

Chugach Electric Association, Inc

2006 Operating Budget and 2006 – 2010 Capital Improvement Program

Finance Committee

October 26 &

November 3, 2005

Finance Committee 2006 Budget Review Schedule

❖ Wednesday, October 26, 2005

- Introduction (*Bill Stewart*)
- Distribution Division Operating Budget (*Lee Thibert*)
- G&T Division Operating Budget (*Brad Evans*)

❖ Thursday, November 3, 2005

- Services and Finance & Planning Budget (*Bill Stewart*)
- Corporate Operating Budget (*Mike Cunningham*)
- Capital Improvement Program (*All*)

Introduction

❖ Projected 2006 Financial Results

- Margins - \$11.7 million
- MFI/I – 1.49
- Equity Ratio – 29.7%
- Reduction in long term debt – \$7.2 million

Introduction continued

❖ Comparisons

- Fuel & Purchased Power Expense
 - Increase of \$45 million from 2005 projection
 - Results in overall increase of 10-15% to consumers' bill
- Travel & Education
 - Decrease of \$100k from 2005
- General Plant
 - Decrease of \$1 million from 2005
- Positions (Full-time equivalents)
 - Decrease of 10.5

❖ 2006 – 2010 Capital Improvement Program

- \$109.4 million over the 5 year period

Distribution Division

2006 Operating Budget

Lee Thibert

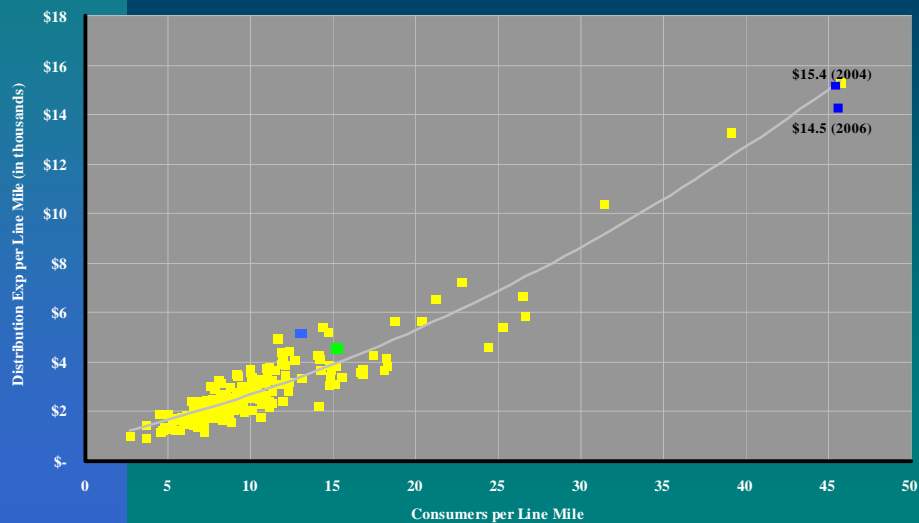
Distribution Division Utility Comparison

Balanced Scorecard	Statistics	2004 Actual	2005 Forecast	2006 Budget	Railbelt Comparison	Comparison (CFC KRTA Median)
Operational Performance	Outage Statistics (SAIDI) Hrs per Consumer	2.20	1.80 ⁽¹⁾	2.30	3.61	3.26
Financial Performance	Total Operating Cost/kWh (mills)	20.78	20.74	19.50	22.06	18.27
Safety	Lost-Time Incidence Rate	3.67	3.08 ⁽¹⁾	<2.50	5.55	2.00 ⁽²⁾
Employee Productivity	Consumers per FTE	436	440	462	326	269
Employee	Average Wage Rate per hour	\$33.96	\$31.22	\$31.93	\$33.28	\$23.08

⁽¹⁾ 2005 Year to Date

⁽²⁾ From the National Safety Council

Consumer Density vs Line Mile Cost



2006 Distribution Operating Budget Financial Results

- ❖ Margins
 - \$11.6 million
- ❖ Times Interest Earned Ratio (TIER)
 - 2.17
- ❖ Operating Revenue per kWh
 - \$0.045
- ❖ Total Cost of Electric Service
 - 17.28%

Distribution Division Comparative Statement of Operations

	2005 Budget	2005 Projection	2006 Budget
Total Revenue	\$56,123,907	\$55,163,844	\$55,697,530
Distribution Expense	11,852,628	11,861,420	11,216,398
Customer Expense	5,973,573	5,788,503	5,371,108
General & Admin Expense	9,167,292	7,730,023	7,543,627
Total O&M	26,993,493	25,379,946	24,131,133
Depreciation & Amortization	10,041,479	13,493,651	10,153,286
Tax Expense - Other	733,400	674,594	736,292
Interest on LTD	8,367,040	9,685,294	9,881,598
Interest Charged to Construction (CR)	(208,136)	(315,574)	(298,071)
Interest Expense - Other	44,379	23,319	41,910
Other Deductions	300,000	232,644	131,312
Total Cost of Electric Service	\$46,271,655	\$49,173,874	\$44,777,460
Patronage Capital/Margins	9,852,252	5,989,970	10,920,070
Non-Operating Margins	537,310	819,943	683,005
Patronage Capital/Margins	\$10,389,562	\$6,809,913	\$11,603,074
MFI/I	2.24	1.70	2.17

Distribution Division kWh Sales Comparison

	2005 Projection	2006 Budget
Residential	565,809,836	569,142,617
Small Commercial	117,447,044	117,191,496
Large Commercial	535,832,581	546,678,084
Lighting	4,697,294	4,640,000
Total kWh Sales	1,223,786,755	1,237,652,197

