



3000 Spenard Road
PO Box 190288
Anchorage, AK 99519-0288
www.enstarnaturalgas.com

May 15, 2023

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

Subject: Tariff Advice Letter 340-4 Annual Revision to GCA

Dear Commissioners:

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

<u>Tariff Sheet</u> <u>Number</u>	<u>Revision</u>	<u>Cancels Sheet</u> <u>Number</u>	<u>Revision</u>	<u>Schedule or Rule Number</u>
221	53rd	221	52nd	Determination of Gas Cost Adjustment

Introduction and Request for Waiver

ENSTAR Natural Gas Company, LLC (“ENSTAR”) proposes to revise its gas cost adjustment (“GCA”) effective July 1, 2023 to June 30, 2024 (“GCA Period” or “2023-2024”).¹ This filing is the annual revision of the GCA as provided for in Section 708d(1) of ENSTAR’s Tariff.²

ENSTAR proposes to revise its GCA effective with the first billing cycle of July 2023. Placing this revision into effect will increase ENSTAR’s current GCA by \$0.2746 per Mcf (from \$8.3771 to \$8.6517 per Mcf).³ This GCA reflects ENSTAR’s estimated cost of gas for the latter six months of 2023 and the first six months of 2024, and is applied to all gas sales customers served under ENSTAR’s Tariff.⁴ ENSTAR plans to meet its customers’ GCA Period demand using a

¹ Alaska Pipeline Company (“APC”), not ENSTAR, is the party to all of the Gas Sale Agreements (“GSA”). The Commission regulates APC and ENSTAR as a single entity.

² Capitalized terms used but not defined herein have the meanings provided in ENSTAR’s Tariff or in the respective GSA.

³ Mcf is one thousand cubic feet. MMcf is 1,000 Mcf or 1 million cubic feet. Bcf is 1,000,000 Mcf or 1 billion cubic feet. Ccf is one hundred cubic feet.

⁴ ENSTAR had 152,048 Gas Sales Customers as of March 31, 2023.

combination of base supply GSAs, short-term supply contracts, and storage withdrawals. During the GCA Period, ENSTAR plans to continue seeking more gas supply volumes on the market.

ENSTAR requests a waiver of the 3 AAC 52.506(g)(1), (2), (5) and (7) requirements to provide historical supporting information with this GCA tariff filing as that information has already been submitted to the Commission.⁵

Summary of Significant Changes

The 2022-2023 weighted average cost of gas ("WACOG") was \$8.3771 per Mcf; in the GCA Period, the WACOG will be \$8.6517 per Mcf, approximately \$0.27 per Mcf above last year. The primary reasons for this increase are as follows:

- The estimated volume of gas purchased from Hilcorp increased by 2.3 Bcf for the GCA Period. Hilcorp's price per Mcf includes two components, price of the gas and reimbursed transportation, which combine for a purchase price of \$8.2197 per Mcf and is higher than the Current Average Cost of System Base Gas Supply of \$8.1823. The increase in the volume of gas purchased raises the average cost of gas.
- ENSTAR agreed to a Fifth Amendment to the GSA with Furie, extending the GSA for an additional three years through March 31, 2026.⁶ This GSA allows ENSTAR to purchase approximately up to 2 Bcf of natural gas including a ROFR Option at a price of \$7.30 per Mcf from July 2023 through March 2024. Additionally, ENSTAR has a right to purchase up to 1.6 Bcf from April 2024 through June 2024 and up to 5.475 Bcf dependent on the results of the 2023 and 2024 drilling program. This GSA represents 5.5% of ENSTAR's gas supply portfolio during the 2023-2024 GCA Period. While the average forecast price of \$7.7674 under this GSA is below the Current Average Cost of System Base Gas Supply of \$8.1823 per Mcf, the prior contract allowed ENSTAR to purchase gas at a price of \$6.85 per Mcf. This change resulted in an estimated cost increase of \$0.92 or 13% per Mcf.

ENSTAR estimates that all Gas Sales Customer categories (G1 through G4) will see an annualized 2.7% increase compared to the 2022-2023 GCA Period. An average G1 Customer will see an increase of approximately \$3.27 on an average monthly bill.

