

Introduced by: Cooper, Dunne
Date: 04/16/19
Action: Adopted
Vote: 9 Yes, 0 No, 0 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2019-028**

**A RESOLUTION AUTHORIZING THE KENAI PENINSULA BOROUGH TO
INTERVENE IN THE ENSTAR NATURAL GAS COMPANY HOMER EXTENSION
SURCHARGE, TARIFF REVISION MATTER NUMBER TA310-4, FILED WITH THE
REGULATORY COMMISSION OF ALASKA**

WHEREAS, in 2013 Enstar completed construction of a 22-mile distribution pipeline which transports natural gas from Anchor Point through the City of Homer and ending on the eastern boundary of Kachemak City; and

WHEREAS, a portion of the project was paid for with a State of Alaska grant obtained by the City of Homer as a contribution in aid of construction and the remainder of the extension was to be paid with a \$1.00 per Mcf Homer Extension surcharge to be applied to all gas sales and transportation service bills for gas delivered in the surcharge area until the associated costs were recovered; and

WHEREAS, on February 6, 2019, Enstar Natural Gas Company (“Enstar”) filed tariff TA310-4 with the Regulatory Commission of Alaska (“Commission”) which proposed to revise the methodology for calculating the rate of return and income tax portion of the Net Total Actual Costs for the Homer Extension, effective January 1, 2019; and

WHEREAS, according to Enstar the Homer Extension surcharge was not enough to cover the carrying costs on Enstar’s net investment in the extension and the surcharge will not be sufficient to pay the remaining balance of the costs without changes to the surcharge amount or methodology; and

WHEREAS, according to Enstar, the projected usage volumes have been significantly lower than were forecasted when the rate was established; and

WHEREAS, the Enstar surcharge has not reduced the amount owed for the Contribution in Aid of Construction; and

WHEREAS, there is no record that Enstar ever informed the KPB of the rapid accumulation of compounding debt which is now more than double the amount indicated to the RCA in their 2012 tariff filing; and

WHEREAS, Enstar's one-page documentation of new debt allocation indicates that the debt pay-down over the first 26 months is a modest \$4,000 against a newly-stated debt of \$3,560,421; and

WHEREAS, Enstar implies that the entire debt might be recovered over a 30-year period under the new formula; and

WHEREAS, it appears very likely the surcharge will remain in place for far longer than 30 years and even surpass the life of the gas supplies available for distribution to the consumer; and

WHEREAS, on March 22, 2019, the Commission issued an order suspending the matter, inviting the Attorney General to participate and intervention by other qualified parties; and

WHEREAS, in its order suspending the tariff the Commission described the proposed tariff as “Enstar seeks to lower the return component from the most recent approved rate of return to the most recent approved cost of debt; recover return and taxes that Enstar asserts it has not recovered for the time period of October 2013 through December 31, 2018; amortize those return and taxes over 30 years; update the projections of Mcf sales; and extend the surcharge from an estimated 10-year life to a 30-year life” and;

WHEREAS, the Commission also identified several potential issues with the tariff, “including the application of surcharge revenues, the amortization of return and taxes, and the absence of depreciation”; and

WHEREAS, the Kenai Peninsula Borough owns and/or leases several large facilities in the impacted area including the Homer Maintenance Facility, South Peninsula Hospital, the Homer Medical Clinic, numerous other medical facilities, and five schools; and

WHEREAS, estimates indicate that natural gas surcharge fees for the hospital and the associated medical facilities currently cost approximately \$24,000 per year, which equates to an additional total cost of \$720,000 for a 30-year period; and

WHEREAS, the natural gas surcharge fees for the impacted schools for fiscal year 2017 cost a combined total of approximately \$23,140; and

PWHEREAS, the natural gas surcharge fees for the Homer Maintenance Facility cost \$627 for fiscal year 2018; and

WHEREAS, if approved it is expected that this tariff would significantly increase the long-term surcharge fees for natural gas delivery to the borough and school district facilities; and

WHEREAS, the Commission’s order sets April 22, 2019, as the deadline for all interested parties to file a petition to intervene as a party; and

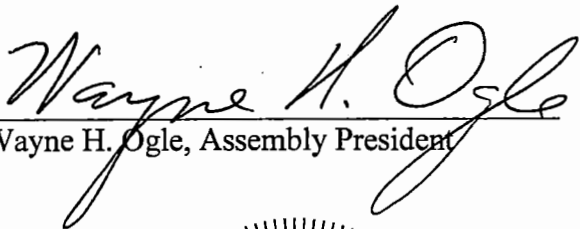
WHEREAS, the borough's best interests would be served by participating in this proceeding to ensure that its interests are protected;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

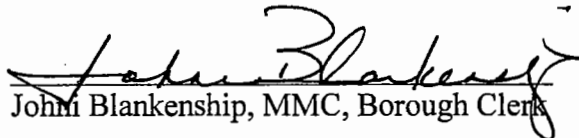
SECTION 1. That the mayor is authorized to intervene in the Enstar tariff revision designated as TA310-4 on behalf of the Kenai Peninsula Borough on or before April 22, 2019.

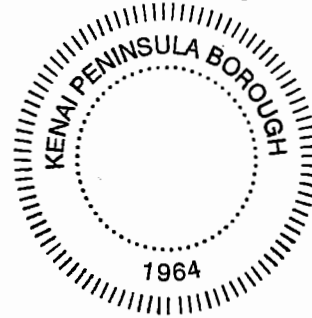
SECTION 2. That this resolution shall become effective immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 16TH DAY OF APRIL, 2019.


Wayne H. Ogle, Assembly President

ATTEST:


John Blankenship, MMC, Borough Clerk



Yes: Bagley, Blakeley, Carpenter, Cooper, Dunne, Fischer, Hibbert, Smalley, Ogle
No: None
Absent: None