

CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA

April 23, 2008

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

kWh Sales

	<u>2008 Actual</u>	<u>2008 Budget</u>
Retail kWh Sales	330,411,495	335,747,660
Wholesale kWh Sales	<u>356,785,025</u>	<u>342,004,810</u>
Total Firm kWh Sales	687,196,520	677,752,470
Economy Energy kWh Sales	<u>72,596,700</u>	<u>66,686,000</u>
Total kWh Sales	759,793,220	744,438,470

March 2008 year to date firm kWh sales totaled 687,196,520 which were 1.4% over budget. The budget variance was primarily due to higher than anticipated sales to Homer Electric Association (HEA). March 2008 year-to-date economy energy sales totaled 72,596,700 which were 8.9% over budget. The budget variance was due to higher than anticipated sales to Golden Valley Electric Association (GVEA).

Retail kWh sales were under budget by 1.6% and wholesale kWh sales were 4.3% higher than budgeted. A contributing factor in the retail sales variance was due to mild weather in March. 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 over budget due to GVEA purchasing more than anticipated.

Energy Revenue (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Retail Revenue	\$ 40.4	\$ 41.6
Wholesale Revenue	<u>25.9</u>	<u>24.2</u>
Total Firm Revenue	66.3	65.8
Economy Energy Revenue	<u>4.9</u>	<u>4.2</u>
Total Revenue	\$ 71.2	\$ 70.0

Revenue from firm sales totaled \$66.3 million year to date in 2007 compared to \$65.8 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 \$0.7 million caused by spot market sales to GVEA in the first quarter.

Other Operating Revenue (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Other Operating Revenue	\$ 0.7	\$ 0.7

Other operating revenue includes late fees, pole rental, wheeling, microwave and miscellaneous service and other electric revenue. Other operating revenue for 2008 totaled \$0.7 million compared to \$0.7 million in the budget, with no significant variance.

Power Production (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Operating & Maintenance	\$ 3.8	\$ 4.1
Fuel	<u>32.1</u>	<u>30.3</u>
Total	\$ 35.9	\$ 34.4

Actual power production operating and maintenance expense year to date for 2008 was \$3.8 million compared to \$4.1 million in the budget. This variance was primarily caused by lower labor expense due to vacancies and more labor charged to capital rather than expense. The variance is also due to lower professional services and materials and supplies due to the timing of projects as the maintenance season is just beginning. Travel and education is also under budget due to the timing of training which will take place in the fourth quarter of 2008. These decreases were partially offset by higher than anticipated allocated costs due to increased garage fuel and vehicle parts expense and professional services allocated from information services. Fuel expense year to date in 2008 was \$32.1 million compared to \$30.3 million projected in the budget. This variance was primarily caused by more than anticipated MCF purchased due to higher than anticipated kWh sales to HEA and GVEA, as well as a reduction in Beluga Unit 8 output due to maintenance. Actual fuel purchased year to date was 8,030,140 MCF compared to 7,778,229 MCF in the budget.

Purchased Power (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Purchased Power	\$ 7.6	\$ 7.5

Purchased power cost year to date for 2008 totaled \$7.6 million compared to \$7.5 million in the budget, with no significant variance.

Transmission Operations and Maintenance (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Transmission	\$ 1.3	\$ 1.7

Transmission operations and maintenance expense for 2008 totaled \$1.3 million compared to \$1.7 million in the budget. This variance was primarily due to lower substation labor expense due to the timing of projects. The variance was also due to lower professional services caused by the timing of transmission line clearing and the delay of substation and system maintenance.

Distribution Operations and Maintenance (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Distribution	\$ 2.8	\$ 2.8

Distribution operations and maintenance expenses for 2008 totaled \$2.8 million compared to \$2.8 million in the budget, with no overall variance. While there was not an overall variance, this financial statement category was under budget in professional services associated with distribution line clearing and over budget in professional services allocated from information services.

Consumer Accounts (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Consumer Accounts	\$ 1.2	\$ 1.3

Consumer accounts expense for 2008 totaled \$1.2 million compared to \$1.3 million in the budget, with no overall variance. While there was not an overall variance, this financial statement category was slightly under budget in postage costs due to 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	\$ 0.2	\$ 0.2

Customer information expense for 2008 totaled \$0.2 million compared to \$0.2 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	\$ 4.8	\$ 4.6

Administrative and general expenses for 2008 totaled \$4.8 million compared to \$4.6 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 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 regulatory initiatives, annual meeting and annual report costs, gas negotiations and board advisor expenses. The variances were also offset by lower labor costs allocated by information services.

