

Alaska Energy Authority  
BOARD MEETING MINUTES  
Thursday, May 19, 2016  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Dick called the meeting of the Alaska Energy Authority to order on May 19, 2016 at 10:02 am. A full quorum was established.

**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 (phone)); 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), Emily Ford, Jennifer Haldane, Sandie Hayes, Michael Lamb, Cady Lister, Devany Plentovich, Sean Skaling, Sam Tappen, Kirk Warren, Teri Webster, Jeff Williams (AEA); and Brian Bjorkquist (Department of Law).

Others present: Lisa Ross (Birch Horton Bittner & Cherot (phone)); Bill Inscho (First National Bank Alaska (FNBA)); Todd Aquino (HDR); Alan Bailey (Petroleum News); Hunter Christensen (Resources Energy); Robert Lafferty (Salix Inc.); and Kelby Murphy (Walsh Sheppard (phones)); Sydney Hamilton (Accu-Type Depositions).

**4. AGENDA APPROVAL**

Ms. Fisher-Goad requested AEA managed projects be added as a topic to the Executive Session.

The agenda was approved as amended.

**5. PRIOR MINUTES - March 31, 2016**

**MOTION: A motion was made by Mr. Kennedy to adopt the minutes of March 31, 2016. Ms. Brown seconded the motion. Motion passed.**

**6. PUBLIC COMMENTS**

None.

**7. NEW BUSINESS**

**7A. Power Cost Equalization program update**

Ms. Fisher-Goad requested Sean Skaling come to the table to present the Power Cost Equalization (PCE) program update. Mr. Skaling gave a detailed review of the PCE program's history, purposes, and definitions. He noted the differences between the PCE Program and the PCE Endowment Fund.

Deputy Commissioner Parady inquired why the PCE floor base rate was the weighted average cost per kilowatt hour (kWh) in Anchorage, Fairbanks and Juneau, and if this method is still appropriate today. Ms. Fisher-Goad explained the equalization issue is between communities that do not have the economies of scale to build larger projects and the more populated communities. In 1986, the legislature chose Anchorage, Fairbanks and Juneau as the urban areas of the targeted rate level for residential and community-based facilities. Commercial and government facilities are ineligible for PCE coverage. The floor base rate is updated every year by the Regulatory Commission of Alaska (RCA).

Vice-Chair Pruhs asked if the State conducts audits of the utilities to ensure prudent rate payer charge. Ms. Fisher-Goad informed RCA evaluates the utilities' annual costs and eligible costs to determine the PCE level. If the utility is unregulated, RCA does not establish the utilities' base rate charge to customers. Ms. Fisher-Goad explained the unregulated utilities are accountable to their rate payers and to their cooperative board to utilize best utility practices.

Vice-Chair Pruhs inquired about the incentives utilities have to be efficient. Ms. Fisher-Goad stated the focus is keeping costs low and often times the utilities are not charging enough to maintain their utilities. AEA interacts with 190 communities and over 80 utilities providing technical assistance for achieving the goal of reliable service. Ms. Fisher-Goad informed the majority of the communities and utilities are doing a good job in providing valuable services with appropriate costs to their customers. There are a handful of communities and utilities that are having difficulties ending the cycle of AEA providing emergency response. AEA is focusing on technical assistance to address these specific instances. Ms. Fisher-Goad noted the highest utility rates in the state are in Lime Village and Healy Lake.

Mr. Skaling discussed the positive interaction between the PCE program and Renewable Energy projects. Deputy Commissioner Parady requested additional information regarding the consequences to PCE from the Gartina Falls Hydro Project coming online. Ms. Fisher-Goad informed Hoonah is part of the Inside Passage Electric Cooperative (IPEC), which has the same rate for all of their communities. IPEC's fuel cost would decrease because of the hydro project and therefore, the PCE subsidy would also decrease. Mr. Skaling reported smaller communities generally benefit the most from PCE and larger communities generally benefit more from renewables.

Mr. Skaling continued the presentation providing an overview of the Endowment Fund, which was created and capitalized in FY01, FY07 and FY12. Alaska Department of Revenue manages the fund and those costs are covered by the Endowment Fund. Mr. Skaling informed 7 percent of the Endowment Fund's three-year monthly average market value may be appropriated to the PCE Program, which was \$41.3 million in FY16. Senate Bill 196, which passed the Legislature, reduces the 7 percent appropriation to 5 percent and provides a framework for excess fund

earnings. Prorating will occur if the 5 percent appropriation is less than program costs. The PCE Endowment Fund also pays the administrative costs for AEA and RCA, which was a total of \$355,000 most recently. Mr. Skaling showed examples of the dashboard data for PCE from Sand Point, including fuel efficiency and reported line loss.

