



Interior Gas Utility

Board of Directors Meeting

June 4, 2019 @ 4:00 PM

100 Cushman Street, Suite 512, Fairbanks, Alaska

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

DRAFT AGENDA

I. Call to Order

- Roll call
- Approval of Agenda & Consent Agenda
(Items marked with * are approved under consent agenda)
- Approval of Minutes – 5/7/2019* & 5/21/2019*Page 2
- Approval of Financials*Page 23
- Public Comment – *limited to three minutes*

II. New Business (Board Discussion & Possible Action)

- Resolution No. 2019-03 - A Resolution of Official Intent of the IGU to Reimburse
Certain Expenditures from Proceeds of IndebtednessPage 66
- Transport Contract Award
 - BM No. 2019-09 Big State Logistics (Three Year - \$7MM)Page 67

III. Unfinished Business (Board Action)

- Fiscal Year 2020 Draft BudgetPage 70
- Updated Financial Forecast & Pro Forma

IV. Other Business (Board Discussion & Possible Action)

- North Pole Storage
 - BM No. 2019-10 Amendment Three (3) to PDC Engineers for Professional Services
for Design of the LNG Storage Facility Project in North Pole, Alaska (\$126,414).Page 77
- Board Retreat (Board Development & Strategic Planning - June 5 & 6, 2019)
- Action Items List.....Page 79

V. Reports

- General ManagerPage 80
 - IBEW Report
 - Legislative Report.....Page 85
- IGU Attorney*Page 86

VI. Closing Comments

- General Manager
- IGU Attorney
- Directors

VII. Adjournment



Interior Gas Utility

Board of Directors Board Meeting

May 7, 2019 @ 4:00 P.M.

100 Cushman Street, Suite 512, Fairbanks, Alaska

Draft Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, May 7, 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), Wesley Smith (FNG Controller), Michael Newman (IGU Financial Advisor) (telephonic), Mark Rockwell (FNG Director of Operations), Bruce Robson (Stantec) (telephonic), and members of the Public; Liz Grieg (Public), Jomo Stewart (FEDC), Julie Duquette (Slayden Plumbing & Heating General Manager), Dan Bross (KUAC Senior FM News Reporter), and Amanda Bohman (FDNM Staff Writer).

I. Call to Order @ 4:07 pm.

- Roll call

Board Members Present:

Pamela Throop

Steve Haagenon

Patrice Lee

Mary Nordale (left @ 6:05 pm)

Jack Wilbur

Gary Wilken (excused)

- Madam Chair would really like to follow Roberts Rules and asked everyone to please keep their comments to one, and a follow up, and then let it go around before it comes back to them. She asked everyone to try to stay on topic, and not to engage in cross-talk to each other or Zane.
- Approval of Agenda, Consent Agenda, & Minutes
 - Removed 4/23/2019 Minutes from Consent Agenda.
 - Removed IGU Attorney Report from Consent Agenda.
 - Amended 4/23/2019 Minutes on Page 6 of the Packet to include the answer to Director Wilbur's question if the first to request are the first to receive natural gas. The answer from Dan was that's been his view as the only real fair way to do it.

Agenda, Consent Agenda, & Minutes were approved.

- Public Comment – None.

II. New Business

- Public Relations and Marketing Services
 - Discussion led by Michelle Hollowell.
 - Four companies had applied. The evaluation team was Michelle, Laura Steel, and Wesley Smith. Porcaro is who we recommend. Discussed the company.
 - Work Order One is a lump sum amount and will cover up to the website creation. Work Order Two is a time and expense amount, not to exceed, and will include the website. Michelle clarified they are both lump sum amounts not to exceed the \$24,000.00 total, which was approved in the 2019 FY budget.
 - Handout of financials for Work Order Two for the website, including training for Michelle and Laura.
 - Discussed website design timeframe and establishing branding and the direction the utility wants to go as the driving force towards the website design.

Moved by Vice Chair Haagenson to approve the contract with Porcaro Communications for Professional services related to the public relations and marketing in a not to exceed amount of \$24,000.00 and provide signatory authorization to the General Manager to execute task orders, Seconded by Director Lee.

Roll call vote: Motion passed unanimously.

- Short-term Bank and FNSB Loans
 - Discussion led by Dan.
 - Director Lee commented on past experiences.
 - Dan addressed her comments; we are not out of money...we are within our Finance Agreement and capital plan. Discussed that this is the anticipated method which these were to be financed and has been the plan since the IGU Board adopted the Proforma and Capital Plan in May 2018. Project does not move forward unless there is an approved budget.
 - Follow up - asked when the IGU board was supposed to know about the Ordinance in detail? Answer: Dan included in Q1 Report to the Assembly and copied to the Board. Though he did not make specific reference to an ordinance, he described that Mayor Ward felt the original \$7.5MM had changed enough to go back to Assembly. He did not bring a specific Ordinance number back to the IGU Board.
 - Director Wilbur was not surprised it went before the Assembly, Dan had advised it would go before the Assembly and it did.
 - Director Nordale asked about moving forward on North Pole storage capacity.
 - Dan answered that we are looking at reducing costs for NP Storage, canceled bids, eliminating part of the scope (500,000-1MM reduction in costs), and looking at other ways to reduce the costs.
 - Vice Chair Haagenson agrees with Dan, this was discussed over the past few meetings, we have seen financial plan and details including timing. What is the status of the AIDEA approval of this debt?

- Answer: Dan says both he and Wes have asked for authorization from AIDEA. Updated letter last week to clarify subordinating the SETS loans to short term loans. Discussed repayment of loan issue and Bonds used for repayment. AIDEA wanted to see debt policy in place before moving forward. This is on tonight's Agenda.
- Director Lee asks if AIDEA determined IGU was an investment grade utility.
- AIDEA is not the deciding factor, that is the bond markets. We have a Financial Advisor. We have upcoming meeting this week regarding credit rating among other things. We are an existing utility with customers and revenue. Subordination with SETS loans allows the footing for investment grade rating. All feel it is likely when we put forth our offer in the Bond market.
- Director Nordale asks if the cancellation of bids in NP tank and moving of smaller tanks to NP give IGU opportunity to start laying delivery lines in NP to get gas to the residents and businesses quickly, like this year or early next year? Madam Chair offered point of clarification that there are already lines there; they were done in 2015, we just need to get the gas there.
- Director Lee asks which bonds would guarantee payback to the Borough and the bank? Dan answered that the SETS loans would be exhausted, combination of line of credit and bank loan would be repaid from proceeds of initial offering at around \$75 million. Revenue bonds issued will have the moral obligation to State of Alaska. Bond proceeds pay for scope of work IGU and AIDEA have agreed to, including: 1) expansion of liquefaction facility at Titan, 2) the storage facilities in Fairbanks and North Pole, 3) the expansion of distribution systems, and 4) the additional LNG transportation infrastructure. We are bringing a Memorandum before the Board to clarify purpose of Bond proceeds, per our FA recommendation.
- Discussion about Board members talking to others outside the Board, as we are supposed to be speaking with one voice, even if approached by others for clarification purposes.
- Zane offers additional language for the upcoming motion on BM 2019-07.

Moved by Vice Chair Haagenon to Authorize the General Manager on behalf of the IGU to enter into the short-term financing agreements with Mt. McKinley Bank and Fairbanks North Star Borough in the amount of \$13,480,000.00 and \$7,500,000.00, respectively, for a total of \$20,980,000.00. This authorization is subject to the prior approval of the loans by AIDEA. Seconded by Director Wilbur.

Moved to Amend by Director Lee, to separate the two loan amounts and vote on them separately. Seconded by Director Nordale.

Discussion: Borough approval, existing and past lines of credit and success in paying those back, goal of keeping cost down for consumers, and overall being in the best interest of the residents of the Borough through improved air quality, economic development, and advancement of this project.

Roll Call vote on Amended Motion:

Lee Y, Nordale N, Wilbur N, Haagenson N, Throop N.
Motion fails 1-4.

Roll Call vote on original Motion:

Lee N, Nordale Y, Wilbur Y, Haagenson Y, Throop Y.
Motion passes 4-1.

III. Unfinished Business

- Financial Policies (Debt Policy)
 - Presented Policy No. FIN003.

Moved by Director Nordale to Adopt the policies as presented. Seconded by Director Wilbur.

Discussed policy, discussed agreement with AIDEA not needing to be also addressed in this policy.

Roll Call vote: Motion Passed Unanimously.

IV. Reports

- General Manager
 - Report was provided in the Board Packet. Legislative Update was attached.
 - Three Union Negotiation sessions in April. Sessions are scheduled in May as well, and we are meeting and advancing our positions in good faith.
 - Highlight of Report is that we issued an RFB for LNG Transportation Services. This was not bid prior or since IGU's purchase so was prudent to issue the Request. Explained what our RFB contains. Discussed picture on page 47 and explained what the pipes are in the tank and how they work, and the safety and minimal spill due to no openings at the bottom, but all piped through the top.
 - We have cancelled the bids for NP Storage. Bruce Robson is online in case of specific questions. Discussed how we can get storage on site quicker and less expensive at this time. Evaluation team for NP Facility included Keith Hanneman with PDC, David Prusak & Bruce Robson w/ Stantec, and Mark Rockwell.
 - Titan Expansion items; are there any other items? Yes, Dan explained these are just major equipment RFPs. What is Braemar's scope? They are completing their 65% Design for Titan Expansion Project. The RFPs are for equipment, we are not purchasing until final investment.
 - Legislative update. If the Bill stalls in Legislature, we believe we will lose a portion, but not all of the Storage Tax Credits; Tria Road may still be up and running on time before end of the year. North Pole would require the extension on the tax credits.
- IGU Attorney
 - Been attending IBEW Negotiations and agrees with Dan's assessment, has been coming along well, is being done in good faith.
 - Continuing to clean up the Ethics policy and will be bringing it back in front of the Board shortly.

- Did forward the Bylaw Revisions on to the Borough after the Board passed that last time and Ms. Dolan assured him that she was passing that along to the presiding officer to get that introduced in front of the FNSB Assembly to obtain their concurrence in those Bylaw Revisions.
- Various miscellaneous things.
- Did a tank inspection on his own time (Tria Road LNG tank) and appreciated that opportunity.

V. Other Business

- North Pole Storage Update
 - Confirmed we have cancelled original bids; Bruce Robson is available online.
- MAP Consulting LLC – Gas Supply
 - Madam Chair received a Scope of Work/Consulting Agreement via email from Mary Ann Pease last week and forwarded it to Dan. Some of you have met her, she has worked in the industry for a long time and has made an offer, simply because she really wants to help us get gas going. Madam Chair had asked Dan what IGU spent (over \$400,000) to get no gas. Her proposal is for 3 months only, at a fee of \$5,000 per month to negotiate a gas contract for us. Resume was sent to everyone on the Board. If she negotiated gas for us, she would be paid a bonus. It would be a ten-year contract with renewals.
 - Great opportunity for us and would free Dan up, at least for a three-month period, while we get these other things going.
 - Madam Chair would like to forward a motion that we work out a contract with Ms. Pease and give her this opportunity for this short three-month period to look for gas for us. We can put some parameters around that.
 - Zane recommends looking at sole source contract criteria first.
 - Discussion on the unlikelihood of this solicitation meeting the criteria of a sole source contract, some helpful questions if this does go to an offer. Suggested the Chair talk to MAP and ask the questions that the Board members had asked.
 - Discussed experienced team already in place and MAP not bringing any more experience than the team we already have, people have different approaches and different networks.
 - Dan stated our current gas supply contract allows 5 Million cubic feet a day, with expansion to 15 Million cubic feet a day with 18-months' notice. Price is same for entire term. A lot of these terms are attractive with our current supplier.
 - Madam Chair will review this with Zane, and review some of the stuff we were doing with Siemens as a lot of work was done then. She will write note to Mary Ann Pease and let her know we are considering this.
- Board Retreat (Strategic Planning)
 - Suggestion of starting on a Tuesday afternoon, go into a board meeting, then finish up the next day - Wednesday. Please send to Laura when you won't be available in June. Wants to do this Tuesday and Wednesday.

- Discussed the Board needing a team building session before the Board Retreat, and who will be present at this, us and facilitators and attorney if they feel they need him.
- Discussed the handout and that everything on there could be done before the Retreat, recommendation of team building before the Retreat.
- Mayor of NP has contacted Madam Chair several times and is working through a list of people as possibilities for the North Pole vacated seat. Thinks that person should be involved in the retreat. Make sure they are sworn in so they can participate. Discussed the purpose of the retreat; Madam Chair says it is both strategic planning and a board refresher. May do an outline at the Retreat for later strategic planning.
- Discussed typical way is for the GM to come up with Strategic plan and board weighs in on it.
- Board evaluation sheet was passed out at the meeting, along with a Group Agreement to help how they interact with each other and as a team.
- Action Items List - Discussed progress, actions completed, and additional actions.

VI. Closing Comments

- General Manager
 - PHMSA here a couple days for annual audit, focusing on distribution system. Mark is fresh back from Nashville for the American Gas Association Convention; great opportunity to network and immerse self in our industry. Asked by Vice Chair Haagenon how many in AGA have sole supply of LNG; we may be the only one as primary sole source supply.
 - We are now members of the American Public Gas Association (APGA). It is a really good fit for us, and the website has shared information that shows it is a great resource. Madam Chair asks if the rest of the Board have access to the website. Will verify and report back.
- IGU Attorney
 - Complimented Chair and Directors on a good step in the right direction.
- Directors
 - Director Wilbur comments on the Marathon deal, he talked to Alaska Chamber a couple times and the reason for doing this is to provide LNG/Gas to their refinery and there's currently no plan to do something beyond that. Always the possibility, but certainly isn't anything we can count on as a source of gas.
 - Vice Chair Haagenon asks that they consider some of these things on the list on Board Packet Page 53 for the next few meetings; they are time-critical. Madam Chair asks that all will be put in order of importance and sent to them.
 - Also, GM review process was tabled and would like it back on the Agenda. Madam Chair says first meeting in June.
 - Also, oil was \$2.93 gallon which is \$21.30 per million btu.
 - Director Wilbur has talked to Sourdough Express and they are trying to get their fuel #1 customers set up to receive fuel #2. There will be lots of people fighting for the customers we are trying to get.
 - Madam Chair thanked everyone for a much better meeting.

VII. Adjournment @ 6:19 p.m. Moved by Vice Chair Haagenon, Seconded by Director Lee.



Porcaro Communications did not include a cost for the design and production of the new website in the cost proposal section of our original response to the IGU RFP. This was due to a difference in interpreting what tasks were to be included in the cost proposal. For this reason, we are submitting an addendum to the cost proposal, which is our expected cost to produce a website, as described in the original proposal.

Website Production

	Mark	Mike	Kristin	Hard Costs	Total
Hourly Rate	\$125	\$125	\$105		
#Hours	6	2	80		
Totals	\$750	\$250	\$8,400	\$400	\$9,800

GROUP AGREEMENT

1. If I have a concern with another team member, I will go to that person first and share my concern in a positive, timely and private manner.
2. I will listen to and try to understand the input from others in an open-minded way.
3. If I, for any reason, find it difficult to confront or work the problem out with another team member, I will invite a mutually acceptable third party to help work out a solution.
4. I will speak only for myself unless the other person asks me to speak for him/her.
5. I will not bad-mouth the organization or my co-workers.
6. If I hear information being given that I know to be untrue or misleading, I will offer what I know to be the facts to the appropriate person in the appropriate forum.
7. I will be an active and participating team member and I will take the responsibility to do my fair share of the work.
8. I will willingly help others if needed and appropriate.
9. I will respect individual ideas in making organizational decisions and once a decision is reached, I will support that decision even though I may hold a different viewpoint.
10. I will encourage others to provide necessary feedback to me and I will provide necessary feedback to them.
11. I will not infect others with my bad day.
12. When I make a decision that may impact my fellow team members, I will be open to discussion and provide sound reasons for the decision and my conclusions.

Director Self-Evaluation Tool: Interior Gas Utility: Board of Directors Self/Peer Review

Instructions: After each statement, indicate to what extent each individual director exhibits that behavior on a regular and consistent basis at board meetings, including yourself. It is important to limit your responses to how the individual behaves at board meetings; not how he/she behaves elsewhere. For example, if the individual always exhibits that behavior at board meetings, write SA (for Strongly Agree) under the initials; if he/she exhibits it frequently, write A (for Agree); if he/she exhibits it rarely, write D (for Disagree); and if you have never observed someone exhibiting that behavior at meetings, write SD (for Strongly Disagree). If you are not sure, write N. Keep in mind that disagreement (D or SD) should not be viewed as negative, since no individual or group is expected to exhibit every behavior on the list. Your answers will be kept completely confidential.

SA Strongly Agree A Agree N Not Sure D Disagree SD Strongly Disagree	Steve Haagenson	Patrice Lee	Mary Nordale	Pam Throop	Jack Wilbur	Gary Wilken	Zane Wilson
1. Takes tough, constructive stands at board or committee meetings when necessary.							
2. Expresses thoughtful, honest concerns or opinions on issues presented to the board.							
3. Attends meetings well prepared to evaluate and/or add value to agenda items presented to the board and/or committee.							
4. Willing to rock the boat when I/he/she believe(s) strongly about an issue.							
5. Is a valuable resource in fulfilling the accountabilities of the board.							
6. If I/he/she feel(s) unable to fully evaluate an agenda item presented for approval, I/he/she ask(s) for additional information, rather than vote.							
7. Is logical and responsive.							
8. My/His/Her demeanor tends to encourage candor and discussion.							
9. Gets to the heart of an issue quickly.							
10. Is decisive, action-oriented, and gets things done.							

Director Self-Evaluation Tool: Interior Gas Utility: Board of Directors Self/Peer Review

SA Strongly Agree A Agree N Not Sure D Disagree SD Strongly Disagree	Steve Haagenson	Patrice Lee	Mary Nordale	Pam Throop	Jack Wilbur	Gary Wilken	Zane Wilson
12. Ensures that the board or committee makes decisions.							
13. Keeps us on track regarding accomplishing our objectives.							
14. Based on contributions made at board meetings, I/he/she appears to be prepared.							
15. Finds and brings in information to help us stay relevant, informed, and focused.							
16. Encourages contributions from all board or committee members.							
17. Ensures that our objectives are clear and understood by everyone.							
18. Offers creative and innovative ideas.							
19. Ensures that our planning is realistic.							
20. Has good conceptual and theoretical ability.							
21. Is an effective troubleshooter.							
22. Communicates persuasively.							
23. Seeks information and opinions from others.							
24. Confronts conflict and helps us manage it constructively and productively.							
25. Keeps Community's best interest in mind when making decisions.							



BOARD MEETING SIGN IN SHEET

DATE: May 7, 2019

Name	Address or Title	Email Address	Do you wish to testify today?
Wesley Smith	Controller FNG	wsmith@fngas.com	No
Michelle Hollowell	Cust. Serv. / Conversion Manager	mhollowell@fngas.com	No
Mark Rockwell	Dir of Ops	mrockwellunwo@gmail.com	No
Tomo Stewart	FEDC	stewart@investFairbanks.com	
Julie Duquette	General manager Slayden Plumbing & Heating	Julie@slaydenplumbing.biz	No
Liz Greig			no
Dan Bross	KUAC	dlbross@alaska.edu	no
Amanda Bohman	Fairbanks Daily News-Miner	aknewsjr@gmail.com	



Interior Gas Utility

Board of Directors Work Session

May 21, 2019 @ 4:00 P.M.

100 Cushman Street, Suite 512, Fairbanks, Alaska

DRAFT Minutes

A Work Session of the Board of Directors of the Interior Gas Utility was held Tuesday, May 21, 2019, at 100 Cushman Street, Suite 512, Fairbanks, Alaska. IGU Board Vice Chair Steve Haagenon, presiding.

Others in attendance were: Dan Britton (IGU General Manager), Rene Wilson (CSG – IGU Attorney), Brown Thornton (NewGen, telephonic), Laura Steel (IGU Secretary), Wes Smith (FNG Controller), Mark Rockwell (FNG Director of Operations) and Members of the Public: Jim Sackett (Office of the Governor), Mike Miller (Board Member Elect), Mike Welch (Mayor of North Pole), Jomo Stewart (FEDC), Evan Wilken (FEDC) & Liz Greig.

