

Chugach gas contract with Marathon approved

The latest contract to supply Chugach with the natural gas it uses to generate power has been OK'd by state regulators.

At a minimum, Chugach's new agreement with Marathon Alaska Production will provide gas for the utility from April 1, 2011 through March 31, 2013. The contract contains provisions for two extensions, one through the end of 2013 and a second through the end of 2014.

The contract was approved by the Regulatory Commission of Alaska on May 17.

The Marathon contract fills what had been a 50 percent unmet need for fuel during the time of the agreement. In 2009, the RCA approved a contract between Chugach

and ConocoPhillips that will provide half the gas Chugach requires from April 2011 through 2015, and 25 percent in 2016. Chugach uses natural gas to generate about 90 percent of the kilowatt-hours it sells annually, with the balance coming from hydroelectric projects.

The contract uses a pricing mechanism tied to the New York Mercantile Exchange Index of futures gas contract prices. The price varies by contract period, type of gas (base, swing or excess) and deliverability commitment. The contract contains a price collar (which sets a floor and ceiling price), initially established at \$5.90 to \$8.90 per thousand cubic feet, or MCF. Chugach's current average price for gas is around \$4 per MCF. In 2009 Chugach's gas prices



Marathon is a major producer of Cook Inlet natural gas.

ranged from \$4.43 to \$7.52 per MCF.

Chugach used 27 BCF of gas in 2009. The new Marathon contract would supply the utility with 26.2 BCF of gas through March 2013, and an additional 16.1 BCF if the extensions in the new contract are exercised.

In announcing its decision, {900007} the RCA noted it had received letters of support for the contract from Marathon, Mayor Sullivan, the Anchorage Chamber of Commerce, the Resource Development Council of Alaska and ENSTAR Natural Gas Co. No comments opposing the contract were filed with the RCA.

Land-use actions enable projects

Chugach has several land-use actions underway or pending to enable future projects – or in one case, to remedy an adverse result of a road project. Chugach has been discussing the following projects with neighborhood councils, municipal officials and others.

Southcentral Power Project

Chugach is seeking to rezone its 44-acre headquarters complex from I-1 to I-2 in advance of construction of the Southcentral Power Project. Chugach has operated a gas-fired power plant on the site since 1964, but if the Assembly approves proposed changes to Title 21 the I-2 zoning would be preferred. The Planning & Zoning Commission approved the change on April 5. It will also go before the Assembly.

Relocated helipad

The Southcentral Power Project will be built on land Chugach is currently using for other activities that will be moved to a recently purchased parcel of land between the headquarters parcel and Minnesota Drive. One of the things that will need to move is the helipad where crews that patrol or access remote parts of the system are picked up and dropped off by Chugach's contracted helicopter service. This summer Chugach will be submitting a conditional use permit application for the proposed new helipad site.

Girdwood Substation

Since the 1990s, Chugach has owned four vacant lots adjacent to the Girdwood Substation. This summer Chugach will seek a conditional use permit

for three of the unused lots to accommodate improvements to the substation, including the installation of new switchgear.

Abbott-area substation

Chugach has made an offer to purchase a 2-acre lot for a new substation, provided it can secure conditional use of the property for that purpose. The land is on the south side of O'Malley Road east of Lake Otis Parkway. An application for a conditional use permit is expected to be submitted this summer.

Dowling Substation land swap

Chugach is still working with the Municipality of Anchorage on a solution for land lost at the Dowling Substation to a recent road project. Chugach is seeking an equal amount of land to

enable future improvements to be made at the substation, located near the intersection of Dowling and Elmore roads.

Fuel adjustment may decrease

Chugach filed a request with the Regulatory Commission of Alaska to decrease its fuel and purchased power rates for the third quarter of 2010. If approved, the total monthly bill for a Chugach residential customer using 700 kilowatt-hours of electricity will decrease about 3.8 percent from \$94.74 to \$91.13, excluding the 2 percent MOA underground charge. Commercial customers will see similar decreases.

Steam turbine ordered for SPP

The steam turbine for the new Southcentral Power Project has been ordered. Representatives from Chugach and Municipal Light & Power evaluated bids and made the purchase decision in April.

