

Session 11-02, a Regular Meeting of the Natural Gas Distribution Task Force was called to order by Chair Heimbuch at 12:00 p.m. on February 14, 2011 at the City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

TASK FORCE MEMBERS: Heimbuch, Howard, Pate, Zak  
ABSENT: Story  
STAFF: City Manager Wrede  
Deputy City Clerk Jacobsen  
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. January 10, 2010 Synopsis

The synopsis was approved by consensus of the Task Force.

#### **VISITORS**

There were no visitors.

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

City Manager Wrede reported on his recent trip to Juneau. He explained that there is fair interest in the project, but that the Governor's support is still wavering. The consistent recommendation from legislators was to keep working on the Governor. It would be incumbent on Homer businesses and institutions, and City Council if they so choose, to make it clear to the Governor that this an important economic development project for this community. Regarding funding he explained that the capital project request is for it to come from the state general fund. The Mayor talked to the Lt. Governor who commented that maybe it could be softened with a loan from the state and the city finds a way to pay it back. City Manager Wrede added that the Governor's staff was really receptive in the discussions in which the focus was on our understanding of the Governor's veto message, and that we are trying to address the issues he raised in the message and that we need to have a plan in place for distributing gas in Homer and getting it beyond Homer.

Councilmember Zak and Mayor Hornaday were in Juneau as well.

Mr. Zak commented that in discussion with Representative Seaton's staff they have removed the phases from the project and are now referring to it as the South Peninsula Pipeline project. They

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thought breaking it in to phases would make it too easy to break the project up and restrict how far they would bring the main line into the city. He also emphasized the need for a unified front.

There was discussion regarding the notion that because Homer has the gas line as number six on their legislative priorities list it might give the perception that it isn't as important to the city as items one or two. But there is also concern that the risk of moving the gas line to the top could eliminate funding for other important city projects. Council will have to decide if they want to amend the legislative priorities to move the gas line up higher, and will have an opportunity at the next council meeting to make that decision. City Manager Wrede added that in their discussions it was brought up that the government hasn't done this before, they don't finance pipelines. After the meeting there was discussion that the state has funded energy projects such as wind mills, dams and such. This really isn't any different when looking at the big picture, which will be a point of emphasis to direct to the Governor. It is important to emphasize as well, the state offices in Homer that will benefit from the cost savings of natural gas and that this is a regional project for the south peninsula, not just benefiting Homer.

Mayor Hornaday added that there was discussion about issues of working strictly with Enstar, but they are the only providers in our area and are guided by the tariff that is in place. He doesn't have a good feeling with the recent announcement of the LNG plant shutting down.

There was discussion that the task force needs to understand what it will take to get the Governor's attention. Concerns were also raised about the economic impacts to Homer if the gas line stops at Anchor Point.

Dave Webber, Kachemak City Councilmember commented that the annual savings right off getting natural gas to the schools, hospital, and other institutions should speak for itself. He feels the only thing we can do is get letters of support to the Governor and Legislators. This is the most important thing we can get for Homer. The rest of the United States is moving on, drilling for gas and running pipelines, and here in Alaska, they want us to go backwards.

## **PUBLIC HEARING**

No public hearings were scheduled.

## **PENDING BUSINESS**

- A. Financing Options
  1. Memorandum from Special Projects Coordinator Holen Re: Investigations of Financing Options Amended and Corrected
  2. Recommendations from Chair Heimbuch Re: HART Policy

City Manager Wrede suggested recommending to Council that they decide if they should get involved in helping to expand the distribution system quickly and if so, what type of financing mechanism do they want to use.

Discussion points included:

- City involvement in enabling a private enterprise venture is political as is the decision on how to raise revenue to accomplish it.
- Perhaps the Council should be the one to take a position on the main line, where they want it on the priority list, and what they are willing to risk and if the line comes in the task force could weigh in as far as how to handle the distribution once the line is here.
- If this is now the South Peninsula Pipeline and it is a regional task, the best thing we could do is to make suggestions to the Council after they decide if they are going to raise it on the priority list; we could give them our prioritized funding options. The task force could

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lead the role of preparing a presentation to the Governor's office with all of the main players who are at stake.

