

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Wednesday, March 1, 2023
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on March 1, 2023, at 10:30 am. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bill Kendig (Public Member); Adam Crum (Commissioner, DOR); Julie Sande (Commissioner, DCCED); Albert Fogle (Public Member); Randy Eledge (Public Member); and Bill Vivlamore (Public Member).

3. AGENDA APPROVAL

MOTION: A motion was made by Vice-Chair Kendig to approve the agenda as presented. Motion seconded by Mr. Fogle.

The motion to adopt the agenda as presented passed without objection.

4. PRIOR MINUTES – January 18, 2023

MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of January 18, 2023, as presented. Motion seconded by Mr. Fogle.

Mr. Eledge requested to correct the typographical error in the second paragraph on page seven; “Annual Rlan” should be corrected to “Annual Plan.” There was no objection to the correction.

The motion to approve the Minutes of January 18, 2023, with the typographical correction, passed without objection.

5. PUBLIC COMMENTS (*2 minutes per person, for one hour*)

There were no members of the public online or in-person who requested to comment.

6. NEW BUSINESS

MOTION: A motion was made by Mr. Fogle to enter into executive session to discuss matters listed in AS 44-62-31(C), which include matters the immediate knowledge of which would clearly have an adverse effect upon the finances of AIDEA, personnel matters, matters by which by law are considered to be confidential, matters involving consideration of government records that are not required to be disclosed under the Alaska Public Records Act, as well as matters subject to attorney/client privilege. Each of these matters

and executive session are supported by the Open Meetings Act, referenced in the previously mentioned statute. Motion seconded by Mr. Vice-Chair Kendig.

A roll call vote was taken and the motion to enter into Executive Session passed unanimously, with Commissioner Crum absent.

6A. EXECUTIVE SESSION: 10:36 am. Confidential and deliberative matters related to: FedEx Hangar, Lease Extension and Budget, BlueCrest Loan Modification / Extension, Ambler Budget, Personnel, Legal and Confidential Items

The Board reconvened its regular meeting at 11:54 am. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session. The session was limited to discussion of matters directly protected from public disclosure by the Open Meetings Act.

Chair Pruhs requested to amend the agenda, moving Items 7E (1) and (2) ahead of Item 6B. There was no objection.

7E1. Interior Energy Project Quarterly Report

Chair Pruhs welcomed Josie Wilson, AIDEA Communications and External Affairs Director, to present the Interior Energy Project Quarterly Report. Ms. Wilson informed that each quarter, in partnership with Interior Gas Utility (IGU), the Report is provided to Board members and is distributed to the Legislature, per statutory requirement. She commented that she is pleased with this particular Interior Energy Project (IEP) report because of the progress of the conversions. There were no questions.

7E2. Interior Energy Project IGU Update

Chair Pruhs welcomed the representatives from IGU. He requested that Dan Britton, IGU General Manager, and Gary Wilken, IGU Board of Directors Chair, join at the table. Chair Pruhs noted that Mr. Wilken is a former long-term AIDEA Board member. Mr. Britton also introduced Elena Suddeth, Director of Public Relations and Customer Service, and Mr. Smith, Controller. Mr. Britton listed the current Board of Directors and provided a brief background for each; Bob Shefchik, Luke Hopkins, Bert Bell, Mike Miller, Steve Haagenson, and Jack Wilbur. He noted that the experienced Board of Directors has been extremely helpful in moving IGU's mandates forward.

Mr. Britton discussed that the IEP is currently within the implementation and execution phase of the project. In the 2022 construction season, 635 new service lines were installed. This exceeded the goal of 600 and also exceeded the long-term proforma goal of 480. Of the new service lines, 450 are active and using gas. During construction, IGU installs the service line and the customer has to then complete the conversion of the boiler or appliance for natural gas. IGU subsidizes the installation of the service line with a charge of \$250 per residence, and a signed six-month conversion agreement. If the customer does not convert within six months, the customer will be responsible for the full cost of installation, which can exceed several thousands of dollars. IGU also completed more than three miles of main line extensions. Customer requests are mapped and the limited investment dollars are targeted to the highest areas of interest.

In the 2023 construction season, the goal is to install an additional target of 600 new service lines. Nearly 250 committed applications and fees have been received and confirmed to-date. This number is approximately four times greater than it was during this time in 2022. Management has planned more than \$1 million in main line extensions within the budget, which needs approval by the IGU Board.

Mr. Britton focused on IGU's goals to stabilize energy costs and to create energy savings in the community. The intent is that the dollars saved could stay in the community and could provide economic benefit in support of other activities in Fairbanks. Mr. Britton reviewed the slide showing the community savings analysis comparing the cost of natural gas to the cost of heating oil for FY22, which saved approximately \$7 million. The projected savings for FY23, is approximately \$14 million.

Chair Pruhs asked if the cost savings will exponentially increase as additional customers are added. Mr. Britton agreed the substantial savings will continue to grow as more customers are added and if the oil prices remain at the current levels.

Mr. Britton explained that IGU has a feed gas contract with Hilcorp in the Cook Inlet that feeds the liquefied natural gas (LNG) plant in Point McKenzie. The LNG plant is owned and operated by IGU. The contract was signed in 2021, at a five-year term with two three-year extension options. There is enough gas within the contracted agreement to feed the existing 50,000 gallon-per-day LNG plant, as well as a potential planned expansion of an additional 100,000 gallons per day. IGU has completed significant storage additions in Fairbanks and is continuing the growth of customer additions and distribution expansions. To keep pace with customer demand, the next need in 2024 is for additional LNG capacity.

