



FAIRBANKS CITY COUNCIL
REGULAR MEETING MINUTES, SEPTEMBER 10, 2012
FAIRBANKS CITY COUNCIL CHAMBERS
800 CUSHMAN STREET, FAIRBANKS, ALASKA

The City Council convened at 7:00 p.m. on the above date, to conduct a Regular Meeting of the Fairbanks City Council at the City Council Chambers, 800 Cushman Street, Fairbanks, Alaska, with Mayor Jerry Cleworth presiding and with the following Council Members in attendance:

Council Members Present: Vivian Stiver, Seat A
Chad Roberts, Seat B
Bernard Gatewood, Seat C
Jim Matherly, Seat D (Telephonic)
Lloyd Hilling, Seat E
John Eberhart, Seat F

Absent: None

Also Present: Pat Cole, Chief of Staff
Warren Cummings, Fire Chief
Paul Ewers, City Attorney
Janey Hovenden, City Clerk
Ryan Rickels, IT Director
Michael J. Schmetzer, City Engineer
Tony C. Shumate, Director Personnel/Purchasing/RM

INVOCATION

The Invocation was given by City Clerk Janey Hovenden.

FLAG SALUTATION

Mayor Cleworth led the Flag Salutation.

CITIZEN'S COMMENTS

Diane Hutchison, 140 Falcon Drive, Fairbanks – Ms. Hutchison stated that, although she is a Borough Assembly Member, she is not speaking on behalf of the Assembly. She spoke in favor of advancing Ordinance No. 5895. She indicated that creating a natural gas utility is no different than creating any other utility. She expressed that it is not feasible for the private sector to fund a large energy project like the natural gas pipeline and that Alaska's economy will not grow unless energy costs are reduced. Ms. Hutchison asked for clarification on the area referenced in Section 2(b) of Ordinance No. 5895. She stated that the Borough's deadline for State Capital Project requests is October 15, 2012. She urged the City Council to adopt Ordinance No. 5895 and thanked them for their service to the community.

Luke Hopkins, 221 Glacier Avenue, Fairbanks, Mayor of FNSB – Mayor Hopkins urged the Council to advance Ordinance No. 5895 to the next regular meeting. He spoke to the three local municipalities coming together in support of the gas utility. He referenced the Gas Distribution Analysis Report which speaks to the pros and cons of a public/private operation versus a completely private operation. Mayor Hopkins spoke to the possibilities of tax-exempt financing for the gas utility and to how it's been done in other municipalities within the State of Alaska. He spoke to the urgency of Ordinance No. 5895, stating that an adoption date of September 24, 2012 would be in line with the Borough's deadline. He stated that the effective date of Ordinance No. 5895 would not allow the Borough Assembly enough time for consideration.

Mr. Hilling asked Mayor Hopkins to confirm that there was no Borough Assembly meeting scheduled between November 15th and December 8th.

Mayor Hopkins confirmed.

Ms. Stiver indicated that the City of North Pole has a 90-day waiting period after adoption before their ordinance on the gas utility becomes effective.

Mayor Hopkins concurred with Ms. Stiver's statement.

Ms. Stiver asked why there was such urgency if North Pole's effective date was 90 days from the date of adoption.

Mayor Hopkins stated that the Borough Assembly could still move forward with the utility without North Pole's. He clarified that the City of North Pole would just not be able to participate until after that 90-day period.

Ms. Stiver asked if any board members had been identified yet.

Mayor Hopkins replied that none had been selected so far.

Ms. Stiver asked Mayor Hopkins if he could provide a list of potential board members to the Council by the next regular meeting.

Mayor Hopkins replied that he doesn't expect a list to be formed by that time.

Mr. Eberhart asked Mayor Hopkins to suggest an effective date Ordinance No. 5895 and provide an explanation.

Mayor Hopkins suggested that Ordinance No. 5895 become effective upon adoption, if possible.

Mr. Roberts asked for confirmation that the overall issue of the project is to solicit state funds and assist in distribution to the Interior. He asked Mayor Hopkins to speak to grants.

Mayor Hopkins clarified that the utility *may* be state-funded if funds are offered, but that there may also be tax-exempt financing and loans available. He indicated that grants would likely play a big part in the trucking portion of the project.

Mr. Roberts asked Mayor Hopkins to elaborate on discussions with the State Administration.

Mayor Hopkins replied that the Governor is waiting for the Borough's solution and plan, at which point the State would determine its support of the gas utility.

Ms. Stiver asked if the development of a gas utility is considered a "solution."

Mayor Hopkins replied that, according to the Borough's proposed ordinance, the utility would "facilitate....or provide" for a natural gas distribution system. He stated that the Borough Assembly has accepted the next step of funding for the project in the amount of \$3 million.

Ms. Stiver asked if that money could only be used if the Borough was granted the utility powers.

Mayor Hopkins stated that his understanding of the grant's legal interpretation is not that way. He commented that the grant agreement between the Borough and the Department of Commerce, Community and Economic Development (DCCED) has not been signed yet.

Mr. Hilling asked if the Governor is requesting a full-fledged plan or just a utility in place with a board.

Mayor Hopkins replied that he did not have a detailed discussion with the Governor. He stated that the Governor has indicated that he would support the Community's needs. He stated that money was not a part of his and the Governor's discussion; rather, they spoke about *how* to get the gas to the community. He explained that the primary focus is on how quickly a distribution system can come to fruition, providing relief to local residents.

