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Chugach Electric Association's Outlet

www.chugachelectric.com

Panel begins review of Chugach & ML&P merger issues

For decades utility experts have recommended that consolidation would reduce costs for consumers of both utilities. A panel has begun meeting to review whether combining Chugach and ML&P in some form makes legal and financial sense and benefits the customers of both utilities and Anchorage residents generally.

At its first meeting July 20, discussions included

the group's role and responsibilities, public hearings and a meeting schedule.

The panel is comprised of Anchorage government and business leaders with expertise in utility and business issues. It will oversee the analysis of whether a merger or some type of joint operations makes sense for Southcentral Alaska's two largest electric utilities, Chugach and Municipal Light & Power.

Chugach Board Chair Elizabeth Vazquez and Mayor Mark Begich will co-chair the committee. The committee will work with utility consultants and other experts and hold public hearings. It expects to reach a determination by this fall.

"Each of these experts possesses the broad knowledge and expertise to help us determine if merging or some other form of joint

operations makes sense for these two utilities," Vazquez said. "We're honored they've volunteered to help a process that we hope will be good for Anchorage electric rate-payers."



Chugach Board Chair Elizabeth Vazquez is the co-chair of the panel.

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Chugach undertakes \$1.7 million undergrounding project

Chugach is working on its largest overhead-to-underground conversion project of the year. The \$1.7 million project will replace older overhead lines with new buried cable along and adjacent to Johns Road between Klatt and Huffman roads. The project will include a section of new line extending east along Huffman Road to the Alaska Railroad track. This will tie two segments of the electric system together to provide greater operating flexibility and improved reliability.

Load growth in the area necessitated the upgrade to ensure sufficient capacity to serve current customers and provide for future development.

As part of the project, the telephone utility is also replacing their overhead lines with underground facilities. Cable facilities have already been placed underground. When the work is completed in September, Chugach will have replaced approximately three-quarters of a mile of overhead line with new underground cable.

The project is funded with money collected from Anchorage customers who pay a 2 percent surcharge on monthly bills to fund overhead-to-underground conversions per a municipal ordinance.

Chugach's 5-year undergrounding plan calls for spending \$21 million to



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Chugach's contractor dug trench and laid conduit for the conversion project.

“Chugach and I are committed to making certain that the study of costs and benefits of a possible merger is an open and transparent process,” Begich said. “We want to ensure that diverse points of view are heard and considered and that the public has an opportunity to participate. This advisory board will help us achieve that goal by bringing specific expertise to the process and by providing a forum for public comment.”

Other members of the panel include:

- Robert Ballow, a certified public accountant and real estate investor, former president of the Kuskokwim Corp., and former president and CEO of The Office Place.
- Mike Barry, former chair of the Alaska Industrial Development and Export Authority and the Alaska Energy Authority boards and a long-time Anchorage

businessman.

- Assemblyman Chris Birch, a former Chugach board president and director before he was elected to the Assembly in 2005.
- Mark Foster, a private utilities consultant and engineer who was a member of the Alaska Public Utilities Commission between 1990-93 and was the chief operating officer of the Alaska Telephone Utility.
- Stephen Pratt, an economist who runs his own consulting firm and a former senior manager with Alaska Communications Systems, is a member of the ML&P Advisory Commission.

In June Begich and Vazquez signed an agreement which sets up the oversight committee and process for examining whether a utility merger makes sense. At issue is how to provide electricity at the lowest cost to residents and businesses in the Anchorage bowl.

convert existing overhead lines between 2007 and 2011. Projects are chosen by assessing overall system needs and consideration of designated target areas. The inclusion of a project within the 5-year plan does not guarantee that the project will be

constructed in the designated year.

Chugach identifies and prioritizes projects based on the following criteria:

1. Safety and code compliance
2. Non-reimbursable portions of road improvement projects

Your Board is charged with the management of the business and the affairs of the Association. Recent Board activity included:

- Approving an estimated \$1.7 million fixed wing air services contract with Security Aviation through 2009. The contract provides for routine scheduled transportation of personnel, freight and supplies to the Beluga Power Plant and camp.
- Approving a scope of work for the Board’s legal counsel.
- Approving accounts receivable

write-offs for the 6-month period ending April 30, although Chugach will continue to aggressively pursue collection.

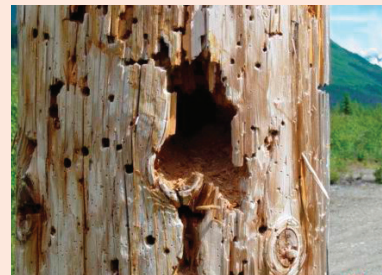
- Working on document release procedures to increase transparency and improve member access to cooperative business records.

In other action the Board determined legal strategy concerning an RCA order on the Knik Arm Power Plant and litigation concerning the release of confidential information.

Chugach needs your help

Please don’t attach signs or other items to your utility’s poles or facilities. Power poles such as this one that was used as a target cost members thousands of dollars in repairs.

In addition, utility employees require safe access to facilities. They need to be able to climb a power pole without the chance of having a nail poking a hole in their gloves



or other protective gear and causing an injury.

convert existing overhead lines between 2007 and 2011. Projects are chosen by assessing overall system needs and consideration of designated target areas. The inclusion of a project within the 5-year plan does not guarantee that the project will be

constructed in the designated year.

Chugach identifies and prioritizes projects based on the following criteria:

1. Safety and code compliance
2. Non-reimbursable portions of road improvement projects

3. Load growth improvements
4. Reliability
5. Target areas defined by the Municipality of Anchorage

Overhead lines in fully developed residential areas are lower on the priority list but can move up when a line’s

outage history shows that undergrounding will improve reliability.

To review Chugach’s 5-year overhead-to-underground plan, go to www.chugachelectric.com.

Contact us

Main number	563-7494
Toll free	(800) 478-7494
Member Services	563-7366
Member Services fax	762-4678
Business and commercial desk	762-7876
Credit	563-5060
Power theft hotline	762-4731
Danger tree hotline	762-7227
Underground locates	278-3121
Regulatory Commission of Alaska	(800) 390-2782
or	276-6222

To report a power outage

In Anchorage	762-7888
Outside Anchorage	(800) 478-7494

Hours

Member Services lobby:

5601 Electron Drive
Monday - Friday
8 a.m. - 6 p.m.

Member Services phone:

Monday - Friday
8 a.m. - 9 p.m.

Main office:

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

The Chugach Outlet

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5601 Electron Drive
P.O. Box 196300
Anchorage, Alaska 99519-6300

Monthly residential service costs

(based on 700 kwh)

Customer charge/month	\$ 8.42
Energy charge \$0.09282 x kwh =	\$64.97
Fuel adjustment \$0.03204 x kwh =	<u>\$22.43</u>
Fuel adjustment effective 7/1 - 9/30/07	
Sub-total	\$95.82
2% MOA Underground Charge =	\$ 1.91
RCC charge \$0.000274 x kwh =	<u>\$ 0.19</u>
Total bill	\$97.92

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.