



# Interior Gas Utility

Board of Directors Meeting  
February 19, 2019 @ 4:00 PM  
100 Cushman Street, Suite 512, Fairbanks, Alaska

## **DRAFT AGENDA**

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

- Roll call
- Approval of Agenda & Consent Agenda  
(*Items marked with \* are approved under consent agenda*)
- Approval of Minutes – 2/05/2019\*, 2/12/2019\* .....Pages 2-11
- Public Comment – *limited to three minutes*

### **II. Unfinished Business**

- Budget Approval for Independent Review of Contracts

### **III. Other Business (Discussion and Possible Action)**

- Legislative Update
- Siemens Negotiations Update
- Action Items List.....Page 12

### **IV. Closing Comments**

- General Manager Comments
- IGU Attorney Comments
- Directors Comments

### **V. Adjournment**

*To participate via teleconference, call 1-800-315-6338; when prompted, enter 47499*



# Interior Gas Utility

Board of Directors Board Meeting  
February 5, 2019 @ 4:00 PM  
100 Cushman Street, Suite 512, Fairbanks, Alaska

## **Draft Minutes**

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, February 5, 2019, in the IGU Conference Room, Fairbanks, Alaska. IGU Board Chair, Pamela Throop presiding.

Others in attendance were: Dan Britton (IGU General Manager), Zane Wilson (CSG – IGU Attorney), Laura Steel (IGU Secretary), Mark Rockwell (FNG Director of Operations), David Prusak (Stantec – FNG Project Manager), and Public members: Jomo Stewart (FEDC) and Liz Greig (Public).

### **I. Call to Order @ 4:00 pm.**

- Roll call

#### Board Members Present:

Pamela Throop  
Steve Haagenon  
Bill Butler  
Patrice Lee  
Mary Nordale  
Jack Wilbur  
Gary Wilken - excused.

- Approval of Agenda, Consent Agenda, & Minutes
  - Moved by Director Nordale and Seconded by Director Wilbur to accept the Agenda, Consent Agenda, and Minutes.
  - Motion carried without objection.
- Public Comment – None.

### **II. New Business**

- FEED Proposal
  - Beginning on page 44 of the packet. The scope was expanded to include Titan II and Titan III. Braemar has worked on Titan facility previously.
  - Contract not to exceed \$800,000, schedule is longer than the 6 months previously agreed upon. Beginning of March is now the start time. Final investment decision is in September when we select a contractor. Approval of budget would be at that time. Preliminary budget prior to bid would be at the end of June or early July. Director Butler suggested offering more money if

we want it done faster. The contracts will be offered in January so suggest going out to bid before the holidays.

- Discussed Balance of Plant components. Titan I has a 50,000 gallon per day capacity, Titan II will have a 100,000 gallon per day capacity, doubling our capacity per day. Braemar can take us to about 65% completed Balance of Plant. The expansion includes fixed storage on the North side of Titan I.
- Discussed the schedule of Geotechnical work done in the spring before contractor bids are due November 6, 2019.

**Moved by Director Wilbur, Seconded by Director Nordale to Approve a Single Source Award to Braemar for Professional Services related to Front End Engineering & Design (FEED) and for the Titan LNG Expansion Project in Pt. Mackenzie, Alaska, not to exceed \$800,000.**

- Discussed permitting at that location and whether there is a need to get additional permitting to expand Titan I, and any risk of public pushback to the permitting. Discussed the importance of coming back to the Board with any changes in the contract.
- Discussed authorizing Dan to sign an agreement, not just approving the proposal from Braemar. Discussed being better off not signing the proposal and having a contract that is signed and a proposal attached to that contract.

▪ Roll Call on the Motion

Director Butler	Yea
Director Lee	Yea
Director Nordale	Yea
Director Wilbur	Yea
Vice Chair Haagenon	Yea
Madam Chair Throop	Yea

**Motion passed unanimously.**

**III. Reports**

- General Manager
  - Discussion regarding failed motor at Titan facility; we ordered and received 2 loads from Ferus as a precaution. We did not drop below our 5 day supply.
  - Lost time injury at Titan from a fall on ice. Injured employee will return in a couple weeks on light duty.
  - New Director of Operations is on staff.
  - Received responses for Phase IV yesterday; they came in much higher than expected (between \$9.8M and \$14.2M). There will be impacts to the budget as we had allocated \$5M less for that work than what the bids came in at. Our estimate was \$4.8M. We are providing a significant amount of materials so not sure yet what drove the cost up. Possibly some risk that may have brought up the cost, maybe we can work with that to lower the bid. The low bidders

do have subcontractors that are familiar with the project through personal experience.

