



MEMORANDUM

To: Board Members
Alaska Industrial Development & Export Authority

From: John Springsteen
Executive Director

Date: March 3, 2016

Subject: Final Pentex 2016 Budget and Rates, Resolution No. G16-01

On December 17, 2015, the Board approved Resolution No. G15-24, which established interim rates for Pentex’s operating units: Fairbanks Natural Gas, LLC (“FNG”), Titan Alaska LNG, LLC (“Titan”), and Arctic Energy Transportation, LLC (“AET”) – effective as of January 1, 2016. Subsequent to the approval of the interim rates, public notice was made of the intent to establish permanent rates for 2016, with an opportunity for public input (from January 4 through February 4, 2016) as well as a public hearing in Fairbanks on January 21, 2016. The Notice of Proposed FNG Rates is attached for reference.

There was limited attendance at the public hearing with one person testifying and nothing in the public input to support changes to the interim rates. The single written comment received is included on the second page of this memo.

Resolution No. G16-01 establishes the interim rates as Pentex’s permanent rates effective March 31, 2016. The proposed permanent rates achieve AIDEA’s policy and financial objectives for the Pentex acquisition and IEP, and result in significant rate reductions (from 2015 rates) for FNG’s customers while maintaining cash position in the companies – despite challenging projected market and environmental conditions.

FNG’s full proposed final rate tariff is attached for reference.

WRITTEN PUBLIC COMMENT RECEIVED

From: Mary [<mailto:maryannmas@hotmail.com>]
Sent: Wednesday, January 27, 2016 10:27 A
To: FNG Rates <fngrates@aidea.org>
Subject: Residential customer

Hello,

My husband and I bought our home in 2002. The prior owner was a senior citizen using electric for heating the home. We knew we needed a new way to heat our home with two teenage girls. Gas was a clear winner as it is a cleaner fuel over oil.

For years now we have heard how Fairbanks will have a gas line and it will probably be many more before we actually see it.

I am in charge of the thermostats in our home. Most of the day they are set at 66-67 degrees. They are never set above 68 degrees. It would be a welcome relief to our budget if the rates were lowered and we could live here after retirement.

Sent from my iPad

Thank you for all the time and effort you have applied toward helping our community.

Mary Ann Stewart

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G16-01

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY ESTABLISHING PERMANENT
RATES FOR THE OPERATING SUBSIDIARIES OF PENTEX
ALASKA NATURAL GAS COMPANY, LLC**

WHEREAS, on September 30, 2015, the Alaska Industrial Development and Export Authority (the “Authority”) closed on its acquisition of Pentex Alaska Natural Gas Company, LLC (“Pentex”), a Delaware limited liability company, and the Authority thereby became the managing member of Pentex;

WHEREAS, Pentex owns Fairbanks Natural Gas, LLC (“FNG”), which is a natural gas utility for Fairbanks, Alaska, and Pentex owns Titan Alaska LNG, LLC (“Titan”), which operates a liquefied natural gas (“LNG”) plant that supplies LNG to FNG;

WHEREAS, Pentex also owns Arctic Energy Transportation, LLC (“AET”), which operates LNG fueling stations;

WHEREAS, in Resolution No. G15-24, adopted on December 17, 2015, the Board approved a 2016 budget for Pentex and its operating subsidiaries and established temporary interim rates pending completion of the full rate-setting process;

WHEREAS, public notice of the proposed permanent rates was provided, public comment was solicited, and a public hearing on the proposed permanent rates was held;

WHEREAS, the Board has been provided with or informed of the public comments received regarding the proposed permanent rates;

WHEREAS, the management of FNG, Titan and AET recommend that the interim rates of FNG, Titan and AET be established as the permanent rates going forward, subject to future modification as the Board may later approve; and

WHEREAS, FNG has prepared a Restated Tariff, effective as of March 31, 2016, a copy of which has been provided to the Board;

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The Authority, acting as the managing member of Pentex, approves making permanent the interim rates of FNG, Titan and AET as stated on the rate sheet attached to Resolution No. G15-24. The permanent rates shall become effective as of March 31, 2016 and shall remain in effect until modified by the Board.

Section 2. The Authority, acting as the managing member of Pentex, approves of FNG's Restated Tariff, effective as of March 31, 2016.

Section 3. The Executive Director is authorized to sign any documents and to take all other actions necessary or expedient in carrying out the purposes of this Resolution.

Dated at Anchorage, Alaska, this 3rd day of March 2016.

Chair

ATTEST
[SEAL]

Secretary



TARIFF

FAIRBANKS NATURAL GAS, LLC

3408 International Way
Fairbanks, AK 99701
(907) 452-7111
(907) 457-8111 Fax

RULES AND REGULATIONS

RATE SCHEDULES

Governing the transportation and sale of natural gas pursuant to
RCA Certificate of Public Necessity No. 514 in Fairbanks, Alaska.



Fairbanks Natural Gas, LLC

Rules and Regulations

Index

<u>Subject</u>	<u>Section</u>
Territory	100
Definitions	200
Company	201
Customer	202
Point of Delivery	203
Service Connection	204
Customer's Installation	205
Agreement for Service	206
British Thermal Unit	207
Heat Content	208
MCF	209
CCF	210
Deposit	211
Contribution in Aid of Construction	212
Firm Service	213

FNG FAIRBANKS NATURAL GAS, LLC

Interruptible Service	214
Character of Service	300
Type of Gas	301
Heating Value	302
Pressures	303
Odorization	304
Customer-Company Relations Regarding Service	400
Application for Service	401
Service Agreement	402
Credit Establishment and Re-establishment	403
Rates and Optional Rates	404
Changes in Customer's Requirements	405
Access to Premises	406
Connection of Service	407
Discontinuance and Restoration of Service	408

FNG FAIRBANKS NATURAL GAS, LLC

Liability for Damages	409
Customer Complaints	410
Non-Warranty for Customer Equipment	411
Payment and Late Payment Charge	412
Customer's Installation	500
Customer's Facilities	501
Notice of Gas Leak	502
Company's Installation	600
Service Connections and Facilities on Customer's Premises	601
Extension of Mains	602
Temporary Service	603
Change in Location of Existing Service Facilities	604
Delayed-Use Facilities	605
Protection by Customer	606
Metering and Billing	700
Measurement of Gas	701
Meter Tests and Adjustments of Bills for Meter Error	702

FNG FAIRBANKS NATURAL GAS, LLC

Estimate Usage	703
One Meter per Service	704
Billing Procedure	705
Discontinuance of Service Notice	706
Adjustment for Delivery Pressure	707
Resale of Service	708
Tax Adjustments	709
Continuity of Supply	800
Shortages and interruption	801
Liability	802
Notices	900
Company Notices to Customers	901
Customer's Notices to Company	902
Conflicts, Changes, Additions	1000
Application of Rules	1001
Conflicts	1002
Changes to Rules	1003



Schedule F – Large Volume Interruptible Service Rules

Schedule G – Small Volume Interruptible Service Rules

Rate Schedules

Nonrecurring Charges

Schedule A – Residential Service

Schedule B – Small Commercial Service

Schedule C – Large Commercial Service

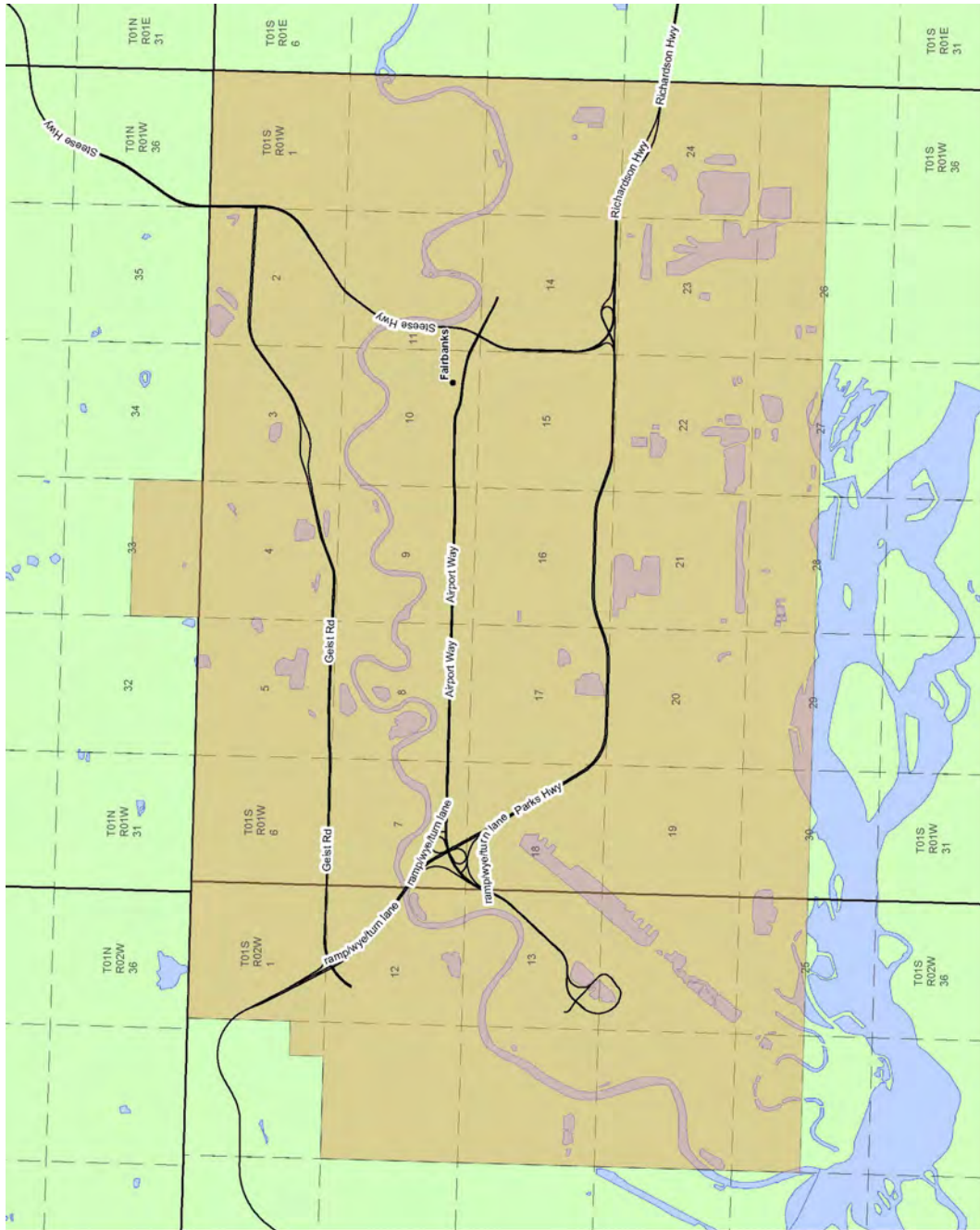
Schedule D – Transportation Service

Schedule F – Large Volume Interruptible Service

Schedule G – Small Volume Interruptible Service



SERVICE AREA MAP





DESCRIPTION OF SERVICE AREA

T1N	R1W	Sections:	S1/2 of 33
T1S	R1W	Sections:	1 through 24, and the N1/2 of Sections 25 through 30
T1S	R2W	Sections:	1, the SE1/4 of the SE1/4 of 2, 11, 12, 13, 14, 23, 24, and the N1/2 of Sections 25 and 26

(All the above with reference to the Fairbanks Meridian)



Rules and Regulations

Section 100 - Territory

These Rules and Regulations shall be applicable to all customers within the area covered by Fairbanks Natural Gas, LLC's Certificate of Public Convenience and Necessity Number 514 from the Regulatory Commission of Alaska.

Section 200 - Definitions

The definitions set forth below apply throughout these Rules and Regulations:

201 Company -

Fairbanks Natural Gas, LLC; its successors and assigns.

202 Customer -

Any individual, partnership, association, public or private corporation or governmental agency being served with or applying for gas service at a specific location or locations on the Company's system.

203 Point of Delivery –

The point of connection between the outlet connection of the Company's meter and the customer's piping, unless otherwise specified in the Agreement for Service.

204 Service Connection -

Company's pipes and equipment (including regulator and meter) for delivering gas to the customer from the Company's gas distribution system. Service connection terminates at point of delivery.

205 Customer's Installation -

FNG FAIRBANKS NATURAL GAS, LLC

In general, all pipes, utilization equipment and apparatus of any kind or nature on customer's side of the point of delivery (from the outlet connection of the regulating and metering equipment) for receiving gas from Company and for applying or utilizing gas.

206 Agreement for Service -

The written agreement or contract between Company and customer pursuant to which service is supplied and received.

207 British Thermal Unit (BTU) -

The amount of heat required to raise the temperature of one (1) pound of water from fifty-nine degrees (59 degrees F) Fahrenheit to sixty-degrees (60 degrees F) Fahrenheit at a pressure of 14.65 pounds per square inch absolute. (1 Therm = 1,000 BTU).

208 Heat Content –

The number of British Thermal Units produced by the combustion, at constant pressure, of one (1) cubic foot of gas at a temperature of sixty degrees (60 degrees F) Fahrenheit and pressure of 14.65 pounds per square inch absolute with air at the same temperature and pressure.

209 MCF-

One thousand (1,000) cubic feet.

210 CCF-

One hundred (100) cubic feet.

211 Deposit-

Funds paid to the Company by a customer and held by the Company for a certain time and later returned to the customer if all requirements for a refund are met.

212 Contribution in Aid of Construction-



Funds paid or services provided by the customer for making additions or modifications to facilities used in the provision of gas service which become the property of the Company. Generally non-refundable.

213 Firm Service-

Supply of natural gas to a customer that will not be interrupted other than for a period of gas shortages as described in Section 801.

214 Interruptible Service-

Supply of natural gas to a customer that may be interrupted, at the sole discretion of the Company, if the Company believes it has insufficient gas supplies to meet its Firm Service obligations. Interruptible Service is subject to the conditions contained in the rules for Schedule F Service and Schedule G Service.

Section 300 - Character of Service

301 Type of Gas -

All gas supplied by the Company is natural, as described in paragraphs 302, 303 and 304 below. In case of emergency or for economy of operation, manufactured gas, or a mixture of natural and manufactured gas, or a mixture of methane, propane and air may be supplied.

302 Heating Value-

Company's rates are based on the supplying of natural gas having a heating value of approximately 1,000 British thermal units per cubic foot when such gas is at a temperature of sixty degrees (60) Fahrenheit and at a pressure of 14.65 pounds per square inch absolute (psia).

The Company reserves the right to designate a higher or lower monthly average



heating value. Thereafter, the standard shall be the monthly average until the same is modified in a similar manner.

303 Pressures -

For domestic purposes, the average pressure normally maintained at a meter on the customer's service is seven (7) inches of water column (w.c.) and gas will be supplied at not less than two (2) inches and at not more than eight (8) inches of w.c. pressure.

Gas may be supplied at higher pressure at request of a customer upon approval of the Company. The metered number of cubic feet will be corrected to the volume at a pressure of 14.65 pounds per square inch absolute (psia) and a temperature of sixty degrees (60 degrees F) Fahrenheit before applying the applicable rate.

304 Odorization -

The Company will add a standard odorant so that the gas will possess a distinctive odor to the extent that its presence in the atmosphere is readily detectable at concentrations of approximately one fifth, by volume, of that required to produce an explosive mixture.

Section 400 - Customer / Company Relations
Regarding Service

401 Application for Service -

Application for service may be made at any business office of the Company or by mail:



Fairbanks Natural Gas
3408 International Way
Fairbanks, AK 99701

The Company will require each prospective customer to sign an application for the service desired, and to establish his credit.

The application should show the following information:

- a. Name, Address and phone number of Applicant.
- b. Location of the premises to be served and phone number.
- c. Date applicant desires service.
- d. Whether or not the premises have previously been supplied.
- e. Use to be made of service and description of appliances.
- f. Address for billing and phone number.
- g. Whether the applicant is owner, agent or tenant of the premises.
- h. Such other information as the Company may reasonably require.

The application is only a request for services and does not bind the Company to serve except under reasonable conditions, nor does it bind the customer to take service for a longer period than the minimum requirements of the Agreement for Service.

402 Service Agreement –

An Agreement for Natural Gas Service or contract for service may be required by the Company, to be signed by the customer when he signs the application for service.

No agreement or service contract is required except:

- a. where such contract is required as set forth in the rate schedule.



- b. to document Section 603, Temporary Service.
- c. where such contract is for Interruptible Service.

Additionally, the Company may offer landlords and property managers a "Landlord Tenant Agreement" where responsibility for the gas service reverts to the landlord or property manager when 1) the tenant refuses to satisfy a delinquency after proper notification, or 2) when a tenant vacates a property and a new tenant has not applied for service.

403 Credit Establishment and Re-establishment -

Each applicant for service will be required to establish or re-establish his credit to the satisfaction of the Company before service will be rendered.

a. Establishment of Credit

The applicant's credit will be deemed established:

- (1) If he makes a cash deposit to secure the payment of any bills for service to be furnished by the Company as provided in paragraph 403 (c), or
- (2) If he furnishes a bond or an undertaking satisfactory to the Company, or
- (3) If the applicant has a record of prompt payment for service satisfactory to the Company for twenty-four (24) months or more for previous use, provided such service occurred within four (4) years from date of new application for service.

b. Re-establishment of Credit

- (1) A customer who fails to pay his bills for gas after a second notice, or after service has been discontinued for non-payment, may be required to pay his bills and re-establish his credit by making a cash deposit equal to twice the estimated monthly bill for service.
- (2) A customer who pays his bill with a check that is subsequently



returned to the Company unpaid by the bank will be deemed to have never paid that bill and subject to the provisions of paragraph 403 (b)(1). The Company shall charge the customer a \$25.00 handling fee for each such returned check.

c. Amount of Deposit

(1) The amount of the deposit required to establish the credit of an applicant for gas service shall not exceed the estimated maximum bill for two (2) months' consumption.

