

News notes

• Chugach uses easements and rights

of way to access its lines and other facilities for maintenance, repairs and outage restoration. Please remember that crews may need to use the right of way at any time to get to and work on equipment. If you have a question about right of way access, call 762-4355.

• AutoPay is a convenient way to pay

your Chugach bill each month. Chugach will automatically charge your credit card or checking account for your monthly payment. You'll continue to receive a monthly bill so you can track energy usage and cost. For more information about AutoPay call 563-7366 or find it under Account Services at www.chugachelectric.com.

• Chugach's 2002 annual meeting

will be held at the Hotel Captain Cook at 7 p.m. on Thursday, April 25. Registration will start at 6 p.m.

• Chugach will set a record date

in mid-March for the 2002 election. The records in place at the close business on the record date will determine who is eligible to vote in the election or at the annual meeting.

• In February Chugach will send letters

and signature cards to non-natural entities, such as corporations and associations. Signature cards showing the authorized signers should be returned to Chugach prior to the record date as these cards will determine who is eligible to vote for these entities in the election or to participate in floor voting at the annual meeting.

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How to reach us

Our service center at 5601 Minnesota Drive is open from 8 a.m. - 6 p.m., Monday-Friday, Saturday 9 a.m. - 5 p.m.

Switchboard hours are 8 a.m. - 11 p.m., Monday - Friday.
563-7494

Toll Free (800) 478-7494

The Chugach Outlet

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CHUGACH
POWERING ALASKA'S FUTURE

Chugach bonds rated "A+", "A2" and "A"

Chugach received an "A" rating or better from three national rating firms in conjunction with its \$180 million bond issue. Chugach's "A" rating is considered "investment grade" and allows Chugach ready access to capital and at favorable interest rates.

Fitch Investors Service in New York City is one of three national rating agencies that has regularly issued credit ratings on Chugach bonds since the company entered the bond market in 1991. Since that time Chugach has maintained an investment grade bond rating. Fitch not only assigned an "A+" rating on the outstanding bonds, but also assigned an "A+" rating to the 2002 Series A and B bonds due in 2012.



Moody's Investors Service rated Chugach "A2" based on Chugach's sustained financial performance.

Standard and Poor's recognized Chugach's credit strengths and affirmed an "A" rating with a stable outlook.

Chugach intends to insure the 2002 series issue bonds which will result in a "AAA" rating, the highest achievable.

Board approves 2002 budget

The board of directors approved Chugach's 2002 operating and capital budgets at its Dec. 19 meeting.

The operating budget projects revenues of \$180.6 million, a total cost of

Total revenues for 2002 are projected to be about 4 percent higher than those for 2001 because of increased sales. The total cost of electric service is about 3.3 percent higher than that of 2001 because of increased depreciation expense. Margins for 2002 increased 21.5 percent from the \$5.8 million for 2001.

In addition, the board also approved a \$32.8 million capital budget that includes system improvements and overhauls on Beluga unit Nos. 3, 5 and 8. The capital budget also includes the design of projects to improve system reliability in South Anchorage through expansion of Chugach's International Substation, building the South Anchorage Bulk Substation and new 138-kilovolt transmission lines connecting the new substation to the existing grid.



Beluga Power Plant

electric service or operating expenses of \$174.7 million and margins of \$7 million.



General Manager's message

by Gene Bjornstad

Board approves \$180 million bond

During the December board meeting, the board approved a plan to issue \$180 million in bonds. These bonds were issued to redeem outstanding debt and also to obtain additional financing at very favorable interest rates. I'd like to tell you why this bond sale is a significant accomplishment for Chugach.

In 1991 Chugach refinanced \$360 million and paid off its outstanding Rural Electrification (REA) Administration loans. The 1991 refinancing left Chugach with \$262 million in 30-year bonds at an interest rate of 9.14 percent and \$52 million in 10-year bonds at 8.08 percent. Although these interest rates seem high compared to the interest rates we see today, they were significantly lower than the previous REA loans and helped reduce Chugach's interest expense. Interest expense is a major component of Chugach's budget, so replacing high interest debt with lower interest debt improves Chugach's financial health.

