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STATE OF ALASKA  
THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: John M. Espindola, Chair  
Steve DeVries  
Mark Johnston  
Robert M. Pickett  
John C. Springsteen

In the Matter of the Revenue Requirement Study )  
Designated as TA354-4 Filed by ENSTAR ) U-25-019  
NATURAL GAS COMPANY, LLC )  
ORDER NO. 1

**ORDER SUSPENDING TA354-4, GRANTING REQUEST FOR INTERIM AND  
REFUNDABLE RATES, ESTABLISHING INTEREST RATE ON REFUNDS,  
REQUIRING FILING, APPROVING TARIFF SHEETS, ADDRESSING TIMELINE  
FOR DECISION, INVITING PARTICIPATION BY THE ATTORNEY GENERAL  
AND INTERVENTION BY INTERESTED PERSONS, ISSUING QUESTIONS,  
SCHEDULING PREHEARING CONFERENCE, DESIGNATING COMMISSION  
PANEL, AND APPOINTING ADMINISTRATIVE LAW JUDGE**

BY THE COMMISSION:

Summary

We suspend TA354-4 filed by ENSTAR Natural Gas Company, LLC (ENSTAR) for further investigation. We grant the request for interim and refundable rate increases, establish the interest rate on refunds, require a filing, and approve tariff sheets. We address a timeline for a final decision in this proceeding. The chair invites participation by the Attorney General (AG) and we invite intervention by interested persons. We issue questions for briefing. We schedule a prehearing conference. The chair designates a Commission Panel and a Commission Docket Manager. The chair appoints an administrative law judge.

Background

With Orders U-22-081(11)<sup>1</sup> and U-22-081(14)<sup>2</sup> we resolved all issues related to ENSTAR's 2021 test year rate case, in part through acceptance of a stipulation. That stipulation required ENSTAR to file a new rate case in 2025 or 2026, based on either a 2024 or 2025 test year.<sup>3</sup> In compliance with that requirement, ENSTAR filed a revenue requirement study based on a 2024 test year and request for rate increases designated as TA354-4.<sup>4</sup> With TA354-4, ENSTAR is proposing a \$117,811,841 revenue requirement (excluding the cost of gas) and requesting a 26.79% permanent increase in base rates.<sup>5</sup> ENSTAR supported this request with a cost-of-service study, a lead-lag study, and written testimony by John D. Sims, Chelsea N. Guintu, Inna B. Johansen, Nathan T. Burke, Abigail L. Riggs, Andrea D. Jackson, Jennifer E. Nelson, Bruce H. Fairchild, and Harold Walker III.<sup>6</sup> ENSTAR requested an across-the-board interim and refundable rate increase of 23.21% to base rates to be effective for billings on or after July 1, 2025.<sup>7</sup>

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<sup>1</sup>Order U-22-081(11), *Order Accepting Partial Stipulation, Rescheduling Hearing, Denying Motion for Expedited Consideration, Amending Docket Caption, and Redesignating Commission Panel*, dated October 11, 2023 (Order U-22-081(11)).

<sup>2</sup>Order U-22-081(14), *Order Resolving Return of Equity Issue, Requiring Filings, and Redesignating Commission Panel*, dated April 8, 2024.

<sup>3</sup>Order U-22-081(11), Appendix at 8.

<sup>4</sup>TA354-4, filed May 2, 2025.

<sup>5</sup>TA354-4 at 4, Attachment B at 4.

<sup>6</sup>TA354-4, Attachment C; *Prefiled Direct Testimony of John D. Sims*, filed May 2, 2025; *Prefiled Direct Testimony of Chelsea N. Guintu*, filed May 2, 2025 (Guintu Testimony); *Prefiled Direct Testimony of Inna B. Johansen*, filed May 2, 2025 (Johansen Testimony); *Prefiled Direct Testimony of Nathan T. Burke*, filed May 2, 2025; *Prefiled Direct Testimony of Abigail L. Riggs*, filed May 2, 2025; *Prefiled Direct Testimony of Andrea D. Jackson*, filed May 2, 2025; *Prefiled Direct Testimony of Jennifer E. Nelson*, filed May 2, 2025; *Prefiled Direct Testimony of Bruce H. Fairchild*, filed May 2, 2025 (Fairchild Testimony); *Prefiled Direct Testimony of Harold Walker III* filed May 2, 2025 (with Lead Lag Study included as Exhibit HW-2).

<sup>7</sup>TA354-4 at 8-9.

