

**Alaska Energy Authority
BOARD MEETING MINUTES
Wednesday, January 15, 2020
Anchorage, Alaska**

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Energy Authority to order on January 15, 2020 at 2:55 pm. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

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

3. ROLL CALL: STAFF, PUBLIC

Staff present: Curtis Thayer, Brenda Applegate, Kirk Warren, Tim Sandstrom, Linda Senn, Amy Adler, and Ashton Doyle (AEA).

Others present: Sunny Morrison (Accu-Type Depositions); Stefan Saldanha (Department of Law); TW Patch (Public).

4. AGENDA APPROVAL

MOTION: A motion was made by Mr. Fogle to approve the agenda. Motion seconded by Mr. Samorajski.

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

5. PUBLIC COMMENTS - None.

6. PRIOR MINUTES - December 4, 2019

MOTION: A motion was made by Mr. Kendig to approve the Minutes of December 4, 2019. Motion seconded by Mr. Fogle.

The motion to approve the Minutes of December 4, 2019 passed without objection.

7. NEW BUSINESS

7A. Resolution No. 2020-01 FY21 Operating & Capital Budget Submission Ratification

Curtis Thayer, Executive Director, explained Resolution No. 2020-01 ratifies the Governor's submission for the FY21 Budget, under attachment A. There are binders for each Board member containing the budget process. The Budget Committee members are Mr. Fogle, as Chair, Mr. Kendig, and Ms. Sande.

Chair Pruhs inquired if Mr. Fogle has had a chance to review the submission ratification. Mr. Fogle agreed he reviewed the submission and there were no issues nor objections by the Committee.

MOTION: A motion was made by Mr. Fogle to approve Resolution 2020-01 Operating & Capital Budget Submission Ratification. Motion seconded by Mr. Kendig.

Mr. Fogle commented the budget is at appropriate funding levels.

A roll call was taken, and the motion to approve Resolution 2020-01 passed unanimously.

7B. Motion to Approve 2019 Audit as Presented on December 4, 2019

Chair Pruhs asked Mr. Thayer if this approval is normally conducted the month after the presentation. Mr. Thayer explained AEA has not previously had a Budget and Audit Committee and the processes are now being followed. They will be in sync next year. Normally, the Budget and Audit Committee would review the audit prior to its presentation and request a resolution at that time it's presented to the full Board.

MOTION: A motion was made by Mr. Fogle to accept the 2019 Alaska Energy Authority Audited Financial Report as presented at the December 4, 2019 Board meeting. Motion seconded by Mr. Kendig.

Deputy Commissioner Samorajski noted for the record his renewal of objections to the audit, as reflected in the previous meeting's minutes, with respect to the \$1 billion sweep. His reasons remain as previously indicated in the last meeting.

The motion to accept the 2019 Alaska Energy Authority Audited Financial Report as presented at the December 4, 2019 Board meeting passed without objection.

8. OLD BUSINESS - HEA SQ Line Repairs

Mr. Thayer provided an update for the Soldotna Quartz Creek (SQ) Line. The line went out of service in June through July 11th. It went out of service again on August 19th due to the second fire outbreak. Response teams were not allowed into the burn area until September 30th. Homer Electric Association (HEA) involved a tree clearing contractor and inspection

teams in October and November. On December 19th, the SQ Line was put back into service. It took nine days' of work to put the line back in service, once work began. AEA staff has requested HEA to provide a summary of the work completed, including the number of poles and guy-wires requiring replacement. It appears that only eight poles needed to be replaced and the actual damage was considerably less than originally anticipated and reported by HEA.

Mr. Thayer noted the spilled water wholesale power loss was approximately \$1.1 million. The Railbelt utility cost impacts through December 2nd reported by the utilities are:

- MEA: \$1.53 million in additional cost
- CEA: \$3.6 million in additional cost
- GVEA: \$5.4 million in additional cost
- ML&P: \$.03 million in additional cost

Mr. Thayer stated the report from other utilities is HEA had a \$4.8 million benefit due to their complete access to the hydro project while the line was down and they were taking as much power as they could, which ran the plant to a little less than 50%.

Vice-Chair Karl asked if HEA bears responsibility to the Railbelt utilities because HEA made profit while the remaining utilities paid additional cost. He believes HEA should pay for the entire loss, but at least should divide their profit among the Railbelt utilities. Vice-Chair Karl believes he could have had the line running in less than nine days. Mr. Thayer stated responsibility determinations would be made by Regulatory Commission of Alaska (RCA). It is not within AEA's jurisdiction to manage or have input in how HEA manages the line. Mr. Thayer explained HEA was receiving power at the newly approved and supported spill level of 1,178. HEA was not permitted to receive additional water without owing the utilities for the use. HEA brought the line back into service and no additional water was received.

