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MINUTES OF THE BOARD OF DIRECTORS MEETING
October 24, 2013
Alaska Power Association Board Room
Anchorage, Alaska

CALL TO ORDER 10:00 a.m. (Chair Dunham)

ROLL CALL
MEMBERS PRESENT Willard Dunham (Seward); Joe Griffith and Janet Kincaid (MEA); Brad Evans, and Janet Reiser (Chugach); Cory Borgeson and Rick Shikora (GVEA) and joined the meeting in progress.

TELEPHONICALLY PRESENT John Foutz (Seward).

OTHERS PRESENT Lee Thibert, Harry Crawford, Phil Steyer, board member and Brian Hickey (Chugach); David Glines and Denali Daniels (MEA); Marilyn Leland (APA); Harry Crawford (Chugach) joined the meeting in progress.

SAFETY MOMENT (Griffith) Reminded everyone that even though the ground does not look icy, it can be very slick and dangerous to walk outside.

ACCEPTANCE OF AGENDA (Reiser/Kincaid) Motion to accept amended agenda CARRIED.

Amendments to include: (Evans) discussion during executive session on CEO search, (Kincaid) discussion about a legislative reception, and (Evans) as a follow up on meeting with governor discuss strategy under executive session.

APPROVAL OF MINUTES- August 29, 2013 (Kincaid/Reiser) Motion to accept September 24, 2013, minutes CARRIED.

REPORTS

Chairman's Report (Dunham)

- Reported that he'll be out of state for three weeks. Other than meeting with Governor and House Speaker Mike Chennault that's all to report.

CEO's Activity Report (Griffith)

- Participated in meeting with the Governor and included letter which was distributed. Reviewed Railbelt situation, AEA study and transmission situation. The next step is with Karen Rehfeld

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- Discussion followed about writing thank you letters to the Governor for the meeting and other necessary follow up. The Governor seemed surprised that Senate Finance pulled the item last session and indicated that ARCTEC could request a budget amendment. Further discussion about whether AEA was included in the line of communication and more education appeared necessary with Sara Fisher-Goad, which has taken place since the meeting.
- Griffith reported that later in the agenda there would be a draft resolution for consideration in response to docket R-13-002 to encourage renewable energy, and asked if anyone was familiar with Fairbanks organization which recently submitted comments.
 - Borgeson and Shikora indicated the group has been inactive for some time and has recently started up again. They are effective at forming splinter groups to make it appear there is opposition.

Committee Reports

Business Planning

- (Reiser) reported no activity since the previous meeting.
- (Evans) Recommended the discussion be tabled until the Transco/ISO and grid unification can be presented to the Board at the next meeting.

Transmission/Hydro

- (Evans) reported that AEA continues to develop permit for Battle Creek, and it is following Watana. This can be discussed under legislative strategy.
- (Evans) reported that on transmission there are lots of requests for how to rationalize transmission and in later in the agenda we have a presentation on a proposed model that is used in the Lower 48.

UNFINISHED BUSINESS

YTD Financials

- (Griffith) reported these are in the packets, offered to answer questions.
 - (Borgeson) stated he assumed it hasn't changed since the last report. Griffith responded there have not been major changes.

Reliability Standards Resolution

- (Griffith) reported that these passed with a sunset clause to allow more time to deliberate whether or not AEA would accept the standards.
 - (Evans) reported that 99% of the updates have been administrative, and that the rub is open access and rights on the existing system. The question remains how owners are compensated. The problem the utilities have is that they've committed capital from their members, and the open access question is wrapped into the reliability standards question.
 - (Borgeson) stated the state wanted the sunset and the spinning reserve requirement is the big issue.
 - (Evans) responded that today's hot topic is spinning reserves, but that doesn't mean that tomorrow it will be the same issue, and the problem is that we've invested in all this capital for generation. You want a healthy balance. The big issue is providing access at what cost? It's being submitted as an entry barrier instead of a cost of entry. The question is how much do you charge for someone to get on the bus?

