Alaska Industrial Development and Export Authority

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, December 5, 2013
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on December 5, 2013 at 10:45 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present in Anchorage: Chair Dana Pruhs (Public Member); Vice-Chair Russell Dick (Public Member); Susan Bell (Commissioner, Department of Commerce, Community, and Economic Development); Crystal Nygard (Public Member); Michael Pawlowski (Department of Revenue); and Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

AIDEA Staff present: Ted Leonard (Executive Director); Chris Anderson (Deputy Director-Commercial Finance); Mark Davis (Deputy Director-Infrastructure Development); Jim Hemsath (Deputy Director-Project Development & Asset Management [PDAM]); Michael E. Lamb (Deputy Director-Finance & Operations); Brenda Applegate (AIDEA Controller); Jennifer Haldane (Human Resources Manager); Matt Narus (Project Manager-PDAM); Karsten Rodvik (External Communications Officer); Jeff San Juan (Infrastructure Development Finance Officer); Lori Stender (Project Manager-PDAM); Nick Szymoniak (Energy Infrastructure Development Officer); Krin Kemppainen (Administrative Assistant); and Sherrie Siverson (Executive Assistant).

AEA Staff present: Sara Fisher-Goad (Executive Director); Gene Therriault (Deputy Director-Energy Policy Development); Sean Skaling (Deputy Director-Alternative Energy & Energy Efficiency); Amy Adler (AEA Controller); and Kelli Veech (AEA Finance).

AIDEA Counsel and Consultants present: Brian Bjorkquist and Jerry Juday (Department of Law); Dave Domansky (Bracewell Giuliani); Katie Palaniuk and Beth Stuart (KPMG); and Pat Clancy (Western Financial Group).

Public present: Sunny Morrison (Accu-Type Depositions); Tim Bradner, Elwood Brehmer (Alaska Journal of Commerce); Richard (Dick) Peterson (Alaska Natural Gas to Liquids); Robert Sheldon (Arctic Infrastructure); Bart Armfield and Tom Habermann (Brooks Range Petroleum Corporation); Clay Koplin (Cordova Electric Cooperative); Cory Borgeson, Bill Nordmark and John Sloan (Golden Valley Electric Association); Larry Houle (HDR Alaska); Jeff Logan (Jeff Logan & Associates); Heather Williams (MWH Global); Hugh Short (Platinum Capital); Richard Seifert (sp), Robert Sheldon (Public); and

Participating via teleconference: Mark Gardiner (Western Financial Group); Steve Klein (First Infrastructure); and John Walsh (Public).

Chair Pruhs made a special welcome to former Chair Short.

4. AGENDA APPROVAL

The agenda was approved as presented.

5. PRIOR MINUTES - October 29, 2013

The minutes were approved as presented.

6. PUBLIC COMMENTS

There were no public comments.

7. NEW BUSINESS

7A. Update - Healy Clean Coal Plant

Mr. Leonard asked Cory Borgeson, Bill Nordmark and John Sloan, from Golden Valley Electric Association, to come to the table to present the Healy Clean Coal Plant update. Mr. Leonard sought permission from Chair Pruhs to invite former Chair Hugh Short and former Board member Robert Sheldon to the table. Chair Pruhs agreed.

Mr. Leonard advised the transfer of the Healy Clean Coal Plant to Golden Valley Electric Association has been completed and a press release was sent out yesterday. Per the revised asset purchase agreement, AIDEA received $42 million purchase price plus approximately $1.8 million on carrying costs from January 1 to December 2013. Mr. Leonard noted the plant is scheduled to go online at approximately the end of the second quarter of 2015. Mr. Leonard believes this asset purchase agreement will meet AIDEA's goals of obtaining a fair price for the plant and bringing the plant online as quickly as possible.

Mr. Nordmark expressed his excitement and his appreciation to all the people who worked on launching this project. He noted this project will be a big boom for Golden Valley and for Healy. Mr. Nordmark believes this project will be very successful and believes AIDEA can be proud of the project.