(2) Re-establishment of Credit

The amount of the deposit to establish the credit for the same class of gas service, to a customer whose service has been discontinued for failure to pay bills for such service, shall not exceed twice the estimated average periodic bill for that service.

d. Return of Deposit

The Company will refund the deposit as set forth below:

(1) When the service is terminated, the Company will refund to the extent the amount held exceeds any balance due the utility for service. All refunds generated by discontinuing service will be returned to the customer within twenty five (25) working days after the date of discontinuance.

(2) Refunds to customers who have established their credit will be made automatically, in the normal course of business, in the form of a refund check or as a credit to the customer's account. Under no circumstances shall the utility retain a customer's deposit longer than two (2) years, provided that the customer:

(a) Has not been delinquent in payment (as stated in section 705) more than once in any twelve (12) consecutive months.

(b) Has not been delinquent in the previous six (6) month period.



(c) Is not past due at time of review.

These refunds will be made within thirty (30) working days of expiration of the two year period.

404 Rates and Optional Rates -

Complete schedules of all rates in effect will be kept at all times in the Company's offices where they will be available for customer inspection.

In the event of the adoption by the Company of new or optional schedules or rates, the Company will take such measures as may be practicable to advise those of its customers who may be affected that such new or optional rates are available.

In the event that a customer desires to take service under a different rate schedule than that under which he is being served, the customer must submit written notice to the Company at least 15 days prior to the next meter reading date that the customer desires the new schedule to apply. The new rate will become effective for service rendered after the next regular meter reading.

The Company will not be liable for any refunds for failure of the customer to take advantage of an optional rate which might reduce his cost for service.

405 Changes in Customer's Requirements -

The customer shall give the Company ninety (90) days advance notice of intention to increase his gas requirements materially so that adequate facilities may be provided.

406 Access to Premises -

Authorized agents of the Company shall, at all times, have free access to customer's premises to read meters, to inspect, test, repair and replace meters and other property of the Company, to inspect the customer's gas piping and utilization equipment, to remove Company property, and for any other purposes directly related to the supply of gas service.

407 Connection of Service -



Only duly authorized employees of the Company will be allowed to connect the customer's facilities to, or disconnect the same from the Company's service connection and/or gas mains.

408 Discontinuance and Restoration of Service -

a. Nonpayment of Bills

(1) Delinquent Bills

(a) A bill for gas service is delinquent (past due) if not paid within twenty-five (25) days of the billing date.

(b) It is the responsibility of the customer to make prepayment or other satisfactory arrangements with the Company if absence from the community or other reasons will preclude timely payment of the customer's bill.

(2) Deferred Payment Arrangements

The Company may offer a deferred payment plan to a delinquent customer if the Company determines that the deferred payment plan will assist the Company in collecting the delinquent account. When considering such arrangements, the Company shall consider the length of service, the amount of the delinquency, the amount of the deposit held, adherence to prior payment arrangements, and prior payment history.

(3) Notice Before Discontinuance of Service for Non-Payment

(a) When a bill for gas service has become delinquent, the Company shall give the customer at least ten (10) days notice before discontinuing service. The written notice will state the Company's intent to discontinue service if the bill is not paid.

Such notice may be included with the customer's regular monthly billing or with a separate mailing at approximately the same time. If the customer has no history of prior credit problems with the Company, the Company may elect to begin discontinuance of



service noticing after the bill is more than twenty-five (25) days delinquent.

At the end of the ten (10) day notice period, if the bill remains delinquent, the Company will proceed with the noticing specified in Section 408a(3)(b) below.

- (b) At least three (3) days prior to discontinuing service for non-payment, the Company will make a reasonable attempt to contact the customer either by mail, telephone, personal visit or by leaving a notice at the service location.
- (4) Discontinuance of Service for Non-Payment (Delinquency)
- (a) When a bill for gas service has become delinquent and the discontinuance notices as provided for in 408a(3) above have been issued, service may be discontinued if the delinquent bill is not paid within the time required by the last notice. A customer's service, however, will not be discontinued until the amount of any deposit made to establish credit for that service has been fully absorbed.
 - (b) A customer's gas service may be discontinued for non-payment of a bill owed to the Company by the customer for service at a previous location, provided such bill is not paid within ten (10) days after presentation of a discontinuance of service notice similar to that provided in 408a(3)(a) above. In no case will service be discontinued within less than thirteen (13) days after establishment of service at the new location and service being supplied under the Company's Schedule A (Residential Service) service may not be discontinued because of nonpayment of bills for other classes of service.
 - (c) If a customer is receiving service at more than one location, service at any or all locations may be discontinued for non-payment of any one bill in accordance with the time and noticing procedures specified in Section 408a(3) above. However, service being supplied under the Company's Schedule A (Residential Service) service may not be discontinued because of nonpayment of bills for



other classes of service.

- (d) A customer who pays a bill with a check, credit union share draft or bank draft that is returned to the Company will be deemed to be delinquent. Once the original bill is past due, the Company may discontinue service after giving three (3) days notice of discontinuance, similar to that provided in Section 408a(3)(b) above, once the original bill is past due. The customer may also be required to re-establish credit subject to the provisions of Section 403b(1) above. The Company shall charge a handling fee of twenty-five dollars (\$25.00) for each returned check or draft.
- (e) A customer's gas service may be discontinued by the Company for failure to fulfill the terms of a deferred payment arrangement, written or verbal, after three (3) days notice similar to that provided in Section 408a(3)(b) above.
- (f) The Company may delay discontinuance of service to domestic space heating customers during winter periods where the Company believes severe weather conditions exist.
- (g) The Company will not discontinue service under this Section 408a(4) (that is, for non-payment) on a Friday, a week-end, or on a day preceding a Company-recognized holiday.
- (h) If the Company postpones discontinuance beyond ten (10) days from the date of discontinuance indicated by the last notice as provided in Section 408a(3)(b) or Sections 408a(4)(b)-(e) above, then the Company will make a reasonable effort to contact the customer in the manner provided for in Section 408a(3)(b) above at least one (1) day prior to actual discontinuance.

b. Unsafe Apparatus

The Company shall have the right of refusing or ceasing to deliver gas to a customer if any part of the customer's service, appliances, or apparatus shall at any time be deemed unsafe by the Company or any of its employees, or if the utilization of gas by means thereof shall be prohibited or forbidden under the authority of any law or regulation (until such law or regulation shall be



declared invalid by a court of competent jurisdiction), and may refuse to serve until the customer shall put such service, appliance, or apparatus in good and safe condition and comply with all laws and regulations applicable thereto.

The Company does not assume the duty of inspecting the customer's service, appliances or apparatus, or any part thereof, and assumes no liability therefore. In the event the customer finds the gas service to be defective, the customer shall immediately notify the Company to this effect.

c. Fraud

The Company shall have the right to refuse to serve gas or to discontinue gas service to any location and at any time to discontinue service if found necessary to do so in order to protect itself against abuse or fraud.

d. Non-Compliance with Company's Rules

If a customer should fail to comply with any of the Company's Rules and Regulations from time to time in force, the Company will advise the customer of such failure. If the customer does not remedy same within five (5) working days, the Company shall have the right, after giving due notice, to discontinue service to the customer.

Except in cases of emergency, or as otherwise provided in these Rules and Regulations, the Company will not discontinue the service of any customer for violation of any of these Rules or Regulations except on written notice of at least five (5) days, advising the customer of the Rule or Regulation violated for which service will be discontinued if the violation is not remedied. This notice may be waived in the event of discovery of an unsafe condition on a customer's premises or in case of a customer utilizing the service in such a manner as to make it unsafe for occupants of the premises, thus rendering the immediate discontinuance of service to the premises imperative.

e. Customer Wishing to Discontinue Service

Each customer about to vacate any premises or otherwise discontinue service by the Company shall give written notice of his intended discontinuance at least five (5) days prior thereto, specifying the date



service is desired discontinued; otherwise, he will be held responsible for all gas furnished to such premises until the Company shall have notice of such discontinuance.

f. Usage of Service Detrimental to Other Customers

The Company will not furnish service to gas apparatus or appliances, the operation of which will be detrimental to the gas service being furnished by the Company to its other customers in their immediate vicinity, or to service supplied from the same distribution system, and the Company will refuse to continue furnishing gas to any customer who shall, after being notified by the Company to discontinue the use of gas for such apparatus or appliances, continue to so use the same.

g. Failure to Establish Credit After Institution of Service

If, for the convenience or at the request of the customer, the Company institutes gas service prior to credit having been established (as provided in Section 403) and if, within five (5) days from such institution of service, such customer shall not have so established credit, the Company shall thereupon have the right, upon five (5) days' notice and continued failure to establish credit, to discontinue service of gas to such customer.

h. Re-connection Service Charge

A re-connection charge of fifty dollars (\$50.00) may be made and collected by the Company before service is renewed where service has been discontinued for non-payment of bills as required by these Rules and Regulations, or to protect the Company against fraud, or for other noncompliance with the Rules and Regulations of the Company.

409 Liability for Damages -

The Company shall not be liable for any injury, casualty or damage resulting in any way from the supply or use of gas or from the presence or operation of the Company's structures, pipes, or devices on customer's premises, except for injuries or damages that result from gross negligence by the Company.

410 Customer Complaints-



Customer complaints may be registered at our office in person or by telephone during regular business hours, or by mail. Such complaints will be promptly handled on an individual basis and appropriate steps taken to resolve the situation.

411 Non-Warranty for Customer Equipment-

Neither by inspection nor nonrejection, nor in any other way, does the Company give any warranty, expressed or implied, as to the adequacy, safety, or other characteristics of any structures, equipment, wires, conduit, appliances, or devices owned, installed, or maintained by the customer or leased by the customer from third parties.

412 Payment and Late Payment Charge –

Payment for the full amount of the statement, including taxes or fees applicable thereon, will be made to Fairbanks Natural Gas at its Fairbanks office, on or before the 1st business day after the 25th calendar day following the billing date. If the Customer fails or neglects to make any payment required under this Schedule, or any portion thereof, to Fairbanks Natural Gas when due, Fairbanks Natural Gas will include in the next bill to the Customer a late payment charge of 0.875% per month (10.5% per annum) on the outstanding amount.

Section 500 - Customer's Installation

501 Customer's Facilities -

The Company will determine the location of Company's service connection, regulating and metering equipment. The customer will, at his own expense, furnish, install, and keep in good and safe condition, all piping, appliances, fixtures and apparatus which may be required for receiving gas from the Company, or for utilizing such gas, including all necessary protective appliances.

The Company shall not be responsible for any loss or damage due to the neglect or wrongful act of the customer or any of his employees in installing, maintaining, using or operating customer's equipment.

The Company reserves the right to inspect and approve of all construction by the



customer related to gas service.

No inspection by the Company, or failure of it to object to the customer's installation or construction, nor the fact that it made connection to the customer's installation, will cause the Company to become liable for any damage or injury resulting from any defective installation or construction by the customer.

All of the piping and gas appliances upon the customer's premises shall be installed and maintained in accordance with the applicable laws and rules of any governmental authority having jurisdiction, the National Board of Fire Underwriters, and the Company.

502 Notice of Gas Leak -

The customer shall give the Company immediate notice of any leakage or escape of gas. However, all repairs to and maintenance of the customer's piping and equipment shall be made by the customer.

Section 600 - Company's Installation

601 Service Connections and Facilities on Customer's Premises -

a. Service Connections

- (1) Upon a completed application for service, the Company will make service piping extensions on the following basis:

Under Normal Conditions, when a service line is run from the street mains adjacent to a customer's property, starting at the customer's property line, the Company will install up to one hundred (100) feet of service piping from the property line to the meter location, or to each meter if more than one (in separate billing only) for which the customer will pay a service installation fee of fifty dollars (\$50.00).

If, in the Company's judgment, the installation of a service line will entail costs in excess of the Company's normal service line installation cost to satisfy a request of the customer, those costs will be considered excess costs. The customer will pay the Company for the excess costs. Excess costs may include, but are not limited to, costs



incurred for difficult construction problems such as rock, excessive pavement or frost.

Definition of Normal Conditions: Construction of a service line along a cleared unobstructed route and the placement of the facilities as determined by the Company constitute normal conditions. Clearing, underground obstructions, special equipment or construction under hazardous conditions are not considered normal construction conditions.

- (2) If more than one hundred (100) feet of service piping is required, the customer shall pay the sum of fifty dollars (\$50.00) plus:
 - a. 6.00 per foot for service piping smaller than 1" over 100 feet.
 - b. \$6.50 per foot for 1" service piping over 100 feet.
 - c. \$7.00 per foot for 2" service piping over 100 feet.
 - d. \$8.00 per foot for 3" service piping over 100 feet.
 - e. \$9.00 per foot for 4" service piping over 100 feet.
 - f. \$15.00 per foot for 6" service piping over 100 feet.
 - g. \$20.00 per foot for 8" service piping over 100 feet.

Payments made by customers under this provision shall be nonrecoverable contributions. Once installed, the Company will fully maintain the service facility at no cost to the Customer, and may at its option abandon any underground piping in the event service is discontinued.

- (3) The Company may accommodate a Customer's request for a service connection during periods in which the ground is frozen by installing a temporary service line and assessing the customer for the cost of installation and removal pursuant to Section 603 below, or by constructing a permanent service and assessing the customer the



excess installation costs as provided in Section 601a(1) above.

b. Maintenance of Service Connections

The materials furnished by the Company, at its own expense, in the construction or operation of such service extension will at all times be and remain the sole property of the Company, which will have the right, by its agents or employees, to enter upon the property of the customer and remove such materials after the customer shall cease taking service from the Company.

The service connection materials furnished by the Company and for which the customer was charged a nonrecoverable contribution for the construction of such service connection will at all times be and remain the sole property of the Company. The Company will make all repairs thereon and have sole control of the same.

c. Meters and Appliances

All meters, regulators, service pipe, appliances, fixtures, etc., installed by the Company at its expense upon the customer's premises for the purpose of delivering gas to the customer shall continue to be the property of the Company, and may be repaired, replaced or removed by the Company at any time.

No rent or other charge whatsoever will be required of the Company, by the customer for placing or maintaining said meters, regulators, service pipe, appliances, fixtures, etc., upon the customer's premises. All meters may be sealed or soldered by the Company, and no such seal or solder shall be tampered with or broken except by a representative of the Company appointed for that purpose. The customer shall exercise extreme care to prevent the meters, regulators, service pipe, appliances, fixtures, etc., of the Company upon said premises from being damaged or destroyed, and shall refrain from interfering with the same, and, in the case any defect therein shall be discovered, the customer shall notify the Company thereof.

The Company shall have the right to remove any and all of its facilities installed on customer's premises at the termination of service.



d. Meter Installation

All meters will be installed by the Company in some convenient place approved by the Company upon the customer's premises, and so placed as to be at all times accessible for inspection, reading and testing.

e. Company's Right of Ingress to and Egress from Customer's Premises.

The Company shall at all times have the right of ingress to and egress from the customer's premises at all hours for any purpose reasonably connected with the furnishing of gas, and the exercise of any and all rights secured to it by law, or by these Rules and Regulations.

f. Customer Responsibility for Equipment for Receiving Gas

The Customer shall, at his own risk and expense, furnish, install and keep in good and safe condition all regulators, gas piping, appliances, fixtures and apparatus, of any kind or character, which may be required for receiving gas from the Company, and for applying and utilizing such gas, including all necessary protective appliances and suitable housing thereof, and the Company shall not be responsible for any loss or damage occasioned or caused by the negligence, or wrongful act of the customer or of any of his agents, employees or licensees in installing, maintaining, using, operating or interfering with any such regulators, service pipes, gas piping, appliances, fixtures or apparatus.

All gas piping, appliances, equipment and apparatus downstream of the meter are the responsibility of the Customer.

g. Service Connections Made by Company's Employees

Only duly authorized employees of the Company shall be allowed to connect service piping to the Company's gas mains and/or install service connections and meters, or to unlock meters.



h. Excess Flow Valve Installation -

Effective February 12, 2010, the Company is required by Federal Pipeline Safety Regulations 49 CFR 192.383 to install an Excess Flow Valve (EFV) in all new and renewed service lines that serve only one single-family residence.

(1) An Excess Flow Valve (EFV) is a device placed inside the natural gas service line near the gas main that shuts off the flow of natural gas automatically if the Company's service line is broken or otherwise has excessive flow, thereby restricting the flow of gas and mitigating the potential for property damage. Such excessive flow can be caused by damage due to excavation, damage caused by a natural disaster such as an earthquake, or excessive flow due to additional gas-fired equipment being added to the service line that exceeds the design capacity of the EFV. EFV's are designed for a specific flow range with some tolerance for additional load, and will be sized based on information provided by the Customer at the time application is made for a new or renewed service line. The cost of the initial installation of the EFV is \$175.00 in addition to service line charge. Installation of an EFV will not protect against Customer appliance gas leaks, small service line punctures or gas meter leaks. An EFV may not protect against damages due to earthquakes or flooding.

(2) It is critical that the Customer inform the Company before any additional gas-fired equipment is added to the service line. Failure to do so could cause the EFV to close, disrupting natural gas service to the home. If a larger EFV needs to be installed to handle the Customer's increased load, the Customer will be responsible for the Company's cost to replace the EFV.

(3) Should a Customer increase the load on the service line without notifying the Company causing the EFV to close, the Customer will be responsible for any and all costs and damages associated with the closed EFV, including but not limited to Company's cost to repair and/or replace the EFV.



(4) If a Customer requests the installation of an EFV in an existing service line, the Customer will be responsible for the Company's cost to install the EFV.