Distribution Division Revenue Comparison

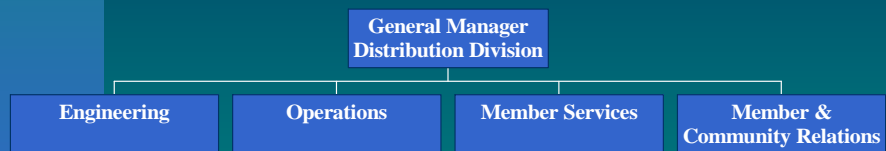
	2005 Projection	2006 Budget
Residential	30,178,852	30,412,914
Small Commercial	5,692,857	5,721,352
Large Commercial	16,549,098	16,856,746
Lighting	1,123,033	1,137,518
Total Sales Revenue	\$53,543,840	\$54,128,530
Other ⁽¹⁾	1,620,004	1,569,000
Total Revenue	\$55,163,844	\$55,697,530

(1) Includes rental, late fee, damage claim and other miscellaneous revenue

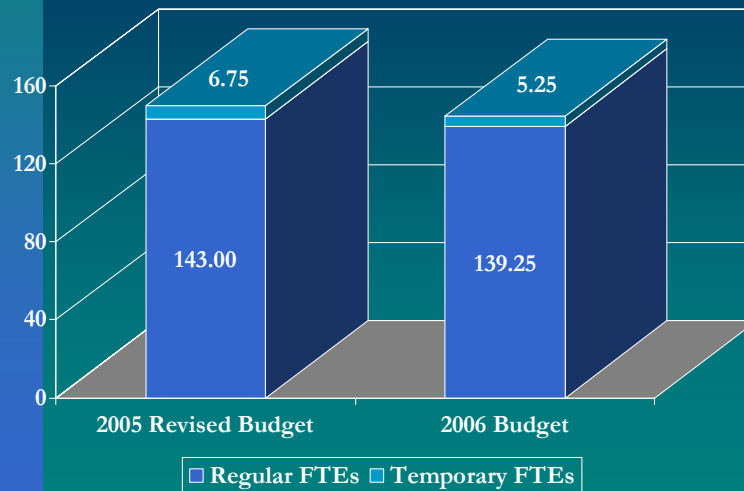
Distribution Division Expense Budget Comparison

Category	2005 Budget	2005 Projection	2006 Budget	Variance	% Variance
Distribution	11,124,032	11,132,824	10,418,333	(714,491)	-6%
Customer	5,973,573	5,788,503	5,371,108	(417,395)	-7%
General & Administrative	9,167,292	7,730,023	7,543,627	(186,396)	-2%
Warehouse	728,596	728,596	798,065	69,469	10%
Total	\$26,993,493	\$25,379,946	\$24,131,133	(\$1,248,813)	-5%

Distribution Division Organizational Structure



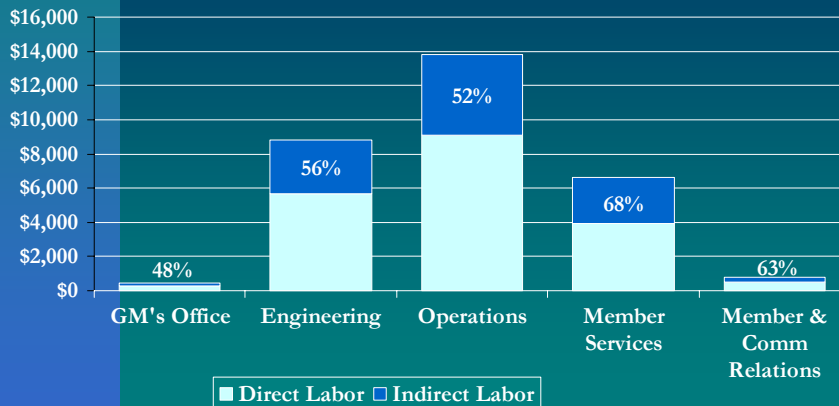
Distribution Division Position Budget Comparison



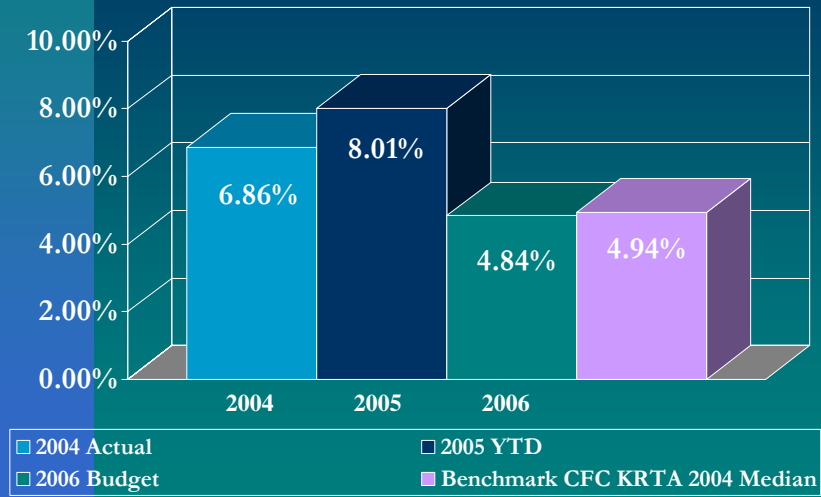
Distribution Division Total Labor by Financial Category

Category	2005 Projection	2006 Budget	Variance	% Variance
Power Production	153,464	130,121	(23,343)	-15%
Transmission	409,775	347,444	(62,331)	-15%
Distribution	5,406,471	5,150,459	(256,012)	-5%
Customer	3,702,014	3,553,730	(148,284)	-4%
General & Administrative	885,367	915,325	29,958	3%
Warehouse	548,764	617,442	68,678	13%
Capitalized/Deferred Projects	4,373,225	4,300,661	(72,564)	-2%
Total	\$15,479,080	\$15,015,182	(\$463,898)	-3%

Distribution Division Direct / Indirect Labor by Department (In Thousands)



Distribution Division Regular vs Overtime Hours



DISCUSSION

G&T Division

2006 Operating Budget

Brad Evans

2006 G&T Division Operating Budget Financial Results

- ❖ Margins
 - \$0.1 million
- ❖ Times Interest Earned Ratio (TIER)
 - 1.00
- ❖ Operating Revenue per kWh
 - \$0.086
- ❖ Total Cost of Electric Service
 - 82.72%

