



Interior Gas Utility

Board of Directors Board Meeting

June 7, 2016

4:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

AGENDA

I. Call to Order

- Roll call
- Approval of Agenda
- Approval of May Minutes – 5/3, 5/17
- Public Comment – *limited to three minutes*

II. Unfinished Business

- Consent Agenda, P & P No. 5
- Consideration for Approval of FY 17 Operating Budget
- Interior Energy Project

Move to go into executive session to discuss matters that if discussed in public would violate IGU's non-disclosure agreements and/or matters involving ongoing negotiations which if immediately known would clearly have an adverse effect on IGU finances. This includes negotiation of contracts for natural gas supply, LNG production, transportation, delivery, storage of LNG, gas operator, transfer of control of FNG/Pentex assets from AIDEA, gas sales, and modeling, financing and other negotiations related to the Interior Energy Project.

III. New Business

IV. Reports

- Approval of March Financial Reports
- General Manager
- MWH
- Monthly Status Reports

V. Adjournment

- Next Agenda
 -
 -
 -

VI. Director Comments

VII. Adjourn



Interior Gas Utility

Board of Directors Board Meeting

May 3, 2016

4 PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

DRAFT Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday May 3, 2016 at the IGU, Fairbanks, Alaska. IGU Board Chairman, Mike Meeks, presiding.

Others in attendance were: Jomo Stewart (General Manager) Rene Broker (FNSB Attorney), Mindy O'Neill (MWH), David Prusak (MWH), David Carlisle (VISTA), Brown Thornton (MWH), Monique Garbowicz (MWH), Jeff Stepp (FNSB Mayor's office), Ted Johnson, Jim Chowanec

I. Call to Order

- Roll call

Board Members Present:

Mike Meeks

Frank Abegg

Steve Haagenson

Bill Butler – arrived at 4:30

Aaron Lojewski – arrived at 4:09

Pamela Throop

Jack Wilbur – arrived at 4:12

With four members present, a quorum was established to conduct business.

- Approval of Agenda

Ms. Throop requested an amendment to the agenda to hear New Business before the Executive Session. **Mr. Abegg** seconded the motion and the agenda as amended was approved.

- Approval of April Minutes 4/5, 4/19

Mr. Haagenson moved to approve the minutes from 4/7 Board of Directors Meeting;

Mr. Abegg seconded the motion and the minutes were approved.

Mr. Haagenson moved to approve the minutes from 4/19 Work Session Meeting; **Ms. Throop** seconded the motion and the minutes were approved.

- Public Comment

none

II. Reports

- Approval of February Financial Reports

Mr. Abegg moved to approve the February 2016 financial reports; **Ms. Throop** seconded the motion and the reports were approved.

The capital budget will be presented at the May work session.

- General Manager

Mr. Stewart updated the board of directors on financials and has signature authority for financial accounts, including bill.com

Continuing discussion with Alasconnect regarding payment for services. To date, services rendered have been donated to IGU, as revenue was originally expected by the third quarter of 2016.

PHMSA documents are to be updated to reflect Mr. Stewart's position as IGU GM.

Finance committee met 4/26, reviewed the March financial statements and discussed draft FY17 operating budget, which will be up for consideration and approval by the board in June.

Three IGU Resolutions likely need consideration of modification for Mr. Stewart's position as IGU GM.

All insurance carriers representing contractors have been notified pertaining to outstanding legal issues from Zone C, Phase 1 work.

Attorney John Burns is available for review of term sheets related to LNG facility and gas contracts. **Ms. Broker** added that Mr. Burns has also been approved by the insurance providers in Zone C to represent IGU to handle matters of defense.

An extension request was submitted last week to the FNSB for the contract to provide support of IGU through December 31, 2016 and request FNSB assistance in securing the state grant currently set to expire on 30 June, 2017. The FNSB replied that extensions for both the contract and grant have been approved through them and DCCED.

Mr. Lojewski arrived at the meeting at 4:09 pm.

The most recent gas operator proposal is being reviewed, with analysis of the proposal being conducted on a comparative basis. The operator is encouraging engagement and negotiations are ongoing.

GVEA discussions regarding gas purchase and further partnering on items such as shared and separate responsibilities, use of property, storage and additional facilities, high pressure vaporization and transmission lines, etc., are ongoing, and price-contingent. A non-binding term sheet related to gas purchase has been drafted and is under internal review.

IEP negotiations regarding gas supply, liquefaction and utility integration continue, to be discussed under the IEP Update Agenda item.

Mr. Wilbur arrived at the meeting at 4:12 pm.

Mr. Stewart reviewed the contents of a letter sent to the Attorney General's office regarding eligibility of storage tax credits and use of funds through the IEP funding stream. He noted the AIDEA Board Chair and members showed concern about the contents of the letter. Ultimately, after AIDEA project team gave assurances regarding storage credits and that use of SETS loan funds will be appropriately used, Mr. Stewart requested AG staff delay work of this request.

HB 145 could be a subject of concern for IEP funding as the tax credits may only be available through capital appropriation.

It was clarified that AIDEA is using the same model as is being used by IGU to determine the price of gas. Ongoing weekly meetings are scheduled with AIDEA staff to fully develop the scope and project.

IGU negotiating team remaining cognizant of GVEA purchase parameters as it works to achieve IEP agreements.

- **MWH**

Mr. Prusak updated the board on the progress to combine IGU and FNG and has received the NDA from the attorneys involved and work can begin on due diligence.

Telemetry issues are being addressed. Contractor has been dispatched a few times to look at individual issues. Anticipate final work in Phase 1 to begin in June.

Mr. Prusak reminded the board about the May 17 board training from 11-3 in the Usibelli board room located on the second floor of the Key Bank Building. Directors are requested to fill out the survey sent by Mr. LaFever.

- **Monthly Status Reports**

Mr. Prusak directed the board to the reports included in the packet. He explained that one area in the Phase 1 distribution system is losing pressure and PDC is working on locating and preparing for work to investigate the issue.

Mr. Butler arrived at the meeting at 4:34 pm.

III. Unfinished Business

- **FY 17 Operating Budget**

Finance committee recommended 4 to 5 changes and Budget is being updated to reflect those recommendations. Updated Budget, with explanations of changes will be

presented to the board at the Work Session on May 17, for consideration and approval at the Board Meeting on June 7, 2016.

- Approval of MWH Contract

Mr. Haagenson made the motion approve the recommendation that the Board approve Amendment No. 2 to MWH Americas, Inc. for a not to exceed amount of \$1,997,074, and for the work to continue as task order based, by which the IGU General Manager will issue task orders as the work need arises throughout the contract period, and will exercise discretionary budgetary authority to manage spending at the task order level.

Mr. Butler seconded for the purposes of discussion.

The Directors discussed the provision allowing for funds to be shifted from task to task as needed by the project, and as approved by the GM, not to exceed the final authorized amount. This allows for flexibility and responsive to the project needs and is limited by the not to exceed amount. Contract amendments were made for specific allowances previously for construction. The question was raised if authorized amounts not spent under previous budgets are available to be used in the future, with staff to verify.

Confirmation was requested on the extension language of the contract. In addition, staff was requested to provide clarification on the culmination of task amounts specified throughout the scope of work document.

The Directors discussed the amount of money allocated despite not constructing Phase II in the upcoming year. However, the track record of the contractor, MWH, was noted to have been well-managed and under budget, giving confidence to the board that such prudence would continue. Other tasks in lieu of construction, such as integration and storage, will require sufficient attention by the MWH project team to meet the changing demands of the project, warranting the contract amount. The board was further reassured that spending amounts are controlled through the authorization of funds by the General Manager which will be noticed to the board via the bi-monthly GM reports. Tasks, such as construction, remain in the scope of work as options of work to be done throughout 2016-2017. The contract is a time and materials contract that is task-driven and work not completed during the contract dates will not be paid.

It was noted by Directors that the IGU project schedule should be updated to reflect with greater clarity the evolving nature of IEP project negotiations, decision timelines and estimated dates of component delivery. Staff was directed to make minor modification language changes and timeline updates throughout the document.

