

Alaska Energy Authority  
BOARD MEETING MINUTES  
Thursday, April 30, 2015  
Anchorage, Alaska

**1. CALL TO ORDER**

Vice-Chair Pruhs called the meeting of the Alaska Energy Authority to order on April 30, 2015 at 10:02 am. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: 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)); Wilson Hughes (Public Member); Crystal Nygard (Public Member); and Gary Wilken (Public Member). Chair Russell Dick joined the meeting at 10:30 am

**3. ROLL CALL: STAFF, PUBLIC**

Staff present: Sara Fisher-Goad (AEA Executive Director); Michael Lamb, Sandra Moller, Jennifer Haldane, Tom Erickson, Emily Ford, Kris Noonan, Tim Sandstrom, Jed Drolet, Teri Webster, Karl Reiche (AEA); and Brian Bjorkquist (Department of Law);

Others present: Miranda Studstill (Accu-Type Depositions); Matthew Sievert (Crowley Petroleum); Tim Gallagher (HDR Engineering); Dianne Blumer (PRL); Robert Venables (Southeast Conference), Elwood Brehmer (AK Journal of Commerce); Alan Bailey (Petroleum News); Mark Figura (Rose & Figura); Dan Britton (Fairbanks Natural Gas); and Kelly Helmbrecht (Brena, Bell & Clarkson).

**4. AGENDA APPROVAL**

The agenda was approved.

**5. PRIOR MINUTES - Feb 25, 2015**

**MOTION: A motion was made by Mr. Wilken to adopt the minutes of February 25, 2015. Motion seconded by Ms. Nygard. Motion passed.**

**6. PUBLIC COMMENTS**

None.

**7. NEW BUSINESS**

**7A. Operating & Maintenance plans for rural electric utilities**

Ms. Fisher-Goad introduced Ms. Moller, who provided a detailed Powerpoint presentation on the operating and maintenance plans for rural electric utilities; identifying problems, finding solutions, and next steps.

Vice-Chair Pruhs asked at what point in the process are issues and problems discovered by AEA. Ms. Moller stated there are several ways we get information: through the circuit rider program, the PCE program, our Community Assistance teams contact with a utility, or the utility will call AEA directly. Vice-Pruhs asked how AEA monitors the communities for their financial ability for maintenance, replacement, or repair, if reserve funds are not included in the PCE reports. Ms. Fisher-Goad informed monitoring reserve funds is not a current responsibility or function of AEA. She believes this will change when problems arise and more focus will be given as the holistic business planning and non-technical community assistance continues to be developed and provided.

Mr. Parady noted the Division of Regional and Community Affairs in DCCED has a Rural Utility Business Advisor (RUBA) program that provides ongoing training and support to communities, including proper rate setting and collection issues.

Mr. Wilken asked who has responsibility to oversee and follow-up if communities have a sinking fund for depreciation and long-term maintenance. Ms. Fisher-Goad stated she does not have a complete answer. Entities in the Southwest area have been trying to play more active roles, including Alaska Native Tribal Health Consortium (ANTHC). She believes it is important for AEA to work more closely with Local Government Assistance (LGS) and Division of Community and Regional Affairs (DCRA) to address some of the issues.

Mr. Wilken asked who sets the rates for Yakutat. Mr. Noonan stated the Borough Utility Board determines the rates and is responsible for collection. Mr. Wilken asked who sets the rates for Tuntutuliak. Ms. Moller noted the elected Tuntutuliak Tribal Utility Board is run independently from the tribe. It determines the rates and is responsible for contracting with a utility manager for collection.

Mr. Wilken asked if AEA provides prototype accounting systems for communities in need. Mr. Parady noted QuickBooks and training is given by RUBA from DCRA at the request of the villages. Mr. Wilken asked if AEA has the ability to describe to communities how to monitor and maintain the funded facilities. He believes personal responsibility is missing from these facilities. Ms. Fisher-Goad believes the communities are feeling that responsibility and are pulling together to share information. She noted the anomaly of the significant increase of fuel prices in 2008 has contributed to some of the issues, and recovery is ongoing.

