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INTERIOR GAS UTILITY OPERATING POLICY / PROCEDURE

P&P NO. 1

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Subject: Establishing a Policy for the Development of
Utility Operating Policies and Procedures

Effective Date:
June 2, 2015

Approved by:

1. PURPOSE

To establish the policy and procedure for developing, coordinating, issuing, and maintaining Interior Gas Utility (IGU) operating policies and associated procedures for implementation.

2. POLICY

It is the policy of the IGU to establish and maintain IGU-wide operating policies and procedures. These policies and procedures represent a unified approach to sound IGU practices and provide written documentation of overall policy and methods of operation.

3. REFERENCES

Fairbanks North Star Borough Ordinance No. 2012-52 allows the IGU Board to promulgate administrative directives which relate primarily to the internal operations of the IGU and to designate standard operating procedures, forms, manuals, instructions, or other guidelines to ensure the coordinated and efficient administration of IGU.

4. DEFINITION

- a. Operating Policy and Procedure - A document setting forth an IGU-wide policy and operational procedures designated to implement the policy.
- b. Board – The IGU Board of Directors.
- c. General Manager – The General Manager of IGU.
- d. Contractor - The Operational Management and Maintenance contractor hired by IGU to perform Operational Management and Maintenance (OM&M) on IGU's natural gas distribution services; and any other contractor providing direct support to IGU.

5. RESPONSIBILITIES

- a. The Board shall:
 - (1) Review and approve all IGU policies.
 - (2) The Chair of the Board shall sign all new and revised policy documents after Board approval

- b. The General Manager shall:
 - (1) Establish the format and numbering system for policy and procedure documents.
 - (2) Oversee the coordination and review by IGU staff or Contractor of all new and revised policy and procedure documents while in draft form.
 - (3) Establish the annual review date and identify the lead IGU staff to review each approved policy and procedure. Monitor the annual review.
 - (4) Maintain a master file of all approved policy/ and procedure documents and the location of all manuals by manual holder.
 - (5) Maintain copies of current, approved policy and procedure documents in IGU's Policy and Procedure Manuals.
 - (6) Ensure that all employees and support Contractors are aware of all policy and procedure documents applicable to their positions and duties.
 - (7) Assign an individual to serve as Policy and Procedure Coordinator.
 - (8) Oversee, direct and approve implementation procedures for Board approved policies.

6. PROCEDURE

- a. All operating policy and procedure documents will be published in the following format:
 - (1) The heading of the first page will contain the document's identification number, page number, subject, effective date and approval signature.

- (2) The heading of each additional page will contain the document's subject, identification number, and page number.

- (3) The body of each document will contain the following numbered sections:
 1. PURPOSE - a brief statement of the reason or objective for the operating policy and procedure.
 2. POLICY - a brief statement of management intent, e.g., "It is the policy of the IGU that (or to) . . ."
 3. REFERENCES - citations of documents which provide the authority for or relate to the policy and applicable implementation procedures.
 4. DEFINITIONS - key terms or concepts defined to facilitate understanding of the policy and procedures.
 5. RESPONSIBILITIES - Personnel responsible for implementation and a brief statement of their specific responsibilities. NOTE: Unless the policy or procedure documents specify that an approval/disapproval responsibility can be delegated, it cannot be delegated.
 6. PROCEDURE - specific tasks or activities (in sequential order) which must be performed to effectively implement the stated policy.
 7. ANNUAL REVIEW DATE - The General Manager will review this document in January of each year and make recommendations to the Board for any Policies needing revisions.

**INTERIOR GAS UTILITY
OPERATING POLICY / PROCEDURE**

P&P NO. 02

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Subject: Capitalization of Assets

Effective Date:
Feb. 02, 2016

Approved by: IGU Board of Directors, Mike Meeks, Chair

1. PURPOSE

To establish a policy for the consistent application of capitalization criteria for Interior Gas Utility (IGU).

2. POLICY

The policy of the IGU is to follow a fixed-asset capitalization policy that includes standard guidance on recording these assets to the IGU's Fixed Assets Ledger.

3. REFERENCES

National Association of Regulatory Utility Commissioners (NARUC)
accounting instructions – Utility Plant Instructions

4. DEFINITIONS

- a. *Fixed assets* include tangible assets such as land, buildings, equipment and furniture purchased for IGU's business use.
- b. *Intangible assets* include studies, permits and other similar investments which has life and provides a benefit for greater than a year.
- c. Board – IGU Board of Directors
- d. General Manager – General Manager of IGU
- e. Chief Financial Officer – Chief Financial Officer of IGU

5. RESPONSIBILITIES

- a. The General Manager and Chief Financial Officer will be responsible for complying with the above policy as applicable.
- b. The Chief Financial Officer and General Manager will be responsible for internal control.
- c. The General Manager will be responsible for ensuring overall compliance with this policy.