Mr. Hilling asked if a Special Meeting of the Borough Assembly could be called, if the need arose.

Mayor Hopkins replied that special meetings may be called by the Presiding Officer or two Borough Assembly Members. He indicated that there are many government activities taking place in the month of November; however, he stated that a special meeting is not out of the question.

Brian Rogers, 610 Kobuk Avenue, Fairbanks – Mr. Rogers spoke in support of advancement of Ordinance No. 5895. He stated that an energy solution for this community has been sought after for decades, and, while he doesn't believe the gas utility is a perfect answer, it would move the community forward in finding a solution. He stated that he has always favored private ownership and operation of utilities, but that the formation of the Borough gas utility may be the best solution for the community right now. He spoke to how the high cost of energy is killing the Fairbanks community. He stated his belief that the best short-term solution is for the Borough to facilitate the gas utility, which would allow a good representation of the three competing interests as well as community residents.

Tim Sovde, 402 Bonnifield Street, Fairbanks – Mr. Sovde addressed his concerns with the Borough's proposed ordinance regarding the gas utility. He referenced the fifth "whereas"

which speaks to a “transparency of operations” and stated his concern that the management of the proposed utility would not be accountable to the Borough Assembly or the people. He read aloud the sixth “whereas” and spoke to his belief that “public-private partnership” cannot operate in a “businesslike, cost-effective manner.” Mr. Sovde spoke to Section 2 of the Borough’s ordinance, questioning the language “broadly construed” when referring to the Borough’s utility powers. He addressed Section 3 regarding the transition of power from the City to the Borough and stated that the mechanics of how such a transfer would take place need to be specified. He spoke in favor of a gas line, but suggested that more detail be provided by the Borough before a transfer of power occurs. He added that rushing the plan would be a disservice to the public and stated that local citizens must question the motives of those who press the issue forward with a sense of urgency. He encouraged the City Council to wait for more details from the Borough before approving the transfer of power.

Mr. Hilling asked about Mr. Sovde’s reference to City liability.

Mr. Sovde indicated that if the gas line were to fail, the City would be in the chain of liability because the ultimate utility power would still lie within the City.

Tammie Wilson, 571 Canoro Road, North Pole, State Representative for District 11 – Ms. Wilson asked the Council to slow down in their consideration of the transfer of utility power. She stated that there will be a round-table discussion regarding the gas line on September 25th with the North Pole City Council. She stated that there are already organizations in place to help finance a liquefied natural gas (LNG) plant: GVEA, Flint Hills and Fairbanks Natural Gas (FNG). She stated that the LNG plant may not be economical at this time because its construction would likely require grant funding to be completed. Ms. Wilson spoke to areas in the Fairbanks North Star Borough (FNSB) that would not benefit from natural gas and asked the Council to consider the best interest of all citizens in the area. She stated that even if the transfer of powers is stalled past the Governor’s budget deadline, he still has the ability to get money into the budget for the plan. She recognized the need for energy relief in the Interior, but asked that the entire process be slowed so that all options can be considered before moving forward.

Mr. Hilling asked how late would be too late for the Governor to allocate money to the LNG distribution project. He asked what level of detail the Governor would like to see before moving forward.

Ms. Wilson replied that she doesn’t believe there is a deadline because the Governor has the ability to reallocate an already budgeted amount to different projects or organizations. She indicated that the Governor would like to see GVEA, Flint Hills and FNG come together with a plan and added that it may help to have another party involved for fair and equitable distribution. Ms. Wilson stated that she doesn’t believe the Borough currently has a gas contract with any party on the North Slope in order to enter into discussions for distribution.

Mr. Hilling asked if a transfer of power and a more detailed plan from the Borough would be a sufficient “plan” for the Governor.

Ms. Wilson replied that she cannot speak for the Governor, but that she believes the Borough’s efforts would still not be sufficient without the involvement of GVEA, Flint Hills and FNG.

Tony Johansen, 1887 Arctic Loon Circle, Fairbanks, Partner with Great Northwest – Mr. Johansen spoke in support of Ordinance No. 5859. He encourage the Council to advance the ordinance to the meeting of September 24, 2012 and stated that he believes getting natural gas to the community is a priority. He spoke to the FNSB Gas Distribution System Analysis, stating that the projected annual savings to the community by 2021 would be \$315,000,000. He again referenced the analysis pointing out that the projected community savings between the years 2015 and 2021 would be \$1.4 billion. Mr. Johansen stated that Great Northwest is building inventory for the LNG project. He spoke of a recent phone call he received from an individual wishing to sell a gravel pit with 21 lake-front lots because of the low demand for gravel product in the community. He shared that he is personally spending roughly \$8,000 per year to heat his home and spoke to those families who are leaving the Fairbanks community because they are unable to afford the high cost of energy. He indicated that the public sector is unable to meet the needs of the community by expanding their distribution system. He urged the Council to pass Ordinance No. 5895 so that a public natural gas utility could be established.

Lance Roberts, PO Box 83449, Fairbanks – Mr. Roberts stated that he supports bringing natural gas to the community, but is unsure whether or not transferring power to the Borough is the right way to do it. He indicated that a gas utility may not be necessary to obtain state funding. He stated that the Borough can handle the \$3 million they just received without setting up another layer of government. Mr. Roberts spoke in favor of a more detailed plan and more limitations before a transfer of utility power takes place and added that it is dangerous to give away power with no restraints. He briefly addressed the repayment of bonds for the LNG project, a debt which may be passed on to City residents for distribution to outlying areas. He cautioned the Council on making too quick a decision on the transfer of power.

