



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

March 18, 2020

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. November 6, 2019 (Quezon)
- IV. PERSONS TO BE HEARD
 - A. Member Comments
- V. CEO REPORTS AND CORRESPONDENCE (scheduled) (4:10 p.m.)
 - A. 4th Quarter 2019 Operating Budget Status Report (Curran) (4:10 p.m.)
 - B. 4th Quarter 2019 Capital Tracking Report (Curran) (4:15 p.m.)
 - C. 4th Quarter 2019 Contract Status Report (Vecera) (4:20 p.m.)
 - D. 2019 Year-End Financial Statements and Variance Report (Harris/Curran) (4:25 p.m.)
- VI. NEW BUSINESS* (scheduled) (4:30 p.m.)
 - A. 2019 Year-End Financial Information (Harris) (4:30 p.m.)
- VII. EXECUTIVE SESSION* (scheduled) (4:50 p.m.)
 - A. Strategic Planning
 - 1. Review and Accept the 2019 Independent Audited Financial Statements (4:50 p.m.)
 - 2. Pre-Approval for FY2020 Audit Services (5:15 p.m.)
 - 3. Board and Auditor Discussion (5:25 p.m.)
 - 4. December 31, 2019, SEC Form 10K Review (5:45 p.m.)
 - 5. Accounting for the ML&P Acquisition (6:15 p.m.)
- VIII. NEW BUSINESS* (continued) (6:30 p.m.)
 - A. Accept the 2019 Independent Audited Financial Statements* (KPMG) (6:30 p.m.)
 - B. December 31, 2019, SEC Form 10K Filing* (Curran) (6:35 p.m.)
 - C. Pre-Approval for FY2020 Audit Services* (Highers) (6:40 p.m.)

IX. DIRECTOR COMMENTS (6:45 p.m.)

X. ADJOURNMENT* (6:55 p.m.)

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 6, 2019
Wednesday
5:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Arden Quezon

I. CALL TO ORDER

Chair Morse called the Audit and Finance Committee meeting 5:04 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

Bettina Chastain, Director (*via teleconference at 5:08 p.m.*)

Other Board Member Present:

Harry Crawford, Director

Stuart Parks, Director

Committee Member Excused Absence:

Jim Henderson, Director

Guests and Staff in Attendance:

Lee Thibert

Jody Wolfe

Kyle Drefke, Orrick

Sherri Highers

Renee Curran

Michael Hayhurst,

Kathy Harris

Connie Owens

KPMG

II. APPROVAL OF THE AGENDA

Chair Morse stated that agenda item VII.A.2,3,4 will be discussed in combination during executive session. No objections were made.

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

Director Chastain was not present during the vote.

III. APPROVAL OF THE MINUTES

Director Reeves moved and Director Hollis seconded the motion to approve the August 7, 2019, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

Director Chastain was not present during the vote.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None

V. CEO REPORTS AND CORRESPONDENCE

VI. NEW BUSINESS

- A. *Recommendation on Discounting for 2020 Capital Credit Payments* (Highers)*
Sherri Highers, Chief Financial Officer, Executive VP of Finance and Administration Services, discussed the Recommendation on Discounting for 2020 Capital Credits and responded to questions from the Committee.

Director Reeves moved and Director Hollis seconded that the Audit and Finance Committee recommend the Board of Directors approve the attached resolution authorizing early (discounted) capital credit payments for 2020 not to exceed 300,000.

Director Chastain joined via teleconference at 5:08 p.m.

VII. EXECUTIVE SESSION

A. *Strategic Planning*

1. *First Amendment to CoBank Master Loan Agreement (5:25 p.m.)*
2. *KPMG 3rd Quarter 2019 Review (5:45 p.m.)*
3. *Board and Auditor Discussion (6:05 p.m.)*
4. *Review Chugach's 2019 Audit Plan (6:25 p.m.)*
5. *September 30, 2019, SEC Form 10Q Review (6:45 p.m.)*
6. *Key Topics for the Accounting and Finance Committee (ML&P Acquisition) (Highers) (7:05 p.m.)*

At 5:11 p.m., Director Reeves moved and Director Hollis seconded Move that pursuant to Alaska Statute 10.25.175(c)(1) and (3) the Board of Directors' Audit and Finance Committee go into executive session to: 1) discuss and receive reports regarding financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and, 2) discuss legal matters with its attorneys, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

The meeting reconvened in open session at 7:13 p.m.

Chair Morse stated that coming out of the executive session discussions, the Board recognizes their role in oversight for the financials with the audit process and do fulfill that in part by relying on the information that management provides.

VIII. NEW BUSINESS

- A. *September 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.

B. First Amendment to CoBank Master Loan Agreement (Highers)*

Director Reeves moved and Director Hollis seconded the motion that the Audit and Finance Committee recommend the Board of Directors authorize the Chief Executive Officer to enter into the First Amendment to CoBank Master Loan Agreement as discussed in executive session. The motion passed unanimously.

IX. DIRECTOR COMMENTS

Comments were made at this time.

X. ADJOURNMENT

At 7:22 p.m., Director Hollis moved and Director Reeves seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

January 20, 2020

TO: Sherri L. Highers, CFO
FROM: Renee Curran, Manager, Budget & Financial Reporting
SUBJECT: 4th Quarter 2019 Operating Budget Status Report

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

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
4TH QUARTER 2019

CATEGORY	2019 Q3 AMENDED BUDGET	2019 Q4 BUDGET REVISIONS	2019 Q4 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
MFI/I	1.26		1.26

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 December 31, 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	\$1,722,807	\$777,193	\$2,500,000	\$0	100%	96%	The Project has installed a new transformer, gas circuit breaker, disconnect switch and associated structures, foundations, bus work and misc. hardware to form a complete 24.9kV distribution bay serving primarily Tyonek and secondarily the BRU gas fields. The project is substantially complete but waiting on reliability testing of Beluga Unit 1 before it can be phase tested and put into service. Pending the availability of Operations resources, an in service date is projected to be the end of March / early April.
10.0240	Retire INSS 138kV Facilities E1720055	Wendling	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$535,173	\$2,164,827	\$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. A revised design estimate is anticipated in early second quarter 2020.
20.0320	Pt. Mackenzie 230 kV Substation Rebuild E1820056	Pahkala	9/17/2019	\$3,700,000	\$0	\$3,700,000	\$852,208	\$2,281,117	\$3,133,325	(\$566,675)	85%	50%	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. All design work has been completed, all major material items have been received and project has entered the execution phase. A construction contract was executed with Lineworks, LLC with a Notice to Proceed issued in January 2020. Construction activities are currently on track to be completed in Q1 2020. There is less structural damage than anticipated, so the project is expected to come in under budget. Additionally, FEMA reimbursement is being pursued for this project.
10.0364 16.0880	115 kV Rebuild - Hope to Summit E1720053, E1820053, E1820054 and C1730007	Wendling	2/20/2018	\$9,500,000	\$122,656	\$9,622,656	\$9,963,409	\$0	\$9,963,409	\$340,753	104%	100%	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. The estimate is revised to include a communications project installing fiber optic cable on the transmission structures and connect communication sites at Silvertip and Summit Lake and install wire to the communication sites, as well as back up generation at Girdwood. Both projects are complete.
Retirements & Replacements													
16.0000	Land Mobile Radio Replacement C1730001	Murray	11/26/2019	\$1,995,169	\$0	\$1,995,169	\$98,699	\$1,896,470	\$1,995,169	\$0	100%	0%	This project will replace Chugach's UHF Land Mobile Radio system. Contract was authorized in February 2020, and has been fully executed with RACOM. Milestone 1 invoice for 30% contract value is expected soon. Project kickoff with vendor scheduled for mid-March.
Operating Efficiency													
05.0300	Debarr Substation Rebuild E1620052	Reid	1/26/2017	\$6,000,000	\$0	\$6,000,000	\$5,785,323	\$0	\$5,785,323	(\$214,677)	96%	100%	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. Due to an adjustment in the switchgear bid, this project came in under budget.
12.0213	Eklutna Hydroelectric Unit 2 Major Maintenance P1390213	Brodie	10/24/2019	\$1,047,681	\$0	\$1,047,681	\$268,393	\$779,288	\$1,047,681	\$0	100%	30%	The project was initiated by ML&P in July 2019 to complete a major overhaul of Unit 2 at Eklutna Lake. Chugach's portion of the original estimate was \$0.8M but since the start of the overhaul it was revised to \$1.0M as damaged valves and penstock repairs outside the original estimate were identified. The project is currently scheduled to be completed in July 2020.
Totals				\$27,442,850	\$122,656	\$27,565,506	\$19,226,012	\$7,898,895	\$27,124,907	(\$440,599)	98%	79%	

