



Interior Gas Utility

Board of Directors Meeting
October 16, 2018 @ 4:00 PM
100 Cushman Street, Ste. 512, Fairbanks,
Alaska

DRAFT AGENDA

I. Call to Order

- Roll call
- Approval of Agenda and Consent Agenda
*Items marked with * are approved under the consent agenda*
- Approval of Minutes – 10/2/18*, 10/9/18* Pgs. 2-16
- Public Comment – *limited to three minutes*

II. New Business

- Liquefaction Expansion
 - FEED Process, Scope of Work (Board Action)

III. Unfinished Business

- Siemens/Titan Expansion (Board Discussion)
- IEP Update (Board Discussion)
 - Storage Projects
 - North Slope Pad
 - Other Items

IV. Reports*

- General Manager Pgs. 17-18

V. Other Business

- Next Agenda

VI. Director Comments

VII. Adjournment

To participate via teleconference, call 1-800-315-6338; when prompted, enter 47499

OCTOBER 2, 2018 MINUTES



Interior Gas Utility

Board of Directors Meeting
October 2, 2018 @ 4:00PM
100 Cushman Street, Suite 512, Fairbanks, Alaska

DRAFT Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, October 2, 2018 at 100 Cushman Street, Suite 512, Fairbanks, Alaska. IGU Board Chairman, Pamela Throop, presiding.

Others in attendance were: Dan Britton (IGU/FNG), David Prusak (Stantec), Zane Wilson (CSG – IGU Attorney), Laura Steel (IGU), Gene Therriault (AIDEA, telephonic), and..... Sign-in Sheet is attached.

I. Call to Order @ 4:04 pm

- Roll Call

Board Members:

Madam Chair, Pamela Throop
Vice Chair Jack Wilbur, excused
Director Bill Butler
Director Steve Haagenon
Director Patrice Lee
Director Mike Meeks
Director Gary Wilken

- Approval of Agenda and Consent Agenda

Moved by Director Lee to remove the August financial report from the Consent Agenda.

Seconded by Director Butler...No Objection.

Agenda and Consent Agenda with Minutes from September 18, 2018 and September 25, 2018 was approved with August financial report removed from the Consent Agenda.

August financial report:

Discussion: Director Lee wanted the entire board to go through the report. Director Meeks wanted the details to go to the committee, not all 7 on the Board trying to get into the details, and asked what specifically Director Lee wanted to point out. Director Lee stated there were questions at the finance committee meeting and pointed out the money spent on legal fees, and the reconciliation on Tria Road, page 40. Dan explained the legal fees go up because we meet every week and request legal counsel attend, and the consultations with legal counsel add to the cost.

Moved by Director Butler to approve August financial report as presented. Seconded by Director Lee.

Approved as presented.

- Public Comment – *limited to three minutes*

No Public Comment.

II. New Business

- Bonding
 - Financial Advisor Presentations

Director Wilken asked how we selected these companies. Madam Chair stated that Rene Broker contacted the FNSB financial people and these names came from them. There may be a conflict of interest as PFM also does financial advising for AIDEA, so Mark Gardner is part of that group.

PFM Group Consulting, Director's Russ Branson and Fred Eoff (telephonically)

PFM is headquartered in Philadelphia, with offices on the West Coast. #1 nationally rated financial advising firm for 24 years. They have lots of Alaska experience.

Madam Chair asked what the process will be, what they would look at for us and how would that assist us in getting where we need to go, when we get there.

Looking at financial forecast (specifically the income statement and proforma determination of funds avail for debt service) in starting, they would be making sure of what the basis is for all of the projections of capacity, rates, and revenues, and assumptions relative to operating costs going forward. Typically they do a timeline, bring bond counsel into the picture regarding legal perspective, and ultimately get into the market with underwriting team. Big stumbling blocks will be what the rate is and how many we have converted by the time we want to sell bonds; higher cost of debt is more difficult. They would walk through projections and really dissect our capacities for binding, determined by the certainty of our revenue source.

Director Lee asked what criteria categories are used to determine IGU's bondability?

Ultimate driver is projection of funds available for debt service, which is identified in the proforma, and the need to factor a debt service coverage.

