

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

June 25, 2008

To: Mike Cunningham, Chief Financial Officer
From: Sherri McKay-Highers, Manager, Budget and Financial Reporting
Subject: May 2008 Year to Date Financial Results

kWh Sales

	<u>2008 Actual</u>	<u>2008 Budget</u>
Retail kWh Sales	515,611,902	524,776,010
Wholesale kWh Sales	<u>556,513,077</u>	<u>549,352,860</u>
Total Firm kWh Sales	1,072,124,979	1,074,128,870
Economy Energy kWh Sales	<u>121,666,410</u>	<u>100,053,000</u>
Total kWh Sales	1,193,791,389	1,174,181,870

May 2008 year to date firm kWh sales totaled 1,072,124,979 which were 0.2% under budget. While there was not an overall variance, lower than anticipated residential sales is being offset by higher than anticipated sales to Homer Electric Association (HEA). May 2008 year-to-date economy energy sales totaled 121,666,410 which were 21.6% over budget. The budget variance was due to higher than anticipated sales to Golden Valley Electric Association (GVEA).

Retail kWh sales were under budget by 1.8% and wholesale kWh sales were 1.3% higher than budgeted. A significant factor in the wholesale sales variance was higher than anticipated sales to HEA due primarily to higher industrial sales. Economy energy sales were over budget due to GVEA purchasing more than anticipated.

Energy Revenue (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Retail Revenue	\$ 63.6	\$ 65.7
Wholesale Revenue	<u>41.0</u>	<u>39.7</u>
Total Firm Revenue	104.6	105.4
Economy Energy Revenue	<u>8.3</u>	<u>6.3</u>
Total Revenue	\$ 112.9	\$ 111.7

Revenue from firm sales totaled \$104.6 million year to date in 2008 compared to \$105.4 in the budget. Retail revenue was lower than budget due to lower retail kWh sales, whereas wholesale revenue was higher than budget primarily due to higher than anticipated sales to HEA. Economy energy revenue was higher than budget by \$1.9 million primarily caused by spot market sales to GVEA through May.

Other Operating Revenue (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Other Operating Revenue	\$ 1.2	\$ 1.2

Other operating revenue includes late fees, pole rental, wheeling, microwave and miscellaneous service and other electric revenue. Other operating revenue for 2008 totaled \$1.2 million compared to \$1.2 million in the budget, with no significant variance.

Power Production (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Operating & Maintenance	\$ 6.5	\$ 7.2
Fuel	<u>50.4</u>	<u>49.0</u>
Total	\$ 56.9	\$ 56.2

Actual power production operating and maintenance expense year to date for 2008 was \$6.5 million compared to \$7.2 million in the budget. This variance was caused by lower labor expense due to vacancies. The variance is also due to lower professional services and materials and supplies due to the timing of projects as the maintenance season is just beginning. These decreases were partially offset by higher than anticipated allocated costs due primarily to increased garage fuel and vehicle parts expense and professional services allocated from information services. Fuel expense year to date in 2008 was \$50.4 million compared to \$49.0 million projected in the budget. This variance was primarily caused by more than anticipated MCF purchased due to higher than anticipated kWh sales to HEA and GVEA, as well as the timing of scheduled maintenance on Beluga units, which differed from anticipated. Actual fuel purchased year to date was 12,523,424 MCF compared to 12,420,017 MCF in the budget.

Purchased Power (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Purchased Power	\$ 13.0	\$ 12.7

Purchased power cost year to date for 2008 totaled \$13.0 million compared to \$12.7 million in the budget, with no significant variance.

Transmission Operations and Maintenance (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Transmission	\$ 2.4	\$ 2.8

Transmission operations and maintenance expense for 2008 totaled \$2.4 million compared to \$2.8 million in the budget. The variance was primarily due to lower professional services caused by the timing of substation and system maintenance. This variance was also due to lower substation labor expense due to the timing of projects and vacancies.

Distribution Operations and Maintenance (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Distribution	\$ 4.8	\$ 4.9

Distribution operations and maintenance expenses for 2008 totaled \$4.8 million compared to \$4.9 million in the budget. The variance was primarily due to lower professional services due to the timing of right-of-way clearing and locate activity.

Consumer Accounts (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Consumer Accounts	\$ 2.0	\$ 2.1

Consumer accounts expense for 2008 totaled \$2.0 million compared to \$2.1 million in the budget. This variance was primarily due to lower labor and software expense allocated from information services.

Customer Information (in millions)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Customer Information	\$ 0.2	\$ 0.3

Customer information expense for 2008 totaled \$0.2 million compared to \$0.3 million in the budget. The variance was primarily due to lower professional services due to the timing of safety advertising.

