



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Thursday, September 22, 2016**  
Anchorage and Juneau, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on September 22, 2016, at 10:01 a.m. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Elaine Brown (Public Member); Dan Kennedy (Public Member); and Gary Wilken (Public Member).

Members participating via teleconference: Vice-Chair Russell Dick (Public Member); and Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development).

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

Staff present: John Springsteen (CEO/Executive Director); Michael Lamb (AEA Interim Executive Director/CFO); Chris Anderson (Commercial Finance Director); Mark Davis (Chief Infrastructure Development Officer); Jennifer Haldane (Human Resources & Administration Director); Jim Hemsath (Project Development & Asset Management Director (PDAM)); Brenda Applegate (Assistant CFO/Controller); Tom Erickson (Chef Procurement Officer); Leona Hakala (Loan Officer); Matt Narus (PDAM Project Manager); Karsten Rodvik (External Affairs Officer); Jeff San Juan (Infrastructure Finance Development Officer); Nick Szymoniak (Energy Infrastructure Development Officer); Gene Therriault (Interior Energy Project (IEP) Team Lead); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

Public present: Alan Bailey (Petroleum News); Dan Britton (PENTEX); Joel Fuller (Arcticorp); Mark Gardiner (Western Financial Group); Jerry Juday (Department of Law); Sydney Hamilton (Accu-Type Depositions); Mark Hamm (Aleutian Pribilof Islands Association); Ed LaFleur (First National Bank Alaska); Robert Sheldon (SGC/BRPC); Jack Sheppard (Walsh Sheppard); and Dean Westlake (public).

Public participating via teleconference: Jomo Stewart (Interior Gas Utility (IGU)).

**4. AGENDA APPROVAL**

The agenda was approved as presented.

**5. PUBLIC COMMENTS**

Jomo Stewart of Interior Gas Utility said he is available to answer questions during the meeting, if necessary.

**6. PRIOR MINUTES - August 10, 2016**

The minutes of August 10, 2016, were approved as presented.

**7. NEW BUSINESS**

**7A. Loan Resolution No. L16-09 Aleutian Pribilof Islands Association, Inc.**

**MOTION: Mr. Wilken moved to approve Resolution No. L16-09. Motion seconded by Ms. Brown.**

Mr. Springsteen stated Resolution No. L16-09 authorizes AIDEA to participate in a loan to Aleutian Pribilof Islands Association, Inc. to refinance a 36,457 square-foot owner-occupied office building located at 1131 East International Airport Road Anchorage. The dollar amount of AIDEA's first lien participation is \$8,437,500. Mr. Springsteen requested Ms. Anderson provide further information on Resolution No. L16-09.

Ms. Anderson added this particular loan participation request will have a 90% BIA guarantee. The borrower will benefit by lowering debt service, extending the maturity by six years, and retaining an estimated 117 jobs. The loan-to-value is at 75% and the net operating income is at 1.29:1. There are no known environmental issues.

Ms. Anderson stated the strengths of this credit include the 90% BIA guarantee, strong debt service coverage, good operating history, and seasoned management. The weaknesses could include the majority of revenue is federal funds. This is mitigated by the 40 years of historical operations of this company. As of June 30, 2016, AIDEA had 21.38% of its total statewide portfolio in the office industry, and would increase to 23.32%. Within the Anchorage region, AIDEA has 34.2% in the office industry, and would increase to 37.2%.

Mr. Wilken made a friendly amendment to remove the words "jobs retained" and replace with the words "jobs supported" in the memorandum description. There was no objection to the friendly amendment.

Mr. Wilken requested the focus on jobs supported be increased as future loan packets are developed, as well as including a paragraph describing the purpose of the refinance loan. Mr. Wilken inquired about the purpose of this refinance, specifically if the debt reduction will be deployed elsewhere or used as a cash-out. No response was provided.

Mr. Wilken suggested Board members and staff have subsequent strategic discussions regarding the purpose of AIDEA's participation in refinancing loans. Topics could include the effect of refinancing loans on AIDEA's resources to conduct straight financing and a possible limitation on refinancing loans. Mr. Wilken does not believe refinancing loans is AIDEA's core mission.

