

**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

December 10, 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 6, 2018 (Portades)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (*none*)
- VI. EXECUTIVE SESSION* (*scheduled*)
 - A. *Strategic Planning*
 - 1. *2019 Operating Budget and Capital Improvement Plan*
- VII. NEW BUSINESS* (*scheduled*)
 - A. *Recommendation on Approval of the 2019 Operating and Capital Budget* (Highers)*
- VIII. DIRECTOR COMMENTS
- IX. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 6, 2018
Tuesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Divina Portades

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
Susan Reeves, Director (*via teleconference*)
Jim Henderson, Director (*via teleconference*)
Bettina Chastain, Director (*via teleconference*)

Other Board Member Present:

Harry Crawford, Director
Stuart Parks, Director

Guests and Staff in Attendance:

Lee Thibert	Connie Owens	Jody Wolfe
Sherri Highers	Andrew Laughlin	Renee Curran
Arthur Miller	Ron Vecera	Beth Stuart, KPMG
Matthew Clarkson	Dustin Highers	
Paul Risse	Josh Travis	

II. APPROVAL OF THE AGENDA

Director Hollis moved and Director Henderson seconded the motion to approve the agenda as amended. The motion passed unanimously.

III. APPROVAL OF THE MINUTES

Director Hollis moved and Director Reeves seconded the motion to approve the August 8, 2018, 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. *3rd Quarter 2018 Financial Statements and Variance Report (Harris/Curran)*

The 3rd Quarter 2018 Financial Statements and Variance Report were provided in the meeting packet.

Kathy Harris, Sr. Manager, Accounting and Sherri Highers, Chief Financial Officer (CFO) and VP, Finance and Administration responded to questions from the Committee.

B. *3rd Quarter 2018 Operating Budget Status Report (Curran)*

The 3rd Quarter 2018 Operating Budget Status Report was provided in the meeting packet.

Sherri Highers, CFO and VP, Finance and Administration responded to questions from the Committee.

C. *3rd Quarter 2018 Capital Tracking Report (Curran)*

The 3rd Quarter 2018 Capital Tracking Report was provided in the meeting packet.

Sherri Highers, CFO and VP, Finance and Administration gave an overview on the 3rd Quarter 2018 Capital Tracking Report and responded to questions from the Committee.

D. *3rd Quarter 2018 Contract Status Report (Vecera)*

The 3rd Quarter 2018 Contract Status Report was provided in the meeting packet.

Sherri Highers, CFO and VP, Finance and Administration gave an overview on the 3rd Quarter 2018 Contract Status Report.

E. *Employees 401k Plan Audit (Andrews)*

The Employees 401k Plan Audit was provided in the meeting packet.

Sherri Highers, CFO and VP, Finance and Administration gave an overview on the Employees 401k Plan Audit.

VI. NEW BUSINESS

A. *Recommendation on Discounting for 2019 Capital Credit Payments* (Highers)*

This agenda item was approved after Agenda VI.B.

Sherri Highers, CFO and VP, Finance and Administration gave an overview on the Discounting for 2019 Capital Credit Payments and responded to questions from the Committee.

Director Hollis moved and Director Reeves seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve the

resolution authorizing early (discounted) capital credit payments for 2019 not to exceed 300,000. The motion passed unanimously.

B. 3rd Quarter 2018 Financial Information (Harris)

Kathy Harris, Sr. Manager, Accounting discussed the 3rd Quarter 2018 Financial Information and responded to questions from the Committee.

VII. EXECUTIVE SESSION

A. Strategic Planning

- 1. KPMG 3rd Quarter 2018 Review*
- 2. Board and Auditor Discussion*
- 3. Review Chugach's 2018 Audit Plan*
- 4. September 30, 2018, SEC Form 10Q Review*

At 4:36 p.m., Director Hollis 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 5:54 p.m.

VIII. NEW BUSINESS

A. September 30, 2018, SEC Form 10Q Filing (Curran)*

Director Hollis moved and Director Reeves seconded the motion seconded the motion that 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. Ms. Stuart 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 6:00 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

December 10, 2018

ACTION REQUIRED

AGENDA ITEM NO. VII.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Recommendation on Approval of the 2019 Operating and Capital Budget

DISCUSSION

On December 10, 2018, the Audit and Finance Committee met and reviewed a proposed 2019 Operating and Capital Budget and 2019-2023 Capital Improvement Program.

The 2019 Operating Budget is expected to produce margins of \$5.8 million, Margins for Interest/Interest (MFI/I) ratio of 1.28, Times Interest Earned Ratio (TIER) ratio of 1.30 and Equity to Total Capitalization Ratio of 31.9%. These results are based on a Total Cost of Service of \$202.4 million, Total Revenue of \$207.4 million and Non-Operating Margins of \$0.8 million.

The 2019 Capital Budget cash requirement is \$76.3 million, consisting of \$11.6 million in Distribution, \$11.5 million in Transmission and Subtransmission and \$10.8 million in Generation, Deferred Plant, General Plant and Telecommunications/SCADA capital expenditures, as well as \$42.4 million for ML&P Acquisition and Integration costs. The 2019 Capital Budget includes an additional \$7.6 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 2019 Operating and Capital Budget which is expected to produce margins of \$5.8 million, MFI/I ratio of 1.28, TIER ratio of 1.30 and Equity to Total Capitalization ratio of 31.9%. These results are based on a Total Cost of Service of \$202.4 million, Total Revenue of \$207.4 million, Non-Operating Margins of \$0.8 million, and a capital expenditure cash requirement of \$76.3 million.

In its recommendation to approve this budget, the Audit and Finance Committee does not recommend authorization for managers to enter into any contract related to the IMO without further Board review and approval after the final APA has been reviewed and approved by the Board.