

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Sisi Cooper, Chair
Susan Reeves, Vice Chair

Jim Henderson
Bettina Chastain

March 19, 2018

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER
 - A. *Roll Call*
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. *November 27, 2017 (Portades)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (*scheduled*)
 - A. *2017 Year-End Financial Statements and Variance Report (Harris/Curran)*
 - B. *4th Quarter 2017 Capital Tracking Report (Curran)*
 - C. *4th Quarter 2017 Operating Budget Status Report (Curran)*
 - D. *4th Quarter 2017 Contract Status Report (Vecera)*
- VI. NEW BUSINESS (*scheduled*)
 - A. *2017 Year-End Financial Information (Harris)*
- VII. EXECUTIVE SESSION* (*scheduled*)
 - A. *Strategic Planning*
 - 1. *Review and Accept the 2017 Independent Audited Financial Statements*
 - 2. *December 31, 2017, SEC Form 10K Review*
- VIII. NEW BUSINESS* (*continued*)
 - A. *Accept the 2017 Independent Audited Financial Statements* (KPMG)*
 - B. *December 31, 2017, SEC Form 10K Filing* (Curran)*
 - C. *Pre-Approval for FY2018 Audit Services* (Highers)*
- IX. DIRECTOR COMMENTS
- X. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

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CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 27, 2017
Monday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Divina Portades

I. CALL TO ORDER

Chair Cooper called the Audit and Finance Committee meeting to order at 4:02 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

Sisi Cooper, Chair
Susan Reeves, Vice Chair
Jim Henderson, Director
Bettina Chastain, Director (*arrived at 4:04 p.m.*)
Janet Reiser, Director

Other Board Member Present:

Harry Crawford, Director
Stuart Parks, Director

Guests and Staff in Attendance:

| | | |
|----------------|---------------|-----------------|
| Lee Thibert | Mark Johnson | Renee Curran |
| Sherri Highers | Tyler Andrews | Jean Kornmuller |
| Arthur Miller | Jody Wolfe | Kathy Harris |
| Connie Owens | Brian Hickey | Debra Caldwell |
| Paul Risse | Todd McCarty | Josh Resnick |
| Tom Schulman | | |

II. APPROVAL OF THE AGENDA

Director Reeves moved and Director Reiser seconded the motion to approve the agenda. The motion passed unanimously.

Director Chastain was not present at the time of the vote.

III. APPROVAL OF THE MINUTES

Director Reeves moved and Director Reiser seconded the motion to approve the November 6, 2017, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

Director Chastain arrived at 4:04 p.m.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None

V. CEO REPORTS AND CORRESPONDENCE

None

VI. EXECUTIVE SESSION

- A. *Strategic Planning*
1. *2018 Operating Budget and Capital Improvement Plan*
a. *2018 Operating Budget*
b. *2018-2022 Capital Improvement Plan*
c. *2018 Risk Factors*

At 4:05 p.m., Director Reeves moved and Director Henderson seconded the motion that pursuant to Alaska Statute 10.25.175 (c)(1), the Audit and Finance Committee go into executive session to discuss financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative. The motion passed unanimously.

The meeting reconvened in open session at 6:02 p.m.

VII. NEW BUSINESS

- A. *Recommendation on Approval of the 2018 Operating and Capital Budget**
(Highers)

Director Reeves moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve the 2018 Operating and Capital Budget which is expected to produce margins of \$7.1 million, MFI/I ratio of 1.32, TIER ratio of 1.35 and Equity to Total Capitalization ratio of 30.9%. These results are based on a Total Cost of Service of \$208.6 million, Total Revenue of \$214.9 million, Non-Operating Margins of \$0.8 million, and a capital expenditure cash requirement of \$41.9 million. The motion passed unanimously.

VIII. DIRECTOR COMMENTS

Comments were made at this time.

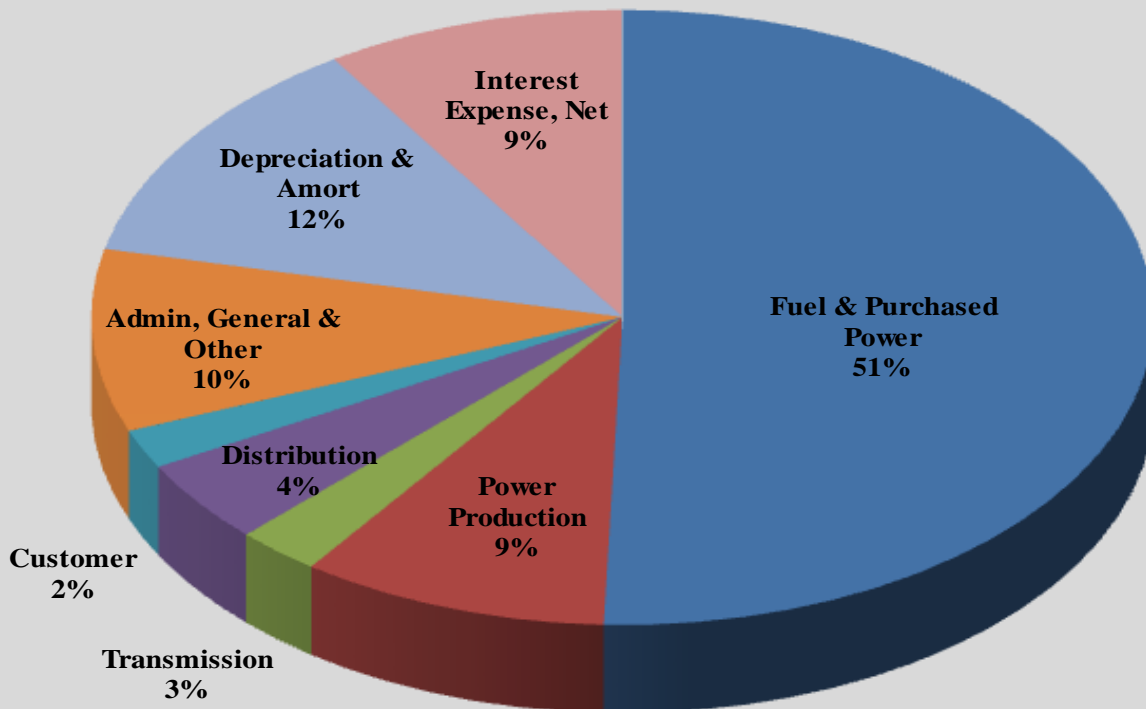
IX. ADJOURNMENT

At 6:06 p.m., Director Reiser moved and Director Reeves seconded the motion to adjourn. The motion passed unanimously.

STATEMENT OF OPERATIONS

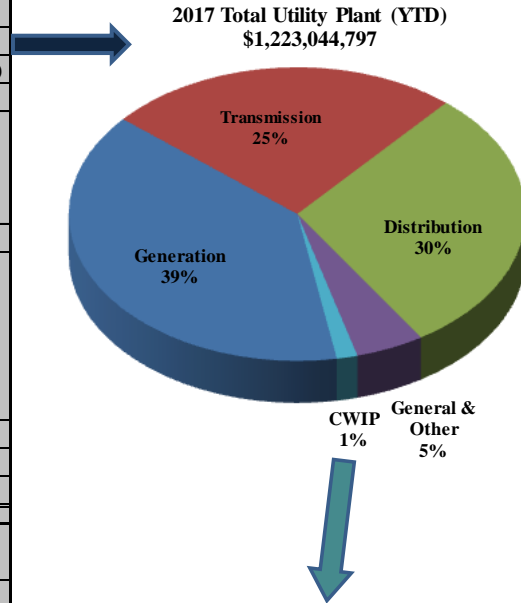
| CATEGORY | 2017 MTD ACTUAL | 2017 MTD BUDGET | 2017 MTD VARIANCE |
|--|-----------------------|-----------------------|-------------------------|
| Operating Revenue and Patronage Capital | \$ 22,515,127 | \$ 20,999,763 | \$ 1,515,364 |
| Fuel and Purchased Power Expense | 10,301,254 | 8,462,890 | 1,838,364 |
| Power Production Expense | 1,913,215 | 1,511,678 | 401,537 |
| Transmission Expense | 521,685 | 589,737 | (68,052) |
| Distribution Expense | 894,527 | 1,110,387 | (215,860) |
| Customer Expense | 418,665 | 564,696 | (146,031) |
| Administrative, General and Other | 1,957,343 | 1,871,892 | 85,451 |
| Depreciation & Amortization Expense | 2,500,750 | 2,677,203 | (176,453) |
| Interest Expense, Net | 1,864,970 | 1,840,449 | 24,521 |
| Total Cost of Electric Service | \$ 20,372,409 | \$ 18,628,932 | \$ 1,743,477 |
| Patronage Capital & Operating Margins | \$ 2,142,718 | \$ 2,370,831 | \$ (228,113) |
| Non-Operating Margins - Interest | 67,400 | 27,803 | 39,597 |
| Allowance for Funds Used During Construction | 8,295 | 4,607 | 3,688 |
| Non-Operating Margins - Other | (11,586) | 571,586 | (583,172) |
| Patronage Capital or Margins | \$ 2,206,827 | \$ 2,974,827 | \$ (768,000) |

Total Cost of Electric Service (MTD Actual)

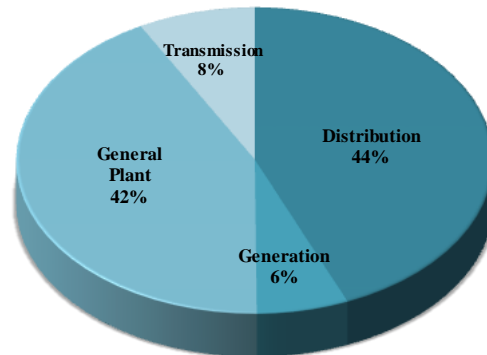


BALANCE SHEET

| ASSETS & OTHER DEBITS | 12/31/2017 | 12/31/16 |
|--|-------------------------|-------------------------|
| Electric Plant in Service | 1,205,092,224 | 1,192,513,869 |
| Construction Work in Progress | 17,952,573 | 18,455,940 |
| Total Utility Plant | \$ 1,223,044,797 | \$ 1,210,969,809 |
| Accum. Prov. for Depreciation/Amortization | (515,496,312) | (496,098,131) |
| Net Utility Plant | \$ 707,548,485 | \$ 714,871,678 |
| Nonutility Property - Net | 76,889 | 76,889 |
| Investment in Assoc. Organizations | 8,980,410 | 9,349,311 |
| Special Funds | 1,466,010 | 907,836 |
| Restricted Cash & Other Investments | 1,028,758 | 3,871,993 |
| Total Other Property & Investments | \$ 11,552,067 | \$ 14,206,029 |
| Cash, Marketable Securities & Other | 16,906,531 | 12,048,316 |
| Special Deposits/Restricted Cash | 741,670 | 975,665 |
| Accounts Receivable - Net | 35,680,680 | 33,000,919 |
| Materials and Supplies, Fuel Stock | 22,193,089 | 34,210,843 |
| Prepayments | 4,953,170 | 1,407,026 |
| Other Current & Accrued Assets | 5,178,987 | 294,697 |
| Total Current & Accrued Assets | \$ 85,654,127 | \$ 81,937,466 |
| Deferred Debits | 32,764,065 | 25,140,957 |
| Total Assets & Other Debits | \$ 837,518,744 | \$ 836,156,130 |
| LIABILITIES & OTHER CREDITS | 12/31/2017 | 12/31/16 |
| Memberships | 1,719,154 | 1,691,014 |
| Pat. Capital, Margins & Equities | 187,582,140 | 183,824,511 |
| Total Margins & Equities | \$ 189,301,294 | \$ 185,515,525 |
| Long-Term Debt - Bonds | 421,833,331 | 405,249,998 |
| Long-Term Debt - Other | 37,164,000 | 40,356,000 |
| Unamortized Debt Issuance Costs | (2,669,485) | (2,715,745) |
| Total Long-Term Debt | \$ 456,327,846 | \$ 442,890,253 |
| Notes Payable | 76,608,667 | 93,036,667 |
| Accounts Payable | 7,420,279 | 9,618,630 |
| Consumer Deposits | 5,335,896 | 5,207,585 |
| Other Current & Accrued Liabilities | 30,002,352 | 26,532,912 |
| Total Current & Accrued Liabilities | \$ 119,367,194 | \$ 134,395,794 |
| Deferred Compensation | 1,229,294 | 907,836 |
| Other Liabilities, Non-Current | 531,630 | 655,277 |
| Deferred Liabilities | 1,249,390 | 1,179,414 |
| Patronage Capital Payable | 8,798,077 | 12,008,499 |
| Cost of Removal Obligation | 60,714,019 | 58,603,532 |
| Total Liabilities & Other Credits | \$ 837,518,744 | \$ 836,156,130 |