Mike Young, 700 Fairbanks Street, Fairbanks – Mr. Young stated that he is a former Borough Assembly Member and helped author the ordinance laying the groundwork for a gas line port authority 13 years ago. He stated that, since that time, there have been zero results. He spoke to the City's history in the utility business, stating that the City has sold utilities in the past and questioned why the Council is now hesitant to relinquish power to the Borough for a gas utility. He explained that he has written a plan called the "Lowell Group," a plan to bring natural gas to Fairbanks in two years. He encouraged the Council and the public to visit the website titled, *Gas in 2 Years*, which provides more information about the two-year plan to bring natural gas to Fairbanks. He stated that he and a group of non-partisan citizens have been developing the plan over the past four years. He stated that while he supports lower energy costs, he opposes Ordinance No. 5895 because he believes it will accomplish nothing.

Mr. Hilling asked Mr. Young why he believes the transfer of power would not be a step in the right direction if the state legislature is likely to provide funding to the project.

Mr. Young stated that there are too many private interest groups that want to pocket the money. He stated his belief that this is just another smoke screen for those parties to hide behind to postpone the project for another 2 – 3 years.

Mayor Cleworth asked Mr. Young if he saw the plans as being mutually exclusive or if they could be combined to work together.

Mr. Young replied that he was in favor of the City's ordinance when he first saw it, but changed his mind after much consideration and input from the public.

Bob Shefchik, 557 Grandview Court, Fairbanks – Mr. Shefchik spoke in support of advancing Ordinance No. 5895. He stated that bringing natural gas to Fairbanks has been an issue of concern for many years, and, unfortunately, it has been delayed too many times. He stated that the real issue is finding an entity that will speak for businesses and residents that are struggling with the cost of heating. He commented that while some criticisms of the Borough's ordinance are legitimate, he believes the ordinance contains plenty of safeguards to protect Fairbanks area residents.

Ms. Stiver asked Mr. Shefchik if he believes that the Borough could handle the gas utility better than the City. She commented that there is a mechanism that would allow each municipality to take care of its portion of the utility in a combined effort. She spoke also to the Borough's ability to gain area-wide powers for a utility by a vote of the people.

Mr. Shefchik replied that could not see the practicality with the Borough and the cities within the Borough each forming their own gas distribution system. He stated that if the Borough were to bring the issue before the voters to gain area-wide utility power, it would only delay the project further.

Ms. Stiver stated that it is her understanding that the gas distribution system will be fragmented, not one contiguous system. She asked Mr. Shefchik how he believed the distribution system would be set up.

Mr. Shefchik replied that he is unsure whether or not the system would be contiguous, but that he believes it is likely that it would be. He stated that he envisions the Borough utility as one that pulls all entities together into one cohesive unit in the best interest of all Borough residents.

Hugh Abednego, 4402 Cabruan Hill Loop, #6, Fort Wainwright – Mr. Abednego stated that he serves in the U.S. Army and was recently relocated to Fort Wainwright. He explained that he received a correctable citation for a window tint violation shortly after arriving in the Fairbanks area. He stated that he removed the window tint and presented the vehicle to the officer for inspection, but was told at that time that he must still pay a \$25 administrative fee. Mr. Abednego asked if the \$25 fee is a fine. He indicated that it is difficult for soldiers who are new to the area to know all the local regulations for vehicles and stated that the fee is not a good way to welcome U.S. troops to the City.

Mayor Cleworth asked Mr. Abednego to come by his office the following day so that he could look further into the matter.

Andy Warwick, 3190 Riverview Drive, Fairbanks – Mr. Warwick spoke in support of Ordinance No. 5895. He acknowledged prior public testimony and stated that there have been good points made on both sides of the issue. He compared the City's transfer of the gas utility to the recent adoption of City Ordinance No. 5889, as Amended, regarding the GHU pass-through loan. He stated that he sees the Borough as a conduit for low-interest loans and grants for the gas

distribution system. He indicated that FNG does not have the means to build the system on their own without heavy funding. He spoke to state spending and to his belief that the legislature will not send funding for the LNG distribution system without a plan in place. He stated that the Borough's plan isn't perfect, but that it is a good place to start.

Lisa Peger, 3873 Peger Road, Fairbanks – Ms. Peger spoke in favor of Ordinance No. 5895 stating that there are limitations in place within the Borough ordinance. She remarked that the Borough would receive the funding and use the expertise of FNG to do the five-stage build out. She stated that this plan would be the quickest and least expensive way to get natural gas to Fairbanks and spoke to the importance of acting now.

Jim Dodson, PO Box 73568, 1325 Viewpointe, Fairbanks, President of Fairbanks Economic Development Corporation (FEDCO) – Mr. Dodson spoke in favor of advancing Ordinance No. 5895. In response to other comments asking, "What's the rush?" Mr. Dodson answered that the rush is our economy and air quality. He stated that there are many buildings in the area standing vacant and that now is the time to do something about the cost of energy. He stated that there are very few candidates for public office that do not make energy cost solutions a part of their campaign strategy. Mr. Dodson stated that in last year's legislative session three entities came forward to discuss the energy problem, but no one discussed a solution for the entire Fairbanks North Star Borough. He stated that of the 26,000 structures in the Borough that need energy, 165 are being served by steam or hot water and 1,223 are served with natural gas. He stated that 85% of our community is using diesel fuel as their source of energy and that it is breaking our local economy. Mr. Dodson spoke against the idea of giving the authority to operate the Fairbanks gas utility to Alaska Industrial Development and Export Authority (AIDEA) or the Alaska Energy Authority (AEA), explaining that giving control to an entity outside of the FNSB is illogical. He urged the Council to seriously consider the advancement of Ordinance No. 5895.