We issued public notice of TA354-4 on May 5, 2025, with comments due by May 19, 2025. We received comments requesting that we suspend TA354-4 for investigation from Hilcorp Alaska, LLC; Matanuska Electric Association, Inc.; and from JL Properties, Inc.<sup>8</sup> ENSTAR filed a response to the comments filed by JL Properties, Inc.<sup>9</sup> ENSTAR responded to questions by our Staff.<sup>10</sup> ENSTAR filed an additional response to Staff questions.<sup>11</sup>

## Discussion

### Suspend for Investigation

When a utility's tariff filing contains a new or revised rate, classification, rule, regulation, or condition of service, we may, upon written complaint or on our own motion and after reasonable notice, suspend the operation of the tariff and conduct a hearing to determine the reasonableness and propriety of the filing.<sup>12</sup> The filings in TA354-4 raise a number of issues that require investigation, including, but not necessarily limited to: the proposed 13% cost of equity, which includes a 222 basis point adjustment based on ENSTAR's claimed business risks; whether use of a hypothetical capital structure rather than ENSTAR's actual capital structure (including a 58.57% equity ratio) would be

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<sup>8</sup>Correspondence from Kurt Gibson, Vice President – Marketing, Hilcorp Alaska, LLC, filed May 19, 2025; Correspondence from A.T. Izzo, Chief Executive Officer, Matanuska Electric Association, Inc., filed May 19, 2025; and *JL Properties, Inc.'s Protest and Comments to ENSTAR Natural Gas Company, LLC's Request for Interim and Permanent Rate Increase*, filed May 19, 2025.

<sup>9</sup>ENSTAR's *Limited Reply to JL Properties, Inc.'s Protest and Comments to ENSTAR Natural Gas Company, LLC's Request for Interim a Permanent Rate Increase*, filed May 27, 2025.

<sup>10</sup>Correspondence from C. Guintu, filed May 15, 2025.

<sup>11</sup>Correspondence from C. Guintu, filed May 30, 2025 (Guintu Second Correspondence).

<sup>12</sup>AS 42.05.421.

reasonable;<sup>13</sup> the reasonableness of ENSTAR's proposed Very Large Firm Transport/South Central Power Pool Firm Transportation (VLFT/SCPPFT) Peak Reduction Credit;<sup>14</sup> whether the regulatory asset costs authorized by Order U-22-090(2)<sup>15</sup> were prudently incurred and are reasonable to include in rates;<sup>16</sup> the reasonableness of ENSTAR's proforma adjustments, including administrative and general expenses; the proposed weatherization adjustment; rate case expense; the lead-lag study; affiliate costs; whether proposed year end plant adjustments are synchronized and are otherwise reasonable;<sup>17</sup> and whether amortization periods proposed for regulatory assets and rate case expense are reasonable. Accordingly, we suspend TA354-4 for further investigation.<sup>18</sup>

#### Approval of Interim and Refundable Rates and Interest on Refunds

ENSTAR requests that if we suspend TA354-4 for investigation, it be permitted to receive an interim and refundable rate increase of 23.21% effective for

<sup>13</sup>See Order U-84-059(15), *Order Granting Rate Increases; Requiring Refund; Prescribing Rate Design Submission; and Mandating Completion of Continuing Property Records System*, dated May 7, 1986, at 60-61 (discussing when use of a hypothetical capital structure is warranted).

<sup>14</sup>ENSTAR's large interruptible participating customers would receive this credit regardless of whether service interruption ever occurs, with all costs allocated to ENSTAR's other customer classes through its GCA. See Johansen Testimony at 47-50; Fairchild Testimony at 16.

<sup>15</sup>Order U-22-090(2), *Order Granting Petition to Create Regulatory Asset, Requiring Reporting, and Closing Docket*, dated February 22, 2023.

<sup>16</sup>See Order U-25-004(5), *Order Closing Regulatory Asset Authorized by Order U-22-090(2), Approving New Regulatory Asset, Denying TA350-4, Finding Motions for Confidential Discovery Orders and Motion for Expedited Consideration Moot, Requiring Filings, and Appointing Administrative Law Judge*, dated April 22, 2025 (Order U25004(5)), at 39, 45-46.

<sup>17</sup>See Order U-10-029(15), *Order Accepting Partial Stipulation, Determining Revenue Requirement and Rate Design Issues, Approving Permanent Rates, and Approving Tariff Sheets*, dated September 2, 2011, at 25-28.

<sup>18</sup>In Guintu Second Correspondence, ENSTAR addressed Staff questions on ENSTAR's proposed weatherization adjustment, rate case expense, plant additions, regulatory asset costs and the proposed lead lag study. We believe further investigation into these issues, among others, is warranted.

