

# Chugach Electric Association, Inc 2007 Operating Budget

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Finance Committee

October 30 and 31, 2006

# Finance Committee 2007 Budget Review Schedule

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## ❖ Monday, October 30, 2006

- Introduction (*Bill Stewart*)
- 2007 Operating Budget Overview (*Mike Cunningham*)
- 2007 Corporate Operating Budget (*Bill Stewart*)
- 2007 Finance Operating Budget (*Mike Cunningham*)

# Finance Committee 2007 Budget Review Schedule (Continued)

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## ❖ Tuesday, October 31, 2006

- 2007 Power Delivery Operating Budget (*Lee Thibert*)
- 2007 Power Supply Operating Budget (*Brad Evans*)
- New Generation Plan/2007-2011 Capital Improvement Program (*Mark Fouts*)
- 2007 Operating Budget and 2007-2011 Capital Improvement Program Recommendation

# Introduction

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- ❖ Projected 2007 Financial Results
  - Margins - \$9.1 million
  - MFI/I – 1.37
  - Equity Ratio – 30.9%

# Operational/Strategic Challenges

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- ❖ 2005 Rate Case
- ❖ Provide a high level of service to our members
- ❖ Plan for an aging workforce
- ❖ Maximize use of limited resources
- ❖ Long range planning for generation configurations
- ❖ Long range maintenance planning for aging units
- ❖ Sarbanes-Oxley Section 404 compliance

# Operating Budget Overview

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2007 Operating Budget  
Mike Cunningham

# 2007 Budget Planning Criteria

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- ❖ Meet or exceed reliability targets (CAIDI/SAIDI)
- ❖ Achieve Margins for Interest (MFI/I) greater than 1.25
- ❖ Achieve an Equity Ratio greater than 25%
- ❖ Maintain cost control measures across the entire budget
- ❖ Continue to investigate new methods and procedures to improve efficiencies

# Major Assumptions for 2007 Budget

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## ❖ Sales forecast

- Assumes similar system sales as the 2006 forecast

## ❖ Revenue forecast

- Uses rates established in the 2000 Test Year Rate Case

## ❖ Depreciation rates

- Implementation of the 2005 Depreciation Study rates pending RCA approval

## ❖ Capital Credit Rotation

- Assumes retirement of 50% of prior year's margins

# 2007 Operating Budget Financial Results

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- ❖ Margins of \$9.1 million
- ❖ MFI/I of 1.37
  - Exceeds the targeted MFI/I of 1.25
- ❖ Equity ratio of 30.9%
  - Exceeds the targeted equity ratio of 25%

# 2007 Operating Expense Comparison

Category	2006 Projection	2007 Budget	Variance	% Variance
Fuel	117,343,904 <sup>(1)</sup>	124,055,397	6,711,493	6%
Other Power Production	14,819,807	14,761,723	(58,084)	0%
Purchased Power	29,947,789 <sup>(1)</sup>	30,964,254	1,016,465	3%
Transmission	6,040,942	6,134,258	93,316	2%
Distribution	11,203,938	11,807,952	604,014	5%
Customer	5,298,559	5,475,075	176,516	3%
General & Administrative	17,934,325	18,309,786	375,461	2%
<b>Total</b>	<b>\$202,589,264</b>	<b>\$211,508,445</b>	<b>\$8,919,181</b>	<b>4%</b>

Excluding fuel and purchased power, total operating expenses increased approximately 2%

<sup>(1)</sup> Projection is based on 9 months actual and 3 months forecast

# Comparative Statement of Operations

	2006 Budget	2006 Projection <sup>(1)</sup>	2007 Budget
<b>1 Total Revenue</b>	<b>\$269,620,829</b>	<b>\$264,847,156</b>	<b>\$274,984,563</b>
<b>2 Total O&amp;M</b>	<b>205,433,777</b>	<b>202,589,264</b>	<b>211,508,445</b>
<b>3 Depreciation &amp; Amortization</b>	29,358,247	28,584,332	30,864,063
<b>4 Tax Expense - Other</b>	856,735	819,868	872,123
<b>5 Interest on LTD</b>	23,448,911	24,226,607	24,588,211
<b>6 Interest Charged to Construction (CR)</b>	(929,825)	(472,958)	(1,170,950)
<b>7 Interest Expense - Other</b>	126,666	60,000	400,000
<b>8 Other Deductions</b>	300,000	300,158	300,000
<b>9 Total Cost of Electric Service</b>	<b>\$258,594,511</b>	<b>\$256,107,271</b>	<b>\$267,361,892</b>
<b>10 Patronage Capital/Margins</b>	11,026,318	8,739,885	7,622,671
<b>11 Non-Operating Margins</b>	1,127,180	1,469,241	1,512,127
<b>12 Patronage Capital/Margins</b>	<b>\$12,153,498</b>	<b>\$10,209,126</b>	<b>\$9,134,798</b>
	<b>MFI/I</b>	<b>1.52</b>	<b>1.42</b>
			<b>1.37</b>

<sup>(1)</sup> Projection is based on 9 months actual and 3 months forecast

# Distribution Statement of Operations

	2006 Budget	2006 Projection <sup>(1)</sup>	2007 Budget
<b>1 Total Revenue</b>	<b>\$55,697,530</b>	<b>\$54,943,650</b>	<b>\$56,039,968</b>
<b>2 Distribution Expense</b>	11,216,401	11,203,938	11,807,952
<b>3 Customer Expense</b>	5,371,110	5,298,559	5,475,075
<b>4 General &amp; Admin Expense</b>	7,263,650	9,238,877	9,298,838
<b>5 Total O&amp;M</b>	<b>23,851,161</b>	<b>25,741,374</b>	<b>26,581,865</b>
<b>6 Depreciation &amp; Amortization</b>	10,153,286	10,293,024	10,463,277
<b>7 Tax Expense - Other</b>	736,292	707,515	751,164
<b>8 Interest on LTD</b>	9,881,598	6,950,419	7,004,443
<b>9 Interest Charged to Construction (CR)</b>	(312,553)	(256,001)	(598,473)
<b>10 Interest Expense - Other</b>	41,910	30,666	204,440
<b>11 Other Deductions</b>	131,312	80,340	156,001
<b>12 Total Cost of Electric Service</b>	<b>\$44,483,006</b>	<b>\$43,547,337</b>	<b>\$44,562,717</b>
<b>13 Patronage Capital/Margins</b>	11,214,524	11,396,313	11,477,251
<b>14 Non-Operating Margins</b>	685,560	1,002,563	837,701
<b>15 Patronage Capital/Margins</b>	<b>\$11,900,084</b>	<b>\$12,398,876</b>	<b>\$12,314,952</b>
	<b>MFVI</b>	<b>2.20</b>	<b>2.78</b>
			<b>2.76</b>

(1) Projection is based on 9 months actual and 3 months forecast

# G&T Statement of Operations

	2006 Budget	2006 Projection <sup>(1)</sup>	2007 Budget
<b>1 Total Revenue</b>	<b>\$213,923,299</b>	<b>\$209,903,506</b>	<b>\$218,944,595</b>
<b>2 Fuel Expense</b>	120,390,043	117,343,904	124,055,397
<b>3 Power Production Expense</b>	14,776,719	14,819,807	14,761,723
<b>4 Purchased Power Expense</b>	30,329,556	29,947,789	30,964,254
<b>5 Transmission Expense</b>	6,122,921	6,040,942	6,134,258
<b>6 General &amp; Admin Expense</b>	9,963,377	8,695,448	9,010,948
<b>7 Total O&amp;M</b>	<b>\$181,582,616</b>	<b>\$176,847,890</b>	<b>\$184,926,580</b>
<b>8 Depreciation &amp; Amortization</b>	19,204,961	18,291,308	20,400,786
<b>9 Tax Expense - Other</b>	120,443	112,353	120,959
<b>10 Interest on LTD</b>	13,567,313	17,276,188	17,583,768
<b>11 Interest Charged to Construction (CR)</b>	(617,272)	(216,957)	(572,477)
<b>12 Interest Expense - Other</b>	84,756	29,334	195,560
<b>13 Other Deductions</b>	168,688	219,818	143,999
<b>14 Total Cost of Electric Service</b>	<b>\$214,111,505</b>	<b>\$212,559,934</b>	<b>\$222,799,175</b>
<b>15 Patronage Capital/Margins</b>	(188,206)	(2,656,428)	(3,854,580)
<b>16 Non-Operating Margins</b>	441,620	466,678	674,426
<b>17 Patronage Capital/Margins</b>	<b>\$253,414</b>	<b>(\$2,189,750)</b>	<b>(\$3,180,154)</b>
	<b>MFI/I</b>	<b>1.02</b>	<b>0.87</b>
			<b>0.82</b>

(1) Projection is based on 9 months actual and 3 months forecast

# 2007 Projected Cash Flows

	<u>2007 Budget</u>	<u>G&amp;T</u>	<u>Distribution</u>
<b>1</b> Cash flows from operating activities:			
<b>2</b> Assignable margins	9,134,798	(3,180,155)	12,314,953
<b>3</b> Depreciation & Amortization	33,634,842	22,310,154	11,324,688
<b>4</b> Capitalized interest	(1,672,786)	(817,825)	(854,961)
<b>5</b> Materials and Supplies	(2,882,701)	(2,862,866)	(19,835)
<b>6</b> Deferred Debits	(956,169)	(487,055)	(469,114)
<b>7</b> Net cash provided by operating activities	<b>37,257,984</b>	<b>14,962,253</b>	<b>22,295,731</b>
<b>8</b> Investing activities:			
<b>9</b> Extension and replacement of plant	(46,385,290)	(28,225,218)	(18,160,072)
<b>10</b> Net cash used for investing activities	<b>(46,385,290)</b>	<b>(28,225,218)</b>	<b>(18,160,072)</b>
<b>11</b> Proceeds from short-term instruments	12,000,000	8,534,781	3,465,219
<b>12</b> Repayments of long-term obligations	(9,228,573)	(6,563,655)	(2,664,918)
<b>13</b> Retirement of patronage capital	(3,000,000)	(79,079)	(2,920,921)
<b>14</b> Net cash used for financing activities	<b>(228,573)</b>	<b>1,892,047</b>	<b>(2,120,620)</b>
<b>15</b> Net increase (decrease) in cash	<b>(9,355,879)</b>	<b>(11,370,918)</b>	<b>2,015,039</b>
<b>16</b> Cash at beginning of period	11,000,000	0	11,000,000
<b>17</b> Cash at end of period	1,644,121	(11,370,918)	13,015,039

