Public Comment for TA514-8 by Jack Freeman

In the terms of the sale in 2020, the Municipality was to set aside $36 million to protect customers in of ML&P from rate increases that would come due to the sale for the first three years. Where is this 36million now? This purchase was voted in because we were insured there would be a decrease in rates.

Type	Comments
Date Filed	12/19/2021
Tracking Number	TR2106698
Filed By	JACK FREEMAN
Entities	
Certificate(s)	
Means Received	Internet
Related Matters	TA514-8 Chugach Electric Association - General Rate Revision (Rate Decoupling to Address Margin Shortfalls)

Show Supporting Documents

No files found

Public Comment for TA392-121 by Alex Gimarc

I oppose approval of requested waiver from the requirements of 3 AAC 48.275(a) and 3 AAC 48.540 to provide supporting information requirements for rate change and cost of service methods. Chugach rationale that the decoupling request is not relevant is convenient at best, and obstructive at worst. Th reason to decouple is a vehicle to allow a rate increase so Chugach can meet its margin requirements. If the rates are to be increased, Chugach must provide all supporting information for both the RCA and its customers. Failure to provide this information, for whatever reason needlessly introduces complexity and reduces overall transparency into setting of new rates.

Type	Comments	
Date Filed	12/23/2021	
Tracking Number	TR2106771	
Filed By	Alex Gimarc	
Entities		
Certificate(s)		
Means Received	Internet	
Related Matters	TA392-121	Chugach Electric Association - General Rate Revision (Rate Decoupling to Address Margin Shortfalls)

Show Supporting Documents

No files found

Public Comment for TA392-121 by Ethan Schutt

Chugach's proposed rate decoupling and rate increase is inappropriate and illegal; it must therefore be denied. Chugach took on more than it was financially capable of doing in its acquisition of ML&P. It paid too high of price for the assets it got. It ended up with an aggregated generation fleet obscenely disproportionate to its native load (far too large). It took on far too much debt under assumptions that were far too optimistic. And now less than one year after closing its ML&P acquisition Chugach asks this Commission to short-circuit normal processes to rubber stamp a rate increase to put the burden of its poor decision making directly and entirely on the backs of its ratepayers after seeking their approval of the transaction with the explicit promise that it would do no such thing. Sadly this mess was entirely predictable and the pig-in-a-poke approach on which the transaction was sold to the voters of Anchorage, this Commission and the ratepayers has played out. Chugach asks for a rate increase facilitated by implementation of a new policy of "rate decoupling". But Chugach's proposed rate decoupling is a policy choice that requires legislation that does not exist in Alaska. This Commission does not have any legal authority to make such a radical change to its rate-making procedures. Chugach's request is an illegal and unauthorized change to this Commission's statutory rate-making regime. It must therefore be rejected. The sad irony is that Chugach has traditionally opposed—or at best shown cosmetic support for—real efficiency programs among their customers. Now that its unnecessarily high rates have driven the ratepayers to implement conservation and efficiency as a matter of necessity, here is Chugach asking for special treatment to increase rates, a result which if granted would only lead to increased conservation and efficiency among customers perpetuating a cycle of rate increases by necessity. The economic driver of this situation is that Chugach—including especially the former ML&P assets—has built too much generation at too high of capital cost, spent far too much acquiring natural gas assets, and taken on far too much debt. Now that it has spent too much and pushed those fixed costs into its rates, and the ratepayers have reacted rationally by reducing their consumption, Chugach asks this Commission to implement rate decoupling—for the perverse opposite of the policy rationale for rate decoupling. To be clear, Chugach has other options: it could cut costs; it could sell assets; it could retire unutilized (or grossly underutilized) assets; it could renegotiate with its lender(s). Instead, Chugach asks this Commission to authorize the expedient thing: shove more costs onto the ratepayers without the ordinary regulatory and statutory protections of rate-making. While the mantra of Alaska electric utilities is that "it is different here", Chugach glibly notes that a number of other states allow the sort of rate decoupling that it is asking for here. But a number of other states also separate generation and transmission and distribution to prevent manipulation; and require formal studies and regulatory preapproval before building new generation assets; and enforce the bedrock tenant of utility ratemaking, the used and useful requirement. Each and all of these seeming technicalities would have prevented us from getting to this place, but here we are. Granting any of Chugach's requests simply perpetuates the no-consequences situation that has persisted for too long with the electric utilities here in Alaska. Chugach's request is not appropriate. It is also illegal. Chugach's request must be denied.

Type	Comments	
Date Filed	12/29/2021	
Tracking Number	TR2106835	
Filed By	Ethan Schutt	
Entities		
Certificate(s)		
Means Received	Internet	
Related Matters	TA392-121	Chugach Electric Association - General Rate Revision (Rate Decoupling to Address Margin Shortfalls)

Show Supporting Documents

No files found

Public Comment for TA392-121 by Carol Pitts

TA392-121 This request for a rate goes against every promise that was agreed to to sell to Chugach Electric. Without this agreement the sell may not of been accepted. I would really appreciate if you denied this request and held them to the agreement they signed.

Type	Comments	
Date Filed	1/1/2022	
Tracking Number	TR2200001	
Filed By	Carol Pitts	
Entities		
Certificate(s)		
Means Received	Internet	
Related Matters	TA392-121	Chugach Electric Association - General Rate Revision (Rate Decoupling to Address Margin Shortfalls)

Show Supporting Documents

No files found

LEADER in All We Do

DOYON
Limited®

January 4, 2021

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, AK 99501-3469

SENT VIA ELECTRONIC MAIL TO rca.mail@alaska.gov

Re: Public Comment in TA392-121

Dear Commissioners:

In the matter TA392-121, Doyon, Limited asks the Commission to extend the public comment period by two weeks to January 21, 2022. The policy questions raised by Chugach Electric Association's proposal submitted to the Commission on December 9, 2021 are of critical importance to its ratepayers, other regulated utilities in Alaska and the general community. The matters are also ones of first impression to the RCA and in Alaska. Given the complexity of the issues raised and the fact the Chugach filed its request during the Holiday season, it is appropriate to extend the public comment period.

Respectfully,

Aaron Schutt
President and CEO

Public Comment for TA392-121 by Raymond Jenkins

The request by Chugach Electric Association seeking to raise rates for retail customers is troubling on many fronts, but in the interest of brevity, I will address only three. First is their motion to decouple this request from any rates paid by wholesale customers, which I assume refers generally to other electrical utilities. I cannot speak to the legality of this request, but it seems that this is an attempt to induce those customers who have the most experience and expertise in utility rate setting to decline to comment or intervene in the current case, leaving only a handful of retail customers to submit comments or questions about the proposed increase. As I understand it, regulated utility rates are supposed to be directly related to the allowable costs incurred by the utility in providing its services. Retail ratepayers should not be the sole group of CEA's customers to shoulder the burden of their revenue shortfall. Second, CEA has requested this matter be handled on an "expedited basis". This seems to assume that very little, if any, of the financial information (concerning either regular operations or the recent purchase of ML&P) and regulatory justification that would accompany a typical rate case will be provided by the utility for ratepayers or other interested parties to examine. Finally, although the RCA cautioned CEA and ML&P of the fact that the ballot language under which CEA acquired ML&P would not bind the RCA in future rate cases, both utilities chose to proceed with the transaction. In the order approving the purchase, RCA noted that CEA would have a very poor equity ratio if the sale moved forward. That it took less than 12 months for this to occur is not very surprising. CEA purchased ML&P for a premium over the amount allowed to be included in ML&P's rates. Now CEA is looking for strategies to pass that premium on to ratepayers as long as the ratepayers are not customers who might offer professional comments on this current rate case. The RCA should require CEA to present alternatives for improving their financial performance, including renegotiation of labor contracts, retiring underutilized assets, and revisiting the purchase of ML&P.

