



Interior Gas Utility

Board of Directors Meeting
January 22, 2019 @ 4:00 PM
100 Cushman Street, Suite 512, Fairbanks, Alaska

DRAFT AGENDA

I. Call to Order

- Roll call
- Approval of Agenda & Consent Agenda
(*Items marked with * are approved under consent agenda*)
- Approval of Minutes – 01/08/19*, 01/15/19*Pages 2-13
- Approval of November Financials*Pages 14-20
- Public Comment – *limited to three minutes*

II. New Business (Board Discussion & Possible Action)

- Public Meetings Act – Zane Wilson
 - Board Communications

III. Other Business

- Siemens Negotiations UpdatePage 21
- FEED Update
- Action Items List.....Page 22

IV. Unfinished Business (Board Discussion & Possible Action) (*Executive Session*)

- Resolution #2019-01Pages 23-29
 - A Resolution of the IGU to Not Accept Transfer of the Lease for the North Slope Pad From the AIDEA to the IGU

V. Closing Comments

- General Manager Comments
- IGU Attorney Comments
- Directors Comments

VI. Adjournment

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



Interior Gas Utility

Board of Directors Board Meeting
January 8, 2019 @ 4:00 PM
100 Cushman Street, Ste. 512, Fairbanks, Alaska

Draft Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, January 8, 2019, in the IGU Conference Room, Fairbanks, Alaska. IGU Board Chair, Pamela Throop presiding.

Others in attendance were: Dan Britton (IGU), Zane Wilson (CSG – IGU Attorney), Laura Steel (Secretary to the IGU Board), and Public members: Gene Therriault (AIDEA), Michael Welch (Mayor of North Pole, AK), Jomo Stewart (FEDC), Jim Sackett (Governor's Office), and Mike Craft (Public).

I. Call to Order @ 4:04 pm.

- Roll call

Board Members Present:

Pamela Throop
Jack Wilbur
Bill Butler
Steve Haagenson
Patrice Lee
Mary Nordale
Gary Wilken

- Approval of Agenda, Consent Agenda, & Minutes
 - Moved by Director Nordale and Seconded by Director Haagenson to accept the Agenda, Consent Agenda, and Minutes. Discussion.
 - Dan suggested removing the Security of Supply analysis from the Agenda.
 - Madam Chair suggested adding question in the minutes that Director Lee asked and Mr. Wilcox answered on page 6 in the discussion about components that make up methanol and catalyst used.
 - Motion carried without objection.
- Public Comment – *limited to three minutes*
 - Michael Craft – Project using propane to back up wind. Bringing trainloads of propane this summer. Letting us know they are pursuing an ancillary propane market that our pipes don't reach. Loans are available to retrofit houses for propane. Asked if Madam Chair passed out the press release to the BOD.
 - Two separate projects. Storing it on 33,000 gallon rail cars. They will be loaded on a barge and brought to Fairbanks by rail.

- Director Lee asks if the propane is coming from BC, Yes, asked if any concept regarding price difference, we want it to be the cheapest.
- Director Wilbur asks what the proposed uses are for propane. Refrigeration, running chillers, site generated electricity. Backup for military? Mr. Craft wants to sell wind power, as much as he can get his hands on. They will buy if they firm their wind up. They will have a wind system in Delta Junction. What percent is wind vs. propane? Twice as much from propane as from wind. Can you generate electricity cheaper from propane than wind? No.
- Press Release will be distributed by Dan, along with some other information.
- Mary asks if he will not enter the IGU service area. No, we are going to have to compete with him.

II. New Business

- Election of IGU BOD Officers
 - Motion by Director Haagenson and Seconded by Director Lee for Pamela Throop to serve as Chair.
 - Motion passed by unanimous consent.
 - Motion by Director Butler and Seconded by Director Lee for Steve Haagenson to serve as Vice Chair.
 - Motion by Director Butler and Seconded by Director Lee to pass the Motion by unanimous consent
 - Motion passed by unanimous consent.
- Resolution #2019-01
 - Moved by Director Butler to accept Resolution 2019-01, Seconded by Director Nordale. Discussion.
 - Dan spoke on the issue of the North Slope Pad.
 - Director Lee stated she wrote emails through the Chair so her thoughts were put into public record. Asks if we want to be in the leasing business and be responsible for a methanol plant far, far away.
 - Director Wilbur asks if somebody can tell us what our expected revenue may be from this pad. Dan answers we have not engaged anyone to do that. There are no other land leases in that zone that would form a market so there are no real comparatives. Actual market is outside Deadhorse. Not sure we can get much information that would be of value to the BOD.
 - Director Butler stated the purpose was to introduce we are outside the mission, and there is a potential for legal trouble.
 - Director Nordale stated that AIDEA has not furnished IGU a copy of the lease they have entered into with the methanol plant, and the insurance carried by Prudhoe Bay Chemical seemed very inexpensive and causes concern. There was a case in the 1960's that ARCO lost when someone died, and they were the landlord.
 - Dan stated the proposed lease was shared to the Board, and IGU's comments were included in negotiations with Prudhoe Bay Chemical.
 - Vice Chair Haagenson stated there is a long history of how we got here, and provided some details. Risk vs. Reward. There is no money in this thing. We

have an appeal and we are asking DNR not to charge us for use of gravel, and not to take 25% of our income. He wants to look at the Exit Clause of the lease. If DNR wipes out those two fees, maybe we are back in the game again. Let's understand what the lease has.

