

CHUGACH ELECTRIC ASSOCIATION, INC.
2002 Treasurer's Report



Jeff Lipscomb – Treasurer

2003 Annual Meeting
April 24, 2003

FINANCE STAFF



From Left: Michael R. Cunningham - Chief Financial Officer, Connie Owens - Executive Assistant, Sherri McKay - Senior Financial Analyst, Kathy Harris - Manager of Plant Accounting, Katrina Storjohann - Manager, Corporate Budgeting, Jody Wolfe - Manager of General Accounting

OVERVIEW

- **Margins**
 - Dave Cottrell - Vice President
- **Performance**
 - Jeff Lipscomb - Treasurer
- **Peer Comparison**
 - Jeff Lipscomb - Treasurer

2002 TREASURER'S REPORT

Dave Cottrell – Vice President

**“WHY MARGINS
ARE IMPORTANT”**

SOME DEFINITIONS

- **Margins**
 - Revenue minus expenses
- **Equity**
 - Members “ownership” in Chugach
- **Capital Credits**
 - Margins credited to members
 - Member Equity
- **Equity Ratio**
 - Represents percent of members ownership in Chugach

HOW ARE MARGINS DERIVED?

Revenue from sales

-

Cost of operations

=

MARGINS

- In “for-profit” business, margins are considered “profit”
- Also referred to as the “bottom line” or year-end income

HOW MARGINS BECOME EQUITY

- Year-end Margins
 - Become Member's Equity
 - Assigned to member's account based on purchases
- Equity
 - Held and used to finance assets
 - When margin is high enough, it is returned to members in the form of Capital Credit retirements

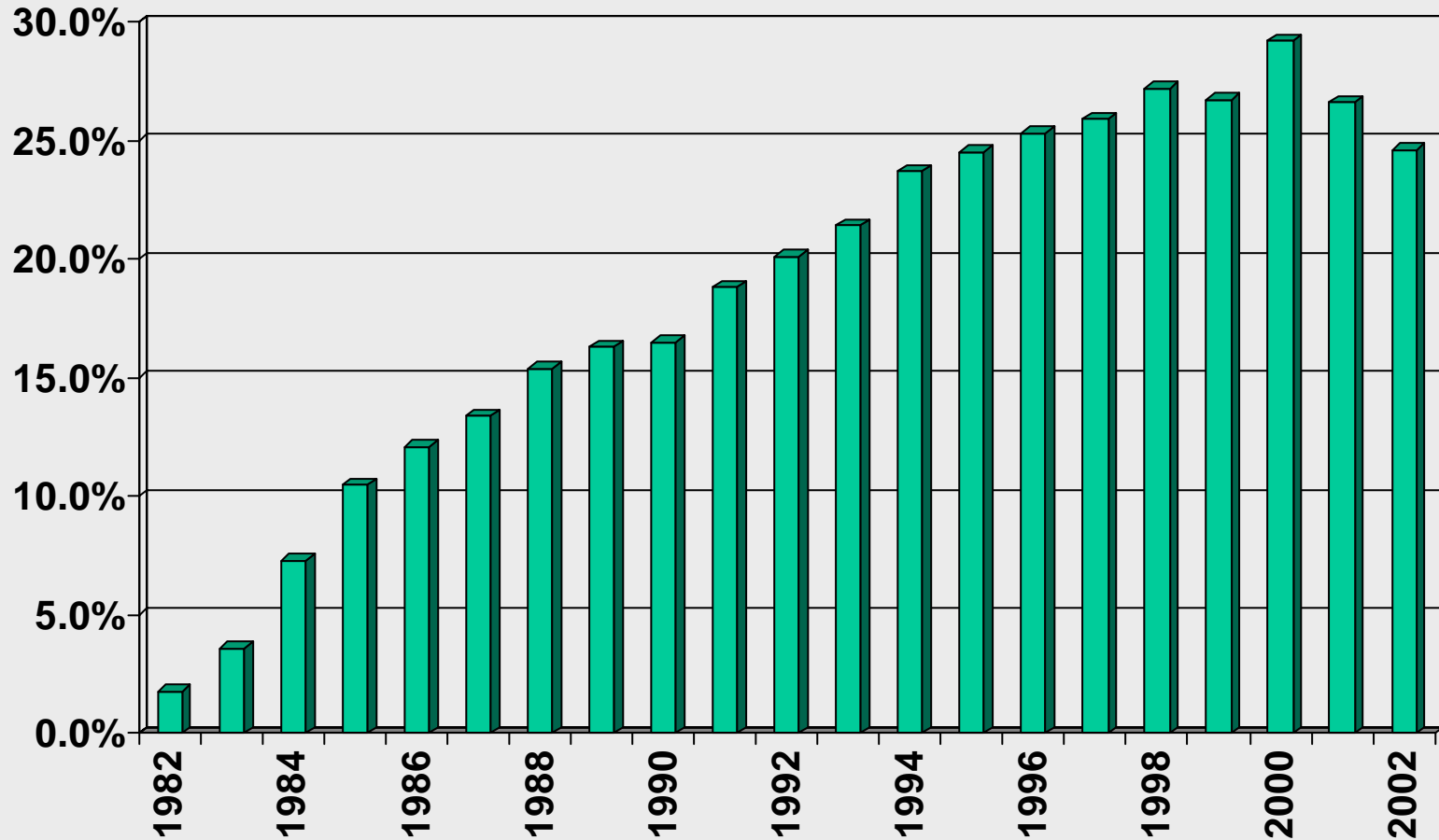
WHAT HAPPENS TO EQUITY AFTER 15 YEARS?

- **Chugach's goal**
 - Return (rotate) capital credits back to members
- **Board of Directors**
 - Reviews:
 - Financial health of Chugach
 - Bond Indenture (for any limitations on returning capital)
 - Future equity growth

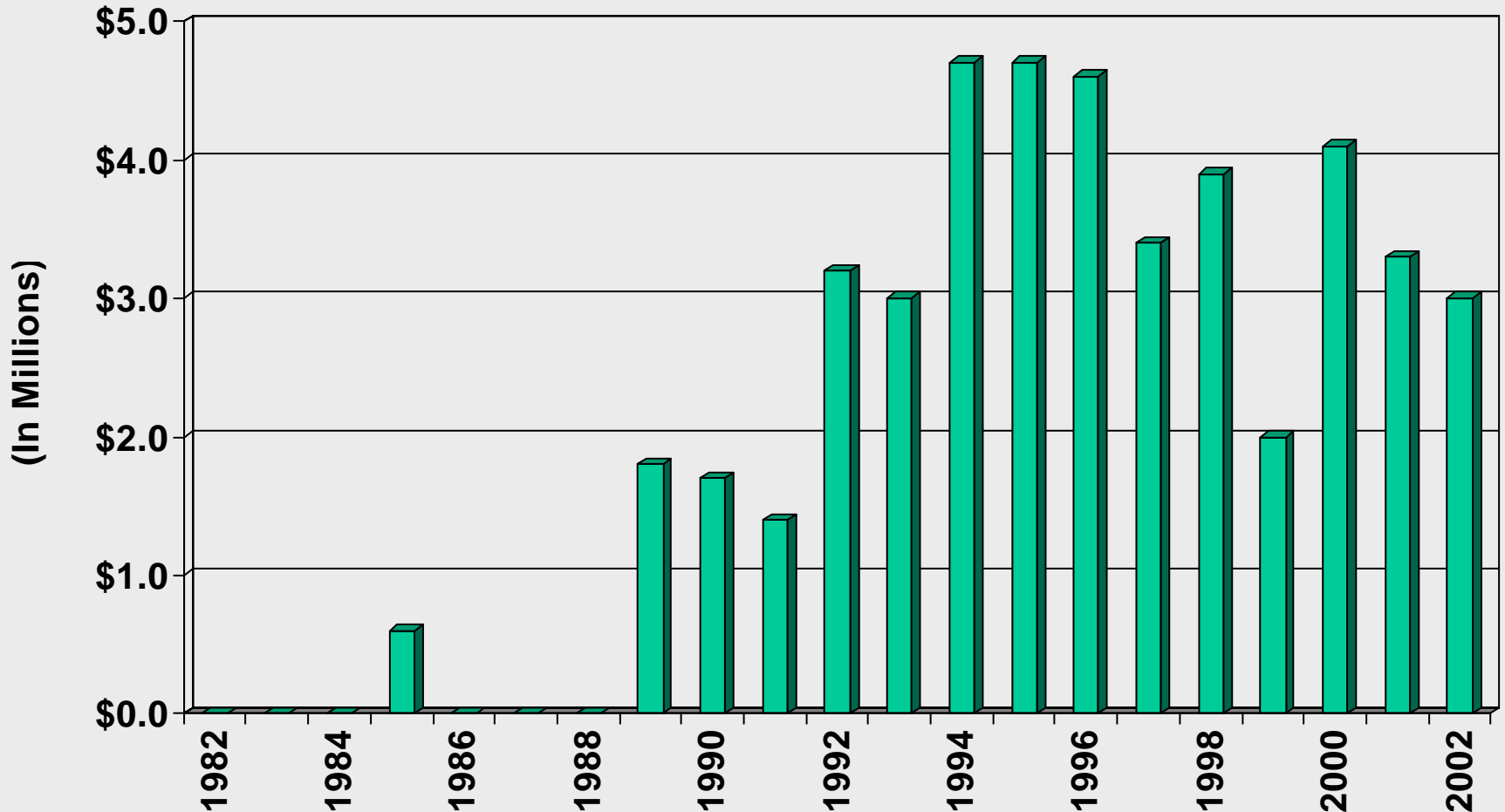
MARGINS FOR LAST 20 YEARS



EQUITY RATIO FOR LAST 20 YEARS



CAPITAL CREDIT ROTATIONS FOR LAST 20 YEARS



WHAT IF THERE ARE NO NET MARGINS?