Mr. Borgeson said it is a proud moment today and expressed his heartfelt appreciation to AIDEA for making this project work. Mr. Borgeson advised this project is going to turn into an incredibly good asset for the Interior of Alaska, creating more jobs and lowering Interior energy costs. Mr. Borgeson noted there are so many people to thank, including Mr. Bjorkquist, Mr. Domansky, and former Attorney General Burns.

Chair Pruhs requested former Chair Short and former Board member Sheldon comment on the Healy Clean Coal Plant.

Former Chair Short appreciated being invited to the meeting today. He commented it is nice to have good news such as this project that took time and persistence to complete. Former Chair Short stated it was a real pleasure to work on this project and wishes the Board the best of luck.

Former Board member Sheldon thanked Chair Pruhs for the opportunity to share his reflections on the wonderful collaborative effort between AIDEA and Golden Valley Electric Association in this project. He is excited about what this project means for Interior Alaska in perhaps holding at bay the idea of energy-induced poverty. He believes the Interior Energy Project coming forward can be another stepping stone in addressing issues. Former Board member Sheldon expressed his appreciation to the new Board members for their work and wished them well.

Mr. Wilken recognized Mr. Bjorkquist and thanked him for his work on this project since 1997. Mr. Wilken expressed his appreciation to Mr. Leonard, Mr. Borgeson, Mr. Nordmark and Golden Valley Electric Associations' Board for positively changing the working relationship with AIDEA and moving forward with this project. Mr. Wilken said he wished Mr. Hughes was present today because he was with the project at the beginning. He said he looks forward to working with Golden Valley Electric Association and seeing the rates stabilize.

Commissioner Bell stated she is excited to part of today's announcement. She believes this is an excellent opportunity for the Board to reflect on some lessons learned, which would be helpful to the other current development projects and investment opportunities. Commissioner Bell thanked the many talented people working on this project, and especially thanked Golden Valley Electric Association's Board Chairman Nordmark for his many uncompensated hours as Chairman.

Mr. Leonard expressed his appreciation to the AIDEA Board and previous Board members who were supportive in making this project successful. He recognized Mr. Bjorkquist and Mr. Domansky as part of the legal team who worked on this project and appreciates their talent and negotiating skills. Mr. Leonard thanked staff, especially Mark Schimscheimer, the project manager, and Golden Valley Electric Association for their hard work to complete the transfer.

Mr. Borgeson advised Black & Veatch will be the engineers over the selective catalytic reduction environmental controls and in charge of the restart of the plant. Mr. Borgeson noted a presentation of the financial roll out and finalized costs will be given at the December 16th Board meeting. The training and hiring of the staff will occur in time for the restart in March of 2014. Mr. Borgeson believes the plant will start firing on coal by the March/April timeframe of 2015.

Chair Pruhs noted he looks forward to an invitation to the ribbon cutting ceremony for the plant.

7B. FY 2013 Financial Statements - presentation by KPMG

Mr. Leonard requested Mr. Lamb introduce the auditing team who will present the financial statement. Mr. Lamb invited Ms. Katie Palaniuk and Ms. Beth Stuart to give their report. Ms. Stuart provided a detailed overview of the FY 2013 Financial Statement.

Chair Pruhs expressed his appreciation for KPMG's work. He asked if the reserves for loan loss is consistent with other development organizations around the country. Ms. Stuart explained a specialist reviewed the allowance for loan loss during the auditing process and noted other development authorities tend to have lower loan loss reserves than typical commercial banks, and AIDEA is consistent with these findings.

MOTION: A motion was made by Commissioner Bell to accept the FY 2013 Financial Statements. Motion seconded by Vice-Chair Dick. The motion was adopted.

Mr. Sheldon acknowledged Ms. Applegate, AIDEA Controller, and expressed his appreciation for the great job she does.

7C. Resolution No. G13-18 FY 2015 Dividend Recommendation

MOTION: A motion was made by Vice Chair Dick to adopt Resolution No. G13-18 FY 2015 Dividend Recommendation. The motion was seconded by Commissioner Bell.

