



Alaska Industrial Development and Export Authority

BOARD MEETING MINUTES

Tuesday, May 19, 2015

Anchorage and Juneau, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on May 19, 2015 at 10:05 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Crystal Nygard (Public Member); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development); and Gary Wilken (Public Member).

Members participating via teleconference: Jerry Burnett (Deputy Commissioner, Department of Revenue).

3. ROLL CALL: STAFF, PUBLIC

AIDEA staff present: John Springsteen (Executive Director); Ted Leonard (Director Emeritus); Mark Davis (Chief Infrastructure Development Officer); Michael Lamb (Chief Financial Officer); Tom Erickson (Chief Procurement Officer); Karsten Rodvik (External Affairs Officer); Nick Szymoniak, (Energy Infrastructure Development Officer); Kirk Warren (AEA Project Manager); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

Staff participating via teleconference: Gene Therriault (AEA Director-Energy Policy/Outreach).

Public present: Kathy Black (Birch Horton Bittner & Cherot); Elwood Brehmer (Alaska Journal of Commerce); Dan Britton (Fairbanks Natural Gas (FNG)); Mark Figura (Rose & Figura); Mark Gardiner (Western Financial Group); Luke Hopkins (Mayor, Fairbanks North Star Borough (FNSB)); Jerry Juday (Department of Law); Bob Shefchik (Interior Energy Project (IEP) Team Leader); Matthew Sievert (Crowley Petroleum); and Miranda Studstill (Accu-Type Depositions).

Public participating via teleconference: Amber Courtney (Mayor's Office City of Fairbanks); Lori Nelson (Hilcorp); Jomo Stewart (Fairbanks Economic Development Corporation (FEDC)); Pamela Throop (Alaska Commercial Properties); and John Welsh (WesPac).

4. AGENDA APPROVAL

The agenda was approved as presented.

5. PUBLIC COMMENTS

Jomo Stewart, from FEDC, said FEDC is in favor of the Pentex purchase. He believes the Pentex purchase provides a unified distribution system and would have an immediate appreciable impact to the rates of current users. The Pentex purchase would have a full positive impact for the community at large and would have a real impact on the air quality of the community. Mr. Stewart expressed his concerns regarding some of the particular components of the purchase. He indicated FEDC has been pleased with AIDEA's participation. FEDC has a strong degree of trust that AIDEA will do its best to take care of the community's best interest.

Pamela Throop, from Fairbanks, said she believes Fairbanks is in an energy predicament and is happy AIDEA is moving forward to address the issues. She hopes the Pentex purchase will result in energy parity costs with Anchorage. Ms. Throop believes many state offices and businesses have relocated from Fairbanks to Anchorage because of the expense of doing business in Fairbanks. Ms. Throop stated she is cautiously optimistic about AIDEA's current decisions. She believes propane should be explored as a viable option. Ms. Throop commented air quality is a big issue. She believes a 75% conversion rate is overly optimistic. Ms. Throop expressed appreciation to the Board for their hard work.

Amber Courtney, Communications Director with the Mayor's Office for the City of Fairbanks, said the Fairbanks City Council passed Resolution 4674 last night, a resolution supporting the advancement of the IEP. She read the resolution and noted there was full support from the City Council.

Mayor Luke Hopkins, FNSB, said the resolutions passed by the Fairbanks City Council last night were to inform the community of AIDEA's action to purchase Pentex. The support was overwhelming. The FNSB Assembly will be considering a resolution Thursday night in support of AIDEA's purchase of Pentex. Mayor Hopkins noted the City Council of North Pole also passed a resolution in support of the Pentex acquisition.

Mayor Hopkins said AIDEA's proposed action to purchase Pentex is an important first step in continuing the efforts of moving the IEP forward, thus providing gas to as many FNSB residents as possible, in the shortest amount of time, and at the stated goal of \$15 per MMBtu delivered. Mayor Hopkins expressed his appreciation for using a cost of service model for the delivery of natural gas in the community. He has submitted his letter of support to the Board.

Mr. Wilken expressed his appreciation to Mayor Hopkins for his leadership and support of the IEP.

Chair Pruhs also expressed appreciation on behalf of AIDEA and staff to Mayor Hopkins for his support and for testifying today.

