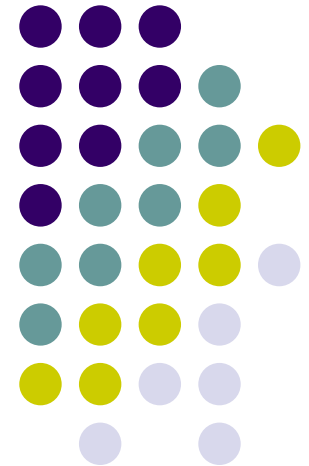
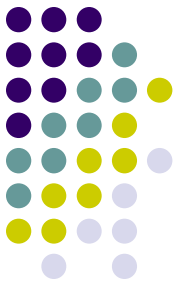


Capital Markets Project

Chugach Electric Association
August 12, 2009



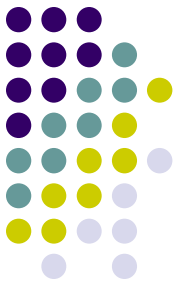
Outline



- Overview
 - Market
 - Chugach
- Need for Project
- Capital Market Project

Capital Structure

Percentage of Debt Raised in Capital Markets



<u>Cooperative</u>	<u>Percent</u>	<u>Total</u>
Great River	100%	\$1,600
Old Dominion	100%	900
Chugach	100%	300
Golden Spread	100%	160
Oglethorpe	14%	3,400
Seminole	10%	1,100
Associated	9%	870
Basin	8%	1,200

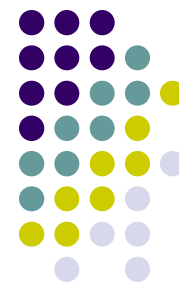
A" Rated G&T Cooperatives

TIER Analysis

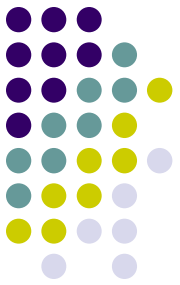


	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Average</u>
Golden Spread	---	---	A-	3.55X	6.01X	6.09X	5.22
Buckeye	A₁	A+	A+	2.67	2.40	1.42	2.16
Brazos	---	A-	A	2.07	1.76	1.36	1.73
Basin	A₁	A+	AA-	2.04	1.13	2.59	1.92
Great River	A₃	BBB+	A-	1.83	1.27	1.29	1.46
Central Iowa	---	A	A-	1.61	1.89	1.34	1.61
Tri-State	Baa₁	A	A	1.44	1.23	1.45	1.37
Dairyland	A₂	A	---	1.51	1.41	1.29	1.40
Chugach	A₃	A-	A-	1.41	1.12	1.30	1.28
Arkansas	A₂	AA-	A+	1.53	1.29	1.34	1.39
Western Farmers	---	BBB+	A-	1.33	1.58	1.63	1.51
Central Electric - SC	---	AA-	---	1.32	1.30	1.31	1.31
Old Dominion	A₃	A	A	1.39	1.27	1.20	1.29
Associated	A ₁	AA	AA	1.26	1.32	1.79	1.46
Georgia Transmission	A ₃	AA-	AA-	1.18	1.21	1.22	1.20
Power South	---	BBB+	---	1.29	1.25	1.42	1.32
Hoosier	A₃	A	---	1.20	1.60	1.50	1.43
Seminole	---	A-	---	1.24	1.18	1.18	1.20
Oglethorpe	A₃	A	A	1.08	1.10	1.10	1.09
Square Butte	A ₁	A-	A	1.09	1.10	1.11	1.10
Average				1.54X	1.62X	1.64X	1.60X

Equity Ratios of Reference Group



	<u>2008</u>	<u>2007</u>	<u>2006</u>
Buckeye	27.03%	38.73%	35.75%
Chugach	30.26%	28.46%	30.05%
Basin	23.81%	27.68%	26.93%
Old Dominion	21.24%	15.87%	18.01%
Central Iowa	15.16%	15.73%	16.80%
Tri-State	21.40%	14.96%	15.12%
Dairyland	11.09%	13.69%	12.46%
Brazos	11.20%	12.78%	13.93%
Oglethorpe	12.60%	12.30%	12.30%
Western Farmers	14.52%	11.34%	11.95%
Hoosier	12.28%	11.34%	11.36%
Wabash Valley	11.59%	11.16%	12.23%
Great River	11.04%	9.88%	11.85%
Power South	10.65%	8.61%	9.28%
Seminole	6.41%	7.21%	6.96%
<hr/>			
Average	16.01%	15.98%	16.33%

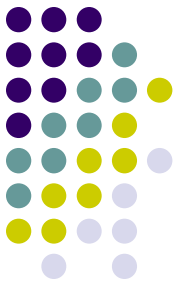


Risk Factors

- Regulation
- Wholesale Contract Uncertainties
- Resource Replacement
 - New Construction
 - New Contracts

Capital Market Project

Why?



