



Alaska Industrial Development and Export Authority  
**BOARD MEETING MINUTES**  
**Wednesday, August 5, 2020**  
Anchorage, Alaska

**1. CALL TO ORDER**

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on August 5, 2020, at 11:18 am. A quorum was established.

**2. ROLL CALL: BOARD MEMBERS**

Members present: Chair Dana Pruhs (Public Member); Vice-Chair Bernie Karl (Public Member); Julie Anderson (Commissioner, DCCED); Albert Fogle (Public Member); Bill Kendig (Public Member); Anna MacKinnon (SOA-DOR); and Julie Sande (Public Member).

**3. AGENDA APPROVAL**

**MOTION: A motion was made by Mr. Fogle to approve the agenda. Motion seconded by Mr. Kendig.**

Alan Weitzner, Interim Executive Director, requested a friendly amendment of an additional component to the Executive Session for the Ambler Access Road. There was no objection.

**The motion to approve the agenda with the friendly amendment of adding the Ambler Access Road to the Executive Session passed without objection.**

**4. PRIOR MINUTES – May 20, 2020; June 24, 2020; and July 15, 2020**

**MOTION: A motion was made by Mr. Kendig to approve the Minutes of May 20, 2020; June 24, 2020; and July 15, 2020. Motion seconded by Ms. Sande.**

Chair Pruhs indicated there is a note by Sherrie Siverson regarding minor changes in red for the May 20, 2020 minutes. There were no questions and no objections.

**The motion to approve the Minutes of May 20, 2020 with edits; June 24, 2020; and July 15, 2020 passed without objection.**

**5. PUBLIC COMMENTS**

Chair Pruhs advised public comments are limited to two minutes per person. Comments should pertain to the topics on today's agenda. He requested people state their full name and affiliation.

Harold Hines expressed appreciation for the opportunity to provide public comment and follow up on his supportive comments on Resolution G20-18 during the May 20<sup>th</sup>, 2020 meeting. Mr.

Hines informed he is a long-time Alaskan and the last several months represent one of the biggest challenges to Alaska that he has seen. The unemployment level and the business shuttering has hit Alaska on an unprecedented scale that seems to continue despite several worthy efforts to reverse the slide of the Alaskan economy.

Mr. Hines feels the AIDEA/CU1 AK CARES funding program proposal is helping to preserve and revitalize the real Alaskan small business sector. The concept of grants covering the continued expenses during the current no-income time period is essential if mom-and-pop operations are to succeed and build back to full Alaskan employment.

Mr. Hines commented AIDEA's website provides summary information on the progress of the program. He developed a table, which will be submitted with his written comments. Mr. Hines discussed the items included in his table. He expressed concern that while \$17 million in awards is notable, it only represents 1/3 of the money applied for by the applications. Mr. Hines expects additional disbursements during the fall and winter, but the situation of help is \$13,500 per applicant, which seems small compared to the four to six months' of expenses.

Mr. Hines expressed concern that the \$55 million application total is only 18% of the \$300 million funding target. He asked if the funding level was set to include more business segments than have appeared during the application process. Mr. Hines expressed disappointment that the \$17 million awarded represents only 6% of the funds available and maintains a huge gap in policy expectations and societal needs that should be quickly and thoroughly understood.

Mr. Hines believes the program and its objectives are extremely important. He requested AIDEA undertake a constructive review comparing applications to businesses in need of help. Mr. Hines feels there is benefit if AIDEA works with the State's policy and financial leaders to address any potential process restart possibilities to help the Alaskan economy provide employment opportunities.

**MOTION: A motion was made by Ms. Sande to enter into Executive Session to discuss confidential information related to Mustang Development Loan, Budget & Audit Subcommittee Update, Emergency Loan & Guaranty Program Regulations, AK CARES, and Ambler Access Project. Motion seconded by Mr. Kendig.**

**The motion was approved without objection.**

## **6. NEW BUSINESS**

### **EXECUTIVE SESSION: 11:27 am**

**Confidential matters related to Mustang Development Loan, Budget & Audit Subcommittee Update, Emergency Loan & Guaranty Program Regulations, AK CARES, and Ambler Access Road.**

The Board reconvened its regular meeting at 11:33 am.

Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session. He noted the Board came out of executive session to add a topic to discuss while in executive session.