Director Lee asked if either is more important than the other, debt to customer ratio or debt to asset ratio? Are those things we need to consider?

Debt coverage is more of a factor than debt to asset because, with investors, you have the cash flow to service the debt.

Director Wilken asked 1. To supply a sheet of paper regarding your corporate structure, 2. Name who you would expect your Alaska team leader to be on this project, and any subordinates under that person, provide their names and resumes, primarily Alaska experience, 3. Name your Muni contact and Alaska Railroad contact names so we may call them for

references, (Yes, they deal with Devin Mitchell as their primary contact and Chip is the PFM Financial Advisor with the Muni Bond Bank) and 4. Provide a schedule once we get the project going. They may be able to provide a more generic schedule on how the bond process will work.

Director Haagenson asked; with the tax credit up to \$20 million, (\$15 million per project maximum), \$21 million in bondability, is there a decision point when you look at bonds and then look at alternates like governmental loans? Yes, you accomplish this financing without a predetermined solution, and they will make sure they understand everything involved, and at some point make a recommendation of our options for financing this project.

Madam Chair asked, if we need bonding more than once, would they look at that and would the comprehension of what we need be included in what they look at? Overall as a part of finance, they expect to work through a couple of the financings in the time it takes to get it done.

Five minute break...Reconvened at 5:12 pm.

Northwest Municipal Advisors, Alan Dashen (telephonically)

He has done a lot of background reading on IGU, lots of issues to address. Twenty years ago he started Northwest Municipal Advisors under a different name.

What he found to be most valuable was financial forecast done last May showing what the debt looks like in 20 years. It showed \$125 million from the AK SETS program, and \$150 million from bonding of some type. The report assumed debt service coverage of 1.20 times...that would never work, the market just wouldn't accept it. He proposed taking a look for the next 2-4 weeks at different alternatives and reporting back to us. There may be federal funding available because of environmental issues. They looked at documents this afternoon and have done a few in this scope, but it can be a risk.

Director Haagenson commented that the State of Alaska is going to back the moral obligation bonds. Alan thought that was a big plus. He would look at USDA and others...they have very low interest rates, and tend to be a bureaucracy. He wants to talk more to the State of Alaska regarding moral obligation bonds.

Director Lee asked what the criteria is to determine bondability. Alan stated it depends on how quickly people will hook up to gas, and how much the coverage factor is if after a few bad years there is still money to pay it back.

Director Wilken asked 1. Please provide description of your company and general corporate structure, (Alan believes he sent a brochure to Pam Throop) 2. Who would be assigned to this Alaska project; please provide their resume and experience with Alaska, 3. Please provide references you have dealt with so we can get a sense of Northwest Municipal Advisors, and 4. I think the schedule starts with us getting the project started.

Alan is in a 3 person firm, and 2 have done work in AK and can provide AK work references. They would want to walk with us from the beginning to end, and want to propose for X number of dollars they will look at this and come back with recommendations in maybe a few weeks.

Call ended with Northwest Municipal Advisors at 5:31 pm.

Discussion:

Dan recommends looking at NewGen for bonding help and financial advising as that is part of what he does, and it may prevent duplicating our work.

Zane sees we have an exemption under our code for any of these services so may be able to move forward.

Director Lee is uncomfortable with our conversions.

Director Wilken has comfort there are people out there to help us but stated we don't need this now as we don't have the revenue flow now, he suggested we tell them politely thank you and we will be back to you when we are prepared.

Madam Chair asked if we would get conversions first.

Director Wilken asked if we are a good bet. In 6 months, we will not have the unknowns and uncertainty in the project.

Director Butler agreed it is too early to start hiring financial advisors.

Director Meeks stated that conversions aren't until Summer 2020, we will get people signed up in May or June 2020 and that is when we start converting.

Madam Chair asked if we are waiting until our conversion to start our feed and our design process on the build, and stated we need the idea where we are going before we start our project.

Director Haagenson suggested a question they will ask is can they pay me back? They are going to see if they can get their money back. What's their recourse if we default on the payment?

Director Wilken stated we want to be talking to the underwriters, they will look at our project and say yes, and it will cost you X. But if we have so many variables, they aren't going to be able to do that.

