



# Interior Gas Utility

Board of Directors Meeting  
April 2, 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 – 3/19/2019\*, 3/26/2019\* ..... Page 2-9
- Approval of January Financials\* ..... Page 10-19
- Public Comment – *limited to three minutes*

### **II. New Business (Board Discussion & Possible Action)**

- Project Manager – Job Description

### **III. Old Business (Board Discussion & Possible Action)**

- New Ethics Policy No. 5

### **IV. Reports**

- General Manager ..... Page 20-23
- IGU Attorney\* .....Page 24

### **V. Other Business**

- Action Items List.....Page 25

### **VI. Old Business (Possible Executive Session)**

- Siemens Update
- North Pole Storage Update

### **VII. Closing Comments**

- General Manager Comments
- IGU Attorney Comments
- Directors Comments

### **VIII. Adjournment**

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



# Interior Gas Utility

Board of Directors Board Meeting  
 March 19, 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, March 19, 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), Wes Smith (FNG Controller), Mark Rockwell (FNG Director of Operations), and members of the Public: Michael Welch (North Pole Mayor) and Jomo Stewart (FEDC).

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

- Roll call

#### Board Members Present:

Pamela Throop  
 Steve Haagenson  
 Bill Butler (arrived @ 4:06 p.m.)  
 Patrice Lee  
 Mary Nordale  
 Jack Wilbur (arrived @ 4:01 p.m.)  
 Gary Wilken (telephonic)

- Approval of Agenda, Consent Agenda, & Minutes
  - Moved by Vice Chair Haagenson and Seconded by Director Lee to approve the Agenda and Consent Agenda.
  - Motion carried without objection.
  - Director Lee asked for an excused absence for last week as she was very sick.
- Public Comment – None.

### II. New Business

- Rail & Trucking Safety Analysis
  - Discussed a motion on the next agenda and something formal written for our due diligence in our build out of Titan. The goal is to document that we have looked at risk probabilities when we decide whether we do rail from Titan or build in Houston and go all rail or go all trucking. Safety record by truck available, none available by rail so unable to assess difference, so can only look

at overall safety by rail versus truck. Not sure how that adds to our information. KGB Road traffic is looked at by the Mat-Su Borough. A lot of money and effort is being spent in the Mat-Su for road safety.

- Discussed a study looking at safety and liability. What is the goal? Madam Chair answers it is informational for when we decide where we are going to build and how we are going to build.
- Discussed exposure to criticism if making statements that one is safer than the other i.e. trucks versus railroad. Are we going to give a percentage which is safer? We need a firm price from the railroad. Rail is safer than truck, per mile, so not sure what we are trying to find. Jackson Fox, Executive Director, routinely goes out for analysis of roads, and Director Butler recommends Madam Chair speak with him. Why can't we trust the safety of transporting by truck or rail if there is permitting already being issued because it is safe. We are currently trucking safely.

### III. Old Business

- Board Memorandum No. 2019-05
  - Discussed timetable of Financial Advisors, \$13 MM needed to finish the North Pole Storage project, FEED work at Titan, and beginning installation of pipe for customers in the FNSB.
  - We are looking to borrow these funds.
  - We need AIDEA's approval to get these funds.

***Moved by Director Wilbur to Award to Hilltop Securities for Professional Services related to FA Services to obtain a credit rating, develop and execute a debt financing plan, and assist as requested in the issuance of bonds for project financing for a fee of \$70,000, Seconded by Director Butler.***

Roll Call Vote:

Butler	Yea
Lee	Yea
Nordale	Yea
Wilbur	Yea
Wilken	Yea
Haagenson	Yea
Throop	Yea

Motion Passed Unanimously.

### IV. Other Business

**Madam Chair suspends the rules to move Action Items List above Siemens Update. Also suggests in the future that we move the Executive Session to the beginning of the meeting and then at 5 p.m. we would open up to the public and possible action from the executive session.**

- Action Items List
  - Discussed list.

- Vice Chair Haagenson discussed his intent regarding #7 on the list.
- Discussion whether the previous Resolution on the North Slope Pad allows the IGU Board to pay Zane to do any work on this issue.
- Discussed Postponing any work by Zane until the Resolution has been reviewed, and until the Legislative Session has adjourned.
- IBEW negotiations continue and will be covered by either the GM or Attorney Monthly Reports in the future.

Five Minute Break @ 5:32 p.m.

Reconvened.

