



**Alaska Industrial Development and Export Authority**  
**BOARD MEETING MINUTES**  
**Thursday, December 1, 2016**  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on December 1, 2016, at 10:02 a.m. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Russell Dick (Public Member); Jerry Burnett (Deputy Commissioner, Department of Revenue); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development); Elaine Brown (Public Member); Dan Kennedy (Public Member); and Gary Wilken (Public Member).

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

AIDEA staff present: John Springsteen (CEO/Executive Director); Chris Anderson (Commercial Finance Director); Mike Catsi (Business Development & Communications Director); Mark Davis (Chief Infrastructure Development Officer); Jennifer Haldane (Human Resources & Administration Director); Brenda Applegate (Assistant CFO/Controller); Jennifer Brown (Assistant Controller); Tom Erickson (Chief Procurement Officer); Leona Hakala (Loan Officer); Bill Phelan (Loan Officer); Karsten Rodvik (External Affairs Officer); Jeff San Juan (Infrastructure Finance Development Officer); Lori Stender (Project Development & Asset Management Project Manager); Nick Szymoniak (Energy Infrastructure Development Officer); Gene Therriault (Interior Energy Project (IEP) Team Lead); Sherrie Siverson (Executive Assistant); and Krin Kemppainen (Administrative Assistant).

Public present: Alan Bailey (Petroleum News); Elwood Brehmer (Alaska Journal of Commerce); Dan Britton (Pentex Alaska); Eric Campbell and Bikky Shrestha (BDO); Amy Christiansen (Alaska Climate and Energy Action Now); Catherine Claxton and Joe Schierhorn (Northrim Bank); Tim Gallagher (HDR), Mark Gardiner (PFM Group Consulting); Sydney Hamilton and Ladonna Lindley (Accu-Type Depositions); Bill Inscho and Ryan Strong (First National Bank Alaska); Jerry Juday (Department of Law); John Martineck (BlueCrest Energy Inc.); Rachel McPherron (Public); Kara Moriarty (Alaska Oil and Gas Association); Liz Raines (Public); Jan Sieberts (Washington Capital Management); and Ceal Smith (Alaska Climate Caucus).

Public participating via teleconference: Bryan Clemenz, Board Member, and Rebecca Logan, General Manager, (The Alaska Support Industry Alliance); Katie Kennedy (Ninilchik-Public); Debra Limacher (Homer-Public); Rashah McChesney (Alaska's Energy Desk); Jomo Stewart (Interior Gas Utility); Pete Stokes (Petrotechnical Resources of Alaska); and Jessica Tenhoff (Nomad Shelter).

#### 4. AGENDA APPROVAL

The agenda was approved as presented.

#### 5. PUBLIC COMMENTS (verbatim) *\*Note: Public comments received via email and voicemail are included after the end of these minutes.*

CHAIR PRUHS: The next item up is public comments. I'll remind everybody to please limit your testimony to three minutes. We would like to get your name and affiliation, if any. I will start on the line, on the telephone. Is anybody online wishing to make a public comment this morning?

MS. DEBRA LIMACHER: Yes, yeah (affirmative).

CHAIR PRUHS: All right, please state your name and affiliation, please, for the record.

MS. LIMACHER: My name is Debra Limacher and I'm just a concerned citizen. I live in Homer, Alaska.

CHAIR PRUHS: Go ahead, Debra.

MS. LIMACHER: Okay, can I speak?

CHAIR PRUHS: Yes. Welcome.

MS. LIMACHER: Okay, yeah (affirmative), thank you. Okay, my name is Debra Limacher. I've lived in Homer for 41 years and I've fished in Cook Inlet since 1976. In speaking with Mr. Rodvik, I understand that you folks here at AIDEA are here to invest in small Alaska businesses that you feel will be profitable, along with providing jobs to Alaskans.

To put it into words, you are the banker and your concerns are for the financial aspects alone. So I will approach that aspect first. How is financing a gas and oil project, as BlueCrest is, that we Alaskans have no say in the permitting process, a financial benefit when the price of oil is dropping, being projected to hit \$25 a barrel, when countries around the world are moving away from oil dependency, instead of moving to clean energy?

BlueCrest, in their statement, states that they depend on Alaska's sales tax credits, especially now -- I mean, tax -- oil tax credit, especially now that the price of oil is so low, but this is not my main reason for speaking. I am here to say that we, as responsible caretakers of these lands and oceans, can no longer just look at the financial benefits of any project.

What effects will these have for our future generations or for all the people living on the Kenai Peninsula? BlueCrest will provide 60, maybe another 80 jobs, while thousands of people on the peninsula have to live with the hundreds of oil tankers driving up and down our two-lane coastal highway, just waiting for another accident to occur, as it did the other day when a tanker flipped over, spilling gallons of oil into our marshland, or the millions of gallons of freshwater from our water table being drained for each well to be fracked or the reinjection of the wastewater laden with chemicals, toxic chemicals, which has been proven to cause earthquakes in fracking zones throughout America, and here, BlueCrest sits right next to where a major earthquake occurred last year that did damage to my home, and where a 4.1 magnitude occurred just two days ago.

Pay attention. What happens then to your investment when more earthquakes occur, let alone the damage to the habitat from an oil spill or an entire fishery, as in 1989, which I experienced. It shut down. Who pays for that?

You say that oil production is based here in Cook Inlet, yet as I speak, Hilcorp is dumping off billions of gallons of toxic chemicals into her waters every year. Alaska is so rich in resources that can provide us with clean, free energy and save millions of dollars and provide lots of jobs. Kodiak Island has proven that.

Here's your chance, AIDEA, to step into our children's future. The time is now. Please stop perpetuating oil production and look into alternative energies, as the world is now doing. Thank you.

CHAIR PRUHS: Thank you, Debra. Do we have any questions or comments from the Board? Seeing none, next online for public comment.

MS. KATIE KENNEDY: I'm Katie Kennedy from Ninilchik. I was raised in Alaska. I'm 63. I have been on the peninsula for close to 40 years. The agenda was modified yesterday and with the storm, I wasn't able to access until this morning. Therefore, I'll submit my comments by email later.

For years, the lower peninsula had coastal management for locals and communities, such as this, who have a voice in projects of this magnitude. That was abolished by Sean Parnell. I have grave concerns on many levels with BlueCrest. I've been actively involved down here for 15 years. I attend every community meeting. I, actually, have oil royalties with Hilcorp at this time. So I have, you know, definitely been trying to pay attention, but we have been cut out of so many of the steps going on.

As a matter of fact, I wouldn't have even known that AIDEA was financing at all, unless it -- until we had that article in ADN the other day. I had a conversation with Mr. Rodvik on BlueCrest because it is my understanding, I've done some pretty extensive research, that it's an offshoot of Buccaneer.

Buccaneer is an -- was an Australian company that was fined for towing vessels in the state under the Jones Act, as it was a foreign vessel, and also the state fined it for drilling deeper than permitted. Consequently, they went bankrupt. At community meetings in Homer this April, I specifically asked Larry Burgess, the supervisor at BlueCrest, if they were a viable company without state tax credits. "Absolutely," was his reply. That is on film.

Governor Walker has pulled those \$30 million-dollar tax credits, due to financial distress in state budget. I don't have a clue how that would be a worthy investment for AIDEA. With the price of oil, it's been discussed already, it seems to be a huge gamble. I believe that BlueCrest, on the original loan, was probably not vetted properly or else there's some kind of Wells Fargo-type of banking, whatever, discrepancies that go on. I just don't get it.

They still are not properly permitted for hydrofracking. I do not trust the local jobs number. The DOT and Carlile trucks of tankers every 20 minutes on this road, 24/7 -- I, still at my age, do work and I travel up that road every day. It's very concerning. Water is so crucial for hydrofracking. It's in the millions of gallons. We have never ever been told where they say this water source will come.

Public input has no voice. Finally, on December 15th, the public is asking AOGCC, the Oil and Gas Commission, to be around to have public testimony on the health and welfare of our communities. I sure appreciate AIDEA allowing comments such as this. It's really lacking, but like I said, it was the ADN that even brought this to my attention. The very next day was the article about the frequencies of tankers overturning on the Alaska highways. I know what it's like down here with the Borough losing revenue. Or sanding our roads, believe me, we're hearty down here. We do so much of it ourselves. I could tell you how many times I've gone up to the top of the road and it is solid ice. I cannot see any...

