

BOARD MEETING MINUTES
Thursday, September 21, 2017
Anchorage, Alaska

1. CALL TO ORDER

Chair Dick called the meeting of the Alaska Energy Authority to order on September 21, 2017 at 12:31 pm. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

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

3. ROLL CALL: STAFF, PUBLIC

Staff present: John Springsteen; Amy Adler, Brenda Applegate, Bryan Carey, Katie Conway, Tom Erickson, Linda Senn, Kelli Veech, and Teri Webster (AEA).

Others present: Anne Dougherty (CIRI); and Bernie Smith (phone); Sunny Morrison (Accu-Type Depositions).

4. AGENDA APPROVAL

The agenda was approved without objection.

5. PUBLIC COMMENTS

None.

6. PRIOR MINUTES - August 10, 2017

MOTION: A motion was made by Mr. Kennedy to approve the minutes of August 10, 2017. Vice-Chair Pruhs seconded the motion.

MOTION: A motion to be approved by unanimous consent was made by Mr. Wilken to amend the Minutes of August 10, 2017, Item 2. Roll Call, to include a sentence stating Member Wilken was excused due to a medical procedure.

The motion to amend passed with no objection. The motion to approve the Minutes of August 10, 2017 passed unanimously.

7. NEW BUSINESS

7A. Battle Creek Diversion Update

John Springsteen, Acting AEA Executive Director, requested Bryan Carey provide the Battle Creek project update to the Board. Mr. Carey informed a teleconference occurred in August with Federal Energy Regulatory Commission (FERC) Dam Safety and several utility members regarding the design and plans. The approval for the land lease from Department of Natural Resources (DNR) was received in August. Earlier this month, brush cutters completed the brushing for the first mile and staging areas. This allows the contractors to begin road construction in June before any effects to migratory birds.

Mr. Carey advised the application for the Clean Renewable Energy Bonds (CREBS) was submitted on September 15th. The results of the application are expected in October. The Invitation to Bid was advertised and the construction bids are due November 15th. The Invitation to Bid contained a statement informing the financing has not yet been secured and the bid preparation costs are at the risk of the contractors. Mr. Carey reported several lenders appear to be enthusiastic, including USDA Rural Utility Service. A short-term construction loan through AEA could be sought until the long-term financing is secured. Deputy Commissioner Burnett asked if the use of bond anticipation notes was considered. Mr. Carey stated he is not familiar with the financial particulars and requested Brenda Applegate answer any specific questions. Ms. Applegate was out of the room and will answer questions later in the meeting.

A prebid meeting is scheduled for tomorrow at AEA. A prebid site visit for contractors is scheduled for September 26th. The available seats are filled and a waiting list has been established for an additional contractor site visit scheduled in October. The contractors are paying seat fare for the helicopter flight.

Mr. Carey noted upcoming financial discussions with the utilities, the City of Seward, and the City Council are scheduled to finalize the last of the agreements to present to the Bradley Lake Project Management Committee (BPMC) within the next month-and-a-half.

Mr. Carey provided the project timeline. Final approval of contractor plans, such as erosion control and a bear safety plan, could occur before the contract award in January. The contractor could mobilize and set up camp in April/May. The contractor could begin breaking ground in June. The completion date is estimated to occur in the fall of 2020. The first year is expected to focus on road construction; the second year is on pipe installation; the third year is on a temporary diversion and the final diversion.

Deputy Commissioner Burnett asked Ms. Applegate to provide an update on the financing considerations. Ms. Applegate advised a timeline has been created that follows the statutory requirements for debt issuance. AEA has a 60-day notice to the Governor and to the Legislature, if they are in session, which is approximately October 15th. Ms. Applegate requested the utilities approve Battle Creek as optional project work under the Power Sales Agreement and determine which utilities are participating before the October 15th deadline.

Ms. Applegate informed the construction deadlines and financing deadlines create a most likely need for interim construction financing and later long-term financing, as determined by the

CREBS decision. Long-term options include issuing bonds, Co-Bank, or National Rural Utilities Cooperative Finance Corporation. Ms. Applegate informed a meeting is scheduled today with Chugach Electric to provide an update on financing. Ms. Applegate stated the projected timeline for the issuance of a Notice of Intent to a contractor is January 1st.

Vice-Chair Pruhs commented on AEA's preconstruction work expenses and inquired as to the reimbursement mechanism the utilities will utilize as part of the cost of the project. Ms. Applegate informed the utilities' funds are paying for the preconstruction work expenses. She is in favor of rolling those costs into construction financing. Mr. Carey stated his time is directly billed to the project. The billings of the bond counsel and PMF financial advisors are on a contingency basis and payment will occur upon financing completion. AIDEA charges AEA an annual flat fee for the shared services component, which does not include Mr. Springsteen's time.

