

**1. Why did ENSTAR ask the Regulatory Commission of Alaska for approval of a base rate increase?**

ENSTAR base rates have not increased since 1986, but the costs in the marketplace have. In addition, ENSTAR is serving twice the number of customers it did in 1986 (68,000 to over 130,000 meters). This increase is needed to cover the costs of things like complying with newly required federal pipeline inspection mandates, pipeline system additions, increases in the costs of goods and services, and ENSTAR efforts to find alternative gas supply options. For example, ENSTAR has invested over \$110 million in its gas distribution system since 2001 alone.

**2. Why did ENSTAR seek a rate increase now? Didn't you just announce a 16% rate decrease this year?**

The 16% gas cost decrease in January was due to decreases in commodity cost. ENSTAR does not produce or own any natural gas. ENSTAR negotiates for gas supply with the producers on behalf of its customers. ENSTAR does not make money on the price of the gas. Gas costs are separately approved by the Regulatory Commission of Alaska (RCA).

ENSTAR was required by the Regulatory Commission of Alaska (RCA) to analyze the cost of delivering gas during 2008. The base rate increase that was authorized by the RCA is how ENSTAR recovers its cost of conducting business. Since ENSTAR does not make any money on the cost of the natural gas, it recovers its costs through base rates. ENSTAR has not increased its base rates since 1986. Even with this increase, adjusted for inflation over the last 25 years, base rates for service from ENSTAR will be far less than they were in 1986.

**3. Is this increase going to be followed by another increase next year?**

Not in the customer charge. ENSTAR was required by the Regulatory Commission of Alaska (RCA) to analyze the cost of delivering gas during

2008 and to apply for a new rate based upon current costs of doing business. This increase is the result. The next base rate increase (approximately 1.4% for the average residential customer) will be effective upon completion of the new South Peninsula Pipeline. Construction has begun on this pipeline and ENSTAR expects that gas will be flowing from new gas supplies to residents and businesses of Southcentral Alaska through this pipeline by late 2010 – early 2011. Following that adjustment, ENSTAR is required to file a new review of its costs of doing business no later than mid -2014.

- 4. Why is ENSTAR changing their rate design from Residential, Small Commercial and Large Commercial rates to General Service Categories?**
- ENSTAR's old rate classes were broadly defined based upon the type of user of the gas (residential or commercial), rather than the size of equipment needed to serve the customer. Left unchanged, the old rate design could have resulted in smaller customers subsidizing customers that needed larger, more expensive facilities to serve them. The new rate design is based upon the size of the facilities and eliminates that problem.

#### **PRESS CALLS**

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