



# Interior Gas Utility

Board of Directors Board Meeting

December 5, 2017

6:00PM

FNSB Assembly Chambers

Juanita Helms Administrative Center

907 Terminal Street, Fairbanks, Alaska

## AGENDA

### I. Call to Order

- Roll call
- Approval of Agenda and Consent Agenda  
*Items marked with \* are approved under the consent agenda*
- Approval of November Minutes – 11/5\*
- Approval of October Financial Reports\*
- Public Comment – *limited to three minutes*

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### II. New Business

- Recommendation for IGU to enter Agreements to finance acquisition of Pentex Alaska, LLC., from the Alaska Industrial Development & Export Authority and construction of necessary Interior Energy Project natural gas liquefaction, transportation, storage, regasification and distribution infrastructure, BM 2017-02

### III. Unfinished Business

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- Approve Resolution 2017-06R “A Resolution authorizing the General Manager of the Interior Gas Utility to execute a Purchase & Sales and Finance Agreements with the Alaska Industrial Development and Export Authority for the Acquisition of Pentex.”
- Exit Strategy by December 31, 2017, should Resolution 2017-06R be voted down.

### IV. Reports\*

- General Manager
- Stantec Consulting Services, Inc.
- Monthly Status Reports

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### V. Other Business

- Next Agenda
- 2018 Calendar Meeting Schedule

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### VI. Director Comments

### VII. Adjournment



# Interior Gas Utility

## Board of Directors Board Meeting

November 7, 2017

4:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

### **DRAFT Minutes**

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, November 5, 2017, at the IGU, Fairbanks, Alaska. IGU Board Chairman, Mike Meeks, presiding.

Others in attendance were: Jomo Stewart (IGU General Manager), David Prusak (Stantec-telephonic), Zane Wilson (CSG – IGU Attorney), Robin Brena (BBC-telephonic), Gene Therriault (AIDEA), Patrice Lee, Jeanne Olson, Mary Nordale, Joan Franz, Isaac Sinonelli, James Kowalsky, Karl Hough, Gary Newman, Liz, Greig, Anna Plager, and Nancy Kuhn

#### **I. Call to Order**

- Roll call

##### Board Members Present:

Mike Meeks  
Jack Wilbur - excused  
Frank Abegg  
Bill Butler  
Steve Haagenson  
Pamela Throop

- Approval of Agenda and consent Agenda

Director Throop moved to adopt the Agenda, Director Abegg seconded. Without objection, the Agenda was adopted.

- Public Comment – *limited to three minutes*

Jeanne Olson- Stated she has been following the gas project for several years and expressed concern that the discussion is not enough about air quality. Also stated she would like to see gas mains placed with water mains extended as part of the Flint Hills water project. Desires to see the audio files on line. Lastly concerned about AIDEA is not the best deal. People are expecting gas to their stove and not to just the home.

Gene Therriault – Discussed the context of testimony given by proponents of a Houston-based LNG project to the AIDEA Board at its meeting of October 26, focusing mainly on representatives of East West Pacific Consulting, LLC and

Knikatnu, Inc. Mr. Therriault sought to refute what AIDEA believes to have been the implication AIDEA had been unreceptive to a Houston-based project configuration – deferring to the standard AIDEA process for project in-take, vetting and decision. Mr. Therriault stated he has asked the project proponents to submit information suitable for head-to-head comparison with the existing project configuration.

Mary Nordale – Stated her concern about bonds issued to finance the project will not receive market acceptance. Wanted to know if the system is being planned for industry or residential customers. Rates need to be set such that bonds can be paid off and retired. Air Quality has other means to be used to answer those issues. In follow-up questioning by the Board, Mrs. Nordale noted her substantial public service (former-Commissioner of Revenue, State Bond Committee, AIDEA Board, Municipal Bond Bank and Alaska Permanent Fund Board) directly related State finance and bonding evidencing her background to address these issues. She stated her understanding that Bond ratings are very important on a statewide basis and, recognizing reductions in rating could compromise the entire state, urged caution and care on the part of the IGU Board.

Joan Franz – Commented about cleaning up the air and her interest in the project. She stated her feeling that people do not know the project is to clean up the air. Stated concern about how many people will have access to natural gas and further concern the price may be too high. Mrs. Franz stated her uncertainty about the costs and admitted she needs to learn more about the project. Hopes the Board will take their time to make the decision. She expresses a concern that only industry would have access to the gas. Director Meeks asked where the information came from; and she stated she thought it was from a news story.

Karl Hough – Stated he wants to understand more about the project. Concerned about a bad deal for the FNSB residents being transferred from the state to the Borough. He also stated that it seems like the price is too high and that more money may have to be put in to make the project successful. Also concerned it may not address the issue of Air Quality.

Jim Kowalsky – Concerned the project will cost too much money and does not feel natural gas will solve the air quality issue. He stated he lives too far out of the population center (core Fairbanks or North Pole) to receive the benefit and feels most folks will not benefit.

Nancy Kuhn – Noted she has a very energy efficient home (made the upfront investment at time of construction to ensure lower future utility costs), and regularly speaks to her neighbors about the benefits of energy efficiency and encourages them to upgrade their homes likewise. She stated that her neighbors do not believe natural gas is something they can support and feel it is a joke. Does not feel people can afford to convert and this is not a good deal.

Liz Grieg – Stated most people do not understand why the IGU would want to move forward with this project. She said she understands from past experience gas can be a good thing but feels most people, like herself, do not understand the issues.

Concerned that a number of people in the area are living in poverty and, therefore, may not receive the benefits of gas.

## **II. Unfinished Business (4:48 PM)**

- Purchase Sales / Finance Agreement Presentation to Purchase Pentex
  - Mr. Stewart stated that it had been his intent to focus on the issue at hand – review of IGU revisions requested of AIDEA for inclusion in the Financing Agreement – but felt that, with so many guests present, and all who testified stating their lack of understanding regarding the project and proposals, he would like to briefly review same for the Directors. To answer some of the questions raised during public comment. Mr. Stewart addressed first the numbers of structures in the FNSB, the amount of pipe currently installed, the number of structures in front of which pipe is now running and the proportion of total community market that represents. In follow-up, Chair Meeks asked why we cannot hook up people today. Mr. Stewart explained that, currently, there is not enough LNG storage to support taking on firm customers. Once more storage is built in Fairbanks, and storage installed out to North Pole, more homes can be served. He went on to explain the capacity bottleneck then becomes the production of LNG at Pt. McKenzie and the need to expand that plant (Titan 2). Chair Meeks then asked how it would be paid for. Mr. Stewart explained the Finance Agreement that allows for a 50 (to 55) year loan, 15 years deferred at 0% interest and then at 0.25% interest rate for 35 years. Chair Meeks asked what happens if IGU does not meet conversions at 15 years and Mr. Stewart explained the Agreements allow for an additional 5 year deferral, with interest-only payments during that time. Chair Meeks asked about conversions. Mr. Stewart responded that we are two years out from the time when, with additional storage and LNG capacity, residential conversions occur. The Cardno Study, which he explained is available on the IGU website, found a high degree of interest to convert \$4/gallon for fuel oil vs natural gas at a \$2/gallon equivalent there was an 80% residential interest. At \$2.75/ gallon fuel oil, there was a 50% residential and 100% commercial interest. At the current estimated rates of gas supply, the difference between the two fuels being very low, there is still an interest – 35% for residential, 70% for commercial. He stated that, for the IGU's part, on-bill pay opportunities and other low-cost-to-utility / increased convenience-to- customer program options are being looked at today.
  - Director Haagenson wanted to discuss the \$60M payment for Pentex. Mr. Stewart explained the process AIDEA went through for the SB 23 sources and uses of funds and how the financing terms in the Agreements are meant to accommodate the costs of Pentex purchase and infrastructure construction. He explained that, to start, service would start out to customers in North Pole where gas mains are placed along with the locations where FNG mains serve. If there are conversions, such that it can be demonstrated bonds can be paid, Phase 2 and 3 would follow. Mr. Stewart explained that the deferral will help in allowing the project be viable while waiting for conversions to occur.
  - Director Butler called a point of order that we must stick to the agenda, stating a public meeting would be more appropriate to go through all the issues.
  - Chair Meeks agreed and asked Mr. Stewart to address the PSA/ FA.

