

CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA

May 5, 2009

To: Mike Cunningham, Chief Financial Officer  
From: Sherri McKay-Highers, Manager, Budget and Financial Reporting  
Subject: March 2009 Year to Date Financial Results

kWh Sales

	<u>2009 Actual</u>	<u>2009 Budget</u>
Retail kWh Sales	326,439,417	329,933,844
Wholesale kWh Sales	<u>351,962,600</u>	<u>356,069,384</u>
Total Firm kWh Sales	678,402,017	686,003,228
Economy Energy kWh Sales	<u>13,744,300</u>	<u>73,000,000</u>
Total kWh Sales	692,146,317	759,003,228

March 2009 year to date firm kWh sales totaled 678,402,017 which were 1.1% under budget. Retail kWh sales were under budget by 1.1% and wholesale kWh sales were 1.2% under budget. A significant factor in the retail sales variance was lower than anticipated sales to small and large commercial customers. Our commercial customers went to great lengths to protect their systems from Mt. Redoubt during March. This factor was also the primary reason for lower than anticipated sales to Homer Electric Association, the significant factor in the wholesale sales variance. March 2009 year-to-date economy energy sales to Golden Valley Electric Association (GVEA) totaled 13,744,300 which were 81.2% under budget.

Energy Revenue (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Retail Revenue	\$ 46.6	\$ 47.4
Wholesale Revenue	<u>35.0</u>	<u>35.6</u>
Total Firm Revenue	81.6	83.0
Economy Energy Revenue	<u>1.2</u>	<u>6.2</u>
Total Revenue	\$ 82.8	\$ 89.2

Revenue from firm sales totaled \$81.6 million year to date in 2009 compared to \$83.0 million in the budget. Retail revenue was lower primarily caused by lower than anticipated large commercial sales, as well as less fuel recovered through the fuel and purchased power process. Wholesale revenue was lower caused by lower sales to Homer Electric Association, as well as less fuel recovered through the fuel and purchased power process. Economy energy revenue was lower than budget by \$5.1 million caused by less than anticipated sales to GVEA through March.

Other Operating Revenue (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Other Operating Revenue	\$ 0.6	\$ 0.7

Other operating revenue includes late fees, pole rental, wheeling, microwave and miscellaneous service and other electric revenue. Other operating revenue for 2009 totaled \$0.6 million compared to \$0.7 million in the budget. The variance was due to less than expected wheeling and miscellaneous service revenue.

Power Production (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Operating & Maintenance	\$ 4.4	\$ 3.9
Fuel	<u>40.2</u>	<u>47.1</u>
Total	\$ 44.6	\$ 51.0

Actual power production operating and maintenance expense year to date for 2009 was \$4.4 million compared to \$3.9 million in the budget. The variance was due primarily to labor and materials associated with the reclassification of repairs associated with Cooper Lake Unit #2 from deferred to expense and additional expenses associated with Beluga Unit #8. The variance was also due to higher than anticipated amortized costs associated with the full charges of the Beluga Unit #8 major inspection that was completed in 2008, as well as water injection costs at the Bernice Lake power plant. Fuel expense year to date in 2009 was \$40.2 million compared to \$47.1 million projected in the budget. This variance was caused by less than anticipated MCF purchased due primarily to lower than anticipated sales to GVEA. Actual fuel purchased year to date was 7,033,375 MCF at an average effective price of \$6.77 per MCF compared to 8,137,985 MCF in the budget at an average effective price of \$6.71 per MCF.

Purchased Power (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Purchased Power	\$ 11.2	\$ 10.5

Purchased power expense year to date for 2009 totaled \$11.2 million compared to \$10.5 million in the budget. The variance was primarily due to a higher than anticipated price per kWh. We purchased 126,701 MWh of energy at an average effective price of 8.52 cents per kWh compared to 127,253 MWh of energy at an average effective price of 8.02 cents per kWh in the budget.

Transmission Operations and Maintenance (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Transmission	\$ 1.4	\$ 1.6

Transmission operations and maintenance expense for 2009 totaled \$1.4 million compared to \$1.6 million in the budget. The variance was primarily due to the timing of professional services associated with right of way clearing. Labor also contributed to this variance due to vacancies. That variance was somewhat offset by higher lease expense.

Distribution Operations and Maintenance (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Distribution	\$ 2.8	\$ 2.9

Distribution operations and maintenance expenses for 2009 totaled \$2.8 million compared to \$2.9 million in the budget. While no significant overall variance, labor was over budget due to weather related repairs which was offset by the timing of professional services associated with right of way clearing.

Consumer Accounts (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Consumer Accounts	\$ 1.0	\$ 1.1

Consumer accounts expense for 2009 totaled \$1.0 million compared to \$1.1 million in the budget. This variance was primarily due to lower labor expense caused by vacant positions.

Customer Information (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Customer Information	\$ 0.2	\$ 0.2

Customer information expense for 2009 totaled \$0.2 million compared to \$0.2 million in the budget, with no significant variance.

