



Interior Gas Utility

Board of Directors Work Session & Special Board Meeting

July 17, 2018

4:00 – 7:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

AGENDA

I. Call to Order

- Roll call
- Approval of Agenda
- Public Comment – *limited to three minutes*

II. Special Board Meeting New Business

- IGU FY 19 Budget Presentation and Approval (Board Action)
- BM 2018-07 Amend Stantec Contract (Board Action) PG. 3 - 10
- BM 2018-08 Purchase Authority related to the 5.25 Large Storage tank project (Board Action) PG. 11 - 13
- Combined Utility GM/President Contract and Deferred Compensation Contract (Board Action)
- IGU Website Postings (Board Action)

III. Unfinished Business

- IGU Policies (Board Discussion)
 - Authority and Functions of Directors PG. 14 - 18
 - Relationship between Board of Directors and General Manager PG. 19 - 20
 - Delegation of Authority from Board of Directors and General Manager PG. 21 - 29
 - 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

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.

V. Other Business

- Next Agenda

VI. Director Comments

VII. Adjournment

BM2018-07
- Stantec Amendment 5



**Interior Gas Utility
BOARD MEMORANDUM
No. 2018-07**

Meeting Date: July 17, 2018

1 **From:** General Manager, IGU
2

3 **Subject: Recommendation for Amendment No. 5 to the Master Services Agreement**
4 **Contract with Stantec to increase funding for Contract Management Services**
5 **for the Interior Gas Utility in the Fairbanks Area (RFP 14014) (\$322,979.21)**
6
7

8 The Regulatory Commission of Alaska ordered the award of the service territory to the Interior Gas
9 Utility (IGU) on December 20, 2013, for a natural gas utility located within the Fairbanks North Star
10 Borough. IGU competitively solicited professional services by Request for Proposal (RFP) for
11 Contract Management to provide support for the above referenced project. On January 17, 2014,
12 IGU awarded a Master Services Agreement (MSA) to Stantec Consulting Services Inc., formerly
13 MWH Americas, Inc. (Stantec), in the amount of \$1,800,000 to provide contract service to advance
14 the natural gas project in the IGU service area. The MSA provided for an initial on-year contract
15 period with the option for renewal of up to five additional one-year amendments. The first task order
16 under the MSA was initially authorized in the amount of \$300,000; and a second task order under the
17 MSA was authorized on April 16, 2014, in the amount of \$1,495,020.48. On January 6, 2015, the
18 period of performance for the initial contract was extended to March 16, 2015, with no additional
19 increase to the contract amount. On March 3, 2015, the MSA was extended under Amendment 1, in
20 the amount not to exceed of \$1,998,784; and the period of performance was extended to May 27,
21 2016. On May 3, 2016, the MSA was extended under Amendment 2, in the amount not to exceed
22 \$1,997,074; and the period of performance was extended to June 4, 2017. On June 4, 2017 the MSA
23 was extended under Amendment 3 to January 17, 2018, with no additional increase to the contract
24 amount. On January 17, 2018 the Stantec contract was extended under Amendment 4 to January 17,
25 2019, with no additional increase to the contract amount. This amendment is to add additional funds
26 to the contract through the end of the current contract performance date of January 17, 2019 for an
27 amount of \$322,979.21.
28

29 The Contract Management Services scope of work for the remainder of the current contract period is
30 anticipated to focus primarily on project management services for the 5.25 MM Gallon LNG Storage
31 tank project along Tria Road and North Pole LNG Storage. Work efforts will also include continued
32 assistance with transitioning FNG with IGU by supporting the Board activities, transferring of
33 documents, closing the IGU office space, closure reporting of previous IGU loan with the Alaska
34 Industrial Development and Export Authority (AIDEA), assisting with the conversions process and
35 providing financial modeling as needed.
36

37 Stantec continues its commitment for not charging for items such as computers, electronics, cell
38 phones, and reproduction for the Stantec staff seconded in the IGU Fairbanks operations; this is in
39 recognition that IGU is providing similar resources at the Fairbanks location.
40

1 It is requested that the Board approve the increase funding for Amendment No. 5 to Stantec
2 Consulting Services Inc. for an additional amount of \$322,979.21. This work will continue to be task
3 order based, by which the IGU General Manger may issue task orders as the work need arises
4 throughout the contract period and will exercise discretionary budgetary authority to manage spending
5 at the task order level. The MSA is currently in its fourth amendment year and has one more
6 amendment year remaining that the MSA may be extended through.

