



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

November 5, 2019

5:00 p.m.

Chugach Board Room

- I. CALL TO ORDER (5:00 p.m.)
 - A. Roll Call
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. August 7, 2019 (Quezon)
- IV. PERSONS TO BE HEARD
 - A. Member Comments
- V. CEO REPORTS AND CORRESPONDENCE (scheduled) (5:10 p.m.)
 - A. Employees 401K Plan Audit Report (Andrews) (5:10 p.m.)
 - B. IRS Form 990 Tax Return (Curran) (5:15 p.m.)
 - C. 3rd Quarter 2019 Operating Budget Status Report (Curran) (5:25 p.m.)
 - D. 3rd Quarter 2019 Capital Tracking Report (Curran) (5:30 p.m.)
 - E. 3rd Quarter 2019 Contract Status Report (Vecera) (5:35 p.m.)
 - F. 3rd Quarter 2019 Financial Statements and Variance Report (Harris/Curran) (5:40 p.m.)
- VI. NEW BUSINESS (scheduled) (5:45 p.m.)
 - A. 3rd Quarter 2019 Financial Information (Harris)
- VII. EXECUTIVE SESSION* (scheduled) (6:00 p.m.)
 - A. Strategic Planning
 - 1. 2020 Operating and Capital Budget
- VIII. NEW BUSINESS* (continued) (8:00 p.m.)
 - A. Recommendation on Approval of the 2020 Operating and Capital Budget* (Highers)
- IX. DIRECTOR COMMENTS (8:05 p.m.)
- X. ADJOURNMENT* (8:10 p.m.)

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

August 7, 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 4:00 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

Susan Reeves, Director

Jim Henderson, Director *(via teleconference)*

Bettina Chastain, Director

Other Board Member Present:

Harry Crawford, Director

Guests and Staff in Attendance:

Lee Thibert

Tyler Andrews

Ron Vecera

Sherri Highers

Jody Wolfe

Andrew Laughlin

Brian Hickey

Julie Hasquet

Mike Hayhurst, KPMG

Connie Owens

Renee Curran

(via teleconference)

II. APPROVAL OF THE AGENDA

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

III. APPROVAL OF THE MINUTES

Director Hollis moved and Director Chastain seconded the motion to approve the July 17, 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. 2nd Quarter 2019 Operating Budget Status Report (Curran)*
The 2nd Quarter 2019 Operating Budget Status Report was provided in the meeting packet.
- B. 2nd Quarter 2019 Capital Tracking Report (Vecera)*
The 2nd Quarter 2019 Capital Tracking Report was provided in the meeting packet.
- C. 2nd Quarter 2019 Contract Status Report (Vecera)*
The 2nd Quarter 2019 Contract Status Report was provided in the meeting packet.
- D. 2nd Quarter 2019 Financial Statements and Variance Report (Wolfe/Curran)*
The 2nd Quarter 2019 Financial Statements and the Variance Report were provided in the meeting packet.

Sherri Highers, Chief Financial Officer, Executive VP, Finance and Administration and Brian Hickey, Chief Operating Officer responded to questions from the Committee.

Lee Thibert, Chief Executive Officer discussed his August meeting attendance availability due to upcoming RCA Hearings.

The Committee and Director Crawford discussed the August 14, 2019, Regular Board and August 19, 2019, Operations Committee meetings.

After discussion, the Committee and Director Crawford collectively agreed to move the August 14, 2019, Regular Board of Directors' Meeting to August 19, 2019 and to cancel the Operations Committee Meeting scheduled for August 19, 2019.

VI. NEW BUSINESS

- A. 2nd Quarter 2019 Financial Information* (Wolfe)*
Jody Wolfe, Controller, discussed the 2nd Quarter 2019 Financial Information and responded to questions from the Committee.

VII. EXECUTIVE SESSION

- A. KPMG SEC Settlement*
- B. KPMG 2nd Quarter 2019 Review*
- C. June 30, 2019, SEC Form 10Q Review*

At 4:27 p.m., Director Chastain moved and Director Reeves 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 5:17 p.m.

VIII. NEW BUSINESS

A. June 30, 2019, SEC Form 10Q Filing (Curran)*

Director Hollis moved and Director Reeves seconded the motion that the Audit and Finance Committee recommend 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.

IX. DIRECTOR COMMENTS

Comments were made at this time.

X. ADJOURNMENT

At 5:21 p.m., Director Hollis moved and Director Chastain seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

September 30, 2019

TO: Sherri L. Highers, CFO
FROM: Debra Caldwell, Financial Analyst
SUBJECT: 3rd Quarter 2019 Operating Budget Status Report

There were no budget adjustments in the third quarter of 2019. See Operating Budget Status Report on page 2.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
3RD QUARTER 2019

CATEGORY	2019 Q2 AMENDED BUDGET	2019 Q3 BUDGET REVISIONS	2019 Q3 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$208,813,709	\$0	\$208,813,709
EXPENSES:			
FUEL EXPENSE	57,772,723	0	57,772,723
POWER PRODUCTION EXPENSE	20,297,640	0	20,297,640
COST OF PURCHASED POWER	19,015,999	0	19,015,999
TRANSMISSION EXPENSE	7,442,254	0	7,442,254
DISTRIBUTION EXPENSE-OPERATIONS	6,884,599	0	6,884,599
DISTRIBUTION EXPENSE-MAINTENANCE	8,929,374	0	8,929,374
CONSUMER ACCOUNTS EXPENSE	6,711,863	0	6,711,863
CUSTOMER SERVICE/INFO EXPENSE	377,644	0	377,644
ADMINISTRATIVE/GENERAL EXPENSE	23,773,125	0	23,773,125
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$151,205,221	\$0	\$151,205,221
DEPRECIATION/AMORTIZATION EXPENSE	30,612,717	0	30,612,717
TAX EXPENSE-OTHER	225,100	0	225,100
INTEREST ON DEBT	21,950,689	0	21,950,689
INTEREST ON CONSTRUCTION-CREDIT	(534,461)	0	(534,461)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$203,859,266	\$0	\$203,859,266
PATRONAGE CAPITAL/OPERATING MARGINS	\$4,954,443	\$0	\$4,954,443
NON-OPERATING MARGINS-INTEREST	629,772	0	629,772
ALLOWANCE FUNDS USED DURING CONST.	178,150	0	178,150
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$5,762,365	\$0	\$5,762,365

MF/I

1.26

1.26

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
2ND QUARTER 2019

CATEGORY	2019 Q1 AMENDED BUDGET	2019 Q2 BUDGET REVISIONS	2019 Q2 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$207,385,275	\$1,428,434 A	\$208,813,709
EXPENSES:			
FUEL EXPENSE	57,772,723	0	57,772,723
POWER PRODUCTION EXPENSE	20,297,640	0	20,297,640
COST OF PURCHASED POWER	19,015,999	0	19,015,999
TRANSMISSION EXPENSE	7,442,254	0	7,442,254
DISTRIBUTION EXPENSE-OPERATIONS	6,884,599	0	6,884,599
DISTRIBUTION EXPENSE-MAINTENANCE	8,929,374	0	8,929,374
CONSUMER ACCOUNTS EXPENSE	6,711,863	0	6,711,863
CUSTOMER SERVICE/INFO EXPENSE	377,644	0	377,644
ADMINISTRATIVE/GENERAL EXPENSE	23,773,125	0	23,773,125
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$151,205,221	\$0	\$151,205,221
DEPRECIATION/AMORTIZATION EXPENSE	30,612,717	0	30,612,717
TAX EXPENSE-OTHER	225,100	0	225,100
INTEREST ON DEBT	20,646,473	1,304,216 A B	21,950,689
INTEREST ON CONSTRUCTION-CREDIT	(534,461)	0	(534,461)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$202,555,050	\$1,304,216	\$203,859,266
PATRONAGE CAPITAL/OPERATING MARGINS	\$4,830,225	\$124,218	\$4,954,443
NON-OPERATING MARGINS-INTEREST	629,772	0	629,772
ALLOWANCE FUNDS USED DURING CONST.	178,150	0	178,150
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$5,638,147	\$124,218	\$5,762,365
MFI/I			
	1.27		1.26

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2019

CATEGORY	2019 APPROVED BUDGET	2019 Q1 BUDGET REVISIONS	2019 Q1 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$207,385,275	\$0	\$207,385,275
EXPENSES:			
FUEL EXPENSE	57,772,723	0	57,772,723
POWER PRODUCTION EXPENSE	20,297,640	0	20,297,640
COST OF PURCHASED POWER	19,015,999	0	19,015,999
TRANSMISSION EXPENSE	7,442,254	0	7,442,254
DISTRIBUTION EXPENSE-OPERATIONS	6,766,249	118,350	6,884,599
DISTRIBUTION EXPENSE-MAINTENANCE	8,929,374	0	8,929,374
CONSUMER ACCOUNTS EXPENSE	6,711,863	0	6,711,863
CUSTOMER SERVICE/INFO EXPENSE	377,644	0	377,644
ADMINISTRATIVE/GENERAL EXPENSE	23,773,125	0	23,773,125
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$151,086,871	\$118,350	\$151,205,221
DEPRECIATION/AMORTIZATION EXPENSE	30,612,717	0	30,612,717
TAX EXPENSE-OTHER	225,100	0	225,100
INTEREST ON DEBT	20,646,473	0	20,646,473
INTEREST ON CONSTRUCTION-CREDIT	(534,461)	0	(534,461)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$202,436,700	\$118,350	\$202,555,050
PATRONAGE CAPITAL/OPERATING MARGINS	\$4,948,575	(\$118,350)	\$4,830,225
NON-OPERATING MARGINS-INTEREST	629,772	0	629,772
ALLOWANCE FUNDS USED DURING CONST.	178,150	0	178,150
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$5,756,497	(\$118,350)	\$5,638,147
MFI/I			
	1.28		1.27

**CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of September 30, 2019**

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

05.0974	Beluga Transformer T10 Replacement E1920053	Laughlin/Wendling	5/5/2019	\$2,500,000	\$0	\$2,500,000	\$305,959	\$2,194,041	\$2,500,000	\$0	100%	12%	Project will procure and install a replacement power transformer, gas insulated circuit breaker, isolation switch and associated support structures and foundations. A contract with a transformer manufacturer has been executed. Design is complete, Northern Powerline Constructors has been selected as the contractor, and an NTP is anticipated in the week of Oct.14th. Mobilization is anticipated for the first week in November with completion expected in the first quarter of 2020.
10.0240	Retire INSS 138kV Facilities E1720055	Pahkala	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$529,323	\$2,170,677	\$2,700,000	\$0	100%	20%	This project will retire existing 138 kV facilities at the International Substation (INSS) and move two power transformers to new foundations with oil containment meeting fire protection and seismic requirements. 90% design has been completed. Design work is continuing to completion of and IFC Drawing / Document Pkg at which time project execution will be evaluated against available Chugach resources.
20.0320	Pt. Mackenzie 230 kV Substation Rebuild E1820056	Pahkala	9/17/2019	\$3,700,000	\$0	\$3,700,000	\$334,542	\$3,365,458	\$3,700,000	\$0	100%	10%	The November 30, 2018 earthquake damaged 15 of the 22 disconnect switches which rendered the 230kV portion of the Point MacKenzie Substation inoperable. This project will replace all 22 disconnect switches. Additionally, seismic mitigation measures will be implemented. A contract with the switch manufacturer has been executed and delivery is expected by December 11. Design work and material procurement continues and will be completed in Q4 of 2019. Construction is anticipated to be completed in Q1 of 2020. FEMA reimbursement is being pursued for this project.
10.0364	115 kV Rebuild - Hope to Summit E1720053	Wendling	2/20/2018	\$9,500,000	\$0	\$9,500,000	\$8,739,373	\$0	\$8,739,373	(\$760,627)	92%	99%	This project rebuilt approximately 9 miles of the Quartz Creek 115 kV transmission line between Hope Substation and Summit Lake Substation. The rebuilt line is insulated to 230 kV standards. Additionally, this project installed fiber optic cable on the transmission structures and connected communication sites at Silvertip and Summit Lake and installed wire to the communication sites and back up generation at Girdwood. Construction is complete and close out is anticipated in the fourth quarter of 2019.

Operating Efficiency

05.0300	Debarr Substation Rebuild E1620052	Reid	1/26/2017	\$6,000,000	\$0	\$6,000,000	\$5,773,707	\$20,000	\$5,793,707	(\$206,293)	97%	99%	This project upgraded the existing facilities at Debarr Substation. The scope included replacement of the existing power transformer, 12.5kV switchgear, 34.5kV circuit switchers, and associated control and power cables. The contractor's, Electric Power Constructors (EPC), work is substantially complete. The power transformer and switchgear were delivered in the third quarter of 2018. Commissioning is finished and the substation is energized. Landscaping is finished. Final permits have been approved. This project is in closeout.
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Totals				\$24,400,000	\$0	\$24,400,000	\$15,682,904	\$7,750,176	\$23,433,080	(\$966,920)	96%	58%	
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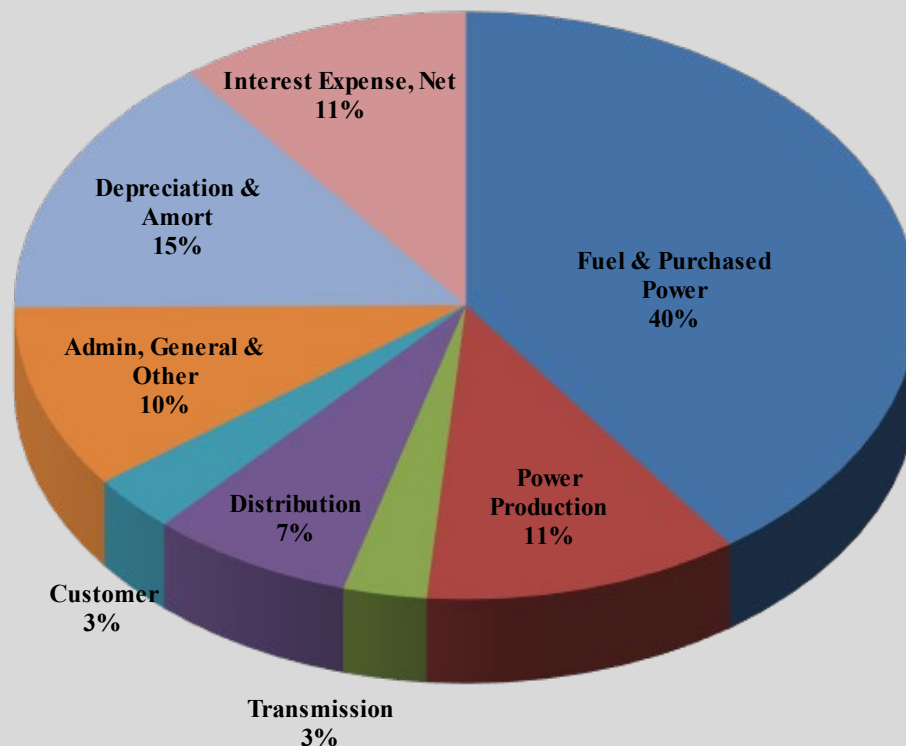
¹ Report tracks projects with costs exceeding \$1M.

² Represents Chugach costs only.

STATEMENT OF OPERATIONS

CATEGORY	2019 MTD ACTUAL	2019 MTD BUDGET	2019 MTD VARIANCE
Operating Revenue and Patronage Capital	\$ 17,151,890	\$ 16,307,091	\$ 844,799
Fuel and Purchased Power Expense	7,148,710	5,764,239	1,384,471
Power Production Expense	2,018,081	1,645,302	372,779
Transmission Expense	532,322	552,789	(20,467)
Distribution Expense	1,293,494	1,271,331	22,163
Customer Expense	557,172	583,737	(26,565)
Administrative, General and Other	1,808,389	1,913,781	(105,392)
Depreciation & Amortization Expense	2,614,470	2,547,255	67,215
Interest Expense, Net	1,865,502	1,859,515	5,987
Total Cost of Electric Service	\$ 17,838,140	\$ 16,137,949	\$ 1,700,191
Patronage Capital & Operating Margins	\$ (686,250)	\$ 169,142	\$ (855,392)
Non-Operating Margins - Interest	41,147	52,481	(11,334)
Allowance for Funds Used During Construction	11,091	14,846	(3,755)
Non-Operating Margins - Other	(693)	-	(693)
Patronage Capital or Margins	\$ (634,705)	\$ 236,469	\$ (871,174)

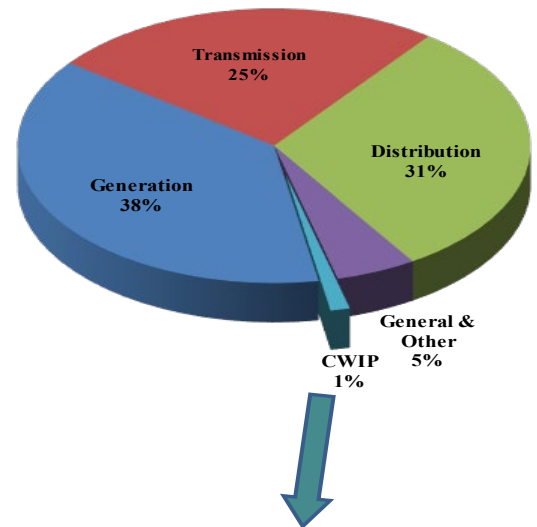
Total Cost of Electric Service (MTD Actual)



