

STATE OF ALASKA
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 Tariff Revision Designated as)
TA544-8 Filed by CHUGACH ELECTRIC)
ASSOCIATION, INC.) U-23-047

_____)
In the Matter of the Tariff Revision Designated)
as TA422-121 Filed by CHUGACH) U-23-048
ELECTRIC ASSOCIATION, INC.)
_____)

**PETITION TO INTERVENE OF HOMER ELECTRIC ASSOCIATION, INC.
AND ALASKA ELECTRIC AND ENERGY COOPERATIVE, INC.**

I. Introduction

Pursuant to U-23-047(1)/U-23/048(1), dated August 17, 2023, Homer Electric Association, Inc. ("HEA") and its wholly-owned subsidiary, Alaska Electric and Energy Cooperative, Inc. ("AEEC") (collectively "HEA"), respectfully petition the Regulatory Commission of Alaska ("RCA" or "Commission") for permission to intervene as a party in U-23-047/U-23-048. HEA is an electric distribution cooperative based in Homer, Alaska that provides electricity to over 33,000 meters on the Kenai Peninsula. AEEC is a subsidiary of HEA that generates power to serve HEA's retail electric customers.

HEA has a substantial financial interest in the outcome of this proceeding. HEA's system is interconnected to the rest of the Railbelt solely through Chugach Electric Association's ("CEA's") transmission facilities. All power that HEA could sell from its system, and all power that it could buy from elsewhere on the Railbelt, must pass through the CEA transmission system. If approved, CEA's proposed high transmission rate increases will

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1 adversely impact HEA's ability to purchase and sell wholesale power where those power
2 transfers will economically benefit HEA's members. As HEA shows below, HEA meets the
3 standards for intervention in 3 AAC 48.110.

4 Please address all communications regarding this docket and this petition to:

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5 **II. Procedural Background**

6 On July 3, 2023, CEA filed TA422-121 (North) and TA544-8 (South) to comply with the
7 Commission's requirement in U-18-102(44)/U-19-020(39)/U-19-021(39), dated May 28, 2020,
8 that it file a revenue requirement study, cost of service study and rate design proposing unified
9 rates for the CEA and Municipal Light & Power ("ML&P") service areas based on a 2022 test
10 year by December 31, 2023.¹ On August 17, 2023, the RCA suspended TA422-121 and
11 TA544-8 for investigation, consolidated the two investigation dockets, granted interim and
12 refundable rate increases, invited the Attorney General's participation, and invited interested
13 parties to file petitions seeking permission to intervene.²

14 **III. The RCA Should Grant HEA Party Status under 3 AAC 48.110**

15 HEA asks that the Commission grant it intervention in U-23-047/U-23-048. Allowing
16 HEA to participate as a party is the best way to ensure that the interests of HEA's members
17 may be fully represented and protected.

¹ U-18-102(44), p. 152. See *also* U-21-059(15), dated Oct. 27, 2022, modifying the filing deadline to August 15, 2023. The RCA rejected CEA's July 3, 2023 tariff revision designated as TA422-121 in LO# L2300222, dated July 3, 2023, and CEA filed Supplement No. 1 to TA Letter No. 422-121 on July 5, 2023.

² U-23-047/U-23-048(1), issued Aug. 17, 2023, p. 1.

1 Under 3 AAC 48.110(a), “[a]ny person whose intervention will be conducive to the ends
2 of justice and will not unduly delay the conduct of the proceeding will, in the commission’s
3 discretion, be permitted to intervene.” The Commission applies the following factors at 3 AAC
4 48.110(b)(1)-(7), among others, in deciding whether to grant intervention:

- 5 (1) The nature of the petitioner’s right under statute to be made a party to the
6 proceeding;
- 7 (2) The nature and extent of the property, financial, or other interest of the
8 petitioner;
- 9 (3) The effect on petitioner’s interest of the order which may be entered in the
10 proceeding;
- 11 (4) The availability of other means by which the petitioner’s interest may be
12 protected;
- 13 (5) The extent to which petitioner’s interest will be represented by existing
14 parties;
- 15 (6) The extent to which petitioner’s participation may reasonably be expected
16 to assist in the development of a sound record, including the issues that
17 petitioner intends to address in the proceeding; and
- 18 (7) The extent to which participation of the petitioner will broaden the issue or
19 delay the proceeding.

