

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**July 1, 2008**

**TO:** Chugach Board of Directors

**FROM:** Bradley W. Evans, Interim Chief Executive Officer

**SUBJECT:** *Railbelt Electric Utility Bill Comparison: Second Quarter 2008*

The attached two charts compare retail electric utility bill totals for Chugach, Golden Valley Electric Association, Inc. (GVEA), Homer Electric Association, Inc. (HEA), Matanuska Electric Association, Inc. (MEA) and Municipal Light and Power (ML&P).

Figure 1 compares the bill totals for both first quarter and second quarter 2008. Figure 2 expands the comparison by identifying the fuel and non-fuel components of each customer bill for rates effective in second quarter. Since Chugach, GVEA and ML&P primarily generate their own power, the segregation of these components is directly calculated. For HEA and MEA, the fuel and non-fuel billing components are based on estimates from their wholesale power cost recovery adjustment filings.

### Summary of Results

Table 1 below summarizes the bill totals by utility for each customer class of service.

**TABLE 1: SUMMARY OF SECOND QUARTER 2008 ELECTRIC BILL TOTALS**

Description	Chugach	GVEA	HEA	MEA	ML&P
<b>RESIDENTIAL - 700 kWh</b>	\$92.54	\$157.05	\$108.26	\$96.13	\$69.29
Percent Change from Previous Quarter	1.8%	21.6%	7.4%	2.8%	1.2%
Percent Difference from Chugach Bill	----	69.7%	17.0%	3.9%	(25.1%)
<b>SMALL GENERAL - 1,100 kWh</b>	\$136.71	\$241.02	\$166.20	\$147.84	\$108.21
Percent Change from Previous Quarter	2.2%	22.2%	7.2%	2.8%	1.1%
Percent Difference from Chugach Bill	----	76.3%	21.6%	8.1%	(20.8%)
<b>LARGE GENERAL - SECONDARY <sup>1</sup></b>	\$2,664	\$5,155	\$3,272	\$2,679	\$2,000
Percent Change from Previous Quarter	3.5%	24.0%	8.1%	3.1%	1.4%
Percent Difference from Chugach Bill	----	93.5%	22.8%	0.6%	(24.9%)

<sup>1</sup> Based on 25,000 kWh and 63 kW.

Bill totals for Chugach retail reflect the results of Chugach's 2005 test year rate case. However, the rate levels for HEA and MEA do not. A decision on the 2005 rate case was made during the end of May, and second quarter retail rates for both HEA and MEA had not been adjusted. It is likely that they will be adjusted in third quarter.

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Chugach's retail bill total increases are driven by higher fuel surcharge rates, which more than offset the 4.8 percent decrease to base energy rates associated with the 2005 test year rate case.

GVEA's retail bill levels increased substantially in second quarter, with residential and small general service bills increasing about 22 percent, and large general service increasing about 24 percent. The increases were driven by a 2.1 percent increase to base rates effective June 1 and a 29 percent increase in the average cost of power, driven by higher fuel costs for both diesel and Naphtha. The average cost of energy for a GVEA residential customer using 700 kWh now exceeds \$0.22 per kWh. In contrast, the same customer within Chugach's retail service area currently pays about \$0.13 per kWh.

HEA retail bill totals increased over 7 percent in second quarter, driven by a 6.5 base demand and energy rate increase effective April 1, with the balance being driven by a higher quarterly Wholesale Power Cost Rate Adjustment factor. Increases in second quarter bill totals for retail members of MEA were attributed to a 1.98 percent base demand and energy rate increase effective in April and higher fuel and purchased power costs.