A voice vote was called:

Mike Meeks – y
Frank Abegg – y
Steve Haagenson - y
Bill Butler - y

Aaron Lojewski - y
Pamela Throop - y
Jack Wilbur – y

The motion was approved 7-0.

- IEP Update

Mr. Haagenson reported on the update provided by Gary Wilken, AIDEA Board member at the Energy for All Alaskans Tuesday morning. Mr. Wilken provided dates for gas supply in 2018, and explained the complex nature of the distribution system which includes GVEA and a substantial take for summer gas. Mr. Haagenson explained the model is reviewing volume and cost measures necessary to make the project viable for all parties.

The board moved down the agenda to the Income Restricted Conversions Presentation under New Business.

IV. New Business

- Income Restricted Conversions Presentation

David Carlisle, 2015-2016 VISTA for IGU, presented findings on a program design for an income restricted conversions program.

The Board moved back up the agenda to the IEP Update under Unfinished business.

Mr. Haagenson made the motion for an executive session to discuss the financial model, negotiations for terms and commitments for LNG Supply that if were discussed publically would violate the non-disclosure agreement with AIDEA requesting Bob Shefchik, Rene Broker, David Prusak, and Brown Thornton remain as a party to negotiations. The motion was seconded by **Mr. Wilbur**.

Mr. Wilbur amended the motion to include Jomo Stewart. **Mr. Butler** seconded the motion.

There were no objections to the amendment and the amendment passed.

There were no objections to the motion and the board entered into executive session at 6:05 pm.

At 8:00 pm, **Mr. Wilber** moved to conclude the executive session. The motion was seconded by **Mr. Haagenson**.

V. Adjournment

- Next Agenda

- FY 17 Operating Budget
- MWH Schedule Update
- Board training to move, need new survey to go out.

- IEP Update, Executive Session, Bob Shefchik to present. Ms. Broker to provide language for public notice.

The board discussed future agenda items to include:

- Minutes format
- Strategic Plan
- Consent agenda
- Order of Agenda, Reports at the end
- Data Warehouse for Board members access through website
- Capital Budget
- Business Plan
- Capital Expenditures

The board determined they would recuse the accountant from coming to Work Sessions in the future to present the Budget, so long as the finance committee minutes and a representative of the finance committee is available to answer high-level questions.

A new survey will be sent to board members to reschedule the training to a day that is not on a regular board meeting day. Ms. Throop indicated her availability is limited in the month of June.

VI. Director Comments

Mr. Haagenson: Attended the presentation on Becket conversion kits for boiler burners and wanted to know more about costs.

PHMSA to change to Jomo, removing name off of Bill.com.

VII. Adjourn

Moved to adjourn by **Mr. Lojewski**, seconded by **Mr. Wilber** at 8:18 PM.



Interior Gas Utility

Board of Directors Board Meeting

May 17, 2016

4:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday May 17, 2016, at the IGU, Fairbanks, Alaska. IGU Board Chairman, Mike Meeks, presiding.

Others in attendance were: Jill Dolan (FNSB Attorney), Mindy O'Neill (MWH), David Prusak (MWH), David Carlisle (VISTA), Jeff Stepp, Rocky Riley, Merrick Pierce

I. Call to Order

- Roll call

Board Members Present:

Mike Meeks - present
Frank Abegg - present
Steve Haagenon - present
Aaron Lojewski - present
Jack Wilbur - present
Pamela Throop - present
Bill Butler - present

- Approval of Agenda

Director Butler moved to approve the agenda. Director Throop seconded and the meeting agenda was approved.

- Public Comment

Rocky Riley, from community of Minto, contractor requests to wait to sign off on an agreement to trucking LNG and recommends agreeing to a short term agreement as there may be a better source closer to Fairbanks. Firmly believes there is gas and oil that may be available for use soon.

Merrick Pierce addressed the board on ideas he has for funding for the IGU. Discussion revolved around HB 247 which reviews tax credits for oil and gas production. Encourages board to discuss issues with the Interior Delegation on what is best to compete with: fuel oil or firewood. He discussed the ramifications of EPA funds related to poor air quality and PM 2.5 compliance. He does not believe IGU should purchase FNG from AIDEA because it is too much cost and liability for IGU.

II. Committee of the Whole

- FY 17 Operating Budget

Director Meeks reviewed the draft budget noting the CFO hire was moved to March and legal fees line item was increased. The FY 17 Operating Budget will be before the IGU Board for consideration on June 7.

It was requested to provide the projected expenses with the FY 16 budget for consideration on June 7.

- Interior Energy Project

Mr. Stewart discussed IEP project progress noting weekly meetings with FNG and term sheets are being reviewed.

Mr. Stewart and Mr. Haagenson met with Mayor Kassel about the status of the project and the areas where community support will be beneficial to the outcome of the project.

A draft supply term sheet for Cook Inlet supply is under review and the latest iteration will be discussed in an executive session. Salix term sheet is under consideration and discusses the \$15 target as a sustainable price for consumers. Discussions with GVEA for supply is ongoing and term sheets have been exchanged.

AIDEA timelines have been moved back.

At 4:21 Director Haagenson moved to go into executive session to discuss matters that if discussed in public would violate IGU's non-disclosure agreements and/or matters involving ongoing negotiations which if immediately known would clearly have an adverse effect on IGU finances. This includes negotiation of contracts for natural gas supply, LNG production, transportation, delivery, storage of LNG, utility operator, the purchase of FNG/Pentex from AIDEA, related modeling and financing and agreements under negotiation. Executive session is closed to everyone with the exception of Jomo Stewart, David Prusak, Brown Thornton and Jill Dolan.

Mr. Wilbur seconded and the board entered into executive session.

At 6:40 pm, Mr. Abegg moved to leave executive session, and Mr. Wilber seconded the motion. The executive session was adjourned.

The Board took a 5 minute Recess

At 6:45 pm, Mr. Lojewski moved to enter into executive session to discuss matters that if discussed in public would violate IGU's non-disclosure agreements and/or matters involving ongoing negotiations which if immediately known would clearly have an adverse effect on IGU finances. This includes negotiation of contracts for natural gas supply, LNG production, transportation, delivery, storage of LNG, utility

operator, the purchase of FNG/Pentex from AIDEA, related modeling and financing and agreements under negotiation. Executive session is closed to everyone with the exception of Jomo Stewart, David Prusak, Brown Thornton, Bob Shefchik, Nick Symoniak and Jill Dolan. Mr. Butler seconded the motion and an executive session commenced.

At 8:35 pm, Mr. Butler moved to exit executive session, and Mr. Lojewski seconded the motion. The executive session was adjourned.

At 8:37 PM Mr. Haagenon moved to go into executive session to discuss matters that if discussed in public would violate IGU's non-disclosure agreements and/or matters involving ongoing negotiations which if immediately known would clearly have an adverse effect on IGU finances. This includes negotiation of contracts for natural gas supply, LNG production, transportation, delivery, storage of LNG, utility operator, the purchase of FNG/Pentex from AIDEA, related modeling and financing and agreements under negotiation. Executive session is closed to everyone with the exception of Jomo Stewart, David Prusak, Brown Thornton and Jill Dolan. Mr. Wilbur seconded the motion and the executive session was called to order.

At 8:48 pm, Mr. Lojewski moved to leave executive session, and Mr. Butler seconded the motion. The executive session was adjourned.

- Resolution 2016-03
The board discussed the inclusion of wood burners in the Cardno Report which raised concerns over the validity and application of the report to today's environment.

Mr. Meeks relinquished his chairmanship to Mr. Butler for purposes of discussing the resolution.

The inclusion of third party review of the IEP was discussed. Members felt the resolution provided an unfair advantage based on the timeline requested, and believed the actions within the resolution are being reviewed through teams from AIDEA, FNSB and IGU through their contract with MWH.

The Salix contract was discussed and concluded that IGU has 3rd party review and oversight of this contract through MWH as their contractor.

Mr. Butler returned the gavel to Mr. Meeks to chair the rest of the meeting.

