

September 10, 2010 Anderson Island Cable Replacement Q&A

What is the current best schedule?

The current schedule has the cable being installed during the week of October 25th and switched over during the first week in November.

What is the status of the permit approval?

We have been receiving permits from multiple agencies throughout the month and expect to get our last one on September 21st.

What are the most probable problems that could cause the schedule to slip further?

The most important factor that could cause a delay would be bad weather during the installation week of October 25th. Other delays are unlikely but could occur if there was an appeal of the permit approvals, or that there was a problem with the cable upon arrival by ship from China.

What is the current best cost estimate?

The current estimate cost of the cable is \$5.7 million with contingency. We hope to not need the full contingency resulting in an installed cost of approximately \$5.3 million.

Why is there such a large cost increase?

Most notably, the Gulf oil spill considerably increased demand and costs for marine resources, as well as insurance rates. And permitting agencies imposed additional studies, on-site monitoring, and alterations to the cable route, which is now lengthier, requires more directional drilling, and adds to engineering and project management costs.

Is there anything in the installation we could sacrifice and lower the cost at this point?

The cable has been manufactured and is on a ship in Seattle, permits and easements are in place and contracts have been finalized. Any further delays or changes will only serve to increase costs.

What is the impact on my electric bill? Now? Later?

The impact to the Anderson Island members bill is currently reflected in the facility fee of \$31.17 per month. This was based on a cable cost of \$4 million. It has not been determined if or when we will have any additional rate increases. The Board will review final cost before making any further decisions on allocation of cost.

How much of the cost increase is being shared by the other two Tanner areas?

The entire membership is sharing in the interest costs for the new cable. The Board approved a general kWh rate increase in June that included a 3% increase for the interest on the original estimated project cost. The entire membership also currently shares equally in the cost of all other capital projects and day-to-day maintenance and operational expenses for all three service areas, despite the considerably higher cost of servicing the Island with dedicated resources, relative to revenues generated.