

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

**BOARD MEETING**  
**AGENDA ITEM SUMMARY**

**November 1, 2006**

**ACTION REQUIRED**

**AGENDA ITEM NO. II**

- Information Only  
 Motion  
 Resolution  
 Executive Session  
 Other \_\_\_\_\_
- 

**TOPIC**

Rate Case Presentation

**DISCUSSION**

The purpose of the attached presentation is to communicate board to board and invite wholesale customer participation. The presentation discusses the drivers of the rate case, time frame and what will be reviewed by the RCA staff.

The Chugach board invites wholesale customer participation and input. Working cooperatively will limit conflict and costly litigation and more equitably realign rates to customer classes.

**CEO's RECOMMENDATION**

Motion:        Move to authorize the Board of Directors to present the attached Rate Case presentation to other entities.

**“OVERVIEW  
of  
CHUGACH’S  
2005 GENERAL RATE  
CASE”**

October 2006

# Presentation by Chugach Directors

- This is a high level summary of Chugach's 2005 Rate Case and is an opportunity for the Chugach Board to present the objectives of the case to other Boards
- Directors have been briefed by Chugach Staff on Rate Case matters but the Board is a policy-making body and not expert in utility rate matters
- Questions will be limited to the material in this presentation
- Additional presentations of Chugach's 2005 Rate Case by Chugach Management can be arranged upon request

# Drivers of Rate Case

- Rate Case is about fairness between two sides of the business
  - G&T
  - Distribution
- Unbundling efforts have shown that G&T rates are not adequate to support costs
  - Cost of services needs to be updated
  - Debt and resulting interest expense is not properly allocated

# Drivers of Rate Case

- Current rates do not include latest depreciation study
- Beluga gas compression costs must be incorporated into the rate base
- G&T equity is minimal and current tier is not adequate to make improvements

# Unbundled Base Rate Changes (\$ Values in Millions per Year)

	Base Rate Revenues	Proposed Change	Rate Case Request	Percent Change
G&T	\$62	\$10	\$72	16%
Distribution	\$54	<\$8>	\$46	<15%>
Total	\$116	\$2	\$118	2%

# Estimated Class Impacts

## (\$ Values in Millions per Year)

	Proposed Change	Percent Change		
		Base Rate Revenue	All G&T Revenue	Impact at Retail
G&T				
Chugach Retail	\$4.0	12%	5%	3%
HEA	\$2.6	25%	9%	5%
MEA	\$3.0	17%	7%	5%
SES	\$0.3	22%	9%	4%
Distribution	<\$7.8>	n/a	n/a	<6%>
Chugach Retail-Total	<\$3.8>	n/a	n/a	<3%>

# Primary Cost Drivers

## (Annual Change)

- Depreciation expense: \$4.3 million increase
- Allocation of interest expense
  - G&T: \$4.0 million increase
  - Dist: \$4.0 million decrease
- G&T TIER
  - 1.10 to 1.20: \$1.7 million increase
- G&T expense: About \$3 million increase
- Distribution expense: About \$4 million decrease

# Additions to Revenue Requirement not in Draft Filing

- Beluga Compression Cost
  - Estimated Total Cost: \$3.7 million
  - Estimated Annual Cost: \$0.8 million
- Labor Expense
  - Contract negotiations in progress
  - Expect to request inclusion in revenue requirement, when costs are known

# Process

- Legislative time-frame is 15 months
- RCA Staff will review
  - Depreciation Study
  - Cost of Service Study
  - Financial Management Plan
  - Unbundled financial statements

# Summary

- Chugach Board invites wholesale customer participation and input
- Working cooperatively will limit conflict and costly litigation
- More equitably realign rates to customer classes

# **Chugach Directors' Rate Case Presentation**

# **Thank you**