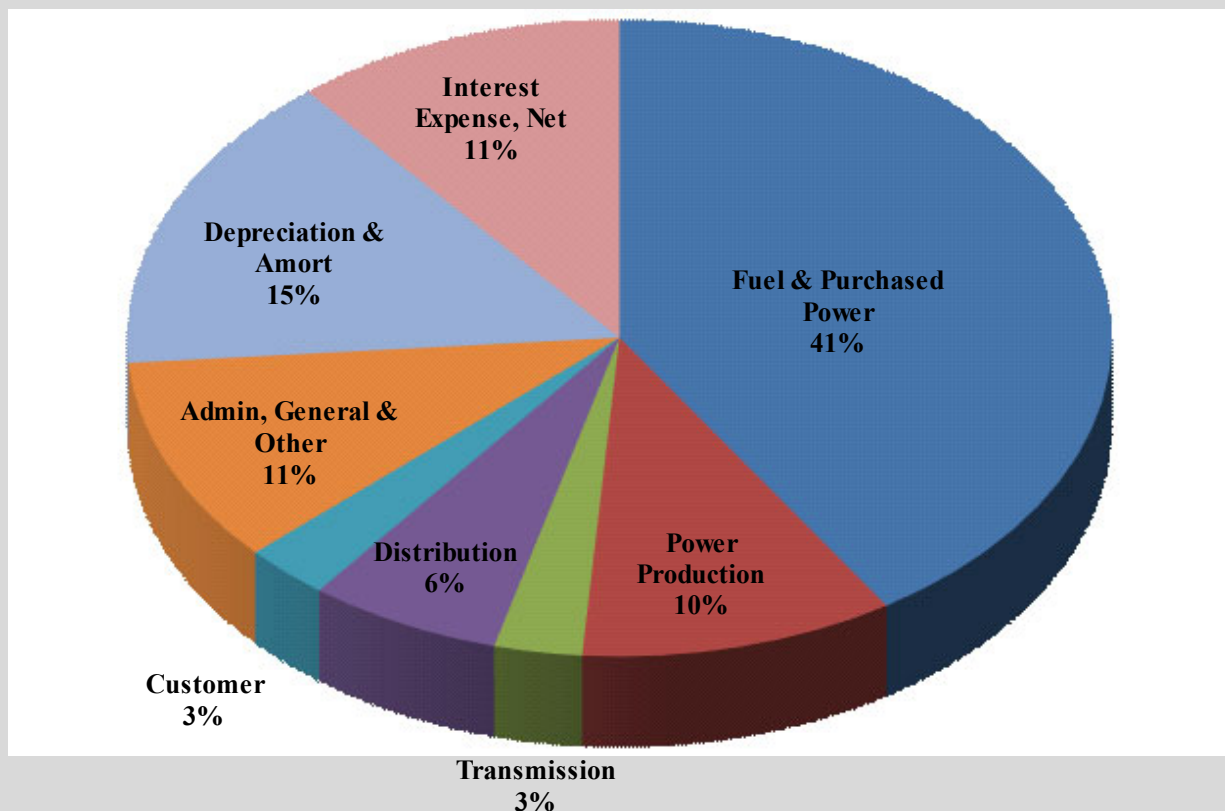
¹ Report tracks projects with costs exceeding \$1M.

² Represents Chugach costs only.

STATEMENT OF OPERATIONS

CATEGORY	2019 DECEMBER ACTUAL	2019 DECEMBER BUDGET	2019 DECEMBER VARIANCE
Operating Revenue and Patronage Capital	\$ 20,196,165	\$ 21,161,942	\$ (965,777)
Fuel and Purchased Power Expense	7,012,801	7,791,025	(778,224)
Power Production Expense	1,769,371	1,715,208	54,163
Transmission Expense	494,202	558,709	(64,507)
Distribution Expense	1,087,031	1,319,158	(232,127)
Customer Expense	479,851	603,592	(123,741)
Administrative, General and Other	1,801,052	1,980,303	(179,251)
Depreciation & Amortization Expense	2,630,627	2,546,078	84,549
Interest Expense, Net	1,874,675	1,857,976	16,699
Total Cost of Electric Service	\$ 17,149,610	\$ 18,372,049	\$ (1,222,439)
Patronage Capital & Operating Margins	\$ 3,046,555	\$ 2,789,893	\$ 256,662
Non-Operating Margins - Interest	44,008	52,481	(8,473)
Allowance for Funds Used During Construction	12,915	14,845	(1,930)
Non-Operating Margins - Other	4,437	-	4,437
Patronage Capital or Margins	\$ 3,107,915	\$ 2,857,219	\$ 250,696

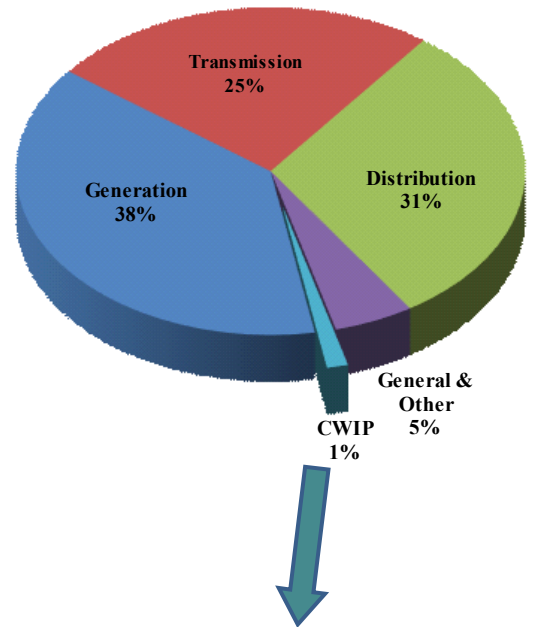
Total Cost of Electric Service (December Actual)



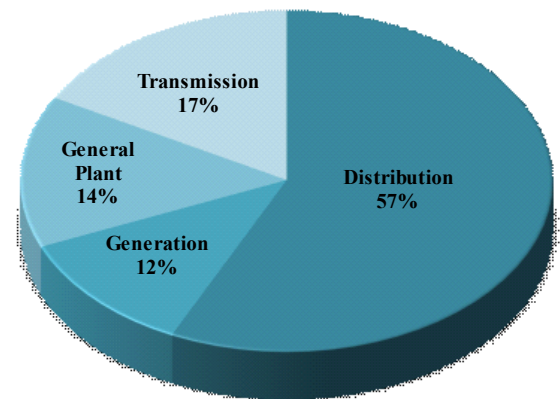
BALANCE SHEET

ASSETS & OTHER DEBITS	12/31/19	12/31/18
Electric Plant in Service	1,242,523,092	1,216,663,092
Construction Work in Progress	16,966,608	17,272,307
Total Utility Plant	\$ 1,259,489,700	\$ 1,233,935,399
Accum. Prov. for Depreciation/Amortization	(556,209,740)	(529,099,451)
Net Utility Plant	\$ 703,279,960	\$ 704,835,948
Nonutility Property - Net	76,889	76,889
Operating Lease Right-of-Use Assets	958,111	-
Investment in Assoc. Organizations	8,148,426	8,570,046
Special Funds	2,603,505	1,890,221
Restricted Cash & Other Investments	108,000	108,000
Total Other Property & Investments	\$ 11,894,931	\$ 10,645,156
Cash, Marketable Securities & Other	7,466,003	12,423,578
Special Deposits/Restricted Cash	1,298,455	1,268,274
Accounts Receivable - Net	30,120,230	31,165,249
Materials and Supplies, Fuel Stock	30,265,047	28,175,563
Prepayments	2,699,308	2,227,117
Other Current & Accrued Assets	1,680,885	241,279
Total Current & Accrued Assets	\$ 73,529,928	\$ 75,501,060
Deferred Debits	45,880,452	37,668,424
Total Assets & Other Debits	\$ 834,585,271	\$ 828,650,588
LIABILITIES & OTHER CREDITS	12/31/19	12/31/18
Memberships	1,776,592	1,748,172
Pat. Capital, Margins & Equities	192,690,321	192,776,522
Total Margins & Equities	\$ 194,466,913	\$ 194,524,694
Long-Term Debt - Bonds	449,999,997	398,416,664
Long-Term Debt - Other	30,535,826	33,972,000
Unamortized Debt Issuance Costs	(2,684,537)	(2,425,247)
Operating Lease Liabilities	754,888	-
Total Long-Term Debt	\$ 478,606,174	\$ 429,963,417
Notes Payable	51,056,065	87,608,667
Accounts Payable	8,316,375	9,538,749
Consumer Deposits	4,294,770	4,845,611
Other Current & Accrued Liabilities	32,498,393	32,853,659
Total Current & Accrued Liabilities	\$ 96,165,603	\$ 134,846,686
Deferred Compensation	1,775,759	1,359,878
Other Liabilities, Non-Current	398,790	580,841
Deferred Liabilities	903,870	764,834
Patronage Capital Payable	-	3,393,253
Cost of Removal Obligation	62,268,162	63,216,985
Total Liabilities & Other Credits	\$ 834,585,271	\$ 828,650,588

2019 Total Utility Plant (YTD)
\$1,259,489,700



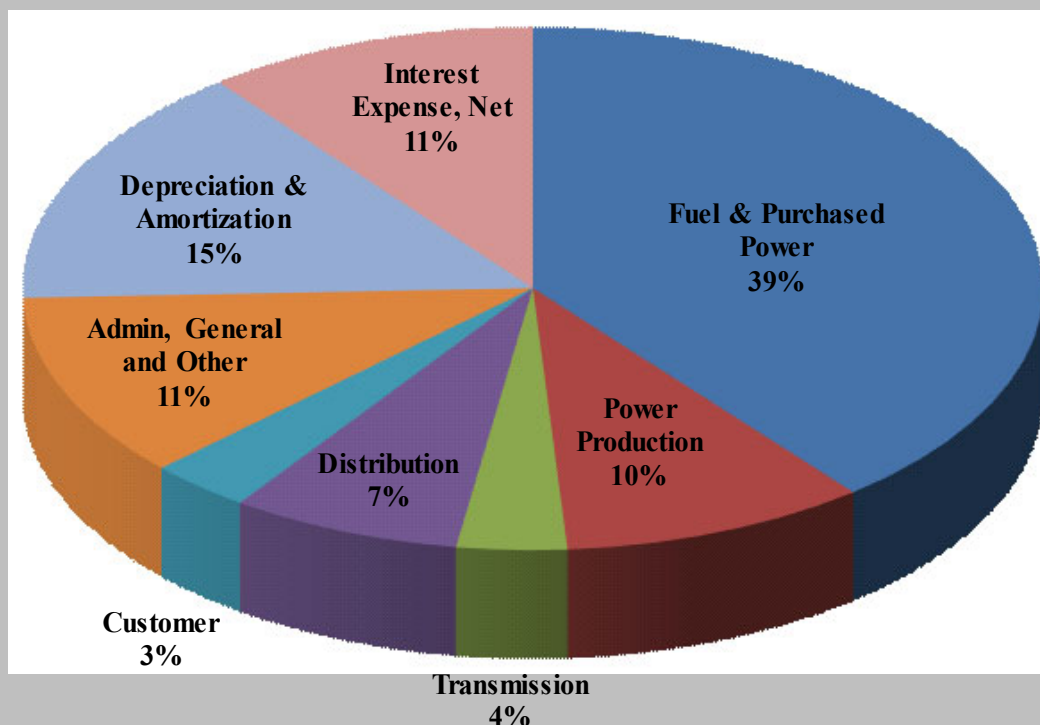
2019 Construction Work in Progress (YTD)
\$16,966,608



