

# Deferred Debits Review

Finance Committee  
June 10, 2009

# Why do we have deferred debits?

- Deferred debits represent costs already incurred that are deferred to the future.
- The basic accounting convention applicable is the matching of costs and revenues.

# Why do we have deferred debits?

- Financial Accounting Standards Board pronouncement 71 (FAS 71) allows a regulated utility to defer and subsequently amortize (write off to expense over selected future accounting period) certain costs.
- The costs must be recoverable in rates and deferral must be approved by the regulator (in Chugach's case, the Regulatory Commission of Alaska).

# Why do we have deferred debits?

- A basic theory of rate making is to set rates based on a “normal” level of costs necessary to produce, transmit and distribute electric energy.
- If unusual or non-recurring costs were not deferred and amortized, it is highly likely the regulator would exclude these costs when determining the revenue requirement, thus they would never be recovered through rates.

# Deferred Debits Review

## Balance at March 31, 2008 & 2009

	<b>3/31/2008</b>	<b>3/31/2009</b>
<b>Deferred Debits being amortized</b>	<b>19,616,315</b>	<b>21,481,115</b>
<b>Deferred Debit projects in process</b>	<b>1,174,527</b>	<b>1,399,207</b>
<b>Total Deferred Debits</b>	<b><u>20,790,842</u></b>	<b><u>22,880,322</u></b>

# Deferred Debits Being Amortized

Project Description	3/31/2009 Balance	Amortization Period	Amortization Start Date	2009 Amortization	Amortizing to
<b>Debt Issuance &amp; Reacquisition Costs</b>					
2001 Debt Restructuring Costs	652,288	10 Years	Apr-01	326,144	Interest Expense
2002 Refin 91 Series A Bonds	1,006,295	10 Years	Feb-02	355,163	Interest Expense
Long Term Bond Repurchase	997,910	10 - 20 years	Varies	334,840	Interest Expense
Defeasance of Rate Lock	1,573,837	10 Years	Jan-02	572,308	Interest Expense
2008-2011 Interim Financing	569,784	3 Years	Oct-08	227,913	Interest Expense
<b>Refurbishment of Transmission Equip</b>	176,698	36 Years	May-92	9,259	Depreciation & Amort
<b>Fuel Supply Negotiations</b>	159,487	25 years	Apr-91	22,716	Admin & Gen Exp
<b>Major Overhaul of Beluga Unit #8</b>	4,345,494	6 years	Nov-08	755,738	Other Pwr Prod Exp
<b>Other Regulatory Deferred Charges</b>					
Cooper Lake PCB Remediation	1,375,639	38 years	Aug-01	45,351	Depreciation & Amort
Cooper Lake Relicensing	5,770,657	50 years	Aug-07	119,393	Depreciation & Amort
Beluga Gas Compressor	4,705,440	5 - 10 years	May-07	853,875	Other Pwr Prod Exp
Labor Contract Negotiations	147,586	3 years	Jul-07	118,069	Admin & Gen Exp
	<u>21,481,115</u>			<u>3,740,769</u>	

# Deferred Debits In Progress at March 31, 2009

## Studies

Trans Station Svc Capacity Review	9,059
Beluga Gas Storage System Study	6,135
Gas Contract Negotiations	1,310,507

<b>CLPP Relicensing - Parking Lot</b>	58,173
<b>2008 Rate Case</b>	14,012

<b>Negotiations/Other</b>	1,321
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<b>Total</b>	<u><u>\$ 1,399,207</u></u>
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Questions?