

Report finds additional Cook Inlet gas production required

Despite recent activity in the Cook Inlet basin, an updated look at natural gas production versus consumer demand shows that additional wells are required to continue to meet the needs of utility customers until 2020, with a shortfall possible by as early as 2014.

The findings are contained in a utility-commissioned update by PRA (Petroleum Resources Alaska) to a study the firm did for Chugach, ENSTAR and Municipal Light & Power in late 2009. The original study followed a report by the Department of Natural Resources that said there was sufficient gas in the basin to last at least 10 years. The utilities asked PRA to assess what activity would be necessary for production to match the needs of utility cus-

tomers, and what that would cost.

The original study results were released in March 2010 in a presentation that drew more than 250 people to a meeting of the Resource Development Council of Alaska. The study authors made the case that significant drilling activity would be required over a sustained period of time to ensure gas for heat and electricity for hundreds of thousands of Alaskans. The report said – based on average production rates – 185 successful new wells would be required over a 10-year period to ensure supply continued to meet demand. Without immediate action, a shortfall could come as early as 2013, the study authors noted.

Those new wells would also come at a cost to consumers. The study anticipated the cost of production for the coming 10 years would be at least twice as costly as over the prior decade.

The just-released update shows that over the past two years new wells and additional compression have made a small difference, pushing the forecast gap between supply and demand off an additional year to 2014. However, not enough development occurred to provide long-term relief. According to PRA, a total of 11 new wells were completed between November 2009 and October 2011.

A multi-pronged effort is underway

See Cook Inlet, page 2



Natural gas is produced from both onshore and offshore wells in the Cook Inlet area.

Watana hydro project moving forward

The Alaska Energy Authority continues to make progress toward developing a major new hydroelectric project for the Railbelt. Engineering work and studies are underway or planned by AEA to help identify issues and costs, and the agency has been making presentations on

the project. In December, AEA filed a Preliminary Application Document for the project with the Federal Energy Regulatory Commission.

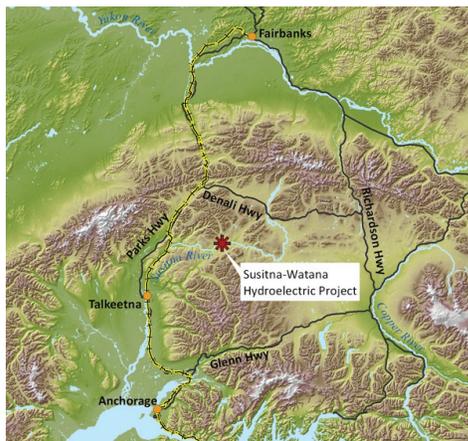
In late March, FERC held a series of scoping meetings in several different towns and cities to share information and hear from Alaskans.

hours required by Railbelt customers annually.

In January a statewide poll of registered voters done by Hellenthal & Associates found that overall, 60 percent of Alaskans surveyed favored the project. A total of 272 voters were asked whether they favored or opposed building a dam on the Susitna River to provide hydro power for Alaskans in the Railbelt. Support varied geographically, perhaps reflecting varying degrees of awareness of the project and concerns about energy costs. Within the Railbelt, the project was favored by 71 percent of Fairbanks respondents, 66 percent in the MatSu, 59 percent in Anchorage and 50 percent on the Kenai. The poll had a margin of error of plus or minus 6 percent.

For more on the project, go to <http://www.susitna-watanahydro.org>.

According to AEA, the 600-megawatt Susitna-Watana Hydroelectric Project would be located about midway between Anchorage and Fairbanks, about 184 miles upstream from the mouth of the Susitna River. The project would have a single dam creating 557 feet of elevation different between tail water and the maximum pond height. The project would supply about half of the kilowatt-

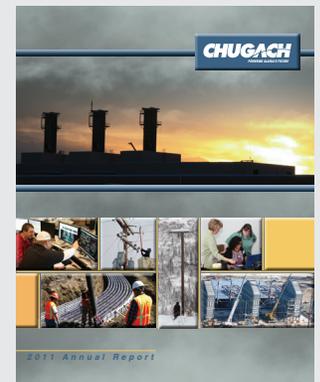


Proposed Watana dam site on the Susitna River (graphic courtesy of AIDEA)

Annual report coming

The 2011 peak load on the Chugach system was 460 megawatts. The annual system peak occurred in the hour ending at 7 p.m. on Jan. 17, 2011. At the time, the temperature was 1 degree at Chugach headquarters in Anchorage.

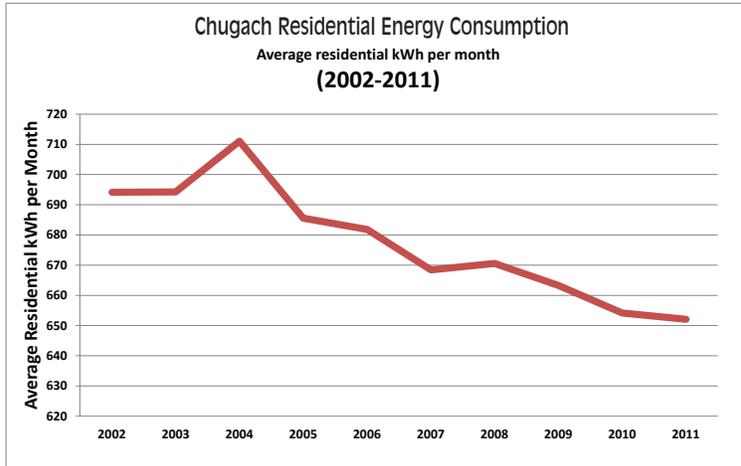
These and many other facts about Chugach are contained in the annual report. The 2011 report will be available by late April at www.chugachelectric.com, or in paper form by online request or by calling 762-4177.



