

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

**September 30, 2008**

**TO:** Chugach Board of Directors

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

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

Chugach has updated its Railbelt electric utility bill comparison for rates effective third quarter 2008.

Retail bill levels have increased for all utilities except for Golden Valley Electric Association, Inc. (GVEA). Increases continue to be largely driven by higher natural gas prices. GVEA rates decreased slightly due to projected decreases in the cost of diesel and Naphtha fuel. The retail rates of both Homer Electric Association, Inc. (HEA) and Matanuska Electric Association, Inc. (MEA) reflect increases resulting from Chugach's 2005 rate case.

### **Third Quarter Results**

Chugach residential bill levels increased 5.8 percent between second and third quarter, driven entirely by increases in the fuel surcharge. Year-to-date, bill levels have increased 7.7 percent, driven by higher natural gas prices but offset by a 4.8 percent reduction in base rates resulting from Chugach's 2005 test year rate case.

HEA residential bills increased 5.3 percent due to increases in their wholesale power cost adjustment rate. Bill levels have increased about 13.1 percent on a year-to-date basis, driven by increases in the wholesale power cost adjustment rate (Chugach's 2005 rate case and fuel surcharge) and by increases in HEA distribution rates.

MEA residential bills increased 3.9 percent due to increases in their wholesale power cost adjustment rate. Year-to-date, bill levels have risen about 6.8 percent through increases in the wholesale power cost adjustment rate (Chugach's 2005 rate case and fuel surcharge) and by increases in MEA distribution rates.

GVEA saw a decline of 3.4% due to a reduction in their fuel surcharge rate. The reduction was primarily driven by lower projected fuel costs for both diesel and Naphtha which are used at their North Pole generating plants. These reductions were offset by projected higher coal prices (8.7 percent) due to a new contract rate effective July 1. Year-to-date, GVEA residential bill levels have increased about 17.5 percent.

Residential bills for Anchorage Municipal Light & Power (ML&P) increased 8.9 percent in third quarter, largely attributed to a rise in the transfer price of ML&P produced gas, which increased from \$1.72 per Mcf to \$2.95. Bill levels have risen about 10 percent on a year-to-date basis. ML&P bill levels remain significantly lower than other utilities in the Railbelt due to their direct ownership interest in the Beluga River Field.

## Comparison of Results

Figure 1 compares bill totals for second and third quarter 2008 between each of the Railbelt utilities. Figure 2 expands the comparison by identifying the fuel and non-fuel components of each customer bill for rates effective in third quarter.

Figure 3 summarizes Chugach residential bill levels from 1993 through 2008, identifying fuel and non-fuel components of each bill. This chart also shows how bill levels have changed in relation to the Anchorage Consumer Price Index (inflation).

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

Rate levels for all classes reflect the Regulatory Commission of Alaska's recent approval an updated Regulatory Cost Charge rate of \$0.000362 per kWh effective July 1, an increase from the previous rate of \$0.000274. This represents an impact of about \$0.06 on purchases 700 kWh.

The table below summarizes the results.