G&T Division Utility Comparisons

Balanced Scorecard	Statistics	2004 Actual	2005 Forecast	2006 Budget	Railbelt Comparison	Utility Comparison
Operational Performance	Outage Statistics (SAIDI) Hrs	2.20	1.80	2.30	3.61	3.30
Generation Financial Performance	Total Operating Cost/Kwh (mills)	6.78	5.66	5.11	8.10	8.64
Transmission Financial Performance	Total Operating Cost/Kwh (mills)	2.26	2.12	2.00	1.23	2.58
Hydro Financial Performance	Total Operating Cost/Kwh (mills)	8.67	6.31	6.99	N/A	26.41
Safety	Lost-Time Incidence Rate	3.67	3.08 ⁽¹⁾	<2.50	5.55	2.00 ⁽²⁾
G & T Employee	Average Wage Rate per Hour	\$38.52	\$36.12	\$36.38	N/A	\$34.52

⁽¹⁾ 2005 Year to Date

⁽²⁾ From the National Safety Council

G&T Division Comparative Statement of Operations

	2005 Budget	2005 Projection	2006 Budget
Total Revenue	\$161,414,733	\$167,240,584	\$213,923,299
Fuel Expense	76,282,516	81,634,645	120,390,043
Power Production Expense	15,761,827	15,448,826	14,582,696
Purchased Power Expense	23,602,428	23,981,284	30,329,556
Transmission Expense	6,221,818	6,187,401	6,122,921
General & Admin Expense	9,437,257	10,344,876	10,343,353
Total O&M	\$131,305,846	\$137,597,032	\$181,768,569
Depreciation & Amortization	18,700,324	15,780,536	19,204,961
Tax Expense - Other	100,300	124,752	120,443
Interest on LTD	14,401,193	13,325,483	13,567,313
Interest Charged to Construction (CR)	(246,204)	(522,612)	(602,790)
Interest Expense - Other	52,496	79,580	84,756
Other Deductions	275,000	198,510	168,688
Total Cost of Electric Service	\$164,588,955	\$166,583,281	\$214,311,940
Patronage Capital/Margins	(3,174,222)	657,303	(388,640)
Non-Operating Margins	553,038	485,817	439,065
Patronage Capital/Margins	(\$2,621,184)	\$1,143,120	\$50,425
MFI/I	0.82	1.09	1.00

G&T Division kWh Sales Comparison

	2005 Projection	2006 Budget
Matanuska Electric	681,560,758	713,572,900
Homer Electric	497,375,960	486,228,671
Seward Electric	62,741,904	63,746,510
Total Firm Sales	1,241,678,622	1,263,548,081
Economy Energy	262,141,460	352,911,000
Total kWh Sales	1,503,820,082	1,616,459,081

G&T Division Revenue Comparison

	2005 Projection	2006 Budget
Retail	79,165,738	98,129,532
Matanuska Electric	42,596,884	53,889,318
Homer Electric	28,587,382	34,387,330
Seward Electric	3,302,232	4,115,951
Economy	12,300,230	22,362,377
Total Sales Revenue	\$165,952,466	\$212,884,508
Other ⁽¹⁾	1,288,118	1,038,791
Total Revenue	\$167,240,584	\$213,923,299

(1) Includes wheeling, rental, damage claim, Microwave business venture and other miscellaneous revenue

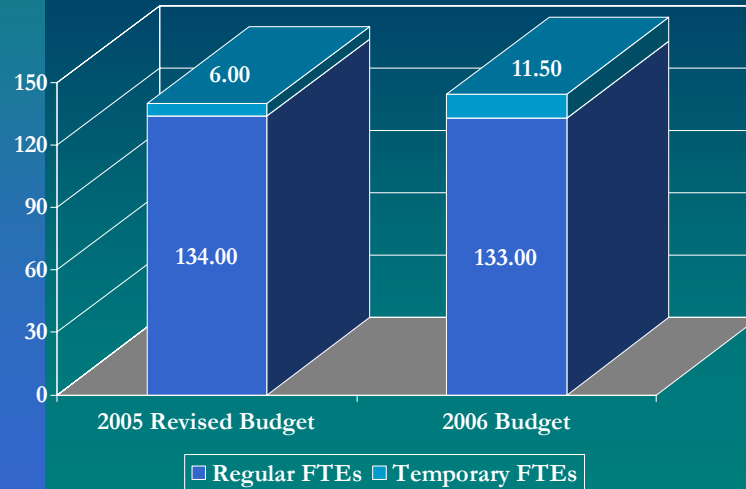
G&T Division Expense Budget Comparison

Category	2005 Budget	2005 Projection	2006 Budget	Variance	% Variance
Fuel	76,282,516	81,634,645	120,390,043	38,755,398	47%
Other Power Production	14,506,710	14,193,709	13,600,424	(593,285)	-4%
Purchased Power	23,602,428	23,981,284	30,329,556	6,348,272	26%
Transmission	6,221,818	6,187,401	6,122,921	(64,480)	-1%
General & Administrative	9,437,257	10,344,876	10,343,353	(1,523)	0%
Fleet	354,758	354,758	230,101	(124,657)	-35%
Warehouse	900,359	900,359	752,171	(148,188)	-16%
Total	\$131,305,846	\$137,597,032	\$181,768,569	\$44,171,537	32%

