



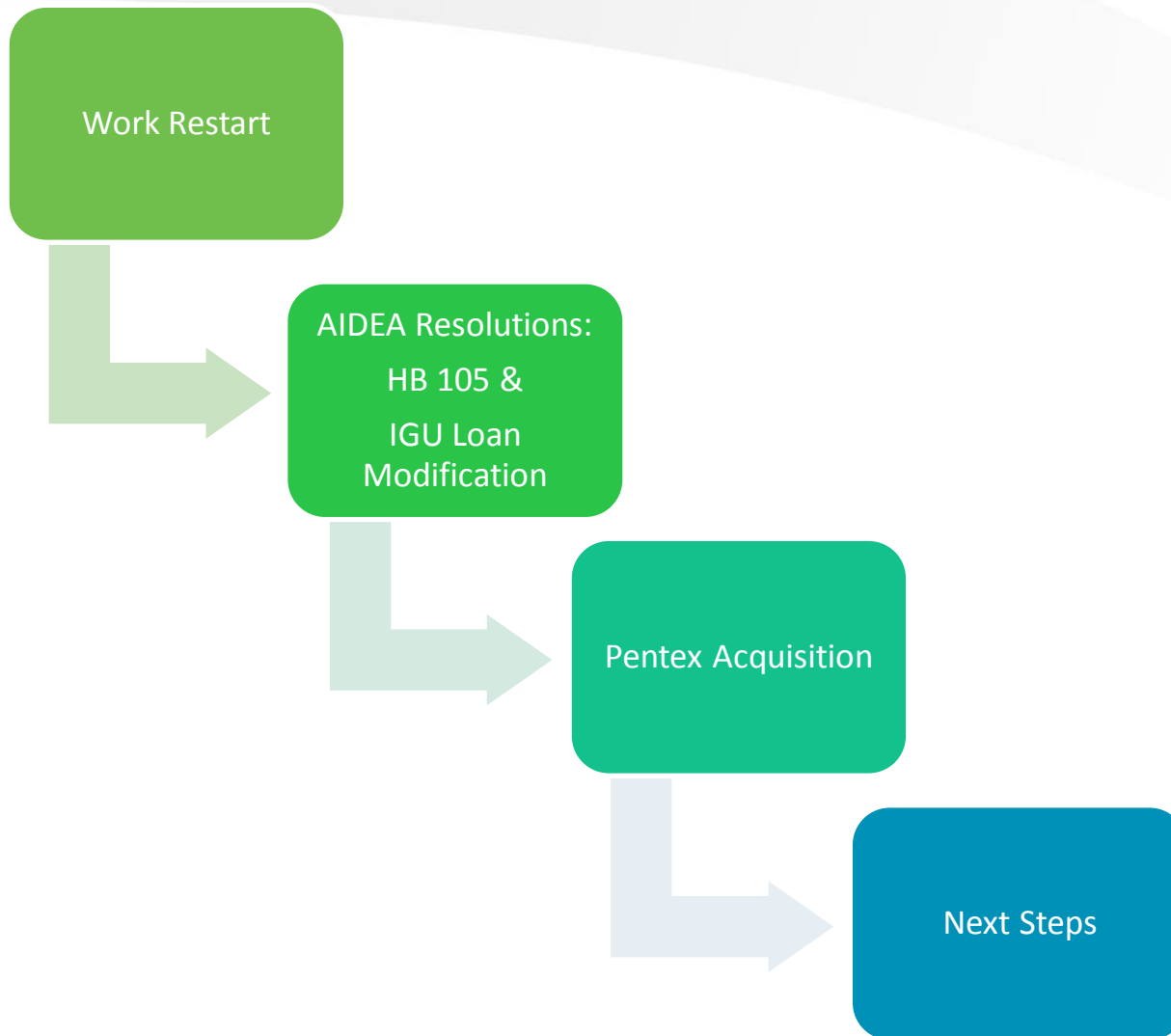
IGU Quarterly Update – Q3 2017

FNSB Assembly

September 21, 2017



Presentation Summary



Resolution of Expense Question & Work Restart

Plan for Resolution of Expense Question

- Reached agreement with AIDEA to resolve issue related to IGU expenses relative to Gas Supply Acquisition and, in support of Pentex Acquisition, expenses relative to Utility Integration and Pentex Due Diligence.
- Agreed Plan to Resolution:
 - Reimbursement of past Gas Supply Acquisition expenses – IEP Grant Funds
 - Completed June 29
 - Modification of IGU SETS Loan to accommodate Utility Integration as an allowable use of proceeds
 - AIDEA Resolution G17-14 – Approved Today, September 21, 2017
 - Terms of IEP SETS Financing to accommodate Pentex Purchase Due Diligence
 - To be completed at time of Financial Close on Pentex Purchase

IGU Work Restart

- Pentex Purchase & Sale and IEP Financing Agreements
 - Negotiations Recommenced
- Due Diligence
 - Work Recommenced focusing on finalization of:
 - Asset Due Diligence Reports
 - Corporate (Financial & Legal) Due Diligence Reports
 - Preparation and delivery of presentations regarding Due Diligence Reports to IGU Board
- Utility Integration Planning
 - Work Recommenced focusing on:
 - Finalization of Utility Integration Plan
 - Preparation of presentation regarding Utility Integration Plan for IGU Board
- Gas Supply Acquisition
 - Negotiations Recommenced for potential supplementary or “succession” gas

IGU Work Continuing - Storage

North Pole LNG Storage and Balance-of-Plant Facility

- Develop a Memorandum of Understanding with GVEA
 - Ownership, operations, maintenance, demand, access, shared use
- Develop Scope of Work for Front End Engineering and Design (FEED) to meet the short term and long term needs
 - Permitting
 - LNG delivery system, road and rail
 - Facility considerations: both low and high pressure vaporization
 - Containment
 - Security
 - FNG tank reuse
- Issue RFP in early 2018

Tria Road Storage – Pentex/FNG

- RFP due late October, foundation construction to begin this year

Conversion Assistance


On-Bill Repayment

- Focusing efforts on identifying attributes for potential on-bill repayment of consumer loan through utility billing process.
- Couched in concept of broader Utility-Delivered “New Customer Onboarding Support” program
