

## 'User fee' to cover credit card costs

Beginning Sept. 1, Chugach customers who choose to use a credit card to pay their bill will have to pay a user fee. The fee will go to a third-party processor to cover the cost of using a credit card for their transaction. Chugach will not receive any of the user fee.

The board voted to make the change after reviewing the cost of accepting credit cards. Taking credit cards now costs Chugach more than \$800,000 a year. Of this, about \$720,000 goes to credit card companies, with another \$100,000 going to the company that processes the payments via the Internet or phone.

The cost of taking credit cards has grown steadily since Chugach began accepting credit card payments in 1992. Until now the cost has been borne by all retail customers. With the expense now approaching a million dollars a year, the board felt it was time for a change.

In a member attitude survey conducted in November 2007, 57 percent of those surveyed felt that credit card users should pay a fee to cover

the related expenses, while 30 percent said that the cost should continue to be shared by all customers.

About one-third – or 25,000 – of the accounts Chugach bills each month are paid by credit cards. Approximately 17,000 of those customers do so through the AutoPay program, which automatically charges their bill to their card.

Chugach's AutoPay program also offers the option of having a bill paid monthly from a bank account. These transactions are much less costly. Customers who now use credit cards will be encouraged to join the thousands of customers who deduct their AutoPay payments from bank accounts. That option will

*(See Credit cards, continued on page 2)*



## Chugach seeks role in Enstar gas filing

The rising price of natural gas from the Cook Inlet basin prompted Chugach to seek a role in a proceeding Enstar has before the Regulatory Commission of Alaska. Chugach petitioned the RCA to grant it intervenor status in the proceeding to ensure issues affecting customers of Railbelt electric utilities are heard.

Each year, about 90 percent of the power Chugach sells comes from natural gas-fired power plants (the other 10 percent is from hydro projects).

Enstar has asked the Commission to approve a pair of new contracts that will meet a portion of its gas needs in the coming years. The contracts are with Marathon and ConocoPhillips – two long-time producers in the Cook Inlet basin. Both companies are among Chugach's own current suppliers.

At issue is how gas from the Cook Inlet should be priced: as a local commodity from a production basin, or at prices tied to Lower 48 delivery hubs far-removed from Cook Inlet pipelines? The Henry Hub in Louisiana is an oft-cited pricing location, and one of the highest-priced hubs in the country.

The issue could be worth hundreds of millions of dollars to electric customers over time.

Natural gas is the largest single expense for Chugach. In 2007, Chugach spent \$106 million on natural gas for its own power plants, and another \$21 million for natural gas for power purchased from another facility.

Chugach is very concerned that pricing the Enstar contracts based on market assumptions inappropriate for gas from the Cook Inlet area could dramatically raise electric rates within a few years. Enstar's contract pricing structure produces natural gas prices which today would exceed Henry Hub. If these same pricing mechanisms are included in future Chugach fuel contracts, gas prices will rise dramatically. At today's prices, Chugach's fuel costs would more than double, resulting in much higher electric bills for customers throughout the Railbelt.

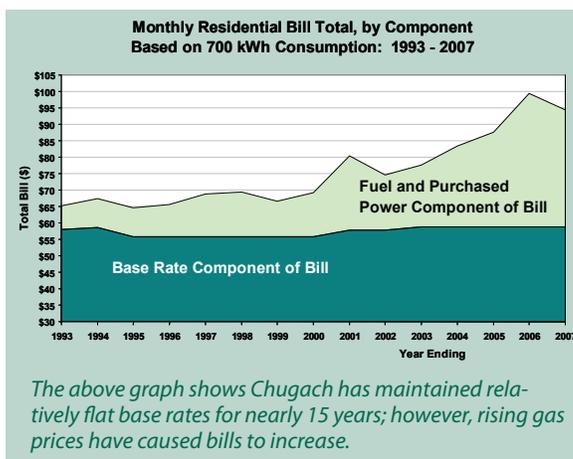
Chugach currently buys gas under four separate contracts from four different suppliers. The current contracts were signed in the late 1980s. Each is for a volume of gas, and current projections are that gas from these contracts will be gone by 2010 and 2011.

In round numbers, in late May Chugach was paying about \$5 per thousand cubic feet (Mcf) for natural gas, while gas priced at the Henry Hub was trading at near \$12 per Mcf. In 2007, Chugach purchased about 28 billion cubic feet of natural gas. At \$5 per Mcf, that would equate to \$140 million. At \$12 per Mcf, that would mean Chugach would be spending \$336 million for the same fuel – or \$196 million more in a single year.

To put those numbers into perspective, today if a residential customer pays \$100 a month for electric service, about \$40 goes for natural gas. If Chugach's gas contracts were to be set at Henry Hub prices, that customer's bill would jump to \$156 a month, with \$96 going to the gas producers.