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- (Borgeson) stated the other aspect is that you have to have everyone playing by the same rules, and you have to have someone to enforce the rules. Getting to the resolution, it's important that ARCTEC would weigh in on this issue.
- (Evans) responded that it's hard to decouple reliability standards and open access because without the right open access process our reliability standards can't be implemented as intended.
- (Reiser) asked if there's a sunset in a year, what do we expect to happen in that year?
- (Hickey) responded that in meeting with AEA and after minor modifications they expect to go the IMC November 1, 2013 with AEA's blessing. They would like to bundle the open access language however it is unclear where we are with open access.
- (Griffith) stated in the recent open access workshop only Douglas to Healy was addressed by the state, and other interties in the state were not included. Open access would cause much confusion about how to compensate for utility capital investment over the past 25 years.
- (Evans) responded that this would be the first formal open access agreement in the state, and others likely will just see that as the recipe for doing business. At this point it looks as though access is to be free, which it should not be.
- (Reiser) asked where does this get resolved?
- (Evans) – at this point it is between the members and AEA. We may need to accept the terms, however we will need to ensure that it does not mean free access.
- (Griffith) stated that the AEA has not figured that out.
- (Hickey) agreed they haven't thought through the meaning of open access or how it is handled elsewhere, and FERC would fold in capacity rights. We should define language that precludes assets owned by the utilities being lumped into the open-access plan so the benefit is preserved for existing customers.
- (Evans) – one example is the link to establishing the spinning reserve pool, if the pool is impaired by a user of the system, how does a planner manage that? That issue is coming to agreement with users so they understand that if the system is compromised, the operating rules can't be changed while you're disrupting the system.
- (Hickey) – as long as this open access language is tied to the reliability standards, we have interconnection standards that clearly place the costs on the interconnecting entity. The key thing is that whatever the open access is, it is tied to the reliability standards so there aren't two sets of rules.
- (Borgeson) – one change to the resolution could be – "developed by the utilities that are the members of the IMC"
- (Griffith) moved the resolution
- (Bergeson) moved to amend the resolution as above
- Discussion (Griffith) – I intentionally did not include open access in this one as that one would be forthcoming with the open access language. (Evans) stated that we need to recognize that things will evolve over time.
- Question: Amendment CARRIES, no opposed.
- Question: Resolution CARRIES, no opposed.

ARCTEC 2014 Budget

- (Griffith) reported that this is a first draft and doesn't have to be approved today.
- (Evans) proposed we table this until November 12.
- (Borgeson) – thanked Joe for putting it together, the numbers are good and thank him for putting it out here.

Transco/ISO (Chugach)

- (Hickey) provided powerpoint presentation to the board.
- Discussion during presentation:
 - (Reiser) asked why did legislators require open access in Lower-48? (Hickey) – the assumption is that if you own the transmission system, you can't be trusted, however 80% of the transmission systems are owned by the private sector with the goal of profiting for their stockholders. The premise of non-discriminatory open access is built on this assumption. Further, more generators on an infinite bus system just makes for less expensive power.
 - (Thibert) On funding of transmission. Obviously utilities would prefer grants over loans, and one option would be to have special legislation establishing a fund for up to a specified amount coupled with low-interest financing. The other benefit with the state financing is it is state backed, and if ARCTEC could be the receiver of funds, this would also offer a method for ARCTEC to become the TRANSCO. (Hickey) One trick is to thread all activities into one entity without creating an entirely new bureaucracy. (Reiser) asked a question about how the AEA study can account for savings. (Hickey) that was production cost strictly. The system fixes would not generate revenue, they would reduce costs. (Reiser) what is AEA doing with the study? (Evans) they are suggesting it represents the entire situation. They captured the benefits, so for example if you decongest Bradley, the benefits are captured. It looked as though they were convinced that they believe the utilities can handle the debt. There is a disconnect. (Thibert) additionally, they were assuming that all the projects were built at one time. (Evans) this was a spin-off of the effort to looking at the cost savings from unconstraining Bradley, then Watana became rolled into it so the effort started out looking at hydro-to-hydro coordination and it morphed into transmission system upgrades required. (Hickey) to clarify, the report includes the assumption that Watana was not built, though it is essential if Watana is built. (Griffith) – what is happening with ERCOT model for new transmission? (Hickey) they set out a plan for a 345kV network, that the wind developers are going to develop in West Texas. (Reiser) made note that after driving down there, wind is everywhere and exciting to see. (Dunham) what is the next step? (Evans) we aren't at a point where we want to make recommendations. (Dunham) but now that you've had a look at it, what do you think we should do next? (Evans) perhaps we should reserve for executive discussion. (Borgeson) expressed appreciation for the work Chugach has done on this. This underscores the importance of ARCTEC. Having the horsepower to deliver this message and we need to have a separate voice to represent ARCTEC. This isn't going to be a one-year effort, we need to plant seeds. (Evans) in terms of next steps, first – what do you all think about it? This isn't a Chugach initiative. We need to determine if ARCTEC sees whether this is the right approach. (Griffith) reminded the group that we have a resolution on the books in support of a single operator. (Shikora) we have a legislator in the interior that appears to be proceeding with a bill to force a GRETC-type piece of legislation, I would recommend we take this presentation to each of our member boards.

