



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, December 17, 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 December 17, 2015 at 10:03 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Elaine Brown (Public Member); Dan Kennedy (Public Member); and Gary Wilken (Public Member).

Members participating via teleconference: Jerry Burnett (Deputy Commissioner, Department of Revenue); and Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development).

3. ROLL CALL: STAFF, PUBLIC

AIDEA staff present: John Springsteen (AIDEA Executive Director); Chris Anderson (AIDEA Director-Commercial Finance); Mike Catsi (AIDEA Director-Business Development & Communications); Mark Davis (AIDEA Chief Infrastructure Development Officer); Jim Hemsath (AIDEA Director-Project Development and Asset Management (PDAM)); Michael Lamb (Chief Financial Officer); Brenda Applegate (AIDEA Controller); Tom Erickson (Chief Procurement Officer); Jennifer Haldane (Human Resources Director); Karsten Rodvik (AIDEA External Affairs Officer); Nick Szymoniak (Energy Infrastructure Development Officer); Sherrie Siverson (AIDEA Executive Assistant); Krin Kempainen (AIDEA Administrative Assistant).

Public present: Brian Bjorkquist (Department of Law); Dan Britton (Fairbanks Natural Gas (FNG)); Pat Clancy and Mark Gardiner (Western Financial Group); Marcia Davis (State of Alaska); Sydney Hamilton (Accu-Type Depositions); and Bob Shefchik (Interior Energy Project (IEP) Team Leader).

4. AGENDA APPROVAL

John Springsteen requested to move Item 6C. Executive Session before Item 6A. and to add the topic of AIDEA Dividend to the Executive Session on the agenda. The agenda was approved as amended.

5. PUBLIC COMMENTS

There were no public comments.

6. NEW BUSINESS

6C. Executive Session: Interior Energy Project, Brooks Range Petroleum (BRP), Mustang Operations Center (MOC1), and AIDEA Dividend

MOTION: Ms. Brown moved to go into Executive Session to discuss confidential and financial information related to the Interior Energy Project, Brooks Range Petroleum (BRP), Mustang Operations Center (MOC1), and the AIDEA Dividend. Motion seconded by Mr. Wilken. The motion was approved.

The Board entered Executive Session at 10:07 a.m. Participants included board members Dana Pruhs, Elaine Brown, Dan Kennedy, Gary Wilken, and Jerry Burnett and Fred Parady via phone. AIDEA staff invited to join the session: John Springsteen, Mark Davis, Jim Hemsath, Michael Lamb, Tom Erickson, Nick Szymoniak, and guests Brian Bjorkquist, Pat Clancy, Marcia Davis, Mark Gardiner, and Bob Shefchik.

The Board reconvened its regular meeting at 1:01 p.m. Chair Pruhs stated no formal action was taken during executive session.

6A. Resolution No. G15-20 AIDEA Dividend Recommendation

Mr. Springsteen said Resolution No. G15-20 relates to AIDEA's Fiscal Year 2017 dividend which is based on AIDEA's FY15 operating results. Staff recommends the FY17 dividend amount of \$6,328,000. Staff believes AIDEA can sustain financing requirements and capacity for unanticipated needs while paying this dividend to the state.

MOTION: Mr. Wilken moved to approve Resolution No. G15-20 AIDEA Dividend Recommendation. Motion seconded by Ms. Brown.

Mr. Wilken requested Michael Lamb expand on the "Whereas number 6" in the resolution regarding violation of the covenants for bondholders. Mr. Lamb explained staff recommended the dividend amount of 25% is based on cash flow projections over the next two years. AIDEA is required by Board resolution to have two years of operating cash liquid for the future. The cash flow projections contain the bond covenants, including the maintenance of 25% of the outstanding debt in liquid cash. Mr. Lamb noted the purchase of Pentex was \$54 million and had a big impact on future cash availability and liquidity. Staff worked with project managers and loan managers to combine data of operating costs, debt service, and the dividend to the state to determine the projected recommended amount of 25%. In July of 2017, the projected amount of free cash available after bond covenants is \$984,000, decreasing to \$550,000 in March of 2018, and decreasing again to \$170,000 in May of 2018. If the 25% dividend recommended by staff was doubled to 50%, the projected amount of free cash available after bond covenants in July of 2017, March and May of 2018 would be negative.

The motion was approved with members Pruhs, Brown, Burnett, Kennedy, Parady, and Wilken voting yea.

Deputy Commissioner Parady stated he believes it is prudent to reduce the dividend in consideration of the overall financial picture of AIDEA and its capacity to address the increasing demands of the economic development in the state.

6B. Resolution No. G15-24 Pentex Rate Setting

Mr. Springsteen stated Resolution No. G15-24 approves the 2016 Pentex Budget, as well as temporary rates for natural gas distribution to Interior Alaska customers. The temporary rates were presented at the December 3, 2015 AIDEA Board meeting. The permanent rate setting process will be conducted during the first six months of 2016.

MOTION: Mr. Kennedy moved to approve Resolution No. G15-24 Pentex Rate Setting. Motion seconded by Ms. Brown.

Chair Pruhs asked if there have been any substantial changes to the temporary rates presented at the December 3, 2015 meeting. Mr. Springsteen stated no substantial changes have been made.

The motion was approved with members Pruhs, Brown, Burnett, Kennedy, Parady, and Wilken voting yea.

7. DIRECTOR COMMENTS

Mr. Springsteen stated AIDEA's primary objectives are to invest and drive the economic engines for the state of Alaska and to create and retain jobs. He wished everyone well over the holidays.

The next AIDEA board meeting is scheduled for Wednesday, January 13, 2016.

8. BOARD COMMENTS

Mr. Wilken expressed his appreciation to Karsten Rodvik and Dan Britton for the successful display of the LNG truck in Fairbanks. He is looking forward to additional good reports. Mr. Wilken requested scheduling for retreats begin as soon as possible.

Mr. Wilken commented on the recent letter to the editor in the Fairbanks paper written on behalf of Evansville, Inc. regarding their unanimous indication they do not want any Ambler routes going across their 70,000 acres. Mr. Wilken requested an update from Mr. Springsteen as to AIDEA's efforts to ensure Evansville's lack of support is public.

Mr. Springsteen stated he followed up with Ms. Meierotto of Evansville, Inc. He ensured the route submitted with the permit application respects Evansville's requests and does not cross their lands.

Ms. Brown expressed appreciation to staff for their diligent work.

Deputy Commissioner Parady listed the highlights of the backing memo from Mr. Britton contained in Resolution No. G15-24. They include a \$1.2 million reduction in G&A costs, break-even net income, residential reduction of 13.5%, overall FNG rate reduction of 10.4%, and

approximately \$900,000 of return on investment for the AIDEA revolving fund. The anticipated proceeds of the Pentex acquisition are moving forward successfully.

Chair Pruhs requested Sherrie Siverson begin planning a retreat for the day before or the day after the March board meeting. Chair Pruhs expressed his appreciation to staff and consultants for their hard work. He wished everyone well over the holidays.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 1:13 p.m.



John Springsteen, Executive Director
Alaska Industrial Development & Export Authority