Type	Comments	
Date Filed	1/5/2022	
Tracking Number	TR2200061	
Filed By	Raymond Jenkins	
Entities		
Certificate(s)		
Means Received	Internet	
Related Matters	TA392-121	Chugach Electric Association - General Rate Revision (Rate Decoupling to Address Margin Shortfalls)

Show Supporting Documents

No files found

CIRI

January 6, 2022

Regulatory Commission of Alaska
701 W. Eighth Ave., Suite 300
Anchorage, Alaska 99501

SENT VIA ELECTRONIC MAIL TO rca.mail@alaska.gov

Re: Public Comment in TA 392-121

Dear Commissioners:

In TA 392-121 Chugach Electric Association (Chugach) requests approval of a rate decoupling process for retail and wholesale customers. Concurrently, Chugach requests approval to increase retail demand and energy rates by 4.1 percent to all customers in its North and South districts but excludes raising rates on some customers. Chugach requests that the Commission either approve or deny the decoupling request within 45 days without suspension or investigation.

Chugach states that the request will not "adversely impact customers or the public.[1]" However, a 4.1 percent rate increase *is* an adverse impact to customers or the public.

It is unreasonable to expect full public participation during a notice period that includes the Holiday season. Accordingly, CIRI respectfully asks the Commission to extend the public comment period by a few weeks to allow the public a reasonable time to review Chugach's request.

Sincerely,

Cook Inlet Region, Inc.

Sophie Minich

Sophie Minich
President and Chief Executive Officer

[1] Chugach letter to the RCA dated December 9, 2021, subject: Tariff Advice Filing 392-121; Compliance with order U-21-059(7) – Proposal to Address Projected Margin Shortfalls

DOYON
Limited®

LEADER in All We Do

January 6, 2021

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, AK 99501-3469

SENT VIA ELECTRONIC MAIL TO rca.mail@alaska.gov

Re: Public Comment in TA392-121

Dear Commissioners:

Chugach Electric Association's (Chugach) December 9, 2021 proposal should be denied. The proposed solution to address their margin shortfall by decoupling rates from their revenue requirement is bad policy and practice. It also has no basis in Alaska Statutes, regulations, or the long-established methodology for addressing rates before the Commission.

Instead, ratepayers, like Doyon, Limited and its shareholders in Anchorage, should be given the opportunity to address the expenses and costs in Chugach's revenue requirement to ensure that rates are just and reasonable. This is particularly the case because Chugach's acquisition of Municipal Light and Power (ML&P) is only about one year old. Chugach has not filed a rate case since its acquisition and ratepayers and the Commission have no way to judge whether the rates of the merged entities are prudent.

Moreover, Chugach made a promise to its members and the Municipality of Anchorage, and its citizens, during the acquisition that it would not raise rates for the foreseeable future. While this promise may not be binding on the Commission, it is a relevant consideration given the extraordinary relief Chugach asks of the Commission in the instant filing. If Chugach is going to break its promise to its ratepayers, Chugach should be required to justify the increase through the normal process of ratemaking at the Commission.

The predicament Chugach finds itself in was both predictable and of its own making. When the ML&P acquisition was pending rating agency Fitch downgraded Chugach on the expectation that the "acquisition ... will weaken [Chugach's credit characteristics] modestly."[1] Critics of the sale also publicly highlighted the challenges with the transaction that unfortunately have become the current reality.[2]

[1] Fitch Ratings (Aug. 25, 2020), https://www.fitchratings.com/research/us-public-finance/fitch-downgrades-chugach-electric-ak-on-pending-acquisition-outcome-25-08-2020.
[2] *See* Ray Kreig, Prop. 10 – ML&P Sale to Chugach Electric is a Poison Pill that will Block REAL Customer Savings for Years (March 17, 2018), http://www.chugachconsumers.org/Lib/MLP-CEA.pdf.

Chugach justifies the relief it seeks by blaming the effects the COVID-19 pandemic has had on electric demand within its market. But Chugach chose to proceed with closing the acquisition eight months after the pandemic began.[3] A reminder of the recent history shows that "the world shut[] down" beginning in March and April of 2020, yet Chugach imprudently chose to close its acquisition.[4]

Chugach's 2020 annual report itself shows how imprudent it was to close the acquisition of ML&P and how improper its current request is:

> The COVID-19 pandemic environment caused an increase in sales from residential customers who were working more from home and a decrease in sales from commercial customers. Total revenue was $237.4M, up from $212.5M in 2019. Overall revenue was higher in 2020 compared to 2019 due to the acquisition. However, in the last two months of 2020, revenue was significantly affected by the impact of the higher concentration of commercial members in the legacy ML&P service territory, coupled with the dated structure of ML&P's current rates.[5]

The decision was imprudent because Chugach had eight months of pandemic impact data when it decided to continue with the closing of its acquisition of ML&P. In fact, Chugach's CEO, Mr. Thibert, stated in an October 2020 press release: "As Alaska businesses, individuals, and the economy as a whole face financial difficulties because of the COVID-19 pandemic, there has never been a better time to bring these utilities together."[6] Again, this is contrary to what Chugach stated in its December 9, 2021 proposal. In addition, Chugach itself has received millions of dollars in CARES Act and other COVID-19 pandemic relief money, some of it likely before choosing to close its acquisition.[7]

The current request is improper because Chugach itself notes "the dated structure of ML&Ps current rates." Even its argument that the pandemic has affected its rate structure warranting amendment and increase strongly militates for a rate case, not the relief it is seeking.

In its 2020 Annual Report, Chugach states that the $800 million of additional debt Chugach took on for the purchase of ML&P's assets at the low interest rate of 2.73% "will have positive long-term benefits to member's rates." This contradicts Chugach's December 9th proposal to increase

---

[3] On March 1, 2020, the World Health Organization declared the worldwide COVID-19 pandemic. https://www.yalemedicine.org/news/covid-timeline.
[4] *See id.*
[5] Chugach Electric, Annual Report 2020, at 6, https://www.chugachelectric.com/system/files/annual_reports/2020%20Annual%20Report.pdf.
[6] Chugach Electric, Press Release "Chugach Electric completes ML&P acquisition." October 30, 2020 https://www.chugachelectric.com/media/press-releases/2020/10/30/chugach-electric-completes-mlp-acquisition
[7] Chugach Electric, The Outlet, at 1 (February 2021), https://www.chugachelectric.com/system/files/newsletters/February%202021%20Outlet.pdf; Chugach Electric Seeks Rate Hike, Offset by Cheaper Fuel, *Alaska Business Monthly*, (Dec. 10, 2021), https://www.akbizmag.com/industry/energy/chugach-electric-seeks-rate-hike-offset-by-cheaper-fuel/, (noting "To date $3.3 million has been applied to eligible member accounts from federal CARES Act money, Alaska Housing Finance Corporation assistance, and the state's heating assistance program.").

rates. In Exhibit 3 of its December 9th proposal, it appears that Chugach expected $242 million in revenue as of October 31, 2021. If the proposal is approved, that would increase to $252 million. In 2020, Chugach had $237 million in revenue and a margin-for-interest-to-interest ratio of 1.2, which was above their indenture metric of 1.1. These differences warrant more investigation from the Commission and ratepayers.

