



INTERIOR GAS UTILITY

CLEAN LOW COST NATURAL GAS FOR THE INTERIOR

INTERIOR ENERGY PROJECT FNSB ASSEMBLY

QUARTERLY UPDATE - Q2 2019

June 6, 2019



Interior Energy Project PURPOSE AND GOALS

Interior Alaska

“ . . . to bring low-cost energy to as many residents and businesses of Interior Alaska as possible, as quickly as possible ... ”

Stabilize the Economy

Help Improve Air Quality

LNG Storage and Vaporization Activities

Fairbanks – Tank Hydrotest



LNG Storage and Vaporization Activities

Fairbanks – Boil-off Gas Compressor Building

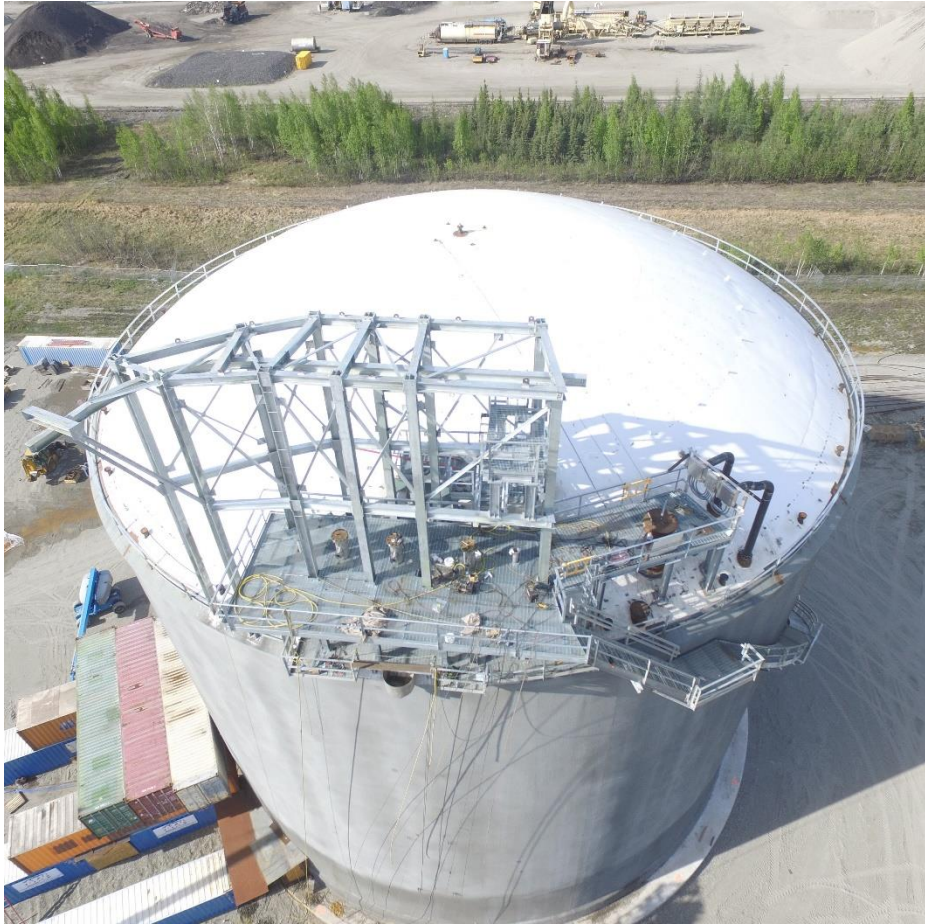


Multi-Purpose Building – Staging and Electrical



LNG Storage and Vaporization Activities

Fairbanks – Tank Platform and Hoist Structure



LNG Storage and Vaporization Activities

North Pole

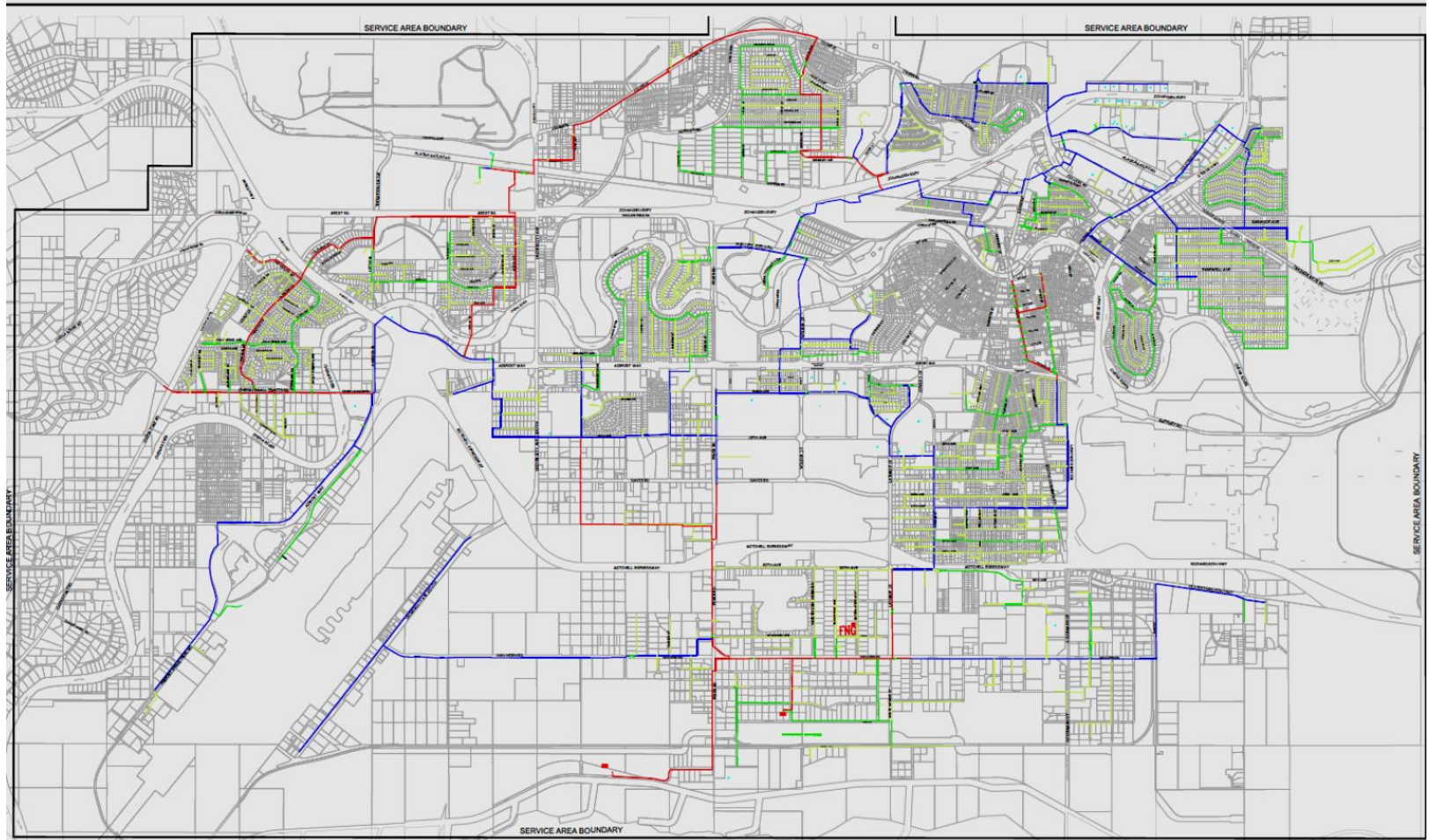
- Bids received, however rejected given high price and inability to meet schedule.
- IGU initiating Value Engineering, with intent to re-bid work with revised scope and schedule.
- Evaluating potential for a temporary installation to accelerate availability of gas in North Pole.

