

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

October 31, 2006

ACTION REQUIRED

AGENDA ITEM NO. VII.

 Information Only
 X **Motion**
 Resolution
 Executive Session
 Other

TOPIC

Recommend the 2007 Operating and Capital Budget for approval.

DISCUSSION

The Finance Committee met and reviewed the proposed 2007 Operating and Capital Budget on October 30 and 31, 2006.

The Operating Budget is expected to produce margins of \$9.1 million, a Margins for Interest/Interest (MFI/I) ratio of 1.37 and an Equity to Total Capitalization Ratio of 30.9%. These results are based on a Total Cost of Service of \$267.4 million, Total Revenue of \$275.0 million and Non-Operating Margins of \$1.5 million. The 2007 Capital Improvement Program as presented is \$45.0 million.

The unbundled Operating Budget is expected to produce Distribution margins of \$12.3 million and a Distribution MFI/I of 2.76 with Generation & Transmission margins of \$(3.2) million and a Generation & Transmission MFI/I of 0.82.

CEO's RECOMMENDATION

Motion: Move that the Finance Committee recommend to the Board of Directors to approve the 2007 Operating and Capital Budget as presented.



Chugach Electric Association

**2007-2011 Capital
Improvement Program**

Finance Committee

October 30-31, 2006



TOTAL CAPITAL IMPROVEMENT PROGRAM

- * **5 -year capital expenditure plan to maintain, improve and/or expand Chugach's G, T & D system**
 - **First year is the 2007 budget (net of reimbursable amounts and inventory)**
 - **2008-2011 represents planning estimates**

- * **Overall -**
 - **Consistent with long-term resource plans**
 - **Designed to meet and/or maintain Chugach's reliability targets**
 - **Justified based on regulatory requirements and/or economic value**

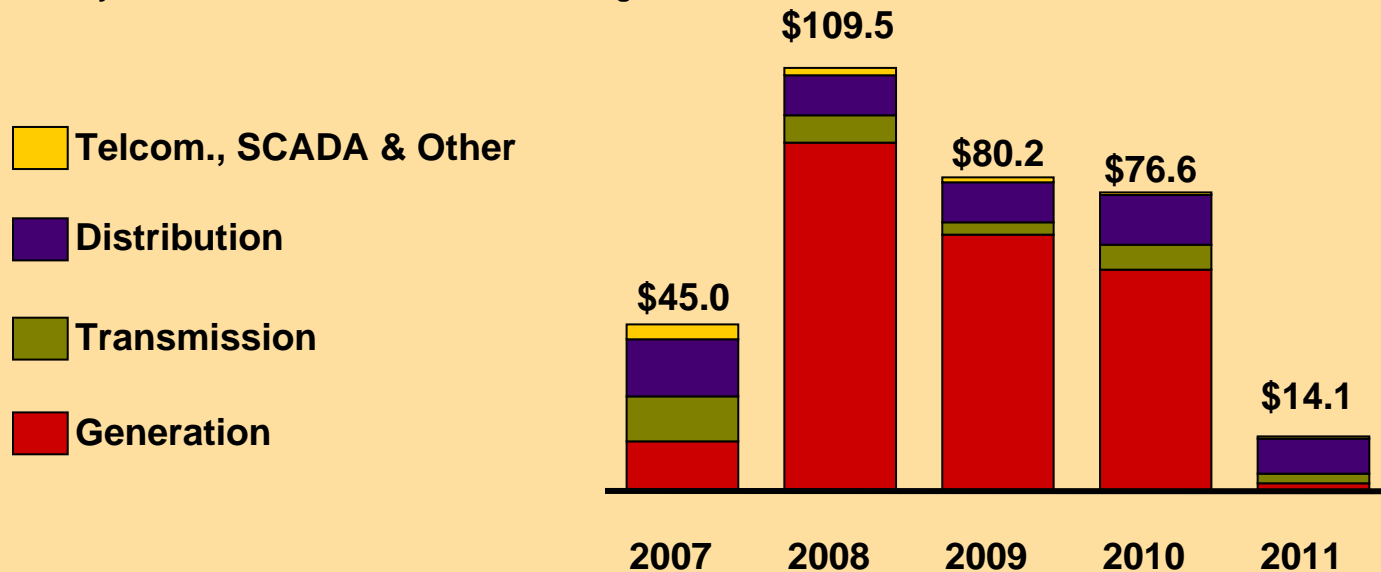
TOTAL CIP BY FUNCTION

\$ in millions – 2007\$

	2007	2008	2009	2010	2011	Total
Telcom., SCADA & Other ⁽¹⁾	4.2	2.2	0.8	0.7	0.5	8.3
Distribution ⁽²⁾	15.0	11.3	10.6	12.9	8.9	58.7
Transmission	12.9	7.1	2.9	6.2	3.1	32.1
Generation ⁽³⁾	12.9	88.9	65.9	56.8	1.7	226.2
Total*	\$45.0	\$109.5	\$80.2	\$76.6	\$14.1	\$325.3

1. Includes Telecommunications, SCADA, General Plant and Deferred Debits
2. Includes distribution, distribution substation and sub-transmission projects
3. Includes \$210 million for new generation

