

BOARD MEETING MINUTES
Thursday, February 20, 2014
Juneau, Alaska

1. CALL TO ORDER

Chair Dick called the meeting of the Alaska Energy Authority to order on February 20, 2014 at 9:07 am. A quorum was established.

2. ROLL CALL: BOARD

Members present: Chair Russell Dick (Public Member); Vice-Chair Dana Pruhs (Public Member); Susan Bell (Commissioner of the Department of Commerce, Community and Economic Development - DCCED); G. Wilson Hughes (Public Member); Crystal Nygard (Public Member); Michael Pawlowski (Department of Revenue); and Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: Sara Fisher-Goad (AEA Executive Director); Michael Lamb (Deputy Director - Finance & Operations); Sandra Moller (Deputy Director - Rural Energy); Gene Therriault (Deputy Director – Energy Policy Development); Sean Skaling (Deputy Director – Alternative Energy & Energy Efficiency); Julie Anderson (HSE Officer /Stakeholder Manager); Wayne Dyok (Susitna-Watana Project Manager); Emily Ford (AEA Public Outreach Liaison); Andrew Frasier (Susitna-Watana Licensing & Permitting Manager); Jennifer Haldane (Human Resources Manager); Sara Nogg (Data Systems Specialist); Teri Webster (AEA Executive Assistant); Jess Jennings (AEA Administrative Assistant); and Sandie Hayes (Susitna-Watana Administrative Assistant); ; Others present: Molly Dischner (Alaska Journal of Commerce); ; Whitney Wolff (Talkeetna Community Council); Sunny Morrison; and Miranda Studstill (Accu-Type Depositions).

4. AGENDA APPROVAL

The agenda was approved as amended.

5. PRIOR MINUTES - January 14, 2014

The approval of the January 14, 2014 AEA Board meeting minutes was tabled until the next meeting.

6. PUBLIC COMMENTS

Ms. Whitney Wolff of the Talkeetna Community Council noted since 2011, the Talkeetna Community Council has presented their concerns to the Board regarding the Susitna-Watana

Hydro Project and specifically the impacts of the project on fisheries and regional economies of the northern Susitna Valley. Ms. Whitney is commenting today to reestablish those concerns, especially to the new Board members.

Chair Dick asked Ms. Fisher-Goad if the concerns of the Talkeetna Community Council are in writing. Ms. Fisher-Goad confirmed the concerns are in writing. She advised there has been a 120-day extension on the Initial Study Report to be filed with the Federal Energy Regulatory Commission (FERC) and that AEA plans on having additional public meetings, including Talkeetna for continued public outreach and comment. There was an AEA Board meeting held in Talkeetna that new Board members did not attend at which concerns were voiced and placed in the record.

7. NEW BUSINESS

7A. Renewable Energy Fund - Status of funded projects

Ms. Fisher-Goad noted that at the last board meeting Sean Skaling gave an update on the Round 7 recommendations for this year. At this meeting we are stepping back for an overview of the Renewable Energy Fund program as a whole, how it has been functioning, and progress during the first six years of projects.

The Renewable Energy Fund (REF) program has expanded AEA's knowledge with respect to data and information on renewable energy sources. It has also provided local employment on particular projects. It has been advantageous for entities, especially in rural Alaska, that do not benefit from a power cost equalization (PCE) subsidy, by receiving a significant benefit on the use of the local fuel sources displacing higher cost diesel.

Ms. Fisher-Goad displayed a chart showing the applications received, the applications funded, and the grants that are currently in place. She explained a map illustrating the significant statewide reach of the REF program. The annual fuel savings of diesel is over \$12 million gallons per year with the projects that have been built. The Board members were provided the presentation given to the Legislature.

Commissioner Bell requested the Board be provided with a cost comparison for the Pelican Hydro project, including the cost of the project and what the power costs are. Mr. Skaling believes the fuel costs are around \$4 a gallon. He noted the diesel power plants are all turned off and all the power is coming from the hydro project.

