



**ALASKA ENERGY AUTHORITY
BOARD OF DIRECTORS
December 5, 2005, @ 3:00 p.m.
Anchorage and Juneau, Alaska**

1. CALL TO ORDER

Chairman Barry called the meeting of the Alaska Energy Authority to order on December 5, 2005, at 3:00 p.m. A quorum was established.

2. BOARD OF DIRECTORS ROLL CALL

Directors present in Anchorage: Mr. Mike Barry (Chairman/Public Member), Commissioner Bill Noll (Department of Commerce, Community and Economic Development), and Mr. John Winther (Public Member).

Directors present in Juneau: Deputy Commissioner Tom Boutin (Designee for Department of Revenue).

3. PUBLIC ROLL CALL

Staff present in Anchorage: Ron Miller (Executive Director), Jim McMillan (Deputy Director-Credit & Business Development), Valorie Walker (Deputy Director-Finance), Karl Reiche (Project Development Manager), Becky Gay (Project Manager), Brenda Applegate (Accountant), Mark Schimscheimer (Project Manager), Sara Fisher-Goad (Financial Analyst), Chris Rutz (Procurement Manager), Bernie Smith (Project Manager), Linda MacMillan (Accountant), (Brenda J. Fuglestad (Administrative Manager), and Jeff Williams (Administrative Assistant).

Others attending in Anchorage: Mike Mitchell and Brian Bjorkquist (Department of Law), Tim Bradner and Margie Bauman (Alaska Economic Report), Bill White (Anchorage Daily News), Robert Sheldon (TATICC/ATM), Jan Sieberts (Washington Capital), David Germer and Jon Rubini (JL Properties, Inc.), Shirley Kelly (USDOD-EDA), Dane Hanson and John Duffy (Mat-Su Borough), Jim Walker (Matanuska Electric Association), Kathy Porterfield and Charlie Kozak (KPMG) and T.N. Obermeyer (Self).

Others attending telephonically: Gary Roberts and Mike O'Leary (Callan Associates), Paul Bloom and Jeff Brown (Merrill Lynch), and Pat Clancy (Western Financial Group).

4. PUBLIC COMMENTS

There were no public comments

5. PRIOR MINUTES

The July 25, 2005 AEA board minutes were approved as presented.

6. OLD BUSINESS

There was no old business.

7. NEW BUSINESS

7A. Financial Statements

Ms. Porterfield, Managing Partner with KPMG LLP, summarized the audited financial statements and letter to the Board.

She said that because the Energy Authority has significant funding from the Federal Government through the Denali Commission there are additional audit requirements and KPMG has issued reports that the Federal Government requires regarding your compliance with grants. KPMG intends to also issue unqualified opinions on the Authority's compliance with the provisions of its federal grants agreements. KPMG's unqualified opinion should be available next month.

She said the purpose of the audit is for KPMG to gain reasonable assurance that the financial statements are free of material misstatement. KPMG conducted appropriate audit procedures and has concluded that the financial statements are fairly stated in all material respects in accordance with generally accepted accounting principles, resulting in an unqualified or a clean opinion. KPMG obtained reasonable assurance during the audit that the financial statements are free of material misstatement.

Ms. Porterfield stated that the only change in terms of format of the financial statements was the implementation of new accounting standards with regard to investments. Ms. Porterfield also pointed out the information about the Bradley Lake trust accounts and the supplemental information provided

She said the Authority has very good accounting records and it was not necessary to propose any significant audit adjustments. The Authority has an effective system of internal control in place.

7B. Alaska Intertie Update

Mr. Miller stated that several issues regarding the Alaska Intertie were discussed at a previous board meeting: problems with the Agreement, projects that the IOC is focusing on, and the status of the pipeline project. He noted that a copy of the snow load monitoring procedure adopted by the IOC on November 16th is attached. The IOC had been discussing problems with the Intertie Operating Agreement along with possible amendments to that Agreement. AIDEA is in negotiations with ML&P regarding management and the Intertie Bypass Project. Henri Dale with Dryden & LaRue prepared summary studies on three structure foundations, which we should receive shortly.

The IOC has discussed hiring consultants to study upgrade options with regard to the SPC issue. Mr. Smith stated they were still discussing the matter, but that issue is on the agenda for the January 19, 2006 IOC meeting.

Mr. Miller said that the participating general managers of the utilities requested AIDEA run financing scenarios for Intertie repair and replacement. AIDEA has complied with that request

but have not had a formal response from the general managers.

Chairman Barry said that at a work session with the general managers it was agreed that there were several items on a checklist that had never been checked off and stated that one of the problems in getting those items resolved was not having a financing plan. They asked AIDEA to present a financing plan and we did.