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8 Prepared by: David J. Prusak, Project Manager,
9 Submitted by: Dan Britton, General Manager

10
11 Approved:

12 _____ \ _____
13
14 Pamela Throop Date
15 Chair, IGU Board of Directors

Amended Scope of Work

Provided is an amendment to scope of work to be provided by STANTEC for the Interior Gas Utility (IGU) for Task Orders 1 through 12; (included are amendments to current task orders that are to continue, or on-hold, or are completed). These task order numbers are kept as historically sequential for sake of consistency. The authorized budget amount for Task Orders 1 through 12 starting in April 2016 was established at \$ 1,997,074.00; this contract amendment and revised task orders are added to this amount for a new total of \$2,320,053.21. This budget amount will not be exceeded without authorization from the IGU General Manager. Work on the various revised task orders that are consistent with the previous Amendment No. 004 will continue under this amendment as well as revised work scope as described herein. Reference is made to all previous contract amendments and the original agreement with regards to historical work assigned (whether completed or deferred).

The following work will be accomplished on a time and materials basis with compensation based on the hourly rate schedule as presented in Attachment C and dated effective February 3, 2018.

Task Order 1 – Interior Gas Utility (IGU) Support

This task continues to provide support to IGU through to January 17, 2019; the focus of this task is to provide the following project support activities:

1. Contract support to the IGU for preparing the Board packet documents, public notices for Board meetings and work sessions, and various other IGU committee meetings (i.e. Finance Committee).
2. Assist in preparation of the submittal of the IGU monthly and quarterly reports/updates for the Fairbanks North Star Borough (FNSB).
3. Assist in coordination with the key agency under the USDOT PHMSA.
4. Provide assistance with information technology planning and support as requested.

Task Order 2 – Program Management Activities

To manage the IGU Program, Stantec proposes to focus on the following program management activities:

2.1 – Program/Project Management

This task provides the management of the Stantec project activities. The IGU program incorporated a seasoned staff member (performed by David Prusak, PE) to conduct day to day project management duties at the IGU Fairbanks, Alaska office under the IGU Support task; he is further supported by other STANTEC staff resources. In conjunction, STANTEC provides the services of Bruce Robson, PE, to conduct the internal project management requirements local to STANTEC and based out of the STANTEC Anchorage, Alaska office. David Prusak will leverage Bruce Robson for assistance with providing resources in support of the IGU program as well as to assist as an extension of David Prusak's role and services when requested. Project activities include coordination of the work and resources between the Fairbanks dedicated staff and the extended STANTEC virtual team. This effort includes identifying the appropriate resources and then facilitating their participation on the project in a cost-effective manner.

This work effort will include updating of the Project Execution Plan (PXP) as necessary, which was generated during the original contract scope. Intent is to reflect current scope of work, progress schedules, resourcing and communications, quality management, as well as risk management planning.

The following sections provides details as to as the management of task scopes, schedule updates and costs that are undertaken by the Project Management and Project Controls support provided.

2.2 – Task Scoping

This task will continue to provide for the development of the scope work, cost, and scheduling of future task orders that may need to be completed. The STANTEC team will provide a scope of work description and estimated number of hours and expenses to complete the task. The task order scope, estimated cost, and proposed schedule milestones used to develop new task orders will initially be presented for approval by IGU. Once the future task orders are approved, the STANTEC team will proceed to execute the tasks orders.

2.3 Update the Project Schedule & Project Controls (Cost) /Reporting

Due to the aggressive time frame for continued execution of the various projects identified in the current capital improvement program, it is important that a new program schedule be updated for all of the identified capital projects with input from IGU and other stakeholders. The Project Schedule will provide an outline for program direction and projects' progress. Contract budget will be monitored monthly along with invoicing and forecasting of monthly estimate at completions.

Task Order 3 – Comprehensive Business Plan *(deferred for future)*

This task was previously completed or deferred and therefore is reserved for future definition.

Task Order 4 –Financial Planning Activities

STANTEC (through Brown Thornton and subordinate staff) will continue to assist IGU with its financial planning activities.

4.1 Financial Planning Activities: Cash Flow, and Cost/Benefit analysis for IGU will be updated as needed to reflect actual cost and future operations and construction cost estimates. The Pro-forma cost model will be updated and/or maintained with the intent of being used as basis for decision making, what-if scenario planning including the continued integration of the IGU operations with that of the Pentex LLC's subsidiaries 'operations. These planning activities will form the basis of the Long Range Financial Plan to be formalized in Task Order 3 Comprehensive Business Planning.

4.2 Support AIDEA-Related Activities and Reporting: STANTEC will provide ongoing support for the financial planning efforts, AIDEA-related financial and planning activities, and project accounting. The Pro-Forma Financial Model along with other analysis is proposed to transferred over to the FNG financial group, and to assist with preparation of Financial Reports, which may include assistance in monitoring of funds, work item accounting, preparation of quarterly reports required by AIDEA such as the monthly Financial Report and Reimbursement Form, and preparation of AIDEA loan requests.

4.3 Support IGU Accounting Services and Annual Audit Requirements: STANTEC may assist with annual financial audit services performed by IGU. STANTEC would work closely with the integrated internal accountant and the contract auditor as requested.