Turning to Chugach's request to decouple, it is important to note that this matter is one of first impression before the Commission. The proposal should not be addressed without a full hearing involving other utilities, ratepayers and policymakers. And, even if decoupling were a legal rate setting mechanism in Alaska, Chugach's request would not be a reasonable request. As a comprehensive study of decoupling across the U.S. notes: "Decoupling rate adjustments are mostly small – within plus or minus two percent of retail rates. Across the total of all utilities and rate adjustment frequencies, 64% of all adjustments are within plus or minus 2% of the retail rate."[8] Here, Chugach is asking for a 4.1% increase.

Chugach needs to look internally at its actual expenses, assets, and debt to find ways to reduce its costs. Shifting the burden of the costs of utility assets that exceed the electricity needs of ratepayers is wrong.

Respectfully,

Aaron Schutt
President and CEO

[8] American Council for an Energy-Efficient Economy, A Decade of Decoupling for US Energy Utilities: Rate Impacts, Designs, and Observations, at 3, https://www.aceee.org/content/decade-decoupling-us-energy-utilities-rate-impacts-designs-and-observations.

January 07, 2022

Regulatory Commission of Alaska
Suite 300
701 West Eighth Avenue
Anchorage, Alaska 99501

Commissioners,

Please review these as my comments concerning TA392-121 and/or TA514-8.

Certainly ... this did not take long. Just 253 days after closing the sale of ML&P, on July 01, 2021 Chugach Electric filed with the RCA seeking to re-open the stipulated purchase and sales agreement with the Municipality of Anchorage for the sale of ML&P along with seeking help with their 'margin shortfall' for 2021. With the RCA opening Docket U-21-059 Chugach quickly followed up with the real reason for that filing.

Wednesday, December 15, 2021 the RCA published the "Notice of Utility Tariff Filings" in the Classified Section of the Anchorage Daily News ... notably with the public comment period falling during the Christmas and New Year Holidays. With TA392-121 and TA514-8 Chugach seeks a 4.14% across the board rate increase along with a request for 'decoupling'. This 'decoupling' would hold Chugach's wholesale customers harmless and in essence silence them from commenting on the rate increases which Chugach asks to fall upon their retail ratepayers alone.

Further the RCA Public Notice along with Chugach's filings cite a lack of electrical usage due to Covid as the sole reason for this filing. Left undiscussed was the $1,000,000,000.00 purchase of ML&P by Chugach. Surely, one might think, that such a recent expenditure might play a role in Chugach's current fiscal situation. In approving that sale the RCA itself stated "Chugach will have only 13% equity after closing the transaction".

So where does this latest Chapter leave all of us now since conversations concerning the sale of ML&P to Chugach began five years ago? I intend to focus these comments on the pattern of not fully disclosing the truth to the ratepayers which Chugach's current filing and the RCA Notice continues.

First to be discussed is the ballot language approving the sale of ML&P to Chugach. Included were the words "**No Increase in Base Rates.** Base rates for existing ML&P and Chugach Electric ratepayers would not increase as a result of the transaction". Here we are just a few short months after the closing of the sale of ML&P dealing with this rate increase and decoupling request.

Second to discuss was the involvement of the AWWU ratepayers in the sale of ML&P through the linkage via State Statute of ML&P and AWWU. This topic was repeatedly not disclosed by both Municipal officials and Chugach Electric. Having personally testified before the Anchorage Assembly on this issue along with a question asked at an Anchorage Chamber of Commerce luncheon to Mayor Ethan Berkowitz, Municipal Attorney Rebecca Windt Pearson and Chugach CEO Lee Thibert, all denied any involvement of the AWWU ratepayers in this process with Mister Thibert publicly calling AWWU's involvement "a myth". It was not until ... under oath before the RCA ... was the truth finally voiced. When Municipal Hydro Power was created by the RCA from the remnants of ML&P the status of the AWWU ratepayers did not change.

Thirdly this current Chugach request along with the RCA public notice utilizing Covid as the reason does not tell the truth. The adage 'never let a crisis go to waste' is fully applicable here. Along with the sale of ML&P not being mentioned, Chugach further "requests a waiver from the requirements of 3 AAC 48.275(a) and 3 AAC 48.540, the supporting information requirements for rate changes and cost-of-service methods, respectively". In addition to that Chugach further requests an RCA decision "within the 45-day notice period without suspension and investigation".

Nothing to see here folks ... just move along.

In the spirit of fiscal transparency and out of respect for the Member Owners and Ratepayers of Chugach, the RCA should require Chugach to provide a full accounting of all costs incurred by Chugach for the purchase of ML&P including a copy of former Mayor Mark Begich's contract as part of an overall fiscal review.

This is not the first time that the ML&P ratepayers have been asked to bail out Chugach Electric. In prior RCA proceedings discussed was the fiscal situation Chugach found itself in in 2008 during the meltdown of the markets resulting in the recession. With $200,000,000.00 in paper it could not turn, a 'partnership' with

ML&P on the $400,000,000.00 Southcentral Power Project near the airport was entered into by former Mayor Mark Begich. It was former ML&P manager Jim Posey who stated that the strength of the ML&P ratepayers in this deal bailed out Chugach Electric. Then only a few short months later ML&P began construction on an entirely new $400,000,000.00 power plant out on the Glenn Highway near Muldoon Road.

Now here the ML&P ratepayers are once again being asked to pay for an asset they once owned free and clear through increased rates in order to bail out Chugach Electric one more time. The absolute absurdity of this Chugach request is that the RCA is being asked to approve a decoupling along with a rate increase not based on actual costs but on shortfalls in projected 'margins'.

So where does this leave us now? In both written and public testimony before the RCA concerning the sale of ML&P, my comments centered mostly on the lack of disclosure by the parties concerning the involvement of the AWWU ratepayers in this process. Ending the verbal testimony, I suggested that the correct path forward, in the best interests of the ratepayers, was dissolving both Chugach and ML&P and forming a new entity without the one-billion-dollar price tag to pay for.

The RCA's Mission Statement mandates that the RCA is to "Ensure that safe, efficient, and reliable utility and pipeline services are provided to the public at just and reasonable rates, thereby protecting consumer interests and promoting economic development". Will those words mean anything to this seating of the RCA which is hearing Chugach Electric's current requests? Clearly those words were ignored by those Commissioners who decided the Dockets which sold ML&P to Chugach Electric which once again resulted in Chugach's 13% equity rating.

With TA392-121, TA514-8 and I will include U-21-059, the RCA should deny the Chugach request outright. If that forces Chugach into further financial distress ... even a bankruptcy proceeding ... so be it. That path would allow for the revisiting of all of the legacy union contracts along with a real rate reduction. Electricity will not stop flowing to the Ratepayers and a new more efficient Railbelt Electric Utility would emerge from this on-going struggle.

I want to thank you for taking the time to review my comments.