The summary of all the above year to date 2008 operations and maintenance expenses total \$53.7 million compared to \$52.5 million in the 2008 budget.

Depreciation expense totals \$7.4 million compared to \$7.4 in the budget, with no significant variance.

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

Long-term interest expense year to date totals \$5.7 million compared to \$5.8 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 \$0.1 million compared to \$0.0 million in the budget. The variance is primarily due to a portion of the interest expense associated with the NRUCFC line of credit which was utilized to redeem the outstanding principal amount of the 2002 Series B Bonds. Chugach also utilized its CoBank line of credit in the first quarter of 2008 due to the timing of expenditures and receipt of payment for services. Chugach had \$5.5 million outstanding on its CoBank line of credit at the end of March.

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 \$0.1 million in the budget, with no significant variance.

All of the foregoing expenses resulted in total cost of electric service of \$67.0 million compared to \$65.8 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 \$5.1 million compared to year to date projected margins of \$5.1 million in the budget. Per the attached comparative financial report on page 7, the current 3 months actual/9 months forecast projects year end margins of \$8.4 million and an MFI/I of 1.36.

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**COMPARATIVE FINANCIAL REPORT**  
**STATEMENT OF OPERATIONS**  
**MARCH 2008**  
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CATEGORY	2008 MARCH ACTUALS	2008 MARCH BUDGET	2008 MARCH VARIANCE
<b>REVENUES:</b>			
<b>1. TOTAL REVENUE</b>	<b>\$23,708,242</b>	<b>\$22,283,607</b>	<b>\$1,424,635</b>
<b>EXPENSES:</b>			
2. FUEL EXPENSE	10,697,428	9,285,235	1,412,193
3. POWER PRODUCTION EXPENSE	1,321,930	1,344,698	(22,768)
4. COST OF PURCHASED POWER	2,521,241	2,548,944	(27,703)
5. TRANSMISSION EXPENSE	429,041	543,329	(114,288)
6. DISTRIBUTION EXPENSE-OPERATIONS	316,642	359,049	(42,407)
7. DISTRIBUTION EXPENSE-MAINTENANCE	432,316	558,823	(126,507)
8. CONSUMER ACCOUNTS EXPENSE	394,980	389,233	5,747
9. CUSTOMER SERVICE/INFO EXPENSE	57,554	53,963	3,591
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	1,392,437	1,443,299	(50,862)
<b>12. TOTAL OPERATIONS/MAINTENANCE EXP.</b>	<b>\$17,563,569</b>	<b>\$16,526,573</b>	<b>\$1,036,996</b>
13. DEPRECIATION/AMORTIZATION EXPENSE	2,465,124	2,474,011	(8,887)
14. TAX EXPENSE-OTHER	70,761	100,428	(29,667)
15. INTEREST-LONG TERM DEBT	1,835,924	1,930,111	(94,187)
16. INTEREST ON CONSTRUCTION-CREDIT	(33,380)	(82,022)	48,642
17. INTEREST EXPENSE-OTHER	52,645	0	52,645
18. OTHER DEDUCTIONS	(653)	20,833	(21,486)
<b>19. TOTAL COST OF ELECTRIC SERVICE</b>	<b>\$21,953,990</b>	<b>\$20,969,934</b>	<b>\$984,056</b>
<b>20. PATRONAGE CAPITAL/OPERATING MARGINS</b>	<b>\$1,754,252</b>	<b>\$1,313,673</b>	<b>\$440,579</b>
21. NON-OPERATING MARGINS-INTEREST	33,859	27,477	6,382
22. ALLOWANCE FUNDS USED DURING CONST.	8,852	35,454	(26,602)
23. NON-OPERATING MARGINS-OTHER	0	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	(204)	0	(204)
26. EXTRAORDINARY ITEMS	0	0	0
<b>27. PATRONAGE CAPITAL OR MARGINS</b>	<b>\$1,796,759</b>	<b>\$1,376,604</b>	<b>\$420,155</b>

