

Chugach Electric Association, Inc.
Anchorage, Alaska

February 23, 2011

TO: Chugach Board of Directors

FROM: Bradley W. Evans, Chief Executive Officer

SUBJECT: *Railbelt Electric Utility Bill Comparison: First Quarter 2011*

Chugach presently has the lowest residential and commercial bills at typical consumption levels among the major Railbelt utilities. Based on 700 kWh, Golden Valley Electric Association Inc's (GVEA) residential bills are 52 percent higher, Homer Electric Association, Inc.'s (HEA) bills are 31 percent higher, Matanuska Electric Association, Inc.'s (MEA) bills are 9 percent higher and Anchorage Municipal Light and Power (ML&P) bills are 4.5 percent higher than Chugach.

This update discusses regulatory activities that have impacted first quarter bills. The tables that follow provide additional insight on current and historic comparisons.

First quarter 2011 Results

Chugach residential bill levels decreased 0.5 percent from fourth quarter 2010 to first quarter 2011. This reduction is due to the net impact of a base rate decrease resulting from Chugach's 2008 test year rate case and Chugach's June 2010 Simplified Rate Filing (SRF), offset by an increase in the fuel and purchased power surcharge.

GVEA residential bill levels decreased 1.0 percent in first quarter 2011 due to a decrease in the Cost of Power Adjustment (COPA) rate, which is the equivalent of Chugach's fuel and purchased power surcharge. With the approval of GVEA's most recent rate case (TA 190-13/U-08-139(7)), they are now recovering all fuel and purchased power costs through their COPA.

Residential bills for HEA increased 0.9 percent due to changes in their wholesale power cost recovery adjustment (WPCRA). The increase is primarily attributed to increases in the fuel surcharge charged by Chugach to HEA for wholesale power sales. Additionally, HEA filed an informational SRF with the Commission. There were no changes to their base rates.

MEA residential bill levels decreased 0.3 percent. This is primarily attributed to an increase in their WPCRA in combination with a 0.5 percent decrease in their base rates through the SRF process. The WPCRA increase is a result of increased purchased power costs from Chugach's fuel surcharge.

ML&P residential bill levels increased 5.3 percent in first quarter, due to an increase in the COPA charge. The increase is primarily attributed to expected increases in ML&P's need to purchase gas from third party suppliers. The COPA adjustment is approved on an interim and refundable basis pending final adjudication of ML&P's rate case in Docket U-10-031. This will allow for refunds, if any, to be issued upon the resolution of the rate case.

Comparison of Results

The table below summarizes the bill total results in relation to last quarter. It also shows other utility bill totals compared with Chugach bills. The bills for the consumption levels presented range from 4.5% to 67% higher than those of Chugach.

**Table 1: Summary of First Quarter 2011 Electric Bill Totals
 (January 2011)**

Customer Class	Chugach	GVEA	HEA	MEA	ML&P
Residential - 700 kWh	\$91.13	\$138.75	\$119.78	\$99.38	\$95.26
Prior Quarter Change	(0.5%)	(1.0%)	0.9%	0.3%	5.3%
Difference from Chugach Bill	----	52.3%	31.4%	9.1%	4.5%
Small General Service - 1,100 kWh	\$125.58	\$209.71	\$183.47	\$152.94	\$148.90
Prior Quarter Change	(0.4%)	(1.1%)	0.9%	0.3%	5.3%
Difference from Chugach Bill	----	67.0%	46.1%	21.8%	18.6%
Large General Service - Secondary ¹	\$2,602	\$4,042	\$3,656	\$2,762	\$2,916
Prior Quarter Change	(0.2%)	(1.3%)	1.0%	0.5%	6.2%
Difference from Chugach Bill	----	55.4%	40.5%	6.2%	12.1%

¹ Based on 25,000 kWh and 63 kW.

