

# **CHUGACH ELECTRIC ASSOCIATION, INC.**

Equity Management Plan Update

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**Finance Committee**  
**June 11, 2003**

## **History of the Equity Management Plan (EMP)**

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- ❖ Plan originally prepared in January 1990
- ❖ Updated targets incorporated in the annual Business Plan
- ❖ 2003 update
  - 2000 test year results
  - 2001/2002 Refinancings

## EMP is a Planning Tool

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- ❖ 10 year plan
  - First 5 years are consistent with the Business Plan and Capital Improvement Program
- ❖ Updated annually during the planning, programming, budgeting cycle

## Purpose of the EMP

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- ❖ Addresses Chugach's goals regarding:
  - Long term debt/equity mix
  - Rotation of capital credits
  - Adequacy of rates
  - Compliance with bond indentures

## Chugach Needs an EMP

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- ❖ To ensure:
  - Financial integrity
  - Lowest possible rates
  - Adequate working capital and reserves
  - Adequate maintenance funds
  - A viable capital credits retirement program
  - Adequate margins

## Variables Affecting Equity Level

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- ❖ Growth rate in capitalization
  - Capital investments made
  - Debt taken on
- ❖ Margins achieved
- ❖ Capital credit rotation cycle

## Variables Impacting Equity

**INCREASES  
EQUITY**



Margins

**DECREASES  
EQUITY**



Capital credit  
retirements

Long term debt

## The “Optimum” Equity Level

- ❖ Access to low-cost funds
- ❖ Provides for lowest possible rates
- ❖ Results in financial flexibility