



BOARD MEETING MINUTES
Thursday, August 10, 2017
Anchorage, Alaska

1. CALL TO ORDER

Chair Dick called the meeting of the Alaska Energy Authority to order on August 10, 2017 at 9:04 am. 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)); Jerry Burnett Arrived (9:21 am) (Deputy Commissioner, Department of Revenue); Elaine Brown (Public Member); and Dan Kennedy (Public Member). Mr. Wilken was absent due to a medical procedure.

3. ROLL CALL: STAFF, PUBLIC

Staff present: Amy Adler, Brenda Applegate, Bryan Carey, Jocelyn Garner, Michele Hope, Michael Lamb, Cady Lister, Doug Ott, Linda Senn, Kirk Warren, Teri Webster (AEA); and Brian Bjorkquist (Department of Law).

Others present: Naomi Klouda (Alaska Journal of Commerce); Brian Hickey, Sherri Highers, David Pease, Lee Thibert (Chugach Electric Association (CEA)); Cory Borgeson (Golden Valley Electric Association (GVEA)); Brad Janorschke (Homer Electric Association (HEA)); Cindy Cartledge (Jermain Dunnagan & Owens); Fred Eoff (PFM Financial Advisors); Bernie Smith (phone); and Sydney Hamilton (Accu-Type Depositions).

4. AGENDA APPROVAL

The agenda was approved without objection.

5. PUBLIC COMMENTS

Cory Borgeson, CEO of GVEA, expressed full support of the agenda item proposal to change the regulations for AEA. Mr. Borgeson noted all six utilities support the bid process for the operator of the Bradley Lake Project. He believes the current operator, HEA, is doing a fine job but the broad scope bidding process will provide a larger pool of applicants.

Mr. Borgeson stated GVEA fully supports moving forward with the Battle Creek Diversion Project and ensuring appropriate processes are followed. He noted GVEA's concerns include the

project schedule taking longer than expected, which seems to have caused a sense of urgency to rush through the remaining processes. Another concern is the continued increase in costs compared to the budgeted expectations. An additional concern is conducting a bidding process based on time and materials. GVEA recommends the project be well-managed with good oversight to ensure there are no significant cost overruns.

Lee Thibert, CEA, stated he believes the Battle Creek Diversion project will undergo a competitive bid process and not based on a time and material build. CEA supports the project and believes it will benefit all Alaskans.

6. PRIOR MINUTES - June 29 and July 13, 2017

MOTION: A motion was made by Mr. Kennedy to approve the minutes of June 29 and July 13, 2017. Ms. Brown seconded the motion. Motion passed without objection.

7. NEW BUSINESS

7A. Resolution 2017-02 - Appointment of Acting Executive Director

MOTION: Vice-Chair Pruhs made a motion to approve Resolution 2017-02. Mr. Kennedy seconded the motion.

Chair Dick informed Resolution 2017-02 temporarily appoints John Springsteen as Acting Executive Director. Mr. Lamb noted his last day of service is scheduled for the 15th, but he is flexible depending on the desires of Mr. Springsteen and the Board.

Chair Dick expressed appreciation to Mr. Lamb for his fantastic job during his tenure. Deputy Commissioner Parady echoed the appreciation to Mr. Lamb. Ms. Brown expressed appreciation to Mr. Lamb for his service and leadership. Mr. Kennedy expressed appreciation to Mr. Lamb for his professionalism. Vice-Chair Pruhs expressed appreciation to Mr. Lamb and echoed Board comments.

Motion passed unanimously.

7B. Battle Creek Hydro Project

7B.1. Resolution 2017-03 - Board Support for Project

Mr. Lamb commented on the excellent presentations at the last Board meeting by Bryan Carey, explaining the Battle Creek Project, and by some utilities, explaining their support of the project on behalf of their customers and rate payers. Mr. Lamb noted the Board requested a detailed financing plan for the project and requested to hear the views of the remaining utilities regarding the project. Mr. Lamb informed a resolution in support of the Battle Creek Hydro Project by the Bradley Lake Project Management Committee (BPMC) is included in the Board packet. He noted a letter of support for the project was signed by all of the utilities last week.

Mr. Lamb gave a timeline history on the Battle Creek Diversion Project dating back to 2010, with funding beginning in 2011, and the utilities contributions beginning in 2012. Funding for

this project to-date is \$5.87 million. Mr. Lamb informed the push to continue forward with the program in a timely manner is prompted by the decreasing availability of the New Clean Renewable Energy Bond (NCREB) financing. The bond funding level that could be used for this project began at \$2.4 billion, and as of July 3rd, is at \$150.3 million. The NCREB process has not begun. Mr. Lamb explained his sense of urgency is regarding the NCREB process and the potential of rising interest rates.

Mr. Lamb informed the detailed financing plan is provided in the Board packet. He requested Fred Eoff, PFM Financial Advisors, review the financing plan and answer any Board questions. Mr. Eoff explained the provided analysis and discussed the specifics of the five financing options for the project, including the State's current credit rating on moral obligation terms.

Deputy Commissioner Parady requested Mr. Eoff provide specific and clear information regarding the current process for securing the programmatic 70 % Internal Revenue Service (IRS) NCREB interest subsidy. Mr. Eoff stated he will relay the information once it is received from the IRS. Mr. Eoff explained the NCREB financing options include the current sequestration by Congress, which holds back 6.6 % of the reimbursement to NCREBs. The NCREB interest reimbursement subsidy calculated in the analysis is formulated at 65.38% over the 30-year term life of the bonds. Mr. Lamb informed work on the NCREB application has begun, but it has not been completed and submitted to the IRS.

