



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Thursday, August 10, 2017**  
**Anchorage, Alaska**

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on August 10, 2017, at 12:05 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 [DOR]); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development [DCCED]); Elaine Brown (Public Member); and Dan Kennedy (Public Member). Mr. Wilken absent (medical).

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

AIDEA staff present: Brenda Applegate (Chief Financial Officer); Mike Catsi (Business Development & Communications Director); Mark Davis (Chief Infrastructure Development Officer); Jim Hemsath (Project Development & Asset Management [PDAM] Director); Michael Lamb (AEA Executive Director); Yulia Ellsworth (Assistant CFO/Controller); Michele Hope (Contracting Officer); Linda Senn (Human Resources Manager); Karsten Rodvik (External Affairs Officer); Lori Stender (PDAM Project Manager); Gene Therriault (Interior Energy Project [IEP] Team Lead); Sherrie Siverson (Executive Assistant); and Krin Kemppainen (Administrative Assistant).

Public present: Alan Bailey (Petroleum News); Dan Britton (Pentex Alaska); Fred Eoff and Mark Gardiner (PFM Group Consulting); Sydney Hamilton (Accu-Type Depositions); Jerry Juday (Department of Law); Josh Pepperd (Davis Constructors); Bob Shefchik (Interior Gas Utility [IGU]); Jim Sweeney, Tommy Tomkins, and Lisa Wimmer (Yukon Kuskokwim Health Corporation [YKHC]), and Matt Yeomans (Arcadis).

Public present via teleconference: Jomo Stewart (IGU), and Ken Vassar (YKHC Bond Counsel).

**4. AGENDA APPROVAL**

The agenda was approved as presented.

**5. PUBLIC COMMENTS**

None.

**6. PRIOR MINUTES - June 19, 2017, and June 29, 2017**

The minutes were approved as presented.

**7. NEW BUSINESS**

**7A. Loan Resolution No. G17-11 Providing for the Sale of AIDEA Loan Anticipation Revenue Notes Series 2017 (YKHC PROJECT)**

Brenda Applegate stated Resolution No. G17-11 regards approving the sale of AIDEA Loan Anticipation Revenue Notes Series 2017 for the Yukon Kuskokwim Health Corporation (YKHC) Project in a principal amount not to exceed \$165 million. The Resolution also authorizes: 1) Execution of an indenture between the Authority and US Bank National Association as Trustee to secure the Loan Anticipation Notes. 2) Execution of a loan and security agreement securing payment of loan anticipation revenue notes between AIDEA and YKHC. 3) Delegating authority to staff to complete the necessary documents and to issue the Notes for the financing of the Project as long as the documents remain in substantially the form presented to the board at this meeting today.

Ms. Applegate stated AIDEA receives a one-time application fee and a one-time financing fee on issuance of these conduit bonds, plus reimbursement for costs. AIDEA has financed approximately 318 projects through conduit financing. Ongoing continuing disclosure is the responsibility of the borrower. AIDEA will use the proceeds from the sale of the notes to make a loan to YKHC. Interest in the loan and security agreement and other security documents to the trustee will be assigned as security for the notes. The notes are not general obligations of AIDEA nor of the State. The notes and the loan are secured and payable solely from certain assets and income described in the master indenture provided to members, which include a USDA loan.

Mr. Josh Pepperd narrated a one-minute time-lapse presentation of the project. He explained some of the technical aspects of this project in regards to pilings.

**MOTION: Vice-Chair Dick moved to approve Resolution No. G17-11 Providing for the Sale of AIDEA Loan Anticipation Revenue Notes Series 2017 (YKHC PROJECT). Motion seconded by Mr. Kennedy.**

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

Chair Pruhs expressed appreciation for the attendance of the Bethel participants and for sharing this great project.

## **7B. IEP Update**

Gene Therriault provided the IEP Update. He noted the information is also covered in the quarterly reports submitted to the Legislature. Securing the gas supply contract is ongoing and specifics of the negotiation status will be discussed further in executive session. Transportation options are unchanged. The remaining large capacity trailers are in route. The storage in Fairbanks is on schedule with its timeline. The utility consolidation update between AIDEA's Pentex asset and IGU will be discussed in executive session.