Mr. Thayer indicated a discussion will occur later regarding the ownership alignment of the SQ Line. It is owned and operated by HEA. It does not serve any HEA customers.

Vice-Chair Karl asked Mr. Thayer if it is appropriate to draft a letter for AEA Chair to sign expressing HEA has obligation to pay at least the \$4.8 million profit to the other utilities. Mr. Thayer noted the other utilities are not asking for the reimbursement and AEA was not harmed. He believes it is important for discussions to continue regarding purchasing the SQ Line and realigning the ownership interest so the parties that actually use the line are responsible for the line at their respective usage percentages.

Chair Pruhs requested Mr. Thayer recommend ways to prevent this sequence of events from occurring again in the future. Chair Pruhs explained there are lines all over the state that could be damaged by fire and this scenario appears to have benefited one utility at the expense of other utilities. AEA represents all rate payers of Alaska. Chair Pruhs encouraged Mr. Thayer and staff to develop a high-level state plan to preclude this type of event from

happening to possibly different players and different transmission lines. The ultimate goal is facility operation as soon as possible after an emergency outage.

Mr. Thayer informed such a plan would come under the Railbelt Reliability Council's purview, which AEA is a member. He stated RCA is reviewing development of a similar plan. The Senate Bill 123 addresses aspects of that issue and will be debated in the Senate. Mr. Thayer explained AEA does not have the statutory ability to go to utilities and manage their transmission lines. Chair Pruhs requested AEA work with Department of Law and the Administration to review the statutes to address situations where perhaps an emergency could be declared when the emergency outage is detrimental to the majority of the users.

Chair Pruhs reiterated his request for AEA to sponsor or develop a plan to facilitate emergency oversight and responses to repair critical components of infrastructure and remove the local rate-payers' best interest and politics, replacing it with the benefit of the state, as AEA similarly does for rural Alaska power emergencies.

Mr. Kendig noted he asked the Governor several times during this particular fire affecting the SQ Line regarding the possibility of an emergency declaration in order to facilitate a faster process. Mr. Kendig stated it did not appear the Governor had an emergency declaration possibility available. Mr. Kendig believes it is important to determine a path so the Governor can declare an emergency in these types of situations to speed up the process.

Chair Pruhs emphasized the importance of developing a mechanism for the state or Administration to declare an emergency or a public use issue allowing the transmission line infrastructure to be repaired expeditiously. Mr. Thayer expressed understanding.

Deputy Commissioner Samorajski believes the upset is that the natural disaster cost four of the utilities money, while one utility profited. Mr. Thayer indicated again the reported HEA numbers were not provided by HEA. Deputy Commissioner Samorajski believes this scenario could be prevented from occurring in the future by legislation. He inquired if there is a department in the State of Alaska that has jurisdiction, he would be happy to contact the department to discuss drafting legislation. Deputy Commissioner Samorajski noted if there is no such department, then AEA might be able to propose legislation either directly to the Governor's Office or with legislators. Mr. Thayer responded the RCA is housed in the Department of Commerce and oversees utilities. The RCA has proposed legislation in the past.

Chair Pruhs commented the RCA did nothing to assist in the recent SQ Line repairs.

Deputy Commissioner Samorajski noted the AEA Board could consider asking staff from Department of Law to draft a letter to RCA on AEA's behalf requesting consideration of proposing legislation addressing this issue.

Ms. Sande expressed support for Deputy Commissioner Samorajski's suggestion to draft a formal request to RCA.

Commission Anderson supported drafting a formal request to the RCA and will also talk to the RCA regarding the issue.

MOTION: A motion was made by Mr. Kendig to go into Executive Session to discuss confidential matters related to Bradley Lake and AEA personnel matters. Motion seconded by Mr. Fogle.

The motion was approved without objection.

9. EXECUTIVE SESSION: The Board entered into executive session at 3:23 p.m. to discuss confidential matters related to Bradley Lake and AEA personnel matters

The Board reconvened its regular meeting at 4:14 p.m. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

10. DIRECTOR COMMENTS

10A. Commercial Property Assessed Clean Energy (C-PACE)

Mr. Thayer informed a briefing has been provided in the packet regarding the Alaska C-PACE program.

