

The Alaska Mental Health Trust Authority
Trust Land Office
BEST INTEREST DECISION
Ground Lease and supporting Easements – West Cook Inlet

MHT: 9200838

MH Parcel(s): SM-1507, SM-1508, SM-1509, SM-1510, SM-1506-01, SM-1506-A01, SM-1530-D01, and S70437

In accordance with AS 38.05.801 et seq. and the implementing regulations governing Alaska Mental Health Trust (“Trust”) land management (11 AAC 99), Trust land shall be managed consistently with the responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)). This means that management shall be conducted solely in the best interest of the Trust and its beneficiaries.

In determining the best interest of the Trust and its beneficiaries, and in determining consistency between state law and the Alaska Mental Health Enabling Act, the Executive Director of the Alaska Mental Health Trust Land Office (“TLO”) shall, at a minimum, consider the following interactive Trust management principles in accordance with 11 AAC 99.020:

- Maximization of long-term revenue from Trust land;
- Protection of the corpus;
- Protection and enhancement of the long-term productivity of Trust land;
- Encouragement of a diversity of revenue-producing uses of Trust land; and
- Management of Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries.

I. Proposed Use of Trust Land. Negotiated term ground lease and supporting easements for the Bald Hills Wind Energy Project.

II. Applicant/File #. Alaska Renewables, LLC. / MHT 9200838.

III. Subject Property.

- A. Legal Description.** Township 13 North, Range 13 West, Sections 30, 31, & 32; Township 12 North, Range 13 West, Sections 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 23, 24, 25, 26, 27, 28, 34, 35, & 36; Township 12 North, Range 12 West, Sections 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, 34; Township 11 North, Range 12 West, Sections 16, 17, 21, Seward Meridian.(See Exhibit A).
- B. Settlement Parcel Number(s).** SM-1507, SM-1508, SM-1509, SM-1510, SM-1506-01, SM-1506-A01, SM-1530-D01, and S70437.
- C. Site Characteristics/Primary Resource Values.** The project’s location on the parcels is generally sited at higher elevations on gently sloped terrain characterized by low vegetation, sparse forest and disseminated wetlands. The

lower elevations nearer Cook Inlet host more robust forests. Currently, the primary resource value is recreational use at the higher elevations and compatible oil & gas resource development on the location nearer Cook Inlet.

- D. Historical and Existing Uses of the Property.** Trust Land Office staff are familiar with the project area due primarily to its proximity to on-going oil and gas development south of the project area near the Granite Point Tank Farm which is supported by existing easements (MHT 9200682 and MHT 9200690) to Hilcorp. Additional active land use authorizations in the area include O&G Lease to Amaroq Resources, LLC (ADL 391472) and a land use license to Alaska West Air for the commercial transportation of hunters (MHT 9200752). This area was also formerly leased to PacRim Coal L.P.; all coal leases and associated interests were released by PacRim Coal L.P. in 2017.
- E. Adjacent Land Use Trends.** Aside from the uses mentioned above, the parcels are very remote and surrounded entirely by undeveloped recreationally used land.
- F. Previous State Plans/Classifications.** Located within boundaries of the Kenai Area Plan.
- G. Existing Plans Affecting the Subject Parcel.** There are no local plans or zoning affecting the subject parcel.
- H. Apparent Highest and Best Use.** Given the site characteristics, history, and adjacent land use trends described above, the highest and best use of this property is a negotiated lease for utility scale wind power generation.

- IV. Proposal Background.** On May 31, 2022, Alaska Renewables, LLC. applied for the subject lands for their Bald Hills Wind Energy Project. The Bald Hills Wind Energy Project is being proposed approximately 50 miles west of Anchorage, Alaska along a broad plateau northwest of Granite Point and between Nikolai Creek and the Chuitna River. The projects study/feasibility phase would initially include all or portions of eight Trust parcels: SM-1507, SM-1508, SM-1509, SM-1510, SM-1506-01, SM-1506-A01, SM-1530-D01, and S70437 for a total of approximately 21,000 acres. The ground lease acreage for the operational term of the project would be reduced significantly to a maximum of approximately 800 acres.

