



# Interior Gas Utility

Board of Directors Work Session

May 16, 2017

4:00PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

## AGENDA

### I. Call to Order

- Roll call
- Approval of Agenda
- Public Comment – *limited to 3 minutes*

### II. Committee of the Whole

- FY 18 Draft Operating Budget Pg. 2 - 3
- Interior Energy Project Update
- Gas Supply Agreement Update
- Purchase Sales Agreement / Finance Agreement for Pentex from AIDEA Update
- Integration Update

*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, Purchase Sales Agreement and IGU/FNG Integration.*

### III. Special Board Meeting

#### Unfinished Business

- Resolution 2017-04 Pg. 4 -5  
*A Resolution authorizing the General Manager of the Interior Gas Utility to amend the non-binding Memorandum of Understanding with the Alaska Industrial Development and Export Authority for the Acquisition of Pentex to extend the effective date.*

### VI. Reports

- General Manager
- Stantec Consulting Services Inc.

### V. Other Business

- Next Agenda

### VI. Director Comments

### VII. Adjournment

## **Draft FY 18 Operating Budget**

DRAFT FY 18 Operating Budget Proposed & Budget to Actuals Dated 5/9/17

Item	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total	PROPOSED Budget 18	Actual July 2016 - March 2017	Estimated April 2017 - June 2017	Total Estimated July 2016 - June 2017	APPROVED Budget 17
<b>Income</b>																		
FNSB Contract	40,716.67	40,716.67	40,716.67	40,716.67	40,716.67	40,716.67	40,716.67	40,716.67	40,716.67	40,716.67	40,716.67	40,716.67	488,600.00	488,600.00	315,784.25	219,712.63	535,496.88	716,620.00
Corporate Contributions																	-	-
Interest			900.00			900.00			900.00			900.00	3,600.00		1,695.90	900.00	2,595.90	3,600.00
<b>Expenses</b>																		
<b>Contractual Services</b>																		
Customer Contact	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	15,000.00	15,000.00	2,172.84	434.57	2,607.41	15,000.00
Legal Fees	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	12,500.00	150,000.00	150,000.00	142,813.84	160,000.00	302,813.84	252,000.00
Office Services	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	1,200.00	1,200.00	657.88	300.00	957.88	1,200.00
Travel Expenses	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00	12,000.00	1,919.67	1,000.00	2,919.67	9,000.00
Rent	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	4,200.00	50,400.00	50,400.00	37,170.00	12,390.00	49,560.00	50,400.00
Insurance	1,225.00	1,225.00	1,225.00	1,225.00	1,225.00	1,225.00	1,225.00	1,225.00	1,225.00	1,225.00	1,225.00	1,225.00	14,700.00	14,700.00	10,658.31	3,600.00	14,258.31	14,700.00
Financial Services	4,583.33	4,583.33	4,583.33	4,583.33	4,583.33	4,583.33	4,583.33	4,583.33	4,583.33	4,583.33	4,583.33	4,583.33	55,000.00	55,000.00	26,815.00	10,290.00	37,105.00	60,000.00
Communications	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	5,000.00	5,000.00	3,369.84	1,110.00	4,479.84	4,440.00
Membership - Fees	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	175.00	2,100.00	2,100.00	1,130.00	525.00	1,655.00	2,100.00
<b>Total Contractual Services</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>25,450.00</b>	<b>305,400.00</b>	<b>305,400.00</b>	<b>226,707.38</b>	<b>189,649.57</b>	<b>416,356.95</b>	<b>408,840.00</b>
<b>Materials Expenses</b>																		
Office Supplies	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	7,200.00	7,200.00	4,945.24	1,800.00	6,745.24	7,200.00
Information Tech	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	15,000.00	15,000.00	1,750.00	750.00	2,500.00	30,000.00
Miscellaneous	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	416.67	5,000.00	5,000.00	-	-	-	6,000.00
Depreciation Expense	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	4,200.00	4,200.00	2,703.60	1,050.00	3,753.60	4,200.00
Interest Expense	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	1,800.00	1,800.00	937.53	450.00	1,387.53	1,800.00
<b>Total Materials Expenses</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>2,766.67</b>	<b>33,200.00</b>	<b>33,200.00</b>	<b>10,336.37</b>	<b>4,050.00</b>	<b>14,386.37</b>	<b>49,200.00</b>
<b>Payroll Expenses</b>																		
Salary Expenses	9,166.67	9,166.67	9,166.67	9,166.67	9,166.67	9,166.67	9,166.67	9,166.67	9,166.67	9,166.67	9,166.67	9,166.67	110,000.00	110,000.00	72,705.71	24,062.50	96,768.21	153,200.00
Employee Benefits	458.33	458.33	458.33	458.33	458.33	458.33	458.33	458.33	458.33	458.33	458.33	458.33	5,500.00	5,500.00	3,635.36	1,203.13	4,838.49	64,400.00
Payroll Tax Expenses	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	1,375.00	16,500.00	16,500.00	6,410.76	2,247.44	8,658.20	22,980.00
<b>Total Payroll Expenses</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>11,000.00</b>	<b>132,000.00</b>	<b>132,000.00</b>	<b>82,751.83</b>	<b>27,513.06</b>	<b>110,264.89</b>	<b>240,580.00</b>
<b>Budget Reserve</b>																		
AIDEA Hold-back	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00	12,000.00	-	-	-	12,000.00
Contingency	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00	12,000.00	-	-	-	12,000.00
<b>Total Budget Reserve</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>2,000.00</b>	<b>24,000.00</b>	<b>24,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,000.00</b>
<b>Total Misc Nonoperating Expense</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>41,216.67</b>	<b>494,600.00</b>	<b>494,600.00</b>	<b>319,795.58</b>	<b>221,212.63</b>	<b>541,008.21</b>	<b>722,620.00</b>
Budgeted Changes in Net Position	(500.00)	(500.00)	400.00	(500.00)	(500.00)	400.00	(500.00)	(500.00)	400.00	(500.00)	(500.00)	400.00	(2,400.00)	(2,400.00)	(2,315.43)	(600.00)	(2,915.43)	(2,400.00)
														<b>494,600.00</b>				<b>722,620.00</b>

