

HB

39

<TARGET><BILL>HB 39</BILL><SUBJECT>HB
39</SUBJECT><COMM>HENE27</COMM></TARGET>

Alaska State Legislature

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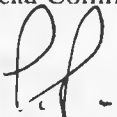
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Representative Pete Petersen
Serving Northeast Anchorage and Muldoon

Memorandum

March 3, 2011

To: Rep. Neal Foster and Rep. Lance Pruitt
Co-chairs, House Special Committee on Energy

From: Rep. Pete Petersen 

Re: Hearing Request for House Bill 39 Draft CS Version T

Thank you for holding a hearing on House Bill 39 on February 10, 2011. Since that hearing, I have worked with Stuart Goering of the Department of Law to resolve issues that were raised during the hearing and we have prepared a new draft committee substitute (version T). I respectfully request that House Bill 39 Draft Committee Substitute Version T be scheduled for a hearing in the House Special Committee on Energy. Please feel free to contact me, or my aide David Dunsmore, at 465-4939 with any questions, thoughts, or ideas.

Attached you will find a supplemental background packet for House Bill 39 including a copy of the Draft CS, an updated sponsor statement, an updated sectional analysis, and a letter of support from the Alaska Public Interest Research Group.

Thank you for your consideration.

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CS FOR HOUSE BILL NO. 39()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE PETERSEN

A BILL
FOR AN ACT ENTITLED

1 **"An Act requiring a utility applying to the Regulatory Commission of Alaska for a new**
2 **or increased rate where a refund may be ordered by the commission to have a refund**
3 **procedure in place; relating to refund procedures and orders of the commission; and**
4 **providing for an effective date."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 *** Section 1.** AS 42.05.421 is amended by adding new subsections to read:

7 (e) When a tariff filing containing new or increased rates is suspended for
8 investigation and the commission establishes an interim rate that is subject to refund,
9 the utility shall, within 60 days after the date the suspension order is issued, notify the
10 commission of the procedures the utility proposes to use for refunding that portion of
11 the new or increased rates that may be found by the commission after investigation to
12 be unreasonable or unlawful unless the utility notifies the commission that the utility
13 intends to use procedures in

14 (1) a provision of the utility's tariff relating to the refund of interim

1 rates approved by the commission; or

2 (2) regulations adopted by the commission under (f) of this section.

3 (f) The commission shall, by order, initiate a rule-making proceeding for the
4 purpose of adopting regulations that provide for procedures that a utility may use to
5 make refunds of that portion of an interim rate the commission finds to be
6 unreasonable or unlawful and that are necessary to carry out the provisions of this
7 subsection and (e) of this section. In adopting the regulations, the commission shall
8 consider whether the procedures adopted by regulation maximize the likelihood that
9 refunds will be promptly paid to the customers who actually paid the interim rates,
10 while keeping administrative costs at a reasonable level. At a minimum, the
11 regulations adopted under this subsection must

12 (1) specify how refunds are to be calculated;

13 (2) identify post-refund reporting requirements; and

14 (3) establish the maximum number of days following the issuance of a
15 final order of the commission that refunds shall be issued.

16 (g) If a utility does not use a refund procedure described in (e)(1) or (2) of this
17 section, not later than the time the commission issues a final rate decision on the rate
18 in question, the commission shall rule on whether the utility's proposed refund
19 procedure is approved.

20 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 **UTILITY REFUND PLAN.** The Regulatory Commission of Alaska shall

23 (1) initiate a rule-making proceeding described in AS 42.05.421(f), as enacted
24 by sec. 1 of this Act, within 30 days after the effective date of this section; and

25 (2) adopt the regulations under AS 42.05.421(f), as enacted by sec. 1 of this
26 Act, within the time specified in AS 42.05.175(e); the regulations may not take effect until the
27 effective date of AS 42.05.421(f).

28 * **Sec. 3.** Section 1 of this Act takes effect July 1, 2013.

29 * **Sec. 4.** Section 2 of this Act takes effect immediately under AS 01.10.070(c).

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Summary of Changes from Draft CS Version D to Draft CS Version T

HB 39 Utility Refunds

This version has been rewritten with advice from the Stuart Goering of the Department of Law.