- Mr. Stewart discussed his comments made to the AIDEA Board when they discussed the agreements. He explained that there are some items in the agreement that made it such that IGU could not sign it. Since the agreement would need to be amended, Mr. Stewart reviewed a redline version of items sent to AIDEA November 3<sup>rd</sup>, for the Directors to be considered as points that should be included in an amended FA. The demand deferral language is one, transaction costs needing further definition, and covenant terms being among the suggested changes.
- Mr. Stewart referred to Sections 8.1 about promises (covenants) by the IGU. He discussed the problematic nature of AIDEA's proposed language regarding rate setting and maintenance of the proper debt service coverage ratio, and that management has recommended taking the USDA Rural Utility Service (RUS) approach toward debt service.
- Director Throop asked what is meant by Net Operating Income, and was referred to Section 1.35 of the document that provides that definition. Mr. Brena explained it is based on net cash flows.
- Mr. Stewart talked about the areas of conflict that involve the role of FNSB and IGU's proposed solutions.
- In the gas supply portion of the agreement, he noted AIDEA's desire to have the Gas Contract condition precedent removed from the document, whereas the IGU Board wants it to remain. Mr. Stewart stated the IGU has offered some suggested language to reach compromise on the issue.
- Mr. Stewart again discussed default and cures. At Section 11.6.1, Mr. Stewart explained modifications that show it applying to the most blatant default items. This being done to avoid a 3% default interest rate triggered by immaterial or subjective causes.
- Under demand deferral, Mr. Stewart explained about a change to the additional 5 year deferral that came in just prior to the AIDEA Board meeting – the demand deferral eroding on a one-to-one basis the 35yr amortization period. IGU has offered language to bring it back into alignment with IGU understanding and previous agreements.
- Mr. Stewart noted additional offerings relate to the concept of “materiality”, with Messrs Brena and Wilson indicating the importance of retaining the word “material” in the document.
- Chair Meeks explained that he has had contact with AIDEA's Chair and Executive Director. Modifications will be forthcoming tomorrow, and he plans to attend a meeting with them next week.
- Mr. Stewart discussed having a tentative date of November 17 in FNSB chambers. However, since the document may not be finalized until sometime next week, opined it may be best to postpone the meeting to November 21 as part of the work session.
- Director Throop asked what the urgency was to make a decision on November 28. Mr. Stewart explained the bonding process should not be delayed, this along with the IGU budget and the costs that affect it.
- Director Butler suggested we also have a public meeting in North Pole area and Board agreed.
- Director Abegg asked if these documents would be made available to the public and Mr. Stewart noted they were and would continue to be.

- In response to numerous questions regarding project scope, Mr. Stewart discussed Section 8.8 and how the project scope can be described and changed.

### III. New Business (6:17 PM)

- Short Term Fiscal Path
  - Acceptance of the Agreement & Exit Strategy
  - - Mr. Stewart, referring to the Approved Seven-Month Budget, provided information describing higher than anticipated legal and financial fees but noted that, with shuffling line items, this can address the shortfall.
    - He also provided a 12 month budget to the board for discussion and consideration.
    - Together, these budgets were meant to show how things will look for IGU if it does and do not move forward in purchasing Pentex.
    - Regarding a decision not to advance: There is an asset amount available for FY 18 of approximately \$712,000. Taking out the Approved Budget and a due diligence amount of approximately \$328,000, it is estimated IGU should have funds available to perform the wind down necessary to turn the information over to AIDEA.
    - Regarding a decision to advance: If IGU agrees to purchase Pentex, the operating budget will be very close to the end of available, unobligated funds by May 31 of FY 18 and, likely, will fall short. There is a risk that, in performing due diligence on disclosures, there will not be enough funds to cover the work – a situation similar to the June/July timeframe when exposure to unresolved expenses necessitated work stoppage.

#### Recessed for 15 minutes at 6:40 PM

Director Abegg moved to enter into Executive Session. Director Butler seconded and without objection the Board moved into Executive Session at 6:56 PM.

*Move to go into executive session to discuss matters that if discussed in public would violate IGU's non-disclosure agreements and/or matters involving ongoing negotiations which if immediately known would clearly have an adverse effect on IGU finances. This includes IGU Finances, negotiation of contracts for natural gas supply, Financial Modeling, Purchase Sales and Financing Agreements for Pentex, and IGU/FNG Integration. Included to participate with the Board are Jomo Stewart, Robin Brena and David Prusak.*

*At 7:43 PM Mr. Stewart, Mr. Brena and Mr. Prusak were excused.*

Director Butler moved to leave the Executive Session and continue the Board meeting, Director Haagenson seconded at 8:03 PM. Without objection, the board so moved.

### **III. Reports\***

- General Manager
- Stantec consulting Services, Inc.
- Monthly Status Reports

### **IV. Other Business**

- Next Agenda

### **V. Director Comments**

No comment.

### **VI. Adjournment**

Director Butler moved to adjourn at 8:04 PM. This was seconded by Director Haagenon and without objection, the meeting Adjourned.

## **Finance Committee Report**





# Interior Gas Utility

Finance Committee Meeting

November 28, 2017

12:30 PM

100 Cushman, Suite 501, Fairbanks, Alaska

## **AGENDA**

- I. **Roll Call**
- II. **Monthly Financials**
  - a. Profit & Loss
  - b. Bank Statements
- III. **External Financial Reports (as needed)**
- IV. **Closing Comments**

# **Interior Alaska Natural Gas Utility**

## **FINANCIAL STATEMENTS**

**October 31, 2017  
and Supplemental Schedules**

**Interior Alaska Natural Gas Utility**  
**Statement of Net Position**  
October 31, 2017

	<u>Plant</u>	<u>Operating</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Checking/Savings</b>			
13100 · Mt. McKinley	956,536.53	-37,214.42	919,322.11
13103 · Mt. McKinley - AIDEA Reserve	594,198.68	0.00	594,198.68
13104 · Mt. McKinley - FNSB Reserve	1,051.20	0.00	1,051.20
<b>Total Checking/Savings</b>	1,551,786.41	-37,214.42	1,514,571.99
<b>Accounts Receivable</b>	0.00	82,227.16	82,227.16
<b>Total Current Assets</b>	1,551,786.41	45,012.74	1,596,799.15
<b>Other Assets</b>			
<b>10100 · Utility Plant in Service</b>			
30300 · Intangible Asset - CPCN	729,676.00	0.00	729,676.00
39100 · Office Furniture and Equipment	0.00	21,598.37	21,598.37
<b>Total 10100 · Utility Plant in Service</b>	729,676.00	21,598.37	751,274.37
<b>10700 · Construction Work In Progress</b>			
18330 · Phase 1	27,126,092.40	0.00	27,126,092.40
18340 · Phase 2	737,857.88	0.00	737,857.88
<b>Total 10700 · Construction Work In Progress</b>	27,863,950.28	0.00	27,863,950.28
<b>10800 · Accumulated Provision for Depn</b>	0.00	-10,129.76	-10,129.76
<b>16600 · Prepayments</b>	0.00	11,970.42	11,970.42
<b>Total Other Assets</b>	28,593,626.28	23,439.03	28,617,065.31
<b>TOTAL ASSETS</b>	<u><u>30,145,412.69</u></u>	<u><u>68,451.77</u></u>	<u><u>30,213,864.46</u></u>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
<b>Accounts Payable</b>	68,958.27	50,964.99	119,923.26
<b>Other Current Liabilities</b>			
24000 · Payroll Liabilities	0.00	5,432.20	5,432.20
<b>Total Other Current Liabilities</b>	0.00	5,432.20	5,432.20
<b>Total Current Liabilities</b>	68,958.27	56,397.19	125,355.46
<b>Long Term Liabilities</b>			
22400 · Other Long-Term Debt	29,346,778.42		29,346,778.42
<b>Total Long Term Liabilities</b>	29,346,778.42	0.00	29,346,778.42
<b>Total Liabilities</b>	29,415,736.69	56,397.19	29,472,133.88
<b>Equity</b>			
21600 · Unrestricted Net Position	0.00	67,269.49	67,269.49
21610 · Net Investment in Capital Asset	729,676.00		729,676.00
<b>Changes in Net Position</b>	0.00	-55,214.91	-55,214.91
<b>Total Equity</b>	729,676.00	12,054.58	741,730.58
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>30,145,412.69</u></u>	<u><u>68,451.77</u></u>	<u><u>30,213,864.46</u></u>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