III. Reports

- March Financial and Minutes
Director Meeks reviewed the March financial reports.
- General Manager Report
 - Discussed meeting with Mt. McKinley Bank on capitalization

- Letter to Governor from Senate Finance Committee was discussed, response letter has been drafted and not sent
 - Consent Agenda proposal information and Draft Policy No.5
 - Discussed the working draft for the Board to consider June 7th
- MWH Report
Contractors, one call, GIS, complimented David Carlisle and explained final report
- MWH Schedule Update
No discussion

IV. Director Comments

Wilbur – Requested written report from GM

V. Adjournment

Next Agenda: FY 17 Operating Budget
 Consent Agenda, P&P No. 5

With no further business before the board, Ms. Throop moved to adjourn at 9:40pm; Mr. Butler seconded and the meeting was adjourned.

P & P No. 5 - Consent Agenda

**INTERIOR GAS UTILITY
OPERATING POLICY / PROCEDURE**

P&P NO. 05

Page 1 of 2

Subject: Agenda Setting

Effective Date:
May 17, 2016

Approved by: IGU Board, Mike Meeks, Chair

1. PURPOSE

- a. To allow The Board to take action by unanimous consent on items that do not require discussion and are considered routine, procedural, informational, self-explanatory or non-controversial ;
- b. To streamline meetings and allow for focus on substantive issues.

2. POLICY

- a. The Chair shall have the responsibility of final approval of the agenda for upcoming meetings including whether an item should be placed on the consent agenda.
- b. A consent agenda shall include, but is not limited to:
 - Approval of board and committee minutes, including financial minutes
 - Correspondence requiring no action
 - Committee and staff reports
 - Updates or background reports provided for informational purposes only
 - Appointments requiring board confirmation
 - Approval of contracts and bid awards that fall within the IGU's policy guidelines
 - Final approval of proposals that do not require additional board discussion.
 - Confirmation of pro forma items or actions that need no discussion but are required by the bylaws
 - Dates of future meetings
- c. Consent items must be publically noticed as required by Alaska's Open Meetings Act and provided to The Board, including any supporting documentation. As the first item of business, The Chair shall ask The Board if anyone wishes to remove an item from the consent portion of the agenda. Any one board member can request that an item be moved to the full agenda.
- d. A motion must be made to accept the consent agenda, seconded and approved. Limited questions and discussion is permitted, but extensive discussion should be reserved for regular agenda items.
- e. If any items were removed from the consent portion of the agenda, The Chair may determine where on the agenda those items will be discussed.

3. **REFERENCES**

(1) CoreStrategies for Nonprofits, Inc. (2005) *The Consent Agenda*. Retrieved from <https://www.councilofnonprofits.org>

(2) Alaska Statute 44.62.310 Government Meetings Public

4. **DEFINITIONS**

- a. Board – IGU Board of Directors
- b. Chair – Board of Directors Chairman
- c. Directors – Individual Director of the IGU Board

5. **RESPONSIBILITIES**

- a. It shall be the responsibility of the Board Chairman to ensure these functions are carried out.

FY 17 Operating Budget

FY 17 Operating Budget Proposed & Budget to Actuals Dated 6/1/16

Item	16-Jul	Aug	Sept	Oct	Nov	Dec	Jan-17	Feb	March	April	May	June	Total Budget	Actual July 2015 - April 2016	Estimated May 2016 - June 2016	Total Estimated July 2015 - June 2016
Income																
FNSB Contract	\$ 52,085	\$ 54,285	\$ 52,585	\$ 51,085	\$ 59,685	\$ 57,185	\$ 57,185	\$ 59,685	\$ 67,960	\$ 68,960	\$ 67,960	\$ 67,960	\$716,620.00	\$ 91,789.36	\$ 35,365.81	\$ 127,155.17
Corporate Contributions													\$ -			\$ -
Interest			\$ 900			\$ 900			\$ 900			\$ 900	\$ 3,600.00	\$ 3,610.58	\$ 1,000.00	\$ 4,610.58
Expenses																
Contractual Services																
Customer Contact	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	\$ 15,000.00	\$ 994.05	\$ 198.81	\$ 1,192.86
Legal Fees	21000	21000	21000	21000	21000	21000	21000	21000	21000	21000	21000	21000	\$252,000.00	\$ 721.00	\$ 144.20	\$ 865.20
Office Services	100	100	100	100	100	100	100	100	100	100	100	100	\$ 1,200.00	\$ 1,411.49	\$ 282.30	\$ 1,693.79
Travel Expenses	1500		1500		2500			2500		1000			\$ 9,000.00	\$ -	\$ -	\$ -
Rent	4200	4200	4200	4200	4200	4200	4200	4200	4200	4200	4200	4200	\$ 50,400.00	\$ 41,300.00	\$ 8,260.00	\$ 49,560.00
Insurance	500	4200	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	\$ 14,700.00	\$ -	\$ -	\$ -
Financial Services	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	\$ 60,000.00	\$ 30,218.04	\$ 6,043.61	\$ 36,261.65
Communications	370	370	370	370	370	370	370	370	370	370	370	370	\$ 4,440.00	\$ 2,739.66	\$ 547.93	\$ 3,287.59
Membership - Fees	175	175	175	175	175	175	175	175	175	175	175	175	\$ 2,100.00	\$ 2,317.00	\$ 463.40	\$ 2,780.40
Total Contractual Services	\$ 34,095	\$ 36,295	\$ 34,595	\$ 33,095	\$ 35,595	\$ 33,095	\$ 33,095	\$ 35,595	\$ 33,095	\$ 34,095	\$ 33,095	\$ 33,095	\$ 408,840	\$ 79,701.24	\$ 15,940.25	\$ 95,641.49
Materials Expenses																
Office Supplies	600	600	600	600	600	600	600	600	600	600	600	600	\$ 7,200.00	\$ 4,010.10	\$ 802.02	\$ 4,812.12
Information Tech	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	2500	\$ 30,000.00	\$ 1,407.48	\$ 281.50	\$ 1,688.98
Miscellaneous	500	500	500	500	500	500	500	500	500	500	500	500	\$ 6,000.00	\$ -	\$ -	\$ -
Depreciation Expense	350	350	350	350	350	350	350	350	350	350	350	350	\$ 4,200.00	\$ 2,658.20	\$ 531.64	\$ 3,189.84
Interest Expense	150	150	150	150	150	150	150	150	150	150	150	150	\$ 1,800.00	\$ 1,041.70	\$ 208.34	\$ 1,250.04
Total Materials Expenses	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 49,200	\$ 9,117.48	\$ 1,823.50	\$ 10,940.98
Payroll Expenses																
Salary Expenses	8600	8600	8600	8600	8600	8600	8600	8600	21100	21100	21100	21100	\$153,200.00	\$ 3,701.92	\$ 16,041.67	\$ 19,743.59
Employee Benefits	2500	2500	2500	2500	8600	8600	8600	8600	5000	5000	5000	5000	\$ 64,400.00	\$ 185.10	\$ 802.08	\$ 987.18
Payroll Tax Expenses	1290	1290	1290	1290	1290	1290	1290	1290	3165	3165	3165	3165	\$ 22,980.00	\$ 384.90	\$ 1,498.29	\$ 1,883.19
Total Payroll Expenses	\$ 12,390	\$ 12,390	\$ 12,390	\$ 12,390	\$ 18,490	\$ 18,490	\$ 18,490	\$ 18,490	\$ 29,265	\$ 29,265	\$ 29,265	\$ 29,265	\$ 240,580	\$ 4,271.92	\$ 18,342.04	\$ 22,613.96
Budget Reserve																
AIDEA Hold-back	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	\$ 12,000.00	\$ -	\$ -	\$ -
Contingency	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	\$ 12,000.00	\$ -	\$ -	\$ -
Total Budget Reserve	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 24,000	\$ -	\$ -	\$ -
Total Misc Nonoperating Expense	\$ 52,585	\$ 54,785	\$ 53,085	\$ 51,585	\$ 60,185	\$ 57,685	\$ 57,685	\$ 60,185	\$ 68,460	\$ 69,460	\$ 68,460	\$ 68,460	\$ 722,620	\$ 93,090.64	\$ 36,105.79	\$ 129,196.43
Budgeted Changes in Net Position	\$ (500)	\$ (500)	\$ 400	\$ (500)	\$ (500)	\$ 400	\$ (500)	\$ (500)	\$ 400	\$ (500)	\$ (500)	\$ 400	\$ (2,400)	\$ 2,309.30	\$ 260.02	\$ 2,569.32

