



Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, March 1, 2018
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on March 1, 2018, at 10:06 a.m. A quorum was established.

2. ROLL CALL: BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Mike Barnhill (Deputy Commissioner, Department of Revenue [DOR]); Fred Parady (Deputy Commissioner, Department of Commerce, Community, and Economic Development [DCCED]); Elaine Brown (Public Member); Bernie Karl (Public Member); and Gary Wilken (Public Member).

3. ROLL CALL: STAFF, PUBLIC

Staff present: John Springsteen (CEO/Executive Director); Chris Anderson (Commercial Finance Director); Brenda Applegate (Chief Financial Officer [CFO]); Mark Davis (Chief Infrastructure Development Officer); Jim Hemsath (Project Development & Asset Management [PDAM] Director); Yulia Ellsworth (Assistant CFO/Controller); Tom Erickson (Chief Procurement Officer); Elizabeth Greer (PDAM Project Manager); Karsten Rodvik (External Affairs Officer); Jeff San Juan (Infrastructure Development Finance Officer); Linda Senn (Human Resources Manager); Gene Therriault (Interior Energy Project [IEP] Team Lead); Sherrie Siverson (Executive Assistant); and Krin Kempainen (Administrative Assistant).

Public present: Alan Bailey (Petroleum News); Elwood Brehmer (AK Journal of Commerce); Dan Britton (Pentex); Mark Gardiner (PFM Group Consulting); Jerry Juday (Department of Law); Sunny Morrison (Accu-Type Depositions); Mark Wiggin (Deputy Commissioner, Department of Natural Resources [DNR]); and J.R. Wilcox (Prudhoe Bay Chemicals).

4. AGENDA APPROVAL

John Springsteen requested Item 7A be moved to after Item 7C. Chair Pruhs noted the agenda would be amended to read: 7A. IEP Update; 7B. Executive Session: Interior Energy Project, MOC1; 7C. Resolution No. G18-02 Relating to the Operating Agreement, Budget, and Revolving Line of Credit for Mustang Road, LLC. The agenda was approved as amended.

5. PUBLIC COMMENTS

There were no public comments.

6. PRIOR MINUTES - January 11, 2018

The January 11, 2018 minutes were approved as presented.

7. NEW BUSINESS

7A. IEP Update

Mr. Springsteen requested Gene Therriault and members of his team present the IEP Update. Mr. Therriault noted the determination on sourcing expanded Liquefied Natural Gas (LNG) would be held off until a later date. The hope is a request for proposal (RFP) will be brought forth under the combined utility agreement.

Mr. Therriault stated construction of the storage project in Fairbanks was initiated. Mr. Wilken toured the construction site and wrote an op-ed article for the local newspaper. Dan Britton reviewed the Large LNG Storage Tank Construction Update PowerPoint. The engineering, procurement, and construction (EPC) contractor of the 5.25 million-gallon capacity full containment tank was competitively bid and Preload Cryogenics out of Boston was selected. The contract includes 100% performance and payment bonds. The double-walled full containment design was obtained at a comparable cost to the single-walled design. The tank will contain a 10-inch concrete outer wall, which is viewed to have the greatest level of integrity and ability to withstand impacts from ballistics.

Mr. Britton noted the scheduled completion for the project is the fall of 2019, which is in advance of the January 1, 2020 deadline for the State of Alaska Storage Tax Credit. He listed the current Pentex Team contractors; funded by the total project budget, and the Preload Cryogenics sub-contractors; funded by the construction budget. Many of the sub-contractors are Alaska-owned businesses.

Mr. Britton stated a camera is active and recording all construction activities. The link has been provided to Karsten Rodvik. He noted the site has poor internet connection and uploads are slow. The mobile application has better performance and the app information will be given to Mr. Rodvik to provide to members. Mr. Britton will research the availability of posting pictures to the website.

