



CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Rachel Morse, Chair  
Vacant, Vice Chair  
Susanne Fleek-Green, Director  
Sisi Cooper, Director

Dan Rogers, Director  
Jim Nordlund, Director  
Mark Wiggin, Director

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**May 29, 2024**

**4:00 p.m.**

**Chugach Board Room**

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- I. CALL TO ORDER (4:00 p.m.)
  - A. Roll Call
- II. APPROVAL OF THE AGENDA\*
- III. APPROVAL OF THE MINUTES\*
  - A. April 3, 2024 (Cacy)
- IV. PERSONS TO BE HEARD (4:05 p.m.)
  - A. Member Comments
- V. NEW BUSINESS (scheduled) (4:10 p.m.)
  - A. Election of Audit and Finance Committee Vice Chair\* (Committee)
- VI. CEO REPORTS AND CORRESPONDENCE (4:15 p.m.)
  - A. BRU Quarterly Investment Fund Review (Highers) (4:30 p.m.)
  - B. 1<sup>st</sup> Quarter 2024 Capital Tracking Report (Griffin/Anderson) (4:45 p.m.)
  - C. 1<sup>st</sup> Quarter 2024 Financial Information and Variance Report (Griffin/Anderson) (4:45 p.m.)
- VII. NEW BUSINESS\*\* (scheduled) (5:00 p.m.)
  - A. Board Policy 207 – Audit and Finance Committee\*\* (Committee)
- VIII. EXECUTIVE SESSION\* (none)
- IX. DIRECTOR COMMENTS (5:10 p.m.)
- X. ADJOURNMENT\* (5:30 p.m.)

\* Denotes Action Items

\*\* Denotes Possible Action Items

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**April 3, 2024**  
**Wednesday**  
**4:00 p.m.**

**AUDIT AND FINANCE COMMITTEE MEETING**

Recording Secretary: Heather Slocum

**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  
Sisi Cooper, Vice-Chair – *via Teams*  
Susanne Fleek-Green, Director – *via Teams*  
Sam Cason, Director  
Jim Nordlund, Director – *via Teams*

*Board Members Present:*

Mark Wiggin, Director – *via Teams*

*Guests and Staff Attendance*

*Present:*

Sherri Highers	Julie Hasquet	Curtis Sims
Arthur Miller	Nathan Golab	Jessie Anderson
Karen Griffin	Jean Kornmuller	Dean Ratliff
Matthew Clarkson	Amanda Mankel	Josh Travis
Allan Rudeck	Blake Phillips, APCM	Emily Mueller
Mike Miller	Brandy Niclai, APCM	Beth Stewart, KPMG
Karen Griffin	Mike Miller	Melissa Beedle, KPMG

*Via Teleconference:*

Stephanie Huddell	Dan Walker, KPMG	Mike Weston
Sandra Cacy	David Caye	Jackie Berman
Trish Baker		Antony Scott, Member

## **II. APPROVAL OF THE AGENDA**

Director Cason moved and Director Fleek-Green seconded the motion to approve the agenda. The motion passed unanimously.

*Director Cooper was not present at the time of the vote.*

## **III. APPROVAL OF THE MINUTES**

Director Cason moved and Director Fleek-Green seconded the motion to approve the December 6, 2023, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

*Director Cooper was not present at the time of the vote.*

## **IV. PERSONS TO BE HEARD**

- A. Chugach member Antony Scott gave comments regarding pending legislation.

## **V. NEW BUSINESS**

None.

## **VI. CEO REPORTS AND CORRESPONDENCE**

- A. *4<sup>th</sup> Quarter 2023 Capital Tracking Report (Sims/Griffin)*  
Arthur Miller, Chief Executive Officer, commented on the new format for the report. Karen Griffin, VP, Finance & Accounting, and Curtis Sims, Sr. Manager Budget Finance Reporting, highlighted the details for the 4<sup>th</sup> Quarter 2023 Capital Tracking Report and answered questions from the Committee.
- B. *BRU Quarterly Investment Fund Review (APCM/Highers)*  
Brandy Niclai and Blake Phillips, Alaska Permanent Capital Management, presented the BRU Quarterly Investment Fund Review and answered questions from the Committee.
- C. *2023 Year-End Financial Information & Variance Report (Griffin/Sims)*  
Sherri Highers, Chief Financial Officer, Karen Griffin, VP Finance & Accounting, and Curtis Sims, Sr. Budget Finance Reporting, presented the 2023 Year-End Financial Information and Variance Report and answered questions from the Committee.
- D. *Review the 2023 Independent Financial Audit Results (KPMG)*  
Beth Stuart and Melissa Beedle, KPMG, presented the 2023 Independent Financial Audit Results and answered questions from the Committee.

*Director Cooper arrived at 4:54 p.m.*

## **VII. NEW BUSINESS**

NONE.

## **VIII. EXECUTIVE SESSION**

- A. Board & Auditor Discussions (KPMG/Board)*
- B. Financial Matters (Highers)*

At 5:09 p.m., Director Cason moved and Director Fleek-Green seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1), the Board of Directors go into executive session to discuss and receive reports regarding 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 6:34 p.m.*

## **IX. NEW BUSINESS**

- A. Conversion of Commercial Paper to Long-Term Debt\**

Director Cason moved and Director Fleek-Green seconded that the Audit & Finance Committee recommend the Board of Directors approve the attached resolution authorizing the Chief Executive Officer to negotiate pricing and to finalize terms and conditions and enter into an agreement for long-term debt financing associated with the conversion of commercial paper substantially the same as discussed in executive session. The motion passed unanimously.

- B. Discuss Current Legislative position to combine Senate Bill 217 and Senate Bill 257*

Director Nordlund suggested Management send a letter to the Senate from Chugach Electric Association outlining issues with combining Senate Bill 217 and Senate Bill 257.

*Director Cason moved and Director Cooper seconded to make a friendly agenda amendment to add item B under section IX. New Business to further discuss legislation position in combining Senate Bill 217 and Senate Bill 257. The motion passed unanimously.*

## **X. DIRECTOR COMMENTS**

Director comments were made at this time.

## **XI. ADJOURNMENT**

At 7:44 p.m., Director Cason moved and Director Cooper seconded the motion to adjourn. The motion passed unanimously.



**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**AUDIT AND FINANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**May 29, 2024**

**ACTION REQUIRED**

**AGENDA ITEM NO. V.A.**

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

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**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 Sisi Cooper, Susanne Fleek-Green, Dan Rogers, Jim Nordland, and Mark Wiggin.

**MOTION**

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

# CHUGACH ELECTRIC BELUGA RIVER ARO INVESTMENT FUND

## QUARTERLY REVIEW

*March 31, 2024*

## *Agenda*

- 1. Portfolio Review*
- 2. Market Review*
- 3. Appendix*



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Account Summary

as of March 31, 2024

Chugach Electric Beluga River ARO Investment Fund

Account Inception		October 2020
Initial Contribution		\$ 17,175,687
Subsequent Contributions		\$ 9,497,106
Withdrawals		\$ 0
Does not include custodial or management fees		
Current Market Value		\$ 30,025,733
March 31, 2024		
Account Return Since Inception*		4.11%
		Inception – March 31, 2024
Strategic Asset Allocation	Risk Assets	52%
	Risk Control	27%
	Alternatives	21%

Unofficial since inception return through 05/22/24 is +3.98% and unofficial year to date return through 05/22/24 is 4.29%.  
 Unofficial market value as of 05/22/24 is \$30,605,273.  
 Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year.

# Account Summary as of March 31, 2024

Chugach Electric Beluga River ARO Investment Fund

Contributions to Date*	\$ 26,672,793
Current Market Value	\$ 30,025,733
Anticipated Contributions**	\$24,911,074
Total Liability <i>Due 2034</i>	\$ 79,101,308
Funded Status***	69.45%

\*Contributions to Date calculated as the initial contribution plus subsequent deposits.  
\*\* Anticipated Contributions based on 2022 Reserve Study prepared by Ryder Scott.  
\*\*\*Funded Status calculated as current market value plus anticipated contributions of approximately \$24.91MM divided by the ARO liability of \$79.10MM.

# Portfolio Review

*Chugach Electric Beluga River ARO Investment Fund*

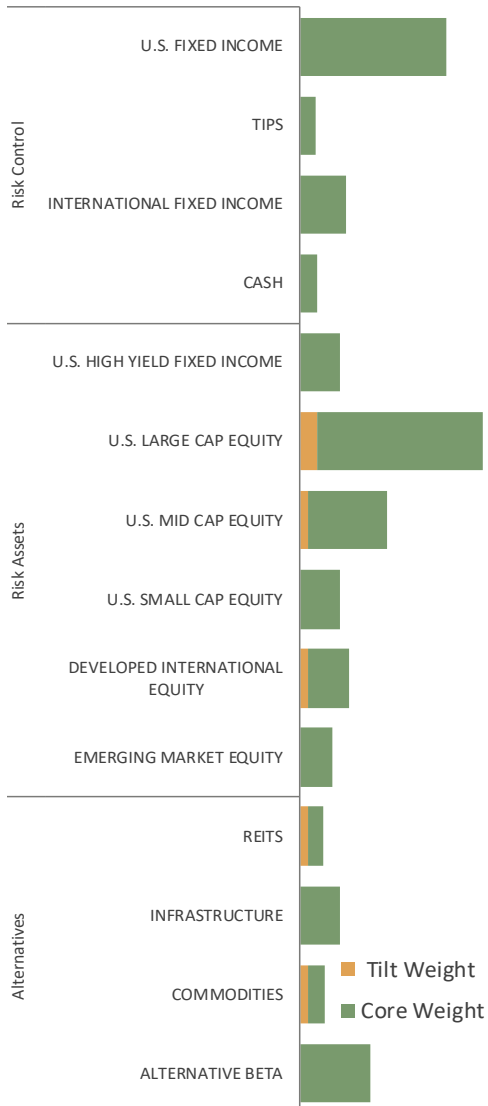
Portfolio Review

Market Review

Appendix

# Asset Allocation as of March 31, 2024

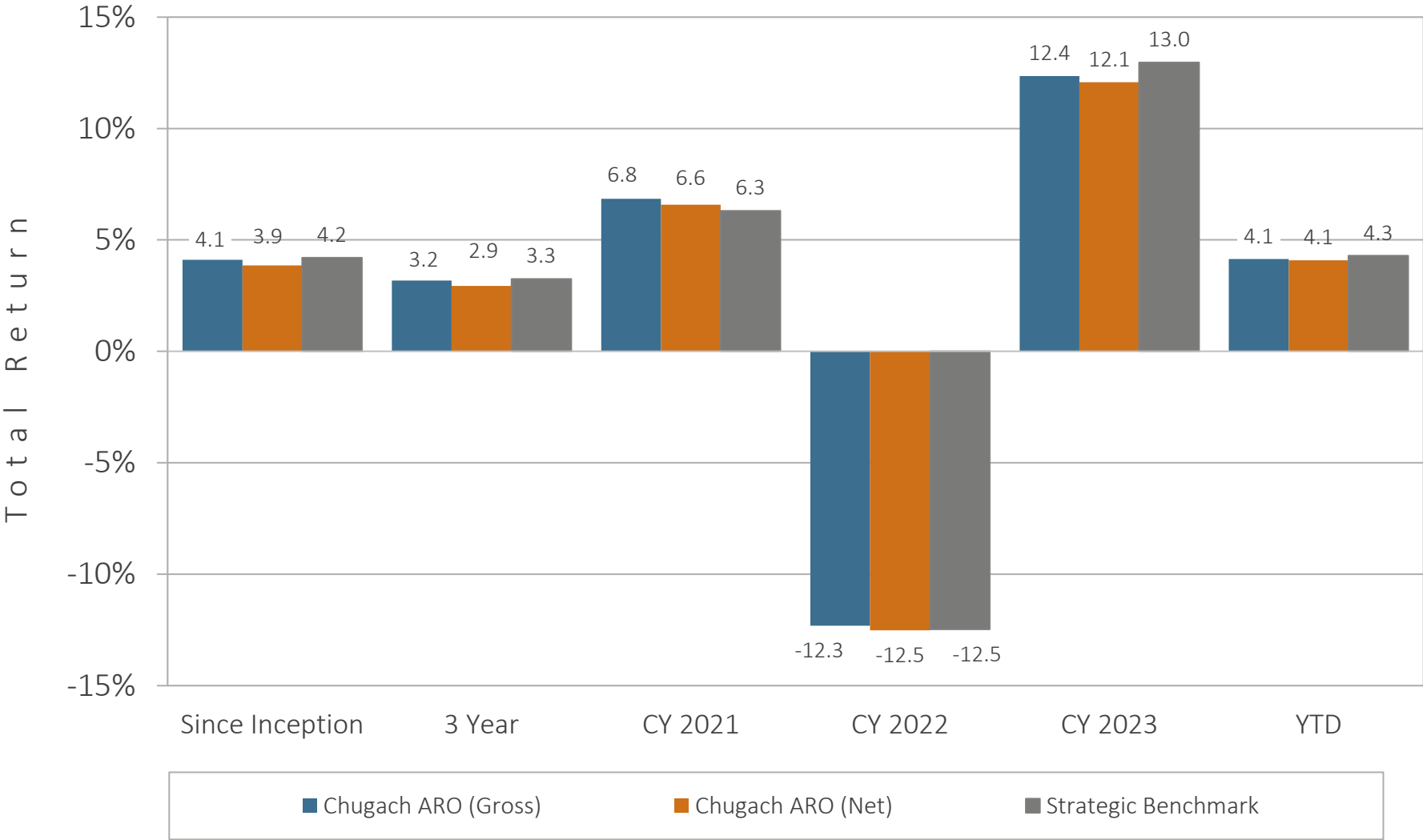
## Chugach Electric Beluga River ARO Investment Fund



Asset Class	Strategic Weight	Overweight / Underweight	Current Allocation	Range
<b>Risk Control</b>	<b>27%</b>	<b>0.8%</b>	<b>27.8%</b>	
U.S. FIXED INCOME	18%	0.1%	18.1%	8 - 28%
TIPS	2%	-0.1%	1.9%	0 - 10%
INTERNATIONAL FIXED INCOME	5%	0.7%	5.7%	0 - 10%
CASH	2%	0.1%	2.1%	0 - 10%
<b>Risk Assets</b>	<b>52%</b>	<b>0.9%</b>	<b>52.9%</b>	
U.S. HIGH YIELD FIXED INCOME	5%	-0.2%	4.8%	0 - 10%
U.S. LARGE CAP EQUITY	22%	0.5%	22.5%	12 - 32%
U.S. MID CAP EQUITY	10%	0.7%	10.7%	5 - 15%
U.S. SMALL CAP EQUITY	5%	-0.1%	4.9%	0 - 10%
DEVELOPED INTERNATIONAL EQUITY	6%	0.1%	6.1%	0 - 12%
EMERGING MARKET EQUITY	4%	0.0%	4.0%	0 - 8%
<b>Alternatives</b>	<b>21%</b>	<b>-1.8%</b>	<b>19.2%</b>	
REITS	3%	-0.2%	2.8%	0 - 6%
INFRASTRUCTURE	5%	-0.1%	4.9%	0 - 10%
COMMODITIES	3%	0.0%	3.0%	0 - 6%
ALTERNATIVE BETA	10%	-1.4%	8.6%	0 - 15%

# Account Performance as of March 31, 2024

*Chugach Electric Beluga River ARO Investment Fund*



Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year. Inception performance begins on October 31, 2020.

# U.S. Fixed Income Performance as of March 31, 2024

## *Chugach Electric Beluga River ARO Investment Fund*

- Actively managed U.S. Fixed Income return for the 1<sup>st</sup> quarter was **-0.76%** vs. **-0.78%** for the benchmark.
- Fixed income performance can be decomposed into three primary sources of return: **sector allocation, interest rate changes, and security selection.**
  - An underweight to Treasury duration in the portfolio was a positive contributor to performance compared to the benchmark. This was due to intermediate and long-term interest rates increasing during the quarter.
  - An overweight allocation to Agency securities was a detractor to performance due to allocation effect.

