



Interior Gas Utility

Board of Directors Board Meeting

August 7, 2018

4:00 – 7:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

AGENDA

I. Call to Order

- Roll call
- Approval of Agenda and Consent Agenda
*Items marked with * are approved under the consent agenda*
- Approval of June Minutes – 7/10/18, 7/17/18* Pg. 2-13
- Approval of June Financial Reports* Pg. 14-27
- Public Comment – *limited to three minutes*

II. New Business

- Resolution 2018-07 Resolution thanking Jomo Stewart for his service as IGU's General Manager Pg. 28-29
- Acceptance of Frank Abegg's Resignation (Board Action) Pg. 30-34
- Contract Authorization and Signature Authority Policy (Board Action) Pg. 35-38

III. Unfinished Business

- Combined Utility GM/President Contract and Deferred Compensation Contract (Board Discussion) Pg. 39-47
- IGU Policies (Board Discussion)
 - Authority and Functions of Directors
 - Relationship between Board of Directors and General Manager
 - Delegation of Authority from Board of Directors and General Manager
 - Enable Direction of Utility Operations
 - Specify Reporting Requirements from GM to Board
- IEP Update (Board Discussion)
 - Storage Projects
 - North Slope Pad Pg. 48-74
 - Liquefaction Development Process Update
 - Other Items

IV. Reports*

- General Manager Pg. 75-76

V. Other Business

- Next Agenda

VI. Director Comments

VII. Adjournment

Minutes



Interior Gas Utility

Board of Directors Board Meeting

July 10, 2018

4:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

DRAFT Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, July 10, 2018, at the IGU, Fairbanks, Alaska. IGU Board Chairman, Pam Throop, presiding.

Others in attendance were: Dan Britton (IGU/FNG), Jomo Stewart (IGU telephonic), David Prusak (Stantec), Rene Broker (CSG – IGU Attorney), Liz Greig (public), Gene Therriault (AIDEA - telephonic), Robert Thielen (public), Robin Wood (FDNM), Peter Chornyak (Siemens – telephonic), Allen Bailey (Petroleum News – telephonic).

I. Call to Order

- Roll call

Board Members Present:

Pamela Throop
Jack Wilbur
Frank Abegg - excused
Bill Butler – 4:05 PM
Steve Haagenson
Patrice Lee
Mike Meeks - telephonic

- Approval of Agenda and Consent Agenda

Director Wilbur moved to adopt the Agenda and Consent Agenda, Director Haagenson seconded. The Agenda was adopted.

- Public Comment – *limited to three minutes*
Liz Greig – first time attending an IGU meeting, she recalled a discussion regarding the number of people below the poverty line in a report prepared by David Carlisle (VISTA). She felt this number was incorrect and feels number is higher and ask this be taken into account, 89,000 people for the FNSB and the number is possibly larger than what that study suggested.

II. New Business

- IGU Policies
 - Authority and Functions of Directors

- Relationship between Board of Directors and General Manager
 - Delegation of Authority from Board of Directors and General Manager
 - Enable Direction of Utility Operations
 - Specify Reporting Requirements from GM to Board
- Director Haagensohn explained all the electric cooperatives received policies to consider from a national group called RUS (Rural Utility Services) in order to form and function. These three policies come from that and are here for discussion. This can help give the utility legs to thrive. The three main corporate governance policies provide for an environment where actions are not illegal, immoral or unethical.
 - Director Butler felt they were good and was ready to move it forward.
 - Director Lee felt she would be ready to act at the next meeting.
 - Director Wilbur felt it needed more discussion and possibly be rewritten. The first policy appeared to generally be more focused on the Board rather than a Director. The second and third policy appear acceptable.
 - Director Lee asked about the Authority and Functions of the Board, II. E. and what this means and how it applies to Board members. The Board discussed how this applies, Ms. Broker explained how this applied to conflict of interest.
 - Director Butler suggested that Board members review the policies and bring their suggestions to the next meeting.
 - Mr. Britton suggested that Board members write down what they would like to see, discuss at the Work Session and possibly consider voting on them at the next Board meeting and allow time for legal review and to incorporate into documents to be voted upon at the August Board meeting.

III. Unfinished Business

- IEP Update
 - Storage Projects
 - Project is advancing after a weeklong planned holiday break. There is welding that should go for a week before wire winding begins. Grading the site is occurring to accommodate the on-site fabrication of the roof.
 - The geotechnical borings occurred at the North Pole site last Friday and Saturday and this process advances.
 - North Slope Pad
 - Made Board aware that the DNR had sent out a solicitation for the lease and are due tomorrow for future action.
 - Liquefaction Development Process Update
 - Comparative Analysis Assumption Truing
 - Liquefaction Charrette Scheduling
- Mr. Britton described the phone discussion with the liquefaction review group of himself, Mr. Brown Thornton, Mr. Mark Gardiner and Siemens members, and the information provided to Siemens. Mr. Britton said he

was not prepared to advance a charrette meeting as there is not a proposal put forward to consider.

- Director Haagenson asked for a fair comparison of the two options, not necessarily a proposal and described his desires.
- Mr. Britton outlined the value of what a proposal would bring to provide a fair comparison.
- Chair Throop asked for a written response to the issues raised by Siemens.
- Mr. Britton absolutely agreed but suggested that this not be shared directly with Siemens.
- Director Lee said she thought it would be good to share this information publicly.
- Ms. Broker recommended to the Board that if this was the case, the proposals should be opened to a broader group than just one vendor.
- Director Wilbur agreed with Ms. Broker as her advice is consistent with previous legal advice that was provided and could possibly end in providing the best results.
- Director Butler suggested Siemens respond in writing to the Gardiner evaluation to compare with responses to questions that Siemens has raised about Titan.
- Ms. Broker was asked if she sees a path forward with Siemens, she explained the various routes that may lead to a potential contract. As an LNG tolling agreement, it may make some sense, rather than where monies are exchanged to jointly build a plant and then purchase gas.
- Director Butler felt that a purchasing consultant did confirm this path could be pursued, this was confirmed however as the process has advanced things have changed that approach that may be considered a sole source improperly. The process may need to be open to others.
- Director Haagenson recalled the purchasing consultant (Chris Rutz) advice, he recommended that a letter be sent out to others to see if there may be an interest before advancing this.
- Mr. Stewart said the Siemens is morphed to Knik, still there has not been a proposal for a tolling service to consider making a recommendation to move or advance this.
- Mr. Britton agreed and explained that he would like to have a proposal before advancing this to the Board. He also explained the concerns that AIDEA has expressed, Mr. Britton explained to AIDEA that he has not had the opportunity to make recommendations to IGU and so it is too early to provide response about how liquefaction was going to be dealt with.
- Director Haagenson felt that Siemens was likely the one to have capital, and that he has an email from Ft Wainwright now and this would be a game changer for the community.
- Mr. Britton felt it is too premature to hold a charrette as he does not have enough information yet to bring to the Board or the community.
- Director Haagenson recommended that Mr. Britton ask Siemens for a proposal.
- Director Wilbur feels that Siemens does not need answers to the Titan questions to prepare a proposal.
- Director Butler said he agreed that a proposal from Siemens would be helpful to determine what they are providing before going to a charrette.

- Director Lee asked Director Haagenson what he meant in suggesting on how staff would make the recommendations, he explained that the normal process would be that staff would handle these matters and make a recommendation to the Board.
- Board generally discussed with Ms. Broker on procurement requirements to stay within the guidelines of the requirements.
- Director Wilbur expressed the conundrum that Mr. Britton is in to have to be the sponsor of Plan A (Titan) at a charrette that Siemens also has a proposal and then make a recommendation to the Board on the best approach.
- Director Haagenson said it would be best to get a proposal first before having a charrette as Mr. Britton could not make a recommendation.
- Directors Butler and Wilbur agreed.
- Chair Throop reiterated what the Board wanted in asking for the proposal but also answers to the questions raised both by both parties.
- Director Lee asked if there was sufficient land to expand at Titan, Mr. Britton said the studies have agreed there is.
- Other items
 - Mr. Britton explained the discussions he has been having with Ms. Broker and Mr. Brena on tax credits for storage going forward.
 - Chair Throop asked why Mr. Wilde is no longer going to be providing gas supply negotiations.
 - Mr. Britton explained it was a duplicative to his experience on gas supply issues. Also, that he did extend a limited offer to Mr. Wilde to work on gas supply issues in the future that may not be duplicative.
 - Director Lee asked Mr. Britton to explain his approach toward gas supply and approaching suppliers which he provided.
- Utility Integration and Transition Update
 - Combined Utility General Manager Contract Update
 - Chair Throop plans to finalize the discussion on this contract by Friday, to be considered at the next Board meeting.
 - Outgoing GM close-out update
 - Mr. Stewart signed the GVEA option agreement. Notice was sent out to Usibelli that the office would close August 31. He has sent notice to consultants informing them as well for future invoicing.
 - Other items
 - AQ Stakeholder Group Report
- Director Lee said the group has had one meeting so far, lasting 8 + hours. Brian Rogers is the facilitator, they have a web site and are meeting again on July 20. She let the Board know that North Pole will not be divided from Fairbanks as the AQ issues move forward.

IV. Reports*

- General Manager
- Stantec Consulting Services, Inc.

V. Other Business

- Next Agenda
 - i. IGU FY 19 IGU Budget presentation and approval
 - ii. Stantec Contract amendment
 - iii. Purchase authority for the large storage project.
 - iv. Three Board Policies discussion
 - v. Combined Utility GM/President Contract and deferred compensation
 - vi. IEP Update
 - vii. Gas Supply – Executive Session

VI. Director Comments

Director Haagenson said he received an email from Ft Wainwright about their interest in gas. He will set up a meeting with them and Mr. Britton.

VII. Adjournment

Director Butler moved to adjourn at 6:30 PM. This was seconded by Director Haagenson and without objection, the meeting Adjourned.



Interior Gas Utility

Board of Directors Work Session and Special Board Meeting

July 17, 2018

4:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

DRAFT Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, July 17, 2018, at the IGU, Fairbanks, Alaska. IGU Board Chairman, Pam Throop, presiding.

Others in attendance were: Dan Britton (IGU/FNG), David Prusak (Stantec), Rene Broker (CSG – IGU Attorney), Liz Greig (public), Robert Shields (public), Richard Theilman (public).

I. Call to Order

- Roll call

Board Members Present:

Pamela Throop

Jack Wilbur

Frank Abegg – 4:05 PM

Bill Butler

Steve Haagenson

Patrice Lee

Mike Meeks - telephonic

- Approval of Agenda

Director Haagenson moved to adopt the Agenda, Director Lee seconded. The Agenda was adopted.

- Public Comment – *limited to three minutes*

Richard Thielman – comment on last week's meeting, stated that the comment that there was not value from the charrette. Secondly feels that the Board should establish policy and determine which ones they will hear what is going on.

Robert Shields discussed conversions and concern that it be addressed and that the Board continue to look at all energy options including renewable energy sources.

Liz Greig discussed poverty numbers in the community and a document that was used to determine it. Reviewed the document with the Board and will continue to work on determine how many households this includes.

Mr. Britton discussed a sheet that was slipped under the door that Siemens being included for consideration for LNG Supply.

II. Special Board Meeting New Business

- IGU FY 19 Budget Presentation and Approval (Board Action)
 - Mr. Britton presented a IGU draft budget for revenues and expenses not included in the Pentex budgets.
 - Directors asked about various capital expenses and how that may affect the budget and how this will show on the accounting books for debt and assets.
 - Mr. Britton discussed the position of cash and the discussion with AIDEA who is requesting funds to be returned that remain in the account that were drawn from the loan. The Board discussed this perspective.
 - Directors requested to review the budget on a line by line basis.

Director Haagenon moved to approve the FY 19 operating budget on page 7 and capital budget on page 2 of the document submitted, seconded by Director Lee.

Vote:

Abegg	Yes
Butler	Yes
Haagenon	Yes
Lee	Yes
Meeks	Yes
Wilbur	Yes
Throop	Yes

Motion carries 7 - 0

- BM 2018-07 Amend Stantec Contract (Board Action)

Moved by Director Haagenon to accept the BM and increase to the Stantec Contract, seconded by Director Wilbur.

Discussion:

- Mr. Britton explained the process completed previously and scaling back of the SOW for Stantec and answered questions by the Board.
- Director Butler asked for a greater presence for public outreach.
- The Board discussed how the costs would be reported and what they would like to see.

Vote:

Abegg	Yes
Butler	Yes
Haagenon	Yes
Lee	Yes
Meeks	Yes
Wilbur	Yes
Throop	Yes

Motion carries 7 - 0

- BM 2018-08 Purchase Authority related to the 5.25 Large Storage tank project (Board Action)
 - Mr. Britton presented why this should be considered to advance the project forward in a timely matter.
 - Director Wilbur moved to approve the procedure presented in BM 2018-08, seconded by Director Lee.

Discussion:

Directors discussed various reporting desires to have a level of comfort that would allow the project advance by modifying the BM 2018-08.

Directors discussed allowing the GM to proceed by modifying the BM:

Director Butler moved to amend the motion by modifying the BM as follows (lines 22 to 33 on page one and lines 1 and 2 on page two):

“Prior to IGU’s purchase of Pentex the FNG CEO has solicited ~~or awarded~~ the following contracts for goods and services that were in the plan.

FNG LCRFP#01-2018	Pumps and related materials	\$603,350.00
FNG LCRFP#02-2018	Boil Off Compressors Pending negotiations	
FNG LCRFP#03-2018	LNG Vaporizers and related Materials	\$225,996.00
FNG IFB#04-2018	Phase 3 A Balance of Plant Foundations & Multipurpose Building Core and Shell	Pending Review of Bids
Due July 11, 2018		
FNG LCRFP#05-2018	Natural Gas Heater Module	Proposals Due July 17, 2018
FNG RFP#06-2018	WPG Heaters	Proposals Due July 26, 2018

~~It is expected that over the course of the project 5 – 10 more contracts over \$50,000 may be solicited and awarded.~~

It is recommended that in order to continue timely processing of **these** contract documents in order to meet critical project deadlines and minimize administrative costs that the FNG CEO/IGU General Manager be delegated authority to continue executing **these** contracts ~~and contract amendments~~ without soliciting prior Board approval, ~~but following all other IGU Procurement Policies,~~ up to the **\$47\$4 M** project budget dollars as authorized by the Board subject **to** the FNG CEO/IGU General Manger keeping the Board apprised ~~of the status of the project contracts costing or estimated to cost over \$50,000~~ on a monthly basis.”

Seconded by Director Haagenson, Chair Throop called for the vote on the motion and amendment:

Vote:

Abegg	Yes
Butler	Yes
Haagenson	Yes
Lee	Yes

Meeks Yes
Wilbur Yes
Throop Yes
Motion carries 7 - 0

- Combined Utility GM/President Contract and Deferred Compensation Contract (Board Action)
 - Chair Throop informed the Board this is not yet ready to present to the Board as she has not yet met with Dan. Move this item to the next meeting.

The Board suspended the rules after making a motion to extend the meeting for an additional 30 minutes beyond 7:00 PM

Upon return the Chair modified the agenda to have a report on Gas Supply:

Director Butler moved to enter into Executive Session. Director Butler seconded and without objection the Board moved into Executive Session at 7:06 PM.

Move to go into executive session to discuss matters that if discussed in public would violate IGU's non-disclosure agreements and matters involving ongoing negotiations which if immediately known would clearly have an adverse effect on IGU finances related to gas supply. Information covered by non-disclosure agreements will be discussed. In addition to Corporate Counsel, those to remain for Executive Session include Dan Britton and David Prusak.

Director Butler moved to leave the Executive Session and continue the Board meeting, Director Wilbur seconded at 7:30 PM. Without objection, the board so moved.

Director Butler moved to extend the meeting for 30 minutes more, seconded by Director Abegg. . Without objections, the board so moved.

Director Butler moved to enter into Executive Session for the same reasons stated above, seconded by Director Abegg at 7:32 PM.

Director Butler moved to leave the Executive Session and continue the Board meeting, Director Wilbur seconded at 7:53 PM. Without objection, the board so moved.

