



CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

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

Sam Cason, Director
Jim Nordlund, Director

May 31, 2023

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. March 29, 2023 (Cacy)
- IV. PERSONS TO BE HEARD
 - 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 Reviews (Phillips)
 - B. 1st Quarter 2023 Capital Tracking Report (Sims/Griffin)
 - C. 1st Quarter 2023 Operating Budget Status Report (Sims/Griffin)
 - D. 1st Quarter 2023 Financial Information and Variance Report (Sims/Griffin)
- VII. NEW BUSINESS* (scheduled) (4:55 p.m.)
 - A. Board Policy 207 - Audit and Finance Committee** (Committee) (4:55 p.m.)
- VIII. EXECUTIVE SESSION* (scheduled) (5:15 p.m.)
 - A. 1st Quarter 2023 Contract Status Report (Travis) (5:15 p.m.)
 - B. Rate Case Update (Clarkson) (5:25 p.m.)
- IX. NEW BUSINESS (none)
- X. DIRECTOR COMMENTS (5:40 p.m.)
- XI. ADJOURNMENT* (5:55 p.m.)

* Denotes Action Items

** Denotes Possible Action Items

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

March 29, 2023
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Sandra Cacy

I. CALL TO ORDER

Chair Hollis called the Audit and Finance Committee meeting to order at 4:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

Harold Hollis, Chair
Sam Cason, Director
Sisi Cooper, Director (*via teleconference*)
Rachel Morse, Director

Committee Members Absent:

Bettina Chastain, Director

Board Members Present:

Mark Wiggin, Director
Bernie Smith, Director

Guests and Staff Attendance

Present:

Sherri Highers	Julie Hasquet	Curtis Sims
Arthur Miller	Matthew Clarkson	Jessie Anderson
Karen Griffin	Nathan Golab	Jean Kornmuller
Andrew Laughlin	Kate Ayers	Ashton Doyle
Brandy Niclai, APCM	Todd McCarty	Blake Phillips, APCM
Steve Konkel, REAP, Director	Andrew Laughlin	Michael Hayhurst, KPMG
Beth Stewart, KPMG	Josh Travis	Melissa Beedle, KPMG
	Vinay Sharma, APCM	

Via Teleconference:

II. APPROVAL OF THE AGENDA

Director Morse moved and Director Cooper seconded the motion to approve the agenda. The motion passed unanimously.

Director Cason was not present at the time of the vote.

III. APPROVAL OF THE MINUTES

Director Morse moved and Director Cooper seconded the motion to approve the November 30, 2022, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

Director Cason was not present at the time of the vote.

Director Cason arrived at 4:03 p.m.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None.

V. NEW BUSINESS

None.

VI. CEO REPORTS AND CORRESPONDENCE

- A. *4th Quarter 2022 Capital Tracking Report (Sims/Griffin)*
The 4th Quarter 2022 Capital Tracking Report was provided in the meeting packet.
- B. *4th Quarter 2022 Operating Budget Status Report (Sims/Griffin)*
The 4th Quarter 2022 Operating Budget Status Report was provided in the meeting packet.
- C. *4th Quarter 2022 Contract Status Report (Vecera)*
The 4th Quarter 2022 Contract Status Report was provided in the meeting packet.

Arthur Miller, Chief Executive Officer, gave a summary of the CEO Reports and Correspondence items and responded to questions from the Committee.

VII. NEW BUSINESS

- A. *2022 Year-End Financials and Variance Report (Griffin)*
Karin Griffin, Vice President of Finance and Accounting, presented the Year-End 2022 Financial Information and Variance Report and responded to questions from the Committee.
- B. *Hybrid Approach to Capital Credit Retirement (Ayers)*
Kate Ayers, Sr. Manager of Key Accounts & Sustainability, discussed a hybrid approach option for Capital Credit Retirement and responded to questions from the Committee.
- C. *BRU ARO Investment Portfolio Review (APCM/Highers)*
Blake Phillips and Brandy Niclai, Alaska Permanent Capital Management, discussed CEA's Investment Portfolio as well as potential market investment options and responded to questions from the Board.

VIII. EXECUTIVE SESSION

- A. BRU ARO Investment Strategy Review (APCM/Highers)*
- B. Review 2022 Independent Audited Financial Statements (KPMG)*
- C. Board and Auditor Discussion (Board/KPMG)*
- D. 2022 Year-End Financial Report (Sims/Griffin)*

At 4:56 p.m., Director Cason moved and Director Morse seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1), the Audit and Finance Committee 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 6:52 p.m.

IX. NEW BUSINESS

None.

X. DIRECTOR COMMENTS

Director comments were made at this time.

XI. ADJOURNMENT

At 6:59 p.m., Director Morse moved and Director Cason seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

May 31, 2023

ACTION REQUIRED

AGENDA ITEM NO. V.A.

 Information Only
 X **Motion**
 Resolution
 Executive Session
 Other

TOPIC

Election of Audit and Finance Committee Vice Chair

DISCUSSION

Board Policy 207, Audit and Finance Committee provides that the Board Chair shall appoint the Board Treasurer as the Audit and Finance Committee Chairperson. This year, the Board Treasurer and thus the Audit and Finance Chair is Director Harold Hollis. 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 Susanne Fleek-Green, Sam Cason, Jim Norlund and Sisi Cooper.

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
for the period ending March 31, 2023

Agenda

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

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Account Summary as of March 31, 2023

Chugach Electric Beluga River ARO Investment Fund

Account Inception		October 2020
Initial Contribution		\$ 17,175,687
Subsequent Contributions		\$ 4,281,878
Withdrawals <i>Does not include custodial or management fees</i>		\$ 0
Current Market Value <i>March 31, 2023</i>		\$ 21,638,560
Annualized Account Return* <i>Inception – March 31, 2023</i>		0.69%
Strategic Asset Allocation	Risk Assets	52%
	Risk Control	27%
	Alternatives	21%

*Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year.

Portfolio Review

Portfolio Review

Market Review

Appendix

Account Summary as of March 31, 2023

Chugach Electric Beluga River ARO Investment Fund

Contributions to Date*	\$ 21,457,565
Current Market Value	\$ 21,638,560
Anticipated Contributions**	\$30,553,079
Total Liability <i>Due 2033</i>	\$ 79,101,308
Funded Status***	65.98%

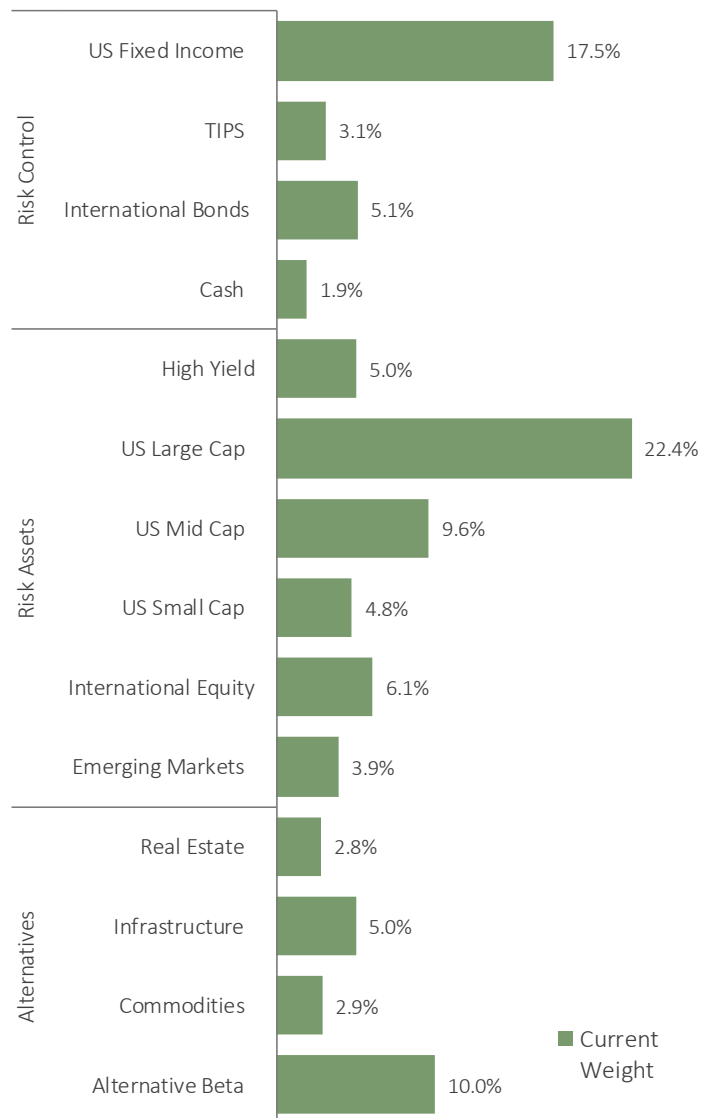
*Contributions to Date calculated as the initial contribution plus subsequent deposits.

** Anticipated Contributions based on 2022 Reserve Study prepared by Ryder Scott.

***Funded Status calculated as current market value plus anticipated contributions of approximately \$30.55MM divided by the ARO liability of \$79.10MM.

