



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Friday, March 29, 2013
Anchorage, Alaska; Tucson, Arizona; and NeiHu, Taiwan

1. CALL TO ORDER

Vice-Chair Commissioner Bell called the meeting of the Alaska Industrial Development and Export Authority to order on March 29, 2013, at 10:03 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present in Anchorage: Vice-Chair Susan Bell (Commissioner, Department Commerce, Community, and Economic Development); Bryan Butcher (Commissioner, Department of Revenue); Wilson Hughes (Public Member); and Robert Sheldon (Public Member).

Members participating via teleconference: Ron Arvin from NeiHu, Taiwan (Public Member) and Gary Wilken from Tucson, Arizona (Public Member).

3. AGENDA APPROVAL

The agenda was approved.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Anchorage: Ted Leonard (Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Jim Hemsath (Deputy Director-Project Development and Asset Management); Valorie Walker (Deputy Director-Finance); Mike Catsi (Business Development and Communications Officer); Karsten Rodvik (Project Manager-External Affairs); Chris Rutz (Procurement Officer); Jim Strandberg (Energy Development Finance Officer); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

Public present in Anchorage: Cory Borgeson and Bill Nordmark (Golden Valley Electric Association); Dave Devine and Dennis Fenerty (Groh Eggers); Mark Gardiner (Western Financial Group); Jerry Juday (Department of Law); Meera Kohler (Alaska Village Electric Co-op); and Sunny Morrison (Accu-Type Depositions).

Public present via teleconference: Lisa Ross (Birch Horton Bittner & Cherot).

5. PUBLIC COMMENTS

There were no public comments.

6. PRIOR MINUTES - Jan 10 and Feb 15, 2013

The minutes from January 10, 2013 and February 15, 2013 were adopted as presented.

7. NEW BUSINESS

7A. Resolution No. G13-07 Lik Deposit Transportation System (LDTS) - Authorizing a Cost Reimbursement Agreement

Mr. Leonard said the next three resolutions will allow AIDEA to enter into contracts to look at due diligence for the expansion of the DeLong Mountain Transportation (DMTS) project and two Skagway projects. He asked Mr. Hemsath to provide background and answer questions. Mr. Hemsath reviewed Resolution No. G13-07.

Mr. Wilken asked if the 20-mile road will be public or private. Mr. Hemsath said staff are not at the point of knowing who will finance the road and don't know whether it will be public or private. Mr. Wilken asked when this determination will be made. Mr. Hemsath said probably in 2014. Mr. Wilken said he supports this but has concerns with the DMTS issue and will vote no. He will be looking for the answer within the next 24 months.

Mr. Hughes asked Mr. Wilken if he could explain his previous question and response. Mr. Wilken stated the no vote shows there is something missing in the proposal. He does support the \$200,000 and the effort, but is concerned whether this will be a public or private road. He believes the Borough continues to duck their responsibility in funding their portion of school funding.

MOTION: A motion was made by Mr. Hughes to adopt Resolution No. G13-07. Motion seconded by Mr. Sheldon. Motion passed with Mr. Sheldon, Mr. Hughes, Mr. Arvin, Commissioner Butcher and Commissioner Bell voting yea. Mr. Wilken voted nay.

7B. Resolution No. G13-05 Skagway Ore Terminal-Eagle Whitehorse LLC Authorizing a Cost Reimbursement Agreement

Mr. Leonard said AIDEA has been studying how to expand the Skagway Ore Terminal to benefit the community. AIDEA has authority to issue up to \$65 million of bonds to expand this port project. Eagle Whitehorse, LLC and Chieftain Metals, Inc. are the first two customers ready to make a commitment to the expansion of the Ore Terminal.

Mr. Hemsath said AIDEA wants to have a plan on how to fit multiple users in order to maximize the space and provide as many job opportunities as possible for the community. AIDEA has been working with the engineering contractor, URS, in preparing an overall development plan. There is legislative authorization for the expansion of the terminal. Eagle Whitehorse Minerals is anxious to get to the due diligence phase and potentially move ahead. This due diligence reimbursement agreement is for \$50,000.