- IGU Website Postings (Board Action)

Recording can be placed on the web site.

Director Lee moved to post the audio recordings on the IGU website as soon as possible, and that the GM bring a proposal back to the Board concerning the website, seconded by Director Butler and without objection so moved.

III. Unfinished Business – At 8:07 PM, Directors requested to not take action on these items until the next meeting

- IGU Policies (Board Discussion)
 - Authority and Functions of Directors
 - Relationship between Board of Directors and General Manager
 - Delegation of Authority from Board of Directors and General Manager
 - Enable Direction of Utility Operations
 - Specify Reporting Requirements from GM to Board
- IEP Update (Board Discussion)
 - Storage Projects
 - North Slope Pad
 - Liquefaction Development Process Update/ Siemens Questions
 - Other Items

IV. Executive Session – Gas Supply
Amended: discussed above:

V. Other Business

- Next Agenda (August 7, 2018)
 - Combined Utility GM/President Contract and Deferred Compensation Contract (Board Action)
 - IGU Policies
 - Authority and Functions of Directors
 - Relationship between Board of Directors and General Manager
 - Delegation of Authority from Board of Directors and General Manager
 - Enable Direction of Utility Operations
 - Specify Reporting Requirements from GM to Board
 - IEP Update (Board Discussion)
 - Storage Projects
 - North Slope Pad
 - Liquefaction Development Process Update/ Siemens Questions
 - Other Items

VI. Director Comments

Director Abegg: announced his resignation from the Board at the next meeting.

Director Lee: concerned about debt, AQ and being constrained by the Board Policy to do so.

Director Wilbur: thanked Director Abegg, expressed concern with issues raised by Director Lee.

VI. Adjournment

Director Haagenson moved to adjourn at 8:15 PM. This was seconded by Director Abegg and without objection, the meeting Adjourned.

We the undersigned are in support of letting Siemens be under consideration as a participant/partner in the Interior Energy Project.

Ron Johnson, 2113 Jack St, Fairbanks
Rebel Wherry 515 Craig Ave Fairbanks

Frank Fred 455 Third Ave FAI
Paco Green POB70543 FBX 99707

Liz Greig

40 Farewell Ave #B Fbx 99701

Richard Seifert 475 Panorama Dr. Fbx 99712

MIKE MUSICK 4231 ASPENWOOD DR. FAI 99709

Robert Shields 145 Main St FBKS AK 99712

Kenneth Callahan 606 Bennington Drive 99709

SCOTT KAWASAKI

2008 Cann Ave 99709

Marion C. Alden

159 Kniffen Rd 99712

R. Merrick Pearce

PO 10045 FBK 99710

Greg Hill

4320 Parks Ridge Rd., Fbks 99709

David Weissman

3293 Rosie Creek Rd, FBKS 99709

KARL MONETTI

4935 OLD VALLEY TRAIL Norton Ave 99705

John Collette

3221 Estor Dome Rd, FBKS 99709

Dave Norton

1749 Red Fox Dr Fbx 99709

Paula Schert

862 Redpoll LN FBX 99712

Seena McGuire

158 Kniffen Rd FBX 99712

Karl R Hough

1042 Steeple Rd 99712

Chris Nash

740 Reliance Fbks

Finance Minutes



Interior Gas Utility

Finance Committee Meeting

July 24, 2018

12 PM

100 Cushman, Suite 501, Fairbanks, Alaska

MINUTES JUNE FINANCIALS REVIEWED

I. Roll Call

- a. Chair Frank Abegg, Director Patrice Lee, Dave Durham and Doug Bishop.
 - b. Other: Sam Trotzke, Pam Throop, Dan Britton, Wes Smith, Liz Greig (public), Mary Nordale (public) and Jomo Stewart.
- The meeting was called to order at 12:00 pm

II. Monthly Financials

- a. Statement of Net Position:
 - i. Though Pentex purchase effectuated June 13, statements do not yet reflect financial combination.
 - 1. Audit in progress
 - 2. Future financials to reflect combination.
 - ii. Billing to FNSB submitted and awaiting payment
 - iii. Sale of inventory materials
 - 1. Sale is reflected in accounts receivable and payment was confirmed received in July.
 - iv. Attorney invoice (CSG) not reflected due to billing cycle.
- b. Statement of Operating Revenues and Expenses
 - i. Note that some June invoices are not included, legal invoices are lagging.
 - ii. Change in Net Position continuing negative due to use of SETS funds for payment of certain expenses per AIDEA/IGU agreement. The SETS funds are not recorded as revenues to offset the expenses associated.
- c. Budget to Actual
 - i. Negative Variance for Legal and Financial
 - ii. Negative Variance for Payroll Expense is due to recording of accrued leave for outgoing GM.
- d. Transaction by Account
 - i. Sam explained these reflect Construction Work in Progress.
 - ii. Question regarding PDC – “Phase 1” work. Includes continuing locate services but the \$18K is NP storage work. Will amend reporting vernacular to better reflect work on this new project.
 - iii. All the accounts have been reconciled for June 2018.

III. Additional Discussion

- a. Depreciation & Interest v Principal & Interest

- i. Regarding ability to service Debt and acquire future Bond funding
 - ii. Regarding presentations in Financial Statements
 - iii. Regarding Rate Setting
 - iv. Regarding PSA/FA Financial and Operating Covenants
 - b. Management has confirmed depreciation, as treated in Pentex and IGU financial statement, is appropriate
 - c. Open question regards Rate Setting (how to ensure early-year customers receive benefit of 15 year SETS Loan deferral) and Bonding.
- IV. **Closing Comments – Meeting Adjourned at 1:19pm**
- a. The Finance Committee recommended that the IGU Board accept the June 2018 Financial Report as presented at their meeting.
 - b. The next meeting will be August 28, 2018.



Interior Gas Utility

Finance Committee Meeting

July 24, 2018

12:00PM

100 Cushman, Suite 501, Fairbanks, Alaska

AGENDA

- I. Roll Call**
- II. Monthly Financials**
 - a. Profit & Loss
 - b. Bank Statements
- III. External Financial Reports (as needed)**
- IV. Closing Comments**

Interior Alaska Natural Gas Utility

FINANCIAL STATEMENTS

**June 30, 2018
and Supplemental Schedules**

Interior Alaska Natural Gas Utility
Statement of Net Position
June 30, 2018

	<u>Plant</u>	<u>Operating</u>	<u>Total</u>
ASSETS			
Current Assets			
Checking/Savings			
13100 · Mt. McKinley	416,400.48	-243,674.20	172,726.28
13103 · Mt. McKinley - AIDEA Reserve	594,632.06	0.00	594,632.06
13104 · Mt. McKinley - FNSB Reserve	1,051.92	0.00	1,051.92
Total Checking/Savings	1,012,084.46	-243,674.20	768,410.26
Accounts Receivable	2,925.00	150,085.10	153,010.10
Total Current Assets	1,015,009.46	-93,589.10	921,420.36
Other Assets			
10100 · Utility Plant in Service			
30300 · Intangible Asset - CPCN	729,676.00	0.00	729,676.00
39100 · Office Furniture and Equipment	0.00	21,598.37	21,598.37
Total 10100 · Utility Plant in Service	729,676.00	21,598.37	751,274.37
10500 · Plant Held for Future Use	22,258,125.74	0.00	22,258,125.74
10700 · Construction Work In Progress			
18330 · Phase 1	5,181,117.31	0.00	5,181,117.31
18340 · Phase 2	737,857.88	0.00	737,857.88
Total 10700 · Construction Work In Progress	5,918,975.19	0.00	5,918,975.19
10800 · Accumulated Provision for Depn	0.00	-12,532.96	-12,532.96
15400 · Plant Materials - Inventory	159,764.03	0.00	159,764.03
16600 · Prepayments	0.00	4,130.00	4,130.00
Total Other Assets	29,066,540.96	13,195.41	29,079,736.37
TOTAL ASSETS	<u><u>30,081,550.42</u></u>	<u><u>-80,393.69</u></u>	<u><u>30,001,156.73</u></u>
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	5,096.00	28,881.15	33,977.15
Other Current Liabilities			
24000 · Payroll Liabilities	0.00	21,477.76	21,477.76
24201 · Accrued Insurance Payable	0.00	1,422.00	1,422.00
Total Other Current Liabilities	0.00	22,899.76	22,899.76
Total Current Liabilities	5,096.00	51,780.91	56,876.91
Long Term Liabilities			
22400 · Other Long-Term Debt	29,346,778.42	0.00	29,346,778.42
Total Long Term Liabilities	29,346,778.42	0.00	29,346,778.42
Total Liabilities	29,351,874.42	51,780.91	29,403,655.33
Equity			
21600 · Unrestricted Net Position	0.00	67,269.49	67,269.49
21610 · Net Investment in Capital Asset	729,676.00	0.00	729,676.00
Changes in Net Position	0.00	-199,444.09	-199,444.09
Total Equity	729,676.00	-132,174.60	597,501.40
TOTAL LIABILITIES & EQUITY	<u><u>30,081,550.42</u></u>	<u><u>-80,393.69</u></u>	<u><u>30,001,156.73</u></u>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

Interior Alaska Natural Gas Utility
Statement of Operating Revenues and Expenses
One Year Ended June 30, 2018 and 2017

	July 2017 - June 2018	July 2016 - June 2017
Income		
42110 · Misc Nonoperating Income		
42111 · FNSB Contract	421,987.36	421,803.04
42114 · Interest	738.73	2,090.16
42115 · AIDEA Grant IEP Funds	5,072.25	337,625.24
Total 42110 · Misc Nonoperating Income	<u>427,798.34</u>	<u>761,518.44</u>
Total Income	427,798.34	761,518.44
Expense		
42120 · Misc Nonoperating Expense		
42130 · Contractual Services		
42131 · Advertising	7,620.57	2,809.41
42132 · Contract Services	112,655.78	528,307.99
42133 · Legal Fees	224,291.21	188,573.99
42134 · Office Services	654.36	748.75
42135 · Travel Expenses	2,333.72	2,876.58
42136 · Rent	49,560.00	49,560.00
42137 · Insurance	13,126.71	14,180.41
42138 · Financial Services	71,038.00	40,276.00
42139 · Communications	3,398.38	4,400.85
42140 · Membership - Fees	1,035.00	1,405.00
Total 42130 · Contractual Services	<u>485,713.73</u>	<u>833,138.98</u>
42160 · Materials Expenses		
42161 · Office Supplies	7,372.16	6,440.32
42162 · Information Technology	3,383.97	2,500.00
42164 · Depreciation Expense	3,604.80	3,604.82
42165 · Interest Expense	368.01	1,864.87
Total 42160 · Materials Expenses	<u>14,728.94</u>	<u>14,410.01</u>
42170 · Payroll Expenses		
42171 · Salary Expenses	112,168.19	96,768.19
42172 · Employee Benefits	5,608.51	4,838.51
42173 · Payroll Tax Expenses	9,023.06	8,353.00
Total 42170 · Payroll Expenses	<u>126,799.76</u>	<u>109,959.70</u>
Total 42120 · Misc Nonoperating Expense	<u>627,242.43</u>	<u>957,508.69</u>
Total Expense	<u>627,242.43</u>	<u>957,508.69</u>
Changes in Net Position	<u><u>-199,444.09</u></u>	<u><u>-195,990.25</u></u>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

**Interior Alaska Natural Gas Utility
Statement of Operating Revenues and Expenses - Budget to Actual
One Month and Year Ended June 30, 2018**

	Actual June 2018	Budget June 2018	Variance June 2018	Actual July 2017 - June 2018	Budget July 2017 - June 2018	Variance July 2017 - June 2018	Annual Budget
Income							
42110 - Misc Nonoperating Income							
42111 - FNSB Contract	43 031 36	95 302 94	-52 271 58	421 987 36	756 304 70	-336 317 34	756 304 70
42114 - Interest	148 49	150 00	-1 51	738 73	2 100 00	-1 361 27	2 100 00
42115 - AIDEA Grant IEP Funds	0 00	0 00	0 00	5 072 25	0 00	5 072 25	0 00
Total 42110 - Misc Nonoperating Income	43 179 85	95 452 94	-52 273 09	427 798 34	760 404 70	-332 606 36	760 404 70
Total Income	43 179 85	95 452 94	-52 273 09	427 798 34	760 404 70	-332 606 36	760 404 70
Expense							
42120 - Misc Nonoperating Expense							
42130 - Contractual Services							
42131 - Advertising	189 00	250 00	61 00	7 620 57	4 250 00	-3 370 57	4 250 00
42132 - Contract Services	5 310 55	57 500 00	52 189 45	112 655 78	287 500 00	174 844 22	287 500 00
42133 - Legal Fees	39 541 85	11 500 00	-28 041 85	224 291 21	157 500 00	-66 791 21	157 500 00
42134 - Office Services	18 00	50 00	32 00	654 36	950 00	295 64	950 00
42135 - Travel Expenses	0 00	500 00	500 00	2 333 72	9 500 00	7 166 28	9 500 00
42136 - Rent	4 130 00	4 130 00	0 00	49 560 00	49 560 00	0 00	49 560 00
42137 - Insurance	1 153 00	1 200 00	47 00	13 126 71	20 700 00	7 573 29	20 700 00
42138 - Financial Services	23 360 00	4 500 00	-18 860 00	71 038 00	46 100 00	-24 938 00	46 100 00
42139 - Communications	222 10	375 00	152 90	3 398 38	4 850 00	1 451 62	4 850 00
42140 - Membership - Fees	0 00	0 00	0 00	1 035 00	3 705 00	2 670 00	3 705 00
Total 42130 - Contractual Services	73 924 50	80 005 00	6 080 50	485 713 73	584 615 00	98 901 27	584 615 00
42160 - Materials Expenses							
42161 - Office Supplies	1 109 23	600 00	-509 23	7 372 16	7 200 00	-172 16	7 200 00
42162 - Information Technology	310 39	300 00	-10 39	3 383 97	5 000 00	1 616 03	5 000 00
42163 - Miscellaneous	0 00	416 67	416 67	0 00	4 583 35	4 583 35	4 583 35
42164 - Depreciation Expense	300 40	300 40	0 00	3 604 80	3 952 00	347 20	3 952 00
42165 - Interest Expense	0 00	0 00	0 00	368 01	1 050 00	681 99	1 050 00
Total 42160 - Materials Expenses	1 720 02	1 617 07	-102 95	14 728 94	21 785 35	7 056 41	21 785 35
42170 - Payroll Expenses							
42171 - Salary Expenses	23 692 30	12 514 40	-11 177 90	112 168 19	126 738 69	14 570 50	126 738 69
42172 - Employee Benefits	1 184 63	425 72	-758 91	5 608 51	5 336 93	-271 58	5 336 93
42173 - Payroll Tax Expenses	1 773 96	1 041 15	-732 81	9 023 06	14 830 75	5 807 69	14 830 75
Total 42170 - Payroll Expenses	26 650 89	13 981 27	-12 669 62	126 799 76	146 906 37	20 106 61	146 906 37
42190 - Budget Reserve							
42191 - AIDEA Hold-back	0 00	0 00	0 00	0 00	5 000 00	5 000 00	5 000 00
42192 - Contingency	0 00	0 00	0 00	0 00	5 000 00	5 000 00	5 000 00
Total 42190 - Budget Reserve	0 00	0 00	0 00	0 00	10 000 00	10 000 00	10 000 00
Total 42120 - Misc Nonoperating Expense	102 295 41	95 603 34	-6 692 07	627 242 43	763 306 72	136 064 29	763 306 72
Total Expense	102 295 41	95 603 34	-6 692 07	627 242 43	763 306 72	136 064 29	763 306 72
Changes in Net Position	-59 115 56	-150 40	-88 965 16	-199 444 09	-2 902 02	-196 542 07	-2 902 02

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

Interior Alaska Natural Gas Utility
Statement of Operating Revenues and Expenses by Month
July 2017 through June 2018