Mr. Pawlowski noted one of the sources of savings is transmission and requested an example of transmission savings. Mr. Skaling explained that transmission projects that will connect a renewable source to a grid is an allowable project. Mr. Pawlowski asked if the transmission savings is associated just with the transmission facility or the generation facility plus the transmission facility. Mr. Skaling stated the measurement is the difference or offset between the existing status quo and what the new project brings.

Mr. Pawlowski asked which technology gives the highest return for the invested dollar. Mr. Skaling stated that is a challenging question to answer because each project is very different.

There will be some wind projects that are stellar and there are some not recommended because they are marginal. Hydro projects typically have a robust addition to the grid, but they are also very expensive. Mr. Skaling expressed he would have a difficult choosing one particular technology because the top rankings each year are typically mixed with technologies, such as biomass, wind, hydro, and heat recovery.

Mr. Hughes asked which would be the best technology based on return on investment. Mr. Skaling believes heat recovery and hydro generally will have the best return on investment. The hydro projects will last 50 years and the other technologies are estimated at 20 years. The extra 30 years for the hydro projects strengthens the economics significantly.

Mr. Wilken asked if AEA is involved in trying to solve the issues with the biomass boiler in Tok. He asked if AEA believes that problem in Tok could manifest itself in other places in Alaska that are going to require the same biomass as a feedstock. Ms. Fisher-Goad noted AEA is taking an evaluation of the available feedstock with respect to the economic evaluation of the project. She asked Mr. Therriault if he could provide additional information to the answer. Mr. Therriault stated he is not aware of a problem with the feedstock. He understands the Division of Forestry recently had an offering in that area and were disappointed they did not get any takers. Mr. Therriault reported there is a current piece of legislation providing clarification on the processes that are utilized to offer the product up for bidding on the market. Mr. Therriault stated he will contact the project operator and get more information on the access to resource problem.

Mr. Wilken agreed contacting the project operator is a good idea because he understands the project was not able to get the wood out of the forest to the site because of some sort of structural problems with Department of Natural Resources (DNR). Due to this situation, the boiler has stopped. Mr. Wilken commented many people believe biomass has good potential, but it is not a good investment if problems, like Tok is experiencing, continue to occur.

Mr. Skaling understands Tok has five to ten years' worth of fire mitigation wood currently and the plant is up and running, burning fuel at a copious rate. Mr. Skaling noted there were some timber sales questions, but his perception was that it was going quite well. Mr. Skaling stated he will research to see if there are problems he is unaware of. Mr. Wilken expressed his apologies if he is incorrect, but believes he read about these issues within the last week. He will find his reading source and inform Mr. Skaling.

Mr. Pawlowski requested seeing the full range of projects, including the wildly successful projects and the projects that are struggling, as we go forward. Ms. Fisher-Goad gave the example that the utility scale wind projects tend to perform better. The small wind diesel systems are struggling more with the benefit cost (B/C) ratio. This allows AEA to work with Alaska Center for Energy and Power (ACEP) through the Emerging Energy Technology Fund (EETF). Ms. Fisher-Goad noted they are seeing projects that are being funded to help that integration issue. Flywheel technology is an example of one area that has been working on that integration issue.

Mr. Skaling added there is a published annual update per project on AEA's website that is approximately 200 pages long and includes the scope, status, and budget. Chair Dick asked if there was any way the Board could get a summary of that annual update. Ms. Fisher-Goad stated

it is possible for the Board to get a summary. She reported B/C ratios, fuel savings, and performance can also be updated and added to the spreadsheet. Mr. Pawlowski commented the information in that format will be helpful.

Chair Dick stated the Board meeting today, held in the Sealaska Board Room in Juneau, is the first commercial building that is heated using wood pellets. Chair Dick informed the Board the Walter Soboleff Center, which is being constructed across the street, will be heated with wood pellets as well.

Ms. Fisher-Goad stated there was some concern about the emphasis in biomass with the Southeast Integrated Resource Plan. Ms. Fisher-Goad is happy to say AEA is seeing a lot more opportunities and more push for biomass projects in Southeast Alaska.