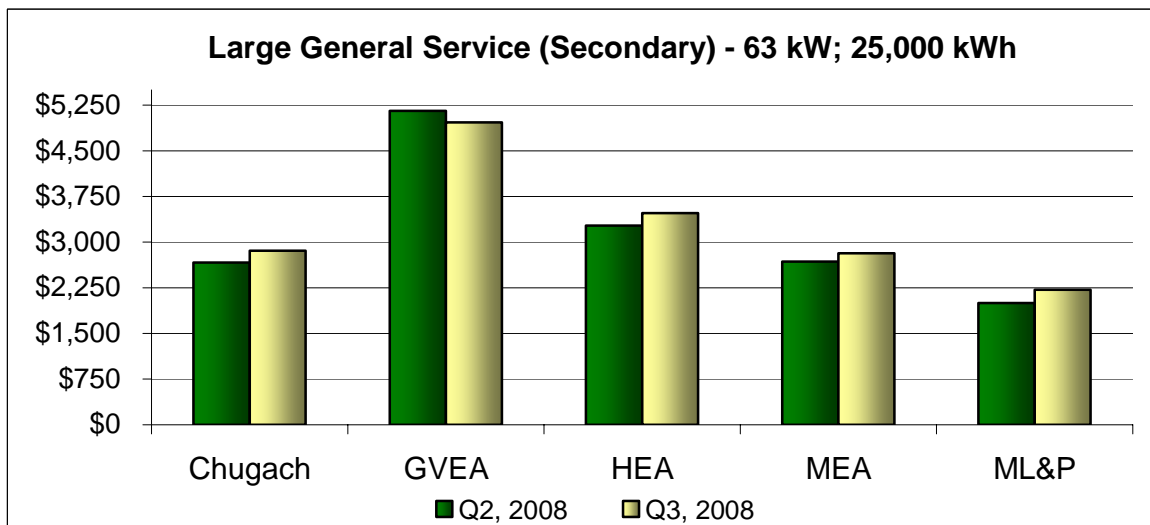
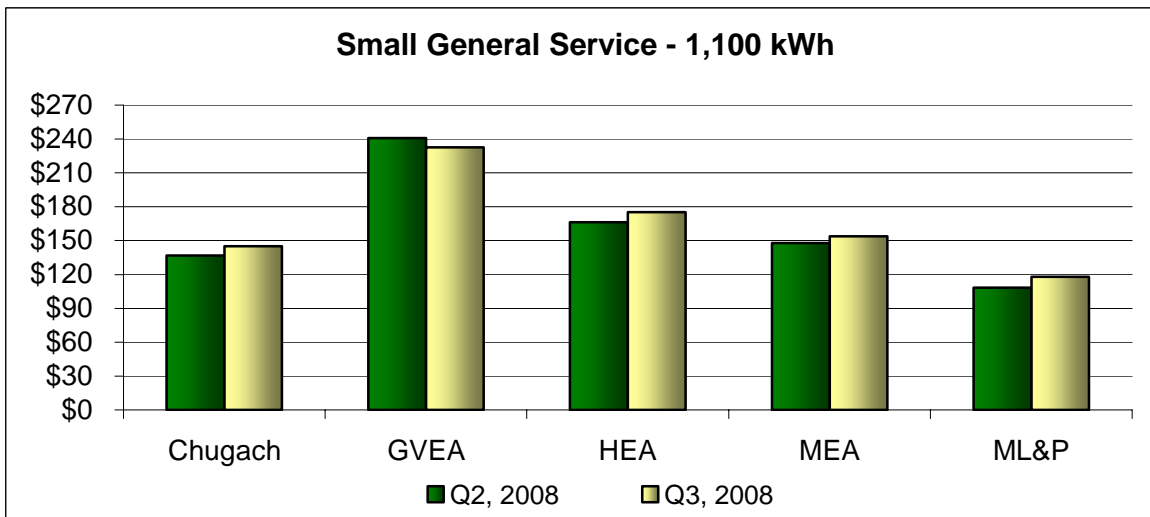
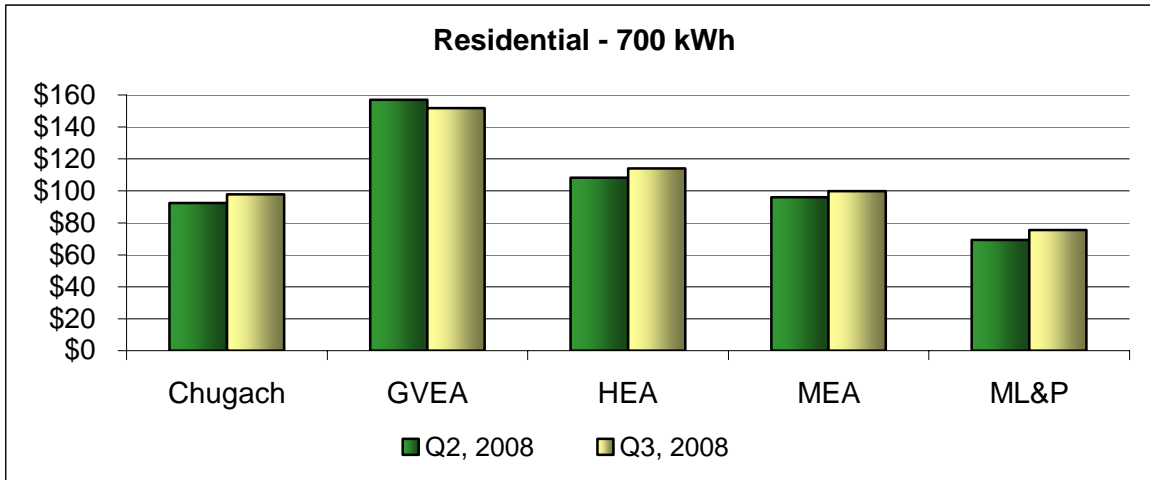
**TABLE 1: SUMMARY OF THIRD QUARTER 2008 ELECTRIC BILL TOTALS**

