

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

May 18, 2007

To: Mike Cunningham, Chief Financial Officer
From: Sherri McKay-Highers, Manager, Corporate Budgeting
Subject: April 2007 Year to Date Financial Results

kWh Sales

	<u>2007 Actual</u>	<u>2007 Budget</u>
Retail kWh Sales	430,236,115	432,517,270
Wholesale kWh Sales	<u>444,800,647</u>	<u>434,686,717</u>
Total Firm kWh Sales	875,036,762	867,203,987
Economy Energy kWh Sales	<u>27,615,220</u>	<u>96,133,334</u>
Total kWh Sales	902,651,982	963,337,321

April 2007 year to date firm kWh sales total 875,036,762 which are 2.3% over budget. The budget variance is primarily due to higher than anticipated sales to Homer Electric Association (HEA) and Matanuska Electric Association (MEA). April 2007 year to date economy energy sales total 27,615,220 which are 71.3% under budget. The budget variance is due to lower than anticipated sales to Golden Valley Electric Association (GVEA).

Retail kWh sales are under budget by 0.5% and wholesale kWh sales are 2.3% higher than budgeted. A significant factor in the wholesale sales variance is higher sales from MEA due primarily to higher than anticipated commercial growth. Another factor is higher sales to HEA due primarily to higher industrial sales. Economy energy sales are under budget due to GVEA purchasing more than anticipated from Municipal Light & Power (ML&P) due to Dynamite Slough transmission line work primarily in January and February and maintenance on several Beluga units which limited our output from Beluga.

Energy Revenue (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Retail Revenue	\$ 54.8	\$ 54.7
Wholesale Revenue	<u>35.4</u>	<u>33.8</u>
Total Firm Revenue	90.2	88.5
Economy Energy Revenue	<u>1.8</u>	<u>6.6</u>
Total Revenue	\$ 92.0	\$ 95.1

Revenue from firm sales total \$90.2 million year to date in 2007 compared to \$88.5 in the budget. Wholesale and retail revenue is lower than budgeted due to lower fuel costs recovered through the surcharge mechanism, however, wholesale and retail revenue is being offset by higher than anticipated sales. Economy energy revenue is under budget by \$4.8 million caused by the Dynamite Slough transmission line work and maintenance on several Beluga units discussed above.

Other Operating Revenue (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Other Operating Revenue	\$ 1.0	\$ 1.0

Other operating revenue for 2007 totals \$1.0 million compared to \$1.0 million in the budget, with no significant variance.

Power Production (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Operating & Maintenance	\$ 4.6	\$ 5.0
Fuel	<u>37.8</u>	<u>43.3</u>
Total	\$ 42.4	\$ 48.3

Actual power production operating and maintenance expense year to date for 2007 is \$4.6 million compared to \$5.0 million in the budget. This variance is primarily due to the timing of professional services associated with maintenance, repairs and environmental costs at the Beluga power plant.

Fuel expense year to date in 2007 is \$37.8 million compared to \$43.3 million projected in the budget. This variance is primarily due to the Dynamite Slough transmission line work and maintenance on several Beluga units in the first quarter, which limited our output from Beluga, resulting in lower fuel expense.

Purchased Power (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Purchased Power	\$ 13.8	\$ 10.8

Purchased power cost year to date for 2007 totals \$13.8 million compared to \$10.8 million in the budget. This variance is also due to the Dynamite Slough transmission line work and maintenance on several Beluga units discussed above, resulting in higher purchased power costs.

Transmission Operations and Maintenance (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Transmission	\$ 2.4	\$ 2.2

Transmission operations and maintenance expense totals \$2.4 million in 2007 compared to \$2.2 million in the budget. This variance is primarily due to labor associated with line maintenance.

Distribution Operations and Maintenance (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Distribution	\$ 4.4	\$ 4.1

Distribution operations and maintenance expenses totals \$4.4 million compared to \$4.1 million in the budget. This variance is primarily due to labor and professional services associated with the Hope outage which occurred in January.

Consumer Accounts (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Consumer Accounts	\$ 1.5	\$ 1.6

Consumer accounts expense totals \$1.5 million compared to \$1.6 million in the budget. This variance is primarily due to lower labor expense due to unfilled positions as well as lower temporary labor expense associated with meter reading.