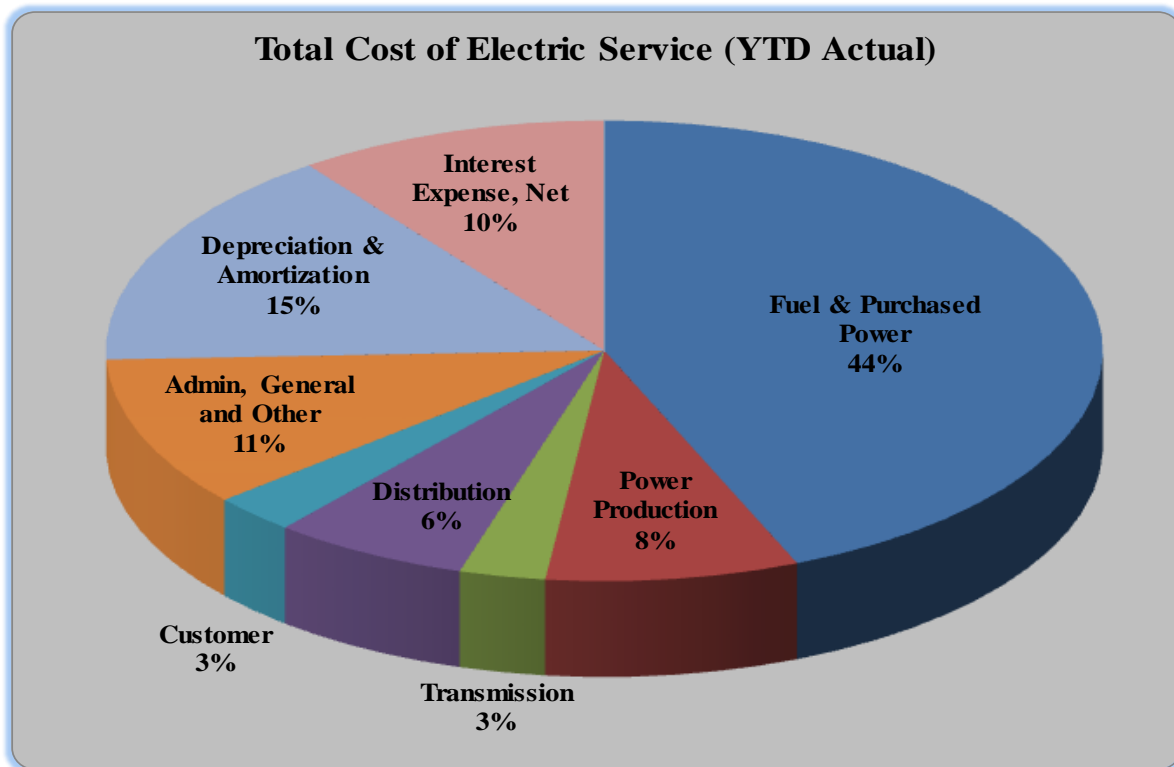


2017 Construction Work in Progress (YTD)
\$17,952,573



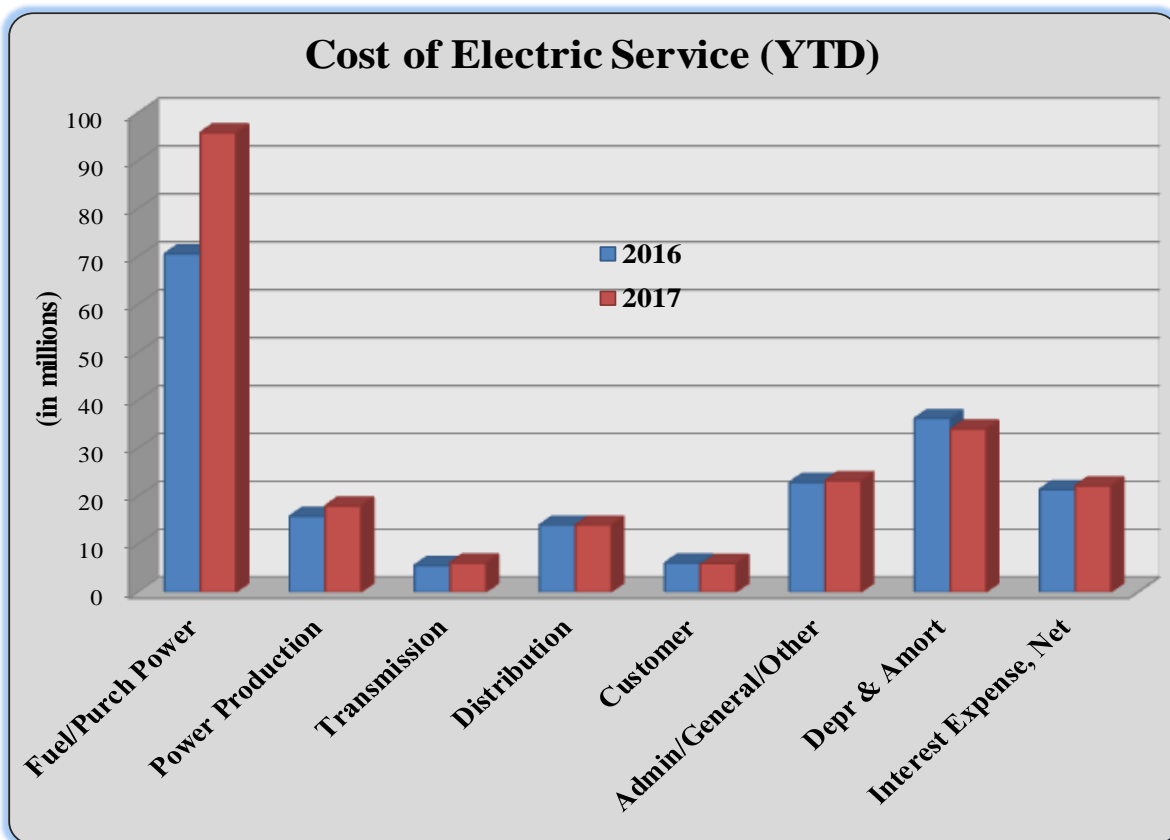
**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
CURRENT YTD ACTUAL TO BUDGET VARIANCE**

| CATEGORY | 2017 YTD ACTUAL | 2017 YTD BUDGET | 2017 YTD VARIANCE |
|--|-----------------------|-----------------------|-------------------------|
| Operating Revenue and Patronage Capital | \$ 224,688,669 | \$ 215,797,542 | \$ 8,891,127 |
| Fuel and Purchased Power Expense | 95,853,739 | 84,787,639 | 11,066,100 |
| Power Production Expense | 18,006,490 | 17,824,312 | 182,178 |
| Transmission Expense | 6,129,871 | 7,235,161 | (1,105,290) |
| Distribution Expense | 13,991,088 | 13,466,026 | 525,062 |
| Customer Expense | 5,968,736 | 6,315,719 | (346,983) |
| Administrative, General and Other | 23,256,983 | 23,942,288 | (685,305) |
| Depreciation & Amortization Expense | 34,010,777 | 35,344,430 | (1,333,653) |
| Interest Expense, Net | 22,201,136 | 21,880,437 | 320,699 |
| Total Cost of Electric Service | \$ 219,418,820 | \$ 210,796,012 | \$ 8,622,808 |
| Patronage Capital & Operating Margins | \$ 5,269,849 | \$ 5,001,530 | \$ 268,319 |
| Non-Operating Margins - Interest | 644,663 | 328,028 | 316,635 |
| Allowance Funds Used During Const. | 69,157 | 100,029 | (30,872) |
| Non-Operating Margins - Other | 65,055 | 571,586 | (506,531) |
| Patronage Capital or Margins | \$ 6,048,724 | \$ 6,001,173 | \$ 47,551 |
| MFI/ | 1.27 | 1.27 | |
| TIER | 1.28 | 1.28 | |



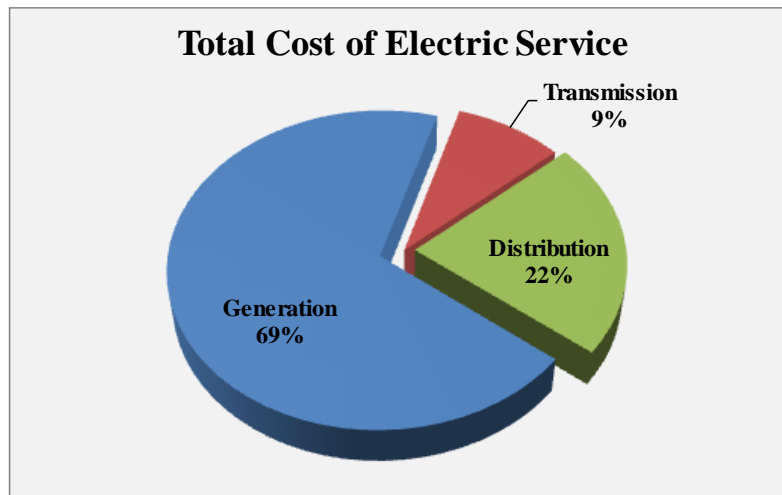
**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
CURRENT TO PRIOR YTD ACTUAL**

