

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

June 2, 2009

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

kWh Sales

	<u>2009 Actual</u>	<u>2009 Budget</u>
Retail kWh Sales	419,009,202	425,158,887
Wholesale kWh Sales	<u>449,880,228</u>	<u>474,053,850</u>
Total Firm kWh Sales	868,889,430	899,212,737
Economy Energy kWh Sales	<u>13,744,300</u>	<u>73,000,000</u>
Total kWh Sales	882,633,730	972,212,737

April 2009 year to date firm kWh sales totaled 868,889,430 which were 3.4% under budget. Retail kWh sales were under budget by 1.5% and wholesale kWh sales were 5.1% 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 and continue to show a change in consumption patterns as the changes in fuel surcharge rates impact our customers. Mild weather in April also contributed to the variance. Factors in the wholesale sales variance include lower than anticipated sales to Homer Electric Association due to the impact of the shutdown of their industrial load in April to accommodate transmission line maintenance, coupled with protective measures associated with Mt. Redoubt and mild weather. The fact that we have not finalized a firm contract with Golden Valley Electric Association (GVEA) as anticipated also contributed to the wholesale sales variance. 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	\$ 59.6	\$ 61.6
Wholesale Revenue	<u>44.6</u>	<u>47.7</u>
Total Firm Revenue	104.2	109.3
Economy Energy Revenue	<u>1.2</u>	<u>6.2</u>
Total Revenue	\$ 105.4	\$ 115.5

Revenue from firm sales totaled \$104.2 million year to date in 2009 compared to \$109.3 million in the budget. Retail revenue was lower primarily caused by lower than anticipated large commercial sales, as well as less fuel expense included in revenue and recovered through the fuel and purchased power process due to lower fuel costs. Wholesale revenue was lower caused by lower than anticipated sales to Homer Electric Association, less fuel expense included in revenue and recovered through the fuel and purchased power process due to lower fuel costs and the fact that we have not finalized a firm contract with GVEA

as anticipated. Economy energy revenue was lower than budget by \$5.0 million caused by less than anticipated sales to GVEA.

Other Operating Revenue (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Other Operating Revenue	\$ 0.8	\$ 1.0

Other operating revenue includes late fees, pole rental, wheeling, microwave and miscellaneous service and other electric revenue. Other operating revenue for 2009 totaled \$0.8 million compared to \$1.0 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	\$ 5.2	\$ 5.2
Fuel	<u>50.8</u>	<u>60.7</u>
Total	\$ 56.0	\$ 65.9

Actual power production operating and maintenance expense year to date for 2009 was \$5.2 million compared to \$5.2 million in the budget. While no significant overall variance, higher than anticipated costs associated with the full charges of the Beluga Unit #8 major inspection that was completed in 2008, additional expenses associated with Beluga Unit #8 in 2009 and water injection costs at the Bernice Lake power plant were offset by the timing of expenses associated with control security consulting and operation and maintenance assessments. The costs associated with the repairs of Cooper Lake Unit #2 in the first quarter of 2009 have been reclassified from expense to deferred. Fuel expense year to date in 2009 was \$50.8 million compared to \$60.7 million projected in the budget. This variance was caused by less than anticipated MCF purchased due primarily to lower than anticipated sales. Actual fuel purchased year to date was 8,936,034 MCF at an average effective price of \$6.75 per MCF compared to 10,475,403 MCF in the budget at an average effective price of \$6.74 per MCF.

Purchased Power (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Purchased Power	\$ 14.2	\$ 13.9

Purchased power expense year to date for 2009 totaled \$14.2 million compared to \$13.9 million in the budget, with no significant variance. We purchased 167,192 MWh of energy at an average effective price of 8.23 cents per kWh compared to 165,196 MWh of energy at an average effective price of 8.19 cents per kWh in the budget.

Transmission Operations and Maintenance (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Transmission	\$ 1.8	\$ 2.1

Transmission operations and maintenance expense for 2009 totaled \$1.8 million compared to \$2.1 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	\$ 4.0	\$ 4.0

Distribution operations and maintenance expenses for 2009 totaled \$4.0 million compared to \$4.0 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 and locates.

