



Interior Gas Utility

Board of Directors Work Session

May 15, 2018

4:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

Minutes

A Meeting of the Board of Directors Work Session of the Interior Gas Utility was held Tuesday, May 15, 2018, at the IGU, Fairbanks, Alaska. IGU Board Chairman, Pam Throop, presiding.

Others in attendance were: Jomo Stewart (IGU General Manager), David Prusak (Stantec), Rene Broker (CSG – IGU Attorney), Dan Britton (FNG), Brown Thornton (NewGen – telephonic), Gary Wilkin (AIDEA), Bruce Robson (Stantec – telephonic), Liz Grieg (public), Mark Premo (Stantec – telephonic), Craig Wilson (Stantec – telephonic), Gene Therriault (AIDEA - telephonic), Siemens Attendees (Kelly Laurel, Peter Chornyak, Greg Koontz, Dan Rosen, Ken LaRue, Ranier Theisen), Knik Atnu (Tom Harris, Richard Porter).

I. Call to Order

- Roll call

Board Members Present:

Pamela Throop
Jack Wilbur
Frank Abegg
Bill Butler – arrived 5:02 PM
Steve Haagenson
Patrice Lee
Mike Meeks

- Approval of Agenda

Director Wilbur moved to adopt the Agenda, Director Meeks seconded. The Agenda was adopted.

- Public Comment – *limited to three minutes*

Kelly Laurel (Siemens) – appreciate the opportunity to present at the Liquefaction Charrette, today, and look forward to working with IGU. Director Wilbur asked about interactions with PHMSA for a US based system at this production capacity. Siemens responded the systems in the US are currently low pressure systems, the plan is to have a high pressure system.

Rainer Theisen (Siemens) – had an ammonia leak and worked with OSHA. Said he does not know the specific regulatory requirements for LNG facilities used for purposes like the IEP but assumes Siemens is aware of those standards and has designed the systems to meet them. He confirmed that this would be the first LNGo high-pressure system deployment in US

Richard Thielman (public) – two pages of public comment, feels happy to see things moving along. Disagrees with some of the Charrette comments today, particularly related to models, it is not a certainty. Oil prices influence the outcomes. Likes the idea of having someone else take on the responsibility of LNG production and discussed how utilities do so in the lower 48. Many utilities are doing this and supports this idea. Last comment, feels there are too many trucks on the road today.

Gene Therriault (AIDEA – telephonic), desires to report on the legislation status. Session ended and successful in extending the bond authority and on-bill financing is now in place. Mr. Stewart, with the Chair's permission, reminded the Board of Mr. Therriault's previous work experience, described how extraordinary he believes his achievement is and offered him congratulations in having successfully advanced these bills to law. Stated Mr. Therriault deserves high praise, and our collective thanks, and offered both.

II. New Business

- Resolution 2018-03: Authorization for the General Manager to Execute Final Closing Documents relative to Pentex Purchase (PSA) and IEP Financing (FA) – First Reading
 - Mr. Stewart explained that IGU is moving through the process to place the Board in a position to act in finalization of the purchase of Pentex. Looking for input, with action by the Board to be scheduled for May 29, 2018. Director Wilbur asked if the action to approve can be taken without deciding on Option A or B and it was yes.
 - Director Wilbur asked if AIDEA had a reason not go along with this. Mr. Stewart said the Siemens approach would represent a change in agreed scope and would require acceptance or concurrence of this approach.
 - Director Haagenson asked if the FA could be signed at the same time as it is not outlined in the Resolution, Mr. Prusak explained that the FA was not a document to sign as it is part of the PSA. Ms. Broker will review to confirm this.
- Board Memorandum 2018-03: Final Investment Decision on PSA/FA – First Reading
 - Mr. Stewart discussed this document as it was outlined in Resolution 2017-06R, that outlined the need for this information being provided to the Board by the General Manager.
 - Director Wilbur asked why it is a draft and not final. Mr. Stewart said that, though he doesn't expect them to materially change his recommendation, it

was to allow extra time for disclosure schedule due diligence (DSDD) and efforts to satisfy the Conditions Precedent to progress. He is also open to Board comment and to allow for it. He specifically noted the North Slope Pad (for which transfer of control is a Condition Precedent) as an item that may not be completed at time of closing and about which the narrative within the Board Information Memo may need revision to accommodate.