Sean Ryan, 1446 27th Avenue, Fairbanks – Mr. Ryan, a licensed chauffeur, expressed his opinion that the City has become too lenient in regulating the requirements for driving a cab. He indicated that the result of the loosened regulations is unlimited competition in a declining economy. He asked the Council if they had ever considered requiring a map test to receive a Chauffeur's License. He explained that it is embarrassing to hear fellow drivers call over the dispatch radio and ask where common Fairbanks businesses and landmarks are located because they don't know the area.

Frank Turney, 201 7th Avenue, Fairbanks – Mr. Turney stated that there is a solution to building the economy and creating jobs and energy: hemp. He provided statistics to support his idea of farming hemp as an energy solution in the Fairbanks community and stated that many farmers around the state are willing to grow the plant. He spoke to the many uses of hemp and to how it's being used in many other parts of the world. Mr. Turney spoke to the tragic losses that occurred on September 11, 2001 and to the observance of Patriot Day on this year's anniversary of the tragedy. He spoke to the rights and freedoms of U.S. citizens and addressed the unconstitutionality of the National Defense Authorization Act (NDAA). He indicated that our local, state and national leaders should be just as concerned about the preservation of our Constitution as they are about finding a solution to the energy problem.

Van Lawrence, 503 Lignite Avenue, Fairbanks – Mr. Lawrence spoke in support of Ordinance No. 5895. He spoke to prior public testimony regarding the City’s utility power and stated that the City has divested itself from nearly all utilities. He pointed out that the cities of North Pole and Fairbanks make up only about one-third of the total Borough population, so it makes sense that the energy problem be addressed on a Borough-wide basis. He stated that if the decision on the transfer of power is delayed, we lose another year of state funding.

Nadine Winters, PO Box 83272, 1670 Howling Dog Trail, Fairbanks – Ms. Winters spoke in favor of advancing Ordinance No. 5895 to the Regular Meeting of September 24, 2012. She stated that the Borough’s purpose in creating the gas utility is to “facilitate, if possible, and provide, if necessary.” She stated that GVEA represents the ratepayers, Flint Hills is looking to deliver a cheaper product, and FNG is interested in supply. Ms. Winters spoke to her confidence in the Borough’s ability to step in and provide the service. She described the benefits of forming a public utility: public utilities do not pay property, state or federal taxes; public utilities have no need for a profit; public utilities exist primarily to serve the people in a community; public entities have a lower cost for borrowing than private businesses. She explained the problems with a privately-owned utility: they are required to pay property, state and federal taxes; they must make a profit; they have higher borrowing costs; they may not be controlled locally. She described the structure of the Borough’s plan to manage the utility. Ms. Winters stated that it is not the Borough’s intent to create another layer of bureaucracy, only to provide a needed service at a low cost. She expressed her thanks to the Council for their service to the community.

Ms. Stiver reminded the Council that there will be a joint work session to discuss the gas utility issue on September 25th at the North Pole City Council Chambers. She asked Ms. Winters if she felt that meeting would not be beneficial because of Ms. Winters’ recommendation to approve Ordinance No. 5895 at the Regular Meeting of September 24th.

Ms. Winters replied that she does not believe the meeting wouldn’t be beneficial, only that she doesn’t see a good reason to delay transfer any further.

Victor Buberger, PO Box 58192, Fairbanks – Mr. Buberger spoke to the need for pot holes to be patched in the City, specifically naming areas that need immediate attention. He suggested that the City make a deal with local businesses provide signage and restroom facilities to the public.

Lake Williams, 221 Glacier Avenue, Fairbanks, President of Fairbanks Building and Trades Council – Mr. Williams stated that there is always a lot of talk about the energy problem in the Fairbanks community and expressed his support for Ordinance No. 5895 as a solution. He stated that, right now, there is no competition for FNG and that their service area and supply is limited. He stated that progress is not being made and that he believes the Borough may be the best vehicle to drive the project forward. He spoke to the success of Golden Heart Utilities (GHU) with the water/sewer utility, stating that they may be doing a better job than the City did. Mr. Williams stated that sometimes it is necessary for government to step in to help local economies. He urged the Council to advance Ordinance No. 5895 to the Regular Meeting of September 24, 2012.

David van den Berg, Fairbanks Downtown Association – Mr. van den Berg thanked the City Building Official for his letter regarding the Polaris Building. He announced that the “Paint the

Pipes” public art project will be unveiled on September 24, 2012 from 4 – 8 PM for the design of 13 vent pipes in the downtown area. He thanked local artists and sponsors for their participation in and contributions to the project.

Tim Brannan, 1714 Carr Avenue, Fairbanks – Mr. Brannan spoke in favor of Ordinance No. 5895. He stated that before he installed a wood-burning stove in his home, he was using roughly 1,800 gallons of heating oil per year which translates to a cost of \$6,000 to \$8,000 annually for one household. He indicated that if residents saved money on their heating bill, they would likely put that extra money back into the local economy. Mr. Brannan also spoke in support of the local jobs the utility would create.

