

BOARD MEETING MINUTES

Thursday, October 22, 2015

Anchorage, Alaska

1. CALL TO ORDER

Chair Dick called the meeting of the Alaska Energy Authority to order on October 22, 2015 at 10:00 am. A quorum was established. Chair Dick welcomed Dan Kennedy and Elaine Brown as new members to the Board.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Russell Dick (Public Member); Vice-Chair Dana Pruhs (Public Member); Jerry Burnett (Deputy Commissioner, Department of Revenue); Fred Parady (Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED)); Elaine Brown (Public Member); Dan Kennedy (Public Member); and Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Sara Fisher-Goad (AEA Executive Director), Katie Conway, Wayne Dyok, Tom Erickson, Emily Ford, Jennifer Haldane, Sandie Hayes, Michael Lamb, Neil McMahon, Sandra Moller, Janelle Ste. Cruz, Sean Skaling, Gene Therriault, Kirk Warren, Teri Webster, Jeff William (AEA); and Brian Bjorkquist (Department of Law).

Others present: Sunny Morrison (Accu-Type Depositions); Tim Bradner, Elwood Brehmer (Alaska Journal of Commerce); John Gagdeke (Brooks Range Council); Mayor Luke Hopkins (Fairbanks North Star Borough); James Wilson (MatSu Borough); Alan Bailey (Petroleum News); and Robert Venables (Southeast Conference).

4. AGENDA APPROVAL

Chair Dick noted one addition to the agenda, Item 7B. Strategic Planning Update.

The agenda was approved as amended.

5. PRIOR MINUTES - September 24, 2015

MOTION: A motion was made by Mr. Wilken to adopt the minutes of September 24, 2015. Ms. Brown seconded the motion. Motion passed.

6. PUBLIC COMMENTS

Mayor Luke Hopkins, Fairbanks North Star Borough, expressed his appreciation to the AEA Board for their important work with the state and the Fairbanks community in developing projects, accepting projects, and providing grant funding for projects. Mayor Hopkins thanked Mr. Therriault of AEA for his work with the conversion team in Fairbanks, focusing on the best schedule and

methodology for community conversion financing. Mayor Hopkins requested the Board's continued support of the conversion work, as well as the support of additional components involved in the process of supplying natural gas to the community.

Mr. Wilken expressed his appreciation to Mayor Hopkins for his efforts in assisting AEA with their endeavors over the last few years, and for participating in making the Interior and Alaska a better place.

Mr. John Gagdeke, Chairman Brooks Range Council, stated the Council was formed a couple of years ago to fight the proposed road to the Ambler mining district. He reminded the Board that over 2,000 petitions against the Ambler Mining Road were submitted at the last AIDEA public meeting in Fairbanks in December. Mr. Gagdeke indicated AIDEA's meetings along the proposed industrial road route have resulted in village resolutions against the road from Evansville, Bettles, Allakaket, Hughes, Kobuk, and the Tanana Chiefs Conference.

Mr. Gagdeke believes any more funds spent by AIDEA on scoping suggests the last two years' worth of meetings have been wasted, or AIDEA has not listened to the villages and their resolutions, or AIDEA is lying about intentions, or a combination of these. Mr. Gagdeke commented AIDEA is supposed to promote viable economic opportunity for all Alaskans, not just Canadian mining companies. Mr. Gagdeke urged Board members to rescind intentions to continue wasting millions of dollars on scoping for the proposed road to the Ambler mining district.

Chair Dick asked if Mr. Gagdeke would like his comments to be reflected in the AIDEA Board meeting. Mr. Gagdeke agreed and noted he believed the meetings were together. Chair Dick stated his comments will be reflected during public comments at the AIDEA Board meeting.

Mr. Wilken gave Mr. Gagdeke his email address and requested to be copied on any correspondence with AIDEA on this subject. Mr. Gagdeke agreed.

7. NEW BUSINESS

7A. Railbelt Transmission Plan Update

Ms. Fisher-Goad invited Gene Therriault and Kirk Warren to provide a presentation entitled Railbelt Transmission Plan Update. Mr. Therriault indicated the main purposes of the existing railbelt transmission system was to identify the constraints on the system and determine the needed infrastructure improvements and components to develop a unified transmission system. The proposal for improvements to the system were shown in three segments: Bradley Lake (Kenai), Southcentral, and Northern. Mr. Therriault reviewed the 2013 estimates, illustrating the projects, descriptions, and costs which total to \$903 million.

The reliability criteria used by the Railbelt utilities for their own systems was originally the same criteria used for the utility interconnections (N-1, the operation of the entire system with one component of the bulk electrical system out of service). However, segments of the interconnected system are single contingency which means if a particular component fails, the ability to transmit power is completely disrupted. Following through with the suggested improvements to the system would correct this problem. The transfer capabilities of the system would be increased.

The Alaska Legislature instructed the Regulatory Commission of Alaska (RCA) to review the 2013 AEA study and determine the best governance structure for Railbelt transmission. Mr. Therriault stated the RCA requested the Railbelt reliability standards be integrated into one set of standards for all the utilities. The Transmission Plan will promote economic dispatch, allow for open access and increased capacity.

