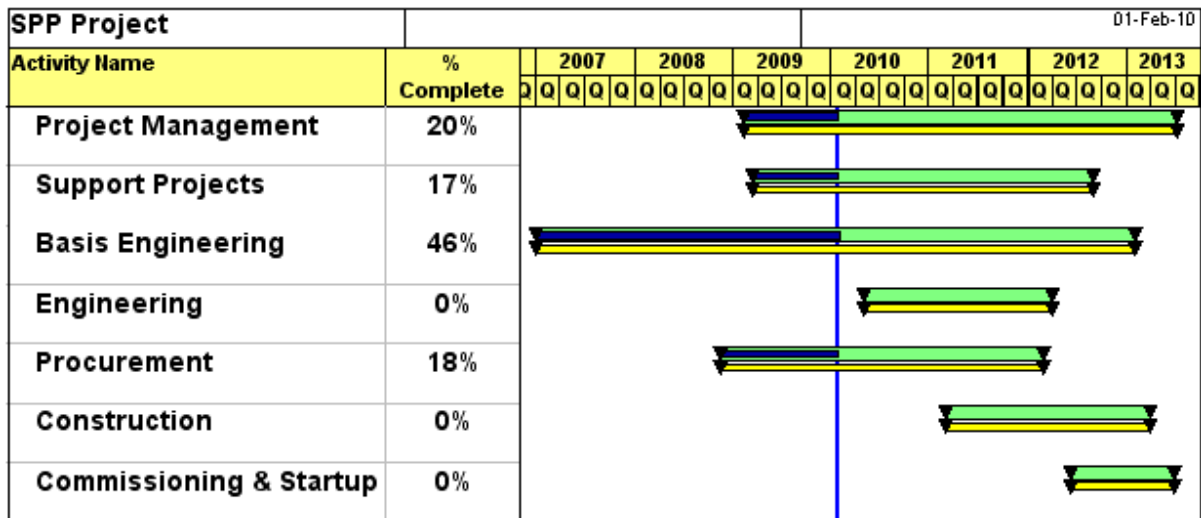


**Southcentral Power Project
Anchorage, Alaska**

February 1, 2010

Project Report – January 2010

Schedule



Costs

Costs (1,000's)	Pre-2009	2009	2010	2011	2012	2013	TOTAL
Project Forecast	\$7,516*	\$41,879	\$105,208	\$120,790	\$63,964	\$26,357	\$365,714
Project Actual	\$7,516	\$30,278	\$71	\$0	\$0	\$0	\$37,865
Chugach Forecast	\$5,861*	\$29,315	\$73,646	\$84,553	\$44,775	\$17,850	\$256,000
Chugach Actual	\$5,861	\$20,954	\$56	\$0	\$0	\$0	\$26,871

*Actual costs are now reported for "Pre-2009" figures.

- Forecasts include interest, escalation, and contingency amounts.
- "Project Forecast" adjusted in out-years consistent with present expectations of engineering in 2010 and construction in 2011-2012.
- Majority of costs in 2009 have been payments for LM6000 units from General Electric.

Safety

Days without a Lost Time Accident (LTA): 522 Days

Summary of January Milestones/Events

- 1/12/2010. EPC Pre-proposal Meeting
- 1/14/2010. Kiewit Site Visit
- 1/26/2010. CH2M Hill Site Visit

Site Development

In January the T&D Engineering department made progress on engineering for laydown in the new Operations Laydown/Storage site, which is the AWWU property adjacent to Chugach Headquarters. Purchase of the property is to be completed in February.

An associated sub-project is the move of Operations' cold storage building which is currently in a location where underground high voltage cables will be installed for the new power plant. When construction of fencing, lighting, and the relocated helipad are complete the Operations department will move their equipment. This is expected to occur between mid-July and September 2010.

Combined Heat & Power

Although the community has not approached the Project in recent months the use of power plant heat on the Chugach campus is being pursued. The initial concept includes a run of pipe between the power plant and a pad to be located near Building C. Use of heat for snow melting on the SPP site has been included in the technical specification, which EPC Contractors are currently using to prepare their proposals.

Infrastructure Development

The Project will not ultimately be responsible for the installation or permitting of the water and sewer connections to the south of the plant, but the Project Team has approached both Alaska DOT and AWWU several times in an effort to enhance coordination between the successful EPC Contractor and those organizations. Alaska DOT has released their initial concept of the road they intend to construct in 2012 along Rovenna allowing AWWU and the Project to conceptualize layout of the water and sewer piping in that path between Raspberry and the SPP site. Most recently representatives from the Project Team met with these State and MOA departments on January 25th.

Natural gas to the Project also took a major step forward in January with a meeting held between the Project Team and Enstar Natural Gas Company on January 19th. Enstar and the team were able to conceptualize the piping, which will include a tie to the existing 8" pipe running along W. Dowling (south of the new plant) and an additional 12" pipe which will ensure SPP has two sources of gas. Enstar is working to develop language for a typical agreement between Chugach Electric and Enstar, which will have details of the construction and a cost estimate of the piping installation.

Air Quality Permitting

The Chugach Environmental Manager, Greg Arthur, and our contractor, Hoefler Consulting Group, has prepared the modeling protocol for SPP which is now in the hands of ADEC for review and approval. The protocol is being used in the meantime to evaluate potential emissions issues around SPP in order to finalize the permit application. This application is on schedule and will be released to ADEC on March 1st.

Zoning

Re-zoning of the Chugach property from I-1 to I-2 has also been moved ahead with submission of the application along with the appropriate fee for processing. No objections are expected from the Municipality as this move conforms to their land use map, but it remains that we will need to answer questions during a public response period in the coming month.

Procurement

The combustion turbine generators (CTGs) were purchased in November 2008, and GE Packaged Power confirmed in January that manufacturing is on track with the first expected "Ready to Ship" date for June of this year. EPC Contractors have been informed that taking receipt of our turbines is one of their first tasks as they will have care, custody, and control of the units.

Proposals to supply the 57MW steam turbine generator (STG) were being evaluated throughout January with four meetings of the evaluation team, consisting of Chugach, ML&P, and a representative from the Owner's Engineer, PB Power. Once the evaluation is completed, likely in the first week of February, the best proposer will be asked to begin negotiations on the purchase contract.

The RFP for engineering, procurement, and construction (EPC) services was released in December 2009 and Contractors have been actively researching the Project. A pre-proposal meeting was held with all Contractors on January 12th, and a visit to the SPP site will be made by each Contractor within a month of that meeting. More formal meetings are scheduled with the Contractors, with a full day of questions and answers for each of them, between February 23rd and 25th. The EPC proposals are due on March 19th. All of the Contractors confirmed this is sufficient time to prepare good quality proposals. In initial meetings the Contractors have indicated they view the technical specifications provided in the RFP as complete and well-written.