- Director Lee requests an email with the remainder of the tank work to be done. She asks if we were at \$10M to finish the project and stated we are now at 50% above the budget. Dan explained we are at about 18% higher than the original budget.

- **Siemens Update**

- Robin Brena and Madam Chair spoke with Siemens. The team has concerns as to where Siemens' approach was at. Clarified the guarantees and responsibilities as Kelly was indicating there are some guarantees from Siemens. Waiting to hear from Siemens with some more specifics. Robin asked them to send us a red line.
- Director Wilbur stated their proposal was so attractive because of their low cost gas. Is there any indication they will get this? There are some challenges around this and it is a prime focus of the negotiating team. Is there a timeline for them to get back to us? Not specifically. Any idea how long the good price of gas would last? Nothing specific yet, though we asked for a 20 year commitment.
- Storage Tax Credit Exemption - we have Interior support for our issue.

ACTION ITEM LIST - Dan will be bringing a report on schools and hospital gas usage.

#### **IV. Other Business**

- **Action Items List**

- Reviewed list.
- An evaluation committee including Wes Smith, Brown Thornton, and Zach Dameron has been established for the hiring of a Financial Advisor.

#### **V. Closing Comments**

- Dan met with the landlord at our current office building to see if additions could be made to make the space more suitable for us to remain. Lease expires May 2019, so we need to make some decisions.
- Director Nordale suggests a member of the finance committee serve on the Financial Advisor review committee. One member would work, to be determined by the committee.
- Director Lee was at a recent GVEA BOD meeting and she asked them to consider helping Citizens for Clean Air put together a co-op with wood burners in the Borough.
- Vice Chair Haagenon-Paid \$2.68 gallon for oil, so was \$19.32 MCF or BTU. IGU is currently charging \$20.38 per MCF.

#### **VI. Adjournment @ 5:46 pm. Director Butler moved, Director Lee seconded.**

DATE: Feb 5, 2019

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# Interior Gas Utility

Board of Directors Work Session & Special Board Meeting

February 12, 2019 @ 4:00 PM

100 Cushman Street, Suite 512, Fairbanks, Alaska

## **Draft Minutes**

A Work Session & Special Board Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, February 12, 2019, in the IGU Conference Room, Fairbanks, Alaska. IGU Board Chair, Pamela Throop presiding.

Others in attendance were: Dan Britton (IGU General Manager), Zane Wilson (CSG – IGU Attorney), Laura Steel (IGU Secretary), Michelle Hollowell (FNG Customer Service/Conversion Manager), Mark Rockwell (FNG Director of Operations), David Prusak (Stantec – FNG Project Manager), and Public members: Jomo Stewart (FEDC), George Y. Salmon (Public), and Gene Therriault (Public).

### **I. Call to Order @ 4:00 pm.**

- Roll call

#### Board Members Present:

Pamela Throop  
 Steve Haagenson  
 Bill Butler  
 Patrice Lee  
 Mary Nordale  
 Jack Wilbur  
 Gary Wilken - telephonic

- Approval of Agenda, Consent Agenda, & Minutes
  - Moved by Director Nordale and Seconded by Director Butler to accept the Agenda.
  - Discussed item under New Business without any supporting documents for the Board to consider.
  - Motion carried without objection.
- Public Comment – None.

### **II. New Business**

- Budget Revision & Purchase Authority – 5.25 Large Storage Tank Project
  - Discussed causes for higher bids.

- David and Chris Rutz discussed the discrepancy between estimated bids and actual with the apparent low bidder; the electrical work prices were a surprise, and the fence posts are expected to be expensive.
- Three pumps instead of 2, and subsequent additional equipment, raised the cost estimates.
- The truck unloading facility is at a higher cost.
- Cybersecurity is at a different level than what was originally expected.
- Discussed installing a new pump if necessary in the future instead of having 3 pumps installed initially. Capacity with 2 pumps and one spare is a long term plan, and allows us to have less down time at the tank if one pump fails and the new one is already installed.
- What makes the difference between the high and low bids, Risk? Unclear bid packet? There were only 6 items itemized to establish some costs that may be changing, conduit runs, balance of work was large lump sum. Cannot tell what the details of the bid are until talking to the bidder. Directors Wilbur and Butler believe discussion with contractors prior to an awarded contract should be acceptable.
- Discussed concern regarding the huge difference between bids of \$14.3M and \$9.8M, and why. Liquidated damages were popular 30 years ago, so now it increases the bid and is not something that is popular. One risk factor could be because they have never done this before, and are not comfortable with it, or that the material costs are high; lots of things can drive a very tight specification broader.
- Using the funds we have for finishing this project on Tria Road and filling the tank means we will have to go out for money to fund the North Pole storage site. If we don't fill the tank, we may have the funds for the North Pole storage site.
- The fence will be chain link; a Federal Code requires a fence for security.
- Did contractors need to provide a resume in order to show their competence to do this work? Yes there was criteria that had to be met to submit a bid.
- We have not entered into a contract yet, we are in the negotiating phase.
- \$6.7M is the engineers estimate for the work. \$4.8M is what the original budget was, prior to the work commencing.
- Discussed which changes IGU made in the scope of the project versus something out of our control (tariffs) that caused the increase in the budget to 6.7 Million dollars.
- Change in design to accomplish N+1 is about 50% of the increase.
- Director Wilbur disclosed that Design Alaska is being considered for additional compensation and suggested IGU Attorney read the Ethics policy before allowing Director Wilbur to vote or not. David explains involvement of Design Alaska engineers. \$425,000 is the additional funds going to Design Alaska. Director Wilbur works for Design Alaska as their Treasurer. He may get a bonus at the end of the year along with all the other employees. IGU Attorney read Ethics Factors regarding financial and private interests. This does include the definitions from the FNSB Code.