Titan FEED – 65% Design

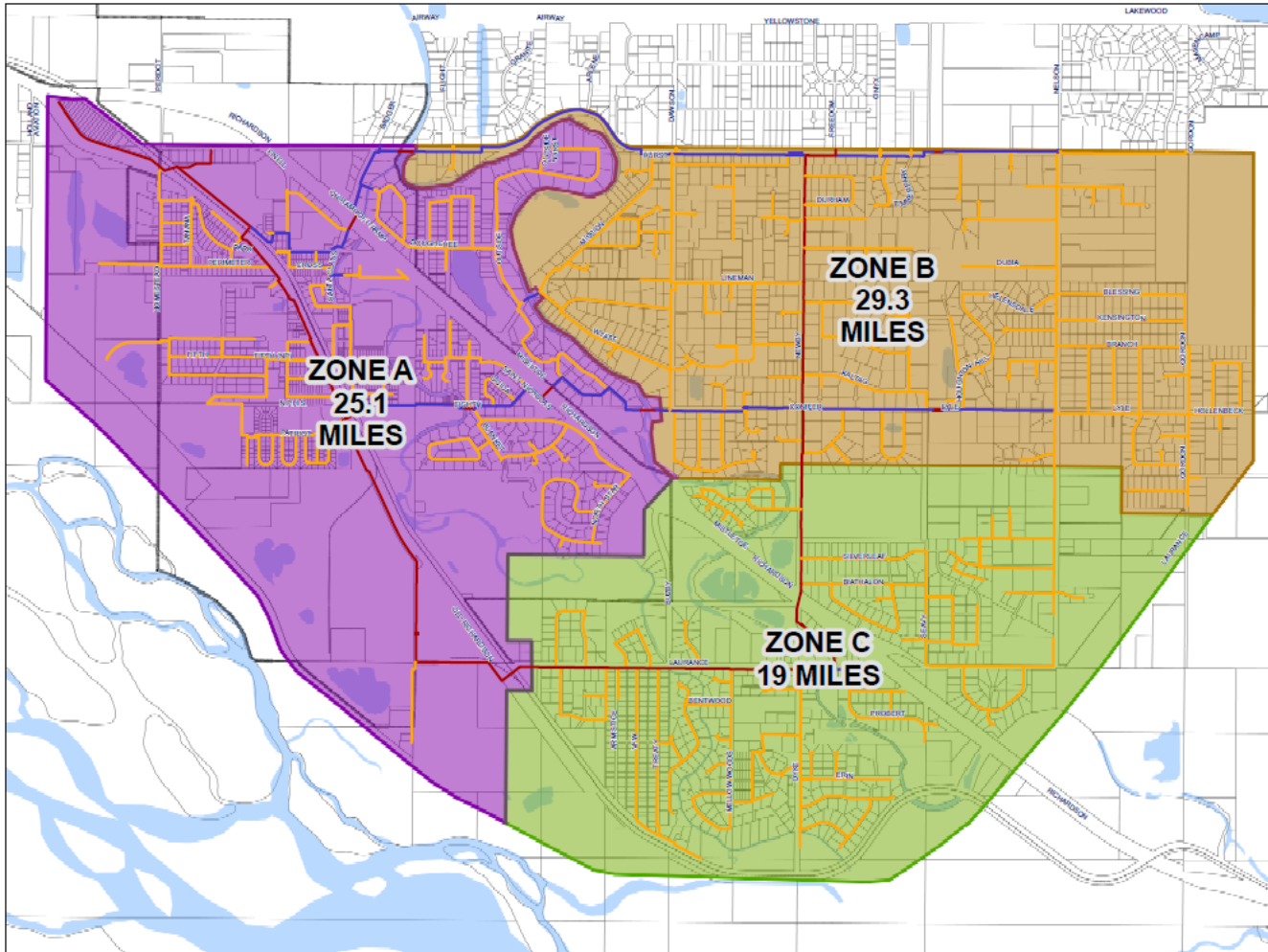
Braemar Technical Services have been engaged to conduct the front-end engineering and design (FEED) for the expansion (100,000gpd) of the Titan liquefied natural gas facility.

