

CHUGACH ELECTRIC ASSOCIATION, INC.

2006 Budget and CIP Guidance

Finance Committee
August 10, 2005

2006 Operating Budget Targets

- ❖ Margins for Interest/Interest
 - Minimum 1.25
- ❖ Equity Ratio
 - Minimum 25%
- ❖ Capital Credit Rotation
 - Maximum 50% of prior year's margins

2006 Budget Proposed Sensitivities

❖ Revenue

- Change in firm⁽¹⁾ 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 2006 – 2010 Capital Improvement Program (CIP)

❖ Capital program expenditures not to exceed depreciation & amortization expense

- Distribution
 - \$57 million over 5 years
- Generation & Transmission
 - \$95 million over 5 years
- Information Technology/New Business projects
 - \$5 million over 5 years

❖ Total target approximately \$157 million over 5 years

2006 Budget and 2006 – 2010 CIP Review Schedule

- ❖ October 19, 2005
 - Budget presentation materials provided to the Board of Directors
- ❖ October 25, 2005
 - Formal review of 2006 Operating Budget
- ❖ October 26, 2005
 - Formal review of 2006 – 2010 CIP
 - Recommendation for approval of 2006 Operating Budget and 2006 – 2010 CIP from Finance Committee to Board of Directors

DISCUSSION

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

BOARD MEETING
AGENDA ITEM SUMMARY

August 24, 2005

ACTION REQUIRED

AGENDA ITEM NO. IX.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Approval of the financial targets to be used as guidance in preparation of the 2006 Operating Budget and the 2006-2010 Capital Improvement Program (CIP)

DISCUSSION

The Finance Committee met August 10, 2005 and reviewed the proposed 2006 Budget Guidance financial targets for preparation of the 2006 Operating Budget and the 2006-2010 CIP.

The 2006 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 2006-2010 CIP – Capital program expenditures not to exceed depreciation and amortization expense over the 5-year period.

CEO's RECOMMENDATION

Motion: Move that the Board of Directors adopt the 2006 Budget Guidance as presented.