

CHUGACH ELECTRIC ASSOCIATION, INC.
2007-2011 Financial Management Plan (FMP) Guidance

Finance Committee
August 23, 2006

2007-2011 FMP Components

- ❖ Approved 2007 Operating Budget
- ❖ Approved 2007-2011 Capital Improvement Program (CIP)
- ❖ Proposed rates from the 2005 Test Year Cost of Service Study (implemented in 2008)
- ❖ 2007-2011 Load Forecast
- ❖ 2005 Depreciation Study Rates (implemented in 2008)

2007-2011 FMP Overview

- ❖ Update and formalize all plans into a “Financial Management Plan”
- ❖ Establish a multi departmental Business Plan Task Force to accomplish this goal

2007-2011 FMP Overview continued

- ❖ 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 Capital Improvement Plan

2007-2011 FMP Targets

❖ Margins for Interest/Interest

- Corporate : Minimum 1.20
- Distribution: 1.60
- Generation & Transmission (G&T): 1.20

❖ Equity Ratio

- Corporate: Minimum 25%
- Distribution: 45%
- G&T: 20%

2007-2011 FMP Targets continued

❖ Capital Credit Rotation

- Maximum 50% of prior year's margins
- All capital credit rotations are to Retail customers
 - Exception: Wholesale rotations in accordance with Settlement Agreement (2007-2009)

2007-2011 FMP Results

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

2007-2011 FMP Proposed Sensitivities

❖ Capital Credit Rotation

- 0%, 20%, 35% and 50% 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

2007-2011 FMP Review Schedule

❖ January 2007

- Recommendation for approval of 2007-2011 FMP from Finance Committee to Board of Directors



DISCUSSION