



BOARD MEETING MINUTES
Thursday, January 11, 2018
Anchorage, Alaska

1. CALL TO ORDER

Chair Dick called the meeting of the Alaska Energy Authority to order on January 11, 2018 at 10:02 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Russell Dick (Public Member); Vice-Chair Dana Pruhs (Public Member); Fred Parady (arrived 10:55am) (Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED)); Mike Barnhill (Deputy Commissioner, Department of Revenue); Gary Wilken (Public Member); Elaine Brown (Public Member); and Bernie Karl (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Janet Reiser, Brenda Applegate, Salina Bearden, Bryan Carey, Katie Conway, Tom Erickson, Alan Fetters, Cady Lister, Betsy McGregor, Neil McMahon, Linda Senn, Doug Ott, Jen Bride, Devany Plentovich and Teri Webster (AEA); Katherine Beale (AIDEA); and Brian Bjorkquist (Department of Law).

Others present: Tom Wolf (Denali Commission); John Reeves (phone) (Fairbanks); Tim Bradner and Elwood Brehmer (Alaska Journal of Commerce); Alan Bailey (Petroleum News); and Pat Davis (phone) (Kiewit); Sunny Morrison (Accu-Type Depositions).

Chair Dick welcomed new member Deputy Commissioner Barnhill and requested he give a summary of his background. Deputy Commissioner Barnhill advised he has worked for the State of Alaska since 1998. In 2011, he became Deputy Commissioner for the Department of Administration, in which he served for four years. The last two years, Deputy Commissioner Barnhill served as an Investment Officer for the Department of Revenue working on the State's Retirement System.

4. AGENDA APPROVAL

MOTION: Ms. Brown made a motion to approve the agenda as presented. Mr. Wilken seconded the motion.

Motion passed without objection.

5. PUBLIC COMMENTS

None.

6. PRIOR MINUTES – Dec 7, 2017

MOTION: Mr. Wilken made a motion to adopt the Minutes of December 7, 2017. Vice-Chair Pruhs seconded the motion.

Motion passed without objection.

7. NEW BUSINESS

7A. Battle Creek Diversion Project Update

Janet Reiser, AEA Executive Director, introduced Brenda Applegate, CFO AEA/AIDEA, and Bryan Carey, Project Manager for Battle Creek & Bradley Hydro Project, who provided an overview of the Battle Creek Diversion Project and current update. The design, environmental studies, and Federal Energy Regulatory Commission (FERC) licensing are all complete. Four of the six utilities are participating and their boards have given approval to move forward. The low bid amount for the project was \$36.5 million. The project will be completed in about three years and will provide an additional equivalent amount of 37,000 megawatt hours to Bradley.

Ms. Applegate informed the financing package was approved at the last Board meeting and closed on December 26, 2017, before the December 31 deadline. She stated the hard work paid off because the tax credit bonds did not survive the tax reform at the federal level. Closing before the deadline saved the project approximately \$20 million in interest. The structure consists of three loans with National Cooperative Services Corporation; 1) \$40 million for New Clean Renewable Energy Bond (NCREB) allocation, 2) \$1.239 million Qualified Energy Conservation Bond (QECCB) loan, and 3) \$5.761 million drawdown bond loan that is available, if necessary. The current fixed interest rate is 4.24% and is expected to decrease to a subsidized rate between 1.3% and 1.4%. The interest rate subsidies are subject to federal sequestration. The first two loans are interest only for three years and have a 33-year amortization.

Ms. Reiser expressed congratulations to the team for their remarkable efforts in creating the financing package for the important low-cost renewable project before the December 31st deadline.

Notice of Intent to award the construction project to Orion Marine Group was completed on December 28, 2017. The protest period is over, and the bonding and assurance should be received within a few days. A meeting with Orion Marine Group should be scheduled within a week to discuss the construction schedule. Mobilization to Bradley could occur in April. Production of aggregate could begin in May.

7B. Overview of the Governor's budget related to AEA

Ms. Reiser introduced Katie Conway, who manages government relations, outreach, and efficiency within AEA. Ms. Conway noted this is the beginning of the budget process. Members have been provided a copy of the proposed Operating Budget and Capital Budget. Ms. Conway informed the Alaska Economic Recovery Act is a bill that will combine a revenue plan with capital projects. AEA has an important project included in that bill regarding bulk fuel upgrades in the amount of \$5 million. Development of the bill will be watched once the session begins.

Ms. Conway described the \$11 million line items of Rural Power System Upgrades and Renewable Energy Grant Fund Program made possible by SB 196 legislation, outlining how excess PCE earnings could be used for non-PCE projects. Ms. Conway stated the Denali Commission has played an increasingly important role in helping AEA mitigate some of the losses from the State over the last couple of years. Ms. Conway suggested she return before the Board after the final budget is passed to go through line items individually.