- Market Volatility
- Greater Emphasis on Chugach's Credit
- Prepare Market for Chugach
- Prepare Chugach for Transaction Decisions
 - Timing
 - Structure
 - Indenture Changes
 - Credit Support
 - Pricing

Financing Needs 2010-2014



Refinance Short-Term Debt	\$ 29,600,000
Capital Improvements	364,017,000
Refinance Bullets	270,000,000
Subtotal	<hr/> 663,617,000
Less: Internal Cash	145,000,000
Net Financing	<hr/> <hr/> \$ 518,617,000

Five Year Financing Plan

(Millions)



<u>Requirements</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Capital Improvements	\$ 30	\$ 134	\$ 66	\$ 44	\$ 21	\$ 295
Refinance Short-Term Debt	\$ 99					\$ 99
Refinance Bullets		\$ 150	\$ 120			\$ 270
Total Requirements	\$ 129	\$ 284	\$ 186	\$ 44	\$ 21	\$ 664
Less: Internal Resources	\$ 29	\$ 29	\$ 29	\$ 29	\$ 29	\$ 145
Financing Needs	\$ 100	\$ 255	\$ 157	\$ 15	\$ (8)	\$ 519
3-5 year Liquidity Facility	\$ 100	\$ 200	\$ 200	\$ -	\$ -	\$ 500
Long-Term Financing	\$ 100	\$ 200	\$ 200	\$ -	\$ -	\$ 500

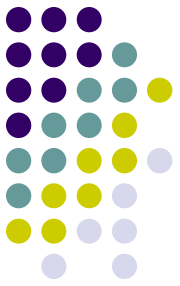


Liquidity Facility

- Multi-Year Revolver
- Syndicated Facility
- Commercial Paper Program
 - \$300 million facility put in place 10/2008
 - 3 year facility through 10/11/2011
 - Backstop Commercial Paper Issuance

2009

Commercial Paper Activity

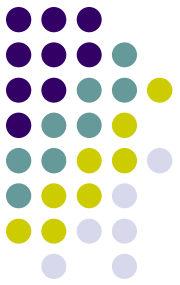


<u>Month</u>	<u>Average Balance (millions)</u>	<u>Weighted Average Interest Rate (%)</u>
Jan	\$36.0	1.17
Feb	\$44.6	1.48
Mar	\$46.6	1.19
Apr	\$47.0	0.60
May	\$43.0	0.53
Jun	\$41.7	0.49
Jul	\$41.5	0.44

Capital Markets Project



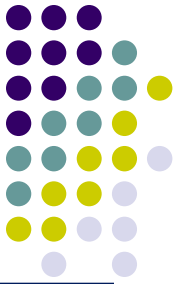
- Market Assessment
- Credit Assessment
- Indenture Changes
- Finance Structure
- Balloon Debt Mitigation
- Matching Debt & Asset Model



Market Assessment

- Analysis of Recent Coop Transactions
 - Structure
 - Pricing
 - Special Terms & Conditions
 - Market Acceptance
- On-going Market Review of Transaction & Conditions

Private Placement Market Transaction Case Study



Priced March 2009



TRI-STATE
Generation and Transmission
Association, Inc.

**Tri-State Generation &
Transmission Association,
Inc.**

\$300,000,000

**First Mortgage Bonds
Due 2019 and 2021**

*The undersigned served as sole bookrunner for the
private placement of the Notes with Institutional
Investors*

Bank of America 
Merrill Lynch

Issuer Profile

- Tri-State Generation and Transmission Association, Inc. is a taxable wholesale electric power generation and transmission cooperative
- The Association operates on a not-for-profit basis
- Tri-State provides electricity to 44 Member distribution systems serving major parts of Colorado, Nebraska, New Mexico and Wyoming, and also sells a portion of their generated electric power to other utilities in the region
- Publicly rated Baa1 / A / A

Transaction Features

- Deal was launched as \$150 million of 7-year First Mortgage Bonds
- The transaction received nearly \$400 million in bids
- Ultimately the deal was upsized to \$300 million and circled with 16 investors including two lead investors with \$50 million each
 - \$190 million 10-Year Final / 7-Year Avg. Life Bonds at T+385 bps
 - \$110 million 12-Year Final / 10-Year Avg. Life Bonds at T+370 bps
- Investors focused on a variety of comps in the public market in addition to two first mortgage bonds that priced the day before:
 - Peco Energy (A2/A-) priced \$250 million of a 5.5-yr @ T+340
 - Kansas City Power and Light (A3/BBB+) priced \$400 million of a 10-yr @ T+460