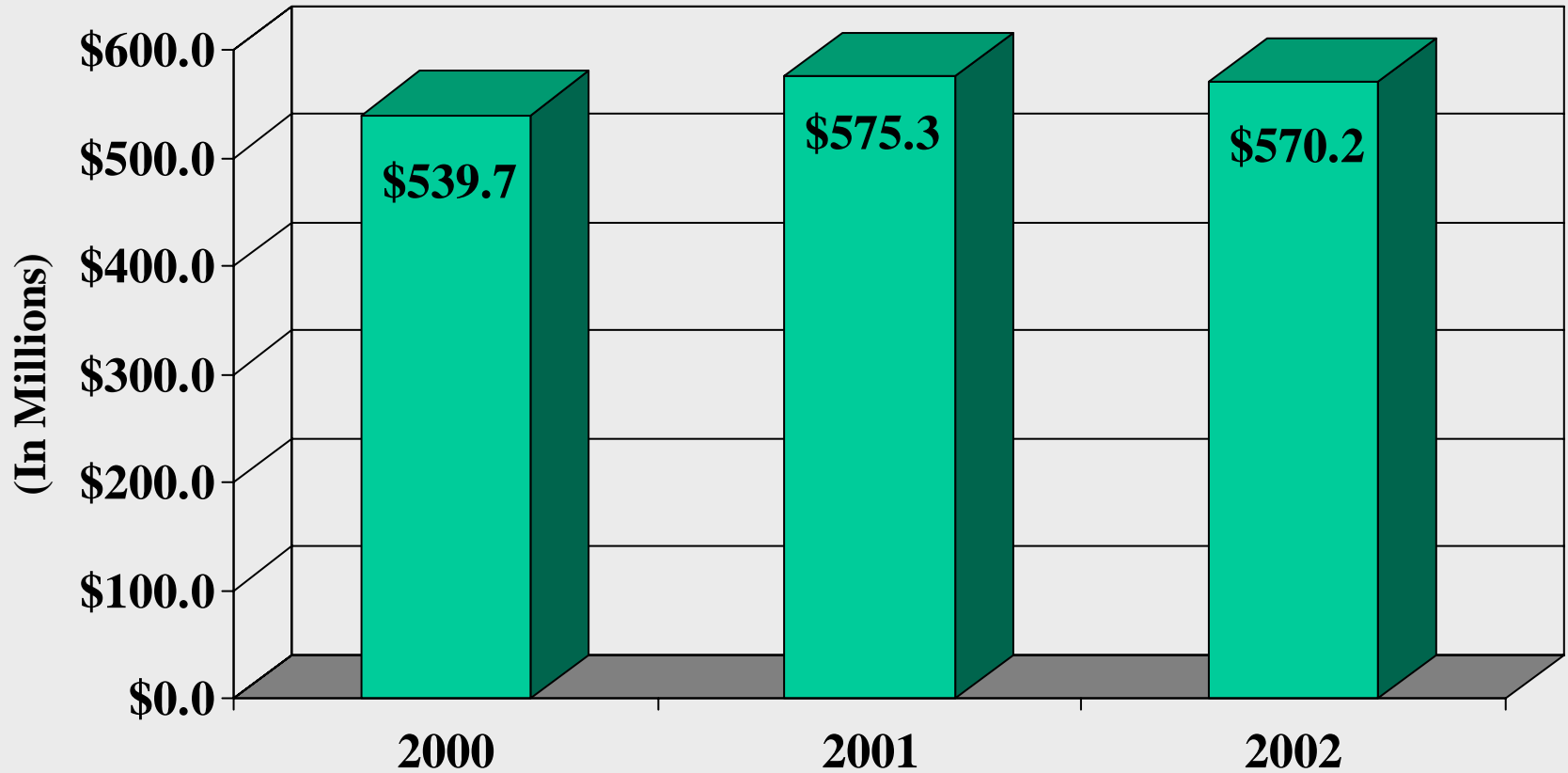
- **Debt Increases**
 - To build new facilities
 - To add customers
- **No payment of capital credits the following year**
- **No reserves or surplus to cover emergencies**
- **Take steps necessary to increase revenue**
 - File rate case
- **Long term costs go up**

2002 TREASURER'S REPORT

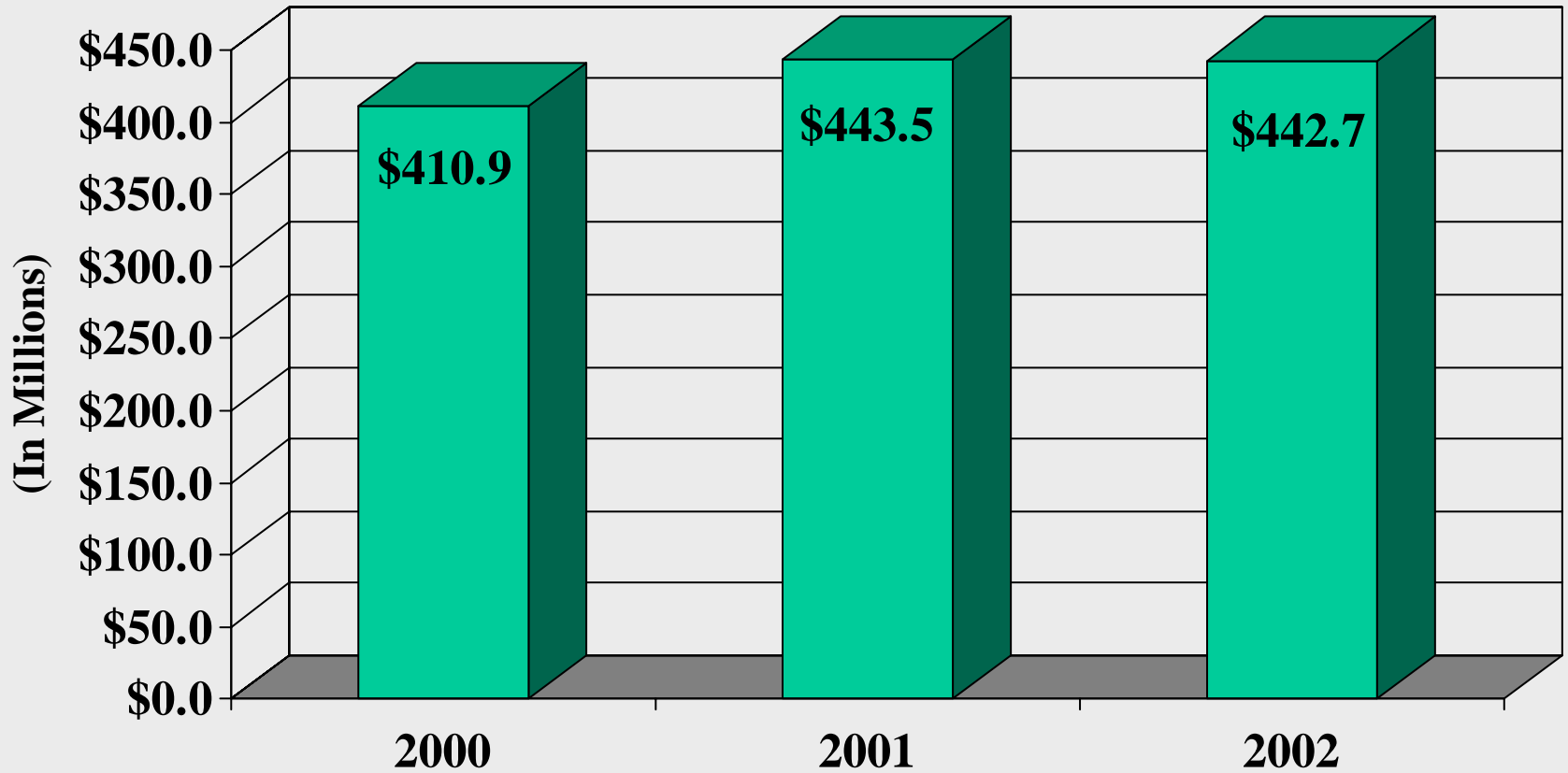
Jeff Lipscomb - Treasurer

“PERFORMANCE”

