STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Robert M. Pickett, Chairman
Paul F. Lisankie
T.W. Patch
Norman Rokeberg
Janis W. Wilson

In the Matter of the Tariff Revisions, Designated as TA332-121, filed by the MUNICIPALITY OF ANCHORAGE D/B/A MUNICIPAL LIGHT AND POWER DEPARTMENT

U-13-184

PREFILED REPLY TESTIMONY OF GARY S. SALEBA

I. INTRODUCTION

Q1. Please state your name, title, and business address.

A1. My name is Gary S. Saleba. I am President of EES Consulting, Inc. My business address is 570 Kirkland Way, Suite 100, Kirkland, Washington 98033.

Q2. On whose behalf are you submitting this reply testimony?

A2. I am testifying on behalf of the Municipality of Anchorage d/b/a Municipal Light and Power ("ML&P") in this proceeding.

Q3. What issues does your reply testimony address in this proceeding?

A3. My reply testimony addresses the testimony by the Attorney General's ("AG's") witness Mr. Rubin,[1] the Federal Executive Agencies' ("FEA's") witness Dr. Blank,[2] and

[1] *See* Prefiled Testimony of Scott J. Rubin on behalf of the Attorney General, May 9, 2014, Docket U-13-184 ("Rubin Testimony").

[2] *See* Prefiled Direct Testimony of Larry Blank on behalf of the Federal Executive Agencies, May 9, 2014, Docket U-13-184 ("Blank Testimony").

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Q31. Please describe Mr. Garrett's first recommendation related to the COSS.

A31. Mr. Garrett proposes that the production costs be allocated to rate classes based on the A&E methodology.[38] Mr. Garrett does not agree that the "load-factor" method used by ML&P is a "true" peak responsibility method.[39]

Q32. Please comment on Mr. Garrett's preference for the A&E methodology.

A32. ML&P believes that classifying production costs based on ML&P's load factor and then allocating demand-related costs based on 12 CP provides fair and equitable allocation to rate classes based on cost causation. This issue has already been discussed in great detail in response to Dr. Blank's testimony at Q/A 22-27 above. That discussion applies equally to Mr. Garrett's recommendation.

Q33. Please describe Mr. Garrett's recommendations related to the LGS Primary Class.

A33. Mr. Garrett proposes that a new customer class be added to reflect any customers in the LGS Primary class with load factors above 70%.[40]

Q34. Do you agree that the addition of a new customer class is necessary?

A34. No. If load factor is the only issue differentiating Providence from other customers in that class, there are more appropriate solutions than adding an additional rate class and tariff. One such alternative is to adjust the demand and energy rate components for that class so that they better reflect the unit costs resulting from the COSS. This would

[38] Garrett Testimony, p. 54, lines 2-7.

[39] Garrett Testimony, p. 53, lines 11-22.

[40] Garrett Testimony, p. 56, line 19 to p. 57, lines 7.

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change the effective average rate to each customer within the class to better reflect the cost of serving each customer relative to their individual load factor.

Q35. How would the rate components for this class change under your recommendation?

A35. The COSS provides unit costs by rate component for each class. For the LGS Primary class, the COSS shows a customer-related unit cost of $464 per customer/month compared to the proposed rate of $159.95. For the demand component, the COSS unit cost is $21.21 per kW compared to a proposed rate of $20.18. If these two rate components were increased to reflect the COSS, the energy charge required to collect the same revenues from the class would change from 4.548 cents/kWh to 4.471 cents/kWh. The following table shows the calculations used to develop the alternative rate design for the LGS Primary class.

	Billing Determinants	Rate	Revenue	COSS Rate	COSS Revenue
Customer Charge	319	$159.95	$51,024	$464.00	$ 148,016
Demand Charge	172,068	$20.18	$3,472,332	$21.21	$3,649,562
Energy Charge	80,572,800	$4.811	$3,876,357	$4.471	$3,602,135
Total			$7,399,714		$7,399,714

These changes would result in a lower average cost for high load factor customers and a higher average cost for low load factor customers. This would have an impact similar to the addition of a new rate class for high load factor customers if the new rate was based on the COSS. In fact, it would lead to cost-based results for all customers based on their load factor rather than a distinct break point at a 70% load factor.

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