Mr. Britton discussed the work on the Titan expansion at the LNG plant in Point McKenzie. This work relies on the potential for Hilcorp to continue to be a major supplier in the Cook Inlet. They currently supply about 80% of the market and Hilcorp would most likely be the entity for the contract with IGU. However, about six months ago, Hilcorp gathered the Southcentral operating utilities who have contracts with them and informed the utilities that they should not rely on Hilcorp to renew contracts in the future at the levels previously met. Mr. Britton noted that Hilcorp explained that they do not have the ability nor the production capacity to meet the level of demand past their current contractual commitments. Mr. Britton indicated that IGU's goal for additional liquefaction capacity was approximately \$60 million to \$70 million. Hilcorp's announcement caused a pause in IGU's expansion plan.

Mr. Britton discussed the gas supply expansion options reviewed by IGU. One option was to complete the Titan 2 expansion and hope for more gas out of the Cook Inlet. This option did not seem reasonable or probable in attracting financing, given that the gas supply is a concern. Another option considered was an incremental, modular and temporary expansion at the Point McKenzie plant with a Canadian LNG supplier that would charge a flow-through rate. Canadian LNG import discussions have occurred for years and many proposals have been reviewed.

Mr. Britton explained another option of a potential contractual agreement with LNG supply on the North Slope. After review, the North Slope option proved to be the most beneficial, with the least risk profile. Given that IGU's financing availability of funds is primarily debt funds, IGU is

not in a good position to develop a project on the North Slope on its own. IGU looked for a potential partner. Mr. Britton discussed that while Hilcorp informed IGU of the challenges in the Cook Inlet, Hilcorp communicated an interest for themselves and one of their other entities to potentially provide a solution out of the North Slope. IGU has reached agreement with Hilcorp for a gas supply contract on the North Slope and with Harvest Midstream for the construction and manufacture and operation of an LNG plant on the North Slope. The gas sale purchase agreement will be with Hilcorp and the gas will flow into the LNG plant constructed by Harvest Midstream. The plant location is on a pad near Flow Station 1. IGU will be the customer and will receive the LNG on the North Slope and will transport it to Fairbanks.

Mr. Britton reviewed that both contracts will have 20-year terms with options for extension at the discretion of IGU. The targeted and aggressive commencement date is October of 2024. However, his plan is to be prepared for the winter season of 2024/2025. Mr. Britton's realistic expectation for commencement is in the spring of 2025. He noted that Harvest has ordered the liquefaction equipment and has begun filing for leases. The capacity of the plant will be 150,000 gallons per day. This is equivalent capacity to the previously planned expansion in Port McKenzie. The plant will also have the ability to increase capacity by adding trains in the future. IGU has committed to buy LNG exclusively from the Harvest facility, including minimum volume commitments that grow each year as the demand is expected to increase. In the early years, IGU will not need 100% of the plant capacity. There is ability to fill the excess capacity in the early years with other users in the Interior, including Golden Valley Electric Association (GVEA). The current plan is to shut the plant down in the summer to account for the smaller demand.

Chair Pruhs inquired as to the type of storage that will be available at the Harvest plant. Mr. Britton noted that the capacity will be a day's storage of 150,000 gallons. Chair Pruhs asked about the utility's liability during a weather event or a road shutdown. Mr. Britton explained that the utility has an exemption for a road shutdown for a weather event. There is a potential penalty for a scheduled pickup that the utility does not obtain. Chair Pruhs inquired as to the future plan for the Point McKenzie LNG plant. Mr. Britton discussed that for the short-term, IGU will continue to own and operate the facility for security of supply. Long-term options will continue to be discussed. Chair Pruhs asked if Point McKenzie is mobile. Mr. Britton noted that there are some components that are mobile, but the plant, in its entirety, is not mobile.

Mr. Britton continued the presentation and discussed that IGU is currently responsible for trucking and owns the LNG trailers. A third-party trucking entity is contracted to haul the equipment. Request for bids will be issued for the North Slope haul to various trucking companies. The trucking resources are a challenging component.

Commissioner Crum asked what IGU's current need amount is for the plant. Mr. Britton indicated that the plant will initially run at about half-capacity. The plant can operate efficiently at a 50% turndown rate. The agreement includes the ability to expand the facility up to two additional 150,000 gallon trains. Initially, the 75,000 gallons per day equals six truck per day. The Dalton Highway allows for high capacity single hauls of up to 53-foot with no pups. The Parks Highway, the Alaska Highway, and the Glenn Highway all allow double hauls and pups. IGU has recently issued a request for proposals (RFP) for new trailers and expects to bring on an additional 15 units when the plant comes online. The lead time is expected to be about 12 months

from the manufacture. The plan is for IGU to continue to own the LNG trailers and to contract out the trucking and driving.

Mr. Britton reviewed an additional key contract term is the right of first refusal on the purchase of the LNG plant, should Harvest decide to divest of the plant once it has been constructed. The feed stock price is fixed for the first five years at \$2.50/MCF. He gave perspective that by the time the gas is delivered to the LNG plant in Point McKenzie, the price is nearing \$8.50/MCF. Mr. Britton explained that the \$2.50/MCF is below what others are currently paying for gas in Deadhorse. The \$2.50/MCF price is measured at the outlet of the LNG plant. The gas consumed in the production of the LNG for the power is included in the \$2.50/MCF. Mr. Britton believes the gas price is a fair balance. He went into negotiations asking for \$1.00/MCF, but was unsuccessful.

