



**Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES**

Thursday, February 5, 2015

Oro Valley, Arizona; Juneau and Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on February 5, 2015 at 8:33 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Jon Bittner (Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED)); Wilson Hughes (Public Member), and Crystal Nygard (Public Member).

Members participating via teleconference: Vice-Chair Russell Dick (Public Member); Jerry Burnett (Deputy Commissioner, Department of Revenue); Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AIDEA Staff present: Ted Leonard (Executive Director); Chris Anderson (Director - Commercial Finance); Mark Davis (Chief Infrastructure Development Officer); Michael Lamb (Chief Financial Officer); Tom Erickson (Chief Procurement Officer); Jennifer Haldane (Human Resources Director); Karsten Rodvik (External Affairs Officer); Jeff San Juan (Infrastructure Development Finance Officer); Kirk Warren (Project Manager); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

AIDEA Staff participating via teleconference: John Springsteen (Infrastructure Development Officer).

Public: Kathy Black (Birch Horton Bittner & Cherot); Elwood Brehmer (AK Journal of Commerce); Tim Gallagher (HDR); Mark Figura (Rose & Figura); Jerry Juday (Department of Law); David Prusak, Bob Shefchik, and Brown Thornton (Interior Gas Utility (IGU));

Public participating via teleconference: Alan Bailey (Petroleum News); Fred Parady (Commissioner, DCCED); and Bruce Robson (MWH).

4. AGENDA APPROVAL

Mr. Leonard requested deleting Item 6B. Executive Session. The agenda was approved as amended.

5. PUBLIC COMMENTS

There were no public comments.

6. NEW BUSINESS

6A. Resolution No. G15-03 Project Finance Loan – Interior Alaska Natural Gas Utility

MOTION: Ms. Nygard moved to approve Resolution G15-03 Project Finance Loan – Interior Alaska Natural Gas Utility. Motion seconded by Deputy Commissioner Bittner.

Mr. Leonard said Resolution No. G15-03 will approve a loan to IGU. This loan will start the build out of Phase I which is North Pole, and also give the funding to commence with and finish the design of Phase II and Phase III it also has money in it to do temporary storage. He requested Mark Davis and Nick Szymoniak come to the table to go through the loan and answer any questions. He noted we also have representatives from IGU and their technical advisors to answer any questions. Mr. Davis and Mr. Szymoniak explained the details of the loan.

Mr. Hughes asked for clarification of the interest rate of the loan. Mr. Szymoniak said it is at 1%. Mr. Davis stated this is pursuant to the authorization of SB23; SETS loan, which provided for an interest rate of between 0-3percent which is not otherwise in our statutes.

Mr. Hughes asked for the process of draws on the loan and how it will be managed. Mr. Szymoniak stated we already have an \$8.1 Million loan with IGU and for each draw IGU will make the request from which budget they will be drawing from. If there is any deviation they will make a request to modify the budget. Going forward we will probably keep the same process in place. Mr. Davis stated the requests go to Jeff San Juan and he validates the request before forwarding them on to him for final approval. Mr. San Juan also conducts site visits to check the invoices and verify work completed. Mr. Leonard noted we also have Mr. Kirk Warren, an engineer with AEA review plans and construction.

Mr. Pruhs asked what the anticipated construction timeframe is to be. Mr. Davis stated the goal is to have pipe ready for gas by September 2016. Mr. Pruhs asked for clarification on the of “Relative High capex per customer”. Mr. Davis stated AIDEA is spending a fair amount of money on these loans to reach a relatively small amount of customers; at least in the initial phases, but that is a matter of density. Mr. Pruhs asked what is the “line of credit (LOC),” noted under AIDEA Financing on the term sheet. Mr. Szymoniak stated he believes it is a LOC provided by the Fairbanks North Star Borough (FNSB). Mr. Shefchik confirmed, it is a revenue LOC which IGU needs to show they can pay it back to the FNSB.

Ms. Nygard asked for clarification on the 100% financing specialized collateral. Mr. Davis stated the first loan of \$8.1 Million, was essentially for engineering so if they defaulted AIDEA had the engineering documents; that is still in effect. Here AIDEA basically has a blanket on everything IGU has; pipe in the ground, engineering reports, basically everything IGU has done to date.

Mr. Pruhs asked for the volume of gas for Phase I on an annual basis. Mr. Szymoniak said .5Bcf. Mr. Pruhs noted there is some procurement and engineering in Phase II and III, he asked for the volume for those build outs. Mr. Szymoniak said they are about the same; a half Bcf each.

