



CITY OF WASILLA

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INFORMATION MEMORANDUM NO. 90-19

TO: Council

FROM: Deputy Administrator

DATE: June 7, 1990

RE: Enstar Gas Line Installation Contract

The Mayor and the undersigned met with the President and the Operations Officer of Enstar on June 5. The purpose of the meeting was to discuss the revised indemnification clause in the Enstar Extension Deposit Agreement and to obtain an agreement to complete the Snider and Knik Road Gas Improvement Districts under the old agreement.

The Enstar officials agreed to consider our request concerning the two in-progress projects but the impression of receiving favorable consideration was not evident.

Mr. Barnes stated that his impression was that the existing agreements placed all liability for financing construction costs of L.I.D. on the municipality or they would not have entered into those agreements. The revisions are intended to make the division of liability very clear. He believes that Enstar should not incur any liability because of the L.I.D. process. Put simply, the City is to be responsible for its L.I.D. process and Enstar is to be responsible for its main extension tariff and construction.

The Enstar officials indicated that while they believed the L.I.D. process is a legitimate method of financing gas main extensions, the areas in which they are formed were low density developments and generally not profitable to Enstar. Therefore, the Enstar officials are not particularly enthusiastic about the process as a means to extend gas mains.

The Council should be aware that the Enstar main extension tariff requires that the L.I.D. be reimbursed for the main construction, out of gas rates, over the next ten years.

Robert E. Harris
Deputy Administrator