

**Alaska Energy Authority
BOARD MEETING MINUTES
Thursday, December 11, 2008
Anchorage, Alaska**

1. CALL TO ORDER

Chairman Pat Galvin called the meeting of the Alaska Energy Authority to order on December 11, 2008 at 10:32 a.m.

2. BOARD OF DIRECTORS ROLL CALL

A quorum was established.

Members present in Anchorage: Chairman Pat Galvin (Commissioner, Department of Revenue); Vice Chair John Winther (Public Member); John Kelsey (Public Member); Commissioner Emil Notti (Department of Commerce, Community & Economic Development); and Commissioner Leo von Scheben (Department of Transportation & Public Facilities).

Chairman Galvin confirmed that public notice requirements had been met.

3. PUBLIC ROLL CALL

Staff present in Anchorage: Steve Haagenson (AEA Executive Director); Chris Anderson (Deputy Director-Credit); Sara Fisher-Goad (Deputy Director-Operations); James Hemsath (Deputy Director-Development); Valorie Walker (Deputy Director-Finance); Brenda Applegate (Controller); Brenda Fuglestad (Administrative Manager); and Sherrie M. Siverson (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist (Department of Law); David McCambridge (KPMG); Eric Lidji (Petroleum News); and Clinton White (STG Incorporated).

Arrived while meeting in progress: Ted Leonard (AIDEA Executive Director); Bruce Chertkow (Loan Officer); Chris Mello (Project Manager); Linda MacMillan (Accountant); Karl Reiche (Projects Development Manager); Mark Schimscheimer (Project Manager); Jim Strandberg (Project Manager); and Brian Donaldson (Primary Care of Alaska).

4. PUBLIC COMMENTS

Mr. Clinton White, STG Incorporated, asked several questions regarding the Renewable Energy Fund Grant Application Program. He asked for clarification about the schedule for applications that have been submitted because he felt there was a lack of transparency in the way the applications were being reviewed and discrepancies in the numbers and projects viewed online. He stated the need for greater transparency because as the second largest renewable energy fund in the country, this should be evaluated fairly and openly with good dialog among all partners involved in the process.

STG has assisted several clients in completing applications that asked for cost benefit ratios, but there was limited information available as to what should be used for the main input. This leaves room for errors in the cost benefit numbers generated, one of the main deciding factors in how the funds will be allocated to specific projects. The job could have been done better in the area of communicating cost categories and how costs should be allocated to a project in the budget worksheet prepared for the grants.

Mr. Haagenson stated that ISER was hired to determine the price for fuel and will be conforming the numbers to a common index. A draft process is in place and the Statute is clear about evaluating projects on benefit-to-cost; the most weight is given to high-cost areas first and then to matching. All components of the Statute have been incorporated into a fairly comprehensive process and AEA is currently doing an internal review. A Regional Advisory Committee has been involved in the structure of the evaluation and the overall process. Information will be submitted to the committee at a meeting on December 18, 2008 and they will assist with regional spreading to ensure projects are not concentrated in any one area of the state. When the committee review is complete, all applications including the raw data, evaluations and comments will be posted online.

LB&A is in the process of selecting a new committee and it is anticipated that FY 2009 information will be submitted in January 2009. By Statute, the second \$50 million dollars, FY 2010, will be submitted to the Legislature on January 30, 2009, ten days after the session begins. The process is new and taking longer because each application received is being evaluated internally. Outside economists are also evaluating the benefit-to-cost ratios not only for the project, but also for the public benefit-to-cost ratio.

In response to the Board, Mr. Haagenson stated that the meeting on December 18, 2008 is a public advisory committee and open to interested parties.

Chairman Galvin reiterated that the applications are currently in an internal evaluation phase where the work is being done so the transparency is not evident. During the next phase, before a decision is actually made by the Legislature, everything will be made public.

In response to the Board, Mr. White stated that the Alaska Renewable Energy program is second nationally only to California based on information from Chris Rose. Mr. Haagenson stated that the fund is for \$250 million dollars, \$50 million for five years and an additional \$50 million was added in a special session.

5. PRIOR MINUTES – October 7, 2008 and November 10, 2008

The minutes of both meetings were approved as presented.

MOTION: Mr. Winther moved to approve both sets of minutes as presented. Seconded by Mr. Kelsey. There being no discussion, the question was called. A roll call vote was taken and the motion passed.

6. OLD BUSINESS

There was no old business.

7. EXECUTIVE DIRECTOR COMMENTS

Status Report of the August 3, 2008 Recommendations from Crossroads Leadership Institute

A. Creation of an Open, Trusting and Transparent Environment

- Create an open culture which encourages candor at all levels.
- Implement the "I will..." agreement throughout the building.
- Provide training in communication, conflict resolution, team building, and trust building with the purpose of increasing trust and transparency in the work environment.
- Promoting fairness in the treatment of all employees.
- Develop and redefine communication practices throughout the building.
- Conduct "Open Forum Meetings" to discuss current topics.
- Develop multiple media to provide access to information
- Encourage employee input to changes which affect them.
- Implement a continuous improvement program. Process improvement will involve employees, and will identify process bottlenecks, waste, and promote a quality culture with AIDEA/AEA.