- Things are evolving. There is new information coming in and the group's earlier charge could be expanded within reason, as distribution lines may be premature now but getting to the Governor's office is very important.
- Timing is important. In the next 30 days we need to have a presentation before the Governor to show support. Priorities should include getting a resolution to Council, Council needs to consider prioritizing it at the top of their CIP list, and continuing to work with the Governor.
- When we go to the Council it is our duty to give the full picture as we understand it and the reasoning for the briefing to the Governor that will include why this is a strategic decision to be made now as it will have a long term impact on the whole economy of the southern peninsula.
- Participating in financing is something that may need to be considered.
- If there is only a portion of the money allotted then what does the City do and what does Kachemak City do.
- Making too much out of an LID or special service area project, or bonding complicates the picture of what could be a very simple deal to enable and fund distribution lines. The city has a miniscule role that can be relegated to a simple council decision about whether or not to spend money on a distribution line. Putting it in code and showing it can happen, having the map and making the decision process simple conjoined, with a major revenue fund from our sales tax, and Kachemak City's property tax is the easiest way to show skin in this game.

City Manager Wrede commented about the memo in the packet regarding HART as a funding source. He believes that there are people who support the funds and the money could go quickly in one project. A consideration would be the ramifications if the voters vote on using HART funding. Using the funds could be perceived as subsidizing a private company to expand their infrastructure. If the city does it the way Kachemak City is doing it or through an LID process, the city gets money paid back. Using HART may be a good way to go, but these are some of the objections may be. Chair Heimbuch acknowledged those concerns and suggested that it is a way to show there could be funds available when the main line is brought down.

There was discussion of making a report to Council letting them know that the group is planning to have an all hands meeting with the stakeholders and the Governor and we will be bringing them options for funding sources. Some did not feel that we need to be at the level of saying yes we have the money right now, but at least show that we have options that are being considered for funding. Others felt it was outside the scope of the task force.

ZAK/HOWARD MOVED TO DRAFT A RESOLUTION CONTAINING THE RECOMMENDATIONS LISTED IN THE MEMORANDUM INCLUDED IN THE PACKET.

There was brief discussion.

VOTE: NON OBJECTION: UNANIMOUS CONSENT

Motion carried.

#### **NEW BUSINESS**

No new business items were scheduled.

**INFORMATIONAL MATERIALS**

- A. Large format Homer city street map with proposed transmission line route
- B. Estimates on cost saving - natural gas vs. alternatives
- C. Public Comments Re: Natural Gas

**COMMENTS OF THE AUDIENCE**

Bill Smith, Borough Assembly Member commented that the School District has natural gas as number 1 on their priority list and the Borough Assembly has it as number 2. He provided the cost benefits from the hospital and noted the staff feels like why even ask if it is important when you see how much money can be saved with natural gas. It would take a day to convert the hospital boilers once the line is there. He acknowledged a high interest in his discussion with state facilities as well. In looking at all the major parties involved, the most hesitant has been the City of Homer and he hopes that we can see that irresolution drop away. One thing the Borough discussed with the legislature was that this is not a private party benefit to Enstar. It is a regulated utility and their return on investment is regulated by the state. By getting gas here we are extending a utility for the citizens and institutions in the area. There are many energy projects funded by the state, and we pay power cost equalization to the bush areas that didn't receive the benefit of getting hydro projects. He agrees that the focus is convincing the Governor, but first it has to get through the legislature. He thinks a lot of other players have been contacted and are becoming involved.

**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 suggested the meetings be scheduled on the opposite Monday of the Council so the group can get their business to the Council more timely.

**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 February 28, 2011 at 12:00 p.m. in the City Hall Cowles Council Chambers.

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MELISSA JACOBSEN, CMC, DEPUTY CITY CLERK

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