602 Extension of Mains

a. General

- (1) Base System of Distribution Mains - The Company has designed a base system of distribution mains which will best serve the current service area. This system will be constructed without being subject to extension policy. This base system is designed to serve customers within the certificated area. Main extensions will be approved if they are economically feasible and do not cause an unreasonable added cost burden to be borne by existing customers. Any main extension beyond the base system will be subject to the provisions set forth below. Each extension to a customer or group of customers must be considered individually.
- (2) Easements and Right-of-Way - The customer shall grant the Company specific easements and rights-of-way necessary for a proper gas service connection to that customer's location. Failure on the part of the customer to grant such easements and right-of-way constitutes grounds for the Company to refuse service.
- (3) Initiation of Main Construction - No main construction or clearing of right-of-way shall be initiated under this provision until all required advances, contributions, applicable fees, deposits, easements, permits, and related documents have been received by the Company, properly signed and executed.
- (4) Cost Estimates - A Cost estimate is good for thirty (30) days. The Utility engineers will calculate the costs to construct each extension of gas distribution main. These costs are based on the facilities necessary to provide service and include distribution mains, underground service pipes, meters, regulators, etc. as well as the engineering and supervision necessary in constructing said facilities



to meet all legal and safety requirements.

The Utility may include charges in excess of standard costs in its calculation of the cost to construct an extension for items which are particularly unique to that extension and which could cause an undue additional cost burden to be borne by existing customers if only standard costs are used. Examples of such unique charges would include, but are not limited to, the construction costs of: river or stream crossings; construction in swamp, hard rock, or frozen ground areas; construction and permitting in ecologically fragile areas; road bores, open cut crossings, asphalt right-of-way of a limited access highway. Charges for these items will be based on the Utility's current engineering cost estimates.

- (5) Payment of Advances - The initial advance required of a customer will be based on a cost estimate. If the actual costs of construction are less than the written estimate, the customer will receive a refund of the difference between the advance and the actual costs. If the actual costs of construction are more than the written estimate, the customer will be required to advance additional funds sufficient to cover the actual costs except no charges in excess of the written estimate plus ten (10) percent will be collected from the customer unless the additional charges are the result of additional construction work requested or caused by the customer subsequent to the initial written estimate. Other than additional costs necessitated by the customer, actual costs in excess of one-hundred ten (110) percent will be borne by the Company.

No interest will be paid on advances or main extension deposits.

- (6) Customer Construction - The Company may, at its discretion, allow customers, or they're appointed agents, to perform a portion of the trenching and backfilling of a main extension. The Company will establish, in writing, standards of performance, safety, inspection, insurance and bonding which must be complied with prior



to commencement and acceptance of any customer trenching and backfilling. These standards will be substantially equivalent to the Company's standard for Company installed main extensions. Failure of a customer, or the customer's appointed agent, to comply with the standards as set forth by the Company may result in additional charges by the Company. The Company is not obligated to accept or provide gas service through any facilities which do not meet its construction standards. In the event additional customers receive service from this main extension the constructor (customer) shall receive refunds, consistent with Section 602 b., based on actual cost, not exceeding the Company's written estimated cost. The customer's costs eligible for refund would include customer construction costs and required advances to the Company, net of any free allowance.

- (7) Ownership - At all times the Company shall own, operate and maintain all gas distribution facilities up to the point of delivery regardless of whether the facilities have been constructed using customer-supplied trenching and backfilling or through customer advances.
- (8) Cost of System Upgrade - Charges in excess of standard costs may include cost of system upgrade if it is incidentally the result of a customer's addition to the system and the customer has a load requirement that is not comparable to those in the area being served by the facilities requiring the upgrade.

b. Individual Main Extensions

- (1) Free Allowance - Each applicant will receive a free allowance equal to \$0.206 times the estimated annual gas usage of the applicant. The free allowance will be applied before any advances or contributions are required from the applicant. The estimated billing will be confirmed by either a take-or-pay contract or a minimum bill schedule for 1 year of service. A payment by a customer pursuant to Section 602 a. is an advance which may be subject to refund as additional customers receive service from the applicant's extension.



- (2) Principles and Objectives
 - (a) After the Company has determined the costs of an applicant's extension, the Company will pay those costs up to the free allowance. The applicant will pay the costs that exceed the free allowance. Under most conditions, these additional payments are advances which may be subject to refund as additional customers receive service from the applicant's extension.
 - (b) When an applicant requires a main extension and that extension is directly connected to a main extension constructed by advances from earlier applicants, the new applicant will be required to share in the costs of the earlier extension if there are advances associated with the earlier main extension which have not been refunded and the applicant begins to receive service either in the year of construction of the earlier main extension or during the next five years.
- (3) In determining how advances are to be shared when more than one customer is using facilities constructed through advances, the general principle to be applied is that each customer should have equal advances for commonly used facilities. In applying this principle each customer should only share in the costs of those facilities actually used. For example, if a customer built a one mile extension and the next year a new applicant began to receive service one-half mile into the original extension, the new applicant must share in the costs of one-half mile of the original extension.
- (4) Beginning on January 1 of the sixth calendar year following the construction of an individual main extension, new applicants are not required to share in the costs of that main extension, and any remaining advances associated with that main extension will become contributions (non-refundable).
- (5) For administrative efficiency, the Company may elect to make the refunds in a single annual payment. All such refunds will be effected



by March 1 of the year following the year the refundable amounts were established.

(6) Determination of Advance Amounts and Refunds

(a) After the Company has applied the applicant's free allowance as described above, the applicant must pay as an advance (potentially refundable) any remaining costs of the main extension being constructed for him/her.

(b) If a part of the applicant's free allowance was used to reduce the advances of a prior main extension to which the applicant's new main extension directly connects, that part of the free allowance used to reduce those advances will be refunded to the customer(s) who previously made those advances for the portion of the facilities now used by the new applicant. This rule is applied in the same manner as in Section 602 b (3).

(c) To calculate how the cost of the earlier main extension are to be shared, the advances for that portion of the earlier main extension will be totaled and divided by the total number of customers, including the new applicant, who share the use of those facilities. The applicant will pay this amount as an advance which will be refunded on an equal basis to the individuals who previously made advances for the earlier main extension.

(d) In no case may the amount of the refund or the amount totally refunded exceed the amount of the original deposit.

603 Temporary Service -

Temporary service, as herein considered, refers to service of a temporary nature, and to operations of a speculative character or of questionable permanency.

The Company will, furnish temporary service under the following conditions: if in its opinion the furnishing of such service will not impose an undue hardship upon it or its then existing customers.

FNG FAIRBANKS NATURAL GAS, LLC

- a. The applicant for such temporary service shall be required to pay to the Company in advance or otherwise, as the Company may elect, the net cost of installing and removing any facilities necessary in connection with the furnishing of such service by the Company.
- b. Each applicant for temporary service shall be required to deposit with the Company a sum of money equal to the estimated amount of the Company's bill for such service, not to exceed the estimated maximum bill for two (2) months' consumption.
- c. Nothing in these Rules and Regulations shall be construed as limiting or in any way affecting the right of the Company to collect from the customer an additional sum of money which may become due and payable to the Company from the customer by reason of the temporary service furnished hereunder.
- d. In the event that a customer shall have operated the gas equipment or apparatus originally installed by customer, or its equivalent, for a period of twelve (12) consecutive months from the date service is first delivered under this rule, and, provided the customer's business has proved its permanency to the entire satisfaction of the Company, the payment made by customer pursuant to Section 603 a hereof, shall be adjusted to the basis of Sections 601a and 602 above and provided the customer complies with the rules applicable to gas service.

604 Change in Location of Existing Service Facilities -

Any change requested by the customer in the point of delivery or location of the service pipe, provided such change is approved by the Company, will be made at the expense of the customer. The customer shall pay the Company's estimated cost of such change in advance. In the event the actual cost is more or less than the estimated cost then the Company will charge or refund to the customer any difference between the actual and estimated cost.

605 Delayed-Use Facilities -

Whenever, at the request of a customer, a main extension and/or service pipe is



provided under Sections 601 and 602 above, through which service is not immediately desired, said customer shall bear the entire reasonable expense of providing, placing, and constructing these facilities. Whenever gas service is begun, the customer shall be entitled to a refund for such part of the expense as the Company required it to assume in accordance with these Rules and Regulations.

Any customer who does not begin using gas within six months of service line installation will be considered a "delayed use customer."

606 Protection by Customer -

Customer shall protect all of Company's property on customer's premises. Customer shall not tamper with or remove any of such property and shall permit no one but Company's authorized employees or agents to inspect or handle same. In the case of loss or damage to Company property caused by or arising from carelessness, neglect, or misuse by the customer or his agents or employees or third parties, the customer shall pay Company the amount of such loss or damage to the property.

Section 700 - Metering and Billing

701 Measurement of Gas -

The measurement of gas by Company's meter shall be considered conclusive and binding upon the customer and the Company, except when such meter ceases to register, prove to be defective, or is found by test not to be accurate within the limits prescribed in Section 702 of these Rules and Regulations. Company may seal or lock its meter or enclosures containing meters and associated equipment. No person, except a duly authorized employee of the Company, shall be permitted to break or replace a seal or lock, or to alter or change a meter or its connections or location, or to alter a gas pressure regulator.



702 Meter Tests and Adjustment of Bills for Meter Error -

a. Meter Tests

Any customer may, upon not less than fifteen (15) days' notice, require the Company to test his gas meter. No payment or deposit will be required from the customer for such tests except:

When a customer whose average monthly bill for gas service is less than five hundred dollars (\$500.00) requests a meter test within twelve (12) months after date of installation of the meter, or more often than once in twelve (12) months thereafter, a deposit to cover the reasonable cost of the test will be required of the customer, in accordance with the following:

- (1) For meters of rated capacities not exceeding 250 cubic feet per hour, \$150.00 per meter
- (2) For meters of rated capacities in excess of 250 cubic feet per hour, but not exceeding 750 cubic feet per hour, \$200.00 per meter
- (3) For meters of rated capacities in excess of 750 cubic feet per hour, \$500.00 per meter

The amount so deposited will be returned to the customer only if the meter is found, upon test, to register more than two percent (2%) fast under conditions of normal operation.

A customer shall have the right to require the Company to conduct the test in his presence, or if he so desires in the presence of an expert or other representative appointed by him. A report giving the result of the test will be supplied to the customer within a reasonable time after completion of the test.

b. Adjustment of Bills for Meter Error -

- (1) When, as the result of any test, a meter is found to be more than two percent (2%) fast, the Company shall refund to the customer the



overcharge, based on the corrected meter readings for the period in which the meter was in use, not exceeding six (6) months, unless it can be shown that the error was due to some cause, the date of which can be fixed. In this case, the overcharge shall be computed back to, but not before such time.

- (2) If, in the case of domestic or residential service, the meter, upon test as herein provided, is found not to register, or to register less than seventy-five percent (75%) of the actual consumption, an average bill, or a bill for the gas consumed but not covered by the bills previously rendered for a period not to exceed three (3) months, may be rendered to the customer by the company.
- (3) If a meter for service other than residential service, upon test as herein provided, is found to register more than two percent (2%) slow, the Company may render a bill for gas consumed but not covered by bills previously rendered for a period not to exceed three (3) months, provided that the actual period of error exceeds three (3) months. In the event the rate the error commenced can be definitely determined, the correction to be made, as herein provided, shall cover such actual period.
- (4) If the metering adjustments amount to less than five dollars (\$5.00) no refund or billing will be made.

703 Estimated Usage -

Where the Company is unable to read meter on customer's service, the Company may estimate the amount of gas supplied and submit a bill to customer. The estimated usage will be based on actual consumption over similar periods and under similar conditions, preceding or subsequent thereto, or over corresponding periods in previous years.

Adjustment of the estimated billing to actual use will be made when the next actual meter reading is obtained.

704 One Meter Per Service -



The rate schedules of the Company are based on service to the same customer at the same premises being supplied through a single meter. If service to the same customer at the same premises is taken through more than one meter for the convenience of customer, separate bills will be rendered for service received through each meter. Where such service is taken through more than one meter for the convenience of the Company, the gas registered by the meters shall be added for billing purposes. Such installations must be approved in advance by the Company's General Manager.

Gas service used by the same customer at different premises will be delivered, measured, and billed separately.

Gas service taken by the same customer at the same premise but under different Service Schedules will be delivered, measured and billed separately.

705 Billing Procedure -

Bills for gas service ordinarily are rendered at regular monthly intervals. A customer's first billing may be for a period longer or shorter than a month to accommodate the Company's meter reading and billing schedules.

Meters are normally read by the Company at regular monthly or bi-monthly intervals, though some meters may be read more frequently than monthly. Where meters are read at intervals greater than monthly, the Company may estimate the meter reading for the month the meter was not actually read and indicate so on the bill. Estimated meter readings will be based upon established calculation procedures. An adjustment of estimated meter readings to actual use will be made when the next actual meter reading is obtained. Meter reading periods shall in no case cover service for more than four (4) months. The Company reserves the right to modify its meter reading and billing schedules as required by changing conditions.

Bills are due upon presentation and are payable at any office of the Company, any collection agency duly approved by the Company, or by mail to the address



designated by the Company.

A bill will be considered past due and delinquent if not paid within twenty (20) days from the date billed, except by separate agreement.

Failure to receive a bill that has been properly addressed and mailed to the customer does not prevent the bill from becoming delinquent (past due) or excuse the customer's responsibility from payment. If a customer does not receive a monthly bill at the time of the month the customer would normally receive a bill, the customer should immediately notify the Company.

706 Discontinuance of Service Notice -

The Company will notify customers by mail, telephone, personal visit, or by leaving a notice at the service address in the event of delinquency requiring discontinuance of service, in accordance with Section 408 of these Rules and Regulations.

707 Adjustment for Delivery Pressure - Volume of gas registered shall be corrected for billing purposes by the application of a proper correction factor.

708 Resale of Service -

Gas will not be supplied for submetering for resale by or to any owner, tenant, or occupant of any premises without prior written approval from the Company. The supply of gas by Company for the use of a customer will be furnished directly to them through Company's meters.

The renting of premises with the cost of gas service included in the rental as an incident of tenancy will not be considered a resale of service.

709 Tax Adjustments-

All bills will detail as line items applicable sales taxes collected.

Section 800 - Continuity of Supply



801 Shortages and Interruption -

The Company will use reasonable diligence to supply steady and continuous service, but does not guarantee the service against irregularities or interruptions.

In case of shortage of supply and during the period of such shortage, the Company will apportion its available supply of gas among all customers in the most reasonable manner possible under law. The supply of gas for commercial and industrial purposes may be curtailed or discontinued at any time when it shall be necessary to do so in order to supply domestic customers.

Under no circumstances will customers under Interruptible Service receive any priority of gas supply during periods of supply shortages.

802 Liability –

The Company shall not be liable for any loss, damage, or expense to any customer occasioned by any suspension, curtailment, or discontinuance by the Company for any of the reasons set forth in these Rules and Regulations, or occasioned by any failure to supply gas according to the terms of the Agreement for Service or by interruption of the supply if such failure or interruption is due to storm, lightning, fire, flood, drought, strike, act of God, or any cause beyond the control of the Company, or any cause.

Section 900 - Notices

901 Company Notices to Customers -

Any notice the Company may give to any customer supplied with gas by the Company under and pursuant to the effective Rules and Regulations of the Company may be given by written notice, either delivered at the address hereinafter described in these Rules and Regulations, or properly enclosed in a sealed envelope and deposited in any United States Post Office in the territory served by the Company, postage prepaid, addressed to the customer at the customer's place of address specified in the customer's application for service of gas, or in the customer's contract for gas service, if applicable, or at such address as may be subsequently given in writing therefore by the customer to the Company at its office.



902 Customer's Notices to Company -

Any notice from any customer to the Company under any of the Company's schedules of rates, or under and pursuant to the effective Rules and Regulations of the Company may be given to the Company by delivering written notice in person, or by an authorized agent, at the Company's office, or by written notice properly enclosed in a sealed envelope and addressed to the Company's office, postage prepaid, and deposited in any United States Post Office in the territory served by the Company.

Section 1000 - Application of, Conflicts with, and Changes
and Additions to Rules & Regulations and Rate Schedules

1001 Application of Rules and Regulations and Rate Schedules -

All Agreements for Service presently in effect, or that may be entered into in the future, are made expressly subject to these Rules and Regulations, and any modifications hereto that may be lawfully made and subject to all applicable existing Rate Schedules, and any lawfully made changes therein, substitutions therefore and additions thereto.

1002 Conflicts -

In case of conflict between any provision of the Rules and Regulations, Agreements for Service, and Rate Schedules, the provisions of the Agreement for service take precedence, followed by the provisions of the Rate Schedule.

1003 Changes -

The Rules and Regulations, Agreements for Service, and Rate Schedules may be changed or revised from time to time in accordance with the rules of procedure of authorities having jurisdiction.

No promise, agreement, or representation inconsistent with the Rules and Regulations, shall be binding upon the Company unless in writing signed by a duly authorized officer of the Company.



**SCHEDULE F
LARGE VOLUME INTERRUPTIBLE SERVICE**



Schedule F - Large Volume Interruptible Service

1. Definitions

- 1.1. **Definitions** - Except where the context requires otherwise, all words and phrases defined below or in the Rules and Regulations of Fairbanks Natural Gas and used in this Schedule or in a Service Agreement have the meanings set out below or in the Rules and Regulations of Fairbanks Natural Gas. Where any of the definitions set out below conflict with the definitions in the Rules and Regulations of Fairbanks Natural Gas, the definitions set out below govern.
- a) **Commencement Date** - means the day specified as the Commencement Date in the Service Agreement.
 - b) **Contract Year** - means a period of 12 consecutive Months, starting on the Commencement Date.
 - c) **Day** – means any period of twenty-four consecutive hours beginning and ending at 8:00 a.m. Alaska Standard Time.
 - d) **Delivery Point** – means the points specified in a Service Agreement where Fairbanks Natural Gas delivers Gas to a Customer.
 - e) **Force Majeure** - means any acts of God, strikes, lockouts, or other industrial disturbances, civil disturbances, arrests and restraints of rulers or people, interruptions by government or court orders, present or future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blackouts, insurrections, failure or inability to secure materials or labor by reason of regulations or orders of government, serious epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipes, or freezing of wells or pipelines, or the failure of gas supply, temporary or otherwise, from a Supplier of gas, which act of Force Majeure was not due to negligence of the party claiming Force Majeure. Further, Force Majeure will also include a declaration of Force Majeure by a Transporter that results in Gas being unavailable for delivery.



