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Months of negotiations leading to favorable labor contract for Chugach temporarily on hold

A labor agreement that will result in more than \$1 million in savings, provide greater flexibility and efficiency in utilizing its workforce, and also help Chugach to both recruit as well as keep talented employees, has temporarily been stopped from being put into effect by a lawsuit. The action was filed by Ray Kreig and a group calling itself "Chugach Consumers." Kreig ran unsuccessfully for the Chugach Board in its April board election, losing by nearly 3,000 votes.

The labor agreement was a result of lengthy negotiations between Chugach and a portion of its workforce.

While the represented employees have approved the agreement in a formal vote, the Chugach board has not yet had a chance to vote on it. The board had been scheduled to take up the agreement at a meeting on Dec. 6, but action by the board was blocked by a temporary restraining order issued by a Superior Court judge earlier in the day. The Court took the unusual action in response to the lawsuit against Chugach.

Part of the stated rationale for the TRO was to give the Regulatory Commission of Alaska time to consider whether it should try to block the board

from taking action on the proposed labor agreement. However, before the board meeting even began, the RCA had already issued notice that it did not intend to interject itself into the negotiation process between Chugach and one of its bargaining groups.

In response to the events, Chugach moved the issue into the federal court system. The issue will now be heard in Federal District court. It is common for issues concerning labor law to be resolved in federal court.

"Ordinarily, Chugach prefers not to negotiate its labor contracts or discuss pending litigation in the media," stated Bill Stewart, Chugach's CEO. However, when lawsuits cause serious harm to Chugach customers as these do, the Association has a responsibility to speak out so the public and our customers can know the truth. The complaints filed by Ray Kreig and Chugach Consumers are publicity stunts that are bad for Chugach customers. They hurt Chugach customers because they seek a bargaining approach that is almost guaranteed to cause labor strife and would prevent customers from getting more than \$1 million dollars in work rule savings that Chugach has successfully negotiated, using highly

experienced labor attorneys and its very knowledgeable staff. Every day that passes is a day Chugach does not get the benefit of work rule revisions. The lawsuit forces Chugach's customers to pay costly attorneys' fees to defend against these groundless actions." Stewart added, "Ray Kreig and Chugach Consumers claim the lawsuits' purposes are to help Chugach customers. Unfortunately, they have misrepresented what the negotiations have achieved. Sadly, the lawsuits in fact hurt Chugach customers. They are only good for the lawyers involved."

The labor agreement before the Board is the result of months of give-and-take at the negotiating table between representatives of bargaining teams for both the management and the Union, culminating in an agreement on the terms of a new 4-year agreement for employees working in what is referred to as the "Outside" bargaining unit. These employees comprise a fourth of the workers represented by the union at the utility.

Approximately two-thirds of Chugach's 348 employees are represented by the IBEW under three separate labor contracts. The Outside

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contract covers 58 regular employees, primarily linemen, warehouse workers and mechanics.

Under the terms of the proposed new contract, during the 4-year term employees will receive annual wage increases of 6 percent the first year, 5 percent in the 2nd year, 5 percent in the 3rd year and an adjustment equal to the change in the Anchorage consumer price index in the 4th year. According to Stewart, last year the national average for a labor contract increased wage costs for U.S. businesses by 3.2 percent. The Outside Agreement Chugach has negotiated contains significant work rule changes which will benefit Chugach members. Its overall labor cost in-

creases are less than the 3.2 percent nationwide annual labor wage cost increase. "In other words, this contract overall contains lower costs than most labor contracts nationwide. That is good for Chugach's customers. Claims that the newly negotiated Outside Agreement is unduly costly is flat-out wrong," said Stewart.

Those increases are comparable to those in the Lower 48 and are intended to fairly compensate a highly skilled and valuable work force. They are also intended to help Chugach attract and retain employees that are in high demand at other companies in Alaska and many parts of the country – particularly the West Coast which

competes for the same pool of workers as Chugach.