Task 5 – (Reserved for Future Task)

This task was previously completed or deferred and therefore is reserved for future definition.

Task 6 – Gas Supply & Transportation/Delivery to FNSB (deferred for future)

Critical to the success of this project is the continued ability to obtain, transport, and distribute LNG to the Fairbanks certificated areas at the lowest price possible. This task may be defined later at the request of IGU.

Task Order 7 – LNG Storage, Truck Unloading and Regasification

With the integration of the FNG utility into IGU's systems, STANTEC will work closely with IGU regarding the planning and facilitation of a proposed design for immediate and future LNG storage in the North Pole area, along with continued close coordination with GVEA will be required for the placement of such facilities on GVEA property. Planning efforts to be followed with a design of the near future LNG unloading, storage and regasification using bullet tanks for supplying the IGU Phases 1 system upon completion, and IGU Phase 2 in the future. There exists the potential for also serving GVEA's North Pole generations facility in the future as sufficient LNG becomes available and an acceptable agreement is struck.

Task Order 8 – Project Management for Distribution (deferred for future)

8.1 Phase 2 Design

Phase 2 of the IGU natural gas distribution system was under contract to Michael Baker Jr. (MBJ) through 65% design phase. Further development of the MBJ 65% design, ROW acquisitions and project permitting is currently deferred to 2021. Continued design may be through a contract with MBJ or may be contracted with another firm willing to accept the 65% design documents. STANTEC would intend to lead in the project management efforts for the Phase 2 design of the natural gas distribution system with either MBJ or an alternative contractor. Stantec will facilitate the review of the current design with various stakeholders, as well as represent IGU in discussion with the agencies for permitting and ROW coordination/acquisition. Should this project come to fruition for construction, it is anticipated that this contract will likely be extended to include project management during construction as described in Task Order 9.

8.2 Future Design Phases

The IGU natural gas distribution system was originally planned to be constructed through an aggressive 6-year build out schedule. With the integration of the FNG utility and a desire to initially build out in the areas most effected by poor air quality, it is anticipated that designs will continue in the phased order as originally outlined. These design phases would incorporate planning, 35% through final design steps, geotechnical, environmental assessments and documentation, agency coordination and permitting, right-of way coordination and acquisition, and support for the construction bidding and award life cycle phases. These efforts would be accomplished through consultant teams through a competitive (qualifications based) procurement process facilitated by Stantec.

8.2 NG Distribution/Transmission Modeling and LNG Storage Design, Permitting and Construction Procurement

It is anticipated that a consultant(s) will be hired as previously described. The design for this work will be limited to conceptual design, primarily focused on an alignment and layout that will run from the GVEA power plant in North Pole, to the FNG storage facility along Tria Road.

8.2.1 Natural Gas System Planning, Hydraulic Modeling and System Optimization

This is a coordination effort to continue to model the combined FNG and IGU natural gas distribution systems to discreetly provide a foundation for continued system design and expansion. IGU has retained and developed a relationship with the Northstar Pipeline Company (dba Enstar) to provide natural gas hydraulic modeling services for the gas system since 2014. These modeling

updates and results should continue to be used and expanded upon in response to the fully integrated system development and future expansion, as well as continued operations. Modeling information and results should be integrated with the FNSB GIS data layers as it is beneficial to both the FNSB and IGU, particularly as it relates to FNG assets being integrated.

8.3 Design Standards

IGU will continue to follow the requirements of the U.S. Department of Transportation *Pipeline and Hazardous Materials Safety Administration* (PHMSA) and the Office of Pipeline Safety (OPS). Standards, Operator Qualifications and Integrity Management procedures will be developed that meet the requirements of Code of Federal Regulations (CFR) 192, TRANSPORTATION OF NATURAL AND OTHER GAS BY PIPELINE: MINIMUM FEDERAL SAFETY STANDARDS, as required for operators of natural gas pipeline systems and LNG facilities. IGU will create a safe work environment for the construction of their projects, the operation of their facilities, and their integration into the community. Standards for design criteria have been preliminarily developed. Updating and finalization of these standards should be incorporated as system designs move forward.

Task Order 9 – Project Management During Construction

The construction management efforts for 2018-19 includes the close out requirements of various permits for IGU Phase 1 natural gas distribution system; providing project management assistance for the new 5.25 million-gallon (MG) LNG storage tank under construction at FNG's Tria Road facility; and assistance with construction of the IGU North Pole LNG storage facility.

9.1 Phase 1 Construction:

STANTEC will assist with the natural gas system installed to date. This may include assets constructed by IGU as well as those assets acquired through an integration of the FNG utility. Activities may include but not necessarily limited to:

- Oversight of the existing IGU Phase 1 distribution system as to its integrity and protection.
- Interfacing with natural gas operations of the existing facilities both in the pre-charged and post charged with natural gas state.
- Oversight for the Alaska Digline and associated utility locates.
- Interactions with the public, homeowners, businesses, and governmental agencies. This may include face to face, teleconferences, emails, meetings, as well as making presentations to organizations, homeowners, or governing bodies.
- Administering the contracts to handle the material laydown yard for any preordered HDPE gas main pipe and well as the inventory control necessary as part of the PHMSA requirements and asset management for IGU.