- RFP's for liquefaction and pretreatment, LNG storage tanks, new truck loading rack and power generation issued and bids being evaluated
- Power study to determine most economic power supply underway
- Significant amount of the Balance of Plant Engineering by Coffman Engineers in Anchorage
- Completion of FEED study Fall 2019

Installed Piping Fairbanks



Installed Piping North Pole



Interior Gas Utility

2018 Financial Forecast and Pro Forma

Version: 06/04/2018

Exhibit 1 – Projected Customers

Table EX-1.1: Projected Customers FY 2019 – 2032 (Base Case Scenario)

Item	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
FNG Customers														
Single Family Res.	476	476	584	831	1,141	1,460	1,778	2,041	2,227	2,353	2,427	2,472	2,493	2,507
Multi-Family Res.	-	-	18	59	99	139	176	209	231	238	251	252	259	259
Commercial Small	643	643	634	665	699	732	761	784	798	807	813	817	819	821
Commercial Medium	41	41	47	88	133	176	214	245	264	274	283	288	291	293
Commercial Large	32	32	34	43	53	63	71	78	82	84	86	87	87	88
Industrial	2	2	2	3	4	5	6	6	7	7	8	8	8	8
Sub Total – FNG Customers	1,194	1,194	1,318	1,689	2,129	2,574	3,006	3,363	3,608	3,762	3,867	3,923	3,957	3,975
IGU Customers														
Single Family Res.	-	-	133	426	782	1,134	1,492	1,767	1,974	2,127	2,232	2,303	2,338	2,345
Multi-Family Res.	-	-	7	15	27	42	44	57	63	62	69	70	70	70
Commercial Small	-	-	4	15	28	41	53	62	68	72	75	78	79	79
Commercial Medium	-	-	4	13	25	37	48	56	62	65	67	70	71	71
Commercial Large	-	-	-	1	1	1	3	3	3	4	4	4	4	4
Industrial	-	-	-	1	1	1	1	1	1	1	1	1	1	1
Sub Total – IGU Customers	-	-	148	470	865	1,257	1,642	1,947	2,171	2,332	2,448	2,526	2,563	2,570
TOTAL CUSTOMERS	1,194	1,194	1,466	2,159	2,993	3,830	4,648	5,310	5,779	6,094	6,315	6,449	6,520	6,546
New Customers	-	-	272	693	834	837	818	662	469	315	221	134	71	25
Cumulative New Customers	-	-	272	965	1,799	2,636	3,454	4,116	4,585	4,900	5,121	5,255	5,326	5,352

Financing Activities

Storage Tax Credits

- 50% of the cost of an LNG Storage project up to a maximum of \$15MM per project subject to legislature appropriation
- Estimated IGU credit eligibility
 - Fairbanks - \$15MM
 - North Pole - \$6MM
- After 51 days awaiting action in the House Finance Committee, a new committee substitute for HB 87 was released providing for a 12-month sunset extension and a \$5MM cap. The House passed the bill with 40 “Yeas” and 0 “Nays”.
- 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), and so HB 87 will remain in the possession of the Senate Finance Committee until January 2020, when the bill could come back for consideration with a retroactive effective date.

Financing Activities

Debt Financing

- \$125MM SETS Funds expected to be fully drawn by October 2019
- IGU requires approximately \$15MM in Short Term Bridge Financing prior to the Issuance of Bonds to complete construction of the North Pole Storage Facility, advance FEED work for the expansion of the Titan liquefaction facility and install service lines to customers in Fairbanks and North Pole
- IGU has requested access to a \$7.5MM line of credit with the FNSB which would be repaid with Bond proceeds.
- IGU has an additional commitment for Financing from a local bank for remaining short term funds required.
- IGU has hired a FA and is preparing necessary Financial Policies and presentation for rating agencies in preparation of obtaining a credit rating.
- RFP's are being issued by IGU for Borrower and Disclosure Counsel and Underwriters.