Under their last contract with Chugach these employees had wage increases below the cost of living index during two of the last three years, and a wage freeze in the other year. It has become more and more difficult for Chugach and other Alaska utilities to recruit and retain skilled workers. Going into these negotiations, Chugach determined that it was near the middle of the pack in the wages it paid to journeymen linemen in Alaska.

Chugach also agreed to increase its contribution to the pension plan by 50 cents per hour during each of the

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Postmark Substation construction under way

Chugach has begun constructing the new Postmark Substation located on airport property off Northern Lights Boulevard, west of Postmark Drive. Chugach broke ground for the project this fall and relocated high-voltage power lines that must remain energized but were in the way of the construction.

The \$6 million distribution substation project, along with an associated \$3 million electrical line project, will connect the substation into the local distribution grid. Two new distribution lines will be built to the domestic and international airport terminals to supply their increasing system demands, as well as lines to link the substation with Chugach's Airport, Turnagain

and Woodland Park substations. These projects will allow Chugach to reliably meet the electrical load requirements at the airport and in the surrounding areas.

Chugach expects the substation to be completed in 2007. The associated electrical line project is expected to be completed in 2008.



Chugach's contractor has temporarily rerouted power lines onto the structures at the left during construction of the new substation and feeder lines.



Construction is under way on the new Postmark Substation. at the north end of Ted Stevens International Airport. Chugach is building the facility to meet the increased load from commercial activity at the airport. Chugach's contractor has been excavating and constructing wooden forms for the switchgear and transformer foundations.

Fuel increases expected to be smaller in 2007

Rising fuel costs are expected to increase customer bills by much less in 2007 than they did in 2006. The base rates are currently not expected to change in the coming year.

Retail bills are expected to rise about 2 percent due to increased fuel costs. By comparison, in December 2006 the average residential customer's bill was nearly \$13 higher than a year earlier due to higher fuel costs. The bill for an average residential customer using 700 kilowatt-hours of energy is anticipated to increase from \$101.68 to about \$104. While base rates are expected to remain sta-

ble throughout 2007, Chugach has asked the Regulatory Commission of Alaska to make adjustments to better balance margins earned from different business activities. The regulatory process takes some time, but if approved by the RCA, the impact on bills could range from a more than 1 percent decrease for some very large commercial customers to a more than 8 percent decrease for some small commercial customers. Chugach predicts that a residential customer using 700 kwh of service would see about a 2 percent reduction in their monthly bill.

Director applications and proposed bylaw changes

Two directors will be elected to the Chugach board in the upcoming 2007 election. Members interested in meeting with and being considered by the Nominating Committee as a director candidate should call 762-4736 for an application or go to Chugach's web site at www.chugachelectric.com. Applications and resumes for the Nominating Committee must be received by 5 p.m. on Friday, Jan. 26, 2007. Members may also petition to

have their names on the ballot. Call 762-4736 for more information.

The ballot may also contain proposed changes to Chugach's bylaws. For more information call 762-4790. Members have until 5 p.m., Friday, Jan. 5, 2007, to submit proposed changes to the Bylaws Committee, c/o Chugach General Counsel, P.O. Box 196300, Anchorage, AK 99519-6300.

Board appoints Renewable Energy Committee

Chugach recently asked its members to volunteer for a Renewable Energy Committee.

While the Board originally intended to name only seven members to the committee, there was so much interest that the Board appointed all 25 applicants. In addition, many of the applicants have some expertise in the fields of renewable energy.

At its regular meeting Nov. 15, the Board appointed the following members to the committee:

Kurt Autor, Jason Brune, Bruce Camp-

bell, Rep. Harry Crawford, Susanne Fleek-Green, Doug Glover, Julie Jessen, Philip Kaluza, Pat Kennedy, Meera Kohler, Jan Konigsberg, Stuart Parks, John Peterson, Jacqueline Poston, Emil Remus, Travis Ross, Bill Scott, Ian Sharrock, Bob Shary, Sean Skaling, Andre Spinelli, Jeremy Tasch, Fred Valdez, Mark Wiggin and Robert Younger.

The Renewable Energy Committee will work with Chugach staff to help identify and rank renewable energy projects and establish long-term renewable energy goals.