***Moved by Vice Chair Haagenson to go into Executive Session to discuss the Siemens Update, the knowledge of which if known to the public would clearly have an adverse effect on the finances of IGU and is also covered under Non-Disclosure Agreement. Dan is going to stay, and Robin Brena, and the Board, and Zane. Seconded by Director Wilken. Hearing no objection, motion passed. Went into Executive Session.***

Reconvened.

## V. Closing Comments

- General Manager
  - Status of North Pole Facility, solicitation began February 14<sup>th</sup>, Proposals are due March 21<sup>st</sup>, there have been comments that the schedule proposed is extremely tight so that could impact the response we might see on the 21<sup>st</sup>.
  - We are presenting Thursday to the House Energy Committee at 11:00 a.m. The Chair of that Committee is Representative Hopkins.
- Director Lee
  - If you don't already have the AKLEG app, it tells you when every session is.
- Director Wilken
  - Suggests Dan bring copies of the Quarterly Report to Juneau and make sure that the two Finance Committees get copies as well as each of the Interior Delegates get copies, so people know it is an active project and that we are making progress.
  - Dan replied that he does have a meeting with the new Executive Director of AIDEA Thursday in Juneau while he is there.
- Vice Chair Haagenson
  - Tom Boutin used to be on the Board of AIDEA, and now he is the Executive Director of AIDEA. Thanked Robin Brena for the good work.
- Director Wilbur
  - Doesn't think he needs to declare to the Board but wanted to express and err on the side of declaration that Design Alaska has entered into a contract with North Star Engineering and Inspection to review and assist them under contract with the City of North Pole, to review the construction documents for the LNG North Pole Storage Facility.

## VI. Moved by Director Butler, Director Nordale seconded, adjourned @ 7:40 p.m.



# BOARD MEETING SIGN IN SHEET

DATE:

[illegible]



# Interior Gas Utility

Board of Directors Board Meeting  
 March 26, 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, March 26, 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), and member of the public: Jomo Stewart (FEDC).

### **I. Call to Order @ 3:58 pm.**

- Roll call

#### Board Members Present:

Pamela Throop  
 Steve Haagenon  
 Bill Butler @ 4:00 pm  
 Patrice Lee  
 Mary Nordale  
 Jack Wilbur  
 Gary Wilken (telephonic)

- Approval of Agenda
  - Moved by Director Nordale and Seconded by Director Lee to approve the Agenda.
  - Motion carried without objection.
- Public Comment – None.

### **II. New Business**

- Ethics Policy No. 5
  - Zane presented the drafted policy on ethics.
  - Discussed a hearing officer hired or nominated to handle ethics complaints.
  - Discussed #12 prohibiting employees from working in their own boiler related business on the side.
  - FNG installs up to the meter, and then the customer is responsible for getting the gas from the meter into the structure.

- Discussed using APOC forms instead of new BOD form. New form drafted by Zane was not presented to the BOD.
- Discussed process from receiving complaint to resolution.
- Suggested consistency with the dollar limit for gifts and making it \$100.00.
- Madam Chair and Zane will be working on this policy.
- Upper Management employment Agreements review
  - Madam Chair stated it is the Board's responsibility.
  - Dan Britton, General Manager, is the only employee of IGU. Discussed also evaluating the Director of Operations, with the GM's input.
  - Discussed support of the GM continuing to be the only employee.
  - Vice Chair Haagenon suggested a five-part evaluation system that was used for him in past employment.
    - Part 1-accomplishments and goals
    - Part 2-performance appraisal standards
    - Part 3-next year's goals and performance standards
    - Part 4-negotiation
    - Part 5-compensation package
  - Discussed standing versus temporary committee, difficulty in finding comparables to base compensation on.
  - Director Lee moved, and Director Wilken seconded to table or postpone the document discussion to another meeting.
    - Discussion: Madam Chair requested the BOD send her and Zane their suggestions on how to evaluate Dan & look at compensation.
    - Director Butler suggests putting it on the Action Item List for 2 weeks from today.
    - Director Wilken withdrew his 2<sup>nd</sup> to the motion and Director Lee withdrew her motion.

### **III. Other Business**

Madam Chair suspends the rules to move the North Pole Storage Update to Executive Session.

