

Alaska Industrial Development and Export Authority  
BOARD MEETING MINUTES  
Wednesday, October 23, 2024  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on October 23, 2024, at 7:59 am.

**2. ROLL CALL BOARD MEMBERS**

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

Members absent: Albert Fogle (Public Member). A quorum was established.

**3. AGENDA APPROVAL**

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

**The motion to adopt the agenda passed without objection.**

**4. PRIOR MINUTES – September 11, 2024**

**MOTION: A motion was made by Vice-Chair Kendig to approve the Minutes of September 11, 2024. Motion seconded by Mr. Eledge.**

Mr. Eledge asked Randy Ruaro, Executive Director, if any soft costs associated with the implementation of the savings from the Navision IT upgrades were included in the approved Resolution No. G24-10 under Item 6C. Mr. Ruaro responded that he believes there are savings. He noted that the task is assigned to Brandon Brefczynski, Deputy Director, and that Mr. Brefczynski could answer the question more fully.

Chair Pruhs explained his definition of soft costs include labor, parts, equipment, and third-parties. He asked if those soft costs are being captured along with the capital costs.

Mr. Brefczynski agreed there will be savings in terms of improved efficiencies to workflows. The hope is to integrate the new system so that there is one system, rather than multiple different platforms. Additionally, the enterprise resource platform avoids the costs of paying certain types of fees, totaling approximately \$125,000 of savings, and has the potential of further reduction of fees.

Mr. Eledge asked if any soft costs associated with the upgrade will be captured. Mr. Brefczynski discussed that the new system will improve efficiency of staff time through automating certain workflows. He noted that Leonard Robertson, IT Director, is available to speak to the technical details of the efficiencies of the system. Mr. Eledge clarified if any soft costs were included associated with the cost of implementing the upgrade. Mr. Brefczynski explained that the contractor's cost encompasses training and implementing the system into the current system. Mr. Eledge noted that Mr. Brefczynski's response does not answer the question.

Vice-Chair Kendig asked Mr. Brefczynski to explain how the soft costs will be captured. Chair Pruhs asked if there is a cost code or a capture system, separate from the capital costs, that capture the soft costs of staff time and third-party costs, for example, and that capitalize those costs at the end of the project. Mr. Brefczynski does not believe that certain costs under a specific threshold will be capitalized. He explained there will be a cost code for implementing the system, and both AIDEA and Alaska Energy Authority (AEA) will account for their time and costs according to the split. Any customization costs will be borne by the particular entity. Mr. Eledge expressed appreciation to Mr. Brefczynski for the savings. There were no other questions.

**The motion to approve the Minutes of September 11, 2024 passed without objection.**

Chair Pruhs noted that Commissioner Crum has joined the meeting at 9:08 a.m.

## **5. PUBLIC COMMENTS**

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

Chair Pruhs noted that written public comments were received. Raymie Hamann, AIDEA, indicated that the written public comments were emailed to members yesterday. There were no additional comments.

Chair Pruhs requested Randy Ruaro, Executive Director, to introduce individuals who are present today. Mr. Ruaro introduced Leonard Robertson, AIDEA IT Director. Mr. Robertson gave a brief description of his professional background. Mr. Ruaro introduced members of the Alaska Energy Authority (AEA) Board attending the meeting: Clay Koplín and Duff Mitchell. Mr. Koplín commented that he is Chair of AEA. However, he is attending today's AIDEA meeting as a representative and CEO of Cordova Electric Cooperative. He was invited to today's meeting by Hewlett Packard Enterprise and Greensparc to speak of the community impact of their data work in Cordova.

Chair Pruhs indicated that he is the former Chair of AEA, and he offered to answer any questions that Mr. Koplín may have. There were no other comments or questions.

## **6. NEW BUSINESS**

**MOTION: A motion was made by Vice-Chair Kendi to enter into executive session for the purpose of discussing the following: AIDEA finances, ANWR, HEX Cook Inlet Gas, Ketchikan Shipyard, and other matters related to AIDEA, and matters that are subject to specific legal advice which is subject to the attorney-client privilege. These matters, which**

**if discussed publicly, could have an adverse effect on the finances of AIDEA, are matters that are attorney-client privileged, and matters involving consideration of issues that by law are not subject to public disclosure due to the executive or deliberative process, privilege or other law. The executive session and matters discussed therein are proper subjects for an executive session under the Alaska Open Meetings Act, reference Alaska Statute 44.62.310 (C)(1), (3), and (4), and the Alaska Public Records Act. Motion seconded by Mr. Eledge.**