Asset Allocation as of March 31, 2023

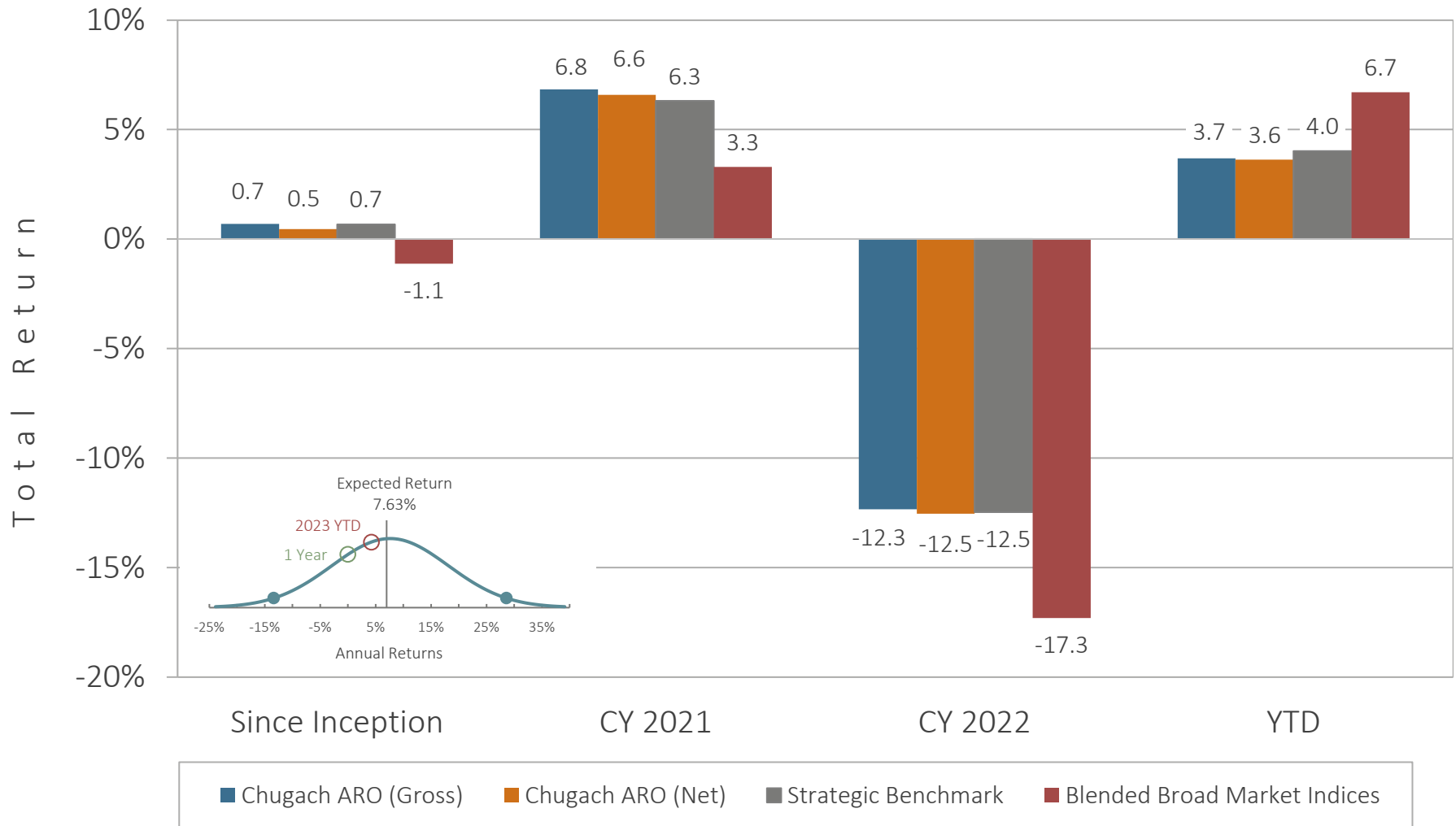
Chugach Electric Beluga River ARO Investment Fund



Asset Class	Strategic Weight	Overweight / Underweight	Range
Risk Control	27%	0.6%	
US Fixed Income	18%	-0.5%	8 - 28%
TIPS	2%	1.1%	0 - 10%
International Bonds	5%	0.1%	0 - 10%
Cash	2%	-0.1%	0 - 10%
Risk Assets	52%	-0.2%	
High Yield	5%	0.0%	0 - 10%
US Large Cap	22%	0.4%	12 - 32%
US Mid Cap	10%	-0.4%	5 - 15%
US Small Cap	5%	-0.2%	0 - 10%
International Equity	6%	0.1%	0 - 12%
Emerging Markets	4%	-0.1%	0 - 8%
Alternatives	21%	-0.4%	
Real Estate	3%	-0.2%	0 - 6%
Infrastructure	5%	0.0%	0 - 10%
Commodities	3%	-0.1%	0 - 6%
Alternative Beta	10%	0.0%	0 - 15%

Account Performance as of March 31, 2023

Chugach Electric Beluga River ARO Investment Fund



Expected risk and return data from Windham Portfolio Advisor. 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. Blended Broad Market Indices represented by a blend of MSCI ACWI and Bloomberg Global Agg at weights of 25% equity / 75% bonds through 9/30/2021 and 60% equity / 40% bonds thereafter.

- Actively managed U.S. Fixed Income return for the 1st quarter was **2.94%** vs. **2.96%** 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 duration in US Treasuries was the main detractor from performance compared to the benchmark. This was due to intermediate and long-term interest rates decreasing during the quarter.
 - An overweight to Agency securities was the main driver of outperformance relative to the benchmark due to security selection.

U.S. Fixed Income Summary Statistics as of March 31, 2023

	ARO Investment Fund	Bloomberg Aggregate
Market Value	\$ 3,786,982	—
Yield to Maturity	4.50%	4.40%
Effective Duration	6.37	6.34

Source: Bloomberg and Axys

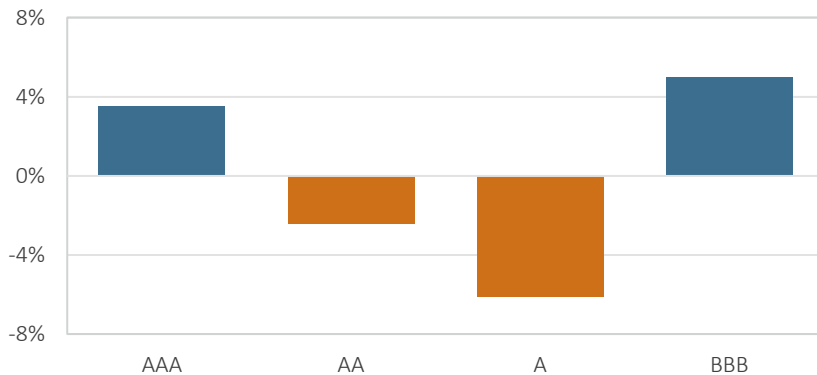
U.S. Fixed Income Positioning as of March 31, 2023

Chugach Electric Beluga River ARO Investment Fund

Sector Under/Overweight



Quality Under/Overweight



Source: Bloomberg

Bond Sector Comparison

	Chugach	Bloomberg Agg
Governments*	41.7%	45.4%
Corporates	22.3%	25.3%
MBS	36.0%	27.2%
ABS/CMBS	0.0%	2.1%
Total	100%	100%

* Includes Municipal Debt

Credit Quality Comparison

	Chugach	Bloomberg Agg
AAA	77.1%	73.6%
AA	0.0%	2.4%
A	4.9%	11.0%
BBB	18.0%	13.0%
Total	100%	100%

Market Review

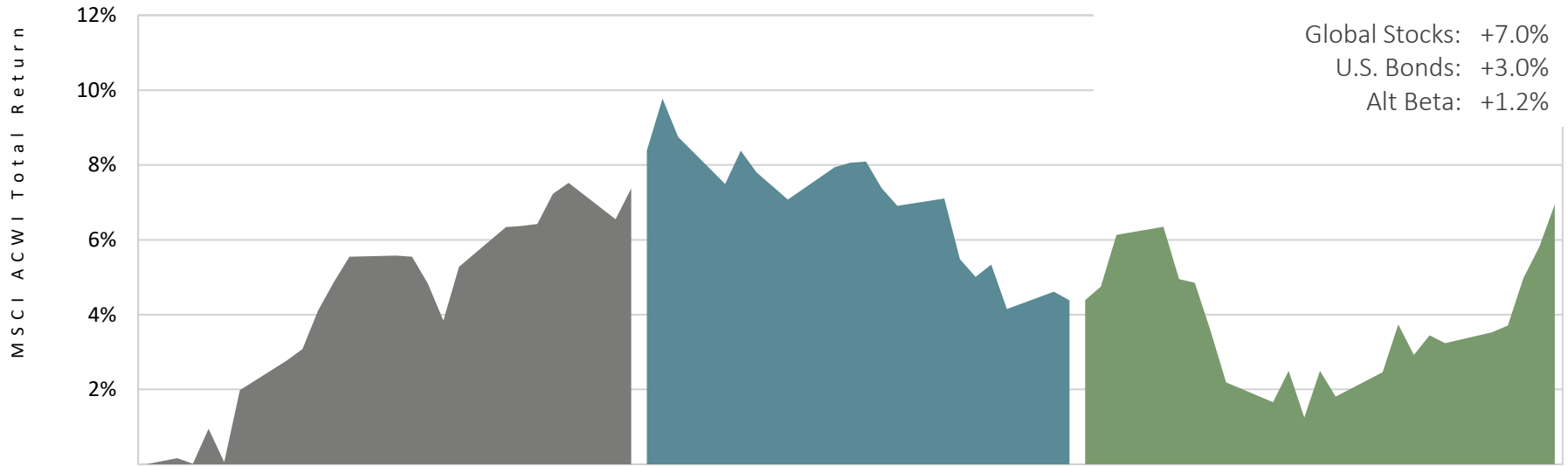
Market Review

Portfolio Review

Appendix

Positive Returns Amidst Uncertainty

Market Recap Q1 2023



Global Stocks: +7.0%
U.S. Bonds: +3.0%
Alt Beta: +1.2%

January

December U.S. jobs report shows continued strength but gradual cooling with slower job gains, increased participation and slower wage growth.