EXECUTIVE SESSION - MOTION (Kincaid, Griffith) – taking board into executive session NEW BUSINESS

FY2015 Legislative Strategy, Grant Request MOTION moved (Shikora/Evans).

- Discussion (Evans) noted the request could change and asked if this is in same order of governor's letter. (Griffith) responded it was. Motion CARRIED with no opposed.

Motion Approving CEO to Hire a Lobbyist

- (Griffith/Kincaid) moved to approve. Discussion about whether to put a number in. Second without number. Evans – critical that we clarify the mission. (Reiser) I have a tough time supporting this until we have support for the TRANSCO model. The \$ for this lobbyist only to get the financing. Further discussion followed about the return on investment of cost hiring a lobbyist even if just the capital funding is received. Motion CARRIED with no opposed.

Resolution on REAP Policy Statement

- Griffith/Kincaid moved to approve. (Leland) indicated the APA regulatory committee had met with regard to the actual official docket comments. The REAP letter was soliciting feedback on the letter, which is why APA sent the letter included in the packet. (Reiser) the Chugach board has provided guidance that item #1; however, #2 and #3 would not be supported. The game has not played out and resolution is premature. (Griffith) if we intend to weigh in, it has to be by 11/18/13, the question is does ARCTEC want to weigh in. (Reiser) we can weigh in on the issue, however we don't need to engage with REAP. (Leland) anecdotally discussions have occurred with Doug Johnson that he agrees REAP ought not proceed with RCA comments. (Shikora) indicate concerns in a letter vs. a resolution might be appropriate. (Dunham) you have a meeting 11/12, and could let this play out in time to make the 11/18 deadline. (Reiser) while our board has discussed items, we haven't taken a position. Suggestion that we don't act until our next meeting. (Griffith) no objection to waiting. (Reiser) would like to see something less REAP-centric. (Leland) if they do provide comments, there is an opportunity for reply comments. Public hearing 1/29/13 RCA meeting which also conflicts with Juneau APA fly in meeting and a request to Chairman TW has been made). Reiser/Kincaid motion to table. CARRIES no opposition.

IX. DISCUSSION ITEMS AND BOARD MEMBER COMMENTS

Legislative Strategy

Kincaid suggested a legislative reception and an interest in hearing Hickey's presentation at an MEA board meeting. November 12th can further determine the plan. Discussion ensued about whether individual regions should host their own, whether one could be held for all regions and whether or not having one in Juneau after session begins. (Crawford) suggested hitting LIO offices in each region before session. Further discussion about venues including use of APA office.

(Kincaid) offered day planners from her business. (Evans) did we need a motion to engage the search committee to proceed with discussions? (Dunham) that was a directive, no motion needed.

NEXT MEETING: 10:00 a.m. November 12, 2013. Reiser to chair next meeting.

ADJOURNMENT: (Kincaid/Griffith) Motion to adjourn at 12:06 p.m. CARRIED.