CHAIR PRUHS: Katie.

MS. KENNEDY: ...prudent financial investments for AIDEA, but I'm sure the Borough, with lost revenues from ConocoPhillips pulling out of Nikiski, there is no alternative for them to receive their tax revenue funding for the sanding of the roads, so these trucks can get down the roads, I guess. It seems...

CHAIR PRUHS: Katie, Katie...

MS. KENNEDY: ...this is -- what?

CHAIR PRUHS: Could you please -- could you please finish up. It's supposed to be three minutes.

MS. KENNEDY: Okay. Okay, I'm sorry. It -- the main thing is, it seems ludicrous for BlueCrest, who announced that they are owed millions by the state, I just don't get that. Thank you so very much for letting me speak.

CHAIR PRUHS: Thank you, Katie. Questions or comments from the Board? Next up, is there anybody else online wishing to testify. I'll remind you to please...

MS. REBECCA LOGAN: Yes, this is Rebecca Logan.

CHAIR PRUHS: Rebecca, I'll remind you, it's three minutes

MS. LOGAN: Yes, I'll be very brief. I have written comments (*attached at the end of the minutes*) that I'll submit for people. I'm Rebecca Logan, the General Manager for the Alaska Support Industry Alliance, and I just wanted to state on the record, on behalf of our 500 members and the 30,000 workers they employ in the state of Alaska, that we fully support the modification of the loan between AIDEA and BlueCrest and are very supportive of the successful project and partnership between industry and the state that has really benefitted the Kenai region and Alaskan workers. Thank you.

CHAIR PRUHS: Thank you, Rebecca. Questions, comments from the Board? Next person up online, please.

MR. PETE STOKES: Yes, this...

MR. BRYAN CLEMENZ: This is Bryan...

MR. STOKES: ...is Pete Stokes.

MR. CLEMENZ: ...Clemenz. Go...

MR. STOKES: Go ahead, Bryan.

MR. CLEMENZ: ...ahead, Pete.

CHAIR PRUHS: Pete, go ahead, Pete.

MR. STOKES: Yeah (affirmative), this is Pete Stokes with Petrotechnical Resources of Alaska. I'm also on the Board of the Alliance and am a professional petroleum engineer working in Anchorage. I grew up back in the '60s down in Homer and went to school in Ninilchik and have worked in the state and out of the state for 35 years in oil and gas, as a petroleum engineer.

I fully support this proposal to -- for AIDEA to modify the loans to allow for BlueCrest to continue with their operation. BlueCrest is providing a lot of local jobs. My neighbor works for them. Our neighbor in Ninilchik works for him -- for them and 125 other Alaska residents are currently employed working in supporting that project. The project pays state royalties and local oil and gas property taxes. It's very beneficial for all of the communities. I'm sure...

UNIDENTIFIED SPEAKER-PHONE SPEAKER: Not (indiscernible).

MR. STOKES: ...once -- once they are able to go ahead and start their drilling, they'll probably move from a tanker-supported project to a more of a pipeline to the refinery. So those issues will be eliminated, but just the bottom line is it's great for all areas of Alaska and it helps provide revenue for our state. Thank you.

CHAIR PRUHS: Thank you, Pete. Any comments or questions? Next up, please.

MR. CLEMENZ: Hello, this is Bryan Clemenz. I'm the President of the Alaska Support Industry Alliance and I'd like to speak in support of the resolution. Alaska's in economic peril and these are difficult times for all of Alaska and the peninsula, and these are much needed jobs and this is exactly what AIDEA was intended to do and it's working.

So I really applaud AIDEA in the changes in the processes that they have, as far as vetting projects, vetting those that are part of those projects and developing those projects. They have a wonderful process for that due diligence and I really applaud that you're taking a look at this resolution to help give a little bit of relief so that we can continue down the road, supporting folks like BlueCrest do its very meaningful work for all of the folks who -- in Alaska, particularly in the peninsula, relative to jobs. They are providing a tax base. They are paying royalties and this is part of the engine that will feed the -- our ability to look at alternative energies and alternative renewable energies in the future. Thank you.

CHAIR PRUHS: Thank you, Bryan.

MS. KENNEDY: Yes, a bunch of oil, that's...

CHAIR PRUHS: Any comments, questions for Bryan? Next person up, anybody else online wishing to make comments? Anybody else online?

MS. KENNEDY: Yes, I have a question. On the agenda this morning, it said that it -- the royalty to the state at this point was \$125,000 and...

CHAIR PRUHS: Is this Katie?

MS. KENNEDY: ...it sure doesn't seem like that great of an investment.

CHAIR PRUHS: Is this Katie?

MS. KENNEDY: Yes, it is.

CHAIR PRUHS: Thank you for that question, Katie. This is a comment period. This isn't a question-and-answer period. So I'd be happy to have staff get back with you with the answer to that.

MS. KENNEDY: Thank you.

CHAIR PRUHS: Thank you.

MS. LIMACHER: Okay, can I...

UNIDENTIFIED SPEAKER: That's the royalty so far.

MS. LIMACHER: This is Debra Limacher. Can I make a comment?

CHAIR PRUHS: Debra, you've already had your public comment. We have many people in the room here that wish...

MS. LIMACHER: Okay.

CHAIR PRUHS: ...to make comments also. So I have to defer to them also. Anybody else online before...

MS. LIMACHER: Okay.

CHAIR PRUHS: ...I go into the room? All right, we'll close down on the public on the line. I will note for the Board that on paper, we have some comments received via voicemail and I guess they're all voicemails. Well, I guess emails also. There's 26 of them referring to the BlueCrest loan modification. I request that these comments be submitted and incorporated in today's meeting notes. So we'll move onto in the boardroom here, public comments. So who would like to make a public comment on our agenda topics for today? Come on up, we'd like to have you come on up to the front. Please limit to three minutes. We'd like your name and affiliation and the subject matter that you're going to speak to us about.

MS. AMY CHRISTIANSEN: My name is Amy Christiansen. I live in Homer. I've been in Homer and in Alaska since 1981, full-time since '85 when I graduated from the University of Illinois. AIDEA, I don't know how you guys pronounce it, but the first project I was involved that you guys helped with was Point MacKenzie. I graduated from the University of Illinois with a new degree in animal science. Alaska -- Point MacKenzie was the only state in the whole country where the number of dairy cows was actually growing and I got excited and I got involved, but I was totally involved with a Bachelor's and it was a phenomenal buildup and then it totally failed, and what I realized five years into it, was you guys did not - - you didn't make it open to farmers. You made it open to billionaires, millionaires, doctors, lawyers, politicians, and a lot of that project was opened up, simply so Point MacKenzie would get cleared and that could become real estate, and that's proven and I just want you to look at your past and think about investing, not in today, but in the future and how you would do that in a sustainable way.

Oil and gas is an industry that is on its way out. In the world, it is on its way out. We -- it's a finite resource and I don't believe -- if you believe in climate change, I mean, I'm not interested in that. Climate change is here. It's real. We have coastal communities who are sinking and yet, the state is once again going to back a bunch of oil and gas, and I know, these things were decided '15, 2015, 2014. It's all catch-up. It's the way the wheel turns slowly, but I am disheartened to see again this type of an investment and this type of money in something that, you know, I was at the meeting on -- was it May 17th or what day did Larry Burgess say this? Hold on, I have notes.

He read -- he said that he was totally sustainable with or without the tax credits. He said it. It was quoted and yet, here they are asking for a different amount of money to be held, you know, instead of \$15 million, let's do \$5 million or thousands. I'm not good with the figures, but I know it's ridiculous that they can come in and create this place and this pad and this huge investment without realizing it's all artificial. It's all based on what we might get as a price and I'm worried that the state is making poor decisions and funding oil and gas, and we can't rely on them.

BP is gone. I would rather see somebody with a reputation building this kind of thing in my community, than somebody like BlueCrest who has no reputation whatsoever to even begin to protect. I just look at you guys and I think, "Come on, State of Alaska." We are so incredible. We are so full of good people and good resources and we do not need to depend on oil and gas.

