



BOARD MEETING MINUTES
Thursday, March 30, 2017
Anchorage, Alaska

1. CALL TO ORDER

Vice-Chair Pruhs called the meeting of the Alaska Energy Authority to order on March 30, 2017 at 10:01 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Russel Dick (Public Member - phone); 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); Elaine Brown (Public Member); Gary Wilken (Public Member - phone); and Dan Kennedy (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Amy Adler, Brenda Applegate, Katie Conway, Tom Erickson, Jennifer Haldane, Michael Lamb, Valerie Leavitt, Cady Lister, Betsy McGregor, Sean Skaling, Jessica Stolp, Kirk Warren, Teri Webster (AEA); Gene Therriault (AIDEA - phone); and Brian Bjorkquist (Department of Law).

Others present: Sydney Hamilton (Accu-Type Depositions); Elwood Brehmer (Alaska Journal of Commerce); Michael Witham (Alaska Motive Power); Don Strand (City of Egegik - phone); Mike Nelson (Elfin Cove Power Plant - phone); Frannie Hughes (Gwichyaa Zhee Utility Company - phone); Gerad Godfrey (Governor's Office); Terri Earl, George Hornberger (INN Electric Cooperative - phone); Brandon Shaw (Inside Passage Electric Cooperative - phone); Ben Hopkins, Brian Wakefield (Marsh Creek); Tim Barnum (McGrath Light & Power - phone); Walt Weller (Pelican Utility District - phone); Alan Bailey (Petroleum News); Daniel Harrelson (White Mountain); Paul Ahlin; and Dave Stieren.

4. AGENDA APPROVAL

The agenda was approved without objection.

5. PUBLIC COMMENTS

Michael Witham, President of Alaska Motive Power, informed they currently hold a contract with AEA. He commented the planned closure of the Commercial Drive warehouse will adversely affect the reliability and responsiveness to avert and minimize impacts of emergencies in rural Alaska. Mr. Witham believes there are many individuals at the Commercial Drive location who are hard-working, competent, highly trained, and knowledgeable of rural Alaska

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systems, and work as the liaison between the public utilities and the private service and maintenance companies. Mr. Witham expressed the closure of the warehouse may lead to equipment being lost or forgotten about and delayed response times to rural power outages. The potential decision for power plant projects to go to a design/build contractor will reduce reliability and increase energy costs. He believes this decision may cause his company to be shut out of the process to provide services. Mr. Witham believes AEA has worked very hard to design a robust and efficient power system.

Daniel Harrelson, Mayor of White Mountain, expressed concern regarding the decision to close the warehouse and discontinue the technical assistance will have a detrimental affect on small communities. He believes White Mountain has electricity because of the strong trust relationship, wonderful support, guidance and technical assistance from AEA, specifically Bob Havemeister, throughout the years. Mr. Harrelson stated utilizing a contractor will be cost prohibitive for much of the maintenance. He commented the assistance of AEA is needed now, more than ever, because of tightening fiscal policies. Mr. Harrelson requested the consideration of small communities in AEA's decisions.

Mike Nelson, Manager of Elfin Cove power plant, commented the current structure of the warehouse provides a crucial service for Elfin Cove. He is in favor of leaving the warehouse open and does not believe the Elfin Cove power plant could run without the warehouse's assistance, specifically from Bob Havemeister.

Walt Weller, Mayor of Pelican, power plant operator, and electrical contractor, expressed the importance of keeping the technical and specialized material warehouse services available to remote communities. He noted the professionals at the warehouse were instrumental in assisting Pelican in achieving a 90 percent hydro power supply system. Mr. Weller believes the warehouse operations are highly efficient, unique, and vital to rural communities' needs. These operations would be extremely difficult and expensive to replace.

George Hornberger of INN Electric Cooperative informed INN serves Iliamna, Newhalen and Nondalton with electricity at about 99 percent hydro-power. INN has received several AEA grants with the assistance of AEA's warehouse expertise and AEA's desire to do the right thing, specifically from Bob Havemeister. He echoed the comments of the previous testimonies and believes the proposed change is a bad idea.