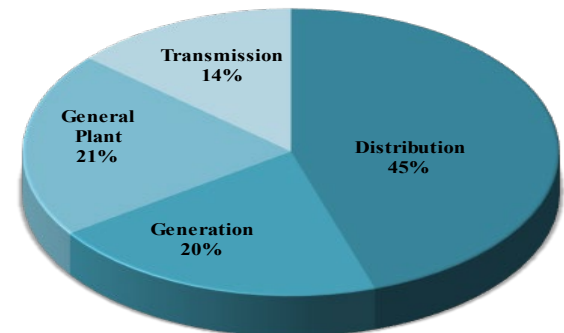
BALANCE SHEET

ASSETS & OTHER DEBITS	09/30/19	12/31/18
Electric Plant in Service	1,239,536,327	1,216,663,092
Construction Work in Progress	15,324,043	17,272,307
Total Utility Plant	\$ 1,254,860,370	\$ 1,233,935,399
Accum. Prov. for Depreciation/Amortization	(551,160,068)	(529,099,451)
Net Utility Plant	\$ 703,700,302	\$ 704,835,948
Nonutility Property - Net	76,889	76,889
Operating Lease Right-of-Use Assets	977,096	-
Investment in Assoc. Organizations	8,148,223	8,570,046
Special Funds	2,420,632	1,890,221
Restricted Cash & Other Investments	108,000	108,000
Total Other Property & Investments	\$ 11,730,840	\$ 10,645,156
Cash, Marketable Securities & Other	3,105,881	12,423,578
Special Deposits/Restricted Cash	1,285,089	1,268,274
Accounts Receivable - Net	24,002,928	31,165,249
Materials and Supplies, Fuel Stock	26,752,308	28,175,563
Prepayments	4,378,681	2,227,117
Other Current & Accrued Assets	608,913	241,279
Total Current & Accrued Assets	\$ 60,133,800	\$ 75,501,060
Deferred Debits	42,783,785	37,668,424
Total Assets & Other Debits	\$ 818,348,727	\$ 828,650,588
LIABILITIES & OTHER CREDITS	09/30/19	12/31/18
Memberships	1,769,552	1,748,172
Pat. Capital, Margins & Equities	187,800,370	192,776,522
Total Margins & Equities	\$ 189,569,922	\$ 194,524,694
Long-Term Debt - Bonds	449,999,997	398,416,664
Long-Term Debt - Other	31,464,000	33,972,000
Unamortized Debt Issuance Costs	(2,743,025)	(2,425,247)
Operating Lease Liabilities	787,076	-
Total Long-Term Debt	\$ 479,508,048	\$ 429,963,417
Notes Payable	43,912,687	87,608,667
Accounts Payable	7,978,599	9,538,749
Consumer Deposits	4,743,546	4,845,611
Other Current & Accrued Liabilities	26,290,076	32,853,659
Total Current & Accrued Liabilities	\$ 82,924,908	\$ 134,846,686
Deferred Compensation	1,612,964	1,359,878
Other Liabilities, Non-Current	540,134	580,841
Deferred Liabilities	766,126	764,834
Patronage Capital Payable	1,931,295	3,393,253
Cost of Removal Obligation	61,495,330	63,216,985
Total Liabilities & Other Credits	\$ 818,348,727	\$ 828,650,588

2019 Total Utility Plant (YTD)
\$1,254,860,370



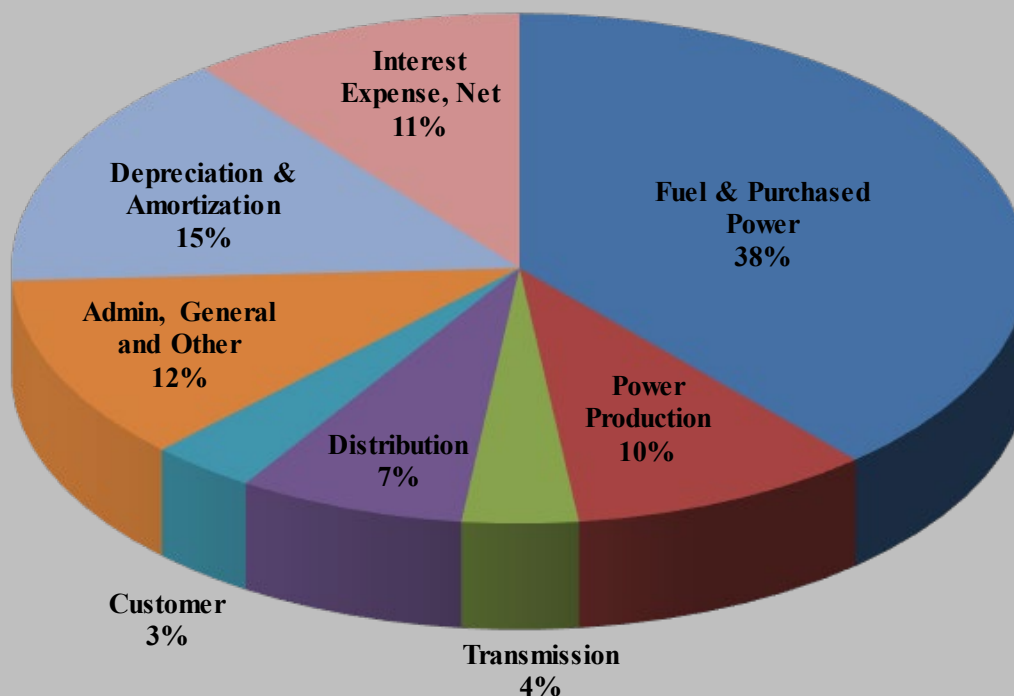
2019 Construction Work in Progress (YTD)
\$15,324,043



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

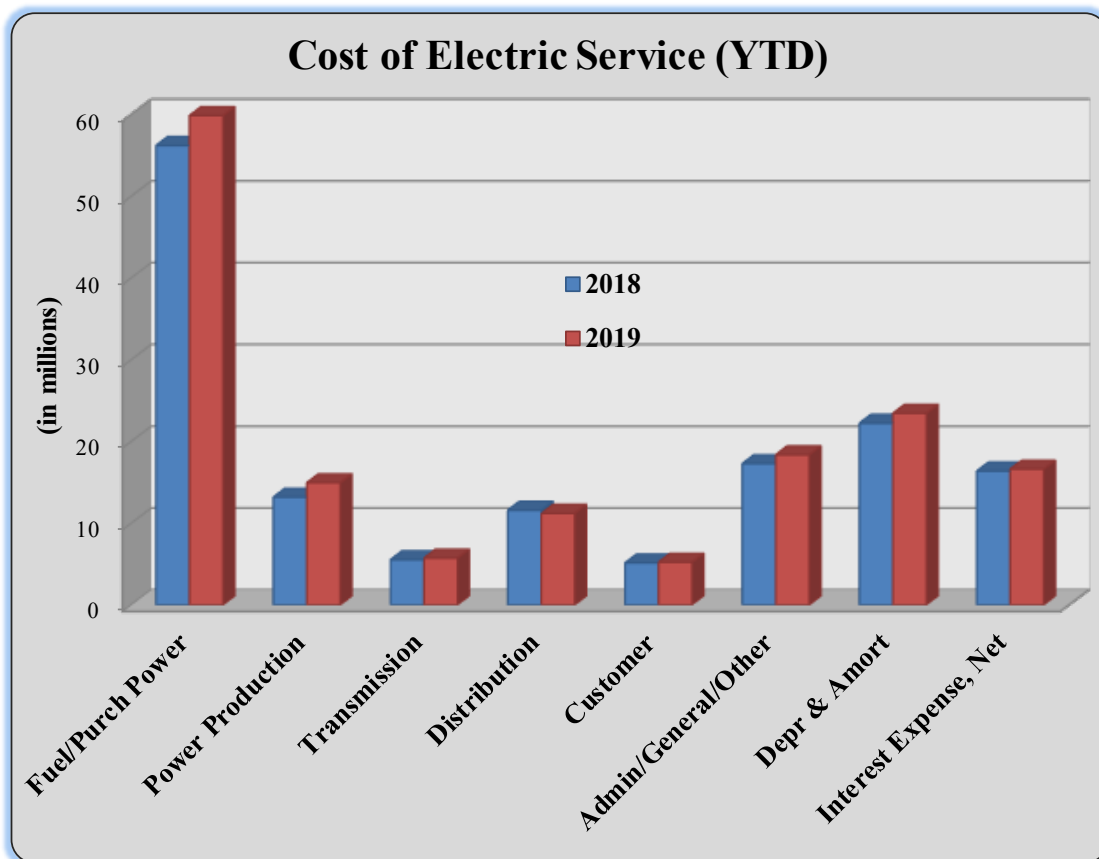
CATEGORY	2019 YTD ACTUAL	2019 YTD BUDGET	2019 YTD VARIANCE
Operating Revenue and Patronage Capital	\$ 154,988,332	\$ 149,936,215	\$ 5,052,117
Fuel and Purchased Power Expense	59,868,047	55,027,262	4,840,785
Power Production Expense	14,955,404	15,075,062	(119,658)
Transmission Expense	5,737,548	5,775,382	(37,834)
Distribution Expense	11,222,797	11,758,765	(535,968)
Customer Expense	5,230,360	5,227,758	2,602
Administrative, General and Other	18,367,731	18,390,113	(22,382)
Depreciation & Amortization Expense	23,452,921	22,967,417	485,504
Interest Expense, Net	16,615,342	15,840,848	774,494
Total Cost of Electric Service	\$ 155,450,150	\$ 150,062,607	\$ 5,387,543
Patronage Capital & Operating Margins	\$ (461,818)	\$ (126,392)	\$ (335,426)
Non-Operating Margins - Interest	442,151	472,329	(30,178)
Allowance Funds Used During Const.	114,398	133,613	(19,215)
Non-Operating Margins - Other	105,739	-	105,739
Patronage Capital or Margins	\$ 200,470	\$ 479,550	\$ (279,080)
MFII	1.01	1.03	
TIER	1.01	1.03	

