



Alaska Energy Authority
BOARD MEETING MINUTES
November 9, 2011
Anchorage, Alaska

1. CALL TO ORDER

Chairman Short called the meeting of the Alaska Energy Authority to order on November 9, 2011 at 10:53 a.m.

2. ROLL CALL: BOARD MEMBERS

A quorum was established.

Members present: Hugh Short (Chairman); Gary Wilken (Public Member); Angela Rodell (Deputy Commissioner, Department of Revenue).

Members present via telephone: Ron Arvin (Public Member); Robert Sheldon (Public Member); Susan Bell (Commissioner, Department of Commerce, Community, and Economic Development).

Chairman Short requested Board approval to amend the agenda to discuss Item 7A first. Mr. Wilken motioned to amend the agenda and Deputy Commissioner Rodell seconded the motion. The agenda was approved as amended.

7. NEW BUSINESS

A. FY 11 AEA Financial Statement – KPMG Report

Ms. Beth Stuart of KPMG said the reports and financial statements are included in the Board packets, including a letter describing their capabilities and audit results. There were no new accounting policies adopted during the year, nor were there any unusual significant transactions. They consulted their national office on the sale of loans that AEA made to AIDEA to verify the appropriate accounting treatment. The primary judgment includes the allowance for loan loss. There were no uncorrected statements made during the audit and no adjustments to the financial statements in the general ledger as prepared by management were proposed. There were no disagreements of significant issues in the course of the audit. If there were any, they would have been communicated directly to the Board. Under the Federal Single Audit Act, there were four major AEA programs receiving federal awards that were required to be tested for compliance; all were found to be in compliance. Ms. Stuart thanked Valorie Walker and Shelby Weems for their assistance. The Board had no comments or questions.

RECESS – 11:00 A.M.

The board reconvened its regular meeting at 1:32 p.m.

3. AGENDA APPROVAL

Chairman Short said he received a request to add Item C, Susitna Lead Project Manager introduction. Mr. Wilken moved to approve the amended agenda. Seconded by Deputy Commissioner Rodell. The agenda was approved as amended.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Sara Fisher-Goad (AEA Executive Director); Peter Crimp (Deputy Director-AEEE); Valorie Walker (Deputy Director-Finance); Doug Ott (AEA Hydro Project Manager); Wayne Dyok (Lead Project Manager, Susitna); Emily Ford (Susitna Public Outreach Liaison); Brian Bjorkquist (Department of Law); Shauna Howell (Executive Assistant); and Karin St. Clair (Administrative Assistant).

Others present in Anchorage: Gene Therriault (GVEA).

5. PUBLIC COMMENTS

There were no public comments.

6. PRIOR MINUTES – September 22, October 5 and October 6, 2011

The minutes from September 22 and October 6 were approved as presented. The October 5 minutes were approved as amended.

7. NEW BUSINESS

B. Alaska Intertie Agreement

Ms. Fisher-Goad said the original Intertie Agreement (IA) was given notice of termination on October 16, 2006, which was extended to November 15, 2011. Since notice of termination, meetings and discussions with the utilities were held. The IA was brought before the Board in June and several concerns were raised by the Board at that time. The U.S. Army raised concerns after the June Board meeting. The November 9, 2011 AEA memorandum summarizes Resolution 2011-04 and addresses AEA Board and Army concerns. Staff asked the Board to authorize the Executive Director to execute the Amended and Restated IA with non-material changes. The original agreement needs to be extended by three days to November 18 assuming the Board approves the Resolution. Municipal Light & Power is the sole utility that has not taken the IA to its Board of Directors, and plans to do so on November 16. She thanked Jim Strandberg and Brian Bjorkquist who have worked diligently on the IA for the past four years.

Deputy Commissioner Rodell asked how long this IA would be in place. Mr. Bjorkquist said the IA does not have a termination date. If terminated, there would be a 24 to 36 month notice with restrictions placed on AEA terminating, and before July 1, 2013 there needs to be an amended IA to provide for open access.

Mr. Sheldon said the IA looks terrific and is pleased that it is at the point where everyone is on board and ready to move forward.

Mr. Sheldon moved to approve Resolution 2011-04. Seconded by Deputy Commissioner Rodell.

Mr. Arvin asked for clarification of the document being voted on. Chairman Short referred Mr. Arvin to the Board packet which contained Resolution No. 2011-04, "Resolution of the Alaska Energy Authority Relating to the Alaska Intertie; Approving Execution of the Amended and Restated Alaska Intertie Agreement; and Related Matters." Mr. Arvin asked for clarification of some of the language in Section 6.4.2., specifically "it says each request shall include detailed"....and in Section 6.4.3, "if there is no such written agreement," one says "shall have a written explanation and agreement," and the other says "in case there is not one," is confusing.

Mr. Bjorkquist clarified that Section 6.4.2 deals with "an entity requesting a modification to the Intertie Agreement." Section 6.4.3 deals with "the costs of those improvements and provides for an apportionment pursuant to a written agreement that could adjust what could otherwise be the funding source." The second sentence deals with the written agreement dealing with allocation of the costs issues if there is no such agreement. The sections are dealing with two different things. Section 6.4.2 deals with requesting modifications and Section 6.4.3 deals with a different agreement dealing with funding of modifications and improvements to the Intertie.

