



Homer Electric Association, Inc.

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PRESS RELEASE
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Homer Electric Association set to purchase Bernice Lake Power Plant

Nikiski area power plant compliments Independent Light; will save HEA more than \$15 million

Homer Electric Association (HEA) has agreed to terms with Chugach Electric Association on the purchase of the Bernice Lake Power Plant. The plant, which has a generation capacity of approximately 69.9 megawatts, is located in Nikiski, just north of the Tesoro refinery.

A condition of the purchase is approval by the Regulatory Commission of Alaska (RCA) of HEA's request to amortize the purchase price over a period of several years. HEA feels this is necessary so that HEA's current members do not have to shoulder the entire cost of the acquisition.

Recovering the total acquisition cost of the Bernice Lake Power Plant in member rates over time ensures that both current and future HEA members will be enjoying the benefits of the project at the same time they are paying for it. A petition requesting the rate treatment was filed with the RCA on July 21. The RCA will now consider the petition and eventually issue a ruling.

The agreement calls for the sale to become final on December 31, 2011 with the purchase price set at \$11.8 million. HEA will receive revenue from Chugach for use of Bernice Lake Power Plant through 2013.

The purchase of the Bernice Lake Power Plant is being made through HEA's generation and transmission subsidiary, Alaska Electric and Energy Cooperative (AEEC).

The addition of the Bernice Lake Power Plant to HEA's power supply portfolio would be a key component of the cooperative's overall power plan, Independent Light. Independent Light is designed to have HEA ready to take care of its own energy needs once its power purchase contract with Chugach Electric expires on December 31, 2013.

The power plan originally called for the installation of a steam turbine generator at Nikiski and two additional combustion turbines at the Soldotna power plant/substation site. The purchase of the Bernice Lake Power Plant will eliminate the need for a second turbine at Soldotna and save the cooperative a substantial amount of money, according to HEA General Manager Brad Janorschke.

“The net result of the purchase of the Bernice Lake Power Plant and the elimination of the second turbine at Soldotna will save the cooperative more than \$15 million. This will have a positive impact on the finances of Independent Light and at the same time provide HEA with a reliable source of power to meet future reserve energy requirements,” said Janorschke.

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Janorschke pointed out that the majority of HEA's power needs under Independent Light will be met by the operation of the Nikiski plant (80 megawatts when completed in the fall of 2012) and HEA's share of Bradley Lake hydroelectric power (11 megawatts). The Bernice Lake Power Plant and the single turbine now planned for Soldotna will be used to provide peaking and reserve power to ensure a high level of reliability on the HEA system.

Janorschke noted that the negotiations with Chugach Electric were positive and the transaction will benefit both utilities.

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