Long Term Debt Management Issues

- Current Situation
  - As of May 31, 2005 Chugach has $368 million in long term debt
    - 76% fixed rate debt ($280 million)/24% variable rate debt ($88 million)
    - $10 million CoBank 2 bullet payment due 8/31/2005 (10yr/7.76% fixed rate currently)
      - Recommendation
        - Refinance to amortizing 4-5 year maturity debt at most favorable variable or fixed rate to be paid off before 2010
        - Reduces interest expense and debt load
    - $60 million 2002 Series A Bonds amortizing from 2003 to 2012
      - Amortizing variable debt to be paid down annually
        - 2006 - $5.2 million
        - 2007 - $5.5 million
        - 2008 - $5.9 million
        - 2009 - $6.3 million
        - 2010 - $6.7 million
        - 2011 - $7.1 million
        - 2012 - $9.5 million
    - $150 million 2001 Series A Bonds bullet payment due 3/15/2011 (10yr/6.55% fixed rate currently)
    - $120 million 2002 Series B Bonds bullet payment due 3/15/2012 (10yr/6.20% fixed rate currently)
- No additional debt to be issued before 2011 in current financial forecast
- Options for refinancing before 2011/2012 bullets come due
  - Bond Buybacks
    - Purchase price dependent upon market conditions and investor willingness to sell
  - Create Sinking Fund (a fund accumulated to pay off a corporate or public debt)
    - Dependent upon availability of cash
      - Actions required
        - Reduce capital expenditures
        - Reduce expense
        - Reduce capital credit rotations

Long Term Debt Management Issues

- Options at 2011/2012 maturity
  - Payoff debt (see sinking fund, above)
    - Dependent upon availability of cash
      - Actions required
        - Reduce capital expenditures
        - Reduce expense
        - Reduce capital credit rotations
  - Refinance with amortizing debt
    - Reflect original amortization of 1992 Bonds
    - Spread out the costs of the system among the beneficial users of the system
    - Refinancing options
      - Rollover in public market
      - CoBank
      - NRUCFC
      - Leave part of the debt in the public market - part to be financed by other lender (CoBank or NRUCFC). Amount of each tranche to be determined.
- Other Considerations (refer to XI.d)
  - Credit rating will affect ability to efficiently access public markets
  - Demand for financing of power projects by lower 48 G&Ts is growing (up to $20 billion required in the next ten years)
  - Rural Utilities Services (RUS) loan requests are growing; generally requires mortgage lien on all assets of the utility
  - Supplemental lenders such as NRUCFC and CoBank will see increased demand for full and partial funding requests
  - G&Ts are not likely to refinance to public markets
  - CoBank and NRUCFC will pursue syndication of their loan portfolios to insure future capacity