

Chugach completes \$250 million financing

Chugach has completed a \$250 million bond financing at very favorable interest rates. The transaction closed on Jan. 11. The bonds carry a weighted average interest rate of 4.36 percent, with the rate on individual tranches varying from 4.01 to 4.78 percent.

Following presentations by Chugach last fall in New York, Boston, Charlotte, Milwaukee and Chicago, a total of 18 different institutional investors took a piece of the most recent bond issue. The bonds are secured by Chugach assets through an indenture of trust.

"This financing has been a long-time coming and will be a very good thing for Chugach and its members," said Chair Janet Reiser.

Chugach will use the proceeds to pay down commercial paper and fund capital expansion – primarily

its portion of the new Southcentral Power Project.

SPP is an efficient, new 183-megawatt, gas-fired, combined-cycle power plant currently under construction at Chugach's headquarters complex near Minnesota Drive and International Airport Road. It is a joint project between Chugach (70 percent) and Municipal Light & Power (30 percent). The \$369 million project is scheduled to begin commercial operations in December 2012.

Chugach uses its commercial paper program for short-term financing to fund the construction of SPP and other facilities before eventually locking that day-to-day borrowing into long-term debt. Since its development in 2009, Chugach's commercial paper program has been very successful for the utility. Today it provides a \$300 million credit line at an interest rate of 0.25 percent. Last

fall the number of banks participating in Chugach's program expanded from four to nine.

The financing is Chugach's second successful major financing effort in the past year, completing a project to take advantage of historically low interest rates to refinance prior higher-interest debt and finance current construction. In January 2011 Chugach issued \$275 million in new debt at a blended interest rate of 4.57 percent to pay off



Chugach CEO Brad Evans and Sr. VP Finance & CFO Mike Cunningham sign bond financing documents.

higher-interest debt and lower borrowing costs.

All of Chugach's bond debt is now amortizing, with no bullet debt left on its books.

Fitch affirms Chugach's A- rating

Chugach carries bond ratings from three national agencies. Recently Fitch Ratings affirmed Chugach's A- rating, revising its outlook to "positive" from "stable." In its announcement of the rating and improved outlook, Fitch noted Chugach was "Fundamentally Stronger" due to recent actions that included refinancing its bullet

bonds, regulatory support from the state utility commission, and plans for new, more efficient generation.

Chugach has an "A3, stable" rating from Moody's Investors Service and an "A- stable" from Standard & Poor's Financial Services.

Bernice Lake Power Plant sold

The Bernice Lake Power Plant near Nikiski now belongs to Homer Electric Association.

On Dec. 23, the Regulatory Commission of Alaska issued an order

that cleared the way for the sale of the plant to Alaska Electric and Energy Cooperative, Inc. – a subsidiary of HEA. Chugach, AEEC and HEA entered into contractual agreements in July 2011,

but authorizations by the RCA were necessary to finalize the transaction. The transaction was completed Dec. 27.

The sale benefitted both utilities.

Each is reshaping its generating portfolio as business relationships are changing. HEA has long been a wholesale customer of

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Snow & ice follow windstorms



Heavy ice broke a structure and brought wires to the ground on the 115-kv line a few miles north of Cooper Landing in late December. The remote location made repairs difficult. Crews needed snowmachines to get to the site, and a helicopter to fly in replacement parts.

Winter weather continued to cause problems on the Chugach system in late December and early January.

Four back-to-back strong windstorms in December (reported in the January Outlet) were followed by a series of storms that produced heavy snow and icing on the northern Kenai Penin-

sula. Chugach facilities – and the members they serve – were affected across the northern Kenai Peninsula Borough. Customers lost power in different communities, with the Hope and Sunrise areas hit the hardest, as transmission and distribution lines were brought down by a heavy buildup

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Storms (cont'd from page 1)

of ice and snow.

