

**Alaska Energy Authority
BOARD MEETING MINUTES
Wednesday, August 7, 2019
Anchorage, Alaska**

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Energy Authority to order on August 7, 2019 at 2:35 pm. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member) (phone); John Springsteen (DCCED Deputy Commissioner); Bill Kendig (Public Member); Greg Samorajski (Deputy Commissioner DOR), Albert Fogle (Public Member); and Julie Sande (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Curtis Thayer, Bryan Carey, Brenda Applegate, Kirk Warren, Tim Sandstrom, Linda Senn, Amy Adler, Devany Plentovich, Lex Sargento, Karsten Rodvik, Ashton Doyle (AEA); Max Garner and Stefan Saldanha (Attorney General's Office).

Others present: Ladonna Lindley (Accu-Type Depositions); James Brooks (Anchorage Daily News) (phone); and Graysen Spiller (Orion Marine).

4. AGENDA APPROVAL

MOTION: A motion was made by Mr. Fogle to approve the agenda. Motion was seconded by Mr. Kendig.

The motion was approved without objection.

5. PUBLIC COMMENTS - None.

6. PRIOR MINUTES - June 26, 2019 and April 17, 2019

MOTION: A motion was made by Mr. Kendig to approve the Minutes of June 26, 2019 and April 17, 2019. Motion seconded by Ms. Sande.

The motion to approve the Minutes of June 26, 2109 and April 17, 2019 passed without objection.

7. NEW BUSINESS

7A. Board Bradley Lake Site Visit

Curtis Thayer, Executive Director, explained the trip report for the Board's Bradley Lake site visit in July is included in the packet. All Board members, except for Commissioner Julie Anderson, were able to attend. Also in attendance were Mr. Thayer, Kirk Warren, Director, Engineering & Energy Development, and Bryan Carey, Owned Assets/Hydro Group Manager. The purpose of the trip was to tour Bradley Lake Hydroelectric Project and the West Fork Upper Battle Creek construction site.

Mr. Thayer requested members to comment and contribute to the public record regarding the site visit. No meeting was conducted during the visit because of the remote location.

Ms. Sande expressed appreciation for being able to participate in the very informative site visit. She was impressed with the power plant operations and now has a better understanding of the project. Ms. Sande thanked the manager and staff for their efforts.

Vice-Chair Karl believes the tour was well done. He reiterated the importance of Board members visiting the site to understand the assets under management. Vice-Chair Karl requested future discussions occur regarding the dispatch of power from Bradley Lake.

Chair Pruhs expressed appreciation to Mr. Thayer and staff for the successful coordination of the site visit. Chair Pruhs noted he has visited the site on numerous occasions, including during project construction, and has seen the transformation over the last 35 years. He is pleased with the new and challenging project underway.

7B. Tuluksak

Mr. Thayer explained staff brought ongoing issues to the Board's attention during the previous meeting. The community is eligible to receive approximately \$45,000 of Power Cost Equalization (PCE) credit if they complete and submit the application before the due date of October 1, 2019. The community of Tuluksak has not yet completed nor submitted the application. Mr. Thayer noted staff is working with Tuluksak and Division of Community and Regional Affairs (DCRA) to submit the PCE application. Tuluksak has an outstanding bulk fuel revolving loan with DCRA of \$300,000, and the eligible PCE credit could be applied to that loan balance. Mr. Thayer stated his understanding is Tuluksak has not ordered fuel for this winter.

Mr. Thayer informed staff was asked to review the possibility of a few Board members visiting Tuluksak with staff. The options and costs were presented. Mr. Thayer noted AEA's proposed response to the situation in Tuluksak is provided in the Board packet, along with a report of a contractor's site visit from May 2, 2019. Mr. Thayer advised staff was asked to discuss AEA's obligation or requirement regarding assistance in rural Alaska. AEA has no statutory requirement to assist in rural Alaska. Mr. Thayer explained the statute is clear that subject to the availability of appropriations, the Authority may provide financial assistance and technical assistance, including construction management and training. Mr. Thayer believes AEA has assumed a moral duty in rural Alaska to help the villages with the

powerhouses, bulk fuel, and technical assistance based on the statute and availability of appropriations.

Mr. Thayer highlighted the statutory conditions to receiving assistance for bulk fuel and RPSU. The community recipient is required to comply. He discussed the section of the statute which allows AEA to provide on-site assistance with maintenance and minor repairs, and other technical assistance. AEA will continue to operate on its assumed moral duty to assist rural Alaska, based on appropriations.

Mr. Thayer requested Tim Sandstrom, AEA Director of Rural Programs, answer questions. Ms. Sande inquired as to which statutory conditions Tuluksak is in compliance. Mr. Sandstrom reported Tuluksak is in compliance with five of the conditions. Item 3, business plan, is out of compliance. Tuluksak provided a business plan as part of a previous project, but Tuluksak has not adhered to it. AEA considers this as non-readiness to take any further project. Pending projects are being held until condition compliance is fulfilled.

Ms. Sande requested additional discussion regarding the process staff undertakes in the event of a power emergency in rural Alaska. Mr. Sandstrom explained the community usually contacts staff if there is a true lights-out emergency. Either personnel or contractors will respond. Mr. Sandstrom noted the programs do not have the ability to buy fuel if the community does not have fuel. In the past, communities have received extended credit by Commerce to purchase additional fuel in an emergency situation. Mr. Thayer explained AEA's personnel have spent numerous hours and multiple on-site training sessions in Tuluksak and the issues remain. Vandalism of equipment has also been a recurring problem.