Total Cost of Electric Service (YTD Actual)



COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YTD ACTUAL

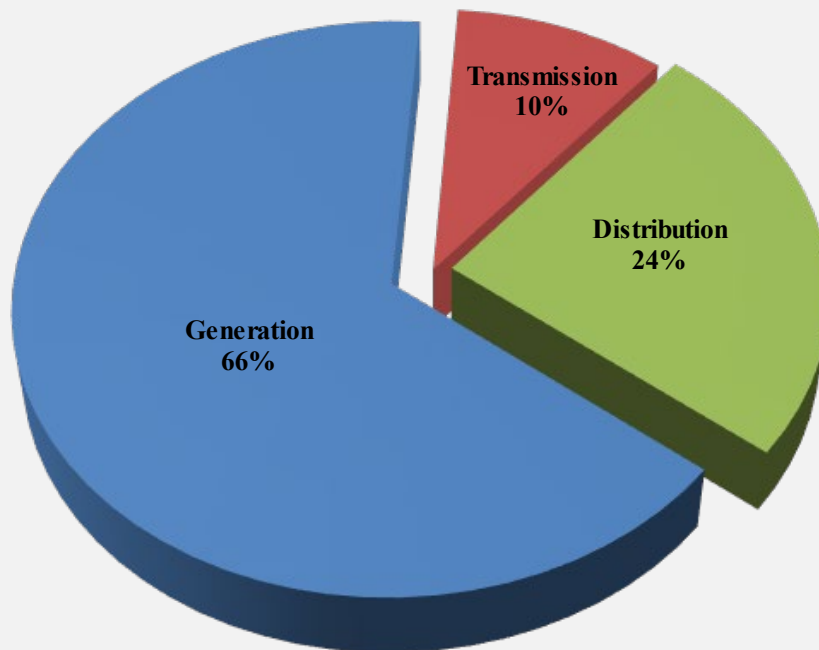
CATEGORY	2019 YTD ACTUAL	2018 YTD ACTUAL
Operating Revenue and Patronage Capital	\$ 154,988,332	\$ 148,160,451
Fuel and Purchased Power Expense	59,868,047	56,216,639
Power Production Expense	14,955,404	13,184,565
Transmission Expense	5,737,548	5,546,054
Distribution Expense	11,222,797	11,590,360
Customer Expense	5,230,360	5,150,221
Administrative, General and Other	18,367,731	17,286,324
Depreciation and Amortization Expense	23,452,921	22,235,372
Interest Expense, Net	16,615,342	16,380,266
Total Cost of Electric Service	\$ 155,450,150	\$ 147,589,801
Patronage Capital & Operating Margins	\$ (461,818)	\$ 570,650
Non-Operating Margins - Interest	442,151	536,905
Allowance for Funds Used During Construction	114,398	86,304
Non-Operating Margins - Other	105,739	(189,843)
Patronage Capital or Margins	\$ 200,470	\$ 1,004,016
MFI/I	1.01	1.06
TIER	1.01	1.06

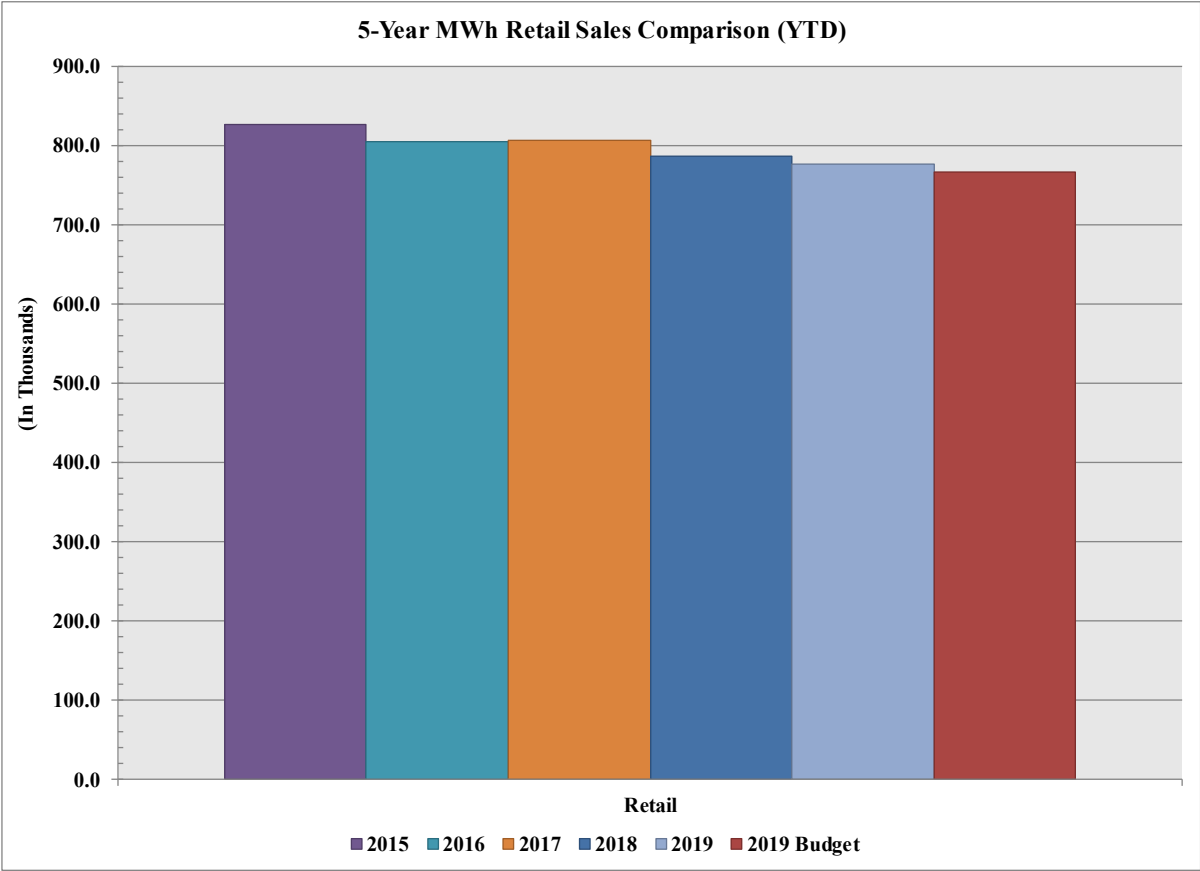
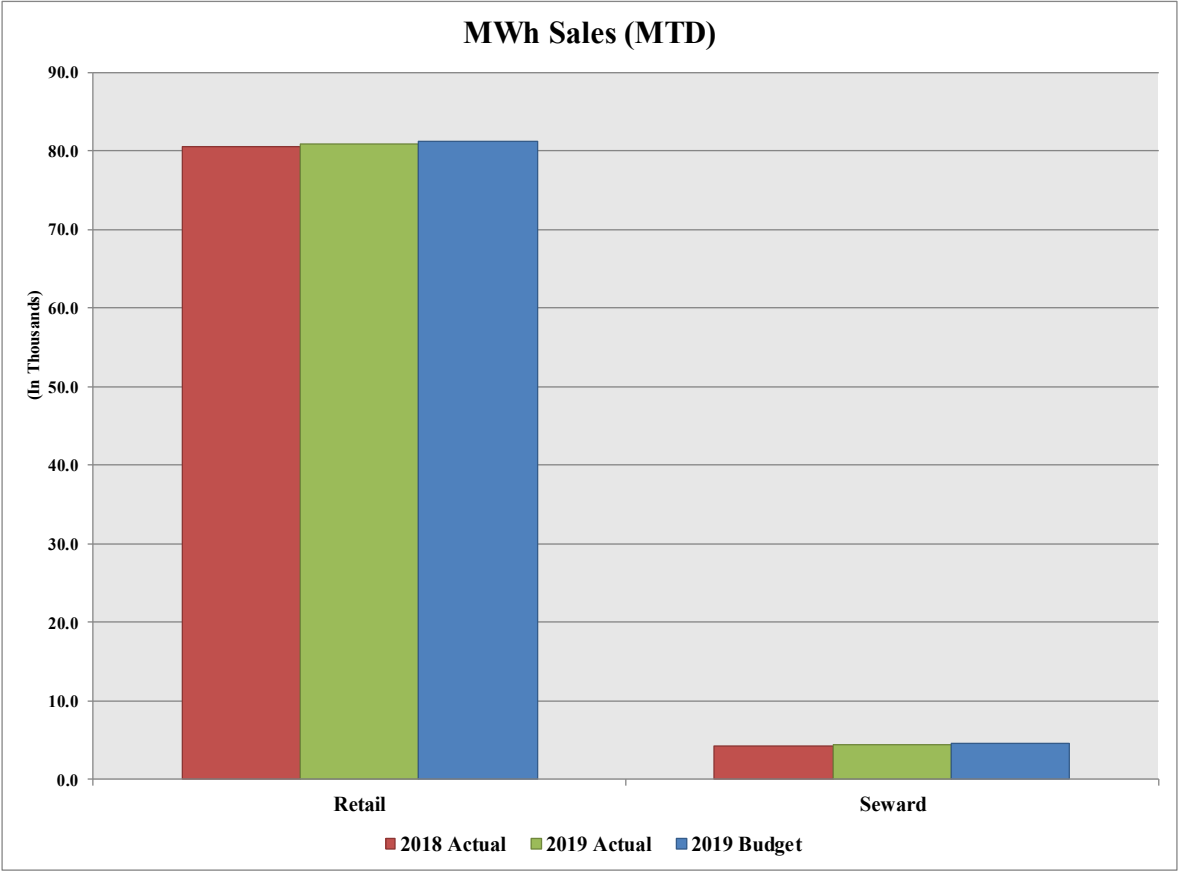