### U.S. Fixed Income Summary Statistics as of March 31, 2024

	ARO Investment Fund	Bloomberg Aggregate
Market Value	\$ 5,428,396	—
Yield to Maturity	4.89%	4.85%
OAD	6.06	6.21

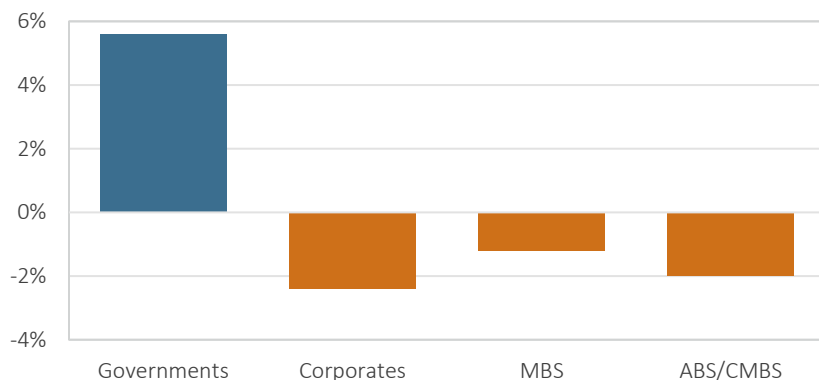
Source: Bloomberg and Clearwater



# U.S. Fixed Income Positioning as of March 31, 2024

## *Chugach Electric Beluga River ARO Investment Fund*

### Sector Under/Overweight



### Quality Under/Overweight



Source: Bloomberg

### Bond Sector Comparison

	Chugach	Bloomberg Agg
<b>Governments*</b>	51.8%	46.2%
<b>Corporates</b>	23.4%	25.8%
<b>MBS</b>	24.8%	26.0%
<b>ABS/CMBS</b>	0.0%	2.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* Includes Municipal Debt

### Credit Quality Comparison

	Chugach	Bloomberg Agg
<b>AAA</b>	0.0%	3.5%
<b>AA</b>	76.2%	72.0%
<b>A</b>	7.4%	11.9%
<b>BBB</b>	16.4%	12.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

# Market Review

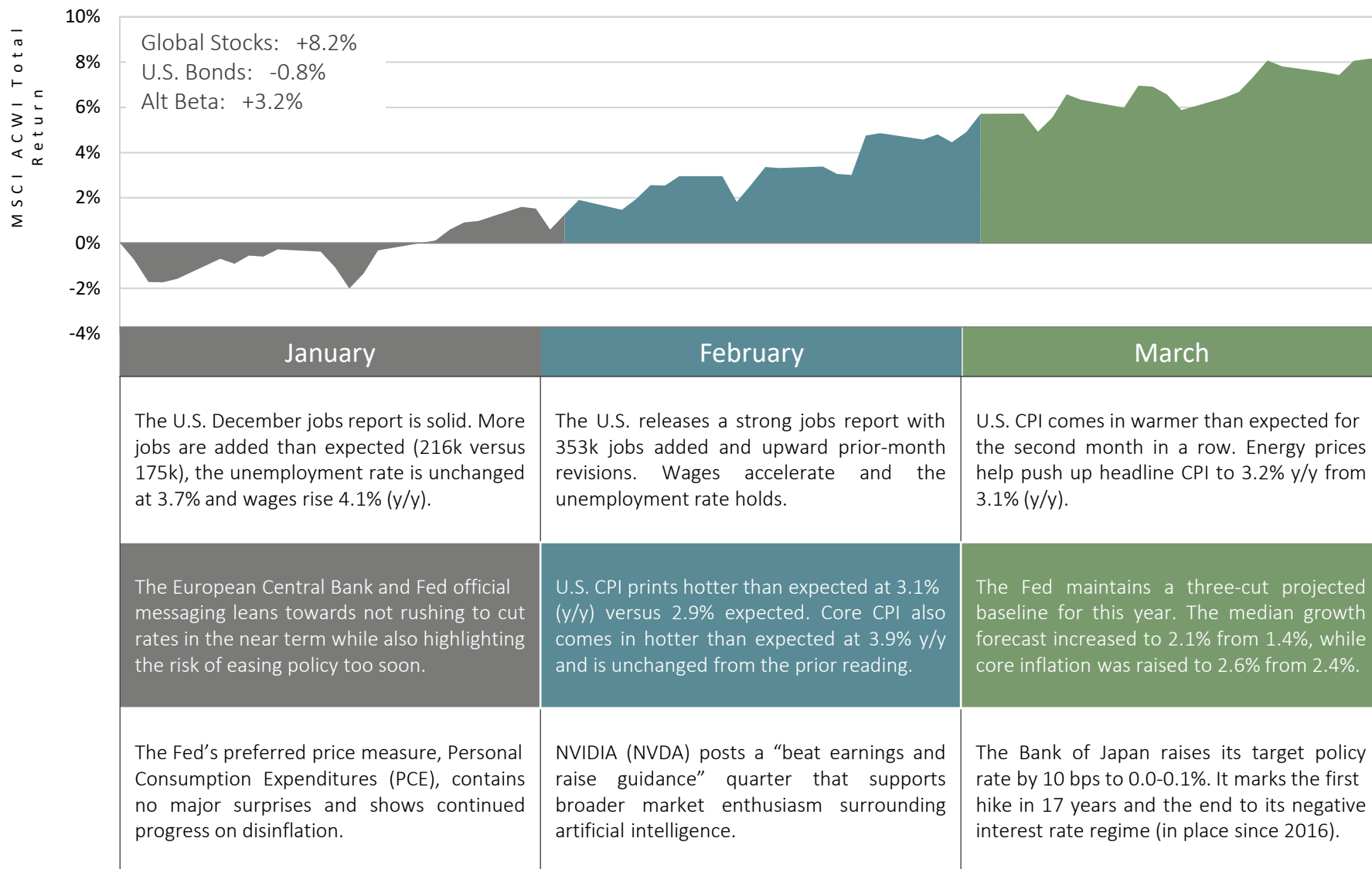
Portfolio Review

Market Review

Appendix

# Strong Equity Returns, Economic Resilience, and Policy Patience

## Market Recap Q1 2024



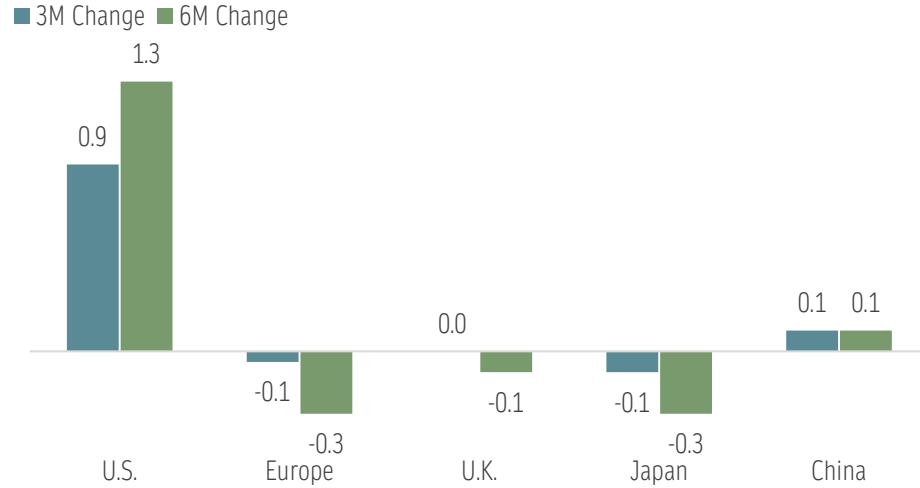
Data: Bloomberg / Northern Trust. Global Stocks, US Bonds, and Alternative Beta are represented by MSCI ACWI, Bloomberg Agg, and Willshire Liquid Alt Indices, respectively.

# Key Developments

## Inflation, Growth, and Monetary Policy

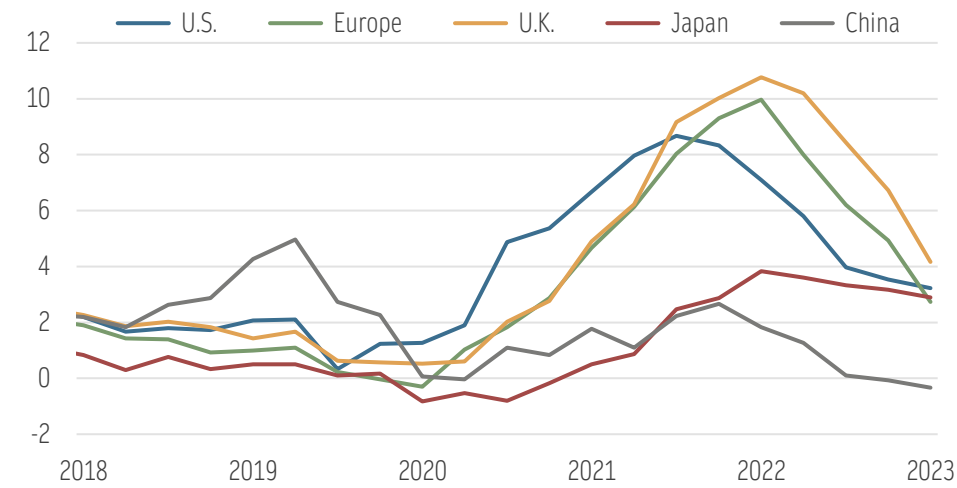
### US Growth Expectations Rise

Change in 2024 Consensus GDP Growth Estimates (%)



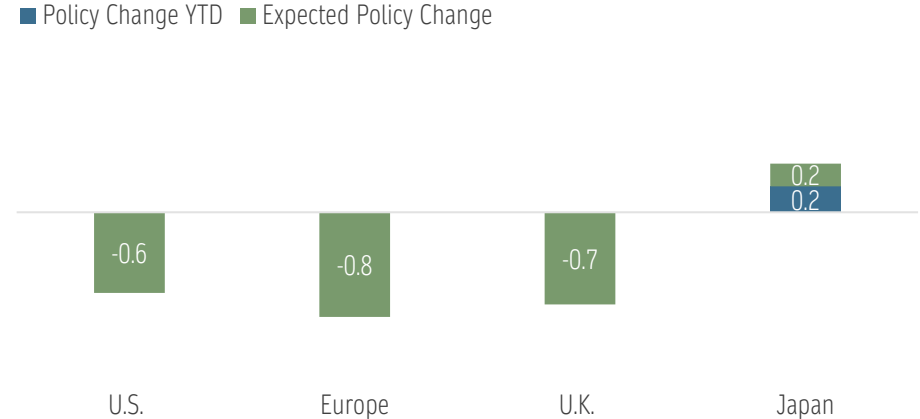
### Inflation Remains Modestly Above Target

Year over Year Inflation (%)



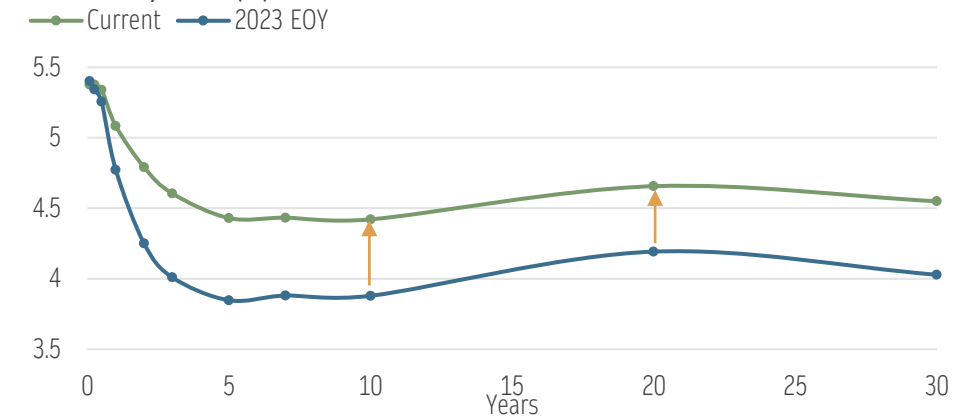
### Policy Still Expected to Ease

2024 Central Bank Policy Changes and Expectations (%)



### Policy and Growth Expectations Contribute to Rising Rates

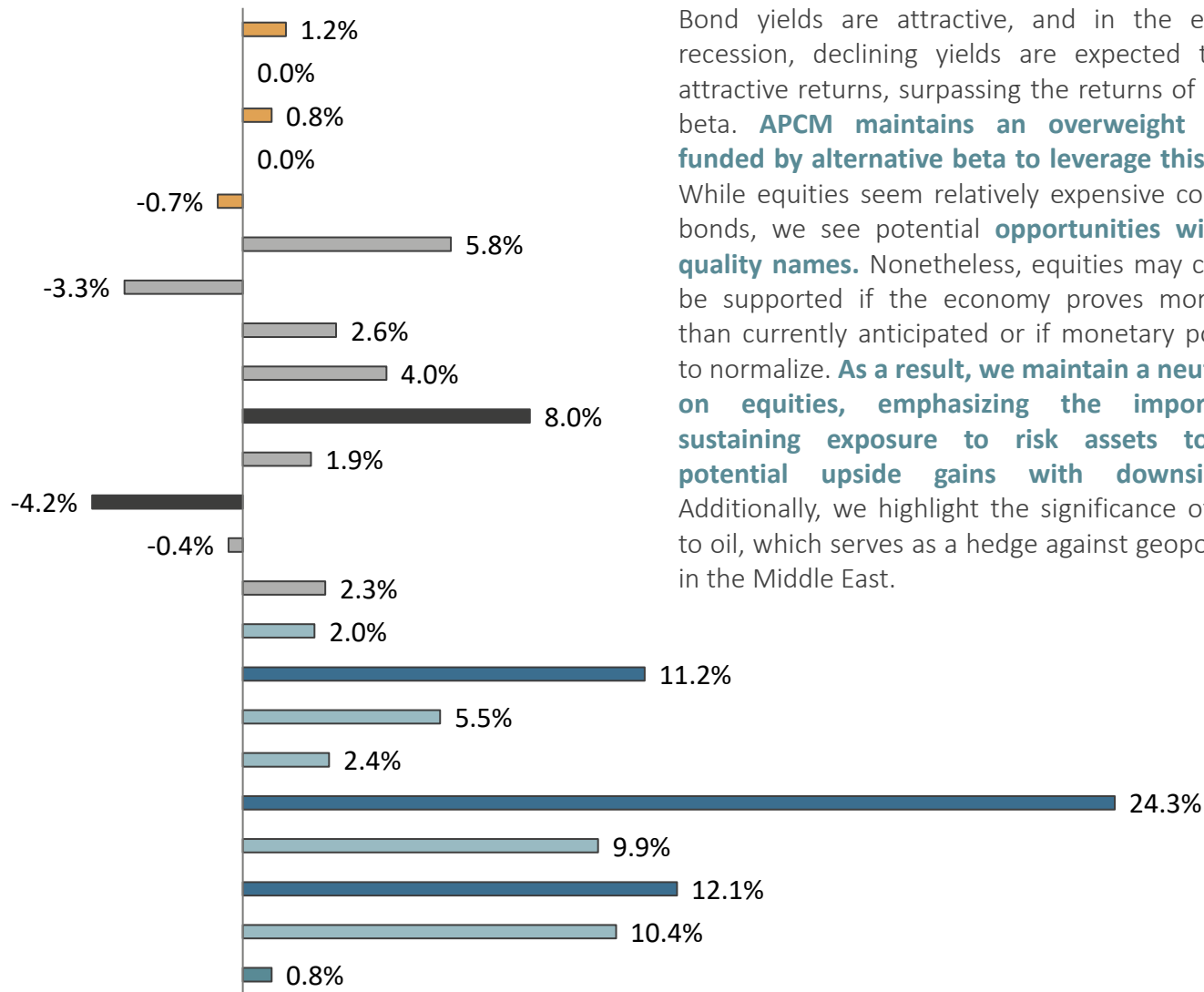
U.S. Treasury Yields (%)



# Risk Assets Have Outperformed

## Year-to-date Asset Class Returns as of March 31, 2024

Risk Control	Cash	SNOXX
	IFI	BNDX
	Tips	VTIP
	1-5 G/C	BSV
	USFI	BND
Alternatives	Alt. Beta	JHEQX
		CCOR
		QAI
		BIMBX
	Comm.	DBE
		CMDY
	REIT	INDS
		BBRE
	Infra	NFRA
	EM	IEMG
Risk Assets	DM	EWJ
		IEFA
		IJR
	Mid Cap	XMHQ
		IJH
	Large Cap	SPHQ
		SPY
	High Yield	VWEAX



Bond yields are attractive, and in the event of a recession, declining yields are expected to provide attractive returns, surpassing the returns of alternative beta. **APCM maintains an overweight to bonds funded by alternative beta to leverage this situation.** While equities seem relatively expensive compared to bonds, we see potential **opportunities within high-quality names.** Nonetheless, equities may continue to be supported if the economy proves more resilient than currently anticipated or if monetary policy starts to normalize. **As a result, we maintain a neutral stance on equities, emphasizing the importance of sustaining exposure to risk assets to balance potential upside gains with downside risks.** Additionally, we highlight the significance of exposure to oil, which serves as a hedge against geopolitical risks in the Middle East.

# Appendix

Portfolio Review

Market Review

Appendix

# Disclosures

## **Important Assumptions**

IMPORTANT: The projections or other information generated by Alaska Permanent Capital Management Company (APCM) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained. The charts and data only present a range of possible outcomes. Actual results will vary over time, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than that demonstrated in the simulations. Please note that the analysis does not take into consideration all asset classes, and other asset classes not considered may have characteristics similar or superior to those being analyzed.