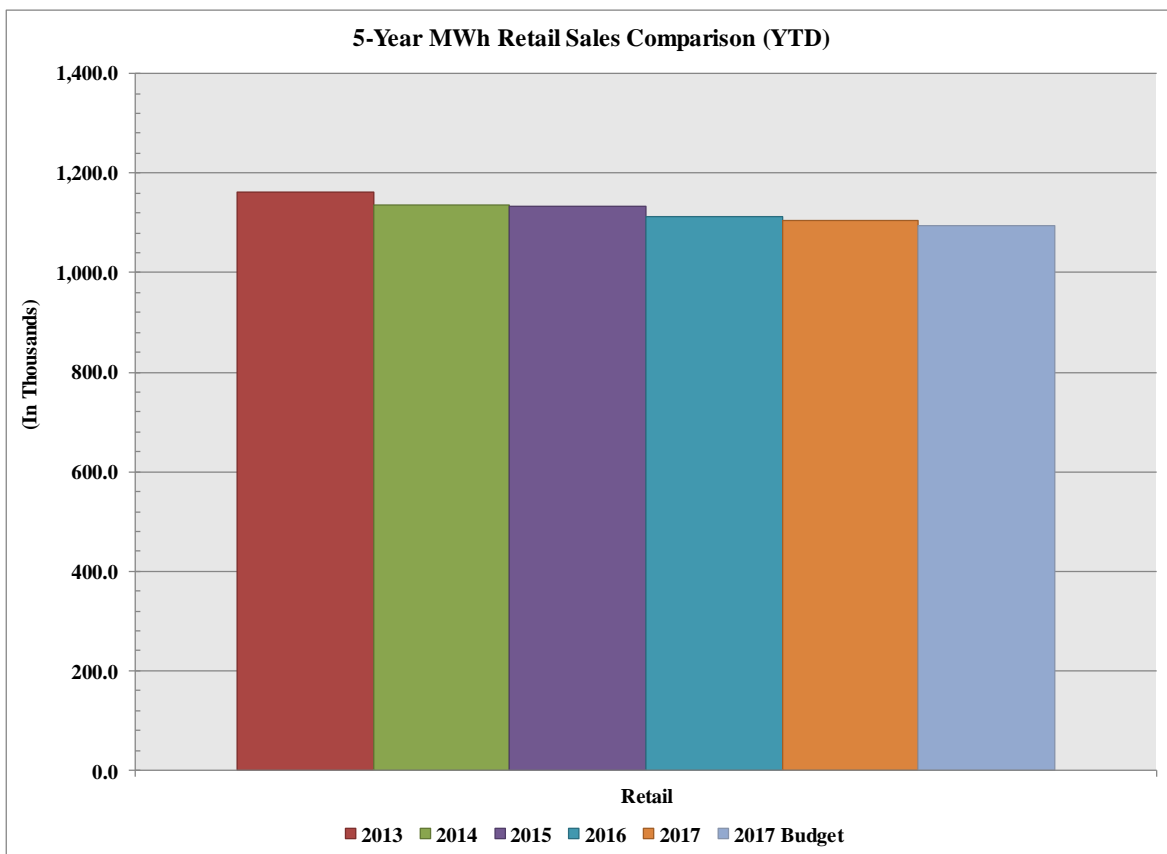
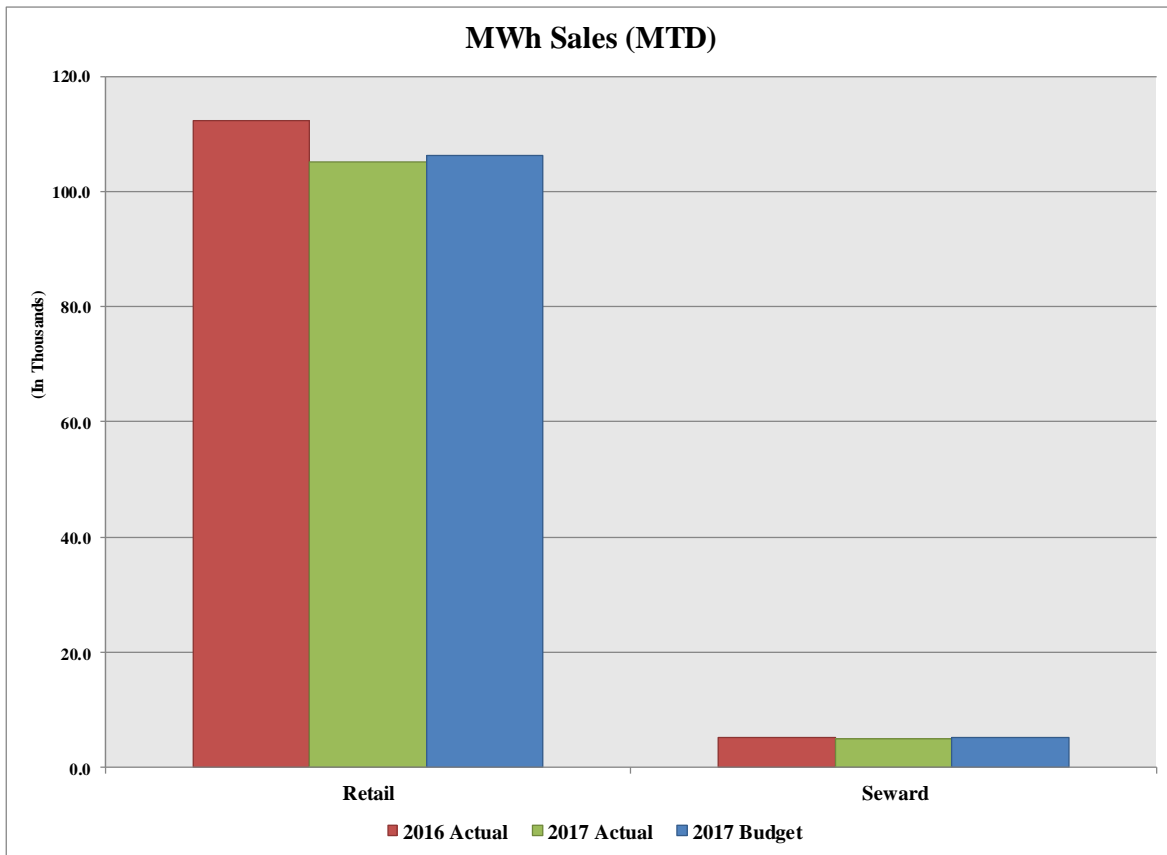
| CATEGORY | 2017 YTD ACTUAL | 2016 YTD ACTUAL |
|--|-----------------------|-----------------------|
| Operating Revenue and Patronage Capital | \$ 224,688,669 | \$ 197,747,579 |
| Fuel and Purchased Power Expense | 95,853,739 | 70,553,315 |
| Power Production Expense | 18,006,490 | 15,809,168 |
| Transmission Expense | 6,129,871 | 5,590,737 |
| Distribution Expense | 13,991,088 | 13,991,997 |
| Customer Expense | 5,968,736 | 6,073,710 |
| Administrative, General and Other | 23,256,983 | 22,888,048 |
| Depreciation and Amortization Expense | 34,010,777 | 36,233,414 |
| Interest Expense, Net | 22,201,136 | 21,401,297 |
| Total Cost of Electric Service | \$ 219,418,820 | \$ 192,541,686 |
| Patronage Capital & Operating Margins | \$ 5,269,849 | \$ 5,205,893 |
| Non-Operating Margins - Interest | 644,663 | 425,173 |
| Allowance for Funds Used During Construction | 69,157 | 188,111 |
| Non-Operating Margins - Other | 65,055 | (5,321) |
| Patronage Capital or Margins | \$ 6,048,724 | \$ 5,813,856 |
| MFI/I | 1.27 | 1.27 |
| TIER | 1.28 | 1.27 |

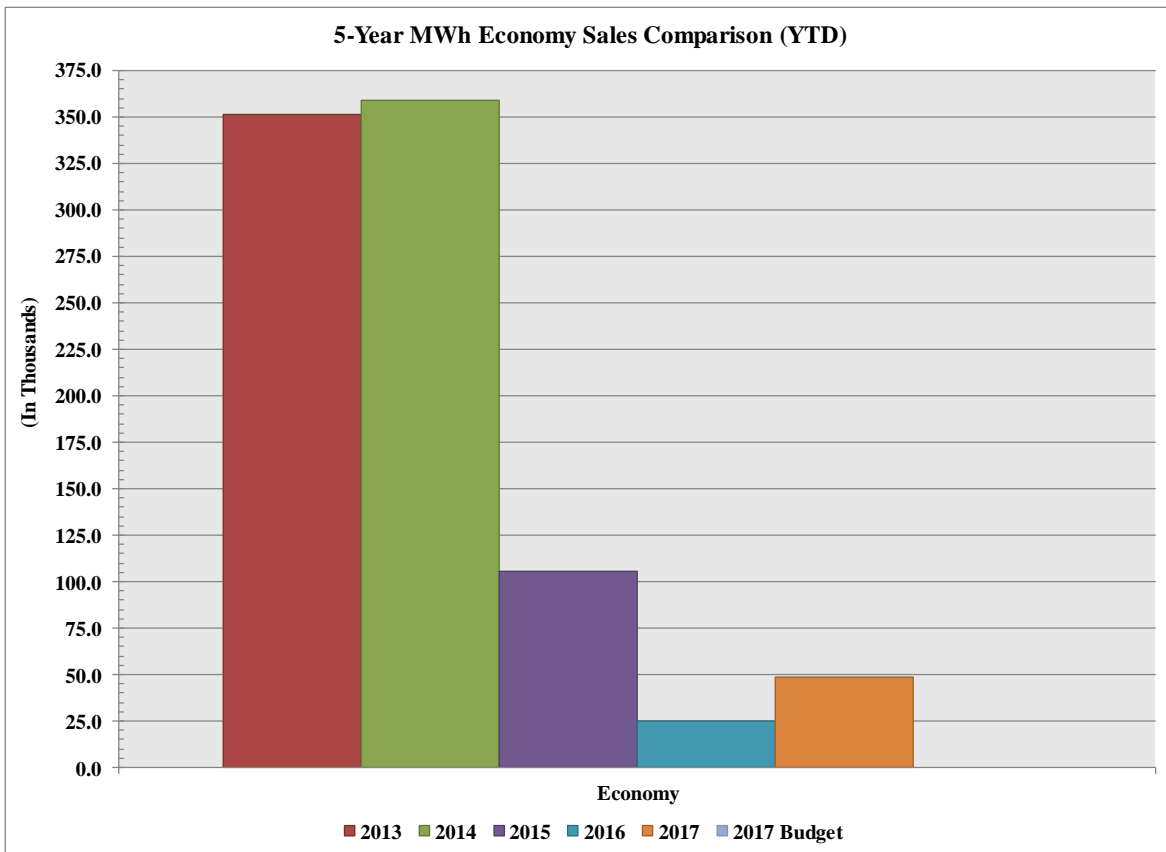
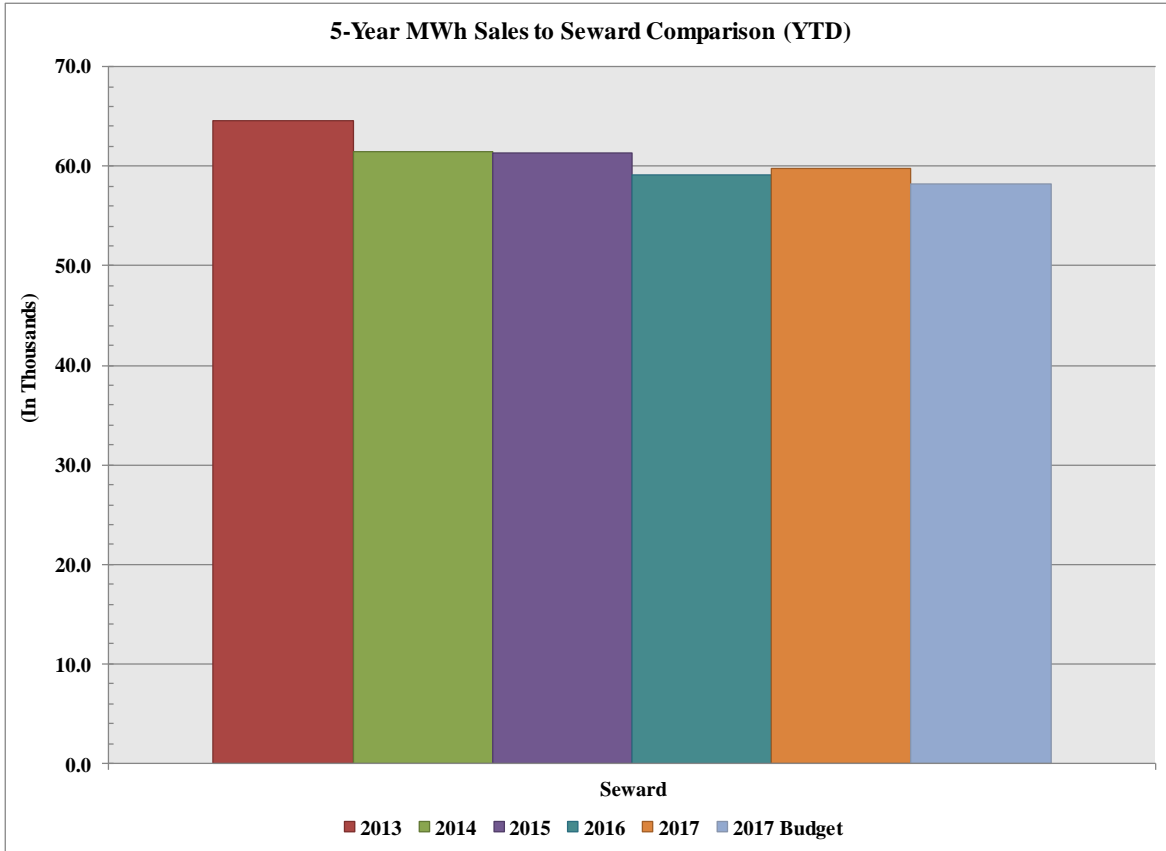