Until other viable generation alternatives can be developed, Chugach

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## Conservation can save you money



Chugach has promoted conservation for a long time, and is looking at new ways to help members understand the steps they can take to cut their electric bills. The Chugach "Energy Guide" is available in printed form or online at [www.chugachelectric.com/news/publications.cfm](http://www.chugachelectric.com/news/publications.cfm).

In most homes, the refrigerator uses more electricity than any other appliance. Most new refrigerators with automatic defrost and a top-mounted freezer use about half the energy used by a typical 1990 refrigerator. So if your refrigerator is old, needs repairs, or is nearing the end of its expected 20-year life, it may make good economic sense to replace it now.

## Rates changed in June

New rates went into effect June 1 which will lower bills for most retail customers. As reported in the May Outlet, the new rates are the result of a recently settled rate case Chugach brought before the Regulatory Commission of Alaska.

Retail monthly customer charges were lowered and rounded to even numbers. For residential customers the monthly charge dropped from \$8.42 to \$8.

The residential energy charge decreased from \$0.09282 to \$0.06848 per kilowatt-hour for two reasons: moving the portion of the charge that went to help pay for fuel and purchased power costs to the fuel adjustment charge and a 4.8 percent base rate reduction resulting from Chugach's rate case.

Chugach requested that the fuel adjustment increase by the exact amount taken from the energy charge, reflecting the consolidation of all fuel and purchased power costs in one charge. This will allow customers to track the total amount of their bill that is associated with fuel and purchased power costs, and to more easily see the impact of changes in these costs through time. As the Outlet went to press the RCA had approved the tariff sheet for the reduced base rate energy charge but had not yet approved the filed tariff sheets to implement the increased fuel adjustment charge. Chugach is hopeful that these rates will be approved before June bills are sent.

If the RCA approves the change, the fuel adjustment will increase from \$0.03112 to \$0.05202 kwh for the month of June.

The June bill for an average residential customer using 700 kilowatt-hours of electricity decreased from \$97.26 to \$94.39.

## 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 AK	(800) 390-2782
or	276-6222
To report a power outage	
In Anchorage	762-7888
Outside Anchorage	(800) 478-7494

## Hours

Main office:	
Monday - Friday	
8 a.m. - 5 p.m.	
Member Services lobby:	Member Services
5601 Electron Drive	phone:
Monday - Friday	Monday - Friday
8 a.m. - 6 p.m.	8 a.m. - 9 p.m.
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**Corporate Mission:** Through superior service, safely provide reliable and competitively priced energy.

**Corporate vision:** Powering Alaska's future

## Your board at work

### Opportunities for Member Involvement:

In an effort to provide Chugach members with more information and to give them the opportunity to provide input, the Board of Directors has set aside the first Wednesday of each month for work sessions. The sessions are scheduled to run from 4-6pm.

These sessions will be publicly noticed meetings of the board; however, they will differ dramatically from regular board meetings. Each session will deal with one or two issues that are pertinent to the business of Chugach: Renewable energy projects, Statewide Energy Plan, Tax Exempt Financing, Release of Confidential Information etc. . . . At most meetings, members will have the opportunity to give public testimony. The sessions are meant to be educational for both the board of directors and the members of Chugach. No action will be taken at these meetings.

If you have the time and the interest, I would encourage you to participate. It is absolutely critical for the board to get input from the members as we move Chugach forward into a very bright future!!



Rebecca Logan  
Chairman

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continue to be offered at no charge to customers.

In the coming months customers will be reminded in a variety of ways of the pending user fee (known as a "convenience fee" in the industry). By June, members will no longer be able to choose to use a credit card in the AutoPay program. Customers who have already elected that option will receive letters outlining their other choices.

Chugach is still negotiating the new user fee with its third-party processor. The amount and other details had not been determined by the time the Outlet went to press.

For more information, check [www.chugachelectric.com](http://www.chugachelectric.com) or call Member Services at 563-7366 (toll-free in-state at 800-478-7494).



Know what's below.  
Call before you dig.

One phone call to **811** will get underground utility lines marked. Callers will be routed to their local one call center who will arrange to mark all underground utility lines for free. Remember to call two business days prior to digging.

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will remain primarily a natural gas-fired utility. With the price of natural gas critically important to electric customers up and down the Railbelt, Chugach wants a voice in the Enstar proceeding.

### Monthly residential service costs (based on 700 kwh)

Customer charge/month	\$ 8.00
Energy charge \$0.06848 x kwh =	\$47.94
Fuel adjustment \$0.05202 x kwh =	<u>\$36.41</u>
Fuel adjustment PRELIMINARY 6/1/08 -- 06/30/08	
<b>Sub-total</b>	<b>\$92.35</b>
2% MOA Underground Charge =	\$ 1.85
RCC charge \$0.000274 x kwh =	<u>\$ 0.19</u>
<b>Total bill</b>	<b>\$94.39</b>

### 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.

