

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Robert M. Pickett, Chairman  
Stephen McAlpine  
Rebecca L. Pauli  
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 ) U-16-094  
Approval to Establish Depreciation Rates )  
\_\_\_\_\_ )

In the Matter of the Tariff Revision Designated as )  
TA357-121 Filed by the MUNICIPALITY OF )  
ANCHORAGE d/b/a MUNICIPAL LIGHT & ) U-17-008  
POWER DEPARTMENT )  
\_\_\_\_\_ )

**MUNICIPAL LIGHT & POWER'S RESPONSE TO THE  
ATTORNEY GENERAL'S SECOND REQUEST FOR DISCOVERY (AG-MLP-2)**

The Municipality of Anchorage d/b/a Municipal Light & Power ("ML&P"), hereby responds to the Office of the Attorney General, Regulatory Affairs & Public Advocacy Section's ("AG's") second request for discovery. 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 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 the AG, ANTHC, ENSTAR, FEA, JLP, and PHS.

May 19, 2017  
Page 1 of 36

ES:\MLP\U-17-008\Discovery\AG-2\5-19-17

AG-MLP-2

Date: 12-14-17 Exh # H-156  
Regulatory Commission of Alaska  
U-16-094 By: PR U-17-008  
Northern Lights Realtime & Reporting, Inc.  
(907) 337-2221

**AG-ML&P-2-6.** Refer to the Prefiled Direct Testimony of Bente Villadsen at Q/A 3, p. 5 that states in part: "I consider ML&P to be of higher risk than the average sample company, so that it should be placed in the upper half of the range due to its smaller size and large capex program."

Identify each fact Ms. Villadsen relied on in making this statement.

**Response:** Please see the discussion of ML&P-specific risks in the Prefiled Direct Testimony of Bente Villadsen at pp. 15-22.

**Person(s) Supplying Information:** Bente Villadsen.

**AG-ML&P-2-7.** Refer to the Prefiled Direct Testimony of Bente Villadsen at 5 that states in part: "Based on my estimation results, a reasonable return for electric utilities is in the range of 11.5 percent to 14 percent . . . ."

And refer to the Prefiled Direct Testimony Bente Villadsen at Q/A 3, pp.5-6, footnote 2, that states in part:

Assigning a weight of 60 percent to the single-stage DCF estimate of 12.5 percent and 40 percent weight to the CAPM estimates of 9.6 percent to 11 percent results in a ROE of 11.4 percent to 11.9 percent. This is consistent with ML&P's recommendations in its prior rate proceeding. (Citing to Docket U-13-184).

(a) Admit that in Docket U-13-184, ML&P requested an ROE of 11.8%, the midpoint of ML&P's cost of capital witness's estimated cost of equity range of 11.1% to 12.4%.

(b) If the response to subpart (a) is anything other than an unqualified admission of the truth of the matter asserted, state what Ms. Villadsen believes the truth of the matter to be.

MUNICIPAL LIGHT & POWER'S RESPONSE TO THE  
ATTORNEY GENERAL'S SECOND REQUEST FOR DISCOVERY (AG-MLP-2)  
Docket U-17-008/U-16-094

May 19, 2017

Page 7 of 36

fs\ML&P\U-17-008\Discovery\AG-205-19-17

1 (c) Admit that in Docket U-13-184, ML&P asserted that ML&P was riskier  
2 than the electric utilities sample because ML&P has significant future capital requirements, is  
3 smaller and has higher relative risk than the sample used to determine benchmark equity costs.

4 (d) If the response to subpart (c) is anything other than an unqualified  
5 admission of the truth of the matter asserted, state what Ms. Villedsen believes the truth of the  
6 matter to be.

7 (e) Admit that in Docket U-13-184, the Commission determined that 10.93  
8 was a fair ROE for ML&P.

9 (f) If the response to subpart (e) is anything other than an unqualified  
10 admission of the truth of the matter asserted, state what Dr. Villedsen believes the truth of the  
11 matter to be.

12 (g) Does Dr. Villadsen contend that from July 16, 2015 to  
13 December 30, 2016, the cost of equity for ML&P has increased 207 basis points?

14 (h) If the response to subpart (g) is affirmative, explain and state all facts  
15 relied upon.

16 (i) Does Dr. Villadsen contend that from July 16, 2015 to the present, the cost  
17 of equity for ML&P has increased 207 basis points?

18 (j) If the response to subpart (i) is affirmative, explain and state all facts  
19 relied upon.

20 (k) Does Dr. Villadsen contend that the cost of capital has increase from  
21 July 16, 2015 to the present?

22  
23 MUNICIPAL LIGHT & POWER'S RESPONSE TO THE  
24 ATTORNEY GENERAL'S SECOND REQUEST FOR DISCOVERY (AG-MLP-2)  
25 Docket U-17-008/U-16-094  
26 May 19, 2017

Page 8 of 36

\\ML&PU-17-008\Discovery\AG-2015-19-17

(l) If the response to subpart (k) is affirmative, explain and state all facts relied upon.

**Response:** (a) Admitted with the qualification that the request in Docket U-13-184 was based on a capital structure with a equity ratio of 51%. See Order No. U-13-184(22) at p. 46.

(b) See response to (a).

(c) Admitted.

(d) N/A.

(e) Admitted that the Commission in Docket U-13-184 determined that a fair ROE for ML&P was of 10.93%.

(f) N/A.

(g) No. The allowed ROE in Docket U-13-184 and the ROE requested in this proceeding are not comparable as the Commission in July 2015 relied on a capital structure with 44.5% equity. See Order No. U-13-184(22), p. 54. Consequently, the allowed ROE on \$1,000 in 2015 was \$48.64 ( $10.93\% \times 44.5\% \times \$1,000$ ). The requested ROE for each \$1,000 in this matter is lower at \$45.50 ( $13\% \times 35\% \times \$1,000$ ). Dr. Villadsen notes that the Order No. U-13-184(22) granted ML&P a total weighted cost of capital of 7.39%, while the request in the current docket is lower at 7.15%.

(h) See response in (g) above.

(i) Dr. Villadsen has not updated her estimates since filing, but please see response in (g) above.

(j) N/A.

MUNICIPAL LIGHT & POWER'S RESPONSE TO THE  
ATTORNEY GENERAL'S SECOND REQUEST FOR DISCOVERY (AG-MLP-2)  
Docket U-17-008/U-16-094

May 19, 2017

Page 9 of 36

ts\ML&PU-17-008\Discovery\AG-2\5-19-17

1 (k) Please see the response to (g) above.

2 (l) N/A.

3 Person(s) Supplying Information: Bente Villadsen.  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

25 MUNICIPAL LIGHT & POWER'S RESPONSE TO THE  
26 ATTORNEY GENERAL'S SECOND REQUEST FOR DISCOVERY (AG-MLP-2)

Docket U-17-008/U-16-094

May 19, 2017

Page 10 of 36

fs\MI & PA\U-17-008\Discovery\AG-2015-19-17

