

CHUGACH ELECTRIC ASSOCIATION, INC.
Unbundled Statement of Operations
Year-to-Date 2004

Item	Total	Power Production ¹	Transmission ²	Distribution ³
Operating Revenue and Patronage Capital⁴	\$51,644,942	\$30,188,345	\$6,622,912	\$14,833,685
Fuel Expense	\$16,389,389	\$16,389,389	\$0	\$0
Power Production Expense	\$3,442,394	\$3,442,394	\$0	\$0
Purchased Power Expense	\$3,953,490	\$3,953,490	\$0	\$0
Transmission Expense	\$1,740,561	\$0	\$1,740,561	\$0
Distribution Expense - Operations	\$1,249,593	\$0	\$0	\$1,249,593
Distribution Expense - Maintenance	\$1,328,942	\$0	\$0	\$1,328,942
Consumer Accounts Expense	\$1,257,191	\$0	\$0	\$1,257,191
Customer Service & Informational Expense	\$170,167	\$0	\$0	\$170,167
Administrative & General Expense	\$5,191,365	\$2,093,101	\$683,970	\$2,414,294
Total Operation & Maintenance Expense	\$34,723,093	\$25,878,374	\$2,424,531	\$6,420,188
Depreciation & Amortization Expense	\$7,046,692	\$2,395,283	\$1,704,000	\$2,947,409
Tax Expense - Other	\$224,130	\$19,226	\$5,417	\$199,487
Interest on LT Debt	\$5,441,653	\$1,671,665	\$1,719,475	\$2,050,513
Interest Charged to Construction - Credit	(\$89,432)	(\$27,523)	(\$28,149)	(\$33,760)
Interest Expense - Other	\$0	\$0	\$0	\$0
Other Deductions	\$116,777	\$94,151	\$0	\$22,626
Total Cost of Electric Service	\$47,462,912	\$30,031,176	\$5,825,273	\$11,606,463
Patronage Capital & Operating Margins	\$4,182,029	\$157,169	\$797,639	\$3,227,222
Non-Operating Margins - Interest	\$89,034	\$50,481	\$12,008	\$26,545
Allowance for Funds Used During Construction	\$14,475	\$4,455	\$4,556	\$5,464
Non-Operating Margins - Other	\$0	\$0	\$0	\$0
Generation and Transmission Capital Credits	\$0	\$0	\$0	\$0
Other Capital Credits and Patronage Dividends	\$10,426	\$5,911	\$1,406	\$3,108
Extraordinary Items	\$0	\$0	\$0	\$0
Patronage Capital or Margins	\$4,295,964	\$218,015	\$815,609	\$3,262,340
Achieved TIER	1.79	1.13	1.47	2.59
Operating Revenue per kWh	\$0.07340	\$0.04291	\$0.00941	\$0.04455
Functionalized Total Cost of Electric Service	100.00%	63.27%	12.27%	24.45%

1 Power Production includes revenues and costs associated with the fuel cell project.

2 Transmission includes revenues and costs associated with the microwave business.

3 Distribution includes revenues and costs associated with customer service.

4 Unbundled revenue from sales based on 2000 test year unbundled rates pursuant to U-01-108(32) and (33).

Unbundled Income Statement

Board Finance Committee Meeting
May 12, 2004

Presented by: Rick Freymiller
Regulatory Affairs & Pricing

Three topics

- First quarter 2004 results
- Calculation of unbundled rates and revenues
- Brief discussion of functional allocators

2004 Results

1st Quarter 2004 Revenues

	Budget	Actual
Power Production	\$31.1	\$30.2
Transmission	\$6.6	\$6.6
Retail	\$14.7	\$14.8

1st Quarter 2004 Margins

	Budget	Actual
Power Production	\$0.4	\$0.2
Transmission	\$1.0	\$0.8
Retail	\$2.5	\$3.3

