



Chugach Electric Association, Inc. **OUTLET**

www.chugachelectric.com September 2015 Number 331

New gas supply agreement filed

Chugach and Hilcorp have come to terms on a new agreement that will provide natural gas for Chugach into 2023. The new agreement – technically the Third Amendment to an existing contract – was filed for approval with the Regulatory Commission of Alaska on July 23.

The new agreement will lower the unit price for gas paid by Chugach while providing greater operational flexibility to the utility in managing gas supply.

Hilcorp is one of Chugach's existing gas providers. Hilcorp entered the Cook Inlet market with the acquisition of the as-

sets of Marathon Alaska Production in 2012. Chugach also purchases significant amounts of natural gas from ConocoPhillips, though that contract will end in 2016 (see below article).

With the new agreement, Hilcorp will continue to be the

primary supplier of natural gas for Chugach's thermal power plants. Hilcorp is the only gas supplier with the reserves, production and storage to fully meet Chugach's total gas demand.

See Gas supply, page 2

ConocoPhillips contract ends in 2016

Chugach's current gas supply contract with ConocoPhillips Alaska expires in 2016. Chugach has purchased Cook Inlet natural gas from Cono-

coPhillips and its predecessor companies (like Phillips Petroleum and ARCO) for decades. For nearly 50 years, the company was one of three sup-

pliers that produced gas at the Beluga River Field and delivered it to Chugach's nearby Beluga Power Plant.

See ConocoPhillips, page 2

Stetson Creek diversion operational

After more than 2 years of construction, a major water project at Chugach's Cooper Lake Hydroelectric Project is operational. On July 25 water began to flow through the Stetson Creek diversion into Cooper Lake and from Cooper Lake into Cooper Creek. Stetson Creek is a cold water stream that flows into the drainage of Cooper Creek between the Cooper Lake dam and the Kenai River. The Cooper Lake water released into the creek is warmer.



The Stetson Creek diversion project allows water from the Cooper Lake reservoir to be released to Cooper Creek.

the Federal Energy Regulatory Commission, resource agencies expressed interest in trying to raise the temperature of the water in the lower reaches of Cooper Creek for fish habitat. Consequently, a condition was included in Chugach's license that required the diversion of much of the flow of Stetson Creek into the Cooper Lake reservoir and release of relatively warmer lake water into

the Cooper Creek drainage.

The \$22 million project began in 2013. It included the construction of a diversion structure, more than two miles of pipeline and a siphon works to move water from the reservoir into the creek drainage. All work on the project is expected to be completed by this fall.



The second annual Member Appreciation Week is being held Oct 5 - 9 from 11 a.m. to 2 p.m. daily. {1126638}

Monday, October 5

Chugach Operations Tours*

Tuesday, October 6

Energy Efficiency and Renewables

Wednesday, October 7

For Your Convenience:
Member Options

Thursday, October 8

Electrical and Emergency Safety

Friday, October 9

Chugach's Past, Present &
Future

***Register for the Chugach Operations Tour at www.chugachelectric.com. Tour space is limited.**

The diversion project was a requirement of the new 50-year license that Chugach received for the hydro facility in 2007. Chugach received the original license for the Cooper Lake project in 1957. When the cooperative sought to renew the operating license from

A drawing will be held for a chance to win a \$250 Chugach gift certificate, which may be used to pay any Chugach account. During the week of Oct. 5, members can enter the drawing in the Chugach Lobby or online at www.chugachelectric.com. The winner will be announced the week of October 12th.

EPA releases CO2 plan

More than a year after releasing a draft plan intended to reduce carbon dioxide emissions from power plants, the Environmental Protection Agency released a final rule that does not require a compliance plan from Alaska – at least for now.

The draft rule released by EPA in June 2014 drew more than

4 million comments. In that document, EPA had proposed that Alaska reduce CO2 emissions related to several individual generating units in the Railbelt. Relative to the 2012 test year, emissions were to be cut 26 percent by 2030.

In its rule, EPA noted a lack of data about Alaska and other non-contiguous areas con-

tributed to its decision to not require plans from all states and territories on the same schedule. Among other things, the agency indicated difficulty in determining what it calls the Best System of Emission Reduction, or BSER for areas with EGUs (electric generating units). "Because the EPA lacks appropriate information to quantify the BSER for the two non-con-

tiguous states with affected EGUs (Alaska and Hawaii) and the two U.S. territories with affected EGUs (Guam and Puerto Rico), we are not finalizing emission performance rates in those areas at this time, and those areas will not be required to submit state plans until we do."