	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	TOTAL
Income													
42110 · Misc Nonoperating Income													
42111 · FNSB Contract	23,593.32	32,407.07	18,241.02	52,748.75	35,382.06	27,381.11	27,057.58	27,703.83	27,367.52	34,033.74	73,020.00	43,031.36	421,987.36
42114 · Interest	0.00	0.00	304.63	0.00	0.00	138.78	0.00	0.00	146.83	0.00	0.00	148.49	738.73
42115 · AIDEA Grant IEP Funds	5,072.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,072.25
Total 42110 · Misc Nonoperating Income	28,665.57	32,407.07	18,545.65	52,748.75	35,382.06	27,519.89	27,057.58	27,703.83	27,534.35	34,033.74	73,020.00	43,179.85	427,798.34
Total Income	28,665.57	32,407.07	18,545.65	52,748.75	35,382.06	27,519.89	27,057.58	27,703.83	27,534.35	34,033.74	73,020.00	43,179.85	427,798.34
Expense													
42120 · Misc Nonoperating Expense													
42130 · Contractual Services													
42131 · Advertising	0.00	533.50	216.00	121.50	4,645.46	168.75	470.61	155.25	310.50	0.00	810.00	189.00	7,620.57
42132 · Contract Services	0.00	12,433.48	0.00	29,330.20	1,593.32	2,078.46	8,856.20	8,698.80	0.00	23,693.70	20,561.05	5,310.55	112,655.78
42133 · Legal Fees	5,775.00	11,469.25	4,013.25	37,248.51	11,215.10	5,747.50	16,455.95	30,073.00	5,747.50	14,331.20	42,673.10	39,541.85	224,291.21
42134 · Office Services	18.00	18.00	27.00	64.50	18.00	145.49	261.37	30.00	27.00	18.00	9.00	18.00	654.36
42135 · Travel Expenses	0.00	99.90	0.00	463.65	923.51	0.00	321.38	164.57	102.29	123.95	135.47	0.00	2,333.72
42136 · Rent	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	49,560.00
42137 · Insurance	1,191.43	1,191.43	290.00	1,191.43	1,153.00	1,191.43	1,191.43	1,076.13	1,191.43	1,153.00	1,153.00	1,153.00	13,126.71
42138 · Financial Services	3,192.00	3,912.50	5,814.00	9,361.50	3,117.00	2,980.00	3,690.00	3,418.00	4,127.50	4,399.50	3,066.00	23,360.00	71,038.00
42139 · Communications	0.00	697.22	0.00	520.67	0.00	280.18	576.17	282.74	0.00	281.81	537.49	222.10	3,398.38
42140 · Membership - Fees	0.00	0.00	0.00	0.00	0.00	0.00	760.00	0.00	0.00	275.00	0.00	0.00	1,035.00
Total 42130 · Contractual Services	14,906.43	34,484.28	14,490.25	82,431.96	26,795.39	16,721.83	36,713.11	48,028.49	15,636.22	48,406.16	73,175.11	73,924.50	485,713.73
42160 · Materials Expenses													
42161 · Office Supplies	574.69	504.10	489.00	705.22	636.81	507.17	782.50	489.00	537.88	501.99	534.57	1,109.23	7,372.16
42162 · Information Technology	255.50	255.50	275.80	285.30	285.30	286.58	286.58	286.58	285.48	285.48	285.48	310.39	3,383.97
42164 · Depreciation Expense	300.40	300.40	300.40	300.40	300.40	300.40	300.40	300.40	300.40	300.40	300.40	300.40	3,604.80
42165 · Interest Expense	208.33	159.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	368.01
Total 42160 · Materials Expenses	1,338.92	1,219.68	1,065.20	1,290.92	1,222.51	1,094.15	1,369.48	1,075.98	1,123.76	1,087.87	1,120.45	1,720.02	14,728.94
42170 · Payroll Expenses													
42171 · Salary Expenses	7,774.03	8,514.40	7,774.05	8,144.22	8,514.42	7,403.84	8,514.42	7,403.84	8,144.22	7,774.03	8,514.42	23,692.30	112,168.19
42172 · Employee Benefits	388.71	425.73	388.70	407.22	425.73	370.20	425.73	370.20	407.22	388.71	425.73	1,184.63	5,608.51
42173 · Payroll Tax Expenses	598.21	656.54	598.22	626.53	656.61	607.47	807.49	675.77	690.05	613.77	718.44	1,773.96	9,023.06
Total 42170 · Payroll Expenses	8,760.95	9,596.67	8,760.97	9,177.97	9,596.76	8,381.51	9,747.64	8,449.81	9,241.49	8,776.51	9,658.59	26,650.89	126,799.76
Total 42120 · Misc Nonoperating Expense	25,006.30	45,300.63	45,300.63	92,900.85	37,614.66	26,197.49	47,830.23	57,554.28	26,001.47	58,270.54	83,954.15	102,295.41	627,242.43
Total Expense	3,659.27	-12,893.56	-5,770.77	-40,162.10	-2,232.60	1,322.40	-20,772.65	-29,860.45	1,532.88	-24,236.80	-10,934.15	-59,115.56	-199,444.09
Changes in Net Position													

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.
RUG, A Professional Corporation provides no assurance on these financial statements.

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Interior Alaska Natural Gas Utility
A/R Aging Summary
June 30, 2018

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
Fairbanks North Star Borough*	43,031.36	73,020.00	0.00	34,033.74	0.00	150,085.10
Ferguson	2,925.00	0.00	0.00	0.00	0.00	2,925.00
TOTAL	<u><u>45,956.36</u></u>	<u><u>73,020.00</u></u>	<u><u>0.00</u></u>	<u><u>34,033.74</u></u>	<u><u>0.00</u></u>	<u><u>153,010.10</u></u>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

Interior Alaska Natural Gas Utility
A/P Aging Summary
June 30, 2018

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
AlasConnect	284.98	0.00	0.00	0.00	0.00	284.98
Boynton Office Systems	511.67	0.00	0.00	0.00	0.00	511.67
Brena, Bell & Clarkson, P.C.	15,290.10	0.00	0.00	0.00	0.00	15,290.10
Cook & Haugeberg	3,200.50	0.00	0.00	0.00	0.00	3,200.50
Fairbanks Daily News-Miner	189.00	0.00	0.00	0.00	0.00	189.00
Fidelity Investments	555.30	0.00	0.00	0.00	0.00	555.30
GCI	222.10	0.00	0.00	0.00	0.00	222.10
Golden Valley Electric Association	1.00	0.00	0.00	0.00	0.00	1.00
Jantz Associates	750.00	0.00	0.00	0.00	0.00	750.00
OPS Group International, Inc.	812.50	0.00	0.00	0.00	0.00	812.50
PDC Inc. Engineers	3,532.50	0.00	0.00	0.00	0.00	3,532.50
RJG, A Professional Corporation	4,497.50	0.00	0.00	0.00	0.00	4,497.50
Usibelli Investments, LLC	0.00	4,130.00	0.00	0.00	0.00	4,130.00
TOTAL	<u>29,847.15</u>	<u>4,130.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>33,977.15</u>

Plant

Golden Valley Electric Association	1.00
Jantz Associates	750.00
OPS Group International, Inc.	812.50
PDC Inc. Engineers	<u>3,532.50</u>
Subtotal Plant	<u>5,096.00</u>
AlasConnect	284.98
Boynton Office Systems	511.67
Brena, Bell & Clarkson, P.C.	15,290.10
Cook & Haugeberg	3,200.50
Fairbanks Daily News-Miner	189.00
Fidelity Investments	555.30
GCI	222.10
RJG, A Professional Corporation	4,497.50
Usibelli Investments, LLC	<u>4,130.00</u>
Subtotal Operating	<u>28,881.15</u>
Total Accounts Payable	<u>33,977.15</u>

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

RJG, A Professional Corporation provides no assurance on these financial statements.

**Interior Alaska Natural Gas Utility
Transactions by Account
One Month Ended June 30, 2018**

Type	Date	Num	Name	Memo	Debit	Credit	Balance
10700 - Construction Work In Progress							
18330 - Phase 1							
13832 - Construction Management							
Bill	06/22/2018	42238	PDC Inc Engineers	Phase I Gas Distribution design Construction phase services, supplemental services.	18,324.82		5,115,738.73
Bill	06/30/2018	42356	PDC Inc Engineers	Phase I Gas Distribution design Construction phase services, supplemental services	3,532.50		5,115,738.73
Total 13832 Construction Management					21,857.32	0.00	55,162.86
13833 - Program Management							
Bill	06/22/2018	1372328	Stanlec Consulting Services, Inc	For professional services rendered from 05/5/18 - 6/1/18	13,104.31		77,020.18
Bill	06/22/2018	1372420	Stanlec Consulting Services, Inc	For professional services rendered from 03/31/18 - 5/4/18	38,876.70		4,447,323.03
Total 13833 Program Management					51,981.01	0.00	4,460,427.34
13834 - Contingency							
Bill	06/22/2018	0621118	Tom Roberts Realty	Professional Services - BOV for North Pole Land	1,500.00		4,499,304.04
Bill	06/22/2018	IGU - 1809	OPS Group International, Inc	To provide business and management consulting services - Chris Wilde May 16 - 31, 2018	187.50		613,262.84
Bill	06/22/2018	32524	Brena Bell & Clarkson P C	Professional Services for May 2018 - Gas Supply	3,751.25		614,752.84
Bill	06/22/2018	10334	OIT Properties	July 2018 Warehouse Rental	200.00		614,940.34
Bill	06/30/2018	IGU - 1810	OPS Group International, Inc	To provide business and management consulting services - Chris Wilde June 16-30, 2018	812.50		618,691.59
Bill	06/30/2018	1804	Janitz Associates	Professional Services for May 1 - May 16, 2018	750.00		618,691.59
General	06/30/2018	15-049	Golden Valley Electric Association	Option to purchase from GVEA as stated in the option to purchase and early entry agreement	1.00		619,704.09
Total 13834 Contingency					15,662.00		620,454.09
Total 18330 Phase 1					7,202.25	15,662.00	620,455.09
Total 10700 Construction Work In Progress					81,040.58	15,662.00	604,793.09
TOTAL					81,040.58	15,662.00	5,181,117.31

Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.
RJC, A Professional Corporation provides no assurance on these financial statements.

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Resolution 2018-05 Thanking Jomo Stewart



RESOLUTION # 2018-05

**RESOLUTION THANKING JOMO STEWART FOR HIS SERVICE AS IGU'S
GENERAL MANAGER**

WHEREAS, Jomo Stewart became the Interior Alaska Natural Gas Utility's ("IGU") very first employee on April 18, 2016; and

WHEREAS, Given his lack of prior experience as a utility manager, Jomo instead utilized his fiery commitment to both our community and to the underlying IGU goals of affordable natural gas to the largest number of people in the Fairbanks North Star Borough in the shortest amount of time; and

WHEREAS, During Jomo's tenure, the IGU completed its grueling but lofty goal of purchasing Pentex and its subsidiaries thereby consolidating the two Fairbanks gas utilities; and

WHEREAS, the IGU Board wishes to express its deep appreciation for Jomo's service as IGU's General Manager and wish him well in his future endeavors.

NOW THEREFORE BE IT RESOLVED BY THE IGU BOARD OF DIRECTORS:

That Jomo Stewart is hereby recognized and thanked for his service as IGU's first employee and his successful tenure as IGU's General Manager.

Pamela Throop - Chair, IGU Board of Directors

Date

David J. Prusak- Secretary to the IGU Board of Directors

Date

PO Box 70200
Fairbanks, AK 99707
907 374 4474
interiorgas.com

Frank Abegg resignation

August 01, 2018

TO: Pam Throop, IGU Board Chair

CC: IGU Board Members
Jim Matherly, Fairbanks City Mayor

FROM: Frank Abegg

Subject: IGU Board Member Resignation

As you all know I voted “NO” in December 2017 on IGU signing the AIDEA-IGU Purchase Sales Agreement and Finance Agreement. I also voted “NO” in June on IGU’s purchase of Pentex from AIDEA. In my opinion the AIDEA PSA and FA Agreements and expensive Pentex purchase could financially cripple the combined IGU-FNG gas utility and make it very difficult to fulfill IGU’s original mission of delivering reliable natural gas at an affordable price to our community in the foreseeable future.

The Fairbanks City Council re-appointed me to serve on the IGU Board from September 13, 2016 through December 31, 2019. IGU policy requires that the “board shall act and speak as one: being a united voice for the Utility”. Since I cannot support the above major decisions, please accept my resignation during next Tuesday’s IGU Board meeting.

Following are my major concerns:

1) IGU’s Purchase of Pentex From AIDEA Is Too Expensive

- a. AIDEA’s original \$56 million Pentex purchase increased to \$62 million with AIDEA's added 5% annual interest. IGU's due diligence identified repairs needed to the Titan LNG Plant and local LNG Storage Areas of over \$7 million to meet federal safety and code compliance. AIDEA also failed to transfer the \$6+ million North Slope Pad to IGU at closing. As a result IGU has actually paid AIDEA \$75 million for Pentex.
- b. GVEA, our local electric utility, has roughly \$700 million in assets and serves over 35,000 customers, which equals about \$20,000 per customer. IGU’s \$75 million Pentex purchase equates to over \$70,000 for each of its 1,100 existing customers!

- c. The high cost of the Pentex purchase will likely delay gas distribution system expansion in the poor air quality areas (Phases II and III) along Badger Road for decades due to limited financial resources.
- d. The high cost of the Pentex purchase could delay financing the Titan II LNG Plant expansion with revenue bonds

2) LNG Supply is not Firm (HIGH RISK)

- a. RCA requires FNG and IGU to have at least 5 days of LNG storage to ensure their customers have 24/7 firm uninterrupted gas during peak winter demand months. The Pentex Titan LNG Plant is over 25 years old and inherently not as reliable as in the past. FNG's local LNG storage provides the minimum 5-day backup gas supply for its existing customers, when the single unit Titan LNG Plant is temporarily out of service for maintenance.
- b. FNG's current peak winter gas demand requires the Titan Plant to operate at maximum output in order to deliver 5 tractor-trailer loads daily to Fairbanks. Pentex has relied on the Conoco Phillips LNG Plant in Nikiski, Alaska as its alternate in-state back up LNG supply. However, this Plant shutdown last year. The next closest LNG source is in BC Canada which requires about 20 trucks in route to keep up with current winter demand. In my opinion the IGU-FNG utility is AT RISK of not delivering continuous firm gas supply to its existing customers during the next two years until the new 5.25 million gallon LNG Tank is in service and filled. Are there 20 LNG trailers and drivers available on short notice to deliver backup LNG from Canada to Fairbanks this coming winter?
- c. AIDEA has also been resisting IGU's pursuit of a potential lower cost alternative LNG Supply with Siemens instead of building the Titan II addition. The Siemens Plant could provide a needed alternative LNG supply to Titan and should be seriously considered.

3) IGU-FNG Financial ProForma Report – Gas Rate Too High

- a. The combined utility's Financial ProForma Report estimates retail natural gas rates must be at least \$18 to \$20/mcf in order to barely meet Debt Service coverage (1.0 for SETS bonds and 1.2 for Revenue Bonds).
- b. IGU's original goal was to deliver natural gas to the FNSB customers for \$15/mcf. This \$15/mcf metered rate was also publicly pledged to us by Governor Walker a few years ago during his inaugural visit to Fairbanks.
- c. FNG's present 3-year natural gas supply contract with Hilcorp is the highest cost in Cook Inlet (around \$8.00/mcf).

- d. The combined IGU-FNG utility needs to secure a long term lower cost gas supply of around \$6.00/mcf in order to achieve its goal of delivering \$15/mcf to its customers. In my opinion IGU needs the Governor's help to obtain a Cook Inlet State Royalty In-Kind Gas contract (\$6.50/mcf).
- e. In my opinion IGU really needs to secure a lower cost, long term gas supply contract before committing to build Titan II or signing a contract with Siemens. IGU's future gas customers need assurance that IGU's future gas rates will be stable.