Ben Hopkins, Service Manager Marsh Creek, noted Marsh Creek provides project and service support to rural communities. He commented the AEA staff at the warehouse assists Marsh Creek in being more effective to the rural utility customers in servicing their equipment. Mr. Hopkins believes the proposal to shut down the warehouse and change the personnel interactions will have a negative effect on the service support for rural communities regarding operations, emergencies, and failures. Mr. Hopkins does not support the proposed change, and at the very least, the implementations needs to be slowed down.

Don Strand, City Administrator City of Egegik, reiterated the comments of previous testimony regarding opposition to the shutdown of the projects and the warehouse. He believes the shutdown and accelerated timeline from effective immediately to within 30 days is not thoughtful and will have a negative effect on rural communities. Mr. Strand informed the City of Egegik's electric utility and power plant rely heavily on AEA's expertise and assistance.

Mr. Strand noted number four in the memo to reduce AEA's operating costs and to maximize public construction dollars to the private sector does not follow AEA's mission to reduce the cost of energy in Alaska, and will increase costs in rural Alaska. Mr. Strand commented the emergency assistance of Bob Havemeister and the warehouse personnel has been invaluable.

Frannie Hughes of the Gwichyaa Zhee Utility Company in Ft. Yukon agreed with previous public comments. She believes AEA's focus is to help reduce the cost of energy in Alaska and has been supportive in providing trusted expertise and resolutions over the phone by Bob Havemeister. Ms. Hughes expressed concern that this meeting is the sole avenue to provide comments regarding the decision to end AEA's communications and assistance to rural communities. She believes this cutback will be a detriment to rural utilities by increasing the already high costs. Ms. Hughes requested reconsideration of the cutback decision.

Brandon Shaw of Inside Passage Electric echoed the comments of previous testimony. Mr. Shaw believes the AEA warehouse employees are technically proficient in their specialized industry and are superb at maintaining access to parts and material to adequately support the rural utilities. He feels closing the warehouse would negatively affect the capabilities of the warehouse employees in supporting rural utilities.

Vice-Chair Pruhs expressed appreciation for the public comments and informed any additional comments may be sent in writing to the attention of Michael Lamb, Executive Director.

6. PRIOR MINUTES - Feb. 23, 2017

MOTION: A motion was made by Chair Dick to approve the minutes of February 23, 2017. Mr. Kennedy seconded the motion. Motion passed without objection.

7. NEW BUSINESS

7A. Resolution 2017-01 - Officer Appointments - Executive Director and CFO

Mr. Lamb reviewed Resolution 2017-01 relating to the appointment of Michael Lamb as the Executive Director/Secretary – Treasurer with an effective date of February 23, 2017; the appointment of Brenda Applegate as the Chief Financial Officer and Assistant Secretary – Treasurer with an effective date of March 16, 2017; and the appointment of Amy Adler to the office of Assistant Secretary – Treasurer of the Authority with an effective date of March 30, 2017.

MOTION: A motion was made by Chair Dick to approve Resolution 2017-01. Mr. Kennedy seconded the motion.

A roll call vote was taken and the motion passed unanimously.

7B. C-PACE legislative update

Mr. Lamb invited Sean Skaling to provide a legislative update and overview. Mr. Skaling informed the C-PACE legislation going through as HB 80 is a financing mechanism for energy

efficiency improvements to commercial buildings. It is currently in the Senate Rules Committee awaiting a scheduled senate vote.

7C. Volkswagen Settlement Trust

Mr. Lamb invited Betsy McGregor to present the overview to the Board. Ms. McGregor explained the background timeline from 2009 through 2016 Volkswagen installed 11 million illegal "defeat devices" which mask the actual in-use emissions of nitrogen oxides and violated the EPA and Clean Air Act. The Volkswagen settlement consists of three parts; 1) a requirement of \$11.2 billion for direct compensation for vehicle buyback and/or repairs, 2) a requirement of \$2 billion to promote zero-emission vehicle (ZEV) technology and infrastructure over 10 years, and 3) a requirement of \$2.925 billion to be set aside for the Environmental Mitigation Trust for projects to reduce nitrogen oxide emissions to offset lifetime excess nitrogen oxide emissions. These funds were allocated proportionately across states, territories, and tribes based on the distribution of the affected vehicles. Alaska was allocated the minimum amount of \$8.125 million. The tribal allocation of \$54.4 million is to be distributed amongst all federally recognized tribes, including those in Alaska.