The project site has been identified as having significant potential for wind energy development via wind modeling only. There is no known meteorological data available that is suitable for wind energy resource estimates near the project site. To gather necessary data, meteorological towers and ground-based LIDAR systems will be required to monitor wind and other meteorological conditions. This portion will be completed during the up to 5-year study phase.

Should the study prove marketable and profitable energy resources are available, the TLO would facilitate the necessary ground lease, access/transmission easements, and material sales for the project's development and operation. The project would be required to receive all mandatory permits and authorizations from local, state, and federal agencies.

The overall project scope is dependent on the wind resource available and the energy offtake agreement(s) that are in progress with Chugach Electric Association and other

potential off-takers. The study area scope includes locating 20 to 90 wind turbine generators, corresponding to a total electrical output ranging between 100 and 234.6 megawatts in wind power capacity.

Should the project be developed, it is anticipated that each turbine pad would occupy approximately 3.5 acres and would include a foundation constructed according to the turbine manufacturer's specifications. The turbines would be spaced approximately 1,300 feet apart along the apex of the southeast to northwest oriented plateau. Turbines would be specifically outfitted with cold weather modifications to ensure reliable performance in Alaska's variable weather conditions.

Approximately 50 acres of laydown area for tool, material, and equipment storage would be required for the life of the project. This site would include an enclosed main building to house electrical equipment that collects power from the project and interconnects it with the existing transmission system.

Access to the project is anticipated to be via barge at the North Forelands landing or another potential location along the west margin of Cook Inlet. From there, existing roads would be used to move equipment inlands to the project site. Turbine access roads would be constructed approximately 36 feet wide for the transport of turbine components and the crane which will erect the towers. The access routing across the project will be designed with efficiency and a high safety rating but is largely contingent on the final siting design of the turbines.

Ultimately, the ground lease portion of the agreement would be issued based on the surveyed as-built areas associated with the installed infrastructure.

Connectivity of the potential project site to existing transmission lines is yet to be determined, however, nearest transmission lines are located 16 miles to the northeast of the project at the existing Beluga Power Plant. The proposed area was selected to accommodate a flexible project layout that considers variation in terrain, wind resource, wetlands, wildlife, and potential cultural resources.

V. Terms and Conditions.

A. Option to Lease for Wind Energy Development: Prior to execution of the lease(s), agreements for an Option to Lease for Wind Energy Development will be executed. This agreement will be in effect for up to five years. The agreement for the Option to Lease for Wind Energy Development will have a nominal \$1,000 annual fee in exchange for the TLO receiving copies of all of the data collected, which would carry considerable cost and investment, likely exceeding \$1MM, if the Trust were to conduct these feasibility studies. During these timeframes, the applicant must assess the feasibility of the project on the subject parcels, negotiate agreements with the utility company, and receive approval for the project from the Regulatory Commission of Alaska (RCA).

B. Lease Term: Upon project approval from the RCA, a lease agreement will be executed with a 30-year term for operations.

C. Minimum Annual Rental: The 30-year term lease will have a minimum annual rental based on installed megawatts.

- D. Production Royalty:** During the 30-year term lease, the monetary return to the Trust is determined by a cost-competitive royalty percentage of gross revenue. The royalty percentage will escalate at years 10 and 20 with no allowable deductions throughout the term of the lease. The TLO anticipates a \$50MM - \$85MM royalty over the course of the 30-year term lease, depending on the final project size.
- E. Data:** The TLO will receive copies of all data and information obtained as a result of the Option to Lease for Wind Energy Development and Lease agreements.
- F. Easements:** Term access, transmission, and utility easements will support the lease and therefore will also be executed for 30-year terms for access, transmission, and utility to facilitate the project logistics and energy transmission. Fees based on current TLO fees for proposed uses at the time of issuance.
- G. Material Sales:** Material sales on Trust land in support of project construction. All material will be sold at FMV. Material will not be sold to a third party or removed from Trust land unless purchased at FMV.

