

**Alaska Energy Authority
BOARD MEETING MINUTES
Wednesday, October 23, 2019
Anchorage, Alaska**

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Energy Authority to order on October 23, 2019 at 3:00 p.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); John Springsteen (Deputy Commissioner DCCED (Alt)); Greg Samorajski (Deputy Commissioner DOR), Albert Fogle (Public Member); Bill Kendig (Public Member) (arrived late); and Julie Sande (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Curtis Thayer, Brenda Applegate, Bryan Carey, Kirk Warren, Tim Sandstrom, Linda Senn, Amy Adler, Lex Sargento, Karsten Rodvik, Brandy Dixon, Ashton Doyle (AEA).

Others present: Sunny Morrison (Accu-Type Depositions); Jerry Juday and Stefan Saldanha (Department of Law).

4. AGENDA APPROVAL

MOTION: A motion was made to approve the agenda. Motion seconded.

The motion to approve the agenda as presented passed without objection.

5. PUBLIC COMMENTS - None.

6. PRIOR MINUTES - September 18, 2019

MOTION: A motion was made to approve the Minutes of September 18, 2019. Motion seconded by Vice-Chair Karl.

The motion to approve the Minutes of September 18, 2019 passed without objection.

7. NEW BUSINESS

7A. Capital Request Resolution

Curtis Thayer, Executive Director, explained Resolution No. 2019-05 relates to the fiscal year 2021 proposed capital budget request of \$10,700,000 in State funding and \$20 million in Federal Receipt Authority, totaling \$30,700,000 in funds to continue administering these critical projects for the benefit of Alaska communities. Mr. Thayer read the resolution. Mr. Thayer informed no capital funds were received last year. Mr. Thayer noted the Rural Power Upgrade projects preliminarily identified for construction include Rampart, Nikolai, Nelson Lagoon, and Napaskiak. The Bulk Fuel Upgrade projects include Shaktoolik, Ewok, Marshall, and Shageluk.

Ms. Sande commented regarding the historical use of \$10 million for this funding. As the infrastructure ages, the static amount of \$10 million has not increased. Ms. Sande expressed her expectation the request for capital would appropriately increase as the infrastructure aged. She asked for feedback. Mr. Thayer discussed 80 of the 195 power projects are complete and 119 of the 195 bulk fuel projects are complete. Internal conversations have occurred regarding the need for closer to \$100 million a year to maintain the lifespan of the projects. Due to this budget environment and not receiving any funding last year, the request reflects the amount of funds received in the past and reflects the amount necessary to utilize the available federal match funding.

Chair Pruhs asked if an operating budget request has been presented. Mr. Thayer noted the operating budget has been submitted to OMB. Mr. Kendig inquired why the Board is not allowed to view the budget before it is submitted to OMB. Mr. Thayer noted he asked the question if he could share the budget with the Board. OMB instructed Mr. Thayer not share the budget because it is comprised of suggestions for the Governor's budget. The Governor will release and disclose the final operating budget on December 13. Mr. Thayer stated if the Board would like to operate under different circumstances, he will share the budget in Executive Session. There was no objection.

Mr. Thayer discussed if OMB reports an issue about sharing the budget with the Board, Mr. Thayer assumes the Board would stand in support of requesting to review the budget. Mr. Thayer discussed AEA and AIDEA historically have not presented their budgets for Board approval.

Chair Pruhs suggested Resolution 2019-06 is drafted relating to AEA requiring the Executive Director review the proposed budget in Executive Session prior to submitting the proposed budget to OMB.

MOTION: A motion was made to approve Resolution 2019-06 relating to the Alaska Energy Authority requiring the Executive Director review the proposed budget in Executive Session prior to submitting the proposed budget to OMB. Motion seconded.

The motion to approve Resolution 2019-06 relating to the Alaska Energy Authority requiring the Executive Director review the proposed capital and operating budget in Executive Session prior to submitting the proposed budget to OMB passed without objection.

Deputy Commissioner Samorajski commented he wants to review the entire budget after it is available in December and then have the opportunity to approve Resolution 2019-05 in that context. He would be in favor of tabling the resolution or submitting a vote against.

Mr. Thayer noted Resolution 2019-05 is introduced at this meeting because of anticipated discussions with OMB, and staff's desire to have the Board's support of this capital budget request included in OMB's budget suggestions prior to the finalized budget in December. Mr. Thayer stated the Board has never raised the issue previously to review the entire budget prior to submittal. Mr. Thayer received special OMB permission to present Resolution 2019-05 for the Board's approval today.

