



CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

SPECIAL BOARD OF DIRECTORS' MEETING

AGENDA

Rachel Morse, Chair
Bettina Chastain, Vice Chair
Harold Hollis, Treasurer
James Henderson, Secretary

Sam Cason, Director
Mark Wiggin, Director
Erin Whitney, Director

December 6, 2021

**Immediately Following the Audit and
Finance Committee Meeting**

Chugach Board Room

- I. CALL TO ORDER (6:25 p.m.)
 - A. Pledge of Allegiance
 - B. Roll Call
- II. APPROVAL OF THE AGENDA* (6:30 p.m.)
- III. PERSONS TO BE HEARD (6:35 p.m.)
 - A. Member Comments
- IV. CONSENT AGENDA (none)
- V. CEO REPORTS AND CORRESPONDENCE (none)
- VI. DIRECTOR REPORTS (none)
- VII. UNFINISHED BUSINESS (none)
- VIII. NEW BUSINESS (none)
- IX. EXECUTIVE SESSION* (scheduled) (6:40 p.m.)
 - A. RCA Filing – Rate Decoupling (Miller)
- X. NEW BUSINESS** (scheduled) (7:40 p.m.)
 - A. RCA Filing – Rate Decoupling Adjustment (Option A)** (Miller)
 - B. RCA Filing – Rate Decoupling Adjustment (Option B)** (Miller)
- XI. DIRECTOR COMMENTS (7:45 p.m.)
- XII. ADJOURNMENT* (8:00 p.m.)

* Denotes Action Items

** Denotes Possible Action Items

**CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska**

**SPECIAL BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

December 6, 2021

ACTION REQUIRED

AGENDA ITEM NO. X.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Adoption of rate decoupling adjustment process (Option A)

DISCUSSION

Chugach Electric Association, Inc. (Chugach), has experienced significant declines in electric sales due to downturns in the local economy and impacts resulting from the COVID-19 pandemic. These declines are separate from the acquisition of ML&P, which has resulted in significant reductions in operating costs.

Although considerable savings have been realized from the acquisition, much of the savings resulted in direct reductions to member bills in the form of lower fuel costs. Chugach has incurred both increases in cost due to inflation and lower revenue due to reductions in sales since base rates were last adjusted. Base rates for the North District members were last adjusted in 2017 while base rates for South District members were last adjusted in mid-2020. Non-fuel savings resulting from the acquisition have largely been absorbed by declines in electric sales. In relation to when base rates were last adjusted, system base rate revenues have declined significantly, with reductions of \$9.3 million realized from the beginning of the pandemic through October 31, 2021.

Because the primary driver of Chugach's reduction in margin performance is attributed to reductions in sales, and in recognition of the abnormal business environment due to the COVID-19 pandemic and the recently completed acquisition of the Municipality of Anchorage d/b/a Municipal Light & Power (ML&P), Chugach is requesting approval to adopt a base demand and energy rate decoupling process for rates effective February 1, 2022, and thereafter on October 1 and April 1 of each year until Chugach files a general rate case under 3 AAC 275(a) or similar filing under a streamlined general rate case structure.

For the initial rate decoupling adjustment, the calculation will be based on the 12-months ended October 31, 2021, representing the first full test year following the acquisition of ML&P, for proposed rates effective February 1, 2022. Thereafter, Chugach will calculate semi-annual rate decoupling adjustments based on the 12-months ended June 30 and December 31 for rates effective October 1 and April 1, respectively. The rate decoupling adjustment process will be effective until Chugach files a request for rate changes under a general rate case.

Under this decoupling adjustment process, demand and energy rates are adjusted to reflect changes in sales levels beginning when base rates were last adjusted through October 31, 2021, which results in a retail demand and energy rate increase of 8.3 percent. Seward Electric System's sales levels have remained essentially unchanged and therefore, no rate decoupling adjustment is required.

MOTION

Move that the Chugach Electric Association, Inc. Board of Directors approve the attached resolution authorizing the Chief Executive Officer to file a request with the Regulatory Commission of Alaska for approval to adopt a semi-annual rate decoupling adjustment process for retail and wholesale demand and energy rate changes, and for approval to increase demand and energy rates by 8.3 percent for Chugach retail classes for rates effective February 1, 2022.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

SPECIAL BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 6, 2021

ACTION REQUIRED

AGENDA ITEM NO. X.B.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Adoption of rate decoupling adjustment process (Option B)

DISCUSSION

Chugach Electric Association, Inc. (Chugach) has experienced significant declines in electric sales due to downturns in the local economy and impacts resulting from the COVID-19 pandemic. These declines are separate from the acquisition of the Municipality of Anchorage d/b/a Municipal Light & Power (ML&P) which has resulted in significant reductions in operating costs.

Although considerable savings have been realized from the acquisition, much of the savings resulted in direct reductions to member bills in the form of lower fuel costs. Chugach has incurred both increases in cost due to inflation and lower revenue due to reductions in sales since base rates were last adjusted. Base rates for the North District members were last adjusted in 2017 while base rates for South District members were last adjusted in mid-2020. Non-fuel savings resulting from the acquisition have largely been absorbed by declines in electric sales. In relation to when base rates were last adjusted, system base rate revenues have declined significantly, with reductions of \$9.3 million realized from the beginning of the pandemic through October 31, 2021.

Because the primary driver of Chugach's decline in margin performance is attributed to reductions in sales, and in recognition of the abnormal business environment due to the COVID-19 pandemic, Chugach is requesting Board approval to adopt a base demand and energy rate decoupling process for rates effective February 1, 2022, and thereafter on October 1 and April 1 of each year until Chugach files a general rate case under 3 AAC 275(a) or similar filing under a streamlined general rate case structure.

For the initial rate decoupling adjustment, the calculation will be based on the 12-months ended October 31, 2021, representing the first full test year following the acquisition of ML&P, for proposed

rates effective February 1, 2022. Thereafter, Chugach will calculate semi-annual rate decoupling adjustments based on the 12-months ended June 30 and December 31 for rates effective October 1 and April 1, respectively. The rate decoupling adjustment process will be effective until Chugach files a request for rate changes under a general rate case.

Under this decoupling adjustment process, demand and energy rates are adjusted to reflect changes in sales levels during the period of the COVID-19 pandemic through October 31, 2021, resulting in a retail demand and energy rate increase of 4.1 percent. Seward Electric System's sales levels have remained essentially unchanged and therefore, no rate decoupling adjustment is required.

MOTION

Move that the Chugach Electric Association, Inc. Board of Directors approve the attached resolution authorizing the Chief Executive Officer to file a request with the Regulatory Commission of Alaska for approval to adopt a semi-annual rate decoupling adjustment process for retail and wholesale demand and energy rate changes, and for approval to increase the demand and energy rates by 4.1 percent for Chugach retail for rates effective February 1, 2022.