Dick Brickley, 1480 Husky Way, Fairbanks – Mr. Brickley stated that he believes everyone in the rooms shares the same objective, but that everyone has their own opinion on how best to save energy. He cautioned on moving the Borough utility forward without a detailed plan and without a source for gas. Mr. Brickley stated that, according to the Lowell Group’s plan, gas would be in Fairbanks in two years at a consumer cost of \$1.98 per gallon. He indicated that FNG and GVEA are the only two entities that can accomplish the goal. He clarified that FNG did not instigate or draft the Lowell Group’s plan, but that they should play a big part in bringing natural gas to Fairbanks. Mr. Brickley admonished local elected officials to take the time to read the Lowell Group’s plan before making a decision. He concluded by stating that the only thing that will save Fairbanks is gaining control of energy costs.

Ms. Stiver asked if the Lowell Group’s plan was designed to work together with the Borough.

Mr. Brickley replied that he believes it was not. He indicated that Ms. Stiver’s question should be redirected to FNG.

Ms. Stiver spoke to FNG’s permits. She asked how long it takes to get those permits in place.

Mr. Brickley again deferred the question to Dan Britton with FNG, but added that he knows it takes a long period of time.

Mr. Hilling asked how FNG’s ability to buy gas from the “well-head” price differs from another entity who could also purchase gas from the North Slope.

Mr. Brickley replied that anyone could buy gas at the lower rate if they had the contract to do so. He commented that competition is a wonderful thing, but that purchasing the gas doesn’t do any good unless there is an existing liquefaction plant to process it.

Dan Britton, 1006 Chena Pump Road, Fairbanks, President and CEO of FNG – Mr. Britton stated that he has been exploring possible solutions to bring natural gas to Fairbanks for many years. He referenced the document distributed to the Council, an assessment done by AIDEA of the FNG Proposal and Funding Considerations. He expressed satisfaction that general public is finally on board with the idea of trucking natural gas to Fairbanks. Mr. Britton stated that there is some gas already in Fairbanks, and that since 1998, FNG has installed two LNG storage and vaporization facilities with private dollars to serve approximately 1,100 customers. He added that natural gas is 23% cheaper today than the alternative. He spoke to municipal utilities and

how they are infrequently operated in an effective manner, they are often deprived of capital funding, and they usually become a more of a burden upon municipalities than a benefit to ratepayers. He indicated that state funding for the construction of a LNG plant on the North Slope could happen right away whether the funding go to AEA, AIDEA, the Borough or the City. He expressed his personal struggle with the idea that the transfer of utility power from the City to the Borough needs to take place right away. Mr. Britton questioned how proponents of the Borough's request for a utility transfer believe they can get into the Governor's budget without written by-laws, an established Board and an endorsed plan. Mr. Britton stated that FNG is the best choice to bring natural gas to Fairbanks. To answer Ms. Stiver's earlier question regarding permits, Mr. Britton replied that it took FNG about a year to obtain their air permit and roughly two and a half years to negotiate a gas supply.

Ms. Stiver asked what Mr. Britton would like to see happen.

Mr. Britton replied that he would like to see lower energy costs for community residents, and, in order for that to happen, state funding must be used. He indicated that the biggest challenge is securing state funding for the construction of the LNG Plant on the North Slope. He spoke to the benefits of the state owning the plant through AEA or AIDEA.

Ms. Stiver asked Mr. Britton to speak to getting gas to Fairbanks "affordably."

Mr. Britton stated that the definition of "affordable" is widely debated. He shared that he believes the public would like to see a minimum of 25% savings on what they're currently paying for energy. He stated that his personal definition of "affordable" and sustainable is \$15.00 per one thousand cubic feet (Mcf).

Ms. Stiver asked Mr. Britton to address volume and customers.

Mr. Britton explained that FNG lost money for 10 years but is now making a profit due to higher oil prices and expansion of their company. He indicated that a new gas utility would likely lose money for a number of years and that the burden of making up the difference would fall on taxpayers.

Mr. Roberts stated that everyone recognizes the need for supply, and indicated that the utility itself deals with the distribution of the supply. He asked Mr. Britton why he objects to the transfer of utility power to the Borough.

Mr. Britton stated that the focus needs to be on resolving the supply issue. He explained that FNG has been criticized for not serving more customers, but that they cannot do so without the supply. He indicated that if distribution was the only issue, it could be resolved right away without a municipal utility.

Mr. Roberts asked Mr. Britton to speak to the distribution side of the issue, indicating that it would not be economical for FNG to take on.

Mr. Britton replied that distribution to the most densely populated areas in the borough is economical for FNG. He stated that there are far-out areas that cannot currently be served

economically and spoke to some areas specifically. He restated that distribution should not be the primary concern.

Mr. Roberts asked Mr. Britton if he thought a municipal utility would help bring about a liquefaction plant on the North Slope.

Mr. Britton replied that he does not see how it could help because of the time frame. He further explained that it is very difficult to get plans and operating procedures in place to become a utility and indicated that the seven Board Members would have limited knowledge of LNG plants, trucking and liquefaction processes. He stated that he doesn't see how a capital request could be made to the Governor without a fully functioning Board.

Mr. Hilling spoke to the simplicity of requesting money from the state and moving forward with the construction of the LNG plant. He asked why no one has succeeded so far.

Mr. Britton stated that it hasn't been until recently that people have seen the LNG plant as the answer. He spoke to the various solutions that have been discussed and commented that none of those plans have had any comprehensive reality. He stated that reality needs to be brought in alignment with a goal.