**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2019 ACTUAL TO BUDGET VARIANCE**

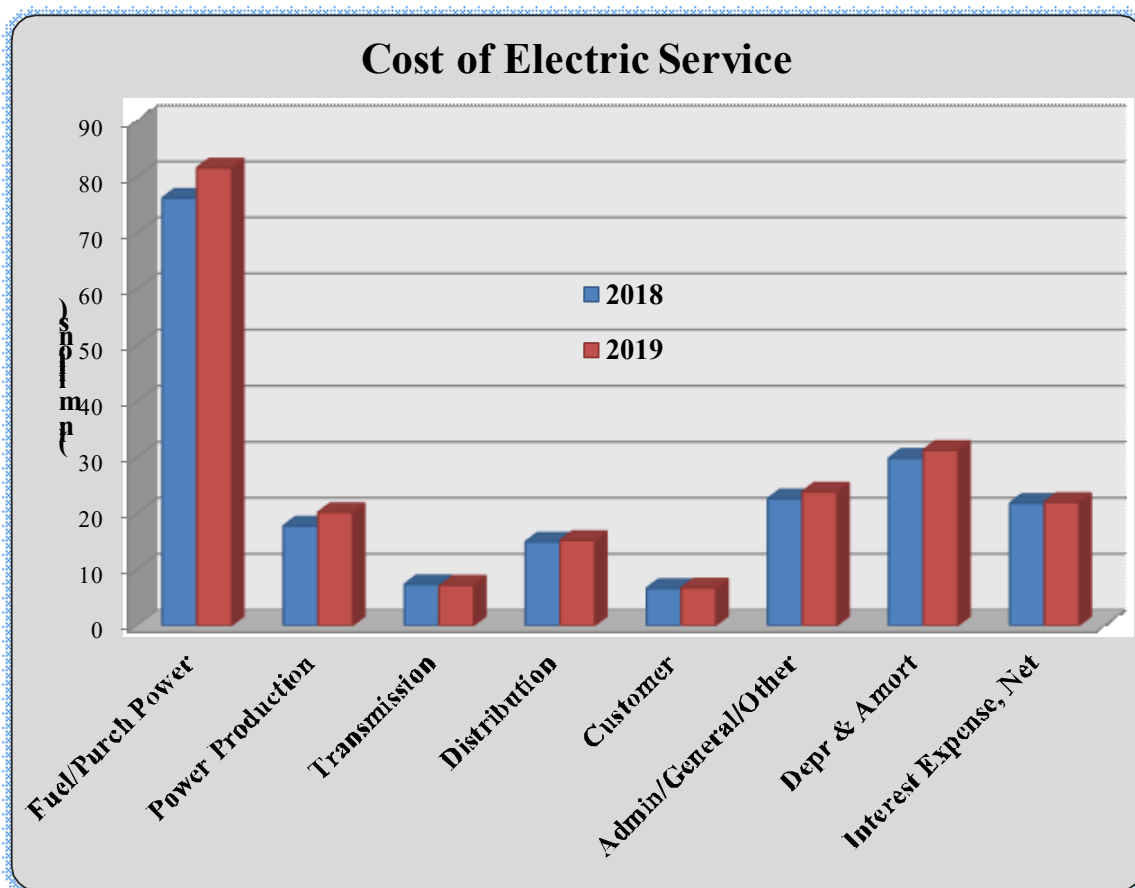
CATEGORY	2019 ACTUAL	2019 BUDGET	2019 VARIANCE
Operating Revenue and Patronage Capital	\$ 212,516,561	\$ 208,813,709	\$ 3,702,852
Fuel and Purchased Power Expense	81,669,391	76,788,722	4,880,669
Power Production Expense	20,201,534	20,297,640	(96,106)
Transmission Expense	7,260,615	7,442,254	(181,639)
Distribution Expense	15,222,079	15,813,973	(591,894)
Customer Expense	6,730,109	7,089,507	(359,398)
Administrative, General and Other	23,864,202	24,398,225	(534,023)
Depreciation & Amortization Expense	31,299,685	30,612,717	686,968
Interest Expense, Net	21,999,964	21,416,228	583,736
Total Cost of Electric Service	\$ 208,247,579	\$ 203,859,266	\$ 4,388,313
Patronage Capital & Operating Margins	\$ 4,268,982	\$ 4,954,443	\$ (685,461)
Non-Operating Margins - Interest	585,039	629,772	(44,733)
Allowance Funds Used During Const.	152,930	178,150	(25,220)
Non-Operating Margins - Other	112,676	-	112,676
Patronage Capital or Margins	\$ 5,119,627	\$ 5,762,365	\$ (642,738)
MFI/I	1.23	1.26	
TIER	1.24	1.27	

Total Cost of Electric Service (2019 Actual)



COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR ACTUAL

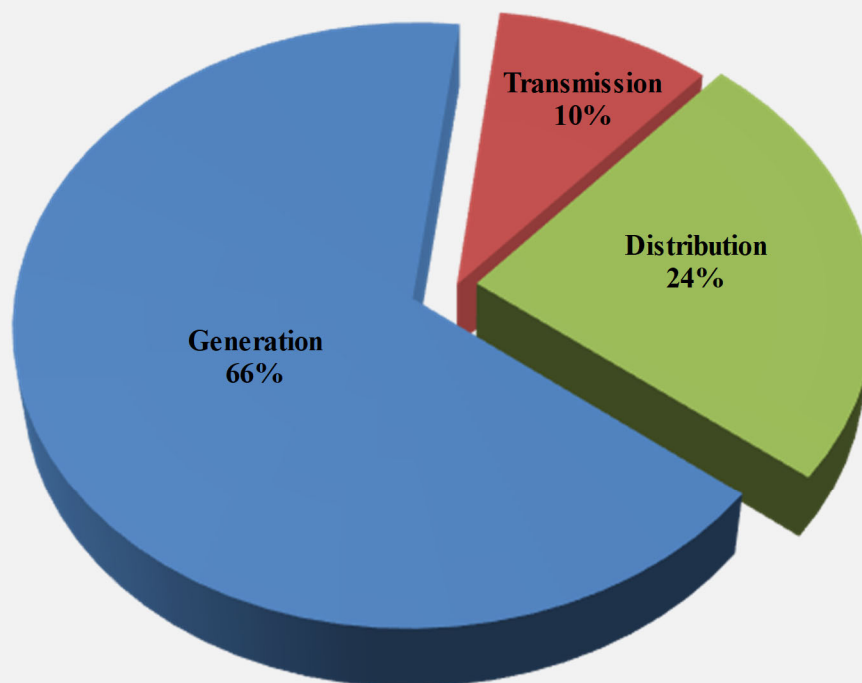
CATEGORY	2019 ACTUAL	2018 ACTUAL
Operating Revenue and Patronage Capital	\$ 212,516,561	\$ 202,252,742
Fuel and Purchased Power Expense	81,669,391	76,262,037
Power Production Expense	20,201,534	17,797,549
Transmission Expense	7,260,615	7,361,503
Distribution Expense	15,222,079	14,960,769
Customer Expense	6,730,109	6,662,590
Administrative, General and Other	23,864,202	22,651,093
Depreciation and Amortization Expense	31,299,685	29,875,683
Interest Expense, Net	21,999,964	21,857,630
Total Cost of Electric Service	\$ 208,247,579	\$ 197,428,854
Patronage Capital & Operating Margins	\$ 4,268,982	\$ 4,823,888
Non-Operating Margins - Interest	585,039	732,164
Allowance for Funds Used During Construction	152,930	127,629
Non-Operating Margins - Other	112,676	(320,807)
Patronage Capital or Margins	\$ 5,119,627	\$ 5,362,874
MFI/I	1.23	1.24
TIER	1.24	1.26