Mr. Britton described the site layout, tank, and vaporizer design. The design philosophy provides a significant amount of redundancy. The tank has three 100% pump wells with an LNG half-megawatt GenSet back-up power generator. The tank is roughly 100 feet high and 100 feet in diameter. There are three 50% capacity vaporizers. Chair Pruhs noted the importance of robust security during and after construction, including fencing and security monitoring cameras. Mr. Britton stated camera security monitoring would occur when the tank is in operation. Once the tank is complete, it will serve as a new communications tower. Homeland Security requires communications with existing facilities. Notifications of the modifications and new tank installation have been provided and Homeland Security will respond with additional security recommendations. Two FAA notices of no hazard to aviation have been filed.

Mr. Britton discussed an example of a daily report regarding the strict quality control and quality assurance of the project. The contractor's safety plan has been submitted and no additional

requirements have been requested thus far. It is possible the use of additional responsible safety personnel will be utilized as plant contractor work increases. Chair Pruhs suggested an internal safety team be implemented and a professional consultant review all submitted safety plans. Mr. Britton stated Stantec reviewed and responded to the current safety plan.

Mr. Britton gave a detailed description of the weld inspections. The tubes will remain under test during the entire construction. He is pleased with the materials and 95% to 98% compaction of the maximum 12-inch gravel lifts on top of the insulation. There will be 10 to 14 lifts. The moisture content is within 2% of optimum. Compaction is currently halted because of the cold weather and will resume once the weather warms up about 10 degrees. The geotechnical engineer is onsite and approving each step.

Mr. Britton stated the engineering for the outer wall of the tank is in final design and preparation for the fabrication of the precast panels is underway. The 85-foot panels will be trucked and the lay out is expected to begin the third week of March.

Chair Pruhs noted the provided schedule shows the outer wall complete and dome in place in August. He suggested Board members tour the facility while in Fairbanks for the August board meeting. Mr. Britton agreed and extended the invitation for members to tour at any point.

Mr. Karl inquired as to the disposal of the excavated materials. Mr. Britton stated part of the excavated material is onsite, west of the pad, and will be graded to become a buffer around the facility. Some of the materials went to Great Northwest.

Mr. Wilken requested more information regarding Pipeline and Hazardous Materials Safety Administration (PHMSA). Mr. Britton stated PHMSA regulates all LNG facilities, distribution systems, and transmission pipelines. A federal PHMSA inspector has been assigned to the new construction and completed his first inspection last week. All requested information was provided. Monthly inspections are expected. The project does not have to pay for the PHMSA inspections. The project does have to pay for each fire marshal permit submittal. Mr. Britton showed a one-minute time-lapse video of work at the site to-date.

Chair Pruhs asked for the update on the conversion specialist position. Mr. Therriault stated the position description has been transmitted and revised by IGU. An official approval is expected and is needed before the Fairbanks position can be hired.

Mr. Wilken suggested the term “conversion” be replaced with the term “customer crusade.” He believes there are three verticals to customers; oil to gas conversions, new construction boilers, and replacement boilers. Mr. Wilken requested members receive the current communication information being provided to interested customers.

Chair Pruhs asked for an update on service-line installation prior to gas availability. Mr. Britton stated new construction service is available. Discussion is ongoing regarding implementation of a six-month conversion agreement, whereby the installation cost will be subsidized at \$50 for customers who use the gas within six-months. If customers do not begin to use the gas within six months, the customers will pay for the actual cost of the service installation. The service

costs for installation is approximately \$800 to \$1,300 for residential, and approximately \$2,500 to \$4,500 for commercial buildings, but could be higher depending on the meter.

Chair Pruhs requested members be provided IGU's business plan and pro forma regarding the combined utility at closing, as AIDEA transitions from an owner to a lender.

Mr. Therriault stated AEA continues to work with the large municipalities about the implementation of Property Assessed Clean Energy (PACE). He is working with Representative Adam Wool, who introduced a zero fiscal note House Bill (HB) 374 relating to on-bill financing. Mr. Therriault believes the legislation could pass this year. He continues to receive updates from Senator Murkowski's staff about ongoing funding to the EPA Non-Attainment Grant. The expectation is the Borough will competitively be awarded \$4 million. Senator Pete Kelly's legislation, Senate Bill 125, extending the authorized bonds for the IEP project passed the Senate unanimously. Mr. Therriault attended the Monday House hearing of the identical bill by Representative Steve Thompson, HB 261, and responded to questions. He believes the combined legislation is on track to pass this year.