6. NEW BUSINESS

6A. Executive Session: Discuss confidential financial information related to the proposed acquisition of Pentex Alaska Natural Gas Company, LLC.

MOTION: Mr. Wilken moved to go into Executive Session to discuss confidential financial information related to the proposed acquisition of Pentex Alaska Natural Gas Company, LLC. Motion seconded by Deputy Commissioner Parady. The motion was approved.

The Board entered Executive Session at 10:25 a.m. Participants included board members Dana Pruhs, Fred Parady, Gary Wilken, Crystal Nygard, Jerry Burnett (by phone); AIDEA staff John Springsteen, Ted Leonard, Mark Davis; Jerry Juday (LAW), Mark Gardiner (WFG), Bob Shefchik, IEP Team Leader.

The Board reconvened its regular meeting at 2:00 p.m. Chair Pruhs stated no formal action was taken during executive session.

6B. Resolution No. G15-09 Approving the Acquisition of Pentex Alaska Natural Gas Company, LLC

Mr. Springsteen requested Mark Gardiner, of Western Financial Group, provide the financial plan regarding Resolution No. G15-09. Mr. Gardiner gave a project overview, highlighting the business case, financing, and structure. He discussed the project funding, investment schedule, business plan, and projected financials. Mr. Gardiner explained the transition to the Local Control Entity (LCE), and showed utility consolidation savings illustrating system modeled costs under five scenarios. He discussed how the acquisition of Pentex will support the IEP goals, and outlined the due diligence review and the valuation of the due diligence. Mr. Gardiner informed the Board of the risks and the risk mitigation measures. He outlined the required community outreach and local government consultation that has been conducted.

Mr. Wilken asked how much SETS financing and Bond Financing remains after the consolidated system capital funding of \$223,136 is sourced, as shown on slide 19. Mr. Shefchik said there is approximately \$53 million in SETS funds available, \$15 million available in bonding, and \$30 million left in grant money for plant/transportation components. The remaining available funds will go toward financing gas capacity and assisting the transportation supply chain build-out, if necessary. The uses of funds shown in the presentation represent the distribution and storage/regas components.

Mr. Wilken suggested it would be helpful to create a graphic illustrating the last bullet point on slide 30; "How does spending money on an existing system advance the provision of low cost gas to the rest of the community?"

Chair Pruhs recommended postponing agenda Items 6B., 6C., and 6D. until the May 27, 2015 meeting in order to give staff time to address recent technical amendments for the purchase and sale agreement, and to allow those amendments to be added to these resolutions.

MOTION: Deputy Commissioner Parady moved to postpone agenda items 6B., 6C., and 6D. until the May 27, 2015 meeting. Motion seconded by Mr. Wilken. The motion was approved.

Chair Pruhs expressed his appreciation to staff for all of their work.

6C. Resolution No. G15-10 Regarding Operating Agreement of Pentex Alaska Natural Gas Company, LLC

Moved to May 27, 2015 meeting.

6D. Resolution No. G15-11 Approving the Transfer of Certain RCA Certificates of Public Convenience and Necessity to AIDEA

Moved to May 27, 2015 meeting.

7. DIRECTOR COMMENTS

Mr. Springsteen said AIDEA functions best as a development finance corporation that uses a system of incentives to encourage business growth and to support the Alaskan economy. He noted there are times when AIDEA is called upon to help solve difficult issues facing Alaska. AIDEA appreciates the opportunity to serve.

The next AIDEA board meeting is scheduled for Wednesday, May 27, 2015. Mr. Springsteen said the start time of the meeting will be 9:00 a.m.

8. BOARD COMMENTS

Mr. Wilken said he will need to leave for the airport at approximately 2:15 p.m. on Wednesday.

Deputy Commissioner Parady commented this work has continued to gain traction over the last several months and he believes AIDEA is headed in the right direction. He expressed his appreciation to staff for their work in providing detailed information. Deputy Commissioner Parady said he visited the site last Friday and it is in solid working order. He looks forward to bringing this to resolution.

Chair Pruhs expressed his appreciation to the Pentex staff for their efforts, and to all AIDEA staff who have worked on this part of the challenge.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 2:29 p.m.



John Springsteen, Executive Director
Alaska Industrial Development & Export Authority