**A roll call was taken, and the motion to enter into Executive Session passed unanimously.**

**6A. EXECUTIVE SESSION: 9:12 am. Confidential and deliberative matters related to AIDEA's Finances, potential project investment opportunities, HEX Cook Inlet, review of owned facilities, AIDEA communications and outreach program, litigation, and other matters which are subject to the deliberative process privilege, including matters subject to the attorney-client or privilege. These matters are proper subjects for an executive session under the Alaska Open Meetings Act. AS 44.62.310(c)(1), (3), and (4), other state laws, and the Alaska Public Records Act.**

The Board reconvened its regular meeting at 12:39 pm. 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.

**6B. Resolution No. G24-11 ANWR**

**MOTION: A motion was made by Vice-Chair Kendig to approve Resolution G24-11, Resolution of the Alaska Industrial Development and Export Authority relating to the evaluation and potential submission of bids for the Coastal Plain Alaska Oil and Gas Lease Sale. Motion seconded by Mr. Eledge.**

Mr. Ruaro explained that the resolution authorizes the executive staff to perform due diligence, review and possibly submit bids for the next Arctic National Wildlife Refuge (ANWR) lease sale, encumbering no more than \$20 million to pay for any project expenses. This resolution mirrors previous resolutions approved by the Board. The sale is due by federal law in December 2024.

Chair Pruhs requested Mr. Ruaro provide an update on the due diligence and recommendations for the final investment at the December AIDEA meeting. Mr. Ruaro agreed.

Mr. Eledge asked if there is a possibility that the Administration can pull back the sale. Mr. Ruaro explained that the Agency intends to hold the sale and acknowledges the deadline established in federal statute. The concern of staff regards possible Bureau of Land Management (BLM) or Department of Interior (DOI) conditions or overlays of zoning of land use that would prohibit development in ANWR. He explained that the Gwich'in Tribe requested a layer of zoning placed over virtually all of ANWR as a caribou habitat zone or a culturally significant zone for the Gwich'in. Mr. Ruaro indicated that this is probably contrary to the federal statute for an oil and gas program in ANWR in the 2017 Tax Cut and Jobs Act. There were no other

questions.

**A roll call was taken, and the motion to approve Resolution G24-11 passed unanimously, with Commissioner Sande absent.**

**6C. Resolution No. G24-12 HEX**

Mr. Ruaro explained that Resolution No. G24-12 authorizes the pursuit of revolving loan terms in a maximum amount up to \$50 million with HEX for each distinct phase of drilling, which will be considered as separate requests with individual due diligence. The interest rate is 10% and the term is up to five years. Staff believes each work item can be managed discreetly as it comes forward. The current work item before HEX is two sidetrack wells.

Chair Pruhs requested details regarding the proposed loan terms. Mr. Ruaro noted that staff recommends a 1% origination fee and 50 basis points per year afterwards. HEX will have cash flow requirements and monitored regular reporting for the project segments.

Chair Pruhs asked for the timeline for closing. Geoff Johns, CIO, indicated that the closing date will be no longer than 30 days from the resolution's passage. Mr. Johns emphasized that HEX Cook Inlet was a previously AIDEA borrower approximately four years ago with a \$7.5 million loan. That loan was paid off approximately eight months early. HEX has proven to be credit worthy and a good borrower and partner for AIDEA. There were no additional questions.

Chair Pruhs requested John Hendrix, CEO HEX Cook Inlet / Furie Exploration, to provide comments for the record. Mr. Hendrix gave background that HEX acquired Furie in 2020. Due to the original AIDEA loan and working with other Alaskans, HEX has proven that Alaskans can successfully run an oil and gas company in Alaska. Mr. Hendrix informed that 10 near-bore targets have been identified that could be drilled, with the possibility of additional targets. He is confident that HEX can deliver gas for Alaskans. Mr. Hendrix discussed the current drilling endeavors. AIDEA's funding will be utilized to target wells that could deliver within the next couple of years.

Chair Pruhs asked Mr. Hendrix for the anticipated volume increase of current daily production. Mr. Hendrix discussed the current level is 5%, and this request is expected to double the output level to 10%, and possibly to 15%. The development plan is a staged approach, with plans to harvest the nearest gas. Rig availability, Cook Inlet supply and infrastructure are ongoing impediments. Mr. Hendrix discussed there is an application pending with Department of Natural Resources (DNR) for royalty equalization. However, the biggest current challenge is weather. Mr. Hendrix highlighted that accessing the Cook Inlet reserve facilitates additional gas for the consumers in Southcentral Alaska and could delay the Cook Inlet shortage until 2039.