Schedule F - Large Volume Interruptible Service (Continued)

- f) **Gas** – means natural gas being a gaseous hydrocarbon material.
- g) **Interruption Period** - means the period or periods during which the Customer is required pursuant to section 4.2 (Curtailment), section 4.3 (Notice of Curtailment) or section 11 (Force Majeure) to interrupt or curtail the receipt of Gas.
- h) **Month** – means a period beginning at 8:00 a.m. Alaska Standard Time on the first day of a calendar month and ending at 8:00 a.m. Alaska Standard Time on the first Day of the next calendar month.
- i) **Service Agreement** – means an Agreement between Fairbanks Natural Gas and a Customer to provide service pursuant to this Schedule.
- j) **Table of Charges** – means the Schedule F rate schedule.
- k) **Unauthorized Overrun Gas** – means the quantity of gas used by the Customer after FNG has properly notified the Customer to Curtail Gas usage as per section 4.3 (Notice of Curtailment).

2. Applicability

This Schedule applies to the sale of interruptible Gas, no portion of which may be resold, through individual meter stations to one Customer. For greater certainty, interruptible Gas sales under this Schedule means the sale by Fairbanks Natural Gas to a Customer which may be interrupted or curtailed by Fairbanks Natural Gas pursuant to sections 4.2 (curtailment), 11 (Force Majeure) and the Rules and Regulations of Fairbanks Natural Gas.



Schedule F - Large Volume Interruptible Service (Continued)

3. Conditions of Service

3.1. **Conditions** – Fairbanks Natural Gas will only sell Gas under this Schedule to Customers in the area served by Fairbanks Natural Gas under Fairbanks Natural Gas Rules and Regulations of which this Schedule is a part, subject to the following conditions:

- a) the Customer has entered into a Large Volume Interruptible Service Agreement (Service Agreement);
- b) FNG is, and continues to be, reasonably assured that the Customer is willing and able to consume a total of at least 500,000 CCF per year at one or more locations;
- c) adequate Gas volumes for such service are available;
- d) adequate capacity exists on the Fairbanks Natural Gas system;
- e) at all times when adequate quantities of Gas are available for sale by Fairbanks Natural Gas to the Customer at the locations and facilities specified in the Service Agreement, the Customer will use such Gas as the only Gas for all such locations and facilities;
- f) the Customer must maintain its ability to operate on an alternate fuel completely independent of the supply of natural gas from the Fairbanks Natural Gas system;
- g) the Customer must be able to switch to an alternate fuel within two hours of receiving notice from FNG that Gas service is to be interrupted; and,
- h) the Customer is required to maintain an adequate supply of alternate fuel at all locations and premises receiving interruptible service.



Schedule F - Large Volume Interruptible Service (Continued)

3.2. Warning Relating to Firm Sales or Firm Transportation Schedule – A

Customer wishing to switch at the end of the term of an interruptible Service Agreement to a firm Gas sales or firm transportation Schedule must comply with the requirements set out in the applicable Schedule, including the following:

- a) give 12 months prior notice to Fairbanks Natural Gas of the Customer's desire to do so.

Notwithstanding section 3.2, Fairbanks Natural Gas may reject such request, in its sole discretion, if Fairbanks Natural Gas does not have adequate Gas Supply or Distribution Capacity to accommodate the increased demand.

3.3. Access to Gas Meter and Equipment – The Customer must provide adequate access to the gas meter and any related equipment owned by Fairbanks Natural Gas on a 24 hour a day basis. In addition, the Customer must allow Fairbanks Natural Gas to install and maintain any telemetry and related instruments as required in order to monitor the consumption and use of natural gas under this Schedule.

4. Sales

4.1. Sale of Gas – Subject to section 801 of the Rules and Regulations of Fairbanks Natural Gas (Shortages and Interruption), Fairbanks Natural Gas will sell to the Customer and the Customer will buy and pay for gas from Fairbanks Natural Gas at the Delivery Point such quantity of Gas as is required by the Customer for the operation of the Customer's facilities specified in the Service Agreement, estimated to be a maximum quantity per Day set out in the Service Agreement, for the charges and all of the terms and conditions set out in either this Schedule or the Service Agreement.

4.2. Curtailment – If at any time Fairbanks Natural Gas determines that it does not have capacity, or adequate Gas volumes to accommodate the Customer's request for interruptible Gas service under this Schedule, Fairbanks Natural Gas may, for any length of time, interrupt or curtail the delivery of Gas to the Customer at any or all Delivery Point under this Schedule.



Schedule F - Large Volume Interruptible Service (Continued)

- 4.3 Notice of Curtailment** – Each notice from Fairbanks Natural Gas to the Customer with respect to the interruption or curtailment by Fairbanks Natural Gas of deliveries of Gas to the Delivery Point will be by telephone and/or fax and will specify the quantity of Gas to which the Customer is curtailed and the time at which this curtailment is to be made. Fairbanks Natural Gas will make reasonable efforts to give the Customer as much notice as possible with respect to such curtailment, not to be less than 2 hours' prior notice unless prevented by Force Majeure.
- 4.4 Default Regarding Curtailment** – The Customer will comply with each notice from Fairbanks Natural Gas to interrupt or curtail the Customer's take. If the Customer at any time fails or neglects to comply with a notice from Fairbanks Natural Gas to interrupt or curtail the Customer's take, Fairbanks Natural Gas may, in addition to any other remedy that it may then or thereafter have, at its option, without liability therefore and without any prior notice to the Customer
- a) turn off the valve at the Delivery Point, or
 - b) deliver such Gas and charge the Customer for such Gas consumed on that Day the charge for Unauthorized Overrun Gas set out in the Table of Charges.
- 4.5 Failure to Comply** – If during any one Contract Year the Customer fails or neglects to comply with two notices from Fairbanks Natural Gas to interrupt or curtail the Customer's take, Fairbanks Natural Gas may, in addition to any other remedy that it may then or thereafter have, at its option and without liability therefore, switch the Customer to a firm Gas sales Schedule or suspend service delivery of Gas, beginning at the commencement of the next following Month.
- 4.6 Maximum Hourly Quantities** – Fairbanks Natural Gas will not be obliged to deliver in any one Hour more than 5% of the maximum quantity per Day set out in the Service Agreement.
- 4.7 Notice to Resume** – Once the Customer has been instructed to curtail consumption of Gas, Fairbanks Natural Gas will provide notification to the Customer as to when consumption of Gas may resume under this Schedule.



Schedule F - Large Volume Interruptible Service (Continued)

5. Table of Charges

5.1. **Charges** – In respect of all quantities of Gas delivered to the Delivery Point pursuant to this Schedule and the Service Agreement, the Customer will pay to Fairbanks Natural Gas all of the charges set out in the Table of Charges.

6. Unauthorized Gas Use

6.1. **Charge for Unauthorized Service** – On any Day the Customer takes Unauthorized Overrun Gas, the Customer will pay to Fairbanks Natural Gas the unauthorized overrun charge set out in the Table of Charges.

6.2. **Payments Not License** – Payments made by the Customer to Fairbanks Natural Gas for Unauthorized Overrun Gas neither gives the Customer the right to take Unauthorized Overrun Gas, nor exclude or limit any other remedies available to Fairbanks Natural Gas for the Customers' taking of Unauthorized Overrun Gas.

7. Term of Service Agreement

7.1. **Term** – The initial term of the Service Agreement will begin on the Commencement Date and will expire at 8:00 a.m. Alaska Standard Time at the end of one Contract Year.

7.2. **Automatic Renewal** – Except as specified in the Service Agreement, the term of the Service Agreement will continue from year to year after the expiry of the initial term unless cancelled by either Fairbanks Natural Gas or the Customer, subject to section 3.3, upon not less than 30 days notice prior to the end of the Contract Year then in effect.

7.3. **Statements to be Provided** – Fairbanks Natural Gas will, on or about the 15th day of each month, deliver to the Customer a statement for the preceding month showing the Gas quantities delivered to the Customer and the amount due. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.



Schedule F - Large Volume Interruptible Service (Continued)

7.4. Payment and Late Payment Charge - Payment for the full amount of the statement, including taxes or fees applicable thereon, will be made to Fairbanks Natural Gas at its Fairbanks office, on or before the 1st business day after the 25th calendar day following the billing date. If the Customer fails or neglects to make any payment required under this Schedule, or any portion thereof, to Fairbanks Natural Gas when due, Fairbanks Natural Gas will include in the next bill to the Customer a late payment charge of 0.875% per month (10.5% per annum) on the outstanding amount.

8. Default or Bankruptcy

8.1. Default - If the Customer at any time fails or neglects to make any payment due to Fairbanks Natural Gas under this Schedule or the Service Agreement within 30 days after payment is due, or to correct any default of any of the other terms, covenants, agreements, conditions or obligations imposed upon it under this Schedule or the Service Agreement, within 30 days after Fairbanks Natural Gas gives to the Customer notice of such default or, in the case of a default that cannot with due diligence be corrected within a period of 30 days, the Customer fails to proceed promptly after the giving of such notice with due diligence to correct the same and thereafter to prosecute the correcting of such default with all due diligence, then Fairbanks Natural Gas may in addition to any other remedy that it has, including the rights of Fairbanks Natural Gas set out in section 4.4 (Default Regarding Curtailment), 4.5 (Failure to Comply) and 6 (Unauthorized Gas Use), at its option and without liability therefore

- a) suspend further service to the Customer and may refuse to deliver Gas to the Customer until the default has been fully remedied, and no such suspension or refusal will relieve the Customer from any obligation under this Schedule or the Service Agreement, or,
- b) terminate the Service Agreement, and no such termination of the Service Agreement pursuant hereto will exclude the right of FNG to collect any amount due to it from the Customer for what would otherwise have been the remainder of the term of the Service Agreement.



Schedule F - Large Volume Interruptible Service (Continued)

9. Notice

9.1. **Notice** - Any notice, request, statement or bill that is required to be given or that may be given under this Schedule or under the Service Agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other in accordance with the following:

if to Fairbanks Natural Gas: Fairbanks Natural Gas, LLC
3408 International Way
Fairbanks, Alaska, 99701

Fax: (907) 457-8111

if to the Customer: as set out in the Service Agreement

9.2. **Specific Notices** – Notwithstanding section 9.1 (Notice), notices with respect to Force Majeure will be sufficient if given by either party in writing by fax, or orally in person, or by telephone (to be confirmed in writing) to the person or persons designated from time to time by either party as authorized to receive such notices.

10. Indemnity and Limitation on Liability

10.1 **Limitation on Liability** – Fairbanks Natural Gas, its employees, contractors or agents are not responsible or liable for any loss or damages for or on account of any interruption or curtailment of Gas service permitted under the Rules and Regulations of Fairbanks Natural Gas or this Schedule.



Schedule F - Large Volume Interruptible Service (Continued)

11. Force Majeure

- 11.1 **Force Majeure** - Subject to the other provisions of this section 11, if either party is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set out in this Schedule under which service is rendered or in the Service Agreement, the obligations of both Fairbanks Natural Gas and the Customer will be suspended to the extent necessary for the period of the Force Majeure condition.
- 11.2 **Curtailment Notice** - If Fairbanks Natural Gas claims suspension pursuant to this section 11, Fairbanks Natural Gas will be deemed to have issued to the Customer a notice of curtailment.
- 11.3 **Exceptions** - Neither party will be entitled to the benefit of the provisions of section 11.1 under any of the following circumstances
- a) to the extent that the failure was caused by the negligence or contributory negligence of the party claiming suspension,
 - b) to the extent that the failure was caused by the party claiming suspension having failed to diligently attempt to remedy the condition and to resume the performance of the covenants or obligations with reasonable dispatch, or
 - c) unless as soon as possible after the happening of the occurrence relied on or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Schedule or the Service Agreement, the party claiming suspension will have given to the other party notice to the effect that the party is unable by reason of Force Majeure (the nature of which will be specified) to perform the particular covenants or obligations.
- 11.4 **Notice to Resume** - The party claiming suspension will likewise give notice, as soon as possible after the Force Majeure condition has been remedied, to the effect that it has been remedied and that the party has resumed, or is then in a position to resume, the performance of the covenants or obligations.

Schedule F - Large Volume Interruptible Service (Continued)

- 11.5 **Settlement of Labor Disputes** - Notwithstanding any of the provisions of this section 11, the settlement of labor disputes or industrial disturbances will be



entirely within the discretion of the particular party involved and the party may make settlement of it at the time and on terms and conditions as it may deem to be advisable and no delay in making settlement will deprive the party of the benefit of section 11.1.

11.6 No Exemption for Payments - Notwithstanding any of the provisions of this section, Force Majeure will not relieve or release either party from its obligations to make payments to the other.

11.7 Periodic Repair by Fairbanks Natural Gas - Fairbanks Natural Gas may temporarily shut off the delivery of Gas for the purpose of repairing or replacing a portion of the Fairbanks Natural Gas System or its equipment and FNG will make reasonable efforts to give the Customer as much notice as possible with respect to such interruption, not to be less than 8 hours' prior notice except when prevented by Force Majeure. Fairbanks Natural Gas will make reasonable efforts to schedule repairs or replacements to minimize interruption of Gas service to the Customer and to restore service as quickly as possible.

12. Interpretation

12.1 Interpretation - Except where the context requires otherwise or except as otherwise expressly provided in this Schedule or in a Service Agreement all references to a designated section are to the designated section of this Schedule unless otherwise specifically stated. The singular of any term includes the plural, and vice versa, and the use of any term is equally applicable to any gender and, where applicable, body corporate. Any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity. All words, phrases and expressions used in this Schedule or in a Service Agreement that have a common usage in the gas industry and that are not defined in the Rules and Regulations of Fairbanks Natural Gas, the Definitions or in the Service Agreement have the meanings commonly ascribed thereto in the gas industry. The headings of the sections set out in this Schedule or in the Service Agreement are for convenience of reference only and will not be considered in any interpretation of this Schedule or the Service Agreement.



Schedule F - Large Volume Interruptible Service (Continued)

13. Miscellaneous

- 13.1. **Waiver** - No waiver by either Fairbanks Natural Gas or the Customer of any default by the other in the performance of any of the provisions of this Schedule or the Service Agreement will operate or be construed as a waiver of any other or future default or defaults, whether of a like or different character.
- 13.2. **Successors** - The Service Agreement will be binding upon the parties and their respective successors and permitted assigns, including without limitation successors by merger or consolidation.
- 13.3. **Assignment** - The Customer will not assign the Service Agreement or any of its rights or obligations thereunder without the prior written consent of Fairbanks Natural Gas, which consent will not be unreasonably withheld or delayed. No assignment will release the Customer from its obligations under this Schedule or under the Service Agreement that existed prior to the date on which the assignment takes effect. This provision applies to every proposed assignment by the Customer.
- 13.4. **Amendments to be in Writing** - Except as set out in this Schedule, no amendment or variation of the Service Agreement will be effective or binding upon the parties unless such amendment or variation is set out in writing and duly executed by the parties.
- 13.5. **Proper Law** - The Service Agreement will be construed and interpreted in accordance with the laws of the State of Alaska and the laws of the United States applicable therein.
- 13.6. **Time is of Essence** - Time is of the essence of this Schedule, the Service Agreement and of the terms and conditions thereof.
- 13.7. **Subject to Legislation** - Notwithstanding any other provision hereof, this Schedule and the Service Agreement and the rights and obligations of Fairbanks Natural Gas and the Customer under this Schedule and the Service Agreement are subject to all present and future laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction over Fairbanks Natural Gas or the Customer.



**SCHEDULE G
SMALL VOLUME INTERRUPTIBLE SERVICE**



Schedule G - Small Volume Interruptible Service

1. Definitions

- 1.1. **Definitions** - Except where the context requires otherwise, all words and phrases defined below or in the Rules and Regulations of Fairbanks Natural Gas and used in this Schedule or in a Service Agreement have the meanings set out below or in the Rules and Regulations of Fairbanks Natural Gas. Where any of the definitions set out below conflict with the definitions in the Rules and Regulations of Fairbanks Natural Gas, the definitions set out below govern.
- a) **Commencement Date** - means the day specified as the Commencement Date in the Service Agreement.
 - b) **Contract Year** - means a period of 12 consecutive Months, starting on the Commencement Date.
 - c) **Day** – means any period of twenty-four consecutive hours beginning and ending at 8:00 a.m. Alaska Standard Time.
 - d) **Delivery Point** – means the point specified in a Service Agreement where Fairbanks Natural Gas delivers Gas to a Customer.
 - e) **Force Majeure** - means any acts of God, strikes, lockouts, or other industrial disturbances, civil disturbances, arrests and restraints of rulers or people, interruptions by government or court orders, present or future valid orders of any regulatory body having proper jurisdiction, acts of the public enemy, wars, riots, blackouts, insurrections, failure or inability to secure materials or labor by reason of regulations or orders of government, serious epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, explosions, breakage or accident to machinery or lines of pipes, or freezing of wells or pipelines, or the failure of gas supply, temporary or otherwise, from a Supplier of gas, which act of Force Majeure was not due to negligence of the party claiming Force Majeure. Further, Force Majeure will also include a declaration of Force Majeure by a Transporter that results in Gas being unavailable for delivery.



Schedule G - Small Volume Interruptible Service (Continued)

- f) **Gas** – means natural gas being a gaseous hydrocarbon material.
- g) **Interruption Period** - means the period or periods during which the Customer is required pursuant to section 4.2 (Curtailment), section 4.3 (Notice of Curtailment) or section 11 (Force Majeure) to interrupt or curtail the receipt of Gas.
- h) **Month** – means a period beginning at 8:00 a.m. Alaska Standard Time on the first day of a calendar month and ending at 8:00 a.m. Alaska Standard Time on the first Day of the next calendar month.
- i) **Service Agreement** – means an Agreement between Fairbanks Natural Gas and a Customer to provide service pursuant to this Schedule.
- j) **Table of Charges** – means the Schedule G rate schedule.
- k) **Unauthorized Overrun Gas** – means the quantity of gas used by the Customer after FNG has properly notified the Customer to Curtail Gas usage as per section 4.3 (Notice of Curtailment).

