

**Alaska Energy Authority
BOARD MEETING MINUTES
Wednesday, August 5, 2020
Anchorage, Alaska**

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Energy Authority to order on August 5, 2020 at 8:30 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. 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 passed without objection.

4. PRIOR MINUTES - June 24, 2020

Mr. Fogle requested a deletion occur on page three, second paragraph, last sentence. After new loan modification policy, there should be a period and nothing further. There was no objection to the amendment.

MOTION: A motion was made by Mr. Kendig to approve the prior minutes of June 24, 2020, as amended. Motion seconded by Mr. Fogle.

The motion to approve the minutes of June 24, 2020, as amended, passed without objection.

5. PUBLIC COMMENTS (2 minutes per person)

Chair Pruhs informed the public comments are two minutes per person and are limited to agenda topics. Speakers are requested to state their full name and affiliation.

Direction was given to public on the line to press Star-9 if they wish to make a public comment. There was no response received from anyone in the room, nor on the line wishing to make a public comment at this time. Chair Pruhs closed the public comment section.

MOTION: A motion was made by Mr. Fogle to go into Executive Session to discuss confidential matters related to Bradley Lake, Soldotna-Quartz Line, and energy storage. Motion seconded by Mr. Kendig.

The motion was approved without objection.

6. EXECUTIVE SESSION 8:34 a.m.

A. Confidential matters related to Bradley Lake, Soldotna-Quartz Line, and energy storage

The Board reconvened its regular meeting at 8:37 am. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

PUBLIC COMMENTS

Chair Pruhs informed there were apparently people on the line that wished to make public comment.

Phil Steyer, Chugach Electric Association (CEA), expressed appreciation on behalf of Lee Thibert, CEO of CEA, to Curtis Thayer and staff regarding Battle Creek. CEA has been pleased with the cooperation between the utilities.

Tony Izzo, CEO of Matanuska Electric Association (MEA), expressed appreciation to AEA and staff in the efforts to support the mission to reduce energy rates of Alaskans, including the purchase of the S/Q Line. He believes the Battle Creek project is another great example of the positive effect and contribution AEA has provided to the State of Alaska.

Ron Woolf, Golden Valley Electric Association (GVEA), echoed the previous comments. GVEA supports the purchase of the S/Q Line and planned upgrades. Mr. Woolf thanked AEA staff and Board members for working through the terms.

Brad Janorschke, Homer Electric Association (HEA), agreed with the previous comments. HEA is very pleased that the railbelt utilities and partnering with AEA are taking over the S/Q Line. He believes this will resolve many issues. Mr. Janorschke looks forward to partnering to complete the needed upgrades, which he believes will make the system more robust, reduce losses, and provide a transparent pathway to the railbelt. He expressed appreciation to AEA and the utilities for cooperative work in resolving challenges and the intent to build on this success.

No additional public comments came forward. Chair Pruhs closed the public comment. Chair Pruhs expressed appreciation to those who provided public comment.

MOTION: A motion was made by Mr. Fogle to go into Executive Session to discuss confidential matters related to Bradley Lake, Soldotna-Quartz Line, and energy storage. Motion seconded by Mr. Kendig.

The motion was approved without objection.

EXECUTIVE SESSION 8:45 a.m.

The Board reconvened its regular meeting at 10:23 a.m. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

7. NEW BUSINESS

A. Approve Terms of Financing and Authorize Soldotna-Quartz Creek Transmission Line Purchase

Mr. Thayer noted members have been provided a memo regarding the S/Q Transmission Line purchase of the 39-mile line transaction, benefits to the consumers, and costs and funding of the transaction. Members were provided with copies of the unanimous resolution from the Bradley Project Management Committee (BPMC) to optimize the power of the Bradley Lake project, the Letter of Intent, Terms and Conditions, including all the signatures of all the railbelt utilities, AEA's Resolution 2020-07, including the terms sheet, a memorandum from the Department of Law regarding whether the S/Q project meets the definition of required project work in the Power Sales Agreement, and the BPMC O&D Committee report and review of the proposed transaction. Mr. Thayer informed an independent consulting engineer has been selected to evaluate the O&D report, as directed.

Chair Pruhs advised for the record this agenda item refers to Resolution 2020-07 of Alaska Energy Authority authorizing the purchase of Sterling Quartz Creek Transmission Line, approving financing terms, and related matters.

Mr. Thayer informed BPMC Resolution 20-02, the proposed purchase of the transmission assets and the adoption of the O&D Committee Report, and BPMC Resolution 20-03, financing of the proposed transaction, are included in members' packets. Each of the utilities' governing boards must approve the term sheet being discussed today. Mr. Thayer reviewed the memo and discussed a brief history and overview of the transaction. The benefits to the consumer include cost sharing. There will be greater resources available on the transmission segment and the ongoing costs will be spread equitably among the utilities. The allowance of upgrades will unconstrain Bradley Lake power.