**Interior Alaska Natural Gas Utility**  
**Statement of Operating Revenues and Expenses**  
Four Months Ended October 31, 2017 and 2016

	July 2017 - October 2017	July 2016 - October 2016
<b>Income</b>		
<b>42110 · Misc Nonoperating Income</b>		
42111 · FNSB Contract	126,990.16	144,196.72
42114 · Interest	304.63	680.85
42115 · AIDEA Grant IEP Funds	5,072.25	0.00
<b>Total 42110 · Misc Nonoperating Income</b>	<u>132,367.04</u>	<u>144,877.57</u>
<b>Total Income</b>	<u>132,367.04</u>	<u>144,877.57</u>
<b>Expense</b>		
<b>42120 · Misc Nonoperating Expense</b>		
<b>42130 · Contractual Services</b>		
42131 · Advertising	871.00	886.84
42132 · Contract Services	41,763.68	0.00
42133 · Legal Fees	58,506.01	65,718.70
42134 · Office Services	127.50	204.00
42135 · Travel Expenses	562.55	259.71
42136 · Rent	16,520.00	16,520.00
42137 · Insurance	3,864.29	4,784.56
42138 · Financial Services	22,880.00	14,520.00
42139 · Communications	1,217.89	1,263.47
42140 · Membership - Fees	0.00	800.00
<b>Total 42130 · Contractual Services</b>	<u>146,312.92</u>	<u>104,957.28</u>
<b>42160 · Materials Expenses</b>		
42161 · Office Supplies	2,273.01	2,312.35
42162 · Information Technology	1,072.10	500.00
42164 · Depreciation Expense	1,201.60	1,201.60
42165 · Interest Expense	368.01	416.68
<b>Total 42160 · Materials Expenses</b>	<u>4,914.72</u>	<u>4,430.63</u>
<b>42170 · Payroll Expenses</b>		
42171 · Salary Expenses	32,206.70	32,354.78
42172 · Employee Benefits	1,610.36	1,617.77
42173 · Payroll Tax Expenses	2,537.25	2,824.74
<b>Total 42170 · Payroll Expenses</b>	<u>36,354.31</u>	<u>36,797.29</u>
<b>Total 42120 · Misc Nonoperating Expense</b>	<u>187,581.95</u>	<u>146,185.20</u>
<b>Total Expense</b>	<u>187,581.95</u>	<u>146,185.20</u>
<b>Changes in Net Position</b>	<u><u>-55,214.91</u></u>	<u><u>-1,307.63</u></u>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

**Interior Alaska Natural Gas Utility**  
**Statement of Operating Revenues and Expenses - Budget to Actual**  
**One Month and Four Months Ended October 31, 2017**

	Actual	Budget	Variance	Actual	Budget	Variance	Seven Month
	October 2017	October 2017	October 2017	July 2017 - October 2017	July 2017 - October 2017	July 2017 - October 2017	Budget *
<b>Income</b>							
<b>42110 - Misc Nonoperating Income</b>							
<b>42111 - FNSB Contract</b>	52,748.75	40,391.43	12,357.32	126,990.16	161,565.72	-34,575.56	282,740.00
<b>42114 - Interest</b>	0.00	0.00	0.00	304.63	900.00	-595.37	1,800.00
<b>42115 - AIDEA Grant IEP Funds</b>	0.00	0.00	0.00	5,072.25	0.00	5,072.25	0.00
<b>Total 42110 - Misc Nonoperating Income</b>	<u>52,748.75</u>	<u>40,391.43</u>	<u>12,357.32</u>	<u>132,367.04</u>	<u>162,465.72</u>	<u>-30,098.68</u>	<u>284,540.00</u>
<b>Total Income</b>	<u>52,748.75</u>	<u>40,391.43</u>	<u>12,357.32</u>	<u>132,367.04</u>	<u>162,465.72</u>	<u>-30,098.68</u>	<u>284,540.00</u>
<b>Expense</b>							
<b>42120 - Misc Nonoperating Expense</b>							
<b>42130 - Contractual Services</b>							
<b>42131 - Advertising</b>	121.50	428.57	307.07	871.00	1,714.28	843.28	3,000.00
<b>42132 - Contract Services</b>	29,330.20	0.00	-29,330.20	41,763.68	0.00	-41,763.68	0.00
<b>42133 - Legal Fees</b>	37,248.51	14,285.71	-22,962.80	58,506.01	57,142.84	-1,363.17	100,000.00
<b>42134 - Office Services</b>	64.50	100.00	35.50	127.50	400.00	272.50	700.00
<b>42135 - Travel Expenses</b>	463.65	1,000.00	536.35	562.55	4,000.00	3,437.45	7,000.00
<b>42136 - Rent</b>	4,130.00	4,130.00	0.00	16,520.00	16,520.00	0.00	28,910.00
<b>42137 - Insurance</b>	1,191.43	2,100.00	908.57	3,864.29	8,400.00	4,535.71	14,700.00
<b>42138 - Financial Services</b>	9,361.50	3,800.00	-5,561.50	22,880.00	15,200.00	-7,680.00	26,600.00
<b>42139 - Communications</b>	520.67	425.00	-95.67	1,217.89	1,700.00	482.11	2,975.00
<b>42140 - Membership - Fees</b>	0.00	236.43	236.43	0.00	945.72	945.72	1,655.00
<b>Total 42130 - Contractual Services</b>	<u>82,431.96</u>	<u>26,505.71</u>	<u>-55,926.25</u>	<u>146,312.92</u>	<u>106,022.84</u>	<u>-40,290.08</u>	<u>185,540.00</u>
<b>42160 - Materials Expenses</b>							
<b>42161 - Office Supplies</b>	705.22	600.00	-105.22	2,273.01	2,400.00	126.99	4,200.00
<b>42162 - Information Technology</b>	285.30	500.00	214.70	1,072.10	2,000.00	927.90	3,500.00
<b>42163 - Miscellaneous</b>	0.00	357.14	357.14	0.00	1,428.56	1,428.56	2,500.00
<b>42164 - Depreciation Expense</b>	300.40	350.00	49.60	1,201.60	1,400.00	198.40	2,450.00
<b>42165 - Interest Expense</b>	0.00	150.00	150.00	368.01	600.00	231.99	1,050.00
<b>Total 42160 - Materials Expenses</b>	<u>1,290.92</u>	<u>1,957.14</u>	<u>666.22</u>	<u>4,914.72</u>	<u>7,828.56</u>	<u>2,913.84</u>	<u>13,700.00</u>
<b>42170 - Payroll Expenses</b>							
<b>42171 - Salary Expenses</b>	8,144.22	9,166.67	1,022.45	32,206.70	36,666.68	4,459.98	64,166.69
<b>42172 - Employee Benefits</b>	407.22	458.33	51.11	1,610.36	1,833.32	222.96	3,208.33
<b>42173 - Payroll Tax Expenses</b>	684.28	1,375.00	690.72	2,537.25	5,500.00	2,962.75	9,625.00
<b>Total 42170 - Payroll Expenses</b>	<u>9,235.72</u>	<u>11,000.00</u>	<u>1,764.28</u>	<u>36,354.31</u>	<u>44,000.00</u>	<u>7,645.69</u>	<u>77,000.02</u>
<b>42190 - Budget Reserve</b>							
<b>42191 - AIDEA Hold-back</b>	0.00	714.29	714.29	0.00	2,857.16	2,857.16	5,000.00
<b>42192 - Contingency</b>	0.00	714.29	714.29	0.00	2,857.16	2,857.16	5,000.00
<b>Total 42190 - Budget Reserve</b>	<u>0.00</u>	<u>1,428.58</u>	<u>1,428.58</u>	<u>0.00</u>	<u>5,714.32</u>	<u>5,714.32</u>	<u>10,000.00</u>
<b>Total 42120 - Misc Nonoperating Expense</b>	<u>92,958.60</u>	<u>40,891.43</u>	<u>-52,067.17</u>	<u>187,581.95</u>	<u>163,565.72</u>	<u>-24,016.23</u>	<u>286,240.02</u>
<b>Total Expense</b>	<u>92,958.60</u>	<u>40,891.43</u>	<u>-52,067.17</u>	<u>187,581.95</u>	<u>163,565.72</u>	<u>-24,016.23</u>	<u>286,240.02</u>
<b>Changes in Net Assets</b>	<u><u>-40,209.85</u></u>	<u><u>-500.00</u></u>	<u><u>-39,709.85</u></u>	<u><u>-55,214.91</u></u>	<u><u>-1,100.00</u></u>	<u><u>-54,114.91</u></u>	<u><u>-1,700.02</u></u>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

\* Budget approved for July 1, 2017 through January 31, 2018.