## **Important Legal Information**

These calculations are designed to be informational and educational only, and when used alone, do not constitute investment advice. APCM encourages investors to review their investment strategy periodically as financial circumstances do change.

Model results are provided as a rough approximation of future financial performance. Actual results could produce different outcomes (either better or worse) than those illustrated by the model, since it is not possible to anticipate every possible combination of financial market returns. APCM is not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided by the results of the model.

## **Other Influences on Rates of Return**

Investment management fees: Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

Taxes: Unless noted otherwise, model results have not been adjusted for any state or federal taxes or penalties.

Inflation: Unless noted otherwise, model results do not adjust any inputs or outcomes for inflation. Inflation is assumed to be constant over the investment horizon.

## **Limitations Inherent in Model Results**

Limitations include but are not restricted to the following:

Model results do not represent actual trading and may not reflect the impact that material economic and market factors might have had on APCM's decision making if the actual client money were being managed.

Extreme market movements may occur more frequently than represented in the model.

Some asset classes have relatively limited histories. While future results for all asset classes in the model may materially differ from those assumed in APCM's calculations, the future results for asset classes with limited histories may diverge to a greater extent than the future results of asset classes with longer track records.

Market crises can cause asset classes to perform similarly over time; reducing the accuracy of the projected portfolio volatility and returns. The model is based on the long-term behavior of the asset classes and therefore is less reliable for short-term periods. This means that the model does not reflect the average periods of "bull" and "bear" markets, which can be longer than those modeled.

The model represent APCM's best view of the next 7-10 years, but is unlikely to reflect actual investment returns worldwide over this period.

# Capital Tracking Report

**1st Quarter 2024**

**Chugach Electric Association, Inc.**

**Audit & Finance Committee**

**May 29, 2024**





# Reliability Projects Summary

Project Name	Last Approved	Actual-to-Date	Forecast	Approved	Physically Complete	Financial Status
			(In Millions)			
						Legend: <div>Actual</div> <div>Under</div> <div>Over &lt;15%</div> <div>Over &gt;15%</div> <div>Approved</div>
<b>Reliability</b>						
Old Seward OH/UG Dimond-O'Malley	4/26/2023	\$4.4	\$6.4	\$5.7	70%	<div> <div>77%</div> <div>113%</div> </div>
Baxter OH/UG	4/26/2023	\$1.7	\$2.9	\$2.9	65%	<div> <div>60%</div> <div>100%</div> </div>
Campbell Lake Substation Rebuild	3/22/2023	\$2.3	\$8.6	\$8.6	22%	<div> <div>27%</div> <div>100%</div> </div>
Battery Energy Storage System	10/26/2022	\$43.4	\$48.9	\$46.6	87%	<div> <div>93%</div> <div>105%</div> </div>

# Retirements & Replacements Projects Summary

Project Name	Last Approved	Actual-to-Date	Forecast	Approved	Physically Complete	Financial Status				
						Legend: <div><div>Actual</div><div>Under</div><div>Over &lt;15%</div><div>Over &gt;15%</div><div>Approved</div></div>				
Retirements & Replacements										
115kV T-Line Rebuild Girdwood to Indian	1/24/2024	\$8.2	\$31.0	\$31.0	40%	<div><div></div><div>27%</div><div>100%</div></div>				
SPP Unit 10 Major Overhaul	11/14/2023	\$2.7	\$3.2	\$3.0	98%	<div><div></div><div>91%</div><div>108%</div></div>				

# Agency Mandated Projects Summary

Project Name	Last Approved	Actual-to-Date	Forecast	Approved	Physically Complete	Financial Status					
			(In Millions)			Legend:	Actual	Under	Over <15%	Over >15%	Approved
Agency Mandated											
Eklutna Fish & Wildlife	12/14/2022	\$5.0	\$5.2	\$5.4	95%	<div><div></div><div>92%</div><div>97%</div></div>					

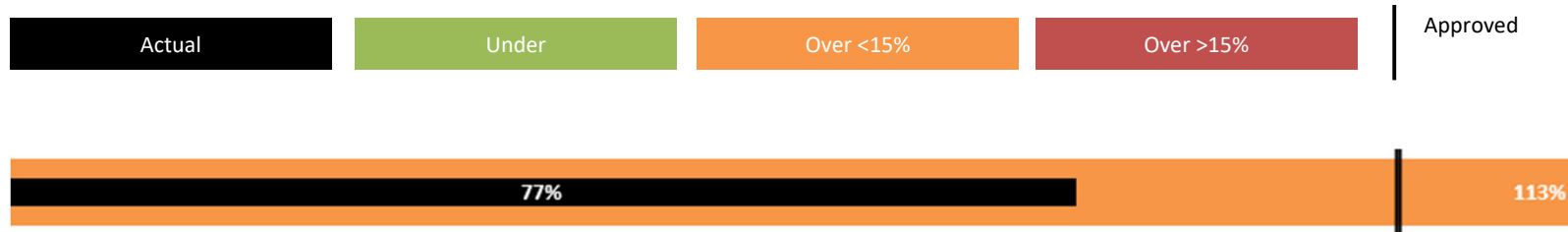
# Operating Efficiency Projects Summary

Project Name	Last Approved	Actual-to-Date	Forecast	Approved	Physically Complete	Financial Status					
					(In Millions)	Legend:	Actual	Under	Over <15%	Over >15%	Approved
Operating Efficiency											
CIS/ERP Replacement	1/19/2022	\$10.3	\$16.3	\$17.0	65%	<div><div></div><div>60%</div><div>96%</div></div>					
One Campus Plan	12/14/2022	\$14.9	\$64.3	\$64.3	23%	<div><div>23%</div><div>100%</div></div>					
Desktop Replacement Project	8/16/2023	\$3.3	\$4.3	\$5.2	85%	<div><div>64%</div><div>83%</div></div>					

# Reliability Projects

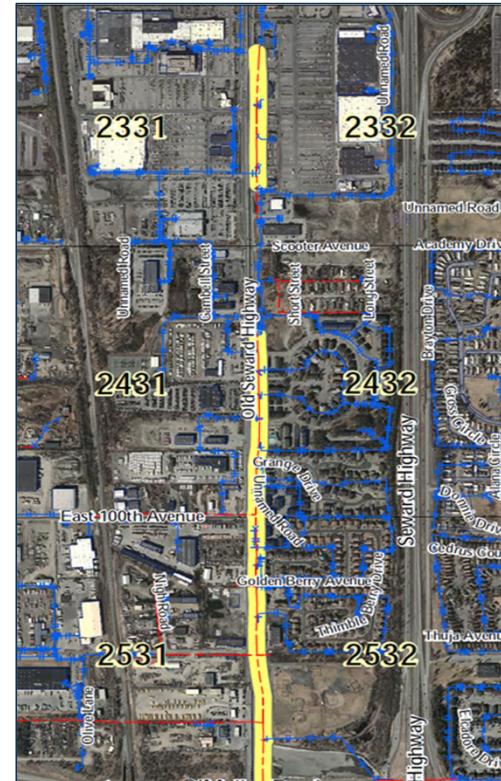
# Old Seward OH/UG Dimond-O'Malley

- Approved – 04/26/2023
- Project Manager – D. Thornton
- Physically Complete – 70%
- Approval Amount – \$5.7M
- Actuals – \$4.4M
- Forecast – \$6.4M



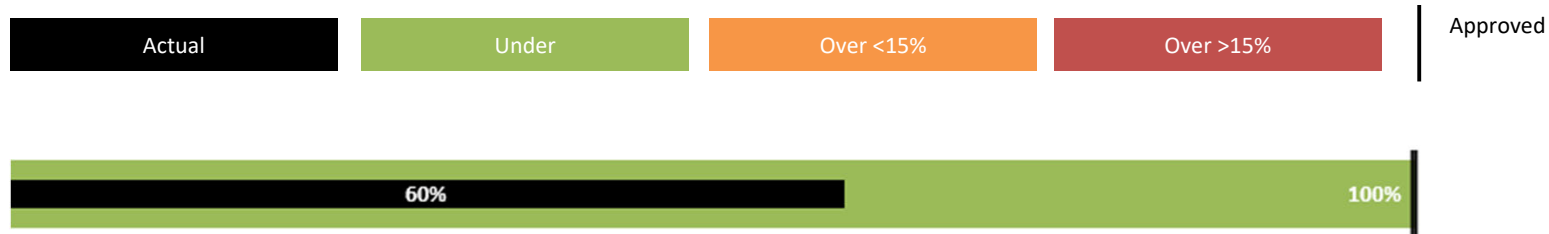
# Old Seward OH/UG Dimond-O'Malley

This project will underground the existing overhead distribution and sub-transmission circuits going down Old Seward from the south side of O'Malley Road to approximately Dimond Boulevard. Bids were solicited for the project with Sturgeon Electric selected as the contractor. Active construction began in July of 2023 and the project is anticipated to be completed in early July 2024. Construction on this project has stopped at the end of 4<sup>th</sup> quarter 2023 and is to resume in 2<sup>nd</sup> quarter of 2024. The bids came in higher than estimated by our design/estimating software. Challenges with permitting and permit compliance with AKDOT has led to higher internal labor costs.



# Baxter OH/UG

- Approved – 04/26/2023
- Project Manager – D. Thornton
- Physically Complete – 65%
- Approval Amount – \$2.9M
- Actuals – \$1.7M
- Forecast – \$2.9M





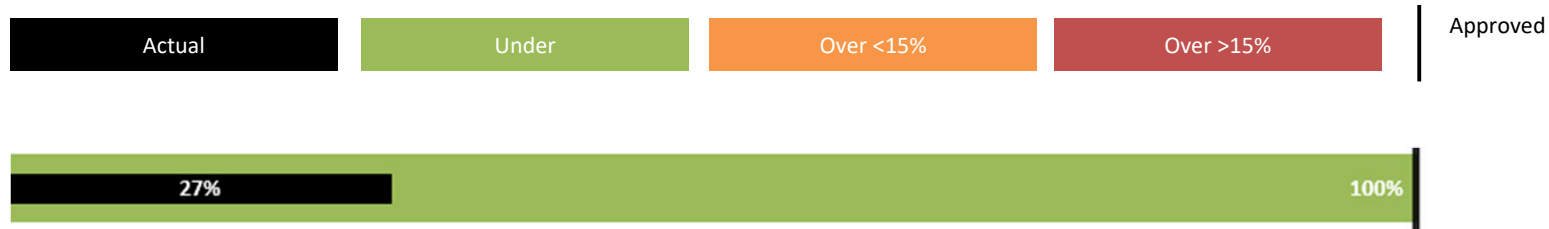
# Baxter OH/UG

This project will underground a portion of the Baxter Road distribution feeders and will tie two radial feeders, Baxter 282 and Boniface 412, together to increase reliability in the area. Bids were solicited for the project with Sturgeon Electric selected as the contractor. Construction completion is anticipated to be in early August 2024. Construction on this project has stopped at the end of 4th quarter 2023 and will resume in 2nd quarter of 2024.



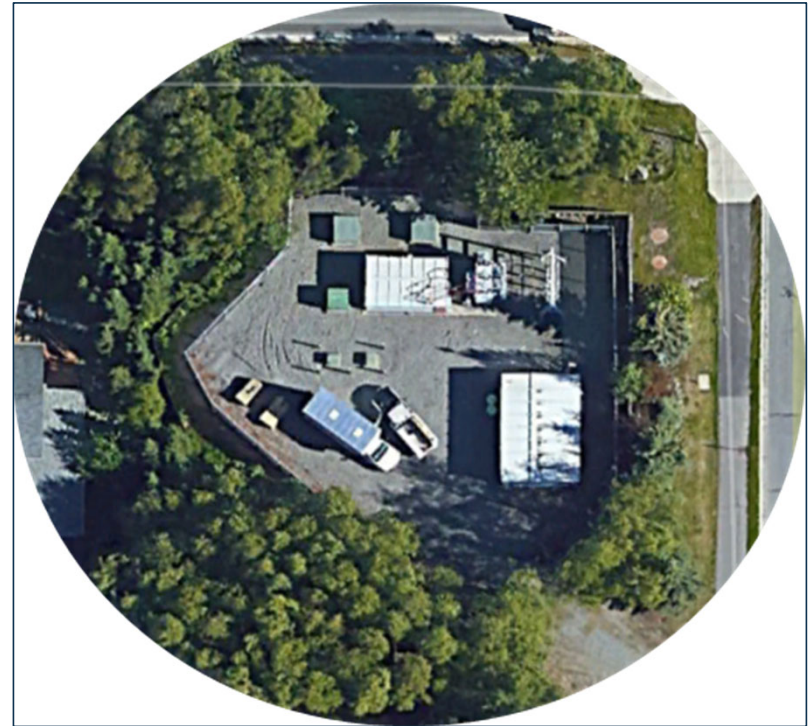
# Campbell Lake Substation Rebuild

- Approved – 03/22/2023
- Project Manager – C. Kohler
- Physically Complete – 22%
- Approval Amount – \$8.6M
- Actuals – \$2.3M
- Forecast – \$8.6M



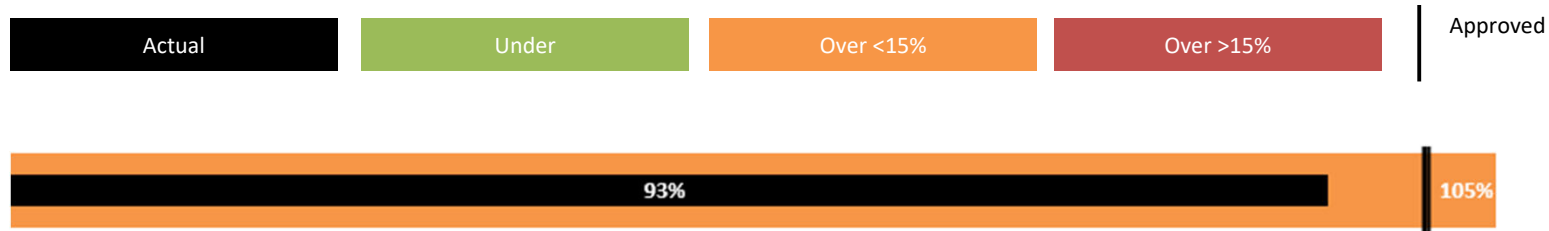
# Campbell Lake Substation Rebuild

Switchgear vendor design submittal received on September 25, 2023, and anticipated switchgear arrival on site date is September 2024. Further developments associated with this project have occurred since first quarter, therefore updates are expected in the second quarter.



# Battery Energy Storage System

- Approved – 10/26/2022
- Project Manager – C. Kohler
- Physically Complete – 87%
- Approval Amount – \$46.6M
- Actuals – \$43.4M
- Forecast – \$48.9M



# Battery Energy Storage System

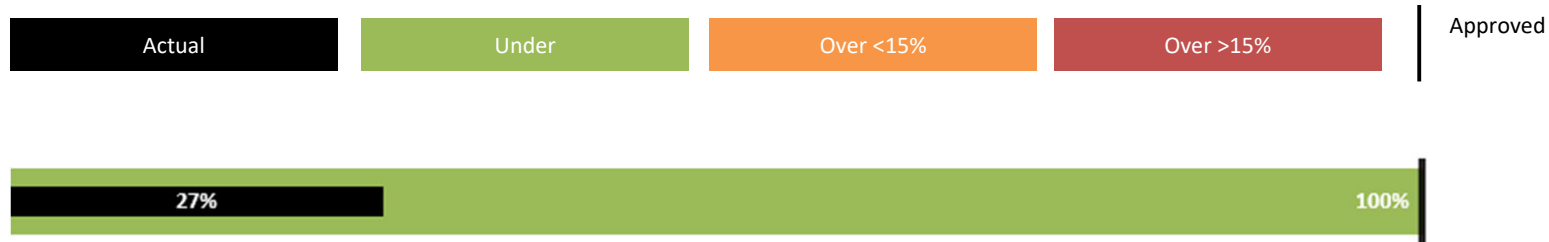
The Tesla Megapacks arrived on site in June 2023 with construction activities ongoing. The 38 kV switchgear fabrication started in August 2023 and switchgear arrived in April 2024. The MV transformers have been delivered. Switchgear and construction costs were more than estimated. Estimated energization period is Q4 2024.



