

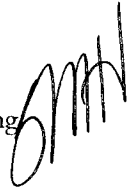
CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

July 7, 2006

To: Bill Stewart, Interim-Chief Executive Officer
Lee Thibert, Sr. VP Power Delivery
Brad Evans, Sr. VP Power Supply
Mike Cunningham, Chief Financial Officer

From: Sherri McKay-Highers, Manager, Corporate Budgeting

Subject: 2nd Quarter Operating Budget Status Report



The attached Operating Budget Status Report reflects the budget adjustments for the second quarter of 2006 and are outlined below:

- I. The transfer for land leases from the transmission services department to land services and to appropriately distinguish between transmission and distribution lease expense. No budget impact.
- J. The transfer of Sr. VP Power Delivery labor from Consumer and Customer Information to General & Administrative to reflect the Chief of Staff function due to the April 2006 reorganization. No budget impact.
- K. The addition of expenditures for cost of capital consulting services associated with the 2005 Test Year Rate Case. Budget increase of \$50,000.
- L. The addition of expenditures for outside labor negotiations. Budget increase of \$428,174.
- M. The addition of expenditures for legal services associated with the 2005 Test Year Rate Case. Budget increase of \$150,000.

All of the foregoing budget adjustments result in a decrease to the 2006 revised operating budget of \$628,174. The net result of revenue and expenses is projected margins of \$12.3 million.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
2ND QUARTER 2006

CATEGORY	1st Qtr REVISED BUDGET	2nd Qtr BUDGET REVISIONS	2nd Qtr REVISED BUDGET
REVENUES:			
1. TOTAL REVENUE	\$269,748,557	\$0	\$269,748,557
EXPENSES:			
2. FUEL EXPENSE	120,517,771	0	120,517,771
3. POWER PRODUCTION EXPENSE	14,826,719	0	14,826,719
4. COST OF PURCHASED POWER	30,329,556	0	30,329,556
5. TRANSMISSION EXPENSE	6,089,571	(45,000) I	6,044,571
6. DISTRIBUTION EXPENSE-OPERATIONS	4,383,361	45,000 I	4,428,361
7. DISTRIBUTION EXPENSE-MAINTENANCE	6,784,390	0	6,784,390
8. CONSUMER ACCOUNTS EXPENSE	4,561,126	(40,151) J	4,520,975
9. CUSTOMER SERVICE/INFO EXPENSE	809,984	(24,336) J	785,648
11. ADMINISTRATIVE/GENERAL EXPENSE	17,213,728	692,661 J K L M	17,906,389
12. TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$205,516,206	\$628,174	\$206,144,380
13. DEPRECIATION/AMORTIZATION EXPENSE	28,584,332	0	28,584,332
14. TAX EXPENSE-OTHER	856,735	0	856,735
15. INTEREST-LONG TERM DEBT	23,448,911	0	23,448,911
16. INTEREST ON CONSTRUCTION-CREDIT	(900,861)	0	(900,861)
17. INTEREST EXPENSE-OTHER	126,666	0	126,666
18. OTHER DEDUCTIONS	300,000	0	300,000
19. TOTAL COST OF ELECTRIC SERVICE	\$257,931,989	\$628,174	\$258,560,163
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$11,816,568	-\$628,174	\$11,188,394
21. NON-OPERATING MARGINS-INTEREST	388,093	0	388,093
22. ALLOWANCE FUNDS USED DURING CONST.	158,977	0	158,977
23. NON-OPERATING MARGINS-OTHER	0	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	575,000	0	575,000
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$12,938,638	-\$628,174	\$12,310,464


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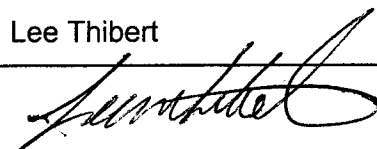
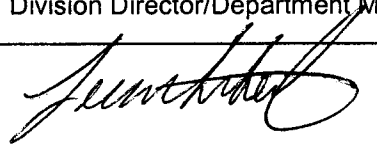
BUDGET REVISION REQUEST