- Would amount of contract make significant difference in bonus? No, \$12 Million is Design Alaska's annual revenue and this contract is a small portion of that income.

**Motion by Nordale that Wilbur be allowed to vote on the budget that is before the IGU Board, Seconded by Director Lee. Discussion:**

- Zane discussed the criteria, one by one, applying each to the situation.

**Roll Call on the Motion**

Director Butler	Yea
Director Lee	Yea
Director Nordale	Yea
Director Wilken	Yea
Vice Chair Haagenon	Yea
Madam Chair Throop	Yea

**Motion carries.**

- Discussion continued on BM 2019-04 (misabeled as BM 2019-02)
- David was asked by the BOD what he learned from this, David answered the opportunity to have greater unit price breakdown to do an analysis more readily, to make sure contractors provide a detailed breakdown to help us negotiate and bring prices down. The schedule also had an impact, and best value process versus RFP versus EPC contract methodology. There are plus's and minus's with each.

**Director Wilbur Moved to Amend the Budget and Delegation to IGU General Manager to Proceed with Related Contracts and Contract Administration as Needed for 5.25MG LNG Storage Project, as outlined in the Board Memo. Seconded by Director Wilken.**

**Roll Call on the Motion**

Director Butler	Yea
Director Lee	Yea
Director Nordale	Yea
Director Wilbur	Yea
Director Wilken	Yea
Vice Chair Haagenon	Yea
Madam Chair Throop	Yea

**Motion carries.**

**5 minute break @ 5:42pm.**

**Return @ 5:51 pm.** (Director Lee had been excused and will return shortly)

**Madam Chair suspended the rules and moved the next agenda item (Budget Approval for an Independent Review of Contracts) to underneath Directors Comments.**



- Commercial Usage Review
  - All of the schools that have the ability to be on Natural Gas (NG) are on NG. All are interruptible except Nutrition Services which is not interruptible. Majority of schools in distribution area are converted to use NG. Two Rivers & Weller, for example, don't have a pipe to serve them so are not using NG. North Pole Middle is being renovated and they will convert as soon as NG becomes available to them.

ACTION ITEM LIST – Michelle will put together a list of federal buildings for natural gas conversion.

- The University has 2 coal boilers as their primary energy source, #3 is oil and #4 is oil and gas. Boilers #1 & #2 are being replaced by the new coal boiler and their primary fuel source will be coal.

### **III. Other Business**

- Action Items List
  - Reviewed the list.
  - Discussed #19 for IGU Attorney to look at a lien on the North Slope Pad regarding the DNR money that will be earned as a result of our improvements to the pad.

### **IV. Closing Comments**

- Director Wilken said the Alliance meeting he attended was well done and he learned from it.

### **V. Budget Approval for an Independent Review of Contracts**

- Madam Chair stated we have had several cost overruns of budget and we have some holes in our process. She would like the BOD to consider hiring an independent person to review previous EPC that resulted, and the \$5M we ran over, and the current amount we are over on this bid project, above and beyond the estimates. We have limited amounts of money and we are jeopardizing this project. Going forward, we need to tighten up our procedures so we understand what these projects cost, whether looking globally or at the components. She would like BOD authorization and has someone in mind to do the independent review.
  - Director Nordale suggested we really need a review and management letter for procedures to follow in approving a contract and any cost overruns. We need to know well in advance of a cost overrun. Hopes whoever gets the contract can give us that advice.
  - Vice Chair Haagenson discussed looking at the past and making improvements for the future. We were not in control of FNG when this happened. We can't reach back and change what wasn't under our control. This is about looking at our future.