**MOTION: A motion was made by Ms. Sande to include confidential discussion of the potential of the S/Q Line acquisition during Executive Session. Motion seconded by Mr. Kendig.**

**The motion was approved without objection.**

**MOTION: A motion was made by Ms. Sande to enter into Executive Session to discuss confidential matters related to Mustang Development Loan, Budget & Audit Subcommittee Update, Emergency Loan & Guaranty Program Regulations, AK CARES, Ambler Access Project, and the potential S/Q Line acquisition. Motion seconded by Mr. Kendig.**

**The motion was approved without objection.**

**EXECUTIVE SESSION: 11:35 am**

**Confidential matters related to Mustang Development Loan, Budget & Audit Subcommittee Update, Emergency Loan & Guaranty Program Regulations, AK CARES, Ambler Access Road, and the potential S/Q Line acquisition.**

The Board reconvened its regular meeting at 2:45 pm.

Chair Pruhs advised the Board did not take any formal action on matters discussed while in executive session.

**A. Resolution No. G20-21 Appointment of Officers of the Corporation**

Mr. Weitzner explained Resolution G20-21 relates to the office of Executive Director and Secretary-Treasurer.

**MOTION: A motion was made by Mr. Fogle to approve Resolution G20-21. Motion seconded by Vice-Chair Karl.**

Mr. Fogle expressed his appreciation to Mr. Weitzner for his recent efforts in assuming responsibility and control in setting a new vision for the Agency. Mr. Fogle is thankful Mr. Weitzner is here to lead the organization on a new path.

Vice-Chair Karl echoed the comments of Mr. Fogle. He believes Mr. Weitzner understands risk and reward, and will be the most pro-development Executive Director AIDEA has employed. Vice-Chair Karl welcomed Mr. Weitzner and expressed his compliments and appreciation.

Ms. MacKinnon expressed support for the previous comments. She requested Chair Pruhs, for the record, review the process the Board undertook prior to the resolution, including statewide advertising, interviews, and candidate selection.

Chair Pruhs discussed the HR Director solicited for the Executive Director position and advertised in the state of Alaska and nationally. Numerous applications were received. A Subcommittee was formed, comprised of Chair Pruhs, Commissioner Anderson, Ms. Sande, and the HR Director. The Subcommittee culled the applications to six potential candidates and held interviews. Two final candidates were selected, out of which Mr. Weitzner was the ultimate selectee. Chair Pruhs thanked the Subcommittee members for their time and efforts. He echoed the comments of both Vice-Chair Karl and Mr. Fogle.

**A roll call was taken, and the motion to approve Resolution G20-21 passed unanimously.**

Chair Pruhs expressed congratulations to Mr. Weitzner. Chair Pruhs requested Item 6C occur next rather than Item 6B, since Joe Balash, Oil Search, is present. There was no objection.

**C. Resolution No. G20-24 MOU Oil Search Pikka Project Surface Infrastructure**

Mr. Weitzner, Executive Director, explained Resolution G20-24 enters into the Memorandum of Understanding and Cost Reimbursement Agreement with Oil Search Alaska on the surface infrastructure associated with the Pikka Project. Mr. Weitzner requested Mr. Balash discuss the presentation. Mr. Balash provided an overview, history, and financial background of Oil Search. The company has a strong commitment to communities and a focus on environment, sustainability, and governance (ESG), with experience in remote oil production facilities. He highlighted the similarities between Alaska and Oil Search's home country of Papua New Guinea.

Mr. Balash discussed Armstrong Oil & Gas had a partnership with Repsol in the Pikka Project properties. Oil Search purchased Armstrong Oil & Gas' interest in the Pikka Project. Mr. Balash described the Pikka Unit world class project, including three drilling pads with a central production facility, operation center, and connecting pipeline. The regulatory approvals and land use agreement have been reached. Peak production is expected to be at 135,000 barrels a day. The leases pay 16 and two-thirds percent royalty share to the State.

Mr. Balash noted when Oil Search became the operator of the Pikka Unit in March of 2018, there were three people in the Alaska company. There are now over 130 employees, with approximately 90% Alaskans, many of whom have Slope experience. Mr. Balash gave a brief history of the operational structure and operating agreement of the Pikka Project. Due to the current economic environment, Mr. Balash explained the final investment decision (FID) that was scheduled this year has been deferred.

Mr. Balash discussed the amount of production Pikka expects to bring online and the encouraging expected growth case scenario based on winter results of the exploration position. He believes Oil Search will have a substantial and material impact on the throughput in Alaska for quite some time. The location is primarily between the Colville River and the Kuparuk River Unit, with a total area of approximately 400,000 acres. Another partnership lease is Lagniappe located between Prudhoe Bay and Point Thompson.

Mr. Balash highlighted the Pikka Project includes a year-round road that serves the facilities, which he believes will benefit the communities and local hunters by minimizing impacts of aircraft traffic.