Mr. Sandstrom outlined staff's near-term proposal to remediate the persistent power emergency status situation in Tuluksak. AEA's Circuit Rider program is maintaining the on-site emergency power generator. Staff has initiated the use of the Diesel Emissions Reduction Act (DERA) and Maintenance and Improvement (M&I) project funding to stabilize the plant with three generators. AEA will extend a third-party contractor for a year to conduct operations and maintenance (O&M) on the system under the authority of AAC 108.240.

Discussion continued regarding additional long-term solutions and community involvement in the solution process. AEA does not have a statutory obligation to continue to provide assistance. Mr. Kendig suggested AEA cease providing assistance to the Tuluksak by a date certain, if the community continues to be negligent of their energy responsibilities. Deputy Commissioner Samorajski suggested AEA cease providing assistance until Tuluksak can provide an appropriate maintenance plan and log for three months. Ms. Sande agreed. Mr. Sandstrom noted the recommendations under 3C. include the authority to craft an agreement with terms and conditions, that if not followed, could lead to AEA's termination of future assistance.

Chair Pruhs suggested the Board's planned site visit and additional conversations explaining the critical status occur before any decision to terminate assistance is finalized. He noted one of the challenges is the strong likelihood an emergency situation is imminent in the near

future due to poor planning, which by course of anticipating an emergency situation deems the event planned, in essence, because the emergency is therefore preventable. Vice-Chair Karl supports continued training of community personnel. Mr. Thayer explained extensive personnel training has occurred previously and the ongoing issue has been in retaining the trained personnel. There is a pattern of extremely high employee turn-over. Chair Pruhs identified the separate issue of keeping the facility safe and free from vandalism.

MOTION: A motion was made by Mr. Kendig to go into Executive Session to discuss confidential and financial matters related to Bradley Lake. Motion seconded by Deputy Commissioner Samorajski.

Mr. Kendig informed he will not participate in executive session because of a conflict of interest with MEA.

The motion was approved without objection.

8. EXECUTIVE SESSION: 3:10 pm

Discuss confidential matters related to:

8A. Bradley Lake

The Board reconvened its regular meeting at 3:51 pm. Chair Pruhs noted for the record Mr. Thayer recused himself from the executive session due to a potential conflict of interest. Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

9. DIRECTOR COMMENTS

9A. PCE Update

Mr. Thayer discussed the PCE endowment has been reinstated by the Legislature. The bill is to be signed by August 17, 2019. At the Governor's Office's request, AEA has notified the 194 affected utilities that the PCE dollars will be paid going forward. No lapse in payment is expected. In the interim, the three PCE employee salaries were absorbed within AEA's budget and will be repaid from the newly reinstated PCE funding.

Mr. Thayer reported AEA previously applied to the Denali Commission for matching funds regarding 2018 and prior appropriations. The Denali Commission informed Mr. Thayer yesterday AEA has been awarded \$9 million of federal funding, which will help several communities with bulk fuel and powerhouse upgrades. A full report will be included in the next meeting's Board packet.

Mr. Thayer advised AEA does not have a current legislative request for this session. Mr. Thayer anticipates a capital request is forthcoming, which should give AEA access to

approximately \$20 million to \$30 million of federal dollars in FY21. There was no capital request in 2019.

Ms. Sande requested additional explanation regarding the reason no capital request was made in 2019. Mr. Thayer explained there was an unintentional timing issue between the change in Administrations and the change in Executive Directors and the request was not submitted before the deadline. Because of staff's diligence, AEA was still able to match \$9 million.

Vice-Chair Karl expressed appreciation to staff for their work in matching \$9 million.

Mr. Thayer noted discussions regarding a planned tour of the powerhouses under current construction in Anchorage. Staff will follow-up with an email communication.

9B. News Articles of Interest

Mr. Thayer provided several news articles of interest, including PCE topics and the newly deployed river generator unit in southwest Alaska. AEA announced a new Village Energy Efficiency Program resulting from the Wells Fargo award of \$1 million for this high efficiency program. The community application period continues through the middle of September.

Ms. Sande inquired if it was possible for the program to consider LED retrofitting as an aspect of high efficiency. Mr. Thayer agreed to follow-up.

9C. Renewable Energy Atlas of Alaska

Mr. Thayer explained the Renewable Energy Atlas of Alaska is a partnered summary of all AEA programs and energy projects throughout Alaska. The new website will be rolled out to members at the next meeting. An extensive digitized library of reports will be included.

9D. Dashboard and Loan Report

The Dashboard and Loan Reports show no significant changes.

9E. Next Regularly Scheduled AEA Board Meeting Wed. September 18, 2019

Mr. Thayer's full intent is to meet in the new boardroom for the September meeting.

10. BOARD COMMENTS

Vice-Chair Karl invited all to the 14th Renewable Energy Fair at Chena Hot Springs on August 18, 2019, beginning at 10:00 am. The Governor will be the keynote speaker.

Chair Pruhs thanked staff. He expressed wedding congratulations to Ashton Doyle.

11. ADJOURNMENT

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



Curtis Thayer, Executive Director/Secretary
Alaska Energy Authority