Safe home generator use

Home generators can be helpful during a power outage. However, it's important to separate your home generator from your utility's power grid. Using an isolation switch will prevent feeding power back into the electrical system which could seriously injure or kill a lineman.

Have a qualified electrician install a double-pole/double-throw transfer switch near your electric meter so that you and Chugach can see that your generator has been isolated.

Holiday lighting tips

Holiday lights can brighten your home and neighborhood for the holidays. However, if used incorrectly they can present a safety hazard. Here are some tips to help ensure a safe and happy holiday season.

- Make sure the lights you purchase are approved for the right use, and are marked with the UL label.
- Do not overload electrical circuits. Circuits in older homes may only carry a maximum of 15 amps or 1,800 watts each, although circuits in most new homes can carry 20 amps, or 2,400 watts each.
- If your light set has frayed wires, damaged sockets or cracked insulation, replace the entire set.
- Using luminescent diodes (LEDs) and timers and turning lights off during the daylight hours will help reduce costs and conserve electricity.

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first 3 years of the agreement. It was the first increase by Chugach to the pension plan in approximately 20 years.

In addition to agreeing on wage and pension increases, Chugach and the IBEW also agreed on a number of beneficial work rule changes. Work rules cover a variety of situations, including lunch breaks, overtime rules and the composition of crews. Bargaining led to changes that will make the day-to-day operation of the utility more efficient. The cumulative effect of the work rule changes will provide a significant offset to the cost of the new wage and pension benefits.

"The new contract will benefit members and customers for years to come," said Chugach Chairman Jeff Lipscomb. "Both parties bargained in good faith and we are pleased with the outcome. In the end, this contract will provide some of our employees with real wage and benefit increases for the first time in over six years while lowering other costs and increasing productivity. The experience, training and skills possessed by our employees are critical to our success in improving reliability, productivity and keeping costs low. While over the last 10 years the number of Chugach customers and power

sales have increased, the number of employees at Chugach has decreased."

In the first year, the new agreement will add less than two-tenths of one percent to the cost of power. That would add less than 20 cents per month to the bill of the average residential customer using 700 kilowatt-hours of service per month. While costs in future years will be higher due to the compounding effect of raises, the work rule concessions will also lead to savings year after year.

By comparison, fuel increases have had a much greater impact on bills. In December 2006 the average residential customer's bill was approximately \$13 higher than a year earlier due to higher fuel costs.

The contract was approved by union members in a vote two days before Thanksgiving. The Chugach board has not yet voted on the new agreement. Certain terms of the contract are retroactive to July 1, 2006 – the day after the last contract expired.

Negotiators from both sides will soon continue work on the other two Chugach contracts. That work has started, but negotiators agreed to make the Outside Agreement their first priority.

Using Chugach's web site 24/7

Have you checked out Chugach's web site at www.chugachelectric.com? You can access account information, pay your bill and make

changes to your electric service, any time – day or night. It's a tool you can use 24/7, at your convenience, and saving precious time.

Safety tip

If you are going to be plowing snow, be sure to first locate surface-mounted utility facilities. Exercise caution when plowing, as running over or into facilities can be costly, and you could be injured.



SIT BACK, RELAX,
IT'S AUTOMATIC

Contact us

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

Monthly residential service costs

(based on 700 kwh)

Customer charge/month	\$ 8.42
Energy charge \$0.09282 x kwh =	\$64.97
Fuel adjustment \$0.03722 x kwh =	<u>\$26.05</u>
Sub-total	\$99.44
2% MOA Underground Charge =	\$ 1.99
RCC charge \$0.000364 x kwh =	<u>\$ 0.25</u>
Total bill	\$101.68

Fourth quarter costs effective through 12/31/06.

Corporate Mission

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

Hours

Member Service lobby:

5601 Electron Drive

Monday - Friday

8 a.m. - 6 p.m.

Member Service phone:

Monday - Friday

8 a.m. - 9 p.m.

Main office:

Monday - Friday

8 a.m. - 5 p.m.

The Chugach Outlet

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