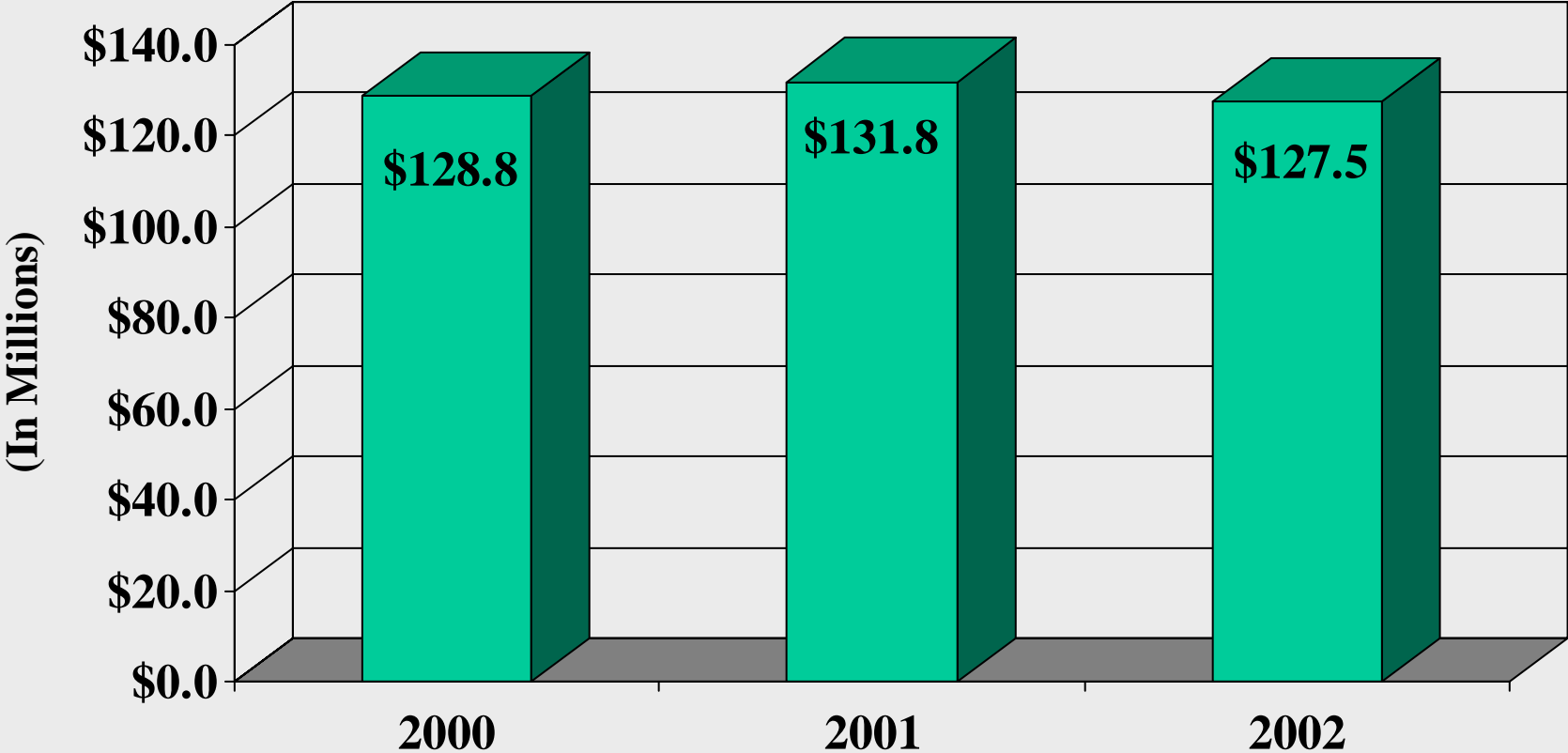
ASSETS



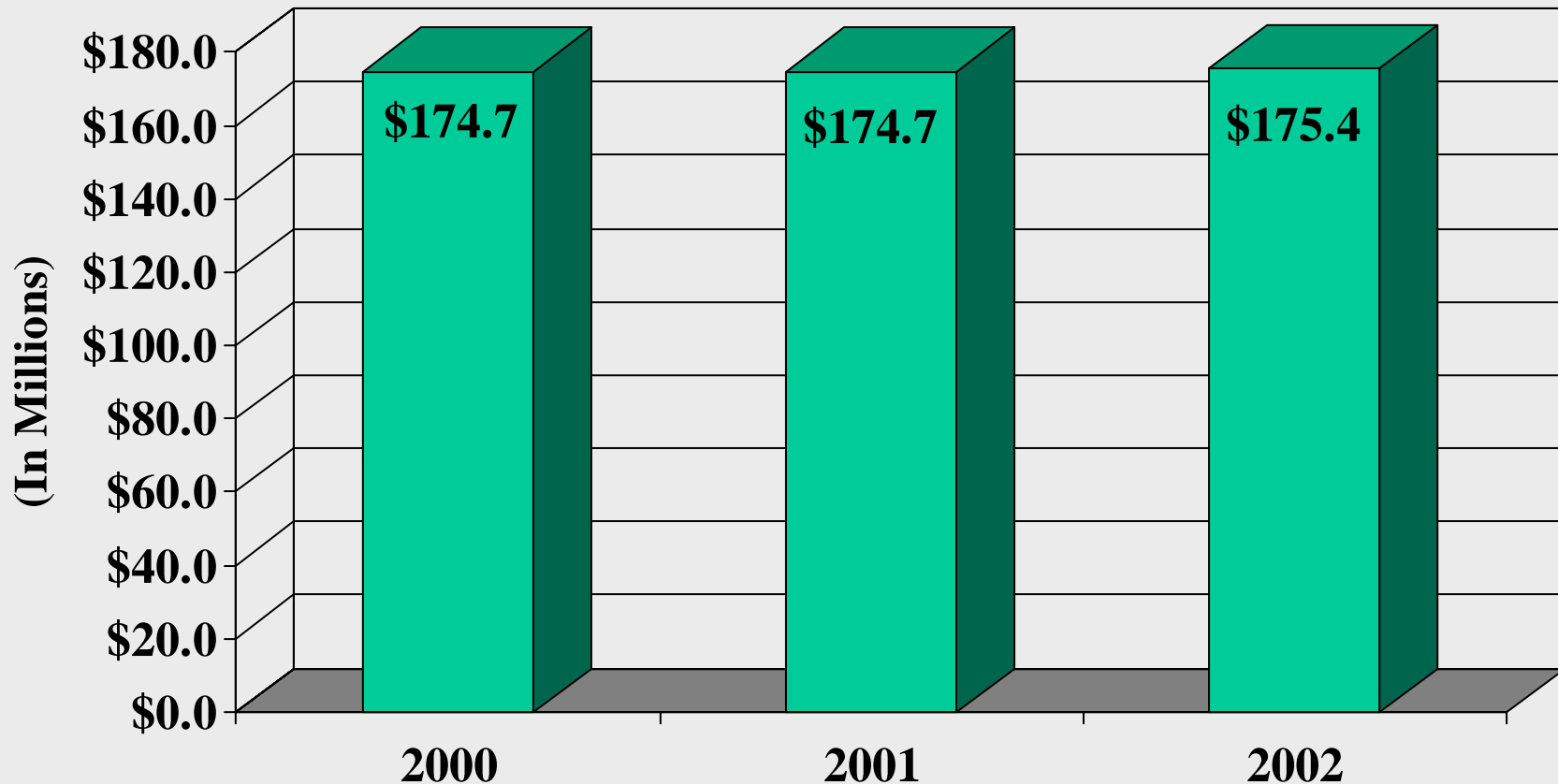
LIABILITIES



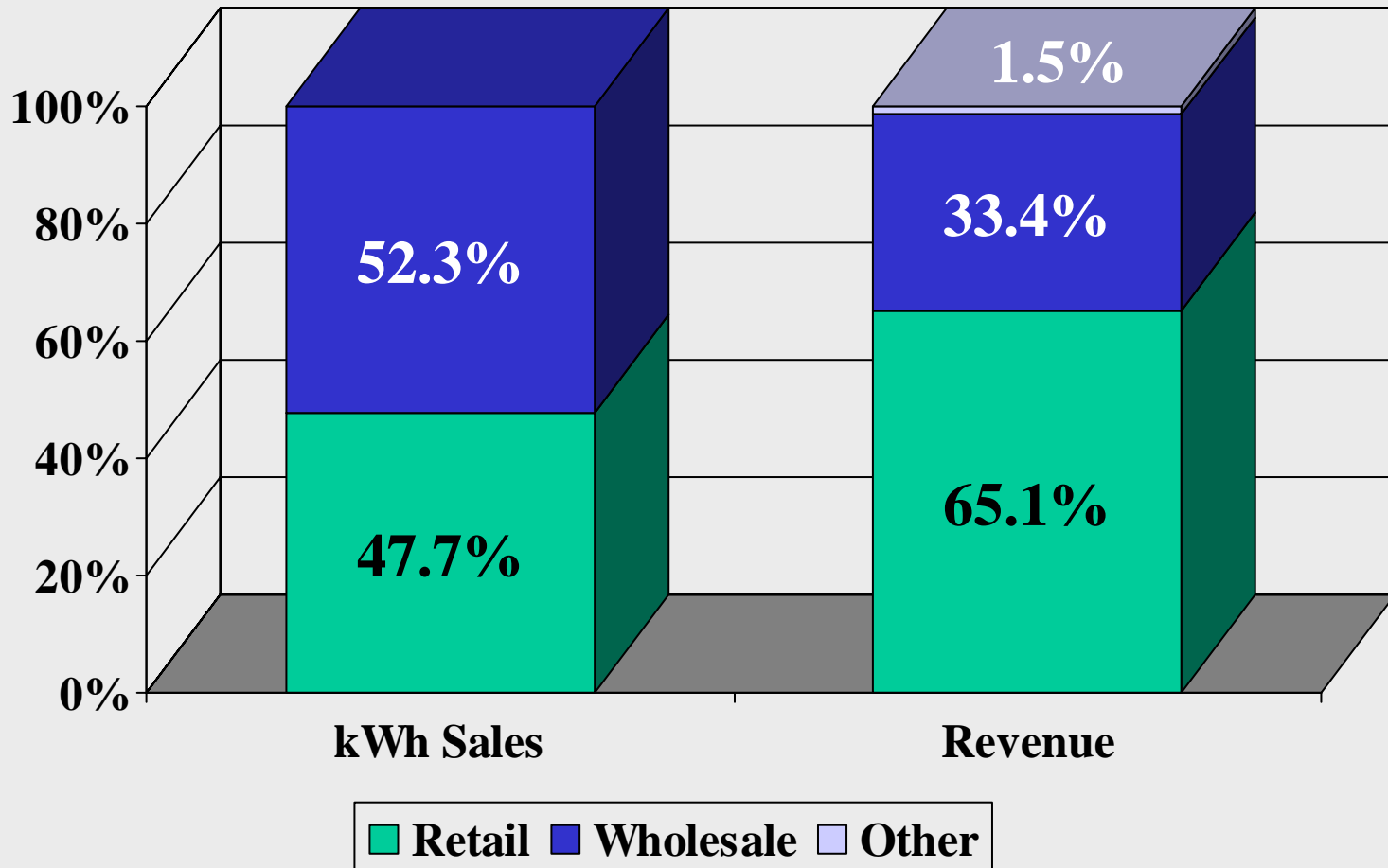
EQUITY



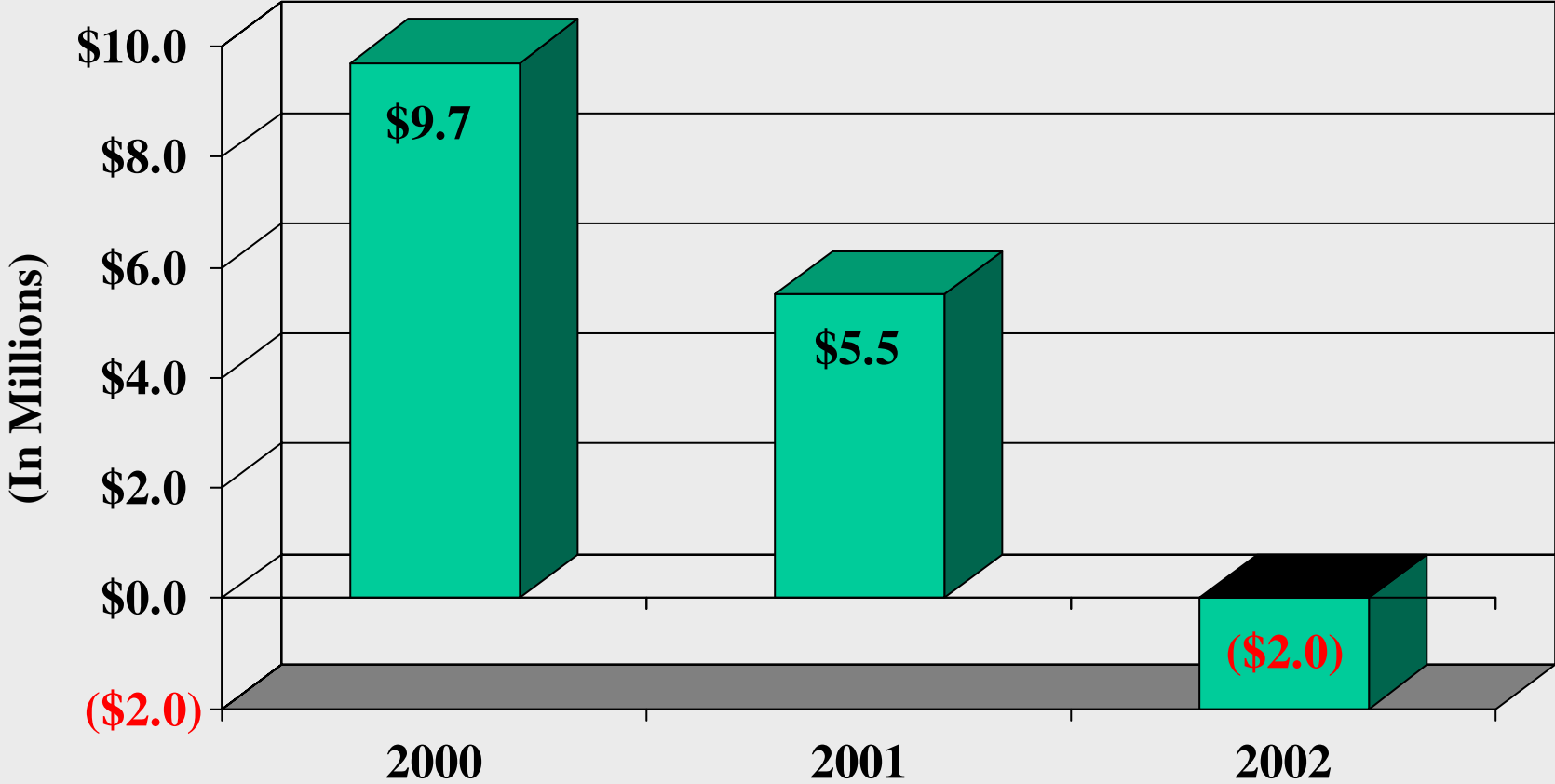
TOTAL COST OF ELECTRIC SERVICE



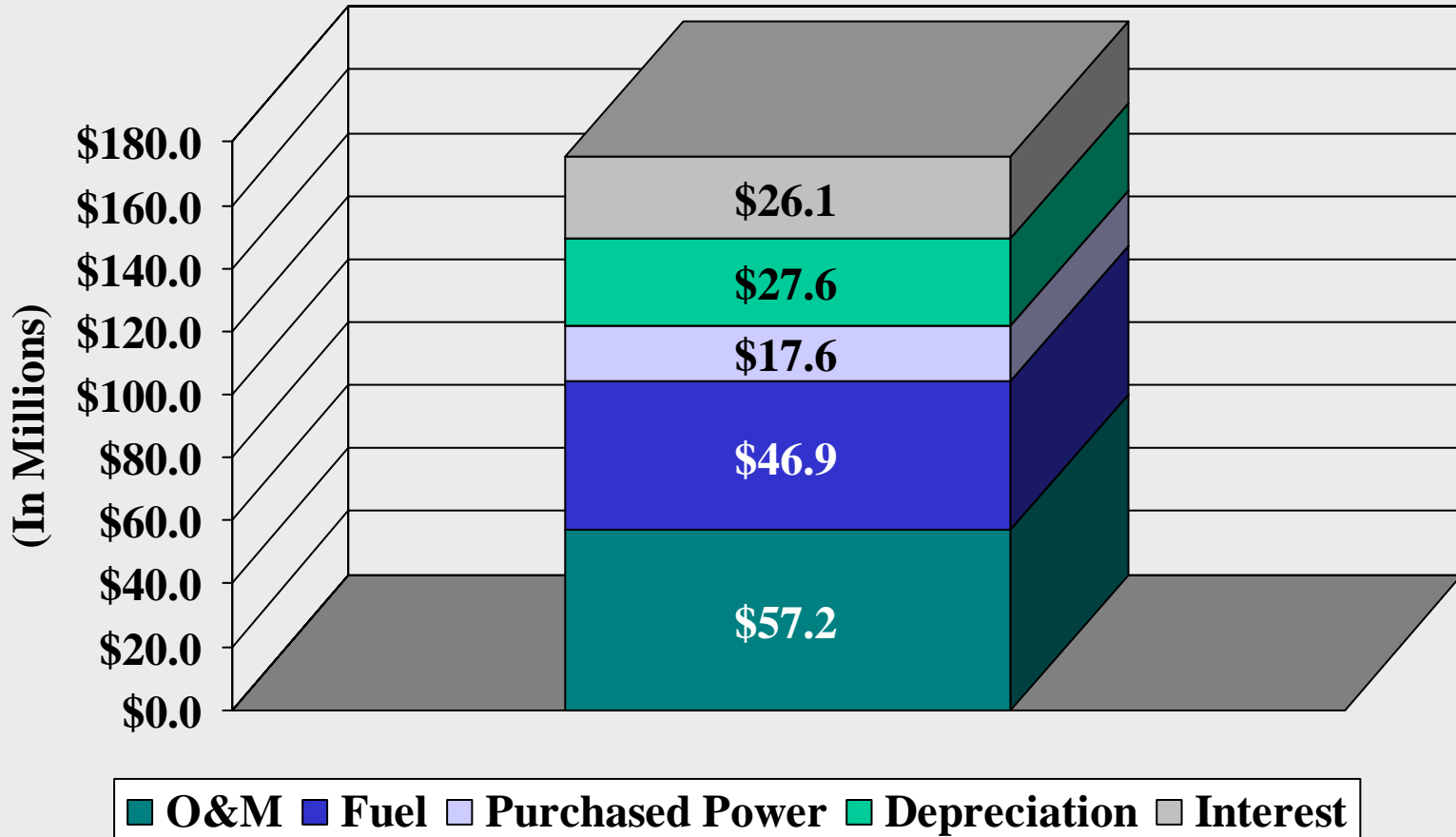
2002 kWh SALES/REVENUE



