

Chugach Electric Association

**Reliability Economics and
Justification Recommendation**

Finance Committee

October 9, 2002

JUNE FINANCE COMMITTEE MEETING

Capital Improvements Program Approval Process

New Project Classifications

- 1. Capital Improvements**
- 2. Capitalized Maintenance
(Retirements and Replacements)**
- 3. New Capital Projects**

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1. Capital Improvements
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(Retirements and Replacements)
3. New Capital Projects

**Economic
Justification
Required on
less than
25% of
projects**



NEW CAPITAL PROJECTS

New capital Projects are:

- 1. Reliability Projects**
- 2. Operating Efficiency Projects**
- 3. New Business Offerings**

RELIABILITY PROJECTS

**Reliability projects are less than
10% of total capital spending**

Two Benefits

- 1. Firm O&M expense reductions**
- 2. Economic value that the members receive**

CHUGACH'S VALUE OF RELIABILITY

CLASS	\$/kWh
Residential	\$5
Commercial	\$22
MEA	\$11
HEA	\$16
SES	\$17

Basis: 1989 EPRI Study

2002 RELIABILITY STUDY

**Hired Craciun Research Group, Inc
10 Focus Groups**

Summary of Major Findings:

- 1. Satisfied with current level of reliability**
- 2. Maintain current level of reliability**

RECOMMENDATION

**“... keep on doing what
you are doing...”**

Recommendation:

- **Continuation of current capital planning process**
- **Continuation of economic justification method**