

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

**August 10, 2005**  
**Wednesday**  
**4:30 p.m.**

**BOARD OF DIRECTORS' FINANCE COMMITTEE MEETING**

**XI. Asset-Liability, G&T and D**

**Asset – Liability Analysis**  
**“G&T” and “D”**

**(“Due to – Due from”)**

- Based on the accounting equation – “Assets = Liabilities and Owner’s Equity.”
- The Balance Sheet must “balance.”
- “Due From” is an asset (a receivable due from another party).
- “Due To” is a liability (a payable to another party).
- Initial identification of the “Due To – Due From in balance in the G&T financial records compared to the distribution records” surfaced in the mid 1980’s.
- The Initial “Due To” from the G&T to the Distribution function was \$13.5 million.
- This was the amount necessary to balance the assets, liabilities and owner’s equity on split Balance Sheets for a “split” Equity Management Plan project done at the request of the Wholesale Customers.
- Discussions on crafting a “split” Equity Management Plan died at that point.
- Current “Due to the distribution side from the “G&T” is \$43.8 Million.
- Reflects the conditions initially seen in the 80’s.
- The amount is “a function of the Commission-ordered Net Plant Allocator method of allocating debt costs”.
- The amount of the due to / due from will vary month-to-month depending upon the cash generated by the G&T.
- No imputed interest is charged to the G&T for these “borrowed” funds at this time.
- Could, for internal reporting purposes, charge interest at the average weighted cost of long-term debt.
- Additional annual impact of interest expense incurred by the G&T would approximate \$2,700,000 based on today’s balance of \$43.8 million at 6%.
- Remedies include 1) replace the net plant allocator with the debt/equity approach to reflect appropriate amount of debt and long term interest expense on the unbundled financials. 2) Continue to use the unbundled financials and implement additional analysis such as the statement of cash flow and comparative balance sheets to show changes in due to / due from over time. 3) On a long-term basis begin quantifying the rate burden issue between G&T &D with intent to deal with the issue in preparation for the next general rate case.

