



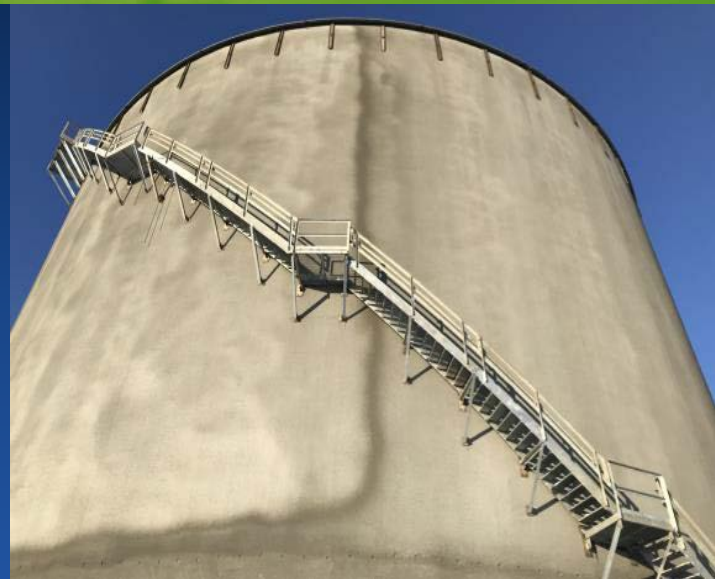
INTERIOR GAS UTILITY

CLEAN LOW COST NATURAL GAS FOR THE INTERIOR

INTERIOR ENERGY PROJECT FNSB ASSEMBLY

QUARTERLY UPDATE - Q1 2019

MARCH 7, 2019



Interior Energy Project PURPOSE AND GOALS

Interior Alaska

“ . . . to bring low-cost energy to as many residents and businesses of Interior Alaska as possible, as quickly as possible ... ”

Stabilize the Economy

Help Improve Air Quality

LNG Storage and Vaporization Activities

Fairbanks

- Tria Road 5.25MM Gallon Storage Project
 - Final Inner Tank Ring placement and welding complete.
 - Outer Tank staircase complete.
 - Balance of Plant Phase IV contract Intent to Award issued.
 - Project currently on Schedule
 - Budget increased approximately \$10MM from \$47MM, included in IGU Financial Forecast and Proforma (May 17, 2018) to current budget of \$57MM
 - Begin filling in October – November, 2019

LNG Storage and Vaporization Activities

Fairbanks



LNG Storage and Vaporization Activities

North Pole

- 100% Design Work Complete
 - Solicitation of Bids to Construct Issued 2/15/2019
 - Conditional Use Permit - Received
 - FNSB Flood Plain Permit – Submitted
 - City of North Pole Building Permit – Submitted
 - State of Alaska Fire Marshal Permit – Submitted
 - PHMSA Construction Notice – Submitted
 - Current budget is \$12.1MM versus \$11.7MM included in IGU Financial Forecast and Proforma (May 17, 2018)

LNG Storage and Vaporization Activities

North Pole



Financing Activities

Storage Tax Credits

- 50% of the cost of an LNG Storage project up to a maximum of \$15MM per project subject to legislature appropriation
- Estimated IGU credit eligibility
 - Fairbanks - \$15MM
 - North Pole - \$6MM
- IGU requested and received a letter from the Department of Revenue confirming IGU as a RCA regulated municipally owned utility with exemption from Rate Regulation is a qualifying entity for the Storage Tax Credits
- IGU has requested an 18 month extension to the expiry date of the Storage Tax Credits from January 01, 2020 to June 30, 2021.
- Bills are expected to be introduced this week in both the House and Senate

Financing Activities

Debt Financing

- \$125MM SETS Funds expected to be fully drawn by October 2019
- IGU requires approximately \$15MM in Short Term Bridge Financing prior to the Issuance of Bonds to complete construction of the North Pole Storage Facility, advance FEED work for the expansion of the Titan liquefaction facility and install service lines to customers in Fairbanks and North Pole
- IGU is requesting the ability to draw on the \$7.5MM Line of Credit (LOC) established by Ordinance No. 2014-18 on May 15, 2014 between the FNSB and IGU
- IGU has requested proposals from Local Banks for additional Short Term Financing
- IGU has received proposals for a Financial Advisor (FA) and will finalize an agreement with the selected FA in the next few weeks, and begin Bond preparation

Financing Activities

Interior Alaska Natural Gas Utility Capital Program & Funding Sources As of March 7, 2019

