



**Alaska Energy Authority  
BOARD MEETING MINUTES  
Wednesday, April 15, 2020  
Anchorage, Fairbanks, and Juneau, Alaska**

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Energy Authority to order on April 15, 2020 at 1:45 p.m. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Albert Fogle (Public Member); and Bill Kendig (Public Member). Board Members present via teleconference: Vice-Chair Bernie Karl (Public Member); Julie Anderson (Commissioner DCCED); Anna MacKinnon (SOA-DOR); and Julie Sande (Public Member).

**3. ROLL CALL: STAFF, PUBLIC**

Staff present: Curtis Thayer, Brandy M. Dixon, TW Patch, Sherrie Siverson, and Aimee Sudbeck. Staff present via teleconference; Brenda Applegate and Sam Tappen.

Others present via teleconference: Betty Caudle (Accu-Type Depositions) (phone); Jason Custer and Michael Garrett (Alaska Power and Telephone (AP&T); Stefan Saldanha (Department of Law) Tam Boeve (Mat-Su Borough Assembly); Melissa Heuer (Susitna River Coalition); Becky Long (Public); Bernie Smith (Public); and Mike Woods (Public).

**4. AGENDA APPROVAL**

**MOTION: A motion was made by Mr. Kendig 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**

Chair Pruhs informed public comments are limited to two minutes per person. He requested people clearly provide their name and affiliation, if any. Comments can also be submitted by email to Sherrie Siverson at [ssiverson@aidea.org](mailto:ssiverson@aidea.org).

**Bernie Smith** commented he hopes the Board does not go into executive session for three hours.

**Becky Long** noted the agenda states public comments are three minutes per person. Chair Pruhs noted the agenda contained a typographical error and public comments are two minutes per person. Ms. Long suggested the agenda be changed. She commented on the

infrastructure needs document regarding the statements about priority number two under hydro, the proposed Susitna-Watana, and believes AEA has promulgated inaccurate information to both the Legislature and to the AEA Board about restarting the proposed Susitna dam.

Ms. Long informed she is one of about 42 intervenors officially recognized by the Federal Energy Regulatory Commission (FERC), consisting of 21 individuals, 16 nongovernmental organizations, two federal agencies, and three community councils involved in the licensing process. Ms. Long noted the infrastructure document states the proposed project will give 23,000 direct and indirect jobs. Ms. Long questioned the accuracy of those numbers. She questioned the statement of being two-thirds through the licensing process. The public has been frustrated by not having the opportunity to weigh in on the restart to the Legislature. She believes this is by design.

Ms. Long reported AEA's Director Curtis Thayer has stated in public within the last year that it would take approximately \$50 million to \$100 million to get the license application. Ms. Long noted the statement is not accurate. The study plan itself will take \$100 million to finish, which is not the whole license and does not include the completion of the engineering studies for the draft application process. Ms. Long informed the slides shown to the legislators state that Susitna is a lower cost to develop and no explanation is given to support the statement's accuracy. She noted AEA slides state Susitna is a West Conference project. Ms. Long does not believe the statement can be justified because the complex mitigation structure is unknown.

Ms. Long noted the AEA slides state there are fewer long-term operational uncertainties. She said the statement has no basis in reality, especially considering climate change impacts. Ms. Long noted none of those statements were discussed in the committee meetings she listened to. She noted AEA slides state there are 19 studies that are completed. Ms. Long informed that is not accurate because three of those studies have had modifications ordered by FERC. The project design is only 10% complete. Some studies cannot be completed until the project design is further along. Ms. Long noted FERC has ordered AEA to do a run of the river operation scenario, which has not even been started. The cost will be at least \$1 million to run the models to get that flows from the alternative project design.

Chair Pruhs requested Ms. Long conclude her comments, as her time has expired. Ms. Long informed Susitna is an extremely large hydro project that will be scrutinized locally, statewide, nationwide, and internally.

**Michael Garrett**, CEO AP&T, expressed appreciation for the opportunity to attend. He is available to answer any questions regarding the request under 8A. Chair Pruhs advised there may be questions from the Board for Mr. Garrett during the time in which the agenda item is discussed.