1.	Division: Power Delivery	Department: Transmission Services
2.	Add: []	Delete: [] Transfer: [X]
3.	Full year amount (rounded to dollars):	\$ 142,700 *45,000 Distribution \$ 97,700 Transmission
4.	Monthly amounts (rounded to dollars - should total to line 3 above)	
	January \$	May \$
	February \$	June \$20,386
	March \$	July \$20,386
	April \$	August \$20,386
	September \$20,386	October \$20,386
	November \$20,386	December \$20,384
5.	General Ledger Account Number (from):	56700 000 09 7690
	General Ledger Account Number (to):	56000/58000 000 09 7662
6.	General Ledger Account Name (from):	Transmission/Leases/Transmission Services
	General Ledger Account Name (to):	Transmission/Dist/Leases/Land Services
7.	Explanation: To transfer the budget for transmission and distribution lease expense from the transmission services department to land services.	
8.	Requested by: Bill Bernier	Date: 6/30/06
9.	<\$25,000 Approved by:  Division Director/Department Manager	Date: 6-30-06
10.	\$25,000 - \$250,000 Approved by: <i>William J. Bernier</i> ACTING FOR Executive Manager <i>Lee D. Thibert</i>	Date: 6/30/06
11.	\$250,000 - \$1,000,000 Approved by: Chief Executive Officer	Date:
12.	>\$1,000,000 Approved by: Board of Directors	Date:
Obtain necessary approval signatures, forward to the Manager of Corporate Budgeting		

J

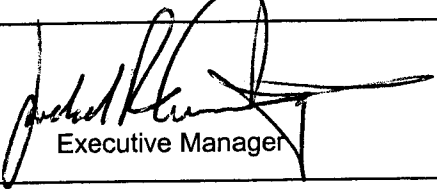


BUDGET REVISION REQUEST

1.	Division: Power Delivery/Corporate	Department: Sr. VP Power Delivery/COS												
2.	Add: <input type="checkbox"/>	Delete: <input type="checkbox"/> Transfer: <input checked="" type="checkbox"/>												
3.	Full year amount (rounded to dollars):	\$ 64,487.												
4.	Monthly amounts (rounded to dollars - should total to line 3 above)													
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%;">January \$</td> <td style="width:33%;">May \$ 6,241</td> <td style="width:33%;">September \$ 6,241</td> </tr> <tr> <td>February \$</td> <td>June \$ 10,400</td> <td>October \$ 6,241</td> </tr> <tr> <td>March \$</td> <td>July \$ 6,241</td> <td>November \$ 6,241</td> </tr> <tr> <td>April \$ 6,241</td> <td>August \$ 6,241</td> <td>December \$ 10,400</td> </tr> </table>	January \$	May \$ 6,241	September \$ 6,241	February \$	June \$ 10,400	October \$ 6,241	March \$	July \$ 6,241	November \$ 6,241	April \$ 6,241	August \$ 6,241	December \$ 10,400	
January \$	May \$ 6,241	September \$ 6,241												
February \$	June \$ 10,400	October \$ 6,241												
March \$	July \$ 6,241	November \$ 6,241												
April \$ 6,241	August \$ 6,241	December \$ 10,400												
5.	General Ledger Account Number (from):	90800/90900/90100 000 01/14 7001												
	General Ledger Account Number (to):	92000 000 01/14 9002												
6.	General Ledger Account Name (from):	Consumer Accounts/Customer Information/ Labor/Sr. VP Power Delivery												
	General Ledger Account Name (to):	General & Administrative/Labor/Chief of Staff												
7.	Explanation: To transfer Sr. VP Power Delivery labor budget from Consumer Accounts and Customer Information to General & Administrative Chief of Staff due to re-organization.													
8.	Requested by: Lee Thibert	Date: 5-8-06												
9.	<\$25,000 Approved by:  Division Director/Department Manager	Date: 5/9/06												
10.	\$25,000 - \$250,000 Approved by:  Executive Manager	Date: 5/9/06												
11.	\$250,000 - \$1,000,000 Approved by: _____ Chief Executive Officer	Date: _____												
12.	>\$1,000,000 Approved by: _____ Board of Directors	Date: _____												
Obtain necessary approval signatures, forward to the Manager of Corporate Budgeting														

