

# Chugach Electric Association, Inc 2008 Operating Budget

Finance Committee

November 2007

# Finance Committee 2008 Budget Review Schedule

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## ❖ Thursday, November 1, 2007

- Introduction (*Bill Stewart*)
- 2008 Operating Budget Overview (*Mike Cunningham*)
- 2008 Corporate Operating Budget (*Bill Stewart*)
- 2008 Administration Operating Budget (*Dave Smith*)
- 2008 Finance Operating Budget (*Mike Cunningham*)

# Finance Committee 2008 Budget Review Schedule (Continued)

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## ❖ Friday, November 2, 2007

- 2008 Power Delivery Operating Budget (*Lee Thibert*)
- 2008 Power Supply Operating Budget (*Brad Evans*)
- 2008-2012 Capital Improvement Program (*Mark Fouts*)
- Finance Committee recommendation to the Board of Directors

# Introduction

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- ❖ Projected 2008 Financial Results
  - Margins - \$6.7 million
  - MFI/I – 1.28
  - Equity Ratio – 31.6%

# Operational/Strategic Challenges

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- ❖ Maintain a high level of reliability
- ❖ Finalize 2005 Rate Case
- ❖ Provide a high level of service to our members
- ❖ Succession planning (aging workforce)
- ❖ Continue implementation of current generation plan
- ❖ Continue planning for future generation
- ❖ Long range maintenance planning for aging units
- ❖ Sarbanes-Oxley Section 404 compliance
- ❖ Future fuel supply

# Operating Budget Overview

Mike Cunningham

# 2008 Budget Planning Criteria

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- ❖ Achieve Margins for Interest (MFI/I) greater than 1.25
- ❖ Achieve an Equity Ratio at or above 30%
- ❖ Rotate Capital Credits at a maximum of 50% of prior year's margins

# Major Assumptions for 2008 Budget

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## ❖ Sales forecast

- Assumes similar system sales as the 2007 forecast less sales to Agrium

## ❖ Revenue forecast

- Uses rates established in the 2005 Test Year Rate Case settlement agreement

## ❖ Depreciation rates

- Implementation of the 2005 Depreciation Study rates

## ❖ Capital Credit Rotation

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

# 2008 Operating Budget Financial Results

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- ❖ Margins of \$6.7 million
- ❖ MFI/I of 1.28
  - Exceeds the targeted MFI/I of 1.25
- ❖ Equity ratio of 31.6%
  - Exceeds the targeted equity ratio of 30%

# 2008 Operating Expense Comparison

Category	2007 Projection	2008 Budget	Variance	% Variance
Fuel	109,278,129 <sup>(1)</sup>	121,218,046	11,939,917	11%
Other Power Production	15,504,668	16,880,191	1,375,523	9%
Purchased Power	32,256,870 <sup>(1)</sup>	31,122,494	(1,134,376)	-4%
Transmission	6,662,594	6,681,109	18,515	0%
Distribution	13,009,527	12,125,106	(884,421)	-7%
Customer	5,548,672	5,907,819	359,147	6%
General & Administrative	19,903,378	18,368,138	(1,535,240)	-8%
<b>Total</b>	<b>\$202,163,838</b>	<b>\$212,302,903</b>	<b>\$10,139,065</b>	<b>5%</b>

Excluding fuel and purchased power, total operating expenses decreased approximately 1%

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

# Comparative Statement of Operations

	2007 Budget	2007 Projection <sup>(1)</sup>	2008 Budget
<b>1 Total Revenue</b>	\$270,219,508	\$259,998,108	\$271,778,729
<b>2 Total O&amp;M</b>	208,885,489	202,163,838	212,302,903
<b>3 Depreciation &amp; Amortization</b>	30,864,063	29,210,763	30,415,370
<b>4 Tax Expense - Other</b>	872,123	869,472	884,862
<b>5 Interest on LTD</b>	24,588,211	24,455,575	23,119,883
<b>6 Interest Charged to Construction (CR)</b>	(1,170,950)	(785,789)	(998,921)
<b>7 Interest Expense - Other</b>	400,000	307,696	453,333
<b>8 Other Deductions</b>	300,000	243,311	250,000
<b>9 Total Cost of Electric Service</b>	\$264,738,936	\$256,464,866	\$266,427,430
<b>10 Patronage Capital/Margins</b>	5,480,572	3,533,242	5,351,299
<b>11 Non-Operating Margins</b>	1,512,127	1,571,205	1,320,907
<b>12 Patronage Capital/Margins</b>	\$6,992,699	\$5,104,447	\$6,672,206
	<b>MFI/I</b>	<b>1.28</b>	<b>1.21</b>
			<b>1.28</b>

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

# Distribution Statement of Operations

	2007 Budget	2007 Projection <sup>(1)</sup>	2008 Budget
<b>1 Total Revenue</b>	<b>\$56,039,968</b>	<b>\$55,504,064</b>	<b>\$50,636,020</b>
<b>2 Distribution Expense</b>	11,978,073	13,009,527	12,125,106
<b>3 Customer Expense</b>	5,514,543	5,548,672	5,907,819
<b>4 General &amp; Admin Expense</b>	9,930,123	10,091,013	9,153,484
<b>5 Total O&amp;M</b>	<b>27,422,739</b>	<b>28,649,212</b>	<b>27,186,409</b>
<b>6 Depreciation &amp; Amortization</b>	10,463,277	9,864,782	10,192,629
<b>7 Tax Expense - Other</b>	751,164	740,180	753,997
<b>8 Interest on LTD</b>	7,004,443	6,826,655	7,398,363
<b>9 Interest Charged to Construction (CR)</b>	(598,473)	(451,033)	(366,565)
<b>10 Interest Expense - Other</b>	204,440	147,362	166,356
<b>11 Other Deductions</b>	156,001	171,296	130,001
<b>12 Total Cost of Electric Service</b>	<b>\$45,403,591</b>	<b>\$45,948,454</b>	<b>\$45,461,190</b>
<b>13 Patronage Capital/Margins</b>	10,636,377	9,555,610	5,174,830
<b>14 Non-Operating Margins</b>	837,701	991,463	481,513
<b>15 Patronage Capital/Margins</b>	<b>\$11,474,078</b>	<b>\$10,547,073</b>	<b>\$5,656,343</b>
	<b>MFI/I</b>	<b>2.64</b>	<b>2.54</b>
			<b>1.76</b>

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

# G&T Statement of Operations

	2007 Budget	2007 Projection <sup>(1)</sup>	2008 Budget
<b>1 Total Revenue</b>	<b>\$214,179,540</b>	<b>\$204,494,044</b>	<b>\$221,142,709</b>
<b>2 Fuel Expense</b>	119,498,914	109,278,129	121,218,046
<b>3 Power Production Expense</b>	15,103,872	15,504,668	16,880,191
<b>4 Purchased Power Expense</b>	31,004,687	32,256,870	31,122,494
<b>5 Transmission Expense</b>	6,240,760	6,662,594	6,681,109
<b>6 General &amp; Admin Expense</b>	9,614,517	9,812,365	9,214,654
<b>7 Total O&amp;M</b>	<b>\$181,462,750</b>	<b>\$173,514,626</b>	<b>\$185,116,494</b>
<b>8 Depreciation &amp; Amortization</b>	20,400,786	19,345,981	20,222,741
<b>9 Tax Expense - Other</b>	120,959	129,292	130,865
<b>10 Interest on LTD</b>	17,583,768	17,628,920	15,721,520
<b>11 Interest Charged to Construction (CR)</b>	(572,477)	(334,755)	(632,356)
<b>12 Interest Expense - Other</b>	195,560	160,334	286,977
<b>13 Other Deductions</b>	143,999	72,015	119,999
<b>14 Total Cost of Electric Service</b>	<b>\$219,335,345</b>	<b>\$210,516,413</b>	<b>\$220,966,240</b>
<b>15 Patronage Capital/Margins</b>	(5,155,805)	(6,022,369)	176,469
<b>16 Non-Operating Margins</b>	674,426	579,743	839,394
<b>17 Patronage Capital/Margins</b>	<b>(\$4,481,379)</b>	<b>(\$5,442,626)</b>	<b>\$1,015,863</b>
	<b>MFI/I</b>	<b>0.75</b>	<b>0.69</b>
			<b>1.06</b>

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

# 2008 Projected Cash Flows

	<u>2008 Budget</u>
1 Cash flows from operating activities:	
2 Assignable margins	6,672,206
3 Depreciation & Amortization	34,333,491
4 Capitalized interest	(1,430,709)
5 Materials and Supplies	(2,269,470)
6 Deferred Debits	(4,465,874)
7 Net cash provided by operating activities	<b>32,839,644</b>
8 Investing activities:	
9 Extension and replacement of plant	(45,188,892)
10 Net cash used for investing activities	<b>(45,188,892)</b>
11 Proceeds from short-term instruments	20,000,000
12 Repayments of long-term obligations	(10,106,808)
13 Retirement of patronage capital	(2,450,000)
14 Net cash used for financing activities	<b>7,443,192</b>
15 Net increase (decrease) in cash	<b>(4,906,056)</b>
16 Cash at beginning of period	5,000,000
17 Cash at end of period	93,944