The Alaska Governor designated AEA as the lead agency to administer the \$8.125 million in allocated funds. She reviewed AEA's administrative role and outlined the specific tasks. AEA is allowed to collect up to 15% of the fund for administrative tasks. Ms. McGregor described the eligible projects and discussed the trust timeline.

Mr. Wilken suggested to replace the word biannual in the presentation with a description of either twice a year or every two years for clarity.

Management response to the public comments

Mr. Bjorkquist, Assistant Attorney General, requested to comment for the record regarding the question raised whether the topics for executive session were appropriate. Mr. Lamb will speak on one portion of the projects and warehouse topics in the public session before going into executive session. Mr. Bjorkquist explained the four bases for going into executive session provided under AS 44.62.310.

Mr. Lamb requested to speak on the issue of funding and services specifically regarding the warehouse. Mr. Lamb expressed concern how the public testimony seemed to lack recognition of the impacts of the State's financial status and budgetary process. The legislative intent of HB 256 directs the Department of Commerce Community Economic Development, AEA, and Alaska Industrial Development Authority (AIDEA) to develop a plan to phase out unrestricted general funds of \$870,000 for AEA by 2019, and explore further consolidation with AIDEA. The warehouse services and critical programs are currently paid for by the general funds that are being phased out by legislators.

Mr. Lamb described the efforts to respond to the Legislature to explore further consolidation with AIDEA. The results included closing the Anchorage annex and the Fairbanks office, and moving the staff from the warehouse to the Anchorage office. Mr. Lamb referenced additional legislative intent language to develop a plan using best practices to find efficient measures to

colocate Alaska Aerospace Corporation, AEA, Alaska Housing Finance, and AIDEA in an effort to reduce administrative costs and duplication services with those agencies.

Mr. Lamb reported AEA's intent remains the same to utilize the available funding to efficiently provide as much assistance as possible to rural utilities but cited the statutes for rural utilities assistance (AS 42.45.900) "In providing rural utilities with technical assistance and training, the Authority shall give priority to contracting with private sectors for these services." Mr. Lamb also noted the circuit rider maintenance regulations (3 AAC 108.210) state the Authority will prioritize its circuit rider assistance for that year by evaluating and ranking deficiencies and needs of communities each year in accordance with AEA's ability and appropriation to provide that assistance.

MOTION: Deputy Commissioner Burnett made a motion to go into Executive Session to discuss confidential deliberative process matters related to Administrative Order 281, confidential attorney/client information and strategy related to Bradley Lake project litigation and RFP, confidential deliberative process material regarding AEA Managed grant, and confidential attorney/client and deliberative process material regarding the AEA warehouse. Ms. Brown seconded the motion.

Motion passed unanimously.

**7D. Executive Session: 11:09 am.
Administrative Order 281 update; Bradley Lake project litigation and RFP; AEA Managed grant; and Warehouse**

The Board reconvened its regular meeting at 1:09 pm. Chair Dick advised no formal actions were taken during executive session.

8. DIRECTOR COMMENTS

Mr. Lamb requested Mr. Warren provide a summary of federal budgetary issues. The Denali Commission was informed by the Presidents administration that they were closing the Denali Commission in FY18 with a zero budget. The Denali Commission is an instrumental partner for AEA and extremely valuable to the rural programs. If the zero budget stands, it could mean the potential defunding of the rural power programs, bulk fuel facilities, and six powerhouse projects. AEA received around \$15M last year from the Denali Commission. Mr. Warren noted Alaska State Senators and Representatives are working hard opposing the zero budget.

Mr. Lamb expressed appreciation to the dedicated staff during these uncertain fiscal times.

8A. Next regularly scheduled meeting Thursday, April 20, 2017

9. BOARD COMMENTS

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

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Mr. Kennedy noted AEA has not pursued an Audit Committee and wanted to ensure lessons learned from the AIDEA Audit Committee will be shared with AEA.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 1:09 pm.



Michael Lamb, Executive Director/Secretary
Alaska Energy Authority