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STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Stephen McAlpine, Chairman
Rebecca Pauli
Robert M. Pickett
Norman Rokeberg
Janis W. Wilson

In the Matter of the Tariff Revision Designated)
as TA857-2 Filed by ALASKA POWER) U-16-078
COMPANY)
_____)

STIPULATION RESOLVING DISPUTED ISSUES

I. Introduction.

The parties in this Docket are Alaska Power Company (APC), the Office of the Attorney General, Regulatory Affairs & Public Advocacy Section (RAPA), and City of Gustavus, Municipality of Skagway, City of Craig (Intervenors). The parties have negotiated settlement as set forth in this stipulation that resolves all disputed issues in this Docket. This stipulation is submitted for acceptance or approval by the Regulatory Commission of Alaska (Commission) pursuant to 3 AAC 48.166 and AS 42.05.191.

II. Background.

1. APC filed tariff advice letter TA857-2 requesting an overall 9.88 percent rate increase, but did not request interim rates. APC's requested revenue requirement included a hypothetical 49.85/50.15 debt-to-equity capital structure and a 14.20 percent return on equity (ROE). APC's filing incorporated the former Gustavus Electric Company (Gustavus) service area into APC's tariff as required by Order U-13-183(4).

Stipulation Resolving Disputed Issues
U-16-078 APC

September 26, 2017

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APPENDIX
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Date: 12-4-17 Exh # 70
Regulatory Commission of Alaska
U-16-094 By: Jh U-17-008
Northern Lights Realtime & Reporting, Inc.
(907) 337-2221

1 APC also proposed to implement a rate design that included a revenue decoupling
2 methodology, implement a minimum bill of 150 kWh per month for residential
3 customers, and increase the monthly customer charge to \$20 in all service areas. APC
4 also recommended that its A-4 customer class be exempted from any rate increase.
5

6 2. On September 16, 2016, the Commission issued Order U-16-078(1)
7 suspending TA857-2 and inviting participation by the Attorney General.

8 3. On September 20, 2016, the Attorney General filed a notice of election to
9 participate and RAPA entries of appearances.

10 4. On November 1, 2016, the City of Gustavus, the Municipality of
11 Skagway, and the City of Craig filed petitions to intervene that were later granted in
12 Order U-16-078(5).
13

14 5. After conducting discovery, RAPA and the Intervenors filed responsive
15 testimony.

16 6. RAPA testimony recommended a revenue requirement resulting in an
17 overall 0.44 percent rate increase. RAPA recommended:
18

- 19 • Disallowing \$155,599 of abandoned project costs (amortized over 10
20 years at \$15,559 per year);
- 21 • Disallowing a \$ 64,946 cost of living labor adjustment;
- 22 • Disallowing bonus amounts paid to employees;
- 23 • Disallowing \$2,500 in charitable contributions;
- 24 • Disallowing \$3,857 in marketing/promotional expenses;
- 25 • Disallowing \$13,623 in miscellaneous expenses;

- Reducing rate base by \$508,961 based on the cash working capital calculation;
- An 8.63 percent overall rate of return based on a 10 percent ROE and APC's requested hypothetical capital structure;
- That the income tax allowance be reduced based on RAPA's recommended ROE;
- That the A-4 customer class not be exempted from any rate increase;
- A \$15.85 customer charge per month;
- The Commission reject the 150 kWh per month minimum bill on all residential (A-1) customers; and
- The Commission reject APC's proposed revenue decoupling methodology.

7. The Intervenor's testimony addressed cost of capital and recommended an overall 8.60 percent cost of capital based on a lower cost of debt (5.36%) and an 11.83 percent ROE.

8. APC reply testimony agreed with RAPA's disallowances on the \$2,500 charitable contribution and \$3,857 in marketing/promotional expenses, but disagreed with RAPA on all other disputed areas. The utility's reply testimony also disagreed with the Intervenor's cost of capital testimony.

9. The parties had the opportunity to, and did, conduct discovery as to all testimony presented.

10. Through a series of meetings and communications, APC, RAPA, and the Intervenor conferred and reached agreement settling all outstanding disputed issues in this Docket. This stipulation memorializes the resolution of those disputed issues.

