



Alaska Industrial Development and Export Authority  
**BOARD MEETING MINUTES**  
**Tuesday, October 30, 2012**  
Anchorage and Fairbanks, Alaska

**1. CALL TO ORDER**

Chair Hugh Short called the meeting of the Alaska Industrial Development and Export Authority to order on October 30, 2012 at 1:00 p.m. A quorum was established.

**2. ROLL CALL: BOARD**

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

Members participating via teleconference: Gary Wilken (Public Member), Fairbanks.

Joined the meeting in progress: Bruce Tangeman (Deputy Commissioner, Department of Revenue).

**3. AGENDA APPROVAL**

Mr. Leonard requested an amendment to the agenda to add a Buccaneer Update as Item 7B, change Ambler Road Overview to Item 7C, and add Item 7D, an Executive Session regarding the Healy Clean Coal Plant.

**Motion: A motion was made by Commissioner Bell to adopt the amended agenda Motion seconded by Mr. Wilson. The motion was approved with Board members Short, Bell, Hughes, Sheldon and Wilken voting yea.**

The agenda was approved as amended.

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

Staff present in Anchorage: Ted Leonard (Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Mark Davis (Deputy Director-Infrastructure Development); Jim Hemsath (Deputy Director-Project Development & Asset Management); Valorie Walker (Deputy Director-Finance); Gene Therriault (AEA Deputy Director-Energy Policy Development); Jay Drewry (Procurement Officer); Aaron Rhodes (Human Resources Manager); Karsten Rodvik (Project Manager-External Affairs); Jim Strandberg (Energy Development Finance Officer); Sherrie Siverson (Executive Assistant); Teri Webster (AEA Executive Assistant) and Krin Kempainen (Administrative Assistant).

Others present in Anchorage: Tim Bradner and Elwood Brehmer (Alaska Journal of Commerce); Mark Gardiner (Western Financial Group); Tom Haberman and Jack Laasch (Brooks Range Petroleum Corporation ("BRPC")); Jerry Juday (Department of Law); Mark Landt (Buccaneer Alaska); Rick Van Nieuwenhuysse (NovaCopper) and Donovan Walker (Accu-Type Depositions).

Others participating via teleconference: Bart Armsfield (BRPC) and Cory Borgeson (Golden Valley Electric Association).

## **5. PUBLIC COMMENTS**

There were no public comments.

## **6. PRIOR MINUTES**

The September 25, 2012 and October 1, 2012 AIDEA Board meetings minutes were adopted as presented.

## **7. NEW BUSINESS**

### **7A. Loan Resolution No. G12-06 – Execute a Reimbursement Agreement to complete a Due Diligence Analysis on a potential Mustang Road, LLC Project**

Mr. Leonard said Resolution No. G12-06 authorizes AIDEA to enter into agreement with BRPC to complete a due diligence study on a potential industrial road project for the Mustang development field on the North Slope. A suitability assessment and preliminary feasibility analysis have been completed. The Investment Committee forwarded a recommendation to perform due diligence, true modeling and complete an economic analysis to determine benefits to the state. Mr. Leonard requested Mr. Jim Hemsath, Mr. Mark Gardiner and BRPC representatives to answer any questions.

Mr. Gardiner said the project is a 4.5-mile road. This road would be notionally owned by Mustang Road, LLC, with BRPC transferring a working interest to the corporation which would allow capital construction credits to be utilized. He said the road would serve the BRPC development at the Mustang Field and other production fields, including the Arctic Slope Regional Corporation (ASRC). This is a potential future launching point for additional road development through the region, which could enhance oil and gas production on the North Slope. The total estimated project costs are at \$24 million dollars, with AIDEA's contribution capped at \$20 million dollars.

Mr. Hughes asked when the study would be complete and brought back to the Board. Mr. Gardiner said the plan is bring it back to the board at the December 6, 2012 meeting. Mr. Hughes asked if it is anticipated that AIDEA would get into the road building business or is it going to be somebody else's risk. Mr. Gardiner said AIDEA would own the industrial toll road in the similar fashion as the road at Delong Mountain (DMTS). What needs to be determined is if AIDEA would carry a long-term commitment, post the finance plan, or turn the road over to BRPC or another partner at the end of the 15-year period.