* Individual years do not add to totals due to rounding





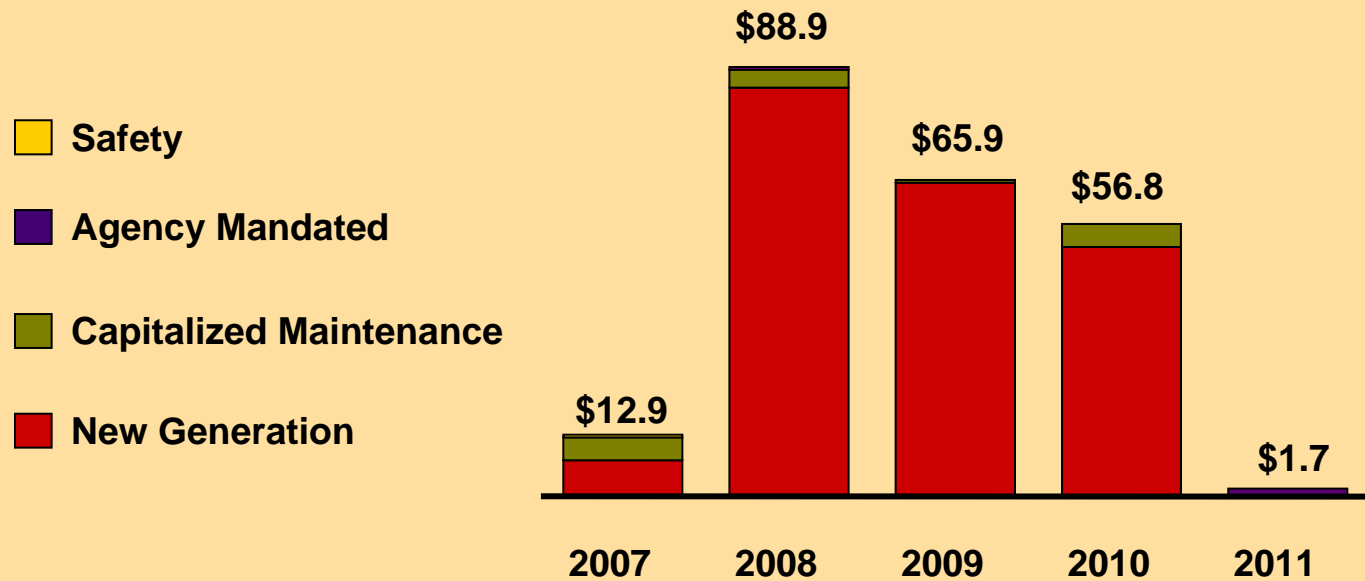
GENERATION PROJECTS

GENERATION PROJECTS BY TYPE

\$s in millions

	2007	2008	2009	2010	2011	Total
Safety	0.4	0.0	0.0	0.0	0.0	0.4
Agency Mandated	0.0	0.3	0.1	0.4	1.5	2.3
Capitalized Maintenance	5.0	3.7	0.3	4.3	0.2	13.5
New Generation*	7.5	84.9	65.5	52.1	0.0	210.0
Total	12.9	88.9	65.9	56.8	1.7	226.2

* Operating Efficiency

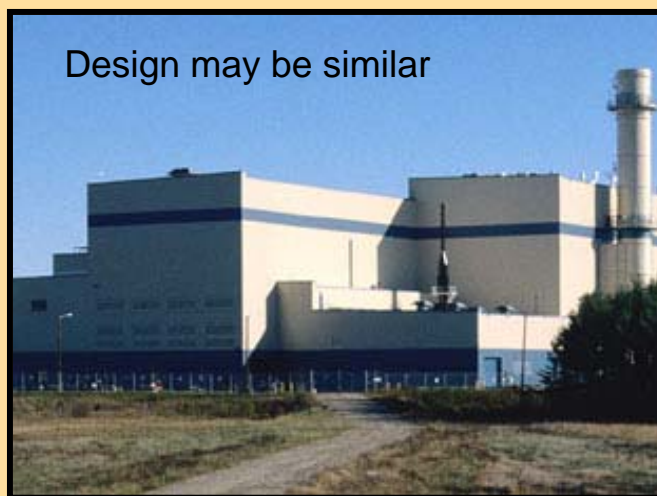


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NEW GENERATION

- * **Installation of approximately 130MWs of combined-cycled, gas-fired generation near Anchorage**
 - 2004 IRP
 - 2006 generation planning
 - Expandable to 260MW

- * **Benefits**
 - Fuel savings
 - Reduction in capital costs for future maintenance of units
 - Reduction in O&M costs
 - Increase reliability



NEW GENERATION ESTIMATED COSTS – in Millions

*** Planning cost estimate of ≈\$210 million over 5-year period**

- Black and Veatch estimates
- Firmer cost estimates after Chugach goes out for bid

*** 2007 CIP budget for:**

- Site selection/land, preliminary engineering, permitting, and financing
- Expect to issue RFP in third quarter

