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BEFORE THE REGULATORY COMMISSION OF ALASKA

Before Commissioners: Keith Kurber II, Chairman
Robert A. Doyle
John Espindola
Robert M. Pickett
Janis W. Wilson

In the Matter of the Tariff Revision Designated as TA544-8 Filed by CHUGACH ELECTRIC ASSOCIATION, INC.	)	U-23-047 ORDER NO. 1
In the Matter of the Tariff Revision Designated as TA422-121 Filed by CHUGACH ELECTRIC ASSOCIATION, INC.	)	U-23-048 ORDER NO. 1

ETHAN G. SCHUTT'S PETETION TO INTERVENE

I, Ethan G. Schutt (Schutt, I or me), am a Chugach member and ratepayer. I respectfully petition to intervene in the docket for the matters consolidated for investigation and review by the Regulatory Commission of Alaska (Commission) in Order U-23-047/U-23-048(1) (Order 1), pursuant to 3 AAC 48.110 of the Alaska Administrative Code and by the Commission's general invitation in Order 1. While representative of many ordinary ratepayers, I seek participation in my individual capacity and do not represent any other entity, ratepayer, or class of ratepayers.

Chugach is not financially healthy—and it has not been so in decades. This docket is a chance to address serious latent issues and to begin a disciplined approach that will ultimately improve Chugach's financial health while protecting ratepayers. We the ratepayers need

Chugach to be financially fit and economically efficient to address the known and significant challenges that lie immediately ahead.

For the reasons articulated in this Petition, I meet the criteria for intervention.

As a member and ratepayer of Chugach I have a statutory right to intervene. 3 AAC 48.110(a). I also meet the requirements of discretionary intervention. 3 AAC 48.110(b)(1).

I am an ordinary ratepayer in that I reside in the South District of Chugach's service territory and have a residential account with Chugach. As a long-time Chugach member and ratepayer, I have a financial interest in the rates I pay for electric service. 3 AAC 48.110(b)(2). Residential ratepayers, collectively, are a substantial but poorly represented stakeholder in complex, highly technical proceedings such as this one.

This matter is the first comprehensive rate case for Chugach following its acquisition of the former Municipal Light & Power. As such, it will reset rates, including allocating the costs of electric services across various rate classes and geographies, and serve as the foundation for long-term rates. The cost of electric service and the allocation of that burden upon ordinary ratepayers will affect me proportionally as much as any large ratepayer. 3 AAC 48.110(b)(3).

There is no other entity or body whose sole charge is to represent the interests of residential ratepayers in a proceeding such as this one—I therefore represent a unique and important perspective that will add value to this proceeding. 3 AAC 48.110(b)(4). I possess current and historical knowledge regarding the electric system and facilities and the BRU asset, and its operations and facilities. My knowledge and insight are unlikely to be provided by other parties to this proceeding. There is no other means that is assured to bring the perspective and

knowledge necessary to advocate for the common ratepayer—there is no other viable means to protect my own interests. 3 AAC 48.110(b)(4).

My interests as a residential ratepayer are not adequately represented by any other party, including the Alaska Department of Law's Regulatory Affairs and Public Advocacy (RAPA) section. 3 AAC 48.110(b)(5). RAPA must balance its advocacy between various classes of ratepayers and is therefore not focused on representing residential ratepayers like me. RAPA must also allocate its resources and attention among many regulatory matters. Moreover, RAPA's past practices with Chugach and the other electric utilities suggests it may focus on issues very different from those I will address and I have no influence on RAPA's strategy or decision-making. I am unaware of any other party, or likely party, which will adequately represent my interests.

I am focused on four issues that I expect no other party will raise, each of which have a material impact on the rate increases requested by Chugach:

(1) Chugach includes expenses for plant that is not used or useful, including specifically the Beluga Power Plant (BPP), a dormant, remote, 50 year-old facility that was a net load for the 2022 test year and has not been used as true generating asset since 2015. BPP adds material costs with no attendant benefit which exacerbates Chugach's system load/generating capacity mismatch by adding more than 200 megawatts of unnecessary, highly inefficient and extremely expensive capacity. Ratepayers pay parasitic annual costs of more than $8 million attributable to the BPP, equivalent to 40% of Chugach's requested annual rate increase. Exhibit CRP-02 to Prefiled Direct Testimony of Peterson.

(2) Chugach is carrying very large non-depreciating, non-amortizing balance sheet line items totaling $123.0 million related to the Beluga River Gas Field (BRU) which appear to have inadequate offsetting liabilities and therefore may overstate Chugach's net asset base, double count assets against liabilities, or both. Exhibit JRK-26 to Prefiled Direct Testimony of Kornmuller. In any case, there is an asset balance (net of accumulated depreciation) of $141.7 million for BRU, far too much to be depreciated against the remaining gas reserves and field life. These assets materially increase equity and, therefore, rates authorized to be recovered from ratepayers on that equity. Separately, the accounting treatment of these assets and the other BRU assets present a significant phantom asset/equity overstatement risk.

(3) Chugach continues its history of questionable BRU decision-making which should not be addressed in isolation in open tariff matters TA423-121 and TA545-8 because they materially affect debt, operating costs, and asset base which is carried on Chugach's balance sheet and is ultimately incorporated into the rate base to be recovered from Chugach ratepayers. Included among Chugach's BRU decisions are borrowing to fund end-of-life capital investment, capitalizing current investment which will have inadequate depreciation or amortization offset before end of field life, and the underfunding of external obligations. These management practices represent material economic risks that are borne by ratepayers.

(4) There is an extreme moral hazard for Chugach and its lenders that cannot be ignored, a hazard exacerbated by Chugach's precarious financial condition and gas-supply position. Chugach's equity position combined with its cash position is

highlighted by its borrowing $33 million on its commercial paper facility in the first six months of 2023 (on top of a 2022 year-end balance of $45 million) to fund construction work in progress and end-of-life BRU capital needs, among other things. Chugach Quarterly Financial Report for the quarter ended June 30, 2023. Utilization of short-term debt under these circumstances saddles ratepayers with unacceptably high risks of negative consequences due to rising interest rates, refinance risks and the erosion of an already precarious equity position. Practically, Chugach will need to seek additional debt in the immediate- to near-term to fund its fuel supply and generation diversification initiatives. It is pointless to toil away in this docket while Chugach continues to use an open and unsupervised back door to run up new debt that will ultimately be paid for by ratepayers.

My participation will assist this Commission in evaluating these and other issues for the benefit of just and reasonable rates for ratepayers. 3 AAC 48.110(b)(6). The issues articulated above are already implicitly or explicitly present in this matter. No other party is likely to address them, but failing to address them unfairly burdens ratepayers. I will not seek to broaden the scope of this proceeding or unnecessarily delay it.

I respectfully request that the Commission grant this Petition to Intervene.

Submitted this 18th day of September, 2023.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been transmitted via electronic mail this 18th day of September, 2023 to the following:

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