I. Call to Order @ 4:03 P.M.

- Roll Call
 - Board Members:
 - Vice Chair Steve Haagenon
 - Director Patrice Lee
 - Director Mary Nordale
 - Director Jack Wilbur
 - Director Gary Wilken
 - Chair Pamela Throop (telephonic)

- Approval of Agenda

Motion by Director Wilken to approve Agenda, seconded by Director Nordale, Motion carried.

- Public Comments – *limited to three minutes*
 - Mayor Michael Welch, North Pole

He is happy to present Michael Wright Miller, his choice for the IGU Board. He hopes the IGU Board will treat him better than the first day he was there, sincerely; when he walked in the room he saw who he thought was the Chair and they gestured for him to sit at the table; he didn't mean to offend anyone. He didn't take this lightly. His community is striving as hard as it can right now to get affordable energy to its town. It's on the verge of a great expansion and he has a hard time selling his community to different big businesses who say the numbers don't pencil out. What they are talking about is what it cost to energize that store. In talking to members that represent his community, they don't feel the Board is doing all they can and should. That's why votes aren't coming out in the \$7.5 million credit so he can have the storage facility in his community. Current legislature thinks it's somewhat of a lost cause. His city has lost confidence. All the lines that were put in and front lawns were disrupted; they were told this was coming. He knows it's difficult to determine the logistics of both the 5.25 million gallon tank built and the City of North Pole to have its 150,000 gallon build. For a delay in that, there is a problem. You aren't just finding that the Legislature isn't backing you, you are finding that the FNSB is in the same boat. He asks the Board to look into themselves and ask if they are going to cooperate together and do something about it. He is bringing Mike Miller to the Board to help bring the Directors together and hopefully prove the naysayers

wrong. The lack of natural gas is why no one wants to bring box stores to his town. There will be times he will come to the meetings and stay in touch with his appointee. He offers anything he can do to help. He found the messages and lists of contributors for him to have them put pressure on their legislators reprehensible and disgusting. That is not how he operates. He would rather work with the legislature, and try to persuade them as best he can, but for whatever reason that was a bridge too far for him to get through to them. He did not prepare his comments to the Board, he is talking from his heart and hopes the Board accepts it. Thank you, and God Bless.

- Jomo Stewart, FEDC

For the record, he wanted to comment on what Mayor Welch said. Political tactics were used, and he did that purely of his own volition and not under the authority or urging of the FEDC or the IGU Board. Generally speaking, legislators are most receptive and responsive to their constituents. The bill had been stalled in committee for over a month and there was little time left in the session so he energized those with highest likelihood of success. He was wanting to make rates as low as humanly possible for their constituents.

- Vice Chair Haagenon

Michael W. Miller, new board member, is here and needs to get with IGU Attorney to make sure he is properly seated and sworn in. Discussed anyone from the public can sit at the table in a Work Session and participate. Rene stated she was not aware of this, Vice Chair Haagenon says it has always been that way.

- Mike Miller, Director-elect

Mike was born in Fairbanks, his parents arrived here in 1949. He believes there has to be work here to sustain the future generations. He is a consumer of Natural Gas at his home in Doyon Estates and he loves it. Anything he can do to help bring this group together and grow and have clean, affordable energy. Resume provided.

II. New Business (Board Discussion)

- Updated Financial Forecast and Pro Forma
 - Dan introduces Brown Thornton and Wes Smith.
 - IGU Board adopted 20-year Plan in 2018. There have been some changes since. We have updated numbers. This is a first run-through.
 - Wes provides brief introduction.
 - Brown discusses when our two options (Appropriations and SETS) to finance are depleted, we go into the bonds. It takes a lot of movement on the Capital side to move the needle at the rate level. Overall plan is still in the narrow bandwidth of the original plan. Two scenarios are 1) current gas costs and likelihood of conversion at 35% of the potential residential customers converting in a 10-12 year timeframe. 2) If able to get gas at a much cheaper rate (\$6.00 instead of \$8.50) there is higher rate of conversion and are looking at 50% of potential customers converting. The key to getting rates low is volume. Fixed costs are spread over volume. More conversions mean lower rates.
 - Discussed comparisons of two scenarios, base case (most likely) and lower gas cost case, AIDEA analysis, real versus nominal dollars, price of gas paid currently and comparisons to what others in Cook Inlet may be paying based on similar utility contracts, and upcoming replacement gas supply when current contract ends.
 - Discussed debt service payment after three years of capitalizing interest, Pro Forma will be updated annually as we replace numbers with actual costs, importance of meeting the base cost based on 35% conversion in the Pro Forma, efficiency of a boiler running on natural gas instead of heating by oil or other sources, and 7% of our demand today is from residential customers.

- Discussed who is expected to convert and who the percentages in the Pro Forma were based on, this is a 20-year plan for a 100-year infrastructure, we have a 15-year deferral on SETS loan and another 5-year deferral if needed due to the demand not meeting our expectations.
- Phase II & III in the Pro Forma address the build out for other zones in North Pole and Fairbanks (see page 23).
- Customers with pipes in front of their homes are around 70%. Fairbanks has the highest density. Rate curves in the Pro Forma are total revenue divided by total demand. Customer charge is about \$12.00. We will be building cash over the years, that will be available for continued investment. We are establishing rates that allow for building reserves and showing we are investment grade.
- This Pro Forma will be brought back to the Board for adoption.
- Brown signs off at 5:34 P.M.
- Fiscal Year 2020 – Draft Budget
 - Dan presents budget and gives a big Thank You to Wes for the work he has been doing on this. He will be recommending approving this FY20 budget.
 - We are projecting \$860,000 EBITDA. We are a non-tax paying entity. Operating loss is a book loss as a result of depreciation and not a cash loss. Decrease in cash due to building our LNG inventory. We are not proposing a rate increase at this time. We are running tight for our ongoing work and will be monitoring projections closely and there may be a chance we come back for a rate change. We have a fiduciary responsibility to set rates to cover our debt.
 - Reminder that we do not have to go any further with this budget as far as going before the RCA. We do provide it to the Assembly per the Ordinance.
 - We don't have specific changes in regards to negotiations with IBEW, but we do have an across the board 3% allowance for COLA. Nothing specifically to that group of employees beyond that.
 - Page 2-We are going to continue to build inventory. Completion of FNG storage facility and starting of North Pole and completion of Titan and new customer additions. Shows net operating income. We will be expending cash on inventory. Sources and Uses of funds. We have to start inventorying our materials (meters, valves, risers) and will be purchasing those goods.
 - Discussed funds used for North Pole land purchase. Dan says we would pay GVEA for the land. It's a 10-year note at 5% interest and a 10% deposit.
 - Page 3-Chairman asks if we looked at list of improvements; CHI report was provided to Mark Rockwell for review and prioritization if he recommends any of those activities.
 - Page 4- Suggestion to put "new construction assistance" under #4 Policy Foundation. We are expecting to add 400 new customers (residential and commercial), this matches the Capital Pro Forma. It is for FY20 that we will be buying materials this year for installation within the next year.
 - Utility will do the installation (either ourselves or contracted work) from the main line to the meter located at the home or business. New customers pay: \$50 for new service application fee and includes up to 100 feet and over 100 feet they pay a surcharge per foot; PHMSA requires an excess flow valve and that added a \$175 cost to cover this; the Legislature did authorize on bill financing but we need to institute a plan for it; and we have monthly payment plans so bills aren't as high in the winter. Discussed money available to customers who want to switch (wood to gas is highest priority), which significantly offsets the cost.

- Dan reminded the Board we will be moving in the direction of developing our brand messaging and image and the board will be involved. Building tools of benefits. Once people switch to gas it will speak for itself and we will build on that message.
- Page 5 shows rates. Schools will now be on a full year.
- Also included a census where we hire a group to compare our wages to support decisions regarding our pay scales. This is included in the budget.
Director Nordale asks if CPI is generally applicable just to wages and salary or other expenses. Dan says no, 3% budget adjustment just looking at wages/salaries. Employees aren't subject to FNSB plans. We have a 401K that the company matches. Once wage analysis is done we will look to board to set goals in our pay scales. Total study was \$18,500. Regarding the suggestion of going to Enstar; their wages are sealed through the Union. They are quite a bit different than us, we are a growing utility. Dan likes the idea of an independent evaluation, including Dan's salary, which the Board was interested in.
- This budget will be presented at the June 4th Board of Directors meeting. Finance Committee did receive details.

III. Other Business (Board Discussion)

- Board Retreat
 - 8:30-3:30 on June 5th and 8:30-1:30 June 6th. Each Director will be contacted prior to the Retreat to discuss what they would like to address in the retreat.
 - Madam Chair states that Jim Williams - Chief of Staff from Mayor Ward's office is available to the Board at no cost if we need help with implementing, devising, and developing our strategic plan. They can share what they have done at the borough. We can invite them to retreat for maybe an hour or so.
 - Cost is \$7800 for the retreat.
- Action Items List
 - Reviewed list.
 - #7-Our bill passed the house with 40 - 0. Senator Bishop thinks he can bring it back next year with a retroactive date, It was stuck in House Finance for 51 days, Impact on our rates is about 30-80 cents per mcf, This assumes we still get the large tank credit as long as we finish on time, we need to be in service prior to 2020 and it is our intention of still meeting this goal, the Storage Tax Credit still requires legislative funding.
 - #22-let Laura know if you are interested in your own log-in credentials.

IV. Comments

Dan- We are an operating utility with \$15-20 million in revenues and assets exceeding \$100 million dollars, and everything we do and say has an impact on our success and everybody is watching. It is important to continue to make the advancements that we are. Will request he is available as staff for the discussion at the Assembly and not public comment so he has more than 3 minutes, and he will reach out to individual assembly members to answer questions and talk to them. Rene is talking to Borough attorney and answer questions. Working through minimizing any confusion.

Rene- spoke to borough clerk to talk to the P.O. and if there are any questions, we can answer in advance to let us know. The Borough attorney has raised issues and sent a list of questions to Rene. We need to convince her on that answer. Need a collective answer with AIDEA that we are all comfortable with. Working on response to written questions.

Dan- FNSB loan is not available until AIDEA approves it. We are expecting a written response from AIDEA. Chair asks Dan to get the Pro Forma to the Assembly. He may not want to send to Assembly the non-officially adopted one but may give the one that was adopted in May 2018.

Director Lee- she is not clear if people responding to FEED understand they may not get a project. Dan responds it is clear to potential bidders. She urges everyone to review the FNSB document that established the IGU.

Madam Chair Throop- thanks Steve for chairing, Great Job, and thanks to Wes and Dan and Brown for getting Pro Forma done. She is pleased with the way it is turning out.

Director Wilken- what a great meeting. He has 4 items and the fourth one has to do with an email he hands out.

1. Regarding scheduling a news miner editorial board meeting he wants IGU to sit down with the Newsminer and talk to them and show them what we are doing. They need to hear the other side of the story, They don't have enough people to report and those people don't have the background of what we are doing.
2. Regarding the April 25th Assembly meeting, in his 6 years participating in this effort, that meeting was the low point. Asks Board members to listen to that on the website, it was a low point in this utilities life. We will talk about this event and try to make sure it never happens again.
3. Regarding board attendance at deliberative body assemblies, he wants board to be aware of any deliberative body that will discuss IGU subjects. He asks the chair to encourage all of us to be there. If Assembly invites the group, and all 7 can be in the room. We need a system in place so all 7 are there so they can communicate and know who we are. He asks for that system to be set up and made into a working policy.
4. (Read into the record.) Written document attached.

Dan- spoke to Chair about Work Session on June 18th and requested that be moved to June 25th. Chair was ok with that. It's a personal reason and he wants time off that week for out of town visitors. Director Wilbur will not be in town at either time.

Vice Chair Haagenson- Starts with the Mayors statement about 12 cent power and how it impacts us; not sure it does, 12 cent power on the Slope is equivalent to \$35.00 mcf so its not really competitive. The bigger deal is you can't use it for heat. That's not going to preclude us from existing at all, zero impact on us. Last meeting we had a discussion on who gets the gas first and it was first come - first serve. You may want to consider the ones building the new houses first and hook them up instead of telling them sorry, you are at the end of the list. Also people on propane today already have a gas boiler. Might want to reconsider the list. Welcome to our new director. Good to have you here. We had a good message tonight, been trying to get to this point for 10 years. Regarding getting things on the Agenda there was a list of 6 things he was asked to prioritize, he gave the list to Dan and wants Dan to decide when its ready for the Agenda.

V. Adjournment

Moved to adjourn by Director Wilken, seconded by Director Nordale.
Meeting adjourned at 7:15 P.M.

Michael W. Miller

DOB – August 7, 1951, Fairbanks, Alaska

Political Experience:

Leadership: Senate President (1997-1998)

Commissioner of Administration, State of Alaska (2003-2004)

Election History: City of North Pole Council (1976-1980)

Alaska State House (1982-1992)

Alaska State Senate (1992-2000)

Community Activities: Original Board Member of Project 714 (STARS), Drug Intervention and Prevention Program for Secondary Schools; Past Board Member of Crisis Pregnancy Outpost for North Pole/Fairbanks area; Member, National Federation of Independent Business (NFIB).

Education: Monroe Catholic High School, Fairbanks

Attended University of Alaska, Fairbanks, 1970-1974

Occupation: President/Owner, Santa Claus House

Work History: President/CEO, SCH, Inc. 1966 – Present, North Pole, AK

Commissioner of Administration, State of Alaska (2003-2004)

Juneau

Alaska State Legislator, State of Alaska, 1982-2000, Juneau

Warehouseman, Trans Alaska Pipeline, 1974-1978, Fairbanks

Military Service: Alaska Air National Guard (1971-1974)

Birth: 8/7/51; Fairbanks, AK – Life-long Alaskan

Family: Wife-Susan-married 44 years, Anniversary-12/27/74

Children – Teffonie, Son-in-Law – Phillip (5 Children)

Carissa, Son-in-Law – Paul (3 Children)

Hobbies: Coin collecting, history, antiques, family gatherings, grandchildren.

ITEMS FOR 5/21/19 MEETING

- 1) RE: SCHEDULE NEWS-MINER EDITORIAL BOARD MEETING

- 2) RE: ENCOURAGE BOARD MEMBERS TO LISTEN TO APRIL 25TH ASSEMBLY MEETING – AUDIO TRACK 2 AND 3.

- 3) RE: BOARD ATTENDANCE AT DELIBERATIVE BODY ASSEMBLIES WHEN DISCUSSING IGU MATTERS.
 Make it an operating policy

- 4) RE: RECOGNITION OF MY ERROR IN EXCEEDING THE 3 PERSON CONSTRAINT WHEN DISTRIBUTING AN EMAIL TO THE BOARD OF DIRECTORS.

“FOR THE RECORD: AT THE MAY 7TH BOARD MEETING A BOARD MEMBER INQUIRED DURING THE MEETING AS TO WHETHER THE AIDEA PARTICIPATION IN THE IEP COULD BE DEFINED AS A “UNSOLICITED PROPOSAL”. THE QUESTION WAS NOT ANSWERED.

I FOUND THIS TO BE A GOOD QUESTION DESERVING OF A GOOD ANSWER, SO I PROCEEDED TO WRITE THE BOARD MEMBER WHO ASKED THE QUESTION IN AN ATTEMPT TO PROVIDE SOME HISTORICAL PERSPECTIVE AS TO HOW AIDEA BECAME INVOLVED IN THE IEP. I AM DISTRIBUTING THE EMAIL FYI. I TOOK THE LIBERTY OF EXPLAINING HOW AIDEA WAS CHOSEN, BY THE LEGISLATURE IN SB 23, FROM A SHORT LIST OF TWO STATE ENTITIES BEING CONSIDERED, THE OTHER BEING THE DEPARTMENT OF TRANSPORTATION.

I SENT THE EMAIL TO THE QUESTIONER, OUR CHAIRWOMAN AND OUR VICE CHAIR THEN MADE THE MISTAKE OF NOT INCLUDING MYSELF IN THE COUNT WHICH DROVE THE DISTRIBUTION TO FOUR. IT WAS MY ERROR AND I WILL ENDEAVOR TO NOT ALLOW IT TO HAPPEN AGAIN.”

From: Gary Wilken
Sent: Friday, May 10, 2019 1:23 AM
To: Patrice Lee
Cc: Pamela Throop; Steve Haagenson; Dan W. Britton; Dana Pruhs; Dodson Jim
Subject: Your question: "unsolicited proposal"

Good Morning Patrice:

Last night (Thursday) I listened to the web posting of the May 7 meeting. I write to respond to your question of Steve as to whether the AIDEA involvement in the IEP was an "unsolicited proposal".

The answer lies in the the following legislative history:

- In 2013 SB 23 became the vehicle to move the IEP (Interior Energy Plan - soon to changed by Governor Parnell after successful passage of SB 23 to the Interior Energy Project) thru the legislative process.
- In the deliberation of the legislation, the question arose as to what agency was going to be the overseer of this \$335M of public money and commitment.
- The two choices making the short list were:
 - Department of Transportation and Public Facilities (DPT/PF)
 - AIDEA

AIDEA was chosen. And as one who was on the AIDEA board at the time, we were as surprised as anyone. But after the initial announcement, AIDEA management and the board took a look at the tools that would be required to move the IEP to a successful conclusion and were proudly embolden to see that we had the tools, we had the talent, and we had the resources to propel this difficult effort to a successful conclusion.

That commitment and dedication remains today as we all collaborate and look forward to our day of "first gas".

I trust this history answers your question. Please advise if I can add further.

Gary

DATE: 5-21-19

[illegible]

FINANCIALS



Interior Gas Utility

Finance Committee Meeting
 April 30, 2019 @ 12 NOON
 3408 International Street, Fairbanks, Alaska

MINUTES MARCH FINANCIALS REVIEWED

I. Call to Order @ 12:00 NOON

- a. Roll Call -Patrice Lee, Mary Nordale & David Durham (telephonic); Other: Dan Britton, Wes Smith, Zach Dameron (telephonic) & Laura Steel. Excused – Doug Bishop
- b. Approval of Agenda Minutes - Moved by Mary, Seconded by David.
- c. Approval of March 26, 2019 Minutes – Moved by Mary, Seconded by David.

II. Monthly Financials - Profit & Loss - March 2019

- a. IGU Financial Statements and footnotes reviewed.
- b. FNG Financial Statements and footnotes reviewed.
 - Discussed increase in stolen checks nationwide and what FNG does to prevent that from happening.
 - Discussed AIDEA's involvement in IGU's acquisition of loans because IGU owes AIDEA money.
 - Heating Degree Days were lower than budgeted; therefore, our Residential revenue was \$40,646 lower than budgeted.
 - We did add some Interruptible accounts, which raised Interruptible-Small revenue \$20,761 higher than budgeted.
 - UAF revenue was \$59,615 higher than budgeted due to using gas with its new power plant.
- c. Titan Alaska Financial Statements and footnotes reviewed.
 - Discussed \$8,000 higher than budget in accounts receivable due to Talkeetna Lodge special event.
- d. AET Financial Statements and footnotes reviewed.

III. Closing Comments – Meeting Adjourned.

- a. The Finance Committee recommended that the IGU Board accept the March 2019 Financial Report as presented at their meeting.
- b. The next meeting will be May 28, 2019. David Durham will not be available on that date.



