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c/o Matanuska Electric Association, Inc. Post Office Box 2929 Palmer, Alaska 99645 (907) 761-9212

MINUTES OF THE BOARD OF DIRECTORS MEETING
October 18, 2012
Frontier Building, JAA Room
Anchorage, Alaska

CALL TO ORDER 10:34 a.m. (Chairman Reiser)

ROLL CALL

MEMBERS PRESENT

Bradley Evans and Janet Reiser (Chugach); Dick Waisanen (Homer Electric); Joe Griffith and Janet Kincaid (MEA);

TELEPHONICALLY PRESENT

Cory Borgeson and Tom DeLong (GVEA); Brad Janorschke (Homer Electric); P.J. Hill (Chugach); Gene Therriault (AEA); Kirk Gibson (Consultant)

OTHERS PRESENT

Harry Crawford, Jim Henderson, and Brian Hickey (Chugach); David Glines, Kevin Brown, Denali Daniels and Suzie Deuser (MEA); Steve Haagenson (ARCTEC Consultant); Kirk Warren (AEA); Jim Strandberg (AIDEA)

SAFETY MOMENT

(Evans) Suggests wearing the correct shoes and ice cleats when walking on the ice. In addition as a mentor, warn our high school and college students about binge drinking.

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

APPROVAL OF MINUTES-August 24, 2012 (Kincaid/ Evans) Motion to accept September 20, 2012, minutes CARRIED.

REPORTS

A. Chairman's Report (Reiser)

- Mentions meeting to be held at 1:30 p.m. and the need to adjourn by 1:00 p.m.

B. CEO's Activity Report (Griffith)

- Met with AEA and discussed funding of proposal.
- Drafted point papers on topics for discussion.
- Requested a meeting with the governor and was directed to Karen Rehfeld. The meeting is to be held at 1:30 p.m. today.

C. Financial Reports (Griffith)

- Handout provided.
- One utility remains to submit payment for invoice.

D. Committee Reports

1. Business Planning (Evans)

- Draft ARCTEC Business Plan 5/18/2012 by Haagenson can be revised to included updates.
- Monthly meetings are to be scheduled for the Business Planning Committee.

2. Transmission/Hydro Committee (Evans)

- Assignments for groups are: reviewing legal and regulatory matters involving the creation of the Railbelt Reliability Council; reviewing mechanics of the reliability rules; reviewing the Railbelt interconnection corridor; reviewing and updating the mutual aid agreements; and developing the language for open access.
- Legal and Bond Council approved the use of the Renewal and Contingency Reserve Funds as appropriate for financing the Battle Creek Diversion project.
- (Griffith) Informs of the urgency of precedent agreement language to be finalized.
- (Evans) Hickey will coordinate with Tom Lovis for a webinar meeting on Watana.
- (Griffith) Raised the question on the funding for the Watana project not being fully funded.
- (Therriault) In addition to the FY2014 budget requests, there will likely be a supplemental request. We believe the Watana project remains the governor's number one energy initiatives in the state.

3. CEO Search Committee (Evans)

- Applications have been received, and the position is open until filled.

4. Watana Update (Warren)

- AEA provides handout.
- First meeting of the Board of Consultants will be November 1-2.
- Project design engineer is working to complete the Interim Feasibility Report for the end of the year.
- Contractors met with the various utilities to gather additional utility data and system information.
- Focus has shifted to revising the AEA Proposed Study Plans by the filing deadline of December 14.

UNFINISHED BUSINESS

A. ARCTEC Board Member Responsibilities

- (Reiser) Will collect the utility Bylaws and Board Policies and bring forward some recommendations.

B. State Grant Request

- (Griffith) Refers to the current Capital Project that has been discussed with the state.
- (Haagenson) A comparison should be available soon of the two options, to use HVDC from Beluga to Bernice or not build it and put in a larger SVC.
- (Haagenson) Our goal is to resolve Bradley constraint. Optimization is currently being determined, by a benefit analysis of building the HVDC line or not.

- (Griffith) The missing item is the Cook Inlet Gas supply.
- (Evans) Until the optimization is determined, ARCTEC cannot make a recommendation to the state.
- (Griffith) We need to ruminare and determine the finalized request.
- (Reiser) Concludes there seems to be a consensus with the Board members that this is the correct way to proceed.

C. Funding Policy- utilities vis-à-vis state

- (Griffith) Directs the members to the point paper included in the Board packet.
- (Strandberg) AIDEA has been brought into the energy infrastructure business thru SB 25. (Strandberg) AIDEA works with AEA on power projects fund.
- (Strandberg) AIDEA is in the process of developing a set of regulations and an application for entities wishing to secure a loan.
- (Strandberg) AIDEA and AEA are working closely on the funding for infrastructure.
- (Strandberg) Recommends ARCTEC form a business structure that has the ability of shouldering debt.
- (Strandberg) AIDEA would like to work with a couple representatives from ARCTEC to ensure the regulations are meaningful and useful to the utility industry.
- (Therriault) Concurs with Strandberg's synopsis.
- (Reiser) Thanks Strandberg for the invitation to work with AIDEA and will appoint a representative in the future.

D. Cook Inlet Gas Situation

- (Griffith) Directs the members to the point paper included in the Board packet.
- (Evans) There needs to be a better resource management of the gas issue. The gas shortage is the number one problem the utilities face today.
- (Griffith) If we let the LNG storage shut down, there will be no market for LNG.

NEW BUSINESS

A. Monetize Benefits for Grant Plan

- (Griffith) AEA has an economist on staff if ARCTEC should choose to utilize.
- (Haagenson) If a loan is necessary, the strategy to pay back must be a part of the ARCTEC business strategy.
- If you wrap the entire Battle Creek Constraint into the existing Bradley Bonds, it doesn't put ARCTEC in the position of ownership.

B. PSSE Model

- (Reiser) Suggests a recommendation in a future meeting.

DISCUSSION ITEMS AND BOARD MEMBER COMMENTS

- (Waisanen) Reminds Board that no action was taken on the Monetize Benefits for Grant plan.
- (Borgeson) GVEA will make an attempt to attend the future meetings in person.
- (Reiser) Thanks the Board members for their hard work.

NEXT MEETING: Call of the Chair.

ADJOURNMENT: (Kincaid/Griffith) Motion to adjourn CARRIED at 12:30 p.m.