

**Alaska Energy Authority
BOARD MEETING MINUTES
Wednesday, June 26, 2019
Anchorage, Alaska**

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Energy Authority to order on June 26, 2019 at 10:02 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member) (phone); Julie Anderson (Commissioner DCCED) (arrived at 10:04 am); Bill Kendig (Public Member); Greg Samorajski (Deputy Commissioner DOR); and Julie Sande (Public Member) (phone).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Curtis Thayer, Kirk Warren, Tim Sandstrom, Linda Senn, Amy Adler, Brenda Applegate, Ashton Compton, Shelby Nayukok-Solski, Lex Sargento (AEA); and Stefan Saldanha (Department of Law).

Others present: Ladonna Lindley and Sunny Morrison (Accu-Type Depositions); Elwood Brehmer (AK Journal of Commerce); James Brooks (Anchorage Daily News) (phone); Tom Wolf (Denali Commission); Jason Thom (DOWL); Ron Rebenitsch (Energy Engineering, Inc.); Shawn Florio (HDR); and Graysen Spiller (Orion).

4. AGENDA APPROVAL

MOTION: A motion was made by Mr. Kendig to approve the agenda. The motion was seconded by Commissioner Anderson.

The motion was approved without objection.

5. PUBLIC COMMENTS - None.

6. PRIOR MINUTES - May 22, 2019

MOTION: A motion was made by Mr. Kendig to approve the Minutes of May 22, 2019. Deputy Commissioner Samorajski seconded the motion.

The motion was approved without objection.

7. NEW BUSINESS

7A. Resolution No. 2019-04 Appointment of Officer

Curtis Thayer, Executive Director, explained Resolution No. 2019-04 appoints Tim Sandstrom as an Assistant Secretary of AEA. He would serve in the absence of the Executive Director, along with Kirk Warren, who is also an Assistant Secretary of AEA. Mr. Sandstrom will replace Cady Lister, who recently left AEA. Chair Pruhs introduced Mr. Sandstrom.

MOTION: A motion was made by Mr. Kendig to approve Resolution No. 2019-04. Motion seconded by Commissioner Anderson.

A roll call was taken, and the motion to approve Resolution No. 2019-04 passed unanimously.

MOTION: A motion was made by Mr. Kendig to go into Executive Session to discuss confidential matters related to Bradley Lake. Commissioner Anderson seconded the motion.

The motion was approved without objection.

**8. EXECUTIVE SESSION - Executive Session: 10:10 am
Discuss confidential matters related to:**

8A. Bradley Lake

The Board reconvened its regular meeting at 11:48 am.

Chair Pruhs advised no formal action was taken on the matters discussed in executive session.

9. DIRECTOR COMMENTS

9A. Tuluksak

Mr. Thayer discussed the Tuluksak Utility Management Improvement Project and informed the provided summary was at the request of the Chair. AEA continues its efforts to provide Tuluksak the necessary training to effectively maintain the utility. The approximate cost of Tuluksak's previous energy projects in the community from 2004 to present is approaching \$3 million. The summary outlines the specific response work in the community since 2017. There have been six emergency responses to the community, 33 visits by circuit rider and technical assistance, and five utility training opportunities. The utility in Tuluksak is city-owned.

Issues within the utility are ongoing and extensive. Staff turnover is high and frequent, which does not allow for training continuity. Currently, the utility manager position is vacant and

the utility clerk position is newly filled. The challenges involve lack of training participation by the utility manager and the utility clerk, as well as lack of utility management, maintenance, and bookkeeping after training by AEA staff has been provided.

Mr. Thayer reported the Division of Community and Regional Affairs (DCRA) has made several trips to Tuluksak regarding assistance with the rural sanitation issues and has an outstanding loan of approximately \$400,000. No PCE funds have been received by Tuluksak for the last two years. The Denali Commission is no longer involved in the community.

Tuluksak has a population of about 400 people. During 2019, AEA has participated in 15 incidents/contacts with Tuluksak for an approximate cost of \$348,000. The most recent emergency response included flying out a generator at a cost of approximately \$15,000. Maintenance was not adequately conducted on the previous three generators, primarily due to the challenge of consistent employee retention. AEA has provided in-person maintenance training and online maintenance assistance to employees who have since quit. The open positions stay vacant for periods of time.

Mr. Thayer noted another challenge is the lack of execution after training occurs. He gave an anecdotal instance of AEA conducting step-by-step training for the PCE program and the paperwork was never completed to receive the approximate \$60,000 PCE funds. Any funds from PCE will go to pay the DCRA bulk fuel loan. Tuluksak utility is effectively in receivership. AEA does not have a specific policy regarding a utility in receivership. Chair Pruhs inquired if the development of a policy is necessary. AEA has the responsibility to ensure the community has power, but AEA does not have a mechanism or policy to ensure the power is reliable and affordable.