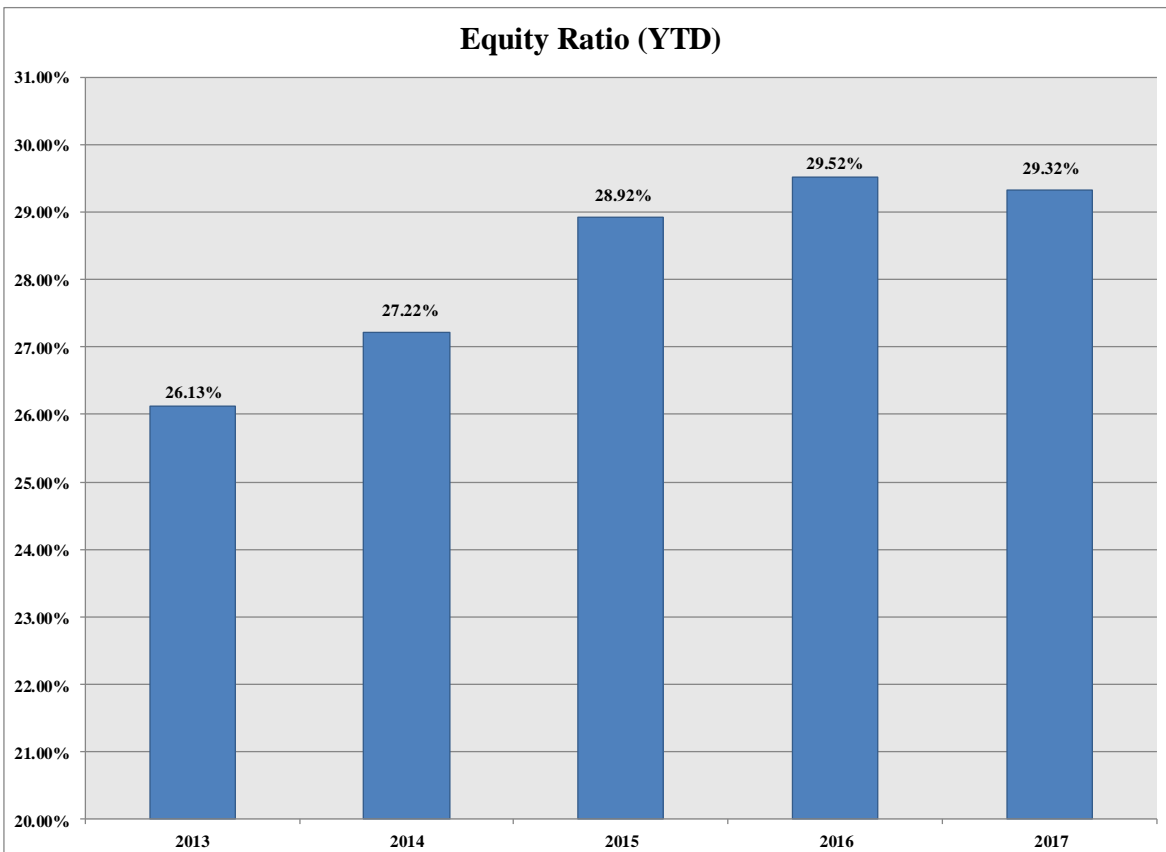
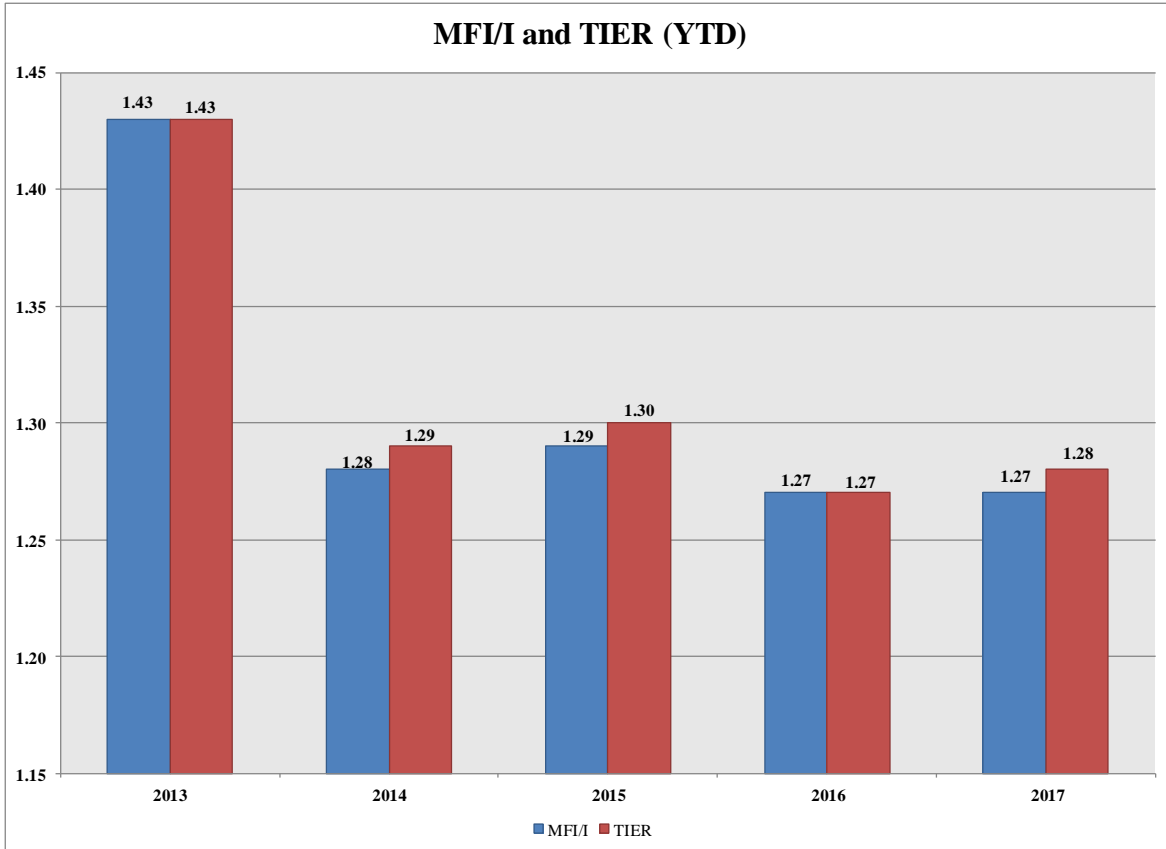
FUNCTIONAL STATEMENT OF OPERATIONS DECEMBER 31, 2017

| CATEGORY | 2017 YTD TOTAL | 2017 YTD GEN | 2017 YTD TRANS | 2017 YTD DIST |
|--|-----------------------|-----------------------|----------------------|----------------------|
| Operating Revenue and Patronage Capital | \$ 224,688,669 | \$ 152,788,295 | \$ 20,221,980 | \$ 51,678,394 |
| Fuel and Purchased Power Expense | 95,853,739 | 95,853,739 | 0 | 0 |
| Power Production Expense | 18,006,490 | 18,006,490 | 0 | 0 |
| Transmission Expense | 6,129,871 | 0 | 6,129,871 | 0 |
| Distribution Expense | 13,991,088 | 0 | 0 | 13,991,088 |
| Customer Expense | 5,968,736 | 0 | 0 | 5,968,736 |
| Administrative, General and Other | 23,256,983 | 7,234,329 | 3,031,293 | 12,991,361 |
| Depreciation & Amortization Expense | 34,010,777 | 16,665,281 | 6,121,940 | 11,223,556 |
| Interest Expense, Net | 22,201,136 | 13,672,213 | 4,524,089 | 4,004,834 |
| Total Cost of Electric Service | \$ 219,418,820 | \$ 151,432,052 | \$ 19,807,193 | \$ 48,179,575 |
| Patronage Capital & Operating Margins | \$ 5,269,849 | \$ 1,356,243 | \$ 414,787 | \$ 3,498,819 |
| Non-Operating Margins - Interest | 644,663 | 291,044 | 8,773 | 344,846 |
| Allowance for Funds Used During Construction | 69,157 | 3,970 | 4,182 | 61,005 |
| Non-Operating Margins - Other | 65,055 | 19,891 | 8,605 | 36,559 |
| Patronage Capital or Margins | \$ 6,048,724 | \$ 1,671,148 | \$ 436,347 | \$ 3,941,229 |









ENERGY SALES (kWh)

| | <u>2017 Actual</u> | <u>2017 Budget</u> | <u>2016 Actual</u> |
|-------------------------|--------------------|--------------------|--------------------|
| Retail Energy Sales | 1,105,172,518 | 1,093,147,244 | 1,113,020,353 |
| Wholesale Energy Sales | <u>59,803,146</u> | <u>58,258,849</u> | <u>59,063,143</u> |
| Total Firm Energy Sales | 1,164,975,664 | 1,151,406,093 | 1,172,083,496 |
| Economy Energy Sales | <u>48,526,000</u> | <u>0</u> | <u>25,000,000</u> |
| Total Energy Sales | 1,213,501,664 | 1,151,406,093 | 1,197,083,496 |

Firm energy sales in 2017 totaled 1,164,975,664 kWh, which was a 1.2% favorable variance compared to budget and 0.6% unfavorable variance compared to 2016. Higher than anticipated residential sales, due to colder than anticipated weather, resulted in a 1.1% favorable variance in retail energy sales compared to budget. Retail energy sales were 0.7% less than 2016 primarily due to lower commercial sales. Colder than anticipated weather led to a favorable variance in wholesale energy sales of 2.7% compared to budget and 1.3% compared to 2016.

