



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

RECEIVED

By the Regulatory Commission of Alaska on Nov 01, 2013

November 1, 2013

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

Date: 6/16/17 Exh # H-88
Regulatory Commission of Alaska
By: CPT U-16-066
Northern Lights Realtime & Reporting, Inc.
(907) 337-2221

Dear Commissioners:

Subject: Tariff Advice Letter 246-4

The tariff filing described below is transmitted to you for filing in compliance with the Alaska Public Utilities Commission Act and 3 AAC 48.200 - 3 AAC 48.430. This tariff filing adds a Special Contract for Commission approval.

<u>Tariff Sheet</u>		<u>Cancels Sheet</u>		<u>Schedule or Rule Number</u>
<u>Number</u>	<u>Revision</u>	<u>Number</u>	<u>Revision</u>	
165	Third	165	Second	§1640b
190	Thirteenth	190	Twelfth	§1900 - Schedule of Special Contracts

A. REQUEST FOR APPROVAL

ENSTAR Natural Gas Company ("ENSTAR") requests approval of the enclosed Special Contract and Service Agreement ("Agreement") with Chugach Electric Association, Inc. ("CEA") for Interruptible Transportation Service to the Beluga Power Plant ("BPP"), dated November 1, 2013. A special contract is appropriate because of the unique and extremely limited conditions under which service would be provided. ENSTAR requests that the Commission approve the Agreement within the initial 45-day suspension period or by no later than December 15, 2013. ENSTAR has attached a letter of support for the Agreement from CEA.

B. BACKGROUND

CEA is certificated to provide electric public utility service in and around Anchorage, Alaska and provides wholesale service to Matanuska Electric Association, Inc. (through December 31, 2014) and Homer Electric Association, Inc. (through December 31, 2013). Between April 2008 and September 2010, CEA received natural gas at its BPP from the ENSTAR pipeline system under ENSTAR's Very Large Firm Transportation Service (VLFT) tariff, utilizing a transportation service agreement between Marathon Oil Company (Marathon) and ENSTAR.¹ Since Marathon terminated the VLFT transportation service agreement in 2010,

¹ ENSTAR's pipeline system moves gas east from the Beluga Field and an interconnection with Beluga Pipe Line Company (BPLC) west to the Mat-Su Valley, Eagle River and Anchorage. Marathon tendered gas to ENSTAR on Anchorage: 907-277-5551 • Kenai Peninsula Office: 907-262-9334 • Mat-Su Office: 907-376-7979

All Our Energy Goes Into Our Customers

ENSTAR has provided CEA transportation service to BPP under special contracts. The prior special contract, also for interruptible transportation service and approved in Docket U-12-145, expired October 31, 2013.

~~ENSTAR's Beluga to Anchorage pipeline system was never designed to serve CEA's~~ Beluga Power Plant. Gas flows from Beluga to Anchorage, and there is very limited ability to flow from Anchorage back toward Beluga. Thus, ENSTAR can only provide service to the BPP by displacing gas that ENSTAR receives at the Beluga River Unit (BRU), either from the BRU itself, or from ENSTAR's interconnection with BPLC. As the volume of gas flowing from the west side of Cook Inlet into ENSTAR's Beluga to Anchorage line (including that from the BRU) has declined, so has ENSTAR's ability to provide service through displacement. Before providing any service to CEA, ENSTAR must insure that it has sufficient gas to serve its gas supply customers in the Mat-Su and Eagle River areas, and has sufficient gas to transport to Fairbanks Natural Gas, if requested.

ENSTAR's service to BPP has always been supplemental to BPP's primary supply sources—the BRU and gas received via BPLC—and CEA's need for this service has been declining over the years. Since the commencement of commercial operations at the Southcentral Power Project (SPP), that need has diminished even more. However, both ENSTAR and CEA believe that it is in the public interest to have an interruptible transportation agreement in place to use on a temporary basis in the event of unusual situations such as periods of maintenance (of pipelines, power generating units, power transmission lines or a combination thereof) and certain emergencies. This Agreement is expected to be used only rarely.

ENSTAR's tariff does provide for interruptible transportation service. The primary modifications to the tariffed service in this Agreement are the waiver of Section 1605b(1) and the modification of the Schedule IIT rates. CEA will also reimburse ENSTAR for any tariffed transportation costs that ENSTAR incurs providing the service.

Section 1605b(1) does not permit power plants to receive interruptible transportation service. ENSTAR is waiving this provision because as stated above, BPP's primary sources of gas supply are the BRU and BPLC and CEA has assured it that interruption of service under this Agreement will not endanger life, health or property.² ENSTAR's rate schedule for normal interruptible transportation service, Schedule IIT, contains a significant minimum charge for the first 100,000 Mcf shipped in any month. Because this service is expected to be used for only a very limited time on the rare occasions it is used, the Agreement modifies the Schedule IIT rate to a per Mcf rate, which is more appropriate for this service. CEA has agreed to reimburse ENSTAR for any tariffed transportation costs that ENSTAR incurs providing the service. By reimbursing the transportation costs (which exceed the modified rate Schedule IIT rate), ENSTAR's other customers are not economically disadvantaged.

the Kenai Peninsula for delivery to the CEA Beluga Power Plant. ENSTAR was providing this service by displacement, physically delivering gas to BPP that was being tendered to ENSTAR at BRU by others.

