



ALASKA ENERGY AUTHORITY

BOARD MEETING MINUTES

Thursday, March 1, 2018

Anchorage, Alaska

1. CALL TO ORDER

Vice-Chair Pruhs called the meeting of the Alaska Energy Authority to order on March 1, 2018 at 2:24 pm. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Vice-Chair Dana Pruhs (Public Member); Fred Parady (Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED)); Mike Barnhill (Deputy Commissioner (Department of Revenue (DOR))); Gary Wilken (Public Member); Elaine Brown (Public Member); and Bernie Karl (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Amy Adler, Brenda Applegate, Katie Conway, Tom Erickson, Alan Fetters, Cady Lister, Linda Senn, Janet Reiser, Kirk Warren, Teri Webster (AEA); Brian Bjorkquist, and Mary Lynn Macsalka (Department of Law).

Others present: Tony Izzo (phone) (Matanuska Electric Association); and Sunny Morrison (Accu-Type Depositions)

4. AGENDA APPROVAL

MOTION: Mr. Wilken made a motion to approve the agenda with the amendment to read Item 7. New Business; 7A. Railbelt Energy Issues, 7B. Executive Session Regarding Railbelt Issues; 7C. Resolution 2018-01; 7D. Response to Board Questions about the AEA Budget. The motion was seconded by Deputy Commissioner Barnhill.

The motion to approve the amended agenda passed without objection.

5. PUBLIC COMMENTS

None.

6. PRIOR MINUTES – January 11, 2018

MOTION: Mr. Wilken made a motion to adopt the Minutes of January 11, 2018. Deputy Commissioner Parady seconded the motion.

Motion passed without objection.

7. NEW BUSINESS

7A. Railbelt Energy Issues

Janet Reiser, AEA Executive Director, discussed the concept of a unified system operator (USO) as the overarching administrative and rule-making organization for the Railbelt. A USO does not own assets. She noted the terms USO, independent system operator (ISO), and Railbelt Reliability Council (RRC) are synonymous for purposes of today's discussion. Ms. Reiser explained a Transco is an asset-owning operating organization. Ms. Reiser invited Kirk Warren, Railbelt Energy Projects Director AEA, to present the public portion of the discussion.

Mr. Warren gave a historical overview of the infrastructure build-out of the Railbelt to-date. The most recent study to complete a Transmission Plan was presented in 2017. The Transmission Plan was the impetus for two orders in front of Regulatory Commission of Alaska (RCA). Order Docket I-15-001 was at the request of the Legislature for the Alaska Center for Energy and Power (ACEP) to study the validity of the results in the Transmission Plan and determine the process to create economic dispatch within the Railbelt system. Six findings and recommendations were reported back to the Legislature in the completed study. Mr. Warren reviewed each recommendation.

Mr. Warren discussed Order Docket 16-002 added cyber security standards to the original Docket. The Alaska Railbelt Cooperative Transmission and Electric Company (ARCTEC) commissioned a study to investigate an entity creation and facilitation of stakeholders for an ISO. Mr. Warren explained the reliability standards were created so the entities working together to plan the system are utilizing the same standards. Mr. Warren noted maximum savings are not being realized within the Railbelt, and planning among the utilities has been inconsistent. Mr. Warren ended his presentation with a quotation from a Railbelt utility general manager, "An entity must be empowered to direct the incremental use of the most efficient generating units. Currently, no single entity exists to do that. At present, that authority is not clearly recognized within the Railbelt. Creating an organization to take a regional approach is probably the only realistic means to build out a fully functioning grid for the future."

Mr. Karl inquired if previous discussions have occurred to sell all the assets, transmission lines and hydro-electric dam, to the Railbelt utilities. Ms. Reiser noted discussions have occurred at various times regarding parts of those issues and could reveal additional information during executive session.

MOTION: A motion was made by Deputy Commissioner Parady to go into Executive Session to discuss confidential negotiations, strategies, and deliberative process information related to Railbelt Energy Issues. Ms. Brown seconded the motion.

The motion was approved without objection.

**7B. Executive Session: 2:41 pm
Railbelt Issues**

The Board reconvened its regular meeting at 3:43 pm.

Vice-Chair Pruhs stated no formal action was taken on the matters discussed in executive session.

