

## RCA OK's Fire Island cost recovery

### Wind power project clears a major hurdle, but others remain

The Regulatory Commission of Alaska has authorized Chugach to recover in rates the cost of power from the Fire Island Wind Project. The RCA decision was contained in an order issued on Oct. 10. With the developer concerned about a tight timeline to qualify for federal grant funds to help buy down the cost of the project, Chugach asked for a prompt proceeding. The RCA agreed to work with the parties to shorten the review period for the project.

"On behalf of the board, I'm pleased with the order and

proud of the work done by staff to achieve it," said Chugach chair Janet Reiser. "Chugach appreciates that the Commission was responsive to the request for expedited review."

The RCA order allows costs to be recovered in rates, but also sets conditions that Chugach must follow. The Chugach board of directors met with staff on Oct. 12 to discuss the order and its requirements – and some of the actions necessary for the project to come online by the end of next year.

"This project has a very tight timeline, and much remains to be done by the developer before wind power from Fire Island flows to the grid," Reiser said.

Fire Island Wind (a subsidiary of Cook Inlet Region, Inc.) plans to construct 11 wind turbines on CIRI-owned land on Fire Island as well as a transmission line to a substation at Chugach headquarters near Minnesota Drive and International Airport Road.

Fire Island wind power helps take Chugach in a direction

many of the cooperative's members would like to see it go. Currently Chugach generates about 90 percent of its power with natural gas, with the other 10 percent coming from hydro projects. In a recent survey 75 percent of members polled said they supported Chugach pursuing a more diversified generation mix that is less dependent on natural gas, and 75 percent also favored Chugach's decision to purchase power from a Fire Island wind project.

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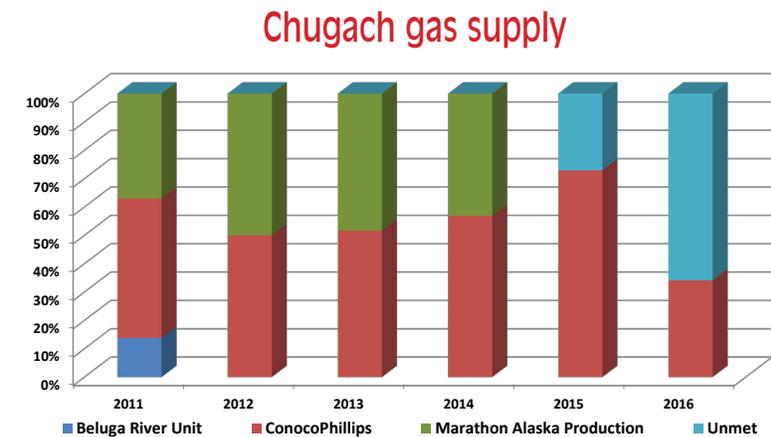
## Marathon gas contract extended

A key natural gas supply contract has been extended through the end of 2014. Chugach and Marathon Alaska Production agreed in October to extend an existing contract that provides about half of the fuel required annually for Chugach's power plants. Chugach uses natural gas to produce about 90 percent of its power each year, with the balance coming from hydroelectric projects.

In 2010 Chugach purchased about 26 billion cubic feet of natural gas.

The extension executes a provision in a contract between Chugach and Marathon approved by the RCA in May 2010. That agreement initially provided gas for a 2-year period, from April 1, 2011 through March 31, 2013. It also allowed two possible extensions, one through the end of 2013 and a second through the end of 2014. The first extension was agreed to in January 2011.

Chugach's Marathon contract ties the price of natural gas to national markets while setting both a floor and ceiling price (approximately \$6-9 per



thousand cubic feet). To date, the plentiful supply of natural gas in the Lower 48 has meant Chugach has been paying at or near the floor price.

Chugach also buys gas from ConocoPhillips under a contract that provides fuel into 2016.

## ITSS taking shape

When the Southcentral Power Project comes on line in late 2012, a substation will connect it to the grid and ensure reliable power transfer to both Chugach and Municipal Light & Power. The International Transmission Substation is under construction just west of SPP. Both projects are at Chugach's headquarter complex near Minnesota Drive and International Airport Road.



## Southcentral Alaskans participate in energy conservation exercise

Customers cut their expected demand for natural gas by about 1-2 percent from 6-8 p.m. during an Oct. 19 Southcentral energy exercise. Considering the weather, the results are similar to those seen in similar tests in 2009 and 2010. Regional governments and utilities in Southcentral conducted the tri-borough conservation test as part of the Energy Watch program.

Energy Watch is a joint program of the Municipality of Anchorage, Kenai Peninsula and Matanuska-Susitna boroughs, ENSTAR, Chugach, Homer and Matanuska electric associations and Municipal Light & Power. It was developed to help prepare for the possibility of a gas

delivery problem. Even though the parties agreed that situation is not likely in the coming winter, all concerned agree it is prudent to plan for the contingency in the same way they plan for other potential emergency situations.

