

## **Notice of Utility Tariff Filing**

The REGULATORY COMMISSION OF ALASKA (Commission) gives notice that ENSTAR Natural Gas Company (ENSTAR) filed TA310-4, proposing to revise the methodology for calculating the rate of return and income tax portion of the net total actual costs for the Homer Extension. ENSTAR constructed a 22-mile distribution pipeline transporting natural gas from Anchor Point, through Homer, to the eastern boundary of Kachemak City. A portion of the Homer Extension was paid for by a state grant obtained by the City of Homer and committed to ENSTAR as a contribution in aid of construction. The remainder of the costs are paid through a \$1 per Mcf surcharge (Homer Extension Surcharge), applied to all gas sales and transportation service bills for gas delivered in the Homer Extension Surcharge Area until the costs associated with the project are recovered.

Currently, the net total costs for the Homer Extension include the total net construction costs, rate of return, and income taxes. The total net construction costs include direct costs, overhead, and allowance for funds used during construction, less any contributions in aid from the State of Alaska or the City of Homer. The rate of return is the most recent weighted average cost of capital approved by the Commission in Order No. U-16-066(19), which is currently 8.59 percent. The income tax recovery rate is currently 2.44 percent.

With TA310-4, ENSTAR proposes to reduce the rate of return used in the calculation of the Homer Extension Surcharge from the weighted average cost of capital to the actual cost of debt approved by the Commission in Order No. U-16-066(19), which is currently 5.06 percent. This reduced rate of return would also reduce the income tax recovery rate from 2.44 percent to 1.04 percent. ENSTAR also proposes to amortize the uncollected Carrying Costs, as of December 31, 2018, in the amount of \$2,232,004 over the current estimated remaining life of the surcharge, which is approximately 30 years. ENSTAR states that breaking out the uncollected Carrying Costs will reduce the balance of the surcharge contribution in aid of construction back to the original balance of \$3,630,072. ENSTAR proposes that the revised Carrying Costs will be calculated on the new balance net of collections, amortization, and the prior month's Carrying Costs. ENSTAR proposes the revision to the methodology be effective January 1, 2019. ENSTAR proposes no change to the Homer Extension Surcharge amount of \$1 per Mcf.

This notice does not contain all requested revisions in TA310-4 and the Commission may approve a rate or classification which varies from that proposed. You may obtain more information about this filing by contacting Dan Dieckgraeff, Director of Rates and Regulatory Affairs for ENSTAR, at P. O. Box 190288, Anchorage, AK 99519-0288; phone: (907) 277-5551; email: [Dan.Dieckgraeff@enstarnaturalgas.com](mailto:Dan.Dieckgraeff@enstarnaturalgas.com). The complete filing is also available for inspection at the Commission's office at 701 West Eighth Avenue, Suite 300, Anchorage, AK 99501; phone: (907) 276-6222, or may be viewed at the Commission's website at <http://rca.alaska.gov> by typing TA310-4 in the *Find a Matter* search box.

To comment on this filing, please file your comments by 5:00 p.m., March 11, 2019, at the Commission address given above or via our website at:

<https://rca.alaska.gov/RCAWeb/WhatsNew/PublicNoticesComments.aspx>

Please reference TA310-4 and include a statement that you have filed a copy of the comments with ENSTAR at its address given above or by email at [Dan.Dieckgraeff@enstarnaturalgas.com](mailto:Dan.Dieckgraeff@enstarnaturalgas.com). Individuals or groups of people with disabilities, who require special accommodations, auxiliary aids or service, or alternative communication formats, please contact Valerie Fletcher-Mitchell at (907) 276-6222, toll-free at 1-800-390-2782, or TTY/Alaska Relay: 7-1-1 or 1-800-770-8937, or send a request via electronic mail to [rca.mail@alaska.gov](mailto:rca.mail@alaska.gov) by March 4, 2019.

DATED at Anchorage, Alaska, this 7th day of February, 2019.

REGULATORY COMMISSION OF ALASKA

A handwritten signature in blue ink, appearing to read "Stephen McAlpine", is written over the printed name.

Stephen McAlpine  
Chairman