- Director Butler – Let's talk about providing natural gas to the community.
- Director Lee – Wrote through the chair about toxicity of methanol. Considering if AIDEA turned this into a real asset for us and if Siemens was interested in putting some LNGo's up there.
- Director Nordale called for the question.
- Director Wilken – asks Dan if update on prevailing on the appeal, what the numbers would be. \$700,000 of increased income spread out over first several years, the 25% charge to DNR is not net cash because it would be passed on to lease. Director Wilken doesn't want to throw out a potential \$300,000 customer. This is a distraction from the IGU mission.
- Director Nordale – This property does not fit in to the need of gas distribution, and again she calls for the question.
- Director Lee – asks on the record – how do we know there is not some plan for that pad related to DNR or some sub group of DNR that they make it tough on AIDEA and it frees it up to DNR.
- Director Wilbur – In the minutes from last meeting it shows income potential of \$1.5 million, and not sure where the number came from but it certainly is not zero. Man camp is here and gone before Prudhoe Chemical even occupies the pad. Pad has already been purchased, and has potential income.
- Director Butler – calls the question. Nothing the other BOD members say will change his mind.
- Vice Chair Haagenon – outside business revenue is nice at the end of the day.
- Director Lee – environmental insurance, you need to read the fine print. Wants to call the question. Why use our own money on this, why isn't it handed over without any money owed.
- Director Nordale – We have no information to give us a basis for a solid business decision. Not in the public interest. Not productive for IGU good business practice.
- Director Wilbur – Responded to Director Lee that the Resolution passing means we don't have another chance to do anything with it, its gone, its done. Asks why risk on the lease on the pad is more concerning than owning Titan.
- Madam Chair – risk vs reward doesn't weigh on her, they should have seen a net sheet. We don't have the adequate information to make a decision.
- Vice Chair Haagenon – 6 million dollars went into this pad...you walk away from that grant money given to this community to help us go forward.
- Director Nordale-AIDEA has not acted as a normal rational business entity. We have no obligation just to say we have spared loss of an underlying pad. AIDEA has treated that pad as its own property for its own purposes and only when it determined it could no longer hold onto it. They have a duty to spend money allocated to them, and they owe us and we don't owe them.

- Dan – IGU requested that AIDEA transfer the pad during the PSA and FA. Original plan was for an LNG plant on the pad. Still trying to save it to help offset costs of IGU.
- Director Butler – asks for us to just vote on this one way or another.
- Director Wilken – This was a good faith purchase 5 years ago and this was the place to put LNG plant. AIDEA has worked through the administration to try and get DNR to move on this.
- Moved by Director Wilken, Seconded by Director Wilbur to Table Resolution until January 22, 2019 BOD Meeting.
 - Roll Call on the Motion

Director Butler		Nay
Director Haagenson	Yea	
Director Lee		Nay
Director Nordale		Nay
Director Wilken	Yea	
Vice Chair Wilbur	Yea	
Madam Chair Throop	Yea	

Motion passes 4-3.

- Director Wilken asks for Net to IGU BOD after all expenses, including money asked by AIDEA to bear cost of, and anything else that may be there.
- Director Wilken wants clarity for 25% DNR cost, and wants Gene Therriault to be in the room on the 22nd during our Board Meeting.
- Director Nordale wants to see what time proposal for lease was made and when AIDEA notified IGU. What consultation with IGU did AIDEA have when negotiating the future leases?
- Madam Chair suggests Director Nordale write down her questions for Dan to answer as much of her questions have been answered in the past.

III. Unfinished Business

- Security of Supply Analysis
 - HDR Report

Postponed until January 15, 2019 Work Session

IV. Reports

- General Manager
 - Siemens Negotiations Update
 - Dan reports they are waiting for response from Siemens as related to draft and discussion. Mark and Brown have been working on information Siemens has requested regarding IGU being a bankable customer.
 - Robin is working on some language for some minor issues.
 - Director Butler asks when Siemens thing will come to an end. Dan says we should know when we see their response in mid-January if it still makes sense to continue discussions. We could be faced with a Go or No

Go in the next couple weeks. Madam Chair says we are getting down to those really hard issues.

- Director Wilbur asks if Titan Integration Plan finalized has been agreed upon is a true statement. Partially it is a true statement. Dan states we will continue to use the Titan Plant at it's most beneficial, within some limits. The general concept is agreed to. Director Wilbur asks about Line 11 – what does it mean “up receipt from Siemens”? Dan hasn't had a chance to ask Siemens; it is their entry. Zane explains what they may mean...it is signature ready. Director Wilbur asks what about the firm fixed dollar. Madam Chair suggests that the arrangements with the Alaska Railroad will have an impact on the final number and hard to get firm number now.
- Director Wilken asks for Gantt chart and for Siemens to provide this. Asks for this chart to be something more than what it is right now. Director Haagenson says IGU should make their own chart. Asks if someone we can hire to do a Gantt chart. Dan will work with someone to put one together.
- Director Wilbur states that its Siemens that does the subsequent items, so we would not build a Gantt chart for these items, but we certainly want to know a schedule that shows deadlines.
- Director Haagenson – will take some things off the chart he created and can update it and talk with Dan.
- Director Lee verifies we are discussing a Gantt chart covering 0.01 to 1.10.
- RFP Update
 - Brown and Mark will send suggestions for who to send RFP notice to. We did get it finalized and it will be on the website. Discussed process of bonding and the FA's part in this.
- FEED Update
 - Dan stated he would have the HDR Analysis and a recommendation for next week's Work Session on January 22, 2019 and with the Board's approval we can move forward on the FEED expansion.
- North Pole Storage facility
 - Dan presented a 3D video on the North Pole Storage Site, and described the layout. Discussed details of the plan.

Teleconference ended unexpectedly and was reopened at 6:05 pm.

- Follow-up on public comment. GVEA sent Dan some info, he spoke with their attorney, John Burns, and there will be a consequence from Mike Craft's filing, so it will preclude them from moving forward with us. Unsure how long this will delay conversations with GVEA.
- PURPA is the Public Utility Regulatory Policies Act.
- We did schedule and receive an order of LNG. We are evaluating how long it takes. We have ordered two more loads of LNG from same place in Alberta, paying about 20 per MCF.

