

WHEREAS, Chugach is working on strategic planning, resource planning and is in the process of developing a business plan that will address Chugach's requirements for longer term financial health consistent with needs for adequate levels of reliability and customer service;

WHEREAS, Chugach must immediately prepare a budget for 2005 that will operate under the constraints of the current circumstances and specifically the limits of the most recent rate orders of the Regulatory Commission of Alaska;

WHEREAS, the budget guidance targets adopted in this resolution are not considered adequate to meet the long term needs of the Association but are rather those we consider to be achievable for 2005 under current constraints;

NOW THEREFORE, be it resolved Chugach will use the following as guidance for its 2005 budgeting process:

MARGINS FOR INTEREST/INTEREST (MFI/I) - Minimum 1.25

EQUITY RATIO - Minimum 25%

CAPITAL CREDIT ROTATION - Maximum 50% of prior year's margins

2005-2009 CAPITAL IMPROVEMENT PROGRAM (CIP) - Match depreciation and amortization expense over the 5-year period



CHUGACH ELECTRIC ASSOCIATION, INC.
2005 Budget Sensitivities

Finance Committee

August 11, 2004

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