Estimated Costs

2007\$

2007 \$7.5

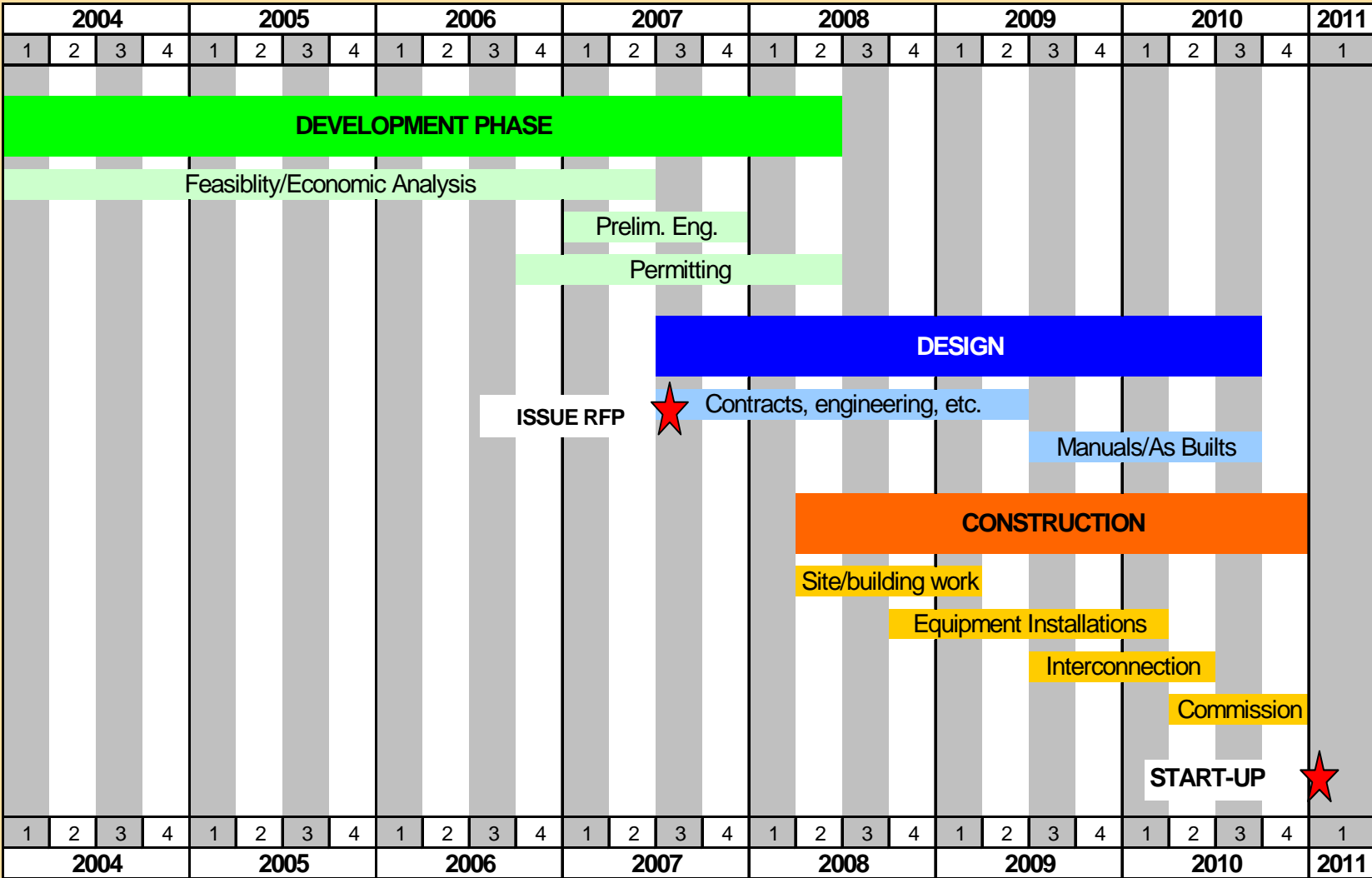
2008 \$84.9

2009 \$65.5

2010 \$52.1

Total \$210.0

NEW GENERATION INITIAL TIMELINE



OTHER MAJOR GENERATION PROJECTS - \$ in millions

* Scheduled maintenance

- \$13.5 from 2007-2011
- 2007 – Beluga 3&5 HGP, Beluga 5 Generator Repair, Beluga 6 & 7 row replacements,
- 2008-2011 include Beluga 7&8 in 2008, Beluga 1&2 in 2009, and Beluga 3, 5&6 in 2010



