

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

April 1, 2008

To: Mike Cunningham, Chief Financial Officer
From: Sherri McKay-Highers, Manager, Budget and Financial Reporting
Subject: February 2008 Year to Date Financial Results

kWh Sales

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|--------------------------|--------------------|--------------------|
| Retail kWh Sales | 227,381,802 | 228,400,150 |
| Wholesale kWh Sales | <u>249,595,601</u> | <u>232,100,300</u> |
| Total Firm kWh Sales | 476,977,403 | 460,500,450 |
| Economy Energy kWh Sales | <u>38,274,700</u> | <u>44,126,000</u> |
| Total kWh Sales | 515,252,103 | 504,626,450 |

February 2008 year to date firm kWh sales totaled 476,977,403 which were 3.6% over budget. The budget variance was primarily due to higher than anticipated sales to Homer Electric Association (HEA). February 2008 year-to-date economy energy sales totaled 38,274,700 which were 13.3% under budget. The budget variance was due to lower than anticipated sales to Golden Valley Electric Association (GVEA).

Retail kWh sales were under budget by 0.5% and wholesale kWh sales were 7.5% higher than budgeted. A significant factor in the wholesale sales variance was higher than anticipated sales to HEA due primarily to higher industrial sales. Economy energy sales were under budget due to GVEA purchasing more than anticipated from Municipal Light & Power (ML&P).

Energy Revenue (in millions)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|------------------------|--------------------|--------------------|
| Retail Revenue | \$ 27.0 | \$ 28.4 |
| Wholesale Revenue | <u>17.9</u> | <u>16.8</u> |
| Total Firm Revenue | 44.9 | 45.2 |
| Economy Energy Revenue | <u>2.8</u> | <u>2.7</u> |
| Total Revenue | \$ 47.7 | \$ 47.9 |

Revenue from firm sales totaled \$44.9 million year to date in 2007 compared to \$45.2 in the budget. Retail revenue was lower than budget due to lower retail kWh sales, whereas wholesale revenue was higher than budget primarily due to higher than anticipated sales to HEA. Economy energy revenue was higher than budget by \$0.1 million. Even though economy energy kWh sales were under budget, economy energy revenue was over budget due to spot market sales to GVEA in January which resulted in more revenue.

Other Operating Revenue (in millions)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|-------------------------|--------------------|--------------------|
| Other Operating Revenue | \$ 0.5 | \$ 0.5 |

Other operating revenue includes late fees, pole rental, wheeling, microwave and miscellaneous service and other electric revenue. Other operating revenue for 2008 totaled \$0.5 million compared to \$0.5 million in the budget, with no significant variance.

Power Production (in millions)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|-------------------------|--------------------|--------------------|
| Operating & Maintenance | \$ 2.4 | \$ 2.7 |
| Fuel | <u>21.4</u> | <u>21.1</u> |
| Total | \$ 23.8 | \$ 23.8 |

Actual power production operating and maintenance expense year to date for 2008 was \$2.4 million compared to \$2.7 million in the budget. This variance was primarily caused by lower labor expense due to vacancies and lower professional services and materials and supplies due to the timing of projects which were delayed due to employee vacancies. These decreases were partially offset by higher than anticipated allocated costs due to increased garage fuel and vehicle parts expense, information services professional services and the timing of depreciation associated with general plant purchases and Eklutna expenses. Fuel expense year to date in 2008 was \$21.4 million compared to \$21.1 million projected in the budget, with no significant variance. Actual fuel purchased year to date was 5,475,068 MCF compared to 5,362,536 MCF in the budget.

Purchased Power (in millions)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|-----------------------|--------------------|--------------------|
| Total Purchased Power | \$ 5.1 | \$ 5.0 |

Purchased power cost year to date for 2008 totaled \$5.1 million compared to \$5.0 million in the budget, with no significant variance.

Transmission Operations and Maintenance (in millions)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|--------------------|--------------------|--------------------|
| Total Transmission | \$ 0.9 | \$ 1.2 |

Transmission operations and maintenance expense for 2008 totaled \$0.9 million compared to \$1.2 million in the budget. This variance was primarily due to lower substation labor expense due to less temporary labor than anticipated, as well as a decrease in transmission substation labor while the substation department directs more resources to distribution maintenance. The variance is also due to lower professional services caused by the timing of transmission line clearing.

