

Chugach Electric Association, Inc.  
Anchorage, Alaska

Chugach Seward:  
Financial Impact of New Power Sales Agreement

- Attached is a summary of the revenue impact resulting from the new power sales agreement between Chugach and the City of Seward.
  - The summary shows project revenue expected to be realized from Seward over the 5-year contractual period, which spans from mid-2006 through mid-2011.
  - Two revenue streams are shown:

Scenario 1 summarizes the total revenue stream under the new power sales agreement, which totals of \$23.3 million.

Scenario 2 shows the revenue stream as if the existing interruptible contract were in effect over the same period, which totals \$22.4 million.

The bottom section of the table summarizes the difference in revenue on a yearly and contractual period basis.
- In relation to the existing agreement, the new power sales agreement results in approximately \$170,000 of additional revenue on an annual basis, or about \$843,373 over the 5-year contract period. This represents an approximate 16.5 percent increase in non-fuel and purchased power revenue in relation to the existing interruptible agreement.
- The revenue impacts are fixed-cost related. On an annual basis, the additional fixed cost contributions include long-term interest expense (\$60,000), depreciation expense (\$50,000), G&T margins (\$6,000), and other production and transmission costs that do not vary with output (\$50,000).
- The new agreement has no impact on the recovery of fuel and purchased power revenue recovered from Seward (other than differences in unplanned interruptions). Chugach will still recover all fuel and purchased power costs under the new agreement.

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Financial Impact of 2006 Seward Contract  
2006 - 2011 \*

Description	2006	2007	2008	2009	2010	2011	Total
<b>Scenario 1: Projected Revenue - New Contract</b>							
Customer Charge Revenue	\$2,100	\$3,600	\$3,600	\$3,600	\$3,600	\$1,500	\$18,000
Energy Revenue	\$149,551	\$258,911	\$262,338	\$265,765	\$269,193	\$113,592	\$1,319,349
Demand Revenue	\$532,591	\$912,201	\$920,808	\$929,415	\$937,779	\$394,361	\$4,627,155
Fuel / Purchased Power Revenue	\$1,905,030	\$3,505,076	\$3,485,870	\$3,551,641	\$3,511,315	\$1,338,802	\$17,297,734
Total	\$2,589,272	\$4,679,788	\$4,672,616	\$4,750,422	\$4,721,886	\$1,848,255	\$23,262,238
<b>Scenario 2: Projected Revenue - Existing Contract</b>							
Customer Charge Revenue	\$2,100	\$3,600	\$3,600	\$3,600	\$3,600	\$1,500	\$18,000
Energy Revenue	\$149,179	\$258,267	\$261,686	\$265,104	\$268,523	\$113,309	\$1,319,349
Demand Revenue	\$435,518	\$745,938	\$752,976	\$760,014	\$766,854	\$322,483	\$3,783,782
Fuel / Purchased Power Revenue	\$1,905,030	\$3,505,076	\$3,485,870	\$3,551,641	\$3,511,315	\$1,338,802	\$17,297,734
Total	\$2,491,827	\$4,512,880	\$4,504,132	\$4,580,360	\$4,550,292	\$1,776,094	\$22,418,865
<b>Differences in Revenue - New Contract Minus Existing Contract</b>							
Difference in Revenue	\$97,445	\$166,907	\$168,485	\$170,062	\$171,595	\$72,161	\$843,373
Percent Change (excluding fuel / purchased power revenue)	16.6%	16.6%	16.5%	16.5%	16.5%	16.5%	16.5%

\* Financial results based on June 2006 - May 2011 contract period.