

## **Rate Case – Frequently Asked Questions July 2023**

### **1. Why did Chugach file a rate case?**

When regulators approved the Municipal Light & Power (ML&P) acquisition in 2020, they required Chugach to file a rate case in 2023 proposing unified rates within customer classes. Rates have been different for north and south members since closing the acquisition in 2020. Chugach's permanent rate filing largely eliminates those geographic differences.

Additionally, sales have declined significantly since Chugach's and ML&P's last rate adjustments. While member efficiency is good and allows Chugach to reduce its natural gas usage and variable costs, the fixed costs associated with Chugach's system still have to be recovered. Chugach's rates must be adjusted to reflect its current sales levels in order for Chugach to more closely recover the costs of providing electric service and remain a financially-sound utility.

Finally, while Chugach has experienced high inflation and increased costs related to supply chain disruption issues, which have all made the cost of doing business more expensive, Chugach's cost savings achieved through the ML&P acquisition have largely offset those increases. In other words, Chugach's requested rate increase is much lower than it otherwise would have been without the acquisition and its associated cost savings.

### **2. I thought you said you wouldn't raise rates when you bought ML&P?**

We never said we wouldn't increase rates ever again. It would be impossible for any business, including a utility, to freeze rates indefinitely. What we said was we wouldn't raise rates as a result of the acquisition. In other words, we wouldn't raise rates to cover the cost of buying ML&P, which we did not. In fact, the opposite is true. Cost savings associated with the acquisition have allowed Chugach to seek a much lower rate increase than otherwise would have been necessary without the acquisition.

### **3. Was the acquisition of ML&P a success? Would my rates be going up if Chugach hadn't bought it?**

Yes. The acquisition has been a considerable success. Over the past 2.5 years, we have saved over \$72 million dollars as a result of the acquisition. Chugach saves nearly \$1 million a month in fuel alone. Those savings are passed along to members in the form of lower electric rates than they would otherwise be. In fact, without the acquisition we would be seeing proposed rate increases in double digits.

**4. I don't understand how my bill can go up if sales have dropped and people are using less electricity.**

The utility business is capital intensive. Regardless of the amount of power individual members are using, we still need to maintain our generators, substations, powerlines, poles, buildings, and all the infrastructure necessary to keep the system running well. When sales decline, those fixed costs must be spread over fewer units of production. This means that each kWh of electricity produced is more expensive, thus the reason for Chugach's requested rate increase.

**5. How much will the increase cost the average residential customer?**

Chugach requested an interim rate increase of 3.6% on a total bill basis to go into effect this September. Chugach's interim rate increase is applied across the board to all customer classes and only impacts demand and energy rates. Chugach requested permanent base rates that equate to approximately a 5.8% increase on a total bill basis, which is inclusive of and not in addition to the interim rate increase. Individual customer bill impacts will vary based on customer class and usage characteristics. The final rates are not expected to be implemented for about 15 months, or in September 2024.

Chugach has a bill calculator tool on its website where members can input their usage numbers and estimate how the rate filing will impact their total monthly bill (on an approximate basis).

**6. What is a base rate?**

Base rates are made up of a customer charge (a fixed monthly charge that allows recovery of some of the costs of infrastructure necessary to produce and deliver power) an energy charge (the cost per kilowatt hour used) and, for large general service customer classes, a demand charge (cost per kW based on customer peak demand in that month).

**7. When was the last base rate increase?**

The legacy ML&P members have not had a base rate increase since 2017 and legacy Chugach members have not had a base rate increase since 2020.

**8. When do the new rates take effect?**

We are requesting the interim increase of 3.6% (total bill basis) go into effect this September; with the remaining 2.2% system increase (total bill basis) going into effect when the case is complete, which is estimated to be Sept. 2024.

**9. How do Chugach’s rates compare to other Railbelt utilities?**

Chugach has had the lowest rates in the Railbelt for several years, and we always strive to keep our rates as low as possible. As a member-owned, not-for-profit cooperative, we are not in the business of making a profit and we only use what’s necessary to keep our utility well-maintained, delivering safe, reliable power to our members.

**10. Who has the final say on the rate increase?**

The Regulatory Commission of Alaska is charged with reviewing the reasonableness of Chugach’s request for a rate increase.

**11. Does the public get to weigh in on the increase?**

Yes. As part of its review of the filing, the RCA accepted public comments until 5 pm on August 4, 2023.

**12. How does Chugach Electric’s rate increase compare to increases in other bills?**

Chugach North (former ML&P) members last saw a base rate adjustment in 2017. Chugach South (legacy Chugach) members last saw a base rate adjustment in 2020. Referencing the consumer price index for All Urban Consumers in Urban Alaska, inflation rates (% increase) from 2017 to April 2023 for the following goods are:

- Gasoline: 42%
- Dairy and Related Products: 28%
- Meat, Fish, and Eggs: 16%
- Fruits and Vegetables: 27%
- Rent: 13%

**13. What can I do if I’m concerned about paying my bill?**

Chugach works with <https://alaska211.org/>, sponsored by United Way, which offers information on utility assistance as well as additional services including food, clothing, insurance and housing.

A wintertime heating assistance program is offered by the State of Alaska. Details are here: <https://health.alaska.gov/dpa/Pages/hap/default.aspx>

**14. Where can I get information to reduce my electric usage and reduce my electric bill?**

Chugach suggests a number of helpful links for energy efficiency:

- [Energy Saving Tips for Alaskans](#) (Residential)
- [Introduction to Energy Efficiency](#) (Commercial)
- Ways to Save – [Home Energy Checklist](#)
- For interactive members, they can participate in the [Home Energy Adventure](#)
- Inflation Reduction Act Incentives, including weatherization - [Inflation reduction act calculator](#)

Members can also borrow our Kill-A- Watt meter for up to two weeks to monitor power consumption of their home appliances and devices as part of our Kill-A-Watt program.

### **15. How can I stay informed about the rate case?**

Chugach has a page on its website dedicated to the rate case where documents and other information will be provided. <https://www.chugachelectric.com/rate-case>