



# Interior Gas Utility

Board of Directors Meeting  
January 8, 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 – 12/18/18\* .....Pages 2-11
  - Public Comment – *limited to three minutes*
- II. New Business** (Board Discussion & Possible Action)
  - Election of IGU BOD Officers
  - Resolution #2019-01 .....Pages 12-13
    - A Resolution of the IGU to Not Accept Transfer of the Lease for the North Slope Pad From the AIDEA to the IGU
- III. Unfinished Business** (Board Discussion & Possible Action)
  - Security of Supply Analysis
    - HDR Report
- IV. Reports**
  - General Manager .....Pages 14-17
    - Siemens Negotiations Update
    - FEED Update
    - North Slope Pad Update
  - IGU Attorney\* .....Page 18
- V. Other Business**
  - Action Items List.....Page 19
- VI. Closing Comments**
  - General Manager Comments
  - IGU Attorney Comments
  - Directors Comments
- VII. Adjournment**

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



# Interior Gas Utility

Board of Directors Board Meeting  
December 18, 2018 @ 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, December 18, 2018, in the IGU Conference Room, Fairbanks, Alaska. IGU Board Chair, Pamela Throop, presiding.

Others in attendance were: Dan Britton (IGU), Zane Wilson (IGU Attorney - telephonic), Laura Steel (Secretary to the IGU Board), and Public members: Mary Nordale (2019 IGU Board elect), Jomo Stewart (FEDC), Liz Greig (public), David Prusak (Stantec), Richard Theilmann (Public), Peter Sarauer (GVEA), and Michael Welch (North Pole Mayor).

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

- Roll call

#### Board Members Present:

Jack Wilbur  
Bill Butler  
Patrice Lee  
Mike Meeks  
Gary Wilken  
Pamela Throop  
Steve Haagenon

- Approval of Agenda and Consent Agenda
  - Moved by Director Wilken and Seconded by Director Meeks to accept the Agenda. Discussion.
  - Director Lee questions the second bullet point on page five, asks why the last sentence was in there, and believes it didn't add to the minutes.
  - Madam Chair asks about the union vote where only one vote was cast for unionization, Dan explains how that vote was counted.
  - No objections to the Motion, Motion carried.
- Public Comment – *limited to three minutes*
  - Jomo Stewart – FEDC Project Manager; Thanks to Mr. Britton for presentation this morning. Discussed storage. An idea he presented; year after next need to start working on storage tax credit. Possible extension may relieve pressure on North Pole deadline, which is December 2019. Christmas is coming...

interpersonal relationships between Board members can be a bit prickly... he asks them to reflect, take a pause. When he was new to his job he was insulted to his face at the Board room table, a year later that person was hired because they were the best person for the job. Each Board member brings a lot to the project, and will bring a lot more if they can better work together.

- Gene Therriault – AIDEA (telephonic); Discussion regarding farm bill passed last week and the potential benefits, RESP Program (Rural Energy Savings Program) in the USDA RUS Program (Rural Utility Services). In the agriculture bill last week they gave \$75 million per year for each of the next five years. Allows for consumers to use the funds to do energy improvements to their dwellings. RUS is more comfortable lending directly to an electric co-op. EPA sanctions that may come down on the community will hit GVEA pretty hard, maybe the two utilities may partner together, may be able to broaden the accessibility of this program, it is an evolving program.
  - Questions – Vice Chair Wilbur asks if this program is one that Michelle Hollowell presented and talked about at a Board meeting, Rural Economic and Development Grant Program is a different one, RESP is the one he is speaking on. Director Lee thanks Gene for bringing information to the BOD. Madam Chair asks how they determine where the money goes. Dan answers this was included in Michelle's presentation and we are working on it.
- JR Wilcox – President of Prudhoe Bay Chemical (telephonic); working with AIDEA to sublease a portion of the pad on the North Slope, is available for any questions during the discussion in this meeting.