Chair Pruhs asked for examples of economic improvements that would have to occur in order to reconsider the postponed FID. Mr. Balash informed the long-term break-even price for the project was in the mid-40s. The expectation is the project will have full-field production in 2025.

Vice-Chair Karl requested additional information regarding the relationship between the government of Papua New Guinea (PNG) and Oil Search, and specifically if the government is an investor and on the Board of Oil Search. Mr. Balash indicated the PNG government is not an investor and is not on the Board of Oil Search. He explained the company is chartered in PNG and enjoys certain rights and privileges in gaining licenses for exploration and land positions in the country. Many shareholders are from PNG and many are from Australia. Oil Search has an interest in a significant amount of oil discoveries and natural gas, with operations of production facilities and pipelines. Oil Search maintains a long-term relationship with ExxonMobil in PNG.

Vice-Chair Karl inquired regarding the recent discussions between Oil Search and the Prime Minister. Mr. Balash explained the situation with the LNG project and whether or not certain benefits have been paid to provincial and local entities has been a matter of dispute and complaint. As of today, Oil Search does not have any outstanding obligations or payments, and does not anticipate the situation to affect future cash flow. The challenges being faced are limited opportunity for growth in PNG due to the changing government. Mr. Balash discussed the status of the expansion for the PNG LNG facility.

Mr. Balash continued the presentation and expects additional joint announcements later this year with the partners regarding specific updates of the Pikka Project. He outlined future benefits of the Pikka Project to the State of Alaska, including royalty payments, production tax, property tax, corporate income tax, and opportunities for economic development and strategic partnership with Alaska Native regional and village corporation subsidiaries on the North Slope, as well as economic opportunities for non-ANCSA entities. The TAPS throughput will increase, resulting in a decrease in the tariff and an improvement of the value of other North Slope produced barrels. The increased utilization of infrastructure helps lengthen the life of the assets. The Pikka Project is expected to average 800 long-term jobs, with a peak of over 4,000 jobs during the approximate three-year construction period.

Mr. Balash reviewed the summary of work completed in the winter 2019/20, including encouraging exploration drilling results at Mitquq and Stirrup, civil works, exploration, and civil programs. He discussed the map of the work completed. Oil Search is open to the possibility of other operators utilizing the road, if agreements are met.

Chair Pruhs noted the information provided by Oil Search did not include the indication of surface and subsurface land ownership for the location of the pads and production facilities. Mr. Balash stated he would be happy to provide that information to the members. A portion of the NDB Road crosses acreage surface owned by Kuukpik. A land use agreement is in place.

Otherwise, the road crosses state-owned surfaces. ASRC has ownership in the subsurface of some of the leases. DNR manages these on behalf of ASRC.

Chair Pruhs requested additional information regarding land ownership related to financing, underlying agreements, and exposure to the public process. Mr. Balash explained Oil Search and AIDEA began a conversation previously discussing the possibility of utilizing the Red Dog model for the road, and other ways the State can help and is willing to help with development in Alaska. The MOU between AIDEA and Oil Search has been developed to list the priorities of work necessary to move forward. Mr. Balash provided a high level explanation of the MOU. He believes this project is well within AIDEA's statutory mission and mandate supporting key infrastructure and development of State resources.

Chair Pruhs asked Mr. Balash what he believes is the appropriate rate of return for a key oil and gas infrastructure for a state-owned corporation in Alaska. Mr. Balash responded he does not have a specific number and the rate of return depends on the amount of risk that is willing to be taken. He feels the Red Dog Road is a great example because AIDEA made the risk decision before the road was permitted or built. The return was high at about 8.5% to 9%.

Ms. MacKinnon commented the risk she sees for AIDEA is the extraction of capital with no final investment decision. Mr. Balash assured Oil Search is very motivated to move forward in order to receive return on their approximate \$1 billion gross investment.

**MOTION: A motion was made by Mr. Kendig to approve Resolution G20-24. Motion seconded by Ms. Sande.**

Vice-Chair Karl asked if this resolution includes the cost reimbursement agreement. Chair Pruhs answered in the affirmative and noted the cost reimbursement is explained in Section 2 of the resolution. Vice-Chair Karl requested additional explanation regarding the expectation regarding the \$225,000 amount included in the cost reimbursement language. Mr. Weitzner explained the current budget includes a cap at \$225,000 that is covered by Oil Search during the feasibility analysis. Any AIDEA expense for those items will be reimbursed by Oil Search up to the cap of \$225,000.

