

Alaska Energy Authority
DRAFT BOARD MEETING MINUTES
Wednesday, March 4, 2020
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Energy Authority to order on March 4, 2020 at 10:02 a.m. 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); Anna MacKinnon (SOA-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, Brandy M. Dixon, TW Patch, Bryan Carey, Karsten Rodvik, Alan Fetters, and Ashton Doyle (AEA).

Others present: Ladonna Lindley (Accu-Type Depositions); Ceal Smith (ALICE); Elwood Brehmer (Alaska Journal of Commerce); Tim Bradner (Alaska Legislative Digest); Chad Stovall, Tom Wolf (Denali Commission); Stefan Saldanha (Department of Law); Steve Noble (DOWL); Wescott Bott (HDR); Kerry Williams (Quadrigs); Melissa Heuer, and Mike Wood (Susitna River Coalition).

4. AGENDA APPROVAL

MOTION: Mr. Kendig made a motion to approve the agenda as presented. Motion seconded by Mr. Fogle.

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

5. PUBLIC COMMENTS

Mike Wood, President of the Board for the Susitna River Coalition, provided members a document entitled *Setting the Record Straight*, which primarily responds to AEA's presentation given in February to the Senate Community & Regional Affairs Committee. The Susitna River Coalition has been active since 2010 in opposition to the Susitna hydro-electric project. The Coalition has 14,000 members and works to maintain the accuracy of information given to the public and to the Legislature.

Mr. Wood informed the main focus of questionable misinformation is contained on Slides 14 and 15 of AEA's presentation. He inquired as to method for determining the cost of approximately \$50 million to reach the end of the license status.

Chair Pruhs explained the public comment period is for comments only. Any questions asked will be answered by staff at a later time outside of this forum. Chair Pruhs expressed appreciation to Mr. Wood for his appearance and travels from Talkeetna. Mr. Wood noted he looks forward to working with members again, but hopes it will not be necessary. He encouraged active consideration of the new hydro-technology available in the state. Mr. Wood expressed he does not support going back in time with the Susitna hydro project. He noted the past project manager, Wayne Dyok, and others indicated in 2015 it would take at least \$100 million to finish the last season of studies.

Mr. Wood outlined \$220 million has been spent in the 1980's and \$192 million has been spent between 2010 and 2014. At least \$100 million, if not more, is expected to be needed. He explained FERC discussed the State needs to show a reasonable financial commitment to restarting this project. Mr. Wood requested to be informed of any such movement by the State and the explanation of the \$50 million expected permitting costs.

Chair Pruhs directed staff to keep Mr. Wood informed as the cost of the permitting becomes more defined. He communicated AEA values the organization and will continue to provide information.

6. PRIOR MINUTES - January 15, 2020

MOTION: Mr. Kendig made a motion to approve the Minutes of January 15, 2020. Motion seconded by Mr. Fogle.

The motion to approve the Minutes of January 15, 2020 passed without objection.

7. NEW BUSINESS

Presentation by Denali Commission on "Roadbelt Inter-tie"

Curtis Thayer, Executive Director, introduced Chad Stovall, Chief Operating Officer, and Tom Wolf, Energy Program Manager, of the Denali Commission to discuss their presentation entitled Road Belt Inter-Tie. Mr. Stovall expressed appreciation to AEA for their long-standing partnership and collaboration. He noted it is a priority to Denali Commission to support the mission of the State.

Mr. Wolf discussed the Denali Commission has funded a study to further develop the feasibility of a conceptual electric power intertie route from Sutton to Glennallen to Tok to Delta. The study is expected to be completed by the middle of June. The purpose and need is to reduce the power cost for those rural communities along the roadbelt, to support regional

economic opportunities, to increase Department of Defense facility resilience, and to increase electric reliability throughout the road system.

Mr. Wolf described the map of the current concept. The intertie would cover approximately 380 miles. The study will be conducted in one phase. Each of the communities in the project area is electrified by its own diesel-powered microgrid and are paying higher costs. The served population for the study line is approximately 3,000 people. Mr. Wolf discussed the possible economic and natural resource development benefits, including renewable resources, from less expensive electric power, including the specific benefits to the military.

Mr. Wolf explained the affected communities have been working for several years in planning to move the project forward. It is a high priority in many comprehensive economic development strategies, including Copper Valley, Ahtna Tribal, Tanana Chiefs, and Fairbanks North Star Borough. In 2019, the Senate/House Joint Resolution 10 passed, which urged congressional delegation to pursue development of the project. Denali Commission has contracted with engineering firms to prepare the Roadbelt Intertie Reconnaissance Report, which will address possible line corridors, mitigation areas, transmission planning, renderings of typical installations, design and construction estimates, description of anticipated environmental permit requirements, and qualitative cost/benefit analysis. Public awareness presentations will be delivered during the study time. Public support is high in the service areas.

