

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 8, 2009

ACTION REQUIRED

AGENDA ITEM NO. VIII.

- Information Only
- Motion
- Resolution
- Executive Session
- Other

TOPIC

Approval of the targets to be used as guidance in preparation of the 2010 Operating Budget and the 2010-2014 Capital Improvement Program (CIP)

DISCUSSION

The 2010 budgeting process will consider the following financial targets: Margins For Interest/Interest (MFI/I) – Minimum 1.25; Equity Ratio – Minimum 25%; Deferral of Capital Credit Retirements in 2010; and 2010-2014 CIP – Capital program expenditures over the 5-year period approximately \$395 million, which includes new generation expenditures.

MOTION

Move that the Finance Committee recommend that the Board of Directors approve the adoption of the 2010 Operating Budget and 2010-2014 CIP targets.

CHUGACH ELECTRIC ASSOCIATION, INC.
2010 Operating Budget & 2010-2014 CIP Targets
Recommendation

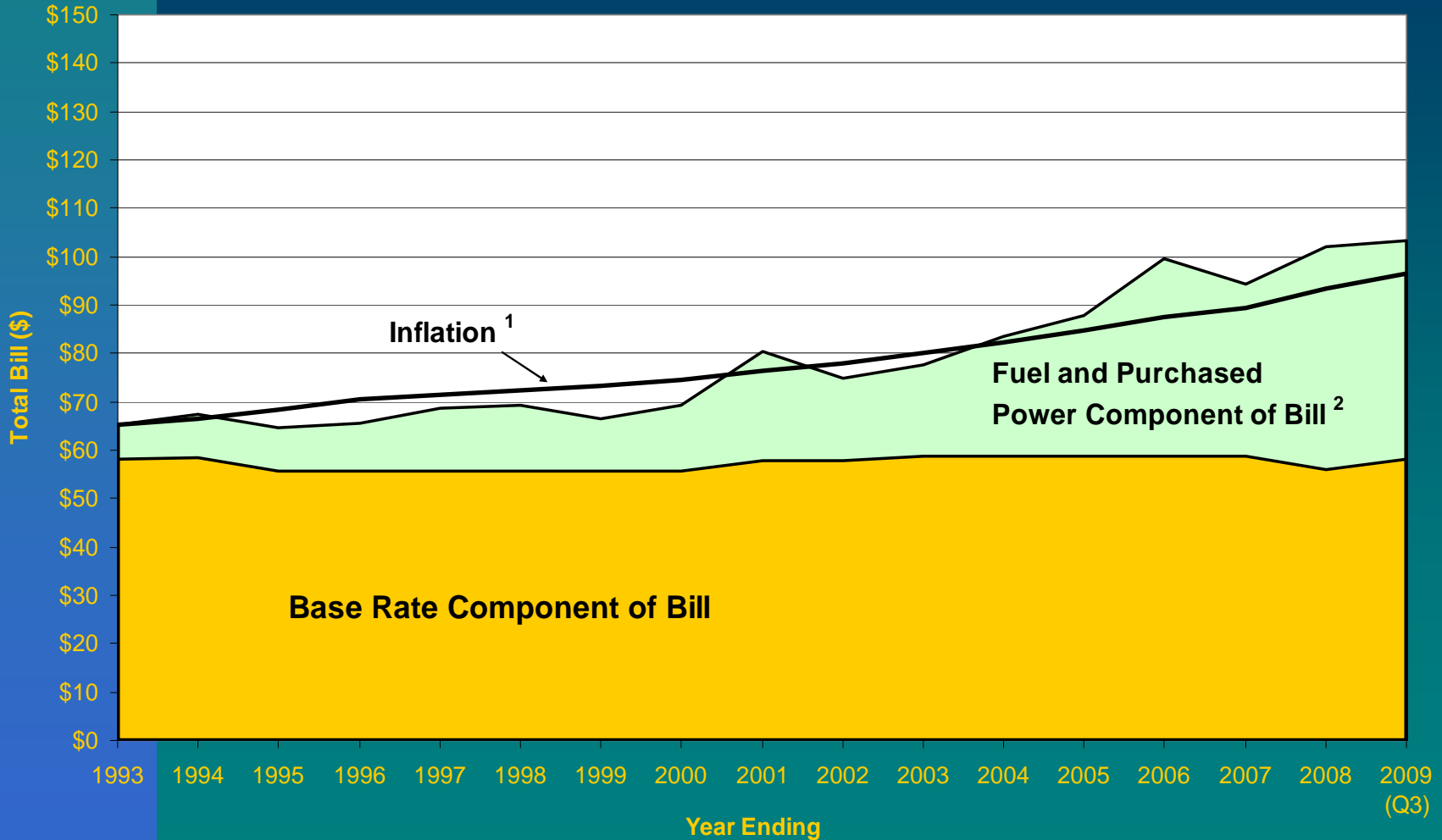
Finance Committee
July 8, 2009

2010 Operating Budget Targets

- ❖ 2010 Projected margins (2008-2017 FMP/2008 Test Year Rate Case)
 - \$5.8 – \$6.4 Million
- ❖ Margins for Interest/Interest
 - Minimum 1.25
- ❖ Equity Ratio
 - Minimum 25%
- ❖ Capital Credit Rotation
 - Deferral of capital credit retirements in 2010

Chugach Electric Association, Inc

Monthly Residential Bill Total, by Component Based on 700 kWh Consumption: 1993 - 2009 (Q3)



¹ 1993 residential bill, adjusted for inflation. Inflation rate for 2009 (Q3) estimated.

² Base Rate and Fuel / Purchased Power components for Q3, 2009 bill level as filed with Regulatory Commission of Alaska.

2010 Operating Budget Proposed Sensitivities

❖ Revenue

- Change in firm⁽¹⁾ kWh sales between 3% – 5%
- Impact to margins, MFI/I and Equity Ratio

❖ Controllable Expenses

- Change between -5% and 5%
- Impact to margins, MFI/I and Equity Ratio

❖ Variable interest rates

- Increase of 100 basis points
- Impact to margins, MFI/I and Equity Ratio

❖ Capital Credit Rotation⁽²⁾

- Capital credit retirements to maintain 30% equity ratio

(1) Excludes economy energy sales

(2) For illustrative purposes only as regular capital credit retirements are scheduled to be deferred during 2010

2010-2014 Capital Improvement Program (CIP) Financial Targets

- ❖ 2010-2014 capital program expenditures⁽¹⁾
 - Distribution
 - \$51 million over 5 years
 - Generation & Transmission
 - \$335 million over 5 years⁽²⁾
 - General Plant/Communications/SCADA
 - \$9 million over 5 years

¹ Estimated depreciation expense included in Chugach's current revenue requirement (2005 Depreciation Study)

² Includes new generation

2010 Operating Budget and 2010-2014 CIP Review Schedule

❖ October 5, 2009

- Budget presentation materials provided to the Board of Directors

❖ October 12 and 13, 2009

- Formal review of 2010 Operating Budget

❖ October 13, 2009

- Formal review of 2010-2014 CIP
- Recommendation for approval of 2010 Operating Budget and 2010-2014 CIP from Finance Committee to Board of Directors



DISCUSSION