**Melissa Heuer**, Director Susitna River Coalition, noted she is representing more than 14,000 Alaskans. She expressed concern regarding the misinformation to AEA and Alaskans in the Item 8B. document “Shovel-Ready Energy Infrastructure Projects in Alaska.” She noted page six in the document lists the Susitna-Watana Project as being at two-thirds complete. Ms. Heuer noted Mr. Thayer has used this and other inaccurate figures in presentations he has given in recent months. She commented the Board is aware AEA has completed only one of two pieces of studies in accordance with the approved FERC ILT study plan. There is a high likelihood that the data or data gathered outside of the approved study plan will be deemed stale by FERC.

Ms. Heuer informed 17 studies require modification, which will contribute additional costs to the projected \$100 million cost estimate. She commented Wayne Dyok, AEA Susitna Project Manager, stated that in addition to the \$100 million cost estimate, there will be \$230 million needed for detailed engineering and geotechnical information to get to the construction phase. Ms. Heuer believes the project is a boondoggle for Alaska and should be removed from the list of shovel-ready projects. Information should be accurately presented to the public.

Ms. Heuer commented on the way the AEA and AIDEA Board meetings are conducted. She requested the executive sessions be moved to the end of the meetings. Ms. Heuer expressed the difficulty of participation in both AIDEA and AEA meetings when there is an hour-long break in the middle of the meeting.

**Jason Custer** informed he works for Alaska Power and Telephone and is a Board member of Haida Energy. He expressed appreciation for the Board’s agenda consideration of the request today. Mr. Custer is available to answer any questions.

**Tam Boeve**, Mat-Su Borough Assembly Representative for District 7, noted she covers the area that includes the proposed Susitna-Watana Dam Project and is listening today.

**Mike Woods** commented he takes issue with the “Shovel-Ready Energy Infrastructure Projects in Alaska of April 2020” document. He informed he made in-person comments in February to comment on pages 14 and 15 that he believes were misleading to the Legislature. Mr. Woods stated he is one of 42 intervenors in the FERC process. AEA claims that they are two-thirds of the way through the study process. This is AEA’s opinion and not FERC’s opinion. Mr. Woods requested AEA clarify the statement because there are many studies that still need to be complete and were not accepted when initially submitted. It is misleading to think the licensing process is two-thirds of the way complete.

Mr. Woods explained in order to pick up the project, all the equipment will have to be staged back out on the river to conduct major studies of groundwater, in-stream flow, and the winter ice process. He believes it will take at least as much money that has already been spent between 2010 and 2014 to then complete the licensing process. Mr. Woods requested the Executive Director to be more forthcoming regarding the details and to

conduct discussions with FERC before reporting numbers like two-thirds of the way through the licensing process. Mr. Woods stated that status is false.

**6. PRIOR MINUTES - March 4, 2020**

**MOTION: A motion was made by Mr. Kendig to approve the Minutes of March 4, 2020. Motion seconded by Mr. Fogle.**

Ms. MacKinnon requested the spelling of her name be corrected. Ms. Siverson agreed to make the spelling correction.

**The motion to approve the Minutes of March 4, 2020, including the corrected spelling of Ms. MacKinnon's name, passed without objection.**

**MOTION: A motion was made to go into Executive Session to discuss confidential financial information related to the Power Project Fund loan for the construction of Hiilangaay Hydroelectric Project. These are matters the immediate knowledge of which would clearly have an adverse affect upon the finances of AEA. Motion seconded.**

Chair Pruhs requested discussion from Board Member Julie Sande. Board Member Julie Sande requested to be excused from the portion of the executive session pertaining to Haida Energy and AP&T due to a potential conflict. Board Member Julie Sande informed she has ownership in two companies that have been involved in working on a portion of the projects over the past year. There were no objections.

Ms. MacKinnon requested to note two items before the Board entered into executive session. During public comment today, multiple people talked about taking a long executive session break. Ms. MacKinnon said the State and the economy is in rough waters now and the conversations during executive session are very important to the well-being of small businesses in the state. The Board takes these responsibilities very seriously. Ms. MacKinnon apologized for the break in the meeting, and reiterated the information discussed is necessary to review prior to voting on particular issues.

Ms. MacKinnon informed Ms. Long that the Board received Ms. Long's email testimony dated March 25, 2020. The Board has read her comments and understands her position.

