

Chugach Electric Association, Inc.
Finance Committee
September 9, 2009



What is Equity?

- Revenue – Total Cost of Electric Service = Margins
- Margins become equity.
- Represents the accumulation of annual margins less capital credits paid out.
- Equity reflects the member's ownership in the utility.



Margins and Equities (Balance Sheet)

	<u>July 2009</u>
Memberships	\$ 1,412,788
Patronage Capital (Assigned Margins)	135,569,218
Prior Year Margins (2008)	6,411,750
Current Year Margins (2009)	884,424
Other Margins & Equities	10,271,999
Total Margins & Equities	\$ <u>154,550,179</u>



Patronage Capital (Assigned Margins)

Patronage Capital		July 2009
Retail	\$	122,888,673
Matanuska Electric		9,328,886
Homer Electric		6,435,805
Seward		728,254
Estate Payments		(3,812,400)
Total Patronage Capital	\$	135,569,218



Why is equity important?

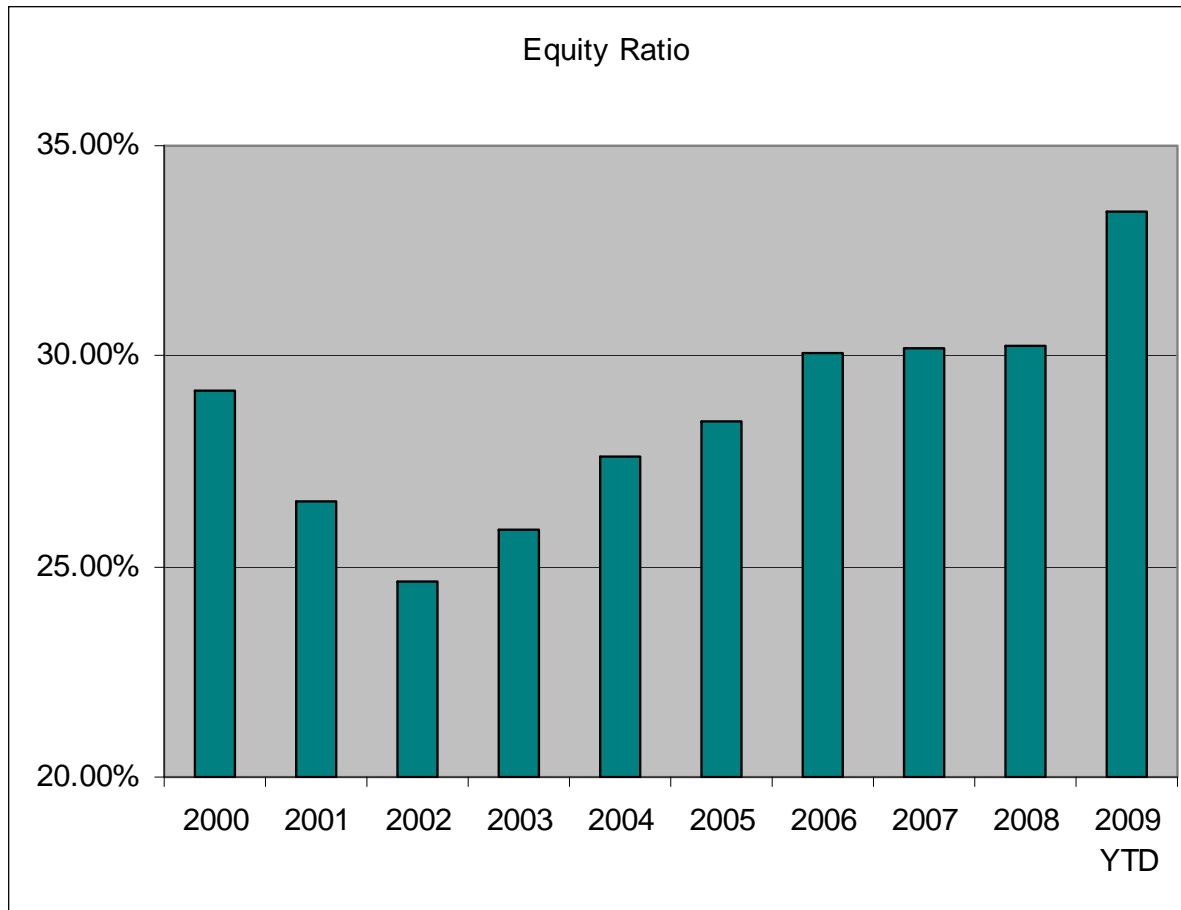
- Two major funding sources: Long-Term Debt and Equity
- Indicator of the utility's financial health. Monitored by:
 - Rating Agencies
 - Lenders
 - Regulators
- Measured using the Equity Ratio
(exclusive of Commercial paper balances-short-term debt)
Equity Ratio as of July 31, 2009 is 33.41%

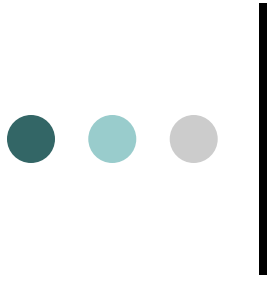
$$\frac{\text{Total Equity}}{\text{Total Equity} + \text{Long Term Debt}} = \frac{154,550,179}{154,550,179 + 308,070,738}$$

- The members “own” 33.41% of Chugach. Lenders have funded the remaining 66.59% through debt.
- This percentage of ownership is considered healthy by the evaluators standards.



10 Year Equity Ratio Comparison





Questions?