Chair Pruhs inquired what percentage of the revolving fund loans over the last three years are refinances. Ms. Anderson stated she does not have the specific information at present but can provide it. She believes the majority of loans are either buy/sell or refinance. Ms. Anderson indicated not many loans for construction have occurred recently because of the low volume of new construction. Chair Pruhs requested additional information on the structure of refinancing loans versus new construction loans regarding the difference in interest rates.

Mr. Kennedy concurred with the recommendations of Mr. Wilken for future discussions and the possibility of increasing the refinance fee to create cash flow for AIDEA.

Chair Pruhs suggested staff meet with financial institutions to get an overview of the market and the delta difference AIDEA is providing.

Chair Pruhs asked for further information regarding the process and matrix used for the historic national levels of vacancy rates referenced in the loan documents. Ms. Anderson stated the local office vacancy rates have been in the healthy range of 5% to 7%. This information is provided by local brokers and appraisers. The national office vacancy levels generally are within a 10% to 12% range. Chair Pruhs requested future loan documents containing similar statements on vacancy rates also include the specific percentages of the healthy range and the percentages for local community, national, and historical levels. Chair Pruhs believes this is valuable information and will help track progression.

Deputy Commissioner Parady stated the issues raised by Mr. Wilken need continued discussion and could include the broader economic impact to the state. He believes this refinance fits AIDEA's mission of economic development and meets the earning targets for the revolving loan fund.

**The motion was approved with members Pruhs, Dick, Brown, Kennedy, Parady, and Wilken voting yea.**

**7B. Resolution No. G16-09 Authorizing Reimbursement of Travel Expenses for Commissioners/Designees**

**MOTION: Mr. Wilken moved to approve Resolution No. G16-09. Motion seconded by Ms. Brown.**

Mr. Springsteen discussed two slight changes to Resolution No. G16-09. The first change removes the word "A" from the end of the fourth line in the title of the resolution. The second change is within the fourth whereas paragraph, third line to read "Revenue and Commissioner of Commerce, Community, and Economic Development," rather than "Revenue and Commissioner of Community, Commerce and Economic Development."

The Maker of the Motion and the Second agreed to these changes as a friendly amendment without objection.

Mr. Springsteen stated Resolution No. G16-09 authorizes AIDEA to reimburse the Department of Revenue and the Department of Commerce, Community and Economic Development for travel costs incurred when a Commissioner or the Commissioner's designee attends AIDEA Board meetings or is otherwise on official business for AIDEA. All such travel costs must be in accordance with applicable State of Alaska travel policies.

Chair Pruhs asked for the economic impact on an annual basis for this resolution. Mr. Springsteen believes the existing budget reserve is approximately \$25,000 for travel costs.

**The motion was approved with members Pruhs, Dick, Brown, Kennedy, and Wilken voting yea. Deputy Commissioner Parady abstained.**

### **7C. IEP Update**

Mr. Springsteen invited Gene Therriault and his team to present the IEP update. Mr. Therriault stated a negotiated term sheet for a gas supply has been submitted to the supplier and is pending. The supplier's upper management has not yet confirmed its acceptance. Price is a focus. The project must maintain low risk regarding take-or-pay obligations because of the desire to grow the use of the commodity. How quickly that projected growth will occur is unclear because of the current price of the competing fuel oil commodity and the future availability of natural gas in the Interior market.

Mr. Therriault reported IGU expressed concern regarding some components of the pending term sheet and staff is determining if this is an appropriate time in the negotiations to revisit any of those components. He stated staff is sensitive to all parties' concerns on AIDEA's side of the bargaining table. It is important to be cognizant of the overall reputation of the team in moving forward with a careful and deliberative process which leads to a final agreement.

Mr. Therriault noted the liquefaction work with Salix continues to focus on reducing costs. Fairbanks Natural Gas (FNG) has moved forward in purchasing the large-capacity trailer used in last year's trial and has ordered three additional units to be delivered in the middle of calendar year 2017. The Alaska Railroad is currently undertaking a trial shipment of Liquefied Natural Gas (LNG) via rail to their Fairbanks yard. The first two empty ISO containers are expected to arrive in Fairbanks tomorrow with a subsequent trial shipment of filled ISO containers. Mr. Therriault is pleased with the Alaska Railroad for their efforts in exploring ways to become part of the supply chain in the future. He noted positive press coverage in the Fairbanks paper and believes this may continue nationally because it is the first shipment of LNG via rail in North America.