Hints of easing inflationary pressures lead to hopes of less restrictive monetary policy than expected, causing a strong “risk on” move in January.

U.S. government reaches its \$31.4 trillion borrowing limit and invokes extraordinary funding measures estimated to last until Q3 2023.

February

Geopolitical frictions deepen after the U.S. shoots down a China surveillance balloon in U.S. airspace, though the market impact is contained.

Core PCE, the Fed's preferred inflation measure, unexpectedly accelerates to 4.7% from 4.3%.

One-year anniversary of the Ukraine war; little progress has been made toward a peaceful resolution and escalation risks remain present.

March

The second-biggest U.S. bank failure (Silicon Valley Bank, aka SVB) triggers a run on regional bank deposits and elevates financial stability risks.

Amid bank turmoil and high inflation, the Fed hikes its policy rate by 25 bps, softens language on future hikes and leaves its 2023 year-end Fed funds rate forecast unchanged at 5.1%

Bank turmoil continues after Credit Suisse shares plunge on perceived weakness and its ensuing deposit outflows force a rescue sale to UBS.

Revisiting the Investment Outlook

Banking Stress Amplifies the Probability of Recession

Stress in the financial sector increases the probability of **scenario 2** (*moderate recession and eventual rate cuts*) as the strain in the financial sector will eventually magnify the impact of Fed tightening and further cool the economy. In turn, this should bring forward Fed relief which would eventually be supportive for both stocks and bonds.

Scenario 1

- ❖ The most **difficult descent** would occur if inflation stayed higher for longer, forcing central banks to **increase rates more than anticipated**.
- ❖ This route could give rise to a **severe recession**, which would be **painful for equity investors** as valuations are pushed even lower.
- ❖ Interest rates would decline, and **bond prices increase**, which would allow for a painful, but **ultimately successful descent**.



Scenario 2

- ❖ A **less challenging route** would ensue should a **shallow recession** with easing inflationary pressures occur.
- ❖ This environment would allow **central banks to stay on course**, lessening market volatility and uncertainty.
- ❖ The shallow recession would cause **lower interest rates, strong bond returns and a floor for the stock market**.



Scenario 3

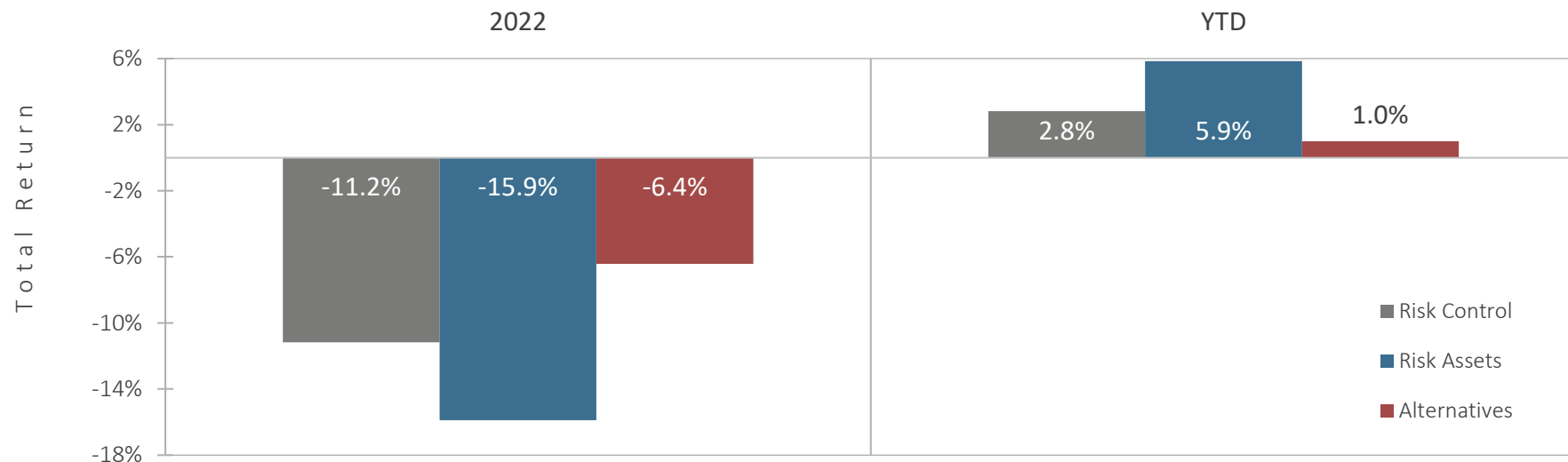
- ❖ The **ideal route** would call for central bankers delivering a **soft economic landing**.
- ❖ **Avoiding an economic recession** will require inflation moderation via **precise monetary policy** decisions.
- ❖ In this route, there would be minimal earnings impact, providing **support for equity valuations**. As rates peak and begin rolling over, **bond prices would rise**.



Adjusting for Heightened Economic Uncertainty

Asset Class Returns and Positioning as of March 31, 2023

- ❖ Going into 2023, APCM’s positioned portfolios neutral risk control, risk assets, and alternatives as we were anticipating heightened volatility until certainty regarding peak inflation, rates, and valuations materialized. Within risk assets, portfolios were positioned to be modestly overweight companies with high free cashflow yield, attractive valuations, and strong balance sheets.
- ❖ APCM is now positioned slightly overweight risk control assets across the risk spectrum as stress in the banking sector increases the odds of the mild recession scenario, and the debt ceiling debate is around the corner. Additionally, with the expected tightening in lending standards, commercial real estate is under pressure, therefore, we have reduced exposure to broad REITS in favor of Industrial REITs which have a stronger fundamental backdrop, reasonable valuations, and less elastic demand.



	RISK CONTROL						RISK ASSETS					ALTERNATIVES			
	FIXED INCOME						EQUITIES					ALTERNATIVES			
	Cash	U.S. Fixed Income	1-5 Gov. Credit	Intl. Fixed Income	TIPS	HY Fixed Income	U.S. Large Cap	U.S. Mid Cap	U.S. Small Cap	Dev. Ex-U.S.	Emerging Markets	Comm.	Real Estate	Infra.	Alt. Beta
YTD	1.1	3.0	1.8	2.2	3.2	3.8	7.5	3.8	2.6	8.5	4.0	-5.4	2.7	3.2	1.2
CY' 2022	1.5	-13.0	-5.5	-2.7	-12.7	-11.9	-18.1	-13.1	-16.1	-14.5	-20.1	16.1	-24.4	-10.1	-5.6
5 Year	1.4	0.9	1.3	3.0	0.4	2.8	11.2	7.7	6.3	3.5	-0.9	5.4	6.0	5.0	1.3
10 Year	0.9	1.4	1.1	1.5	2.1	3.6	12.2	9.8	9.9	5.0	2.0	-1.7	5.8	5.7	1.3

Data: Bloomberg. Asset class performance is represented by the stated index return. Returns annualized for periods greater than one year.