Consumer Accounts (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Consumer Accounts	\$ 1.4	\$ 1.5

Consumer accounts expense for 2009 totaled \$1.4 million compared to \$1.5 million in the budget. This variance was primarily due to lower labor expense caused by vacant positions and less than anticipated labor and software expenses allocated from information services.

Customer Information (in millions)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Customer Information	\$ 0.2	\$ 0.3

Customer information expense for 2009 totaled \$0.2 million compared to \$0.3 million in the budget. This variance was primarily due to lower than anticipated expenses associated with Smart Power incentives as well as expenses associated with a corporate communications plan which is recorded as an administrative and general expense .

Administrative & General (in million)

	<u>2009 Actual</u>	<u>2009 Budget</u>
Total Administrative and General	\$ 6.1	\$ 7.0

Administrative and general expenses for 2009 totaled \$6.1 million compared to \$7.0 million in the budget. This financial statement category was over budget due to expenses associated with process improvements as well as a corporate communications plan which was budgeted to the customer

information financial statement category, 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, legal, generation and gas supply technical support and board activities.

The summary of all the above year to date 2009 operations and maintenance expenses total \$83.8 million compared to \$94.8 million in the 2009 budget.

Depreciation expense totaled \$10.6 million compared to \$10.7 million in the budget, with no significant variance.

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

Long-term interest expense year to date totaled \$6.8 million compared to \$7.0 million in the budget. This variance was primarily due to lower than anticipated interest rates.

Interest during construction year to date totaled \$0.2 million compared to \$0.3 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 \$0.5 million in the budget. While there was no significant overall variance, the cost of more commercial paper activity than anticipated was offset by a lower than anticipated line of credit balance and lower interest rates. We had no outstanding balance on our CoBank or NRUCFC lines of credit and had \$46.0 million of commercial paper outstanding at April 30, 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 \$223.1 thousand compared to \$83.3 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 \$101.9 million compared to \$113.1 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 \$86.3 thousand compared to \$127.4 thousand in the budget. The variance was primarily due to lower than anticipated interest income caused by lower interest rates.

The net result of revenue and expenses year to date in 2009 was margins of \$4.3 million compared to year to date projected margins of \$3.5 million in the budget. Per the attached comparative financial report on page 7, the current 4 months actual/8 months forecast projects year end margins of \$5.2 million and an MFI/I of 1.24.

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
APRIL 2009
Page 5

CATEGORY	2009 APRIL ACTUALS	2009 APRIL BUDGET	2009 APRIL VARIANCE
REVENUES:			
1. TOTAL REVENUE	\$22,684,217	\$26,599,810	(\$3,915,593)
EXPENSES:			
2. FUEL EXPENSE	10,564,104	13,612,704	(3,048,600)
3. POWER PRODUCTION EXPENSE	799,031	1,334,883	(535,852)
4. COST OF PURCHASED POWER	3,056,581	3,412,837	(356,256)
5. TRANSMISSION EXPENSE	414,242	557,480	(143,238)
6. DISTRIBUTION EXPENSE-OPERATIONS	388,706	401,461	(12,755)
7. DISTRIBUTION EXPENSE-MAINTENANCE	797,708	647,507	150,201
8. CONSUMER ACCOUNTS EXPENSE	395,540	379,345	16,195
9. CUSTOMER SERVICE/INFO EXPENSE	43,585	81,229	(37,644)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	1,450,579	1,691,524	(240,945)
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$17,910,076	\$22,118,970	(\$4,208,894)
13. DEPRECIATION/AMORTIZATION EXPENSE	2,675,449	2,687,695	(12,246)
14. TAX EXPENSE-OTHER	62,306	66,914	(4,608)
15. INTEREST-LONG TERM DEBT	1,727,479	1,752,944	(25,465)
16. INTEREST ON CONSTRUCTION-CREDIT	(36,315)	(73,423)	37,108
17. INTEREST EXPENSE-OTHER	24,868	113,133	(88,265)
18. OTHER DEDUCTIONS	(479)	20,833	(21,312)
19. TOTAL COST OF ELECTRIC SERVICE	\$22,363,384	\$26,687,066	(\$4,323,682)
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$320,833	(\$87,256)	\$408,089
21. NON-OPERATING MARGINS-INTEREST	(38,371)	26,293	(64,664)
22. ALLOWANCE FUNDS USED DURING CONST.	12,927	6,142	6,785
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
27. PATRONAGE CAPITAL OR MARGINS	\$295,389	(\$54,821)	\$350,210