- Short-term Financing Update
  - Proposals were received and forwarded to the Financial Advisor.
  - We are working with AIDEA to address their requirements and get approval from them. Discussed the letter that Dan wrote to AIDEA and their response.
- Transportation Study Update
  - Madam Chair said this goes on the Action Item List and is not concluded yet.
- Action Items list
  - Dan is doing a presentation tomorrow morning at the Chamber of Commerce.
  - A FEED kick-off meeting was held in Anchorage with Mark Rockwell and Dan last Friday. There was discussion on the Mat-Su permits. Future progress will be reported in the GM Reports or a separate report from Mark Rockwell.

- We are moving forward with Braemar by getting RFP's issued and getting them back to be evaluated. They will take the balance of plant to 65% and then either decide to issue bids or continue with Braemar to 100% design.
- Discussed benefits of going to 65% design versus 100% design.
- Vice Chair Haagenson requests a Due Date assigned to all items on the Action Items List.

#### **IV. Closing Comments**

- Dan provided a written report from our lobbyist, Yuri Morgan, on Legislative action. The first committee meeting was Thursday and went well. The bill passed out of committee without objection. The committee report was signed 6 "do pass", and 1 signed "no recommendation". Yuri is working on a schedule of the next hearing.
- Director Lee commented that July 8<sup>th</sup> is the deadline for non-attainment legislation, and we have to come up with some ways to actually clean up the air.

5 Minute Break @ 6:18 p.m.

Reconvene and go into Executive Session.

#### **V. Adjourned @ 7:55 p.m. - moved by Director Butler, seconded by Director Lee.**





# BOARD MEETING SIGN IN SHEET

DATE: 3-26-2019

[illegible]



# Interior Gas Utility

Finance Committee Meeting  
February 26, 2019 @ 12 PM  
3408 International Street, Fairbanks, Alaska

## MINUTES JANUARY FINANCIALS REVIEWED

### I. **Call to Order @ 12:05 p.m.**

- a. Roll Call
  - i. Pamela Throop, David Durham (telephonic), & Doug Bishop.
  - ii. Other: Dan Britton, Wes Smith, Laura Steel, & Zach Dameron (telephonic).
  - iii. Excused – Patrice Lee.
  - iv. Absent – Mary Nordale
- b. Approval of Agenda
  - i. Moved by David and Seconded by Doug. Motion Carried.
- c. Approval of Minutes
  - i. Moved by David and Seconded by Doug. Motion Carried.

### II. **Monthly Financials**

- a. Profit & Loss – January 2019
  - i. IGU Financial Statements reviewed.
  - ii. FNG Financial Statements reviewed.
    - 1. Discussed budget in administrative salaries and outside services in general. Wes explained that they reflect both timing issues and the admin assistant that was full time instead of part time.
    - 2. Wes explained the formula used to calculate gas sales for Residential and Small Commercial customers.
  - iii. Titan Alaska Financial Statements reviewed.
    - 1. Reviewed the Statement of Revenues, Expenses and Change in Net Position notes. Operating revenues were \$46,000 over budgeted operating revenues due to selling more gas to customers.
  - iv. AET Financial Statements reviewed.

### III. **Closing Comments – Meeting Adjourned at 12:56 p.m.**

- a. Discussed having an additional meeting for an update on the approach to short term cash needs, rates, the new Financial Advisor, and October 2019 financial needs.
- b. David will recuse himself from the discussion of loans because his bank is one of the responder's to IGU's request for funds.
- c. Discussion was postponed due to two members not being there.
- d. The Finance Committee recommended that the IGU Board accept the January 2019 Financial Report as presented at their meeting.
- e. The next meeting will be March 26, 2019.

**Interior Alaska Natural Gas Utility**  
**Financial Statements - with budget comparison**  
**January 31,**

	Jan 2019 (Actual)	Jan 2019 (Budget Rev 1)	Jan 2019 (Variance) fav/(unfav)	Footnote	YTD 2019 (Actual)	YTD 2019 (Budget Rev 1)	YTD 2019 (Variance) fav/(unfav)
<b>STATEMENT OF OPERATIONS</b>							
<b>Operating revenues</b>							
Contract revenue - FNSB	0	0	0		304,575	304,575	0
Total operating revenue	0	0	0		304,575	304,575	0
<b>Operating expenses</b>							
Administration and general expenses	40,520	58,527	18,007	(a)	405,749	446,746	40,997
Depreciation	300	300	0		2,103	2,103	0
Total operating expense	40,820	58,827	18,007		407,852	448,849	40,997
Operating income (loss)	(40,820)	(58,827)	18,007		(103,277)	(144,274)	40,997
Net operating margin %	0.0%	0.0%	0.0%		-33.9%	-47.4%	13.5%
<b>Non operating income (expense)</b>							
Interest income	0	0	0		354	0	354
Other income (expense)	0	0	0		11,807	0	11,807
Other income - transfer in (out)	0	58,527	(58,527)	(b)	0	459,225	(459,225)
Total non operating income (expense)	0	58,527	(58,527)		12,161	459,225	(447,064)
Change in net position	(40,820)	(300)	(40,520)		(91,116)	314,951	(406,067)
Net position - beginning of period	520,112	971,718	(451,606)		570,408	656,467	(86,059)
Net position - end of period	479,292	971,417	(492,126)		479,292	971,417	(492,126)



