



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, January 10, 2013
Fairbanks, Alaska; Anchorage, Alaska

1. CALL TO ORDER

Chair Hugh Short called the meeting of the Alaska Industrial Development and Export Authority to order on January 10, 2013 at 12:27 pm. A quorum was established.

2. ROLL CALL: BOARD

Members present in Fairbanks: Chair Hugh Short (Public Member); Vice Chair Susan Bell (Commissioner, Department Commerce, Community and Economic Development); Bryan Butcher (Commissioner, Department of Revenue); Robert Sheldon (Public Member); and Gary Wilken (Public Member).

3. AGENDA APPROVAL

The agenda was approved as presented.

4. ROLL CALL: STAFF, PUBLIC

Staff present in Fairbanks: Ted Leonard (AIDEA Executive Director); Sara Fisher-Goad (AEA Executive Director); Mark Davis (AIDEA Deputy Director-Infrastructure Development); Gene Therriault (AEA Deputy Director-Energy Policy Development); Karl Reiche (AEA Project Manager-Rural Energy); Jim Strandberg (AIDEA Energy Development Finance Officer); Nick Szymoniak (AEA Project Economist); and Teri Webster (AEA Executive Assistant).

Staff present in Anchorage: Chris Anderson (AIDEA Deputy Director-Commercial Finance); Jim Hemsath (AIDEA Deputy Director-Project Development & Asset Management); Valorie Walker (Deputy Director-Finance); Sandra Moller (AEA Deputy Director-Rural Energy Group); Jay Drewry (Chief Procurement Officer); Aaron Rhoades (Human Resource Manager); Karsten Rodvik (AIDEA Project Manager-External Affairs); Chris Rutz (Procurement Manager); Kirk Warren (AEA Project Manager); Sherrie Siverson (AIDEA Executive Assistant); and Krin Kempainen (AIDEA Administrative Assistant).

Others present in Fairbanks: Brian Bjorkquist (Department of Law); Mark Gardiner (Western Financial Group); and Bob Shefchik (UAF/Interior Gas Utility).

Others present in Anchorage: Jerry Juday (Department of Law); Andrew Romerdahl (PTP Management); Jan Sieberts (Washington Capital Management); and Donovan Walker (Accu-Type Depositions).

5. PUBLIC COMMENTS

Mr. Bob Shefchik, Interior Gas Utility, welcomed everyone to Fairbanks. He appreciates the level of effort the Governor and the Board have shown through leadership regarding the energy problems in the Interior. He emphasized the requirement that there be a concurrent rapid build-out of distribution. He thanked the staff of AEA and AIDEA and said they are competent, thorough and motivated to find solutions.

Mr. Shefchik requested the Board ask three questions as they are looking at energy solutions for the Interior: (1) what do you think the delivered price will be to the burner tip? (2) How many people in the Interior is it going to serve? and (3) when is it going to get there? He said Interior Gas Utility has offered themselves as a tool to help facilitate AEA and AIDEA's work. Mr. Shefchik said, as the Chair of the Chamber Energy Committee, he wants it noted that they support the Susitna-Watana project.

Mr. Wilken asked Mr. Shefchik to identify other members of the Interior Gas Utility Board. Mr. Shefchik identified Steve Haagenson, Acting General Manager, Oran Paul, Mike Meeks, Jim Laiti, Bill Butler and Frank Abegg.

Mr. Wilken thanked the University for letting Mr. Shefchik spend a time each week working on this project.

6. PRIOR MINUTES

Minutes from the December 6, 2012 board meeting were adopted as amended.

7. NEW BUSINESS

7A. Development of a liquefied natural gas production system and gas distribution

Mr. Leonard introduced the PowerPoint presentation which was given by Mr. Therriault, Mr. Davis and Mr. Strandberg.

Commissioner Butcher asked if this was the total projected cost of the package. Mr. Davis said it is not the total cost which is why AIDEA is being used, private capital will be needed. There is the option of a P3 (private/public partnership) structure or staff could ask for an additional finance package that would be grafted onto whatever is put together. It hasn't been decided which will work best. Mr. Leonard said he thinks the total project with the total build out is estimated to be over \$800 million.