- We had a methane compressor go down on Sunday morning. We keep a full spare in our warehouse. We did have a new motor installed and it is running. Down time was 48 hours.
- Meeting with Mr. Sackett tomorrow afternoon and discussing the storage tax credits, and meeting with the DOR Commissioner also.
- Spoke with Yuri Morgan regarding lobbying the Legislature. It may be best to work with the Interior organization or through the Governor's office to extend our deadline. Would like to move forward with Yuri as a lobbyist if the BOD is ok with that.
- IGU Attorney
 - Zane asked for IGU Board members to use their IGU email accounts. Laura will help Mary and Patrice. By Monday we will ONLY communicate through the IGU addresses. Asks for members to please stop the Reply All as it is not helpful or appropriate. Director Wilken asks what emails include strategizing, and Zane states it has been in violation. Working on records retention act policy. Will have something in next few weeks.

V. Other Business

- Action Items List
 - Have hired a project manager. New Director of Operations hired did start on Monday. RFP will be issued this week. Working on policy re: Public Records Act. Madam Chair asked if items 26, 27, & 28 are being worked on by Zane. He started and will get them completed, with collaboration with Director Nordale, to be completed by mid-February. Zane wants to develop a process to address ethics concerns and violations.

VI. Closing Comments

- Director Lee – Note the very popular use of the word indicative. It's a good word; it's 'representative of'. The other thing is after visiting last week with some people, she learned we are seeing more earthquakes and they are actually methane explosions underground.
- Director Nordale – delighted to be on the board and appreciate everyone's courtesy. Hopes to be sufficiently informed.
- Director Haagenson – Heard we are selling to UAF now. Met with Foraker Group when first started IGU BOD, and one of the suggestions was for a Board Improvement Committee; he wants to consider it and wants it on the Agenda.
- Director Wilken – Jan 22nd North Slope Pad announcement have AIDEA and DNR so they can participate in the discussion. LNG will beat propane hands down.
- Madam Chair – leaving tonight and may be telephonic next week. Accompanying family member during surgery next week. Vice Chair Haagenson will conduct meeting in her absence.

VII. Adjournment @ 6:46 pm. Director Butler moved, Director Haagenson seconded.

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Interior Gas Utility

Board of Directors Work Session
January 15, 2019 @ 4:00 PM
100 Cushman Street, Ste. 512, Fairbanks, Alaska

Draft Minutes

A Work Session of the Board of Directors of the Interior Gas Utility was held Tuesday, January 15, 2019, in the IGU Conference Room, Fairbanks, Alaska. IGU Board Vice Chair, Steve Haagenson presiding.

Others in attendance were: Dan Britton (IGU General Manager), Zane Wilson (CSG – IGU Attorney), Laura Steel (IGU Board Secretary), Mark Rockwell (FNG, LLC - Director of Operations), Alan Sheppard (HDR, Inc. - telephonic) and Member of the Public: Jomo Stewart (FEDC).

I. Call to Order @ 4:01 pm.

- Roll call

Board Members Present:

Pamela Throop (telephonic)
Steve Haagenson
Bill Butler (arrived @ 4:08 p.m.)
Patrice Lee
Mary Nordale
Jack Wilbur
Gary Wilken (arrived @ 4:42 p.m.)

- Approval of Agenda
 - Moved by Director Nordale and Seconded by Director Lee to approve the Agenda.
 - Vice Chair Haagenson, as requested by Director Wilken, asks for (Public Meetings Act – Board Communications) to be deferred until a time when all Board Members can be there for the discussion, delay would be possibly one meeting, possibly more, with the intent to be as soon as possible.
 - Director Nordale and Director Lee accepted the amendment.
 - Motion carried without objection.
- Public Comment – *limited to three minutes*
 - None.

II. New Business

- Postponed to future meeting when all directors are present.

III. Unfinished Business

- Security of Supply Analysis
 - HDR Report
 - Presentation of Security of Supply Analysis by Dan.
 - Transportation capacity volume in trailer is 9,500 gallons to 12,500 gallons. 4 larger units and remaining trailers are between 9,500 and 10,500. No storage at Titan to date so we fill directly to the containers.
 - Analysis answers if IGU loses its largest production unit, can we maintain with other components in service.
 - 35% is the base case for IGU in financial projections. Director Lee asked if it mattered what percentage is residential vs commercial. We used conservative approach and looked at historical load January versus July based on assumption that won't change dramatically in the future.
 - Slide show and Discussion.
 - In 2023 if we had a 4 month outage, we would dip below our 5 day supply. GVEA is not included and the assumption is that UAF and the Hospital are interrupted. Director Nordale asks how many trucks per day will this add to the road. It would increase to twelve trucks per day; we currently have five or six trucks per day (24 hours). If there was any discount to build both Titan 2 & 3, it may be better on the front end. Only a \$5M difference. Chairman Haagenson asks why stop at 5 day supply. We used the five days as the ultimate security blanket; these are emergency unplanned outages in these models. Director Wilbur asks why use the 4 months' time frame. Because we would not drop below the five day requirement unless it was four months long.
 - Jomo Stewart asked if we are talking about zero production, no we are talking about (Titan 1) 50,000 gal a day production and not our (Titan 2) 100,000 gal a day.
 - Plan B sees higher capital costs and is not an effective use of capital.
 - GVEA shared recently they would anticipate using 1.9BCF of gas per year. If they want to run at full capacity it is 120,000 gallons per day of LNG. They want the interruptions to be limited in the future. Director Wilken asks about page 3, N+1, which shows our largest unit out of capacity; we can still maintain our needs. Discussed using 'N-1' versus 'N+1'. Can we still get N-1 in Plan A? Yes, deferring it for a period of time. Tank provides a certain amount of security. We can lose Titan 1 for four months and still have a secure supply on our current demand. Alan Sheppard states we used the highest five days at any given time to give the whole model a sense of conservatism to it.
 - Plan S is based on a Siemens proposal adding LNGo units.
 - Additional Model Runs - Plan A works, Plan C works better but has a capital penalty by spending money before we need to or may want to. If demand does not materialize, then what. This is what Dan recommends; install Titan 2 and defer capital expense on Titan 3 until demand dictates.
 - Cardinal studies look at other conversions in the US. They looked at Homer Alaska and Enstar, and was based on communications with customers.