Distribution Operations and Maintenance (in millions)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|--------------------|--------------------|--------------------|
| Total Distribution | \$ 2.0 | \$ 1.9 |

Distribution operations and maintenance expenses for 2008 totaled \$2.0 million compared to \$1.9 million in the budget, with no significant variance.

Consumer Accounts (in millions)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|-------------------------|--------------------|--------------------|
| Total Consumer Accounts | \$ 0.8 | \$ 0.9 |

Consumer accounts expense for 2008 totaled \$0.8 million compared to \$0.9 million in the budget, with no overall variance. While there was not an overall variance, this financial statement category was slightly under budget due to professional services and postage associated with the timing of remittance processing, as well as lower labor and software costs allocated by information services.

Customer Information (in millions)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|----------------------------|--------------------|--------------------|
| Total Customer Information | \$ 0.1 | \$ 0.1 |

Customer information expense for 2008 totaled \$0.1 million compared to \$0.1 million in the budget, with no overall variance. While there was not an overall variance, this financial statement category was slightly under budget in professional services associated with the timing of advertising.

Administrative & General (in million)

| | <u>2008 Actual</u> | <u>2008 Budget</u> |
|----------------------------------|--------------------|--------------------|
| Total Administrative and General | \$ 3.4 | \$ 3.1 |

Administrative and general expenses for 2008 totaled \$3.4 million compared to \$3.1 million in the budget. This financial statement category was over budget in labor and indirect labor associated with vacation and cash in lieu. Credit card fees was also over budget and this trend will continue due to the cutoff date changing from March to September. Professional services was also over budget due to the timing of legal and compliance matters, as well as costs associated with facilities maintenance, security services and snow removal. These variances were offset to some extent by the timing of costs associated with the annual meeting, the annual report, gas negotiations and board advisor expenses. The variances were also offset by lower labor and software costs allocated by information services.

The summary of all the above year to date 2008 operations and maintenance expenses total \$36.1 million compared to \$35.9 million in the 2008 budget.

Depreciation expense totals \$4.9 million compared to \$4.9 in the budget, with no significant variance.

Tax expense totals \$0.1 million compared to \$0.1 million in the budget, with no significant variance.

Long-term interest expense year to date totals \$3.8 million compared to \$3.9 million in the budget, with no significant variance.

Interest during construction year to date totals \$0.1 million compared to \$0.2 million in the budget. This variance was primarily due to a lower average Construction Work In Progress, (CWIP) balance than anticipated caused by the timing of projects.

Other interest expense year to date totals \$0.0 million compared to \$0.0 million in the budget, with no significant variance. Chugach had \$3.5 million outstanding on its CoBank line of credit at the end of February due to the timing of expenditures and receipt of payment for services.

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. Year to date other deductions, for 2008, total \$0.0 million compared to \$0.0 million in the budget, with no significant variance.

All of the foregoing expenses resulted in total cost of electric service of \$45.0 million compared to \$44.8 million in the 2008 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 2008, non-operating margins totaled \$0.1 million compared to \$0.2 million in the budget. This variance was primarily due to lower Allowance For Funds Used During Construction, (AFUDC). This was due to a lower than anticipated CWIP balance caused by the timing of projects, as well as a lower average equity balance caused by a decrease of anticipated margin performance in 2007.

The net result of revenue and expenses year to date in 2008 is margins of \$3.3 million compared to year to date projected margins of \$3.7 million in the budget. Per the attached comparative financial report on page 7, the current 2 months actual/10 months forecast projects year end margins of \$8.3 million and an MFI/I of 1.36.