Administrative & General (in million)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Administrative and General	\$ 4.6	\$ 5.3

Administrative and general expenses for 2009 totaled \$4.6 million compared to \$5.3 million in the budget. This financial statement category was over budget due to expenses associated with process improvements, however, that variance was more than offset by less than anticipated labor, building maintenance and allocated costs from information services. The variance was also due to the timing of professional services associated with audit services and regulatory, planning and strategic activities, as well as costs associated with benefit administration and board activities.

The summary of all the above year to date 2009 operations and maintenance expenses total \$65.8 million compared to \$72.7 million in the 2009 budget.

Depreciation expense totaled \$8.0 million compared to \$8.1 million in the budget, with no significant variance.

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

Long-term interest expense year to date totaled \$5.1 million compared to \$5.3 million in the budget. This variance was primarily due to lower than anticipated interest rates.

Interest during construction year to date totaled \$0.1 million compared to \$0.2 million in the budget. This variance was primarily due to less construction activity than anticipated and a lower than anticipated interest rate.

Other interest expense year to date totaled \$0.4 million compared to \$0.4 million in the budget. While there was no significant overall variance, the cost of more commercial paper activity than anticipated was offset by lower than anticipated interest rates. We had no outstanding balance on our CoBank or NRUCFC lines of credit at March 31, 2009.

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. Other deductions year to date totaled \$223.6 thousand compared to \$62.5 thousand in the budget. This variance was primarily due to an inventory write-off.

All of the foregoing expenses resulted in total cost of electric service of \$79.6 million compared to \$86.4 million in the 2009 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 2009, non-operating margins totaled \$111.7 thousand compared to \$95.0 thousand in the budget, with no significant variance.

The net result of revenue and expenses year to date in 2009 was margins of \$4.0 million compared to year to date projected margins of \$3.6 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 \$5.6 million and an MFI/I of 1.25.

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**COMPARATIVE FINANCIAL REPORT**  
**STATEMENT OF OPERATIONS**  
**MARCH 2009**  
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CATEGORY	2009 MARCH ACTUALS	2009 MARCH BUDGET	2009 MARCH VARIANCE
<b>REVENUES:</b>			
<b>1. TOTAL REVENUE</b>	<b>\$26,459,303</b>	<b>\$28,426,947</b>	<b>(\$1,967,644)</b>
<b>EXPENSES:</b>			
2. FUEL EXPENSE	12,812,812	14,769,414	(1,956,602)
3. POWER PRODUCTION EXPENSE	1,450,566	1,307,488	143,078
4. COST OF PURCHASED POWER	3,618,393	3,514,587	103,806
5. TRANSMISSION EXPENSE	468,800	530,375	(61,575)
6. DISTRIBUTION EXPENSE-OPERATIONS	354,182	394,493	(40,311)
7. DISTRIBUTION EXPENSE-MAINTENANCE	473,720	556,459	(82,739)
8. CONSUMER ACCOUNTS EXPENSE	337,220	395,969	(58,749)
9. CUSTOMER SERVICE/INFO EXPENSE	54,613	82,196	(27,583)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	1,748,264	1,697,132	51,132
<b>12. TOTAL OPERATIONS/MAINTENANCE EXP.</b>	<b>\$21,318,570</b>	<b>\$23,248,113</b>	<b>(\$1,929,543)</b>
13. DEPRECIATION/AMORTIZATION EXPENSE	2,661,049	2,685,332	(24,283)
14. TAX EXPENSE-OTHER	66,415	71,990	(5,575)
15. INTEREST-LONG TERM DEBT	1,676,626	1,753,998	(77,372)
16. INTEREST ON CONSTRUCTION-CREDIT	(41,606)	(68,977)	27,371
17. INTEREST EXPENSE-OTHER	85,390	120,401	(35,011)
18. OTHER DEDUCTIONS	175,846	20,833	155,013
<b>19. TOTAL COST OF ELECTRIC SERVICE</b>	<b>\$25,942,290</b>	<b>\$27,831,690</b>	<b>(\$1,889,400)</b>
<b>20. PATRONAGE CAPITAL/OPERATING MARGINS</b>	<b>\$517,013</b>	<b>\$595,257</b>	<b>(\$78,244)</b>
21. NON-OPERATING MARGINS-INTEREST	27,199	26,347	852
22. ALLOWANCE FUNDS USED DURING CONST.	13,604	5,771	7,833
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
<b>27. PATRONAGE CAPITAL OR MARGINS</b>	<b>\$557,816</b>	<b>\$627,375</b>	<b>(\$69,559)</b>