4) IGU-FNG Financial ProForma Report -Customer Growth Too Optimistic

- a. The ProForma Report projects customer growth within 5 years (in Base Case Scenario) will include 35% of all residential properties and 70% of commercial businesses in areas having gas distribution lines.
- b. A projected retail natural gas rate of \$18 to 20/mcf is comparable to around \$2.25 to \$2.50/gallon fuel oil.
- c. It is estimated that residential customers would spend \$4,000 to \$12,000 to convert their homes from fuel oil to natural gas. Commercial businesses would be much more expensive. The cost of conversion could take over ten years to pay back in annual fuel cost savings.
- d. In my opinion the projected customer conversion rate is overly optimistic. Also, if new customers don't switch as fast as anticipated, then the cost of delivered natural gas will need to be even higher to cover IGU's utility costs.

5) AIDEA's Unfair Dealings

- a. AIDEA has had the unfair advantage of playing two major roles during negotiations with IGU in transferring Pentex. They have acted as both the Banker and the Seller. AIDEA has used their dual roles and financial control to force IGU into a very bad deal for the FNSB community. I believe their actions have been a violation of fiduciary duty to the Fairbanks community.
- b. AIDEA failed to transfer the North Slope Pad to IGU (about \$6 million value), which was a precedent required before closing of the Pentex sale to IGU.
- c. AIDEA did not complete needed Due Diligence repairs to Pentex LNG Assets prior to close (about \$7 million value). AIDEA also required IGU to hold all of the Due Diligence Reports on Pentex confidential. Was AIDEA afraid of allowing public review and scrutiny before IGU purchased Pentex?
- d. AIDEA's projected 2017 Capital Plan in the FA has also increased over 7% to \$374 million. An example is the \$42 million 5.25 million gallon LNG Storage Tank that

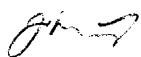
is now projected to cost over \$48 million. The FA Capital Projects now require \$26 million in additional debt from Revenue Bonds and "Other Funds".

- e. AIDEA's employment contract with the FNG CEO exceeds \$350,000 a year. IGU must honor this contract through December 2019. GVEA has 10 times the value of Pentex assets, 20 times the revenue and over 10 times more employees. GVEA's CEO salary costs around \$15 per member, where FNG's CEO salary costs over \$300 per customer!
- f. AIDEA has lacked consistent and committed project management. In my opinion their actions to date have squandered most of the \$50+ million in IEP's State Grant funds. The Interior Energy Project will be saddling the FNSB community with over \$320 million in debt. Current gas distribution expansion plans are to only serve the City of Fairbanks and North Pole, plus limited neighboring areas. The ProForma Report projects the combined utility could serve around 8,800 customers, which is about \$34,000 of debt per future customer for over 30 years!
- g. Another interesting part of the deal is that AIDEA was paid 100% for its Pentex related costs immediately at sale to IGU. As a result AIDEA has very little future project RISK, yet continues to assert control over IGU's future capital project decisions. I also understand that AIDEA has retained the interest earned on the available SETS bonds and won't release them for future IGU use.
- h. In my opinion, AIDEA's unfair fiduciary practices have placed IGU and the FNSB community in a very precarious financial situation. They are not being held accountable for their ineffective, inefficient and heavy-handed actions. Their actions have been solely to benefit AIDEA.

The concerns listed above are serious. I have grave fears that the IEP project is on a path to failure. Therefore, I am resigning in protest over IGU's purchase of Pentex from AIDEA.

Over the past decade I have worked diligently with FEDC's Energy Task Force, local mayors, elected officials, interested citizens and the IGU Board toward the goal of bringing affordable natural gas to our entire community. I very much appreciate all of the time and effort by the volunteer IGU Board, along with local leaders toward forming IGU. Hopefully this year's transition of IGU and FNG into a combined utility can successfully move toward meeting the community's needs.

Sincerely,



Frank Abegg

Policy 7 - Contract Authorization and Signature Authority Policy

INTERIOR GAS UTILITY
OPERATING POLICY/PROCEDURE

P&P No. 7

Page 1 of 3

Subject: Contract Authorization & Signature Authority

Effective Date:

Approved by:

1. PURPOSE

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

2. POLICY

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

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

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

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

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

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

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

3. **REFERENCES**

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

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

4. **DEFINITION**

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

Board—IGU Board of Directors

General Manager—General Manager of IGU

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

5. **RESPONSIBILITIES**

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

6. **PROCEDURE**

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

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

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

7. **ANNUAL REVIEW DATE**

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

Combined Utility GM/President Contract

FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT

The Employment Agreement made on the 17th day of October, 2016, between Fairbanks Natural Gas, LLC, and Daniel W. Britton, is hereby amended to reflect the Interior Alaska Natural Gas Utility's ("IGU") ownership and role as the sole managing member of Pentex, to add a duty to serve as the General Manager of IGU, and to make other related changes as follows:

D. of the recitals is amended to reflect that the Interior Alaska Natural Gas Utility (d/b/a "IGU") is now the sole owner and managing member of Pentex.

3. Duties is amended to add the requirement that Britton perform the additional duty of serving as General Manager of IGU and provide day-to-day management and supervision of all of IGU's business operations consistent with and in the manner prescribed by Board adopted policies, whether adopted now or in the future and the attached General Manager Competency Model. This additional duty specifically includes and imposes on the General Manager the (a) duty to timely disclose all information known to the General Manager that is relevant to: any pending IGU Board decision, a matter over which the IGU Board retains decision making authority, or any other information with a material and substantial impact or potential impact on IGU or any of its wholly owned subsidiaries and (b) the duty to keep the Board, or at a minimum the Chair, informed (in advance if possibly or promptly thereafter) of all substantive interactions with outside entities.

4. Direction and Control of Pentex is amended to provide that Britton shall report to the IGU Board and that the Pentex representative designated to act on FNG matters in providing direction to and controlling Britton's employment is the IGU Board or another person to whom the IGU Board delegates, in writing, this function.

5. Salary is amended to delete (c) (providing for a separate amount of \$4250 for every month that Britton manages the business operations of Titan and AET) and add the monthly amount of \$4250 to Britton's Base Salary.

6. Bonus Compensation is deleted and replaced with the following: Britton shall be eligible to receive an annual bonus if and when the IGU Board, as the Managing Member of Pentex adopts a bonus compensation plan for FNG.

10. Termination (a) is amended to make a distinction between Britton's appointment as General Manager of IGU and his existing duties as follows:

(a) Notwithstanding any other provision of this Agreement Britton's appointment as the General Manager of IGU will be at the pleasure of the Board. Britton's employment as Manager of the gas distribution system (currently FNG), the LNG plant and transportation of LNG and LNG refueling stations (currently Titan and AET) shall be terminated as provided in subsection (1), (2), (3) and (4) below.

11. Loyalty Provisions is amended to delete references to specific entities and make all loyalty provisions applicable to IGU and Pentex (including its subsidiaries), change the applicable time period from 12 months to 36 months, and amend (c) so that the prohibition of soliciting or offering employment to an employee in order to join Britton in another business enterprise or to join another

business enterprise in which Britton has an interest only applies to business enterprises operating in the State of Alaska.

12. Confidentiality is amended to delete references to specific entities and extend the confidentiality provisions to IGU and Pentex (including its subsidiaries) with written consent for disclosure required from the IGU Board.

14. No State of Alaska Employment Benefits is amended to read as follows:

14. No Fairbanks North Star Borough or State of Alaska Benefits. Britton acknowledges that although Pentex is owned by IGU and IGU is wholly owned by the Fairbanks North Star Borough ("FNSB") which is a political subdivision of the State of Alaska, Britton has no employment relationship with the FNSB or the State of Alaska and will not seek any retirement or other benefits available to the employees of FNSB or the State of Alaska. Britton agrees that his employment is with FNG and all employee benefits he is entitled to are those that FNG alone is responsible for providing.

15. Notices. is amended to replace the reference to AIDEA with IGU and its address, Attn: IGU Board Chairperson.

DATED: _____

Pamela Throop
Chair of IGU

DATED: 8.1.2018



Daniel Britton

FIRST AMENDMENT TO DEFERRED COMPENSATION AGREEMENT

The Deferred Compensation Agreement made on September 30, 2015 between Fairbanks Natural Gas, LLC and Daniel Britton is hereby amended as follows:

1. Paragraph 3(c) concerning payment of the vested portion of the benefit following a Change of Control is hereby amended to read as follows:

Change of Control. In the event a Change of control occurs prior to the Payment Date specified in 3 (a), Britton's Deferred Compensation Benefit shall be paid to Britton in a lump sum payment within ten (10) business days after the sixth anniversary of the effective date of the Change of Control, whether or not Britton is employed on such anniversary date.

2. This amendment is intended to delay for five additional years payment of the vested portion of Britton's Deferred Compensation benefit that was triggered by IGU's purchase of Fairbanks Natural Gas.
3. All other terms and conditions of the Agreement remain in full force and effect.

DATED: _____

Pamela Throop
Chair of IGU

DATED: 8.1.2018



Daniel Britton

THE GENERAL MANAGER COMPETENCY MODEL

The items before the asterisks are basic components of the competency model that a fully competent GM is expected to achieve. Below the asterisks are considered above and beyond.

1) BOARD FOCUS

- ☐ Address the needs of the Board
- ☐ Ensure the Board's effectiveness
 - Building trusting relationships
 - Provide guidance
 - Provide information
 - Sharing best practices
- ☐ Keeps the Board informed of important industry issues and the performance of IGU.
- ☐ Brings well-thought-out recommendations for the Board's consideration.
- ☐ Activity builds the trust and support of the Board.
- ☐ Encourages the Board to work together effectively.
- ☐ Encourages innovative thinking on the part of the Board.
- ☐ Ensures that Board members and customers understand and support any diversification activities.
- ☐ Ensures that Board members receive financial reports and results on subsidiaries and other businesses.

- ☐ Partner with the Board in substantive ways to build IGU's reputation in the community.
- ☐ Establish IGU's long-term vision and strategic goals.

_____ Meets Basic Standards

_____ Exceeds Basic Standards

_____ Needs Improvement

Explanation/Comments if exceeds or needs improvement.

2) BUSINESS ACUMEN

- ☐ Working knowledge of the:
IGU and its wholly owned companies

Business Model Systems

- ❑ Apply understanding to running and improving the organization
- ❑ Demonstrates knowledge of current and emerging competitive issues.
- ❑ Identifies and implements specific strategies to ensure that the system is rate competitive.

- ❑ Ability to comprehensively grasp:
 - Larger business environment
 - Anticipate future social trends
 - Anticipate future economic trends
 - Anticipate future technical trends
- ❑ Successfully position the IGU to provide long-term value.

3) FINANCIAL

- ❑ A long range financial plan has been adopted.
- ❑ Meaningful budget are developed in a timely manner.
- ❑ Expenses are accurately tracked and reported.
- ❑ Cash reserves are prudently invested.
- ❑ Financial targets are met.
- ❑ Cost – benefit analysis are conducted and sound financial principles are followed.

4) COMMITMENT TO IGU'S VALUES

- ❑ Lead member driven organizations committed to providing reliable gas at the lowest cost consistent with sound business practices according to IGU's principles.
- ❑ Follows principles in managing the organization's business.
- ❑ Accepts leadership roles and carries out responsibilities in a professional manner.
- ❑ Effectively employs the use of technology.
- ❑ Creativity and innovation are used to find new solutions, services and products that enable IGU to compete effectively.

- ❑ Support values with a high level of personal commitment
- ❑ Promote the success of IGU before their own.

5) COMMITMENT TO IGU VALUES

- ❑ The system is designed and maintained on a planned, systematic basis.
- ❑ New service requests are handled promptly.
- ❑ Goal of firm, secure supply for all except interruptible customers.

6) COMMUNICATIONS as directed by the IGU Board:

- ❑ Effectively communicate with multiple groups:

Board
Members
Staff
Community institutions
Governmental agencies

- ❑ Accurately read audiences.
- ❑ Clearly articulate complex ideas in ways that are understandable and engaging.

- ❑ Confidently use a broad spectrum of communication vehicles in a strategic manner.

7) DEVELOPING & LEADING OTHERS

- ❑ Concern for developing employee skills and ability.
- ❑ Creating an atmosphere where people are motivated to work together to meet the organization's goals.
- ❑ Takes initiative to ensure that the organization is designed and staffed to meet a changing competitive environment.
- ❑ IGU has developed a structure and workforce where individuals can reach their potential.
- ❑ Creates a positive work environment for employees and encourages teamwork.
- ❑ Delegates effectively to key staff.
- ❑ Keeps employees informed about industry issues and trends and influences them to adapt to change.
- ❑ Assures that competent individuals are hired, trained and promoted.
- ❑ Empowers employees to make decisions that will improve the performance of the company.

- ❑ Create an environment that encourages:
open feedback and coaching
recognition as well as programs that enhance staff capabilities.
- ❑ Communicate a compelling vision that generates:
Enthusiasm
Inspires commitment to IGU's objectives and values

8) IMPACT & INDUSTRY LEADERSHIP

- ❑ Achieve results working with multiple individuals
- ❑ Effectively persuade and influence to achieve results.
- ❑ Recognize one's audience and adapt one's approach

- ❑ Use of complex influence strategies to sell and implement ideas.
- ❑ Play some effective role in the advancement of the industry.

9) INTEGRITY & COURAGE

- ❑ Practice these values.

10) MEMBER / COMMUNITY FOCUS

- ☐ Solicit and responsive to the needs and requests of membership and community.

- ☐ Anticipate and address potential requirements.
- ☐ Add value in innovative ways.

11) PROBLEM SOLVING

- ☐ Analyzing complex issues and identify solutions to standard challenges.
- ☐ Analyzing complex issues and identify solutions to unusual dilemmas.

- ☐ Consistently work to redesign systems and prevent further problems.

12) RELATIONSHIP BUILDING, TEAMWORK & COOPERATION

- ☐ Establish and maintain relationships.
- ☐ Work cooperatively with a network of people within:
 - Organization
 - Local community
 - Industry with affiliated groups.
- ☐ Teamwork and cooperation
- ☐ Foster collaboration and encourage the virtues.
- ☐ Demonstrates a willingness to collaborate with others in IGU's network.
- ☐ Sets the tone for IGU as being responsive to its members.
- ☐ Stays in touch with member concerns and ensures that useful informational and educational programs are developed and carried out.
- ☐ Uses objective methods to measure member expectations and satisfaction.
- ☐ Works with local leaders and civic organizations to increase awareness of IGU's value to the communities it serves.

- ☐ Works to collaboration and commitment across IGU's business network.
- ☐ Identify opportunities to strengthen IGU's network.

13) RESULTS ORIENTATION

- ☐ Strive for continual improvements based on internal and external benchmarks.
- ☐ Setting of challenging goals.
- ☐ The organization is evaluated and benchmarked against peers.

- ☐ Where staff is held accountable for meeting or exceeding goals.
- ☐ Calculated risks are taken to better meet members needs.

14) VISION / STRATEGIC ORIENTATION

- ☐ Create and believe in a strategic vision for IGU.

- ❑ Scan the environment for trends that will affect IGU.
 - Address the tactical considerations necessary to adapt.
 - Take advantage of trends.
- ❑ Demonstrates ability to effectively guide the organization through the use of clear vision.
- ❑ Plans strategically and articulates the organization's corporate mission, goals and strategies.
- ❑ Adjusts to changing political, economic, environmental and other material factors in a timely manner.
 - *****
- ❑ Assume responsibility for generating new and compelling visions,
 - unconstrained by traditional operating paradigms.

North Slope Pad Update

PUBLIC NOTICE

State of Alaska
Department of Natural Resources
Division of Mining, Land, and Water
Northern Region Lands Section
AS 38.05.945 Public Notice

Alaska Industrial Development and Export Authority (AIDEA) has applied to the Department of Natural Resources (DNR), Division of Mining, Land & Water (DMLW), Northern Regional Office (NRO) to lease an approximately 23-acre parcel of land that includes an existing gravel pad, pipeline corridor and additional acreage adjacent to and impounded by the pad. The pad is in the Prudhoe Bay Unit, directly north of the Spine Road, approximately 2 ½ miles west of the West Security Checkpoint. AIDEA intends to sublease to general industrial, commercial, business and oil and gas related entities. AIDEA proposes to sublease approximately 1/3 of the pad to Prudhoe Bay Chemical LLC (PBC) for the construction and operation of a methanol plant. The application has been assigned case file number ADL 421055.

