



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

Thursday, August 6, 2015
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority (AIDEA) to order on August 6, 2015 at 12:34 p.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Russell Dick (Public Member); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development (DCCED)); Jerry Burnett (Deputy Commissioner, Department of Revenue); Crystal Nygard (Public Member); and Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AIDEA & Alaska Energy Authority (AEA) staff present: John Springsteen (AIDEA Executive Director AIDEA); Sara Fisher-Goad (AEA Executive Director); Ted Leonard (AIDEA Director Emeritus); Mark Davis (AIDEA Chief Infrastructure Development Officer); Michael Lamb (Chief Financial Officer); Gene Therriault (AEA Director-Energy Policy & Outreach); Tom Erickson (Chief Procurement Officer); Leona Hakala (AIDEA Loan Officer); Jennifer Haldane (Human Resources Director); Matt Narus (AIDEA Project Manager-Project Development & Asset Management (PDAM)); Karl Reiche (AEA Project Manager); Karsten Rodvik (AIDEA External Affairs Officer); Lori Stender (AIDEA Project Manager-PDAM); Jessica Stolp (AEA Project and Facilities Coordinator), Nick Szymoniak (AIDEA Energy Infrastructure Development Officer); Kirk Warren (AEA Project Manager); Sherrie Siverson (AIDEA Executive Assistant); and Krin Kempainen (AIDEA Administrative Assistant).

Public present: Leo Anderson, Scott Merriner, and Rick Steele (Anchorage Community Development); Alan Bailey (Petroleum News); Elwood Brehmer (Alaska Journal of Commerce); Dan Britton (Fairbanks Natural Gas (FNG)); Jerry Juday (Department of Law); Mark Gardiner (Western Financial Group); Sunny Morrison (Accu-Type Depositions); and Bob Shefchik (Interior Energy Project (IEP) Team Leader).

Public participating via teleconference: Rick Adcock (MWH); and Pat Malara (Western Cascade).

4. AGENDA APPROVAL

The agenda was approved as presented.

5. PUBLIC COMMENTS

Rick Steele, Finance Director, Anchorage Community Development and Executive Pastor ChangePoint Church, read and presented a letter to the AIDEA Board regarding the completed repayment of the June 2005 AIDEA loan of \$23.5 million, associated with the purchase of AIDEA-owned defunct Alaska Seafood International fish processing plant. Mr. Steele commented this transaction has promoted the health, security, and general welfare of all the people of Alaska, and has increased job opportunities through encouraging economic growth. The tenants and/or owners include ChangePoint Church, the Dome, Sysco, and Medline. Mr. Steele expressed his appreciation to AIDEA for this successful transaction, and particularly to Leona Hakala and Chris Anderson for their assistance. (*Letter attached to minutes.*)

6. PRIOR MINUTES - June 11 and June 25, 2015

MOTION: Deputy Commissioner Parady moved to approve the minutes of June 11 and June 25, 2015. Motion seconded by Vice-Chair Dick. The minutes were approved.

7. NEW BUSINESS

7A. Resolution No. G15-14 Office Building Repairs

John Springsteen said Resolution No. G15-14 authorizes AIDEA to make necessary and/or critical repairs for the continued operation of the building. The existing building was constructed in 1973. The HVAC equipment is original, as well as the majority of other equipment and fixtures. Mr. Springsteen invited Karl Reiche and Jessica Stolp forward to summarize the repairs.

Deputy Commissioner asked where the asbestos was located in the building. Mr. Reiche said the asbestos is located in the pipes in the ceiling on the third floor.

MOTION: Mr. Wilken moved to approve Resolution No. G15-14 Office Building Repairs. Motion seconded by Vice-Chair Dick.

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

Chair Pruhs asked for an update on the overall building concept. Mr. Reiche said staff intends to present an overview of the prior alternatives considered and ongoing maintenance repairs at the next board meeting.

7B. Resolution No. G15-15 Demolition of Blues Central Building

MOTION: Mr. Wilken moved to approve Resolution No. G15-15 Demolition of Blues Central Building. Motion seconded by Deputy Commissioner Parady.