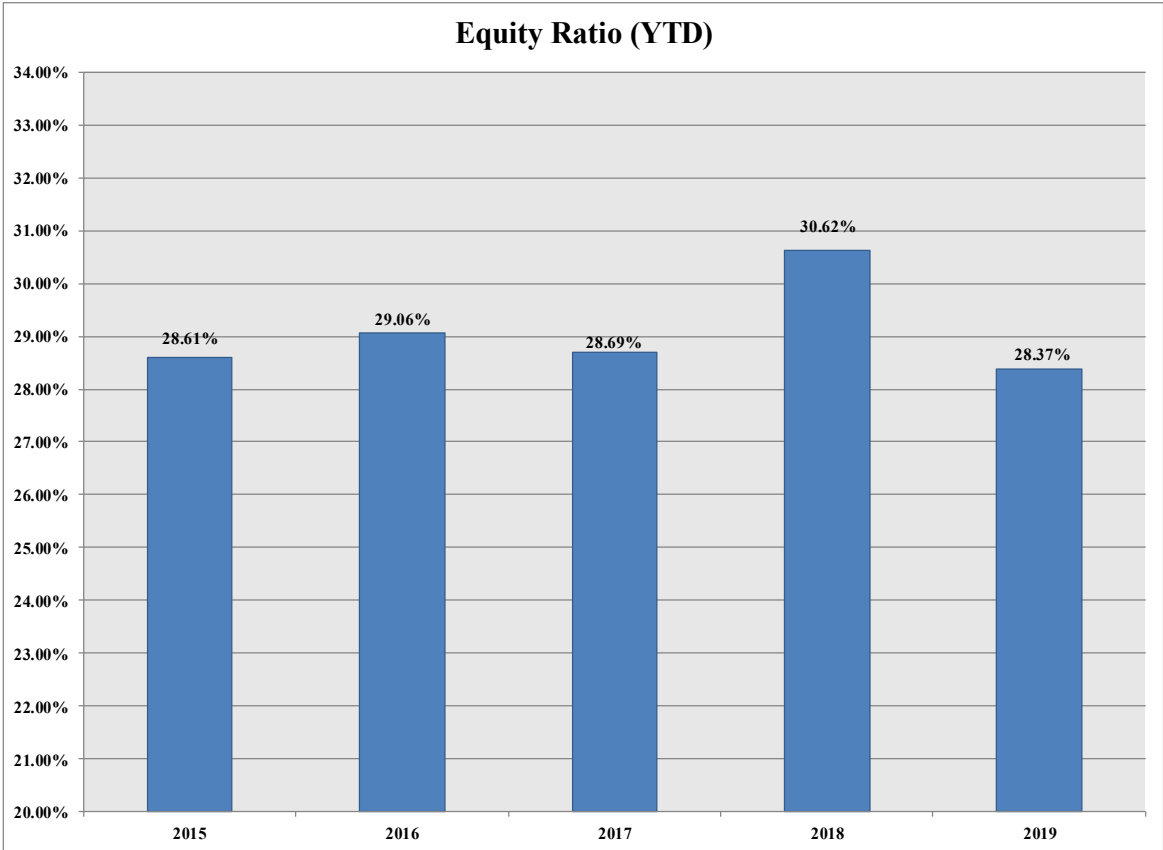
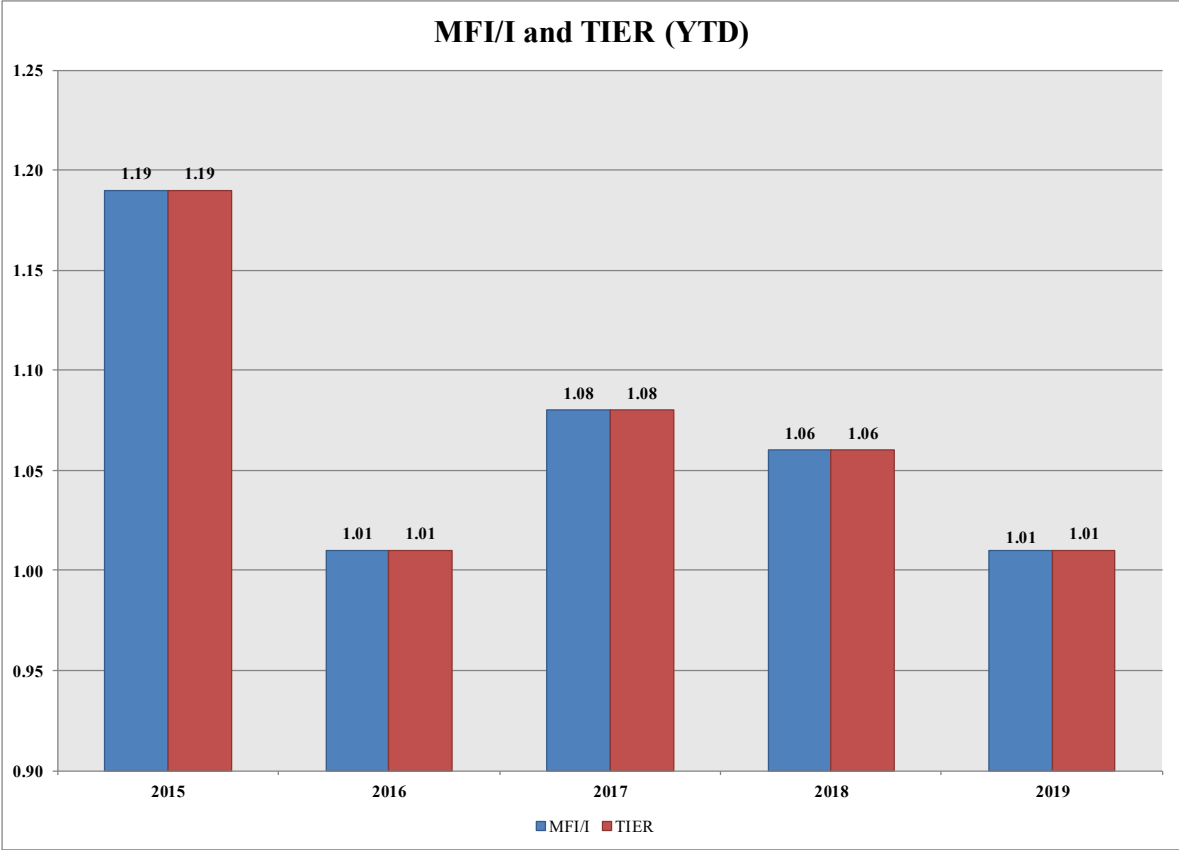
FUNCTIONAL STATEMENT OF OPERATIONS
SEPTEMBER 30, 2019

CATEGORY	2019 YTD TOTAL	2019 YTD GEN	2019 YTD TRANS	2019 YTD DIST
Operating Revenue and Patronage Capital	\$ 154,988,332	\$ 101,827,334	\$ 15,266,351	\$ 37,894,647
Fuel and Purchased Power Expense	59,868,047	59,868,047	-	-
Power Production Expense	14,955,404	14,955,404	-	-
Transmission Expense	5,737,548	-	5,737,548	-
Distribution Expense	11,222,797	-	-	11,222,797
Customer Expense	5,230,360	-	-	5,230,360
Administrative, General and Other	18,367,731	5,856,281	2,642,372	9,869,078
Depreciation & Amortization Expense	23,452,921	11,426,118	3,609,209	8,417,594
Interest Expense, Net	16,615,342	9,856,247	3,360,568	3,398,527
Total Cost of Electric Service	\$ 155,450,150	\$ 101,962,097	\$ 15,349,697	\$ 38,138,356
Patronage Capital & Operating Margins	\$ (461,818)	\$ (134,763)	\$ (83,346)	\$ (243,709)
Non-Operating Margins - Interest	442,151	215,414	68,043	158,694
Allowance for Funds Used During Construction	114,398	6,567	6,918	100,913
Non-Operating Margins - Other	105,739	32,329	13,986	59,424
Patronage Capital or Margins	\$ 200,470	\$ 119,547	\$ 5,601	\$ 75,322

Total Cost of Electric Service







ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	777,603,390	766,516,435
Wholesale Energy Sales	<u>43,021,250</u>	<u>43,673,213</u>
Total Firm Energy Sales	820,624,640	810,189,648
Economy Energy Sales	<u>103,400</u>	<u>0</u>
Total Energy Sales	820,728,040	810,189,648

Firm energy sales totaled 820,624,640 kWh, which was a 1.3% favorable variance compared to budget. Retail energy sales were over budget 1.4%, primarily due to higher than anticipated residential and large commercial activity. Wholesale energy sales were under budget by 1.5%.