I have a letter from Ceal. She asked me to read this and it will be submitted. She's the Chair of the Alaska Climate Caucus and this became Alaska Climate and Energy Action Now. Dear AIDEA Board members, on behalf of our members, partners and growing numbers of Alaskans concerned about climate change and our fiscal and energy future, I urge you to reject the proposed resolution to modify the terms of BlueCrest Energy, Inc. and its affiliate's \$30-million loan from the citizens of Alaska based on the following concerns.

BlueCrest Energy and Cosmopolitan feel the project are not economically viable, as indicated by BlueCrest dependence on the ongoing tax credit payments to meet the terms of the AIDEA loan. With oil

prices at a historical low and expected to stay low, the state should not be underwriting this high-risk project and deepening Alaska's debt to the declining industry.

BlueCrest has no way to transport the oil to market, except by trucking from Anchor Point to Nikiski, which increases the traffic, puts a substantial burden at risk on the surrounding communities, especially as global warming increases dangerous winter ice on our highways. It's been horrible down there and we have less and less money for road maintenance. The project will create less than 100 permanent jobs and for local -- and local residents have widely observed that most project jobs are going to low-wage earners being brought in from outside Alaska.

BlueCrest does not have permission from Alaska Oil and Gas Commission to drill the Cosmopolitan well yet, giving growing uncertainty about the safety of drilling and fracking in Cook Inlet and unresolved issues regarding earthquake risk, impact to the endangered Cook Inlet beluga whales and a myriad of emerging public health issues that have led to bans in the state of New York, Vermont, a growing number of communities around the country regarding dangerous practice of high volume, slick water, hydraulic fracking. There's ample reasons to expect that this project will be delayed or cancelled due to technical and legal challenges. We're not done challenging it.

All market and technology indicators point to an emerging future global energy market based on renewable energy. Alaska has an abundance of renewable energy sources. Investment in a renewable energy future can be expected to yield more jobs per dollar invested than the fossil fuel sector.

We call on AIDEA to shift investments away from dirty fossil fuels and begin investing in a renewable energy future for Alaskans. These are real concerns. I live in the most beautiful place on the planet. I choose to live in Homer. I'm a nurse. I'm not with the oil industry, but I just want you to note, the Kenai peninsula is a gem. We have tons of otherwise sustainable things happening, like tourism. Tourists don't come to Alaska to look at oil refineries or oil pads or...

CHAIR PRUHS: Amy, I'm going to ask you to finish up, please, because it's been over three minutes.

MS. CHRISTIANSEN: I just want you to protect the Kenai peninsula as best you can and I want you to really, really look at BlueCrest as not a viable good investment. Thank you.

CHAIR PRUHS: Thank you. Thanks for your comments. Anybody else in the room?

UNIDENTIFIED SPEAKER-PHONE SPEAKER: Thank you, Amy.

CHAIR PRUHS: Anybody else in the room wishing to make a comment? Karen.

MS. KAREN MORIARTY: Good morning. For the record, my name is Karen Moriarty and I'm the President and CEO of the Alaska Oil and Gas Association. We are the trade association for the industry and we do represent several companies, including BlueCrest. So thank you for the opportunity to provide a few public comments and I will watch my stopwatch here.

A couple of things on some things that have been said that I just want to put on the record before I talk about the loan application or the revisions to the loan, and that is the Energy Information Administration is projecting that over 80% of the world's energy sources will still come from traditional sources such as oil and gas for the next 40 to 50 years, and Alaska has amazing geology and we have at least...

UNIDENTIFIED SPEAKER-PHONE: Ha-ha (indiscernible).

MS. MORIARTY: ...a third of the nation's reserves here in Alaska, so...

CHAIR PRUHS: Excuse me. Could I ask the folks online to please not make any comments or do...

MS. JESSICA TENHOFF: I'm sorry. I didn't know I was online. I didn't know I was on the speaker. I'm very sorry. I would like to get in line to speak, but I don't -- didn't know how it worked. Sorry about that.

CHAIR PRUHS: Thank you.

MS. TENHOFF: Sorry to interrupt.

MS. MORIARTY: In addition, in terms of hydraulic fracturing, that has been a technique that's been used in Alaska for over 50 years without incident and regardless of that, the Alaska Oil and Gas Conservation Commission, about a year-and-a-half ago, passed arguably the most stringent regulations in the country on hydraulic fracturing and all of the fracturing that's happening in Alaska has been approved. So I just wanted to put that on the record, but in terms of the loan application, AOGA does support the work that AIDEA and BlueCrest worked together to renegotiate the loan terms.

I think it's important to note that the state and AIDEA, and as Alaskans, you will still receive -- we will still receive the full principle and interest, even with this modification and there is still full financial protections for the state even with this modification. So I just want to thank AIDEA staff and those that have worked with BlueCrest. We're here, not because of anything BlueCrest did, it was part of the business plan that the state was aware of with AIDEA that the tax credit payment would be part of the financial package for AIDEA and for BlueCrest and with the Governor's veto, it has caused a lot of companies to refinance their projects and BlueCrest took a loan out with AIDEA and so now, they're in the process of trying to refinance, if you will, because of that veto.

There are other companies that have had to do the same thing with private lending institutions. So this is not really uncommon. It's just because this is the only company that has an AIDEA loan right now, they're having to come to you because of that veto. So with that, I'll conclude my comments. Chairman Pruhs, I'm happy to take any questions.

CHAIR PRUHS: Thank you, Karen. Any questions or comments from Board members? Thank you. All right, in the room here, anybody else wish to testify/comment? Anybody else? Looking around, don't see anybody. All right, I'm going to close public comments at this time. Okay.

MS. TENHOFF: Wait, wait, wait, what about the people on the phone?

CHAIR PRUHS: We closed that before we went to the room.

MS. TENHOFF: All right.

CHAIR PRUHS: Is it...

UNIDENTIFIED SPEAKER-PHONE: Please let her speak.

CHAIR PRUHS: I will allow it, but...

MS. TENHOFF: I took my time out of my day. I'm busy too, and I took -- just allow three minutes, two minutes, whatever.

CHAIR PRUHS: Please state your name and your affiliation for three minutes. Thank you.

MS. TENHOFF: My name is Jessica Tenhoff. I'm the owner/manager of Nomad Shelter Alaskan Yurts in Homer, Alaska, which has been nominated to be -- as Alaskan exporters to speak at the next World Trade Center meeting in Washington on behalf of Alaskan exporters.

I have been trying to work with AIDEA for 20 years. AIDEA has put their money into oil and gas, and oil and gas, and I've seen AIDEA lose over and over and over again. I am asking you to stop kicking this



dead horse. Invest in the people of Alaska. I have a manufacturing business that could have 100 people working in a minute if we had any kind of support within the state and there's a million sustainable products that we could be doing and instead, you're supporting a company that bankrupted on the citizens of Kenai peninsula. This is a reformed company with the same money players, same big guys playing this game and you led them and they bankrupted last time and now we're giving them a free ride and to frack our inlet and put our future in danger.

Now I spoke with Pete (sp). Pete is our resident geologist superman in Seldovia. I don't know if he spoke at the beginning of this, because I didn't hear it, but what he told me was that he could not say that fracking would cause an earthquake, because he -- but he has a PhD in basically fracking. He's studied it to death right here and has lived here and (indiscernible) on the coast and what he said was -- but he could not -- what he could say is that there's significantly elevated risk of a blowout with an earthquake in our inlet. So any pipes you put down there could get severed and we could have a disaster of a huge magnitude and AIDEA has no right to put the citizens of our community in that...

UNIDENTIFIED SPEAKER-PHONE: Yeah (affirmative).

MS. TENHOFF: ...kind of risk and that's what I have to say and we will stop you, because you know what, the torch has been lit in North Dakota. It's been lit, and this industry is a dead horse. It's a toxic problem and you guys need to stop it and you could be doing value-added oil product industry in this state. Come on, be a little creative here.

CHAIR PRUHS: Jessica, I'm going to ask you to finish up.

MS. TENHOFF: I'm done. I'm done. Thank you, and you're not hearing the last of us, either. It's not going away.

CHAIR PRUHS: Thank you for your comments, Jessica

MS. TENHOFF: Yes, thank you.

CHAIR PRUHS: So I will close public comments at this time.

*\*Note: Public comments received via email and voicemail are included after the end of these minutes.*

## **6. PRIOR MINUTES - October 27, 2016**

The minutes of October 27, 2016, were approved as presented.