9.2 FNG 5.25 million-gallon (MG) LNG Storage Facility

STANTEC to assist with the construction of the 5.25 MG LNG Storage Tank at the FNG Tria Road facility. STANTEC to provide the assistance of David Prusak, PE to day to day construction management oversight of the contract construction and field inspection firm(s) as well as the construction contractor under the guidance of the President and CEO of Pentex LLC. Services will include:

- Assistance with procurement of construction services, materials and equipment, and with the processing and recommendations of award for the project.
- Construction management oversight.
- Administration, review and approval of: construction pay requests, contract change orders, Owner's review and acceptance of submittals/DCVRs, daily reports, and other associated construction documentation consistent with type of project.
- Interactions with the public, homeowners, businesses, and governmental agencies. This may include face to face, teleconferences, emails, meetings, as well as making presentations to organizations, homeowners, or governing bodies.

9.3 North Pole LNG Storage Facility

Once design is completed, Stantec will provide assistance with the construction of the proposed IGU LNG storage in North Pole by providing technical oversight of contracted services; this will include:

- Administering the contracts and facilitating IGU with the procurement of construction services as well as long lead equipment and materials to meet schedules timely and assist with construction completion.
- Oversight of construction activities either directly or through management of an IGU contracted service; administration, review and approval of: construction pay requests, contract change orders, submittals, DCVRs, daily reports, and other associated construction documentation consistent with the project.
- Provision of intermittent on-site daily interface with the owner's engineer and the design-build contractor and to assist in providing quality assurance for the construction efforts.
- Facilitating permitting and interfacing for regulatory requirements.
- Public relations assistance as needed.

Task Order 10 – Public Outreach

The public outreach program will be limited to providing contract support for maintenance on the current IGU website for system updates as well as posting documents, notes, and other ancillary items as requested by IGU.

Task Order 11 – Natural Gas Conversions Program

Through the recent acquisition of Pentex LLC by IGU, Stantec has provided continued support activities associated with the development and execution of the Utility Conversions Program by the Conversion Program Lead (CPL). This included planning, coordination with steering team members and stakeholders, financing support investigations and monitoring of legislation regarding the ability to leverage on-bill financing. During the recent transition phase of IGU and Pentex LLC, Stantec has developed a transitional summary document to assist with transitioning the program from one supported by Stantec to the that of an IGU/FNG hired Conversions Program Manager for continued conversions planning and execution. With submission of the transitional document, Stantec proposes to make the CPL (Monique Garbowicz) available to provide transition support to the Conversion Program to assist with the onboarding of the proposed new IGU/FNG Conversions Manager position.

Task Order 12.0 (Reserved for Future Task)

This task was previously completed or deferred and therefore is reserved for future definition.

BM2018-08

-Concurrence 5.25 MM Gallon Storage Tank related contracts



**Interior Gas Utility
BOARD MEMORANDUM
No. 2018-08**

Meeting Date: July 17, 2018

1 **From:** General Manager, IGU

2
3 **Subject:** **Recommendation for Concurrence to FNG CEO/IGU GM to Proceed with**
4 **Related Contracts for the 5.25 MG LNG Storage Project**
5

6 On December 12, 2017 the Interior Gas Utility (IGU) Board consented to AIDEA's authorizing
7 Fairbanks Natural Gas (FNG) to proceed with the Engineer, Procure, Construct (EPC) contract to
8 build a large (5.25 MG) LNG contract and authorized a budget of \$47 M for completion of the project
9 in accordance with the Purchase & Sales (PSA) and Finance Agreements (FA) IGU had in place with
10 the Alaska Industrial Development and Export Authority.

11
12 The FNG CEO subsequently awarded an EPC contract to Preload Cryogenics, LLC December 22,
13 2017 for \$32,500,000.00 following public procurement procedures. The use of an EPC contract and
14 timing of the effort was proposed in order to meet a project completion date on or before January 1,
15 2020 and be eligible for \$15 M storage credit from the State of Alaska. This provided for an
16 immediate start of major long-term construction components while allowing for FNG to scope,
17 solicit, and award contracts for other aspects of the project that include among other items the
18 transport unloading and offloading portion of the facility, vaporization equipment, boil-off gas
19 compression, control room and appropriate security and safety components some of which have
20 already been awarded by FNG prior to IGU's purchase of the Pentex on (June 13, 2018).

