

**Interior Gas Utility's**

**Request to Increase the Line of Credit Between**

**IGU and the Alaska Industrial Development and**

**Export Authority**

**for the purpose of**

**Financing IGU's 2015 Distribution System**

**Capital Program**

**December 18, 2014**

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**ATTACHMENT 9**

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*IGU 2014-2017 Work Plan*

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**ATTACHMENT 9 - IGU 2014-2017 Work Plan**

Description: Phase 1-3 buildup with temporary storage. SETS financing for 2015; remainder financed through tax-exempt bonds (backed by AIDEA)							Phases 1-3 Amount (\$)							
Item	2014	2015	2016	2017	2018	2019	2020							
<b>Natural Gas Distribution System - Initial Build Out of Phases 1 - 3 - High Demand Area</b>														
Construction Cost	300,000	20,200,000	18,959,000	26,659,000	-	-	-							
Materials	1,260,000	4,300,000	6,665,000	-	-	-	-							
Engineering	1,000,000	2,800,000	1,667,000	-	-	-	-							
Permitting	800,000	-	83,000	-	-	-	-							
ST - NG Distribution System	\$3,360,000	\$27,300,000	\$27,374,000	\$26,659,000	-	-	-							
<b>Storage Facilities - Temporary</b>														
Temporary Storage and Regas	\$470,000	\$3,000,000	\$2,530,000	-	-	-	-							
<b>Program Management - Major Activities</b>														
Program Management	\$1,573,693	\$2,000,000	\$2,300,000	\$2,300,000	\$2,300,000	-	-							
Development of design standards (MWH in coordination with SME)	Develop and implement temp/perm LNG storage and regas solution													
Coordination with PHMSA	Coordinate/manage partners (RDI, design/engineering, construction, gas operator, etc.)													
NEPA Permitting (TBD)	Legislative activity and support													
Permitting and ROW discussions and applications with ADOT, Alaska Railroad, and others	Public Outreach (public image, branding, community meetings, construction outreach)													
Documentation of property to assess conversion costs/affordability (mTOOLS)	Conversion Support (VISTA activities, low-income program, financing program)													
Hydraulic Model (TBD)	Implement IGU staffing plan (GM, CFO, Administrative, others as identified)													
Prepare proposals for design firm, ROW, permitting, hydraulic model, and operating partner	Financial planning and financing support (AIDEA, long-range financial plan)													
Prepare proposals for procuring long lead time materials	Develop five-year Business Plan (inc. 6-yr capital plan and work plan)													
Negotiate areas for laydown and warehousing of materials	Develop and implement IT Master Plan (CIP, conversions, GIS,CIS, accounting, plant records)													
<i>(Note -- All activities MWH unless noted TBD or otherwise)</i>														
<b>Allowance for Other Capital Items</b>														
Conversions	-	300,000	-	-	-	-	-							
IT, Phone, Furniture, Equip.	200,000	24,500	24,500	22,500	-	-	-							
Other Capital Items	(449,009)	-	-	-	-	-	-							
ST - Other Capital Items	-\$249,009	\$324,500	\$24,500	\$22,500	-	-	-							
<b>Total Capital Improvement Plan for Phase 1 - 3</b>														
Totals	\$5,154,684	\$32,624,500	\$32,228,500	\$28,981,500	\$2,300,000	\$0	\$0							
							\$ 101,289,184							

**Debt Summary**

SETS Financing (includes initial \$8.1 m)	\$ 37,780,000
Tax-exempt Bonds (AIDEA backed)	\$ 63,500,000
<b>Total Debt Issue for Phase 1 - 3</b>	<b>\$ 101,280,000</b>
<i>(does not include capitalized interest)</i>	
<b>Capitalized Interest</b>	
<b>Total Outstanding Debt for Phase 1 - 3</b>	<b>\$ 110,124,911</b>
<i>(maximum debt level in 2019; includes capitalized interest)</i>	

**Financing Assumptions**

Item	Amount (\$m)	Interest Rate	Term	Deferment
Existing Debt	\$ 8.1	1.0%	50 yrs	10 yrs
SETS Financing	\$ 29.7	1.0%	50 yrs	10 yrs
Bond Financing (AIDEA-backed)	\$ 63.5	4.0%	30 yrs	3 yrs
<b>Total</b>	<b>\$ 101.3</b>			

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## **ATTACHMENT 10**

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*Cost Stack and Rate Plan*

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## ATTACHMENT 10 - Cost Stack and Rate Plan

### Interior Alaska Natural Gas Utility 2014-2017 Work Plan -- Phase 1-3 Buildout

#### [1] COST STACK SUMMARY (all amounts shown in \$/MCF)

Cost Component	Rate (\$/MCF)	Comments
Cost of Gas	11.0	Delivered cost to IGU; includes trucking
Storage	1.0	Permanent storage solution TBD
IGU Distribution	3.8	IGU distribution; initial rate, see rate plan below
<b>Total Delivered Cost (\$/MCF)</b>	<b>15.8</b>	Volumetric rate to end-use customers