G&T Division Organizational Structure



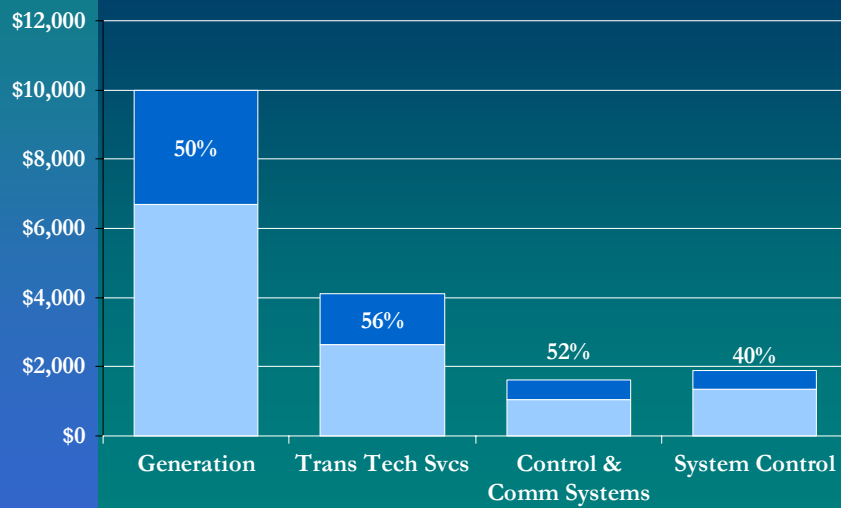
G&T Division Position Budget Comparison



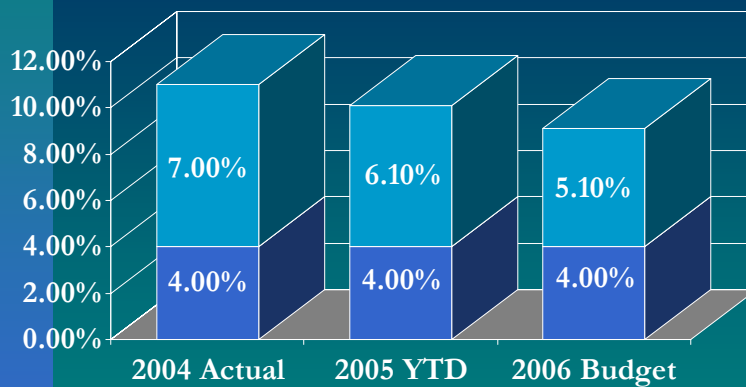
G&T Division Total Labor by Financial Category

Category	2005 Projection	2006 Budget	Variance	% Variance
Power Production	8,271,074	8,644,394	373,320	5%
Purchased Power	862,457	829,487	(32,970)	-4%
Transmission	2,586,348	2,624,290	37,942	1%
Distribution	1,523,237	1,634,085	110,848	7%
General & Administrative	748,705	882,739	134,034	18%
Fleet	230,708	173,031	(57,677)	-25%
Warehouse	492,310	365,855	(126,455)	-26%
Capitalized/Deferred Projects	3,006,548	2,449,062	(557,486)	-19%
Total	\$17,721,387	\$17,602,943	(\$118,444)	-1%

G&T Division Direct / Indirect Labor by Department (In Thousands)



G&T Division Regular vs Overtime Hours



Embedded Overtime

Other Overtime



DISCUSSION

Services Division and Finance & Planning

2006 Operating Budget
Bill Stewart

Services and Finance & Planning Comparisons

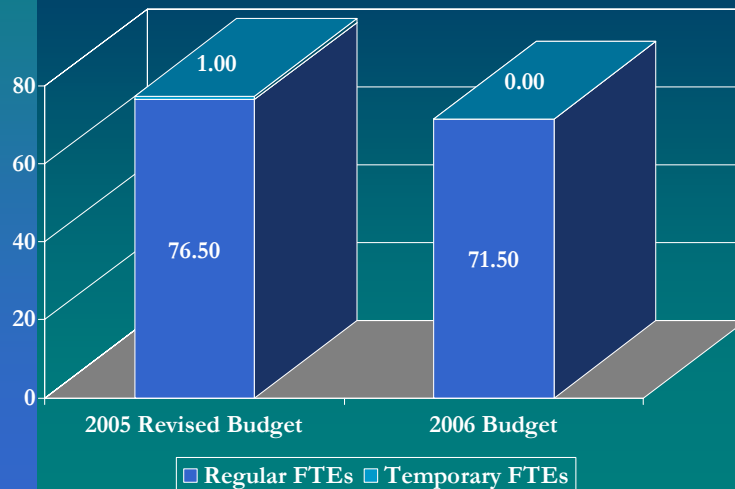
Balanced Scorecard	Statistics	2004 Actual	2005 Forecast	2006 Budget	Comparison
Operational Performance	Accounting # of days to close	15.00	12.00	11.00	To be determined
Financial Performance	IS Operating Budget as a % of revenue	2.50%	2.00%	1.60%	3.05% (Gartner, Electric Utilities under \$500 million)
Financial Performance	Regulatory Cost per MWh	\$0.10	\$0.10	\$0.08	To be determined
Safety	Lost Time Incident Rate	0.04	0.03	0.03	To be determined

Services and Finance & Planning Expense Budget Comparison

Category	2005 Budget	2005		Variance
		Projection	2006 Budget	
Power Production	34,500	34,500	35,500	1,000
Transmission	500	500	0	(500)
Distribution	44,750	44,750	0	(44,750)
General & Administrative	10,980,739	10,770,739	10,572,243	(198,496)
Information Services	4,280,486	4,200,486	3,943,039	(257,447)
Fleet	1,552,873	1,552,873	1,521,341	(31,532)
Warehouse	72,913	72,913	21,906	(51,007)
Total *	\$16,966,761	\$16,676,761	\$16,094,029	(\$582,732)

* These costs have been allocated and previously reported in the Distribution and G&T unbundled 2006 operating budgets

Services and Finance & Planning Position Budget Comparison



Services and Finance & Planning Total Labor by Financial Category

Category	2005 Projection	2006 Budget	Variance	% Variance
Distribution	44,250	0	(44,250)	-100%
General & Administrative	6,405,146	5,955,928	(449,218)	-7%
Information Services	2,813,417	2,738,715	(74,702)	-3%
Fleet	569,113	545,372	(23,741)	-4%
Warehouse	72,713	21,806	(50,907)	-70%
Capitalized/Deferred Projects	41,020	17,872	(23,148)	-56%
Total	\$9,945,659	\$9,279,693	(\$665,966)	-7%

Corporate Overview

2006 Operating Budget
Mike Cunningham

Major Assumptions for 2006 Budget

- ❖ Sales forecast
 - Assumes system average growth in sales of 1.8% from 2005
- ❖ Revenue forecast
 - Uses rates established in last rate case
- ❖ Depreciation rates
 - Assumes 2002 Updated Depreciation Study rates in effect for full year
- ❖ Capital Credit Rotation
 - Assumes retirement of 50% of prior year's margins

