

# Joint Utility Task Force Committee Meeting

Anchorage Municipal Light and Power  
Chugach Electric Association, Inc.  
City of Seward, Light & Power Division

Golden Valley Electric Association, Inc.  
Homer Electric Association, Inc.  
Matanuska Electric Association, Inc.

Friday, June 19, 2009

## Draft Minutes

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### **I. Welcome – Introductions**

The meeting of the Joint Utility Task Force Committee was called to order at 9:09am by Rebecca Logan of Chugach Electric Association in the board room of the Alaska Power Association in Anchorage, Alaska. The following people were present to represent the:

#### **Task Force Members:**

Rebecca Logan, Chair  
Helena Hall  
Alex Gimarc  
Jim Nordlund  
Rich Schikora  
Tony Garcia for Tim Evans  
Mike Pate  
Peter Burchell  
Janet Kincaid  
John Foutz  
Marilyn Leland

Chugach Electric Association, Inc. (CEA)  
Anchorage Municipal Light & Power (ML&P)  
Chugach Electric Association, Inc. (CEA)  
Chugach Electric Association, Inc. (CEA)  
Golden Valley Electric Association, Inc. (GVEA)  
Homer Electric Association, Inc. (HEA)  
Homer Electric Association, Inc. (HEA)  
Matanuska Electric Association, Inc. (MEA)  
Matanuska Electric Association, Inc. (MEA)  
City of Seward, Light and Power Division  
Alaska Power Association (APA)

#### **Absent:**

Will Abbott  
Tom DeLong  
Willard Dunham

Anchorage Municipal Light & Power (ML&P)  
Golden Valley Electric Association, Inc. (GVEA)  
City of Seward, Light and Power Division

#### **Other Representatives of the Railbelt Utilities:**

P.J. Hill  
Elizabeth Vazquez  
Alan Bute (via teleconference)  
Jim Levine  
Loralie Carter  
Lois Lester

Chugach Electric Association, Inc.  
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Homer Electric Association, Inc.  
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Matanuska Electric Association, Inc.  
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#### **State of Alaska:**

Joe Balash  
Jim Strandberg  
Brian Bjorkquist  
Kevin Harper (via teleconference)

Office of the Governor  
Alaska Energy Authority  
Alaska State Department of Law  
Black & Veatch

#### **Alaska Legislature:**

Jeff Turner

Staff for Representative Millett

**Public:**  
Chris Rose

Renewable Energy Alaska Project

**Alaska Power Association staff:**  
Mary Schonberger

Alaska Power Association

Logan extended an offer to tour Beluga Power Plant on Tuesday, June 23, 2009 to the members present.

Strandberg introduced Brian Bjorkquist, Kevin Harper and Joe Balash. Balash commented that the Governor's office worked with management on this proposed legislation and he wants the task force to understand the decisions that were made and why. He added that if a different direction is needed, that can be discussed. The overall goal is to produce low costs for all consumers on Railbelt.

## **II. Review questions submitted to AEA**

1. Why was a corporate structure chosen over an authority when the REGA study recommended an authority?

In response to the question, Strandberg stated it was a collaborative approach to form a company and that a state authority could have politics intrude and they sought to not have state officials on board that would control the company which would be necessary if it was a state authority. Overall, it was agreed to control the company with the guidelines of the statute and that everyone wanted the board to be populated by utility board members and management. He added the vision behind the process was to embrace an energy future that could involve different and large scale energy projects and an organization that is big enough to invest in these types of projects that are able to supply reliable power.

When asked if tax-exempt status is no longer an option, Strandberg replied that there could be tax exempt financing on the large projects. A document was provided to those present reviewing the tax-exempt financing concept for a state owned G&T authority.

Balash noted it is not necessary for this to be formed under legislation, but legislation would act as a constitution to protect minorities such as Seward, GVEA, and HEA and so that everything is equal for all involved. Balash noted that the past has not shown that there was a way to accomplish this without legislation. With regards to how this may benefit the rest of the state, Balash said there cannot be a one size fits all, but a Railbelt G&T could serve as a model for other such organizations.

Strandberg added another result of the REGA study is an identifiable need for financing for the Railbelt. The Regional IRP as a parallel to the new corporation. REGA looked at several different energy futures and it was determined that even though a state authority has some major cost benefits, a corporation still had some tax savings, just not as large. He added that it is not uncommon to form a regional unified G&T as needs and resources change. When asked if other G&T's had been formed through a legislative process in the Lower 48, Bjorkquist provided examples such as the New York Power Authority, Tennessee Valley Authority, and Bonneville Power Authority. It was noted, however, that all these are government controlled organizations, and it was unclear if there were any

state formed organizations such as the one being proposed and if so, if they were successful in obtaining financing.

