

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

BOARD MEETING
AGENDA ITEM SUMMARY
August 25, 2004

ACTION REQUIRED

AGENDA ITEM NO. IX.B.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Approval of the financial targets to be used as guidance in preparation of the 2005 Operating Budget and the 2005-2009 Capital Improvement Program (CIP)

DISCUSSION

The Finance Committee met and reviewed the proposed 2005 Budget Guidance financial targets for preparation of the 2005 Operating Budget and the 2005-2009 CIP.

The 2005 budgeting process will consider the following financial targets: Margins For Interest/Interest (MFI/I) – Minimum 1.25; Equity Ratio – Minimum 25%; Capital Credit Rotation – Maximum 50% of prior year's margins; and 2005-2009 CIP – Match capital expenditures to depreciation and amortization expense over the 5-year period.

Sensitivity analyses will consider:

Revenue

Change in firm kWh sales of –10% and 10%
Impact to margins, MFI/I and equity ratio
Impact of economy energy sales to cost and margins

Controllable Expenses

Change between –10% and 10%
Impact to margins, MFI and equity ratio

Capital Credit Rotation

0%, 20%, 35% and 50% of prior year's margins
Impact to equity ratio, impact on rotation time

CEO's RECOMMENDATION

Motion: Move that the Board of Directors adopt the 2005 Budget Guidance Resolution as presented.

WHEREAS, Chugach is developing a strategic plan, conducting resource planning and is in the process of crafting a business plan that will address Chugach's requirements for long term financial health consistent with needs for adequate levels of reliability and customer service, and,

WHEREAS, Chugach must immediately prepare a budget for 2005 that will operate under the constraints of the current revenue estimates specified by the recent rate orders of the Regulatory Commission of Alaska, and,

WHEREAS, the budget guidance targets adopted in this resolution are those considered to be achievable for 2005 under current constraints.

NOW THEREFORE, be it resolved that Chugach will use the following guidance for its 2005 business planning budgeting process:

MARGINS FOR INTEREST/INTEREST (MFI/I) - Minimum 1.25

EQUITY RATIO - Minimum 25%

CAPITAL CREDIT ROTATION - Maximum 50% of prior year's margins

2005-2009 CAPITAL IMPROVEMENT PROGRAM (CIP) - Match depreciation and amortization expense over the 5-year period