

BOARD MEETING MINUTES
Tuesday, January 14, 2014
Anchorage, Alaska

1. CALL TO ORDER

Chair Dick called the meeting of the Alaska Energy Authority to order on January 14, 2014 at 9:00 am. A quorum was established.

2. ROLL CALL: BOARD

Members present: Chair Russell Dick (Public Member); Vice-Chair Dana Pruhs (Public Member); Susan Bell (Commissioner of the Department of Commerce, Community and Economic Development – DCCED); G. Wilson Hughes (Public Member); Crystal Nygard (Public Member); Michael Pawlowski (Department of Revenue); and Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Sara Fisher-Goad (AEA Executive Director); Michael Lamb (Deputy Director - Finance & Operations); Sandra Moller (Deputy Director - Rural Energy); Sean Skaling (Deputy Director – Alternative Energy & Energy Efficiency); Julie Anderson (HSE Office/Stakeholder Manager); Wayne Dyok (Susitna-Watana Project Manager); Emily Ford (AEA Public Outreach Liaison); Jennifer Haldane (Human Resources Manager); and Teri Webster (AEA Executive Assistant).

Others present: Elwood Brehmer (Alaska Journal of Commerce); Bill Saporito (Alstom Power); Keith Hand (Spectrum LNG); Jim Culley (Northrim Bank); Chris Brown, Jim Kuiken, Jamie Louks, Dennis Ahrens (MWH); Dan Britton (Pentex Fairbanks Natural Gas); John Batassin (Attorney General's Office); Mark Morones, Sara Longan (Department of Natural Resources); Daniel Hertrich (Hatch Energy); Ron Arvin (Mat-Su Borough Assembly); Leslye Langla (DCCED); Katrina Timm, Tim Gallagher, Mark Dalton, Dave Brahmer (HDR); Stuart Parks (Nana); and Mark Hero; Sunny Morrison, Miranda Studstill (Accu-Type Depositions).

4. AGENDA APPROVAL

The agenda was approved as amended.

5. PRIOR MINUTES

Chair Dick congratulated Mr. Pawlowski on behalf of the Board on his recent appointment to Deputy Commissioner of Revenue. Chair Dick welcomed Mr. Arvin, former Board member, to the meeting.

The December 5, 2013 AEA Board meeting minutes were adopted.

6. PUBLIC COMMENTS

There were no public comments.

7. NEW BUSINESS

7A. Renewable Energy Fund Round VII recommendations

Ms. Fisher-Goad requested Mr. Skaling provide an update of the Round VII recommendations. She noted a presentation showing the history of the program and the results of Rounds I through VI will be covered in a future Board meeting. AEA staff and the Renewable Energy Fund Advisory Committee (REFAC) have developed a recommendation list for this Round VII that will go to the Legislature by the 10th day of session.

Ms. Fisher-Goad noted the REFAC Committee is a unique advisory committee consisting of nine members, including legislators and appointed members of the public. The members are Senator Anna Fairclough, Senator Lyman Hoffman, Representative Bryce Edgmon, Representative Charisse Millet, Mr. Brad Reeves, Ms. Jodi Mitchell, Kathy Wasserman, and Chairman Chris Rose. There is currently a vacant seat which was held by Jim Posey. Ms. Fisher-Goad publically expressed her appreciation to the REFAC members for the time they devoted working on this project with AEA staff to provide the renewable energy project Round VII recommendations to the Legislature.

Mr. Skaling gave a detailed presentation regarding the Renewable Energy Fund (RE Fund) recommendations for this year. He explained the structure of the RE Fund grant recommendation program. Mr. Skaling noted AEA is scheduled to talk more fully about the RE Fund, how it is operating and how the projects are performing at the next meeting.

Mr. Skaling stated this year there is a greater emphasis on heating projects. The project score is ranked using the cost of heating fuel and not the electric cost. AEA provided two lists in ranked order to the committee, one of all the heating projects and one of all the standard applications, which include electric, electric and heat, storage, or transmissions projects applications. The committee then gave its recommendations to AEA.

Mr. Skaling explained the first page of the spreadsheet shows the top projects per the recommendations of the REFAC Committee that fit within the Governor's budget of \$20 million. Mr. Skaling noted the second page of the spreadsheet is a continuation of projects AEA recommended in ranked order that fall outside the \$20 million budget. The last category lists the projects which are not recommended. Mr. Skaling expressed AEA's confidence in all of the recommended projects due to the more stringent economic and technical reviews of the applications.

Commissioner Bell asked if it is \$227 million to date that has been funded through Round VII and asked if AEA is seeing a change in the types of applications, including the quality of

applications. Mr. Skaling believes the \$227 million funding number is accurate, but he does not have that specific information in front of him today. He noted AEA has to be careful in reporting those numbers because of recirculated funding that occurred with \$10 million and the difference between what has been recommended and funded versus how much money has been applied. He noted the \$10 million recirculated funds may have been counted twice. Commissioner Bell stated Mr. Skaling's answer gives an order of magnitude and is fine.

