



CITY OF WASILLA

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COUNCIL MEMORANDUM NO. 90-46

FROM: Administration

DATE: June 7, 1990

RE: Gas L.I.D. Policy

GIVEN:

"Public Purpose" is whatever the duly elected legislative body, through an open public process, says that it is.

Enstar is a regulated public utility.

Public is any group of 10 or more customers that purchase the services or commodity furnished by a public utility (AS 42.05.720.3-A).

Public utility is every corporation, public or private...that owns, operates, manages or controls any plant, pipeline or system for furnishing...natural gas to the Alaska public for compensation (AS 42.05.720.4-D).

New Enstar contract and old Enstar contract liability language are silent on the fundamental "applicability" of L.I.D. financing. The new contract liability clause clearly draws a line between Enstar's tariff responsibilities and the City's L.I.D. financing responsibilities.

L.I.D. financing simply finances the connection deposits required in the Enstar tariff. Those deposits are paid back to the L.I.D. under terms of the Enstar tariff and will ultimately be credited back to benefited properties.

The L.I.D. process does not pledge the full faith and credit of the City. The L.I.D. pledges only the value of the real estate benefited by the project.

Knik-Ravenswood Gas L.I.D. has 89 total properties. Twenty-nine objected to the L.I.D. Cost estimate: \$230,000.

Snider Gas L.I.D. has 34 total properties. Zero objected to the L.I.D. Cost estimate: \$ 48,000.

Enstar's costs to serve sparsely settled areas is high. Its revenues are low. Enstar's return from its Valley operations is presently below that in other areas.

Enstar has more profitable areas to invest its capital.

Enstar pays federal income taxes on the L.I.D. financed deposits at an effective rate of about 40%.

Natural gas service is a proven enhancement to the value, quality of life and economic well-being of a community.

Natural gas service encourages infill of existing City subdivisions.

FINDINGS:

There are great benefits to individuals, neighborhoods and the community by gas service facilities L.I.D. financing of gas main extensions, especially within the limits of the more densely developed City.

The risks of the "applicability" of L.I.D. financing under the old Enstar contract and the new contract have not changed.

The liability under the new Enstar contract clearly divides responsibilities of L.I.D. financing to the City and tariff and construction responsibility to Enstar.

Exposure of the City to challenges under the L.I.D. process extends only for 30 days following finalization of the L.I.D.

Tariff deposits paid by the L.I.D. are refunded to the L.I.D. for distribution back to the properties within ten years.

RECOMMENDATION:

The benefits outweigh the risks; development of the City is enhanced; the public is served; the process is open and above board; therefore, I recommend that the City continue local improvement district financing under terms of the proposed new Enstar contract.


John C. Stein, Mayor

Approved 6/11/90