

Alaska Energy Policy Task Force

Created by the 23rd Alaska Legislature

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(Approved) Minutes of the Alaska Energy Policy Task Force Meeting

October 7, 2003

AIDEA/AEA Board Room, Third Floor

Call to Order: Chair Barry called the meeting to order, with no one online the legislative teleconference.

Roll Call: All members present - Mike Barry, Red Boucher, Dave Carlson, Wayne Carmony, Rick Eckert, Steve Haagenson, Meera Kohler, Robert Wilkinson, and Tom Boutin.

Others attending: Becky Gay and Bernie Smith, Task Force staff, Jerry Burton, Mark Johnson and Brad Persson of the RCA, Tuckerman Babcock, Don Zoerb and Mike Pauley of MEA, Harold Heinze of the AK Gas Development Authority, Brian Bjorkquist of the Dept. of Law, Mark Fouts, Joe Griffith, Phil Steyer, Bradley Evans, Lee Thibert and John Cooley of CEA, Dave Calvert of Seward Electric, Eric Yould and Crystal Enkvist of ARECA, Art Copoulos of AIDEA/AEA, Jim Posey and Bob Day of ML&P, Pat Carter, Myles Yerkes and Jim Cross of HEA, Chris Rose of ACF/RAP, and Steve Denton, UCM.

Approval or Changes to the minutes of Sept. 23: Motion by Boucher to approve the minutes as presented passed, no objection.

Presentations from Railbelt Utilities: Invited presenters from the Railbelt were Aurora Energy (no show), Chugach Electric, Homer Electric, Golden Valley Electric, Matanuska Electric, Municipal Light and Power and Seward Electric and each gave 15-minute overviews. Thanks to AEA for hosting the Task Force website! To the extent possible, complete presentations will be posted on <http://www.aidea.org/EnergyTaskForce.htm>

Chugach Electric: Phil Steyer, Public Relations Manager for CEA and John Cooley gave a PowerPoint presentation, with a detailed summary of this vertically integrated member cooperative, its hydro-thermal coordination parameters with 85% natural gas/15% hydro generation, its locations and service area. Noting that gas contracts are for volume, not time, Chugach estimates its supplies lasting between 2009-2013. Wholesale prices are indexed to a fuel oil/gas/light sweet crude mix, adjusted to a rolling 12-month average. <http://www.chugachelectric.com>

Homer Electric: Rick Eckert, Interim General Manager and Task Force member, gave a PowerPoint presentation of HEA's membership, noting 19,000 members spanning the Kenai Peninsula service area, excluding Seward, Cooper Landing and Hope. Most

notable was the diversity of those served, with large industrial customers including Tesoro, Phillips LNG plant, Agrium, Unocal and the BP GTL experimental facility, as well as small villages like Port Graham and Nanwalek. Eckert touched on the Nikiski Co-generation Project, which helps reliability, the effect of bark beetle mitigation costs (\$1.76 million) and the 56% : 44% ratio of commercial to residential customers, which is not the norm for utilities. www.homerelectric.com

Golden Valley Electric: Steve Haagenson, President/CEO and a Task Force member, gave a diagrammatic presentation of GVEA, noting the incorporation date of 1946 and his tenure of 28 years. He went on to describe the service area of 2,000 sq. miles, with a new line being energized as of today from Healy and a system reliability of 99.97% in 2002. Haagenson noted customers ranging from the University of Alaska to the military bases, the load growth due to Pogo Mine and missile defense, the non-firm load going to the Fairbanks Gold Mine, five generating facilities, and described the world's biggest battery bank of 13,760 Nicad 150 lb. batteries which can deliver 40 MW for seven minutes and allow for change of voltage. <http://www.gvea.com>

Matanuska Electric: Mike Pauley, Manager of Corporate Communications, gave a PowerPoint presentation, noting that MEA has two Divisions, Unalakleet and Matanuska. He also noted that MEA's area is the fastest growing utility area in the state and has 3,260 miles of line. MEA's business and management perspective is that of an energy consumer. It is Chugach's largest customer, taking about 25% of all power produced sold by Chugach. MEA briefly explained its "all requirements contract" with Chugach which extends through 2014, stating that 97% of CFC electric coops nationwide pay less for power. www.matanuska.com

Municipal Light & Power: Jim Posey, General Manager, gave a PowerPoint presentation, describing the Anchorage municipal utility's service area as 19.9 sq. miles, generating, transmitting and distributing electricity to both major hospitals and 29,697 customers. With rates regulated by RCA, ML&P's physical plant includes 328 MW of installed thermal generation capacity, 53% ownership of Eklutna (44MW) and 25% contractual rights to capacity of Bradley Lake (126 MW), 207 miles of underground cable, 144 miles of overhead line, 20 substations and 1/3 of the Beluga River Gas Field, approx. 213 BCF. Posey noted the 2002 legislative appropriation of \$19.3 million to upgrade Eklutna line which ML&P manages and remarked on the future of aging infrastructure and an aging workforce. <http://www.mlandp.com>

Seward Electric: Dave Calvert, General Manager, gave a short presentation based on a two-sheet handout, describing the utility as an enterprise fund for the City of Seward, which means the city can take funds, and does charge an administrative fee and a payment in lieu of taxes (PILT.) Seward purchases interruptible power from Chugach Electric at an average wholesale rate of 4.15 cents/kwh, which is delivered by a 115 kV transmission line from Daves Creek to Seward. Back-up power is provided by six diesel generators with 12.2 MW capacity, capable of being on line in 45 minutes. Seward serves 2,337 customers, including two industrial customers, with an operating budget of \$6.1 million in expenses, \$7.1 million in revenues in 2003.

