

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

May 24, 2017

ACTION REQUIRED

AGENDA ITEM NO. VIII.C.

<u> </u>	Information Only
<u> X </u>	Motion
<u> X </u>	Resolution
<u> </u>	Executive Session
<u> </u>	Other

TOPIC

Simplified Rate Filing (SRF): March 2017 Test Year

DISCUSSION

The results of Chugach's March 31, 2017 Test Year SRF indicate that demand and energy rates should decrease by 3 percent. On a class basis, the results show demand and energy rate reductions of 3 percent to Chugach retail and 4.9 percent to the wholesale class of Seward Electric System.

The reduction in rates is primarily attributed to lower depreciation expense resulting from the Regulatory Commission of Alaska's (Commission) approval of Chugach's updated depreciation rates on March 24, 2017 in docket U-16-081 (\$5.95 million), which was partially offset by higher amortization expense associated with the Commission's May 17, 2017 approval of Chugach's request to create a regulatory asset for the recovery of spare parts located at the Beluga Power Plant in docket U-16-091 (\$1.35 million). The results also reflect upward adjustments associated with workers compensation (\$1.5 million) and wage rates (\$0.3 million) to reflect normalized expense levels.

Chugach has updated the allocators contained in the allocated cost of service, which assigns cost responsibility among the customer classes on the Chugach system. This update is completed on an annual basis. The impact of this update results in a \$0.1 million increase in cost responsibility assigned to Chugach retail and a corresponding reduction in cost responsibility assigned to Seward Electric System.

The results are based on a Chugach system Times Interest Earned Ratio (TIER) of 1.35, with G&T at 1.10 and Distribution at 2.88. Without reductions to demand and energy rates, Chugach's resultant system ratemaking TIER of 1.52 will exceed its RCA authorized TIER of 1.35 by greater than 5 percent. SRF regulations require demand and energy rate reductions if the ratemaking TIER exceeds the RCA authorized TIER by 5 percent or more.

It is recommended that the demand and energy rates to Chugach retail and Seward Electric System be adjusted downwards by 3 percent and 4.9 percent, respectively, and that Chugach submit its March 2017 test period SRF and its calculated demand and energy rate changes with the Regulatory Commission of Alaska for rates effective July 1, 2017.

MOTION

Move that the Board of Directors approve the Resolution authorizing filing with the Regulatory Commission of Alaska, the Simplified Rate Filing described therein.

RESOLUTION

Simplified Rate Filing: March 2017 Test Year

WHEREAS, the Chugach Electric Association, Inc. (Chugach) Board of Directors has approved the use of quarterly Simplified Rate Filings (SRF) to adjust base demand and energy rates for Chugach retail and the wholesale customer class of Seward Electric System, and the Regulatory Commission of Alaska has authorized its use;

WHEREAS, calculations under the SRF procedures based on operating results for the test year ended March 31, 2017 indicate a Chugach system demand and energy rate decrease of 3 percent; and,

WHEREAS, on an individual customer class basis, the results show demand and energy rate decreases of 3 percent to Chugach retail and 4.9 percent to the wholesale class of Seward Electric System.

NOW, THEREFORE, BE IT RESOLVED, that Chugach shall submit its SRF based on the March 2017 test year to the Regulatory Commission of Alaska requesting approval to adjust the demand and energy rates charged to Chugach retail and Seward Electric System downwards by 3 percent and 4.9 percent, respectively, for electric rates effective July 1, 2017.

CERTIFICATION

I, James Henderson, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 24th day of May 2017; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation on the 24th day of May 2017.