Interior Gas Utility

Finance Committee Meeting

April 30, 2019 @ 12:00PM

3408 International Street, Fairbanks, Alaska

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

AGENDA

I. Call to Order

- Roll Call
- Approval of Agenda
- Approval of March 26, 2019 Minutes

II. Monthly Financials

- Statement of Net Position – 3rd Quarter
- Statement of Revenues, Expenses and Changes in Net Position
with Budget Comparison

III. Closing Comments

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

	Mar 2019 (Actual)	Mar 2,019 (Budget Rev 1)	Mar 2019 (Variance)	Footnote
STATEMENT OF NET POSITION				
<u>Assets and Deferred Outflows of Resources</u>				
Property, plant and equipment				
Gas plant in service, at cost	751,274	2,921,811	(2,170,537)	
Less: Accumulated provision for depreciation	15,237	15,237	0	
Net plant in services	736,038	2,906,575	(2,170,537)	
Gas plant held for future use, at cost	22,258,726	22,258,126	600	
Construction work in progress	6,691,817	9,881,397	(3,189,579)	
Net property, plant and equipment	29,686,581	35,046,097	(5,359,516)	(a)
Current assets				
Cash	1,003,973	1,227,007	(223,034)	(b)
Contracts receivable (FNSB)	0	0	0	
Materials and supplies inventory	159,764	162,689	(2,925)	
Deposits and other current assets	34,901	0	34,901	(c)
Total current assets	1,198,638	1,389,696	(191,058)	
Deferred outflows of resources				
Gas plant acquisition adjustment, net of amortization	0	0	0	
Total assets and deferred outflows of resources	30,885,219	36,435,793	(5,550,575)	
<u>Liabilities and Net Position</u>				
Current liabilities				
Current maturities of long-term debt	0	155,357	(155,357)	(d)
Accounts payable	46,396	56,646	(10,250)	
Accounts payable - affiliates	116,069	0	116,069	(e)
Construction payables	298,958	575,400	(276,442)	(f)
Other current and accrued liabilities	0	269	(269)	
Total current liabilities	461,423	787,672	(326,249)	
Noncurrent liabilities				
Long-term debt, less current maturities				
AIDEA line of credit	30,025,320	32,879,178	(2,853,858)	(g)
GVEA - Land contract	0	1,798,126	(1,798,126)	(d)
Total noncurrent liabilities	30,025,320	34,677,305	(4,651,985)	
Net position				
Net investments in capital assets	736,038	953,092	(217,054)	
Restricted - Unexpended loan funds	0	666,667	(666,667)	
Unrestricted	(337,562)	(648,942)	311,379	
Total net position	398,476	970,817	(572,341)	

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

	Mar 2019 (Actual)	Mar 2019 (Budget Rev 1)	Mar 2019 (Variance) fav/(unfav)	Footnote	YTD 2019 (Actual)	YTD 2019 (Budget Rev 1)	YTD 2019 (Variance) fav/(unfav)
STATEMENT OF OPERATIONS							
Operating revenues							
Contract revenue - FNSB	0	0	0		304,575	304,575	0
Total operating revenue	0	0	0		304,575	304,575	0
Operating expenses							
Administration and general expenses	35,197	58,527	23,330	(h)	486,078	563,800	77,722
Depreciation	300	300	0		2,704	2,704	0
Total operating expense	35,498	58,827	23,330		488,782	566,504	77,722
Operating income (loss)	(35,498)	(58,827)	23,330		(184,207)	(261,929)	77,722
Net operating margin %	0.0%	0.0%	0.0%		-60.5%	-86.0%	25.5%
Non operating income (expense)							
Interest income	114	0	114		468	0	468
Other income (expense)	0	0	0		11,807	0	11,807
Other income - transfer in (out)	0	58,527	(58,527)	(i)	0	576,279	(576,279)
Total non operating income (expense)	114	58,527	(58,413)		12,275	576,279	(564,004)
Change in net position	(35,384)	(300)	(35,084)		(171,932)	314,350	(486,282)
Net position - beginning of period	433,860	971,117	(537,257)		570,408	656,467	(86,059)
Net position - end of period	398,476	970,817	(572,341)		398,476	970,817	(572,341)

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

	Mar 2019 (Actual)	Mar 2019 (Budget Rev 1)	Mar 2019 (Variance) fav/(unfav)	YTD 2019 (Actual)	YTD 2019 (Budget Rev 1)	YTD 2019 (Variance) fav/(unfav)
STATEMENT OF CASH FLOWS						
Increase (Decrease) in Cash						
Cash flows from operating activities						
Cash received from other governments and customers	-	58,527	(58,527)	469,392	976,307	(506,915)
Cash paid to suppliers, employees and affiliates	45,827	(58,527)	104,354	(463,821)	(598,327)	134,506
Interest and dividends received	114	0	114	468	0	468
Net cash provided by (used in) operating activities	45,941	0	45,941	6,039	377,980	(371,941)
Cash flows from capital and related financing activities						
Proceeds from issuance of long-term debt	678,542	575,400	103,142	678,542	3,532,400	(2,853,858)
Purchase of property, plant and equipment	0	0	0	0	(217,054)	217,054
Construction work in progress (Distribution)	0	0	0	(28,491)	0	(28,491)
Construction work in progress (Storage)	(45,827)	(575,400)	529,573	(420,527)	(3,452,400)	3,031,873
Net cash provided by (used in) capital and related financing activities	632,714	0	632,714	229,524	(137,054)	366,577
Cash flows from investing activities	0	0	0	0	0	0
Net cash provided by (used in) investing activities	0	0	0	0	0	0
Net increase (decrease) in cash	678,655	-	678,655	235,562	240,926	(5,363)
Cash at beginning of period	325,317	1,227,007	(901,690)	768,410	986,081	(217,671)
Cash at end of period	1,003,973	1,227,007	(223,034)	1,003,973	1,227,007	(223,034)
Reconciliation of Net Income (Loss) to Net Cash Provided By (Used in) Operating Activities						
Operating activities:						
Operating income (loss) for the period	(35,498)	(58,827)	23,330	(184,207)	(261,929)	77,722
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	300	300	0	2,704	2,704	0
Interest income	0					
Other income	0	58,527	(58,527)	12,275	576,279	(564,004)
(Increase) decrease in assets:						
Contract receivable	0	0	0	153,010	95,453	57,557
Deposits and other current assets	(31,677)	0	(31,677)	(34,901)	4,130	(39,031)
(Increase) decrease in liabilities:						
Accounts payable	16,484	0	16,484	(44,351)	(38,657)	(5,694)
Accounts payable - affiliates	96,218	0	96,218	116,069	0	116,069
Accrued wages & burden	0	0	0	(14,559)	0	(14,559)
Net cash provided by (used in) operating activities	45,827	0	45,827	6,039	377,980	(371,941)



Variance to Budget Footnotes
March 31, 2019

- (a) - Utility Plant was \$5.4M¹ under budget due to a timing difference of actual project cost and budgeted project cost. Year to date Utility Plant activity were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning Utility Plant net of accumulated depreciation, July 1, 2018	\$ 28,980	\$ 28,863	\$ 117
Capital Additions			
North Pole Storage Project - Land Acquisition	-	2,171	(2,171)
Construction Work in Progress - North Pole Storage Project	719	4,028	(3,308)
Construction Work in Progress - Phase II	2	-	2
Less accumulated depreciation	(15)	(15)	-
Ending Utility Plant net of accumulated depreciation, March 31, 2019	<u>\$ 29,687</u>	<u>\$ 35,046</u>	<u>\$ (5,360) ¹</u>

- (b) - Cash was \$223K¹ lower than budgeted largely due to no transfer of operating funds from FNG. Year to date cash activities were as follows at March 31, 2018:

(\$ in thous)	Actual	Budget	Variance
Beginning cash, July 1, 2018	\$ 768	\$ 986	\$ (218)
Net Increase/(Decrease) resulting from the following:			
Cash flows from operating activities	6	378	(372)
Cash flows capital and related financing activities	230	(137)	367
Cash flows from investing activities	-	-	-
Ending cash, March 31, 2019	<u>\$ 1,004</u>	<u>\$ 1,227</u>	<u>\$ (223) ¹</u>

- (c) - Deposits and other current assets were \$35K higher than budget due to Directors and Officers liability insurance prepayment was not budgeted.

(\$ in thous)	Actual	Budget	Variance
Beginning deposits and other current assets, March 1, 2019	\$ 3	\$ -	\$ 3
<u>Additions</u>			
Prepaid Expenses:			
Insurance and operating expenses	36	-	36
<u>Reductions</u>			
Prepaid Expenses:			
Insurance and operating expenses	(4)	-	(4)
Deposits - Leased trailers & WC Insurance	-	-	-



Variance to Budget Footnotes
March 31, 2019

Ending deposits and other current assets, March 31, 2019	\$ 35	\$ -	\$ 35 ¹
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- (d) - Current maturities of long-term debt and GVEA - Land contract were \$155K and \$1.8M, respectively, lower than budget due to no purchase of the land from GVEA. It is, however, still expected to be purchased later in the fiscal year.
- (e) - Accounts payable - Affiliates was \$116K higher than budget. No inter-company payables were budgeted for the year. The balance due is for the cost of Directors and Officers liability insurance and construction activities paid through FNG.
- (f) - Construction payables were \$276K lower than budgeted due to a timing difference of actual construction purchases and budgeted construction purchases.
- (g) - AIDEA line of credit (Construction) was \$2.9M lower than budget due to a timing difference between actual and budgeted construction activities. Loan draws have not been required as a result of the timing difference.
- (h) - Administration and general expenses were \$23K under budget for March. \$17K was due to a timing difference between actual legal expenses and budgeted legal expenses and the remaining \$6K consisted of various accounts with timing differences between actual and budgeted expenses.
- (i) - Other income - transfer in (out) was \$59K under budget for February 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
March 31,

	Mar 2019 (Actual)	Mar 2019 (Budget)	Mar 2019 (Variance)	Footnote
STATEMENT OF NET POSITION				
<u>Assets and Deferred Outflows of Resources</u>				
Property, plant and equipment				
Gas plant in service, at cost	14,835,454	16,989,365	(2,153,911)	
Less: Accumulated provision for depreciation	658,265	2,919,235	(2,260,970)	
Net plant in services	14,177,189	14,070,130	107,059	
Gas plant held for future use, at cost	14,697,050	14,483,110	213,940	
Construction work in progress	40,625,678	44,128,582	(3,502,904)	
Net property, plant and equipment	69,499,917	72,681,823	(3,181,906)	(a)
Current assets				
Cash	4,615,082	3,946,157	668,925	(b)
Investments	436,233	398,094	38,139	(c)
Accounts receivable	1,532,736	1,968,476	(435,740)	(d)
Accounts receivable - affiliates	325,008	19,713	305,295	(e)
LNG inventory	363,834	398,144	(34,311)	(f)
Materials and supplies inventory	313,294	353,017	(39,723)	(g)
Deposits and other current assets	187,468	132,141	55,326	(h)
Total current assets	7,773,655	7,215,743	557,912	
Deferred outflows of resources				
Gas plant acquisition adjustment, net of amortization	0	0	0	
Total assets and deferred outflows of resources	77,273,572	79,897,565	(2,623,993)	
<u>Liabilities and Net Position</u>				
Current liabilities				
Current maturities of long-term debt	0	0	0	
Accrued wages and burden	123,121	81,796	41,325	(i)
Accounts payable	18,951	46,507	(27,556)	(j)
Accounts payable - affiliates	1,093,205	1,340,820	(247,615)	(k)
Construction payables	1,084,617	1,387,711	(303,094)	(l)
Other current and accrued liabilities	0	3,677	(3,677)	
Total current liabilities	2,319,894	2,860,511	(540,617)	
Noncurrent liabilities				
Accumulated deferred compensation	436,233	398,094	38,139	(c)
Long-term debt, less current maturities				
AIDEA line of credit	50,838,826	53,407,237	(2,568,411)	(m)
Total noncurrent liabilities	51,275,059	53,805,331	(2,530,271)	
Net position				
Net investments in capital assets	17,889,767	18,239,892	(350,124)	
Unrestricted	5,788,851	4,991,832	797,019	
Total net position	23,678,618	23,231,723	446,894	
Total liabilities and net position	77,273,572	79,897,565	(2,623,993)	

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

	Mar 2019 (Actual)	Mar 2019 (Budget)	Mar 2019 (Variance) fav/(unfav)	Footnote	YTD 2019 (Actual)	YTD 2019 (Budget)	YTD 2019 (Variance) fav/(unfav)
STATEMENT OF OPERATIONS							
Mcf:							
Residential	4,937	6,890	(1,953)		45,399	48,539	(3,140)
Small Commercial	33,952	46,891	(12,939)		298,016	339,566	(41,549)
Large Commercial	18,120	25,007	(6,887)		165,324	182,216	(16,892)
Interruptible - Small	5,576	4,539	1,037		49,141	44,214	4,927
Interruptible - Large	3,922	2,018	1,904		28,843	14,657	14,186
Hospital	302	0	302		35,261	0	35,261
UAF	3,613	0	3,613		13,290	0	13,290
FNG	70	153	(83)		566	859	(293)
Total Mcf	70,491	85,498	(15,007)		635,840	630,051	5,790
HDD	1,120	1,717	(597)		10,499	11,866	(1,367)
Operating revenues							
Residential Gas Revenues	102,731	143,376	(40,646)	(n)	944,751	1,010,091	(65,340)
Small Commercial Gas Revenues	704,852	973,457	(268,605)	(o)	6,186,819	7,049,385	(862,566)
Large Commercial Gas Revenues	375,090	517,645	(142,555)	(p)	3,422,221	3,771,871	(349,650)
Interruptible - Small	111,677	90,916	20,761	(q)	984,286	885,608	98,678
Interruptible - Large	64,711	34,812	29,899	(r)	484,374	252,829	231,545
Hospital Gas Revenues	4,978	0	4,978		646,585	0	646,585
UAF Revenues	59,615	0	59,615	(s)	232,110	0	232,110
Service Charge Revenues	26,224	25,170	1,054		234,887	227,627	7,260
Other Revenue	1,857	2,500	(643)		13,334	22,500	(9,166)
Total operating revenue	1,451,735	1,787,877	(336,142)		13,149,368	13,219,911	(70,543)
Operating expenses							
Natural gas purchases	1,081,373	1,305,777	224,404	(t)	9,989,471	9,655,972	(333,499)
Fairbanks distribution operations	28,916	26,337	(2,579)		221,611	238,198	16,587
Fairbanks distribution maintenance	2,533	8,026	5,494	(u)	54,323	72,238	17,916
Fairbanks storage & vaporization operations	28,696	41,332	12,636	(v)	287,732	316,814	29,082
Fairbanks storage & vaporization maintenance	3,911	6,500	2,589		39,241	56,482	17,241
Engineering	16,745	18,474	1,729		150,132	166,267	16,134
Customer Services	25,094	21,475	(3,619)		134,974	197,161	62,186
Administration and general expenses	135,846	118,932	(16,914)	(w)	1,107,990	1,114,548	6,559
Depreciation	67,961	68,824	863		619,535	624,523	4,987
Total operating expense	1,391,074	1,615,677	224,603		12,605,009	12,442,202	(162,806)
Operating income (loss)	60,662	172,200	(111,539)		544,359	777,708	(233,349)
Net operating margin %	4.2%	9.6%	-5.5%		4.1%	5.9%	-1.7%
Non operating income (expense)							
Gain (loss) from disposition of property, plant and equipment	0	0	0		2,500	0	2,500
Interest income	555	0	555		5,617	0	5,617
Other income (expense)	11,039	0	11,039	(x)	657,480	659,266	(1,786)
Net increase in fair value of investments	0	0	0		24,299	0	24,299
Total non operating income (expense)	11,594	0	11,594		689,895	659,266	30,630
Change in net position	72,256	172,200	(99,944)		1,234,254	1,436,974	(202,720)
Net position - beginning of period	23,606,362	23,118,050	488,312		22,444,364	22,371,028	73,335
Net position - end of period	23,678,618	23,290,250	388,367		23,678,618	23,808,003	(129,385)
Net Margin %	4.98%	9.63%			9.39%	10.87%	
EBITDA	128,623	241,024	(112,401)		1,163,894	1,402,231	(238,337)

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

	Mar 2019 (Actual)	Mar 2019 (Budget)	Mar 2019 (Variance) fav/(unfav)	YTD 2019 (Actual)	YTD 2019 (Budget)	YTD 2019 (Variance) fav/(unfav)
STATEMENT OF CASH FLOWS						
Increase (Decrease) in Cash						
Cash flows from operating activities						
Cash received from customers and affiliates	1,545,935	1,910,981	(365,046)	12,267,197	11,847,769	419,428
Cash paid to suppliers, employees and affiliates	(1,753,100)	(1,785,947)	32,847	(11,384,033)	(10,816,938)	(567,095)
Interest and dividends received	555	0	555	5,617	0	5,617
Net cash provided by (used in) operating activities	(206,610)	125,033	(331,643)	888,781	1,030,831	(142,050)
Cash flows from capital and related financing activities						
Proceeds from issuance of long-term debt	3,618,870	1,487,711	2,131,159	24,221,117	26,789,528	(2,568,411)
Cash received from transfers in from other agencies	0	0	0	0	659,266	(659,266)
Cash paid from transfers out to other agencies	0	(58,527)	58,527	541,889	(576,279)	1,118,168
Proceeds from disposal of assets	0	0	0	2,500	0	2,500
Purchase of property, plant and equipment	(2,398)	(2,000)	(398)	(202,117)	(382,174)	180,057
Construction work in progress (Distribution)	(15)	0	(15)	(81,038)	(351,203)	270,165
Construction work in progress (Storage)	(2,791,218)	(1,487,711)	(1,303,507)	(24,793,669)	(27,448,793)	2,655,124
Net cash provided by (used in) capital and related financing activities	825,239	(60,527)	885,766	(311,318)	(1,309,656)	998,338
Cash flows from investing activities						
Purchase of marketable securities	(555)	0	(555)	(29,916)	0	(29,916)
Net cash provided by (used in) investing activities	(555)	0	(555)	(29,916)	0	(29,916)
Net increase (decrease) in cash	618,074	64,506	553,567	547,547	(278,825)	826,372
Cash at beginning of period	3,997,008	3,881,650	115,358	4,067,535	4,224,982	(157,447)
Cash at end of period	4,615,082	3,946,157	668,925	4,615,082	3,946,157	668,925
Reconciliation of Net Income (Loss) to Net Cash Provided By (Used in) Operating Activities						
Operating activities:						
Operating income (loss) for the period	60,662	172,200	(111,539)	544,359	777,708	(233,349)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	67,961	68,824	(863)	619,535	624,523	(4,987)
Interest income	555	0	555	5,617	0	5,617
Other income	11,039	0	11,039	115,590	0	115,590
Increase in fair value of investments	0	0	0	24,299	0	24,299
(Increase) decrease in assets:						
Accounts receivable, net	383,430	142,817	240,613	(702,906)	(1,352,428)	649,523
Accounts receivable - affiliates	(300,269)	(19,713)	(280,556)	(319,154)	(19,713)	(299,441)
LNG inventory	14,754	843	13,911	60,276	8,146	52,130
Materials and supplies inventory	(2,008)	0	(2,008)	(18,818)	45,950	(64,768)
Deposits and other current assets	216,103	(112,543)	328,646	(59,719)	(14,143)	(45,576)
(Increase) decrease in liabilities:						
Accumulated deferred compensation	555	0	555	29,916	0	29,916
Accounts payable	(356,283)	(4,181)	(352,102)	(46,037)	(26,474)	(19,562)
Accounts payable - affiliates	(308,826)	(112,090)	(196,735)	627,463	1,017,439	(389,975)
Accrued wages & burden	5,717	(12,349)	18,066	11,927	(28,849)	40,776
Other current & accrued liabilities	0	1,226	(1,226)	(3,568)	(1,327)	(2,241)
Net cash provided by (used in) operating activities	(206,610)	125,033	(331,643)	888,781	1,030,831	(142,050)



Variance to Budget Footnotes
March 31, 2019

(a) - Utility Plant was \$3.1M¹ under budget due to a timing difference of actual project cost and budgeted project cost. Year to date Utility Plant activity were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning Utility Plant net of accumulated depreciation, July 1, 2018	\$ 46,860	\$ 47,236	\$ (376)
Capital Additions			
Budgeted Projects	212	382	(170)
Construction Work in Progress - Distribution	71	351	(280)
Construction Work in Progress 5.25M Storage	22,976	25,337	(2,361)
Current year accumulated depreciation	(620)	(625)	5
Ending Utility Plant net of accumulated depreciation, March 31, 2019	<u>\$ 69,500</u>	<u>\$ 72,682</u>	<u>\$ (3,182)¹</u>

(b) - Cash was \$669K¹ higher than budgeted largely due to a timing difference between actual loan proceeds being received and disbursed to vendor. The loan proceeds received in March were for construction activities through February 2019. Additionally, other capital projects budgeted to be financed through cash have not been completed for the year resulting in increased cash balance over budgeted cash balance. Year to date cash activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning cash, March 1, 2019	\$ 3,997	\$ 3,882	\$ 115
Net Increase/(Decrease) resulting from the following:			
Net cash received (used) in operations	(207)	125	(332)
Net cash received (used) in capital project related activities	825	(61)	886
Net cash received (used) in investing activities	(1)	-	(1)
Ending cash, March 31, 2019	<u>\$ 4,615</u>	<u>\$ 3,946</u>	<u>\$ 669¹</u>

(c) - Investments and Accumulated deferred compensation was \$38K over budget due to the recognition of unrealized gains on the deferred compensation account. The budget makes no allowance for this adjustment as the adjustment is securities market dependent.