Chair Pruhs requested a cost comparison between Harvest's liquefaction price and IGU's liquefaction price in the Valley. Mr. Britton noted that the pricing of the LNG plant in the Valley is cheap, approximately half of Harvest's price, because it is fully amortized and its capacity is matched very closely to the current demand, with nearly 100% utilization. He noted that on a blended rate, with the ability to buy excess volumes, the price of Harvest is not substantially higher. The base cost at Harvest is \$8.75/MCF and the excess volume cost is \$4.25/MCF. Mr. Britton explained that the first year of the contract, the minimum volume commitment at the base fee is 1.2 BCF. However, the proforma projects the need of about 1.5 BCF. The additional amount is at the excess volume cost of \$4.25.

Commissioner Crum inquired as to the negotiations utilized to get the \$2.50/MCF price, which is less than the two utilities in Prudhoe Bay. Mr. Britton believes the factors included a combination of the length of contract, the volumes, the recognition of the overall project need, the transition of Cook Inlet gas to the North Slope, and a new market. He discussed that this is seen as a stepping stone to continued development. The biggest hurdle is getting this first plant built and looking for additional opportunities for expansion.

Mr. Britton discussed that both contracts include small escalators tied to indexes. For contract years one through five for the liquefaction, the escalator is 1%, and for contract years six and thereafter, the escalator has a floor of 0% and a ceiling of 2%. These escalators are important in order to create long-term price stability for the customers.

Chair Pruhs commented that the control of the escalator amount is different from home heating oil, which fluctuates based on markets that cannot be controlled. Mr. Britton agreed, and noted that the customers can have certainty regarding the energy price over the long-term.

Commission Crum asked for the current heating fuel cost in Fairbanks. Mr. Britton noted the cost of heating oil is \$4.48 per gallon, which is over 50% higher than IGU's cost of gas. Chair Pruhs commented that the difference in price is a good incentive for conversions. He asked if homes that have converted to gas have a higher appraisal value. Mr. Britton advised that he does not have an answer to that question and does not know if the data even exists to answer the question. He believes it is a good question and will begin asking to collect the data. He commented that people selling their homes and developers selling empty lots are seeking and focused on gas availability.

Mr. Britton continued the presentation and discussed that the trucking rates for the North Slope haul are expected to be approximately three times higher than the current rates. These higher trucking costs have been implemented in the estimations of future gas rates. IGU is hoping to improve the trucking cost bids by offering long-term, stable loads on a predictable and committed schedule. Mr. Britton noted that one driver can conduct approximately 2.5 loads a week on the Dalton Highway. Including the trucking component, preliminary estimates indicate customer pricing below \$26/MCF, which is competitive to \$3.51 for heating oil.

Mr. Britton explained that within the Finance Agreement with AIDEA, any new debt over \$1 million requires AIDEA's approval. IGU will need additional short-term financing for the distribution expansion and financing for adding the trailers. Approval requests are forthcoming for those continued expansion activities. Mr. Britton discussed that this project is historical for the state in that it is the first time that North Slope natural gas has been commercialized outside of the North Slope.

Mr. Britton informed that Fort Wainwright recently issued the long-awaited draft Environmental Impact Statement (EIS), in which four options were considered for converting the coal-fired power plant on the base. The announcement was made that Fort Wainwright selected distributed natural gas and electricity as their preferred alternative. This decision adds an estimated natural gas load of 1.5 BCF, doubling IGU's current annual sales. The addition of Fort Wainwright as a high-volume anchor tenant benefits all of IGU's customer bases, as well as improving the air quality of the community. The target completion date stated within the EIS is 2026. Additional discussion occurred regarding the Fort Wainwright conversion. No direct communication, as it relates to the plan, has occurred yet.

Chair Pruhs asked if the higher volume will drive the price down to the existing consumer. Mr. Britton believes the higher volume will help keep prices stable or will drive them down. He informed that the price increased 5% last year, but the price had not increased for the previous five years. The growth helped to offset the pressures from the high inflationary environment.

Mr. Britton discussed the IGU financial summary shown in the presentation. Chair Pruhs inquired as to the reason the revenues are projected to decrease. Mr. Britton explained that the proforma information was completed a number of years ago and current revenues are lower than the proforma revenues because the volumes are tracking below those numbers. The financials are on track to meet all of the debt service coverage ratios and bond covenants. He noted that the proforma financial model did not include an embedded lag on new customers, rather there was an assumption that a new customer began consuming gas on the date of installation. This has been updated in the future projections.

Mr. Britton reviewed that as part of the IEP, funding was available from AIDEA through SETS and the ability to issue approximately \$150 million of conduit revenue bonding with the moral obligation of the State of Alaska. Additionally, IGU issued a bond two years ago of approximately \$10 million in project funds that was not issued with the moral obligation of the State. Of that bond funding, \$5.2 million has been expended on service line installations, \$2.3 million on main line installations, \$1.8 million on the materials and inventory, totaling approximately \$9.3 million. In the next two years, IGU anticipates needing an additional \$10 million for gas mains and services, and about \$6.75 million for the new LNG transport trailers.

IGU has been working with a local bank in Fairbanks on financing a short-term line of credit for the \$10 million. At the \$10 million dollar amount, a line of credit is more cost effective than a bond issuance. IGU will bring those two requests for approval to AIDEA to authorize.

Commissioner Crum asked about IGU's bond issuance authority. Mr. Britton indicated that IGU is owned by the Fairbanks North Star Borough. IGU has bond issuing authority on its own and requires support from the Borough in cooperation and coordination with AIDEA. AIDEA conducts the issuance of the conduit revenue bonds on IGU's behalf.