Economy energy sales totaled 103,400 kWh, which was a favorable variance of 100% compared to budget. This was due to unanticipated sales to Golden Valley Electric Association (GVEA) and Matanuska Electric Association (MEA).

ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$ 145.6	\$ 141.5
Wholesale Revenue	<u>4.4</u>	<u>4.3</u>
Total Firm Revenue	150.0	145.8
Economy/Other Energy Revenue	0.0	0.0
Other Operating Revenue	<u>5.0</u>	<u>4.1</u>
Total Revenue	\$ 155.0	\$ 149.9

Revenue from firm sales totaled \$150.0 million compared to \$145.8 million in the budget. Firm revenue was higher than expected primarily due to higher than anticipated sales to residential and large general commercial customers and higher fuel and purchased power costs recovered in revenue. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$5.0 million compared to \$4.1 million in the budget, primarily due to higher than anticipated wheeling revenue.

FUEL AND PURCHASED POWER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Fuel	\$ 42.5	\$ 40.9
Purchased Power	<u>17.4</u>	<u>14.1</u>
Total	\$ 59.9	\$ 55.0

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$42.5 million compared to \$40.9 million projected in the budget. This variance was primarily due to more fuel consumed at the Beluga Power Plant as a result of the Swan Lake fire which impacted the transmission lines and reduced the amount of purchased power Chugach was able to access from the Bradley Lake Hydro facility. The increase in fuel expense was somewhat offset by lower than anticipated storage and transportation expense.

Actual fuel purchased or withdrawn from inventory and used for production was 4,733,503 MCF at an average effective delivered price of \$8.21 per MCF, compared to 4,302,413 MCF in the budget at an average effective delivered price of \$8.32 per MCF.

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 was \$17.4 million compared to \$14.1 million in the budget, due to higher than anticipated purchases from ML&P and MEA at a higher average effective price as a result of the Swan Lake fire which impacted the transmission lines and reduced the amount of purchased power that Chugach was able to access from the Bradley Lake Hydro facility.

Actual energy purchased was 193,068 MWh at an average effective price of 7.60 cents per kWh compared to 167,316 MWh budgeted at an average effective price of 6.72 cents per kWh.

POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 15.0	\$ 15.1

Power production expense was \$15.0 million compared to \$15.1 million in the budget. This favorable variance is primarily due to lower than anticipated maintenance costs, which was somewhat offset by higher amortization expense associated with the Cooper Lake dredging project.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 5.7	\$ 5.8

Transmission operations and maintenance expense was \$5.7 million compared to \$5.8 million in the budget. This favorable variance is primarily due to lower than anticipated vegetation control, microwave maintenance, and helicopter services labor which was offset by higher substation expense.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 11.2	\$ 11.8

Distribution operations and maintenance expense was \$11.2 million compared to \$11.8 million in the budget. This favorable variance is primarily due to lower than anticipated vegetation clearing and lease costs, as well as a shift in substation expense labor to Transmission.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 5.2	\$ 5.2

Consumer accounts and customer information expense was \$5.2 million compared to \$5.2 million in the budget. Although not an overall variance, higher than anticipated credit card merchant fees, were offset by lower than anticipated printing costs.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 18.4	\$ 18.4

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, which was \$18.4 million compared to \$18.4 million in the budget. Although not an overall variance, higher than anticipated labor expense and project write-offs, were offset by lower than anticipated costs associated with outside legal services, safety, and headquarters maintenance.

SUMMARY

Depreciation, interest, and interest during construction expense totaled \$40.1 million compared to \$38.8 million in the budget. The unfavorable variance compared to budget was primarily due to higher than anticipated interest expense on short-term borrowings of commercial paper as well as increased depreciation expense due primarily to the timing of projects.

All of the foregoing expenses resulted in total cost of electric service of \$155.5 million compared to \$150.1 million in the budget.

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 totaled \$0.7 million compared to \$0.6 million in the budget primarily due to the gain in value of marketable securities earlier this year. At September 30, 2019, the market value of Chugach's marketable securities was \$0.2 million, and had an annualized rate of return of 3%.

The net result of revenue and expenses was margins of \$0.2 million compared to projected margins of \$0.5 million in the budget. The current forecast projects year-end margins of \$5.6 million, an MFI/I of 1.25, and TIER of 1.26.

COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS YEAR-END FORECAST

CATEGORY	2019 APPROVED BUDGET	2019 AMENDED BUDGET	2019 YTD ACTUALS	2019 REVISED FORECAST
Operating Revenue and Patronage Capital	\$ 207,385,275	\$ 208,813,709	\$ 154,988,332	\$ 218,704,374 ²
Fuel and Purchased Power Expense	76,788,722	76,788,722	59,868,047	86,468,055 ²
Power Production Expense	20,297,640	20,297,640	14,955,404	20,097,640 ²
Transmission Expense	7,442,254	7,442,254	5,737,548	7,404,420 ¹
Distribution Expense	15,695,623	15,813,973	11,222,797	15,501,473 ²
Customer Expense	7,089,507	7,089,507	5,230,360	7,041,192 ²
Administrative, General & Other	24,398,225	24,398,225	18,367,731	24,183,343 ²
Depreciation and Amortization Expense	30,612,717	30,612,717	23,452,921	31,098,221 ¹
Interest Expense, Net	20,112,012	21,416,228	16,615,342	22,190,722 ¹
Total Cost of Electric Service	\$ 202,436,700	\$ 203,859,266	\$ 155,450,150	\$ 213,985,066
Patronage Capital & Operating Margins	\$ 4,948,575	\$ 4,954,443	\$ (461,818)	\$ 4,719,308
Non-Operating Margins - Interest	629,772	629,772	442,151	599,594 ¹
Allowance for Funds Used During Construction	178,150	178,150	114,398	158,935 ¹
Non-Operating Margins - Other	-	-	105,739	105,739 ¹
Patronage Capital or Margins	\$ 5,756,497	\$ 5,762,365	\$ 200,470	\$ 5,583,576
MFI/I	1.28	1.26	1.01	1.25
TIER	1.30	1.27	1.01	1.26

¹ Forecast based on 9 month actual and 3 month forecast

² Forecast has been adjusted to reflect anticipated changes

CHUGACH ELECTRIC ASSOCIATION, INC.