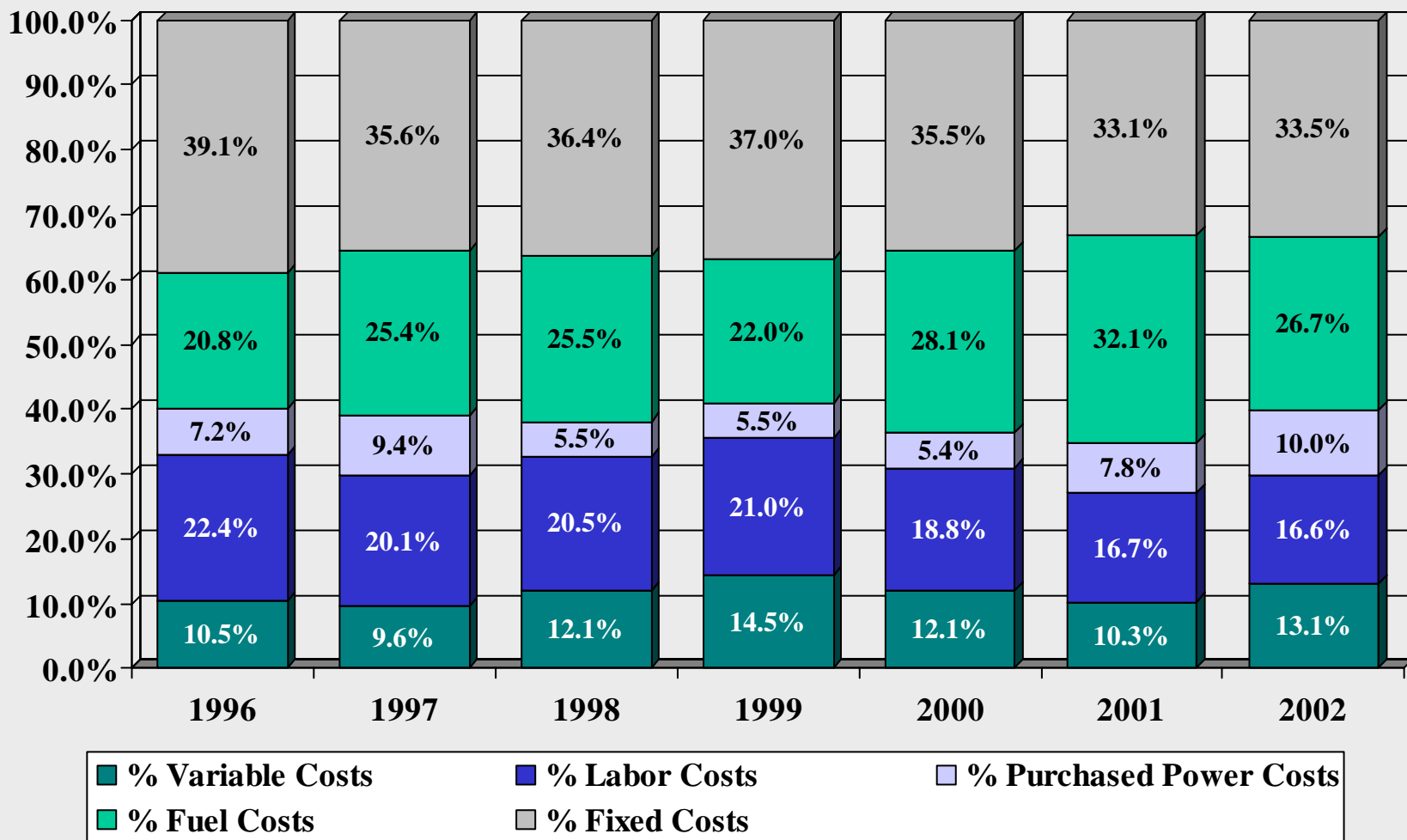
NET MARGINS



TOTAL COST OF ELECTRIC SERVICE - 2002



TOTAL COST OF ELECTRIC SERVICE (% Breakdown)



COST OF FUEL

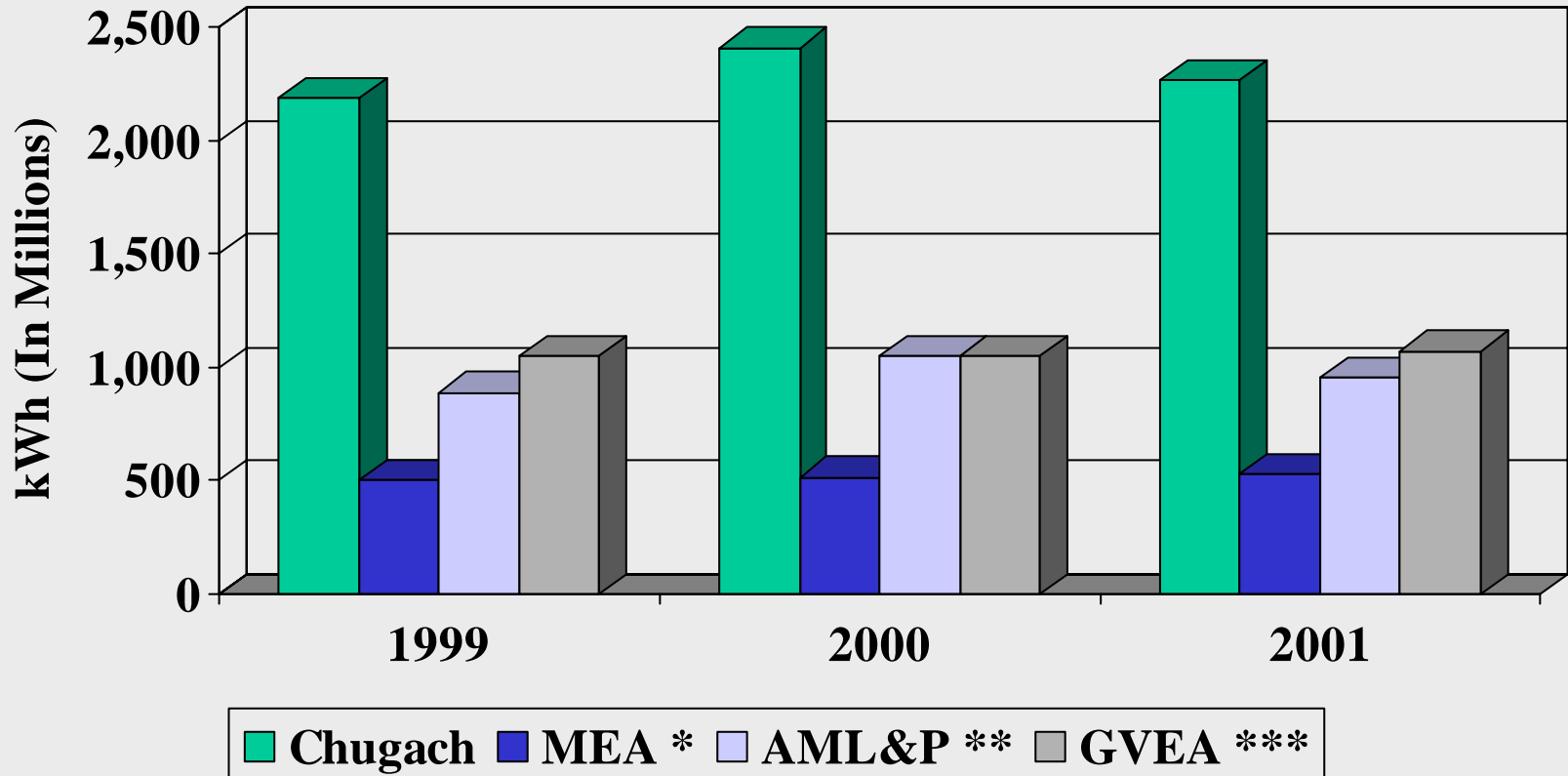
- **Base rates**
- **Adjusted for 3 base indices**
- **Direct pass through at cost**
- **Below national average**