House Bill (HB) 80, the PACE legislation, was passed by the Legislature. It is awaiting transmittal to the Governor for signature. AEA is collaborating with the four largest communities on uniform implementation of the PACE legislation that could potentially act as a flow-through program to access low interest rate federal funding for consumer conversions. The estimated cost for a boiler conversion for 4,000 households is between \$25 million and \$40 million, depending on the number of available retrofit conversions.

HB 111, the oil and gas tax credit legislation was signed into law and contains the liquefied natural gas (LNG) storage credit. Mr. Therriault explained there is a complicated repealer to the LNG storage credit that would become effective after the end date of January 1, 2020, for storage qualification. The current storage credit is a dollar-for-dollar match on the expense of qualified new storage up to \$15 million per storage facility.

Chair Pruhs requested more information on the economic exposure and impact of the \$15 million storage credit component to the final price to the consumer. Mr. Therriault stated the storage credit has not been included in the economic analysis thus far, and hopes to include it in future modeling. Mark Gardiner noted the economic benefit to consumers in the early years for the storage credit is between .50 to .60 cents annually. Dan Britton explained every dollar of the price of gas equates to approximately \$150 a year for the household consumer. The storage credit component would provide a benefit of approximately \$75 a year per household.

Mr. Therriault reported interactions since the last Board meeting with IGU have been ongoing regarding the misalignment of interpretation of expense issues and the utilization of some of the advanced surplus Sustainable Energy Transmission and Supply Development Fund (SETS) money. AIDEA felt it was not permissible under the existing scope of their SETS loan and IGU felt was legally allowable under the existing SETS loan. As a result, IGU gave a presentation to the Fairbanks North Star Borough (FNSB) Assembly explaining their financial instability if they had to repay the utilized SETS funds to AIDEA. IGU has temporarily ceased work with some of their project consultants. Mr. Therriault stated AIDEA; through the interpretation of the SETS loan scope and limitations, has no intent of putting IGU out of business, but rather hopes negotiations will lead to IGU becoming the long-term owner of the utility. AIDEA requested IGU segregate their expenses into three categories: 1) gas supply, 2) utility integration, and 3) due diligence.

Mr. Therriault noted upcoming Resolution No. G17-10A, relates to expanding the dollar amount on gas supply to cover all of IGU's costs. Providing an indication after today's Board discussion that IGU's integration costs will be considered under an expansion of the scope of their existing SETS loan, once HB 105 is approved, and rolling IGU's due diligence costs into the final financing through a new SETS loan at the close of the sale of Pentex assets.

Mr. Therriault stated IGU has modeled the effects of Resolution No. G17-10A and concluded IGU will be able to remain financially solvent following this timeline, even if IGU did not move forward to close on the Pentex assets and thus had to repay a portion of the SETS loans. Mr. Therriault explained the complex accounting restrictions placed by the Legislature and stated the resolution was advised by the Attorney General (AG) as a reasonable solution, until the HB 105 plan is certified.

Deputy Commissioner Parady requested Mr. Therriault's insights regarding the unfolding events over the last two weeks' press coverage of the differences of opinion in management philosophy between the organizations. Mr. Therriault believes AIDEA has been very consistent in conveying to IGU the desire to systematically move the project forward. Mr. Therriault noted he has cautioned the team not to overreact to any IGU statements reported by the press and to keep the focus on advancing the project. Mr. Therriault stated communication channels have remained open and AIDEA continues to apply the tools given by the Legislature to move the project forward.

Deputy Commissioner Parady expressed appreciation to staff for their work within the context of the resolution. He believes AIDEA and IGU are working in good faith to advance the project and to address concerns.

**7C. Resolution No. G17-10A Relating to Gas Supply Costs incurred by the Interior Gas Utility**

Ms. Applegate stated Resolution No. G17-10A is an amendment to Resolution G17-10, dated June 29, 2017, which approved reimbursing IGU for up to \$150,000 in costs incurred pursuing a gas supply for the IEP. Today's amendment would increase the maximum reimbursement to \$345,000. The reimbursement will be from the FY14 Capital Budget appropriation.