Chair Dick believes the issue for Southeast Alaska and the rural communities is what can be done today to help offset some of the cost. Biomass has the ability to have an immediate impact, whereas hydro takes quite a few years before impact. He applauded the efforts on biomass.

7B. Susitna-Watana Hydro Project update

Ms. Fisher-Goad gave a presentation on the Susitna-Watana update. She noted the Governor has submitted an amended supplemental budget request for an additional \$32.7 million for the project effort for FY14. Ms. Fisher-Goad stated she will attend the House Finance Committee to answer questions regarding the supplemental request. The supplemental request is in addition to the current funds of \$10 million and will provide a potential to conduct a portion of the licensing effort for the study season next year. Ms. Fisher-Goad reported \$74.1 million would be needed to complete the remainder of that effort.

Ms. Fisher-Goad stated AEA met with Federal Energy Regulatory Commission (FERC) in Washington, D.C. at the end of January to discuss a 120-day extension to the Initial Study Report (ISR), primarily to complete Section Seven answering the question of when the remainder of the work will be completed. FERC approved the extension request. The draft ISR was filed on February 3rd. This is a significant document with over 7,000 pages of information regarding studies. During the 120-day extension, there will be a public review process, including technical meetings for the studies of concern and stakeholder consultation.

The actual ISR will be filed in June and a formal 120-day review process will begin after that filing. The process includes a public comment process, technical meetings on the final ISR, and a dispute process. FERC will issue the determination and recommendation in January 2015 for any type of study modifications to complete during the next portion of the process.

Commissioner Bell asked if Ms. Fisher-Goad was going to be speaking at the House Finance Committee today. Ms. Fisher-Goad confirmed she will be in the House Finance Committee to help answer questions on the supplemental request, progress of the project, and similar information she is providing to the Board today. 2013 was a very successful study season with full access to seven of the 10 focus areas that are being intensively studied to examine water resources, fisheries and vegetation effects, and limited access to the remaining three focus areas. There were over 300 individuals in the field. The 2014 field season efforts are being prioritized

and the supplemental budget requests also provides flexibility to be able to complete more of the work in 2014 rather than in 2015. Filing for a license application is estimated to occur at the end of 2016.

AEA is working with Cook Inlet Region, Inc. (CIRI) and Cook Inlet Village Corporations (collectively the Cook Inlet Region Working Group) on a permit for land access this year. Negotiations are ongoing and there are good lines of communication. The working group provides a good opportunity to engage in conversations and have more of a partnership with the village corporations regarding both short-term issues and long-term issues, including project participation, road and transmission line access to the project, environmental settlement process, mitigation, and habitat enhancements. Letters of support for the project have been received from three village corporations.

Mr. Hughes requested to know the top two or three biggest issues the village corporations have with regard to the land both in the short-term and in the long-term. Ms. Fisher-Goad believes there are both short-term issues and long-term issues. An example of a long-term issue is the road access. An example of a short-term issue is the duration of a permit to complete the studies.

Mr. Hughes asked if the issue is to have road access or not to have road access. Ms. Fisher-Goad reported CIRI, not the entire working group, has expressed in written correspondence their concerns regarding trespass issues on access that would come from the north (i.e., the Denali access corridor). The Gold Creek corridor would come off of the railroad from the west and not have road connection.

Mr. Hughes asked if the village corporations' desire is to have the road corridor come from the railroad so there is not access into the area. Ms. Fisher-Goad agreed and noted there would be limited access to the project and there would be an opportunity and ability to control trespass concerns easier. The village corporations have selected a significant amount of land around the corridor as well. There is the control of the access and there is development opportunity depending on the corridor access.

Ms. Fisher-Goad requested Ms. Julie Anderson comment on the long-term and short-term issues. Ms. Anderson stated one of the short-term issues is to ensure AEA does everything possible to protect Native lands during the study periods. A long-term issue is the interest in economic development opportunities, including contracting opportunities and jobs for shareholders. There are questions regarding the type of development that will occur, increased access to Native lands and trespass issues. AEA has committed to working with the village corporations to address their issues.