1 **III. Stipulation.**

2 11. The parties agree as follows:

3 A. For the revenue requirement:

- 4 1. The following amounts will be disallowed in APC's revenue
5 requirement:
6 (a) (\$15,580) Bonuses;
7 (b) (\$2,500) Charitable Contributions;
8 (c) (\$3,857) Marketing/Promotional Expense;
9 (d) (\$13,623) Miscellaneous Expenses;
10
11 2. An Income Taxes allowance of \$1,046,621;
12
13 3. APC's methodology for calculating cash working capital is
14 acceptable;
15
16 4. Rate Base is \$24,894,411;
17
18 5. Hypothetical capital structure is 45/55 percent
19 debt-to-equity;
20
21 6. Cost of Debt is 7.26 percent;
22
23 7. Cost of Equity is 10.95 percent;
24
25 8. Overall Rate of Return is 9.29 percent; and
26
9. The overall rate increase resulting from this stipulation is
4.95 percent.¹

¹ Attached Exhibit A shows the stipulated revenue requirement.

1 B. For Cost of Service, the A-4 customer class, consisting of one
2 customer, will be exempt from the rate increase, because of the
3 potential economic impact on the entire community of such a rate
4 increase.

5 C. For Rate Design:

- 6
- 7 1. Decoupling methodology will not be used;
 - 8 2. The rate increase to any customer class will be capped at
9 12 percent;
 - 10 3. A minimum monthly kWh charge for residential customers
11 will not be adopted;
 - 12 4. The customer charge will be \$20.00 per month for all
13 customers; and
 - 14 5. The \$20.00 per month customer charge will be assessed for
15 reconnecting customers for any period of disconnection up
16 to ten (10) months.

17 D. Other issues:

- 18
- 19 1. An intertie using contributed capital will be completed in the
20 near future connecting the U.S. National Park Service to
21 APC's system in the Gustavus Service area. This will
22 increase load and potential revenues for APC in the
23 Gustavus service area.
24
25
26

2. APC will file a tariff revision to modify its Cost of Power Adjustment (COPA) provision to pass through the benefits of any increased load and/or revenues to APC's Gustavus service area ratepayers.

E. APC agrees that it will file compliance tariff sheets to implement this stipulation within thirty (30) days of the Commission's acceptance or approval of this stipulation.

IV. General Conditions and Other Matters.

12. For purposes of AS 42.05.175, an order accepting or approving this stipulation can be considered a "final order," and each party expressly waives any right to claim the resulting order is not a final order under the statute.

13. Except as expressly stated otherwise:

- A. The parties developed different methods of determining the revenue requirement, cost of service study and rate design.
- B. The parties were not able to agree on every detail of the methods to resolve all outstanding disputed issues. Nonetheless, the parties were able to agree to a compromise on the disputed issues. The stipulated provisions set forth above represent compromises between the parties regarding substantive disputes at issue in this proceeding for the sole purpose of resolving these issues.

1 C. This stipulation does not indicate in any way the parties' agreement
2 with any position taken by the other party in this Docket. The
3 parties do not waive any argument on any issue through this
4 stipulation.
5

6 14. The parties agree that this stipulation shall have no precedential value.
7 The parties and their witnesses and consultants will not use the stipulation or its
8 particular provisions, or the Commission's acceptance or approval of it, in any other
9 proceeding, except to enforce its terms or as may be provided in Commission
10 regulations. The Commission's acceptance or approval of this stipulation shall not be
11 construed as an endorsement of any analysis, argument, or opinion presented or used by
12 witnesses herein in another case.
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14 15. The parties enter into this stipulation for the sole purpose of resolving
15 Docket U-16-078. This stipulation shall not be deemed to be an admission by any party
16 and does not prevent the parties from presenting or arguing in future cases their
17 respective positions on issues that were or might have been raised in this case.
18

19 16. The parties agree that the validity and enforceability of the agreements
20 contained in this stipulation are conditioned on the Commission's acceptance or
21 approval of the stipulation in its entirety. If the Commission does not accept or approve
22 this stipulation in its entirety, then any party may withdraw from this stipulation in its
23 entirety. If a party withdraws, then the stipulation will have no force and effect and the
24 parties reserve their right to present evidence to support all of their positions at a public
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26

1 hearing as if this stipulation had not been agreed upon. Should this occur, the stipulation
2 may not be put into evidence, and no party may use this stipulation or any part of it as
3 evidence or as an exhibit in this Docket or any other docket or proceeding.