Mr. Eledge asked if the access is from the platform. Mr. Hendrix agreed, and noted the projected drilling area is within a three-mile radius of the platform. There were no other questions.

**MOTION: A motion was made by Vice-Chair Kendig to approve Resolution G24-12, Resolution of the Alaska Industrial Development and Export Authority approving a**

**development project financing revolving line of credit under AS 44.88.172 to HEX Cook Inlet LLC to increase Cook Inlet natural gas production and supply. Motion seconded by Mr. Eledge.**

**A roll call was taken, and the motion to approve Resolution G24-12 passed, with Commissioner Sande absent.**

**6D. Resolution No. G24-13 AIDEA Retention of Outside Counsel / Federal Overreach**

**MOTION: A motion was made by Vice-Chair Kendig to approve Resolution G24-13, Resolution of Alaska Industrial Development and Export Authority approving the retention of outside counsel and initiation of litigation to address unlawful federal overreach severely impacting its projects and mission. Motion seconded by Mr. Eledge.**

Mr. Ruaro explained that the resolution outlines several actions taken by the federal government related to the Ambler Road Project and leases in ANWR that describe how those actions are illegal and inconsistent with federal law. The resolution authorizes the executive team to push back on these actions through litigation, if necessary, and establish this as a policy of the Board. The resolution places the policy position of AIDEA on record as opposing the listed actions by the federal government and gives the authority to AIDEA to litigate those actions. If AIDEA wanted to change this policy, it would need to come back before the Board.

Chair Pruhs asked for the expected budget. Mr. Ruaro noted that expense amounts are difficult to estimate. The current Biden Administration would yield a protracted litigation scenario, due to their opposition of development in ANWR and opposition of development of the Ambler Road. In contrast, the former Trump Administration is supportive of development in ANWR and is likely supportive of mining and the Ambler Road.

Chair Pruhs asked if this resolution circumvents the State Department of Law (DOL) of taking the lead. Mr. Ruaro explained that AIDEA has been working with the DOL regarding the litigation. Currently, AIDEA has separate statutory authority to litigate these cases. He commented that DOL has an opportunity to be the lead on the cases. The resolution allows AIDEA to move forward with the litigation, but it does not require that AIDEA is the lead.

Chair Pruhs requested clarification that staff is supporting passage of the resolution without a delineated budget, without knowing who will take the lead, and without knowing the length of time the effort will persist. Mr. Ruaro explained the intent of the resolution is to harden AIDEA's position that AIDEA will participate in litigation against the current efforts of the current federal government. Mr. Ruaro noted that staff will be in discussions with the DOL and will be watching the national elections. He explained that if this resolution passes, a Board majority would be needed to drop out of the litigation defending the projects.

Chair Pruhs requested information regarding the active litigation. Mr. Ruaro explained there is active litigation regarding the lease cancellation, with both internal counsel and external Birch Horton counsel. The budget is \$500,000, and this resolution would be included within that budget.

Chair Pruhs commented that he certainly opposes the current actions of the federal government, however, he is uncomfortable with open-ended legal fees without the Board's understanding and approval of the plan.

Mr. Ruaro noted that staff could come back before the Board and present budget estimates at the next meeting.

Chair Pruhs agreed, and requested staff resolve the issue with the DOL regarding who is the lead on the cases. Mr. Ruaro agreed.

**MOTION: A motion was made by Vice-Chair Kendig to table Resolution G24-13 until the November 7, 2024 AIDEA Board meeting. Motion seconded by Mr. Eledge.**

**The motion to table was approved with no opposition.**

**6E. Resolution No. G24-14 AIDEA Loan Guaranty Pilot Program and Presentation**

Chair Pruhs noted that Item 6E. is postponed to allow staff the opportunity for additional due diligence. Mr. Ruaro agreed. There were no comments or questions.

**6F. AGDC Presentation**

Frank Richards, President of Alaska Gasline Development Corporation (AGDC) discussed the included PowerPoint presentation. The AGDC is a State corporation created by the Alaska Legislature in 2013 specifically to commercialize the North Slope natural gas assets for Alaskans. Mr. Richards reviewed the full Alaska Liquefied Natural Gas (LNG) project includes a conditioning plant on the North Slope, an 800-mile pipeline, and a liquefaction export facility. The project is fully designed. The federal permits have been received. The Biden Administration recently defended the authorizations from the Trump Administration. The initial Phase 1 of the project is the building of the 800-mile pipeline from the North Slope to Southcentral Alaska designed to supply Alaskans with LNG. Phase 2 of the project is the construction of the North Slope gas treatment and LNG export facilities.

