



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Wednesday, January 11, 2017**  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on January 11, 2017, at 12:11 p.m. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

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

Member participating via teleconference: Elaine Brown (Public Member).

**3. ROLL CALL: STAFF, PUBLIC**

AIDEA Staff present: John Springsteen (CEO/Executive Director); Chris Anderson (Commercial Finance Director); Mark Davis (Chief Infrastructure Development Officer); Jennifer Haldane (Human Resources & Administration Director); Jim Hemsath (Project Development & Asset Management Director); Brenda Applegate (Assistant CFO/Controller); Tom Erickson (Chief Procurement Officer); Karsten Rodvik (External Affairs Officer); Nick Szymoniak (Energy Infrastructure Development Officer); Gene Therriault (Interior Energy Project (IEP) Team Lead); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

Public present: Alan Bailey (Petroleum News); Elwood Brehmer (Alaska Journal of Commerce); Dan Britton (Pentex Alaska); Alex DeMarban (Alaska Dispatch News); Mark Gardiner (PFM Group Consulting); Sydney Hamilton (Accu-Type Depositions); Jerry Juday (Department of Law); Jomo Stewart and Jack Wilbur (Interior Gas Utility (IGU)).

**4. AGENDA APPROVAL**

Vice-Chair Dick moved to modify the agenda by switching the order of Items 7A and 7B. The amended agenda was approved.

## **5. PUBLIC COMMENTS**

There was no public comment.

## **6. PRIOR MINUTES - December 1, 2016 and December 15, 2016**

The minutes from December 1, 2016 and December 15, 2016, were approved as presented.

## **7. NEW BUSINESS**

### **7B. Interior Energy Project (IEP) Update**

Mr. Therriault requested Jack Wilbur, IGU Board Vice-Chair, Jomo Stewart, IGU General Manager, and Dan Britton, Pentex Alaska, come to the table for the update and to answer any questions. Mr. Wilbur said last night the IGU Board unanimously passed the resolution adopting the Memorandum of Understanding (MOU) in front of the AIDEA Board today. Mr. Wilbur expressed appreciation to AIDEA staff for their hard work during negotiations; he envisions AIDEA's support in moving forward to a successful IEP project. Mr. Wilbur gave an overview of his personal and business backgrounds in Fairbanks.

Mr. Therriault said the Governor's Office approved the most recent quarterly report and it was transmitted to legislators. Mr. Therriault provided a progress report on all IEP components. Work continues on securing the long-term gas supply. The proposed gas supply agreement has been transmitted to the supplier; AIDEA is awaiting a response. The prefeed documents were purchased from Salix and the LNG plant will move into feed when it is appropriate under the unified utility structure.

Mr. Therriault noted the transportation successes with the larger trailers and the potential to ship LNG via rail. Evaluations continue for optimization of the LNG transportation delivery methods. The utilities have come to agreement on how storage in the Fairbanks/North Pole area should be addressed. The deadline to be eligible for the expanded storage construction and operation credit/payment under the utility model is January 1, 2020.

Mr. Therriault reviewed the MOU. He noted financial tools are established in a way that will allow the IEP goals to be met. This is dependent on an attractive gas supply price, the flexibility on take-or-pay obligations, and the duration of the contract. In return for these considerations, the producer is offered a new market for gas in Cook Inlet and the ability to grow the production.

Mr. Therriault discussed distribution and conversion methods. He stated the Property Assessed Clean Energy (PACE) legislation would be reintroduced. The Governor's Legislative Office has authorized Mr. Therriault to provide necessary information and support directly to other legislative offices. On-bill financing of residential conversion costs is being reviewed by IGU.

Mr. Wilken asked what the longest lead-time item is for completion of the project. Mr. Britton believes the construction of the storage tank has the longest lead-time. The facility will need two summer construction seasons for completion. The second longest lead-time is 14 months and is

the heat exchanger that goes inside the cold box at the liquefaction facility. Mr. Wilken believes it is important to maintain the January 1, 2020 deadline for the storage credits.

Chair Pruhs requested an explanation of the anticipated plan regarding the human resource consolidation of Fairbanks Natural Gas (FNG) and IGU. Mr. Stewart stated all of the existing operations and employees are expected to be retained at the offset. Preliminary discussions regarding future integration are included in the MOU. A document will be created showing the plan and structure of the integrated utility prior to the execution of the sale document.

**7A. Executive Session: CEO/Executive Director Review, Interior Energy Project, Mustang Operations Center 1 (MOC1), and Pentex Operations**

**MOTION: Vice-Chair Dick moved to go into Executive Session to discuss confidential matters related to the CEO/Executive Director Review, Interior Energy Project, MOC1, and Pentex Operations. Motion seconded by Mr. Wilken.**

The Board entered Executive Session at 12:44 p.m. Participants included board members Dana Pruhs, Russell Dick, Elaine Brown, Jerry Burnett, Dan Kennedy, Fred Parady, and Gary Wilken. AIDEA staff invited to join the session, at different times, for related topics: John Springsteen, Mark Davis, Tom Erickson, Gene Therriault, Nick Szymoniak, and guests, Dan Britton, Mark Gardiner, and Jerry Juday

The Board reconvened its regular meeting at 3:54 p.m. Chair Pruhs stated no formal action was taken during executive session.