Mr. Hilling asked how long ago Mr. Britton had gone to Juneau and asked for a LNG plant.

Mr. Britton replied that he had discussions with the state back in 1999 and that it has taken years of education to get where we are.

Mr. Hilling asked if Mr. Britton thought that the idea of a LNG plant would be better received by the legislature now.

Mr. Britton replied that he believes it would.

Mr. Hilling asked Mr. Britton to speak to the study he presented in relation to savings for the consumer.

Mr. Britton stated that the study is based on some assumptions of state involvement and that it was a very comprehensive study. He explained that FNG has spent roughly \$5 million in the engineering, permitting, land procurement and planning of the North Slope plant. He stated that FNG has been servicing local residents since 1998 and are well aware of the costs associated with the operation and construction of a gas utility. He stated that the study is based on a true economic analysis of the projected savings to local residents.

Mr. Gatewood asked what FNG's relationship is to the Lowell Group.

Mr. Britton replied that FNG has no real connection to the Lowell Group. He commented that he had been asked to attend a Lowell Group meeting 3-4 years ago when they were looking at several different energy alternatives. He stated that his attendance at those meetings has been his only involvement with the group.

Ms. Stiver asked if Mr. Britton had been consulted when the idea of a Borough utility was being developed.

Mr. Britton replied that FNG was asked to participate in the FEDCO gas distribution study and that he had served on an advisory committee that looked at the plan before and after the consultation. He stated that, as a private entity, FNG was not willing to release all their information because of competitive reasons. He indicated that FNG had not been approached with the Borough's plan.

Merrick Peirce, PO Box 10045, Fairbanks, Alaska Gasline Port Authority Board Member – Mr. Peirce thanked the Mayor and City Council for their service to the public and expressed appreciation for the bi-partisan support of the Borough's ordinance. He stated that when the Fairbanks community unites, great things happen. He compared the high cost of energy to the loss the community would have experienced if Eielson had shut down in 2005. He spoke to the power of community unification in regards to the LNG issue. Mr. Peirce cautioned on linking the issue to North Slope LNG trucking, stating that the community should not lose focus as to what is required to participate in a binding open season. He indicated that since FNG and Golden Valley's contracts for gas are linked to the price of oil, it would be a financial risk to residents to truck gas from the North Slope. He spoke in favor of using the gas supply in Cook Inlet and stated that gas pipelines can be built very quickly. He spoke on behalf of his agency, stating that they have done the most with the least and that they support bringing natural gas to Fairbanks.

Ms. Stiver asked who attends a non-binding or binding open season. She questioned why AIDEA couldn't step up and be willing to use their bond rating to insure that the gas line to comes to Fairbanks.

Mr. Peirce replied that those with significant capital attend the non-binding or binding open seasons. He stated that it is important for investors to see that they have sufficient resources to build a project. Mr. Peirce indicated that AIDEA could participate in the process, but that he would feel more comfortable if a local entity would fight for the best interests of Fairbanks. He did not deny that using AIDEA's bond rating could be an advantage. He spoke to other methods of getting lower interest rates for the project.

Mr. Hilling asked what advantage a government-run utility would have over a privately-run utility in the timing window for the binding open season.

Mr. Peirce stated that he believes that the intent of the government utility is to allow as much as 90% of the local population to participate and benefit from natural gas versus the private industry only being able to serve about 500-600 households.

Hearing no more requests for public comment, **Mayor Cleworth** declared Public Testimony closed.

Mayor Cleworth called for a five minute recess.

APPROVAL OF AGENDA AND CONSENT AGENDA

Mr. Gatewood, seconded by **Ms. Stiver**, moved to APPROVE the Agenda and Consent Agenda.

Ms. Stiver pulled Ordinance No. 5895 from the Consent Agenda.

Mayor Cleworth called for objection and, hearing none, so ORDERED.

City Clerk Hovenden read the Consent Agenda, as Amended, into the record.

APPROVAL OF PREVIOUS MINUTES

a) Regular Meeting Minutes of August 6, 2012.

PASSED and APPROVED on the CONSENT AGENDA.

b) Regular Meeting Minutes of August 20, 2012.

PASSED and APPROVED on the CONSENT AGENDA.

MAYOR'S COMMENTS AND REPORT

Mayor Cleworth thanked all those who participated and testified during the meeting. He stated that the cost of energy is a difficult and controversial issue, but that he believes progress is being made. He indicated that the local municipalities still have a lot of work to do before things move forward. **Mayor Cleworth** explained that, in order to participate in the joint work session with the City Council of North Pole on September 25, 2012, Ordinance No. 5895 should be advanced to the Regular Meeting of October 8, 2012. **Mayor Cleworth** announced that the Open House City Hall would be held on September 27, 2012, and invited the Council to attend.

UNFINISHED BUSINESS

a) Ordinance No. 5891 – An Ordinance Amending the 2012 Budget Estimate for the Second Time. Introduced by Mayor Cleworth. SECOND READING AND PUBLIC HEARING.

Mr. Hilling, seconded by **Mr. Gatewood**, moved to ADOPT Ordinance No. 5891.

Mayor Cleworth called for Public Testimony and, hearing none, declared Public Testimony closed.

A ROLL CALL VOTE WAS TAKEN ON THE MOTION TO ADOPT ORDINANCE NO. 5891 AS FOLLOWS:

YEAS: Eberhart, Gatewood, Stiver, Hilling, Matherly, Roberts
NAYS: None

Mayor Cleworth declared the MOTION CARRIED and Ordinance No. 5891 ADOPTED.

