
Alaska Energy Authority
BOARD MEETING MINUTES
December 9, 2009
Anchorage, Alaska

1. CALL TO ORDER

Chairman Pat Galvin called the meeting of the Alaska Energy Authority to order on December 9, 2009 at 2:34 p.m.

2. ROLL CALL: BOARD

Members participating: Chairman Pat Galvin (Commissioner, Department of Revenue); Vice-Chair John Winther (Public Member); Mike Felix (Public Member);

Absent: Emil Notti (Commissioner, Department of Commerce, Community & Economic Development); and Leo von Scheben (Commissioner, Department of Transportation & Public Facilities).

3. AGENDA APPROVAL

The agenda was approved as presented.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Steve Haagenson (AEA Executive Director); Sara Fisher-Goad (Deputy Director-Operations); James Hemsath (Deputy Director-Development); Valorie Walker (Deputy Director-Finance); Shauna Howell (Administrative Assistant); and Sherrie Siverson (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist (Department of Law); David Rohwer (Fairbanks, AK); Rich Wilson (Alaska Ratepayers); Tom Staudenmaier (Self).

5. PUBLIC COMMENTS

Tom Staudenmaier (Self) stated that he has been in Alaska 40 consecutive years and was asked in 1982 to get involved with the electric utilities. "This is my statement." It says here Tom Staudenmaier's electric merger plan shall give the Alaskan people who reside in Southcentral, Interior and Southeast Alaska two separate power grids tied together that are in complete form and reliable. Tom Staudenmaier's electric merger plan shall provide the basic foundation for the industrialization and economic development of Southcentral, Interior and Southeast Alaska for the next 100 years. Remember Staudenmaier's electric plan means true Alaska local hire, the creation of tens of thousands of new jobs for present and future Alaskans. The abundance of cheap power is the best resource the State of Alaska and her residents can offer to themselves and any industrial enterprise. It says here that Staudenmaier's electric merger plan is the best and brightest idea to energize the State of Alaska. If you find a better plan go buy it. Remember, we Alaskans all benefit equally. How you vote on Tom Staudenmaier's electric merger plan is your business, making that vote possible is ours. The other option, sell them off.

Mr. Staudenmaier presented the group with a handout.

Rich Wilson (Alaska Ratepayers) encouraged the AEA Board to embrace a policy that achieves our goals of affordable, long-term affordability and predictability of consumer rates. We are aware of statewide requirements for affordable energy and we want to support a statewide policy in that direction. Mr. Wilson noted the Railbelt our first priority but encouraged the AEA Board to keep Susitna not only on the table, but to move it to the front. In looking at the Integrated Resource Plan (IRP) report, we've read it and discussed it, it just came out so we haven't had that much time to review it, but since you're meeting today we thought we'd come forward and just get our thoughts on that. Our main message today is the Four Dam Pool worked. Petersburg, Wrangell, Ketchikan, Solomon, Valdez, Kodiak and Bradley Lake all work. That is where we ought to be going for the Railbelt, and Susitna is the only option that can provide base load that is studied enough to know that you can get there and that can be scalable to the demand. You don't have to build 1800 megawatts, you can build it in pieces. We are a consumer group that encourages the State of Alaska and its entities to embrace a policy of prioritizing Susitna as a feasible and long-term solution to base load and the Railbelt.

6. PRIOR MINUTES

The minutes of November 9, 2009 were approved as presented.

7. OLD BUSINESS

There was no old business.

8. NEW BUSINESS

There was no new business.

9. DIRECTOR COMMENTS

9A. Director's Status Report of AEA Programs and Projects

Renewable Energy Fund Round III Update

Mr. Haagenson noted that on November 10, 2009 staff received 124 applications for Round III requesting over \$224 million. AEA's goal is to have the applications reviewed, ranked and scored by the end of December, with a recommendation for up to \$50 million to the Legislature by January 29, 2009.

Alaska Energy Plan Update (Handout)

AEA is currently:

- Developing the narrative and formatting the document.
- Developing the database to provide data to support an immediate, short-term, mid-term, long-term and stretch goal for each community.
- Continuing to meet with different regions to engage them and gain ownership in the final community and regional plans.
- Finalizing the Integrated Resource Plan for the Railbelt.
- Working with the Governor's office on rollout strategy and timing.
- Overview of the Energy Plan PowerPoint and the Integrated Resource Plan.