- Alan Sheppard states in the year 2025, 85% of our conversion will happen, then it plateaus out. Discussed measurements used, 1MCF is 12 gallons. Director Nordale asked if we can acquire additional gas when necessary. Today's supplier is Hillcorp and they wish to sign a 10 year or longer contract with us, our current contract will expire May 2021. Current volume on contract is we will buy all gas we need for current customers up to 5MCF per day, every day, which allows us to be at max capacity every day. If we increase for Titan 2, it is also in the contract. Director Lee asks if higher % of gas lowers price. We don't have an idea what that may be.
- Discussion of how far can our supply last if adding customers. Higher demand needs a higher supply and it lowers how much time the supply will last, and will also run out of time faster to refill tank as there is less excess.
- The longest down time in 20 years has been 3 days.
- 50% conversion-We could leave hospital and university as interruptible and then add more customers.
- BM 2019-01
- Dan recommends moving forward with FEED Analysis that looks at the capital costs and necessary engineering for Titan 2 and Titan 3, and delay Titan 3 until at least 2023 or later if there is any delay in demand. May be an escalation for Titan 3 if something comes up that makes it the best choice.
- Will be revising scope to include Titan 2 and 3 and bring that version to the BOD. May not have it next week, but does want to move it forward quickly.
- Madam Chair asks if recommendation is Plan A and will cost \$80M and Plan C is \$75M, why is it better? Who is going to prepare the Scope for Braemar for FEED? It will be between Dan and Braemar. Will it take about 6 months? Hoping it will remain 6 months but will need to update this with Braemar. Director Lee asks if current numbers will be used. Attachment #1 in BM 2019-01 will also be updated with Brown.

IV. Other Business

- Action Items List
 - Chair wants more detail on the Siemens update.
 - Dan sent press release to everyone.
 - Keeping all emails indefinitely now.
 - Siemens update; when is next negotiation schedule? They asked when we will provide our financial document to them. Dan asked them for response to our critical issues. One is around risks and what our requirements will be with communications between Siemens and the Knikatu Tribe. They have gone to Senior Management and told us yesterday afternoon that they took matters to Senior Management, and if they were to take on that risk it would require a substantial cost increase to justify that risk. They suggested an alternative where IGU could own the asset. Team has not reengaged with Siemens and have not had negotiating team meeting, but wanted to update the BOD.
 - Discussion-Director Lee asks what basis for our concern with Knikatu Tribe? Dan answered it's based on analysis by legal counsel on the Tribe's assets, other projects they are involved in, they have no experience in LNG facilities,

Siemens has limited experience in LNG facilities, and the structure of the ownership. Negotiations team was fully aligned with legal counsel and Dan and Directors. A valid and fair conclusion was made. Discussion of change in negotiations. Madam Chair states Knikatnu does not have the financial depth that we would look for in negotiations like this. Director Wilken states that Knikatnu had \$11M in real estate assets.

V. Closing Comments

Dan - Storage Tax credits. Dan will be in Juneau this week. Potential qualifications require us to update our CPCN's. We filed a request with RCA to add a provision to our certificate. Primarily an admin filing. Both utilities are required to have a minimum volume of storage. We feel we meet full intent but some may feel we are disqualified. We want a concurrence of our position as we are issued certificates, have governing body as municipal utility, and can eliminate that as potential problem down the road. Meeting for request for credit extension past Jan 1, 2020. Asking for at least a one-year extension. October we will compete the storage tank, file for certificate of credit; we don't have the ability to react if someone takes a position against it. City of Fairbanks has priority of storage tax credits as well as FNSB. \$21M opportunity for our utility. Madam Chair asked what is the cost of the lobbyist going to be. \$30-40,000 range for a session. Is there any way we can ask FNSB to loan us their lobbyist? It is the same lobbyist but it is such specific criteria to work under for the FNSB that someone needs to provide additional funds. He will only be charging the fee, as there are no living costs since he lives in Juneau. Has been successful in the past for us. Madam Chair will talk to the Mayor.

Zane - Regulation is under statutes, and the opinion of the legislators.

Madam Chair - Glad we went over those things.

Director Wilken - Asked about Assembly comments. When is next quarterly report? We just had one so the next one is in March. By the way, the IGU Chair of the Board is supposed to be there, per FNSB Assembly reminding Dan last time. We need to get eyeball to eyeball to the Assembly. Chair suggested we include Assembly members for a tour. Laura will be inviting them. Can we get information on the stove exchange program, there is significant money, we want it on our table.

Director Nordale - Thanked Dan for his report.

Director Lee - Indicated she will give an updated report on air quality.

VI. Adjournment @ 6:58 pm. Director Butler moved, Director Wilken seconded.



BOARD MEETING SIGN IN SHEET

DATE: 1-15-19

Name	Address or Title	Email Address	Do you wish to testify today?
Mark Rockwell	Dir-Operations	mrockwell@ingas.com	No
Jamo Stewart	FEDC	jstewart@investfairbanks.com	No



Interior Gas Utility

Finance Committee Meeting
November 27, 2018 @ Noon
3408 International Street
Fairbanks, Alaska

MINUTES October Financials Reviewed

I. Roll Call

- a. Chair Patrice Lee, Doug Bishop, David Durham (telephonic) Pamela Throop joined @ 12:13 pm (telephonic)
- b. Other: Wes Smith, Zach Dameron (telephonic), Mary Nordale (public), Laura Steel.
- c. Meeting was called to order at 12:02 pm

II. Monthly Financials

- a. Profit & Loss – October
 - i. Wes stated there were no big surprises. Discussed grant money, that timing issue causes appearance of being above budget when we haven't released the funds yet. Sales are up about \$300,000 and hospital revenues are helping.
 - ii. Mary Nordale asked questions about what companies are involved, about depreciating distribution system that is not in service yet.
 - iii. Chair Lee stated that we are in the hole, asked who the controller is, if there are reports showing what the cost is from the Tria Road tank to the customer's meter, why our gas price is significantly higher, what the price is being used in the negotiations.
 - iv. Mr. Bishop asked about the distribution system.
 - v. Wes and Director Throop answered questions and offered corrections to statements made.
- b. Titan
 - i. Discussion of definition of upgrades and how they will appear in the financials,
 - ii. Mary asks if there is an industry organization to determine if a gas company is complying and reporting to insurance companies, asks who legally owns shares in Titan and FNG, she disagreed with the process used to acquire Pentex.
 - iii. Mr. Bishop verifies that PHMSA does audit us.
 - iv. Director Throop explains the need for separate companies is over since

the tax benefits are eliminated by non-profit status.