Bob Maier / P.O. Box 100177 / Anchorage Alaska 99510

Bob Maier JANUARY 07, 2023

ALASKA NATIVE
TRIBAL HEALTH
CONSORTIUM

January 7, 2022

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, AK 99501

SENT VIA EMAIL TO: rca.mail@alaska.gov

Re: Public Comment in TA392-121

Dear Commissioners:

We request that the Commission extend the public comment period on the above-referenced matter to January 21, 2022. Given complexity of the request by Chugach Electric Association, and the fact that the comment period extended over just three weeks, spanning the Christmas and New Year holidays, we believe more time is merited to allow meaningful public analysis and comment to help inform the Commission's decision. The novel utility policy issues raised by CEA's request are of substantial public import and the rate increase proposed would have significant impact on ANTHC's healthcare budget.

Sincerely,

Monique R. Martin

Monique Martin
Chief of Staff

RECEIVED
By the Regulatory Commission of Alaska on Jan 07, 2022

DEPARTMENT OF THE AIR FORCE
OFFICE OF THE JUDGE ADVOCATE GENERAL
OPERATIONS AND INTERNATIONAL LAW

7 January 2022

Maj Scott L. Kirk
AF/JAOE-ULFSC
139 Barnes Ave., Suite1
Tyndall AFB, FL 32403
(850) 283-6347
scott.kirk.2@us.af.mil
ULFSC.Tyndall@us.af.mil
Counsel for Federal Executive Agencies

Regulatory Commission of Alaska
701 W. 8th Avenue, Suite 300
Anchorage, Alaska 99501

Subject: Tariff Advice Filing 514-8

Dear Commissioners:

On behalf of the Federal Executive Agencies (FEA), I respectfully submit the attached comments prepared by Dr. Larry Blank regarding Tariff Advice Filing 514-8, made in compliance with Order U-21-059(7) by Chugach Electric Association, Inc. ("Chugach") on December 9, 2021.

Thank you for your consideration of FEA's comments regarding this matter.

Respectfully Submitted,

SCOTT L. KIRK, Maj, USAF
Counsel for Federal Executive Agencies

Attachment: Affidavit of Dr. Larry Blank, 2 pages, dtd 7 Jan 22

BEFORE THE REGULATORY COMMISSION OF ALASKA

IN THE MATTER OF THE PROPOSAL TO ADDRESS THE PROJECTED MARGIN SHORTFALL OF CHUGACH ELECTRIC ASSOCIATION	))))	 TA514-8

AFFIDAVIT OF LARRY BLANK

I, Larry Blank, sworn under oath, offer the following comments on behalf of the Federal Executive Agencies (FEA) for the Regulatory Commission of Alaska ("Commission") in response to Tariff Advice Filing 514-8 made in Compliance with Order U-21-059(7) by Chugach Electric Association, Inc. ("Chugach") on December 9, 2021.

The Margin Objective and Previously Approved Solution Continue to be Optimal.

The sole objective before the Commission is to ensure Chugach realizes its minimum margin requirements until its next general rate case. I have previously recommended a Margin for Interest / Interest ("MFI/I") ratio target level of 1.20, and the Federal Executive Agencies ("FEA") continues to support the deferral of expensing the Secondary Regulatory Asset and, if necessary, deferral of the Eklutna Power Purchase Agreement ("Eklutna PPA") expense to achieve this objective. FEA continues to support this solution, as approved by the Commission for year 2021, because it imposes no rate increase on current customers, some of which are still trying to recover from the effects of the pandemic, and any deferral of the expense to the future more closely matches the benefits expected from the merger. For these reasons, I encourage the Commission to utilize this solution for years 2022, 2023, and until the next interim increase is approved following the filing of a general rate case.

A Rate Increase is Unnecessary at this Time to Achieve the Stated Objective.

Chugach's compliance filing alternative 4.14 percent increase in demand and energy charges is based on a comparison of 2019 total revenue to the revenue for the year ending October 31, 2021, without any cost of service considerations nor margin analysis. At this point in time, the Commission need not concern itself with the revenue in 2020 and 2021 because Chugach has already met its margin requirement for these years, and therefore, basing an increase on single-issue revenue considerations without any consideration of cost of service is not appropriate.

Decoupling is a Significant Structural Change in Ratemaking Policy.

Decoupling should be given careful consideration with adequate evidentiary input from affected parties and is not necessary to address the minimum margin objective before the Commission at this time. Several jurisdictions have approved decoupling mechanisms but only as part of a contested general rate case to ensure adequate input on the detailed construction of such a mechanism and to ensure cost-based revenue targets are established on a per customer basis. The decoupling mechanism filed by Chugach is not similar to the design of decoupling in other jurisdictions and lacks cost-based, per-customer revenue targets that can only be established in the context of a general rate case. If Chugach proposes a decoupling mechanism in its next general rate case, that would enable the Commission to fully develop a record with adequate input before deciding whether decoupling is appropriate and the detailed design of decoupling. Decoupling should not be approved in this matter without an adequate evidentiary record to ensure the best design for Chugach, its customers, and Alaska policy. Perhaps more importantly, decoupling is not necessary and is not the best solution to meet the stated objective MFI/I of 1.20.

1st Alternative Solution: Immediate Amortization and Recovery of any Deferred Expensing.

If the Commission continues to be hesitant on the use of prolonged deferred expensing to satisfy the target MFI/I, as approved for 2021, the Commission can approve a mechanism to allow Chugach to begin the amortization and collection of any deferred amounts from customers immediately after the amounts needed to cover the target MFI/I are known each year. Such amortization and collection could be done through a separate rider or possibly through the Cost of Power Adjustment ("COPA"). This approach would allow the deferred expensing approach to achieve a 1.20 MFI/I, as approved for 2021, to continue for 2022 and 2023, but begin the amortization and collection of that deferred amount in the subsequent year. Because the Secondary Regulatory Asset amortization and Eklutna PPA expense are not currently in customer rates, this provides the offsetting additional revenue currently missing and mitigates any concern about prolonged deferrals. With this alternative approach, any rate increase will only cover the amortization of deferred amounts needed for the prior year, and there is no need for an alternative rate increase approach nor revenue decoupling at this time.

2nd Alternative Solution: Margin Balancing Account Rider based on Projected Margin Shortfall subject to Annual True-up.

As a 2nd alternative to achieve the stated objective of ensuring a 1.20 MFI/I, the Commission could approve a Margin Balancing Account Rider based on projected margin shortfall in 2022 and again in 2023. Such a rider could go into effect now in 2022, but would be subject to true-up and credit to customers in the subsequent years. This approach is superior to revenue decoupling in that it is forward-looking and not based on retroactive revenue shortfalls. The true up will be based on actual realized MFI/I with potential credit to customers when revenue exceeds that necessary to achieve a 1.20 MFI/I. This protects customers against revenue collection not necessary to meet margin requirements and, therefore, is superior to the revenue decoupling mechanism filed by Chugach, which is not tied to actual revenue performance and margin requirements.

Respectfully submitted,

Larry Blank, Ph.D. Date: 1-7-2022

OFFICIAL SEAL
ALONDRA RENTERIA
NOTARY PUBLIC
STATE OF NEW MEXICO
My Comm. Expires 12/12/23

State of New Mexico)

County of Dona Ana)

Subscribed and sworn to before me this 7 day of January 2022.