(d) - Accounts receivable was \$436K¹ lower than budget largely due to lower than budgeted sales. The days receivable outstanding for the month was 33 days compared to the budget of 31 days. Accounts receivable activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning accounts receivable, March 1, 2019	\$ 1,991	\$ 2,186	\$ (195)
Addition - Billings	1,452	1,788	(336)
Payments received on account	(1,835)	(1,931)	96
Less allowance for doubtful accounts	<u>(75)</u>	<u>(75)</u>	<u>-</u>



Variance to Budget Footnotes
March 31, 2019

Ending accounts receivable, March 31, 2019	\$ 1,533	\$ 1,968	\$ (436) ¹
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(e) - Accounts receivable - Affiliates was \$305K higher than budget largely due to the budget makes the assumption that prepaid insurance paid by FNG is reimbursed by the affiliated companies in the same month. The reimbursement did not happen in March.

(f) - LNG inventory was \$34K under budget due to inventory resupply lagged at the end of the month. Inventories were at satisfactory levels for the time of year.

(g) - Materials and supply inventory was \$40K under budget due to FY-18 year end adjustment that did not make it into the budgeting process. I expect this account to be under budget for the remainder of the year.

(h) - Deposits and other current assets were \$55K¹ higher than budget due to increased insurance cost and a timing difference between actual beginning balance and budgeted beginning balance. The timing difference will correct itself during future periods. Year to date deposits and other current assets activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Var.
Beginning deposits and other current assets, March 1, 2019	\$ 404	\$ 20	\$ 384
<u>Additions</u>			
Prepaid Expenses:			
Insurance and operating expenses	138	133	5
<u>Reductions</u>			
Prepaid Expenses:			
Insurance and operating expenses	(354)	(20)	(334)
Deposits - Leased trailers & WC Insurance	-	-	-
Ending deposits and other current assets, March 31, 2019	\$ 187	\$ 132	\$ 55 ¹

(i) - Accrued wages & burden were \$41K over budget due to a timing difference between budgeted and actual accrued PTO. Current policy to account for PTO pay is based on hours worked during current year adjusted for total hours of PTO used in the current year.

(j) - Accounts payable was \$28K¹ under budget. The days payable outstanding for the month was 4 days compared to the budget of 31 days. The current policy for accounts payables is to pay all payables per Vendor terms. If Vendor terms are not available, we set the terms at "Net 30 days". Accounts payable activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning accounts payable, March 1, 2019	\$ 375	\$ 51	\$ 325
<u>Additions</u>			
Vendor purchases	146	\$ 47	100
<u>Reductions</u>			



Variance to Budget Footnotes
March 31, 2019

Payments to vendors	(502)	\$ (51)	(452)
Ending accounts payable, March 31, 2019	\$ 19	\$ 47	\$ (28) ¹

(k) - Accounts payable - Affiliates was \$248K lower than budget largely due to lower gas purchases from Titan.

(l) - Construction payables were \$303K lower than budgeted due to a timing difference between actual and budgeted construction purchases.

(m) - AIDEA term loan (Construction) was \$2.6M lower than budget due to a timing difference of actual project cost and budgeted project cost and receipt of loan funds requested.

(n) - Residential revenue was \$41K¹ lower than budgeted. Heating Degree Days (HDD) were lower than budget for the month. Actual HDD was 1,120 versus 1,717 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 21 year average of HDD. Actual customer count was 490 compared to 496 customers budgeted. There were 31 days in the billing cycle for March.

	Actual	Budget	F (U) Variance
Total Mcf per mo	4,937	6,890	(1,953)
Rate per Mcf	\$ 20.81	\$ 20.81	\$ -
Residential gas billings for March, 2019	\$ 102,731	\$ 143,376	\$ (40,646) ¹

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

	Budget
HDD	1,717
Base	1.70
Per DD	0.007
Customers	496
Total Mcf per month ((Base+(PerDD*HDD))*Customers)	6,890
Total Mcf per month	6,890
Rate per Mcf	\$ 20.81
Total residential monthly revenue - gas sales	\$ 143,376

(o) - Small Commercial revenue was \$268K¹ lower than budgeted. Heating Degree Days (HDD) were lower than budgeted for the month. Actual HDD was 1,120 versus 1,717 in the budget. The average temperature in March 2019 and 2018 was 28.9° F and 15.4° F respectively. There were 31 days in the billing cycle for March.

	Actual	Budget	F (U) Variance
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Variance to Budget Footnotes
March 31, 2019

Total Mcf per mo, adjusted for Weather Factor	33,952	46,891	(12,939)
Rate per Mcf	\$ 20.76	\$ 20.76	\$ -
Small commercial revenue	\$ 704,852	\$ 973,457	\$ (268,605)
Billing allowances	-	-	-
Small Commercial gas sales for March, 2019	<u>\$ 704,852</u>	<u>\$ 973,457</u>	<u>\$ (268,605) ¹</u>

(p) - Large Commercial revenue was \$143K¹ lower than budget. Actual customer count was 31 compared to the budget at 31 customers. Large Commercial revenue budget is not based on HDD. Large Commercial revenue budget is calculated based on historical usage data that has been accumulated for each customer.

	Actual	Budget	F (U) Variance
Total Mcf gas sales	18,120	25,007	(6,887)
Rate per Mcf	\$ 20.70	\$ 20.70	\$ -
Large commercial revenue	\$ 375,090	\$ 517,645	\$ (142,555)
Billing allowances	-	-	-
Large Commercial gas sales for March, 2019	<u>\$ 375,090</u>	<u>\$ 517,645</u>	<u>\$ (142,555) ¹</u>

(q) - Interruptible - Small revenue was \$21K¹ 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	5,576	4,539	1,037
Rate per Mcf	\$ 20.03	\$ 20.03	\$ -
Interruptible gas sales for March, 2019	<u>\$ 111,677</u>	<u>\$ 90,916</u>	<u>\$ 20,761 ¹</u>

(r) - Interruptible - Large revenue was \$30K¹ 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	3,922	2,018	1,904
Rate per Mcf	\$ 16.50	\$ 17.25	\$ (0.75)
Hospital gas sales for March, 2019	<u>\$ 64,711</u>	<u>\$ 34,812</u>	<u>\$ 29,899 ¹</u>

(s) - UAF revenue was \$60K¹ 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.



Variance to Budget Footnotes
March 31, 2019

	Actual	Budget	F (U) Variance
Total Mcf gas sales	3,613	-	3,613
Rate per Mcf	\$ 16.50	\$ 17.25	\$ (0.75)
Hospital gas sales for March, 2019	\$ 59,615	\$ -	\$ 59,615 ¹

(t) - Natural gas purchases were \$224K under budget for March due to lower natural gas sales than budgeted.

(u) - Fairbanks distribution maintenance expense was \$5K under budget largely due to reallocation of expenses to other departments.

(v) - Fairbanks storage & vaporization operations expense was \$13K under budget largely due to lower gas usage for gasification than budgeted.

(w) - G&A - FNG expenses were \$17K over budget largely due to various accounts being over budget. The detail expense report will cover the various accounts.

(x) - Non operating income (expense) - Other income (expense) was \$11K over budget largely due to the budget did not include intercompany revenue. The intercompany revenue is derived from FNG charging IGU for labor and associated burden.

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

	Mar 2019 (Actual)	Mar 2019 (Budget)	Mar 2019 (Variance)	Footnote
STATEMENT OF NET POSITION				
<u>Assets and Deferred Outflows of Resources</u>				
Property, plant and equipment				
Gas plant in service, at cost	3,714,154	5,051,998	(1,337,845)	
Less: Accumulated provision for depreciation	288,557	1,595,913	1,307,356	
Net plant in services	3,425,596	3,456,085	(30,489)	
Gas plant held for future use, at cost	0	0	0	
Construction work in progress	0	227,042	(227,042)	
Net property, plant and equipment	3,425,596	3,683,127	(257,531)	(a)
Current assets				
Cash and cash equivalents	1,998,895	1,911,193	87,702	(b)
Accounts receivable	19,318	11,585	7,733	(c)
Accounts receivable - affiliates	1,172,699	1,403,720	(231,021)	(d)
LNG inventory	55,779	46,456	9,323	(e)
Materials and supplies inventory	0	0	0	
Deposits and other current assets	169,213	136,473	32,740	(f)
Total current assets	3,415,905	3,509,427	(93,523)	
Deferred outflows of resources				
Gas plant acquisition adjustment, net of amortization	0	0	0	
Total assets and deferred outflows of resources	6,841,501	7,192,555	(351,054)	
<u>Liabilities and Net Position</u>				
Current liabilities				
Current maturity of long-term debt	164,246	164,246	0	
Accrued wages and burden	48,079	47,539	540	
Accounts payable	786,740	1,138,489	(351,749)	(g)
Accounts payable - affiliates	197,219	22,635	174,584	(h)
Other current and accrued liabilities	6,230	7,830	(1,601)	
Total current liabilities	1,202,513	1,380,739	(178,226)	
Noncurrent liabilities				
Equipment loans payable, less current portion	750,371	750,371	0	
Total noncurrent liabilities	750,371	750,371	0	
Net position				
Net investment in capital assets	2,510,979	2,768,511	(257,531)	
Unrestricted	2,377,638	2,292,934	84,704	
Total net position	4,888,617	5,061,445	(172,828)	
Total liabilities and net position	6,841,501	7,192,555	(351,054)	

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

	Mar 2019 (Actual)	Mar 2019 (Budget)	Mar 2019 (Variance) fav/(unfav)	Footnote	YTD 2019 (Actual)	YTD 2019 (Budget)	YTD 2019 (Variance) fav/(unfav)
STATEMENT OF OPERATIONS							
Mcf:							
TKA Commercial Gas	1,104	662	442		7,531	6,943	589
AET Commercial Gas	1,099	838	261		5,530	6,179	(649)
Fairbanks Natural Gas, LLC	72,118	87,635	(15,517)		643,448	645,802	(2,354)
Total Mcf	74,321	89,135	(14,814)		656,509	658,923	(2,414)
Operating revenues							
TKA Commercial Gas Revenues	19,318	11,585	7,733	(i)	131,800	121,501	10,299
AET Commercial Gas Revenues	16,555	12,818	3,737		87,488	95,027	(7,539)
Fairbanks Natural Gas, LLC	1,086,096	1,340,820	(254,724)	(j)	10,044,712	9,910,875	133,837
Other Revenue	0	0	0		0	0	0
Total operating revenue	1,121,969	1,365,223	(243,254)		10,264,000	10,127,403	136,597
Operating expenses							
Natural gas purchases	627,168	742,824	115,656	(k)	5,590,640	5,504,799	(85,842)
Trucking expenses	183,006	215,860	32,854	(l)	1,775,055	1,595,518	(179,536)
Electricity	73,603	108,294	34,691	(m)	768,313	813,255	44,942
Gas liquefaction expenses	134,938	143,427	8,488	(n)	1,200,872	1,202,700	1,828
Talkeetna maintenance	123	229	107		5,294	2,062	(3,231)
Administration and general expenses	43,403	43,067	(336)		354,917	387,754	32,837
Interest expense	3,403	3,403	0		32,362	32,362	0
Depreciation	27,852	28,173	321		270,771	273,333	2,562
Total operating expenses	1,093,496	1,285,277	191,781		9,998,223	9,811,782	(186,441)
Operating income (loss)	28,473	79,946	(51,473)		265,777	315,620	(49,844)
Operating margin %	2.5%	5.9%			2.6%	3.1%	
Non operating income (expense)							
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)	(103,328)	200	(103,528)	(o)	9,132	1,800	7,332
Total non operating income (expense)	(103,328)	200	(103,528)		9,132	1,800	7,332
Change in net position	(74,855)	80,146	(155,001)		274,909	317,420	(42,512)
Net position - beginning of period	4,963,472	4,981,299	(17,827)		4,613,709	4,744,024	(130,316)
Net position - end of period	4,888,617	5,061,445	(172,828)		4,888,617	5,061,445	(172,828)
EBITDA	59,727	111,522	(51,794)		568,910	621,315	(52,405)

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

	Mar 2019 (Actual)	Mar 2019 (Budget)	Mar 2019 (Variance) fav/(unfav)	YTD 2019 (Actual)	YTD 2019 (Budget)	YTD 2019 (Variance) fav/(unfav)
STATEMENT OF CASH FLOWS						
Increase (Decrease) in Cash						
Cash flows from operating activities						
Cash received from customers and affiliates	1,306,541	1,473,990	(167,448)	9,640,122	9,112,949	527,173
Cash paid to suppliers, employees and affiliates	(1,431,556)	(1,482,068)	50,511	(9,156,979)	(8,707,164)	(449,815)
Interest and dividends received	0	0	0	0	0	0
Net cash provided by (used in) operating activities	(125,015)	(8,078)	(116,937)	483,143	405,785	77,358
Cash flows from capital and related financing activities						
Principal payments on long-term debt	(13,366)	(13,366)	0	(118,554)	(118,542)	(13)
Interest paid	(3,403)	(3,403)	0	(32,362)	(32,362)	0
Proceeds from disposal of assets	0	0	0	0	0	0
Purchase of property, plant and equipment	(34,300)	0	(34,300)	(68,090)	(104,639)	36,549
Net cash provided by (used in) capital and related financing activities	(51,068)	(16,768)	(34,300)	(219,007)	(255,542)	36,536
Cash flows from investing activities						
Investments	0	0	0	0	0	0
Net cash provided by (used in) investing activities	0	0	0	0	0	0
Net increase (decrease) in cash	(176,083)	(24,846)	(151,237)	264,136	150,242	113,894
Cash at beginning of period	2,174,979	1,936,039	238,939	1,734,759	1,760,951	(26,192)
Cash at end of period	1,998,895	1,911,193	87,702	1,998,895	1,911,193	87,702
Reconciliation of Net Income (Loss) to Net Cash Provided By (Used in) Operating Activities						
Operating activities:						
Operating income/(loss)	28,473	79,946	(51,473)	265,777	315,620	(49,844)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	27,852	28,173	(321)	270,771	273,333	(2,562)
Other income (expense)	(103,328)	200	(103,528)	9,132	1,800	7,332
Interest paid	3,403	3,403	0	32,362	32,362	0
(Increase) decrease in assets:						
Accounts receivable, net	(4,058)	(980)	(3,078)	(1,041)	6,166	(7,208)
Accounts receivable - affiliates	291,958	109,547	182,412	(631,968)	(1,022,420)	390,452
Liquified natural gas inventory	18,343	0	18,343	29,746	0	29,746
Materials and supplies inventory	0	0	0	0	0	0
Deposits and other current assets	(153,852)	(135,532)	(18,320)	(50,381)	(25,043)	(25,338)
(Increase) decrease in liabilities:						
Accrued wages & burden	5,078	(150)	5,228	(10,028)	(15,396)	5,368
Accounts payable	(429,796)	(93,386)	(336,410)	385,259	834,480	(449,221)
Accounts payable - affiliates	189,997	4,527	185,470	180,747	9,054	171,693
Other current & accrued liabilities	915	(3,826)	4,741	2,767	(4,172)	6,939
Net cash provided by (used in) operating activities	(125,015)	(8,078)	(116,937)	483,143	405,785	77,358



Variance to Budget Footnotes
March 31, 2019

(a) - Utility Plant was \$258K¹ under budget due to a timing difference between budgeted capital addition versus actual capital additions and the budget did not account for the write off of a legacy project in June 2018. Year to date Utility Plant activity were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning Utility Plant net of accumulated depreciation, July 1, 2018	\$ 3,628	\$ 3,852	\$ (224)
Capital Additions	68	105	(37)
Disposals/Retirements	-	-	-
Current year accumulated depreciation	(271)	(273)	3
Adjustment to Accumulated Depreciation - Disposal of Assets	-	-	-
Ending Utility Plant net of accumulated depreciation, March 31, 2019	<u>\$ 3,426</u>	<u>\$ 3,683</u>	<u>\$ (258)¹</u>

(b) - Cash was \$88K¹ higher than budgeted. Year to date cash activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning cash, March 1, 2019	\$ 2,175	\$ 1,936	\$ 239
Net Increase/(Decrease) resulting from the following:			
Net cash received (used) in operations	(125)	(8)	(117)
Net cash received (used) in capital project related activities	(51)	(17)	(34)
Net cash received (used) in investing activities	-	-	-
Ending cash, March 31, 2019	<u>\$ 1,999</u>	<u>\$ 1,911</u>	<u>\$ 88¹</u>

(c) - Accounts receivable was \$8K higher than budget due to Talkeetna Lodge's increased gas usage.

(d) - Accounts receivable - affiliates was \$231K¹ lower than budget due to lower gas sales to FNG and slow payment from AET. Accounts receivable activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning accounts receivable, March 1, 2019	\$ 1,465	\$ 1,513	\$ (49)
Addition - Billings	1,103	1,354	(251)
Payments received on account	(1,395)	(1,463)	69
Less allowance for doubtful accounts	-	-	-
Ending accounts receivable, March 31, 2019	<u>\$ 1,173</u>	<u>\$ 1,404</u>	<u>\$ (231)¹</u>

(e) - LNG inventory was \$9K over budget. The budget assumption is all gas sold in the month is purchased and inventory maintains a constant level throughout the year.

(f) - Deposits and other current assets were \$33K¹ higher than budgeted due to increase prepaid insurance and actual beginning balance being higher than budgeted beginning balance. Year to date deposits and other current assets activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning deposits and other current assets, March 1, 2019	\$ 15	\$ 1	\$ 14
<u>Additions</u>			
Prepaid Expenses:			



Variance to Budget Footnotes
March 31, 2019

Insurance and operating expenses	175	155	20
<u>Reductions</u>			
Prepaid Expenses:			
Insurance and operating expenses	(21)	(19)	(2)
Ending deposits and other current assets, March 31, 2019	<u>\$ 169</u>	<u>\$ 136</u>	<u>\$ 33 ¹</u>

(g) - Accounts payable was \$352K¹ under budget due to a payment timing difference between actual and budgeted operating expenses. The current policy for accounts payables is to pay all payables per Vendor terms. If Vendor terms are not available, we set the terms at "Net 30 days", same as our budget. Our largest Vendor/Supplier, Hilcorp, terms are "Billings are due and payable net 15 days from date rendered." Accounts payable activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning accounts payable, March 1, 2019	\$ 1,217	\$ 1,232	\$ (15)
<u>Additions</u>			
Vendor purchases	1,915	\$ 1,138	777
<u>Reductions</u>			
Payments to vendors	(2,345)	\$ (1,232)	(1,113)
Ending accounts payable, March 31, 2019	<u>\$ 787</u>	<u>\$ 1,138</u>	<u>\$ (352) ¹</u>

(h) - Accounts payable - affiliates was \$175K higher than budget largely due to the budget makes the assumption that prepaid insurance billed by FNG is reimbursed in the same month billed by FNG. The reimbursement did not happen in March.

(i) - TKA Commercial Gas Revenues were \$8K over budget largely due to TKA opening the lodge earlier than expected.

(j) - Fairbanks Natural Gas, LLC revenue was \$255K¹ lower than budgeted due to decreased volumes sold. There were 31 days in the billing cycle for March.

	Actual	Budget	F (U) Variance
Total Mcf per mo, adjusted for Weather Factor	72,118	87,635	(15,517)
Rate per Mcf	\$ 15.06	\$ 15.30	\$ (0.24)
FNG, LLC revenue	\$ 1,086,096	\$ 1,340,820	\$ (254,724)
Billing allowances	-	-	-
FNG, LLC gas sales for March, 2019	<u>\$ 1,086,096</u>	<u>\$ 1,340,820</u>	<u>\$ (254,724) ¹</u>

(k) - Natural gas purchases was \$116K lower than budget for March due to lower gas sales.

(l) - Trucking expenses was \$33K under budget due to fewer trips required as FNG experienced lower gas sales. The average gallons per load were 10K compared to 10K budgeted.

(m) - Electricity costs were \$35K under budget due to lower gas sales and running the Cascade system at half capacity.

(n) - Gas liquefaction expenses were \$8K under budget largely due to a timing difference between budgeted and actual expenses.

(o) - Other Income (Expenses) was \$104K over budget due to recognition of the T800 repair completed. The insurance proceeds were recognized earlier this year.