Economy energy sales in 2017 totaled 48,526,000 kWh which was a favorable variance of 100% over budget and 94.1% more than 2016 due to unanticipated sales to Golden Valley Electric Association (GVEA), Matanuska Electric Association (MEA), and Homer Electric Association (HEA).

ENERGY REVENUE (in millions)

| | <u>2017 Actual</u> | <u>2017 Amended Budget</u> | <u>2016 Actual</u> |
|-------------------------|--------------------|----------------------------|--------------------|
| Retail Revenue | \$ 198.1 | \$ 197.7 | \$ 180.8 |
| Wholesale Revenue | <u>5.9</u> | <u>5.8</u> | <u>4.9</u> |
| Total Firm Revenue | 204.0 | 203.5 | 185.7 |
| Economy Energy Revenue | 4.3 | 0.0 | 1.3 |
| Other Operating Revenue | <u>16.4</u> | <u>12.3</u> | <u>10.7</u> |
| Total Revenue | \$ 224.7 | \$ 215.8 | \$ 197.7 |

Revenue from firm sales in 2017 totaled \$204.0 million compared to \$203.5 million in the budget and \$185.7 million in 2016. Firm revenue was higher than expected primarily due to higher fuel costs recovered in revenue through the fuel and purchased power adjustment process. Higher residential and wholesale kWh sales also contributed to this favorable variance.

Economy energy revenue exceeded the budget and prior year due to unanticipated sales to GVEA, MEA, and HEA. Economy energy revenue totaled \$4.3 million in 2017 compared to \$1.3 million in 2016.

Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU sales and miscellaneous service and other electric revenue. Other operating revenue in 2017 totaled \$16.4 million compared to \$12.3 million in the budget and \$10.7 million in 2016. This favorable variance is primarily due to higher than anticipated wheeling revenue.

FUEL AND PURCHASED POWER (in millions)

| | <u>2017 Actual</u> | <u>2017 Amended Budget</u> | <u>2016 Actual</u> |
|-----------------|--------------------|----------------------------|--------------------|
| Fuel | \$ 78.6 | \$ 64.9 | \$ 54.8 |
| Purchased Power | <u>17.3</u> | <u>19.9</u> | <u>15.8</u> |
| Total | \$ 95.9 | \$ 84.8 | \$ 70.6 |

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense in 2017 was \$78.6 million compared to \$64.9 million in the budget and \$54.8 million in 2016. Actual 2017 fuel expense was 21.0% higher than budgeted and 43.4% higher than 2016. This unfavorable variance was due, in part, to higher than anticipated fuel consumption as a result of increased sales coupled with a higher average effective delivered price per Mcf and less efficient generation units used as a result of lower than anticipated power available to purchase from ML&P. We had budgeted 7,363,801 Mcf at an average effective delivered price of \$7.84 per Mcf. Actual fuel purchased for production in 2017 was 9,042,071 Mcf at an average effective delivered price of \$7.91 per Mcf, compared to 8,546,043 Mcf of fuel at an average effective delivered price of \$5.63 per Mcf in 2016.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, and other utilities as needed, as well as costs associated with dispatching. Purchased power expense in 2017 was \$17.3 million compared to \$19.9 million in the budget and \$15.8 million in 2016. This favorable variance compared to budget was primarily due to lower than anticipated purchases from ML&P which was somewhat offset by more purchases from MEA. Also contributing to this variance was a refund from Alaska Energy Authority (AEA) associated with Bradley Lake which contributed to a lower average effective price per kWh. The unfavorable variance compared to prior year was due to an increase in the total amount of energy purchased, although this was somewhat offset by a lower average effective price per kWh. In 2017, Chugach purchased 231,749 MWh of energy at an average effective price of 6.16 cents per kWh compared to 232,261 MWh of energy at an average effective price of 7.32 cents per kWh in the budget and 182,651 MWh at 7.17 cents per kWh in 2016.

POWER PRODUCTION (in millions)

| | <u>2017 Actual</u> | <u>2017 Amended Budget</u> | <u>2016 Actual</u> |
|------------------|--------------------|----------------------------|--------------------|
| Power Production | \$ 18.0 | \$ 17.8 | \$ 15.8 |

Power production operating and maintenance expense was \$18.0 million compared to \$17.8 million in the budget and \$15.8 million in 2016. While not a significant overall variance from budget, power production expense increased by 13.9% in 2017 from 2016. This unfavorable variance was primarily due to an increase in operating and maintenance costs at SPP, as well as the amortization of Beluga production equipment parts per the Regulatory Beluga Parts Filing.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

| | <u>2017 Actual</u> | <u>2017 Amended Budget</u> | <u>2016 Actual</u> |
|--------------|--------------------|----------------------------|--------------------|
| Transmission | \$ 6.1 | \$ 7.2 | \$ 5.6 |

Transmission operations and maintenance expense was \$6.1 million compared to \$7.2 million in the budget and \$5.6 million in 2016. The favorable variance compared to budget was primarily due to lower than anticipated labor caused by changes in scheduled maintenance from transmission to distribution and more than expected labor expended on capital projects. Transmission expense was 9.6% higher in 2017 than in 2016, primarily due to increased labor expense associated with control & communication systems and line maintenance, as well as higher vegetation control expense.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

| | <u>2017 Actual</u> | <u>2017 Amended Budget</u> | <u>2016 Actual</u> |
|--------------|--------------------|----------------------------|--------------------|
| Distribution | \$ 14.0 | \$ 13.5 | \$ 14.0 |

Distribution operations and maintenance expense was \$14.0 million compared to \$13.5 million in the budget and \$14.0 million in 2016. The unfavorable variance to budget was primarily due to higher than anticipated labor caused by a shift from transmission to distribution, which was somewhat offset by lower than anticipated information services costs. Distribution expense did not materially change in 2017 from 2016.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

| | <u>2017 Actual</u> | <u>2017 Amended Budget</u> | <u>2016 Actual</u> |
|-------------------------------|--------------------|----------------------------|--------------------|
| Consumer/Customer Information | \$ 6.0 | \$ 6.3 | \$ 6.1 |

Consumer accounts and customer information expense was \$6.0 million compared to \$6.3 million in the budget and \$6.1 million in 2016. The favorable variance compared to budget in 2017 was primarily due to lower than anticipated information services costs, materials and printing supplies, and connect/disconnect services. Consumer accounts and customer information expense did not materially change in 2017 from 2016.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

| | <u>2017 Actual</u> | <u>2017 Amended Budget</u> | <u>2016 Actual</u> |
|-----------------------------------|--------------------|----------------------------|--------------------|
| Administrative, General and Other | \$ 23.3 | \$ 23.9 | \$ 22.9 |

Administrative, general and other expense includes tax, donations, other deductions associated with preliminary survey and investigation charges of projects, and obsolete inventory write-offs that are not attributable to operating or maintenance accounts. Administrative, general and other expense was \$23.3 million compared to \$23.9 million in the budget and \$22.9 million in 2016. The favorable variance compared to budget is primarily due to lower than anticipated building maintenance expenses. The unfavorable variance compared to prior year is primarily associated with lower than expected workers compensation expense recorded in 2016.

Depreciation, interest, and interest during construction expense in 2017 totaled \$56.2 million compared to \$57.2 million in the budget and \$57.6 million in 2016. The favorable variance compared to budget was primarily due to less than anticipated depreciation expense associated with BRU. The favorable variance compared to prior year was primarily due to the implementation of lower depreciation rates effective July 1, 2017.

All of the foregoing expenses resulted in total cost of electric service in 2017 of \$219.4 million compared to \$210.8 million in the budget and \$192.5 million in 2016.

Non-operating margins include allowance for funds used during construction (AFUDC), capital credit and patronage capital allocations, extraordinary items, and interest income. Non-operating margins in 2017 totaled \$0.8 million compared to \$1.0 million in the budget and \$0.6 million in 2016. This unfavorable variance compared to budget is a result of lower patronage allocations. This was somewhat offset by higher interest and dividend income and the gain in the value of marketable securities which was also the primary cause for the favorable variance compared to 2016.

SUMMARY

The net result of revenue and expenses in 2017 was margins of \$6.0 million compared to projected margins of \$6.0 million in the budget and margins of \$5.8 million in 2016. This resulted in an MFI/I of 1.27, a TIER of 1.28, and an equity-to-total capitalization ratio of 29.32%. The year-end current ratio was 0.72:1.

**CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of December 31, 2017**

| CIP Ref # | Project Name ¹ | Project Manager | BOD Project Approval Date | Estimate | | | Actuals | | | Variance | | Project Completion | Comments |
|---------------------------------------|---|-----------------|---------------------------|--------------------------|-----------------------|---------------------|---------------------|------------------------|---------------------------------|---|-------------|--------------------|--|
| | | | | Estimate | Revisions to Estimate | Revised Estimate | Spending to Date | Forecast to Completion | Total Estimated Completion Cost | Total Estimated Cost vs. Revised Estimate | | | |
| | | | | | | | | | | Amount | % | | |
| SYSTEM IMPROVEMENT PROJECTS | | | | | | | | | | | | | |
| Reliability | | | | | | | | | | | | | |
| 02.0384 | Hane Distribution Substation Feeders E1413522 & E1513572 | Schmitt | 2/17/2015 | \$1,279,000 | \$0 | \$1,279,000 | \$1,255,330 | \$500 | \$1,255,830 | (\$23,170) | 98% | 99% | Construction is complete. Project is in final closeout. |
| 20.0266 | Multi-Stage Energy Storage System (MS-ESS) P1300850, P1730266, P1730267 | Higers | 5/25/2016 | \$2,495,191 ² | \$0 | \$2,495,191 | \$2,709,421 | \$3,135 | \$2,712,556 | \$217,365 | 109% | 99% | Project is in final closeout. |
| Retirements & Replacements | | | | | | | | | | | | | |
| 06.0824 | Advanced Metering Infrastructure (AMI) Implementation I1540001, E1313415, I1640000, I1740000 | McCarty | 3/17/2015 | \$14,050,000 | \$250,000 | \$14,300,000 | \$14,733,083 | \$0 | \$14,733,083 | \$433,083 | 103% | 99% | Project is in final closeout. |
| Agency Mandated | | | | | | | | | | | | | |
| 03.0810 | Dowling Road Undergrounding E1513614 E1513613 E1613631 E1613630 | Schmitt | 9/28/2016 | \$3,000,000 | \$0 | \$3,000,000 | \$2,639,146 | \$75,000 | \$2,714,146 | (\$285,854) | 90% | 99% | Construction is complete. Project is in final closeout. |
| 03.0810 | Old Seward Highway Undergrounding E1513623 | Schmitt | 8/23/2016 | \$2,400,000 | \$0 | \$2,400,000 | \$2,101,177 | \$10,000 | \$2,111,177 | (\$288,823) | 88% | 99% | Construction is complete. Project is in final closeout. |
| Operating Efficiency | | | | | | | | | | | | | |
| 05.0300 | Debarr Substation Rebuild E1620052 | Reid | 1/26/2017 | \$6,000,000 | \$0 | \$6,000,000 | \$742,732 | \$5,257,268 | \$6,000,000 | \$0 | 100% | 15% | This project will upgrade the existing facilities at Debarr Substation. The scope includes replacement of the existing power transformer, 12.5kV switchgear, 34.5kV circuit switchers, and associated control and power cables. Electric Power Constructors (EPC) is performing the design and will also perform the construction in 2018. EPC is also assisting with permitting, which should be completed in early 2018. Chugach is procuring the large equipment. This equipment is scheduled to arrive in the third quarter of 2018. Construction is anticipated to start in the second quarter of 2018 and run through the end of 2018. |
| 20.0234 | Battle Creek Diversion Project F1700880 | AEA Higers | 11/3/2017 | \$18,508,600 | \$0 | \$18,508,600 | \$0 | \$18,508,600 | \$18,508,600 | \$0 | 100% | 0% | This is a project is to be managed by AEA - project to increase water available for generation by constructing a diversion on the West Fork of Upper Battle Creek to divert flows to Bradley Lake, increasing annual energy output by an estimated 37,000 MWh of which Chugach is entitled to 39.38% of the additional energy produced. |
| 05.0886 | Hope Substation Upgrade Hope 25 kV Xfmr Fdn (HMGP) E1613628 | Wending | 12/12/2017 | \$1,900,000 | \$0 | \$1,900,000 | \$41,248 | \$1,858,752 | \$1,900,000 | \$0 | 100% | 0% | This project will upgrade several of the existing facilities at Hope Substation. The scope will include replacement of the existing power transformer and its foundation and will replace wood bus support structures with steel. The new facilities will extend the life of the substation and provide reliable power to the community of Hope. Currently in the planning and design phase. |
| New Business Offering | | | | | | | | | | | | | |
| 20.0310 | Community Solar Project P1731026 | Higers | 10/1/2017 | \$2,000,000 | \$0 | \$2,000,000 | \$57,641 | \$1,942,359 | \$2,000,000 | \$0 | 100% | 0% | Project to install a 500 kW community solar project |
| Totals | | | | \$51,632,791 | \$250,000 | \$51,882,791 | \$24,279,778 | \$27,655,614 | \$51,935,392 | \$52,601 | 100% | 73% | |