Mr. Fogle commented it would be reasonable for the Board to express support to OMB for the entire proposed operating and capital budget because the entire budget is for the benefit of Alaska. Chair Pruhs agreed the Board would like to review, acknowledge, and support the proposed operating and capital budget prior to submittal to OMB, after which OMB and the Governor will conduct their processes and release the final budget. Mr. Thayer consented that directive will be followed next year, and this year's budget will be reviewed in Executive Session.

Chair Pruhs reminded members that historically the majority of the Board was comprised of commissioners. The composition of the Board has subsequently changed to a majority of private individuals. However, the policy has not changed to reflect this new design. Chair Pruhs expressed the Board is struggling with the challenge of secrecy OMB attaches to the budgetary process.

Deputy Commissioner Samorajski reiterated the Board requests to be given the opportunity to review and express support to OMB for the entire proposed budget, rather than vote on support for merely one piecemeal portion of the budget because review of the entire proposed budget is forbidden by OMB. Deputy Commissioner Samorajski suggested tabling or declining to vote on Resolution 2019-05. Mr. Thayer believes a table or decline response will send an unintended message to OMB regarding support for the \$10 million in matching funds for rural Alaska.

MOTION: A motion was made by Mr. Fogle to approve Resolution 2019-05 relating to the fiscal year 2021 proposed capital budget. Motion seconded by Vice-Chair Karl.

Deputy Commissioner Springsteen requested additional information regarding how the resolution will contribute to enabling self-sufficient and resilient communities. Mr. Thayer explained the eight communities have been identified and prioritized as ones who have issues with electrical generation, end-of-life replacement needs, compliance challenges, and acceptable standards for safety, reliable, and environmental protections. Mr. Thayer informed a contractor has been secured to assess the condition of 140 communities' power plants, primarily, and bulk fuel stations, to a lesser degree.

Deputy Commissioner Springsteen suggested a topic of future discussion could be the focus on community economic engines that are tied to commerce and industry which drive and support some communities, versus communities without economic engines, and resolving and mitigating those challenges. Chair Pruhs agreed.

Vice-Chair Karl requested staff include language within the proposed upgrades, and as a condition of the grant, that addresses the ongoing maintenance of the facility, including a reserve account. Mr. Thayer advised language as such will require regulation changes. Vice-Chair Karl volunteered to assist with the wording of the draft language. Chair Pruhs believes it is prudent to connect responsibility with funding.

A roll call was taken, and the motion to approve Resolution 2019-05 relating to the fiscal year 2021 proposed capital budget passed, with Deputy Commissioner Samorajski voting against and Mr. Kendig absent.

MOTION: A motion was made to go into Executive Session to discuss confidential and financial information related to Bradley Lake. Motion seconded. The motion was approved without objection.

8. EXECUTIVE SESSION: 3:28 p.m.

Discuss confidential matters related to:

8A. Bradley Lake

The Board reconvened its regular meeting at 3:59 pm. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

9. DIRECTOR COMMENTS

9A. AEA Board Overview

Mr. Thayer reported staff is required to submit metrics to OMB, along with the submittal of the budget, which outlines AEA's accomplishments, challenges, and efficiencies during the fiscal year. Mr. Thayer reviewed the FY19 metrics handout. The overview also identifies anticipated issues and challenges for FY20 and FY21. The document will be included as public record with the Governor's budget.

Chair Pruhs complimented Mr. Thayer on his job performance and the directional course AEA is following. Mr. Thayer expressed gratitude for the comments and noted he is the fifth Executive Director in four years. Mr. Thayer understands continuity has not been available. He believes staff is supportive of his efforts and supportive of the Board.

9B. Swan Lake Fire Aerial Tour Trip Report

Mr. Thayer discussed the aerial tour of the Swan Lake fire damaged area was conducted to properly assess the condition of the S/Q Transmission Line. Travelers included Governor Dunleavy, Congressman Young, and representatives from AEA, Matanuska Electric Association, Homer Electric Association, and Channel 2 KTUU. Afterward, two representatives exited in Kenai, and the remaining travelers took an aerial tour of Bradley Lake and the Battle Creek project. Mr. Thayer informed the Bradley Lake dam was actively spilling.

9C. Tuluksak Trip Report

Mr. Thayer discussed the trip to the community of Tuluksak on September 25, 2019. Travelers included representatives from AEA Board and staff, AIDEA staff, and DCRA staff. Staff is working on a powerhouse business plan with the community. There are additional concurrent issues regarding bulk fuel processes. Mr. Thayer identified possible regulatory

or legislative solutions to remove the PCE penalties for waste heat in rural Alaska. AEA offered to clean the power plant and the community has scheduled a date for the work to occur.