FY 20

Capital Program	Projected Capital Program Cost	Capital Program Cost Through FY 2019	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Capital Program Cost Through FY 2020	Projected Capital Program Cost Remaining
1 Distribution																
2 NP - Phase 1-3 Buildout	\$87,360,000	\$ 29,346,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,346,778	\$ 58,013,222
3 FNG Expansion/Infill	23,000,000	14,806,184	-	-	-	-	-	-	-	-	-	-	-	-	14,806,184	8,193,816
4																
5 New Services and Meters																
6 IGU/FNG Service Area	19,149,000	-	-	-	-	-	-	-	-	-	-	-	171,166	171,166	342,332	18,806,668
7																
8 Storage																
9 North Pole 150Kgal Storage	12,031,156	5,252,262	1,129,816	1,129,816	1,129,816	1,129,816	1,129,816	1,129,816	-	-	-	-	-	-	12,031,156	-
10 Fairbanks 5.25Mgal Storage - Loan	56,673,868	44,364,180	2,051,615	2,051,615	2,051,615	2,051,615	2,051,615	2,051,615	-	-	-	-	-	-	56,673,868	-
11 Fairbanks 5.25Mgal Storage - WC	1,705,375	1,705,375	-	-	-	-	-	-	-	-	-	-	-	-	1,705,375	-
12																
13 LNG Supply																
14 Titan 2 and Titan 3 - FEED	750,000	500,000	125,000	125,000	-	-	-	-	-	-	-	-	-	-	750,000	-
15 Titan 2 LNG Plant (inc Titan 1 upgrades)	45,450,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,450,000
16 Titan 3 LNG Plant	25,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000,000
17																
18 LNG Transportation																
19 LNG High-capacity Trailers & Equip	4,745,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,745,000
20																
21 Other Items																
22 Program Management	8,300,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,300,000
23 Customer Conversion Program	3,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000
24 Pentex Acquisition	21,208,913	21,208,913	-	-	-	-	-	-	-	-	-	-	-	-	21,208,913	-
25																
26 Total Capital Program	\$ 308,373,312	\$ 117,183,693	\$ 3,306,430	\$ 3,306,430	\$ 3,181,430	\$ 3,181,430	\$ 3,181,430	\$ 3,181,430	\$ -	\$ -	\$ -	\$ -	\$ 171,166	\$ 171,166	\$ 136,864,606	\$ 171,508,706

Capital Funding Sources	Projected Capital Program Funding Level	Capital Funding Expended Through FY 2019	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Capital Funding Expended Through FY 2020	Projected Capital Program Funding Remaining
27 SETS	\$ 125,000,000	\$ 113,978,317	\$ 3,306,430	\$ 3,306,430	\$ 3,181,430	\$ 1,227,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,000,000	\$ -
28 Capital Appropriations	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000	-
29 Revenue Bonding	150,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000,000
30 Bond Anticipation Notes (LOC)																
31 FNSB - Line of Credit Agreement (\$7.5MM)	-	-	-	-	-	1,954,038	3,181,430	2,364,532	-	-	-	-	-	-	7,500,000	(7,500,000)
32 Commercial Financing - Line of Credit (\$5.5MM)	-	-	-	-	-	-	-	816,899	-	-	-	-	171,166	171,166	1,159,231	(1,159,231)
33 Commercial Financing	4,200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,200,000
34 Storage Credits	20,850,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,850,000
35 Working Capital - Cash (5.25M gal)	6,823,312	1,705,375	-	-	-	-	-	-	-	-	-	-	-	-	1,705,375	5,117,937
36																
37 Total Funding Sources	\$ 308,373,312	\$ 117,183,693	\$ 3,306,430	\$ 3,306,430	\$ 3,181,430	\$ 3,181,430	\$ 3,181,430	\$ 3,181,430	\$ -	\$ -	\$ -	\$ -	\$ 171,166	\$ 171,166	\$ 136,864,606	\$ 171,508,706

Financing Activities

Interior Alaska Natural Gas Utility Capital Program & Funding Sources As of March 7, 2019

