

Chugach and MEA negotiate interim power sales agreement

Chugach and Matanuska Electric Association have come to terms on a contract that will provide power into 2015 while construction continues on a new MEA power plant.

MEA has been a wholesale customer of Chugach for decades, but decided it would build its own power plant to serve its customers when its current contract with Chugach expires at the end of 2014. However in August, MEA notified Chugach that its plant, the Eklutna Generation Station (EGS), will not be fully available on Jan. 1, and that it would be interested in an arrangement to continue to purchase power while work progressed.

Chugach and MEA subsequently negotiated an interim power sales agreement beneficial to

both organizations. MEA is assured a power supply, as well as a market for any electricity generated by its new plant. Chugach and the customers on its system (including the Seward Electric System) will benefit by having MEA continue to share in the fixed costs of the interconnected system.

Under the terms of the agreement, Chugach will continue to meet the full requirements of MEA through March 31, 2015 at existing demand and energy rates already approved by the Regulatory Commission of Alaska (RCA). In anticipation that some of the 10 individual 17-megawatt generating units at EGS may be available, Chugach agreed to purchase from MEA the output of up to four units at the plant. Under its contract with Hilcorp, MEA will

provide the gas for the power it purchases from Chugach and what it uses at EGS. Chugach will pay the weighted cost of gas for the first quarter 2015 that it would otherwise have paid its own fuel suppliers. The power purchased from EGS will be pooled with other generation and provided across the Chugach customer base, with costs recovered through the fuel and purchased power charges.

The interim power sales agreement provides mutual financial benefits. For the 3-month period of the agreement, the agreement is anticipated to add approximately \$10 million in base rate revenue to the Chugach system and potential purchased power expense paid to MEA of up to \$4 million (excluding fuel).

The short-term contract allows Chugach's fixed costs to continue to be spread over a much-larger customer base. If approved, Chugach will postpone for three months filing a general rate case to compensate for the loss of MEA as a wholesale customer. As happened when Homer Electric Association left the Chugach system at the end of 2013, losing MEA will cause rates to rise for the remaining customers on the Chugach system as fixed costs are spread across fewer kilowatt-hour sales.

Chugach filed the power sales agreement and related tariff changes with the RCA, requesting approval by Dec. 31 for rates effective Jan. 1, 2015.

Member Appreciation Week

Hundreds of members participated in Chugach's inaugural Member Appreciation Week in October.

The week included tours of the Southcentral Power Project and members receiving a variety of educational information.

The Alaska Housing Finance Corporation and Rural Alaska Community Action provided information about their energy efficiency programs and the State of Alaska - Division of Homeland Security and Emergency Management spoke with members about the importance of emer-

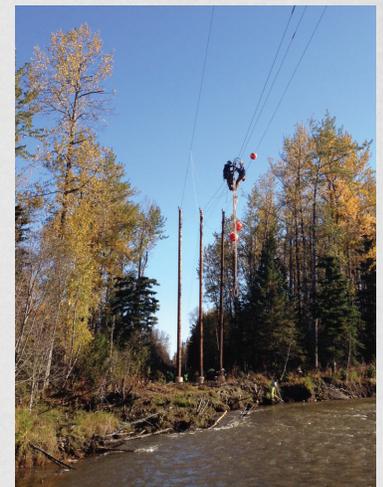
gency preparedness. Chugach provided specific information about various billing and payment options and used its Safety City program to discuss the significance of electrical safety. {191270446}

The week ended with members taking a look through Chugach's history. Chugach memorabilia included Outlet newsletters from the early 1970's and a slideshow of pictures, some more than 50 years old. Chugach has been serving its family, friends and neighbors for 66 years.



Members that were curious about how much power it takes to turn on a light bulb were able to hop on AEA's Energy Bike to power both LED and incandescent bulbs.

Warning balls installed



A Chugach crew installed aerial marker balls on a newly constructed section of distribution line over the Chuitna River in late September. The new line replaced a temporary crossing erected after flooding in September 2012 damaged the line. The marker balls provide a visual warning of the presence of a power line to pilots.