The DMLW posted a solicitation of interest for a competitive lease between June 11, 2018 and July 11, 2018 and there was no interest expressed. The DMLW proposes to proceed with the negotiated lease process to AIDEA for this site. The DMLW has written a preliminary finding and decision under AS 38.05.035(e), Written Finding for the Disposal of State Resources, proposing to issue a 25-year negotiated lease to AIDEA for the site.

This notice serves to inform the public of the proposed lease. The public is invited to comment on the project. Copies of the preliminary decision may be obtained from the DMLW/NRO. Interested parties have the right to comment during the public notice period and the commenters who are aggrieved by the final finding and decision will have the right to appeal it. **It should be noted that in order to be able to appeal the final finding and decision, a person must provide written comments during the preliminary decision comment period.** A copy of the final decision will be sent to any person who comments on the preliminary decision and will include an explanation of the appeal process.

DEADLINE FOR WRITTEN COMMENTS:

Written comments must be received in writing by the DMLW, Lands Section on or before 5:00 p.m. on August 29, 2018 to ensure consideration.

To submit written comments or to seek additional information about any of the above proposed actions, please contact:

Becky Baird
DNR/DMLW/Northern Regional Lands Section
3700 Airport Way
Fairbanks, AK 99709-4699
Phone (907) 451-2732
E-mail: becky.baird@alaska.gov

DNR complies with Title II of the Americans with Disabilities Act of 1990. Individuals with disabilities who may need auxiliary aids, services or special modifications should contact the Public Information Center in Anchorage, between 10:00 a.m. and 5:00 p.m. Monday through Friday, at (907) 269-8400, or pic@alaska.gov, or TDD (907) 269-8411; or the Public Information Center in Fairbanks, between 10:00 a.m. and 5:00 p.m. Monday through Friday, at (907) 451-2705, or fbx_pic@alaska.gov, or TDD (907) 451-2770.

The Division of Mining, Land and Water reserves the right to waive technical defects in this publication.

Publish Date: July 30, 2017

**State of Alaska, Department of Natural Resources
Division of Mining, Land & Water
Northern Regional Office**

Preliminary Finding and Decision
Alaska Industrial Development and Export Authority
ADL 421055 Negotiated Lease (AS 38.05.070(d))

Proposed Action

Alaska Industrial Development and Export Authority (AIDEA) applied to the Department of Natural Resources (DNR) Division of Mining, Land and Water (DMLW) Northern Regional Office (NRO) to convert its existing lease of an approximately 14-acre pad with an associated pipeline corridor from a Pipeline Right of Way lease, administered by the Division of Oil and Gas State Pipeline Coordinator's Section, to a general commercial/industrial use surface lease administered by the DMLW.

AIDEA requested a 55-year lease and plans to sublease to various entities for oil field support services or industrial uses. The best interests of the State are typically served by limiting the term of commercial use leases to 25 years, and the DMLW proposes to issue a 25-year negotiated lease to AIDEA. However, in no event will the lease term exceed 55 years. The lease will encompass approximately 23 acres, to include the existing pad, pipeline corridor and additional acreage adjacent to and impounded by the pad.

Because the lease application is for a term that exceeds 10 years, it must be adjudicated as a competitive lease unless a solicitation of interest process does not elicit any other parties interested in developing this site. A public notice for solicitation of interest was conducted and DMLW did not receive written interest from any other parties; therefore, DMLW proposes to issue a negotiated lease under AS 38.05.070(d).

The DMLW would issue an Entry Authorization (EA) to AIDEA. Upon issuance of the EA, AIDEA will be eligible to sublease to qualified sublessees, pending DNR approval of individual subleases. Approved sublessees will be allowed to commence construction during the term of the EA. An Alaska State Land Survey (ASLS) must be completed and approved during the term of the EA, prior to the lease issuance.

This document serves as the preliminary State's best interest finding regarding the proposed actions.

Scope of Review and Proposed Finding

The scope of this Preliminary Finding and Decision (PD) is to determine if it is in the State's best interest to issue a 25-year, or longer, negotiated lease under AS 38.05.070(d) to AIDEA for an existing gravel pad, pipeline area, and the additional area adjacent to and impounded by the pad. The scope and determination are based on the statutes, regulations and other facts contained in the casefile for ADL 421055.

Authority

The proposed lease is being adjudicated pursuant to AS 38.05.070, leasing of land; AS 38.05.075, leasing procedures; AS 38.05.035(b)(1), delegation of the powers and duties of the director; AS 38.05.035(e), written finding; AS 38.05.945, public notice; and 11 AAC 58, leasing of land.

The authority to execute the FFD and the lease has been delegated to the Regional Manager of the NRO of the DMLW.

Administrative Record

The current case file, ADL 421055, comprises the administrative record for this case.

Location

The proposed lease site is located directly north of the Spine Road approximately 2 ½ miles west of the West Security Checkpoint and approximately ½ mile east of Drill Site 14.

Legal Description

The lease site is located within the SW ¼ of Section 3, Township 10 North, Range 14 East, Umiat Meridian, containing approximately 23 acres (see Attachment A).

Title

The State received title under general grant GS 1334 on March 27, 1974, under patent 50-74-0092. Standard reservations apply.

Borough/Municipality

The site is within the North Slope Borough. No borough lands are involved.

Regional Corporation

The site is within the Arctic Slope Regional Corporation boundaries. No corporation lands are involved.

Adjacent Landowners

The site is surrounded by state land.

Third Party Interests

No encumbrances or third-party interests exist that would prevent the issuance of the lease. The lease is within the Prudhoe Bay Unit, operated by BP Exploration (Alaska) Inc. (BPXA). BPXA is currently active in the area of the proposed lease under an Oil and Gas lease (ADL 28312) with authorized surface activities at Drill Site 14 and Flow Station 3, including two pipe rack assemblies, a gravel pipeline access road and two power lines which will partially encumber the lease tract. A portion of the proposed lease falls within the Endicott Pipeline Right-of-Way lease, ADL 410562, leased to Endicott Pipeline Co. These third parties will have an opportunity to comment on the proposed lease. Oilfield project applicants typically obtain letters of non-objection (LNO) from underlying interest holders to verify and address necessary coordination of concurrent uses. AIDEA will need to provide LNOs from BPXA and Endicott Pipeline Co. prior to the issuance of the EA. With appropriate reservations or mitigation measures, the proposed lease can be authorized as a concurrent use of the surface that is compatible with other authorized uses pursuant to AS 38.05.285.

AIDEA is currently the lessee of a portion of the proposed lease area under ADL 419409. AIDEA will remain as the lessee under ADL 419409 and continue to pay associated fees until DMLW issues an EA for the surface lease. AIDEA must relinquish its rights under ADL 419409 prior to issuance of the proposed lease. AIDEA will remain subject to any outstanding liabilities or obligations under ADL 419409 required to be fulfilled after termination of that lease.

Planning and Classification

The proposed lease site is not located within the boundaries of an area plan. The locations are classified as Resource Management under CL 618. Per 11 AAC 55.200, land classified resource management is land that has a number of important resources but for which a specific resource allocation decision is not possible because of a lack of adequate resource, economic or other relevant information. Leases are allowed under this classification.

This site is located within the North Slope Area Special Use Lands (ADL 50666) and Mineral Closing Order (MCO) 67A01. This Mineral Closing Order closes the land to locatable mineral entry. Neither the Special Use Land designation nor the Mineral Order prevent issuance of a commercial lease. The site is zoned Resource Development by the North Slope Borough.

Traditional Use Finding

The subject lease site is located within the North Slope Borough. A traditional use finding is not required for sites located within an organized borough.

Access

The proposed lease is accessible via the existing North Slope gravel road system and is accessed from the Spine Road which connects to the Dalton Highway in Deadhorse, Alaska. The adjacent section of the Spine Road is authorized under lease operations approvals (LO/NS 69-026) to BP Exploration (Alaska) Inc. (BPXA) related to their subsurface leases.

General access into the oil field is controlled by two BPXA security check points located in the Prudhoe Bay Unit, near Deadhorse. AIDEA will coordinate with BPXA security for access through the security checkpoints and maintain a road use agreement with BPXA for continued access to the site.

Water Bodies

The proposed lease site is located approximately 2 miles southeast of the Putuligayuk River. The project is not expected to have significant impacts on any surrounding water bodies.

Hazardous Materials and Potential Contaminants

AIDEA proposes to sublease the area for an undetermined variety of commercial uses. Due to the broad scope of potential uses, specific hazardous materials and potential contaminants cannot be fully addressed in the PD. Hazardous materials and potential contaminants must be adequately addressed in any proposed sublease, and DMLW will review and address such terms and requirements, including agency review if warranted, prior to approval of any sublease, to ensure adequate protection of the land.

Under the current lease proposal, AIDEA plans to sublease a portion of the lease area to Prudhoe Bay Chemical LLC (PBC) for a methanol production plant. Based on the limited information provided by AIDEA regarding the proposed sublease to PBC, there will be up to 300,000 gallons of methanol storage and power generation on sight. Methanol will be loaded into tanker trucks on the pad. Prior to approval of this or any other sublease more information is required including a development plan that includes a hazardous substances safety plan for the facility.

Performance Guaranty

A performance bond will be required to (1) incentivize performance of the conditions of the lease and (2) provide a mechanism for DMLW to ensure that the lessee shares in financial burden in the event of noncompliance for site cleanup, restoration and any associated costs after

termination or expiration of the lease. The performance guaranty is due prior to issuance of any sublease.

Due to limited information provided by AIDEA regarding the proposed sublease to PBC for a methanol production plant, the initial performance guaranty amount is expected to be no less than \$250,000. This amount assumes that there will be an Alaska Department of Environmental Conservation approved sampling plan, documentation of annual sampling conducted to ensure the secondary containment structures are well maintained and coverage by an approved pollution liability insurance policy (see the Insurance section for more detail).

The performance guaranty amount is subject to change prior to the issuance of the EA and prior to approval of any subleases, including any sublease to PBC that may be approved. A detailed development plan will be required prior to construction for specific projects or approval of any subleases. The risk to the State and necessary bonding will be evaluated based on the nature of the development plans proposed. DMLW will calculate the bond amount using the DMLW performance guaranty matrix and bond amounts for similar authorizations.

Insurance

To protect the State from liability associated with use of the site, AIDEA will be required to provide and maintain a comprehensive generally liability insurance policy with the State of Alaska named as an additional insured party. To correspond with the current amount of insurance required by DMLW for similar cases, the insurance requirement for the lease will be no less than \$1,000,000 per occurrence and \$2,000,000 per annual aggregate. The insurance requirement may be adjusted periodically.

AIDEA will also be required to obtain pollution liability insurance with minimum coverage limits of \$1,000,000 combined single limit per occurrence, \$2,000,000 per annual aggregate. The insurance requirement may be adjusted periodically.

Survey

An Alaska State Land Survey (ASLS) is required for the lease per AS 38.04.045. Upon issuance of the EA, AIDEA will be eligible to apply to sublease. For the purposes of discussing survey issues in the PD, DMLW assumes that AIDEA will apply for and may ultimately be granted approval for sublease to PBC. This is not, however, a guarantee that AIDEA will be approved to sublease to PBC. Upon approval of a consent to sublease to PBC, PBC may commence construction of the methanol plant. Upon completion of construction of the methanol plant facilities, an Alaska State Land Survey of the entire AIDEA lease boundary and facilities that is acceptable to the standards of the DMLW Survey Section will be required for review by both the DNR Statewide Platting Officer and the North Slope Borough, which is the platting authority.

The survey must be approved prior to the expiration of the EA for early entry construction. The survey must be performed by an Alaskan-registered Land Surveyor under survey instructions issued by the DMLW Survey Section. The applicant is responsible for the costs of the survey and platting actions required by the North Slope Borough. A preliminary as-built survey of the proposed lease site is due prior to the issuance of the EA, to provide the information necessary to conduct and finalize an appraisal of the lease parcel.

Appraisal and Lease Compensation

As per AS 38.05.070(d), after solicitation of competitive interest and subsequent determination that there was only one potential bidder, the director may negotiate a lease directly to the potential bidder (original lease applicant) under terms and conditions determined to be in the State's best

interest. To this end, DMLW believes that the State's best interest is served by receiving compensation not less than the minimum acceptable bid and lease compensation method which would have been established had there been a competitive auction resulting in only one prequalified bidder, as described per AS 38.05.075(f). The department may issue a lease at the approved, appraised market value of the land as determined under AS 38.05.840 or by another form of lease compensation specified from among those set out in AS 38.05.073(m) and designed to maximize the return on the lease to the State. A combination of methods, authorized under AS 38.05.073(m) shall be required to provide reasonable compensation to DMLW on the lease.

A formal appraisal, obtained at the expense of the applicant, will be required to establish annual rental based on fair market value. Additionally, prior approval by and compensation to the State will be required in the event of sublease. Prior to issuance of the EA, AIDEA will also be required to pay DMLW the remaining balance of the regional representative sales price for gravel used to construct the existing pad (see Background and Discussion sections for further information).

In accordance with AS 38.05.105, the annual rent payment or other form of lease compensation is subject to adjustment at five-year intervals.

Subleases

All sublease agreements must be approved by DMLW. The lessee must provide the Consent to Sublease Form, application fee and any additional documentation requested by DMLW. DMLW reserves the right to require an increased annual compensation as a condition of a sublease approval. Said increase shall be determined by negotiation between the lessee and DMLW, but shall not be less than 25% of all compensation paid annually to the lessee by the sublessee. The annual lease rental pertaining to AS 38.05.075 and based on the appraised market value of the lease pertaining to AS 38.05.840 will not be reduced or adjusted as a result of any sublease terms or sublease compensation made to DMLW. Sublease shall be defined to include any lease, rental, storage or accommodation agreement between the lessee and another individual, business or corporation utilizing or benefiting from the lease parcel. Sublessee shall be defined to mean any individual, business or corporation executing an agreement with the lessee. The amount of sublease compensation shall be subject to change at the same time as the lease compensation adjustment and whenever the terms or conditions of the agreement between the lessee and the sublessee change. Approval of a sublease shall also be conditioned upon:

- a) The lessee being in full compliance with the lease conditions and being in good standing with all other authorizations per 11 AAC 96.145;
- b) Submission by the lessee of a draft copy of the agreement(s) which will govern the relationship and compensation provisions between the lessee and the sublessee; failure of the lessee to provide complete, true, and accurate information regarding sublease compensation will, at lessor's discretion, be grounds for termination of the lease;
- c) Submission by the lessee of a proposed plan of operations and development for the subleased area and, if necessary, an amended plan of operation and development for the entire lease area; and
- d) A best interest finding by DMLW and amendments to the lease contract as necessary, if significant changes to the use and development are proposed.

Subleases shall be restricted to those entities which are also eligible to obtain a lease under the same statutory authority for which the lease was issued.

Entry Authorization

Following the Final Finding and Decision (FFD), if the lease is found to be in the best interests of the State, an EA will be issued. Any actual activity or development on site must be approved by DMLW prior to commencement. Upon issuance of the EA, AIDEA will be eligible to apply to sublease, pending DNR approval. Approved sublessees will be allowed to commence construction during the term of EA. An Alaska State Land Survey (ASLS) must be completed and approved during the term of the EA, prior to the lease issuance.

For the purposes of discussing EA issues in the PD, DMLW assumes that AIDEA will apply for a sublease to PBC and may ultimately be granted approval to sublease to PBC. This is not, however, a guarantee that AIDEA will be approved to sublease to PBC. If a sublease to PBC is ultimately approved by DMLW, the EA will allow for construction of a methanol plant by PBC and ASLS survey.

The term of the EA will be 3 years, which will be included within the total length of the 25-year lease (i.e. the lease term of 25 years begins when the EA is signed; the 3 years of EA will not extend the overall length of the authorization beyond 25 years).