NEW BUSINESS

- a) Ordinance No. 5892 – An Ordinance Updating Fairbanks General Code Sections 2-685 and 2-686 Language Concerning Qualified Financial Institutions and Safekeeping and Collateralization of Deposit-Type Securities. Introduced by Mayor Cleworth.

ADVANCED on the CONSENT AGENDA.

- b) Ordinance No. 5893 – An Ordinance Repealing Fairbanks General Code Sections 2-731 through 2-736 Regarding the J.P. Jones Community Development Investment Fund. Introduced by Mayor Cleworth.

ADVANCED on the CONSENT AGENDA.

- c) Ordinance No. 5894 – An Ordinance Authorizing the Extraterritorial Extension of Fire Suppression Services by Contract to Property South of Van Horn Road and East of Easy Street. Introduced by Mayor Cleworth.

ADVANCED on the CONSENT AGENDA.

- d) Ordinance No. 5895 – An Ordinance Approving the Conditional Transfer of Natural Gas Utility Power to the Fairbanks North Star Borough. Introduced by Mayor Cleworth.

Mr. Hilling, seconded by **Mr. Eberhart**, moved to ADVANCE Ordinance No. 5895.

Ms. Stiver spoke to her hesitation with giving the Borough the utility power. She emphasized the importance of attending the Joint Work Session in North Pole on September 25, 2012. She spoke to the local municipalities, state agencies, state representatives and residents coming together and making an informed decision as a unified group. **Ms. Stiver** expressed her desire to see a proposed list of the Board of Directors for the Borough utility. She encouraged fellow Council Members to wait until October 8, 2012, to vote on Ordinance No. 5895.

Mr. Roberts asked **Ms. Stiver** what she envisions happening at the Joint Work Session and why it carries enough weight to postpone Ordinance No. 5895. He also questioned why the Joint Work Session was scheduled for the day immediately following the Fairbanks City Council Meeting of September 24, 2012.

Ms. Stiver replied that the City of North Pole scheduled the Joint Work Session as a part of their regularly scheduled Finance Committee Meeting and invited other entities and bodies like the Fairbanks City Council to attend. She indicated that it may be difficult to reschedule it for an earlier date because state officials and agencies have already been invited for September 24, 2012. **Ms. Stiver** spoke to the importance of hearing from all sides of the issue and getting unique perspectives. She again stressed the significance of a unified community moving forward

to accomplish a goal and stated that the LNG plant and distribution project is an enormous undertaking that would have long-lasting economic effects on the Fairbanks community.

Mayor Cleworth asked the Council if any of them had been approached by the Lowell Group.

No Council Members responded affirmatively.

Mayor Cleworth stated that he had seen the Lowell Group's presentation for the first time today and commented that it is an interesting concept worthy of consideration.

Mr. Hilling agreed with Ms. Stiver's cautious approach to the issue.

Mr. Hilling, seconded by **Ms. Stiver**, moved to AMEND the Advancement of Ordinance No. 5895 to the Regular Meeting of October 8, 2012.

Mr. Gatewood stated that he may not be able to attend the Regular Meeting of September 24, 2012, or the Joint Work Session on September 25, 2012. He expressed his support for the motion to advance Ordinance No. 5895 to the Regular Meeting of October 8, 2012, because he would still like to hear the discussion of those meetings.

Mr. Matherly stated that he would be out of town the week of September 24, 2012, but that he would still like to attend the meetings telephonically. He stated that he will be physically present for the Regular Meeting of October 8, 2012.

City of North Pole Mayor Isaacson confirmed that the Joint Work Session would be recorded. He stated that the North Pole Chambers has limited telephonic capabilities with only one phone line, which has already been offered to the Borough's bond council. Mayor Isaacson listed numerous individuals and entities that have been invited to the Joint Work Session.

Mr. Gatewood suggested using the "meet me" system to accommodate more callers.

Mr. Hilling asked for clarification on the motion on the floor.

Mayor Cleworth replied that the motion on the floor is an amendment to the motion to advance. He indicated that discussion on both the motion and Ordinance No. 5895 would be appropriate.

Hearing no objection from the Council, **Mayor Cleworth** ordered the main motion amended and for the roll call to be taken on the motion to ADVANCE Ordinance No. 5895 to the Regular Meeting of October 8, 2012.

A ROLL CALL VOTE WAS TAKEN ON THE MOTION TO ADVANCE ORDINANCE NO. 5895 TO THE REGULAR MEETING OF OCTOBER 8, 2012, AS FOLLOWS:

YEAS:	Matherly, Hilling, Roberts, Stiver, Gatewood, Eberhart
NAYS:	None

Mayor Cleworth declared the MOTION CARRIED and Ordinance No. 5895 ADVANCED to the Regular Meeting of October 8, 2012.

DISCUSSION ITEMS

Committee Reports

Local Improvement District (LID) Ad-hoc Committee – **Ms. Stiver** summarized the Committee's progress in drafting a recommendation to the Council for the creation of a Local Improvement District in Downtown Fairbanks. She spoke to the two ordinances that are being discussed by the Committee: one that would allow for a non-profit and the other that would create the LID.

Fairbanks Convention & Visitor's Bureau (FCVB) Board Meeting – **Mr. Hilling** stated that the Board did not meet during the summer and just resumed with the meeting in August. He stated that he will provide a report of the meeting to the Council at the Next Regular Meeting.