# Kwh Sales Comparison

	2007 Budget	2007 Projection <sup>(1)</sup>	2008 Budget	Variance <sup>(2)</sup>
Retail	1,240,246,146	1,221,394,898	1,224,448,270	
Wholesale	1,251,974,653	1,301,365,209	1,293,651,350	
<b>Total Firm Sales</b>	<b>2,492,220,799</b>	<b>2,522,760,107</b>	<b>2,518,099,620</b>	<b>-0.2%</b>
Economy Energy	166,713,289	98,808,872	233,777,000	
<b>Total kWh Sales</b>	<b>2,658,934,088</b>	<b>2,621,568,979</b>	<b>2,751,876,620</b>	<b>5.0%</b>

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

<sup>(2)</sup> Variance is between 2007 Projection and 2008 Budget

# Revenue Comparison

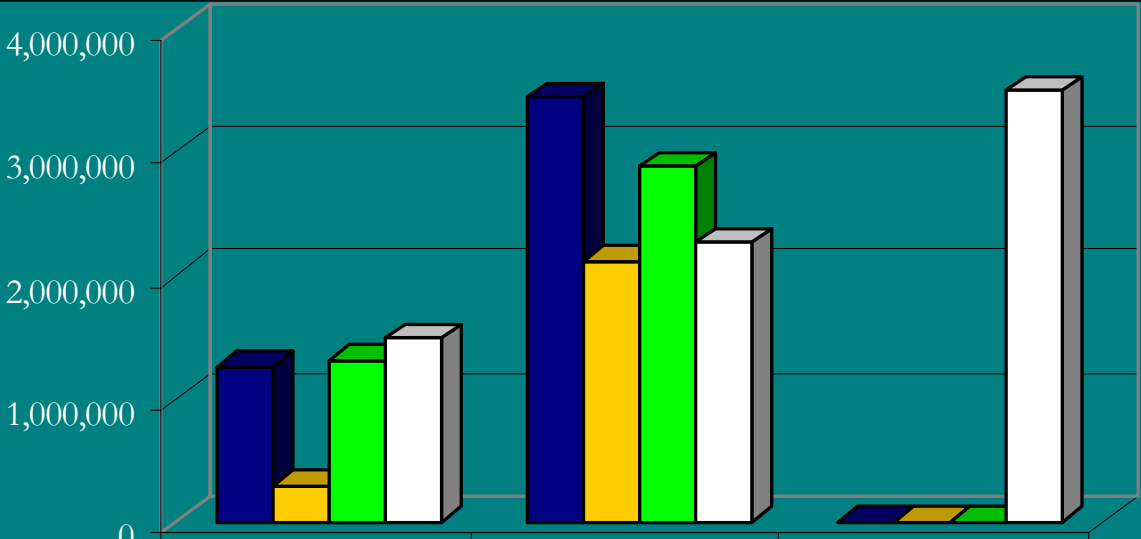
	2007 Budget	2007 Projection <sup>(1)</sup>	2008 Budget	% Variance <sup>(3)</sup>
Retail	157,214,259	152,490,963	153,333,574	
Wholesale	97,530,400	97,728,292	100,135,722	
Economy	12,552,349	6,782,426	15,363,873	
<b>Total Sales Revenue</b>	<b>\$267,297,008</b>	<b>\$257,001,681</b>	<b>\$268,833,169</b>	
Other <sup>(2)</sup>	2,922,500	2,996,427	2,945,560	
<b>Total Revenue</b>	<b>\$270,219,508</b>	<b>\$259,998,108</b>	<b>\$271,778,729</b>	<b>5%</b>

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

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

<sup>(3)</sup> Variance is between 2007 Projection and 2008 Budget

# General Plant, Land & Inventory



	General Plant	Inventory	Land
■ 2005 Budget	1,261,998	3,455,465	0
■ 2006 Budget	292,498	2,118,800	0
■ 2007 Budget	1,313,675	2,882,701	0
■ 2008 Budget	1,491,424	2,269,470	3,500,000

■ 2005 Budget ■ 2006 Budget ■ 2007 Budget ■ 2008 Budget

# Budgeted Equity Ratio

## Projected Ending Equity (2007):

Total Equity (December 2006)	150,716,100
Plus: 2007 Projected Margins:	5,104,447
Less: 2007 Capital Credits Rotation	(5,000,000)
2007 Ending Equity	150,820,547
2007 Ending Long Term Debt	345,423,499
<b>2007 Projected Equity Ratio:</b>	<b>30.4%</b>

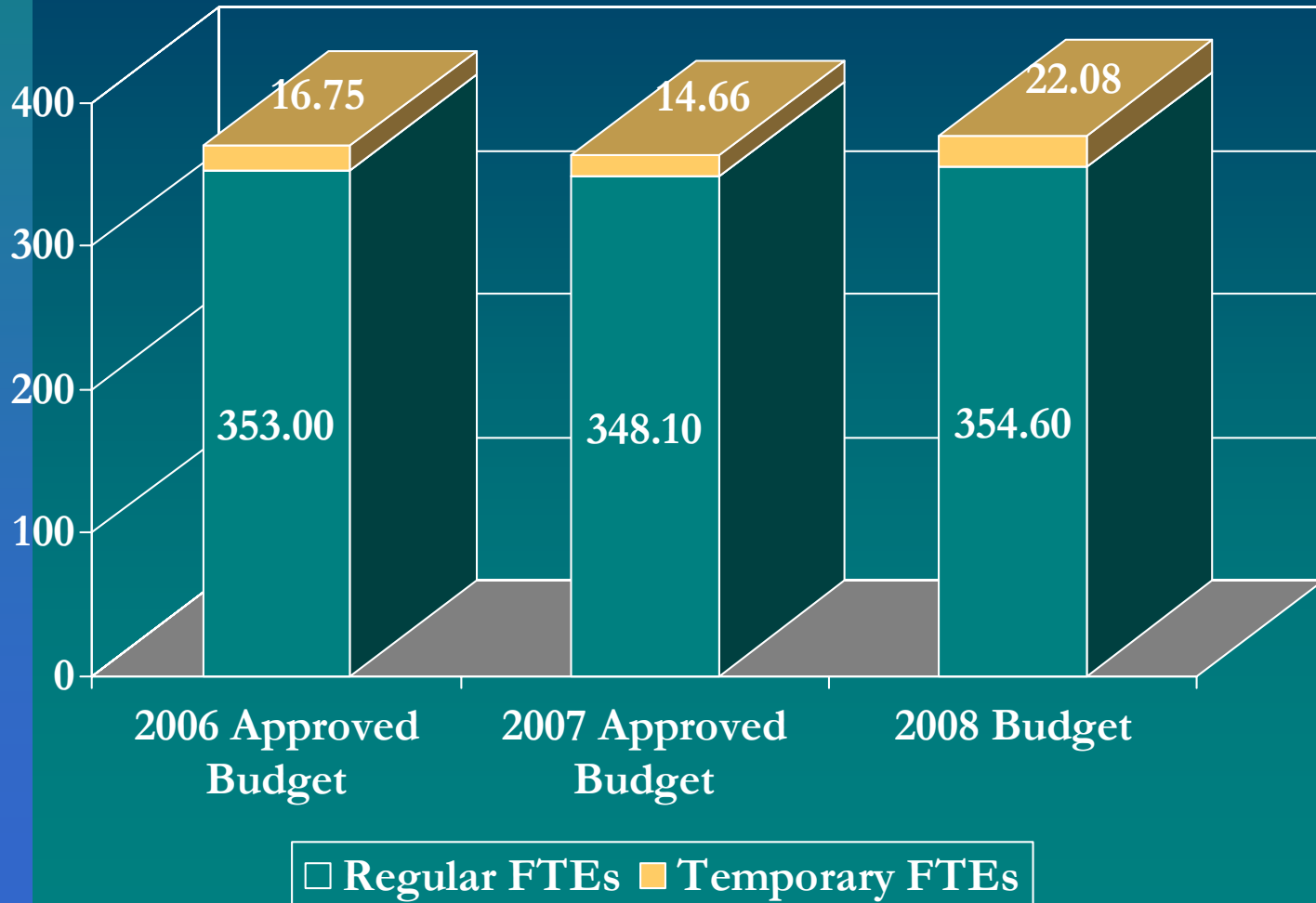
## Projected Ending Equity (2008):

Total Equity (December 2007)	150,820,547
Plus: 2008 Budgeted Margins:	6,672,206
Less: 2008 Capital Credits Rotation	(2,500,000)
2008 Ending Equity	154,992,753
2007 Ending Long Term Debt	345,423,499
2008 Change in Long Term Debt	(10,106,808)
2008 Ending Long Term Debt	<u>335,316,691</u>
<b>2008 Budgeted Equity Ratio:</b>	<b>31.6%</b>

