

Chugach Electric Association's

Outlet

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Study Identifies Millions in Potential Savings for Chugach and AML&P Consumers

An initiative of the Chugach Board and Mayor Mark Begich to investigate potential savings from merger or consolidated operation of Chugach Electric and Anchorage Municipal Light & Power has identified significant rate savings looking only at consolidation and finance charges.

Hired by both utilities, Navigant Consulting has issued their Phase 1 draft report. One alternative requires no change in utility ownership to save **\$183 million** if the two utilities work together to eliminate duplicate services.

Another alternative identifies potential savings as high as **\$218 million** over 11 years

if a governmental authority acquires both utilities.

Both cases include **\$86 million** in savings through joint operation and construction of a new highly-efficient power plant that would replace aging and inefficient generation.

At a public hearing held November 29th at the Z.J. Lousac Public Library, Navigant representatives reported their findings and answered questions from the advisory panel responsible for study oversight. This panel is co-chaired by Chugach Board Chair Elizabeth Vazquez and Mayor Mark Begich.

Public comment highly

avored the effort to lower costs through some form of consolidation, but also raised legitimate questions on study methodologies, particularly the primary assumption that tax-exempt financing would only be available to AML&P or a governmental authority. This assumption may not be correct yet it strongly influenced the ranking of alternatives to favor government ownership.

Reported savings were also affected by differences in cash accumulations and revenue recovery methods.

Chugach Board Chair Elizabeth Vazquez emphasized, "Pursuing efficiency gains by some form of consolidation is

clearly in the best interest of our member-owners and all citizens of Anchorage."

While asking hard questions of Navigant and challenging some study methodologies, Vazquez is pleased with the overall effort and compliments Mayor Begich for his cooperation and support.

Where will Chugach and the merger advisory panel go from here?

If both utilities stay on track to fill in gaps not studied by Navigant, the additional fine-tuning of the most promising study cases could be made and an implementation plan developed by early spring of 2008.

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Board Appoints Evans Acting CEO

At its December 5th meeting, the Chugach Board of Directors appointed one of Alaska's most experienced utility officers, Brad Evans, to serve as Acting Chief Executive Officer, effective immediately.

Evans is Chugach's Senior Vice President of Power Supply and has more than 23 years of utility experience. Evans was raised in Fairbanks and holds an electrical engineering degree from the University of Alaska, Fairbanks. His career background includes strategic and resource planning, inter-

connected utility operations, fuel negotiations and management, power plant operation and maintenance and utility process efficiency analysis.

During the past year he has been deeply engaged in analyzing options for the continued delivery of reliable power through replacement or updating aging power plants and infrastructure. Evans has also been a key member of the gas negotiation team, considered by most observers as a vital stepping stone for Chugach.

Chugach Board Chair Elizabeth Vazquez said that the Board has full faith in Evans. "It is necessary for Chugach to change direction," she said, "and for that we need a different leadership. Brad Evans is an extremely capable leader and a very experienced manager. He will do very well."

Vazquez noted that the Board appointed Evans Acting CEO. Meanwhile, the Board also appointed a subcommittee to consider selection of a longer term CEO. The subcommittee consists of Chair Elizabeth

Vazquez, Vice Chair Uwe Kalenka and Director Rebecca Logan.



Brad Evans

On December 6th, Chair Vazquez wrote a letter to all Chugach employees expressing the Board's confidence in the utility's management, staff and employees.

The Chugach Board terminated the contract of CEO Bill

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Rebecca Logan has been selected to serve on the Chugach Board. She was chosen by other direc-

tors to fill a vacancy created by the recent resignation of former director Alan Christopherson. The Board took the action at its regular meeting October 17. Logan will serve until next spring, when the seat will be one of three to

be filled in Chugach's 2008 election.

Logan has been president and chief executive officer of the Associated Builders and Contractors, Alaska Chapter, since 2004. Logan brings expertise to the Board in construction and maintenance contracting as well as apprentice and vocational training. She was a small business owner for 10 years and has over 20 years experience serving on non-profit boards.