Appendix

Portfolio Review

Market Review

Appendix

Portfolio Appraisal

CHUGACH ELECTRIC ASSOCIATION INC

March 31, 2023



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
AGENCIES									
125,000	FEDERAL HOME LOAN BANK 0.600% Due 08-27-25	99.90	124,875	92.09	115,116	0.53	750	71	4.08
125,000	FHLB 1.625% Due 03-12-27	104.27	130,335	91.88	114,845	0.53	2,031	107	3.86
25,000	FEDERAL HOME LOAN BANK 2.400% Due 02-17-32	85.94	21,485	85.80	21,449	0.10	600	73	4.34
125,000	FEDERAL FARM CREDIT BANK 2.125% Due 03-05-35	103.99	129,987	77.52	96,896	0.45	2,656	192	4.59
20,000	FEDERAL FARM CREDIT BANK 2.500% Due 04-14-36	79.15	15,830	78.72	15,744	0.07	500	232	4.70
20,000	FEDERAL FARM CREDIT BANK 2.490% Due 05-19-36	78.94	15,788	78.47	15,693	0.07	498	183	4.71
	Accrued Interest				858	0.00			
			438,300		380,602	1.76		858	
ALTERNATIVE BETA									
108,534	BLCKRCK SYST MULTI-STR-INST	10.40	1,128,506	9.64	1,046,267	4.84	NA		
26,548	CORE ALTERNATIVE ETF	30.41	807,200	29.83	791,927	3.66	NA		
11,204	IQ HEDGE MULTI-STRAT TRACKER	29.28	328,042	29.21	327,269	1.51	NA		
			2,263,748		2,165,463	10.01			
CORPORATE BONDS									
25,000	MORGAN STANLEY IND FINANCIAL SRV 3.875% Due 04-29-24	100.03	25,008	98.76	24,690	0.11	969	409	5.06
25,000	HCP INC 3.400% Due 02-01-25	102.12	25,529	96.91	24,227	0.11	850	142	5.18
30,000	NUTRIEN LTD 3.000% Due 04-01-25	95.97	28,790	95.98	28,795	0.13	900	450	5.13
25,000	CITIGROUP INC 3.700% Due 01-12-26	97.05	24,263	96.77	24,192	0.11	925	203	4.95
30,000	SOUTHWESTERN ELEC POWER 1.650% Due 03-15-26	90.84	27,252	90.92	27,277	0.13	495	22	4.99
30,000	WELLS FARGO & COMPANY 2.188% Due 04-30-26	93.99	28,198	93.72	28,115	0.13	656	275	4.39
30,000	RYDER SYSTEM INC 2.900% Due 12-01-26	90.81	27,242	92.44	27,732	0.13	870	290	5.18
30,000	DARDEN RESTAURANTS INC 3.850% Due 05-01-27	110.59	33,176	96.72	29,016	0.13	1,155	481	4.74

Portfolio Appraisal

CHUGACH ELECTRIC ASSOCIATION INC

March 31, 2023



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
25,000	CAPITAL ONE FINANCIAL CO 3.650% Due 05-11-27	110.46	27,616	91.08	22,769	0.11	912	355	6.13
20,000	CANADIAN NATL RESOURCES 3.850% Due 06-01-27	109.11	21,822	95.78	19,156	0.09	770	257	4.98
25,000	SOUTHWEST AIRLINES CO 5.125% Due 06-15-27	117.61	29,403	99.71	24,928	0.12	1,281	377	5.20
25,000	BORGWARNER INC 2.650% Due 07-01-27	107.15	26,787	91.69	22,921	0.11	662	166	4.83
25,000	ENBRIDGE INC 3.700% Due 07-15-27	109.79	27,448	95.17	23,793	0.11	925	195	4.96
20,000	NATIONAL RETAIL PROP INC 4.300% Due 10-15-28	113.05	22,609	94.10	18,820	0.09	860	397	5.55
20,000	ESSEX PORTFOLIO LP 4.000% Due 03-01-29	111.75	22,350	94.15	18,830	0.09	800	67	5.16
25,000	CABOT CORP 4.000% Due 07-01-29	109.16	27,289	93.11	23,277	0.11	1,000	250	5.31
25,000	INTEL CORP 3.900% Due 03-25-30	113.48	28,371	95.33	23,832	0.11	975	16	4.69
25,000	CITIZENS FINANCIAL GROUP 3.250% Due 04-30-30	106.85	26,713	82.86	20,714	0.10	812	341	6.29
20,000	KIMCO REALTY CORP 3.200% Due 04-01-32	99.17	19,834	84.06	16,811	0.08	640	320	5.46
20,000	CVS HEALTH CORP 4.875% Due 07-20-35	120.76	24,151	97.58	19,516	0.09	975	192	5.14
25,000	ORACLE CORP 3.850% Due 07-15-36	104.24	26,061	85.46	21,366	0.10	962	203	5.39
25,000	BANK OF AMERICA NA 6.000% Due 10-15-36	127.62	31,905	107.94	26,985	0.12	1,500	692	5.18
30,000	JPMORGAN CHASE & CO 6.400% Due 05-15-38	123.61	37,084	113.57	34,072	0.16	1,920	725	5.10
25,000	DOMINION ENERGY INC 7.000% Due 06-15-38	145.11	36,278	113.51	28,378	0.13	1,750	515	5.66
25,000	SOUTHERN COPPER CORP 5.250% Due 11-08-42	123.17	30,793	95.73	23,934	0.11	1,312	521	5.61
25,000	VIACOMCBS INC 5.850% Due 09-01-43	128.78	32,194	86.43	21,608	0.10	1,462	122	7.12
25,000	PHILLIPS 66 4.875% Due 11-15-44	119.70	29,925	93.56	23,391	0.11	1,219	460	5.38
25,000	ENTERPRISE PRODUCTS OPER 5.100% Due 02-15-45	120.79	30,198	95.45	23,861	0.11	1,275	163	5.46

Portfolio Appraisal

CHUGACH ELECTRIC ASSOCIATION INC

March 31, 2023



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
25,000	CARDINAL HEALTH 4.900% Due 09-15-45	111.47	27,867	90.50	22,624	0.10	1,225	54	5.65
25,000	Sysco Corporation 4.450% Due 03-15-48	120.54	30,134	86.67	21,667	0.10	1,112	49	5.43
25,000	AT&T INC 4.550% Due 03-09-49	92.65	23,163	87.26	21,814	0.10	1,137	70	5.47
25,000	ESSENTIAL UTILITIES INC 4.276% Due 05-01-49	115.73	28,933	83.61	20,902	0.10	1,069	445	5.46
45,000	TELUS CORP 4.300% Due 06-15-49	121.45	54,654	84.08	37,835	0.17	1,935	570	5.45
25,000	MAGELLAN MIDSTREAM PARTN 3.950% Due 03-01-50	109.07	27,267	75.54	18,884	0.09	987	82	5.75
25,000	VERIZON COMMUNICATIONS 4.000% Due 03-22-50	109.34	27,334	83.20	20,800	0.10	1,000	25	5.16
	Accrued Interest				9,902	0.05			
			997,647		847,441	3.92		9,902	
COMMODITIES									
6,571	INVESCO OPTIMUM YIELD DIVERSIFIED COMMODIT	16.95	111,375	14.22	93,440	0.43	NA		
10,249	ISHARES BB ROLL SELECT COMMODITY ETF	54.60	559,552	51.52	528,028	2.44	NA		
			670,927		621,468	2.87			
DOMESTIC MID CAP EQUITY FUNDS/ETF									
8,306	ISHARES CORE S&P MIDCAP 400 ETF	265.06	2,201,611	250.16	2,077,829	9.60	NA		
EMERGING MARKET FUNDS/ETF									
17,260	ISHARES ETF CORE MSCI EMERGING MKTS	59.03	1,018,923	48.79	842,115	3.89	NA		
DOMESTIC FIXED INCOME FUNDS/ETF									
13,986	VANGUARD SHORT-TERM TIPS ETF	48.46	677,714	47.82	668,811	3.09	0		
FNMA & FHLMC									
17,695	FNMA POOL MA3588 3.500% Due 02-01-34	101.48	17,957	97.39	17,232	0.08	619	52	4.20
25,691	FR SB8503 Mtge 2.000% Due 08-01-35	102.81	26,413	90.47	23,242	0.11	514	9	4.36
39,849	FN MA4383 2.000% Due 07-01-36	90.54	36,077	90.22	35,951	0.17	797	13	4.16
23,341	FR SB8116 Mtge 2.500% Due 08-01-36	104.27	24,336	92.79	21,659	0.10	584	10	4.09

Portfolio Appraisal

CHUGACH ELECTRIC ASSOCIATION INC
March 31, 2023



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
40,700	FNCL POOL 995373 4.500% Due 02-01-39	106.72	43,434	100.57	40,930	0.19	1,831	153	4.43
26,314	FN MA4475 Mtge 2.500% Due 11-01-41	103.58	27,255	88.58	23,310	0.11	658	11	4.45
24,396	FG G60661 4.000% Due 07-01-46	103.41	25,229	97.60	23,811	0.11	976	81	4.42
39,296	FNCL POOL AS7949 4.000% Due 09-01-46	105.20	41,341	97.39	38,272	0.18	1,572	131	4.48
50,502	FN AS8483 3.000% Due 12-01-46	102.95	51,994	91.91	46,416	0.21	1,515	126	4.37
62,740	FNCL POOL BM2001 3.500% Due 12-01-46	103.03	64,642	94.41	59,234	0.27	2,196	183	4.46
30,713	FG G61893 3.000% Due 07-01-47	101.14	31,063	91.65	28,148	0.13	921	77	4.37
59,318	FGLMC POOL Q51967 3.500% Due 11-01-47	97.84	58,034	94.39	55,989	0.26	2,076	173	4.45
32,506	FNMA POOL MA3210 3.500% Due 12-01-47	99.05	32,199	94.47	30,710	0.14	1,138	95	4.44
26,790	FN MA3305 3.500% Due 03-01-48	103.02	27,598	94.27	25,255	0.12	938	78	4.42
6,751	FANNIE MAE POOL MA3384 4.000% Due 06-01-48	102.03	6,888	97.32	6,571	0.03	270	23	4.52
17,334	FNMA POOL MA3496 4.500% Due 10-01-48	103.57	17,953	99.56	17,258	0.08	780	65	4.63
27,204	FN MA3834 3.000% Due 11-01-49	101.90	27,721	90.61	24,651	0.11	816	68	4.43
29,392	FN MA3871 3.000% Due 12-01-49	101.91	29,952	90.61	26,633	0.12	882	73	4.43
52,086	FANNIE MAE POOL 2.500% Due 05-01-50	104.98	54,683	87.46	45,556	0.21	1,302	109	4.42
26,059	FR RA4518 3.500% Due 02-01-51	91.20	23,765	93.42	24,344	0.11	912	76	4.45
20,222	FR SD8129 2.500% Due 02-01-51	84.93	17,174	86.59	17,509	0.08	506	42	4.37
105,373	FR QC4235 Mtge 2.500% Due 07-01-51	102.31	107,810	86.27	90,906	0.42	2,634	44	4.33
98,448	FN MA4398 2.000% Due 08-01-51	78.81	77,589	82.86	81,574	0.38	1,969	33	4.24
125,735	FN MA4414 2.500% Due 09-01-51	86.05	108,191	86.29	108,498	0.50	3,143	52	4.33