Details on the changes in volume and gas cost are provided contract-by-contract below.

⁵ As required by Section 708g of its Tariff, ENSTAR files a report on the status of the Gas Cost Balance Account ("GCBA") 15 days after the end of each calendar year quarter which includes the historical supporting information required by 3 AAC 52.506(g).

⁶ TA333-4 Fifth Amendment to the Gas Sale and Purchase Agreement between Alaska Pipeline Company and Furie Operating Alaska, LLC approved in LO# L2200249 on August 8, 2022.

Approved Base Supply Contracts

Vision Resources Contract

The GSA with Vision Resources provides for annual price and volume changes effective each April 1, with the changes for each Year set out in Sections 7.1 and 2.1, respectively, of the GSA. TA338-4 for the Vision GSA First Amendment, is pending before the Commission. This amendment does not affect prices but reduces the amount of firm gas available to ENSTAR under the remaining term of the GSA. The commitment volumes were reduced due to production and maintenance challenges experienced by the producer.

The estimated Gas cost under the Vision Resources GSA for the GCA Period is calculated as follows:

Vision Contract

	<u>Jul 23 - Mar 24</u>	<u>Apr 24 - Jun 24</u>	<u>Total</u>
Volumes (Mcf)	441,000	123,000	564,000
Price (\$/Mcf)	\$ 7.4500	\$ 7.5200	
Total Cost	\$ 3,285,000	\$ 925,000	\$ 4,210,000
Weighted Cost (\$/Mcf)			\$ 7.4652
Estimated Purchases (Mcf) - July 1, 2023 to June 30, 2024			<u>564,000</u>
Estimated Cost of Gas - July 1, 2023 to June 30, 2024			<u>\$ 4,210,000</u>

Hilcorp APL-14 Contract

Firm Gas, Daily Call Option Gas, and Needle Peak Call Option Gas purchased under APL-14 have a Base Price of \$7.86 per Mcf in the fourth Contract Year.⁷ This sales price is subject to an annual adjustment ranging between negative 1% and positive 1.5% each Contract Year based on the performance of three defined price indexes published by the U.S. Bureau of Labor Statistics. Because the GCA Period extends over two Contract Years, ENSTAR had to estimate the gas price under the APL-14 contract for the period from April 1 - June 30, 2024. ENSTAR used a conservative estimate of a 1.50% increase in gas cost due to the considerable uncertainty in current markets caused by inflation. Assuming this maximum price increase, the gas price in the 2024-2025 contract year would be \$7.98 per Mcf.

To secure additional firm gas to meet its customer demand, ENSTAR has exercised the Turn-Up option for Contract Years 3 through 6 that cover a period of April 1, 2022 through March 31, 2026. This option allows ENSTAR to increase the volume of firm gas by 3 Bcf for each impacted Contract Year from 25 Bcf to 28 Bcf.

⁷ Tariff Sheet 221 shows the price per Mcf as \$8.2197. This amount includes the \$2.356 million Adjusted Needle Peak Reservation Fee and a reimbursed transportation amount of \$7.869 million.

In addition, the APL-14 contract has a Needle Peak Reservation Fee of \$2.4 million per contract year, if ENSTAR exercises this option. ENSTAR provided Formal Notice to exercise the Needle Peak Call Option under its Hilcorp APL-14 GSA, Section 2.3(C), for the 2023-2024 contract year. The Needle Peak Call Option is also included for the April 1 - June 30, 2024 period, as it is anticipated that such gas will be needed during the following year to cover peak demand. ENSTAR previously exercised a Turn-Up Option which adjusted the Needle Peak Rate in order to not exceed APL-14’s Maximum Deliverability Rate. The Adjusted Needle Peak Reservation Fee is \$2.356 million for the full GCA Period as ENSTAR has already exercised a Turn-Up Option for the following contract year, 2023-2024. For the purpose of this GCA filing, ENSTAR has assumed the following System Supply purchases under the APL-14: Firm Gas purchases of 25.921 Bcf, 3.628 Bcf of Daily Call Option Gas, and 0.293 Bcf of Needle Peak Call Option Gas. ENSTAR estimates these volumes will be required to meet Customer demand under average weather conditions.