Assets Overview – Alaska Energy Authority www.aidea.org/aea.htm: A short presentation by Art Copolous, Project Manager of AIDEA/AEA, gave a description of three Railbelt state owned assets: the Bradley Lake Project, the Anchorage to Fairbanks Intertie and the Healy Clean Coal Project (HCCP.)

The Bradley Lake Project: Bradley Lake serves Alaska's Railbelt from Homer to Fairbanks as well as the Delta Junction area from its location at the southern end of the

Kenai Peninsula. Commercial operation began in 1991. The Bradley Project, which cost approximately \$328 million, includes a 610-foot long, 125-foot high concrete-faced and rock-filled gravity dam, a 3.5-mile power tunnel and steel-lined penstock. The 126-megawatt project transmits power to the state's main power grid via two parallel 20-mile transmission lines. HEA, under contract with AEA, now operates the project.

Anchorage-Fairbanks Intertie: The 170-mile, 345kV transmission line runs between Willow and Healy, allowing GVEA in Fairbanks to purchase electricity produced with lower cost energy (natural gas and hydroelectric) from the Anchorage and Kenai Peninsula utilities. Fairbanks consumers save an estimated \$7 million a year, and the Intertie reduces the number of black/brownouts throughout the system. The Intertie Operating Committee oversees operations and maintenance duties.

Healy Clean Coal Project (HCCP): HCCP is located adjacent to GVEA's existing Healy No. 1 power plant, and grew out of a nationwide competition sponsored by the DOE to test new technologies to solve the international problem of acid rain. Alaska was one of 48 applicants selected for 13 grants. General construction of the power plant began in May 1995 and was completed on November 1997. After a 90-day test of the power plant in December 1999, HCCP has since been idle. AIDEA continues to pursue options for getting HCCP into operation and selling power as soon as possible. AIDEA and GVEA Boards have mutually agreed to focus on getting the HCCP up and running. A joint committee representing both boards has consensus on some points, including working towards determining the economic viability of the Clean Coal Technology for GVEA.

Scope of Work - Railbelt Integrated Resource Plan: Mark Fouts, Manager of Planning for Chugach Electric, gave a PowerPoint presentation on the effort of five of the six Railbelt utilities to work together on an Integrated Resource Plan (IRP) with R.W. Beck consultants describing four load areas of Fairbanks, Healy, Anchorage and the Kenai and how to manage the future of generation and transmission. Study to be completed by December 12, 2003 and addresses the problems of aging generation, how much and where to locate new generation. Chairman Barry offered Carmony of MEA the opportunity to respond to a question as to why MEA was not participating in the IRP. Carmony stated that MEA was not a generator at this time and since it would soon be entering into discussions with Chugach concerning the nature of their relationship beyond 2014, the timing was bad.

Task Force Report - Preliminary format discussion: Barry noted the stack of state Energy Policy reports/recommendations copied for each member's perusal (WY, WV, AZ, MN, HI, MO, IA, UT) and recommended that discussion on this item take place next meeting, after the members and staff had more time to read the material. Barry directed staff to be ready with a recommendation by next meeting, which the Task Force can use as a discussion draft, on format and comparative analysis of plans' applications to Alaska and the task at hand.

Staff administrative items: Gay noted the packet included the fiscal note and large text copy of HCR21, recent press on the Task Force, a Board list for communication, a calendar with deadlines scheduled, and travel authorization for individuals to claim applicable expenses as allowed for by statute. Gay also thanked AIDEA/AEA for their support on establishing and updating the new website for the Task Force. Barry noted Gay's email issues and recommended copying Smith on all communication, instructing Gay to reply to all emails until it is established delivery is without problems.

Set meeting schedules and deadlines: Next two meetings were both set for **Tuesdays, October 21 and November 4, at the AIDEA/AEA 3rd Floor Board Room from 1:00 p.m. – 5:00 p.m.**, with a teleconference available through the Legislative bridge number. Barry requested topics for the next agenda to include a discussion of the format of the final report (with a staff recommendation) with any other items to be advanced through staff for inclusion on the agenda.

Public comments: No public commented.

Task Force Member comments: Kohler stated she appreciated the utility information since it is imperative to have a good framework for the Task Force recommendations. Boutin was glad to attend the meeting in person especially due to the presentations and carried greetings from the Commissioner. Haagenson thanked Chugach for lending Mark Fouts to do the presentation on the Railbelt IRP. Carlson said he learned a great deal from the presentations, applauded the State and GVEA on working together on Healy CCP solution and applauded all the utilities for their excellent efforts on behalf of the Task Force. He also requested meetings being scheduled at least two in advance so that he can capture better fares for travel. Wilkinson agreed with the need to plan future agendas, thanked the Railbelt utilities for their presentations, joking that in his IRP synopsis, Fouts missed the “fifth” load center, that of the Glennallen/Copper Valley area. Boucher asked who sets the agenda because he has two items for inclusion, Reliability and Security. He also gave staff a paper to distribute on Information Security Governance and Assurance, by Charles Le Grand of Technology Practices, from the Institute of Internal Auditors, Inc. Barry reminds Task Force members to send staff their agenda items, as well as scheduling ideas. Barry appreciated the Railbelt utilities getting together to help the Task Force, and thanked them for the record.

Meeting adjourned at 3:45 p.m.