1 billings on or after July 1, 2025.<sup>19</sup> ENSTAR claims that the circumstances described in  
2 the prefiled testimony and the studies included in these tariff filings demonstrate the need  
3 for the requested interim relief under the standards set out in *Alaska Public Utilities*  
4 *Commission v. Greater Anchorage Area Borough*, 534 P.2d 549 (Alaska 1975) (GAAB).<sup>20</sup>

5 ENSTAR asserts that it has demonstrated through its supporting schedules  
6 that its currently effective rates are confiscatorily low, at an effective return on equity of  
7 4.57% on a normalized basis.<sup>21</sup> ENSTAR states this evidence is not “frivolous or  
8 obviously without merit” and that the revenue resulting from ENSTAR’s current rates is  
9 substantially below the amount necessary to recover its cost of providing service and  
10 denies it a reasonable opportunity to earn a fair return on its capital investment. ENSTAR  
11 asserts that the currently effective rates are likely to remain in effect for at least 450 days,  
12 the statutory deadline for adjudicating its rate case. Lastly, ENSTAR argues that the  
13 period of time the allegedly confiscatory rate levels will remain in effect would be  
14 unreasonably long if an interim rate increase were not granted.<sup>22</sup>

15 We find ENSTAR’s assertions to be supported by the record and that the  
16 interim and refundable nature of the requested rate increase will protect consumers.  
17 Therefore, we grant ENSTAR’s request for an across-the-board rate increase of 23.21%,  
18 effective July 1, 2025. ENSTAR may place the amounts received by reason of the interim  
19 and refundable rate increases in escrow or may agree to pay the interest rate of 10.5%  
20 per annum, specified by AS 45.45.010(a), on any refunds that may be required at the  
21 conclusion of this proceeding. Interest will begin to accrue when customers pay bills  
22 based on the interim and refundable rates and continue until all refund amounts, if any,

23  
24 <sup>19</sup>TA354-4 at 8-9.

25 <sup>20</sup>TA354-4 at 9-10.

26 <sup>21</sup>TA354-4 at 10; Guintu Testimony at 26, Exhibit CNG-3.

<sup>22</sup>TA354-4 at 10.

are paid to customers. We require ENSTAR to advise us as to its choice between these options by [30 days from date of order]. We require ENSTAR to keep an accurate accounting by customer of all amounts received under the interim and refundable rates granted in this order and the related interest.

#### Tariff Sheets

We approve Tariff Sheets Nos. 255, 256, 257, 258, 271, 272, 273,<sup>23</sup> 275,<sup>24</sup> 277,<sup>25</sup> 282, and 284, filed May 2, 2025, in TA354-4, reflecting the interim and refundable rate increase effective July 1, 2025.<sup>26</sup> The validated tariff sheets will be returned under separate cover.

#### Decision Timeline and Suspension Period

We are required by AS 42.05.175(c) to issue a final order not later than 450 days after a complete tariff filing is made regarding a tariff filing that changes a utility's revenue requirement or rate design. TA354-4 was complete as filed on May 2, 2025. Therefore, we will issue a final order in this docket not later than July 26, 2026.<sup>27</sup>

We suspend TA354-4 for an initial period of six months until November 2, 2025.<sup>28</sup> Before that date we will evaluate further suspensions.

#### Inviting Participation by the AG and Petitions to Intervene by Interested Persons

We believe it is in the public interest for the AG to participate in this proceeding as a party. The chair invites the AG to do so.<sup>29</sup>

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<sup>23</sup>The margin notation for Tariff Sheet No. 273 will be corrected to read "I."

<sup>24</sup>The margin notation for Tariff Sheet No. 275 will be corrected to read "R" for the Demand Charge.

<sup>25</sup>The margin notations for Tariff Sheet No. 277 will be corrected to read "R."

<sup>26</sup>TA354-4 at Attachment D (proposed interim rate tariff sheets).

<sup>27</sup>July 26, 2026, is a Sunday. Therefore, we will issue a final order by Friday, July 24, 2026.

<sup>28</sup>AS 42.05.421(a)(1).

<sup>29</sup>AS 42.04.070(c).

We invite others with an interest in this proceeding to consider filing a petition for permission to intervene as a party after examining 3 AAC 48.110. Petitions to intervene must be filed no later than 5 p.m. on June 27, 2025.