Mr. Sheldon asked if the large volume of truck loads will be detrimental to the community. Mr. Hemsath said this would not be detrimental to the community and the community has seen this type of volume before. This is the kind of product that could be stored with the existing dock and the existing depth of water and the movement of product.

The Eagle Whitehorse cost reimbursement agreement was distributed to the board members. Mr. Wilken asked where in this process the analysis is done to determine if the highway needs to be upgraded for either Resolution No. G13-05 or G13-06. Mr. Hemsath said it is part of the consideration over the next couple of years, but is not necessarily a limiting factor. The Department of Transportation (DOT) indicated concerns with one of the bridges and will be working on how the loads come up to make sure there is no impact. Mr. Wilken requested the

Chair and the Board to include an indication in the file that DOT is aware of these risks and has passed a formal opinion as to how many loads of freight can be moved per year, and for how many years, so AIDEA and the developer know DOT is aware and nobody is caught unaware when ore is hauled.

Vice Chair Commissioner Bell said Mr. Wilken's comments will be reflected in the minutes and the analysis will reflect the conversations and communications that are underway. Mr. Leonard said part of the due diligence will analyze the capacity and verify it with DOT&PF. Mr. Hemsath said this is one of the key risks and DOT held a significant meeting with the interested mine companies to begin a discussion on these issues. They are very aware of the situation.

Commissioner Butcher asked if staff feels comfortable this agreement will remain within a five-year period and won't extend any further. Mr. Hemsath said it was approximately five years because there is a very finite volume of tailings to be processed. There is no mine, so the resource is fixed. If they have startup problems or are not able to process 360,000 tons a year, then it will extend out.

Commissioner Butcher said he was in Skagway yesterday with the Mayor at the terminal and he noted they are optimistic they will grow. He asked Mr. Hemsath if the existing terminal is able to supply the needs or is there a potential for expansion. Mr. Hemsath said the existing footprint on the slab and unimproved land AIDEA currently has under lease has the capacity to accommodate a building capacity to store the appropriate amount of volumes related to shipping a million tons a year. The volumes are likely to be 750,000 to 850,000 tons a year. There is a potential for conflict with the coordination of cruise ships and ore carriers with a load-out of an ore ship twice a month. There are ongoing discussions with the municipality regarding dock development going forward. The peninsula, as it exists now, with some modest expansion can handle loads for all the forecasted mines coming through.

Mr. Arvin asked if there is an affirmative statement from the Municipality of Skagway supporting this project and if it is important to have this at this point. Mr. Leonard said it is early in this process, but when a contract is issued for any development project, advice is sought from the community and brought to the Board. The community has been involved with this project and wants the terminal to be used.

Mr. Hemsath said one of the key constraints to moving ahead with a proposal is the current lease. There will need to be a new ground lease in order to accommodate the length of term Chieftain may want. The community will have to approve the lease extension.

Mr. Arvin suggested staff get the Municipality of Skagway's concurrence and support of this project sooner rather than later and encouraged staff to pursue it as it moves forward. He said he supports this action item.

MOTION: A motion was made by Mr. Sheldon to adopt Resolution No. G13-05. Motion seconded by Mr. Wilken. Motion passed unanimously with Mr. Wilken, Mr. Sheldon, Mr. Hughes, Mr. Arvin, Commissioner Butcher and Commissioner Bell voting yea.

7C. Resolution No. G13-06 Skagway Ore Terminal-Chieftain Metals, Inc. Authorizing a Cost Reimbursement Agreement

Mr. Leonard said this is a much larger project and will involve expansion of the ore terminal. Both the community and DOT will be involved.

Mr. Hemsath said the Chieftain mine is a nominal 20-year mine life. This is the Tulsequah Chief Mine in British Columbia. The ore will be driven out up through Yukon into Skagway. It is a lead, zinc, copper mine with the terminal expansion being built to accommodate approximately 40,000 tons of copper and 80,000 tons of zinc a year. The lead that comes out of the mine will be a much smaller amount that will be shipped in sealed containers, not through an AIDEA facility, but through the AML facility that is currently moving lead in a similar way out through Skagway. The due diligence is very much defined on fitting the components in on the current plot and assuring that the design and the cost are appropriate. It is important to create a finance plan that would accommodate AIDEA being paid back. This project will examine the need of a new ship loader and how the cost could be accommodated.