## **7. NEW BUSINESS**

### **7A. Loan Resolution No. L16-12 Juneau I LLC**

Mr. Springsteen stated Resolution No. L16-12 authorizes AIDEA to participate in a loan to Juneau I LLC. The loan terms out a short-term loan for improvements to a three-story, 54,000 square-foot office building at 3132 Channel Drive in Juneau, Alaska. The participation amount is \$5,040,000.

**MOTION: Mr. Wilken moved to approve Resolution No. L16-12. Motion seconded by Mr. Kennedy.**

Ms. Anderson stated the guarantors are Patricia Blomfield and two other associated trusts. The building houses the Department of Transportation in Juneau since 1984, and is leased through

May 31, 2024. The interest rate is 3.94% for 25 years. There were 50 construction jobs originated with this request and five new jobs supported as a result of the improvements. The borrowing entity is managed by Patricia Blomfield, who is an experienced real estate investor and property manager. AIDEA would take a first lien position on the improvements. The property has been appraised at \$11,550,000. The loan to value ratio is 48%. AIDEA would take a UCC filing on the furniture, fixtures, and equipment (FF&E), an assignment of lease and lessor acknowledgement.

Ms. Anderson added there is one related loan in Anchorage in the amount of \$276,368 that originated in October of 2002. The loan is current and has paid as agreed. There are no known environmental issues. The strengths include strong guarantor experience, the 48% loan to value ratio, strong borrower net worth, and a positive lending history with AIDEA. The weakness includes the typical market risk.

Ms. Anderson stated as of September 2016, AIDEA has 20.91% of its total statewide portfolio in the office industry, which would increase to 22.08%. Participated loans within the Southeast region, AIDEA is at 1.75%, which would increase to 9.99%.

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

#### **7B. Refinancing Commercial Real Estate Loans as an AIDEA Participation – Discussion**

Mr. Springsteen reviewed the ongoing discussion regarding AIDEA's participation in refinancing commercial real estate loans; which the Board requested a public discussion of AIDEA's participation in refinancing. AIDEA staff believes the participation in refinancing improves stability in the market and provides affordable financing options for borrowers while deploying AIDEA capital in a diversified risk-managed portfolio that earns a fair rate of return.

Ms. Anderson stated staff divided the discussion into three subcategories; stability and affordability, risk management and diversification, and returns and deployment of capital. She gave a detailed description of each. Ms. Anderson explained per regulation, refinancing for equity extraction purposes can only be for a business purpose, such as facility enhancement, to improve economics, value and function of the property. She will provide the regulatory citation to members. The proof of proceeds is certified by the lender. The use of equity is making investments in Alaskan businesses. Refinancing offers stability, especially in a downturn market. AIDEA provides consistency, flexibility, stability, and due diligence. Currently, there is a very low delinquency pattern.

Ms. Anderson stated banks are not passing through risk when the loan is well underwritten by AIDEA. If the lender reaches a 5% delinquency rate on the AIDEA portfolio, discontinuation will occur. The analysis of commercial real estate is based on capitalizing the net operating income of the property. Refinancing can help diversify the loan participation portfolio by spreading the loan balances between a wider range of collateral types and locations.

Ms. Anderson Explained loan participations generate a return on investment to AIDEA that is above the rates paid on government bonds, which is AIDEA's investment alternative. The footings and earning assets of AIDEA would potentially be negatively affected without refinances, which are critical to long-term financial and economic markets in Alaska. AIDEA has the potential to bond against its loan portfolio to recapitalize the revolving fund, if necessary. Ms. Anderson believes the job creation or support measure is too narrow of a scope when looking at lending for economic development purposes. Retaining jobs is also important in keeping a business viable.

Deputy Commissioner Parady requested the Board consider what the proper benchmark should be for the rate of return from the commercial loan portfolio. The bond market is currently returning historically low rates. Ms. Anderson believes the return gained from loan participations exceed the investments from the liquidity of the company.

Mr. Wilken expressed his appreciation to staff for providing the written and concise summary. He requested the summary page be provided to all new Board members. Mr. Wilken expressed his appreciation to Northrim Bank and First National Bank for utilizing the program for the benefit of their customers and for Alaskans. Mr. Wilken noted the issue of how much refinancing capacity is suitable has not been addressed. He believes the Board and agency will collectively recognize and address the capacity issue when it arises. Mr. Kennedy requested future discussion on AIDEA's capacity range.

Ms. Anderson continued the discussion and noted AIDEA prices the risk on a new facility and the risk of a refinance the same. She believes future discussion is necessary to determine if AIDEA should consider the interest rate the bank is charging to participants.

#### **7C. FY 16 Financial Statements - BDO Auditors**

Mr. Springsteen invited Eric Campbell and Bikky Shresina of BDO Auditors, to the table, to provide an overview of the financial statements from the fiscal year ending June 30, 2016, along with Brenda Applegate.

Mr. Campbell began the presentation describing the audit wrap-up document. He reviewed the one departure from the generally accepted accounting principles (GAAP) identified which was determined not to be a material misstatement. Mr. Campbell reported on the various aspects of the Pentex acquisition. Mr. Kennedy requested the Board receive a standalone financial statement of Pentex from the purchase to June 30, 2016. Chair Pruhs noted there is a request forthcoming to change the Pentex fiscal year to match the AIDEA fiscal year.

Mr. Campbell stated there were no corrected misstatements and no disclosure misstatements. This was a zero-journal entry audit. The staff was very well prepared and the work papers were perfect. The financial statements are complex, providing detailed transparency. The audit received an unqualified clean opinion. Mr. Campbell believes pages one through 13 provide a very good high level and detailed analysis of AIDEA's financial statement. Schedule 8 on page 80 provides the history of dividends paid and declared to-date totaling over \$379 million.

Chair Pruhs expressed sincere appreciation on behalf of the Board to Ms. Applegate and staff.

**7D. Executive Session: AO 281, FY18 Dividend Recommendation, BlueCrest Energy, Interior Energy Project, Mustang Operations Center (MOC1)**

**MOTION: Deputy Commissioner Parady moved to go into Executive Session to discuss confidential matters related to AO 281, FY18 Dividend Recommendation, BlueCrest Energy, Interior Energy Project, and Mustang Operations Center. Motion approved.**

The Board entered Executive Session at 11:15 a.m. Participants included board members Dana Pruhs, Russell Dick, Elaine Brown, Jerry Burnett, Dan Kennedy, Fred Parady, and Gary Wilken. AIDEA staff invited to join the session, at different times, for related topics: John Springsteen, Brenda Applegate, Mike Catsi, Mark Davis, Tom Erickson, Gene Therriault, Nick Szymoniak, and guests, Dan Britton, Mark Gardiner, Jerry Juday, and Jim Whitaker (via phone).

The Board reconvened its regular meeting at 3:03 p.m. Chair Pruhs stated no formal action was taken during executive session.

**7E. Resolution No. G16-14 BlueCrest Energy**

**MOTION: Mr. Wilken moved to approve Resolution No. G16-14. Motion seconded by Deputy Commissioner Burnett.**

Mr. Springsteen stated Resolution No. G16-14 regards modifications to AIDEA's existing loan with BlueCrest Energy. BlueCrest has paid more than one million dollars in oil and gas property taxes and half of that was paid to the Kenai Peninsula Borough. AIDEA staff worked with BlueCrest regarding the loan modifications and staff recommends the approval of the loan modifications.

The loan modifications include: a partial deferral of payments, with interest-only payments due starting January 1, 2017, through November 2017, with full principal and interest monthly payments for the remainder of the loan term; maintain the requirement to fund the reserve account by December 31, 2016; accept the results of an ongoing rig and associated collateral valuation analysis, fund the reserve account to the greater of \$5 million or 120% of the difference between the loan amount and the distressed sale value from the valuation analysis report; and offer BlueCrest the option to pay a 10% fee for unfunded reserve amounts above \$5 million.

Deputy Commissioner Burnett noted the specific assertion earlier today during public testimony that AIDEA focuses on oil and gas type development. Deputy Commissioner Burnett read from the provided dashboard reports "Industry Diversity of Combined Capacity Projects and Loans", noting for the record, AIDEA has 7.5% loans in oil and gas, and about 6.1% loans in oil and gas support. This equals about 13% of AIDEA's total outstanding loans and loan capacity.