#### Issuing Questions

We will require written briefing on the following questions from ENSTAR, the AG, if the AG elects to participate, and any interested persons who are granted permission to intervene. Briefing will be simultaneous, and broken into opening and reply briefing rounds. A briefing schedule will be addressed at the prehearing conference discussed below to address the following questions:

1. In the most recently filed three rate cases, including this filing, ENSTAR has proposed rate case expense in increasing amounts: \$1.8M in TA285-4; \$2.1M in TA334-4; and now \$2.9M in TA354-4. These costs include legal expenses and costs associated with consultants and testifying experts. Does the expense ENSTAR incurs in processing rate cases benefit its shareholders, its ratepayers, or both? To the extent ENSTAR's shareholders benefit from the costs it incurs in processing rate cases, should costs be allocated to shareholders in addition to ratepayers, and if so, how should these costs be allocated? In answering these questions, please also address the holdings in *Empire District*

1 *Electric Company*,<sup>30</sup> and *Spire Missouri*.<sup>31</sup> Please also identify a witness  
2 to sponsor your answer in the event this issue must be addressed at the  
hearing.

3 <sup>30</sup>*In the Matter of the Empire Dist. Elec. Company's Request for Auth. To File*  
4 *Tariffs Increasing Rates for Elec. Serv. Provided to Customers in Its Missouri*  
5 *Serv. Area*, No. ER-2019-0374, 2020 WL 4001667, at 50 (July 1, 2020) reads  
in part:

6 In many ways rate case expense is like other common operational expenses  
7 that a utility must incur to provide utility services to customers. Since  
8 customers benefit from having just and reasonable rates, it is appropriate for  
9 customers to bear some portion of the utility's cost of prosecuting a rate case.  
10 However, rate case expense is also different from most other types of utility  
11 operational expenses in that 1) the rate case process is adversarial in nature,  
with the utility on one side and its customers on the other; 2) rate case expense  
12 produces some direct benefits to shareholders that are not shared with  
13 customers, such as seeking a higher ROE; 3) requiring all rate case expense  
14 to be paid by ratepayers provides the utility with an inequitable financial  
15 advantage over other case participants; and 4) full reimbursement of all rate  
16 case expense does nothing to encourage reasonable levels of cost  
17 containment.

18 The evidence shows that Empire's shareholders stood to benefit from many of  
19 the issues raised and litigated by Empire in this case. . . . It was Empire's  
20 decision and entirely within Empire's power to pursue these issues, hire  
21 outside consultants to support issues, and to file this rate case.

22 . . .

23 Therefore, it is just and reasonable that the shareholders and the ratepayers,  
24 who both benefited from the rate case, share in the rate case expense. The  
25 Commission finds that in order to set just and reasonable rates under the facts  
26 in this case, the Commission will require Empire's shareholders to cover a  
portion of Empire's rate case expense. The Commission will assign Empire's  
discretionary rate case expense to both ratepayers and shareholders based  
upon a 50/50 split.

31<sup>31</sup>*Spire Missouri, Inc. v. Pub. Serv. Comm'n*, 618 S.W.3d 225, 233-234 (Mo.  
2021) reads in part:

Generally, ratepayers benefit from rate cases because they have an interest  
in ensuring the financial well-being of the utilities that serve them. Therefore,  
ratepayers justly and reasonably can be expected to pay a utility's expenses  
in bringing such a case. But this does not mean there cannot be limits. A utility  
cannot spend any amount it pleases secure in the knowledge or expectation  
that ratepayers will foot the bill, particularly when those expenses include items  
seeking to subordinate ratepayers' interests to those of the utility's investors.  
Here, even assuming there was no basis in the evidence to reject the  
presumption of prudence with respect to one or more of Spire's rate case  
expenses, the PSC did not err in its decision to exclude a portion of those  
expenses in setting "just and reasonable" rates because they served only to  
benefit shareholders and minimize shareholder risk with no accompanying

(continued . . . )



- 1 2. ENSTAR proposes to recover the regulatory asset authorized in Order  
2 U-22-090(2) including carrying costs. It seeks to do so by applying its  
3 overall rate of return to the unamortized balance during an approved  
4 amortization period.<sup>32</sup> We addressed this as an issue in Order U-25-  
5 004(5) at 45-46. Please explain how ENSTAR's request would be  
6 consistent or inconsistent with the ratemaking theory and precedent  
7 discussed in Order U-25-004(5), or other relevant Commission  
8 precedent. Please also identify a witness to sponsor your answer in the  
9 event this issue must be addressed at the hearing.