Administrative & General (in million)

	<u>2008 Actual</u>	<u>2008 Budget</u>
Total Administrative and General	\$ 8.1	\$ 7.8

Administrative and general expenses for 2008 totaled \$8.1 million compared to \$7.8 million in the budget. This financial statement category was over budget due to credit card fees which will continue due to a change in the cutoff date associated with our credit card program. Labor and indirect labor associated with vacation and cash in lieu also contributed to this variance. In addition, professional services was over budget due primarily to legal and compliance matters, as well as the preparation and distribution of the annual report. These variances were offset to some extent by the timing of costs associated with board advisor expenses and costs associated with gas negotiations which are currently being deferred and not expensed. These variances were also offset by lower labor costs allocated by information services.

The summary of all the above year to date 2008 operations and maintenance expenses total \$87.5 million compared to \$86.9 million in the 2008 budget.

Depreciation expense totals \$12.3 million compared to \$12.4 in the budget, with no significant variance.

Tax expense totals \$0.4 million compared to \$0.4 million in the budget, with no significant variance.

Long-term interest expense year to date totals \$9.2 million compared to \$9.7 million in the budget. This variance was primarily due to lower than anticipated interest rates and the interest expense associated with the 2002 Series B Bonds which was redeemed using the NRUCFC line of credit and is now reflected as short-term interest expense.

Interest during construction year to date totals \$0.2 million compared to \$0.4 million in the budget. This variance was primarily due to a lower than anticipated average Construction Work In Progress, (CWIP) balance caused by the timing of projects and lower than anticipated interest rates.

Other interest expense year to date totals \$0.3 million compared to \$0.0 million in the budget. The variance is primarily due to the interest expense associated with the NRUCFC line of credit which was utilized to redeem the outstanding principal amount of the 2002 Series B Bonds. Chugach also utilized its CoBank line of credit due to the timing of expenditures and receipt of payment for services. Chugach had \$4.0 million outstanding on its CoBank line of credit at the end of May.

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

All of the foregoing expenses resulted in total cost of electric service of \$109.4 million compared to \$109.0 million in the 2008 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 2008, non-operating margins totaled \$0.2 million compared to \$0.4 million in the budget. This variance was primarily due to lower Allowance For Funds Used During Construction, (AFUDC) caused by a lower than anticipated CWIP balance due to the timing of projects, as well as a lower average equity balance caused by a decrease of anticipated margin performance in 2007.

The net result of revenue and expenses year to date in 2008 is margins of \$4.8 million compared to year to date projected margins of \$4.3 million in the budget. Per the attached comparative financial report on page 7, the current 5 months actual/7 months forecast projects year end margins of \$7.4 million and an MFI/I of 1.33.

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
MAY 2008
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CATEGORY	2008 MAY ACTUALS	2008 MAY BUDGET	2008 MAY VARIANCE
REVENUES:			
1. TOTAL REVENUE	\$20,489,842	\$20,990,344	(\$500,502)
EXPENSES:			
2. FUEL EXPENSE	8,522,431	9,360,537	(838,106)
3. POWER PRODUCTION EXPENSE	1,671,140	1,655,357	15,783
4. COST OF PURCHASED POWER	2,773,516	2,650,159	123,357
5. TRANSMISSION EXPENSE	481,409	587,832	(106,423)
6. DISTRIBUTION EXPENSE-OPERATIONS	457,297	421,626	35,671
7. DISTRIBUTION EXPENSE-MAINTENANCE	768,942	677,667	91,275
8. CONSUMER ACCOUNTS EXPENSE	399,655	432,323	(32,668)
9. CUSTOMER SERVICE/INFO EXPENSE	62,373	92,621	(30,248)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	1,677,708	1,728,084	(50,376)
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$16,814,471	\$17,606,206	(\$791,735)
13. DEPRECIATION/AMORTIZATION EXPENSE	2,469,924	2,501,330	(31,406)
14. TAX EXPENSE-OTHER	68,161	66,628	1,533
15. INTEREST-LONG TERM DEBT	1,742,190	1,927,889	(185,699)
16. INTEREST ON CONSTRUCTION-CREDIT	(28,093)	(100,358)	72,265
17. INTEREST EXPENSE-OTHER	99,356	0	99,356
18. OTHER DEDUCTIONS	8,743	20,833	(12,090)
19. TOTAL COST OF ELECTRIC SERVICE	\$21,174,752	\$22,022,528	(\$847,776)
20. PATRONAGE CAPITAL/OPERATING MARGINS	(\$684,910)	(\$1,032,184)	\$347,274
21. NON-OPERATING MARGINS-INTEREST	31,471	29,240	2,231
22. ALLOWANCE FUNDS USED DURING CONST.	6,327	43,380	(37,053)
23. NON-OPERATING MARGINS-OTHER	0	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	45	0	45
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	(\$647,067)	(\$959,564)	\$312,497

