

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 Petition Filed by CHUGACH )  
ELECTRIC ASSOCIATION, INC. for Approval of )  
Depreciation Rates )

U-16-081

ORDER NO. 2

**ORDER GRANTING PETITION TO APPROVE DEPRECIATION  
RATES, APPROVING DEPRECIATION RATES, ESTABLISHING  
DATE FOR NEXT DEPRECIATION STUDY, AND CLOSING DOCKET**

BY THE COMMISSION:

Summary

We grant the petition to approve depreciation rates filed by Chugach Electric Association, Inc. (Chugach). We approve the depreciation rates established in Chugach's depreciation study. We establish a date for Chugach to file its next depreciation study and we close this docket.

Background

In 2012, we approved depreciation rates for the Southcentral Power Project (SPP) and required Chugach to file by December 31, 2015, a full depreciation study integrating the SPP plant with other Chugach assets, using a 2014 test year.<sup>1</sup> We later granted Chugach's request to extend the time for Chugach to file the depreciation study

<sup>1</sup>Order U-12-009(6), *Order Granting Motion to Strike, Granting Petition to Establish Depreciation Rates for Southcentral Power Project, Approving Depreciation Rates, Requiring Filings, and Closing Docket*, dated August 31, 2012 (Order U-12-009(6)).

1 transmission, and distribution of electric power. Chugach's depreciation study was  
2 prepared by John Spanos of Gannett Fleming Valuation and Rate Consultants, LLC  
3 (Gannett Fleming). The depreciation study uses December 31, 2015, plant balances.<sup>7</sup>

4 The depreciation study is for Chugach's entire electric plant including steam  
5 and other production, transmission, distribution, and general plant assets.<sup>8</sup> The study  
6 recommends a decrease in Chugach's annual depreciation expense from \$31,316,823 to  
7 \$25,393,574, a reduction of \$5,923,249.<sup>9</sup> If the depreciation rates are approved in March  
8 2017, Chugach states it will normalize the adjustments into its simplified rate filing based  
9 on a March 31, 2017, test year, for rates effective in July 2017. Chugach's accounting  
10 department will adjust depreciation rates in its accounting records beginning July 2017.<sup>10</sup>

11 Chugach states that approval of the recommended depreciation rates would  
12 result in a reduction in base demand and energy rates of approximately 4.7% to retail  
13 customers and 4.6% on wholesale rates charged to the City of Seward. On a total  
14 customer bill basis, which includes fuel and purchased power expense, the reductions  
15 are approximately 3.2% for retail rates and 1.9% for wholesale rates. For transmission  
16 wheeling, the reductions are about 7.4% for both firm and non-firm service and from 4.3%  
17 to 9% for ancillary services T-2 through T-6.<sup>11</sup>

18 Chugach used its continuing property records dating back to 1954 to  
19 prepare the depreciation study. For all accounts, the annual depreciation was calculated  
20

21  
22 <sup>7</sup>Depreciation Study at 7.

23 <sup>8</sup>Depreciation Study at 56-61.

24 <sup>9</sup>Harris Testimony, Exhibit KAH-2 at 4.

25 <sup>10</sup>Miller Testimony at 5-6.

26 <sup>11</sup>Miller Testimony at 4. Chugach states that T-1 is not impacted by the change in  
depreciation rates. *Id.* at 4 n.1.