

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**FINANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**July 25, 2007**

**ACTION REQUIRED**

**AGENDA ITEM NO. VI.**

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

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**TOPIC**

Financial targets to be used as guidance in preparation of the 2008 Operating Budget and the 2008-2012 Capital Improvement Program (CIP).

**DISCUSSION**

The proposed 2008 Budget Guidance and financial targets in preparation of the 2008 Operating Budget and the 2008-2012 CIP are attached in the following presentation.

The 2008 budgeting process will consider the following financial targets: Margins For Interest/Interest (MFI/I) – Minimum 1.25; Equity Ratio – Minimum 25%; Capital Credit Rotation – Maximum 50% of prior year's margins; and 2008-2012 CIP – Capital program expenditures not to exceed depreciation and amortization expense over the 5-year period, excluding new generation expenditures.

**MOTION**

Move that the Finance Committee recommend to the Board of Directors adopting the 2008 Budget Guidance as presented.

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
2008 Budget and CIP Guidance

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Finance Committee  
July 25, 2007

# 2008 Operating Budget Targets

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## ❖ Margins for Interest/Interest

- Minimum 1.25

## ❖ Equity Ratio

- Minimum 25%

## ❖ Capital Credit Rotation

- Maximum 50% of prior year's margins

# 2008 Budget Proposed Sensitivities

## ❖ Revenue

- Change in firm<sup>(1)</sup> kWh sales of -10% and 10%
- Impact to margins, MFI/I and Equity Ratio

## ❖ Economy Energy Sales

- Change in kWh sales of -10% and 10%
- Impact to consumer's bill

## ❖ Controllable Expenses

- Change between -10% and 10%
- Impact to margins, MFI/I and Equity Ratio

## ❖ Capital Credit Rotation

- 0%, 20%, 35% and 50% of prior year's margins
- Impact to Equity Ratio, Capital Credit rotation period

(1) Excludes economy energy sales

# Financial Targets for 2008 – 2012 Capital Improvement Program (CIP)

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- ❖ Capital program expenditures not to exceed depreciation & amortization expense
  - Distribution
    - \$55 million over 5 years
  - Generation & Transmission
    - \$119 million over 5 years (does not include new generation expenditures)
  - Total target approximately \$174 million over 5 years
- ❖ New generation expenditures will require additional financing

# 2008 Budget and 2008 – 2012 CIP Review Schedule

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## ❖ October 16, 2007

- Budget presentation materials provided to the Board of Directors

## ❖ October 23 and 24, 2007

- Formal review of 2008 Operating Budget

## ❖ October 25, 2007

- Formal review of 2008 – 2012 CIP
- Recommendation for approval of 2008 Operating Budget and 2008 – 2012 CIP from Finance Committee to Board of Directors

# DISCUSSION