# Retirement & Replacement Projects

# 115kV T-Line Rebuild Girdwood to Indian

- Approved – 01/24/2024
- Project Manager – C. Kohler
- Physically Complete – 40%
- Approval Amount – \$31.0M
- Actuals – \$8.2M
- Forecast – \$31.0M



# 115kV T-Line Rebuild Girdwood to Indian

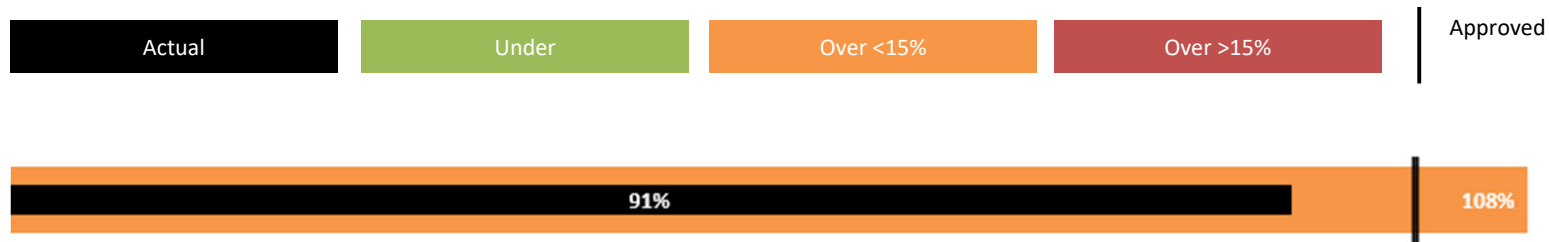
Project is under construction and estimated to be completed in May 2025.





# SPP Unit 10 Major Overhaul

- Approved – 11/14/2023
- Project Manager – A. Love
- Physically Complete – 98%
- Approval Amount – \$3.0M
- Actuals – \$2.7M
- Forecast – \$3.2M



# SPP Unit 10 Major Overhaul

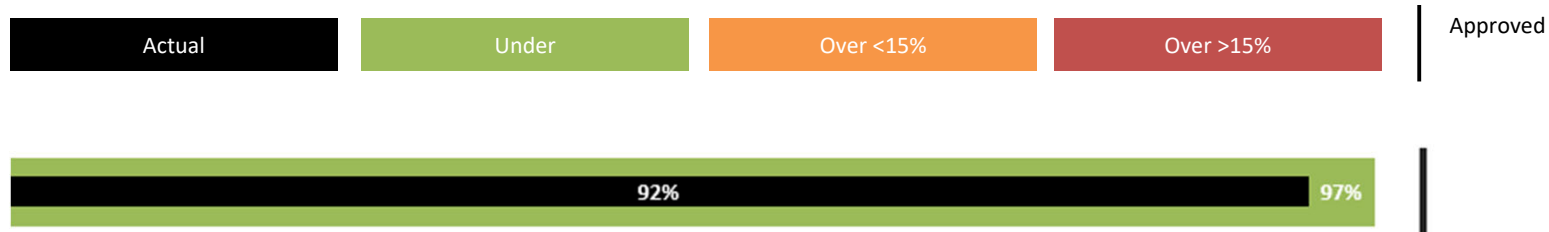
SPP U10 STG installation is in progress and expected to be online in early May 2024. The costs are higher than anticipated due to additional labor, technical advisory, and shipping and repair costs associated with the rotor cracks, in addition to the installation and materials for upgrades to the water chemistry system.



# Agency Mandated Projects

# Eklutna Fish & Wildlife

- Approved – 12/14/2022
- Project Manager – M. Brodie
- Physically Complete – 95%
- Approval Amount – \$5.4M
- Actuals – \$5.0M
- Forecast – \$5.2M



# Eklutna Fish & Wildlife

Eklutna Fish and Wildlife is a multi-year project with final completion of the program in late 2024. A draft Fish and Wildlife Program was issued on October 27, 2023. Public meetings of the draft agreement were held in January 2024 and public comments are being submitted through February 19, 2024. Negotiations with the agreement signers and the Native Village of Eklutna will continue through first quarter 2024. The final program was submitted in April 2024 for approval. The State of Alaska governor has until October 2024 to sign the final Fish and Wildlife Agreement.



# Operating Efficiency Projects

# CIS/ERP Replacement

- Approved – 01/19/2022
- Project Manager – T. McCarty
- Physically Complete – 65%
- Approval Amount – \$17.0M
- Actuals – \$10.3M
- Forecast – \$16.3M





# CIS/ERP Replacement

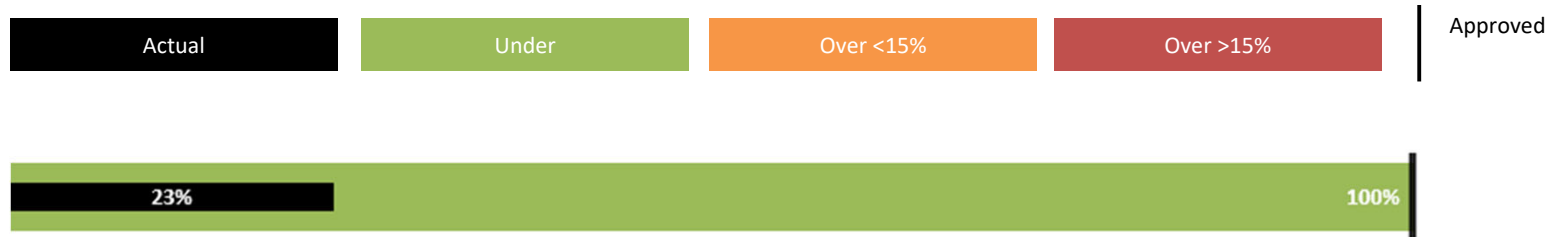
Teams completed Integration Test Cycle 3.  
Teams are focused on incident remediation  
and preparing for the next testing cycle.





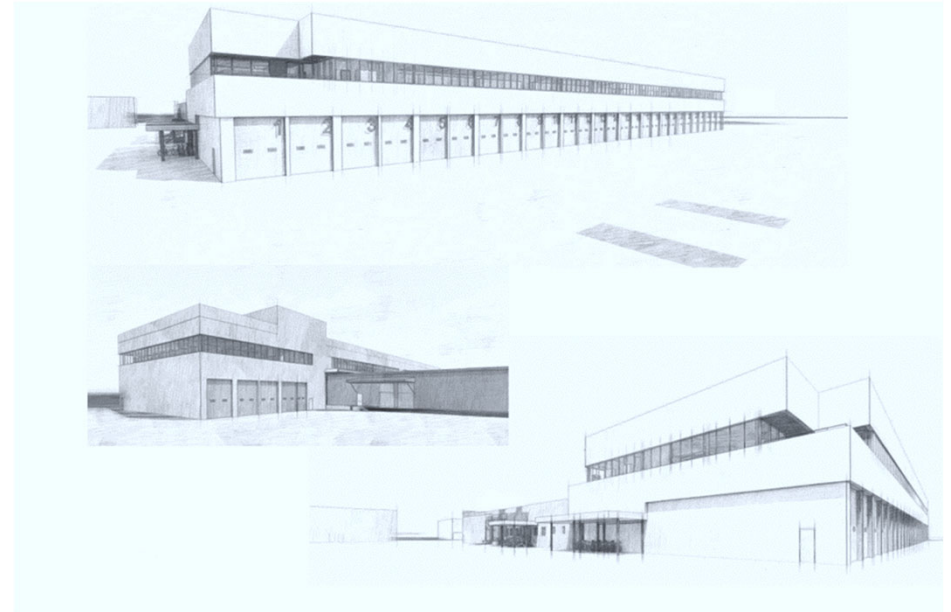
# One Campus Plan

- Approved – 12/14/2022
- Project Manager – J. Resnick
- Physically Complete – 23%
- Approval Amount – \$64.3M
- Actuals – \$14.9M
- Forecast – \$64.3M



# One Campus Plan

The One Campus Plan is a multi-year project with final completion of the project in late 2025. The Covered Equipment Storage construction and Building C remodel are complete. Construction of the new building started in mid April 2024.



# Desktop Replacement

- Approved – 08/16/2023
- Project Manager – J. Pickel
- Physically Complete – 85%
- Approval Amount – \$5.2M
- Actuals – \$3.3M
- Forecast – \$4.3M



# Desktop Replacement

South Campus and Engineering groups are complete. Operations and Power Plants are in progress. Expect project to be completed by July 2024.



March 2024 YTD  
Financial Information

May 29, 2024

# Chugach Electric Association

# March 2024 YTD Financial Information

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MWH Sales

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Statement of Operations

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Balance Sheet

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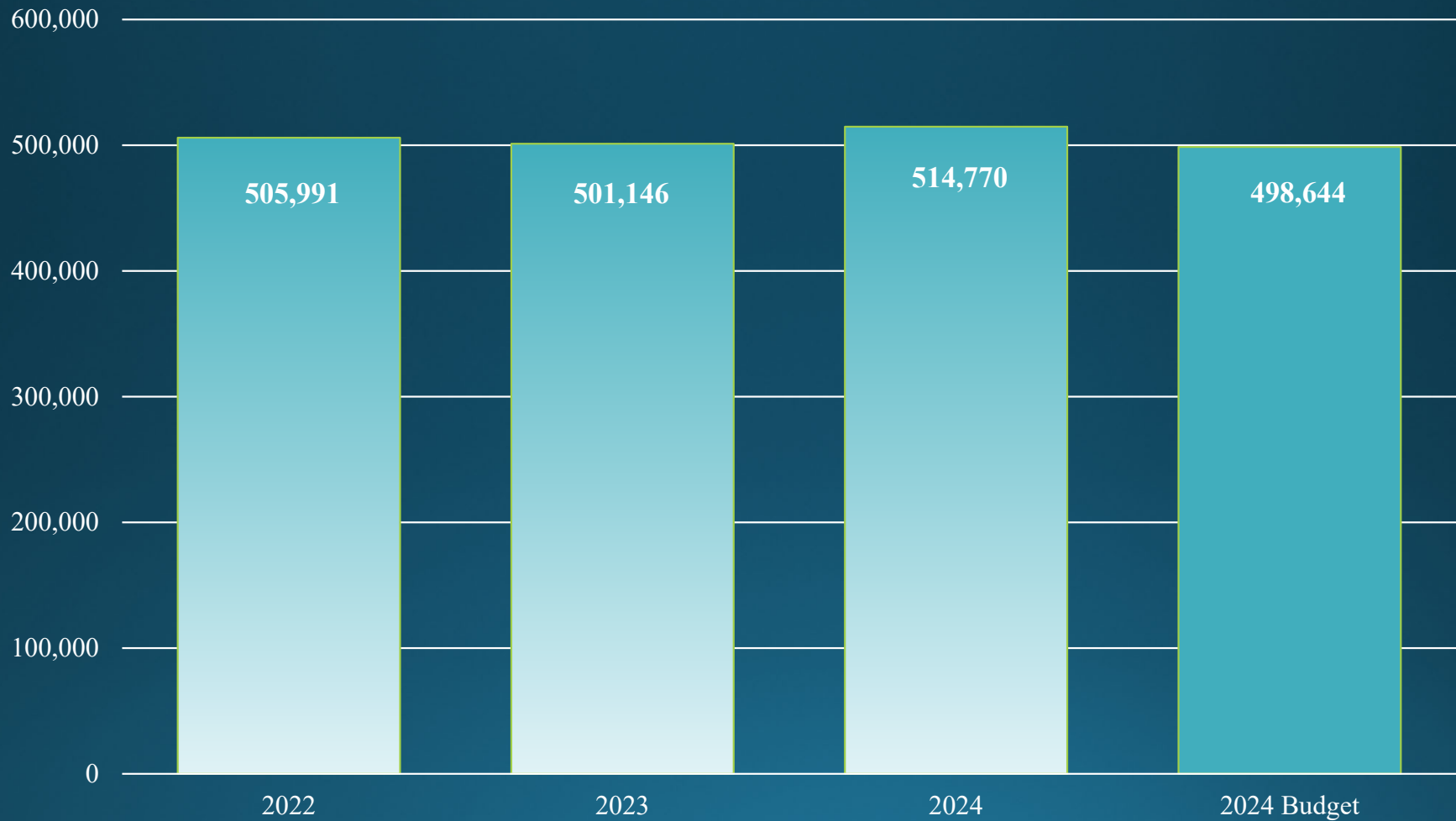
Statement of Cash Flows

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Equity Ratio

# March 2024 YTD Financial Information

## Retail MWh Sales Comparison



# March YTD 2024 Financial Information

## Seward MWh Sales Comparison





# March YTD 2024 Financial Information

## Comparative Statement of Operations

### COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2024 YTD ACTUAL TO BUDGET

CATEGORY	ACTUAL	BUDGET	VARIANCE
<b>Operating Revenue &amp; Patronage Capital</b>	<b>\$ 100,782,532</b>	<b>\$ 90,657,070</b>	<b>\$ 10,125,462</b>
Fuel and Purchased Power	31,643,254	22,715,279	8,927,975
Power Production	10,214,425	10,011,679	202,746
Transmission	2,267,248	2,762,628	(495,380)
Distribution	7,597,632	7,009,033	588,599
Customer	2,883,171	2,859,408	23,763
Administrative, General and Other	13,534,340	13,111,744	422,596
Depreciation & Amortization	17,268,937	16,927,295	341,642
Interest Expense, Net	11,261,024	10,720,284	540,740
<b>Total Cost of Electric Service</b>	<b>\$ 96,670,031</b>	<b>\$ 86,117,350</b>	<b>\$ 10,552,681</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 4,112,501</b>	<b>\$ 4,539,720</b>	<b>\$ (427,219)</b>
Non-Operating Margins - Interest	538,008	117,829	420,179
Allowance for Funds Used During Construction	101,728	67,666	34,062
Non-Operating Margins - Other	315,119	27,450	287,669
<b>Patronage Capital or Margins</b>	<b>\$ 5,067,356</b>	<b>\$ 4,752,665</b>	<b>\$ 314,691</b>
MFI/I	1.43	1.43	
TIER	1.53	1.50	

# March YTD 2024 Financial Information

## Comparative Balance Sheet, Assets & Other Debits

ASSETS & OTHER DEBITS	3/31/2024	12/31/2023	CHANGE
Electric Plant in Service	2,140,816,873	2,138,053,513	2,763,360
Construction Work in Progress	115,365,991	106,643,658	8,722,333
<b>Total Utility Plant</b>	<b>\$ 2,256,182,864</b>	<b>\$ 2,244,697,171</b>	<b>\$ 11,485,693</b>
Accum. Prov. for Depreciation/Amortization	(777,604,793)	(759,799,995)	(17,804,798)
<b>Net Utility Plant</b>	<b>\$ 1,478,578,071</b>	<b>\$ 1,484,897,176</b>	<b>\$ (6,319,105)</b>
Nonutility Property - Net	76,889	76,889	0
Financing & Operating Lease Right-of-Use Assets	3,779,423	3,787,330	(7,907)
Investment in Assoc. Organizations	6,422,670	6,635,234	(212,564)
Special Funds	31,394,485	29,275,168	2,119,317
Restricted Cash Equivalents & Other	30,000	30,000	0
Long-term Prepayments	96,890	110,308	(13,418)
<b>Total Other Property &amp; Investments</b>	<b>\$ 41,800,357</b>	<b>\$ 39,914,929</b>	<b>\$ 1,885,428</b>
Cash & Restricted Cash	19,392,945	5,385,690	14,007,255
Special Deposits and Marketable Securities	56,800	56,800	0
Accounts Receivable - Net	51,326,784	62,436,741	(11,109,957)
Materials and Supplies, Fuel Stock	63,920,310	63,822,191	98,119
Prepayments	7,701,147	5,559,353	2,141,794
Other Current & Accrued Assets	46,310,628	42,872,957	3,437,671
<b>Total Current &amp; Accrued Assets</b>	<b>\$ 188,708,614</b>	<b>\$ 180,133,732</b>	<b>\$ 8,574,882</b>
Deferred Debits	101,245,644	102,973,793	(1,728,149)
<b>Total Assets &amp; Other Debits</b>	<b>\$ 1,810,332,686</b>	<b>\$ 1,807,919,630</b>	<b>\$ 2,413,056</b>