Director Butler stated they want their money back. We are hopefully closing in on it, we have not yet decided the project as we have Plan A and Plan B; we need to make up our mind which project.

Director Lee asked what the value is of the Siemens name when we go out to the bond market. They are 3rd party financing, they would be looking at this down the road for us. We aren't in a position to move forward.

Dan stated that underwriters and bond counsel have looked at this before, we have a lot of what is necessary to start the conversation. We do have the uncertainties and need to know what project we are looking to finance.

Director Wilken stated we have 210 miles of pipe in the ground...isn't our goal to get gas in all 210 miles and get the revenue stream, and show this is a viable utility? Don't we need to do this before we go to market?

Dan stated that North Pole needs additional capital beyond what is available from the SETS, we are going to need a Bridge loan. The financing of the utility led liquefaction will require bonding or some other form of debt to do that. We are moving down the path rather quickly and would want to know how it will be financed.

Director Wilken asked how much it would take to build out the 210 miles. Dan stated maybe \$70 million over and above what we have. The bond market will accept prospective revenues depending on rate covenant, which states you will set your rate high enough to pay your debt, cash flow, and other factors.

Director Haagenson stated to be careful of bridge financing, it's not going to be a low percentage so bond may not come through in the future.

Director Butler suggested we put out RFP's, and have a selection to choose from.

Director Haagenson agreed with RFP's, and to let those who presented know we are going to be sending them out at a later time.

Madam Chair asked if we want to come up with a scope of work in the next couple weeks.

Director Wilken suggested not until we decide which path we are on.

Dan will talk with Brown and get feedback what his firm provides in bondability assistance.

III. Unfinished Business

- Gas Supply Term Sheet (Board Discussion/Possible Executive Session)

Moved to end of Agenda, to discuss confidential information in Executive Session.

- Storage Project Budget
 - Reconciliation

Moved to end of Reports.

IV. Reports

Air Quality Advisory Committee

Director Lee reported that all but one are not in favor of Proposition 4, and that Citizens for Clean Air filed a 60 day notice for a lawsuit against the EPA for not enforcing the Clean Air Act.

IEP Update

Gene Therriault reported telephonically; they have received the appraisal on the North Slope pad and anticipate DNR accepts it and gives it to the Commissioner for review. The Commissioner can take 21 days to make their decision. The sublease is ready to issue late-November and would get them to the site and start the process for them to pay fees. That would put AIDEA in a position to transfer the lease and sub-lease to IGU.

Director Lee asked what the appraisal came in at. Gene thinks it was 3.4 million dollars. For the rate DNR is going to charge them, the lower number is helpful.

III. Unfinished Business, continued...

- Storage Project Budget
 - Reconciliation

Dan presented pages 37-44 of the Board Packet.

Director Haagenson was looking for the root cause of where the money went. He wanted to understand so we can avoid that in the future. Dan stated that the way to avoid this is to do a higher level of engineering, and even if we had EPC'd the whole plant, we are still building this economically. The key areas where assumptions were made were much higher than expected. In North Pole we are doing 95% design before bidding balance of plant work. Two biggest challenges were engineering and the civil works, at the end of the day they were underestimated.

Director Meeks asked what the probability is of more cost overruns, is the probability of additional costs high, medium, or low? Dan replied the probability is Medium to High that we

will be able to stay within the budget. Not bid yet is mechanical, electrical, Phases 3 B & 4 of the civil, and instrumentation. Most of the major equipment is being manufactured right now. All the mechanical guys are heading to Eielson, there is a shortage of proposals.

Director Wilken asked if the large storage project is projected to be 10.2% over budget. Yes, and we are in various percentages of completion on page 43, Attachment 3.

Madam Chair asked why project wasn't started before it was, before we got into a panic to get it finished. Dan stated it was because of intermediary time of Pentex to IGU purchase, AIDEA vs IGU approach. Madam Chair stated that \$32 million doesn't have cost overruns, and the part that was not bid does have the cost overruns. Signing an EPC contract may not have saved money when the changes happened.

Madam Chair prepared a couple of motions a week ago because she has been so distressed.