Chair Pruhs explained there are two power plants in the community which produce approximately the same amount of power per year. One is dedicated to the school and the other is dedicated to the community. If the two power plants were combined, the benefits would include increased efficiency and overall cost effectiveness for the users. Chair Pruhs believes the combination of the separate generation power plants is the highest priority.

9D. Status of Grant Close-Out

Mr. Thayer reported on the status of the grant close-out led by Amy Adler, AEA. There were over 100 open grants last year that should have been closed, and as of today's meeting, the number of open grants is down to five. Approximately \$4 million has been released back into the respective funds. A full report will be presented in December.

Chair Pruhs noted Mr. Thayer informed of previous Board resolutions over the last five years authorizing five new boilers for the AEA building upgrades and earthquake repair. Two boilers have been replaced and installed. Mr. Thayer will present a full report on upgrades and budget expenditures at the next meeting. He noted Lex Sargento and Yulia Ellsworth were instrumental in this process.

9E. Chugach/MLP Merger Update

Mr. Thayer requested Kirk Warren provide the update on the merger. The Regulatory Commission of Alaska (RCA) proceedings have been suspended as the parties work on a stipulation agreement. Negotiation continues and the plan is expected to be presented to the RCA for acceptance this week. It is possible some of the requested changes will require City Council approval and Chugach Board of Directors approval.

Vice-Chair Karl inquired if the merger is a certainty. Mr. Warren indicated there is a chance the merger may not occur. The RCA is a three-member panel, who has to vote on the asset sales agreement. Additional RCA hearings are anticipated after the confidential stipulation agreement has been reviewed by RCA.

9F. Audit Update

Mr. Thayer advised the audit will be completed at the end of the month. The Denali Commission simultaneously conducted a spot audit on a particular grant. Successfully, there were no findings from either audit.

The question was asked if the auditors review previous Board resolutions. Brenda Applegate responded she believes the auditors read previous Board minutes and financial resolutions in the course of their review of the material accuracy of the financial statements. The comment was made BDO has been the auditor for approximately four or five years. All the boiler resolutions and the computer system resolution occurred during that audit purview. Ms. Applegate is unaware if that level of audit review falls within the scope of BDO's financial audit. She will provide that information at tomorrow's Audit Committee meeting.

Chair Pruhs requested Ms. Applegate provide a report annually on the completion status of financial resolutions, including any funds that were saved as a result of contract negotiations.

9G. Dashboard and Loan Report

Mr. Thayer reviewed the provided Dashboard and Loan Reports. There are no delinquencies. Twenty PPF loans are active.

9H. Articles of Interest

Mr. Thayer shared the articles of interest press coverage, including multiple stories regarding the Swan Lake fire and the Intertie.

Mr. Thayer gave an update on items not included in the report. Alaska Electric Light and Power and Juneau Hydro are discussing the Intertie agreement in Juneau at Commissioner Anderson's office. The hope is an agreement will be reached within a few days. The progress is positive.

Mr. Thayer provided follow-up on the Board's previous requests. The Denali Commission members are Jason Hoke Dr. Tamika Ledbetter, Alicia Siira, Julie Kitka, Nils Andreassen, Dr. Jim Johnsen, and Vince Beltrami. Mr. Thayer informed the interest rate earnings from the PCE endowment was 1% in 2016, 11% in 2017, and 7% in years 2018 and 2019. Mr. Thayer provided Board members an alphabetized list of AEA's community winter watch list for erosion. The list is not prioritized by importance. Mr. Thayer sought clarification and

determined the funding of transmission lines is allowable under the PPF loan fund at a 3.47% interest rate.

9I. Next Regularly Scheduled AEA Board Meeting Wed. December 4, 2019

The next scheduled AEA Board meeting is Wednesday December 4, 2019.

10. BOARD COMMENTS

Mr. Fogle expressed appreciation to Mr. Thayer and staff for their continued excellent work and forthright communication. He would like to see the same sort of timely information presented at the AIDEA Board meetings.

Deputy Commissioner Springsteen noted the importance of the comments made today regarding the value of AEA executing its mission and accessing public capital markets and public financing, while reserving access for private entities to conduct operations and maintenance. AEA exhibits the public/private partnership in its day-to-day mission. He complimented Mr. Thayer on both his organizational and physical enhancements to AEA.

Vice-Chair Karl reiterated the Board is ready to assist Mr. Thayer in any way possible.

Chair Pruhs thanked Mr. Thayer and staff for their efforts during a full day, beginning this morning at the work session. Chair Pruhs made the observation the Board members made \$12.50 an hour today before taxes based on their stipend. He expressed appreciation for Board members' undivided attention and support during today's meetings.

11. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 4:24 p.m.



Curtis Thayer, Executive Director/Secretary
Alaska Energy Authority