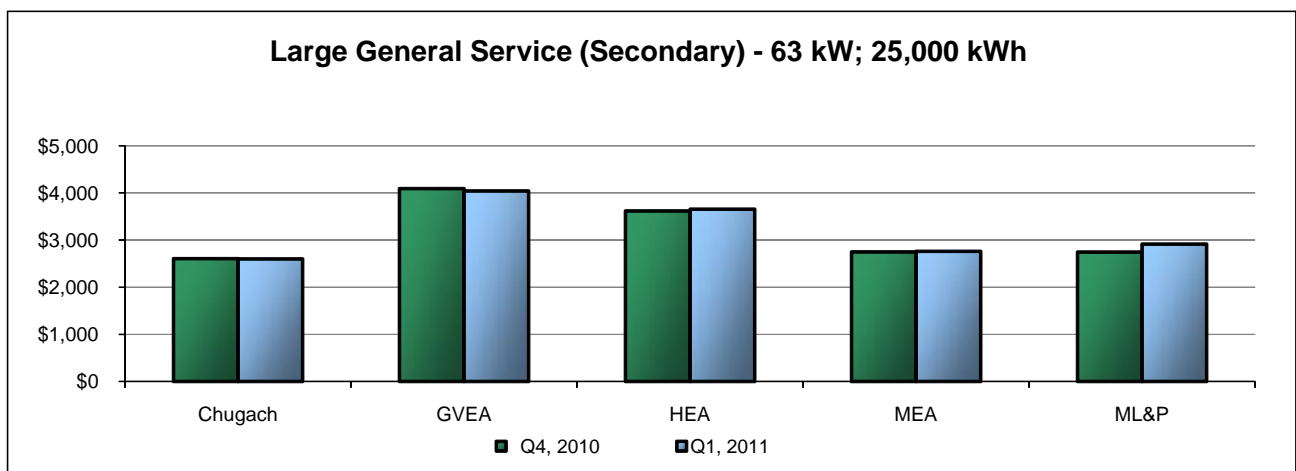
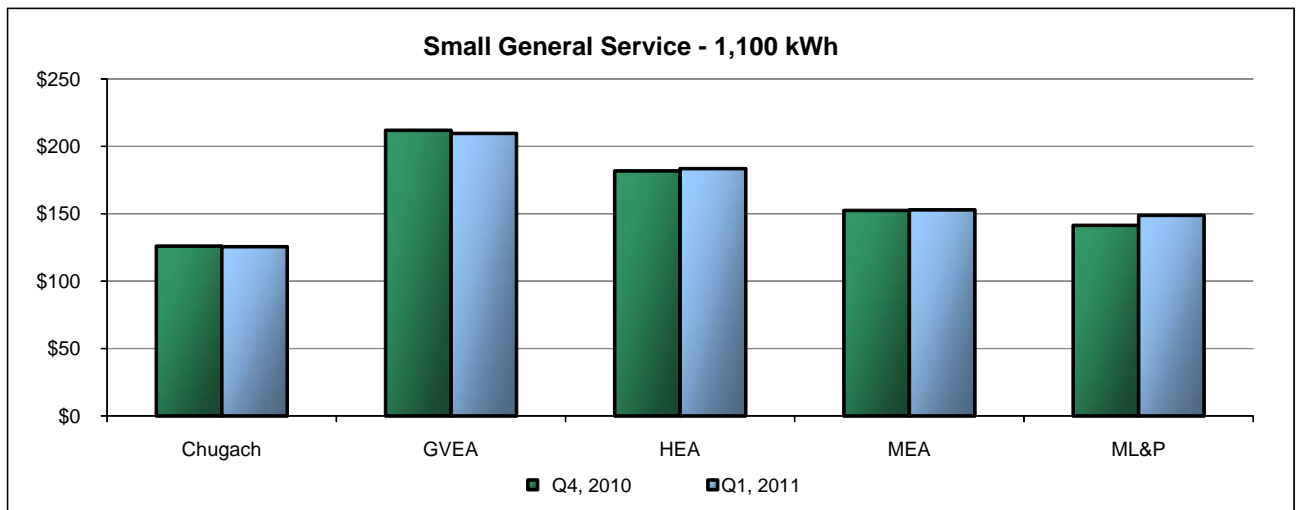
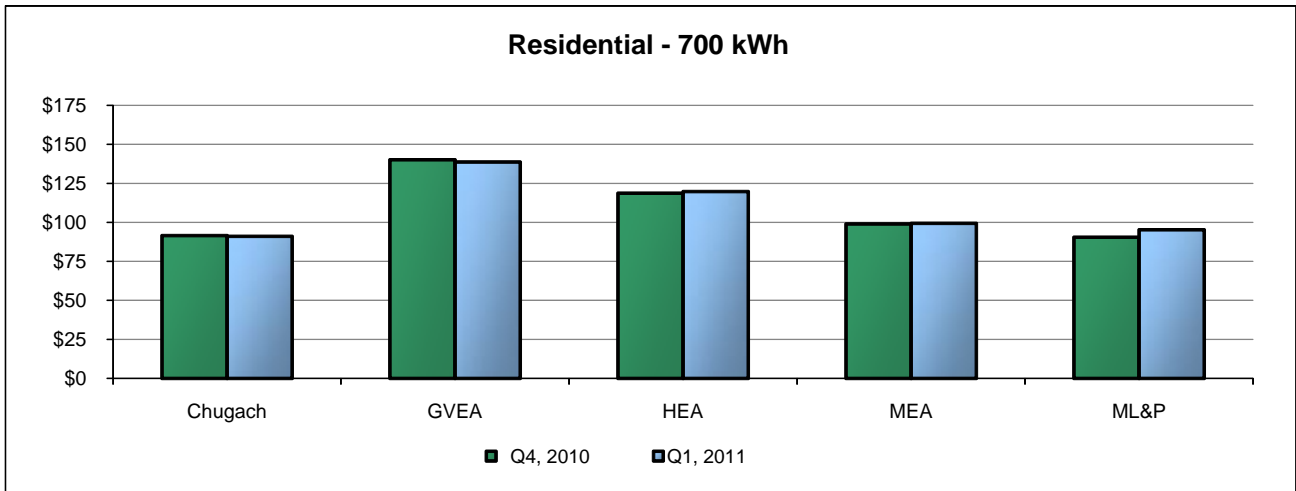
Bill totals based on tariffed rates. Taxes and surcharges such as the Municipality of Anchorage 2% undergrounding surcharge are excluded.