- Legal review results regarding legality of and explicit legal authority needed for:
 - Including third party debt repayment on utility bill
 - Terminating service for lack of payment
 - Structuring loan to “follow the meter” and not the customer
 - IGU establishing a loan loss reserve as backstop against default
- Level of involvement > program roles and responsibilities.
- Identifying aspects of successful currently operating on-bill payment programs.
 - High customer service
 - Contractor engagement
- Timeline for implementation of an on-bill program.

AIDEA Board Meeting: Resolutions on HB 105 & IGU Loan Modification

HB 105 Plan & Resolution

AIDEA Resolution Required to allow expenditure of further IEP Funds



LAWS OF ALASKA
2015

Source
SCS CS HB 105 ENR 0005

Chapter No. _____

AN ACT
Relating to the program and bonds of the Alaska Industrial Development and Export Authority; relating to the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund; repealing bond authorizations granted to the Alaska Industrial Development and Export Authority; amending the definition of "qualified energy development"; relating to the financing authorization through the Alaska Industrial Development and Export Authority of a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state; requiring the Alaska Industrial Development and Export Authority to deliver to the legislature reports relating to the latest energy project; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1

Enrolled HB 105

the State of Alaska enacted by sec. 11(a), ch. 26, SLA 2013,

Industrial Development and Export Authority, through the
ment and Export Authority sustainable energy transmission
and (AS 44.88.660), may provide financing up to a principal
for the development, construction, and installation of, and the
and maintenance for, a liquefied natural gas production
ated infrastructure in the state that will provide natural
a primary market [ON THE NORTH SLOPE] and [A]
distribution systems [SYSTEM] and affiliated infrastructure
gas to [IN] Interior Alaska, if the members of the Alaska

22 Industrial Development and Export Authority approve by resolution a project
23 plan. The project plan must
24 (1) identify the source of the natural gas;
25 (2) include the estimated cost of the project; and
26 (3) include the estimated price of natural gas supplied to natural
27 gas utilities in Interior Alaska before distribution to consumers.