Mr. Wolf informed discussions are occurring with AEA and AIDEA regarding the types of support that can be provided, including technical assistance and reviews, economic analyses, and financing and ownership plans. Development of an MOU will be drafted for approval by AEA and AIDEA.

Vice-Chair Karl expressed support for the study, development, and partnering with Denali Commission.

Chair Pruhs asked for Copper Valley Electric's response to the study. Mr. Wolf informed Copper Valley Electric has provided resolutions in favor of the study. He noted Alaska Power and Telephone, Golden Valley Electric, and Matanuska Electric Association have provided support for the development of the project. Mr. Wolf discussed the possibilities of line structure. Chair Pruhs encouraged the study to determine ways to keep costs of transmission as low as possible and asked if a Transco could be utilized. Mr. Thayer agreed.

8. OLD BUSINESS

8A. Updated AEA Organization Chart

Mr. Thayer advised the organizational chart includes AEA, AIDEA, shared services, and vacant positions. It is reviewed with the Board quarterly before it is provided to Juneau. He discussed AEA, with the help of the Denali Commission, was able to hire a fourth circuit rider position to assist in rural Alaska. It is possible funding from the Denali Commission could

provide a fifth circuit rider position. Mr. Thayer informed there have been no major electrical emergencies this winter. He discussed the addition of TW Patch, Director Planning, and described the work the planning group is conducting.

8B. Battle Creek Update

Mr. Thayer noted Battle Creek will also be discussed during executive session. He welcomed Bryan Carey to provide the public update. Mr. Carey discussed the contractor has been working through the winter at the site. The last concrete pour of the winter on the main wall was conducted last week. The process of placing the rip-rap in front of and behind the wall is ongoing. Afterward, the cofferdam will be removed. Additional snow will be cleared in April and the HDPE fusing will begin in May.

Mr. Carey informed the contract value is within 1% of its initial value. He showed pictures of the project. Mr. Carey described the technology used to monitor the temperature requirements of the concrete pours and insulation. He discussed the logistics of bringing the pipe to the site and the risks of damage in transit, as well as during installation. There are quality control measures, and it is possible for damage to occur on the bottom of the pipe that cannot be observed.

Mr. Carey explained the fusing will occur on the road alongside the ditch where the pipe will be laid. Approximately 2,000 eco blocks and sufficient bedding will be used to line the pipe. Mr. Carey informed he was onsite in October and is expected to return to the worksite in early June. The construction administrator from the engineering firm is onsite at all times, and additional personnel attend during the concrete pours.

Mr. Kendig reported he is a member of the MEA Board, which presents a conflict of interest. He requested advice from Stefan Saldanha regarding his attendance in any portion of the executive session. Mr. Saldanha informed the executive session does involve the Board in which Mr. Kendig is a member. Mr. Kendig recused himself from the executive sessions.

MOTION: A motion was made by Ms. Sande to go into Executive Session to discuss confidential financial information related to the Battle Creek diversion project. These are matters, the immediate knowledge of which would clearly have an adverse effect upon the finances of AEA. Motion seconded by Mr. Fogle.

The motion was approved without objection.

9. EXECUTIVE SESSION 10:46 a.m. - Discuss confidential matters related to Bradley Lake, Battle Creek and the SQ Line.

The Board reconvened its regular meeting at 11:13 am. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session regarding Bradley Lake and Battle Creek.

Chair Pruhs noted he will entertain a motion to go into executive session to discuss confidential information related to the SQ Line.

MOTION: A motion was made by Mr. Kendig to go into Executive Session to discuss confidential financial information related to Soldotna Quartz Creek Transmission Line. These are matters, the immediate knowledge of which would clearly have an adverse effect upon the finances of AEA. Motion seconded by Mr. Fogle.

The motion was approved without objection.

EXECUTIVE SESSION 11:14 a.m. - Discuss confidential matters related to the SQ Line.

The Board reconvened its regular meeting at 11:46 am. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

10. DIRECTOR COMMENTS

10A. Hydro Update

Mr. Thayer gave an update on the six current hydro projects. Bradley Lake is approximately 15 to 20 feet over its normal levels for this time of year. The utilities are trying to draw the power to avoid spillage. The bonds for Bradley Lake get paid off July 1, 2021, which will trigger effects for the \$12.5 million dollars to ultimately return to the general fund for the Railbelt Energy Fund. The funds are subject to appropriation by the Legislature and may not be available until FY23 or FY24. Discussions will occur with utilities to develop a strategy for moving forward regarding the bonds and to create a master plan for the Railbelt. Staff will communicate the developments as they unfold.

Ms. MacKinnon requested additional information regarding the term in the Power Sales Agreement. Mr. Saldanha explained the term in the Power Sales Agreement is linked to the longest debt, which is the Battle Creek debt, July 1, 2050.