# 2008 Interest Expense

	2007 Ending Balance	2008 Principal Payments	2008 Ending Balance	2008 Interest Expense	2008 Projected Interest Rate
<b><i>Fixed Rate Debt</i></b>					
2001 Series A Bonds	\$150,000,000	\$0	\$150,000,000	\$9,825,000	6.55%
2002 Series A Bonds	\$120,000,000	\$0	\$120,000,000	\$7,440,000	6.20%
CoBank 2	\$5,500,000	\$2,000,004	\$3,499,996	\$242,918	5.50%
<b>Total Fixed Rate Debt</b>	<b>\$275,500,000</b>	<b>\$2,000,004</b>	<b>\$273,499,996</b>	<b>\$17,507,918</b>	
<b><i>Variable Rate Debt</i></b>					
CoBank 3	\$19,017,242	\$640,569	\$18,376,673	\$1,081,281	5.85%
CoBank 4	\$20,786,288	\$700,156	\$20,086,132	\$1,192,105	5.85%
CoBank 5	\$4,726,773	\$866,079	\$3,860,694	\$249,418	5.85%
2002 Series B Bonds	\$35,500,000	\$5,900,000	\$29,600,000	\$1,414,308	4.70%
<b>Total Variable Rate Debt</b>	<b>\$80,030,303</b>	<b>\$8,106,804</b>	<b>\$71,923,499</b>	<b>\$3,937,112</b>	
<b>Amortization of Financing Costs</b>				<b>\$1,588,453</b>	
2002 Series B Auction Fees				\$86,400	
<b>Total 2007 Interest Expense</b>				<b>\$23,119,883</b>	

# Position Comparison



# Total Labor Comparison by Business Unit

	2007	2008	Variance	Variance %
Chief Executive Office	3,314,629	3,330,462	15,833	0.5%
Finance	1,424,191	1,703,909	279,718	19.6%
Administration	7,318,106	7,787,284	469,178	6.4%
Power Delivery	16,325,270	18,409,041	2,083,771	12.8%
Power Supply	14,229,879	15,786,488	1,556,609	10.9%
<b>Total</b>	<b>\$42,612,075</b>	<b>\$47,017,184</b>	<b>4,405,109</b>	<b>10.3%</b>

# Generation Contract Work Rule Savings

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- ❖ Labor associated with the elimination of paid dinner at Beluga (\$140,000)
- ❖ Labor associated with reduced information services overtime rate (\$20,000)
- ❖ Labor associated with 3 day notice required instead of 5 for call-outs (\$10,000)
- ❖ Labor associated with the reduction of time worked at a higher classification (\$20,000)
- ❖ Labor associated with the reduced amount of time required for Classification Committee duties (\$10,000)
- ❖ Use of employee room while occupant is off shift at Beluga (\$62,500)
- ❖ Twine engine aircraft no longer required (\$100,000)
- ❖ Efficiency gains as a result of work rules which shorten outages and reduce fuel expense (\$62,500)

# Outside Contract Work Rule Savings

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- ❖ Labor associated with reduced lunch time (\$320,000)
- ❖ Labor associated with working more than eight hours on a holiday (\$6,000)
- ❖ Labor associated with the revised crew structure for Apprentices (\$165,000)
- ❖ Labor associated with expanded scope of work for warehouseman (\$3,360)
- ❖ Labor associated with the ability to use Apprentices for after hour call-outs (\$5,000)
- ❖ Labor associated with the reduced amount of time required for Classification Committee duties (\$19,200)

# Sensitivity Analysis on 2008 Operating Budget

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## ❖ Revenue

- Change in firm kWh sales of  $-10\%$  and  $10\%$ 
  - Margins between \$0.4 million and \$13.0 million
  - MFI/I between 1.02 and 1.55
  - Equity ratio between  $30.7\%$  and  $32.5\%$

# Sensitivity Analysis on 2008 Operating Budget continued

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## ❖ Economy Energy Sales<sup>1</sup>

- Change in kWh sales of -10% and 10%
  - Impact to consumer's bill of \$1.12 per year

<sup>1</sup> Based on average residential usage of 8,400 kWh per year

# Sensitivity Analysis on 2008 Operating Budget continued

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## ❖ Variable Interest Rates

- Change in variable interest rates of -150 to 150 basis points
  - Margins between \$6.1 million and \$7.3 million
  - MFI/I between 1.25 and 1.32
  - Equity ratio between 31.5% and 31.7%

# Sensitivity Analysis on 2008 Operating Budget continued

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## ❖ Controllable Expenses

- Change in controllable expenses between -10% and +10%
  - Margins between \$4.6 million and \$8.8 million
  - MFI/I between 1.19 and 1.37
  - Equity ratio between 31.3% and 31.9%

# Sensitivity Analysis on 2008 Operating Budget continued

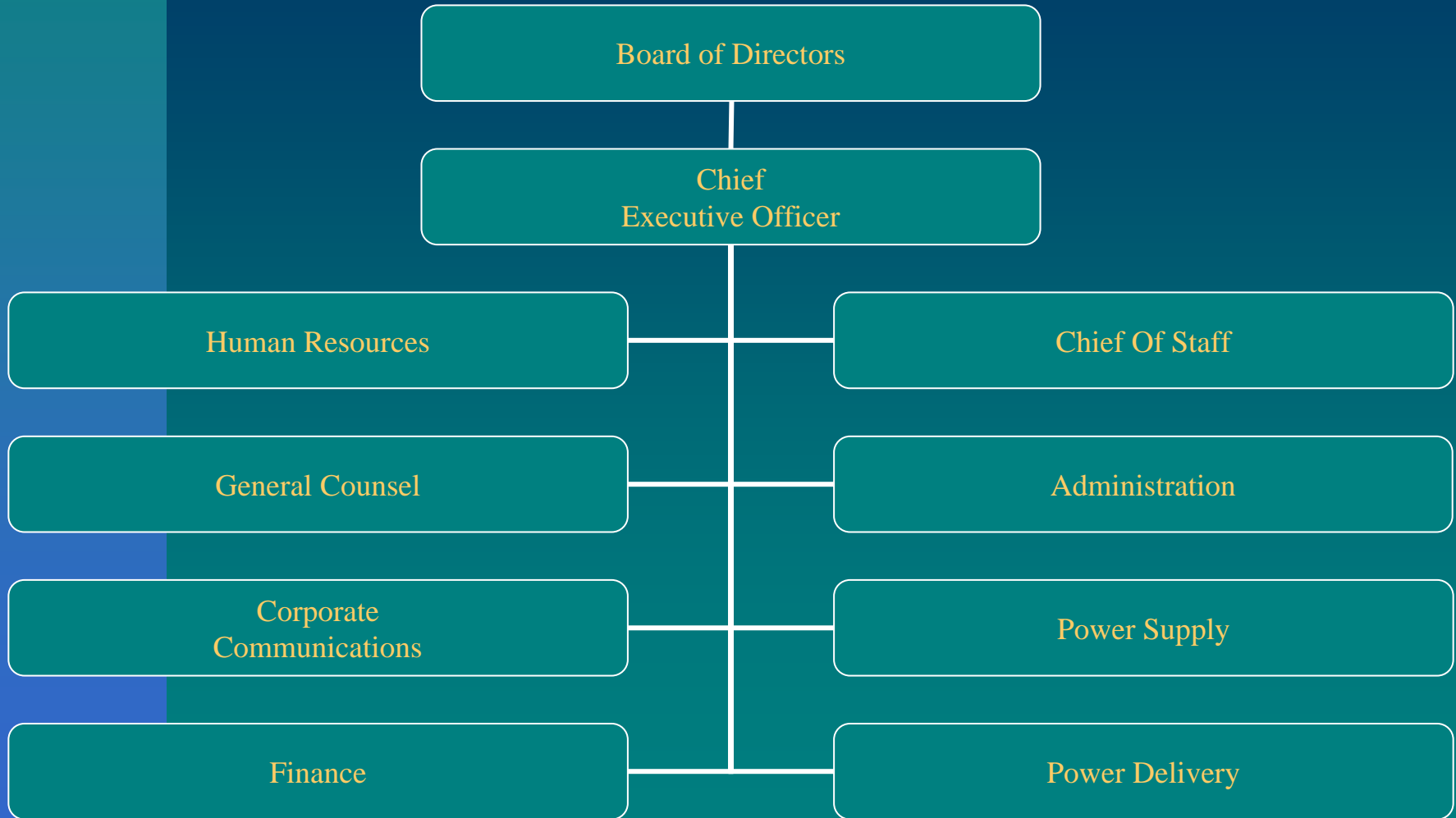
- ❖ 2008 Projected Rotation Period = (\$2.5 million) 21 years
- ❖ Capital Credit Rotation Sensitivities
  - 0% of prior year's margins (\$0)
    - Rotation period = 21 years
    - Equity ratio – 32.0%
  - 20% of prior year's margins (\$1.0 million)
    - Rotation period = 21 years
    - Equity ratio – 31.8%
  - 35% of prior year's margins (\$1.8 million)
    - Rotation period = 21 years
    - Equity ratio – 31.7%
  - 65% of prior year's margins (\$3.3 million)
    - Rotation period = 20 years
    - Equity ratio – 31.5%

Pursuant to a settlement agreement, Chugach is required to return capital credits to its wholesale customers for the years 2007-2009 for \$79,079, \$1,478,779 and \$1,674,809, respectively. The rotation periods above are net of the wholesale capital credit retirements

