



Chugach Electric Association's Outlet

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Chugach & ML&P to explore potential merger or other relationship

Chugach Board Chair Elizabeth Vazquez and Mayor Mark Begich signed an agreement June 15 aimed at leading to a decision by this fall on whether it makes legal and financial sense for Chugach and Anchorage Municipal Light & Power to merge or somehow combine operations. The two agreed to appoint a panel of experts to help analyze the possibility of a single utility pursuant to the detailed five principles the two utilities will follow as discussions continue.

"The interests of the people and businesses of Anchorage should take priority in all these discussions and decisions," Vazquez said. "After all they are the owners of these utilities, as taxpayers and/or as co-op members. What we're after is the lowest cost possible for the customers."

"Through this process, we hope to improve service to customers and stabilize rates by increasing efficiencies and

eliminating duplication," said Begich. "I'm pleased the management of both Chugach and ML&P are now open to this new era of cooperation."

At issue is how to provide affordable electricity to residents and businesses in the Anchorage bowl. When initially formed, ML&P was envisioned as the provider to urban residents while Chugach would meet rural needs. Over time, those distinctions have blurred, with ML&P largely serving downtown, Chugach serving most of the rest of Anchorage and Matanuska Electric Association serving from Eagle River north.

For several weeks, Chugach board members and Begich have discussed the possibility of joint operations. An oversight team will be appointed to help direct the analysis, including a former member of the Regulatory Commission of Alaska, a Chugach board member, a member of



Photo by: MARC LESTER / Anchorage Daily News

Chugach Chair Elizabeth Vazquez and Mayor Mark Begich discussed the potential merger June 15.

the Anchorage Assembly, an ML&P official and a Chugach ratepayer. The team will be co-chaired by Vazquez and Begich.

The two identified five principles under which the team will work, including:

- Ensure the greatest benefit for the existing ratepayers of the two utilities.
- Eliminate duplication of services.

- Increase efficiency of services.
- Create rate stability for current and future ratepayers.
- Maximize asset value for owners of both companies.

Officials from both sides have agreed not to pre-judge the outcome, and they could even decide not to pursue a merger or joint operations if the analysis determines it makes little sense.

Does Chugach have a check for you?

Chugach may have a check for you if you were a member in 1987 and have not received a check or a credit on a current account. Chugach's website at www.chugachelectric.com has a complete list of members who are owed a portion of the 1987 retirements. Call 762-4643 for more information.

Statement of Principles

Chugach Board Chair Elizabeth Vazquez and Mayor Mark Begich signed the following Statement of Principles in exploring a potential merger or other relationship of the utilities:

1. Ensure the greatest benefit for the existing ratepayers of the two utilities. The interests of the people and businesses of Anchorage should take priority in all decisions concerning a potential merger or other form of relationship and the structure of the final entity. Other important interests to be valued and balanced as well include those of the utilities' owners (as taxpayers and/or as co-op members), and of the employees of the two utilities.

2. Eliminate duplication of services. The existing organization of electric utilities in Anchorage developed at a time when ML&P served urban consumers and Chugach served rural consumers. In today's Anchorage, the distinction between the two service areas is no longer meaningful. However, the duplicated structure of the two utilities remains. A primary goal of a merger or other form of relationship is to eliminate this duplication and serve all of An-

chorage with a single, rationally integrated company.

3. Increase efficiency of services. We believe that the unification of ownership and direction of electric utility assets in Anchorage will likely create new managerial, financial and operational efficiencies which will maximize the future organization's ability to implement the most efficient solutions for electricity users in Anchorage as a whole.

4. Create rate stability for current and future ratepayers. Low, stable electrical rates are a key component of economic growth. This benefit may outweigh all other benefits attained by the citizen-owners of our utilities. A merger or other form of relationship should be designed to keep rates as low and as stable as possible.

5. Maximize asset value for owners of both companies. ML&P and Chugach represent decades of investment by residents of Anchorage in the utility companies they own. The value of these investments must be recognized.

Your Board at Work

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

- Appointing community executives to a Blue Ribbon Panel to evaluate Chugach's overall performance, strategic planning, benchmarking and future needs. The Board Chair appointed David Gottstein, President, Dynamic Capital Management; Robert Hickel, President, Hickel Investment Company; Loren Lounsbury, Former APUC and Commerce Commissioner; Richard Lowell, President, Ribelin Lowell & Co. Insurance Brokers (retired); John Wanamaker, Vice President, Seattle-Northwest Securities. The Board also appointed

William Noll, former Commissioner of Commerce, Community and Economic Development as the panel's facilitator and primary staff member.

- Revising the Board's policy on confidentiality.
- Hiring of Dittman Research & Communications Corp. as a communications advisor to the Board.
- Approving plans to underground a section of overhead line along John's Road at a cost of \$1.7 million.
- Appointing Vice Chair Uwe Kalenka as the Board's liaison to Matanuska Electric Association, Homer Electric Association and Seward Electric System and the Alaska Power Association Board of Directors.

Chugach and ML&P Comparisons

(As of Dec. 31, 2006)	Chugach	ML&P
Number of meters	79,736	30,091
Kwh sold	2.75 billion	1.43 billion
Monthly bill total (based on residential 700 kwh, does not include 2% MOA undergrounding charge)	\$99.69	\$65.73*
Revenues	\$267.5 million	\$120.4 million
Peak demand	457 megawatts	177 megawatts
Employees	347	240
Total installed capacity	530 megawatts	381 megawatts
Line miles (transmission & distribution)	2,190	396
* The rate disparity is largely due to fuel cost difference from the ML&P gas field purchase. This purchase benefited from tax-exempt financing not available to Chugach.		

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

A Publication of Chugach Electric Association, Inc.
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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 \$0.03204 x kwh =	<u>\$22.43</u>
Fuel surcharge effective 7/1 - 9/30/07 if approved by the RCA	
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.



Corporate Mission: Through superior service, safely provide reliable and competitively priced energy. **Corporate vision:** Powering Alaska's future