Mr. Hughes asked if these are new issues or are these the same issues that have been expressed. Ms. Anderson noted these are the same issues since she has been involved with the process. Ms. Fisher-Goad advised many issues were addressed that came from discussions about a memorandum of understanding (MOU) which was signed during the 1980's between the former Alaska Power Authority, CIRI, and the village corporations at that time. There was a desire to have a similar MOU for this process. There have been many changes since the '80's to the state procurement code, shareholder hire issues, and indemnification issues where the same opportunities are not available in an MOU today. AEA has worked successfully to create

language that is acceptable to CIRI, village corporations, and to the state with respect to the indemnification issues. AEA is moving toward an MOU that provides a basis to have a partnership and good working relationship now and in the future.

Ms. Fisher-Goad requested Mr. Dyok give an update on the engineering process. Mr. Dyok reported a tremendous amount of baseline information was collected this year which will allow the environmental models to be developed, the project effects assessment to be conducted, and the operation alternatives to be developed. Mr. Dyok stated Alaska Department of Fish and Game (ADF&G) reported to AEA this is the most comprehensive data set they have seen in the Susitna River Basin and ADF&G is using the information to develop their management plans for this coming year. Mr. Dyok also stated a large amount of information was collected that will provide an understanding of how the project will affect the regional economy.

Mr. Dyok advised work is continuing work on the feasibility report, which is necessary to support the licensing process. A significant component of the feasibility report is the probable maximum flood (PMF). The PMF dictates maximum reservoir water levels during the flood, which in turn affects the required spillway size, and ultimately the overall cost of the project. Another critical design piece is the seismic work. AEA has worked with the Alaska Earthquake Center to establish a seismic monitoring network. Over 1,500 small earthquakes have been monitored which has provided AEA with an incredible database to map out the subduction zone. The subduction zone is likely the determining factor in the dam design for project safety. Mr. Dyok noted the seismic consultant, Dr. Norm Abrahamson of the University of California, Berkeley, stated AEA has collected an unprecedented amount of data upon which to base the design.

Mr. Dyok reported AEA will be meeting with the Board of Consultants in early April to affirm the approach taken with the probable maximum flood and the seismic effort in order to complete the feasibility report.

Ms. Fisher-Goad noted PFM has been hired to work through some financing plans and models. They have confirmed that the original economic assumptions are valid and this project is financeable. Ms. Fisher-Goad stated the Rural Utilities Service has confirmed they can finance up to 50 percent of the project cost, with current annualized rates under 4 percent. Ms. Fisher-Goad commented there needs to be great coordination with the Department of Revenue to ensure the state of Alaska is comfortable with any models created. One of the assumptions is that the state and AEA are repaid in full, including the initial investment for the licensing costs. Another assumption is the interest on the debt be repaid within 50 years after construction begins. The long construction period is one of the biggest challenges in structuring the debt and financing of the project.

Ms. Fisher-Goad stated the expected power cost at a 50-year average rate is less than 7 cents a kilowatt hour. The three primary variables to making this project a reality are the cost of the project, the 5 percent annual assumption on financing costs, and the 2,800 gigawatt hours a year of expected energy output from the project.

Vice-Chair Pruhs requested further explanation of the financing structure with respect to funding rates during construction and post-construction. Vice-Chair Pruhs asked if there is any risk for

an interest rate change from when construction starts and when construction is completed. Ms. Fisher-Goad stated PFM is evaluating the interest rate risk with the different types of financing options and when a rate can be locked in.

Vice-Chair Pruhs asked if the model is suggesting there is a rate locked in either prior to construction or after construction is finished. He asked if there are two loans, a construction loan and a term loan. Ms. Fisher-Goad advised the models and the assumptions are still in the process of being developed. Mr. Lamb stated there are three financial models being developed currently which address different scenarios of when interest is included and not included, if it is paid up front or not, and when the state gets paid back. Each of the scenarios gives different results.

Vice-Chair Pruhs asked if traditional funding is a construction loan and then a term loan or just one loan with draws for construction. Mr. Lamb commented the potential of who does the borrowing and the structure of the borrowing will determine whether it is best to utilize a construction loan and then a term loan or just one loan.