21
22 Prior to IGU's purchase of Pentex the FNG CEO has solicited or awarded the following contracts for
23 goods and services that were in the plan.
24

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

25
26 It is expected that over the course of the project 5 - 10 more contracts over \$50,000 may be solicited
27 and awarded.
28

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

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Prepared by: David J. Prusak, Project Manager,

Submitted by: Dan Britton, General Manager

Approved:

_____ \ _____

Date

Chair, IGU Board of Directors

IGU Policies

- Authorities and Functions of Directors
- Relationship between the Board of Directors and the GM
- Delegation of Authority from the BOD to the GM

AUTHORITY AND FUNCTIONS OF DIRECTORS

I. OBJECTIVE

To describe the authority and major functions of the Board.

II. POLICY

- A. The business and affairs of the Utility shall be managed by a Board of seven (7) Directors which shall exercise all of the powers of the Utility except such as are by law, the Enabling Ordinance or the Bylaws.
- B. The Board shall appoint a General Manager. No member of the Board may serve as General Manager until one year after ceasing to serve as a Director. The General Manager shall perform such duties and shall exercise such authority as the Board may from time to time vest in him.
- C. Except as otherwise provided by the Bylaws, the Board may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Utility, and authority may be general or confined to specific instances.
- D. The Board shall have the power to make and adopt such rules, regulations and policies, not inconsistent with law, the Enabling Ordinance or the Bylaws, as it may deem advisable for the management of the business and affairs of the Utility.
- E. The board shall act and speak as one: being a united voice for the Utility. The Board shall adhere to the time-honored custom that its Chairman, or in his absence, the Vice Chairman, will be the spokesman for the board, except in those cases previously authorized by the Board. Board members must act with unconflicted loyalty to the interests of the Utility. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups. The interest of the Utility shall supersede the personal interest of any board member acting as a consumer of the Utility's services.

II. FUNCTIONS

- A. To maintain a legal entity charged with:
 - 1. Ensuring that the Utility complies with all applicable legal requirements, including, but not necessarily limited to:
 - a. All federal, state and local statutes and ordinances.

- b. The rules, regulations and legal requirements imposed by lending agencies.
 - c. The rules, regulations and legal requirements imposed by federal, state and local tax and regulatory agencies and commissions having jurisdiction over the Utility.
2. Selecting, appointing and reviewing annually the general counsel in consultation with the General Manager.
3. Studying, considering and approving amendments to the Bylaws to be recommended to the Fairbanks North Star Borough.
4. Reviewing and approving Cost of Service Studies and Rate Designs.
5. Reviewing and approving major contracts such as loan agreements, wholesale gas agreements, labor contracts and large construction or consulting contracts.
6. Developing and analyzing gas requirement studies and similar information to make gas supply decisions that will ensure sufficient, secure and reliable gas service for the Utility's current and projected customers.
7. Ensuring that complete and accurate minutes of the Board, and other customer meetings are prepared, approved and maintained.
8. Acting as trustee of the customers' interests with respect to:
 - a. Conducting well-planned community meetings which promote understanding of the Utility's objectives, goals, policies, plans and programs and provide opportunities for soliciting customer ideas and comments.
 - b. Keeping well-informed about changing customer expectations and how the Utility might assist in meeting those expectations.
 - c. Ensuring that the customers are informed of the results of the Utility operations through periodic publications, annual reports, community meetings and other communications, including the use of email and the Internet.
 - d. Complying with the Bylaws and Board policies.

- e. Remaining informed about, alert to and aware of the ideals and objectives of the Utility to understand and contribute to the development of policies and plans, and to address issues and concerns.
- f. Arranging for an ongoing appraisal of Board performance including outside assistance, at least every five years; developing a systematic program to keep the Board growing in its abilities and understanding.
- g. Assisting new Directors to develop a greater understanding of the Utility and their basic responsibilities and authority. An orientation will be arranged for new Directors.
- h. Ensuring that a continuous program of customer, public and governmental relations is carried out to obtain understanding and support for the Utility.
- i. Ensuring that board members are fully informed of their collective responsibilities for:
 - i. Selecting, hiring, evaluating and terminating of the General Manager.
 - ii. Providing stewardship of the planning process through active participation in strategic planning and budgets.
 - iii. Monitoring and evaluating organizational performance.
 - iv. Identifying principal risks to the ~~cooperative~~-Utility and ensuring effective systems are in place to manage these risks.
 - v. Ensuring there is an orderly transition of the board and executive management.
 - vi. Developing and reviewing policies to guide the ~~cooperative~~-Utility and its management.
 - vii. Reviewing the adequacy and integrity of internal control and management information systems.
 - viii. Establishing policies, processes and procedures for the structure, operation and evaluation of the board.
- j. To act as trustee of the customers' interests with respect to voting at subsidiary corporation shareholder/customer meetings or other organizations collectively in the best interests of the Utility with the

majority votes of directors present constituting the vote of the shareholder or customer.