Mr. Eoff reviewed the financing options presented that do not contain NCREB interest subsidies and the effects to the project economics. Mr. Eoff continued the presentation explaining the option scenario characteristics of CEA providing total financing of the project. Mr. Eoff informed there are additional financing options available not covered in the presentation, which fall in the middle of the spectrum of the options that were outlined.

Vice-Chair Pruhs requested additional information on the process of selecting one of the financing options. Mr. Lamb informed the resolution today gives the Board's approval to move forward with the project; the Board's approval to submit a NCREB application; and the Board's approval to begin the process necessary to sell bonds. A separate bond resolution will come before the Board at a future date. The resolution today does not select a financing option. Mr. Lamb indicated the six utilities are comfortable with each of the presented financing options. The determination of the best option will occur at a future date.

Mr. Kennedy expressed appreciation for the innovative options utilizing NCREB bonds. Mr. Kennedy complimented AEA and the six utilities for their cooperation during this beneficial endeavor. He expressed his support for both resolutions.

Vice-Chair Pruhs inquired about the existing agreement among the six utilities regarding the project. Mr. Lamb advised the current Power Sales Agreement terms and conditions will remain as the overall control document. The utilities will decide the division of benefits of the approximately 10 percent additional water into Bradley Lake. The specific terms are being developed. Mr. Lamb indicated CEA and HEA are willing to utilize all of the additional water if no other utilities request use.

Vice-Chair Pruhs shared his belief that unit priced contracts place more risk on the owner and lump-sum contracts place more risk on the contractor. Vice-Chair Pruhs stated for the record

project management with at least four different owners is problematic and a recipe for conflict. He encouraged staff to consider a lump-sum contract for the project. Mr. Lamb reiterated AEA is the sole owner of the project. He noted state statute procurement policies will be followed and the selection within that framework can come before the Board at a later date, if requested. Mr. Bjorkquist stated he is unsure if it is legally required for the contract to come before the Board for approval. It is appropriate from a discretionary policy standpoint for the Executive Director to bring the contract before the Board for review and discussion. Chair Dick requested all decision points come back before the board.

MOTION: Mr. Kennedy made a motion to approve Resolution 2017-03. Deputy Commissioner Burnett seconded the motion.

Motion passed unanimously.

7B.2. Resolution 2017-04 - NCREB Financing Reimbursement Declaration

Mr. Lamb advised Resolution 2017-04 acknowledges the attempt to secure beneficial federal government financing and to reimburse funds spent prior to the bonds being sold.

MOTION: Mr. Kennedy made a motion to approve Resolution 2017-04. Deputy Commissioner Burnett seconded the motion.

Motion passed unanimously.

Deputy Commissioner Parady suggested the Board direct staff to strategize the project construction contracting process and report back to the Board with the range of options considered and the final recommendation.

7C. Resolution 2017-05 - Regulation Changes for Power Project Operator

Mr. Lamb informed Resolution 2017-05 is a regulation change for the power project operator, which broadens the language in terms of who can be a respondent for Bradley Lake operations and maintenance (O&M) to be more in line with the broader language of the statutes. Mr. Bjorkquist explained the current regulation is not practical in today's climate, limiting the operator to either one of the qualified utilities or AEA employees. The current regulation is not consistent with the legislative directive from 1993, to maximize the use of contracts with utilities and other entities. Mr. Bjorkquist believes this regulation change should have occurred a long time ago. Mr. Bjorkquist discussed the concerns contained within the public comments received from HEA and International Brotherhood of Electric Workers (IBEW) and the responses provided. The comments addressed the policy and procurement process for the operator for Bradley Lake. The power sales agreement states the BPMC has a management role in operating the project and choosing an operator. It is a collective decision process with the utilities having a role. The regulation change simply adds one more option collectively to all the utilities that are taking part to get the best operator. It may be from the private sector but it does not preclude the decision to continue using one of the utilities as the best choice and the most cost effective. The decision of who is chosen is still a joint responsibility of the BPMC and AEA. The summary of the comments was provided in the Board packet.

MOTION: Deputy Commissioner Parady made a motion to approve Resolution 2017-05. Ms. Brown seconded the motion.

Motion passed unanimously.

MOTION: Vice-Chair Pruhs made a motion to go into Executive Session to discuss confidential deliberation processes related to FY19 budget, AEA's near-term strategic planning, personnel and budget. Ms. Brown seconded the motion.

Motion passed unanimously.

**7D. Executive Session: 10:40 am.
2018 Legislative Proposals; FY19 Budget; Near Term Strategic Planning**

The Board reconvened its regular meeting at 11:41 am. Chair Pruhs advised no formal actions were taken during executive session.

8. DIRECTOR COMMENTS

Mr. Lamb expressed gratitude to the Board members for their earlier comments of appreciation. Mr. Lamb recognized staff for their efforts and credited them for their diligence. Mr. Lamb requested the Board continue their support of staff after his departure.

8A. Quarterly Project Fact Sheets

8B. Next regularly scheduled meeting Thur., Sept. 21, 2017

9. BOARD COMMENTS

Deputy Commissioner Burnett expressed his appreciation to Mr. Lamb for his service.

Deputy Commissioner Parady thanked Mr. Lamb for his exceptional leadership role delivering stability to the staff in times of turmoil. Deputy Commissioner Parady shared with the staff his confidence in AEA's future to stay the course and build upon the current foundation. He expressed appreciation to the staff for their attentiveness to the projects.

Chair Dick echoed the articulate appreciative comments of Deputy Commissioner Parady on behalf of the entire Board.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 11:46 am.



Brenda Applegate, CFO
Alaska Energy Authority