HB 105 requires a project plan within the AIDEA Board Resolution to include:

1. Source of natural gas
2. Estimated total project cost
3. Estimated “pre-distribution” cost of supplied gas

HB 105 Resolution – Gas Supply

Pentex/Hilcorp Gas Supply Contract

- 3 Year Term – to March 31, 2021
- Gas Price \$7.72/mcf + Transportation
 - No price escalator during contract term
 - Same price for all gas under contract
- All Requirements contract
 - 5 Mcf/d (1.825 Bcf/y)
 - Up to 15 Mcfd (5.475 Bcf/y)
 - With 18 months notice

Substantively meets:

- HB 105 Gas Supply Requirement
- AIDEA desire for firm gas supply agreement (GSA) to underpin IEP investment decision
- IGU desire to limit impact of higher-priced supply regime on “IEP Proper” and future project performance

HB 105 Resolution

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G17-13

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY APPROVING AN HB 105-COMPLIANT PROJECT PLAN FOR THE INTERIOR ENERGY PROJECT

WHEREAS, the Alaska State Legislature authorized the Alaska Industrial Development and Export Authority (the "Authority") to provide financing up to a principal amount of \$275,000,000 for the development, construction, and installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas production plant and system and affiliated infrastructure and natural gas delivery and distribution systems that will provide natural gas to Interior Alaska as a primary market (the entire project is known as the "Interior Energy Project");

WHEREAS, in 2015, the Alaska State Legislature passed chapter 39 of the 2015 Session Laws of Alaska (SCS CSHB 105(FIN) am S), hereafter referred to as "HB 105," which concerned the Authority and the Interior Energy Project

WHEREAS, among other things required by HB 105, Section 9 of the law specified that in order for the Authority to deploy the financing approved for the Interior Energy Project the Authority had to approve by resolution a project plan;

WHEREAS, the staff of the Authority, working in conjunction with the Authority's advisors, have developed a project plan for the Interior Energy Project, a complete copy of which with all attachments is appended to this Resolution;

WHEREAS, the proposed project plan for the Interior Energy Project meets all of the requirements of Section 9 of HB 105; and

- Passed Unanimously
- Questions Answered*:
 - Source of natural gas
Hilcorp Alaska, Cook Inlet
 - Estimated total project cost
\$346,289,000
 - Estimated "pre-distribution" cost of supplied gas (2018)
\$15.12**

*AIDEA HB 105 Memorandum, Table 2 - 9/20/17

** Estimated price to customer - \$20.20

Utility Integration Expenses

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G17-14

RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY APPROVING AMENDMENT TO LOAN AGREEMENT WITH THE INTERIOR GAS UTILITY

WHEREAS, the Alaska Industrial Development and Export Authority (the "Authority") previously made a loan to the Interior Alaska Natural Gas Utility, which is also known to the Interior Gas Utility ("IGU");

WHEREAS, the loan to IGU was made under the Authority's sustainable energy transmission and supply development ("SETS") program, and the SETS loan was a part of the Interior Energy Project that the Authority has been pursuing;

WHEREAS, the SETS loan to IGU is documented in the Amended and Restated Loan Agreement dated as of April 2, 2015;

WHEREAS, IGU has requested that the scope of the existing SETS loan be modified so as to permit loan proceeds to be used to pay for costs IGU incurred in working on the physical and business integration of the two Fairbanks area natural gas utilities, IGU and Fairbanks Natural Gas, LLC ("FNG");