2. Applicability

This Schedule applies to the sale of interruptible Gas, no portion of which may be resold, through individual meter stations to one Customer. For greater certainty, interruptible Gas sales under this Schedule means the sale by Fairbanks Natural Gas to a Customer which may be interrupted or curtailed by Fairbanks Natural Gas pursuant to sections 4.2 (curtailment), 11 (Force Majeure) and the Rules and Regulations of Fairbanks Natural Gas.



Schedule G - Small Volume Interruptible Service (Continued)

3. Conditions of Service

3.1. **Conditions** – Fairbanks Natural Gas will only sell Gas under this Schedule to Customers in the area served by Fairbanks Natural Gas under Fairbanks Natural Gas Rules and Regulations of which this Schedule is a part, subject to the following conditions:

- a) the Customer has entered into a Small Volume Interruptible Service Agreement (Service Agreement);
- b) FNG is, and continues to be, reasonably assured that the Customer is willing and able to consume at least 10,000 CCF per year at a single location;
- c) adequate Gas volumes for such service are available;
- d) adequate capacity exists on the Fairbanks Natural Gas system;
- e) at all times when adequate quantities of Gas are available for sale by Fairbanks Natural Gas to the Customer at the facilities specified in the Service Agreement, the Customer will use such Gas as the only Gas for such facilities;
- f) the Customer must maintain its ability to operate on an alternate fuel completely independent of the supply of natural gas from the Fairbanks Natural Gas system;
- g) the Customer must be able to switch to an alternate fuel within six hours of receiving notice from FNG that Gas service is to be interrupted; and,
- h) the Customer is required to maintain an adequate supply of alternate fuel at the premises receiving interruptible service.



Schedule G - Small Volume Interruptible Service (Continued)

3.2. Warning Relating to Firm Sales or Firm Transportation Schedule – A Customer wishing to switch at the end of the term of an interruptible Service Agreement to a firm Gas sales or firm transportation Schedule must comply with the requirements set out in the applicable Schedule, including the following:

- a) give 12 months prior notice to Fairbanks Natural Gas of the Customer's desire to do so.

Notwithstanding section 3.2, Fairbanks Natural Gas may reject such request, in its sole discretion, if Fairbanks Natural Gas does not have adequate Gas Supply or Distribution Capacity to accommodate the increased demand.

3.3. Access to Gas Meter and Equipment – The Customer must provide adequate access to the gas meter and any related equipment owned by Fairbanks Natural Gas on a 24 hour a day basis. In addition, the Customer must allow Fairbanks Natural Gas to install and maintain any telemetry and related instruments as required in order to monitor the consumption and use of natural gas under this Schedule.

4. Sales

4.1. Sale of Gas – Subject to section 801 of the Rules and Regulations of Fairbanks Natural Gas (Shortages and Interruption), Fairbanks Natural Gas will sell to the Customer and the Customer will buy and pay for gas from Fairbanks Natural Gas at the Delivery Point such quantity of Gas as is required by the Customer for the operation of the Customer's facilities specified in the Service Agreement, estimated to be a maximum quantity per Day set out in the Service Agreement, for the charges and all of the terms and conditions set out in either this Schedule or the Service Agreement.

4.2. Curtailment – If at any time Fairbanks Natural Gas determines that it does not have capacity, or adequate Gas volumes to accommodate the Customer's request for interruptible Gas service under this Schedule, Fairbanks Natural Gas may, for any length of time, interrupt or curtail the delivery of Gas to the Customer at any or all Delivery Point under this Schedule.



Schedule G - Small Volume Interruptible Service (Continued)

- 4.3 **Notice of Curtailment** – Each notice from Fairbanks Natural Gas to the Customer with respect to the interruption or curtailment by Fairbanks Natural Gas of deliveries of Gas to the Delivery Point will be by telephone and/or fax and will specify the quantity of Gas to which the Customer is curtailed and the time at which this curtailment is to be made. Fairbanks Natural Gas will make reasonable efforts to give the Customer as much notice as possible with respect to such curtailment, not to be less than 6 hours' prior notice unless prevented by Force Majeure.
- 4.4 **Default Regarding Curtailment** – The Customer will comply with each notice from Fairbanks Natural Gas to interrupt or curtail the Customer's take. If the Customer at any time fails or neglects to comply with a notice from Fairbanks Natural Gas to interrupt or curtail the Customer's take, Fairbanks Natural Gas may, in addition to any other remedy that it may then or thereafter have, at its option, without liability therefore and without any prior notice to the Customer
- c) turn off the valve at the Delivery Point, or
 - d) deliver such Gas and charge the Customer for such Gas consumed on that Day the charge for Unauthorized Overrun Gas set out in the Table of Charges.
- 4.5 **Failure to Comply** – If during any one Contract Year the Customer fails or neglects to comply with two notices from Fairbanks Natural Gas to interrupt or curtail the Customer's take, Fairbanks Natural Gas may, in addition to any other remedy that it may then or thereafter have, at its option and without liability therefore, switch the Customer to a firm Gas sales Schedule or suspend service delivery of Gas, beginning at the commencement of the next following Month.
- 4.6 **Maximum Hourly Quantities** – Fairbanks Natural Gas will not be obliged to deliver in any one Hour more than 5% of the maximum quantity per Day set out in the Service Agreement.
- 4.7 **Notice to Resume** – Once the Customer has been instructed to curtail consumption of Gas, Fairbanks Natural Gas will provide notification to the Customer as to when consumption of Gas may resume under this Schedule.



Schedule G - Small Volume Interruptible Service (Continued)

5. Table of Charges

5.1. **Charges** – In respect of all quantities of Gas delivered to the Delivery Point pursuant to this Schedule and the Service Agreement, the Customer will pay to Fairbanks Natural Gas all of the charges set out in the Table of Charges.

6. Unauthorized Gas Use

6.1. **Charge for Unauthorized Service** – On any Day the Customer takes Unauthorized Overrun Gas, the Customer will pay to Fairbanks Natural Gas the unauthorized overrun charge set out in the Table of Charges.

6.2. **Payments Not License** – Payments made by the Customer to Fairbanks Natural Gas for Unauthorized Overrun Gas neither gives the Customer the right to take Unauthorized Overrun Gas, nor exclude or limit any other remedies available to Fairbanks Natural Gas for the Customers' taking of Unauthorized Overrun Gas.

7. Term of Service Agreement

7.1. **Term** – The initial term of the Service Agreement will begin on the Commencement Date and will expire at 8:00 a.m. Alaska Standard Time at the end of one Contract Year.

7.2. **Automatic Renewal** – Except as specified in the Service Agreement, the term of the Service Agreement will continue from year to year after the expiry of the initial term unless cancelled by either Fairbanks Natural Gas or the Customer, subject to section 3.3, upon not less than 30 days notice prior to the end of the Contract Year then in effect.

7.3. **Statements to be Provided** – Fairbanks Natural Gas will, on or about the 15th day of each month, deliver to the Customer a statement for the preceding month showing the Gas quantities delivered to the Customer and the amount due. Any errors in any statement will be promptly reported to the other party as provided hereunder, and statements will be final and binding unless questioned within one year after the date of the statement.



Schedule G - Small Volume Interruptible Service (Continued)

7.4. Payment and Late Payment Charge - Payment for the full amount of the statement, including taxes or fees applicable thereon, will be made to Fairbanks Natural Gas at its Fairbanks office, on or before the 1st business day after the 25th calendar day following the billing date. If the Customer fails or neglects to make any payment required under this Schedule, or any portion thereof, to Fairbanks Natural Gas when due, Fairbanks Natural Gas will include in the next bill to the Customer a late payment charge of 0.875% per month (10.5% per annum) on the outstanding amount.

8. Default or Bankruptcy

8.1. Default - If the Customer at any time fails or neglects to make any payment due to Fairbanks Natural Gas under this Schedule or the Service Agreement within 30 days after payment is due, or to correct any default of any of the other terms, covenants, agreements, conditions or obligations imposed upon it under this Schedule or the Service Agreement, within 30 days after Fairbanks Natural Gas gives to the Customer notice of such default or, in the case of a default that cannot with due diligence be corrected within a period of 30 days, the Customer fails to proceed promptly after the giving of such notice with due diligence to correct the same and thereafter to prosecute the correcting of such default with all due diligence, then Fairbanks Natural Gas may in addition to any other remedy that it has, including the rights of Fairbanks Natural Gas set out in section 4.4 (Default Regarding Curtailment), 4.5 (Failure to Comply) and 6 (Unauthorized Gas Use), at its option and without liability therefore

- c) suspend further service to the Customer and may refuse to deliver Gas to the Customer until the default has been fully remedied, and no such suspension or refusal will relieve the Customer from any obligation under this Schedule or the Service Agreement, or,
- d) terminate the Service Agreement, and no such termination of the Service Agreement pursuant hereto will exclude the right of FNG to collect any amount due to it from the Customer for what would otherwise have been the remainder of the term of the Service Agreement.



Schedule G - Small Volume Interruptible Service (Continued)

9. Notice

9.1. **Notice** - Any notice, request, statement or bill that is required to be given or that may be given under this Schedule or under the Service Agreement will, unless otherwise specified, be in writing and will be considered as fully delivered when mailed, personally delivered or sent by fax to the other in accordance with the following:

if to Fairbanks Natural Gas: Fairbanks Natural Gas, LLC
3408 International Way
Fairbanks, Alaska, 99701

Fax: (907) 457-8111

if to the Customer: as set out in the Service Agreement

9.2. **Specific Notices** – Notwithstanding section 9.1 (Notice), notices with respect to Force Majeure will be sufficient if given by either party in writing by fax, or orally in person, or by telephone (to be confirmed in writing) to the person or persons designated from time to time by either party as authorized to receive such notices.

10. Limitation on Liability

Limitation on Liability – Fairbanks Natural Gas, its employees, contractors or agents are not responsible or liable for any loss or damages for or on account of any interruption or curtailment of Gas service permitted under the Rules and Regulations of Fairbanks Natural Gas or this Schedule.



Schedule G – Small Volume Interruptible Service (Continued)

11. Force Majeure

- 11.1 **Force Majeure** - Subject to the other provisions of this section 11, if either party is unable or fails by reason of Force Majeure to perform in whole or in part any obligation or covenant set out in this Schedule under which service is rendered or in the Service Agreement, the obligations of both Fairbanks Natural Gas and the Customer will be suspended to the extent necessary for the period of the Force Majeure condition.
- 11.2 **Curtailement Notice** - If Fairbanks Natural Gas claims suspension pursuant to this section 11, Fairbanks Natural Gas will be deemed to have issued to the Customer a notice of curtailment.
- 11.3 **Exceptions** - Neither party will be entitled to the benefit of the provisions of section 11.1 under any of the following circumstances
- d) to the extent that the failure was caused by the negligence or contributory negligence of the party claiming suspension,
 - e) to the extent that the failure was caused by the party claiming suspension having failed to diligently attempt to remedy the condition and to resume the performance of the covenants or obligations with reasonable dispatch, or
 - f) unless as soon as possible after the happening of the occurrence relied on or as soon as possible after determining that the occurrence was in the nature of Force Majeure and would affect the claiming party's ability to observe or perform any of its covenants or obligations under the Schedule or the Service Agreement, the party claiming suspension will have given to the other party notice to the effect that the party is unable by reason of Force Majeure (the nature of which will be specified) to perform the particular covenants or obligations.
- 11.4 **Notice to Resume** - The party claiming suspension will likewise give notice, as soon as possible after the Force Majeure condition has been remedied, to the effect that it has been remedied and that the party has resumed, or is then in a position to resume, the performance of the covenants or obligations.
- 11.5 **Settlement of Labor Disputes** - Notwithstanding any of the provisions of this section 11, the settlement of labor disputes or industrial disturbances will be entirely within the discretion of the particular party involved and the party may

Schedule G – Small Volume Interruptible Service (Continued)



make settlement of it at the time and on terms and conditions as it may deem to be advisable and no delay in making settlement will deprive the party of the benefit of section 11.1.

11.6 No Exemption for Payments - Notwithstanding any of the provisions of this section, Force Majeure will not relieve or release either party from its obligations to make payments to the other.

11.7 Periodic Repair by Fairbanks Natural Gas - Fairbanks Natural Gas may temporarily shut off the delivery of Gas for the purpose of repairing or replacing a portion of the Fairbanks Natural Gas System or its equipment and FNG will make reasonable efforts to give the Customer as much notice as possible with respect to such interruption, not to be less than 8 hours' prior notice except when prevented by Force Majeure. Fairbanks Natural Gas will make reasonable efforts to schedule repairs or replacements to minimize interruption of Gas service to the Customer and to restore service as quickly as possible.

12. Interpretation

12.2 Interpretation - Except where the context requires otherwise or except as otherwise expressly provided in this Schedule or in a Service Agreement all references to a designated section are to the designated section of this Schedule unless otherwise specifically stated. The singular of any term includes the plural, and vice versa, and the use of any term is equally applicable to any gender and, where applicable, body corporate. Any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity. All words, phrases and expressions used in this Schedule or in a Service Agreement that have a common usage in the gas industry and that are not defined in the Rules and Regulations of Fairbanks Natural Gas, the Definitions or in the Service Agreement have the meanings commonly ascribed thereto in the gas industry. The headings of the sections set out in this Schedule or in the Service Agreement are for convenience of reference only and will not be considered in any interpretation of this Schedule or the Service Agreement.



Schedule G - Small Volume Interruptible Service (Continued)

13. Miscellaneous

- 13.1. **Waiver** - No waiver by either Fairbanks Natural Gas or the Customer of any default by the other in the performance of any of the provisions of this Schedule or the Service Agreement will operate or be construed as a waiver of any other or future default or defaults, whether of a like or different character.
- 13.2. **Successors** - The Service Agreement will be binding upon the parties and their respective successors and permitted assigns, including without limitation successors by merger or consolidation.
- 13.3. **Assignment** - The Customer will not assign the Service Agreement or any of its rights or obligations thereunder without the prior written consent of Fairbanks Natural Gas, which consent will not be unreasonably withheld or delayed. No assignment will release the Customer from its obligations under this Schedule or under the Service Agreement that existed prior to the date on which the assignment takes effect. This provision applies to every proposed assignment by the Customer.
- 13.4. **Amendments to be in Writing** - Except as set out in this Schedule, no amendment or variation of the Service Agreement will be effective or binding upon the parties unless such amendment or variation is set out in writing and duly executed by the parties.
- 13.5. **Proper Law** - The Service Agreement will be construed and interpreted in accordance with the laws of the State of Alaska and the laws of the United States applicable therein.
- 13.6. **Time is of Essence** - Time is of the essence of this Schedule, the Service Agreement and of the terms and conditions thereof.
- 13.7. **Subject to Legislation** - Notwithstanding any other provision hereof, this Schedule and the Service Agreement and the rights and obligations of Fairbanks Natural Gas and the Customer under this Schedule and the Service Agreement are subject to all present and future laws, rules, regulations and orders of any legislative body, governmental agency or duly constituted authority now or hereafter having jurisdiction over Fairbanks Natural Gas or the Customer.



RATE SCHEDULES



SCHEDULE OF NONRECURRING FEES AND CHARGES

<u>Rule</u>	<u>Service or Charge</u>	<u>Amount</u>
601 a(1)	Basic Service Line Installation Fee	\$50.00
601 a(2)	Excess Footage Charge	
	Service piping sized less than 1"	\$ 6.00 per ft
	1" service piping	\$ 6.50 per ft
	2" service piping	\$ 7.00 per ft
	3" service piping	\$ 8.00 per ft
	4" service piping	\$ 9.00 per ft
	6" service piping	\$15.00 per ft
	8" service piping	\$20.00 per ft
601 h(1)	Excess Flow Valve Installation Fee (EFV)	\$175.00 each



Schedule A - Residential Service

APPLICATION

This rate applies to natural gas service to any customer for all domestic purposes in individual private residences and in separately metered individual family apartments, but not for any other application.

This rate may also be applied to service supplied to two or more apartments or dwelling units served through one meter.

CHARACTER OF SERVICE

Natural gas having a heating value of approximately 1,000 BTUs per cubic foot, but not less than 950 BTUs per cubic foot.

MONTHLY CHARGES

Customer charge: \$9.20

Volumetric rate: \$2.020 per hundred cubic feet (CCF)

Service hereunder may be discontinued at any time at the request of the customer when the premises are vacated or the service is no longer required.



Schedule B - Small Commercial Service

APPLICATION

This rate applies to natural gas service to any commercial customer through a single meter for any purpose including that used for domestic purposes where two or more apartments are supplied through the same meter.

CHARACTER OF SERVICE

Natural gas having a heating value of approximately 1,000 BTUs per cubic foot, but not less than 950 BTUs per cubic foot.

MONTHLY CHARGES

Customer charge: \$17.25

Volumetric rate: \$ 2.016 per hundred cubic feet (CCF)

Service hereunder may be discontinued at any time at the request of the customer when the premises are vacated or the service is no longer required.



Schedule C- Large Commercial Service

APPLICATION

This rate applies to natural gas service to any commercial customer supplied through a single meter for any purpose including that used for domestic purposes where multi-unit apartments are supplied through the same meter.

CHARACTER OF SERVICE

Natural gas having a heating value of approximately 1,000 BTUs per cubic foot, but not less than 950 BTUs per cubic foot.

MONTHLY CHARGES

Customer charge:	\$57.50
Volumetric charge:	\$2.010 per hundred cubic feet (CCF)

CONTRACT FOR SERVICE

The minimum period for service for a customer requiring the construction of a service line and a service connection shall be not less than twelve (12) consecutive months. Customers desiring service under this schedule shall make written application to the Company and execute contracts for such service on an annual basis.