7B. Railbelt TRANSCO discussion

Mr. Springsteen reviewed the 2015 order from the Regulatory Commission of Alaska (RCA) for the utilities to investigate pooling transmission lines. An article from the "Alaska Journal of Commerce" regarding the progress to-date was included in the Board packet. Mr. Springsteen requested Katie Conway to provide a brief update on the TRANSCO discussion by the Railbelt utilities. Ms. Conway stated that Kirk Warren, COO and AEA's Intertie representative, was not present today and she would try to adequately answer questions. She described AEA's support of the utilities' current efforts regarding the TRANSCO discussion and the agreement to the RCA's investigation and findings into Railbelt transmission issues. Ms. Conway communicated the importance of addressing economic dispatch, debulkinization, and a uniform tariff system when determining the governance structure.

Vice-Chair Pruhs requested additional information on AEA's role in the Railbelt TRANSCO program. Ms. Conway stated Mr. Warren would be able to provide that insight. Deputy Commissioner Burnett inquired as to AEA's direct access to capital markets in regards to the TRANSCO. Mr. Springsteen believes AEA is first looking for the cooperation of the existing utility base. He noted Mr. Warren has been integrated in the discussions and would have a better understanding.

Chair Dick suggested items on the agenda that are to be addressed by persons not in attendance be postponed. He requested Mr. Warren provide an additional update on this item at the next meeting.

Mr. Wilken commented AEA has supported this effort since the Legislature was encouraged to provide funding for studies regarding TRANSCO options, and will continue to support efforts. Mr. Wilken believes an independent system operator (ISO) is an important component in the continuing process of pooling six utilities to service 550,000 people.

Vice-Chair Pruhs requested the Board be updated regularly on the issues, including AEA's goals, positions, alignment, and status. He expressed discontent in retrieving new information from periodicals, rather than reports to the Board.

Mr. Kennedy requested the Board be provided the opportunity to review the comments submitted to the RCA during the open docket.

MOTION: Vice-Chair Pruhs made a motion to go into Executive Session to discuss personnel matters. Mr. Kennedy seconded the motion.

Motion passed unanimously.

**7C. Executive Session: 1:03 pm.
Personnel Matters**

The Board reconvened its regular meeting at 1:17 pm. Chair Pruhs advised no formal actions were taken during executive session.

8. DIRECTOR COMMENTS

Mr. Springsteen reported Shishmaref recently completed a bulk fuel tank farm upgrade project on time and under budget. The project was competitively bid and grant-funded. The project enables cooperative bulk fuel purchases within the community as a result of the increased fuel tank capacity.

Mr. Springsteen noted AEA recently completed a rural power system upgrade project in Kongiganak. The project was competitively bid and grant-funded. The project reduced line losses and improved lighting, increasing the safety and security in the community, as well as increasing efficiency and cost savings.

Mr. Springsteen informed Venetie received a \$42,000 Power Project Fund (PPF) loan to rebuild two generator sets in the community powerhouse. The community was able to complete the work under budget, partly due to a strong local volunteer effort. In conjunction with power house improvement and the assistance of Tanana Chiefs Conference, the community received an assessment of their distribution system showing current line loss of approximately 20%. AEA approved the revised scope of work for the PPF loan so the community can utilize the balance from the previous project to conduct the necessary work to reduce line loss.

Mr. Springsteen informed Karl Reiche is retiring and expressed appreciation to him for his 20 years with AIDEA and AEA in various roles. Mr. Springsteen also thanked Kelli Veech for her service with AEA in our finance department. She is moving to Hong Kong.

8A. Next regularly scheduled meeting Thur., Oct. 26, 2017

9. BOARD COMMENTS

Mr. Kennedy expressed gratitude for the weekly AEA memo.

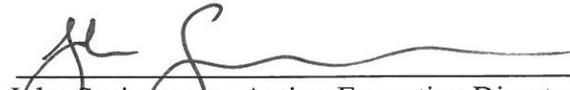
Ms. Brown expressed appreciation to staff for the recent amount of positive interactions between AEA and Alaskan communities.

Vice-Chair Pruhs requested an update on staff's power plant inventory study and database regarding communities' useful life and maintenance programs. Chair Dick asked for the report to be given at the next meeting.

Chair Dick commented the workload for Mr. Springsteen and staff has recently increased. He expressed appreciation for the fantastic job in keeping items moving forward under tight circumstances.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 1:23 pm.



John Springsteen, Acting Executive Director/Secretary
Alaska Energy Authority