

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

April 18, 2006

To: Mike Cunningham, Chief Financial Officer
From: Sherri McKay-Highers, Manager, Corporate Budgeting
Subject: March 2006 Year to Date Financial Results

kWh Sales

	<u>2006 Actual</u>	<u>2006 Budget</u>
Retail kWh Sales	331,871,496	336,018,460
Wholesale kWh Sales	330,602,415	336,899,985
Economy Energy kWh Sales	<u>88,938,040</u>	<u>97,779,000</u>
Total	751,411,951	770,697,445

March 2006 year to date kWh sales total 751,411,951, which are 2.5% under budget. Significant factors to this variance include lower than anticipated sales to Seward Electric System (SES) and economy energy sales to Golden Valley Electric Association (GVEA).

Retail kWh sales are under budget by 1.2%, while wholesale kWh sales are 1.9% lower than budgeted. A significant factor in the wholesale sales variance is lower than anticipated sales to Seward Electric System (SES), who experienced an avalanche on February 9, which cut the 69 kV line. Seward was on its own generation for the rest of February and the beginning of March. Economy energy sales are under budget by 9.0%. The uncertainty of fuel oil prices, as well as our availability, make it difficult to forecast sales to GVEA.

Energy Revenue (in millions)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Retail Revenue	\$ 38.6	\$ 39.7
Wholesale Revenue	22.7	22.9
Economy Energy Revenue	<u>5.0</u>	<u>5.7</u>
Total	\$ 66.3	\$ 68.3

Revenue from sales total \$66.3 million year to date in 2006 compared to \$68.3 in the budget.

Other Operating Revenue (in millions)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Other Operating Revenue	\$ 0.6	\$ 0.6

Other operating revenue for 2006 totals \$0.6 million compared to \$0.6 million in the budget, with no significant variance.

Power Production (in millions)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Operating & Maintenance	\$ 3.2	\$ 3.5
Fuel	<u>28.0</u>	<u>30.4</u>
Total	\$ 31.2	\$ 33.9

Actual power production operating and maintenance expense year to date for 2006 is \$3.2 million compared to a budget of \$3.5 million. This variance is primarily due to a reallocation of charged labor from power production expense to general and administrative expense and lower labor expense as a result of vacancies related to retirements and unfilled positions.

Fuel expense year to date in 2006 is \$28.0 million compared to \$30.4 million projected in the budget. This variance is primarily due to lower economy energy sales to GVEA and reduced sales to Seward due to the avalanche, as well as the timing of a Nikiski maintenance project. The project was anticipated in the first quarter of 2006, however, it has been deferred until October. This also resulted in lower fuel expense.

Purchased Power (in millions)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Total Purchased Power	\$ 7.2	\$ 6.1

Purchased power cost year to date for 2006 totals \$7.2 million compared to \$6.1 million in the budget. This variance is due to the timing of the Nikiski maintenance project discussed above, which resulted in higher purchased power costs.

Transmission Operations and Maintenance (in millions)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Total Transmission	\$ 1.4	\$ 1.4

Transmission operations and maintenance expense totals \$1.4 million in 2006 compared to \$1.4 million in the budget, with no significant variances.

Distribution Operations and Maintenance (in millions)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Total Distribution	\$ 3.0	\$ 2.9

Distribution operations and maintenance expenses totals \$3.0 million compared to \$2.9 million in the budget. This variance is due to higher than anticipated costs associated with line patrols due to outages at Cooper Landing, Hope and Girdwood, as well as higher than anticipated installation costs for meters and transformers.

Consumer Accounts (in millions)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Total Consumer Accounts	\$ 1.2	\$ 1.2

Consumer accounts expense totals \$1.2 million compared to \$1.2 million in the budget, with no significant variances.

Customer Information (in millions)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Total Customer Information	\$ 0.1	\$ 0.2

Customer information expense year to date 2006 totals \$0.1 million compared to \$0.2 million in the budget. This variance is due primarily to the timing of professional services associated with commercial and community relations.

Administrative & General (in million)

	<u>2006 Actual</u>	<u>2006 Budget</u>
Total Administrative and General	\$ 4.4	\$ 4.4

Administrative and general expenses total \$4.4 million for 2006 compared to \$4.4 million in the budget. This financial statement category experienced lower than anticipated professional services associated with generation and transmission technical services and a decrease in software maintenance costs due to the timing of expenditures. These decreases are offset by an increase in labor charged to administrative and general expense, which is offset by the decrease in labor charged to power production expense.