MOTION: A motion was made by Commissioner Butcher to adopt Resolution No. G13-06. Motion seconded by Mr. Sheldon. Motion passed unanimously with Mr. Wilken, Mr. Sheldon, Mr. Hughes, Mr. Arvin, Commissioner Butcher and Commissioner Bell voting yea.

7D. Resolution No. G13-03 Adopt new Regulations 3AAC Chapter 102 New Markets Tax Credit Loan Guarantee Program

Mr. Leonard and Mr. Catsi provided an overview of Resolution No. G13-03 related to the New Markets Tax Credit (NMTC) Loan Guarantee Program. This new tool will provide AIDEA with the ability to participate in the NMTC programs which is a federal program. Last session the legislature passed SB 66 authorizing AIDEA to move forward.

Mr. Sheldon asked if AIDEA expects this program to be renewed and continue in the future. Mr. Catsi said it had been renewed or reauthorized by congress for the next two years at \$3.5 billion for each year.

Mr. Sheldon asked if there is confidence Alaskans will garner shares of these credits and be able to approach a financial institution. Mr. Catsi said Congress authorized \$3.5 billion of the most recent year which were oversubscribed by \$21 billion.

Mr. Sheldon asked if there is enough clout in Alaska and does this regulation properly position assistance for lending institutions to engage. Mr. Catsi said yes, allocations are made to community development entities around the nation who apply on a competitive basis; many cities have, as part of their area of scope, Alaska included. It's the project itself that needs to rise to the top to get an allocation of tax credits. Once the tax credit is allocated to the project, then that project should be on equal footing with any other project, especially now because projects are being determined on the eligibility of the census area; they are looking at severely distressed areas. Mr. Leonard said discussions with financial institutions have been positive; with AIDEA's guarantee it will allow them to participate in the program.

Mr. Hughes asked how AIDEA is compensated. Mr. Catsi said there is a fee for the loan guarantee which is 1½% of the principle plus cost and if AIDEA makes the loan there is the interest rate. Mr. Leonard said the interest rate would be the same as the loan participation program. The legislature authorized a limit of \$40 million for a loan guarantees at any one time. If this program is successful, the legislature invited AIDEA back to see about increasing the amount.

MOTION: Commissioner Butcher moved to adopt Resolution No. G13-03. Seconded by Mr. Hughes. A roll call vote was taken and the motion passed with Mr. Wilken, Mr. Sheldon, Mr. Hughes, Mr. Arvin, Commissioner Butcher and Commissioner Bell voting yea.

7E. Resolution No. G13-04 Adopt new and amended Regulations 3AAC Chapter 100 AIDEA procurement Practices

Mr. Leonard and Mr. Rutz provided an overview of Resolution No. G13-04 related to AIDEA Procurement Practices. Last year legislation passed authorizing AIDEA to develop its own procurement regulations. AIDEA will continue to follow the spirit of the law for state procurement regulations but will have more flexibility. The biggest difference is these regulations will allow AIDEA to make its own decisions.

Mr. Sheldon thanked Mr. Rutz for his efforts on drafting these regulations.

Mr. Arvin asked what the changes were. Mr. Rutz said the regulations are new so there are no changes. Previously AIDEA had a one page document stating it would follow AS 36.30 and 2 AAC 12 until adopting new procurement regulations.

MOTION: Mr. Sheldon moved to adopt Resolution No. G13-03. Seconded by Mr. Hughes. A roll call vote was taken and the motion passed with Mr. Wilken, Mr. Sheldon, Mr. Hughes, Mr. Arvin, Commissioner Butcher and Commissioner Bell voting yea.

MOTION: Mr. Hughes made a motion to go into Executive Session to discuss confidential information regarding Kenai Offshore Ventures and the Healy Clean Coal Plant. Motion seconded by Mr. Sheldon. The motion was approved.

7F. Executive Session: Kenai Offshore Ventures

7G. Executive Session: HCCP

The Board entered into Executive Session at 11:08 a.m. The Board reconvened its regular meeting at 12:09 p.m. Everything covered in executive session was appropriate to the motion.