**Interior Gas Utility
Preliminary Schedule of Events
Interior Energy Project, Series 2019A**

<u>Date</u>	<u>Financing Activity</u>	<u>Responsible Party</u>
7-Jun-19	Issue Request for Proposals - Bond Counsel / Underwriters / Trustee / Issuer Counsel	Hilltop
21-Jun-19	Submit Documents and Cash Flows to Rating Agencies - IGU Issuer Rating	Hilltop/IGU
24-Jun-19	Requests for Proposals Due	Hilltop
June 24th - 25th	Conference Call with Rating Agencies - IGU Issuer Rating	Hilltop/IGU/Issuer Counsel
27-Jun-19	Discussion and Evaluation of Requests for Proposal - Determination of Management Recommendation	Hilltop/IGU
2-Jul-19	Interior Gas Utility Board Meeting - Selection of Bond Counsel / Underwriters / Trustee / Issuer Counsel	Hilltop/IGU
4-Jul-19	Independence Day Holiday	
8-Jul-19	"Kick-Off" Meeting	Working Group
	Receipt of Credit Ratings - IGU Issuer Rating	Hilltop/IGU
17-Jul-19	Circulation of 1st Draft of Bond Documents including AIDEA MTI	Bond Counsel
19-Jul-19	Circulation of 1st Draft of Preliminary Official Statement and IGU MTI	Issuer Counsel
23-Jul-19	Circulation of 1st Draft of Bond Purchase Agreement	Underwriter Counsel
29-Jul-19	Working Group Conference Call	Working Group
	Comments Due on 1st Draft of Documents	Working Group
2-Aug-19	Circulation of 2nd Draft of Bond Documents including AIDEA MTI	Bond Counsel
6-Aug-19	Circulation of 2nd Draft of Preliminary Official Statement	Issuer Counsel
	Circulation of 2nd Draft of Bond Purchase Agreement	Underwriter Counsel
14-Aug-19	Working Group Conference Call	Working Group
	Comments Due on 2nd Draft of Documents	Working Group
16-Aug-19	Submit Documents and Cash Flows to Rating Agencies - Bond Rating	Hilltop
Week of August 19th	Conference Call with Rating Agencies - Bond Credit Rating	Hilltop/IGU/Alaska Dept. Revenue
20-Aug-19	Circulation of 3rd Draft of Bond Documents including AIDEA MTI	Bond Counsel
22-Aug-19	Circulation of 3rd Draft of Bond Purchase Agreement	Underwriter Counsel
	Circulation of 3rd Draft of Preliminary Official Statement and IGU MTI	Issuer Counsel
29-Aug-19	Working Group Conference Call	Working Group
	Comments Due on 3rd Draft of Documents	Working Group
2-Sep-19	Labor Day Holiday	
3-Sep-19	Receipt of Credit Rating - Bonds	Hilltop/IGU
	Interior Gas Utility Board Meeting - Approval of Bond Documents	Hilltop/IGU/Issuer Counsel
4-Sep-19	Circulation of 4th Draft of Bond Documents including AIDEA MTI	Bond Counsel
	Circulation of 4th Draft of Bond Purchase Agreement	Underwriter Counsel
	Circulation of 4th Draft of Preliminary Official Statement and IGU MTI	Issuer Counsel
	Distribution of Substantially Final Documents to AIDEA Board Members	AIDEA
17-Sep-19	Underwriter Due Diligence Call	Working Group
18-Sep-19	AIDEA Board Meeting - Consideration of IGU Financing	IGU/Hilltop/AIDEA/Bond Counsel/Issuer Counsel
19-Sep-19	Post Preliminary Official Statement	Issuer Counsel
1-Oct-19	Pricing - Retail and Institutional	Hilltop/Utility/Underwriters
7-Oct-19	Post Official Statement	Issuer Counsel
14-Oct-19	Columbus Day Holiday	
16-Oct-19	Pre-Closing	Working Group
17-Oct-19	Closing	Working Group

