

### **Notice of Utility Tariff Filing**

The REGULATORY COMMISSION OF ALASKA (Commission) gives notice that Homer Electric Association, Inc. (HEA) filed tariff revision TA391-32, to add the new Small Facility Power Purchase Rate (SFPPR) to its tariff in compliance with a recently-enacted Commission regulation (3 AAC 50.790(d)). The SFPPR will replace the existing Non-Firm Power Purchase Rate (NFPPR).

3 AAC 50.790(d) states that by April 1, 2016, a regulated electric utility must submit a proposed tariff filing that includes a standard rate for purchase of energy from qualifying facilities (QF) with a design capacity of 100 kW or less. 3 AAC 50.770(i) states that the SFPPR must be expressed in cents-per-kilowatt-hour unless otherwise ordered by the Commission. The rate must be determined from the sum of fuel costs and variable operations and maintenance expenses and the energy portion of purchased power expense, using the same period employed to project costs and sales in the utility's adjustment clause (in this case a Cost of Power Adjustment (COPA)) methodology, divided by the number of kilowatt-hours sold for the same time period.

With TA391-32, HEA proposes to purchase power from QFs at a rate equal to the avoided cost of fuel, variable operations and maintenance, and purchased power. HEA is using the variable operation and maintenance expenses based on the Cost of Service Study filed in Docket No. U-15-141, based on a 2014 test year, which is currently pending before the Commission. The factors used to calculate HEA's SFPPR vary depending on whether HEA is operating in normal or islanded conditions. Under normal conditions, HEA's avoided costs will be derived from the fuel and variable expenses associated with Alaska Electric & Energy Cooperative, Inc.'s thermal generation or the cost of purchased power from other interconnected electric utilities. Under islanded conditions, HEA's avoided costs are derived from the cost of Bradley Lake hydroelectric power.

To calculate the SFPPR, actual data is utilized from the historical three-month period used to project costs and sales in HEA's COPA methodology, and a weighted-average methodology is used to reflect the time HEA spent under the two operating conditions during the historical period. To calculate the component of the SFPPR associated with each condition, the quotient of the variable expenses and the kWh generated or purchased associated with each condition is multiplied by the percent of hours operating under each condition relative to the total number of hours in the period. The results of these calculations for each period are then summed and divided by the quotient of the kWh sold to the kWh generated or purchased during the historical period, to arrive at the SFPPR.

HEA's initial proposed SFPPR is \$0.07361, an increase from the existing NFPPR of \$0.07005.

With TA391-32, HEA has also requested a waiver of the 45-day statutory notice period for future SFPPR filings to allow the filings to take effect with HEA's COPA.

This notice does not contain all requested revisions and the Commission may approve a rate or classification that varies from those proposed. You may obtain more information about this filing by contacting J.D. Draves, Regulatory Affairs and Rates Manager, at HEA at 3977 Lake Street, Homer, AK 99603; phone: (907) 235-3325. The complete filing is also available for inspection at the Commission's office at 701 West Eighth Avenue, Suite 300, Anchorage, AK 99501; phone: (907) 276-6222, or may be viewed on the Commission's website at <http://rca.alaska.gov> by typing "TA391-32" in the *Find a Matter* search box.

To comment on this filing, please file your comments by 5:00 p.m., May 9, 2016, at either the Commission address given above or at its website:

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

Please reference TA391-32 and include a statement that you have filed a copy of the comments with HEA at its address given above. 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](mailto:rca.mail@alaska.gov) by May 2, 2016.

DATED at Anchorage, Alaska, this 8<sup>th</sup> day of April, 2016.

REGULATORY COMMISSION OF ALASKA

A handwritten signature in black ink, appearing to read "Julie C. Vogler", with a stylized flourish at the end.

Julie C. Vogler  
Finance Section Manager