

**Chugach Electric Association, Inc.  
Anchorage, Alaska**

**March 13, 2007**

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

**FROM:** Rick Freymiller, Director, Regulatory Affairs

**SUBJECT:** *Railbelt Electric Bill Comparison: First Quarter 2007*

The attached two charts compare the retail electric bill totals between the Railbelt utilities for fourth quarter 2006 and first quarter 2007. Figure 1 compares the bill totals on a total (consolidated) basis whereas Figure 2 expands the comparison by identifying the fuel and non-fuel components of each bill. Table 1 summarizes the detailed bill totals for residential, small general service and large general service rate classes, including bill levels and percentage changes in relation to last quarter.

Compared to fourth quarter, residential bills increased 0.2 percent for Chugach, 1.9 percent for MEA, and 2.9 percent for ML&P. Bills decreased 5.9 percent and 3.5 percent for GVEA and HEA, respectively. For all utilities, first 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.

### **Summary of Results**

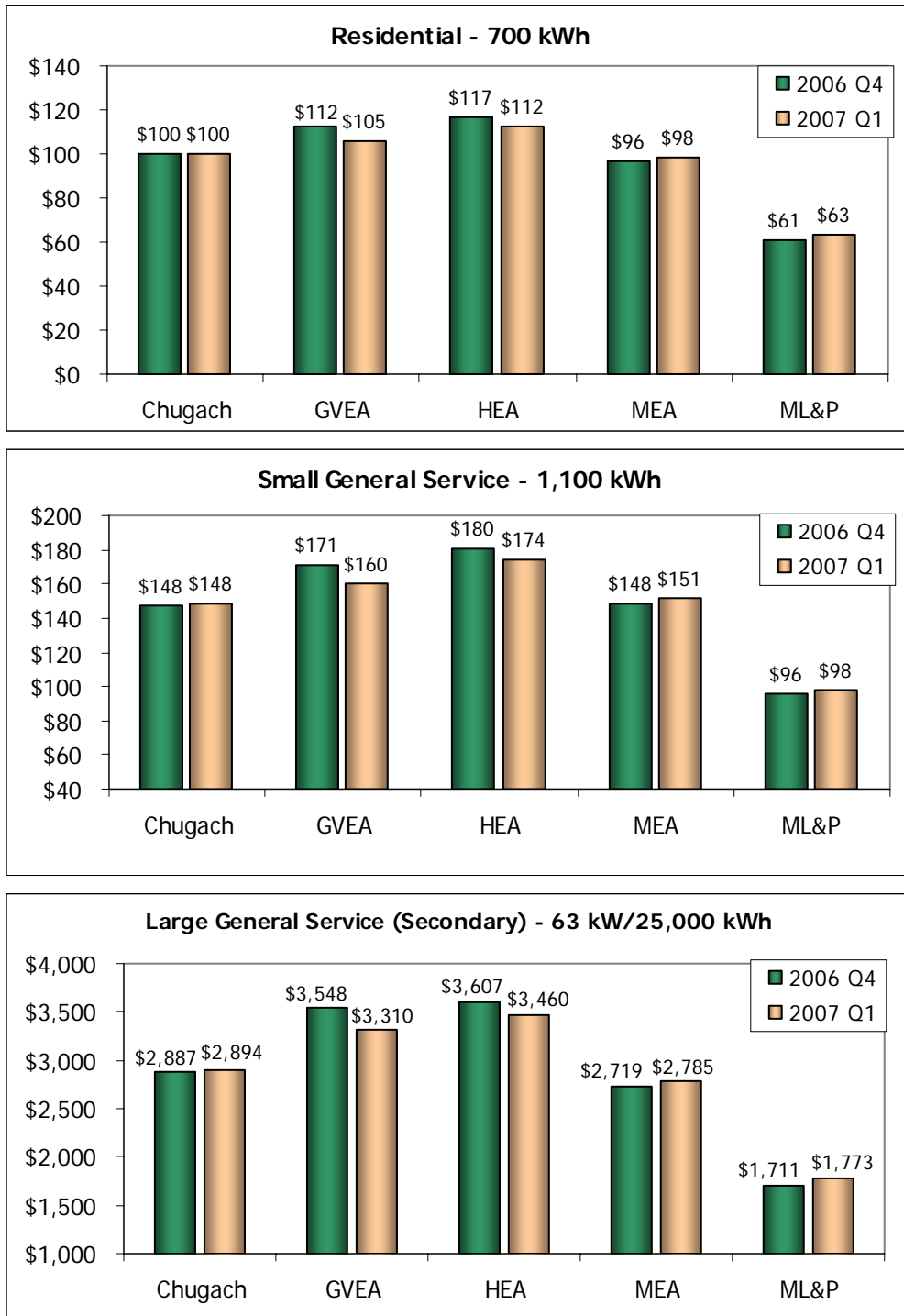
Chugach's fuel surcharge rate is essentially unchanged compared to last quarter. MEA's WPCRA has increased due to an increase in Chugach's fuel surcharge. ML&P's cost of power adjustment is a credit, which has decreased slightly from its fourth quarter level. The lower credit is due to expected reduced economy sales margins.