Mr. Haagenson added that staff is finalizing the IRP which looks at the entire Railbelt region. The non-Railbelt portions of the state are covered in a massive database. In the end, the two are added together will provide an overall picture for the state. Staff are working on a rollout strategy with the Governor's office for the Energy Plan including the whole energy report.

Mr. Felix asked if the plan also looks at current structure and ways structure may be more efficient – the relationship between the entities.

Mr. Haagenson responded that AEA is mainly looking at the Railbelt for that structure. Mr. Staudenmaier mentioned the 6 or 7 utilities in the Railbelt. The IRP is looking at a consolidated Railbelt with all the generation and transmission assets. The next action item is a bill (GRETC) which looks at a structure to place the Railbelt utilities in one entity for generation and transmission assets.

Mr. Haagenson noted that basically the Rural Energy Study starts with the maps of the available resources.

A key to the maps was discussed: W=wood; H=Hydro; T=tidal; Geo=geothermal. The numbers reflect Wind class. The higher the number, the better the wind class, 7 is the best. AEA is looking at all available resources in each community.

The wind-only scenario on page 12 basically replaces diesel use for electricity and heat. The question that we asked is, "What are you doing for me today?" What can you do immediately is typically conservation and efficiency increases. Each community in Alaska will look at using their resources and will receive a deployment strategy. AEA has shared this high level strategy with communities across Alaska, with Native Corporations, and with utilities and municipalities. We are asking them to "make this plan your own."

Chair Galvin asked what the zero dollars represent. Mr. Haagenson said these are placeholders. When the database is running, it will be populated with capital costs to get to that level. Another item that is not shown will be the actual resulting cost of energy for heat and electricity.

Mr. Haagenson discussed the financing philosophy; replacing the cost of fuel with a fixed-price loan. So a \$100,000/year into fuel cost is equivalent to a \$1 million dollar debt with a \$100/yr payment. Chair Galvin clarified that these are Energy Information Agency (EIA) prices and they do not correspond to Department of Revenue's projections. Mr. Haagenson said they do not.

Mr. Strandberg provided an overview of the Integrated Resource Plan (IRP). Black & Veatch has provided an Executive Summary of the Railbelt IRP project. The study is included in an accompanying CD. Black & Veatch project manager Kevin Harper is present if board members would like more detailed information.

The initiative seeks to restructure the generation and transmission portion of the Railbelt. The majority of the investment is in power generation and transmission lines. The Integrated Plan is one part of the larger process and it defines three different initiatives: 1) the REGA study, 2) the GRETC initiative, and 3) this Integrated Plan.

The REGA study was pursued as a result of an appropriation from the Legislature to develop a new business structure for the future for generation and transmission. Black & Veatch produced that study. The REGA study was used as the basis to draft legislation to form a special private not-for-profit corporation configured to own, operate and control future major infrastructure. It is

expected that an investment of \$8-\$12 billion dollars in infrastructure will be required over the next 50 years.

Because of the very large sums of money, we need a robust company that has significant financial capabilities. This entity will need to operate in a corporate private partnership mode where the network may be owned privately by the utilities, but the state, in some fashion, would serve as either a financial underwriter or a participant in the potential capitalization of the company. Basically GRETC forms the company, the Plan defines what projects the company is going to spend the money on, and the Plan considers power generation, generators, transmission lines, and fuel portfolio. The study includes development of the capitalization and the potential for capitalizing a company. We've come up with an approach which is expressed in the company which we're calling the Bradley Model. It involves a partnership between the State and the utilities to capitalize, i.e. come up with the money to build and own over the long run and it's designed to seek the lowest cost for the ratepayer. One of several important criteria is a transition period of ten years to be able to go from where we are now (six utilities in a lot of ways doing their own thing but informally cooperating through an interconnected network) to a tightly held generation and transmission network ten years from now that has the ability to offer equal reliability power at a single system wide rate to all of the Railbelt utilities to generate the power from an arrangement of generators where at least 50% of the energy that is provided or generated is from renewable energy.