Mr. Thayer continued the hydro update discussing Hiilangaay. The project will begin quarterly payments for their loan on April 1, 2020. He noted the status of Gunnuk Creek, Thayer Creek, and Five Mile Creek are included in the handout.

10B. AEA Annual Report

Mr. Thayer informed the AEA Annual Report has been shared with the Board and provided to the Governor and Legislature, by statute. He expressed appreciation to employees and directors for their input of information.

10C. Rural Power Systems Inventory & Assessment

Mr. Thayer requested Tim Sandstrom, Director of Rural Programs, and Alan Feters, Program Manager, provide an update on the rural power systems inventory and assessment requested by Board members. Mr. Sandstrom explained the inventory and assessment is required by regulation to prioritize the assistance for power system upgrades. The assessments are conducted on an interim basis. The last assessment was completed in 2012, at a cost of \$500,000. The current effort is underway, and is expected to cost approximately \$757,000.

Mr. Sandstrom advised new survey technology and a three-dimensional imaging system has been introduced to eliminate the need for the high-cost interim inventory assessments. Mr. Feters described the new iterative process will enable the collection of more information on a consistent and current basis, as staff or contractors visit communities. He highlighted the equipment that is used, including the advanced capability of the camera. Mr. Feters gave a virtual tour of the Tuluksak plant utilizing the new technology. Additionally, a pilot of several powerhouses has been conducted in preparation for the inventory and assessment. The full breadth of the process takes approximately three hours to complete.

Mr. Feters noted two of the three generators at Tuluksak are running. He is not fully aware of the status and reason the third generator is dysfunctional. Questions would have to be directed to the current project manager. Mr. Feters assumes the third generator was operated without oil because of its condition. He believes it will be replaced.

Vice-Chair Karl inquired if the waste heat is being captured yet. Mr. Thayer indicated the waste heat has not yet been captured. Mr. Sandstrom informed the waste heat is too far away from existing facilities for use. It has been stubbed out for possible use for a small shack nearby. Waste heat affects PCE. Ms. Sande noted a larger conversation regarding waste heat remains to be addressed. Commissioner Anderson informed the waste heat study is ongoing. Mr. Kendig asked if Tuluksak has updated their PCE paperwork. Mr. Thayer indicated those issues have been resolved. Tuluksak is a success story. He advised the Tuluksak School District had a recent power outage and enlisted a contractor to make repairs.

Mr. Sandstrom reviewed the requirement is to provide a rank listing of prioritization of the projects for the Rural Power System Upgrade projects. The information will also be used to inform the maintenance and improvement projects list. A two-year to five-year plan is being developed and will be presented to the Board at a later meeting.

Ms. Sande requested additional information regarding cost. Mr. Feters informed the competitive RFP was awarded to CRW Engineering. The total cost for 183 facilities was \$757,000, at a cost of \$3,500 to \$4,500 per survey.

Chair Pruhs commented for the record that he, Mr. Thayer, Vice-Chair Karl, and Mr. Sandstrom visited Tuluksak less than six months ago. He reported on the three dead

generators inside the building and two or three dead generators outside the building. Tuluksak had no money and no fuel in the tanks. The school district would not sell the community power or fuel. The progress made from his visit until now is substantial. Chair Pruhs agreed additional work is necessary, but he is highly encouraged by the response of the community and the success of the program. He believes the success of Tuluksak can be a model for other utilities.

Vice-Chair Karl echoed the comments by the Chair. He added his support for saving energy using the waste heat from the boilers and the rejection heat from the radiators. He complimented staff on their efforts and encouraged them to pursue a waste heat project to continue to reduce the cost for the community.

Ms. MacKinnon inquired if staff is reviewing other programs that are deploying resources in the same community to address the same issues. Mr. Sandstrom noted that discussion is a good segue into the next agenda item.

10D. Coast Guard Bulk Fuel Inspections

Mr. Sandstrom discussed the Coast Guard has increased their inspection effort for the approximately 400 facilities outside of Southeast Alaska. Two hundred of the facilities were inspected last year at a cost of about \$700,000, and similar efforts will occur this year. AEA intends to leverage the Coast Guard's effort to develop an inventory and assessment of bulk fuel in coordination with DCRA, Denali Commission, and others.

Ms. MacKinnon asked if Tuluksak was inventoried by the Coast Guard. Mr. Sandstrom clarified the distinction between the Coast Guard's purview of bulk fuel facilities and the Tuluksak powerhouse that was reviewed previously. The Coast Guard did not inspect the powerhouse facility. Ms. MacKinnon asked if the Coast Guard inspected the fuel tank in Tuluksak. Mr. Fetters does not have that information with him, but the information is accessible and he will provide it to Ms. MacKinnon. Mr. Fetters noted the Coast Guard is primarily concerned with spill prevention and does not routinely inspect tanks. Ms. MacKinnon commented the issue regards the multitude of financing structures deployed from different state and federal sources into one community to provide energy. She noted the amount of funds and resources deployed is unknown, and it is unknown how long the deployment will remain operable for producing energy.