September 2019 Financial Information
November 5, 2019

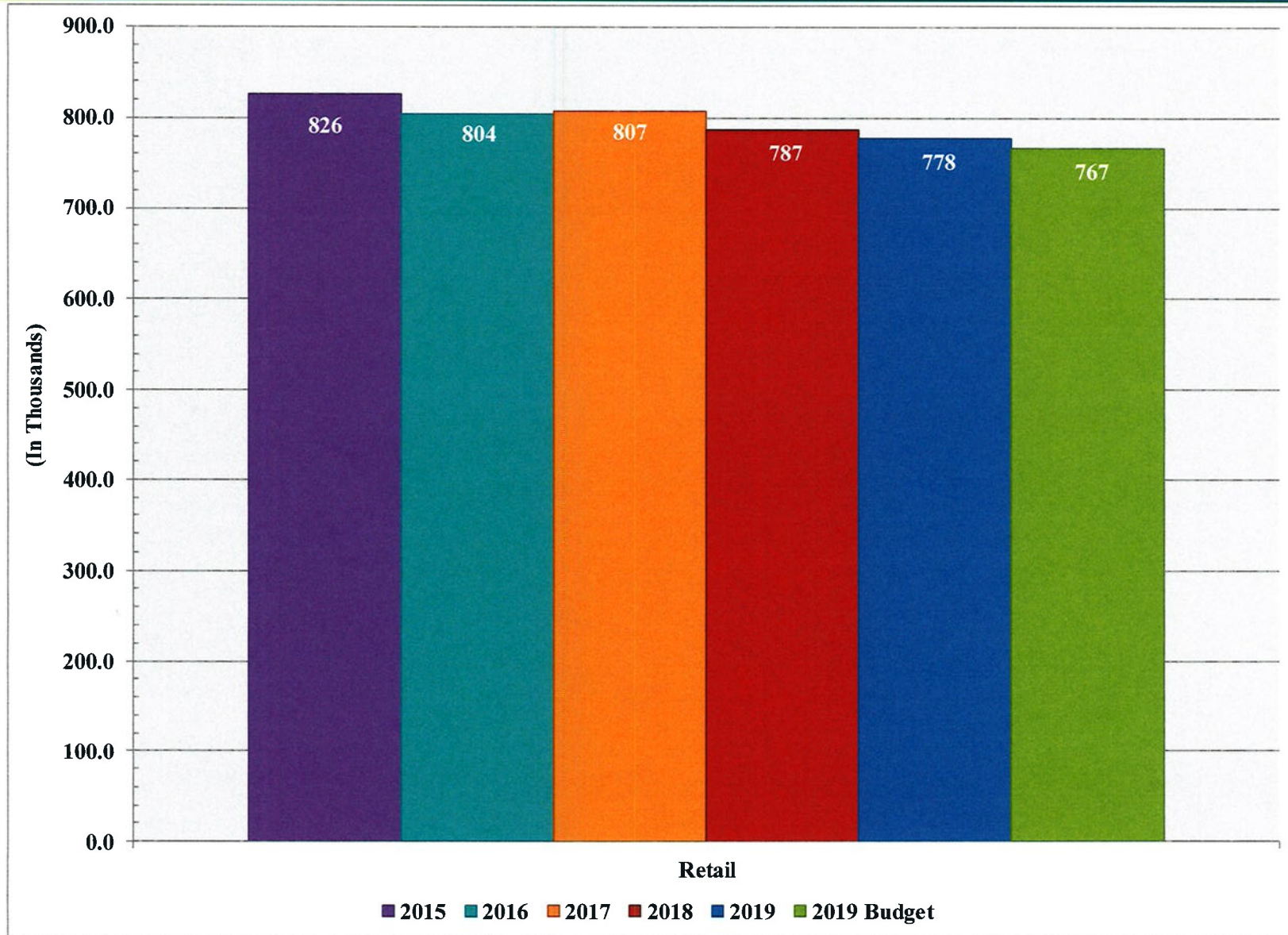


September 2019 Financial Information

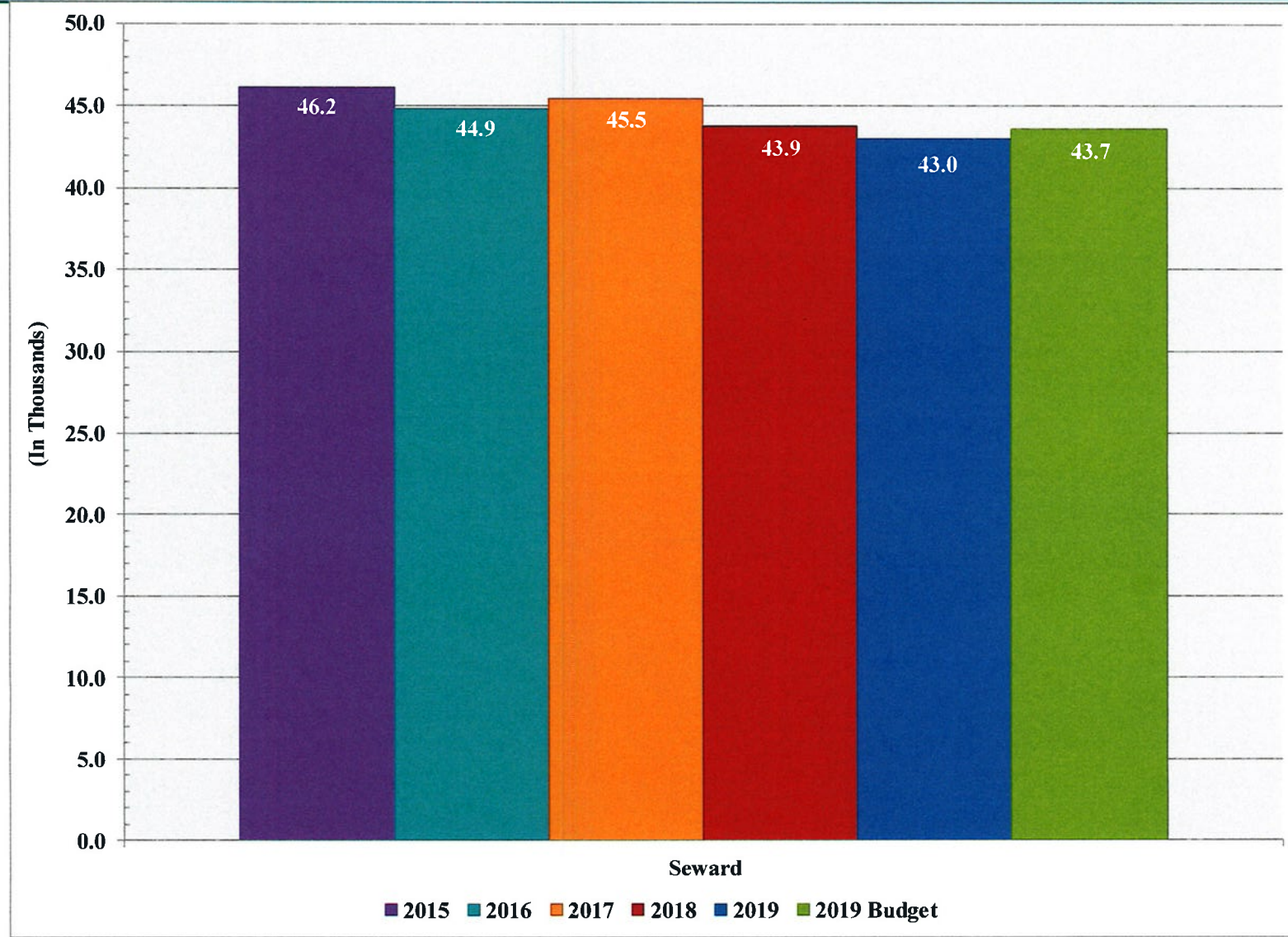


- ▶ MWH Sales
- ▶ Statement of Operations
- ▶ Balance Sheet
- ▶ Statements of Cash Flows