- v. Chair Lee asks how long to bring all five companies into one, estimates are six months.
- vi. Mary asks for explanation of how Titan and FNG relate to Pentex.
- vii. Wes answered questions and explained that Pentex was the parent company, then the companies created with specific purposes are underneath it.
- c. AET Arctic Energy Transportation, LLC
 - i. The loss of the T800 truck owned by Titan due to an accident affected the EBITDA on page 30.
 - ii. Chair Lee asked if we filed with the insurance company to recoup our loss of income while truck was repaired. No.
- d. IGU - Combined
 - i. Wes explained we are expecting \$1.9 million in revenue in addition to what we budgeted due to the hospital. It is projected we will be ahead overall by \$389,000.
 - ii. Our average daily use is at 35,000 gallons daily, which rises to 42,000-50,000 daily later in the winter.
 - iii. Mary asked about portions of the school system on gas. Wes explained some schools have gas and choose not to use it.
- e. Bank Statements
 - i. Wes will be transferring money from savings account to pay bills.

III. Closing Comments

- a. Mr. Durham stated that Wes does an outstanding job.
- b. The Finance Committee recommend that the IGU Board accept the October 2018 Financial Report as presented at their meeting. Moved by Mr. Durham, Seconded by Mr. Bishop. Motion carried.
- c. Meeting adjourned @ 1:29 pm.
- d. The next meeting will be January 8, 2019.

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

	Oct 2018 (Actual)	Oct 2018 (Budget)	Oct 2018 (Variance)	Footnote
STATEMENT OF NET POSITION				
<u>Assets and Deferred Outflows of Resources</u>				
Property, plant and equipment				
Gas plant in service, at cost	751,274	2,921,811	(2,170,537)	
Less: Accumulated provision for depreciation	13,735	13,735	0	
Net plant in services	737,540	2,908,077	(2,170,537)	
Gas plant held for future use, at cost	22,258,726	22,258,126	600	
Construction work in progress	6,015,017	7,004,397	(989,379)	
Net property, plant and equipment	29,011,283	32,170,599	(3,159,316)	(a)
Current assets				
Cash	650,157	1,203,735	(553,578)	(b)
Contracts receivable (FNSB)	202,815	0	202,815	(c)
Materials and supplies inventory	159,764	162,689	(2,925)	
Total current assets	1,012,936	1,366,424	(353,488)	
Deferred outflows of resources				
Gas plant acquisition adjustment, net of amortization	0	0	0	
Total assets and deferred outflows of resources	30,024,219	33,537,023	(3,512,804)	
<u>Liabilities and Net Position</u>				
Current liabilities				
Current maturities of long-term debt	0	155,357	(155,357)	(d)
Accounts payable	57,474	33,374	24,100	(e)
Construction payables	0	575,400	(575,400)	
Other current and accrued liabilities	0	269	(269)	
Total current liabilities	57,474	764,400	(706,925)	
Noncurrent liabilities				
Long-term debt, less current maturities				
AIDEA line of credit	29,346,778	30,002,178	(655,400)	(f)
GVEA - Land contract	0	1,798,126	(1,798,126)	(d)
Total noncurrent liabilities	29,346,778	31,800,305	(2,453,526)	
Net position				
Net investments in capital assets	737,540	954,594	(217,054)	
Restricted - Unexpended loan funds	323,970	666,667	(342,696)	
Unrestricted	(491,836)	(648,942)	157,105	
Total net position	569,674	972,319	(402,645)	
Total liabilities and net position	29,973,926	33,537,023	(3,563,097)	

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

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STATEMENT OF OPERATIONS

Operating revenues

	Oct 2018 (Actual)	Oct 2018 (Budget)	Oct 2018 (Variance) fav/(unfav)	Footnote	YTD 2018 (Actual)	YTD 2018 (Budget)	YTD 2018 (Variance) fav/(unfav)
Contract revenue - FNSB	140,474	35,338	105,136	(g)	202,815	150,309	52,507
Total operating revenue	140,474	35,338	105,136		202,815	150,309	52,507

Operating expenses

Administration and general expenses	140,006	35,338	(104,668)	(h)	202,498	150,309	(52,189)
Depreciation	300	300	0		1,202	1,202	0
Total operating expense	140,306	35,638	(104,668)		203,699	151,510	(52,189)
Operating income (loss)	167	(300)	468		(884)	(1,202)	318
Net operating margin %	0.1%	-0.9%	1.0%		-0.4%	-0.8%	0.4%

Non operating income (expense)

Interest income	0	0	0		150	0	150
Other Income - transfer in (out)	0	0	0		0	317,054	(317,054)
Total non operating income (expense)	0	0	0		150	317,054	(316,904)
Change in net position	167	(300)	468		(734)	315,852	(316,586)
Net position - beginning of period	569,507	972,619	(403,113)		570,408	656,467	(86,059)
Net position - end of period	569,674	972,319	(402,645)		569,674	972,319	(402,645)