2002 TREASURER'S REPORT

Jeff Lipscomb - Treasurer

**“PEER
COMPARISON”**

COMPARATIVE kWh SALES 1999 - 2001

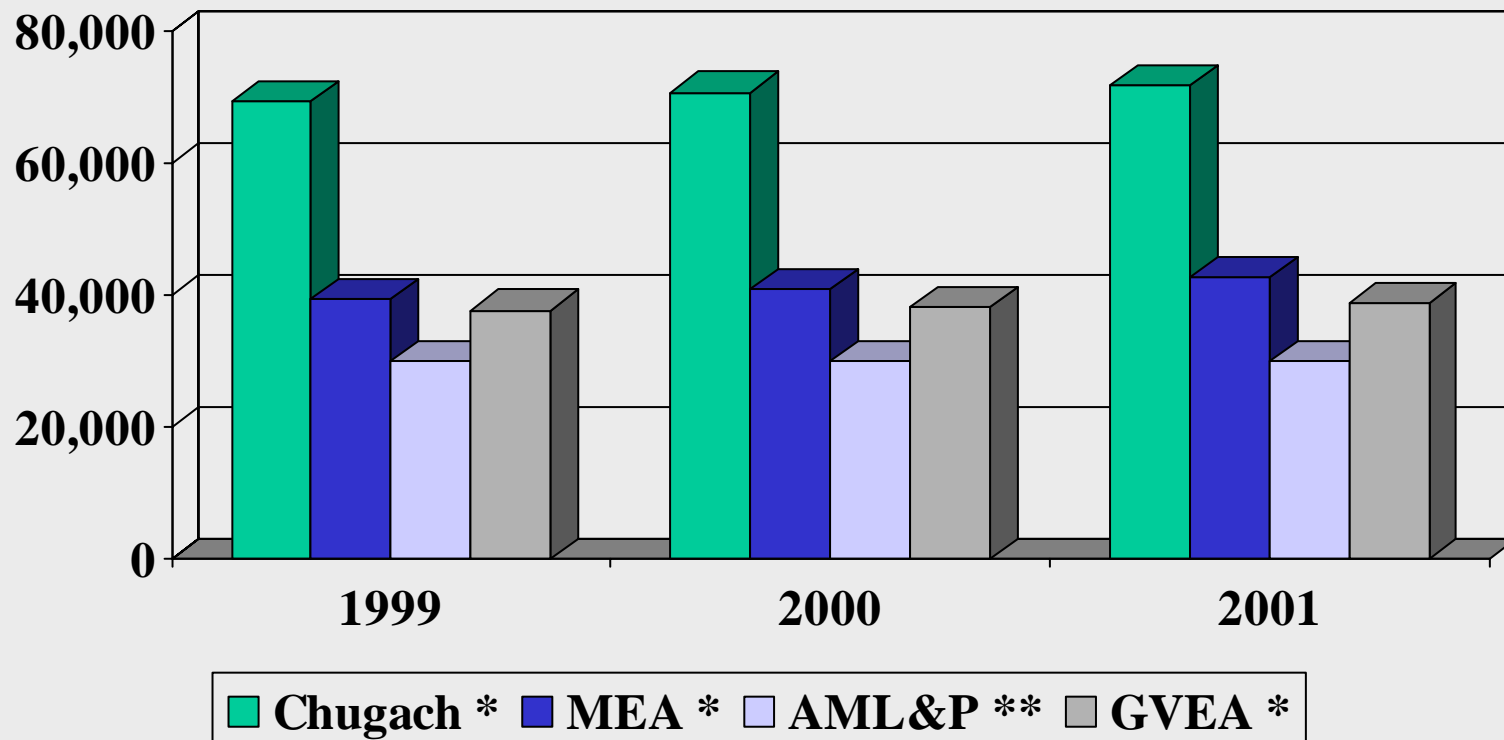


SOURCE: Year-end Form 7, FERC Form 1

* Matanuska Electric Association, Inc. ** Anchorage Municipal Light & Power

*** Golden Valley Electric Association, Inc.

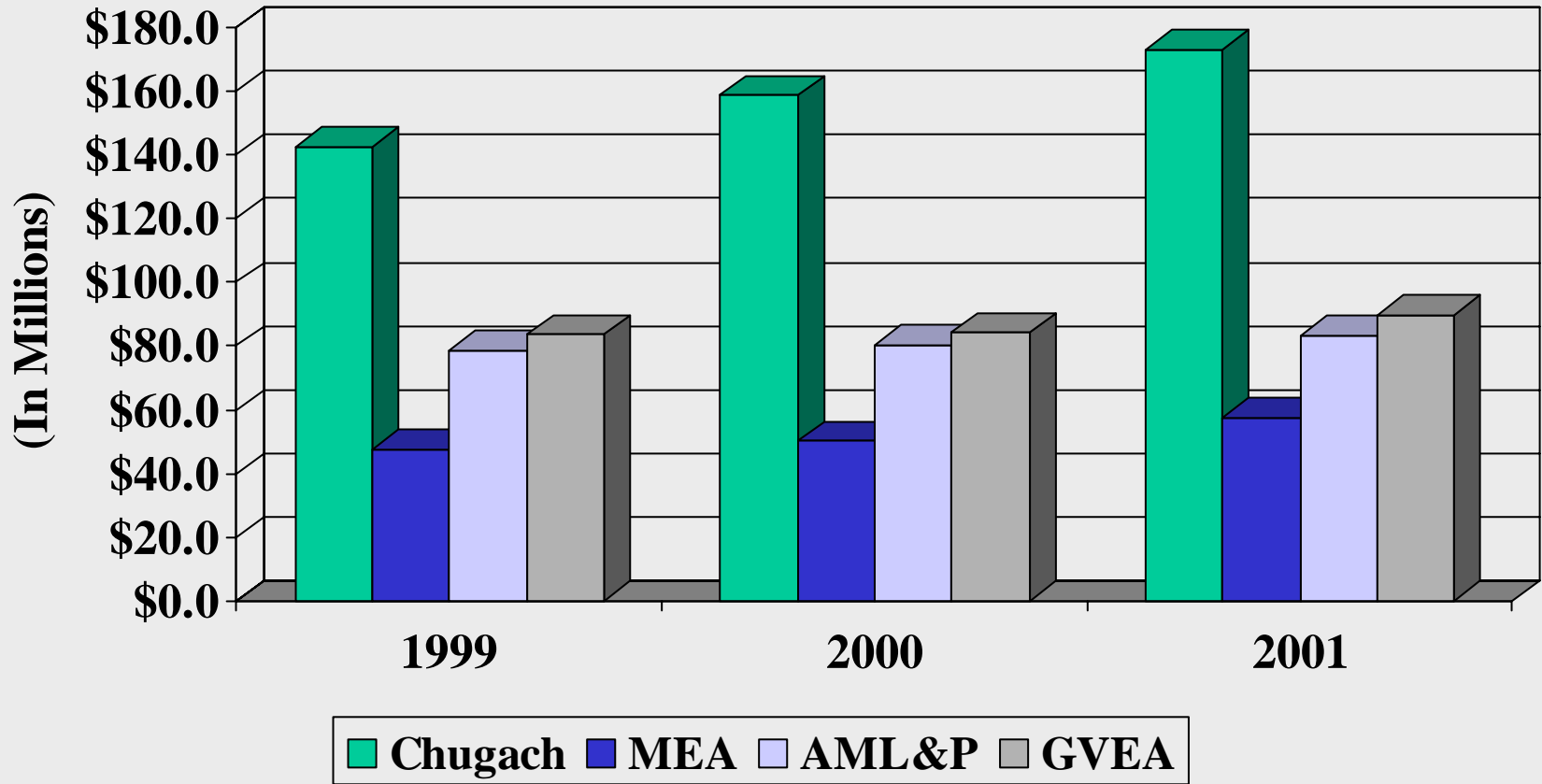
COMPARATIVE CUSTOMERS/ SERVICES IN PLACE 1999 - 2001



* Total Services in Place at year-end from Form 7B

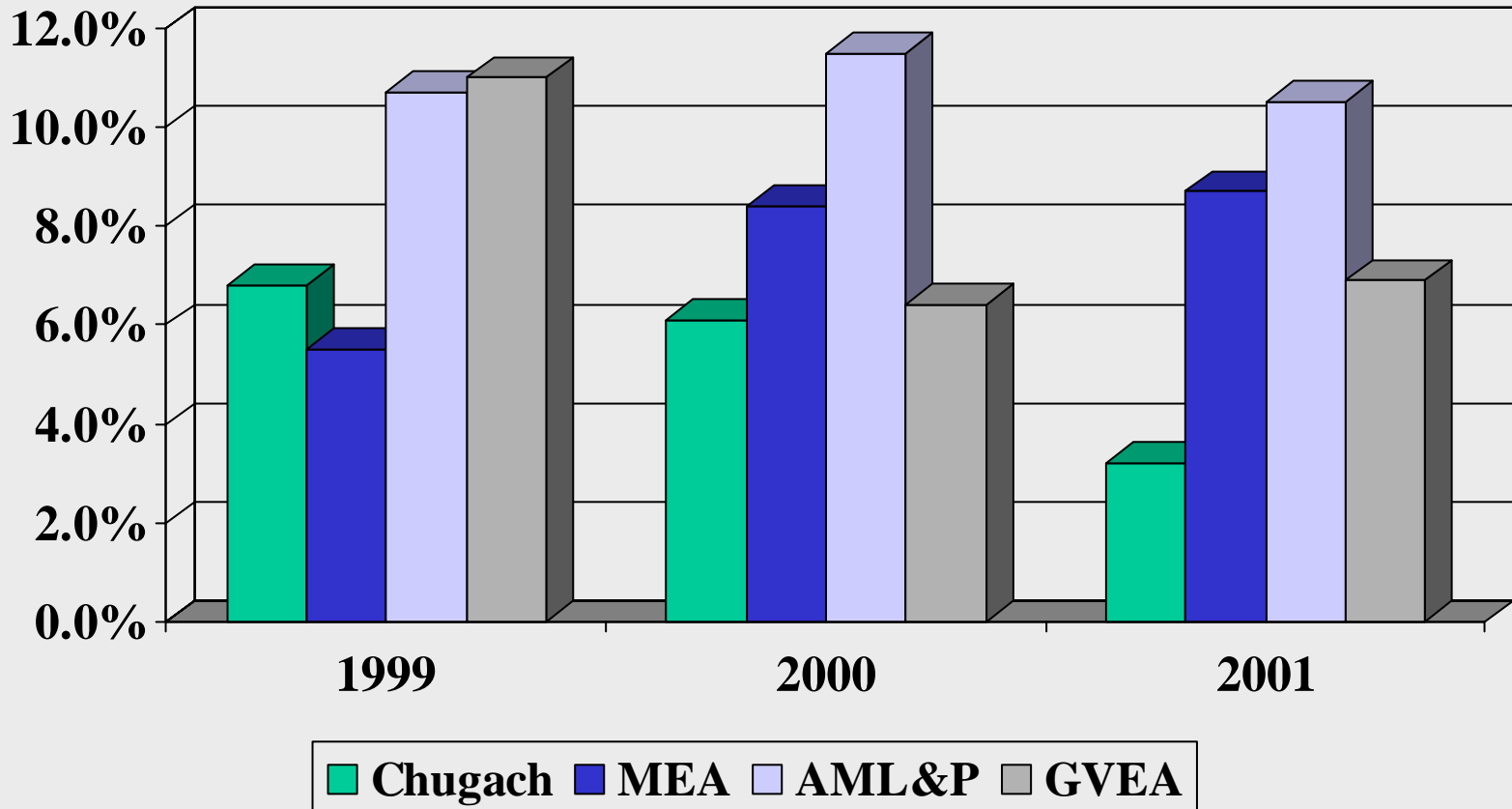
** Average Number of Consumers from FERC Form 1

