

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
2007 Budget and CIP Guidance

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Finance Committee  
July 26, 2006

# 2007 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

# 2007 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 2007 – 2011 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
    - \$98 million over 5 years (does not include capital costs for a new generating unit - TBD)
  - Information Technology/New Business projects
    - \$5 million over 5 years
- ❖ Total target approximately \$158 million over 5 years

# 2007 Budget and 2007 – 2011 CIP Review Schedule

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## ❖ October 18, 2006

- Budget presentation materials provided to the Board of Directors

## ❖ October 24 and 25, 2006

- Formal review of 2007 Operating Budget

## ❖ October 26, 2006

- Formal review of 2007 – 2011 CIP
- Recommendation for approval of 2007 Operating Budget and 2007 – 2011 CIP from Finance Committee to Board of Directors



# DISCUSSION