The estimated gas cost under the APL-14 contract for the GCA Period is calculated as follows:

APL-14 Hilcorp Contract

	<u>Jul 23 - Mar 24</u>	<u>Apr 24 - Jun 24</u>	<u>Needle Peak Reservation Fee</u>	<u>Total</u>
Volumes (Mcf)	25,609,000	4,233,000		29,842,000
Average Price (\$/Mcf)	\$ 7.8600	\$ 7.9800		
Total Cost	\$ 201,287,000	\$ 33,779,000	\$ 2,356,200	\$ 237,422,200
Weighted Cost (\$/Mcf)				\$ 7.9560
Estimated Transportation Reimbursement				\$ 0.2637
Cost of Gas - July 1, 2023 to June 30, 2024 (\$/Mcf)				\$ 8.2197
Estimated Purchases (Mcf) - July 1, 2023 to June 30, 2024				<u>29,842,000</u>
Estimated Cost of Gas - July 1, 2023 to June 30, 2024				<u>\$ 245,292,000</u>

Hilcorp APL-14 Transportation Reimbursement Calculation

Kenai Beluga Pipeline (“KBPL”) transport charges will be applied to 71.84% of the System Supply volumes purchased from July 2023 through June 2024. ENSTAR estimated the 71.84% based on actual contract purchases from Hilcorp that were allocated to System Supply and transported on KBPL for the period of April 2022 through March 2023. ENSTAR is not charged for KBPL Lost and Unaccounted For (“LAUF”) Gas and Fuel per the APL-14 GSA. Based on the current KBPL rates, total estimated transportation costs are \$7,869,000, or \$0.2637 per Mcf, as calculated below.

APL-14 Transportation Calculation

Total Hilcorp Contract Volumes (Mcf) Charged to System Supply April 2022-March 2023	26,678,392
APL-14 System Supply Volumes (Mcf) Charged KBPL Transportation April 2022-March 2023	19,165,282
Percentage Applied for KBPL Transport (19,165,282/26,678,392)	<u>71.84%</u>
Estimated APL-14 System Supply Volumes (Mcf) Purchased July 2023-June 2024	29,842,000
Multiplied by KBPL Transport Percentage Above	71.84%
Total Estimated System Supply Volumes (Mcf) Charged KBPL Transportation	<u>21,438,000</u>
KBPL Rate of \$0.3639 per Mcf plus RCC at 0.869% (\$0.3639 * 1.00869)	\$ 0.3671
Total Estimated APL-14 Transport Cost on KBPL July 2023-June 2024	<u>\$ 7,869,000</u>
Total Estimated KBPL Transport Cost per Mcf (\$7,869,000/29,842,000)	<u>\$ 0.2637</u>

Furie Operating Alaska Contract

The GSA with Furie provides for annual price and volume changes effective each April 1, with the changes for each year set out in Sections 3.1 and 2.1, respectively, of the GSA.

Gas purchased under Furie GSA have a Base Price of \$7.80 per Mcf in the seventh Contract Year that start on April 1, 2024. This sales price is subject to an annual adjustment ranging between negative 6% and positive 6% for Contract Years 7 and 8 based on the performance of Consumer Price Index for All Urban Consumers (CPI-U) Alaska, as published by the U.S. Bureau of Labor Statistics. Because the GCA Period extends over two Contract Years, ENSTAR had to estimate the gas price under the Furie GSA contract for the period from April 1 - June 30, 2024. ENSTAR used actual data for February 2022 through February 2023 and applied the average change in the observed Consumer Price Index to estimate the value for April 2023 through December 2023. These calculations resulted in an annual adjustment of 5.15% and the estimated gas price for the 2024-2025 contract year at \$8.20 per Mcf.