4 17. Nothing in this stipulation is intended to limit the Commission's powers
5 as conferred by statute or bind the Commission in a future proceeding to any position it
6 accepts or approves in this proceeding.

7 18. The parties request that the Commission order approving this stipulation
8 specifically state neither the order nor the stipulation may be cited by any witness, party,
9 or entity in any future proceeding as precedent or as evidence.
10

11 **V. Evidentiary Support for this Stipulation.**

12 19. The evidentiary support for this stipulation includes all filings made in
13 this Docket, including all prefiled testimonies, studies, and exhibits as well as the
14 exhibits attached to this stipulation.
15

16 20. For purposes of settlement only, the parties stipulate the Commission may
17 admit and consider as evidence all prefiled testimonies, studies and exhibits filed in this
18 Docket.

19 21. For purposes of settlement only, and presuming this Stipulation is
20 accepted or approved, each party agrees to waive cross-examination of the other party's
21 witnesses.
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1 **VI. The Public Interest.**

2 22. The parties agree that the public interest supports approval or acceptance
3 of this stipulation in its entirety. Specifically, the parties agree:

4 A. Acceptance or approval of this stipulation will conserve valuable
5 resources for the parties and therefore APC's ratepayers, including
6 time and money that would have been spent proceeding through
7 trial and possibly appealing a Commission decision.

8 B. Acceptance or approval of this stipulation will conserve valuable
9 Commission resources by avoiding the necessity of a hearing, and
10 adjudication of disputed facts, policy, or law, and the time needed
11 to address each issue in a written order.
12

13
14 23. The parties agree that the public interest is served by acceptance or
15 approval of this stipulation as it will remove the uncertainty of litigation.

16 24. The parties agree that the public interest is also served by acceptance or
17 approval of this stipulation because the Commission has previously held that
18 settlements are to be encouraged, and litigation is to be avoided when possible.²
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23

24 ² See Order P-03-012(21) at 7; Order U-06-134(15) at 5; Order P-91-002(26) at 2;
25 Order P-09-014(2) at 4-5; Order P-11-014(1) at 3; Order U-05-020(7) at 31.

1 **VII. Request for Relief.**

2 25. For the reasons stated above, the parties request the Commission accept or
3 approve this stipulation in its entirety.

4 DATED September 26, 2017, at Anchorage, Alaska.

5
6 JAHNA LINDEMUTH
ATTORNEY GENERAL

7
8 By: 

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18 DATED September 26, 2017, at Anchorage, Alaska.

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1 DATED September 26, 2017, at Juneau, Alaska.

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CERTIFICATE OF SERVICE

I hereby certify that on September 26, 2017 a true and correct copy of the parties' STIPULATION RESOLVING DISPUTED ISSUES was served via e-mail on the following:

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Representing: City of Craig, City of Gustavus,
and Municipality of Skagway



Deborah A. Mitchell
Law Office Assistant

Exhibit A

U-16-078

September 26, 2017

	<u>Stipulation</u>
Operating Expense Per Filing	10,777,661
RAPA 1 Preliminary Survey Cost	
RAPA 2 COLA	
RAPA 3 Bonus	(15,580)
RAPA 4 Charity Contribution	(2,500)
RAPA 5 Promotional Expense	(3,857)
RAPA 6 Misc Expense	(13,623)
RAPA 7 Income Taxes	(190,519)
Total Operating Expense After PFA	10,551,582
Cash Working Capital	1,501,634
Rate Base	24,894,411
Long-term Debt	7.26%
Return of Equity	10.95%
Rate of Return	9.29%
Return Requirement	2,312,566
Revenue Requirement	12,471,169
Revenue Subject to Increase	11,883,431
Revenue Surplus/(Deficiency)	(587,738)
Rate Increase	4.95%

RAPA	Percent	Cost	Return
LTD	45.00%	7.26%	3.27%
ROE	55.00%	10.95%	6.02%
			<u>9.29%</u>