

Fuel & Purchased Power Surcharges

Finance Committee Meeting

March 3, 2010

VI. Training – Fuel and Purchased
Power Surcharges

Chugach Electric Association, Inc.

Board of Directors'

Finance Committee Meeting

March 3, 2010

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Regulatory Affairs & Pricing

Fuel & Purchased Power Surcharges



Two of seven possible line items on a member's monthly bill

- Customer Charge
- Energy Charge
- Demand Charge (Large Comm. and Wholesale)
- Regulatory Cost Charge (Retail)
- State/Municipal Undergrounding (Retail-MOA only)
- Fuel
- Purchased Power

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What is the Fuel/PP Surcharge

- Pricing tool that assists the timely recovery of fuel and purchased power costs
- Updated quarterly by Reg. Affairs & Pricing
- Reviewed and approved by Commission
- Used by Chugach since 1983

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What is the Fuel/PP Surcharge (cont.)

- Direct pass-through of system costs
- No margin or adder applied
- Returns economy sales margins and wheeling revenues to consumers
- Essential to financial health of Chugach

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What is the Fuel/PP Surcharge (cont.)

- In 2009, costs recovered through surcharges represented:
 - 71% of Operating Expenses
 - 57% of Total Cost of Electric Service
- Significant increases in cost without timely surcharge adjustment would cause financial harm

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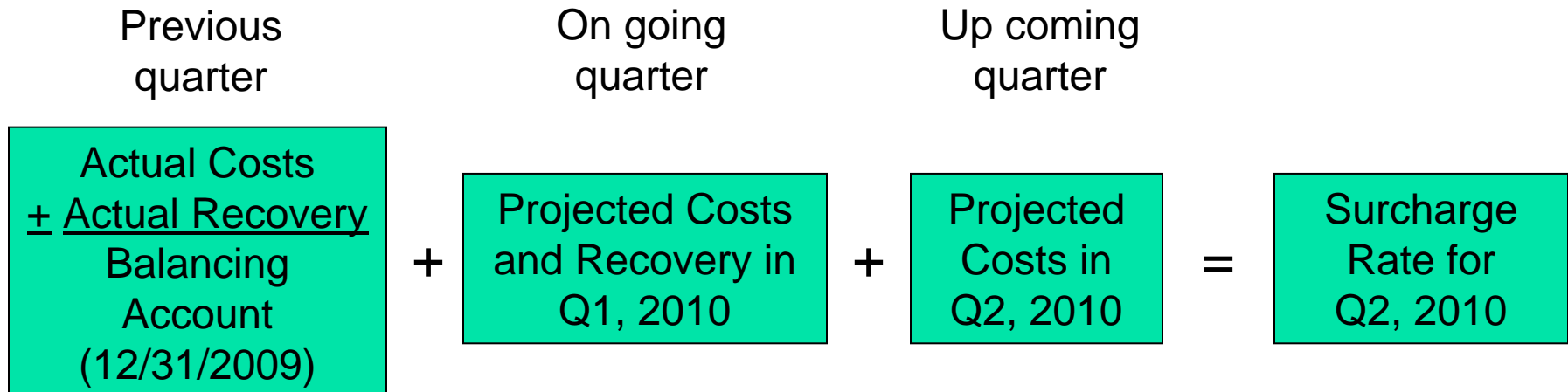


Process can be very complex; surcharge variances attributed to:

- Rapid changes in fuel prices
- Amount of power generated from non-fuel resources (Bradley Lake, Eklutna, Cooper Lake, Beluga 8)
- Which thermal generating units were and/or will be used during the period

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Fuel/PP Surcharges calculation affected
by three time periods



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Fuel Surcharge recovers the cost of natural gas used by our internal combustion units.

(90% of power generation/purchases)



positiveENERGY

Beluga



Beluga



Beluga
Bernice Lake
IGT



Beluga
Bernice Lake
IGT

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Purchased Power Surcharge recovers the cost of power purchased from others.



Bradley Lake



Nikiski



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Questions?