

Board adopts 90/10 to 10/90 vision

A strategy to combat rising gas prices

Chugach's generation mix is overly dependent upon natural gas from Cook Inlet. On average, about 90 percent of the kilowatt-hours Chugach sells each year come from burning Cook Inlet natural gas, with the balance from hydroelectric projects. Rising gas prices cause an increase in the price of electricity.

In response, the board recently endorsed a series of activities to help mitigate the impact of higher gas prices. The elements of this strategy are incorporated

in the "90/10 to 10/90" vision recently adopted by the board. The name is a reference to the goal of moving from a generation mix of 90 percent fossil-fuel fired, 10 percent renewable to the reverse; one that is 90 percent renewable and 10 percent fossil-fuel fired. It is a long-range goal that will take decades to achieve, but anticipates the following activities in the coming years.

Short-term (2008 - 2010)

- Encourage conservation by members
- Negotiate with the Cook

Inlet producers for the best possible contracts to replace those that will run out in 2010 and 2011

- Explore cost-saving alternatives with other utilities, the Municipality of Anchorage and the State of Alaska
- *Mid-term (2010-2020)*
- In partnership with Anchorage Municipal Light & Power, build and bring on line a new, highly efficient, gas-fired power plant that will use considerably less fuel
- Seek opportunities to add

economic renewable/sustainable projects to the generation mix

- Support local and regional planning, consolidation of Railbelt generation & transmission assets, and an increased role for the State
- *Long-term (2020 and beyond)*
- Participation in a major new regional hydroelectric project
- Continue to seek economic alternative energy projects and support coordinated regional activities

Fuel adjustment to raise 1st quarter bills

High cost of oil affects the cost of gas for power plants

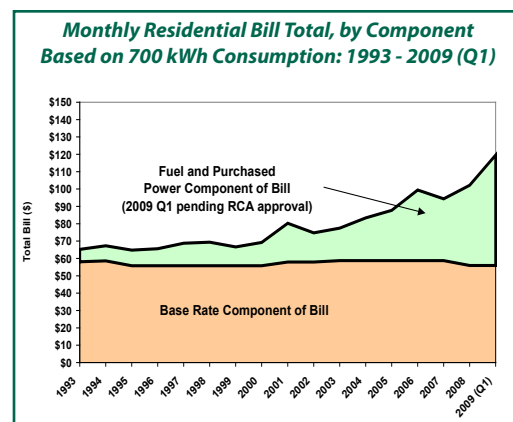
The impact of recent record high crude oil prices and other energy commodities in 2008 will soon be reflected in the bills of Chugach customers. Chugach has filed a request with the Regulatory Commission of Alaska to raise the "fuel and purchased power adjustment" charge on customers' bills for the first quarter of 2009. If approved by the

Commission, the change would mean about a 17 percent increase on the bill of a Chugach residential customer using 700 kilowatt-hours of service a month – raising it from \$102.42 in December to \$119.80 in January.

Among other things, the fuel adjustment is designed to relatively quickly true up the cost of fuel to

generate power. To accomplish this, Chugach makes quarterly filings. The proposed rate will remain in place through March, when a new fuel and purchased

See Fuel adjustments, page 2



New power plant equipment contracts signed

The participants in a new, efficient, regional power plant recently made a key decision on equipment for the project.

After an extended period of evaluation and negotiations, Chugach and Anchorage Municipal Light & Power chose General Electric to supply the turbines and associated generators and other equipment for the plant. The new plant will be configured with three GE LM6000 PF gas turbines and one steam turbine. The plant will run in "combined cycle" operation most of the time, with the

hot exhaust from the gas turbines providing the heat for the boiler for the steam unit.

The plant will have a combined capacity of 183 megawatts. Chugach's share is 128 Mw and ML&P's share is 55 Mw. Each LM 6000 will provide 49 Mw of power; the steam unit will provide 36 Mw.

The equipment in the new plant will be much more efficient than that currently in use by Chugach. The new plant will make a kilowatt-hour of electricity while using only about 75 percent of the natural

gas compared to today's base load generation. That fuel savings will translate to millions of dollars in savings for customers. Chugach has estimated that if the plant were online today Chugach customers would be saving more than \$18 million a year at today's gas prices.