Mr. Therriault provided specific details on the accounting procedures that will be followed to implement the resolution.

**MOTION: Deputy Commissioner Parady moved to approve Resolution No. G17-10A Relating to Gas Supply Costs incurred by the Interior Gas Utility. Motion seconded by Deputy Commissioner Burnett.**

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

**7D. Resolution No. G17-12 Establishing Permanent Rates for the Operating Subsidiaries of Pentex Alaska Natural Gas Company, LLC**

Ms. Applegate invited Mr. Britton to present on Resolution No. G17-12, which establishes permanent rates for the operating subsidiaries of Pentex Alaska Natural Gas Company. Mr. Britton stated Pentex established an interim rate increase as part of the budgeting process. The rate adjustment procedure requirement created at the time AIDEA purchased Pentex established that the Board would act as the regulatory body to ensure the rates being charged to the consumer were fair and reasonable. Notice of the rate increase was sent to all of the customers 30 days prior to the rate change taking effect. All customers were notified they had the opportunity to submit written or verbal comments to AIDEA regarding the rate change. Pentex held a public hearing for two-and-a-half hours in July to give consumers an opportunity to raise any concerns. No public comments were received through any form. Mr. Britton stated the rate increase is appropriate and necessary, and recommended the interim rates be considered permanent.

Mr. Therriault believes adequate public notice was met and noted a front-page article on the proposed rate increase was published.

**MOTION: Vice-Chair Dick moved to approve Resolution No. G17-12 Establishing Permanent Rates for the Operating Subsidiaries of Pentex Alaska Natural Gas Company, LLC. Motion seconded by Ms. Brown.**

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

**7E. Executive Session: Interior Energy Project, MOC1, BlueCrest**

**MOTION: Deputy Commissioner Parady moved to go into Executive Session to discuss confidential and financial information related to Interior Energy Project, MOC1, and BlueCrest. Motion seconded by Ms. Brown.**

The Board entered Executive session at 12:57 p.m. Participants included board members Dana Pruhs, Russell Dick, Elaine Brown, Jerry Burnett, Dan Kennedy, and Fred Parady. AIDEA staff invited to join the session, at different times, for related topics: Brenda Applegate, Mark Davis, Jim Hemsath, Gene Therriault, and guests, Dan Britton, Mark Gardiner, Jerry Juday, and Bob Shefchik.

The Board reconvened its regular meeting at 3:09 p.m. Chair Pruhs stated no formal action was taken on the matters discussed in executive session.

**8. DIRECTOR COMMENTS**

Ms. Applegate stated the dashboard, loan, delinquencies-to-outstanding reports, IFD, PDAM project matrices, and second Quarter Project Fact Sheets were included in the Board packet.

Please contact Ms. Siverson regarding the continuing education calendar. The next regularly scheduled board meeting will be on Thursday, September 21, 2017.

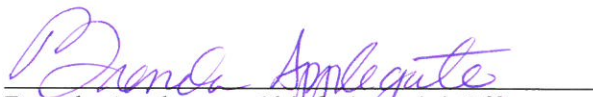
**9. BOARD COMMENTS**

Deputy Commissioner Parady said for the record, Mr. Chairman, I appreciate AIDEA staff efforts to find a workable solution to deal with the IGU expense issue that recently surfaced. While our action on Resolution G17-10A earlier today effectively deals with the gas supply related expense, I want AIDEA management and staff to communicate to IGU that the AIDEA Board anticipates future recommendations that: IGU utility integration costs invoices be considered under a scope modification to IGU's existing SETS loan once a HB 105 plan is approved. And, IGU due diligence expense for purchase of the Pentex assets be considered as a qualified expense for inclusion in the final package to accomplish close of a sale of the Pentex assets to IGU.

Chair Pruhs expressed appreciation to Ms. Applegate, staff, and all participants for today's efforts.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 3:13 p.m.



Brenda Applegate, Chief Financial Officer  
Secretary-Treasurer  
Alaska Industrial Development & Export Authority