**Variance to Budget Footnotes**  
**January 31, 2019**

- (a) - Administration and general expenses were \$18K under budget for January due to a timing difference between actual and budgeted expenses.
- (b) - Other income - transfer in (out) was \$59K under budget for January due to no transfer of cash from FNG was required during the period for the day to day operations of the Utility.

**Fairbanks Natural Gas, LLC**  
**Financial Statements - with budget comparison**  
**January 31,**

	Jan 2019 (Actual)	Jan 2019 (Budget Rev 1)	Jan 2019 (Variance) fav/(unfav)	Footnote	YTD 2019 (Actual)	YTD 2019 (Budget Rev 1)	YTD 2019 (Variance) fav/(unfav)
<b>STATEMENT OF OPERATIONS</b>							
Mcf:							
Residential	9,023	8,633	390		33,789	34,462	(673)
Small Commercial	57,758	59,232	(1,475)		220,708	243,314	(22,606)
Large Commercial	32,048	32,216	(168)		122,863	129,516	(6,653)
Interruptible - Small	8,499	6,641	1,858		37,542	33,734	3,808
Interruptible - Large	7,872	2,531	5,341		19,164	10,522	8,642
Hospital	204	0	204		34,330	0	34,330
UAF	1,232	0	1,232		8,200	0	8,200
FNG	122	122	(1)		405	541	(136)
Total Mcf	116,758	109,376	7,382		477,001	452,089	24,912
HDD	2,243	2,242	1		7,705	8,331	(626)
<b>Operating revenues</b>							
Residential Gas Revenues	187,777	179,651	8,126	(a)	703,155	717,152	(13,997)
Small Commercial Gas Revenues	1,199,052	1,229,666	(30,614)	(b)	4,581,899	5,051,196	(469,297)
Large Commercial Gas Revenues	663,400	666,871	(3,471)		2,543,270	2,680,981	(137,711)
Interruptible - Small	170,225	133,019	37,206	(c)	751,970	675,696	76,274
Interruptible - Large	129,890	43,664	86,225	(d)	324,663	181,502	143,162
Hospital Gas Revenues	3,368	0	3,368		631,228	0	631,228
UAF Revenues	20,328	0	20,328	(e)	148,125	0	148,125
Service Charge Revenues	26,284	25,076	1,208		182,523	177,313	5,210
Other Revenue	1,559	2,500	(941)		9,353	17,500	(8,147)
Total operating revenue	2,401,882	2,280,448	121,435		9,876,187	9,501,340	374,848
<b>Operating expenses</b>							
Natural gas purchases	1,762,999	1,674,858	(88,141)	(f)	7,519,177	6,935,257	(583,920)
Fairbanks distribution operations	33,485	26,337	(7,148)	(g)	168,401	185,524	17,124
Fairbanks distribution maintenance	3,951	8,026	4,075		47,237	56,185	8,948
Fairbanks storage & vaporization operations	67,708	49,969	(17,739)	(h)	219,408	231,421	12,013
Fairbanks storage & vaporization maintenance	1,453	6,500	5,047		27,346	43,481	16,136
Engineering	18,936	18,474	(462)		117,263	129,318	12,055
Customer Services	20,620	22,123	1,503		86,904	154,211	67,307
Administration and general expenses	180,809	121,531	(59,278)	(i)	836,655	873,249	36,594
Depreciation	68,836	69,085	249		482,879	486,677	3,798
Total operating expense	2,158,796	1,996,903	(161,893)		9,505,271	9,095,326	(409,946)
Operating income (loss)	243,086	283,544	(40,458)		370,916	406,014	(35,098)
Net operating margin %	10.1%	12.4%	-2.3%		3.8%	4.3%	-0.5%
<b>Non operating income (expense)</b>							
Gain (loss) from disposition of property, plant and equipment	0	0	0		2,500	0	2,500
Interest income	554	0	554		4,561	0	4,561
Other income (expense)	11,364	51,349	(39,985)	(j)	637,015	200,041	436,974
Net increase in fair value of investments	0	0	0		24,299	0	24,299
Total non operating income (expense)	11,918	51,349	(39,431)		668,375	200,041	468,334
Change in net position	255,004	334,893	(79,889)		1,039,291	606,055	433,236
Net position - beginning of period	23,228,651	22,642,190	586,461		22,444,364	22,371,028	73,335
Net position - end of period	23,483,655	22,977,083	506,571		23,483,655	22,977,083	506,571
Net Margin %	10.62%	14.69%			10.52%	6.38%	
EBITDA	311,923	352,629	(40,707)		853,795	892,691	(38,896)