# 2008 Corporate Operating Budget

Bill Stewart

# Corporate Organizational Structure



# 2007 Accomplishments

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- ❖ Maintained reliability (SAIFI = 0.78, SAIDI = 67 minutes)
- ❖ Successfully negotiated settlement agreement with HEA, SES & RAPA for the 2005 Test Year Rate Case
- ❖ Reduced written and verbal customer complaints by 26%
- ❖ Drafted strategies and implemented policies to ensure SOX compliance
- ❖ Continued fuel supply negotiations
- ❖ Participated in the negotiation of labor contracts
- ❖ Continued planning for new generation
- ❖ Participated in the ML&P merger investigation

# 2008 Operational/Strategic Challenges

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- ❖ Maintain reliability and service
- ❖ Complete fuel supply negotiations and obtain regulatory approval
- ❖ Implement generation plan
- ❖ Continue to maintain equitable rates
- ❖ Achieve work rule savings associated with union contracts
- ❖ Continue planning for loss of wholesale customers



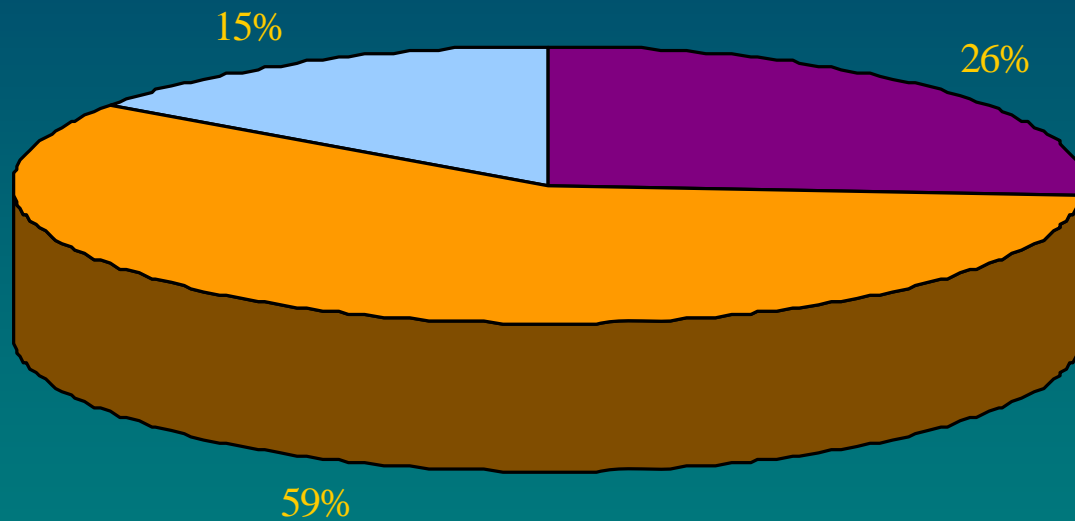
# Board of Directors

Bill Stewart

# Board of Directors 2008 Expense Budget

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■ Meeting Fees/Expenses ■ Professional Services ■ Travel & Education

# Board of Directors Expense Budget Comparison

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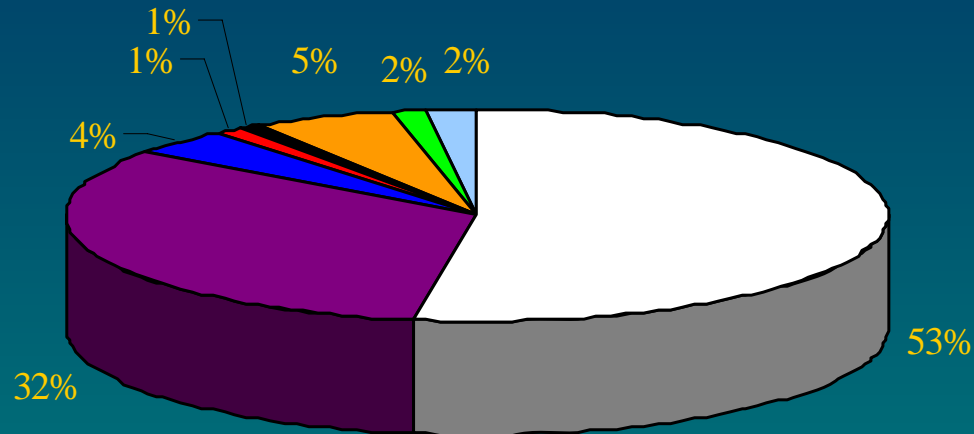
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	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
<b>Meeting Fees</b>	107,500	107,500	
<b>Meeting Expenses</b>	17,000	17,000	
<b>Professional Services</b>	275,000	275,000	
<b>Travel &amp; Education</b>	<u>72,000</u>	<u>72,000</u>	
<b>Total</b>	<b>\$471,500</b>	<b>\$471,500</b>	<b>0.0%</b>

# Chief Executive Office

Bill Stewart

# Chief Executive Office 2008 Expense Budget



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

# Chief Executive Office Budget Comparison

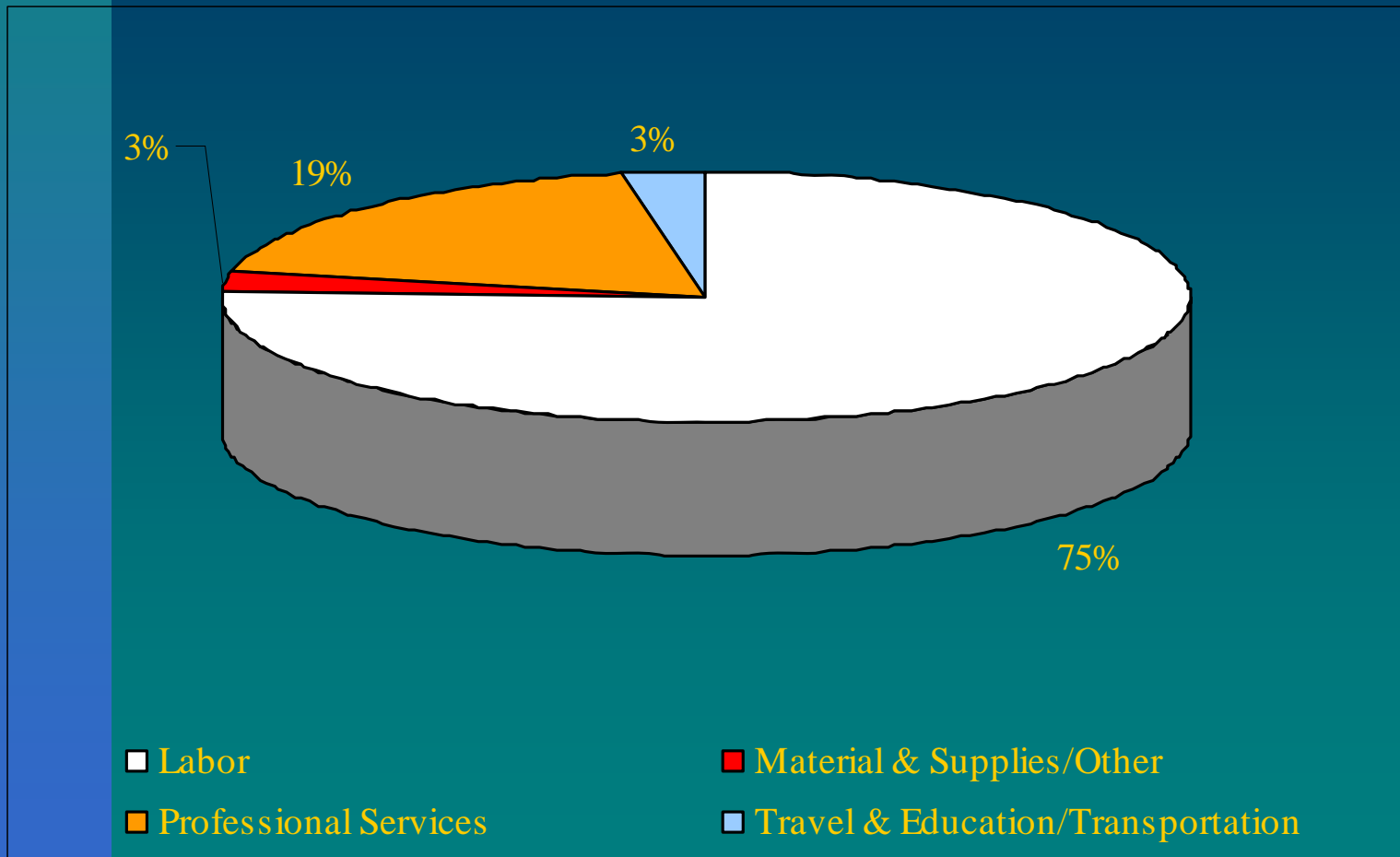
	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
Labor	439,068	495,844	
Corporate Dues	270,668	241,817	
Allowable Contributions (BP 119)	35,000	35,000	
Material & Supplies	9,000	9,000	
Other	7,670	7,670	
Professional Services	45,000	45,000	
Transportation & Freight	13,000	13,000	
Travel & Education	15,100	20,850	
<b>Total</b>	<b>\$834,506</b>	<b>\$868,181</b>	<b>-3.9%</b>