**A roll call was taken, and the motion to approve Resolution G20-24 passed unanimously.**

**B. Resolution No G20-22 Authorizing Capitalization of the SETS Fund and Financing of the Soldotna-Quartz Creek Transmission Line**

Mr. Weitzner described Resolution G20-22 approves the financing of a qualified energy development for the Bradley Lake Hydroelectric Project SSQ Line acquisition. The proposal provides \$16 million, plus the cost of issuance and necessary reserves for the required financing of the project.

Mr. Weitzner outlined the resolution language needs to be amended to reflect the correction. The correction is as follows: "Whereas, AEA is requesting the Authority provide \$16 million, plus the cost of issuance and necessary reserves of the required financing for the Project."

Mr. Weitzner outlined a related correction under Section 1., page two, and will read as follows: “The Authority is authorized to provide a loan of \$16 million, plus the cost of issuance and necessary reserves, to AEA as financing of a qualified energy development for the Bradley Project. The finance plan for the Bradley Project submitted to the Board is approved.”

Mr. Weitzner outlined a related correction under Section 3., page two, and will read as follows: “The Executive Director is authorized to execute the final agreements and other loan documents regarding the Authority providing financing for a qualified energy development to AEA for the Bradley Project. The Executive Director may expend \$16 million, plus the cost of issuance and necessary reserves, from the Economic Development Account of the Authority’s Revolving Fund and transfer such funds to SETS to provide the financing for the Bradley Project in accordance with the final agreements. The Executive Director is further authorized to take all other steps that are necessary or desirable to provide the financing for the Bradley Project and to perform the Authority’s obligations under the final agreements.”

**MOTION: A motion was made by Mr. Fogle to approve Resolution G20-22, a resolution of the Alaska Industrial Development and Export Authority approving financing of a qualified energy development for Bradley Lake Hydroelectric Project SSQ Line acquisition. Motion seconded by Vice-Chair Karl.**

Mr. Kendig informed he serves on the Board of Directors of MEA, which presents a conflict of interest for this item. He recused himself.

Chair Pruhs requested Mr. Weitzner review the highlights of the term sheet. Mr. Weitzner explained the proposal before the Board is to finance Alaska Energy Authority (AEA), who is the owner of the Bradley Lake Project for the State of Alaska. He noted AEA is the issuer of the bond under the bond resolution. The financing of \$16 million, plus the cost of issuance and necessary reserves, would fall under the bond resolution. AEA would be issuing new bonds of which AIDEA would be acquiring. The term is 20 years. The interest rate is determined by the SETS regulation. AIDEA would transfer funds from the Revolving Fund to SETS to make this investment.

Mr. Weitzner informed the structure of AIDEA’s financing substantially complies with the SETS regulation. The project fulfils the definition of a qualified energy development under the SETS statutes. Financing AEA is in the best interest of the State of Alaska’s rate payers to enable their acquisition of the transmission line and incorporate it into the Bradley Lake Project. The guarantors are the six Railbelt utilities within the Power Sales Agreement; Chugach Electric Association, Anchorage Municipal Light & Power, Golden Valley Electric Association, Matanuska Electric Association, Homer Electric Association (HEA), and Seward Electric Utility.

Ms. MacKinnon requested the value of the purchase is placed on the record. Mr. Weitzner explained the reserves under the bond resolution total \$1.1 million. The acquisition price is defined at \$13.3 million. The additional remediation and investment upgrade elements total approximately \$2 million. Closing costs are additional and have not been finalized. The aggregate amount totals approximately \$16.7 million. Ms. MacKinnon requested clarification of the amended wording of “\$16 million, plus the cost of issuance and necessary reserves.” Her

understanding was the \$16 million includes the reserve amount. Mr. Weitzner indicated the \$16 million does include the reserve amount. Additional closing costs are likely to be acquired.

Chair Pruhs requested Mr. Weitzner discuss the benefits to the State for the purchase of the line. Mr. Weitzner commented this effort enables AEA to make decisions on upgrades for the line through the Bradley Lake Project Management Committee, which provides additional capacity for the Railbelt utilities and benefits for rate payers. The acquisition also benefits the rate payers by removing outstanding and ongoing litigation between the Railbelt utilities and HEA. Vice-Chair Karl asked how much the ongoing litigation has cost the rate-payers to-date. Mr. Weitzner noted the estimates he reviewed places the costs of past litigation at close to \$20 million.