Mr. Noonan stated AEA's discussions with Tuluksak, in particular, revealed their utility was structured in a way that all of the utility funds were going into a general account, which was financing their government, rather than being put toward the needed services to maintain the utility's equipment. The community recognizes the problem and AEA is helping and guiding them to resolve these issues and to set better priorities.

Vice-Chair Pruhs asked if Tuluksak is paying for the AEA emergency generator they are currently using. Ms. Fisher-Goad said Tuluksak is not paying for the emergency generator. Vice-Chair Pruhs asked if Tuluksak is having collection issues. Ms. Fisher-Goad noted Tuluksak is having issues with collections and she believes the funds that are received have been used to invest in prepaid meters for the community. Ms. Moller noted AEA does not currently have the function to audit the utilities and this makes it difficult for AEA to know where utilities

are spending their money. Vice-Chair Pruhs asked if Mr. Parady's programs have the ability to audit the utilities. Mr. Parady noted his groups do not audit utilities.

Mr. Wilken asked for the type of utility organizational structure Tuluksak follows. Ms. Moller explained Tuluksak's Tribal entity runs the separate independent utility and the utility sets the rates. She does not know if the board members are appointed or elected. Ms. Fisher-Goad informed Tuluksak has formally asked Alaska Village Electric Cooperative (AVEC) to consider being their utility. AVEC evaluated the system and will meet with AEA in a week-and-a-half to discuss their findings and next steps.

Vice-Chair Pruhs asked if any repairs have occurred on the facility at Tuluksak. Ms. Moller does not believe any improvements to the power plant have been made. Vice-Chair Pruhs asked how long is the use of one generator expected to last. Mr. Noonan noted a major water pump repair on the emergency generator has already been completed. He stated Tuluksak is in a critical situation any time maintenance or repair is conducted on the unit, since they are relying on only one unit. Mr. Noonan informed the community has been working closely with organizations to identify funding to replace at least one engine. Tuluksak will continue to use AEA's emergency generator as a back-up until they can move forward on replacing their generators.

Ms. Nygard requested an explanation of AEA's terms and conditions regarding the emergency generator for Tuluksak. Ms. Fisher-Goad explained AEA provides emergency generators in emergency situations. Tuluksak was informed this was a temporary solution. AEA provided a repair list of \$650,000 to correct the situation and gave contact information of possible funding sources for those repairs. AEA sent a letter to Tuluksak giving them 30 days to show signs they were managing the utility. Ms. Fisher-Goad informed this is a very delicate situation. She has had discussions with AVEC and Regulatory Commission of Alaska (RCA) regarding solutions to the appropriate management of the infrastructure and utility.

Vice-Chair Pruhs asked to explain the relationship between the generators and the tank farm improvements at Tuluksak. Ms. Fisher-Goad advised there are energy infrastructure needs. The powerhouse has poor fuel storage and is currently inadequate for the community. The community, utility, and school need good fuel storage. The Denali Commission did not provide funding for the tank farm because of the lack of maintenance on the powerhouse.

Vice-Chair Pruhs asked who is providing the maintenance on the back-up generator. Mr. Noonan stated the community is performing the maintenance. Vice-Chair Pruhs asked how AEA would respond if the back-up generator failed. Mr. Noonan advised AEA is directed by the state to respond to statewide emergency life/health safety issues and AEA would provide another emergency generator to ensure the power stays on. Ms. Fisher-Goad stated AEA is working on ways to prevent emergency situations, such as Tuluksak. New and creative solutions have to be developed to prevent additional emergency situations. AEA has received push-back regarding the level of support being provided to Tuluksak versus other entities. AEA shares these concerns, and strives to provide the limited public funds available in an objective manner.

Mr. Wilken asked if Ms. Fisher-Goad believes changes in legislation are needed in order to help prevent future emergency situations. Ms. Fisher-Goad indicated she would like to work more closely with RCA and other entities regarding what happens in the instance a community or utility is not fit, willing, and able to provide the level of service needed to maintain. She does

not know if legislative changes are necessary, and believes policy directives could be utilized to ensure communities continue to have reliable power. Ms. Moller advised AEA's FY16 strategic planning will focus on these issues as priorities.