5 Year Retail MWh Sales Comparison (September YTD)



5 Year Seward MWh Sales Comparison (September YTD)



Comparative Statement of Operations

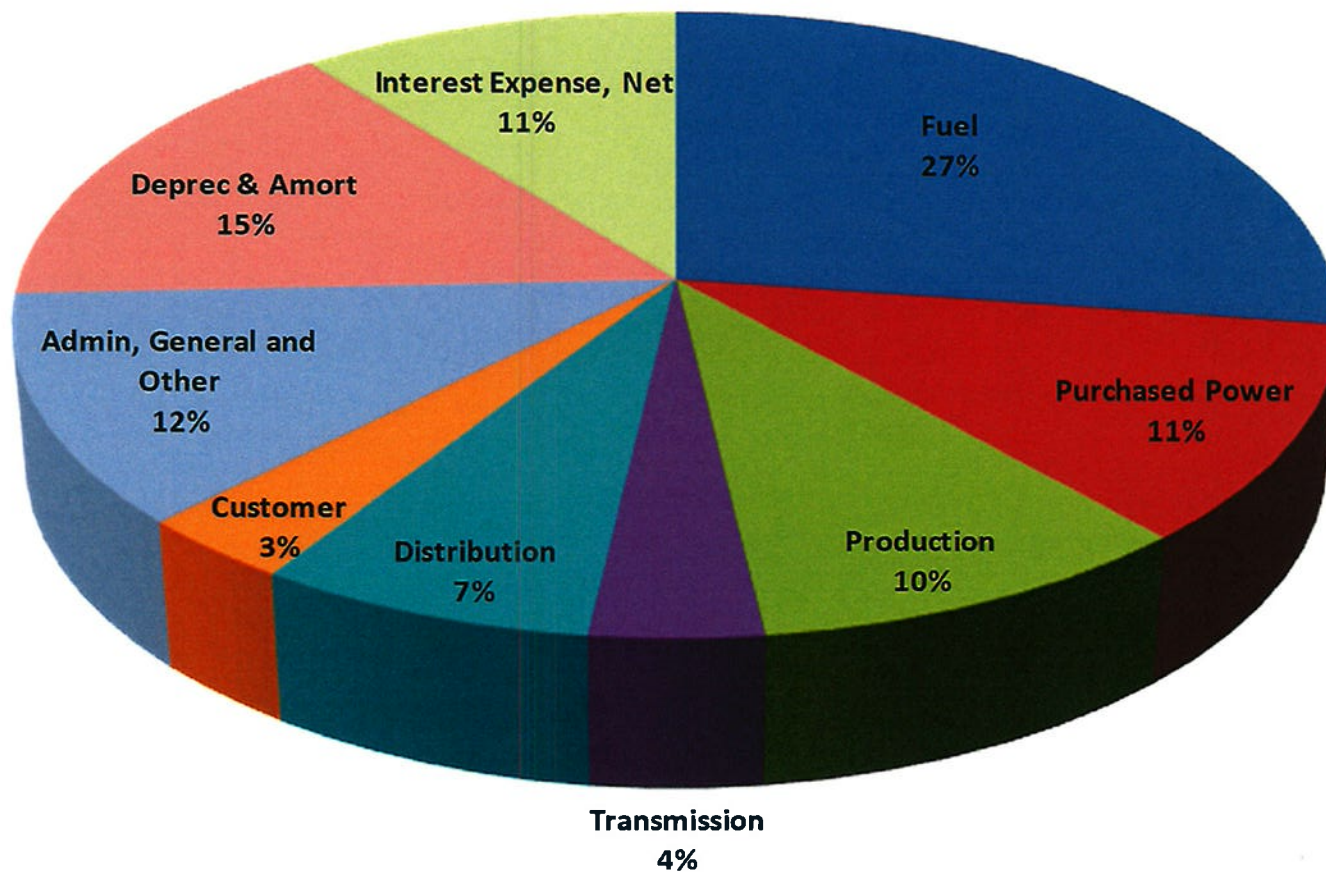
September YTD 2019



CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenues	\$ 154,988,332	\$ 149,936,215	\$ 5,052,117
Fuel	42,492,081	40,922,983	1,569,098
Production	14,955,404	15,075,062	(119,658)
Purchased Power	17,375,966	14,104,279	3,271,687
Transmission	5,737,548	5,775,382	(37,834)
Distribution	11,222,797	11,758,765	(535,968)
Consumer Accounts	5,230,360	5,227,758	2,602
Administrative, General and Other	18,367,731	18,390,113	(22,382)
Depreciation and Amortization	23,452,921	22,967,417	485,504
Total Operating Expenses	\$ 138,834,808	\$ 134,221,759	\$ 4,613,049
Interest Expense, Long-Term and Other	16,868,856	16,241,694	627,162
Interest Charged to Construction	(253,514)	(400,846)	147,332
Net Interest Expense	\$ 16,615,342	\$ 15,840,848	\$ 774,494
Net Operating Margins	\$ (461,818)	\$ (126,392)	\$ (335,426)
Interest Income	442,151	472,329	(30,178)
Allowance Funds Used During Const.	114,398	133,613	(19,215)
Capital Credits, Patronage Dividends, Other	105,739	0	105,739
Patronage Capital or Margins	\$ 200,470	\$ 479,550	\$ (279,080)

MFI/I	1.01	1.03
TIER	1.01	1.03

Total Operating and Interest Expense September YTD 2019



Comparative Balance Sheet, Assets & Other Debits

September 2019 & December 2018



ASSETS & OTHER DEBITS	09/30/19	12/31/18	CHANGE
Electric Plant in Service	1,239,536,327	1,216,663,092	22,873,235
Construction Work in Progress	15,324,043	17,272,307	(1,948,264)
Total Utility Plant	\$ 1,254,860,370	\$ 1,233,935,399	\$ 20,924,971
Accumulated Depreciation	(551,160,068)	(529,099,451)	(22,060,617)
Net Utility Plant	\$ 703,700,302	\$ 704,835,948	\$ (1,135,646)
Nonutility Property	76,889	76,889	0
Operating Lease Right-of-Use Assets	977,096	0	977,096
Investment in Assoc. Organizations	8,148,223	8,570,046	(421,823)
Special Funds	2,420,632	1,890,221	530,411
Restricted Cash Equivalents & Other	108,000	108,000	0
Total Other Property & Investments	\$ 11,730,840	\$ 10,645,156	\$ 1,085,684
Cash, Marketable Securities & Other	3,105,881	12,423,578	(9,317,697)
Special Deposits & Restricted Cash	1,285,089	1,268,274	16,815
Accounts Receivable - Net	24,002,928	31,165,249	(7,162,321)
Materials and Supplies, Fuel Stock	26,752,308	28,175,563	(1,423,255)
Prepayments	4,378,681	2,227,117	2,151,564
Other Current Assets	608,913	241,279	367,634
Total Current Assets	\$ 60,133,800	\$ 75,501,060	\$ (15,367,260)
Deferred Charges, Net	42,783,785	37,668,424	5,115,361
Total Assets	\$ 818,348,727	\$ 828,650,588	\$ (10,301,861)

Comparative Balance Sheet, Liabilities & Other Credits

September 2019 & December 2018



LIABILITIES & OTHER CREDITS	09/30/19	12/31/18	CHANGE
Memberships	1,769,552	1,748,172	21,380
Patronage Capital	172,505,010	177,823,597	(5,318,587)
Other	15,295,360	14,952,925	342,435
Total Equities and Margins	\$ 189,569,922	\$ 194,524,694	\$ (4,954,772)
Bonds Payable	449,999,997	398,416,664	51,583,333
National Bank for Cooperatives	31,464,000	33,972,000	(2,508,000)
Unamortized Debt Issuance Costs	(2,743,025)	(2,425,247)	(317,778)
Operating Lease Liabilities	787,076	0	787,076
Total Long-Term Obligations	\$ 479,508,048	\$ 429,963,417	\$ 49,544,631
Current Installments of Long-Term Obligations	26,912,687	26,608,667	304,020
Commercial Paper	17,000,000	61,000,000	(44,000,000)
Accounts Payable	7,978,599	9,538,749	(1,560,150)
Consumer Deposits	4,743,546	4,845,611	(102,065)
Other Current & Accrued Liabilities	26,290,076	32,853,659	(6,563,583)
Total Current Liabilities	\$ 82,924,908	\$ 134,846,686	\$ (51,921,778)
Deferred Compensation	1,612,964	1,359,878	253,086
Other Liabilities, Non-Current	540,134	580,841	(40,707)
Deferred Liabilities	766,126	764,834	1,292
Patronage Capital Payable	1,931,295	3,393,253	(1,461,958)
Cost of Removal Obligation / ARO	61,495,330	63,216,985	(1,721,655)
Total Liabilities, Equities and Margins	\$ 818,348,727	\$ 828,650,588	\$ (10,301,861)

Statements of Cash Flows

September 2019 and September 2018

	09/30/19	09/30/18
1. Cash flows from operating activities:		
Assignable margins	\$ 200,470	\$ 1,004,016
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	28,885,654	26,148,453
Allowance for funds used during construction	(114,398)	(86,304)
Other	442,634	386,852
Net (increase) decrease in assets	(4,827,274)	4,049,663
Decrease in liabilities	(9,130,421)	(5,478,255)
Net cash provided by operating activities:	\$ 15,456,665	\$ 26,024,425
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	421,899	414,012
Investment in special funds	(275,328)	(302,152)
Investment in marketable securities and investments-other	(213,510)	(2,843,213)
Proceeds from the sale of marketable securities	6,437,508	4,707,765
Extension and replacement of plant	(26,286,728)	(18,479,692)
Net cash used in investing activities:	\$ (19,916,159)	\$ (16,503,280)
3. Cash flows from financing activities:		
Payments for debt issue costs	(505,065)	0
Net increase (decrease) in short-term obligations	(44,000,000)	12,000,000
Net increase (decrease) in long-term obligations	49,189,333	(25,810,667)
Net increase (decrease) in consumer advances/retired patronage/other	(3,400,315)	2,954,790
Net cash provided by (used in) financing activities:	\$ 1,283,953	\$ (10,855,877)
Net change in cash, cash equivalents & restricted cash	(3,175,541)	(1,334,732)
4. <u>Cash, cash equivalents & restricted cash at beginning of period</u>	\$ 7,428,969	\$ 7,201,759
5. <u>Cash, cash equivalents and restricted cash at end of period</u>	\$ 4,253,428	\$ 5,867,027

Questions?

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

November 5, 2019

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

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

TOPIC

Recommendation on Approval of the 2020 Operating and Capital Budget

DISCUSSION

On November 5, 2019, the Audit and Finance Committee met and reviewed a proposed 2020 Operating and Capital Budget.

The 2020 Operating Budget is expected to produce margins of \$5.8 million, Margins for Interest/Interest (MFI/I) ratio of 1.25, Times Interest Earned Ratio (TIER) ratio of 1.27 and Equity to Total Capitalization Ratio of 30.3%. These results are based on a Total Cost of Service of \$222.0 million, Total Revenue of \$227.3 million and Non-Operating Margins of \$0.5 million.

The 2020 Capital Budget cash requirement is \$57.6 million, consisting of \$14.7 million in Distribution, \$7.3 million in Transmission and Subtransmission, \$6.5 million in Generation and BRU and \$3.1 million in Deferred Plant, General Plant and Telecommunications/SCADA capital expenditures, as well as \$26.0 million for ML&P Acquisition and Integration costs. The 2020 Capital Budget includes an additional \$16.0 million from sources other than Chugach's base rates to its members.

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors approve the 2020 Operating and Capital Budget which is expected to produce margins of \$5.8 million, MFI/I ratio of 1.25, TIER ratio of 1.27 and Equity to Total Capitalization ratio of 30.3%. These results are based on a Total Cost of Service of \$222.0 million, Total Revenue of \$227.3 million, Non-Operating Margins of \$0.5 million, and a capital expenditure cash requirement of \$57.6 million.