

Chugach Electric Association, Inc
2004 – 2008 Capital Improvement Program

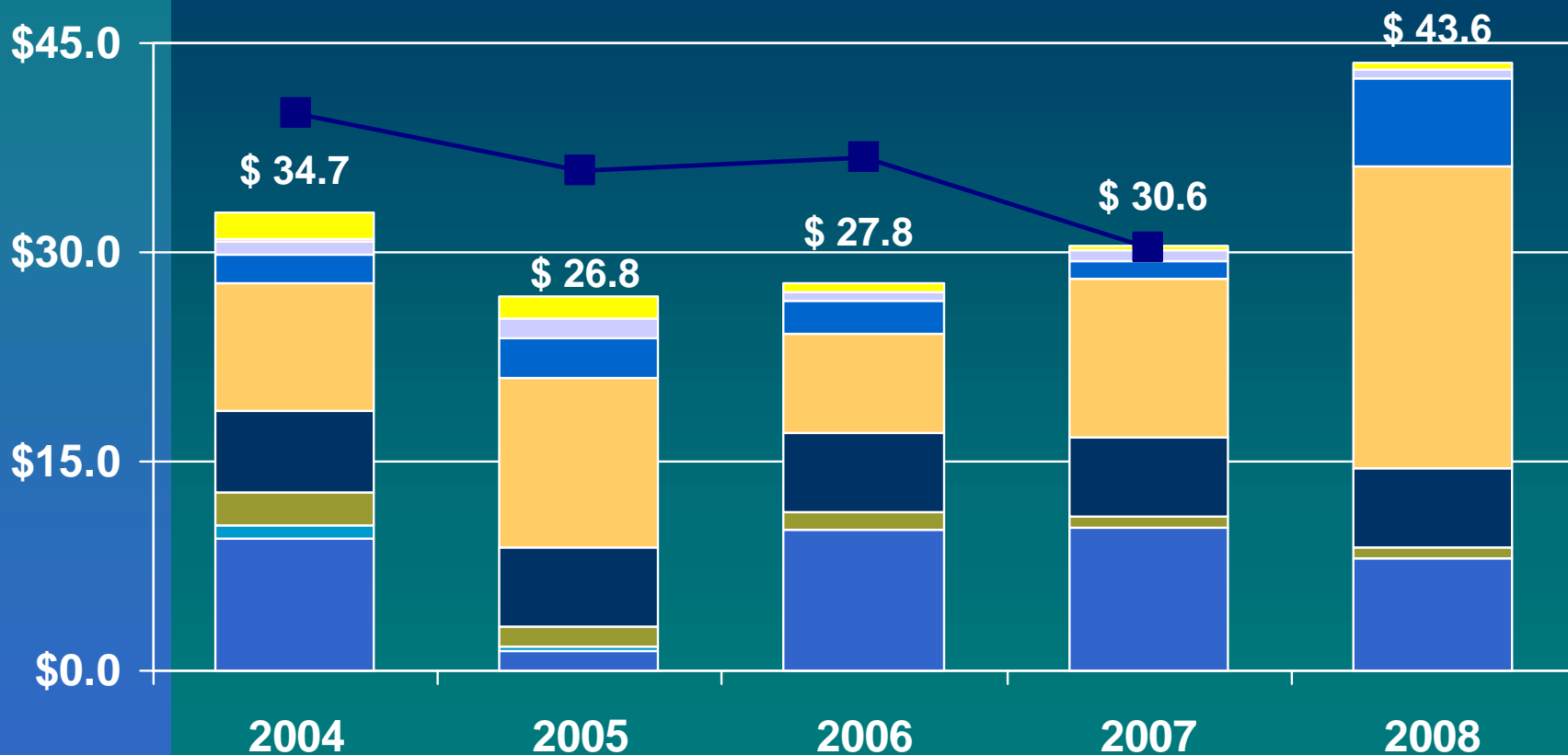
November 6, 2003

Financial Targets for 2004 – 2008 Capital Improvement Program (CIP)

- ❖ Match depreciation & amortization expense
 - Capital
 - Approximately \$169 million over 5 year period
 - Capitalized Maintenance
 - Capital Improvement Projects
 - Amortized Projects
 - Approximately \$7.5 million over 5 year period
 - Deferred Studies
 - IT Projects
 - Total targeted approximately \$176.5 million over 5 years
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- ❖ **Current Plan is \$163.5 million over 5 years**
 - **\$13.0 million less than planning targets**

Net Capital Expenditures 2004 – 2008 (In Millions)