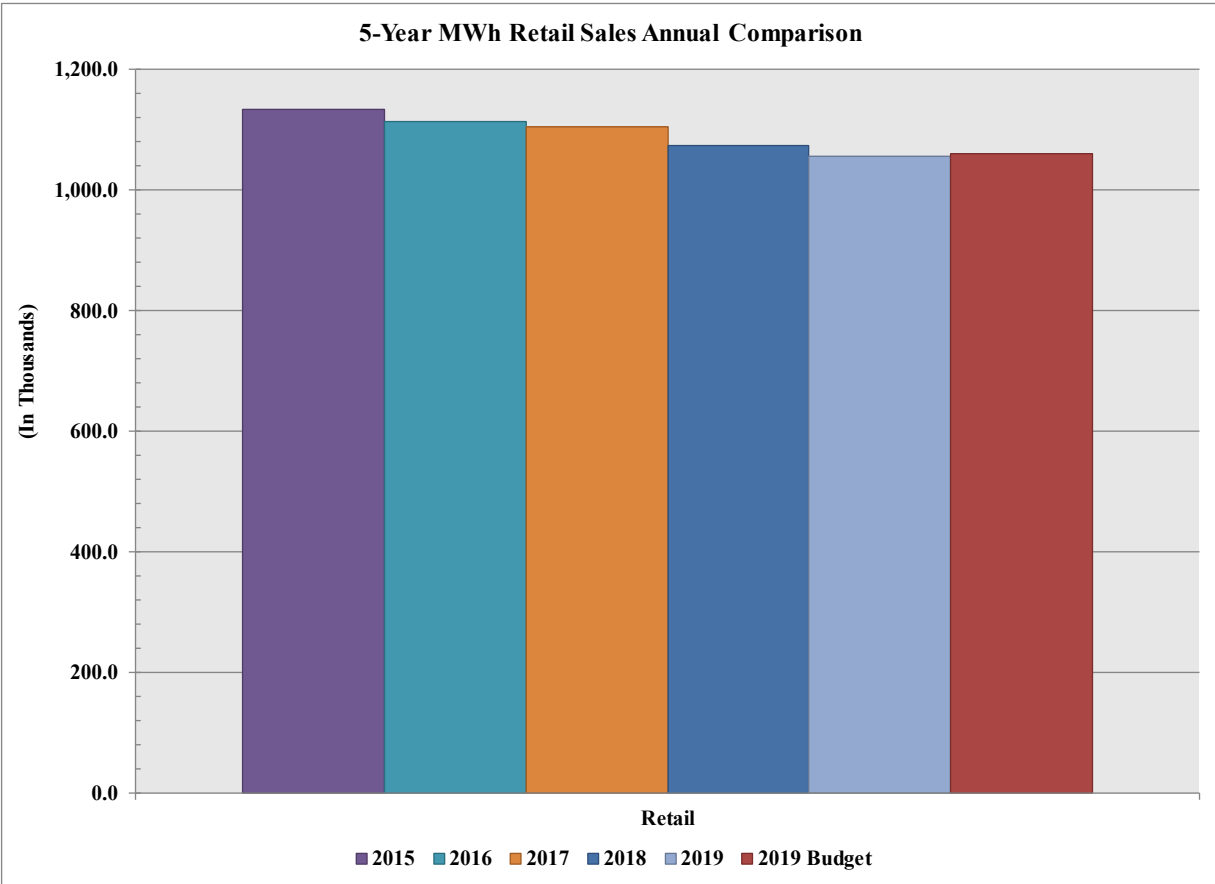
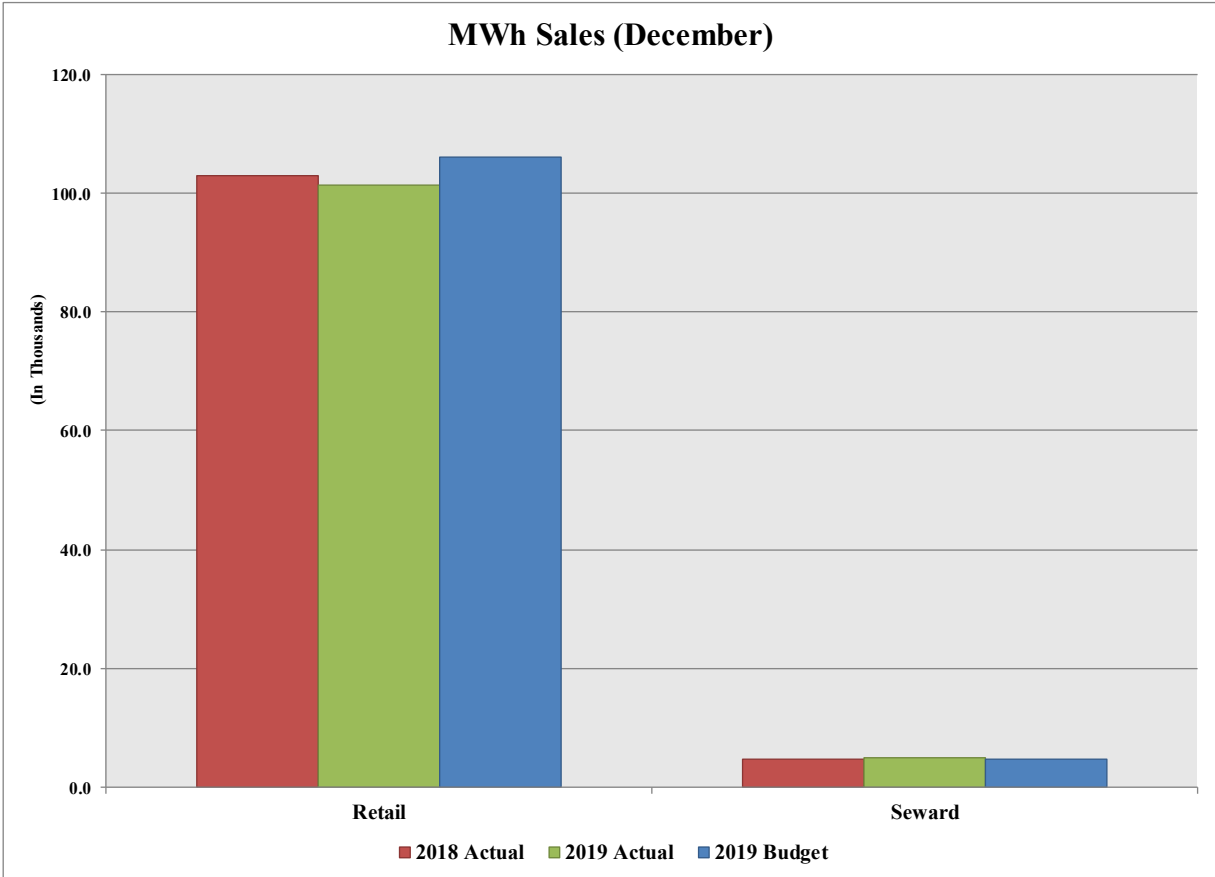


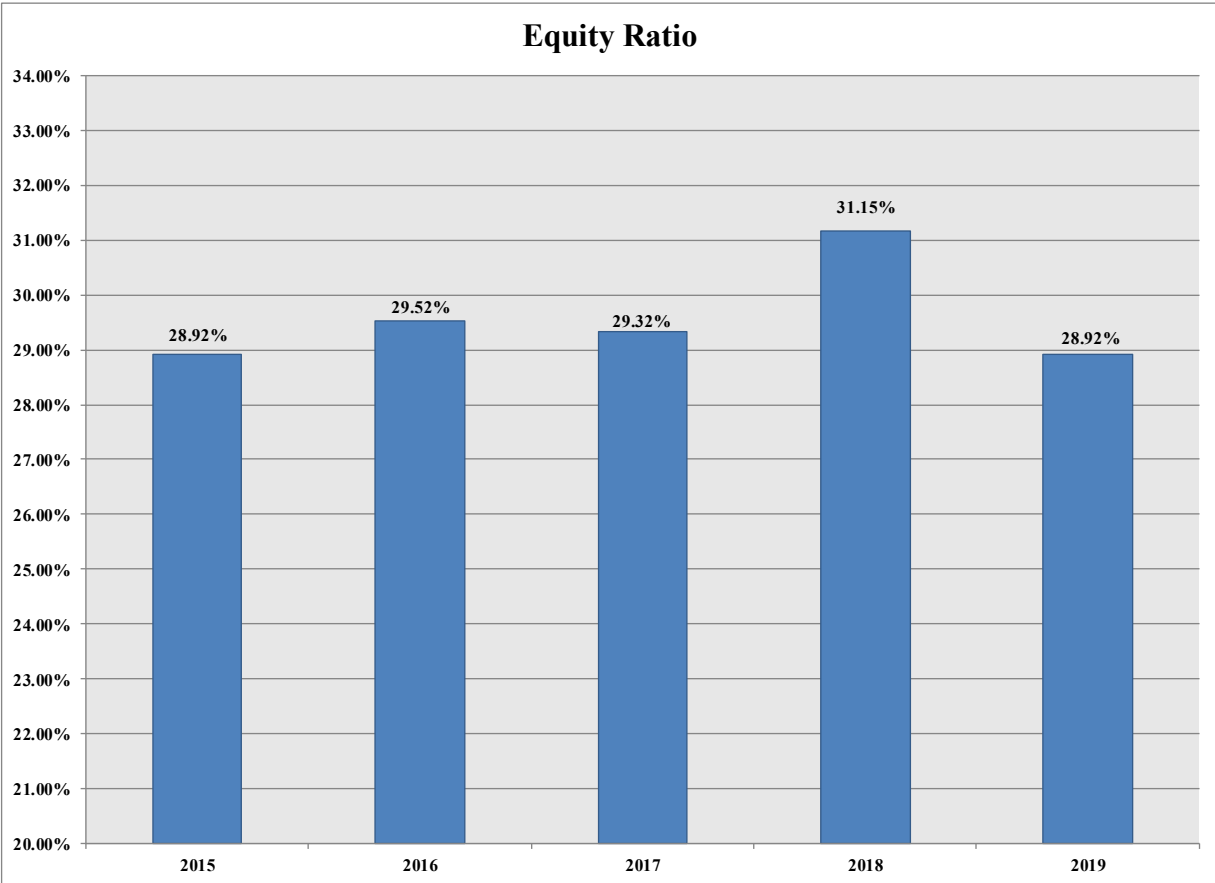
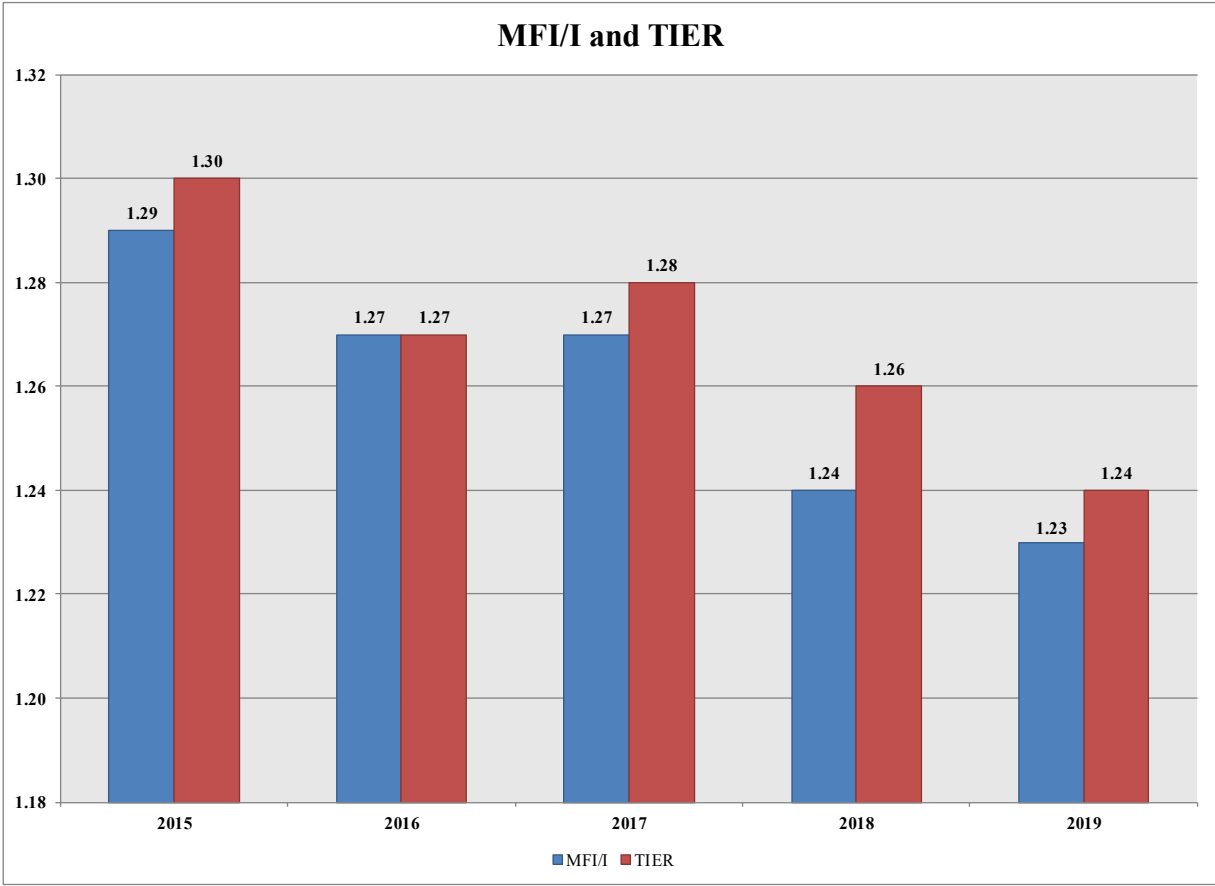
FUNCTIONAL STATEMENT OF OPERATIONS
DECEMBER 31, 2019

