

# Bradley Lake Accounting

August 19, 2002

# Bradley Lake Project Management Committee (PMC) Responsibilities

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- **The PMC was established for the purpose of:**
  - **Arranging for the operation and maintenance of the Bradley Lake Hydroelectric Project**
  - **Scheduling, production and dispatch of power**
  - **Establishing procedures for each party's water allocation, budgeting for annual project costs and calculating each party's required contribution to fund annual project costs**

# Committee Members

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- **Members of the committee include the Alaska Industrial Development and Export Authority (AIDEA) and the five power purchasers:**
  - Chugach Electric Association, Inc.
  - Golden Valley Electric Association, Inc.
  - Municipality of Anchorage (Municipal Light and Power)
  - City of Seward (Seward Electric System)
  - Alaska Electric Generation & Transmission Cooperative, Inc. (AEG&T)
    - Homer Electric Association, Inc.
    - Matanuska Electric Association, Inc.

# Establishment of Trust Funds

- **AIDEA's Power Revenue Bond Resolution established the following funds held by AIDEA through the Corporate Trust Department of US Bank:**
  - Revenue Fund
  - Operating Fund
  - Debt Service Fund
  - Excess Investment Earnings Fund
  - Capital Reserve Fund
  - Renewal & Contingency Fund

# Significant Accounting Policies

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- **AIDEA performs the accounting transactions and budget variance reporting functions**
- **Deposits are made into the Revenue Fund, which transfers amounts approximately equal to one-twelfth of the annual operating and maintenance budget into the Operating Fund monthly**
- **Additional transfers are made from the Revenue Fund to the Debt Service Fund to satisfy semiannual interest and annual principal payments on outstanding bonds payable**

# Revenue and Expense Recognition

- **Utility contributions are recognized as revenue when due under the terms of the Power Sales Agreement**
- **Transfers from other funds are recognized when the transfer is made and interest earnings are recognized when received**
- **Operating and maintenance expenses are recognized when incurred, while interest and principal transfers to Debt Service Fund are recognized when paid**
- **Purchases of fixed asset replacements are expensed when purchased (or amortized if funded from the Renewal and Contingency Fund)**

# Renewal and Contingency Fund

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- This fund is a reserve used by the participants to fund capital additions or improvements to the project
- Expenditures made from the fund are required to be paid back over a four year period
- Each participant is responsible for replenishing the fund according to their purchaser share percentage

# Bradley Lake Project Budget

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- **The project's annual operating and capital budget is:**
  - **Developed by the participants through the Budget Subcommittee**
  - **Approved by the PMC**
- **Budget versus actual variances are reviewed by the Budget Subcommittee**

# Bradley Lake Project Financial Statements

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- Financial statements are prepared annually in compliance and conformity with the trust fund accounting requirements specified in AIDEA's Power Revenue Bond Resolution
- An audit of the project's financial statements is performed annually in accordance with generally accepted auditing standards by an independent accounting firm
- Results of the annual audit are:
  - Reviewed by the Budget Subcommittee
  - Presented to and accepted by the PMC

# Chugach's Accounting Treatment of Bradley Lake Expenses

- Chugach does not own any portion of the Bradley Lake Hydroelectric Project
- Chugach is a power purchaser under the Power Sales Agreement with a 30.4% share
- Under the take-or-pay commitment of the Power Sales Agreement all participants agree to pay the costs of the Project even if no energy is produced
- Payments to AIDEA by Chugach under the Power Sales Agreement for Bradley Lake are treated as a purchased power expense
- These costs are recovered from the ratepayers through the fuel and purchased power surcharge mechanism