

Article 5 Simplified Rate Filing Procedures for Electric Cooperatives

3 AAC 48. 700

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3 AAC 48.700. Application and purpose

(a) The purpose of 3 AAC 48.700 - 3 AAC 48.790 is to implement AS 42.05.381 (e) and to establish simplified, expedited filing and rate adjustment procedures for those nonprofit electric cooperatives organized under AS 10.25 and regulated by the commission.

(b) If allowed or required by 3 AAC 48.740, an electric cooperative organized under AS 10.25 may adjust rates no more than quarterly based on the filing requirements and other conditions set out in 3 AAC 48.710 - 3 AAC 48.790.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

3 AAC 48.710. Filing requirements

(a) A rate adjustment filing under 3 AAC 48.700 - 3 AAC 48.790 is governed by 3 AAC 48.240 and 3 AAC 48.270.

(b) A cooperative that adjusts its rates under the authority of 3 AAC 48.700 - 3 AAC 48.790 shall then file all of the information required by 3 AAC 48.720 for whichever period is elected, quarterly or semi-annual, whether or not a change in rates is requested, until permission to discontinue the filing is granted by the commission or the cooperative submits a filing in accordance with AS 42.05.411 and 3 AAC 48.275. A cooperative that files the information required by 3 AAC 48.720 for each quarterly period shall file that information within 60 days after the end of each quarter, and a cooperative that files the information required by 3 AAC 48.720 for each semi-annual period shall file that information within 90 days after the end of the semi-annual period.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

3 AAC 48.720. Supporting information

(a) In accordance with 3 AAC 48.710(b), a cooperative shall file with the commission the following information for each quarterly or semi-annual period:

- (1) APUC Form 201 (Modified REA Form 7);
- (2) a schedule and explanation of all amortized expenses;
- (3) a schedule and explanation of all pro forma and normalizing adjustments;
- (4) a schedule and explanation of each line item on APUC Form 201 which has increased or decreased more than 10 percent from the previous 12-month period;
- (5) a schedule of the calculation of the cooperative's Times Interest Earned Ratio (TIER), calculated in accordance with 3 AAC 48.750;
- (6) a schedule showing the ratio of residential class kilowatt-hour sales to total kilowatt-hour sales for the current 12-month period and the ratio that existed when the cooperative last filed a cost-of-service study;
- (7) if appropriate, a schedule showing the ratio of retail kilowatt-hour sales as a percentage of total retail and wholesale kilowatt-hour sales, and the ratio that existed when the cooperative filed its last cost-of-service study; and
- (8) a copy of the cooperative's annual certified audit, including any adjusting journal entries.

(b) If a cooperative proposes to adjust rates in accordance with 3 AAC 48.740 based on its quarterly or semi-annual filing, the cooperative shall file with the commission the following additional information:

- (1) tariff sheets showing any proposed adjustments to the cooperative's rates;
- (2) if applicable, power cost equalization updates, including tariff sheets;
- (3) a copy of the resolution of the board of directors of the cooperative authorizing the requested increase in rates; and
- (4) a narrative description or evidence of the cooperative's actions taken to comply with the notice requirements in 3 AAC 48.730.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

3 AAC 48.730. Notice and effective date

(a) A cooperative's rate adjustment filing under 3 AAC 48.700 - 3 AAC 48.790 is governed by 3 AAC 48.280 and will become permanent at the end of the notice period described in AS 42.05.411 unless the commission suspends the filing in accordance with AS 42.05.421 . If the commission suspends the filing, the commission will, in its discretion, allow the filing to take effect on an interim basis, subject to refund.

(b) A cooperative shall provide to its customers prior individual notice of the intent of its board of directors to consider participation in the simplified rate filing procedure established in 3 AAC 48.700 - 3 AAC 48.790. That notice must include, at a minimum,

(1) the purpose of 3 AAC 48.700 - 3 AAC 48.790 and its possible effect on recurring electric rates on a quarterly or semi-annual basis, whichever is appropriate;

(2) the time and place of the board of director's meeting scheduled for consideration of the appropriateness and desirability of participation in the simplified rate procedure; and

(3) acknowledgment that the major responsibility for rate adjustments under the simplified procedure will rest with the board of directors of the cooperative rather than with the commission.

(c) A cooperative shall provide its customers with reasonable notice of any rate adjustments approved by its board of directors either before or at the time the rate adjustment takes effect.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

3 AAC 48.740. Rate adjustments

If a cooperative's TIER deviates from the cooperative's Target TIER, the cooperative may adjust rates in accordance with 3 AAC 48.700 - 3 AAC 48.790 to achieve its Target TIER. If a cooperative's TIER is more than five percent above the cooperative's Target TIER, the cooperative shall reduce rates to achieve its Target TIER.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

3 AAC 48.750. Calculation of TIER

A cooperative's TIER is calculated for the most recent 12-month period, based on the information filed in accordance with 3 AAC 48.720 and on the following principles:

- (1) the annualized long-term interest expense for the period must be used;
- (2) the actual operating expenses for the period must be normalized to remove nonrecurring items and to adjust for items normally amortized for ratemaking purposes, and may also be normalized to reflect pro forma adjustments for known and measurable changes that are more than likely to continue through the period in which the rates will be in effect;
- (3) interest income must be included in the determination of TIER to the extent that interest income exceeds short-term interest expense.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

3 AAC 48.760. Target TIER determination

(a) The Target TIER (Times Interest Earned Ratio) for a cooperative is the TIER approved by the commission in that cooperative's last general rate case or the TIER established under (b) of this section.

(b) By petition separate from another proceeding under 3 AAC 48.700 - 3 AAC 48.790, a cooperative may request that a new Target TIER be set, based on consideration of the cooperative's present equity levels, optimum equity levels, cost of debt, growth rate and capitalization, mortgage covenants, the capital credits retirement program of the cooperative, and other relevant factors.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

3 AAC 48.770. Limitations on use of simplified procedure

(a) Rate adjustments allowed under 3 AAC 48.700 - 3 AAC 48.790 may not exceed a cumulative 20 percent increase in any three-year period, or a cumulative eight percent in any 12-month period, excluding purchased power and fuel costs rate adjustments.

(b) For good cause shown, the commission will, in its discretion, revoke or deny a cooperative's authority to request an increase under the simplified rate filing procedure in 3 AAC 48.700 - 3 AAC 48.790.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

3 AAC 48.780. Application of rate increases

A rate increase granted under 3 AAC 48.700 - 3 AAC 48.790 must be applied as an across-the-board adjustment to all recurring charges, except the customer charge.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431

To ensure that a cooperative's rates properly reflect the cost to serve the various classes of customers, a cost-of-service study in accordance with 3 AAC 48.540(c) - (h) must be filed if

(1) the residential class kilowatt-hour sales as a percentage of total kilowatt-hour sales, on an annual basis, changes by more than 5 percent from the percentage that existed when the cooperative last filed a cost-of-service study; or

(2) the retail kilowatt-hour sales as a percentage of total retail and wholesale kilowatt hour sales, on an annual basis, changes by more than 5 percent from the percentage that existed when the cooperative last filed a cost-of-service study; or

(3) the cooperative files a rate case complying with the requirements of AS 42.05.411 and 3 AAC 48.275, and if 3 AAC 48.540(a) or (b) requires that cooperative to file a cost-of-service study.

History: Eff. 1/1/87, Register 100

Authority: AS 42.05.141

AS 42.05.151

AS 42.05.381

AS 42.05.411

AS 42.05.421

AS 42.05.431