Financing Activities

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

FY 20

Capital Program	Projected Capital Program Cost	Capital Program Cost 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	Capital Program Cost Through FY 2020	Projected Capital Program Cost 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 Funding Sources	Projected Capital Program Funding Level	Capital Funding Expended 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	Capital Funding Expended Through FY 2020	Projected Capital Program Funding 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

Financing Activities

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

FY 21

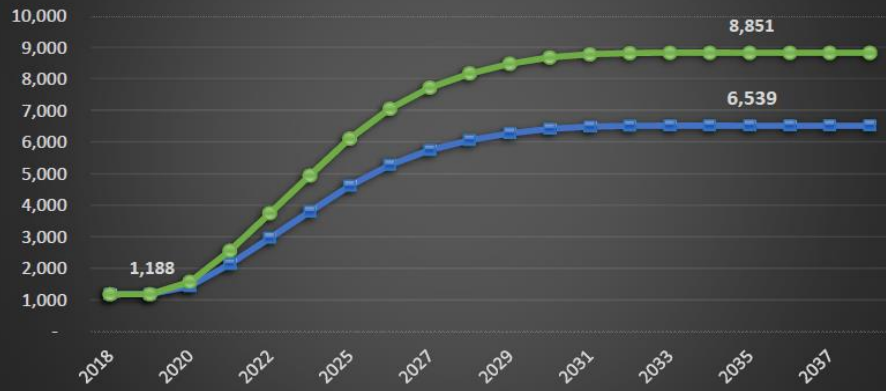
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39 NP - Phase 1-3 Buildout	\$ 87,360,000	\$ 29,346,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,346,778	\$ 58,013,222
40 FNG Expansion/Infill	23,000,000	14,806,184													14,806,184	8,193,816
41																
42 New Services and Meters																
43 IGU/FNG Service Area*	19,149,000	1,092,348	-	-	-	-	-	-	-	-	-	-	-	900,000	1,992,348	17,156,652
44																
45 Storage																
46 North Pole 150Kgal Storage	12,031,156	9,233,644	932,504	932,504	932,504	-	-	-	-	-	-	-	-	-	12,031,156	0
47 Fairbanks 5.25Mgal Storage - Loan	56,673,868	56,673,868	-	-	-	-	-	-	-	-	-	-	-	-	56,673,868	-
48 Fairbanks 5.25Mgal Storage - WC	1,705,375	1,709,304													1,709,304	(3,929)
49																
50 LNG Supply																
51 Titan 2 and Titan 3 - FEED	800,000	800,000	-	-	-	-	-	-	-	-	-	-	-	-	800,000	-
52 Titan 2 LNG Plant (inc Titan 1 upgrades)	45,400,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,400,000
53 Titan 3 LNG Plant	25,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,000,000
54																
55 LNG Transportation																
56 LNG High-capacity Trailers & Equip	4,745,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,745,000
57																
58 Other Items																
59 Program Management	8,300,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,300,000
60 Customer Conversion Program	3,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000,000
61 Pentex Acquisition	21,208,913	21,208,913	-	-	-	-	-	-	-	-	-	-	-	-	21,208,913	-
62																
63 Total Capital Program	\$ 308,373,312	\$ 134,871,039	\$ 932,504	\$ 932,504	\$ 932,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900,000	\$ 138,568,551	\$ 169,804,761