Lease compensation, as determined by the appraisal and any applicable sublease compensation, shall be required during the term of the EA.

Anyone interested in reviewing a copy of a standard EA and lease can contact the DMLW and request a copy.

Agency Review

Due to the expedited adjudication process for this lease (see the discussion section for more detail) agency review and public notice will be conducted concurrently. Any comments received will be addressed in the Final Finding and Decision (FFD).

Public Review

Pursuant to AS 38.05.945(b)(3), public notice describing this proposed action will be posted on the Alaska Online Public Notice System for 30 days. Instructions to post the notice will also be sent to the Deadhorse Alaska Airline Terminal.

Pursuant to AS 38.05.945(c)(1), notice will also be given for 30 days to the North Slope Borough. Per 38.05.946, Hearings, the North Slope Borough may hold a hearing within 30 days after receipt of the notice.

As operator of the Prudhoe Bay Unit, notice will be given to BPXA. As operator of the Endicott Pipeline notice will be given to Endicott Pipeline Co.

The public is invited to comment on the proposed lease. Comments should be submitted to DNR, DMLW, Northern Regional Office (NRO), at 3700 Airport Way, Fairbanks, Alaska 99709. Becky Baird can be contacted for further information at 907-451-2732 or at becky.baird@alaska.gov. Additional copies of the PD may be obtained from the NRO. Interested parties have the right to comment during the public notice period and commenters who are aggrieved by the FFD will have the right to appeal it. In order to be able to appeal the FFD, a person must provide written comments during the PD comment period. A copy of the FFD will be sent to any person who comments on the PD and will include an explanation of the appeal process.

Background

On June 8, 2018, AIDEA applied for a competitive lease of state land, which currently is improved by an existing gravel driveway and pad as well as an approximately 1100-foot long area referred to as “the Pipeline Area.” AIDEA is currently leasing a portion of the proposed lease area under a Right-of-Way (ROW) lease administered under AS 38.35 by the Division of Oil and Gas State Pipeline Coordinator’s Section (ADL 419409).

On July 31, 2014, AIDEA was issued the ROW lease to construct a gas transport pipeline and LNG facility. The property rights conveyed by the ROW lease are limited to the right to build a gas transport pipeline and LNG facility as part of the Interior Energy Project (IEP), a state-sponsored project designed to bring low-cost energy to residents and businesses in Interior Alaska. In preparation for the LNG facility, in 2014 AIDEA purchased gravel from a DMLW-owned material source and constructed a gravel pad on the lease site (North Slope pad). Because the purpose of the original site plan was for a specific qualifying public project, the material sale contract was issued to AIDEA, acting as a state agency, at a reduced cost (\$.50/cubic yard) per AS 38.05.555(b)(3) and AS 38.05.810(a). AIDEA was required to commence construction of the LNG facility by August 1, 2017. AIDEA did not meet the ROW lease deadline and was granted an extension to commence construction by August 1, 2018. Subsequent to construction of the North Slope pad, the IEP project plans changed and the LNG facility location changed to a different location in the state. AIDEA now seeks to utilize the pad and site for other purposes.

AIDEA requested to expand the property interests conveyed by the ROW lease to allow subleasing and to include general industrial, commercial, business and oil and gas related uses. While a sublease to PBC for a methanol plant is currently proposed, the PBC project would encompass approximately 1/3 of the current pad space and AIDEA anticipates subleasing the remaining pad space to additional entities for other general commercial uses. These general-purpose property rights, including potential for multiple subleases, are not the type that DNR can convey by a ROW lease pursuant to AS 38.35. Therefore, the request to obtain a more general-purpose lease is being adjudicated by the DMLW under AS 38.05.070.

Per AS 38.05.070(d), solicitation of interest was conducted June 11, 2018 through July 11, 2018 to determine if there was interest from other parties in developing this site for a similar purpose. No interest was expressed. Therefore, DMLW has determined it is in the best interest of the State to proceed with a proposed 25-year negotiated lease to AIDEA under AS 38.05.070(d).

Discussion

AIDEA constructed the gravel pad using gravel obtained under Public and Charitable contract terms, at the reduced rate (administrative base price) of \$0.50/cubic yard of gravel for its originally-proposed public purpose facility-the IGU LNG facility and trucking project. The purpose and use of the lease area is proposed to change substantially to facilitate general commercial and industrial projects (no longer a public purpose facility) and sublease to private companies which do not qualify for public and charitable status under state law. To diversify the potential commercial uses and subleasing opportunities for the pad without the constraints imposed by the ROW lease and public and charitable statutes, DMLW must be compensated for the full price of the gravel, used to construct the pad, at the commercial rate of \$3.00/cubic yard of gravel, the representative sales price for gravel in the DMLW Northern Region. The discounted rate already paid by AIDEA will be applied towards the full commercial price. DMLW reviewed the gravel extraction records reported by AIDEA under the material sale contract ADL 419991. AIDEA extracted 211,700 cubic yards of gravel for construction of the existing gravel pad, the commercial value of which is \$635,100. AIDEA already paid \$103,350 under the discounted public and charitable rate, therefore AIDEA must pay DNR \$531,750 prior to issuance of any lease or EA.

This payment is in addition to the annual lease rent and any other costs or fees. It is a standard requirement and stipulation of a lease that, when placed on the premises by the lessee, fill material, gravel, pavement, including building pads, parking areas, driveways, and similar structures become a part of the realty and property of the state and may not be removed from the premises by the Lessee without prior written approval of the Lessor. Therefore, upon final termination or relinquishment back to DMLW, the gravel pad shall remain on site (unless removal is required or approved by DMLW) with no expectation of reimbursement to lessee.

The ROW lease area includes an 1100-ft. strip of land that may be used to accommodate a pipeline for transferring natural gas to the pad area ("Pipeline Area"). Typically, DMLW would issue a separate easement for a pipeline corridor, but since the ROW lease area is already defined to include the Pipeline Area, which is relatively short, the DMLW lease will include the Pipeline Area. Doing so simplifies and expedites the survey and appraisal processes and is consistent with anticipated potential uses of the lease area.

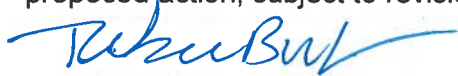
AIDEA intends to sublease approximately 1/3 of the pad to PBC for the construction and operation of a methanol plant. AIDEA states that the PBC methanol project is supportive of the State's interest in expanding energy production on the North Slope. Currently methanol is imported to the North Slope for use as anti-freeze for wells and pipelines. The proposed PBC methanol plant would use natural gas to provide a local source of methanol to North Slope Oil Producers. AIDEA proposed that the remaining pad area may be subleased for processing natural gas, the manufacture of needed chemicals, or general oil field storage or support or other industrial activities.

Recommendation

DMLW has completed a review of the information provided by the applicant and an examination of the documents and associated information related to the proposed action.

AIDEA's management and sublease of the proposed lease area for a wide range of commercial industrial activities under general commercial lease terms will provide AIDEA flexibility to recoup some cost on their outlay of investment for pad construction, provide reasonable compensation to DMLW for use of DNR-owned land and gravel resources and will provide opportunities for oil industry and support companies to arrange for existing pad space use, with prior DMLW approval of development plans and subleases. DMLW proposes to issue a 25-year negotiated lease to AIDEA, subject to the requirements noted in this document and standard lease conditions. Anyone interested in reviewing a copy of a standard lease can contact the DMLW and request a copy.

I find the proposed actions may be in the State's best interest and recommend approval of the proposed action, subject to revision after agency review and public notice.



Becky Baird
Natural Resource Specialist

7/30/18

Date

Preliminary Decision

It is the determination of the Division of Mining, Land & Water that it may be in the State's best interest to issue a 25-year negotiated lease to AIDEA, as recommended above. This application shall now proceed to public notice.



Jeanne Proulx
Northern Regional Manager

7/30/18

Date

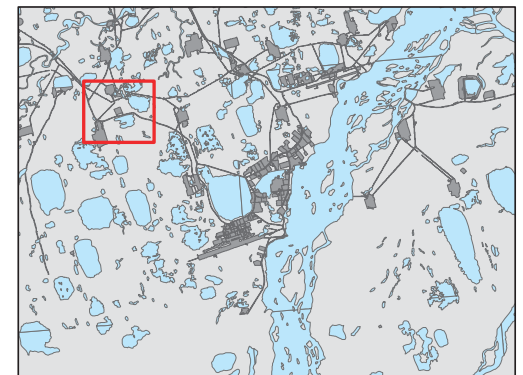
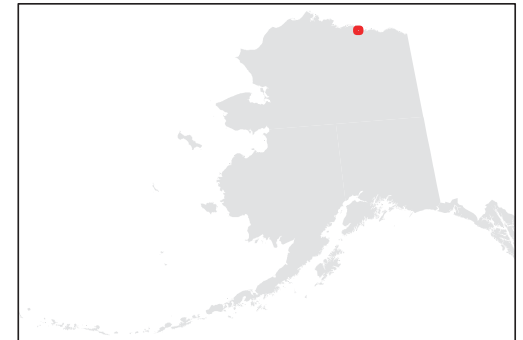
Attachments

Attachment A – Location Map

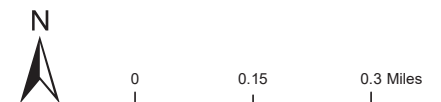
Attachment B – Preliminary Development and Operations Plan

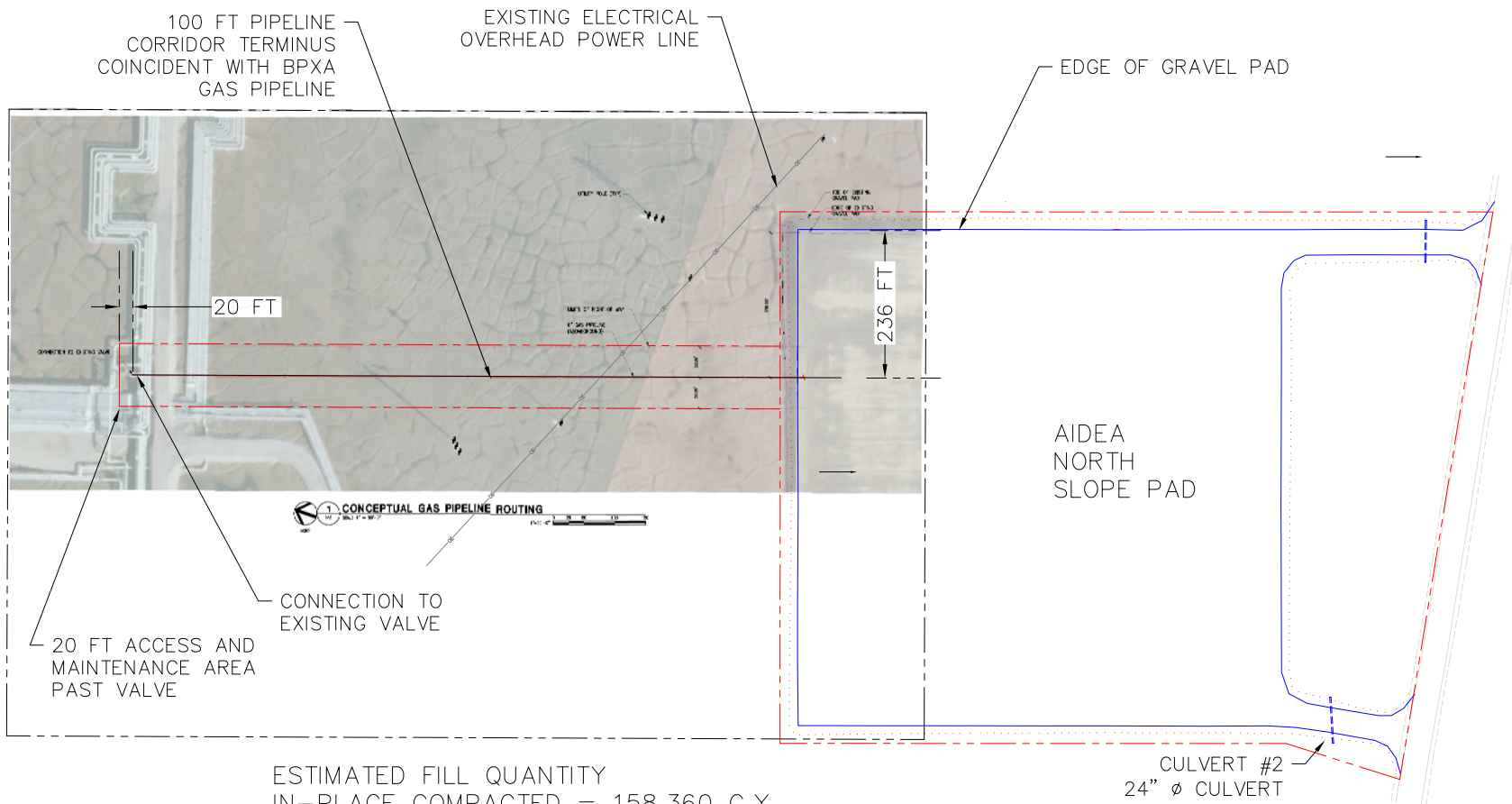
Attachment A – Location Map

ADL 421055 - Approximate Location



Date: 7/27/2018
Author: B. Baird
Service Layer Credits: Alaska SDI





AIDEA LEASE AREA

DATE: 06/28/18
REVISION: DRAFT PAD LEASE AREA

CLIENT: AIDEA
ADDRESS: 813 WEST NORTHERN LIGHTS
ANCHORAGE, AK 99503

DRAWN BY: NTS
JOB NUMBER: 2014-2153
SCALE: NTS
DATE: FIELD BOOK:

AIDEA NORTH SLOPE PAD LEASE AREA

PAD LEASE PLAN

SHEET:

R1.2

AIDEA

Attachment B – Preliminary Development and Operations Plan

**State Pipeline Coordinator's Section (SPCS) Right-of-Way Leasing Act
Conversion to a
38.05.070 General Purpose Lease
Non-Confidential Information**

Date of Application:

June 06, 2018

Applicant information:

Alaska Industrial Development and Export Authority (AIDEA) 813 West Northern Lights Blvd. Anchorage, Alaska 99503. AIDEA is a public corporation and political subdivision of the State of Alaska.

Interests Sought:

AIDEA is submitting this application for a new 38.05.070 General Purpose Lease for the right-of-way (ROW) currently held under ADL 419409.

The existing rights were leased under AS 38.35.050 Pipeline ROW Lease from the State Pipeline Coordinator's Section (SPCS) for the construction and operation of a Liquid Natural Gas (LNG) facility. During discussions with the Division of Oil and Gas (DOG) and the Division of Mining, Land and Water (DMLW), AIDEA was advised the existing lease is not appropriate to permit the operation of a proposed Methanol facility.

