

# Chugach Electric Association's

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## Chugach filing for lower retail rates

Chugach will be asking the Regulatory Commission of Alaska to adjust rates in an attempt to better balance the margins earned from its different business activities. The Chugach board approved filing the general rate case at a special board meeting Sept. 27.

Key issues in the rate case are expected to be the margins earned from different business activities and whether those activities pay an appropriate share of the system costs, including depreciation.

"Margins" is the term a not-for-profit cooperative like Chugach uses to describe what another business would call profits. One key difference is that margins belong to the members who paid bills in a given year and – after being invested in the company for a number of years – are returned to them via a capital credits distribution.

For cooperatives to remain financially strong and be able to borrow at the low-

est possible rates, it is important they earn an appropriate amount of margins each year.

Chugach is a utility that generates and transmits power to utilities (including its own distribution operation) that provide retail service to individual customers. In the utility industry, generation and transmission activities are referred to as "G&T", while retail service and all associated functions are referred to as "distribution".

Chugach serves as a G&T utility that makes and moves large amounts of power for resale. This power is delivered to utilities up and down the Railbelt that then move it through the wires and substations of their respective distribution systems for delivery to individual customers. Chugach also has a distribution function that takes power from the Chugach G&T. Chugach distributes power to its retail customers at more than 79,000 metered locations.

This month a Chugach residential customer pays about 13 cents for a kilowatt-hour (including the fuel surcharge). Of that, about half goes for the G&T cost of the power and about half covers the cost of running the distribution business. Both the G&T rate and the distribution rate contain a component to cover margins for the separate utility activities. The current authorized margin rate on the distribution activity is about six times the size of that of the G&T margin rate.

The rate case is less about the overall margins earned by the utility than about setting rates that recover costs and earn appropriate margins from both the Chugach G&T and Chugach distribution functions.

Chugach has taken a close look at its business operations in recent years and feels that not enough margins are being earned on its G&T power sales while at the same time its distribution customers are being asked to contribute too large a share of the margins. Chugach is asking

*(Rates, continued on Page 2)*

## Beluga project completed early and under budget

Chugach crews completed the Beluga Unit No. 6 overhaul under budget and in less time than anticipated. The unit was



The Beluga Power Plant has two shifts that worked on the Unit 6 overhaul project.

out of service for 52 days, as compared to a previous best of 82 days. Chugach and its members achieved about \$1 million in fuel savings due to the unit being put back into service 30 days sooner so that Chugach did not have to continue using less-efficient generation. In addition, Chugach reduced the project cost by about \$1.8 million because of numerous process improvements made over the past six years. As a result of those improvements the unit was in better condition than would normally be expected reducing the costs of down time for the unit and the work the crews had to accomplish. Even more notable is that the

next scheduled outage is expected to take place in four years rather than the normal three.



The plant crews worked overlapping shifts which allowed for better coordination in completing the project.

(Rates, continued from Page 1)

that the RCA set rates that provide a more equitable balance between the business activities when it comes to margins.

If successful, Chugach will wind up with rates that earn more margins from its G&T sales, but lower margins from its distribution sales. While each Chugach distribution customer would pay more for the portion of their bill that goes to cover G&T costs, the decrease in the distribution margins would mean that the overall bill would be smaller. The impact on

bills would range from a more than 1 percent decrease for some very large commercial customers to more than an 8 percent decrease for some small commercial customers. If successful, Chugach predicts that a residential customer using 700 kilowatt-hours of service would see about a 2 percent reduction in their monthly bill.

Rate cases can take months or years to resolve. Chugach will not be requesting any interim rate adjustments while this rate case is underway.

## Chugach moves third Susitna tower

Chugach crews moved the third of three transmission towers that earlier this summer had stood on dry land beside a channel of the Susitna River called Dynamite Slough. Heavy rains in August flooded vast areas of lowlands where three Chugach transmission lines cross the river on the west side of Cook Inlet. The lines carry power from Chugach's Beluga Power Plant to the utility's Point MacKenzie Substation where power is routed to different points on the regional power grid. Two of the towers fell into the water after their foundations were undercut by



the raging river. The governor has declared a disaster for the Mat-Su flooding, and Chugach has been working closely with state emergency management personnel to document the damage and capture costs.

## You've got the power

Property management has some risks, but electric service doesn't have to be one of them. With Chugach's property management agreement, when a tenant moves out, the service is transferred into the landlord

or property manager's name until a new tenant moves in.

Call Chugach's customer service department at 563-7366 for more details and a copy of the agreement.

## Directors earn certification



Jim Nordlund

Chugach directors Jim Nordlund and Elizabeth Vazquez recently earned certification as directors of a cooperative utility board. The program

requires utility directors to complete a 40-hour program of professional education. The training consists of courses in duties and liabilities, understanding the electric business, board roles, strategic planning and financial decision-making.

The director certification program is run by the National Rural Electric Cooperative Association. NRECA is a trade organization that represents more than 900 electric cooperatives across the country. Nord-

lund and Vazquez received their certifications at the organization's 2006 regional meeting in Fairbanks Sept. 21. Nationally, only about 52 percent of all electric cooperative directors earn their certificates.



Elizabeth Vazquez

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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

## Monthly residential service costs

(based on 700 kwh)

Customer charge/month	\$ 8.42
Energy charge \$0.09282 x kwh =	\$64.97
Fuel adjustment \$0.03722 x kwh =	<u>\$26.05</u>
<b>Sub-total</b>	<b>\$99.44</b>
2% MOA Underground Charge =	\$ 1.99
RCC charge \$0.000387 x kwh =	<u>\$ 0.27</u>
<b>Total bill</b>	<b>\$101.70</b>

Updated 10/01/06

## Corporate Mission

Through superior service, safely provide reliable and competitively priced energy.

## Hours

### Member Service lobby:

5601 Electron Drive

Monday - Friday

8 a.m. - 6 p.m.

### Member Service phone:

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8 a.m. - 9 p.m.

### Main office:

Monday - Friday

8 a.m. - 5 p.m.

### The Chugach Outlet

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