VI. Resource Management Considerations. The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted October 2021 in consultation with the Trust and provides for diversification of the portfolio of energy projects that can contribute revenue to the Trust (Goal 1). Additionally, it will promote the development of wind energy projects by evaluating opportunities for wind energy on Trust lands while offering them for evaluation, testing and development through leasing (Wind Energy Goal and Objective 1). Finally, the project will develop competitive business terms for wind energy leasing, satisfying Objective 2 of the Wind Resource Management Strategy.

VII. Alternatives.

- A. Do Nothing:** This is not a preferred outcome because it does not advance the Trust’s understanding of its potential wind resources and provides no renewable revenue stream.
- B. Offer Lease Competitively:** Normally, the Trust would offer a project area similar to this proposal via a competitive leasing program. The applicant, Alaska Renewables LLC, however, has been awarded the exclusive and sole right to wind development with Chugach Electric Association. Therefore, a competitive lease sale may actually reduce potential revenue or render the project moot depending on the highest bidding award.
- C. Proceed as Proposed:** This is the preferred outcome. It will allow the Trust to increase its knowledge base on available wind resources in the short term. In the long term, it may provide a significant, consistent, and long-term revenue stream in the renewable energy sector.

VIII. Risk Management Considerations.

- A. Performance Risks.** Performance risks are mitigated through the TLO Option to Lease for Wind, Negotiated Ground Lease terms, standard easement terms, and

standard material sale terms which can include annual audits, bonding, insurance, inspections, and annual payment enforceable terms.

- B. Environmental Risks.** There are no known environmental risks associated with the proposed uses. Such activities will be required to be in compliance with local, state, and federal environmental protection laws.
- C. Public Concerns.** Subject to comments resulting from the public notice, there are no known public concerns regarding the proposed action.

IX. Due Diligence.

- A. Site Inspection.** TLO staff have visited these parcels multiple times over the past five years for inspections related to forest stewardship planning, oil & gas development, and commercial big game guiding activity and are very familiar with the overall area. TLO staff will make site visits as the study phase is conducted, prior and during construction of the project, and periodically during operation.
- B. Valuation.** The fee structure for the proposed use is cost-competitive to wind energy projects in the lower 48 region of the United States. The determining factors for the royalty established were comparable rates on commercial wind projects elsewhere, as well as the project location and scale. A cost-competitive royalty percentage of gross revenue with escalating rates at years 10 and 20 was negotiated. There are no allowable deductions, and a minimum annual payment is required based on installed megawatts. The TLO anticipates a \$50MM - \$85MM return during the 30-year term of the lease.
- C. Terms and Conditions Review.** Terms and condition of this agreement are consistent with the TLO's standard negotiated ground lease(s) which best serve the interest of the Trust. Additional wind energy specific terms or conditions may be applied to the agreement. Per standard practice, all agreements will be reviewed by the Department of Law and/or outside council.

X. Authorities.

- A. Applicable Authority.** AS 37.14.009(a), AS 38.05.801, and 11 AAC 99 (key statutes and regulations applicable to Trust land management and disposal).
- B. Inconsistency Determination.** As the proposed negotiated ground leases, supporting easements, and supporting material sales are specifically authorized under 11 AAC 99, any relevant provision of law applicable to other state lands is inapplicable to this action if it is inconsistent with Trust responsibilities accepted by the State under the Alaska Mental Health Enabling Act (P.L. 84-830, 70 Stat. 709 (1956)) as clarified by AS 38.05.801 and Alaska Mental Health Trust land regulations (11 AAC 99). 11 AAC 99 includes determinations that certain State statutes applicable to other State land do not apply to Trust land unless determined by the Executive Director, on a case-by-case basis, to be consistent with 11 AAC 99.020. The State Statutes deemed inconsistent with Trust management principles and inapplicable to Trust land by these regulations have not been applied to this decision or this action, including, but not limited to, AS

38.04 (Policy for Use and Classification of State Land Surface), AS 38.05.035 (Powers and Duties of the Director), AS 38.05.300 (Classification of Land), AS 38.05.945 (Notice), AS 38.05.946 (Hearings), and 11 AAC 02 (Appeals).