# The Office of the Chief of Staff

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Lee Thibert

# The Office of the Chief of Staff 2008 Expense Budget



Includes the Chief of Staff and Corporate Planning & Regulatory Affairs

# The Office of the Chief of Staff Expense Budget Comparison

	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	1,153,441	1,254,155	
<b>Material &amp; Supplies</b>	25,000	24,000	
<b>Other</b>	18,400	28,200	
<b>Professional Services</b>	285,000	307,000	
<b>Transportation &amp; Freight</b>	2,400	2,400	
<b>Travel &amp; Education</b>	<u>41,145</u>	<u>37,315</u>	
<b>Total</b>	<b>\$1,525,386</b>	<b>\$1,653,070</b>	<b>-7.7%</b>

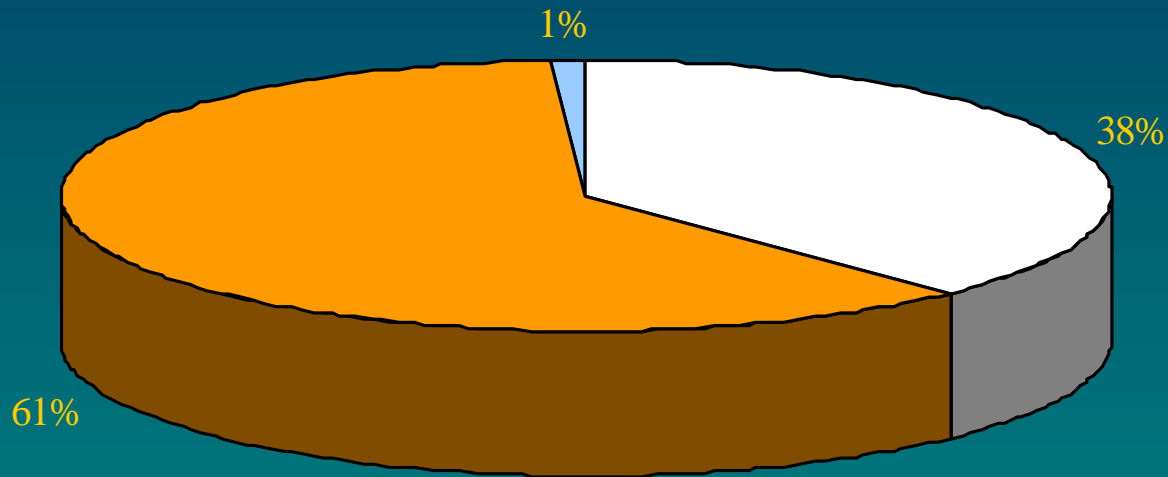
Includes the Chief of Staff and Corporate Planning & Regulatory Affairs



# General Counsel

Carol Johnson

# General Counsel 2008 Expense Budget



■ Labor ■ Professional Services ■ Travel & Education/Other

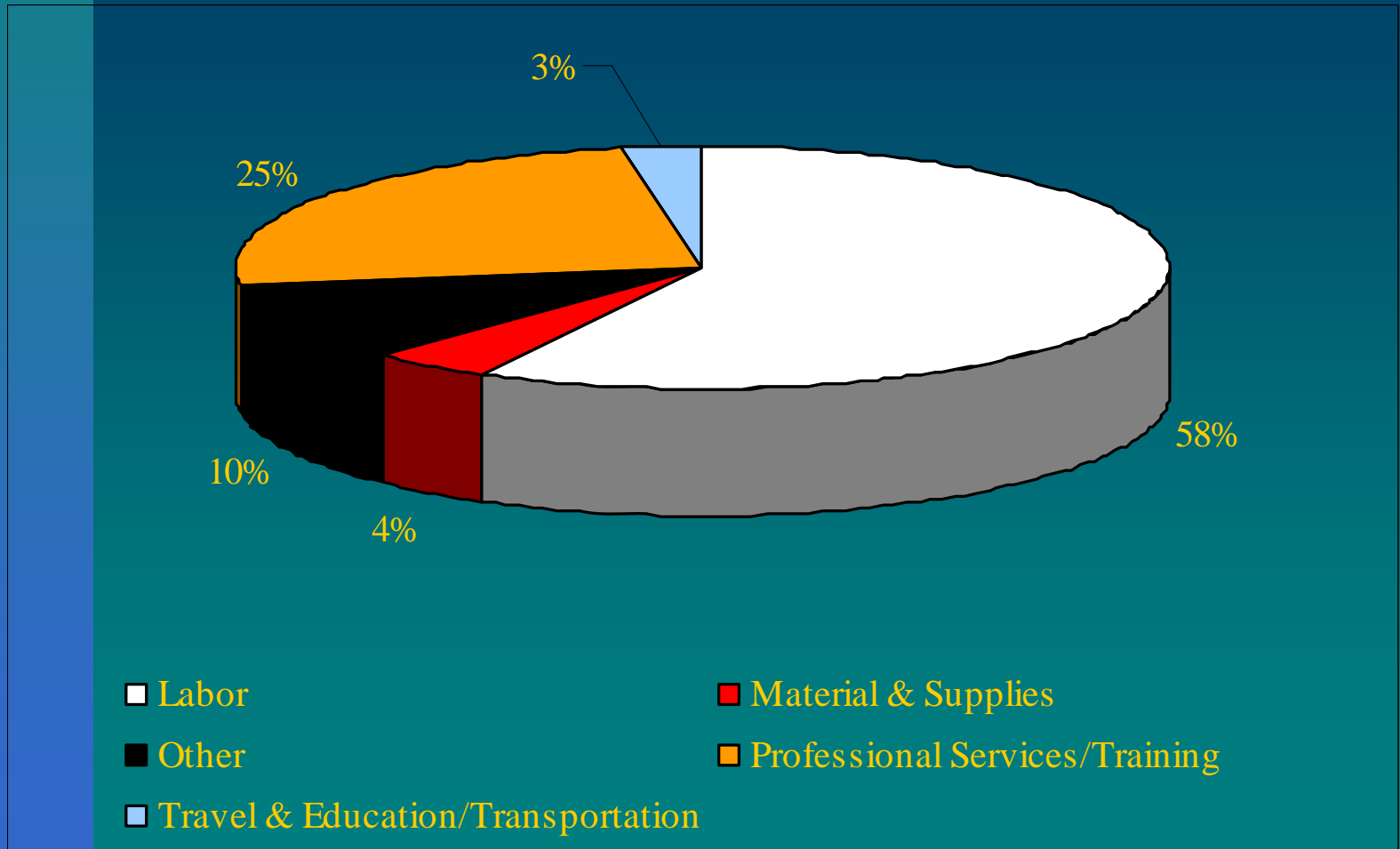
# General Counsel Expense Budget Comparison

	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
Labor	395,247	373,053	
Other	6,600	6,600	
Professional Services	640,000	1,415,120	
Travel & Education	<u>6,493</u>	<u>5,152</u>	
<b>Total</b>	<b>\$1,048,340</b>	<b>\$1,799,925</b>	<b>-41.8%</b>