2. What type of corporation is GRETC specifically? More specifically, how will the “outside” world relate to this corporation? (financial markets, regulatory agencies, etc.)

Bjorkquist responded this is a non-profit, formed under a statute specific for this purpose. He noted the difference between this and general statute is that a general has more flexibility, and this new statute is more stringent because it provides rules set in legislation so the utilities do not have to worry about what may happen after joining. The statute is modeled after CFAB (Alaska Commercial Fishing and Agricultural Bank) which was formed with state appropriations for financing and became more private over time. It was noted that initially, the state will have a significant roll-in financing with this new organization, though details of the state’s involvement have not been worked out yet.

Strandberg noted this will be a two-year process where legislation will be provided to help enable this corporation and AEA will work with the utilities and the corporation on more legislation to further define after the initial two years. With regards to financing, the statute may need to give specific powers and capabilities to the company to help it acquire financing. Bjorkquist noted a robust stable company with good projects, strong power sale agreements and equity will be able to finance.

Hall noted though the members of the Railbelt utilities understand that this is a multi-tiered process, they are being asked to commit to a legal structure that has so many unknowns up front that it is hard to envision the final product. Strandberg stated the Regional IRP will view potential approaches for combining resources to be able to build large scale projects and should help provide a better understanding. Pate reminded the state representatives that the utility board members are ultimately representatives of their membership and they have to justify and explain to their members.

Balash stated the state has demonstrated commitment to this by offering Bradley Lake and the intertie in addition to verbally offering the Railbelt energy fund. He added the answers to the questions a) what is needed by the utilities? And b) what is the state financial capability, ultimately will depend on the entire legislature. The Railbelt utilities and state are in negotiation and further along the RIRP progresses, we will get a sense of what is necessary 10 plus years from now, what it is going to take to get everyone together and growing in the same direction. Strandberg noted that the basic framework of GRETC looked at a no load commitment, and that through a collaborative process, the right kind of entity will be formed. He stressed there is a need for joint financial commitments that do not make unreasonable demands on either side.

Schikora questioned how big projects would be financed if the corporation is unable to build equity if rates are not higher than they are now. He also questioned how the state envisions equity to be built. Strandberg noted that Seattle-Northwest is working on approaches for financing to make that company come to life and that it will be accompanied by a finance plan that would achieve that and it would be a plan that would not harm the individual utilities.

The state representatives were asked if the contracts for both Bradley Lake and the intertie would to be restructured in order for them to become of the new corporation. Strandberg responded that the transfer of assets does not break agreements. Bjorkquist remarked the state would never recommend breaking contracts. He noted the state would be bringing the equity already in Bradley Lake.

Strandberg added for the legislation to move forward, a basic commitment between parties (two utilities and AEA) would be needed. Balash further added that legislation had been contemplated to pass which would set forth a series of motions: establishing the corporation, financing, RIRP, and fuel support. The financing plan would have then gone back to legislature, but since it did not pass this past session, there will be some changes. Logan clarified that the state is looking for a commitment of support which is ultimately a commitment to a process that will lead to the financial management plan and transition plan. Balash noted the Governor wants the utilities to be involved.

3. Why were board members determined to be volunteers who would not receive compensation?

Bjorkquist stated he could not remember why, but speculated that several different reasons: 1) the general manager director is already being paid, 2) may be a left over from initial draft, 3) board member directors are being compensated by their individual boards, or 4) this is something that can be left to the new corporation board to adopt in bylaws or through policy.

- 3.a. Is there any conflict of interest to sit on a utility and GRETC board?

Bjorkquist responded there is no conflict as ultimately board members are working for their ratepayers and other ratepayers. He noted that others may have other opinions, but he did not believe so. Harper added that other G&Ts have similar board structure and that fiduciary responsibility may be to the individual coop who appoints you to the GRETC board. Bjorkquist suggested the members of the taskforce look at Power South Energy Cooperative (an Alabama Electric Cooperative that has twenty utility members, with an organizational structure of a 40-member board).

4. Is it possible to insert statutory language that ensures that all utilities are treated equally regarding the transition of assets?

Strandberg stated it may be hard, because all utilities are different, but to please submit language. Bjorkquist noted the difficulty is defining equal treatment. Not everyone has same types of assets they can contribute. Each asset is so unique, it would be very hard. It was agreed that this proves it will be hard to have it put in the statute and that it needs to be a part of management and transition plan and that this is an issue to be worked out with each utility with GRETC on an asset by asset evaluation.