III RESPONSIBILITY

- A. The Board may delegate any or all of these responsibilities to an officer or committee of the Board or the General Manager, so long as such action is consistent with the Bylaws and other legal requirements.
- B. It shall be the responsibility of the Chairman of the Board to ensure that the foregoing functions are carried out.

RELATIONSHIP BETWEEN THE BOARD OF DIRECTORS AND
THE GENERAL MANAGER

I. OBJECTIVE

To establish a policy governing the basic relationship between the Board and the General Manager of the Utility, including the ground rules for delegations of authority.

II. POLICY

The Board recognizes, establishes and shall adhere to the following guidelines in its relationship with the General Manager:

- A. It is recognized that good management is a very important factor in the success of the Utility. Good management requires a strong and effective Board, General Manager and staff, as well as dedicated and capable employees. In exercising its responsibilities, the Board reserves the authority to exercise all of the powers of the Utility except those that are by law, enabling ordinance or the Bylaws.
- B. The Board recognizes the responsibility and need to establish policies, approve plans and programs, appraise results achieved and delegate authority to the General Manager to execute and carry out plans, programs and policies. The General Manager shall, among other things, be responsible for the hiring of capable personnel, determining compensation within the approved wage and salary plan and policy, training, supervising and terminating, if necessary.
- C. All policies of the Board shall be adopted by the Board at regular or special meetings.
- D. The Board recognizes that if a Director makes or attempts to make commitments for the Board, without the authority of the Board to do so, that Director has committed a serious breach of policy. A Director shall be subject to reprimand by his fellow Board members should he attempt to make commitments unofficially for the Board. The Board shall adhere to the time-honored custom that its Chairman, or in his absence, the Vice Chairman, will be spokesman for the Board, except in those cases previously authorized by the Board.
- E. It shall be the policy of the Board to refrain as individuals from discussing management and personnel matters with personnel of the Utility. The Board, in consultation with the General Manager, may confer with key personnel at regular or special meetings of the Board.
- F. It is and shall be understood that the "flow" of authority for the management of the Utility is through the Board to the General Manager. The Board shall require full

and complete information from the General Manager concerning the management of the Utility as set forth in Board policies.

- G. The Board recognizes that efficient management of the Utility can exist only if there is mutual understanding and complete cooperation between the Board and the General Manager. The General Manager is expected to produce results and to account to the Board for his stewardship. His performance cannot be the best unless he has latitude to exercise independent judgment in executing policies of the Board. The Board extends that latitude to the General Manager.
- H. The Board recognizes its responsibilities for the employment of the General Manager and for a systematic, annual appraisal of the General Manager's performance in order that growth, development and effective improvements are encouraged. Salary adjustments for the General Manager shall be recommended by the Board meeting as a Committee of the Whole with action taken at the next regular Board meeting.

III. RESPONSIBILITY

- A. The Chairman of the Board shall be responsible for directing the attention of Board members to violations of this policy.
- B. The Chairman of the Board shall see that the performance of the General Manager is appraised at least once each year by the Board as a Committee of the Whole, with a report made at the next regular Board meeting and the results discussed with the General Manager.

DELEGATION OF AUTHORITY BY THE BOARD OF DIRECTORS
TO THE GENERAL MANAGER

I. OBJECTIVE

To provide for the Board to delegate authority to the General Manager thereby (1) enabling him to direct the operations of the Utility; and (2) specifying reporting requirements of the General Manager to the Board.

II. POLICY

Authority for accomplishing the following is hereby delegated by the Board to the General Manager:

A. Planning

1. Policies
To formulate the policies of the Utility to be recommended to the Board for their consideration. Such policies shall be reviewed by the General Manager biannually and a recommendation made to the Board as to any suggested revisions.
2. Objectives
To develop the viewpoints, objectives and goals of the Utility and to review annually these objectives and goals, as well as the results achieved, with the Board or a committee of the Board.
3. Long and Short Range Plans
To conduct studies, with outside consultants if necessary, and recommend to the Board short and long range plans, including plans in such areas as system studies, work plans, gas requirements and gas supply, financial forecasts, energy management, customer and public relations, construction and facilities, and to report to the Board concerning such plans.
4. Work Plans and Budgets
To formulate annual work plans and budgets for the Utility and recommend them to the Board or a committee of the Board for their consideration, and to provide detailed monthly reports of revenue, expenses and other results compared to such budgets.
5. Legislation
To analyze and determine state and federal legislative and regulatory matters to be proposed, supported or opposed.