# Human Resources

Mary Tesch

# Human Resources 2008 Expense Budget



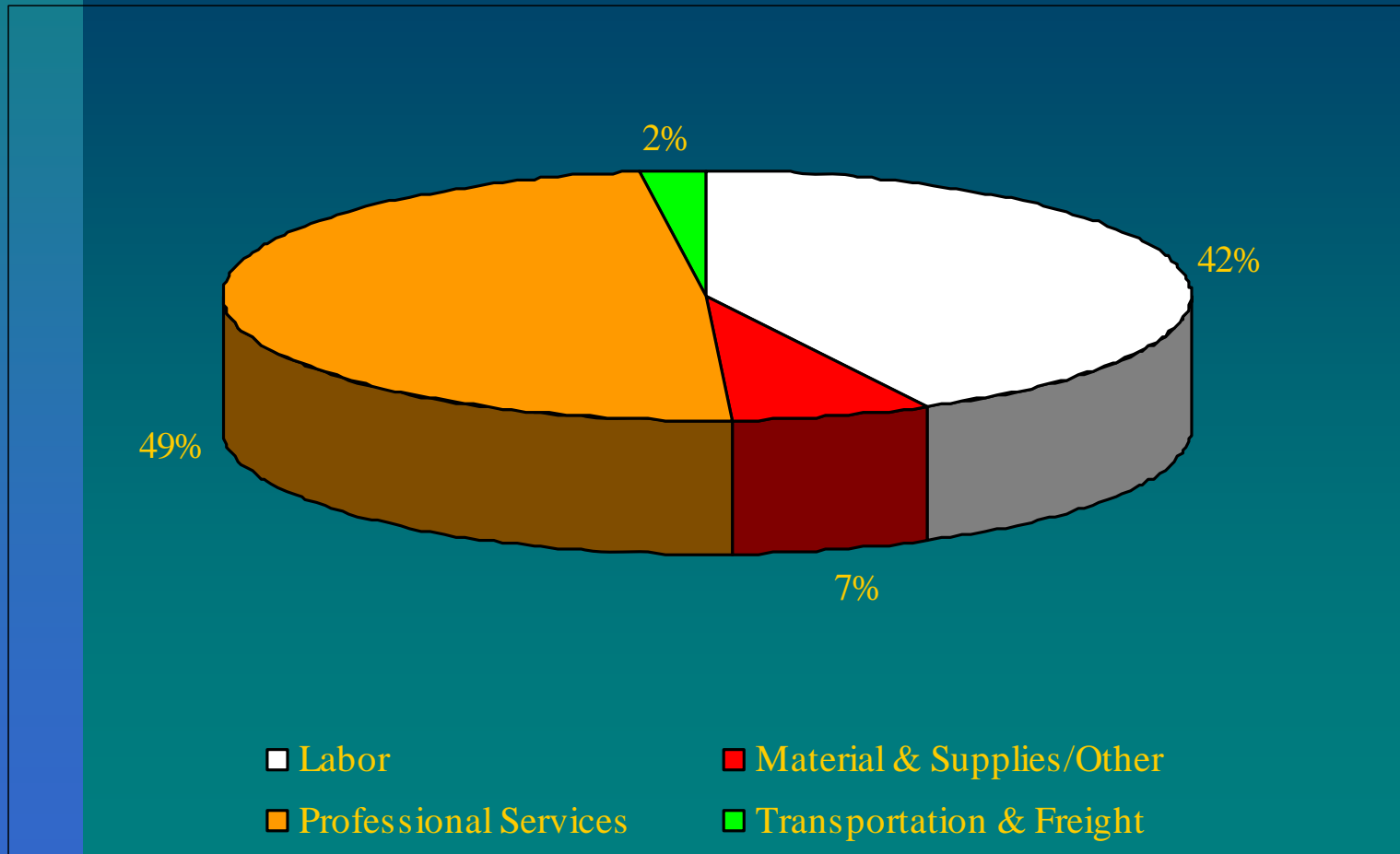
# Human Resources Expense Budget Comparison

	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
Labor	831,218	818,413	
Material & Supplies	62,400	55,020	
Other	149,400	159,900	
Professional Services/Training	355,350	322,050	
Transportation & Freight	27,574	23,840	
Travel & Education	<u>13,720</u>	<u>10,545</u>	
<b>Total</b>	<b>\$1,439,662</b>	<b>\$1,389,768</b>	<b>3.6%</b>

# Corporate Communications

Phil Steyer

# Corporate Communications 2008 Expense Budget



# Corporate Communications Expense Budget Comparison

	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
Labor	375,240	359,070	
Material & Supplies	1,500	1,500	
Other	58,000	74,000	
Professional Services	428,500	428,500	
Transportation & Freight/Travel & Education	<u>20,000</u>	<u>20,000</u>	
<i>Total</i>	<b>\$883,240</b>	<b>\$883,070</b>	<b>0.0%</b>

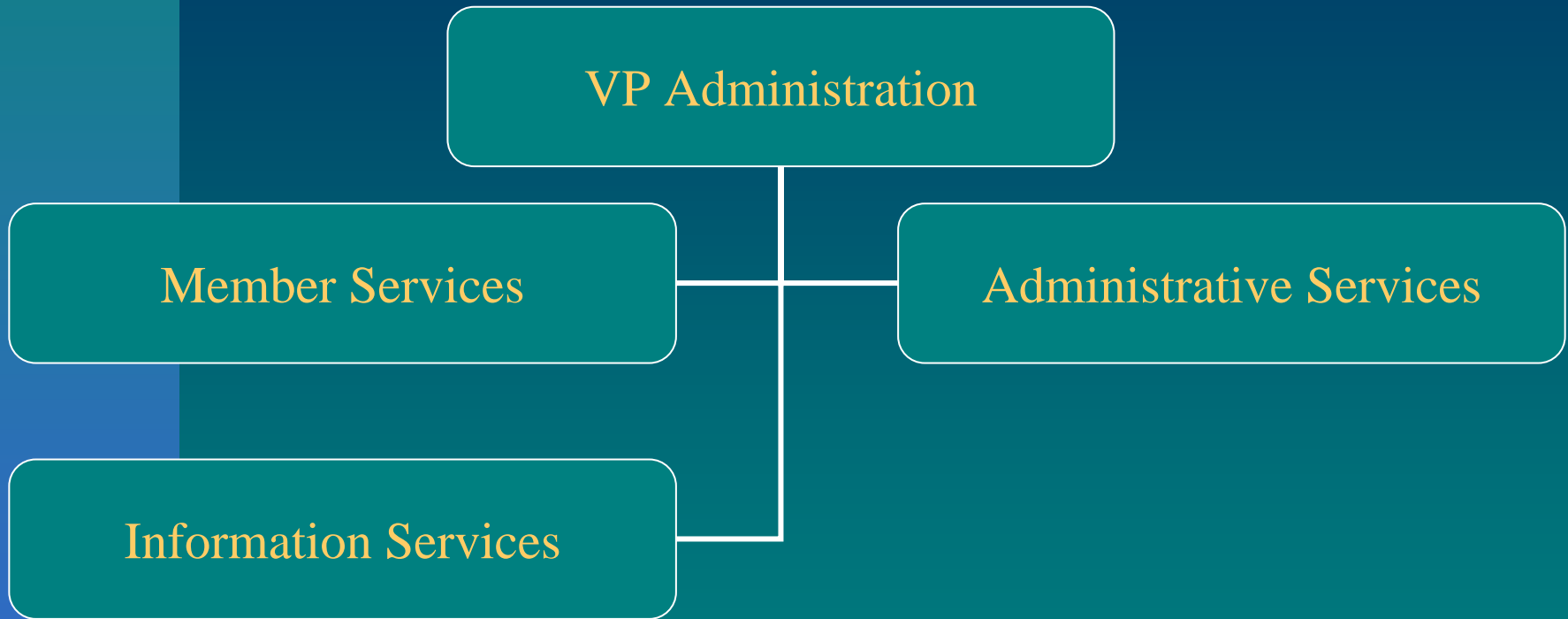
# 2008 Administration Operating Budget

Dave Smith

# Administration Organizational Structure

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# 2007 Accomplishments

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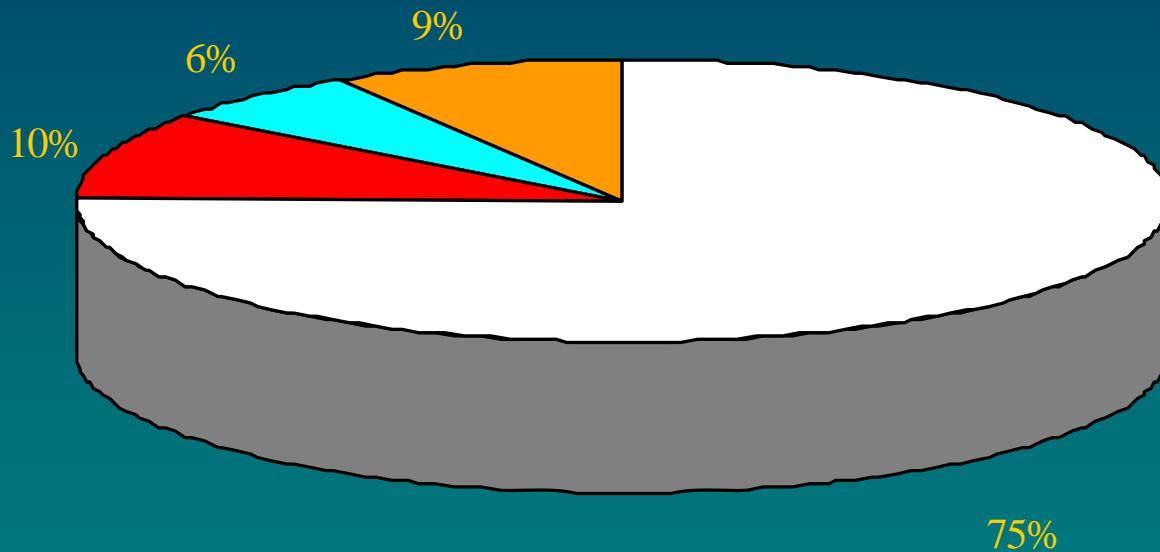
- ❖ Achieved a customer satisfaction rating of very satisfied or above from over 94% of members
- ❖ Performed actual reads 99.8% of all residential meters within an interval of 29 – 32 days
- ❖ Information Services is completely SOX compliant
- ❖ Zero network penetrations and pervasive viruses
- ❖ Completed over \$18 million of purchase orders with two buyers and managed a total of \$20 million in contracts with 1.5 FTE's

# 2008 Operational/Strategic Challenges

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- ❖ Continue SOX compliance
- ❖ Manage the workload to minimize “bad debt” write off’s
- ❖ Maintaining Information Services network protection
- ❖ Find at least three “process improvements” that reduce administrative costs