2006 Operating Budget Financial Results

- ❖ Margins of \$11.7 million
 - Exceeds TIER level allowed by the RCA in the last rate case
- ❖ MFI/I of 1.49
 - Exceeds the targeted MFI/I of 1.25
- ❖ Equity ratio of 29.7%
 - Within the targeted range of 25%-30%

Comparative Statement of Operations

	2005 Projection	2006 Budget
Total Revenue	<u>\$222,404,428</u>	<u>\$269,620,829</u>
Total O&M	162,976,978	205,899,703
Total Cost of Electric Service	<u>\$215,757,155</u>	<u>\$259,089,401</u>
Patronage Capital/Margins	6,647,273	10,531,428
Non-Operating Margins-Interest	503,417	388,093
Allow Funds Used During Const	151,342	158,977
Non-Operating Margins-Other	404	0
Other Capital Credits/Dividends	650,597	575,000
Patronage Capital/Margins	<u>\$7,953,033</u>	<u>\$11,653,498</u>
MFI/I	1.37	1.49

General Plant & Inventory

Category	2005 Budget	2006 Budget	Variance	% Variance
General Plant	1,261,998	260,498	(1,001,500)	-79%
Inventory	3,455,645	2,118,800	(1,336,845)	-39%
Total	\$4,717,643	\$2,379,298	(\$2,338,345)	-50%

Budgeted 2006 Equity Ratio

Projected Ending Equity (2005):		Projected Ending Equity (2006):	
Total Equity (December 2004)	138,998,799	Total Equity (December 2004)	143,151,832
Plus: 2005 Projected Margins:	7,953,033	Plus: 2005 Budgeted Margins:	11,653,498
Less: 2005 Capital Credits Rotation	(3,800,000)	Less: 2005 Capital Credits Rotation	(3,900,000)
2005 Ending Equity	143,151,832	2006 Ending Equity	150,905,330
2005 Ending Long Term Debt	365,032,099	2005 Ending Long Term Debt	365,032,099
		2006 Change in Long Term Debt	(7,200,000)
2005 Projected Equity Ratio:	28.2%	2006 Ending Long Term Debt	<u>357,832,099</u>
		2006 Budgeted Equity Ratio:	29.7%

Sensitivity Analysis on 2006 Operating Budget

❖ Revenues

- Change in kWh sales between -10% and +10%
 - Margins between \$5.0 million and \$18.2 million
 - MFI/I between 1.21 and 1.77
 - Equity ratio between 28.8% and 30.7%

❖ Economy Energy Sales*

- Change in kWh sales of -10% and +10%
 - Impact to consumer's bill of \$1.76 per year

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

Sensitivity Analysis on 2006 Operating Budget continued

❖ Controllable Expenses

- Change in controllable expenses between -10% and +10%
 - Margins between \$6.1 million and \$17.0 million
 - MFI/I between 1.26 and 1.73
 - Equity ratio between 29.0% and 30.5%

Sensitivity Analysis on 2006 Operating Budget continued

❖ Variable Interest Rates

- Change in variable interest rates of -150 to 150 basis points
 - Margins between \$10.9 million and \$12.3 million
 - MFI/I between 1.45 and 1.54
 - Equity ratio between 29.6% and 29.8%

Sensitivity Analysis on 2006 Operating Budget continued

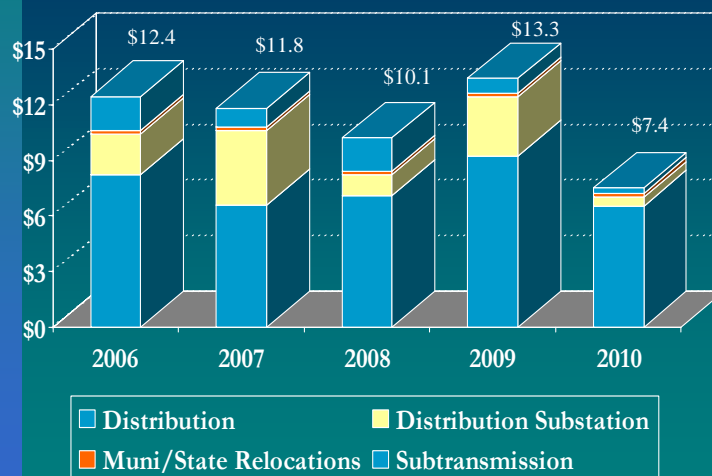
❖ Capital Credit Rotation

- 0% of prior year's margins (\$0)
 - Rotation period remains 19 years
 - Equity ratio – 30.2%
- 20% of prior year's margins (\$1.7 million)
 - Rotation period remains 19 years
 - Equity ratio – 30.0%
- 35% of prior year's margins (\$3.0 million)
 - Rotation period remains 19 years
 - Equity ratio – 29.8%

Distribution Division 2006 – 2010 Capital Improvement Program

Lee Thibert

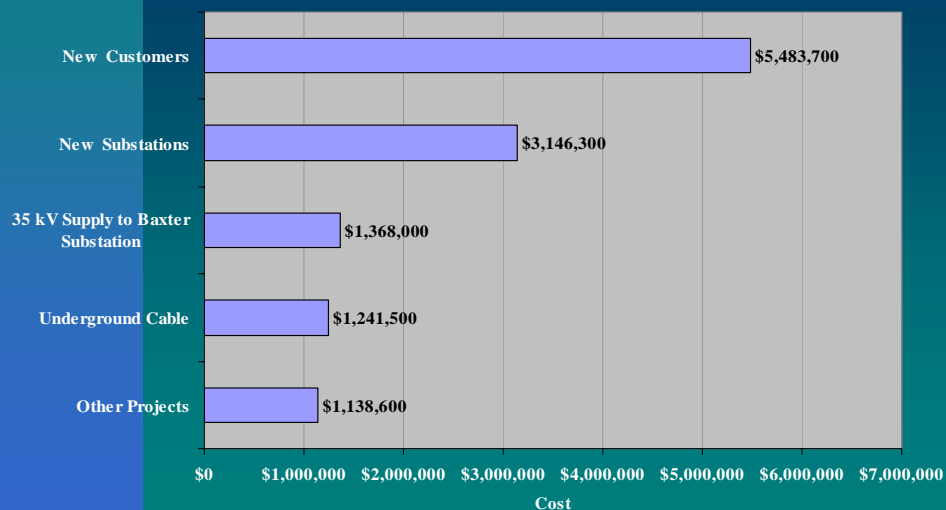
Distribution Division Total Capital Expenditures (In Millions)