MFI/I

1.32

1.33

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**COMPARATIVE FINANCIAL REPORT**  
**STATEMENT OF OPERATIONS**  
**YEAR TO DATE**  
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CATEGORY	2009 ACTUALS YTD	2009 APPROVED BUDGET YTD	2009 VARIANCE YTD
<b>REVENUES:</b>			
<b>1. TOTAL REVENUE</b>	<b>\$83,417,070</b>	<b>\$89,914,519</b>	<b>(\$6,497,449)</b>
<b>EXPENSES:</b>			
2. FUEL EXPENSE	40,227,308	47,135,754	(6,908,446)
3. POWER PRODUCTION EXPENSE	4,386,881	3,871,868	515,013
4. COST OF PURCHASED POWER	11,185,527	10,535,561	649,966
5. TRANSMISSION EXPENSE	1,362,605	1,554,255	(191,650)
6. DISTRIBUTION EXPENSE-OPERATIONS	1,142,189	1,242,872	(100,683)
7. DISTRIBUTION EXPENSE-MAINTENANCE	1,671,034	1,694,951	(23,917)
8. CONSUMER ACCOUNTS EXPENSE	1,046,422	1,139,020	(92,598)
9. CUSTOMER SERVICE/INFO EXPENSE	176,287	222,980	(46,693)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	4,641,817	5,273,852	(632,035)
<b>12. TOTAL OPERATIONS/MAINTENANCE EXP.</b>	<b>\$65,840,070</b>	<b>\$72,671,113</b>	<b>(\$6,831,043)</b>
13. DEPRECIATION/AMORTIZATION EXPENSE	7,967,754	8,050,264	(82,510)
14. TAX EXPENSE-OTHER	213,094	222,871	(9,777)
15. INTEREST-LONG TERM DEBT	5,073,072	5,270,387	(197,315)
16. INTEREST ON CONSTRUCTION-CREDIT	(121,412)	(198,946)	77,534
17. INTEREST EXPENSE-OTHER	354,370	350,584	3,786
18. OTHER DEDUCTIONS	223,596	62,499	161,097
<b>19. TOTAL COST OF ELECTRIC SERVICE</b>	<b>\$79,550,544</b>	<b>\$86,428,772</b>	<b>(\$6,878,228)</b>
<b>20. PATRONAGE CAPITAL/OPERATING MARGINS</b>	<b>\$3,866,526</b>	<b>\$3,485,747</b>	<b>\$380,779</b>
21. NON-OPERATING MARGINS-INTEREST	79,847	78,349	1,498
22. ALLOWANCE FUNDS USED DURING CONST.	30,580	16,644	13,936
23. NON-OPERATING MARGINS-OTHER	1,275	0	1,275
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
26. EXTRAORDINARY ITEMS	0	0	0
<b>27. PATRONAGE CAPITAL OR MARGINS</b>	<b>\$3,978,228</b>	<b>\$3,580,740</b>	<b>\$397,488</b>

MFI/I

1.73

1.64

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**COMPARATIVE FINANCIAL REPORT**  
**STATEMENT OF OPERATIONS**  
**2009 FORECAST**  
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CATEGORY	2009 APPROVED BUDGET	2009 REVISED FORECAST
<b>REVENUES:</b>		
<b>1. TOTAL REVENUE</b>	<b>\$326,475,392</b>	<b>\$319,977,943</b> <sup>1</sup>
<b>EXPENSES:</b>		
2. FUEL EXPENSE	164,937,777	158,029,331 <sup>1</sup>
3. POWER PRODUCTION EXPENSE	17,856,505	17,856,505
4. COST OF PURCHASED POWER	39,048,608	39,698,574 <sup>1</sup>
5. TRANSMISSION EXPENSE	6,332,987	6,332,987
6. DISTRIBUTION EXPENSE-OPERATIONS	4,927,891	4,927,891
7. DISTRIBUTION EXPENSE-MAINTENANCE	7,578,207	7,578,207
8. CONSUMER ACCOUNTS EXPENSE	4,659,328	4,659,328
9. CUSTOMER SERVICE/INFO EXPENSE	864,394	864,394
10. SALES EXPENSE	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	20,439,427	20,439,427
<b>12. TOTAL OPERATIONS/MAINTENANCE EXP.</b>	<b>\$266,645,124</b>	<b>\$260,386,644</b>
13. DEPRECIATION/AMORTIZATION EXPENSE	32,355,300	32,355,300
14. TAX EXPENSE-OTHER	801,501	791,724 <sup>1</sup>
15. INTEREST-LONG TERM DEBT	20,988,686	20,791,371 <sup>1</sup>
16. INTEREST ON CONSTRUCTION-CREDIT	(1,362,016)	(1,362,016)
17. INTEREST EXPENSE-OTHER	1,925,947	1,929,733 <sup>1</sup>
18. OTHER DEDUCTIONS	250,000	411,097 <sup>1</sup>
<b>19. TOTAL COST OF ELECTRIC SERVICE</b>	<b>\$321,604,542</b>	<b>\$315,303,853</b>
<b>20. PATRONAGE CAPITAL/OPERATING MARGINS</b>	<b>\$4,870,850</b>	<b>\$4,674,090</b>
21. NON-OPERATING MARGINS-INTEREST	314,513	316,011 <sup>1</sup>
22. ALLOWANCE FUNDS USED DURING CONST.	113,944	113,944
23. NON-OPERATING MARGINS-OTHER	0	1,275
24. GENER./TRANS. CAPITAL CREDITS	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	500,000	500,000 <sup>1</sup>
26. EXTRAORDINARY ITEMS	0	0
<b>27. PATRONAGE CAPITAL OR MARGINS</b>	<b>\$5,799,307</b>	<b>\$5,605,320</b>
 MFI/I	 1.25	 1.25

<sup>1</sup> Forecast based on 3 month actual and 9 months forecast