

**REGULAR MEETING AGENDA**

1. CALL TO ORDER/ROLL CALL
2. APPROVAL OF THE AGENDA
3. PUBLIC COMMENTS REGARDING ITEMS ON THE AGENDA
4. RECONSIDERATION
5. APPROVAL OF MINUTES of February 14, 2011 p. 1
6. VISITORS
7. STAFF/COUNCIL/BOROUGH/KACHEMAK CITY REPORT
8. PUBLIC HEARING
9. PENDING BUSINESS
  - A. Financing options
    1. Memo from City Manager Re: Moving Forward/Recommendations to City Council p.5
    2. Draft Resolution p.7
10. NEW BUSINESS
11. INFORMATIONAL MATERIALS
  - A. Estimates on cost saving – natural gas vs. alternatives p.9
  - B. Homer News Editorial p.11
12. COMMENTS OF THE AUDIENCE
13. COMMENTS OF THE CITY STAFF
14. COMMENTS OF THE COUNCIL MEMBERS
15. COMMENTS OF THE CHAIR
16. COMMENTS OF THE COMMISSION MEMBERS
17. ADJOURNMENT/NEXT MEETING DAY AND TIME  
Next meeting is scheduled for \_\_\_\_\_ in the Homer City Hall Cowles Council  
Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.



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: \_\_\_\_\_

## MEMORANDUM

**TO:** Natural Gas Distribution Task Force

**FROM:** Walt Wrede

**DATE:** February 28, 2011

**SUBJECT:** Moving Forward / Recommendations to City Council

### INTRODUCTION

At the last meeting, the Chair presented a list of recommendations regarding what the Task Force should advise the City Council on the gas line and gas distribution system. There was very little substantive discussion regarding these recommendations in the time that was available. A motion was adopted to put these recommendations in the form of a draft resolution for City Council consideration. A copy of the draft resolution is included in the packet for your deliberation at this meeting.

I hope that you will give this resolution serious consideration. The staff came away with the impression that Task Force members wanted to talk about this some more but felt that they needed to take action of some kind quickly. Further, it is my understanding that the Chair may have some second thought about these recommendations also and will be submitting a memorandum addressing those thoughts. We also get the sense that the Task Force members are feeling some urgency to wrap this process up but that there is uncertainty about the way forward.

My purpose in writing this memorandum is to try and help by suggesting a framework in which the discussion could move ahead. My hope is that these suggestions will help with structure and focus and provide for an exit strategy for the Task Force. The suggestions below are based upon the enabling resolution adopted by the Council which created the Task Force and by the discussion the Task Force has engaged in to date. It seems to me that there are three basic questions that the Council is seeking advice on, most of which you have already discussed in some detail. Those questions are:

Should the City Aggressively Pursue the Pipeline Project? Yes \_\_\_ No \_\_\_

You have had discussion on this topic and the many layers of politics surrounding it. The Council has taken steps to raise the profile of the project in the past few weeks. It has moved the pipeline up to Number 2 on the CIP List and it has instructed the City Lobbyist to spend significant amounts of time on it. The Council sent a delegation to Juneau two weeks ago to educate the Governor and key legislators. We told them about how the City is attempting to address the legislative intent language in last year's capital budget. Last week I spoke about this topic at the Chamber meeting and on Coffee Table. I will speak to the Rotary next week. But much more can be done.

If the answer to this question is No, then you should so advise the Council.

If the answer is Yes, then I would suggest that you articulate why it is in the community's interest to do so and recommend to the Council that it authorize the staff, in cooperation with the Chamber and others, to launch a public information campaign and community lobbying effort. This is not going to be an easy task with the Legislature and the Governor. We will need broad based community support. Possible suggestions might include:

- Newspaper Articles, Points of View
- Broader dissemination of information on potential energy cost savings, residential, business, government
- Information about overall economic impact to the Homer economy

- Broader dissemination of information about possible “build-out” scenarios
- Organized community wide letter writing/ lobbying campaign
- Invitations to Governor and key legislators to meet with broad based coalition of interest groups

The Legislative Intent Language. Should the City Plan in Advance? Yes \_\_\_\_ No \_\_\_\_

As you know, the Capital Budget last year contained legislative intent language which the Governor referred to in his veto message. One of the important points was that Homer needed to have “a plan” in place in preparation for the arrival of natural gas. Part of being prepared is having the legal and regulatory standards in place for installing gas lines within the City. That would definitely include the adoption of ordinances amending the City Code to regulate the installation of gas lines within the Rights-of-Way. Adopting such an ordinance definitely constitutes planning and preparation, regardless of whether the Council ultimately decides to provide financial incentives to stimulate quicker build-out. If you recommend making financial incentives available (see next question), you could also recommend an ordinance amending the code to provide for gas line Local Improvement Districts.

