

Chugach working options for lower costs

Chugach currently is actively engaged or investigating a variety of options to help hold down the cost of electric service for customers in the coming years. Here is a summary.

-- Joint power plant

For some time Chugach has been working on a plan to build new, more efficient generation. Presently, the generating units Chugach solely owns were commissioned between 1964 and 1981. The most efficient of these (which are the units that run most of the time) have amassed hundreds of thousands of operating hours. Even the best-maintained machines eventually need replacing.

After a multi-year planning process, Chugach determined that the best alternative for new generation was to build an efficient gas-fired power plant with partners.

Chugach began talking to other utilities about teaming to build the new facility. A siting study done in 2007 determined that the best place to locate the new plant was adjacent to Chugach headquarters in Anchorage. Early this year at a February press conference it was announced that Anchorage Municipal Light & Power (ML&P) and Homer Electric Association (HEA) were interested in being potential partners in the project.

Technical staffs of the three utilities teamed to work through issues, and proposals solicited from different manufacturers. In June HEA decided not to participate in

the project, and Chugach and ML&P revised the size of the plant accordingly.

Chugach and ML&P are now proposing to jointly construct and share a highly efficient, gas-fired, combined-cycle, power plant. Chugach would own 70 percent of the project and ML&P 30 percent.



Chugach and ML&P are proposing to partner on a new Anchorage power plant.

The new units would be much more efficient than those now on the Chugach system. The new plant would make a kilowatt-hour of power while burning only about three-fourths of the gas compared to the current system average. That would not only provide tens of millions of dollars in fuel savings annually, it would help conserve the gas available from the Cook Inlet basin.

The project has an estimated cost of \$300-400 million.

The Chugach board is scheduled to vote on whether or not to approve the project agreements at its July 30 meeting. The Anchorage Assembly is

expected to address the issue in August.

-- Consolidating missions

Currently three separate utilities provide electric service within the Municipality of Anchorage. Chugach serves East and West Anchorage, and the area south of Tudor Road. Anchorage Municipal Light & Power serves the Downtown core and adjacent neighborhoods and much of Midtown. Matanuska Electric Association provides service to residents of the MOA from Eagle River to the Knik River (as part of a service territory that extends into the Matanuska and Susitna valleys).

For the past year or so Chugach and the Municipality have been working together to evaluate ideas about how to meet the needs of Chugach and ML&P customers while holding down costs. Both utilities are vertically integrated – meaning each provides both generation & transmission (G&T) and distribution



Under consideration is whether a Municipal Authority should assume the G&T responsibility for Chugach and ML&P, while Chugach provides distribution services for customers of the two utilities.

services. Among the concepts that have been discussed is the idea of centralizing each of the two functions with one utility. Under consideration is whether ML&P should be responsible for the future G&T needs of customers of the two organizations, with Chugach then providing distribution services for those same customers.

With access to tax-exempt bonding, the Municipality may be best able to finance future

(See Options on page 2)

Do you have a temporary service in Corflo in your backyard?

Summer is rapidly coming to a close. Once the ground freezes, Chugach will be unable to bury new underground services and underground lines that have been repaired and temporarily installed in a flexible black conduit called "Corflo."

Chugach has been working to bury the services in Corflo, but maybe you have not been put on the schedule. Call 762- 4616 to find out when your Corflo burial is scheduled, or to be placed on the schedule for burying.

When you call, be sure to have your bill in front of you so you can provide the legal description as well as the street address, your name and phone number.

large dollar generation projects, while Chugach would focus on meeting the distribution needs of the two customer bases.

The Chugach Board of Directors and staff have considered this idea as one way to hold the line on costs. Mayor Begich and his staff briefly discussed the concept with the Anchorage Assembly at a work session July 18, and indications are the Assembly may give it further consideration before the end of the year.

Much work remains to be done to analyze the potential savings, challenges and ultimate feasibility of this idea before it can move forward, but both sides are interested in pursuing the investigation in the hope it can lead to savings for customers.