Mr. Thayer discussed AEA would finance \$13.3 million with HEA for the acquisition of the purchase with proceeds from the bonds. An additional \$2 million for the costs relating to the SSQ Line, including the right-of-way upgrades and repairs, will be financed. The Bradley Lake participating utilities, including HEA, will be responsible for the payment of the debt service of the bonds in accordance to their respective shares of the Bradley Lake capacity.

The total is not to exceed \$16.7 million, which is a total of the cost of issuance and necessary reserves.

Mr. Thayer anticipates the closing to occur in the fourth quarter of 2020. Mr. Thayer read the conditions for the record, as follows: "Whereas the proposed transaction is contingent upon;

- A determination that all costs associated with the proposed transaction are deemed required project work under the Power Sales Agreement and bond resolution;
- The receipt of working permits, including acceptable buffer zones for the authorization to use and occupy certain lands of the Kenai National Refuge for the SSQ Line and the right of way of the 69 kV Line with terms acceptable to the BPMC;
- Execution by all the utilities of definitive agreements delineating terms and conditions of the proposed transaction;
- Amendment to the various Project Agreements by the participating utilities reflecting the terms of the proposed transaction;
- Approval of the financing and term sheet by the Authority's Board, BPMC, and the participating utilities' Board of Directors;
- Issuance of the bonds to finance qualified acquisition costs, funding necessary reserves, and funding the cost of issuance.

Vice-Chair Karl expressed appreciation to Mr. Thayer and his team for their efforts. He is supportive of the resolution.

Mr. Thayer highlighted the rate on the term sheet is at 3.5 percent for a 20-year term. The borrower agrees that all capital upgrades to the SSQ Line will follow procurement guidelines, including competitive bid.

Mr. Kendig informed he has a conflict of interest because he is on the MEA Board of Directors. He will recuse himself from the vote.

MOTION: A motion was made by Mr. Fogle to approve Resolution G2020-07. Motion seconded by Vice-Chair Karl.

A roll call was taken, and the motion passed, with Mr. Kendig recused.

Mr. Thayer expressed special appreciation to his team, including Kirk Warren, Betsy McGreggor, Kirk Gibson, and Cynthia Cartledge. Another report will be presented at the October meeting. The hope is to close in November.

Chair Pruhs extended his gratitude to all of the participating utilities for their efforts in working together for the benefits of the rate payers. Mr. Thayer agreed.

8. OLD BUSINESS

A. West Fork Upper Battle Creek Construction Update

Mr. Thayer discussed the provided West Fork Upper Battle Creek update. The contractor's substantial completion date was July 22. The final completion is expected to be on schedule. The construction contract bid was \$36 million and the current contract stands at \$37.45 million. Mr. Thayer described the pictures included in the update.

Mr. Thayer introduced Max Garner and requested he provide an overview of the claims discussions. Mr. Garner informed the contractor Orion has successfully achieved substantial completion. There are lingering issues that have to be addressed on both the construction and legal sides before final completion. Staff continues to be engaged in negotiations with Orion regarding the claims. Orion has improved on their position. The Contracting Officer's Decision (COD) is due on August 17. Discussions are ongoing to extend the date in order to continue the negotiating process. Mr. Garner expressed optimism that an agreement can be reached. A grant settlement authority has been issued by BPMC. The procedure has occurred at a slow pace. Staff's approach is to maintain extreme patience.

Mr. Garner discussed, for informational purposes, the request from Orion to store the components of their man-camp at Bradley Lake. The benefit to Orion is the elimination of moving the man-camp. It would be stored until they either deploy it for another job or sell it. Staff is evaluating the quality of the proposal. Mr. Garner indicated Orion would have to provide a performance bond assurance that the camp would be moved if the storage agreement timeframe is exceeded. Mr. Garner does not believe Board action on this consideration is required.

Mr. Thayer informed the West Fork Upper Battle Creek Diversion ribbon cutting ceremony is tentatively scheduled for August 25. An outline of the anticipated schedule was provided to members. Two aircraft will be chartered out of Anchorage, with a total capacity of 16 passengers. There is aircraft space available for two Board members. The remaining seats will be filled by Mr. Thayer, Mr. Gibson, the CEOs for the six utilities, the Governor's Office with three seats, and two media representatives. Bryan Carey will most likely fly directly from Homer.

Vice-Chair Karl inquired if he can utilize his own plane and pilot at his own expense and fly the remaining Board members to participate in the ribbon cutting ceremony. Mr. Thayer indicated he would have to research the legality of Vice-Chair Karl's request and review HEA's requirements for landing at the airstrip. Vice-Chair Karl asked if AEA can charter another airplane if there are issues with his suggestion.