The new plant will be built at Chugach's headquarters complex near International and Minnesota. It will be owned 70 percent by Chugach and 30 percent by ML&P, with the output of the plant shared accordingly. Preliminary engineering and permitting activities are

currently underway, with construction to follow from 2010 through 2012. The plant is expected to be in service early in 2013.



The new power plant could look similar to this one in the Lower 48

Fuel adjustments *(continued from page 1)*

power adjustment will go into effect for the second quarter of the year. The charge recovers actual costs without a markup for margins (what another business would call profits).

Rising natural gas costs have steadily pushed the price of electricity higher. Chugach uses natural gas to generate most of the power it makes.

Chugach buys natural gas under four separate contracts from four different Cook Inlet suppliers. Each contract has a mechanism that adjusts the price in response to changes in indices tied to three nationally traded commodities.

The first quarter fuel and purchased power adjustment will include an increase in the price Chugach will pay for natural gas in the first quarter of 2009. The higher price reflects changes in the three commodities (crude oil, heating oil and natural gas) used in the indices through the end of September. That was a time of historic highs, with crude oil trading for more than \$145 a barrel and heating oil and the Producer Price Index of natural gas also trending upward.

The recent decline in commodity prices will be seen in the fuel adjustment in the second quarter of 2009.

LED holiday lights offer many benefits

Light Emitting Diode (LED) holiday lights allow you to light up your home and yard and still be energy-efficient. Each year LED manufacturers have improved the choices, producing bigger and brighter bulbs and new color options. LED lights have a number of benefits over conventional lighting:

- Efficiency – up to 75 percent less energy consumed than conventional strands of holiday lights.
- Long life span – up to 100,000 hours or more used indoors, half that outdoors, and some manufacturers provide limited lifetime warranty.
- Safety – no chance of combustion since the bulbs are cool to the touch, regardless of how long they are left on.
- Sturdy bulbs – the epoxy lenses are virtually indestructible.

Danger tree hotline

If you notice a tree that could fall into a power line, call Chugach's danger tree hotline at 762-7227. Chugach will come and evaluate the tree and if it's a hazard to the system will remove it free of charge. Always remember, if you see a tree that has fallen into a power line, call Chugach and do not try to remove it yourself.

Your board at work

Your board is charged with the management of the business and the affairs of the Association. Recently the board:



Rebecca Logan
Chairman

- Approved establishing a \$300 million commercial paper borrowing program.
- Authorized the issuance of \$50 million of commercial paper to cover bond redemption refinancing and power generation construction costs through the first quarter of 2009.
- Adopted a resolution in support of alternative energy in Alaska. Among other things, the resolution adopts a goal of moving from being overly-dependent upon power generated with natural gas to having a generation mix that favors renewable energy.
- Approved a retail and wholesale capital credit retirement in the amount of \$2,957,558. Chugach expects the checks to be mailed in December.
- Approved the 2009 Operating Budget based on total revenue of \$326.5 million, non-operating margins of \$0.9 million, a total cost of service of \$321.6 million and \$5.8 million in margins. Chugach expects to achieve an equity ratio of 33.7 percent by the end of 2009.
- Approved the 2009 Capital Improvement Program in the amount of \$72.1 million. Expenditures include \$5.3 million for telecommunications/SCADA projects, \$10.7 million for distribution projects and \$56.2 million in generation and transmission projects, which includes \$42.8 million for Chugach's new generation project.



Relocation project: Chugach cleared a 30-foot right of way along the Hope Highway as part of a 1.5 mile line relocation project. The project will improve reliability, shorten outage time and lower maintenance costs by moving a section of difficult-to-maintain line from deep in the forest to a new alignment along the highway.

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Contact us

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Power theft hotline	762-4731
Danger tree hotline	762-7227
Street light hotline	762-7676
Underground locates	278-3121
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or	276-6222
To report a power outage	
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Monthly residential service costs (based on 700 kwh)

Customer charge/month	\$ 8.00
Energy charge \$0.06848 x kwh =	\$47.94
Fuel adjustment \$0.06604 x kwh =	\$46.23
(Fuel adjustment effective 10/1/08 – 12/31/08)	
Sub-total	\$102.17
2% MOA Underground Charge =	\$ 2.04
RCC charge \$0.000362 x kwh =	\$ 0.25
Total bill	\$104.46

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.



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

Corporate vision: Powering Alaska's future