Customer Information (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Customer Information	\$ 0.2	\$ 0.2

Customer information expense year to date 2007 totals \$0.2 million compared to \$0.2 million in the budget, with no significant variance.

Administrative & General (in million)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Administrative and General	\$ 6.4	\$ 6.3

Administrative and general expenses total \$6.4 million for 2007 compared to \$6.3 million in the budget, with no significant variance.

The summary of all the above 2007 operations and maintenance expenses total \$71.0 million compared to \$73.6 million in the 2007 budget.

Depreciation expense totals \$9.6 million for 2007 compared to \$9.6 in the budget, with no significant variance.

Tax expense for 2007 totals \$0.3 million compared to \$0.3 million in the budget, with no significant variance.

Long-term interest expense totals \$8.1 million compared to \$8.2 million in the budget, with no significant variance.

Interest during construction totals \$0.2 million compared to \$0.2 million in the budget, with no significant variance.

Other interest expense totaled \$0.1 million compared to \$0.0 million in the budget. The variance is primarily due to interest paid on an electric account.

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 2007, other deductions total \$0.0 million compared to \$0.1 million in the budget, with no significant variance.

All of the foregoing expenses result in total cost of electric service of \$89.0 million compared to \$91.6 million in the 2007 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 2007, non-operating margins total \$0.3 million compared to \$0.3 million in the budget, with no significant variance.

The net result of revenue and expenses year to date in 2007 is margins of \$4.4 million compared to year to date projected margins of \$4.7 million in the 2007 budget. Per the attached comparative financial report, the current 4 month actual/8 month budget forecast projects year end margins of \$8.7 million and an MFI/I of 1.35.

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
APRIL 2007

CATEGORY	2007 ACTUALS YTD	2007 AMENDED BUDGET	2007 REVISED FORECAST*
REVENUES:			
1. TOTAL REVENUE	\$92,990,744	\$274,984,563	\$271,872,601
EXPENSES:			
2. FUEL EXPENSE	37,842,870	124,055,397	118,549,647
3. POWER PRODUCTION EXPENSE	4,556,544	14,761,723	14,761,723
4. COST OF PURCHASED POWER	13,756,134	30,964,254	33,911,228
5. TRANSMISSION EXPENSE	2,370,217	6,134,258	6,134,258
6. DISTRIBUTION EXPENSE-OPERATIONS	1,735,139	4,798,322	4,798,322
7. DISTRIBUTION EXPENSE-MAINTENANCE	2,668,731	7,009,630	7,009,630
8. CONSUMER ACCOUNTS EXPENSE	1,463,180	4,750,020	4,750,020
9. CUSTOMER SERVICE/INFO EXPENSE	160,374	725,055	725,055
11. ADMINISTRATIVE/GENERAL EXPENSE	6,403,641	18,309,786	18,309,786
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$70,956,830	\$211,508,445	\$208,949,669
13. DEPRECIATION/AMORTIZATION EXPENSE	9,658,276	30,864,063	30,864,063
14. TAX EXPENSE-OTHER	308,366	872,123	880,231
15. INTEREST-LONG TERM DEBT	8,110,400	24,588,211	24,488,860
16. INTEREST ON CONSTRUCTION-CREDIT	(208,391)	(1,170,950)	(1,210,309)
17. INTEREST EXPENSE-OTHER	89,029	400,000	489,029
18. OTHER DEDUCTIONS	50,396	300,000	250,396
19. TOTAL COST OF ELECTRIC SERVICE	\$88,964,906	\$267,361,892	\$264,711,939
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$4,025,838	\$7,622,671	\$7,160,662
21. NON-OPERATING MARGINS-INTEREST	259,963	410,291	462,574
22. ALLOWANCE FUNDS USED DURING CONST.	88,013	501,836	517,406
23. NON-OPERATING MARGINS-OTHER	(2,052)	0	(2,052)
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	(600)	600,000	599,400
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$4,371,162	\$9,134,798	\$8,737,990
 MFI/I	 1.53	 1.37	 1.35

* Forecast based on 4 month actual and 8 months forecast