* CLPP Relicense – Parking Lot and Stetson Creek Diversion

- \$2.3 from 2008-2011
- Majority of spending will occur in 2012

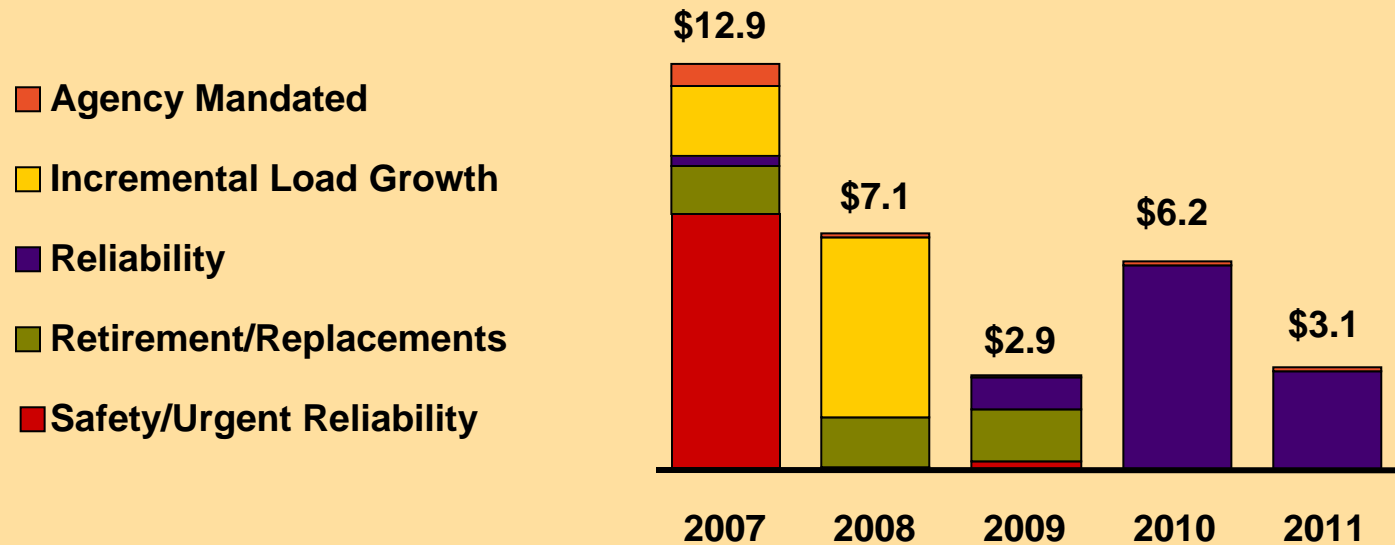


TRANSMISSION PROJECTS

TRANSMISSION PROJECTS BY TYPE

\$ in millions

	2007	2008	2009	2010	2011	Total
Agency Mandated	0.7	0.2	0.1	0.1	0.1	1.1
Incremental Load Growth	2.2	5.3	0.0	0.0	0.0	7.4
Reliability	0.3	0.0	0.9	6.1	3.0	10.3
Retirement/Replacements	1.4	1.4	1.6	0.0	0.0	4.4
Safety/Urgent Reliability Projects	8.3	0.1	0.3	0.0	0.0	7.2
Total	12.9	7.1	2.9	6.2	3.1	32.1



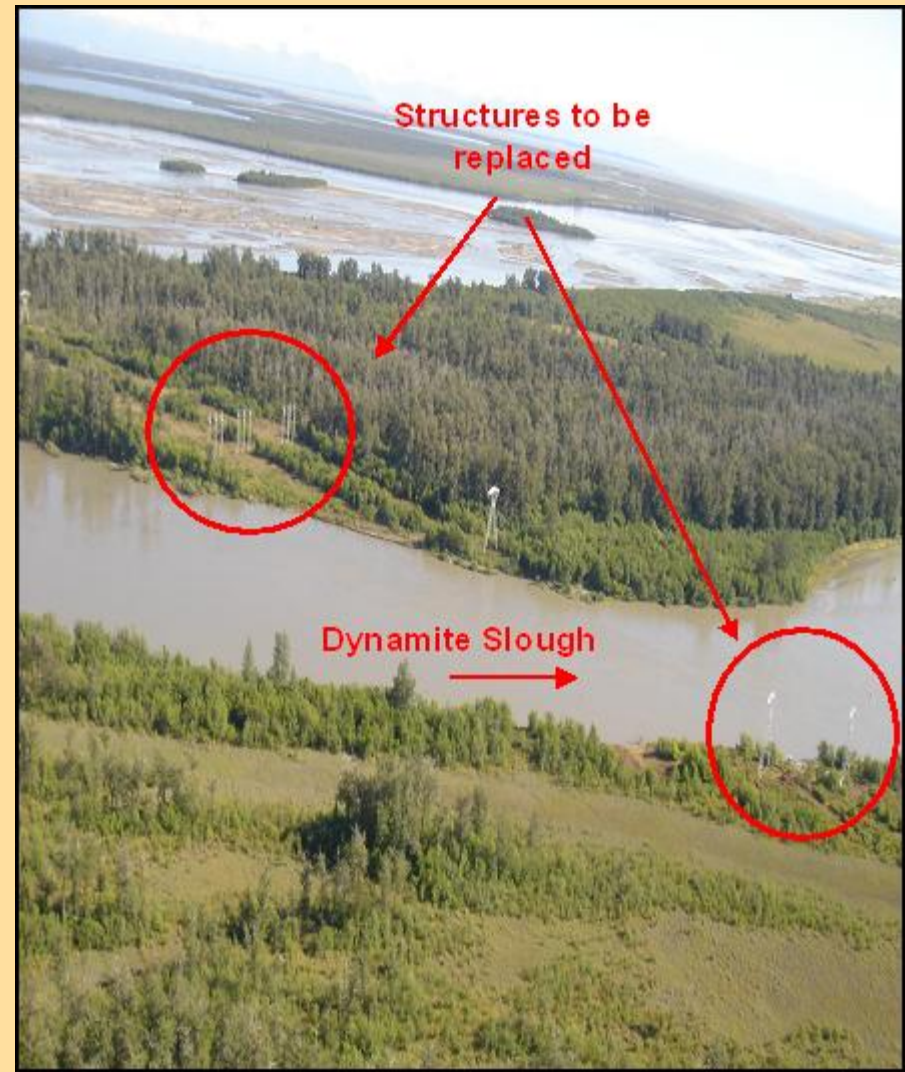
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MAJOR TRANSMISSION PROJECTS