Total Contract Amount	\$ 2,727,273.00
Spent thru April 30, 2016	<u>\$ (1,810,770.15)</u>
Funds available after April 30, 2016	\$ 916,502.85
Estimated amounts to spend May & June 2016	<u>\$ (35,365.81)</u>
Budgeted contract revenues - excluding interest and depreciation expense not reimbursed by FNSB	<u>\$ (716,620.00)</u>
Remaining contract funds after June 30, 2017	<u>\$ 164,517.04</u>

Interior Alaska Natural Gas Utility

FINANCIAL STATEMENTS

**March 31, 2016
and Supplemental Schedules**

Interior Alaska Natural Gas Utility
Statement of Net Position
March 31, 2016

	<u>Capital</u>	<u>Operating</u>	<u>Total</u>
ASSETS			
Current Assets			
Checking/Savings			
13100 · Mt. McKinley	270,358.85	288,873.71	559,232.56
13103 · Mt. McKinley - AIDEA Reserve	5,329,976.72	0.00	5,329,976.72
13104 · Mt. McKinley - FNSB Reserve	500,570.87	0.00	500,570.87
Total Checking/Savings	6,100,906.44	288,873.71	6,389,780.15
Accounts Receivable			
14600 · Accounts Receivable	0.00	28,340.88	28,340.88
Total Accounts Receivable	0.00	28,340.88	28,340.88
Total Current Assets	6,100,906.44	317,214.59	6,418,121.03
Other Assets			
10100 · Utility Plant in Service			
30300 · Intangible Asset - CPCN	729,676.00	0.00	729,676.00
39100 · Office Furniture and Equipment	0.00	19,523.74	19,523.74
Total 10100 · Utility Plant in Service	729,676.00	19,523.74	749,199.74
10700 · Construction Work In Progress			
18330 · Phase 1	23,351,506.65	0.00	23,351,506.65
18340 · Phase 2	737,857.88	0.00	737,857.88
Total 10700 · Construction Work In Progress	24,089,364.53	0.00	24,089,364.53
10800 · Accumulated Provision for Depn	0.00	-4,491.25	-4,491.25
16600 · Prepayments	0.00	4,130.00	4,130.00
Total Other Assets	24,819,040.53	19,162.49	24,838,203.02
TOTAL ASSETS	<u>30,919,946.97</u>	<u>336,377.08</u>	<u>31,256,324.05</u>
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
23200 · Accounts Payable	200.00	4,375.50	4,575.50
Total Accounts Payable	200.00	4,375.50	4,575.50
Other Current Liabilities			
23700 · Interest Accrued	595.06	0.00	595.06
Total Other Current Liabilities	595.06	0.00	595.06
Total Current Liabilities	795.06	4,375.50	5,170.56
Long Term Liabilities			
22400 · Other Long-Term Debt			
22401 · LOC - AIDEA	29,689,475.91	0.00	29,689,475.91
22402 · LOC - FNSB	500,000.00	0.00	500,000.00
Total 22400 · Other Long-Term Debt	30,189,475.91	0.00	30,189,475.91
Total Long Term Liabilities	30,189,475.91	0.00	30,189,475.91
Total Liabilities	30,190,270.97	4,375.50	30,194,646.47
Equity			
21600 · Unrestricted Net Position	0.00	329,322.29	329,322.29
21610 · Net Investment in Capital Asset	729,676.00	0.00	729,676.00
Changes in Net Position	0.00	2,679.29	2,679.29
Total Equity	729,676.00	332,001.58	1,061,677.58
TOTAL LIABILITIES & EQUITY	<u>30,919,946.97</u>	<u>336,377.08</u>	<u>31,256,324.05</u>

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

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

Interior Alaska Natural Gas Utility
Statement of Operating Revenues and Expenses
Nine Months Ended March 31, 2016 and Year Ended June 30, 2015

	July 2015 - March 2016	July 2014 - June 2015
Income		
42110 · Misc Nonoperating Income		
42111 · FNSB Contract	78,205.56	111,061.05
42114 · Interest	3,610.58	1,893.29
Total 42110 · Misc Nonoperating Income	<u>81,816.14</u>	<u>112,954.34</u>
Total Income	<u>81,816.14</u>	<u>112,954.34</u>
Expense		
42120 · Misc Nonoperating Expense		
42130 · Contractual Services		
42131 · Advertising	824.14	4,111.36
42133 · Legal Fees	721.00	557.73
42134 · Office Services	915.93	11,584.44
42135 · Travel Expenses	0.00	2,582.99
42136 · Rent	37,170.00	35,172.00
42137 · Insurance	0.00	3,123.00
42138 · Financial Services	26,488.54	22,598.72
42139 · Communications	2,452.65	8,144.48
42140 · Membership - Fees	2,275.00	1,113.00
Total 42130 · Contractual Services	<u>70,847.26</u>	<u>88,987.72</u>
42160 · Materials Expenses		
42161 · Office Supplies	3,552.20	899.40
42162 · Information Technology	1,407.48	1,835.00
42164 · Depreciation Expense	2,392.38	2,098.87
42165 · Interest Expense	937.53	1,250.00
Total 42160 · Materials Expenses	<u>8,289.59</u>	<u>6,083.27</u>
Total 42120 · Misc Nonoperating Expense	<u>79,136.85</u>	<u>95,070.99</u>
Total Expense	<u>79,136.85</u>	<u>95,070.99</u>
Changes in Net Position	<u><u>2,679.29</u></u>	<u><u>17,883.35</u></u>
Total Operating Net Position		
Beginning of period	<u>329,322.29</u>	<u>311,438.94</u>
End of period	<u><u>332,001.58</u></u>	<u><u>329,322.29</u></u>

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

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Interior Alaska Natural Gas Utility
Statement of Operating Revenues and Expenses - Budget to Actual
Nine Months Ended March 31, 2016

	Actual	Budget	Variance	Actual	Budget	Variance	
	March 2016	March 2016	March 2016	July 2015 - March 2016	July 2015 - March 2016	July 2015 - March 2016	Annual Budget
Income							
42110 - Misc Nonoperating Income							
42111 - FNSB Contract	15,834.49	36,073.17	-20,238.68	78,205.56	377,853.53	299,647.97	544,798.04
42114 - Interest	1,088.41	162.50	925.91	3,610.58	487.50	-3,123.08	650.00
Total 42110 - Misc Nonoperating Income	16,922.90	36,235.67	-19,312.77	81,816.14	378,341.03	296,524.89	545,448.04
Total Income	16,922.90	36,235.67	-19,312.77	81,816.14	378,341.03	296,524.89	545,448.04
Expense							
42120 - Misc Nonoperating Expense							
42130 - Contractual Services							
42131 - Advertising	156.84	2,200.00	2,043.16	824.14	20,600.00	19,775.86	27,600.00
42133 - Legal Fees	0.00		0.00	721.00	12,000.00	11,279.00	12,000.00
42134 - Office Services	319.93	118.50	-201.43	915.93	1,066.50	150.57	1,422.00
42135 - Travel Expenses	0.00	0.00	0.00	0.00	6,500.00	6,500.00	7,500.00
42136 - Rent	4,130.00	4,500.00	370.00	37,170.00	40,500.00	3,330.00	54,000.00
42137 - Insurance	0.00	0.00	0.00	0.00	0.00	0.00	21,000.00
42138 - Financial Services	9,908.00	3,666.67	-6,241.33	26,488.54	33,000.03	6,511.49	69,000.04
42139 - Communications	304.20	300.00	-4.20	2,452.65	2,700.00	247.35	3,600.00
42140 - Membership - Fees	475.00	100.00	-375.00	2,275.00	1,820.00	-455.00	2,120.00
Total 42130 - Contractual Services	15,293.97	10,885.17	-4,408.80	70,847.26	118,186.53	47,339.27	198,242.04
42160 - Materials Expenses							
42161 - Office Supplies	540.52	600.00	59.48	3,552.20	5,400.00	1,847.80	7,200.00
42162 - Information Technology	0.00	500.00	500.00	1,407.48	4,500.00	3,092.52	6,000.00
42163 - Miscellaneous	0.00	0.00	0.00	0.00	2,000.00	2,000.00	3,000.00
42164 - Depreciation Expense	265.82		-265.82	2,392.38		-2,392.38	
42165 - Interest Expense	104.17		-104.17	937.53		-937.53	
Total 42160 - Materials Expenses	910.51	1,100.00	189.49	8,289.59	11,900.00	3,610.41	16,200.00
42170 - Payroll Expenses							
42171 - Salary Expenses	0.00	14,167.00	14,167.00	0.00	127,503.00	127,503.00	170,004.00
42172 - Employee Benefits	0.00	3,833.40	3,833.40	0.00	34,500.60	34,500.60	46,000.80
42173 - Payroll Tax Expenses	0.00	4,250.00	4,250.00	0.00	38,250.00	38,250.00	51,000.00
Total 42170 - Payroll Expenses	0.00	22,250.40	22,250.40	0.00	200,253.60	200,253.60	267,004.80
42190 - Budget Reserve							
42191 - AIDEA Hold-back	0.00	0.00	0.00	0.00	30,000.00	30,000.00	40,000.00
42192 - Contingency	0.00	2,000.00	2,000.00	0.00	18,000.00	18,000.00	24,000.00
Total 42190 - Budget Reserve	0.00	2,000.00	2,000.00	0.00	48,000.00	48,000.00	64,000.00
Total 42120 - Misc Nonoperating Expense	16,204.48	36,235.57	20,031.09	79,136.85	378,340.13	299,203.28	545,448.84
Total Expense	16,204.48	36,235.57	20,031.09	79,136.85	378,340.13	299,203.28	545,448.84
Changes in Net Position	718.42	0.10	718.32	2,679.29	0.90	2,678.39	1.20

