1. **CALL TO ORDER**

Chair Dick called the meeting of the Alaska Energy Authority to order on February 23, 2017 at 12:36 pm. A full quorum was established.

2. **ROLL CALL: BOARD MEMBERS**

Members present: Chair Russel 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: Amy Adler, Jennifer Haldane, Michael Lamb, Sean Skaling, Kirk Warren, Teri Webster (AEA); John Springsteen (AIDEA); and Brian Bjorkquist (Department of Law).

Others present: Sydney Hamilton (Accu-Type Depositions); Elwood Brehmer (Alaska Journal of Commerce); John Burns (Golden Valley Electric Association (GVEA) - phone); Tony Izzo, Gary Kuhn, David Pease (Matanuska Electric Association (MEA)); and Alan Bailey (Petroleum News).

4. **AGENDA APPROVAL**

Mr. Lamb requested to change the Bradley Lake Project Litigation topic under Item 7B. Executive Session to read the AEA Owned Assets. The agenda was approved as amended without objection.

5. **PUBLIC COMMENTS**

John Burns of GVEA informed a Bradley Project organizational chart was sent out erroneously to a much broader group than was intended. The Bradley Project is a critical generation asset to all of the Railbelt utilities. Prudence and strategy is necessary in ensuring the future of the Bradley asset. Mr. Burns recognizes the State's financial situation is in flux and there is tremendous uncertainty as result of the current financial situation. He noted the Railbelt utilities felt it vitally important to be proactive in connection with the future of the Bradley assets, including reviewing alternatives as to holdings. Mr. Burns explained the Bradley organizational chart reflects the strategic planning and prudent business practices of the Railbelt utilities and no negativity was intended. The work of AEA is appreciated.
Vice-Chair Pruhs expressed his surprise of seeing the organizational chart and asked for the intended recipients. Mr. Burns noted he is neither the author nor the sender, and believes the organizational chart was intended for the Railbelt utilities only. Vice-Chair Pruhs expressed concern and asked for an explanation of why the asset owner, AEA's Executive Director Mr. Lamb, was not involved in coordination or collaboration of the organizational chart, especially during these economic times when all groups need to work together for the common goal. Mr. Burns stated it is the prudent business perspective of the utilities to address internally and be proactive to respond to Bradley issues and AEA would be involved on any go-forward discussions. There was no intention to isolate AEA.

Vice-Chair Pruhs asked if Mr. Burns knows of any other discussions of the Bradley Project organizational chart or title with governmental or private entities besides the utilities. Mr. Burns stated he is not aware of any other discussions. Vice-Chair Pruhs requested Mr. Burns seek the answer to the same question from Cory Borgeson at GVEA and provide the information to Mr. Lamb. Mr. Burns agreed.

Tony Izzo, General Manager and CEO of MEA, shared a brief status update on the collaboration and power pooling efforts among Municipal Light and Power (ML&P), CEA, and MEA. The efforts have been conducted openly and included Seward Electric, Homer Electric (HEA), and GVEA. Mr. Izzo stated the highest cost driver of delivering power to consumers is fuel. The collaboration of a combined load is expected to save approximately $12 million to $16 million a year. Mr. Izzo expressed excitement and optimism regarding the progress of a future Transco and will update AEA at a later date.

Vice-Chair Pruhs requested an estimation of savings if all of the utilities were able to participate in the pooling efforts. Mr. Izzo informed Seward Electric is part of the process because they are an all-requirements buyer from CEA. Mr. Izzo cannot provide a full answer for HEA and GVEA, but he believes there are capacity constraint issues. They have been invited to join the pooling efforts at any time. The settlement process for the savings is very complex and has to be approved by Regulatory Commission of Alaska (RCA).

Vice-Chair Pruhs asked Mr. Izzo what information he knows about the Bradley organizational chart. Mr. Izzo noted he received the email at the same time Mr. Lamb did. Mr. Izzo stated he agreed with the comments made by Mr. Burns.

Mr. Kennedy shared his compliments for the improved positive and collaborative working attitudes between the Railbelt utilities in bringing up to $16 million of annual savings to the consumers.