- * Beluga Transmission Lines At Dynamite Slough
- * Beluga Line #3 Relocate
- * 230kV Submarine Cable Repairs West Terminal
- * 230kV Breaker Replacements
- * 138kV Transmission Line University Substation to So. Anchorage Substation
- * 138kV Yard at IGT
- * 115kV Anchorage to Kenai Transmission Line Rebuild

BELUGA TRANSMISSION LINES AT DYNAMITE SLOUGH

- * The Susitna River continues to erode the bank and in 2006 a structure on the east bank was washed out
- * The new structures will be higher single pole structures that will achieve the required clearance over the river
- * Foundations will be designed to withstand the river scouring and ice forces
- * Estimate Cost of \$6.9 million in 2007



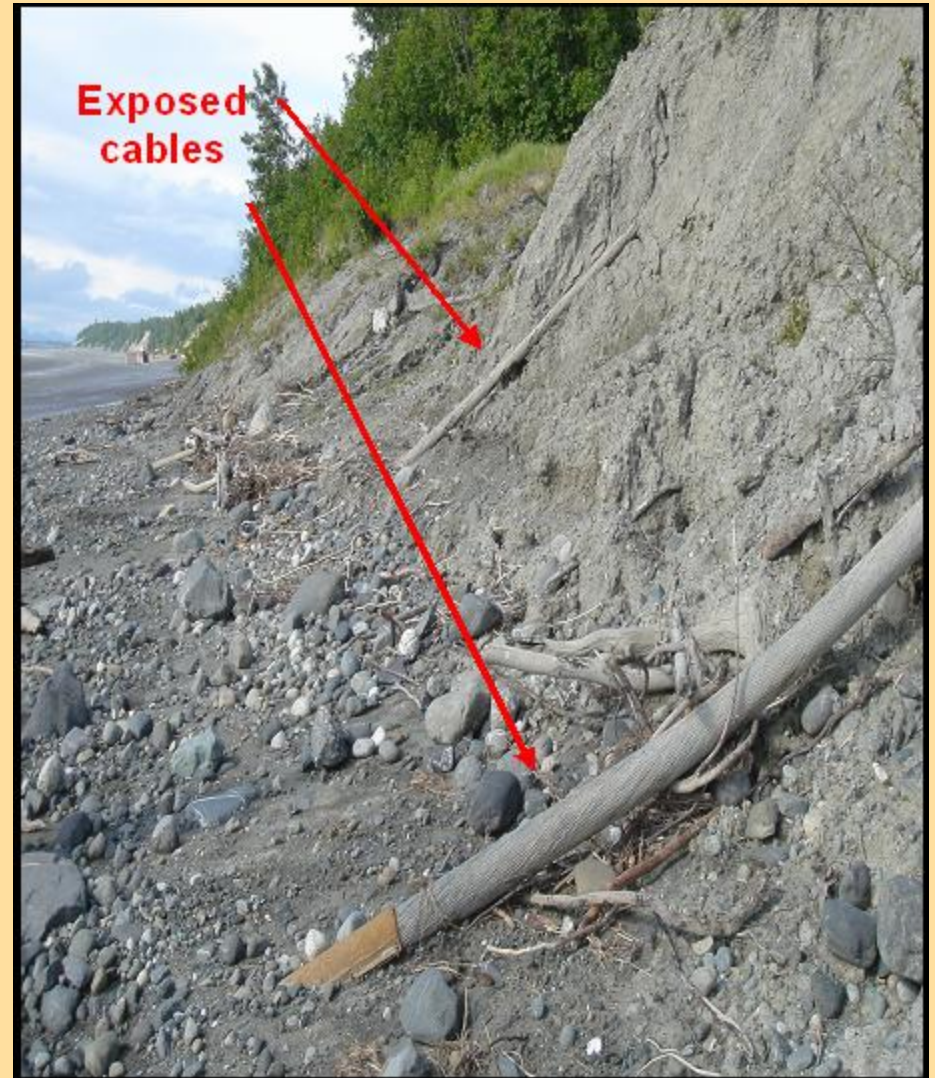
BELUGA LINE #3 RELOCATE

- * Relocation of Structure 8-2 of the Beluga Transmission Line
- * The structure is in danger of losing its foundation due to erosion
- * Plan is to move back 50-150 feet using a H-pile foundation
- * Estimated cost of \$392,800 in 2007



230KV SUBMARINE CABLE REPAIRS – WEST TERMINAL

- * This project is to recover the exposed cables
- * Two alternatives
 - Cable sections will be spliced to allow lowering the cables
 - Soil will be placed below and above the exposed cables and heavy riprap will be placed over the covered cable to protect against erosion
- * Estimated cost of \$742,000 in 2007