XI. Trust Authority Consultation. The Alaska Mental Health Trust Resource Management Committee was consulted on April 19, 2023. The Committee recommended that the proposed transaction be forwarded to the Alaska Mental Health Trust board of trustees. The board of trustees was consulted on May 24, 2023, and the board of trustees concurred with the negotiated ground lease and supporting easements.

XII. Best Interest Decision. Given the information above and the information contained in the complete record, the Executive Director finds that the proposed transaction is in the best interest of the Trust, subject to the terms and conditions addressed in this decision. The decision is based upon the consideration of the five Trust management principles set out in 11 AAC 99.020 and is in full compliance with 11 AAC 99. This decision does not preclude the TLO from determining that an alternative proposal will serve the best interest of the Trust. A future determination of that nature will require a best interest decision specific to the proposal.

A. Non-competitive Disposal Determination. 11 AAC 99.020 (d) allows for the disposal of Trust land through a competitive basis, unless the Executive Director in consultation with the Trust Authority, determines in a written decision required by 11 AAC 99.040 that a non-competitive disposal is in the best interest of the Trust and its beneficiaries. The proposed negotiated lease and supporting easements exceed the historical average of development projects in the immediate area. Given the high return, remote area development challenges, relatively low property value, and net present value of money, the proposed negotiated lease and supporting easements are in the best interest of the Trust and its beneficiaries. If another party submits a qualified offer as explained in Section XIII, the Executive Director may consider a competitive sale under the authority of this decision.

XIII. Opportunity for Comment. Notice of this Best Interest Decision will take place as provided under 11 AAC 99.050. Persons who believe that the decision should be altered because it is not in the best interest of the Trust or its beneficiaries, or because the decision is inconsistent with Trust management principles set out in 11 AAC 99.020 or any other provision of 11 AAC 99, must provide written comments to the TLO during the notice period. Other persons who may be interested in leasing the Property must submit their proposals during the 30-day public notice period. Instructions to apply can be found online at <https://alaskamentalhealthtrust.org/trust-land-office/land-sales/land-use-application/>. To be considered a qualified competing interest, applications must include the application fee, a formal Letter of Intent to include an offer price that exceeds the current expected minimum return of \$50MM for a ground lease of the parcels. In the event that there is competing interest, all qualified interested parties will be notified by phone, fax, or e-mail how they may participate in a competitive disposal process. Following the comment deadline, the Executive Director will consider timely written

comments that question the decision on the basis of the best interest of the Trust and its beneficiaries or inconsistency with 11 AAC 99. The Executive Director may then, in his or her discretion, modify the decision in whole or in part in response to such comments or other pertinent information, or affirm the Best Interest Decision without changes. The Best Interest Decision as modified or affirmed will become the final agency action, subject to reconsideration procedures under 11 AAC 99.060. Additional notice will be provided for a substantially modified decision. If no comments are received by the end of the notice period, this Best Interest Decision will be affirmed, and the proposed action taken. (See notice for specific dates.)

- XIV. Reconsideration.** To be eligible to file for reconsideration of this Best Interest Decision, or to file a subsequent appeal to the Superior Court, a person must submit written comments during the notice period.

Persons who submit timely written comments will be provided with a copy of the final written decision and will be eligible to request reconsideration within 20 calendar days after publication of the notice or receipt of the decision, whichever is earlier under 11 AAC 99.060(b). This request must be accompanied by the fee established by the Executive Director under 11 AAC 99.130, which has been set at \$500, to be eligible for reconsideration. The Executive Director shall order or deny reconsideration within 20 calendar days after receiving the request for reconsideration. If the Executive Director takes no action during the 20-day period following the request for reconsideration, the request is considered denied. Denial of a request for reconsideration is the final administrative decision for purposes of appeal to the superior court under AS 44.62.560.

- XV. Available Documents.** Background documents and information cited herein is on file and available for review at the TLO, located at 2600 Cordova Street, Suite 201, Anchorage, Alaska 99503. Phone: (907) 269-8658. Email: mhtlo@alaska.gov.

The disposal action proposed by this decision will occur no less than 30 days after the first publication date of this decision, and after the conclusion of the TLO administrative process. For specific dates or further information about the disposal, interested parties should contact the TLO at the above address, or visit the website at: <https://alaskamentalhealthtrust.org/trust-land-office/>.

