

Chugach Electric Association, Inc
2004 Operating Budget
Supplemental Information

November 6, 2003

Sensitivity Analysis on 2004 Operating Budget for Minimum 1.25 MFI/I

- ❖ Indenture requirement is 1.10 MFI/I
 - \$2.25 million in margins
- ❖ Financial planning target is 1.25 MFI/I
 - \$5.6 million in margins
 - Sensitivity
 - \$400k decrease in base revenue
 - \$400k increase in expenses
- ❖ If necessary, cost control measures will be implemented where feasible and appropriate

Capital Credit Retirement Limitations

- ❖ Actual 2002 Loss
 - (\$2.0 million)
- ❖ Forecasted 2003 Margins
 - \$8.0 million
- ❖ Assignable margins for 2003
 - \$6.0 million
- ❖ Eligible for retirement in 2004
 - 50% of 2003 assignable margins (maximum)
 - \$3.0 million
 - \$1.36 million to wholesale customers
 - \$1.64 million to retail consumers

Chugach Bylaws

❖ Patronage Capital

- All such amounts in excess of operating costs and expenses are received with the understanding that they are furnished by the patrons, members and non-members alike, as capital
- The Association is obligated to pay all such amounts in excess of operating costs and expenses to the patrons by credits to a capital account for each patron

Chugach Bylaws continued

❖ Patronage Capital continued

- All other amounts received by the Association from its operations in excess of costs and expenses shall, insofar as permitted by law, be:
 - Used to offset any losses incurred during the current or any prior fiscal year; and
 - To the extent not needed for that purpose, allocated to its patrons on a patronage basis, and any amounts so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided

Updated Budgeted 2004 Equity Ratio

Projected Ending Equity (2003):

Total Equity (December 2002)	127,477,895
Plus: 2003 Projected Margins:	8,031,455
Less: 2003 Capital Credits Rotation	0

2003 Ending Equity 135,509,350

2003 Ending Long Term Debt 389,834,179

2003 Projected Equity Ratio: 25.8%

Projected Ending Equity (2004):

Total Equity (December 2003)	135,509,350
Plus: 2004 Budgeted Margins:	5,958,997
Less: 2004 Capital Credits Rotation	(3,000,000) *

2004 Ending Equity 138,468,347

2003 Ending Long Term Debt 389,834,179

2004 Change in Long Term Debt (5,545,000)

2004 Ending Long Term Debt 384,289,179

2004 Budgeted Equity Ratio: 26.5%

* Maximum allowed by Indenture

2004 Capital Budget to 2004 CIP Reconciliation

2004 Capital Budget	\$45,436,379
Less:	
Reimbursements from State of Alaska/Municipality of Anchorage ⁽¹⁾	7,164,000
Reimbursements from consumers ⁽²⁾	1,374,500
Major generation components in inventory ⁽³⁾	2,200,000
Net 2004 Capital Improvement Program (CIP)	\$34,697,879

- (1) Miscellaneous State and Municipal Relocation Projects are approximately 90% reimbursable
- (2) Consumers are responsible for approximately 33% of line extension costs
- (3) Some major generation components, removed during major overhauls, are placed in inventory, refurbished and returned to service in later overhauls



DISCUSSION