

Notice of Depreciation Filing

The REGULATORY COMMISSION of ALASKA (Commission) hereby gives notice that Homer Electric Association, Inc. (HEA) filed a depreciation study proposing depreciation rates for the Nikiski Steam Turbine Generator (Nikiski STG), a new addition to HEA's Nikiski power generation facility. Docket No. U-14-087 was opened to address this matter.

Depreciation expense is a material cost of business that may be recovered through regulated utility rates. As a result, a change in depreciation expense could eventually lead to a change in a utility rate that consumers pay. No change in consumer rates is proposed at this time by this filing.

The new plant investment for the Nikiski STG production plant is approximately \$75.2 million. HEA is seeking the approval of a 30-year life estimate for the Nikiski STG production plant and a readjustment of the life of its Heat Recovery Steam Generator (HRSG), which is used in conjunction with the Nikiski STG and is already partially depreciated. HEA is seeking to adjust the HRSG's estimated life to correspond to the new Nikiski STG. HEA estimates that the corresponding depreciation rates would result in an almost \$3.2 million increase in annual depreciation expenses.

HEA requests that the inception depreciation rates be made effective August 1, 2013, when the plant first began producing power for commercial use. The inclusion of the Nikiski STG expenses within HEA's rates will be addressed in a subsequent proceeding. With the exception of the HRSG and Nikiski STG, this depreciation study will have no effect on HEA's ongoing depreciation rates for its other plant investments. HEA stated it intends to file a comprehensive depreciation study by December 1, 2014, allowing the Commission to revisit the depreciation rates of all HEA plant accounts.

This notice does not contain every pertinent revision or request associated with Docket No. U-14-087. The Commission may approve, deny, or modify, in whole or in part, the depreciation rates proposed by HEA. The Commission may set conditions on approval. You may obtain more information about this filing by contacting Rick Baldwin, attorney for HEA, at Baldwin & Butler, LLC, 125 North Willow Street, Kenai, AK 99611; phone: (907) 283-7167. The complete filing is also available for inspection at the Commission's office at 701 West 8th Avenue, Suite 300, Anchorage, AK 99501; phone: (907) 276-6222; or at the Commission's website at www.rca.alaska.gov by typing Docket "U-14-087" in the *Find a Matter* search box.

To comment on the depreciation study, please file your comments by 5:00 p.m., August 1, 2014 at the Commission's address given above or via our website at:

<https://rca.alaska.gov/RCAWeb/WhatsNew/PublicNoticesComments.aspx>

Please reference the docket number and include a statement that you have filed a copy of the comments with HEA at its address given above or at rickbaldwin@baldwinandbutler.com. Individuals or groups of people with disabilities, who require special accommodations, auxiliary aids or service, or alternative communication formats, please contact Joyce McGowan at (907) 276-6222, toll-free at 1-800-390-2782, or TTY (907) 276-4533 or send a request via electronic mail to rca.mail@alaska.gov by July 25, 2014.

DATED at Anchorage, Alaska, this 2nd day of July, 2014.

REGULATORY COMMISSION OF ALASKA


Robert M. Pickett
Chairman