

Session 10-01, a Regular Meeting of the Natural Gas Distribution Task Force was called to order by Acting Chair Heimbuch at 12:00 p.m. on December 13, 2010 at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

COMMITTEE MEMBERS: Heimbuch, Howard, Pate, Story, Zak

STAFF: City Manager Wrede
Special Projects Coordinator Holen
Deputy City Clerk Jacobsen

APPROVAL OF THE AGENDA

The agenda was approved by consensus of the Task Force.

PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

Linda Filer, Anchor Point resident, commented that she has done a lot of research on oil and gas and it is nice to have gas except for the fact that fracking has destroyed a lot of people's lives all over the United States. We are trying desperately not to allow fracking in the Anchor Point area and it is unfortunate that the company that was hired to take over for the gas has not respected peoples lives in the Anchor Point area as we speak. She knows a woman who bought a \$200,000 house and they put the building for the oil and gas right up against her house and pushed up the berm in between them and they told her it is so if it blows she won't get hurt. Ms. Filer said when they set fire to the top of the towers in the lower 48 people have complained of dizziness, migraines for weeks, and other side effects. This is going on in the Anchor Point area and the company said they won't be burning off the tops of the tower over the Christmas vacation. She called and said if it is going to mean that people are going to be breathing noxious gasses then we have to be able to write something in the paper not to invite friends and family with cancer, asthma, pregnant, newborns, or elderly, and they said they would look into it. She thinks it would be nice if Homer would stand up for the people of the area and try to make sure we aren't injured in any way.

Acting Chair Heimbuch asked Ms. Filer if she had a specific comment on today's agenda as the time for general audience comments will be at the end of the meeting. Ms. Filer responded her understanding was that she could speak at the beginning. She had no further comments.

RECONSIDERATION

No reconsiderations were scheduled.

APPROVAL OF MINUTES

There was no synopsis to approve.

VISITORS

No visitors were scheduled.

STAFF AND COUNCIL REPORT

City Manger Wrede advised he had no formal staff report to present.

PUBLIC HEARING

No public hearings were scheduled.

PENDING BUSINESS

No pending business items were scheduled.

NEW BUSINESS

A. Selection of Chair and Vice-Chair

Acting Chair Heimbuch opened the floor for nomination of Chair for the Task Force.

HOWARD/ZAK NOMINATED MR. HEIMBUCH AS CHAIR.

There was no objection expressed and Mr. Heimbuch accepted the role of Chair.

Chair Heimbuch opened the floor for nominations for Vice Chair.

PATE/STORY NOMINATED MRS. HOWARD AS VICE CHAIR.

There was no objection expressed and Mrs. Howard accepted the role of Vice Chair.

B. Tasks and timeline (work schedule)

City Manager Wrede opened the discussion by thanking the Task Force members for volunteering to do this work. He recognized audience members Mayor Morris and Kachemak City Councilmember David Weber, and explained that Kachemak City has an interest in this and will help lobby when we reach that point. City Manager Wrede noted the resolution that outlines charge of the group and the array of staff that can be available to the group. He added that there may be the need for ordinance amendments to bring the City's utility ordinance up to speed. Staff will bring those proposed amendments to the Task Force for review. He also provided an overview of the events that have resulted in the first phase of development to the Chapman School in Anchor Point.

Specific to the task of the group City Manager Wrede expressed the following points:

- The City will lobby the Legislature for funding to build the main transmission line that will go from Anchor Point into Homer.
- The initial thought is to get the major institutions first: the hospital, the four schools, the new Pratt building, the new college building, and the city buildings along Pioneer.
- Enstar does not finance the trunks into neighborhoods. They offer that service at an established rate to property owners.
- The Task Force needs to look at options financing.
- The Task Force will act as sounding board for Enstar's build out plan.

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- Enstar will take responsibility for doing market studies and provide costs to get mainlines up the roads, costs for service lines into neighborhoods, and costs to convert systems to natural gas.
- The Task Force can hold public hearings at their meetings, and the City Council will be holding them as well.

Discussion ensued in a question and answer format. Question was raised if a plan to take a bond to the public would be adequate to show intent to the legislature. City Manager Wrede responded that he thinks it will be adequate to show intent to the legislature that there is initiative to move forward and planning is happening should the funding becomes available.

When asked if Council is 100% on board and if there are other negatives they should be aware of, Mr. Zak commented that he is aware of one member who is reluctant due to concerns of what will happen with costs in the future. He thinks 100% agreement could be reached through discussion. Publicly he is unaware of any specific concerns.

Regarding time line and deliverables, City Manager Wrede thinks that the timeline is flexible. It would be good to get something to the Legislature by February or March showing that the City is complying with their requests and the Task Force is working on plan. He doesn't think they have to have a firm recommendation to Council that quickly.

Chair Heimbuch asked whether working directly with Enstar on this will cause issue. City Manager Wrede explained that Legislature intended this for Enstar as they wanted an expansion of the existing gas distribution system. We are in Enstar's service area so trying to change the provider would entail a complicated process starting with going to the RCA to try to get out of their service area and bring another provider in. That could result in a source of gas that is not guaranteed at the North Fork as well as various other unknowns. Enstar has a postage stamp rate, which means Homer would be guaranteed the same rates as Anchorage, Mat-Su, and everyone else. Enstar plans to have a presence at the meetings. They will own the system when it is done so they will want to do it in a way that makes the most sense for them from a business perspective.