Mr. Springsteen said Resolution No. G15-15 authorizes AIDEA to proceed with the demolition of the Blues Central structure. This will leave the property in a clean and cleared condition ready for reuse. Mr. Reiche stated a demolition design is being prepared, and a demolition permit has been issued by the city which will be used by the contractor who wins the bid.

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

7C. Resolution No. G15-16 Authorizing the Authority to amend its participation in the Public Employee Retirement System (PERS) to exclude employees of Pentex Alaska Natural Gas Company, LLC and all of its subsidiaries

MOTION: Vice-Chair Dick moved to approve Resolution No. G15-16 Authorizing the Authority to amend its participation in PERS to exclude employees of Pentex Alaska Natural Gas Company, LLC and all of its subsidiaries. Motion seconded by Ms. Nygard.

Mr. Springsteen said Resolution No. G15-16 authorizes AIDEA to amend its participation in the State of Alaska PERS to exclude the employees of Pentex Alaska Natural Gas Company, LLC and all of its subsidiaries. The Pentex employees would continue to receive benefits under their existing plans and programs. This would avoid the potential duplication of benefits. Mr. Springsteen invited Michael Lamb to further explain the resolution and encouraged its adoption.

Deputy Commissioner Parady asked if the existing benefit plan had been reviewed. Mr. Lamb said the plan was reviewed and no concerns were found. Deputy Commissioner Parady noted the memo describes a broader scope than the resolution states. He asked if the resolution should specifically exclude participation in the state healthcare benefits, thereby providing the full effect of the memo. Mr. Lamb stated he believes the current wording is appropriate. Mark Davis said the other benefits are covered in a different resolution, he will report back to the Board if additional action is necessary.

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

7D. Interior Project Update (IEP)

Bob Shefchik, Nick Szymoniak, and Tom Erickson gave a presentation summarizing the IEP work over the last six weeks. Mr. Szymoniak explained the Request for Information (RFI) on the Cook Inlet gas supply process and next steps. This RFI closed on July 16, 2015, and AIDEA staff is in the process of evaluating the responses. The contents, offers, and results will remain confidential. The outcome of this process is twofold; 1) to determine and publicly report whether or not Cook Inlet is a viable option, and 2) to utilize the results of the RFI if they are needed in future direct commercial negotiations after the Request for Proposal (RFP) evaluations.

Mr. Shefchik said he expects the RFP proposals to be reviewed, ranked, and scored by the evaluation team over the next two weeks. He described the addendum released last week, which provides summary information of the 13 respondents and their proposal classifications. The finalist proposals will be identified, and independent negotiations will begin within the next month. Mr. Shefchik believes the names on the finalist list will also be released to the public within the next month. After the process is complete, all proposals and scoring, except financial and technical information identified as confidential, will be available for public review.

Mr. Erickson discussed conflicts of interest, confidentiality, and the importance of preserving the integrity of the RFP process. Chair Pruhs requested more information on how to avoid possible conflicts of interest or the perception of conflicts of interest during this confidential period where even the Board members are not aware who the proposers are. Mr. Erickson suggested Board members should ask directly if the person requesting information has submitted a proposal or is a vendor. Mr. Shefchik recommended Board members use their best judgement in maintaining openness and discussion with the public, while being sensitive to possible conflicts of interest.

Mr. Wilken noted this same challenging issue was faced a year ago. He recommended adopting a policy that can be given to the public, indicating answers will be provided at a specific date. Mr. Shefchik agreed that the standard RFP processes being followed can be published and provided to the public.

Gene Therriault briefed the recent efforts regarding the storage and transportation components. AIDEA has been working with Western Cascade, an LNG trailer vendor, to begin testing a 13,500-gallon prototype trailer after Labor Day.

Mr. Wilken asked why tandem LNG trailers are not being tested. Mr. Shefchik said the first LNG trailer will be the test 13,500-gallon prototype. Other types of trailers have not been slated for testing. He stated tandem trailers are not allowed on the road between Fairbanks and Prudhoe Bay, regardless of the type of fuel. LNG tandem trailers are not currently being used to haul anywhere in the United States, but this option may be considered later on in the process.

Pat Malara provided a brief description of the Department of Transportation (DOT) certified semis and pull-trailers currently operating every day in Alaska. He believes the new trailer

designs will increase the existing ability to haul, which will provide a decrease in the per gallon transportation cost.