FY 21

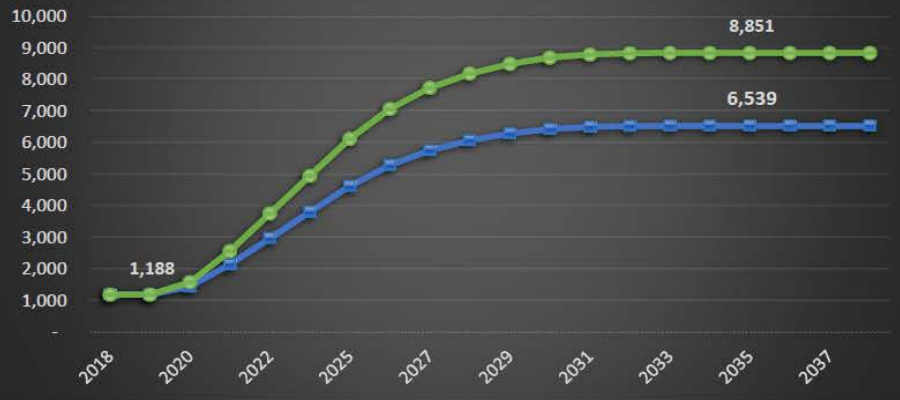
Capital Program	Projected Capital Program Cost	Capital Program Cost Through FY 2020	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Capital Program Cost Through FY 2021	Projected Capital Program Cost Remaining
38 Distribution																
39 NP - Phase 1-3 Buildout	\$87,360,000	\$ 29,346,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,346,778	\$ 58,013,222
40 FNG Expansion/Infill	23,000,000	14,806,184													14,806,184	8,193,816
41																
42 New Services and Meters																
43 IGU/FNG Service Area*	19,149,000	342,332	171,166	171,166	171,166	171,170	-	-	-	-	-	321,750	321,750	321,750	1,992,250	17,156,750
44																
45 Storage																
46 North Pole 150Kgal Storage	12,031,156	12,031,156	-	-	-	-	-	-	-	-	-	-	-	-	12,031,156	-
47 Fairbanks 5.25Mgal Storage - Loan	56,673,868	56,673,868	-	-	-	-	-	-	-	-	-	-	-	-	56,673,868	-
48 Fairbanks 5.25Mgal Storage - WC	1,705,375	1,705,375													1,705,375	-
49																
50 LNG Supply																
51 Titan 2 and Titan 3 - FEED	750,000	750,000	-	-	-	-	-	-	-	-	-	-	-	-	750,000	-
52 Titan 2 LNG Plant (inc Titan 1 upgrades)	45,450,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,450,000
53 Titan 3 LNG Plant	25,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000,000
54																
55 LNG Transportation																
56 LNG High-capacity Trailers & Equip	4,745,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,745,000
57																
58 Other Items																
59 Program Management	8,300,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,300,000
60 Customer Conversion Program	3,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000
61 Pentex Acquisition	21,208,913	21,208,913	-	-	-	-	-	-	-	-	-	-	-	-	21,208,913	-
62																
63 Total Capital Program	\$ 308,373,312	\$ 136,864,606	\$ 171,166	\$ 171,166	\$ 171,166	\$ 171,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,750	\$ 321,750	\$ 321,750	\$ 138,514,524	\$ 169,858,788

Capital Funding Sources	Projected Capital Program Funding Level	Capital Funding Expended Through FY 2020	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Capital Funding Expended Through FY 2021	Projected Capital Program Funding Remaining
64 SETS	\$ 125,000,000	\$ 125,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,000,000	\$ -
65 Capital Appropriations	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000	-
66 Revenue Bonding	150,000,000	-	-	-	-	-	-	-	-	-	-	-	-	10,309,149	10,309,149	139,690,851
67 Bond Anticipation Notes (LOC)																
68 FNSB - Line of Credit Agreement (\$7.5MM)		7,500,000												(7,500,000)	-	-
69 Commercial Financing - Line of Credit (\$5.5MM)		1,159,231	171,166	171,166	171,166	171,170	-	-	-	-	-	321,750	321,750	(2,487,399)	-	-
70 Commercial Financing	4,200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,200,000
71 Storage Credits	20,850,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,850,000
72 Working Capital - Cash (5.25M gal)	6,823,312	1,705,375	-	-	-	-	-	-	-	-	-	-	-	-	1,705,375	5,117,937
73																
74 Total Funding Sources	\$ 308,373,312	\$ 136,864,606	\$ 171,166	\$ 171,166	\$ 171,166	\$ 171,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,750	\$ 321,750	\$ 321,750	\$ 138,514,524	\$ 169,858,788

IGU Financial Model (4/20/2018)

