

Verbatim AEA board meeting minutes concerning the MEA Sale Offer

Chairman Barry: As most of you know I chaired the energy task force. And we devoted considerable time in that task force to reviewing present practices and put together a list of hoped for practices within the railbelt utility system. AIDEA is getting ready to go out for an RFP that would enable us to get down into a real hard study of that. In that respect this proposal from you is timely. I think a key of any potential sale of this asset would be how it fits in to an overall railbelt energy grid and the management of that grid, because there is no question that the Alaska intertie is a vital link between the southern part of the railbelt and the northern part of the railbelt. I appreciate the sentiments expressed on the board, it's always nice to have somebody interested in purchasing an asset. There is a question in my mind whether our duty under the statute that you presented is one of maximizing the value to the corporation, the Alaska Energy Authority, or whether it is a much greater burden than that of doing our best to make the railbelt energy grid serve the people of Alaska the best it can. I think that we certainly will refer this to staff with the bend toward actually having some public hearings on this because I want to hear from the rest of the railbelt utilities what they would think of this. I would want to hear, and I appreciate that MEA has proprietary reasons for not wanting all of the details of your proposal and stuff to get into the public domain, but it is going to be important that somebody at the Energy Authority look at the actual details of how this would affect the grid. Unless somebody can show me where I'm wrong in our responsibility of looking out for what's best for the state of Alaska and those people who are served by Electrical Utilities up and down the railbelt by this asset that we own. I would like the focus to be from that standpoint. I very much appreciate that MEA brings us an option forward to stimulate this discussion. I would ask all utilities – we talked in the AIDEA board meeting about some of the achievements of the AIDEA organization and I can tell you with a very heavy heart that I am not able to say the same thing about the Alaska Energy Authority during the four years – it was very grievous to me that we had to go so far as to terminate that agreement and to focus some attention on reparations on the intertie and forestalling any potential disservice to Alaskans or lack of service to Alaskans. I would – while we have this in front of us, certainly anyone who wants to comment from the public, any of the utilities that are here today is welcome to do that. Unless somebody can show me how it will not be a public service, we will schedule at least a public hearing or maybe a series of public hearings to kind of be as transparent as possible, again without trying to take any of your confidential/proprietary matters into the public domain, but this is a public asset. I appreciate that nobody has – certainly to put a price as you have on it you're not attempting to steal the asset and I don't think there is any effort to do that. It is a public asset and it is a public asset that needs – I won't say more attention cause we really have tried to give it a lot of attention, but better attention than we've been able to give it in the past four years. We will use your offer as an opportunity to make sure that attention happens. We thank you for bringing it to us.

Don't go away Jim.

Does anyone disagree with what I have just said, because if there isn't a consensus here I don't want to leave it on this basis. We haven't had a chance to discuss this as a board.

John Winther: I support your recommendation on going forward and starting the process and see where it leads. It is nice to get an offer. With what you said about trying to bring this whole thing together in four years just hasn't worked, maybe this is a way to get the problem out of the Alaska Energy Authority. It doesn't seem to be curable at this point without doing what we did.

Commissioner Noll: I'm in agreement.

Mike Barry: Tom, are you essentially in agreement?

Deputy Commissioner Boutin: I am very precisely in agreement you, Mr. Chairman.

Mike Barry: Thank you. We will then refer this to staff and ask them to please sit down with MEA and understand their proposal as well as you can and then establish a public hearing or a series of public hearings that allow all of the other utilities and the public to come forth with any thoughts they have.

Jim Walker (MEA) handed out copies of MEA's statement for the board and the record. If confidentiality of the details of our proposal can be maintained, I have copies of that I can also give to Mr. Miller.

Mike Barry: Yes, you can give them to him, yes, he can promise you confidentiality. We will have to carefully review whether or not we can promise any confidentiality if we get to a stage where there is action presented for the Board. I'm sure you understand that.

Jim Walker: We understand that at the time of action there will have to be public disclosure.

Mike Barry: If there are no more questions of Jim, we have more testimony. Lou would you like to come forward?

Lou Agi: I'm not so much testifying, if you allow me to put some thoughts before the board on a first reaction basis. If your going to come forward to the public at some point with this, maybe to solicit rival proposals, maybe to ask for comments of any sort, may I strongly recommend that you front end the process with your own deliberations on this without considering or discussing any of the matters that are submitted in confidentiality by MEA. Somewhere in there when that is done no matter how much you try later to unring the bell I suggest there's always going to be a little something remaining that's not necessary. You can evaluate maybe on no greater basis than the commissioner just said, hey we couldn't solve it, it's better to get rid of it. Okay, solicit a competitive bid if that were the case and put parameters out for it, obviously there are other utilities that are interested in it and then see where you go. There is no need to get involved with handling confidentiality in any respect even if there is some sense that it would be later divulged – it's just better to stay away from it, I recommend it. Secondly, if I'm not mistaken, MEA is part of a joint action agency at some point, that it created either with