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

	Oct 2018 (Actual)	Oct 2018 (Budget)	Oct 2018 (Variance) fav/(unfav)	YTD 2018 (Actual)	YTD 2018 (Budget)	YTD 2018 (Variance) fav/(unfav)
STATEMENT OF CASH FLOWS						
Increase (Decrease) in Cash						
Cash flows from operating activities						
Cash received from other governments and customers		35,338	(35,338)	153,010	562,815	(409,805)
Cash paid to suppliers, employees and affiliates	(33,565)	(35,338)	1,773	(200,237)	(208,108)	7,871
Interest and dividends received	0	0		150	0	150
Net cash provided by (used in) operating activities	(33,565)	0	(33,565)	(47,077)	354,707	(401,784)
Cash flows from capital and related financing activities						
Proceeds from issuance of long-term debt	0	575,400	(575,400)	0	655,400	(655,400)
Purchase of property, plant and equipment	0	0	0	0	(217,054)	217,054
Construction work in progress (Distribution)	0	0	0	(28,491)	0	(28,491)
Construction work in progress (Storage)	(6,489)	(575,400)	568,911	(42,685)	(575,400)	532,715
Net cash provided by (used in) capital and related financing activities	(6,489)	0	(6,489)	(71,176)	(137,054)	65,877
Cash flows from investing activities	0	0	0	0	0	0
Net cash provided by (used in) investing activities	0	0	0	0	0	0
Net increase (decrease) in cash	(40,054)		(40,054)	(118,253)	217,654	(335,907)
Cash at beginning of period	690,211	1,203,735	(513,524)	768,410	986,081	(217,671)
Cash at end of period	650,157	1,203,735	(553,578)	650,157	1,203,735	(553,578)
Reconciliation of Net Income (Loss) to Net Cash						
Provided By (Used in) Operating Activities						
Operating activities:						
Operating income (loss) for the period	167	(300)	468	(884)	(1,202)	318
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Depreciation and amortization	300	300	0	1,202	1,202	0
Interest income	0					
Other income	0	0	0	150	317,054	(316,904)
(Increase) decrease in assets:						
Contract receivable	(140,474)	0	(140,474)	(49,805)	95,453	(145,258)
Deposits and other current assets	(200)	0	(200)	(200)	4,130	(4,330)
(Increase) decrease in liabilities:						
Accounts payable	56,349	0	56,349	(33,273)	(61,929)	28,656
Accrued wages & burden	0	0	0	(14,559)	0	(14,559)
Net cash provided by (used in) operating activities	(83,857)	(0)	(83,857)	(47,077)	354,707	(401,784)



INTERIOR GAS UTILITY

CLEAN LOW COST NATURAL GAS FOR THE INTERIOR

Variance to Budget Footnotes October 31, 2018

(a) - Utility Plant was \$3.1M¹ under budget due to a timing difference of actual project cost and budgeted project cost. Year to date Utility Plant activity were as follows at October 31, 2018:

(\$ in thous)	Actual	Budget	Variance
Beginning Utility Plant net of accumulated depreciation, July 1, 2018	\$ 28,980	\$ 28,863	\$ 117
Capital Additions			
North Pole Storage Project	43	2,171	(2,128)
Construction Work in Progress - Phase II	2	1,151	(1,148)
Less accumulated depreciation	(14)	(14)	-
Ending Utility Plant net of accumulated depreciation, October 31, 2018	<u>\$ 29,011</u>	<u>\$ 32,171</u>	<u>\$ (3,160)¹</u>

(b) - Cash was \$544K¹ lower than budgeted due to no transfer of cash from FNG was required for operational activities. Year to date cash activities were as follows at October 31, 2018:

(\$ in thous)	Actual	Budget	Variance
Beginning cash, October 1, 2018	\$ 690	\$ 1,204	\$ (514)
Net Increase/(Decrease) resulting from the following:			
Cash flows from operating activities	(34)	-	(34)
Cash flows capital and related financing activities	(6)	-	(6)
Cash flows from investing activities	-	-	-
Ending cash, October 31, 2018	<u>\$ 650</u>	<u>\$ 1,204</u>	<u>\$ (554)¹</u>

(c) - Contracts receivable was \$203K¹ higher than budget due to the budget accounts for contract billing to be paid in the same month billed. The contract is actually paid quarterly. Accounts receivable activities were as follows at October 31, 2018:

(\$ in thous)	Actual	Budget	Variance
Beginning accounts receivable, October 1, 2018	\$ 62	\$ -	\$ 62
Addition - Billings	140	35	105
Payments received	-	(35)	35
Ending accounts receivable, October 31, 2018	<u>\$ 203</u>	<u>\$ -</u>	<u>\$ 203¹</u>

(d) - Current maturities of long-term debt and GVEA - Land contract were \$155K and \$1.8M, respectively, lower than budget due to no purchase of the land from GVEA. It is, however, still expected to be purchased later in the fiscal year.



INTERIOR GAS UTILITY

CLEAN LOW COST NATURAL GAS FOR THE INTERIOR

Variance to Budget Footnotes October 31, 2018

(e) - Accounts payable was \$24K¹ over budget largely due to late billing by FNG for executive, accounting and administration services from July thru October allocated to IGU and no payment issued during the month. Accounts payable activities were as follows at October 31, 2018:

(\$ in thous)	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Beginning accounts payable, October 1, 2018	\$ 27	\$ 33	\$ (6)
<u>Additions</u>			
Vendor purchases	70	\$ 33	37
<u>Reductions</u>			
Payments to vendors	(40)	\$ (33)	(7)
Ending accounts payable, October 31, 2018	<u>\$ 57</u>	<u>\$ 33</u>	<u>\$ 24 ¹</u>

(f) - AIDEA line of credit (Construction) was \$655K lower than budget due to the budgeted draws were not required for construction. I do not expect to require these funds for current year projects.

(g) - Contract revenue - FNSB was \$105K¹ higher than budgeted due to late billing by FNG for executive, accounting and administration services from July thru October.

	<u>Actual</u>	<u>Budget</u>	<u>F (U) Variance</u>
Reimbursement requests	\$ 140	\$ 35	\$ 105
Total for October, 2018	<u>\$ 140</u>	<u>\$ 35</u>	<u>\$ 105 ¹</u>

(h) - Administration and general expenses were \$105K over budget for October due to late billing by FNG for executive, accounting and administration services from July thru October.