Description	Chugach	GVEA	HEA	MEA	ML&P
<b>RESIDENTIAL - 700 kWh</b>	\$97.91	\$151.76	\$113.99	\$99.89	\$75.45
Percent Change from Previous Quarter	5.8%	(3.4%)	5.3%	3.9%	8.9%
Percent Difference from Chugach Bill	----	55.0%	16.4%	2.0%	(22.9%)
<b>SMALL GENERAL - 1,100 kWh</b>	\$145.15	\$232.72	\$175.20	\$153.76	\$117.90
Percent Change from Previous Quarter	6.2%	(3.4%)	5.4%	4.0%	9.0%
Percent Difference from Chugach Bill	----	60.3%	20.7%	5.9%	(18.8%)
<b>LARGE GENERAL - SECONDARY *</b>	\$2,856	\$4,966	\$3,477	\$2,814	\$2,220
Percent Change from Previous Quarter	7.2%	(3.7%)	6.3%	5.0%	11.0%
Percent Difference from Chugach Bill	----	73.9%	21.8%	(1.5%)	(22.3%)

\* Based on 25,000 kWh and 63 kW.

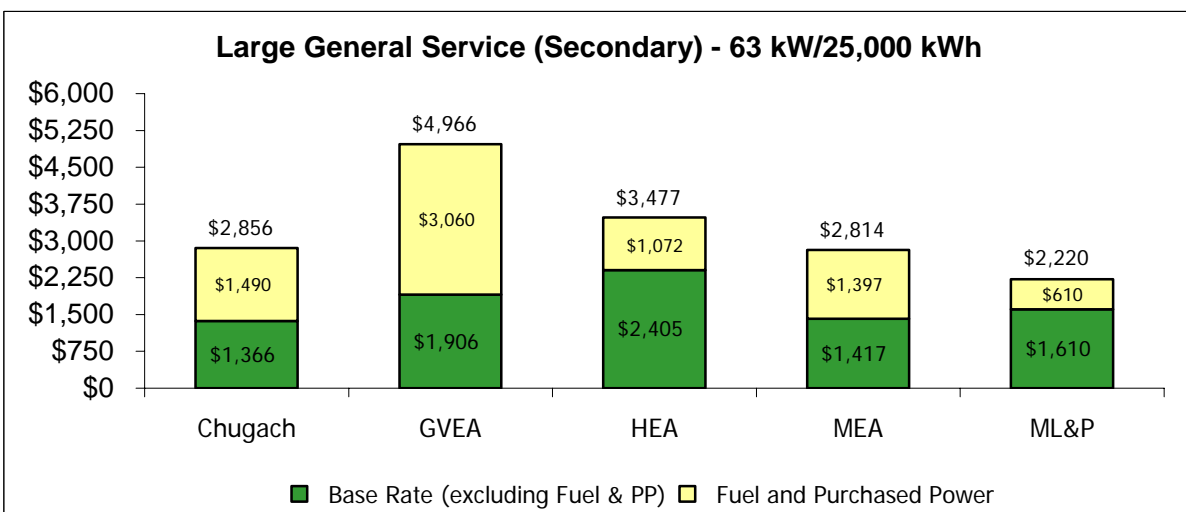
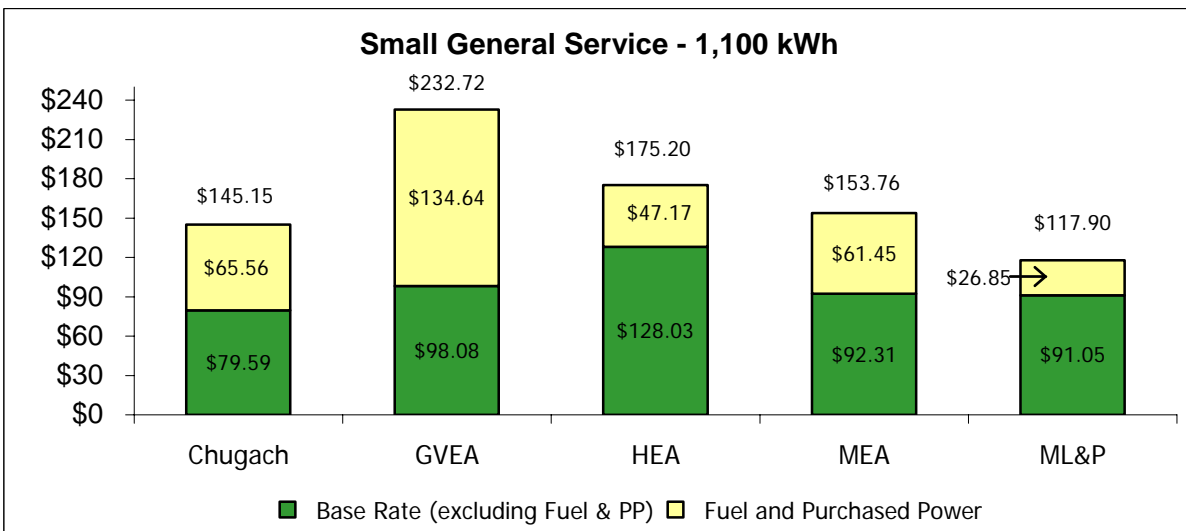
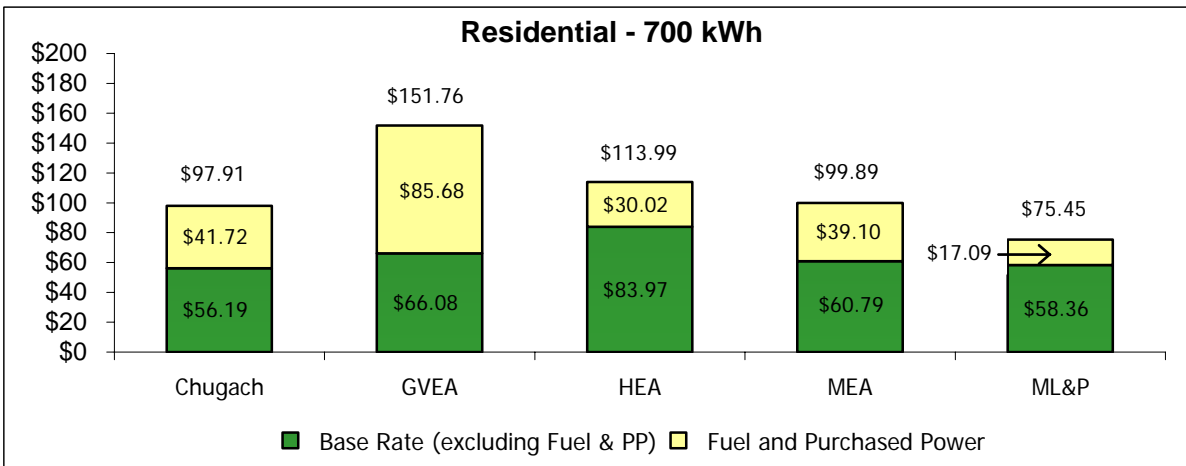
Bill totals based on actual and proposed tariffed rates. Taxes and surcharges such as the Municipality of Anchorage 2% undergrounding surcharge are excluded.