## II. New Business

- North Slope Pad (Board Discussion)
  - Prudhoe Bay Chemical is interested in one-third of the pad. The original lease for the North Slope was specific as a public project. DNR made the lease with AIDEA. DNR sold the gravel under a public sale at 50 cents per yard instead of 3 dollars per yard. DNR said the purchase no longer qualified for the discounted rate for the public benefit due to the sale to IGU, DNR wants the difference; \$530,000 total in difference. DNR also wants 25% of the difference between the sublease and the lease. It was disappointing that DNR took such a position. Analysis of what it may look like in future revenues and expenses for IGU taking over the lease. (Short term lease for six month man camp and longer term Prudhoe Bay Chemical lease.) Payment plans requested for AIDEA to sign a loan agreement which would carry forward to IGU if we take over pad from AIDEA.
  - Projected revenues - one of two leases are signed. Expenses include fees for managing, payment for lease itself, payment plan for gravel, some misc. Net income will be split 50/50 between IGU and AIDEA until \$140,000 spent on pad from their general fund is paid for, including an 8% carrying cost.

- Decisions for IGU Board – appeal is due January 2019. Need early entry agreement to allow sublease to be entered into, and then we finally enter the lease. It is a 30 year lease with DNR with 10 year renewable terms. Net income is just under \$1.6 Million to IGU. IGU is not obligated to take over the lease from AIDEA.
- Director Lee asked for everyone on teleconference to identify themselves... Alan Weitzner (AIDEA), Gene Therriault (AIDEA), Elizabeth Greer (AIDEA).
- Director Meeks-DNR is tripping us up. Shame on DNR, we are a struggling utility. He disagrees with AIDEA on the 140K, he refers to the Purchase and Sale Agreement at 5.9 they are supposed to transfer the North Slope Pad to us, nowhere in that paragraph does it say anything about money, so if we keep it we should at least stand up and say no to the 140K.
- Dan stated that Director Haagenenson did request a legal opinion on that issue and Zane is looking at the legal view of this issue.
- Director Wilken asks Dan for clarity on cash flow column in 2020 showing revenue expected from Prudhoe Bay Chemical for one-third of the pad. Expenses of \$324,000 - what are those? Lease to DNR \$104,000, gravel repayment of \$50,000 per year, lease administrative costs at \$20,000 estimated cost...Elizabeth Greer states there are some miscellaneous charges that add up; there is an appraisal every 3 years, general liability insurance, filing online, and legal as needed. \$104,000 is the bulk of it. Director Wilken asks for a list showing each item adding up to \$320,000. He asked what level of government this was decided. A local representative made a recommendation to the Commissioner's office to charge the gravel upcharge... letter came from the Northern Regional Manager, Jeanne Proulx.
- Alan offers the breakdown of \$150,000 in annual operating expenses, broken down to \$104,000, \$1,000 for legal, \$20,000 for administrative costs, \$3,000 for allowance for appraisal based on subleases, \$5,000 reimbursement, \$5,000 insurance, \$12,000 miscellaneous. \$174,000 is from DNR's 25% of the sublease and the gravel surcharge \$99,245 as payment option equal to \$57,000 or the greater of the DNR fee in the lease agreement. \$75,750 in DNR fee.
- Director Butler wants to reject this, we are not a real estate management company, we are going to take liabilities with this. If we have time to do this kind of management then what the heck are we doing? He will introduce a Resolution to reject this at the next meeting and just move forward as a gas utility company. Director Meeks concurs.
- Director Lee agrees with Director Butler and wants to know the Alaska Statute that shows how much time we have to appeal, perhaps there is a reputation of the Board as spineless; the value of the pad was promoted at \$15 million to IGU, she feels very betrayed as a Board member to be treated like this and asks what they are going to do, \$15 M is not a trivial amount of money.
- Dan clarifies that the \$15 M was represented as project funds expended on the development on the North Slope Project, not just the pad's value. \$6 million value is directly on the pad lease.
- Director Lee believes it is a liability if counting insurance costs to manage cleanup for any accident.

