

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

November 12, 2008

ACTION REQUIRED

AGENDA ITEM NO. XIII.

 Information Only
 X Motion
 Resolution
 Executive Session
 Other

REVISED: 11/12/08, 1:50 p.m.

TOPIC

Recommendation on the 2009 Operating and Capital Budget

DISCUSSION

On October 21 and 23, 2008, the Finance Committee met and reviewed a proposed 2009 Operating and Capital Budget.

The 2009 Operating Budget is expected to produce margins of \$5.8 million, Margins for Interest/Interest (MFI/I) ratio of 1.25 and Equity to Total Capitalization Ratio of 33.7%. These results are based on a Total Cost of Service of \$321.6 million, Total Revenue of \$326.5 million and Non-Operating Margins of \$0.9 million.

The 2009 Capital Improvement Program is \$72.1 million, consisting of \$5.3 million in Telecommunications/SCADA/Other, \$10.7 million in Distribution and \$56.2 million in Generation and Transmission capital expenditures.

The 2009 Operating Budget results meet or exceed the approved 2009 Budget Planning Criteria. The criteria and budgeted results are as follows:

	<u>Criteria</u>	<u>2009 Budget</u>
Margins for Interest/Interest	= / > 1.25	1.25
Equity Ratio	>25%	33.7%
Rotate equal capital credits to retail and wholesale members¹	=	\$1.7

¹ Pursuant to a prior settlement agreement, capital credit rotations to HEA, MEA and Seward will equal \$1,674,809 in 2009. The 2009 Budget proposes an equal distribution of \$1,674,809 to Chugach's retail customers. This distribution is greater than 50% of prior year's margins, however, Chugach remains in compliance with the Amended and Restated Indenture of Trust because Chugach's equity ratio remains above 30% which reduces the restrictions surrounding our distribution of member equity.

MOTION

Move that the Finance/Budget Committee recommend to the Board of Directors to approve the 2009 Operating and Capital Budget which is expected to produce margins of \$5.8 million, a Margin for Interest/Interest (MFI/I) ratio of 1.25 and an Equity to Total Capitalization ratio of 33.7%. These results are based on a Total Cost of Service of \$321.6 million, total Revenue of \$326.5 million, Non-Operating Margins of \$0.9 million and capital expenditures of \$72.1 million.

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

CATEGORY	2008 REVISED YEAR END FORECAST	2009 PROPOSED BUDGET BEFORE FUEL ADJ	2009 PROPOSED BUDGET AFTER FUEL ADJ
REVENUES:			
1. TOTAL REVENUE	279,271,044 ^{1&2}	\$347,510,246	\$326,475,392
EXPENSES:			
2. FUEL EXPENSE	129,207,576 ^{1&2}	181,790,800	164,937,777
3. POWER PRODUCTION EXPENSE	16,195,185 ²	17,856,505	17,856,505
4. COST OF PURCHASED POWER	30,847,940 ¹	43,230,439	39,048,608
5. TRANSMISSION EXPENSE	6,183,569 ²	6,332,987	6,332,987
6. DISTRIBUTION EXPENSE-OPERATIONS	4,696,382	4,927,891	4,927,891
7. DISTRIBUTION EXPENSE-MAINTENANCE	7,729,742 ²	7,578,207	7,578,207
8. CONSUMER ACCOUNTS EXPENSE	5,041,115	4,659,328	4,659,328
9. CUSTOMER SERVICE/INFO EXPENSE	699,429	864,394	864,394
10. SALES EXPENSE	0	0	0
11. ADMINISTRATIVE/GENERAL EXPENSE	18,719,730 ²	20,439,427	20,439,427
12. TOTAL OPERATIONS/MAINTENANCE EXP.	\$219,320,668	\$287,679,978	\$266,645,124
13. DEPRECIATION/AMORTIZATION EXPENSE	30,822,409 ^{1&2}	32,355,300	32,355,300
14. TAX EXPENSE-OTHER	829,487 ¹	801,501	801,501
15. INTEREST-LONG TERM DEBT	21,285,738 ^{1&2}	20,988,686	20,988,686
16. INTEREST ON CONSTRUCTION-CREDIT	(433,066) ^{1&2}	(1,362,016)	(1,362,016)
17. INTEREST EXPENSE-OTHER	1,374,118 ^{1&2}	1,925,947	1,925,947
18. OTHER DEDUCTIONS	146,395 ¹	250,000	250,000
19. TOTAL COST OF ELECTRIC SERVICE	\$273,345,749	\$342,639,396	\$321,604,542
20. PATRONAGE CAPITAL/OPERATING MARGINS	\$5,925,295	\$4,870,850	\$4,870,850
21. NON-OPERATING MARGINS-INTEREST	408,476 ¹	314,513	314,513
22. ALLOWANCE FUNDS USED DURING CONST.	134,068 ^{1&2}	113,944	113,944
23. NON-OPERATING MARGINS-OTHER	27,500 ¹	0	0
24. GENER./TRANS. CAPITAL CREDITS	0	0	0
25. OTHER CAPITAL CREDITS/DIVIDENDS	524,841 ¹	500,000	500,000
26. EXTRAORDINARY ITEMS	0	0	0
27. PATRONAGE CAPITAL OR MARGINS	\$7,020,180	\$5,799,307	\$5,799,307
MFI/I	1.31	1.25	1.25

¹ Forecast based on 9 months actual and 3 months budget

² Forecast has been adjusted to reflect current assumption changes