6. PROCEDURE

- a. Newly acquired fixed assets (through purchase or construction) will be capitalized if the acquisition cost is greater than \$750 (as referenced in NARUC Accounting Instructions) and:
 - (1) The expected service life is greater than one year; or
- b. Improvements to existing fixed assets will be capitalized if the acquisition cost is greater than \$750 and:
 - (1) The useful life of the asset has been increased; or
 - (2) The quantity and/or quality of units produced from the asset has been increased.
- c. The IGU will strictly adhere to Generally Accepted Accounting Principles (GAAP).
- d. The approval process for acquiring assets will be through the Capital budget process. Non-budgeted items or work plan amendments may be made through a budget adjustment.
- e. Costs not meeting the criteria above will be expensed as incurred.

7. ANNUAL REVIEW DATE

The IGU Chief Financial Officer will review this document in January of each year and make recommendations to the Board for any needed revisions.

**INTERIOR GAS UTILITY
OPERATING POLICY / PROCEDURE**

P&P NO. 03

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Subject: Establishing a Policy for IGU Investments

Effective Date:

Feb. 2, 2016

Approved by: IGU Board, Mike Meeks, Chair

1. PURPOSE

To establish the policy to ensure an optimum balance between the security and rate of return for all invested Interior Gas Utility (IGU) funds.

2. POLICY

It is the policy of the IGU that, giving due regard to the safety and risk of investments, all available funds shall be invested in conformance with State and Federal Regulations and applicable Board Resolution(s).

3. REFERENCES

None.

4. DEFINITIONS

- a. Board – IGU Board of Directors
- b. General Manager – General Manager of IGU
- c. Chief Financial Officer – Chief Financial Officer of IGU

5. RESPONSIBILITIES

- a. The General Manager shall be responsible for compliance with and administration of this policy.
- b. The Board is responsible for reviewing banking agreements and approving the financial institutions with whom IGU has relationships with.

6. PROCEDURE

- a. The IGU's primary financial institution and its banking agreement(s) with that institution shall be subject to approval by the Board.
- b. The Board shall review banking agreements each year, preferably in June. The annual review shall consist of an examination of internal procedures, collateral, rate of return, financial condition of the financial institution and alternative investment possibilities.
- c. All investments outside of the banking agreement(s) with the primary financial institution shall be collateralized or swept into securities of the U.S. Government and its agencies. Any exception must be approved by the Board.
- d. Investments in sound and viable ventures may be made after reasonable due diligence has been undertaken. All such investments must be approved by the Board.
- e. Loans shall be structured with regular principal and interest payments from institutions of proven integrity and financial performance. No bullet loans or loans with balloon payments may be obtained without special written approval of the Board.
- f. The Chief Financial Officer, in consultation with the General Manager, shall institute a money management plan.

7. ANNUAL REVIEW DATE

The General Manager will review this document in January of each year and make recommendations to the Board for any Policies needing revisions.

**INTERIOR GAS UTILITY
OPERATING POLICY / PROCEDURE**

P&P NO. 04

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Subject: Agenda Setting

Effective Date:
March 01, 2016

Approved by: IGU Board, Mike Meeks, Chair

1. PURPOSE

- a. To describe an efficient method of agenda development that provides proper public notice and open discussion of IGU issues.
- b. To ensure a mechanism to add addenda items to discuss pertinent issues.

2. POLICY

- a. The Chair shall have the responsibility of final approval of the agenda for upcoming meetings.
 - (1) The Board may discuss and suggest potential agenda items at the end of the meeting prior to which the agenda is being set;
 - (2) Directors may request an item to be added to the agenda through the Chair prior to the meeting notification deadline;
- b. Two Directors can add items to the agenda for action without the Board Chair approval at the next meeting as long as sufficient information is provided to allow for publication of the meeting notice as required by the Open Meetings Act.

3. REFERENCES

Alaska Statute 44.62.310 Government Meetings Public

4. DEFINITIONS

- a. Board – IGU Board of Directors
- b. Chair – Board of Directors Chairman
- c. Directors – Individual Director of the IGU Board

5. RESPONSIBILITIES

- a. It shall be the responsibility of the Board Chairman to ensure these functions are carried out.

**INTERIOR GAS UTILITY
OPERATING POLICY / PROCEDURE**

P&P NO. 05

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Subject: Agenda Setting

Effective Date:
June 8, 2016

Approved by: IGU Board, Mike Meeks, Chair

1. PURPOSE

- a. To allow The Board to take action by unanimous consent on items that do not require discussion and are considered routine, procedural, informational, self-explanatory or non-controversial ;
- b. To streamline meetings and allow for focus on substantive issues.