**Variance to Budget Footnotes**  
**January 31, 2019**

(a) - Residential revenue was \$8K<sup>1</sup> higher than budgeted. Heating Degree Days (HDD) were slightly higher than budget for the month. Actual HDD was 2,243 versus 2,242 in the budget. (HDD = a measure of how much (in degrees), and for how long (in days), outside air temperature was lower than a specific "base temperature" (or "balance point")). The base temperature that is used for our calculation is 65 degrees F. The HDD used in the budget is based on a 19 year average of HDD. Actual customer count was 490 compared to 490 customers budgeted. There were 31 days in the billing cycle for January.

	Actual	Budget	F (U) Variance
Total Mcf per mo	9,023	8,633	390
Rate per Mcf	\$ 20.81	\$ 20.81	\$ -
Residential gas billings for January, 2019	<u>\$ 187,777</u>	<u>\$ 179,651</u>	<u>\$ 8,126</u> <sup>1</sup>

The following schedule represents how residential revenue is derived in the budget process.

	Budget
HDD	2,242
Base	1.70
Per DD	0.007
Customers	490
Total Mcf per month ((Base+(PerDD*HDD))*Customers)	<u>8,633</u>
Total Mcf per month	8,633
Rate per Mcf	\$ 20.81
Total residential monthly revenue - gas sales	<u>\$ 179,651</u>

(b) - Small Commercial revenue was \$31K<sup>1</sup> lower than budgeted. Heating Degree Days (HDD) were slightly higher than budgeted for the month. Actual HDD was 2,243 versus 2,242 in the budget. The average temperature in January 2019 and 2018 was -7.4° F and -6.2° F respectively. There were 31 days in the billing cycle for January.

	Actual	Budget	F (U) Variance
Total Mcf per mo, adjusted for Weather Factor	57,758	59,232	(1,475)
Rate per Mcf	\$ 20.76	\$ 20.76	\$ -
Small commercial revenue	\$ 1,199,052	\$ 1,229,666	\$ (30,614)
Billing allowances	-	-	-
Small Commercial gas sales for January, 2019	<u>\$ 1,199,052</u>	<u>\$ 1,229,666</u>	<u>\$ (30,614)</u> <sup>1</sup>

(c) - Interruptible - Small revenue was \$37K<sup>1</sup> higher than budgeted. Interruptible - Small revenue budget is not based on HDD. Interruptible - Small revenue budget is calculated based on historical usage data that has been accumulated for the expected customer base.

	Actual	Budget	F (U) Variance
Total Mcf gas sales	8,499	6,641	1,858



**Variance to Budget Footnotes**  
**January 31, 2019**

Rate per Mcf	\$ 20.03	\$ 20.03	\$ -
Interruptible gas sales for January, 2019	<u>\$ 170,225</u>	<u>\$ 133,019</u>	<u>\$ 37,206</u> <sup>1</sup>

(d) - Interruptible - Large revenue was \$86K<sup>1</sup> higher than budgeted due to FNSB School District now using gas as their primary heating fuel.

	Actual	Budget	F (U) Variance
Total Mcf gas sales	7,872	2,531	5,341
Rate per Mcf	<u>\$ 16.50</u>	<u>\$ 17.25</u>	<u>\$ (0.75)</u>
Hospital gas sales for January, 2019	<u>\$ 129,890</u>	<u>\$ 43,664</u>	<u>\$ 86,225</u> <sup>1</sup>

(e) - UAF revenue was \$20K<sup>1</sup> higher than budgeted due to UAF using gas with its new power plant. I do expect this to continue until UAF has completed its startup of the new plant.