CATEGORY	2019 TOTAL	2019 GEN	2019 TRANS	2019 DIST
Operating Revenue and Patronage Capital	\$ 212,516,561	\$ 139,198,348	\$ 20,189,073	\$ 53,129,140
Fuel and Purchased Power Expense	81,669,391	81,669,391	0	0
Power Production Expense	20,201,534	20,201,534	0	0
Transmission Expense	7,260,615	0	7,260,615	0
Distribution Expense	15,222,079	0	0	15,222,079
Customer Expense	6,730,109	0	0	6,730,109
Administrative, General and Other	23,864,202	7,694,987	3,361,156	12,808,059
Depreciation & Amortization Expense	31,299,685	15,247,779	4,869,679	11,182,227
Interest Expense, Net	21,999,964	13,315,925	4,517,586	4,166,453
Total Cost of Electric Service	\$ 208,247,579	\$ 138,129,616	\$ 20,009,036	\$ 50,108,927
Patronage Capital & Operating Margins	\$ 4,268,982	\$ 1,068,732	\$ 180,037	\$ 3,020,213
Non-Operating Margins - Interest	585,039	285,004	91,022	209,013
Allowance for Funds Used During Construction	152,930	8,779	9,248	134,903
Non-Operating Margins - Other	112,676	34,451	14,904	63,321
Patronage Capital or Margins	\$ 5,119,627	\$ 1,396,966	\$ 295,211	\$ 3,427,450
MFI/I	1.23	1.10	1.07	1.82
TIER	1.24	1.11	1.07	1.96

Total Cost of Electric Service







ENERGY SALES (kWh)

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
Retail Energy Sales	1,055,695,458	1,060,015,399	1,072,957,141
Wholesale Energy Sales	<u>56,705,627</u>	<u>57,110,291</u>	<u>57,477,702</u>
Total Firm Energy Sales	1,112,401,085	1,117,125,690	1,130,434,843
Economy Energy Sales	<u>195,400</u>	<u>0</u>	<u>379,000</u>
Total Energy Sales	1,112,596,485	1,117,125,690	1,130,813,843

Firm energy sales in 2019 totaled 1,112,401,085 kWh, which was a 0.4% unfavorable variance compared to budget and 1.6% unfavorable variance compared to 2018, primarily due to warmer than anticipated weather. Retail energy sales were 0.4% less than budget and 1.6% less than 2018 and wholesale energy sales were 0.7% less than budget and 1.3% less than 2018.

Economy energy sales in 2019 totaled 195,400 kWh which was a favorable variance of 100% over budget due to unanticipated sales to Golden Valley Electric Association (GVEA) and Matanuska Electric Association (MEA). Economy energy sales in 2019 were 48.4% less than 2018.

ENERGY REVENUE (in millions)

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
Retail Revenue	\$ 200.2	\$ 197.7	\$ 187.9
Wholesale Revenue	<u>5.9</u>	<u>5.7</u>	<u>5.2</u>
Total Firm Revenue	206.1	203.4	193.1
Economy Energy/Capacity Revenue	0.0	0.0	0.0
Other Operating Revenue	<u>6.4</u>	<u>5.4</u>	<u>9.2</u>
Total Revenue	\$ 212.5	\$ 208.8	\$ 202.3

Revenue from firm sales in 2019 totaled \$206.1 million compared to \$203.4 million in the budget and \$193.1 million in 2018. Higher fuel and purchased power costs recovered through the fuel and purchased power adjustment process caused the firm revenue budget variance and contributed to the increase in 2019 from 2018. Higher rates also contributed to the increase from 2018.

While there was no overall variance of economy energy/capacity revenue in 2019 from the budget or from 2018, unanticipated sales to GVEA and MEA generated economy energy revenue of \$21.4 thousand in 2019 compared to \$37.4 thousand in 2018.

Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU sales and miscellaneous service and other electric revenue. Other operating revenue in 2019 totaled \$6.4 million compared to \$5.4 million in the budget and \$9.2 million in 2018. This favorable variance compared to budget is primarily due to higher than anticipated wheeling revenue and FEMA reimbursement for the 2018 earthquake repairs. The unfavorable variance compared to prior year is primarily due to less wheeling as a result of the lost access to Bradley Lake power from the Swan Lake Fire.

FUEL AND PURCHASED POWER (in millions)

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
Fuel	\$ 59.0	\$ 57.8	\$ 56.3
Purchased Power	<u>22.6</u>	<u>19.0</u>	<u>20.0</u>
Total	\$ 81.6	\$ 76.8	\$ 76.3

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense in 2019 was \$59.0 million compared to \$57.8 million in the budget and \$56.3 million in 2018. Actual 2019 fuel expense was 2.2% higher than budgeted and 4.9% lower than 2018. 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 power that 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 for production in 2019 was 6,608,643 Mcf, which did not include 826,625 Mcf fuel recorded as purchased power expense, at an average effective delivered price of \$8.25 per Mcf. The budget included 6,124,127 Mcf of fuel purchased for production at an average effective delivered price of \$8.32 per Mcf. Actual fuel purchased for production in 2018 was 6,109,893 Mcf, which did not include 382,603 Mcf of fuel recorded as purchased power expense, at an average effective delivered price of \$8.38 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 in 2019 was \$22.6 million compared to \$19.0 million in the budget and \$20.0 million in 2018. This unfavorable variance compared to budget and prior year was primarily due to higher than anticipated purchases from ML&P and MEA as a result of the Swan Lake fire. Less purchases from Bradley Lake also resulted in an increase in the average effective price.

In 2019, Chugach purchased 250,874 MWh of energy at an average effective price of 7.65 cents per kWh compared to 224,944 MWh of energy at an average effective price of 6.75 cents per kWh in the budget and 242,017 MWh at 6.94 cents per kWh in 2018.