Total Contract Amount	2,727,273.00
Spent FY 2013	(303,364.00)
Spent FY 2014	(1,304,556.00)
Spent FY 2015	(111,061.00)
Spent FY 2016	(130,574.00)
Spent FY through March 31, 2017	(315,784.00)
Funds available after March 31, 2017	561,934.00
Estimated amounts to spend April, May & June 2017	(219,712.63)
Budgeted contract revenues - excluding interest and deprecation expense not reimbursed by FNSB	
Remaining contract funds after June 30, 2017	342,221.37

## **Resolution 2017-05**



By: Michael Meeks  
Considered on: May 2, 2017  
Approved on:

**RESOLUTION # 2017-05**

**A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE  
INTERIOR GAS UTILITY TO AMEND THE NON-BINDING  
MEMORANDUM OF UNDERSTANDING WITH THE ALASKA  
INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY FOR THE  
ACQUISITION OF PENTEX TO ALLOW AIDEA/PENTEX TO  
NEGOTIATE AND EXECUTE A NATURAL GAS SUPPLY CONTRACT  
TO SERVE EXISTING AND POTENTIAL FUTURE CUSTOMERS**

WHEREAS, it is customary for a utility operator to seek and secure gas supplies for provision to customers at least a year in advance of it being required for delivery; and

WHEREAS, the existing natural gas supply contract that Titan Alaska LNG LLC relies on to produce LNG for Fairbanks Natural Gas LLC to use in supplying its customers will expire at the close of the first quarter of 2018; and

WHEREAS, the non-binding Memorandum of Understanding (MOU) for the acquisition of Pentex by IGU and deployment of IEP funds toward eventual achievement of IGU and IEP goals entered into January 25, 2017, requires that AIDEA/Pentex receive IGU consent before entering into agreements having a material impact on Pentex LLC.

NOW, THEREFORE, BE IT RESOLVED BY THE IGU BOARD OF DIRECTORS AS 43  
FOLLOWS:

The IGU General Manager is authorized to execute an amendment to the non-binding Utility Integration Memorandum of Understanding to allow AIDEA, Pentex Alaska Natural Gas Company, LLC and its subsidiaries to negotiate for and execute a natural gas supply contract in order to be able to serve existing and potential future customers after the existing contract expires.

\_\_\_\_\_  
Michael Meeks - Chair, IGU Board

\_\_\_\_\_  
Date

\_\_\_\_\_  
David Prusak- Secretary to the IGU Board of Directors

\_\_\_\_\_  
Date

PO Box 70200  
Fairbanks, AK 99707  
907 374 4474  
[interiorgas.com](http://interiorgas.com)