

**Southcentral Power Project
Anchorage, Alaska**

January 27, 2009

Statement of Contracting Strategy

The goal of contracting for the Southcentral Power Project (SPP) is to procure the best services, equipment, and materials for the project through the fair, weighted evaluation of safety, regulatory compliance, quality (experience, staff, prior projects), deliverability of the required items, and cost.

SPP contracting philosophy will strongly favor the qualification, bid, proposal, and award processes throughout each phase of the project. The scope of each major contract will be established through evaluation of project requirements and the present contracting environment.. The procurement process will be performed in accordance with Chugach's Bylaws and business practices.

Points of primary importance to the project:

- Contractor selection through a Request for Qualifications, Request for Proposal or Request for Bid process will be required for all major contracts.
- Local presence and experience in the State of Alaska.
- Engineering Services will be purchased through the request-for-qualifications (RFQ) process to favor experience in the design of combined cycle power plants.
- Construction Services will be purchased through the request-for-proposal (RFP) process to favor experience in the construction of combined cycle power plants.
- Material will be purchased through the request-for-bid (RFP) process and will be evaluated based on cost assuming minimum specifications are met.
- The cost of transportation of materials will be included in the total cost of materials during bid evaluations.
- Engineered equipment contracts will be awarded through the RFP process.
- Equipment and material specifications will be set with the assistance of contracted

engineers. Specifications will be based on factors which include reliability and availability requirements and inventory compatibility.

Recommended Initial Contract scopes:

- Air Emissions Permit Assistance. Tightly and locally controlled scope of work to be subject to a request-for-qualifications (RFQ) purchasing process.
- Owner's Engineer (OE). Highly qualified, experienced engineering firm to act as Owners' agent to assist Owners with oversight of engineering, procurement, and construction throughout the project. OE will use its experience to identify the best methodology for the major contracts described below in order to optimize the objectives of quality, schedule, and cost.

The OE will NOT be eligible to respond to requests for qualifications (RFQs) or requests for proposal (RFPs) for any of these major contracts.

- Engineering, Procurement, and Construction combinations to be evaluated:
 - Traditional Engineer-Procure-Construct (EPC) contract, including plant guarantee and purchase of all equipment.
 - EpC contract. Owner to purchase all major equipment separately based on engineered technical specifications. Contractor to provide plant guarantee.
 - Engineering and procurement (EP) contract, with separate construction (C) contract. Engineering contractor to provide plant guarantee.
 - Engineering contract, separate construction contract, and Owner purchase of all major equipment.
 - Design-Bid-Build arrangement. Full scope of engineering awarded and design packages completed prior to requests for bid or proposal for materials, equipment, and construction.

Questions concerning contracting for the Southcentral Power Project may be directed to Dan Knecht, Manager of Administrative Services at (907) 762-4765 or via email at dan_knecht@chugachelectric.com.