B. Human Resource Development

- Hire a full time senior level HR Manager to be shared between AEA and AIDEA.
- The HR Manager will be responsible for all HR activities and functions including but not limited to: staff development, organizational development, performance management programs, linking training to the strategic plans, staffing, design a conflict resolution process for employees, comprehensive compensation program (changes to compensation and benefits) and succession planning.
- Develop HR policies and procedures to be applied consistently throughout the organization.
- Provide management and supervisor training.
- Managers need to explore ways to let people know they are appreciated in a genuine and supportive fashion. Employees need to hear "good job" much more often from their managers.

C. Strategic Planning

- All employees will be involved in the newly revised strategic plans for both AEA and AIDEA through a process so each employee can see the big picture and understand how the job they do fits into driving the mission for their organization
- Develop and implement strategic plans for both AEA and AIDEA.
- Review the organizational structure of AEA and AIDEA to more effectively meet the missions of each organization.
- Provide each organization with their own administrative services.

D. Physical Work Environment

- The building needs repairs, painting and general maintenance.
- Noise is an issue with the cubicle office spaces.

Alaskan Energy Report:

Continue to present to the public on the concept. The narrative is being finalized and includes stand-alone technology sections. We have recently modified the output to clearly show the local opportunities for fuel sources. The meter format identifies three zones: green, yellow and red that show crude oil costs. The alternative fuels are shown how they compare to various fuel prices.

Renewable Energy Fund:

Total applications received in both rounds I and II totaled 234; requesting over \$755 Million. Attached are the draft review criteria being used in each stage of the review process for applications.

Summary of the applications received and the status of the review process AEA is completing for the Renewable Energy Fund:

Round I grant applications received (due 10/8) = 114 (one those received was accidentally counted twice is the reason it appears there may have been 115 received); requesting \$444 Million.

http://www.akenergyauthority.org/RenewableEnergyFund/RFA_ProjectLocations_3Nov08.xls

Of the 114 received, 99 of the applications were determined to be eligible projects worthy of additional review.

http://www.akenergyauthority.org/RenewableEnergyFund/RFA_RoundIApplicantstoStageIIReview_7Nov08.xls

Of these 99 applications, the AEA still needs to complete the review of approximately 30 more Round I applications. These reviews involve outside economists, project managers and program managers. Their review is to determine the technical and economic feasibility of the proposed projects, recommend whether to actually fund the project and at what level of funding.

Currently, it is planned to have a meeting with the Renewable Energy Fund Advisory Committee on December 18, 2008 to review AEA's recommendations and determine regional priorities (per the statute) for all Round I applications received.

Round II grant applications received (due 11/10) = 120 (one those received was accidentally counted twice is the reason it appears there may have been 121 received); requesting \$311 Million.

http://www.akenergyauthority.org/RenewableEnergyFund/RFA_RoundIIApplications_alphabyApplicantName_19Nov08.xls

AEA has not yet begun the review of Round II applications received.

Google Earth map of the Round I applications moved to the Stage II review:

http://www.akenergyauthority.org/RE_Fund_map.html

Railbelt Electric Grid Authority:

Continue to work with Railbelt utilities to identify common ground.

Financial Statements:

Introduce David McCambridge with KPMG to walk the Board through the AEA Financial Statements and answer any questions.

Commissioner von Scheben asked that the group interface with DOT&PF regarding transportation needs that may arise.

As a follow-up on earlier comments Commissioner Galvin inquired if public expectations were being met regarding the schedule. Mr. Haagenson stated that there was no set schedule for Round I. After the December 18, 2008 Advisory Committee meeting and LB&A forms a new committee, the recommendations and applications will be submitted for their approval.

Commissioner Galvin stated that AEA Programs and Projects updates and a proposed 2009 meeting schedule are included in board member packets. The next meeting is scheduled for January 15, 2008.

8. NEW BUSINESS

David McCambridge, audit partner with KPMG, provided an overview of the 2008 AEA Financial Statements and letter to the Board.

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 statement is free of material misstatements.

There were no significant transactions out of the ordinary. No adjustments were proposed or recorded. Management did a great job of preparing for the audit and providing KPMG information. During that process there were no unadjusted differences, or adjustments requested by KPMG.

Mr. McCambridge added that KPMG also performed a federal single audit compliance audit. Those reports were issued with unqualified opinions on AEA's management of those programs.

9. BOARD COMMENTS

Commissioner Notti commended Steve for doing a great job in assimilating all of the information in a short period of time. Commission Galvin stated the Board was pleased to have him on staff and very excited about where AEA is going.

10. ADJOURNMENT

There being no objection and no further business of the Board, the meeting was adjourned at 11:17 a.m.



Steve Haagenson, Executive Director/Secretary
Alaska Energy Authority