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

	Mar 2019 (Actuals)	Mar 2019 (Budget Rev 1)	Mar 2019 (Variance)	Footnote
STATEMENT OF NET POSITION				
<u>Assets and Deferred Outflows of Resources</u>				
Property, plant and equipment				
Gas plant in service, at cost	2,036,231	2,396,270	(360,039)	
Less: Accumulated provision for depreciation	106,637	466,304	359,667	
Net plant in services	1,929,594	1,929,966	(372)	
Gas plant held for future use, at cost	0	0	0	
Construction work in progress	0	0	0	
Net property, plant and equipment	1,929,594	1,929,966	(372)	
Current assets				
Cash	22,440	45,230	(22,790)	(a)
Accounts receivable - affiliates	18,226	22,635	(4,409)	
Liquified natural gas inventory	15,268	18,180	(2,912)	
Deposits and other current assets	25,296	25,584	(288)	
Total current assets	81,231	111,629	(30,399)	
Deferred outflows of resources	0	0	0	
Gas plant acquisition adjustment, net of amortization	0	0	0	
Total assets and deferred outflows of resources	2,010,824	2,041,595	(30,771)	
<u>Liabilities and Net Position</u>				
Current liabilities				
Accounts payable	0	148	(148)	
Accounts payable - affiliates	109,441	82,614	26,827	(b)
Other current and accrued liabilities	1,581	0	1,581	
Total current liabilities	111,022	82,761	28,261	
Net position				
Net investment in capital assets	1,929,594	1,929,966	(372)	
Unrestricted	(29,792)	28,868	(58,660)	
Total net position	1,899,802	1,958,834	(59,032)	
Total liabilities and net position	2,010,824	2,041,595	(30,771)	

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

	Mar 2019 (Actuals)	Mar 2019 (Budget Rev 1)	Mar 2019 (Variance) fav/(unfav)	Fn	YTD 2019 (Actuals)	YTD 2019 (Budget Rev 1)	YTD 2019 (Variance) fav/(unfav)
STATEMENT OF OPERATIONS							
Mcf:							
Titan Alaska LNG, LLC	529	838	(309)		2,661	6,179	(3,517)
Fairbanks Natural Gas, LLC	262	0	262		2,683	0	2,683
Total Mcf	791	838	(47)		5,344	6,179	(834)
Operating revenues							
Titan Alaska LNG, LLC	14,283	22,635	(8,352)	(c)	71,836	166,933	(95,098)
Fairbanks Natural Gas, LLC	3,943	0	3,943		42,875	0	42,875
Total operating revenue	18,226	22,635	(4,409)		114,711	166,933	(52,223)
Operating expenses							
Natural gas purchases	12,332	12,818	486		86,966	95,027	8,060
Fairbanks Operations	456	490	34		4,361	4,412	51
Big Lake Operations	1,277	1,262	(14)		13,157	11,361	(1,796)
Administration and general expenses	3,555	2,038	(1,516)		19,536	18,343	(1,192)
Depreciation	11,147	11,120	(27)		100,320	100,078	(243)
Total operating expenses	28,767	27,729	(1,038)		224,340	229,221	4,881
Operating income (loss)	(10,541)	(5,093)	(5,447)		(109,629)	(62,287)	(47,342)
Operating margin %	-57.8%	-22.5%			-95.6%	-37.3%	
Non operating income (expense)							
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	(10,541)	(5,093)	(5,447)		(109,629)	(62,287)	(47,342)
Net position - beginning of period	1,910,342	1,963,927	(53,585)		2,009,431	2,021,121	(11,690)
Net position - end of period	1,899,802	1,958,834	(59,032)		1,899,802	1,958,834	(59,032)
EBITDA	606	6,026	(5,420)		(9,309)	37,790	(47,099)

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

	Mar 2019 (Actuals)	Mar 2019 (Budget Rev 1)	Mar 2019 (Variance) fav/(unfav)	YTD 2019 (Actuals)	YTD 2019 (Budget Rev 1)	YTD 2019 (Variance) fav/(unfav)
STATEMENT OF CASH FLOWS						
Increase (Decrease) in Cash						
Cash flows from operating activities						
Cash received from customers and affiliates	6,804	18,108	(11,304)	112,976	157,879	(44,904)
Cash paid to suppliers, employees and affiliates	(1,474)	(15,015)	13,541	(97,120)	(114,893)	17,772
Interest paid	0	0	0	0	0	0
Net cash provided by (used in) operating activities	5,330	3,093	2,237	15,855	42,987	(27,131)
Cash flows from capital and related financing activities						
Proceeds from issuance of long-term debt	0	0	0	0	0	0
Principal payments on long-term debt	0	0	0	0	0	0
Purchase of property, plant and equipment	0	0	0	0	0	0
Net cash provided by (used in) capital and related financing activities	0	0	0	0	0	0
Cash flows from investing activities						
Interest and dividends received	0	0	0	0	0	0
Proceeds from disposal of assets	0	0	0	0	0	0
Net cash provided by (used in) investing activities	0	0	0	0	0	0
Net increase (decrease) in cash	5,330	3,093	2,237	15,855	42,987	(27,131)
Cash at beginning of period	17,110	42,137	(25,027)	6,585	2,244	4,341
Cash at end of period	22,440	45,230	(22,790)	22,440	45,230	(22,790)
Reconciliation of Net Income (Loss) to Net Cash Provided By (Used in) Operating Activities						
Cash flows from operating activities						
Operating income (loss) for the period	(10,541)	(5,093)	(5,447)	(109,629)	(62,287)	(47,342)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	11,147	11,120	27	100,320	100,078	243
(Increase) decrease in assets:						
Accounts receivable - affiliates	(11,422)	(4,527)	(6,895)	(1,735)	(9,054)	7,319
Liquified natural gas inventory	(3,492)	(2,544)	(949)	7,715	(4,981)	12,696
Deposits and other current assets	(21,708)	(18,070)	(3,638)	(11,233)	(4,928)	(6,305)
(Increase) decrease in liabilities:						
Accounts payable	(997)	(49)	(948)	(102)	(534)	433
Accounts payable - affiliates	42,343	22,257	20,086	28,938	24,695	4,244
Other current & accrued liabilities	0	0	0	1,581	0	1,581
Net cash provided by (used in) operating activities	5,330	3,093	2,237	15,855	42,987	(27,131)



Variance to Budget Footnotes
March 31, 2019

(a) - Cash was \$23K¹ lower than budgeted due to cash flows from operations being lower than budgeted as sales are down. When Titan begins to utilize the T800 the cash flows will increase. Year to date cash activities were as follows at March 31, 2019:

(\$ in thous)	Actual	Budget	Variance
Beginning cash, July 1, 2018	\$ 7	\$ 2	\$ 4
Net cash received (used) in operations	16	43	(27)
Ending cash, March 31, 2019	<u>\$ 22</u>	<u>\$ 45</u>	<u>\$ (23) ¹</u>

(b) - Accounts payable - affiliates was \$26K over budget due to slow payment of inter-company invoices. I expect this to continue until sufficient funds are available.

(c) - Titan Alaska LNG, LLC gas revenues were \$8K¹ lower than budgeted due to limited trips being made by Titan's LNG tractors for deliveries to FNG.

	Actual	Budget	F (U) Variance
Total Mcf per month	529	670	(141)
Rate per Mcf	\$ 27.02	\$ 27.02	\$ -
Titan gas billings for December, 2018	<u>\$ 14,283</u>	<u>\$ 18,108</u>	<u>\$ (3,825) ¹</u>



Interior Gas Utility

Finance Committee Meeting
May 21, 2019 @ 12 Noon
3408 International Street, Fairbanks, Alaska

MINUTES BUDGET REVIEW FY20

I. Call to Order @ 12:05 P.M.

- a. Roll Call -Patrice Lee, Mary Nordale & Doug Bishop, David Durham (telephonic); Other: Dan Britton, Wes Smith, Zach Dameron (telephonic-ended due to dropped calls @ 12:30 P.M.) Pamela Throop (telephonic) & Laura Steel.
- b. Approval of Agenda - Moved by Mary, Seconded by Doug.

II. Committee Business IGU Fiscal Year 2020 Budget Review

- a. Dan presents the budget to committee today and to the board tonight in the work session. It will then be brought to the board for a vote on June 4th.
 - Discussed interest on loans and debt, and taxes (payroll only).
 - No rate increases expected, however if an increase is necessary during the budgeted year the management will bring rate increase recommendations to the board. Per the covenants of the FA, rates must cover all operational expenses, debt service and all planned operational capital projects expected to be funded through operational activities. The board will need to take action on the rate increase or be in violation of its financial covenant.
 - Discussed cost of Natural Gas, expected revenue using a 20-year average of heating degree days, and new customers in FY20 and FY21.
 - Discussed line of credit from FNSB and formal request to AIDEA for approval.
- b. Wages will include a COLA of 3% across the board.
 - There will be some wage structure changes within the Titan wage structure, defining Operators skill sets and wages.
 - We are expecting our Assistant Controller to return to Fairbanks and to full time status and wages.
- c. Discussed monitoring depreciation of assets and making adjustments, if possible, going into the future.

III. Adjournment @ 1:48 P.M.

- a. The Finance Committee recommended that the IGU Board accept the Budget and Financial Reports as presented at their meeting.
- b. The next meeting will be May 28, 2019.



Interior Gas Utility

Finance Committee Meeting

May 21, 2019 @ Noon

3408 International Street, Fairbanks, Alaska

To participate via teleconference, call 1-800-315-6338;

when prompted, enter 47499

AGENDA

I. Call to Order

- Roll Call
- Approval of Agenda

II. Committee Business

- IGU Fiscal Year 2020 Budget Review

III. Adjournment

- Recommendation to the Board
- Next Finance Committee meeting May 28, 2019

May 21, 2019

TO: Board Members, Interior Alaska Natural Gas Utility (IGU)

Through: Pamela Throop, Chair

FROM: Dan Britton, General Manager, Interior Alaska Natural Gas Utility (IGU)

SUBJECT: Recommended IGU Fiscal Year 2020 Budget

BACKGROUND

Fairbanks North Star Borough (FNSB) ORDINANCE NO. 2012-52 created the formation of IGU and established Title 11 Natural Gas Utility under the FNSB Code of Ordinances. Chapter 11.01.030 (E) of Title 11 directed the IGU Board of Directors to provide a separate capital and operating budget. IGU management has prepared this proposed Fiscal Year 2020 budget for IGU and its wholly owned operating gas utility company Pentex Alaska Natural Gas Company, LLC's (Pentex) and its operating units: Fairbanks Natural Gas, LLC (FNG), Titan Alaska LNG, LLC (Titan), Arctic Energy Transportation, LLC (AET), and non-operating unit Polar LNG, LLC (Polar).

RECOMMENDATIONS

The proposed Pentex budget and rates reflect projected environmental and economic conditions for Fiscal Year 2020. IGU's General Manager recommends that the Board:

1. Approve IGU's FY 20 budget from July 1, 2019 to June 30, 2020

SUMMARY AND CONCLUSIONS

The fiscal year 2020 IGU budget, based on reasonable assumptions, maintains fiscal prudence and financial capacity despite entering an expansion transitional phase. The statement of net position and statement of cash flows are included, representing the budgeted statement of revenues, expenditures and change in net position.

Key highlights of the proposed fiscal year 2020 IGU budget include:

- Roughly \$859 thousand earnings before interest, taxes, depreciation and amortization (EBITDA).
- The net operating loss of \$1.366 million is driven by the amortization of the gas plant acquisition adjustment.
- The decrease in cash is largely due to the acquisition of LNG inventory in preparation of additional demand as a result of the addition of new services during the fiscal year.
- No proposed rate increases to the customer volumetric or monthly fixed charge.

- LNG Inventory increase of 174,765 Mcf/2.1 million gallons LNG.
- \$386,590 of planned operational capital expenditures in FNG and Titan.
- \$21,496,528 of planned capital expenditures related to FNG storage facility, North Pole storage facility, Titan II and III FEED (65%), and new customer services.

The table below summarizes key projected results of the fiscal year 2020 IGU budget:

Summary FY 20 Budgeted Financial Results	<u>IGU</u>	<u>Adjustments</u>	<u>IGU</u>	<u>FNG</u>	<u>Titan</u>	<u>AET</u>	<u>Polar</u>
Net operating income	(\$1,368,717)	(\$1,356,453)	(\$401,263)	\$36,823	\$500,367	(\$147,975)	(\$216)
Net income	(\$1,366,317)	(\$1,356,453)	(\$16,320)	(\$348,120)	\$502,767	(\$147,975)	(\$216)
EBITDA	\$859,429	(\$532,823)	(\$384,943)	\$893,220	\$898,729	(\$14,538)	(\$216)
Beginning cash	\$7,358,067		\$612,223	\$4,692,513	\$2,034,299	\$13,753	\$5,280
Net incr(decr) in cash	(\$2,302,852)		(\$231,479)	(\$2,548,352)	\$484,297	(\$7,101)	(\$216)
Ending cash	\$5,055,215		\$380,743	\$2,144,162	\$2,518,595	\$6,651	\$5,064

The table below summarizes the sources and uses of IGU's operating and capital funds:

Beginning cash	<u>7,358,067</u>
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Sources

Results of operations (less LNG inventory costs)	557,829
Capital financing	<u>25,004,724</u>

Total sources	<u>25,562,553</u>
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Uses

LNG inventory	(2,124,661)
Services inventory	(750,016)
Debt service	(232,876)
Capital projects - Operational	(386,590)
Capital projects - IEP	<u>(24,371,263)</u>

Total uses	<u>(27,865,405)</u>
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Net increase (decrease) in cash	<u>(2,302,852)</u>
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Ending cash	<u><u>5,055,215</u></u>
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The tables below provide the estimated fiscal year 2020 capital expenditures for IGU, FNG, and Titan.

Fairbanks Natural Gas, LLC Operational Capital Budget	
	FY 2020 Cost
<u>Office & Administration & IT</u>	
Computer replacement	\$ 6,000
Server replacement	15,000
Totals	\$ 21,000
<u>Storage Sites</u>	
SS I - Light Pole replacement	\$ 13,000
SS I - Process Improvements	
YZ sync to Master meter	2,600
Program B.O. AOV to HMI	2,600
Wiring B.O. AOV to PLC	5,000
SS I - Tank Stripping & Paint	26,000
Totals	\$ 49,200
<u>Operations & Engineering</u>	
In-Line valve projects	\$ 8,000
Locate wire repair	10,000
Meter Replacement	70,000
Distribution pressure monitoring	22,000
Totals	\$ 110,000
Grand Total	\$ 180,200

IEP - Capital Program	
	FY 2020 Cost
North Pole storage facility (IGU)	\$ 8,609,590
Fairbanks storage facility (FNG)	12,244,606
New services Fbks & N.P. (IGU & FNG)	342,332
Titan II & III FEED (Titan)	300,000
Grand Total	\$ 21,496,528

Titan Alaska LNG, LLC Operational Capital Budget	
	FY 2020 Cost
<u>Operations</u>	
Computers/printer/copier	\$ 9,745
<u>LNG - Plant Upgrades</u>	
Shop awning 50' x 8'	\$ 7,500
Pallet shelving	2,000
Civil project	5,000
Insulate piping	28,400
Emergency response kit	7,000
Lube and dyno oil temp contr.	15,859
Quantum panel upgrade	78,175
Remote vibration monitoring	5,104
	\$149,038
<u>Trailer Projects</u>	
Trailer Painting	\$ 47,607
Grand Total	\$206,390

IEP POLICY FOUNDATION

The Fiscal Year 2020 budget is based on several policy objectives:

- Maintain existing competent and efficient operations of the FNG utility and the Titan LNG plant
- Maintain eliminated overhead, tax, regulatory, return and other costs related to private corporate ownership
- Maintain lowest rates possible to consumers while maintaining financial health of utility
- Support potential for system expansion and customer conversion when supply is available

KEY ASSUMPTIONS AND ESTIMATES

Certain key assumptions and estimates are central to the development of the IGU budget:

- Demand / Revenues
 - Weather conditions consistent with recent experience – “heating degree days” based on long term averages with the expectation that this winter will be more similar to historic winters
 - Overall demand (total Mcf of gas sold/consumed) is expected to increase slightly due to increased demand from interruptible customers
 - Expected slight increase in demand from residential firm customers due to updated regression analysis on the rate class
 - Expected decrease in demand from small commercial firm customers due to updated regression analysis on the rate class
 - Expected decrease in demand from large commercial customers due to updated historical average usage model.
 - The increased demand from interruptible customers puts downward pressure on the average sales price per Mcf even though we expect a slight increase of 1.4% in large interruptible rates
- Expenses
 - \$1,356,453 amortization of the gas plant acquisition adjustment
 - The operation of the new storage facility in Fairbanks will increase the demand for and cost of electricity for storage site operations
 - Conduct targeted capital renewal and maintenance at the Titan plant and in the FNG storage, re-gas and distribution system
- Inventory
 - LNG Inventory increase of 2.1 million gallons LNG/174,765 Mcf.
 - Pipes, material and supplies inventory increase of \$750 thousand In preparation of 400 new customer additions consisting of residential and commercial services located in both Fairbanks and North Pole.

FNG FISCAL YEAR 2020 RATES

FNG monthly firm customer charges and volumetric charges will not increase for Fiscal Year 2020. The table below summarizes FNG's projected rates and sales by customer class for Fiscal Year 2020.

<u>Volumetric Charges</u>						
# of Cust.	Customer Class	FY 2019 Sales (Mcf)	FY 2020 Sales (Mcf)	FY 2019 Rate	FY 2020 Rate	% Change
460	Residential	56,005	57,867	\$ 20.81	\$ 20.81	0.0%
661	Small Commercial	395,303	346,998	\$ 20.76	\$ 20.76	0.0%
32	Large Commercial	210,923	203,302	\$ 20.70	\$ 20.70	0.0%
26	Interruptible - Small	52,324	68,803	\$ 20.03	\$ 20.03	0.0%
15	Interruptible - Large	17,206	41,162	\$ 17.25	\$ 17.50	1.4%
1	Interruptible - Hospital	0	35,724	\$ 17.25	\$ 17.50	1.4%
1	UAF	0	0	\$ 17.25	\$ 17.50	1.4%
1196	Totals	731,761	753,856	\$ 20.61	\$ 20.35	-1.3%

<u>Customer Charge</u>				
# of Cust.	Customer Class	FY 2019 Rate	FY 2020 Rate	% Change
460	Residential	\$ 12.00	\$ 12.00	0.0%
661	Small Commercial	\$ 22.00	\$ 22.00	0.0%
32	Large Commercial	\$ 72.00	\$ 72.00	0.0%
26	Interruptible - Small	\$ 72.00	\$ 72.00	0.0%
15	Interruptible - Large	\$ 72.00	\$ 72.00	0.0%
1	Interruptible - Hospital	\$ 500.00	\$ 500.00	0.0%
1	UAF	\$ 500.00	\$ 500.00	0.0%

IGU 2020 SUMMARY BUDGET PROJECTIONS & RATE SUMMARY

The following pages include summaries of:

- IGU Fiscal Year 2020 budgeted Statement of Revenues, Expenditures and change in Net Position with prior year budget comparison – pages 6 – 7
- IGU Fiscal Year 2020 budgeted Statement of Net Position – pages 8 – 9
- IGU Fiscal Year 2020 Statement of Cash Flows – pages 10 – 11

Finally, on pages 12-13, is a detailed summary of the projected Fiscal Year 2020 FNG rates and IGU Capital Program & Funding Sources.

Also included as Appendix 1 is the IGU Fiscal Year 2020 budget estimates (with 2-year history*).