Your Board is charged with the management of the business and the affairs of the Association. The Board is actively pursuing innovations to lower operation costs, improve accountability, and keep you informed. Recent initiatives and actions include:

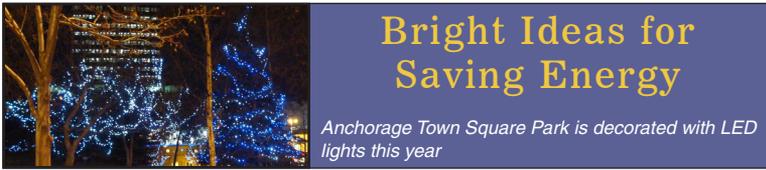
- Continuing to explore the feasibility of a merger or shared activities with ML&P to lower costs through the elimination of redundant activities and capital investments
- Hiring specialized legal counsel for issues arising from possible merger or joint activities with ML&P
- Expanding the communications advisor's scope to include a plan for keeping members informed on the status of merger studies with ML&P and the findings of the Blue Ribbon Panel recently presented to the Board
- Amending Board Policy 113 to end ban on TV cameras and photography at Board meetings
- Amending Board legal counsel

contract to include review of records retention and release policies to increase transparency and make them more accessible to members



Elizabeth Vazquez
Board Chair

- Approving the Office and Engineering IBEW contract covering approximately 90 employees. New contract language includes wage adjustments and additional contributions for pensions while raising the share of co-pay for insurance premiums and providing for random drug testing
- Approving cost of living wage adjustments for non-represented employees
- Directing CEO to freeze hiring until discussions with ML&P or other entities are concluded, but no later than April 1, 2008



Bright Ideas for Saving Energy

Anchorage Town Square Park is decorated with LED lights this year

Light Emitting Diode (LED) holiday lights are an energy-saving application in lighting technology.

Each year manufacturers have improved the choices, producing bigger and brighter bulbs and new color options. LED lights have a number of benefits over conventional lighting, including:

They are energy-efficient 0.08 watts per LED C7 multicolor bulb (compared with 0.48 watts for an incandescent mini-light and 6.0 watts for a standard incandescent C7 bulb).

They have a long life span They last up to 100,000 hours or more when used indoors, half that outdoors, and some manufacturers provide a limited lifetime warranty.

They are safer The bulbs are cool to the touch, regardless of how long they are left on.

They are sturdy The epoxy lenses are virtually indestructible.

CEO continued from Page 1

Stewart at the same meeting. The termination was effective immediately. Board Chair Vazquez said, "The Board

thanks Mr. Stewart for his contributions and years of service to Chugach."

Potential Savings continued from page 2

The Chugach Board and management are committed to providing reliable electricity at the lowest cost possible, but it will take cooperation by all parties to achieve the savings identified in the Phase 1 draft report. These savings are very significant for Chugach ratepayers, and all municipal house-

holds and they are well worth pursuing.

Further detailed information, the complete Phase 1 draft report, follow up questions asked by Chugach, and other related documents are available on the Chugach Web site, www.chugachelectric.com.

Contact us

| | |
|---------------------------------|----------------|
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| Business and commercial desk | 762-7876 |
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| Danger tree hotline | 762-7227 |
| Underground locates | 278-3121 |
| Regulatory Commission of Alaska | (800) 390-2782 |
| or | 276-6222 |
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| In Anchorage | 762-7888 |
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Hours

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The Chugach Outlet

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Monthly residential service costs

(based on 700 kwh)

| | |
|--|----------------|
| Customer charge/month | \$ 8.42 |
| Energy charge \$0.09282 x kwh = | \$64.97 |
| Fuel adjustment \$0.0299 x kwh = | <u>\$20.93</u> |
| Fuel adjustment effective: 10/1 - 12/31/07 | |
| Sub-total | \$94.32 |
| 2% MOA Underground Charge = | \$ 1.89 |
| RCC charge \$0.000274 x kwh = | <u>\$ 0.19</u> |
| Total bill | \$96.40 |

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.