-- A State G&T Authority

Another way to meet the electric needs of Railbelt Alaskans would be to create a State Authority that would assume the responsibility of providing generation & transmission services for utilities throughout the region. This approach emerged from a study of the Railbelt grid funded by the Legislature.

For the past year the Alaska Energy Authority (AEA) and its consultant Black & Veatch have worked with the six electric utilities in the Railbelt and others to review how the regional grid works and quantify the costs and alternatives of providing power for area residents in the future. The project is known as the REGA (Railbelt Electrical Grid Authority) study.

AEA held a public meeting on July 10 to present the preliminary results of its study. The study authors concluded that of the several options investigated, creating a State Authority to build future generation projects offered the most benefits. The utilities would provide for the distribution needs of the customers.



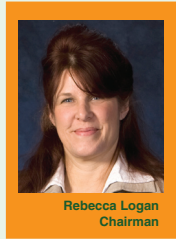
A future State Authority could finance and build large power projects, as happened with the state-owned Bradley Lake hydroelectric project near Homer

Initially individual utilities might retain the generation they own, but as it is retired utilities could then opt to use the Authority to provide power for their customers.

Chugach will continue to work with the State and other organizations to evaluate how best to meet the future electric energy needs of customers and hold down costs.



Your board at work



Rebecca Logan
Chairman

Your board is charged with the management of the business and the affairs of the Association. Recently the board:

- Created a sub-committee of the board (Directors Logan, Nordlund, and Vazquez) to work with a sub-committee of the Anchorage Assembly (Assembly Members Coffey, Johnston, Flynn and Gutierrez) to participate in the evaluation of a Municipal Authority that would consolidate missions of Chugach and ML&P in an effort to hold down costs for customers. Our first joint meeting is scheduled for Thursday, July 31st from 1:30-3:30pm in the Mayor's Conference Room.
- Identified three key goals for the board to accomplish in the coming year:
 - Stabilization of the annual election process
 - Development of a responsible, renewable energy policy
 - Implementation of key recommendations from the Blue Ribbon Panel Report

Sign up now

Thousands of Chugach members are signing up for AutoPay by Checking as a result of a credit card user fee that goes into effect Sept. 1. If you are considering changing, sign up soon as Chugach's Member Services department is receiving hundreds of requests daily. Staff will have all enrollments completed in advance of the deadline.

For more information, go to www.chugachelectric.com or call Member Services at 563-7366 (toll-free in-state at 800-478-7494).

Take note! Credit card users

Beginning September 1, 2008
New credit card user fee
(\$3.50 per transaction)
Ending August 29, 2008
AutoPay by Credit Card



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Main number	563-7494
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Member Services	563-7366
Member Services fax	762-4678
Business and commercial desk	762-7876
Credit	563-5060
Power theft hotline	762-4731
Danger tree hotline	762-7227
Underground locates	278-3121
Regulatory Commission of AK or	(800) 390-2782 276-6222
To report a power outage	
In Anchorage	762-7888
Outside Anchorage	(800) 478-7494

Hours

Main office: Monday - Friday 8 a.m. - 5 p.m.	
Member Services lobby: 5601 Electron Drive Monday - Friday 8 a.m. - 6 p.m.	Member Services phone: Monday - Friday 8 a.m. - 9 p.m.

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Monthly residential service costs (based on 700 kwh)

Customer charge/month	\$ 8.00
Energy charge \$0.06848 x kwh =	\$47.94
Fuel adjustment \$0.05960 x kwh =	<u>\$41.72</u>
(Fuel adjustment effective 7/1/08 - 09/30/08)	
Sub-total	\$97.66
2% MOA Underground Charge =	\$ 1.95
RCC charge \$0.000362 x kwh =	<u>\$ 0.25</u>
Total bill	\$99.86

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 affirmative action employer.



Corporate Mission: Through superior service, safely provide reliable and competitively priced energy.

Corporate vision: Powering Alaska's future