

Budget 2015: Capital Justification

Facility / Entity
Project
Project Type

ENSTAR Natural Gas/APC
APC CINGSA Lateral
Efficiency

2015 Cash Spend

10.00 in \$MM (USD)

Division

Currency

Priority

Project In-Service Date

Useful Life

Utilities (Regula

USD

B

09/30/2015

56.0

mm/dd/yyyy

years

Board Approved Project?

No

Carry-Over from 2014?

No

Project Description

--> Required

- The construction of a new 16-inch transmission pipeline that will directly connect the CINGSA storage facility to the APC pipeline. The lateral will be approximately 4-miles in length with a maximum allowable operating pressure of 1,480 psi. The pipeline will create means for CINGSA customers to deliver directly onto the APC system.

Qualitative Justification

--> Required

- **The pipeline will increase system efficiency while adding deliverability** - CINGSA gas will be able to enter the APC system via the lateral as high as 1,050 psig, or about 300 psig more than current operating pressure capability, and increase the maximum deliverability of gas to Anchorage by about 30MMSCF/d or 12.5 percent.
- **Deferred compression requirements** - the lateral will defer or eliminate the need for additional compression upgrades of approximately \$5.5 million.
- **Decreased greenhouse emissions** - the pipeline will eliminate the amount of horsepower required to generate over 350 psig of compression.
- **Transportation Tariff savings** - the lateral will allow the CINGSA customers to bypass the KBPL system during the withdrawal of the gas, providing approximately \$1.85 million in cost savings annually.
- **Rate Base** - this project was added to the rate base under the current pending rate case.

Quantitative Justification

--> Required

in \$MM (USD)	Investment		Results	Key Assumptions:
	Cash Spend	Non-Cash Spend	EBITDA	
ITD	0.00	0.00		Revenue \$ 1.72
2015	9.70	0.30	0.39	Depreciation Expense 1.87%
2016			1.54	Property Taxes 1.82%
2017			1.55	Completion Date 9/30/15
2018			1.55	
2019			1.55	
2020			1.56	
2021			1.56	
2022			1.56	
2023			1.57	
2024			1.57	
2025			1.57	
2026			1.58	
2027			1.58	
2028			1.58	
2029			1.59	
2030			1.59	
Total	9.70	0.30	23.89	

Additional Comments:

The estimate is based on the assumptions included in the pending ENSTAR's 2014 Rate Case.

Date: 6-19-17 Exh # H-97
Regulatory Commission of Alaska
By: APS U-16-066
Northern Lights Realtime & Reporting, Inc.
(907) 337-2221

- U-16-066
ENS07536

Effect of planned CINGS/KING pipeline by-pass pipeline

Analysis to determine the Operating Income associated with this project
The estimate is based on the assumptions included in the pending ENStair 2014 Rate Case

Planned Capacity/ENR1 By-Pass Pipeline	\$ 10,000,000	
Additional Par	\$ 10,000,000	
Depreciation Expense - 1.87%	\$ 187,000	
Taxes/Other than income	\$ 181,200	
Property Taxes - 1.02%	\$ 358,800	
Annual Expenses Included in Revenue Requirement	\$ 1,155,000	
Return on \$10 Million Rate Base at 12.35% R	\$ 3,235,800	\$ 1,536,800
Annual Revenue Requirement associated with this investor		

provided is not completed until 6/30/2015 (assuming a Step II increase is permitted).

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Impairment Reversal	\$ 510,220	\$ 1,721,860														
WFO Direct & Indirect	\$ 401,080															
WFO Depreciation	\$ 454,692															
Net Book Value	10,920,000	10,000,000	\$ 9,813,500	\$ 9,626,500	\$ 9,439,000	\$ 9,332,500	\$ 9,065,000	\$ 8,878,800	\$ 8,691,000	\$ 8,504,000	\$ 8,317,000	\$ 8,130,000	\$ 7,943,000	\$ 7,756,000	\$ 7,569,000	\$ 7,384,000
Property Taxes			\$ 770,396.60	\$ 775,193.79	\$ 782,769.80	\$ 788,398.40	\$ 794,083.00	\$ 800,779.50	\$ 807,516.70	\$ 814,277.80	\$ 821,069.00	\$ 827,866.00	\$ 834,662.00	\$ 841,459.20	\$ 848,255.30	\$ 855,051.40
EBITDA	385,500	1,441,800	\$ 1,545,005	\$ 1,548,607	\$ 1,551,010	\$ 1,555,414	\$ 1,558,817	\$ 1,563,220	\$ 1,567,624	\$ 1,569,027	\$ 1,572,431	\$ 1,575,834	\$ 1,579,237	\$ 1,582,641	\$ 1,586,044	\$ 1,589,448
	0.19	1.58	1.55	1.55	1.56	1.56	1.56	1.57	1.57	1.57	1.57	1.58	1.58	1.58	1.59	1.59