Schedule D – Transportation Service

APPLICATION

This rate applies to the transportation, within the Company's system, of customer owned natural gas for any residential or commercial use.

CHARACTER OF SERVICE

Transportation of natural gas having a heating value of approximately 1,000 BTUs per cubic foot, but not less than 950 BTUs per cubic foot.

TRANSPORTATION SERVICE RATE

The charges for transportation service will be established at the time service is requested.

TERMINATION OF SERVICE AND UNAUTHORIZED GAS

This service is discontinued any time the customer does not tender customer-owned natural gas for transportation. Any natural gas received by the customer from the Company after this service is discontinued would be under the terms and conditions of the Company's Schedule A, Schedule B or Schedule C for Gas Sales Service as applicable.



Schedule E – Unused



SCHEDULE F

LARGE VOLUME INTERRUPTIBLE SERVICE

TABLE OF CHARGES

MONTHLY CUSTOMER CHARGE: \$500.00

VOLUMETRIC CHARGE: The rate per hundred cubic feet (CCF) will be set out in the Large Volume Interruptible Service Agreement, and may be changed upon 30 days notice by FNG to the Large Volume Interruptible Customer.

UNAUTHORIZED OVERRUN GAS: Two times the effective Volumetric Rate at the time of curtailment.

SCHEDULE G

SMALL VOLUME INTERRUPTIBLE SERVICE

TABLE OF CHARGES

CUSTOMER CHARGE: The monthly customer charge for each month during the term of a small volume interruptible service agreement is the customer charge for large commercial customers set out in Schedule C.


VOLUMETRIC RATE: \$2.003 per hundred cubic feet (CCF).

UNAUTHORIZED OVERRUN GAS: Two times the effective Volumetric Rate at the time of curtailment.



MEMORANDUM

TO: Board Members
Alaska Industrial Development and Export Authority

FROM: John Springsteen
Executive Director 

DATE: December 17, 2015

SUBJECT: Pentex 2016 Budget, Resolution No. G15-24

Resolution No. G15-24 approves the 2016 Pentex budget, as well as the temporary rates for FNG and Titan. The budget and rates were developed by FNG staff in consultation with AIDEA's Pentex and IEP team members, then were reviewed by the Board's IEP Subcommittee and presented to the Board for discussion at the December 3, 2015 Board meeting.

The budget and rate report prepared by FNG's President is attached for reference. As noted in the report and the resolution, the permanent rate-setting process will be conducted subsequent to January 1, 2016, to be completed during the first six months of the year.

The budget and rates achieve AIDEA's policy and financial objectives for the Pentex acquisition and IEP, and result in significant rate reductions for FNG's customers while maintaining cash position in the companies – despite challenging projected market and environmental conditions.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G15-24

**RESOLUTION OF THE ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REGARDING THE 2016 BUDGET
AND INTERIM RATES FOR PENTEX ALASKA NATURAL GAS
COMPANY, LLC**

WHEREAS, on September 30, 2015, the Alaska Industrial Development and Export Authority (the “Authority”) closed on its acquisition of Pentex Alaska Natural Gas Company, LLC (“Pentex”), a Delaware limited liability company, and the Authority thereby became the managing member of Pentex;

WHEREAS, Pentex owns Fairbanks Natural Gas, LLC (“FNG”), which is a natural gas utility for Fairbanks, Alaska, and Pentex owns Titan Alaska LNG, LLC, which operates a liquefied natural gas (“LNG”) plant that supplies LNG to FNG;

WHEREAS, as the managing member of Pentex, the Authority needs to approve a budget for Pentex and its operating subsidiaries for calendar year 2016;

WHEREAS, staff of the Authority, in consultation with professional advisors and the management of the Pentex subsidiaries, has developed a proposed budget for Pentex and its subsidiaries;

WHEREAS, in Resolution No. G15-10, adopted on June 11, 2015, the Board approved a rate setting procedure to be utilized once the Authority completed the Pentex acquisition;

WHEREAS, under Section 3.8 of the rate setting procedure, the Board, acting as the managing member of Pentex, may establish temporary interim rates for FNG and Titan pending completion of the full rate setting process; and

WHEREAS, the Board desires to set interim rates for FNG and Titan for calendar year 2016, or until the full rate setting procedure is completed and other rates are established;

NOW, THEREFORE, BE IT RESOLVED BY THE ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY AS FOLLOWS:

Section 1. The Authority, acting as the managing member of Pentex, approves the proposed calendar year 2016 budget for Pentex and its subsidiaries submitted to the Board.

Section 2. The Authority, acting as the managing member of Pentex, approves the interim rates for FNG and Titan as stated on the rate sheet attached to this Resolution, which rates shall remain in effect until the full rate setting procedure is completed and other rates are established. Staff of the Authority is authorized and directed to solicit public comment on the interim rates and to take all other actions necessary to present proposed permanent rates to the Board at a subsequent meeting.


Section 3. The Executive Director is authorized to sign any documents and to take all other actions necessary or expedient in carrying out the purposes of this Resolution.

Dated at Anchorage, Alaska, this 17th day of December 2015.



Chair





Secretary

December 1, 2015

TO: The AIDEA Board

**FROM: Dan Britton
President, FNG**

SUBJECT: Recommended Pentex 2016 Budget & Rates

BACKGROUND

Resolution NO. G15-10 established the processes and standards by which the AIDEA Board serves as the budget approval and rate-setting governing body for Pentex Alaska Natural Gas Company, LLC ("Pentex"), during the interim period of AIDEA ownership of Pentex. FNG management has prepared, and the AIDEA Pentex/IEP team has reviewed, this proposed 2016 budget and rates for Pentex's operating units: Fairbanks Natural Gas, LLC ("FNG"), Titan Alaska LNG, LLC ("Titan"), and Arctic Energy Transportation, LLC ("AET"). In order to establish rates effective January 1, 2016, the proposed rates will be established under the interim rate provisions of that resolution.

RECOMMENDATIONS

The proposed Pentex budget and rates reflect projected environmental and economic conditions for 2016 as well as AIDEA IEP policy and investment / financial objectives. FNG's President and AIDEA's IEP/Pentex teams recommend that the Board:

1. Adopt the proposed 2016 Pentex subsidiary budgets
2. Approve the proposed 2016 FNG and Titan rates and the related tariff modifications

SUMMARY AND CONCLUSIONS

The 2016 Pentex budget, based on conservative assumptions and grounded in IEP policy, maintains fiscal prudence and financial capacity despite projecting another year of low oil prices, moderate weather and dampened natural gas demand. However, elimination of corporate related-expenses and regulatory costs support significant rate reductions beginning on January 1, 2016.

Key highlights of the proposed 2016 Pentex budget and rates include:

- Approximately \$1.2 million reduction in general and administrative costs
- Roughly \$1.5 million earnings before interest, taxes, depreciation and amortization (EBITDA)
- Roughly break-even net income and maintained cash balances overall.
- Residential rate reduction of 13.5%
- Overall FNG rate reductions of approximately 10.4%

- \$585,000 of planned capital expenditures in FNG and Titan
- Approximately \$900,000 of return on investment to the AIDEA Revolving Fund (the remainder of AIDEA's ROI is planned for inclusion in the recapitalization of the system when FNG is transferred to a local control entity during 2016).

The table below summarizes key projected results of the Pentex 2016 budget:

Summary 2016 Budget Projected Financial Results	Pentex	FNG	Titan	AET
Net Income	\$3,665	\$84,619	\$8,576	(\$89,531)
EBITDA	\$1,529,075	\$927,168	\$558,365	\$43,542
Beginning Cash	\$2,906,783	\$2,178,059	\$716,006	\$12,719
Net Increase(decrease) in Cash	\$65,641	\$63,256	\$2,113	\$271
Ending Cash	\$2,972,424	\$2,241,315	\$718,119	\$12,990

NOTE: AET was established as a separate entity in 2014 as an experiment and does not really operate as a separate profit-making entity. If AIDEA were going to maintain an investment in Pentex for a longer period, AET would be re-absorbed into Titan. However, since it is anticipated that the Pentex investment will be very short term, AET has been left in status quo in the projected 2016 budget – with a net loss that is not material to the overall Pentex entity – and with a cash-neutral projection.

The tables below provide the estimated 2016 capital expenditures for FNG and Titan.

Fairbanks Natural Gas, LLC Capital Budget		2016 Cost
Office & Administration & IT		
Computer Replacement		\$10,000
Misc		10,000
		\$20,000
Storage Sites		
Computer & Software Upgrades		\$15,000
LNG Custody Transfer Meters		60,000
Security Cameras SS I & II		25,000
		\$100,000
Operations		
GIS Implementation		\$150,000
Meter Replacement Program		125,000
		\$275,000
Total		\$395,000

Titan Alaska LNG, LLC Capital Budget - 2016		Cost
LNG - Plant Upgrades		
Propane Chiller Upgrade		\$60,000
Civil Upgrades		15,000
Insulation (Plant Pipe)		100,000
Trailer Coil Replacement		15,000
Total		\$190,000

IEP POLICY FOUNDATION

The 2016 budget (and draft projected rates) are based on several key IEP policy objectives:

- Maintain existing competent and efficient operations of the FNG utility and the Titan LNG plant
- Eliminate overhead, tax, regulatory, return and other costs related to corporate ownership
- Reduce rates immediately consistent with financial prudence and AIDEA financial projections
- Support potential for system expansion and customer conversion when market conditions improve

KEY ASSUMPTIONS AND ESTIMATES

Certain key assumptions and estimates are central to the development of the Pentex budget:

- Demand / Revenues
 - Weather conditions consistent with recent experience – “heating degree days” only slightly (5.9%) higher than 2015 – well below long term averages
 - Overall demand (total Bcf of gas sold/consumed) down approximately 13% from 2015 due to reduced demand from large commercial and interruptible customers
- Expenses
 - FNG General and Administrative expenses reduced ~40% due to elimination of corporate overhead and regulatory expenses
 - Conduct targeted capital renewal and maintenance at the Titan plant and in the FNG storage, re-gas and distribution system
 - Suspend expansions of the FNG distribution system until additional LNG supply and storage is implemented.

PROJECTED FNG 2016 RATES

The table below summarizes FNG’s projected rates and sales by customer class for 2016.

# of Cust.	Customer Class	2015 Sales (Mcf)	2016 Sales (Mcf)	2015 Rate	2016 Rate	% Change
464	Residential	56,187	55,562	\$ 23.35	\$ 20.20	-13.5%
615	Small Commercial	381,167	396,208	\$ 22.91	\$ 20.16	-12.0%
31	Large Commercial	210,967	205,173	\$ 22.66	\$ 20.10	-11.3%
28	Interruptible - Small	73,367	81,318	\$ 20.39	\$ 20.03	-1.8%
2	Interruptible - Hospital	25,584	0	\$ 19.50	\$ -	N/A
1	UAF	0	0	\$ 19.50	\$ -	N/A
	Total	747,272	738,261	\$ 22.47	\$ 20.13	-10.4%

The table on pages 4 through 6 serves as a rate-setting checklist – relating the proposed Pentex budget and rates to the provisions of AIDEA Board Resolution NO. G15-10 by which the process for rate-setting was defined. Although this memo recommends setting interim rates, the process and information are sufficient to meet the permanent rate standards of the Resolution except for the time period for public notice and community input. AIDEA expects this process to be completed during Q 1 of 2016.
 NOTE: This table covers only rates and does not include the additional elements of the FNG tariff, which will be sent under separate cover.

Process Element (from Resolution NO. G15-10)	Status / Source
3.1 – FNG President’s report and recommendation:	Report
• Initial rates and rate structure for FNG	Pages 3, 21
3.2 – FNG - Report shall identify:	
• FNG known and measureable costs and expenses	Page 9
○ Operating expenses	Page 9
○ Gas supply costs	Page 9
○ Taxes	No taxes projected
○ Cash working capital needs	Page 10
○ Planned capital expenditures (indicating time period, rate recovery)	Page 2, all recovered in 2016
• Any recommended reserves that need to be or are recommended to be funded	The maintained balance of cash – ~\$3.0 million serves as the recommended Pentex operating reserve – approximately 20% of annual expenditures. Pages 10, 13, 16, 19, 20
• Unless otherwise directed proposed rates shall include allowance for reimbursement of AIDEA expenses, including those related to FNG and its operations and expenses of completing the rate-setting procedure	The G&A expense budgets for Pentex provide sufficient capacity to reimburse AIDEA’s minimal costs. Page 18
• Unless otherwise directed, proposed rates shall include a recommended return for the outstanding capital investment AIDEA made	ROI of approximately \$900k, Pages: 2, 20
• Any return on AIDEA’s investment separately and clearly identified as distributions to be made to Pentex	Page 20
3.3 – Titan - Report shall identify:	
• All of Titan’s known and measureable costs of operation	Page 12
○ Expenses	Page 12

Process Element (from Resolution NO. G15-10)	Status / Source
<ul style="list-style-type: none"> ○ Planned capital expenses 	Page 12
<ul style="list-style-type: none"> ○ Recommended reserves 	See note above in section 3.2 regarding overall reserves
<ul style="list-style-type: none"> • Recommended Titan rates and rate structure • Recommended affiliated company purchase price for LNG supplied by Titan to FNG 	Titan rates to FNG per Mcf are shown below: Jan \$15.58 Feb \$15.40 Mar \$15.20 Apr \$15.31 May \$15.41 Jun \$15.80 Jul \$15.87 Aug \$15.95 Sep \$15.43 Oct \$15.28 Nov \$15.19 Dec \$15.21
3.4 – AET - Report shall identify:	
<ul style="list-style-type: none"> • All of AET’s known and measureable costs of operation 	Page 15
<ul style="list-style-type: none"> ○ Expenses 	Page 15
<ul style="list-style-type: none"> ○ Planned capital expenses 	Page 15
<ul style="list-style-type: none"> ○ Recommended reserves 	See note above in section 3.2 regarding overall reserves
<ul style="list-style-type: none"> • Recommended AET rates and rate structure • Recommended affiliated company purchase price for Titan’s use of AET’s LNG fueling facilities 	AET’s projected pricing for 2016 is: <ul style="list-style-type: none"> • Diesel: \$3.75/gal.* • LNG: \$2.23/gal. *Estimated as intra-company cost, not market price
3.5 – Public Disclosure	
<ul style="list-style-type: none"> • Report and recommended rates available to: <ul style="list-style-type: none"> ○ IGU ○ Fairbanks North Star Borough ○ City of Fairbanks ○ City of North Pole ○ Public (through an Internet posting) • Report and recommendations publicly available by any other means • Solicit public comment <ul style="list-style-type: none"> ○ Writing ○ One or more public meetings 	To be distributed during the week of November 30, 2015 for review and comment until the December 17, 2015 AIDEA board meeting
3.6 – AIDEA Decisions	
<ul style="list-style-type: none"> • Not sooner than 30 days after public disclosure 	AIDEA will have presentation of the

Process Element (from Resolution NO. G15-10)	Status / Source
<ul style="list-style-type: none"> • Public meeting with advance notice 	proposed budget and rates on 12/3/15 and a public hearing and adoption on 12/17/15
3.7 – AIDEA Board alternatives <ul style="list-style-type: none"> • Adopt rates as recommended in report • Adopt modified rates • Include return or defer return • In no event establish rates so as to cause FNG, Titan or AET to operate at a loss 	See section 5.2 below
3.8 – Interim Rates <ul style="list-style-type: none"> • Interim rates allowed pending completion of full rate-setting procedure • Interim rates may be established without opportunity for public comment or prior public notice • Interim rates may remain in effect for six months. • Interim rates may be refundable or non-refundable. 3.9 – Periodic Revisions <ul style="list-style-type: none"> • Rates may be revised periodically as determined appropriate by AIDEA • Revisions will use these rate procedures • Revised rate structure may include reasonable charge to recoup any losses incurred 	This report recommends interim rates in order to allow adoption as of 1/1/16. The interim rate process meets all of the planned permanent rate processes and standards except for the 30-day prior notice requirement. Permanent rates will be established before 3/31/16
5.1 – Amendments <ul style="list-style-type: none"> • AIDEA board may amend 	
5.2 – Deviations and Waivers	
<ul style="list-style-type: none"> • AIDEA board may authorize deviations and waivers from these procedures on a case-by-case basis. 	One deviation or waiver required for these rates is the projected net loss for AET.

PENTEX 2016 SUMMARY BUDGET PROJECTIONS & RATE SUMMARY

The following pages include summaries of:

- FNG 2016 budget estimates (with 4-year history*) – pages 8 through 10
- Titan 2016 budget estimates (with 3-year history*) – pages 11 through 13
- AET 2016 budget estimates (with 2-year history**) – pages 14 through 16

*NOTE: Prior to August 2013, Titan did not exist as a separate entity. The split of the Titan and FNG entities results in changes to the FNG expenses related to natural gas, trucking, LNG Trailer lease expenses and electricity, which, after the split become a single expense line for FNG.

**NOTE: AET has only existed as a separate entity since 2014.

Also included (on pages 17 through 20) is a consolidated summary of the Pentex entity projected budgets for 2016.

Finally, on page 21, is a detailed summary of the projected 2016 FNG rates.

