

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

July 20, 2007

To: Mike Cunningham, Chief Financial Officer
From: Sherri McKay-Highers, Manager, Corporate Budgeting
Subject: June 2007 Year to Date Financial Results

kWh Sales

	<u>2007 Actual</u>	<u>2007 Budget</u>
Retail kWh Sales	607,584,281	616,750,667
Wholesale kWh Sales	<u>648,138,884</u>	<u>620,981,331</u>
Total Firm kWh Sales	1,255,723,165	1,237,731,998
Economy Energy kWh Sales	<u>49,265,910</u>	<u>125,545,334</u>
Total kWh Sales	1,304,989,075	1,363,277,332

June 2007 year to date firm kWh sales total 1,255,723,165 which are 1.5% over budget. The budget variance is primarily due to higher than anticipated sales to Homer Electric Association (HEA). June 2007 year to date economy energy sales total 49,265,910 which are 60.8% under budget. The budget variance is due to lower than anticipated sales to Golden Valley Electric Association (GVEA).

Retail kWh sales are under budget by 1.5% and wholesale kWh sales are 4.4% higher than budgeted. A significant factor in the retail sales variance is lower than anticipated large general service sales. A significant factor in the wholesale sales variance is higher than anticipated sales to HEA due primarily to higher industrial sales. Economy energy sales are under budget due to GVEA purchasing more than anticipated from Municipal Light & Power (ML&P) due to Dynamite Slough transmission line work and maintenance on several Beluga units which limited our output from Beluga in the first quarter. Other maintenance activities continue to limit our output, therefore affecting our ability to sell economy energy.

Energy Revenue (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Retail Revenue	\$ 76.4	\$ 78.0
Wholesale Revenue	<u>49.6</u>	<u>48.0</u>
Total Firm Revenue	126.0	126.0
Economy Energy Revenue	<u>3.1</u>	<u>8.5</u>
Total Revenue	\$ 129.1	\$ 134.5

Revenue from firm sales total \$126.0 million year to date in 2007 compared to \$126.0 in the budget. Retail revenue is lower than budgeted due to lower fuel costs recovered through the surcharge mechanism, as well as lower sales. Wholesale revenue is also lower due to lower fuel costs recovered through the surcharge mechanism, however, wholesale revenue is being more than offset by higher than anticipated sales to HEA. Economy energy revenue is under budget by \$5.4 million caused by the Dynamite Slough transmission line work earlier in the year and continued maintenance on several units which limited our output and availability.

CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
JUNE 2007

CATEGORY	2007 ACTUALS YTD	2007 AMENDED BUDGET	2007 REVISED FORECAST*
REVENUES:			
1. TOTAL REVENUE	\$130,580,699	\$274,984,563	\$269,597,112
EXPENSES:			
2. FUEL EXPENSE	52,640,200	124,055,397	116,849,620
3. POWER PRODUCTION EXPENSE	7,458,898	14,761,723	14,761,723
4. COST OF PURCHASED POWER	18,643,184	30,964,254	33,384,606
5. TRANSMISSION EXPENSE	3,618,572	6,134,258	6,134,258
6. DISTRIBUTION EXPENSE-OPERATIONS	2,658,364	4,798,322	4,798,322
7. DISTRIBUTION EXPENSE-MAINTENANCE	4,099,622	7,009,630	7,009,630
8. CONSUMER ACCOUNTS EXPENSE	2,195,199	4,750,020	4,750,020
9. CUSTOMER SERVICE/INFO EXPENSE	264,850	725,055	725,055
11. ADMINISTRATIVE/GENERAL EXPENSE	9,647,661	18,309,786	18,309,786
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$101,226,550	\$211,508,445	\$206,723,020
13. DEPRECIATION/AMORTIZATION EXPENSE	14,524,537	30,864,063	30,864,063
14. TAX EXPENSE-OTHER	443,397	872,123	881,145
15. INTEREST-LONG TERM DEBT	12,155,773	24,588,211	24,441,731
16. INTEREST ON CONSTRUCTION-CREDIT	(263,213)	(1,170,950)	(1,015,693)
17. INTEREST EXPENSE-OTHER	89,029	400,000	467,695
18. OTHER DEDUCTIONS	83,638	300,000	233,638
19. TOTAL COST OF ELECTRIC SERVICE	\$128,259,710	\$267,361,892	\$262,595,599
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$2,320,989	\$7,622,671	\$7,001,513
21. NON-OPERATING MARGINS-INTEREST	377,126	410,291	522,918
22. ALLOWANCE FUNDS USED DURING CONST.	125,583	501,836	448,073
23. NON-OPERATING MARGINS-OTHER	1,448	0	1,448
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	(600)	600,000	599,400
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$2,824,547	\$9,134,798	\$8,573,352
 MFI/I	 1.23	 1.37	 1.34

* Forecast based on 6 months actual and 6 months forecast

Other Operating Revenue (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Other Operating Revenue	\$ 1.5	\$ 1.5

Other operating revenue for 2007 totals \$1.5 million compared to \$1.5 million in the budget, with no significant variance.