Vice-Chair Pruhs expressed appreciation for the information provided and requested additional explanation regarding the distinction between the FY2018 Management Plan and the FY2019 Governor's plan. Ms. Applegate explained the FY2018 Management Plan numbers are based on the current 2018 Budget and what is actually expected to be received and spent in FY2018. The FY2019 Governor plan numbers are the 2019 authorized amounts presented by the Governor. Vice-Chair Pruhs requested a comparative of the budget and the management plan actuals be presented to the Board 30 days after each quarter. Ms. Applegate and Ms. Reiser agreed to provide the quarterly reports.

Mr. Wilken asked for an explanation of the changes in the Services numbers from FY2017 Actuals to FY2018 Management Plan to FY2019 Governor, as listed on the Operating Budget Fiscal Year Compare. Ms. Applegate stated she has not been involved in the specifics of generating the budget numbers. She will discuss with staff and report at the next meeting regarding how the adjustments were built. Ms. Applegate agreed to include an additional column of the Authorized Budget in the Fiscal Year Compare.

Ms. Brown requested additional information regarding the changes in the Grants numbers on the Fiscal Year Compare. Ms. Applegate agreed to report on the adjustments at the next meeting.

7C. Rural Power System Upgrade (RPSU) Project selection

Ms. Reiser invited AEA's Neil McMahon and Cady Lister to present the recommended philosophical changes to the decision-making process for the RPSU Program. The proposed changes follow AEA's mission of servicing as many communities as possible, while effectively leveraging the available funding. Ms. Reiser noted the changes are a work-in-progress and can occur within the existing regulation. Board members were requested to provide feedback.

Mr. McMahon gave an overview of the RPSU Program for about 180 eligible and prioritized communities with populations between 20 and 2,000 residents. He noted the definition of a power system upgrade is not defined within regulation and generally includes replacement of power houses and/or an upgrade of the distribution system. The majority of the funding is from the Denali Commission. Vice-Chair Pruhs requested more information regarding the limitation of the population size of 2,000, and suggested a definition of rural may better serve the program. Mr. McMahon stated he does not have any information regarding how the upper limit population size of 2,000 was determined, and will research why the number was specified and provide the information with the Board.

Mr. McMahon continued the presentation and reviewed the guiding principles for the changes. They include increased transparency in the selection process, better communication to stakeholders, additional ways to track improvement of the program, utilization of currently available funding sources, reduction of diesel consumption, maintenance incentives, cost effective infrastructure, and maximizing the life of existing infrastructure. State and federal resources have diminished and are

likely to remain low into the future. This reality must be addressed without placing an undue burden on communities.

Vice-Chair Pruhs believes all of the listed principles are subject to criticism until there is a mechanism to know what infrastructure is currently in place, its useful life and maintenance schedule. Vice-Chair Pruhs commented he has voiced repeated concerns on this issue during his tenure on the Board. He suggested the process contain a plan to ensure the information received is kept accurate and ongoing. Mr. McMahon agreed and noted a similar process is being developed in coordination with AEA's Circuit Rider program.

Mr. Wilken recommended Vice-chair Pruhs' concept of a preventive maintenance programs be added as part of the strategic planning session February 28, 2018.

Mr. McMahon explained the new RPSU process will expand the project types considered, such as new powerhouse and/or distribution systems, powerhouse/distribution improvements, and cost-effective renewable energy systems. The range for project costs will broaden from \$150,000 to \$4 million. The project funding will come from a hybrid of grants and local match loans and/or grants. The projects will be prioritized based on the evaluation of the project and the community's needs and deficiencies. The projects will also be prioritized within each community and between communities. The final project will be determined after an onsite assessment and further community input.

Vice-Chair Pruhs commented the processes need to be consistent and defensible across all communities. He suggested rate increases be phased in over time, if they are utilized.

Mr. Wilken requested an update on the future of the federal funding for the Denali Commission. Ms. Lister informed the funding over the last few years has been around \$5 million for RPSU projects. All of the commissions in the country were zeroed out in the President's budget for next year. AEA supports funding for the Denali Commission and believes there is support in the federal delegation for funding. Ms. Lister noted the risk to the program is imminent during a scenario where the State appropriations are tied to a requirement for federal match, and the federal programs get cut or eliminated. She reiterated the requirement of more debt financing of infrastructure is one way to prepare for budgetary cuts to the Denali Commission. Mr. Wilken requested information be provided at a later date regarding how many of the RPSU eligible communities are not regulated and would have a difficult time creating an O&M and Depression account based upon not have a governing body to help.

8. DIRECTOR COMMENTS

Ms. Reiser stated she is looking forward to the strategic planning session on February 28, 2018. The new Board member orientation is February 1, 2018. Ms. Reiser expressed appreciation to the Board for selecting her as Executive Director. She provided a description of her career background and is excited to work with the talented and dedicated staff on future challenges and opportunities. The next regularly scheduled meeting is March 1, 2018.

9. BOARD COMMENTS

Mr. Karl welcomed Ms. Reiser to her new position.

Deputy Commissioner Barnhill noted he is honored to take part in the work of the Board.

Chair Dick commented the presentation was outstanding, thought-provoking, and a good start to the innovation, creativity, and new leadership direction brought by Ms. Reiser.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 11:36 am.



Janet Reiser, Executive Director/Secretary
Alaska Energy Authority