

Updating AP&T's Power Rates to Reflect Changing Costs of Operations

August 18, 2023

Since 2019, inflation has significantly increased the costs of living and doing business in rural Alaska. Just like you, Alaska Power & Telephone (AP&T) has experienced its effects. In response to the rising cost of providing services, its power subsidiary, Alaska Power Company (APC), has filed a request to the Regulatory Commission of Alaska (RCA) for a rate increase.

Unlike our vendors and suppliers, APC cannot increase prices at its own discretion, in step with rising costs. Instead, it must request RCA approval for new rates. Despite our employees' best efforts to manage expenses, the actual cost of operations in 2022 indicates that APC experienced a revenue deficiency of \$3,655,594.00, and must increase its rates to offset this shortfall.

This is difficult news for our customers, as well as for our company. We do not like having to increase the price of an essential service. At the same time, APC must be able to generate enough revenue to provide safe, efficient service to the families and businesses that depend upon us.

AP&T is committed to transparency and fairness to the customers we serve. Here is how you can be certain these principles will be upheld during APC's rate case:

1. **Public Disclosure. APC's filing is a public process.** The initial filing is available for public review here: <https://rca.alaska.gov/RCAWeb/Filings/EDocList.aspx?id=32294758-d3ae-49d5-85ce-fc39142bcd2> Updates will be posted to the RCA's website throughout the process.
2. **Justifiable Costs Based on Actual Operations.** APC filed a "Revenue Requirement Study" that provides significant detail on its actual cost of operations in 2022, and its revenue shortfall. This study is included in the filings at the link above.
3. **Fair Rate Design.** APC hired a consulting firm to develop "Cost of Service" and "Rate Design" studies that analyze the costs involved in serving various customer types. APC's rates are based on the outcome of these studies.
4. **Third Party Review by Multiple Analysts.** To protect the public interest, the RCA will ask the Office of the Attorney General, Regulatory and Public Affairs section (RAPA) to participate in the docket. Once in the case, RAPA will scrutinize APC's filing, raising questions and requesting additional information.
5. **The RCA Determines Rates.** APC requests rates, but the RCA ultimately determines what is just and reasonable.

A rate case process typically takes 15 months, due to the detailed review and analysis required. APC requested a 15% interim rate increase to help cover revenue shortfalls during the review period to ensure continuity of operations. This increase would be implemented no earlier than October 1, 2023.

APC's rate case also proposes forward-thinking features that will be beneficial to our customers.

1. **Time of Use Rates.** Optional "time of use" rates, allowing customers to benefit from lower pricing during "off-peak" times.
2. **IPEC and NPS Rates.** Rates specific to Inside Passage Electrical Cooperative and the National Park Service facilities in Gustavus.
3. **Improved Consistency.** Reorganization of Gustavus' hydropower assets, so that the community's PCE is calculated similarly to PCE in other APC service areas with hydropower assets.

AP&T welcomes feedback and engagement from its customers; it helps us to better serve you, and to be a stronger company. If you have any questions, please feel free to reach out to Jason Custer, Vice President of Regulatory & Government Affairs, at Jason.c@aptalaska.com. Thank you for your patience during this difficult process.