



BOARD MEETING MINUTES
Thursday, April 27, 2017
Anchorage, Alaska

1. CALL TO ORDER

Vice-Chair Pruhs called the meeting of the Alaska Energy Authority to order on April 27, 2017 at 1:20 pm. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

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

3. ROLL CALL: STAFF, PUBLIC

Staff present: Michael Lamb, Amy Adler, Tom Erickson, Jennifer Haldane, Cady Lister, Sean Skaling, Dan Smith, Kirk Warren, Teri Webster (AEA); and Brian Bjorkquist (Department of Law).

Others present: Sydney Hamilton (Accu-Type Depositions); and Alan Bailey (Petroleum News).

4. AGENDA APPROVAL

The agenda was approved without objection.

5. PUBLIC COMMENTS

None.

6. PRIOR MINUTES - March 30, 2017

MOTION: A motion was made by Deputy Commissioner Burnett to approve the minutes of March 30, 2017. Mr. Kennedy seconded the motion. Motion passed without objection.

7. NEW BUSINESS

7A. Biomass program update

Mr. Lamb invited Ms. Lister to lead the biomass program update presentation. Ms. Lister informed Mr. Smith, Assistant Program Manager, is in attendance and can answer specific

biomass and heat recovery project questions. Ms. Lister gave an overview of the program and an update of recent program accomplishments. The Alaska Wood Energy Development Task Group (AWEDTG) began in 2015. It is a partnership of approximately 20 State, Federal, Tribal, and NGO entities with funding from the U.S. Forest Service and the State of Alaska. This collaboration creates approximately five part-time jobs at the University, AEA and Southeast Conference. The group provides biomass outreach, education, and technical support to Alaska's communities.

Ms. Lister explained the biomass process begins with identifying communities that are good candidates for a biomass project through regional planning and other assessment efforts, conducting community outreach, engaging the communities to provide a statement of interest, and funding prefeasibility studies. The prefeasibility studies are presented to the community, additional education is conducted, and then AEA awaits an energy champion to emerge from the community to ensure community interest and commitment to the project.

Vice-Chair Pruhs requested additional information on the sustainable wood fuel supply, including road access and economic development. Ms. Lister explained the sustainable harvest plan and fuel supply is site-specific and that US Forest Service (USFS) leads the development of sustainable harvest plans. Some access roads have been constructed in Galena for their harvest efforts, most biomass projects do not have any roads associated with them. Chair Dick commented roads are typically constructed in association with other economic drivers, because it is not economically feasible to build a road to support energy generation from biomass. Mr. Smith gave the example of a recent donation by Ahtna from fire break cuttings completed throughout the region for forest fire mitigation. A portion of the timber was donated to Taslina in support of their upcoming biomass project. Mr. Smith informed the task group draws on the forestry inventory work completed by Department of Natural Resources (DNR) and other regional foresters to navigate through the process and help develop a sustainable harvest plan and business plan for the community. Winter roads can be utilized when the ground is frozen to transport harvest equipment to sites.

Ms. Lister outlined the next steps in the development process, including funding for design, development of a business plan, involvement of operators and mechanics in the design, funding for construction, and hands-on training for operators and mechanics during construction. One goal of the biomass program in the coming year is the development of an operator working group.

Ms. Lister showed a state map of the locations of the 35 operational systems, the 12 Renewable Energy Fund (REF) projects currently under construction, and the communities in the design, feasibility, and pre-feasibility stages. Ms. Lister explained the economics of biomass are challenging, particularly in a low-price oil environment. The goal for small biomass systems is to break even, provide local jobs, and opportunities for community involvement. Pellet systems can create regional commercial development and are more convenient for owners. Large chip systems have the potential for significant cost savings and can create local economic development through chip supply.

Mr. Kennedy inquired as to energy green credits for exporting pellets internationally. Ms. Lister noted she is unfamiliar with the green credit process for international export and will have to research the answer.

Deputy Commissioner Parady requested staff feedback regarding an inquiry to the Division of Community and Regional Affairs (DCRA) to change a regulation allowing biomass for bulk fuel loans. The statute is written as qualifying fuel and the regulation is written as petroleum. Ms. Lister noted she and Devany Plentovich, the Biomass Program Manager, have previously discussed this suggestion with DCRA and Bulk Fuel Loan staff as well as Department of Law and believe the regulation change would be very beneficial to communities. Mr. Lamb informed the regulation change was recommended in the Alaska Affordable Energy Strategy (AkaAES) and the legal analysis conducted can also be shared with Deputy Commissioner Parady.

Ms. Lister provided a detailed description of three successful case studies; Thorne Bay School cordwood system, Ketchikan Airport pellet boiler, and Galena biomass chip system. Ms. Lister reviewed a list of other AWEDTG accomplishments and described the goals for the working group through 2019.

Deputy Commissioner Burnett commented much effort has been expended in Fairbanks and North Pole to stop users from heating with biomass because of the environmental impact. He asked for the carbon footprint per Btu relative to biomass, natural gas, and coal. Mr. Smith informed the emission testing of particulate matter for high efficiency biomass units is comparable to natural gas. Mr. Smith did not have the carbon emission results with him, but noted the systems burn very hot and clean when operated correctly.

7B. Research on Energy Costs and Rural AK Out-Migration

Mr. Lamb invited Ms. Lister to highlight the findings of the research of energy costs and rural Alaska out-migration. Ms. Lister stated a link to the Institute of Social and Economic Research (ISER) full report will be placed on the website. Ms. Lister informed the study found energy costs is not a significant driver for out-migration. For every dollar increase in the price of a gallon of fuel, approximately 37 adults moved from rural Alaska to somewhere outside rural Alaska. The study showed a stronger likelihood of out-migration is indicated by variables including higher income, young adults, and females. Ms. Lister noted the study did not capture other financial and spending impacts that occur when energy costs rise in rural Alaska.

Mr. Wilken believes the study revealed the positive resiliency of people in rural Alaska and the time and money spent on achieving an acceptable balance of the cost of energy has been successful.

8. DIRECTOR COMMENTS

Mr. Lamb requested Mr. Skaling give an update on HB 80, Commercial Property Assessed Clean Energy (C-PACE). Mr. Skaling informed HB 80 has passed the House and the Senate with bipartisan support. Ms. Lister discussed next steps in the complex process of developing program parameters and administration. A planning workshop meeting will occur in June with

expertise from Anchorage, Fairbanks, and Juneau supported by the National Governor's Council grant.

Mr. Lamb requested Mr. Warren follow-up on questions raised at the February board meeting regarding Intertie repair and replace (R&R) accounts. Mr. Warren informed the next Intertie Management Committee meeting will occur in May and discussion of R&R accounts is on the agenda. Vice-Chair Pruhs looks forward to the next update.

Next regularly scheduled meeting Thursday, May 18, 2017

9. BOARD COMMENTS

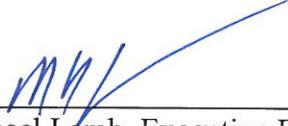
Mr. Wilken expressed appreciation for changing the meeting date to today. Mr. Wilken shared an anecdotal story about the successful use of solar power in Fairbanks. Mr. Wilken apologized to Ms. Lister and the solar team for his comments in a meeting about a year ago discounting the effectiveness of solar power.

Chair Dick expressed appreciation to staff for their work and to Vice-Chair Pruhs for leading the meeting.

Vice-Chair Pruhs expressed his appreciation to staff for their efforts.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 2:23 pm.



Michael Lamb, Executive Director/Secretary
Alaska Energy Authority