Mr. Hughes said his recollection of DMTS was the risk on the cost of construction was with the construction company. Mr. Gardiner said yes and with the cap, BRPC is obligated to make up any costs above that cap. Mr. Hughes asked if BRPC would be involved in the management of the construction. Mr. Gardiner said BRPC would be the project manager for the construction of the road.

Mr. Sheldon said he is very interested in the opportunity for AIDEA to continue to own and provide additional access to other fields in the area. In the materials provided there is no clear

plan regarding the ability to engage companies to accelerate further exploration and additional wells; more specific information regarding this would be helpful. He appreciated the proposed plan includes a vast majority of construction activities conducted by Alaskan entities.

Chair Short noted for the record Deputy Commissioner Tangeman arrived at 1:21 p.m.

**MOTION: A motion was made by Mr. Hughes to approve Loan Resolution No. G12-06. Motion seconded by Mr. Sheldon. Chair Short declared a potential conflict of interest for this project as an employee of ASRC through Alaska Growth Capital. The motion was approved with Board members Bell, Hughes, Sheldon, Tangeman and Wilken voting yea. Chair Short abstained.**

## **7B. Buccaneer Alaska Update**

Mr. Leonard said Mr. Landt from Buccaneer Alaska is here to give an update and answer questions regarding the Endeavor project. Chair Short commented the project is behind schedule and requested to hear how the timeline looks now and how Buccaneer is working with the community of Homer to address their concerns, while moving forward on the project.

Mr. Landt said since the Endeavor jack-up rig arrived August 24 it has been undergoing final work and regulatory inspections to allow the vessel to operate in the Cook Inlet. There are a number of critical path items that need to be completed prior to Endeavor receiving the final permits. The first is the fast rescue craft, was recalled by the manufacturer and the new craft has yet to be delivered. The second is the general alarm system which passed testing in Singapore but failed once it arrived. Since this system is old and parts are difficult to find; it was decided to install a new system. The new system has been delivered and replacement is underway. The next is the fire-fighting system, which developed a leak in a valve during transit to Alaska. A valve has been ordered, but delivery has been delayed.

Mr. Landt said Buccaneer's priority is to have a fully operational and efficient jack-up rig that ensures the safest possible working conditions for crews in this sensitive environment. The company plans to move Endeavor into the cosmopolitan well location in the first two weeks of November. This is contingent on final inspections from ABS and Coast Guard certifications.

Commissioner Bell appreciated the update. Mr. Leonard asked if Buccaneer is in contact with the City Manager and the city of Homer on questions they had regarding the current timeline. Mr. Landt said there is very active communications with the City Manager, Harbor Master and public in the Homer area, to include public outreach meetings.

Mr. Leonard asked for an explanation on the discrepancies between inspections in Singapore and the United States. Mr. Landt said there is disagreement between the inspection offices, but they are getting the work accomplished so that the inspections can be completed.

Chair Short asked what the drill plan for the next year is. Mr. Landt said the actual drill plan is contingent on approval of the permits. The C-Plan is being amended now and has to go through a full Department of Environmental Conservation process, which could be 90-days. A gas-only determination from Alaska Oil and Gas Conservation Commission is being sought; if this gets approved, then drilling could start prior to the approval of the amended C-Plan. Once the amended C-Plan is approved, the well can then be deepened to reach the oil.

**7C. Ambler Road - Overview by Rick Van Nieuwenhuysse, NovaCopper**

Mr. Van Nieuwenhuysse gave a PowerPoint presentation and answered questions on the Ambler Mining District, to include the proposed Ambler Road.

Chair Short asked what is the elevation of the Bornite deposit. Mr. Van Nieuwenhuysse said the top of the ridge is not quite 2,000 feet and is the first set of mountains in the Brooks Range.

Mr. Sheldon asked if all the deposits were VMS (Vulcanogenic Massive Sulfide). Mr. Van Nieuwenhuysse said yes, the String of Pearls deposit to the north is called the Ambler schist belt.