Portfolio Appraisal

CHUGACH ELECTRIC ASSOCIATION INC

March 31, 2023



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
27,132	FANNIE MAE POOL CB1783 2.500% Due 10-01-51	92.13	24,995	86.28	23,410	0.11	678	57	4.33
162,704	FN MA4492 2.000% Due 12-01-51	80.06	130,261	82.81	134,735	0.62	3,254	54	4.24
18,743	FANNIE MAE POOL FS0822 2.000% Due 03-01-52	88.61	16,608	82.90	15,539	0.07	375	31	4.34
14,248	FN MA4562 2.000% Due 03-01-52	83.87	11,950	82.72	11,785	0.05	285	5	4.21
9,460	FN CB3918 4.500% Due 06-01-52	96.58	9,136	98.23	9,292	0.04	426	35	4.82
122,420	FR SD1883 4.000% Due 06-01-52	93.84	114,884	95.68	117,136	0.54	4,897	82	4.63
19,113	FR QE9566 5.000% Due 09-01-52	98.78	18,880	99.72	19,060	0.09	956	80	5.10
9,808	FR SD1884 5.000% Due 11-01-52	100.30	9,838	99.72	9,781	0.05	490	8	5.07
63,821	FR RA8415 5.500% Due 01-01-53	101.43	64,731	101.08	64,513	0.30	3,510	59	5.29
30,000	FN MA4978 5.000% Due 04-01-53	99.34	29,803	99.72	29,917	0.14	1,500	125	5.06
	Accrued Interest				2,311	0.01			
			1,410,386		1,351,138	6.24		2,311	
INTERNATIONAL FIXED INCOME FUNDS/ETF									
22,605	VANGUARD TOTAL INTL BOND ETF	55.11	1,245,836	48.92	1,105,837	5.11	NA		
HIGH YIELD FIXED INCOME									
1,545	SPDR PORTFOLIO HIGH YIELD BO	24.32	37,576	22.98	35,504	0.16			
200,642	VANGUARD HI YLD CORP-ADM	5.78	1,160,616	5.24	1,051,363	4.86	0		
			1,198,191		1,086,868	5.02			
INTERNATIONAL EQUITY FUNDS/ETF									
19,636	ISHARES ETF CORE MSCI EAFE	65.42	1,284,657	66.85	1,312,667	6.07	NA		
MUNICIPAL BONDS									
30,000	SAN FRANCISCO CALIF CITY & CNTY ARPTS COMMN INTL ARPT REV 3.345% Due 05-01-51	100.00	30,000	74.06	22,218	0.10	1,003	418	5.09
	Accrued Interest				418	0.00			
			30,000		22,636	0.10		418	

Portfolio Appraisal

CHUGACH ELECTRIC ASSOCIATION INC

March 31, 2023



**ALASKA PERMANENT
CAPITAL MANAGEMENT**

Registered Investment Adviser

Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
DOMESTIC LARGE CAP EQUITY FUNDS/ETF									
4,560	PACER US CASH COWS 100 ETF	45.47	207,321	46.95	214,092	0.99	NA		
11,322	SPDR S&P 500 ETF	355.28	4,022,513	409.39	4,635,114	21.42	NA		
			4,229,833		4,849,206	22.41			
REAL ESTATE & INFRASTRUCTURE									
20,708	FLEXSHAR STX GLOBAL BROAD INF ETF	58.53	1,212,082	51.95	1,075,781	4.97	NA		
7,298	JPMORGAN BETABUILDERS MSCI US REIT ETF	80.35	586,420	82.89	604,931	2.80	NA		
			1,798,501		1,680,712	7.77			
DOMESTIC SMALL CAP EQUITY FUNDS/ETF									
8,346	ISHARES S&P SMALLCAP 600 INDEX ETF	104.90	875,479	96.70	807,058	3.73	NA		
5,853	PACER US SMALL CAP CASH COWS	35.56	208,139	38.06	222,765	1.03	NA		
			1,083,618		1,029,823	4.76			
U.S. TREASURY									
45,000	US TREASURY NOTES 2.875% Due 09-30-23	99.54	44,794	99.13	44,608	0.21	1,294	4	4.66
95,000	US TREASURY NOTES 0.250% Due 09-30-23	96.80	91,964	97.85	92,959	0.43	237	1	4.65
15,000	US TREASURY NOTES 0.125% Due 01-15-24	99.70	14,954	96.47	14,470	0.07	19	4	4.71
25,000	US TREASURY NOTE 3.000% Due 06-30-24	99.79	24,946	98.21	24,552	0.11	750	189	4.49
55,000	US TREASURY NOTES 2.250% Due 10-31-24	100.12	55,064	96.91	53,298	0.25	1,237	520	4.29
100,000	US TREASURY NOTES 2.125% Due 11-30-24	98.37	98,367	96.64	96,645	0.45	2,125	712	4.23
85,000	US TREASURY NOTE 1.125% Due 01-15-25	99.41	84,495	94.77	80,554	0.37	956	201	4.18
40,000	US TREASURY NOTES 4.000% Due 02-15-26	98.80	39,519	100.41	40,166	0.19	1,600	199	3.85
15,000	US TREASURY NOTES 0.875% Due 09-30-26	99.53	14,929	90.56	13,584	0.06	131	0	3.78
50,000	US TREASURY NOTES 2.250% Due 08-15-27	94.35	47,177	94.33	47,166	0.22	1,125	140	3.66
30,000	US TREASURY NOTES 3.875% Due 11-30-27	99.64	29,891	101.04	30,312	0.14	1,162	390	3.63

Portfolio Appraisal

CHUGACH ELECTRIC ASSOCIATION INC
March 31, 2023



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
100,000	US TREASURY NOTES 4.000% Due 02-29-28	101.49	101,492	101.80	101,805	0.47	4,000	348	3.60
84,000	US TREASURY NOTES 2.875% Due 04-30-29	94.73	79,575	96.01	80,650	0.37	2,415	1,014	3.61
20,000	US TREASURY NOTE 3.250% Due 06-30-29	100.53	20,105	98.04	19,609	0.09	650	163	3.60
30,000	US TREASURY NOTES 3.875% Due 11-30-29	99.62	29,886	101.73	30,519	0.14	1,162	390	3.58
45,000	US TREASURY NOTES 3.875% Due 12-31-29	102.07	45,933	101.80	45,812	0.21	1,744	436	3.57
50,000	US TREASURY NOTES 4.000% Due 02-28-30	102.21	51,105	102.64	51,320	0.24	2,000	174	3.57
50,000	US TREASURY NOTES 0.625% Due 05-15-30	79.97	39,987	81.86	40,931	0.19	312	118	3.53
35,000	US TREASURY NOTE 0.625% Due 08-15-30	84.59	29,608	81.49	28,521	0.13	219	27	3.49
10,000	US TREASURY NOTE 2.375% Due 02-15-42	100.48	10,048	80.41	8,041	0.04	237	30	3.84
10,000	US TREASURY NOTE 3.250% Due 05-15-42	96.98	9,698	92.25	9,225	0.04	325	123	3.82
43,000	US TREASURY NOTES 2.750% Due 08-15-42	91.23	39,229	85.09	36,590	0.17	1,182	147	3.85
7,000	US TREASURY NOTES 3.375% Due 08-15-42	94.70	6,629	93.89	6,572	0.03	236	29	3.82
30,000	US TREASURY NOTES 2.750% Due 08-15-47	102.09	30,626	83.12	24,936	0.12	825	103	3.82
45,000	US TREASURY NOTES 2.250% Due 08-15-49	102.04	45,918	75.19	33,836	0.16	1,012	126	3.74
20,000	US TREASURY NOTE 1.875% Due 11-15-51	95.26	19,052	68.09	13,619	0.06	375	142	3.69
35,000	US TREASURY NOTE 2.250% Due 02-15-52	80.16	28,056	74.57	26,099	0.12	787	98	3.69
55,000	US TREASURY NOTE 2.875% Due 05-15-52	94.12	51,765	85.55	47,051	0.22	1,581	598	3.69
40,000	US TREASURY NOTES 3.000% Due 08-15-52	87.66	35,064	87.84	35,138	0.16	1,200	149	3.68
	Accrued Interest				6,573	0.03			
			1,219,880		1,185,165	5.48		6,573	
CASH AND CASH EQUIVILENTS									
	ALLSPRING GOV MONEY MARKET FD INS CL #1751		388,711		388,711	1.80			