Deputy Commissioner Parady pointed out AIDEA has a wide range of loan financing, also including 10.9% in retail, 7.2% in tourism, 2.1% in recreation, and 12% in office. He

commented on the heartfelt permitting concerns during the earlier public testimony and suggested those environmental concerns legitimately belong in the permitting processes, which occur before the Oil and Gas Commission, DNR, and DEC. AIDEA's role as a financing entity is predicated upon the other parts of the process doing their job. Deputy Commissioner Parady noted the discussion in the public comment period that BlueCrest relied upon tax credits. He stated that relying upon Alaska's statutory foundation is a reasonable business assumption.

Deputy Commissioner Parady noted the discussion in the public comment period suggesting AIDEA is making risky loans. He referenced AIDEA's track record over the last 10 years has a delinquency rate of less than 1%, and believes prudent financial judgment continues to be exercised. Deputy Commissioner Parady feels this resolution makes a prudent and minor modification to the loan package, accommodating certain realities of a viable and ongoing project.

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

#### **7F. IEP Update**

Mr. Therriault requested Mr. Szymoniak and Mr. Britton join him at the table for the update presentation. Negotiations continue on the outstanding term sheet for the gas supply contract. The Liquefied Natural Gas (LNG) plant pre-feed documents purchased from Salix have been successfully reviewed by Mr. Britton. The larger capacity test unit trailer will still be used to decrease the delivered price of LNG to the community.

The railroad shipment trials worked well and Mr. Britton met with the Railroad to discuss ways to increase efficiency and decrease costs. The technicalities of hauling the product on the rail worked flawlessly. The schedule was on time. The challenge is the additional costs associated with moving the intermodal containers from the liquefaction plant to the rail, from the rail in Fairbanks to the facility and back. Options for streamlining that process to reduce costs are currently under review. Mr. Therriault noted recent federal litigation by the Center for Biological Diversity to compel the Federal Railroad Administration to release records on the approval process used to determine the Alaska Railroad should receive a permit to ship LNG has triggered headlines in the state.

Mr. Therriault reported the utility consolidation negotiations have continued to move forward. There is a clear desire from the Interior Gas Utility (IGU) to have more state monies available to the project. Mr. Therriault stated AIDEA has explained the funds provided by the Legislature can be utilized and do contain limitations. Staff will meet today with the negotiating team and reiterate what tools AIDEA can be expected to utilize that were specifically given by the Legislature to advance this project.

Mr. Therriault stated work continues on conversion mechanisms. The commercial Property Assessed Clean Energy (PACE) legislation is expected to be reintroduced this year and the hope is to get quick action in the legislative session. Department of Energy recently released suggested guidelines of moving forward on residential PACE options. Mr. Therriault believes

Alaska should remain with commercial PACE legislation until all of the challenges of residential PACE are successfully addressed. Mr. Therriault reported staff continues to work with utilities regarding on-bill financing for conversions.

Mr. Wilken commented on what seems to be an extraordinary number of dirty air days in Fairbanks this winter. He asked if those days are being tracked and used by staff. Mr. Therriault noted staff watches air quality information and the IEP project is targeted at bringing in a cheaper source of fuel. The air quality issue does not necessarily drive the utility decisions.

Mr. Wilken requested information regarding Mr. Therriault's plans to visit delegations in Fairbanks, Anchorage, and leadership. Mr. Therriault noted he met with the Interior delegation after the last Board meeting and his next scheduled meeting is Tuesday. A quarterly report is sent to leadership and he believes a meeting before the session begins is a good idea.

#### **7G. Resolution No. G16-13 Pentex 2017 Budget and Rates**

Mr. Springsteen stated Resolution No. G16-13 approves the Fiscal Year 2017 budget for Pentex Alaska Natural Gas and changes the fiscal year to end on June 30, aligning Pentex with AIDEA's fiscal year. Resolution No. G16-01 adopted March 3, 2016 established rates for the operating Pentex subsidiaries. Management recommends no revisions at this time.

**MOTION: Mr. Wilken moved to approve Resolution No. G16-13. Motion seconded by Mr. Kennedy.**

Mr. Britton stated the change in Pentex's fiscal year will coincide with AIDEA's fiscal year and any potential rate changes can be incorporated in the off-peak season. Mr. Britton noted the budget is based on the seven-year historical weather patterns. He provided a high level review of the changes in the proposed budget, including a \$200,000 increase in projected revenues. He reviewed the capital programs and noted gas costs will increase again by 4% this year.

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

#### **8. DIRECTOR COMMENTS**

Mr. Springsteen stated AIDEA has enacted measures to cut costs and to consolidate operations. AIDEA terminated the lease for its project office space in Fairbanks, terminated the lease for its annexed office space in Anchorage, and consolidated staff and operations into its own building at 813 West Northern Lights in Anchorage. A furlough program has been implemented in line with cost cutting measures enacted by the State. Over the past two years, the number of people in AIDEA, including AEA and shared services, has been reduced from 103 to 82.

The dashboard, loan, delinquencies-to-outstanding reports, IFD, PDAM project matrices, and investment measurement service quarterly review are included in the board member's packet. Please contact Ms. Siverson regarding continuing education courses.

The next AIDEA Board meeting is on Wednesday, January 11, 2017.

**9. BOARD COMMENTS**

Deputy Commissioner Parady complimented the staff for their fiduciary fidelity on a successful audit. Chair Pruhs, Mr. Wilken, Mr. Kennedy, and Ms. Brown shared in those compliments to staff.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 3:38 p.m.

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



From: Bee Lea [<mailto:sv.lorax@gmail.com>]  
Sent: Tuesday, November 29, 2016 7:56 AM  
To: Sherrie M. Siverson <[ssiverson@aidea.org](mailto:ssiverson@aidea.org)>  
Subject: Fracking Stariski

Hello, My name is Breena Litzenberger and I own land in Homer, Alaska and am currently building a home to move there, from Soldotna, Alaska. I am a young Alaskan, 29, and I think most Alaskans in my age group can attest to the frustration and feelings of not being heard. Despite this feeling, I am writing to plead with you not to continue or further support Blue Crest in their efforts to begin fracking Stariski! Please listen to the generation that will be feeling the negative affects of such a development and inevitably working to reverse the damage to the land and the ecosystem. Please listen to the people of Homer and the Kenai Peninsula! Fracking in this area will undoubtedly contaminate the Stariski Creek and the surrounding soils and ecosystems. The effects of fracking will effect future generations and cause irreversible damage. Please work towards a cleaner, wilder Alaska! Thank you for your consideration. Breena Litzenberger

From: Ahr Kipling [<mailto:ahrkip@gmail.com>]  
Sent: Tuesday, November 29, 2016 9:43 PM  
To: Sherrie M. Siverson [ssiverson@aidea.org](mailto:ssiverson@aidea.org)  
Subject: loan restructuring

i strongly oppose your support for a loan restructuring for blue crest energy. i am totally opposed to this fracking operation and i am opposed to aidea having anything more to do with it. funding at this rate could be far better spent elsewhere in this state! why don't you people fund projects that will truly benefit communities? we don't need or want fracking in the pristine waters of cook inlet!!!  
sincerely, darlene coyle box 193 kasilof ak 99610

From: Cynthia Ramos [<mailto:onceakaz@gmail.com>]  
Sent: Wednesday, November 30, 2016 1:42 AM  
To: Sherrie M. Siverson [ssiverson@aidea.org](mailto:ssiverson@aidea.org)  
Subject: Fracking agenda

No, No, NO, and just NO! This is NOT what the PEOPLE of ALASKA want.

From: Cindee Karns [<mailto:cindee.karns@gmail.com>]  
Sent: Wednesday, November 30, 2016 9:42 AM  
To: Sherrie M. Siverson [ssiverson@aidea.org](mailto:ssiverson@aidea.org)  
Subject: Fracking? Really?

