



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, June 11, 2015
Anchorage and Juneau, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on June 11, 2015 at 10:00 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Crystal Nygard (Public Member); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development); and Gary Wilken (Public Member).

Members participating via teleconference: Vice-Chair Russell Dick (Public Member); and Jerry Burnett (Deputy Commissioner, Department of Revenue).

3. ROLL CALL: STAFF, PUBLIC

AIDEA Staff present: John Springsteen (Executive Director); Ted Leonard (Director Emeritus); Chris Anderson (Director-Commercial Finance); Mark Davis (Chief Infrastructure Development Officer); Jennifer Haldane (Director-Human Resources); Jim Hemsath (Director-Project Development & Asset Management (PDAM)); Michael Lamb (Chief Financial Officer); Gene Therriault (AEA Director-Energy Policy & Outreach); Nick Szymoniak, (Energy Infrastructure Development Officer); Kirk Warren (AEA Project Manager); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

AIDEA Staff participating via teleconference: Karsten Rodvik (External Affairs Officer).

Public present: Brian Bjorkquist (Department of Law); Dan Britton (Pentex); Mark Gardiner (Western Financial Group); Sunny Morrison (Accu-Type Depositions); and Bob Shefchik (Interior Energy Project (IEP) Team Leader).

Public participating via teleconference: Mayor Luke Hopkins (Fairbanks North Star Borough); Steve Howell (Walsh Sheppard); Lisa Ross (Birch Horton Bittner & Cherot); and Pamela Throop (Alaska Commercial Properties).

4. AGENDA APPROVAL

Chair Pruhs requested that the title of Item 6. be changed from New Business to Old Business. The agenda was approved as amended.

5. PUBLIC COMMENTS

Mayor Luke Hopkins, Fairbanks North Star Borough, stated the items of business on the agenda today are economically important to Fairbanks. Mayor Hopkins requested the Board approve the purchase of Pentex. He believes this is a step to providing lower-cost energy to the Interior.

Mr. Wilken expressed his appreciation to Mayor Hopkins for his patience, hard work, and continued support of this project.

Ms. Pamela Throop, Alaska Commercial Properties, questioned the financial soundness of the business items being addressed today. She does not believe lowering the cost for about 1,100 businesses by 13% will create much of a change for the community. Ms. Throop said other avenues could have been explored, AIDEA may be paying too much money for the company. Ms. Throop said her overriding concern is to have heating fuel in Fairbanks on parity with Anchorage. She does not believe the business items today will accomplish heating fuel parity with Anchorage.

Ms. Throop said she hopes Fairbanks will be able to utilize some of the Cook Inlet natural gas credits to assist in lowering gas prices. Also, propane is an option for Fairbanks and should be reviewed further. She noted additional work is needed to move forward.

Mr. Wilken thanked Ms. Throop for her testimony, and provided his cell phone number to further discuss the business items today.

6. OLD BUSINESS

6A. Executive Session: Interior Energy Project

MOTION: Deputy Commissioner Parady moved to go into Executive Session to discuss confidential information related to the Interior Energy Project. Motion seconded by Mr. Wilken. The motion was approved.

The Board entered Executive Session at 10:08 a.m. Participants included board members Dana Pruhs, Russell Dick (by phone), Jerry Burnett (by phone), Crystal Nygard, Fred Parady, and Gary Wilken. AIDEA staff and guests John Springsteen, Ted Leonard, Mark Davis, Brian Bjorkquist (LAW), Mark Gardiner (WFG), and Bob Shefchik (IEP).

The Board reconvened its regular meeting at 10:38 a.m. Chair Pruhs stated no formal action was taken during executive session.

6B. Resolution No. G15-09 Approving the Acquisition of Pentex Alaska Natural Gas Company, LLC

MOTION: Mr. Wilken moved to approve Resolution No. G15-09 Approving the Acquisition of Pentex Alaska Natural Gas Company, LLC. Motion seconded by Deputy Commissioner Parady.

Mr. Springsteen said Resolution No. G15-09 authorizes AIDEA to proceed with the acquisition of Pentex Alaska Natural Gas Company under the Authority's Economic Development Finance Program. Ted Leonard and Mark Gardiner are present to answer questions.

Mr. Wilken said this project represents government at its best. It is a kick-starter project, a hedge project, a project that will help clean up the air, and it is a project that is taking a leap of faith to complete. Mr. Wilken believes this project will provide benefits for generations. He expressed his appreciation for all the effort and work on this project.

Deputy Commissioner Parady said this resolution reflects the best and most positive action that has been determined. He noted significant challenges remain in the work ahead and the path to progress is being followed. Deputy Commissioner Parady indicated House Bill 105 opens the door to full consideration of a propane alternative, and will be energetically evaluated. He stated the Pentex acquisition cash flows on its own merits. Proper commercial due diligence has been conducted and a valuation for the project has been established. The health and air quality issues that underpin the drive for this project are genuine.

Deputy Commissioner Parady believes the project will ensure a merged entity can operate on a cost of service basis and will bring the most affordable energy available to the Interior. He stated Fairbanks and Anchorage are logistically situated differently, and he does not know where the energy parity mantra came from. The goal is to bring the lowest cost of energy to as many people as possible in the Interior. This project will set the stage for further progress.