- Vice Chair Wilbur has many of the same feelings. What cost is there to not accept? Has AIDEA been taking money from our available funds to operate this?
- Dan explains that the funds expended on the North Slope Pad are coming directly from AIDEA's funds to get the pad ready for lease. Alan states the money spent is to get to the point of some value on the pad. Alan points out page 9 of the letter shows the appeal process as 11 AAC 02.040 (c) and (d) addresses timely filing of appeal. The Board did not see the letter as it came Friday and the Board Packet went out Thursday. Dan will forward it to them.
- Action Item List – Dan forward DNR Jeanne Proulx letter to the Board.
- Director Haagenson-What is Dan's recommendation? Asks that he talk to legal and provide a recommendation. This looks like DNR serving DNR.
- Director Lee states it seems as though AIDEA is running a tab for IGU. Dan answers that AIDEA is accounting for expenses incurred related to the North Slope Pad. Need discussions with legal counsel to say whether IGU is incurring the expenses. Director Lee states that SETS money is all gone before we realized we had this tab running; it's not just DNR, it goes to AIDEA's reputation as well.
- Vice Chair Wilbur stated that we need to engage somebody who can broker leases on the North Slope so we can see the potential revenue for leasing the full pad. Madam Chair and Dan stated that a current appraisal is \$3 M, based on earnings potential. Appraisal was comp based, it did not include income projection and did not take into account the value of longer term leases. Saw an income potential of \$1.3 Million. Vice Chair Wilbur asks again for someone to find out what our potential revenue may be from the North Slope Pad.
- Director Lee stated if it had the value presented in the PSA and FA, we would have a better debt to asset ratio.
- Director Haagenson wants Dan to take all this and put it together. His comments are not directed at AIDEA. We need to look at the process and where decisions were made. Asks what we agreed to in the PSA.
- Action Item List – Dan to look at what we agreed to and present it to the BOD.
- Director Butler-He is not backing off and will bring a Resolution at the next Board meeting to end this now.
- Madam Chair states that if we don't at least file an appeal before the 1st of the year, we can't decide to go forward or not. She knows people who do appraisals on the North Slope. Do we want to do management for the next 7 years at \$5500 a year? It seems ludicrous. Recommends asking Dan to write the letter to file the appeal, and we can decide not to after the first of the year.
- Zane is not sure if the right to appeal is with IGU since AIDEA is on lease. Mr. Wilcox stated that it may say on the letter that a person affected by the decision can appeal. Madam Chair asks about AIDEA appealing for us or a joint request with AIDEA. Director Haagenson states it should go to someone higher than the one who wrote the letter.
- Director Wilken states we have a new Governor to ask to waive the gravel rights and 25% costs to DNR. Not sure we want to throw this out yet.
- Action Item: Dan will work with AIDEA and determine if we can move forward with an appeal and get full analysis to the Board.

- Director Lee asks if there is a drop dead date for lease with Prudhoe Bay Chemical. Mr. Wilcox states they are flexible and very eager to get some solidity.
  - Madam Chair asks if Mr. Wilcox is interested in purchasing the pad. Says IGU could give them a good price. Mr. Wilcox states that is more than they need. As a good tenant they will be extending a gas pipeline to the pad which should add value to the pad.
  - Dan stated the Board has concern with liability for environmental spills, and has not received much description to provide comfort to the Board. How should we view the liabilities as we complete our analysis? Mr. Wilcox stated that the plant is a methanol plant, starting with natural gas and water, and then moves into methanol, a biodegradable alcohol that is not a toxic substance, and its only hazard is flammability.
  - Director Butler works in North Pole, the Flint Hills legal settlement is \$100 M right now and the air force is \$25 M.
  - Mr. Wilcox states this is crude oil vs natural gas. Catalyst is similar to catalytic convertor in your car, they do wear out over time and then are replaced. Not sure which metal, it's a proprietary thing and they are very secretive about it.
  - Director Haagenson asked if a 100,000 gallon spill of methanol will be cool with DEC because it is biodegradable. Mr. Wilcox states it is not a hazardous substance, doesn't persist in the environment, not like spilling gasoline. Madam Chair asked if they have a risk mitigation plan, no they do not have one formally yet.
  - Director Haagenson stated that there is toxicity to methanol, and a list of nasty things that can happen to people and large animals and small animals.
  - Director Wilken made a Motion that the BOD adopt intent to make a final decision ("by no later than" as amended by Wilken and Wilbur) January 22, 2019, seconded by Vice Chair Wilbur.
    - Discussion-Director Wilken explained a 3-step process which reserved their rights on appeal, then Bill rolls out his Resolution on the 8<sup>th</sup> which he intends to support, they listen to it, see it, set in on the table for a decision on the 22<sup>nd</sup>.
    - Director Butler will be introducing a Resolution on January 8th so will not vote for this motion, asked Zane if this Motion undermines his potential motion on the 8<sup>th</sup>, yes it would. Director Wilken modified the Motion and Vice Chair Wilbur accepted it.
    - Roll Call on the Motion
 

Wilken	Yes
Meeks	Yes
Lee	Yes
Haagenson	Yes
Butler	No
Wilbur	Yes
Throop	Yes
- Motion carries 6-1.