Alaska LNGo				Last Update: January 18, 2019	Today's Date January 18, 2019		Comments
Line Item No.	Description	Due Date	wk day	SGT Responsible Party	Complete (Y/N)	Status / Work Days Remaining	
	Objectives and Key Milestones						
0.01	Siemens PM020	15-Aug-18	We	Peter/Dan/Greg/Kelly	Y	Complete	
0.02	Submit Preliminary Proposal inclusive of draft LSA	17-Aug-18	Fr	Seamus/Peter/Kelly/Greg	Y	Complete	
0.03	IGU review - submit comments	31-Aug-18	Fr	IGU	Y	Complete	
0.04	Submit response to comments	5-Sep-18	We	Peter/Kelly/Greg	Y	Complete	
0.05	Develop MOU for IGU	12-Oct-18	Fr	Peter	Y	Complete	
0.06	IGU signs MOU	24-Oct-18	We	IGU	Y	Complete	
0.07	LNG Supply Contract Negotiations	17-Dec-18	Mo	IGU/Siemens	Y	Complete	
0.08	Robin to supply 3 sections of term sheet	TBD		IGU	N		TBD pending ownership resolution
0.09	Siemens edits to term Sheet	TBD	##	Siemens	N		TBD pending ownership resolution
0.10	Mark/Brown to supply 'financier information' packet to Siemens	31-Dec-18	Mo	IGU	Y	Complete	
0.11	Finalize LNG Supply Contract Terms	TBD	##	IGU/Siemens	N		TBD pending ownership resolution
0.12	Finalize Titan Integration Plan	TBD	##	IGU/Siemens	Y	Complete	plan agreed upon during negotiations
0.13	Finalize LNG Supply Contract	14-Feb-19	Th	IGU/Siemens	N	20	
0.14	Alaska RR Firm Agreement	21-Feb-19	Th	Siemens	N	25	
0.15	Siemens PM04c	1-May-19	We	Siemens	N	74	
0.16	Deliver Firm Fixed \$/Mcf per LNG Supply Contract Terms	30-May-19	Th	Siemens	N	95	
0.17	Execute Trigger Contracts/LNG Supply Contract with Knik Tribe	28-Jun-19	Fr	IGU/KI/Siemens	N	116	
0.18							
1.00							
1.01	First round LSA negotiations (now known as Liquefied Natural Gas Supply Contract - LNG SC)	19-Sep-18		IGU/Siemens	Y	Complete	
1.02	Second round LNG SC negotiations (via TVC)	11-Oct-18		IGU/Siemens	Y	Complete	Resulted in Robin wanting to draft LNG SC, r/w with board, then deliver to Siemens
1.03	Robin delivers to Siemens New LNG Supply Contract Terms Sheet	31-Oct-18	We	IGU	Y	Complete	see below
1.04	Robin delivers to Siemens New LNG Supply Contract Terms Sheet	29-Nov-18	Th	IGU	Y	Complete	30 days late
1.05							
1.06	Siemens review/initial response to Draft IGU LNG Supply Contract	14-Dec-18	Fr	Siemens	Y	Complete	
1.07	IGU to provide current and projected \$/Mcf	14-Dec-18	Fr	IGU	Y	Complete	
1.08							
1.09	Execute Alaska Railroad Contract	28-Jun-19	Fr	Siemens	N	116	TBD pending ownership resolution
1.10	Execute LNG Supply Contract	28-Jun-19	Fr	IGU	N	116	
2.00	Engineering						
3.00	Project Management						
4.00	Supply Chain Management						
5.00	Structured Finance						
6.00	Legal/Contracts						
7.00	Proposals						
8.00	Siemens Dresser Rand						
9.00	Knik Tribe/Knikatu Inc						

IGU Action Item List

Item	Action	Responsible Person	Date Initiated	Due Date	Status	Notes
1	Difference in cost for one train versus two trains	Dan Britton		End of December	Completed	
2	Storage levels in any given year as we grow our demand and recognize our security of supply	Dan Britton		End of December	Completed	
3	Dan provide Financial Analysis to Siemens	Dan Britton			Completed	
4	Work w AIDEA (Alan Sheppard) and complete full DNR analysis, determine if we can move fwd w an appeal; report to BOD	Dan Britton	12/18/18		Board Meeting 1/22/2019	Appeal filed by AIDEA
5	Discussion of Board Communications in compliance with Public Meetings Act	IGU Attorney	01/08/19	Work Session 1/15/2019	Board Meeting 1/22/2019	
6	Final Decision on North Slope Pad	IGU Board	12/18/18	01/22/19	Board Meeting 1/22/2019	
7	Update Binders of Meeting Minutes & Attachments	Laura Steel	11/09/18	Ongoing	Ongoing	
8	Siemens Negotiations Schedule sent to BOD	Dan Britton		Weekly	Ongoing	
9	Finish modeling for comparisons	Brown Thornton		Ongoing	Ongoing	
10	Staffing plan for overall Project Management, Scope, Schedule and Budget	Dan Britton		Ongoing	Ongoing	
11	Identify gas supplies and negotiate price and terms	Dan Britton		Ongoing	Ongoing	
12	Global Plan going forward with the Utility, Update Capital Plan and Proforma	IGU Board		Ongoing	Ongoing	
13	Citizens for Clean Air Update	Director Lee		Monthly	Ongoing	
14	Siemens Negotiations Update under GM Report	Dan Britton		1st & 3rd Tuesdays	Ongoing	
15	FEED Update under GM Report	Dan Britton		1st & 3rd Tuesdays	Ongoing	
16	Hire Financial Advisors	Dan Britton		RFP issued 1/11/2019	RFP closes 1/31/2019	
17	Hire media company for updating and integrating IGU and FNG's online/internet presence	Michelle Hollowell		12/31/18	Will issue an RFP	
18	IGU Policy 09 Relationship Between the IGU Board of Directors and the General Manager	IGU Board	09/04/18	Tabled on 9/4/18		
19	IGU Policy 10 Delegation of Authority by the IGU Board of Directors to the General Manager	IGU Board	09/04/18	Tabled on 9/4/18		
20	Policy Drafted on Public Records Retention	IGU Attorney	12/13/18			
21	Ethical Procedures created	Director Nordale & IGU Attorney	01/08/19	Mid-February		
22	Consider forming a Board Improvement Committee	IGU Board	01/08/19			
23	Invitation to FNSB Assembly for tank tour	Laura Steel	01/15/19			
24	Policy No. 05 Ethics and Conflicts of Interest updated	Director Nordale & IGU Attorney		Mid-February		
25	Policy No. 05 Ethics and Conflicts of Interest; Disclosure form created	Director Nordale & IGU Attorney		Mid-February		
26	Change the Code of Ethics	Director Nordale & IGU Attorney		Mid-February		
27	Dan recommend strategy - possible lobbyist hired	Dan Britton	01/15/19			
28	FEED scope to be completed and discussed with Braemar	Dan Britton				