# Member Services 2008 Expense Budget

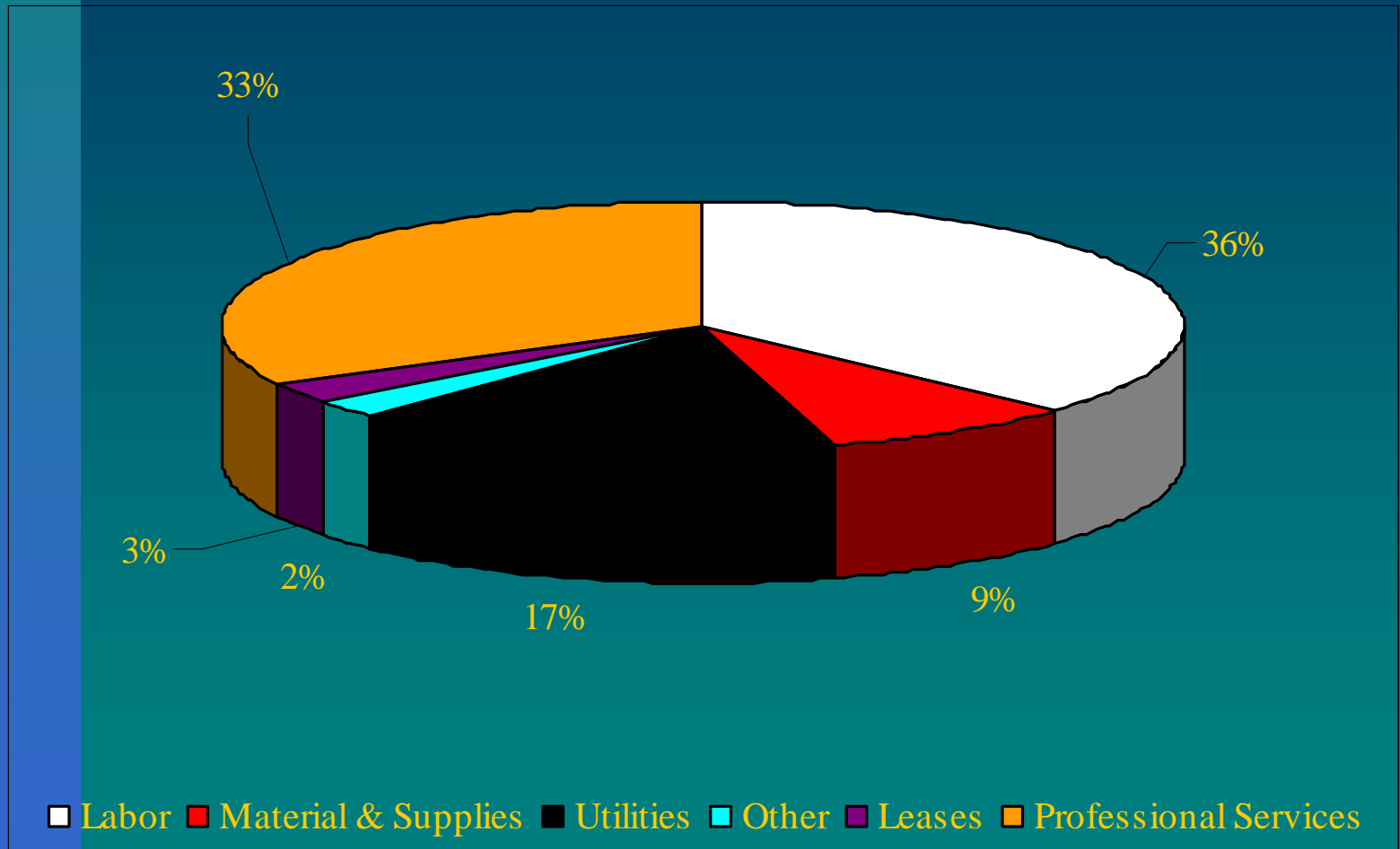


■ Labor ■ Material & Supplies ■ Other/Travel & Education ■ Professional Services

# Member Services Expense Budget Comparison

	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
Labor	3,722,612	3,477,947	
Material & Supplies	486,000	461,900	
Other	295,075	931,375	
Professional Services	431,500	344,500	
Travel & Education	<u>7,500</u>	<u>5,995</u>	
<b>Total</b>	<b>\$4,942,687</b>	<b>\$5,221,717</b>	<b>-5.3%</b>

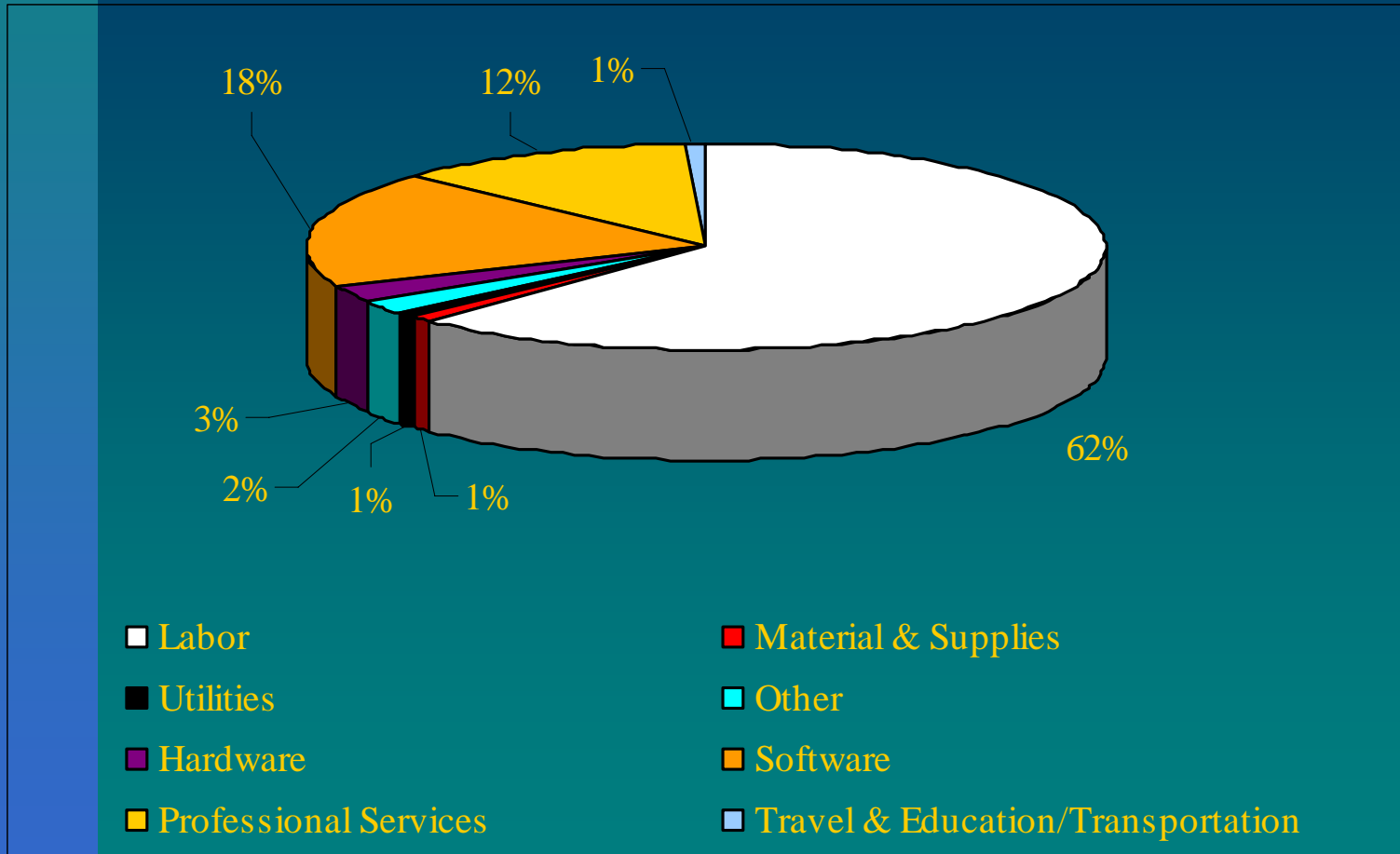
# Administrative Services 2008 Expense Budget



# Administrative Services Expense Budget Comparison

	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	1,017,673	966,285	
<b>Material &amp; Supplies</b>	239,553	239,553	
<b>Utilities</b>	460,740	441,576	
<b>Other</b>	59,500	59,500	
<b>Professional Services</b>	905,441	795,010	
<b>Leases</b>	<u>75,120</u>	<u>59,820</u>	
<b>Total</b>	<b>\$2,758,027</b>	<b>\$2,561,744</b>	<b>7.7%</b>