20 HEA addresses each of these factors below.

21 (1) The nature of the petitioner’s right under statute to be made a party to the proceeding.

22 HEA does not assert a statutory right to be made a party to the proceeding.

23 (2) The nature and extent of the property, financial, or other interest of the petitioner.

24 CEA’s proposed permanent rate changes for its transmission and ancillary services
25 raise issues that will have particular impacts on third party transmission customers. CEA
26 proposes to increase rates for Firm and Non-Firm Transmission service by 27% and, if all
27 transmission and ancillary services are procured from CEA, the overall rate increase will be
28 even higher, at 30%.³ These are much higher increases than CEA proposes for its retail
29 customers’ rates. CEA proposes very different levels of rate changes for Schedules T-1 – T-8,

³ Direct Testimony of Dr. Carl R. Peterson, TA544-8/TA422-121, filed July 3, 2023, Exhibit CRP-05, Schedule 10.0, p. 1. (“Peterson Direct”).

1 ranging from a decrease of 5% to an increase of 82% for various ancillary services,⁴ adding to
2 the rate design issues in the case.

3 CEA's development of costs for transmission services needs to be thoroughly
4 investigated, and HEA will help develop the record on transmission rate issues. CEA Witness
5 Peterson maintains he calculated transmission rates according to the "RCA-approved"
6 methodology,⁵ but the basic data supporting the new proposed rates appears to be absent
7 from the filing. Mr. Peterson does not provide any explanation for a substantial shift of CEA's
8 fixed transmission cost recovery to third party users of CEA's system. The transmission cost
9 shift has the appearance of CEA off-loading costs to customers outside its service area, to the
10 benefit of its own native load services.

11 HEA has a substantial financial interest in the outcome of this proceeding. HEA has
12 sufficient generation facilities to generate power for sale to other electric utilities on the Railbelt.
13 All HEA's power sales on the Railbelt must pass through the CEA transmission system. CEA's
14 proposed high transmission rate increases will impede HEA's ability to sell power across the
15 Railbelt, preventing its members from gaining the full benefits of that additional revenue to
16 offset HEA's system costs. Additionally, CEA's high transmission rates will increase HEA's
17 costs of offering wholesale services to an entity like Seward Electric System which depends
18 on other Railbelt utilities' generation to provide service to its customers. CEA can price out
19 potential competitors in the wholesale market by setting high transmission rates, diminishing
20 opportunities for competitive pricing that benefit consumers.

21 CEA's transmission rates will also impact HEA's ability to purchase power generated
22 and transmitted from outside HEA's service territory in the future. HEA is exploring with other
23 Railbelt utilities how they might mitigate upward fuel cost pressures given declining natural gas

⁴ Direct Testimony of Dr. Carl R. Peterson, TA544-8/TA422-121, filed July 3, 2023, Exhibit CRP-05, Schedule 10.0, p. 1. ("Peterson Direct").

⁵ Peterson Direct, p. 17.

1 production from Cook Inlet. Several utilities might join together to develop their own larger
2 scale renewable energy project, or to purchase power from a larger independent power
3 producer in order to gain economies of scale. If multiple utilities supported or made
4 commitments to purchase power from a larger project, power purchase rates could be set
5 lower on a per unit basis. For example, a wind farm in the Interior designed with a greater
6 capacity, with an offtake capability greater than the incumbent utility's service territory load,
7 may be able to offer a lower unit price of power to all participating utilities.