GVEA's Cost of Power Adjustment decrease is due to lower fuel prices, including the use of more efficient generation at the new North Pole plant. HEA's WPCRA is lower due to a decrease in balancing account recovery amounts and a decrease in Chugach's fuel surcharge.

The bill comparisons include all approved and pending rates for first quarter, 2007. Taxes and surcharges such as the Municipality of Anchorage 2% undergrounding surcharge are not applicable to all utilities; therefore, these are excluded from the calculations. The bill totals include the Regulatory Cost Charge. Since Chugach, ML&P and GVEA primarily generate all of their own power, the fuel and purchased power expense components are directly calculated. In contrast, the billing components for HEA and MEA are based on estimates from their Wholesale Power Cost Recovery Adjustment filings.

Chugach Electric Association, Inc.  
Anchorage, Alaska

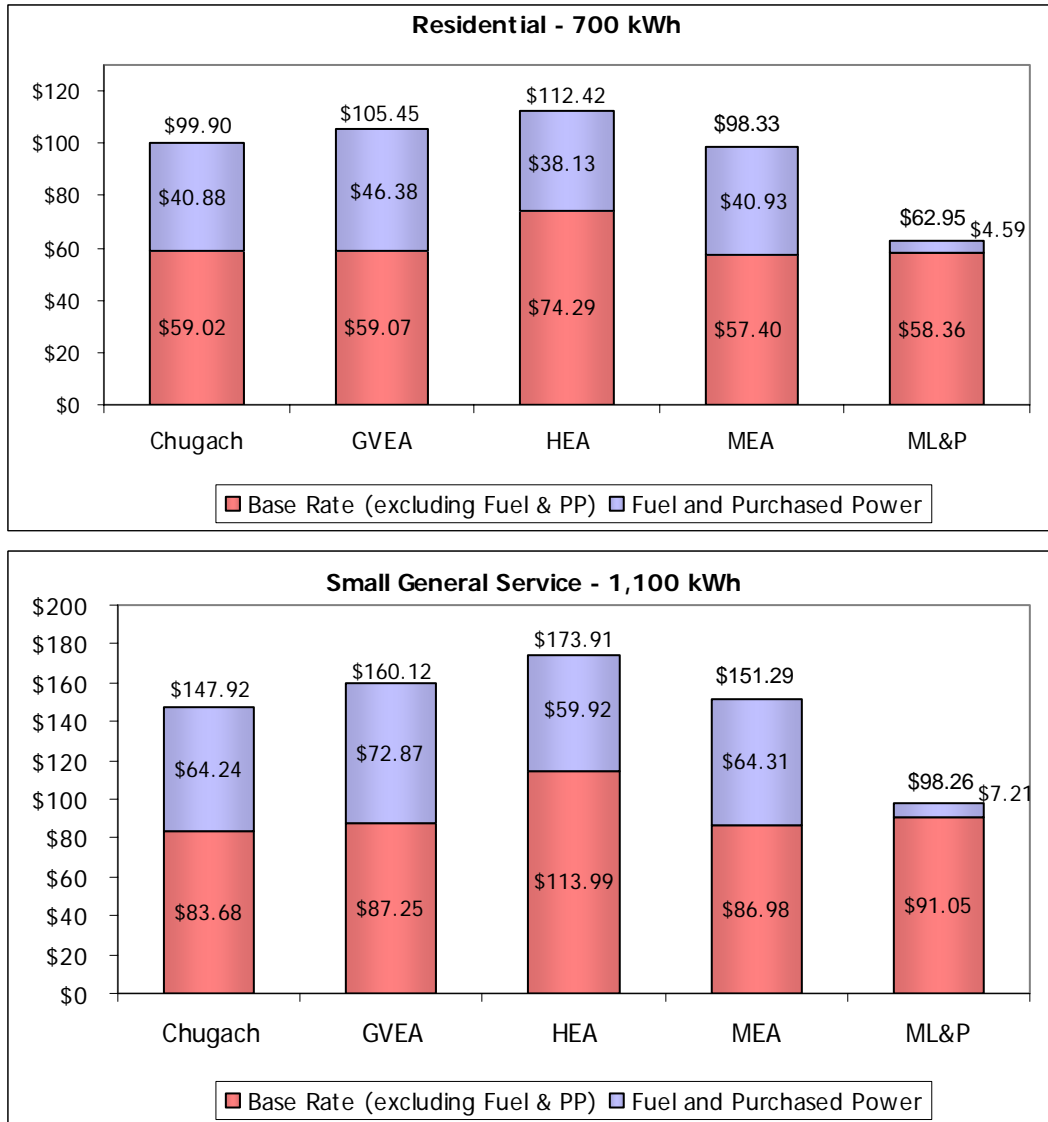
Figure 1: Average Customer Bill by Utility  
Fourth Quarter 2006 vs. First Quarter 2007