8. DIRECTOR COMMENTS

8A. Programs and Project Fact Sheets

Mr. Leonard referred Board members to the Loan reports and Project Fact Sheets in their packets and said he is available to answer questions. There is a new report that is part of the resolution that allowed AIDEA to invest monies into evaluating projects. It shows a list of projects, how much is budgeted to each project and a description of each project. Mr. Leonard asked Mr. Hemsath provide a brief update on Mustang Road.

Mr. Hemsath said Mustang Road has been funded and all state permits are in place. This week they are on the second gravel lift on the road. The expectation is the road will be completed by the end of April. During the summer as the moisture melts and thaws, more compaction will occur and the road will be ready for operation in September.

Mr. Leonard said AEA will be giving a legislative briefing on the potential gas project that AIDEA and AEA may be involved in. Legislation has gone through the Senate and is in House Finance. There is also legislation dealing with the ability to provide guarantees and direct financing for projects. This was split out of SB 23, has moved through House Labor and is in House Finance. It will be heard next week and has a good chance of going through.

Mr. Leonard said a third set of regulations currently being worked on are the Sustainable Energy Transmission and Supply Development Program (SETS) regulations. The first public hearing process has been completed and public comments have been considered. The revised regulations were distributed before a second and third public hearing was held. The final package will hopefully be brought to the Board at the April 25, 2013 board meeting.

Mr. Wilken said he had three questions. What is the plan for releasing the results of the pre-feasibility review by the team hired to analyze the LNG project referenced in SB23? Is the team public information? And, what were the results of the request for information on all 15 responders to the gas trucking request for proposals?

Mr. Leonard said all 15 names were released to the public. The team comprised to look at the pre-feasibility stage is not public, because that will be part of the process down the line. There are two engineering firms and financial advisors working to see if the project is feasible and to analyze potential turnkey offers. The main engineering firm is HDR and the subcontracting firm working with them is MEI. There is also a firm looking at the trucking aspects and analyzing those numbers. The goal is to have a report to the Board within the next month and then move through the full process. The cost goals of the community are within \$10 to Fairbanks for gas and then an average range of \$15 to the burner tip for residents.

Mr. Wilken asked if the information they had committed to six weeks ago will be forthcoming in the next month or two. Mr. Leonard said they released the information from the people who agreed to have their information released. There are approximately three or four respondents who did not agree to share their information and AIDEA can only provide their names. Vice Chair Commissioner Bell requested Mr. Leonard provide the Board members a brief description that was part of the public document and is repeatable. Mr. Leonard agreed.

Mr. Wilken said if SB 23 passes, a lot of this information will become public. He asked if there is a bill that has been amended that is going to require AIDEA to get legislative approval of projects. Mr. Leonard said there was some confusion on SB 23 and HB 74 when they went to House Labor

and Commerce. They were companion bills and at the point in time where they started moving through House Labor and Commerce, SB 23 stripped out the direct financing and moved that bill to House Finance. HB 74 was stripped of the gas and dividend language to move forward separately.

Vice Chair Commissioner Bell commented these changes will be discussed further at the AEA meeting. Mr. Wilken asked if there were any amendments yesterday in House Labor and Commerce having to do with projects needing to come back to the Legislature for approval before AIDEA proceeds. Mr. Leonard said there were no amendments like that in HB 74.

8B. Next regularly scheduled meeting is Thursday, April 25, 2013.

9. BOARD COMMENTS

Mr. Wilken said he had three different people comment on the great job AIDEA and AEA has done in front of the various committees this year by being prepared, committed, unflappable and very good reports that were presented by Mr. Leonard, Ms. Fisher-Goad and the whole crew. The reviews coming back have been stellar and he thanked them for being a big part of AIDEA's success.

Mr. Arvin said Mr. Leonard and Commissioner Bell are doing a good job and to keep up the good work.

Vice Chair Commissioner Bell appreciated being able to participate in the PDAC conference in early March in Toronto. She said staff from AIDEA, the Department of Revenue, the Division of Economic Development, the University of Alaska, and the Department of Natural Resources were in attendance. She said this elevated Alaska's visibility in a key industry.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 12:25 p.m.



Ted Leonard, Executive Director/Secretary
Alaska Industrial Development and Export Authority