Mr. Leonard advised every year at this time per statute, AIDEA is required to look at the financials and performance over the last year to set a declaration of a dividend to be paid next year. Staff is recommending to the Board to declare a dividend of $10,665,000 to be paid next year in FY15, which is 50% of the statutory net income that AIDEA received through its performance from July 1, 2012 through June 30, 2013. Mr. Leonard noted Mr. Lamb is available to answer questions regarding how the dividend declaration calculation was completed.

Mr. Wilken asked why this is the third lowest dividend declaration made and the lowest dividend declaration since 2006. Mr. Lamb explained the Governmental Accounting Standard Board adopted Governmental Accounting Standard Board Statement 31, which requires mark to market of value of investments reflecting the value of the asset as if it were sold on a particular day. Mr. Lamb explained the net income decreased and therefore 50% of the lower number is how the dividend number was reached.

Mr. Wilken referenced the paragraph noting the $17.3 million reduction and asked how that relates to the $10.6 million computation. Mr. Lamb advised on page 12 of the financial statement there is a line item which shows net increase/decrease in fair value of investments. The $17.3 million is a combination of actual realized gains and unrealized gains of Governmental Accounting Standard Board Statement (GASB) 31.

Mr. Wilken asked if AIDEA made bad investments. Mr. Lamb reported AIDEA did not make bad investments. He explained a mark to market adjustment has to be computed and at that time, the value of the investments were lowered because of the comments by the United States Federal Reserve Chairman Bernanke that tapering and quantitative easing will occur. Mr. Lamb reported the assets are not bad, but their value decreased because the tapering would cause interest rates to go up, so the value of existing fixed investment would go down. Mr. Lamb advised the Board's policies for investment are very good and of high quality.

Mr. Wilken asked if this is a point in time issue. Mr. Lamb agreed it is very much a point in time issue. Mr. Wilken respectfully suggested Mr. Lamb provide a three-sentence explanation for legislators to understand this is a point in time adjustment, especially since this is the third lowest dividend declaration. Mr. Lamb stated he will provide a short written explanation. He commented AIDEA had a very good year on a comparative basis. Mr. Wilken stated he would be very comfortable if the two Michaels worked together to write the explanation.

Commissioner Bell noted AIDEA commonly issues a release when the dividend is declared, which is an opportunity to use the three or four succinct sentences to start framing the message and keep the talking point within the same bandwidth.

Mr. Pawlowski pointed Board members to the Revenue Source Book the Department of Revenue released yesterday and noted Chapter 10 covers the public entities in the state of Alaska. He believes the comparison will show the Board's good work in being stewards of this agency. Mr. Pawlowski recommended the success of AIDEA be highlighted, without disparaging other departments. Mr. Leonard stated the Board will be provided copies of this information and it is posted online under the Department of Revenue home page.

A vote was taken and the motion passed unanimously.

7D. Resolution No. G13-19 Adopt changes to AIDEA Development Finance Program regulations

MOTION: A motion was made by Vice-Chair Dick to adopt Resolution No. G13-19. The motion seconded by Commissioner Bell.

Mr. Leonard noted this resolution provides modifications to the direct financing in AS 44.88.172. Mr. Leonard advised Senate Bill 23 gives AIDEA the ability to provide direct financing for projects or provide other types of guarantees or financing methods for projects. This is the first of two or three groups of regulations that staff will be requesting the Board to pass, which will allow AIDEA to utilize the powers that came from Senate Bill 23. This resolution specifically relates to being able to provide direct financing for projects. Mr. Leonard invited Mr. Davis and Mr. Kline, who is attending telephonically, to review the sections being changed and to answer any questions from the Board. Mr. Davis and Mr. Kline gave a detailed explanation of Resolution No. G13-19.

Chair Pruhs requested Mr. Leonard review any Board restrictions, including volumes and legislative approval. Mr. Leonard advised the restrictions are the same as for any type of development project financing under AS 44.88.172. The main restriction is if debt is going to be used to finance this direct financing. If $10 million of bonds are issued to fund a direct financing, AIDEA would have to seek the Legislature's permission. Mr. Leonard added two public hearings were held during this process and no comments were received on these regulations.

A vote was taken and the motion passed unanimously.