1. To have an independent 3rd party selected by the BOD to review what happened with these overruns and to make us a report.
2. To have a construction Project Manager that is not Dan so he can do the other things he is supposed to be doing for this Board and not doing construction management.

These motions were not seconded, but there was discussion on the subject.

Dan stated that we do have David Prusak as the Project Manager on the site, but it's a balance. There's not the level of experience on LNG storage facilities that he has. Day to day management has been pushed on to David, and we are doing the same with North Pole and Bruce Robson out there.

Director Meeks stated that Dan ran a for-profit (FNG) and did a great job. As this expands, we have got to build a bench to carry this on, what does this management company look like? We don't have anyone to take Dan's place. Dan stated that we are interviewing next week for the Director of Operations. That is where our biggest hole is. We have Zach and Wes as CPA's. Director Meeks thinks we should have a plan moving forward. Director Butler commented this is not on the agenda. Zane considered this underneath the umbrella of Budget Reconciliation on the Agenda. Director Haagenon suggested a Project Manager, not a Construction Manager, as David is doing a great job with the tanks. Who is in charge of the overall budget? We can bring on a construction manager for a short time. How do we keep Dan's workload, build a construction wing, and then let them go after they are no longer needed?

Madam Chair asked Dan to come back to the BOD and discuss what his plan is for going forward.

Director Wilken wanted to see the results of the process of who we get for the Director of Operations interviews, and subsequent hire. Dan stated we had the ad open for well over a month now and have candidates worthy of interviews. He has no intention of settling. Director Butler stated we can't keep asking Dan to do what he truly has to do until we have made a choice. We have got to get focused, make this choice, do it quickly, it can't keep going on. We are at the Y in the road.

Dan stated there are discussions with multiple gas suppliers in the Cook Inlet interested in meeting our needs now and into the future. These items are subject to a confidentiality agreement, and would need an Executive Session to discuss them.

Motion to go into Executive Session to discuss a potential gas supply contract, the immediate knowledge of which would clearly have an adverse effect upon the finances of IGU. Moved by Director Butler, Seconded by Director Haagenon. No objections.

Phone will be shut off, Board Secretary is not needed to take minutes, and Executive Session will be recorded.

V. Other Business

- Next Agenda (October 9, 2018 Work Session)

VI. Director Comments

None.

VII. Adjournment

Moved by Director Butler, Seconded by Director Haagenon.

Meeting Adjourned at 8:30 pm.

BOARD MEETING SIGN IN SHEET



DATE: 10-02-2018

Name	Address	Email Address	Do you wish to testify today?
Peter Sarauer	GVEA		N

OCTOBER 9, 2018 MINUTES



Interior Gas Utility

Board of Directors Work Session

October 9, 2018 @ 4:00PM

100 Cushman Street, Suite 512, Fairbanks, Alaska

DRAFT Minutes

A Work Session of the Board of Directors of the Interior Gas Utility was held Tuesday, October 9, 2018, at 100 Cushman Street, Suite 512, Fairbanks, Alaska. IGU Board Chairman, Pamela Throop, presiding.

Others in attendance were: Dan Britton (IGU/FNG), Zane Wilson (CSG – IGU Attorney), Steve Vick & Sara Harriger (Web 907), Brown Thornton (Stantec – NewGen, telephonic), Laura Steel (IGU), and..... Sign In sheet is attached.

I. Call to Order @ 4:05 pm

- Roll Call

Board Members:

Madam Chair Pamela Throop
Vice Chair Jack Wilbur, excused
Director Bill Butler
Director Steve Haagenon (telephonic)
Director Patrice Lee (telephonic)
Director Mike Meeks (telephonic)
Director Gary Wilken (telephonic)

- Approval of Agenda

Motion by Director Butler to approve Agenda, seconded by Director Meeks, Motion carried.

- Public Comments – *limited to three minutes*

None.

II. New Business

- Marketing, Communications and Training Proposal (Board Discussion)
 - Web 907 Presentation by Steve Vick & Sara Harriger

The key is whether IGU and FNG merge, or how they plan to relate to each other. The goal is to consolidate communication systems. There is a lack of clarity on how FNG and IGU want to present themselves to the public.