Mr. Eledge asked for information regarding the useful life of the trailers. Mr. Britton explained that the trailers have a 10-year amortization in the proforma budget. He noted that there is high maintenance on the fleet and some of the trailers that do not run on the haul road are 40 years old. Mr. Britton described the composition of the tank's outer vessel and inner vessel bottle. Its life is very long. Each unit is approximately \$450,000, and it makes sense to rebuild the chassis and running gear of the trailer when the large cost component is still useful for another 10 years.

Chair Pruhs inquired if there are modular trailers, in which the bottle can be removed and placed on a different carrier. Mr. Britton discussed that concept is essentially an iso container. IGU has been researching the concept and must ensure that the same payload can be achieved. Board discussion occurred regarding the current private sector designs for modular-based trailers.

Mr. Britton concluded the presentation with compliments to the IGU team for their efforts and for the support of the community. The FNSB created an oil to gas conversion program with \$1 million of financing and has placed approximately \$2.3 million of COVID-related funds within that program. The State of Alaska appropriated \$1.25 million into the program, and for the first time, the Targeted Airshed Grants application process allowed for oil to gas conversions with funding of \$3.2 million into the program. Mr. Britton noted that cooperatively, IGU, the State, and the Borough applied for a separate Targeted Airshed Grant that includes a request for \$4 million of distribution piping expansion, in addition to the conversion funding request. The intent is to continue to offset costs associated with capital investment.

Commissioner Sande expressed appreciation for the information in the report. She believes it will be very helpful to the Legislature. Commissioner Sande is supportive of the efforts and believes it is a great example of how AIDEA serves and benefits Alaskans. She requested Mr. Britton state for the record, the ways in which partnering with AIDEA has been helpful to the program and to the Fairbanks community. Mr. Britton commented that the IEP has facilitated IGU's ability to complete the expansion and make gas available to more consumers in Fairbanks. The funding from the Legislature through AIDEA with the flexibility embedded in the financing agreement that allowed for the deferment of payments for 15 years and the low-cost interest rate is what allows IGU to make the early necessary investments in the infrastructure to allow for the expansion without putting a heavy burden of cost on the existing customer base. It allows for the savings to accrue to the community. Without that partnership, it would be extremely difficult for Fairbanks, because of its size and area, to build the utility infrastructure in order to expand to more customers. Mr. Britton discussed the level of concern regarding the challenges of the project and reaching the conversion goals. The project has shown that these goals and targets can be met. The benefits are real and substantial. Mr. Britton commented on the additional economic development benefit to the mechanical contractors and mechanical supply houses from the

installation of the 600 new service lines. This is in addition to the customer savings. Commission Sande reiterated that this project is a real success and partnership for AIDEA and for the staff that has worked behind the scenes in service to Alaskans.

Mr. Britton expressed appreciation to AIDEA staff for their assistance and excellent working relationship.

Chair Pruhs shared an overview of the historical background of AIDEA's working relationship with Mr. Britton and the purchase of Fairbanks Natural Gas (FNG), of which Mr. Britton was a minority owner. The intent was to eventually merge FNG and IGU. During the years that AIDEA owned FNG, Mr. Britton ran the business. After diligent work by AIDEA staff, the merger was completed to benefit the residents. Mr. Britton transitioned to manage the new company. The success of this project is due to the support from many entities; the community, the Borough, AIDEA, staff, the Administration, the bonding, and the Legislature. Chair Pruhs noted that much scrutiny will be applied to Mr. Britton's replacement, and he looks forward to working with IGU in the future. Chair Pruhs expressed appreciation to Mr. Britton for turning this challenge into a great opportunity and into a success story.

Mr. Britton commented that the many challenges that lie ahead can be faced together as a team. IGU is a community-owned gas utility, whose sole focus is to benefit the community. He believes the IGU Board has taken a good approach in finding his replacement.

Mr. Wilken expressed appreciation to AIDEA Board and staff for the invitation to present the report. He commented that as Board members and as leaders, there are seldom times in which there is the opportunity to work on a project that will continue to be in place 100 years after members are gone and will continue to provide benefit to the community of Fairbanks. Mr. Wilken highlighted that this project would not have come to fruition without AIDEA and key individuals. He expressed appreciation to Chair Pruhs for his leadership throughout the process. Mr. Wilken invited the Board to visit the facility. Chair Pruhs suggested that AIDEA Board and the IGU Board meet during the time AIDEA Board is in Fairbanks for the Energy Fair. There were no additional comments.

The Board took a brief at-ease.

6B. Resolution No. G23-04 AIDEA Regulations – Updates and Amendments

The Board reconvened its regular meeting. Chair Pruhs requested Randy Ruaro, Executive Director and Secretary-Treasurer, to present Resolution No. G23-04 AIDEA Regulations – Updates and Amendments. Mr. Ruaro introduced Tiffany Janssen, Commercial Finance Director, to provide additional information. Ms. Janssen discussed that this resolution refers to updating the regulations to reflect two terminology changes made in 2015 that have not been updated. The Federal Home Loan Bank of Seattle merged with the Federal Home Loan Bank of Des Moines. The new name is Federal Home Loan Bank of Des Moines. The relevant regulations that will be updated with the new name change are contained within the resolution.

Ms. Janssen informed that the "self-contained appraisal" terminology was also eliminated in 2015 under the Uniform Standards of Professional Appraisal Practice in favor of a more detailed standard for commercial appraisals. The relevant regulations that will be updated with the new

name change are contained within the resolution. Staff recommends approval of the resolution. There is no adverse effect to AIDEA with the approval of the resolution.

MOTION: A motion was made by Vice-Chair Kendig to approve Resolution No. G23-04, AIDEA Regulations – Updates and Amendments. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution No. G23-04 passed unanimously.