7E. Update - BRPC Brooks Range Oil Processing Facility

Mr. Leonard invited Mr. Jim Hemsath and the sponsors from the Brooks Range Petroleum Corporation, Mr. Bart Armfield and Mr. Tom Habermann, to give their presentation. Mr. Hemsath and Mr. Armfield provided a detailed overview of the PowerPoint presentation provided to the Board entitled Mustang Operations Center Project.

Chair Pruhs asked for the names of the parent companies of Brooks Range Petroleum Corporation. Mr. Hemsath noted Alaska Venture Capital Group and Ramshorn Investment, Inc., which is a subsidiary of Nabors.

Mr. Pawlowski asked if companies would typically construct their own ice roads if the road and pad were not there. Mr. Armfield agreed and noted if the infrastructure was not in place, one of the entities utilizing that facility would not be in the position that they are in today and another entity would be required to have additional ice road infrastructure to allow them to complete their project.
Mr. Pawlowski commented to Chair Pruhs that if a company saves dollars by using the infrastructure AIDEA has helped put in place, there is a lower credit burden under the old tax system on the state. There are actually revenue benefits to the state of that synergy that would not be initially apparent to people.
Chair Pruhs asked which borrow site is reflected in the photograph in the presentation. Mr. Armfield explained that site was explored during the exploration season in 2011 and 1.3 million cubic yards of construction grade gravel was found along the east bank of the Miluveach River and is 4,000 feet away from the production site. Chair Pruhs asked if it was a DNR site. Mr. Armfield said it was a state site.

Mr. Pawlowski stated he did not hear Mr. Hemsath mention taxes while reviewing the confidential slide. Mr. Hemsath explained the slide information was before taxes because this facility is an expense. The tax base will be based on the funds that are available after the lease is paid.

Mr. Pawlowski commented the use of the term "ACES credits" is dangerous for the public because of the natural replacement of ACES by Senate Bill 21 in January 1 of 2014. Mr. Pawlowski asked for verification if the credits Mr. Hemsath and Brooks Range Petroleum Corporation are referring to are preserved under Senate Bill 21 through the increase in the loss carry-forward credit. Mr. Pawlowski does not want the Board and the public thinking AIDEA is relying on ACES credits that are going to go away. He noted this was a specifically narrow built-in piece of the legislation. Mr. Hemsath thanked Mr. Pawlowski and commented he raised a good point that the Senate Bill 21 does have some reflection on timing where some of the credits drop in 2016.

Mr. Pawlowski requested from Chair Pruhs that when this project is put out publically, the ACES credit is replaced with Senate Bill 21 credit. Mr. Pawlowski asked if the adjustment in the working interest owners triggers the type of review that has to go back through the Department of Natural Resources. Mr. Armfield advised that yes, the assignment of those interests will require state approval.

Mr. Wilken requested Mr. Hemsath send him an email showing the calculation for the $55 million for the added North Slope Borough property tax. Mr. Wilken asked if the $55 million was an annual number. Mr. Hemsath stated the $55 million is a total number and he will email the calculation.

Mr. Pawlowski commented to the Board that this unit has higher royalty rates than normally come from the North Slope. They are 1/6 rather than 1/8, which means it will have a higher contribution to the Permanent Fund than production from a lot of the traditional leases.

Vice-Chair Dick expressed his appreciation for the very informative presentation. He requested definitions of 1P, 2P, 3P, including priority ranges and how they impact the business. Mr. Hemsath explained 1P is considered prudent reserves and the best proven responsibility. It is based on sample, coring, down-hole work, and exploration work completed. It is based on the understanding of the field and the fields around it. This field falls under the 1P definition at a very high confidence level because of its location within the Kuparuk drainage and Colville area.

Mr. Hemsath explained 2P is based on a larger expansion of drilling called delineation, including the proven, probable and possible reserves. He noted this methodology is very similar to what is used for mining and as the mine continues to develop, the reserves continue to expand.

