



MEMORANDUM

To: Board Members
Alaska Industrial Development and Export Authority

From: John Springsteen
Executive Director

Date: June 11, 2015

Subject: Resolution No. G15-11 Regarding the Approval of the Transfer of Certain RCA Certificates of Public Convenience and Necessity to AIDEA

Management recommends that the AIDEA Board authorize the Executive Director to take steps, consistent with the acquisition of Pentex Alaska Natural Gas Company, LLC (“Pentex”) to transfer certificates of public convenience and necessity that have been issued by the Regulatory Commission of Alaska (“RCA”) to Pentex’s subsidiary, Fairbanks Natural Gas (“FNG”).

AIDEA is in the process of acquiring Pentex that is an existing limited liability company (LLC) owned by Harrington Partners, L.P. (“Harrington”). As owner, Harrington authorized FNG to hold Certificate of Public Convenience and Necessity No. 514 (“CPCN” or “Certificate”) issued by the RCA. This RCA issued CPCN authorizes FNG, as a private company, to operate a gas heating utility in a delineated territory within the Fairbanks North Star Borough. FNG is authorized to operate a gas heating utility in its assigned area under the terms and the authority vested in this CPCN certificate.

Resolution No. G15-11 addresses the steps needed to transfer control over Certificate No. 514 due to the change in ownership of FNG that will occur when AIDEA acquires Pentex from Harrington. This change in ownership of Pentex means that the CPCN held by FNG needs to be transferred from the previous owner to the new owner, and this is accomplished by an RCA certificate transfer process.

As a result, the Resolution authorizes the Executive Director to engage legal counsel to file applications with the RCA for the transfer of CPCN No. 514 to AIDEA control, and to authorize counsel for AIDEA to appear before the RCA, as needed, to effectuate the CPCN certificate transfer. Concurrently, the Resolution authorizes the Executive Director to execute documents and instruments needed to complete the transfer and control over CPCN No. 514 in conformity with the laws and regulations of the RCA.

Recommendation

As authorized under AS 44.88.172, AIDEA staff recommends the approval of Resolution No. G15-11 directing AIDEA to proceed with all steps needed to effectuate the transfer and control of RCA CPCN No. 514 so that when AIDEA owns Pentex, FNG under new ownership is authorized to operate as a utility within the area in the Fairbanks North Star Borough certificated by the RCA. The Staff recommends adoption of the Resolution to authorize the Executive Director to retain legal counsel to: (1) file and expedite the application for transfer of CPCN No 514 with the RCA; and (2) appear before the RCA as may be needed.

The Staff recommends the transfer of the CPCN because AIDEA's acquisition of Pentex and its subsidiary, FNG, will enable the reformulated FNG to lower the cost of natural gas service to its existing customers and allow for the development of needed LNG storage facilities. The acquisition will also permit FNG to coordinate with the Interior Gas Utility in the development of an efficient gas distribution system within the Fairbanks North Star Borough so that more customers can be provided natural gas for heating purposes.

The Authority's effort to transfer CPCN No. 514 is consistent with the goal of acquiring Pentex as a suitable AIDEA investment that will lower gas rates in the Fairbanks area and create additional employment. To do so, AIDEA will need authorization to operate a utility in FNG's certificated area of operation. Therefore, staff recommends the transfer of RCA CPCN No. 514 as a means of enhancing the value of AIDEA's investment in Pentex.

Attachments

1. AIDEA Resolution No. G15-11

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G15-11

**RESOLUTION OF THE ALASKA INDUSTRIAL
DEVELOPMENT AND EXPORT AUTHORITY
APPROVING THE TRANSFER OF CERTAIN RCA
CERTIFICATES OF PUBLIC CONVENIENCE AND
NECESSITY TO AIDEA**

WHEREAS, the Authority has decided to proceed with the acquisition of the membership interests in Pentex Alaska Natural Gas Company, LLC, subject to the terms and conditions of the LLC Membership Purchase and Sale Agreement;

WHEREAS, the acquired company, Pentex Alaska Natural Gas Company, LLC, is a Delaware limited liability company (“Pentex”), that owns Fairbanks Natural Gas, LLC, a natural gas utility in Fairbanks, Alaska (“FNG”);

WHEREAS, FNG has been issued a Certificate of Public Convenience and Necessity (“CPCN”) with certificate number 514 by the Regulatory Commission of Alaska (“RCA”) to operate a public utility for the purpose of furnishing natural gas public utility service within a defined territory within the Fairbanks Northstar Borough;

WHEREAS, the Authority’s acquisition of Pentex was approved to enable: (1) FNG to immediately lower the cost of natural gas service to its existing customers; (2) the development of LNG storage facilities to better serve Interior Alaska gas consumers; (3) the efficient development of the distribution system of the Interior Gas Utility (“IGU”) that is now being constructed, and the interconnection of the IGU’s system with FNG’s expanded distribution system; (4) the potential of lower cost energy to be provided to Interior Alaska once additional sources of gas or LNG are secured; (5) accelerate the process of securing additional gas supplies for use in FNG’s newly installed distribution system that was financed by the Authority; (6) the increased use of

natural gas in the Fairbanks North Star Borough, thereby reducing the air pollution afflicting the area; and (7) the furtherance of the goals of the Interior Energy Project;

WHEREAS, in order to have FNG continue and expand service to its customers, the RCA must approve the transfer of CPCN in certificate number 514 because of the change of ownership of Pentex to AIDEA;

WHEREAS, the Authority has consulted with and solicited the advice of the local governments for the locations in which the Pentex subsidiaries conduct their operations about the proposed transaction, specifically the Fairbanks North Star Borough, the City of Fairbanks, the City of North Pole, and the Matanuska Susitna Borough; and

WHEREAS, the Board found the acquisition of Pentex is a suitable investment for the Authority to make that will be in furtherance of the Authority's statutory purpose of promoting, developing and advancing the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment and that this investment will be enhanced by AIDEA requesting the RCA for the transfer of control over CPCN No. 514 to AIDEA.

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The Executive Director of the Authority is authorized to engage legal counsel to file applications with the RCA for the transfer of control over CPCN No. 514 to effectuate the transfer of control to AIDEA and to appear before the RCA as needed to accomplish the transfer of control over the CPCN.

Section 2. The Executive Director of the Authority is authorized to execute documents and instruments necessary to complete the transfer of control over CPCN No. 514 in conformity with the laws and regulations of the RCA.

DATED at Anchorage, Alaska on this 11th day of June, 2015.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

Chair

SEAL
ATTEST:

Secretary