B. Organization

1. Organization Structure
 - a. To review periodically activities of the Utility and to determine the organization structure best suited to carry out the overall objectives of the Utility within the limitations of the budget.
 - b. To determine the need for additional positions, the transfer, reassignment or elimination of present positions, and to effect such changes, provided they are within the limitation of the personnel costs of the approved budget.
2. Selection of Personnel
 - a. To develop or approve standards and qualifications for use in the recruitment, transfer and promotion of personnel. Such standards and qualifications shall meet all applicable federal and state legal requirements.
 - b. To select, appoint, transfer, promote and terminate personnel.
3. Training
 - a. To ensure that staff members are trained in accordance with the qualifications and requirements of their positions.
 - b. To initiate and promote training programs for all personnel within the limitations of the approved budget, including the sending of personnel to training programs outside the organization.
4. Performance Appraisals
 - a. To appraise, at least annually, the performance of staff who report directly to the General Manager and to counsel with them and assist them to develop and improve their job skills.
 - b. To ensure that an annual performance appraisal program is established and carried out for all personnel and that compensation adjustment for those outside the bargaining units is based primarily on appropriate market comparators and performance.
5. Position Descriptions
To ensure that written job descriptions are prepared and reviewed as necessary for all personnel.
6. Employee Benefits

To administer or approve activities and actions with respect to annual leave, holidays, and other employee benefit programs within established policies and within limitations of the budget; to present annually to the Board a report describing the employee benefits, the cost of such benefits to the employee and the Utility, and a comparison of direct and indirect payroll costs.

7. Consultants

- a. To select and appoint consultants and to negotiate contracts or agreements for services of such consultants within the limitations of the work plan and budget, and to advise the Board of actions taken.
- b. The General Manager shall present proposed unbudgeted consultant contracts to the Board for approval.
- c. To report to the Board annually in November on services provided and the fees paid to consultants in conjunction with the budget process.

Commented [DB1]: I am not sure if this is related to a Calendar Year, and what its purpose is?

8. Wage and Benefit Administration

- a. To develop a systematic wage and benefit plan and present it to the appropriate Board committee for review and recommendation to the Board.
- b. To determine all salary adjustments, except the General Manager's, within the Board-approved wage and benefit plan and policy and within the limitations of the budget.

A report is to be provided to the Board annually on the administration of the wage and benefit plan.

- c. To evaluate new positions and reevaluate existing positions if their responsibilities and authority change substantially and, as a result of such evaluation or reevaluation, appropriately place these positions in the wage and benefit plan.

9. Labor Relations

- a. To negotiate labor contracts, with or without consulting assistance, and make recommendations to the Board.
- b. To administer approved labor contracts and see that supervisors understand the provisions of the contracts and their administration.

C. Operations

1. Overall Administration

- a. To direct the day to day operations and activities of the Utility; to delegate authority to supervisory staff; and to authorize further delegations of authority to other levels of management with full recognition that the General Manager cannot be relieved of overall responsibility.
- b. To manage operations of the Utility in accordance with the policies of the Board and in accordance with policies and procedures of lending institutions, and in compliance with applicable federal, state and local laws.
- c. To designate an appropriate person to serve as Acting General Manager in the absence of the General Manager. If the General Manager dies, resigns, is terminated or becomes incapacitated, this person shall serve as Acting General Manager until the Board takes appropriate action, at a meeting to be convened as soon as possible.
- d. To ensure that staff advice and assistance is provided to the Board and its committees, and to participate in the activities of these committees as requested or required.
- e. To accept or respond to invitations to participate in or designate other staff members to participate in national, regional, state and local meetings which further the interests of the Utility, within the limitations of the Board policy and the approved budget. If participation by the General Manager in such activities requires substantial time over a sustained period, such participation is subject to Board approval.
- f. To serve as the authorized spokesperson for the Utility and to keep the Board up to date and well informed.

2. Customer Services

To direct customer services in such areas as, but not necessarily confined to, public and customer relations, load management, energy conservation, communications and research.

3. Legislation
 - a. To develop and carry out a legislative program that is consistent with Board policy and that furthers the Utility's mission and strategic initiatives. Such a program shall include, but not be limited to, research, preparation and the presentation of testimony to appropriate committees, and consultation with members of Congress, the State Legislature and state, federal and local administrative and regulatory agencies.
 - b. To participate with allied groups for the purpose of enhancing their understanding and support of the Utility's legislative and regulatory objectives and programs.
4. Financial
 - a. To ensure that expenditures are made in accordance with the approved budget and policies.
 - b. To invest and reinvest funds as provided for by policy.
 - c. To authorize and approve the travel expenses of personnel on Utility business within the limitations of the budget and within established policy; to see that such expenses are supported by itemized expense accounts with receipts attached, as appropriate. The General Manager's expenses shall be reviewed by the Board at least quarterly.
 - d. To approve accounting systems, procedures, statistics and types of reports necessary for sound financial management, required by lending and regulatory agencies and useful to the Board for control purposes.
 - e. To purchase or lease all required equipment, vehicles, hardware, furniture, materials and supplies, within the guidelines of the budget. All purchases shall comply with lender policies and procedures. All purchases of major equipment or large quantities of materials for transmission or distribution lines, regulator stations, storage, transportation and associated facilities shall be accomplished, if required, through competitive bidding.
 - f. To negotiate contracts for construction in accordance with policy manual procedures and to submit such contracts for Board approval when required by Board policy. Once approved, to ensure the contracts shall be awarded in strict accordance with lender procedures so that completed construction may be reimbursed from loan funds without delay.