### III. Unfinished Business

- BM 2018-12
  - Dan recommends approval to the final extension of the Stantec contract.
  - Motion to accept BM 2018-12 by Director Wilken, seconded by Director Meeks.
    - Discussion: Does this cover North Pole management? Yes, under a specific work order if needed. Money to pay for projects is SETS money? Yes, for large storage project, we will exhaust SETS funds for North Pole storage and we will need to use cash funds. Director Wilbur asked if any of the \$770,000 will be directed to Design Alaska. No, it will not. Primarily to Brown Thornton, IT website management, and Chris Rutz as a sub-contractor... it's all through Stantec. Brown Thornton is related to financial advising, not specifically related to the construction. Brown Thornton will also be working with FA after RFP goes out and we hire a Financial Advisor.
    - Roll Call on the Motion
 

Wilken	Yes
Meeks	Yes
Lee	Yes
Haagenson	Yes
Butler	Yes
Wilbur	Yes
Throop	Yes

Motion carried unanimously.
- Siemens Negotiations
  - Dan stated that they met yesterday, met Friday internally. Director Wilbur participated Friday. Director Lee on Monday. Director Wilken previously. Some large issues to be resolved. Both teams are moving forward to determine best next steps. Ball is in Siemens court with couple issues on our side of the table. Asked for timeline and it would be middle of January from them for any further substantial response.
  - Vice Chair Wilbur thanked Madam Chair for permission to observe, it was informative to observe and gave him confidence in the team. No more confidence than before in ability to come to successful negotiations. Some points are nonnegotiable-is Siemens on board with that? Dan stated that they understand where we are coming from and we had good justification on those issues. Did not get a concrete answer yesterday.
  - Director Butler stated he was a supporter but they are already exceeding our deadline date. We can't let Siemens just keep pushing this down the road, we are going to have to have a hard deadline soon. Dan feels we have good alignment on the team and want to be cognizant of that. It was presented to Siemens some key and critical issues that are non-negotiable.
  - Director Haagenson-we drafted first draft and sent to them, at face to face there was positive back and forth. Now they will come back understanding our needs.

- Director Wilken wants to clarify that he observed, not participated, at the meeting.
- FEED Update
  - Dan has not received HDR's response. Director Haagenon states that the HDR results are a critical path item for FEED.
- Executive Session
  - Director Wilken moved the Board go into Executive Session for the purposes of discussing internal matters having to do with personnel, the public disclosure of which would be injurious to the personnel and/or the utility. Seconded by Director Haagenon.
    - Director Lee requests finishing Board business before entering Executive Session so they can finish the public parts.
    - Motion passed without objection to enter Executive Session after the Action Item List.

#### IV. Other Business

- Action Items List
  - Dan discusses the list has been updated from the previous one. Highlighted items are completed now. Binders are here and available in the Board room. Completed task of cost breakdown of Titan operations was emailed to Siemens Thursday afternoon. Item 7 is complete and we will use Stantec. Item 16 requires we make some changes to be in compliance. We will be working with Zane to develop a policy to outline specific requirements.
  - Action Item: Dan will send Titan response to the BOD so they can see what was sent to Siemens. Will continue to add and delete as items are brought forward.
  - Director Haagenon suggests we add DNR to the list.
  - Madam Chair Throop suggests we add the Financial RFP from Brown. Dan will make sure the two parties who presented to the BOD will be aware of the RFP, and will be requesting from Brown and Mark for suggestions to send RFP to. It will be available on the IGU website.
  - Action Item: Add Financial RFP to list.
- Citizens for Clean Air Update
  - Director Lee states the lawsuit against the EPA has proceeded. Helps move things along. We have needs for pots of money. If we have a choice between having point sources put out \$120M to affect very little change, if any, to our air quality, or we have the legislature coughing up \$20-25M, that might be some incentive for them, the point sources, to put that on the legislature with some of that money being used to backstop things that we might need backstopping for. And of course conversions, because we are in the serious air quality designation, to justify or add to any applications that we are making to USDA or EPA or otherwise.



