

Outlet



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www.chugachelectric.com

Utility study warns gas production not keeping up

With hundreds of thousands of Railbelt Alaskans critically dependent upon natural gas, Chugach and other organizations funded an updated look at Cook Inlet production by a gas industry consultant. The recently released review of forecast supply and demand indicates that by about 2015 the flow of natural gas from Cook Inlet wells will begin to fall short of the combined demands of customers – including gas and electric utilities.

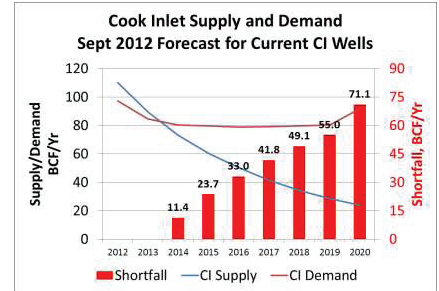
The study by Petrotechnical Resources Alaska was an update to a report initially commissioned by utilities after the Department of Natural Resources released its conclusion in 2009 that at least 10 years of gas remained in the Cook Inlet region. Chugach has helped fund PRA's analysis from

the beginning. With hundreds of thousands of Alaskans critically dependent upon a continued flow of natural gas from the Cook Inlet area, utilities wanted to understand the specifics of the production and demand curve. It wasn't enough to simply know there was a resource waiting to be found, utilities wanted an answer to the question, "Yes, but what will it take to produce it?"

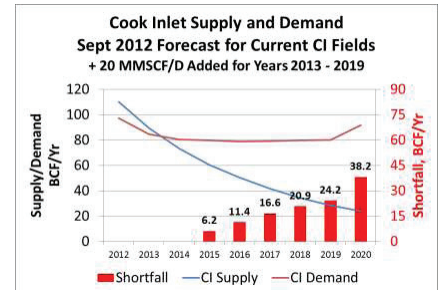
The answer is sobering. In order to simply meet existing demand from utilities and other known or anticipated loads, the 2010 study found that initially 13-14 successful new wells needed to be brought online each year to stave off the natural decline in the flow rate of existing wells. The 2012 PRA update notes that in fact only 5-6 new wells have been

added each year. While these wells and compression added by producers have helped, if no new wells were to come into production demand would exceed supply as early as 2014. Adding 6-8 new wells a year could push the shortfall off to 2015.

While recent exploration activity has increased in the Cook Inlet region, exploration does not equal production. It can take years to move from an exploration well to a production well. The study authors concluded it will take a sustained effort to add successful new production wells to ensure enough gas is available to meet the needs of customers across the region.



The chart above shows that if no new wells were added, by 2014 supply will fall short of demand. The chart below shows that adding 6-8 new wells per year (with a combined flow rate of 20 million cubic feet a day) would only gain a year, pushing the shortfall off until 2015.



Absent sufficient production from the Cook

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SPP update



The first-firing of gas turbines at the Southcentral Power Project took place in mid-October as part of the commissioning process for the new power plant. SPP is expected to begin commercial operations the first quarter of 2013.

Gas contingency plans in place for winter

Chugach – along with other utilities, the Municipality of Anchorage and the Matanuska-Susitna and Kenai Peninsula boroughs – has updated plans to deal with possible gas supply emergencies during the winter of 2012 - 2013. The current effort builds on the successes and lessons of the past three winters of the Energy Watch program.

Natural gas is the primary fuel for heating and electric power generation in Southcentral Alaska. It heats the air and water in most homes and businesses, and is the power plant fuel for about 85-90 percent of the kilowatt-hours produced by Southcentral electric

CONDITION	MEANING	CUSTOMER ACTION
Green	Stable	Use energy wisely; be conservation minded Your utilities can provide tips on saving energy
Yellow	Caution	Set thermostat to 65 degrees in living areas, and 40 in the garage Lower water heater setting to "warm" or "vacation" Minimize usage of natural gas range Postpone doing laundry and dishes Turn off unnecessary lights and electronics
Red	Alert	Set thermostat at 60 degrees in living areas (55 if away) Turn water heater gas valve to "pilot" Do not use natural gas fireplaces, decorative heaters or gas grills Consolidate household activities into as few rooms as possible Use the microwave for cooking

If a gas delivery problem develops, emergency managers might issue an alert using this Energy Watch chart.

utilities.

Chugach has disaster plans in place and planning for emergencies in fuel supply disruptions are part of that overall plan.