Mr. Pawlowski commented he is really encouraged by the collaborative relationship he is seeing and has seen between AIDEA, Mr. Hemsath and Brooks Range Petroleum Corporation. He stated there will be a lot of due diligence work throughout this process and expressed his appreciation to AIDEA for helping Brooks Range Petroleum Corporation.
Chair Pruhs asked if the Board members had an interest in visiting the North Slope. The Board members agreed. Chair Pruhs requested Mr. Leonard facilitate the Board visiting the North Slope before the Board's final due diligence decision. Mr. Leonard stated he will work on that request.

7F. Update - Trucking for Interior Energy Project

Mr. Leonard advised this update was based on Chair Pruhs' direction to discuss with the Board a very critical portion of the Interior Energy Project. Mr. Leonard noted even though AIDEA is not involved in the financing of this section, it does critically affect any financing or participation between the North Slope side and delivery side. Mr. Leonard advised that trucking for the Interior Energy Project is at least 40% of the total cost of bringing energy to Fairbanks. Mr. Leonard invited Mr. Davis and Mr. Szymoniak to give their presentation. Mr. Davis and Mr. Szymoniak gave a detailed PowerPoint presentation entitled LNG Trucking Update.

Chair Pruhs asked how storm blows affect the road on the North Slope. Mr. Davis noted the 40 trucks a day that bring diesel are able to complete their route every day. Chair Pruhs asked if the trucking model anticipates closures due to extreme storm blows. Mr. Davis advised the storage is for at least a five-day shutdown of the entire system. Chair Pruhs asked how much storage is anticipated in Fairbanks. Mr. Davis reported Fairbanks Natural Gas has a loan into Chris Anderson's commercial finance section to build a five-million-gallon storage. Mr. Leonard commented the five-million-gallon storage would be approximately 15 days of full production of storage.

Chair Pruhs asked how many days' worth of usage will be stored in Fairbanks. Mr. Davis stated the model shows five days' worth of storage. Mr. Davis said they have also modeled 10 days' worth of storage. Chair Pruhs asked if that modeling was 10 days' worth of storage in Fairbanks. Mr. Davis disagreed and said the 10 days' worth of storage was in the whole unit. He commented there needs to be storage at both ends. Chair Pruhs asked if there was a dollar value that has been attached to the per day storage cost. Mr. Leonard stated he can provide Chair Pruhs with that information.

Mr. Pawlowski suggested the responses to Board members' questions be put in terms of the different term sheets. Mr. Pawlowski commented he is happy with the format of this discussion of putting questions on the table and AIDEA will provide responses to the Board. Mr. Pawlowski recommended the Board members be clear on the denomination of units when looking for answers. Mr. Leonard advised he and staff will review the meeting's minutes and provide answers within a week or two to any questions asked by Board members.

Chair Pruhs requested Mr. Davis provide details on the computation of the trucking prices of $4.53 per Mcf using liquefied natural gas to $5.01 using diesel. Mr. Davis explained the estimation was determined using AIDEA's free-on-board liquefied natural gas sales model. Mr. Szymoniak advised he has the prologue report with him. He noted the move from $4.53 to $5.01 was as a result of the trucking round table. The number of gallons transported increased from 10,500 to 11,500 per trip, which brings the cost down. The liquefied natural gas powered tractors were switched to diesel powered tractors, which brought the cost back up and those two reasons are why the numbers moved from $4.53 to $5.01.

Chair Pruhs asked what the original cost was. Mr. Szymoniak noted the original number was at $4.53 with a liquefied natural gas powered tractor hauling 10,500 gallons per trip. Chair Pruhs asked what the number would be if a liquefied natural gas powered tractor was used hauling 11,500 gallons per trip. Mr. Szymoniak stated he believes that is in the range of $4.25. Chair Pruhs asked how the liquefied natural gas trailer costs were amortized. Mr. Szymoniak noted it is a four-year amortization with zero residual value.

Chair Pruhs stated he understands the four-year amortization and asked if this is a composite number. Mr. Szymoniak stated it is not a composite number. Mr. Davis noted if the zero residual value is used for the entire fleet, the composite is already modeled. Mr. Davis advised this is a pretty conservative model.

