

**CITY COUNCIL & PLANNING & ZONING COMMISSION
JOINT WORK SESSION
JANUARY 5, 2010 @ 7:00 PM
LIBRARY MEETING ROOM
MINUTES**

A. CALL TO ORDER

Mayor Joyce called the Joint Work Session to order at 7:00 pm on January 5, 2010 in the Library Meeting Room.

B. ROLL CALL

Present were *Mayor Tim Joyce*, Council members *James Kallander, David Allison, Bret Bradford, David Reggiani*, Planning & Zoning Commission Chairman *Tom Bailer*, Commissioners *Andrew Craig, Don Sjostedt, John Greenwood* and *David Reggiani*. Also present were City Manager *Mark Lynch* and Deputy City Clerk *Susan Bourgeois*. Absent from the meeting were Council members *Robert Henrichs, EJ Cheshier, James Kacsh*, and P&Z Commissioner *Lauren Padawer*.

C. COMMUNICATIONS AND PETITIONS FROM VISITORS

1. Audience Comments regarding agenda items – None.

Council member *EJ Cheshier* arrived at 7:04 pm and Council member *James Kacsh* arrived at 7:05 pm.

D. WORK SESSION TOPIC

2. Discuss AIGCO plans for a gas utility in Cordova

Mayor Joyce introduced *Paul Rusanowski* and *Frank Avezac* of AIGCO and asked if they had others via teleconference as well. *Avezac* said others would be calling in. *Mayor Joyce* then turned it over to *Mr. Rusanowski* to speak.

Rusanowski stated that they were looking for an industrial location at the waterfront to locate the send-out facility and storage tank farm needed for the gas utility. He said the best location they have found is near the existing fuel dock and ferry terminal and it would require building a new pad abutting the existing fill pad. The extension would be about 450 feet by 350 feet amounting to approximately 3.6 acres. Approximately 360,000 gallons of fuel storage would be at this location along with office space and a maintenance facility. He termed this as a compact and convenient location. He said they have put forth this plan to the Planning and Zoning Commission, but there are a few actions that the City would need to approve in order to coordinate this. First, they would need approval from the City (i.e. the allowance of this project to move forward), and second, a rezone of the tidelands where the

fill is anticipated to take place from Conservation to Industrial. **Rusanowski** went on to explain that secondarily, there would be need for mineral rights in the Fleming Spit area in order to have a source of the rock needed for the fill project. Approximately 120 – 150 thousand cubic yards of fill would be taken from that area. He said that might mean an area of 5 or 6 acres of land would be brought down to road grade in order to supply the amount of fill material necessary. He said that the Fleming Spit material would probably not suffice for the armor layer so that portion of material would come from the rock quarry at 17 mile. He said that the tanks themselves would be about 12 – 15 feet above grade, with the rest being buried. **Rusanowski** said that AIGCO would undertake the permitting for the facility, but would only begin that process after they had control of the land with the zone change.

Kallander inquired who would own the land after it was developed. **Rusanowski** stated that they proposed to have the utility own the land, with a covenant that if the utility abandoned the land for any reason, it would revert back to the City. **Mayor Joyce** clarified that it was the rock quarry land they were questioning. **Kallander** agreed, and stated that he presumed that AIGCO would want the rock for free. **Rusanowski** agreed, and stated they would also like to obtain a mineral lease for that rock. They would leave the quarry area in a safe closed state. **Mayor Joyce** elucidated that they only wanted the rock, and that when they finished with the quarry, it would still be City land. **Rusanowski** concurred; they only wanted the fill pad to put their facilities on. Specifically, to have ownership, in the name of the gas utility, with a covenant stating the transfer from the City, and that it could only be used for gas utility purposes. If they ever stopped using it for those purposes, the title would revert back to the City. **Kallander** stated that in the agreement there should be language that basically stated it was in working order and servicing Cordova, and if not, it would revert back to the City. **Rusanowski** agreed, and further stated that if not all of the land they requested for the facilities is used, that portion would go back to the City. **Bradford** asked why they needed a mineral lease. **Rusanowski** stated that preliminary talks with City indicated that it would be the most expeditious method. If there was another mechanism, they would be willing to do it.

Mayor Joyce asked Sjostedt if he was aware of what the rock was like in the proposed area. **Sjostedt** replied that it was not suitable for riprap, but would work fine for what AIGCO was proposing to do.