Vice-Chair Pruhs asked which of those models was used, including the financing method, the assumed interest rate, construction loan or term loan, to determine the expected power cost at a 50-year average rate of less than 7 cents a kilowatt hour. Ms. Fisher-Goad noted that number was based on a very simple model of a 30-year debt at a 5 percent interest rate with construction draws from that debt. She noted PFM has confirmed these original assumptions are still sound and PFM is seeing very similar results with a more complicated and more realistic financing model.

Ms. Fisher-Goad described a slide showing a comparison of the cost of power from the project versus the cost of natural gas. The project is expected to break even with natural gas in 12 years, based upon an initial starting price of \$6.50 per MCF for natural gas. Ms. Fisher-Goad believes this is a realistic, but conservative estimate, and the break even point could occur sooner.

Commissioner Bell wants the AIDEA and AEA Boards to know that both the gas line and Susitna-Watana are needed.

Commissioner Bell wanted to credit Ms. Fisher-Goad for showing the financing slide and advised AEA is working with the consultants and also really closely with the Department of Revenue on the financing issues. Commissioner Bell noted energy is a critical issue in every community in Alaska. She commented AEA is exploring financing options that include the funding and construction being repaid, which follows the Bradley Lake model. Commissioner Bell believes state funding is very critical to get Susitna-Watana through the permitting, licensing, and engineering stages to attract private capital and bonding capability.

Mr. Pawlowski commented any gas project including the Alaska Gasline Development Corporation (AGDC) ACEP project is not only important for state power generation demands, but is also important because of the potential for industrial activity. On the Alaska Liquefied Natural Gas (AKLNG) project, the industrial activity is manufacturing LNG and selling it. Mr. Pawlowski noted there have been discussions regarding the crossover if gas is not needed for electric power generation, then there is a cheaper way to generate power in the long-term for

residents. The availability of that extra LNG for revenue might be an interesting tradeoff. The industrial use of gas is a big driver in any of these projects.

Mr. Pawlowski suggested AEA should invite multiple boards to come and provide presentations. He believes this would be helpful and would be happy to assist with coordination of that effort.

Mr. Wilken asked if it is premature to know the affect of a state buy-down to the cost of the project. If the state contributed one billion dollars, what would that do to the projection of 6.9 cents per kilowatt hour? Ms. Fisher-Goad believes it would be premature to make those calculations. She noted AEA is reviewing scenarios like that, including when a state investment is paid back and how that fits into the model.

7C. The Alaska Intertie overview

Ms. Fisher-Goad gave a detailed presentation on the Alaska Intertie. The Alaska Intertie is an AEA owned asset and is 170 miles of transmission line. The entire railbelt transmission system is 580 miles long. The Alaska Intertie connects Golden Valley Electric Association (GVEA) with the southcentral utilities. There is no outstanding debt with this project which was constructed in the 1980's. There is an intertie agreement governing the operations of the intertie. This agreement was amended and restated in 2011.

Ms. Fisher-Goad explained the Alaska Intertie Management Committee (IMC) was developed similar to the model used for the Bradley Lake Project Management Committee (BPMC). AEA and the four utilities, GVEA, Anchorage Municipal Light & Power (ML&P), Matanuska Electric Association (MEA), and Chugach Electric Association (CEA), comprise the IMC. GVEA serves the northern part of the intertie. ML&P is the southern region operator and MEA provides maintenance on the southern region of the intertie. Mr. Therriault sits on the IMC as the AEA representative. Homer Electric, City of Seward, and the U.S. Army were allowed to be part of the IMC, but have declined participation at this time. The intertie allows this exchange of the economy energy and is of significant value to the GVEA rate payers. There was a \$52 million savings for GVEA in 2012.

Ms. Fisher-Goad reported no general funds go towards the maintenance of the intertie. The maintenance is paid for by the utilities using a formula where the utility receiving most of the benefit also pays for most of the maintenance. Ms. Fisher-Goad advised the intertie has received general fund appropriations through the years for certain repairs, including repairs to static var compensators and another repair addressing an erosion issue. AEA has some funding that is available for the extension of the intertie to the Point Mackenzie area.