**The motion was approved without objection.**

**7. EXECUTIVE SESSION 2:04 pm - Discuss confidential matters related to Hiilangaay Project and Power Project Fund Outlook.**

The Board reconvened its regular meeting at 2:43 pm. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

## **8. NEW BUSINESS**

### **A. Haida Energy (Alaska Power & Telephone) Request for Loan Forbearance**

Mr. Thayer explained the request before the Board is from Haida Energy, Inc. (HEI) and AP&T asking for a one-year delay in repayment of their loan due to the COVID-19 pandemic and being unable to safely access the remote worksite. Mr. Thayer informed staff has conducted conversations with AP&T and Department of Law regarding this request. Mr. Thayer explained the Department of Law does not believe COVID-19, in this particular case, can be used, due to the fact that construction is at a remote site and the Governor's health mandate clearly allows for essential services, including public construction by electric facilities.

Mr. Thayer stated AEA has prepared a memo for review that includes a possible two-payment delay. The first payment was due April 1, 2020. This request is AP&T and HEI's third change to their original loan documents. The original loan amount was for \$20 million. The first seven years have been forgiven by the Legislature. The principal-only payments for the first six years were to be paid at \$108,000 a month and the interest would be applied thereafter. The total loan term is 50 years with a maturity date of 2066. The loan term cannot be extended beyond the 50-year term. Mr. Thayer informed the report includes project background.

Chair Pruhs requested additional explanation on how a force majeure is related to a construction project. Mr. Thayer explained he and the Department of Law do not believe force majeure applies in this case. The project is a public works project, which is specifically exempted, and the worksite is remote, which is also exempted. Chair Pruhs requested clarification that the payments for the new loan modification signed January 30, 2020, are not reliant on revenues from the project. Mr. Thayer agreed and noted the first three payments were to be made April 1, July 1, and October 1, 2020, prior to water flowing in the project scheduled in November 2020.

Vice-Chair Karl asked if AP&T is a for-profit company and if they are solvent. Mr. Thayer believes AP&T is a privately owned for-profit company. He noted they own other utilities in Alaska. Vice-Chair Karl commented AP&T just signed the new loan modification and was aware of the payments. He expressed skepticism and the potential of AP&T taking advantage of a very bad situation that is happening in Alaska and the world.

Ms. MacKinnon informed on the record for the general public that force majeure is an unforeseeable circumstance that prevents someone from fulfilling a contract.

Mr. Thayer introduced Mr. Garrett to answer questions. Vice-Chair Karl asked if AP&T is aware of the agreement that was signed regarding principal only payments for six years. Mr. Garrett noted he is aware of both the loan with Haida Energy and the Power Sales Agreement. The request being made today for the force majeure is a result of what has happened in the last three months. Mr. Garrett noted he will not debate the legality of

whether this is an exempt facility. A plan has to be filed with the State to have a safe workplace for the employees and the general public. The plan is being developed.

Chair Pruhs informed the State has a COVID-19 approved plan that is used by Associated General Contractors (AGC) of Alaska. Chair Pruhs informed he has a crew going to Denali National Park on Monday who will be staying in a camp and executing their work.

Mr. Fogle asked Mr. Thayer when AP&T requested forbearance for the April 1, 2020 payment. Mr. Thayer stated the request was on March 27, 2020. Mr. Fogle requested explanation from Mr. Garrett why AEA was not given additional lead time for the loan forbearance request. Mr. Garrett explained the health mandates and the progress of COVID-19 changed significantly approaching March 27. Travel was restricted significantly within the state and has caused significant delays to work on the project. Mr. Fogle asked if AP&T has the funds to make the April 1 payment. Mr. Garrett stated AP&T could make the April 1 payment.

Mr. Fogle asked if the April 1 payment can be made and then ask for a forbearance. Mr. Garrett agreed and stated he made that offer to Mr. Thayer when they spoke. His understanding is the April 1 payment would not be delinquent until April 15 and the issue was on the agenda for discussion today. Mr. Thayer noted the original letter was received on March 25, and he and Mr. Garrett had a phone conversation on March 27. According to Mr. Thayer's notes, Mr. Thayer informed the April 1 payment would not be late until April 15, the day of the Board meeting. Mr. Thayer does not recall Mr. Garrett's offer to make the April 1 payment. The request was a 12-month delay. Mr. Garrett explained his understanding of the conversation was to wait until the April 15 Board meeting discussion before making the April 1 payment.

Mr. Fogle stated it would be much appreciated if AP&T would make the April 1 payment before the forbearance issue is addressed. This would be a good faith effort and the forbearance issue could be potentially brought before the Board at the May meeting. The payments that are made through the loan program are used in other communities throughout Alaska for other loan programs. Mr. Garrett noted he just instant-messaged the CFO and the payment will be made today or tomorrow. He apologized for the misunderstanding and stated AP&T has every intention of making payments, particularly if the request is not granted.