7C. Resolution 2018-01

Ms. Reiser informed Resolution 2018-01 renames Mr. Warren from Chief Operating Officer to Railbelt Energy Projects Director, confirms his appointment as Assistant Secretary, and appoints Chief Economist Cady Lister as an additional Assistant Secretary of AEA. Ms. Reiser noted the position of Chief Operating Officer is currently vacant and there is no fiscal note attached to this resolution.

MOTION: A motion was made by Deputy Commissioner Parady to approve Resolution No. 2018-01. Motion seconded by Ms. Brown.

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

7D. Response to board questions about the AEA budget

Ms. Reiser introduced Amy Adler, AEA Controller, who provided the responses to the Board's budget questions that were asked during the previous meeting. An updated spreadsheet outlining the questions and answers is contained in the Board packet. The management plan is the authorized budget. The totals remain the same, but line item spending may change. The AEA FY18 budget is \$46.8 million and includes all combined components. The actual expenditures are expected to be less. Ms. Adler showed a comparison of FY17 budget authorization of \$52 million to FY17 actual expenditures of \$34 million. The biggest contributor to the gap was the Power Cost Equalization (PCE), which was authorized for approximately \$40 million and had an actual expenditure of \$26 million. Ms. Adler discussed the downward trend of the actual expenses of the contractual services line item largely due to payroll.

Ms. Adler informed the FY19 proposed budget primarily remains status quo compared to the FY 18 budget. The increment to Federal Receipt Authority is due to the expectation the Denali Commission funding programs will continue. The decrement to PCE is due to the expectation the program expenditures will continue to be lower than the authorized amount. Ms. Adler explained there is about \$800,000 of expense authority in the contractual line that is funded by the PCE Endowment Fund.

Mr. Wilken expressed appreciation for the preparation of the responses. He asked if the expectation is to receive \$752,000 for Denali Commission funding. Ms. Adler agreed.

Vice-Chair Pruhs noted the expenditure amount for supplies and equipment in the proposed FY19 budget remains the same as in FY18. Ms. Adler stated those authorizations typically remain the same because of the ability to offset any additional amounts in another line item. Vice-Chair Pruhs asked for the items, other than payroll, included under contractual services.

Ms. Adler explained the biggest expense is the fully loaded direct payroll rate and shared services to reimburse AIDEA. Other payments include supplies and furniture. AEA does not participate in rent or utilities of the current building. Vice-Chair Pruhs requested a current update on AEA and AIDEA negotiations regarding expenses connected with the building. Ms. Reiser agreed to report back to the Board.

Vice-Chair Pruhs inquired as to the accounting for the prior benefit costs and pension liability the State collects. Ms. Applegate explained the fully loaded rate AEA pays includes the current pension costs at 22%, but does not include any prior benefit costs. AIDEA pays 22% pension costs and any remainder sits on AIDEA's balance sheet and gets adjusted annually through the true-up as part of the cost sharing. Ms. Applegate suggested a review of the issue is warranted. She noted AIDEA's pension liability on the balance sheet is approximately \$12,500,000. Vice-Chair requested the percentage amount of AIDEA's pension liability related to AEA be provided at the next meeting. Ms. Applegate agreed.

Mr. Wilken inquired as to funding in the budget for public outreach and external affairs. The approximate amount is \$70,000 plus staff time.

8. DIRECTOR COMMENTS

Ms. Reiser highlighted the recent outreach efforts AEA provided through panelists and speakers. In February, AEA participated in the Southeast Conference, Alaska Forum on the Environment, and Rural Small Business Conference. Ms. Reiser informed she is involved with the Climate Action Leadership Team that takes recommendations from the mitigation and adaptation working groups. Their next meeting is scheduled in Fairbanks, concurrent with the scheduled Rural Energy Conference on April 10th through 12th. Ms. Reiser requested Board members provide any recommendations for potential fundraising participants for the Rural Energy Conference.

The next regularly scheduled meeting is Thursday, April 26, 2018.

9. BOARD COMMENTS

Mr. Wilken expressed his gratitude to Ms. Reiser for beginning these discussions regarding the Railbelt energy issues.

Vice-Chair Pruhs expressed appreciation to Ms. Reiser, staff and members for their input.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 4:04 pm.



Janet Reiser, Executive Director/Secretary
Alaska Energy Authority