

Alaska Industrial Development and Export Authority
BOARD MEETING MINUTES
Thursday, June 20, 2024
Anchorage, Alaska

1. CALL TO ORDER

Chair Pruhs called the meeting of the Alaska Industrial Development and Export Authority to order on June 20, 2024, at 11:41 am.

2. ROLL CALL BOARD MEMBERS

Members present: Chair Dana Pruhs (Public Member); Julie Sande (Commissioner, DCCED); Adam Crum (Commissioner, DOR); Albert Fogle (Public Member); Randy Eledge (Public Member); and Bill Vivlamore (Public Member). Members absent: Vice-Chair Bill Kendig (Public Member). A quorum was established.

3. AGENDA APPROVAL

MOTION: A motion was made by Mr. Fogle to adopt the agenda as presented. Motion seconded by Mr. Vivlamore.

The motion to adopt the agenda passed without objection.

4. PRIOR MINUTES – May 15, 2024

MOTION: A motion was made by Mr. Fogle to approve the Minutes of May 15, 2024. Motion seconded by Mr. Vivlamore.

The motion to approve the Minutes of May 15, 2024 passed without objection.

5. PUBLIC COMMENTS – None

There were no members of the public online or in-person who requested to comment.

6. NEW BUSINESS

MOTION: A motion was made by Mr. Fogle to enter into executive session for the purpose of discussing the following: AIDEA finances, loans, BlueCrest loan, investment strategy, Juneau Hydro, and other matters related to AIDEA and matters that are subject to specific legal advice which is subject to attorney-client privilege and communications. These matters, which if discussed publicly, could have an adverse effect on the finances of AIDEA, are matters that are attorney-client privileged, and matters involving consideration of issues and that by law, are not subject to public disclosure due to the executive or deliberative process, privilege or other law. The executive session and matters discussed therein are proper subjects for an executive session under the Alaska Open

Meetings Act, reference AS 44.62.310 (C)1, 3, and 4, and the Alaska Public Records Act. Motion seconded by Mr. Vivlamore.

A roll call was taken, and the motion to enter into Executive Session passed unanimously.

6A. EXECUTIVE SESSION: 11:51 am. Confidential and deliberative matters related to AIDEA Financing, Loans, BlueCrest Loan, Investment Strategy and Juneau Hydro which are subject to the deliberative process privilege, and other matters related to specific legal advice which is subject to the attorney-client privilege and communications. The Executive Session and matters discussed therein are proper subjects for an executive session under the Alaska Open Meetings Act. Reference: Alaska Statute 44.62.310 (C)(1), (3), and (4) and the Alaska Public Records Act.

The Board reconvened its regular meeting at 2:06 pm. Chair Pruhs advised that the Board did not take any action on matters discussed while in Executive Session. The session was limited to discussion of matters directly protected from public disclosure by the Open Meetings Act.

6B. Resolution No. L24-04 – Congress Circle

Chair Pruhs requested Randy Ruaro, Executive Director, to proceed with the description of Resolution No. L24-04. Mr. Ruaro explained that Resolution L24-04 approves a Loan Participation Program (LPP) loan to Congress Circle, LLC in the amount of \$3.3 million for a 25-year term at a fixed interest rate of 5.97%. The subject property has an appraised value of over \$6 million. The loan to value ratio is approximately 60%. Northrim is the participating bank and has approved their loan portion. The building is 100% occupied with primarily retail tenants. The loan is secured by a 1st Deed of Trust and a UCC filing on the fixtures. The loan meets AIDEA's requirements. Staff recommends Board approval.

MOTION: A motion was made by Mr. Fogle to approve Resolution L24-04, Congress Circle. Motion seconded by Mr. Eledge.

Chair Pruhs commented for the record that Resolution L24-04 requests that AIDEA purchase a participation in a loan to Congress Circle, LLC.

Chair Pruhs informed that Mr. Vivlamore left the meeting. There were no other comments or questions.

A roll call was taken, and the motion to approve Resolution L24-04 passed, with Mr. Vivlamore absent.

6C. Resolution No. L24-05 7500 OSH LLC

Mr. Ruaro discussed that Resolution No. L24-05 approves an LPP loan to 7500 OSH, LLC in the amount of approximately \$1.5 million for a 25-year term at a fixed interest rate of 5.77%. The subject property has an appraised value of \$2.25 million. The loan to value ratio is approximately 75%. Northrim is the participating bank and has approved their loan portion. The building is 100% occupied with primarily retail tenants. The loan is secured by a 1st Deed of Trust with a

UCC filing on the fixtures. The loan meets all AIDEA's requirements. Staff recommends Board approval.