# Kwh Sales Comparison

	<b>2006 Budget</b>	<b>2006 Projection<sup>(1)</sup></b>	<b>2007 Budget</b>	<b>% Variance<sup>(2)</sup></b>
Retail	1,237,652,197	1,221,370,878	1,240,246,148	
Wholesale	1,263,548,081	1,251,400,984	1,251,974,653	
<b>Total Firm Sales</b>	<b>2,501,200,278</b>	<b>2,472,771,862</b>	<b>2,492,220,801</b>	<b>0.8%</b>
Economy Energy	352,911,000	276,157,390	252,517,289	
<b>Total kWh Sales</b>	<b>2,854,111,278</b>	<b>2,748,929,252</b>	<b>2,744,738,090</b>	<b>-0.2%</b>

(1) Projection is based on 9 months actual and 3 months forecast

(2) Variance is between 2006 Projection and 2007 Budget

# Retail Kwh Sales Comparison

	<b>2006 Budget</b>	<b>2006 Projection<sup>(1)</sup></b>	<b>2007 Budget</b>	<b>% Variance<sup>(2)</sup></b>
Residential	569,142,617	559,206,684	570,401,249	
Small Commercial	117,191,496	115,793,772	117,466,501	
Large Commercial	546,678,084	541,658,625	547,769,078	
Lighting	4,640,000	4,711,797	4,609,320	
<b>Total kWh Sales</b>	<b>1,237,652,197</b>	<b>1,221,370,878</b>	<b>1,240,246,148</b>	<b>1.5%</b>

(1) Projection is based on 9 months actual and 3 months forecast

(2) Variance is between 2006 Projection and 2007 Budget

# Wholesale Kwh Sales Comparison

	2006 Budget	2006 Projection <sup>(1)</sup>	2007 Budget	% Variance <sup>(2)</sup>
Matanuska Electric	713,572,900	718,088,602	727,810,000	
Homer Electric	486,228,671	474,243,588	460,223,842	
Seward Electric	63,746,510	59,068,794	63,940,811	
<b>Total Firm Sales</b>	<b>1,263,548,081</b>	<b>1,251,400,984</b>	<b>1,251,974,653</b>	<b>0.0%</b>
Economy Energy	352,911,000	276,157,390	252,517,289	
<b>Total kWh Sales</b>	<b>1,616,459,081</b>	<b>1,527,558,374</b>	<b>1,504,491,942</b>	<b>-1.5%</b>

(1) Projection is based on 9 months actual and 3 months forecast

(2) Variance is between 2006 Projection and 2007 Budget

# Revenue Comparison

	2006 Budget	2006 Projection <sup>(1)</sup>	2007 Budget	% Variance <sup>(3)</sup>
Retail	152,258,060	151,311,986	157,239,259	
Wholesale	92,392,597	93,565,332	97,555,400	
Economy	22,362,377	17,158,962	17,267,404	
<b>Total Sales Revenue</b>	<b>\$267,013,034</b>	<b>\$262,036,280</b>	<b>\$272,062,063</b>	
Other <sup>(2)</sup>	2,607,795	2,810,872	2,922,500	
<b>Total Revenue</b>	<b>\$269,620,829</b>	<b>\$264,847,152</b>	<b>\$274,984,563</b>	<b>4%</b>

(1) Projection is based on 9 months actual and 3 months forecast

(2) Includes wheeling, rental, late fees, damage claims, Commercial Microwave and other misc. revenue

(3) Variance is between 2006 Projection and 2007 Budget

# Distribution Revenue Comparison

	2006 Budget	2006 Projection <sup>(1)</sup>	2007 Budget	% Variance <sup>(3)</sup>
Residential	30,412,914	29,888,415	30,509,875	
Small Commercial	5,721,352	5,646,646	5,745,608	
Large Commercial	16,856,746	16,683,280	17,081,267	
Lighting	1,137,518	1,102,426	1,098,218	
<b>Total Sales Revenue</b>	<b>\$54,128,530</b>	<b>\$53,320,767</b>	<b>\$54,434,968</b>	
Other <sup>(2)</sup>	1,569,000	1,622,879	1,605,000	
<b>Total Revenue</b>	<b>\$55,697,530</b>	<b>\$54,943,646</b>	<b>\$56,039,968</b>	<b>2.0%</b>

<sup>(1)</sup> Projection is based on 9 months actual and 3 months forecast

<sup>(2)</sup> Includes rental, late fee, damage claims and other misc. revenue

<sup>(3)</sup> Variance is between 2006 Projection and 2007 Budget

# G&T Revenue Comparison

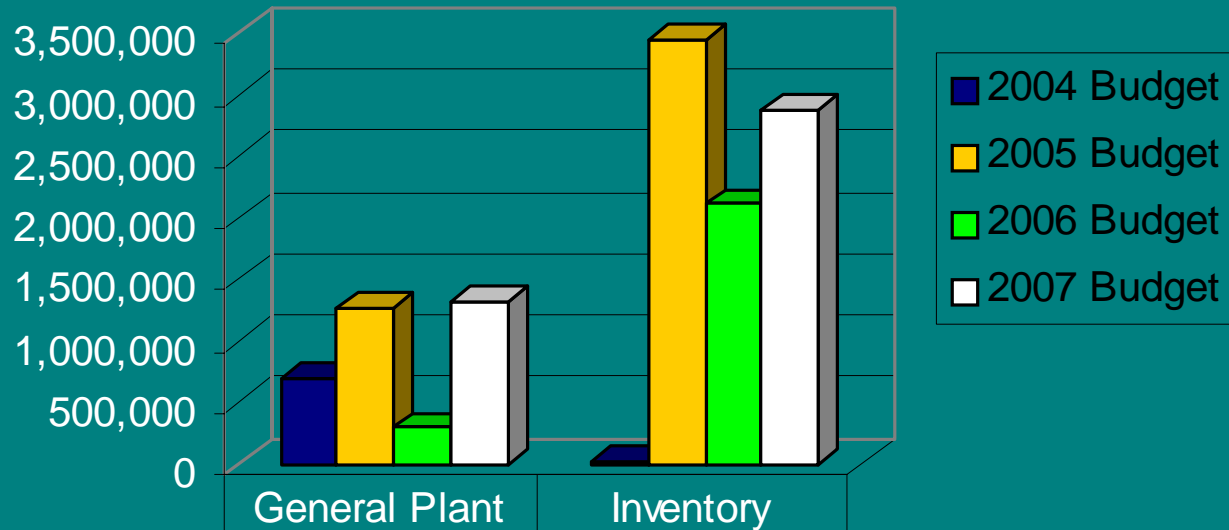
	<b>2006 Budget</b>	<b>2006 Projection<sup>(1)</sup></b>	<b>2007 Budget</b>	<b>% Variance<sup>(3)</sup></b>
Retail	98,129,532	97,991,221	102,804,290	
Matanuska Electric	53,889,318	55,028,445	58,002,945	
Homer Electric	34,387,330	34,555,415	34,997,945	
Seward Electric	4,115,951	3,981,472	4,554,510	
Economy	22,362,377	17,158,962	17,267,404	
<b>Total Sales Revenue</b>	<b>\$212,884,508</b>	<b>\$208,715,515</b>	<b>\$217,627,094</b>	
Other <sup>(2)</sup>	1,038,791	1,187,993	1,317,500	
<b>Total Revenue</b>	<b>\$213,923,299</b>	<b>\$209,903,508</b>	<b>\$218,944,594</b>	<b>4.3%</b>

(1) Projection is based on 9 months actual and 3 months forecast

(2) Includes wheeling, rental, damage claims, Commercial Microwave and other misc. revenue

(3) Variance is between 2006 Projection and 2007 Budget

# General Plant & Inventory



	General Plant	Inventory
2004 Budget	695,756	26,500
2005 Budget	1,261,998	3,455,465
2006 Budget	292,498	2,118,800
2007 Budget	1,313,675	2,882,701