MFI/I

0.65

0.50

CHUGACH ELECTRIC ASSOCIATION, INC.
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STATEMENT OF OPERATIONS
YEAR TO DATE
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CATEGORY	2008 ACTUALS YTD	2008 AMENDED BUDGET YTD	2008 VARIANCE YTD
REVENUES:			
1. TOTAL REVENUE	\$114,019,006	\$112,945,368	\$1,073,638
EXPENSES:			
2. FUEL EXPENSE	50,360,412	49,020,576	1,339,836
3. POWER PRODUCTION EXPENSE	6,535,541	7,188,772	(653,231)
4. COST OF PURCHASED POWER	13,023,073	12,748,882	274,191
5. TRANSMISSION EXPENSE	2,445,606	2,843,661	(398,055)
6. DISTRIBUTION EXPENSE-OPERATIONS	1,949,768	1,954,392	(4,624)
7. DISTRIBUTION EXPENSE-MAINTENANCE	2,869,581	2,935,185	(65,604)
8. CONSUMER ACCOUNTS EXPENSE	1,972,481	2,097,638	(125,157)
9. CUSTOMER SERVICE/INFO EXPENSE	238,214	304,496	(66,282)
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	8,088,940	7,788,735	300,205
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$87,483,616	\$86,882,337	\$601,279
13. DEPRECIATION/AMORTIZATION EXPENSE	12,317,390	12,409,382	(91,992)
14. TAX EXPENSE-OTHER	349,449	385,603	(36,154)
15. INTEREST-LONG TERM DEBT	9,153,126	9,679,895	(526,769)
16. INTEREST ON CONSTRUCTION-CREDIT	(174,322)	(421,902)	247,580
17. INTEREST EXPENSE-OTHER	270,753	0	270,753
18. OTHER DEDUCTIONS	48,726	104,165	(55,439)
19. TOTAL COST OF ELECTRIC SERVICE	\$109,448,738	\$109,039,480	\$409,258
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$4,570,268	\$3,905,888	\$664,380
21. NON-OPERATING MARGINS-INTEREST	179,426	189,099	(9,673)
22. ALLOWANCE FUNDS USED DURING CONST.	46,367	182,369	(136,002)
23. NON-OPERATING MARGINS-OTHER	0	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	(159)	0	(159)
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$4,795,902	\$4,277,356	\$518,546

MF/I

1.51

1.44

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2008 FORECAST
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CATEGORY	2008 ACTUALS YTD	2008 AMENDED BUDGET YTD	2008 AMENDED BUDGET	2008 REVISED FORECAST
REVENUES:				
1. TOTAL REVENUE	\$114,019,006	\$112,945,368	\$272,069,723	272,268,361 ^{1 & 2}
EXPENSES:				
2. FUEL EXPENSE	50,360,412	49,020,576	121,218,046	122,207,882 ^{1 & 2}
3. POWER PRODUCTION EXPENSE	6,535,541	7,188,772	16,445,185	16,445,185
4. COST OF PURCHASED POWER	13,023,073	12,748,882	31,119,383	31,393,574 ¹
5. TRANSMISSION EXPENSE	2,445,606	2,843,661	6,483,569	6,483,569
6. DISTRIBUTION EXPENSE-OPERATIONS	1,949,768	1,954,392	4,696,382	4,696,382
7. DISTRIBUTION EXPENSE-MAINTENANCE	2,869,581	2,935,185	7,029,742	7,029,742
8. CONSUMER ACCOUNTS EXPENSE	1,972,481	2,097,638	5,041,115	5,041,115
9. CUSTOMER SERVICE/INFO EXPENSE	238,214	304,496	699,429	699,429
10. SALES EXPENSE	0	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	8,088,940	7,788,735	17,690,176	17,690,176
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$87,483,616	\$86,882,337	\$210,423,027	\$211,687,054
13. DEPRECIATION/AMORTIZATION EXPENSE	12,317,390	12,409,382	30,354,147	31,314,640 ²
14. TAX EXPENSE-OTHER	349,449	385,603	884,862	848,708 ¹
15. INTEREST-LONG TERM DEBT	9,153,126	9,679,895	23,119,883	21,591,288 ²
16. INTEREST ON CONSTRUCTION-CREDIT	(174,322)	(421,902)	(998,921)	(809,715) ²
17. INTEREST EXPENSE-OTHER	270,753	0	325,417	1,169,628 ^{1 & 2}
18. OTHER DEDUCTIONS	48,726	104,165	250,000	194,561 ¹
19. TOTAL COST OF ELECTRIC SERVICE	\$109,448,738	\$109,039,480	\$264,358,415	\$265,996,164
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$4,570,268	\$3,905,888	\$7,711,308	\$6,272,197
21. NON-OPERATING MARGINS-INTEREST	179,426	189,099	392,263	382,590 ¹
22. ALLOWANCE FUNDS USED DURING CONST.	46,367	182,369	431,788	218,187 ²
23. NON-OPERATING MARGINS-OTHER	0	0	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	(159)	0	525,000	524,841 ¹
26. EXTRAORDINARY ITEMS	0	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	4,795,902	4,277,356	9,060,359	7,397,815
MFI/I	1.51	1.44	1.39	1.33

¹ Forecast based on 5 months actual and 7 months budget

² Forecast has been adjusted to reflect current assumption changes