

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.

Thursday, July 16, 2009

Draft Minutes

I. Welcome – Introductions

The meeting of the Joint Utility Task Force Committee was called to order at 9:10am 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	Chugach Electric Association, Inc. (CEA)
Alex Gimarc	Chugach Electric Association, Inc. (CEA)
Jim Nordlund	Chugach Electric Association, Inc. (CEA)
Tom DeLong	Golden Valley Electric Association, Inc. (GVEA)
Tim Evans (via teleconference)	Homer Electric Association, Inc. (HEA)
Mike Pate (via teleconference)	Homer Electric Association, Inc. (HEA)
Peter Burchell	Matanuska Electric Association, Inc. (MEA)
Janet Kincaid	Matanuska Electric Association, Inc. (MEA)
Willard Dunham	City of Seward, Light and Power Division
Marilyn Leland	Alaska Power Association (APA)

Absent:

Will Abbott	Anchorage Municipal Light & Power (ML&P)
Helena Hall	Anchorage Municipal Light & Power (ML&P)
Rich Schikora	Golden Valley Electric Association, Inc. (GVEA)
John Foutz	City of Seward, Light and Power Division

Other Representatives of the Railbelt Utilities:

Elizabeth Vazquez	Chugach Electric Association, Inc.
Loral Carter	Matanuska Electric Association, Inc.
Lois Lester	Matanuska Electric Association, Inc.
Steve Pratt	Steve Pratt Enterprises

State of Alaska:

Joe Balash	Office of the Governor
Jim Strandberg	Alaska Energy Authority
Brian Bjorkquist	Alaska State Department of Law

Alaska Power Association staff:

Mary Schonberger	Alaska Power Association
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II. Review of White Paper on Joint Utility Board Task Force on the Greater Railbelt Energy and Transmission Corporation (GRETC)

The members were provided with a white paper written by Alex Gimarc of Chugach Electric Association. Logan asked each utility to speak regarding the paper and pose any questions they may have so they may be addressed.

Pate and Evans reported that HEA is interested in keeping this going forward. The HEA board discussed the white paper at a recent board meeting. Pate & Evans are keeping them apprised.

Kincaid reported that the MEA board postponed action on a proposal from Shaw regarding MEA's proposed generation plant because they are waiting until more is decided on this.

DeLong reported he polled his board and an item of concern was why is there enabling legislation and then follow-on legislation. DeLong questioned how follow-on legislation be predicted. He added that GVEA had concerns that several unanswered questions are to be addressed through the development of the bylaws and by the corporation once formed.

Strandberg reviewed that the enabling legislation is how the parts are put together to create the vehicle necessary to form the corporation, but it needs time to generate itself into a functioning entity. He added there are several unknowns, such as financing, but the year between legislations is for the company to grow and develop an operational presence and therefore, this is a phased commitment process. Bjorkquist noted that what is in the bill is what the CEO's of the utilities agreed to previously. He added the utilities will need to take ownership of the corporation and it will take about two years for the utilities to consider and work through issues such as federal regulations and tax consequences. He stated further the statutes include in some protections for the "minority" utilities that would be best if not left up to the bylaw process. He also noted that the more agreements there are between the utilities and the state accomplished before the bill passes, the less that will have to be done in follow-on legislation, but that it also gives utilities a chance during the follow-on legislation to put more protections into the statutes.

Bjorkquist indicated that Section 8 and Section 9 of the draft legislation invites the utilities to provide "a recommendation of proposed statutory changes to improve the ability of the corporation to achieve the corporate purpose..." [Sec. 8(a)(6)], makes "recommendations regarding financing..." [Sec. 8(b)(4)], and proposes "statutory changes regarding the scope of regulation..." [Sec. 9(a)]. It was clarified that the Legislature has the final say on what is incorporated in the statutes, and that the Regulatory Commission of Alaska (RCA) follows those statutes.

Logan clarified for all that if the utilities agree to agree at the August 5 board meeting in Kenai, it will be "a consensus start to a corporation" and then the real work will begin by offering recommendations of changes to the enabling legislation, including timelines. Burchell questioned the line from page one, paragraph 3 of the white paper that states "We recommend to our various Boards of Directors that they also support HC 182 in the 2010 session of the Alaska Legislature." Logan further clarified the taskforce supports the concept, but not necessarily the bill in its current form. The members present agreed

to add “with proposed modifications” to the end of the sentence. The representatives from the state added that the taskforce may take suggestions in the form of a work draft and submit them to the legislators in the committee. It was also noted that the legislators want a product as soon as possible and will not wait for all boards to be in agreement.