Figure 1 compares bill totals between fourth quarter 2010 and first quarter 2011. Figure 2 expands the comparison by identifying the fuel/purchased power and base rate (non-fuel) components of each customer bill.

Figure 3 summarizes Chugach quarterly residential bill levels from first quarter 2005 through first quarter 2011, identifying fuel and non-fuel components of each bill.

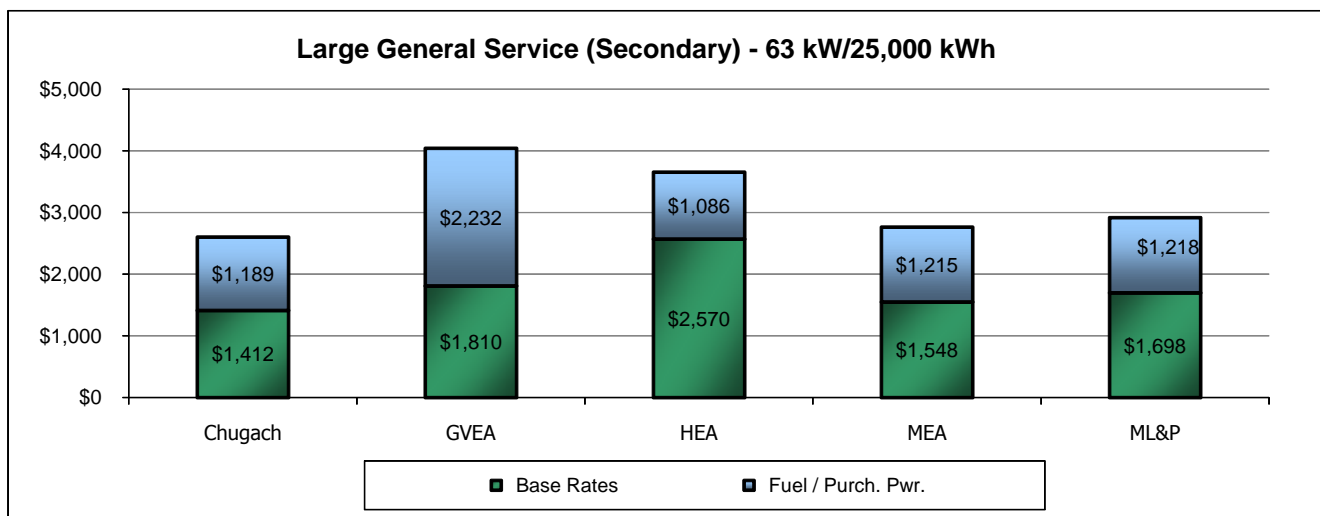
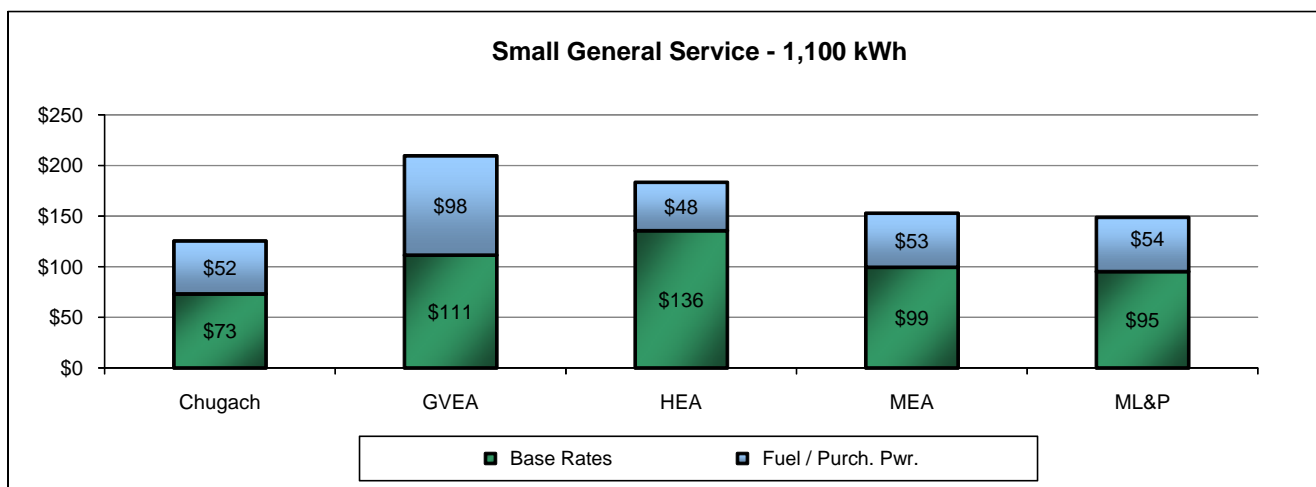