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
YEAR TO DATE
Page 6

CATEGORY	2009 ACTUALS YTD	2009 APPROVED BUDGET YTD	2009 VARIANCE YTD
REVENUES:			
1. TOTAL REVENUE	\$106,101,287	\$116,514,329	(\$10,413,042)
EXPENSES:			
2. FUEL EXPENSE	50,791,412	60,748,458	(9,957,046)
3. POWER PRODUCTION EXPENSE	5,185,912	5,206,751	(20,839)
4. COST OF PURCHASED POWER	14,242,108	13,948,398	293,710
5. TRANSMISSION EXPENSE	1,776,847	2,111,735	(334,888)
6. DISTRIBUTION EXPENSE-OPERATIONS	1,530,894	1,644,333	(113,439)
7. DISTRIBUTION EXPENSE-MAINTENANCE	2,468,743	2,342,458	126,285
8. CONSUMER ACCOUNTS EXPENSE	1,441,962	1,518,365	(76,403)
9. CUSTOMER SERVICE/INFO EXPENSE	219,872	304,209	(84,337)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	6,092,396	6,965,376	(872,980)
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$83,750,146	\$94,790,083	(\$11,039,937)
13. DEPRECIATION/AMORTIZATION EXPENSE	10,643,202	10,737,959	(94,757)
14. TAX EXPENSE-OTHER	275,401	289,785	(14,384)
15. INTEREST-LONG TERM DEBT	6,800,551	7,023,331	(222,780)
16. INTEREST ON CONSTRUCTION-CREDIT	(157,727)	(272,369)	114,642
17. INTEREST EXPENSE-OTHER	379,238	463,717	(84,479)
18. OTHER DEDUCTIONS	223,116	83,332	139,784
19. TOTAL COST OF ELECTRIC SERVICE	\$101,913,927	\$113,115,838	(\$11,201,911)
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$4,187,360	\$3,398,491	\$788,869
21. NON-OPERATING MARGINS-INTEREST	41,475	104,642	(63,167)
22. ALLOWANCE FUNDS USED DURING CONST.	43,506	22,786	20,720
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
27. PATRONAGE CAPITAL OR MARGINS	\$4,273,616	\$3,525,919	\$747,697

MFI/I

1.60

1.47

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2009 FORECAST
Page 7

CATEGORY	2009 APPROVED BUDGET	2009 REVISED FORECAST
REVENUES:		
1. TOTAL REVENUE	\$326,475,392	\$315,532,045 ^{1,2}
EXPENSES:		
2. FUEL EXPENSE	164,937,777	154,980,731 ¹
3. POWER PRODUCTION EXPENSE	17,856,505	17,856,505
4. COST OF PURCHASED POWER	39,048,608	39,342,318 ¹
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
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$266,645,124	\$256,981,788
13. DEPRECIATION/AMORTIZATION EXPENSE	32,355,300	32,355,300
14. TAX EXPENSE-OTHER	801,501	787,117 ¹
15. INTEREST-LONG TERM DEBT	20,988,686	20,174,895 ^{1,3}
16. INTEREST ON CONSTRUCTION-CREDIT	(1,362,016)	(1,362,016)
17. INTEREST EXPENSE-OTHER	1,925,947	1,841,468 ¹
18. OTHER DEDUCTIONS	250,000	389,784 ¹
19. TOTAL COST OF ELECTRIC SERVICE	\$321,604,542	\$311,168,336
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$4,870,850	\$4,363,709
21. NON-OPERATING MARGINS-INTEREST	314,513	251,346 ¹
22. ALLOWANCE FUNDS USED DURING CONST.	113,944	113,944
23. NON-OPERATING MARGINS-OTHER	0	1,275 ¹
24. GENER./TRANS. CAPITAL CREDITS	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	500,000	500,000 ¹
26. EXTRAORDINARY ITEMS	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$5,799,307	\$5,230,274
 MFI/I	 1.25	 1.24

¹ Forecast based on 4 months actual and 8 months forecast

² Forecast has been adjusted to reflect the fact that we have not finalized a firm contract with GVEA as anticipated

³ Forecast has been adjusted to reflect revised interest rates associated with our CoBank debt