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

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

Interior Alaska Natural Gas Utility
Statement of Operating Revenues and Expenses by Month
April 2015 through March 2016

	<u>Apr 15</u>	<u>May 15</u>	<u>Jun 15</u>	<u>Jul 15</u>	<u>Aug 15</u>	<u>Sep 15</u>	<u>Oct 15</u>	<u>Nov 15</u>	<u>Dec 15</u>	<u>Jan 16</u>	<u>Feb 16</u>	<u>Mar 16</u>	<u>TOTAL</u>
Income													
42110 · Misc Nonoperating Income													
42111 · FNSB Contract	981.56	16,002.80	7,647.99	8,176.99	7,529.51	10,140.76	5,403.61	10,523.07	8,090.74	6,979.58	5,526.81	15,834.49	102,837.91
42114 · Interest	0.00	0.00	1,027.49	0.00	0.00	1,531.33	0.00	0.00	990.84	0.00	0.00	1,088.41	4,638.07
Total 42110 · Misc Nonoperating Income	<u>981.56</u>	<u>16,002.80</u>	<u>8,675.48</u>	<u>8,176.99</u>	<u>7,529.51</u>	<u>11,672.09</u>	<u>5,403.61</u>	<u>10,523.07</u>	<u>9,081.58</u>	<u>6,979.58</u>	<u>5,526.81</u>	<u>16,922.90</u>	<u>107,475.98</u>
Total Income	<u>981.56</u>	<u>16,002.80</u>	<u>8,675.48</u>	<u>8,176.99</u>	<u>7,529.51</u>	<u>11,672.09</u>	<u>5,403.61</u>	<u>10,523.07</u>	<u>9,081.58</u>	<u>6,979.58</u>	<u>5,526.81</u>	<u>16,922.90</u>	<u>107,475.98</u>
Expense													
42120 · Misc Nonoperating Expense													
42130 · Contractual Services													
42131 · Advertising	104.56	0.00	338.00	0.00	0.00	78.42	13.80	313.68	130.70	0.00	130.70	156.84	1,266.70
42133 · Legal Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	721.00	0.00	0.00	721.00
42134 · Office Services	752.00	5,442.80	-4,529.43	100.50	91.50	36.00	75.00	124.50	80.00	88.50	0.00	319.93	2,581.30
42136 · Rent	0.00	8,260.00	0.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	4,130.00	45,430.00
42138 · Financial Services	0.00	2,300.00	4,600.00	398.94	2,550.00	5,100.00	131.60	5,600.00	2,800.00	0.00	0.00	9,908.00	33,388.54
42139 · Communications	0.00	0.00	5,718.04	150.00	293.01	235.86	245.82	297.39	306.54	234.60	385.23	304.20	8,170.69
42140 · Membership - Fees	0.00	0.00	0.00	510.00	0.00	100.00	740.00	100.00	70.00	0.00	280.00	475.00	2,275.00
Total 42130 · Contractual Services	<u>856.56</u>	<u>16,002.80</u>	<u>6,126.61</u>	<u>5,289.44</u>	<u>7,064.51</u>	<u>9,680.28</u>	<u>5,336.22</u>	<u>10,565.57</u>	<u>7,517.24</u>	<u>5,174.10</u>	<u>4,925.93</u>	<u>15,293.97</u>	<u>93,833.23</u>
42160 · Materials Expenses													
42161 · Office Supplies	0.00	0.00	0.00	403.93	465.00	460.48	67.39	0.00	616.00	398.00	600.88	540.52	3,552.20
42162 · Information Technology	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,407.48	0.00	0.00	1,407.48
42164 · Depreciation Expense	0.00	1,138.32	960.55	265.82	265.82	265.82	265.82	265.82	265.82	265.82	265.82	265.82	4,491.25
42165 · Interest Expense	0.00	0.00	1,250.00	104.17	104.17	104.17	104.17	104.17	104.17	104.17	104.17	104.17	2,187.53
Total 42160 · Materials Expenses	<u>0.00</u>	<u>1,138.32</u>	<u>2,210.55</u>	<u>773.92</u>	<u>834.99</u>	<u>830.47</u>	<u>437.38</u>	<u>369.99</u>	<u>985.99</u>	<u>2,175.47</u>	<u>970.87</u>	<u>910.51</u>	<u>11,638.46</u>
Total 42120 · Misc Nonoperating Expense	<u>856.56</u>	<u>17,141.12</u>	<u>8,337.16</u>	<u>6,063.36</u>	<u>7,899.50</u>	<u>10,510.75</u>	<u>5,773.60</u>	<u>10,935.56</u>	<u>8,503.23</u>	<u>7,349.57</u>	<u>5,896.80</u>	<u>16,204.48</u>	<u>105,471.69</u>
Total Expense	<u>856.56</u>	<u>17,141.12</u>	<u>8,337.16</u>	<u>6,063.36</u>	<u>7,899.50</u>	<u>10,510.75</u>	<u>5,773.60</u>	<u>10,935.56</u>	<u>8,503.23</u>	<u>7,349.57</u>	<u>5,896.80</u>	<u>16,204.48</u>	<u>105,471.69</u>
Changes in Net Position	<u>125.00</u>	<u>-1,138.32</u>	<u>338.32</u>	<u>2,113.63</u>	<u>-369.99</u>	<u>1,161.34</u>	<u>-369.99</u>	<u>-412.49</u>	<u>578.35</u>	<u>-369.99</u>	<u>-369.99</u>	<u>718.42</u>	<u>2,004.29</u>

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

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

Interior Alaska Natural Gas Utility
A/R Aging Summary
March 31, 2016

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
Fairbanks North Star Borough*	15,834.49	0.00	12,506.39	0.00	0.00	28,340.88
TOTAL	<u>15,834.49</u>	<u>0.00</u>	<u>12,506.39</u>	<u>0.00</u>	<u>0.00</u>	<u>28,340.88</u>

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

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Interior Alaska Natural Gas Utility
A/P Aging Summary
March 31, 2016

	<u>Current</u>	<u>1 - 30</u>	<u>31 - 60</u>	<u>61 - 90</u>	<u>> 90</u>	<u>TOTAL</u>
OIT Properties	0.00	200.00	0.00	0.00	0.00	200.00
RJG, A Professional Corporation	4,208.00	0.00	0.00	0.00	0.00	4,208.00
Spring Alaska	42.50	0.00	0.00	0.00	0.00	42.50
Superior Coffee of Alaska	0.00	75.00	0.00	0.00	0.00	75.00
Technology Group of the North	50.00	0.00	0.00	0.00	0.00	50.00
TOTAL	<u><u>4,300.50</u></u>	<u><u>275.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>0.00</u></u>	<u><u>4,575.50</u></u>

Plant

OIT Properties	<u>200.00</u>
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Subtotal Plant	<u>200.00</u>
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Operating

RJG, A Professional Corporation	4,208.00
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Spring Alaska	42.50
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Superior Coffee of Alaska	75.00
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Technology Group of the North	<u>50.00</u>
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Subtotal Operating	<u>4,375.50</u>
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Total Accounts Payable	<u><u>4,575.50</u></u>
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Management has elected to omit substantially all of the disclosures and the statement of cash flows ordinarily included in financial statements prepared in accordance with the accrual basis of accounting.