Section 1 is changed, so that within 60 days after an interim and refundable rate has been authorized the utility must either submit a proposed refund plan or notify the Regulatory Commission of Alaska (RCA) that the utility will use either a standard refund procedure preapproved by the RCA or a refund procedure included in the utility's tariff. The RCA shall rule on the proposed refund plan no later than the final decision on the rate case.

A new subsection (f) is added to section one requiring the RCA to implement a rule-making process to develop regulations implementing this bill.

Section 2 now includes language requiring the RCA to commence this rule making process within 30 days after this section takes effect and establishes that these regulations cannot take effect until the effective date of section 1.

The effective date for section 1 is changed to July 1, 2013 to allow the RCA time to prepare these regulations. The effective date for section 2 remains immediate.

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Sponsor Statement

HB 39 Draft CS Version T Utility Refunds

This bill will better protect consumers in utility rate cases, by requiring a refund procedure be in place before the Regulatory Commission of Alaska (RCA) makes a final ruling in case where a utility is allowed to charge an interim or refundable rate. When the RCA requires extended deliberation on a rate case, the commission often allows the utility to charge the proposed rate, but if they reject the rate the utility must refund customers with interest.

Currently refund procedures are only set after the RCA rejects a rate, and often legal wrangling can significantly delay the refund. In a recent high profile case, the refund was delayed for almost 9 months, even though the utility did not appeal the ruling. The interest the utilities must repay continues to accrue while the refund procedure is being adjudicated, so both the customers and the utilities would benefit from streamlining the refund process.

While the interim and refundable rate process is important for allowing utilities not to be harmed while the regulatory process plays out, when a rate is rejected the consumers should be refunded as soon as possible.

This bill allows utilities several options for how to have a refund plan approved. They can either use procedures that have been pre-approved by the RCA for all utilities, use an RCA provision in their specific tariff, or submit their own plan to the RCA. Utilities will be required to submit to the RCA how they intend to conduct a possible refund within 60 days of an interim and refundable rate being approved, and if they do not choose a pre-approved option then the RCA will rule on the refund plan before or concurrent with the final ruling in the rate case.

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Sectional Analysis

HB 39 Utility Refunds Draft CS Version T

Section 1 adopts requirements for utilities to file refund plans when interim and refundable rates have been approved sets procedures for implementing this requirement.

Subsection (e) requires that utilities notify the RCA about how they will handle a potential refund within 60 days of an interim and refundable rate has been granted. Utilities may either use a pre-approved plan adopted by the RCA, a pre-approved plan detailed in the utility's tariff, or submit their own plan for approval.

Subsection (f) requires the RCA to adopt regulations to implement this section and describes what must be included in a pre-approved plan.

Subsection (g) requires that if a utility does not use a pre-approved option, that the RCA shall rule on the refund plan no later than when they issue their final rate decision

Section 2 requires the RCA to begin the process to enact regulations to implement section 1 within 30 days of the effective date of section 2 and that these regulations may not take effect before the effective date of section 1.

Section 3 establishes a July 1, 2013 effective date for section 1.

Section 4 establishes an immediate effective date for section 2.



Alaska Public Interest Research Group
P.O. Box 101082 • Anchorage, AK 99510 • www.akpirg.org

February 10th, 2011

Dear legislator,

On behalf of the Alaska Public Interest Research Group, I'd like to express our support for House Bill 39.

As Alaska's oldest and largest consumer watchdog group, AKPIRG has been advocating for consumers and the public interest since 1974. We're a non-partisan, non-profit, citizen based grassroots organization, and we focus on research, public education and engagement, and advocacy at the state level to further our mission.

One of the issues we have consistently been concerned with is the cost and fairness of Alaskan consumers' monthly bills-- rent, mortgages, mobile phones, and of course, heat and electricity.

These Utility bills are a very significant part of the household expenses of families all over Alaska. When a utility company is compelled to refund some of the money charged to consumers, whether the amount is large or small, it should happen quickly in order to get those funds to Alaskans that need them.

HB 39 is a very simple piece of legislation that will help ensure that this is the case. By requiring utilities to outline a refund plan when they apply for a rate hike that, regardless of likelihood, there is a plan in place to make sure that the refund happens quickly and efficiently.

Alaska consumers deserve nothing less.

From our standpoint it really is as simple as that, and we believe that the bill as written provides an appropriate level of flexibility in implementation for the regulatory commission of alaska to realize the goals of this legislation.