The estimated gas cost under the Furie GSA for the GCA Period is calculated as follows:

Furie Contract

	<u>Jul 23 - Mar 24</u>	<u>Apr 24 - Jun 24</u>	<u>Total</u>
Volumes (Mcf)	1,479,000	231,000	1,710,000
Average Price (\$/Mcf)	\$ 7.7000	\$ 8.2000	
Total Cost	\$ 11,388,000	\$ 1,894,000	\$ 13,282,000
Cost of Gas - July 1, 2023 to June 30, 2024 (\$/Mcf)			\$ 7.7674
Estimated Purchases (Mcf) - July 1, 2023 to June 30, 2024			<u>1,710,000</u>
Estimated Cost of Gas - July 1, 2023 to June 30, 2024			<u>\$ 13,282,000</u>

Current Average Cost of System Base Gas Supply

ENSTAR’s calculation of its 2023-2024 GCA Current Average Cost of System Base Gas Supply as shown on the proposed 53rd Revision of Sheet 221 (Line (1)(e)) is summarized below:

Total 2023-2024 Cost of Approved Base Gas Supply Contracts	\$262,784,000
Total 2023-2024 Base Gas Supply Estimated Purchases (Mcf)	<u>32,116,000</u>
2023-2024 Current Average Cost of System Base Gas Supply	<u>\$8.1823</u>

Additional Gas Supply Contracts

Short Term Supply Contracts

ENSTAR entered into an interruptible GSA with BlueCrest effective September 1, 2023. ENSTAR has included 0.149 Bcf in its 2023-2024 GCA from the BlueCrest GSA under Short Term Supply Contracts.

The BlueCrest GSA allows ENSTAR to purchase gas at prices below the Current Average Cost of System Base Gas Supply. The volume and costs are allocated between System Supply and storage using the same methodology as used for all of ENSTAR’s other GSAs.

The estimated gas cost under the Short Term Supply Contracts for the GCA Period is calculated as follows:

Short Term Supply

	<u>BlueCrest Interruptible</u>		<u>Total</u>
	<u>Jul 23 - Aug 23</u>	<u>Sept 23 - June 24</u>	
Volumes (Mcf)	18,000	131,000	149,000
Price (\$/Mcf)	\$ 7.7000	\$ 8.1500	
Total Cost	\$ 139,000	\$ 1,067,000	\$ 1,206,000
Cost of Gas - July 1, 2023 to June 30, 2024 (\$/Mcf)			\$ 8.0947
Estimated Purchases (Mcf) - July 1, 2023 to June 30, 2024			<u>149,000</u>
Estimated Cost of Gas - July 1, 2023 to June 30, 2024			<u>\$ 1,206,000</u>

Gas Withdrawn from Storage

The estimated cost of Gas Withdrawn from Storage has increased by \$0.12 per Mcf over the previous year (from \$8.0233 per Mcf to \$8.1894 per Mcf). ENSTAR calculates the cost of Gas Withdrawn from Storage using an average unit cost method, calculated at the end of each month prior to the month the gas is withdrawn from storage, plus withdrawal fees.⁸

ENSTAR estimates the cost of Gas Withdrawn from Storage for the GCA Period as follows:

Estimated Cost of Gas – Withdrawals July 1, 2023 – June 30, 2024 (\$/Mcf)	\$ 8.1894
Estimated Gas Withdrawn From Storage (Mcf) July 1, 2023 – June 30, 2024	<u>2,783,000</u>
Estimated Cost of Withdrawn Gas July 1, 2023 – June 30, 2024	<u>\$22,791,000</u>

Storage Reservation and Capacity Fees

ENSTAR receives firm storage service and interruptible storage service from CINGSA and incurs storage-related costs including Reservation fees, Capacity fees, and well maintenance surcharges. These fees and surcharges have been calculated using the current rates in CINGSA’s Tariff.⁹ The total fees and surcharges have been reduced by the non-firm revenue credits as set out in CINGSA’s Tariff Section 37. The actual, non-firm revenue credits received for production

⁸ Cost of Gas Withdrawn from Storage calculated based on ENSTAR’s Tariff section 708c(1)(c).

⁹ CINGSA’s Tariff Sections 35 and 38.

periods April 2022 - March 2023 have been used for estimating the reduction to fees associated with storage service.