Mr. Wilken requested more information on the changes that allowed the collaboration of efficient dispatch to finally occur. Mr. Izzo noted he can only speak for MEA, but has heard others say that a change in utility leadership was the primary cause for the new collaboration. Mr. Izzo stated the current economic times are very challenging, and MEA is the only Railbelt utility expecting record growth this year. The downside is the growth is believed to be from out-migration and relocations. Average usage is declining. The strategic planning is in alignment with the utilities to collectively shift the focus to the best use of the assets going forward.

Mr. Wilken requested more information regarding participation by GVEA. Mr. Burns informed GVEA has been actively participating in ongoing discussions. GVEA is in support of the power pool and believes it is a tremendous possibility.
6. PRIOR MINUTES - Jan. 11, 2017

MOTION: A motion was made by Vice-Chair Pruhs to approve the minutes of January 11, 2017. Mr. Wilken seconded the motion. Motion passed without objection.

7. NEW BUSINESS

7A. Railbelt Update

Mr. Lamb introduced Chief Operating Officer Kirk Warren who provided the Railbelt update. Mr. Warren gave an overview of the AEA ownership in the Railbelt and the role of AEA. Bradley Lake hydro is an AEA-owned facility on the Kenai Peninsula, generating approximately 10 percent of the Railbelt annual energy. It is managed by the Bradley Lake Project Management Committee. The project bonds are expected to be paid off in 2021. The approximate $12.5 million in annual excess payments could be available to the non-designated Railbelt Energy Fund. Appropriations are made by the Legislature and finance recommendations and options can be discussed during executive session.

Mr. Warren noted the AEA-owned Alaska Intertie is a 173-mile transmission line from Healy to Willow managed by the Intertie Management Committee (IMC). It has no related debt and transmits Bradley Lake power. GVEA saves approximately $40 million a year from utilizing the Alaska Intertie. The participant utilities share in the administration costs. The operating and maintenance costs are based on wheeling charges. Vice-Chair Pruhs requested the specific split of current utility costs and information regarding and upgrade plan/replacement costs or the economic impacts for the Intertie infrastructure. Mr. Warren agreed. Vice-Chair Pruhs requested more information on why the State has no reserve account for the Intertie. Mr. Warren will research the history.

Mr. Warren continued his presentation and reviewed AEA's Railbelt analysis and planning initiatives from 2008 to present. Mr. Warren believes the RCA work prompted the utilities to work in a close manner. He gave a brief history of the reliability standards from 1990 to present. The RCA docket in 2015 addressed 11 questions revolving around the governing powers and an independent system operator (ISO). RCA's five findings/recommendations include; an ISO should be formed; economic dispatch is important; utilities are given the opportunity to voluntarily implement solutions; reliability standards/open access rules need to be standardized; and the RCA budget should be increased to enforce the above findings. Chair Dick requested Mr. Warren provide the timeline associated with the RCA docket recommendations.

Mr. Warren noted the AEA Draft Transmission Plan of 2014 is being reviewed by the utilities and and the final plan should be completed in a few weeks. Mr. Warren described the ongoing work and investigations. The Legislature appropriated $15 million for the static var compensator (SVC) and tower project. In 2011, $56 million was funded to AEA to pass-through to the ARCTEC organization for 11 projects, of which nine of the projects are complete. Battle Creek is a $37 million diversion project and will add about 10 percent energy to the Bradley Lake project.

MOTION: Vice-Chair Pruhs made a motion to go into Executive Session to discuss confidential matters regarding Administrative Order 281, AEA Managed grants, AEA Owned Assets, and legislative-related update. Mr. Wilken seconded the motion.

Motion passed unanimously.
7B. Executive Session: 1:35 pm.
   Administrative Order 281 update; AEA Managed grant(s); AEA Owned Assets; and legislative-related update

The Board reconvened its regular meeting at 2:40 pm. Chair Dick stated no formal actions were taken during executive session.

8. DIRECTOR COMMENTS

8A. Next regularly scheduled meeting Thursday, Mar. 30, 2017

Mr. Lamb stated all staff is very busy and thanked the procurement department for their continued hard work.

Chair Dick advised the next regularly scheduled meeting is March 30, 2017.

9. BOARD COMMENTS

Chair Dick expressed his appreciation to Mr. Lamb and staff for their work.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 2:41 pm.

Michael Lamb, Executive Director/Secretary
Alaska Energy Authority