STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:	Stephen McAlpine, Chairman Rebecca L. Pauli Robert M. Pickett Norman Rokeberg Janis W. Wilson
In the Matter of the Request Filed by the MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT & POWER DEPARTMENT for Approval to Establish Depreciation Rates	U-16-094
In the Matter of the Tariff Revision Designated as TA357-121 Filed by the MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT & POWER DEPARTMENT	U-17-008

MUNICIPAL LIGHT AND POWER'S INITIAL RESPONSE TO FEDERAL EXECUTIVE AGENCIES' FOURTH REQUEST FOR DISCOVERY ON REPLY TESTIMONY (FEA-MLP-4)

The Municipality of Anchorage d/b/a Municipal Light and Power ("ML&P"), hereby responds to the Federal Executive Agencies' ("FEA's") fourth request for discovery on reply testimony. All responses to discovery are prepared by ML&P in consultation with counsel. Witnesses at hearing will be available for cross-examination on their testimony. Documents produced in response to these requests will also be stored in an electronic document management sharefile site accessible with login credentials that have been or will be provided as requested to the counsel, analysts, and consultants for FEA, AG, ANTHC, ENSTAR, FEA, JLP, and PHS.

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FEA-MLP-4.7: Please refer to the reply testimony of Mr. Saleba at pp. 26-27, which states:

" ... I do not believe that he has provided an adequate justification for such a broad and significant deviation from cost-based rates prescribed by the COSS." Has ML&P proposed rates in past cases that deviated from the COSS results? If so, please provide references to those cases and indicate whether the Commission agreed with ML&P's deviation from cost-based rates.

Response: In Docket U-13-006, Mr. Saleba recommended that ML&P apply an across-the-board rate increase to all rate classes. As Mr. Saleba discussed in his reply testimony in that case, this recommendation was not a significant deviation from the COSS because nearly all of the rate classes had a revenue to cost ratio within 90% to 110%. Mr. Saleba considers that, given the inherent uncertainty in any COSS, that a range of reasonableness around revenue to cost ratios is appropriate when setting rates. The Commission agreed with the proposed across-the-board increase. Similar recommendations were made and approved in Dockets U-13-184, U-10-031 and U-99-139.

Person(s) Supplying Information: Gary Saleba.

FEA-MLP-4.8: Please refer to the reply testimony of Mr. Saleha at p. 29, lines 20-23, which states: "The peaking demand charge was never intended to be cost-based from the perspective of the COSS or to reflect the marginal cost of new generation." Please provide the basis for the level of ML&P's proposed Peaking Demand Charge of $36.97 per kW of Peaking Demand.

Response: The peaking demand charge was set at a level of 2.27 times the baseload peaking demand charge. This is the same differential between the current peaking demand charge and baseload demand charge.

Person(s) Supplying Information: Gary Saleba.

FEA-MLP-4.9: Please admit that a portion of the revenues derived from the proposed Peaking Demand Charge would constitute revenue in excess of cost as determined by the COSS. If denied, please fully explain the denial.

Response: Denied. The cost associated with the peaking demand charge was not established in the COSS and therefore any revenues cannot be compared to a cost determined by the COSS.

Person(s) Supplying Information: Gary Saleba.

FEA-MLP-4.10: At page 30, lines 19-24, Mr. Saleba seems to admit that the unit costs developed in the COSS are designed to fully recover costs without the need for a Peaking Demand Charge in excess of the Baseload Demand Charge. In other words, the proposed rate design for 770, excluding the Peaking Demand Charge, recovers 100% of the costs allocated to the 770 class. Please explain whether or not this accurately states Mr. Saleba's testimony.

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Response: It does not. The COSS unit cost (the proposed baseload demand charge) was calculated using the sum of test year baseload and peaking demand for rate 770. Therefore, applying the proposed baseload demand charge to baseload demand that equals the test year baseload demand will not recover 100 percent of the costs allocated to the 770 class.

Person(s) Supplying Information: Gary Saleba.

FEA-MLP-4.11: Does Mr. Saleba agree that there are no additional incremental costs associated with Peaking Demand in excess of the Baseload Demand during a future billing cycle given the current level of ML&P's fixed capacity available to provide power to meet that excess demand? If not, please fully explain why not.

Response: As an initial matter, as stated in Mr. Saleba's testimony, the rate 770 peaking demand charge was not designed to recover specific incremental costs. Mr. Saleba disagrees that there would be no incremental costs associated with peaking demand during a future billing cycle, but agrees that there would be short-run incremental capital costs incurring during that billing period.

Person(s) Supplying Information: Gary Saleba.

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