential legislation for AEA. Seconded by Commissioner Blatchford. 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 Blatchford voting yea.**

#### **EXECUTIVE SESSION – 2:45 p.m.**

The Board reconvened its regular meeting at 3:00 p.m.

The Board did not taken any formal action on the matters discussed while in Executive Session.

Roll call was taken and a quorum was established. Chairman Barry stated that due to his ethics disclosure earlier in the meeting and since the subject matter of the Executive Session was related to that matter he did not participate in the Executive Session.

**8A. DIRECTORS COMMENTS**

Mr. Miller referred the Board to their packets on the following information:

- Director's Status Report of AEA Programs and Projects
- Elder's and Youth Conference for the Alaska Federation of Natives

**8B. Next Board Meeting Date**

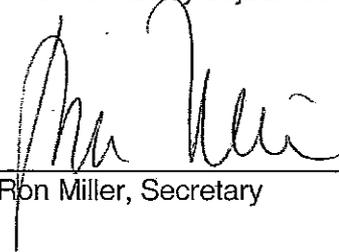
The Board would be polled as to the next meeting date.

**9. BOARD COMMENTS**

Chairman Barry stated that in the recent past there has been concern in Rural Alaska about the impact of rising energy prices on diesel fuel. As such, more attention has been paid to the administration of the Bulk Fuel Program and he passed along to staff the appreciation the Board and the Administration has for the great job that is being done with this program.

**10. ADJOURNMENT**

Chairman Barry adjourned the meeting at 3:03 p.m.



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Ron Miller, Secretary