

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

BOARD MEETING
AGENDA ITEM SUMMARY

October 31, 2005

ACTION REQUIRED

AGENDA ITEM NO. IX.C.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Approval of the 2006 Operating and Capital Budget

DISCUSSION

The Finance Committee met and reviewed the proposed 2006 Operating and Capital Budget on October 26 and November 3, 2005.

The Operating Budget is expected to produce margins of \$11.7 million, a Margins for Interest/Interest (MFI/I) ratio of 1.49 and an Equity to Total Capitalization Ratio of 29.7%. These results are based on a Total Cost of Service of \$259.1 million, Total Revenue of \$269.6 million and Non-Operating Margins of \$1.1 million. The 2006 Capital Improvement Program as presented is \$27.5 million.

The unbundled Operating Budget is expected to produce Distribution margins of \$11.6 million and a Distribution MFI/I of 2.17 with Generation & Transmission margins of \$0.1 million and a Generation & Transmission MFI/I of 1.00.

CEO's RECOMMENDATION

Motion: Move that the Board of Directors approve the 2006 Operating and Capital Budget as presented.

**CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS**

CATEGORY	2005 APPROVED BUDGET	2005 REVISED FORECAST	2006 PROPOSED BUDGET
REVENUES:			
1. TOTAL REVENUE	217,538,640	222,404,428	269,620,829
EXPENSES:			
2. FUEL EXPENSE	76,282,516	81,634,645	120,390,043
3. POWER PRODUCTION EXPENSE	15,761,827	15,448,826	14,582,696
4. COST OF PURCHASED POWER	23,602,428	23,981,284	30,329,556
5. TRANSMISSION EXPENSE	6,221,818	6,187,401	6,122,921
6. DISTRIBUTION EXPENSE-OPERATIONS	5,241,325	5,261,593	4,383,360
7. DISTRIBUTION EXPENSE-MAINTENANCE	6,611,303	6,599,827	6,833,038
8. CONSUMER ACCOUNTS EXPENSE	4,819,618	4,729,668	4,561,126
9. CUSTOMER SERVICE/INFO EXPENSE	1,153,955	1,058,835	809,983
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	18,604,549	18,074,899	17,886,980
12. TOTAL OPERATIONS/MAINTENANCE EXP.	158,299,339	162,976,978	205,899,703
13. DEPRECIATION/AMORTIZATION EXPENSE	28,741,803	29,274,187	29,358,247
14. TAX EXPENSE-OTHER	833,700	799,346	856,735
15. INTEREST-LONG TERM DEBT	22,768,233	23,010,777	23,448,911
16. INTEREST ON CONSTRUCTION-CREDIT	(454,340)	(838,186)	(900,861)
17. INTEREST EXPENSE-OTHER	96,875	102,899	126,666
18. OTHER DEDUCTIONS	575,000	431,154	300,000
19. TOTAL COST OF ELECTRIC SERVICE	210,860,610	215,757,155	259,089,401
20. PATRONAGE CAPITAL/OPERATING MARGINS	6,678,030	6,647,273	10,531,428
21. NON-OPERATING MARGINS-INTEREST	360,170	503,417	388,093
22. ALLOWANCE FUNDS USED DURING CONST.	80,178	151,342	158,977
23. NON-OPERATING MARGINS-OTHER	0	404	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	650,000	650,597	575,000
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	7,768,378	7,953,033	11,653,498
MFI/I	1.34	1.34	1.49