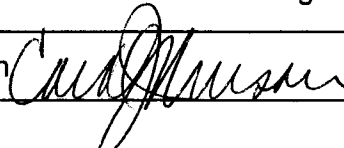

K

BUDGET REVISION REQUEST

1.	Division: Finance	Department: Chief Financial Officer
2.	Add: <input checked="" type="checkbox"/>	Delete: <input type="checkbox"/> Transfer: <input type="checkbox"/>
3.	Full year amount (rounded to dollars):	\$ 50,000
4.	Monthly amounts (rounded to dollars - should total to line 3 above)	
	January \$	May \$ 5,556
	February \$	June \$ 5,556
	March \$	July \$ 5,556
	April \$ 5,556	August \$ 5,556
	September \$ 5,556	October \$ 5,556
	November \$ 5,556	December \$ 5,552
5.	General Ledger Account Number (from):	
	General Ledger Account Number (to):	92300 000 02 2001 F0552010
6.	General Ledger Account Name (from):	
	General Ledger Account Name (to):	Professional-Contract Services/Chief Financial Officer/2005 Test Year Rate Case
7.	Explanation: Additional expenditures for the following consulting services associated with the 2005 Test Year Rate Case:	
	<ol style="list-style-type: none"> 1. Research and development of appropriate cost of capital and equity levels for G&T and D 2. Develop expert witness and rebuttal testimony associated with Chugach's Financial Management Plan (FMP) 3. Participate in rate case development, strategy and provide assistance in rate case litigation 	
8.	Requested by: Michael R. Cunningham	Date: 5-8-06
9.	<\$25,000 Approved by:	Date:
	Division Director/Department Manager	
10.	\$25,000 - \$250,000 Approved by:	Date: 5/9/06
	 Executive Manager	
11.	\$250,000 - \$1,000,000 Approved by:	Date:
	Chief Executive Officer	
12.	>\$1,000,000 Approved by:	Date:
	Board of Directors	
Obtain necessary approval signatures, forward to the Manager of Corporate Budgeting		

L

BUDGET REVISION REQUEST

1.	Division: Executive	Department: General Counsel												
2.	Add: <input checked="" type="checkbox"/> [X]	Delete: <input type="checkbox"/> [] Transfer: <input type="checkbox"/> []												
3.	Partial year amount (through 09/30/06 ¹): \$428,174													
4.	Monthly amounts (rounded to dollars - should total to line 3 above)													
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%;">January \$33,767²</td> <td style="width:33%;">May \$63,800^{3,4} 89,891</td> <td style="width:33%;">September \$58,480⁴ 84,570</td> </tr> <tr> <td>February \$22,207²</td> <td>June \$58,480⁴ 84,571</td> <td>October \$</td> </tr> <tr> <td>March \$37,240³</td> <td>July \$58,480⁴ 84,571</td> <td>November \$</td> </tr> <tr> <td>April \$37,240³</td> <td>August \$58,480⁴ 84,571</td> <td>December \$</td> </tr> </table>	January \$33,767 ²	May \$63,800 ^{3,4} 89,891	September \$58,480 ⁴ 84,570	February \$22,207 ²	June \$58,480 ⁴ 84,571	October \$	March \$37,240 ³	July \$58,480 ⁴ 84,571	November \$	April \$37,240 ³	August \$58,480 ⁴ 84,571	December \$	
January \$33,767 ²	May \$63,800 ^{3,4} 89,891	September \$58,480 ⁴ 84,570												
February \$22,207 ²	June \$58,480 ⁴ 84,571	October \$												
March \$37,240 ³	July \$58,480 ⁴ 84,571	November \$												
April \$37,240 ³	August \$58,480 ⁴ 84,571	December \$												
5.	General Ledger Account Number (from): 92300 598 General Ledger Account Number (to): 92000 000 02 9200 / L0566607													
6.	General Ledger Account Name (from): General Ledger Account Name (to):													
7.	Explanation: No amount was budgeted for outside labor negotiations for 2006. There was initially an amount in the General Counsel budget but it was taken out by the Board during the budget process. The total for the budget revision amount includes amounts paid through the end of March 2006 and amounts budgeted by Outside Counsel through September 30, 2006.													
8.	Requested by: Carol Johnson 	Date: 05/23/06												
9.	<\$25,000 Approved by: _____ Division Director/Department Manager	Date: _____												
10.	\$25,000 - \$250,000 Approved by: _____ Executive Manager	Date: _____												
11.	\$250,000 - \$1,000,000 Approved by:  Chief Executive Officer	Date: 5-24-06												
12.	>\$1,000,000 Approved by: _____ Board of Directors	Date: _____												
Obtain necessary approval signatures, forward to the Manager of Corporate Budgeting														