At one time, 21 spans of wire on Chugach's 115-kilovolt transmission line were on or near the ground between Cooper Landing and Turnagain Pass. Up to a foot of ice and snow built up around conductors. The added weight stretched wires to the ground and broke at least two transmission structures, along with poles and cross arms on the Hope distribution line. Repairs were time-consuming and access difficult as crews worked to help clear snow

and ice from the lines and replace broken parts. Chugach crews typically used snowmachines and snowshoes to access locations where they needed to knock snow and ice off downed lines so that clearance could be restored and the lines re-energized.

By mid-January, Chugach estimated it had spent approximately \$1.8 million responding to damage and outages that began the weekend of Dec. 3-4. With the majority of the total driven by problems on the northern Kenai

Peninsula, Chugach asked Kenai Peninsula Borough Mayor Mike Navarre to consider a disaster declaration for the storms. As this issue of the Outlet went to press, Chugach was working to provide details and estimated costs to the borough.

Safety tip: *If you see a downed power line, assume it is "live" or carrying electric current. Do not touch or try to move it—and keep children and animals away. Report downed power lines and other electric emergencies immediately by calling 911 and Chugach's outage reporting line at 762-7888 or 800-478-7494.*

Get to know your plug loads; Watt-hour meter loan program

Have you ever wondered how much energy that space heater, television or DVR uses? It might be more or less than you think.

In an effort to help members learn about plug loads, Chugach has watt-hour meters available for loan, for up to two weeks. Plug any home electrical device, using a standard 110-120 volt

plug, into the 'Kill-A-Watt' meter to determine the actual and projected cost of the device on an hourly, daily, weekly, monthly, or yearly basis. Meters come pre-programmed with Chugach's current residential kilowatt hour rate.

These easy-to-use devices are a great tool to help inform you how

much an appliance and device adds to your electric bill, and whether it's time to upgrade to more efficient products.



Contact Member Services at 907-563-7366 or service@chugach-electric.com for more information.

Bernice Lake (cont'd from page 1)

Chugach, but intends to generate its own power after its contract runs out at the end of 2013. Purchasing Bernice Lake allows HEA to avoid construction of a portion of more costly new generation. At the same time, Chugach is partnering with Municipal Light & Power on the Southcentral Power Project – a new, highly efficient,

combined-cycle power plant under construction at Chugach's headquarters campus.

Chugach built the Bernice Lake plant shortly after natural gas was discovered on the Kenai Peninsula. The first unit was commissioned in 1963. Other units were added in 1971, 1978 and 1981. Today the plant has 69.88 mega-

watts of installed capacity.

Under the terms of the purchase and sale agreement, HEA paid Chugach \$11.9 million for the plant. Chugach also entered into an agreement that allows it to purchase the capacity and related energy from Bernice Lake through the end of HEA's contract Dec. 31, 2013.

Annual meeting and election notes

Chugach's Annual Membership meeting will be held on Thursday, May 17, 2012 at the Dena'ina Civic & Convention Center. Registration will open at 6 p.m. and the meeting will begin at 7 p.m.

Two directors will be elected to the Chugach board in the upcoming 2012 election.

Members who are interested in either meeting with and being considered by the Nominating Committee or running by petition as a director candidate should call 762-4791 to obtain a candidate packet. {55709}

Candidate applications and resumes for the Nominating Committee's review must be received by 5 p.m., Friday, Feb. 24, 2012.

Members may also petition to have their names on the ballot. The petition deadline is 5 p.m., Friday, Mar. 16, 2012.

Nominations should be submitted to:

Tom Schulman
PO Box 196300
Anchorage, AK 99519-6300
tom_schulman@chugachelectric.com

More information and forms may be found at www.chugachelectric.com.

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

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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://chugachelectricapplications.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 \$0.06618 x kwh =	\$46.33
Purchased power \$0.00357 x kwh =	<u>\$ 2.50</u>
<small>(Fuel & purchased power rates effective 1/1/12 - 3/31/12)</small>	
Subtotal	\$ 105.56
2% MOA Undergrounding Charge =	\$ 2.11
RCC \$0.000492 x kwh =	<u>\$ 0.34</u>
Total bill	\$108.01

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