- Word has it that we are getting another \$4M targeted grant at the beginning of this next year. At first Mayor Ward and the team had thought that they would not be doing stove change-outs and then they realized that qualifications to get that targeted grant didn't preclude them from getting it. They are in discussions now and we should be having some active discussion with them about how much goes in to more woodstoves and how much goes into moving forward, as Robin Brena has said, with getting the conversions under way that we need to help people, which then ultimately helps clean up the air. It sounds like a bad thing but Citizens for Clean Air is in good steads, we get along great with the EPA, there's no hard feelings whatsoever, and we talk to them on a weekly basis.
- Enforcement in town has been pretty slow and problematic, the only option we have right now is to file suit against serial polluters and that's about where things stand right now.
- Director Meeks asks how the EPA lawsuit is going to motivate the legislators in Juneau. Doesn't see anybody outside of FNSB being concerned. Director Lee responds we have a FNSB Assembly, we have a Mayor, we have a Board, we have FEDCO, we have all kinds of people and if we were to unanimously put that kind of pressure and prioritize our interior delegation towards that pursuit, we might get a little bit further. Directors Haagenon and Meeks emphasize that it doesn't affect the whole state. Director Wilken asks what they are asking the legislature to do. They are looking for a grant.

## V. Closing Comments

- Dan lets BOD know we are in communication with FNSB with the Targeted Airshed Grants. They will prioritize Natural Gas conversion. This is Director Meeks last meeting as a Director with us. Thanks him and appreciated open conversation with him and enjoyed working with him. Wished him well as he moves on. Wished everybody Merry Christmas and Happy Holidays. Believes we are making some good progress. This is a 100-year infrastructure we are building right now. Great opportunity to share with the FEDCO group this morning.
- Zane echoes Mr. Britton's comments about Director Meeks, he has been a straightforward fellow to work with and he appreciates that, he does believe we have moved forward and will be able to get clarity on the Siemens project in the near future.
- Director Meeks shared that after they adjourn tonight it will be the first time since 1994 that he doesn't have an extra duty volunteer job. This has been the hardest volunteer job he has ever done in his life. He has learned a lot from this group. When he first started, he said this is a doctorate level university class and he doesn't have to pay a cent. When you think about the talent that has come; finance guys, utility guys, construction, and you get to learn that whole bundle. The AIDEA negotiations probably aged him a little while for a few years. Thank you to Jomo too, who also got aged, he lost a lot of hair. Thanks for everything, keep this utility going, he will no longer have a conflict of interest as Chief of Staff so he can stand up and say 'Wait a second, you guys

need to move out on this', it was always a problem because it looked like he was self-serving. Now he can be an advocate with council members, mayors, and the public, and not have to worry about the conflict of interest.

- Director Haagenon doesn't think of it as losing Mike, but as gaining an ambassador. Tells Director Meeks he will miss him on the BOD but he can do great things for us off the board too and knows he will continue to do that. Thanks him for all his hard work and service. Director Haagenon stated he got oil the other day at \$2.82 gallon, which is \$20.36 per million Btu, it keeps climbing up slowly but surely, we are past the \$20 mark.
- Vice Chair Wilbur echoed what everybody else said about Director Meeks, he has known about Mike for a long time, because he has always done a lot of work on Fort Wainwright and Mike was Director of Public Works out there. Got to know Mike as they sat on BOD together and it has been a very positive experience and he thanks Mike.
- Director Lee thanks Mike for all of his hard work and wished him the best of relaxation and health and digging in down there and helping us wherever he can. She has learned an incredible amount over time and appreciates that. States we often have to compartmentalize and we can really care for each other and like each other and not have to agree with each other. We can even vehemently at times disagree, but she tends to compartmentalize and doesn't walk away with any ill feelings that she is aware of. She appreciates everybody there and wished them a Merry Christmas and a Happy New Year.
- Director Butler stated there are only two old-timers left and will see who outlasts the other.
- Director Wilken stated Dan's performance this morning at FEDCO was really well done, place was full, engaged, and positive. He learned things from the presentation. His cost structure description was brilliant. Great job today. Merry Christmas. Thank you Mike, for all your hard work.
- Madam Chair stated that it has been a difficult year, this is hardest thing she has ever done except a few personal things that were very difficult there's nothing that compares to this. Appreciate everyone's work here, Mike being a role model for her, even tempered. Wish you well in whatever endeavor. Met Mike when he was still in uniform a long long time ago. Will feel a little empty here without you here. Merry Christmas to everyone here and Happy New Year.
- Director Lee thanks the people who attend on a regular basis.

