



BOARD MEETING MINUTES

Thursday, May 18, 2017

Anchorage, Alaska

1. CALL TO ORDER

Chair Dick called the meeting of the Alaska Energy Authority to order on May 18, 2017 at 10:03 a.m. 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 - phone); Elaine Brown (Public Member); Gary Wilken (Public Member); and Dan Kennedy (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Michael Lamb, Amy Adler, Brenda Applegate, Bryan Carey, Katie Conway, Tom Erickson, Jocelyn Garner, Cady Lister, Neil McMahon, Sean Skaling, Kirk Warren, Teri Webster (AEA); and Brian Bjorkquist (Department of Law).

Others present: Elwood Brehmer (Alaska Journal of Commerce); Tim Gallagher (HDR); Alan Bailey (Petroleum News); and Sydney Hamilton (Accu-Type Depositions).

4. AGENDA APPROVAL

The agenda was approved without objection.

5. PUBLIC COMMENTS

None.

6. PRIOR MINUTES - April 27, 2017

MOTION: A motion was made by Vice-Chair Pruhs to approve the minutes of April 27, 2017. Mr. Wilken seconded the motion. Motion passed without objection.

7. NEW BUSINESS

7A. Railbelt Intertie Update

Mr. Lamb invited Mr. Warren, Chief Operating Officer, to provide the Railbelt Intertie update presentation. Mr. Warren noted the update specifically addresses previous questions asked by Board members. A copy of the FY18 budget for the Alaska Intertie was included in the Board packet. The information contained O&M costs, operational and administrative expenses for each utility. Mr. Warren reviewed the high-level conservative cost estimate of \$389 million for the addition of a new second line to the Intertie from Lake Lorraine to Healy. The remaining useful life for the existing line is 20 to 30 years. Mr. Warren described the benefits to upgrading the Intertie and connected components to the N-1 system. The total estimated cost for completing the transmission plan upgrade projects is \$900 million.

Mr. Warren discussed different payment options to be considered. One option is the six major Railbelt utilities take on the debt to pay for the projects. Another payment option is public/private partnerships as an independent system operators and transmission company.

Mr. Pruhs asked what are the utilities positions on upgrading the Railbelt? If the utilities can endure the debt, and there is a benefit to them, then why are they not doing this. They are looking at the Battle Creek hydro project, which is constrained and don't have a way to move it efficiently.

Mr. Warren stated each utility has given a different reaction, ranging from approval of financing, disapproval of financing, and remaining cautious about financing. Mr. Lamb informed the utilities are planning a presentation on Battle Creek near the end of June, and stated he will add the discussion at the presentation regarding the utilities' Intertie position. Mr. Wilken requested Mr. Warren provide the Committee with the specific wording of the question to be asked at the meeting with Mr. Lamb. Mr. Warren agreed.

Mr. Warren continued the update and noted a reserve replacement (R&R) account was not developed at the onset of Intertie construction. There was no mechanism for an R&R account in the original agreement. The establishment of an R&R account, if chosen, was a strong impetus for the renegotiated agreement in 2011, which is currently in effect. Mr. Warren reported barriers to establishing an R&R account are being reviewed by the IMC Budget Subcommittee and their findings will be submitted to the Board.

Mr. Pruhs suggested the cost of an incremental section replacement plan could be added into the rate base over a period of years to avoid burdening the consumer with replacement costs of the entire system at once.

7B. Project Development and Finance

Mr. Lamb invited Chief Economist Ms. Lister and Energy Planning Manager Mr. McMahon to discuss the work AEA is conducting to assist communities transitioning from a reliance on grant funding to a reliance on debt financing. Mr. Lamb noted his recent visit to Washington, D.C. and meetings with RUS and Department of Energy's Office of Indian Energy, in which discussions occurred regarding access to federal funding for 0% loans.

Ms. Lister explained the Project Development Team participates in various activities with the communities. The team begins with reconnaissance to identify good projects based on site-

specific needs of the community and focuses on six critical areas; efficiency, hydro, biomass, wind, heat recovery, and integration of renewable systems with diesel generation. The team provides technological assistance to navigate the complex systems specific to each project associated with federal funding requirements, regulatory and permitting requirements. The team assists with the process of researching and applying for grant and loan funding. The team gives business management assistance to utilities to optimize the revenue generation to ensure cost coverage and sustainability.