¹ Report tracks projects with costs exceeding \$1M.

² Represents Chugach costs only.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

March 8, 2018

TO: Sherri L. Highers, CFO
FROM: Debra Caldwell, Financial Analyst, Budget and Financial Reporting
SUBJECT: 4th Quarter 2017 Operating Budget Status Report

There were no budget adjustments in the fourth quarter of 2017. See Operating Budget Status Report on page 2.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
4TH QUARTER 2017

| CATEGORY | 2017 AMENDED BUDGET | 2017 BUDGET REVISIONS | 2017 AMENDED BUDGET |
|---|---------------------------|-----------------------------|---------------------------|
| REVENUES: | | | |
| TOTAL REVENUE | \$215,797,542 | \$0 | \$215,797,542 |
| EXPENSES: | | | |
| FUEL EXPENSE | 64,893,734 | 0 | 64,893,734 |
| POWER PRODUCTION EXPENSE | 17,824,312 | 0 | 17,824,312 |
| COST OF PURCHASED POWER | 19,893,905 | 0 | 19,893,905 |
| TRANSMISSION EXPENSE | 7,235,161 | 0 | 7,235,161 |
| DISTRIBUTION EXPENSE-OPERATIONS | 5,422,856 | 0 | 5,422,856 |
| DISTRIBUTION EXPENSE-MAINTENANCE | 8,043,170 | 0 | 8,043,170 |
| CONSUMER ACCOUNTS EXPENSE | 5,897,740 | 0 | 5,897,740 |
| CUSTOMER SERVICE/INFO EXPENSE | 417,979 | 0 | 417,979 |
| ADMINISTRATIVE/GENERAL EXPENSE | 23,303,488 | 0 | 23,303,488 |
| TOTAL OPERATIONS/MAINTENANCE EXPENSE | \$152,932,345 | \$0 | \$152,932,345 |
| DEPRECIATION/AMORTIZATION EXPENSE | 35,344,430 | 0 | 35,344,430 |
| TAX EXPENSE-OTHER | 238,800 | 0 | 238,800 |
| INTEREST ON DEBT | 22,180,523 | 0 | 22,180,523 |
| INTEREST ON CONSTRUCTION-CREDIT | (300,086) | 0 | (300,086) |
| OTHER DEDUCTIONS | 400,000 | 0 | 400,000 |
| TOTAL COST OF ELECTRIC SERVICE | \$210,796,012 | \$0 | \$210,796,012 |
| PATRONAGE CAPITAL/OPERATING MARGINS | \$5,001,530 | \$0 | \$5,001,530 |
| NON-OPERATING MARGINS-INTEREST | 328,028 | 0 | 328,028 |
| ALLOWANCE FUNDS USED DURING CONST. | 100,029 | 0 | 100,029 |
| NON-OPERATING MARGINS-OTHER | 0 | 0 | 0 |
| GENER./TRANS. CAPITAL CREDITS | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS/DIVIDENDS | 571,586 | 0 | 571,586 |
| EXTRAORDINARY ITEMS | 0 | 0 | 0 |
| PATRONAGE CAPITAL OR MARGINS | \$6,001,173 | \$0 | \$6,001,173 |

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CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
3RD QUARTER 2017

| CATEGORY | 2017 AMENDED BUDGET | 2017 BUDGET REVISIONS | 2017 AMENDED BUDGET |
|---|---------------------------|-----------------------------|---------------------------|
| REVENUES: | | | |
| TOTAL REVENUE | \$215,797,542 | \$0 | \$215,797,542 |
| EXPENSES: | | | |
| FUEL EXPENSE | 64,893,734 | 0 | 64,893,734 |
| POWER PRODUCTION EXPENSE | 17,255,632 | 568,680 B | 17,824,312 |
| COST OF PURCHASED POWER | 19,893,905 | 0 | 19,893,905 |
| TRANSMISSION EXPENSE | 7,235,161 | 0 | 7,235,161 |
| DISTRIBUTION EXPENSE-OPERATIONS | 5,422,856 | 0 | 5,422,856 |
| DISTRIBUTION EXPENSE-MAINTENANCE | 8,043,170 | 0 | 8,043,170 |
| CONSUMER ACCOUNTS EXPENSE | 5,897,740 | 0 | 5,897,740 |
| CUSTOMER SERVICE/INFO EXPENSE | 417,979 | 0 | 417,979 |
| ADMINISTRATIVE/GENERAL EXPENSE | 23,303,488 | 0 | 23,303,488 |
| TOTAL OPERATIONS/MAINTENANCE EXPENSE | \$152,363,665 | \$568,680 | \$152,932,345 |
| DEPRECIATION/AMORTIZATION EXPENSE | 35,913,110 | (568,680) B | 35,344,430 |
| TAX EXPENSE-OTHER | 238,800 | 0 | 238,800 |
| INTEREST ON DEBT | 22,180,523 | 0 | 22,180,523 |
| INTEREST ON CONSTRUCTION-CREDIT | (300,086) | 0 | (300,086) |
| OTHER DEDUCTIONS | 400,000 | 0 | 400,000 |
| TOTAL COST OF ELECTRIC SERVICE | \$210,796,012 | \$0 | \$210,796,012 |
| PATRONAGE CAPITAL/OPERATING MARGINS | \$5,001,530 | \$0 | \$5,001,530 |
| NON-OPERATING MARGINS-INTEREST | 328,028 | 0 | 328,028 |
| ALLOWANCE FUNDS USED DURING CONST. | 100,029 | 0 | 100,029 |
| NON-OPERATING MARGINS-OTHER | 0 | 0 | 0 |
| GENER./TRANS. CAPITAL CREDITS | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS/DIVIDENDS | 571,586 | 0 | 571,586 |
| EXTRAORDINARY ITEMS | 0 | 0 | 0 |
| PATRONAGE CAPITAL OR MARGINS | \$6,001,173 | \$0 | \$6,001,173 |

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CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
2ND QUARTER 2017

| CATEGORY | 2017 APPROVED BUDGET | 2017 BUDGET REVISIONS | 2017 AMENDED BUDGET |
|---|----------------------------|-----------------------------|---------------------------|
| REVENUES: | | | |
| TOTAL REVENUE | \$214,142,698 | \$1,654,844 A | \$215,797,542 |
| EXPENSES: | | | |
| FUEL EXPENSE | 64,893,734 | 0 | 64,893,734 |
| POWER PRODUCTION EXPENSE | 17,255,632 | 0 | 17,255,632 |
| COST OF PURCHASED POWER | 19,893,905 | 0 | 19,893,905 |
| TRANSMISSION EXPENSE | 7,235,161 | 0 | 7,235,161 |
| DISTRIBUTION EXPENSE-OPERATIONS | 5,422,856 | 0 | 5,422,856 |
| DISTRIBUTION EXPENSE-MAINTENANCE | 8,043,170 | 0 | 8,043,170 |
| CONSUMER ACCOUNTS EXPENSE | 5,897,740 | 0 | 5,897,740 |
| CUSTOMER SERVICE/INFO EXPENSE | 417,979 | 0 | 417,979 |
| ADMINISTRATIVE/GENERAL EXPENSE | 23,303,488 | 0 | 23,303,488 |
| TOTAL OPERATIONS/MAINTENANCE EXPENSE | \$152,363,665 | \$0 | \$152,363,665 |
| DEPRECIATION/AMORTIZATION EXPENSE | 35,344,430 | 568,680 A | 35,913,110 |
| TAX EXPENSE-OTHER | 238,800 | 0 | 238,800 |
| INTEREST ON DEBT | 21,094,359 | 1,086,164 A | 22,180,523 |
| INTEREST ON CONSTRUCTION-CREDIT | (300,086) | 0 | (300,086) |
| OTHER DEDUCTIONS | 400,000 | 0 | 400,000 |
| TOTAL COST OF ELECTRIC SERVICE | \$209,141,168 | \$1,654,844 | \$210,796,012 |
| PATRONAGE CAPITAL/OPERATING MARGINS | \$5,001,530 | \$0 | \$5,001,530 |
| NON-OPERATING MARGINS-INTEREST | 328,028 | 0 | 328,028 |
| ALLOWANCE FUNDS USED DURING CONST. | 100,029 | 0 | 100,029 |
| NON-OPERATING MARGINS-OTHER | 0 | 0 | 0 |
| GENER./TRANS. CAPITAL CREDITS | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS/DIVIDENDS | 571,586 | 0 | 571,586 |
| EXTRAORDINARY ITEMS | 0 | 0 | 0 |
| PATRONAGE CAPITAL OR MARGINS | \$6,001,173 | \$0 | \$6,001,173 |