² BPP is the only power plant connected to ENSTAR's pipeline system that is situated as such.

Order U-12-145(3) requires ENSTAR to address the requirements of 3 AAC 48.390(d) as part of any future submittals of special contracts for transportation service to Chugach.

3 AAC 48.390(d) states

...The commission will, in its discretion, authorize a utility to offer untariffed services or equipment to customers by special contract under the following conditions:

- (1) the utility has filed a tariff for the service or equipment in the form and accompanied by the supporting information required by 3 AAC 48.200 - 3 AAC 48.430;
- (2) the commission has suspended the operation of the tariff pending final approval;
- (3) the commission has specified the rate or rates to be charged the customer in the special contract;
- (4) the rate or rates specified will be retroactively reviewable and revisable, upward or downward, from the effective date of the special contract, and the customer's liability will be to pay the rate or rates finally approved for the tariff filing plus or minus accrued interest if the rates finally approved are different from the rate initially approved for use in the special contract; and
- (5) the special contract expressly advises the customer of his potential retroactive liability for increased rates, plus accrued interest.

Service under this Agreement, while unique, is being provided under modified provisions of ENSTAR's tariff, and thus ENSTAR does not consider it an "untariffed service". Given the unique situation that applies to only this one location, and the rarity of expected use, ENSTAR plans to provide this service by special contract only and does not plan to revise its tariff to address it. To the extent that 3 AAC 48.390(d) may require such a tariff revision, ENSTAR respectfully requests the requirement be waived. As noted above, the rate charged under the Agreement is a logical modification of an ENSTAR tariff rate already approved by the Commission. Events that would result in service under this Agreement are unlikely to occur more than once or twice a year, and possibly not at all in any given year. With an approved Agreement already in place, both public utilities will have maximum adaptability and flexibility during these events to be able to provide service to the community.

CEA has agreed to receive service under ENSTAR's Rate Schedule IIT (Interruptible Industrial Transportation Service) as modified the terms of this Agreement. Service, if and when

provided, will not have a material adverse impact on ENSTAR's other firm customers or suppliers. For this reason, a 3 AAC 48.275(a) filing is not necessary. Moreover, ENSTAR is not undertaking any express or implied commitment to CEA beyond the terms of the Special Contract, and is not agreeing that it has any legal obligation to serve CEA. Based on the above, ~~ENSTAR believes that the unique circumstances of this Agreement qualify it as a special contract under 3 AAC 48.220(c), 3 AAC 48.270 and 3 AAC 48.390.~~

C. SUMMARY OF SPECIAL CONTRACT TERMS

The Agreement provides for RCA approval, and contains the standard language that it is subject to revision by the Commission. It permits either party to terminate the Agreement within 30 days in the event that revisions required by the RCA or any other governmental body are not acceptable to that party. (Section 1)

Service is provided under ENSTAR's Tariff, including Sections 1605 and 1620, as modified. (Section 2)

Conditions of service include that it will be utilized on a temporary basis, in the event of unusual situations and certain emergencies. Service requests under this Contract must be approved by ENSTAR and may be declined; however, ENSTAR is not responsible for any damages or Interruption Expense. ENSTAR agrees to waive Section 1620(b) of its Tariff for each specific situation where service is provided under this contract. (Section 3)

If the volume for the Month is greater than 100,000 Mcf, the rates under ENSTAR's Schedule IIT (Section 2201) apply. If the volume is between zero and 100,000 Mcf, the rate will be equal to the first block rate in Tariff Section 2201(b), divided by the number of Mcfs included in that block. (Section 4)

Chugach will reimburse ENSTAR for any tariffed transportation costs incurred to provide the service. (Section 5)

Service will be available upon the RCA's approval and continue through December 15, 2014. Service will continue beyond that time until canceled upon 90 days' written notice by either party. (Section 6)

Gas to be transported under this Agreement is only for delivery to Chugach's BPP Delivery Point (ENSTAR's metering station B253, meter 8107). (Section 6) Receipt Points for transported Gas are listed in Attachment A. (Section 7)

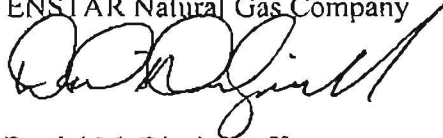
Standard payment and notice provisions are delineated in Sections 8 and 9.

D. APPROVAL

ENSTAR respectfully requests an effective date of December 15, 2013 for this special contract, so that it can be utilized if needed during the 2013-2014 winter season.

Sincerely,

ENSTAR Natural Gas Company

A handwritten signature in black ink, appearing to read "Daniel M. Dieckgraeff", written over the company name.

Daniel M. Dieckgraeff
Director of Rates and Regulatory Affairs

Enclosures:

Special Contract and Service Agreement
Letter of Support from Lee Thibert, CEA
Revised Tariff Sheets as Stated