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Interior Gas Utility

Finance Committee Meeting

April 26, 2016

12 PM

100 Cushman, Suite 501, Fairbanks, Alaska

AGENDA MARCH FINANCIALS REVIEWED

I. Roll Call

- a. Mike Meeks, Aaron Lojewski, David Durham, Doug Bishop,
- b. Others: Jomo Stewart, Pamela Throop, Sam Trozke, Kimberly Templeton

The Meeting was called to order at 12:02 pm

II. Monthly Financials

a. Profit & Loss

- i. Statement of Revenues and Expenses by Month - the financial services bunched up in March for January and February costs – this is because of processing delays of invoices that happened during January and February that are now caught up.
- ii. Transaction by Account – Line item under Contingency for General Journal there is a \$1,500 bill.com related adjustment that Mr. Trozke had to make related to a stopped payment to Laro's Tree Services. There was a problem in bill.com processing that caused an accounting adjustment to be required.
- iii. Negative cash balance occurred in March due to a late cash transfer made. Has since then been resolved.
- iv. Invoice for FNSB has been sent to David Prusak from Sam Trozke and expect to receive payment from FNSB.
- v. No financial Draws have been taken in March.

b. Bank Statements

- i. No discussion.

III. External Financial Reports (as needed)

a. Director Meeks Purposed FY2017 budget

i. Adjustments

- 1. Legal fees increased to 250K, all in attendance were in agreement.
- 2. Payroll Expenses are to increase due to Payroll Tax expense.
- 3. Financial Services budget increased.
- 4. Insurance line item has been decreased.

- ii. Revised Proposed FY2017 Budget will be presented to the Board during the Work Session on May 17, 2016. Board approval will be sought at the June 7th 2016 board meeting.
 - iii. Meeting attendees agreed with Projected FY2017 budget.
- b. General Manager, Jomo Stewart
 - i. Drafted a letter to FNSB Financial Services requesting a time extension for the IGU Service Contract for Project No.12-PWDPRJ-2: Natural Gas System Development and eighteen (18) month for the FNSB Amendment 5 to the IGU Contract.

IV. Closing Comments - Meeting Adjourned at 12:45 pm

- a. The Finance Committee recommended that the IGU Board accept the March Financial Report as presented at their meeting.
- b. Next meeting will be May 24th.

General Manager Report

General Manager Board Report

June 7, 2016

Financial:

C&H

- Met with Auditor
- Audit process has commenced

Mt. McKinley Bank

- Capitalized Balances in Excess of FDIC Insurance Limits
- Transfer from Savings to Checking

Bill.com

- Proper Approval/Payment process re-established and properly functioning

RJG

- Establishing protocols for Employee pay and leave authorization

Finance Committee

- Met Tuesday, May 24th.
- Reviewed March Financials
- Discussed FY 17 Budget
- March Financials and FY 17 Budget in Packet for Consideration

MWH:

MWH Contract

- Have finalized administrative necessities for initiation of new contract year
- Have prioritized and provided authorization of Tasks for new contract year

GM Contract

- Received MWH guidance for GM Contract revision

Legal:

Retained Specialized Counsel and Consultant

- Consultant – Chris Wilde
 - Engineer
 - O&G Background
 - Used by IGU to Review NS LNG Facility Term Sheet
- Counsel – Robin Brena
 - Attorney
 - O&G Background
 - Used by IGU for CPCN Process

Gas Operator:

Status of Negotiations

- Met with local representative
- Not seeking further extension under RFP

IEP/AIDEA:

Discussions and Negotiations ongoing

- Weekly IEP Upstream Meetings (Tuesday mornings) continuing
- Weekly LCE Utility Integration Meetings (Friday mornings) continuing
- Consultant Feedback on Supply Term Sheet received and forwarded to AIDEA

GM Contract:

Draft Revisions Made

- Met with Chairman and MWH Premo
- Revised language to:
 - Better align with Schedule and IEP Timeline
 - Better align with Board priorities and IGU necessities

MWH Monthly Report

Interior Gas Utility

MWH Monthly Status Report

Date: May 31, 2016

This report is for the period covering May 1, 2016 – May 31, 2016

ACCOMPLISHMENTS

1. Task 1– IGU Support
 - a. Responded to public inquiries and requests. Monitored news and activities related to IGU.
 - b. Provided support to the IGU Board, and publically noticed meetings.
 - c. Attended and supported the Board Meeting on May 3rd.
 - d. Attended and supported the Board Work Session on May 17th.
 - e. Attended and supported the IGU Finance Committee meeting on May 24th.
 - f. Attended and supported the Board Executive Session on May 26th.
 - g. Prepared Board Meeting and Finance Committee agendas, supporting documents and meeting notes; distributed and posted notes online.
 - h. Prepared IGU monthly status report and submitted to the FNSB.
 - i. Processed billings and accounts receivables; coordinated with RJG Certified Public Accountants (RJG) when necessary.
 - j. Prepared revisions to the General Manager Contract.
 - k. Coordinated and held Board training session on May 18th.
 - l. Met with Hale & Associates on renewing insurance certificates.
 - m. Met with FNG regarding providing locate services in Phase 1 NG Distribution System area.
2. Task 2 - Program/Project Management
 - a. Updated project schedule.
 - b. See Task 4 for AIDEA coordination.
 - c. Coordinated period of performance of MWH contract with General Manager.
3. Task 4 – Financial Planning, Project Financing and Cash Flow for Loans
 - a. Continued to monitor and adjust budget spreadsheets for financial planning, project financing and project loans.
 - b. Modeled modified gas conversion rates; financial variability's and funding options for a combined gas utility; presented results to the Board.
 - c. Assisted the Board Chair with revisions for the FY 17 Operating Budget.
 - d. Discuss with AIDEA quarterly reporting on the current Line of Credit.
 - e. Participated in kickoff meeting with Cook & Haugeberg (contract auditor) for FY 16.
 - f. Coordinated and conducted field reviews of the Phase 1 NG Distribution System project with the contract auditor.
4. Task 5 Gas Operator (GO)
 - a. Facilitated various alternatives for responses to the potential gas operator.

5. Task 6 – AIDEA Gas Supply, Transport and Delivery to FNSB
 - a. Coordinated and participated in continued discussions with AIDEA in conjunction with meetings with Salix and proposed LNG gas supply.
 - b. Revised demand calculations for natural gas based on proposed IGU business plan along with a combined utility approach.
6. Task 7 – LNG Storage, Regasification, Optimization
 - a. Continued developing various alternatives to optimizing the current system for IGU and FNG customers and LNG plant optimization.
 - b. Prepared models for optimization of storage options.
7. Task 9 – Phase I Construction
 - a. Continued work on Record Drawings and records for closeout.
 - b. Continued coordination with ROW stakeholders, ADOT&PF, ARRC, FNSB and CONP, as well as with other construction contractors within the Phase 1 NG Distribution System project areas.
 - c. Reviewed all roads covered under the Rural Road Service (RRS) Department of FNSB.
 - d. Overseeing response for the 811 Alaska Digline locates.
 - e. Worked on closeout of various project permits.
 - f. Reviewed and approved contractor pay application.
 - g. Reduced retainage for the general contractors working on Phase 1 NG Distribution System gas main installation.
8. Task 10 – Public Outreach
 - a. Continued to update, monitor, and increase online presence.
 - b. Initiated website upgrades and redesign.
 - c. Responded to local media representatives on stories regarding the IGU.
 - d. Attended General Fairbanks Chamber of Commerce General Membership Luncheons, Energy and Government Relations committee meetings.
 - e. Met with local community leaders to expand outreach and depth of support.
 - f. Attended weekly Energy for All Alaska meetings at FEDC.
 - g. Outreach and Communications Plan for 2016 in draft form.
 - h. Continue participation in the FNSB Mayor’s Air Quality Energy Task Force.
9. Task 11 – Conversions
 - a. Worked with VISTA volunteer to continue development of programmatic plan for an income restricted population.
 - b. Participated in weekly Conversions and IGU projects coordination meetings.
 - c. Finalized Income Restricted Conversions Survey and Analysis.
10. Task DD – Due Diligence
 - a. Begin review of AIDEA provided documents for the acquisition of Pentex.