**Interior Alaska Natural Gas Utility**  
**Statement of Operating Revenues and Expenses by Month**  
November 2016 through October 2017

	Nov 16	Dec 16	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	TOTAL
<b>Income</b>													
42110 · Misc Nonoperating Income													
42111 · FNSB Contract	23,690.49	75,544.70	84,610.13	-54,912.08	42,654.29	67,192.26	25,524.20	13,302.33	23,593.32	32,407.07	18,241.02	52,748.75	404,596.48
42114 · Interest	0.00	569.25	0.00	0.00	445.80	0.00	0.00	394.26	0.00	0.00	304.63	0.00	1,713.94
42115 · AIDEA Grant IEP Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	337,625.24	5,072.25	0.00	0.00	0.00	342,697.49
<b>Total 42110 · Misc Nonoperating Income</b>	<b>23,690.49</b>	<b>76,113.95</b>	<b>84,610.13</b>	<b>-54,912.08</b>	<b>43,100.09</b>	<b>67,192.26</b>	<b>25,524.20</b>	<b>351,321.83</b>	<b>28,665.57</b>	<b>32,407.07</b>	<b>18,545.65</b>	<b>52,748.75</b>	<b>749,007.91</b>
<b>Total Income</b>	<b>23,690.49</b>	<b>76,113.95</b>	<b>84,610.13</b>	<b>-54,912.08</b>	<b>43,100.09</b>	<b>67,192.26</b>	<b>25,524.20</b>	<b>351,321.83</b>	<b>28,665.57</b>	<b>32,407.07</b>	<b>18,545.65</b>	<b>52,748.75</b>	<b>749,007.91</b>
<b>Expense</b>													
42120 · Misc Nonoperating Expense													
42130 · Contractual Services													
42131 · Advertising	0.00	655.86	186.47	167.18	276.49	0.00	340.79	295.78	0.00	533.50	216.00	121.50	2,793.57
42132 · Contract Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	528,307.99	0.00	12,433.48	0.00	29,330.20	570,071.67
42133 · Legal Fees	4,669.00	55,940.67	64,870.68	-73,231.82	24,846.61	46,900.05	3,994.20	-5,134.10	5,775.00	11,469.25	4,013.25	37,248.51	181,361.30
42134 · Office Services	126.00	88.50	205.38	8.50	25.50	17.00	65.37	8.50	18.00	18.00	27.00	64.50	672.25
42135 · Travel Expenses	350.52	477.42	476.19	140.63	215.20	145.68	352.49	458.74	0.00	98.90	0.00	463.65	3,179.42
42136 · Rent	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	49,560.00
42137 · Insurance	1,166.97	1,205.87	1,205.87	1,089.17	1,205.87	1,166.97	1,202.14	1,152.99	1,191.43	1,191.43	290.00	1,191.43	13,260.14
42138 · Financial Services	2,980.00	2,730.00	3,066.50	2,730.00	788.50	5,624.50	4,354.00	3,482.50	3,792.00	3,912.50	5,814.00	9,361.50	48,636.00
42139 · Communications	339.11	355.27	350.23	703.53	358.23	0.00	338.57	692.44	0.00	697.22	0.00	520.67	4,355.27
42140 · Membership - Fees	0.00	0.00	0.00	0.00	330.00	0.00	275.00	0.00	0.00	0.00	0.00	0.00	605.00
<b>Total 42130 · Contractual Services</b>	<b>13,761.60</b>	<b>65,583.59</b>	<b>74,491.32</b>	<b>-64,262.81</b>	<b>32,176.40</b>	<b>57,984.20</b>	<b>15,052.56</b>	<b>533,394.84</b>	<b>14,906.43</b>	<b>34,484.28</b>	<b>14,490.25</b>	<b>82,431.96</b>	<b>874,494.62</b>
42160 · Materials Expenses													
42161 · Office Supplies	500.91	489.00	522.31	631.67	489.00	489.00	517.08	489.00	574.69	504.10	489.00	705.22	6,400.98
42162 · Information Technology	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	255.50	255.50	275.80	285.30	3,072.10
42164 · Depreciation Expense	300.40	300.40	300.40	300.40	300.40	300.40	300.40	300.42	300.40	300.40	300.40	300.40	3,604.82
42165 · Interest Expense	104.17	104.17	104.17	104.17	104.17	104.17	104.17	719.00	208.33	159.68	0.00	0.00	1,816.20
<b>Total 42160 · Materials Expenses</b>	<b>1,155.48</b>	<b>1,143.57</b>	<b>1,176.88</b>	<b>1,286.24</b>	<b>1,143.57</b>	<b>1,143.57</b>	<b>1,171.65</b>	<b>1,758.42</b>	<b>1,338.92</b>	<b>1,219.68</b>	<b>1,065.20</b>	<b>1,290.92</b>	<b>14,894.10</b>
42170 · Payroll Expenses													
42171 · Salary Expenses	8,144.23	8,144.22	8,144.22	7,403.84	8,514.42	7,403.84	8,514.42	8,144.22	7,774.03	8,514.40	7,774.05	8,144.22	96,620.11
42172 · Employee Benefits	407.22	407.22	407.22	370.20	425.73	370.20	425.72	407.23	388.71	425.73	388.70	407.22	4,831.10
42173 · Payroll Tax Expenses	626.53	670.67	795.06	695.02	798.74	695.02	764.42	482.80	598.21	656.54	598.22	684.28	8,065.51
<b>Total 42170 · Payroll Expenses</b>	<b>9,177.98</b>	<b>9,222.11</b>	<b>9,346.50</b>	<b>8,469.06</b>	<b>9,738.89</b>	<b>8,469.06</b>	<b>9,704.56</b>	<b>9,034.25</b>	<b>8,760.95</b>	<b>9,596.67</b>	<b>8,760.97</b>	<b>9,235.72</b>	<b>109,516.72</b>
<b>Total 42120 · Misc Nonoperating Expense</b>	<b>24,095.06</b>	<b>75,949.27</b>	<b>85,014.70</b>	<b>-54,507.51</b>	<b>43,058.86</b>	<b>67,596.83</b>	<b>25,928.77</b>	<b>544,187.51</b>	<b>25,006.30</b>	<b>45,300.63</b>	<b>24,316.42</b>	<b>92,958.60</b>	<b>998,905.44</b>
<b>Total Expense</b>	<b>24,095.06</b>	<b>75,949.27</b>	<b>85,014.70</b>	<b>-54,507.51</b>	<b>43,058.86</b>	<b>67,596.83</b>	<b>25,928.77</b>	<b>544,187.51</b>	<b>25,006.30</b>	<b>45,300.63</b>	<b>24,316.42</b>	<b>92,958.60</b>	<b>998,905.44</b>
<b>Changes in Net Position</b>	<b>-404.57</b>	<b>164.68</b>	<b>-404.57</b>	<b>-404.57</b>	<b>41.23</b>	<b>-404.57</b>	<b>-404.57</b>	<b>-192,865.68</b>	<b>3,859.27</b>	<b>-12,893.56</b>	<b>-5,770.77</b>	<b>-40,209.85</b>	<b>-249,897.53</b>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

R.J.G, A Professional Corporation provides no assurance on these financial statements.

# Interior Alaska Natural Gas Utility

## A/R Aging Summary

October 31, 2017

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>&gt; 90</u>	<u>TOTAL</u>
Fairbanks North Star Borough*	<u>52,748.75</u>	<u>0.00</u>	<u>18,241.02 *</u>	<u>11,237.39 *</u>	<u>0.00</u>	<u>82,227.16</u>
<b>TOTAL</b>	<u><b>52,748.75</b></u>	<u><b>0.00</b></u>	<u><b>18,241.02</b></u>	<u><b>11,237.39</b></u>	<u><b>0.00</b></u>	<u><b>82,227.16</b></u>

\*Note \$29,478.41 was received in November 2017.