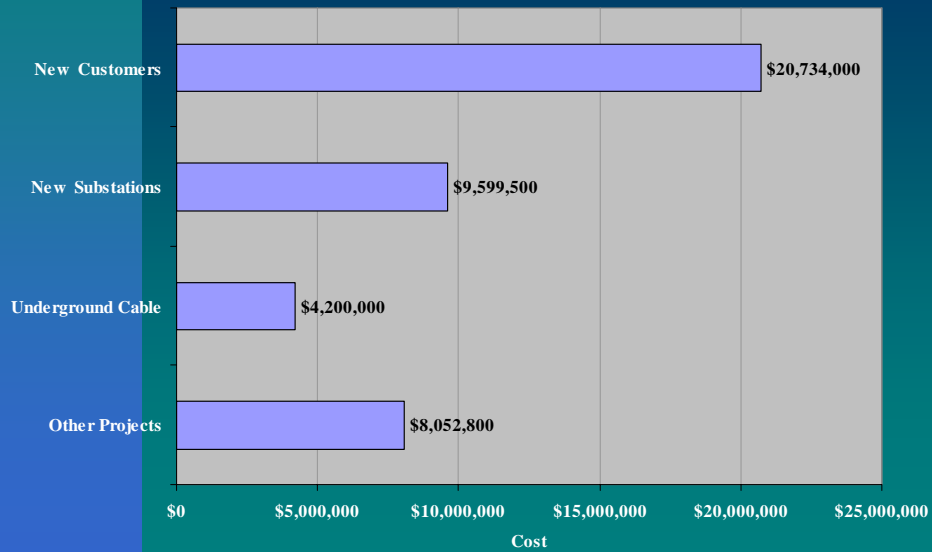
Distribution Division CIP Projects: 2006 - 2010

- ❖ Line Extensions, Service Connects and Meters & Transformers
 - \$26.2 million
- ❖ Municipal and State Relocations
 - \$0.8 million
- ❖ Cable Replacement and Rehabilitation
 - \$5.4 million
- ❖ Distribution Substations (including feeders)
 - \$12.7 million
- ❖ Subtransmission
 - \$5.6 million
- ❖ Other Distribution Projects
 - \$4.3 million

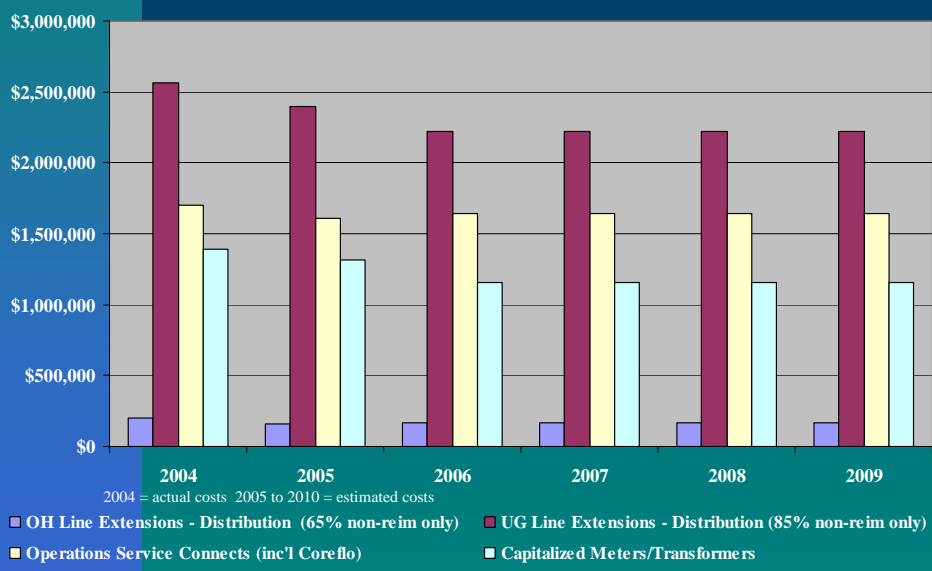
2006 Distribution Projects



2007 – 2010 Distribution Projects



New Customers



Substation Projects

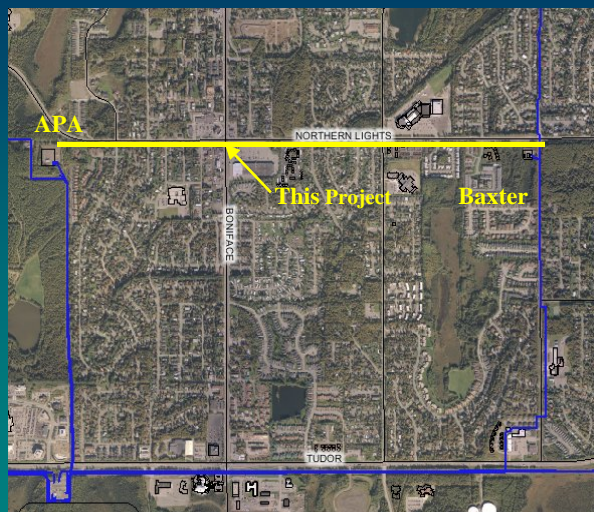
There are two substation projects scheduled within the five-year CIP. The first is Postmark Substation, scheduled to be completed in 2007 with feeder and substation work estimated at over \$6.1 million. 2006 costs are \$3.1 million.