10 Scheduling Prehearing Conference

11 We schedule a prehearing conference to schedule briefs addressing the  
12 questions identified above, to establish a procedural schedule, and address other matters  
13 necessary to timely resolve this proceeding. We will hold the prehearing conference at  
14 10 a.m. on Friday, July 11, 2025, in the East Hearing Room and via Cisco Webex, unless  
15 other arrangements are ordered. If the AG elects to participate, we encourage ENSTAR,  
16 the AG, and any interested persons filing a petition for permission to intervene to discuss  
17 a mutually acceptable procedural schedule ahead of the prehearing conference.

18 benefit (or potential benefit) to ratepayers. To be sure, the PSC's decision to  
19 exclude 50 percent of Spire's remaining rate case expenses (after allowing full  
20 recovery of the cost of notices and the depreciation study) was not the result  
21 of a decision to include or exclude expenses on an item-by-item basis. This is  
22 not to say, however, that the PSC's decision was unsupported by competent  
23 and substantial evidence on the whole record, and it was far from the sort of  
24 irrational or unconsidered approach properly characterized as arbitrary,  
25 capricious, or an abuse of discretion. [citation and quotation omitted]

26 The PSC expressly identified those issues (and related expenses) Spire  
pursued that benefitted only its shareholders and not its ratepayers, and the  
PSC decided what proportion of the total case (and expenses) they  
represented. [footnote omitted] Nothing in the PSC's authorizing statutes or  
this Court's precedents requires the PSC to conduct an item-by-item analysis  
when the issue is the degree to which a utility's case expenses should be  
included in calculating "just and reasonable" rates rather rejecting a particular  
expense as imprudent.

<sup>32</sup>Johansen Testimony at 45.

Commission Panel

The chair designates Commissioners Steve DeVries, Mark Johnston, Robert M. Pickett, John C. Springsteen, and himself as the Commission Panel and further designates Commissioner Johnston as the Commission Docket Manager.<sup>33</sup>

Administrative Law Judge

Under AS 42.04.070(b), the chair appoints Administrative Law Judge James L. Walker to facilitate conduct of this proceeding. Orders issued by the administrative law judge will be considered orders of the Commission for purposes of petitions for reconsideration under AS 42.05.171.

**ORDER**

THE COMMISSION FURTHER ORDERS:

1. The tariff filing, designated as TA354-4, filed May 2, 2025, by ENSTAR Natural Gas Company, LLC, is suspended for further investigation into this docket until November 2, 2025.

2. The interim and refundable rate increase of 23.21% requested by ENSTAR Natural Gas Company, LLC in TA354-4 is granted effective July 1, 2025.

3. By July 14, 2025, ENSTAR Natural Gas Company, LLC shall make a filing advising whether it will place the amount received by reason of the interim and refundable rate increase in escrow or will pay the statutory interest rate of 10.5% per annum on any future refunds made in these proceedings. ENSTAR Natural Gas Company, LLC shall keep an accurate accounting of all amounts received from each customer as a result of the interim and refundable rates made under this order.

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<sup>33</sup>Under AS 42.04.080(a), the chair designates a Commission Panel to hear, or if a hearing is not required, to otherwise consider and decide docketed matters.

4. Tariff Sheet Nos. 255, 256, 257, 258, 271, 272, 273, 275, 277, 282, and 284, filed May 2, 2025, in TA354-4, by ENSTAR Natural Gas Company, LLC are approved effective July 1, 2025.

5. By June 27, 2025, any interested person shall file a petition to intervene in accordance with 3 AAC 48.110.

6. A prehearing conference is scheduled to convene at 10 a.m., Friday, July 11, 2025.<sup>34</sup>

7. Commissioners Steve DeVries, John M. Espindola, Mark Johnston, Robert M. Pickett, and John C. Springsteen are designated as the Commission Panel.

8. Commissioner Mark Johnston is designated as the Commission Docket Manager.

9. James L. Walker is appointed as the administrative law judge.

DATED AND EFFECTIVE at Anchorage, Alaska, this 13th day of June, 2025.

BY DIRECTION OF THE COMMISSION



<sup>34</sup>Any party representative, witness, or interested person filing a petition for permission to intervene that wishes to participate in the prehearing conference by Cisco WebEx should email our law office assistants at [LOA.RCA@alaska.gov](mailto:LOA.RCA@alaska.gov) to request an invitation by 12 p.m., three business days prior to prehearing conference.

If you are a person with a disability who may need a special accommodation, auxiliary aid, service, or alternative communication format in order to participate in the scheduled event, please contact Steve Jones at 907-276-6222, TTY/Alaska Relay at 7-1-1 or 1-800-770-8973, toll free at 1-800-390-2782, or send your request via electronic mail to [rca.mail@alaska.gov](mailto:rca.mail@alaska.gov), at least three business days before the prehearing conference to make the necessary arrangements.