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

**Interior Alaska Natural Gas Utility**  
**A/P Aging Summary**  
October 31, 2017

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>&gt; 90</u>	<u>TOTAL</u>
AlasConnect	285.30	0.00	0.00	0.00	0.00	285.30
Brena, Bell & Clarkson, P.C.	17,641.86	0.00	0.00	0.00	0.00	17,641.86
Chi Engineering	0.00	3,050.00	0.00	0.00	0.00	3,050.00
Cook & Haugeberg	4,042.00	0.00	0.00	0.00	0.00	4,042.00
CSG, Inc. - Attorneys At Law	6,242.50	0.00	0.00	0.00	0.00	6,242.50
Fairbanks Daily News-Miner	121.50	0.00	0.00	0.00	0.00	121.50
GCI	283.23	0.00	0.00	0.00	0.00	283.23
Jomo Stewart	463.65	0.00	0.00	0.00	0.00	463.65
RJG, A Professional Corporation	9,361.50	0.00	0.00	0.00	0.00	9,361.50
Stantec Consulting Services, Inc.	70,171.72	0.00	0.00	0.00	0.00	70,171.72
Usibelli Investments, LLC	0.00	8,260.00	0.00	0.00	0.00	8,260.00
<b>TOTAL</b>	<u><u>108,613.26</u></u>	<u><u>11,310.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>119,923.26</u></u>

**Plant**

Brena, Bell & Clarkson, P.C.	1,580.55
Cook & Haugeberg	4,042.00
Stantec Consulting Services, Inc.	<u>63,335.72</u>
<b>Subtotal Plant</b>	<u>68,958.27</u>

**Operating**

AlasConnect	285.30
Brena, Bell & Clarkson, P.C.	16,061.31
Chi Engineering	3,050.00
CSG, Inc. - Attorneys At Law	6,242.50
Fairbanks Daily News-Miner	121.50
GCI	283.23
Jomo Stewart	463.65
RJG, A Professional Corporation	9,361.50
Usibelli Investments, LLC	8,260.00
Stantec Consulting Services, Inc.	<u>6,836.00</u>
<b>Subtotal Operating</b>	<u>50,964.99</u>
<b>Total Accounts Payable</b>	<u><u>119,923.26</u></u>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.





# Interior Gas Utility

Finance Committee Meeting

November 28, 2017

12 PM

100 Cushman, Suite 501, Fairbanks, Alaska

## **MINUTES OCTOBER FINANCIALS REVIEWED**

### **I. Roll Call**

- a. Pam Throop, Mike Meeks, Doug Bishop.
  - b. Other: Sam Trotzke, Jomo Stewart, David Prusak, Steve McNulty (guest)
- The meeting was called to order at 12:30 pm

### **II. Monthly Financials**

- a. Statement of Net Position:
  - i. Cash increased due to receivables coming in from AIDEA.
  - ii. AIDEA Loan becomes due to be paid back on 12/31/2017
- b. Statement of Operating Revenues and Expenses
  - i. FNSB has been sent an invoice and still showing as a receivable at the end of October but has been collected in November.
  - ii. There are some Gas Supply costs that are incurred and are now not going to be covered by the AIDEA loan.
  - iii. The integration and Due Diligence costs need to be shown in expense in the year that they occur (and show as debt). Integration will be paid for as part of the AIDEA loan. Due Diligence is also going to be reimbursed by AIDEA should IGU sign up to purchase Pentex.
  - iv. Need to closely monitor the operating budget and begin to develop a budget through the end of the year. Other than legal and consulting costs related to due diligence and integration most other costs are tracking well with the budget.
  - v. Approximately \$599,000 remain in the operating budget as of November 1, 2017.
- c. Aging Summary
  - i. FNSB invoice has been sent.
  - ii. Brena bills broken out to various tasks of normal work, integration and due diligence.
- d. Transaction by Account
  - i. Refund for insurance received from insurance audit.
  - ii. All the accounts have been reconciled for October 2017.
- e. Bank Statements
  - i. No comment.

**III. Closing Comments – Meeting Adjourned at 1:00 pm**

- a. The Finance Committee recommended that the IGU Board accept the October 2017 Financial Report as presented at their meeting.
- b. The next meeting will be December 19, 2017.

Resolution #2017-06R



Introduce on: June 20, 2017  
Reconsidered on: December 5, 2017  
Approved on:

## RESOLUTION # 2017-06R

### **A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE INTERIOR GAS UTILITY TO EXECUTE A PURCHASE & SALES AND FINANCE AGREEMENT WITH THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY FOR THE ACQUISITION OF PENTEX and FINANCING OF DEVELOPMENT OF THE INTERIOR ENERGY PROJECT**

WHEREAS, the Fairbanks North Star Borough through Ordinance 2012-52 titled *An Ordinance Acquiring an Areawide Natural Gas Utility Power By Transfer From The Cities of Fairbanks And North Pole, Establishing the Interior Alaska Natural Gas Utility and Providing For Its Management* to action to create an areawide natural gas utility empowered to ensure its citizens affordable access to natural gas and/or propane; and

WHEREAS, the Interior Alaska Natural Gas Utility (IGU) 6-Year Plan dated May 20, 2014, states that the IGU mission is to provide low cost, clean burning, natural gas to the most people in the Fairbanks North Star Borough as soon as possible; and

WHEREAS, IGU Board through unanimous approval of Resolution 2017-01 titled *A Resolution Requesting Authorization for the General Manager of Interior Gas Utility to Execute a Non-Binding Memorandum of Understanding With the Alaska Industrial Development Export Authority for Acquisition of Pentex* authorized the General Manager to execute a non-binding Memorandum of Understanding (MOU) for the acquisition of Pentex Alaska Natural Gas Company, LLC (Pentex) and financing of development of the Interior Energy Project with Alaska Industrial Development and Export Authority (AIDEA), and to negotiate in good faith to finalize executable agreements with respect to the purpose of the MOU; and

WHEREAS, the MOU for the acquisition of Pentex and financing of development of the Interior Energy Project was executed by the IGU General Manager and Executive Director of the AIDEA on January 25, 2017; and

WHEREAS, the Fairbanks North Star Borough, through Ordinance 2017-25 titled *An Ordinance Amending FNSBC 11.04.020 Management of the Interior Alaska Natural Gas Utility*, took action clarifying the IGU enabling ordinance to expressly provide IGU with the power to borrow money, retroactive to the date of enactment; and further resolved that IGU has the authority to borrow money and, as evidence of that borrowing, to enter into loan agreements and issue bonds, notes or other obligations, and may pledge any of its assets or revenues to pay or secure the payment of any such borrowing; and

WHEREAS, the IGU and AIDEA negotiating teams have agreed to a LLC Membership Purchase and Sale Agreement, a Financing Agreement and other agreements for the acquisition

of Pentex by IGU and financing of associated development of the Interior Energy Project in conjunction with AIDEA. (Attachments No. 1 and No. 2.); and

Whereas, to facilitate closing under the Agreements, the date of conversion (expiration of Line Time Period and loan Maturity Date) under the Amended and Restated Loan Agreement Number 1314002 between AIDEA and IGU is to be extended to Closing on Agreements and the loan further modified to allow for Pentex acquisition due diligence and disclosure review expenses.

NOW, THEREFORE, BE IT RESOLVED BY THE IGU BOARD OF DIRECTORS AS FOLLOWS:

Section 1) The General Manager is authorized to execute the LLC Membership Purchase and Sale Agreement, the Financing Agreement and other related agreements with Alaska Industrial Development and Export Authority for the acquisition of Pentex Alaska Natural Gas Company, LLC and financing of the development of the Interior Energy Project.

Section 2) The Authorization to execute is contingent upon the IGU Amended and Restated Loan Agreement Number 1314002 being modified to:

- a) Extend the date of conversion (expiration of Line Time Period and loan Maturity Date) under the IGU Amended and Restated Loan Agreement Number 1314002 to Closing on Agreements; and
- b) Allow for use of proceeds to pay for due diligence and disclosure review expenses.

\_\_\_\_\_  
Michael Meeks - Chair, IGU Board

\_\_\_\_\_  
Date

\_\_\_\_\_  
David Prusak- Secretary to the IGU Board of Directors

\_\_\_\_\_  
Date

PO Box 70200  
Fairbanks, AK 99707  
907 374 4474  
[interiorgas.com](http://interiorgas.com)

## General Manager Report

**Financial:****Mt. McKinley Bank**

- GM received and reviewed October Bank Statement.