Overhead-to-underground projects in progress

Chugach is in the process of wrapping up one overhead-to-underground conversion project as another gets underway. Both projects are in Northeast Anchorage – an area that was hard hit by 100-mph windstorms in September 2012.

The two projects are funded by monies collected to comply with an ordinance intended to accelerate the pace at which existing overhead lines are replaced by underground facilities. A 2-percent charge on the bills of Chugach members in the Municipality of Anchorage raises about \$3 million annually to fund Chugach's share of the program.

A project to convert about a half of distribution line around the northern end of Cheney Lake began in June. By October, the overhead primary line had been replaced by underground cable and lines and crossarms removed from poles. Conversion of individual services to homes along the route was expected to continue into November.

Telecommunications and television utilities attached to the poles make their own decisions about converting their facilities.

The second project will convert about a quarter mile of



Above left: A project near Debarr and Muldoon roads will convert about a quarter mile of overhead distribution line to underground facilities by the end of the year. Above right: New underground cable replaced overhead lines around Cheney Lake in an area where dozens of large cottonwood trees were blown down onto the line in a 100-mph storm in September 2012. A telecommunications line remains above ground in the photo.

line north of Debarr Road west of Muldoon Road. The project started in October with

Chugach's portion expected to be completed by the end of the year.

Thanksgiving load looks different

The electric load customers put on the Chugach system follows a different pattern on Thanksgiving Day than on a normal November weekday.

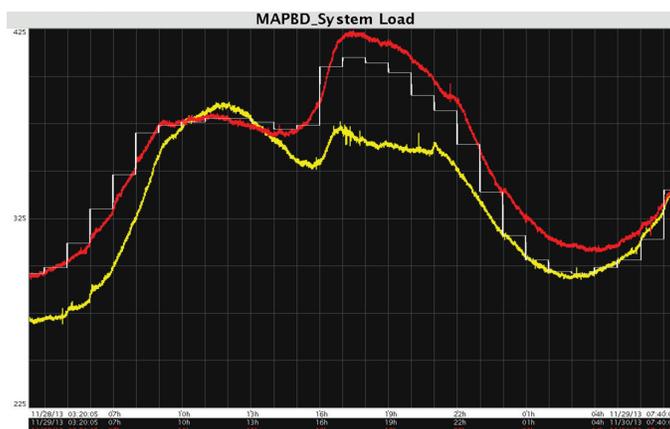
The accompanying chart shows the daily load curve on Thanksgiving 2013 in yellow, compared to the Friday following it in red. Load in megawatts is shown on the left hand axis, with time of day across the bottom. The chart captures the load from Chugach's retail customers, plus those of Matanuska Electric Association and the City of Seward, and the then-whole-

sale-customer Homer Electric Association. Because that combined customer base is largely residential, the pattern of electric use in the home influences the daily curve.

As usual, loads are lowest in the early morning hours, then begin to climb as people get up and start to turn things on to start their day. However, as the yellow line shows, that

trend doesn't start quite as early in the day on a holiday. There's also a pronounced bump around noon (perhaps as cooking activities are underway). In the early evening there's an increase in load as the day darkens and home and street lights come on, but with many household activities already done the normal weekday evening peak is greatly reduced.

On Friday, as the red line shows, the load curve returns to its normal shape for a November weekday.



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://chugachelectric applicantpro.com>. Chugach only accepts applications for open vacancies.



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Monthly residential service costs (based on 650 kwh)

Customer charge/month	\$ 8.00
Energy charge \$0.09415 x kwh =	\$61.20
Fuel \$0.04669 x kwh =	\$30.35
Purchased power \$0.00870 x kwh =	\$5.66
FIW renewable energy adj. \$0.00198 x kwh =	\$1.29
<small>(Fuel, Purchased power and FIW renewable energy adjustment factors effective October 1, 2014)</small>	
Subtotal	106.50
2% MOA Undergrounding Charge =	\$ 2.13
Regulatory Cost Charge \$0.000754 x kwh =	\$ 0.49
Total bill	\$109.12

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.