COMPARATIVE REVENUE 1999 - 2001



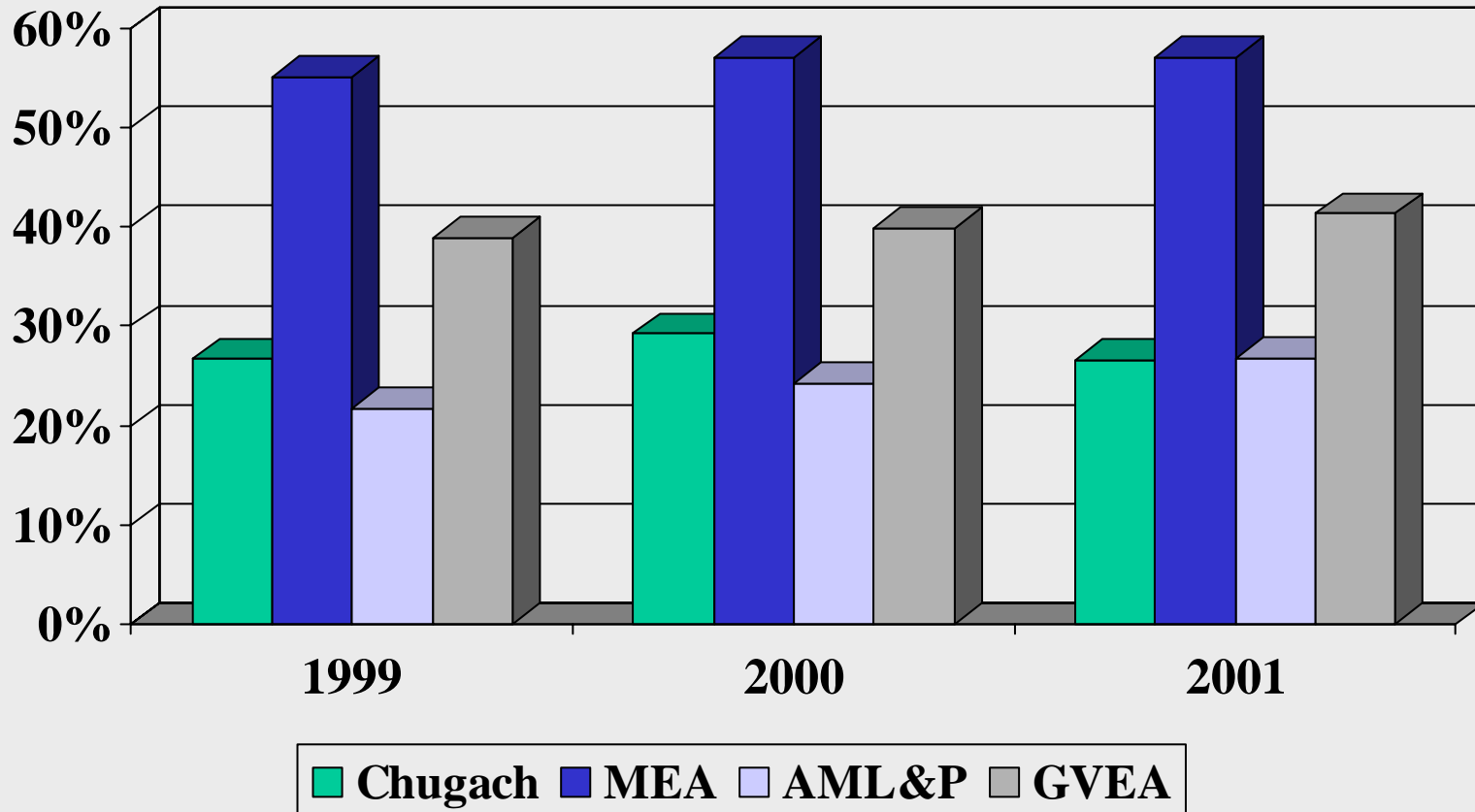
SOURCE: Year-end Form 7, FERC Form 1

COMPARATIVE MARGINS AS A PERCENT OF REVENUE 1999 - 2001



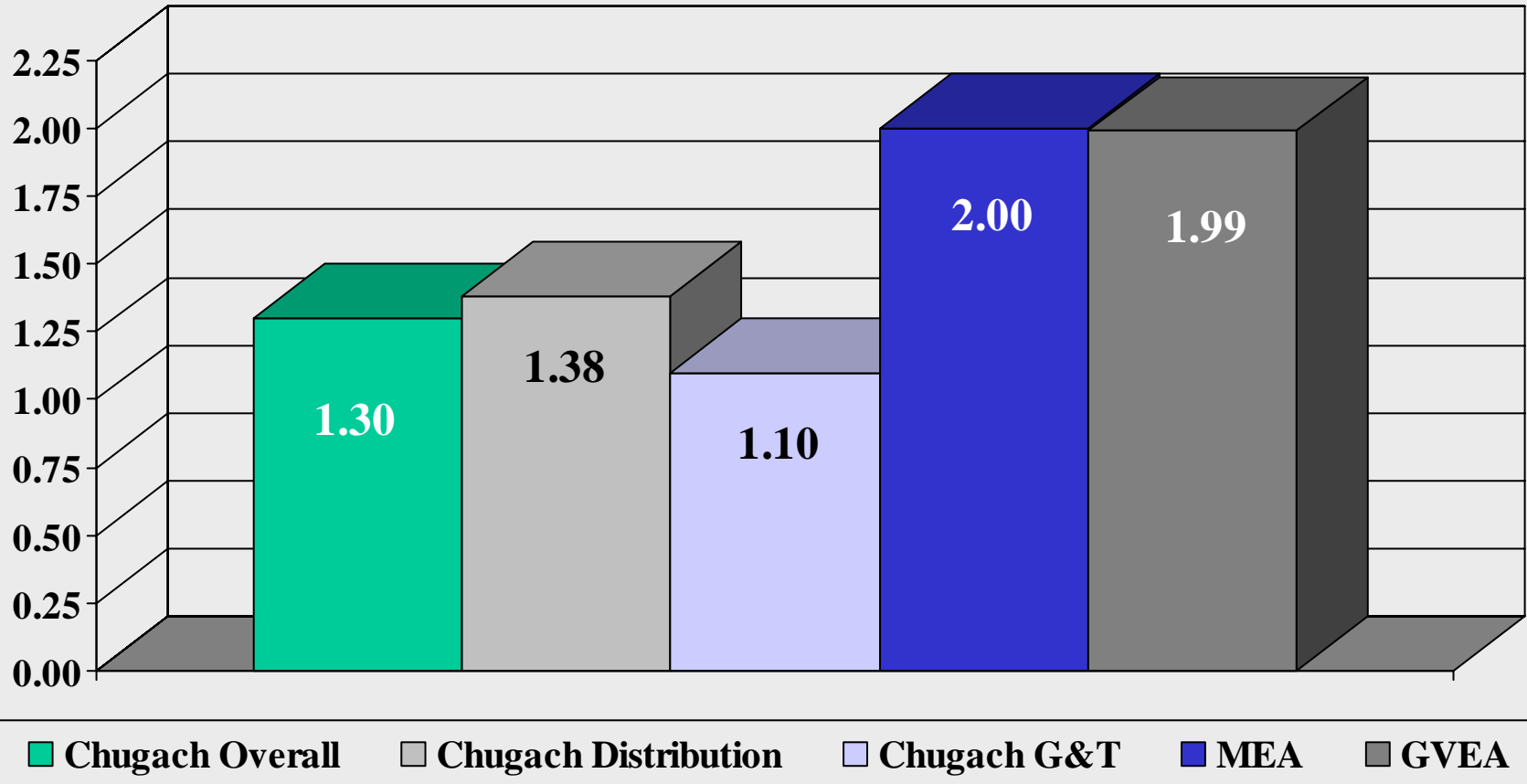
SOURCE: Year-end Form 7, FERC Form 1

COMPARATIVE EQUITY RATIO 1999 - 2001



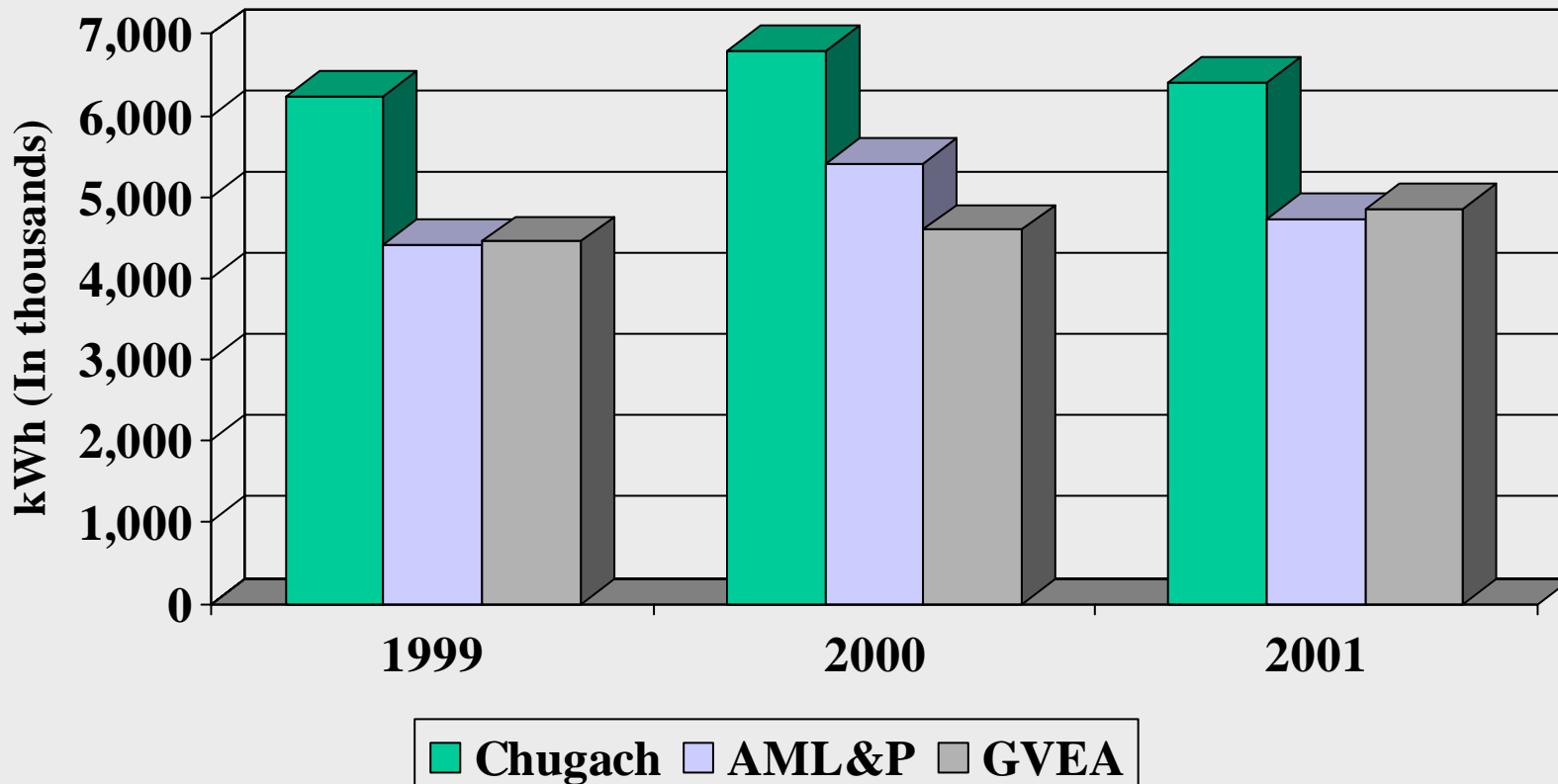
SOURCE: Year-end Form 7, FERC Form 1

RCA AUTHORIZED TIER *



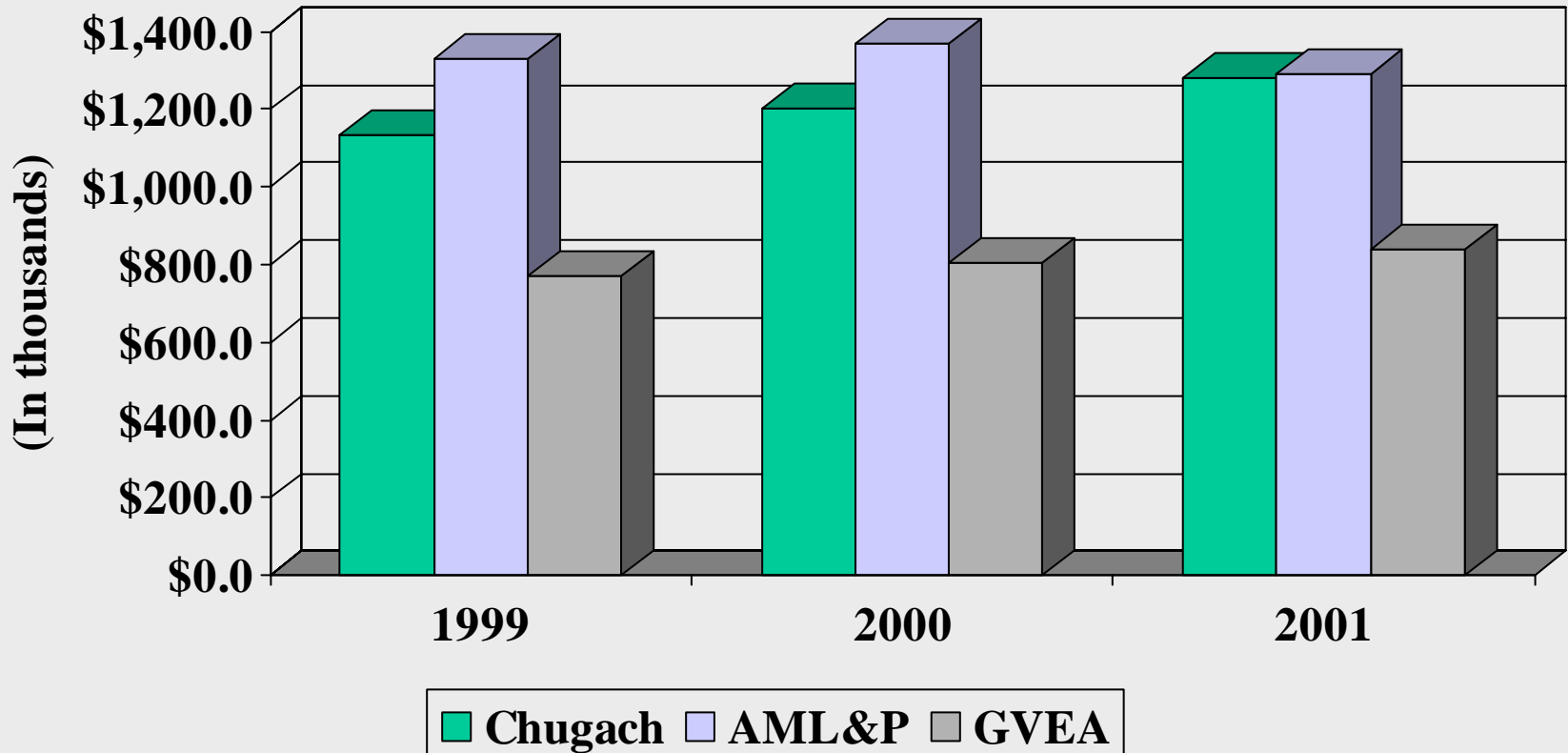
* SOURCE: GVEA Order U-00-93(13) 6/24/02; MEA Order U-00-173(7) 1/3/02; Chugach Order U-01-108(26) 1/31/03; T-27 p.5

