

# Gas utility could be costly

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The Borough Assembly will be considering an ordinance to establish a government gas utility Thursday night, following decisions by the cities of North Pole and Fairbanks to cede their utility powers to the borough.

There are two main arguments the proponents bring forth for a borough gas utility. The first is the governor's stated need for a unified front, and the other is the tax-free abilities of a municipal utility.

The governor did state that Fairbanks needed to unite on a gas plan, but never specified the form. There are many ways that the community could unite on a solution. One example could be, as pointed out by the attorney at the work session last Thursday, that the borough could accept "limited" utility powers just like they did for health and social services. That would allow the borough to accept grants and allocate them appropriately. The councils and assembly also could pass resolutions to get behind the Lowell Group's plan. Still another would be Golden Valley Electric Association, Fairbanks Natural Gas and Flint Hills working out their differences and presenting one agreed-upon course of action.

The one valid point made by the proponents is that the utility would have tax-free advantages. However, there are extra costs, in both money and time, associated with government operations that I believe will nullify these advantages.

The most obvious cost is the extra time and money another layer of bureaucracy will cost us. The borough right now is looking at an initial funding of \$350,000 plus unlimited help from borough staff and administration, which anyone who has seen other interfund charges in the borough knows can amount to hundreds of thousands of dollars itself.

There is also the well-established fact that government is slower at getting things done than private enterprise is; this utility will slow down the build-out of our gas distribution system.

There are also additional costs of regulation from government funding that will greatly increase the costs of construction.

An important aspect here is that two of the funding mechanisms that have been tossed about, general obligation bonds and revenue bonds, will both put the borough on the hook, liable for those debts.

General obligation bonds, of course, are always backed by the borough after being voted for by the people.

Revenue bonds, to have a decent interest rate, have to be backed by revenue. But since the utility won't start with any revenue, the bond counsel at the work session said, it would be important for these to be

guaranteed.

The proponents hope that the state will back these up, but there is no assurance that it will. That would mean that the borough taxpayers would be on the hook.

An important thing to note for the city of Fairbanks is that the proponents have said the utility is for outside the existing FNG service area, i.e. the city. Therefore, in those bonding cases, the city taxpayers will be paying for and-or liable for the gas distribution system that they will not be getting any benefit from.

The largest problem with the borough utility is that the authors have put no restraints in the ordinance. The proponents have stated they intend for the utility to just “implement and facilitate,” but yet have refused to restrict the language to ensure that it stays within those bounds. The U.S. Constitution was designed specifically to restrain government and specifically enumerates powers. All good law is similar in that it sets up the constraints under which government can function. The text of the proposed borough ordinance would give the utility “the power to acquire, own, and operate a natural gas utility includes, without limitation, the power to acquire, own and operate distribution, transmission, and transportation-related facilities and pipelines and conditioning facilities as well as all powers necessarily or fairly implied in or incident to that purpose. Such powers are intended to be broadly construed.”

We’ve already seen how these types of things can go bad. We’ve had public utilities that ended up not being able to control their costs and had to be sold off. We’ve had the port authority disaster, where we now have a public entity so far off of its original mandate that it is now spending public money to influence elections. It is critical that some constraints be put on the proposed borough utility. Please send input to the assembly at [assembly@co.fairbanks.ak.us](mailto:assembly@co.fairbanks.ak.us).