COMMUNICATIONS TO COUNCIL

- a) Local Improvement District Committee Meeting Minutes of July 27, 2012.

ACCEPTED on the CONSENT AGENDA.

- b) Local Improvement District Committee Meeting Minutes of August 3, 2012.

ACCEPTED on the CONSENT AGENDA.

- c) Public Safety Commission Meeting Minutes of May 8, 2012.

ACCEPTED on the CONSENT AGENDA.

- d) Public Safety Commission Meeting Minutes of June 12, 2012.

ACCEPTED on the CONSENT AGENDA.

- e) Appointment to the Chena Riverfront Commission.

APPROVED on the CONSENT AGENDA.

COUNCIL MEMBERS' COMMENTS

Mr. Matherly thanked everyone for allowing him to attend the meeting telephonically and acknowledged all those who testified in the evening's meeting. He spoke to the tremendous cost of energy in Fairbanks and stated his support for Ordinance No. 5895. He wished Mayor Cleworth good luck with the upcoming City Hall Open House and stated that he will not be able to attend. **Mr. Matherly** commented on the Annual Pig Roast that took place at City Hall and

thanked Amber Courtney and Vivian Stiver for all their hard work in organizing the event. He expressed his regret that Dick and Jo Scott, long time Fairbanks residents, would be leaving the Fairbanks area.

Mr. Hilling referenced Ms. Hutchison's earlier comment in reference to the transfer of utility power that, "we do this or we do nothing." He stated that other solutions may be available, but agreed that Ordinance No. 5895 may be the only route to a sure and fast solution to the energy problem. He spoke to how the Fairbanks community is suffering due to the high cost of energy. **Mr. Hilling** discussed the option of allowing FNG to operate the utility privately and spoke to his confidence in Mr. Britton's testimony. He indicated that he is looking forward to the Joint Work Session with the North Pole City Council and stated the significance of the decision on whether or not to transfer utility power to the Borough. **Mr. Hilling** apologized for missing the last Council Meeting due to his attendance at his brother's wedding reception out of town. He stated that he forgot to call and schedule his absence ahead of time.

Mr. Eberhart expressed hope that there wouldn't be much else on the October 8th agenda aside from Ordinance No. 5895 due to the heavy weight and discussion of the natural gas issue. He stated that he is keeping an open mind on the matter and voiced his frustration with how long the issue has been drawn out. He stated that there has been lots of competition among entities involved in the process, but not much cooperation. **Mr. Eberhart** spoke to the proposed merger of the Fairbanks Downtown Association and Festival Fairbanks and wished them well in the process. He commented on the positive contributions that both organizations make to Downtown Fairbanks.

Mr. Gatewood commented on the public turnout at the meeting and on the opinions of those who spoke during Public Testimony. He indicated that he is afraid to do something and afraid to do nothing. He stated that it is nice to see all the proposed options that have come to light because of the Borough's request for a transfer of utility power. **Mr. Gatewood** spoke to FNG's efforts to bring affordable natural gas to the Fairbanks community and agreed that they alone cannot accomplish the task. He spoke to the longevity of the energy problem and commented that the Borough utility may be a good option to unify the community to solicit the best response from the state legislature. He acknowledged the urgency of the issue, but stated that he is willing to wait in order to make a more informed decision.

Mr. Roberts also spoke to the urgency of the issue and agreed that it would be beneficial to wait another meeting before making a decision on Ordinance No. 5895. He stated that the Fairbanks community is suffering due to high energy costs.

Ms. Stiver commented on the complexity of the natural gas issue. She cautioned that if the distributor does not sell enough gas, it will not be affordable for consumers. She added that the public's expectation of what is "affordable" has not yet been established. **Ms. Stiver** stated that, if the City chose to create the infrastructure to do a build-out, it would supply gas to the edges of City limits and allow the Borough to tap into the utility from those points. She expressed her appreciation that the Council agreed to postpone Ordinance No. 5895 in order to attend the Joint Work Session; she thanked the City of North Pole for inviting the Fairbanks City Council to attend that session. She spoke to the importance of a unified plan and to the weight such a plan would carry with the Governor. **Ms. Stiver** commented on the success of the City's Pig Roast

and thanked the 9-year-old boy who raised the pig. She expressed her intent to continue the annual event in future years.

Mr. Ewers reminded the Mayor and Council that Deputy City Attorney, Dave Burglin, would be taking his place at the September 24, 2012, City Council Meeting.

ADJOURNMENT

Mr. Hilling, seconded by Ms. Stiver, moved to ADJOURN the meeting.

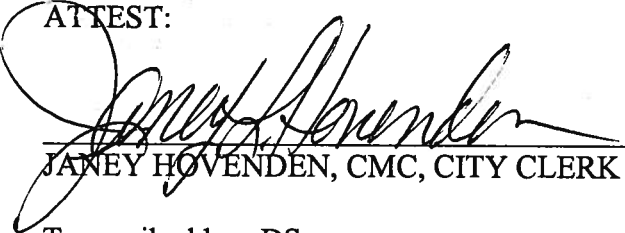
Mayor Cleworth called for objection and, hearing none, so ORDERED.

Mayor Cleworth declared the meeting adjourned at 10:30 P.M.



JERRY CLEWORTH, MAYOR

ATTEST:



JANEY HOVENDEN, CMC, CITY CLERK

Transcribed by: DS