Portfolio Appraisal

CHUGACH ELECTRIC ASSOCIATION INC
March 31, 2023



Quantity	Security	Average Cost	Total Average Cost	Price	Market Value	Pct. Assets	Annual Income	Accrued Interest	Yield to Maturity
	DIVIDEND ACCRUAL		22,071		22,071	0.10			
			410,781		410,781	1.90			
TOTAL PORTFOLIO			22,180,555		21,638,560	100	122,163	20,062	



PERFORMANCE HISTORY

GROSS OF FEES

CHUGACH ELECTRIC ASSOCIATION INC

Time Period	Percent Return																	
	Per Period																	
Total Account	Blend	Fixed Income	BLOOMBERG AGG BENCH	Domestic Large Cap Equity	S&P 500 LARGE CAPS BENCH	Domestic Mid Cap Equity	S&P 400 MIDCAP BENCH	Domestic Small Cap Equity	S & P 600 SMALL CAPS BENCH	Int'l Equity	MSCI EAFE Index	Emerging Market Equity	MSCI EMERGING MARKET BENCH	Real Estate	S&P US REIT BENCH	Diversified Alternatives		
03-31-22 to 04-30-22	-5.12	-5.01	-3.27	-3.79	-6.19	-8.72	-7.13	-7.11	-7.67	-7.81	-6.69	-6.47	-6.83	-5.56	-5.01	-4.43	0.30	
04-30-22 to 05-31-22	0.65	0.32	0.42	0.64	0.58	0.18	0.77	0.75	1.87	1.86	1.14	0.75	0.63	0.44	-0.63	-6.15	4.30	
05-31-22 to 06-30-22	-5.59	-5.93	-2.49	-1.57	-5.95	-8.25	-9.62	-9.62	-8.46	-8.55	-8.16	-9.28	-5.55	-6.65	-6.74	-7.33	-11.48	
06-30-22 to 07-31-22	5.29	5.63	2.92	2.44	6.79	9.22	10.93	10.85	9.94	10.01	5.01	4.98	0.00	-0.25	5.83	8.97	0.37	
07-31-22 to 08-31-22	-3.08	-2.97	-2.82	-2.83	-3.00	-4.08	-3.17	-3.10	-4.32	-4.39	-6.08	-4.75	-1.22	0.42	-4.64	-5.94	-0.49	
08-31-22 to 09-30-22	-6.97	-7.08	-3.79	-4.32	-7.42	-9.21	-9.21	-9.19	-9.83	-9.88	-9.31	-9.35	-11.31	-11.72	-11.49	-12.16	-7.29	
09-30-22 to 10-31-22	4.46	4.23	-0.22	-1.30	6.55	8.10	10.61	10.52	12.31	12.37	5.23	5.38	-1.47	-3.10	5.43	4.92	4.70	
10-31-22 to 11-30-22	5.06	5.03	3.00	3.68	4.48	5.59	5.99	6.12	4.04	4.17	12.59	11.26	14.71	14.83	7.60	5.76	4.95	
11-30-22 to 12-31-22	-3.08	-2.93	-0.84	-0.45	-4.13	-5.76	-5.46	-5.54	-6.66	-6.71	-1.49	0.08	-2.50	-1.41	-4.08	-5.14	-3.13	
12-31-22 to 01-31-23	5.10	5.21	2.70	3.08	4.11	6.28	9.28	9.23	9.90	9.49	8.77	8.10	8.83	7.90	7.27	10.61	1.50	
01-31-23 to 02-28-23	-2.54	-2.36	-1.86	-2.59	-2.17	-2.44	-1.88	-1.81	-1.16	-1.23	-3.06	-2.09	-6.93	-6.48	-4.77	-4.77	-5.37	
02-28-23 to 03-31-23	1.23	1.26	2.14	2.54	2.34	3.67	-3.18	-3.21	-4.76	-5.16	2.80	2.48	3.04	3.03	0.98	-2.48	-0.39	
Date to Date																		
03-31-22 to 03-31-23	-5.61	-5.64	-4.37	-4.78	-5.34	-7.73	-5.08	-5.12	-7.86	-8.82	-1.95	-1.38	-10.77	-10.70	-11.74	-19.08	-12.69	

**CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of March 31, 2023**

CIP Ref #	Project Name ¹	Project Manager	BOD Project Approval Date	Estimate			Actuals			Variance		Physical 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	%		
Reliability													
05.0300	Campbell Lake Substation Rebuild C2130007, E1920057, E2114076, E2120053	Reid, Peyton	2/16/2022	\$7,400,000	\$1,200,000	\$8,600,000	\$1,065,128	\$7,534,872	\$8,600,000	\$0	100%	25%	Design responsibility has moved from an in-house effort to Electric Power Systems (EPS). A new baseline schedule has been developed with construction now scheduled for Q2 2024. Permitting activities are ongoing. Switchgear procurement and project increases approved by the Board in March 2023. Estimated energization date is December 2024.
12.1027	Battery Energy Storage System - BES ³ E1720056, E1720057, P2031027	Laughlin, Andrew	12/15/2021 10/26/2022	\$43,875,000	\$2,737,500	\$46,612,500	\$11,572,700	\$35,039,800	\$46,612,500	\$0	100%	5%	The sale and purchase agreement for the battery energy storage system (BESS) was executed in December 2022. Contracts for the 38 kV switchgear and medium voltage transformers were sent to vendors for signature in December 2022. Construction bidding through the Outside Electrical Line Construction Contract (OELCC) was completed in April with the Intent to Award going to Alaska Line Builders.
Retirements & Replacements													
10.0207	East Cable Terminal Reactor Replacement E2120054	Bottorff, Stacey	11/22/2021	\$3,200,000	\$0	\$3,200,000	\$383,122	\$2,816,878	\$3,200,000	\$0	100%	30%	Design is now scheduled for completion in early 2023. The project will go out to bid to an Outside Electrical Line Construction Contract (OELCC) contractor in Q2 2023. Construction is scheduled to begin in August 2023 and the project is expected to be completed in Fall 2023. Design is 90% complete.
10.0364	115kV Quartz Creek T/L Rebuild: Girdwood to Indian Substation E2020053	Merkel, Justin	10/26/2022	\$21,200,000	\$0	\$21,200,000	\$1,246,053	\$19,953,947	\$21,200,000	\$0	100%	35%	The design of the line rebuild is complete. Purchase orders and contracts for all owner furnished material, conductor, pipe piling and hardware is complete. Steel pole contract pending Chugach Board approval. Permitting is 95% complete. Vegetation clearing is 45% complete. Construction is estimated to begin late 2023 and continue through 2024. Material lead times may shift some construction activities planned for fall of 2023 to Q1 2024.
Agency Mandated													
20.0304	Eklutna Fish & Wildlife ² P1990277, P2000898	Brodie, Mike	11/26/2019 12/16/2020 12/15/2021 12/14/2022	\$5,383,203	\$0	\$5,383,203	\$3,558,066	\$1,462,600	\$5,020,666	(\$362,537)	93%	72%	Eklutna F&W is a multi-year project with final completion of the program in late 2024. 2022 was the second year of a 2-year study program on the Eklutna River, Lake, and plant facilities. Year 1 study reports were finalized and distributed to the project technical working groups. The field work and data collection effort for study year 2 was completed in October 2022. Draft year 2 study reports were distributed to the project technical working groups at the end of Q1 2023. Draft program development will occur through 2023 with the final program likely submitted to the State of Alaska in Q2 2024 for approval in accordance with the 1991 Eklutna Fish & Wildlife Agreement.
Operating Efficiency													
20.0196 20.0252	CIS/ERP Replacement I2140001, I2140007, I2140018	Wood, Melanie	1/19/2022	\$16,973,000	\$0	\$16,973,000	\$4,799,386	\$10,085,772	\$14,885,158	(\$2,087,842)	88%	36%	Phase one testing completed. First conversion in process. Preparing for next phase of testing, which will run from May through August of 2023.
20.0036 20.0358	One Campus Plan - Phase 1 & 2 A2240023, A2240032, A2240033, A2240036, A2340003, A2340004, A2340005	Resnick, Josh	12/14/2022	\$64,298,000	\$0	\$64,298,000	\$922,561	\$63,375,439	\$64,298,000	\$0	100%	4%	The One Campus Plan is a multi-year project with final completion of the project in late 2025. The project is currently in the design phase with environmental borings and hazmat studies recently performed. Chugach closed on the purchase of Building G and employees have moved in. Project is on schedule and expected to go to bid in the second half of 2023.
Totals				\$162,329,203	\$3,937,500	\$166,266,703	\$23,547,016	\$140,269,308	\$163,816,324	(\$2,450,379)	99%		

¹ Report tracks projects with costs exceeding \$2M.

