

CHUGACH ELECTRIC ASSOCIATION, INC.

Anchorage, Alaska

February 29, 2008



Finance Committee Meeting

March 5, 2008

**XIII.g. Update on Tariff Sheets -
Fees and Charges**

TO: Chugach Board of Directors

THUR: Bradley W. Evans, Acting, Chief Executive Officer 

FROM: Mike Cunningham, Sr. VP, Finance and Chief Financial Officer 
Rick Freymiller, Director Regulatory Affairs and Pricing 

SUBJECT: *Chugach Operating Tariff Changes: Charges & Fees*

Chugach Electric Association, Inc. (Chugach) submits to the Regulatory Commission of Alaska (RCA) annual updates to its charges and fees associated with residential service-related installations, such as raising or lowering transformers or pedestals, overhead to under-ground line conversions, and new underground service installations that exceed a standard 100 foot allowance.

The purpose of these updates is to ensure that changes in underlying costs are equitably reflected in Chugach's charges. Changes to Operations-related fees typically are submitted to the Commission during the first quarter of each year so that final Commission-approved rates become effective prior to the start of the summer construction season.

Updating these fees and charges annually has resulted in moderate increases, rather than having infrequent adjustments with more significant increases. The various charges generally increase between 1 to 5 percent, and averaged about 3.5% in 2007. The revenue impact is generally modest – totaling less than \$10,000 in 2006 and in 2007

In addition, the RCA requires Chugach to update its secondary service installation charges that exceed the standard 100 foot allowance to reflect changes in third party contributions for use of Chugach's trench. Payments received from other utilities for use of Chugach's trench are based on negotiated contractual agreements between Chugach and Alaska Communications Systems Group, Inc. (ACS), General Communication, Inc. (GCI) and TelAlaska. Contribution amounts from third party users of Chugach's trench are passed directly to Chugach's residential members that are connecting new service. This process ensures that the customer is provided the exact per foot credit amount that Chugach receives.

Chugach is in the process of finalizing its proposed changes in these fees for the 2008 construction season. On a preliminary basis, updated costs are expected to change between zero and 5%. Increases are primarily attributed to higher material and labor costs. The filing is scheduled to be submitted to the RCA by March 31, 2008.