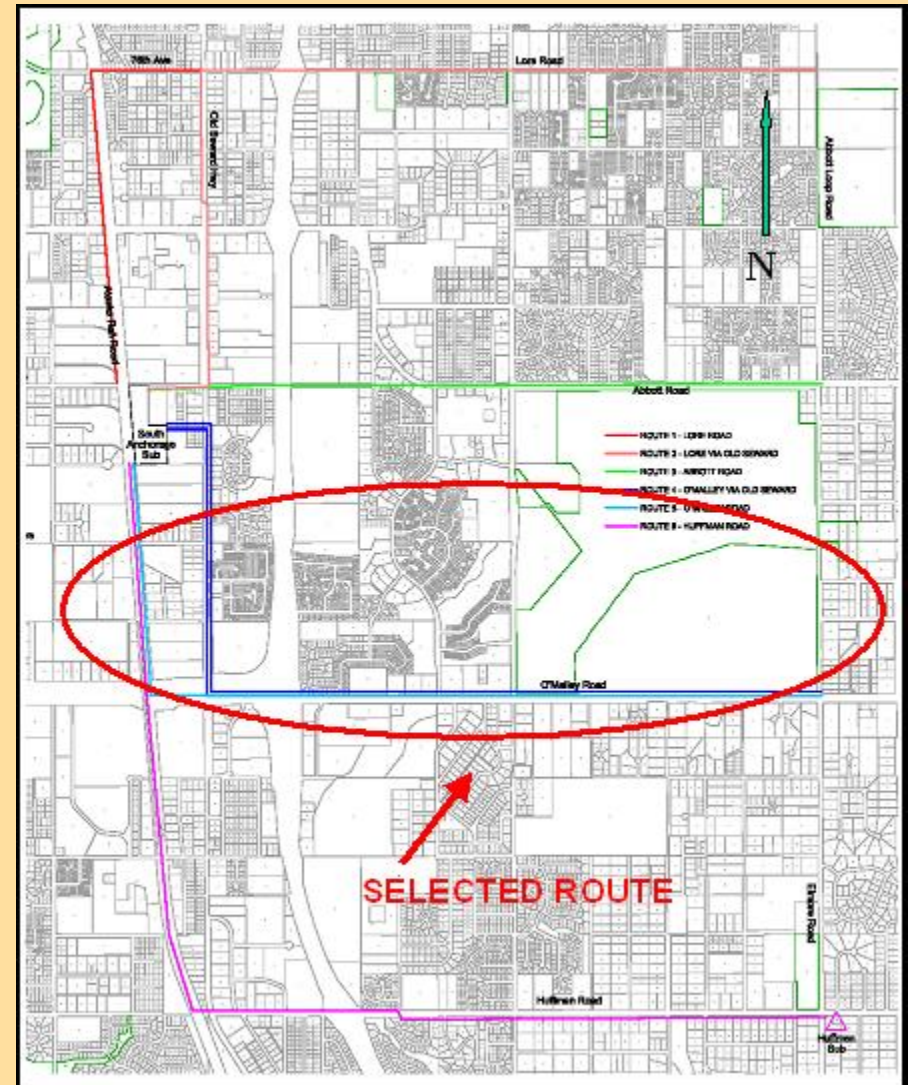
230KV SEIMENS BZO BREAKER REPLACEMENTS

- * Identify and replace the remaining 13 BZO Breakers
- * Two catastrophic failures of BZO breakers in the last 3 years
- * Failure has been isolated to a threaded connection on the upper contact rod assembly
- * Estimate Cost of \$2.7 million from 2007-2010 with \$942,700 in 2007



138KV TRANSMISSION LINE – UNIVERSITY TO SO. ANCHORAGE SUBSTATION

- * This project will connect the new South Anchorage Substation to University Substation
- * Design will primarily be wood pole construction with steel structures where needed
- * Estimated cost of \$2.1 million in 2007 and \$5.1 million in 2008





138KV YARD AT IGT

- * Continuation of the South Anchorage Loop project**
- * This project is for a new 138 kV switchyard to be built near the existing International facility to connect the new South Anchorage Substation**
- * Estimated cost of approximately \$7.0 million with spending in 2009 and 2010 timeframe**



115KV ANCHORAGE TO KENAI TRANSMISSION LINE REBUILD

- * This project will rebuild approximately six miles of the existing 115 kV transmission line between Anchorage and Kenai annually**
- * First six-mile segment begins in 2010 with estimated completion in 2014**
- * Current CIP includes about \$3.0 million with spending in 2010 and 2011**