So, on behalf of our members we urge your support and speedy action on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Wallace", written in a cursive style.

Matt Wallace
AKPIRG Executive Director

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
 Bill Version _____
 () Publish Date _____

Identifier (file name) HB039-CCED-RCA-02-4-11 Dept. Affected DCCED
 Title RCA utility rates; Refund procedures Appropriation Regulatory Commission of Alaska
 Allocation Regulatory Commission of Alaska
 Sponsor Representative Petersen
 Requester House Energy OMB Component Number 399

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services	167.7		167.7	167.7	167.7	167.7	167.7	167.7
Travel	10.0		0.0	0.0	0.0	0.0	0.0	0.0
Services	10.0		0.0	0.0	0.0	0.0	0.0	0.0
Commodities	4.0		4.0	4.0	4.0	4.0	4.0	4.0
Capital Outlay								
Grants								
Miscellaneous								
TOTAL OPERATING	191.7	0.0	171.7	171.7	171.7	171.7	171.7	171.7

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES		191.7		171.7	171.7	171.7	171.7	171.7
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts	191.7		171.7	171.7	171.7	171.7	171.7	171.7
1037 GF/Mental Health								
Other (please identify)								
TOTAL	191.7	0.0	171.7	171.7	171.7	171.7	171.7	171.7

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note to HB39 from the Regulatory Commission of Alaska.

Prepared by T.W. Patch
 Division Regulatory Commission of Alaska
 Approved by Susan K. Bell, Commissioner
Department of Commerce, Community and Economic Development

Phone 907.276.6222
 Date/Time 02-04-2011 5:58 p.m.
 Date 2/5/2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. _____

Analysis

This legislation requires a utility filing for a new or revised rate to have a refund procedure in place that is approved by the Regulatory Commission of Alaska (RCA). Regulated utilities will be required to amend their tariffs to state rate refund procedures. The RCA will be required to review those tariff filings and any subsequent tariff revision by a regulated utilities to modify its refund procedure. Should regulations be necessary to implement a standard refund procedure for regulated utilities, the RCA would be required to incur the cost of establishing those regulations. To perform these obligations, the RCA would hire a Utility Tariff Analyst I (Range 16) and a Utility Tariff Analyst II (Range 18). These employees would be dedicated full-time to processing tariff filings and possibly pursuing standards related to refund procedures.

The RCA's budget is funded through Regulatory Cost Charges (RCC) and direct charge mechanisms. The RCC is recalculated each year and allows the agency to recover its operating expenses through an assessment on the revenues of regulated utilities and pipeline carriers. Utilities exempt from economic regulation by the RCA do not pay RCCs, but may be required to pay the actual costs of services provided to the RCA.

The current RCC cap is 0.7%, and an increase to the statutory will be necessary to fund the additional positions.

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Table of Contents: Background Information for HB 39 Utility Refunds

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3. Draft committee substitute version D
4. Summary of changes for draft CS version D
5. Sectional analysis for draft CS version D
6. Timeline of Enstar/ Fort Richardson Case
7. Enstar's Fort Richardson Billing Error Refund Plan

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Sponsor Statement

HB 39 Utility Refunds

This bill will better protect consumers in utility rate cases, by requiring a refund procedure be in place before the Regulatory Commission of Alaska (RCA) may allow a utility to charge an interim or refundable rate. When the RCA requires extended deliberation on a rate case, the commission often allows the utility to charge the proposed rate, but if they reject the rate the utility must refund customers with interest.

Currently refund procedures are only set after the RCA rejects a rate, and often legal wrangling can significantly delay the refund. In a recent high profile case, the refund was delayed for almost 9 months, even though the utility did not appeal the ruling. The interest the utilities must repay continues to accrue while the refund procedure is being adjudicated, so both the customers and the utilities would benefit from streamlining the refund process.

While the interim and refundable rate process is important for allowing utilities not to be harmed while the regulatory process plays out, when a rate is rejected the consumers should be refunded as soon as possible.

This bill leaves it to the discretion of the RCA whether to adopt standard refund procedures for all utilities, or whether to let each utility submit its own refund procedure.