Private Placement Market

Transaction Case Study: Utility Cooperative Prices Tightest Private Placement in Over a Year

Priced June 2009



Georgia Transmission Corporation

\$150,000,000
First Mortgage Bonds
Due 2030

The undersigned served as sole bookrunner for the private placement of the Notes with Institutional Investors



• Issuer Profile

- ◆ Georgia Transmission Corporation (“GTC”) is a not-for-profit transmission-only cooperative founded in 1996 through a spin-off from Oglethorpe Power Corporation
- ◆ GTC’s principal business is providing transmission service to its 39 distribution cooperative members and Oglethorpe
- ◆ The GTC’s distribution members serve approximately 1.8 million electric consumers (meters) representing approximately 4.3 million people
- ◆ The Company maintains senior secured ratings of ‘AA-’ from Standard & Poor’s, ‘AA-’ from Fitch Ratings, and ‘A3’ from Moody’s Investors Service (all with stable outlooks)

• Transaction Features

- ◆ Deal was launched as \$100 million of 21-year final / 14-year average life First Mortgage Bonds
- ◆ The transaction received nearly \$850 million in bids, including nearly \$300 million at the clearing spread
- ◆ Ultimately the deal was upsized to \$150 million and circled with 9 investors at T10 + 185 or T + 168 over the interpolated 14-year Treasury
- ◆ Investors focused on the recent 10-year FMB issued by Public Service of Colorado (A3/A) at T+150. Also, key secondary comparables included:
 - Duke Energy Carolinas (A2/A) 2018 at T + 120
 - Progress Energy Carolinas (A2/A-) 2019 at T + 120
 - Duke Energy Ohio (A3/A) 2019 at T + 125
 - PacifiCorp (A3/A) 2019 at T + 120

Private Placement Market

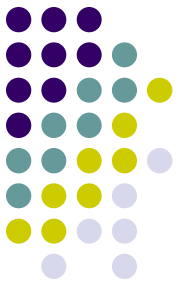
Indicative Term Sheet



Chugach Electric Association, Inc.

Issuer:	Chugach Electric Association, Inc.
Security:	First Mortgage Bonds
Ratings:	A3 / A- / A-
Size:	TBD
Maturities:	Multiple maturities available (for illustrative purposes 5, 7 and 10 year bullets are shown below)
Call Option:	Economic make-whole at T + 50 bps

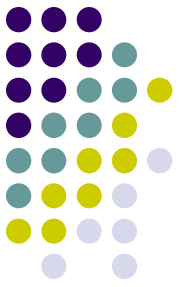
PRICING:	5 -Year	7 -Year	10 -Year
Reference Treasury Yield ⁽¹⁾	2.72%	3.38%	3.74%
Credit Spread	150 bp Area	150 bp Area	150 bp Area
Coupon	4.22% Area	4.88% Area	5.24% Area



Credit Assessment

- Review Recent Coop Ratings & Rating Trends
- Analyze Chugach's Credit Profile
- Develop Recommendation's to Strengthen Profile

Bondholder Credit Evaluation of Chugach

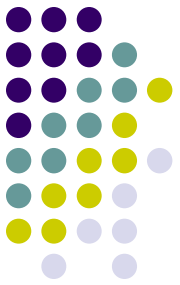


Strengths

- Monopoly position
- Fuel cost pass through
- Owns significant portion of Alaska's generation
- Requirement for the RCA to set rates to meet debt covenant

Weaknesses

- Chugach is the only G&T that raised all its capital in the public market and is also state regulated
- Potential loss of 50% of generation load
- Large refinancing near term
- Large capital expenditures without prior regulatory approval
- No recovery of capital until project is completed
- State regulation with history of regulatory lag
- Requirement for RCA to set rates to meet debt covenant may not match cash flow requirements
- Higher interest expense as short-term debt is refinanced
- Weak bond indenture
- Potential for rate shock from loss of wholesale load, capital project, and refinancing
- Membership dissension with wholesale group



Timeline

- Market assessment -Midyear 2008 to transaction
- Credit assessment -Midyear 2008 with updates
- Liquidity Facility -Third Quarter 2008
- Balloon debt mitigation -Ongoing
- Indenture study -First Quarter 2009
- Finance structure -First Quarter 2010
- Matching debt & asset model -First Quarter 2010
- Market transaction -Third Quarter 2010