Ms. MacKinnon expressed appreciation to Mr. Garrett for his service to rural Alaska and to AP&T for the last 30 years. She requested clarification regarding the management structure between AP&T and Haida Energy. Mr. Garrett explained it is a complicated process. AP&T is a 50% owner in Haida Energy. Haida Energy has the AEA loan. There is a Power Sales Agreement between a subsidiary of AP&T, Alaska Power Company, and Haida Energy to purchase all of the energy that comes from the project once it is constructed. The Power Sales Agreement states AP&T is liable for the principal payments during the life of the

project, even if there is not energy from the project. AP&T is fully aware of the responsibilities.

Ms. MacKinnon asked who is managing the construction project. Mr. Garrett explained AP&T is the contractor to Haida Energy. The project manager is the Vice-President of Engineering for Special Projects at AP&T. There are many crews working on the project, including electrical engineers and civil engineers, many of which are in the age group that is more susceptible to COVID-19 issues. Ms. MacKinnon asked if the project was shut down in December. Mr. Garrett stated the project was shut down in December for weather. The remaining part of the project is to construct the diversion structure at the top of the lake, which is at elevation. There has been a tremendous amount of snow and construction has not been able to resume because of weather.

Ms. MacKinnon asked if the project is anticipating any work to be completed on the diversion this year. Mr. Garrett stated a plan is being created so that work can safely resume.

**MOTION: A motion was made by Mr. Fogle to table Haida Energy, Alaska Power & Telephone's, request for loan forbearance until the next Board meeting, and to provide more information to Board members. Motion seconded by Vice-Chair Karl. The motion to table was approved without objection.**

#### **B. AEA Infrastructure Needs Outline**

Mr. Thayer explained the document entitled "Shovel-Ready Energy Infrastructure Projects in Alaska" is in response to the Board's request for staff to prepare an overview list of projects that are close to shovel-ready. The definition of shovel-ready varies from project to project. The document provides a high-level summary of 98 projects; three Railbelt, nine hydroelectric, 20 rural power system upgrades, 50 bulk fuel upgrades, seven biomass/heat, and nine wind projects.

Mr. Thayer noted public comments were made today regarding Susitna-Watana Hydroelectric Project. He informed no money has been spent by AEA on Susitna-Watana since the project was put in abeyance by Governor Walker. The project is now out of abeyance. The document provides statistics as of 2014. The project can replace approximately 60% of natural gas usage in the railbelt area. The studies show the project could provide 23,000 direct and indirect jobs during construction. The project is in the design and licensing phase. The State of Alaska has spent \$193 million advancing the project. When the project was put in abeyance in 2014, it was stated the project was roughly two-thirds of the way through the licensing process.

Mr. Thayer informed AEA has not spent money or effort to update the 2014 modeling and public presentation. Mr. Thayer explained the project was included in this document because the State has such a large investment in the project and the expected creation of

23,000 direct and indirect jobs is significant, which would probably make it the single largest construction project in Alaska. Whether the State and the Legislature choose to go forward with funding and advancement of the project is yet up for public comment and debate. Mr. Thayer explained there are a few other projects listed in the document that are using previous-year dollars and describe the status of the FERC licensing. Other projects in the document are ready for construction and are waiting for funding. Mr. Thayer stated those projects have been prioritized according to need. He is happy to discuss any of the projects with members.

Chair Pruhs asked if Mr. Thayer is able to break out the projects included in the document that would be able to pay back a loan or bond issuance versus the projects that would need grant dollars. Mr. Thayer agreed and believes separating funding sources for projects will be helpful.

#### **9. OLD BUSINESS - Battle Creek Construction Update**

Mr. Thayer discussed Battle Creek which is closed down for the season. He showed pictures of the project at the end of the season. The scheduled start-up date is still anticipated to occur in May.

#### **10. DIRECTOR COMMENTS**

##### **10A. Bradley Lake Administrative Budget Update**

Mr. Thayer explained AEA will begin charging BPMC their actual costs rather than a flat fee. The estimated cost for FY 2021 is \$317,000, as outlined in the provided spreadsheet. This structure is the same methodology used for Battle Creek payroll calculations and Alaska Intertie administrative costs. Historically, AEA charged BPMC utilities an annual fixed fee of \$200,000 for management and administrative expenses. In the event expenses exceeded that amount, AIDEA paid the difference. During the last five years or more, the administrative costs have exceeded the \$200,000 and AIDEA has paid the additional costs because of the long-standing agreement. The BPMC passed a resolution in favor of the request to pay AEA directly for administrative costs, removing AIDEA from the structure.