MOTION: A motion was made by Mr. Fogle to approve Resolution L24-05, Resolution of the Alaska Industrial Development and Export Authority regarding purchase by the Authority of a participation in 7500 OSH, LLC. Motion seconded by Mr. Eledge.

A roll call was taken, and the motion to approve Resolution L24-05 passed, with Mr. Vivlamore absent.

6D. Resolution No. G24-06 BlueCrest

Mr. Ruaro discussed that Resolution No. G24-06 authorizes a settlement compromise of a long-standing loan with BlueCrest. The original loan was approved by the Board in 2015 for \$30 million. Due to industry conditions and other factors, the company became financially stressed resulting in forbearances and modifications of the loan over the last four years. The terms offered in the resolution is a \$3 million payment by July 1, 2024, and an additional \$3 million plus 8% interest due July 1, 2025. The loan is secured by different items of collateral listed in the resolution. Staff recommends Board approval.

Mr. Ruaro indicated that Benjamin Johnson of BlueCrest is in attendance. Chair Pruhs requested that Mr. Johnson come forward to answer questions.

Mr. Fogle commented that he has been on the Board for five years and believes the Board has voted on similar BlueCrest settlement compromises each year. Mr. Fogle noted that there is a trust issue concerning BlueCrest. He asked Mr. Johnson if BlueCrest would abide by the terms if the adjustments are made and why the Board should trust BlueCrest now to receive both final payments. Mr. Johnson expressed appreciation to the Board for their patience and cooperation over the years. The journey was long and difficult. He discussed that BlueCrest has a huge gas field and an oilfield that needs continued drilling investment. Mr. Johnson informed that the State Legislature approved the HB50 bill authorizing reserve-based lending through AIDEA for the project. The oil and the gas are in the ground. The challenge is in making the investments for extraction. Mr. Johnson discussed that BlueCrest investors have spent over \$400 million to-date. Mr. Johnson explained that this settlement compromise is expected to allow BlueCrest to move ahead simultaneously with the oil drilling program and the lead work for the gas development.

Mr. Fogle requested additional clarification and assurance from Mr. Johnson. Mr. Fogle noted that BlueCrest's status to the Board last month was that BlueCrest could not make the regular principal and interest payment, however, now, this resolution includes a \$3 million payment by BlueCrest on July 1st. Mr. Johnson explained that one of BlueCrest's lenders has agreed to provide the July 1st \$3 million payment. He discussed that if the State engages in a royalty reduction program, 50% would go to AIDEA toward the payments. Mr. Johnson stated that BlueCrest is ready to finalize the rig work and maintenance as soon as AIDEA's reserved-based lending program begins. The permitting work on the well is complete. The well is expected to be strong, and Mr. Johnson anticipates it will provide enough resources to pay the remaining loan balance.

Mr. Fogle inquired as to the legal guarantee for AIDEA to be made whole in the off chance BlueCrest is unable to make the payment next July. Mr. Johnson explained that the agreement outlines the collateral, including the valuable rig camp and equipment. Mr. Fogle asked for the number of Alaskans that BlueCrest currently employs. Mr. Johnson noted that when BlueCrest is not drilling, there are 20 employees who are all Alaskans. When BlueCrest is drilling, Mr. Johnson explained that the preference is for Alaskans employees.

Chair Pruhs asked Mr. Johnson the amount of money it will cost to prepare the well for drilling. Mr. Johnson discussed that the total preparation costs are approximately \$50 million.

Mr. Eledge asked Mr. Johnson for an update on the status of the Trident Well. Mr. Johnson discussed that the natural gas is from shallower reservoirs which cannot be reached from onshore. The well, if it produces like the previous wells, will have quite a bit of entrained gas production initially that will naturally decline. Mr. Johnson discussed the design and plan preparations that have been created. Mr. Eledge asked if most of the entrained gas currently produced is used onsite to provide power for the facility and the camp. Mr. Johnson agreed. He explained additional natural gas for the facility is not anticipated and that most of the natural gas from the Trident Well will be sold. The rig is diesel-powered. Mr. Johnson continued the discussion regarding the two to three-year project of setting a permanent production platform with a rig.

Commissioner Crum requested Mr. Johnson to suggest additional information the Legislature or Alaska Department of Natural Resources (ADNR) should consider regarding the State's royalty relief program. Mr. Johnson indicated that BlueCrest has not been the primary entity requesting royalty relief. The proposals to the Legislature that did not pass this year reduced the State's 12.5% royalty rate. If the Legislature chooses to reduce the State's royalty rate, AIDEA would get half of BlueCrest's share. Commissioner Crum asked for a comparison of the costs and timeline of the permanent platform with a rig and the jack-up rig. Mr. Johnson explained that a permanent platform and rig is cost effective.