Mr. Skaling commented he has witnessed a significant improvement in the quality of applications since Round I. Mr. Skaling believes AEA has become more educated about what works and what does not. The evaluation is much more sophisticated than it was in Round I. He believes the applicants have also gotten the sense of what works and what does not. Mr. Skaling noted the number of applications is slowly decreasing, but the quality is increasing and he believes the recommended projects get stronger each year.

Mr. Pawlowski asked if AEA has any information on the impacts of the recommendations for partial funding at Stetson Creek and Allison Creek since they are both in the construction phase. Mr. Skaling has seen an analysis for Allison Creek showing cost of power using grant funding numbers and cost of power if a loan was utilized. Mr. Skaling does not remember the specific numbers and can provide that information to Mr. Pawlowski.

Mr. Wilken asked how is the progress of each project tracked after the grant is made, including the status of the project and the success of the project. Mr. Skaling advised each grantee is required to provide reports to AEA on a regular scheduled basis. If the project is in construction, the reports are made monthly. If the project is post-construction, the reports are quarterly to annual depending upon the resource type. Mr. Skaling noted AEA tracks the actual energy generation from these projects and prepares a report document for the legislative session. He stated AEA has improved the project tracking system in recent years.

Mr. Wilken asked how often the status report is updated, real-time, quarterly, or monthly. Mr. Skaling explained AEA has an online database where the data is collected. After each quarter, grantees have a month to report the data to AEA. There is an emphasis on the quarter ending September 30th, so the preliminary report can be completed in January. Another update occurs in March for the end of the calendar year to compare it to the previous calendar year's information.

7B. Susitna-Watana update

Ms. Fisher-Goad advised AEA has filed a letter with the Federal Energy Regulatory Commission (FERC) requesting a 120-day extension to file the initial study report due on February 3rd. The primary reason for the request for extension is the report has to explain the proposed activities for the next season and the timing of the studies is unknown because of the budget uncertainty. The Legislature will consider the funding level in the session which begins next week and ends April 20th.

Ms. Fisher-Goad noted there is a bit of misalignment between the heavy activity summer field seasons and fiscal years. With the budget request of \$10 million for FY15 and the remaining dollars from FY14, AEA is working toward re-prioritizing the studies that can occur in this

upcoming field season. A draft Initial Study Report will be completed showing the results of the 58 studies in 2013. This will be filed formally with FERC 120 days after February 3rd, if they approve the extension request. Ms. Fisher-Goad expressed AEA had a very successful study season with good access to most of the study area.

Ms. Fisher-Goad explained during the 120-day extension, AEA will also work with the village corporations and CIRI to obtain the permit for AEA to conduct studies on their land. She reported the 120-day extension will also give AEA the opportunity to work more closely with stakeholders and with the federal resource agencies to identify modifications necessary to complete the studies. Some of the studies are complicated with respect to instream flow and fish studies. Ms. Fisher-Goad advised the goal is to receive a FERC license and so it is important to develop a defensible license application.

MOTION: A motion was made by Vice-Chair Pruhs to go into Executive Session to discuss confidential matters related to land permit negotiations of the Susitna-Watana project. Motion seconded by Commissioner Bell. Motion passed unanimously.

7C. Executive Session - Susitna-Watana: 9:25 am.

The Board reconvened its regular meeting at 10:01 am. Chair Dick noted for the record the Board has not taken any formal action on the matters discussed in Executive Session.

8. EXECUTIVE DIRECTOR COMMENTS

8A. Project updates

Ms. Fisher-Goad advised the quarterly program and project updates are included in the Board members' packets. Ms. Fisher-Goad requested members contact her with any questions regarding those updates.

Ms. Fisher-Goad gave an update on Thayer Creek Hydroelectric Project. This project would benefit the residents of Angoon by reducing their cost of power. AEA had been concerned that Kootznoowoo did not seem to be making progress on the deliverables from the Round IV grant. AEA sent a letter to the grantee instructing them to show work and progress within 30 days or else the process for grant termination would begin. Ms. Fisher-Goad stated Kootznoowoo has hired a consultant and is making progress with developing a memorandum of understanding with Inside Passage Electric Cooperative (IPEC).

Ms. Fisher-Goad commented there is significant work the project has to complete in order to execute a Round V grant for the \$7 million to be used for construction. She stated progress is being made, but it is still unknown whether this project can really be developed due to its specific issues.

Ms. Fisher-Goad stated the Reynolds Creek Hydroelectric Project is one that AEA has been working on a power project fund loan application for \$20 million. This would require Board approval. Ms. Fisher-Goad stated AEA is continuing to work with Haida Energy to move forward on this project. She advised this is a very complicated project and is looking at potential

demand for energy in the future. Before bringing a recommendation to the Board, AEA wants to ensure protection for the corporation to issue a loan and that the appropriate balance between risk of the development of the future generation is shared between the loan applicant and the corporation. Good discussions have occurred.

8B. Program Fact Sheets Updates

8C. Next regularly scheduled meeting Thursday, February 20 - Juneau

9. BOARD COMMENTS

There were no Board comments.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 10:08 am.



Sara Fisher-Goad, Executive Director/Secretary
Alaska Energy Authority