Hi--- I cannot believe that you folks are even considering this here in Alaska on "the ring of fire." They've had so many earth quakes in Oklahoma.....can you imagine what might happen here? Oh, but wait.....an earthquake clean up would be more jobs for Alaskans. That is such backward thinking. Please, Please vote NO tomorrow at your meeting. We don't want fracking in Cook Inlet! Respectfully, Cynthia Karns 3901 Delores Drive Eagle River

From: Ahr Kipling [<mailto:ahrkip@gmail.com>]  
Sent: Wednesday, November 30, 2016 10:09 AM  
To: Sherrie M. Siverson [ssiverson@aidea.org](mailto:ssiverson@aidea.org)  
Subject: quake activity



in light of the recent quake activity in this area, i sincerely hope you will reconsider your enabling blue crest to go further with their intentions to begin hydraulic fracturing operations in this very seismically active area. please do withhold your reconsideration of additional funding for this development across the board! <http://earthquaketrack.com/quakes/2016-11-30-18-57-07-utc-4-1-799> sincerely, darlene coyle

From: Allison Koos Fox [<mailto:allison.koos.fox@gmail.com>]  
 Sent: Wednesday, November 30, 2016 10:09 AM  
 To: Sherrie M. Siverson [SSiverson@aidea.org](mailto:SSiverson@aidea.org)  
 Subject: Blue crest loan modification rejection

good morning, I am writing to request that you do not allow a modification in the terms of the loan to Bluecrest to allow fracking in Cook Inlet. On behalf of my two children, who are terrified of earthquakes, love to fish, and look for belugas every time we are along the coast, please protect what makes this a magical place to live, for my children and theirs. Thank you, Allison Koos Fox

From: Clear Creek Cat Rescue [<mailto:clearcreekkitties@gmail.com>]  
 Sent: Wednesday, November 30, 2016 10:27 AM  
 To: Sherrie M. Siverson [SSiverson@aidea.org](mailto:SSiverson@aidea.org)  
 Subject: Blue Crest request to restructure loan

Hello, Please do NOT offer a loan restructure for Blue Crest. Fracking is NOT to the advantage of Alaska or Alaskans. Our fragile environment is far too important for the survival of fish and marine animals, and humans, as well as maintaining the sustainable fisheries and tourist economy that the natural resources provide. I ask that you do not to support, with our public moneys, a destructive and dead-end project. Thanks for your consideration, Judy Price, Homer 980-8898

From: Ahr Kipling [<mailto:ahrkip@gmail.com>]  
 Sent: Wednesday, November 30, 2016 10:48 AM  
 To: Sherrie M. Siverson [SSiverson@aidea.org](mailto:SSiverson@aidea.org)  
 Subject: seismology

recent quake activity in and around anchor point: <http://earthquaketrack.com/us-ak-anchor-point/recent> sincerely, darlene coyle

From: Karl Monetti [<mailto:karlmonetti@gmail.com>]  
 Sent: Wednesday, November 30, 2016 12:16 PM  
 To: Sherrie M. Siverson [SSiverson@aidea.org](mailto:SSiverson@aidea.org)  
 Subject: Cook Inlet fracking

Hello, I understand the state is on te verge of approving fracking in Cook Inlet. I a writing in opposition of such a program. Fracking is dangerous to the environment, the chemicals used are not being divulged by the frackers (for obvious reasons of toxicity) and the potential risks of increased seismic activity in an already unstabe area (Pacific Rim) make this an unwise decision. Thank you Karl Monetti North Pole, Ak. 99705 907-322-0242

**From:** Valanne Glooschenko [<mailto:valanneg@yahoo.com>]  
**Sent:** Wednesday, November 30, 2016 2:49 PM  
**To:** Sherrie M. Siverson [SSiverson@aidea.org](mailto:SSiverson@aidea.org)  
**Subject:** Fracking in Cook Inlet

Dear Mr. Rodney, I along with many Alaskans vehemently oppose fracking in Cook Inlet. What were you thinking? This is an unacceptable risk to our fisheries and to the long term goal of clean energy.. Have you heard about global warming? Well, we need to GET OFF of fossil fuels, not continue the emissions that will assure the dangers of rising temperatures, rising sea levels, ocean acidification, drought, and wildlife extinction.. Please come to your senses.. thank you Valanne Glooschenko, M.Sc.

From: Marit Vick maritv@gci.net [mailto:maritv66@gmail.com]

Sent: Wednesday, November 30, 2016 10:40 PM

To: Sherrie M. Siverson <SSiverson@aidea.org>

Subject: Fracking in Cook Inlet

Request AIDEA reject the resolution to proceed with fracking in Cook Inlet as it poses unacceptable earthquake risks and further endangers our waters, fisheries and the Cook Inlet beluga. It's time for Alaska to invest in a clean energy future.

From: candy@xyz.net [mailto:candy@xyz.net]

Sent: Thursday, December 1, 2016 6:26 AM

To: Sherrie M. Siverson <SSiverson@aidea.org>; Rep.Paul.Seaton@akleg.gov

Subject: general

Greetings Rep Seaton: I am opposed to the Alaska Industrial Development and Export Authority (AIDEA,) resolution to "modify" the terms of a \$30 million loan to BlueCrest (formally Buccaneer) & Partners This deal endangered jeopardizes the PFD and is another cooperate give-away. "Why? Because it signaled to every energy corporation that they can threaten to not do business in Alaska in exchange for business-friendly tax benefits and incentives. it has happened over and over again with Alaskans on the hook. The bankruptcy and the fleecing of Alaskans has been an active scam by some of these companies to get incentive that we Alaskans can no longer afford.

From: James Johnson [mailto:bikeski2000@yahoo.com]

Sent: Wednesday, November 30, 2016 10:35 PM

To: Sherrie M. Siverson <SSiverson@aidea.org>

Subject: Public input on Fracking

Dear Sir or Madam, I have been an Alaskan resident for the past eleven years. I am a teacher in Bethel. I have recently found out about the hydraulic fracking project off the coast of Anchor Point in the Alaska Dispatch News. While reading this article, questions and concerns have come up regarding this project:

I have not seen much publicity about this project. Have there been many town hall meetings? I may have not heard about them. I have done much research on the current method of fracking. I have found that this differs from the conventional method of oil drilling by: Today's fracking differs from conventional oil well drilling in that it is done horizontally versus vertically (taken from a variety of sources). Vertical conventional oil well drilling was done where a rig was put into the ground into an oil reserve where it would pump out oil. The current method, fracking, is done by horizontal drilling. Billions of gallons of water as well as sand and various other chemicals are pumped under high pressure to extract oil from shale rock (taken from a variety of sources). I have taken it upon myself to research the current method of fracking and have not found anything positive it has on the effects of the environment.

I call Alaska home. I love the Kenai Peninsula. I would like more information on the above as well as how Blue Crest plans to safeguard the humans, wildlife, fish and tourism in this area. I also realize

how oil is important to Alaska's economy and the current state of our budget. However, I do not wish to see the environment of our beautiful state be in jeopardy. I would gladly give all of my PFD and more to avoid any risk to the environment. Thank you for your time and attention to this serious matter, Jamie Johnson

From: Sherry Faught [mailto:alaskafaught@hotmail.com]  
Sent: Wednesday, November 30, 2016 10:26 PM  
To: Sherrie M. Siverson <SSiverson@aidea.org>  
Subject: REJECT the RESOLUTION. 7E-ResolutionG16-14BlueCrestLoanModi...

REJECT the RESOLUTION! Fracking Cook Islet poses unacceptable earthquake risks and further endangers our waters, fisheries and the Cook Inlet beluga. It's time for Alaska to invest in a clean energy future. We don't need fracking in Cook Inlet. Anne Faught Salcha, AK.