Mr. Therriault reported the previous agreement with IGU regarding the large capacity expansion in south Fairbanks continues to be the best long-term alternative for storage. He noted both IGU and FNG expanded their pipe in the ground distribution last year and have halted additional investment for distribution until other components of the project continue progressing.

Mr. Therriault stated the Governor's Office was awarded a competitive grant from the National Governor's Association and conducted a successful two-day workshop on energy efficiency and renewable energy financing. National experts on the Property Assessed Clean Energy (PACE) legislation gave presentations focusing on necessary components for a successful PACE program. He noted Senator MacKinnon was present at the workshop and is a strong supporter of quick action on the PACE legislation when it is reintroduced this year. Mr. Therriault stated Mayor Kassel of Fairbanks North Star Borough (FBNB) attended the workshop and is bullish on helping the local government implement mechanisms to assist finance conversion on commercial properties.

Mr. Therriault requested Dan Britton provide an overview of the negotiated shipments with AP&T located in Tok, Alaska. Mr. Britton stated an interruptible one-year contract with Crowley has been signed to provide LNG fuels to the AP&T power plant. The first delivery was made this morning. AP&T has converted one of their reciprocating power generation diesel engines to a combined use, utilizing a range of 70% LNG/30% diesel mix to a 50/50 mix. This trial period will determine future contracts. An LNG trailer will be staged at the facility and will function as a storage vessel. A vaporization unit has been installed. Mr. Britton expressed his approval and noted this test project will be conducted while maintaining capital levels.

Mr. Wilken asked if AP&T used new technology or if they modeled another power plant in the United States. He requested information on the expectations of success. Mr. Britton stated the expectations of success is reasonable to high and the technology has been around for quite some time. Mr. Wilken recommended the local press be informed about this progress.

Mr. Therriault noted the particulars of each of the contract negotiations can be discussed in executive session. The next quarterly report is due to the Legislature at the beginning of October. An update by IGU to the FBNB Assembly is scheduled for October 6, 2016.

Mr. Wilken spoke of the unfortunate accident two weeks ago of the diesel trailer pup overturning in a ditch near Fairbanks. He suggested using this experience to develop a worst-case scenario discussion regarding LNG trailers and pups. Mr. Britton stated a thorough and extensive safety evaluation for utilizing an LNG pup is ongoing. It is paramount to ensure the safest possible handling of the product. He explained the mechanics of an LNG spill differ from diesel in that LNG floats on water, freezes to surfaces, and dissipates into the atmosphere as it warms. No toxic residue is left in the water or ground after an LNG spill.

**7D. Executive Session: Interior Energy Project, Skagway Ore Terminal, 2017  
Legislative Proposals, MOC1**

**MOTION: Mr. Wilken moved to go into Executive Session for the purposes of discussing items of which public disclosure would be detrimental to the mission of AIDEA, related to the Interior Energy Project, Skagway Ore Terminal, 2017 Legislative Proposals, and MOC1. Motion seconded by Mr. Kennedy.**

The Board entered Executive Session at 11:52 p.m. Participants included board members Dana Pruhs, Russell Dick, Elaine Brown, Dan Kennedy, Fred Parady, and Gary Wilken. AIDEA staff invited to join the session, at different times, for related topics: John Springsteen, Michael Lamb, Brenda Applegate, Mark Davis, Tom Erickson, Jim Hemsath, Gene Therriault, Nick Szymoniak, and guests Dan Britton, Mark Gardiner, Jerry Juday, Bob Shefchik, and Robert Sheldon.

The Board reconvened its regular meeting at 3:00 p.m. Chair Pruhs stated no formal action was taken during executive session.

**8. DIRECTOR COMMENTS**

Mr. Springsteen stated the dashboard, loan, delinquencies-to-outstanding reports, IFD, PDAM project matrices, and Callan investment reports are included in the board members' packet. Please contact Ms. Siverson regarding continuing education courses.

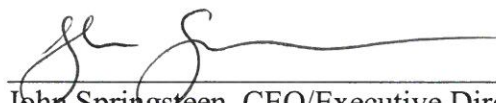
The next two AIDEA Board meetings are Thu. October 27, 2016, and Thu. December 1, 2016.

**9. BOARD COMMENTS**

None.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 3:01 p.m.

  
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John Springsteen, CEO/Executive Director  
Alaska Industrial Development & Export Authority