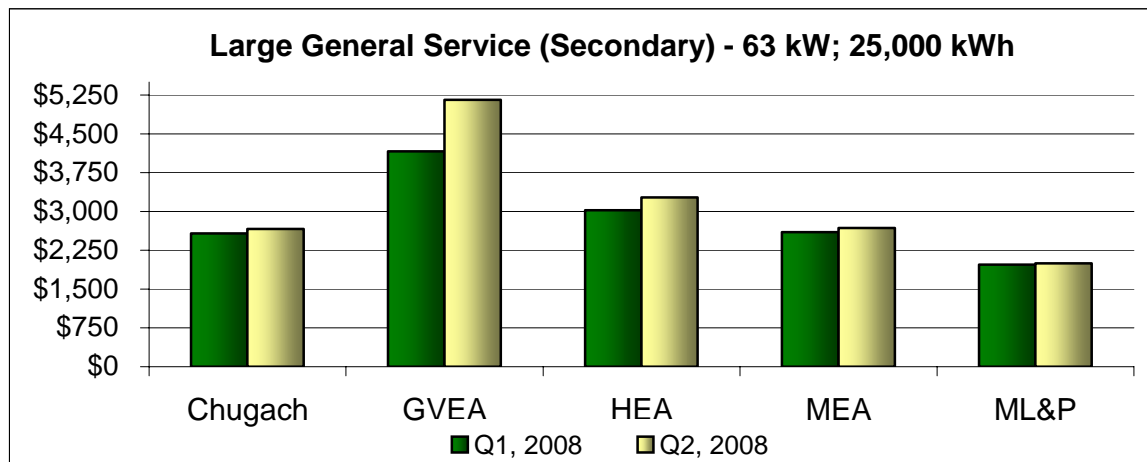
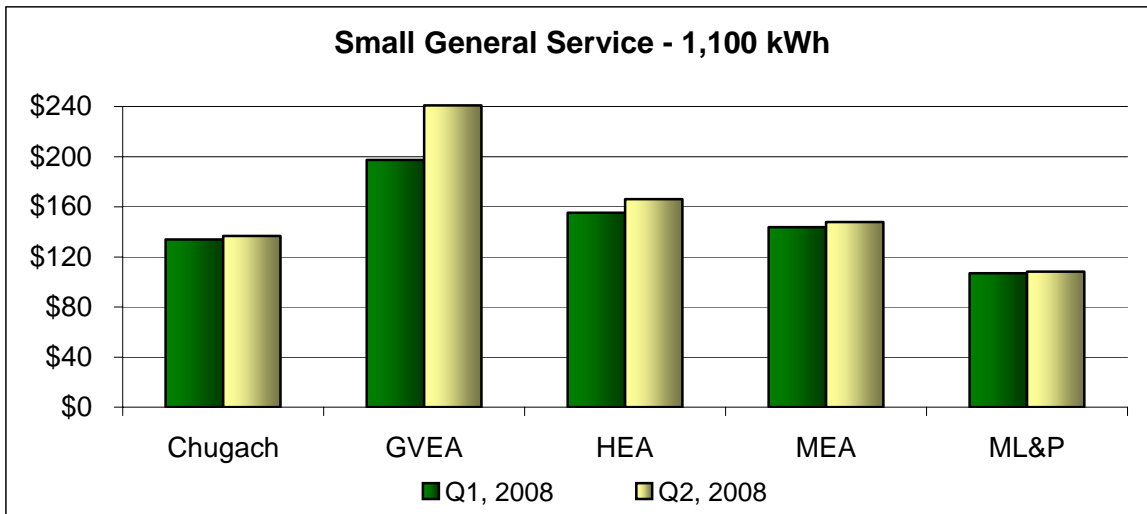
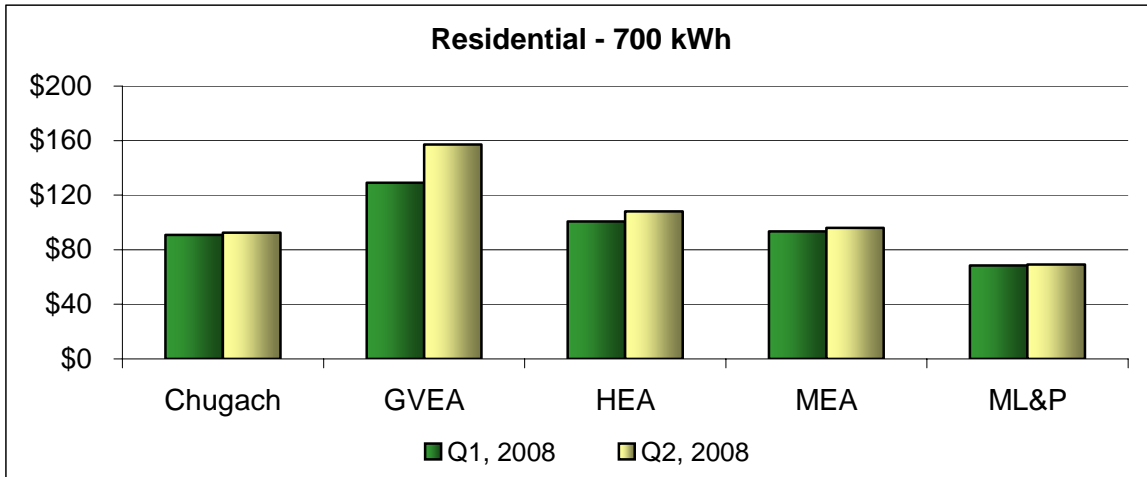
ML&P's increase is primarily attributed to a reduction of a credit balance in its surcharge balancing account and lower than anticipated margins on economy energy sales. There were no changes in ML&P's base rates.

