

Chugach Fuel Surcharge



General Overview

- Ensures recovery of fuel and purchased power costs
- Rates reflect
 - Projected fuel prices, electric sales and system dispatch
 - Under/over recovery from past periods
- Rates adjusted every three months

Why is Surcharge Permitted

- Significant and volatile costs
- Without surcharge, impact on margins would be material
- Changes in costs are determined by uncontrollable outside forces
 - Natural gas price
 - Water availability in hydro plants
 - Unexpected generation and transmission outages

Key Factors

- Strict guidelines for items included for cost recovery
- No margin included in rate; recovery based on actual costs
- Matching of expenses and revenues
- Ensures margins are not impacted by these costs
- Balancing account ensures revenues and costs are equal

Fuel Surcharge Calculation can be Complicated

- Rate is a function of:
 - Accumulated balancing account (over or under-recovery)
 - Actual costs and sales
 - Projected costs and sales
 - Unit outages (planned/unplanned); availability of efficient generation; hydroelectric generation impacts; transmission limitations

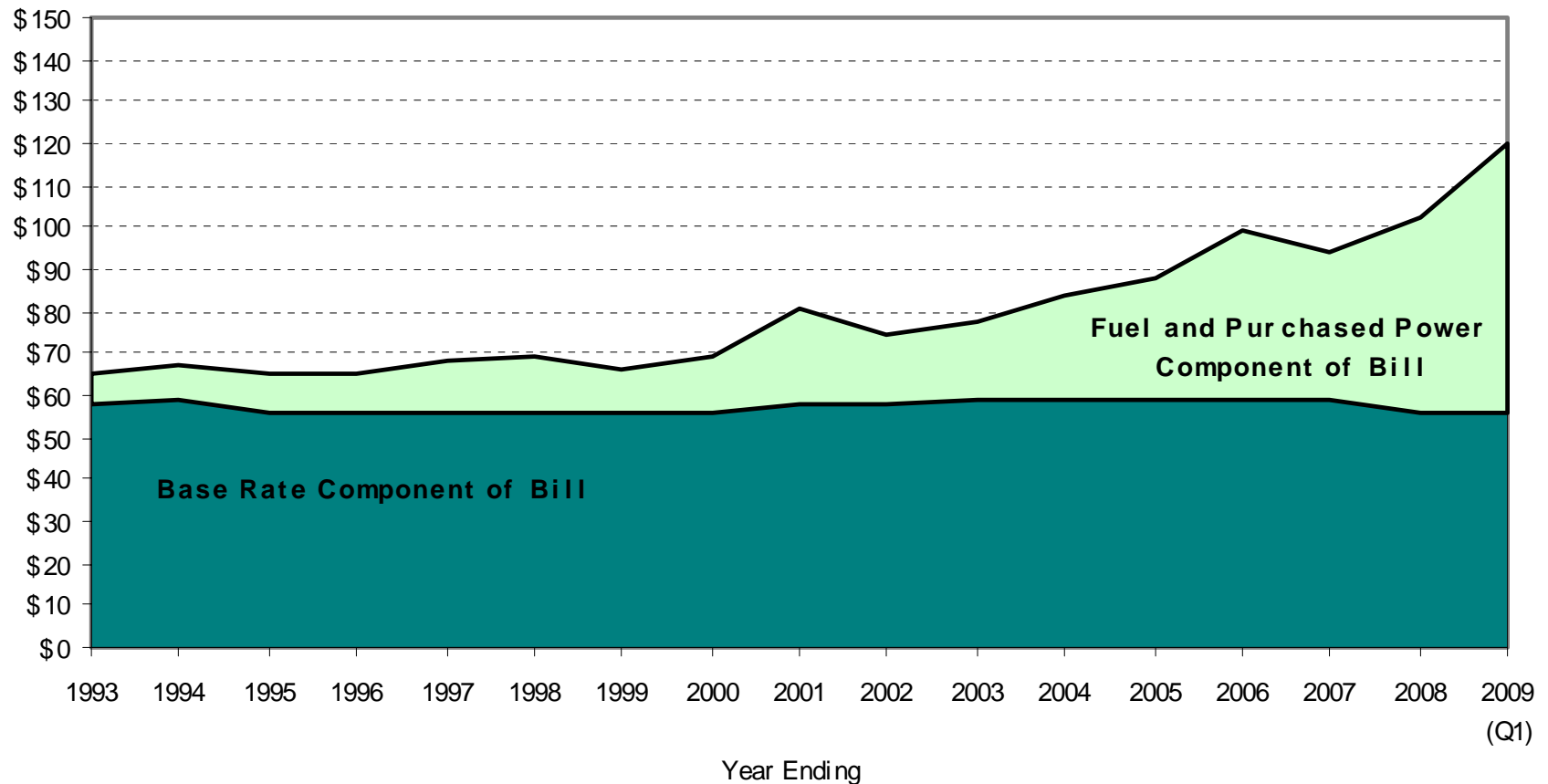
Fuel Surcharge Recovery Process

$$\begin{array}{ccccccc} \boxed{\begin{array}{c} \text{Balancing} \\ \text{Account} \\ \text{(09/30/08)} \end{array}} & + & \boxed{\begin{array}{c} \text{Projected Costs} \\ \text{and Recovery in} \\ \text{Q4, 2008} \end{array}} & + & \boxed{\begin{array}{c} \text{Projected} \\ \text{Costs in} \\ \text{Q1, 2009} \end{array}} & = & \boxed{\begin{array}{c} \text{Surcharge} \\ \text{Rate for} \\ \text{Q1, 2009} \end{array}} \end{array}$$