Notary Public of the State of New Mexico

RECEIVED
By the Regulatory Commission of Alaska on Jan 07, 2022

STATE OF ALASKA

REGULATORY COMMISSION OF ALASKA

Before Commissioners:	Robert M. Pickett, Chairman Keith Kurber II Antony G. Scott Daniel A. Sullivan Janis W. Wilson

In the Matter of the Projected 2021 Margin Shortfall of CHUGACH ELECTRIC ASSOCIATION, INC.	)	U-21-059
In the Matter of the Tariff Revision Designated as TA514-8 Filed by CHUGACH ELECTRIC ASSOCIATION, INC.	)	TA514-8
In the Matter of the Tariff Revision Designated as TA391-121 Filed by CHUGACH ELECTRIC ASSOCIATION, INC.	)	TA392-121

PROVIDENCE'S COMMENTS ON CHUGACH'S COMPLIANCE FILING AND REQUEST FOR DECOUPLING RATE INCREASE

Last year, Chugach Electric Association, Inc. ("Chugach") identified an unexpected decline in retail electric revenue, which it attributes to the economic consequences of the COVID-19 pandemic. To avoid any risk of default on bond covenants related to its financial margins,[1] Chugach asked this Commission's approval to defer certain costs in 2021 through 2023 related to its acquisition (the "Acquisition") of substantially all of Anchorage Municipal Light & Power ("ML&P").[2] Those deferrals would have been set at the minimum level

[1] Specifically, Chugach's bond covenants require it to maintain a margin for interest divided by interest ("MFI/I") of at least 1.10.

[2] Chugach's Unopposed Petition to Reopen Dockets and Modify Stipulation Resolving All Issues, filed July 1, 2021 in Docket Nos. U-19-020 and U-19-021.

Davis Wright Tremaine LLP
LAW OFFICES
188 West Northern Lights Blvd., Ste. 1100
Anchorage, Alaska 99503-3985
(907) 257-5300 · Fax: (907) 257-5399

necessary to meet Chugach's covenants with a slight additional cushion.[3] Chugach secured the support or acquiescence of all the many parties to the complex 2018 settlement that allowed Chugach's acquisition of ML&P to move forward.[4]

The Commission's November 9, 2021 Order Granting Petition in Part, Denying Petition in Part, and Requiring Filings ("Final Order") granted the deferral proposal for 2021 but denied it for 2022 and 2023, ordering Chugach to "file a proposal to correct any projected 2022 and 2023 calendar year margin shortfalls without deferring recognition of expenses incurred in those years."[5] In response, Chugach requested Commission approval to increase retail base rates for demand and energy in response to changes in retail revenue, outside of ordinary rate case procedures or any analysis of Chugach's costs ("Decoupling Request").[6] As permitted by the Commission's public notice,[7] Providence Health & Services ("Providence") submits these comments on Chugach's Decoupling Request.

To the best of Providence's knowledge, the Commission has never approved base rate decoupling for any company under any circumstances. Yet Chugach asks that the Commission approve (or deny) its request without investigation or hearing.[8] Chugach attributes this urgency

Davis Wright Tremaine LLP
LAW OFFICES
188 West Northern Lights Blvd., Ste. 1100
Anchorage, Alaska 99503-3985
(907) 257-5300 · Fax: (907) 257-5399

[3] To allow Chugach some cushion above the default threshold, it requested deferrals at the minimum level necessary to maintain MFI/I for each year of 1.20. *See id.* at 3, 7.
[4] Order No. U-15-029(7), *Order Granting Petition in Part, Denying Petition in Part, and Requiring Filings*, dated November 9, 2021 ("Final Order") at 4.
[5] Final Order at 2.
[6] Chugach's "Tariff Advice Filing 392-121; Compliance with Order U-12-059(7) – Proposal to Address Projected Margin Shortfalls" and "Tariff Advice Filing 514-8; Compliance with Order U-21-059(7) – Proposal to Address Projected Margin Shortfalls," both dated December 9, 2021 (collectively, "Decoupling Request").
[7] "Notice of Utility Tariff Filings," dated December 13, 2021.
[8] Decoupling Request at 7 (in either filing).

to the time it would take to prepare, file, contest, and resolve a more typical rate case filing in time to address any potential margin shortfall by the end of 2022.[9]

Providence agrees with Chugach that the best approach to assure Chugach's margins is the original approach of deferring and later amortizing certain Acquisition costs.[10] Ruling on treatment of the costs of dredging at the Cooper Lake Power Plant and overhauling Beluga Power Plant Unit No. 3 in 2018, the Commission signaled a general policy shift away from Chugach's repeated practice of deferring various costs that might more ordinarily be expensed in the year they were incurred.[11] As explained below, deferral of costs under Chugach's present circumstances is entirely consistent with the Commission's reasoning in 2018. The deferral of costs until after next year's rate case also makes perfect sense because that is when future ratepayers will begin to receive the rate benefits of the Acquisition.

But if the Commission determines that decoupling is appropriate in this case, it should be authorized only to the minimum extent necessary to solve the problem at hand: the risk that Chugach's margins could fall short of its bond covenants.

Davis Wright Tremaine LLP
LAW OFFICES
188 West Northern Lights Blvd., Ste. 1100
Anchorage, Alaska 99503-3985
(907) 257-5300 · Fax: (907) 257-5399

I. DEFERRAL OF ACQUISITION-RELATED EXPENSES REMAINS THE BEST METHOD TO ENSURE THAT CHUGACH MEETS ITS MARGIN COVENANTS

When the Commission pared back Chugach's use of deferred expenses in 2018, it based its decision primarily on the intergenerational inequity and higher rates over the long term that can arise from pushing off current costs onto future ratepayers.[12] Intergenerational equity is an

---

[9] *Id.*
[10] *See* Decoupling Request at 1(in either filing).
[11] Order No. U-18-036(3)/U-18-051(3), *Order Granting Petitions in Part and Closing Dockets*, dated August 27, 2018 ("Order U-18-036(3)").
[12] *Id.* at 11-13.

important consideration in utility ratemaking, but in this case (unlike those the Commission addressed in U-18-036(3)), intergenerational equity actually ***favors*** deferring costs as Chugach originally requested.

Even before the COVID-19 pandemic, present ratepayers were paying pre-Acquisition rates that do not reflect any of the promised efficiencies and cost savings from the Acquisition. That Acquisition will likely benefit future ratepayers for generations as merger savings gradually reduce Chugach's cost structure and Chugach pays off the debt used to finance the Acquisition. Chugach's financial modeling in support of the Acquisition shows that the savings are not evenly distributed in time: they steadily increase with every passing year for decades to come. In short, today's ratepayers will bear the lion's share of Acquisition costs while future ratepayers will reap most of the benefits. Deferring some of the current costs related to the Acquisition, as Chugach originally proposed, would modestly reduce this generational inequity.

For these reasons, Providence—as both a present and future ratepayer—agrees with Chugach that the original deferral proposal is the best solution under Chugach's extraordinary circumstances.