# Budgeted Equity Ratio

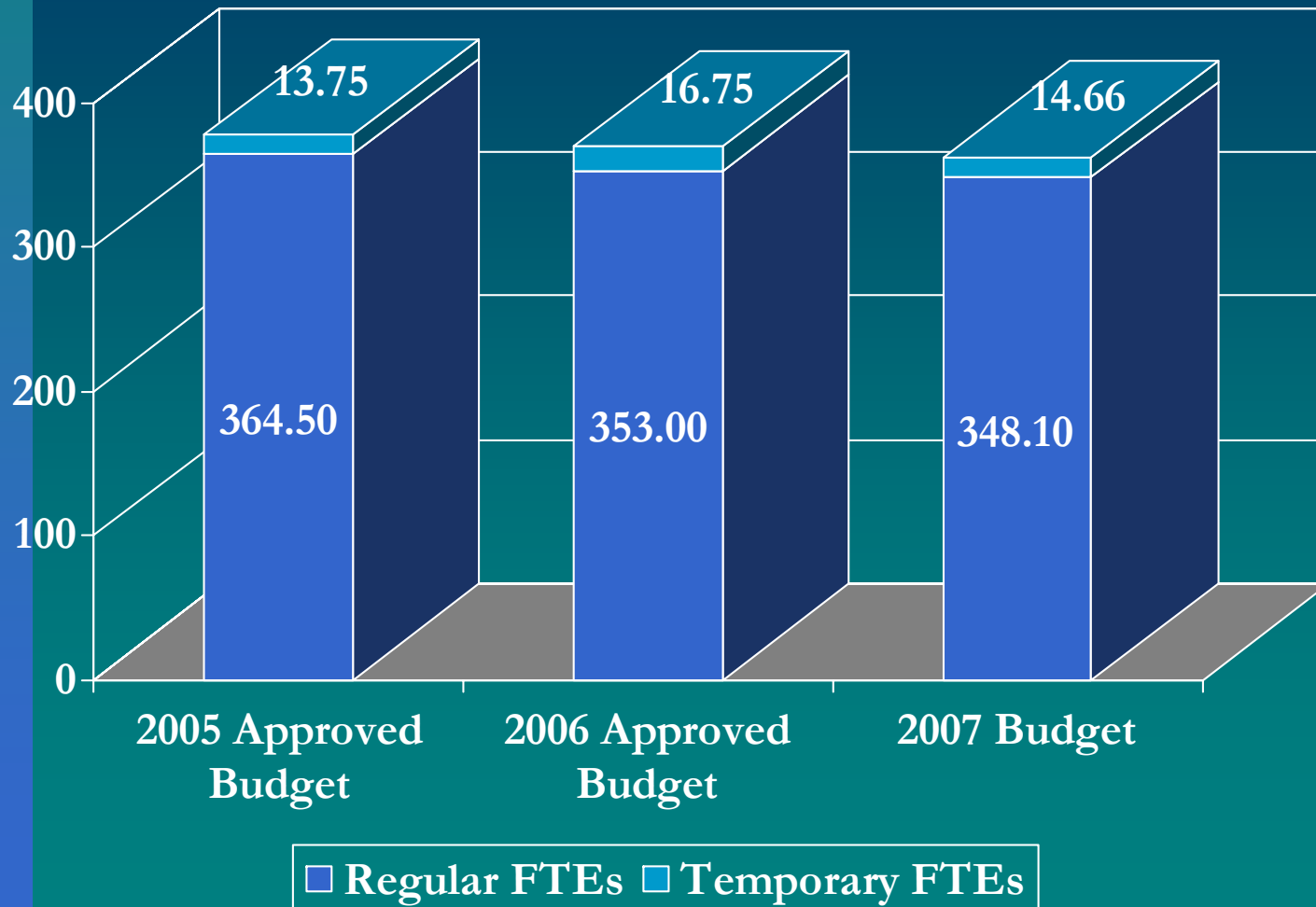
## Projected Ending Equity (2006):

Total Equity (December 2005)	145,039,152
Plus: 2006 Projected Margins:	10,209,126
Less: 2006 Capital Credits Rotation	(4,757,365)
2006 Ending Equity	150,490,913
2006 Ending Long Term Debt	355,303,530
<b>2006 Projected Equity Ratio:</b>	<b>29.8%</b>

## Projected Ending Equity (2007):

Total Equity (December 2006)	150,490,913
Plus: 2007 Budgeted Margins:	9,134,798
Less: 2007 Capital Credits Rotation	(5,000,000)
2007 Ending Equity	154,625,711
2006 Ending Long Term Debt	355,303,530
2007 Change in Long Term Debt	(9,228,573)
2007 Ending Long Term Debt	<u>346,074,957</u>
<b>2007 Budgeted Equity Ratio:</b>	<b>30.9%</b>

# Position Comparison



# 2007 Total Labor by Business Unit

	<b>2006</b>	<b>2007</b>	<b>Variance</b>	<b>Variance %</b>
Chief Executive Office	5,408,376	5,465,067	56,691	1.0%
Finance	6,998,223	6,588,684	(409,539)	-5.9%
Power Delivery	15,984,930	16,125,386	140,456	0.9%
Power Supply	13,722,457	13,341,375	(381,082)	-2.8%
<b>Total</b>	<b>\$42,113,986</b>	<b>\$41,520,512</b>	<b>(593,474)</b>	<b>-1.4%</b>

# Sensitivity Analysis on 2007 Operating Budget

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## ❖ Revenue

- Change in firm kWh sales of  $-5\%$  and  $5\%$ 
  - Margins between \$5.7 million and \$12.5 million
  - MFI/I between 1.23 and 1.50
  - Equity ratio between  $30.4\%$  and  $31.3\%$

# Sensitivity Analysis on 2007 Operating Budget continued

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## ❖ Economy Energy Sales\*

- Change in kWh sales of  $-20\%$  and  $20\%$ 
  - Impact to consumer's bill of \$2.30 per year

\* Based on average usage of 8,400 kWh per year

# Sensitivity Analysis on 2007 Operating Budget continued

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## ❖ Variable Interest Rates

- Change in variable interest rates of -150 to 150 basis points
  - Margins between \$8.6 million and \$9.9 million
  - MFI/I between 1.34 and 1.41
  - Equity ratio between 30.8% and 31.0%

# Sensitivity Analysis on 2007 Operating Budget continued

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## ❖ Controllable Expenses

- Change in controllable expenses between -10% and +10%
  - Margins between \$7.0 million and \$11.3 million
  - MFI/I between 1.28 and 1.45
  - Equity ratio between 30.6% and 31.2%

# Sensitivity Analysis on 2007 Operating Budget continued

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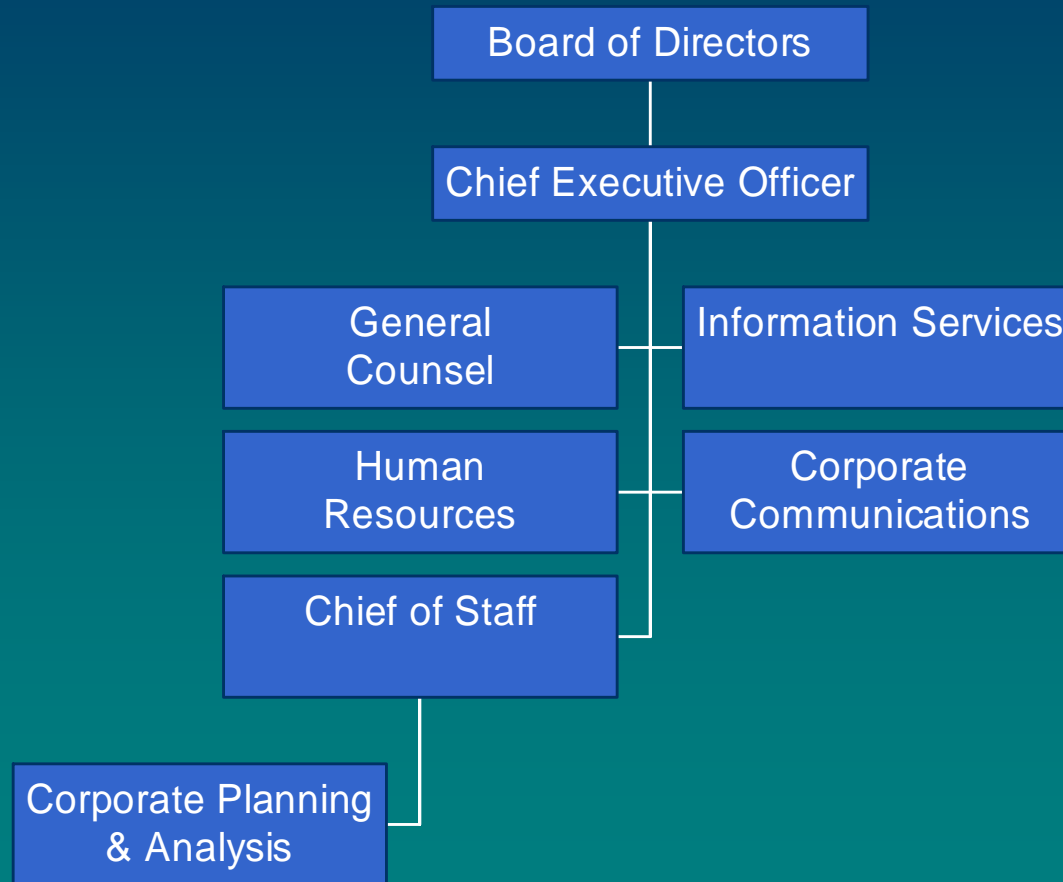
- ❖ 2007 Projected Rotation Period = 19 years
- ❖ Capital Credit Rotation Sensitivities
  - 0% of prior year's margins (\$0)
    - Rotation period = 20 years
    - Equity ratio – 31.6%
  - 20% of prior year's margins (\$2.0 million)
    - Rotation period = 20 years
    - Equity ratio – 31.3%
  - 35% of prior year's margins (\$3.5 million)
    - Rotation period = 20 years
    - Equity ratio – 31.1%

# 2007 Corporate Operating Budget

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Bill Stewart

# Corporate Organizational Structure



# 2006 Accomplishments

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- ❖ Improved coordination among the MOU Partners and CIRI of the potential for a Fire Island wind project
- ❖ Protected utility interests in legislation on eminent domain
- ❖ Enhanced public relations effort to better inform audiences about Chugach activities
- ❖ Implemented new computer access controls that prohibit unauthorized access to our Business network
- ❖ Implemented a new Transmission/Distribution switching application for Dispatchers
- ❖ Implemented a Mobil Mapping system for Service Wagons
- ❖ Completed information services benchmarking study