Mr. Therriault stated he is in communications with the Air Quality Modeling Consultant, with the DEC under EPA review regarding updates on the tank completion and customer service. He described the status of the ongoing North Slope pad sublease negotiations, including communications with DNR. Mr. Therriault reported the deadline was met for the RCA application to allow transfer of the service territory to IGU. The response to public comments was coordinated with IGU and submitted with clarifying information. The decision has not been revealed by the RCA regarding an expedited review and determination on Docket U-18-001. The full list of closing documents has been compiled, prepared, and shared with IGU.

Mr. Wilken expressed appreciation to Mr. Therriault and Mr. Britton for their responses to the 17 public comments. He believes it will support the request for an expedited hearing. Mr. Karl echoed the comments. Chair Pruhs expressed appreciation to Mr. Therriault and Mr. Britton for the project accomplishments to-date.

7B. Executive Session: Interior Energy Project, MOC1

MOTION: Deputy Commissioner Parady moved to go into Executive Session to discuss confidential and financial information related to the Interior Energy Project and MOC1. Deputy Commissioner Barnhill seconded the motion.

The Board entered Executive session at 11:21 a.m. Participants included board members Dana Pruhs, Mike Barnhill, Elaine Brown, Bernie Karl, Fred Parady, and Gary Wilken. AIDEA staff invited to join the session, at different times, for related topics: John Springsteen, Brenda Applegate, Gene Therriault, and guests, Dan Britton, Mark Gardiner, and Jerry Juday.

The Board reconvened its regular meeting at 2:14 p.m. Chair Pruhs stated no formal action was taken on the matters discussed in executive session.

7C. Resolution No. G18-02 Relating to the Operating Agreement, Budget, and Revolving Line of Credit for Mustang Road, LLC

Mr. Springsteen stated Resolution No. G18-02 regards revising the operating agreement between AIDEA and Mustang Road LLC (MRLLC) to reflect AIDEA's 100% ownership, approving the MRLLC budget for the remainder of FY 2018, and approving a \$300,000 line of credit to MRLLC to meet its FY 2018 obligations. Mr. Springsteen stated Mark Gardiner and Brenda Applegate are available for questions.

MOTION: Mr. Wilken moved to approve Resolution No. G18-02 Relating to the Operating Agreement, Budget, and Revolving Line of Credit for Mustang Road, LLC. Ms. Brown seconded the motion.

The motion was approved with members Pruhs, Barnhill, Brown, Karl, Parady, and Wilken voting yea.

8. DIRECTOR COMMENTS

Mr. Springsteen expressed appreciation to the Board for their guidance during the work session. AIDEA's core business will be focused on financing the development of commercial and industrial assets and infrastructure for Alaska's earning industries, such as oil and gas, mining, commercial real estate, timber, seafood, and tourism. Staff will prepare and present a plan describing the risks and returns AIDEA should expect, which will include financial expectations, job creation and retention expectations, and expectations of revenue generation for the State.

The loan and dashboard reports, IFD, and PDAM project matrices were included in your packet, along with a copy of the Callan Quarterly Report. Please contact Ms. Siverson regarding the continuing education calendar. The next AIDEA Board meeting is Thursday, April 26, 2018.

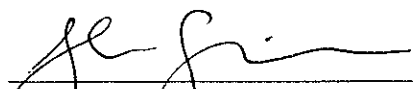
9. BOARD COMMENTS

Mr. Wilken said he resigned from the Budget and Audit Sub-Committee. He expressed appreciation to Ms. Applegate for her excellent leadership. He believes another member with a higher level of understanding would provide better participation.

Chair Pruhs expressed his appreciation to members, staff, and participants.

10. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 2:20 p.m.



John Springsteen, CEO / Executive Director
Secretary-Treasurer