Capital Funding Sources	Projected Capital Program Funding Level	Capital Funding Expended Through FY 2020	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Capital Funding Expended Through FY 2021	Projected Capital Program Funding Remaining
64 SETS	\$ 125,000,000	\$ 125,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,000,000	\$ -
65 Capital Appropriations	1,500,000	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000	-
66 Revenue Bonding	150,000,000	-	-	-	-	-	-	-	-	-	-	-	-	10,359,247	10,359,247	139,640,753
67 Bond Anticipation Notes (LOC)																
68 FNSB - Line of Credit Agreement (\$7.5MM)		6,661,734	838,266	-	-	-	-	-	-	-	-	-	-	(7,500,000)	-	-
69 Commercial Financing - Line of Credit (\$5.5MM)		-	94,239	932,504	932,504	-	-	-	-	-	-	-	-	(1,959,247)	-	-
70 Commercial Financing	4,200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,200,000
71 Storage Credits	20,850,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,850,000
72 Working Capital - Cash (5.25M gal)	6,823,312	1,709,304	-	-	-	-	-	-	-	-	-	-	-	-	1,709,304	5,114,008
73																
74 Total Funding Sources	\$ 308,373,312	\$ 134,871,039	\$ 932,504	\$ 932,504	\$ 932,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900,000	\$ 138,568,551	\$ 169,804,761

IGU Financial Model (4/20/2018)

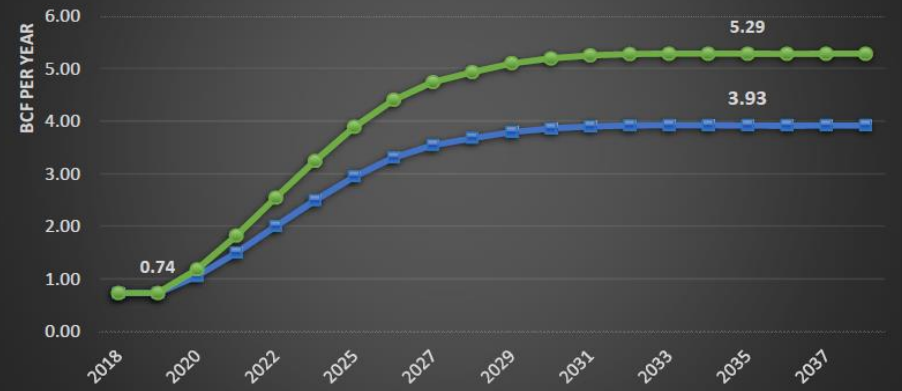
Total Customers

Base Case Low Gas Cost



Total Demand (BCF/YR)

Base Case Low Gas Cost



LNG Cost (\$/MCF)

Delivered to Fairbanks

Base Case Low Gas Cost



Average Rate (\$/MCF)

Base Case Low Gas Cost



Base Case - \$7.72/MCF gas cost for three years escalated at inflation afterward.

Low Gas Cost - \$7.72/MCF gas cost until March 2021, then \$6.00/MCF escalated at inflation afterward.

Next Steps: Immediate Term

- Natural Gas Conversion Program Advancement
- Continue implementation of Combined Utility Integration & Transition Plan
- Continue development of Master Schedule
- Additional IGU Policy development and implementation
- Finalize revised North Pole scope and schedule and re-bid work
- Continue Titan liquefaction FEED work
- Advance Natural Gas feed stock availability and negotiations for future supply
- Advance Public Relations and Marketing

Helpful Links

- **Interior Gas Utility**
www.interiorgas.com
- **AIDEA**
www.aidea.org
- **Fairbanks Natural Gas**
www.fngas.com
- **Alaska State Legislature**
www.akleg.gov

811- Call BEFORE You Dig



One easy call gets your utility lines marked
and helps protect you from injury and expense.

Safe Digging Is No Accident: Always Call 811 Before You Dig

Visit call811.com for more information.



Know what's below.
Call before you dig.

Planning to:

Put in a fence?

Install a mailbox?

Build a patio or deck?

Plant trees or shrubbery?

Excavate a new garden area?

Install or maintain a septic system?

Install a well?



Know what's below.
Call before you dig.

Call the Alaska Digline at 811 at least
72 hours (3 Days) prior to digging and
get your underground utility lines
located and marked for free.

QUESTIONS



INTERIOR GAS UTILITY