## 2006 Accomplishments (continued)

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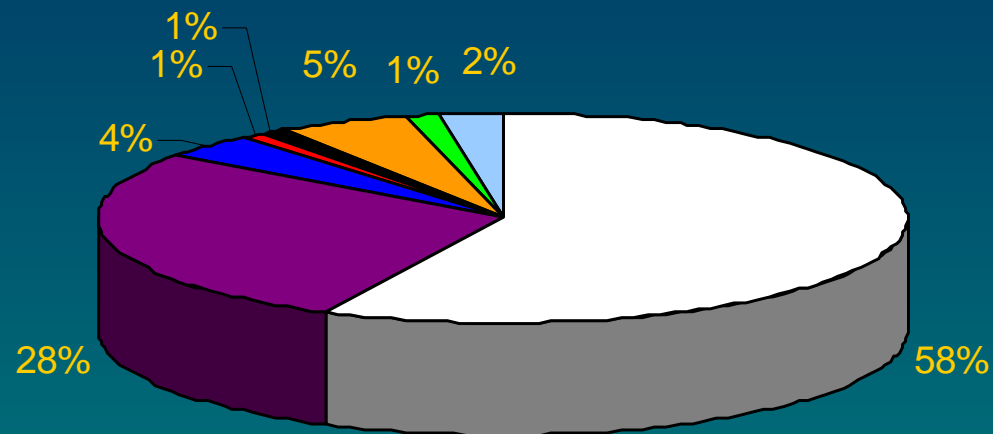
- ❖ Established an extranet website for transfer of rate case filing documents
- ❖ Obtained Commission approval of the 2002 Depreciation Study
- ❖ 2006 Transmission Long Range Plan
- ❖ 2006 Generation Planning Update
- ❖ Updated Strategic Plans
- ❖ Completed the 2007-2011 Capital Improvement Program
- ❖ Implemented an electronic workers compensation claims management system
- ❖ An Equal Employment Opportunity (EEO) audit by the Office of Federal Contract Compliance Programs found Chugach in compliance with no violations

# 2007 Operational/Strategic Challenges

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- ❖ Seward Power Sales Agreement docket, MEA Capital Credit dispute litigation, Torrey litigation, MEA vs. Chugach (Palmer cases) and the 2005 Rate Case
- ❖ Joint Railbelt activities, corporate governance and structure matters and new generation issues
- ❖ Labor Negotiations

# Chief Executive Office 2007 Expense Budget

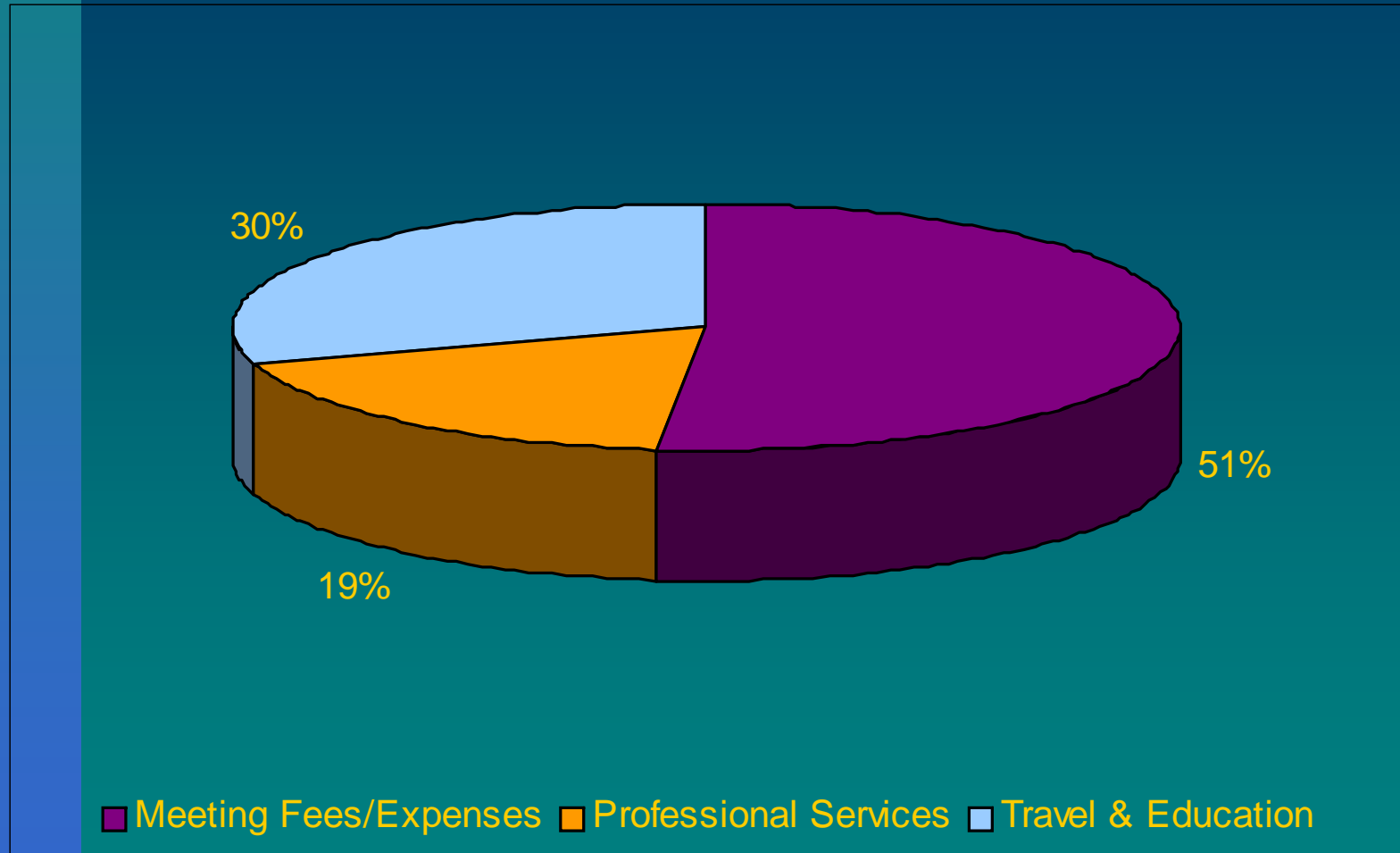


- Labor
- Allowable Contributions (BP 119)
- Other
- Transportation & Freight
- Corporate Dues
- Material & Supplies
- Professional Services
- Travel & Education

# Chief Executive Office Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	495,844	432,420	
<b>Corporate Dues</b>	241,817	249,627	
<b>Allowable Contributions (BP 119)</b>	35,000	35,000	
<b>Material &amp; Supplies</b>	9,000	9,000	
<b>Other</b>	7,670	7,670	
<b>Professional Services</b>	45,000	45,000	
<b>Transportation &amp; Freight</b>	13,000	13,000	
<b>Travel &amp; Education</b>	20,850	16,760	
<b>Total</b>	<b>\$868,181</b>	<b>\$808,477</b>	<b>7.4%</b>

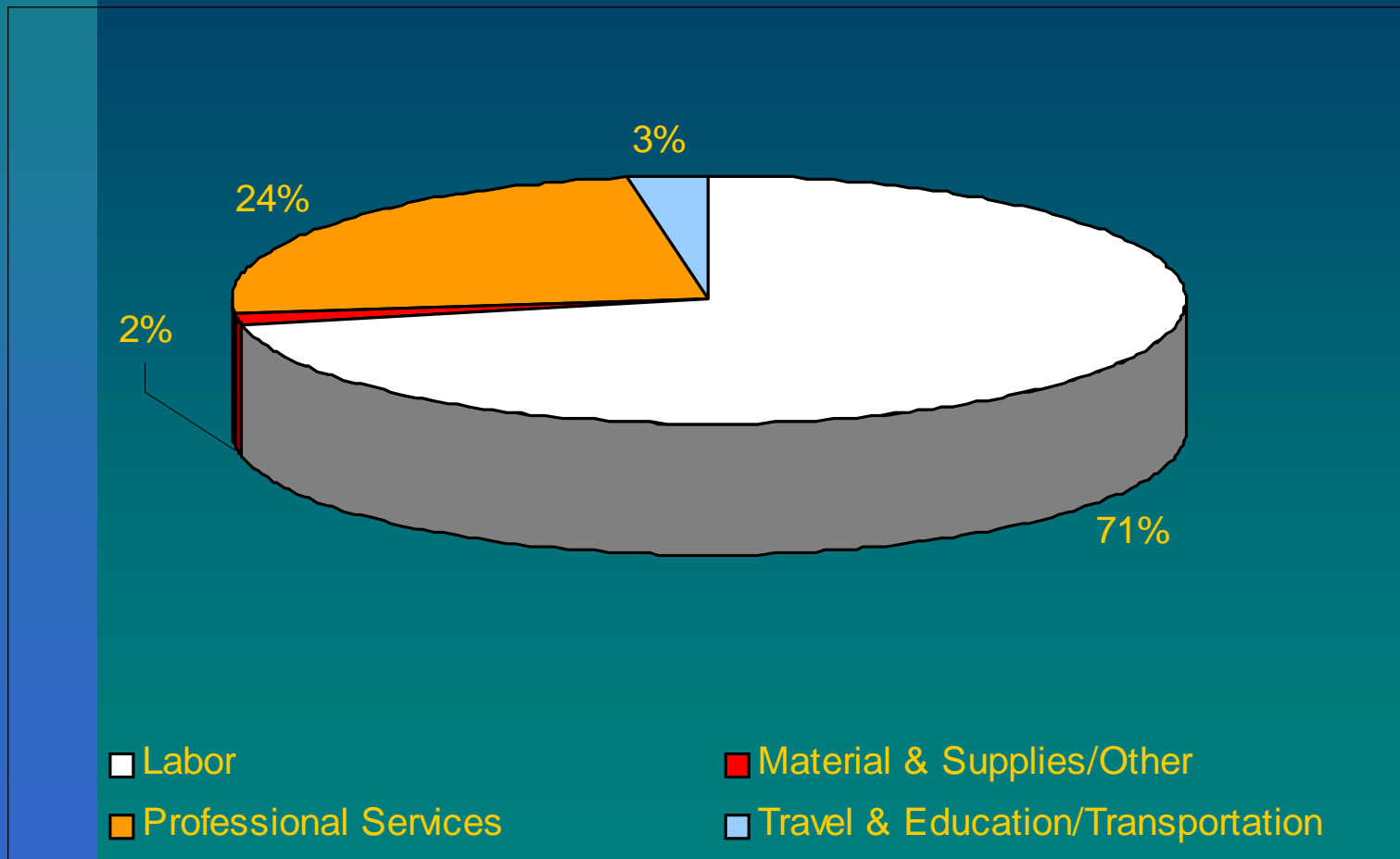
# Board of Directors 2007 Expense Budget