Mr. Thayer stated AEA staff traveled to Tuluksak from April 30 through May 3, 2019, to provide powerplant maintenance and utility finance training to 15 community members, four powerplant operators, and seven City Council members. Assistance was provided for new utility procedures, documents for collection, PCE reporting, utility managing, and strategic planning. On May 25, AEA staff returned to Tuluksak because of an electrical emergency.

Ms. Sande asked if AEA is solely responsible for maintaining power in Tuluksak. Mr. Thayer noted maintenance of power is the responsibility of the community of Tuluksak. AEA has provided the generators and the bulk fuel.

Mr. Kendig believes the utility needs to act in a responsible manner. He requested an analysis between the cost of AEA conducting the maintenance and the cost of AEA replacing generators.

Chair Pruhs inquired as to billing practices. Mr. Sandstrom noted the majority of billing is conducted with the prepay meter system. He is not aware of the accounting of funds after payment is received. Chair Pruhs noted that is a receivership issue. He suggested the funds

go into a reserve account and a third-party from Bethel or AVEC is hired to travel to Tuluksak on a monthly or bimonthly basis to conduct the maintenance.

Mr. Thayer commented there is no line item in the budget for Tuluksak utility maintenance. Chair Pruhs commented community training is not working and emergency repair funds should be used to mitigate the persistent emergency issues. The Tuluksak utility is effectively in receivership and AEA is responsible for power. Mr. Sandstrom noted he is unable to use emergency funding for ongoing maintenance or a secondary operator because of the current administrative code definition of an emergency. Chair Pruhs suggested the definition of emergency can be created in regulation. Mr. Sandstrom agreed the path should be followed to change the regulatory definition.

Deputy Commissioner Samorajski expressed concern AEA is constrained by governing statutes with no incentives for communities to help AEA reduce costs. There are multiple communities with inadequate maintenance practices that AEA is required to assist. He recommended looking beyond this particular emergency situation to a broader legislative solution for future community power problems. AEA is responsible for offering similar services to 194 Power Cost Equalization (PCE) communities.

Ms. Sande requested the Department of Law provide direction on the statutes regarding ultimate responsibility. She expressed concern the issues go beyond the poor maintenance and training challenges, and include vandalism to the switch gears and control cables. Ms. Sande requested security measures are included in any plan going forward.

Vice-Chair Karl inquired regarding the current generator. Mr. Sandstrom explained the current generator is 65 Kw and is able to handle the summer load. The four broken generators range from 65 Kw to 160 Kw. Three of the generators are not rebuildable and one is rebuildable. Vice-Chair Karl suggested the community go to a subsistence lifestyle and experience the summer without power. AEA can then help restore power to the community and create a set of rules that have to be followed.

Deputy Commissioner Samorajski inquired as to the legal standing for not providing power. Chair Pruhs does not agree cutting off power is a realistic option. AEA may have to take over the operations to mitigate costs to the State. He believes the goal is to keep the utility running.

Vice-Chair Karl recommended a total solution is for AEA to have AVEC take over the utility. He suggested speaking directly to Senator Lyman Hoffman regarding the specifics of the Tuluksak utility. Mr. Thayer informed discussions have occurred with AVEC and they have similar frustrations. The cost would be \$3 million to \$4 million for the one utility. Vice-Chair Karl recommended moving forward with the request and continuing discussions with AVEC. Chair Pruhs agreed. Vice-Chair Karl believes utilizing AVEC to solve the issues with the Tuluksak utilities can be a model for other distressed community utilities.

Mr. Thayer noted he will have another conversation with AVEC. He expressed concern the cost of utilizing AVEC is approximately 10% of AEA's overall budget, and about a third of AEA's budget after PCE is considered. Mr. Sandstrom believes a viable long-term solution is utilizing a secondary operator system and supporting a division of utilities. This option requires legislative change to implement. Chair Pruhs suggested working with Senator Hoffman on that long-term possibility.

Chair Pruhs indicated the State is ultimately responsible for providing power to communities in distress. He emphasized the importance of knowing the condition of the utilities, including the functional life of the power generation, reserve accounts, fuel storage, and transmission lines. The key to the solution is using the least amount of funds to provide the highest reliability so the loss of power does not continue to reoccur.

Deputy Commissioner Samorajski reiterated two requests to be presented at the next meeting. The first request was from Ms. Sande regarding the Department of Law reporting on the current statutory obligations of the State and AEA in terms of financing rural communities. The second is Vice-Chair Karl's request for Mr. Thayer to reopen negotiations with AVEC. Chair Pruhs agreed to the requests.

