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May 6, 2008

Regulatory Commission of Alaska
701 West Eighth Avenue, Suite 300
Anchorage, Alaska 99501

Subject: Tariff Advice Letter No. 361-1
Emergency Fuel Cost Rate Adjustment

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Dear Commissioners:

On behalf of Alaska Electric Light and Power Company ("AELP"), the tariff filing described below is transmitted to you for filing in compliance with the Alaska Public Utilities Regulatory Act and 3 AAC 48.200 — 3 AAC 48.430.

Tariff Sheet Number		Cancels Sheet Number		Schedule or Rule Number
Original	Revised	Original	Revised	
172.1	1st	172.1	Original	98

By this filing, AELP requests approval to change the effective date of Tariff Sheet No. 172.1 from May 1, 2008, to May 16, 2008. In effect, this change will delay implementation of AELP's emergency cost of power adjustment ("emergency COPA") by 15 days. As proposed, the emergency COPA will apply to bills rendered on or after May 16, 2008. AELP requests that the Commission approve the proposed change by May 7, 2008, or as soon as possible thereafter.

In Tariff Advice Letter No. 360-1 ("TA 360-1"), AELP revised its tariff (new Tariff Sheet No. 172.1) to provide a rate calculation implementing the emergency COPA set forth on Tariff Sheet No. 172. In relevant part, Tariff Sheet No. 172 provides:

In the event of a failure of the Snettisham hydroelectric project or transmission lines extending for a period of ten days or longer, an emergency fuel adjustment may be included in the Cost of Power Adjustment rate, beginning 14 days after the emergency occurs and remaining in effect until energy is again available to the Juneau area from Snettisham and the monthly billing cycle has made a full revolution. The COPA rate shall be recalculated every 30 days until the balancing account has been reduced to less than \$50,000 and greater than (\$50,000).

Tariff Sheet No. 172.

In accordance with the provisions of Tariff Sheet No. 172, AELP's original Tariff Sheet No. 172.1 set forth the calculation of the initial emergency COPA, provided for it to be updated every 30 days, and provided it to be applied to customer bills rendered on or after May 1, 2008. Tariff Sheet No. 172.1 was approved by letter order dated April 25, 2008. AELP has not issued bills since April 31, 2008, but plans to very soon.

The proposed revision to Tariff Sheet No. 172.1 would change only when the initial emergency COPA goes into effect, from May 1, 2008, to May 16, 2008. This is reflected in the effective date of the revised tariff sheet as well as in the text explaining when the 30-day update of the initial emergency COPA will take place. All other aspects of the tariff sheet, including the actual COPA calculation, remain unchanged from the currently approved version.

AELP proposes to change the effective date of Tariff Sheet No. 172.1 to address cost causer-cost payer and rate equity issues that result from applying the emergency COPA to AELP's various billing cycles. AELP issues monthly bills to its customers throughout the month in staggered billing cycles. For example, some customers are billed at the beginning of the month for electricity used since the beginning of the previous month, while other customers are billed at the middle of the month for electricity used since the middle of the previous month.

The avalanches that interrupted the supply of low-cost hydroelectric power occurred on April 16, 2008. If the emergency COPA is applied to customer bills beginning May 1, 2008, the customers billed at the beginning of the month will have the higher emergency COPA applied to kWhs that were used from the beginning of April through the end of April. That usage will include kWhs used prior to the avalanches as well as kWhs used after the avalanches. Accordingly, for two weeks' worth of April kWh usage, these customers did not have the opportunity to mitigate the impact of the emergency COPA through conservation efforts. By contrast, customers who are billed at the middle of the month will have the emergency COPA applied only to kWhs that were used after the avalanches occurred in mid-April. For these customers, all of the usage billed under the emergency COPA could have been reduced through conservation efforts.

As the Commission knows, timing disparities resulting from staggered billing cycles are common in utility ratemaking. However, they usually do not have a material overall impact between customers because significant changes in rates usually remain in effect for a relatively long period of time. The instant situation is different because the emergency COPA will be in effect only for a limited period of time, at which point AELP's COPA will decrease significantly. For this reason, a May 1, 2008, effective date may have significantly disparate rate impacts on otherwise similarly situated customers due simply to the specific billing cycles that apply to such customers.