Ms. Lister stated Chris Rose, President of the Renewable Energy Alaska Project, brought the Executive Vice-President and Chief Investment Officer of the Connecticut Green Bank to Alaska a couple of times this winter to provide presentations to the Legislature and the public. The executive met with staff, the Anchorage Mayor, and representatives in the banking community. This generated much interest in the concept of a green bank in Alaska. Ms. Lister noted Mr. McMahon will present a general overview of the green bank concept and how it intersects with the research-based recommendations regarding financing energy infrastructure from the Alaska Affordable Energy Strategy (AkAES).

Mr. McMahon informed there are a number of different types of green banks across the world, including public organizations, quasi-public organizations, and private institutions. Mr. McMahon discussed the Connecticut Green Bank has been successful in leveraging private funds, up to 11 to 1, mostly for small-scale solar projects, residential and nonresidential efficiency projects, and utilizing various types of programs, such as on-bill financing and Commercial Property Assessed Clean Energy (C-PACE).

Mr. McMahon reported the main differences in the Connecticut Green Bank regulatory environment and Alaska's regulatory environment are fewer requirements and fewer incentives for successful investments. He described the funding mechanisms that specifically assist the Connecticut Green Bank in providing guarantees and subsidies for customers. Mr. McMahon noted Connecticut is smaller, more urban, wealthier, and connected to the national grid. The energy efficiency models that have worked in other states are likely to be less effective in rural Alaska.

Mr. McMahon reviewed the highlights of the AkAES presentation to the Board in October. The research and recommendations are focused primarily on rural Alaska and areas of the state outside of the Railbelt. The challenges that need to be addressed in the smaller communities go beyond financing, and include development phase risks, economic risks, volatility of fuel prices, and operational risks.

Mr. McMahon continued the presentation explaining the Community Energy Fund for Alaska (CEFA) recommendation is based on incremental change directed to the financing needs of small community utilities utilizing current state programs. He described the process in step-by-step detail.

Mr. Wilken requested additional information regarding the formal relationship between AEA and Denali Commission in working together for common benefit. Mr. Lamb described the long-term, exceedingly good relationship between Denali Commission and AEA. He advised the existing MOU is being revised to reflect the current environment. Mr. Warren explained the

Denali Commission shares the same purpose and works closely with AEA and AVEC. AEA provides technical capacity, such as community ranking assessments and power house condition information to help determine funding sequence.

MOTION: Vice-Chair Pruhs made a motion to go into Executive Session to discuss confidential litigation and strategy regarding the Bradley Lake project and to discuss confidential deliberation processes related to the FY18 budget. Ms. Brown seconded the motion.

Motion passed unanimously.

**7C. Executive Session: 11:34 am.
Bradley Lake Project Litigation; FY18 Budget**

The Board reconvened its regular meeting at 1:11 p.m. Chair Dick advised no formal actions were taken during executive session.

8. DIRECTOR COMMENTS

8A. Next regularly scheduled meeting Thursday, June 29, 2017

Mr. Lamb informed the Biomass Heated Greenhouse Handbook, funded through the USDA Forest Service grant matching funds, was highlighted in an Associated Press article published nationally and internationally.

Mr. Lamb reported Jennifer Haldane and Sean Skaling are leaving AEA. He expressed appreciation for their exceedingly good service and wished them the best of luck.

9. BOARD COMMENTS

Mr. Kennedy articulated he is impressed with the favorable national and international attention received from the Handbook.

Ms. Brown expressed appreciation to staff for their diligent work.

Vice-Chair Pruhs reiterated the positive comments regarding the efforts and participation by Ms. Haldane and Mr. Skaling.

Chair Dick shared in the comments and expressed appreciation to Ms. Haldane and Mr. Skaling for being excellent ambassadors of the organizations.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 1:14 pm.



Michael E. Lamb, Executive Director/Secretary
Alaska Energy Authority