The representatives from the state affirmed they will sponsor a coordinated effort to draft the modifications into the proposed legislation. They suggested the task force provide a narrative of suggested changes with the reason for the changes so that the drafters may understand the intent behind the change and can better incorporate where it needs to go in the statute, and determine if it legally can be added. They also asked the group to note where there is full agreement on a modification. They also noted that even though Governor-Select Parnell has indicated he supports consolidation of the Railbelt utilities, they are unsure if he will support this legislation.

DeLong stated GVEA will be looking for minority protections in the legislation due to their distance from the other utilities and their current lack of long-term need for power. GVEA has concerns of certain items being left up to the bylaws development. He added they are in favor of working on transmission, but does not see any benefit to GVEA in a gas storage project. GVEA will be pressing for items with a non-discriminatory basis such as a postage stamp rate. Pate stated HEA has similar concerns to GVEA and plans to protect their own interests, based upon the wishes of their membership, by continuing to move towards their own energy independence through their own generation.

Strandberg stated the basic structure of the corporation will allow it to be an all requirements provider that is strong enough to support large scale energy projects and provide wholesale power to all utilities at equal reliability without discrimination. A power sales agreement with GRETC would give non-discriminatory access to power allowing for the restructuring of the network. He acknowledged the expressed concerns were fundamental on how the statute was constructed.

Regarding asset transfer, Strandberg clarified that asset transfer will be as a bilateral negotiation with GRETC and the individual utility. The members agreed, regarding question five in the white paper, that there is a uniform way to value assets, but there may not be a uniform way to transfer assets. Strandberg felt this issue will most likely fall under RCA purview. Bjorkquist further clarified that there will always have to be a willing buyer and a willing seller and no one can be forced to sell any asset. Strandberg also clarified that the current legislation as drafted states GRETC is fully regulated from inception, but it also suggests an opportunity for the corporation to suggest specialized legislation that would custom build the regulatory environment for the company. The members were reminded that utilities will not be required to transfer assets, and there may be some that have covenants that will restrict transfers. Regarding valuation, Leland suggested the insured value, because no matter who owns the asset, it will need to be insured.

Regarding existing contracts (question number eight on page 3), it was clarified that GRETC cannot break contracts, but the treatment of contracts will need to be approved by the RCA. Bjorkquist further clarified that contracts can be broken, however, damages would have to be paid and consequences suffered. The last sentence of the paragraph was changed to read “A contract is a contract and GRETC cannot unilaterally break contracts.”

Break at 10:23am. Called back to order at 10:39am.

The representatives from the state explained the reason behind only two utilities needed to commit to the process was so that not any one organization would be empowered to veto the process and that it gave a low enough threshold for success, based on past history.

The members were instructed to submit items that each utility feels should be statutory for the transition plan and the finance plan to Logan for compilation.

Regarding the two-step legislation process, Balash reminded the members that this legislation was drafted prior to the knowledge being gained through the IRP, but that it still provides a safe harbor for negotiations and discussions. He also clarified that the state employees cannot make commitments in legislation; it is up to the executive and legislative branches to guarantee commitments. Strandberg added that there is no commitment to transfer any asset in the legislation. By a utility agreeing to participate does not mean they are required to commit assets.

Break at 11:16am for lunch. Called back to order at 11:32am.

The representatives from the state noted incentives for the utilities to join GRETC as greater cooperation with the RCA in rate filings, a cooperative effort to the legislature when asking for funding. Strandberg stated that Commissioner Galvin stated at the recent AEA technical conference regarding the RIRP, that the best chance for state capital investment into the network is through cooperative participation such as GRETC.

III. Meeting Schedule

Burchell suggested having the CEOs and General Managers in attendance at the October meeting and encourage them to participate. Leland noted that the APA Managers Forum is meeting immediately following the Joint Utility Board meeting on August 5 and expects that the managers will be in attendance for the board meeting as well.

Logan announced an updated copy of the white paper reflecting the noted changes and a list of proposed modifications, with intent, will be distributed to all task force members by Tuesday, July 21. The members were asked to forward copies to all board members in preparation for taking action on them at the August 5 meeting. She also made known there will be a procedural format due to the large numbers expected to be in attendance.

IV. Adjourn

The meeting was adjourned at 11:46am.