From: candyhs@mtaonline.net [mailto:candyhs@mtaonline.net]  
Sent: Wednesday, November 30, 2016 9:52 PM  
To: Sherrie M. Siverson <SSiverson@aidea.org>  
Subject: Resolution Fracking Cook Inlet

To Whom It May Concern: I am requesting that you REJECT the resolution calling for fracking Cook Inlet. I am very disturbed that it could intensify earthquakes in this area. We already have problems with the earthquake situation. I understand that fracking intensifies the potentiality of earthquakes. I am also extremely concerned for the environment. I feel that Cook Inlet is relatively fragile environmentally. An accidental oil spill or leakage could create a disaster for the fisheries, the threatened beluga whales and the birdlife. Please consider this request. Respectfully, Candis Stanley

From: Rev Ellen Johnson-Price [mailto:revellenj@aol.com]  
Sent: Wednesday, November 30, 2016 8:56 PM  
To: Sherrie M. Siverson <SSiverson@aidea.org>  
Subject: Please reject fracking

I'm writing in order to request that you REJECT the resolution modifying terms of your loan to BlueCrest & Partners to allow them to conduct high-volume, slick water hydraulic fracturing near Anchor Point. Fracking in Cook Islet poses unacceptable earthquake risks and further endangers our waters, fisheries and the Cook Inlet beluga. It's time for Alaska to invest in a clean energy future, not continue to put all our fiscal hopes into the oil industry while also risking our state's beauty, health, and natural resources. Thank you, Ellen Johnson-Price

From: Ron & Marji [mailto:ron@northpolepeonies.com]  
Sent: Wednesday, November 30, 2016 8:02 PM  
To: Sherrie M. Siverson <SSiverson@aidea.org>  
Subject: No Offshore FRACKING in Alaska

I urge you to discourage considering FRACKING in Cook Inlet or anywhere else in Alaska. There are several reasons to discourage this.

1) Alaska is earthquake prone and the Cook Inlet is in an earthquake susceptible area. Several States which allow fracking have experienced earthquakes beyond any historical experience. Fracking appears to be responsible for this.

- 2) No robust offshore oil spill response capability exists at this time. This needs to be developed, tested, and deployed before we do offshore oil development.
- 3) While searching through the AIDEA website, I am unable to find any documents which address improving oil spill response capabilities. I may have missed it, but it seems to me, this is an area within which AIDEA should encourage a robust infrastructure development.

Ron Illingworth; Ron & Marji Illingworth  
 North Pole Peonies, 5730 Eielson Farm Road  
 North Pole, Alaska 907-488-0446 (H)  
 1-866-535-6459 (fax) northpolepeonies.com

From: Ceal Smith [mailto:ceal@theriver.com]  
 Sent: Wednesday, November 30, 2016 7:27 PM  
 To: Sherrie M. Siverson <SSiverson@aidea.org>  
 Subject: Reject the resolution to extend BlueCrest loan - Alaskan's do not want to pay to frack Cook Inlet!

Dear AIDEA Board Members, On behalf of our members, partners and growing numbers of citizen's of Alaska concerned about climate change and our fiscal and energy future, I urge you to reject the proposed Resolution to modify the terms of BlueCrest Energy, Inc. and its affiliates \$30 million loan from the citizens of Alaska based upon the following concerns:

BlueCrest Energy, Inc. and the Cosmopolitan Field ("the project") are not economically viable as indicated by BlueCrest's dependence on tax credit payments (1) to meet the terms of the AIDEA loan. With oil prices at a historical low and expected to stay low, the state should not be underwriting this high risk project and deepening Alaska's debt to a declining industry (2).

BlueCrest has no way to transport the oil to market except by trucking (3) it from Anchor Point to Nikiski. Increased truck traffic puts a substantial burden of risk on surrounding communities, especially as global warming increases dangerous winter ice on our highways.

The project will create less than 100 permanent jobs (4) and local residents have widely observed that most project jobs are going to low wage earners being brought in from outside of Alaska.

BlueCrest does not have permission (5) from the Alaska Oil and Gas Conservation Commission to drill the Cosmopolitan well. Given growing uncertainty around the safety of drilling and fracking in Cook Inlet and unresolved issues regarding earthquake risks (6) impacts on the endangered Cook Inlet Beluga (7) and a myriad of emerging public health issues (8) that have led to bans in the State of New York, Vermont and a growing number of communities around the country regarding the dangerous practice of high-volume, slick-water hydraulic fracturing ("fracking"), there is ample reason to expect the project to be delayed or cancelled due to legal challenges.

All market and technological indicators point to an emerging global energy market based on renewable energy. Alaska has an abundance of renewable energy resources (9) that yield more jobs per dollar invested than fossil fuel sector (10). We call on AIDEA to shift investments away from dirty fossil fuels and begin investing in a renewable energy future for Alaskans.

Thank you for considering our concerns. Sincerely,  
 Ceal Smith Chair, Alaska Climate Caucus  
 Alaska CLimate & Energy Action Network (ACLEAN)  
 Eagle River, AK 907-952-7472 ceal@theriver.com

LINKS:

(1) BlueCrest needs oil tax subsidies to complete project: <http://www.ktva.com/bluecrest-energy-launches-cosmopolitan-project-at-anchor-point-652/>

(2) Fossil fuel a declining industry: <http://tonyseba.com/portfolio-item/clean-disruption-of-energy-transportation/>

(3) BlueCrest has no way to transport Cosmopolitan oil except for trucking: <http://www.alaskapublic.org/2015/07/17/bluecrest-progressing-on-big-plans-for-cosmo/>

(4) Jobs: <http://www.ktva.com/bluecrest-energy-launches-cosmopolitan-project-at-anchor-point-652/>  
 (5) BlueCrest permit: <http://peninsulaclarion.com/news/2016-11-14/aogcc-to-hold-hearing-on-fracking-notice-proposal>  
 (6) Oil Production Could Have Caused Centruy-Old California Earthquakes: <https://www.scientificamerican.com/article/oil-production-could-have-caused-century-old-california-earthquakes/>  
 (6) Group fights oil explorer's Cook Inlet fracking plans: <https://www.adn.com/alaska->  
 (7) Fracking will harm endangered Alaska beluga whale: <https://www.scientificamerican.com/article/oil-production-could-have-caused-century-old-california-earthquakes/>  
 (8) Citing Health Risks, Cuomo Bans Fracking in New York State: <http://www.nytimes.com/2014/12/18/nyregion/cuomo-to-ban-fracking-in-new-york-state-citing-health-risks.html>  
[news/energy/2016/06/22/environmental-group-fights-oil-explorers-cook-inlet-fracking-plans/](http://www.nytimes.com/2014/12/18/nyregion/cuomo-to-ban-fracking-in-new-york-state-citing-health-risks.html)  
 (9) Alaska Renewable Energy Atlas: <http://map.akenergyinventory.org/>  
 (10) Investment in Renewable Energy Yields More Jobs than Fossil Fuel Sector: <https://cleantechnica.com/2015/06/23/investment-renewable-energy-yields-jobs-fossil-fuel-sector/>

From: Elena Prisekin [mailto:[eprisekin@yahoo.com](mailto:eprisekin@yahoo.com)]  
 Sent: Wednesday, November 30, 2016 6:03 PM  
 To: Sherrie M. Siverson <[ssiverson@aidea.org](mailto:ssiverson@aidea.org)>  
 Subject: No fracking in Cook Inlet

I do not support fracking in the Cook Inlet, let alone loan money and continue further subsidies to the oil industry. Am respectfully asking you to REJECT the resolution to "modify" the terms of a \$30 million loan to BlueCrest (formally Buccaneer) & Partners to conduct the high-volume, slick water hydraulic fracturing in Alaska, off the coast of Anchor Point in Cook Inlet. This will pose unacceptable earthquake risks and further endangers our waters, fisheries and the Cook Inlet beluga. It's time for Alaska to invest in a clean energy future.

As someone who moved to Alaska for its pristineness and wildness, I've actively supported renewable energy and am one of those individuals that does NOT rely on the oil industry for my income. I have been gradually converting my home successfully to renewable power. I have a light footprint and working to reduce it even further.

Moreover, the demand for oil decreases and from everything I've read this oil will only gain revenue for those outside of Alaska and the state will not benefit, except those in the pockets of the conglomerates.

I do not expect the emails and calls to sway you, but when everything turns sour you will not be able to say you did not know. Elena

From: Danna Larson [mailto:[dllsitka@gmail.com](mailto:dllsitka@gmail.com)]  
 Sent: Wednesday, November 30, 2016 6:03 PM  
 To: Sherrie M. Siverson <[ssiverson@aidea.org](mailto:ssiverson@aidea.org)>  
 Subject: No Money for Fracking Cook Inlet

Mr Rodvik, I am writing to oppose the resolution that AIDE will be voting on Dec 1 to "modify" the terms of the \$30 million loan to BlueCrest & Partners to conduct fracking in Alaska.

I ask AIDEA to reject the resolution. Fracking Cook Inlet poses unacceptable earthquake risks and further endangers our waters, fisheries and the Cook Inlet beluga. Alaska needs to invest in a clean energy future.