8 The economics of purchasing renewable power across multiple service territories only
9 works though if CEA's wheeling rates are reasonably priced. Construction of such a larger
10 scale renewable project may be years in the future, but data analysis and planning would occur
11 much sooner. CEA's projected transmission rates will be a key cost component of the overall
12 power purchase price. If a utility finds the combined transmission costs plus generated power
13 price too high and elects not to participate in the project, then the remaining project participants
14 may experience higher prices due to the loss of economies of scale as the project is "right
15 sized".

16 The Commission will have an opportunity in this case to set transmission rates that
17 encourage efficient purchase and sales of power across the Railbelt. Unreasonably high
18 transmission rates will impede the Commission's goal of promoting efficient use of energy
19 resources through wider Railbelt unified merit order dispatch.⁶ HEA can help develop a record
20 to aid in setting reasonable transmission rates that will benefit the Railbelt as a whole, and
21 encourage joint planning and efficient regional dispatch. The Commission is charged with

⁶ See *a/so*, Letter of the Renewable Energy Alaska Project ("REAP") to the RCA, dated August 4, 2023 re TA422-121/TA544-8 ("REAP Protest"). REAP protests CEA's proposed rate increases on various grounds, including that CEA's proposed disproportionately high transmission rate increases thwart the Commission's policy, expressed in letters to the Legislature in I-15-001, that the Railbelt system needs to be rationalized to move toward a wider unified merit order dispatch which will save CEA customers money over the longer term. REAP Protest, p. 6.

1 promoting conservation of resources used in energy generation through its decisions,⁷ and
2 HEA's participation will aid that regulatory process.

3 (3) The effect on petitioner's interest of the order which may be entered in the proceeding.

4 Any findings and orders issued by the Commission in this docket with respect to the
5 transmission rates will have direct and material impact on HEA's ability to provide reasonably
6 priced electricity to potential wholesale customers on the Railbelt. and also, to purchase lower
7 cost power from other service territories.

8 (4) The availability of other means by which the petitioner's interest may be protected.

9 There are no other means available to HEA to protect its interests in the transmission
10 rate revisions CEA requests, other than by participating as a party in this proceeding.

11 (5) The extent to which petitioner's interest will be represented by existing parties.

12 HEA's commercial relationship with CEA is different from that of any other utility and
13 certainly different from that of CEA's retail customers. HEA does not have any transmission
14 path for purchases or sales of power across service territories except through the CEA
15 transmission system. No other party can adequately protect HEA's unique interests, which
16 include its interest in wheeling power across CEA-owned transmission lines at reasonable
17 rates.

18 (6) The extent to which petitioner's participation may reasonably be expected to assist in
19 the development of a sound record, including the issues that petitioner intends to
20 address in the proceeding.

21 HEA's principal focus is on CEA's transmission service rates. Other issues may be
22 relevant to the setting of transmission service rates, such as CEA's decision to change its prior
23 practice of applying a split TIER in revenue requirement, which resulted in a lower Tier charged

⁷ AS 42.05.141(c).

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1 for generation and transmission service. HEA's participation in this docket will ensure relevant
2 facts are presented that will aid the Commission in developing a complete and sound record.

3 (7) The extent to which participation of the petitioner will broaden the issue or delay the
4 proceeding.

5 HEA's participation in this proceeding will not broaden the issues or delay the
6 proceeding. HEA's interest is limited to the issues affecting the changes to CEA's transmission
7 wheeling rates and related issues. Those issues are central to the Commission's investigation
8 in this case and HEA's participation will not broaden the issues or delay the proceeding.

9 For these reasons, HEA satisfies the Commission's intervention standards and
10 requests that it be granted intervenor status in this proceeding.

RESPECTFULLY SUBMITTED this 18th day of September 2023.

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CERTIFICATE OF SERVICE

I hereby certify that on September 18, 2023, I caused a true and correct copy of the foregoing document to be served via e-mail on the following:

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