Storage Reservation and Capacity Fee Calculation

	<u>Volumes (Mcf)</u>	<u>Storage Rates/Mcf</u>	<u>RCC Rate</u>	<u>Fee Calculations</u>	<u>Total Fees</u>
<u>Reservations and Capacity Fees:</u>					
ENSTAR FSS Reservation Fee	102,900	\$ 5.1256		\$ 527,424	
ENSTAR FSS Capacity Fee	8,775,000	\$ 0.0699		\$ 613,373	
Monthly Reservation and Capacity Fees				\$ 1,140,797	
Months per Year				12	
Annual Reservation and Capacity Fees				\$ 13,689,564	
RCC Fees			3.2640%	\$ 446,827	
Total Reservation and Capacity Fees					\$ 14,136,000
<u>Well Maintenance Surcharge Fees:</u>					
ENSTAR FSS Surcharge Applied to CWQ	102,900	\$ 0.3093		\$ 31,827	
ENSTAR FSS Surcharge Applied to MSQ	8,775,000	\$ 0.0042		\$ 36,855	
Monthly Surcharge Fees				\$ 68,682	
Months per Year				12	
Annual Surcharge Fees				\$ 824,184	
RCC Fees			3.2640%	\$ 26,901	
Total Well Maintenance Surcharge Fees					\$ 851,000
<u>Non-Firm Revenue Credits:</u>					
Actual Non-Firm Revenue Credits Received for Production				\$ (413,992)	
RCC Fees			3.2640%	\$ (13,513)	
Total Non-Firm Revenue Credits					\$ (427,000)
Total Storage Reservation and Capacity Fee					\$ 14,560,000

Transportation Fees

Tariff Section 2301 (Sheet 221), “Determination of Gas Cost Adjustment,” identifies the cost to transport System Supply gas when ENSTAR ships on KBPL.¹⁰ Most of ENSTAR’s GSAs require it to pay for transportation on most of the purchased gas it transports on KBPL.¹¹ All volumes shipped on KBPL are under the current postage stamp rate of \$0.3639 per Mcf plus the current RCC percentage of 0.869%. All storage withdrawals have been removed from the transportation volumes subject to the KBPL rate. KBPL transport charges will be applied to 92.05% of the System Supply volumes purchased from July 2023 through June 2024 excluding

¹⁰ Where ENSTAR is required to reimburse the Seller of the Gas for transportation costs, such as the reimbursement under the APL-14 contract for gas delivered from KBPL, the reimbursed transportation costs are included in the overall estimated cost of purchased gas for that contract.

¹¹ Currently, APC will be the shipper on KBPL of gas purchased under the Vision, Furie and Short Term Supply GSAs when the gas is delivered by the Sellers to APC at a delivery point on KBPL as defined in the GSA, thus making APC responsible for the KBPL LAUF/Fuel retention as gas in kind.

volumes purchased under the APL-14 contract. The 92.05% is based on the total contract purchases allocated to System Supply and charged transportation during the period April 2022 through March 2023 for which ENSTAR was the shipper of the gas. Total estimated System Supply volumes to be shipped directly by ENSTAR on KBPL for the GCA Period are 2,229,975 Mcf less KBPL LAUF and Fuel volumes of 2,451 Mcf, resulting in an estimated \$818,000 in transportation charges as shown below.

Calculated Transportation Volumes for APC as Shipper on KBPL

Total Contract Volumes (Mcf) Charged to System Supply April 2022-March 2023 (APC as Shipper)	3,291,038
System Supply Volumes (Mcf) Received on KBPL April 2022-March 2023	3,029,284
Percentage Applied for KBPL Transport (3,029,284/3,291,038)	<u>92.05%</u>

Estimated System Supply Volumes (Mcf) Purchased July 2023-June 2024	2,422,667
Multiplied by KBPL Transport Percentage Above	92.05%
Total Estimated System Supply Volumes (Mcf) Transported on KBPL before LAUF and Fuel	<u>2,229,975</u>

The KBPL transportation costs, along with LAUF and Fuel, are broken out by contract as follows:

Calculated Transportation By Contract

GSA	Estimated KBPL Transport Volumes for System Supply (Mcf)	KBPL Fuel and LAUF % ^A	Total KBPL Fuel and LAUF Volumes (Mcf) ^B	Estimated Volumes Delivered from KBPL (Mcf) ^C	Current KBPL Tariff Rate Plus RCC ^D	Estimated Transportation Cost ^E
Vision Resources	519,423	0.1100%	571	518,852	\$ 0.3671	\$ 191,000
Furie Operating Alaska	1,573,723	0.1100%	1,730	1,571,993	\$ 0.3671	\$ 577,000
BlueCrest Interruptible (Short Term Supply)	136,829	0.1100%	150	136,679	\$ 0.3671	\$ 50,000
Total	2,229,975		2,451	2,227,524		\$ 818,000

