

**CHUGACH ELECTRIC ASSOCIATION, CIN.
ANCHORAGE, ALASKA**

December 4, 2006

TO: Mike Cunningham, Senior Vice President, Finance and Chief Financial Officer

FROM: Rick Freymiller, Director, Regulatory Affairs

SUBJECT: *Railbelt Bill Comparison: Fourth Quarter 2006*

The attached two charts compare third and fourth quarter 2006 retail electric bill totals among the Railbelt utilities. Figure 1 compares the bill totals of Chugach, Homer Electric Association, Inc. (HEA), Matanuska Electric Association, Inc. (MEA), Golden Valley Electric Association, Inc. (GVEA), and Anchorage Municipal Light and Power (ML&P) on a total (consolidated) bill basis.

Figure 2 extends the comparison by identifying the fuel and non-fuel components of retail bills for Chugach, ML&P and GVEA, which primarily generate all of their own power.

Compared to third quarter, residential bill totals increased 2.6% to Chugach, 25.9% to HEA, 1.1% to MEA, and 7.4% to GVEA. ML&P's residential bill total decreased by 1.1%. Table 1 summarizes the electric bill totals for residential, small general service and large general service rate classes for the Railbelt utilities, including bill levels and percentage changes in relation to last quarter.

Summary of Results

For all utilities, fourth quarter bill level changes were attributed to changes in the level of fuel and purchased power expenses to be recovered. There were no changes to base (non-fuel) rates.

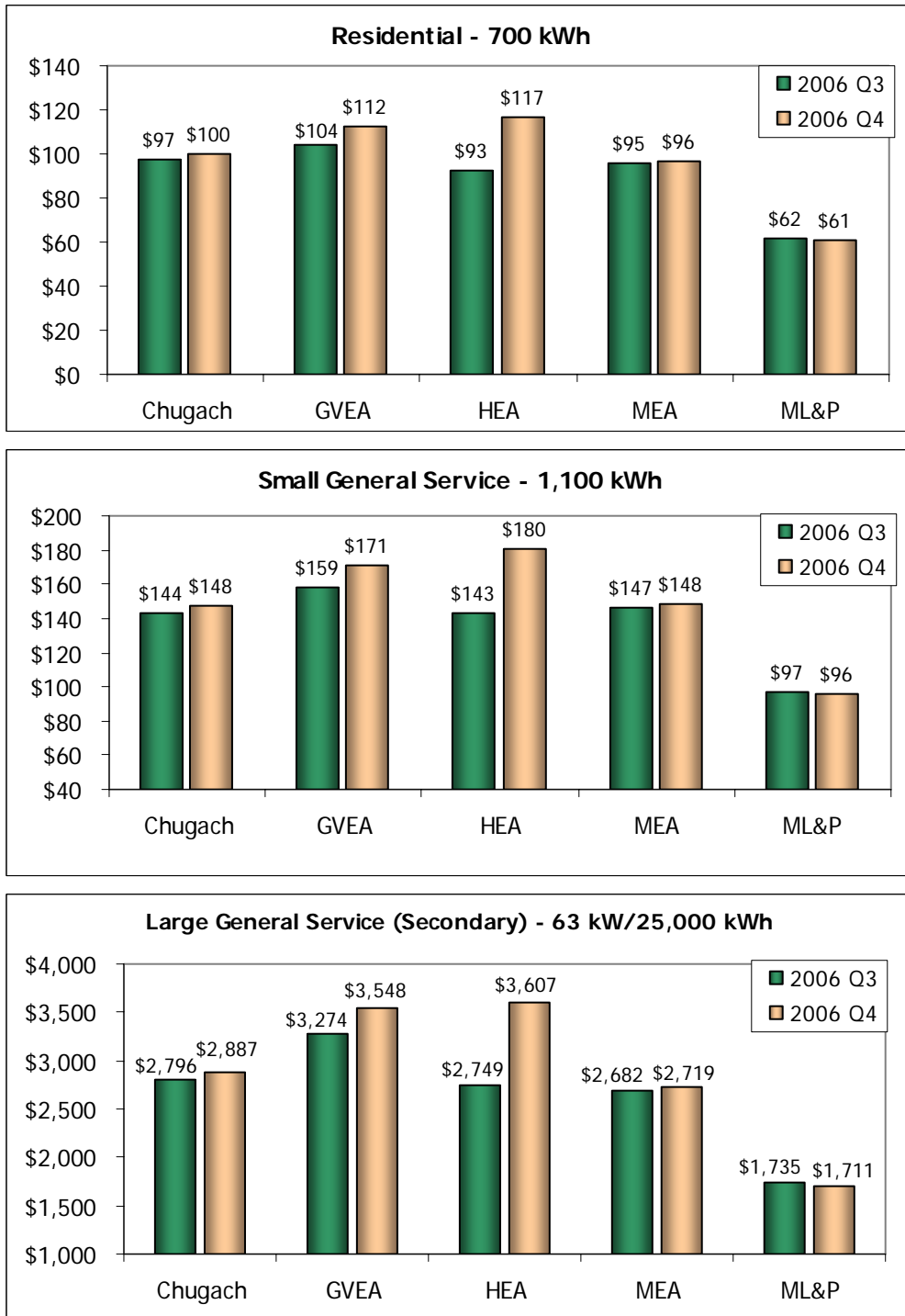
Chugach's increase is attributed to higher natural gas prices and lower Bradley Lake output due to earlier scheduled maintenance. Increases to both HEA and MEA are primarily attributed to increases in balancing account recovery amounts. HEA depleted a \$2.0 million over-recovery in its balancing account which contributed to their significant increase in fourth quarter.