A roll call vote was taken and the motion passed unanimously.

C. Introduction of Susitna-Watana Staff

Ms. Fisher-Goad introduced Wayne Dyok, Lead Project Manager and Emily Ford, Public Outreach Liaison for the Susitna-Watana Hydroelectric Project. She briefly updated their project actions to date. Mr. Dyok spoke about his background and presented a synopsis of the project to date. He said having worked on the project in the early 1980's provided him valuable insight. He has been working exclusively on hydropower projects since the mid 1980's. The key staff is in place and major activities are occurring. The Pre Application Document (PAD) filing is scheduled for December 29, 2011. We expect to receive a close to final version by the end of next week from the consultant team. At the end of this month and first of December we will be working with the consultant team on finalization of the PAD. We have also been working on project sizing and will provide the Board with a matrix on how the key parameters might affect the sizing decision by the next Board meeting. In consultation with the utilities, Wayne stated that the current sizing appears reasonable, but it still has to be confirmed with all.

Ms. Ford reported that she "hit the ground running" since coming on board on October 17. Two parallel tracks of public outreach are occurring. The 'road show,' consists of attending different conferences and annual meetings and giving presentations to key groups. We are speaking to the Alaska Conservation Alliance this afternoon. Bryan Carey spoke to the Chugiak-Eagle River Chamber and we are targeting those groups. Thirty days after the PAD is filed, FERC will hold tribal consultations and it's important for us to outreach to the tribal landowners before then. We met with Ahtna, CIRI and will be traveling to Cantwell next

week. We met with GVEA in Fairbanks last Friday and also presented at the Osher Lifelong Learning Institute.

Mr. Dyok said he and Ms. Fisher-Goad, along with DNR and other state agencies, met with Department of Interior as part of the President's Executive Order, creating a task force of which renewable energy may be a part. We will follow up with the other state agencies. We have been working with the consultant team to streamline some of the procedures we have undertaken. Our goals are to move as quickly and efficiently as possible at the least cost, including a better definition of roles and responsibilities, communications and protocols. Mr. Dyok said he has been working on the Project Management Plan. Copies will be provided to the Board. The Plan will include project schedule, organization, cost information, etc.

Mr. Wilken said he met with GVEA also and they discussed timing of the project. He asked Mr. Dyok to discuss project timelines.

Mr. Dyok said the licensing process kicks off with filing of the PAD. The licensing period is about 3.5 years and is a rigid structure with the integrated licensing process. We have to win over the resource agencies who may think we ought to take more time. This upcoming year AEA will conduct informal studies to access the nature of the 1980s data, address issues and most importantly inform the formal study plan process. Field work must translate back to our decision making. Once FERC gets the license application, they will process it for about two years before a licensing decision will be made on the size for the dam and powerhouse capacity.

Mr. Wilken asked for a definition of optimal. We are being asked about the project and need to have some bullet points on how we got to this point. Mr. Dyok agreed to provide the information – what's important, what's driving the decision making. He said working with the utilities will be important and that cost is a big factor, as well as the state's contribution to the project as the utilities can only afford so much. Mr. Wilken said it looks like a 300 mw project and not a 600 mw project. Mr. Dyok said hydropower projects are usually designed on an annual capacity factor of around 50%. The important part is how it fits into the Railbelt system and what the options and costs will be. The Bradley Lake project is a good example of a successful project of this type that now has the lowest cost power on the system. Mr. Wilken requested the Board be allowed to visit the project site in the future when all Board members can attend.

Mr. Sheldon thanked Mr. Dyok for his comments and asked how difficult it would be to gross up what we expect in additional demand and is that something the Board might consider in Executive Session. He said he agreed with Mr. Wilken's comments and reiterated this is a 100-year opportunity and must be done right.

Mr. Dyok agreed and said that was critical. He said he'd look at the Railbelt IRP and the potential for those opportunities for load growth. Besides mining and other industries coming on line, we have to look at the other side. Mr. Posey of ML&P discussed conservation at the chamber this week, and it would be valuable to look at existing load scenarios with utility involvement.

Chairman Short said he participated in a meeting with Railbelt utilities and staff and said it was very educational. He suggested a similar meeting/work session with the utilities and the Board could be held in the future.

Ms. Fisher-Goad said we have a legislative appropriation of \$65M and we know that licensing process will be more. She has been looking at the numbers with Mr. Dyok and will be coordinating with OMB.

8. DIRECTOR'S COMMENTS

8A. Next scheduled AEA Board meeting

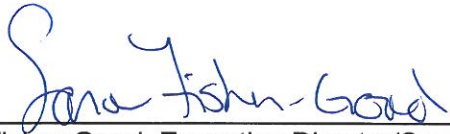
Thursday, November 10, 2011, which will be an Independent Power Producers' work session. There will also be a meeting on November 17, 2011 to discuss the EETF regulations.

9. BOARD COMMENTS

Mr. Wilken said there will always be a demand for the lowest cost power (hydropower – Susitna). With Susitna we have a chance to participate in something that will benefit Alaskan's for generations. In 100 years people will look back on it and say we did it exactly right and it will improve the quality of life for all Alaskans. This is a huge decision. He said he is looking forward to all of the strategy and thanked all the people that will be working so hard on it.

10. ADJOURNMENT

There being no further business of the Board, the meeting was adjourned at 2:17 p.m.



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