Mr. Wilken asked if staff has answered the email from Interior Gas Utility questioning the idle trucks and whether that is rolled into these values. Mr. Leonard advised staff is still working on that response. Mr. Wilken asked if that is a valid issue and what is the estimate on how it affects the $5.01 amount. Mr. Szymoniak stated he has been working on that issue and it appears the idle trailers are not accounted for in these values. The model has been adjusted to show the effects to the price and at the 9Bcf plant, with the current predicted storage, the price is raised less than 3%. Mr. Leonard reported that is an increase from $5.01 to approximately $5.15 or $5.20. Mr. Szymoniak stated not many of the trailers idle and the trailers only make up 10% of the cost.

Chair Pruhs commented his experience is that typically in the north when it is cold, the trucks are never turned off. Mr. Leonard noted Interior Gas Utility was asking if the four to five trucks out of 20 that were not going to be operating at all, parked four to five months, were included in the modeling. Chair Pruhs asked in the model of $185,000, is that one driver per truck or is it 1.4 drivers per truck. Mr. Szymoniak the number is generated in the driving costs associated with one truck per year. Chair Pruhs asked if they know the number of how many drivers per truck because having one driver per truck would help the model. Mr. Szymoniak noted that is normally how things go.

Mr. Pawlowski asked for clarification if this scenario of trucks being parked and down time is currently integrated in the model. Mr. Szymoniak stated it is not in the current model, but he is working on a model which includes that scenario.

Chair Pruhs stated that staff has spoken with the trucking companies and received an estimate of a roundtrip cost today for a single truck. He asked what is that estimated cost. Mr. Szymoniak responded he does not have that cost information with him today. Mr. Leonard believes it was $4,600. Mr. Wilken stated he saw the amount of $5,200. Mr. Leonard noted the range was from $4,600 to $5,200. Mr. Davis noted the model reflects the middle of the range.

Mr. Wilken stated the trucking companies have told him that the engines that would be required to run liquefied natural gas up this road have not yet been engineered. Mr. Wilken asked if that is correct. Mr. Leonard agreed and advised Cummins and Kenworth both have plans to make those engines. Mr. Leonard reported the current model uses diesel as the start-up fuel and uses existing tractors. Mr. Wilken suggested the Board members do not fall in love with liquefied natural gas on the haul road because it has not yet been developed and it requires a mid-stop for fueling. Mr. Leonard stated a fueling station would have to be placed along the haul road for a safety factor.

Mr. Wilken asked for clarification if the liquefied natural gas trucks will be available in two years or if the engines have not yet been designed. Mr. Davis stated he was told the liquefied natural gas trucks were expected to be commercially available in two years.

Mr. Pawlowski stated another reason to be careful about relying on liquefied natural gas trucks is because of the difference between 28 deliveries a day and six deliveries a day, which reflects the idling problem Interior Gas Utility asked about.

Mr. Wilken asked if the 56-unit requirement comes from 28 truck deliveries per day and 28 trucks returning back to the Slope empty. Mr. Davis agreed. Mr. Wilken asked if there were any backup trucks at the maximum of 300,000 gallons per day. Mr. Davis stated there are no backup trucks at the maximum of 300,000 gallons per day. He noted that issue needs to be reviewed further in the feasibility study to ensure the gas can be delivered at a reasonable cost using the existing infrastructure, existing trucks and existing fuels.

Chair Pruhs commented he is not so worried about the power units because the trailer is the constraining part and critical component to this whole operation. Mr. Davis agreed. Chair Pruhs asked what the lead-time is to put a trailer into service from order. Mr. Davis showed the slide noting the procurement lead-times range from six to 18 months.

Ms. Nygard stated it is her understanding there are only two companies in the state that can haul liquefied natural gas because of a particular Code of Federal Regulations 173 requirement. Ms. Nygard asked if her understanding is accurate. Mr. Davis noted he will get her the answer, but believes the Code of Federal Regulations 173 requirements have to do with trailers. Mr. Davis stated there are only two companies hauling liquefied natural gas on certificated trailers. Ms. Nygard asked if that was calculated in the cost. Mr. Davis agreed and stated the lead time is for trailers that would meet the federal requirement.