There was discussion of financing options. One is the amending the existing LID process used for water and sewer, a process that has to be initiated by a petition to the City. Another would be build out parts of town resulting in smaller LIDs. A fall back position is to do nothing but support main line into town and support hooking up to the main institutions. If a neighborhood wants to hook up they can work with Enstar, but it is expensive and may take longer. Mr. Story raised a point that a study was done several years ago regarding electric service and what was viable in the City at that time was the core system of service recipients. There is no way to build out miles and miles of line for a few customers along the way. Enstar would likely do it if the cities involved were willing to pay the costs, but there is no way a lot of the consumers of Homer City limits would have access to a line because of the cost to get to these areas. City Manager Wrede added that in discussion with Enstar they are looking at a blanket wetlands permit rather than individual ones for neighborhoods. They estimate that there are 109 miles of road in Homer that could have main lines to serve subdivisions and estimates a 6 to 10 year build out to do it. Mr. Wrede noted that Homer City Code allows for establishing Special Service Districts and that could be an option to tax areas as the service becomes available to them.

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The Task Force briefly discussed a meeting schedule and agreed to meet on the 2nd and 4th Monday of the month until completion of their business.

Chair Heimbuch asked for feedback from the Borough and Kachemak City residents.

Assembly Member Mako Haggerty commented that one task for the group would be to find out what Enstar thinks of running a consumer line off the line going to the hospital to cover that neighborhood and find out what those costs would be. Knowing what to expect with the line coming in would be a sales point. The other thing is what the timeline is for taking it to Kachemak City and how far they plan to go.

Assembly Member Bill Smith commented that this is on the School Districts capital projects wish list and it will be on the Borough Assembly's as well. One thing to note is that a legislative grant doesn't necessarily have to go through the City of Homer. It could be administered by the Borough. There is a great public benefit to getting the larger institutions converted. He doesn't know that we need to go past that to have a sales job with the Legislature. A unified front would help tremendously. The hesitations of the City to accept funding have been perhaps well founded but also frustrating. If grant went to Borough then the City won't have to have it all flushed out.

Kachemak City Council Representative David Weber commented that he has worked in the heating industry for 20 years, 15 with the Borough servicing the schools. He can't emphasize how important it is to get everybody in one big push, with both residential and commercial. This will be a substantial savings for the institutions and the homeowners. Getting natural gas to every community where it is feasible is probably the biggest thing we can do for the State of Alaska. Natural gas is clean and cost effective and easily 98% efficient. He commented that areas outside are moving forward with natural gas and we are finally realizing that this is our only way out of dependence on foreign oil. He said he will be attending the Task Force meetings on behalf of Kachemak City.

For the next agenda City Manager Wrede said he will provide a list of different financing options, pros and cons, and ordinance changes.

Chair Heimbuch encouraged members to contact staff with specific questions or lines of inquiry directed to Enstar. Mr. Story requested an estimated cost build out, whether it is from the City gate to Lake Street or to Paul Banks. Mr. Zak asked to include the maximum number of users that could be connected to a low pressure line. Mr. Pate is interested in coming to some kind of understanding how the various areas are going to be financed. Chair Heimbuch wants to know how far along the plan of distribution is going to have to be for the Legislature to buy off on it; and if there is a way to get language or an attitude from the State on what they think we are going to need to do. He doesn't think the State is willing give us a lot of money for very little promise.

INFORMATIONAL MATERIALS

- A. City of Homer Resolution 10-75 establishing task force
- B. Appropriations language, Alaska State Legislature
- C. Existing contracts between City of Homer and Enstar Natural Gas Co.
- D. Potential sources of financing - initial brainstorm list
- E. Utility ordinances from Kenai and Soldotna

COMMENTS OF THE AUDIENCE

Mr. Weber suggested they group invite Representative Seaton's aide to attend the meetings. He has been a great help to Kachemak City.

Mayor Morris commented that the Kachemak City Council is on board with this 100%. They think it is very important to both communities and they are doing what they can to support it. They intend to have a vote of the people in Kachemak at some point. They were told by Enstar that they are looking at approximately \$100,000 per mile for a distribution line, \$22 a foot for the stuff in the street. Their cost of approximately \$700,000 and believe they have found an interest free loan through HEA and USDA. They will secure money or bond it and then use a 1 mil increase for an estimated 10 year payout. He understands that it will be an 8" line, low pressure, and there is ample capacity for growth in the foreseeable future in Homer and out East Road. He urged the City to move on this as their community is ready to go. They will support Homer and the Legislature for what ever they can do.

COMMENTS OF THE CITY STAFF

COMMENTS OF THE CHAIR

There were no additional comments from staff or the Chair.

COMMENTS OF THE TASK FORCE

Mrs. Howard encourage that it be clarified how they are going to proceed to allow the other parties to participate and at what level they will be doing it. It needs to be very clear how this valuable information will be incorporated in their deliberations.

Chair Heimbuch expressed that the point is well taken and the Clerk will work with us to ensure that we don't waste our time or the public's time and there is clarity about who participates at what level.

Mr. Pate commented for clarification that the information that is discussed is public information unless meeting in executive session.

Mr. Zak commented that the agenda could include discussing a seat for the Kachemak City resident. Chair Heimbuch asked that it be included on the next agenda. Mrs. Howard noted that it would have to go to Council for approval.

ADJOURN

There being no more business to come before the Committee the meeting adjourned at 1:02 p.m. The next regular meeting is scheduled for January 10, 2011 at 12:00 p.m. in the City Hall Cowles Council Chambers.

MELISSA JACOBSEN, CMC, DEPUTY CITY CLERK

Approved: _____