June- What's coming up next?

1. Due diligence activities regarding the FNG asset acquisition.
2. Work on natural gas system integration scenarios for the potential of FNG integration.
3. Continue the development for gas storage options in North Pole.
4. Work on new gas standards development for gas main monitoring and emergency repair and response.
5. Provide financial modeling and support for the gas supply, LNG supply contract and storage optimization.
6. Initiate the updating of the capital improvement planning
7. Monitor invoices and cash flows against the AIDEA Line of Credit.
8. Work with the contractor for accounting and audit services.
9. Continue to support the IGU Board of Directors.
10. Advance website development and functional improvements.
11. Outreach to Phase 1 areas as needed.
12. Continued interface and negotiations with the potential gas operator.
13. Continue to support the final clean up and close out of the Phase 1 NG Distribution System gas mains' construction contracts and record drawings completion.
14. PHMSA quarterly coordination.
15. Initiate the drafting of the program design specifications for Conversions encompassing several of the schedule scoping and resource identification tasks.

Amendment 001 Contract Financial Status as of 5/27/16

NTP 3 (2015-2016) Task		2015/16 Contract	Task Order Authorized	Monthly Expenditure	Expenditure to Date	% of Total Contract Expended	Physical % Complete	Notes
Task 1	IGU Support	\$ 344,457	\$ 494,457	\$ 49,034	\$ 532,690	108%	99%	reflects 12 of 12 months
Task 2	Program/Project Management	\$ 374,693	\$ 217,346	\$ 14,572	\$ 238,879	110%	99%	reflects 12 of 12 months
Task 3	Business Plan	\$ 88,468	\$ 20,000	\$ -	\$ 1,824	9%	6%	
Task 4	Financial Planning	\$ 67,867	\$ 87,867	\$ -	\$ 53,691	61%	61%	
Task 5	Gas Operator	\$ 88,488	\$ 118,488	\$ 886	\$ 121,998	103%	99%	
Task 6	Gas Supply, Transport, Delivery	\$ 50,798	\$ 50,798	\$ 6,749	\$ 16,764	33%	20%	
Task 7	LNG Storage, Trucking, Regas	\$ 119,966	\$ 49,983	\$ 1,459	\$ 7,081	14%	8%	
Task 8	Phase II Design, Phase III Design, Transmissi	\$ 159,318	\$ 36,659	\$ 3,648	\$ 6,058	17%	12%	
Task 9	Construction Contract Mgt	\$ 325,544	\$ 172,772	\$ 3,315	\$ 169,753	98%	96%	
Task 10	Public Outreach	\$ 224,304	\$ 137,152	\$ 7,874	\$ 134,476	98%	99%	reflects 12 of 12 months
Task 11	NG Conversions	\$ 154,879	\$ 234,879	\$ -	\$ 232,162	99%	99%	
New Task	Due Diligence		\$ 300,000	\$ -	\$ 31,580	11%	11%	
Totals		\$ 1,998,782	\$ 1,920,401	\$ 87,537	\$ 1,546,957	81%	80%	

PDC Monthly Report



PDC INC. ENGINEERS

MEMORANDUM

To	David Prusak	From	Keith Hanneman
Firm	Interior Gas Utility	Date	June 1, 2016
		PDC #	14081FB
		Project Name	IGU – Phase 1 Design and Construction
RE	May 2016 Status Update		

David – This month we continued working on the gas distribution construction closeout, provided construction observation of the SWPPP, punch list and warranty work and work regarding repair of leaks. We also reviewed the payment for telemetry installation. We continue to make good progress on the development of a GIS system for housing the system data from Phase 1.

Permitting:

- Submitted all permit drawings to the City of North Pole.

Gas Distribution Construction:

- Continued working on project contract close-out.
- Submitted Payment Application for Zone B to pay for telemetry installation.

Below is the bulleted summary, organized by major work discipline, of our activities this past month and the activities we anticipate for the next month.

Alignment/Pipe Design:

- 1) May Summary
 - a) Submit final draft of as-builts
- 2) June Forecast
 - a) Final revisions to as-builts based on IGU comments

ROW Permitting:

- 1) May Summary
 - a) Continued working on the issue with the Winscott/Rublee and Nash tax lots along Nelson Road with the 10 foot discrepancies between original DOT ROW plans and subsequent subdivision plats which have not yet granted easements.
 - i) For the Nash property we coordinated with RBC and Gage's insurance and presented a new offer that was accepted by Mrs. Nash. The agreement documents were reviewed by RBC and Gage's insurance as well as IGU/FNSB. Mrs. Nash is in Virginia for an extended period of time so I have made arrangements for a title company to facilitate the signing of the documents. The documents have been delivered and the goal is to have this wrapped up by the middle of June.
 - ii) For the Winscott/Rublee parcel RBC Inc's general liability insurance has agreed to indemnify/defend IGU and PDC (as owner and engineer) per the contract documents. The coordination with the Winscott's attorney will now be led by the attorney for RBC who is

1028 Aurora Drive, Fairbanks, Alaska 99709
T: 907.452.1414 ■ F: 907.456.2707

2700 Gambell Street, Suite 500, Anchorage, Alaska 99503
T: 907.743.3200 ■ F: 907.743.3295

also coordinating with the general liability insurance carriers for PDC. As of May 27th it was our understanding that Gage's insurance had not engaged in independent coordination with the FNSB. The insurance companies of PDC and RBC intend to coordinate and engage the insurance company for Gage.

- b) Completed drive through inspection with FNSB Ann Worhatch from Rural Service to complete the permit closeout with the FNSB. A close-out letter from FNSB is anticipated by mid-June.
- c) Submitted closeout information for the City of North Pole permit

2) June Forecast

- a) Respond to information needs of the FNSB or insurance carriers.

Environmental Permitting

1) May Summary

- a) Received contract amendment in early March that included time for ADNR survey requirements required for closeout. Surveying should occur this month.
- b) Reviewed State of Alaska update to Stormwater Pollution Control General Permit

2) June Forecast

- a) Prepare and submit documentation for closeout of dewatering permits
- b) Work with contractors on SWPPP closeout requirements/review.

Cultural and Historical Resources

1) May Summary

- a) No activity.

2) June Forecast

- a) Prepare annual report.

Geotechnical

1) May Summary

- a) No activity.

2) June Forecast

- a) No activity

Survey

1) May Summary

- a) Performed field survey of valves and locate stations in support of developing pipe system GIS.
- b) Supported IGU's participation in the Dig Line program with 3 calls in the month.

2) June Forecast

- a) Complete field survey of valves and locate stations in support of developing pipe system GIS.
- b) Support IGU's participation in the Dig Line program.
- c) Perform ADNR survey in mid to late June
- d) Perform survey of FNSB easements

Clearing Construction

- 1) May Summary
 - a) No activity except coordination with FNSB regarding Gage Tree Service and Nelson Road issue.
- 2) June Forecast
 - a) No activity except coordination with FNSB regarding Gage Tree Service and Nelson Road issue..

Gas Distribution Construction

- 1) May Summary
 - a) Complete construction administration of telemetry pressure monitoring units.
 - b) IGU processed the pay applications from Zone B for telemetry installation
 - c) Observed work by Zone C contractor to identify areas with leaks by checking purge caps.
 - d) Observed restoration and punchlist work by Zone A.
- 2) June Forecast
 - a) Implement plan with contractors for spring work including resolving of areas with minor alignment conflicts in Zone A and B.
 - b) Conclude gas distribution project closeout except SWPPP and alignment issues.