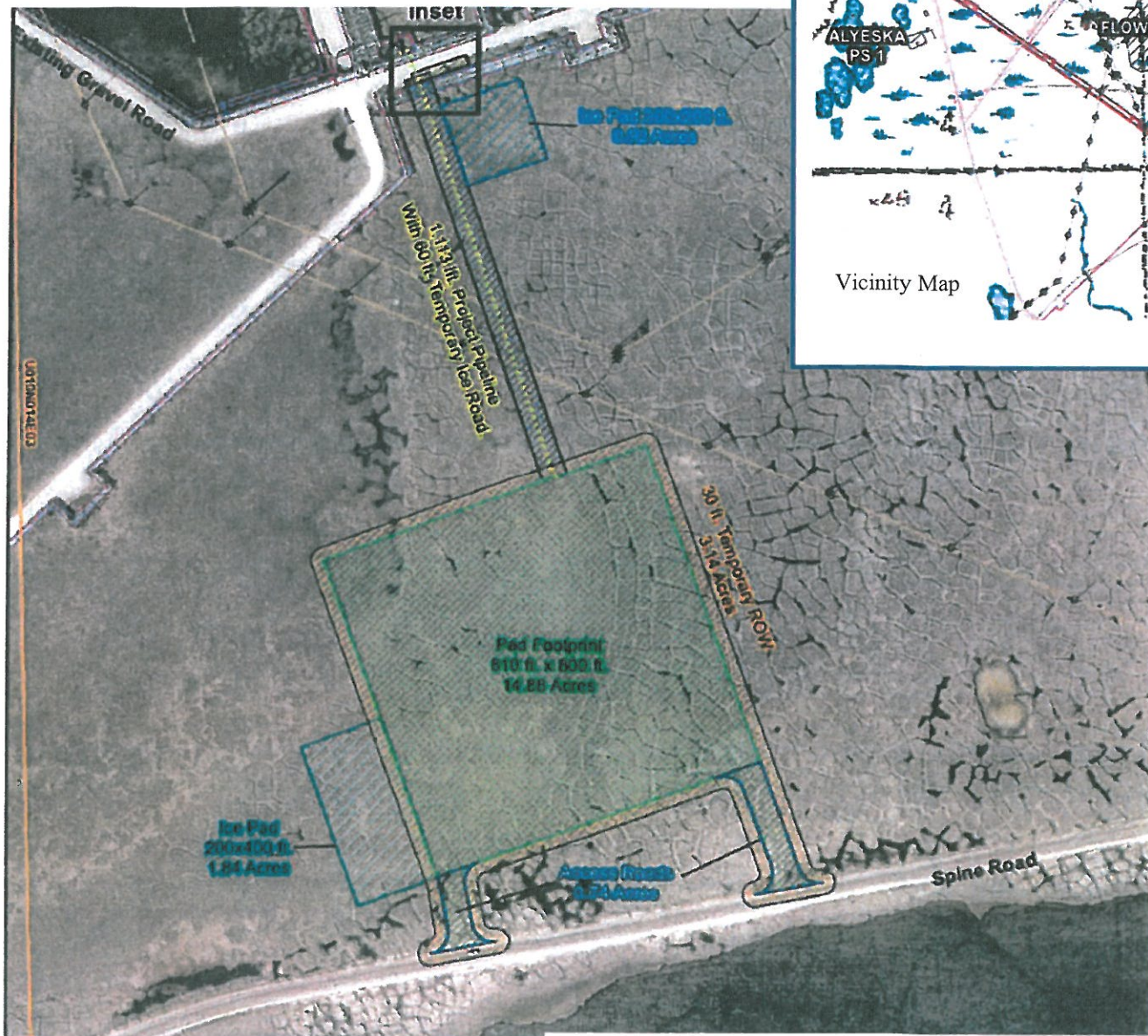
Preliminary Development Plan

I. General Guidelines for Preparing a Development Plan. For new authorizations, the development plan must show the proposed improvements and/or use areas, as well as preconstruction plans. For existing authorizations without a current development plan or if the development plan is being updated, the plan must show existing improvements and/or use areas, etc., and any known future changes. The development plan must include:

- Maps: a USGS map at a scale of at least 1:63,360 showing the location of the proposed project; a blueline drawing or sketch, drawn to scale (the attached diagram may be used);

See *Figure A*

Figure A
AIDEA NORTH SLOPE PAD
PROPOSED PROJECT MAP



Section 3 Township 10 North Range 14 East, Umiat Meridian

Date Prepared:

May 25, 2018

Applicant's Name:

AIDEA

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER

DIAGRAM

Sec.(s) _____ Township _____, Range _____, Meridian _____

Scale: 1" = N/A

SHEET ___ OF ___

File #

Narrative:**II. Written Project description: a detailed written description (narrative) of the intended use and level of development planned under the authorization and an explanation of the sketch or blueline drawing.**

AIDEA requires this lease to assist in economic development on the North Slope. The pad could be used for processing natural gas including LNG, the manufacture of needed chemicals, tankage (crude oil, or processed products) or storage (laydown areas or warehousing). Currently AIDEA has identified a User that will utilize approximately one-third of the pad and the pipeline right of way to tie into BP's fuel case header. Natural gas will be converted to methanol for use on the North Slope. The remainder of the pad will be available for other users, those that could have synergy in joint operations with the Methanol facility will be encouraged.

The Methanol facility and all other construction or activities will occur on the existing approximately 14-acre pad. This project is similar to the LNG project initially proposed by AIDEA in 2014 in that it involves a natural gas pipeline connecting the field fuel gas system to a facility that will transform the natural gas methanol, which will be loaded onto trucks for further transportation to users on the North Slope. The natural gas pipeline and plant will be located on the existing gravel pad and within the existing pipeline corridor. The pipeline will be 6" and will carry up to 5 MMscf/d of gas.

The proposed 1,270 linear foot feed gas pipeline will transport natural gas from the existing PBU field fuel gas pipeline along the existing ROW to the existing gravel pad as shown in **Figure B**. A minimum of 7 feet of vertical clearance will be maintained between the tundra surface and the bottom of pipe. The tie-in to the PBU field fuel gas pipeline will consist of connecting to an existing flange in the field fuel gas pipeline.

The point of origin of the proposed feed gas pipeline will be at an existing PBU field fuel gas pipeline tie-in flange, located approximately 1,000 ft. south of Flow Station-3. The point of termination of the proposed pipeline lease will be at the point of connection at the Pad.

The initial user shall be required, to the extent reasonably practical, construct and install its improvements in the pipeline corridor of the ROW in a manner that will allow for other users of the Pad to access and utilize the corridor.

Construction materials for the Methanol Facility will be temporarily stored on the western two-thirds of the existing gravel pad.

After obtaining this lease, other potential users of the pad are free to approach AIDEA to lease space on the pad as permitted by AS 38.05.070. These will not be limited to any given project and other users could include other gas processing, product storage, material storage, parking, or other operations that are appropriate to being located on the North Slope including telecommunications. The only limitation is the second user cannot interfere or impede the operations of the first user. Any user is subject to review by the North Slope Borough (NSB) and is required to meet all safety requirements on the North Slope

Legal description. Provide a legal description of the parcel, i.e. a metes and bounds description, survey, lot and block, aliquot part, or other legal description.

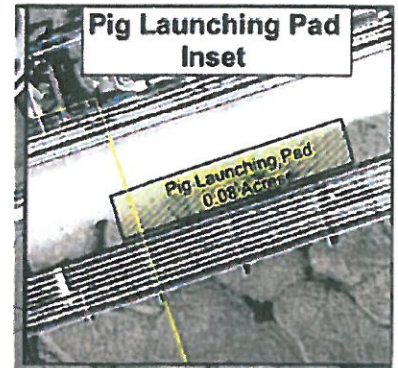
The Lease will be located around an 800-foot by 810-foot pad with one 60-foot wide by 310-foot long and one 60-foot wide by 180-foot long, driveways connecting the parcel to Spine Road; these will also be included in the ROW lease. The lease boundaries will include a 10-foot buffer surrounding the gravel infrastructure (pad, access roads, and pig launching pad) and extend to the edge of the constructed Spine Rd, incorporating an area of undeveloped tundra located between the two access roads.

The width of the pipeline ROW shall be 100 feet total. The right-of-way shall begin at a point just south of Flow Station 3 within the Prudhoe Bay Operating Unit (point-of-origin); then continuing approximately 1,100 feet in a southerly direction to the Pad.

The pipeline area will include a connection location at the British Petroleum Exploration Alaska (BPXA) Fuel Gas Line. Details are under development.

All components of the ROW lease are located within the following lands:

- Township 10 North, Range 14 East, Umiat Meridian, Section 3
- The pipeline, gravel pad, pig launching pad and driveways will be located and situated on the land generally depicted on *Figures A-E*.
- The total areas for the ROW (which includes pipeline ROW, facility pad, pig launching pad and two driveways) aggregates to approximately 18 acres, more or less, all in the Barrow Recording District. All distances and acreages are approximations based on the Applicant's description of the right-of-way.



Terrain/ground cover: Describe the existing terrain/ground cover, and proposed changes to the terrain/ground cover.

The existing area of the pad is constructed gravel. The pipeline corridor is tundra and crosses existing gravel and pipeline infrastructure owned and operated by BPXA.

Access: Describe existing and planned access, and mode of transportation. If public access is to be restricted, define possible alternative public access routes.

An ice road will be constructed to enable access to the pipeline route during pipeline construction activities. No new road construction will be required to support access to the pipeline for ongoing operations and maintenance.

Buildings and other structures: Describe each building or structure, whether permanent or temporary, including a description of the foundation as well as the building and floor construction; the date when the structure is to be constructed or placed on the parcel; the duration of use; and what activities are to occur within each structure.

The proposed Methanol facility will be a permanent facility on raised foundations. *See Figure E.*

The vertical support members (VSMs) for the pipeline will be placed into holes drilled into the tundra and backfilled with a sand/water slurry using North Slope standard practice. No grades, cuts, or fills will be employed along the proposed pipeline ROW.

Future structures are unknown at this time.

Power source: Describe type and availability of power source to the site.

The current plan is to generate all necessary power on site using a portion of the takeoff of natural gas. It is anticipated that a second user would work with the first user to buy power, and if an expansion was needed that a joint solution would be created. However, AIDEA will not require the operator to construct a larger than necessary gen-set.

Waste types, waste sources, and disposal methods: List the types of waste that will be generated on-site, including solid waste, the source, and method of disposal.

All wastes will be trucked from site.

Hazardous substances: Describe the types and volumes of hazardous substances present or proposed, the specific storage location, and spill plan and spill prevention methods. Describe any containment structure(s) and volume of containment structure(s), the type of lining material, and configuration of the containment structure. Provide Material Safety Data Sheets (MSDS).

The methanol plant may have up to 300,000 gallons (7,143 bbls) of methanol storage. These tanks will be located on the existing gravel pad. It will be designed to prevent the escape of liquids spilled within the facility. External tanks will be located within secondary containment areas. Routine visual inspection of piping, pressure vessels and tanks will be conducted, as well as inspection programs compliant with API 510, 570, and 625. Gas detection and leak detection systems will be installed, tested, and operated according to industry best practice.

For the gas pipeline, the focus will be on the prevention and detection of leaks. This will be done through code-based pipeline design and construction, code required construction inspection, hydrostatic testing, routine inspections with gas detectors, and an API 570 inspection program.

Other projects may include other hazardous substances and controls. These will be addressed as potential leases are developed in coordination with the Department of Natural Resources (DNR).

Water supply: Describe the water supply and wastewater disposal method.

Water for operations and office facilities will be trucked in and stored. Water will be purchased from the NSB. A storage tanks for water will be housed within the facility.

Construction water sources will require temporary water use permits from DNR. The permits will stipulate conditions for the protection of fish and water resources, as appropriate. Protection of fish in an affected stream or lake will also be addressed by Title 16 Fish Habitat permits issued by the Alaska Department of Fish and Game (ADF&G).

Parking areas and storage areas: Describe long-term and short-term parking and storage areas, and any measures that will be taken to minimize drips or spills from leaking vehicles or equipment. Describe the items to be stored in the storage areas.

Construction of the methanol facility will temporarily encumber the entire pad for parking and storage. Construction permits and mitigations will include implementation of a Storm Water Pollution Protection Plan (SWPPP). Spills and runoff will be addressed by prevention and response plans during construction. Portable liners will be used under resting mobile equipment, fuel storage areas will be surrounded by secondary containment, storage pads will be constructed to prevent spills from running off-pad, and all spills will be cleaned up immediately and disposed of appropriately before breakup. The work surface will be left as clean as practicable following completion of pipeline construction.

During operations, the methanol plant will be the terminal delivery facility of the proposed gas pipeline. Tanker trucks will load methanol at the truck loading rack and deliver it to consumers in the area. Drivers will be trained and certified in the safe loading and unloading of Methanol. The loading area will be constructed with an impermeable liner to catch spills. See attached *Figure E* depicting the proposed site layout.

Describe the proposed method for all stream crossings and crossing of other bodies of water:

The proposed pipeline will not cross any stream or other bodies of water.

Number of people using the site: State the number of people employed and working on the parcel, and describe the supervisor/staff ratio. Estimate the number of clients that will be using the site.

For a methanol facility, it is estimated that there will be 25 labor and management or other technical staff on site dedicated to construction of the pipeline for approximately one month. Full-time on site staff for this operations is estimated at two staff personnel on days and one on nights. Personnel will be housed at existing camps within Prudhoe Bay or Deadhorse, Alaska. Should a temporary small construction camp be necessary, all required authorizations and permits will be obtained prior to on site construction.

Other development projects may increase this number.

Maintenance and operations: Describe the long-term requirements, how they will occur and who will perform the work. Specify if any subcontractors will be involved, and explain the tasks they will perform.

Maintenance and operations will be performed by the operator of the facilities on the Pad. The current plan is:

- No additional gravel placement is planned
- The pipeline will be supported aboveground on VSMs, with very little direct impact to the tundra surface.
- Elevating the pipeline reduces heat transfer to the ground surface and, thus, prevents or minimizes thaw of the underlying permafrost.
- The pipeline will be monitored regularly during operations using visual on ground observations. Ground monitoring will be done in a manner that minimizes disturbance to tundra by personnel walking the ROW or using vehicles approved for tundra travel during the appropriate season.
- Most planned pipeline repairs or maintenance will be completed from existing gravel pads and roads or else in winter from temporary ice/snow pads and/or roads.
- If maintenance or repairs are required to be conducted during the summer or fall when travel over the tundra is permitted, repairs will be supported by approved tundra travel methods.
- After construction, an API 570 pipeline inspection and maintenance program will be implemented. The goals of this program will not only be to ensure pipeline operating integrity and safety, but to prevent, identify, and respond to all situations that pose significant risk of damage to the environment

Closure/reclamation plan: Provide a closure/reclamation plan, if required for the type of authorization being applied for, e.g. material sale.

Upon abandonment of the pad or termination of the Lease AIDEA shall confer with DNR about the disposition of the improvements constructed or installed on the Premises, and remove the facilities as directed.

At the termination of a Sublease Sublease's shall be required to remove all portions of the development as directed by AIDEA and leave the premises safe and free from debris and hazards

Because the pipeline will be constructed during the winter, no erosion should occur as a direct result of construction activities. The pipeline will be constructed above grade on VSMs with no river/stream crossings. The other portions of the project will be built on an existing gravel pad, and therefore should not result in any erosion of the tundra.

Detailed abandonment procedures will be developed prior to termination of pipeline operations. Abandonment procedures will be based on applicable regulatory requirements at the time and will be designed to minimize impacts to public property in coordination with the land owner.

IV. Sketch or blueline portion of the development plan. The sketch or blueline must be drawn to scale, and each item labeled in such a way that the information contained in the drawing can be located in the narrative portion of the development plan (professional quality drafting and mechanical lettering is preferred). Following is a list of information to be shown on the drawing, if applicable:

Section, Township, and Range lines; North arrow; scale; title; and legend (attached is an acceptable format).

- See *Figure C*

All property boundaries, ordinary or mean high water lines, and existing or proposed rights-of-way; major topographic features such as roads, streams, rivers, and lakes, and their geographic names.

- See *Figure D*

Location and dimensions of any gravel pads, or cement foundations, buildings, and other structures and improvements, appropriately labeled.

- See *Figure E*

Location of any buried or above-ground utility lines (power, water, fuel, natural gas, etc.); sewage facilities, including sewage and wastewater outfall point; underground water system; and water source (if any).

- Not Applicable

Location where any hazardous substances, including but not limited to oil, lubricants, fuel oil, gasoline, solvents, and diesel fuel, are stored. Method of storage (tank, drum, etc.).

- To Be Determined

Location of parking areas, and areas for the storage of inactive vehicles; snow storage areas; storage areas for any other items not mentioned above (drill rigs, camps, pipe, watercraft, etc.).