Kallander inquired where the funding was coming from. **Rusanowski** replied that they were pursuing several sources, mainly private, and were not prepared to release details yet. **Avezac** replied he was the Chairman of the Board for AIGCO. He stated that the money would be coming from private investors, and they would reveal their sources once the land comes into their purview. There are two banks, Wedbush and another one that does not wish to be revealed yet. Other sources are private Alaskan investors, with Wedbush as the underwriter. **Kallander** asked to see a budget. **Avezac** stated that they have already sent a budget, and **Rusanowski** stated that they could resend it to the City if needed. **Bradford** stated that he agreed with Kallander, in that he would like to see a budget, as well as a detailed business plan.

Bailer stated that his comment was for the Council. He asked if there was a down side to having them mine out all this rock, and add 3 acres to the industrial zone if they fail. **Kallander** stated that there certainly was not a problem with that, but that the City just had to make sure that they don't provide the zoning, tideland, and rock for the fill, and not end up with the property if the utility fails. He further stated that he doesn't like the idea that the utility owns the land. He would be more comfortable with them leasing the land at a dollar a year, or something similar. He just wants to make sure the City is protected.

Craig stated that he saw on their website that they are looking at 17 communities to set-up the utility. He inquired how they were doing in those communities. **Rusanowski** stated that Cordova is the first City that they want to develop. They are in the initial stages with about eight other cities however. Cordova has an advantage in that there can be storage locations right next to the water. In addition, the energy costs are at 273% of the national average, so there are grant opportunities available. **Craig** noted that he saw that AIGCO was going to provide free hook-up for people within 75 feet of the line. **Rusanowski** confirmed that was correct. It only applies for this community so far. For all residential hook-ups, they would provide free hook-up, and a free conversion of their existing furnaces to utilize gas. They will provide this service up to Eyak River, the municipal airport, Orca Lodge, and out Whitshed Road, but probably not to the end of it at this point. The airport will have a satellite set-up.

Rusanowski stated that the utility is set-up for natural gas that will run on a propane-based mixture. Once the utility is in place, other options can be explored. In Cordova, these might be biogas from sewage or seafood waste, leached gas from the old garbage dump, or wood digestion. There is a gas field in Katella that could be a potential source in the future.

Kallander asked if Rusanowski had researched at what point the land in question was zoned conservation. **Rusanowski** replied that he did not know that. His concern was purely in permitting, in that if he went to Federal or State agencies to get the project approved, it would be nearly impossible with the current zone status. That is why he suggested the land status be changed, as part of the proposed action to obtain the land. **Cervenka** stated that there may be potential problems with changing the status, based on what stipulations were in place when the City took ownership.

A few Council members expressed concern that if they allow the gas utility to be placed there, and Samson was unwilling to sell part of their land on the other side, then the City would be short on land in that area next to the new boat haul out. **Kallander** stated that P&Z could look at the area across the street from the proposed utility site to consider that as the rock quarry, which would provide additional space in the area once it was developed. **Allison** stated for the record a few of the downsides of the proposed project. One being, that an area where people fish every August and September becomes non-public property and unusable. In addition, they plan to fill the area at a time when hundreds of people are fishing. Their trucks will be going by all day, so there are logistics and safety concerns to figure out. However, he would like to see the project go through, despite some of his concerns, such as the budget, and an aggressive schedule to pipe the town. **Rusanowski** replied that they have discussed the existing public uses of the area. He stated that there are two issues. One is that

they need a secure facility, and the second is there is an existing public use. Within the overall design however, they don't see a problem in creating an extra public easement that allows fishing to continue, and allows AIGCO to proceed without compromise to the use of the pad. Extra land would need to be included into the design to compensate. **Bailer** stated that P&Z is looking at that, and could actually enhance the area for the fishermen.

Cheshier stated that a serious question was whether they are interested in expanding 100 or 200 feet for their own uses. **Mayor Joyce** stated that it is something that they should look into as they proceed, as to what the costs would be to add another 100 feet. **Rusanowski** stated that by doing that, it might change their plans because of the surface use. They are locked into 3.6 acres for their current design. Beyond that, they would have more flexibility.