After the 1991 refinancing, interest rates continued to decline so Chugach worked diligently to

reduce interest expense even more. Even though the bonds were not callable until 2002, over the next 10 years, {1022793 HE} Chugach bought back more than \$100 million of the 30-year high cost bonds and replaced them with less costly debt.

In January Chugach put in place a transaction to refinance all of the remaining 1991 high cost debt and replace it with lower cost debt. We also obtained some additional money for working capital. I'm happy to inform you that Chugach obtained this \$180 million in bonds at very favorable interest rates — \$120 million at a fixed 6.20 percent and \$60 million at a variable rate of 1.97 percent. These interest rates are substantially less than the previous 9.14 percent interest rate and will result in a savings of millions each year in interest expense on the refinanced debt.

Joe Griffith, Chugach's CFO, headed up the team who completed this great refinancing accomplishment.

Board report

The Chugach Board took the following actions at the December and January meetings:

- Approved the call and refinancing of the 1991 Series A Bonds.
- Approved the 2002 operating and capital budgets.
- Approved Chugach's 2002 Business Plan.
- Approved KPMG as Chugach's auditor.
- Re-appointed Elizabeth Carew and R.H. "Red" Kinney and appointed Larry Dinneen, Bill Gates and Karen Stradford-Wright to three-year terms on Chugach's 2002 Election Committee.
- Appointed Doretha Abrams and re-appointed Warren Reynolds to three-year terms on the 2002 Nominating Committee.
- Approved directors' expenses.
- Heard a report on finances through November.

For a complete board report log on to www.chugachelectric.com.

The Chugach board

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Pat Kennedy, Director . . . (907) 333-1217
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Gene Bjornstad, General Manager

Check your capital credits balance online

Capital credits are a benefit of being a member of Chugach. If you have access to a computer, you can even find out the balance in your capital credits account and what has been retired, or paid to you over the years.

Go to the Chugach home page at www.chugachelectric.com. From there, click on the Customer Service menu. On the menu bar click on the capital credits area and enter either the "for your {1094106 TI} home" or "for your business" section. You will be asked to submit your account number.

Once the account number has been submitted, the capital credits history page will appear. The page will indicate the amount of capital credits earned each year, and if you have received either a credit against your account or a check from a retirement or payment.



President's report

by Bruce Davison

Increased fees for directors

As many of you may be aware, your Board of Directors consists of Chugach members who are elected based on their experience and qualifications. Of the seven director seats, two or three are filled each year by election. In past elections, there have been situations where the number of candidates did not exceed the number of vacant Board seats, thereby ensuring that every candidate would be elected as a director without any competition or choice available for the membership. In my view, this ultimately hurts the cooperative and you, the members, because the quality, business experience, and dedication of directors ultimately diminishes in the absence of choice and competition. As of the writing of this column, there are only two candidates for three open director seats in the upcoming April election.

I think one of the main reasons there is not a lot of interest in running

for the Board is the minimal amount established for the director fee. Chugach is a large, complex business with annual operating revenues in excess of \$180 million and assets of \$500 million. Your Board should consist of qualified, experienced people who are community leaders and who are knowledgeable about some aspect of governmental or business operations. Unfortunately, the people who make the best directors are often persons who have very little free time available due to their own business and employment commitments.

Out of necessity, we conduct many of our committee and special Board meetings during the day; our regular monthly Board meetings begin at 4 p.m. Each director is therefore required to spend a great deal of time at Chugach during the normal working hours of his or her "day job." Many meetings take two to three hours to accomplish

the work required of the Board. Occasionally, meetings last all day. One way to attract more highly qualified candidates is for the membership to {107779 SC} amend the current bylaw to increase director fees so that persons serving as directors would not be required to make as great a financial sacrifice to serve on the Board.

Currently Board members are paid a fee of \$100 per meeting. The current fee has not been changed since at least 1984. In my opinion director compensation should be increased which will help ensure a dedicated, experienced and knowledgeable Board. In my next column I will provide additional details and justification for increasing the director fee.

As 2001 came to a close, many of us reflected on the past year, and the changes in our lives.

As a member of the Chugach board, I also reflected on how our business has changed, and realized that the events of Sept. 11 have forever changed the environment in which we operate. In addition to providing safe, reliable energy, we must also pay greater attention to the security of our facilities.