	Actual	Budget	F (U) Variance
Total Mcf gas sales	1,232	-	1,232
Rate per Mcf	<u>\$ 16.50</u>	<u>\$ 17.25</u>	<u>\$ (0.75)</u>
Hospital gas sales for January, 2019	<u>\$ 20,328</u>	<u>\$ -</u>	<u>\$ 20,328</u> <sup>1</sup>

(f) - Natural gas purchases were \$88K over budget for January due to higher natural gas sales than budgeted.

(g) - Fairbanks distribution operations expense was \$7K over budget largely due to a timing difference of actual expense vs budgeted expense.

(h) - Fairbanks storage & vaporization operations expense was \$18K over budget largely due to unschedule maintenance and a timing difference of actual expense vs budgeted expense.

(i) - G&A - FNG expenses were \$59K over budget largely due to a timing difference of actual expense vs budgeted expense mainly related to payroll accounts.

(j) - Non operating income (expense) - Other income (expense) was \$40K under budget due to a timing difference of actual vs budgeted.

**Titan Alaska LNG, LLC**  
**Financial Statements - with budget comparison**  
**December 31,**

	Jan 2019  (Actual)	Jan 2019 (Budget Rev 1)	Jan 2019 (Variance) fav/(unfav)	Footnote	YTD 2019  (Actual)	YTD 2019 (Budget Rev 1)	YTD 2019 (Variance) fav/(unfav)
<b>STATEMENT OF OPERATIONS</b>							
Mcf:							
TKA Commercial Gas	740	718	22		5,556	5,675	(119)
AET Commercial Gas	359	670	(311)		4,049	4,671	(622)
Fairbanks Natural Gas, LLC	115,078	112,110	2,967		483,564	463,391	20,173
Total Mcf	116,177	113,499	2,679		493,168	473,737	19,432
<b>Operating revenues</b>							
TKA Commercial Gas Revenues	12,950	12,565	385		97,221	99,311	(2,090)
AET Commercial Gas Revenues	5,514	10,275	(4,761)		64,872	71,934	(7,062)
Fairbanks Natural Gas, LLC	1,765,294	1,718,653	46,641	(a)	7,564,007	7,117,145	446,862
Other Revenue	0	0	0		0	0	0
Total operating revenue	1,783,758	1,741,493	42,266		7,726,101	7,288,390	437,711
<b>Operating expenses</b>							
Natural gas purchases	1,001,146	943,563	(57,583)	(b)	4,182,621	3,962,161	(220,461)
Trucking expenses	317,056	281,938	(35,118)	(c)	1,349,083	1,143,605	(205,477)
Electricity	143,370	135,735	(7,635)	(d)	610,181	588,876	(21,305)
Gas liquefaction expenses	190,740	158,023	(32,717)	(e)	916,080	911,960	(4,119)
Talkeetna maintenance	180	229	49		4,708	1,604	(3,103)
Administration and general expenses	44,224	43,067	(1,157)		278,832	301,620	22,788
Interest expense	3,500	3,500	0		25,507	25,507	0
Depreciation	27,982	28,446	464		214,937	216,713	1,776
Total operating expenses	1,728,197	1,594,500	(133,697)		7,581,949	7,152,047	(429,902)
Operating income (loss)	55,561	146,992	(91,431)		144,153	136,343	7,809
Operating margin %	3.1%	8.4%			1.9%	1.9%	
<b>Non operating income (expense)</b>							
Gain (loss) from disposition of property, plant and equipment	0	0	0		0	0	0
Interest income	0	0	0		0	0	0
Other income (expense)	0	200	(200)		112,460	1,400	111,060
Total non operating income (expense)	0	200	(200)		112,460	1,400	111,060
Change in net position	55,561	147,192	(91,631)		256,612	137,743	118,869
Net position - beginning of period	4,814,760	4,734,575	80,184		4,613,709	4,744,024	(130,316)
Net position - end of period	4,870,321	4,881,768	(11,447)		4,870,321	4,881,768	(11,447)
EBITDA	87,043	178,938	(91,895)		384,597	378,564	6,034





**Variance to Budget Footnotes**  
**January 31, 2019**

(a) - Fairbanks Natural Gas, LLC revenue was \$47K<sup>1</sup> higher than budgeted due to increase volumes sold. There were 31 days in the billing cycle for January.

