

**Cook Inlet Natural Gas Storage Alaska, LLC**

MAP OF AUTHORIZED SERVICE AREA .....	2
RULES AND REGULATIONS .....	3
Section 1 Territory .....	3
Section 2 Definitions .....	4
Section 3 Storage Service Agreements .....	12
Section 4 Firm Storage Service (FSS) Terms and Conditions .....	13
Section 5 Interruptible Storage Service (ISS) Terms and Conditions .....	19
Section 6 Term .....	23
Section 7 Expiration of Term.....	23
Section 8 Facilities for Additional Services.....	24
Section 9 Point(s) of Injection/Withdrawal.....	24
Section 10 Quality of Gas .....	25
Section 11 Measurement and Measurement Equipment.....	27
Section 12 Force Majeure and Remedies .....	32
Section 13 Delivery Pressure.....	34
Section 14 Billing and Payment .....	35
Section 15 Default Suspension and Termination .....	38
Section 16 Non-Waiver of Future Defaults.....	41
Section 17 Requests for Storage Service .....	42
Section 18 Nominations, Scheduling and Allocations.....	44
Section 19 Operational Information.....	49
Section 20 Right to Commingle .....	49
Section 21 Title Transfer of Gas in Storage .....	50
Section 22 Responsibility for Gas .....	51
Section 23 Warranty of Title.....	51
Section 24 Limitation of Liability.....	52
Section 25 Responsibility for Associated Transportation.....	52
Section 26 Creditworthiness .....	53
Section 27 Regulations.....	60
Section 28 Transfer and Assignment.....	61
Section 29 CINGSA Facility Expansion and Facility Capacity Rights .....	63
Section 30 Fuel Use Percentage .....	67
Section 31 Operational Purchases and Sales of Gas.....	69
Section 32 Operational Flow Order (“OFO”) .....	70
Section 33 Right of First Refusal (ROFR) .....	73
Section 34 General Terms and Conditions .....	74
Section 35 Rate Schedules and Other Charges.....	75
Section 36 Schedule of Special Contracts .....	82
Section 37 Crediting of Non-Firm Revenues to FSS Customers .....	83
Section 38 Well Maintenance Surcharge Mechanism .....	85
Section 39 Customer Complaint Procedures.....	94
Section 40 Formula Rate Mechanism .....	95

**N**

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

### **SECTION 40    FORMULA RATE MECHANISM**

#### **40.1    Application:**

This Formula Rate Mechanism (“FRM”) provides for an annual revision (“FRMAR”) to the Company’s Rate Schedules FSS and ISS (Sections 35.1 and 35.2, respectively). Rate calculations and adjustments required by this Section 40 shall be determined on a Facility-Wide revenue requirement basis.

- A. No provision contained within this Section 40 will limit the Company’s ability to file a General Rate Change Application or limit the RCA’s authority over rates.
- B. Except as provided in Section 40.1.C, the Company will file a FRMAR by tariff advice letter on or before June 15 (or on the next Business Day after June 15 if June 15 is not a Business Day) of each year beginning in 2023.
- C. The Company is exempt from filing a FRMAR for any Test Year for which:
  - 1. the Company files a General Rate Change Application,
  - 2. the Company is directed by the Commission to file the information required by 3 AAC 275(a) thus initiating a General Rate Case for a given Test Year, or
  - 3. a General Rate Change Application or General Rate Case is pending before the Commission.

#### **40.2    Definitions:**

In addition to the definitions set out in Section 2 of this Tariff, the terms listed below shall have the following meanings for the purpose of this Section 40:

- A. The term “3 AAC” means the regulations of Commission as set out in Title 3 of the Alaska Administrative Code. The numbers following “3 AAC” are references to a specific regulation section.
- B. The term “AOR” means the Company’s annual operations report filed with the Commission as required by AS 42.05.451(b). It includes the FERC Form No. 2.
- C. The term “AS” means the Alaska statutes. The numbers following “AS” are references to a specific statute section.
- D. The term “Facility-Wide” means including all aspects of the CINGSA Facility used to provide FSS and ISS.