COMPARATIVE kWh SALES/EMPLOYEE 1999 - 2001



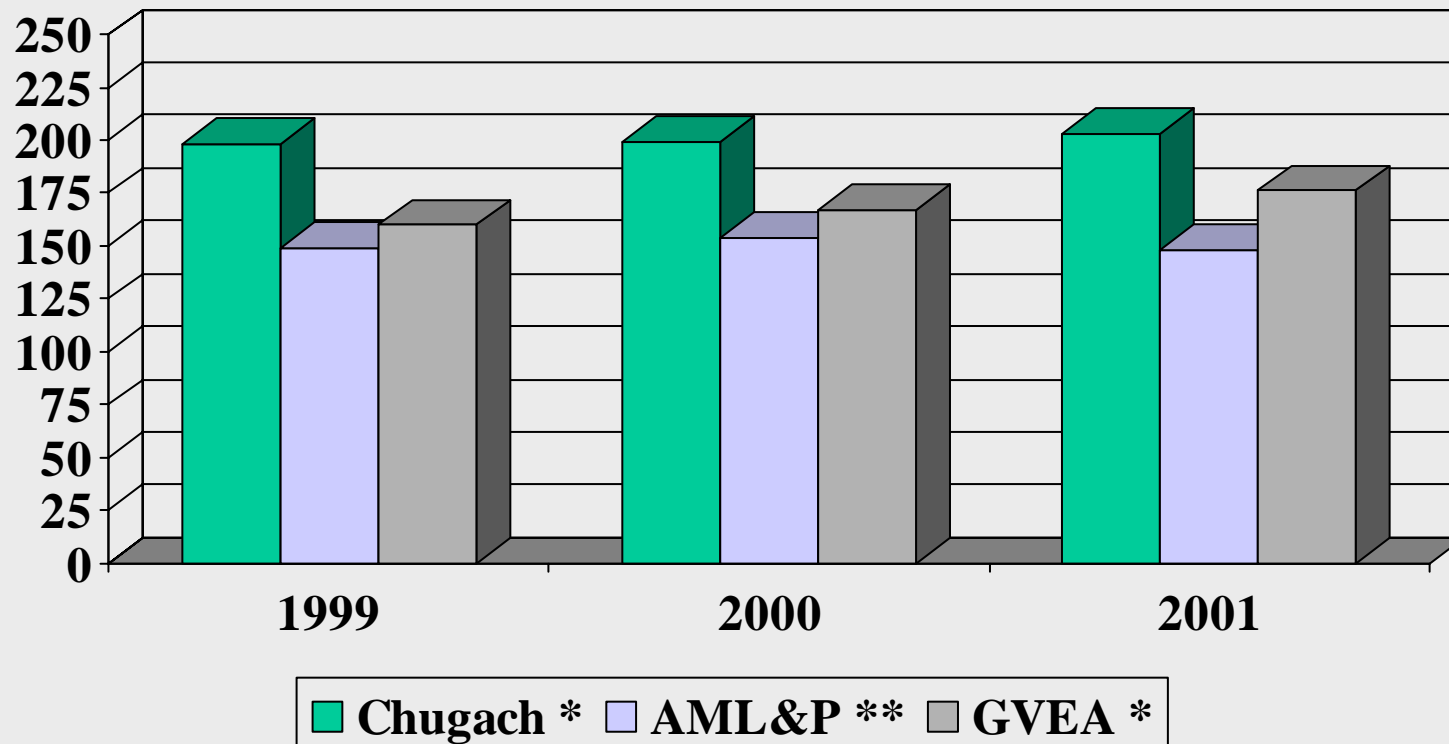
SOURCE: Year-end Form 7, FERC Form 1

NET UTILITY ASSETS/EMPLOYEE 1999 - 2001



SOURCE: Year-end Form 7, FERC Form 1

COMPARATIVE CONSUMERS/ EMPLOYEE 1999 - 2001



* Based on Total Services in Place at Year End from Form 7B

** Based on Average Number of Consumers from FERC Form 1

BOTTOM LINE

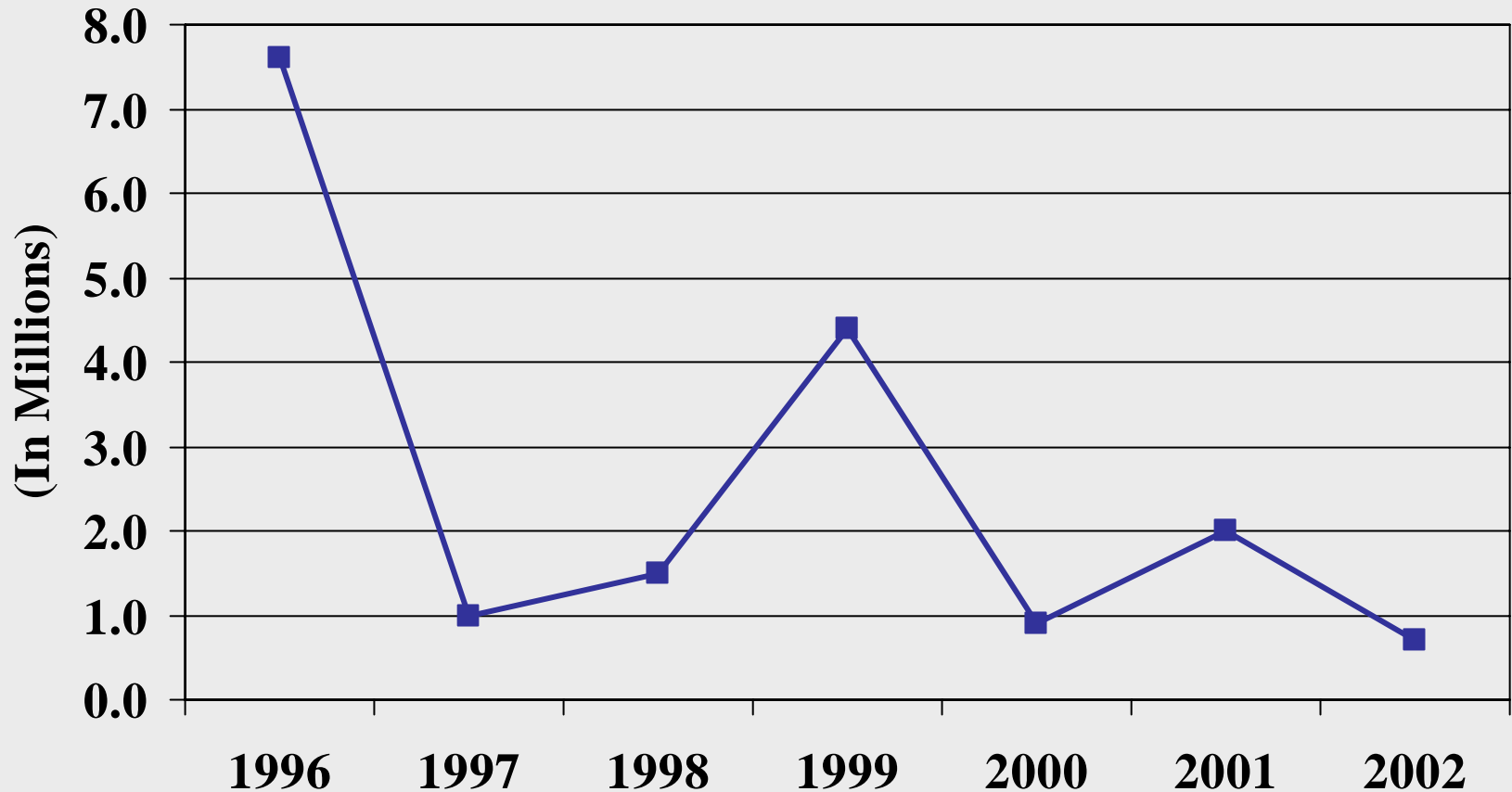
***CHUGACH IS THE MOST
RELIABLE AND EFFICIENT
POWER COMPANY IN
ALASKA***

FINANCE STAFF

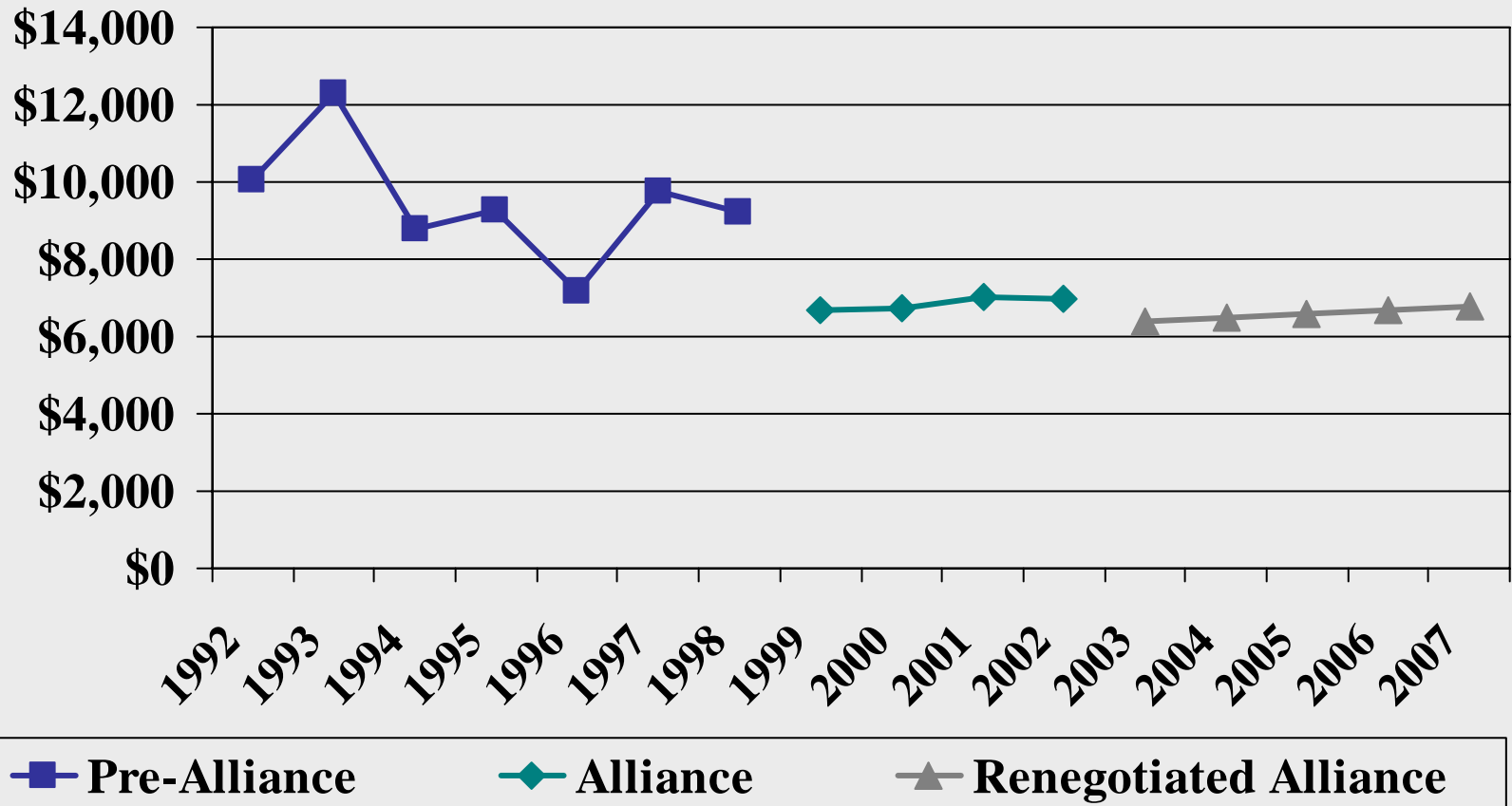