In the amended and restated intertie agreement of 2011, there was a requirement to have open access language which provides rules for potential independent power producers to be able to access this state owned asset. Reliability standards were adopted in November 2013 and were filed on an informational basis with the Regulatory Commission of Alaska (RCA).

7D. Transmission Plan update

Ms. Fisher-Goad explained there has been evolution of the railbelt power generation and some concern with how the governance of this system will work, especially since the generation systems have changed. Historically, CEA was the primary generator in the region and sold power to HEA and to MEA. Currently, HEA and MEA are in the process of self-generating and not being an all-requirements customer from CEA. This changed the makeup and how the transmission system is working.

Mr. Therriault stated there are significant sources of new generation coming into the system and has changed the way the system operates. Because of that change, more problems are being experienced with the so-called Bradley Lake bottleneck and getting power off the peninsula. Mr. Therriault explained how CEA previously would swap power to alleviate the bottleneck in the system. Since HEA is now generating its own power, the ability to leave more of the Bradley Lake power on the peninsula is limited and the bottleneck issue becomes more problematic.

Mr. Therriault noted this change in the way the system operates is causing AEA to have to consider modifications to the actual transmission system. He referred to the Electrical Power Systems (EPS) study that examined modifications to the system to improve the capacity and improve the reliability of the system to serve the entire railbelt base for the next 50 years.

Mr. Hughes asked why HEA built additional generation in Soldotna. Mr. Therriault stated HEA made the independent decision that they no longer wanted to be a customer of another utility and wanted to supply their own power. MEA has made similar decisions. Both HEA and MEA could have continued to buy power from CEA or partnered with CEA and ML&P in the south Anchorage plant, but for whatever reasons, their boards made independent decisions, which have changed the suite of generation in the railbelt.

Mr. Therriault believes this dynamic is highlighting some of the problems that exist in the railbelt as far as operating the overall system. Mr. Therriault believes as infrastructure investment gets made in the transmission system, the intent of the utilities is to alleviate the problems and not experience similar problems in the future. He stated the governance structure will also have to be changed.

Mr. Hughes asked who operates and maintains north of Healy. Ms. Fisher-Goad stated GVEA owns that 70 miles of intertie line. Mr. Hughes asked if it was a state grant that created that 70 miles of line. Ms. Fisher-Goad agreed. Mr. Hughes asked if GVEA charges for use of that intertie if someone else was moving power over it. Ms. Fisher-Goad agreed.

Ms. Fisher-Goad advised AEA needs to look at the entire railbelt system holistically beyond the isolated asset of the intertie and the isolated asset of Bradley Lake. Vice-Chair Pruhs requested clarification of who owns what piece of the transmission system. He requested a map be created illustrating what entity owns which segment of the transmission system. Ms. Fisher-Goad stated AEA will create an appropriate sized map per his request and provide it to the members at the next meeting.

Ms. Fisher-Goad explained the variety of tariffs from different utilities through the transmission line is very confusing for independent producers and for power to be dispatched through the

system. The governance and operations of the system is a challenge that needs to be addressed by the utilities.

Vice-Chair Pruhs asked if AEA expects to experience these same types of challenges with Susitna-Watana regarding the transmission plant and the utilities. Ms. Fisher-Goad answered by stating AEA commissioned and financed a study which determined over \$900 million worth of construction projects were needed to upgrade the system. Ms. Fisher-Goad then reported the utilities are supportive of the projected construction upgrades. The challenge is determining how to get the system upgrades financed and built to provide a modernized transmission system.

Ms. Fisher-Goad continued by explaining the unconstraining Bradley projects are about half of the system upgrades. These projects are needed and independent of the Susitna-Watana project. These projects are important to have hydro to hydro coordination. Ms. Fisher-Goad noted there is a comprehensive map showing these projects and will be provided to the Board.

Commissioner Bell asked if station upgrades will be needed at Eva Creek since it is new. Ms. Fisher-Goad agreed station upgrades are needed at Eva Creek.