MFI/I

1.95

1.71

**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
<b>REVENUES:</b>			
<b>1. TOTAL REVENUE</b>	<b>\$71,871,288</b>	<b>\$70,662,410</b>	<b>\$1,208,878</b>
<b>EXPENSES:</b>			
2. FUEL EXPENSE	32,086,549	30,347,093	1,739,456
3. POWER PRODUCTION EXPENSE	3,769,324	4,065,840	(296,516)
4. COST OF PURCHASED POWER	7,601,324	7,533,517	67,807
5. TRANSMISSION EXPENSE	1,330,777	1,698,496	(367,719)
6. DISTRIBUTION EXPENSE-OPERATIONS	1,178,127	1,174,824	3,303
7. DISTRIBUTION EXPENSE-MAINTENANCE	1,589,776	1,664,262	(74,486)
8. CONSUMER ACCOUNTS EXPENSE	1,210,955	1,269,085	(58,130)
9. CUSTOMER SERVICE/INFO EXPENSE	141,163	159,728	(18,565)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	4,790,653	4,555,667	234,986
<b>12. TOTAL OPERATIONS/MAINTENANCE EXP.</b>	<b>\$53,698,648</b>	<b>\$52,468,512</b>	<b>\$1,230,136</b>
13. DEPRECIATION/AMORTIZATION EXPENSE	7,380,319	7,412,267	(31,948)
14. TAX EXPENSE-OTHER	218,919	252,459	(33,540)
15. INTEREST-LONG TERM DEBT	5,675,210	5,823,005	(147,795)
16. INTEREST ON CONSTRUCTION-CREDIT	(116,094)	(236,125)	120,031
17. INTEREST EXPENSE-OTHER	71,622	0	71,622
18. OTHER DEDUCTIONS	37,449	62,499	(25,050)
<b>19. TOTAL COST OF ELECTRIC SERVICE</b>	<b>\$66,966,073</b>	<b>\$65,782,617</b>	<b>\$1,183,456</b>
<b>20. PATRONAGE CAPITAL/OPERATING MARGINS</b>	<b>\$4,905,215</b>	<b>\$4,879,793</b>	<b>\$25,422</b>
21. NON-OPERATING MARGINS-INTEREST	117,588	126,524	(8,936)
22. ALLOWANCE FUNDS USED DURING CONST.	34,208	102,066	(67,858)
23. NON-OPERATING MARGINS-OTHER	0	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	(204)	0	(204)
26. EXTRAORDINARY ITEMS	0	0	0
<b>27. PATRONAGE CAPITAL OR MARGINS</b>	<b>\$5,056,807</b>	<b>\$5,108,383</b>	<b>(\$51,576)</b>

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**COMPARATIVE FINANCIAL REPORT**  
**STATEMENT OF OPERATIONS**  
**2008 FORECAST**  
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CATEGORY	2008 REVISED BUDGET	2008 REVISED FORECAST*
<b>REVENUES:</b>		
<b>1. TOTAL REVENUE</b>	<b>\$272,069,723</b>	<b>\$273,278,601</b>
<b>EXPENSES:</b>		
2. FUEL EXPENSE	121,218,046	122,957,502
3. POWER PRODUCTION EXPENSE	16,445,185	16,445,185
4. COST OF PURCHASED POWER	31,119,383	31,187,190
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
<b>12. TOTAL OPERATIONS/MAINTENANCE EXP.</b>	<b>\$210,423,027</b>	<b>\$212,230,290</b>
13. DEPRECIATION/AMORTIZATION EXPENSE	30,354,147	30,354,147
14. TAX EXPENSE-OTHER	884,862	851,322
15. INTEREST-LONG TERM DEBT	23,119,883	22,972,088
16. INTEREST ON CONSTRUCTION-CREDIT	(998,921)	(878,890)
17. INTEREST EXPENSE-OTHER	325,417	397,039
18. OTHER DEDUCTIONS	250,000	224,950
<b>19. TOTAL COST OF ELECTRIC SERVICE</b>	<b>\$264,358,415</b>	<b>\$266,150,946</b>
<b>20. PATRONAGE CAPITAL/OPERATING MARGINS</b>	<b>\$7,711,308</b>	<b>\$7,127,655</b>
21. NON-OPERATING MARGINS-INTEREST	392,263	383,327
22. ALLOWANCE FUNDS USED DURING CONST.	431,788	363,930
23. NON-OPERATING MARGINS-OTHER	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	525,000	524,796
26. EXTRAORDINARY ITEMS	0	0
<b>27. PATRONAGE CAPITAL OR MARGINS</b>	<b>\$9,060,359</b>	<b>\$8,399,708</b>
 MFI/I	 1.39	 1.36

\* Forecast based on 3 months actual and 9 months forecast