The summary of all the above 2006 operations and maintenance expenses total \$48.5 million compared to \$50.1 million in the revised 2006 budget.

Depreciation expense totals \$7.1 million for 2006 compared to \$7.1 in the budget, with no significant variance.

Tax expense for 2006 totals \$0.2 million compared to \$0.2 million in the budget, with no significant variance.

Long-term interest expense totals \$6.0 million compared to \$5.9 million in the budget. The variance is due to higher than anticipated interest rates.

Interest during construction totals \$0.1 million compared to \$0.1 million in the budget, with no significant variance.

Other interest expense totaled \$0.0 million compared to \$0.0 million in the budget, with no significant variance.

Other deductions include donations, preliminary survey and investigation charges of abandoned projects and obsolete inventory write-offs, which are not properly attributable to operating or maintenance accounts. Year to date 2006, other deductions total \$0.2 million compared to \$0.1 million in the budget. This variance is primarily due to the write off of expenditures associated with the wind power generation study.

All of the foregoing expenses result in total cost of electric service of \$61.9 million compared to \$63.2 million in the 2006 revised 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 2006, non-operating margins total \$0.2 million compared to \$0.1 million in the budget. This variance is primarily due to higher than anticipated interest rates, which resulted in an increase to interest income.

The net result of revenue and expenses year to date in 2006 is margins of \$5.2 million compared to year to date projected margins of \$5.8 million in the 2006 revised budget. Per the attached comparative financial report, the current 3 month actual/9 month budget forecast, including approved budget revisions, projects year end margins of \$12.0 million and an MFI/I of 1.51.

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
MARCH 2006

CATEGORY	2006 ACTUALS YTD	2006 APPROVED BUDGET	2006 REVISED BUDGET	2006 REVISED FORECAST*
REVENUES:				
1. TOTAL REVENUE	\$66,885,594	\$269,620,829	\$269,748,557	\$267,731,890
EXPENSES:				
2. FUEL EXPENSE	27,986,180	120,390,043	120,517,771	118,120,621
3. POWER PRODUCTION EXPENSE	3,192,912	14,776,719	14,826,719	14,826,719
4. COST OF PURCHASED POWER	7,210,732	30,329,556	30,329,556	31,393,516
5. TRANSMISSION EXPENSE	1,391,959	6,122,921	6,089,571	6,089,571
6. DISTRIBUTION EXPENSE-OPERATIONS	1,273,844	4,383,361	4,383,361	4,383,361
7. DISTRIBUTION EXPENSE-MAINTENANCE	1,763,249	6,833,040	6,784,390	6,784,390
8. CONSUMER ACCOUNTS EXPENSE	1,181,580	4,561,126	4,561,126	4,561,126
9. CUSTOMER SERVICE/INFO EXPENSE	120,423	809,984	809,984	809,984
11. ADMINISTRATIVE/GENERAL EXPENSE	4,386,401	17,227,027	17,213,728	17,213,728
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$48,507,280	\$205,433,777	\$205,516,206	\$204,183,016
13. DEPRECIATION/AMORTIZATION EXPENSE	7,049,384	29,358,247	28,584,332	28,584,332
14. TAX EXPENSE-OTHER	230,373	856,735	856,735	864,812
15. INTEREST-LONG TERM DEBT	6,035,710	23,448,911	23,448,911	23,626,188
16. INTEREST ON CONSTRUCTION-CREDIT	(115,418)	(929,825)	(900,861)	(913,242)
17. INTEREST EXPENSE-OTHER	0	126,666	126,666	126,666
18. OTHER DEDUCTIONS	183,855	300,000	300,000	408,855
19. TOTAL COST OF ELECTRIC SERVICE	\$61,891,184	\$258,594,511	\$257,931,989	\$256,880,627
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$4,994,410	\$11,026,318	\$11,816,568	\$10,851,263
21. NON-OPERATING MARGINS-INTEREST	163,438	388,093	388,093	444,103
22. ALLOWANCE FUNDS USED DURING CONST.	43,638	164,087	158,977	184,431
23. NON-OPERATING MARGINS-OTHER	(12,756)	0	0	(12,756)
24. GENER./TRANS. CAPITAL CREDITS	0	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	(57)	575,000	575,000	574,943
26. EXTRAORDINARY ITEMS	0	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$5,188,673	\$12,153,498	\$12,938,638	\$12,041,984
 MFI/I	 1.86	 1.52	 1.55	 1.51

* Forecast based on 3 months actual and 9 months forecast