27-LS0228VD
Kane
2/9/11

CS FOR HOUSE BILL NO. 39()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE PETERSEN

A BILL
FOR AN ACT ENTITLED

1 **"An Act requiring a utility applying to the Regulatory Commission of Alaska for a new**
2 **or increased rate where a refund may be ordered by the commission to have a refund**
3 **procedure in place; and providing for an effective date."**

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 *** Section 1.** AS 42.05.421 is amended by adding a new subsection to read:

6 (e) Before a utility may apply for a new or increased rate where a refund may
7 be ordered by the commission under (c) of this section, the utility shall have a refund
8 procedure in place that is approved by the commission or agree to follow regulations
9 relating to refund procedures adopted by the commission. The procedures under this
10 subsection must, at a minimum, specify how refunds are to be calculated, identify
11 post-refund reporting requirements, and establish the maximum number of days
12 following the issuance of a final order of the commission that refunds shall be issued.

13 *** Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

1 UTILITY REFUND PLAN GUIDELINES. The Regulatory Commission of Alaska, in
2 consultation with regulated utilities and other interested parties, shall, before January 1, 2012,
3 develop procedures and guidelines for an acceptable utility refund plan required by sec. 1 of
4 this Act that will allow a utility to have a refund plan approved in the most efficient manner
5 possible.

6 * **Sec. 3.** Section 1 of this Act takes effect January 1, 2012.

7 * **Sec. 4.** Except as provided in sec. 3 of this Act, this Act takes effect immediately under
8 AS 01.10.070(c).

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Summary of Changes from the Original to Draft CS Version D

HB 39 Utility Refunds

The wording of the title and section 1 (the only section in the original) have been changed to make it explicitly clear that this bill would only apply to refundable rate request. Section 1 also includes an option for utilities to follow a refund plan pre-approved by the RCA and establishes factors that must be addressed in the pre-approved plan.

A new section 2 is included, requiring the RCA to consult with utilities and other interested parties in developing procedures to implement this bill and adopt guidelines for acceptable refund plans to enable utilities to have their refund plans approved in the most efficient manner possible.

The draft CS adds two effective date provisions. Section 1 would become effective January 1, 2010 and section 2 would become effective immediately.

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Sectional Analysis

HB 39 Utility Refunds Draft CS Version D

Section 1 requires that utilities have an approved refund procedure in place before they can apply to the RCA for and interim and refundable rate or agree to follow a refund plan that was pre-approved by the Commission. Section 1 also establishes factors that must be addressed by the pre-approved plan.

Section 2 requires that the RCA develop guidelines for implementing section 1, in consultation with utilities and other interested parties, that will allow for refund plans to be approved in the most efficient manner possible before section 1 takes effect.

Section 3 establishes a January 1, 2012 effective date for section 1.

Section 4 establishes an immediate effective date for section 2.

Timeline of Enstar/ Fort Richardson Case

Prepared by David Dunsmore, Office of Rep. Pete Petersen

Please note that the purpose of timeline is to show the length of the process, and that some procedural events and filings have been omitted.

October 31, 2008- Enstar requests to recover costs from Fort Richardson error

December 22, 2008- RCA allows Enstar to charge customers for Fort Richardson error on a refundable basis

January through December, 2009- Enstar customers pay approximately \$5.7 million to cover the Fort Richardson issue

October 6-8, 2009- RCA hold hearing on the issue

January 7, 2010- RCA extends the statutory deadline for decision from 1/8/2010 to 3/1/2010 with the consent of all parties

March 1, 2010- RCA denies Enstar's request and orders Enstar to submit a refund plan by April 20, 2010.

April 20, 2010- Enstar submits proposed refund plan including three options

July 7, 2010- RCA tentatively approves a refund procedure and seeks comments from the parties

July 12, 2010- Attorney General requests changes to the refund plan

October 28, 2010- RCA approves final refund plan

November 2010- Enstar customers receive refunds on their monthly bills

RECEIVED

By the Regulatory Commission of Alaska on Apr 20, 2010

STATE OF ALASKA

BEFORE THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Robert M. Pickett, Chairman
Kate Giard
Paul F. Lisankie
T. W. Patch
Janis W. Wilson

In the Matter of the Tariff Revision Designated as)
TA172-4, Regarding a Proposed Gas Cost Adjustment)
for 2009 Filed by ENSTAR NATURAL GAS)
COMPANY, A DIVISION OF SEMCO ENERGY,) Docket No. U-08-142
INC.)
_____)

ENSTAR'S FORT RICHARDSON BILLING ERROR REFUND PLAN

In Order No. U-08-142(14), the Commission required ENSTAR Natural Gas Company to "refund the amount overpaid by gas sales customers" and to "file a plan for the disbursement of refunds"¹ which returns the \$5,710,270 included in the 2009 gas cost adjustment (GCA)² related to the Fort Richardson billing error that occurred between July 2002 and October 2007, plus accrued interest. The average refund for current residential customers will be approximately \$35, including interest at 10.5 percent per annum. The average refund per residential customer who has left the system will be less than \$20, including interest at 10.5 percent per annum.