In the implementation phase, they will create a new website and social media pages, as well as others to include google business pages.

Some of the training components will include staff learning to add the latest news and documents, and a marketing workshop will be provided for other tasks.

The 3 phase proposal is Development, Implementation, & Training. It will be an approximately 6 month long process.

Dan stated that we are considering a 4 hour and 8 hour work session, with Board members participation and help with the strategic viewpoint.

Questions:

Zane asked about new customers, where does it fit in? Sara stated the marketing campaign would identify the target audiences, and reach the potential customers. This would happen once the first phase was completed.

New branding could have a new name; options are to keep two brands, or it could have one absorb the other, or they could create a new one. Michelle is the staff liaison for this between IGU and Web 907. The BOD can form a subcommittee or the whole BOD can be involved.

The goal at the end of the three phases is that the IGU team can handle things on their own. They can continue on contract with Web 907 at that time, when needed. Some heavy lifting would come later when there will be possible interactive maps to see if LNG is available in a new customer's area, creating Facebook and YouTube ads, commercials, etc.

A four hour session in the next month is needed. A selection of times will be provided, and the items to consider (i.e. mission statement, branding) will be in a packet with an Agenda and some other materials prior to the meeting. Director Lee suggests scheduling a 3-7pm timeframe, utilizing one of our Tuesday meeting times. All BOD members are going to be sending an email if they have any conflicts with attending this training on any Tuesdays in the near future.

III. Unfinished Business

- LNG Supply Option Analysis, Siemens/Titan Expansion (Board Discussion)
 - Brown Thornton presentation

Brown had just received the information from Siemens yesterday afternoon for this presentation.

Starting with Slide 2, it shows Siemens indicative pricing using the IGU Base Case demand. They have not provided details for operating costs, FEED cost, gas cost (same in all scenarios), their gas cost is fixed for 10 years, adjusted, and then fixed for 10 more years. Pricing is all inclusive, with allowances for FEED gas, RR transportation, and off-loading.

Slide 3, Brown got some clarification on it. Zane asked if Knik Tribe was backed up by Siemens? Siemens has said whatever contract they would have with IGU would be reflected in Knik Tribe agreement.

Director Lee wants to know if the word 'indicative' is also appropriate to use in describing the Titan site? Are they both synonymous with the word 'estimate'? Brown answered Yes.

Slide 4, Pricing scenarios, there are four, one and two are IGU demand only. This is with the same cost of gas; this has to do with high and low cost of financing.

Pricing scenario three and four are IGU and GVEA demand. We don't know what the demand is that they are expecting but it is significant; he thinks it's probably any output not used by IGU.

Slide 6, Scenario Three, Siemens did lower the front end and locked it in to about \$14.01. Scenario Three and Four assume a significant amount of sales to Golden Valley, basically operating their plant selling whatever IGU doesn't use to GVEA. The comparison to IGU number, there is no such demand to GVEA in the IGU model. Selling to GVEA is well within IGU's means, but none of the IGU numbers assume sales to them. We could do this with Titan II but did not include that.

Slide 9 shows a \$2 difference.

Slide 10 shows IGU lowering its gas cost. Brown used a 50% conversion rate, not the lease base case of 35%.

Director Lee asked if historically GVEA has been positive about partnering with IGU with a Titan scenario. Yes, in 2015-16 the price point they were willing to spend to purchase gas would have been tough for IGU to obtain gas and sell at that price. There is a long history with discussing partnering with them.

Director Lee asked to see the total cost of debt service at the end of 20 years. Siemens did not update their numbers and did not confirm if they updated these on the graphs, specifically on Slides 5, 6, 7, and 8. Director Lee asked if debt service was included in any of the scenarios. Debt service associated with Distribution service is not included on any of the graphs. Brown explained different slides and where the debt service is shown associated with the plant.

Madam Chair asked if we have to increase capital expenditures to cover GVEA demand if they come on board. Can Titan I and II provide for them? Dan stated we will have periods of time that we can sell excess to GVEA. Siemens indicates a lesser capacity than Titan I & II capacity. Siemens and IGU would both need more liquefaction capacity if GVEA operated at full capacity.