Residential usage continues to decline

Residential members continue to use fewer kilowatt-hours. As the chart below shows, for the past several years the average number of kilowatt-hours used by Chugach residential members has been declining. Not too many years ago residential customers used about 700 kwh per month. By 2011, that number had dropped to 652 kwh. Several factors appear to be at work, including price sensitivity,

individual efforts to practice energy efficiency and conservation (with a wider range of products available) and the popular Weatherization and Home Energy Rebate programs offered by the Alaska Housing Finance Corporation. In an August 2011 survey of Chugach members, 23 percent reported participating in one of the two AHFC programs. {215444}



Cook Inlet (cont'd from page 1)

throughout the area to improve the situation. A gas storage facility for utilities will provide some relief on deliverability, completion of the Southcentral Power Project later this year will mean Chugach and ML&P will use less gas, and the Alaska Energy Authority continues working toward a major new hydro project on the Susitna River for the Railbelt.

However, the study authors pointed out the need for sustained drilling effort to forego problems in the near term. "Absent major new large discoveries that can be brought online in 1-2 years, the current pace of development will mean a shortfall in Cook Inlet supply to meet demand in 2014 or 2015," PRA concluded.

Annual meeting and election notes

**One-time
\$5.00
Credit**

Two directors will be elected to the Chugach board in the 2012 election. In addition, there are four proposed Bylaw amendments on the ballot.

This year, receive a one-time \$5.00 credit on your monthly bill when you vote electronically and sign up to receive future election materials electronically.

April 5 is the record date for this year's election. The record date establishes the members eligible to vote.

Information about the candidates and proposed bylaw changes will be in the election booklet, on the electronic voting site and on Chugach's website www.chugachelectric.com.

Voting packets will be mailed to Chugach members of record the week of April 16. These packets will include all the information necessary to cast your vote by mail, secure drop box, electronically, or in-person at the annual meeting.

A candidate forum will be held from 4-6 p.m., April 26 at Chugach's headquarters, 5601 Electron Drive.

Mail and secure drop box ballots must be received by noon, Monday, May 14, and electronic voting will close at noon, Thursday, May 17.

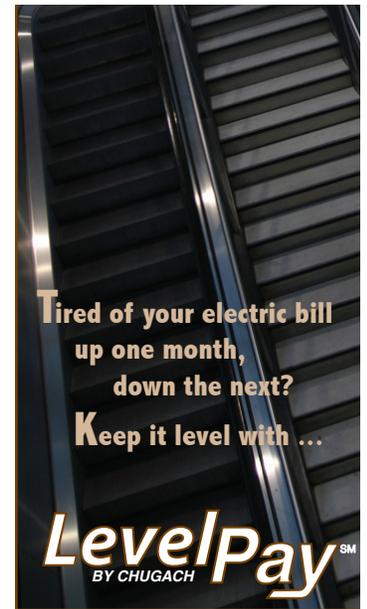
The annual meeting will be held at the Dena'ina Civic & Convention Center at 600 W. 7th Avenue, Thursday, May 17. Registration starts at 6 p.m. The meeting begins at 7 p.m. Photo I.D. is required to vote at the annual meeting.

LevelPay

Avoid the ups and downs on your monthly bill. With LevelPay, you pay the same amount every month. So even when your electric use rises, your monthly Chugach bill won't.

Payments are based on your average annual use. The LevelPay billing year starts with your May bill. To help you avoid overpayment (or underpayment), we'll check your usage during the year and may adjust your monthly billing amount.

Log on to www.chugachelectric.com and click "For your home," "LevelPay". For more information or to sign up, call Member Services at 563-7366 or 800-478-7494.



Contact us

Main number	563-7494
Toll free	(800) 478-7494
Member Services	563-7366
Member Services fax	762-4678
24-hour payment line	762-7803
Credit	563-5060
Power theft hotline	762-4731
Danger tree hotline	762-7227
Street light hotline	762-7676
Underground locates	278-3121
Regulatory Commission of AK	(800) 390-2782
or	276-6222
To report a power outage	
In Anchorage	762-7888
Outside Anchorage	(800) 478-7494

Hours

5601 Electron Drive
Monday - Friday
8 a.m. - 5 p.m.

The Chugach Outlet

A Publication of Chugach Electric Association, Inc.
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Corporate Mission: Through superior service, safely provide reliable and competitively priced energy.

Corporate vision: Powering Alaska's future

Personnel policy: It is a policy of Chugach Electric Association, Inc., to recruit, hire, train, compensate and promote persons without regard to race, color, religion, national origin, sex, marital status, pregnancy, parenthood, disability, veterans status, age or any other classification protected by applicable federal, state, or local law. Chugach is also an equal opportunity/affirmative action employer. Current openings are posted on the employment page at <http://chugachelectric.applications.com>. Chugach only accepts applications for open vacancies.

Monthly residential service costs (based on 700 kwh)

Customer charge/month	\$ 8.00
Energy charge \$0.06962 x kwh =	\$48.73
Fuel \$0.06036 x kwh =	\$42.25
Purchased power \$0.00522 x kwh =	<u>\$ 3.65</u>
<small>(Fuel & purchased power rates effective 4/1/12 - 6/30/12)</small>	
Subtotal	\$ 102.63
2% MOA Undergrounding Charge =	\$ 2.05
RCC \$0.000492 x kwh =	<u>\$ 0.34</u>
Total bill	\$105.02

Member number
hide-n-seek

Find your member number (in brackets) in the Outlet and get a \$100 credit on your electric bill. Call Chugach's service center at 563-7366 to claim your prize.

CHUGACH
POWERING ALASKA'S FUTURE