



BOARD MEETING MINUTES  
Wednesday, January 13, 2016  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Dick called the meeting of the Alaska Energy Authority to order on January 13, 2016 at 10:04 am. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Russell Dick (Public Member); Vice-Chair Dana Pruhs (Public Member); Jerry Burnett (Deputy Commissioner, Department of Revenue (arrived 10:42 am.)); Fred Parady (Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED)); Elaine Brown (Public Member); Dan Kennedy (Public Member); and Gary Wilken (Public Member).

**3. ROLL CALL: STAFF, PUBLIC**

Staff present: Sara Fisher-Goad (AEA Executive Director), Tom Erickson, Emily Ford, Jennifer Haldane, Michael Lamb, Sean Skaling, Kirk Warren, Teri Webster (AEA); and Brian Bjorkquist (Department of Law).

Others present: Elwood Brehmer (Alaska Journal of Commerce); Dave Gillespie (Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC)); John Gaedeke (Brooks Range Council); Anne Ritter (CIRI); Sterling Gallagher (Governor's Office); Tim Gallagher (HDR Engineering); Tony Izzo, Gary Kuhn (Matanuska Electric Association (MEA)); Joan Frankevich (National Parks Conservation Association (NPCA)); Alan Bailey (Petroleum News); John Walsh; Sydney Hamilton (Accu-Type Depositions).

**4. AGENDA APPROVAL**

Chair Dick added the item Travel Discussion after 7B. and before 7C.

The agenda was approved as amended.

**5. PRIOR MINUTES - December 3, 2015**

**MOTION: A motion was made by Mr. Kennedy to adopt the minutes of December 3, 2015. Mr. Wilken seconded the motion. Motion passed.**

**6. PUBLIC COMMENTS**

None.

## **7. NEW BUSINESS**

### **7A. ARCTEC presentation on the Railbelt**

Ms. Fisher-Goad introduced Dave Gillespie, CEO of ARCTEC, who provided a presentation on the efforts responding to the Regulatory Commission of Alaska's (RCA) recommendations and requirements to reform the Railbelt electric grid system. Mr. Gillespie stated ARCTEC was formed in 2010 and members include MEA, Golden Valley Electric Association (GVEA), Chugach Electric (CEA), and City of Seward. ARCTEC met with Anchorage Municipal Light & Power (ML&P) and Homer Electric Association (HEA) in December and are working on a follow-up meeting.

Mr. Gillespie believes the beneficial cost savings potentially achievable through restructuring is noteworthy. Emissions can be reduced by running more efficient generators and burning less oil. A restructured Railbelt can make it easier for renewable generators and new non-traditional entities to interconnect to the systems. Cost effective energy is vital to economic development. Also removing the concept of rate pancaking is significant. Independent generators will benefit by eliminating the rate pancaking.

The current regulatory and business models do not support regional planning. Mr. Gillespie explained the plan for restructuring the model. The TRANSCO is a for-profit region-wide transmission-only utility. TRANSCO will own and operate the majority of the transmission in the state and will be managed as a single unit. This effort is being led by American Transmission Company and includes all the utilities in the Railbelt.

In addition to unifying the transmission system, Mr. Gillespie asserted that dispatch of generation in the Railbelt must occur on an economic basis to create benefit for all customers. The Unified System Operator (USO) is a nonprofit stakeholder-based entity which provides the regional planning, regional standards, and oversight for the system. The grid is a single integrated entity, even though there are currently six independent utilities running the system.

Chair Pruhs inquired about returns on investment to the TRANSCO. Mr. Gillespie noted the return is regulated and typically results in a 10 percent rate of return on the equity. The transmission project model uses 80 percent debt and 20 percent equity. Chair Pruhs asked what types of debt will be utilized. Mr. Gillespie explained the various debt opportunities include corporate bonds and State financing. Chair Pruhs asked for the existing debt on the intertie. Ms. Fisher-Goad indicated there is no debt on the intertie. There are AEA revenue bonds backed by the moral obligation bonds of the State for Bradley Lake Hydro project, which are tax exempt through congressional action.