Mr. Strandberg publicly commended Black & Veatch for doing a very good job, for having a granular study, and for doing logical work in explaining each one of their recommendations. He personally thanked Mr. Harper and for his team for their hard work. Chair Galvin asked if this had occurred over the last year. Mr. Strandberg replied that it had.

Outputs from the study: among them is the treatment of Chakachamna and the Susitna project, and an interesting treatment of the Fire Island project. There is a generalized treatment of fossil fired power generation, gas fired, coal fired.

Chair Galvin asked, process-wise, was this generated by Black & Veatch for public comment? Right now there is a 30-day open public comment period, but what happens after that? Mr. Strandberg replied that he expects Black & Veatch to produce a final version of the report on January 13, 2010. It will be available for use as a tool.

Chair Galvin also asked if the final report is a Black & Veatch report or is it an AEA report? Mr. Strandberg replied that the report is a Black & Veatch report. AEA hired Black & Veatch as an independent contractor and asked them to give us their best estimate and advice. It is an unbiased study done by a hired contractor. An active advisory group has been meeting monthly as well as a considerable number of stakeholder meetings. Black & Veatch has attended these meetings regularly. The advisory group meetings were public, so there was a considerable amount of public input in the process. The Railbelt utilities have also invested significant amounts of manpower to provide detailed data for this study.

Mr. Haagenson stated that this report will also be used as an aiming stake for the utilities when they get together, it gives them a consolidated picture so I think they will be using it heavily and so that's why they're heavily involved in developing it.

Mr. Strandberg added that the final report will be published on January 13, 2010, before the start of the legislative session. If significant comments are received and there is need for significant change, staff will reconsider that schedule. AEA's goal is to have the report completed before the legislature convenes.

Chair Galvin asked if the utilities have had a chance to weigh in. Mr. Strandberg said yes. Mr. Haagenson added that AEA gave the utilities several weeks to weigh in, wrestle with the information, and come back if they had issues. AEA asked them for the answer. The study is a look at the whole picture and AEA's goal is to get the least-cost option to the consumers. That is the recommendation level Black & Veatch put into this report. The utilities, even though they are not thrilled with it, realize that this is probably the good target to shoot for.

Mr. Strandberg said he expects some utility comments. The Utility CEO's met and at present have elected not to provide any significant directional change comments to the study.

Chair Galvin stated that the Healy Clean Coal issue raised concerns because it appeared that neither Golden Valley nor AIDEA were aware of the way it was going to be presented. AIDEA staff is looking at the way the analysis was done and the issues associated with how it is presented. He was concerned about how much buy-in there has actually been among the utilities.

Mr. Strandberg responded by stating it's a complicated process and AEA is never going to make everybody happy. This is a state-sponsored study designed to be a neutral ground study. The recommendations made are based on economic modeling, a combination of the economic modeling results and the knowledge that there are significant uncertainties particularly with carbon text. AEA has attempted to put forth economic information with respect to the different technologies and different projects that would be useful to both the utilities and to AIDEA.

Chair Galvin added that he understood and thinks the issue is going to have at least two aspects. One is going to be the technical review itself. I understand that with the Healy Clean Coal Project in particular, the impact of carbon legislation is a significant factor in the economic analysis of that. Exactly how that impact is measured is based upon assumptions not just of the type of legislation that might pass, but the actual operational and costs associated with the plant itself; and that's going to I believe be evaluated over the course when comments come in with regards to that. Secondly, how the language of the report conveys the desired message is also important and that the report not end up being seen as saying something that it doesn't and in something of the nature of the Healy Clean Coal Plant, it is very easy to create, through the use of language, a false impression; either by the language that you use, the context that it's put in, or the opportunity that others have to misappropriate the language for their own purposes. That sensitivity is probably something that will be evaluated as well.

9B. Next meeting date Wednesday, February 17, 2010.

10. BOARD COMMENTS

There were no board comments.

11. ADJOURNMENT

There being no further business of the board, the meeting was adjourned at 3:25 p.m.



Steven Haagenson, Executive Director/Secretary
Alaska Energy Authority