Director Haagenson asked how we can ensure (with Siemens) low cost financing, low cost gas prices. Director Haagenson would like to see us make a decision and to make this decision next week if possible, stating that we really need to see a schedule going forward either way, we need to get to an action point.

Director Wilken believes the Siemens proposal lacks competitiveness until ten plus years out, and that it is more expensive when we need them to be the least expensive, which is in the beginning. It would have been easier if this proposal overwhelmed us with information or logic. The difference of 1% is not compelling. I think we need to decide. This effort starts with the

Chair, having them answer the questions we want to have answered. He can't imagine going ahead with them on promises, the bond market is going to want certainty.

Madam Chair stated that we are doing the LSA with Siemen's at the end of this week. Brown asked if IGU is planning to proceed with FEED or not. Madam Chair stated if we do FEED it would put everything off for 6 months...we are using estimates that are 4 or 5 years old and our recent experience with cost overruns leaves her rather nervous about going forward without some better information. Brown stated that Siemens suggested IGU could do the FEED parallel to discussions with them.

Director Wilken asked Madam Chair what the effort was going to be about getting Siemens to get us comfortable with the gas contract, source, price, terms, duration; how are we progressing on that? Is there a common message this Board wants to send Siemens? Madam Chair stated that the gas company may be comfortable with giving Robin Brena access to do due diligence. Madam Chair believes Robin will be the hardest person on any gas provider of any person out there. Dan will not be comfortable supporting the gas contract when he has not seen it. Seeing the contract without the price is acceptable. Madam Chair believes they will show Dan the contract without the price. Directors Butler & Haagensohn and Madam Throop will be present along with Dan, Zane, AIDEA, a new person from AIDEA, and Robin.

In order to make it work for us, Siemens needs to get lower cost gas, better financing terms, and GVEA's vote.

IV Other Business

- Next Agenda (October 16, 2018 Board Meeting)
 - New Business
 - Liquefaction Expansion (Board Action)
 - FEED Process, Scope of Work
 - Unfinished Business
 - Siemens/Titan Expansion (Board Discussion)
 - IEP Update (Board Discussion)
 - Storage Projects
 - North Slope Pad
 - Other Items
 - Reports
 - General Manager

V. Director Comments

- Director Wilken
 - Asked for a schedule of Board Meetings so he knows when the Board Meetings are versus when the Work Sessions are in the future.
- Director Meeks
 - Asked if he can send some questions to Brown, and will do so through Madam Chair and Dan, who can then distribute to other Directors.

VI. Adjournment

Moved to adjourn by Director Butler, seconded by Director Meeks.
Meeting adjourned at 6:45 pm.

BOARD MEETING SIGN IN SHEET



DATE: 10/09/2018

Name	Address	Email Address	Do you wish to testify today?
Steve Vuk	2575 Sunbury ark	Steve@web07.com	✓
Sara Harrigan Jim Jung	5445 Cascade Rd Pdx	Sara.harrigan@gmail.com Sara@	—

GENERAL MANAGER REPORT

General Manager Report – For the month of September 2018**Financial / Accounting**

- August financials reviewed and recommended for approval by the Finance Committee on September 25, 2018.
- IGU and Pentex financial integration ongoing.
- FY 18 Audit for Pentex complete.
- FY 18 Audit for IGU ongoing.

Operations**Titan**

- Titan produced all required LNG for FNG and its other customers without interruption.
- Zero Lost Time Injuries, Zero Vehicle Accidents

FNG

- 100% delivery reliability with no supply interruptions.
- Zero Lost Time Injuries, Zero Vehicle Accidents.
- One Third Party Damage Report and Repair.

IGU

- Distribution System intact with no recorded pressure loss.
- Zero Third Party Damage.

Capital Projects**5.25 MM Gallon Storage Project**

- First phase of wire winding and Shot-Crete complete.
- Dome lifted into place.
- Inner Tank work has started.
- Balance of Plant Phase 3A construction continues with Multi-Purpose Building construction started.
- Phase 3B work started.
- New offload ramps in-use with existing facilities.

North Pole Storage

- Engineering work underway.