Ms. MacKinnon informed the general public of the fire that affected HEA and disrupted service for over 90 days. One small utility had to prioritize resources to bring service back to their community and rate payers, which created a drag for most of the Railbelt utilities and their ability to access lower cost energy for their Alaskan constituents. Ms. MacKinnon explained the utilities tend to place their own rate payers' interest first, which has created litigation and disruption over the course of decades. The issue of financing that is before the Board is attempting to resolve lower cost energy that could benefit all parties along the Railbelt and deploy resources in the event of disruption to the transmission line. The intent is to provide more stability to the utilities in the long-term and less litigation by bringing the parties together. Ms. MacKinnon commended the utilities for cooperating and helping Alaskans resolve this issue. They will be able to deploy resources differently or engage AIDEA differently and be able to provide services through SETS to Alaskans benefitting more people through this long-term investment. Mr. Weitzner agreed.

Ms. MacKinnon explained to the public this is a way to reduce carbon emissions by utilizing an existing renewable project. A primary responsibility of AIDEA is to analyze the issues and try to assist in the infrastructure. Ms. MacKinnon expressed support for the proposal.

Ms. Sande requested verification from Mr. Weitzner this resolution substantially meets the criteria for the use of the SETS funding. Mr. Weitzner agreed.

**A roll call was taken, and the motion to approve Resolution G20-22 passed, with Mr. Kendig recused.**

**D. Resolution No. G20-23 Making Emergency Regulations Permanent 3 AAC 104.900**

Mr. Weitzner requested Item D. Resolution No. G20-23 Making Emergency Regulations Permanent 3 AAC 104.900 is removed from the agenda. There was no objection.

**7. DIRECTORS COMMENTS**

Mr. Weitzner expressed appreciation to the Board for the opportunity to fulfill the new Executive Director position. The need to advance AIDEA's tradition supporting economic development within the state of Alaska is not taken lightly, especially in the current environment affecting businesses during this crisis. Mr. Weitzner looks forward to working with everyone in defining how AIDEA can fulfill and best achieve its mission.



**7A. AIDEA and AEA Organization Chart, Quarterly Update 07.08.20**

Mr. Weitzner informed there are several positions that are in the process of being filled, including a replacement for his previously held position of Chief Investment Officer.

**7B. Board Resolution Report - Included in Board packets**

**7C. Resolution No. G19-21 Report**

Mr. Weitzner noted the Resolution G19-21 Report is an update on the access road projects and their approved budgets; Ambler Access Road and West Susitna Access Road. Chair Pruhs requested information regarding the position of a Program Manager for the Ambler Access Road. Mr. Weitzner advised staff needs to initiate that organizational issue and full information and the structure will be provided at the next Board meeting.

Ms. Sande inquired as to the comparison of the current vacancy rate versus the normal vacancy rate. Mr. Weitzner noted he does not have the updated information available today and will provide the actual percentage. Ms. Sande noted the information can be provided at the next meeting.

**7D. Resolution No. G11-18 Report, Finance Dashboard and Commercial Loan Reports - Included in Board packets**

**7E. Infrastructure Development (IFD)/Project Finance and Asset Management (PFAM) Updated Project Matrices, Quarterly Project Fact Sheets - Included in Board packets and available on the website**

**7F. Quarterly Report to the Legislature, Interior Energy Project “Introduction and Summary”**

Mr. Weitzner noted the Quarterly Report to the Legislature is included in the packet. He followed up on Chair Pruhs’ previous request to receive quarterly financial statements from IGU. Mr. Weitzner informed the agreements only provide for annual financial statements from IGU. However, IGU has been providing, upon request, quarterly financial information. Staff will provide that information to the Board directly.

**Next regularly scheduled AIDEA Board Meeting, Wednesday September 16, 2020**

Commissioner Anderson requested Mr. Weitzner provide his insight at the strategic planning session regarding how to best realign the organization.

Chair Pruhs informed there will be a work session on September 15, 2020.

**8. COMMUNICATIONS (public comments received)**

Ms. Siverson advised one public comment was received and distributed to Board members.

**9. BOARD COMMENTS**

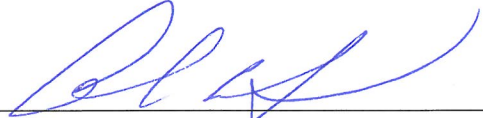
Commissioner Anderson welcomed Mr. Weitzner to his official new role and looks forward to working together to help solve some of the current problems.

Vice-Chair Karl expressed appreciation to Mr. Weitzner for taking the position. He reiterated his view AIDEA does not have problems, only opportunities that will be solved together.

Chair Pruhs extended his welcome to Mr. Weitzner. He expressed appreciation to the Subcommittee who worked on the financial plan. Chair Pruhs thanked Ms. Siverson and staff for conducting a successful Board meeting.

**10. ADJOURNMENT**

There being no further business of the Board, the AIDEA meeting adjourned at 4:24 pm.

  
\_\_\_\_\_  
Alan Weitzner, Interim Executive Director  
Secretary