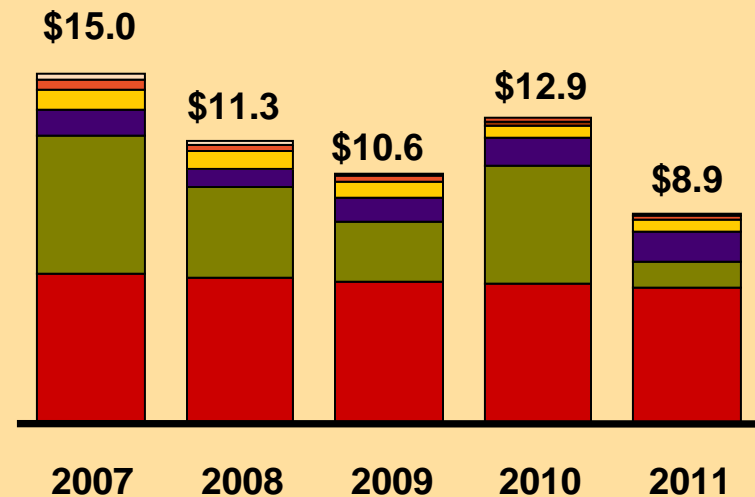
DISTRIBUTION, DISTRIBUTION SUBSTATION AND SUB-TRANSMISSION PROJECTS

DISTRIBUTION PROJECTS BY TYPE

\$ in millions

	2007	2008	2009	2010	2011	Total
Agency Mandated	0.3	0.1	0.1	0.1	0.1	0.8
Reliability/Efficiency	0.4	0.3	0.2	0.2	0.2	1.3
Safety	0.8	0.7	0.7	0.5	0.5	3.3
Retirements/Replacements	1.1	0.7	1.0	1.2	1.2	5.2
Incremental Load Growth	6.0	3.3	2.5	5.0	1.1	17.9
Services to New Customers	6.3	6.2	6.0	5.9	5.8	30.2
Total	15.0	11.3	10.6	12.9	8.9	58.7

- Agency Mandated
- Reliability/Efficiency
- Safety
- Retirements/Replacements
- Incremental Load Growth
- Services to New Customers



Individual years do not add to totals due to rounding



MAJOR DISTRIBUTION PROJECTS

- * **Basic Services to Customers**
- * **Reimbursable Projects**
- * **Cable Replacements/Rehabilitation**
- * **Two Major Substation Projects**
 - **Postmark 138/12.5 kV Substation**
 - **Abbott Loop Substation**
- * **South Anchorage Tie to O'Malley Junction**

BASIC SERVICES TO CUSTOMERS

Chugach is required to provide basic service. This costs approximately \$6.0 million per year.

	2007	2008	2009	2010	2011	Total
Meters	0.4	0.5	0.5	0.5	0.5	2.3
O/H Line Extensions	0.1	0.1	0.1	0.1	0.1	0.6
UG Line Extensions*	2.9	2.7	2.6	2.5	2.4	13.1
Operations Service Connections*	2.8	2.8	2.8	2.8	2.8	14.2
Total*	6.2	6.1	6.0	5.9	5.8	30.3

* Net of reimbursables

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REIMBURSABLE RELOCATE PROJECTS

- * This project designates about \$125,500 per year to cover the non-reimbursable portion of customer requested relocation projects
- * Reimbursable portions vary widely but historically Chugach is reimbursed an average of 90% of the project cost
- * 2007 projects include:
 - Old Seward/O'Malley to Brandon
 - Northwood/88th to Dimond
 - Arctic Blvd./Tudor to Raspberry
 - E. Dowling Extension

CABLE REPLACEMENTS/REHABILITATION PROJECTS

- * **Cable Replacement is an on-going project to replace underground**
 - Three subdivisions have been identified for 2007 – Alagco Industrial, InterAir and Tall Spruce
 - 2007 estimated cost of \$443,000 and then ≈\$450,000 per year from 2008-2011

- * **Cable Rehabilitation is a method used to restore older cable for reliable use. Once the cable is treated, 20 years of reliable life is guaranteed.**
 - Eight residential, single-phase subdivisions have been identified for 2007
 - Estimated cost of ≈\$460,000 per year



POSTMARK 138/12.5 KV SUBSTATION FEEDERS

- * The first of two planned substations is the the Postmark Substation – scheduled for completion in 2007 with final commissioning in 2008.
- * Estimated cost in 2007 is ≈\$5.2million which includes the substation feeders
- * Additional feeders are planned for 2008, 2010 and 2011