# March YTD 2024 Financial Information

## Comparative Balance Sheet, Liabilities & Other Credits

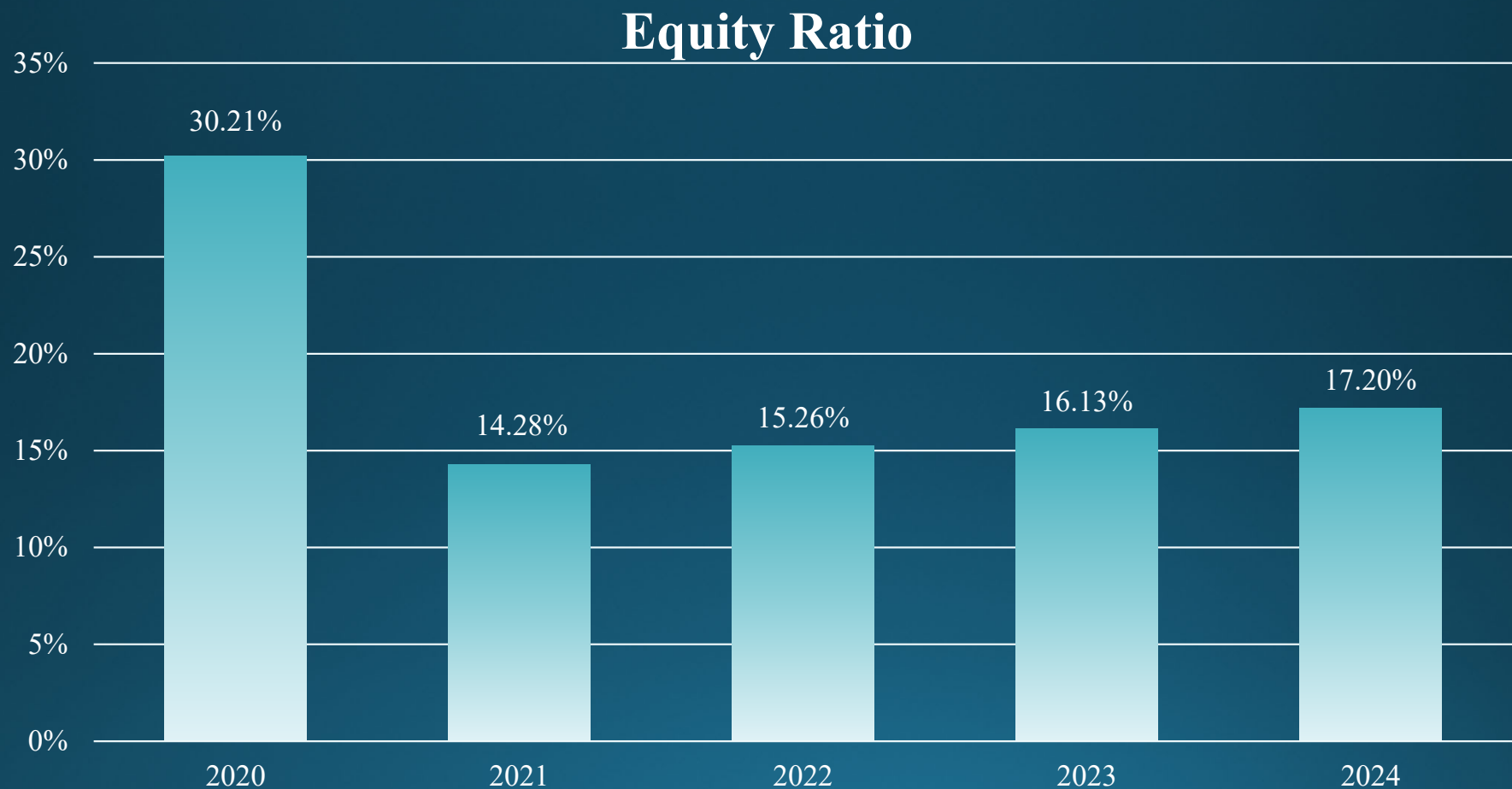
LIABILITIES & OTHER CREDITS	3/31/2024	12/31/2023	CHANGE
Memberships	2,025,793	2,019,553	6,240
Pat. Capital, Margins & Equities	220,918,925	216,041,500	4,877,425
<b>Total Margins &amp; Equities</b>	<b>\$ 222,944,718</b>	<b>\$ 218,061,053</b>	<b>\$ 4,883,665</b>
Long-Term Debt - Bonds	1,064,816,662	1,083,733,329	(18,916,667)
Long-Term Debt - Other	13,794,000	14,820,000	(1,026,000)
Unamortized Debt Issuance Costs	(5,673,020)	(5,763,629)	90,609
Operating Lease Liabilities	3,538,528	3,545,670	(7,142)
Finance Lease Liabilities	191,964	193,192	(1,228)
<b>Total Long-Term Debt</b>	<b>\$ 1,076,668,134</b>	<b>\$ 1,096,528,562</b>	<b>\$ (19,860,428)</b>
Notes Payable	214,969,387	186,968,978	28,000,409
Accounts Payable	19,841,161	34,146,210	(14,305,049)
Consumer Deposits	3,815,473	4,198,551	(383,078)
Other Current & Accrued Liabilities	42,737,270	37,725,256	5,012,014
<b>Total Current &amp; Accrued Liabilities</b>	<b>\$ 281,363,291</b>	<b>\$ 263,038,995</b>	<b>\$ 18,324,296</b>
Deferred Compensation	1,367,592	1,817,393	(449,801)
Other Liabilities, Non-Current	806,260	728,963	77,297
Deferred Liabilities	16,649,902	14,783,832	1,866,070
BRU Regulatory Liability	79,957,951	84,019,067	(4,061,116)
Cost of Removal Obligation	130,574,838	128,941,765	1,633,073
<b>Total Liabilities &amp; Other Credits</b>	<b>\$ 1,810,332,686</b>	<b>\$ 1,807,919,630</b>	<b>\$ 2,413,056</b>

# March YTD 2024 Financial Information Statements of Cash Flows

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
<b>Cash flows from operating activities:</b>		
Assignable margins	\$ 5,067,356	\$ 3,368,192
Adjustments to reconcile assignment margins to net cash provided (used) by operating activities:		
Depreciation and amortization	19,927,514	18,508,471
Allowance for funds used during construction	(101,728)	(41,011)
Other non-cash charges	1,848,978	2,530,604
(Increase) decrease in assets	1,248,409	(638,385)
Increase (decrease) in liabilities	(3,489,486)	(2,332,087)
<b>Net cash provided by operating activities:</b>	<u>\$ 24,501,043</u>	<u>\$ 21,395,784</u>
<b>Cash flows from investing activities:</b>		
Return of capital from investment in associated organizations	212,565	359,285
Investment in special funds	(1,407,526)	(799,143)
Extension and replacement of plant	(23,824,789)	(18,786,727)
<b>Net cash used in investing activities:</b>	<u>\$ (25, 019,750)</u>	<u>\$ (19,226,585)</u>
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term obligations	28,000,000	13,000,000
Net increase (decrease) in long-term obligations	(19,942,667)	(19,942,667)
Net increase (decrease) in consumer advances/retired patronage/other	6,545,290	4,855,019
<b>Net cash provided by (used in) financing activities:</b>	<u>\$ 14,525,962</u>	<u>\$ (2,087,648)</u>
Net change in cash, cash equivalents & restricted cash	<u>\$ 14,007,255</u>	<u>\$ 81,551</u>
<b><u>Cash, cash equivalents &amp; restricted cash at beginning of period</u></b>	<u>\$ 5,415,690</u>	<u>\$ 15,884,739</u>
<b><u>Cash, cash equivalents and restricted cash at end of period</u></b>	<u>\$ 19,422,945</u>	<u>\$ 15,966,290</u>

# March YTD 2024 Financial Information

## 5 Year Equity Ratio





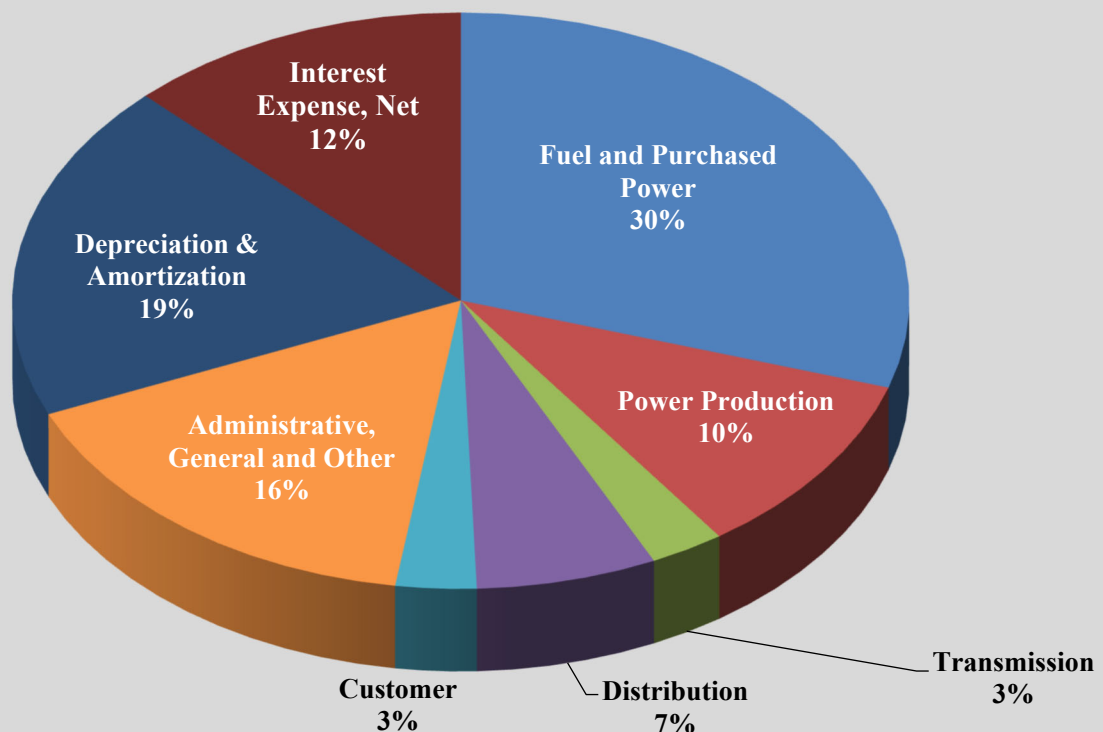
Questions?



## COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2024 MTD ACTUAL TO BUDGET

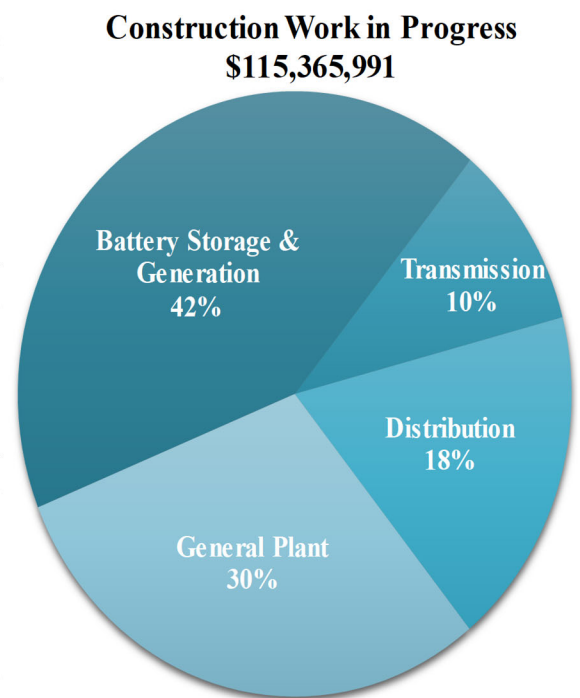
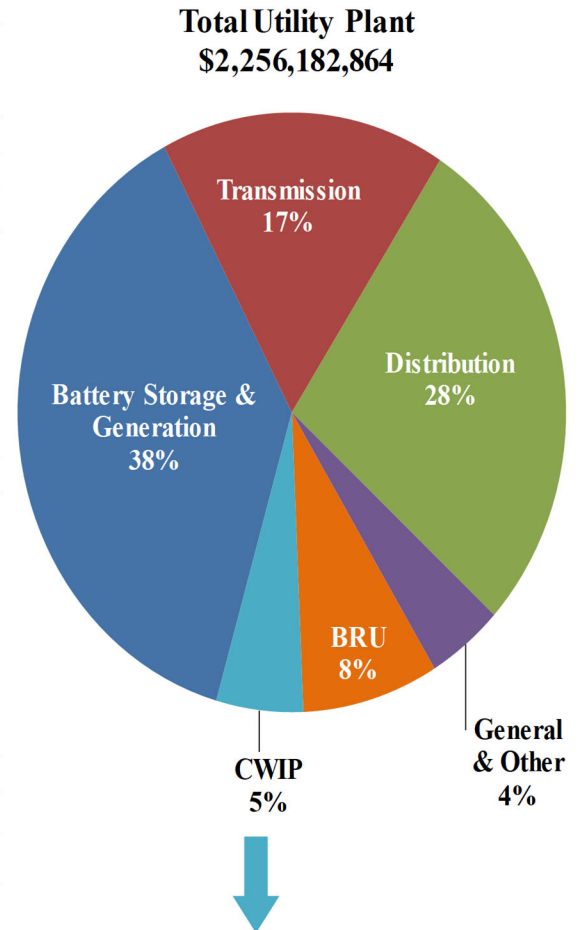
CATEGORY	ACTUAL	BUDGET	VARIANCE
<b>Operating Revenue &amp; Patronage Capital</b>	<b>\$ 31,392,743</b>	<b>\$ 30,910,732</b>	<b>\$ 482,011</b>
Fuel and Purchased Power	9,175,388	8,365,312	810,076
Power Production	3,175,070	3,396,651	(221,581)
Transmission	824,021	930,559	(106,538)
Distribution	1,998,483	2,248,454	(249,971)
Customer	892,322	913,631	(21,309)
Administrative, General and Other	4,973,563	4,375,831	597,732
Depreciation & Amortization	5,843,211	5,644,951	198,260
Interest Expense, Net	3,812,634	3,618,689	193,945
<b>Total Cost of Electric Service</b>	<b>\$ 30,694,692</b>	<b>\$ 29,494,078</b>	<b>\$ 1,200,614</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 698,051</b>	<b>\$ 1,416,654</b>	<b>\$ (718,603)</b>
Non-Operating Margins - Interest	199,864	40,767	159,097
AFUDC	34,637	22,722	11,915
Non-Operating Margins - Other	26,141	9,150	16,991
<b>Patronage Capital or Margins</b>	<b>\$ 958,693</b>	<b>\$ 1,489,293</b>	<b>\$ (530,600)</b>

### Total Cost of Electric Service (MTD Actual)



## BALANCE SHEET

ASSETS & OTHER DEBITS	03/31/24	12/31/2023
Electric Plant in Service	2,140,816,873	2,138,053,513
Construction Work in Progress	115,365,991	106,643,658
<b>Total Utility Plant</b>	<b>\$ 2,256,182,864</b>	<b>\$ 2,244,697,171</b>
Accum. Prov. for Depreciation/Amortization	(777,604,793)	(759,799,995)
<b>Net Utility Plant</b>	<b>\$ 1,478,578,071</b>	<b>\$ 1,484,897,176</b>
Nonutility Property - Net	76,889	76,889
Financing & Operating Lease ROU Assets	3,779,423	3,787,330
Investment in Assoc. Organizations	6,422,669	6,635,234
Special Funds	31,394,486	29,275,168
Restricted Cash Equivalents & Other	30,000	30,000
Long-term Prepayments	96,890	110,308
<b>Total Other Property &amp; Investments</b>	<b>\$ 41,800,357</b>	<b>\$ 39,914,929</b>
Cash & Restricted Cash	19,392,945	5,385,690
Special Deposits	56,800	56,800
Accounts Receivable - Net	51,326,784	62,436,741
Materials and Supplies, Fuel Stock	63,920,310	63,822,191
Prepayments	7,701,147	5,559,353
Other Current & Accrued Assets	46,310,628	42,872,957
<b>Total Current &amp; Accrued Assets</b>	<b>\$ 188,708,614</b>	<b>\$ 180,133,732</b>
Deferred Debits	101,245,644	102,973,793
<b>Total Assets &amp; Other Debits</b>	<b>\$ 1,810,332,686</b>	<b>\$ 1,807,919,630</b>
LIABILITIES & OTHER CREDITS	03/31/24	12/31/2023
Memberships	2,025,793	2,019,553
Pat. Capital, Margins & Equities	220,918,925	216,041,500
<b>Total Margins &amp; Equities</b>	<b>\$ 222,944,718</b>	<b>\$ 218,061,053</b>
Long-Term Debt - Bonds	1,064,816,662	1,083,733,329
Long-Term Debt - Other	13,794,000	14,820,000
Unamortized Debt Issuance Costs	(5,673,020)	(5,763,629)
Operating Lease Liabilities	3,538,528	3,545,670
Finance Lease Liabilities	191,964	193,192
<b>Total Long-Term Debt</b>	<b>\$ 1,076,668,134</b>	<b>\$ 1,096,528,562</b>
Notes Payable	214,969,387	186,968,978
Accounts Payable	19,841,161	34,146,210
Consumer Deposits	3,815,473	4,198,551
Other Current & Accrued Liabilities	42,737,270	37,725,256
<b>Total Current &amp; Accrued Liabilities</b>	<b>\$ 281,363,291</b>	<b>\$ 263,038,995</b>
Deferred Compensation	1,367,592	1,817,393
Other Liabilities, Non-Current	806,260	728,963
Deferred Liabilities	16,649,902	14,783,832
BRU Regulatory Liability	79,957,951	84,019,067
Cost of Removal Obligation	130,574,838	128,941,765
<b>Total Liabilities &amp; Other Credits</b>	<b>\$ 1,810,332,686</b>	<b>\$ 1,807,919,630</b>