##### **10B. Bradley Lake White Paper - Excess Payments**

Mr. Thayer informed the BPMC utilities requested AEA to provide a White Paper outlining the defeasance of the Bradley Lake bonds in 2021. Upon receipt of the White Paper, the utilities decided the defeasance schedule will continue as planned.

##### **10C. 5.5 Mile Resolve Update**

Mr. Thayer discussed the extended agreement negotiated with MEA for the use and lease of the 5.5 mile segment of transmission line through 2038, at the cost of \$603,225. Mr. Thayer noted all of the utilities are happy with the resolution. After the expiration date of October 1, 2038, further negotiations would occur with MEA.

### **10D. Legislative Update**

Mr. Thayer informed AEA had a successful legislative session in regards to the FY21 operating and capital budget requests. The \$5 million was able to be leveraged for another \$10 million funding match. The operating budget was held harmless. The Legislature passed a re-appropriation of \$7.3 million from the Railbelt Energy Fund (REF). Staff recommended to Commissioner Anderson and the Governor to veto the re-appropriation. The Governor vetoed the re-appropriation and sent a clear message to the utilities the State is serious about keeping the railbelt energy as whole as possible.

### **10E. Railbelt Reliability Council**

Mr. Thayer advised the report provided describes Senate Bill 123 legislation that was passed and AEA's involvement in its development.

### **10F. S/Q Line Purchase Update**

Mr. Thayer reported discussions are ongoing with the utilities regarding the Soldotna to Quartz Creek Transmission Line. AEA has two assignments to provide to utilities. The first assignment to review the permits and right-of-ways has been completed and will be reported to the utilities on Monday. The second assignment was for the Department of Law to provide an opinion on whether the purchase and any substantial work would be required project work. The opinion is expected to be presented on Monday.

### **10G. Snettisham Update**

Mr. Thayer explained ongoing discussions continue with Juneau Hydro Power and Alaska Electric Light & Power. He provided a copy of the letter Chair Pruhs sent requesting an update on progress and inviting them to a Board meeting. A response is expected, but has not yet been received.

### **10H. Community Outreach Schedule**

Mr. Thayer reported all AEA community outreach efforts are on hold.

### **10I. Dashboard and Loan Report**

Mr. Thayer provided the Dashboard and Loan Report. He noted a more detailed report was discussed in executive session. There are currently no loans in default. Pending application requests total approximately \$6 million.

### **10J. Denali Commission Report**

Mr. Thayer noted the Denali Commission update has been provided. He announced Jason Hoke has resigned as the federal Co-Chair for the Denali Commission. The current funding is on pause to a certain degree while the leadership changes.

**10K. Articles of Interest**

Mr. Thayer provided a list of articles of interest in the Board packet.

**10L. Next Regularly Scheduled AEA Board Meeting Wed. May 20, 2020**

The next scheduled AEA Board meeting is Wednesday, May 20, 2020.

Mr. Thayer announced Ashton Doyle delivered her baby yesterday.

**11. BOARD COMMENTS**

Mr. Fogle commended Mr. Thayer and staff for their excellent job. He believes TW Patch has been an excellent addition to the staff. Mr. Fogle supports all infrastructure and construction shovel-ready projects moving forward so people can work this year.

Mr. Kendig expressed appreciation to Mr. Thayer and staff for their efforts. He welcomed Mr. Patch to the team. Mr. Kendig echoed Mr. Fogle's comments regarding the shovel-ready projects.

Vice-Chair Karl echoed the previous comments and requested Mr. Thayer call him after the meeting. Mr. Thayer agreed.

Commissioner Anderson expressed appreciation to Mr. Thayer and staff. She encouraged the continued efforts to find funding for the shovel-ready projects.

Ms. Sande echoed the previous comments.

Chair Pruhs expressed appreciation to staff, Mr. Thayer, Ms. Siverson, and Board members for the efforts during two Board meetings all day. He requested congratulations be given to Ms. Doyle on behalf of the Board.

**12. ADJOURNMENT**

There being no further business of the Board, the AEA meeting adjourned at 3:26 pm.



Curtis Thayer, Executive Director  
Secretary