BUDGET REVISION REQUEST

1.	Division: Executive	Department: General Counsel												
2.	Add: <input checked="" type="checkbox"/>	Delete: <input type="checkbox"/> Transfer: <input type="checkbox"/>												
3.	Full year amount (rounded to dollars):	\$150,000												
4.	Monthly amounts (rounded to dollars - should total to line 3 above)													
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%;">January \$0</td> <td style="width:33%;">May \$0</td> <td style="width:33%;">September \$18,615</td> </tr> <tr> <td>February \$0</td> <td>June \$38,320¹</td> <td>October \$18,615</td> </tr> <tr> <td>March \$0</td> <td>July \$18,615</td> <td>November \$18,615</td> </tr> <tr> <td>April \$0</td> <td>August \$18,615</td> <td>December \$18,605</td> </tr> </table>	January \$0	May \$0	September \$18,615	February \$0	June \$38,320 ¹	October \$18,615	March \$0	July \$18,615	November \$18,615	April \$0	August \$18,615	December \$18,605	
January \$0	May \$0	September \$18,615												
February \$0	June \$38,320 ¹	October \$18,615												
March \$0	July \$18,615	November \$18,615												
April \$0	August \$18,615	December \$18,605												
5.	General Ledger Account Number (from):													
	General Ledger Account Number (to): 92800 558 02 9200/F0552010													
6.	General Ledger Account Name (from):													
	General Ledger Account Name (to): Regulatory Prof. Services / 05 Rate Case													
7.	Explanation: \$150,000 is in addition to the \$7,500 that was budgeted for a 2005 Depreciation Study only. The study is now part of the rate case which was not included in the 2006 General Counsel's Office budget.													
8.	Requested by: Carol Johnson	Date: July 6, 2006												
9.	<\$25,000 Approved by:	Date:												
	Division Director/Department Manager													
10.	\$25,000 - \$250,000 Approved by:	Date:												
	Executive Manager													
11.	\$250,000 - \$1,000,000 Approved by:	Date: 7-7-06												
	Chief Executive Officer													
12.	>\$1,000,000 Approved by:	Date:												
	Board of Directors													
Obtain necessary approval signatures, forward to the Manager of Corporate Budgeting														

¹ Includes \$19,705 actuals billed to date.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2006

CATEGORY	2006 APPROVED BUDGET	2006 BUDGET REVISIONS	2006 REVISED BUDGET
REVENUES:			
1. TOTAL REVENUE	\$269,620,829	\$127,728 A	\$269,748,557
EXPENSES:			
2. FUEL EXPENSE	120,390,043	127,728	120,517,771
3. POWER PRODUCTION EXPENSE	14,776,719	50,000	14,826,719
4. COST OF PURCHASED POWER	30,329,556	0	30,329,556
5. TRANSMISSION EXPENSE	6,122,921	(33,350)	6,089,571
6. DISTRIBUTION EXPENSE-OPERATIONS	4,383,361	0	4,383,361
7. DISTRIBUTION EXPENSE-MAINTENANCE	6,833,040	(48,650)	6,784,390
8. CONSUMER ACCOUNTS EXPENSE	4,561,126	0	4,561,126
9. CUSTOMER SERVICE/INFO EXPENSE	809,984	0	809,984
11. ADMINISTRATIVE/GENERAL EXPENSE	17,227,027	(13,299)	17,213,728
12. TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$205,433,777	\$82,429	\$205,516,206
13. DEPRECIATION/AMORTIZATION EXPENSE	29,358,247	(773,915)	28,584,332
14. TAX EXPENSE-OTHER	856,735	0	856,735
15. INTEREST-LONG TERM DEBT	23,448,911	0	23,448,911
16. INTEREST ON CONSTRUCTION-CREDIT	(929,825)	28,964	(900,861)
17. INTEREST EXPENSE-OTHER	126,666	0	126,666
18. OTHER DEDUCTIONS	300,000	0	300,000
19. TOTAL COST OF ELECTRIC SERVICE	\$258,594,511	-\$662,522	\$257,931,989
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$11,026,318	\$790,250	\$11,816,568
21. NON-OPERATING MARGINS-INTEREST	388,093	0	388,093
22. ALLOWANCE FUNDS USED DURING CONST.	164,087	(5,110)	158,977
23. NON-OPERATING MARGINS-OTHER	0	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	575,000	0	575,000
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$12,153,498	\$785,140	\$12,938,638

MFI/I

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