

Alaska Energy Authority
BOARD MEETING MINUTES

September 3, 2010

Anchorage, Juneau and Petersburg, Alaska; Houston, Texas

1. CALL TO ORDER

Chairman Patrick Galvin called the meeting of the Alaska Energy Authority to order on September 3, 2010 at 1:04 p.m.

2. ROLL CALL: BOARD

A quorum was established.

Board Members Present in Anchorage: Michael Felix (Public Member)

Board Members Present via Teleconference: John Winther (Public Member)-(Petersburg); Commissioner Susan Bell (Department of Commerce, Community and Economic Development)-(Juneau); Chairman Patrick Galvin (Department of Revenue)-(Houston, Texas).

Board Members Absent: Commissioner Leo von Scheben (Department of Transportation and Public Facilities)

3. AGENDA APPROVAL

The agenda was approved as presented.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Mike Harper, Acting AEA Executive Director (Deputy Director-Rural Energy); Chris Anderson (Deputy Director-Credit); Sara Fisher-Goad (Deputy Director-Operations); Valorie Walker (Deputy Director-Finance); James Hemsath (Deputy Director-Development); Ted Leonard (AIDEA Executive Director); Sherrie Siverson (Executive Assistant); May Clark (Administrative Assistant) and Carmen Jones (Administrative Assistant).

Others present in Anchorage: Brian Bjorkquist (Department of Law); Heather Williams (MWH Engineering); Tim Bradner (Alaska Journal of Commerce).

5. PUBLIC COMMENTS

There were no public comments.

6. OLD BUSINESS

There was no old business.

7. NEW BUSINESS

7A. AEA Resolution 2010-03 Sale of Certain Power Project Fund Loans

Chairman Galvin stated this Resolution is the execution of a plan that required Legislative assistance, and asked Sara Fisher-Goad or Valorie Walker to present an overview.

Ms. Fisher-Goad stated it was actually the culmination of SB 301, an initiative that AIDEA and AEA presented to the Governor's office with respect to authorizing a sale of the Power Project Fund (PPF) loan portfolio to AIDEA as an investment of AIDEA's revolving fund. The PPF has been a significant financing tool for renewable energy projects, and with grant funds anticipated to decline, the PPF will be used even more. HB 306 calls for the PPF to be a primary source for energy projects in the future – that recently passed legislation brought us here today.

Chairman Galvin stated Board members may recall when we were doing the Legislative overview ten months ago we discussed strategy for how to increase the catalyst of the PPF internally and in a sufficient manner. The Legislature endorsed it and now we are actually executing on that purchase. It's a two part transaction -- AEA's portion will be first and then AIDEA will do its part.

Mr. Bjorkquist stated that the Legislature approved this sale including the approval of the Memorandum of Understanding that set out the basic terms and conditions of the sale. The loan sale agreement basically follows the MOU which the Legislature has approved. Chairman Galvin reiterated that from AIDEA's perspective we are buying these loans but AEA is basically guaranteeing at the end of the day, that they are going to buy back the ones that are not good. Mr. Winther asked if AEA would have the funds necessary to purchase them and where would those funds come from. Mr. Bjorkquist stated that under the Agreement as approved by the Legislature, the payment back to the repurchase of the loans would be a repurchase out of the PPF loan fund. If the PPF loan fund had inadequate money to repurchase the loan if the loan went into default, and it couldn't be done within thirty days, then the repurchase would happen as soon as the PPF had sufficient funds through other loan repayments from other loans, etc. Interest would accrue at four percent (4%) and AIDEA would get back the amount – the present value of the loan at the time of default plus four percent (4%) after thirty days.

Mr. Winther asked if this could become a very large loan program (for hydroelectric projects). Mr. Harper stated that if the public takes to heart our efforts to put out a State Energy Policy or *Pathway*, they in turn can and follow up with applications in seeking funding. Grants are thinning out; Denali Commission is very limited in what they have. We believe the PPF could see a lot of activity.

Chairman Galvin asked if this is a one-time transaction with AIDEA, for twenty million dollars is purchasing the loans, and it isn't an ongoing transaction where AIDEA is continually buying loans from AEA. Mr. Bjorkquist stated that was correct. Under the Statutes, there is the ability for future purchases, but each future purchase of loans or a loan portfolio would have to be approved by the Legislature. This is a one-time deal with the repurchase of defaulted loans by AEA being a continuing obligation.

Mr. Felix asked if by virtue of the Legislature they essentially established the size of the fund roughly equal to the value of the loans that are to be sold and/or bought -- that's the value of the fund. Mr. Bjorkquist said the Legislature can also affect the size of the fund by making appropriations, and actually did so this past Legislative session. The Legislature has significant control over the loan fund in many ways, including seeing how much money goes into the loan fund. Mr. Felix stated the net effect of this transaction is that AEA packages up its loans, sells them to AIDEA, takes the cash then and moves forward with other projects out of that fund. Mr. Bjorkquist stated that was correct.

Chairman Galvin stated the Legislature can supplement that fund with appropriations which gives AEA the ability to fund additional projects down the line. One answer to an earlier question from Mr. Winther is that as Ms. Fisher-Goad indicated, the Legislature seems interested in potentially utilizing the PPF as a funding vehicle for power projects in the future. This means that it has the potential for being the vehicle through which a significant number of power projects are funded by the Legislature. Mr. Winther stated AEA is the right vehicle to use.

MOTION: Mr. Winther moved to approve Resolution 2010-03. Seconded by Mr. Felix. A roll call vote was taken and the motion passed unanimously.

8. DIRECTOR COMMENTS

8A. Director's Status Report

There was no report.

8B. Next scheduled meeting Wednesday, September 22, 2010

Chairman Galvin stated the tentative plan for September 22, 2010, is to have a work session during part of the meeting to familiarize new Board members to AIDEA and AEA, and give them some sort of orientation and it would benefit for all Board members to participate. He asked Ms. Fisher-Goad and Mr. Harper if they were aware of any AEA related items that might be up on the agenda for that meeting. Ms. Fisher-Goad stated Mr. Haagenson would like to perform an overview of budget issues and performance measures.

9. BOARD COMMENTS

There were no Board comments.

10. ADJOURNMENT

There being no further business of the Board, the meeting was adjourned at 1:19 p.m.



Steve Haagenson, Executive Director/Secretary
Alaska Energy Authority