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
BALANCE SHEET						
ASSETS						
Utility Plant	19,574,554	17,782,763	25,008,646	32,337,163	31,890,789	-1.4%
Cash and cash equivalents	358,425	1,687,777	1,462,440	2,178,059	2,241,315	2.9%
Accounts receivable	2,674,170	3,059,673	2,610,212	2,329,161	2,082,107	-10.6%
Accounts receivable - affiliates	0	503,333	135,739	651	0	-100.0%
Materials & Supplies inventory	493,257	518,000	713,432	806,541	802,080	-0.6%
Deposits & Other Current Assets	106,611	113,753	88,447	83,352	88,873	6.6%
Investment in associated company	6,832,551	4,729,902	3,899,475	3,902,424	3,902,424	0.0%
Marketable securities available for sale	0	0	117,158	167,158	217,158	29.9%
Total Assets	<u>30,039,568</u>	<u>28,395,201</u>	<u>34,035,549</u>	<u>41,804,510</u>	<u>41,224,745</u>	<u>-1.4%</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	1,244,000	467,638	196,044	842,314	57,885	-93.1%
Accounts payable - affiliates	0	2,972,720	1,764,902	1,200,000	1,597,958	33.2%
Accrued wages & burden	179,078	169,354	189,416	56,660	4,815	-91.5%
Accumulated Deferred Compensation	0	0	117,158	167,158	217,158	29.9%
Other current & accrued liabilities	122,955	27,911	28,167	9,142	22,219	143.0%
Note Payable	0	0	6,803,810	14,717,223	14,717,223	0.0%
Equipment loans payable	0	43,077	34,256	24,915	15,023	-39.7%
Total Liabilities	<u>1,546,033</u>	<u>3,680,700</u>	<u>9,133,753</u>	<u>17,017,412</u>	<u>16,632,279</u>	<u>-2.3%</u>
MEMBER EQUITY						
Member Equity	<u>28,493,535</u>	<u>24,714,501</u>	<u>24,901,796</u>	<u>24,787,097</u>	<u>24,592,465</u>	<u>-0.8%</u>
Total Members' Equity	<u>28,493,535</u>	<u>24,714,501</u>	<u>24,901,796</u>	<u>24,787,097</u>	<u>24,592,465</u>	<u>-0.8%</u>
Total Liabilities and Members' Equity	<u>30,039,568</u>	<u>28,395,201</u>	<u>34,035,549</u>	<u>41,804,510</u>	<u>41,224,745</u>	<u>-1.4%</u>

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
STATEMENT OF OPERATIONS						
Mcf:						
Residential	60,833	55,271	53,456	56,187	55,562	-1.1%
Small Commercial	410,379	383,430	376,124	381,167	396,208	3.9%
Large Commercial	228,164	200,168	201,172	210,967	205,173	-2.7%
Interruptible - Small	56,865	80,355	71,195	73,367	81,318	10.8%
Hospital	80,007	128,484	114,104	25,584	0	-100.0%
UAF	63,762	78,868	59,499	0	0	0.0%
TKA Commercial Gas Revenues	9,903	9,551	0	0	0	0.0%
Total Mcf	909,913	936,127	875,550	747,273	738,261	-1.2%
HDD	14,909	13,472	12,244	13,134	13,590	3.5%
REVENUE						
Residential Gas Revenues	1,407,775	1,290,589	1,249,476	1,289,361	1,122,228	-13.0%
Small Commercial Gas Revenues	9,143,213	8,781,952	8,616,696	8,729,811	7,987,879	-8.5%
Large Commercial Gas Revenues	5,170,189	4,535,798	4,558,555	4,780,512	4,123,858	-13.7%
Interruptible - Small	1,159,479	1,638,432	1,451,683	1,495,949	1,629,058	8.9%
Hospital Gas Revenues	1,560,137	2,505,438	2,225,028	498,888	0	-100.0%
UAF Revenues	1,243,359	1,537,926	1,160,231	0	0	0.0%
TKA Commercial Gas Revenues	241,980	139,890	0	0	0	0.0%
Service Charge Revenues	247,552	254,635	267,522	235,911	230,551	-2.3%
Other Revenue	0	32,510	7,786	29,559	30,000	1.5%
Net Revenue	20,173,684	20,717,170	19,536,977	17,059,991	15,123,573	-11.4%
Cost of Goods Sold						
Natural gas purchases						
Cost of gas	6,390,406	9,560,599	13,045,289	11,834,651	11,351,640	-4.1%
Trucking Expenses	2,389,050	1,614,342	0	0	0	0.0%
LNG Trailer Lease Payments	184,200	107,450	0	0	0	0.0%
Electricity	755,098	444,798	0	0	0	0.0%
Gas liquefaction expenses	1,001,455	640,147	0	0	0	0.0%
Fairbanks distribution operations	137,738	165,177	276,143	269,472	200,976	-25.4%
Fairbanks distribution maintenance	93,186	81,055	77,559	88,406	184,990	109.3%
Fairbanks storage & vaporization operations	97,945	70,884	376,123	389,865	395,025	1.3%
Fairbanks storage & vaporization maintenance	53,387	112,185	64,587	111,211	89,586	-19.4%
Engineering	111,129	104,109	86,077	140,509	247,027	75.8%
Talkeetna maintenance	2,850	7,492	0	0	0	0.0%
Customer Services	153,190	54,346	113,752	81,140	110,089	35.7%
Depreciation	1,283,329	1,135,606	776,702	832,338	841,374	1.1%
Capital Allowance	0	0	0	0	0	0.0%
Total Cost of Sales	12,652,963	14,098,190	14,816,232	13,747,592	13,420,708	-2.4%
Gross Margin	7,520,721	6,618,980	4,720,745	3,312,399	1,702,865	-48.6%
Gross Margin %	37.28%	31.95%	24.16%	19.42%	11.26%	-42.0%
Operating Expenses						
G&A - FNG	2,262,387	2,467,478	2,790,235	2,740,719	1,617,071	-41.0%
Total operating expenses	2,262,387	2,467,478	2,790,235	2,740,719	1,617,071	-41.0%
Operating Income	5,258,334	4,151,502	1,930,510	571,680	85,794	-85.0%
OTHER INCOME (EXPENSES)						
Interest income	48	25	1,339	2	0	-100.0%
Other Income (expense)	38,325	6,941	16,032	0	0	0.0%
Interest expense	-294	-13,908	-2,247	-1,726	-1,175	0.0%
Other expense	-194	0	-7,805	0	0	0.0%
Gain (loss) on disposal	0	20,000	-8,438	0	0	0.0%
Total other income (expense)	37,885	13,058	-1,119	-1,724	-1,175	0.0%
NET INCOME	5,296,219	4,164,560	1,929,391	569,956	84,619	-85.2%
OTHER COMPREHENSIVE INCOME						
Unrealized gains on available for sale securities	0	0	7,904	0	0	0.0%
PROVISION FOR INCOME TAXES	0	0	0	0	0	0.0%
NET INCOME	5,296,219	4,164,560	1,937,295	569,956	84,619	-85.2%
EBITDA	6,541,663	5,287,108	2,707,212	1,404,018	927,168	-34.0%

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
STATEMENT OF CASH FLOWS						
OPERATING ACTIVITIES						
Net income/(loss) for the period	5,296,219	4,164,560	1,929,391	569,956	84,619	-85.2%
Adjustments to reconcile to cash provided by operations						
Depreciation, capital allowance and amortization	1,283,329	1,135,606	776,702	832,338	841,374	1.1%
Changes in operating assets and liabilities						
Accounts receivable	-410,632	-385,503	449,461	416,791	247,055	-40.7%
Accounts receivable - affiliates	0	-503,333	409,583	-651	651	0.0%
Deposits & Other Current Assets	-16,463	-7,142	25,306	5,095	-5,521	-208.4%
Investment in associated company	0		1,000,000	-2,949	0	0.0%
Marketable securities available for sale	50,000	0	0	0	-50,000	0.0%
Accounts payable	-559,610	-776,362	-271,594	81,368	-784,430	-1064.1%
Accounts payable - affiliates	0	2,972,720	-1,207,818	0	397,958	0.0%
Accrued wages & burden	-11,652	-9,724	20,062	-132,757	-51,845	0.0%
Accumulated Deferred Compensation	0		117,158	0	50,000	0.0%
Other current & accrued liabilities	69,939	-95,044	256	-26,929	13,076	0.0%
Cash provided/(used) by operations	5,701,130	6,495,778	3,248,507	1,742,261	742,939	-57.4%
INVESTING ACTIVITIES						
Materials & Supplies inventory	11,171	-103,369	-221,438	-93,110	4,461	0.0%
New Plant (Capital Budget)	-1,310,316	-2,677,463	-8,029,586	-8,067,586	-395,000	0.0%
Other Capital Expenditures	-1,102,933	-869,682	-267,809	-60,019	0	0.0%
Cash used in investing activities	-2,402,078	-3,650,514	-8,518,833	-8,220,715	-390,539	0.0%
FINANCING ACTIVITIES						
(Payment) proceeds of financing	-21,825	484,088	6,794,989	7,904,072	-9,893	-100.1%
AIDEA ROI	0	0	0	0	-279,251	0.0%
Paid in Capital	-3,777,206	-2,000,000	-1,750,000	-710,000	0	0.0%
Cash provided (used) by financing activities	-3,799,031	-1,515,912	5,044,989	7,194,072	-289,144	-104.0%
NET INCREASE (DECREASE) IN CASH	-499,979	1,329,352	-225,337	715,619	63,256	-91.2%
CASH - beginning of period	858,404	358,425	1,687,777	1,462,440	2,178,059	48.9%
CASH - end of period	358,425	1,687,777	1,462,440	2,178,059	2,241,315	2.9%

Titan Alaska LNG, LLC 2016 Budget - Annual Summary

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
BALANCE SHEET						
ASSETS						
Utility Plant	\$ -	\$ 3,398,104	\$ 3,346,569	\$ 2,919,902	\$ 2,564,499	-12.2%
Cash and cash equivalents	-	6,293	1,158,472	716,006	718,119	0.3%
Accounts receivable	-	14,919	8,243	16,427	13,027	-20.7%
Accounts receivable - affiliates	-	2,950,562	1,893,733	1,720,845	1,608,153	-6.5%
Materials & Supplies inventory	-	47,866	55,629	55,629	55,629	0.0%
Deposits & Other Current Assets	-	7,849	42,772	48,746	48,214	-1.1%
Total Assets	\$ -	\$ 6,425,593	\$ 6,505,418	\$ 5,477,556	\$ 5,007,642	-8.6%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	\$ -	1,463,873	1,354,796	1,111,392	\$ 1,329,704	19.6%
Accounts payable - affiliates	-	493,641	142,715	-	-	0.0%
Accrued wages & burden	-	56,598	47,417	4,400	4,451	1.2%
Other current & accrued liabilities	-	45,561	399,485	100,841	99,123	-1.7%
Equipment loans payable	-	417,514	321,338	221,316	117,323	-47.0%
Total Liabilities	\$ -	\$ 2,477,187	\$ 2,265,751	\$ 1,437,949	\$ 1,550,601	7.8%
MEMBER EQUITY		3,948,406	4,239,667	4,039,607	3,457,041	-14.4%
Total Liabilities and Stockholders' Equity	\$ -	\$ 6,425,593	\$ 6,505,418	\$ 5,477,556	\$ 5,007,642	-8.6%

Titan Alaska LNG, LLC 2016 Budget - Annual Summary

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
STATEMENT OF OPERATIONS						
Mcf's	0	401,268	876,288	775,003	776,132	0.1%
REVENUE						
TKA Commercial Gas Revenues	\$ -	\$ 89,054	\$ 193,604	\$ 128,126	\$ 106,985	-16.5%
AET Commercial Gas Revenues	-	457,994	104,958	110,862	129,454	16.8%
Fairbanks Natural Gas, LLC	-	5,210,742	12,520,584	12,151,325	11,650,845	-4.1%
Other Revenue	-	-	317,032	234,719	-	-100.0%
Net Revenue	\$ -	\$ 5,757,790	\$ 13,136,178	\$ 12,625,032	\$ 11,887,283	-5.8%
Cost of Goods Sold						
Natural gas purchases						
Cost of gas	\$ -	2,661,065	6,625,305	6,432,907	\$ 6,094,920	-5.3%
Trucking Expenses	-	1,096,052	2,221,359	2,021,914	1,964,484	-2.8%
LNG Trailer Lease Payments	-	76,750	184,200	144,600	141,000	-2.5%
Electricity	-	320,342	821,475	918,184	902,365	-1.7%
Gas liquefaction expenses	-	592,066	1,201,911	1,069,797	1,640,165	53.3%
Talkeetna operations	-	-	-	-	-	0.0%
Talkeetna maintenance	-	585	20,331	6,305	7,750	22.9%
Depreciation	-	242,769	571,532	609,476	545,403	-10.5%
Capital Allowance	-	-	-	-	-	0.0%
Total Cost of Sales	\$ -	\$ 4,989,629	\$ 11,646,113	\$ 11,203,183	\$ 11,296,086	0.8%
Gross Margins	\$ -	\$ 768,161	\$ 1,490,065	\$ 1,421,850	\$ 591,198	-58.4%
Operating Expenses						
G&A - LNG	\$ -	189,642	434,202	643,153	\$ 578,236	-10.1%
Total operating expenses	\$ -	\$ 189,642	\$ 434,202	\$ 643,153	\$ 578,236	-10.1%
Operating Income	\$ -	\$ 578,519	\$ 1,055,863	\$ 778,696	\$ 12,962	-98.3%
OTHER INCOME (EXPENSES)						
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Other Income (expense)	-	-167	-	-	2,400	0.0%
Interest expense	-	-4,198	-14,602	-10,757	-6,786	0.0%
Gain (loss) on disposal	-	-	-	32,000	0	-100.0%
Total other income (expense)	\$ -	\$ (4,365)	\$ (14,602)	\$ 21,243	\$ (4,386)	-120.6%
INCOME BEFORE TAXES	\$ -	\$ 574,154	\$ 1,041,261	\$ 799,940	\$ 8,576	-98.9%
PROVISION FOR INCOME TAXES	-	-	-	-	-	0.0%
NET INCOME	\$ -	\$ 574,154	\$ 1,041,261	\$ 799,940	\$ 8,576	-98.9%
EBITDA	\$ -	\$ 816,923	\$ 1,612,793	\$ 1,409,416	\$ 558,365	-60.4%
	0.00%	14.19%	12.28%	11.16%	4.70%	-57.9%

Titan Alaska LNG, LLC 2016 Budget - Annual Summary

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
STATEMENT OF CASH FLOWS						
OPERATING ACTIVITIES						
Net income/(loss) for the period	\$ -	\$ 816,923	\$ 1,612,793	\$ 799,940	\$ 8,576	-98.9%
Adjustments to reconcile to cash provided by operations						
Depreciation, capital allowance and amortization	-	242,769	571,532	609,476	545,403	-10.5%
Changes in operating assets and liabilities						
Accounts receivable	-	(14,919)	6,676	(16,427)	3,400	0.0%
Accounts Receivable - Affiliates	-	(2,950,562)	1,056,829	181,131	112,692	-37.8%
Deposits & Other Current Assets	-	(7,849)	(34,923)	(5,974)	532	0.0%
Accounts payable	-	1,647,479	(109,077)	(386,120)	218,313	0.0%
Accounts payable - affiliates	-	493,641	(392,915)	-	-	0.0%
Accrued wages & burden	-	56,598	(9,181)	(43,017)	51	0.0%
Other current & accrued liabilities	-	45,561	353,924	(298,644)	-1,718	0.0%
Cash provided/(used) by operations	\$ -	\$ 329,641	\$ 3,055,658	\$ 840,365	\$ 887,249	5.6%
INVESTING ACTIVITIES						
Materials & Supplies inventory	\$ -	\$ 23,101	\$ (7,763)	\$ -	\$ -	0.0%
New Plant/Construction in Progress	-	(80,183)	(478,008)	(182,809)	-190,000	0.0%
Other Capital Expenditures	-	-	-	-	-	0.0%
Cash used in investing activities	\$ -	\$ (57,082)	\$ (485,771)	\$ (182,809)	\$ (190,000)	0.0%
FINANCING ACTIVITIES						
Payment (proceeds) of financing	\$ -	-23,497	-96,176	-100,022	(103,993)	0.0%
AIDEA ROI	-	-	-	-	(591,142)	0.0%
Paid in Capital	-	-	(750,000)	(1,000,000)	-	0.0%
Cash provided (used) by financing activities	\$ -	\$ (23,497)	\$ (846,176)	\$ (1,100,022)	\$ (695,135)	0.0%
NET INCREASE (DECREASE) IN CASH	\$ -	\$ 249,062	\$ 1,723,711	\$ (442,466)	\$ 2,113	0.0%
CASH - beginning of period	-	-	249,062	1,972,773	716,006	-63.7%
CASH - end of period	\$ -	\$ 249,062	\$ 1,972,773	\$ 1,530,307	\$ 718,119	-53.1%

Arctic Energy Transport, LLC 2016 Budget Summary

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
BALANCE SHEET						
ASSETS						
Utility Plant	\$ -	\$ -	\$ 2,487,478	\$ 2,362,248	\$ 2,229,175	-5.6%
Cash and cash equivalents	-	-	26,384	12,719	12,990	2.1%
Accounts receivable	-	-	-	-	-	0.0%
Accounts receivable - affiliates	-	-	25,503	-	18,108	0.0%
Materials & Supplies inventory	-	-	19,765	7,719	9,978	29.3%
Deposits & Other Current Assets	-	-	12,214	5,307	5,378	1.3%
Total Assets	\$ -	\$ -	\$ 2,571,344	\$ 2,387,992	\$ 2,275,629	-4.7%
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	\$ -	\$ -	10,672	1,080	\$ 4,446	311.6%
Accounts payable - affiliates	-	-	147,358	126	10,194	7987.4%
Accrued wages & burden	-	-	-	-	-	0.0%
Other current & accrued liabilities	-	-	3,602	-	-	0.0%
Total Liabilities	\$ -	\$ -	\$ 161,632	\$ 1,206	\$ 14,640	1113.6%
MEMBER EQUITY	-	-	2,409,712	2,386,786	2,260,988	-5.3%
Total Liabilities and Stockholders' Equity	\$ -	\$ -	\$ 2,571,344	\$ 2,387,992	\$ 2,275,629	-4.7%