The bill comparisons include all approved and pending surcharge rates for second quarter, 2008. Taxes and surcharges, including the Municipality of Anchorage 2% undergrounding surcharge, are not applicable to all utilities and are therefore excluded from the calculations. The Regulatory Cost Charge is included as this charge is applied equally to all utilities.

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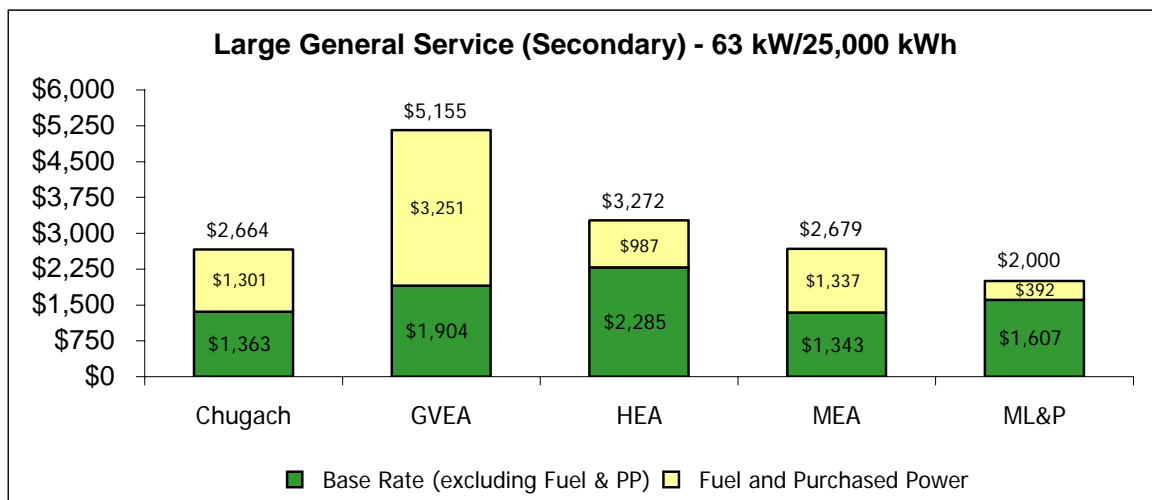
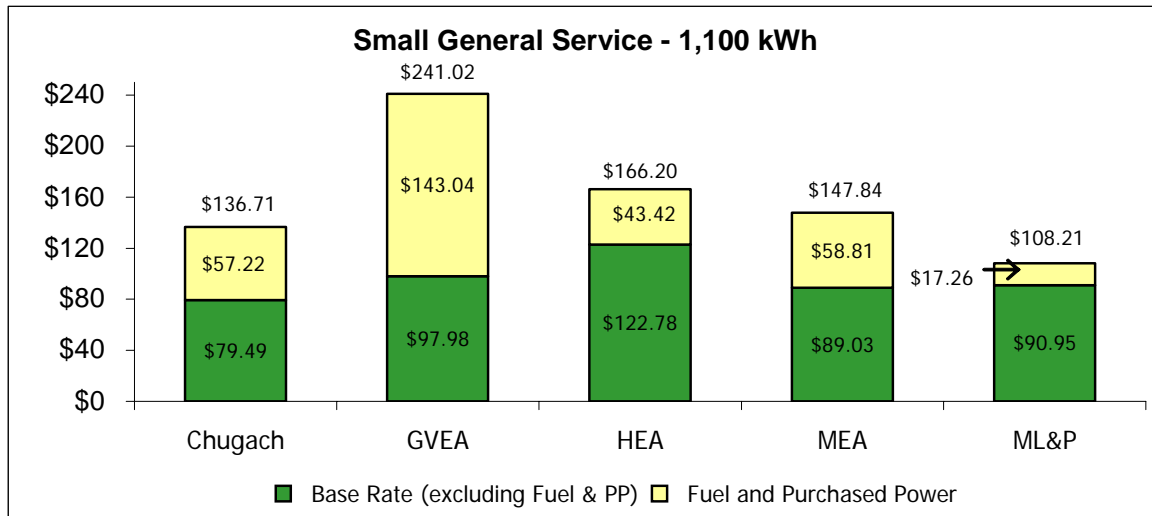
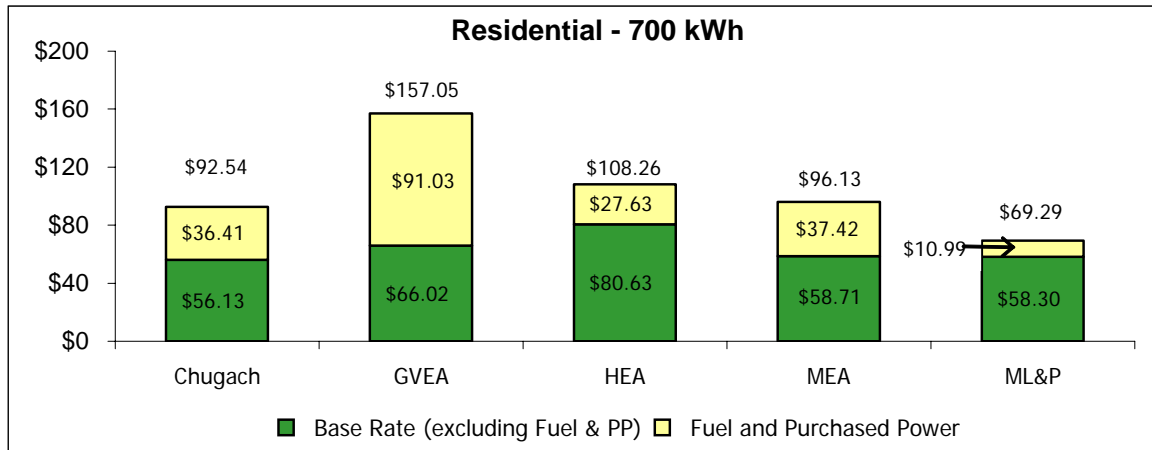
**Figure 1: Retail Electric Bill Totals by Utility  
First Quarter 2008 vs. Second Quarter 2008**



Bill totals based on actual and proposed tariffed rates. Taxes and surcharges such as the Municipality of Anchorage 2% undergrounding surcharge are excluded.

Chugach Electric Association, Inc.  
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**Figure 2: Base Rate and Fuel and Purchased Power Components  
 Bill Totals - Second Quarter 2008**



Bill totals based on actual and proposed tariffed rates. Taxes and surcharges such as the Municipality of Anchorage 2% 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.