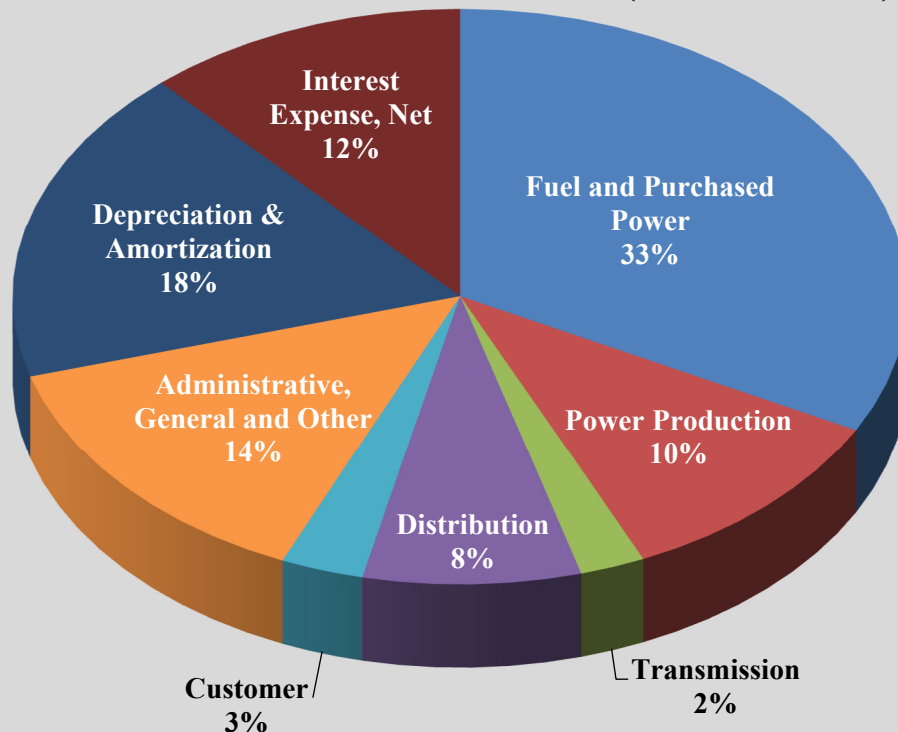




## COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2024 YTD ACTUAL TO BUDGET

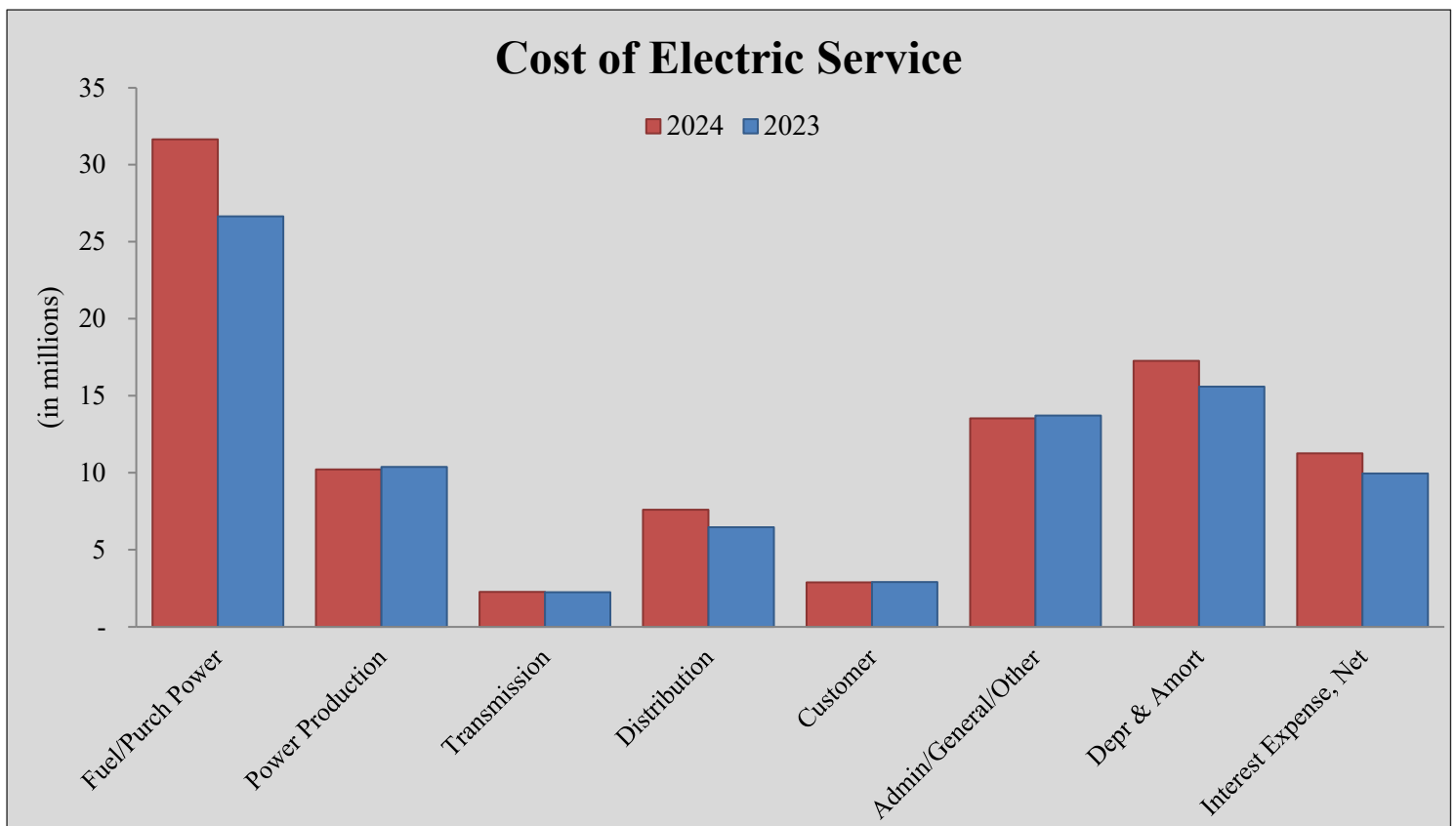
CATEGORY	ACTUAL	BUDGET	VARIANCE
<b>Operating Revenue &amp; Patronage Capital</b>	<b>\$ 100,782,532</b>	<b>\$ 90,657,070</b>	<b>\$ 10,125,462</b>
Fuel and Purchased Power	31,643,254	22,715,279	8,927,975
Power Production	10,214,425	10,011,679	202,746
Transmission	2,267,248	2,762,628	(495,380)
Distribution	7,597,632	7,009,033	588,599
Customer	2,883,171	2,859,408	23,763
Administrative, General and Other	13,534,340	13,111,744	422,596
Depreciation & Amortization	17,268,937	16,927,295	341,642
Interest Expense, Net	11,261,024	10,720,284	540,740
<b>Total Cost of Electric Service</b>	<b>\$ 96,670,031</b>	<b>\$ 86,117,350</b>	<b>\$ 10,552,681</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 4,112,501</b>	<b>\$ 4,539,720</b>	<b>\$ (427,219)</b>
Non-Operating Margins - Interest	538,008	117,829	420,179
AFUDC	101,728	67,666	34,062
Non-Operating Margins - Other	315,119	27,450	287,669
<b>Patronage Capital or Margins</b>	<b>\$ 5,067,356</b>	<b>\$ 4,752,665</b>	<b>\$ 314,691</b>
MFI/I	1.43	1.43	
TIER	1.53	1.50	

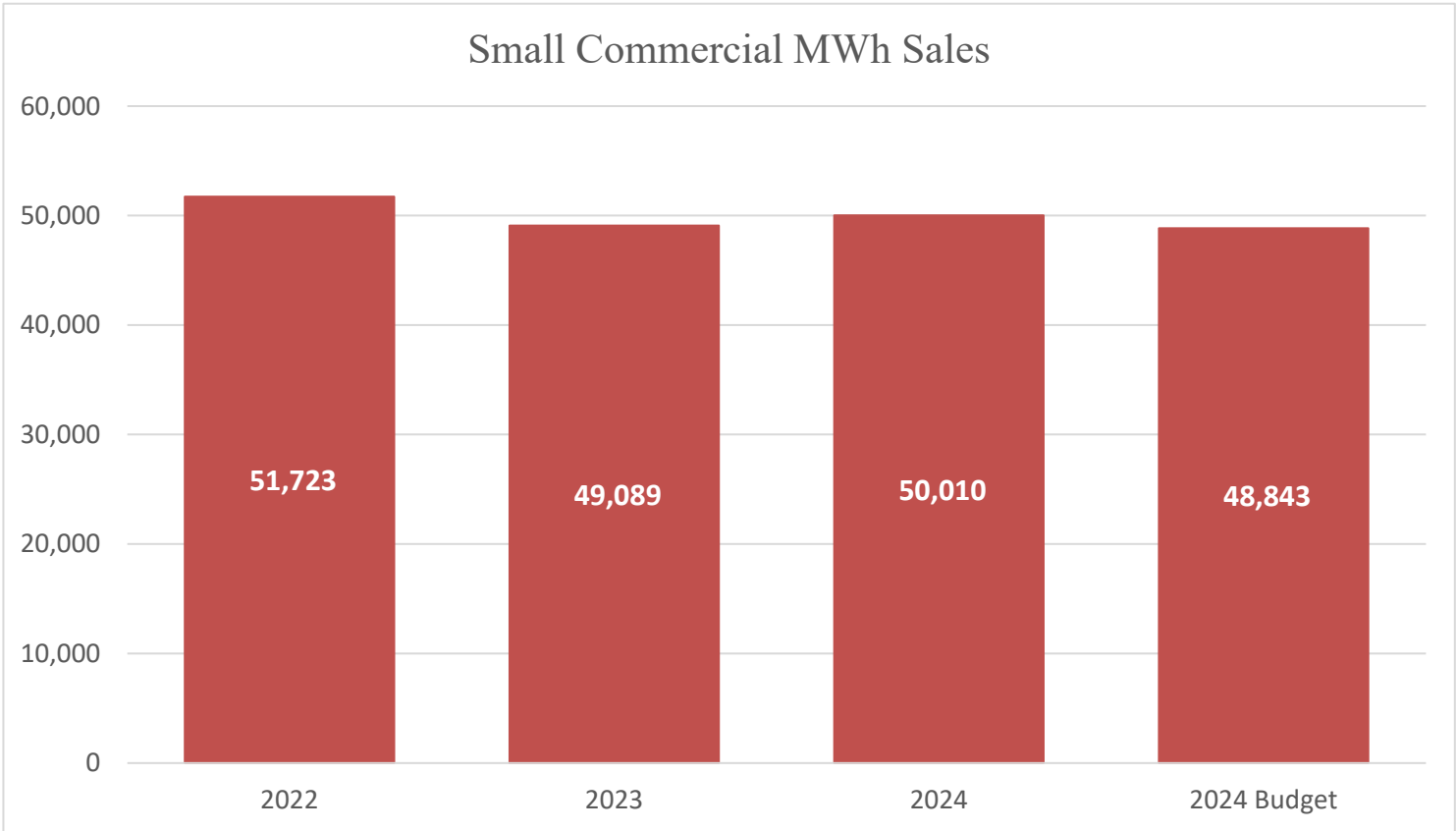
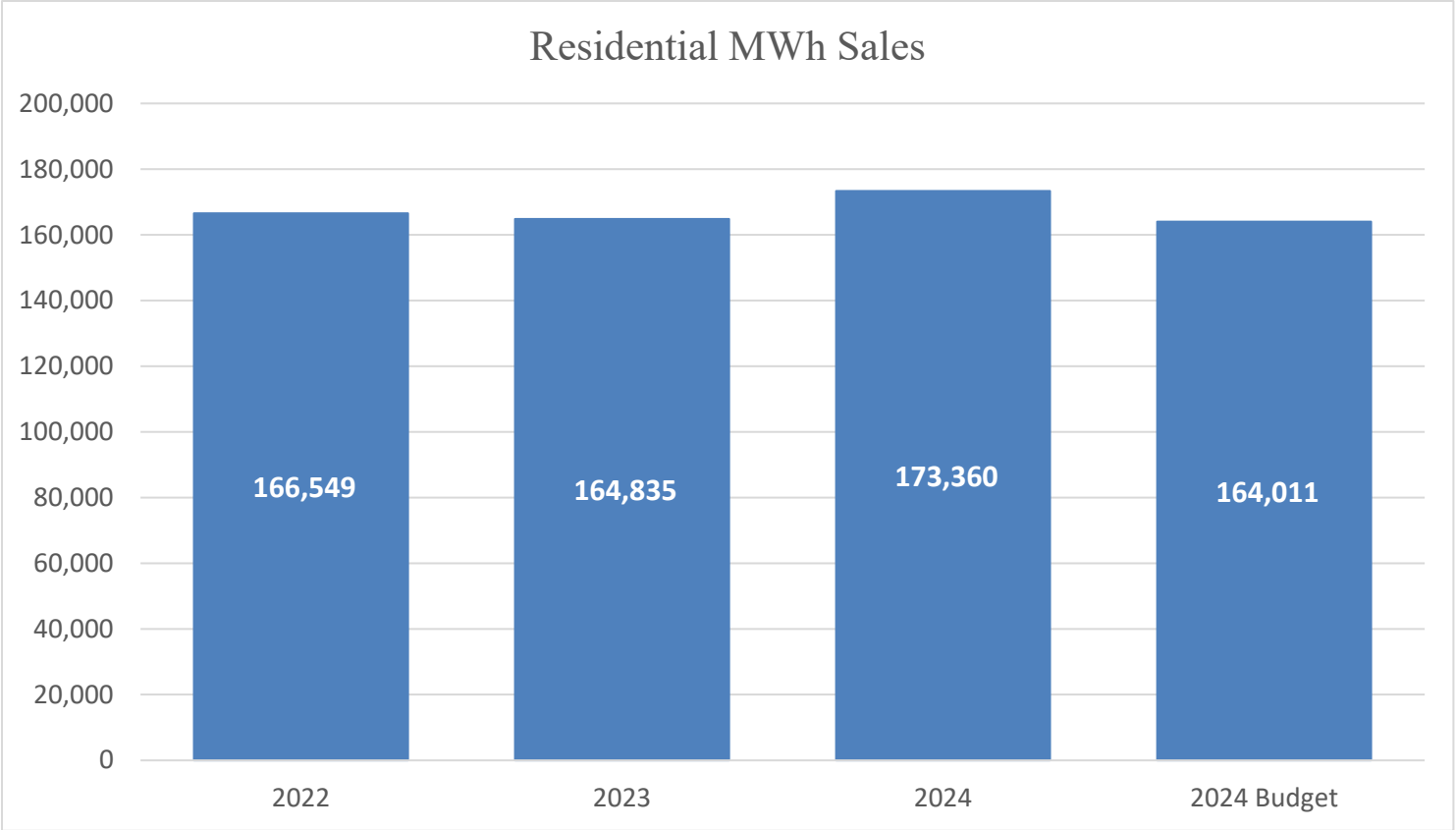
### Total Cost of Electric Service (YTD Actual)