Thank you, Danna Larson 7927 Cranberry St #B Anchorage, AK 99501 .

From: Doreen Simmonds [mailto:doreensimmonds7@gmail.com]

Sent: Wednesday, November 30, 2016 5:49 PM

To: Sherrie M. Siverson <SSiverson@aidea.org>

Subject: Loan Resolution NO. L16-12 Juneau I LLC

AIDEA, please please reject Resolution No. L16-12. Fracking Cook Inlet poses unacceptable earthquake risks and further endangers our waters, fisheries and the Cook Inlet beluga. It's time for Alaska to invest in a clean energy future. Doreen Simmonds Alaskan resident

Voicemail message received by Karsten Rodvik and forwarded on 11/30/16.

Good morning Mr. Rodvik, my name is Allison Koos Fox. I am calling to ask you as an Anchorage resident to please reject the Resolution to modify the terms on the BlueCrest Loan that would allow fracking in the Cook Inlet. It basically comes down to, I don't want to see any more frequent earthquakes in this area and my children see Beluga whales out there all the time. So, do what you can to protect our beautiful waterways and our fishing industry, our clean water is a big part of that and fracking is inevitably not clean. Thank you for your time and I hope that you think of our grandbabies when you think about this resolution.

Voicemail message received by Karsten Rodvik and forwarded on 11/30/16.

I am living in Anchorage and have been for many years. Hi, my name is Val Glooschenko and I reside on Doncaster Drive in East Anchorage. I very much opposed to your idea of fracking in Cook Inlet. Unacceptable earthquake risks endangers our waters and fisheries and we need to invest in clean energy future. I am very much against it. Please record my comments.

Voicemail message received by Karsten Rodvik and forwarded on 11/30/16.

My name is Debra Limacher, my number is 907-299-1852. I live in Homer. I have some questions and I was told that you were the one to ask about what is happening here with the BlueCrest Energy asking for a loan. I've been involved all summer with concerns about this whole project and we would rather not see it go forward any further and so I have questions for you about what it is exactly they are asking for and what you folks are considering doing for them on December 1<sup>st</sup>. I want to get my input in before the meeting. So if you would get back to me I would appreciate it. Note: Karsten spoke with Debra twice.

Voicemail message received by Karsten Rodvik and forwarded on 11/30/16.

Good morning Mr. Rodvik, this is Katie Kennedy. I live in Ninilchik, Alaska, and my phone number 907-598-1440. I am very concerned about the lending of the money for this BlueCrest operation. I live here. I know that there's not that many local jobs being created. My concern is the history of BlueCrest, they were out of the parent company Buccaneer. There is such shady practice here and I just don't understand in the times that we're in with the state if there is truly a market; let's say, this I do know, they don't actually have a permit at this time for fracking; it would seem like money should not be lent before all of these things are taken care of; I know they don't have their source of water yet; and the traveling down the road with these tankers; I work in town in Soldotna and to have these tankers every 20 minutes on the road; the story in the yesterday newspaper about the tankers.

This I believe is not the time for the state to be doing these type of things, I wish we could utilize this little bit of resources we've got left in the state, moneywise, on some truly generating capital and

jobs. I know you probably are too busy to call back. I am going to try to be part of the live stream at the meeting. I don't know what to say any more. I wish you would really get some public comment on this first.

Voicemail message received by Karsten Rodvik and forwarded on 11/30/16. Mr. Rodvik returned her call.

Mr. Rodvik, my name is Mary McCarthy, my telephone number is 907-545-6645. I live in the Kenai Peninsula, specifically Soldotna and am a homeowner here and am very concerned about giving any more money to BlueCrest to support fracking in this area. I oppose fracking for what I think are fairly obvious reasons. I believe it is going to create an environmental problem in this area, particularly being that this area is seismic. And if you pay attention to what is happening in Oklahoma, and in Texas, and in Ohio where they weren't particularly seismic zones and are now having 5.6 earthquakes, that is not a wise plan. So I want to register my concerns and my opposition to the state giving any more money to BlueCrest for development. I hope you have received numerous calls and I will make sure that people are aware of this.



December 1, 2016

Board Members of the Alaska Industrial Development and Export Authority

813 West Northern Lights Boulevard

Anchorage, Alaska 99503

Re: Resolution No. G16-14 Authorizing Modification to Loan between AIDEA and BlueCrest Energy Inc.

Dear AIDEA Board Members:

The Alaska Support Industry Alliance (The Alliance) seeks to express our full support for the modification of the loan between AIDEA and BlueCrest Energy Inc. regarding BlueCrest's Cosmopolitan project in the Cook Inlet.

The Alliance is a nonprofit trade association made up of more than 500 businesses and individuals, representing 30,000 workers, who provide products and services to the oil, gas and mining industries. We believe in the safe and responsible development of our natural resources for the benefit of all Alaskans. BlueCrest's Cosmopolitan project represents a truly successful project and partnership between industry and the State, that has greatly benefited the Kenai region and our members.

Authorizing the requested modification of the loan is necessary because of the Governor's veto of the tax credit payments, and the passage of HB 247 during the last legislative session. Under the terms of the requested loan modification AIDEA's bottom line will remain fully protected. AIDEA will still receive its full interest and principal as envisioned under the original agreement, and BlueCrest will be allowed defer some of the principal payments thus increasing their ability to overcome the challenges posed by the Governor's veto of tax credits.

Over 125 Alaskan residents, many of whom work for our member companies, are currently working on the Cosmopolitan project and earning family supporting incomes. BlueCrest's efforts in the Cook Inlet have led to the first new oil from a new field in the basin in over a decade. At peak production BlueCrest estimates they will be producing 17,000 barrels per day from the field. Millions of dollars in various taxes have already been paid to local and state government by BlueCrest. Over the life of the project BlueCrest projects the state will earn hundreds of millions in royalties, and an estimated 300% ROI on the money for the credits paid to BlueCrest for drilling the wells.

We view the request to modify the loan between AIDEA and BlueCrest as a win for Alaska. Modifying the loan will protect AIDEA, and still enable a reasonable ROI. BlueCrest will be able to move forward, finish

The Alaska Support Industry Alliance • 3301 C Street, Suite 205 • Anchorage, AK 99503  
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the completion of their Hansen 16 well, and began greater levels of production. Alaskan companies will keep their Alaskan employees working and supporting their families and communities. Lastly, local and state government will realize new streams of revenue.

In these tough economic times, the state and industry need to partner together to achieve success. The Alliance believes modifying the loan between AIDEA and BlueCrest is such a move.

Sincerely,

Rebecca Logan  
General Manager, Alaska Support Industry Alliance  
3301 C Street, Suite 205  
Anchorage, AK 99503  
(907) 563-2226



December 1, 2016

Mr. Dana Pruhs, Chair  
Alaska Industrial Development and Export Authority  
813 West Northern Lights Blvd.  
Anchorage, Alaska 99503

Dear Mr. Pruhs:

The Alaska Chamber would like to express our support for the resolution to modify the loan terms for BlueCrest Energy being considered by the Alaska Industrial Development and Export Authority (AIDEA) Board.

The mission of the Chamber is to promote a positive business environment in Alaska. The Chamber represents hundreds of businesses, manufactures and local chambers from across Alaska. Our member companies employ over 100,000 hard-working Alaskans. Our members support resource development that is both done in a responsible manner and brings economic opportunity to Alaska and its residents.

BlueCrest has been a reliable partner Alaska could count to help develop oil and much needed gas fields in Cook Inlet. They have a solid record of using advanced-technology to recover newly-discovered gas and oil fields. AIDEA and BlueCrest entered a financial arrangement that provided benefit to all parties at the time. However, by no fault of their own the State of Alaska by actions of the Governor vetoed tax credits owed to them. This changed the business model. Modifying the terms of the loan terms would be a win-win for both parties during the fiscal challenges we are facing as a state. BlueCrest can move ahead with their business plan and ADIEA will receive its full interest and principal, as it would have under the original payments.

The fiscal challenges currently facing the State are historic and we ask AIDEA work with business community and BlueCrest to create a positive investment opportunity going forward.

Sincerely,

A handwritten signature in black ink that reads 'Curtis W. Tayer'.

Curtis W. Tayer  
President and CEO

cc: J. Benjamin Johnson, BlueCrest Energy