Deputy Commissioner Parady asked a question to be answered at a later date. He directed the Board to slide seven of the presentation and inquired as to the amount of money it would take to create a 20-cent kWh rate for all communities based on the chart provided.

Mr. Kennedy expressed his appreciation for the effective overview of the PCE program and Endowment Fund.

## **7B. Rural Utilities Dashboards**

Mr. Skaling reviewed the utility dashboard for Sand Point dated May 16, 2016. The dashboard gives a brief view of the utility's health based on current information, such as generator status, line loss, diesel efficiency, last training, and effective rate. It is provided to the utilities, their boards and other interested parties and includes contextual recommendations to consider.

Vice-Chair Pruhs requested further discussion on the steps it would take to include the repair and replace (R&R) anticipated costs and reserves on the dashboard for each utility. Ms. Fisher-Goad explained the dashboards are designed as a useable format to provide the utility and leaders with the readily available information about the health of the utility. Ms. Fisher-Goad believes it would be very difficult for AEA to develop a process to gather the information regarding retained earnings for the 80-plus utilities in the PCE Program, partly because of the limited resources available. Mr. Williams informed the utilities report their reserves directly to the RCA. Vice-Chair Pruhs believes the reserve information is useful in understanding the State's liability.

Deputy Commissioner Parady agreed with Vice-Chair Pruhs and believes adding reserve rate information to the dashboard would be useful. He suggested adding information on collection rates, the rate setting process status, the remaining life of generator, and the history of emergency response provided. Deputy Commissioner Parady believes the dashboard information presented is a good foundation from which to build.

Ms. Fisher-Goad commented the amount of information AEA receives is overwhelming at times. There is one communications staff person who determines how best to organize the layers and levels of the information for its maximum benefit. Ms. Fisher-Goad believes this could be an opportunity to work with RCA to identify the five most troubled utilities and develop a comprehensive report of the liabilities.

Mr. Wilken commented this issue has been discussed over the last two years and it is time to initiate action. He recommended AEA staff composes a letter for the Board to send to DCCED, legislative finance co-chairs, and other appropriate parties suggesting a regulation change or legislative budget intent to retrieve information from utilities of their R&R reserve accounts and

preventative maintenance programs. This important information will be included on the dashboard reports. Mr. Wilken requested that staff bring the prepared letter to the next meeting. Ms. Fisher-Goad agreed and there was no objection by members.

Mr. Warren provided a snapshot of the rural power systems upgrades. A working group will be developed this summer consisting of contractors, designers, consultants, federal partners, Denali Commission, and Department of Energy to address the issue of R&R and how to empower some of the less functioning communities. Vice-Chair Pruhs suggested the working group consider the option of a private maintenance service plan for the utilities.

**MOTION: Vice-Chair Pruhs made a motion to go into Executive Session to discuss confidential litigation and strategy matters associated with AEA owned assets, AEA managed projects, and to discuss a personnel matter. Motion seconded by Ms. Brown.**

**Motion passed.**

**7C. Executive Session: 11:25 am.  
AEA owned assets; personnel matter; AEA managed projects**

The Board reconvened its regular meeting at 12:35 pm. Chair Dick advised no formal actions were taken during executive session.

## **8. DIRECTOR COMMENTS**

### **8A. Next regularly scheduled meeting Thursday, June 23, 2016, in Wasilla, AK**

Ms. Fisher-Goad advised AEA is now the designated agency to administer funds for the Diesel Emission Reduction Act. Department of Environmental Conservation (DEC) was the lead agency and asked Environmental Protection Agency (EPA) to make AEA the lead agency. EPA agreed. Ms. Fisher-Goad commented this illustrates the close working relationship between AEA and DEC.

## **9. BOARD COMMENTS**

Deputy Commissioner Parady informed he will not be attending the next Board meeting in person and wanted to personally express his appreciation to Ms. Fisher-Goad for her extraordinary sustained commitment to AEA and her mastery exception to detail. Deputy Commissioner Parady thanked Ms. Fisher-Goad for her role in shaping Alaska's preeminent energy advocacy organization.

Mr. Wilken associated himself with Deputy Commissioner Parady's remarks.

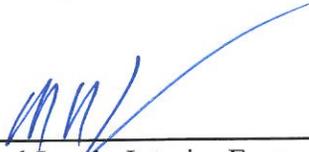
Vice-Chair Pruhs echoed the comments expressing appreciation to Ms. Fisher-Goad.

Mr. Kennedy gave Valley brochures to members to utilize for the next meeting in Wasilla.

Chair Dick believes all members would like to be associated with Deputy Commissioner Parady's comments expressing appreciation to Ms. Fisher-Goad.

**10. ADJOURNMENT**

There being no further business of the Board, the AEA meeting adjourned at 12:40 pm.



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Michael Lamb, Interim Executive Director/Secretary  
Alaska Energy Authority