10B. Renewable Energy Fund Advisory Committee (REFAC)

Mr. Thayer described the Renewable Energy Fund (REF) report provided in the packet. He explained the REF was developed in statute. The REFAC is comprised of five public members and four legislators. About 10 years ago, the State funded the REF with \$250 million for proposed energy efficient and renewable projects. Ten rounds have been completed. The next round will be presented to the Legislature in January of 2021. Currently, there is approximately \$7 million remaining in the REF from projects that either came in under budget or have been cancelled. Mr. Thayer noted he has asked the REFAC to review the possibility of lowering the amount awarded per project.

10C. List of Legislative Reports Due to the Legislature

Mr. Thayer reviewed the mandated legislative reports due to the Legislature. He noted Governor Dunleavy issued AO 309 removing the abeyance of the mega projects by the Walker Administration. Mr. Thayer has been asked to testify before Senator Bishop regarding Susitna River Power Project. The information presented will be the same information given during the 2015 status of the project. Mr. Thayer informed the Governor's budget, available July 1, includes \$3 million for Railbelt planning, of which a portion will help identify the costs needed to get to FERC license.

10D. Railbelt Reliability Council (RRC) Update

Mr. Thayer discussed the RRC update included in the packet. The RRC is comprised of six utilities, AEA, and independent power producers. The development process is ongoing and testimony is occurring for the related bill SB123.

10E. Rural Power Systems Inventory & Assessment

Mr. Thayer noted the Rural Power Systems Inventory & Assessment included in the packet was at the request of the Board. He expressed appreciation to Tim Sandstrom and his group for beginning the assessment process of 183 communities. The first priority for assessment and inventory category includes utilities that have required electrical emergency assistance multiple times in the last three years. The second priority for assessment and inventory category includes stand-alone utilities, and followed by communities served by utilities such as AVEC and others.

Mr. Thayer informed there are approximately 12 communities who did not wish to participate in the assessment. Chair Pruhs asked if the 12 communities are PCE. Mr. Thayer agreed. Chair Pruhs indicated there should not be an opt-out possibility. Mr. Thayer requested Mr. Sandstrom comment. Mr. Sandstrom stated four communities have denied access to information, and the remaining are served by interties and do not have their own assessed generation. Mr. Sandstrom will provide the Board with the names of the four communities who have refused to participate.

Chair Pruhs inquired if the PCE requirements can be changed by regulation to include participation in the assessment. The purpose of the complete assessment is to provide recommendations to the State that are economically viable for the limited amount of funds available. If the communities who have refused to participate need AEA's assistance during an emergency, AEA may provide the assistance if funding is available, and those communities should be included in the overall assessment. Vice-Chair Karl agreed a requirement change would be helpful.

A member requested additional information regarding the waste heat issue in the rural communities and any discussions with RCA. Mr. Thayer responded the former Chair of the RCA is publically attending today, TW Patch. He was on the RCA when the waste heat issue was first addressed. AEA will bring Mr. Patch onboard and he will be available for questions at the March meeting. The three possible alternatives available include changes to statute, regulation, or reopening the issue with RCA. Discussions are ongoing to determine the best possible way forward.

Chair Pruhs requested an update on Tuluksak. Mr. Sandstrom reported Tuluksak is doing well now. The facility is clean and there are three functioning generators. He is happy with their progress. The emergency generator will be staged in Bethel. Chair Pruhs suggested the emergency generator is inspected before the next deployment.

Vice-Chair Karl expressed congratulations on the successes in Tuluksak.

10F. 5.5 Mile Update

Mr. Thayer advised AEA and MEA entered into a joint use agreement in 1984 for transmission of power over 5.5 miles of MEA right-of-way, which expired in 2018. AEA has been working with MEA to negotiate a new right-of-way agreement that will extend 10 years. The hope is the agreement will be complete by the next Board meeting.

10G. Bradley & Intertie Depreciation Schedules

Mr. Thayer noted the Bradley Lake and Intertie Depreciation Schedules are included in the packet, as requested by the Board.

Chair Pruhs asked Mr. Thayer to provide a brief update on Battle Creek. Mr. Thayer informed Orion has not yet forwarded the information requested. This may be due to the recent holidays. Staff is pursuing the request again. Orion is still working during the winter. Mr. Thayer anticipates a more detailed update at the March meeting.