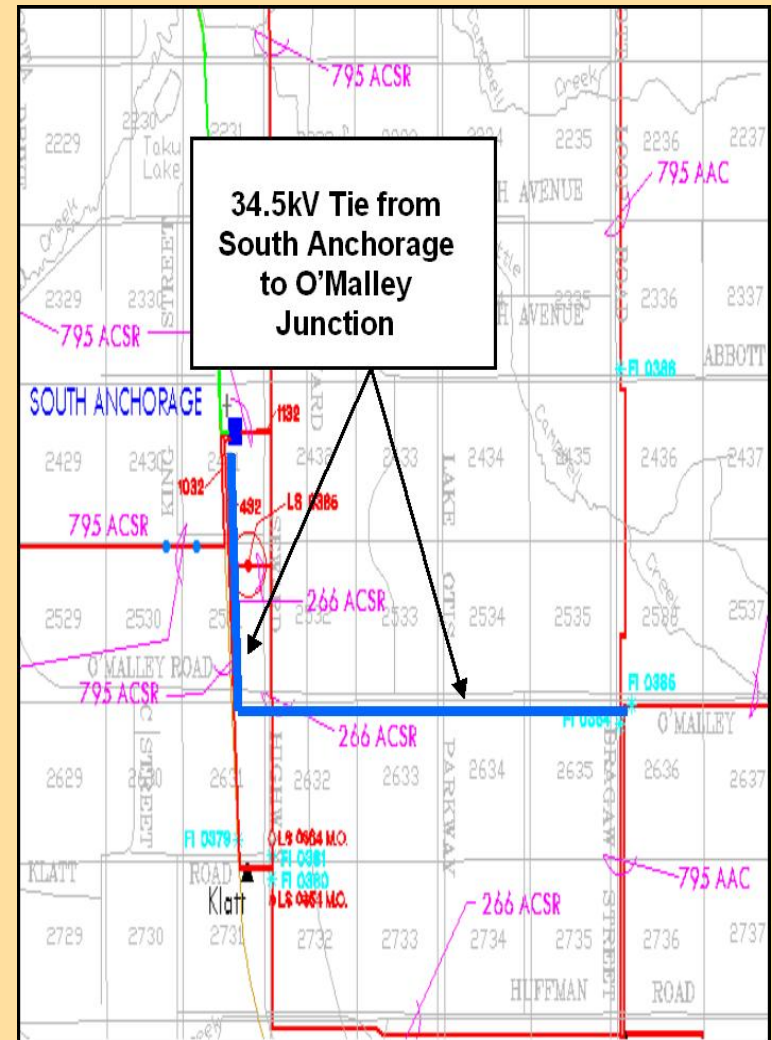


ABBOTT LOOP SUBSTATION

- * This project is for a distribution substation in the Abbott Loop area to meet load growth
- * Total project estimated costs are \$7.4 million (2007\$) which include the substation and substation feeders
- * 2007 costs are \$571,000 for land purchase
- * Construction is planned for 2009 and 2010

SOUTH ANCHORAGE TIE TO O'MALLEY JUNCTION

- * This project represents the sub-transmission work on the 138kv Transmission Line from University to South Anchorage Substation
- * This circuit is necessary to provide a looped 34.5 kV supply to Huffman, O'Malley and Hillside Substations
- * Total project cost is estimated to be \$1.3 million with the majority of the spending in 2008



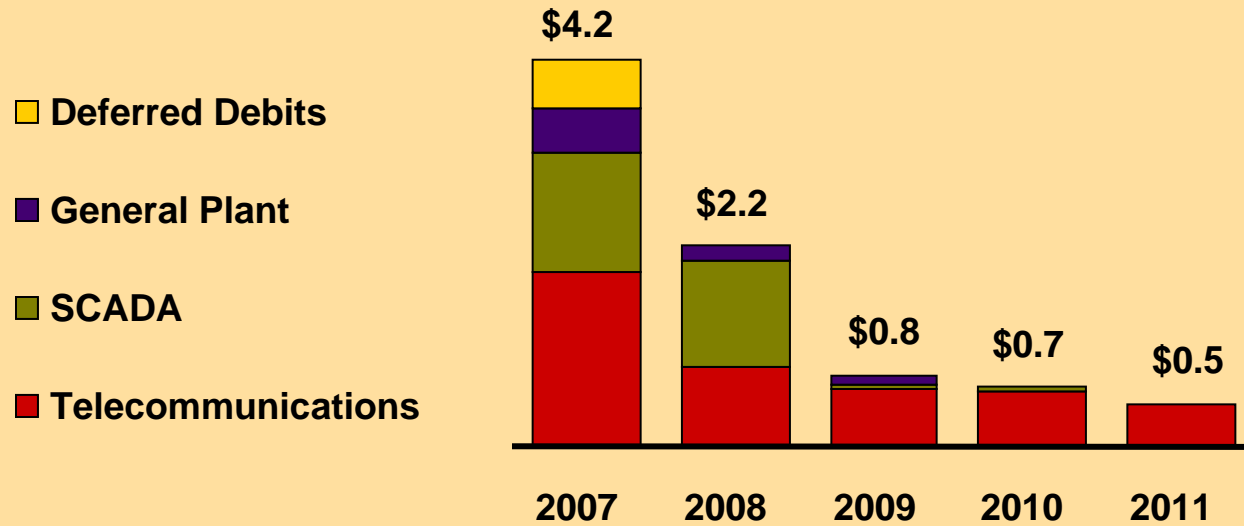


OTHER PROJECTS

OTHER PROJECTS BY TYPE

\$ in millions

	2007	2008	2009	2010	2011	Total
Deferred Debits	0.5	0.0	0.0	0.0	0.0	0.5
General Plant	0.5	0.2	0.1	0.0	0.0	0.8
SCADA	1.3	1.2	0.1	0.1	0.0	2.6
Telecommunications	1.9	0.9	0.6	0.6	0.5	4.4
Total	4.2	2.2	0.8	0.7	0.5	8.3



Individual years do not add to totals due to rounding



TELECOMMUNICATIONS PROJECTS

* Major 2007 projects include:

- Pt. Mac-South Modifications for \$956,900, which is related to the South Anchorage 138kV Loop Project
- Various communication upgrades that include the Beluga Power Plant PA system and Mobile Radio communications improvements
- Two Microwave replacements for Glenn Alps to Pt. Mac and University to Glen Alps

* Major 2008-2011 projects include:

- Additional microwave replacements

SCADA PROJECTS

* The major SCADA project is for the SCADA/EMS Master Station Migration

- This project will migrate the existing Chugach SCADA/ EMS computer system infrastructure from the current system
- The system provides for all monitoring and control of Chugach transmission, generation and distribution system access
- The project includes a backup control system located off-site
- The 2007 budget is \$1.1 million and another \$1.1 million is planned for 2008 when the project is complete





GENERAL PLANT PROJECTS

- * The general plant projects are for capital improvements to administrative functions**
- * 2007 projects include:**
 - Emergency generators for the headquarters building - \$170,326**
 - Minor environmental improvements at the headquarters building - \$37,000**
- * Future spending is for the continuation of the emergency generator project in 2008 and 2009**



DISCUSSION