If your answer to this question is No, The Council should know that.

If your answer is Yes, then it would be helpful if you recommended to Council that the City proceed with all haste to adopt the necessary ordinances and to make the Governor’s office aware of that action.

Should the City Provide Financial Incentives to Assist Local Property Owners and Accelerate Build-Out? Yes \_\_\_\_  
No \_\_\_\_

If your answer is No, then it would be helpful to advise the Council as to the reasons for this recommendation. It would also be helpful to inform the Council about what the “no action” alternative would mean. In other words, explain Enstar’s normal RCA regulated system expansion procedures and what they would mean for build-out in Homer.

If your answer is yes, then it would be good to provide the Council with a set of preferred options and the advantages and disadvantages of each option. Based upon discussions you have had so far, it seems like the range of preferred options would include:

- Local Improvement Districts, LIDS
- Special Service Areas
- Asking Voters to Make HART Funds Available

If you include HART Funds in the preferred options, it would be good to articulate what exactly the funds would be used for. In other words, would they be used to provide the up-front financing for Special Service Districts? Would they be used to pay for main line extensions outright? ETC.

#### Conclusion:

It is my view, that if the Task Force answers the three questions above and puts those recommendations in a memorandum to the City Council, it will have completed its mission and could dissolve.

I would recommend that these questions be discussed in detail at this meeting. If more information is needed before a decision is made, the staff will do the best it can to get that information to you. If you have the answers now, I recommended adopting the recommendations by motion. The staff will prepare a draft memorandum to the Council for Task Force consideration at the next meeting. If the memorandum is adopted, you are done!!



**CITY OF HOMER  
HOMER, ALASKA**

**RESOLUTION 11-\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA,  
REGARDING DISTRIBUTION OF NATURAL GAS WITHIN HOMER CITY LIMITS  
IN THE EVENT A TRANSMISSION LINE IS BUILT THROUGH TOWN**

WHEREAS, the Homer City Council established the Homer Natural Gas Distribution Task Force to review the range of distribution system financing options and making recommendations to Council; and

WHEREAS, the Task Force has met four times to discuss a range of financing options and other issues related to the proposed Homer Area Natural Gas Pipeline project; and

WHEREAS, the Task Force has made seven recommendations listed in the resolution language below;

NOW THEREFORE BE IT RESOLVED that the City of Homer will:

1. Ask the public to vote on expansion of the Homer Area Roads and Trails (HART) program to include natural gas distribution;
2. Provide the legislature with a statement of potential financial support from the modified HART fund;
3. Seek to dovetail with Kachemak City's proposed revenue stream for their distribution lines;
4. Develop a tally sheet with cost savings from converting local institutional buildings;
5. Avoid City involvement with Local Improvement Districts or bonds;
6. Refrain from asking the public to fund natural gas development projects with tax increases; and
7. Work with Enstar and the public as a middleman for funding distribution lines.

PASSED AND ADOPTED by the Homer City Council on this \_\_\_\_ day of \_\_\_\_\_, 2011.

CITY OF HOMER

\_\_\_\_\_  
JAMES C. HORNADAY, MAYOR

ATTEST:

\_\_\_\_\_  
JO JOHNSON, CMC, CITY CLERK

Fiscal Note:



# Comparison of Energy Use in Islands and Ocean Visitor Center and the Homer Public Library

Public Facility	3 Year Average Fuel Oil Price per Gallon	Annual Fuel Oil Gallons	Fuel Oil Annual \$	Annual MBTU	CCF Natural Gas	Enstar Schedule	1/15/2011 Av NG \$/CCF	Natural Gas Annual \$	Potential Annual Savings per Facility	Building Square Feet	Gallons of Oil per sq ft per year	Year Built
Islands & Ocean Visitor Center	\$ 2.7726	25,392	70,403	3,542,240	33,736	G3	0.85249	\$ 28,759	\$ 41,644	35,178	0.7218	2002
	Av Rate per kWh	Annual kWh	Annual Electricity \$	Equiv MBTU							kWh per sq ft per year	
I&O Electrical Usage	\$ 0.1449	359,360	\$ 52,069	1,226,136							10.2155	