Mr. Sandstrom reviewed the short-term response plan is continued use of the emergency generator to maintain power generation. The two funding programs will be utilized to supply two additional generators for this winter. Chair Pruhs asked if a third-party can be hired to change the oil and provide monthly maintenance for the new generators. Mr. Sandstrom does not believe he has the funding capability to hire a third-party for maintenance. He will investigate that option further and if the funding capability is available, he will hire a third-party for maintenance. Mr. Sandstrom informed AEA's technical assistance contacts do occasionally change the oil during their visits. Chair Pruhs suggested the technical assistance contacts can provide training and change the oil on a monthly basis.

9B. Hiilangaay Trip Report

Mr. Thayer provided the Hiilangaay Hydroelectric Project Trip Report and discussed the photos. He and Bryan Carey toured the project in May and reviewed multiple points of interest, including the transmission, powerhouse, stream crossing, and penstock. Mr. Thayer was very impressed with the efficiency of the Southeast Road Builders and the other onsite contractors. This Alaska Power & Telephone project is on schedule and on track to be completed under budget.

9C. Transco Briefing

Mr. Thayer informed the Transco update regarded uniting the six utilities and respective transmission assets to be pledged to ART. Numerous issues among the utilities were encountered, which resulted in the Transco application being withdrawn from the Regulatory Commission of Alaska (RCA). The docket was therefore removed. AEA conducts and contracts maintenance on its 170-mile transmission line. Mr. Warren informed the IMC

is involved. The southern region operator is Municipal Light and Power. The northern region operator is Golden Valley Electric Association. The contracts were renegotiated in 2011. Mr. Warren believes the term is 20 years.

Chair Pruhs commented on a 20-year contract term that has no reserve account element. Mr. Warren noted the recent upgrade used a \$3 million State appropriation for static var compensators and tower repair.

Mr. Kendig believes the utilities are moving forward with the Railbelt Reliability Committee (RRC) and all the nonprofits will potentially be involved. The RRC could take the aspired function of the Transco for a 3% to 5% cost rather than the 15% cost.

9D. RPSU Regulation Changes & Summary

Mr. Thayer reviewed the Rural Program System Upgrade (RPSU) draft regulation change summary. Board members will assess the changes and then begin the regulatory process, which includes a 30-day comment period, process of any further changes, approval by the Board, and ultimate submittal to the Lieutenant Governor.

Chair Pruhs requested Mr. Thayer provide additional explanation to the Board regarding the reasons for each of the 11 changes. Mr. Thayer and Mr. Sandstrom agreed.

9E. Dashboard and Loan Report

Mr. Thayer informed the provided Dashboard and Loan Report does not contain the new Willow solar farm loan that was approved yesterday for approximately \$800,000. He stated the intent of staff is to grow the loan program. Activity has surged recently and efforts are ongoing to continue the trend. There are two small delinquencies, which comprise of .025% of the portfolio balance. The issue is with late payments of 90 days. There are no defaults.

Deputy Commissioner Samorajski asked if AEA has designated a staff person as Chief Economist since the departure of Cady Lister. Mr. Thayer advised he is reviewing the possibility of a new hire. Staff responsibilities are being realigned based on staff talent. There is access to AIDEA regarding economic issues during the interim. Two experienced engineers have been hired and will begin next month. Additionally, a vacant position is being reclassified to allow a new hire to train for the next six months alongside a person who is retiring.

Mr. Thayer commented on the update that was sent out a couple of days ago regarding the current fire. He informed, as of yesterday, one of the secondary transmission lines owned by Chugach Electric is in the path of the fire. HEA is responsible for the line, even though the line does not serve their customers. HEA has gone to extraordinary lengths to conduct additional brushing and clearing for the protection of the line. Staff will keep the Board apprised of any changes. It is possible that spillage at Bradley Lake could occur.

9F. Next Regularly Scheduled AEA Board Meeting Wed. August 7, 2019

The next regular AEA Board meeting is scheduled for August 7, 2019, and will be noticed as the public meeting based on the trip to Bradley Lake. Members are requested to bring comments to discuss the site visit. Mr. Thayer introduced Shelby Nayukok-Solski, also known as Miki, who is the new administrative assistant primarily working on the rural programs.

10. BOARD COMMENTS

Vice-Chair Karl expressed appreciation to staff and understands the challenges working with rural Alaska. He reiterated the importance of negotiating with AVEC going forward.

Mr. Kendig thanked staff for their diligence. He commented the long-term solutions in Tuluksak can be used as a model in the future.

Deputy Commissioner Samorajski agreed with the comments of Vice-Chair Karl and Mr. Kendig. He believes the efficiencies are in line with what the Governor and Administration support.

Chair Pruhs expressed appreciation to staff for their daily efforts benefitting the state.

11. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 12:50 pm.



Curtis Thayer, Executive Director/Secretary
Alaska Energy Authority