Pipe Fittings and Locate Materials

- 1) May Summary
 - a) No activity
- 2) June Forecast
 - a) Final inventory memorandum.

Operations Support

- 1) May Summary
 - a) GIS: Continued work on development of GIS to store IGU Phase 1 records
 - i) Cleaning up fusion data received from contractors
 - ii) Transferring fusion/tracking data from coordinates to GIS pipes.
 - iii) Collected GPS locations of pipe markers, tracing stations, and valves in Zone B & C
 - iv) Provided FNSB with preliminary data for use in lookup application
- 2) June Forecast
 - a) GIS: Complete development of GIS
 - i) Populate GIS database with construction records
 - b) Migrate TecHub information to FNSB GIS site.
 - c) FNG Storage Peer Review – Begin work on peer review of AIDEA due-diligence information for FNG storage, and operations standards

IGU Phase 1 – PDC Team – May 2016 Update

June 1, 2016

Page 4

Vendor:	PDC Inc. Engineers											
Billing Period:	May 2016											
Contract:	Phase 1 Distribution Amendment #5 - Budget Summary											
Contract	Contract	Billed Amount	Billed Amount	%	%							
Work Packet	Amount	This Period*	Total to date*	Billed**	Complete**	Budget Change to Redistribute Budget	Overrun (+) / Underrun (-)	Notes				
Preconstruction Services	\$ 84,948.03	\$ -	\$ 84,787.50	100%	100%	\$ (12,807.97)	\$ (160.53)	Excess budget was used to help cover extended construction phase services				
Project Coordination and Management	\$ 41,768.00	\$ -	\$ 57,000.00	136%	100%	\$ -	\$ 15,232.00	Overage due to more effort than expected to manage materials contract and tracking/ordering/managing distribution of materials.				
Implement Project Control Systems	\$ 42,392.53		\$ 27,000.00	64%	100%	\$ (6,751.47)	\$ (15,392.53)	Setup took less effort than anticipated				
Setup Field Office	\$ 787.50	\$ -	\$ 787.50	100%	100%	\$ (6,056.50)	\$ -	Setup took less effort than anticipated				
Construction Phase On-site Services	\$ 203,616.00	\$ 2,000.00	\$ 198,500.00	97%	97%	\$ 50,000.00	\$ (5,116.00)	Budget increased to cover more effort to manage the contracts in the office, especially Zone A				
Project Coordination and Management	\$ 202,761.00	\$ 2,000.00	\$ 198,500.00	98%	98%	\$ 50,000.00	\$ (4,261.00)	Performing Contract closeout and observation of telemetry.				
Project Field Office and Support Equipment	\$ 855.00	\$ -	\$ -	0%	100%		\$ (855.00)	Charges coded to Construction Administration				
Construction Phase Services	\$ 1,078,959.04	\$ 4,500.00	\$ 1,054,500.00	98%	96%	\$ (79,311.96)	\$ (24,459.04)	Budget reduced to cover increases in budget in other tasks				
Construction Administration and Observations	\$ 779,784.04	\$ 2,000.00	\$ 662,000.00	85%	98%	\$ (79,311.96)	\$ (117,784.04)	Continuing coordination and observation of punch list items, SWPPP closeout and monitoring pressure readings.				
Office Engineering & Project Controls	\$ 186,805.00	\$ 2,500.00	\$ 234,500.00	126%	98%	\$ -	\$ 47,695.00	More effort to handle the technical questions, submittals, pay applications, etc. for the two clearing and three distribution contracts in the office, especially Zone A&C (Gage) and Zone A (CEI). Still need to do final pay application and record information review				
Environmental Compliance	\$ 25,110.00	\$ -	\$ 13,500.00	54%	85%	\$ -	\$ (11,610.00)	Still need to do the SWPPP closeout this summer				
ROW Permit Compliance	\$ 66,053.00	\$ -	\$ 124,000.00	188%	90%	\$ -	\$ 57,947.00	Remaining work is to address any comments from final permit submittals				
Cultural Permit Compliance	\$ 21,207.00	\$ -	\$ 20,500.00	97%	95%	\$ -	\$ (707.00)	Remaining work is to complete an annual report				
Supplemental Services	\$ 265,398.00	\$ 1,000.00	\$ 224,500.00	85%	85%	\$ 16,052.00	\$ (40,898.00)	Budget increased to cover additional survey and community liaison activities and reduced due to no geotech or haz mat activities				
Geotechnical and Hazardous Material support	\$ -	\$ -	\$ -	0%	100%	\$ (47,454.00)	\$ -	The crossing agreement with Alyeska required the contractor to hire Shannon & Wilson directly so this cost was not seen on the engineering side. We did not encounter field conditions that warranted observation by geotechnical engineer or hazardous material expert. Budget shifted to Construction Phase				
Surveying Services	\$ 173,861.00	\$ 1,000.00	\$ 140,500.00	81%	81%	\$ 22,446.00	\$ (33,361.00)	Remaining work is to do ADNR surveys				
Support Community Liaison Activities	\$ 91,537.00	\$ -	\$ 84,000.00	92%	96%	\$ 41,060.00	\$ (7,537.00)	Remaining work is to handle any homeowner complaints this spring				
Project Closeout	\$ 96,863.00	\$ 3,000.00	\$ 48,500.00	50%	47%	\$ -	\$ (48,363.00)	Budget increased to include updating ROW/Gas alignment and moving data to FNSB GIS hosting.				
Project Permits	\$ 28,260.00	\$ 2,000.00	\$ 27,500.00	97%	95%	\$ -	\$ (760.00)	Remaining work is to address any comments from final permit reviews by ADOT or City of North Pole				
As-Builts	\$ 14,519.00	\$ 1,000.00	\$ 11,000.00	76%	85%	\$ -	\$ (3,519.00)					
Update ROW/Gas Alignment	\$ 36,865.00	\$ -	\$ 7,000.00	19%	19%	\$ -	\$ (29,865.00)	Redrawing pipe alignments based on construction survey and redlines changes from contractors				
Archive Documents	\$ 6,098.00	\$ -	\$ 3,000.00	49%	50%	\$ -	\$ (3,098.00)					
Transition from TecHub to FNSB GIS hosting	\$ 11,121.00	\$ -	\$ -	0%	0%	\$ -	\$ (11,121.00)					
Operation Support	\$ 159,951.00	\$ 19,500.00	\$ 66,000.00	41%	5%	\$ -	\$ (93,951.00)					
Digline Locate Support	\$ 25,000.00	\$ 7,500.00	\$ 13,000.00	52%	52%							
Build GIS	\$ 70,505.00	\$ 12,000.00	\$ 53,000.00	75%	75%			GIS system being created to store construction records and to allow easy access for future operation and PHMSA audits				
Review of FNG tanks due diligence - Phase 1	\$ 16,880.00		\$ -	0%								
Review of FNG tanks due diligence - Phase 2	\$ 23,868.00		\$ -	0%								
Additional Gas Standards	\$ 14,009.00		\$ -	0%								
Additional Engineering Support	\$ 9,689.00		\$ -	0%								
TOTALS	\$ 1,889,735.07	\$ 30,000.00	\$ 1,676,787.50	89%	89%							
	\$ 26,067.93	Transferred to Balance Design Phase Overages				\$ 26,067.93	\$ -	Transferred to Balance Design Phase Overages (completing ROW permits) that were charged after the construction amendment was approved and the previous overages were credited				
	\$ 1,915,803.00	Total Construction Phase Amendment				\$ (0.00)	\$ (212,947.57)					
	\$ 1,590,257.00	Check				Check for no change in budget	Amount Remaining in Contract					
*THESE TOTALS INCLUDE THE ESTIMATED HDR AND PDC BILLING THROUGH MAY 27th.												
**% BILLED, AND % COMPLETE ARE ALL WITH CONSIDERATION OF BOTH THE CLEARING AND THE GAS DISTRIBUTION CONTRACTS												