

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

June 8, 2010

To: Mike Cunningham, Chief Financial Officer
From: Sherri McKay-Highers, Manager, Budget and Financial Reporting
Subject: April 2010 Year to Date Financial Results

kWh Sales

	<u>2010 Actual</u>	<u>2010 Budget</u>
Retail kWh Sales	401,057,392	412,481,210
Wholesale kWh Sales	<u>430,498,371</u>	<u>442,762,833</u>
Total Firm kWh Sales	831,555,763	855,244,043
Economy Energy kWh Sales	<u>98,843,000</u>	<u>0</u>
Total kWh Sales	930,398,763	855,244,043

April 2010 year to date firm kWh sales totaled 831,555,763 which were 2.8% under budget. Retail and wholesale kWh sales were both under budget by 2.8% due primarily to warmer than anticipated weather earlier in the year. While sales were down among all classes of retail and wholesale customers, approximately 50% of the retail variance was due to lower than anticipated residential sales. April 2010 year-to-date economy energy sales to Golden Valley Electric Association (GVEA) totaled 98,843,000. We did not budget economy energy sales in 2010.

Energy Revenue (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Retail Revenue	\$ 47.5	\$ 49.0
Wholesale Revenue	<u>31.5</u>	<u>33.3</u>
Total Firm Revenue	79.0	82.3
Economy Energy Revenue	<u>7.8</u>	<u>0.0</u>
Total Revenue	\$ 86.8	\$ 82.3

Revenue from firm sales totaled \$79.0 million year to date in 2010 compared to \$82.3 million in the budget. Retail and wholesale revenue was lower due primarily to lower purchased power costs recovered in revenue through the fuel surcharge process and lower kWh sales, which was more than offset by economy energy sales and associated fuel recovered in revenue which totaled \$7.8 million through April.

Other Operating Revenue (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Other Operating Revenue	\$ 0.8	\$ 0.9

Other operating revenue includes late fees, pole rental, wheeling, microwave and miscellaneous service and other electric revenue. Other operating revenue for 2010 totaled \$0.8 million compared to \$0.9 million in the budget. This variance was due primarily to lower than

anticipated wheeling revenue from Municipal Light & Power (ML&P) due to a decrease in their sales to GVEA.

Power Production (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Operating & Maintenance	\$ 5.0	\$ 5.2
Fuel	<u>38.4</u>	<u>32.0</u>
Total	\$ 43.4	\$ 37.2

Actual power production operating and maintenance expense year to date for 2010 was \$5.0 million compared to \$5.2 million in the budget. This financial statement category variance was due primarily to lower than anticipated transportation charges and professional services associated with Beluga plant maintenance, as well as the timing of Eklutna maintenance expense, which was partially offset by higher than anticipated labor and depreciation expense allocated from the warehouse. Fuel expense year to date in 2010 was \$38.4 million compared to \$32.0 million projected in the budget. Despite lower firm kWh sales and extended Nikiski maintenance, fuel expense was higher than budgeted caused primarily by unbudgeted sales to GVEA and the unavailability of Unit 8 for half of April. This variance was slightly offset by a lower than anticipated effective fuel price. Actual fuel purchased year to date was 10,077,163 MCF at an average effective price of \$4.16 per MCF compared to 9,012,558 MCF in the budget at an average effective price of \$4.19 per MCF.

Purchased Power (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Total Purchased Power	\$ 7.7	\$ 9.4

Purchased power expense year to date for 2010 totaled \$7.7 million compared to \$9.4 million in the budget. The variance was due primarily to lower than anticipated purchases, caused by extended Nikiski maintenance and the timing of Bradley Lake purchases. This was partially offset by a higher price per kWh. We purchased 140,331 MWh of energy at an average effective price of 5.14 cents per kWh compared to 186,319 MWh of energy at an average effective price of 4.82 cents per kWh in the budget.

Transmission Operations and Maintenance (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Total Transmission	\$ 1.8	\$ 2.0

Transmission operations and maintenance expense for 2010 totaled \$1.8 million compared to \$2.0 million in the budget. The variance was caused primarily by lower than anticipated transmission related Control & Communications labor caused by a vacancy and more capital work being performed at this time. Lower substation transportation and professional services associated with overhead line maintenance also contributed to this variance.

Distribution Operations and Maintenance (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Total Distribution	\$ 3.9	\$ 3.8

Distribution operations and maintenance expenses for 2010 totaled \$3.9 million compared to \$3.8 million in the budget. This variance was due primarily to professional services associated with overhead line clearing and more than anticipated substation maintenance which required additional temporary labor. These variances were largely offset by materials associated with substation maintenance projects and professional services associated with underground line locating.

Consumer Accounts (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Total Consumer Accounts	\$ 1.5	\$ 1.7

Consumer accounts expense for 2010 totaled \$1.5 million compared to \$1.7 million in the budget. This variance was due primarily to lower than anticipated uncollectible accounts, as well as lower expenditures associated with postage and billing materials.

