

May 2, 2014

Mr. Lane Ply
Ms. Karen Nemecek
P.O. Box 64
Elfin Cove, AK 99825

Subject: March 30, 2014 questions regarding Elfin Cove PPF Loans

Mr. Ply and Ms. Nemecek:

In response to your March 30, 2014 request, answers to your questions are provided below.

Question 1. Under what authority did Community of Elfin Cove Nonprofit Corporation qualify for the first PPF loan #40901060 on 7/9/1998?

Answer: The former Division of Energy previously concluded that the Community of Elfin Cove Non-Profit Corporation was an eligible borrower from the Power Project Fund. Although non-profit corporations are not listed in the PPF statute as a class of eligible borrower, “non-profit marketing cooperatives” were listed as an eligible borrower at the time this loan was approved. According to the file from the former Division of Energy the borrower’s organization was considered a non-profit marketing cooperative and eligible for a PPF loan under that category.

Question 2: Under what authority did Elfin Cove Fuel Cooperative qualify for the second loan on 5/9/2000 that was for \$300,000?

The Alaska Energy Authority (AEA) assumed responsibility of the PPF program in 1999. AEA determined that the former Division of Energy erred on the previous eligibility determination (see above). As a result, a new cooperative named “Elfin Cove Fuel” was formed by the borrower under the appropriate statute (AS 10.15 – the Alaska Cooperative Corporation Act.)

Question 3: Why was Elfin Cove Fuel Cooperative allowed to assume the first loan?

Answer: Elfin Cove Fuel Cooperative was assigned the first loan because Elfin Cove Nonprofit Corporation was determined to be ineligible for the PPF loan program. Amendment #2 to loan agreement 40901060 “Providing for the assignment of the loan agreement to Elfin Cove Fuel Cooperative and including amendments to loan terms” was signed in June 2000 by all three parties, Elfin Cove Fuel Cooperative, Elfin Cove Non-Profit Corporation and AEA. The Community of Elfin Cove Non-Profit Corporation continues to provide collateral for the loan. The Department of Community and Regional Affairs which included the Division of Energy was repealed in 1999 (see Chapter 58 sla 99). Chapter 58 assigned the programs and responsibilities of the former Division of Energy to the Alaska Energy Authority.

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Question 4: When the cooperative's board and fiscal agent resigned, why did the loan revert back to CECNPC?

Answer: We have no record of the loan reverting back to CECNPC. A memo to the file indicates that AIDEA/AEA loan servicing had advised Elfin Cove that they could not transfer the loan to CECNPC since they had already been determined to be ineligible.

Question 5: What are the standards procedures in dealing with the liabilities of a dissolved Cooperative? Specifically, what are AEA's procedures when the borrower dissolves?

According to AIDEA/AEA Loan Servicing this loan is being paid and is current with all payment responsibilities to AIDEA. In situations where a borrower ceases to exist, AIDEA and AEA work with responsible party or successor to make sure the loan remains current. AIDEA will be working with the Community of Elfin Cove to develop an assumption agreement.

Question 6: Why did and under what authority did AEA assign all interests of the loan to AIDEA on March 9, 2011?

Legislation passed in to 2010 (see Ch 70 sla 10) that allowed the Alaska Energy Authority to sell the PPF loan portfolio to AIDEA in order to recapitalize the Power Project Fund.

Please let me know if you have any additional questions.

Sincerely,



Sara Fisher-Goad
Executive Director

cc:

Commissioner Susan K. Bell, Department of Commerce, Community & Economic Development
Ted Leonard, Executive Director, Alaska Industrial Development and Export Authority