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
FEBRUARY 2008
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| CATEGORY | 2008 FEBRUARY ACTUALS | 2008 FEBRUARY BUDGET | 2008 FEBRUARY VARIANCE |
|--|-----------------------------|----------------------------|------------------------------|
| REVENUES: | | | |
| 1. TOTAL REVENUE | \$23,325,153 | \$22,812,884 | \$512,269 |
| EXPENSES: | | | |
| 2. FUEL EXPENSE | 9,906,680 | 9,721,732 | 184,948 |
| 3. POWER PRODUCTION EXPENSE | 1,160,232 | 1,300,077 | (139,845) |
| 4. COST OF PURCHASED POWER | 2,559,669 | 2,424,691 | 134,978 |
| 5. TRANSMISSION EXPENSE | 430,754 | 525,817 | (95,063) |
| 6. DISTRIBUTION EXPENSE-OPERATIONS | 389,212 | 355,084 | 34,128 |
| 7. DISTRIBUTION EXPENSE-MAINTENANCE | 629,954 | 531,785 | 98,169 |
| 8. CONSUMER ACCOUNTS EXPENSE | 359,325 | 387,512 | (28,187) |
| 9. CUSTOMER SERVICE/INFO EXPENSE | 33,223 | 54,548 | (21,325) |
| 10. SALES EXPENSE | 0 | 0 | 0 |
| 11. ADMINISTRATIVE/GENERAL EXPENSE | 1,704,557 | 1,407,326 | 297,231 |
| 12. TOTAL OPERATIONS/MAINTENANCE EXP. | \$17,173,606 | \$16,708,572 | \$465,034 |
| 13. DEPRECIATION/AMORTIZATION EXPENSE | 2,458,947 | 2,472,389 | (13,442) |
| 14. TAX EXPENSE-OTHER | 68,012 | 65,401 | 2,611 |
| 15. INTEREST-LONG TERM DEBT | 1,877,799 | 1,934,340 | (56,541) |
| 16. INTEREST ON CONSTRUCTION-CREDIT | (37,027) | (78,800) | 41,773 |
| 17. INTEREST EXPENSE-OTHER | 16,178 | 0 | 16,178 |
| 18. OTHER DEDUCTIONS | 18,398 | 20,833 | (2,435) |
| 19. TOTAL COST OF ELECTRIC SERVICE | \$21,575,913 | \$21,122,735 | \$453,178 |
| 20. PATRONAGE CAPITAL/OPERATING MARGINS | \$1,749,240 | \$1,690,149 | \$59,091 |
| 21. NON-OPERATING MARGINS-INTEREST | 34,942 | 37,550 | (2,608) |
| 22. ALLOWANCE FUNDS USED DURING CONST. | 10,607 | 34,062 | (23,455) |
| 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 | \$1,794,789 | \$1,761,761 | \$33,028 |

MFI/I

1.95

1.91

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
YEAR TO DATE
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| CATEGORY | 2008 ACTUALS YTD | 2008 REVISED BUDGET YTD | 2008 VARIANCE YTD |
|--|------------------------|-------------------------------|-------------------------|
| REVENUES: | | | |
| 1. TOTAL REVENUE | \$48,163,046 | \$48,378,803 | (\$215,757) |
| EXPENSES: | | | |
| 2. FUEL EXPENSE | 21,389,121 | 21,061,858 | 327,263 |
| 3. POWER PRODUCTION EXPENSE | 2,447,393 | 2,721,142 | (273,749) |
| 4. COST OF PURCHASED POWER | 5,080,083 | 4,984,573 | 95,510 |
| 5. TRANSMISSION EXPENSE | 901,737 | 1,155,167 | (253,430) |
| 6. DISTRIBUTION EXPENSE-OPERATIONS | 861,485 | 815,775 | 45,710 |
| 7. DISTRIBUTION EXPENSE-MAINTENANCE | 1,157,460 | 1,105,439 | 52,021 |
| 8. CONSUMER ACCOUNTS EXPENSE | 815,975 | 879,852 | (63,877) |
| 9. CUSTOMER SERVICE/INFO EXPENSE | 83,609 | 105,765 | (22,156) |
| 10. SALES EXPENSE | 0 | 0 | 0 |
| 11. ADMINISTRATIVE/GENERAL EXPENSE | 3,398,216 | 3,112,368 | 285,848 |
| 12. TOTAL OPERATIONS/MAINTENANCE EXP. | \$36,135,079 | \$35,941,939 | \$193,140 |
| 13. DEPRECIATION/AMORTIZATION EXPENSE | 4,915,195 | 4,938,256 | (23,061) |
| 14. TAX EXPENSE-OTHER | 148,157 | 152,031 | (3,874) |
| 15. INTEREST-LONG TERM DEBT | 3,839,286 | 3,892,894 | (53,608) |
| 16. INTEREST ON CONSTRUCTION-CREDIT | (82,714) | (154,103) | 71,389 |
| 17. INTEREST EXPENSE-OTHER | 18,978 | 0 | 18,978 |
| 18. OTHER DEDUCTIONS | 38,102 | 41,666 | (3,564) |
| 19. TOTAL COST OF ELECTRIC SERVICE | \$45,012,083 | \$44,812,683 | \$199,400 |
| 20. PATRONAGE CAPITAL/OPERATING MARGINS | \$3,150,963 | \$3,566,120 | (\$415,157) |
| 21. NON-OPERATING MARGINS-INTEREST | 83,729 | 99,047 | (15,318) |
| 22. ALLOWANCE FUNDS USED DURING CONST. | 25,356 | 66,612 | (41,256) |
| 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 | \$3,260,048 | \$3,731,779 | (\$471,731) |