Arctic Energy Transport, LLC 2016 Budget Summary

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
STATEMENT OF OPERATIONS						
Mcf's	0	0	6,378	2,197	8,378	281.3%
REVENUE						
Titan Commercial Gas Revenues	\$ -	\$ -	\$ 122,683	\$ 30,750	\$ 226,350	636.1%
Fairbanks Natural Gas, LLC	-	-	33,557	13,558	-	-100.0%
Other Revenue	-	-	-	-	-	0.0%
Net Revenue	\$ -	\$ -	\$ 156,240	\$ 44,308	\$ 226,350	410.9%
Cost of Goods Sold						
Natural gas purchases						
Cost of gas	\$ -	\$ -	110,234	35,776	129,454	261.8%
Fairbanks Operations	-	-	5,631	8,552	8,680	1.5%
Big Lake Operations	-	-	10,574	15,095	7,868	-47.9%
Depreciation	-	-	129,735	131,782	133,073	1.0%
Capital Allowance	-	-	-	-	-	0.0%
Total Cost of Sales	\$ -	\$ -	\$ 256,174	\$ 191,206	\$ 279,075	46.0%
Gross Margins	\$ -	\$ -	\$ (99,935)	\$ (146,898)	\$ (52,725)	0.0%
Operating Expenses						
G&A - LNG	\$ -	\$ -	84,975	52,778	36,806	-30.3%
Total operating expenses	\$ -	\$ -	\$ 84,975	\$ 52,778	\$ 36,806	-30.3%
Operating Income	\$ -	\$ -	\$ (184,910)	\$ (199,676)	\$ (89,531)	0.0%
OTHER INCOME (EXPENSES)						
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Other Income (expense)	-	-	-	-	-	0.0%
Interest expense	-	-	-	-	-	0.0%
Gain (loss) on disposal	-	-	-	-	-	0.0%
Total other income (expense)	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
INCOME BEFORE TAXES	\$ -	\$ -	\$ (184,910)	\$ (199,675.92)	\$ (89,531)	0.0%
PROVISION FOR INCOME TAXES	-	-	-	-	-	0.0%
NET INCOME	\$ -	\$ -	\$ (184,910)	\$ (199,676)	\$ (89,531)	0.0%
EBITDA	\$ -	\$ -	\$ (55,174)	\$ (67,894)	\$ 43,542	0.0%
	0.00%	0.00%	-35.31%	-153.23%	19.24%	0.0%

Arctic Energy Transport, LLC 2016 Budget Summary

	2012 12 Months (Actual)	2013 12 Months (Actual)	2014 12 Months (Actual)	2015 12 Months (Projected)	2016 12 Months (Budgeted)	% Change
STATEMENT OF CASH FLOWS						
OPERATING ACTIVITIES						
Net income/(loss) for the period	\$ -	\$ -	\$ (184,910)	\$ (199,676)	\$ (89,531)	0.0%
Adjustments to reconcile to cash provided by operations						
Depreciation, capital allowance and amortiza	-	-	129,735	131,782	133,073	1.0%
Changes in operating assets and liabilities						
Accounts receivable	-	-	-	-	-	0.0%
Accounts Receivable - Affiliates	-	-	67,214	25,503	-18,108	-171.0%
Materials & Supplies inventory	-	-	4,891	-	-2,259	0.0%
Deposits & Other Current Assets	-	-	(12,214)	6,907	-71	-101.0%
Accounts payable	-	-	2,465	(9,592)	3,366	0.0%
Accounts payable - affiliates	-	-	67,107	(147,232)	10,194	0.0%
Accrued wages & burden	-	-	3,602	-	-	0.0%
Other current & accrued liabilities	-	-	-	(3,602)	-126	0.0%
Cash provided/(used) by operations	\$ -	\$ -	\$ 77,891	\$ (195,909)	\$ 36,538	0.0%
INVESTING ACTIVITIES						
New Plant/Construction in Progress	\$ -	\$ -	\$ (54,015)	\$ 5,494	\$ -	-100.0%
Other Capital Expenditures	-	-	-	-	-	0.0%
Cash used in investing activities	\$ -	\$ -	\$ (54,015)	\$ 5,494	\$ -	-100.0%
FINANCING ACTIVITIES						
Payment (proceeds) of financing	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
AIDEA ROI	-	-	-	-	(36,266)	0.0%
Paid in Capital	-	-	-	176,750	-	-100.0%
Cash provided (used) by financing activities	\$ -	\$ -	\$ -	\$ 176,750	\$ (36,266)	-120.5%
NET INCREASE (DECREASE) IN CASH	\$ -	\$ -	\$ 23,876	\$ (13,665)	\$ 271	0.0%
CASH - beginning of period	-	-	2,508	26,384	12,719	-51.8%
CASH - end of period	\$ -	\$ -	\$ 26,384	\$ 12,719	\$ 12,990	2.1%

Pentex Alaska Natural Gas Company, LLC
Consolidating Financial Statements - Budgeted Basis
Year Ended December 31, 2016
(Unaudited)

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Polar LNG, LLC	Inter-company Eliminations	Pentex Alaska Natural Gas Co., LLC
BALANCE SHEET						
ASSETS						
Property, Plant & Equipment	31,890,789	2,564,499	2,229,175	3,701,571	162,248	40,548,282
Cash and cash equivalents	2,241,315	718,119	12,990	7,462	0	2,979,886
Accounts receivable	2,082,107	13,027	0	0	0	2,095,134
Accounts receivable - affiliates	0	1,608,153	18,108	0	-1,626,261	0
Materials & Supplies inventory	802,080	55,629	9,978	0	-215,447	652,240
Deposits & Other Current Assets	88,873	48,214	5,378	0	0	142,464
Investment in associated company	3,902,424	0	0	0	-3,902,424	0
Marketable securities available for sale	217,158	0	0	0	0	217,158
Total Assets	<u>41,224,745</u>	<u>5,007,642</u>	<u>2,275,629</u>	<u>3,709,033</u>	<u>-5,581,884</u>	<u>46,635,164</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	57,885	1,311,596	4,446	0	0	1,373,927
Accounts payable - affiliates	1,597,958	18,108	10,194	0	-1,626,261	0
Accrued wages & burden	4,815	4,451	0	0	0	9,266
Accumulated Deferred Compensation	217,158	0	0	0	0	217,158
Other current & accrued liabilities	22,219	99,123	0	0	0	121,341
Note Payable	14,717,223	0	0	0	0	14,717,223
Equipment loans payable	15,023	117,323	0	0	0	132,346
Total Liabilities	<u>16,632,279</u>	<u>1,550,601</u>	<u>14,640</u>	<u>0</u>	<u>-1,626,261</u>	<u>16,571,260</u>
MEMBER EQUITY						
Member Equity	<u>24,592,465</u>	<u>3,457,041</u>	<u>2,260,988</u>	<u>3,709,033</u>	<u>-3,955,623</u>	<u>30,063,904</u>
Total Members' Equity	<u>24,592,465</u>	<u>3,457,041</u>	<u>2,260,988</u>	<u>3,709,033</u>	<u>-3,955,623</u>	<u>30,063,904</u>
Total Liabilities and Members' Equity	<u>41,224,745</u>	<u>5,007,642</u>	<u>2,275,629</u>	<u>3,709,033</u>	<u>-5,581,884</u>	<u>46,635,164</u>

Pentex Alaska Natural Gas Company, LLC
Consolidating Financial Statements - Budgeted Basis
Year Ended December 31, 2016
(Unaudited)

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Polar LNG, LLC	Inter-company Eliminations	Pentex Alaska Natural Gas Co., LLC
STATEMENT OF OPERATIONS						
Mcf:						
Residential	55,562	0	0	0	0	55,562
Small Commercial	396,208	0	0	0	0	396,208
Large Commercial	205,173	0	0	0	0	205,173
Interruptible - Small	81,318	0	0	0	0	81,318
Hospital	0	0	0	0	0	0
UAF	0	0	0	0	0	0
TKA Commercial Gas Revenues	0	10,030	0	0	0	10,030
Fairbanks Natural Gas, LLC	0	757,724	0	0	-757,724	0
Titan Commercial Gas Revenues	0	0	8,378	0	-8,378	0
AET Commercial Gas Revenues	0	8,378	0	0	-8,378	0
Other Revenue	0	0	0	0	0	0
Total Mcf	738,261	776,132	8,378	0	-774,480	748,291
HDD	13,590					13,590
REVENUE						
Residential Gas Revenues	1,122,228	0	0	0	0	1,122,228
Small Commercial Gas Revenues	7,987,879	0	0	0	0	7,987,879
Large Commercial Gas Revenues	4,123,858	0	0	0	0	4,123,858
Interruptible - Small	1,629,058	0	0	0	0	1,629,058
Hospital Gas Revenues	0	0	0	0	0	0
UAF Revenues	0	0	0	0	0	0
TKA Commercial Gas Revenues	0	106,985	0	0	0	106,985
Fairbanks Natural Gas, LLC	0	11,650,845	0	0	-11,650,845	0
Titan Commercial Gas Revenues	0	0	226,350	0	-226,350	0
AET Commercial Gas Revenues	0	129,454	0	0	-129,454	0
Service Charge Revenues	230,551	0	0	0	0	230,551
Other Revenue	30,000	0	0	0	0	30,000
Net Revenue	15,123,573	11,887,283	226,350	0	-12,006,649	15,230,558

Pentex Alaska Natural Gas Company, LLC
Consolidating Financial Statements - Budgeted Basis
Year Ended December 31, 2016
(Unaudited)

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Polar LNG, LLC	Inter-company Eliminations	Pentex Alaska Natural Gas Co., LLC
Cost of Goods Sold						
Natural gas purchases						
Cost of gas	11,351,640	6,094,920	129,454	0	-11,699,725	5,876,288
Trucking Expenses	0	1,964,484	0	0	-160,560	1,803,924
LNG Trailer Lease Payments	0	141,000	0	0	0	141,000
Electricity	0	902,365	0	0	0	902,365
Gas liquefaction expenses	0	1,640,165	0	0	0	1,640,165
Fairbanks distribution operations	200,976	0	0	0	0	200,976
Fairbanks distribution maintenance	184,990	0	0	0	0	184,990
Fairbanks storage & vaporization operations	395,025	0	0	0	-146,364	248,661
Fairbanks storage & vaporization maintenance	89,586	0	0	0	0	89,586
Engineering	247,027	0	0	0	0	247,027
Talkeetna maintenance	0	7,750	0	0	0	7,750
Customer Services	110,089	0	0	0	0	110,089
Fairbanks Operations	0	0	8,680	0	0	8,680
Big Lake Operations	0	0	7,868	0	0	7,868
Depreciation	841,374	545,403	133,073	0	0	1,519,850
Capital Allowance	0	0	0	0	0	0
Total Cost of Sales	<u>13,420,708</u>	<u>11,296,086</u>	<u>279,075</u>	<u>0</u>	<u>-12,006,649</u>	<u>12,989,220</u>
Gross Margin	<u>1,702,865</u>	<u>591,198</u>	<u>-52,725</u>	<u>0</u>	<u>0</u>	<u>2,241,338</u>
Gross Margin %	11.26%					
Operating Expenses						
G&A	1,617,071	578,236	36,806	192	0	2,232,305
Total operating expenses						
Operating Income	<u>85,794</u>	<u>12,962</u>	<u>-89,531</u>	<u>-192</u>	<u>0</u>	<u>9,033</u>
OTHER INCOME (EXPENSES)						
Interest income	0	0	0	0	0	0
Other Income (expense)	0	2,400	0	0	0	2,400
Interest expense	-1,175	-6,786	0	0	0	-7,960
Other expense	0	0	0	0	0	0
Gain (loss) on disposal	0	0	0	0	0	0
Total other income (expense)	<u>-1,175</u>	<u>-4,386</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-5,560</u>
NET INCOME	84,619	8,576	-89,531	-192	0	3,472
OTHER COMPREHENSIVE INCOME						
Unrealized gains on available for sale securities	0	0	0	0	0	0
PROVISION FOR INCOME TAXES	0	0	0	0	0	0
NET INCOME	<u>84,619</u>	<u>8,576</u>	<u>-89,531</u>	<u>-192</u>	<u>0</u>	<u>3,472</u>
EBITDA	925,994	553,979	43,542	-192	0	1,523,322

Pentex Alaska Natural Gas Company, LLC
Consolidating Financial Statements - Budgeted Basis
Year Ended December 31, 2016
(Unaudited)

	Fairbanks Natural Gas, LLC	Titan Alaska LNG, LLC	Arctic Energy Transportation, LLC	Polar LNG, LLC	Inter-company Eliminations	Pentex Alaska Natural Gas Co., LLC
STATEMENT OF CASH FLOWS						
OPERATING ACTIVITIES						
Net income/(loss) for the period	84,619	8,576	-89,531	-192	0	3,472
Adjustments to reconcile to cash provided by operations						
Depreciation, capital allowance and amortizati	841,374	545,403	133,073	0	0	1,519,850
Changes in operating assets and liabilities						
Accounts receivable	247,055	3,400	0	0	0	250,455
Accounts receivable - affiliates	651	112,692	-18,108	0	-1,626,261	-1,531,025
Materials & Supplies inventory	4,461	0	-2,259	0	0	2,202
Deposits & Other Current Assets	-5,521	532	-71	0	0	-5,059
Investment in associated company	0	0	0	0	0	0
Marketable securities available for sale	-50,000	0	0	0	0	-50,000
Accounts payable	-784,430	218,313	3,366	0	0	-562,751
Accounts payable - affiliates	397,958	0	10,194	0	1,626,261	2,034,413
Accrued wages & burden	-51,845	51	0	0	0	-51,794
Accumulated Deferred Compensation	50,000	0	0	0	0	50,000
Other current & accrued liabilities	13,076	-1,718	-126	0	0	11,232
Cash provided/(used) by operations	747,400	887,249	36,538	-192	0	1,670,994
INVESTING ACTIVITIES						
New Plant (Capital Budget)	-395,000	-190,000	0	0	0	-585,000
Other Capital Expenditures	0	0	0	0	0	0
Cash used in investing activities	-395,000	-190,000	0	0	0	-585,000
FINANCING ACTIVITIES						
(Payment) proceeds of financing	-9,893	-103,993	0	0	0	-113,885
AIDEA ROI	-279,251	-591,142	-36,266	0	0	-906,660
Paid in Capital	0	0	0	0	0	0
Cash provided (used) by financing activities	-289,144	-695,135	-36,266	0	0	-1,020,545
NET INCREASE (DECREASE) IN CASH	63,256	2,113	271	-192	0	65,449
CASH - beginning of period	2,178,059	716,006	12,719	7,654	0	2,914,437
CASH - end of period	2,241,315	718,119	12,990	7,462	0	2,979,886

FNG 2016 Budget - DRAFT Rate Structure

REVENUE	2014	2015 (Projected)	2016 (Budgeted)	% Change
Residential				
Number of Residential customers		464	464	
HDD (Heating Degree Days)				
Jan	1,757	1,757	2,321	32.1%
Feb	1,923	1,923	1,828	-4.9%
Mar	1,565	1,565	1,722	10.0%
Apr	921	921	951	3.3%
May	416	416	469	12.7%
Jun	172	172	141	-18.0%
Jul	137	137	111	-19.0%
Aug	185	185	268	44.9%
Sep	549	549	571	4.0%
Oct	1,228	1,199	1,199	0.0%
Nov	1,618	1,853	1,853	0.0%
Dec	1,925	2,156	2,156	0.0%
Total	12,396	12,833	13,590	5.90%
Gas price per Mcf	\$ 23.35	\$ 23.35	\$ 20.20	-13.5%
Customer Charge	\$ 9.20	\$ 9.20	\$ 9.20	
Annual Mcf's	53,456	56,187	55,562	-1.1%
Annual Revenue	\$ 1,249,476	\$ 1,289,361	\$ 1,122,228	-13.0%
Small Commercial				
Number of Small Commercial custc	615	615	615	
Gas price per Mcf	\$ 22.91	\$ 22.91	\$ 20.16	-12.0%
Customer Charge	\$ 17.25	\$ 17.25	\$ 17.25	
Annual Mcf's	376,124	381,167	396,208	3.9%
Annual Revenue	\$ 8,616,696	\$ 8,729,811	\$ 7,987,879	-8.5%
Large Commercial				
Number of Large commercial custo	31	31	31	
Gas price per Mcf	\$ 22.66	\$ 22.66	\$ 20.10	-11.3%
Customer Charge	\$ 57.50	\$ 57.50	\$ 57.50	0.0%
Annual Mcf's	201,172	210,967	205,173	-2.7%
Annual Revenue	\$ 4,558,555	\$ 4,780,512	\$ 4,123,858	-13.7%
Interruptible - Small				
Number of customers	22	28	28	
Gas price per Mcf	\$ 20.39	\$ 20.39	\$ 20.03	-1.8%
Customer Charge	\$ 57.50	\$ 57.50	\$ 57.50	0.0%
Annual Mcf's	71,195	73,367	81,318	10.8%
Annual Revenue	\$ 1,451,683	\$ 1,495,949	\$ 1,629,058	8.9%
Interruptible - Hospital				
Number of customers	2	2	2	
Gas price per Mcf	\$ 19.50	\$ 19.50	\$ -	-100.0%
Customer Charge	\$ 500.00	\$ 500.00	\$ 500.00	0.0%
Annual Mcf's	114,104	25,584	0	-100.0%
Annual Revenue	\$ 2,225,028	\$ 498,888	\$ -	-100.0%
UAF				
Number of customers	1	1	1	
Gas price per Mcf	\$ 19.50	\$ 19.50	\$ -	-100.0%
Customer Charge	\$ 500.00	\$ 500.00	\$ 500.00	0.0%
Annual Mcf's	59,499	0	0	0.0%
Annual Revenue	\$ 1,160,231	\$ -	\$ -	0.0%
Total Annual Mcf's	875,550	747,272	738,261	-1.2%
Total Annual Revenue \$	19,261,669	16,794,521	14,863,023	-11.5%
Average Rate \$/Mcf \$	22.00	22.47	20.13	-10.4%