

Chugach Electric Association, Inc.

Simplified Rate Filing
Alternate Method of Updating Base Rates
September 2008

- 1) What is Simplified Rate Filing (SRF)?
 - a. A streamlined ratemaking process that permits routine (quarterly or semi-annual) base rate adjustments. Chugach's non-fuel and purchased power costs are recovered through base rates.
 - b. By Alaska Statute, participation in the SRF process is allowed for electric cooperatives.
 - c. Under SRF, the underlying ratemaking methodology for rate adjustments, including TIER, is based on the most recent general rate case filing.
 - d. Adjust retail rates on an overall percentage basis; adjust wholesale rates on individual class basis.
 - e. Base rate increases limited to 8 percent on an annual basis and 20 percent over 3-year period.

- 2) Potential Benefits of Using SRF
 - a. Reduced general rate case expense, including outside counsel and consultants, and involvement by other Chugach departments
 - b. Reduced "regulatory lag" for rate adjustments. Regulatory lag represents the time period between when a rate adjustment is requested and when the rate is implemented.
 - c. Ability to adjust base rates to reflect current realities on an on-going basis.
 - i. Changes in sales levels, such as erosion due to high prices and conservation programs, or increases due to load growth
 - ii. Cost increases / decreases
 - iii. Both G&T and Distribution base rates are adjusted
 - d. Assist in mitigating lenders' perception of regulatory lag risk

- 3) Potential Costs of Using SRF
 - a. Increased routine requirements on existing regulatory staff
 - b. Increased support and documentation needed from accounting staff
 - c. Possible increased outside legal expenditures related to adjudication of contested issues
 - d. Administrative / regulatory / legal costs and complexity increase significantly when issues are not timely adjudicated by the RCA.
 - e. Board review and approval required for each filing

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- 4) Chugach History with SRF
 - a. With the encouragement and support of MEA and APUC staff, Chugach began using SRF in 1989
 - b. Worked quite well for a number of years
 - c. Significant attempt to identify and resolve issues prior to impacting rates
 - d. Chugach requested discontinuance of SRF with non-opposition in Settlement Agreement with MEA and HEA to leave SRF

- 5) Keys to Success using SRF
 - a. Stable situation, reflecting the baseline revenue requirement used to commence SRF filings
 - b. Limited and constructive participation by intervenors resulting in no contested proceedings
 - c. Communication with wholesale customers
 - i. Monthly unbundling information may assist an SRF effort
 - d. Timely identification of issues that impact rates
 - e. Willingness to accept compromise positions

- 6) Process
 - a. Request to RCA that Chugach be permitted to use SRF
 - b. Establish baseline revenue requirement
 - i. 2005 TY, the last general rate case, may not be accepted
 1. Could be challenged as out of date
 2. Settlement Agreement with HEA/RAPA/SES versus Commission orders for MEA
 - ii. A new filing, based on the 2008 test year, would be current and would reflect current cost levels
 - c. Initiate SRF filing and tracking processes

- 7) Challenges
 - a. There are significant changes to the status quo
 - i. New generation unit
 - ii. New Railbelt G&T and wholesale relationships are possible
 - b. Anticipated terminations of wholesale contracts
 - c. Allocation of interest expense
 - i. Unresolved issues from last general rate case
 - d. Commission decision that SRF is not well-suited to dealing with complex Revenue Requirement issues presented in Chugach rate filings. U-96-37(13) at 14.¹

¹“The Commission has determined that Chugach’s request for formal approval to withdraw from the SRF program should be granted. ... The Commission has determined that the issues raised in revenue requirement filings by utilities the size and complexity of Chugach cannot be adequately addressed in the SRF process. The SRF process is intended to be an expedited method of determining an appropriate revenue requirement in instances involving more simplistic issues than typically arise in Chugach’s filings. Therefore, the Commission has determined that it would be more appropriate for

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- 8) Alternative Approaches
 - a. Apply SRF to both retail and wholesale
 - b. Apply SRF to retail distribution only; general rate case for G&T
 - c. More frequent general rate cases with resulting fewer unresolved issues

- 9) Estimated Timeline
 - a. 10/2008 Board approval
 - b. 11/2008 Discussions with wholesale customers
 - c. 12/2008 Submit request to reenter SRF to RCA
 - d. 03/2009 RCA decision
 - e. 04/2009 File 2008 test year filing with RCA
 - f. 06/2009 RCA approval of filing; adjustment of rates
 - g. 09/2009 File SRF update based on year-ended 06/2009

Chugach to submit revenue requirement filings in compliance with 3 AAC 48.275(a).” U-96-37(13) at 14. AS 42.05.381(e) provides that the Commission “may revoke permission to use” SRF. 3AAC 48.770(b) provides that “[f]or good cause shown, the commission will, in its discretion, revoke or deny a cooperative’s authority to request an increase under the simplified rate filing procedure...”