



Interior Gas Utility

Board of Directors Board Meeting

February 7, 2017

4:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, February 7, 2017, at the IGU, Fairbanks, Alaska. IGU Board Vice - Chairman, Jack Wilbur, presiding.

Others in attendance were: Jomo Stewart (IGU General Manager), Jill Dolan (FNSB Deputy Attorney), David Prusak (MWH), Monique Garbowicz (MWH). Several members of the public were in attendance, a copy of the attendance will be attached to these minutes.

I. Call to Order

- Roll call

Board Members Present:

Mike Meeks - excused

Jack Wilbur

Frank Abegg

Aaron Lojewski

Pamela Throop

Steve Haagenson – arrived 4:01 p.m.

Bill Butler – arrived 4:11 p.m.

- Approval of Agenda and Consent Agenda

Director Abegg moved to approve the Agenda and the Consent Agenda as prepared, seconded by Director Lojewski. In discussion, Director Throop moved to amend the agenda such that the Approval of the December and January Minutes be included in the consent agenda provided that the Directors did not have changes, Director Lojewski seconded and without objection the amendment passed. Without further objection, the original motion to approve the Agenda and the Consent Agenda was approved without objection.

- Approval of the December and January Minutes – 12/27, 1/3, 1/10/ 1/17
- Approval of the November and December Financial Reports*
- Public Comment – *limited to three minutes*

- Jeff Stepp – Special Assistant to the FNSB Mayor, indicated that the Borough received a letter from the Economic Development Administration in Washington DC that they are looking for Stimulus Projects that are shovel ready that could

receive funding for construction next year, the criteria is they are to be large scale. He suggested that the LNG storage tank or pipe to North Pole as possible projects that could be advanced. The window is fairly short to prepare an application and he is looking for IGU to participate in the preparation of this application. The Board indicated to Jeff he should plan to work with Jomo on this opportunity.

- Roger Purcell, E-W Consulting and former Mayor of City of Houston, AK. Discuss having an industrial site in Houston for a LNG production facility near Houston, AK. Discussed benefits of this site, particularly with the number of accidents on driven roadways, as site has a rail currently available. Feels they could have a site built up in 40 weeks. Discussed possibility of serving other communities in AK with LNG. Discussed benefits for constructing the Plant at this location, with rail option now available to move LNG this site is ideally situated. Solves transportation issues. Haagenson thanked them for coming in, provided a hand out
- Tom Harris, Chairman of Knikatnu Inc, discussed natural gas burning micro generation system put in last year and energy savings associated with it. Encourage the Board to be informed about these central heat and power (CHP) micro systems. Invited the Board to visit the site to look at the Yanmar heating system. Cost effective way that can save money. Director Haagenson discussed the opportunity that this is a tool to increase sales of gas. Director Throop discuss her interest in this system.

II. Reports

- **General Manager**

- Retrospective perspective
- Received bank statement and Finance Committee held two meeting that month, recognized Director Throop as the new Chair of the committee.
- Legal team has participated with other meetings with the Governor's office that may be discussed in Executive session.
- Waiting for AIDEA to send first draft of Purchase and Sales Agreement for Pentex.
- Mark Premo is working as the point person on Integration.
- Conversion Assistance draft update was provided in December, the presentation will be coming forward today.
- Procurement is continuing, with a presentation planned for the next Work Session.
- Due Diligence work continuing forward, which now includes the asset review and corporate documents.
- IGU and Pentex have been involved with seller for GSA along with Integration (Britton)
- Britton presented a possible business path forward to the General Manager, Chair Meeks and Director Haagenson at the end of January.
- MOU

- Have worked with Robin Brena, Chris Wilde and MWH in finalizing, this passed AIDEA on January 11 and was jointly signed on January 25th.
- Director Haagenson asked it with the change of personnel at AIDEA, will schedule slip, Stewart indicated he is working with Mark Gardner to try and keep this on schedule.
- Director Haagenson asked when the Purchase and Sales Agreement (PSA) may come, Stewart indicated that it should be here next week.
- Director Wilbur asked if there were any changes to the MOU, Stewart indicated no substantial changes other than the March 31, 2017 is likely to change due to some of the condition precedence in the MOU.
- Director Wilbur asked the Governor's office role in the IEP and Integration, Stewart indicated that GSA is one where they may assist.
- Director Abegg, asked about project schedule and impacts to construction season and if we may miss a construction season and its impact to the overall delivery of gas. Stewart indicated if we can keep on track this year, we should remain on target.
- Director Haagenson brought up that everything is conditioned with having a HB 105 compliance plan.
- Director Haagenson discussed schedule slippage and his concern.