6C. Resolution G23-05 2023 FedEx Hangar, Lease Extension and Budget

Mr. Ruaro explained that the resolution authorizes the expenditure of up to \$16 million in improvements at the FedEx hangar, authorizes the application for, and receipt of, a 55-year lease from DOT, and authorizes the agreement of a 55-year lease with FedEx. He noted that staff has met with Craig Campbell, Ted Stevens Anchorage International Airport, and staff will be applying for the lease this week, upon approval of the resolution. Mr. Ruaro requested Brad Bigelow, Owned Assets Manager, to provide additional information. Mr. Bigelow discussed the resolution. He noted the life, health, and safety concerns listed in the memorandum. There is an existing AFFF fire suppression system in the building that was installed per FedEx requirements during the construction of the building in the early 1990s. He noted that per the EPA, PFAS can no longer be distributed after 2024. Staff recommends the MRO capital improvements as listed in Option 1 in Attachment A within the packet, which includes a Safespill floor, ILDFA. Mr. Bigelow provided a thorough overview of the items in Option 1, totaling \$15,476,800.

Mr. Bigelow explained that the current land lease expires January 1, 2027. After the DOT lease is authorized, negotiations will continue with FedEx regarding their 55-year lease, including a 30-day public comment period. Mr. Bigelow discussed that last year, FedEx was responsible for over 10% of the cargo landings at the airport. Mr. Bigelow expressed that this strong partnership is a wonderful opportunity for AIDEA, the City of Anchorage, and the State of Alaska. Staff supports the approval of this resolution.

Mr. Bigelow informed that the current hangar supports all of the FedEx air frames and does not need any modifications. He noted that FedEx is considering upgrades to their air frames and he has conducted initial early-on conversations with FedEx regarding the possibility of building a wing section on the front of the hangar.

Commissioner Crum inquired if the fire suppression system must meet FAA specifications. Mr. Bigelow noted that currently, there is no FAA or DOD MILSPEC stating what foam can replace existing materials. Commissioner Crum asked if all parties are confident that the proposed system will still be acceptable in five years with a different regulatory structure. Mr. Bigelow expressed confidence in Option 1 capital improvements with the Safespill floor. He noted that the National Fire Protection Association (NFPA) and FM Global support Safespill floors. Mr. Bigelow informed that the CEO of Safespill met with staff and toured the facility. Mr. Bigelow gave an overview of the project and noted that specifications were given to Mr. Ruaro to share with Chair Pruhs. Staff does not recommend Option 2.

Chair Pruhs asked if the municipal code or the State Fire Marshall provides any guidance regarding replacement of PFAS. Mr. Bigelow indicated that they are following the direction of

the EPA for no discharges after 2024. Chair Pruhs inquired as to the types of systems that are being approved for new building construction. Mr. Bigelow stated that he does not currently know and he would research the answer. Chair Pruhs asked if the proposal requires a complete facility code upgrade. Mr. Bigelow believes there will not be any code issues with the Fire Marshal. Chair Pruhs commented that Title 21 has changed twice since 1993. Chair Pruhs suggested that a code review is conducted, and that FedEx is made aware of the “subject to code approval” aspect. Mr. Bigelow agreed and noted that a code review on the facility is planned as part of the engineering portion of the proposal, alongside the appraisal. He explained that Option 1 includes flushing the pipe, but it does not include the extreme scenario or expense of pulling, capping, and hauling 9,000 feet of pipe out of state.

Commissioner Crum asked if the airport has indicated they would accept Option 1. Mr. Bigelow informed that conversations with the airport have occurred and they have not provided a definitive answer. The floor is NFPA-approved and has a useable life of 50 years. The plan will be submitted to the airport, the Municipality of Anchorage, and the State Fire Marshal. Chair Pruhs commented that the airport would typically defer to the State Fire Marshal and the local code.

Chair Pruhs asked if there is any PFAS contamination on the lease land. Mr. Bigelow indicated that PFAS is only in the pipe. Chair Pruhs inquired if it would be reasonable to have the undisturbed land around the facility tested, as is required on new lease lots, prior to the capital improvements. Mr. Bigelow stated no, that has not been raised in any of the conversations with the airport. He explained that there is no known PFAS contaminated ground soil in the footprint of the hangar or the water storage tank. The last test by FedEx was scheduled in 2018. There were no other questions.

MOTION: A motion was made by Vice-Chair Kendig to approve Resolution No. G23-05, 2023 FedEx Hangar, Lease Extension and Budget. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution No. G23-05 passed unanimously.

The Board took a brief at-ease.

6D. Resolution G23-06 BlueCrest Loan Modification/Extension

The Board reconvened its regular meeting. Mr. Ruaro informed that Resolution G23-06 modifies the BlueCrest Loan per the terms delineated in the memorandum. He requested Geoff Johns, AIDEA Chief Investment Officer, to review the information. Mr. Johns explained that BlueCrest is requesting one-year of interest only payments. The recommendation is consistent with the current modification, which is six months of principal interest of \$25,000 per month, plus corresponding interest payments, and is consistent with the remaining period of the modification for BlueCrest’s senior secured lenders, which expires August 1, 2023.

Mr. Johns discussed that the BlueCrest loan is current as of February 1, 2023. BlueCrest is in production and paying royalty taxes to the State of Alaska, as well as property taxes to the Kenai Borough. Staff believes the modification will allow BlueCrest to address and seek the items

highlighted in their most current plan of development. Mr. Johns informed that John Martineck, BlueCrest Chief Operating Officer, is in attendance and is available to answer questions.