POWER PRODUCTION (in millions)

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
Power Production	\$ 20.2	\$ 20.3	\$ 17.8

Power production expense was \$20.2 million compared to \$20.3 million in the budget. The favorable budget 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. The unfavorable variance in 2019 from 2018 was primarily due to costs associated with SPP maintenance, an annual inspection of Beluga Unit 2 and amortization of Beluga Unit 3 maintenance and Cooper Lake dredging.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
Transmission	\$ 7.3	\$ 7.4	\$ 7.4

Transmission operations and maintenance expense was \$7.3 million compared to \$7.4 million in the budget and \$7.4 million in 2018. This favorable variance is primarily due to lower than anticipated microwave maintenance and helicopter services, which was offset by a shift in substation expense labor recorded as Distribution expense.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
Distribution	\$ 15.2	\$ 15.8	\$ 15.0

Distribution operations and maintenance expense was \$15.2 million compared to \$15.8 million in the budget and \$15.0 million in 2018. The favorable budget variance is primarily due to lower than anticipated lease costs and a shift in substation expense labor recorded as Transmission expense. The unfavorable variance from 2018 was primarily due to higher labor expense and vegetation control costs.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
Consumer/Customer Information	\$ 6.7	\$ 7.1	\$ 6.7

Consumer accounts and customer information expense was \$6.7 million compared to \$7.1 million in the budget and \$6.7 million in 2018. This favorable variance is primarily due to lower than anticipated credit card merchant fees as well as printing costs, which was somewhat offset by higher than anticipated uncollectible accounts.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>2018 Actual</u>
Administrative, General and Other	\$ 23.9	\$ 24.4	\$ 22.7

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 \$23.9 million compared to \$24.4 million in the budget and \$22.7 million in 2018. The favorable budget variance is primarily due to lower than anticipated costs associated with outside legal services, human resources, headquarters maintenance, and workers' compensation, which were somewhat offset by higher than anticipated labor expense and project write-offs. The unfavorable variance from 2018 is primarily due to an increase in project write-offs.

SUMMARY

Depreciation, interest, and interest during construction expense in 2019 totaled \$53.3 million compared to \$52.0 million in the budget and \$51.7 million in 2018. The unfavorable budget 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 estimate of retirements. The unfavorable variance from 2018 was due to the higher depreciation expense caused by a decrease in plant retirements during 2019, which was somewhat offset by a decrease in net interest expense.

All of the foregoing expenses resulted in total cost of electric service in 2019 of \$208.2 million compared to \$203.9 million in the budget and \$197.4 million in 2018.

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 2019 totaled \$0.9 million compared to \$0.8 million in the budget and \$0.5 million in 2018. This favorable variance from budget and 2018 is due to the gain in value of marketable securities during the first six months of 2019. At December 31, 2019, the market value of Chugach's marketable securities was \$0.2 million, and had an annualized rate of return of 5.2%.

The net result of revenue and expenses in 2019 was margins of \$5.1 million compared to projected margins of \$5.8 million in the budget and margins of \$5.4 million in 2018. This resulted in an MFI/I of 1.23, a TIER of 1.24, and an equity-to-total capitalization ratio of 28.9%. The year-end current ratio was 0.77:1.

CHUGACH ELECTRIC ASSOCIATION, INC.