Vice-Chair Pruhs asked who the ultimate owner/sponsor would be of the total unconstraining Bradley projects. Mr. Therriault indicated the study only suggests what infrastructure projects would be beneficial, and does not suggest who completes the projects. Mr. Therriault believes the RCA is looking for an entity to be developed that would be able to complete these suggested infrastructure improvement projects.

Mr. Warren explained further refinements of the study will be completed by consultant EPS. The updated plan will include new cost benefit ratios and new cost estimates for N-1, N-0, and N-2 contingencies. These contingencies are respectively, the operation of the system without the loss of a single element (N-0), as described above the loss of a single element (N-1) and the loss of 2 elements (N-2). The updated plan will develop a new host of projects and develop the new benefits based on those projects. The Draft Plan will be delivered by the end of November 2015, and the Final Plan will be delivered by the end of December 2015. This timeframe coordinates with the RCA hearing on Docket I-15-005, findings to the utilities.

Mr. Therriault explained the findings and recommendations resulting from the June 29, 2015 RCA directed study. An independent transmission company should be created. A system-wide economic dispatch of the Railbelt generation will bring maximum benefit. Utilities are encouraged to advance voluntarily. Enforceable and consistent Railbelt operating and reliability standards are necessary. The adjustment of the Regulatory Cost Charge to cover future RCA oversight costs should be considered.

Deputy Commissioner Parady requested a brief discussion of the differences between a TransCo and an Independent System Operator (ISO) regarding the potential alternatives available. Mr. Therriault explained the TransCo would be the entity that physically owns and controls the different transmission assets. Their sole purpose is to transmit power on a day-to-day basis on that system and make decisions on when investment needs to be made in that system. The ISO may also be referred to as a Unified System Operator (USO), would be the entity that develops and oversees the rules of the operations of the TransCo. Mr. Warren described the vision for the transmission plan is similar to the FERC regulated jurisdiction 10-year plan in the Lower 48.

Vice-Chair Pruhs requested the ownership, book value, and debt information of each Railbelt segment be provided to the Board members. Mr. Therriault agreed to provide the information.

Mr. Therriault discussed the potential Railbelt consumer impacts. Mr. Warren cautioned the provided numbers in the presentation were based on the N-1 criteria in the original plan. The numbers are being updated with the new host of projects to meet the different planning criteria within the reliability standards. In an N-0 scenario, the costs could decrease. In an N-2 scenario, the costs could increase. The study shows the ideal aggregated estimated savings to the Railbelt consumers is between \$140 million and \$240 million per year. The estimated savings to the Railbelt consumers in a worst case scenario is approximately \$60 million to \$80 million per year.

Mr. Therriault believes the evaluation continues to show moving toward a TransCo and ISO is economically beneficial.

Deputy Commissioner Parady requested additional discussion regarding the potential roles of AEA and AIDEA in a bonding capacity for these projects. Ms. Fisher-Goad reviewed AIDEA's programs require legislative authority to issue bonds over a certain dollar amount. AEA's bonding programs do not need legislative authority to enter into a bonding certainty with a TransCo. Ms. Fisher-Goad believes legislators are looking to create additional options for the utilities to develop this plan. Mr. Therriault reported the energy future for the state may rely more on lending, than on grants.

Mr. Kennedy requested a link to the RCA's recommendation report to the Legislature. He expressed his appreciation for the work involved in creating the plan and recommendations. Mr. Kennedy asked how much of the estimated transmission upgrade of \$903 million will have an economic impact to Alaska. Mr. Warren noted the consultant will be asked to provide an economic assessment. The project staging is 10 to 15 years. Mr. Therriault indicated the last capital money appropriated to the utilities through AEA was \$56 million for improvements to portions of the existing system. He will get the breakdown from the utilities of the amount spent out of state and the amount spent in the state, which will provide an illustrative comparison.

Ms. Brown asked if CIRI's wind power is included in the transmission system. Mr. Therriault clarified that the transmission system does not include sources of power. Ultimately an improved system would provide guidelines and one rate to allow CIRI to wheel their power through a utility.

Mr. Wilken asked the population of Alaskans contained within the Railbelt system. Approximately 500,000 to 550,000 people, about 80% of Alaska population is serviced by the Railbelt system. Mr. Wilken asked if the RCA has the statutory authority to step in and begin this process with the utilities. Mr. Therriault noted members of the Commission expressed the Legislature should clarify RCA's power. The utilities were requested to provide a report to the RCA by September 30, 2015 to indicate a means of advancing toward the five recommendations through voluntary efforts. All six utilities complied detailing that working groups have been established. The next required report to RCA is due December 31, 2015. The RCA indicated they would interact with the Administration and the Legislature to impose a process if the utilities were not showing forward momentum. Mr. Bjorkquist believes the utilities are taking this process seriously and have been diligent in their work.