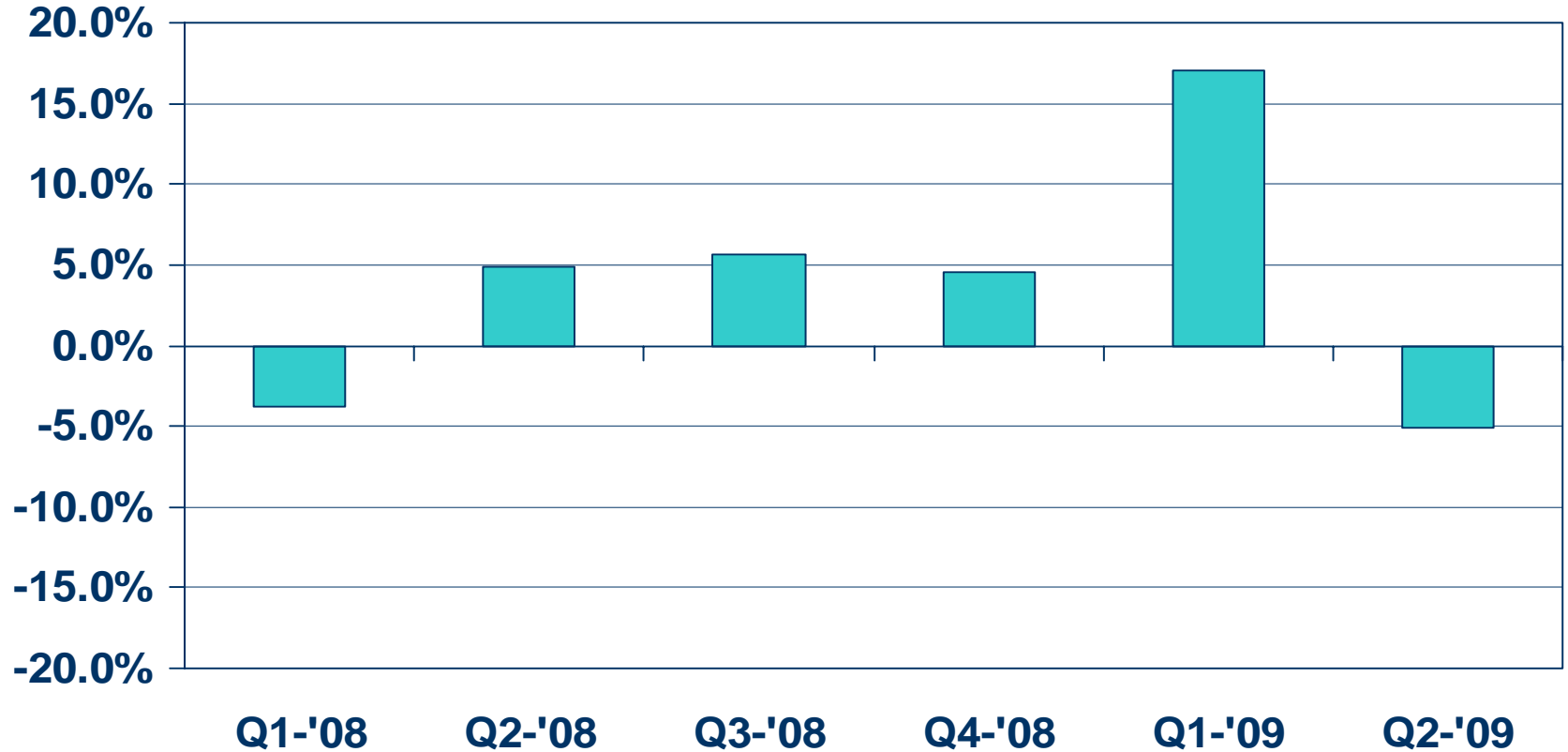
Chugach Fuel and Purchased Power Surcharge: Q1, 2009

- Costs included in Surcharge Filing
 - Fuel: \$60.7M (includes economy sales)
 - Purchased Power: \$10.6M (Includes Nikiski)
- Price of natural gas has increased
- Represents about 50% of total residential bill

Monthly Residential Bill Total, by Billing Component Based on 700 kWh Consumption: 1993 - 2009 (Q1)



Surcharge Rate Impact on Residential Customer Bills



Rate for Q2 2009

- Fuel price down slightly
- System dispatch
- Reduction in under-recovery in balancing account

Outlook for Rest of 2009

- Fuel prices expected to continue downward trend
- Surcharge rates expected to decline throughout remainder of year