# Information Services 2008 Expense Budget



# Information Services Expense Budget Comparison

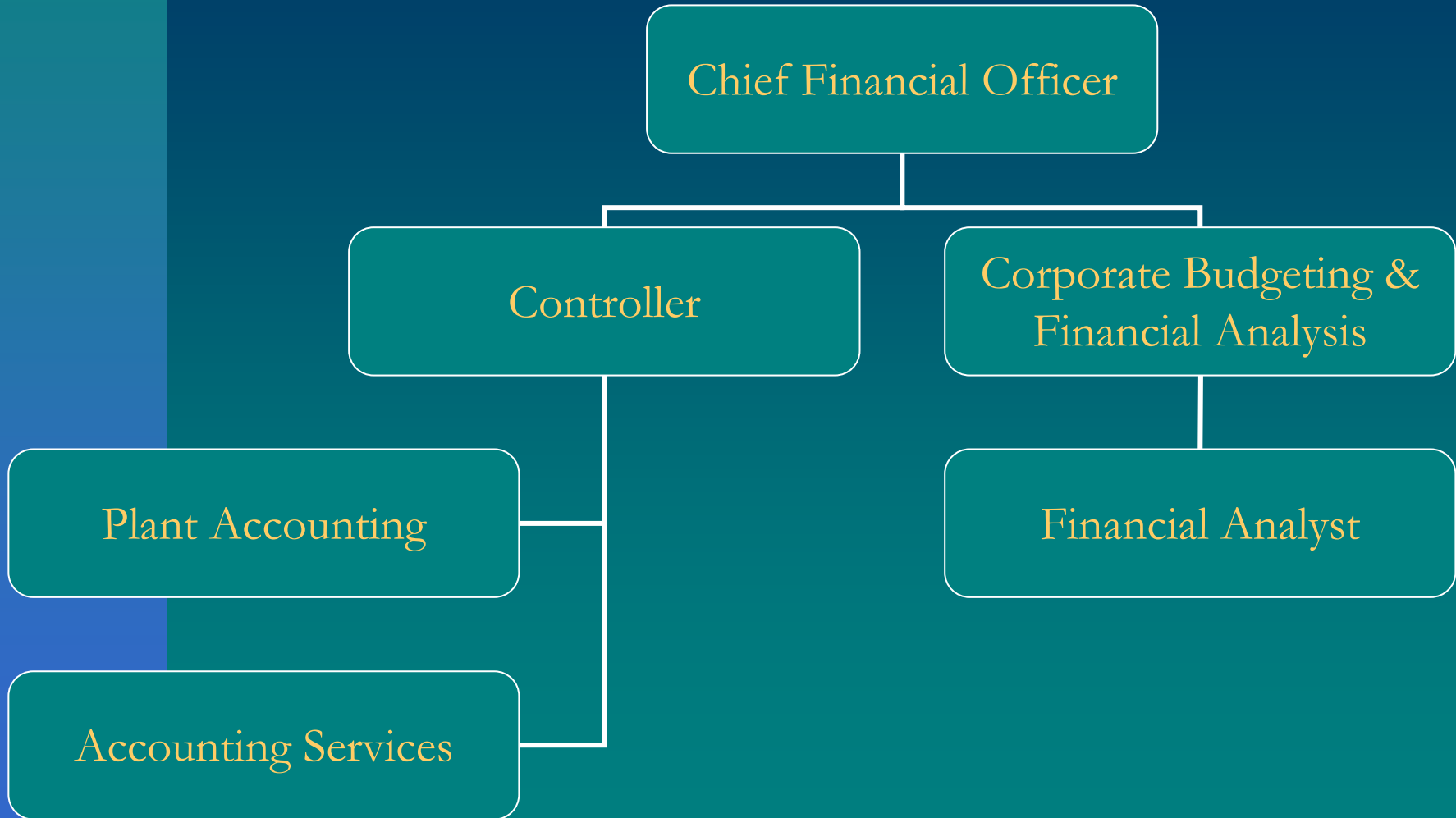
	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
Labor	3,046,999	2,873,874	
Material & Supplies	43,750	44,946	
Utilities	35,665	17,685	
Hardware	132,175	136,825	
Software	887,662	679,693	
Other	117,600	85,600	
Professional Services	593,593	595,379	
Transportation & Freight	37,899	37,899	
Travel & Education	<u>6,300</u>	<u>5,745</u>	
<b>Total</b>	<b>\$4,901,643</b>	<b>\$4,477,646</b>	<b>9.5%</b>

# Finance Operating Budget

Mike Cunningham

# Finance Organizational Structure

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# 2007 Accomplishments

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- ❖ Finance received an unqualified opinion from the independent auditor on the 2006 financial statements
- ❖ Met all required Securities and Exchange Commission quarterly and annual filings
- ❖ Successfully filed a general rate case to obtain more equitable rates among rate classes and settled outside of litigation with three of the four interveners

# 2008 Operational/Strategic Challenges

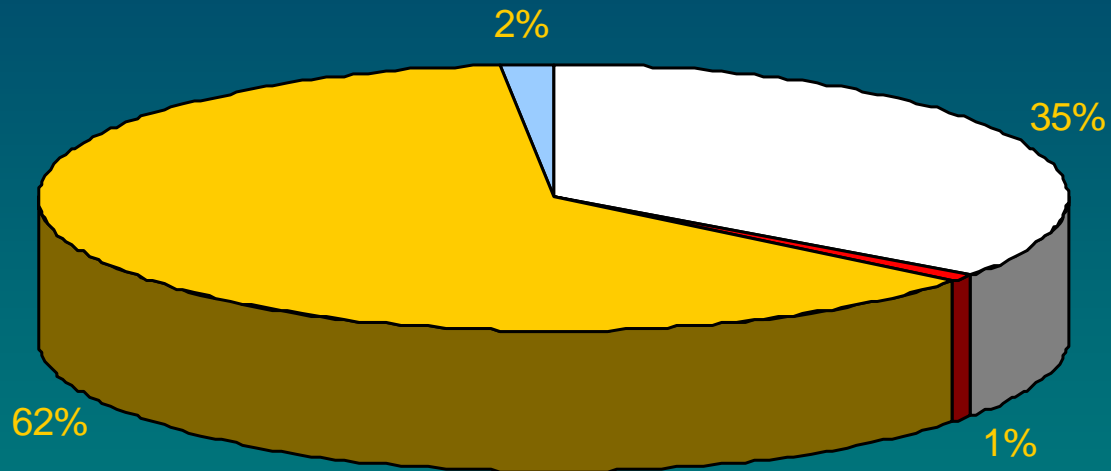
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- ❖ SOX 404 Compliance
- ❖ Planning for bullet debt refinancing
- ❖ Planning for new generation financing

# Chief Financial Officer 2008 Expense Budget

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

# Chief Financial Officer Expense Budget Comparison

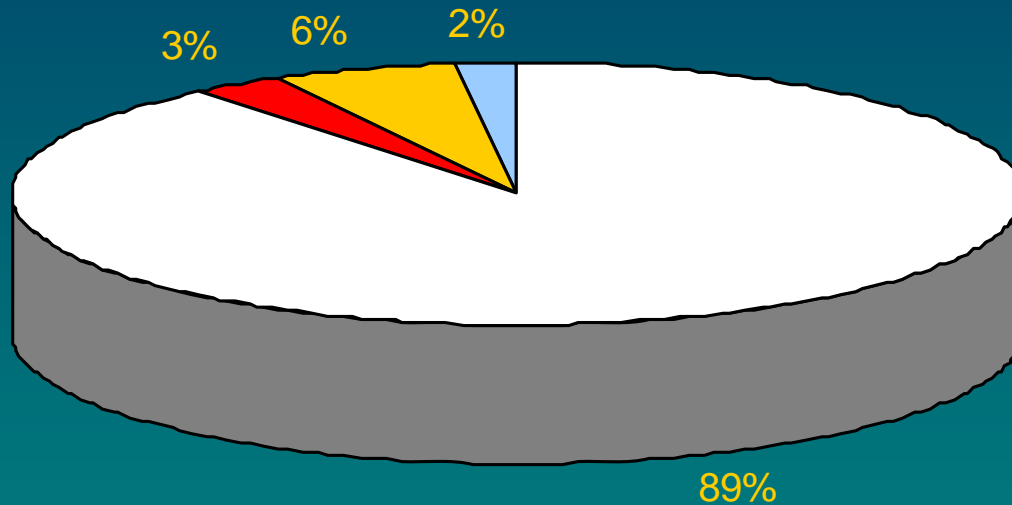
	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
Labor	275,896	227,167	
Material & Supplies	2,700	2,700	
Other	5,000	5,000	
Professional Services	492,388	1,229,888	
Travel & Education	13,950	7,700	
<b>Total</b>	<b>\$789,934</b>	<b>\$1,472,455</b>	<b>-46.4%</b>

# Finance

## 2008 Expense Budget

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

# Finance

## Expense Budget Comparison

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	<u>2008 Budget</u>	<u>2007 Revised Budget</u>	<u>% Variance</u>
<b>Labor</b>	1,428,013	1,197,024	
<b>Material &amp; Supplies</b>	4,500	4,500	
<b>Other</b>	44,950	45,150	
<b>Professional Services</b>	93,775	113,775	
<b>Travel &amp; Education</b>	<u>29,725</u>	<u>0</u>	
<b>Total</b>	<b>\$1,600,963</b>	<b>\$1,360,449</b>	<b>17.7%</b>



# DISCUSSION