GVEA's Cost of Power Adjustment (COPA) increase is primarily attributable to higher oil prices and additional load associated with Alyeska Pump Station #9. The additional generation required to serve Alyeska Pump Station #9 is at a higher unit cost. ML&P's cost of power adjustment is a credit, which has decreased (lowered rate) slightly from their third quarter level. The lower rate is primarily a result of continued stronger than expected economy energy sales.

The bill comparisons include all approved and pending rates for fourth quarter, 2006. Taxes and surcharges such as the Municipality of Anchorage 2% undergrounding surcharge may not be applicable to all utilities in this comparison; therefore, these are excluded from the average bill calculation. The RCC charge is included in the average bill calculation because the charge is applied equally to all utilities in this comparison.

Chugach Electric Association, Inc.
Anchorage, Alaska

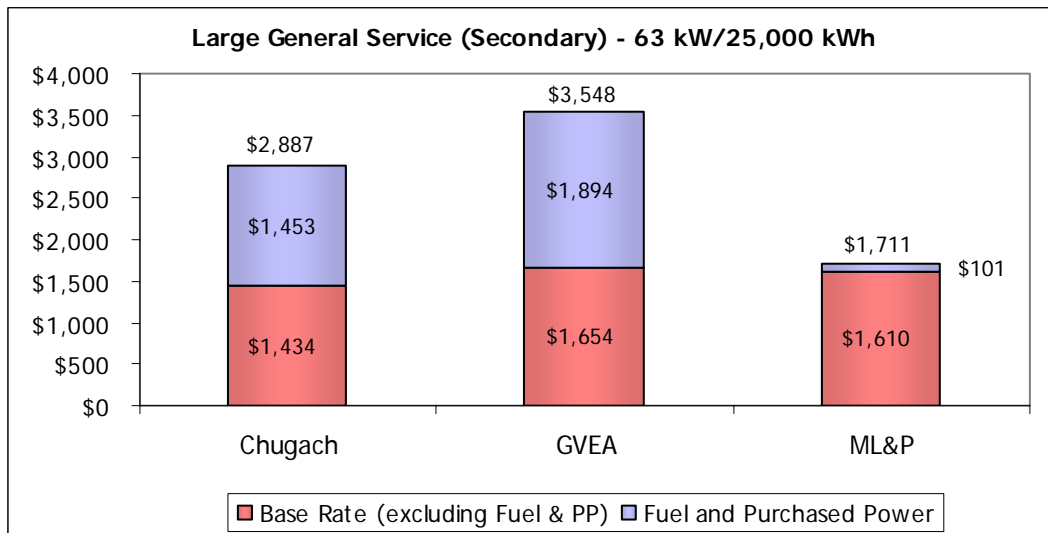
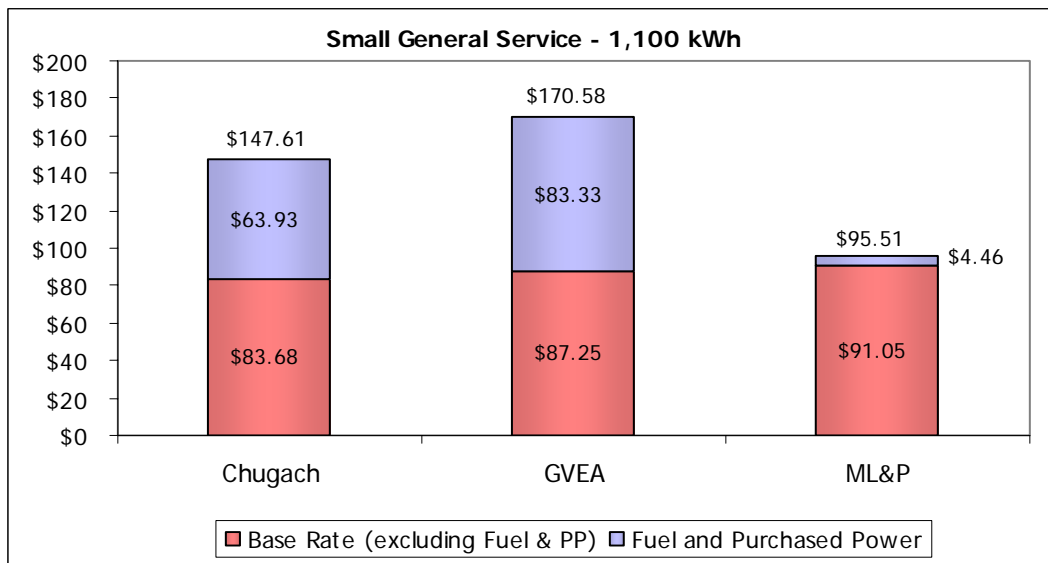
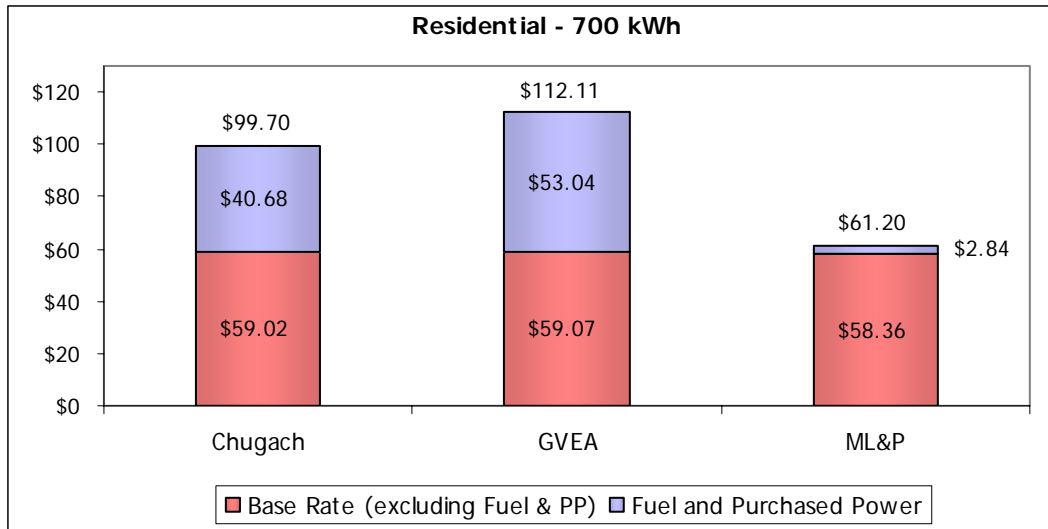
Figure 1: Average Customer Bill by Utility
Third Quarter 2006 vs. Fourth Quarter 2006