**7C. Resolution No. G17-01 Non-Binding Utility Integration Memorandum of Agreement with IGU**

**MOTION: Mr. Wilken moved to approve Resolution No. G17-01. Motion seconded by Deputy Commissioner Parady.**

Mr. Springsteen stated Resolution No. G17-01 authorizes AIDEA to enter into a utility integration MOU with IGU. Mr. Therriault noted there are two typographical errors on page eight of the MOU that were addressed at the IGU Board meeting during their approval process of the MOU. The corrected version makes no changes to content. There were no objections to the corrections.

Mr. Wilken expressed his biggest concern is in the future when four out of the seven officials who set the utility rates are elected positions. His concern, based on experience from 1970, 1980, and 1990, is the elected officials will act as politicians, not as public servants, and will set rates based on what is good for their re-election, and not on what is good for the utility. Mr. Wilken believes this is the single piece that could threaten the utility from future existence.

Mr. Wilken requested a section be placed in the final document to be signed on March 31, 2017, that clearly and succinctly states the responsibilities of the seven rate-setting officials, with

durable and meaningful language that will exist in the document and will be referred to and spoken about each time the officials set rates. Mr. Wilken noted if this specific requested section is not allowed to be included, he then requests a structure be created for a recommendation of rates, which includes a review and assessment that is not under RCA control.

Mr. Wilken expressed his sincere appreciation and pride for the privilege of participating with the team on this important project that will provide benefit to future generations receiving clean energy and a basis of economic development for Fairbanks and North Pole.

Mr. Therriault believes there is current language in the document that satisfies Mr. Wilken's concerns. He directed members' attention to page seven of the MOU, which states "The IGU Board will be contractually obligated to set rates to generate annual net revenue sufficient to cover the debt service for investment-grade municipal utility financing on the State moral obligation bonds and the SETS loans. The utility must maintain an investment grade structure." Mr. Therriault stated the loan documents can be written with understandable and robust language.

Chair Pruhs expressed the same concerns as Mr. Wilken, and noted there is no mention in the MOU of the deterioration of assets and maintaining those to industry standard, nor ensuring there are appropriate capital expenditures to continue maintaining the viable assets for future generations. He requested these components be included in the document. Chair Pruhs additionally requested a mechanism in the final document that would allow the SETS deferral or interest rate to be adjusted if the economics of the project are such to share in the benefits.

Mr. Therriault stated the Board's comments will be taken into consideration for the next phase of negotiations and language will be brought back to the Board.

Deputy Commissioner Parady expressed excitement regarding the MOU and believes this vote is the result of the diligent work of staff and Board, and appropriately utilizes the full flexibility of the appropriated SETS funds. He looks forward to the continued work with IGU in providing a long-term clean fuel supply.

Chair Pruhs extended his appreciation to IGU for their determination in working with AIDEA and the IEP team on the MOU.

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

#### **7D. Dividend Calculation Discussion**

Chair Pruhs facilitated discussion regarding initial expectations on future dividend calculations. Mr. Springsteen recognized the importance of the Board having discretion when determining the dividend to allow for the balance of the financial return to the State, while retaining the financial capability for AIDEA to achieve its enterprise economic development mission. Mr. Springsteen and Ms. Applegate reviewed the dividend range charts that were provided to members. Deputy

Commissioner Burnett suggested the charts be technically revised to reflect the same scale for an accurate comparison.

Chair Pruhs recommended the proposed legislation, which has yet to be introduced, include the Board's consensus to incorporate the discussed third bullet point with a five-year rolling average. Chair Pruhs suggested the next Board meeting contain a resolution supporting the amendment to the proposed legislation.

#### **8. DIRECTOR COMMENTS**

Mr. Springsteen acknowledged and thanked Mr. Szymoniak for his service to AIDEA and AEA, and wished him well as he moves into his new responsibilities with the Alaska Gasline Development Corporation (AGDC). Mr. Szymoniak expressed his honor in working with the AIDEA Board.

The dashboard, loan, delinquencies-to-outstanding reports, IFD and PDAM project fact sheets and matrices, and a copy of AIDEA's 2016 Annual Report are included in the packets. Please contact Ms. Siverson regarding continuing education courses.

The next AIDEA Board meeting is Thursday, February 23, 2017, in Anchorage.

#### **9. BOARD COMMENTS**

Chair Pruhs appointed, with the agreement of members, an Audit and Budget Subcommittee, with Mr. Kennedy as Chair, and Deputy Commissioner Parady and Mr. Wilken as members. The Audit and Budget Subcommittee will work with Mr. Springsteen and the accounting staff to develop a policy and program regarding the audit and budget.

Chair Pruhs expressed appreciation to Board members and staff for their efforts during the meeting and in preparation for the meeting.

#### **10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 4:32 p.m.

  
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John Springsteen, CEO/Executive Director  
Alaska Industrial Development & Export Authority

