
**ALASKA ENERGY AUTHORITY
BOARD OF DIRECTORS
June 30, 2003 – 10:00 a.m.
Anchorage and Juneau, Alaska
Teleconference**

1. CALL TO ORDER

Chairman Barry called the meeting of the Alaska Energy Authority to order on June 30, 2003, at 11:25 a.m. A quorum was established.

2. BOARD OF DIRECTORS ROLL CALL

Directors present in Anchorage: Mr. Mike Barry (Chairman/Public Member), 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), 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), Valorie Walker (Deputy Director-Finance), Brenda J. Fuglestad (Administrative Manager), Karl Reiche (Projects Development Manager), Sara Fisher-Goad (Financial Analyst), Lynn Kenney (Development Specialist), Art Copoulos (Project Manager), and Mike Harper (Deputy Director-Energy).

Others attending in Anchorage: Mike Mitchell (Department of Law), Keith Laufer (Foster Pepper Rubini & Reeves), John Winther (public), Wesley Loy (Anchorage Daily News), Tim Bradner (Alaska Economic Report), and T.N. Obermeyer (self).

Others attending in Juneau: Don Kubley (Alaska International Marketing).

4. PUBLIC COMMENTS

Ms. Obermeyer handed out three items. She commented about the permanent fund board and Mr. Wohlforth. She informed the Board that she was jailed last Thursday. She stated her husband is taking his 28th Alaska Bar Exam July 29th through 31st.

5. PRIOR MINUTES – January 30, 2003

The January 30, 2003 minutes were approved as presented.

6. OLD BUSINESS

There was no old business.

7. NEW BUSINESS

7A. Resolution No. 2003-02, Resolution of the Alaska Energy Authority Relating to the Appointment of a Member to the Alaska Energy Policy Task Force

Mr. Miller reviewed Resolution No. 2003-02 stating the Legislature passed HCR 21 which created the Alaska Energy Policy Task Force. One of the members of the task force is to come from the Board of the Alaska Energy Authority, and that member is to be chosen by the AEA Board. He also stated that the interim staff member for the Task Force is Becky Gay from Representative Harris' office and she will reside at the Authority's offices.

Chairman Barry advised that the task member would need to be elected at this time. He opened the floor for nominations for this position.

Deputy Commissioner Noll nominated Mike Barry as a member of the task force.

MOTION: Mr. Barton moved to close the nominations. Seconded by Deputy Commissioner Noll. There being no discussion and no objection, Mr. Barry was elected as a member of the Alaska Energy Task Force Committee with Messrs. Bartin, Boutin, and Noll voting yea with Mr. Barry abstaining.

8A. Director's Status Report of AEA Programs and Projects

- Alaska Intertie Project

Mr. Miller stated that Matanuska Electric Association (MEA) gave notice to AEA in May that they would not extend the current Transmission Service Agreement (TSA) for the Teeland to Douglas portion of the Alaska Intertie, which is set to expire June 30, 2004. AEA received \$20,300,000 from the Legislature for upgrades to the Alaska Intertie. A portion of the upgrade work entails a feasibility study for a parallel line from Teeland to Douglas. Dryden and LaRue should be completing that feasibility study in September, which would look at four separate routes for this portion of the line. He said a letter was sent to MEA suggesting that an interim extension based on the current TSA be entered into which would cover the period of June 30, 2004 until the new line is completed. Staff expects to meet with members of the Intertie Operating Committee in the near future to discuss that proposal and any other options that MEA may have. Staff has also identified a number of deficiencies in the current agreement with regard to the operations, maintenance, and upgrading of the Intertie.

Mr. Copoulos said that AEA has the authority to terminate the Intertie Agreement when it determines that such action is required to improve power systems serving the Alaska Railbelt Utilities. If a termination notice were issued, this would give all parties four years to negotiate a new intertie agreement that would address the defects found in the current agreement.

In response to Board questions, Mr. Miller said that MEA stated their reason for not extending the agreement is that they wanted to maintain maximum flexibility for current and future-operating plans. They did, however, express an interest in working with AEA on right-of-way issues related to the construction of the new line. MEA is aware that the new line cannot be in place by June 30, 2004.

The Board urged staff to take the necessary action to maintain the integrity of the Alaska Intertie including the 19-mile stretch through MEA's line, even if such action would require going before the Regulatory Commission of Alaska to have them intervene and order the line be made available.

The line is an integral part of the energy needs for the entire railbelt. The Board directed staff to be proactive with this issue.

Commissioner Barton reiterated the need for the Alaska Intertie to be maintained.

Chairman Barry stated that it is not necessary for the Board to take any action on the issue at this time.

Mr. Copoulos stated that the Intertie Operating Agreement is between AEA and all of the utilities that govern maintenance, operation and budgeting. He stated that one problem is that there is no fund set up in the agreement for capital improvements and repairs on the intertie. The intertie has been operating since 1985 without a capital fund. Since the line has been in operation for approximately 15-20 years, there are a number of items that are in significant need of capital repair, and a number of studies that must be completed with regard to system stability and reliability.

There are other issues that relate to the spinning reserves. Spinning reserves are backup reserves that are available at a moments notice as the demand changes on the line. The Intertie Agreement governs how the spinning reserves are allocated amongst the utilities. Currently, there is a dispute as to how those spinning reserves are allocated and some question about whether current practice is consistent with what was agreed to in the Intertie Agreement. Resolutions have also been brought before the Intertie Operating Committee to try to resolve the issues related to spinning reserves, however, the resolutions have ended in deadlock and as a result the problem is unresolved.

Chairman Barry stated that due to the age of these various agreements it would be appropriate that somebody review them and possibly take a look at a new agreement.

Mr. Copoulos stated that one utility has proposed changes and ways to develop a capital fund for the existing agreement; however, that effort has failed up to this point.

The Board instructed staff to explore whether or not it would be appropriate to terminate the Intertie Agreement. Staff was instructed to look into this aspect and bring the issue back before the Board with a recommendation.

- **Southeast Intertie**

Mr. Miller stated the backers of the Southeast Intertie are seeking federal funds. There is interest for AIDEA or AEA to serve as a pass-through vehicle for any federal funds they get for that project.

- **Swan-Tyee Intertie**

Mr. Miller stated the construction project is moving forward. There is approximately \$20 million in state funds available for this project.

Ms. Fisher-Goad stated there is \$20 million available in state reimbursements through HB528 that passed the last legislature. There were some projects that the Legislature funded this current year, however, all but one was vetoed for the debt reimbursement.

- **Kake-Petersburg**

Mr. Miller stated they are in Phase 2 of the feasibility study for this portion of the project.

- **AEA Programs**

Chairman Barry stated that staff should be prepared to brief the Board on one AEA program per meeting.

8B. NEXT MEETING DATE

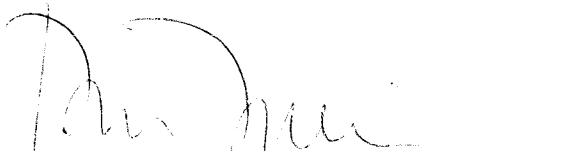
The next meeting date was set for August 8, 2003, and would follow the AIDEA Board meeting.

9. BOARD COMMENTS

There were no Board member comments.

10. ADJOURNMENT

There being no objection and no further business of the Board, the meeting was adjourned at 11:51 a.m.



Ron Miller, Secretary