Mr. Martineck expressed appreciation for AIDEA's support throughout the years. He indicated that BlueCrest would not be operable today had it not been for AIDEA's initial loan of \$30 million, of which \$17 million has been repaid. Mr. Martineck discussed that since he was before the Board in September, BlueCrest has met with investors and has retained three nondisclosure agreements. Negotiations, project reviews, and discussions regarding deal structures are underway and are significant at \$60 million to \$80 million on the oil project and \$350 million on the gas project.

Mr. Martineck discussed the impending gas problem within the Cook Inlet and highlighted last month's DNR presentation to the legislative Resource Committees, which asked for additional production. BlueCrest can answer this problem and is looking for the opportunity to bring their resources online. The rig will assist with increasing production. Additional funding will be needed for the offshore platform and pipeline. The current oil project with the AIDEA onshore rig has associated gas and BlueCrest sells gas to the utilities. Mr. Martineck informed that BlueCrest is asking for more time to secure the additional financing that is needed. He advised that BlueCrest has been diligent in their repayments. BlueCrest has never been late on a payment and has never missed a payment. Mr. Martineck explained that once the first couple of wells are in, the project will cash flow. The drilling plan is aggressive and includes five trident fishbone wells and a single trident well for the oil project.

Chair Pruhs asked for the anticipated production volume for the plan. Mr. Martineck indicated that up to 12,000 barrels a day of oil could be produced and up to a peak of 50 MCF per day of gas could be produced. Chair Pruhs asked how long BlueCrest can maintain that level of production. Mr. Martineck noted the 50 MCF per day is a peak production level, which would decrease over time. The project life is expected at 30 years. BlueCrest's two key gas reserves include approximately 400 BCF.

Commissioner Crum asked Mr. Martineck about BlueCrest's employee data. Mr. Martineck stated there are 22 employees in Alaska, who are Alaskan, and 7 employees in Texas. He explained that BlueCrest's preference is to hire Alaskan because it creates a more loyal workforce.

Mr. Eledge inquired as to the anticipated cost to return the rig up to operational standards. Mr. Martineck discussed that the budget includes approximately \$2 million to return the rig to service, to perform planned upgrades, and to complete the five-year maintenance program on the top drive. There were no issues with the top drive at the time it was cold stacked. Mr. Eledge requested additional information on BlueCrest's current business status compared to its status in September, beyond the interested investors. Mr. Martineck explained that the operations and the rig have remained the same. The focus has been steady on sourcing investors. He discussed that BlueCrest was substantially impacted when the State pulled the credits, which totaled \$105 million out of their budget. He noted that three companies, Furie, Glacier, and Buccaneer, went bankrupt. BlueCrest is moving forward with the effort to complete its drilling plan.

Mr. Eledge asked why BlueCrest did not include a principal payment in the ask. Mr. Martineck

stated that he views this period as an interest-only period. The previous modification included a principal payment and he is fine with a \$25,000 principal payment each month for the next six months, if that is the extension that is offered. He noted that any amount beyond that could jeopardize BlueCrest's business model cash flow. Mr. Martineck discussed that BlueCrest has the production to keep in business for a long period of time without receiving any additional outside investment. The goal is to secure the outside funding that is needed to finish the project and he believes that funding can be secured within the next six months. There were no additional questions.

MOTION: A motion was made by Vice-Chair Kendig to approve Resolution No. G23-06, approving the BlueCrest Loan Modification / Extension. Motion seconded by Mr. Fogle.

Chair Pruhs asked if the \$25,000 monthly principal payment was included in the terms. Staff agreed.

A roll call was taken, and the motion to approve Resolution No. G23-06 passed unanimously.

6E1. Resolution G23-07 Ambler Budget

Mr. Ruaro explained that the resolution contains two components. He requested Amy Adler, Acting Chief Financial Officer, to address the first component, and Mr. San Juan to address the second component. Ms. Adler explained that the resolution proposes an accounting effort to consolidate three active Board resolutions that provide budget for the Ambler Project with a 50/50 split with Ambler Metals. The consolidation will assist in accounting and tracking by fund source, as well as finance tracking by work task. This change will enable the development of meaningful tracking and reporting efforts.

Chair Pruhs commented on previous discussions with Ms. Adler regarding project accounting, cost codes, and phase codes reporting. He asked for the status of that effort. Ms. Adler noted the reports discussed will be implemented with the current accounting system as a broader accounting project. A demo of the current accounting system will be tested to determine if it will meet the needs. Otherwise, staff will pursue an alternative project management software.

Chair Pruhs read Resolution G23-07 for the record; Resolution of the Alaska Industrial Development and Export Authority relating to the development of the Ambler Project through the consolidation of previously approved project funding Resolutions G20-19, G21-09, and G22-03 in order to record project expenditures by fund source.

Mr. Vivlamore requested confirmation that this resolution merges the three previous resolutions and does not authorize new spending. Chair Pruhs agreed.

MOTION: A motion was made by Vice-Chair Kendig to approve Resolution No. G23-07 Ambler Budget. Motion seconded by Mr. Fogle.

A roll call was taken, and the motion to approve Resolution No. G23-07 passed unanimously.

6E2. Ambler Work Plan and Budget

Chair Pruhs requested Mr. San Juan to present on the Ambler Work Plan and Budget. Mr. San Juan discussed that the Ambler Work Plan and Budget corresponds to the consolidation of the resolution passed in the previous item. Each task was tied to a budgetary source. He noted that AIDEA and Ambler Metals will each pay 50% of the costs for the Ambler Access Project. The information contained in the Board packets shows the allocation by major work task of the budget funds and shows the most current budget approved on February 14, 2023.