The October test asked customers to take steps at the "yellow" band of the Energy Watch chart. Those included moderate reductions in both gas and electric use during the 2-hour exercise. Program managers note the same actions would produce greater reductions on a cold, dark winter night than they did on Oct. 19.

After the test, a survey of ENSTAR customers across the

region showed that 63 percent were aware of the possibility of a gas delivery problem, 48 percent were aware of the conservation exercise and 24 percent had participated in it. More than 90 percent of participants reported turning off unnecessary lights and electronics or postponing laundry or dishes, 72 percent turned down their thermostat and only 24 percent lowered their water heater setting.

Exercise participants may have been reluctant to lower thermostats during the exercise when it was several degrees colder across the region than the night before. In an actual natural gas-delivery emergency taking actions to directly reduce

the use of gas at homes and businesses would provide the greatest relief on the delivery system.

For more information on the Energy Watch program, go to [www.chugachelectric.com](http://www.chugachelectric.com).

### Energy Tip

#### Clothes dryers: air flow is key to efficiency

Restricted air flow in your clothes dryer can increase drying times and raise the cost of operating your appliance. Follow these easy tips to ensure your dryer's best performance, lowest operating cost and safety:

- Remove lint from screen filter every load
- Scrub lint screen twice a year with warm soapy water to remove fabric softener residue.
- Clean out lint screen receptacle with narrow vacuum attachment or brush. {234517}
- Locate your dryer's exhaust vent outside your home, open the damper, reach in with vacuum wand or long brush to remove lint, debris and bugs
- Check for kinks or bends in exhaust ducting behind the dryer and in crawlspaces. Kinks in ducts can significantly restrict airflow.

Following these tips can save money, prevent a fire and avoid an appliance break-down.

## Fire Island (cont'd from page 1)

While the Commission order assured Chugach it would be allowed to recover the cost of payments for Fire Island wind in its rates, exactly how has yet to be determined. Commissioners were sensitive to the fact that under a flat-pricing scenario, initially current customers would pay more while customers in the out years would realize the benefit. Commissioners agreed with a Chugach proposal to evaluate rate options. A condition of the order is that by March 2012 Chugach file

a proposed plan on how Fire Island wind power will be priced to ratepayers.

The RCA order requires Chugach to "disclose the full cost of power purchased" under the Fire Island agreement to its member-owners.

The order also calls for Chugach to control the effect of the variable wind resource on the interconnected grid and other utilities. The Commission requested a progress report in

November on an integration study and cost reimbursement agreement with other utilities if their systems are materially affected.

"A lot remains to be done in a short time – and much of it by the developer rather than Chugach," Reiser pointed out. "As an independent power producer, Fire Island Wind bears the risks of financing, permitting, construction and ultimately power production by the end of 2012."

## Contact us

|                                |                            |
|--------------------------------|----------------------------|
| Main number                    | 563-7494                   |
| Toll free                      | (800) 478-7494             |
| Member Services                | 563-7366                   |
| Member Services fax            | 762-4678                   |
| 24-hour payment line           | 762-7803                   |
| Credit                         | 563-5060                   |
| Power theft hotline            | 762-4731                   |
| Danger tree hotline            | 762-7227                   |
| Street light hotline           | 762-7676                   |
| Underground locates            | 278-3121                   |
| Regulatory Commission of AK or | (800) 390-2782<br>276-6222 |
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## Hours

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### The Chugach Outlet

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

**Corporate vision:** Powering Alaska's future

**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 equal opportunity/affirmative action employer. Current openings are posted on the employment page at <http://chugachelectric.applications.com>. Chugach only accepts applications for open vacancies.

### Monthly residential service costs (based on 700 kwh)

|                                                                                                                                                                                            |                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Customer charge/month                                                                                                                                                                      | \$ 8.00          |
| Energy charge \$0.06962* x kwh =                                                                                                                                                           | \$48.73          |
| Fuel \$0.06409 x kwh =                                                                                                                                                                     | \$44.86          |
| Purchased power \$0.00379 x kwh =                                                                                                                                                          | <u>\$ 2.65</u>   |
| <small>(Fuel &amp; purchased power adjustments effective 10/1/11 - 12/31/11)<br/>* (Prospective rate effective Nov. 14, assuming RCA approval of Chugach's Simplified Rate Filing)</small> |                  |
| <b>Subtotal</b>                                                                                                                                                                            | <b>\$ 104.24</b> |
| 2% MOA Undergrounding Charge =                                                                                                                                                             | \$ 2.08          |
| RCC \$0.000492 x kwh =                                                                                                                                                                     | <u>\$ 0.34</u>   |
| <b>Total bill</b>                                                                                                                                                                          | <b>\$106.66</b>  |

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