Power Production (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Operating & Maintenance	\$ 7.5	\$ 7.5
Fuel	<u>52.6</u>	<u>59.8</u>
Total	\$ 60.1	\$ 67.3

Actual power production operating and maintenance expense year to date for 2007 is \$7.5 million compared to \$7.5 million in the budget, with no significant variance.

Fuel expense year to date in 2007 is \$52.6 million compared to \$59.8 million projected in the budget. This variance is due to the Dynamite Slough transmission line work in the first quarter, as well as maintenance on several units, which limited our output. The variance is also due to lower economy energy sales. Both of these factors contribute to lower fuel expense.

Purchased Power (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Purchased Power	\$ 18.6	\$ 16.2

Purchased power cost year to date for 2007 totals \$18.6 million compared to \$16.2 million in the budget. This variance is also due to the Dynamite Slough transmission line work and maintenance on several units discussed above, resulting in higher purchased power costs.

Transmission Operations and Maintenance (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Transmission	\$ 3.6	\$ 3.2

Transmission operations and maintenance expense totals \$3.6 million in 2007 compared to \$3.2 million in the budget. This variance is primarily due to labor and professional services associated with line maintenance.

Distribution Operations and Maintenance (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Distribution	\$ 6.8	\$ 6.1

Distribution operations and maintenance expenses totals \$6.8 million compared to \$6.1 million in the budget. This variance is due to labor, professional services and materials and supplies associated with the Hope outage which occurred in the first quarter.

Consumer Accounts (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Consumer Accounts	\$ 2.2	\$ 2.4

Consumer accounts expense totals \$2.2 million compared to \$2.4 million in the budget. This variance is primarily due to lower labor expense due to unfilled positions, as well as the timing of professional services and materials and supplies associated with capital credits.

Customer Information (in millions)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Customer Information	\$ 0.3	\$ 0.4

Customer information expense year to date 2007 totals \$0.3 million compared to \$0.4 million in the budget. This variance is primarily due to lower than anticipated professional services associated with television safety advertising.

Administrative & General (in million)

	<u>2007 Actual</u>	<u>2007 Budget</u>
Total Administrative and General	\$ 9.6	\$ 9.6

Administrative and general expenses total \$9.6 million for 2007 compared to \$9.6 million in the budget, with no significant variance.

The summary of all the above 2007 operations and maintenance expenses total \$101.2 million compared to \$105.1 million in the 2007 budget.

Depreciation expense totals \$14.5 million for 2007 compared to \$14.5 in the budget, with no significant variance.

Tax expense for 2007 totals \$0.4 million compared to \$0.4 million in the budget, with no significant variance.

Long-term interest expense totals \$12.2 million compared to \$12.3 million in the budget, with no significant variance.

Interest during construction totals \$0.3 million compared to \$0.4 million in the budget. The variance is primarily due to the timing of capital expenditures.

Other interest expense totaled \$0.1 million compared to \$0.0 million in the budget. The variance is primarily due to interest paid on an electric account.

Other deductions include donations, preliminary survey and investigation charges of abandoned projects and obsolete inventory write-offs which are not properly attributable to operating or maintenance accounts. Year to date 2007, other deductions total \$0.1 million compared to \$0.2 million in the budget. The variance is primarily due to lower than anticipated abandoned projects and inventory write-offs.

All of the foregoing expenses result in total cost of electric service of \$128.3 million compared to \$132.1 million in the 2007 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 2007, non-operating margins total \$0.5 million compared to \$0.4 million in the budget, with no significant variance.

The net result of revenue and expenses year to date in 2007 is margins of \$2.8 million compared to year to date projected margins of \$4.3 million in the 2007 budget. Per the attached comparative financial report, the current 6 month actual/6 month budget forecast projects year end margins of \$8.6 million and an MFI/I of 1.34. The revised budget in the forecast does not include several budget revisions still under consideration by the Finance committee.