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CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2017

| CATEGORY | 2017 APPROVED BUDGET | 2017 BUDGET REVISIONS | 2017 APPROVED BUDGET |
|---|----------------------------|-----------------------------|----------------------------|
| REVENUES: | | | |
| TOTAL REVENUE | \$214,142,698 | \$0 | \$214,142,698 |
| EXPENSES: | | | |
| FUEL EXPENSE | 64,893,734 | 0 | 64,893,734 |
| POWER PRODUCTION EXPENSE | 17,255,632 | 0 | 17,255,632 |
| COST OF PURCHASED POWER | 19,893,905 | 0 | 19,893,905 |
| TRANSMISSION EXPENSE | 7,235,161 | 0 | 7,235,161 |
| DISTRIBUTION EXPENSE-OPERATIONS | 5,422,856 | 0 | 5,422,856 |
| DISTRIBUTION EXPENSE-MAINTENANCE | 8,043,170 | 0 | 8,043,170 |
| CONSUMER ACCOUNTS EXPENSE | 5,897,740 | 0 | 5,897,740 |
| CUSTOMER SERVICE/INFO EXPENSE | 417,979 | 0 | 417,979 |
| ADMINISTRATIVE/GENERAL EXPENSE | 23,303,488 | 0 | 23,303,488 |
| TOTAL OPERATIONS/MAINTENANCE EXPENSE | \$152,363,665 | \$0 | \$152,363,665 |
| DEPRECIATION/AMORTIZATION EXPENSE | 35,344,430 | 0 | 35,344,430 |
| TAX EXPENSE-OTHER | 238,800 | 0 | 238,800 |
| INTEREST ON DEBT | 21,094,359 | 0 | 21,094,359 |
| INTEREST ON CONSTRUCTION-CREDIT | (300,086) | 0 | (300,086) |
| OTHER DEDUCTIONS | 400,000 | 0 | 400,000 |
| TOTAL COST OF ELECTRIC SERVICE | \$209,141,168 | \$0 | \$209,141,168 |
| PATRONAGE CAPITAL/OPERATING MARGINS | \$5,001,530 | \$0 | \$5,001,530 |
| NON-OPERATING MARGINS-INTEREST | 328,028 | 0 | 328,028 |
| ALLOWANCE FUNDS USED DURING CONST. | 100,029 | 0 | 100,029 |
| NON-OPERATING MARGINS-OTHER | 0 | 0 | 0 |
| GENER./TRANS. CAPITAL CREDITS | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS/DIVIDENDS | 571,586 | 0 | 571,586 |
| EXTRAORDINARY ITEMS | 0 | 0 | 0 |
| PATRONAGE CAPITAL OR MARGINS | \$6,001,173 | \$0 | \$6,001,173 |

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CHUGACH ELECTRIC ASSOCIATION, INC.

December 2017 Financial Information
March 19, 2018

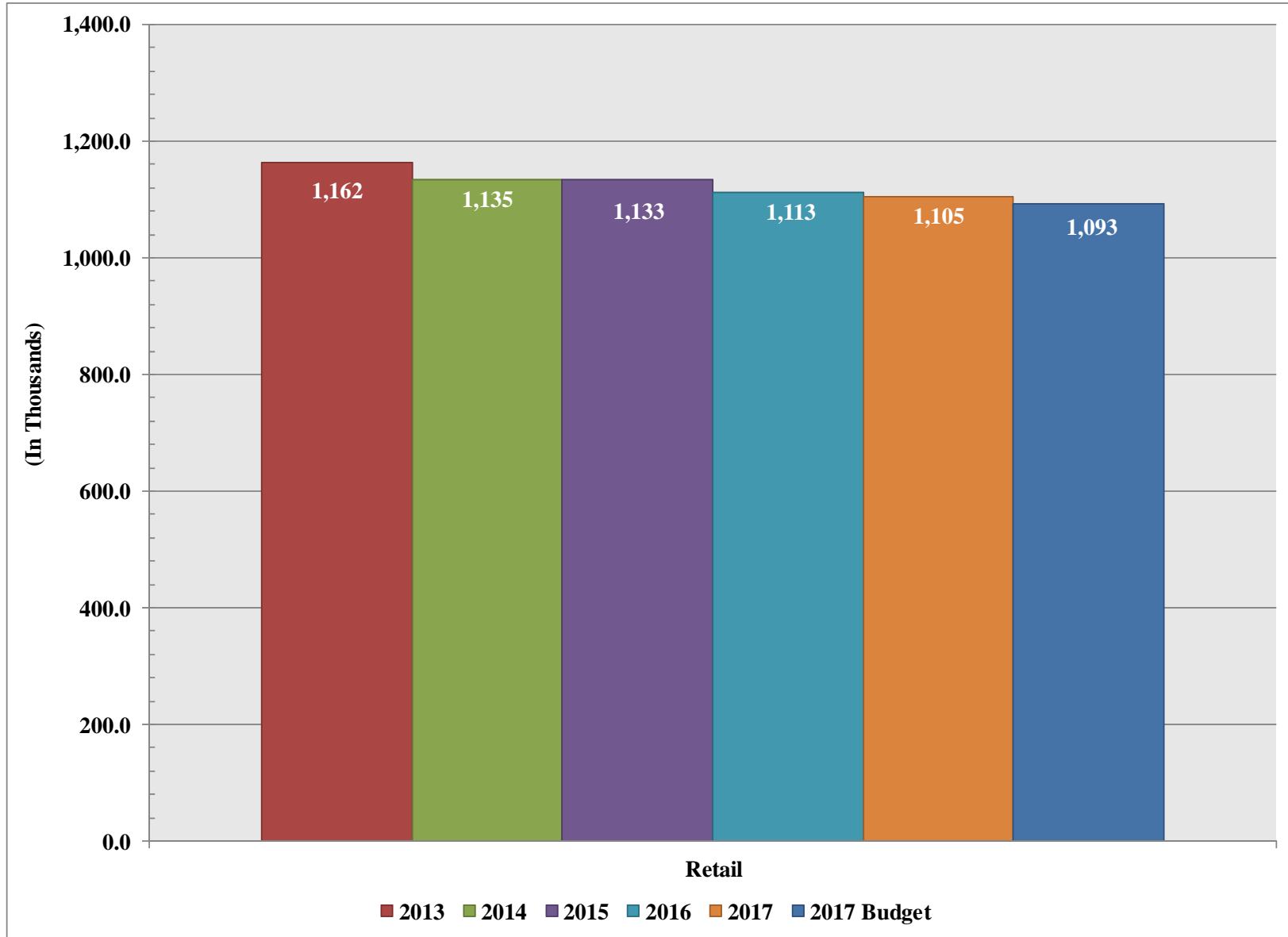


December 2017 Financial Information

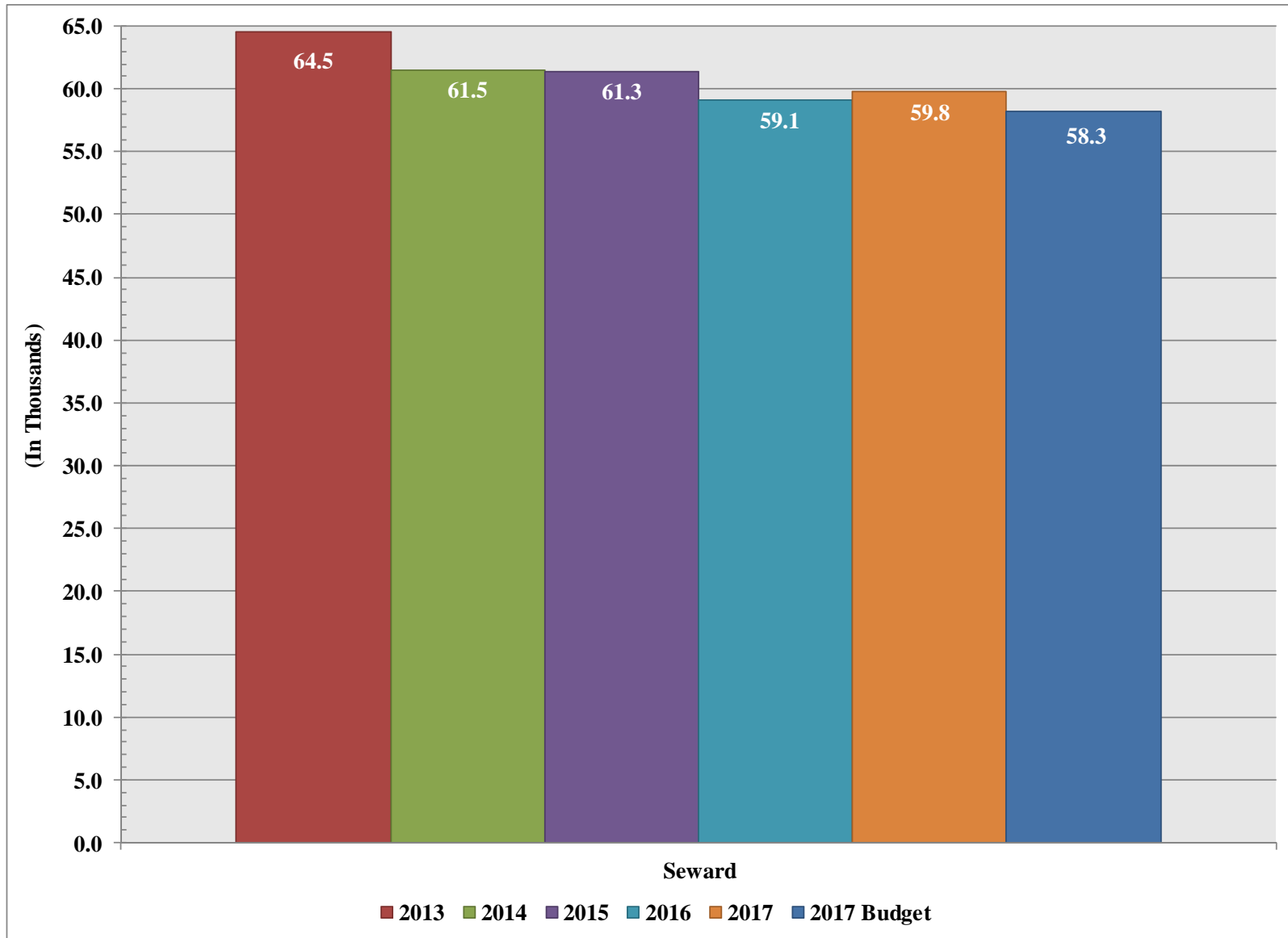


- ▶ MWH Sales
- ▶ Statement of Operations
- ▶ Balance Sheet
- ▶ Statements of Cash Flows