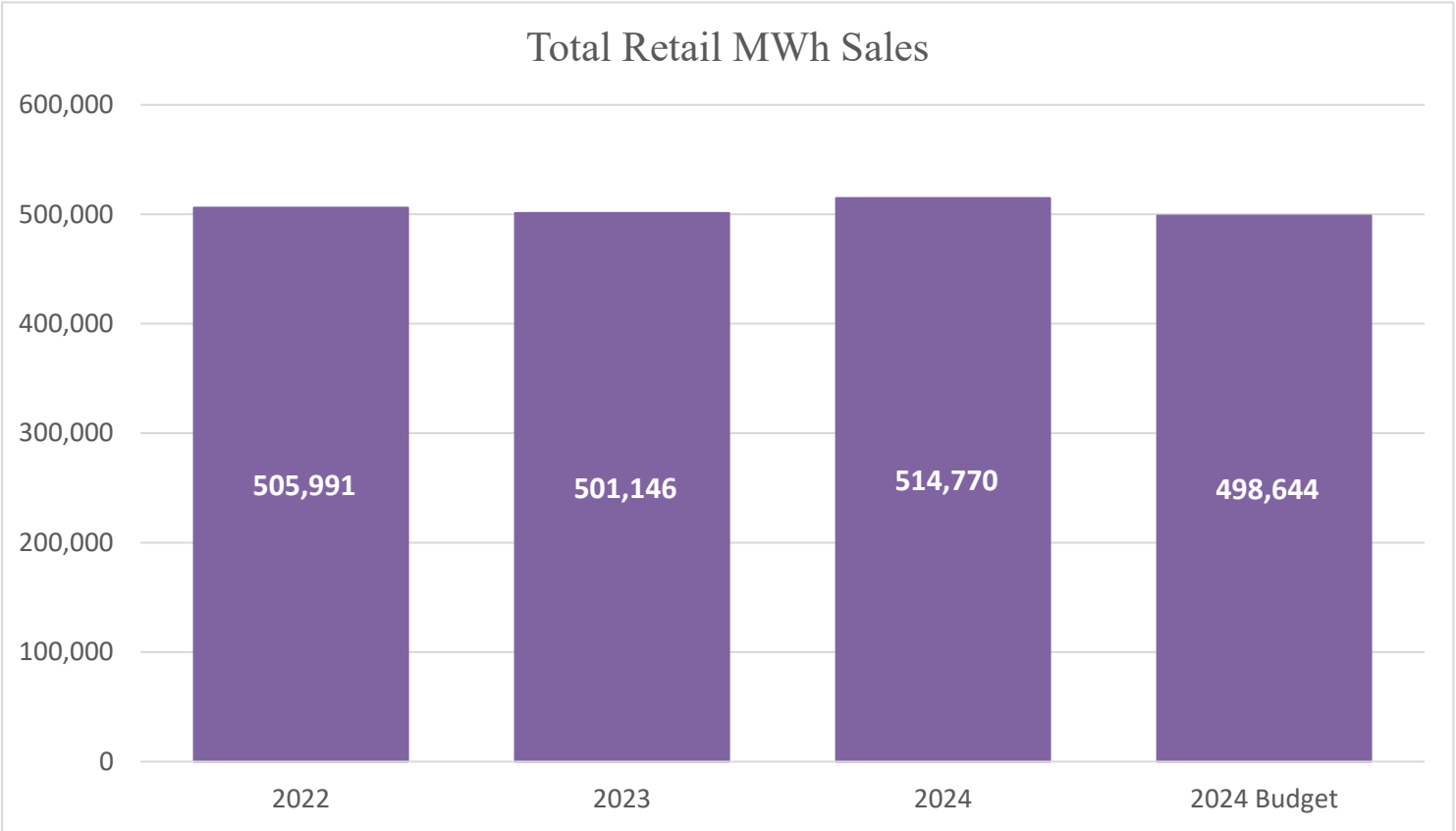
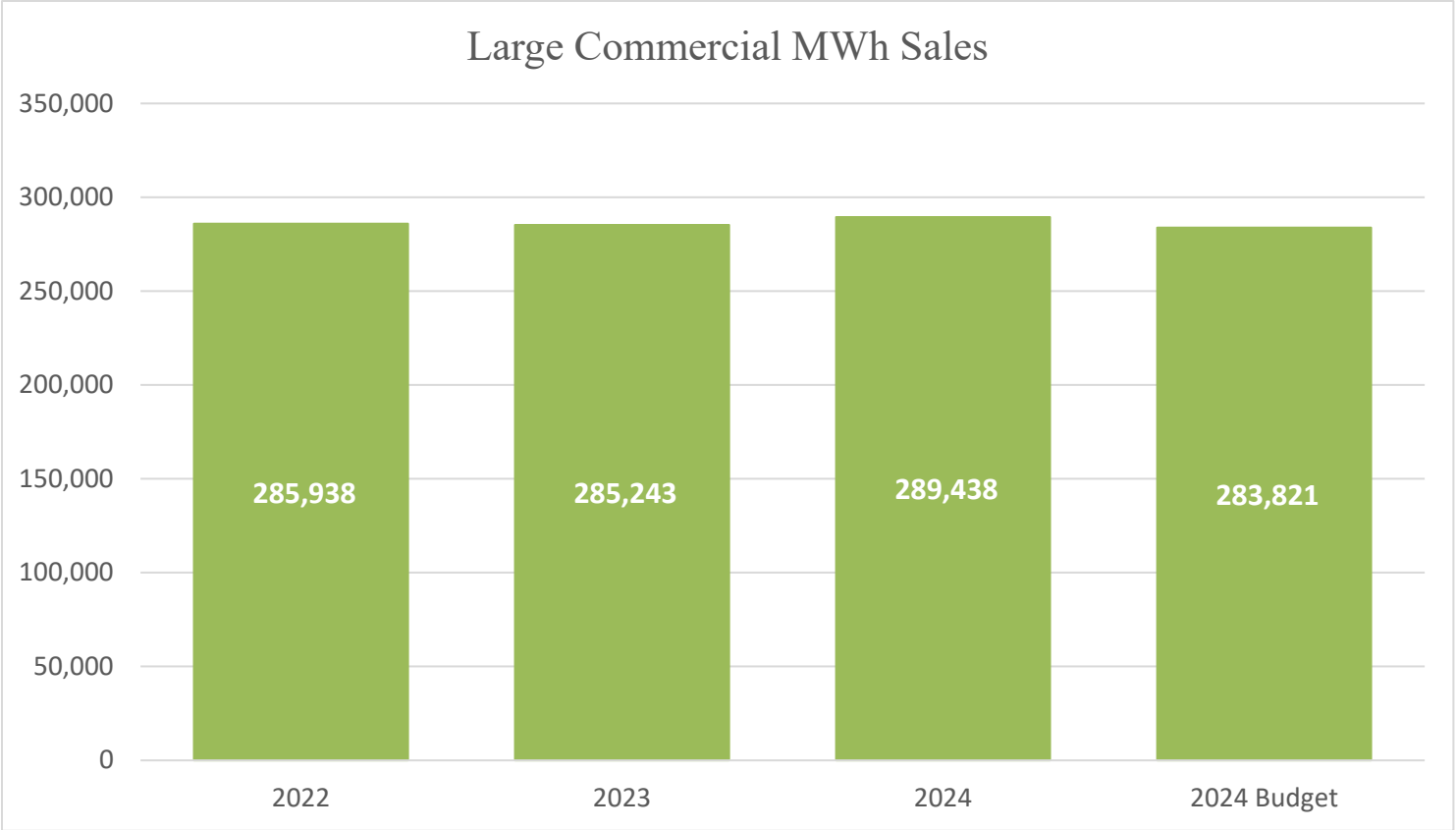


## COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YTD ACTUAL TO ACTUAL

CATEGORY	2024	2023	VARIANCE
<b>Operating Revenue &amp; Patronage Capital</b>	<b>\$ 100,782,532</b>	<b>\$ 91,030,694</b>	<b>\$ 9,751,838</b>
Fuel and Purchased Power	31,643,254	26,646,798	4,996,456
Power Production	10,214,425	10,382,188	(167,763)
Transmission	2,267,248	2,239,286	27,962
Distribution	7,597,632	6,467,180	1,130,452
Customer	2,883,171	2,902,355	(19,184)
Administrative, General and Other	13,534,340	13,719,096	(184,756)
Depreciation & Amortization	17,268,937	15,591,021	1,677,916
Interest Expense, Net	11,261,024	9,951,454	1,309,570
<b>Total Cost of Electric Service</b>	<b>\$ 96,670,031</b>	<b>\$ 87,899,378</b>	<b>\$ 8,770,653</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 4,112,501</b>	<b>\$ 3,131,316</b>	<b>\$ 981,185</b>
Non-Operating Margins - Interest	538,008	296,488	241,520
AFUDC	101,728	41,011	60,717
Non-Operating Margins - Other	315,119	(100,623)	415,742
<b>Patronage Capital or Margins</b>	<b>\$ 5,067,356</b>	<b>\$ 3,368,192</b>	<b>\$ 1,699,164</b>
MFI/I	1.43	1.32	
TIER	1.53	1.34	

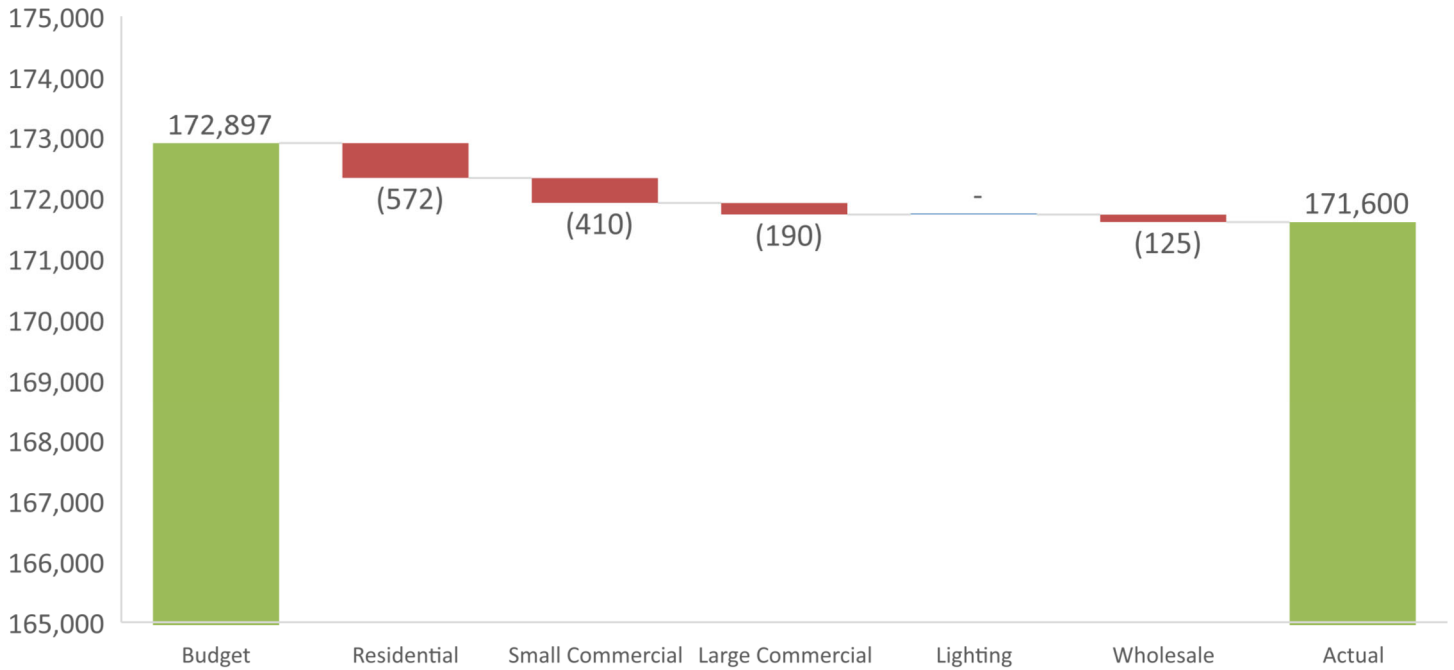






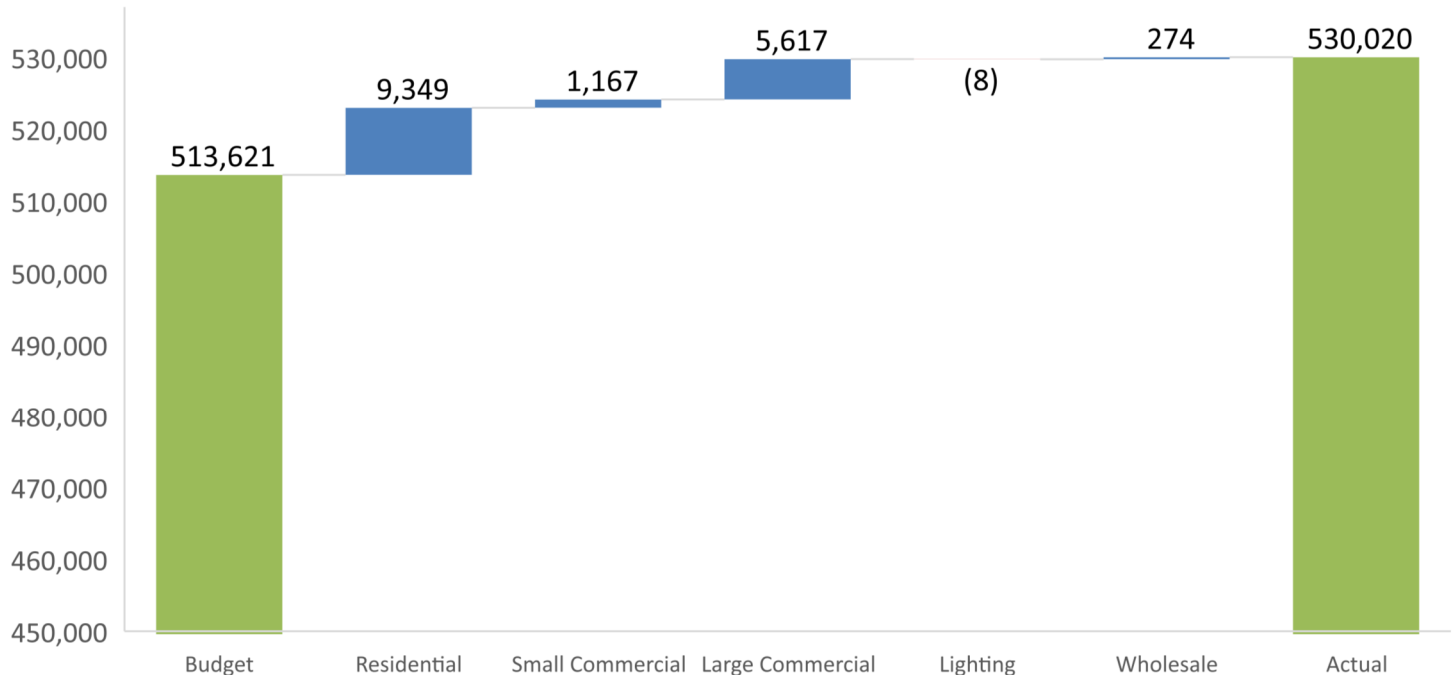
## Firm MWh Sales (MTD)