Mr. Richards discussed the economic benefits of the project for Alaskans, for new industries and industrial customers within Alaska, and for export. He explained that the project was designed and is permitted for a 42-inch diameter pipeline. The project can flow up to 3.3 billion cubic feet (BCF) at 1480 pounds per square inch (PSI), and includes eight compressor stations. Mr. Richards highlighted that Alaskans only require a small portion of the pipeline capacity. The future anchor customers including the LNG plant, large-scale data centers, and blue ammonia exports would utilize a significant amount of the gas. The result of this volume discount would lower the cost for Alaskan consumers. Ancillary economic benefits include the jobs for constructing and operating the project, as well as the opportunity for further gas exploration activity on the North Slope. Additionally, when the project is fully operating, the Legislature established for a revenue stream mechanism to help reduce the energy costs for communities that do not have direct access to the pipeline.

Mr. Richards reviewed the Phase 1 timeline could launch as early as the end of this year, and begins with the Front End Engineering Design (FEED), cost estimates, and offtake agreements. The construction period is expected to begin in the 2026/2027 calendar, with the delivery of first gas for Alaska estimated for 2031, as noted on page 5 of the presentation. Mr. Richards explained that the Legislature gave the direction to AGDC to conduct a third-party validation of the project economics and the benefits to the State of Alaska, after which a decision would be made to collaborate on the FEED for Phase 1 of the Alaska LNG Project. Wood Mackenzie was selected and has completed the independent analysis. Their report will be presented to the Legislature and to the public next month. Mr. Richards previewed the findings that the gross value added economics of the project represents from \$10 to \$17 billion to the State of Alaska over the life of the project. AGDC is currently raising equity capital to provide for a FEED backstop with a pipeline operator for up to \$50 million.

Chair Pruhs asked who will provide the gas going into the pipeline, and if it must be conditioned. Mr. Richards discussed that there are multiple sources with gas sale precedent agreements. He gave a high-level overview of the high carbon dioxide (CO<sub>2</sub>) content of the gas on Prudhoe Bay. The Alaska LNG Project has a treatment design to reduce those levels to LNG quality specifications for consumers and utilities. Mr. Richards noted that Point Thompson has less CO<sub>2</sub> levels, and new finds on the North Slope have indicated little CO<sub>2</sub>, which could go directly into the pipeline for Alaskan use.

Chair Pruhs asked how many years of the product with little CO<sub>2</sub> is anticipated. Mr. Richards reported that the prospect has about 15 to 20 trillion cubic feet (Tcf) of gas. At Alaska's stated need of 200 million standard cubic feet (MMcf) per year, there would be supply for 100 years. The current price sale precedent agreement has a price of less than a dollar per million British thermal units (MMBtu).

Mr. Richards continued the presentation and reviewed the charts prepared by Wood Mackenzie.

Mr. Eledge requested additional information regarding the low-carbon blue ammonia for export. Mr. Richards explained one example is the Agrium ammonia facility in Nikiski that is closed due to lack of supply. He noted that Agrium would like to produce low-carbon ammonia, and refurbish their plants with reformers and carbon capture units. Mr. Richards highlighted additional examples of memorandums of understanding (MOUs) with Japanese companies, Hilcorp, and other companies in the state for new ammonia production in Nikiski from North Slope gas. He noted that in the areas around Cook Inlet, there is the potential for 50 gigatonnes (Gt) of carbon sequestration. Mr. Richards explained the CO<sub>2</sub> processes and plans for the North Slope.

Mr. Richards discussed the prospects for the project gas supply. He informed that the new developer Great Bear Pantheon is located about 20 miles south of Prudhoe Bay and has an unconventional oil and gas find that is not yet in development. AGDC has a gas sales precedent agreement with Great Bear Pantheon. Additionally, AGDC is negotiating the initial supply agreements from current producers in Prudhoe Bay, Point Thompson, and the satellite fields. Mr. Richards concluded his presentation relaying that the Biden Administration is supportive of the authorization for natural gas.

Chair Pruhs suggested that the bids obtained from the engineering, procurement, and construction (EPC) contractors to conduct the FEED require that the EPC contractors define and clearly delineate the costs. This would provide more surety in terms of the actual costs to maintain the effort, as opposed to the proposed cap of up to \$50 million.