Ms. MacKinnon expressed the goal for all communities throughout Alaska is to have lower cost of energy and investment. She noted some of the smaller communities have needed additional assistance like maintenance and support, which was not provided. This is an opportunity to bring together and braid the many resources available to support this community and other communities with a safety net.

10E. 5.5 Mile Update

Mr. Thayer advised negotiations are ongoing with MEA regarding a new 10-year right-of-way lease agreement for transmission of power over AEA's 5.5 miles of line within the Healy to Willow line.

10F. Tuluksak Update

Discussed in previous agenda items.

10G. PCE Report

Mr. Thayer advised the completed PCE Report is in the process of being submitted to the Legislature. Mr. Patch stated he is available to answer questions. He informed preliminary discussions have begun regarding scoping, funding, authorization and composition of a blue ribbon panel, if requested by the Legislature or the Governor. Mr. Patch advised the PCE program is expanding technology and is testing a developed electronic portal for the delivery of information from the 196 PCE communities. Once successful testing and performance is complete, specifically selected communities will be trained to utilize the portal. Additional evaluation of the portal program will continue with the intent to gain confidence in the program and to provide additional training sessions to another group of communities. The hope is every community will be utilizing the portal program by the end of the year.

10H. Community Outreach Schedule

Mr. Thayer discussed the provided AEA community outreach efforts.

10I. Dashboard and Loan Report

Mr. Thayer reviewed the provided Dashboard and Loan Reports. There are currently 20 loans outstanding, with one delinquency. Included in the report is the Power Fund cash flow forecast identifying the communities who hold loans. The information provided includes the principal loan amount, committed date, payment schedule, and payment year. There are several pending applications.

10J. Denali Commission Report

Mr. Thayer informed the total funding of the Denali Commission partnership is \$26.5 million, of which the total spending is approximately \$19 million. The four circuit riders provided to rural Alaska are paid for by the Denali Commission. The intent is to add a fifth circuit rider. Circuit rider funds are annual.

Chair Pruhs inquired regarding the current Trump Administration attempting to delete the Denali Commission. Mr. Thayer noted the Denali Commission has been in jeopardy of

deletion for the last three years. He noted Senator Murkowski is number three on the Appropriations Committee and Mr. Thayer does not see the Denali Commission being negatively affected. There is no contingency plan. The Denali Commission has a three-year wind-down that is currently in the President's budget.

Chair Pruhs requested Mr. Thayer give a future presentation to the Board showing the Denali Commission's funding and how it is used for operating and organizational funding. Mr. Thayer agreed. He noted the Denali Commission awards are primarily capital funding.

10K. VW Settlement Update

Mr. Thayer provided an update on the VW settlement. AEA received \$8.1 million, which has been delineated to specific areas, including replacement of school diesel engines, public transit bus replacement in Juneau, and electric vehicle charging infrastructure. The line item of marine engines for \$800,000 had little interest, and has been transferred to the school bus replacement, which was originally underrepresented. AEA intends to complete the competitive bid process for additional funding from the VW settlement.

10L. Articles of Interest

Mr. Thayer provided a list of articles of interest when AEA was mentioned in the news.

10M. Legislative Presentations

Mr. Thayer explained AEA's legislative presentations have been provided to members. Follow-up questions by the Committee and response letters were also included.

Mr. Thayer informed the Regulatory Commission of Alaska (RCA) was previously scheduled to give a presentation at today's meeting regarding their role in regulating utilities. Due to recent merger activity, Chairman Robert Pickett requested to postpone the presentation until the April 15, 2020 meeting.

Mr. Thayer expressed appreciation to the Board for their positive comments during his evaluation. He acknowledged the areas where improvements can be made.

10N. Next Regularly Scheduled AEA Board Meeting Wed. April 15, 2020

The next scheduled AEA Board meeting is Wednesday, April 15, 2020.

11. BOARD COMMENTS

Ms. Sande expressed appreciation to Mr. Thayer and staff particularly for the community outreach efforts and for their attendance at the Southeast Conference.

Vice-Chair Karl expressed his support for additional focus on waste heat utilization. He strives for excellence. He congratulated Mr. Thayer for his efforts and encouraged his firm determination.

Chair Pruhs expressed appreciation to Mr. Thayer and staff. He welcomed Ms. MacKinnon to the Board.

12. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 12:29 p.m.



Curtis W. Thayer, Executive Director/Secretary
Alaska Energy Authority

