

Chugach Electric Association

Treasurer's Report

June 2002

Chugach closed June 2002 with year-to-date operating revenues of \$91.4 million and a total cost of electric service of \$88.1 million.

Year-to-date kilowatt-hour sales totaled 1.2 billion kwh which were 4.6 percent lower than the budget due to economy energy sales to Golden Valley Electric being 53.2 percent lower than projected.

Revenue from sales totaled \$90.0 million year-to-date compared to the \$93.0 million budgeted. Economy energy revenue decreased from the amount budgeted due to the lower than expected kilowatt-hour sales.

The net result of revenue and expenses as of the end of June is margins totaled \$3.9 million compared to the anticipated \$4.1 million shown in the 2002 revised budget. These results give Chugach a Margins For Interest ratio (MFI/I) of 1.27 and an equity-to-total-capitalization ratio of 25.2 percent.

MFI/I compares a cooperative's total annual margins to its total annual interest obligations and we are currently required to achieve an MFI/I of 1.20 or higher to meet our bond covenants. The equity-to-total-capitalization ratio represents how much of the cooperative's assets are "owned" by the members. In Chugach's case, 25 percent of the cooperative's assets are financed by members' equity and 75 percent is debt-financed. Chugach targets its equity ratio between 25 and 30 percent. Currently Chugach is meeting the minimum target. Chugach is anticipating an equity ratio of 25.6 percent by year-end.

For year-end 2002 the current forecast anticipates \$176.9 million in operating revenues, a total cost of electric service of \$169.6 million and net margins of \$8.7 million. These results would allow Chugach to close the year with an MFI/I of 1.33, exceeding the indenture requirement of 1.20.

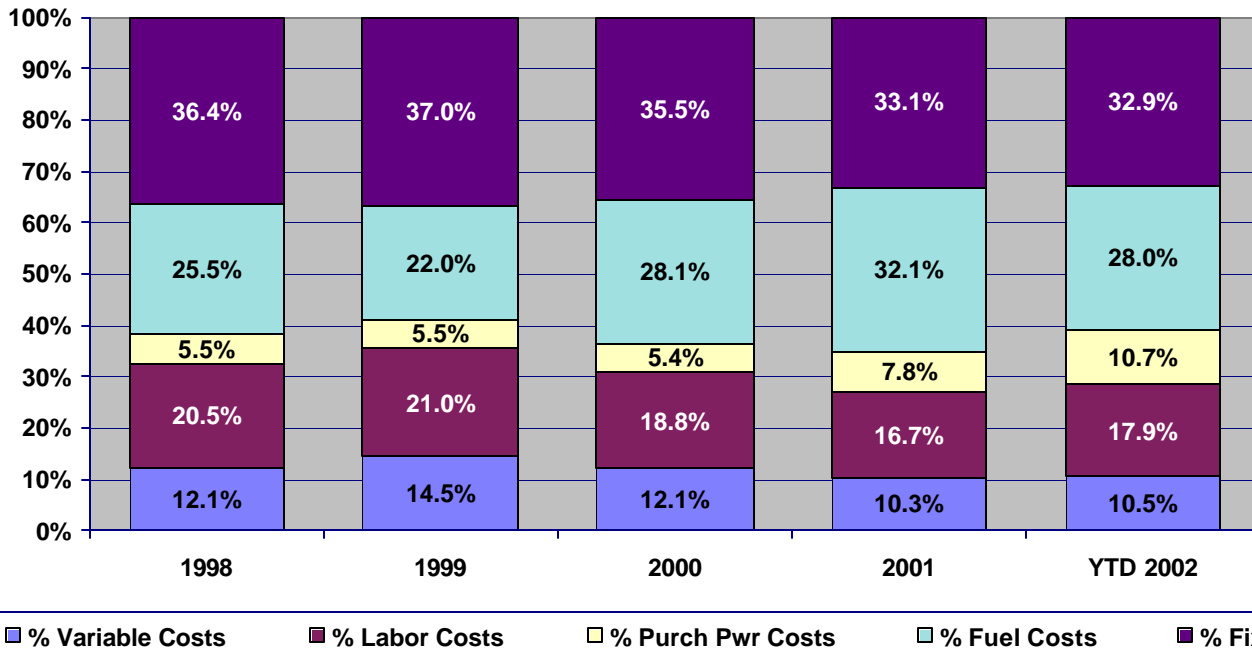
Chugach's Audit Committee has been heavily involved in reviewing the Association's activities in 2002, including capital credits retirement options, actual versus budgeted capital expenditures, capital improvement progress and quarterly Securities and Exchange Commission filings. In looking to the future the committee is also reviewing year-to-year expense trends and the Southern Intertie project and evaluating economic updates.

Chugach completed three major projects in the first half of 2002. The Campbell Lake Substation to Klatt Substation 34.5-kilovolt line was completed at a total cost of \$3.4 million. The Sand Lake Substation upgrade was completed at a cost of \$2.8 million and a hot gas path inspection of Beluga Unit No. 3 was completed for approximately \$3.4 million.

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Total Cost of Service (% Breakdown)



The above graph illustrates the major components of Chugach's total cost of electric service for the last five years. Fixed costs, which include facility and line leases, depreciation and amortization and interest costs, combined with the cost of fuel are the largest contributors to our total cost of electric service on an annual basis.