Tariff to tariff bill comparisons can be misleading. Railbelt utilities pursue differing strategic approaches to reliability levels and financial health that directly impact rate levels. Differences in fuel surcharge (or COPA) balancing accounts, rate design considerations, and miscellaneous general service fee levels can also significantly impact customer bill levels. Average bill calculation includes customer charge, energy charge, fuel surcharge and RCC. Taxes and surcharges such as the Municipality of Anchorage 2% undergrounding surcharge are excluded.

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Figure 2: Base Rate and Fuel & Purchased Power Components
Average Customer Bill - Fourth Quarter 2006



Bill totals based on actual and proposed tariffed rates. Taxes and surcharges such as the Municipality of Anchorage two percent undergrounding surcharge are excluded.

Chugach Electric Association, Inc.
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Table 1: Summary of Fourth Quarter Bill Levels

	Chugach	GVEA	HEA	MEA	ML&P
RESIDENTIAL					
Q4 2006 Total Bill (700 kWh)	\$99.70	\$112.11	\$116.54	\$96.48	\$61.20
Percent Change from Previous Quarter	2.6%	7.4%	25.9%	1.1%	(1.1%)
Percent Difference from Chugach Bill	----	12.4%	16.9%	(3.2%)	(38.6%)
SMALL GENERAL SERVICE					
Q4 2006 Total Bill (1,100 kWh)	\$147.61	\$170.58	\$180.39	\$148.38	\$95.51
Percent Change from Previous Quarter	2.8%	7.6%	26.5%	1.1%	(1.1%)
Percent Difference from Chugach Bill	----	15.6%	22.2%	0.5%	(35.3%)
LARGE GENERAL SERVICE					
Q4 2006 Total Bill (25,000 kWh/63 kW)	\$2,887	\$3,548	\$3,607	\$2,719	\$1,711
Percent Change from Previous Quarter	3.3%	8.4%	31.2%	1.4%	(1.4%)
Percent Difference from Chugach Bill	----	22.9%	24.9%	(5.8%)	(40.7%)