Interior Alaska Natural Gas Utility
Consolidating Statement of Revenues, Expenses and Changes in Net Position - Budget Basis
Year Ended June 30, 2020
(Unaudited)

	<u>Consolidated</u>					<u>Consolidated</u>		<u>Consolidated</u>			
								FY 20	FY 19		
	Fairbanks	Arctic Energy		Inter-	Pentex	Interior	Inter-	Interior	Interior		
	Natural Gas,	Titan Alaska	Transportation	company &	Alaska	Alaska	company &	Alaska	Alaska		
	LLC	LNG, LLC	, LLC	Acquisition	Natural Gas	Natural Gas	Acquisition	Natural Gas	Natural Gas		
	LLC	LNG, LLC	, LLC	Adjustment	Co., LLC	Utility	Adjustment	Utility	Utility	(Variance)	
	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)		
STATEMENT OF OPERATIONS											
Mcf:											
Residential	57,867	0	0	0	0	57,867	0	0	57,867	56,005	1,861
Small commercial	346,998	0	0	0	0	346,998	0	0	346,998	395,303	(48,305)
Large commercial	203,302	0	0	0	0	203,302	0	0	203,302	210,923	(7,621)
Interruptible - small	68,803	0	0	0	0	68,803	0	0	68,803	52,324	16,479
Interruptible - large	41,162	0	0	0	0	41,162	0	0	41,162	17,206	23,956
Hospital	35,724	0	0	0	0	35,724	0	0	35,724	0	35,724
UAF	0	0	0	0	0	0	0	0	0	0	0
TKA commercial gas	0	9,609	0	0	0	9,609	0	0	9,609	9,609	0
Fairbanks Natural Gas, LLC	0	948,524	0	0	(948,524)	0	0	0	0	0	0
Titan commercial gas	0	0	3,414	0	(3,414)	0	0	0	0	0	0
AET commercial gas	0	3,414	0	0	(3,414)	0	0	0	0	0	0
Total Mcf	753,856	961,547	3,414	0	(955,352)	763,464	0	0	763,464	741,369	22,095
HDD	13,431					13,431				0	13,431
Operating revenues											
Residential gas revenues	1,204,203	0	0	0	0	1,204,203	0	0	1,204,203	1,165,465	38,738
Small commercial gas revenues	7,203,676	0	0	0	0	7,203,676	0	0	7,203,676	8,206,481	(1,002,805)
Large commercial gas revenues	4,208,351	0	0	0	0	4,208,351	0	0	4,208,351	4,366,106	(157,755)
Interruptible - small	1,378,124	0	0	0	0	1,378,124	0	0	1,378,124	1,048,052	330,072
Interruptible - large	720,335	0	0	0	0	720,335	0	0	720,335	296,802	423,533
Hospital gas revenues	625,175	0	0	0	0	625,175	0	0	625,175	0	625,175
TKA commercial gas revenues	0	168,149	0	0	0	168,149	0	0	168,149	168,149	0
Fairbanks Natural Gas, LLC	0	14,514,138	0	0	(14,514,138)	(0)	0	0	(0)	0	(0)
Titan commercial gas revenues	0	0	92,238	0	(92,238)	(0)	0	0	(0)	0	(0)
AET commercial gas revenues	0	52,828	0	0	(52,828)	0	0	0	0	0	0
Service charge revenues	313,745	0	0	0	0	313,745	0	0	313,745	301,649	12,096
Other revenue	30,000	0	0	0	0	30,000	0	0	30,000	334,575	(304,575)
Total operating revenues	15,683,609	14,735,115	92,238	0	(14,659,204)	15,851,758	0	0	15,851,758	15,887,277	(35,519)

	Consolidated					Consolidated		Consolidated		
						FY 20		FY 19		
	Fairbanks	Arctic Energy		Inter-	Pentex	Interior	Inter-	Interior	Interior	
	Natural Gas,	Titan Alaska	Transportation	Polar	company &	Alaska	Alaska	company &	Alaska	Alaska
	LLC	LNG, LLC	, LLC	LNG, LLC	Acquisition	Natural Gas	Natural Gas	Acquisition	Natural Gas	Natural Gas
	LLC	LNG, LLC	, LLC	LNG, LLC	Adjustment	Co., LLC	Utility	Adjustment	Utility	Utility
	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)	(Budget)
Operating expenses										
Natural gas purchases	11,547,865	8,016,040	52,828	0	(13,216,409)	6,400,325	0	0	6,400,325	6,204,526
Trucking Expenses	0	2,368,091	0	0	(511,344)	1,856,747	0	0	1,856,747	1,696,490
Electricity	0	1,177,804	0	0	(318,408)	859,396	0	0	859,396	960,834
Gas liquefaction expenses	0	1,711,411	0	0	0	1,711,411	0	0	1,711,411	1,536,471
Fairbanks distribution operations	342,341	0	0	0	0	342,341	0	0	342,341	317,792
Fairbanks distribution maintenance	91,830	0	0	0	0	91,830	0	0	91,830	96,318
Fairbanks storage & vaporization operations	504,734	0	0	0	(80,220)	424,514	0	0	424,514	245,246
Fairbanks storage & vaporization maintenance	86,740	0	0	0	0	86,740	0	0	86,740	75,982
Engineering	252,117	0	0	0	0	252,117	0	0	252,117	221,689
Talkeetna maintenance	0	8,350	0	0	0	8,350	0	0	8,350	2,750
Customer services	281,200	0	0	0	0	281,200	0	0	281,200	262,232
Fairbanks operations	0	0	5,890	0	0	5,890	0	0	5,890	5,882
Big Lake operations	0	0	16,777	0	0	16,777	0	0	16,777	15,149
Administration and general expenses	1,683,562	554,691	31,280	216	0	2,269,749	384,943	0	2,654,692	2,804,908
Interest expense	25,510	35,169	0	0	0	60,679	12,715	0	73,393	42,277
Depreciation	830,887	363,193	133,437	0	1,015,523	2,343,041	3,605	340,930	2,687,576	2,340,353
Total operating expenses	15,646,786	14,234,749	240,213	216	(13,110,859)	17,011,105	401,263	340,930	17,753,298	16,828,898
Operating income (loss)	36,823	500,367	(147,975)	(216)	(1,548,345)	(1,159,347)	(401,263)	(340,930)	(1,901,540)	(941,621)
Operating income (loss) margin %	0.23%	3.40%	-160.43%			-7.31%			-12.00%	-5.93%
Non operating income (expense)										
Other income (expense)	0	2,400	0	0	0	2,400	0	0	2,400	2,400
Other income - transfer in	0	0	0	0	0	0	384,943	(384,943)	0	659,266
Other income - transfer out	(384,943)	0	0	0	0	(384,943)	0	384,943	0	0
Total non operating income (expense)	(384,943)	2,400	0	0	0	(382,543)	384,943	0	2,400	661,666
Change in net position	(348,120)	502,767	(147,975)	(216)	(1,548,345)	(1,541,890)	(16,320)	(340,930)	(1,899,140)	(279,955)
Net position beginning of period	23,162,996	4,718,934	1,878,259	5,280	24,361,873	54,127,343	397,574	(14,731,245)	39,793,672	40,406,158
Net position - end of period	22,814,876	5,221,700	1,730,284	5,064	22,813,528	52,585,452	381,255	(15,072,174)	37,894,533	40,126,203
EBITDA	893,220	898,729	(14,538)	(216)	(532,823)	1,244,373	(384,943)		859,429	1,441,009

Interior Alaska Natural Gas Utility
Consolidating Statement Net Position
Year Ended June 30, 2020
(Unaudited)

	<u>Consolidated</u>					<u>Consolidated</u> FY 20		
	Fairbanks	Arctic Energy		Inter-	Pentex	Interior	Inter-	Interior
	Natural Gas,	Titan Alaska	Transportation	Polar	company &	Alaska	company &	Alaska
	LLC	LNG, LLC	, LLC	LNG, LLC	Acquisition	Natural Gas	Acquisition	Natural Gas
					Adjustment	Co., LLC	Adjustment	Utility
Assets and Deferred Outflows of Resources								
Property, plant and equipment								
Gas plant in service, at cost	15,495,650	3,923,834	2,036,231	0	23,446,873	44,902,588	2,921,811	47,824,399
Less: Accumulated provision for depreciation	1,694,688	736,148	273,433	0	4,246,986	6,951,255	19,743	6,970,997
Net plant in services	13,800,962	3,187,686	1,762,797	0	19,199,888	37,951,333	2,902,069	40,853,402
Gas plant held for future use, at cost	14,697,050	0	0	0	2,278,816	16,975,866	22,258,726	39,234,591
Construction work in progress - 5.25M gal storage	58,863,449	0	0	0	0	58,863,449	0	58,863,449
Construction work in progress - Titan II & III FEED	0	800,000	0	0	0	800,000	0	800,000
Construction work in progress - North Pole storage	0	0	0	0	0	0	9,219,022	9,219,022
Construction work in progress - Distribution and services	0	0	0	0	0	0	6,314,664	6,314,664
Net property, plant and equipment	87,361,461	3,987,686	1,762,797	0	21,478,704	114,590,648	40,694,480	155,285,128
Current assets								
Cash	2,144,162	2,518,595	6,651	5,064	0	4,674,472	380,743	5,055,215
Investments	536,233	0	0	0	0	536,233	0	536,233
Accounts receivable, net	544,593	17,686	0	0	0	562,279	0	562,279
Accounts receivable - subsidiaries	18,866	418,489	6,791	0	(434,500)	9,645	30,412	(40,057)
Liquified natural gas inventory	3,042,103	55,779	6,914.26	0	(576,474)	2,528,322	0	2,528,322
Materials and supplies inventory	1,063,310	0	0	0	0	1,063,310	159,764	1,223,074
Deposits and other current assets	148,950	142,792	23,103	0	0	314,845	25,231	340,076
Total current assets	7,498,217	3,153,340	43,459	5,064	(1,010,974)	9,689,105	596,150	(40,057)
Deferred outflows of resources								
Gas plant acquisition adjustment, net of amortization	0	0	0	0	1,911,299	1,911,299	0	6,136,738
Total assets and deferred outflows of resources	94,859,678	7,141,026	1,806,256	5,064	22,379,028	126,191,052	41,290,631	6,096,681
								173,578,364

	<u>Consolidated</u>					<u>Consolidated</u> FY 20			
					Inter-	Pentex	Interior	Inter-	Interior
	Fairbanks	Arctic Energy			company &	Alaska	Alaska	company &	Alaska
	Natural Gas, LLC	Titan Alaska LNG, LLC	Transportation , LLC	Polar LNG, LLC	Acquisition Adjustment	Natural Gas Co., LLC	Natural Gas Utility	Acquisition Adjustment	Natural Gas Utility
Liabilities and Net position									
Current liabilities									
Current maturities of long-term debt	0	173,479	0	0	0	173,479	155,357	0	328,836
Accrued wages and burden	133,379	51,025	0	0	0	184,404	0	0	184,404
Accounts payable	52,376	333,929	148	0	0	386,452	16,924	0	403,376
Accounts payable - subsidiaries	374,873	15,796	74,243	0	(434,500)	30,412	9,645	(40,057)	0
Construction payable	0	0	0	0	0	0	1,103,670	0	1,103,670
Accrued interest	0	0	0	0	0	0	6,570	0	6,570
Other current and accrued liabilities	3,677	10,402	1,581	0	0	15,660	0	0	15,660
Total current liabilities	564,305	584,630	75,972	0	(434,500)	790,407	1,292,166	(40,057)	2,042,516
Noncurrent liabilities									
Accumulated deferred compensation	536,233	0	0	0	0	536,233	0	0	536,233
Long-term debt, less current maturities									
FNSB line of credit	2,040,768	0	0	0	0	2,040,768	3,731,493	0	5,772,261
AIDEA term loan	68,903,496	800,000	0	0	0	69,703,496	34,087,591	21,208,913	125,000,000
GVEA - Land contract	0	0	0	0	0	0	1,798,126	0	1,798,126
Equipment loans payable	0	534,695	0	0	0	534,695	0	0	534,695
Total noncurrent liabilities	71,480,497	1,334,695	0	0	0	72,815,192	39,617,210	21,208,913	133,641,315
Net position									
Net investment in capital assets	17,480,506	3,279,512	1,762,797	0	23,390,002	45,912,818	729,281	(14,390,315)	32,251,785
Unrestricted	5,334,370	1,942,188	(32,513)	5,064	(576,474)	6,672,634	(348,027)	(681,860)	5,642,748
Total net position	22,814,876	5,221,700	1,730,284	5,064	22,813,528	52,585,452	381,255	(15,072,174)	37,894,533
Total liabilities and net position	94,859,678	7,141,026	1,806,256	5,064	22,379,028	126,191,052	41,290,631	6,096,681	173,578,364

Interior Alaska Natural Gas Utility Consolidating Statement of Cash Flows Year Ended June 30, 2020 (Unaudited)									
					<u>Consolidated</u>		<u>Consolidated</u> FY 20		
Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation , LLC	Polar LNG, LLC	Inter- company & Acquisition Adjustment	Pentex Alaska Natural Gas Co., LLC	Interior Alaska Natural Gas Utility	Inter- company & Acquisition Adjustment	Interior Alaska Natural Gas Utility	
STATEMENT OF CASH FLOWS									
Increase (Decrease) in Cash									
Cash flows from operating activities									
Cash received from customers and affiliates	15,640,865	14,713,575	99,028	0	(14,632,410)	15,821,058	416,030	(384,943)	15,852,144
Cash paid to suppliers and employees	(17,418,563)	(14,057,667)	(106,130)	(216)	14,632,410	(16,950,166)	(418,810)	0	(17,368,977)
Interest and dividends received	0	0	0	0	0	0	0	0	0
Net cash provided by (used in) operating activities	(1,777,699)	655,908	(7,101)	(216)	0	(1,129,108)	(2,780)	(384,943)	(1,516,832)
Cash flows from capital and related financing activities									
Proceeds from issuance of long-term debt	16,837,525	536,000	0	0	0	17,373,525	7,631,199	0	25,004,724
Cash received from transfers in from other agencies	0	0	0	0	0	0	0	0	0
Cash paid from transfers out to other agencies	(384,943)	0	0	0	0	(384,943)	0	384,943	0
Principal payments on long-term debt	0	(166,053)	0	0	0	(166,053)	0	0	(166,053)
Interest paid	(25,510)	(35,169)				(60,679)	(6,145)	0	(66,824)
Purchase of property, plant and equipment	(180,200)	(206,390)	0	0	0	(386,590)	0	0	(386,590)
Financing capital, long-term debt, uses:									
Purchase of inventory for future customer services	(750,016)	0	0	0	0	(750,016)	0	0	(750,016)
Construction work in progress (Distribution and services)	(130,000)	0	0	0	0	(130,000)	(171,166)	0	(301,166)
Construction work in progress (Storage)	(16,087,509)	(300,000)	0	0	0	(16,387,509)	(7,682,586)	0	(24,070,096)
Net cash provided by (used in) capital and related financing activities	(720,653)	(171,611)	0	0	0	(892,264)	(228,699)	384,943	(736,020)
Cash flows from investing activities									
Purchase of marketable securities	(50,000)	0	0	0	0	(50,000)	0	0	(50,000)
Net cash provided by (used in) investing activities	(50,000)	0	0	0	0	(50,000)	0	0	(50,000)
Net increase (decrease) in cash	(2,548,352)	484,297	(7,101)	(216)	0	(2,071,373)	(231,479)	0	(2,302,852)
Cash at beginning of period	4,692,513	2,034,299	13,753	5,280	0	6,745,844	612,223	0	7,358,067
Cash at end of period	2,144,162	2,518,595	6,651	5,064	0	4,674,472	380,743	0	5,055,215

	<u>Consolidated</u>					<u>Consolidated</u> FY 20		
	Fairbanks	Arctic Energy		Inter-	Pentex	Interior	Inter-	Interior
	Natural Gas,	Titan Alaska	Transportation	Polar	company &	Alaska	company &	Alaska
	LLC	LNG, LLC	, LLC	LNG, LLC	Acquisition	Natural Gas	Acquisition	Natural Gas
					Adjustment	Co., LLC	Adjustment	Utility
Reconciliation of Net Income (Loss) to Net Cash Provided By (Used in) Operating Activities								
Operating income/(loss)	36,823	500,367	(147,975)	(216)	(1,548,345)	(1,159,347)	(340,930)	(1,901,540)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and amortization	830,887	363,193	133,437	0	1,015,523	2,343,041	340,930	2,687,576
Other income	0	2,400	0	0	0	2,400	(384,943)	2,400
Interest paid	25,510	35,169	0	0	0	60,679	0	73,393
(Increase) decrease in assets								
Accounts receivable	(33,100)	(0)	0	0	0	(33,100)	0	(33,100)
Accounts receivable - affiliates	(9,645)	(23,940)	6,791	0	26,794	0	(31,086)	0
Liquified natural gas inventory	(2,661,417)	0	3,933	0	532,823	(2,124,661)	0	(2,124,661)
Materials & supplies inventory	0	0	0	0	0	0	0	(0)
Deposits & other current assets	3,945	(1,345)	646	0	0	3,245	0	3,245
Increase (decrease) in liabilities								
Accumulated deferred compensation	50,000	0	0	0	0	50,000	0	50,000
Accounts payable	(17,398)	(206,921)	0	0	0	(224,318)	0	(267,830)
Accounts payable - affiliates	(3,213)	(6,791)	(3,933)	0	(26,794)	(40,731)	31,086	0
Accrued wages & burden	(91)	(6,224)	0	0	0	(6,316)	0	(6,316)
Other current & accrued liabilities	0	0	0	0	0	0	0	0
Net cash provided by (used in) operating activities	(1,777,699)	655,908	(7,101)	(216)	0	(1,129,108)	(384,943)	(1,516,832)

FNG Fiscal Year 2020 Budget - Rate Structure

	FY 19 (Budgeted)	FY 19 (Projected)	FY 20 (Budgeted)	% Change FY 19 Proj vs FY 20 Budget
REVENUE				
Residential				
Number of Residential custom	476	476	476	
Base	1.70	1.70	1.69	
Per DD	0.0071	0.0071	0.0074	
Weather Factor	100.0%	100.0%	100.0%	
Gas price per Mcf	\$ 20.81	\$ 20.81	\$ 20.81	0.0%
Customer Charge	\$ 12.00	\$ 12.00	\$ 12.00	0.0%
Annual Mcf's	56,005	52,865	57,867	9.5%
Annual Revenue	\$ 1,165,465	\$ 1,100,125	\$ 1,204,203	9.5%
Small Commercial				
Number of Small Commercial	643	643	643	
Base	9.80	9.80	10.87	
Per DD	0.037	0.037	0.031	
Gas price per Mcf	\$ 20.76	\$ 20.76	\$ 20.76	0.0%
Customer Charge	\$ 22.00	\$ 22.00	\$ 22.00	0.0%
Annual Mcf's	395,303	353,753	346,998	-1.9%
Annual Revenue	\$ 8,206,481	\$ 7,343,915	\$ 7,203,676	-1.9%
Large Commercial				
Number of Large commercial	32	32	32	
Gas price per Mcf	\$ 20.70	\$ 20.70	\$ 20.70	0.0%
Customer Charge	\$ 72.00	\$ 72.00	\$ 72.00	0.0%
Annual Mcf's	210,923	194,031	203,302	4.8%
Annual Revenue	\$ 4,366,106	\$ 4,016,456	\$ 4,208,351	4.8%
Interruptible - Small				
Number of customers	18	26	26	
Gas price per Mcf	\$ 20.03	\$ 20.03	\$ 20.03	0.0%
Customer Charge	\$ 72.00	\$ 72.00	\$ 72.00	0.0%
Annual Mcf's	52,324	57,251	68,803	20.2%
Annual Revenue	\$ 1,048,052	\$ 1,146,730	\$ 1,378,124	20.2%
Interruptible - Large				
Number of customers	15	15	15	
Base	84.95	84.95	84.95	
Per DD	0.244	0.244	0.244	
Gas price per Mcf	\$ 17.25	\$ 17.25	\$ 17.50	1.4%
Customer Charge	\$ 72.00	\$ 72.00	\$ 72.00	0.0%
Annual Mcf's	17,206	31,392	41,162	31.1%
Annual Revenue	\$ 296,802	\$ 528,346	\$ 720,335	36.3%
Interruptible - Hospital				
Number of customers	2	2	2	
Base	2,421.29	2,421.29	2,421.29	
Per DD	2.25	2.25	2.25	
Gas price per Mcf	\$ 17.25	\$ 17.25	\$ 17.50	1.4%
Customer Charge	\$ 500.00	\$ 500.00	\$ 500.00	0.0%
Annual Mcf's	0	35,261	35,724	1.3%
Annual Revenue	\$ -	\$ 646,585	\$ 625,175	-3.3%
UAF				
Number of customers	1	1	1	
Gas price per Mcf	\$ 17.25	\$ 17.25	\$ 17.50	1.4%
Customer Charge	\$ 500.00	\$ 500.00	\$ 500.00	0.0%
Annual Mcf's	0	13,290	0	-100.0%
Annual Revenue	\$ -	\$ 232,110	\$ -	-100.0%
Total Annual Mcf's	731,761	737,843	753,856	2.2%
Total Annual Revenue	\$ 15,082,905	\$ 15,014,267	\$ 15,339,864	2.2%
Average Rate \$/Mcf	\$ 20.61	\$ 20.35	\$ 20.35	0.0%