	Actual	Budget	F (U) Variance
Total Mcf per mo, adjusted for Weather Factor	115,078	112,110	2,967
Rate per Mcf	\$ 15.34	\$ 15.33	\$ 0.01
FNG, LLC revenue	\$ 1,765,294	\$ 1,718,653	\$ 46,641
Billing allowances	-	-	-
FNG, LLC gas sales for January, 2018	<u>\$ 1,765,294</u>	<u>\$ 1,718,653</u>	<u>\$ 46,641</u> <sup>1</sup>

(b) - Natural gas purchases was \$58K higher than budget for January due to higher gas sales and the price/Mcf of gas being slightly higher than budgeted.

(c) - Trucking expenses was \$35K over budget largely due to no use of the T800 to deliver loads to Fairbanks and higher gas sales. The average gallons per load were 10K compared to 10K budgeted.

(d) - Electricity costs were \$8K over budget largely due to higher gas sales.

(e) - Gas liquefaction expenses were \$33K over budget largely due to a timing difference between budgeted and actual expenses and adjustments to Cost of Sysytem gas.

**Arctic Energy Transportation, LLC**  
**Financial Statements - with budget comparison**  
**January 31,**

	Jan 2019 (Actuals)	Jan 2019 (Budget Rev 1)	Jan 2019 (Variance) fav/(unfav)	Fn	YTD 2019 (Actuals)	YTD 2019 (Budget Rev 1)	YTD 2019 (Variance) fav/(unfav)
<b>STATEMENT OF OPERATIONS</b>							
Mcf:							
Titan Alaska LNG, LLC	0	670	(670)		2,038	4,671	(2,633)
Fairbanks Natural Gas, LLC	342	0	342		2,153	0	2,153
Total Mcf	342	670	(329)		4,191	4,671	(480)
<b>Operating revenues</b>							
Titan Alaska LNG, LLC	0	18,108	(18,108)	(a)	55,004	126,190	(71,187)
Fairbanks Natural Gas, LLC	5,240	0	5,240		34,677	0	34,677
Total operating revenue	5,240	18,108	(12,868)		89,680	126,190	(36,510)
<b>Operating expenses</b>							
Natural gas purchases	5,207	10,275	5,067		69,096	71,934	2,838
Fairbanks Operations	655	490	(165)		3,553	3,431	(122)
Big Lake Operations	1,757	1,262	(495)		10,479	8,837	(1,643)
Administration and general expenses	2,322	2,038	(284)		14,035	14,267	232
Depreciation	11,147	11,120	(27)		78,027	77,838	(189)
Total operating expenses	21,088	25,185	4,097		175,191	176,307	1,117
Operating income (loss)	(15,848)	(7,077)	(8,771)		(85,510)	(50,117)	(35,393)
Operating margin %	-302.4%	-39.1%			-95.4%	-39.7%	
<b>Non operating income (expense)</b>							
Gain (loss) from disposition of property, plant and equipment	0	0	0		0	0	0
Interest income	0	0	0		0	0	0
Other income (expense)	0	0	0		0	0	0
Total other income (expense)	0	0	0		0	0	0
Change in net position	(15,848)	(7,077)	(8,771)		(85,510)	(50,117)	(35,393)
Net position - beginning of period	1,939,769	1,978,081	(38,312)		2,009,431	2,021,121	(11,690)
Net position - end of period	1,923,921	1,971,004	(47,083)		1,923,921	1,971,004	(47,083)
<b>EBITDA</b>	(4,701)	4,043	(8,744)		(7,483)	27,721	(35,205)



**Variance to Budget Footnotes**  
**January 31, 2019**

(a) - Titan Alaska LNG, LLC gas revenues were \$18K<sup>1</sup> lower than budgeted due to no trips being made by Titan's LNG tractors for deliveries to FNG.

	Actual	Budget	F (U) Variance
Total Mcf per month	-	670	(670)
Rate per Mcf	\$ 27.02	\$ 27.02	\$ -
 Titan gas billings for December, 2018	 \$ -	 \$ 18,108	 \$ (18,108) <sup>1</sup>



## **General Manager Report – For the month of March, 2019**

### General

- Celebrated National Natural Gas Utility Workers Day on March 18th.

### Financial / Accounting

- February Financials reviewed by the Finance Committee on March 26, 2019. The Finance Committee recommended Board acceptance of the financials as presented.
- IGU and Pentex financial integration ongoing.
- Engagement of the Financial Advisor, Hilltop Securities underway.
- Letter sent to AIDEA requesting approval of short-term loans, and a response has been received outlining information AIDEA is requesting.

