



RCA Places Added Burden On Chugach Retail Members

As you may recall, Chugach filed a request for a rate increase in July 2001. Hearings were held in 2002. The result of those hearings was a series of orders by the Regulatory Commission of Alaska that caused Chugach to finish 2001 with a \$1.1 million refund due and a refund of \$6 million for 2002, the majority of which will go to Chugach's wholesale customers. This caused Chugach to finish 2002 with a loss of \$2 million and will result in making us unable to pay capital credits in 2003.

An additional result followed in late-October when Fitch Ratings

downgraded \$330 million of unsecured Chugach bonds and placed the company on a negative Credit Watch. The downgrade reflects the RCA's more negative position in its oversight of Chugach and the tighter financial measures the utility must take.

In April of this year, Chugach filed a motion with the Alaska State Superior Court to stay portions of the RCA's orders. That motion was approved in July. After further review, it was decided that even though Chugach intends to pursue resolution of this matter through the court system, it would be better to go ahead with the

refunds and implement the new rates. Therefore, Chugach filed a motion to dissolve the stay Oct. 3. Chugach received word from the court Nov. 3 that the stay has been lifted. Details on refunds and implementing the new rate structure have not yet been determined.

Chugach believes the actions of the RCA are discriminatory and place an unfair burden on its retail customers while not requiring the wholesale customers to pay their fair share of the costs. Chugach is studying the pros and cons of opting out of RCA control. ☹

Fuel surcharge, RCC charge to increase

The RCA issued its final order on Chugach's rate case on Nov. 7, 2003. As a result, Chugach implemented revised rates in November. Rates for Chugach's residential, large commercial and lighting customers will increase while rates for small general service will decrease. Chugach will be issuing refunds to its small general service class for bills rendered between Jan. 3

and Nov. 7, 2003. Wholesale rates were also reduced. Chugach issued refund checks to its wholesale customers on Nov. 10. In addition, the fuel surcharge and Regulatory Cost Charge have also changed. The total bill for the average residential customer using 700 kilowatt-hours of electricity, including the customer charge, will increase from \$76.20 to \$77.77. ☹

Residential Service Costs

Customer charge	\$8.42/month
Energy charge	9.2820¢
Fuel adjustment	0.5860¢
Regulatory cost charge	0.0392¢
Total per kwh	9.9072¢

Sparking interest

Upcoming events and meetings

- Chugach needs members to volunteer for its 2004 annual meeting committees. If you are interested, call 762-4736.
- Chugach is posting project information on its web site at www.chugachelectric.com.
- Board meetings are normally held the third Wednesday of the month.
- Chugach has an ATM in the entryway to its Headquarters Building.

Chugach awards and honors

Chugach was recently named one of Alaska's Top 49ers by Alaska Business Monthly at a Chamber of Commerce "Make it Monday" forum. Chugach made a debut on the list at Number 8. Alaskan-owned, Alaska-based businesses are ranked by Alaska Business Monthly according to their accomplishments and revenues. While this is the 19th year of the Top 49er list, it is the first year that not-for-profit businesses like Chugach were included.

In September Chugach received an Anchorage Chamber of Commerce Gold Pan Award for distinguished community service by a business. Chugach's award was based upon a combination of effort and support from both the Association and its employees toward community organizations, including Multiple Sclerosis Society of Alaska, Anchorage Literacy Project, and the Blood Bank of Alaska.

Chugach recently received two communication awards in the Northwest Public Power Association Excellence in Communication competition. Chugach received second place awards for its 2002 Annual Report and for its web site. There were a total of 311 entries received for the annual competition. NWPPA is a Washington-based trade organization.

Message from Chugach

Earning capital credits is supposed to be one of the benefits of being a member of Chugach. Capital credits are the margins Chugach earns – what other businesses call "profits." All Chugach members – both retail and wholesale – earn a share of the margins proportionally based upon the amount of electric service that was billed.

In 2002 the Regulatory Commission of Alaska handed Chugach an adverse rate case decision that resulted in a \$2 million loss for the year. Chugach did not issue 2002 allocation certificates that show a member the share of capital credits earned to-date, as there were no margins. In addition, the more immediate result is that Chugach will not be retiring – or paying – capital credits to its current and past members this year. Chugach's bond indenture limits capital credits payments to a percentage of the prior year's margin, in this case 2002.

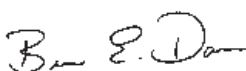
Chugach members have earned retail capital credits yearly since 1982. Chugach has returned some retail capital credits to its members almost every year since 1988. However, there have been years when there were no margins to allocate to wholesale customers. Chugach has not paid wholesale capital credits since 1998 in order to put wholesale and retail members on the same retirement rotation schedule.

The RCA decision was discouraging. The reduction in margins means that current rates will produce less cash for current operations as well as capital credit rotations. Those are reasons that Chugach is pursuing action in Superior Court to overturn this RCA decision. However, predicting RCA and court decisions is not possible with any great certainty. Such uncertainty leads us to consider alternatives to RCA regulation, which would permit your Board to have a greater role in establishing fair rates to all members. We have some ideas that will be forthcoming in future communications.

Joe Griffith
Chief Executive Officer



Bruce Davison
Chairman of the Board



NetPaySM
BY CHUGACH

Save time, pay online!
chugachelectric.com

Contact us

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

To report a power outage

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

Board activity

August and September meetings 2003

- Recommended a bylaw amendment for consideration by the Bylaws Committee eliminating term limits for directors.
- Approved directors' expenses.

If you would like to review Board of Director meeting minutes or contact Board members, visit Chugach's web site at www.chugachelectric.com.

Hours

Service center:
5601 Minnesota Dr.

Monday-Friday
8 a.m. - 6 p.m.

Saturday
9 a.m. - 5 p.m.

Switchboard:

Monday - Friday
8 a.m. - 11 p.m.

The Chugach Outlet
A Publication of Chugach Electric Association, Inc.

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

CHUGACH
POWERING ALASKA'S FUTURE
www.chugachelectric.com