2. POLICY

- a. The Chair shall have the responsibility of final approval of the agenda for upcoming meetings including whether an item should be placed on the consent agenda.
- b. A consent agenda may include, but is not limited to:
 - Approval of board and committee minutes, including financial minutes
 - Correspondence requiring no action
 - Committee and staff reports
 - Updates or background reports provided for informational purposes only
 - Appointments requiring board confirmation
 - Approval of contracts and bid awards that fall within the IGU's policy guidelines
 - Final approval of proposals that do not require additional board discussion.
 - Confirmation of pro forma items or actions that need no discussion but are required by the bylaws
 - Dates of future meetings
- c. Consent items must be publically noticed as required by Alaska's Open Meetings Act and provided to The Board, including any supporting documentation. As the first item of business, The Chair shall ask The Board if anyone wishes to remove an item from the consent portion of the agenda. Any one board member can request that an item be moved to the full agenda.
- d. A motion must be made to accept the consent agenda, seconded and approved. Limited questions and discussion is permitted, but extensive discussion should be reserved for regular agenda items.
- e. If any items were removed from the consent portion of the agenda, The Chair may determine where on the agenda those items will be discussed.

3. DEFINITIONS

- a. Board – IGU Board of Directors
- b. Chair – Board of Directors Chairman
- c. Directors – Individual Director of the IGU Board

4. RESPONSIBILITIES

- a. It shall be the responsibility of the Board Chairman to ensure these functions are carried out.

**INTERIOR GAS UTILITY
OPERATING POLICY/PROCEDURE**

P&P No. 7

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Subject: Contract Authorization & Signature Authority

Effective Date:

Approved by: IGU Board

August 7, 2018

1. PURPOSE

To establish a policy to delegate certain signature and approval authority for contracts, agreements and other written documents occurring in the normal course of business but arising outside the procurement context and to ensure proper guidelines for the Board's delegation of signature and approval authority for all contracts legally binding on IGU.

2. POLICY

(a) Delegation of Contracting and Signature Authority to the General Manager. The Board delegates to the General Manager authority to approve any transaction legally binding on IGU occurring in the normal course of business that does not specifically require board action and which the General Manager has no conflict of interest or will receive any personal benefit. The General Manager may not delegate this authority without Board approval. The General Manager, prior to exercising this authority, is responsible for determining whether the transaction meets the following standards:

- Complies with all applicable laws, IGU policies and procedures, as well as any lender, grantor or other applicable restrictions.
- Where appropriate, the transaction, proposal or agreement includes the appropriate provisions recommended by IGU's corporate counsel.
- Funds have been appropriated or are otherwise allocated within regularly approved budgets and the resources (funding, personnel, facilities and space) required to fulfill the commitment are available.
- No real or apparent conflict of interest exists on the part of the approving and involved officials and employees and if it exists the issues have been disclosed to the Board and resolved prior to entering into the transaction.

(b) Transactions that require board authorization prior to signature.

- Any substantive modification to a Board approved contract that is not authorized in the contract itself or in the procurement policy.
- Transactions exempted from the procurement policy. [Currently these are Contracts for legal services and expert witnesses, banking and investment services, grants, loans, loan guarantees, bonds, bond guarantees or other indebtedness of IGU, cooperative agreements, MOU's or contracts between IGU and the FNSB, the state, its political subdivisions, and other governments or political subdivisions

including the Alaska Railroad, contracts to acquire or supply natural gas and or LNG, partnership or joint venture agreements for utility services not tied to specific performance contracts, acquisition or disposal of real property or interests in real property, employment agreements, collective bargaining agreements, or labor relation services, insurance and insurance related contracts including employee benefits, services and products for IGU or its employees.]

- Non-disclosure agreements.
- Agreements involving or setting legislative policy.

(c) **Procurement policy.** Other than the standards set forth in 2. (a), this policy excludes transactions covered by and separately addressed in the procurement policy and for which the Board has already made specific delegations of authority in Resolution #2018-01.

3. **REFERENCES**

IGU Board Bylaws Article IV General Manager authorizing the GM or designee to sign all contracts, escrow agreements and deeds, leases, grant or loan applications and agreements, and intergovernmental agreements, consistent with Board fiscal policies.

IGU Board Bylaws Article X—Financial Transactions §2 requiring adoption of fiscal policies including contract authorizations and signatory authority.

4. **DEFINITION**

IGU—IGU and any entities owned or controlled by IGU including Pentex, FNG, Titan and AET.

Board—IGU Board of Directors

General Manager—General Manager of IGU

Contract—Any document legally binding on IGU except contracts, change orders, amendments or other documents governed by IGU Procurement Policy 06.

5. **RESPONSIBILITIES**

The General Manager is responsible for compliance with and administration of this policy.

6. **PROCEDURE**

(a) The General Manager shall ensure that he has the appropriate contract and signature authority prior to approving and signing a transaction.

(b) The General Manager shall ensure that the transaction to be approved meets the standards set forth in this policy.

(c) Any required board authority has been obtained prior to signature.

7. **ANNUAL REVIEW DATE**

The General Manager will review this document in August of each year and make recommendations to the Board for any needed revisions.