Chair Pruhs asked if the owner of the gas who provides the certificated trailers, could provide those certificated trailers to any commercial trucking company. Mr. Davis explained an example of the way it works now with Fairbanks Natural Gas is they own the trailers and they hold the certificates. Fairbanks Natural Gas has contracted with a company to provide the tractors. Mr. Davis stated he will get back with Chair Pruhs to provide him a definitive answer to his question.

Mr. Pawlowski requested staff give the Board feedback regarding the term sheets and how each of the term sheets works differently, including some of the risks in timing if the term sheet specifics are not met. Mr. Leonard advised the utilities will be working with the trucking and they will have to work with the operator of the plant. Mr. Pawlowski noted his concern with a project like this is having multiple commercial parties moving forward in a synchronized way to get to an in-service date and if anything breaks down, there will be delays in different components. Mr. Pawlowski requested staff explain to the Board the risks of having multiple commercial parties and how those risks affect the cost.

Chair Pruhs asked for further clarity regarding configurations, weights and measures of trailer volume capacity. He asked if it is possible to reach 11,500 gallons or 12,500 gallons. Mr. Davis noted the consensus from the trucking discussions was that 11,500 gallons should work. Mr. Leonard commented it is a good change. Chair Pruhs asked if the trailer configuration is a four-axle or a three-axle. Mr. Leonard advised the trailers are a four-axle configuration. Chair Pruhs stated he talked to Mr. Szymoniak about trying to change from a four-axle configuration to a three-axle configuration. Mr. Leonard noted there was a discussion at the meeting on a three-axle configuration.
Mr. Szymoniak reported the discussion at the round table did not specifically mention a three-axle configuration, but offered to help optimize the configuration. He noted the four-axle configuration is for the 11,500 gallons and if it was changed to a three-axle, the capacity could get closer to 12,500 gallons. Chair Pruhs explained if the trailer goes from four axles to three axles, capacity is not gained, but weight is gained, which means more volume can be placed in the existing truck. Chair Pruhs asked if Canada uses a three-axle configuration. Mr. Davis agreed.
Chair Pruhs asked when the Board would know if a configuration change to three axles would be entertained by the trucking industry. Mr. Szymoniak stated the issue has been discussed, but the question of a specific timeline has not be asked. Mr. Szymoniak stated the question will be asked. Chair Pruhs asked if the three-axle concept was embraces, would that be an administrative change or does it take regulation or legislative involvement. Mr. Davis advised it depends on the road and he has not talked to the Department of Transportation counsel because each highway has different regulations. Mr. Davis commented he assumes it would take a regulation change fort the Dalton Highway. Chair Pruhs asked if there could be an exemption. Mr. Davis stated he would not suggest an exemption be given.
Chair Pruhs requested a cost model of the trucking prices using a three-axle configuration. He suggested that cost model can be shown to regulatory agencies illustrating the potential savings to residents of the Interior. Mr. Leonard stated the cost model would be proportional, in the range of 40 cents and the refined number will be provided to the Board.

Mr. Wilken asked for additional explanation regarding the diesel trucks adding one dollar per Mcf to the residential gas cost on Slide 25 of the trucking summit, compared to the new price estimate adding 50 cents per Mcf. Mr. Leonard advised there were two changes. The dollar per Mcf was based on a 10,500-gallon trailer and by increasing the gallons per trailer, the cost is lowered. Changing the fuel used by the tractor to diesel increases the price. The net is the result of increasing the size of the trailer and changing the type of fuel.

Mr. Wilken asked if the burner tip numbers are based on the $3,855 number provided in the feasibility report or the revised $4,661 estimate. Mr. Szymoniak noted the burner tip numbers are based on the $4,661 estimate.

Mr. Pawlowski requested staff create a table with the previous numbers and the revised numbers and clearly show the increase and decrease of each change. He believes this would be helpful to the Board and the public. Chair Pruhs stated the configuration may change again. Mr. Szymoniak commented the estimated numbers may change again to address the possibility of trucks being idle in the summer. Chair Pruhs asked if the trucking industry has provided comments to AIDEA regarding the recent reports. Mr. Davis stated he has not received any comments yet, but will ask for their feedback. Chair Pruhs requested to see the trucking industry feedback when it is received.

