

Alaska Energy Task Force

Jeff Lipscomb, Treasurer
Chugach Electric Association, Inc.
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Objectives

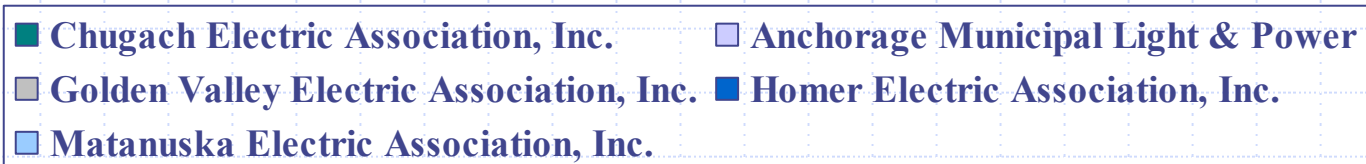
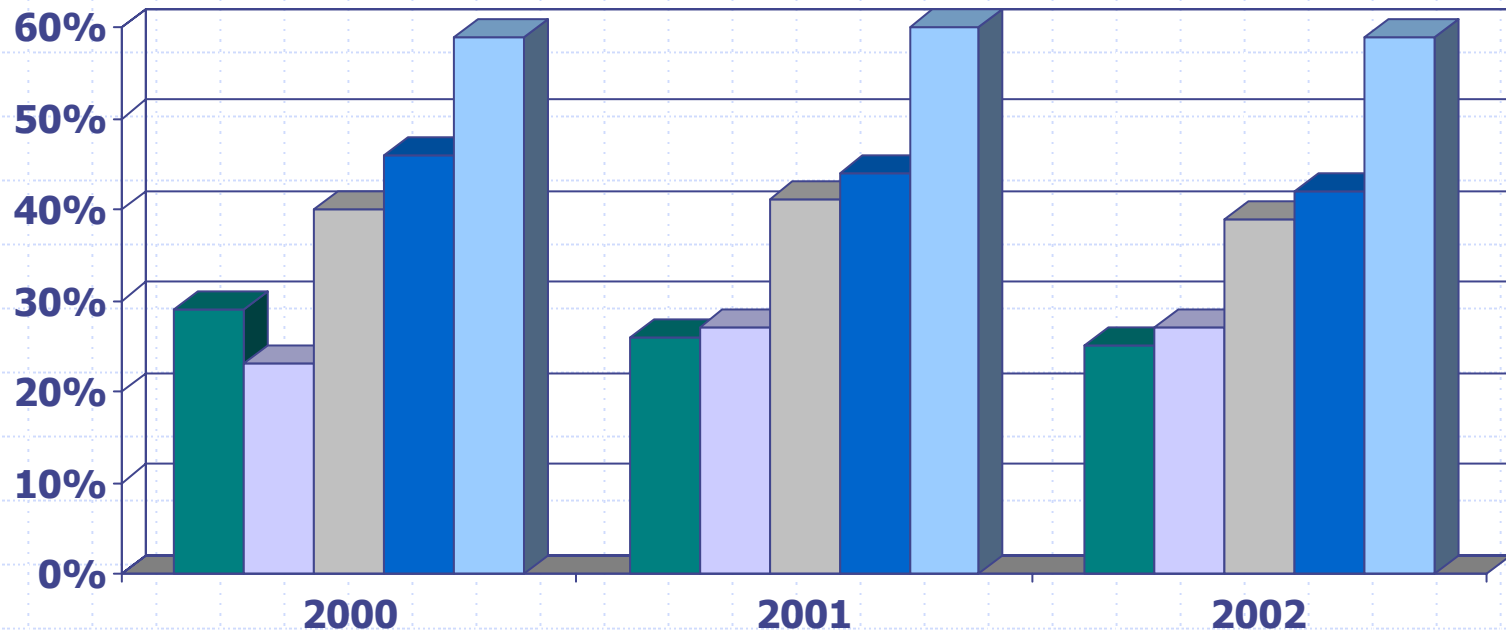
- ◆ Identify/Analyze state's energy needs
- ◆ Incorporate state owned energy assets
- ◆ Address needs that can be solved through action on part of industry and/or government
- ◆ Develop long term energy plan

The Issues

- ◆ Aging generation
- ◆ Inadequate infrastructure (transmission)
- ◆ State getting out of infrastructure ownership
- ◆ Electric utilities – the railbelt generation and transmission utilities must fund necessary generation and transmission facilities