Chair Pruhs polled the Board members and a total of four or five members would like to attend. Mr. Thayer stated additional review of the logistics needs to occur because there are Covid-19 site restrictions and ground transportation issues to consider. Mr. Thayer will research the options.

Ms. MacKinnon asked what health mandates will be followed. Mr. Thayer stated the approved State protocols will be followed, most likely including mask mandates, and reduced space capacity due to a restriction to the powerhouse to ensure no one in the powerhouse gets ill. The intent is for the use of Bradley Lake vehicles and not the use of contractor vehicles.

9. DIRECTOR COMMENTS

A. Staff Response to Board Questions

Mr. Thayer noted the responses to questions posed by Ms. MacKinnon and Ms. Sande are included in the Board packet. The Department of Transportation has submitted a list of questions to AEA with a deadline of tomorrow. Mr. Thayer feels this is a positive outlook.

Ms. MacKinnon expressed appreciation for the responses that were provided in writing. She noted a response was not given on her question regarding the statutory authority for AEA to accept the grant. Ms. MacKinnon acknowledged there is a reference to a statute in the response, but she has not reviewed the statute. Mr. Thayer apologized that answer was not included in the response. It is on his desk. He will send the answer to all Board members.

B. Renewable Energy Fund

Mr. Thayer discussed AEA is currently in the process of seeking applications for funding through the Renewable Energy Fund (REF). This will be the 13th round of the REF, with a total of \$268 million awarded. Recommendations to the Legislature will occur by the end of January. Mr. Thayer understands it is unlikely the Legislature will be able to fund any projects. However, the REF has approximately \$7 million remaining for projects. The process will be shared with the Board as it occurs. The REF review committee is appointed by the Governor and consists of five members of the public and four members of the Legislature.

C. Power Cost Endowment Update

Mr. Thayer discussed the included Power Cost Endowment Fund update. The earnings of the fund for the previous fiscal year are \$48 million. This is a dramatic drop from previous years, in which earnings usually are in the \$74 million range. The first tranche of funds go to PCE. The second tranche of funds go to community assistance offered through the Department of Commerce. If there are additional earnings, 70 percent would go to the REF. Mr. Thayer informed the FY20 earnings are not enough to fund any community assistance.

Mr. Thayer reviewed the total cost and fees of endowment fund management and program administration by AEA, RCA, and Department of Revenue for FY18, FY19, and FY20. Mr. Thayer explained AEA's increase from FY19 to FY20 is due to filling the vacant PCE tech position.

D. Denali Commission Update

Mr. Thayer advised there are two active Denali Commission awards that are in the process of close-out; Clark's Point and Port Heiden.

E. Akhiok Powerhouse Update and Open House

Mr. Thayer reviewed the photos shown in the update of the existing powerhouse and the new powerhouse. After an open house was conducted with Denali Commission, they are able to transfer an additional \$700,000 into the rural powerhouse upgrades. The total cost for the new powerhouse, including shipping and installation, is approximately \$3 million. It includes three generators; two at 100 kW and one at 65 kW.

F. Power Project Fund Dashboard and Loan Report

Mr. Thayer informed there are currently 21 loans, with one delinquency of \$1,100. He noted this is a usual delinquency for this participant and is expected to be paid late.

Mr. Fogle asked how many of the 21 loans are affected by the coronavirus economic conditions. Mr. Thayer explained the only project that asked for a loan modification was Haida Energy Hiilangaay Project. The Board did not approve the loan modification. Payments have been made on time.

Mr. Thayer discussed the letters from King Cove and Alaska Power & Telephone Company included in the packet are for informational purposes. The letters request the congressional delegation seek funding to completely pay off the Power Project Fund (PPF) and recapitalize AEA. No further discussions have occurred.

G. Electric Vehicle Grant Update (Verbal) – None.

H. Community Outreach Schedule

Mr. Thayer informed the Covid-19 pandemic is greatly affecting staff's ability to travel. There has been Zoom meeting participation in Fairbanks with the Chamber of Commerce and the Economic Development Corporation.

I. Articles of Interest - Included in the Board packet.

J. Next Regularly Scheduled AEA Board Meeting Wed. September 16, 2020

Mr. Thayer informed the agenda will include an update on the analysis on the powerhouses in rural Alaska and the Coast Guard's work regarding bulk fuel in rural Alaska. Mr. Thayer noted S/Q matters will not be discussed at the September meeting, but will be discussed at the October meeting.

10. BOARD COMMENTS

Unidentified Member echoed the sentiments of members regarding the cohesiveness around the transmission lines and being able to utilize the clean power available. She expressed disappointment in the amount of time it takes for the State to complete the projects. She commended staff for their efforts.

Chair Pruhs expressed appreciation to Mr. Thayer and staff for their efforts. He commented on the positive occurrences for the residents of the state that have risen out of the ashes of the Swan Lake fire.

11. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 11:09 a.m.



Secretary