Homer Electric through AEG&T or otherwise. This intertie, together with railbelt energy matters generally, has been in front of the legislature continually as well as in front of the board and under the joint action agency statute, there is a process where the legislature will direct AEA to negotiate the sale, transfer, acquisition with a the JAA and then presumably name the agency or else say do it on a competitive basis or else they – you know, it's a public asset and it cannot be better managed than through your hands if it's to be manageable at all. May I suggested there may be a greater path of prudence here in thinking these matters over, thinking, yes you have a set of generic statute talking about the sale of assets, but you also have here a specific statute talking about sale of these AEA assets – you know, rival competitors in the railbelt scenario, maybe want to think over whether this should be lead in the coming legislative session by the legislature and the Governor's office with whatever input you folks might offer into that process. The third thing that bothers me is that I'm feeling a sense by the board of giving up entirely on managing the intertie. In the course of the meetings that I have attended, leading to your termination document, I recall one time the chairman saying that a principal source of the problem and failing to achieve unanimity was MEA's positions on a lot of the restructuring. Now, on the one hand, when the termination notice went out, you folks included at the end, we think the problems can be solved fairly easily and at a point directed your engineer to work with the folks and as far as I know nobody has ever said anything. In fact, you've had no negative comments in front of you by any of the utilities as far as I'm aware at the moment, at least none formally. You can infer that there was an effort to see where that would lead, but now to hear the same agency – less than 30 days later, or something in that nature 30-60 days later, saying insoluble, can't be handled, best thing is to get rid of it and bring \$50 million into the treasury. I suggest that is not the path of wisdom or consistency. And, I would suggest there is also a sense of hubris to have heard senior council to MEA come forward, cite the event that precipitated the termination and say obviously it has to managed by a utility and let us be your utility. I suggest you think over some of these matters, maybe others will suggest themselves to you, but at least these were some of my immediate reactions to the proposal.

Chairman Barry: I just would comment, I didn't hear anyone on the Board say that they thought the Authority should accept the offer. I think the consensus was that this is a genuine offer and appreciation for someone making a genuine offer and they should have consideration and how we should consider it is the topic here. There is no predilection that I have heard of accepting or rejecting the offer and I think that I appreciate your comments about the confidentiality. This is not something – this was not an offer that was solicited by the Authority and there is no steam roller rolling here that is going to try to push this through anyplace. As I stated, a focus on how we can make the intertie work better for all Alaskans is a good focus to have right now in front of all of us. I do appreciate that the reports that I've received from our staff is that people seem to have a predilection to let the political climate get more certain. There at least seems to be a willingness iterated to us from the utilities that they are willing to sit down and look at how the agreements can be tweaked in order that they will work better. That is encouraging. No decisions are being made here today. We do appreciate your comments and we will make ample opportunity for everyone else to make comments. We want to

hear from others that are here today. I want to clarify one thing when you said that you presume that other utilities would be interested, were you speaking for ML&P and can you express that they would have an interest in either acquiring it jointly with others or separately, this asset if it were made available?

Lou Agi: Of course, you know it is part of the area group and one of its stated purposes in its agreement of establishing itself with the Commissioner was that we would stand ready and of course it would be inappropriate to presume we would pressure anywhere but we would stand ready to accept and administer as best we could the intertie.

Chairman Barry: Thank you.

John Winther: The charge of the staff is what now?

Chairman Barry: The charge of the staff is to learn more about the offer and to put together a path of hearing from the public and the utilities as to a process as to how the focus of the intertie can go forward. We certainly should not be abandoning by any sense the path that we are already on which is working with the utilities to make changes to the existing agreements that would be amenable to everyone that would solve the problems. But this is another option that has been presented to us.

John Winther: So we're going to work toward laying out our process to start negotiations with MEA or to decide if we want to sell it and then have what this gentleman called the "open season"

Chairman Barry: I think it's a good question to ask. In my mind we're not asking the staff to commence negotiations. That a further step then we want to have taken. We want them to learn about the proposal that has been made but we also want them to put together a public process where we can get input from anyone who is affected by this potentiality.

John Winther: I value your comments there on what's going to be best for the users of the intertie in this process, but also to listen to other comments. I was for voiding that agreement in the first meeting with this Board after looking at that contract. There's no liability on anybody's part but AEA. Now we're four years into it and we're no closer to that agreement. If this will bring the people in and get that agreement done, I'm for it, other than that we can get rid of it as far I'm concerned.

Chairman Barry: I think we all understand that this has many nuances and probably needs to be addressed within the overall administration of the railbelt grid. That doesn't mean though that we're willy nilly just going to brush aside a genuine offer that has come forward from one of the prominent utilities on the railbelt. We need to give it due consideration and we will.

GVEA: I'd just like to put out to you – and you all have put it