RECEIVED
By the Regulatory Commission of Alaska on Jan 15, 2016

STATE OF ALASKA

REGULATORY COMMISSION OF ALASKA

Before Commissioners: T. W. Patch, Chairman
Stephen McAlpine
Robert M. Pickett
Norman Rokeberg
Janis W. Wilson

In the Matter of the Investigation into Reasonableness of the Requirements Contained In Section 114 of Appendix A to the Tariff Maintained by the MUNICIPALITY OF ANCHORAGE D/B/A MUNICIPAL LIGHT AND POWER DEPARTMENT) U-15-097

DIRECT TESTIMONY

OF

MARK E. GARRETT

ON BEHALF OF
PROVIDENCE HEALTH & SERVICES

January 15, 2016

trigger a demand charge.

Q46: In your opinion, are the rates proposed under the new Schedules 28 and 29 appropriate under the circumstances?

A46: Yes. The proposed rates are appropriate in the sense that they are the same rates that customers pay now under existing Schedules 22 and 23. This means that, under the new Schedules 28 and 29, customers will pay the same amount they would have paid under Schedules 22 and 23 for the amount of power they actually use from ML&P. This is important from a ratemaking perspective because it would be inappropriate, between rate cases, to change the rates for one customer class in a piecemeal fashion without resetting the rates for all customer classes. ML&P's proposed approach avoids this problem.

The fact that customers under Schedules 28 and 29 will pay the same amount they would have paid under Schedules 22 and 23 is important from a policy perspective because net-requirements customers should not be penalized with higher rates for using less power than what they used in the past. This approach is particularly appropriate because it is neutral to energy efficiency measures taken by customers. Any ratemaking approach that would charge customers higher rates for using less energy would be counterintuitive and contrary to well-established energy efficiency and conservation goals. Customers should be rewarded, not punished, for using valuable resources more efficiently.

Q47: Do the proposed new Schedules 28 and 29 sufficiently protect ML&P and existing customers from potential underpayment from customers using these schedules?

A47: Yes. The only difference is that the customers using these schedules will likely buy less power from ML&P in the future as net requirements customers than they purchased in the past as full requirements customers. ML&P, though, will continue to receive the same amount of money for the power it actually delivers to the customers as it has received in the past.

ML&P is further protected through the demand ratchets included in Schedules 28 and 29. A demand ratchet works requires a customer to pay the demand charge on its peak demand during the month or 80% of the peak demand over the past 11-month period, whichever is higher. In other words, if a partial requirements customer with CHP loses its CHP unit for even a 15-minute interval during the month and relies on ML&P for replacement power, it will pay the demand charge on the additional power it uses from ML&P for that month, and will also pay 80% of that demand charge for the next 11-month period. The bottom line is that if a CHP customer ever relies on ML&P to cover its CHP load, it will pay for the additional power it takes from ML&P over and over again for an entire 12-month period. This is far above the actual cost to provide the service, and thus, affords a great deal of protection for ML&P and its other customers.

Q48: Is ML&P's proposed demand ratchet fair for self-generating customers?

A48: At this time, ML&P's demand ratchets for new Schedules 28 and 29 are as fair as existing Schedules 22 and 23, which use these same ratchets. Since customers moving to Schedules 28 and 29 should pay the same rates they were paying in Schedules 22 and 23, retaining the demand ratchets are appropriate at this time. However, in the future, the Commission may want to consider whether ML&P's 11-month demand ratchets are appropriate for any rate class, given the fact that extended demand ratchets tend to discourage conservation and may be contrary to important energy efficiency and conservation goals.