

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

December 10, 2008

ACTION REQUIRED

AGENDA ITEM NO. X.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Authorization for Project Expenditures: South Central Alaska Power Project

DISCUSSION

Chugach's existing generation is aging and new generation is more efficient using substantially less fuel. Jointly building a new generation unit offers economies of scale that cannot be gained through individual utility efforts. Chugach is in the process of developing a gas-fired generation plant near its Anchorage headquarters with its Participant, Anchorage Municipal Light and Power (AML&P).

On July 30, 2008, the Chugach Board of Directors authorized the CEO to sign the Participation, Operation and Maintenance, and Lease Agreements for the Project with AML&P. Chugach and AML&P signed these Agreements on August 28, 2008. In this resolution, based on Black & Veatch's May 2008 cost estimate, Chugach's forecast share of cost was estimated to be \$256 million, 70% of the total cost. AML&P will bear the remaining 30% of cost.

On October 31, 2008, the Participants Committee authorized Chugach to execute a gas turbine purchase agreement for the purchase of three gas turbines with an option for a fourth turbine from General Electric Packaged Power. On November 17, 2008, Chugach executed a contract with General Electric for same. The turbine model selected was the LM6000PF.

The project has been budgeted and the Engineer's estimate is \$256 million.



RESOLUTION

WHEREAS, Chugach Electric Association, Inc. has a need for new electric generation to replace its less efficient, aging generation; and

WHEREAS, Chugach Electric Association, Inc. performed economic evaluations that have determined that a joint 3x1 combined cycle power plant is the least cost generation alternative; and

WHEREAS, Chugach Electric Association, Inc. has included the South Central Alaska Power Project in the 2009-2013 Capital Improvement Plan; and

WHEREAS, Chugach Electric Association, Inc. has entered into a Participation Agreement with Anchorage Municipal Light and Power to develop a power plant and share the financial and operational costs associated with such a project; and

WHEREAS, Chugach Electric Association, Inc. has entered into an agreement to purchase three (3) LM6000PF gas turbine generators from General Electric; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Chugach Electric Association, Inc. authorize project expenditures for the South Central Alaska Power Project with an estimated cost of \$256 million and an estimated completion date of June 30, 2013.

I, Alex Gimarc, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the ____ day of _____, 2008; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the ____ day of _____, 2008.

Secretary

Individual contracts representing major equipment purchases and engineering contracts will be submitted for approval by the Board of Directors in accordance with policy requirements.

BUDGETARY IMPACTS

Amount: \$256 million

Expense: \$0

Capital: \$256 million

Discussion: The capital expenditures above will extend from 2008 through 2013. An updated cost estimate will be provided in 1Q 2009 once an Owner's Engineer contract has been awarded.

MOTION

Move that the Finance Committee recommend that the Board of Directors authorize project expenditures for the South Central Alaska Power Project with an estimated cost of \$256 million and an estimated completion date of June 30, 2013.

Chugach Project Authorization

Project Name: New Generation: South Central Alaska Power Plant

Project Category:

| | | | | | | | |
|-----------------|--|-------------------------|---|----------------------|---|----------------|--|
| Safety | | Incremental Load Growth | | New Service | x | R&R SCADA | |
| Agency Mandated | | Reliability | x | Operating Efficiency | x | R&R Generation | |

Accountabilities & Approvals

| | <u>Signature</u> | <u>Date</u> |
|--|------------------|-------------|
| Board of Directors: Alex Gimarc, Secretary | _____ | __/__/__ |
| CEO: Bradley Evans | _____ | __/__/__ |
| Sr. VP Power Supply: Paul Risse | _____ | __/__/__ |
| Project Manager: Dustin Highers | _____ | __/__/__ |

Purpose and Need:

Chugach’s existing generation is aging and new generation is more efficient using substantially less fuel. Jointly building a new generation unit offers economies of scale that cannot be gained through individual utility efforts. Chugach is in the process of developing a gas-fired generation plant near its Anchorage headquarters with its Participant, Anchorage Municipal Light and Power.

Project Description:

The South Central Alaska Power Project will be a natural gas-fired combined cycle power plant utilizing General Electric LM6000 PF-25 DLE combustion turbines in a three-on-one configuration, in which each combustion turbine exhausts to a heat recovery steam generator. The purpose is to provide Chugach and South Central Alaska, through economies of scale, more efficient, reliable, and cost effective generation. The Engineer’s estimate for the project, to be constructed over the next five years, is \$256 million.

Approval Amount: \$256 million

Project in 2008/2013 CIP, 2008 Budget at \$42,502,964

| | Labor | Contract | Travel | Material | Other | Total |
|-----------------|-------------|---------------|----------|--------------|--------------|---------------|
| Budget | \$1,766,280 | \$124,750,614 | \$48,302 | \$91,576,854 | \$37,863,562 | \$256,005,611 |
| Forecast | \$1,766,280 | \$124,750,614 | \$48,302 | \$91,576,854 | \$37,863,562 | \$256,005,611 |
| Variance | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

Variance Discussion:

There is no variance at this time. The figures represented include estimates of costs brought forward from studies performed prior to the beginning of this capital project.

Chugach Project Authorization

Cash Flows

2008 \$7.2 million
2009 \$31.2 million
2010 \$77.6 million
2011 \$61 million
2012 \$47 million
2013 \$32 million

Economic Analysis

The “2008 Generation Economic Evaluation for New Base Load Generation”, July 2008, shows the South Central Alaska Power Project is the least cost gas-fired generation alternative.

Economic Analysis Summary

The Evaluation considered the impact of gas prices, loads, participants, emissions, future renewables, joint dispatch, capital cost, fuel supply and rebuilding Beluga Unit 8 for a variety of gas-fired generation alternatives. The Evaluation showed the 3x1 configuration, with the LM6000 PF gas turbine, is least cost and meets long-term generation planning goals.

Current Project Status: Percent Complete 0.5%

Project Schedule: (see attached timeline)

Chugach Electric Association, Inc.
Anchorage, Alaska

Summary Schedule for New Plant - As of September 2008