#### [2] RATE PLAN (all amounts shown in \$/MCF)

##### IGU Rate Plan (draft, subject to change)

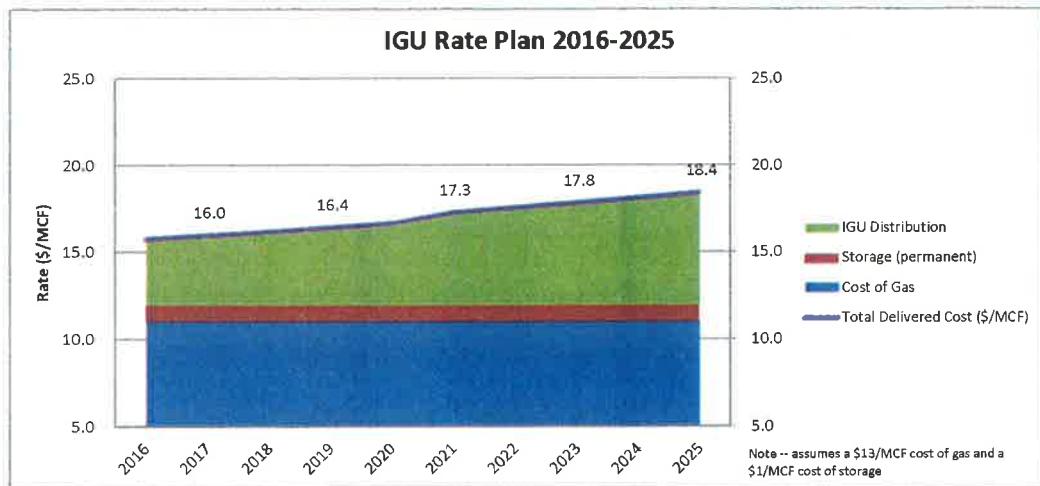
IGU's rate goals include (a) stability over time, (b) cost-based rate structure, and (c) as low as possible. Meeting these goals with a startup utility requires a careful consideration of initial startup costs, substantial lag between infrastructure investment and customer revenue, and debt service structure.

IGU's rate plan is to implement an initial rate structure in 2016 that will continue through the end of construction in 2020. During that initial 5-year period, customer conversions to natural gas are expected to grow to near 75 percent of potential customers. Beginning in 2017 and continuing through 2025, IGU will gradually increase rates each year to meet debt service requirements. After 2025, debt service is stable and periodic rate adjustments are only needed to offset general cost increases due to inflation. This approach will result in a smooth transition to rates that fully support IGU's cost structure and avoid an abrupt change in customer rates.

Implementation of IGU's rate plan is shown below. Initially, IGU will have a natural gas distribution charge of \$3.8/MCF. Assuming a \$11/MCF cost of gas and a \$1/MCF storage charge, the total delivered cost to end-use customers in 2016 will be \$15.8/MCF. Beginning in 2017 and continuing through 2025, IGU rates increase gradually to meet cash flow and debt service coverage requirements.

Key assumptions underlying these results include no change in the cost of gas or the cost of storage. Any change in either of these cost components will be passed through to customers. To the extent possible, IGU will develop cost recovery approaches that minimize the impact to customer bills.

Rate Component	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Cost of Gas	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Storage (permanent)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
IGU Distribution	3.8	4.0	4.2	4.4	4.7	5.3	5.6	5.8	6.1	6.4
<b>Total Delivered Cost (\$/MCF)</b>	<b>15.8</b>	<b>16.0</b>	<b>16.2</b>	<b>16.4</b>	<b>16.7</b>	<b>17.3</b>	<b>17.6</b>	<b>17.8</b>	<b>18.1</b>	<b>18.4</b>
Annual Rate Adjustment		1.4%	1.4%	1.4%	1.4%	3.8%	1.6%	1.6%	1.6%	1.6%



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## ATTACHMENT 11

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*Operating Results and Debt Service Coverage*

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**ATTACHMENT 11 - Operating Results and Debt Service Coverage**  
**Interior Alaska Natural Gas Utility**  
**2014-2017 Work Plan – Phase 1-3 Buildout:**  
**Funds Available for Debt Service & Capital Improvements**