Mr. Eledge asked if the project permit restricts the number of offtakes. Mr. Richards explained the Federal Energy Regulatory Commission (FERC) permit includes offtakes and does not restrict the number. If an offtake is economically and commercially viable, AGDC will provide the offtake. Mr. Eledge expressed his understanding that the long-lead time federal permits are established. He asked which State permits are still needed. Mr. Richards discussed that the State permits are primarily shorter duration tactical right-of-way permits, including Title 16 permits. Those permits will be developed and ready for execution within the FEED process. There were no other comments or questions.

## **7. DIRECTORS COMMENTS**

### **7A. Project Updates**

Mr. Ruaro discussed that the status of Ambler remains as it has been over the last several months with a suspended and revoked right-of-way permit, and a no-build finding by the DOI. This is directly contrary to several statutes in Alaska National Interest Lands Conservation Act (ANILCA). Staff is preparing to push back on that decision. Outreach continues with the Subsistence Advisory Committee (SAC). Meetings occurred during the recent Alaska Federation of Natives (AFN) convention with five or six local communities who are supportive of the project, jobs, economic development, and strong protections for subsistence.

Mr. Ruaro reiterated that the ANWR oil leases were canceled by the Biden Administration. Preparations are ongoing for a second lease sale in late December 2024. The resolution the Board passed today allows the executive team to perform due diligence and potentially bid on leases in the upcoming sale.

Mr. Ruaro discussed that the West Susitna Project field season was completed. AIDEA anticipates filing for a Corps permit within the next 30 to 60 days. Per congressional guidelines, the National Environmental Policy Act (NEPA) process must be completed in two years or less.

Mr. Ruaro commented that the Red Dog extension road is not an AIDEA project. However, staff is following the project, as relates to the use of the AIDEA DeLong Mountain Transportation System. The Red Dog extension road project has been delayed. The permit was requested in 2018, and has not been granted. The delay will create timing issues for the mine to permit and build mining operations on State land to the northwest. There were no questions.

### **7B. IT Update (Navision)**

Mr. Ruaro invited Mr. Robertson and Mr. Breczynski to address the IT Update. Mr. Robertson informed that the Navision system is currently used with on-premise equipment. Updates to that version within the new ERP platform are ongoing. The budget systems of AIDEA and AEA will



be bifurcated for better transparency. Vendor selection has occurred, and meetings have been held with both agencies to ensure the upgrades align with their unique needs and a smooth transition of data can be achieved. Staff will continue to provide updates to the Board during this process. The new system is expected to go live for fiscal year beginning July 1, 2025.

Chair Pruhs expressed his jaded opinion that software developers know the system weaknesses and loopholes. Mr. Robertson highlighted that insider and supply chain security issues are on his radar.

Mr. Eledge asked how long the new roll-out will be effective before additional software upgrades are necessary. Mr. Robertson explained the current build-out is the first part of the process. The second part of the process over the next year is to lift into a cloud platform as a service model with the ability to code the applications. Mr. Eledge commented that he anticipates this to be a future profit opportunity for the software company. Mr. Robertson explained that the previously on-premise software will no longer be supported by the software company. This platform movement will integrate a long-term support model with an annual fee that includes automatic annual software upgrades. Mr. Robertson noted that AIDEA's IT expert team will ensure that the data is maintained. There were no other questions.

**7C. Loan Dashboard Report – Included**

**7D. Board Resolution Report - Included**

**7E. Statistics Summary: Small Business Economic Development and Rural Development Initiative Fund Loan Programs - Included**

**7F. Next regularly scheduled AIDEA Board Meeting Thursday, November 7, 2024**

## **8. BOARD COMMENTS**

Vice-Chair Kendig expressed appreciation to staff for their diligent work.

Commissioner Sande echoed the comments of appreciation to staff.

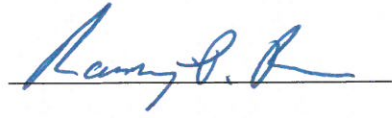
Mr. Vivlamore echoed the comments of appreciation to staff. He will attend the next meeting in-person.

Chair Pruhs echoed the comments of appreciation to staff and to members of the Board.

## **9. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 2:00 pm.

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A handwritten signature in blue ink, appearing to read "Randy R.", is written over a horizontal line.

Randy Ruaro, AIDEA Executive Director

Secretary