The Chugach electrical system covers a lot of ground, often following a desolate and unyielding route. Chugach has taken precautions to ensure that our facilities are protected and that the electricity keeps flowing to homes and businesses throughout the Railbelt.

While the electrical system is the first thought that comes to mind when

talking about security, there are other areas of concern.

Chugach has an extensive and complex computer network that includes our administrative, accounting and generation systems. While Chugach has always had protection for its computer network, we have increased the security for our systems.

There have also been some other changes internally to help protect Chugach's employees and facilities. Procedures for handling mail have been changed, and there is a plan in place for the isolation and contact of the proper authorities in the event suspicious mail is received.

While I obviously cannot disclose the

details of Chugach's security plans and procedures, I can tell you that we have taken and will continue to take steps to ensure that our members have a supply of electrical energy that will keep flowing to their homes and businesses.

I also believe that you, as a Chugach member, must also be vigilant in your everyday life, be aware of things that are unusual and call the proper agency or authority if you observe suspicious activities. We are all charged with this responsibility, not only in our business lives, but in our personal lives. Taking an active part in what's happening around us will make our community safer for ourselves and our families, and others whose lives touch ours.

NetPay equals convenience

Chugach offers its members a service called NetPay that allows them to receive e-mail notification and view and pay their bills online. Members have their choice of several NetPay options.

Members can continue receiving a paper bill and use NetPay to pay their bill using either a credit card or a bank transfer (electronic check).

Another NetPay option allows members to provide Chugach with their e-mail address and receive notification via their computer that their bill is ready for viewing. They may pay electronically with a credit card or by bank transfer using an electronic check.



Chugach members who have made the choice to receive e-mail notification may choose to have their paper bill discontinued.

Members may access NetPay using either their member number or the e-mail address that they have given Chugach, plus a four-digit PIN.

The NetPay convenience allows members to save time, and Chugach may save on the costs of paper bills, envelopes, postage and handling costs.

Chugach members can access NetPay online at www.chugachelectric.com or call the Service Center at 563-7366 for more information.

Chugach lowers retail and wholesale fuel surcharge

Chugach lowered the fuel surcharge rates paid by its retail customers and two of its wholesale customers. The decreases were primarily due to a reduction in the amount of funds needed to be collected for prior fuel and purchased power expenses.

The Regulatory Commission of Alaska approved Chugach's filing to lower the retail fuel surcharge from 2.5430 cents per kilowatt-hour to 2.290 cents. Retail customers saw the change effective with the bills rendered after Jan. 1. The decrease translates into a savings on a monthly bill of 2.2 percent or \$1.77 for the average Chugach residential customer using 700 kwh of service each month.

The RCA also approved Chugach's request to lower the fuel surcharge rates for two of the utility's wholesale customers — Homer Electric Association and Matanuska Electric Association. The approved first quarter 2002 surcharge rates are 2.172 cents per kwh for Homer Electric and 2.099 cents per kwh for Matanuska Electric, compared to the previous per kilowatt-hour rates of 2.397 cents and 2.412 cents per kwh respectively. Wholesale customers saw the change effective with their Jan. 1 purchases from Chugach.

News notes

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• Your member number is worth \$50

If you spot it in the Outlet. Each month member numbers are inserted into the copy. These numbers are in brackets like this {} along with the first two letters of the member's names. If you find a number like this that matches the member number on your bill, call our service center at 563-7366 to claim your prize. You may win for the current or previous month's issue.

Frequently called numbers

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

Online www.chugachelectric.com

Payment options

You may pay your bill by mail, NetPay, automatic debit from your checking account, in-person at our service center or by using our curbside drop box or Speed!Pay terminal. You may be able to pay by phone if your bank or credit union offers this service. Current payments may also be made at any Anchorage branch of the First National Bank of Anchorage. You may pay your bill by using Chugach's online NetPay at www.chugachelectric.com.

To report a power outage

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

Residential Service Costs

Customer Service charge	\$6.25/month
Kilowatt-hour charges:	
Energy charge8.0340¢
Fuel adjustment	2.2900¢
State tax	0.0360¢
Total kwh	10.3600¢