Interior Alaska Natural Gas Utility
Capital Program & Funding Sources
As of May 21, 2019

FY 20

		Capital Program														Capital Program	Projected Capital
		Projected Capital	Cost Through FY													Cost Through FY	Program Cost
Capital Program		Program Cost	2019	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	2020	Remaining
1	Distribution																
2	NP - Phase 1-3 Buildout	\$ 87,360,000	\$ 29,346,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,346,778	\$ 58,013,222
3	FNG Expansion/Infill	23,000,000	14,806,184	-	-	-	-	-	-	-	-	-	-	-	-	14,806,184	8,193,816
4																	-
5	New Services and Meters																-
6	IGU/FNG Service Area	19,149,000	-	94,200	-	-	-	-	655,816	-	-	-	-	171,166	171,166	1,092,348	18,056,652
7																	-
8	Storage																-
9	North Pole 150Kgal Storage	12,031,156	841,107	-	-	-	932,504	932,504	932,504	932,504	932,504	932,504	932,504	932,504	932,504	9,233,644	2,797,512
10	Fairbanks 5.25Mgal Storage - Loan	56,673,868	44,414,446	2,043,237	2,043,237	2,043,237	2,043,237	2,043,237	2,043,237	-	-	-	-	-	-	56,673,868	-
11	Fairbanks 5.25Mgal Storage - WC	1,705,375	1,709,304	-	-	-	-	-	-	-	-	-	-	-	-	1,709,304	(3,929)
12																	-
13	LNG Supply																-
14	Titan 2 and Titan 3 - FEED	800,000	500,000	150,000	150,000	-	-	-	-	-	-	-	-	-	-	800,000	-
15	Titan 2 LNG Plant (inc Titan 1 upgrades)	45,400,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,400,000
16	Titan 3 LNG Plant	25,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000,000
17																	-
18	LNG Transportation																-
19	LNG High-capacity Trailers & Equip	4,745,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,745,000
20																	-
21	Other Items																-
22	Program Management	8,300,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,300,000
23	Customer Conversion Program	3,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000
24	Pentex Acquisition	21,208,913	21,208,913	-	-	-	-	-	-	-	-	-	-	-	-	21,208,913	-
25																	
26	Total Capital Program	\$ 308,373,312	\$ 112,826,732	\$ 2,287,437	\$ 2,193,237	\$ 2,043,237	\$ 2,975,741	\$ 2,975,741	\$ 3,631,557	\$ 932,504	\$ 932,504	\$ 932,504	\$ 932,504	\$ 1,103,670	\$ 1,103,670	\$ 134,871,039	\$ 173,502,274

		Capital Program														Capital Funding	Projected Capital
		Projected Capital	Capital Funding													Expended	Program Funding
Capital Funding Sources		Level	Through FY 2019	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Through FY 2020	Remaining
27	SETS	\$ 125,000,000	\$ 109,617,428	\$ 2,287,437	\$ 2,193,237	\$ 2,043,237	\$ 2,975,741	\$ 2,975,741	\$ 2,907,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,000,000	\$ -
28	Capital Appropriations	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000	-
29	Revenue Bonding	150,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000,000
30	Bond Anticipation Notes (LOC)																
31	FNSB - Line of Credit Agreement (\$7.5MM)		-	-	-	-	-	-	724,378	932,504	932,504	932,504	932,504	1,103,670	1,103,670	6,661,734	(6,661,734)
32	Commercial Financing - Line of Credit (\$13.48MM)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33	Commercial Financing	4,200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,200,000
34	Storage Credits	20,850,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,850,000
35	Working Capital - Cash (5.25M gal)	6,823,312	1,709,304	-	-	-	-	-	-	-	-	-	-	-	-	1,709,304	5,114,008
36																	
37	Total Funding Sources	\$ 308,373,312	\$ 112,826,732	\$ 2,287,437	\$ 2,193,237	\$ 2,043,237	\$ 2,975,741	\$ 2,975,741	\$ 3,631,557	\$ 932,504	\$ 932,504	\$ 932,504	\$ 932,504	\$ 1,103,670	\$ 1,103,670	\$ 134,871,039	\$ 173,502,274

Interior Alaska Natural Gas Utility

Annual Summary

	FY 2018 (Actual)* (Audited)	FY 2019 (Projected)	FY 2020 (Budgeted)	% Change
STATEMENT OF NET POSITION				
Assets and Deferred Outflows of Resources				
Property, plant and equipment				
Gas plant in service, at cost	41,255,902	44,206,928	47,094,723	6.5%
Less: Accumulated provision for depreciation	117,587	4,745,772	6,970,997	46.9%
Net plant in services	41,138,316	39,461,155	40,123,726	1.7%
Gas plant held for future use, at cost	39,234,591	39,234,591	39,234,591	0.0%
Construction work in progress	23,650,341	54,118,330	75,197,135	38.9%
Intangible plant - Cert. of public convenience and necessity	729,676	729,676	729,676	0.0%
Net property, plant and equipment	104,752,924	133,543,752	155,285,128	16.3%
Current assets				
Cash	6,583,494	7,358,067	5,055,215	-31.3%
Investments	406,317	486,233	536,233	10.3%
Accounts receivable, net	592,369	529,179	562,279	6.3%
Other receivable - FNSB contract	150,085	0	0	
Other receivable - AIDEA agreement	258,663	0	0	
Liquefied natural gas inventory	437,886	403,662	2,528,322	526.3%
Materials and supplies inventory	454,240	473,058	1,223,074	158.5%
Deposits and other current assets	260,644	343,321	340,076	-0.9%
Total current assets	9,143,699	9,593,519	10,245,199	6.8%
Deferred outflows of resources				
Gas plant acquisition adjustment, net of amortization	8,972,738	8,510,387	8,048,037	-5.4%
Total assets and deferred outflows of resources	122,869,360	151,647,659	173,578,364	14.5%
Liabilities and Net Position				
Current liabilities				
Current maturities of long-term debt	158,945	166,053	328,836	98.0%
Accrued wages and burden	183,860	190,720	184,404	
Accounts payable	583,344	671,206	403,376	-39.9%
Construction payable	2,902,478	3,848,404	1,103,670	-71.3%
Accrued interest	0	0	6,570	0.0%
Other current and accrued liabilities	7,030	15,660	15,660	0.0%
Total current liabilities	3,835,657	4,892,043	2,042,516	-58.2%
Noncurrent liabilities				
Accumulated deferred compensation	406,317	486,233	536,233	10.3%
Long-term debt, less current maturities				
AIDEA term loan	77,173,401	105,767,537	125,000,000	18.2%
FNSB line of credit	0	0	5,772,261	
Equipment loans payable	874,227	708,174	534,695	-24.5%
GVEA - Land contract	0	0	1,798,126	
Total noncurrent liabilities	78,453,944	106,961,944	133,641,315	24.9%
Net position				
Net investment in capital assets	36,922,685	33,618,039	32,251,785	-4.1%
Restricted	323,970	0	0	
Unrestricted	3,333,104	6,175,634	5,642,748	-8.6%
Total net position	40,579,759	39,793,672	37,894,533	-4.8%
Total liabilities and net position	122,869,360	151,647,659	173,578,364	14.5%

* FY 18 included 17 operating days as a consolidated Utility. IGU operated Pentex, LLC from June 14 thru June 30, 2018.

Interior Alaska Natural Gas Utility

Annual Summary

	FY 2018 (Actual)*	FY 2019 (Projected)	FY 2020 (Budgeted)	% Change
STATEMENT OF OPERATIONS				
Operating revenues				
Residential sales	15,605	1,100,125	1,204,203	9.5%
Commercial sales	172,342	11,538,819	11,580,176	0.4%
Interruptible sales	109,844	2,553,771	2,723,634	6.7%
FNSB contract revenue	421,987	304,575	0	-100.0%
Other operating revenue	16,153	329,743	343,745	4.2%
Total operating revenues	735,932	15,827,033	15,851,758	0.2%
Operating expenses				
Natural gas purchases	133,669	6,388,321	6,400,325	0.2%
Trucking	34,443	1,941,683	1,856,747	-4.4%
Electricity	32,088	915,892	859,396	-6.2%
Gas liquefaction expenses	86,716	1,520,597	1,711,411	12.5%
Fairbanks distribution operations	30,934	301,205	342,341	13.7%
Fairbanks distribution maintenance	730	78,402	91,830	17.1%
Fairbanks storage and vaporization operations	5,005	254,034	424,514	67.1%
Fairbanks storage and vaporization maintenance	26,926	58,741	86,740	47.7%
Engineering	9,670	205,554	252,117	22.7%
Talkeetna maintenance	27	5,981	8,350	39.6%
Customer Services	2,844	200,046	281,200	40.6%
AET operations and maintenance	796	22,776	22,667	-0.5%
Administration and general expenses	722,681	2,614,148	2,654,692	1.6%
Interest expense	3,307	42,277	73,393	73.6%
Depreciation	114,392	2,673,977	2,687,576	0.5%
Total operating expenses	1,204,227	17,223,633	17,753,298	3.1%
Operating income (loss)	(468,295)	(1,396,600)	(1,901,540)	36.2%
Operating income (loss) margin %	-63.6%	-8.8%	-12.0%	0.0%
Non operating income (expense)				
Gain (loss) from disposition of property, plant and equipment	0	2,500	0	-100.0%
Interest and dividend income	743	6,085	0	-100.0%
Net increase (decrease) in fair value of investment	(10,104)	24,299	0	-100.0%
AIDEA Interior Energy Project reimbursement funds	5,672	541,889	0	-100.0%
Other income (expense)	0	35,740	2,400	-93.3%
Total non operating income (expense)	(3,688)	610,513	2,400	-99.6%
Change in net position	(471,983)	(786,086)	(1,899,140)	141.6%
Net position - beginning of year	41,051,742	40,579,759	39,793,672	-1.9%
Net position - end of year	40,579,759	39,793,672	37,894,533	-4.8%
EBITDA	(350,596)	1,319,654	859,429	

Interior Alaska Natural Gas Utility

Annual Summary

	FY 2018 (Actual)*	FY 2019 (Projected)	FY 2020 (Budgeted)	% Change
STATEMENT OF CASH FLOWS				
Increase (Decrease) in Cash				
Cash flows from operating activities				
Cash received from customers	754,448	16,094,327	15,852,144	
Cash received from FNSB	388,231	304,575	0	
Cash received from AIDEA	342,697	0	0	
Cash paid to suppliers and employees	(1,229,798)	(14,405,245)	(17,368,977)	
Net cash provided by (used in) operating activities	255,578	1,993,656	(1,516,832)	
Cash flows from capital and related financing activities				
Proceeds from issuance of long-term debt	0	28,594,136	25,004,724	
AIDEA Interior Energy Project reimbursement funds	0	541,889	0	
Principal payments on long-term debt	(851,812)	(158,945)	(166,053)	
Interest paid	(5,172)	(42,277)	(66,824)	
Proceeds from disposal of assets	0	2,500	0	
Purchase of property, plant and equipment	0	(922,825)	(386,590)	
Purchase of inventory for future customer services	0	0	(750,016)	
Purchase of property, plant and equipment - CWIP	(1,063,605)	(29,159,731)	(24,371,262)	
Net cash provided by (used in) capital and related financing activities	(1,920,589)	(1,145,252)	(736,020)	
Cash flows from investing activities				
Interest and dividends received	4	6,085	0	
Purchase of marketable securities	0	(79,916)	(50,000)	
Net cash provided by (used in) investing activities	4	(73,831)	(50,000)	
Net increase (decrease) in cash	(1,665,007)	774,573	(2,302,852)	
Cash at beginning of period	8,248,501	6,583,494	7,358,067	
Cash at end of period	6,583,494	7,358,067	5,055,215	
Reconciliation of Net Income (Loss) to Net Cash				
Provided By (Used in) Operating Activities				
Operating income/(loss)	(429,073)	(1,497,989)	(1,901,540)	
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	114,392	2,673,977	2,687,576	
Interest received	(4)	0	0	
Interest payments	3,307	42,277	73,393	
Materials and supplies inventory reclassified from CWIP	171,660	0	0	
Other income (expense)	0	137,129	2,400	
(Increase) decrease in assets				
Accounts receivable	459,193	471,939	(33,100)	
Contract receivables	(2,228)	0	0	
Other receivables	337,625	0	0	
LNG inventory	(31,785)	34,224	(2,124,661)	
Materials and supplies inventory	(159,764)	(18,818)	(0)	
Deposits and other current assets	25,195	(82,677)	3,245	
(Increase) decrease in liabilities				
Accrued wages and burden	21,536	6,860	(6,316)	
Accounts payable	(186,362)	113,889	(267,830)	
Deferred compensation liability	(10,099)	104,215	50,000	
Other current and accrued liabilities	(58,014)	8,630	0	
Net cash provided by (used in) operating activities	255,578	1,993,656	(1,516,832)	

NEW BUSINESS



Considered on: June 4, 2019

Reconsidered on:

Approved on:

RESOLUTION # 2019-03

**DECLARATION OF OFFICIAL INTENT OF THE INTERIOR ALASKA NATURAL GAS
UTILITY TO REIMBURSE CERTAIN EXPENDITURES FROM
PROCEEDS OF INDEBTEDNESS**

WHEREAS, The Interior Alaska Natural Gas Utility (the “IGU”) intends to provide for the (a) construction of a natural gas storage facility in North Pole, (b) installation of customer gas meters in North Pole and Fairbanks, (c) the expansion of the liquefaction facility at Point MacKenzie, and (d) expansion of the natural gas distribution system in North Pole and Fairbanks, including funding a debt service reserve fund and funding costs of issuance in an amount not to exceed \$90,000,000 (the “Project”); and

WHEREAS, the IGU expects to pay certain expenditures (the “Reimbursement Expenditures”) in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, the IGU reasonably expects that debt obligations in an amount not to exceed \$90,000,000 will be issued with respect to financing of the Project and that certain of the proceeds of such debt obligations will be used to reimburse the Reimbursement Expenditures; and

WHEREAS, the IGU desires to comply with the requirements of Treasury Regulation 1.150-2 (the “Regulations”) with respect to the Project;

NOW, THEREFORE, BE IT RESOLVED that the IGU declares:

Section 1. The IGU finds and determines that the foregoing recitals are true and correct.

Section 2. This declaration is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the IGU to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. The IGU hereby declares its official intent to use proceeds of indebtedness to reimburse itself for Reimbursement Expenditures.

Section 4. This declaration shall take effect from and after its adoption.

Approved:

Madam Chair Pamela Throop, IGU Board of Directors

Date

Laura Steel, Secretary to the IGU Board of Directors

Date



Interior Gas Utility
BOARD MEMORANDUM
No. 2019-09

Meeting Date: June 4, 2019
Approved: _____

From: General Manager, IGU

Subject: Authorization to execute Three-Year LNG Transportation Services Agreement with Big State Logistics, Inc. (\$7.5M)

Titan Alaska LNG, LLC intends to enter into a three-year term agreement with Big State Logistics, Inc (BSL) for transportation of LNG. The term agreement will begin July 1, 2019 and continue through June 30, 2022, with automatic renewals thereafter for successive one-year periods unless terminated in writing by either party 120 days in advance of the end of the contract year. This memorandum requests that the IGU Board approve the General Manager to execute the agreement valued at approximately \$7.5M for the initial three-year term.

This scope of work was competitively bid. Bids were received from four transportation companies. The work includes transportation of LNG in trailers owned by Titan Alaska LNG from the Titan LNG plant, located near Point MacKenzie, AK to several LNG storage sites in Fairbanks, Talkeetna, and Big Lake. Concurrently, the transportation contractor will lease two LNG trucks from Titan for exclusive use in the transportation of LNG. Payment terms are based on delivered loads to each location with adjustment for diesel fuel costs that vary outside a range of \$3.25 to \$3.50 per gallon.

BSL provided the most competitive rates that forecast approximately 7.5% savings over current rates, based on an assumed estimate of LNG deliveries over the three-year period. Additionally, BSL is already trained and familiar with the work, given they are the currently contracted entity.

It is recommended that the IGU Board authorize the General Manager to execute a Three-Year (with possible additional 1-year extensions) LNG Transportation Services Agreement with Big State Logistics Inc.

Prepared and Submitted by: Dan Britton, General Manager

Approved:

Pamela Throop
Chair, IGU Board of Directors

Date

			Contractor Tractor Delivered Loads				LNG Tractor Delivered Loads					
			Cost Per Delivered Load				Cost Per Delivered Load					
			TALK	HSTN	FBKS - 2axle	FBKS - 5axle	TALK	HSTN	FBKS			
Transport Contractor 1			600	440	1811	2014	450	340	1518			
Transport Contractor 2			1649	1308	2767		1115	907	1820			
Transport Contractor 3			1225	875	3457		970	700	2962			
Transport Contractor 4			685	450	1951.06		685	450	1951.06			
Current Rates			565	565	2075		350	350	1245			
			Number Loads per Location per Year				Number Loads per Location per Year					
			60%				10%					
			30%									
Number Loads, Year 1			1250	8	4	750	375	4	2	125		
Number Loads, Year 2			1350	8	6	810	405	4	4	135		
Number Loads, Year 3			1450	8	8	870	435	4	6	145		
											Totals	
Transport Contractor 1			Year 1	4800	1760	1358250	755250	1800	680	189750	\$	2,312,290
			-7.47% Year 2	4800	2640	1466910	815670	1800	1360	204930	\$	2,498,110
			Year 3	4800	3520	1575570	876090	1800	2040	220110	\$	2,683,930
Subtotal				14400	7920	4400730	2447010	5400	4080	614790	\$	7,494,330
Transport Contractor 2			Year 1	13192	5232	3112875		4460	1814	227500	\$	3,374,025
			35.03% Year 2	13192	7848	3361905		4460	3628	245700	\$	3,645,685
			Year 3	13192	10464	3610935		4460	5442	263900	\$	3,917,345
Subtotal				39576	23544	10085715		13380	10884	737100	\$	10,937,055
Transport Contractor 3			Year 1	9800	3500	3889125		3880	1400	370250	\$	4,283,955
			71.41% Year 2	9800	5250	4200255		3880	2800	399870	\$	4,627,855
			Year 3	9800	7000	4511385		3880	4200	429490	\$	4,971,755
Subtotal				29400	15750	12600765		11640	8400	1199610	\$	13,883,565
Transport Contractor 4			Year 1	5480	1800	2194942.5		2740	900	243882.5	\$	2,450,945
			-1.93% Year 2	5480	2700	2370537.9		2740	1800	263393.1	\$	2,647,851
			Year 3	5480	3600	2546133.3		2740	2700	282903.7	\$	2,844,757
Subtotal				16440	8100	7111613.7		8220	5400	790179.3	\$	7,943,553
Current			Year 1	4520	2260	2334375		1400	700	155625	\$	2,498,880
			Year 2	4520	3390	2521125		1400	1400	168075	\$	2,699,910
			Year 3	4520	4520	2707875		1400	2100	180525	\$	2,900,940
Subtotal				13560	10170	7563375		4200	4200	504225	\$	8,099,730

UNFINISHED BUSINESS

June 4, 2019

TO: Board Members, Interior Alaska Natural Gas Utility (IGU)

Through: Pamela Throop, Chair

FROM: Dan Britton, General Manager, Interior Alaska Natural Gas Utility (IGU)

SUBJECT: Recommended IGU Fiscal Year 2020 Budget

BACKGROUND

Fairbanks North Star Borough (FNSB) ORDINANCE NO. 2012-52 created the formation of IGU and established Title 11 Natural Gas Utility under the FNSB Code of Ordinances. Chapter 11.01.030 (E) of Title 11 directed the IGU Board of Directors to provide a separate capital and operating budget. IGU management has prepared this proposed Fiscal Year 2020 budget for IGU and its wholly owned operating gas utility company Pentex Alaska Natural Gas Company, LLC's (Pentex) and its operating units: Fairbanks Natural Gas, LLC (FNG), Titan Alaska LNG, LLC (Titan), Arctic Energy Transportation, LLC (AET), and non-operating unit Polar LNG, LLC (Polar).