Mayor Joyce stated that there is a lot of fishing activity in that area that would need to be considered. **Kallander** stated again that P&Z should look at developing the hillside across from the fill area. There could be potential to put a road in, and it's something the City has always talked about.

Mayor Joyce stated that a gas utility would do several things. It would give the community a choice, either gas or diesel. He stated that gas is more efficient and has cleaner emissions. If the numbers are accurate, with a 20-50% reduction in heating costs, that would be a huge benefit for the people. There are variety of things that make this beneficial. He stated that the Council should move forward with it. **Bradford** agreed with Mayor Joyce. He was however unsettled that they had not seen a business plan for Cordova, and would not reveal their financial sources. Considering that they are proposing to come into Cordova, and rip up all the streets, he would like to know that they have the financial background to complete the project to the City's standards. **Rusanowski** stated that there was a step regarding regulated utilities that they had not yet discussed. If they are to proceed with the project, and before they can build out, they need to go back to the Regulatory Commission of Alaska (RCA) and present a detailed budget and plan to them that demonstrates that the concerns that Bradford has will not happen. They need to show that their costs, engineering, equipment, and construction schedules all will result in a functioning utility. If they cannot prove that, RCA would not allow it to happen. **Bradford** stated that procedure alleviated some of his concerns. **Allison** asked if they needed to go through the procedure where the land is put up to bid for thirty days, or if they would negotiate directly with AIGCO. **Mayor Joyce** stated that the first step would be with the Planning Commission to decide if the area is going to be rezoned. Once that decision is made, they can look at their Code and see if the City can negotiate directly. In this case, it would be a little different from past cases. **Kacsh** asked if AIGCO was going to use the land as collateral for financing. **Avezac** stated that they would not use the land as collateral. All they need is land to put the tanks on. If the utility were not established, it would go back to the City. **Cheshier** stated the question for the Council and P&Z to think about is whether the City should add some of their own land in there, and to also think about dipping into the Permanent Fund when deciding on where to get the rock fill. **Bailer** stated that P&Z could really enhance the area for recreation as well as the gas utility. For clarification, they will be looking at the zoning aspects, travel on the road, and the rock quarry. They won't be looking at the business plan or anything else.

Lynch asked for clarification on how the City is to proceed, whether they should rezone all the way to the creek coming out of Hippie Cove. *Mayor Joyce* stated that would be too far. He stated that there was a road that leads into some residences, and it needs to stop before that. *Lynch* stated that on the map, they should plan on going as far as the white area. *Mayor Joyce* agreed. *Lynch* stated he would start working on that with the Planning Department.

E. AUDIENCE PARTICIPATION

Connie Benell, Orca Road, asked if they had a facility anywhere else. *Rusanowski* replied that they didn't. *Benell* asked why Cordova was chosen first. *Avezac* replied that Cordova was unique because it has all the energy resources available to put in a gas utility. Gas is available in Valdez and Whittier. In addition, the old landfill leaches gases, as well as the City having ladder fill. *Benell* questioned the track record of a company that has never done this. *Rusanowski* replied that the track record falls back to the qualifications of the team. Nowhere in the State of Alaska has there been an attempt to bring gas utility to rural areas to solve energy problems. They are the only company even attempting to do so. To accomplish this, they have put together a team of engineers and scientists that have done the same project elsewhere. Smith and Norrington, which is now Zepp & Associates, have been doing this for forty years. They have installed, operated, or designed virtually every facility in North America related to these operations, either directly or indirectly. AIGCO has spent many years recruiting the expertise of people who have done this elsewhere.

Rusanowski stated that Cordova has many advantages that make it a good number one opportunity. Part of it being that it has a fairly large community with a horrendous energy cost. It's the only city in North America with such a high cost of energy. AIGCO applied for a grant from the Federal grant, which they did not receive, but were ranked number four out of 73 projects. There were eight projects awarded in Alaska that were ranked lower than theirs. They didn't receive it for political reasons.