The simplest, most effective way to address this timing issue is to delay the beginning effective date of the emergency COPA until May 16, 2008. With that change, the initial emergency COPA will not apply to any usage that occurred prior to the avalanches and

prior to when AELP began generating with diesel fuel, regardless of the particular billing cycle. This will better ensure equity among AELP's customers and more accurately allocate fuel costs in accordance with cost causation characteristics.

As was the case with TA 360-1, the revisions to Tariff Sheet No. 172.1 proposed herein do not constitute a change from the COPA methodology set forth in AELP's tariff and do not include a new cost element in the COPA. Instead, the proposed revision simply extends by 15 days the date on which the emergency COPA on Tariff Sheet No. 172.1 will begin to be applied to customer bills. Extending the effective date of the emergency COPA is in no way inconsistent with the approved methodology set forth in Tariff Sheet No. 172 (see text quoted previously).

Specifically, Tariff Sheet No. 172 allows AELP to implement emergency adjustments to AELP's COPA after a Snettisham transmission line failure ("an emergency fuel adjustment may be included in the Cost of Power Adjustment rate"), but prohibits AELP from implementing the adjustment prior to 14 days after the failure occurs ("beginning 14 days after the emergency occurs"). The purpose and function of the clause "beginning 14 days after the emergency occurs" is to identify the earliest date on which AELP is allowed to begin implementing the emergency COPA permitted by Tariff Sheet No. 172. That clause does not identify the only date on which AELP can begin implementing the emergency COPA. Not only is this the most reasonable interpretation of the text of Tariff Sheet No. 172, but it is also consistent with (1) the fact that implementation of the emergency COPA, in and of itself, is permissive and not mandatory ("an emergency fuel adjustment may be included in the Cost of Power Adjustment rate"); and (2) the fact that the emergency COPA was intended to allow AELP to avoid cash flow and rate recovery problems resulting from increased costs of diesel fuel.

Because the proposed revisions do not involve a change to the approved COPA methodology or the inclusion of a new COPA cost element, notice under AS 42.05.411 is not required. 3 AAC 52.504(d). In addition, as a technical matter, under 3 AAC 52.504(b) AELP may implement the requested change immediately upon filing subject to subsequent review, adjustment, and approval by the Commission. However, given the unusual circumstances giving rise to AELP's first implementation of its emergency COPA, combined with the need for certainty regarding when the emergency COPA will be applied to different billing cycles, AELP requests that the Commission review and approve the requested tariff revision as soon as possible.

At present, AELP has not issued any bills under the emergency COPA, although it was authorized to do so beginning May 1, 2008. If the May 16, 2008, effective date is promptly approved by the Commission, AELP intends to resume billing under its regular applicable COPA (\$0.014024 per kWh) until May 16, 2008. However, AELP cannot further delay issuing May bills much longer while the proposed tariff revision is pending approval. For

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this reason, **AELP respectfully requests that the Commission review and approve the requested tariff revision by May 7, 2008.**

Please direct any questions regarding this filing to Tim McLeod, AELP's President, or to Constance Hulbert, AELP's Secretary/Treasurer, at (907) 780-2222.

Sincerely yours,

KEMPEL, HUFFMAN AND ELLIS, P.C.
Attorneys for Alaska Electric Light and
Power Company



Dean D. Thompson

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Enclosures

Canceling

Alaska Electric Light and Power Company

Regulatory Commission of Alaska

Schedule No. 98 (Continued)
Calculation of Emergency Fuel Cost Rate Adjustment

Table with 2 columns: Description and Amount. Rows include: a.) Balance of COPA Account of March 31st (\$ 0.00), b.) Plus: Estimated Cost of Diesel fuel (April 16 - May 30) (8,997,598.44), c.) Total Cost through May 30 (\$ 8,997,598.44), d.) Projected kwh sales, May 1 - May 30 (20,980,553), e.) Cost of Power Adjustment, per kwh (line c. divided by line d.) (\$0.428854)

This rate shall supersede that set forth on tariff sheet 170 and will be effective for billings through June 15, 2008. Costs will be updated, and a new rate will be effective for billings beginning June 16, 2008.

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Effective May 16, 2008

Tariff Advice No. 361

Issued by Alaska Electric Light and Power Company

By [Signature] For Constance Hulbert Title Secretary-Treasurer