

CHUGACH ELECTRIC ASSOCIATION, INC.
2008-2012 Financial Management Plan (FMP) Guidance

Finance Committee
August 22, 2007

2008-2012 FMP Components

- Approved 2008 Operating Budget
- Approved 2008-2012 Capital Improvement Program (CIP)
- Proposed rates from the 2005 Test Year Cost of Service Study (as modified by the settlement agreement)
- 2008-2012 Load Forecast
- 2005 Depreciation Study Rates (as modified by the settlement agreement)

2008-2012 FMP Overview

- Planning target consistent throughout all plans
- Coordinate effort to update each plan and flow results to other plans
- Utilize growth projections from sales forecast and historical inflation information
- Coordinate internal expense levels with operating divisions
- Coordinate with the approved CIP

2008-2012 FMP Targets

- Margins for Interest/Interest
 - Corporate : 1.25
 - Distribution: 1.60
 - Generation & Transmission (G&T): 1.10
- Equity Ratio
 - Corporate: 30%*
 - Distribution: 45%
 - G&T: 20%
- Capital Credit Rotation
 - Target 50% of prior year's margins (subject to sensitivity analysis)

*Minimum of 25%

2008-2012 FMP Results

- The following segments will be presented for review and discussion
 - Business Plan / Unbundled Business Plan
 - Equity Management Plan
 - Debt Management Plan
 - Potential Contemplated Rate Action

2008-2012 FMP Proposed Sensitivities

- Capital Credit Rotation
 - 0%, 20%, 35%, 50%, and 65% of prior year's margins
 - Impact to Equity Ratio, Capital Credit rotation period

Variables Affecting Equity Level

- Growth rate in capitalization
 - Capital investments made
 - New debt/Retired debt
- Margins achieved
- Capital credit rotation cycle

2008-2012 FMP Review Schedule

- January 2008
 - Recommendation for approval of 2008-2012 FMP from Finance Committee* to Board of Directors

*or equivalent

Discussion