

# Local gas distribution priced differently

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While shipping rates for major pipelines vary with the distance traveled, local gas utilities typically charge a flat fee to deliver gas no matter where the customer lives.

For example, within ENSTAR Natural Gas Co.'s territory of Southcentral Alaska, typical homeowners in Soldotna, Anchorage and Wasilla all pay the same delivery fee for their gas.

(ENSTAR places consumers of larger volumes of gas in one of three other groups that pay higher flat delivery fees than typical homeowners. Such heavy users include large office buildings, shopping malls, hospital complexes, schools and even an Anchorage Hillside mansion with an indoor swimming pool.)

Why are interstate pipelines priced like a toll road while local gas utilities are priced like an all-you-can-eat restaurant? Here are several reasons for the local difference:

- Regulators believe that as the local pipeline network fills in, the network becomes more efficient and that benefits all customers. By contrast, a major expansion of an interstate pipeline typically benefits new shippers more than existing shippers.
- The flat rate encourages the gas utility to be smart about how it expands its system. The flat-fee creates a disincentive for the local utility to expand longer and costly distances, so such expansions need to be well-justified.
- Flat rates avoid an accounting nightmare of each customer paying a slightly different rate. For example, if the fee were distance based, a homeowner might pay slightly more than his neighbor to the west and slightly less than the neighbor to the east ... and so on down the block, around the subdivision and through the city.