



Interior Gas Utility

Board of Directors Board Meeting

May 3, 2016

4 PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

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. Wilbur** 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. Haagenon: 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.