Mr. Bjorkquist stated that there has been some discussion on some of the financing points and that if the Board would like to get into the details that would be a topic appropriate for executive session. He said he could give an update on where things are in the negotiations and the Board could give staff direction as to what its pleasure would be. Mr. Bjorkquist also noted, regarding the Intertie Bypass Project, that there are ongoing negotiations on details for the contract and that this is another topic where staff could use some direction from the Board.

Chairman Barry asked staff to prepare a report to the Board on those items that were identified in June as being delinquent and whether or not any of them have been addressed and, if not, list some suggestions as to how to get the utilities to address those issues. He stressed that what he meant by "*address*" was that these issues get resolved and not just talked about.

In response to Board member questions, Mr. Bjorkquist addressed Mr. Winther's question and said that under the Agreement, there is no repair and replacement fund or other funded mechanism. The question is how to deal with the concern of funding necessary repairs and replacements and major maintenance as they arise. The details of this topic would also be appropriate for executive session.

Chairman Barry stated he would prefer to have an executive session when there is more time available to discuss the issues, as this has been an ongoing issue for a number of years. Hearing no objection Chairman Barry moved on to Item 8A of the agenda.

8. DIRECTOR COMMENTS

8A. STATUS REPORT

Mr. Miller stated that budget meetings have been held with the Office of Management and Budget for both agencies.

In response to Board member questions, Mr. Miller replied that AEA expects to see a reduction in funds available for its energy programs from the Denali Commission, which is mainly because of the overall decline in funding for the Denali Commission and the increase in earmarks going to the Denali Commission for certain projects.

8B. NEXT MEETING DATES

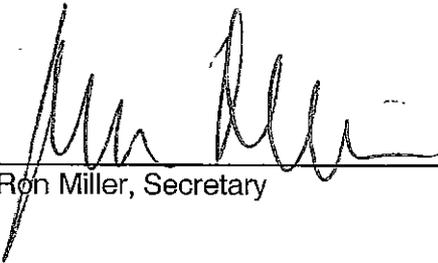
Chairman Barry stated that the next AEA meeting will follow the next AIDEA board meeting.

9. BOARD COMMENTS

There were no board comments.

10. ADJOURNMENT

Chairman Barry adjourned the meeting at 3:15 p.m.



Ron Miller, Secretary

November 16, 2005

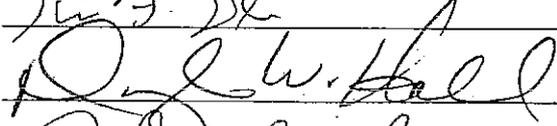
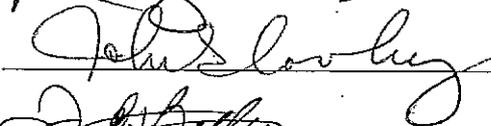
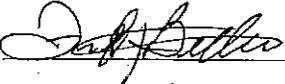
SNOW LOAD MONITORING PROCEDURE

The Snow Load Monitoring System (SLMS) operates continuously for the purpose of advising the Southern Controller of weather conditions that may cause snow to load on the conductors of the Alaska Intertie. This condition creates the possibility that conductors will unload unevenly which may then lead to conductor unbalance that possibly may then lead to conductor clearance problems. A Patrol Contractor will be retained as part of the Snow Load Monitoring Procedure.

The computer system is supplemented by a Patrol Contractor who performs line patrols at the direction of the Southern Controller or after any snowfall of more than 2" over 24 hours measured at the Susitna High School or the Talkeetna Airport unless the Southern Controller determines that a patrol is impracticable. The Patrol Contractor will check and report to the Southern Controller and Alaska Energy Authority by e-mail daily.

There is a definitive sequence of events that must occur in order to create clearance problems along the Alaska Intertie. As determined by analysis of previous line models, the weight on the insulator string must increase by an average minimum of 1407 lbs of snow (over the bare conductor weight) must first accumulate on the conductors in a number of spans to create the possibility for clearance problems which will trigger an alarm on the SLMS. Then the snow must unload from a number of spans but not from all the spans. This creates a situation that may or may not cause a ground clearance problem.

If the SLMS indicates the Intertie has one or more load cells in alarm the Southern Controller shall (1) advise all Intertie participants of the conditions, and (2) immediately initiate de-energizing the Intertie, consistent with prudent utility practices. Under normal circumstances, it is anticipated that the Intertie would be de-energized within 2 hours after a load cell alarm. The Intertie will remain de-energized until a patrol is completed and it is determined that there is no conductor clearance problem.

GVEA	Henri Dale	
ML&P	Doug Hall	
CEA	John Cooley	
AEG&T	Frank Bettine	
AEA	Bernie Smith	