Mr. Wilken asked what was meant about doubling the SETS capitalization. Mr. Davis said last year the legislature, with the Governor's approval, placed \$125 million in the SETS program. The Governor's proposed budget puts another \$125 million into the SETS capitalization fund for this project and authorizes AIDEA by statute to issue SETS loans at a very favorable rate. This is a way to bring down the cost of debt and equity in the project.

Mr. Sheldon said there is currently some proposed regulation out there where there are limitations on project concentration in SETS, which might be worth looking at. Those regulations were just released for comment; however, it bears recognition that those regulations need to be coordinated with whatever the Governor is planning along these lines. Mr. Davis said the SETS Bill has certain limitations in it which reflect the policies of the legislature. This was not a Governor's Bill. It was

drafted by the legislature and the Governor had input. Staff worked together, but it definitely represents the legislature. We are aware of that and in the proposed Bill that may go forward for this project, staff are asking for waivers on some of those limitations. Mr. Sheldon said thank you and the key word was waiver.

Commissioner Butcher asked if there was a date for everything to be up and running. Mr. Davis said staff is looking for some time in the 2014/2015 time frame. It will depend on the technology that is used in the plant, where the plant is located, and distribution options.

Mr. Wilken asked what was learned from the effort of the Governor's request for responses from the different players in the Interior. Mr. Therriault said there was a little frustration because the different players and entities in the community hadn't consolidated their plans into one proposal. The Administration decided to offer a financing and support package in hopes of drawing the entities together. The AEA and AIDEA team will continue to foster and promote collaboration among the different entities.

Mr. Wilken asked if staff expected the turbulence and tensions that were present in Juneau last year to continue this year. Mr. Therriault believes the tension will be lessened. The people who are still in the arena are very interested in the project moving forward. AEA and AIDEA will continue to encourage the necessary collaboration.

Mr. Sheldon asked for an explanation on how the financial package will be formed. Mr. Davis said different types of money would be available. Some will be available through the state. One unknown factor is what the interest rate is on the private side, which will determine a blended rate. Mr. Sheldon asked if there were any expectations as to what that blended rate could be at this point. Mr. Davis said the goal for the bond is 3%, the SETS loan will be competitive and then what the private sector comes up with. Mr. Gardiner, Western Financial Group, said the target for the state side of the financing is to target something like 3% rate for the SETS portion. The private sector part of the financing will depend on the nature of the proposals that have come in and how they get put together. This is a credit worthy conventional utility project and the financing should be more like a corporate utility financing in the high single digits, rather than in the private equity range.

MOTION: Commissioner Bell made a motion to go into Executive Session to discuss confidential information regarding the status of the AIDEA Building and confidential negotiations related to the Healy Clean Coal Plant. Motion seconded by Mr. Sheldon. The motion was approved.

7B. Executive Session: Building

7C. Executive Session: HCCP

The Board entered into Executive Session at 1:15 p.m.

The Board reconvened its regular meeting at 2:13 p.m. Everything covered in executive session was appropriate to the motion.

8. DIRECTOR COMMENTS

8A. Program and Project Fact Sheets

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

Mr. Leonard gave an update on the Endeavour Jack-up Rig. He said staff are monitoring the refurbishments very closely. AIDEA's goal is to have the rig operational as soon as possible and ensure the vendors that have provided services are paid. There will be two Owners meetings this month on January 17 and 26, 2013.

AIDEA has scheduled a special Board meeting February 15, 2013 to present the SETS regulations. This is in addition to the February 28, 2013 Board meeting

8B. Next scheduled meeting – February 15, 2013

9. BOARD COMMENTS

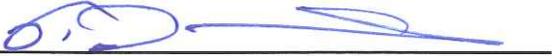
Mr. Wilken thanked the Board for having this meeting in Fairbanks. A lot is happening in Alaska and Fairbanks is in the middle of it. He is proud to be part of it. He thanked AIDEA and AEA staff for the hard work to pull this together and thanked UAF for hosting the meeting.

Mr. Sheldon said he was pleased to have this meeting in Fairbanks and looks forward to a meeting here or in other locations in the future.

Commissioner Bell thanked the AIDEA and AEA staff for a good meeting. Both agencies have taken on lots of programs and have shown statewide that they are moving along despite big challenges. She thanked Fairbanks for their support and emphasized the important role this mid-size community plays.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 2:24 p.m.



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