^A Current KBPL Fuel and LAUF combined percentage 0.11%. The LAUF rate is 0.02% and the Fuel rate is 0.09%, for a total of 0.11% (see

^B Estimated KBPL Transport Volumes for System Supply (Mcf) multiplied by the current KBPL Fuel and LAUF percentage.

^C Estimated KBPL Transport Volumes for System Supply (Mcf) less Total KBPL Fuel and LAUF Volumes (Mcf).

^D Current KBPL Tariff Rate of \$0.3639 multiplied by 1 plus the current KBPL RCC Rate of 0.869%.

^E Estimated Volumes Delivered from KBPL (Mcf) multiplied by the Current KBPL Tariff Rate Plus RCC.

ENSTAR's 2023-2024 Gas Supply Forecast

ENSTAR's current gas supply forecast for the GCA Period is provided below:

<u>Volumes (Bcf)</u>	2nd Half of	1st Half of	Total
	2023	2024	
Vision Resources	0.290	0.274	0.564
Hilcorp APL-14 Firm	11.568	14.353	25.921
Hilcorp APL-14 Call	1.968	1.660	3.628
Hilcorp APL-14 Needle Peak	-	0.293	0.293
Furie Operating Alaska	0.945	0.765	1.710
BlueCrest Interruptible (Short Term Supply Contract)	0.082	0.067	0.149
Gas Withdrawn From Storage	1.189	1.594	2.783
Total Volume	16.042	19.006	35.048

Gas Cost Balance Account

ENSTAR’s Tariff (Section 708d) provides that the actual quarter-end balance of the GCBA for the quarter ending three months preceding the effective date will be used in the determination of the GCA. On March 31, 2023, the GCBA reflected an under-collection of \$131,544.¹²

Customer Notification

ENSTAR’s June bill insert will discuss the dollar amount of the gas cost presented in this filing. ENSTAR will print a message on all of its July bills for gas sales service reflecting that the commodity cost is \$0.86517 per Ccf. In addition, ENSTAR’s website (www.enstarnaturalgas.com) will be updated with information concerning the change in gas cost, as well as an electronic reproduction of this tariff advice letter.

Pursuant to Order U-75-068(10) and its tariff, ENSTAR is allowed to place the new gas cost adjustment in effect immediately, pending subsequent Commission review. However, ENSTAR is filing this change now to allow the Commission and its staff time to review the filing prior to its implementation date of July 1, 2023. The new GCA will be applied to all bills beginning with the first billing cycle in July 2023.

As noted above, ENSTAR requests a waiver of the 3 AAC 52.506(g)(1), (2), (5) and (7) requirement to submit historical supporting information with this GCA tariff filing as the information has already been provided.

¹² The supporting documentation for the activity in the GCBA for the quarter ended March 31, 2023 was filed on April 14, 2023 and supplemental documentation was filed on May 1, 2023.

Sincerely,

ENSTAR Natural Gas Company

A handwritten signature in black ink that reads "Chelsea Guintu". The signature is written in a cursive style with a large initial "C".

Chelsea Guintu
Supervisor of Rates and Regulatory Affairs
Phone: 907-334-7620
Fax: 907-334-7657
Chelsea.Guintu@enstarnaturalgas.com

Enclosures:

2023-2024 GCA Worksheet
BlueCrest Interruptible GSA, including executed Transaction Confirmation
Formal Notice Requesting Needle Peak Option for 2023-2024
Formal Notice Requesting Turn-up Option Gas for 2024-2025
Contract Year 4 Sales Price for Gas Sales Agreement between Hilcorp and APC (APL-14
Amended and Restated)
Estimated Price Calculation for Furie GSA Contract Year 7
Non-Firm Revenue Credit Comparison
53rd Revision of Tariff Sheet 221