Davis Wright Tremaine LLP
LAW OFFICES
188 West Northern Lights Blvd., Ste. 1100
Anchorage, Alaska 99503-3985
(907) 257-5300 · Fax: (907) 257-5399

II. IF THE COMMISSION ALLOWS DECOUPLING, CHUGACH'S PROPOSAL MUST BE TAILORED MORE NARROWLY TO ADDRESS THE PROBLEM AT HAND

As filed, Chugach's Decoupling Request is untethered from the justification for its original petition and the Commission's Final Order in response. Chugach's original proposal reflected the parties' agreement to deferral only to the extent necessary to maintain MFI/I of at least 1.20.[13] The Commission ordered Chugach to "file a proposal to address any ***projected***

[13] Final Order at 10; Chugach's Unopposed Petition to Reopen Dockets and Modify Stipulation Resolving All Issues, filed July 1, 2021 in Docket Nos. U-19-020 and U-19-021, at 3, 6-7.

margin shortfall for calendar years 2022 and 2023 . . . ."[14] Chugach has gone beyond both of those by requesting rate increases not linked to margin thresholds, but simply seeking to return to its revenue levels in 2019 (or even 2015) without examination of its costs or how they should be allocated. If the Commission approves decoupling at all, it should modify the Decoupling Request to ensure that Chugach raises rates only enough to meet an MFI/I of 1.20 and that any overcollections are returned to customers through the next decoupling adjustment.

As noted above, it appears that Chugach's request, if granted, would be the first time the Commission has approved decoupled base rates. Further, Providence is unaware of any case ***anywhere*** where decoupling was approved outside of a rate case. Providence recognizes Chugach's extremely unusual circumstances, with a global pandemic on the heels of the Acquisition. Even if those circumstances justify the departure from precedent that Chugach requests, the Commission should limit that departure to the minimum extent necessary to respond to Chugach's margin shortfall (if it materializes) and reach an MFI/I of 1.20.

The lack of relevant details undermines the Decoupling Request and justifies approving it only with strict limits. There is no information ***at all*** in the Decoupling Request regarding Chugach's current projections of its margins or MFI/I projections for 2022-23. Nor does Chugach describe the impact of its requested rate increase on its ability to meet its MFI/I covenant plus a comfortable cushion.

The Decoupling Request, if granted, also appears to allow Chugach to later raise rates to account for changes in revenue going back six years, far earlier than COVID and the

Davis Wright Tremaine LLP
LAW OFFICES
188 West Northern Lights Blvd., Ste. 1100
Anchorage, Alaska 99503-3985
(907) 257-5300 · Fax: (907) 257-5399

[14] Final Order at 2, 14.

Acquisition.[15] That would allow future decoupling adjustments to increase base rates by a ***further*** 4% on top of the 4% represented by the tariff sheets in the Decoupling Request. There is no justification for doing so, let alone any analysis of changes in costs or cost causation (including changes due to the Acquisition) during those years. Moreover, the North District rates were set under the rate base/rate of return methodology applicable to ML&P, which bears little resemblance to the procedures used to determine appropriate rates for Chugach as a cooperative. Whatever happened to sales from 2015 through 2020 was well known to Chugach in December 2020, when it believed it would end 2021 with an MFI/I of 1.30, well above the necessary 1.20.[16]

Rather than allow Chugach to top up its revenue to an irrelevant and outdated revenue requirement, the Commission should approve rates and procedures designed to solve Chugach's present problem and achieve an MFI/I of 1.20. If the Commission decides that decoupling is an appropriate tool to bridge the gap to Chugach's next full rate case, adding a balancing account to true up over- or under-collections would meet that goal. Under this approach, Chugach would set rates would at levels estimated to reach an MFI/I of 1.20 in each of 2022 and 2023. Any over- or under-collection relative to that margin level would be recorded in a balancing account, and the first rate adjustment after the end of each year would be calculated to zero out the balancing account. This would ensure Chugach revenue sufficient to reach an MFI/I of 1.20 while making customers whole within the next year for any overcollections above that level.

Davis Wright Tremaine LLP
LAW OFFICES
188 West Northern Lights Blvd., Ste. 1100
Anchorage, Alaska 99503-3985
(907) 257-5300 · Fax: (907) 257-5399

---

[15] Decoupling Request, TA514-8 at 5 ("Chugach's request to adopt a decoupling rate adjustment process includes future decoupling adjustments that can be made based on changes in sales in relation to when base rates were last adjusted."). For the North District, rates are based on the 2015 test year adjudicated in Docket U-16-094/U-17-008. *See* Order No. U-16-094(9)/U-17-008(13) at 3.

[16] *See* Chugach's Unopposed Petition to Reopen Dockets and Modify Stipulation Resolving All Issues, filed July 1, 2021 in Docket Nos. U-19-020 and U-19-021, at 8 and Ex. B thereto at 1.

III. THE COMMISSION SHOULD ALTER THE STATUS QUO ONLY TO THE MINIMUM EXTENT NECESSARY, WHATEVER SOLUTION IT APPROVES

As noted above, Providence recognizes the unique challenges facing Chugach today and the need to maintain margins sufficient to meet Chugach's bond covenants.[17] However, the staleness of Chugach's rates particularly in the North District and the state of flux with the recent Acquisition mean that any fix may be unintentionally inequitable. Current information is inadequate to identify and avoid that possibility, particularly given the month-to-month volatility in Chugach's own assessment of its situation.[18] The Commission should balance these factors by modifying the status quo only to the minimum extent necessary to achieve an MFI/I of 1.20.

Providence, like Chugach, believes that the original request to defer Acquisition-related costs in the next two years remains the simplest and most equitable way to achieve that aim. Providence therefore requests that the Commission reconsider its denial of that approach for 2022 and 2023 before approving any rate increase. Moreover, if Chugach's actual 2021 revenue is such that Chugach needs to defer significantly less than expected in order to achieve an MFI/I of 1.20, the Commission should at a minimum allow Chugach to defer 2022 costs to the same extent that the Final Order would have allowed for 2021.

Deferral is also a preferable approach because it will spare ratepayers a substantial rate increase just as they are suffering—economically, but also physically, mentally, and emotionally—from the ongoing global pandemic. For many in the Anchorage community, now

Davis Wright Tremaine LLP
LAW OFFICES
188 West Northern Lights Blvd., Ste. 1100
Anchorage, Alaska 99503-3985
(907) 257-5300 · Fax: (907) 257-5399

[17] Providence also appreciates that Chugach is engaged in productive discussions with Providence and other parties regarding alternatives or variations on the Decoupling Request, though there was not time to reach any agreement before the deadline for these comments.

[18] *See* Final Order at 7-8 (Chugach's projected MFI/I for 2021 increase from 1.01 based on May actual results to 1.14 based on June actual results).

is the worst possible time to increase electricity rates. However, if the Commission concludes that Chugach's potential margin shortfall requires a rate increase under these circumstances, it should use a balancing account or similar mechanism to minimize the impact between now and next year's rate case.

DATED this 7th day of January, 2022.

DAVIS WRIGHT TREMAINE LLP
Attorneys for Providence Health & Services

/s/ Craig Gannett
Craig Gannett, Washington State Bar #9269
920 Fifth Avenue, Suite 3300
Seattle, WA 98104-1610
PH: 206-605-3638
craiggannett@dwt.com

Walker Stanovsky, Washington State Bar #49919
Davis Wright Tremaine, LLP
920 Fifth Avenue, Suite 3300
Seattle, WA 98104-1610
PH: 425-280-1258
walkerstanovsky@dwt.com

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of January, 2022, a copy of Providence's Comments on ML&P's Compliance Filing was served on the following persons by electronic means authorized by the RCA.