■ Increase ■ Decrease ■ Total

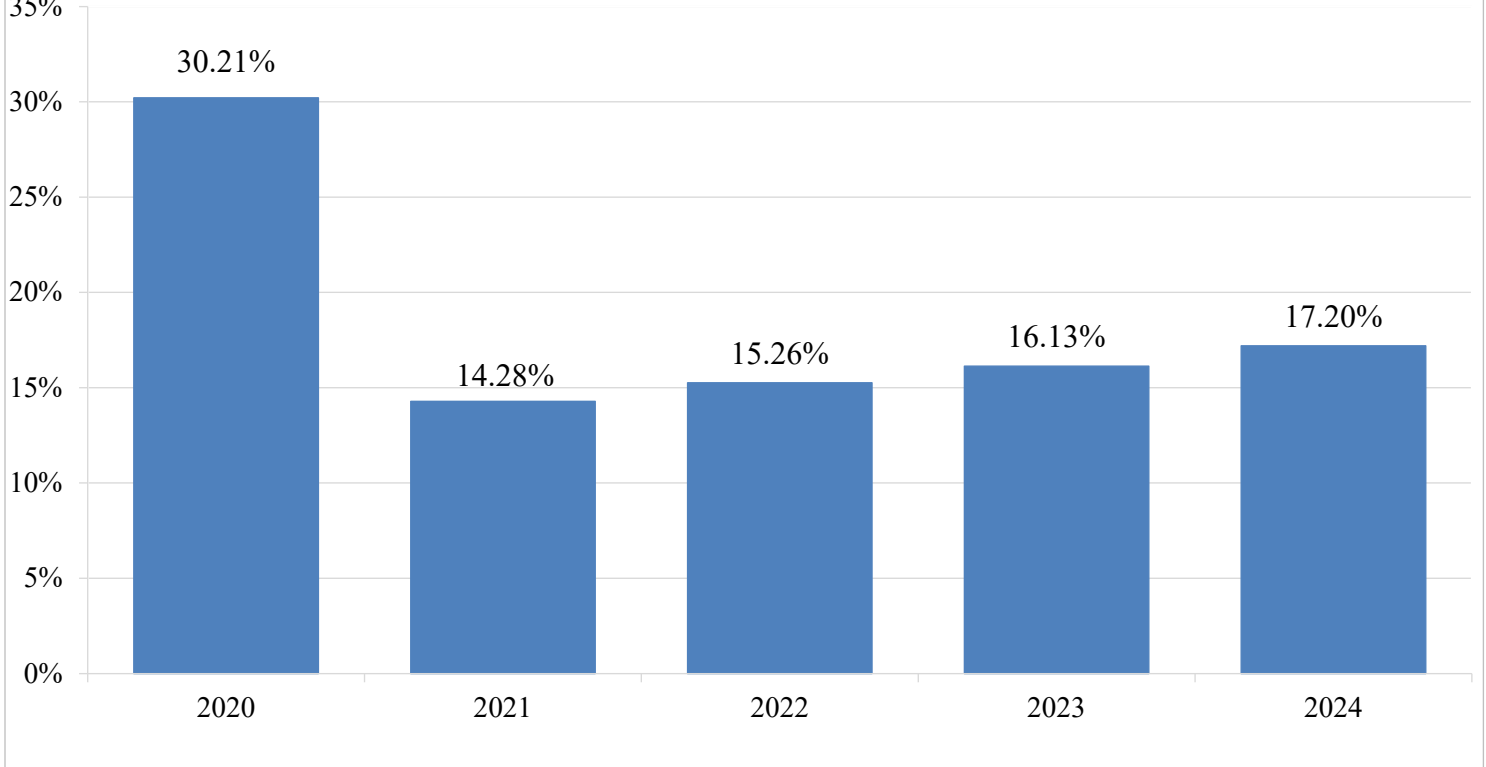


## Firm MWh Sales (YTD)

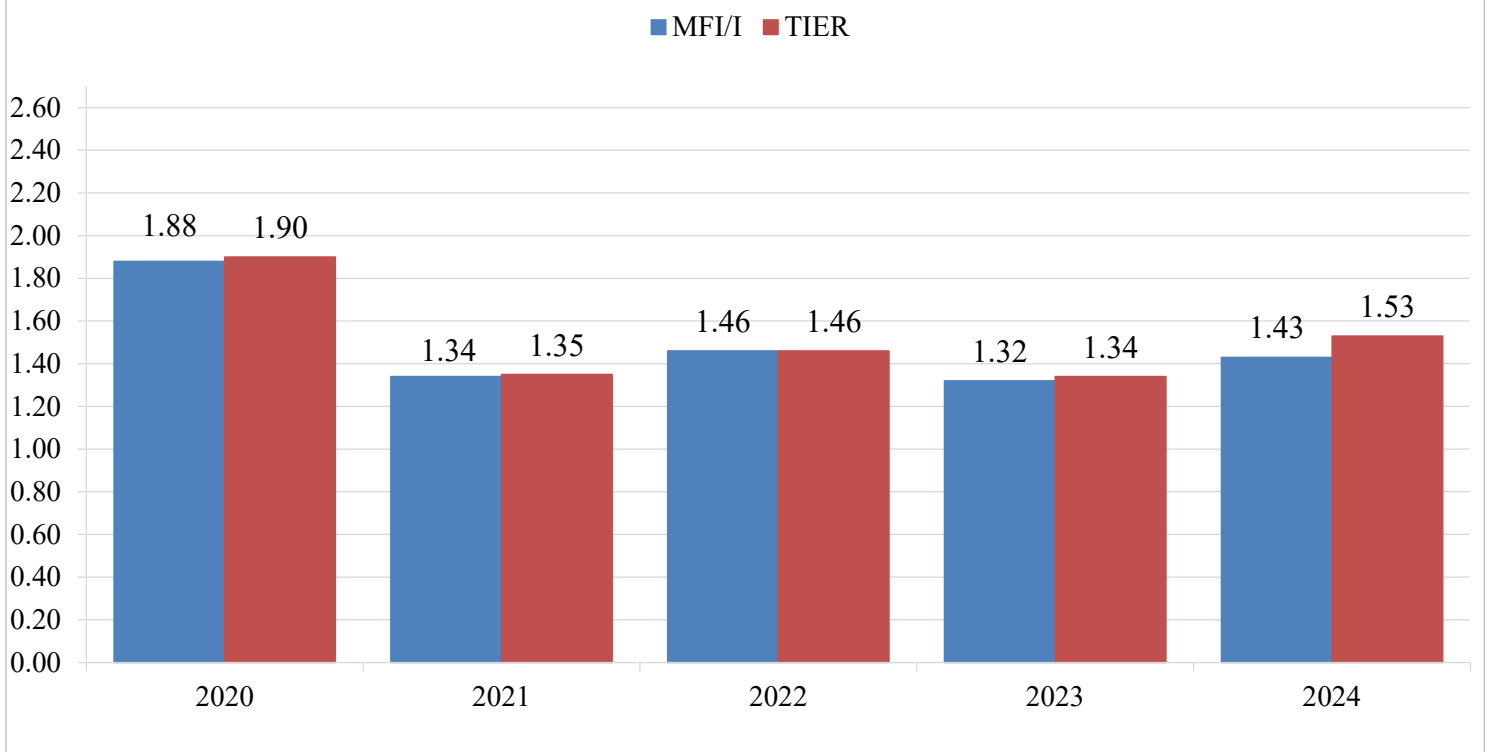
■ Increase ■ Decrease ■ Total



### Equity Ratio



### MFI/I and TIER



## ENERGY SALES (kWh)

	<u>2024 Actual</u>	<u>2024 Budget</u>
Retail Energy Sales	514,769,812	498,644,458
Wholesale Energy Sales	<u>15,249,864</u>	<u>14,976,182</u>
Total Firm Energy Sales	530,019,676	513,620,640
Economy Energy/Capacity	46,330,000	44,163,140
Power Pool Sales	<u>679,000</u>	<u>47,785,393</u>
Total Energy Sales	577,028,676	605,569,173

Firm energy sales totaled 530,019,676 kWh, which was a 3.2% favorable variance compared to budget. This favorable variance was due to higher residential, commercial and wholesale sales. Economy energy and capacity sales were over budget by 4.9% due to higher than anticipated sales to GVEA, while power pool sales to MEA were under budget by 98.6%.

## ENERGY REVENUE (in millions)

	<u>2024 Actual</u>	<u>2024 Budget</u>
Retail Revenue	\$ 94.7	\$ 84.9
Wholesale Revenue	<u>1.6</u>	<u>1.2</u>
Total Firm Revenue	96.3	86.1
Economy Energy/Capacity Revenue	2.7	1.9
Power Pool Revenue	0.0	0.8
Other Operating Revenue	<u>1.8</u>	<u>1.9</u>
Total Revenue	\$ 100.8	\$ 90.7

Revenue from firm sales was over budget at \$96.3 million compared to a budget of \$86.1 million. This favorable variance was due primarily to higher retail revenue as a result of higher residential and commercial sales, and higher fuel recovered in revenue. Economy energy and capacity revenue was over budget by 44.5% due to higher economy sales and higher economy fuel recovered in revenue. Power pool revenue was under budget at \$18.1 thousand compared to a budget of \$831.7 thousand. This unfavorable variance was due primarily to lower than anticipated power pool sales, as a result of Chugach's steam unit outage. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, grants, AWWU revenue, miscellaneous services, and other electric revenue. Other operating revenue was under budget by 7.5%, due to lower Bradley Lake wheeling revenue and lower than anticipated sales of renewable energy certificates.

## FUEL AND PURCHASED POWER (in millions)

	<u>2024 Actual</u>	<u>2024 Budget</u>
Fuel	\$ 23.5	\$ 13.5
Purchased Power	<u>8.1</u>	<u>9.2</u>
Total	\$ 31.6	\$ 22.7

Fuel expenses include fuel, storage, transportation, and BRU operating costs. Fuel expense was over budget at \$23.5 million compared to \$13.5 million in the budget. This unfavorable variance was primarily caused by higher BRU operating expenses and more fuel purchased due to retail and economy sales, which was somewhat offset due to a lower average effective price.

Fuel purchased or withdrawn from inventory for native production was 1,458,832 Mcf at an average effective price of \$8.91 per Mcf. Fuel purchased or withdrawn from inventory for economy energy production for GVEA was 211,291 Mcf at an average effective price of \$8.51. This resulted in 1,670,123 Mcf at a combined average effective price of \$8.86 per Mcf compared to 672,369 Mcf budgeted at an average effective price of \$10.08 per Mcf.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, Eklutna, MEA through power pooling and other utilities as needed, as well as costs associated with dispatching. Purchased power expense was under budget at \$8.1 million compared to \$9.2 million in the budget. This favorable variance was due primarily to lower purchases from Bradley Lake and MEA through power pooling, which was somewhat offset by a higher average effective price.

Energy purchased was 101,861 MWh at an average effective price of 6.0 cents per kWh compared to 182,329 MWh budgeted at an average effective price of 4.1 cents per kWh.

## POWER PRODUCTION (in millions)

	<u>2024 Actual</u>	<u>2024 Budget</u>
Power Production	\$ 10.2	\$ 10.0

Power production expense was \$10.2 million compared to \$10.0 million in the budget. The unfavorable variance was due primarily to higher maintenance costs at the Nikkels and Beluga plants, which was somewhat offset by lower maintenance costs at the Southcentral Power Project and Sullivan plant.

## TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>2024 Actual</u>	<u>2024 Budget</u>
Transmission	\$ 2.3	\$ 2.8

Transmission operations and maintenance expenses were \$2.3 million compared to \$2.8 million in the budget. This favorable variance was due primarily to lower labor and maintenance costs.



## DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>2024 Actual</u>	<u>2024 Budget</u>
Distribution	\$ 7.6	\$ 7.0

Distribution operations and maintenance expenses were \$7.6 million compared to \$7.0 million in the budget. This unfavorable variance was due primarily to higher outage related maintenance, and substation maintenance, which was somewhat offset by lower Geographic Information System (GIS) support costs.

## CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>2024 Actual</u>	<u>2024 Budget</u>
Consumer/Customer Information	\$ 2.9	\$2.9

Consumer accounts and customer information expenses were on par with budget. Higher labor was offset by lower software maintenance, postage and member appreciation costs.

## ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>2024 Actual</u>	<u>2024 Budget</u>
Administrative, General and Other	\$ 13.5	\$ 13.1

Administrative, general, and other expenses include 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 expenses were \$13.5 million compared to \$13.1 million in the budget. The unfavorable variance was due primarily to higher snow removal and legal costs, which was somewhat offset by lower labor and PILT costs.

Depreciation, interest, and interest during construction expense totaled \$28.5 million compared to \$27.6 million in the budget. The unfavorable variance was attributed to higher interest expense caused by higher short-term interest rates, a larger than budgeted commercial paper balance and higher depreciation expense due to project close-outs.

All the foregoing expenses resulted in the total cost of electric service of \$96.7 million compared to \$86.1 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 and dividend income. Non-operating margins totaled \$1.0 million compared to \$0.2 million in the budget due primarily to higher non-operating interest income and a realized gain from the BRU ARO fund.

The net result of revenue and expenses was margins of \$5.1 million compared to projected margins of \$4.8 million in the budget. This resulted in an MFI/I of 1.43, a TIER of 1.53, and an equity-to-total capitalization ratio of 17.20%.

The current forecast projects year-end margins of \$8.2 million, an MFI/I of 1.18 and TIER of 1.22.

<b>COMPARATIVE FINANCIAL REPORT</b> <b>STATEMENT OF OPERATIONS</b> <b>2024 YEAR-END FORECAST</b>				
<b>CATEGORY</b>	<b>YTD ACTUAL</b>	<b>YTD BUDGET</b>	<b>YEAR-END BUDGET</b>	<b>YEAR-END FORECAST</b>
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 100,782,532</b>	<b>\$ 90,657,070</b>	<b>\$ 357,104,031</b>	<b>\$ 370,285,458</b>
Fuel and Purchased Power Expense	31,643,254	22,715,279	93,937,929	105,921,869
Power Production Expense	10,214,425	10,011,679	42,111,376	42,520,211
Transmission Expense	2,267,248	2,762,628	11,159,354	9,158,318
Distribution Expense	7,597,632	7,009,033	28,570,830	29,720,603
Customer Expense	2,883,171	2,859,408	11,516,793	11,612,504
Administrative, General & Other	13,534,340	13,111,744	51,395,436	52,004,774
Depreciation and Amortization Expense	17,268,937	16,927,295	67,450,047	67,791,689
Interest Expense, Net	11,261,024	10,720,284	43,535,030	44,908,503
<b>Total Cost of Electric Service</b>	<b>\$ 96,670,031</b>	<b>\$ 86,117,350</b>	<b>\$ 349,676,795</b>	<b>\$ 363,638,470</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 4,112,501</b>	<b>\$ 4,539,720</b>	<b>\$ 7,427,236</b>	<b>\$ 6,646,988</b>
Non-Operating Margins - Interest	538,008	117,829	450,201	870,380
Allowance for Funds Used During Construction	101,728	67,666	195,934	229,996
Non-Operating Margins - Other	315,119	27,450	109,800	405,705
<b>Patronage Capital or Margins</b>	<b>\$ 5,067,356</b>	<b>\$ 4,752,665</b>	<b>\$ 8,183,171</b>	<b>\$ 8,153,069</b>
MFI/I	1.43	1.43	1.19	1.18
TIER	1.53	1.50	1.22	1.22

## **CHUGACH ELECTRIC ASSOCIATION, INC.**

### **BOARD POLICY: 207**

#### **AUDIT AND FINANCE COMMITTEE**

##### **I. PURPOSE**

The purpose of the Audit and Finance Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the Association's systems of internal controls regarding finance, accounting, and legal compliance and the Association's auditing, accounting and financial reporting processes, results and reports. The Audit and Finance Committee's responsibilities are to:

- A. Act consistent with the Association's Board Policy 100, *Code of Ethics*, in particular to create, promote and maintain a culture of honesty and high ethical standards.
- B. Review and oversee the Association's financial reporting process, results and reports as they apply to internal controls to prevent, deter and detect fraud.
- C. Review the performance of the Association's independent registered public accounting firm ("independent auditor" or "auditor").
- D. Ensure open communication between the Association's independent auditor, management and the Board of Directors.

The Audit and Finance Committee shall also:

- A. Make recommendations to the Board regarding Section II. B. of Board Policy 103.
- B. Review annually, objectives and goals in areas assigned to this Committee and makes appropriate recommendations to the Board.
- C. Review and complete such other matters as may be specifically assigned to it by the Board.

The Audit and Finance Committee will fulfill these responsibilities as enumerated in Section III of this Policy.

## II. COMPOSITION

The Audit and Finance Committee shall be comprised of three or more directors as determined by the Board. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Association or an outside consultant or other programs. The Committee may also retain the services of a qualified accounting professional with auditing expertise to assist it in the performance of its responsibilities.

The Board Chair shall appoint the Board Treasurer as Audit and Finance Committee chairperson. The Audit and Finance Committee shall elect from its membership a vice chair and appoint a recording secretary as needed.


## III. RESPONSIBILITIES

The responsibilities of the Committee are to:

1. Recommend to the Board of Directors the selection of the independent auditor, it being understood that the Board of Directors has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditor.
2. Receive annually a report of, and review and discuss with the independent auditor, all significant relationships they have with the Association, including the fees and other compensation paid to them, to verify their independence.
3. Ensure the receipt of, and evaluate the written disclosures and the letter that the independent auditor submits to the Audit and Finance Committee regarding the auditor's independence in accordance with Independence Standards Board Standard No. 1, discuss such reports with the auditor and, if so determined by the Audit and Finance Committee in response to such reports, recommend that the Board of Directors take appropriate action to address issues raised by such evaluation.
4. Discuss with the independent auditor the matters required to be discussed by applicable auditing standards.
5. Instruct the independent auditor that the Committee expects to be advised if there are any areas that require special attention.
6. Meet with management and the independent auditor to discuss the annual financial statements and the report of the independent auditor thereon, and to discuss significant issues encountered in the course of the audit work, including restrictions on the scope of activities, access to required information and the adequacy of internal financial controls.

7. Review the management letter delivered by the independent auditor in connection with the audit.
8. Each year, confirm the level of financial information to include in the Association's annual report.
9. Meet quarterly with management to review and discuss the quarterly financial statements and meet annually with management and the independent auditor to review and discuss the annual financial statements.
10. At least annually, meet with the independent auditor out of the presence of management to discuss internal controls and to review the fullness and accuracy of the Association's financial statements.
11. When necessary, meet in separate executive sessions with management and the independent auditor to discuss matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative, or when such an executive session would otherwise be necessary to comply with the open meeting requirements of the Association.
12. Have such meetings with management, the independent auditor and the internal auditor, if applicable, as the Audit and Finance Committee deems appropriate, to discuss significant financial risk exposures facing the Association, and steps management has taken or should be taken to monitor and control such exposures.
13. Review the scope and results of internal audits, if applicable.
14. Evaluate the performance of the independent auditor and, if so determined by the Audit and Finance Committee, recommend to the Board of Directors replacement of the independent auditor.
15. At the request of Association counsel, review with Association counsel legal and regulatory procedures that may have a significant impact on the Association's financial statements, compliance policies or programs.
16. Conduct or authorize such inquiries into matters within the Committee's scope of responsibility as the Committee deems appropriate.
17. Provide minutes of Audit and Finance Committee meetings to the Board of Directors, and report to the Board of Directors on any significant matters arising from the Committee's work.
18. Review with the independent auditors and management the extent to which any changes or improvements in financial or accounting practices, as recommended by the independent auditors and approved by the Board, have been implemented.
19. At least annually, review and reassess this Policy and, if appropriate, recommend proposed changes to the Board of Directors.

Date Approved: May 26, 2021

Attested:   
James Henderson  
Secretary of the Board

*In the performance of its responsibilities, the Audit and Finance Committee is a representative of the members. However, it is not the responsibility of the Audit and Finance Committee to plan or conduct audits, or to determine whether the Association's financial statements are complete and accurate or in accordance with generally accepted accounting principles. It is not the responsibility of the Audit and Finance Committee to conduct inquiries, to resolve disagreements, if any, between management and the independent auditor, or to assure compliance with laws, regulations or any company compliance policies or programs.*