December 2019 Financial Information
March 18, 2020

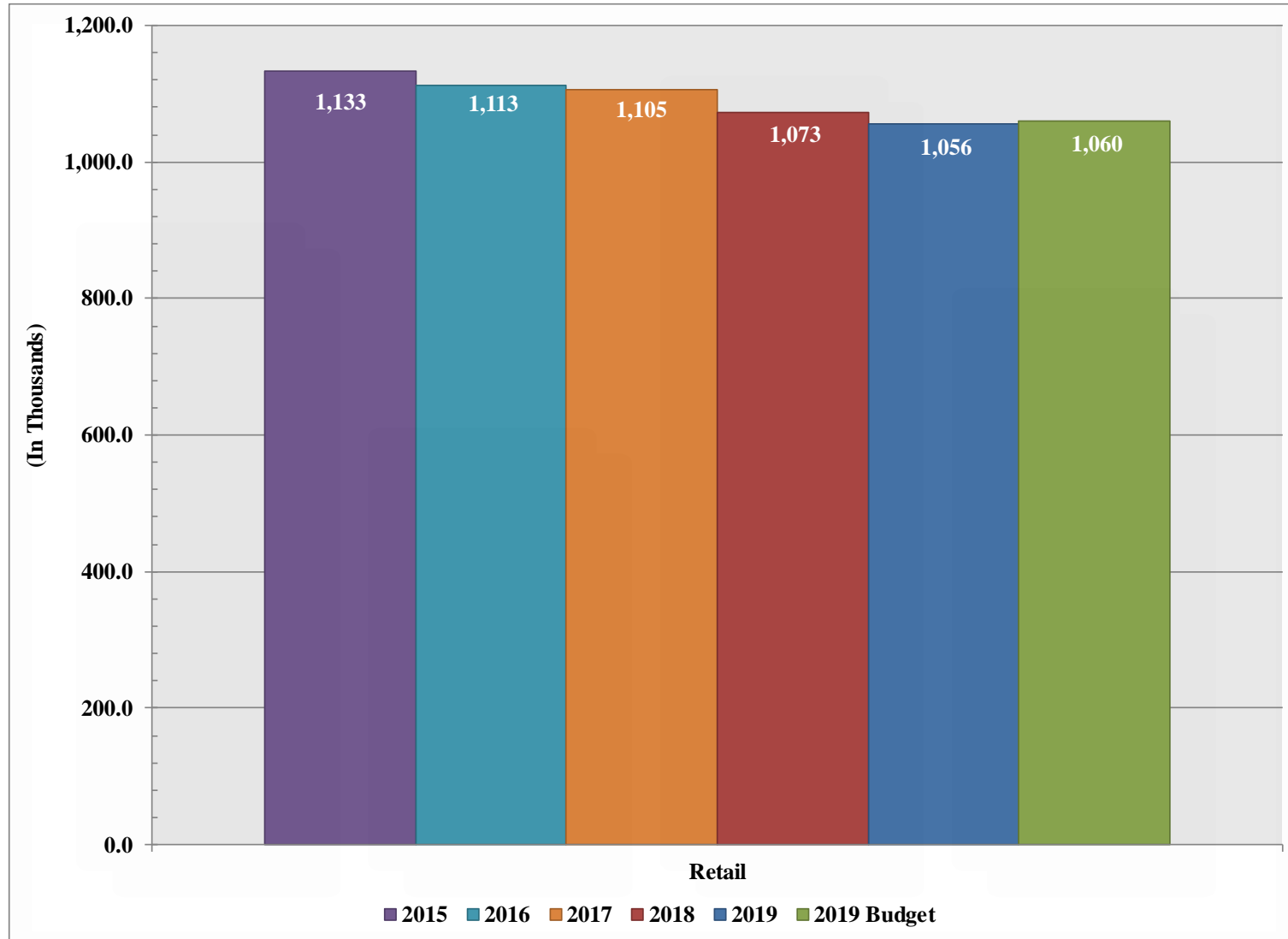


December 2019 Financial Information

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

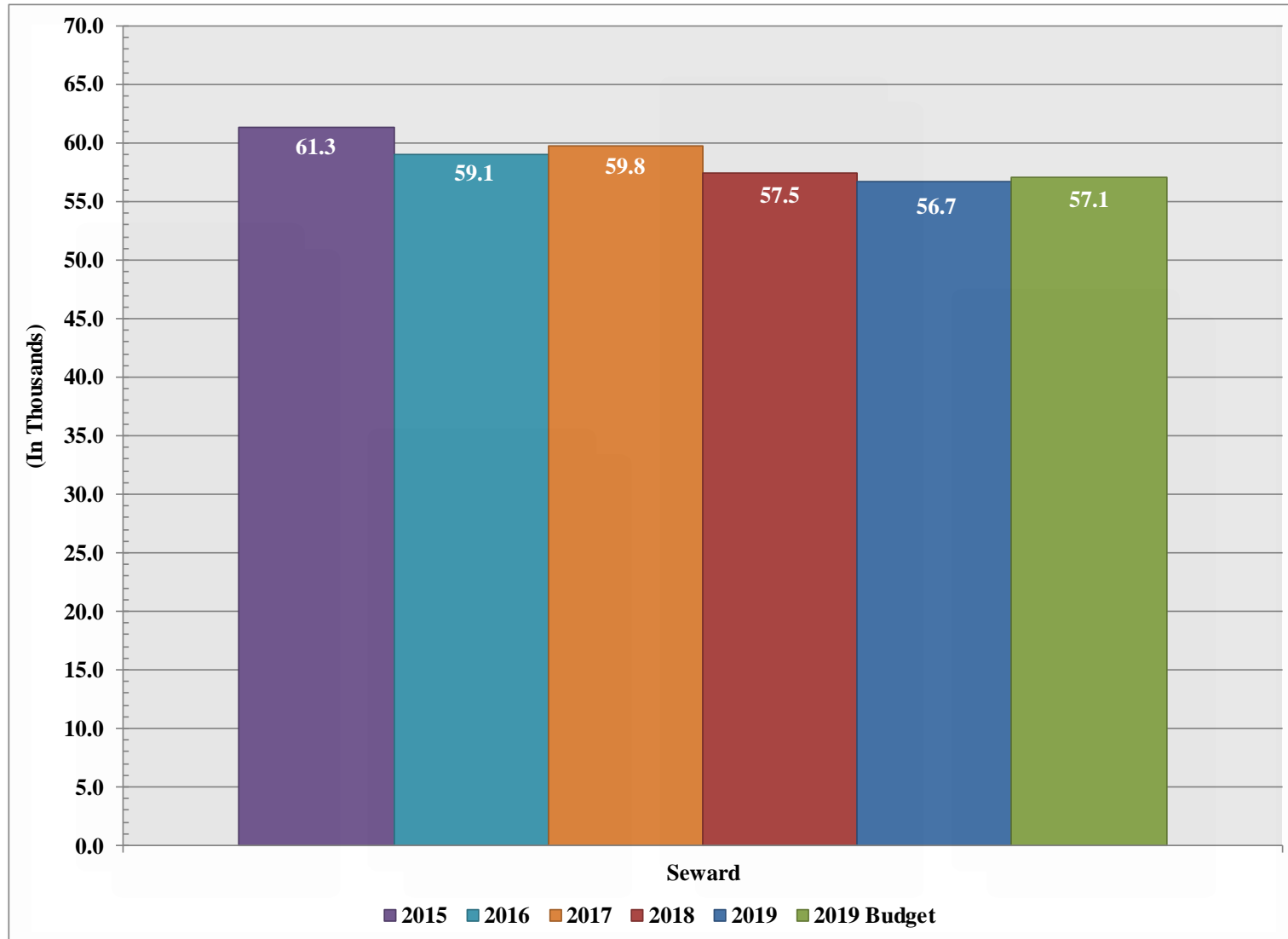
December 2019 Financial Information

5 Year Retail MWh Sales Comparison



December 2019 Financial Information

5 Year Seward MWh Sales Comparison



December 2019 Financial Information

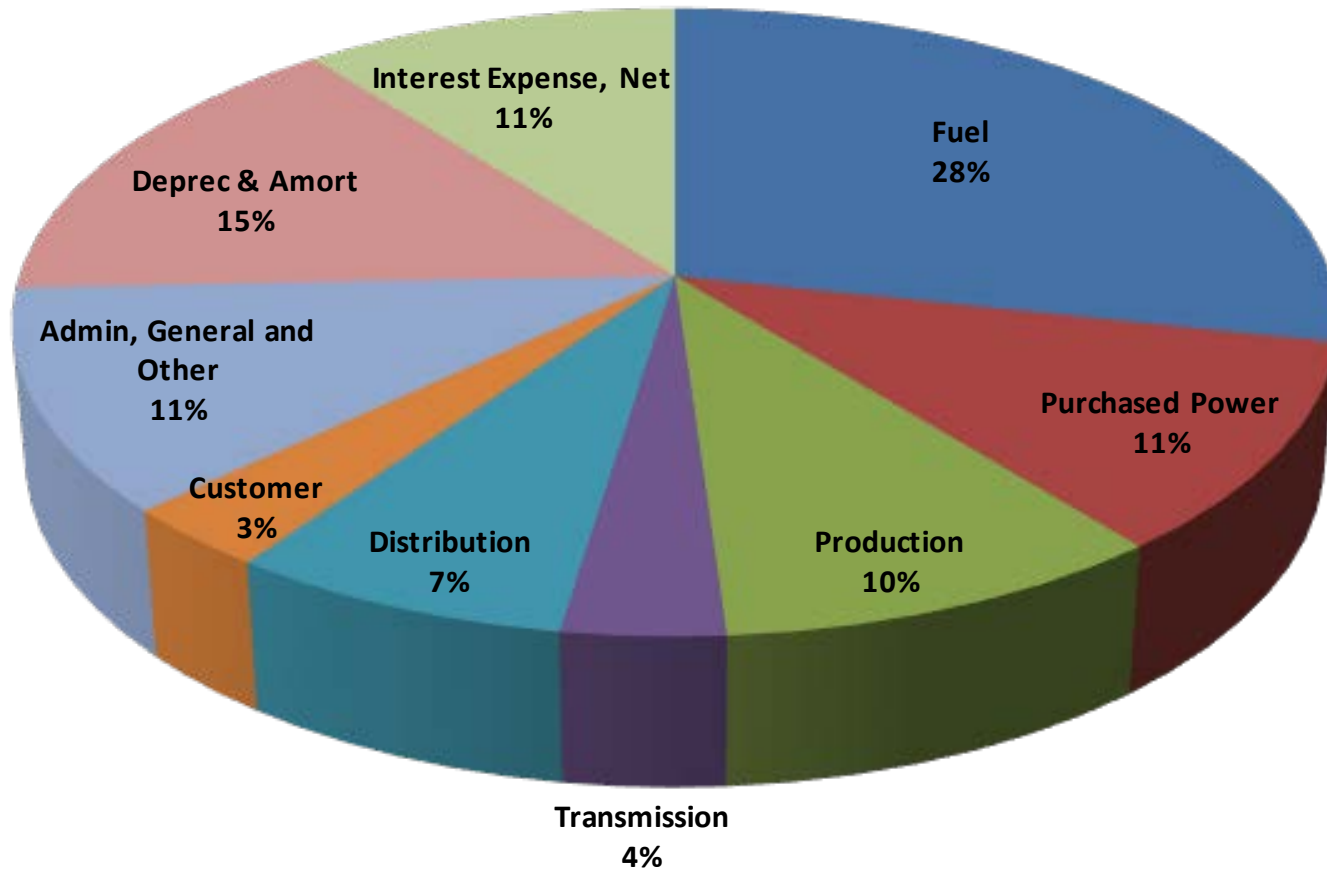
Comparative Statement of Operations



CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenues	\$ 212,516,561	\$ 208,813,709	\$ 3,702,852
Fuel	59,038,626	57,772,723	1,265,903
Production	20,201,534	20,297,640	(96,106)
Purchased Power	22,630,765	19,015,999	3,614,766
Transmission	7,260,615	7,442,254	(181,639)
Distribution	15,222,079	15,813,973	(591,894)
Consumer Accounts	6,730,109	7,089,507	(359,398)
Administrative, General and Other	23,864,202	24,398,225	(534,023)
Depreciation and Amortization	31,299,685	30,612,717	686,968
Total Operating Expenses	\$ 186,247,615	\$ 182,443,038	\$ 3,804,577
Interest Expense, Long-Term and Other	22,338,868	21,950,689	388,179
Interest Charged to Construction	(338,904)	(534,461)	195,557
Net Interest Expense	\$ 21,999,964	\$ 21,416,228	\$ 583,736
Net Operating Margins	\$ 4,268,982	\$ 4,954,443	\$ (685,461)
Interest Income	585,039	629,772	(44,733)
Allowance Funds Used During Const.	152,930	178,150	(25,220)
Capital Credits, Patronage Dividends, Other	112,676	0	112,676
Patronage Capital or Margins	\$ 5,119,627	\$ 5,762,365	\$ (642,738)
MFI/I	1.23	1.26	
TIER	1.24	1.27	