DAVIS WRIGHT TREMAINE LLP

By: /s/ Nancy Foley
Legal Assistant

For RAPA/Attorney General
jeff.waller@alaska.gov
Amber.henry@alaska.gov
deborah.stojak@alaska.gov
deborah.mitchell@alaska.gov
stefan.saldanha@alaska.gov

For Federal Executive Agencies
scott.kirk.2@us.af.mil
thomas.jernigan.3@us.afmil
Holly Buchanan: Holly.buchanan.1@us.af.mil

For Alaska Energy Authority
cthayer@akenergyauthority.org

For Chugach Electric Association, Inc.
Mathew_Clarkson@chugachelectric.com

For Matanuska Electric Assoc., Inc.
David.Pease@mea.coop

Davis Wright Tremaine LLP
LAW OFFICES
188 West Northern Lights Blvd., Ste. 1100
Anchorage, Alaska 99503-3985
(907) 257-5300 · Fax: (907) 257-5399

RECEIVED
By the Regulatory Commission of Alaska on Jan 07, 2022

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

OFFICE OF THE ATTORNEY GENERAL COMMENTS REGARDING TA514-8 AND TA392-121

I. Introduction.

The Office of the Attorney General, Regulatory Affairs & Pubic Advocacy Section (RAPA) previously commented that "a rate decoupling methodology would require vigorous investigation . . . ."[1] These comments reflect RAPA's position on the Chugach Electric Association, Inc. (Chugach) proposal to address projected margin shortfalls for 2022 and 2023, as filed in TA514-8 and TA392-121.

II. Background.

In Order U-21-059(7) the Regulatory Commission of Alaska (Commission) required Chugach to "file proposed measures to address any potential margin shortfall for calendar years 2022 and 2023."[2] In Docket U-21-059, Chugach proposed deferring, amortizing, and expensing the secondary regulatory asset and the Eklutna Power Purchase Agreement (PPA) payments to allow Chugach to maintain Margins for

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

[1] Docket U-21-059, Office of the Attorney General's response to Chugach Electric Association's petition to reopen dockets and modify stipulation at 8.

[2] Order U-21-059(7) at 12.

Interest (MFI/I) of 1.20.[3] Chugach's Indenture of Trust and other debt agreement require an MFI/I for each fiscal year of at least 1.10.[4] The Commission observed:

> Chugach was aware in 2019 that North District load was declining and that it might need to adjust rates to accommodate that decline. While the magnitude of the North District load decline in 2021 might have been unexpected, the fact of load decline and the need to adjust rates based on that decline was not unexpected.[5]

And:

> Had we been merely operating under the just and reasonable standard of AS 42.05.381(a), we might have considered denying Chugach's request to defer expense recognition in its entirety based on our reasoning in Order U-18-036(3). However, the AS 42.05.431(a) mandate that we must set rates adequate to meet Chugach's debt covenants changes our evaluation of what is just and reasonable in the circumstances that Chugach finds itself in.[6]

The Commission allowed Chugach to defer the amounts for 2021, but required Chugach to file a proposal to correct any projected margin shortfalls without deferring recognition of expenses incurred in 2022 or 2023.[7] Chugach filed TA514-8 and TA392-121, proposing to implement a rate decoupling mechanism to address projected margin shortfalls.[8]

---

[3] Docket U-21-059, Petition to Reopen Dockets and Modify Stipulation at 3.

[4] Docket U-21-059, Petition at 7, lines 15-21.

[5] Order U-21-059(7) at 9.

[6] Order U-21-059(7) at 9-10.

[7] Order U-21-059(7) at 2.

[8] Tariff Advice Letter TA514-8 and TA392-121.

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

Chugach subsequently informed the Commission that at the end of October 2021 the projected MFI/I for 2021 was 1.18 without any deferrals.[9] On January 5, 2022, Chugach informed the Commission that at the end of November 2021, the projected MFI/I was 1.19.[10] This positive result was apparently achieved by Chugach through cost-cutting measures[11] rather than raising rates to customers or deferring amortization or expenses.

III. Discussion.

A. Chugach assumes a margin shortfall in 2022 without discussion of whether the successful cost-cutting measures used in 2021 could likewise succeed (or reduce any needed rate increase) for 2022 or 2023.

Chugach's proposed decoupling would operate as a mechanism to guarantee achieving an MFI/I of 1.20 without necessarily encouraging cost-cutting/cost-savings actions. Chugach's proposal hinges on reversing the effects of declining revenues. As noted above, Chugach's supplemental tariff filings indicate that it has (and did) achieve the required 1.10 MFI/I for 2021 through effective management and cost-cutting measures. This should eliminate the need for a rate increase under AS 42.05.431(a). In Order U-21-059(7), the Commission stated that it may have refused Chugach's deferral

[9] TA514-8/TA392-121, Dec. 17, 2021 Tariff Supplemental filing, response to question 1.

[10] TA514-8/TA392-121, Jan. 5, 2022 Tariff Supplemental filing.

[11] TA514-8/TA392-121, Dec. 17, 2021 Tariff Supplemental filing, response to question 1.

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

request as not being just and reasonable if it were not for the mandate of AS 42.05.431(a).[12]

When Chugach decided to buy the Municipality of Anchorage d/b/a Municipal Light & Power (ML&P), Chugach was aware of ML&P's declining load and that rates may need to be adjusted.[13] Chugach was also aware that it would take time to merge the two utilities and that the North Districts rates—based on a 2015 test year—would not likely be increased until after the end of 2023.[14] Nearly all of the revenue decline ($16.2 million) is from the North District.[15]

Chugach has instituted cost-cutting measures to address its margin shortfall in the past.[16] During a September 23, 2021 hearing, Mr. Miller expressed doubt that the cost-cutting could be sustained on a going-forward basis.[17] But, at the end of November 2021 Chugach's projected MFI/I for the year 2021 was 1.19 without any deferrals.[18] It appears that cost-cutting measures continued throughout 2021.

---

12 Order U-21-059(7) at 9-10.

13 Order U-21-059(7) at 9.

14 Order U-18-102(44)/U-19-020(39)/U-19-021(3) at 152. If Chugach files its first combined rate case by the December 31, 2023 deadline, interim rates would not become effective until 2024.

15 Docket U-21-059, Prefiled Direct Testimony of Arthur W. Miller at Q/A 14, page 8, lines 3-5.

16 Docket U-21-059, Transcript at 122:2-13 (Testimony of Arthur W. Miller).

17 Docket U-21-059, Transcript at 122:17-18 (Testimony of Arthur W. Miller).

18 TA514-8/TA392-121, Jan. 5, 2022 Tariff Supplemental filing.

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

Chugach has not explained why the cost-cutting measures employed during 2021 could not continue into subsequent years, or if some, but not all of the cost-cutting measures could be employed and what the expected impact of such actions would be on the MFI/I for 2022 and 2023. If Chugach is given the ability to increase rates to meet the MFI/I requirements—even if limited to achieving an MFI/I of 1.20—it reduces Chugach's incentive to continue cost-cutting measures to address a problem that was well-known when Chugach acquired ML&P.