Ms. Nygard said a no-action alternative is not an option. She believes this project follows AIDEA's mission and will move the economy in Fairbanks forward. Ms. Nygard expressed her appreciation for all the work on this project.

Vice-Chair Dick expressed his appreciation to Board members and staff for their tremendous effort and perseverance with this project.

Deputy Commissioner Burnett reiterated the staff has done an excellent job on this project. He believes this is a positive and incremental step in a long process.

Chair Pruhs voiced his appreciation to the Board and staff for their patience and efforts on this project. He recognized there will be other challenges with transportation, liquefaction, delivery, and supply, and taking this first step of distribution efficiently will ultimately lead to a positive result in bringing affordable energy to the Interior as fast as possible.

The motion was approved with members Pruhs, Dick, Burnett, Nygard, Parady, and Wilken voting yea.

6C. Resolution No. G15-10 Regarding Operating Agreement of Pentex Alaska Natural Gas Company, LLC

MOTION: Deputy Commissioner Parady moved to approve Resolution No. G15-10 Regarding the Operating Agreement of Pentex Alaska Natural Gas Company, LLC. Motion seconded by Mr. Wilken.

Mr. Springsteen stated Resolution No. G15-10 allows AIDEA to manage and direct Pentex and its subsidiaries. It addresses governance procedures and rate setting procedures. Mr. Leonard, Mr. Gardiner, and Mark Davis, were available to answer questions from the Board.

Mr. Davis said the operating agreement will be exempt from regulation of the Regulatory Commission of Alaska (RCA) because AIDEA is a public corporation and is a political subdivision of the state. The Pentex management will stay in place, providing a seamless change for the customers of Fairbanks Natural Gas (FNG).

Mr. Leonard stated an appendix has been attached to the resolution showing the rate setting process after the purchase of Pentex, which is projected to close on October 15, 2015. Mr. Davis noted this is consistent with AIDEA's practices and would be completed by the Board in open session. Public testimony will be accepted during this transparent process. Mr. Davis said staff is cognizant of the Chair's requests and will work to incorporate those.

Mr. Wilken said he is supportive of obtaining the best and brightest people to help ensure confidence that the rates are right from the first day out. This is a great opportunity to succeed and could be a great opportunity to fail, and he does not want to participate in failure, as he has seen before. Mr. Davis stated the appendix requires a report by expert consultants on the rate setting process and be provided to the Board.

The motion was approved with members Pruhs, Dick, Burnett, Nygard, Parady, and Wilken voting yea.

Chair Pruhs said, for the record, board member Wilson Hughes is absent because he is traveling to assist his mother who broke her hip. Mr. Hughes will try to participate telephonically between his flights in Seattle.

6D. Resolution No. G15-11 Approving the Transfer of Certain RCA Certificates of Public Convenience and Necessity to AIDEA

MOTION: Ms. Nygard moved to approve Resolution No. G15-11 Approving the Transfer of Certain RCA Certificates of Public Convenience and Necessity to AIDEA. Motion seconded by Deputy Commissioner Parady.

Mr. Springsteen said Resolution No. G15-11 addresses the steps needed to transfer the RCA Certificate of Public Convenience and Necessity No. 514, which authorizes continued operation as a utility. Mr. Davis stated this is a technical matter of taking over control of the governance. He noted if this resolution is passed, AIDEA is authorizing legal counsel to file an application to the RCA to approve the transfer of the Certificate 514 as part of the process of buying Pentex.

The motion was approved with members Pruhs, Dick, Burnett, Nygard, Parady, and Wilken voting yea.

6E. Eligibility Resolution No. ER15-01 Pentex Membership Interest Acquisition

MOTION: Mr. Wilken moved to approve Resolution No. ER15-01 Pentex Membership Interest Acquisition. Motion seconded by Ms. Nygard.

Mr. Springsteen said Resolution No. ER15-01 preserves an option for AIDEA to issue tax exempt bonds in the future to reimburse funds expended for the acquisition of Pentex. Michael Lamb is available to answer any questions related to this resolution. Mr. Lamb stated this is purely a defensive action to preserve a cash flow option in the future.

The motion was approved with members Pruhs, Dick, Burnett, Nygard, Parady, and Wilken voting yea.

7. DIRECTOR COMMENTS

The next AIDEA board meeting is scheduled for Thursday June 25, 2015 in Fairbanks, Alaska. The meeting will be held in Room 401 of the International Arctic Research Center (IARC) on the UAF Campus. (Directions: http://www.iarc.uaf.edu/about/our_location)

8. BOARD COMMENTS

Mr. Wilken said Fairbanks and North Pole are looking forward to welcoming AIDEA staff at the next meeting. He offered his personal advice for an enjoyable stay in Fairbanks. Mr. Wilken said he participated in the Governor's Sustained Future Conference over the weekend and was not surprised at the participants' lack of knowledge of AIDEA. The conversation stopped when it was reported that AIDEA provided \$24 million in dividends to the state last year and has provided over \$350 million in total dividend payments. This is the insurance and good will AIDEA delivers by giving the public's money back through prudent investment.

Chair Pruhs expressed his appreciation for the great meeting today, and noted we are on the path going forward.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 11:08 a.m.



John Springsteen, Executive Director
Alaska Industrial Development & Export Authority