# Board of Directors Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
Meeting Fees	107,500	107,500	
Meeting Expenses	17,000	17,000	
Professional Services	45,000	45,000	
Travel & Education	<u>72,000</u>	<u>72,000</u>	
<i>Total</i>	<b>\$241,500</b>	<b>\$241,500</b>	<b>0.0%</b>

# Chief of Staff 2007 Expense Budget

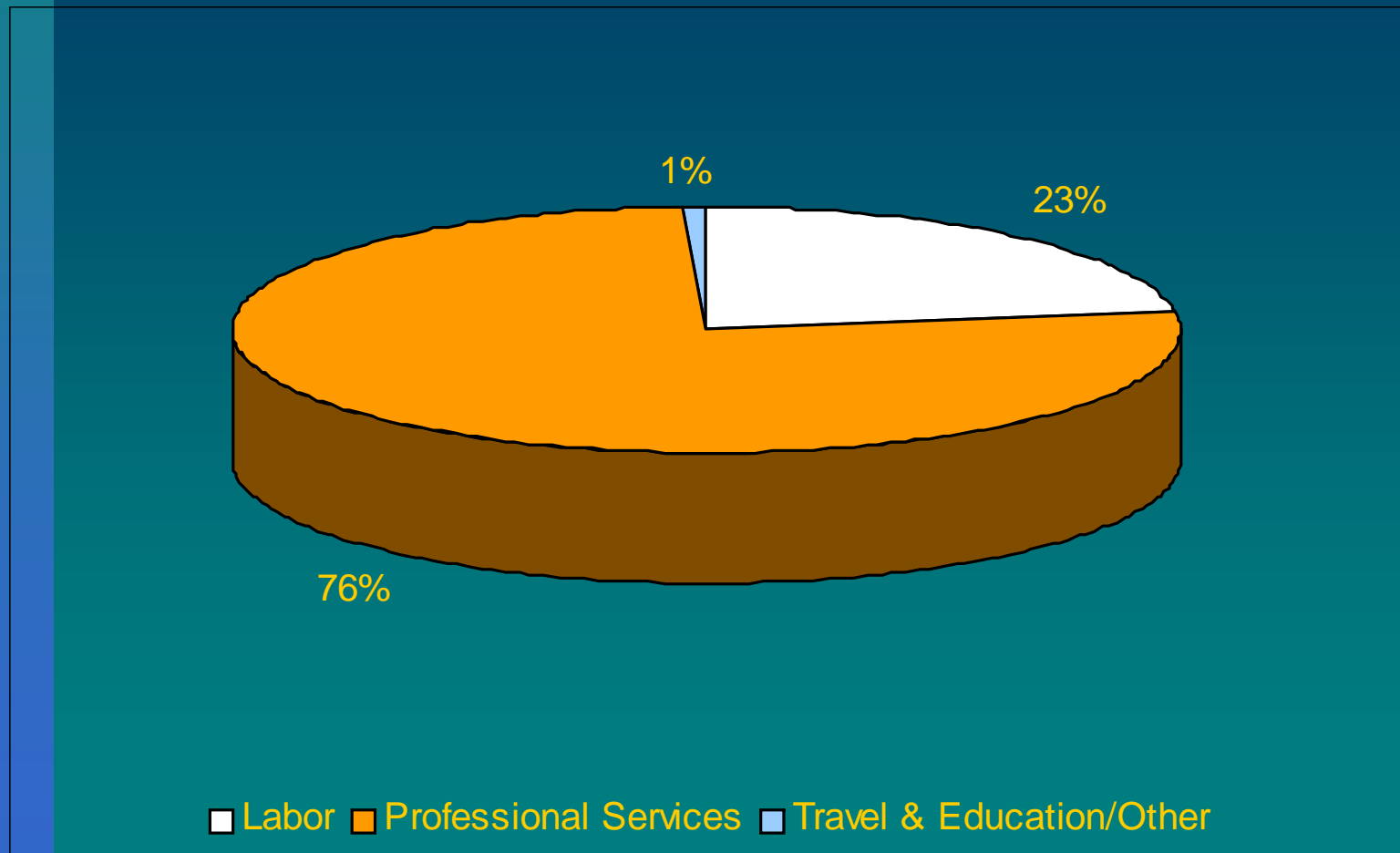


# Chief of Staff Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	695,164	584,736	
<b>Material &amp; Supplies</b>	4,500	2,000	
<b>Other</b>	13,200	1,400	
<b>Professional Services</b>	232,000	70,000	
<b>Transportation &amp; Freight</b>	2,400	2,250	
<b>Travel &amp; Education</b>	<u>23,515</u>	<u>6,290</u>	
<b>Total</b>	<b>\$970,779</b>	<b>\$666,676</b>	<b>45.6%</b>

# General Counsel 2007 Expense Budget

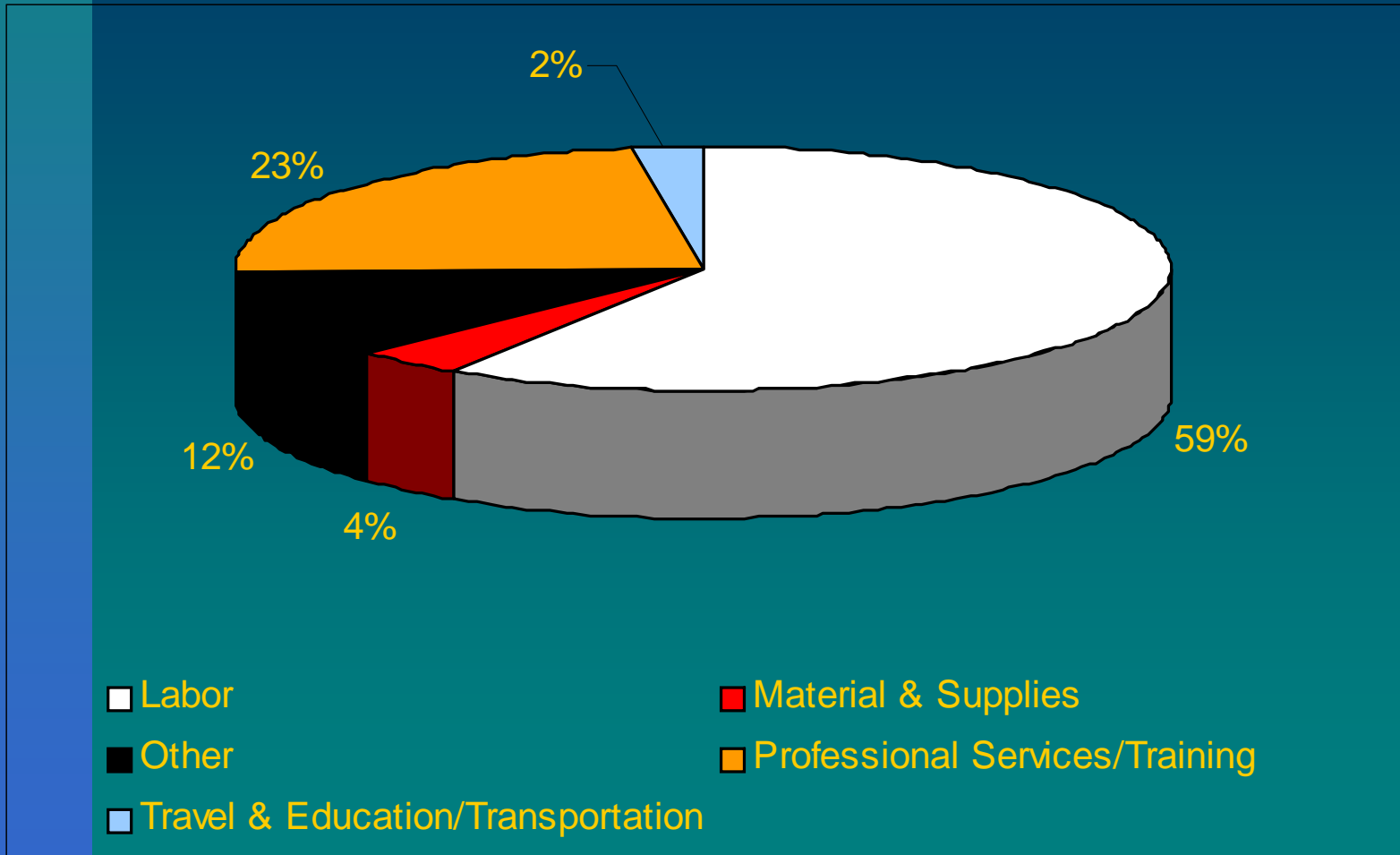
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# General Counsel Expense Budget Comparison

	2007 Budget	2006 Revised Budget	% Variance
<b>Labor</b>	373,053	373,142	
<b>Other</b>	6,600	8,775	
<b>Professional Services</b>	1,249,100	1,256,174	
<b>Travel &amp; Education</b>	5,152	1,668	
<b>Total</b>	<b>\$1,633,905</b>	<b>\$1,639,759</b>	<b>-0.4%</b>