B. Chugach's proposed decoupling mechanism may not be consistent with the cost-causer/cost-payer principle.

According to Chugach, in "the South District, the residential class makes up approximately 54 percent of total South District base rate revenue. In contrast, commercial loads in the North District make up about 79 percent of total North District base rate revenue."[19] Chugach notes that its North and South Districts have "very different rate designs."[20] Despite these differences, Chugach proposes to equally raise base and energy rates for each district. As noted above, the bulk of Chugach's revenue decline is in the North District.[21]

---

[19] Docket U-21-059, Prefiled Direct Testimony of Arthur W. Miller at Q/A 15, page 8, lines 10-14.

[20] Docket U-21-059, Prefiled Direct Testimony of Arthur W. Miller at Q/A 19, page 10, line 15.

[21] Docket U-21-059, Prefiled Direct Testimony of Arthur W. Miller at Q/A 14, page 8, lines 3-5.

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

A primary objective of utility ratemaking is that the cost causer should be the cost payer.[22] Chugach does not explain why South District customers' (mainly residential) rates should increase, when it appears that the bulk of declining revenues are from customers (mainly commercial) in the North District. If the commercial customers in the North District are not paying the costs they are causing, then these costs are being paid by other customers. This could potentially cause an unreasonable cross subsidy.

Chugach should be required to explain how its proposed decoupling mechanism is consistent with the principle of cost causer, cost payer.

C. It is unknown whether the current cost-of-service studies represent the combined cost-causation characteristics following Chugach's acquisition of ML&P.

Chugach likens rate adjustments in its proposed decoupling mechanism to rate adjustments in Simplified Rate Filings (SRF).[23] To justify raising all base and energy rates equally, Chugach focuses on how rates are increased through the SRF program.[24] Utilities in the SRF program have a single cost-of-service study and rate design based on that utility's own customers. The problem with Chugach's decoupling proposal is that the cost-of-service study and rate design for the North District is very different from

---

22 3 AAC 48.510(a); 3 AAC 48.520.

23 TA514-8/TA392-121, Supplemental Response Dec. 20, 2021 at 5 (response to question 4).

24 TA514-8/TA392-121, Supplemental Response Dec. 20, 2021 at 5 (response to question 4).

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

the South District.[25] Since the acquisition of ML&P, Chugach has not performed a cost-of-service study and a rate design combining the two utilities as one, but the proposed decoupling mechanism treats all customers as one utility.

Without a combined cost-of-service study, it is unclear whether the cost causer will be the cost payer under Chugach's proposed decoupling mechanism. For example, during the acquisition of ML&P, Chugach asserted that combining the two utilities would result in substantial savings. Without a combined cost-of-service study it is unclear what customers will have their costs reduced by these savings. But, the information available indicates that decoupling would make all classes of customers pay costs that should be borne by another class of customers.

D. Setting rates based on AS 42.05.431(a) should be limited to what the statutes requires—here, that is an MFI/I of 1.10.

Chugach has agreed that it will target rate adjustments under the decoupling mechanism to allow Chugach to achieve an MFI/I of 1.20.[26] As noted above, the statute requires rates sufficient to meet Chugach's MFI/I obligation of 1.10. And the Commission noted in Order U-21-059(7) its hesitancy outside of the commands of AS 42.05.431(a) to allow a change to Chugach's current rates.

AS 42.05.431(a) should not be read to justify raising rates to achieve a MFI/I of 1.20 for Chugach because that would exceed the statute's requirements and would

---

25 Docket U-21-059, Prefiled Direct Testimony of Arthur W. Miller at Q/A 19, page 10, line 15.

26 TA514-8/TA392-121, Dec. 29, 2021 tariff supplemental filing at 3.

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

establish bad precedent. It is understandable that Chugach may desire some margin above the 1.10 MFI/I, but AS 42.05.431(a) only requires rates sufficient to meet that specific obligation. It is not a vehicle to force the approval of rates for any amount beyond being adequate to meet the financial covenants contained in mortgages and other debt instruments. Chugach has other options, including filing a general rate case. But AS 42.05.431(a) does not and should not be construed as the basis for a decoupling mechanism to raise rates to achieve an MFI/I in excess of 1.10.

E. A full rate case may now be the correct solution.

Previously, Chugach opined there were two primary alternatives to address potential margin shortfalls for 2022 and 2023: (i) a decoupling adjustment; or (ii) a general rate case filing under 3 AAC 275(a), including variations that include cost of service and rate design.[27] In Docket U-21-059 RAPA expressed concern with Chugach filing a rate case because at that time Chugach had acquired most of ML&P's assets less than one year prior.[28] RAPA noted that a full-year's operating expense and information would be preferable for Chugach's first rate case after the acquisition.[29]

---

27 Docket U-21-059, Prefiled Direct Testimony of Arthur W. Miller at Q/A 16, page 8, line 24 – page 9, line 2.

28 Docket U-21-059, Office of the Attorney General's response to Chugach Electric Association's petition to reopen dockets and modify stipulation at 8.

29 *Id.*

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

Chugach acquired ML&P's assets on October 30, 2020. Chugach now has a full calendar year (Jan. 1, 2021 to Dec. 31, 2021) of operating expense and information. Assuming the following:

- That the deferrals addressed in Docket U-21-059 are not allowed for 2022 and 2023;
- If Chugach cannot continue the same cost-cutting measures in 2022 (and or 2023) that allowed Chugach to meet the required MFI/I of 1.10 for 2021;
- If the issues raised above concerning decoupling cannot be adequately addressed;
- Then arguably, a full rate case is the correct solution.

IV. Summary.

Chugach assumes a margin shortfall in 2022 without discussion of whether the successful cost-cutting measures used in 2021 could likewise succeed (or reduce any needed rate increase) for 2022 or 2023. The proposed decoupling may not be consistent with the cost-causer/cost-payer principle. It is unknown whether the current cost-of-service studies represent the combined cost-causation characteristics following the acquisition. Setting rates based on AS 42.05.431(a) should be limited to what the statute requires—here, that is an MFI/I of 1.10. A full rate case may now be the correct solution. These issues should be addressed.

//

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax

DATED January 7, 2022, at Anchorage, Alaska.

TREG R. TAYLOR
ATTORNEY GENERAL

By: /s/ Jeffrey J. Waller

Jeffrey J. Waller
Chief Assistant Attorney General
Office of the Attorney General
1031 West Fourth Avenue, Ste. 200
Anchorage, AK 99501
Phone: (907) 269-5187
Fax: (907) 276-3697
Email: jeff.waller@alaska.gov
Alaska Bar No. 0703005

CERTIFICATE OF SERVICE

I hereby certify that on January 7, 2022 a true and correct copy of the **Office of the Attorney General's Comments Regarding TA514-8 and TA392-121** was served via e-mail without error on the following:

Arthur Miller
Chugach Electric Association, Inc.
PO Box 196760
Anchorage, AK 99519-6760
arthur_miller@chugachelectric.com

Lee Thibert
Chugach Electric Association, Inc.
PO Box 196760
Anchorage, AK 99519-6760
Lee_Thibert@chugachelectric.com

/s/ Deborah A. Mitchell
Deborah A. Mitchell
Law Office Assistant I

Attorney General
Regulatory Affairs & Public Advocacy
1031 West Fourth Avenue, Suite 200
Anchorage, Alaska 99501
(907) 334-2394, (907) 269-5100, (907) 276-3697 Fax