This filing describes three alternative refund methods. Placing the refund in the Gas Cost Balance Account and refunding it as a credit on customers' bills for the rest of 2010 is the

¹ U-08-142(14), issued March 1, 2010, page 23.

² U-08-142(3), issued December 22, 2008.

preferred method because it can be quickly accomplished, is consistent with Commission and Alaska Supreme Court precedents on refunds, and avoids the significant administrative burdens of the alternatives.

The second option would be to issue individual refunds to each customer from whom amounts were collected in 2009 in the precise amount collected, plus interest. This is administratively burdensome for the reasons detailed below.

The third option would be to issue direct refunds to current customers only. The refunds owing to customers who have left the system would be deposited with the State of Alaska as unclaimed property under AS 34.45.150.

GAS COST BALANCE ACCOUNT OPTION

ENSTAR proposes to reduce the cost of gas for its gas sales customers for the remainder of 2010 by removing the disallowed refund payments (totaling \$5,710,270 to Aurora Power and Marathon Oil Company) and accrued interest from the GCA in a revised GCA filing. Interest would be calculated from January 1, 2009, the date ENSTAR's customers began paying the 2009 GCA rate. Interest would continue to accrue until the Commission approves this refund method. As of April 1, 2010, ENSTAR calculates the total refund to be \$6,067,948.³

Under this plan, ENSTAR estimates that the total refund would reduce the 2010 GCA by \$0.40 per Mcf. An average residential customer will receive a refund totaling \$35 over the

³ Reduction in 2009 GCA amount of \$0.1872 per Mcf (as shown on the Appendix to U-08-142(14)) multiplied by the gas sales volumes billed in 2009 of 31,128,917 Mcf equals \$5,827,333 + \$240.615 (Simple interest at .875% per month from January 1, 2009 through April 1, 2010). Using simple interest, any additional month prior to completion of the refund will increase the total refund by \$25,495. Attachment A shows these calculations.

last six months of 2010. All of the large volume commercial customers in 2009 are still customers on the system; therefore, those gas sales customers who paid the highest percentage of the amounts collected in 2009 would all benefit if the refunds were processed through the GCA. ENSTAR is prepared to file a revised GCA within five days after the RCA approves this refund method.

The Commission has a long and consistent history of passing customer refunds through the Gas Cost Balance Account. The Moquawkie settlement of \$10.1 million, for example, was passed through to customers in 2009 in this manner. U-08-078 Other examples include the Marathon severance tax payment, \$9.7 million, in 1998 (TA107-4); the BRU balancing dispute, \$2.0 million, in 2007 (TA147-4); the Union severance tax reimbursement, \$1.15 million, in 2007 (TA160-4); and the Marathon severance tax reimbursement, \$1.3 million, in 2007 (also TA160-4).

This refund method meets the test described by the Alaska Supreme Court in *United States v. RCA Alaska Communications, Inc.*, 597 P.2d 489 (Alaska 1978); overruled on other grounds in *Owischek v. Guide Licensing & Control Bd.*, 627 P.2d 616 (Alaska 1981). In that case, the court noted that the relevant precedents “. . . do not require a perfect correlation between interim ratepayers and potential refund recipients as long as the consumers who are not adequately protected by the refund procedure constitute a relatively small group which neither bears a discriminatory burden nor suffers a substantial harm.” *Id.* at 511. The only customers who would not benefit from this refund plan are those who are no longer ENSTAR’s customers. No large volume customers are affected and the average refund for the customers who have left the system is less than \$20.