Mr. San Juan indicated that the existing funds will be utilized to pursue a full field season of activities previously halted by and now approved by Bureau of Land Management (BLM). The planned field activities for 2023 are shown on slide 15 of the presentation. These include conducting cultural resource surveys, clearing the landing zones, conducting hydrological and hydraulic investigations for the bridge designs, and conducting all fish habitat surveys. Mr. San Juan corrected the presentation and noted that all fish habitat surveys will be conducted, not just the MP 58-130. He discussed another planned activity is to adopt planning efforts to conduct geotechnical investigations.

Commissioner Crum clarified that the February 14, 2023 letter indicates that the full field season of activities is currently approved by BLM. He asked if the work plan presented today must get additional approval by BLM. Mr. San Juan explained that BLM sent a letter in January stating that the activities that were conditionally approved in 2022, which are the activities listed on slide 15, can move forward until completion.

Chair Pruhs requested an update on the status of right-of-way permits. Mr. San Juan informed that staff is still working with State Department of Mining and Land. They are currently adjudicating the right-of-way permit. Additional information should be revealed in the second quarter. Chair Pruhs asked for a specific answer regarding when the right-of-way permit will be obtained. Mr. Ruaro commented that DNR has not answered specifically as to an issue date. They have indicated the issue date will be soon. Staff will communicate with the new Commissioner to request the issuance as a priority. Mr. Ruaro indicated that staff will also pursue the opportunity to use one of the statutes to have the land transferred to AIDEA, along with the materials.

Chair Pruhs requested an update on the communications with NANA, North Slope Borough, and Doyon. Mr. Ruaro discussed that staff has met with NANA. He will meet with Doyon tomorrow to develop a working group to address issues such as function and the issuance of private land permits. Chair Pruhs commented that the budget was based on 2020 pricing, and since then, there have been cost structure changes with increased inflation. He asked how the cost structure changes are reflected in the budget and if there is a reduction in scope.

Mr. San Juan noted that only the critical path items, based upon BLM's approval, are moving forward at this point. The budget is \$70 million. The initial plan, that did not occur, was for a \$30.8 million budget in 2022, and the remainder of the budget in 2023. One issue is that the geotechnical investigations were unable to be conducted and there is a not a baseline trend of the cost. The costs are increasing, but the amount of the increase is unknown because the approval has not been given to move forward. The hydrological and hydraulic investigations will occur

this year. Mr. San Juan discussed that the cost of the cultural resource inventories has remained relatively stable. The biggest variables in cost increases are the helicopters and the cost of fuel. The helicopters for this field season have been secured. Mr. San Juan will provide the cost increases across the budget. Chair Pruhs emphasized the importance of understanding the effects of inflation and the cost increases on the different aspects of the plan.

Commissioner Crum verified that this is the same budget as last year, without the geotechnical line item, and that funding is being used for the new pathway this year. Mr. San Juan agreed and explained that funding has been removed from geotechnical, from wetland delineation studies, and from topographic and boundary surveying. Work that impacts the surface is not allowed.

Chair Pruhs asked what time of year the project budget analysis is conducted. Mr. Ruaro noted the goal is to have the cost estimates completed in the fall and the analysis completed by December 15th. Chair Pruhs requested that the costs are tracked each year as the project progresses. He noted that some costs like fuel, freight rates, and labor rates cannot be controlled.

Mr. Fogle expressed appreciation for the information presented. He commented that it seems like the project was behind this time last year, as well. Mr. Fogle asked staff's realistic expectation regarding when the work can begin. He believes that for this project and for the 1002 project, AIDEA should be pushing the extremes because the federal government is not playing fair. He asked what action is being taken that will push the project forward to its maximum this year. Mr. San Juan noted that the schedule is to be in the field in May and to continue the planned activities approved by BLM until their completion. Mr. Fogle suggested that work continues on State and private lands, beyond the planned BLM approved work.

Mr. Ruaro discussed that AIDEA is pressing the issue in the Courts where BLM has said they control State and private land. NANA and Doyon have joined AIDEA in that matter. Staff is pushing for Court relief. The villages want the work to start. Staff is building an awareness in the villages regarding this issue and staff will keep the pressure on BLM to get out the way and let the work continue. Chair Pruhs informed that the sooner a decision is made by the local court the sooner it will go to the 9th Circuit Court, and the sooner it will go to the Supreme Court for the final right decision.

Mr. Fogle emphasized the importance of planning in the fall and not trying to catch up in the spring. Mr. Ruaro agreed. There were no other questions or comments.

7. DIRECTORS COMMENTS

7A. Update Skagway Ore Terminal

Mr. Ruaro discussed that the Skagway Ore Terminal is being transitioned to the City and Borough of Skagway effective March 17, 2023. According to the AIDEA lease, AIDEA has the right to remove and recover any equipment and fixtures. An AIDEA team will travel to Skagway next week to take an inventory of the equipment and fixtures. Items of value will be recovered and stored. Their final disposition will be decided later.

7B. Loan Dashboard Report

Mr. Ruaro informed that the Loan Dashboard Report is included in the packet.

7C. Predevelopment Projects Quarterly Report

Mr. Ruaro informed that the Predevelopment Projects Quarterly Report is included in the packet. Mr. Fogle commented that the predevelopment projects are listed twice in the information online.