**Finance Committee**

- September financials reviewed by the Finance Committee on November 28<sup>th</sup>.
- Recommended acceptance by the Board on December 5, 2017.

**FY17 Audit**

- The IGU 2017 Audit has been completed and the published Audited Financial Statement and communications were provided to IGU October 25<sup>th</sup>. The presentation to the Board for consideration and possible Acceptance, previously scheduled for the December 5<sup>th</sup> Board meeting, will be delayed, however, due to consideration of PSA/FA.

**AIDEA**

- Due Diligence expenses:
  - As part of the final agreements on the PSA/FA, AIDEA has agreed to accommodate IGU due diligence expense via direct payment of up to \$350,000.

**Accounting:****RJG**

- In addition to standard activities, has assisted in budgetary monitoring and contingency budget formulation.

**Legal:****Cook Schuhmann & Groseclose**

- Provided direct support at Board Meetings and Work Sessions
- Provided review, recommendations and comments on documents and agreements, particularly regarding the Pentex Purchase and IEP Financing contracts
- Provided legal analysis and opinions relative to the Pentex Purchase to IGU Directors &/or Board

**Brena Law Office**

- Provided review, recommendations and comments on documents and agreements, particularly regarding and toward finalization of the Pentex Purchase and IEP Financing contracts

- Gas Supply
  - Directed to suspend discussions with State regarding RIK/Royalty pending PSA/FA resolution

Chris Wilde

- Gas Supply
  - Completed discussions with ANGC and finalized a Term Sheet for future Board consideration.
  - Directed to suspend further discussions pending PSA/FA resolution

Admin/Ops/Cap

Stantec:

- Storage
  - Mr. Prusak serving as Project Manager for Pentex in development of the new Tria Road Storage facility.
  - Continuing discussions with GVEA regarding shared-land usage for NP system
  - Inter-party discussions with Pentex regarding storage sizing and configuration
- Expenses
  - Continued to assist extensively in the compilation and provision of information relative to Pentex Acquisition expenses
- PSA/FA
  - Performed additional Financial Modeling relative to Pentex Acquisition
  - Provided review and recommendations regarding Pentex Purchase and IEP Financing contracts
- Conversions
  - Report and recommendation completed and awaiting Board action on PSA/FA for presentation

AIDEA:

- PSA/FA Negotiations
  - Chairman-level negotiations to reach final agreement on PSA/FA terms was conducted November 15, with follow up discussions progressing through November 29. As previously noted to the Board, discussions did not impact major commercial term (which, except for demand-deferral period, have remained fixed since signature of the MOU January 25, 2017) but instead terms tending toward the relative durability and real-world workability of the Agreements.



- As part of the final agreements, IGU due diligence expenses will be accommodated via a cash dispersal not-to-exceed \$350,000
- Reasonable concessions and compromises having been made by both sides, staff and managerial-level agreement was reached November 29, with final copy of the PSA/FA being delivered to the Board and posted to the web the afternoon of November 29.

Communications:

- Raven Landing Energy Group Lunch November 20
- Pentex Purchase and IEP Financing Q&A Session, Fairbanks City Council Chambers – November 21
- Pentex Purchase and IEP Financing Q&A Session, North Pole Library November 28
- Fairbanks Chamber of Commerce Energy Committee and Fairbanks Daily News-Miner Editorial Board – November 29

## Stantec Monthly Report

# Interior Gas Utility

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## Stantec Monthly Status Report    Date: November 30, 2017

This report generally covers the period November 1, 2017 – November 30, 2017

### ACCOMPLISHMENTS

#### 1. Task 1– IGU Support

- a. Provided support to the IGU Board, and publically noticed upcoming meetings.
- b. Attended and supported the Board Meeting on November 7<sup>th</sup>.
- c. Supported the IGU Finance Committee meeting on November 28<sup>th</sup>.
- d. Attend and Support the Public Information Presentations November 21<sup>st</sup> and 28<sup>th</sup> held at the City of Fairbanks and North Pole Library.
- e. Attended and supported the Board Special Work Session on November 30<sup>th</sup>.
- f. Prepared Board Meeting and Finance Committee agendas, supporting documents and meeting notes; distributed and posted notes online.
- g. Processed billings and accounts receivables; coordinated with RJG Certified Public Accountants when necessary.
- h. Reviewed revised Purchase Sales and Finance Agreements from AIDEA and meet with General Manager in developing a path forward.
- i. Prepared Stantec monthly status report.
- j. Responded to public inquiries and requests. Monitored news/activities related to IGU and the Interior Energy Project.

#### 2. Task 2 - Program/Project Management

- a. Monitored and managed contract budget/financials for review with General Manager and to provide update with monthly status report. Reviewed and increased contract task order funding to be consistent with time extension under Amendment 3.
- b. Facilitated weekly team coordination conference calls.

#### 3. Task 4 – Financial Planning, Project Financing and Cash Flow for Loans

- a. Assisted General Manager with operating budget projections after AIDEA released funds for Integration costs and a 12 month operating budget
- b. Monthly monitoring and adjusting budget spreadsheets for financial planning, project financing and project loans.
- c. Reviewed modeling to capture short term capital costs based on due diligence work.
- d. Met with AIDEA to discuss the Q3 Submittal for the Line of Credit.

## 4. Task 7 – LNG Storage, Regasification, and Transportation Optimization

- a. Reviewed and assisted Pentex with selection of an EPC Contractor.
- b. Submitted revised FAA permits for LNG Storage Tank and Storage Tank crane.
- c. Met with FNSB Planning regarding an amendment to the existing Conditional Use Permit and Flood Control Permit.
- d. Began preparation of the FNSB Amended Conditional use Permit CU-2006-011.
- e. Met with the Metro Field Airport General Manager on PHMSA waiver.
- f. Prepared PHMSA Annual Report on airport waiver for Metro Field.
- g. Coordinated with LNG Tank Engineer of Record (CHI Engineering) on permitting requirements and documents.

## 5. Task 9 – Phase I Construction

- a. Continued closeout process for the Zone B construction distribution contractor.
- b. Continued monitoring of pressures in the Phase 1 nitrogen charged NG distribution mains.
- c. Continued the closeout process and easements for Phase 1 NG Distribution System project's regulatory and access permits.
- d. Worked with Hale & Associates (insurer) on the revised Inventory sheets for stored on-hand materials and associated rebate.
- e. Monitored and managed responses to the 811 Alaska Digline locate requests for the Phase 1 NG Distribution System.

## 6. Task 10 – Public Outreach

- a. Updated and monitored IGU's website and online internet presence.
- b. Placed Board documents and presentation materials on the IGU website.
- c. Assisted in developing General Manager's presentation for the two IGU Public Presentations and IGU Board Special Work Session to receive public comment.
- d. Attended weekly Energy for All Alaska Taskforce meetings at FEDC.
- e. Attended the Chamber of Commerce Energy meeting and assist General Manager with presentation.

## 7. Task 11 – Conversions

- a. Participated in team coordination calls.

- b. Continued coordination with EESI representatives.
- 8. Task 12 – Integration
  - a. Continued with revisions and updates to the draft integration plan for the integration of IGU and Pentex assets and operations and coordinated with Pentex for comment..

#### December 2017 - What's coming up next?

1. Finalize the review comments received for the Procurement Manual from the Board.
2. Continue coordination with GVEA regarding the North Pole LNG storage site, gas supply and discussions concerning the development of an MOU for joint occupancy of the GVEA North Pole property. This is in conjunction with the continued development of LNG storage options in the North Pole area to support the Phase 1 natural gas distribution system.
3. Pending completion of the Corporate Membership Due Diligence and acceptable language for the PSA. Support preparation for filing for the purchase of Pentex LLC with the Regulatory Commission of Alaska for the transfer of ownership interest from AIDEA to IGU, and follow-on actions regarding the FNG CPCN.
4. Monitor invoices and cash flows against the AIDEA Line of Credit.
5. Continue to support the IGU Board of Directors and Finance Committee.
6. Support and update IGU web site and support responses to any inquiries of the public.
7. Closeout for construction contract of Phase 1 Zone B NG Distribution System gas mains.
8. Assist in preparation of presentation to the FNSB Assembly, North Pole Councils, FEDC, Chamber Energy Committee and other organizations.
9. Continue PM support for the proposed 5.2 MG LNG storage facility planned for on Tria Road related to permitting.
10. Updating draft integration plan in preparation for IGU Board presentation in the coming weeks.
11. With regards to the Conversions Program:
  - a. Schedule and prepare an update to IGU Board of Directors at a future work session.
  - b. Hold developing new customer on-boarding strategy, and internal coordination relative to administration and operational needs until integration work resumes.