Description	Actual		Projected =====>		2015	2016	2017	2018	2019	2020	2021	2022	2023	
	2013	2014	2014	2015										
<b>Operating Revenues</b>														
Sales/Charges for Service	\$0	\$0	\$0	\$0	\$3,594,894	\$7,581,283	\$13,394,658	\$17,938,627	\$20,197,482	\$22,003,930	\$22,679,444	\$23,318,249		
Other Revenues	0	0	0	0	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676	
Interest Income	0	4,417	5,002	1,426	1,895	2,219	2,195	2,195	1,801	1,312	2,410	2,440		
<b>Total Operating Revenues</b>	<b>\$0</b>	<b>\$4,417</b>	<b>\$5,002</b>	<b>\$3,596,320</b>	<b>\$7,950,854</b>	<b>\$13,764,553</b>	<b>\$18,308,497</b>	<b>\$20,566,959</b>	<b>\$22,372,918</b>	<b>\$23,049,550</b>	<b>\$23,690,365</b>			
<b>Operating Expenses</b>														
Operating Costs	\$0	\$150,000	\$350,000	\$821,719	\$1,059,657	\$1,196,014	\$1,291,477	\$1,341,814	\$1,373,409	\$1,392,477	\$1,409,941			
Maintenance	0	0	0	522,058	742,419	759,669	759,669	759,669	759,669	759,669	759,669			
Distribution	0	0	0	700,077	939,892	1,012,882	1,012,892	1,012,892	1,012,892	1,012,892	1,012,892			
Cost of Gas	0	0	0	2,610,997	5,418,051	9,430,854	12,443,745	13,801,325	14,454,193	14,454,193	14,454,193			
<b>Total Operating Expenses</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$350,000</b>	<b>\$8,657,850</b>	<b>\$8,210,019</b>	<b>\$12,399,429</b>	<b>\$15,507,783</b>	<b>\$16,915,700</b>	<b>\$17,600,163</b>	<b>\$17,810,022</b>	<b>\$17,985,097</b>			
Funds Available for Debt Service & Capital Improvements (Total Operating Revenues less Total Operating Expenses)	\$0	(\$145,563)	(\$344,998)	(\$1,061,530)	(\$259,166)	\$1,365,124	\$2,800,715	\$3,651,269	\$4,772,754	\$5,239,507	\$5,705,268			
<b>Total Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,390,012</b>	<b>\$4,456,563</b>	<b>\$4,456,563</b>	<b>\$4,456,563</b>	<b>\$4,456,563</b>	<b>\$4,456,563</b>		
<b>Debt Service Coverage</b>	-	-	-	-	-	-	1.17	0.82	1.07	1.18	1.23			

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**Interior Alaska Natural Gas Utility**  
**2014-2017 Work Plan – Phase 1-3 Buildout:**  
**Funds Available for Debt Service & Capital Improvements**

Description	Projected >				2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024	2025	2026	2027
<b>Operating Revenues</b>														
Sales/Charges for Service	\$23,904,441	\$24,379,747	\$24,379,747	\$24,623,545	\$24,623,545	\$24,869,780	\$24,869,780	\$24,869,780	\$24,869,780	\$24,869,780	\$24,869,780	\$24,869,780	\$24,869,780	\$24,869,780
Other Revenues	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676	367,676
Interest Income	7,241	9,777	11,677	13,451	15,340	17,342	19,210	21,188	23,273	25,216	27,273	29,273	31,273	33,273
<b>Total Operating Revenues</b>	<b>\$24,279,358</b>	<b>\$24,757,200</b>	<b>\$24,759,100</b>	<b>\$24,780,874</b>	<b>\$25,006,561</b>	<b>\$25,008,563</b>	<b>\$25,010,431</b>	<b>\$25,258,644</b>	<b>\$25,260,729</b>	<b>\$25,262,673</b>				
<b>Operating Expenses</b>														
Operating Costs	\$1,425,361	\$1,436,959	\$1,465,698	\$1,495,012	\$1,524,912	\$1,555,411	\$1,586,519	\$1,618,249	\$1,650,614	\$1,683,626				
Maintenance	759,669	759,669	774,862	790,360	806,167	822,290	838,736	855,511	872,621	890,073				
Distribution	1,012,892	1,031,150	1,063,813	1,096,387	1,074,889	1,106,387	1,140,681	1,183,314	1,163,494	1,186,764				
Cost of Gas	14,915,729	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205	14,960,205
<b>Total Operating Expenses</b>	<b>\$18,116,650</b>	<b>\$18,169,725</b>	<b>\$18,233,816</b>	<b>\$18,289,390</b>	<b>\$18,366,173</b>	<b>\$18,434,293</b>	<b>\$18,503,774</b>	<b>\$18,574,846</b>	<b>\$18,646,935</b>	<b>\$18,720,669</b>				
<b>Funds Available for Debt Service &amp; Capital Improvements</b>														
(Total Operating Revenues less Total Operating Expenses)	<b>\$6,162,708</b>	<b>\$6,587,475</b>	<b>\$8,525,185</b>	<b>\$6,461,485</b>	<b>\$6,640,388</b>	<b>\$6,574,270</b>	<b>\$6,508,657</b>	<b>\$6,683,999</b>	<b>\$6,613,795</b>	<b>\$6,542,003</b>				
<b>Total Debt Service</b>	<b>\$4,606,387</b>	<b>\$5,605,380</b>	<b>\$5,605,380</b>	<b>\$5,605,380</b>	<b>\$5,605,380</b>	<b>\$5,605,380</b>								
<b>Debt Service Coverage</b>	1.34	1.18	1.16	1.15	1.18	1.17	1.17	1.16	1.16	1.16	1.16	1.16	1.16	1.16