

Chugach Electric Association, Inc.

**Proposed Terms and Conditions for Power Purchases from the
Fire Island Wind Project (FIWP)**

June 10, 2011

Chugach has been negotiating with Cook Inlet Region, Inc. (CIRI) to purchase energy from the FIWP, a wind energy project CIRI is proposing to develop on Fire Island, located in the Cook Inlet, approximately 3 miles from Anchorage.

The proposed FIWP includes 11 wind turbines with the capacity to produce a maximum of 17.6 megawatts (MW) of power. The expected annual energy generation from the project is 48,500 megawatt-hours (MWh).

The proposed arrangement is for Chugach to purchase the FIWP energy at a rate of \$107.85 per MWh. This price will be reduced by \$10.85 per MWh to offset Chugach costs of integrating the wind power into the Chugach system. Thus, the net cost to Chugach ratepayers would be \$97.00 per MWh. This rate covers all costs associated with operating and maintaining the wind project and will not change over the term of the agreement.

The project is expected to begin producing energy by December 31, 2012. The term of the power purchase agreement is 25 years.

To deliver the energy to the Chugach system will require an electrical interconnection on Fire Island and a transmission line to connect to Chugach's system in Anchorage. The cost of this line is expected to be funded by a \$25 million grant from the State of Alaska. Once the transmission line is built, Chugach will be responsible for its operations and maintenance.

Any proposed power purchase agreement for energy from the FIWP will have to be approved by Chugach's and CIRI's Boards of Directors and will also have to be submitted to and approved by the Regulatory Commission of Alaska (RCA).