

2012 Legislature

Agency: Commerce, Community and Economic Development

Grants to Municipalities (AS 37.05.315)

Grant Recipient: Homer

Federal Tax ID: 920030963

Project Title:

Project Type: New Construction and Land Acquisition

Homer - South Peninsula Natural Gas Pipeline

State Funding Requested: \$8,150,000
One-Time Need

House District: Kenai Areawide (33-35)

Brief Project Description:

This project will construct phase 2 of a transmission line to make natural gas available to the southern Kenai Peninsula communities of Anchor Point, Homer, and Kachemak City.

Funding Plan:

Total Project Cost:	\$11,175,000
Funding Already Secured:	(\$3,025,000)
FY2013 State Funding Request:	(\$8,150,000)
Project Deficit:	\$0

Funding Details:

The Alaska Legislature approved \$4.8 million for this project in April 2010; however, Governor Parnell reduced the amount to \$525,000 before signing the FY 2011 capital budget into law.

The Regulatory Commission of Alaska has approved a \$1 per mcf tariff that is predicted to generate \$2,500,000 over 10 years. Enstar will front the \$2,500,000 for the project and recuperate it through the tariff.

Detailed Project Description and Justification:

The goal of the South Peninsula Natural Gas Pipeline Project is to provide natural gas to Anchor Point, Homer, and Kachemak City from the North Fork field east of Anchor Point. Natural gas is expected to provide significant cost savings to homeowners, businesses, and major institutions including state, local, and federal agencies, as compared to fuel oil, electricity, or propane. The transmission line will serve home and business needs en route and be able to supply 5 million cubic feet per day to Homer, which is adequate for a 30-year customer base build out.

The first phase of the project, construction of a pressure reducing station on North Fork Road and approximately 3600 feet of 8-inch plastic pipe into Anchor Point, was completed in 2011 with funding approved by the Alaska Legislature. The Legislature approved additional funding for FY 2012 to extend the natural gas line to Nikolaevsk, Homer and Kachemak City; however, the Governor vetoed all but the Nikolaevsk portion.

Build out of distribution lines to neighborhoods within Anchor Point, Homer, and Kachemak City will be a local responsibility. Anchor Point has approved a LID to build out the local distribution system, Kachemak City has passed a mil rate for build out and the Homer City Council is researching financing options. The estimated cost to residents in the greater Homer area for a full build-out (110 miles of streets and roads), not including service lines to individual homes and businesses, will be in the range of \$20 million. The RCA has approved a \$1 per mcf tariff that users will pay to help fund the distribution line. Enstar estimates this will generate \$2.5 million in revenue over 10 years. The Homer City Council is working on getting the

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Date: 6/15/17 Exh # H-78
Regulatory Commission of Alaska
By: AL U-16-066
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For use by Co-chair Staff Only:

**\$8,150,000
Approved**

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necessary ordinances in place to be prepared for the 2012 construction season.

Project Timeline:

Phase 1: \$525,000 was spent to install a pressure reduction station and bring a transmission line to Champman School in Anchor Point in 2011.

Phase 2: \$10,650,000 to extend pipeline through Homer and Kachemak City. Work would be completed in 2012-2013.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

Enstar Natural Gas Co.

Grant Recipient Contact Information:

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Has this project been through a public review process at the local level and is it a community priority? ☒ Yes ☐ No