The second substation is scheduled to be completed in 2010 with feeder and substation costs estimated at over \$6.5 million. 2006 costs are \$35,000.



Alternate 35 kV Supply to Baxter Substation

This project provides for a backup supply for DeBarr, Baxter, and Boniface Substations. The total project cost is estimated at \$3.7 million. The 2006 budget is \$1.4 million



Underground Cable

CABLE REPLACEMENT will be performed in five subdivisions: Colledge East #2, Bonibrook Subd. #3, Anchorage Business Park, Turnagain Heights, and Kulus Air National Guard. 2006 costs are estimated at \$783,500. 2007 – 2010 costs are estimated at \$2,400,000.

CABLE REHABILITATION is a method used to restore older cable to reliable use. Once the cable is treated, 20 years of reliable life is guaranteed. Seven subdivisions are scheduled for rehabilitation in 2006. 2006 costs are estimated at \$458,000. 2007 – 2010 costs are estimated at \$1,800,000



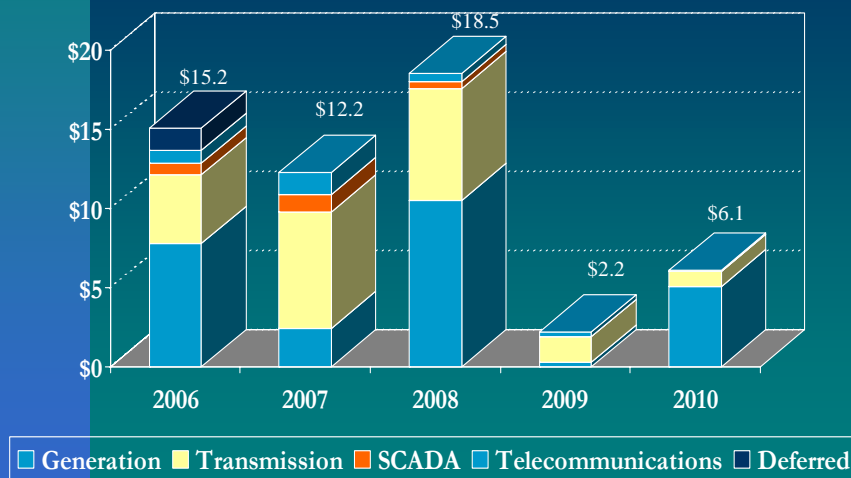
Other Projects

- ❖ \$1,138,600 in 2006
 - Replace 35 kV terminations at seven substations for \$501,000.
 - Ten other projects for \$637,600
- ❖ \$8 million in 2007 – 2010
 - An alternate 35 kV tie to Huffman Substation for an estimated \$2 million
 - A 35 kV tie between O'Malley and Dowling Substations for \$1.5 million
 - Two new feeders out of LaTouche Substation for an estimated \$1.3 million.
 - Chugach's share of state and municipal relocation work for \$624,000
 - Seventeen other projects for approximately \$2.6 million

G&T Division 2006 – 2010 Capital Improvement Program

Brad Evans

G&T Division Total Capital Expenditures (In Millions)



G&T Division CIP Projects: 2006 - 2010

- ❖ Transmission Projects
 - \$21.3 million
- ❖ Generation Projects
 - \$26.1 million
- ❖ SCADA Projects
 - \$2.3 million
- ❖ Telecommunications Projects
 - \$3.1 million
- ❖ Deferred Studies
 - \$1.4 million

G&T Division 2006 Major Projects

- ❖ Transmission
 - Siemens BZO Breaker Replacement
 - South Anchorage 138kV Loop Project
- ❖ Generation
 - Beluga Unit 6 C Inspection
- ❖ SCADA
 - SCADA/EMS Master Migration
- ❖ Deferred
 - Cooper Lake Relicensing
 - 130MW Unit Study

G&T Division CIP Projects: 2006 - 2010

❖ Siemens BZO Breaker Replacement

- We have experienced two catastrophic failures of BZO breakers in the last 3 years
- We have 13 of these breakers currently in-service
- The failure has been isolated to a threaded connection on the upper-contact rod assembly
- This Project will identify and replace Siemens-Allis 230kV breakers that are found to have faulty upper-contact rod assemblies

Siemens BZO Breaker Replacement

- \$2,067,600



South Anchorage 138kV Loop Project

- ❖ Supports load growth
- ❖ Four Projects
 - Pt Mac-South Modifications (In-Progress)
 - IGT-South Sub 138kV line (Complete)
 - South Anchorage Substation (In- Progress)
 - University- South Sub 138kV line (ROW Procurement)

South Anchorage Loop Projects



Beluga Unit 6 C Inspection

This project is a major inspection of the gas turbine, replacing many of the turbine hot gas path parts, i.e. turbine rotating and stationary blades, and combustion parts. Typically this is done every 24,000 hours. This will be the first time it has been done at 32,000 hours, representing a reduction in outage time and major parts costs.

Project cost of \$11.6 million



G&T Division SCADA Migration

This project will migrate the existing Chugach SCADA/EMS computer system infrastructure from the current system

This system provides for all monitoring and control of Chugach Transmission, Generation, and Distribution system assets.

The project includes a Backup Control SCADA/EMS located at Chugach Glen Alps Telecom Facility

The project is scheduled for completion in 2008.