XVI. APPROVED:

DocuSigned by:
Jusdi Warner
Jusdi Warner
Executive Director
Alaska Mental Health Trust Land Office

6/29/2023

Date

Exhibit A: Bald Hills Project Map

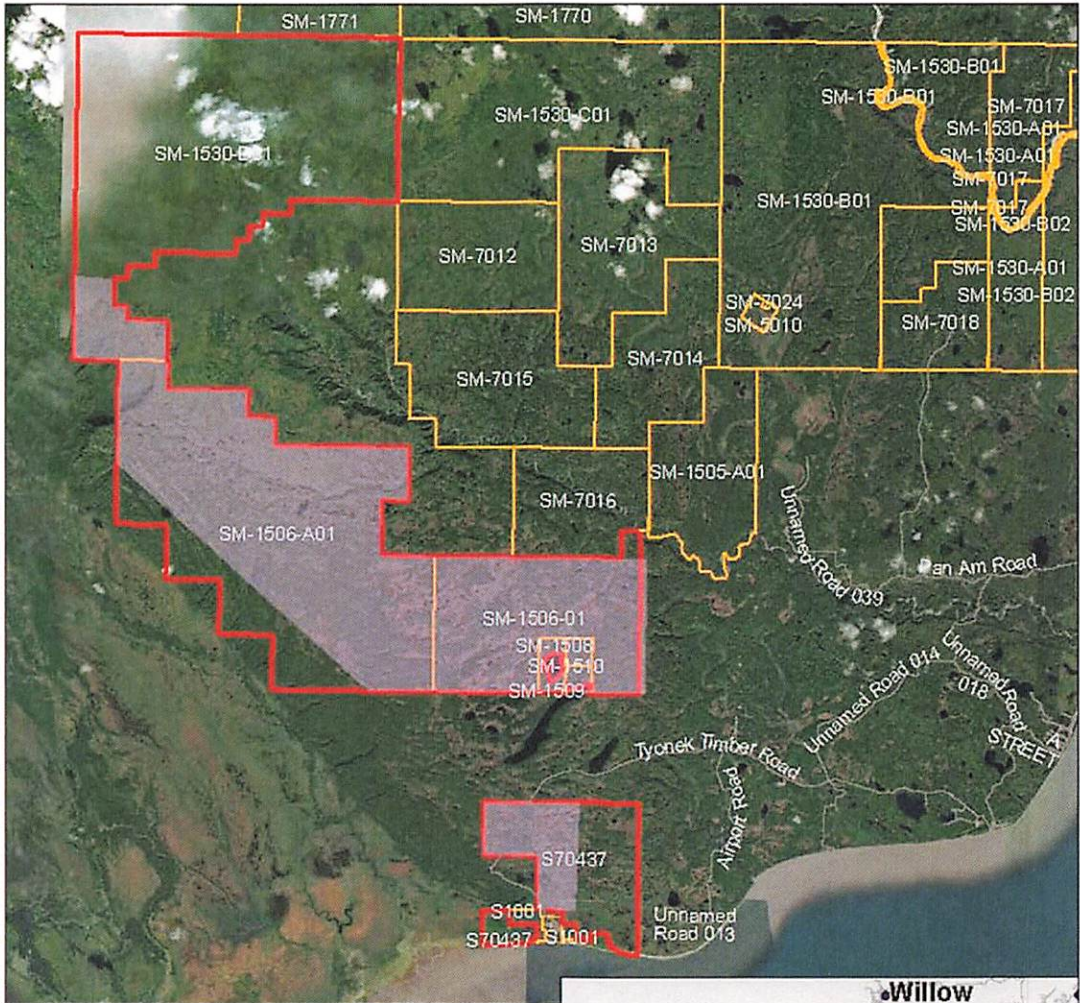
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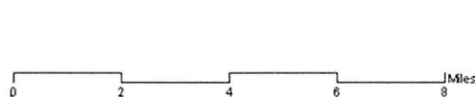
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Alaska Renewables, LLC.

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 Proposed Lease Area
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 Mental Health Parcels



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