1st Quarter 2004 TIER

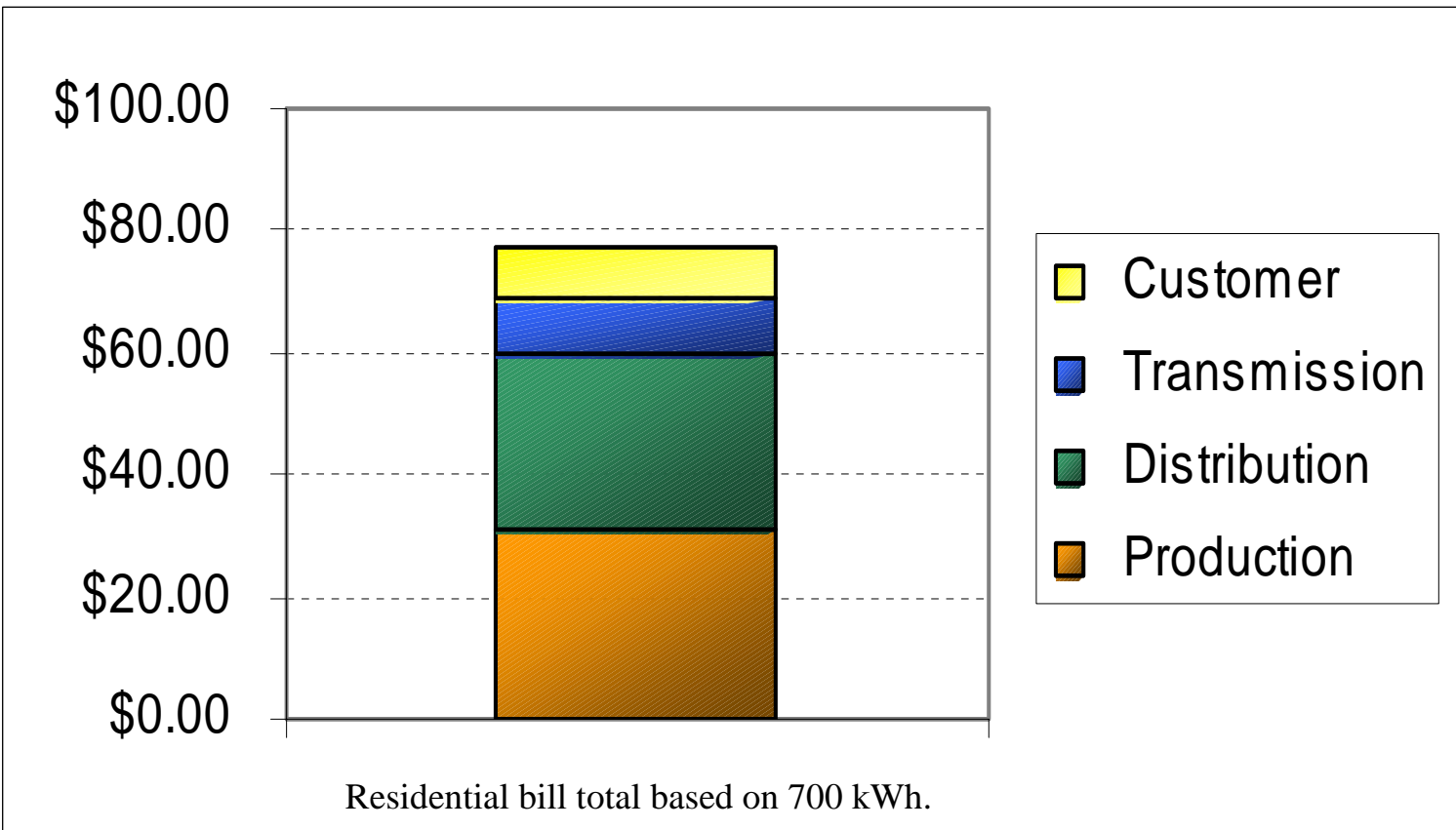
	Budget	Actual
Power Production	1.26	1.13
Transmission	1.56	1.47
Retail	2.17	2.59

Unbundled Rates & Revenue

Unbundled Revenue

- Approach updated to determine revenue on basis of unbundled rates at the customer class level
 - Commission approved revenue requirement / cost-of-service study (U-01-108(33))
 - Based on historical (2000) test period, adjusted for known and measurable changes
 - Not projected results

Unbundled Residential Bill



Summary of Chugach's Unbundled Base Rates

Description	Residential	Small General	Large General	HEA	MEA	SES
Energy Charge						
Production	\$0.02460	\$0.02078	\$0.01423	\$0.00978	\$0.00978	\$0.00988
Transmission	\$0.01235	\$0.00923	\$0.00362	\$0.00031	\$0.00031	\$0.00032
Distribution	\$0.03458	\$0.02958	\$0.01110	----	----	----
Customer	\$0.00689	\$0.00603	\$0.00286	----	----	----
Total	\$0.07842	\$0.06562	\$0.03181	\$0.01008	\$0.01008	\$0.01019
Demand Charge						
Production	----	----	\$2.76	\$5.25	\$7.03	\$5.49
Transmission	----	----	\$2.30	\$4.25	\$5.74	\$4.48
Distribution	----	----	\$5.62	----	----	----
Customer	----	----	\$0.97	----	----	----
Total	----	----	\$11.65	\$9.50	\$12.77	\$9.97
Customer Charge						
Production	----	----	----	\$75.00	\$75.00	\$75.00
Transmission	----	----	----	\$75.00	\$75.00	\$75.00
Distribution	\$4.32	\$13.01	\$38.22	----	----	----
Customer	\$4.10	\$5.25	\$20.63	----	----	----
Total	\$8.42	\$18.26	\$58.85	\$150.00	\$150.00	\$150.00

Key Considerations

- Unbundled rates reflect “normal” expected expense levels
 - Future period cost patterns will differ
 - Write-offs / extraordinary items not included in rates
- Unbundled rates based on annual costs
 - Partial-year financial results will differ

Key Considerations (Continued)

- Sales level impacts
 - Increases / decreases in sales levels have varying impacts on functions



Unbundled Functional Allocators

Functional Cost Assignment

- Most costs can be directly functionalized
- “Common” cost must be allocated before being functionalized
 - A&G
 - General plant depreciation

Key Functional Allocators

- Labor: Based on direct labor cost
- O&M: Based on direct O&M
- Specialty: Based on specific analysis
 - E.g., desktop allocator for IS expense

The “Problem” Allocator

- Net Plant
 - For interest expense
 - And associated margins
- What’s in error?
 - Ignores amount of equity contributed