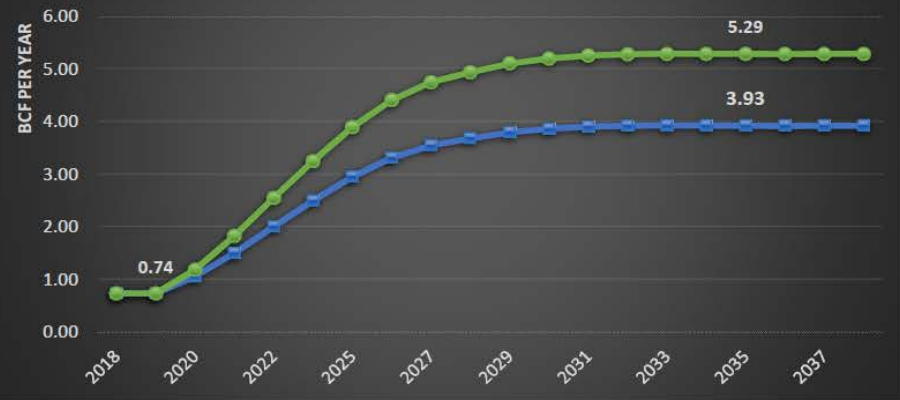
Total Customers

Base Case Low Gas Cost



Total Demand (BCF/YR)

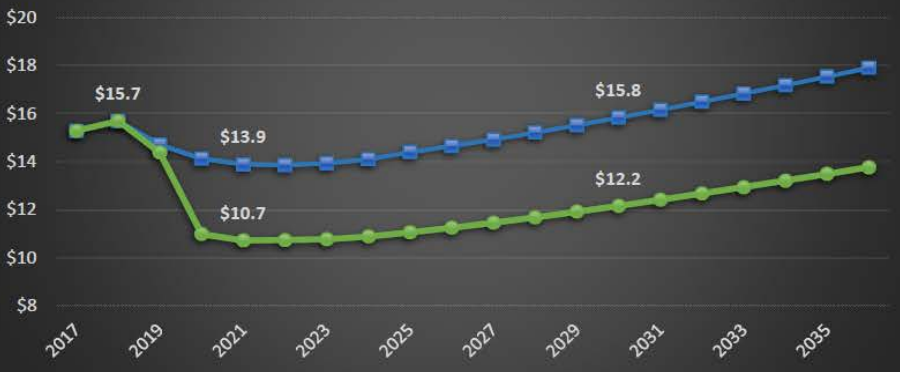
Base Case Low Gas Cost



LNG Cost (\$/MCF)

Delivered to Fairbanks

Base Case Low Gas Cost



Average Rate (\$/MCF)

Base Case Low Gas Cost



Base Case - \$7.72/MCF gas cost for three years escalated at inflation afterward.

Low Gas Cost - \$7.72/MCF gas costs until March 2021, then \$6.00/MCF escalated at inflation afterward.

Capital Cost and Rates Discussion

- Incremental Increases to capital costs are funded through long-term debt
- Rates are designed to cover operating expenses, debt service (principle and interest), and required margin
- Illustration of incremental rate impact of increased capital cost
 - Debt funded through bonds at 4% interest and 30-year term
 - A \$10MM increase in capital costs increases annual debt service approximately \$580K (5.8% of Borrowing)
 - This translates to a rate increase of \$0.15 to \$0.38 per MCF depending on demand

Next Steps: Immediate Term

- Natural Gas Conversion Program Advancement
- Continue implementation of Combined Utility Integration & Transition Plan
- Continue development of Master Schedule
- Additional IGU Policy development and implementation
- Evaluate Bids and finalize North Pole LNG Storage Facility construction contracts
- Begin Titan liquefaction FEED work
- LNG supply option finalization
- Advance Public Relations and Marketing

Helpful Links

- **Interior Gas Utility**
www.interiorgas.com
- **AIDEA**
www.aidea.org
- **Fairbanks Natural Gas**
www.fngas.com
- **Alaska State Legislature**
www.akleg.gov

811- Call BEFORE You Dig



One easy call gets your utility lines marked
and helps protect you from injury and expense.

Safe Digging Is No Accident: Always Call 811 Before You Dig

Visit call811.com for more information.



Know what's below.
Call before you dig.

Planning to:

Put in a fence?

Install a mailbox?

Build a patio or deck?

Plant trees or shrubbery?

Excavate a new garden area?

Install or maintain a septic system?

Install a well?



Know what's below.
Call before you dig.

Call the Alaska Digline at 811 at least
72 hours (3 Days) prior to digging and
get your underground utility lines
located and marked for free.

QUESTIONS



INTERIOR GAS UTILITY