- To Be Determined

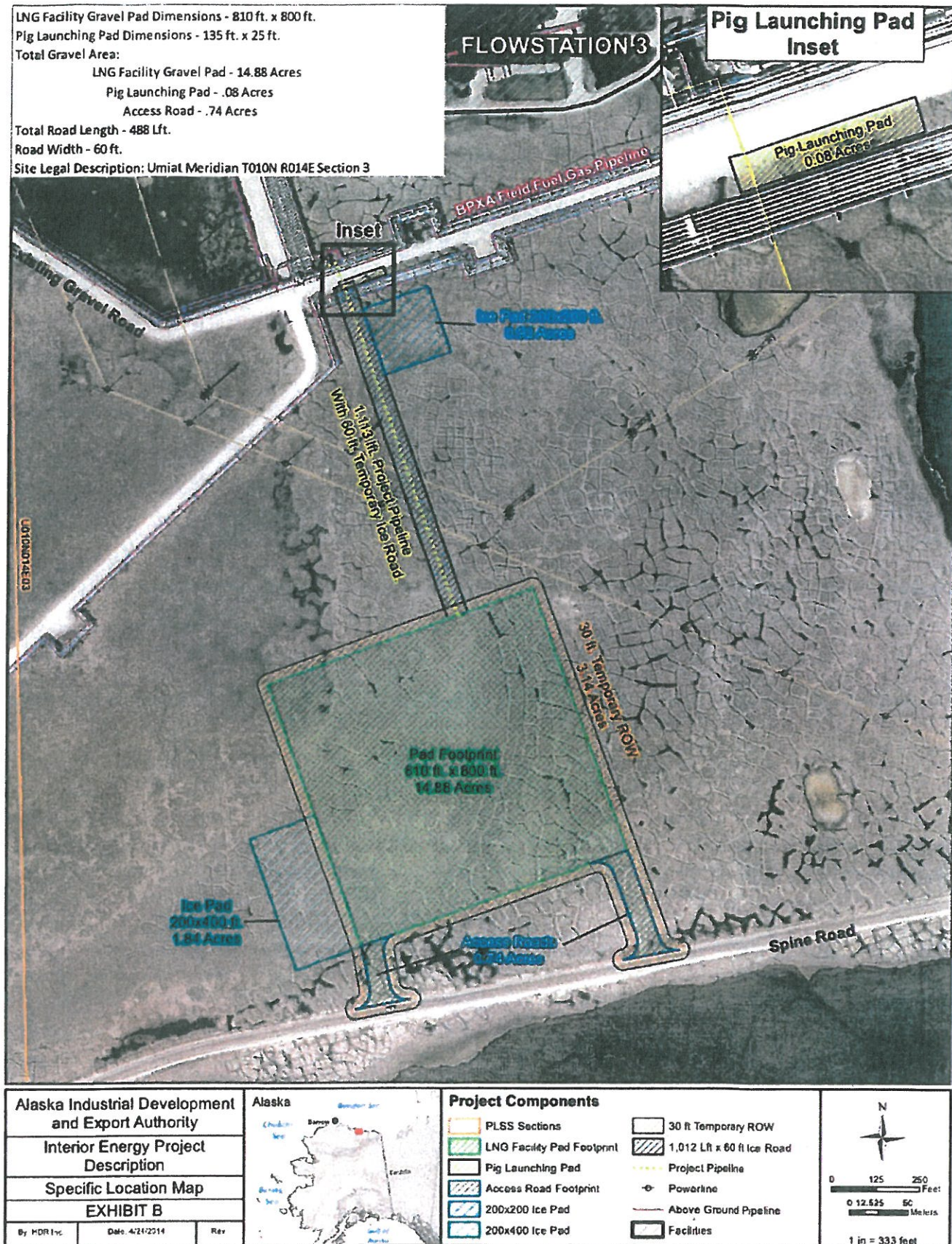


Figure B – Site Plan

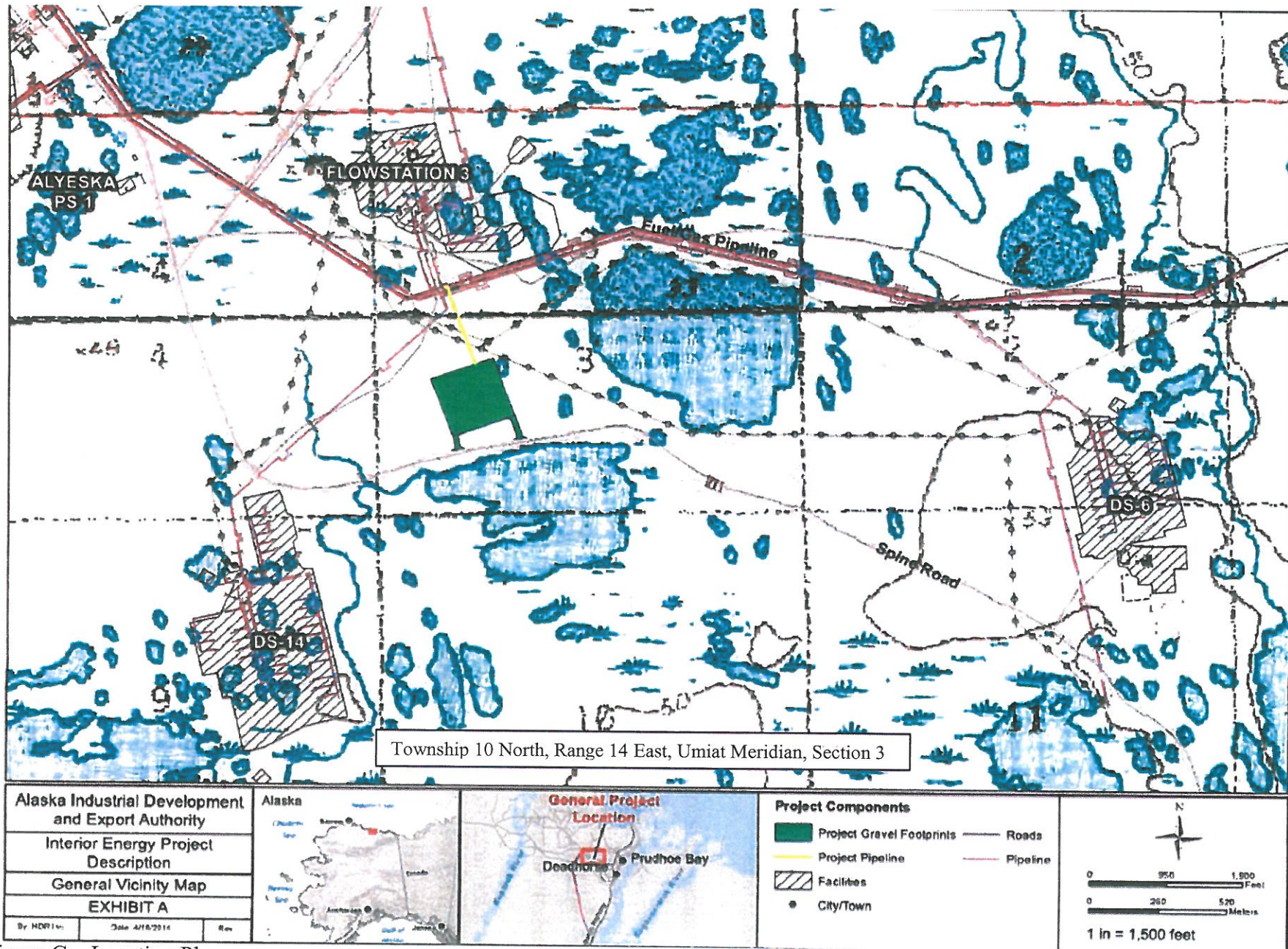


Figure C – Location Plan

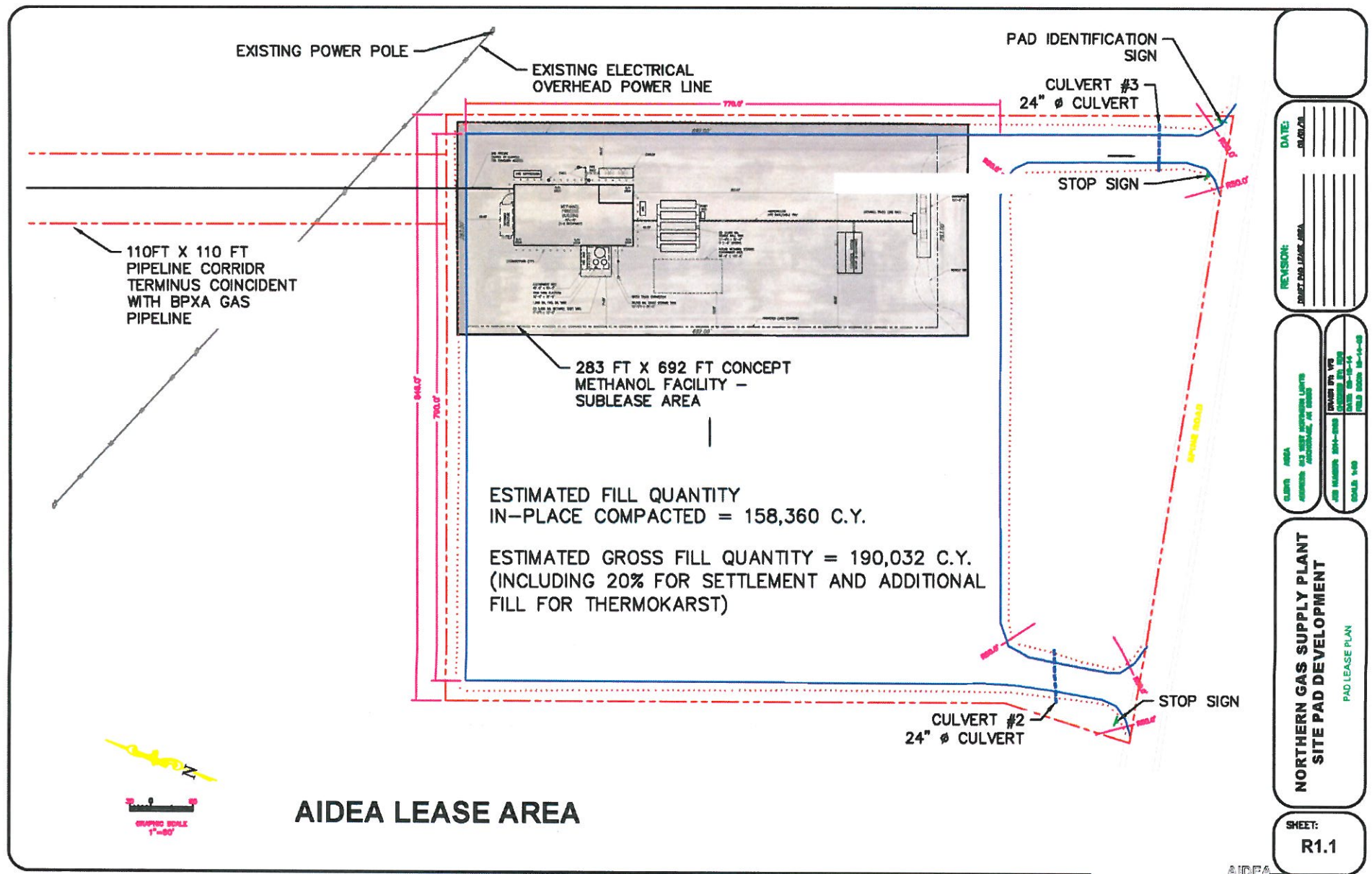


Figure D – Proposed Lease Area

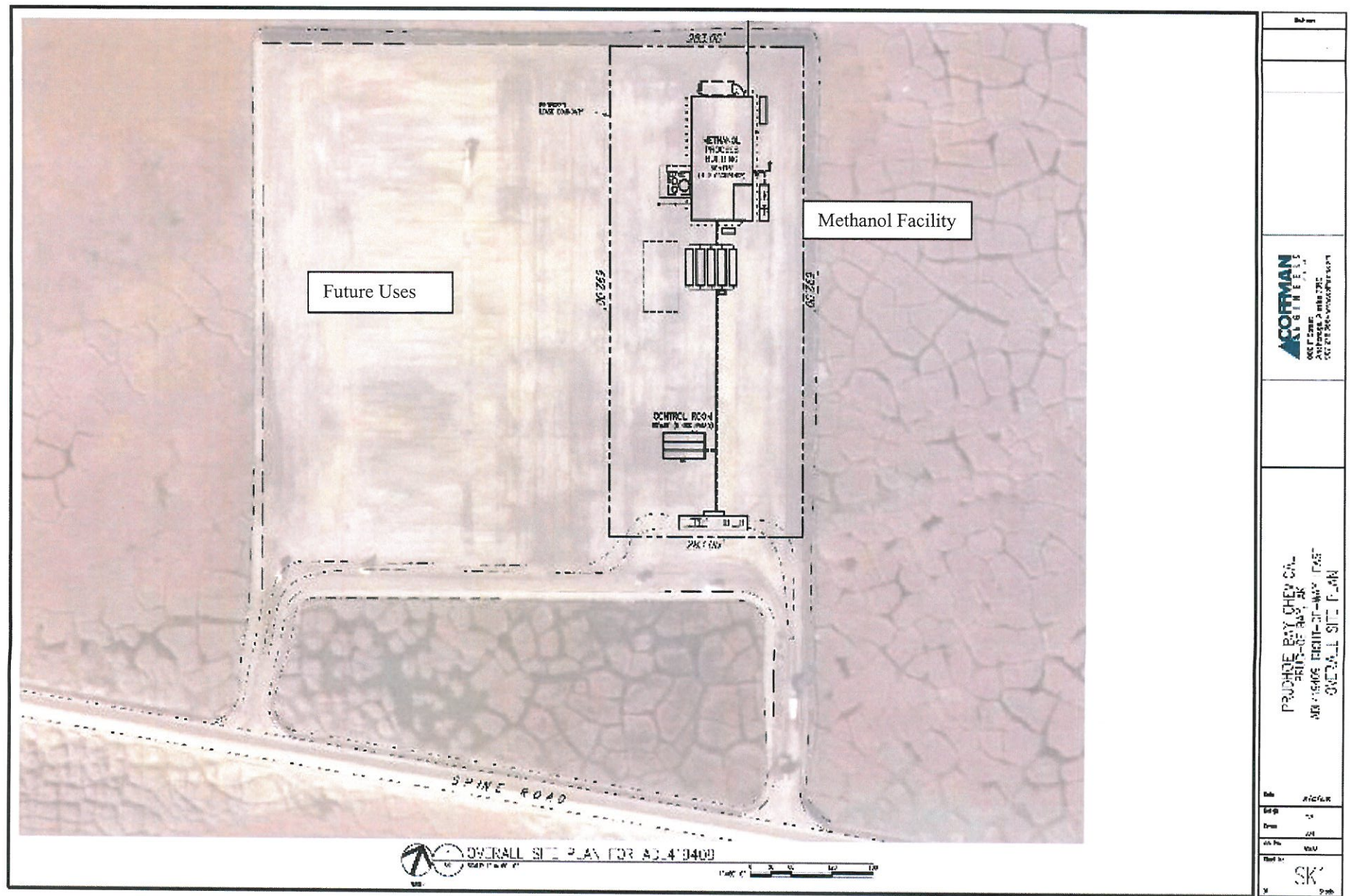


Figure E – Methanol Facility Site Plan

GM Report

General Manager Report – For the month of July 2018**Financial / Accounting**

- Fiscal Year 2019 Pentex and IGU budgets approved.
- June IGU financials reviewed by the Finance Committee on July 24, 2018.
- IGU and Pentex financial integration ongoing.
- FY 18 Audit for IGU and Pentex in-progress.

Operations**Titan**

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

FNG

- 100% delivery reliability with no supply interruptions.
- Zero Lost Time Injuries, Zero Vehicle Accidents
- Zero Third Party Damage

IGU

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

Capital Projects**5.25 MM Gallon Storage Project**

- Construction continues. The outer wall has been erected, cover plates welded and inner spacing Shot-Crete complete.
- Dome roof construction has started, wire winding will begin in August.
- Balance of Plant Phase 3A contract has been executed and construction will begin on August 1st.
- Over 15,000 man hours worked without a lost time accident.

North Pole Storage

- Preliminary geotechnical drilling complete awaiting geotechnical report.
- Phase 1 Environmental Investigation initiated with Travis and Peterson.