Mr. Wilken asked if there was anything specific the Board could do to reinforce this effort, including a resolution of support. Mr. Therriault believes it is helpful for the Board, as a stakeholder, to share this refreshed information with the utilities and encourage them to move forward with this process. Mr. Therriault stated it could be beneficial if the Board communicated that the work the RCA has completed complements the 2013 AEA study and provides good information to help advise legislators regarding decision-making in the next session. Vice-Chair Pruhs suggested there could be a resolution supporting the five RCA recommendations.

Deputy Commissioner Parady requested further discussion on how to carry this report more aggressively into the legislative discussion. He suggested a lunch and learn opportunity. Mr. Therriault stated AEA is currently ready to respond and present information to legislators. Deputy Commissioner Parady requested Ms. Fisher-Goad and Mr. Therriault create an outreach plan. Ms. Fisher-Goad agreed, and asked if language for a potential resolution should be drafted for the December meeting. Chair Dick agreed.

Mr. Wilken inquired if the entity who provides the \$900 million funding is automatically the TransCo. Mr. Therriault explained the entity providing the funding may be a banker and not necessarily the TransCo. Mr. Wilken asked if the backstop is the rate base or the full faith and credit of the State of Alaska. Mr. Therriault believes the rate base would be the backstop.

Ms. Fisher-Goad informed the Board that Mr. Therriault is retiring. This is Mr. Therriault's last Board meeting as the AEA Director. Ms. Fisher-Goad reported in his 29 years working with the State, Mr. Therriault has been a legislative aide, a Representative with leadership positions in House Finance, a Senator, a Senate President, a Senior Energy Advisor for the Governor, and Director for Energy Policy of AEA. Ms. Fisher-Goad noted Mr. Therriault has provided a sense of leadership and a calm determination in his every role and has been an important mentor to her and others. Ms. Fisher-Goad expressed her deepest appreciation.

Mr. Wilken requested to be associated with Ms. Fisher-Goad's remarks. Mr. Wilken commented he is happy Mr. Therriault is moving onto work with the Interior Energy Project (IEP). Mr. Wilken shared an anecdotal experience illustrating Mr. Therriault's ability to effectively and calmly explain subjects to policy-makers. Mr. Wilken expressed his deepest appreciation.

Chair Dick presented Mr. Therriault with a certificate of appreciation. Mr. Therriault commented his secret to success is having good people work for him. He noted he will continue to work with the Board on the IEP effort.

7B. Strategic Planning Update

Ms. Fisher-Goad stated much of AEA's work is dependent upon direction and requests by the Legislature. The work-flow reorganization last year allows for focussing on community perspective. It works to develop and implement policies, evaluate projects and strategies to achieve the energy goals, and assist communities to build energy infrastructure. Ms. Fisher-Goad indicated particular attention was spent on articulating the purpose, mission, and core value statement. This was provided in the Board's packet, and input was requested.

Deputy Commissioner Parady suggested AEA's role as the state's community energy leader be clearly defined and articulated, and be reviewed in the December meeting. Ms. Fisher-Goad agreed to provide a draft for feedback before the December meeting. Deputy Commissioner Parady noted the State is experiencing fiscal constraints, resulting in the possibility of no capital grants. AEA needs to be prepared for the upcoming legislative turbulence.

Chair Dick requested Mr. Dyok provide a brief Susitna-Watana update. Mr. Dyok reminded the Board a request was filed with FERC to restart the licensing process. Public comments have been received regarding the schedule, both supportive and non-supportive. FERC is expected to provide a decision regarding the schedule by next week. The deadline for filing reports to FERC is November 6th, 2015, and the reports are expected to be completed by the deadline.

Mr. Wilken asked if further studies need to occur in 2016, and if funding is available for those studies. Mr. Dyok stated there are no studies budgeted in 2016. The intent is to receive the revised study plan determination from FERC.

8. DIRECTOR COMMENTS

Ms. Fisher-Goad announced the several initiatives with the U.S. Department of Energy, including a request for information regarding the remote Alaska communities' energy efficiency competition, a joint response with AHFC to enhance programs and provide energy efficiency funds for specific communities, and an MOU with the Indian Energy Office to formalize the relationship to provide technical assistance to communities. AEA is working on a \$250,000 grant application for the Emerging Energy Technology Fund Program. Ms. Fisher-Goad advised FERC has submitted an information request regarding the Battle Creek license amendment application. AEA is developing a response.

8A. Next regularly scheduled meeting Thursday, December 3, 2015.

9. BOARD COMMENTS

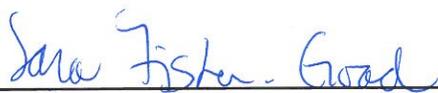
Deputy Commissioner Parady requested the Board President and Vice-Chair send a note of appreciation to Crystal Nygard for her service.

Vice-Chair Pruhs commented he looks forward to Mr. Therriault joining efforts with AIDEA.

Chair Dick expressed his appreciation for the presentations today.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 11:39 am.



Sara Fisher-Goad, Executive Director/Secretary
Alaska Energy Authority