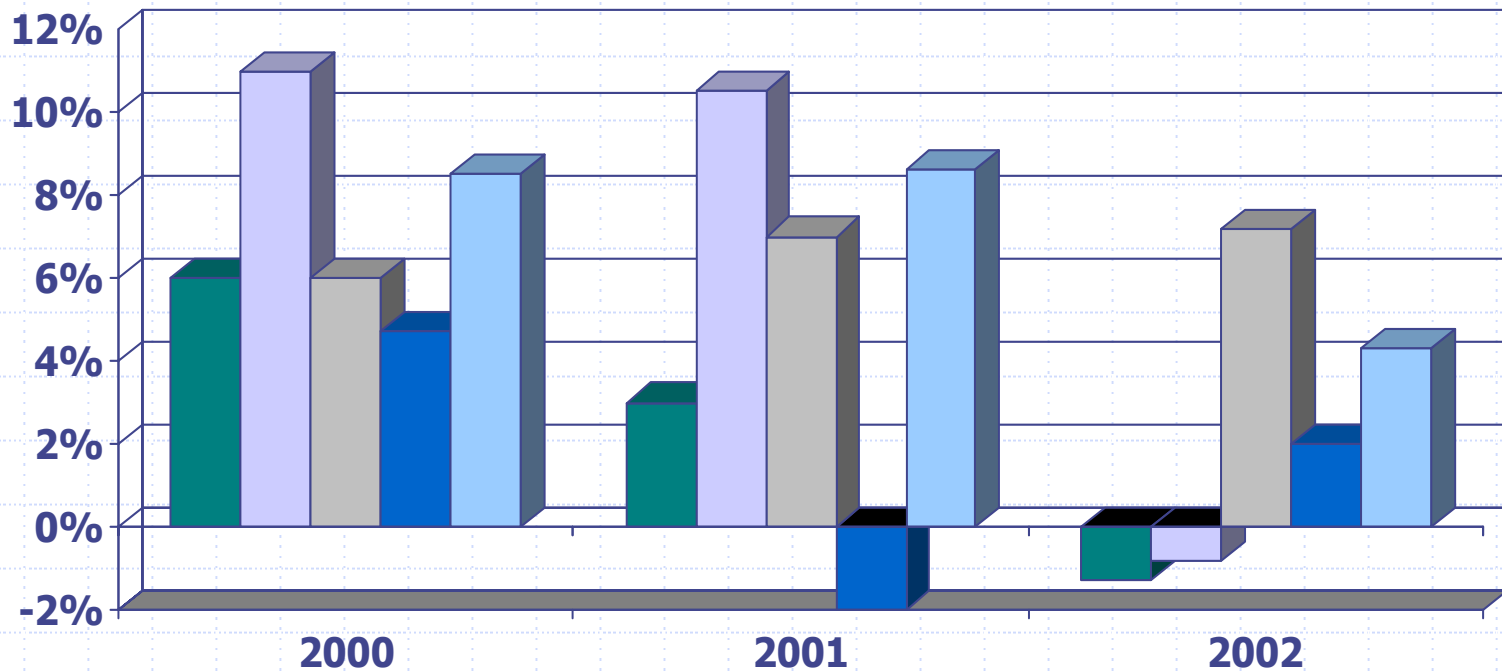
Financial Health of Utilities is Crucial

Equity Ratio



Financial Health of Utilities is Crucial (continued)

Margins as a % of Revenue



■ Chugach Electric Association, Inc. □ Anchorage Municipal Light & Power
■ Golden Valley Electric Association, Inc. ■ Homer Electric Association, Inc.
■ Matanuska Electric Association, Inc.

Financial Health of G&T's is Crucial

- ◆ S&P outlook for regulatory environment in Alaska
 - "A reliance on regulatory approval of rates and the implications for credit quality of the Regulatory Commission of Alaska's (RCA) recent decision to reduce its interest coverage target for the utility."

Financial Health of G&T's is Crucial (continued)

◆ Fitch creditworthiness downgrade

- “The downgrade reflects a negative stance taken by the Regulatory Commission of Alaska (RCA) toward Chugach in 2003 and tighter projected financial protection measures as a result.”

Energy Task Force Must Address This Issue

- ◆ State funding of infrastructure
 - Define where to find these funds
- ◆ Industry funding of infrastructure
 - Only financially healthy Railbelt G&T's can secure the financing for projects that promote growth and prosperity in the Railbelt

Power Pooling

- ◆ The four railbelt generators already do economic dispatch with great success
- ◆ Government management or operation of private assets is a *very scary concept*