- Madam Chair believes in order to go forward responsibly we have to know what to avoid, and know the procedure we should have.
- Director Wilbur asked what is a review of contracts? Madam Chair wants to look at planning, scope, and budget, and see why we are so far off on our budgeting. Specifically looking at the evolution of the storage tank project and its budget versus the actual costs.
- Dan stated being open to any feedback to our contracting approach.
- Director Lee stated we are accountable to the public and we can't go to the public and say AIDEA made us do it. We need accountability from a 3<sup>rd</sup> party to justify our position. Bonding or Bridge Loans will affect our rates for the North Pole project.
- Director Wilken asks for scope of work, budget, and to know who it is that Madam Chair has in mind to hire. He is uncomfortable not having anything in front of him and requests postponing the vote.
- Director Wilbur concurs with Director Wilken. There is nothing to review. What is the scope, what is the formal document to get a price from this individual?
- Director Butler needs an outline of the specifics including the budget and terms of service.
- Vice Chair Haagenson asks for the scope, schedule, and budget.
- Director Nordale asks Madam Chair to come back to the BOD with a report of this person and what they said they can do so we have information and guidance we need to create a contract and engage them as an advisor.
- Vice Chair Haagenson volunteered to help write the scope with Dan.
- Director Butler is looking for a diagnosis, and requests diagnosing what happened with us and moving forward.
- Madam Chair stated that we can't afford to continue down this path of cost overruns.

**VI. Adjournment @ 6:47 pm. Director Butler moved, Director Lee seconded.**

DATE: Feb 12, 2019

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## IGU Action Item List

Item	Action	Responsible Person	Date	Due Date	Status	Notes
1	Change the Code of Ethics	Director Nordale & IGU Attorney		Mid-February	Draft in progress	
2	Ethical Procedures Developed	Director Nordale & IGU Attorney	1/8/2019	Mid-February	Draft in progress	
3	Policy No. 05 Ethics and Conflicts of Interest updated	Director Nordale & IGU Attorney		Mid-February	Draft in progress	
4	Policy No. 05 Ethics and Conflicts of Interest; Disclosure form created	Director Nordale & IGU Attorney		Mid-February	Draft in progress	
5	Schedule to include Action Plan Items	VC Haagenon & Mark Rockwell	1/22/2019		Draft in progress	
6	Finish modeling for comparisons	Brown Thornton		Ongoing	Ongoing	
7	Siemens Negotiations Update under GM Report	Dan Britton		1st & 3rd Tuesdays	Ongoing	
8	Identify gas supplies and negotiate price and terms	Dan Britton		Ongoing	Ongoing	
9	Staffing plan for overall Project Management, Scope, Schedule and Budget	Dan Britton		Ongoing	Ongoing	
10	Siemens Negotiations Schedule sent to BOD	Dan Britton		Weekly	Ongoing	
11	Global Plan going forward with the Utility, Update Capital Plan and Proforma	IGU Board		Ongoing	Ongoing	
12	Update Binders of Meeting Minutes & Attachments	Laura Steel	11/9/2018	Ongoing	Ongoing	
13	Hire media company for updating and integrating IGU and FNG's online/internet presence	Michelle Hollowell	2/6/2019	3/6/2019	RFP Issued 02/06/19	
14	Tank Tour - FNSB Assembly, North Pole & Fairbanks City Councils	Laura Steel	1/15/2019	2/19, 2/21, 2/23	Tours scheduled	
15	Discussion of Board Communications in compliance with Public Meetings Act	IGU Attorney	1/8/2019	Postponed from 1/15/19	Waiting for all Directors present	
16	Insurance Coverage Summary - Hale & Associates invitation to BOD meeting	Dan Britton	1/22/2019	3/31/2019		
17	Hire Financial Advisors (Request for Proposals No. 01-2019)	Dan Britton		RFP closed 1/31/2019	Under committee review	
18	Confirmation of Mat-Su Permitting	Dan Britton	2/5/2019			
19	Independent Review of Contract's Scope written	Director Haagenon & Dan Britton	2/12/2019			
20	Political versus Legal View for North Slope Pad Return on Investment	IGU Attorney	1/22/2019	Feb or Mar 2019		
21	Policy Drafted on Public Records Retention	IGU Attorney	12/13/2018			
22	IGU Policy 09 Relationship Between the IGU Board of Directors and the General Manager	IGU Board	9/4/2018	Tabled on 9/4/18		
23	IGU Policy 10 Delegation of Authority by the IGU Board of Directors to the General Manager	IGU Board	9/4/2018	Tabled on 9/4/18		
24	Consider forming a Board Improvement Committee	IGU Board	1/8/2019			
25	List of Federal Buildings to approach for Natural Gas Conversion	Michelle Hollowell	2/12/2019			