10H. Community Outreach Schedule

Mr. Thayer discussed the provided AEA community outreach schedule containing 16 items. He noted additional events continue to be scheduled out in the communities. Mr. Thayer informed he will be attending the National Association of State Energy Officers in Washington, D.C. and has been asked to speak during one of the panels. This will be combined with the previously scheduled Washington, D.C. trip. AEA is a member of the National Association of State Energy Officers and travel reimbursement is available. The Department of Energy sets aside \$4,000 in grant funding for participation. Mr. Thayer has meetings scheduled with the delegation, the Department of Energy, and the Senate Energy Committee.

A member commented on the television interview Mr. Thayer gave after the Anchorage Chamber of Commerce presentation in which he discussed the Department of Forestry could have prevented the fire from becoming unmanageable.

Chair Pruhs asked when community outreach will occur in Ketchikan, Sitka, Nome, Kotzebue, Kenai, Homer, and others. Mr. Thayer informed the schedule is being built as opportunities arise.

10I. Dashboard and Loan Report

Mr. Thayer reviewed the provided Dashboard and Loan Reports. The one delinquency shown has paid since the printing of the report and is no longer delinquent.

10J. Warehouse Issues

Mr. Thayer noted the warehouse handout refers to the warehouse on Commercial Drive utilized for over 30 years. Most recently, a homeless camp has moved in adjacent to the property. Three break-ins occurred within a 10-day period, with damage estimates of approximately \$15,000 to \$20,000 of damage. Pictures are included in the handout. The situation is not improving. The property is lighted. There are no cameras. The security system has been compromised by intruders. The police are not going to move the homeless camp because it is on city property with no residential community around and it is not a top priority.

Mr. Thayer explained the lease for the warehouse and five acres has expired with the Division of Natural Resources and the Division wants AEA to reevaluate the value of the lease through a new application process. The new lease is expected to increase \$100,000 in additional cost. AEA does not need the amount of space it is currently leasing. Staff is reviewing the possibilities of moving to a different location. Discussions are occurring regarding an investment opportunity with AIDEA purchasing a warehouse that AEA could possibly lease or perhaps AEA could purchase a facility. It is also possible the Railroad has leasing options.

Chair Pruhs commented from a public policy standpoint as a private citizen, he suggested AEA review the available private sector lease options before the options to buy are considered. Mr. Thayer agreed. He believes the size of the space needed would be approximately an acre of land, including a small building with an overhead door that could house three or four people. Currently, some of the generators are stored outside, but it is possible to have a smaller yard and a larger warehouse, about 10,000 square feet, to house the generators so people cannot see the generators. The zoning would be I1. Chair Pruhs noted he will research and discuss options with Mr. Thayer.

10K. Articles of Interest

Mr. Thayer provided the list of links when AEA was mentioned in the news in December.

10L. Next Regularly Scheduled AEA Board Meeting Wed. March 4, 2020

The next scheduled AEA Board meeting is Wednesday, March 4, 2020. Updates on the different hydro projects will be presented.

Mr. Fogle asked Mr. Thayer if there are any other projects in development that have not risen to the Board level. Mr. Thayer reported there are many projects that are winding up grant money. He discussed the Village Energy Efficiency Project (VEEP) and the \$1 million grant received from Wells Fargo allowing 47 communities to obtain LED lighting. The Denali Commission is going to contribute an additional \$500,000 to invest in additional communities in rural Alaska.

Mr. Thayer noted the Volkswagen settlement contained \$800,000 for marine diesel that did not generate much interest. There was interest in improved emissions school buses and the funds have been transferred to buy seven more school busses, one of which is electric. Mr. Thayer will provide additional updates at the next meeting. Vice-Chair Karl requested to test the electric school bus at the energy fair in August.

11. BOARD COMMENTS

Mr. Kendig suggested the RCA Chair come before the AEA Board at his convenience to provide the fuel consumption of all the utilities and answer additional questions. Mr. Thayer agreed and noted instead of writing a letter to the RCA, he will invite the RCA to the public and executive sessions of the next AEA Board meeting.

Commissioner Anderson expressed appreciation to Mr. Thayer.

Vice-Chair Karl expressed appreciation to the staff and particularly to Mr. Thayer for assisting him as a citizen on a geothermal power project that the State of Alaska had spent \$5 million between 1980 and 1983, and providing the information to Vice-Chair Karl. Mr. Thayer commented AEA is moving towards the goal of creating a library on the website for the vast amount of documents to be shared.

Chair Pruhs expressed appreciation to Mr. Thayer and to members for their patience.

12. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 4:56 pm.



Curtis Thayer, Executive Director/Secretary
Alaska Energy Authority