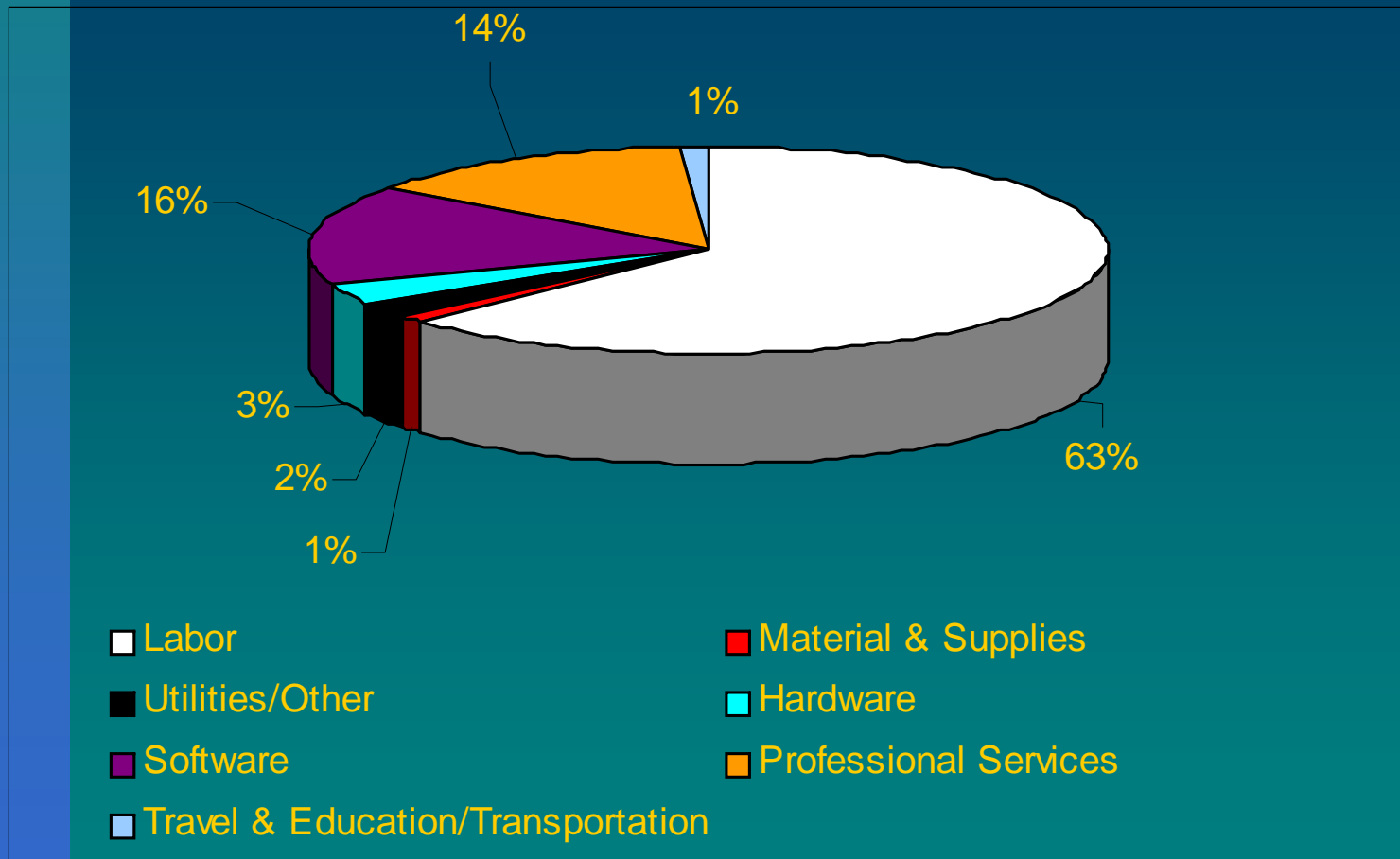
# Human Resources 2007 Expense Budget



# Human Resources Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
Labor	818,413	813,808	
Material & Supplies	55,020	66,420	
Other	159,900	129,400	
Professional Services/Training	322,050	331,250	
Transportation & Freight	23,840	16,000	
Travel & Education	<u>10,545</u>	<u>6,240</u>	
<b>Total</b>	<b>\$1,389,768</b>	<b>\$1,363,118</b>	<b>2.0%</b>

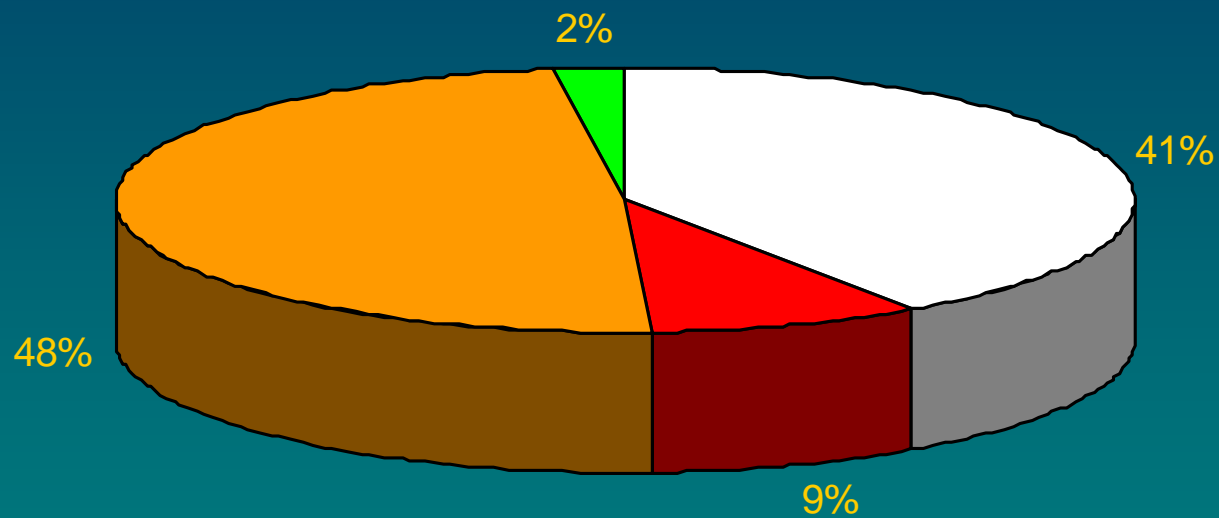
# Information Services 2007 Expense Budget



# Information Services Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	2,709,429	2,861,119	
<b>Material &amp; Supplies</b>	44,946	45,946	
<b>Utilities</b>	17,685	864	
<b>Hardware</b>	136,825	153,616	
<b>Software</b>	679,693	586,245	
<b>Other</b>	85,600	85,900	
<b>Professional Services</b>	595,379	455,484	
<b>Transportation &amp; Freight</b>	37,899	37,119	
<b>Travel &amp; Education</b>	5,745	0	
<b>Total</b>	<b>\$4,313,201</b>	<b>\$4,226,293</b>	<b>2.1%</b>

# Corporate Communications 2007 Expense Budget



■ Labor  
■ Professional Services  
■ Material & Supplies/Other  
■ Transportation & Freight

# Corporate Communications Expense Budget Comparison

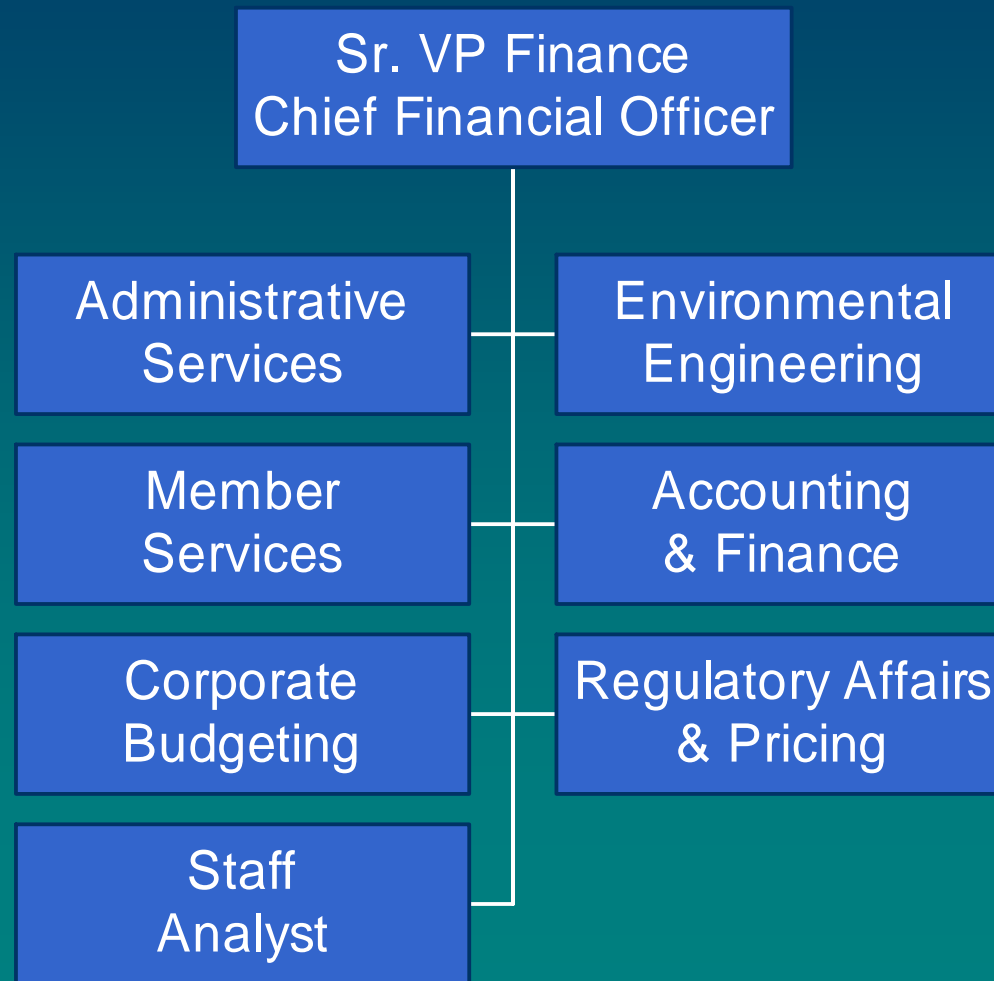
	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	359,070	329,151	
<b>Material &amp; Supplies</b>	1,500	1,900	
<b>Other</b>	74,000	6,000	
<b>Professional Services</b>	428,500	169,486	
<b>Transportation &amp; Freight/Travel &amp; Education</b>	20,000	15,000	
<b>Total</b>	<b>\$883,070</b>	<b>\$521,537</b>	<b>69.3%</b>