The unit will be a 57-megawatt steam turbine-generator from Mitsubishi Power Systems Americas, Inc.

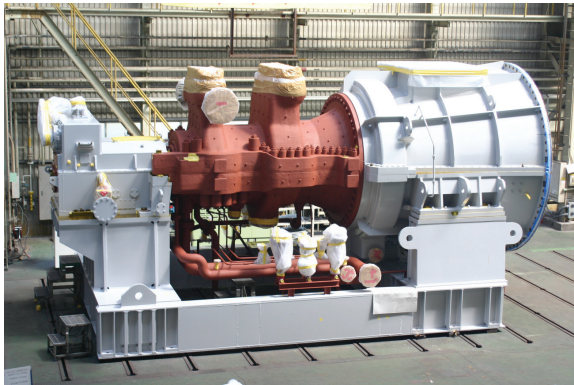
The \$13.4 million steam turbine-generator will work in combination with three 42-MW gas turbine-generators ordered from General Electric in 2009. The process is known as "combined cycle", and is an efficient way to get the maximum value from the natural gas that will fuel the plant. In combined-cycle mode, the 800-degree hot exhaust from the gas turbines will be channeled into a boiler to make the steam that will power the Mitsubishi unit – thereby making additional electricity with no additional fuel cost. Both

Chugach and ML&P currently use combined-cycle units at two existing power plants.

The Southcentral Power Project is a 183-MW power plant being built on land at Chugach's headquarters complex near International Airport Road and Minnesota Drive. Chugach will own 70 percent of the project, and ML&P 30 percent. Project planning, permitting, engineering and design have been underway for some years. Construction will occur primarily in 2011 and 2012, with commissioning in 2013.

The plant will save customers millions of dollars a year in fuel costs, using only about 75 percent of the gas to produce a kilowatt-hour compared to the best-performing units on the Chugach system today.

For more SPP information, see the project link at www.chugachelectric.com.



A 57-MW steam turbine will be installed at the Southcentral Power Project

Website provides energy efficiency information

Chugach offers its smart-powerak.com website as a way for members to obtain energy efficiency program information. The website is updated weekly and shows new ENERGY STAR appliance rating requirements and links to energy efficiency resource sites.



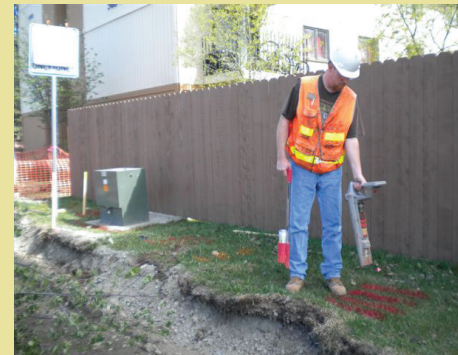
The site also offers Chugach members the use of an electricity use monitor to find out how much energy is used by appliances or entertainment equipment.



Always call before you dig

One phone call to 811 can quickly and easily get all underground utility lines marked. Locates are generally free of charge, but damages can be expensive, time-consuming and inconvenient for the neighborhood. In 2008, dig ins caused nearly \$100,000 in damages to Chugach facilities. In 2009 that figure fell to \$13,000 which may indicate more customers are doing the right thing and calling for a locate in advance.

Locates require a minimum of two working days advance notice. Chugach advises that you hand dig within 2 feet of the location of buried electric lines.



Each buried utility is marked with a specific paint color.

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.

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

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

The Chugach Outlet

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Anchorage, Alaska 99519-6300

Monthly residential service costs (based on 700 kwh)

Customer charge/month	\$ 8.00
Energy charge \$0.07181 x kwh =	\$50.27
Fuel \$0.04651 x kwh =	\$32.56
Purchased power \$0.00516 x kwh =	\$ 3.61
(Fuel & purchased power adjustments effective 4/1/10 – 6/30/10)	
Subtotal	\$ 94.44
2% MOA Underground Charge =	\$ 1.89
RCC \$0.000432 x kwh =	\$ 0.30
Total bill	\$96.63

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

