

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

**BOARD MEETING**  
**AGENDA ITEM SUMMARY**

**April 21, 2004**

**ACTION REQUIRED**

**AGENDA ITEM IX.G.**

**Information Only**  
 **Motion**  
 **Resolution**  
 **Executive Session**  
 **Other**

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**TOPIC**

Strategic Alliance With Alstom Power

**DISCUSSION**

Beluga Units 6,7, & 8 provide 70% of Chugach's generation. Unit's 6 & 7 were upgraded in years 2000 and 2001. Each unit requires an overhaul every three years to replace high cost hot gas path components. Of the \$6 to \$10 million of cost for each overhaul, \$4 to \$6 million is for the replacement, repair, and installation services. To reduce these costs it is proposed that Chugach enter into a Strategic Alliance with Alstom Power. In exchange for an exclusive purchase agreement, via this Alliance, Alstom will provide Chugach a substantial discount on future parts and services. This Alliance will also increase Alstom's support for Chugach's efforts to extend parts lives and outage intervals.

Chugach issued an RFP for a strategic alliance for parts and services in December of 2003. There were two responses, of which one was responsible and responsive - Alstom Power. General Electric responded but noted that some parts were Alstom proprietary and provided no history for their parts or refurbishment services.

The costs of maintenance over eight major overhauls, approximately 10 years, is projected to be \$39.5 million. With this Alliance, Chugach will reduce its costs by \$5.7 million and potentially save several million more through parts life and outages extensions.

**CEO's RECOMMENDATION**

Move to approve the attached resolution authorizing the CEO to enter into a Strategic Alliance with Alstom Power for hot gas parts and services for eight major overhauls of Beluga Units 6 & 7.

WHEREAS, the Beluga Power Plant is the major generation resource of the Association, and

WHEREAS, Beluga Units 6, 7, and 8 provide approximately 70% of Chugach's generation, and

WHEREAS, Beluga Units 6 and 7 are Alstom Power Inc. model 11DM gas fired turbine generators, and

WHEREAS, Units 6 and 7 require periodic maintenance and replacement of major critical components in order to continue providing base load generation of electric energy, and

WHEREAS, Chugach Electric Association, Inc. is seeking a means of reducing the maintenance costs, and

WHEREAS, Chugach Electric Association, Inc. seeks to have a strategic alliance with a contracting partner so as to reduce parts and services costs for Beluga Units 6 and 7 turbines, and

WHEREAS, Alstom Power provided the only responsible and responsive proposal to a request for proposal (RFP) for a strategic alliance, and

WHEREAS, the strategic alliance will reduce Chugach's projected hot gas path parts and services costs by \$5.7 million over a period of eight major overhauls

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of Chugach Electric Association, Inc. that the Chief Executive Officer is authorized to execute an alliance contract with Alstom Power Inc. for a period covering eight major overhauls of Beluga Units 6 and 7.