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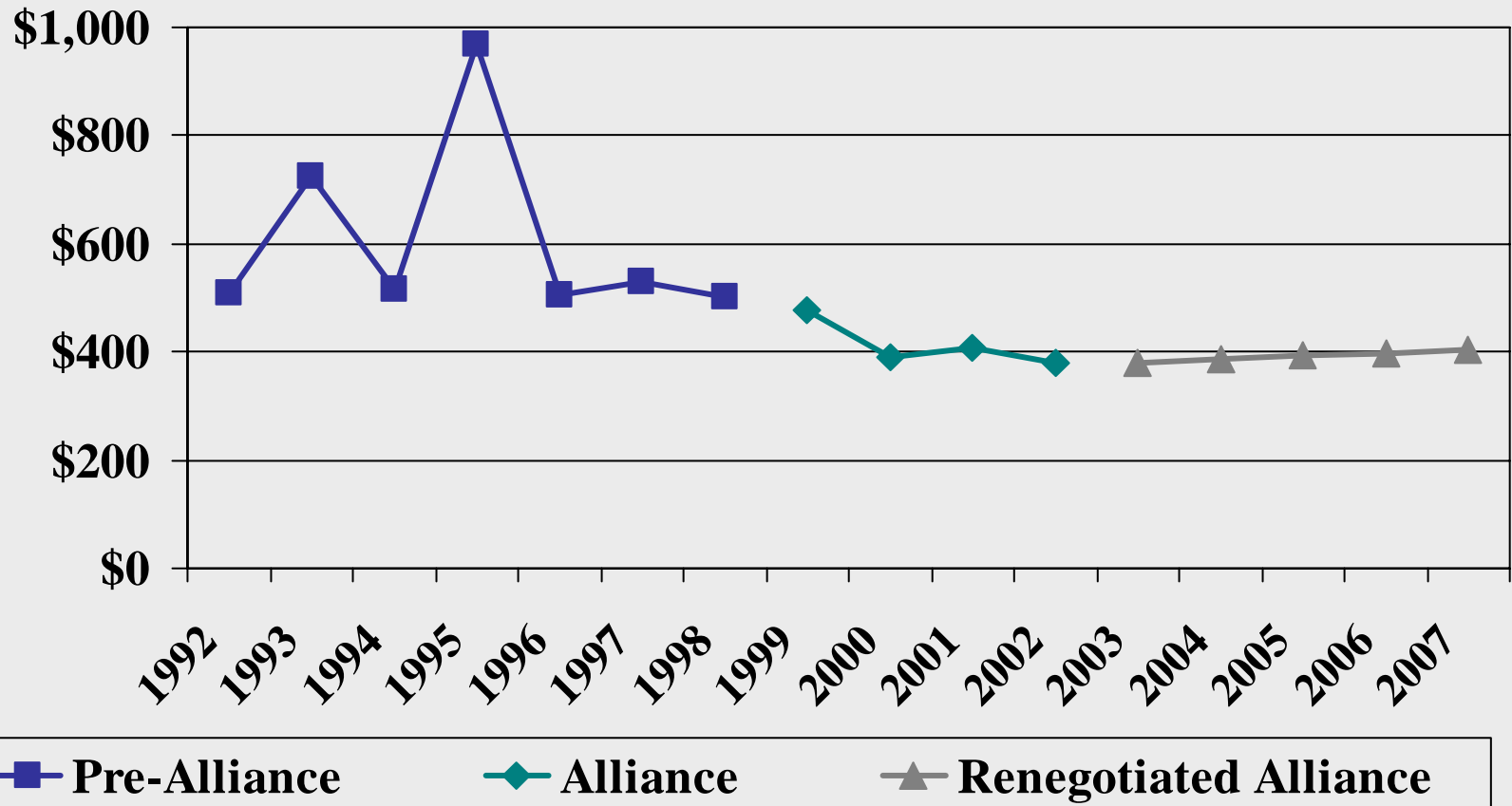
TOTAL OUTAGE MINUTES TREES, TREES & ICE 1996 - Present



DISTRIBUTION LINE CLEARING COST PER MILE



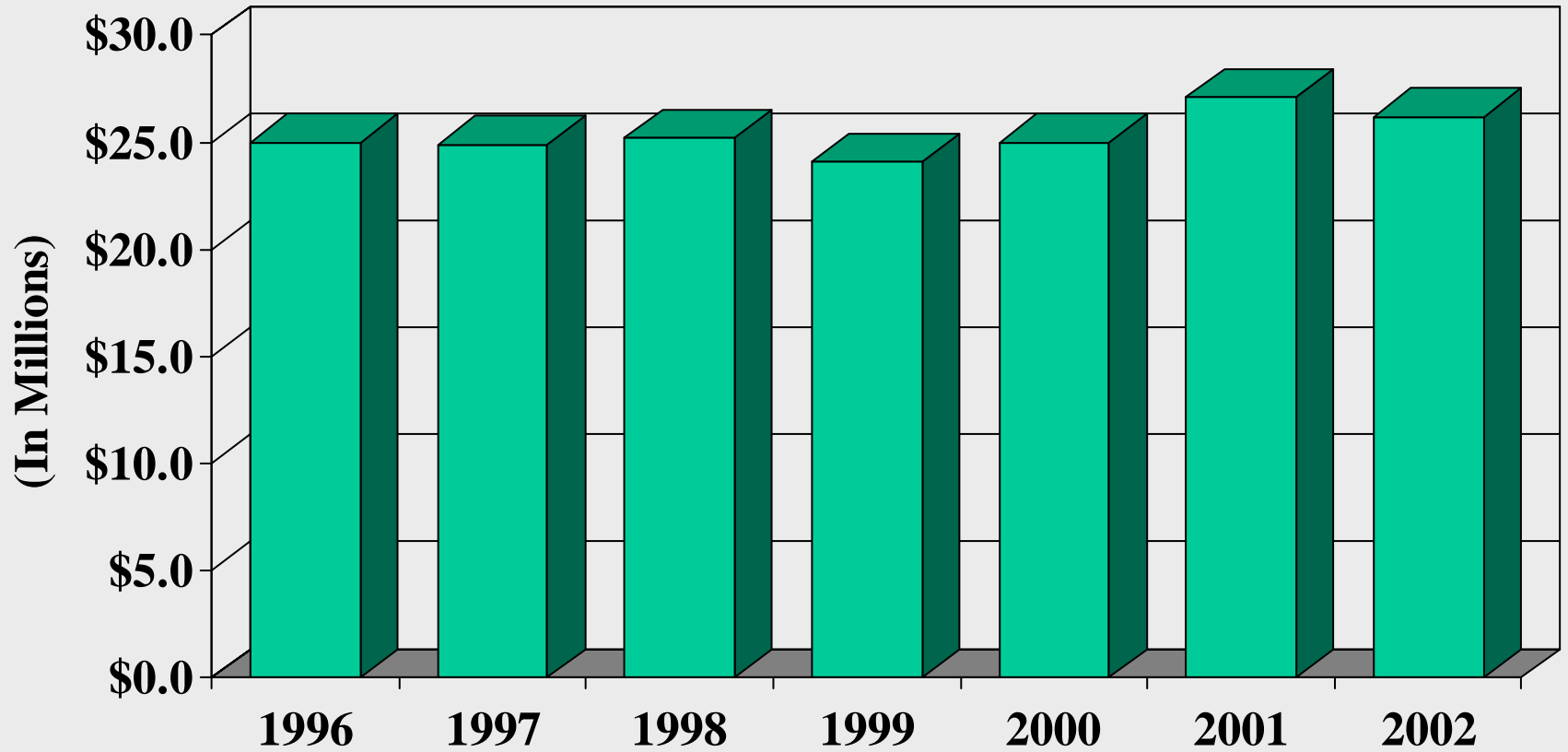
TRANSMISSION CLEARING COST PER ACRE



REFINANCING

- **Completed the \$180M refinancing, which included \$60M in a variable interest rate instrument that averaged 1.9% for the year**
- **Converted to a new bond indenture that will provide greater debt management flexibility and reduced reporting requirements**

INTEREST EXPENSE



NET CAPITAL EXPENDITURES

