

**Tongue River Valley Joint Powers Board**  
**Tour and Meeting with Steve Shute**  
Meeting Minutes

*November 13, 2013*

*Present:* Peter Clark, Norm Anderson, Karen Walters, Randy Sundquist, Joey Sheeley, Linda Lofgren, Jeremy Smith, Bob Wood, Dennis Wagner, Doug Lofgren, John Patton, Steve Shute, Hannah Wiest

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On November 13, 2013, we took a tour, with Steve Shute, of possible routes for the natural gas pipeline. We conducted a workshop that night to discuss the feasibility of the pipeline and what our next steps should be.

Steve started the workshop by giving a summary of his background with Kentucky Frontier Gas, LLC (KFG), which he co-owns: Pinedale Natural Gas was their first solo project, with 1300 hundred customers. Their other project in Wyoming is actually owned by the Town of Walden, CO. Walden took over the system that had been in place since the 1960s. 600 original customers assumed the debt to extend the line into Wyoming in order to connect to a trunkline. 350 customers were added to that line (very analogous to what the TRV JPB is trying to do) and KFG contracted with Walden and now operates the line.

He agrees that the JPB is the best way to complete this project; a JPB will have avenues of funding that will keep costs down by allowing members to apply for state grants and low-interest loans. Private companies like KFG and MDU can't do this. The natural gas pipeline has the potential of having a huge, positive impact on the communities; there are few projects that can put \$1000 back, year after year, in every home that now relies on propane.

He talked for a while about the cost of gas in Pinedale vs. TRV, the conversions used to do cost comparisons to propane and electricity, and the difference between using an older, in-place system (Pinedale) vs. installing new line to serve the TRV. In short, it's conceivable that gas delivered to homes in TRV would likely be, and remain, at or below \$1.00/propane gallon equivalent. Depending on where the line ties in (WBI line vs. MDU), we could conceivably get that number down a little, but we'll have to find out if we can tie in to the WBI line behind the Holiday Inn and then run line along the interstate, or if paying a little more and tying into the MDU line at the Rock Stop makes the most sense initially.

There are two possible tie-in points at Town Border Stations (TBS) on the east side of Sheridan. One is at the Holiday Inn and the other is on the west side of the interstate, west of the Rock Stop. From either of those two starting points, the high-pressure transmission line (200-250 lbs.) could go one of two routes: 1) out Decker Road, to the Port of Entry, and along the old highway to Ranchester or 2) 5<sup>th</sup> Street to Skeels St., to Kittering Road, to Fort Road, out Midland Road, to Keystone Road, and terminating at the junction of Dayton East Road and Wolf Creek Road. From there, the 50-60 lb. distribution lines would continue service to Dayton and Ranchester.

Steve's personal criteria for a threshold at which the line would pay for itself is the equivalent of 600 houses (60,000 decatherms a year). Between the homes, business, municipality buildings, and the schools, we should be able to easily meet that requirement.

Steve then turned it over to a question/answer/statement period.

Jeremy Smith: SLIB money is a definite possibility, but the wording doesn't specifically include uses for natural gas utilities. Rosie Berger wants to add legislation to allow us to compete for SLIB funds. This is where help can come from policy makers as we would be the first publicly-owned natural gas utility in Wyoming. We also need to worry about early leveraging; there will be a time lag to get everyone hooked up, and therefore there would be a deferred time period before we see a cash flow. This is where young businesses can get into money trouble. Should we also consider a budget-billing option?

Steve: all of his companies offer budget-billing.

Randy Sundquist: What steps should we be taking first?

Steve: Get numbers on the total feet of distribution pipe needed to cover residences in Dayton and Ranchester (55,000 and 40,000, respectively). Also need to get an accurate number of propane tanks in each town (272 in Dayton). Those on propane are obviously the easiest conversions (cost to convert vs. savings will be immediately obvious). **[ACTION ITEMS]**

The utility would pay for the main lines and the customer would be responsible for the cost of the service line from the main to the house/meter. In the towns, it would average out pretty easily. Outside the towns, it could vary widely.

Norm Anderson: How do we service the debt if we have a loan?

Steve: On a 30-year term. Gas cost is just a pass-through. Adjustments would be minor and as we don't have to file with the Public Service Commission (PSC), we can set our own rates.

Norm: How do we handle service and maintenance of the line?

Steve: This is tough. MDU could operate/service, or KFG could do the same. MDU would be the best route as we could get their gas rate, but to date, MDU has never operated a line that isn't theirs. If KFG operated the line, for instance, he would have to hire two trained people. It's possible to assign that to the municipal employees, but he's found that that usually doesn't go over very well; there is a lot of extra, often specialized, training.

Bob Wood: How do we handle those folks who don't want to hook up?

Steve: Not a big deal. Stub out at the main and come back if/when they want to connect.

Bob: Drilling into the line after the fact won't be a problem? Dayton had a problem with shavings in the raw water line.

Steve: He's seen no issues on his lines.

Linda Lofgren: Would it be smart to suggest to those building new homes that they buy convertible appliances?

Steve: Yes.

Jeremy: Schools are already conversion-ready. He also asked Steve about partnering with a local bank to make small loans for conversion.

Steve: He hasn't done this himself, but he's aware of Colorado communities who have.

Linda: Would we charge more to hook up if not done in the first or second year?

Steve: No.

John Patton: TRV would meet the threshold criteria of 600 homes (or equivalent)?

Jeremy: Yes. Ranchers have also expressed interest in hooking up to run pivots, etc. One rancher reported using 2 gallons propane/hour.

Steve: Equates to roughly 2 house years/month. This is a great use of a gas utility.

John: How fast can we get to the 600 number?

Steve: Within 2 years.

John: How much working capital will the JPB need?

Steve: Operating costs + debt service for the first two years.

Jeremy: We can set this up so there would be no payments due for a certain time period to allow cash on hand to be used for maintenance, inspections, and insurance costs.

John: In order to convince Cheyenne to participate, there must be assurances that the community is committed to the project.

Linda: Do we need to nail down subscribers ahead of time?

Steve: KFG has done that for at least parts of pipelines. If we could get 400 definite commitments (equivalents – school district would be 150-200 of that number), any lending agency would be happy.

Jeremy/Linda/Bob: The route will be the key (Keystone Road is the preference at this stage). The line could expand into other areas in the TRV, but we need a good first route.

John: If you go with a revenue bond, would the county or the JPB be the sponsor?

Jeremy: JPB. How do we manage the price risk for purchasing gas?

Steve: KFG uses a marketer for this. They're experienced and are always the best way to do it.

Steve/Jeremy/John: The hook-up fee is an issue; we need to know what MDU or WBI would charge to hook up. The transportation cost is regulated by the PSC.

Randy: If we wanted to continue using Steve as our primary consultant, what's the process?

Steve: Just hourly consulting fees.

John: Get somebody committed for construction soon.

Bob: Do we need to take the low bid?

Jeremy: The JPB doesn't have to take bids for professional services (engineer, consultant, etc.); only has to take the lowest *responsible* bid for construction.