# Finance Operating Budget

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Mike Cunningham

# Finance Division Organizational Structure



# 2006 Accomplishments

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- ❖ Integrated environmental review into the Capital Improvement Program process
- ❖ Completed the Beluga Unit 7 stack testing project ahead of schedule and under budget
- ❖ Completed Procurement (Purchasing/Contracts) benchmarking study
- ❖ Completed OSHA inspection compliance repairs
- ❖ Produced final Cost Allocation Manual
- ❖ Produced and filed General Rate Case

## 2006 Accomplishments (continued)

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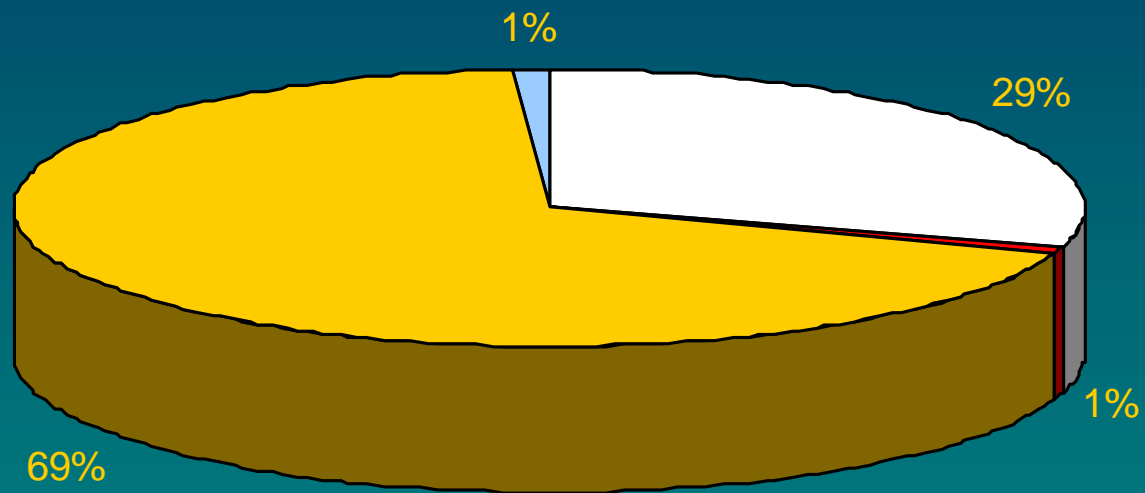
- ❖ Through October, processed approximately \$469,000 of discounted capital credit payments, achieving approximately \$337,000 of donated capital and closing approximately 727 former memberships
- ❖ Maintained effective collection efforts, with the total bad-debt write off for 2006 expected to be 0.15% of retail revenue
- ❖ Assisted with customer coordination of planned outages affecting hundreds of members, including large commercial customers such as the Anchorage School District, Ted Stevens Anchorage International Airport, Chester Creek Apartments, FedEx and the FAA
- ❖ Completed Finance benchmarking study

# 2007 Operational/Strategic Challenges

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- ❖ 2005 Rate Case
- ❖ Sarbanes-Oxley Section 404 compliance
- ❖ Environmental SPCC Projects
- ❖ Renewal of Title V air permits for Chugach's generation facilities and landfill and wastewater permits for Beluga
- ❖ Supply Chain Management Software Replacement
- ❖ Provide responsive customer service with an average speed of answer for incoming phone calls of 20 seconds or less

# Chief Financial Officer 2007 Expense Budget



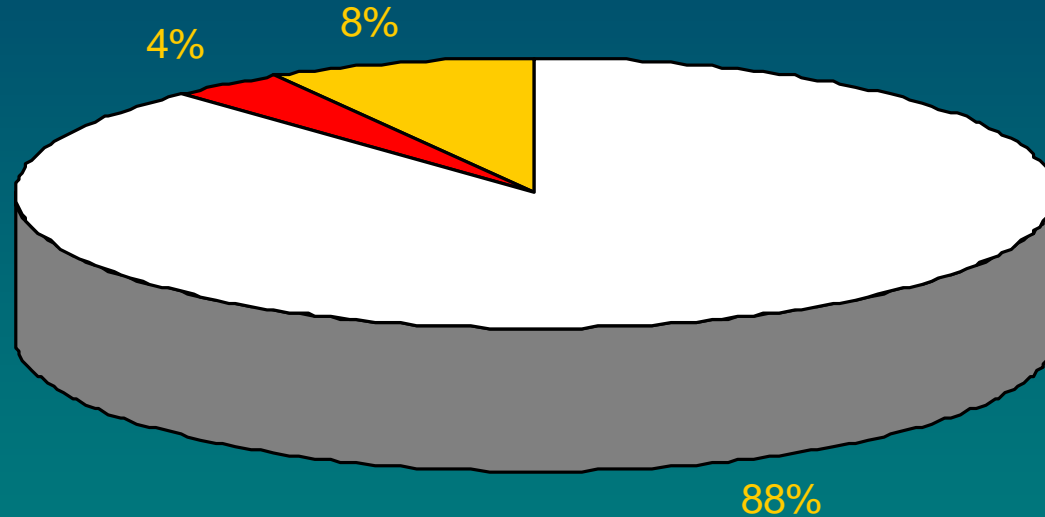
■ Labor ■ Material & Supplies/Other ■ Professional Services ■ Travel & Education

# Chief Financial Officer Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	227,167	226,290	
<b>Material &amp; Supplies</b>	2,700	2,700	
<b>Other</b>	5,000	11,000	
<b>Professional Services</b>	529,888	256,688	
<b>Travel &amp; Education</b>	7,700	8,160	
<b>Total</b>	<b>\$772,455</b>	<b>\$504,838</b>	<b>53.0%</b>

# Accounting and Finance 2007 Expense Budget

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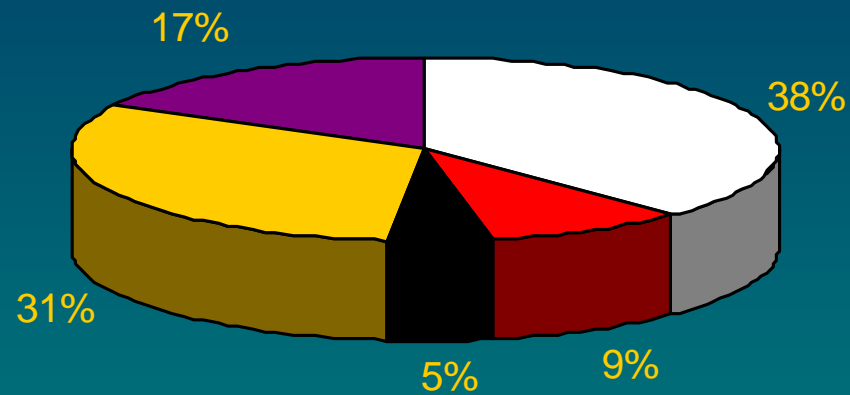


■ Labor ■ Material & Supplies/Other ■ Professional Services

# Accounting and Finance Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	1,197,024	1,233,873	
<b>Material &amp; Supplies</b>	4,500	8,550	
<b>Other</b>	45,150	49,730	
<b>Professional Services</b>	<u>113,775</u>	<u>119,450</u>	
<b>Total</b>	<b>\$1,360,449</b>	<b>\$1,411,603</b>	<b>-3.6%</b>

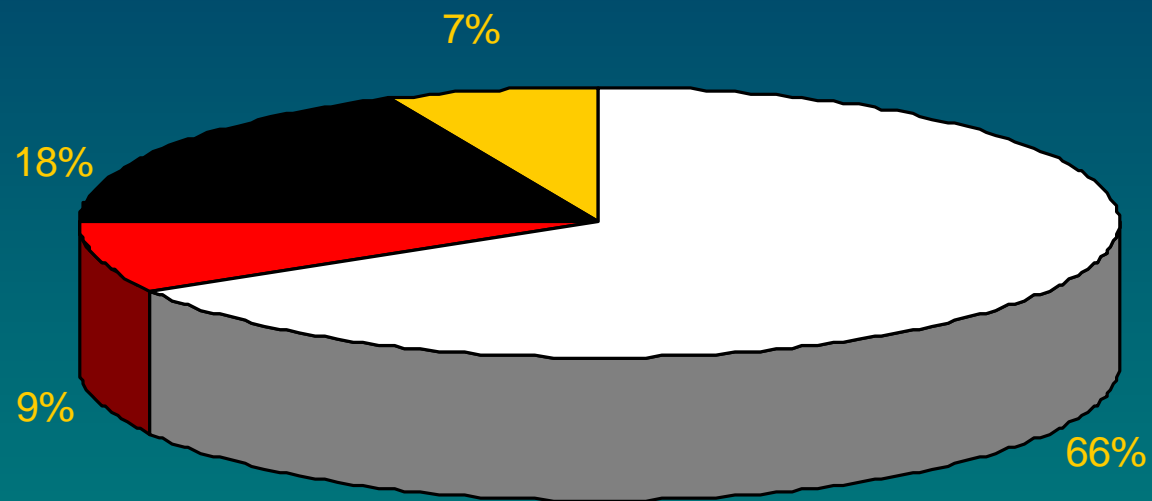
# Administrative Services 2007 Expense Budget