Considered on: January 8, 2019
Reconsidered on: January 22, 2019
Approved on:

RESOLUTION # 2019-01

A RESOLUTION OF THE INTERIOR GAS UTILITY TO NOT ACCEPT TRANSFER OF THE LEASE FOR THE NORTH SLOPE PAD FROM THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY TO THE INTERIOR GAS UTILITY

WHEREAS, the Interior Gas Utility (IGU) was formed by the three municipalities of Interior Alaska to create a public natural gas utility to expand natural gas utility service within the Interior; and

WHEREAS, the mission of the IGU from its creation has been to bring natural gas at the lowest cost possible, to the most residents of the Interior as possible; and

WHEREAS, the State of Alaska through the Alaska Industrial Development and Export Authority (AIDEA) supported the Interior Energy Project by promoting the development of a liquefied natural gas (LNG) plant on the North Slope to support the expansion of natural gas services in Interior Alaska, including providing LNG to the IGU; and

WHEREAS, development of the LNG facility on the North Slope included a gravel pad for the construction of the LNG facility; and

WHEREAS, AIDEA's efforts to develop a LNG facility on the North Slope was unsuccessful but AIDEA retained the gravel pad and Lease obtained from the Department of Natural Resources; and

WHEREAS, AIDEA purchased Pentex Alaska Natural Gas Company, LLC (Pentex) with the purpose of promoting an integrated gas distribution system in Interior Alaska; and

WHEREAS, in June 2018, AIDEA transferred ownership of Pentex and agreed to apply to DNR for the transfer of the gravel pad to IGU as part of the Purchase and Sale agreement; and

WHEREAS, the IGU was created as a public utility with the mission of expanding the delivery of natural gas services in Interior Alaska and not as a property manager that will distract the IGU from its core mission; and

WHEREAS, if the IGU were a property manager for the North Slope pad, the IGU would shoulder risks for tenants' actions on the pad that could create unnecessary financial expenses for the IGU and its customers and consume limited staff time.

NOW, THEREFORE, BE IT RESOLVED that the IGU will notify AIDEA on the first business day following the passage of this resolution that the IGU does not want and will not accept transfer of the lease for the North Slope pad to the IGU; that the IGU will not pay any expenses incurred by AIDEA in discussions to transfer the lease for the North Slope pad to IGU; and further, the IGU shall cease any and all discussions with AIDEA about transfer of this lease to the IGU at a future date.

45 Approved:

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49 Madam Chair Pamela Throop, IGU Board of Directors

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52 Laura Steel, Secretary to the IGU Board of Directors

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

Date

Date

NORTH SLOPE PAD STATUS REVIEW

IGU Board Package

January 2019

SUMMARY OF DNR'S FINAL FINDING AND DECISION (FFD)

- FFD issued by DNR dated December 12, 2018
- Maximum 30 yr general purpose lease approved by DMLW, subject to:
 - Approval of all subleases
 - Sublease Fee = 25% of all sublease payments
 - \$531,750 Gravel Payment (financing options)
 - Dismantlement, Remediation and Restoration Bonding (~\$250,000)
 - Satisfactory Pollution Liability insurance prior to development
- Annual Lease set at \$104,000 (re-appraised every 5 years)
- Entry Authorization, a requirement for subleasing, to be issued provided lease paid and Gravel Payment committed or paid

OBLIGATIONS UNDER DNR LEASE

- SPCO ROW lease closure effective with signing of new DMLW lease
- New DMLW Lease Agreement pending current appeal

Per SPCO lease, for relinquishment:

- Following the beginning of construction, required 180 days prior notice of any termination/relinquishment
- Lessee “obligated to Restore, rehabilitate and Revegetate the Leasehold to the condition ordered by the Commissioner”
- Lessee responsible for all costs to implement the orders of the Commissioner

[DISCLAIMER ON AIDEA PREPARED CASHFLOWS]

- The new DMLW lease and the PBC sublease have not been finalized. The project cashflows prepared by AIDEA include forecasts, projections and other predictive statements that represent our assumptions on DNR's application of the FFD payments, PBC's acceptance of the sublease terms, and its subsequent approval by DNR.
- We are assuming that PBC is successful in project financing and operating the proposed methanol plant and obtains ongoing revenue commitments to extend its occupancy of the pad throughout the term of the new DMLW lease.
- The cashflows have been prepared to the best of our current knowledge and do not make any estimates on the appraised value of the pad.
- No guarantee is presented or implied as to the accuracy of specific forecasts, projections or predictive statements contained herein.

REVIEW OF CASHFLOW PROJECTIONS

- Subsequent to the PSA, AIDEA has covered \$147,955 of costs through 12/31/2018
- 10/19/2018: Principles discussed for future expenses and sharing of cashflows
- Summary of projected cashflows on known interested parties, requested scenarios:

	PBC 30 Years			PBC 10yrs	
	FFD As Is	As Appealed	w/ DNR 25%	FFD As Is	As Appealed
AIDEA Share	\$147,955	\$147,955	\$147,955	\$147,955	\$147,955
IGU Share	\$1,943,768	\$2,375,569	\$2,375,569	\$308,906	\$740,796

DNR Payments	\$6,100,751	\$3,198,298	\$5,432,892	\$2,660,271	\$1,222,298
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