7D. Development Project Fact Sheets

7F. Next regularly scheduled AIDEA Board Meeting Tuesday, April 11, 2023

8. BOARD COMMENTS

Commissioner Crum requested Mr. Ruaro to research if there is an outstanding policy at AIDEA and/or statutory preclusion regarding AIDEA funding or helping to develop mixed use sites, such as the ground floor of a building used for a commercial entity and the top two floors used for residential. Commissioner Crum commented that conversations have occurred in the Legislature and parties understand that one of the limitations in Alaska for economic development and new families moving to the state is the lack of inventory on housing. He discussed the unique situation in Anchorage, with nine years of net out-migration and one of the highest median home prices in the country. Inventory is a very big issue. Commissioner Crum hopes that the possibility of funding mixed use sites could be addressed by AIDEA and/or in partnership with Alaska Housing Finance Corporation (AHFC). He noted that if changes in the statutory language are necessary, he and Commissioner Sande would gladly advocate for those changes.

Mr. Ruaro commented that staff has begun the internal review of the mixed use site issues. He spoke with Bryan Butcher, AHFC, yesterday, and a meeting will occur next week. Mr. Ruaro indicated that before the next Board meeting, staff can provide a report to the Chair and members on the issue.

Commissioner Crum expressed appreciation to Mr. Ruaro. He indicated that another item of conversation with legislators is the danger of existing spills and legacy spills in the state, particularly around military sites where there may or may not be a known liable source for the long-term. This danger is blocking development in Alaska. He discussed that it is very difficult and unaffordable to build housing or disturb the ground in the Fairbanks area because of existing spills. Commissioner Crum asked if AIDEA could get project buy-in and help with site clean-up. He asked if that would be outside of AIDEA's scope or if legislative action would be necessary. Commissioner Crum commented that the EPA continues to lower specifications beyond the limits of detection. He noted that it is not a reasonable expectation for the private sector to build clean-up into their project costs.

Mr. Ruaro informed that DEC received a \$19 million grant to clean up PFAS in rural areas. He believes that could be a start of a program. Mr. Ruaro suggested that discussions occur with DOT, since airports are a focused location of material use. He suggested the possibility that the Governor would want to create a workgroup on this big issue, consisting of the different agencies that are involved.

Chair Pruhs discussed that pollution, whether hydrocarbon or PFAS, follows the land owner. It is important to have baseline identification. He believes if there is a baseline identification, then AIDEA is not responsible. AIDEA can still make the decision to invest or to finance a project. The pollution may have a mitigating effect on the value of the property and the debt/equity ratios. He commented that it is very expensive to test for PFAS.

Vice-Chair Kendig asked if State and local governments are exempt from liability from contamination liability. He shared an anecdote in which the Municipality of Anchorage was exempt from liability. Chair Pruhs commented on a recent ordinance in Fairbanks for an exemption from the PFAS contamination in the groundwater in part of the town. He does not know if the ordinance will stand at the federal level. Chair Pruhs commented on the possibility of the passage of a State statute that exempts State entities or agencies. He noted that Congress may take actions for exemptions as well, because of the problems. Mr. Ruaro advised that there are currently bills in Congress regarding this issue. He will keep the Board apprised of their status.

Commissioner Sande thanked Mr. Ruaro and the team for their remarkable efforts in taking a leading role to spur economic development. She acknowledged the important information discussed today regarding IGU and the IEP. Commissioner Sande hopes that staff will reflect on the successful ways AIDEA is instrumental in serving Alaskans. She appreciates AIDEA's mission for many reasons, including the ability to be nimble and creative in helping Alaskans. One example of this was the AK SHIP Program financing. She encourages the reevaluation of the mission to ensure AIDEA can meet the critical needs for economic development, particularly as it relates to solutions for housing needs and workforce development.

Chair Pruhs requested additional information on how the banks view AIDEA's potential involvement in a different business line. Commissioner Crum indicated that he has not asked the banks for their views and he has not heard that there are any concerns. Commissioner Sande noted that any action AIDEA takes will prompt responses. The needs of Alaskans are forefront for AIDEA. She reiterated that communities are pleading for help and relief regarding housing, which is directly tied to workforce and economic development. She hopes the conversations will continue, despite any criticism or concerns expressed by any one industry.

Commissioner Crum commented that his discussions with legislators indicate that there is unity in seeking concurrent pathways to economic development and housing. He expressed appreciation to Mr. Ruaro for connecting with Alaska Housing for continued discussions on a successful process.

Commissioner Sande expressed appreciation for the Governor's support in encouraging these conversations and expecting solutions from the subcabinet. She commended DNR Commissioner John Boyle for his involvement in discussing the specific challenges and in finding solutions.

Mr. Fogle commented that it is challenging for employers to find and keep good talent in the state. He believes the perception is that there is more economic opportunity in the Lower 48 than in Alaska. That perception needs to change to keep Alaskans in the state and to attract talent from outside Alaska. He expressed appreciation to Mr. Ruaro for his willingness to address the important state issues and to move the process forward. He thanked staff for their efforts.

Mr. Eledge expressed appreciation to staff. He commented that it is refreshing that the staff members understand more than their subject area and are able to provide important background information to the Board.

Chair Pruhs inquired on the mixed-use financing issue as to the reasons that private industry is not stepping up to engage. He believes it is important to understand these issues as the process continues. He asked if there are certain areas of the state that are more critical, in terms of timing, or if the challenges are statewide. This information is important to determine AIDEA's involvement. Chair Pruhs thanked Mr. Ruaro and staff for the great information and great effort during today's meeting. He expressed appreciation to both Commissioners for their attendance, as their insight from a statewide perspective and the Administration is invaluable in order to make the best decisions for the state and its residents.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 2:38 pm.



Randy Ruaro, AIDEA Executive Director

Secretary