Commissioner Sande requested Mr. Johnson respond to criticism that BlueCrest has had ample time to produce and that another entity could produce faster. Mr. Johnson noted that he hears that criticism frequently. He explained that when BlueCrest had funding, BlueCrest worked quickly, effectively, and efficiently. Mr. Johnson believes that will continue with the anticipated investment funding.

Commissioner Crum asked if this proposed resolution assist BlueCrest to raise funds for future endeavors. Mr. Johnson agreed.

Mr. Ruaro highlighted that it is important for the public and for the Board to understand that BlueCrest has repaid the entire amount of the principal of the loan and additional interest that will allow AIDEA to recover over 6%. Additionally, HB50 includes a reserved-based lending account into which the Legislature may appropriate funds to the program.

MOTION: A motion was made by Mr. Fogle to approve Resolution G24-06, Resolution of the AIDEA approving loan payoff with BlueCrest Alaska Operating, LLC, and Co-

Borrowers. Motion seconded by Mr. Eledge.

A roll call was taken, and the motion to approve Resolution G24-06 passed, with Mr. Vivlamore absent.

6E. Resolution No. G24-07 – Juneau Hydro Support

Mr. Ruaro discussed Resolution No. G24-07 reviews the mission of AIDEA related to energy projects, AIDEA's purpose of reducing the cost of power throughout Alaska, and AIDEA's development finance program. Additionally, the resolution authorizes staff to proceed with evaluation of the Juneau Hydropower Inc. project and direct investment / direct finance application.

Chair Pruhs asked if AIDEA currently has assets in Juneau. Mr. Ruaro explained AIDEA has assets in Juneau, including the Snettisham Dam and transmission lines. Mr. Ruaro discussed the process of accessing the transmission lines.

Chair Pruhs invited Duff Mitchell, Managing Director of Juneau Hydropower, to provide an overview of the project. Mr. Mitchell gave a detailed description of the 19.8-megawatt project, including 46 miles of new transmission line, and how the project will lower the cost of power and affect rate payers. The project's inception was in 2009, and will provide approximately 25% new generation capacity for Juneau. There is no opposition from any environmental or business groups. The project's anchor tenant is Kenzington Mine, which employs approximately 400 people. Mr. Mitchell discussed that the primary lender is the United States Department of Agriculture (USDA) Rural Utility Service. He noted that hydro power is recognized as a renewable resource within the Inflation Reduction Act (IRA) and the project is eligible for construction tax credits, which is profound at approximately 50% of construction costs.

Mr. Mitchell informed that Herbert Glacier Mine made an announcement on June 12, 2024 regarding 2 million ounces of inferred gold reserves. He noted that the mine will need clean and renewable energy. Juneau Hydropower currently has an agreement with Herbert Glacier Mine. Mr. Mitchell discussed that Juneau Hydropower's project considers the 100-year generational long-term benefit and vision for the asset. The project will connect to the Snettisham transmission line. Mr. Mitchell noted that the project is supported by the Department of Labor, by the International Brotherhood of Electrical Workers (IBEW), by Goldbelt, Inc., by the Alaska Marine Highway, and by Department of Transportation (DOT). The excess supply of power in Juneau is currently constrained. Mr. Mitchell discussed that Alaska Electric Light & Power (AEL&P) has indicated they can only electrify one dock 25% of the time. The Juneau Hydropower project would open the opportunity for no power constraints and the ability to work as a sister utility. Additionally, a Certificate of Convenience and Necessity (CPCN) has been filed to receive regulatory approval for interconnections.

Mr. Mitchell discussed that the project would be able to supply and support the growth of Juneau through dock electrification, air source heat pumps, and electric vehicles (EV). He commented that Juneau is recognized nationwide as a hub for EVs with continued growth opportunity.

Mr. Eledge asked for information regarding the amount of nitrogen oxide (NO_x) emissions anticipated to be displaced due to the project. Mr. Mitchel noted the specific amount is significant and is contained within the Environmental Impact Statement (EIS). He stated anecdotally that Kenzington Mine produces 15.3% of all the greenhouse gases generated in the City and Borough of Juneau (CBJ) each year. Going forward, the project reduces greenhouse gas emissions to zero.

