

Southcentral Alaska Natural Gas Study Gas Shortage Imminent

The Department of Energy released the results of its Southcentral Alaska Gas Study in July. The objective of the study was to determine the future demand and supply of natural gas in Southcentral Alaska and to evaluate options to meet the long-term demand.

Chugach Chief Executive Officer Joe Griffith, Tony Izzo, President, ENSTAR Natural Gas Company and Jim Posey, General Manager, Municipal Light and Power presented the study results at an Anchorage Chamber of Commerce meeting Aug. 2.

The leaders of the major utilities that provide heat and light to homes and businesses in the Anchorage area and other Railbelt communities explained that study results found that there could be a gas shortage as early as 2009 unless new reserves are found and developed.

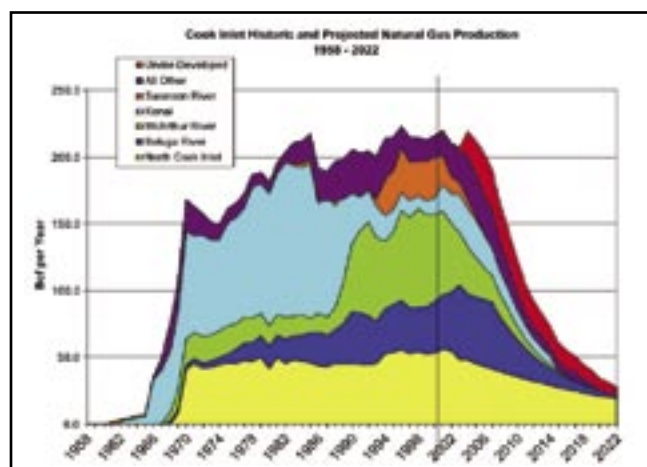
Because of the study results, the utilities are working together to raise the awareness of customers. People must realize that as Southcentral Alaska continues to rely on Cook Inlet gas, those reserves are in a decline and the days of cheap gas are history. In fact, the gas reserve decline is already impacting the utilities during winter peaks when the weather is cold and customers use more electricity and natural gas.

What options do the utilities and its customers have? There may be some additional reserves in the current supplies. In other words, we need to


scrape the bottom of the barrel for anything that was previously missed or not included. If there is reserve growth, and there is an assumption there could be in the amount of 1.5 trillion cubic feet, there could be a sufficient gas supply through 2025 for commercial and residential consumers, and perhaps one industrial user. In addition, there could be more exploration in Cook Inlet that could find a supply of gas. But either way, there is no such thing as a cheap supply. Exploration and development will require more money than before and those companies will not be willing to sell it to anyone as cheap as they did before.

Another option is the North Slope gas supply. There is a potential to build a North Slope gas pipeline that would market that gas. A feasible option is to build a spur to connect that pipeline to Southcentral Alaska. While the gas pipeline and spur are also expensive, the benefit is it could provide a 20 percent or more cost advantage to Alaskans. In addition to providing an extensive supply to all of us, it could also create opportunities for more industries to become competitive businesses in Alaska.

What can you do? Everyone needs to be involved. Contact your legislators and let them know that having natu-



ral gas at a reasonable price is critical for our well-being and the health of Alaska's economy. Let them know that now is the time for action on their part. Alaskans need a fiscal plan, a predictable tax structure and a spur line to Anchorage as part of the proposed North Slope gas pipeline plan.

The complete presentation may be viewed on Chugach's home page at www.chugachelectric.com. 

Residential Service Costs

Customer charge	\$8.42/month
Energy charge	9.2820¢
Fuel adjustment	1.1420¢
Regulatory cost charge	0.0392¢
Total per kwh	10.4632¢

Sparking Interest

- The third quarter 2004 surcharge rates decreased from 1.432 cents per kilowatt-hour to 1.142 cents per kwh effective with July 1 bills.

Message from Chugach

Chugach has broken ground on a project that will ultimately improve service and reliability for the regional transmission system and help ensure an adequate power supply for South Anchorage.

As new housing and business growth has continued in South Anchorage, new electrical infrastructure has not kept pace. In an effort to provide for the future, Chugach has designed several projects to provide an alternate path for power and to provide a backbone for growth. The projects include building a new bulk substation and the transmission lines to link it to the substation at Chugach's headquarters off International and to the University Substation off Tudor Road. The substation and transmission line to the International Station will be completed in 2005 and are estimated to cost nearly \$20 million. A routing analysis is being performed on the line linking the International Station to Chugach's University Substation. Chugach expects to begin right of way acquisition in 2005.

In mid-July Cullips Excavating, Chugach's site work contractor for the South Anchorage Substation project, began excavating for the access road and substation site on 94th Avenue between the Old Seward Highway and the Alaska Railroad. The access road and site work are expected to be completed by the end of September. In addition, some construction work will be completed yet this fall, including the transformer foundations and the oil containment area. The two 100-megavolt-amperes transformers for the substation will also arrive in Anchorage this fall and be put on the foundations this year.

Chugach will also start construction on the 138-kilovolt transmission line that will connect Chugach's International Substation with the South Anchorage Substation. This line will be built along Dowling Road to the Alaska Railroad corridor and then follow this corridor south to the new substation. Chugach has held a pre-construction meeting with the contractor and expects actual construction to start in late August. The first activity most members will see are surveyors near the Alaska Railroad corridor verifying where structures will be placed and the alignment of the transmission line. The first substantial activity members will see this year will be the placement of concrete structure foundations

As Chugach looks toward the future, we will keep you updated on the progress of these projects. As a responsible member of our community we must plan for growth and development to meet the needs of all our members, while providing the reliable electric service that our customers expect and deserve.



Joe Griffith
Chief Executive Officer



"Red" Boucher
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

June and July meetings 2004

- Approved a code of ethics that meets the requirements of Section 406 of the Sarbanes-Oxley Act of 2002.
- Authorized the Chief Executive Officer to execute a \$1,899,981.50 contract with Cullips Excavating for site preparation for the South Anchorage Substation.
- Authorized the CEO to execute a \$1,416,534 contract with Central Electric for switchgear, control and communication panels for the South Anchorage Substation.
- Authorized the CEO to execute a \$2,973,446.46 contract with City Electric to construct a 138-kilovolt transmission line connecting the International Substation to the South Anchorage Substation.

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 Drive

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