

Session 11-01, a Regular Meeting of the Natural Gas Distribution Task Force was called to order by Chair Heimbuch at 12:00 p.m. on January 10, 2011 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  
Deputy City Clerk Jacobsen  
City Attorney Klinkner  
Special Projects Coordinator Holen

### APPROVAL OF THE AGENDA

The agenda was approved by consensus of the Task Force.

### PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA

There were no public comments.

### RECONSIDERATION

No reconsiderations were scheduled.

### APPROVAL OF MINUTES

A. December 13, 2010 Synopsis

The synopsis was approved by consensus of the Task Force.

### VISITORS

A. John Sims and Charlie Pierce, Enstar Natural Gas Co.

Mr. Pierce spoke to the group about financing and provided a basic overview of the two financing options. One option is a private option where a homeowner can contact Enstar's marketing department for an estimate to get gas service to their lot. Most of the properties in town are less than 5 acres so mains would be extended from property corner to property corner. He noted their tariff is written on a cost-causer/cost-payer basis. Mr. Pierce explained how Enstar's process of averaging for determining the costs per foot and the 2010 construction season cost was \$17.90 per foot to extend a 2" pipe. After the major line is run, most Homer properties would be served by 2" pipe. Mr. Pierce said that Enstar does not finance main extensions. Another option is to use a Utility Special Assessment District (USAD) or Local Improvement District (LID). In this case the City has to establish their process and determine their percentage of property owners in agreement to assess themselves for the improvements and also the public process. In the LID process the City would become the customer of Enstar. Whatever language the City comes up with for their LID has to be consistent with Enstar's tariff language.

The Enstar representatives responded to questions from the Task Force.

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Mr. Pierce explained the mechanisms and timelines in place for the property owner bearing the installation cost of a main line to receive reimbursement when neighboring property owners get a service extension off that main line at a later time. In an LID situation Enstar would collect the total amount of construction and as meters are set the reimbursement would be paid directly to the City. Mr. Sims added that Enstar is able to work on LID's and private main extensions at the simultaneously in an area.

Mr. Pierce commented regarding the topography and density. Enstar has done some market analysis in the area and estimates about 3500 structures needing about 110 miles of distribution main with about a 10 year build out. There hasn't been any consideration of what areas to do first. Typically in other areas, they grow as individuals are able to pay the cost to add on. He explained their initial plan would be to have phase 1 be developed to the high school and phase 2 on out through Kachemak City. He reviewed some examples of the challenges with the City's limited space in rights-of-way, water table issues, limited availability of gravel, side slopes in some areas, and dealing with locations of other utilities. He noted that some additional costs will be incurred in some of those cases and through their tariff those costs can be passed on to the cost-causer. He noted benefits include fuel and energy cost savings to the consumer.

Regarding location of the main line, Mr. Pierce explained that because the entire Pioneer Avenue right-of-way is taken up, they are planning to go up West Hill and across the right-of-way to Fairview through town and stop at the high school. As the line comes along the highway to town they will leave a tap to accommodate an extension at Diamond Ridge to bring distribution over the top as well.

Mr. Sims commented that this more of a City and Borough issue than a political issue. The politics involved to get funding for the main line is not something that Enstar is going to get in the middle of.

Mr. Pierce explained that they don't have a specific road map for development. Properties will be connected as those property owners or boundaries wish to acquire service. Projects will be reviewed on an individual basis with a separate cost estimate for each. It will grow as properties can afford to connect. In every project the rate and FMA's are adjusted annually, but regardless of who is the customer, the City or an individual, Enstar charges the same rate. He noted the extensive cost to accommodate the line down Pioneer Avenue so the alternate route from West Hill road meets their goal to take the most cost effective direct route and serve the greatest number of customers at the same time.

Mr. Sims commented about the media information regarding supply that has been circulating. The challenge they are faced with right now is the deliverability component. They aren't too concerned with the overall load until 2013 and beyond. The hearing for the storage project in Kenai is going on now and that will be a very important step to expansion for Enstar's entire system. They will rely on the service of the storage facility along with the other local utilities. The future of Homer and the rest of natural gas expansion is hinging on what happens with the storage project this week. They aren't concerned with the next couple years, but 2013 and beyond are very concerning. They are constantly looking for new gas supply contracts and ways to get natural gas into Cook Inlet.

Mr. Pierce spoke about some additional costs that could be incurred over and above the average cost per foot. Permitting could have impact on cost. Currently they are working with

the Corps of Engineers regarding the serviceability and how their work in the area will be viewed. There are also SWIP plans for some projects depending on size, wetland issues, and asphalt costs. Generally the tariff rate covers normal ditching and backfilling for a line.

Mr. Pierce explained that Enstar will do safety training with the police and fire department and they do training in their service areas annually. It is required by DOT to have that communication so emergency responders in the City know how to handle the characteristics of natural gas.

Regarding notifications of a project typically they do door tags and rely on word of mouth. There will be a representative in Homer handling marketing issues for a period of time during the initial build out.

#### **STAFF/COUNCIL/BOROUGH/KACHEMAK CITY REPORT**

City Manager Wrede reported that there have been some discussions with Public Works regarding amendments to the existing ordinance and staff will be bringing recommendations for the Task Force to review.

Representative Paul Seaton thanked the Task Force for working forward on this. It's the answer to one of the questions submitted by House Finance on how to build out a plan and also supply it east of town. Many things are happening across the State from wind turbines in rural areas to help get those folks away from diesel, and this is another opportunity to provide an alternative energy source. The build out of the system is a local responsibility and the group will decide how to handle the local build out. The State input is trying to provide access to an alternative fuel source.

#### **PUBLIC HEARING**

No public hearings were scheduled.

#### **PENDING BUSINESS**

No pending business items were scheduled.

#### **NEW BUSINESS**

##### **A. Financing Options**

City Manager Wrede reviewed the information about financing options provided in the packet.

Discussion ensued regarding the special service district concept. City Manager Wrede noted that an advantage of this option is that not everyone has to pay at once. Property owners will be assessed the special service mill rate as their areas are connected. In regard to additional costs in areas with challenging topography Mr. Wrede acknowledged that piecemealing it neighborhood by neighborhood could likely result in some areas paying more than others. He noted that since Kachemak City is paying their costs up front to Enstar, all the residents there will be paying the same amount regardless.

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There was discussion that City Council does have questions but they have passed multiple resolutions supporting natural gas in Homer, they established the Task Force to work on this, and added the gas line extension high on their CIP list. The Borough is going to put it on their CIP list, the school district added it as their top project. There is real political movement in the region for at least the construction of the main transmission line through to Kachemak City.

City Manager commented previously that if the mill rate goes over 6 mills then the sales tax levy is no longer in effect. Question was raised if that applied to the Special Service District mill rate, and City Manager Wrede thinks the Special Service districts can go over 6 mills with no impact on the sales tax.

**INFORMATIONAL MATERIALS**

No Informational Materials were provided.

**COMMENTS OF THE AUDIENCE**

There were no audience comments.

**COMMENTS OF THE CITY STAFF**

There were no staff comments.

**COMMENTS OF THE CHAIR**

There were no comments from the Chair.

**COMMENTS OF THE TASK FORCE**

Mrs. Howard thanked Special Projects Coordinator Holen for the well written, well balanced staff report.

Mr. Pate advised will be absent from the next meeting.

Mr. Story and Mr. Zak had no comments.

**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 24, 2011 at 12:00 p.m. in the City Hall Cowles Council Chambers.

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MELISSA JACOBSEN, CMC, DEPUTY CITY CLERK

Approved: \_\_\_\_\_