WHEREAS, the approval of a project plan for the Interior Energy Project as required by Section 9 of HB 105 (ch. 39, SLA 2015 (SCS CSHB 105(FIN) am S)) allows the Authority to legally consider modifying the existing SETS loan as IGU has requested;

WHEREAS, modifying the SETS loan as requested is in conformance with the governing statutes of the Authority's SETS program; and

WHEREAS, the integration of two Fairbanks area natural gas utilities is in furtherance of the goals of the Interior Energy Project and is in the best interests of the Authority;

- Passed Unanimously
- Authorizes the AIDEA Executive Director and staff to modify IGU's existing SETS Loan to allow "loan proceeds to be used for costs IGU incurred in working on the physical and business integration of IGU and FNG"

Pentex Acquisition:

Decision-Making Information & Materials

Purchase & Sale and Financing Agreements

- **Under Negotiation**

- **IGU Focus:**

- **Project Goals:**
 - Lower Cost
 - Reduce PM 2.5
 - Utility-Grade Secure Service
- Alignment with MOU

Asset Due Diligence

PDC – IGU

LNG ASSET INSPECTION REPORT

- LNG Asset Inspection Report
- Structural Evaluation Report
- Environmental, Health & Safety (EHS) Program Review Report

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the experience to innovate

PDC116004.00
06-09-17 Revision 3

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Asset Due Diligence

PDC – IGU

LNG ASSET INSPECTION REPORT

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■ LNG Facility

– Risk Factors:

- Structural/Mechanical (High)
- Health & Safety (Med)
- Environmental (Low)

– Mitigation:

- Construction of new Titan 2 LNG Facility

■ Storage/Regas

• Risk Factors:

- Structural/Mechanical (High)
- Health & Safety (Med)
- Environmental (Low)

• Mitigation:

- Construction of new 5.25M/gal LNG Storage Tank and balance-of-plant facilities

Corporate Due Diligence - Legal

PRIVILEGED AND CONFIDENTIAL

LEGAL DUE-DILIGENCE REPORT

REGARDING

PROPOSED ACQUISITION OF PENTEX ALASKA NATURAL
GAS COMPANY, LLC BY INTERIOR ALASKA NATURAL
GAS UTILITY

FOR

IGU BOARD OF DIRECTORS AND
JOMO STEWART, IGU GENERAL MANAGER

SEPTEMBER 19, 2017

BY

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- Corporation(s)
- Material Contracts
- Real Property
- Human Resources
- Legal Actions/Litigations
- Financial
- Environmental
- Healthy & Safety
- Miscellaneous
- Pentex Acquisition Agreements

Corporate Due Diligence - Financial

Final Report | June 12, 2017

Due Diligence Report Economic and Managerial Review

Prepared for the Interior Gas Utility
for the Purchase of Pentex Alaska, LLC
Fairbanks, Alaska