### Legislative Update

- See attached IGU Legislative Update

### Operations

#### **Titan**

- Titan produced 100% of the required LNG for FNG and its other customers, without interruption.
- Zero Lost Time Injuries, Zero Vehicle Accidents.
- Zero Third Party Damage.
- The LNG Tractor previously involved in an accident has been repaired and is undergoing final operational testing prior to going into service.

#### **FNG**

- 100% delivery reliability with no supply interruptions. Inventories were maintained above 5 days.
- Zero Lost Time Injuries, Zero Vehicle Accidents.
- Zero Third Party Damage.

#### **IGU**

- Distribution System intact with no recorded pressure loss.
- Zero Third Party Damage.
- Current pressure monitoring system will need to be relocated before July 1, 2019.

### Capital Projects

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

- Inner Tank Complete
- Outer tank stair erection complete.
- Tank roof platforms and inner tank piping and appurtenance installation in progress.
- Balance of Plant Phase 4 contract award issued.
- Phase 4 Preconstruction meeting held 3/20.

**Inner Tank Suspended Ceiling  
Lowered Into Place**



**Perlite Dam Fabric Plates**



## Main Platform



## Downcomer Trough





**North Pole Storage**

- Meeting held with North Pole Fire Department on 3/14, re: Initial Emergency Response Considerations
- Bids received and under evaluation.

**City of North Pole Fire Department****Titan Expansion**

- FEED contract executed with Braemar
- Kick-off Meeting held on March 22, 2019

**MEMORANDUM**

TO: IGU Board  
FROM: Zane D. Wilson  
SUBJECT: Summary of Activity  
DATE: March 27, 2019

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

1. Discussion/drafting of motions before the IGU Board.
2. Siemens team meetings.
3. Wrap up meeting with Director Nordale on draft ethics policy.
4. Attend IBEW contract negotiations.
5. Strategy discussions on tax credit issue.
6. Ongoing interaction with Chairman Throop and General Manager Britton regarding the above issues, bid issues and other issues that are raised on a day-to-day basis.
7. Attend Board meetings.



## IGU Action Item List

Item	Action	Responsible Person	Date Initiated	Due Date	Status	Notes
1	Ethical Procedures Developed	Madam Chair, Director Nordale & IGU Attorney	1/8/2019	3/26/19		
2	Change the Code of Ethics	Madam Chair, Director Nordale & IGU Attorney		3/26/19		
3	Policy No. 05 Ethics and Conflicts of Interest updated	Madam Chair, Director Nordale & IGU Attorney		3/26/19		
4	Policy No. 05 Ethics and Conflicts of Interest; Disclosure form created	Madam Chair, Director Nordale & IGU Attorney		3/26/19		
5	Liquifaction Project Manager Approach	Dan Britton & Mark Rockwell	3/12/2019	4/9/19		
6	Policy Drafted on Public Records Retention	IGU Attorney	12/13/2018	4/9/19		
7	Recommendation for Public Relations and Marketing Services to update and integrate IGU and FNG's online/internet presence	Michelle Hollowell	2/6/2019	4/9/19		
8	List of Commercial Buildings for Natural Gas Conversion	Michelle Hollowell	2/12/2019	4/12/19		
9	Update Binders of Meeting Minutes & Attachments	Laura Steel		4/15/19		
10	Global Plan going forward with the Utility, Update Capital Plan and Proforma	Dan Britton & Brown Thornton & Wesley Smith		4/23/19		
11	New Schedule Developed, will talk to Michelle about Website-ready Schedule	Mark Rockwell	1/22/2019	4/23/19		
12	Confirmation of Mat-Su Permitting - part of FEED work	Dan Britton	2/5/2019	5/1/19		
13	Political versus Legal View for North Slope Pad Return on Investment	IGU Attorney & Dan Britton	1/22/2019	5/14/19		
14	Identify gas supplies and negotiate price and terms (Current Contract Ends May 2021)	Dan Britton		8/31/19		
15	IGU Policy 09 Relationship Between the IGU Board of Directors and the General Manager	IGU Board	9/4/2018	Tabled on 9/4/18	To be combined with review and process	
16	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	To be combined with review and process	
	SUGGESTED ITEMS FOR DELETION					
17	Finish modeling for comparisons	Brown Thornton				
18	Siemens Negotiations Update under GM Report	Dan Britton				
19	Siemens Negotiations Schedule sent to BOD	Dan Britton				
20	Staffing plan for overall Project Management, Scope, Schedule and Budget (Part of Liquifaction Project Manager Approach)	Dan Britton & Mark Rockwell				