5 Year Retail MWh Sales Comparison (December YTD)



5 Year Seward MWh Sales Comparison (December YTD)



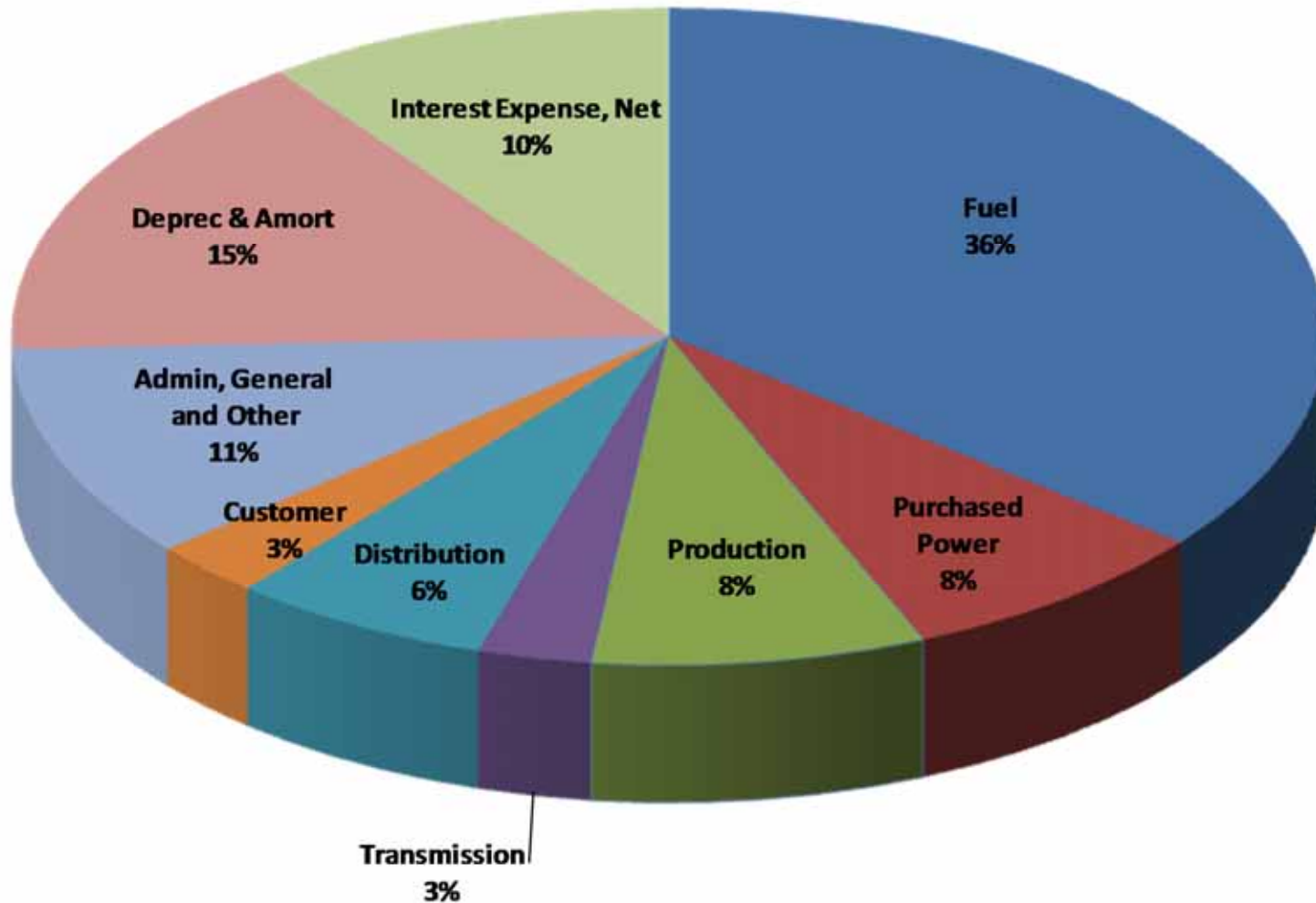
Comparative Statement of Operations

December YTD 2017



| CATEGORY | ACTUAL | BUDGET | VARIANCE |
|---|-----------------------|-----------------------|---------------------|
| Operating Revenues | \$ 224,688,669 | \$ 215,797,542 | \$ 8,891,127 |
| Fuel | 78,552,672 | 64,893,734 | 13,658,938 |
| Production | 18,006,490 | 17,824,312 | 182,178 |
| Purchased Power | 17,301,067 | 19,893,905 | (2,592,838) |
| Transmission | 6,129,871 | 7,235,161 | (1,105,290) |
| Distribution | 13,991,088 | 13,466,026 | 525,062 |
| Consumer Accounts | 5,968,736 | 6,315,719 | (346,983) |
| Administrative, General and Other | 23,256,983 | 23,942,288 | (685,305) |
| Depreciation and Amortization | 34,010,777 | 35,344,430 | (1,333,653) |
| Total Operating Expenses | \$ 197,217,684 | \$ 188,915,575 | \$ 8,302,109 |
| Interest Expense, Long-Term and Other | 22,366,034 | 22,180,523 | 185,511 |
| Interest Charged to Construction | (164,898) | (300,086) | 135,188 |
| Net Interest Expense | \$ 22,201,136 | \$ 21,880,437 | \$ 320,699 |
| Net Operating Margins | \$ 5,269,849 | \$ 5,001,530 | \$ 268,319 |
| Interest Income | 644,663 | 328,028 | 316,635 |
| Allowance Funds Used During Const. | 69,157 | 100,029 | (30,872) |
| Capital Credits, Patronage Dividends, Other | 65,055 | 571,586 | (506,531) |
| Patronage Capital or Margins | \$ 6,048,724 | \$ 6,001,173 | \$ 47,551 |

Total Operating and Interest Expense December YTD 2017



Comparative Balance Sheet, Assets & Other Debits December 2017 & December 2016

| ASSETS & OTHER DEBITS | 12/31/17 | 12/31/16 | CHANGE |
|---|-------------------------|-------------------------|-----------------------|
| Electric Plant in Service | 1,205,092,224 | 1,192,513,869 | 12,578,355 |
| Construction Work in Progress | 17,952,573 | 18,455,940 | (503,367) |
| Total Utility Plant | \$ 1,223,044,797 | \$ 1,210,969,809 | \$ 12,074,988 |
| Accumulated Depreciation | (515,496,312) | (496,098,131) | (19,398,181) |
| Net Utility Plant | \$ 707,548,485 | \$ 714,871,678 | \$ (7,323,193) |
| Nonutility Property | 76,889 | 76,889 | 0 |
| Investment in Assoc. Organizations | 8,980,410 | 9,349,311 | (368,901) |
| Special Funds | 1,466,010 | 907,836 | 558,174 |
| Restricted Cash Equivalents & Other | 1,028,758 | 3,871,993 | (2,843,235) |
| Total Other Property & Investments | \$ 11,552,067 | \$ 14,206,029 | \$ (2,653,962) |
| Cash, Marketable Securities & Other | 16,906,531 | 12,048,316 | 4,858,215 |
| Special Deposits & Restricted Cash | 741,670 | 975,665 | (233,995) |
| Accounts Receivable - Net | 35,680,680 | 33,000,919 | 2,679,761 |
| Materials and Supplies, Fuel Stock | 22,193,089 | 34,210,843 | (12,017,754) |
| Prepayments | 4,953,170 | 1,407,026 | 3,546,144 |
| Other Current Assets | 5,178,987 | 294,697 | 4,884,290 |
| Total Current Assets | \$ 85,654,127 | \$ 81,937,466 | \$ 3,716,661 |
| Deferred Charges, Net | 32,764,065 | 25,140,957 | 7,623,108 |
| Total Assets | \$ 837,518,744 | \$ 836,156,130 | \$ 1,362,614 |

Comparative Balance Sheet, Liabilities & Other Credits December 2017 & December 2016

| LIABILITIES & OTHER CREDITS | 12/31/17 | 12/31/16 | CHANGE |
|--|-----------------------|-----------------------|------------------------|
| Memberships | 1,719,154 | 1,691,014 | 28,140 |
| Patronage Capital | 172,928,887 | 169,996,436 | 2,932,451 |
| Other | 14,653,253 | 13,828,075 | 825,178 |
| Total Equities and Margins | \$ 189,301,294 | \$ 185,515,525 | \$ 3,785,769 |
| Bonds Payable | 421,833,331 | 405,249,998 | 16,583,333 |
| National Bank for Cooperatives | 37,164,000 | 40,356,000 | (3,192,000) |
| Unamortized Debt Issuance Costs | (2,669,485) | (2,715,745) | 46,260 |
| Total Long-Term Obligations | \$ 456,327,846 | \$ 442,890,253 | \$ 13,437,593 |
| Current Installments of Long-Term Obligations | 26,608,667 | 24,836,667 | 1,772,000 |
| Commercial Paper | 50,000,000 | 68,200,000 | (18,200,000) |
| Accounts Payable | 7,420,279 | 9,618,630 | (2,198,351) |
| Consumer Deposits | 5,335,896 | 5,207,585 | 128,311 |
| Other Current & Accrued Liabilities | 30,002,352 | 26,532,912 | 3,469,440 |
| Total Current Liabilities | \$ 119,367,194 | \$ 134,395,794 | \$ (15,028,600) |
| Deferred Compensation | 1,229,294 | 907,836 | 321,458 |
| Other Liabilities, Non-Current | 531,630 | 655,277 | (123,647) |
| Deferred Liabilities | 1,249,390 | 1,179,414 | 69,976 |
| Patronage Capital Payable | 8,798,077 | 12,008,499 | (3,210,422) |
| Cost of Removal Obligation / ARO | 60,714,019 | 58,603,532 | 2,110,487 |
| Total Liabilities, Equities and Margins | \$ 837,518,744 | \$ 836,156,130 | \$ 1,362,614 |

Statements of Cash Flows

December 2017 and December 2016

| | 12/31/17 | 12/31/16 |
|--|------------------------|------------------------|
| 1. Cash flows from operating activities: | | |
| Assignable margins | \$ 6,048,724 | \$ 5,813,856 |
| Adjustments to reconcile assignable margins to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 38,802,755 | 41,221,482 |
| Allowance for funds used during construction | (69,157) | (188,111) |
| Other | 441,676 | 1,245,783 |
| Increase in assets | (11,152,529) | (15,421,557) |
| Decrease in liabilities | (3,780,317) | (177,117) |
| Net cash provided by operating activities: | \$ 30,291,152 | \$ 32,494,336 |
| 2. Cash flows from investing activities: | | |
| Return of capital from investment in associated organizations | 370,010 | 319,233 |
| Proceeds from (Investment in) restricted cash equivalents | (5,846) | 1,138,945 |
| Investment in special funds | (236,716) | 0 |
| Investment in marketable securities and investments-other | (924,903) | (10,580,000) |
| Investment in Beluga River Unit | 0 | (44,403,922) |
| Proceeds from capital grants | 115,453 | 1,021,929 |
| Extension and replacement of plant | (28,879,926) | (36,984,892) |
| Net cash used in investing activities: | \$ (29,561,928) | \$ (89,488,707) |
| 3. Cash flows from financing activities: | | |
| Payments for debt issue costs | (206,871) | (277,155) |
| Net increase (decrease) in short-term obligations | (18,200,000) | 48,200,000 |
| Net increase (decrease) in long-term obligations | 15,163,333 | (2,581,832) |
| Consumer advances for construction/Other | 3,327,010 | 699,374 |
| Net cash provided by financing activities: | \$ 83,472 | \$ 46,040,387 |
| Net change in cash and cash equivalents | 812,696 | (10,953,984) |
| 4. Cash & cash equivalents at beginning of period | \$ 4,672,935 | \$ 15,626,919 |
| 5. Cash & cash equivalents at end of period | \$ 5,485,631 | \$ 4,672,935 |

Questions?

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

March 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Accept the 2017 Independent Audited Financial Statements

DISCUSSION

KPMG will present the results of the audit of Chugach's 2017 Financial Statements.

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors approve the 2017 Independent Audited Financial Statements of Chugach Electric Association, Inc. and footnotes by KPMG and management.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

March 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.B.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

December 31, 2017, SEC Form 10K Filing

DISCUSSION

As reviewed in Executive Session.

MOTION

Move that the Audit and Finance Committee recommend to the Board of Directors that management file the Securities and Exchange Commission Form 10K by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG. Ms. Stuart and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

March 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.C.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Pre-Approval of KPMG for FY2018 Audit Services

DISCUSSION

KPMG performs quarterly reviews and a year-end audit of the financial statements and supplemental schedules, all of which are included in the filing of the 10Q's and 10K. KPMG issues a report on our FERC-1 filing and, if applicable, also performs state and/or federal single audits.

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors approve the retention of KPMG for audit services for FY2018 in accordance with the fees outlined in KPMG's current (3) year contract.