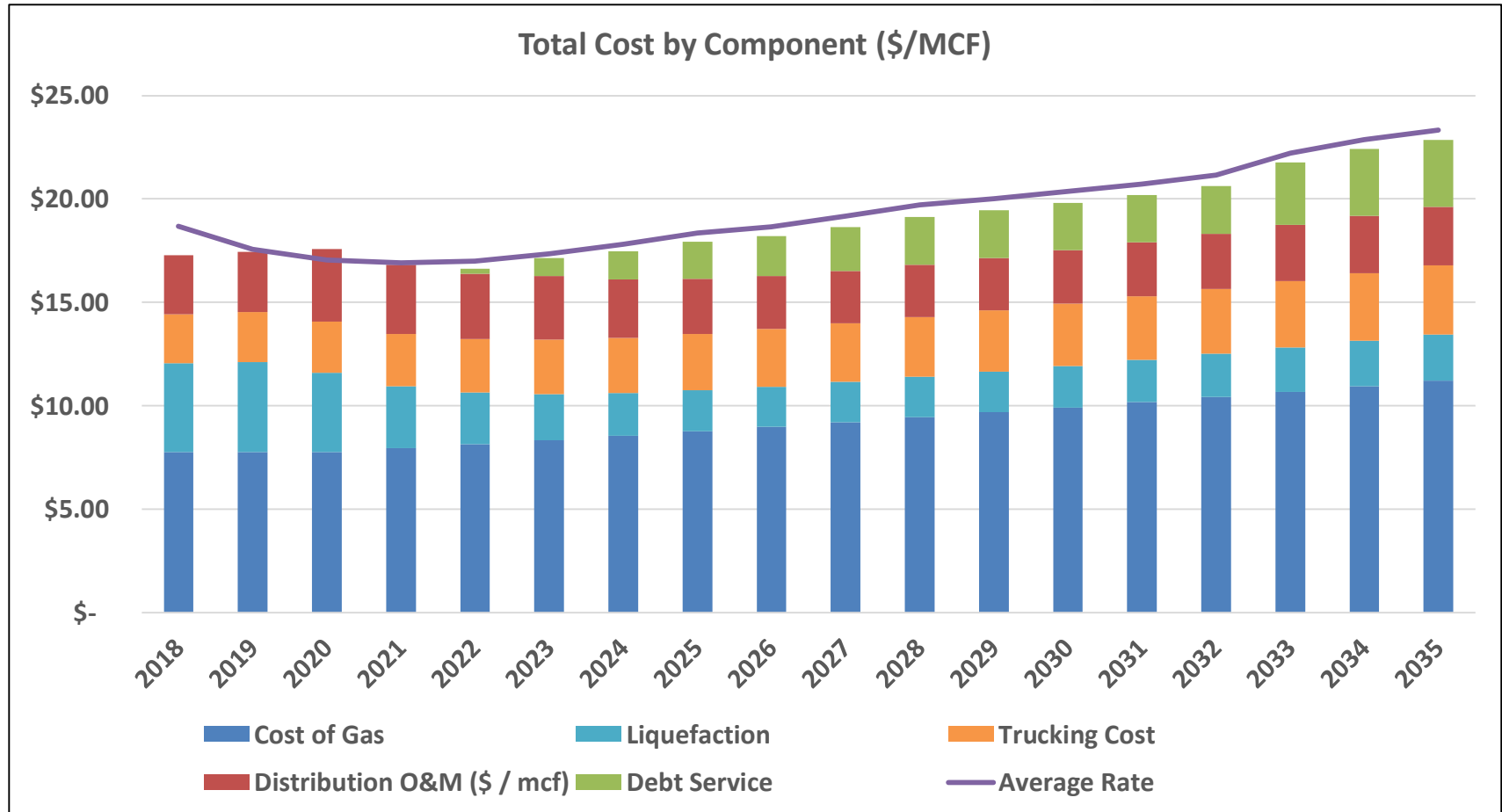
Prepared by:

NewGen
Strategies & Solutions

- Governance, Organization and Management
 - AIDEA oversight of Pentex and its subsidiaries
- Natural Gas System
 - FNG gas operations, financial performance, and rates
- Accounting and Financial Statements
 - Review of audited and unaudited financial statements and operations reports