## **VI. Meeting recessed for Executive Session @ 6:10 pm.**

*[Handwritten mark]*



# BOARD MEETING SIGN IN SHEET

DATE: 12/18/2018

Name	Address or Title	Email Address	Do you wish to testify today?
Liz Greig			no
Jomo Stewart	FEDC	jstewart@investfairbanks.com	no
DAVID PRUSAK	IGU/ENG/STANTEC		
RICHARD THEILMANN	ON FILE	ON FILE	NO
Peter Savanna	owner		NO
Michael Welch	MAYOR, North Pole	onfile	NO



Considered on: January 8, 2019  
Approved on:

**RESOLUTION # 2019-01**

**A RESOLUTION OF THE INTERIOR GAS UTILITY TO NOT ACCEPT TRANSFER OF THE LEASE FOR THE NORTH SLOPE PAD FROM THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY TO THE INTERIOR GAS UTILITY**

**WHEREAS**, the Interior Gas Utility (IGU) was formed by the three municipalities of Interior Alaska to create a public natural gas utility to expand natural gas utility service within the Interior; and

**WHEREAS**, the mission of the IGU from its creation has been to bring natural gas at the lowest cost possible, to the most residents of the Interior as possible; and

**WHEREAS**, the State of Alaska through the Alaska Industrial Development and Export Authority (AIDEA) supported the Interior Energy Project by promoting the development of a liquefied natural gas (LNG) plant on the North Slope to support the expansion of natural gas services in Interior Alaska, including providing LNG to the IGU; and

**WHEREAS**, development of the LNG facility on the North Slope included a gravel pad for the construction of the LNG facility; and

**WHEREAS**, AIDEA's efforts to develop a LNG facility on the North Slope was unsuccessful but AIDEA retained the gravel pad and Lease obtained from the Department of Natural Resources; and

**WHEREAS**, AIDEA purchased Pentex Alaska Natural Gas Company, LLC (Pentex) with the purpose of promoting an integrated gas distribution system in Interior Alaska; and

**WHEREAS**, in June 2018, AIDEA transferred ownership of Pentex and agreed to apply to DNR for the transfer of the gravel pad to IGU as part of the Purchase and Sale agreement; and

**WHEREAS**, the IGU was created as a public utility with the mission of expanding the delivery of natural gas services in Interior Alaska and not as a property manager that will distract the IGU from its core mission; and

**WHEREAS**, if the IGU were a property manager for the North Slope pad, the IGU would shoulder risks for tenants' actions on the pad that could create unnecessary financial expenses for the IGU and its customers and consume limited staff time.

**NOW, THEREFORE, BE IT RESOLVED** that the IGU will notify AIDEA on the first business day following the passage of this resolution that the IGU does not want and will not accept transfer of the lease for the North Slope pad to the IGU; that the IGU will not pay any expenses incurred by AIDEA in discussions to transfer the lease for the North Slope pad to IGU; and further, the IGU shall cease any and all discussions with AIDEA about transfer of this lease to the IGU at a future date.

45 Approved:

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49 Madam Chair Pamela Throop, IGU Board of Directors

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52 Laura Steel, Secretary to the IGU Board of Directors

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\_\_\_\_\_  
Date

\_\_\_\_\_  
Date



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## General Manager Report – For the month of December 2018

### Financial / Accounting

- November financials will be reviewed by the Finance Committee on January 8, 2019.
- IGU and Pentex financial integration ongoing.
- Final Invoice sent to the FNSB for reimbursement of funds related to Grant scope of work.

### Operations

#### **Titan**

- Titan produced all required LNG for FNG and its other customers without interruption.
- Zero Lost Time Injuries, Zero Vehicle Accidents.