*Break at 10:38am. Called back to order at 10:52am.*

5. Will the state accept transmission as the only asset in the corporation at inception?

Strandberg stated the state is here to support the Railbelt utilities in the decision making process and asked the members to think about what are the necessary assets for this corporation to be sustainable. He commented that transmission and generation go hand in hand and that decisions are made day to day to route power. He encouraged the members to speak with their technical staff. It was agreed that without transmission, generation cannot be shipped. Strandberg suggested the transfer of transmission to GRETC, and then if there is agreement within the GRETC board on key generation, then go ahead and transfer those in. Balash suggested to observe that in transition planning, or in statute, and work out issue with AEA during transition to get the process going and to protect the smaller utilities.

6. Was a cost benefit analysis done on the pros and cons of tax-exempt financing? If so, is it available for the task force to review?

Logan noted the members received prior to the meeting information from Chugach regarding the impact on revenue requirement with tax-exempt financing and Section 9 of the REGA study regarding conclusions and recommendations based on the results of the study. The members present also received a handout from AEA regarding tax-exempt financing concept from a study proposal for state owned G&T authority.

7. How would existing IPP contracts be treated under GRETC?  
Strandberg stated existing contracts need to be honored. Bjorkquist noted the treatment is subject to review of original agreement and that IPP contracts will be treated as any other contract with a review of each as needed.

*Break at 11:09am for lunch. Called back to order at 12:00pm.*

6. Can IRP establish what “skin” the state is willing to put in the game?

The members present were provided with a timeline of the RIRP advisory group meetings. Strandberg noted the group is looking at a 50-year planning horizon so there is affordable and reliable energy for all Railbelt utilities and that plan consists of three segments: Fuel Portfolio, Transmission Planning, and Generation Planning.

Strandberg provided a brief Susitna update noting that a draft based on the funds appropriated for IRP and the project is due in October with the final product due in November. He added that the building blocks on table for the RIRP include a potential list of projects, some are renewable and fossil fuel projects. It was acknowledged that new generators and transmission lines will have to be built to replace aging generation. It was clarified that the RIRP is being accomplished based on a GRETC concept and that the contractors were directed to come up with transmission links and new generation projects so that it can operate under a single transmission rate for all utilities.

Strandberg stated this is a joint decision making process and encouraged those present to not waste money and if generation is being built, make sure it is something that will transition nicely over to GRETC. He added that no one wants new generation that will not fit in a unified network and stressed that it is critical that coordination occurs. Strandberg also noted that if GRETC has considerable

financial capabilities, there could be minimal volatility in prices and supply for natural gas so long as they work with gas producers and transporters.

Harper clarified that with regards to if the model anticipates climate change and federal energy legislation, that climate change, carbon tax, and cap & trade programs will be included in analysis and incorporated into the model. He also clarified that with regards to the renewable portfolio standard, the state target of 50% renewable by 2025 is being followed.

Logan noted she wants to get the task force draft done by the August 5 meeting, and then review and modify it in August and September to have it ready in October.

Strandberg invited everyone to a technical conference on July 7 and 8 at the Hotel Captain Cook.

### **III. What happens if others want to join later? And how do we fairly phase in utility involvement?**

Strandberg stated the hope is, in a cooperative fashion, to redirect the utilities in a way non-detrimental to them. He wants to see all parties agree on a goal and timeframe for unified operation at 10 years or earlier. He is asking for a practical commitment with an eye towards GRETC, followed by a hard commitment. Bjorkquist pointed out that the draft bill provides a deadline of July 31, 2010 for each utility to commit; otherwise legislative action would be needed for any others to be able to join after that date. Balash noted there will be statutory requirement that there is a distinction between opting in to GRETC and having a seat on the board, but it does not preclude them from buying power from GRETC.

It was clarified that to commit, a utility does not need to bring 100 percent of their assets, as some of the utilities are precluded by their own bylaws on what can and cannot be done. Strandberg reiterated that AEA will be a nurturing entity and will eventually relinquish so that GRETC is a stand alone organization, but that AEA needs a good faith effort that the utilities will commit to transfer assets.

Strandberg reviewed the GRETC concept that relies on utilities to commit to enough power purchases that GRETC, with help from the state, to be able to produce the energy project to meet those commitments. Bjorkquist noted that each utility can dictate and negotiate what GRETC is going to supply, but in order to stay in GRETC, a letter of intent acceptable to AEA must be in place.

### **IV. Meeting Schedule/Calendar Review**

Next meeting will be July 16 2009 at 11:00am, with Golden Valley Electric hosting lunch. Logan will present a draft joint utility position statement on what the JUTFC believes GRETC should look like, including timelines following adoption for the members to discuss. AEA will provide an RIRP update and Chuck Kleeschulte of Sen. Murkowski's office will be asked to call in.

### **V. Adjourn**

The meeting was adjourned at 12:53pm.