² Represents Chugach's portion. Estimate is based on the approved capital budgets for 2020, approved resolution No 02 02 21, and the budget included in the 2023-2027 CIP reviewed by the BOD on 12/14/2022.

³ Represents Chugach's portion. Project cost is shared at 75% CEA / 25% MEA.



TO: Arthur Miller, Chief Executive Officer

THROUGH: Sherri L. Highers, Chief Financial Officer
Karen Griffin, Vice President, Finance & Accounting

FROM: Curtis Sims, Sr. Manager, Budget & Financial Reporting

DATE: March 31, 2023

SUBJECT: *1st Quarter 2023 Operating Budget Status Report*

The Operating Budget Status Report on page 2 reflects the budget adjustment for the first quarter and is outlined below.

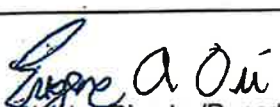
- Move VP, Power Production labor cost from 92000 (A&G salaries) to 54600 (power production – operation supervision) due to a financial statement line item budget error.

The foregoing budget adjustment resulted in a margin net increase of \$0 on the 2023 Operating Budget.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1st QUARTER 2023

CATEGORY	2023 APPROVED BUDGET	2023 Q1 BUDGET REVISIONS	2023 Q1 AMENDED BUDGET
Operating Revenue and Patronage Capital	\$ 355,033,525	\$ -	\$ 355,033,525
Fuel and Purchased Power Expense	100,583,752	-	100,583,752
Power Production Expense	37,066,245	290,492	37,356,737
Transmission Expense	11,617,536	-	11,617,536
Distribution Expense	26,635,196	-	26,635,196
Customer Expense	11,055,459	-	11,055,459
Administrative, General & Other	53,650,261	(290,492)	53,359,769
Depreciation and Amortization Expense	66,472,501	-	66,472,501
Interest Expense, Net	40,305,418	-	40,305,418
Total Cost of Electric Service	\$ 347,386,368	\$ -	\$ 347,386,368
Patronage Capital & Operating Margins	\$ 7,647,157	\$ -	\$ 7,647,157
Non-Operating Margins - Interest	770,763	-	770,763
Allowance for Funds Used During Construction	150,000	-	150,000
Non-Operating Margins - Other	(130,200)	-	(130,200)
Patronage Capital or Margins	\$ 8,437,720	\$ -	\$ 8,437,720
MFI/I	1.20		1.20
TIER	1.22		1.22

BUDGET REVISION REQUEST

1.	Division: Operations - Power Production	Department: 5001	
2.	Add: <input type="checkbox"/>	Delete: <input type="checkbox"/>	Transfer: <input checked="" type="checkbox"/>
3.	Full year amount (rounded to dollars):	\$ 0	
4.	Monthly amounts (rounded to dollars - should total to line 3 above)		
	January \$ 0	May \$ 0	September \$ 0
	February \$ 0	June \$ 0	October \$ 0
	March \$ 0	July \$ 0	November \$ 0
	April \$ 0	August \$ 0	December \$ 0
5.	General Ledger Account Number (from):	92000.000.01.5001	
	General Ledger Account Number (to):	54600.000.01.5001	
6.	General Ledger Account Name (from):	92000.000.14.5001	
	General Ledger Account Name (to):	54600.000.14.5001	
7.	Explanation: To move VP, Power Production labor cost from 92000 (A&G salaries) to 54600 (power production – operation supervision). This request has a net \$0 impact on the 2023 budget.		
8.	Requested by: Curtis Sims	Date: 4/17/2023	
9.	<\$25,000 Approved by:	 Division Director/Department Manager	Date: 4/17/2023
10.	\$25,000 - \$250,000 Approved by:	Date:	
	Executive Manager		
11.	\$250,000 - \$1,000,000 Approved by:	Date:	
	Chief Executive Officer		
12.	>\$1,000,000 Approved by:	Date:	
	Board of Directors		
Obtain necessary approval signatures, forward to the Manager of Budget & Financial Reporting			

