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**MEMORANDUM**

**TO:** Unalaska City Council



**FROM:** Brooks Chandler

**DATE:** March 8, 2021

**RE:** OCCP Request to Extend Deadline to Obtain Financing

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After receiving OCCP's letter requesting an extension of the PPA deadline to obtain financing the City and OCCP teams met on Friday February 26. That meeting provided additional information about the difficulty encountered in achieving the initial goal of having the project funded by the Department of Energy through a program supporting innovative technology commonly referred to as Title 17. I followed up with OCCP in a phone call on March 3 to gain additional understanding. The memorandum shares this additional information.

There is no legal obligation requiring the City to agree to the requested one year extension to obtain financing. But unless the council has changed its mind about the project from last August it makes sense to agree to the OCCP request as long as another deadline is also extended.

By way of background, pre- COVID versions of the PPA did not set a deadline for project financing. The first time a project financing deadline appeared in a draft of the PPA was in April of 2020. The financing deadline was initially proposed for May 10, 2021. As negotiations extended the deadline was changed. First to June 1, 2021 and finally to June 10.

The PPA specifically includes the Department of Energy in the definition of “Project Finance”. There were significant and unexpected difficulties independent of COVID that have prevented OCCP from obtaining DOE financing. These include DOE officials originally expressing support of financing (and with whom City, Qawalangin Tribe and OC representatives met in 2019) being transferred out of the group working with OCCP and learning of significant (\$10,000,000-12,000,000) financing fees associated with a potential Title 17 loan. OCCP was not aware of this cost and was not informed of the amount of fees in initial contacts with DOE. This resulted in OCCP pivoting to USDA which has a loan project for completed power plants administered through its Rural Utilities Office. The USDA also does not move very swiftly even in normal times.

OCCP was and is hoping to overcome these difficulties in part through face to face meetings facilitated by the Congressional delegation. However, Brad Gilman recently informed OCCP that in person meetings are not planned to resume as part of day to day federal government operations until the third quarter of 2021.

In the meantime, OCCP is also investigating obtaining bond or loan financing through the Alaska Energy Authority (“AEA”) and the Alaska Industrial Development and Export Authority (AIDEA). In addition, there is hope that the new administration will advance legislation creating new federal financing options for renewable energy projects. But passing any legislation in this Congress is challenging and whether these opportunities become reality unknown.

The other components of the PPA included in the proposed amendment relate to completion of an Interconnection/Integration Plan. This plan sets out the technical details of connecting the new power source to the city’s existing electrical distribution system and will identify any upgrades need for that system to accept Makushin power. The PPA requires the plan to be agreed to by the City and OCCP by May of 2022 (20 months after the PPA was signed). But putting the plan in place itself is dependent on project financing. Without financing it does not make sense for either the City or OCCP to devote significant time and effort to developing this plan. So, the proposed amendment extends the date for finalizing the integration plan by twelve months also. This will change the deadline from May of 2022 to May of 2023.