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

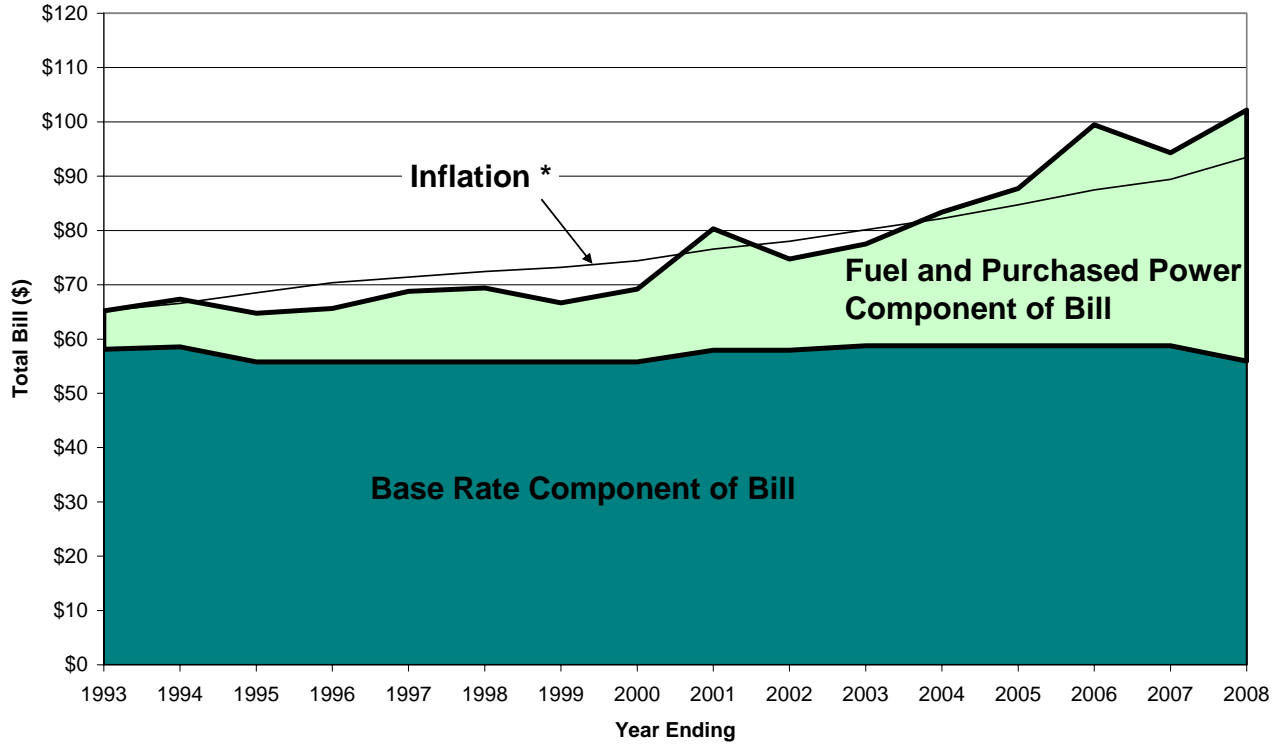
**Figure 2: Base Rate and Fuel and Purchased Power Components  
 Bill Totals - Third Quarter 2008**



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.

**Chugach Electric Association, Inc**

**Figure 3: Monthly Residential Bill Total, by Component  
Based on 700 kWh Consumption: 1993 - 2008**



\* 1993 residential bill, adjusted for inflation. 2008 inflation rate estimated.