RECOMMENDATIONS

The proposed Pentex budget and rates reflect projected environmental and economic conditions for Fiscal Year 2020. IGU's General Manager recommends that the Board:

1. Approve IGU's FY 20 budget from July 1, 2019 to June 30, 2020

SUMMARY AND CONCLUSIONS

The fiscal year 2020 IGU budget, based on reasonable assumptions, maintains fiscal prudence and financial capacity despite entering an expansion transitional phase. The statement of net position and statement of cash flows are included, representing the budgeted statement of revenues, expenditures and change in net position.

Key highlights of the proposed fiscal year 2020 IGU budget include:

- Roughly \$859 thousand earnings before interest, taxes, depreciation and amortization (EBITDA).
- The net operating loss of \$1.366 million is driven by the amortization of the gas plant acquisition adjustment.
- The decrease in cash is largely due to the acquisition of LNG inventory in preparation of additional demand as a result of the addition of new services during the fiscal year.
- No proposed rate increases to the customer volumetric or monthly fixed charge.

- LNG Inventory increase of 174,765 Mcf/2.1 million gallons LNG.
- \$386,590 of planned operational capital expenditures in FNG and Titan.
- \$21,496,528 of planned capital expenditures related to FNG storage facility, North Pole storage facility, Titan II and III FEED (65%), and new customer services.

The table below summarizes key projected results of the fiscal year 2020 IGU budget:

Summary FY 20 Budgeted Financial Results	IGU	Adjustments	IGU	FNG	Titan	AET	Polar
Net operating income	(\$1,368,717)	(\$1,356,453)	(\$401,263)	\$36,823	\$500,367	(\$147,975)	(\$216)
Net income	(\$1,366,317)	(\$1,356,453)	(\$16,320)	(\$348,120)	\$502,767	(\$147,975)	(\$216)
EBITDA	\$859,429	(\$532,823)	(\$384,943)	\$893,220	\$898,729	(\$14,538)	(\$216)
Beginning cash	\$7,358,067		\$612,223	\$4,692,513	\$2,034,299	\$13,753	\$5,280
Net incr(decr) in cash	(\$2,302,852)		(\$231,479)	(\$2,548,352)	\$484,297	(\$7,101)	(\$216)
Ending cash	\$5,055,215		\$380,743	\$2,144,162	\$2,518,595	\$6,651	\$5,064

The table below summarizes the sources and uses of IGU's operating and capital funds:

Beginning cash	7,358,067
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Sources

Results of operations (less LNG inventory costs)	557,829
Capital financing	25,004,724

Total sources	25,562,553
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Uses

LNG inventory	(2,124,661)
Services inventory	(750,016)
Debt service	(232,876)
Capital projects - Operational	(386,590)
Capital projects - IEP	(24,371,263)

Total uses	(27,865,405)
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Net increase (decrease) in cash	(2,302,852)
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Ending cash	5,055,215
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The tables below provide the estimated fiscal year 2020 capital expenditures for IGU, FNG, and Titan.

Fairbanks Natural Gas, LLC Operational Capital Budget	
	FY 2020 Cost
<u>Office & Administration & IT</u>	
Computer replacement	\$ 6,000
Server replacement	15,000
Totals	\$ 21,000
<u>Storage Sites</u>	
SS I - Light Pole replacement	\$ 13,000
SS I - Process Improvements	
YZ sync to Master meter	2,600
Program B.O. AOV to HMI	2,600
Wiring B.O. AOV to PLC	5,000
SS I - Tank Stripping & Paint	26,000
Totals	\$ 49,200
<u>Operations & Engineering</u>	
In-Line valve projects	\$ 8,000
Locate wire repair	10,000
Meter Replacement	70,000
Distribution pressure monitoring	22,000
Totals	\$ 110,000
Grand Total	\$ 180,200

IEP - Capital Program	
	FY 2020 Cost
North Pole storage facility (IGU)	\$ 8,609,590
Fairbanks storage facility (FNG)	12,244,606
New services Fbks & N.P. (IGU & FNG)	342,332
Titan II & III FEED (Titan)	300,000
Grand Total	\$ 21,496,528

Titan Alaska LNG, LLC Operational Capital Budget	
	FY 2020 Cost
<u>Operations</u>	
Computers/printer/copier	\$ 9,745
<u>LNG - Plant Upgrades</u>	
Shop awning 50' x 8'	\$ 7,500
Pallet shelving	2,000
Civil project	5,000
Insulate piping	28,400
Emergency response kit	7,000
Lube and dyno oil temp contr.	15,859
Quantum panel upgrade	78,175
Remote vibration monitoring	5,104
	\$149,038
<u>Trailer Projects</u>	
Trailer Painting	\$ 47,607
Grand Total	\$206,390

IEP POLICY FOUNDATION

The Fiscal Year 2020 budget is based on several policy objectives:

- Maintain existing competent and efficient operations of the FNG utility and the Titan LNG plant
- Maintain eliminated overhead, tax, regulatory, return and other costs related to private corporate ownership
- Maintain lowest rates possible to consumers while maintaining financial health of utility
- Support potential for system expansion, customer conversion and new construction assistance when supply is available

KEY ASSUMPTIONS AND ESTIMATES

Certain key assumptions and estimates are central to the development of the IGU budget:

- Demand / Revenues
 - Weather conditions consistent with recent experience – “heating degree days” based on long term averages with the expectation that this winter will be more similar to historic winters
 - Overall demand (total Mcf of gas sold/consumed) is expected to increase slightly due to increased demand from interruptible customers
 - Expected slight increase in demand from residential firm customers due to updated regression analysis on the rate class
 - Expected decrease in demand from small commercial firm customers due to updated regression analysis on the rate class
 - Expected decrease in demand from large commercial customers due to updated historical average usage model.
 - The increased demand from interruptible customers puts downward pressure on the average sales price per Mcf even though we expect a slight increase of 1.4% in large interruptible rates
- Expenses
 - \$1,356,453 amortization of the gas plant acquisition adjustment
 - The operation of the new storage facility in Fairbanks will increase the demand for and cost of electricity for storage site operations
 - Conduct targeted capital renewal and maintenance at the Titan plant and in the FNG storage, re-gas and distribution system
- Inventory
 - LNG Inventory increase of 2.1 million gallons LNG/174,765 Mcf.
 - Pipes, material and supplies inventory increase of \$750 thousand In preparation of 400 new customer additions consisting of residential and commercial services located in both Fairbanks and North Pole.

FNG FISCAL YEAR 2020 RATES

FNG monthly firm customer charges and volumetric charges will not increase for Fiscal Year 2020. The table below summarizes FNG's projected rates and sales by customer class for Fiscal Year 2020.

<u>Volumetric Charges</u>						
# of Cust.	Customer Class	FY 2019 Sales (Mcf)	FY 2020 Sales (Mcf)	FY 2019 Rate	FY 2020 Rate	% Change
460	Residential	56,005	57,867	\$ 20.81	\$ 20.81	0.0%
661	Small Commercial	395,303	346,998	\$ 20.76	\$ 20.76	0.0%
32	Large Commercial	210,923	203,302	\$ 20.70	\$ 20.70	0.0%
26	Interruptible - Small	52,324	68,803	\$ 20.03	\$ 20.03	0.0%
15	Interruptible - Large	17,206	41,162	\$ 17.25	\$ 17.50	1.4%
1	Interruptible - Hospital	0	35,724	\$ 17.25	\$ 17.50	1.4%
1	UAF	0	0	\$ 17.25	\$ 17.50	1.4%
1196	Totals	731,761	753,856	\$ 20.61	\$ 20.35	-1.3%
<u>Customer Charge</u>						
# of Cust.	Customer Class	FY 2019 Rate	FY 2020 Rate	% Change		
460	Residential	\$ 12.00	\$ 12.00	0.0%		
661	Small Commercial	\$ 22.00	\$ 22.00	0.0%		
32	Large Commercial	\$ 72.00	\$ 72.00	0.0%		
26	Interruptible - Small	\$ 72.00	\$ 72.00	0.0%		
15	Interruptible - Large	\$ 72.00	\$ 72.00	0.0%		
1	Interruptible - Hospital	\$ 500.00	\$ 500.00	0.0%		
1	UAF	\$ 500.00	\$ 500.00	0.0%		

IGU 2020 SUMMARY BUDGET PROJECTIONS & RATE SUMMARY

The following pages include summaries of:

- IGU Fiscal Year 2020 budgeted Statement of Revenues, Expenditures and change in Net Position with prior year budget comparison – pages 6 – 7
- IGU Fiscal Year 2020 budgeted Statement of Net Position – pages 8 – 9
- IGU Fiscal Year 2020 Statement of Cash Flows – pages 10 – 11

Finally, on pages 12-13, is a detailed summary of the projected Fiscal Year 2020 FNG rates and IGU Capital Program & Funding Sources.

Also included as Appendix 1 is the IGU Fiscal Year 2020 budget estimates (with 2-year history*).

**FISCAL YEAR 2020 BUDGET
SEE PAGES 54-64 FOR ATTACHMENTS
PRESENTED TO THE BOARD 5.21.19**

OTHER BUSINESS

Interior Gas Utility
BOARD MEMORANDUM
No. 2019-10

Meeting Date: June 4, 2019

From: General Manager, IGU

Subject: Recommendation for Amendment Three (3) to PDC Engineers for Professional Services for Design of the LNG Storage Facility Project in the North Pole Alaska (\$ 126,414.00)

The Interior Alaska Natural Gas Utility (IGU) has participated in the planning and consideration for development of storage and regasification of liquid natural gas (LNG) in the North Pole, Alaska area since the formation of IGU and with the planning efforts by the Alaska Industrial Development & Export Authority under the Interior Energy Project.

Since, IGU and GVEA coordinated planning for use of GVEA lands in North Pole and on June 29, 2018 entered into a Real Estate Purchase and Sale Agreement (PSA) and an Option to Purchase and Early Entry Agreement (reference Board Memorandum No. 2018-05). These agreements include Lot 1 and a 13.46-acre parcel on the northerly end of Lot 2 H&H Industrial Subdivision. IGU has completed a Phase 1 Environmental Site Assessment through Travis-Peterson that resulted in no recognized environmental conditions that would compromise the development of the property of the intended use.

IGU contracted with PDC Engineers to complete a conceptual LNG storage plan for the GVEA site (BM 2018-3), followed by the final design of the LNG Storage Facility Project as authorized by the Board (BM 2018-09). IGU's intent has been to move rapidly along with the development of an LNG storage facility in the North Pole area with the desire for having an operable facility prior to the end of 2019. In order to accomplish this, every phase of the project and construction activities were understood to be on a critical path and fraught with risk. The final design was completed within the time frame allocated and issued open competitively for bid proposals on February 17, 2019. Two bid proposals were received on March 21, 2019. Both bid proposals were extensively reviewed for qualifications and cost. After interviews and receipt of best and final offers it was evident that the bids received significantly exceeded the funds authorized for the project and a determination was made to cancel the solicitation in accordance with IGU Procurement Manual as guided under IGU Policy No. 06 Procurement. Notice of the cancellation was issued to the two proposers as well as posted on the IGU Website. Based on the IGU procurement manual and policy, all bid proposal information is in the process of being returned to the proposers and/or properly disposed of. Since the solicitation has been cancelled, this information including the proposers is considered confidential and not available for public disclosure.

It is IGU's desire and intent to continue to move the North Pole LNG Storage Facility Project forward. A plan has been developed that modifies the initial phase of the design for construction that will result in a more reasonable cost, without necessarily diverting from the overall proposed long-term site planning goal. Aside from reducing scope and reassessing some of the components, the general conditions for the project are to be realigned to create a more favorable competitive bidding environment for local contractors. This would include an extension of the construction schedule well into 2020 as well as making liquidated damage limits less onerous. In order to accomplish this objective, an amendment to the design contract with PDC Engineers is necessary.

Based on the foregoing, IGU requested a proposal from PDC Engineers for revising the design documents and to more ardently ground truth the construction cost estimating task. Additionally, the proposal includes support during the rebidding phase to assist with responding to questions, authoring any required addenda, assist in facilitating a pre-bid conference, and participating in bid proposal reviews and recommendations for a contract award.

Status of PDC Engineers Contract:

Original Contract (Conceptual Planning) authorized April 2018	\$ 91,832.00
Amendment 01 (Final Design) authorized September 4, 2018	\$ 620,086.00
Amendment 02 (Bid Phase Support) February 15, 2019 ⁽¹⁾	\$ 48,540.00
Amendment 03 (this Board Memorandum)	<u>\$ 126,414.00</u>
Revised Contract Total Not to Exceed	\$ 886,872.00

⁽¹⁾ Authorized under the project budget authorization Board Resolution 2019-02.

It is recommended that the IGU Board concur with the contract Amendment Three (3) to PDC Engineers in the amount of \$ 126,414.00 for a revised contract total not to exceed of \$ 886,872.00.

Prepared by: Bruce Robson, Project Manager

Submitted by: Dan Britton, General Manager

Approved:

Pamela Throop
Chair, IGU Board of Directors

Date

IGU ACTION ITEM LIST

Item	Action	Responsible Person	Date Initiated	Due Date	Status	Notes
1	APGA Board Membership Inquiry	Laura Steel	5/7/2019		Completed	
2	Liquifaction Project Manager Approach	Dan Britton & Mark Rockwell	3/12/2019	5/21/19	Completed	
3	GM Employment Review	IGU Board			Bylaw FNSB vote 6/13/2019	
4	Global Plan going forward with the Utility, Update Capital Plan and Proforma	Dan Britton & Brown Thornton & Wesley Smith		6/4/19	Draft presented 5/21/19	
5	Confirmation of Mat-Su Permitting - part of FEED work	Dan Britton	2/5/2019		Have permit list	
6	Plan going forward on Identifying gas suppliers and Negotiating price and terms (Current Gas supply Contract Ends May 2021)	Dan Britton		8/31/19	Rene drafting limited solicitation	
7	IGU Policy 09 Relationship Between the IGU Board of Directors and the General Manager	IGU Board	9/4/2018		Tabled on 9/4/18	
8	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	
9	Political versus Legal View for North Slope Pad Return on Investment	IGU Attorney & Dan Britton	1/22/2019	5/14/19		
10	Policy Drafted on Public Records Retention	IGU Attorney	12/13/2018	5/21/19		
11	New Schedule	Mark Rockwell	1/22/2019	5/21/19		
13	List of Commercial Buildings for Natural Gas Conversion UPDATE	Michelle Hollowell	2/12/2019	6/4/19		
14	IBEW Monthly report in General Manager Report	Dan Britton		6/4/19		
15	Legislative Monthly report in General Manager Report	Dan Britton		6/4/19		
16	Update Binders in IGU Conference Room	Laura Steel		6/18/19		
17	Entity Integration - Recommendation with a schedule	Dan Britton, IGU Attorney, FA, Accounting		10/29/19		
18	Ethical Procedures Developed, Change of Code of Ethics, Policy No. 05 (Ethics & Conflicts of Interest) updated, Policy No. 05 Disclosure form created	Madam Chair, Director Nordale & IGU Attorney	1/8/2019			
19	GVEA Term Sheet	Dan Britton & Robin Brena	4/23/2019	7/1/19		
20	Duties and Powers of the IGU Board of Directors Chair	IGU Board	4/23/2019	6/30/19		
21	Alternatives for North Pole Storage	Dan Britton	4/23/2019	8/31/19		
22	Transportation Study Update	Madam Chair				



General Manager Report – For the month of May 2019

IBEW Update

- Four negotiating sessions were held with IBEW regarding the collective bargaining agreement for FNG/IGU operators. Additional sessions have been scheduled for June.
- The parties continue to make progress towards advancing an agreement.

Financial / Accounting

- April Financials reviewed by the Finance Committee on May 28, 2019. The Finance Committee recommended Board acceptance of the financials as presented.
- Fiscal Year 2020 Budget prepared and presented for review by the Finance Committee and Board of Directors. Scheduled for Board Approval on June 4, 2019.
- IGU and Pentex financial integration ongoing.
- Preliminary meetings with the Financial Advisor held. RFP's for Borrower and Disclosure Counsel, and Underwriter being developed.
- IGU Financial Policies in development for approval by the Board of Directors.
- Continued working with AIDEA, Local Banks and the FNSB on short term loan requests.

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.
- Four Bid's Received in response to RFP for LNG Transportation Services. A notice of intent to award has been issued to Big State Logistics, pending IGU Board Approval.

FNG

- 100% delivery reliability with no supply interruptions. Inventories were maintained above five (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.
- Developing options for relocating pressure monitoring system before July 1, 2019.

Capital Projects

5.25 MM Gallon Storage Project

- Inner Tank work completed.
- Tank Hydro Test and Pneumatic Test complete with zero detected leaks.
- Balance of Plant Phase 4 contract work progressing, Boil-Off gas compressor building construction started, and mechanical and electrical work in multi-purpose building underway.
- Final platform and crane rail structure installation complete.
- Final outer tank closure in process.

Crane Trolley and Piping



Inner Tank Hydro Test in Progress





Multi-Purpose Building – Staging and Electrical



North Pole Storage

- Initial Bid cancelled.
- Value Engineering Proposal Submitted for Board Approval

Titan Expansion

- Liquefaction and Pretreatment RFP issued 4/15/2019 and posted on IGU website.
- Storage Tank, Transport Loading Facility and Power Generation RFP's issued.
- Bid evaluations scheduled early in June

MORGAN PARTNERSHIP LLC

May 31, 2019

Dan Britton, General Manager
Interior Gas Utility
3408 International Street
Fairbanks, AK 99701

Re: Legislative update

Dear Dan,

After 51 days awaiting action in the House Finance Committee, a new committee substitute for HB87 was released providing for a 12-month sunset extension and a \$5 million cap on tax credit/payments for LNG storage facilities. The bill's passage from that committee on May 11 left us with four days in which to move the bill through multiple procedural votes on the House Floor, the Senate Finance Committee and Senate Floor. While we garnered 40 "Yeas" and zero "Nays" in the final House vote for HB87 on May 14, the Senate was unwilling to re-open their Finance Committee for consideration of the bill on the final day of the regular session (May 15). Our subsequent effort to get HB87 added to the Special Session "call" met with resistance, and so HB87 will remain in the possession of the Senate Finance Committee until January 2019 when the bill could come back for consideration with a retroactive effective date.

The Legislature has now reached the midpoint of its (first) 2019 special session - this latest adjournment deadline is June 14th. Earlier this week, the Senate approved the conference committee report for the widely supported [omnibus crime bill](#) and, along with the House, can now mark one of five items off of its special session to-do list. There has also been much discussion over last year's forward funding for K-12 education, the payments for which are typically sent out to districts beginning in mid-July each year. Leadership members from both the House and Senate got together Tuesday for a rare, joint press conference to announce the Legislature's preparation for bringing a lawsuit against the Administration if funds are not remitted on time. It is likely the courts will be called in to decide this separation of powers issue; it is equally likely the Administration and Legislature will find a way to avoid disrupting the start of the next school year while the legal process plays out.

Our crystal ball suggests the Legislature could complete its work on the FY20 operating budget by the end of this (first) special session. However, a deal on the 2019 Permanent Fund Dividend is unlikely to be part of the operating budget package. Rather, it is likely the Governor will need call a second special session to address the PFD issue and, possibly, the FY20 capital budget. Incidentally, there remains a possibility LNG storage tax credits/payments relating to the North Pole project could be addressed through the still "open" capital budget in lieu of passage of HB87.

Also, the members of the Interior Delegation recently expressed an interest in touring the IGU's LNG storage facility projects, which we will make arrangements for pending their availability.

I am available to discuss at your convenience.

Kind Regards,



Yuri Morgan

MEMORANDUM

TO: IGU Board
FROM: A. Rene Broker
SUBJECT: Summary of Activity
DATE: May 29, 2019

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

1. Drafting revised ethics policies for Directors and Employees.
2. Attend IBEW contract negotiations.
3. Drafting of Gas Negotiator Solicitation; Review of other draft RFP's re: Borrower/Disclosure Counsel and Underwriting Services.
4. AIDEA/LOC approval questions and related issues from Borough Attorney.
5. Meeting with IGU's Financial advisor/AIDEA's bond counsel and review of follow-up questions to AIDEA drafted by IGU's Financial advisor.
6. Ongoing interaction with Chairman Throop and General Manager Britton regarding the above issues, public record and open meeting issues, bid issues and other issues that are raised on a day-to-day basis.
7. Attend Board meetings.