Customer Information (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Total Customer Information	\$ 0.3	\$ 0.3

Customer information expense for 2010 totaled \$0.3 million compared to \$0.3 million in the budget. While not an overall variance, this financial statement category was under budget in expenses associated with Smart Power.

Administrative & General (in millions)

	<u>2010 Actual</u>	<u>2010 Budget</u>
Total Administrative and General	\$ 6.7	\$ 7.1

Administrative and general expenses for 2010 totaled \$6.7 million compared to \$7.1 million in the budget. This financial statement category was under budget due primarily to lower than anticipated expenditures allocated from information services and costs associated with the annual audit and annual report. The variance was also due to the timing of costs associated with safety materials, training, legal and board expenses. These variances were partially offset by current costs associated with prior workers compensation claims.

The summary of all the above year to date 2010 operations and maintenance expenses total \$65.3 million compared to \$61.5 million in the 2010 budget.

Depreciation expense totaled \$10.9 million compared to \$10.8 million in the budget, with no significant variance.

Tax expense totaled \$0.3 million compared to \$0.3 million in the budget, with no significant variance.

Long-term interest expense year to date totaled \$5.5 million compared to \$6.7 million in the budget. This variance is due primarily to the reclassification of the interest expense associated with the 2001 Series A Bonds, due March 15, 2011, from long-term to short-term.

Interest during construction year to date totaled \$0.3 million compared to \$0.3 million in the budget, with no significant variance.

Other interest expense year to date totaled \$1.5 million compared to \$0.3 million in the budget. This variance, as noted in the long-term interest variance discussion above, is also due primarily to the reclassification of the interest expense associated with the 2001 Series A Bonds. We had no outstanding balance on our NRUCFC line of credit at the end of April.

Other deductions include donations, preliminary survey and investigation charges of abandoned projects and obsolete inventory write-offs which are not attributable to operating or maintenance accounts. Other deductions year to date totaled \$59.3 thousand compared to \$83.3 thousand in the budget. The variance was due primarily to lower than anticipated write-offs.

All of the foregoing expenses resulted in total cost of electric service of \$83.2 million compared to \$79.4 million in the 2010 budget.

Non-operating margins include interest income, allowance for funds used during construction (AFUDC), capital credit and patronage capital allocations and extraordinary items. Year to date in 2010, non-operating margins totaled \$125.0 thousand compared to \$142.7 thousand in the budget, with no significant variance.

The net result of revenue and expenses year to date in 2010 was margins of \$4.4 million compared to year to date projected margins of \$4.1 million in the budget. Per the attached comparative financial report on page 7, the current 4 month actual/8 months forecast projects year end margins of \$5.4 million and an MFI/I of 1.26.

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
APRIL 2010
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CATEGORY	2010 APRIL ACTUALS	2010 APRIL BUDGET	2010 APRIL VARIANCE
REVENUES:			
1. TOTAL REVENUE	\$20,808,957	\$18,009,513	\$2,799,444
EXPENSES:			
2. FUEL EXPENSE	9,193,744	6,360,929	2,832,815
3. POWER PRODUCTION EXPENSE	1,143,987	1,368,447	(224,460)
4. COST OF PURCHASED POWER	2,261,522	2,208,762	52,760
5. TRANSMISSION EXPENSE	472,748	531,578	(58,830)
6. DISTRIBUTION EXPENSE-OPERATIONS	404,795	416,018	(11,223)
7. DISTRIBUTION EXPENSE-MAINTENANCE	708,306	564,142	144,164
8. CONSUMER ACCOUNTS EXPENSE	380,737	443,151	(62,414)
9. CUSTOMER SERVICE/INFO EXPENSE	68,994	73,554	(4,560)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	1,804,700	1,987,869	(183,169)
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$16,439,533	\$13,954,450	\$2,485,083
13. DEPRECIATION/AMORTIZATION EXPENSE	2,729,985	2,710,154	19,831
14. TAX EXPENSE-OTHER	64,216	66,252	(2,036)
15. INTEREST-LONG TERM DEBT	448,949	1,674,820	(1,225,871)
16. INTEREST ON CONSTRUCTION-CREDIT	(67,810)	(96,988)	29,178
17. INTEREST EXPENSE-OTHER	1,296,119	84,539	1,211,580
18. OTHER DEDUCTIONS	50,188	20,833	29,355
19. TOTAL COST OF ELECTRIC SERVICE	\$20,961,180	\$18,414,060	\$2,547,120
20. PATRONAGE CAPITAL/OPERATING MARGINS	(\$152,223)	(\$404,547)	\$252,324
21. NON-OPERATING MARGINS-INTEREST	24,581	25,270	(689)
22. ALLOWANCE FUNDS USED DURING CONST.	5,589	11,069	(5,480)
23. NON-OPERATING MARGINS-OTHER	0	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	(\$122,053)	(\$368,208)	\$246,155