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

- E. The term “FERC” shall mean the Federal Energy Regulatory Commission.
- F. The term “Filing Date” means the date the Company files a FRMAR.
- G. The term “Final Order” means the last substantive order in a General Rate Case approving permanent rates, or accepting a settlement setting permanent rates, that becomes final and is not subject to further reconsideration by the Commission or appeal.
- H. The term “FRM” shall mean formula rate mechanism under this Section 40.
- I. The term “FRMAR” means the FMR annual revision under this Section 40.
- J. The term “General Rate Case” means a docketed proceeding before the Commission to review the entire revenue requirement (including cost of capital) and cost of service of the Company and involves the Commission review of the information required by 3 AAC 48.275(a). A General Rate Case may be initiated by a General Rate Change Application filed by the Company or by the action of the Commission. A “Concluded General Rate Case” is one where a Final Order has been issued.
- K. The term “General Rate Change Application” means a request to change the rates of the Company’s FSS and ISS Customers filed in accordance with AS 42.05.411 and 3 AAC 48.275.
- L. The terms “Simple Annual Average” and “SAA” mean the average of the Test Year beginning and ending balances. It is computed as the sum of the Test Year beginning balance and the Test Year ending balance, divided by 2.
- M. The term “Test Year” means the twelve months ending December 31 of the preceding calendar year.
- N. The terms “Uniform System of Accounts” and “USoA” mean the Uniform System of Accounts for Class A natural gas companies prescribed by Part 201 of the FERC regulations (18 C.F.R. Part 201) and required for use by 3 AAC 48.277(5). The number following “USoA” is a specific USoA account number.

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

### 40.3    FRMAR Calculation

- A. The FRM shall calculate an annual, Facility-Wide revenue requirement (“RR”) that will adjust applicable rate schedules prospectively as set out below. The Company shall request recovery of its total RR and shall include schedules showing the computation of any adjustments to the Test Year data. The annual RR shall be calculated according to the following formula:

$$RR = OM + DEP + OT + RI + IT$$

Where:

- B. OM = all reasonable and necessary operation and maintenance expenses incurred during the Test Year adjusted for known and measurable changes and prepared consistent with the rate making treatments approved or accepted in the Company’s last Concluded General Rate Case.
1. Known and measurable adjustments shall be limited to those changes that have occurred prior to the Filing Date and that are more than likely to continue through the period in which the rates will be in effect and are consistent with the Commission’s precedent regarding known and measurable adjustments.
    - a. The changes in the level of salary and wage rates, savings plan expenses, payroll taxes, and other payroll-related expenses that occurred during the Test Year, or are known and measurable, shall be annualized.
    - b. OM may be adjusted for atypical and non-recurring items. Changes in specific expenses that occurred during the Test Year, or are known and measurable, shall be annualized.
  2. Shared services and overhead allocation factors shall be recalculated each year based on the latest component factors used during the Test Year, but the methodology used will be that approved or accepted in the Company’s last Concluded General Rate Case.

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

- C. DEP = depreciation and amortization expense calculated on end-of-Test-Year plant and asset balances at the depreciation and amortization rates approved in Docket U-18-043 or at the rates approved or accepted in a subsequent Concluded General Rate Case.
  
- D. OT = taxes other than income tax from the Test Year, adjusted for known and measurable changes occurring after the Test Year and before the Filing Date, and prepared consistent with the rate making treatments approved or accepted in the Company's last Concluded General Rate Case.
  - 1. Statutorily enacted tax changes or tax assessments that occurred during the Test Year, or are known and measurable, shall be annualized.
  
- E. RI = return on prudently-incurred investment calculated as the Company's rate of return (weighted average cost of capital) multiplied by the Test Year rate base.
  - 1. Rate of return shall be the weighted average cost of capital approved or accepted in the Company's last Concluded General Rate Case.
  
  - 2. Rate base is prepared in accordance with the following:
    - a. Known and measurable adjustments shall be limited to those changes that have occurred prior to the Filing Date and are consistent with the ratemaking treatments approved or accepted in the Company's last Concluded General Rate Case.
  
    - b. Gas utility plant, before adjustments, shall be the SAA of USoA accounts 101-105.
  
    - c. Accumulated depreciation reserve, before adjustments, shall be the SAA of USoA accounts 108 & 111.

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

- d. Plant completed not classified, before adjustments, shall be the SAA of USoA account 106.
- e. Gas stored-base gas, before adjustments, shall be the SAA of USoA account 117.1.
- f. If a lead lag study was used to determine the cash working capital allowance in the Company's last Concluded General Rate Case, the cash working capital allowance shall be calculated using the lead/lag days approved in the Company's last Concluded General Rate Case. Otherwise, the cash working capital allowance shall be equal to 1/8th of the sum of adjusted OM (excluding prepaid insurance) and adjusted taxes other than income tax.
- g. Materials and supplies, before adjustments, shall be the SAA of USoA accounts 154 and 156
- h. Prepayments, before adjustments, shall be the SAA of USoA account 165.
- i. Regulatory assets, before adjustments, shall be the SAA of the regulatory assets in USoA account 182.3 that were approved or accepted to be included in rate base in the Company's last Concluded General Rate Case.
- j. Accumulated deferred income taxes ("ADIT") shall be those taxes, calculated for regulatory purposes, directly associated with an item in rate base (excluding Cash Working Capital) and shall include excess accumulated deferred income taxes ("Excess ADIT"). If any such ADIT amounts are debits, they shall be netted against the ADIT credits, and if the net amount is a debit, then it shall be an addition to rate base. The amount included in the rate base calculation for ADIT shall be the SAA for the Test Year.