- **MWH America's, Inc. Report**

- Director Wilbur asked if any surprises were revealed during the optimization and storage review and if Fairbanks and North Pole had provided any significant changes. Prusak indicated they did not, some efforts were looking at how the ownership of the land in North Pole currently under GVEA ownership may look like in the future, currently anticipate meeting with GVEA in the next few weeks.
- Director Abegg asked if there were any surprises found when looking at environment issues, Prusak indicated that identified areas that had contamination have been cleaned up to state standards and have been released from the state. The areas that have not been tested to determine they are clean, are under current concrete slabs and those may contain contamination.

- **Monthly Status Reports**

- PDC report had no questions

- **Conversions Presentation by Monique Garbowicz, MWH**

- Intent is to bring together all of the previous study work, and documents that form the basis of the conversion program and the Tactical plan. The plan is a living document and will serve as the record of the development of the Conversion Program.

- Slide 2: Discussed On-bill payment program and the teaming with the Environmental and Energy Study Institute (EESI). EESI has provided research support and have reached out to other programs with other utilities on behalf of IGU.
 - Discussed difference between on-bill payment vs on-bill financing. Haagenson discussed challenges with RCA related to on-bill financing.
- Slide 3: Discussed the various attributes of energy efficiency on-bill programs. Have not found any gas utilities that have programs like this rather it is a rebate program. Penetration using these type of systems are about 1% regardless of market size. Administration costs are higher because of the small pool to share these costs with.
- Slide 4: Programs need to be designed to a targeted audience to help manage cost-efficiency and implementation. The IGU program will support increasing not only energy efficiency but also air quality.
 - Option 1 – On-bill Financing – Haagenson asked how other states have solve this as they have deregulated. Garbowicz discuss how states may have set up their authorizing legislation. Dolan suggested that the option having the ability to disconnect a service if someone does not pay their utility bill may be a legal challenge. Butler asked if we should get legislation to support that type of authorization sooner than later. Haagenson talked that this would affect all utilities so should be introduced statewide and not just IGU. Stewart suggest it might be introduced in this session and work toward gaining support for this type of legislation.
 - Option 2 – On-bill Repayment is the recommended path forward. Discussed possible ways to partner with businesses (not contract with) so that IGU is not the “lender.”
- Slide 6: targeted audience, 3rd party capital, utility developed underwriting criteria, education program, start small and work out challenges before all in.
- Slide 7: Program recommendation in 2017 – identify the resources that focus on a targeted audience while working with local effected stakeholders.

Abegg discussed concern of costs that the IGU could not spare funds to do this, looking for confirmation that the banks would be the responsible party to carry the loans to make these types of improvements.

Butler wanted to know what the timeline to come to the Board to make the decision to put the program in place of an On-bill repayment program.

Throop asked about people who cannot afford to do these improvements, Garbowicz said typical pools of funds to support these types of activities for gas utilities is not there today. Asked about how it will work if the home sells as the improvement likely will not change the value of the home, this will need to be addressed. Asked about what the roll out looks like, as a soft start would be easier to allow for marketing to the community. Important to have the program fully available to people right from the start.

Wilbur commented that the report was pessimistic about the number of people that will use on-bill repayment system. Garbowicz discussed that the Cardno Report reflected an 8% use when fuel oil was much higher and a possible reason for that difference.

Wilbur discussed FNSB grant program for wood change out and wondered if it would be support making a natural gas furnace. Garbowicz indicated that it can.

Wilbur asked about Table 1 of the report (page 68).

Wilbur asked about Figure 1 (Page 69), and when \$4/ gallon will be hit.

Wilbur asked the Board if the Conversions Group should continue work on the on-bill financing (Option 1) and the challenges since it is not recommended. Since only a max of about 4% of the people are interested in using this, does it make sense to continue to pursue. Stewart suggested that the Board accept the recommendation of the report. Board discussed how and when to provide direction to the GM about how to proceed.

