

**Chugach rate increase request
Frequently Asked Questions
Dec. 2021**

1. I heard something about Chugach regarding rates. What's going on?

After nearly two years of managing a significant decline in electric sales and the associated drop in revenues during the COVID-19 pandemic, Chugach has filed a request for a rate increase with the Regulatory Commission of Alaska (RCA).

2. How much is the increase and when would it go into effect?

Chugach has filed a request with the RCA for a 4.1% increase in base rates due to significant declines in electric sales and revenue during the COVID-19 pandemic. If approved by the RCA, the rates would go into effect in February 2022.

3. I also heard something about fuel prices going down. What was that about?

As a result of lower-than expected fuel costs going into the first quarter of 2022, bills are actually going to **decrease**. On a typical bill, the lower fuel cost will offset the increase in base rates.

4. How much will the decrease be?

The decrease on member bills will be a reduction of between 0.1% and 5% depending on which customer class you are in.

5. Why are your fuel costs lower?

Since last summer, Chugach has seen an increase in gas production in the Beluga River gas field -- a gas field the membership has a significant ownership in. BRU gas costs less which results in lower fuel costs for members.

We are getting more gas out of the BRU than originally expected and it is driving fuel prices down. (We are getting roughly 5 million cubic feet per day more.) Chugach owns two-thirds of the lower cost BRU; Hilcorp owns the other one-third.

6. How significant is the decline in revenues during the pandemic?

In the period that started at the beginning of the COVID-19 pandemic through Oct. 31, 2021, we have seen a loss of about \$9.4 million in base rate revenues.

7. I thought Chugach said you wouldn't raise rates when you bought ML&P?

We said we would not raise rates as a result of that acquisition. This rate request is due to the loss in sales and revenue as a result of the economic impacts related to the pandemic. Anchorage

has seen several businesses decrease service or completely close over the past year, which has had a significant impact on our revenues.

8. Why can't you just cut expenses or lay people off?

Chugach has been closely managing costs and not filling positions for almost two years. But we have an obligation to our members and the communities we serve to maintain a healthy, viable utility. We have to balance expense management with safety and reliability. Our members, bondholders, and other stakeholders expect us to maintain a financially healthy utility to continue to provide reliable service.

9. When was the last time Chugach increased base rates?

The last time Chugach increased base rates was May of 2020 (19 months ago). That was a 1.1% increase. The former ML&P customers (who are now in our service territory) haven't had a base rate increase since 2017.

10. What has Chugach done to help members with their bills who are struggling in the pandemic?

For several months, when local and state emergency orders were in place, Chugach did not collect delinquent accounts. As those emergency orders were not renewed, Chugach has been working with members to allow them to catch up with their billings.

We have also applied \$3.3 million to eligible member accounts in relief money from the federal CARES Act, the Alaska Housing Finance Corporation renter's assistance program, and the state's heating assistance program. That money went directly to offset member bills.

11. Is there any other action you could have taken rather than request an increase in base rates?

In July, Chugach asked the RCA to allow us to defer certain expenses on an as-needed basis over the next three years while the economy and subsequent revenues recover. We were trying to protect the financial health of the utility while not making the economic situation worse for our members.

The RCA denied our full request, only allowing us to defer expenses for 2021, but not 2022 and 2023 as we requested. The RCA then required Chugach to file an alternative for rate relief by Dec. 9, of this year. We preferred to defer expenses but have to accept the decision of the RCA.