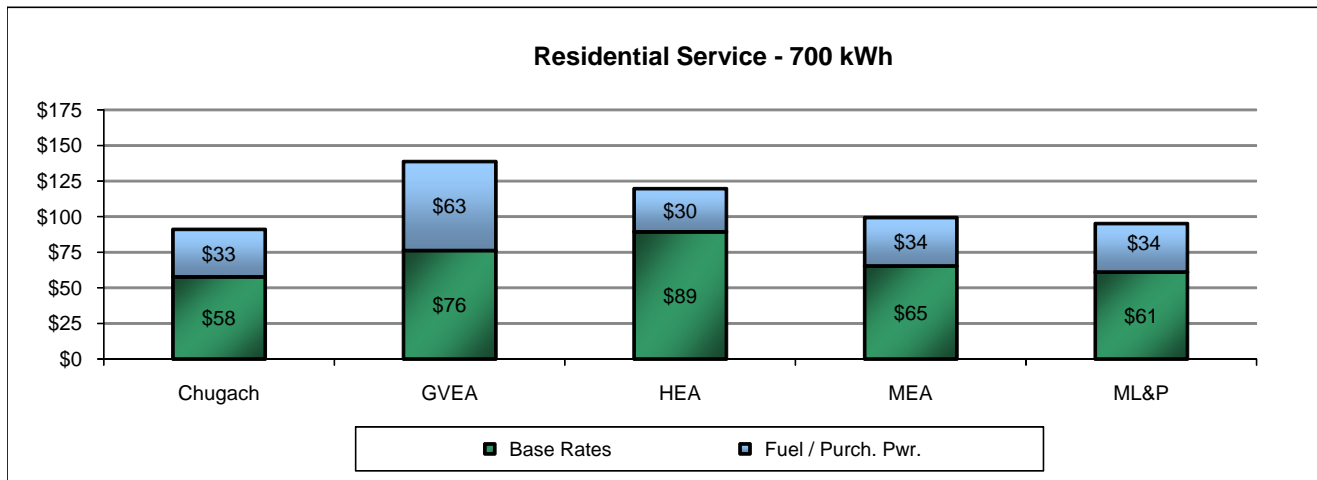
Figure 4 shows a comparison by utility for first quarter bills over a five year period beginning first quarter 2007 and ending first quarter 2011. The 2009 result for Chugach, HEA and MEA reflects the highest surcharge ever experienced on the Chugach system due to high world oil and gas prices, as well as unit outages on the system. ML&P's bills have steadily and significantly increased since 2007.