III. Unfinished Business

- PSA/FA Disclosure Schedule Due Diligence Review
 - Mr. Stewart explained the tracking tool used to work through items by subject matter. Mr. Stewart said he asked DSDD team members to identify anything they've discovered they would consider a "show stopper" and that, to date, there has been nothing identified which has come up that causes them to recommend not proceeding to Close. He reviewed some various topic areas and provided updates. Explained the asset, EHS and financial due diligence team members are on line to respond to questions.
 - Director Wilbur asked why some areas were highlighted, Mr. Stewart explained some are new items or newly updated notes, or items for which further steps are needed for DSD to be considered completed. Most, however, are items which will require future attention or action and, therefore, he wanted to alert the Board to them. So the highlights do not indicate something is out of order.
 - Director Meeks asked about UST, Mr. Stewart confirmed there were none.
 - Chair Throop asked about page 32 of the Board packet and the highlight – indication of ongoing discussion between Pentex and PHMSA on an issue. Mr. Prusak and Mr. Wilson explained that kind of back and forth is not uncommon. Mr. Wilson explained it was an issue related to tall grass, for which the process for addressing should appear in policy or standard operating procedures – the back and forth is about getting that language right.
 - Director Lee asked if she will be able to ask further questions. Mr. Stewart said yes, however if possible to submit questions via email to have answers ready to respond to issues brought up. He indicated that he hoped to focus on assets this week and legal issues next week.
 - Director Abegg stated that he felt the Due Diligence documents should be made public, he is concerned about the reliability. Director Meeks said there are reasons things need to be repaired and it may be appropriate. Chair Throop asked if the documents address security issues and the answer was yes. Director Lee referenced the documents and feels the public should have access. Director Haagenson asked Mr. Stewart to bring the Titan report back to the Board at the next meeting. Mr. Stewart explained if the IGU were to buy Pentex, they could make it public after they owned it but cautioned there still might be things IGU would want to keep confidential and, therefore, recommends against building an expectation all information generated, or unexpurgated copies of any/all reports, will be made public.

- Director Lee asked if Pentex was public or private. Public, as it is owned by AIDEA which is a public corporation.
 - Director Wilbur asked if other Board members had concerns that would encourage them to vote to not move forward. Director Haagenson said he will be asking Board members to disclose and explain early issues they are concerned about and willing to share with the Board - to see if answers can be provided in advance of decision.
- PSA/FA Conditions Precedent Status Update
 - Mr. Stewart referred to the closing document check list that was provided in the packet. The one item that is likely not to be satisfied is the change of control of the North Slope Pad. He explained the challenges that the ADNRR is going through because of the narrow limitations that the lease was provided for when given (he read to the Board the information he received describing what ADNRR is considering to do to resolve the issue – provided in an attachment to these minutes). He explained how he handled this in the FID and how he intended to address the issue with ADNRR and AIDEA – get them to provide a defined plan to move it forward by May 29, 2018.
 - Director Lee asked if the pad was an asset worth \$15M, Mr. Stewart explained that that was not the cost and provided a description of how the asset was built (approximately \$6+M).
 - Chair Throop asked if this goes out for bid after May 29, 2018 how will the bidding work and will IGU have a credit, this is part of what Mr. Stewart wants to try to have in writing that is signed off on and how the credit is to work.
 - Chair Throop said we have until the end of August to figure this part out.
 - Director Wilbur asked if all the boxes will be checked to make the purchase, Mr. Stewart explained the process is on track to be all the boxes except the North Slope Pad.
 - IEP Update
 - Mr. Stewart said he planned to discuss the North slope pad and the legislative update that have been covered. For North Pole Storage, the purchase agreement was sent over to GVEA along with the early access agreement.
 - Mr. Britton spoke on the Tria Road storage is moving forward. The foundation is complete, embeds are going in and precast panels are going forward with over 20 panels constructed. The tank vendor is mobilizing next week and currently planning to work 6 ten-hour days.
 - Mr. Stewart discussed the charrette held today on the LNG production at Mt. McKinley Bank. Director Haagenson said he would like to see one financial model to help the Board decide on the best approach. He discussed risk and cost of it or cost to shed it. Chair Throop hopes to see all the assumptions made. She then asked Siemens if there is anything else out there for fees. Mr. Peter Chornyak of Siemens responded he looks forward to an apples to apples comparison and that Siemens willing to help get there. Director Wilbur

asked about the development agreement, it has not been actively as all have work on the Charrette process. Director Haagenson said he wanted to get all parties together for the truing up process, and then sit down with AIDEA to discuss. Director Meeks concurred and explained why we need to bring AIDEA along with this discussion. There was agreement that this was not required to close at this time. Cost of gas should be the same in both cases and the Board agreed.

- Air Quality Stakeholder Group
 - Mr. Stewart discussed the Air Quality Stakeholders Group being formed in the community and that IGU is a voting member.
 - Director Meeks explained he is interested being the Board member and explained the reasons. He then noted he will be in attendance anyway because of his position at the City. Other Board members asked if he would be there representing the City.
 - Ms. Broker said this is not on the agenda and should not be discussed as to who would represent the IGU as a voting member.
 - The position is supposed to be filled prior to the next meeting and Chair Throop asked if she can appoint someone. Ms. Broker needed to confirm that within the bylaws which do not appear to allow this. This will be placed on the next agenda.

IV. Other Business

- Next Agenda
 - PSA/FA Disclosure Schedule Due Diligence Review
 - Review of the Due Diligence report on LNG assets.
 - PSA/FA Conditions Precedent Status Update
 - Select a member for the Air Quality Stakeholder group (Special Board Meeting)
 - Board member questions and concerns regarding the Pentex closing.
 - IEP Update
 - Other

V. Director

Board members thanked those involved with the charrette today and members of the public for participating.

IV. Adjournment

Director Butler moved to adjourn at 5:45 PM. This was seconded by Director Wilbur and without objection, the meeting Adjourned.

