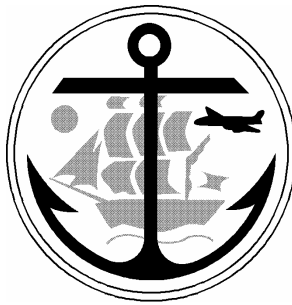


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Study of Electric Utility Combination Identifies Savings Potential
Phase I Consultant Report Released for Analysis, Public Meeting Set for Nov. 29

Savings in electric rates could be achieved through some combination of the operations of Southcentral Alaska's two largest electric utilities, says a study by the consultant hired by the Municipality of Anchorage and Chugach Electric Association (Chugach) to review a potential consolidation of operations of Municipal Light and Power (ML&P) and Chugach.

The savings in average retail electric rates for the two utilities could be as much as 8.2 percent, with the high-end resulting in more than \$200 million in savings over the coming decade, says the study by Navigant Consulting. Under another scenario, where a private company acquires both utilities, rates could increase by up to 9 percent.

The 127-page study was released today to an oversight panel assembled by the city and Chugach to review a potential reorganization or joint operations of the two utilities. The report analyzes potential benefits from seven alternative combinations of all or some portions of each utility's operations and evaluates potential benefits from a merger in which Chugach acquires ML&P or in which ML&P acquires Chugach.

The report also considers cases in which both utilities are acquired by a third party and options for joint construction and ownership of new generation capacity without a merger. Options for outsourcing and combining operations of the two utilities without any acquisition or merger also are evaluated.

Not all of the options studied produced savings and the study notes that some may be more difficult to achieve than others. The consultants pointed out there may be legal and financial hurdles for some of the options that will require further analysis. They recommended additional comment from legal and bond counsels to explore some of the issues raised in this initial phase of the project.

The study says even if the two utilities opt against a combination, they should pursue joint development of a single gas-fired generating plant rather than continue to pursue development of two separate units half that size at different locations. “The savings from that option alone is estimated to save over \$85 million in electric service costs during the 12-year study,” says the report.

Over the next few weeks, the draft study will be analyzed by the oversight panel, Chugach, the Municipality and their respective consultants. Both organizations agreed to not comment on the substance of the report until after the Nov. 29 public meeting.

“We are pleased to receive this Phase I report and to immediately make it available to the public for review and comment,” said Mayor Mark Begich. “The goal of this report was to determine an order of magnitude of potential savings and to reduce the number of options for further study. I am confident this report achieves those goals, and that there are alternatives that warrant more detailed scrutiny.”

“All Chugach consumers deserve the lowest possible cost for their electricity,” said Chugach Electric Association Chair Elizabeth Vazquez. “Although some of the options identified in the draft report need further legal and tax analysis, I look forward to carefully analyzing all the assumptions and recommendations, and receiving comments from the public.”

Begich and Vazquez co-chair a 7-member oversight panel composed of utility and financial experts and board members charged with reviewing the possible reorganization or joint operations of the two utilities. In July, the two utilities jointly hired Navigant, a national utility consulting firm, to review the operations of Chugach and ML&P to make recommendations.

At issue is how to provide electricity to residents and businesses in the Anchorage bowl at the lowest possible cost. When initially formed, ML&P was envisioned as the provider to urban Anchorage residents while Chugach was formed in 1948 to serve more rural areas outside the city limits.

Over time, those distinctions have blurred, with ML&P largely serving downtown, Chugach serving most of the rest of Anchorage and a third utility, the Matanuska Electric Association, serving a portion of Anchorage from Eagle River to the Knik River. Chugach serves 64,300 members at 80,000 metered locations and ML&P serves about 30,000 customers.

The Phase I Navigant study has been posted on the Municipality’s website (www.muni.org/mayor/mlpcea.cfm) and also can be accessed from Chugach’s website for review by the public. A public hearing is scheduled for Nov. 29 from 4-7 pm at the Loussac Library.

Reporters with questions about the Phase I report can contact Navigant’s Ron Nichols at 916-631-3200.