Ms. Nygard asked for an overview of the feedback AIDEA received during the trucking roundtable. Mr. Szymoniak stated the overall feedback was positive. AIDEA was able to clear up some misperceptions regarding the extent of AIDEA's involvement with the trucking industry.

Mr. Pawlowski suggested encouraging the utilities to engage with the trucking industry with AIDEA's continued support of that effort. Chair Pruhs stated that would fit right in with a central permitting office. Mr. Wilken asked where in the reports is the breakdown of the $900,527 annual cost per truck. Mr. Szymoniak stated he will provide the breakdown to the Board. That number does include 182 roundtrips on the haul road of 185,000 miles. Mr. Wilken recommended the trucking numbers and breakdowns are clearly shown in information provided to the Board and to the public. Mr. Wilken requested an explanation of slide five and asked if eight months out of the year, the fleet will be sitting without being used. Mr. Davis disagreed with that interpretation of the slide. Mr. Davis noted there is a lot of seasonal activity happening in the state with regards to the trucking business. Mr. Davis commented that has not been raised as a concern at the trucking roundtable. The lack of qualified drivers is one of the concerns that has to be addressed, especially during the winter. Ms. Nygard noted there is an additional cost of increased qualified driver pay because the drivers are limited.

Mr. Wilken stated the tractors can be used for different jobs, but the liquefied natural gas trailers cannot be used for different jobs. He asked if the 44 trailers are going to be set aside eight months out of the year. Mr. Szymoniak disagreed and explained an important factor that is not represented is storage. The storage is going to take off the top of the peaks and put those tops into the trough. The swing will be closer to 25% to 33% of the fleet of trailers will be parked. Chair Pruhs recommended during that down time, annual long-term maintenance on trailers should occur and the trailers can be switched out.

Chair Pruhs asked for an explanation of a 9 Bcf plant being optimized at 6.5 Bcf. Mr. Davis stated the plant develops inefficiencies when it is at full capacity and the plant develops inefficiencies when it is turned down. Mr. Davis noted Bcf plants can be turned up in the winter if there is a lot of demand.

MOTION: A motion was made by Vice-Chair Dick to go into Executive Session to discuss confidential issues regarding the Endeavour Jack-up Rig, the Executive Director Review, and strategies related to the Interior Energy Project. The motion was seconded by Mr. Wilken. The motion was approved unanimously.

7G. Executive Session - Endeavour Jack-up Rig: 2:05 pm.
7H. Executive Session - Executive Director Review: 2:05 pm.

The Board reconvened its regular meeting at 4:39 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 corrected item 8B on the agenda, noting that a special meeting will be held at 9:00 a.m. on Wed. December 18, 2013. Mr. Leonard referred members to their packets for updated loan activity and dashboard reports, delinquencies, and project updates.

1. Loan Activity, Dashboard Reports
2. Loan Delinquencies to Outstandings Report
3. AIDEA Projects Updates
4. Callan Investment Measurement Service Quarterly Review Sept. 30, 2013
5. Continuing Education Opportunities

8B. A special meeting has been scheduled at 9:00 a.m. on Wed. December 18, 2013. The next regularly scheduled meeting will be at 9:00 a.m. on Tue. January 14, 2014.

Mr. Wilken asked for an explanation of Central Alaska Energy referenced on page one of the Anticipated Fundings report. Mr. Leonard said Central Alaska Energy is the tank farm at Point McKenzie that was approved three months ago.

9. BOARD COMMENTS

Mr. Wilken wished everyone a merry Christmas.

Commissioner Bell stated the financial audit discussions today brought forth an idea for a recommendation to the Board of implementing an annual programmatic audit, perhaps on the performance or safety of AIDEA's assets. Commissioner Bell stated the Railroad conducts annual programmatic audits and she will ask for a history of their topics to provide ideas to the Board.

Chair Pruhs commented in his businesses, every three to five years he receives an appraisal to get a snapshot of what is going on. Chair Pruhs suggested this be considered. Mr. Leonard stated the issue can be further explored during the work session on January 15, 2014.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 4:44 p.m.

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

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