**Stantec Amendment 003 Contract Financial Status Forecast Estimated thru 11/30/2017**  
(Contract term June 4, 2016 to January 17, 2018)

Project No. 185750706 November 2017 Estd Expenditures

**Interior Gas Utility**  
**Stantec Management Services Contract**

Interior Gas Utility 2016-18		2016-17 Contract (1)	Task Order Authorized (1)	Monthly Expenditure	Expenditure to Date	% of Authorized Task Order Expended	Physical % Complete	Notes
Task 1	IGU Support	\$ 555,610	\$ 650,000	\$ 22,984	\$ 556,876	86%	94%	18 of 19 months <sup>(2)</sup>
Task 2	Program/Proj Mgt	\$ 250,000	\$ 125,000	\$ 2,117	\$ 109,228	87%	94%	18 of 19 months <sup>(2)</sup>
Task 3	Business Plan	\$ 80,000	\$ 40,000	\$ -	\$ 6,687	17%	22%	Work currently on hold
Task 4	Financial Planning	\$ 60,000	\$ 100,000	\$ 4,018	\$ 91,492	91%	95%	
Task 5	Gas Operator	\$ 5,000	\$ 556	\$ -	\$ 556	100%	100%	Task Cancelled
Task 6	Gas Supply-Trans-Del	\$ 80,000	\$ 70,764	\$ -	\$ 71,385	101%	100%	Work currently on hold
Task 7	LNG-Store-TruckUnload-Regas	\$ 66,464	\$ 75,000	\$ 6,242	\$ 22,103	29%	30%	
Task 8	Design Ph II-III-Transmission	\$ 70,000	\$ -	\$ -	\$ -	0%	0%	Work currently deferred
Task 9	Construction Mgt	\$ 100,000	\$ 100,000	\$ 134	\$ 51,633	52%	70%	Nearing closure
Task 10	Public Outreach	\$ 80,000	\$ 40,000	\$ 124	\$ 16,939	42%	94%	18 of 19 months <sup>(2)</sup>
Task 11	NG Conversions	\$ 300,000	\$ 175,000	\$ 1,675	\$ 167,854	96%	97%	Work in progress
Task 12	FNG Integrations	\$ 350,000	\$ 400,000	\$ 3,219	\$ 335,220	84%	90%	Work in progress
<b>Totals</b>		<b>\$ 1,997,074</b>	<b>\$ 1,776,320</b>	<b>\$ 40,514</b>	<b>\$ 1,429,972</b>	<b>81%</b>	<b>81%</b>	

(1) Budgets reallocated as of 9/21/2017

(2) Contract Amend 003 Extended to 1/17/2018

## PDC Monthly Report



PDC INC. ENGINEERS

MEMORANDUM

<b>To</b>	David Prusak	<b>From</b>	Keith Hanneman
<b>Firm</b>	Interior Gas Utility	<b>Date</b>	November 30, 2017
		<b>PDC #</b>	14081FB
		<b>Project Name</b>	IGU – Phase 1 Design and Construction
<b>RE</b>	November 2017 Status Update		

David – This month we continued working on the gas distribution construction and permitting closeout and provided locate support.

**Gas Distribution Construction:**

- Zone A contractor – closed
- Zone B contractor – final payment recommended and payment processed by IGU.
- Zone C contractor - closed

Below is the bulleted summary, organized by major work discipline, of our activities this past month and the activities we anticipate for the next month.

**Alignment/Pipe Design:**

- 1) November Summary
  - a) IGU delivered comments on draft as-builts for two zones.
- 2) December Forecast
  - a) Final revisions to as-builts based on IGU comments. After final as-builts are prepared will create additional GIS feature to link as-built to GIS.

**ROW Permitting:**

- 1) November Summary
  - a) Waiting on permit closeout forms requested from ADOT.
  - b) Received all release agreements along Lineman Rd from Zone B contractor.
  - c) Obtained signed easement for Lot 10 along 7<sup>th</sup> Avenue, e-mail approval from Lot 9 who will sign after his wife returns December 18<sup>th</sup>, and coordinated with IGU and sent revised document to Lot 7A for review and signature. Trying to contact Lot 8.
- 2) December Forecast
  - a) Final coordination with ADOT to closeout permits.
  - b) Continue coordinating easements with remaining three owners along 7<sup>th</sup> Avenue.

1028 Aurora Drive, Fairbanks, Alaska 99709

T: 907.452.1414 ■ F: 907.456.2707

2700 Gambell Street, Suite 500, Anchorage, Alaska 99503

T: 907.743.3200 ■ F: 907.743.3295



**Environmental Permitting**

- 1) November Summary
  - a) No activity
- 2) December Forecast
  - a) No activity

**Cultural and Historical Resources**

- 1) November Summary
  - a) No activity.
- 2) December Forecast
  - a) Prepare annual report.

**Geotechnical**

- 1) November Summary
  - a) No activity.
- 2) December Forecast
  - a) No activity

**Survey**

- 1) November Summary
  - a) Supported IGU's participation in the Dig Line program - no requests received
- 2) December Forecast
  - a) Support IGU's participation in the Dig Line program.
  - b) Coordinate with ADNR on submitted plats if they have questions

**Clearing Construction**

- 1) November Summary
  - a) No activity.
- 2) December Forecast
  - a) No activity.

**Gas Distribution Construction**

- 1) November Summary
  - a) Received release agreements along Lineman Rd.
  - b) Recommended final payment in Zone B.
- 2) December Forecast
  - a) No activity.

**Pipe Fittings and Locate Materials**

- 1) November Summary
  - a) No activity
- 2) December Forecast
  - a) Final inventory memorandum.

**Operations Support**

- 1) November Summary
  - a) No activity
- 2) December Forecast
  - a) Add as-built maps to GIS for remaining two zones.