# Administrative Services Expense Budget Comparison

	2007 Budget	2006 Revised Budget	% Variance
<b>Labor</b>	963,531	984,945	
<b>Material &amp; Supplies</b>	239,553	236,683	
<b>Other/Leases</b>	119,320	118,720	
<b>Professional Services</b>	795,010	651,189	
<b>Utilities</b>	441,576	454,424	
<b>Total</b>	<b>\$2,558,990</b>	<b>\$2,445,961</b>	<b>4.6%</b>

# Member Services 2007 Expense Budget

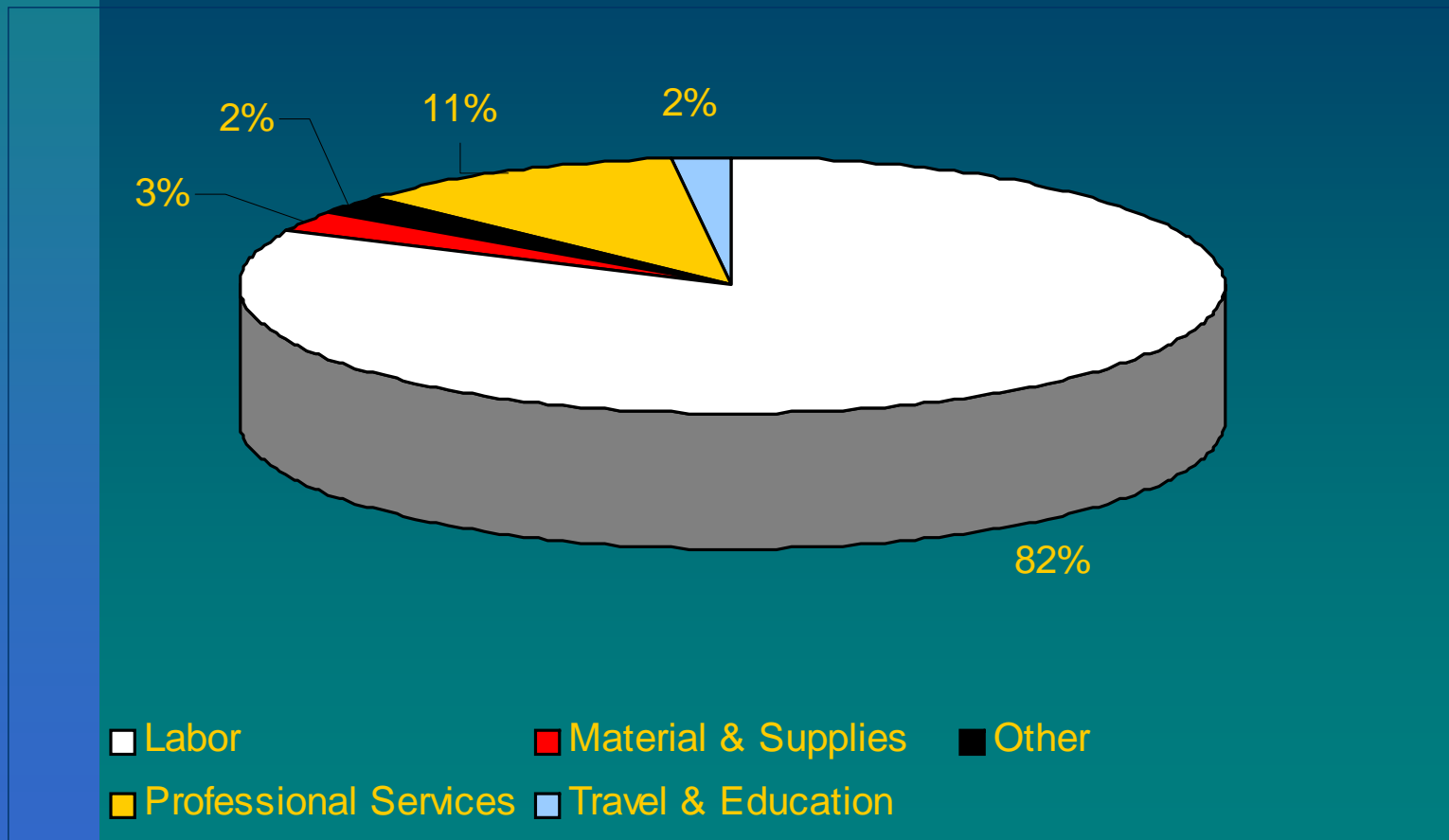


■ Labor ■ Material & Supplies ■ Other/Travel & Education ■ Professional Services

# Member Services Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	3,470,540	3,447,407	
<b>Material &amp; Supplies</b>	461,900	430,300	
<b>Interest on Deposits</b>	90,000	35,000	
<b>Uncollectible Accounts</b>	100,000	100,000	
<b>Bankcard fees</b>	720,000	550,000	
<b>Other</b>	21,375	70,650	
<b>Professional Services</b>	344,500	670,014	
<b>Travel &amp; Education</b>	<u>5,995</u>	<u>2,920</u>	
<b>Total</b>	<b>\$5,214,310</b>	<b>\$5,306,291</b>	<b>-1.7%</b>

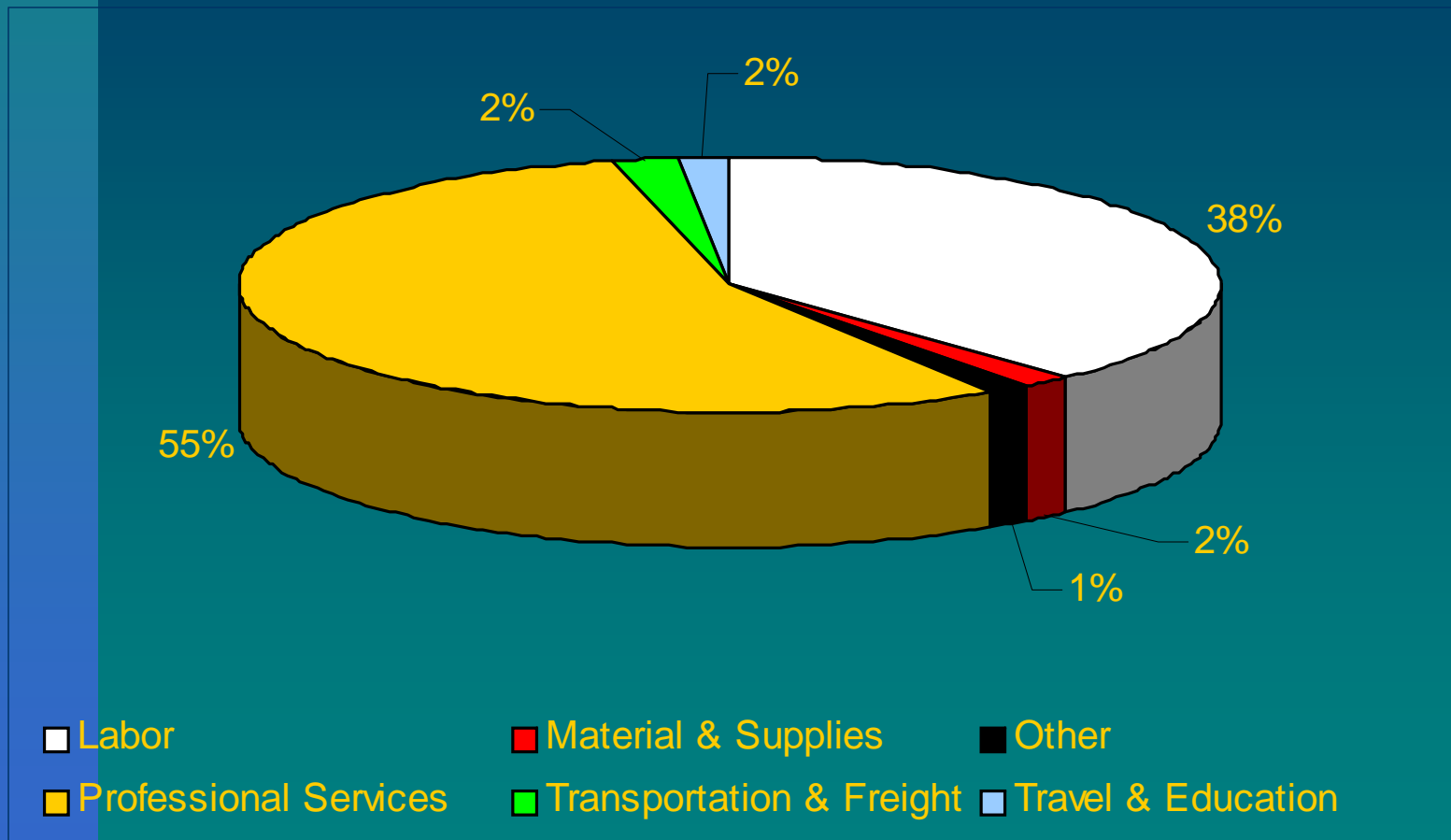
# Regulatory Affairs and Pricing 2007 Expense Budget



# Regulatory Affairs and Pricing Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	558,991	559,625	
<b>Material &amp; Supplies</b>	19,500	19,500	
<b>Other</b>	15,000	15,000	
<b>Professional Services</b>	75,000	75,000	
<b>Travel &amp; Education</b>	13,800	14,000	
<b>Total</b>	<b>\$682,291</b>	<b>\$683,125</b>	<b>-0.1%</b>

# Environmental Engineering 2007 Expense Budget



# Environmental Engineering Expense Budget Comparison

	<u>2007 Budget</u>	<u>2006 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	99,607	302,467	
<b>Material &amp; Supplies</b>	4,190	3,090	
<b>Other</b>	3,340	4,005	
<b>Professional Services</b>	143,900	85,500	
<b>Transportation &amp; Freight</b>	6,050	5,230	
<b>Travel &amp; Education</b>	4,250	0	
<b>Total</b>	<b>\$261,337</b>	<b>\$400,292</b>	<b>-34.7%</b>



# DISCUSSION