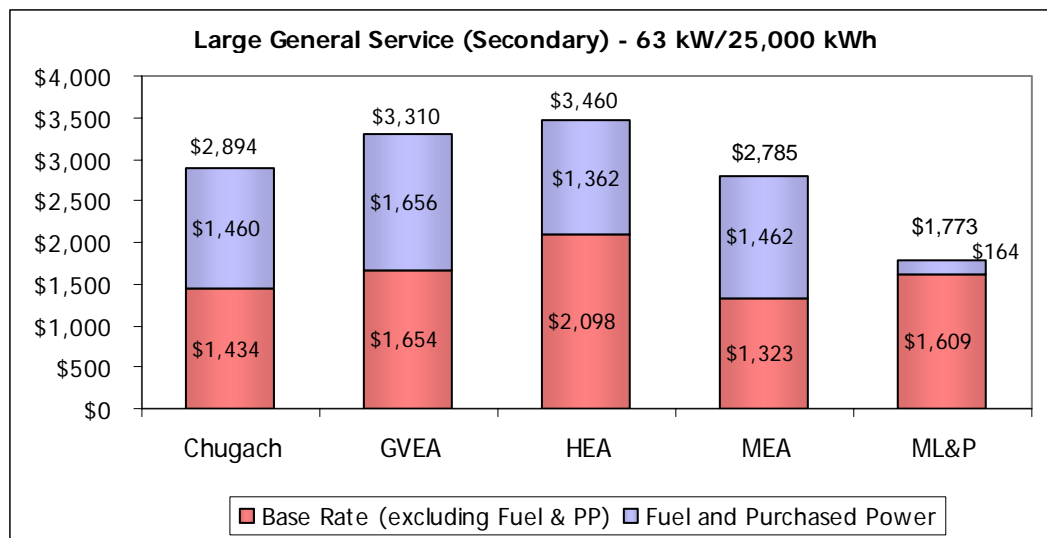


Tariff to tariff bill comparisons can be misleading. Railbelt utilities pursue differing strategic approaches to reliability levels and financial health that directly impact rate levels. Differences in fuel surcharge (or COPA) balancing accounts, rate design considerations, and miscellaneous general 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 - First Quarter 2007





Bill totals based on actual and proposed tariffed rates. Taxes and surcharges such as the Municipality of Anchorage two percent 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. For HEA, cost levels between base rate and fuel and purchased power are estimated.

Table 1: Summary of First Quarter 2007 Bill Levels

	<b>Chugach</b>	<b>GVEA</b>	<b>HEA</b>	<b>MEA</b>	<b>ML&amp;P</b>
<b>RESIDENTIAL</b>					
Q1 2007 Total Bill (700 kWh)	\$99.90	\$105.45	\$112.42	\$98.33	\$62.95
Percent Change from Previous Quarter	0.2%	(5.9%)	(3.5%)	1.9%	2.9%
Percent Difference from Chugach Bill	----	5.6%	12.5%	(1.6%)	(37.0%)
<b>SMALL GENERAL SERVICE</b>					
Q1 2007 Total Bill (1,100 kWh)	\$147.92	\$160.12	\$173.91	\$151.29	\$98.26
Percent Change from Previous Quarter	0.2%	(6.1%)	(3.6%)	2.0%	2.9%
Percent Difference from Chugach Bill	----	8.2%	17.6%	2.3%	(33.6%)
<b>LARGE GENERAL SERVICE</b>					
Q1 2007 Total Bill (25,000 kWh/63 kW)	\$2,894	\$3,310	\$3,460	\$2,785	\$1,773
Percent Change from Previous Quarter	0.2%	(6.7%)	(4.1%)	2.4%	3.7%
Percent Difference from Chugach Bill	----	14.4%	19.5%	(3.8%)	(38.7%)