Mr. Therriault reviewed the recent efforts regarding the conversion component of the project. The Fairbanks North Star Borough initiated a Conversion Working Group, who met with mechanical contractors and local lenders in Fairbanks to discuss ways in which to assist customers with conversions.

Mr. Therriault said the USDA Energy Efficiency and Conservation Loan Program is being reviewed to determine if these funds can be available for conversions. This program provides low-cost capital through the electric co-op to the gas utilities or to the customers directly, to perform energy efficiency and conservation improvements to homes. He encouraged Fairbanks consumers to utilize the existing Alaska Housing Finance Corporation (AHFC) Energy Rebate Program when converting to energy efficient natural gas.

Mark Gardiner and Ted Leonard provided an update on distribution and the local control entities. Mr. Gardiner said all of the condition improvements precedent to closing the Pentex transaction are on schedule to be completed before the end of August. Discussions with potential local control entities have begun, regarding the integration of the distribution system, and meaningful negotiations are anticipated to begin in September. The Harvest/Hilcorp agreements will be discussed in executive session.

Chair Pruhs asked if work is ongoing for the development of infrastructure to facilitate operating as a single unit. Mr. Shefchik stated Kirk Warren will likely convene another design meeting in September for the interested parties to discuss alternatives for the best combined system. Chair Pruhs suggested a Memorandum of Understanding (MOU) between FNG and Interior Gas Utility (IGU) to work concurrently on the joint benefit.

Mr. Wilken requested an update on the construction and laying of pipe. Mr. Shefchik stated the North Pole continues laying at its same pace, and almost all of the two-inch pipe is in. The larger diameter pipe is on schedule to be completed as previously defined. Mr. Davis said both FNG and IGU are on target with their construction and laying of pipe.

7E. Executive Session: Interior Energy Project, Brooks Range Petroleum (BRP), Mustang Operations Center (MOC1), BlueCrest Energy drill rig, and Skagway Ore Terminal

MOTION: Deputy Commissioner Parady moved to go into Executive Session to discuss confidential and financial information related to the Interior Energy Project, Brooks Range Petroleum Mustang Operations Center, BlueCrest Energy drill rig, and Skagway Ore Terminal. Motion seconded by Vice-Chair Dick. The motion was approved.

The Board entered Executive Session at 1:52 p.m. Participants included board members Dana Pruhs, Russell Dick, Jerry Burnett, Crystal Nygard, Fred Parady, and Gary Wilken. Others

invited by the board: AIDEA staff John Springsteen, Ted Leonard, Mark Davis, Matt Narus, Lori Stender, Nick Szymoniak; and guests Mark Gardiner, Jerry Juday, and Bob Shefchik.

The Board reconvened its regular meeting at 4:20 p.m. Chair Pruhs stated no formal action was taken during executive session.

8. DIRECTOR COMMENTS

Mr. Springsteen said the United States will Chair the Arctic Council for the first time. An Alaska Arctic Host Committee Launch will occur at the Alaska Performing Arts Center on Friday, August 14, 2015, from 5:30 to 7:30 p.m. He encouraged participation to assist in driving the conversation on Arctic commerce.

Mr. Springsteen stated the Loan, Dashboard, Delinquencies to Outstandings Reports, IFD and PDAM Project Matrices and Fact Sheets were included in the packets and he is available to answer any questions. If any Board member is interested in any of the continuing education opportunities please contact Ms. Siverson.

Chair Pruhs appointed an Interior Energy Project Subcommittee. The members are Mr. Wilken, Deputy Commissioner Parady, and Chair Pruhs. This Subcommittee will work with the IEP team to keep pace with updates. There were no objections.

9. BOARD COMMENTS

Deputy Commissioner Parady expressed his appreciation to Mr. Erickson for providing the cautionary notes regarding confidentiality.

Ms. Nygard reported the Mat-Su is hosting an energy forum in November. Further information will be provided by mail.

Chair Pruhs expressed his appreciation to the presenters for the information provided today.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 4:23 p.m.



John Springsteen, Executive Director
Alaska Industrial Development & Export Authority

