

**CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA**

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Rachel Morse, Chair
Harold Hollis, Vice Chair

Susan Reeves
Jim Henderson
Bettina Chastain

July 17, 2019

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER *(4:00 p.m.)*
 - A. *Roll Call*
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. *May 8, 2019 (Quezon)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE *(none)*
- VI. NEW BUSINESS *(none)*
- VII. EXECUTIVE SESSION* *(scheduled) (4:10 p.m.)*
 - A. *KPMG Merger and Acquisition Process and Considerations (4:10 p.m.)*
 - B. *Internal Controls Review (6:30 p.m.)*
 - C. *First Amendment to Credit Agreement (7:00 p.m.)*
- VIII. NEW BUSINESS* *(scheduled) (7:30 p.m.)*
 - A. *First Amendment to Credit Agreement* (Highers) (7:30 p.m.)*
 - B. *Election of Audit and Finance Committee Vice Chair* (Committee) (7:35 p.m.)*
- IX. DIRECTOR COMMENTS *(7:40 p.m.)*
- X. ADJOURNMENT* *(7:50 p.m.)*

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

May 8, 2019
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Arden Quezon

I. CALL TO ORDER

Chair Morse 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:

Rachel Morse, Chair
Harold Hollis, Vice Chair (*arrived at 4:03 p.m.*)
Susan Reeves, Director (*via teleconference*)
Jim Henderson, Director (*via teleconference*)

Other Board Member Present:

Harry Crawford, Director
Stuart Parks, Director

Excused Absence:

Bettina Chastain, Director

Guests and Staff in Attendance:

Lee Thibert	Jody Wolfe	Andrew Laughlin
Sherri Highers	Kathy Harris	Ron Vecera
Paul Risse	Renee Curran	Julie Hasquet
Arthur Miller	Theresa Quigley	Mike Hayhurst, KPMG
Matt Clarkson	Jean Kornmuller	Anna Shcheglyuk, KPMG
Connie Owens	Debra Caldwell	

II. APPROVAL OF THE AGENDA

Director Reeves moved and Director Henderson seconded the motion to approve the agenda.

Chair Morse requested to add Rating Agency update under executive session. No objections were made. The motion passed unanimously as amended.

Director Hollis arrived at 4:03 p.m.

III. APPROVAL OF THE MINUTES

Director Reeves moved and Director Hollis seconded the motion to approve the March 25, 2019, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None

V. CEO REPORTS AND CORRESPONDENCE

- A. *1st Quarter 2019 Operating Budget Status Report (Curran)*
The 1st Quarter 2019 Operating Budget Status Report was provided in the meeting packet.
- B. *1st Quarter 2019 Capital Tracking Report (Curran)*
The 1st Quarter 2019 Capital Tracking Report was provided in the meeting packet.
- C. *1st Quarter 2019 Contract Status Report (Vecera)*
The 1st Quarter 2019 Contract Status Report was provided in the meeting packet.
- D. *IRS Form 990 (Curran)*
Renee Curran, Manager, Budget & Financial Reporting, discuss the IRS Form 990. Ms. Curran and Sherri Highers, Chief Financial Officer (CFO), Sr. VP Finance and Administration responded to questions from the Committee.
- E. *1st Quarter 2019 Financial Statements and Variance Report (Harris/Curran)*
The 1st Quarter 2019 Financial Statements and the Variance Report were provided in the meeting packet.

VI. NEW BUSINESS

- A. *1st Quarter 2019 Financial Information (Harris)*
Kathy Harris, Sr. Manager, General Accounting discussed the 2018 Year-End Financial Information.

Ms. Harris and Lee Thibert, Chief Executive Officer (CEO) responded to questions from the Committee.

VII. EXECUTIVE SESSION

- A. *Strategic Planning*
 - 1. *KPMG 1st Quarter 2019 Review*
 - 2. *March 31, 2019, SEC Form 10Q Review*
 - 3. *FY2019 Tax Services*
 - 4. *Interest Rate Risk Mitigation*
 - 5. *Rating Agency Update*

At 4:25 p.m., Director Hollis moved and Director Reeves seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1) the Board of Directors' Audit and Finance

Committee go into executive session to discuss and receive reports regarding 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 6:55 p.m.

VIII. NEW BUSINESS

A. March 31, 2019, SEC Form 10K Filing (Curran)*

Director Reeves moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend to the Board of Directors that management file the Securities and Exchange Commission Form 10Q by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG. Mr. Hayhurst and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes. The motion passed unanimously.

B. Pre-Approval of KPMG for FY2019 Tax Services (Highers)*

Director Hollis moved and Director Reeves seconded the motion that the Audit and Finance Committee recommend to the Board of Directors to approve the tax services for FY2019. The motion passed unanimously.

C. Annual Review of Board Policy 207 Audit and Finance Committee Discussion (Committee)

Ms. Highers, CFO & Sr. VP of Finance and Administration stated that the auditing standard SAS 61 that is referenced on page 2, III.4. has been updated and therefore the policy should be amended as indicated in the redline copy that was provided. No further discussion from the Committee.

IX. DIRECTOR COMMENTS

Comments were made at this time.

X. ADJOURNMENT

At 7:01 p.m., Director Hollis moved and Director Reeves seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 17, 2019

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

<u> </u>	Information Only
<u> X </u>	Motion
<u> X </u>	Resolution
<u> </u>	Executive Session
<u> </u>	Other

TOPIC

First Amendment to 2016 Credit Agreement

DISCUSSION

Chugach's Commercial Paper borrowing program is supported by a "backstop credit facility" with a group of lending institutions who will provide funding in the event there is a downturn in the institutional CP market. This credit facility in the maximum amount of \$300 million was originally established in 2008, renewed in 2010 and renewed again in 2016 for a five-year period expiring in June 2021.

In May 2012, after new financing was put in place for the Southcentral Power Project (SPP), Chugach downsized the facility's limit from \$300 million to \$100 million, and subsequently increased the limit to \$150 million in June 2016 to align with Chugach's projected capital expenditures, potential opportunities and liquidity targets.

The Audit & Finance Committee reviewed certain changes to the agreement in executive session.

Approval of this First Amendment to 2016 Credit Agreement will ensure continued viability of the CP program at very reasonable rates and allow Chugach to continue to fund its capital program with very low-cost, short-term debt, pending future visits to the long-term borrowing

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors' authorize the Chief Executive Officer (CEO) to enter into the First Amendment to 2016 Credit Agreement.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 17, 2019

ACTION REQUIRED

AGENDA ITEM NO. VIII.B.

<u> </u>	Information Only
<u> X </u>	Motion
<u> </u>	Resolution
<u> </u>	Executive Session
<u> </u>	Other

TOPIC

Election of Audit and Finance Committee Vice Chair

DISCUSSION

Board Policy 207, Audit and Finance Committee provides that the Board Chair shall appoint the Board Treasurer as the Audit and Finance Committee Chairperson. This year, the Board Treasurer and thus the Audit and Finance Chair is Director Rachel Morse. Pursuant to Board Policy 207, the Audit and Finance Committee is to elect from its membership a Vice Chair.

The Vice Chair acts during the absence of the Chair. The term of the Vice Chair is from his or her election by the Committee and until a new Committee is appointed by the Board Chair or unless the Vice Chair is otherwise removed or no longer wishes to serve.

Director Rachel Morse is Chair of the Audit and Finance Committee and other Committee members include Directors Jim Henderson, Susan Reeves and Bettina Chastain.

MOTION

Move that the Audit and Finance Committee appoint Director _____ as Vice Chair of the Audit and Finance Committee.