Public Facility	2/10/2011 Fuel Oil Price per Gallon	Annual Fuel Oil Gallons	Fuel Oil Annual \$	Annual MBTU	CCF Natural Gas	Enstar Schedule	1/15/2011 Av NG \$/CCF	Natural Gas Annual \$	Potential Annual Savings per Facility	Building Square Feet	Gallons of Oil per sq ft per year	Year Built
Homer Public Library	\$ 3.0700	9,915	30,439	1,383,143	13,173	G3	0.85249	\$ 11,230	\$ 19,209	17,115	0.5793	2005
	Av Rate per kWh	Annual kWh	Annual Electricity \$	Equiv MBTU							kWh per sq ft per year	
Library Electrical Usage	\$ 0.1463	167,840	\$ 24,563	572,670							9.8066	

Hundred Cubic Feet CCF  
 Kilowatt Hour kWh  
 British Thermal Unit BTU  
 Thousand BTU MBTU



# OPINION

## *Editorial*

### **Tell the governor: Community backs gas line to Homer**

Kachemak City resident and council member Dave Weber is a man on a mission. He's telling everyone who will listen that they need to let Gov. Sean Parnell and legislators know that residents support a gas line from Anchor Point to Homer and out East End Road.

Weber is getting a little frustrated at the response he's getting, however. While people like the idea of cheaper, cleaner energy, they don't necessarily see why they need to get involved and take the time to write a letter. They don't see the urgency of the project. Some seem to think because it's a good idea it will happen — that government will just do it.

Weber isn't so naïve and he doesn't want to leave the project to chance. After all, Gov. Parnell vetoed most of the money for the project last year. In the governor's defense, however, the gas line didn't show up on anyone's wish list last year. This year is different. It's the No. 2 request on the Kenai Peninsula Borough's Capital Improvement Project list, right behind funds to turn the Homer landfill into a transfer site. It's No. 2 on the city of Homer's list, behind sewer treatment plant improvements. It's Kachemak City's No. 1 priority.

There are plenty of good reasons that the project has moved to the forefront. For one, it's, as the feds would say, "shovel ready." For another, it's the biggest economic development project to hit the southern Kenai Peninsula in a really long time.

The savings natural gas could bring to the southern peninsula are mind boggling. Consider these numbers compiled by Bill Smith, who represents Homer on the Kenai Peninsula Borough Assembly:

- The school district could save about \$263,000 a year in heating costs for Homer schools.

- South Peninsula Hospital could save about \$244,000 a year.

- Alaska Islands and Ocean Visitor Center could save about \$42,000.

- And the average homeowner could save about \$2,200 a year in heating costs.

Those savings are based on a comparison to fuel oil; savings are even higher when compared to electricity and propane.

The southern Kenai Peninsula does a lot of hand wringing over the high cost of living and lack of jobs — lack of a future really — for young people and

young families. While natural gas isn't a panacea to those ills, it certainly is part of the solution. Lower energy costs could help businesses expand, or, at the least, not go out of business. The savings to government, dare we hope, could mean lower taxes. Cheaper energy could mean cheaper prices for almost everything. It could mean more money for businesses and individuals to reinvest in the community.

No other near-time project will do as much to lower the cost of living and doing business here.

So let's not pass up the opportunity. Tell Dave Weber you'll write a letter and then do it. Let the governor and legislators know you support the natural gas line from Anchor Point through Homer to the east end of Kachemak City.

The governor's address is: Gov. Sean Parnell, P. O. Box 110001, Juneau, AK 99811-0001 or e-mail [governor@alaska.gov](mailto:governor@alaska.gov).

Public opinion messages can be sent to one or several legislators through Homer's Legislative Information Office. For help, give the LIO a call at 235-7878 or stop by the office at 345 W. Sterling Highway, Suite 102A.

And, while you're writing your notes, you might want to drop Rep. Paul Seaton, R-Homer, a note of thanks. If it weren't for him, it's very likely we wouldn't even have this opportunity before us.

As Kachemak City Mayor Phil Morris wrote in a letter to his community's residents: "The bottom line is if you want the benefits of relatively inexpensive fuel for the next fifty years or longer you must take a few minutes to write or email the Governor and Legislators voicing your support. ... (T)he next move is up to you."