Chair Short asked what other solutions are being considered for power. Mr. Van Nieuwenhuysse said right now the mine would be powered by diesel. There have been discussions with GVEA and possibly using liquid natural gas (LNG). Chair Short asked what the load expectation is. Mr. Nieuwenhuysse said all the mines would total 60 to 75 megawatts of power.

Mr. Sheldon asked how important the cost of the road is in relation to the total project. Mr. Van Nieuwenhuysse said next to the road power is the next biggest single cost. The road has to be built to build the mine. Mr. Sheldon asked if it was reasonable to assume if the copper was further processed onsite, there would be 2/3 less trucks running on the haul road and the total long-term cost of the road might be less with less traffic on it or could be built at a different scale. Mr. Van Nieuwenhuysse said the company doesn't have the expertise to reduce the concentrate to copper metal and that requires a lot of power. Cheap power would make mining less expensive.

Mr. Sheldon asked if lower-cost power was available would they think about a basic road, rather than a very robust road, and shift the dollars from the road to onsite processing. Mr. Van Nieuwenhuysse said he knows these numbers pretty well because of Donlin Gold power issues. LNG gas is half as expensive as diesel, and gas from Beluga that could be tapped into would be half as expensive as importing LNG. Power is about 25% of the cost for a mine. Alaska is an expensive place to build a plant and there are cheaper places to build. Mr. Sheldon thanked Mr. Van Nieuwenhuysse's willingness to consider other processes. Chair Short asked what the potential load is for Donlin. Mr. Van Nieuwenhuysse responded 185 megawatts.

Mr. Wilken requested the Board be kept apprised on the controlled access of the road and whether it is taxable property on behalf of the Northwest Arctic Borough. Commissioner Bell thanked Mr. Van Nieuwenhuysse for helping share what Alaska has to offer in this area with the commitment from a developer.

Chair Short asked Mr. Van Nieuwenhuysse what he thought the biggest risk was for this project to fail. Mr. Van Nieuwenhuysse said the road is the risk for the project; if there was a road, Arctic and Bornite would be producing mines. The best way to combat that risk is to have local support for the road.

Chair Short encouraged Mr. Van Nieuwenhuysse to talk about how mining, energy and electricity can all work together and to come up with some sort of strategy for rural Alaska beyond the road construction. Mr. Van Nieuwenhuysse said they would be very interested to get involved with that.

**MOTION: Mr. Sheldon made a motion to go into Executive Session to discuss proprietary and confidential information regarding the Healy Clean Coal Plant. Motion seconded by Deputy Commissioner Tangeman. Motion passed unanimously.**

**7D. Executive Session: Healy Clean Coal Project**

The Board entered into Executive Session at 2:12 p.m.

The Board convened its regular meeting at 2:30 p.m. Everything covered in Executive Session was appropriate to the motion.

**8. DIRECTOR COMMENTS**

**8A. Director's Status Report of AIDEA Programs and Projects**

Mr. Leonard referred Board members to the Loan reports and Project Fact Sheets in their packets and said he is able to answer any questions.

Chair Short asked if \$50 million dollars was the goal this year for loan participation. Mr. Leonard said yes, that is the amount allocated. He projected AIDEA should be at about \$35 to \$37 million dollars this year. Chair Short asked what the barriers are to lending more. Mr. Leonard said it is because of a slow market and the banks are keeping the deals and not sending them on. They have assured AIDEA that our loan rates are appropriate. Chair Short asked if refinancing is still an option under the loan participation program. Mr. Leonard said AIDEA considers refinancing just as any other types of loan.

**8B. Next regularly scheduled meeting is Thursday, December 6, 2012, at 10:00 am.**

Chair Short requested Board members review and comment on the proposed 2013 schedule.

**9. BOARD COMMENTS**

Mr. Wilken appreciated being able to call in by teleconference. Commissioner Bell suggested at a future meeting, Staff give insights on Fairbanks Natural Gas.

Commissioner Bell recommended renewing the evaluation process and making it more focused than last year. Mr. Rhodes will contact Board member to run through the series of questions and compile the results for the next meeting so the Board could make recommendations and finalize the evaluation process.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 2:40 p.m.

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