# IGU Phase 1 – PDC Team – November 2017 Update

November 30, 2017

Page 4

Vendor:	PDC Inc. Engineers									
Billing Period:	Nov-17									
Contract:	Phase 1 Distribution Amendment #5 - Budget Summary									
	Contract	Billed Amount	Billed Amount	%	%					
						Budget Change to Redistribute Budget	Overrun (+) / Underrun (-)			
Work Packet	Amount	This Period*	Total to date*	Billed**	Complete**				Notes	
Preconstruction Services	\$ 84,948.03	\$ -	\$ 84,787.50	100%	100%	\$ (12,807.97)	\$ (160.53)		Excess budget was used to help cover extended construction phase services	
Project Coordination and Management	\$ 41,768.00	\$ -	\$ 57,000.00	136%	100%	\$ -	\$ 15,232.00		Overage due to more effort than expected to manage materials contract and tracking/ordering/managing distribution of materials.	
Implement Project Control Systems	\$ 42,392.53		\$ 27,000.00	64%	100%	\$ (6,751.47)	\$ (15,392.53)		Setup took less effort than anticipated	
Setup Field Office	\$ 787.50	\$ -	\$ 787.50	100%	100%	\$ (6,056.50)	\$ -		Setup took less effort than anticipated	
Construction Phase On-site Services	\$ 213,616.00	\$ 2,500.00	\$ 236,500.00	111%	99%	\$ 50,000.00	\$ 22,884.00		Budget increased to cover more effort to manage the contracts in the office, especially Zone A	
Project Coordination and Management	\$ 212,761.00	\$ 2,500.00	\$ 236,500.00	111%	98%	\$ 50,000.00	\$ 23,739.00		Performing Contract closeout	
Project Field Office and Support Equipment	\$ 855.00	\$ -	\$ -	0%	100%		\$ (855.00)		Charges coded to Construction Administration	
Construction Phase Services	\$ 1,078,959.04	\$ 2,500.00	\$ 1,080,500.00	100%	99%	\$ (79,311.96)	\$ 1,540.96		Budget reduced to cover increases in budget in other tasks	
Construction Administration and Observations	\$ 779,784.04	\$ 2,000.00	\$ 672,000.00	86%	98%	\$ (79,311.96)	\$ (107,784.04)		Continuing coordination for project closeout items, and monitoring pressure readings.	
Office Engineering & Project Controls	\$ 186,805.00	\$ 500.00	\$ 251,500.00	135%	98%	\$ -	\$ 64,695.00		More effort to handle the technical questions, submittals, pay applications, etc. for the two clearing and three distribution contracts in the office, especially Zone A&C (Gage) and Zone A (CEI). Still need to do final pay application and record information review	
Environmental Compliance	\$ 25,110.00	\$ -	\$ 13,500.00	54%	100%	\$ -	\$ (11,610.00)			
ROW Permit Compliance	\$ 66,053.00	\$ -	\$ 123,000.00	186%	95%	\$ -	\$ 56,947.00		Remaining work is to address any comments from final DOT permit submittals	
Cultural Permit Compliance	\$ 21,207.00	\$ -	\$ 20,500.00	97%	95%	\$ -	\$ (707.00)		Remaining work is to complete an annual report	
Supplemental Services	\$ 270,398.00	\$ 14,000.00	\$ 324,000.00	120%	99%	\$ 16,052.00	\$ 53,602.00		Budget increased to cover additional survey and community liaison activities and reduced due to no geotech or haz mat activities	
Geotechnical and Hazardous Material support	\$ -	\$ -	\$ -	0%	100%	\$ (47,454.00)	\$ -		The crossing agreement with Alyeska required the contractor to hire Shannon & Wilson directly so this cost was not seen on the engineering side. We did not encounter field conditions that warranted observation by geotechnical engineer or hazardous material expert. Budget shifted to Construction Phase	
Surveying Services	\$ 178,861.00	\$ 14,000.00	\$ 240,000.00	134%	97%	\$ 22,446.00	\$ 61,139.00		Remaining work is to respond to any questions from ADNR plats	
Support Community Liaison Activities	\$ 91,537.00	\$ -	\$ 84,000.00	92%	96%	\$ 41,060.00	\$ (7,537.00)		Remaining work is to handle any homeowner complaints this winter	
Project Closeout	\$ 59,998.00	\$ 500.00	\$ 53,500.00	89%	90%	\$ -	\$ (6,498.00)		Budget increased to include updating ROW/Gas alignment and moving data to FNSB GIS hosting.	
Project Permits	\$ 28,260.00	\$ 500.00	\$ 33,500.00	119%	96%	\$ -	\$ 5,240.00		Remaining work is to address any comments from final permit reviews by ADOT	
As-Builts	\$ 14,519.00	\$ -	\$ 12,000.00	83%	90%	\$ -	\$ (2,519.00)			
Update ROW/Gas Alignment	\$ -	\$ -	\$ -	0%	100%	\$ 36,865.00	\$ -		Redrawing pipe alignments based on construction survey and redlines changes from contractors - Budget reduced because most of effort combined with and charged under Build GIS task	
Archive Documents	\$ 6,098.00	\$ -	\$ 500.00	8%	10%	\$ -	\$ (5,598.00)			
Transition from TechHub to FNSB GIS hosting	\$ 11,121.00	\$ -	\$ 7,500.00	67%	100%	\$ -	\$ (3,621.00)			
Operation Support	\$ 286,914.00	\$ 24,000.00	\$ 237,500.00	83%	76%	\$ -	\$ (49,414.00)			
Digline Locate Support	\$ 70,000.00	\$ 4,500.00	\$ 61,000.00	87%	92%		\$ (9,000.00)			
Build GIS	\$ 115,070.00	\$ -	\$ 95,500.00	83%	95%	\$ 36,865.00	\$ (19,570.00)		GIS system being created to store construction records and to allow easy access for future operation and PHMSA audits - Budget increased from Update ROW/Gas Alignment efforts combined with and charged under this task.	
Review of FNG tanks due diligence - Phase 1	\$ 16,880.00	\$ -	\$ 14,000.00	83%	100%		\$ (2,880.00)			
Review of FNG tanks due diligence - Phase 2	\$ 61,266.00	\$ 19,500.00	\$ 61,000.00	100%	100%		\$ (266.00)			
Additional Gas Standards	\$ 14,009.00	\$ -	\$ -	0%	0%		\$ (14,009.00)			
Additional Engineering Support	\$ 9,689.00	\$ -	\$ 6,000.00	62%	62%		\$ (3,689.00)			
TOTALS	\$ 1,994,833.07	\$ 43,500.00	\$ 2,016,787.50	101%	97%					
	\$ 26,067.93	Transferred to Balance Design Phase Overages				\$ 26,067.93	\$ -		Transferred to Balance Design Phase Overages (completing ROW permits) that were charged after the construction amendment was approved and the previous overages were credited	
	\$ 2,020,901.00	Total Construction Phase Amendment				\$ (0.00)	\$ 21,954.43			
	\$ 1,590,257.00	Check				Check for no change in budget	Amount Remaining in Contract			
*THESE TOTALS INCLUDE THE ESTIMATED HDR AND PDC BILLING THROUGH November 24th.										
**% BILLED, AND % COMPLETE ARE ALL WITH CONSIDERATION OF BOTH THE CLEARING AND THE GAS DISTRIBUTION CONTRACTS.										

# 2018 IGU Board Meeting Calendar

## Interior Gas Utility

January						
W	Su	Mo	Tu	We	Th	Fr
1		1	2	3	4	5
2	7	8	9	10	11	12
3	14	15	16	17	18	19
4	21	22	23	24	25	26
5	28	29	30	31		

01: New Year's Day

15: Martin Luther King Jr. Day

February						
W	Su	Mo	Tu	We	Th	Fr
5					1	2
6	4	5	6	7	8	9
7	11	12	13	14	15	16
8	18	19	20	21	22	23
9	25	26	27	28		

19: President's Day

March						
W	Su	Mo	Tu	We	Th	Fr
9					1	2
10	4	5	6	7	8	9
11	11	12	13	14	15	16
12	18	19	20	21	22	23
13	25	26	27	28	29	30

April						
W	Su	Mo	Tu	We	Th	Fr
14	1	2	3	4	5	6
15	8	9	10	11	12	13
16	15	16	17	18	19	20
17	22	23	24	25	26	27
18	29	30				

May						
W	Su	Mo	Tu	We	Th	Fr
18			1	2	3	4
19	6	7	8	9	10	11
20	13	14	15	16	17	18
21	20	21	22	23	24	25
22	27	28	29	30	31	

28: Memorial Day

June						
W	Su	Mo	Tu	We	Th	Fr
22						1
23	3	4	5	6	7	8
24	10	11	12	13	14	15
25	17	18	19	20	21	22
26	24	25	26	27	28	29

July						
W	Su	Mo	Tu	We	Th	Fr
27	1	2	3	4	5	6
28	8	9	10	11	12	13
29	15	16	17	18	19	20
30	22	23	24	25	26	27
31	29	30	31			

04: Independence Day

August						
W	Su	Mo	Tu	We	Th	Fr
31				1	2	3
32	5	6	7	8	9	10
33	12	13	14	15	16	17
34	19	20	21	22	23	24
35	26	27	28	29	30	31

September						
W	Su	Mo	Tu	We	Th	Fr
35						1
36	2	3	4	5	6	7
37	9	10	11	12	13	14
38	16	17	18	19	20	21
39	23	24	25	26	27	28
40	30					

03: Labor Day

October						
W	Su	Mo	Tu	We	Th	Fr
40		1	2	3	4	5
41	7	8	9	10	11	12
42	14	15	16	17	18	19
43	21	22	23	24	25	26
44	28	29	30	31		

08: Columbus Day

November						
W	Su	Mo	Tu	We	Th	Fr
44					1	2
45	4	5	6	7	8	9
46	11	12	13	14	15	16
47	18	19	20	21	22	23
48	25	26	27	28	29	30

12: Veterans Day

22: Thanksgiving

December						
W	Su	Mo	Tu	We	Th	Fr
48						1
49	2	3	4	5	6	7
50	9	10	11	12	13	14
51	16	17	18	19	20	21
52	23	24	25	26	27	28
1	30	31				

24: Christmas Eve

25: Christmas

Board Meeting - First Tuesday  
Work Session - Third Thursday  
Finance Committee - Fourth Tuesday  
Holiday Observed (Closed)

DRAFT