

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD MEETING
AGENDA ITEM SUMMARY

November 20, 2008

ACTION REQUIRED

AGENDA ITEM NO. V.I.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Recommendation on the 2009 Operating and Capital Budget

DISCUSSION

On October 21 and 23, 2008, the Finance Committee met and reviewed a proposed 2009 Operating and Capital Budget.

The 2009 Operating Budget is expected to produce margins of \$5.8 million, Margins for Interest/Interest (MFI/I) ratio of 1.25 and Equity to Total Capitalization Ratio of 33.7%. These results are based on a Total Cost of Service of \$321.6 million, Total Revenue of \$326.5 million and Non-Operating Margins of \$0.9 million.

The 2009 Capital Improvement Program is \$72.1 million, consisting of \$5.3 million in Telecommunications/SCADA/Other, \$10.7 million in Distribution and \$56.2 million in Generation and Transmission capital expenditures.

The 2009 Operating Budget results meet or exceed the approved 2009 Budget Planning Criteria. The criteria and budgeted results are as follows:

	<u>Criteria</u>	<u>2009 Budget</u>
Margins for Interest/Interest	= / > 1.25	1.25
Equity Ratio	>25%	33.7%
Rotate equal capital credits to retail and wholesale members¹	=	\$1.7

¹ Pursuant to a prior settlement agreement, capital credit rotations to HEA, MEA and Seward will equal \$1,674,809 in 2009. The 2009 Budget proposes an equal distribution of \$1,674,809 to Chugach's retail customers. This distribution is greater than 50% of prior year's margins, however, Chugach remains in compliance with the Amended and Restated Indenture of Trust because Chugach's equity ratio remains above 30% which reduces the restrictions surrounding our distribution of member equity.

MOTION

(Consent Agenda)

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

CATEGORY	2008 REVISED YEAR END FORECAST	2009 PROPOSED BUDGET BEFORE FUEL ADJ	2009 PROPOSED BUDGET AFTER FUEL ADJ
REVENUES:			
1. TOTAL REVENUE	279,271,044 ^{1&2}	\$347,510,246	\$326,475,392
EXPENSES:			
2. FUEL EXPENSE	129,207,576 ^{1&2}	181,790,800	164,937,777
3. POWER PRODUCTION EXPENSE	16,195,185 ²	17,856,505	17,856,505
4. COST OF PURCHASED POWER	30,847,940 ¹	43,230,439	39,048,608
5. TRANSMISSION EXPENSE	6,183,569 ²	6,332,987	6,332,987
6. DISTRIBUTION EXPENSE-OPERATIONS	4,696,382	4,927,891	4,927,891
7. DISTRIBUTION EXPENSE-MAINTENANCE	7,729,742 ²	7,578,207	7,578,207
8. CONSUMER ACCOUNTS EXPENSE	5,041,115	4,659,328	4,659,328
9. CUSTOMER SERVICE/INFO EXPENSE	699,429	864,394	864,394
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	18,719,730 ²	20,439,427	20,439,427
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$219,320,668	\$287,679,978	\$266,645,124
13. DEPRECIATION/AMORTIZATION EXPENSE	30,822,409 ^{1&2}	32,355,300	32,355,300
14. TAX EXPENSE-OTHER	829,487 ¹	801,501	801,501
15. INTEREST-LONG TERM DEBT	21,285,738 ^{1&2}	20,988,686	20,988,686
16. INTEREST ON CONSTRUCTION-CREDIT	(433,066) ^{1&2}	(1,362,016)	(1,362,016)
17. INTEREST EXPENSE-OTHER	1,374,118 ^{1&2}	1,925,947	1,925,947
18. OTHER DEDUCTIONS	146,395 ¹	250,000	250,000
19. TOTAL COST OF ELECTRIC SERVICE	\$273,345,749	\$342,639,396	\$321,604,542
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$5,925,295	\$4,870,850	\$4,870,850
21. NON-OPERATING MARGINS-INTEREST	408,476 ¹	314,513	314,513
22. ALLOWANCE FUNDS USED DURING CONST.	134,068 ^{1&2}	113,944	113,944
23. NON-OPERATING MARGINS-OTHER	27,500 ¹	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	524,841 ¹	500,000	500,000
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$7,020,180	\$5,799,307	\$5,799,307
MFI/I	1.31	1.25	1.25

¹ Forecast based on 9 months actual and 3 months budget

² Forecast has been adjusted to reflect current assumption changes