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

- k. Net asset retirement obligation shall be those accounts for asset retirement obligations (“ARO”) excluding any amounts and accounts included in the gas utility plant accounts (USoA accounts 101-105) or accumulated depreciation and amortization reserves (USoA accounts 108 and 111). If any such ARO amounts are debits, they shall be netted against the ARO credits, and if the net amount is a debit, then it shall be an addition to rate base. The amount included in the rate base calculation for net ARO shall be the SAA.
  - l. Customer advances for construction, before adjustments, shall be the SAA of USoA account 252.
- F. IT = income tax for the adjusted Test Year, adjusted for known and measurable changes occurring after the Test Year and before the Filing Date, and prepared consistent with the rate making treatments approved or accepted in the Company’s last Concluded General Rate Case.
- 1. Income tax expense shall be calculated as follows:
    - a. Equity Return shall be calculated as rate base multiplied by the weighted cost of common equity from the Company’s last Concluded General Rate Case,
    - b. After-tax net return shall be calculated as the equity return, plus the annual amortization of allowance for equity funds used during construction and capitalized into plant, plus or minus the net annual amortization of protected and unprotected Excess ADIT, as approved or accepted in Docket U-18-043,
    - c. Income tax expense before amortization of Excess ADIT shall be calculated as the after-tax net return multiplied by a composite gross-up state/federal income tax factor calculated as  $((1/1 - \text{incremental state corporate income tax rate}) / (1/1 - \text{federal corporate income tax rate})) - 1$ , and
    - d. Income tax expense shall be calculated as the income tax expense before amortization of Excess ADIT, plus or minus the net annual amortization of Excess ADIT.
  - 2. Statutorily enacted tax changes or tax assessments that occurred during the Test Year, or are known and measurable, shall be annualized. The Company shall comprehensively account for, including establishing a regulatory liability or asset to account for, any such change in income tax expense in the calculation to ensure recovery of income tax expense under new and old income tax rates.

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

- G. Cost Allocation: Once the annual RR has been determined as provided in A-F above, it shall be allocated between fixed costs and variable costs using the same cost classification ratios that were approved or accepted in the Company's last Concluded General Rate Case.
1. For example, if the cost of service allocation approved or accepted in the Company's last Concluded General Rate Case allocated 99% of the RR to fixed cost and 1% to variable cost, then the RR for the FRMAR calculated in A-F above would also be allocated 99% to fixed costs and 1% to variable costs.
- H. Derivation of FSS Storage Service Rates: FSS Storage Service Rates shall be calculated consistent with the methodology approved or accepted in the Company's last Concluded General Rate Case. The billing units used will be the approved FSS Agreement contract quantities (CWQ and MSQ) in effect during the period in which the rates will likely be in effect.
1. FSS Reservation Rate: Unless it is calculated differently in the Company's last Concluded General Rate Case, the FSS Reservation Rate shall be calculated by taking 50% of the RR fixed costs calculated in G. above, divided by the total FSS CWQ in effect for the period for all approved FSS Agreements, divided by 12 ((RR fixed costs X 50%)/total FSS CWQ/12 months).
  2. FSS Capacity Rate: Unless it is calculated differently in the Company's last Concluded General Rate Case, the FSS Capacity Rate shall be calculated by taking 50% of the RR fixed costs calculated in G. above, divided by the total FSS MSQ in effect for the period for all approved FSS Agreements, divided by 12, divided by 1,000,000 ((RR fixed costs X 50%)/total FSS MSQ/12 months/1,000,000).



## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

3. FSS Injection/Withdrawal Commodity Rate: Unless it is calculated differently in the Company's last Concluded General Rate Case, the FSS Injection/Withdrawal Commodity Rate shall be calculated by taking 100% of the RR variable costs calculated in G. above, divided by the total amount of all FSS injections and withdrawals for the Test Year.
  4. Overrun Storage Service Rate: Unless it is calculated differently in the Company's last Concluded General Rate Case, the FSS Overrun Storage Service Rate shall be calculated by taking the FSS Reservation Rate calculated in 1. above, divided by 30.4 (average number of days in a Month), then adding the FSS Injection/Withdrawal Commodity Rate calculated in 3. above.
  5. Excess Storage Service Charge: Unless it is calculated differently in the Company's last Concluded General Rate Case, the Excess Storage Service Charge shall be the FSS Capacity Rate calculated in 2. above.
- I. Derivation of ISS Storage Service Rates: ISS Storage Service Rates shall be calculated consistent with the methodology approved or accepted in the Company's last Concluded General Rate Case.
1. ISS Rate: Unless it is calculated differently in the Company's last Concluded General Rate Case, the ISS Rate shall be calculated by taking the FSS Reservation Rate calculated in H.1. above, divided by 30.4 (average number of days in a Month), then adding the FSS Capacity Rate calculated in H.3. above.
  2. ISS Injection/Withdrawal Commodity Rate: Unless it is calculated differently in the Company's last Concluded General Rate Case, the ISS Injection/Withdrawal Commodity Rate shall be the FSS Injection/Withdrawal Commodity Rate calculated in H.3. above.

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

### 40.4    FRMAR Schedules

In addition to the tariff advice letter, the FRMAR filing shall include the following:

- A. Schedules of Test Year Normalized Operating Revenues and Expenses, Rate Base, Weighted Cost of Capital, and Normalized Test Year Revenue Requirement in similar format to the first four pages of the Company's 275(a) schedules and its Derivation of Rates provided in Docket U-18-043.
- B. A schedule and explanation of all normalizing, annualizing, pro forma, and known and measurable change adjustments.
- C. A schedule and explanation of all amortized expenses.
- D. A schedule in a format similar to the relevant portion of RCA Form 201 that delineates total operating revenue, total underground storage expense (USoA accounts 814-837), total customer accounts expense (USoA accounts 901-905), total customer service expense (USoA accounts 907-910), total sales expense (USoA accounts 911-916), and total administrative and general expense (USoA accounts 920-932) and provides an explanation for each of these items that increased or decreased more than 10 percent from the previous 12-month period.
- E. A schedule showing the approved FSS Agreement contract quantities (CWQ and MSQ) in effect during the test period and, if different, contract quantities in effect during the period in which the rates will likely be in effect.
- F. Tariff sheets showing any proposed adjustments to the Company's rates.

**Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

40.5 FRMAR Evaluation and Review Procedures:

- A. A copy of the FRMAR filing will be provided to the Commission Staff, the FSS Customers, and the Office of the Attorney General, Regulatory Affairs & Public Advocacy Section at the time it is filed with the Commission, along with any Excel worksheets with working formulas used to create the schedules, exhibits or attachments in the filing.
- B. The Commission Staff shall review and evaluate the FRMAR filing, and may request clarification and additional data, and the Company shall provide the same.
- C. The Company shall work in good faith to promptly and fulsomely answer all questions raised by the Commission Staff. If the Company and the Commission Staff agree that any calculations or schedules in the FRMAR filing should be revised, the Company shall file with the Commission the resulting adjusted rate calculations, revised tariff sheet, or revised FRMAR schedules.

## **Cook Inlet Natural Gas Storage Alaska, LLC**

**N**

### 40.6    FRMAR Effective Date and Further Proceedings

- A. A filed FRMAR becomes permanent at the end of the notice period described in AS 42.05.411 unless the Commission suspends the filing in accordance with AS 42.05.421.
- B. If the Commission suspends the filing, the Commission may allow the filing to take effect on an interim basis, subject to refund.
  1. If the Commission suspends a FRMAR filing, the Company shall have the option to supplement its filing and request, and convert the filing to a General Rate Case Application.
    - a. The Company shall notify the Commission that it will supplement its filing and request, and convert the FRMAR filing to a General Rate Case Application, within 30 days of the Order suspending the FRMAR filing.
    - b. After giving the notification, the Company shall have an additional 45 days to supplement its filing and convert it to a General Rate Case Application.
    - c. The FRMAR filing may be updated to reflect those changes that have occurred prior to the date on which the Company supplements its filing under this Section 40.6.B, including updating adjustments made in the FRMAR filing. Any new or revised known and measurable adjustments shall be limited to those changes that have occurred prior to the date the Company supplements its filing.
    - d. The Company shall have the option to request a revision to any interim rates upon its filing converting the FRMAR to a General Rate Case Application.
  2. The exercise of the Company's option to supplement its filing and request, and to convert the filing to a General Rate Case Application, shall not result in an extension of the statutory timeline under AS 42.05.175(c).