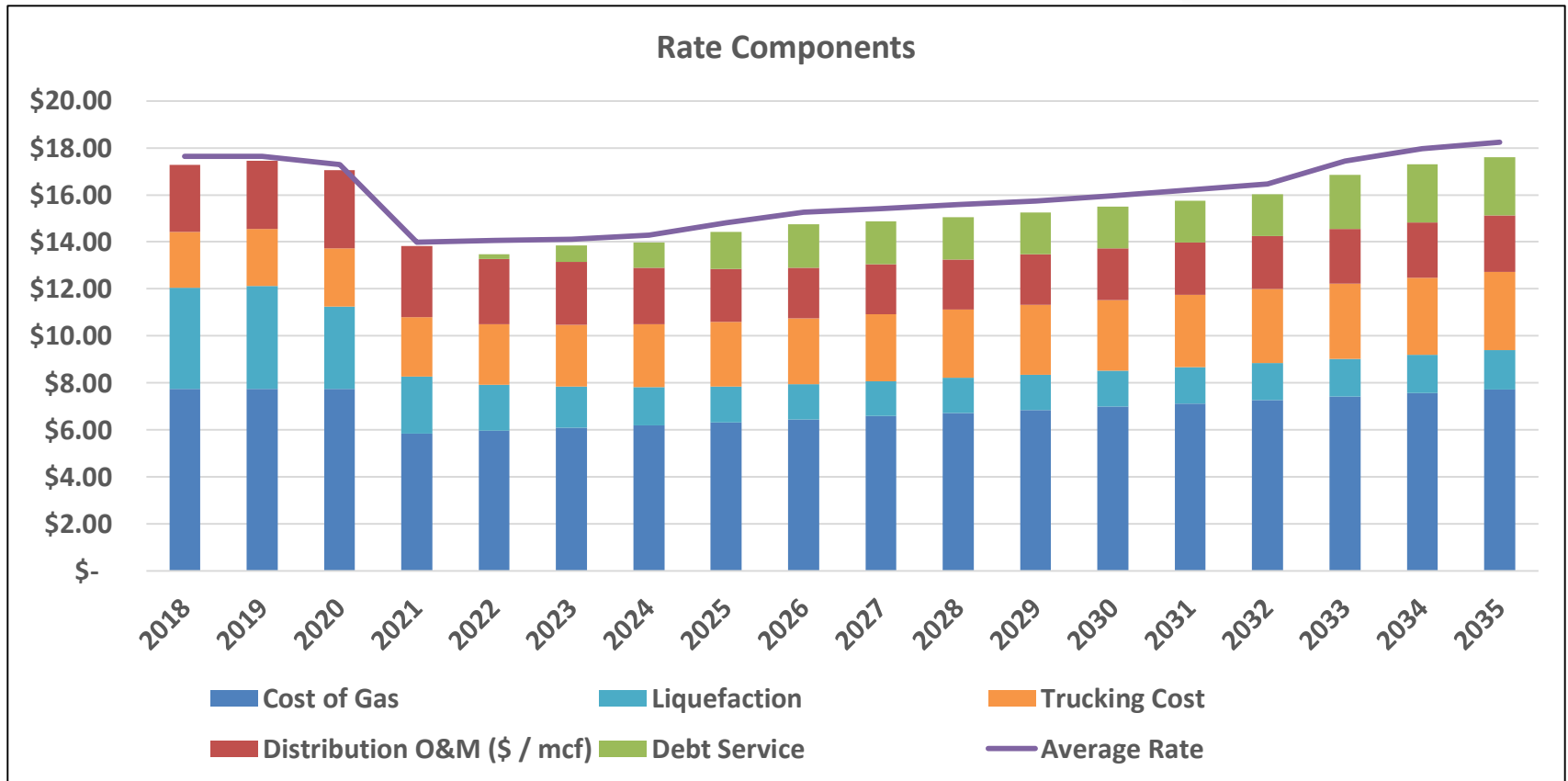
Financial Modeling – Integrated Utility

Base Case – Cost Components



Financial Modeling – Integrated Utility

Lower Gas – Cost Components



Next Steps

Next Steps

- Complete Staff and Managerial-Level Negotiations on PSA/FA
- Introduce PSA/ FA to IGU Board for Consideration – Oct 3
- Advance work on PSA/FA “Conditions Precedent to Close”
- Update/Complete Due Diligence Info as Needed
- Continue Public Outreach to Inform and Engage the Public & Policy-Makers – Fairbanks City Council Sept 25
- Vote on IGU Resolution to Purchase Pentex and Finance Interior Energy Project Development – Nov 7 or 21

QUESTIONS



INTERIOR GAS UTILITY