Mr. Wilken asked if AEA would be able to request Tuluksak join AVEC if AEA replaces the generator. Ms. Fisher-Goad noted that request has been made, but it is tough to enforce. More information will be revealed at the upcoming meeting between AEA and AVEC regarding what is needed in Tuluksak for AVEC to be comfortable being the utility in that community.

Ms. Nygard asked what warranties and guarantees are given by the manufacturer for new capital. Mr. Noonan stated a typical warrantee and guarantee is for one year. Vice-Chair Pruhs noted the warranty is voided if the service is not performed. Ms. Moller stated extended warranties are typically expensive and not utilized.

Mr. Hughes asked what level of interaction AEA has with the boards of the rural utilities. Ms. Fisher-Goad informed the interaction with the utility operators has been good. The interaction with the utility boards could be increased. AEA's Rural Energy Conference encourages interaction with both the operators and the decision-makers of the utility. Mr. Hughes suggested the utility rating systems be created that is analytic, rather than subjective, and be delivered personally, if necessary, to the utility boards for a solution.

Chair Dick would like the Board to think about what can be done from a policy or legislative standpoint to address these issues before they become an emergency situation to which AEA has the responsibility to respond.

Vice-Chair Pruhs believes it would be useful to have a third-party owner of the module to be responsible for the maintenance and the reserve. The third-party owner could have a fee structure set up with the community. AEA would be notified if payment was not received, and AEA could then determine next steps to prevent an emergency generator placement situation. Vice-Chair Pruhs requested a model showing the cost of power failure to the community and to AEA for their emergency response vs. the cost of a service contract.

Deputy Commissioner Burnett asked how much of the additional cost of maintenance will be picked up by Power Cost Equalization (PCE). Ms. Fisher-Goad informed the eligible kilowatt hours for most of the communities is roughly a third of the kilowatt hours sold. AEA will continue looking at ways to utilize the allowable costs through PCE.

## **8. DIRECTOR COMMENTS**

### **8A. Program/Project Fact Sheets**

Ms. Fisher-Goad informed the quarterly updates of the program and project fact sheets have been included in the Board packet.

### **8B. Next regularly scheduled meeting Wednesday, May 27, 2015**

Discussions of the Intertie and Independent System Operator (ISO) will be on the agenda for the June meeting in Fairbanks. Railbelt issues will continue to be discussed for the next three

meetings, including Susitna, Bradley Lake, the Battle Creek upgrade, and the status of the dispute resolution process. Ms. Fisher-Goad would like to place planning and the Alaska Affordable Energy Strategy on the agenda for the August meeting.

Ms. Fisher-Goad expressed her appreciation to the Board for visiting the powerhouse module.

## 9. BOARD COMMENTS

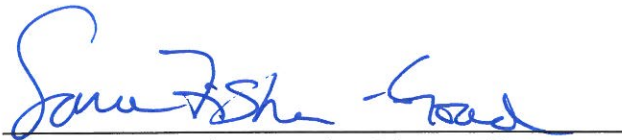
Mr. Wilken asked if the Board would like to reaffirm its support of the Susitna-Watana Project, and if so, when that should occur. Ms. Fisher-Goad believes it is best to wait until the session is complete in order to have an understanding of how Administrative Order 271 affects the Susitna-Watana Project going forward.

Mr. Wilken asked if Ms. Fisher-Goad believes that hydroelectric power will be added to the renewable energy category within the next six months. Ms. Fisher-Goad informed Mr. Gene Therriault is testifying in front of the Senate Energy Committee today in support of hydroelectric being considered renewable under certain programs.

He believes one of the ways AEA can help utilities prevent emergency situations is for the Board to have serious discussions with the utilities regarding their problems and possible solutions before an emergency occurs. Mr. Hughes requested staff present convincing analytics to the Board as a trial run.

## 10. ADJOURNMENT

There being no further business of the Board, the AEA meeting adjourned at 11:36 am.



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