



Interior Gas Utility

Board of Directors Board Meeting

October 17, 2017

4:07 PM

100 Cushman Street, Ste. 501, Fairbanks, Alaska

Minutes

A Meeting of the Board of Directors of the Interior Gas Utility was held Tuesday, October 17, 2017, at the IGU, Fairbanks, Alaska. IGU Board Director, Pamela Throop, presiding until the arrival of Vice Chair Jack Wilbur at 4:24 pm.

Others in attendance were: Jomo Stewart (IGU General Manager), David Prusak (Stantec), Zane Wilson (IGU Attorney), Bob Shefchik, Dan Britton (FNG), Merrick Pierce (public).

I. Call to Order

- Roll call

Board Members Present:

Mike Meeks - telephonic
Jack Wilbur – arrived 4:24 PM
Frank Abegg - excused
Bill Butler
Steve Haagenson
Aaron Lojewski
Pamela Throop

- Approval of Agenda

Director Haagenson moved to adopt the Agenda, Director Butler seconded. The Agenda was adopted.

- Public Comment – *limited to three minutes*

Merrick Pierce – Reminded the Board that we live in a time of terrorism and to take that into consideration. Raised the concern of the vulnerability of having the community served by a single tank of LNG. Discussed propane and the reduced system-wide and individual vulnerability of having buried tanks as distributed energy storage. Discussed the air quality benefits of propane as being stronger because lower fuel cost and its closeness to current delivery/use patterns - as long there is a driveway, it can be delivered. Lastly, stated that propane is being delivered to Fairbanks at less than \$15/ mcf – cost-competitive to the fuel oil that is available if you pick it up.

Director Haagenon asked what size of propane tank(s) would be needed for storage; Mr. Pierce replying that the propane-plan currently contemplated railcars for delivery and bulk storage. Mr. Pierce stated he would like to give IGU a list of cities in Canada using air-propane successfully. He also, however, advocated placing individual propane storage tanks at each home and abandoning the gas main system built out in North Pole.

Mr. Stewart asked Mr. Pierce about the PSA and FA and, more specifically, the IEP financing associated with the PSA/FA – if Mr. Pierce was suggesting abandonment of IEP financing thru rejection of the PSA/FA or, rather, amendment of the Scope of Work (project plan) under the PSA/FA to utilize propane. Mr. Pierce indicated he was suggesting the latter: that, as the project plan described currently under the PSA/FA fails to meet the project goals and HB 105 specifically allows consideration of propane, it should be revised to utilize propane as an alternative fuel.

II. Unfinished Business

- IGU Expenses – Progress update re: AIDEA/IGU dispute over loan process.
 - Integration cost are allowable, an agreement having been signed to include utility integration planning, implementation and the RCA process.
 - Gas Supply payment is underway, the check having been reissued.
 - Due Diligence is still scheduled to be handled at closing, and will be discussed in executive session concerning the PSA efforts.

- Financial Modeling
 - Brown Thornton walked the Board through the model, highlighting how the graphs, per Board request, have been updated to extend out the time line (x-axis) to show the post-deferral period. Discussed that projections for due diligence-identified work and Davis Bacon have also been included. Finally, discussed revised NPV analyses.
 - Director Wilbur asked about the recommendations made in the structural evaluation, this was deferred to executive session.
 - Director Wilbur asked where the \$20.20/ mcf came from in an interview that Mr. Stewart had provided. Mr. Stewart clarified the “interview” had actually been captured from a public presentation and information highlighted had come, as noted in the presentation, from the AIDEA HB 105 memo. Stated the presentation itself had differentiated between AIDEA and IGU estimates.

- Purchase Sales / Finance Agreement Presentation to Purchase Pentex from AIDEA
 - Mr. Stewart said the negotiations are currently being conducted through attorneys at the request of AIDEA. Stated there are three major points remaining. Current plan, as described by the AIDEA attorney, is to take the negotiation positions at present to the AIDEA sub-committee next Monday for their discussion before responding further to IGU.

Director Haagenson moved to enter into Executive Session. Director Throop seconded and without objection the Board moved into Executive Session at 4:42 PM.

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 IGU Finances, natural gas supply, Financial Modeling, Purchase Sales and Finance Agreements for Pentex and IGU/FNG Integration, and Pentex Due Diligence. Invited to participate with the Board are Jomo Stewart, David Prusak, Bob Shefchik, Brown Thornton and Robin Brena.

Director Haagenson moved to leave the Executive Session and continue the Board meeting. Director Butler seconded at 6:03 PM and, without objection, the Board so moved.

III. Reports

- General Manager
 - Mr. Stewart noted IGU Director Lojewski had successfully achieved election to the FNSB Assembly and, on behalf of the IGU Board and Staff, thanked him for his service and presented him a congratulatory cake.
 - Director Lojewski, taking the opportunity, tendered to the Board his Resignation, to be effective upon his seating as an Assemblyman.
- Stantec Consulting Services
 - Mr. Prusak discussed gas line puncture that occurred in North Pole near the Elementary School on Snowman Lane October 16, and the speed and professionalism of response Fairbanks Natural Gas provided in stopping the leak and working with the contractor, and the City of North Pole. He stated they will be able to perform the repair on the pipeline October 19. Both Mr. Stewart and Mr. Prusak praised and thanked FNG, and FNG President Britton, for their efforts and assistance.

IV. Other Business

- Next Agenda
 - There will not be a special Board meeting for October 31, 2017

V. Director Comments

Director Butler – asked that Work Sessions be conducted as Work Sessions stating they currently seem to be more like Board meetings. He also requested that, as the Board prepares to make a decision to purchase Pentex, it consider holding a special meeting of just Board members - staff and consultants not being present so Directors can have uninhibited, frank discussion.

Director Wilbur – Discussed the challenge of educating a new Board member while also trying to make a decision to purchase Pentex and the concerning nature of having someone not fully up-to-speed on project, process and materials voting on such a complex and important issue. Asked the Board to consider holding the vote on Pentex purchase with only the remaining currently-seated six members.

Director Meeks - Thanked Director Lojewski for his service.

VI. Adjournment

Director Butler moved to adjourn at 6:23 PM. This was seconded by Director Haagenson and, without objection, the meeting Adjourned.