Ms. Fisher-Goad explained a slide showing the potential consumer impact for project completion demonstrating the benefit/cost ratio. A 5% commercial interest rate was assumed for the funding of the projects. Mr. Hughes asked if the rate payers will end up paying the cost of the upgrade through the utilities under this scenario. Ms. Fisher-Goad agreed and stated this is just a way to demonstrate an example, but AEA is not at a point to advocate any strategy.

Mr. Therriault noted it is up to policy-makers to decide if money goes to pay down the capital cost. He stated the numbers are generally run without state participation, spreading the costs to the consumers and if there is state money, it just makes it better for the consumer.

Ms. Fisher-Goad stated the slides were included in a presentation Mr. Therriault provided to the House Energy Committee last year and discussed potential issues with Bradley Lake and other issues that are in front of RCA.

Mr. Pawlowski asked where the savings are derived from and how much of the benefit is from a more efficient use of spinning reserves. Mr. Therriault believes the numbers being presented today are the actual hard-dollar savings per kilowatt hour. There are additional benefits that accrue to the consumer, but are in the fuzzy area of better reliability and fewer blackouts.

7E. Bradley Lake Hydro project overview

Ms. Fisher-Goad gave an overview presentation on the Bradley Lake Hydroelectric project which is owned by AEA. It is operated by HEA. All railbelt utilities are members of the BPMC, along with AEA. The capacity of the project is 120 megawatts, with over 380,000 megawatt hours annually. The cost of power fluctuates between .04 and .05 cents per kilowatt hour due to annual snowfall and rain.

Ms. Fisher-Goad advised no general fund dollars are contributed into the management of the Bradley Lake project and is paid for through the utilities. AEA operates as the bookkeeper and

treasurer for the project. She noted in 2021, the purchase and sales agreement (PSA) requires the utilities to begin paying the initial investment back to the state, which is about \$12 million per year. There have been general fund dollars and a REF grant to pursue the Battle Creek diversion project. A FERC amendment to the license is being considered to go forward with Battle Creek project. The current cost estimate is almost \$62 million. The additional energy that will be generated is projected at 37,000 megawatt hours per year.

Mr. Pawlowski asked what would be the consequence of including the Battle Creek diversion project with the bigger Bradley Lake project. Ms. Fisher-Goad stated that option is being considered and draft models have been developed. She noted there may be some limitations on how the Battle Creek project is financed on the existing Bradley Project and the debt flow.

Mr. Hughes asked if in order to take advantage of the benefits of the Battle Creek diversion project, the \$400 million upgrade to the transmission facilities will have to occur. Ms. Fisher-Goad advised the bottleneck issue is present, but the utilities are having issues with being able to use the Bradley Lake energy when they most want to use it. She gave the example that GVEA likes to use their Bradley Lake power at peak times. Ms. Fisher-Goad stated the utilities are all very much supportive of the valuable Battle Creek project.

MOTION: A motion was made by Vice-Chair Pruhs to go into Executive Session to discuss confidential matters related to the disputes about the transmission of Bradley Lake project power pending before the RCA. The second matter relates to potential legislation involving confidential deliberative process information. Motion seconded. Motion passed unanimously.

7F. Executive Session - 10:59 am.

The Board reconvened its regular meeting at 11:46 am. Chair Dick noted for the record the Board has not taken any formal action on the matters discussed in Executive Session.

8. DIRECTOR COMMENTS

Ms. Fisher-Goad noted she will hold any comments until the March 27th meeting.

8A. Next regularly scheduled meeting Thursday, March 27, 2014

9. BOARD COMMENTS

Commissioner Bell stated Mr. Tim Bradner updated his capital view interviews and gave her an opportunity to talk about the Interior Energy Project and Susitna-Watana Hydro.

Chair Dick expressed his appreciation to the AEA staff for the great information and for traveling to Juneau to hold the meeting in the Sealaska building.

Vice-Chair Pruhs expressed his appreciation to Chair Dick for graciously hosting the meeting.

10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 11:48 am.



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