Benell asked if they knew how many households needed to be on the line to be economically viable. *Avezac* replied that they needed 55% of the gas load to sign up to be economically viable based on the volume of fuel that they would deliver and sell. If they didn't receive 55%, they would have to run the numbers again, and see if they are making a profit. The RCA requires them to make a profit. *Benell* asked what the contract would be for buying fuel from AIGCO. *Avezac* replied that as a homeowner, there is no contract. However, they would be the only ones that supply pipeline gas because they hold that certificate for Cordova. *Benell* asked how it would work once fuel became available in Alaska for use. *Avezac* replied that currently their gas supply comes from Canada. However, they are obligated to buy the most cost effective gas for the cheapest rates for their customers within contractual obligations. If they were under contract, they would have to wait until the contract is up. However, they think the cheapest source is the community itself. They encourage the community to develop their own gas out of the resources that they have, be it the garbage, tree waste, or the sewer. They will buy that gas from the community first. If the community cannot supply it, they would bring in the next cheapest option. If the Alaskan pipeline is built, and it's the cheapest option, they would switch to that. Furthermore, they

would never be under contract for more than five years, so the ability to switch is relatively easy. **Benell** asked if the public had a say in how long the contract would be for. **Avezac** replied that they would not, because that is determined by the suppliers. They would have a say in the cost of billing and the assumption of risk however. **Benell** asked **Avezac** to restate who their partner is that has experience running this type of facility. **Avezac** stated that their name was Zepp & Associates. **Rusanowski** stated that they have an MOU with them. They have installed propane air and propane LNG natural gas systems all around the United States. They will be the operator as well as the builder of the gas utility structure. **Rusanowski** then referred back to her first question, which was, what makes them qualified. **Rusanowski** stated that the RCA qualified them based on their ability to assemble a team of qualified people to build, design, construct, and operate the utility. There are multiple facets of a gas utility. AIGCO holds the certificates, Superior Propane are the suppliers, Samson or Lynden will do the marine hauling and barging, and then there's the storage and operating facility that will be owned by AIGCO.

Kristin Smith stated that she has a few things that she would like to state to the Council. She referred back to when Whitewater construction came into Cordova and sold a bill of goods. She doesn't necessarily think the gas utility is a bad idea, she would just like to have references checked and due diligence done. She stated that she thinks California and Washington have had some major problems with liquid natural gas, and would really urge some in-depth research. Furthermore, she stated that she was on Council when the City obtained the proposed site. The whole point of obtaining that land was to develop Shelter (Hippie) Cove as a recreational site. That is why it has that conservation zoning. She would like the City to realize that it is a radically different approach than what it was intended for. Lastly, she stated that the City needs to think about what they do to their waterfront. The City keeps developing it industrially, and then going back and having to fix it. The City makes a mess, and then has to go back and spend millions to fix it. **Smith** stated that the gas utility isn't necessarily going to be a mess, but a big industrial tank farm is not the first thing that people want to see when they approach Cordova from the water. She urges the Council to think about other options. In addition, she states that the City should do mitigation for that recreational area. What she would like is a walkway for the fisherman, or pier access for halibut fishing in deeper water. Also, if the fill does go in, there should be a green visual screen and required vegetation so that it makes it a little more visually attractive. **Mayor Joyce** stated those were good comments, and should be stated at the P&Z meeting as well.

Jason Borer asked if AIGCO had any numbers on how much gas could be created locally in Cordova. **Rusanowski** replied that it was a hard to put an exact number on that because it depends on a few different things. AIGCO included \$200,000 in their application to the State for researching gas potential within the community. The area that is most economically viable currently is wood waste. There is big potential for making gas out of wood. The garbage waste stream is also an option, but is problematic in composition with an erratic digestion process. The most potential is reached from wood or fish waste for producing gas in town. Garbage is viable if it is put into a landfill pipe operation, which would require certain technology. **Borer** stated that he would like to require a local hire preference for any work done with AIGCO. **Mayor Joyce** stated that was a good point. **Borer** asked if there was any way that there could be an email list to keep people abreast of meetings and such.

Mayor Joyce stated that the City does not advertise that way. The City advertises at the Post Office, the Library, the scanner, and the agenda is posted on the web. *Cervenka* stated that this issue is probably going to be on the P&Z agenda for the next six months, so feel free to call and ask.

Mayor Joyce thanked Paul and Frank for speaking and the audience for their participation.

F. ADJOURNMENT

M/Allison S/Bradford to adjourn the meeting.

Hearing no objection, *Mayor Joyce* adjourned the meeting at 8:47 pm.

APPROVED: March 3, 2010

Attest: *Erika Empey*
Erika Empey, Deputy City Clerk