#### **FNG**

- 100% delivery reliability with no supply interruptions.
- Zero Lost Time Injuries, Zero Vehicle Accidents.
- Director of Operations Hired with a January 7, 2019 start date.
- A Load of LNG was scheduled and delivered from Ferus Natural Gas Fuels, in Elmworth, Alberta and received on December 21st. This load was scheduled as part of contingency plans related to alternative LNG supplies. The total time from dispatch in Alberta to arrival in Fairbanks was 58 hours including 5.5 hours of down time for a blown tire. Time to return to Alberta was 50 hours. We will be working on a dispatch model that would maximize alternative supplies available from BC and Alberta.

#### **IGU**

- Distribution System intact with no recorded pressure loss.
- Zero Third Party Damage.

### Capital Projects

#### **5.25 MM Gallon Storage Project**

- Inner Tank ring placement and welding continues.
- Balance of Plant Phase 4 bid package being finalized.



**Inner Tank Fifth Row in  
Place**



### North Pole Storage

- Engineering work 95% design complete. Final Budget being prepared.





Alaska LNGo				Last Update: December 21, 2018	Today's Date December 21, 2018		Comments
Line Item No.	Description	Due Date	wk day	SGT Responsible Party	Complete (Y/N)	Status / Work Days Remaining	
Objectives and Key Milestones							
R> Y> G							
0.01	Siemens PM020	15-Aug-18	We	Peter/Dan/Greg/Kelly	Y	Complete	
0.02	Submit Preliminary Proposal inclusive of draft LSA	17-Aug-18	Fr	Saams/Peter/Kelly/Greg	Y	Complete	
0.03	IGU review - submit comments	31-Aug-18	Fr	IGU	Y	Complete	
0.04	Submit response to comments	5-Sep-18	We	Peter/Kelly/Greg	Y	Complete	
0.05	Develop MOU for IGU	12-Oct-18	Fr	Peter	Y	Complete	
0.06	IGU signs MOU	24-Oct-18	We	IGU	Y	Complete	
0.07	LNG Supply Contract Negotiations	17-Dec-18	Mo	IGU/Siemens	Y	Complete	
0.08	Robin to supply 3 sections of term sheet	31-Dec-18	Mo	IGU	N	7	
0.09	Siemens edits to term Sheet	18-Jan-19	Fr	Siemens	N	21	re-working language based on negotiations
0.10	Mark/Brown to supply 'financier information' packet to Siemens	31-Dec-18	Mo	IGU	N	7	up receipt from Siemens
0.11	Finalize LNG Supply Contract Terms	31-Dec-18	Mo	IGU/Siemens	N	7	plan agreed upon during negotiations
0.12	Finalize Titan Integration Plan	31-Dec-18	Mo	IGU/Siemens	Y	Complete	
0.13	Finalize LNG Supply Contract	14-Feb-19	Th	IGU/Siemens	N	40	
0.14	Alaska RR Firm Agreement	21-Feb-19	Th	Siemens	N	45	
0.15	Siemens PM04C	1-May-19	We	Siemens	N	94	
0.16	Deliver Firm Fixed \$/Mcf per LNG Supply Contract Terms	30-May-19	Th	Siemens	N	115	
0.17	Execute Trigger Contracts/LNG Supply Contract with Knik Tribe	28-Jun-19	Fr	IGU/KI/Siemens	N	136	
0.18							
1.00	IGU						
1.01	First round LSA negotiations (now known as Liquefied Natural Gas Supply Contract - LNG SC)	19-Sep-18		IGU/Siemens	Y	Complete	
1.02	Second round LNG SC negotiations (via TVC)	11-Oct-18		IGU/Siemens	Y	Complete	Resulted in Robin wanting to draft LNG SC, rvw with board, then deliver to Siemens
1.03	Robin delivers to Siemens New LNG Supply Contract Terms Sheet	31-Oct-18	We	IGU	Y	Complete	see below
1.04	Robin delivers to Siemens New LNG Supply Contract Terms Sheet	29-Nov-18	Th	IGU	Y	Complete	30 days late
1.05	Dan delivers draft IGU schedule	29-Nov-18	Th	IGU	N	Overdue	
	Siemens review/initial response to Draft IGU LNG Supply Contract	14-Dec-18	Fr	Siemens	Y	Complete	
1.07	IGU to provide current and projected \$/Mcf	14-Dec-18	Fr	IGU	Y	Complete	
1.08							
1.09	Execute Alaska Railroad Contract	28-Jun-19	Fr	Siemens	N	136	
1.10	Execute LNG Supply Contract	28-Jun-19	Fr	IGU	N	136	
2.00	Engineering						
3.00	Project Management						
4.00	Supply Chain Management						
5.00	Structured Finance						
6.00	Legal/Contracts						
7.00	Proposals						
8.00	Siemens Dresser Rand						
9.00	Knik Tribe/Knikatnu Inc.						