Mr. Wilken asked who arbitrates any conflicts between the TRANSCO and the USO. Mr. Gillespie explained the USO sets the rules and TRANSCO follows the rules. Day-to-day resolutions are reached between the two entities. The RCA has ultimate jurisdiction. Mr. Wilken asked which working model Alaska will utilize as an example. Mr. Gillespie noted there

are many examples in the Lower 48. Texas has analogous experience in implementation and Alaska would model much, but not all, of their system. The uniqueness of the Alaska system will be considered. ARCTEC currently uses consultants from Texas.

Chair Dick invited Tony Izzo, General Manager MEA, to join the discussion. Mr. Izzo indicated the current rates of returns in the Inlet are at 12.5 percent. He believes this is the expectation. The mission remains the lowest cost of reliable service that adds value. Mr. Izzo commented he is approaching the TRANSCO and USO with a great deal of skepticism and will vet the process to ensure the best interest of all parties.

Mr. Kennedy commented the electrical utilities in Alaska have access to cheap debt through rural utility banks because of their nonprofit status. He believes the incremental borrowing rate could be 5 percent to 6 percent.

Deputy Commissioner Parady requested further explanation of MEA's assertions regarding the use of a \$50 million investment rather than a \$900 million investment. Mr. Izzo noted MEA is waiting for an updated model and disagrees with an investment of \$900 million. He believes savings can come from a \$200 million investment and most of the savings are a result of fuel costs. Work is ongoing and the utilities are committed to progress.

Mr. Kennedy requested more information regarding the \$200 million investment compared to the previously reported \$900 million investment. Deputy Commissioner Parady commented the detailed 2014 study shows the assumptions and basis for the \$900 million approach. He noted similar levels of planning and detail need to be shown for the \$200 million approach before a comparison can be made. Mr. Gillespie stated the \$900 million figure is a rough order of magnitude and is composed of multiple projects. A significant portion of those funds is for northern projects, which allows for the burning of less oil and the burning of more gas. The southern projects comprise a smaller portion of the funds and allow access to the Bradley Lake hydro dam.

Mr. Warren commented the \$900 million investment met the planning criteria that was used for the study transmission plan. The effort now is to reach a consensus on what criteria is needed for the system planning standard. Ms. Fisher-Goad stated AEA wants the full cooperation and agreement with the utilities and ARCTEC regarding the study and work of Mr. Warren. The study does not include the Susitna-Watana Project.

Vice-Chair Pruhs requested more information regarding the consideration in the model of the current economic climate and reports of population decrease in the state. Mr. Gillespie stated the population trend is important to understanding load and transmission infrastructure. However, the volatility in the price of oil and gas is much more significant and makes the population patterns irrelevant.

Mr. Wilken asked what the Board should expect as the next step in the process to indicate progress. Mr. Gillespie advised filings will be made to the RCA over the next quarter. Responses to the filings will be made available. Mr. Gillespie indicated if there is not a consensus, there may be a need to clarify the RCA's regulatory authority as a legislative matter.

Mr. Wilken expressed his appreciation to Mr. Izzo for his leadership and optimism. Mr. Wilken communicated the Board will continue to help move these efforts forward. Mr. Izzo expressed his appreciation for the helpful feedback. He is committed to action and believes these efforts can work. The value will go back to the community shareholders. The private sector has to view efforts through a cost/benefit lens and determine the most advantage for the dollars spent.

The Board expressed their appreciation to Mr. Izzo. Vice-Chair Pruhs indicated his concern regarding the two utilities who are not members of ARCTEC. He encouraged their participation for the common good.

Sterling Gallagher of the Governor's Office asked if the plan can substitute a lower cost of money down to 4 percent. Mr. Gillespie indicated the plan is open to any suggestions of financing sources. Mr. Gallagher asked if there were any projects that could be constructed this year and noted interest in those. Mr. Izzo advised he will consult with the chief engineers and contact Mr. Gallagher regarding possible projects this year.

Chair Dick requested Ms. Fisher-Goad revisit the language of the tabled Resolution No. 2015-01, Railbelt Electric Transmission System, and bring it before the Board at the next meeting. The expectation from the Board is timely and continued progress.