DIRECT CUSTOMER REFUND OPTION

Although more time-consuming and cumbersome, an alternative method for ENSTAR to refund the \$6,067,948 to its customers would be to directly refund the exact amount collected from each customer in 2009. Each individual refund would be calculated by multiplying the customer's monthly volumes by the difference (\$.1872 per Mcf) between ENSTAR's proposed 2009 GCA and the GCA ordered by the Commission in Order No. U-08-142(14). Interest would be calculated for each customer at a rate of .875% per month based on actual monthly usage for 2009. The total refund under this methodology at April 1, 2010 is the same as noted above, \$6,067,948.

This refund option would be administratively burdensome to execute because ENSTAR's customer base constantly changes. ENSTAR had 130,757 gas sales customers on April 1, 2010. On the last day of 2009, ENSTAR had a similar number of gas sales customers, 130,491, but 13,303 of them were not the same customers who purchased services in 2009 during the period of time that the 2009 GCA was collected.

Almost ninety percent of ENSTAR's current customers were also customers when the funds were collected in 2009. Those customers' refunds could appear as a credit on the individual customer's bill after the amount of individual customer refunds was calculated and verified, and all variances were researched. ENSTAR estimates that it will take over 400 hours of time for its staff to process these refunds. To issue refunds to current customers, ENSTAR would need thirty days' notice to write and test the programs necessary to issue the refunds as credits on customers' bills.

Refunding the 13,303 customers who were customers in 2009 but who are no longer on the ENSTAR system would be extremely complicated and time-consuming. ENSTAR may not

have current addresses for these customers. They may have moved out of ENSTAR's service area or have had service terminated for another reason, including nonpayment. Since these customers no longer have an ENSTAR account, refunds would need to be issued as individual checks. ENSTAR's personnel would first have to identify the last address ENSTAR has for the former customers, and update its billing system.⁴ The refund amount would need to be entered manually into the check printing system. At ten minutes per customer, this task would take more than 2,000 hours to complete. Verifying and printing the checks is estimated to take two work weeks, or 80 hours. In addition to the cost of staff time to issue refunds, ENSTAR would also incur the costs to print the checks and the postage to mail them. If any checks are returned with forwarding addresses that have expired, ENSTAR will resend the check to that new address, incurring additional handling, printing and mailing costs. Refund checks returned without a valid forwarding address would be delivered to the State of Alaska as unclaimed property under AS 34.45.150.

Of the 13,303 customers no longer on the system, 2,300 customer accounts were sent to Collections. For this customer subset, ENSTAR would apply the refund as a credit on the customers' account. This process would take an estimated 400 hours of labor. These time estimates are based on the time it took to accomplish the B to A settlement (U-08-025); three employees spent three months adjusting customers' accounts.

⁴ This could be a forwarding address, if the customer provided one to ENSTAR, or the last billing address provided.

DIRECT CUSTOMER REFUND OPTION (CURRENT CUSTOMERS ONLY)

A third option for Commission consideration is to require ENSTAR to refund current customers, as described above. Customers who have left ENSTAR's system would not receive a direct refund. The monies representing those refunds would be deposited with the State as unclaimed property. This method would mitigate the substantial investment in time and monies required under the previous option to issue refunds to local customers who have left ENSTAR's system, but would still require considerable effort to calculate and verify additional refunds. ENSTAR estimates that \$265,156 would be delivered to the state as unclaimed property if the Commission ordered this refund option.

CONCLUSION

ENSTAR offers these three alternative refund plans and asks the Commission to designate the one it wants ENSTAR to implement. ENSTAR's preference is to refund through the GCA account, consistent with the Commission's practice and Supreme Court guidance on refunds. Issuing the refunds through an amended GCA filing would allow customers to receive the refund benefit more quickly. The refund would also be complete by the end of the year, and incur significantly less administrative costs than the other two options. If the Commission determines that individual accounts should be credited with refunds, ENSTAR urges the Commission to allow it to issue the refunds owing to customers who are no longer on ENSTAR's system to the State of Alaska as unclaimed property. These refunds average less than \$20 per customer, and the administrative burdens associated with locating the customers and issuing individual checks outweigh that nominal benefit.

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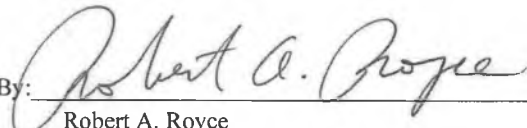
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DATED: April 20, 2010

Attachment A - Refund Calculation Schedule
Attachment B - U-08-142(14) Appendix

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served electronically and by U.S. Mail on the 20th day of April 2010, on:

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