DISCUSSION

**CHUGACH ELECTRIC ASSOCIATION, INC.
COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS**

CATEGORY	2005 APPROVED BUDGET	2005 REVISED FORECAST	2006 PROPOSED BUDGET
REVENUES:			
1. TOTAL REVENUE	217,538,640	222,404,428	269,620,829
EXPENSES:			
2. FUEL EXPENSE	76,282,516	81,634,645	120,390,043
3. POWER PRODUCTION EXPENSE	15,761,827	15,448,826	14,582,696
4. COST OF PURCHASED POWER	23,602,428	23,981,284	30,329,556
5. TRANSMISSION EXPENSE	6,221,818	6,187,401	6,122,921
6. DISTRIBUTION EXPENSE-OPERATIONS	5,241,325	5,261,593	4,383,360
7. DISTRIBUTION EXPENSE-MAINTENANCE	6,611,303	6,599,827	6,833,038
8. CONSUMER ACCOUNTS EXPENSE	4,819,618	4,729,668	4,561,126
9. CUSTOMER SERVICE/INFO EXPENSE	1,153,955	1,058,835	809,983
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	18,604,549	18,074,899	17,886,980
12. TOTAL OPERATIONS/MAINTENANCE EXP.	158,299,339	162,976,978	205,899,703
13. DEPRECIATION/AMORTIZATION EXPENSE	28,741,803	29,274,187	29,358,247
14. TAX EXPENSE-OTHER	833,700	799,346	856,735
15. INTEREST-LONG TERM DEBT	22,768,233	23,010,777	23,448,911
16. INTEREST ON CONSTRUCTION-CREDIT	(454,340)	(838,186)	(900,861)
17. INTEREST EXPENSE-OTHER	96,875	102,899	126,666
18. OTHER DEDUCTIONS	575,000	431,154	300,000
19. TOTAL COST OF ELECTRIC SERVICE	210,860,610	215,757,155	259,089,401
20. PATRONAGE CAPITAL/OPERATING MARGINS	6,678,030	6,647,273	10,531,428
21. NON-OPERATING MARGINS-INTEREST	360,170	503,417	388,093
22. ALLOWANCE FUNDS USED DURING CONST.	80,178	151,342	158,977
23. NON-OPERATING MARGINS-OTHER	0	404	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	650,000	650,597	575,000
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	7,768,378	7,953,033	11,653,498
MFI/I	1.34	1.34	1.49

CHUGACH ELECTRIC ASSOCIATION, INC.
Unbundled Statement of Operations
2006 BUDGET

Item	Total	G&T ¹	Distribution ²
Operating Revenue and Patronage Capital:	\$269,620,829	\$213,923,299	\$55,697,530
Fuel Expense	\$120,390,043	\$120,390,043	\$0
Power Production Expense	\$14,582,696	\$14,582,696	\$0
Purchased Power Expense	\$30,329,556	\$30,329,556	\$0
Transmission Expense	\$6,122,921	\$6,122,921	\$0
Distribution Expense - Operations	\$4,383,360	\$0	\$4,383,360
Distribution Expense - Maintenance	\$6,833,038	\$0	\$6,833,038
Consumer Accounts Expense	\$4,561,126	\$0	\$4,561,126
Customer Service & Informational Expense	\$809,983	\$0	\$809,983
Administrative & General Expense	\$17,886,980	\$10,343,353	\$7,543,627
Total Operation & Maintenance Expense	\$205,899,703	\$181,768,569	\$24,131,134
Depreciation & Amortization Expense	\$29,358,247	\$19,204,961	\$10,153,286
Tax Expense - Other	\$856,735	\$120,443	\$736,292
Interest on LT Debt	\$23,448,911	\$13,567,313	\$9,881,598
Interest Charged to Construction - Credit	(\$900,861)	(\$602,790)	(\$298,071)
Interest Expense - Other	\$126,666	\$84,756	\$41,910
Other Deductions	\$300,000	\$168,688	\$131,312
Total Cost of Electric Service	\$259,089,401	\$214,311,940	\$44,777,461
Patronage Capital & Operating Margins	\$10,531,428	(\$388,640)	\$10,920,069
Non-Operating Margins - Interest	\$388,093	\$0	\$388,093
Allowance for Funds Used During Constructio	\$158,977	\$106,376	\$52,601
Non-Operating Margins - Other	\$0	\$0	\$0
Generation and Transmission Capital Credits	\$0	\$0	\$0
Other Capital Credits and Patronage Dividend	\$575,000	\$332,689	\$242,311
Extraordinary Items	\$0	\$0	\$0
Patronage Capital or Margins	\$11,653,498	\$50,425	\$11,603,073
Achieved TIER	1.49	0.99	2.17
Authorized TIER	1.30	1.10	1.63
Operating Revenue per kWh	\$0.10779	\$0.08552	\$0.04500
Functionalized Total Cost of Electric Service	100.00%	82.73%	17.27%

1 G&T includes revenues and costs associated with production, transmission and the microwave business.

2 Distribution includes revenues and costs associated with distribution and customer service.

3 Unbundled revenue from sales based on 2000 test year unbundled rates pursuant to U-01-108(32) and (33).

CHUGACH ELECTRIC ASSOCIATION, INC.
2006 OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGET

TERMS AND ABBREVIATIONS

AML&P	Anchorage Municipal Light and Power
Beluga Producers	Major Fuel Suppliers (Shell, Chevron)
Bernice	Bernice Lake Power Plant (Chugach owned)
Beluga	Beluga Power Plant (Chugach owned)
Bradley Lake	Hydro electric plant (Jointly owned)
CAIDI	Customer Average Interruption Duration Index
Con Svc	Consumer Services
Cooper	Cooper Lake Power Plant (Chugach owned)
Cust Info	Customer Information
Dist Ops	Distribution Operations
Dist Maint	Distribution Maintenance
Eklutna	Hydro electric plant (Jointly owned)
G&A	General and Administrative
GVEA	Golden Valley Electric Association, Inc.
HEA	Homer Electric Association, Inc.
Indenture	Indenture of Trust
International	International Gas Turbines (Chugach owned)
IS	Information Services
kWh	Kilowatt hour
Marathon	Marathon Gas Company (Major Fuel Supplier)
MEA	Matanuska Electric Association, Inc.
MFI/I	Margins for Interest/Interest - Financial ratio included in Chugach's Indenture of Trust
MOA	Municipality of Anchorage
Muni	Municipality of Anchorage
MWh	Megawatt hour
Nikiski #1	Power plant owned by HEA
OH	Overhead (line)
O&M	Operations and Maintenance
Power Prod	Power Production
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA/EMS	Supervisory Control and Data Acquisition/Energy Management System
SOA	State of Alaska
SRU	Smaller Retirement Unit
State	State of Alaska
TIER	Times Interest Earned Ratio
Trans	Transmission
UG	Underground (line)
USPS	United States Postal Service