The contingency plan identifies a descending hierarchy of actions to address a potential gas supply disruption. The system operators at gas production facilities, and gas and electric utilities have a

See Energy Watch page 2

Energy Watch (cont'd from page 1)

number of tools they can use to compensate for changing conditions. Electric utilities could use less gas-fired generation and more hydropower, interrupt sales of power to utilities that have non-gas generation alternatives, purchase oil-generated power from Golden Valley Electric Association in Fairbanks and have Municipal Light & Power switch from gas to oil for much of its generation. System operators are the first line of defense, and historically have resolved short-term disruption problems.

However, there could be times when system operators might need the help of the public to reduce the demand for gas. If so, government officials would issue a public appeal using a color-coded chart that recommends specific actions consumers can take to cut gas consumption.

If the combination of system operations and voluntary conservation aren't enough, electric utilities could implement short rolling power outages to manage the supply disruption. While we do not believe this action will be necessary it is prudent to plan for the worst case and is consis-

tent with planning for large scale natural disasters.

As in prior years, the Energy Watch chart was tested during a tri-borough conservation exercise. The test took place between 6 – 8 p.m., Wednesday, Oct. 30. The exercise asked the public to implement actions in the "yellow" band of the chart, including turning down thermostats, postponing household chores and curtailing unnecessary electric consumption. Estimates from the public exercises during the past two years are that these actions cut 2-4 percent of the demand on the gas system during test hours. Program managers point out that is significant, because the tests have been done on relatively warm and light mid-October evenings. They note that the same actions on a cold, dark winter evening should produce an even greater reduction in gas demand.

More information about the Energy Watch program is available at utility websites, including www.chugachelectric.com and on Facebook by going to Alaska Energy Watch. {1085650}

Gas (cont'd from page 1)

Inlet, and with North Slope pipeline projects years away, the study concluded it may be necessary for Southcentral utilities to import either liquid or compressed natural gas to fill the gap that could be only 2-3 years away.

Since the first report was released in 2010, the results of it and periodic updates have been widely shared with legislators, members of the administration, regulators and the business community. A copy of the report and slides from recent presentations can be found at www.chugachelectric.com.

Take Note!

In June, Chugach Members received billing statements with a new member account number.

Your member account number combination is needed when using our 24/7 payment line, phone number 762-7803 or for payments via the website at www.chugachelectric.com. Additionally, if you use a bill payment service, please inform them of the new member account number. For further information, contact Member Services at 563-7366.

Cook Inlet Drilling Results

Period	Gas Wells Completed	Average Wells per Year	Initial Production (MMCF/day)
2001-2009	105	12.3	3.6 per well
2007-2009	34	13.6	3.1 per well
Nov-09 to Oct-10	5	5	3.7 per well
Nov-10 to Oct-11	6	6	1.7 per well
Nov-11 to Jun-12	4	6	5.4 per well

The PRA study determined that the rate at which new gas wells have come online has slowed in recent years.

Chugach currently purchases natural gas from both ConocoPhillips and Marathon Alaska Production (whose assets are in the process of being acquired by Hilcorp). The contracts for these purchases will provide at least some gas for Chugach into 2016.

Volunteers needed

Chugach is looking for members to serve on its annual meeting committees. A successful meeting depends upon volunteers who staff the Nominating, Bylaws and Election committees. For more information call 762-4177, or visit Chugach's website at www.chugachelectric.com. Applications are due Nov. 27.

Rates update

Chugach submitted a proposal to lower rates to the Regulatory Commission of Alaska on Sept. 28 in the cooperative's most recent Simplified Rate Filing. Chugach uses the SRF process to make limited adjustments to base demand and energy rates every six months.

If approved by the RCA, retail rates for demand and energy will fall by 1.7 percent. Wholesale customers will see similar decreases. The changes are largely due to interest savings from Chugach's recent refinancing of its long-term debt.

Action by the Commission is expected by mid-November. If approved, the monthly bill for an Anchorage Chugach residential customer using 650 kilowatt-hours of service would fall from \$94.09 to \$93.31.

Contact us

Hours	Monday - Friday 8 a.m. - 5 p.m.
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

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.

The Chugach Outlet

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Monthly residential service costs (based on 650 kwh)

Customer charge/month	\$ 8.00
Energy charge \$0.07054 x kwh =	\$45.85
Fuel \$0.04919 x kwh =	\$31.97
Purchased power \$0.00759 x kwh =	\$ 4.93
FIW renewable energy adj. \$0.00174 x kwh =	\$1.13
<small>(Fuel, Purchased power and FIW renewable energy effective 10/1/12-12/31/12)</small>	
Subtotal	\$ 91.88
2% MOA Undergrounding Charge =	\$ 1.84
RCC \$0.000568 x kwh =	\$ 0.37
Total bill	\$94.09

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