December 2019 Financial Information

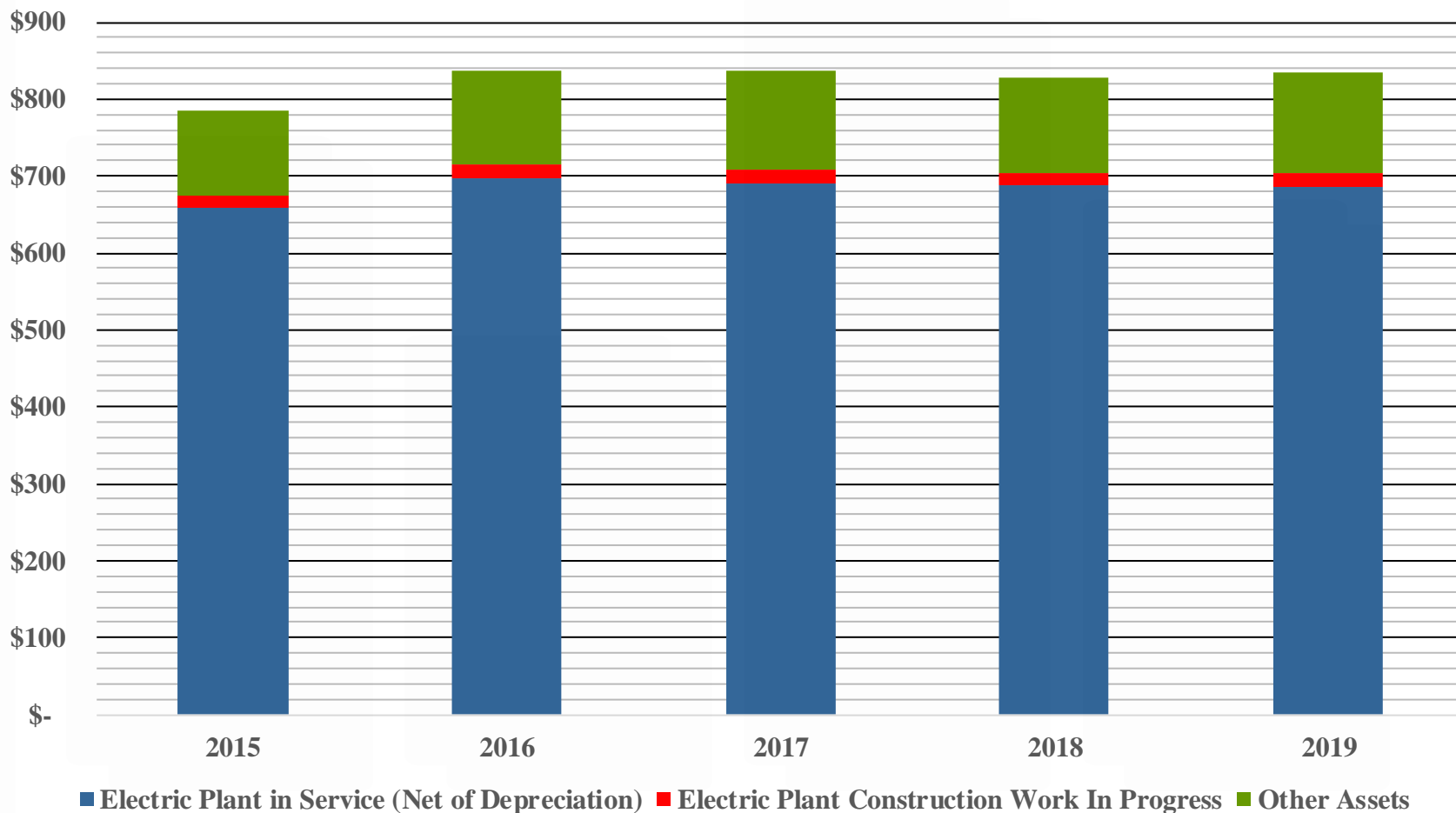
Total Operating and Interest Expense



December 2019 Financial Information

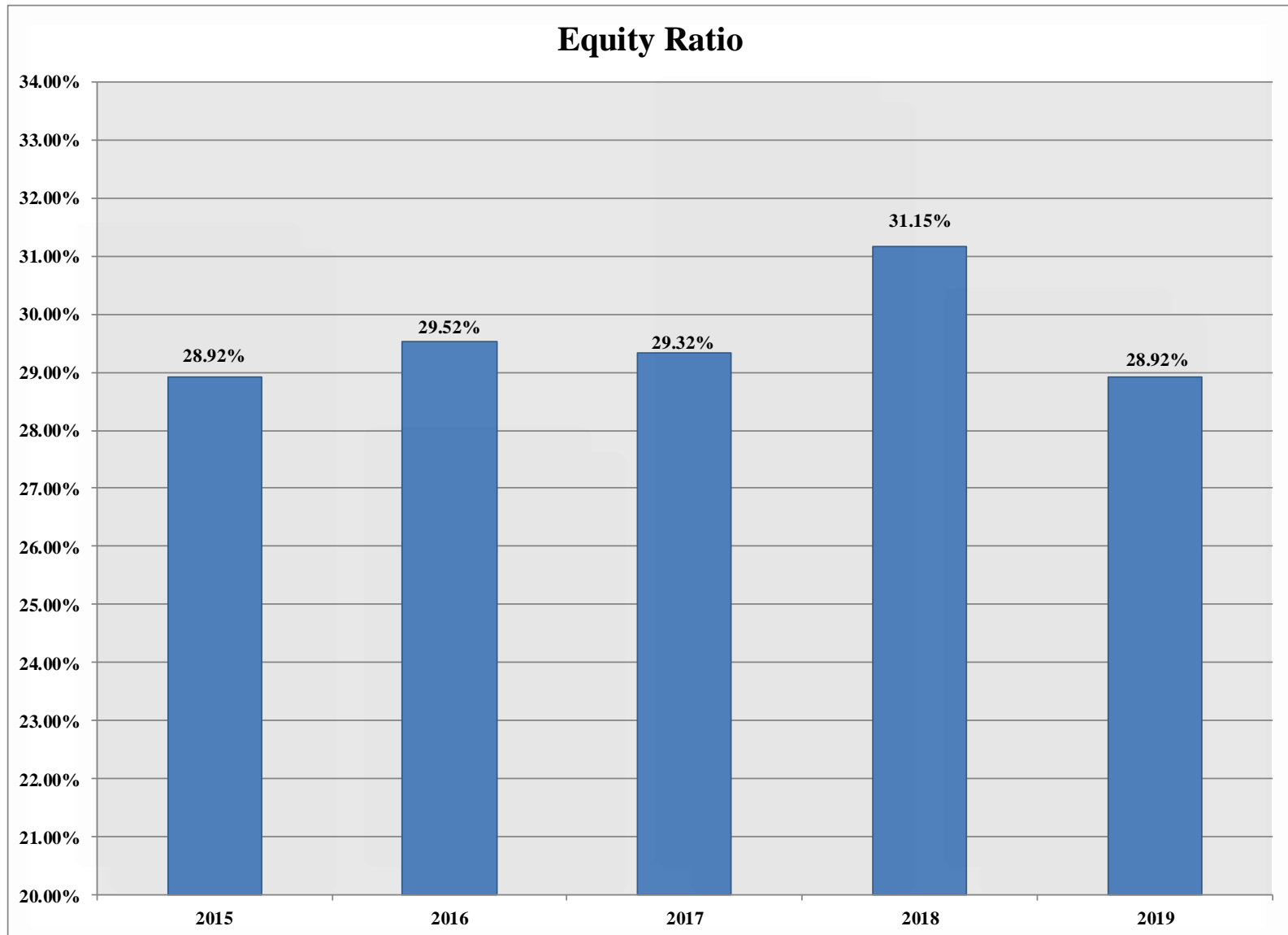
5 Year Asset Breakdown

Assets YTD (Millions)



December 2019 Financial Information

5 Year Equity Ratio



December 2019 Financial Information

Comparative Balance Sheet, Assets & Other Debits



ASSETS & OTHER DEBITS	12/31/19	12/31/18	CHANGE
Electric Plant in Service	1,242,523,092	1,216,663,092	25,860,000
Construction Work in Progress	16,966,608	17,272,307	(305,699)
Total Utility Plant	\$ 1,259,489,700	\$ 1,233,935,399	\$ 25,554,301
Accumulated Depreciation	(556,209,740)	(529,099,451)	(27,110,289)
Net Utility Plant	\$ 703,279,960	\$ 704,835,948	\$ (1,555,988)
Nonutility Property	76,889	76,889	0
Operating Lease Right-of-Use Assets	958,111	0	958,111
Investment in Assoc. Organizations	8,148,426	8,570,046	(421,620)
Special Funds	2,603,505	1,890,221	713,284
Restricted Cash Equivalents	108,000	108,000	0
Total Other Property & Investments	\$ 11,894,931	\$ 10,645,156	\$ 1,249,775
Cash, Marketable Securities & Other	7,466,003	12,423,578	(4,957,575)
Special Deposits & Restricted Cash	1,298,455	1,268,274	30,181
Accounts Receivable - Net	30,120,230	31,165,249	(1,045,019)
Materials and Supplies, Fuel Stock	30,265,047	28,175,563	2,089,484
Prepayments	2,699,308	2,227,117	472,191
Other Current Assets	1,680,885	241,279	1,439,606
Total Current Assets	\$ 73,529,928	\$ 75,501,060	\$ (1,971,132)
Deferred Charges, Net	45,880,452	37,668,424	8,212,028
Total Assets	\$ 834,585,271	\$ 828,650,588	\$ 5,934,683

December 2019 Financial Information

Comparative Balance Sheet, Liabilities & Other Credits



LIABILITIES & OTHER CREDITS	12/31/19	12/31/18	CHANGE
Memberships	1,776,592	1,748,172	28,420
Patronage Capital	177,380,964	177,823,597	(442,633)
Other	15,309,357	14,952,925	356,432
Total Equities and Margins	\$ 194,466,913	\$ 194,524,694	\$ (57,781)
Bonds Payable	449,999,997	398,416,664	51,583,333
National Bank for Cooperatives	30,552,000	33,972,000	(3,420,000)
Unamortized Debt Issuance Costs	(2,684,537)	(2,425,247)	(259,290)
Operating Lease Liabilities	738,713	0	738,713
Total Long-Term Obligations	\$ 478,606,173	\$ 429,963,417	\$ 48,642,756
Current Installments of Long-Term Obligations	27,056,065	26,608,667	447,398
Commercial Paper	24,000,000	61,000,000	(37,000,000)
Accounts Payable	8,316,375	9,538,749	(1,222,374)
Consumer Deposits	4,294,770	4,845,611	(550,841)
Other Current & Accrued Liabilities	32,498,394	32,853,659	(355,265)
Total Current Liabilities	\$ 96,165,604	\$ 134,846,686	\$ (38,681,082)
Deferred Compensation	1,775,759	1,359,878	415,881
Other Liabilities, Non-Current	398,790	580,841	(182,051)
Deferred Liabilities	903,870	764,834	139,036
Patronage Capital Payable	-	3,393,253	(3,393,253)
Cost of Removal Obligation / ARO	62,268,162	63,216,985	(948,823)
Total Liabilities, Equities and Margins	\$ 834,585,271	\$ 828,650,588	\$ 5,934,683

December 2019 Financial Information

Statements of Cash Flows



	12/31/19	12/31/18
1. Cash flows from operating activities:		
Assignable margins	\$ 5,119,627	\$ 5,362,874
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	38,701,212	35,426,121
Allowance for funds used during construction	(152,930)	(127,629)
Other	463,298	585,857
Net (increase) decrease in assets	(18,266,695)	(1,789,657)
Decrease in liabilities	(6,160,511)	116,721
Net cash provided by operating activities:	\$ 19,704,001	\$ 39,574,287
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	421,899	414,187
Investment in special funds	(288,568)	(309,188)
Investment in marketable securities and investments-other	(216,453)	(2,872,104)
Proceeds from the sale of marketable securities	6,437,508	7,666,196
Extension and replacement of plant	(33,441,408)	(27,321,158)
Net cash used in investing activities:	\$ (27,087,022)	\$ (22,422,067)
3. Cash flows from financing activities:		
Payments for debt issue costs	(515,455)	0
Net increase (decrease) in short-term obligations	(37,000,000)	11,000,000
Net increase (decrease) in long-term obligations	48,391,333	(26,608,667)
Net increase (decrease) in consumer advances/retired patronage/other	(2,297,851)	(1,316,343)
Net cash provided by (used in) financing activities:	\$ 8,578,027	\$ (16,925,010)
Net change in cash, cash equivalents & restricted cash	1,195,006	227,210
4. Cash, cash equivalents & restricted cash at beginning of period	\$ 7,428,969	\$ 7,201,759
5. Cash, cash equivalents and restricted cash at end of period	\$ 8,623,975	\$ 7,428,969

Questions?

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

March 18, 2020

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

Accept the 2019 Independent Audited Financial Statements

DISCUSSION

KPMG will present the results of the audit of Chugach's 2019 Financial Statements.

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors approve the 2019 Independent Audited Financial Statements of Chugach Electric Association, Inc. and footnotes as presented by KPMG and management.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

March 18, 2020

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

December 31, 2019, 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. Mr. Hayhurst 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 18, 2020

ACTION REQUIRED

AGENDA ITEM NO. VIII.C.

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

TOPIC

Pre-Approval for FY2020 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 debt compliance letter and 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 FY2020 in accordance with the fees outlined in KPMG's contract, due to expire April 15, 2021.