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April 30, 2021

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501

Subject: Tariff Advice Letter 326-4

Dear Commissioners:

The tariff filing described below is transmitted to you for filing in compliance with the Alaska Public Utilities Commission Act and Sections 3 AAC 48.200 – 3 AAC 48.430 of the Alaska Administrative Code:

<u>Tariff Sheet</u>		<u>Cancels Sheet</u>		<u>Schedule or Rate Number</u>
<u>Number</u>	<u>Revision</u>	<u>Number</u>	<u>Revision</u>	
61	16th	61	15th	Section 602(c) – Free Main Allowance
231	16th	231	15th	Section 2501 – Schedule of Fees and Charges
236	21th	236	20th	Section 2601 – Standard Construction Costs and Standard Load Allowances
238	11th	238	10th	Section 2701 – Standard Meter Allowances To Be Used in Computing Meter Set Installation Fees

This filing contains ENSTAR Natural Gas Company’s (“ENSTAR”) annual revisions to its fees and allowances for installing new service connections, meters, and main extensions ("construction fees"). The new fees and allowances will be effective for calendar year 2022.¹

ENSTAR currently projects that it will add approximately 1,500 customers to its system in 2022. These new customers will be affected by the revisions to the schedules included in TA 326-4.

¹ ENSTAR’s Tariff Sections 601(c)(5)(a), 602(b)(1), and 602(c)(1) require that ENSTAR updates certain construction fees and allowances annually on or before May 1.

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The general methodology for establishing the proposed fees and allowances is set forth in ENSTAR's Tariff and is based, in part, on the cost of service methodology ordered by the Commission in Order U-16-066(19), dated September 22, 2017.

The calculations under the proposed method result in the following changes: the Standard Construction Costs for Main Extensions increase; the Main Extension Standard Load Allowances for G1, G2, G3, and G4 customers increase; and the cost for a standard Service Line increases. The Meter Installation Charge for all G1, G2, G3 Low, G3 Mid, G3 High, and G4 High meters decrease, while the charge for meter size G4 Low increases.

Standard Construction Costs

Section 602b(1) of ENSTAR's Tariff states that ENSTAR will file the Standard Construction Costs to be used in computing main extensions for the upcoming calendar year, and that the Standard Construction Costs will be "calculated by using the actual average cost per foot of the construction of two-inch Main Extensions for the previous five years subject to a 10% increase limitation over the previous approved cost per foot."

Section 602b(2) allows ENSTAR to charge separately for the costs of highway crossings, so these costs have not been included in the Standard Construction Costs. Based on a five-year average, ENSTAR calculates \$28.73 per foot for two-inch main construction in 2022. ENSTAR calculated the 10% increase cap based on the previous year to be \$28.46. Therefore, ENSTAR will replace the \$25.87 per foot used for 2021 construction with the \$28.46 per foot, the smaller of the two amounts, for 2022 construction. Enclosed is supporting documentation titled "Standard Construction Costs Calculation."

The Standard Construction Costs Calculation is summarized as follows:

	<u>Cost</u>	<u>Footage</u>
Actual Costs (2016 - 2020) ²	\$14,778,340	514,459
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Cost per foot	\$ 28.73	
Ceiling Limit (10% Increase of Previous Year)	\$ 28.46	

The Standard Construction Costs are shown on proposed Tariff Sheet 236.

² Actual Costs less highway crossings and other separately charged costs.

Standard Load Allowances

Pursuant to Section 602c(1) of ENSTAR's Tariff, the Standard Load Allowances are "the actual average embedded plant cost per Customer for each Customer class as of the end of the prior calendar year less that prior calendar year's cost per Customer (by class) for meter assemblies and Service Lines." Section 602c(1) of ENSTAR's Tariff states that these per-customer costs will "be calculated using the methodology accepted by the Commission in the Utility's most recent cost of service study." Thus, the methodology uses the approved cost of service study approved in U-16-066. Enclosed is supporting documentation titled "Rate Base by Customer Class" and "Calculation of Embedded Cost per Customer Class."

ENSTAR has updated the average loads per year for 2022 using a ten-year average. The ten-year average complies with the methodology that was used to calculate average loads in filings prior to the U-09-069 restructuring of rate classes.

As noted above, Standard Load Allowances for all G1, G2, G3 and G4 customers will increase. The proposed amounts will be used for the upcoming calendar year 2022.

The Standard Load Allowances are shown on proposed Tariff Sheet 236. The Average Loads are shown on proposed Tariff Sheet 61.

Service Line Installation Fee

ENSTAR proposes to increase the Service Line Installation Fee from \$764 to \$840. ENSTAR calculates the five-year average as a \$871 Service Line Installation Fee. ENSTAR calculated the 10% cap based on the previous year, which is \$840. Given that the five-year average cost is higher than the 10% cap, ENSTAR will use the 10% cap of \$840.

The supporting documentation for the new calculation, labeled "Calculation of Service Line Costs," is enclosed. The proposed amount to be used for 2022 is based on a five-year average of costs subject to a 10% cap over the previous year's approved cost. The excess footage charge and service piping sized 2" or greater remains unchanged.

The Service Line Installation Fees are shown on proposed Tariff Sheet 231.

Meter Installation Charge

ENSTAR calculated a five-year average cost of meters (2016-2020). As a result, ENSTAR is proposing to adjust the Meter Installation Charge for meter sizes as follows:

Meter Size	Change (2021 to 2022 and Beyond)	Amount of Increase/Decrease
G1	From \$277 to \$267	\$10 decrease
G2	From \$476 to \$457	\$19 decrease
G3 Low	From \$1,242 to \$1,186	\$56 decrease
G3 Mid	From \$2,115 to \$2,007	\$108 decrease
G3 High	From \$3,943 to \$3,917	\$26 decrease
G4 Low	From \$5,404 to \$5,589	\$185 increase
G4 High	From \$6,079 to \$6,000	\$79 decrease

The supporting documentation for the updated Meter Installation Charges, titled "Calculation of Meter Set Installation Costs and Credits," is enclosed.

The proposed Meter Installation Charges are shown on proposed Tariff Sheet 231. The Standard Meter Allowances are shown on proposed Tariff Sheet 238.

Effective Date

ENSTAR respectfully requests that the Commission approve these revisions at the conclusion of the 45-day standard notice and review period. As noted above and in the proposed tariff sheets, the revised construction fees and allowances would be effective January 1, 2022.

Sincerely,

ENSTAR Natural Gas Company



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Enclosures:

- Standard Construction Costs Calculation
- Rate Base by Customer Class
- Allocation Factors
- Average Load by Customer Class
- Calculation of Embedded Cost per Customer Class
- Calculation of Service Line Costs
- Calculation of Meter Set Installation Costs and Credits
- Revised Proposed Tariff Sheets as listed