

**CHUGACH ELECTRIC ASSOCIATION, INC.  
Anchorage, Alaska**

**BOARD MEETING  
AGENDA ITEM SUMMARY**

**March 22, 2006**

**ACTION REQUIRED**

**AGENDA ITEM NO. IX.H.**

Information Only  
 Motion  
 Resolution  
 Executive Session  
 Other \_\_\_\_\_

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**TOPIC**

2006 Agreement for the Sale and Purchase of Electric Power and Energy between Chugach Electric Association, Inc. and the City of Seward

**DISCUSSION**

Chugach and the City of Seward have agreed to revise the existing power sales agreement. The revised agreement is essentially the same as the existing contract except in the following important respects:

- The agreement is a firm all-requirements/no reserves contract. Seward is supplying its own generation reserves to back its load. This means that Chugach is obligated to meet all of Seward's electric power supply needs and Seward is obligated to take all of its electric supply from Chugach when Chugach has sufficient capacity to meet those needs. The power supplied by Chugach is interruptible if Chugach does not have sufficient capacity to serve Seward after meeting the needs of its other non-interruptible loads, HEA, MEA and Chugach retail customers.
- Chugach is under no obligation to supply or plan for reserves to supply Seward.

- Interruptibility under this agreement is different from the interruptible terms in the preceding contract. Subject only to the obligation to supply power if capacity is available, there is no limit on the number of times or hours per year that the supply can be interrupted.
- In the ratemaking process, Seward will be allocated no reserve costs. This means that no costs of generation in excess of that needed to meet the system peak will be assigned to Seward.
- Base rate revenues will increase about 17% based on projected 2006 Seward load.
- Seward's rate will include a full share of the margin component of rates. Therefore Seward will pay a full share of the margins assigned to the G&T functions and consequently will be assigned a full share of G&T margins.
- The contract is for five years with automatic five-year extensions if no notice is given.

### **CHIEF EXECUTIVE OFFICER'S RECOMMENDATION**

Recommend approval of the attached Resolution.

Motion: Move to approve the attached Resolution authorizing the Interim Chief Executive Officer to enter into and take actions necessary to gain approval of an amendment to the contract with Seward in a form substantially similar to the attached 2006 Agreement for the Sale and Purchase of Electric Power and Energy between Chugach Electric Association, Inc. and the City of Seward

**RESOLUTION**  
(Authorizing Entry into Power Sales Agreement with Seward)

WHEREAS, Chugach Electric Association, Inc. (Chugach) has furnished electric power and energy to the City of Seward Electric Services Division (Seward) under various contractual arrangements since July 1, 1961;

WHEREAS, Seward is currently receiving electric power from Chugach under an existing contract that is due to expire in May 31, 2006;

WHEREAS, Seward continues to maintain the ability at all times to meet all of its needs in the event power is not available from the Chugach system;

WHEREAS, Seward has expressed a desire to purchase firm, all-requirements electric power without reserves from Chugach under a revised Power Sales Agreement with Chugach;

WHEREAS, in light of these circumstances, Chugach finds that it is in the best interests of its members that Chugach enter into a revised Power Sales Agreement with Seward in a form substantially similar to that attached hereto;

NOW THEREFORE, BE IT RESOLVED that the Interim Chief Executive Officer or his designee is authorized to enter into the revised Power Sales Agreement with Seward in a form substantially similar to the attached 2006 Agreement for the Sale and Purchase of Electric Power and Energy between Chugach Electric Association, Inc. and the City of Seward.

IT IS FURTHER RESOLVED that the Interim Chief Executive Officer or his designee is authorized to take any actions required to obtain necessary approvals thereof and take any other actions consistent with this authorization.