As expected, the EPA rule has generated legal challenges.

Gas supply (cont'd from page 1)

Currently an estimated 79 percent of the kilowatt-hours Chugach sells come from natural gas fired power plants, with 18 percent coming from hydroelectric projects and 3 percent from wind turbines.

Beginning April 1, 2018, the new agreement between Chugach and Hilcorp cuts the

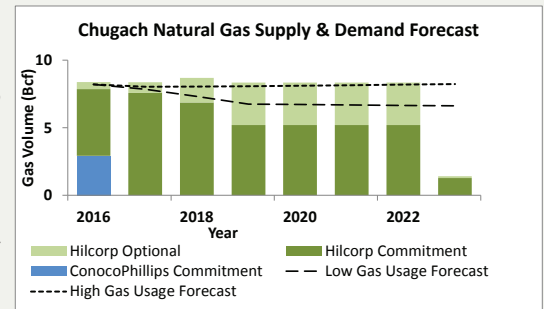
unit price for base gas by 8.5 percent, with increases of 2 percent per year through March 2023.

The new agreement also has "call options" that provide Chugach valuable operational flexibility in managing its gas supply. The options allow Chugach to purchase additional

gas to meet changes in short- and long-term gas needs.

They also provide the opportunity for firm gas supplies from Hilcorp or the opportunity to purchase gas from other potential suppliers.

Chugach expects RCA action on its filing in September.



ConocoPhillips (cont'd from page 1)

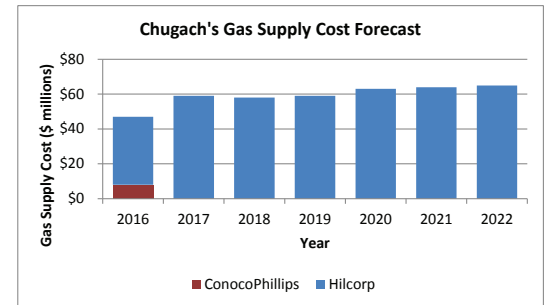
Because gas under the old ConocoPhillips contract is less expensive than gas from more recent transactions, it has the effect of holding down overall fuel costs.

The current contract with ConocoPhillips provides about 70 percent of the natural gas Chugach needs in 2015 and about 35 percent of the 2016

requirement before expiring. As a result of this reduction, Chugach expects residential bills to increase over the next 2 to 3 quarters. Quarterly increases of 2 to 4 percent are expected, resulting in a total bill increase of 6 to 10 percent in relation to current third quarter 2015 rate levels.

Following the expiration of the

ConocoPhillips contract, Chugach expects its annual cost for natural gas will rise from about \$48 million in 2016 to near \$60 million in 2017 (see chart).



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.com>. Chugach only accepts applications for open vacancies.

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

Hours

Main number

Toll free

Member Services

Member Services fax

24-hour payment line

Credit

Power theft hotline

Danger tree hotline

Street light hotline

Underground locates

Regulatory Commission of AK

or

To report a power outage

In Anchorage

Outside Anchorage

Monday - Friday

8 a.m. - 5 p.m.

563-7494

(800) 478-7494

563-7366

762-4678

762-7803

563-5060

762-4731

762-7227

762-7676

811

(800) 390-2782

276-6222

762-7888

(800) 478-7494

Monthly residential service costs

(based on 650 kwh)

Customer charge/month	\$ 8.00
Energy charge $\$0.11470 \times \text{kwh} =$	\$74.56
Fuel $\$0.03630 \times \text{kwh} =$	\$23.60
Purchased power $\$0.00471 \times \text{kwh} =$	\$3.06
FIW renewable energy adj. $\$0.00198 \times \text{kwh} =$	\$1.29

(Fuel, Purchased power and FIW renewable energy adjustment factors effective July 1, 2015.)

Subtotal	110.51
2% MOA Undergrounding Charge =	\$ 2.21
Regulatory Cost Charge $\$0.000732 \times \text{kwh} =$	\$ 0.48
Total bill	\$113.20