Mr. Wilken asked for the degree of market penetration for the .5Bcf calculations. Mr. Warren stated 75% residential and 100% commercial.

Mr. Hughes asked for a reminder of what SB23 says with regard to not living with AIDEA standard process of having infinite security for a loan. Mr. Davis stated 0-3% which is far below what is otherwise paid by statute in AIDEAs loan participation program, waive any requirements in our regulations, capitalize interest or not, and have deferments. Mr. Leonard noted when AIDEA was working with the Legislature it was understood that this is risk capital and the goal is that this will be paid back at a low interest rate to meet the needs of the IEP. Mr. Pruhs asked if it included the debit capital ratio. Mr. Leonard said yes.

Mr. Pruhs invited Mr. Shefchik, Mr. Prusak, and Mr. Thornton from IGU to the table to go through the project and answer any questions.

Mr. Pruhs asked how IGU proposes to operate the utility. Mr. Shefchik stated they are in negotiation with a private contractor to run the maintenance and operations of the utility.

Mr. Pruhs asked what was used to help a family convert to natural gas, as far as economic assistance or what was/is the plan. Mr. Thornton said IGU has put together a good team which is engaged with the public, financial community, and experts in the conversion world to come up with a good program. The idea is to have attractive financing available to consumers. Mr. Pruhs asked if IGU could share as to what kind of program they are leaning towards. Mr. Shefchik said IGU is looking at on-built program community wide. Both IGU and Fairbanks Natural Gas (FNG) are working on this team with the bankers and contractors together. Mr. Pruhs asked if the banks would put a lien on the property or the meter. Mr. Shefchik said they are leaning towards the meter but the decision has not been made yet.

Mr. Wilken requested to have the following statement entered into the record. "I will be voting yes on Resolution G15-03. Since June of 2013, when the Governor and Legislature task AIDEA and AEA with this project to bring critically needed lower cost energy to the interior, we have long known this to be a leap-of-faith effort. In the last 19 months we have learned just how difficult this is because of distance and demand, yet the need still exists. The Interior Energy Project can be done because it must be done. This Resolution is the biggest indicator yet of the Board's resolve to see this effort thru to the end, completing it, if not today, then tomorrow, and if not in the form of the current proposal, then in some other form. We must deliver energy to families from Steel Creek Road to Badger Road at the lowest possible cost so they may turn on their lights and heat their living rooms, while cleaning up our dirty air. So all that being said, I look forward to casting my positive vote and I respectfully ask my fellow board members to join me in this leap of faith as we lay a major stone in this project's path to success. Thank you."

The motion was approved with members Pruhs, Dick, Bittner, Burnett, Hughes, Nygard, and Wilken voting yea.

7. DIRECTOR COMMENTS

Mr. Leonard said the next board meeting is scheduled for Wednesday, February 25, 2015, and at that time staff will be giving a full briefing on IEP. For everyone's information we are providing information to the Legislature in Senate Energy later today at 1:00 p.m. Staff is available for any questions.

8. BOARD COMMENTS

Mr. Wilken noted this is a wonderful opportunity thanked staff for the fact sheet sent out on this project. He looks forward to educating people and showing them that this is the way to go. He encouraged Board members to listen in on the hearing later today.

Commissioner Parady stated he has been listening in asked Mr. Wilken to share his statement with the Board via email. He is currently in Juneau and may attend the meeting in person if his schedule permits.

Mr. Wilken asked when the new IEP team will be officially announced so they know who to refer people to. Mr. Pruhs said the goal is sooner than later. Mr. Wilken thanked Mr. Pruhs and staff for all the work they have done in the past six weeks on this project.

Ms. Nygard said being a resident from the Mat-Su Valley, we see Fairbanks as a vital partner in growing our economy and helping them grow their economy; and everyplace around the globe shows when you got reliable cheap affordable energy you can really grow that economy. So, we reached north to Fairbanks to support them. I want to thank the staff, the Chairman and Board for keeping the dialog going.

Mr. Pruhs said he would like to thank AIDEA staff and IGU folks for putting this complex document together, for reaching out to the interior, keeping the dialog going looking for options and ideas.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 9:25 a.m.



Ted Leonard, Executive Director/Secretary
Alaska Industrial Development and Export Authority