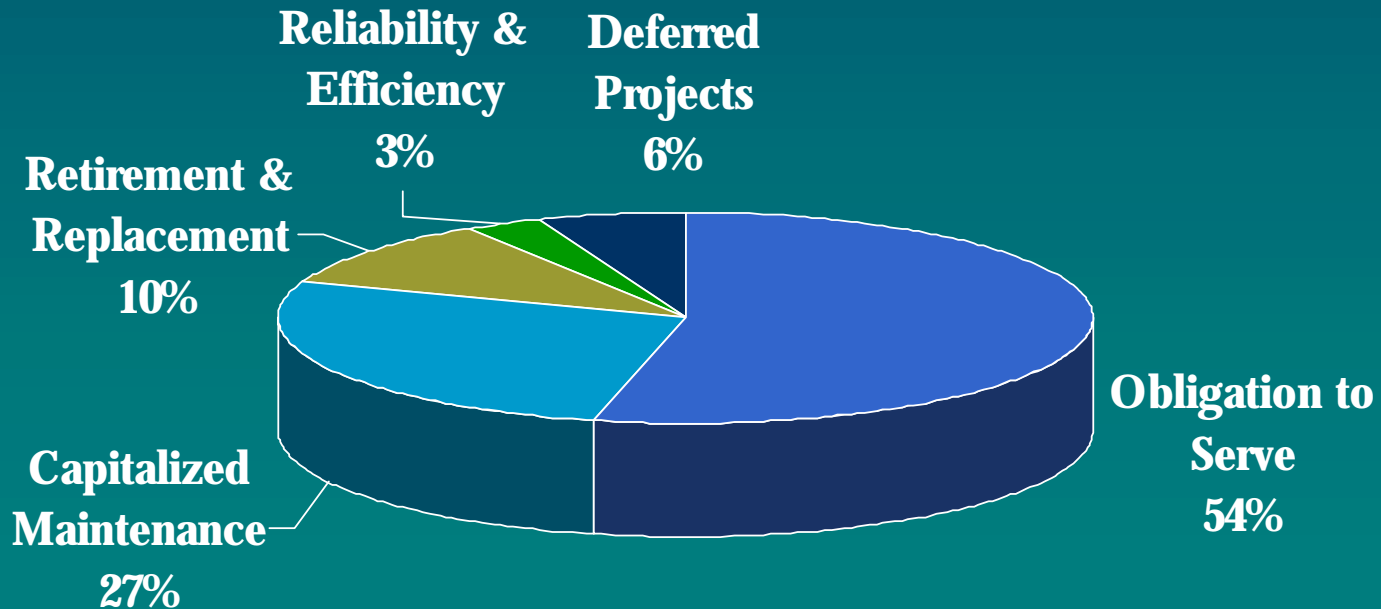


■ Capitalized Maintenance
■ Agency
■ Load Growth
■ Reliability
■ Deferred Projects

■ Safety
■ New Services
■ Retirement & Replacement
■ Operating Efficiency
■ 2003 Business Plan

2004 Net CIP Expenditures

❖ Capitalized Maintenance	\$9.4 million
❖ Obligation to Serve	\$18.6 million
❖ Retirement & Replacement	\$3.6 million
❖ Reliability & Operating Efficiency	\$1.1 million
❖ Deferred Projects	\$2.0 million



Obligation to Serve

❖ Safety

- 9 projects \$1.2 million

❖ Agency Mandated

- 8 projects \$2.3 million

❖ New Services

- \$5.8 million

❖ Load Growth

- 12 projects \$9.2 million

Reliability & Efficiency

- ❖ Alternate 35kV Supply to Baxter Sub \$0.4 million
- ❖ Strawberry Meadows Feeder Ties \$0.2 million
- ❖ Station Operations LAN Infrastructure \$0.1 million
- ❖ Airport Feeder Circuit Install-Phase I \$0.1 million
- ❖ College Gate-Rivera Terrace Cable Replace \$0.2 million
- ❖ Turnagain Arm Comm Improvements \$0.1 million

Deferred Studies and Information Technology Projects

- ❖ Cooper Lake Relicensing \$1.7 million
- ❖ Information Technology \$0.3 million

Sensitivity Analysis Reliability & Efficiency Projects

- ❖ Reduction in 2004 CIP of \$1.1 million
 - Reduction in annual depreciation of approximately \$55k
 - Minimal impact to MFI/I and equity ratios

Sensitivity Analysis - Reduction of Total Net CIP Expenditures

- ❖ Reduction of 5% (\$1.7 million)
 - Reduction in annual depreciation of approximately \$87k
 - Minimal impact to MFI/I and equity ratio
- ❖ Reduction of 10% (\$3.5 million)
 - Reduction in annual depreciation of approximately \$173k
 - Minimal impact to MFI/I and equity ratio

Reduction of 10% (\$3.5 million) in 2004 CIP – Deleted Projects

- ❖ All operating efficiency projects
- ❖ Purchase of Abbott Loop Substation property
- ❖ All reliability projects
- ❖ All distribution and transmission retirement and replacement projects
- ❖ Beluga Units 1 and 2 relay replacements

Impacts on System of CIP Reductions

- ❖ Increases likelihood of cable failures
- ❖ Increases callout overtime
- ❖ Increases customer inconvenience and lowers reliability
- ❖ Adds to outage restoration time
- ❖ Reduces system flexibility

Increase of 10% (\$3.5 million) in 2004 CIP – Additional Projects

- ❖ Underground Cable Replacement/Restoration
- ❖ Baxter 282 – Boniface 512 Feeder Tie
- ❖ Baxter Lake 182 Extension
- ❖ Raspberry Substation Upgrade
- ❖ Primary Circuit Loop Closures
- ❖ Bernice Lake Substation Battery
- ❖ Bernice Lake 69kV Circuit Breaker
- ❖ Network Timing
- ❖ New Girdwood Switchgear

Further Discussion

❖ Major Projects

- Beluga Unit 7 Rotor Overhaul
- Beluga Unit 5 Turbine Controls and Generator Protection
- Cooper Lake Relicensing
- SCADA/EMS Master Migration
- South Anchorage Loop

❖ Future Major Projects Currently in Design Phase

- Alternate 35kV Supply to Baxter Substation
- 34.5kV Subtransmission Overhead Reconductoring
- Postmark 138/12.5kV Substation