MFI/I

1.84

1.96

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2008 FORECAST
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| CATEGORY | 2008 REVISED BUDGET | 2008 REVISED FORECAST* |
|--|---------------------------|------------------------------|
| REVENUES: | | |
| 1. TOTAL REVENUE | \$272,069,723 | \$271,853,966 |
| EXPENSES: | | |
| 2. FUEL EXPENSE | 121,218,046 | 121,545,309 |
| 3. POWER PRODUCTION EXPENSE | 16,445,185 | 16,445,185 |
| 4. COST OF PURCHASED POWER | 31,119,383 | 31,214,893 |
| 5. TRANSMISSION EXPENSE | 6,483,569 | 6,483,569 |
| 6. DISTRIBUTION EXPENSE-OPERATIONS | 4,696,382 | 4,696,382 |
| 7. DISTRIBUTION EXPENSE-MAINTENANCE | 7,029,742 | 7,029,742 |
| 8. CONSUMER ACCOUNTS EXPENSE | 5,041,115 | 5,041,115 |
| 9. CUSTOMER SERVICE/INFO EXPENSE | 699,429 | 699,429 |
| 10. SALES EXPENSE | 0 | 0 |
| 11. ADMINISTRATIVE/GENERAL EXPENSE | 17,690,176 | 17,690,176 |
| 12. TOTAL OPERATIONS/MAINTENANCE EXP. | \$210,423,027 | \$210,845,800 |
| 13. DEPRECIATION/AMORTIZATION EXPENSE | 30,354,147 | 30,354,147 |
| 14. TAX EXPENSE-OTHER | 884,862 | 880,988 |
| 15. INTEREST-LONG TERM DEBT | 23,119,883 | 23,066,275 |
| 16. INTEREST ON CONSTRUCTION-CREDIT | (998,921) | (927,532) |
| 17. INTEREST EXPENSE-OTHER | 325,417 | 344,395 |
| 18. OTHER DEDUCTIONS | 250,000 | 246,436 |
| 19. TOTAL COST OF ELECTRIC SERVICE | \$264,358,415 | \$264,810,509 |
| 20. PATRONAGE CAPITAL/OPERATING MARGINS | \$7,711,308 | \$7,043,457 |
| 21. NON-OPERATING MARGINS-INTEREST | 392,263 | 376,945 |
| 22. ALLOWANCE FUNDS USED DURING CONST. | 431,788 | 390,532 |
| 23. NON-OPERATING MARGINS-OTHER | 0 | 0 |
| 24. GENER./TRANS. CAPITAL CREDITS | 0 | 0 |
| 25. OTHER CAPITAL CREDITS/DIVIDENDS | 525,000 | 525,000 |
| 26. EXTRAORDINARY ITEMS | 0 | 0 |
| 27. PATRONAGE CAPITAL OR MARGINS | \$9,060,359 | \$8,335,934 |
| MFI/I | 1.39 | 1.36 |

* Forecast based on 2 months actual and 10 months forecast