**Figure 1: Retail Electric Bill Totals by Utility
 Fourth Quarter 2010 vs. First Quarter 2011**



Bill totals based on actual and proposed tariffed rates. Taxes and surcharges such as the Municipality of Anchorage 2% undergrounding surcharge are excluded.

**Figure 2: Base Rate and Fuel and Purchased Power Components
 Bill Totals - First Quarter 2011**



Bill totals based on actual and proposed tariffed rates. Taxes and surcharges such as the Municipality of Anchorage 2% undergrounding surcharge are excluded. Billing components for HEA and MEA based on estimated separation of balancing account totals. Differences in rate class balancing accounts (over or under-recoveries) also impact results.

Figure 3: Chugach's Monthly Residential Bill Total Based on 700 kWh Consumption

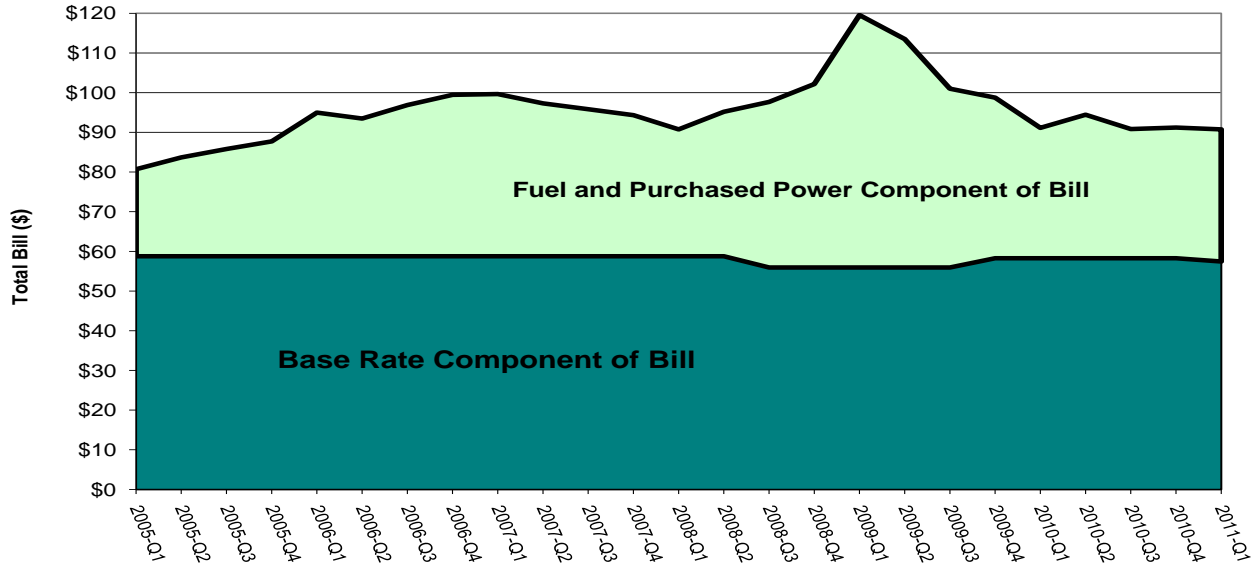


Figure 4: Railbelt Electric Utility Average Residential Bill Levels First Quarter 2007 through 2011