#### **7B. Resolution No. 2016-01: Officer appointment - Kirk Warren**

**MOTION: A motion was made by Deputy Commissioner Parady to approve Resolution No. 2016-01. Mr. Pruhs seconded the motion.**

Ms. Fisher-Goad informed Resolution 2016-01 appoints Mr. Warren as the interim Chief Operating Officer, Director of Project Implementation, and Assistant Secretary of the Authority. Mr. Warren would be Acting Executive Director when Ms. Fisher-Goad is out of the office. Also included in the resolution are name changes to other directors, the reaffirmation of Michael Lamb, Sean Skaling, and the removal of Gene Therriault. Ms. Fisher-Goad noted this is a standard procedure. She is happy Mr. Warren agreed to join the management team.

**Motion passed.**

#### **Travel Discussion**

Chair Dick stated the Administration submitted a memo to the commissioners restricting travel and hiring. Ms. Fisher-Goad reported AEA follows a robust procedure that evaluates staff travel in compliance with mission critical purposes. This procedure will be tightened to provide more scrutiny with respect to travel plans.

Chair Dick believes the Commissioner's Office is satisfied with the existing travel procedures. If there is no objection from the Board, Ms. Fisher-Goad will submit an additional courtesy report to the Commissioner of Commerce on travel that has been approved and disapproved. There was no objection.

**MOTION: Vice Chair Pruhs made a motion to go into Executive Session to discuss confidential matters associated with Railbelt litigation and the Executive Director's annual review. Motion seconded by Ms. Brown.**

Commissioner Parady requested the executive session attendance be limited to those essential to the topics under discussion, including Ms. Fisher-Goad, Mr. Warren and AEA's attorney.

**Motion passed.**

**7C. Executive Session: 11:22 am.  
Executive Director review; litigation update**

The Board reconvened its regular meeting at 12:46 pm. Chair Dick advised no formal actions were taken during executive session.

## **8. DIRECTOR COMMENTS**

**8A. Next regularly scheduled meeting Thursday, March 3, 2016.**

Ms. Fisher-Goad noted a potential topic for the March meeting is an energy efficiency update. The Department of Energy authorized \$250,000 for the Emerging Energy Technology Fund. An RFA is being developed and will be released in a few months. Ms. Fisher-Goad provided information to the Board and informed the Renewable Energy Fund Advisory Committee (REFAC) meets this afternoon. Recommendations for REF Round IX will be provided to the Legislature 10 days after discussions begin. Staff has worked very hard again this year with respect to the evaluation of the applications. The REFAC Committee will provide recommendations on the regional spreading requirement of the statute.

Mr. Wilken requested Ms. Fisher-Goad provide the contact information for Mr. Gillespie in order to invite him to speak in Fairbanks.

## **9. BOARD COMMENTS**

Mr. Kennedy expressed his appreciation to Ms. Fisher-Goad for the valuable information provided at the new member orientation. Mr. Kennedy disclosed the potential conflict of interest publically to the Chair. He advised he is a part-time employee of Swalling & Associates, certified public accountants, who completes the audit for Bradley Lake Committee. Mr. Kennedy informed he has no involvement with the audit nor the solicitation.

**MOTION: Deputy Commissioner Parady made a motion the minutes reflect Mr. Kennedy's disclosure to the Board and reflect the Board found the issue nonmaterial. Motion seconded by Vice-Chair Pruhs. Motion passed.**

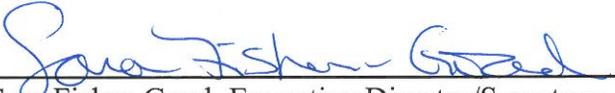
Ms. Brown expressed her appreciation to Ms. Fisher-Goad and staff for the new member orientation.

Deputy Commissioner Parady requested planning begin for a strategic retreat during mid-year.

Chair Dick expressed his appreciation to Ms. Fisher-Goad for the presentations today.

**10. ADJOURNMENT**

There being no further business of the Board, the AEA meeting adjourned at 12:52 pm.

A handwritten signature in blue ink, reading "Sara Fisher-Goad". The signature is written in a cursive style with a horizontal line underneath.

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