MFI/I

0.93

0.79

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
YEAR TO DATE
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CATEGORY	2010 ACTUALS YTD	2010 AMENDED BUDGET YTD	2010 VARIANCE YTD
REVENUES:			
1. TOTAL REVENUE	\$87,520,002	\$83,281,093	\$4,238,909
EXPENSES:			
2. FUEL EXPENSE	38,452,065	31,960,854	6,491,211
3. POWER PRODUCTION EXPENSE	4,957,803	5,199,346	(241,543)
4. COST OF PURCHASED POWER	7,709,928	9,407,787	(1,697,859)
5. TRANSMISSION EXPENSE	1,839,509	2,006,329	(166,820)
6. DISTRIBUTION EXPENSE-OPERATIONS	1,567,150	1,631,028	(63,878)
7. DISTRIBUTION EXPENSE-MAINTENANCE	2,304,164	2,210,384	93,780
8. CONSUMER ACCOUNTS EXPENSE	1,525,563	1,686,370	(160,807)
9. CUSTOMER SERVICE/INFO EXPENSE	251,391	302,474	(51,083)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	6,716,228	7,132,358	(416,130)
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$65,323,801	\$61,536,930	\$3,786,871
13. DEPRECIATION/AMORTIZATION EXPENSE	10,853,332	10,807,281	46,051
14. TAX EXPENSE-OTHER	267,980	285,269	(17,289)
15. INTEREST-LONG TERM DEBT	5,473,260	6,698,212	(1,224,952)
16. INTEREST ON CONSTRUCTION-CREDIT	(266,152)	(351,095)	84,943
17. INTEREST EXPENSE-OTHER	1,487,054	306,639	1,180,415
18. OTHER DEDUCTIONS	59,274	83,332	(24,058)
19. TOTAL COST OF ELECTRIC SERVICE	\$83,198,549	\$79,366,568	\$3,831,981
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$4,321,453	\$3,914,525	\$406,928
21. NON-OPERATING MARGINS-INTEREST	100,353	100,555	(202)
22. ALLOWANCE FUNDS USED DURING CONST.	17,366	42,156	(24,790)
23. NON-OPERATING MARGINS-OTHER	(5,453)	0	(5,453)
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	12,767	0	12,767
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$4,446,486	\$4,057,236	\$389,250

MFI/I

1.64

1.58

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2010 FORECAST
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CATEGORY	2010 AMENDED BUDGET	2010 REVISED FORECAST*
REVENUES:		
1. TOTAL REVENUE	\$241,237,299	\$252,326,642 ^{1 3}
EXPENSES:		
2. FUEL EXPENSE	94,373,774	107,706,979 ¹
3. POWER PRODUCTION EXPENSE	17,166,667	17,166,667
4. COST OF PURCHASED POWER	27,612,164	25,914,305 ¹
5. TRANSMISSION EXPENSE	6,217,660	6,217,660
6. DISTRIBUTION EXPENSE-OPERATIONS	4,736,876	4,736,876
7. DISTRIBUTION EXPENSE-MAINTENANCE	6,925,992	6,925,992
8. CONSUMER ACCOUNTS EXPENSE	5,028,461	5,028,461
9. CUSTOMER SERVICE/INFO EXPENSE	816,501	816,501
10. SALES EXPENSE	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	19,962,636	19,962,636
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$182,840,731	\$194,476,077
13. DEPRECIATION/AMORTIZATION EXPENSE	32,543,070	32,543,070
14. TAX EXPENSE-OTHER	801,855	784,566 ¹
15. INTEREST-LONG TERM DEBT	20,088,059	12,313,107 ^{1 2}
16. INTEREST ON CONSTRUCTION-CREDIT	(1,420,267)	(1,420,267)
17. INTEREST EXPENSE-OTHER	1,170,578	8,900,993 ^{1 2}
18. OTHER DEDUCTIONS	250,000	225,942 ¹
19. TOTAL COST OF ELECTRIC SERVICE	\$236,274,026	\$247,823,488
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$4,963,273	\$4,503,154
21. NON-OPERATING MARGINS-INTEREST	304,663	304,461 ¹
22. ALLOWANCE FUNDS USED DURING CONST.	155,445	155,445
23. NON-OPERATING MARGINS-OTHER	0	(5,453)
24. GENER./TRANS. CAPITAL CREDITS	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	475,000	487,767 ¹
26. EXTRAORDINARY ITEMS	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$5,898,381	\$5,445,374

MFI/I

1.28

1.26

¹ Forecast based on 4 months actual and 8 months forecast

² Forecast includes the reclassification of the 2001 Series A Bonds from long-term to short-term interest

³ Forecast includes economy energy sales for the rest of 2010 and includes rate refunds associated with the 2008 Test Year Rate Case

* The forecast does not include the effects of the pending long-term debt financing