

# Chugach Electric Association, Inc

## CIP Project Authorization

October 8, 2003

# Overview

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- ❖ Timeline
- ❖ Project Classifications
- ❖ Project Economic Justification
- ❖ Review and Approval Process
- ❖ Financial Targets for 2004 – 2008 Capital Improvement Program
- ❖ 2004 – 2008 CIP Guidelines

# Timeline

TASK	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
Develop 5-year maintenance and capital improvement plans	■	■	■	■	■				
Update long range plans	■	■	■	■	■				
Prepare planning cost estimates and project budgets				■	■	■	■	■	
Management review of cost estimates and project budgets						■	■	■	
Consolidate division budgets and cost estimates						■	■	■	
BPC preliminary review							■		
BPC final review/approval								■	
Finance Committee review									■
Board of Directors review/approval									■
	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV

# CIP Project Classifications

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## ❖ Capitalized Maintenance

- Smaller retirement unit (SRU) maintenance

## ❖ Capital Improvements

- Safety
- Agency mandated
- Service to new customers
- Incremental load growth
- Reliability
- Operating efficiency

## ❖ Information Technology/Deferred Studies

- New software implementation
- New business offerings

# CIP Projects Economic Justification

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## ❖ Reliability Projects

- Outage reduction
  - Measured by the Value of Unserved Energy (VUE)
- Reduced maintenance costs

## ❖ Operating Efficiency

- Net present value of cashflows

## ❖ New Business Offerings

- Financial or strategic criteria

# CIP Review and Approval Process



## CRITERIA CONSIDERED

1. Is the project consistent with long-range plans?
2. Is the project justified and how?
3. Is the cost estimate consistent with divisional cost estimating standards?
4. Is the budget reasonable?
5. Are the corporate business planning criteria met?

# Financial Targets for 2004 – 2008 Capital Improvement Program (CIP)

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## ❖ Match depreciation & amortization expense

### ■ Capital

- Approximately \$169 million over 5 year period
  - Capitalized Maintenance
  - Capital Improvement Projects
    - Obligation to Serve
    - Reliability & Operating Efficiency

### ■ Amortized Projects

- Approximately \$7.5 million over 5 year period
  - Deferred Studies
  - IT Projects

### ■ Total approximately \$176.5 million over 5 years