Commissioner Sande expressed support and gratitude for the project. She requested Mr. Mitchell discuss the current permitting process and the effects of the Roadless Rule on the project. Mr. Mitchell discussed that instead of a road to the lake, there would be a tunnel to the lake. It is expected to be 9,621 feet long. Electrical infrastructure will remain. The roads that are planned and needed are on State land. Mr. Mitchell added that due to the project's efforts, the Forest Service is supportive. He explained that Sweetheart Lake has a State Power Site Classification as a hydropower asset. This is an important consideration. Mr. Mitchell reviewed that most of the Federal Energy Regulatory Commission (FERC) licensing and permits are complete. The financing is the only piece remaining for the FERC agency to release the notice to proceed. Mr. Mitchell indicated that there are CBJ conditional use permits that need to be included for the 46 miles of transmission line. That permit application will be filed when the CPCN is filed. Additionally, there are a few of the submarine cable lease requests that need to be finalized by ADNOR.

MOTION: A motion was made by Mr. Fogle to approve Resolution G24-07, Resolution of AIDEA in support of qualified energy developments. Motion seconded by Mr. Eledge.

Commissioner Crum commented that all developments are exciting. He believes that this well-developed long-term project will open new areas and assets and will be a key economic driver for Southeast Alaska.

Chair Pruhs encouraged staff to engage in the review of this project to assess ways that AIDEA can participate. He requested that staff report back to the Board with their findings. Mr. Ruaro agreed.

A roll call was taken, and the motion to approve Resolution G24-07 passed, with Mr. Vivlamore absent.

7. DIRECTORS COMMENTS

7A. Project Updates

Mr. Ruaro discussed that the West Susitna Project is progressing with a field season this year. AIDEA anticipates filing for a Corps permit in the fall. Outreach engagement continues and is planned throughout the summer. An event occurred in Skwentna on June 5th, and staff will be in Willow on June 28th to educate the public and receive comments.

Regarding the Ambler Access Project (AAP), Mr. Ruaro discussed that the Bureau of Land Management (BLM) Record of Decision (ROD) has not yet been issued. He informed that Senator Dan Sullivan placed language in a defense bill that would force the BLM to issue the ROD and the right-of-way permit within 30 days from enactment of that bill. The bill must complete its process in the Senate. Staff is tracking the progress closely. Mr. Ruaro noted that community engagement continues at the west end of the road. Another community meeting is scheduled in approximately 30 days. The feedback includes concerns and the positive desire for jobs and economic development.

Mr. Ruaro commented that staff will provide its findings and recommendations regarding the Ketchikan Shipyard during the next couple of meetings.

Mr. Fogle requested an update on the Section 1002 area. Mr. Ruaro discussed that litigation is ongoing. Hearings have occurred within the House and the Senate. The Federal Government is not relenting to the cancellation of the leases. Mr. Ruaro noted there is another sale that must be held by December of 2024. Work is underway to review the known geologic information in that area. Mr. Fogle stated that staff is expected to provide an update to the Board within the next two meetings.

Commissioner Sande commented that she was able to participate in AIDEA's recent outreach and community visits. She was impressed by the AIDEA team and their efforts in organizing the meetings. The communities were welcoming, and it was refreshing to hear support for the project. Commissioner Sande expressed appreciation to staff. There were no questions.

7B. Loan Dashboard Report

Mr. Ruaro reviewed the Loan Dashboard Report of July 1, 2023 through May 31, 2024. AIDEA has received approximately \$12.9 million net of fees. The LPP is active and successful, as discussed previously. Mr. Ruaro commented that the pace of the Small Business Economic Development Loan Program and the SBA Loan Program could be enhanced. An appointment is scheduled with an SBA official to discuss ways to increase activity. There were no questions.

7C. Statistics Summary: Small Business Economic Development and Rural Development Initiative Fund Loan Programs

Mr. Ruaro reviewed the balances included in the Statistics Summary provided to members. Staff will provide additional information at the next meeting. There were no questions.

7D. Next regularly scheduled AIDEA Board Meeting Wednesday, August 7, 2024

8. BOARD COMMENTS

Mr. Fogle thanked Mr. Ruaro and staff for their exceptional work with the programs and for their focus on the lawsuits regarding the State right within Alaska National Interest Land Conservation Act (ANILCA) and other landmark legislation.

Commissioner Crum expressed appreciation to staff and the team for today's discussion, insight,

and diligence to move projects forward.

Mr. Eledge echoed the comments of appreciation.

Chair Pruhs thanked Mr. Ruaro and staff for the accomplishments at today's meeting. He noted the exciting possibilities reviewed today, and understands that time, effort, and resources are necessary to bring those to fruition. Chair Pruhs, for the record, congratulated John Springsteen to his recent appointment to the Regulatory Commission of Alaska (RCA). Chair Pruhs thanked the Board members and wished everyone a good 4th of July holiday.

9. ADJOURNMENT

There being no further business of the Board, the AIDEA meeting adjourned at 2:55 pm.

DRAFT