MEMORANDUM

TO: IGU Board  
FROM: Zane D. Wilson  
SUBJECT: Summary of Activity  
DATE: December 31, 2018

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Over the last month we have been engaged on the following issues:

1. Internal discussions and negotiations on the Siemens LNG Term Sheet.
2. North Slope Pad obligations of AIDEA.
3. IBEW union negotiations.
4. Wrap up of potential conflict of interest/ethics issue.
5. Ongoing interaction with Chairman Throop and General Manager Britton regarding the above issues and other issues that are raised on a day-to-day basis.
6. Attend Board meetings.

# IGU Action Item List

Item	Action	Responsible Person	Date Initiated	Due Date	Status	Notes
1	Hire a construction Project Manager for the North Pole phase of storage	Dan Britton		01/31/19	Completed	
2	Titan response prepared for Siemens will be sent to the BOD	Dan Britton	12/18/18		Completed	
3	Dan forward DNR letter from Jeanne Proulx to the BOD	Dan Britton	12/18/18		Completed	
4	Ask Alan Shepherd (HDR Engineer) what it would take to make a utility grade firm gas supply	Dan Britton		Completed & Awaiting Report	Completed & Awaiting Report	
5	FNG emails in compliance w Public Records Act.	Dan Britton & IGU Attorney	12/11/18		Drafting Policy	
6	Siemens Negotiations Update under GM Report	Dan Britton		1st & 3rd Tuesdays	Ongoing	
7	FEED Update under GM Report	Dan Britton		1st & 3rd Tuesdays	Ongoing	
8	Citizens for Clean Air Update	Director Lee		Monthly	Ongoing	
9	Update Binders of Meeting Minutes & Attachments	Laura Steel	11/09/18	Ongoing	Ongoing	
10	Finish modeling for comparisons	Brown Thornton		Ongoing	Ongoing	
11	Staffing plan for overall Project Management, Scope, Schedule and Budget	Dan Britton		Ongoing	Ongoing	
12	Identify gas supplies and negotiate price and terms	Dan Britton		Ongoing	Ongoing	
13	Global Plan going forward with the Utility, Update Capital Plan and Proforma	IGU Board		Ongoing	Ongoing	
14	Siemens Negotiations Schedule sent to BOD	Dan Britton		Weekly	Ongoing	
15	Hire media company for updating and integrating IGU and FNG's online/internet presence	Michelle Hollowell		12/31/18	Will issue an RFP	
16	Hire Financial Advisors	Dan Britton			Will issue an RFP	
17	Final Decision on North Slope Pad	IGU Board	12/18/18	01/22/19		
18	Difference in cost for one train versus two trains	Dan Britton		End of December		
19	Storage levels in any given year as we grow our demand and recognize our security of supply	Dan Britton		End of December		
20	IGU Policy 09 Relationship Between the IGU Board of Directors and the General Manager	IGU Board	09/04/18	Tabled on 9/4/18		
21	IGU Policy 10 Delegation of Authority by the IGU Board of Directors to the General Manager	IGU Board	09/04/18	Tabled on 9/4/18		
22	Policy Drafted on Public Records Retention	IGU Attorney	12/13/18			
23	Dan to look at what IGU BOD agreed to in the PSA re: North Slope Pad	Dan Britton	12/18/18			
24	Work w AIDEA and complete full DNR analysis, determine if we can move fwd w an appeal; report to BOD	Dan Britton	12/18/18			
25	FEED scope to be completed and discussed with Braemar	Dan Britton				
26	Policy No. 05 Ethics and Conflicts of Interest updated	IGU Attorney				
27	Policy No. 05 Ethics and Conflicts of Interest; Disclosure form created	IGU Attorney				
28	Change the Code of Ethics	IGU Attorney				