- g. To execute and deliver in a timely manner purchase orders or contracts for projects approved by the Board.
- h. To approve and sign changes of contracts previously approved by the Board, as specified in Board policy.
- i. To authorize and execute on behalf of the Utility contractual agreements with customers, contractors, municipal bodies or governmental agencies or departments for the sale of gas and related use of gas facilities.
- j. After authorization of bond issuance by the Board, to see that the documentation necessary for the issuance of bonds is prepared and necessary approvals are obtained, and to negotiate with financing institutions for the sale of such bonds with the goal of achieving the lowest possible financing costs.
- k. To determine the type and extent of insurance coverage required for effective risk management, to negotiate purchase of such coverage and to report to the Board annually.
- l. To authorize individual memberships in civic clubs and organizations and Utility memberships in local organizations in which his membership or the membership of staff members would be beneficial and to authorize payment of dues by the Utility within the limitations of the budget.
- m. To execute and deliver on behalf of the Utility agreements essential to the management of the Utility, such as affidavits, agreements and leases.
- n. To negotiate franchises and execute all petitions and documents in relation thereto; to acquire easements, storage and regulator sites and execute, deliver and accept documents relating thereto; to execute and deliver environmental studies and reports; to apply for permits relating to the operations of the Utility; and to design, route and determine the site of the facilities.
- o. To perform all acts necessary or incidental to the management of the operations of the Utility, unless such acts are specifically reserved to the Board pursuant to law, the Bylaws or Board policies.

5. Controls

- a. Operations
To report to the Board concerning conformity of operations with approved policies and programs, to recommend any revisions requiring Board approval and to direct any remedial action required.
- b. Finances
To keep the Board informed of the Utility's financial position and its progress in relation to financial plans and forecasts; and to see that all persons who have access to cash or are responsible for purchasing materials are bonded or covered by insurance procured by the Utility in accordance with requirements imposed by the lending agencies and the Board.
- c. Budgets
To report monthly to the Board on revenues and expenditures compared to budget; to recommend revisions as necessary, and to direct any necessary remedial action.
- d. Annual Financial Audit
To participate with the Board and the auditor in the review of the annual financial audit and management letter and to direct any remedial action required; and to ensure that the management letter and audit report are provided to each Board member prior to the meeting at which they are to be discussed.
- e. Materials Management
 - 1. To determine the required amount of and to establish proper control of all physical inventories for the purpose of minimizing investments in inventories for operating and construction needs.
 - 2. To ensure that a system is established to account accurately for all materials used.
- f. Customer Concerns
To keep the Board informed of customer concerns and to take any corrective action required or to recommend appropriate revisions in Board policy.

- g. Reliability of Service
To submit annually to the Board a report on service reliability and any remedial action taken.
 - h. Bylaws
To report to the Board or a committee of the Board, following review with the general counsel, his recommendations for amendment of the Bylaws if any. Such reports shall be made as required, but a complete review shall be made at least once every three years.
 - i. Availability of Gas Supply
To keep the Board informed regarding load growth compared to the gas requirements studies and to recommend plans to meet anticipated growth to ensure an adequate and reliable gas supply for the customers at the best value consistent with sound business practices.
 - j. Rates
To study ~~power-gas~~ and other costs compared to projections and to recommend to the Board, as far in advance as possible, any changes in retail gas rates necessary to maintain financial strength and stability, to meet equity objectives, to establish a competitive position and to meet all requirements of lending and regulatory agencies.
 - k. Construction
To review construction practices with staff to make sure projects are being constructed in accordance with lender policies and prudent utility practices and procedures so that reimbursement for completed construction can be obtained promptly.
 - l. Internal Auditing
To assess the adequacy, effectiveness and efficiency of the systems of control within the organization and the quality of ongoing operations against policies and procedures established by management and the Board, and rules and regulations of lending institutions, as well as applicable federal, state and local laws.
6. Corporate Goodwill and Donations
- a. The General Manager may approve donations of not more than \$500 per donation, not to exceed \$5,000 per calendar year; all other donations must be approved by the Board.

- b. All approved donations shall be made by check, with no allowance for gas bill credits.

III. RESPONSIBILITY

- A. The General Manager shall keep the Board informed as to the manner in which he has performed these delegated responsibilities. The General Manager may make further delegation of responsibilities to his staff as required.
- B. The Board is responsible for approving any changes in the delegation of responsibility to the General Manager.
- C. The Chairman of the Board shall be responsible for seeing that the performance of the General Manager is appraised at least once each year by the Board as a Committee of the Whole, with a report made at the next regular Board meeting and the results discussed with the General Manager.