

Gas line points to low bills — Anchor Point savings spurs renewed effort for natural gas extension

By Naomi Klouda



Photo courtesy of Homer Tribune. Jesse Clutts, owner of the Anchor River Inn, has been enjoying a reduction in bills since switching to natural gas from propane.

Homer Tribune

At the Anchor River Inn, the grills in the kitchen used to be hooked up to propane, an expense that made every pot of soup and hamburgers cost that much more.

At the end of November, owner Jesse Clutts shut down the restaurant.

“We shut down for that week, then we were able to go in and change out to new equipment. Using propane in the kitchen was our major expense,” Clutts said.

December’s bill brought Clutts the equivalent of a Christmas gift. From paying \$2,000 a month for propane, his bill went down to \$500 a month with natural gas.

“It was exactly as they said it would be; we dropped our costs in one month,” he said.

Buzz Kyllonen, owner of the Alaska State Troopers building that is shared by dentist Jeff Bartley, also made the switch. Last October, he took advantage of Enstar’s new pipe running past his building on the Sterling Highway in Anchor Point.

The 4,000- to 5,000-square-foot building is now heated by natural gas, including water. The conversion for the heating was about \$1,200.

“We had radiant floor heat fired by propane boilers that we converted to natural gas,” Kyllonen said. “I was so grateful to transfer from propane to gas. I’m seeing about a 75 percent savings.”

A few streets down, Fritz Milo Road, north and south, have agreed to a limited improvement district to fund bringing the line to those streets from the main line on the highway. That hookup is said to begin in May.

“That’s a large population of Anchor Point. The LID was relatively inexpensive, the primary cost was \$2,300 per property owner, over 10 years at no interest,” Kyllonen said. Residents are to expect the LID to cost \$230 per year.

At the Anchor River Inn the cost of paying for the natural gas line and installation will be paid for in a little over a year, Clutts calculates.

“That’s an excellent return on an investment. I’m paying 25 percent of what I was paying before,” he said.

Dan Rickard, owner of Sleepy Bear Cabins for the past 10 years, said he put in new curtains, new heating and natural gas in October.

In November, his first bill showed up in the mail as \$200 — a far cry from his normal \$800 propane bill.

“That’s a savings of four to one, or 25 percent of what I was paying. I base that on my November bill, and that was a cold month,” Rickard said.

Rickard owns three cabins and lodging of two units, along with a wash house, all now converted.

“I paid out of pocket to change six water heaters, to the tune of \$4,200 for the three cabins, two more rooms and my wash house,” he said.

Then he changed parts for five Rinnai stoves — “You don’t have to buy new ones, but you have to change parts and do a certain kind of service work on them,” he said.

All told, Rickard paid \$8,000 to \$9,000 for the entire conversion — hookup to the distribution line, changeovers for appliances and water heaters.

“But you have to remember,” Rickard said, “I’m saving so much over the course of the winter that I can almost pay that back in the course of a year. I believe you’ll pay it back in almost one season.”

That’s because his payout for natural gas saves him the \$7,500 he paid for in propane previously.

From a businessman’s standpoint, Anchor River Inn owner and real estate investor Kyllonen is in agreement with Rickard.

“I can completely understand how businesses moving into the area will find that utility costs are going to be hugely affected, if they have access to something that changes their entire cost structure and overhead,” Clutts said. “Suddenly, it’s a much better place to do business.”

Next, the Anchor River Inn will need to replace a boiler system before heat can be converted in the rooms. Clutts finds that the cost differential between heating oil to natural gas isn’t the same as

propane to natural gas. But it, too, will make a difference when the Anchor River switches over this spring, he said.

The problem with stove oil and propane is constantly fluctuating prices that hinder businesses from planning ahead, he said.

“If you stay where you are, it’s only going to get worse. Oil and propane have rates that are almost subjective. They aren’t regulated or controlled like natural gas is,” Kyllonen said. “I consider it a no-brainer. I wish I could have done it years earlier.”

Kyllonen believes that if Homer businesses calculated out their savings, they would create an avalanche of demands that would pressure the state to build a gas line extension farther south from Anchor Point.

“It’s an amazing savings. The monthly rate isn’t regulated — you won’t see those fluctuations,” he said.

Gas: Officials hope 3rd time charms governor

By Naomi Klouda

Homer Tribune

Kachemak City Mayor Phil Morris is looking for help circulating letters to business owners in the campaign to gain the natural gas line to Homer from Anchor Point.

There are two primary needs, Morris said. One is for volunteers to join a local task force and talk with the more than 400 business owners in town about the potential economic impact of less expensive fuel. The need is for local businesses to tell their stories in letters addressed to Gov. Sean Parnell about the impact access to natural gas should have on their bottom line.

The other need is for businesses and community leaders to write letters. Morris, owner of Alaska Ferry Adventures, wrote of his experience: “The proposed gas line will directly affect us by saving several thousand dollars per year, which is significant when you are operating on the slim profit margins that are common in our business,” his letter reads. “We employ eight local people year round in Homer and any cost savings we can make enhance our ability to continue in business as the economy falters.”

Funding for a \$10.6 million Homer area natural gas line project will be pursued in Juneau during this legislative session. Due to the governor’s request for more financial buy-in on the part of residents, Rep. Paul Seaton is talking with Enstar officials and the Regulatory Commission of Alaska about a \$1 tariff that would be charged per 1,000 cubic feet of natural gas. This would be charged to consumers over a 10-year period, resulting in minimal customer fees but together representing \$2.5 million of the construction costs of the pipeline. This would reduce the amount asked of the state of Alaska to \$8 million.

“This is an existing tariff applied for in 2003 for a gas line to service Homer. This was approved by the RCA, so it’s a mechanism that has been there for us to use, though we hadn’t discovered it until last fall,” Seaton said. Through the tariff, Enstar would front the \$2.5 million for the project, and collect it over the next 10 years from consumers.

The next step is that “the RCA chairman will explain to the Legislature and the governor about this tariff already in existence, that it hasn’t been used but it could be used. That’s what we are looking forward to,” Seaton said.

Enstar generated the numbers based on the volume-of-use calculations for what is anticipated to go through the transition line. The 10 years is a maximum amount of time anticipated, Seaton said. “If the \$2.5 million were paid back sooner, then the tariff would go away sooner,” Seaton said.

Kachemak City residents voted to levy a special mill rate to fund the distribution lines to homes. Homer City Council was expecting to take up the discussion for funding distribution once more is known about the pipeline.

Seaton said the \$1 cost to consumers means the anticipated 50 percent in savings would actually be 38 percent savings, calculating in the 12 percent for the tariff.