Discussed residential conversion cost estimates and Prusak to send out the 2014 Pilot Program study report as this study did look at several different types of residential heating systems, ages, and types which helped define and confirm residential heating system conversion cost estimates.

III. Unfinished Business

- Interior Energy Project Update
 - Draft GSA is still in hands of Seller and discussions continue.
 - AIDEA – changes are that Nick Syzmoniak has moved on to AGDC, as the only active AIDEA employee this has left void in the AIDEA team. Also, Assistant AG Judah has had to focus on other items in Juneau and is slowing things. Britton indicated that AIDEA has hired out legal assistance just last week. AIDEA does intend to send the PSA next week.
 - MOU schedule is workable but now looking at ways to speed things up.
 - Conoco Phillips facility in Nikiski is for sale, FNG currently does have an interruptible agreement in place with Conoco.

IV. New Business

- Utility Integration Update
 - Reviewed process currently underway for Integration,
 - Reviewed schedule and breakdown of tasks required to accomplish the Integration. (Attached)
 - Discussed the conditions in the MOU, and the timeline identified that should be completed by March 31, 2017 and the possible need to extend this timeframe.
 - Discussed matrix by task, what items will be looked at, who is responsible and what are the status of each of these items.
 - Discussed Corporate Due Diligence that is now underway with Brena's office and RJG for accounting purposes. This may expand to look at IT components as well.

- Similar matrixes will be created for Integration efforts.
- Discussed RCA process and hopes to have an expedited review for the ownership transfer of Pentex assets to IGU from AIDEA.
- Director Wilbur inquired as to when the Board will see the operating integration plan, Stewart indicated that things are anticipated to remain the same at sign off, but may change when the RCA and other condition precedence are achieved.
- Director Wilbur asked when the operational plan will be before the Board, the goal currently is to have this by March 15 for discussion at the Work Session on March 21.
- Director Abegg asked why the process with the RCA could not start sooner, Stewart indicated that currently it shows that the GSA and other conditions of the MOU are met. Britton indicated that normally you would have a Purchase and Sales Agreement go with the request to the RCA so they know the entity is taking it seriously and then an expedited process may be considered.
- Director Haagenson asked to lock down to purchase of Pentex as soon as possible.
- Director Throop discussed having the MOU completed, an urgency needs to be focused on the PSA.
- Stewart indicted that Mark Davis will be the staff contact for AIDEA for the negotiating team.
- Stewart will follow up to with Mark Gardner tomorrow. Britton indicated that AIDEA will have a weekly call tomorrow and said Gardner will report back to IGU.

Suspend rules 6:30 for a 5 minute break.

Resume 6:35

Executive Session:

Director Haagenson moved to go into executive session at 6:35 p.m. to discuss matters that if discussed in public would violate IGU's non-disclosure agreements and/or matters involving ongoing negotiations which if immediately known would clearly have an adverse effect on IGU finances. This includes negotiation of contracts for natural gas supply and IGU/FNG utility integration. Included to stay for the presentation are Jomo Stewart, Jill Dolan, Dan Britton and David Prusak.

Dolan indicated that Dan could not be included in the discussion because of the way the project was noticed.

Director Butler seconded and without further objection, it was moved.

At 7:30 p.m. Director Abegg moved to leave Executive Session, seconded by Director Haagenson and without objection was so moved.

V. Other Business

- Added Item: Frequency of Meetings
 - Director Wilbur desires shorter meetings asked about other thought.
 - Directors had various thoughts and approaches, not overwhelming support for it.
 - Jill Dolan indicated that this will likely be her last meeting, her office is just not staffed to handle the corporate nature of many of the questions. IGU would be better served to contract this service out. Wilbur asked what needs to be contracted, Dolan indicated that the attorney needs to be managed by IGU, whom has both exposure to corporate law and utility use. Jomo will come back with a recommendation to hire an attorney to replace Jill. Board requested that Jill attend the next meeting,
 - After further discussion, Board will hold their next meeting as scheduled on February 21, 2017.
- Next Agenda

VI. Director Comments

Director Lojewski - Stimulus project discussed by Jeff Stepp should be responded to immediately.

VII. Adjourn

Director Butler moved to adjourn at 7:56 PM. This was seconded by Director Abegg and without objection, the meeting Adjourned.