March 2023 YTD
Financial Information
May 31, 2023

Chugach Electric Association

Audit & Finance Committee Meeting

March 2023 YTD Financial Information

MWH Sales

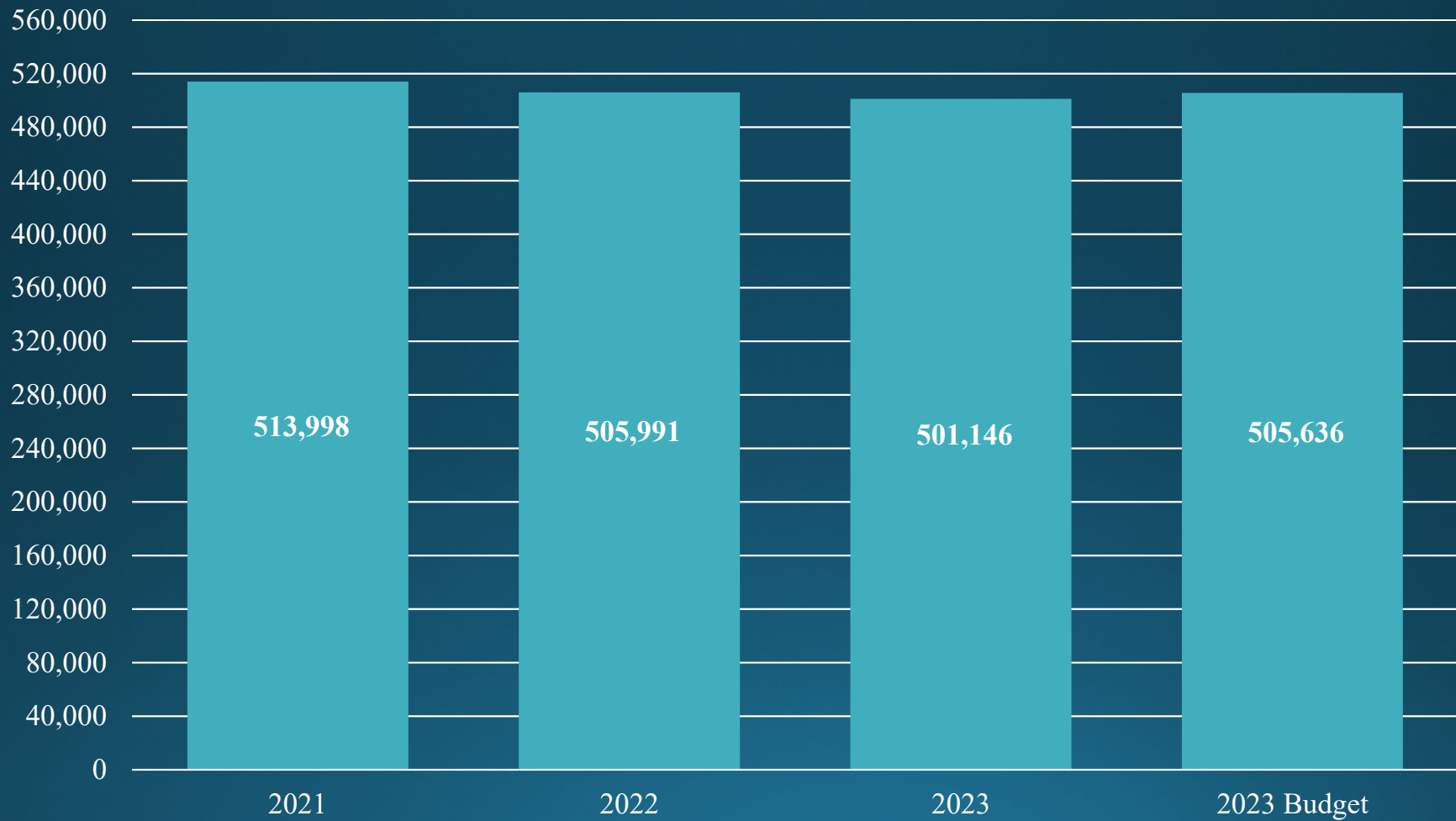
Statement of Operations

Balance Sheet

Statement of Cash Flows

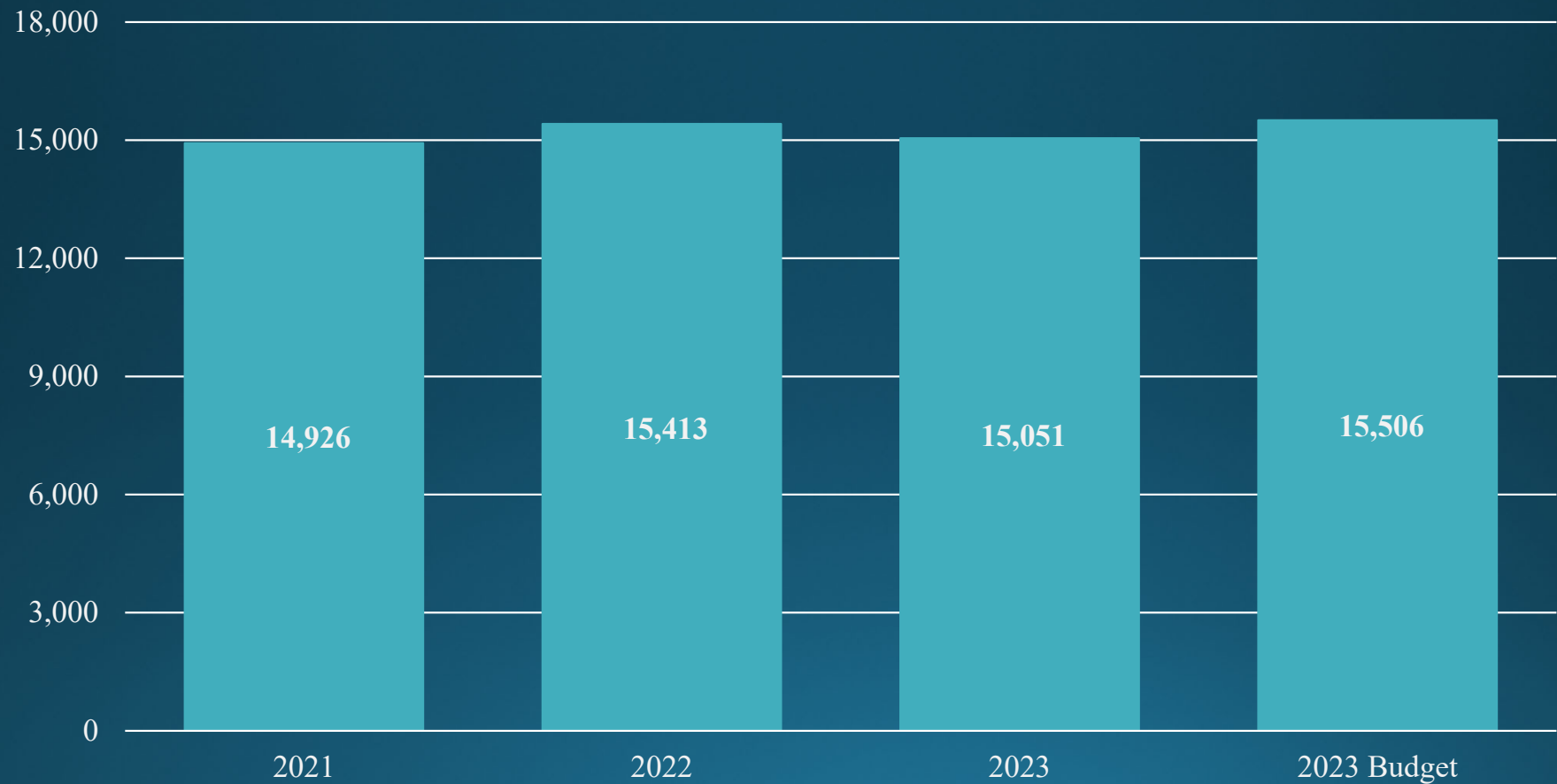
March 2023 YTD Financial Information

Retail MWh Sales Comparison



March YTD 2023 Financial Information

Seward MWh Sales Comparison



March YTD 2023 Financial Information

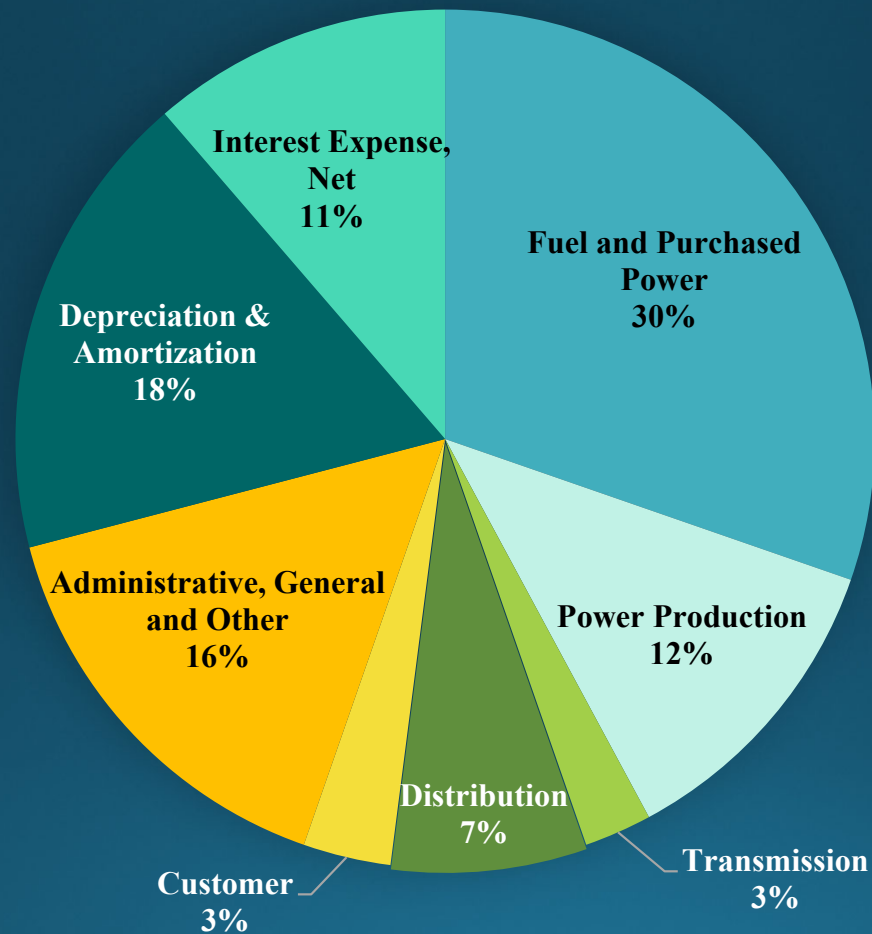
Comparative Statement of Operations

COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2023 YTD ACTUAL TO BUDGET

CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 91,030,694	\$ 89,935,924	\$ 1,094,770
Fuel and Purchased Power	\$ 26,646,798	\$ 24,780,958	\$ 1,865,840
Power Production	\$ 10,382,188	\$ 9,008,277	\$ 1,373,911
Transmission	\$ 2,239,286	\$ 2,974,827	\$ (735,541)
Distribution	\$ 6,467,180	\$ 6,662,319	\$ (195,139)
Customer	\$ 2,902,355	\$ 2,805,821	\$ 96,534
Administrative, General and Other	\$ 13,719,096	\$ 13,495,822	\$ 223,274
Depreciation & Amortization	\$ 15,591,021	\$ 16,150,482	\$ (559,461)
Interest Expense, Net	\$ 9,951,454	\$ 9,640,934	\$ 310,520
Total Cost of Electric Service	\$ 87,899,378	\$ 85,519,440	\$ 2,379,938
Patronage Capital & Operating Margins	\$ 3,131,316	\$ 4,416,484	\$ (1,285,168)
Non-Operating Margins - Interest	\$ 296,488	\$ 224,676	\$ 71,812
Allowance for Funds Used During Construction	\$ 41,011	\$ 37,500	\$ 3,511
Non-Operating Margins - Other	\$ (100,623)	\$ (32,550)	\$ (68,073)
Patronage Capital or Margins	\$ 3,368,192	\$ 4,646,110	\$ (1,277,918)
MFI/I	1.32	1.45	
TIER	1.34	1.47	

March YTD 2023 Financial Information

Total Operating and Interest Expense



March YTD 2023 Financial Information

Comparative Balance Sheet, Assets & Other Debits

ASSETS & OTHER DEBITS	3/31/2023	12/31/2022	CHANGE
Electric Plant in Service	2,124,773,489	2,109,990,748	14,782,741
Construction Work in Progress	44,157,083	52,721,736	(8,564,653)
Total Utility Plant	\$ 2,168,930,572	\$ 2,162,712,484	6,218,088
Accum. Prov. for Depreciation/Amortization	(717,080,875)	(702,820,630)	(14,260,245)
Net Utility Plant	\$ 1,451,849,697	\$ 1,459,891,854	(8,042,157)
Nonutility Property - Net	76,889	76,889	0
Financing & Operating Lease Right-of-Use Assets	3,828,920	4,048,789	(219,869)
Investment in Assoc. Organizations	6,634,202	6,993,487	(359,285)
Special Funds	23,328,256	26,275,805	(2,947,549)
Restricted Cash Equivalents & Other	30,000	30,000	0
Long-term Prepayments	247,558	305,854	(58,296)
Total Other Property & Investments	\$ 34,145,825	\$ 37,730,824	(3,584,999)
Cash & Restricted Cash	15,936,290	15,854,739	81,551
Special Deposits and Marketable Securities	58,300	58,300	0
Accounts Receivable - Net	47,111,746	50,243,472	(3,131,726)
Fuel cost under-recovery	2,413,432	1,579,375	834,057
BRU capital surcharge under-recovery	17,832,482	18,845,238	(1,012,756)
Materials and Supplies, Fuel Stock	69,463,257	68,199,774	1,263,483
Prepayments	7,038,088	6,239,353	798,735
Other Current & Accrued Assets	470,211	379,412	90,799
Total Current & Accrued Assets	\$ 160,323,806	\$ 161,399,663	(1,075,857)
Deferred Debits	106,999,655	108,557,249	(1,557,594)
Total Assets & Other Debits	\$ 1,753,318,983	\$ 1,767,579,590	\$ (14,260,607)

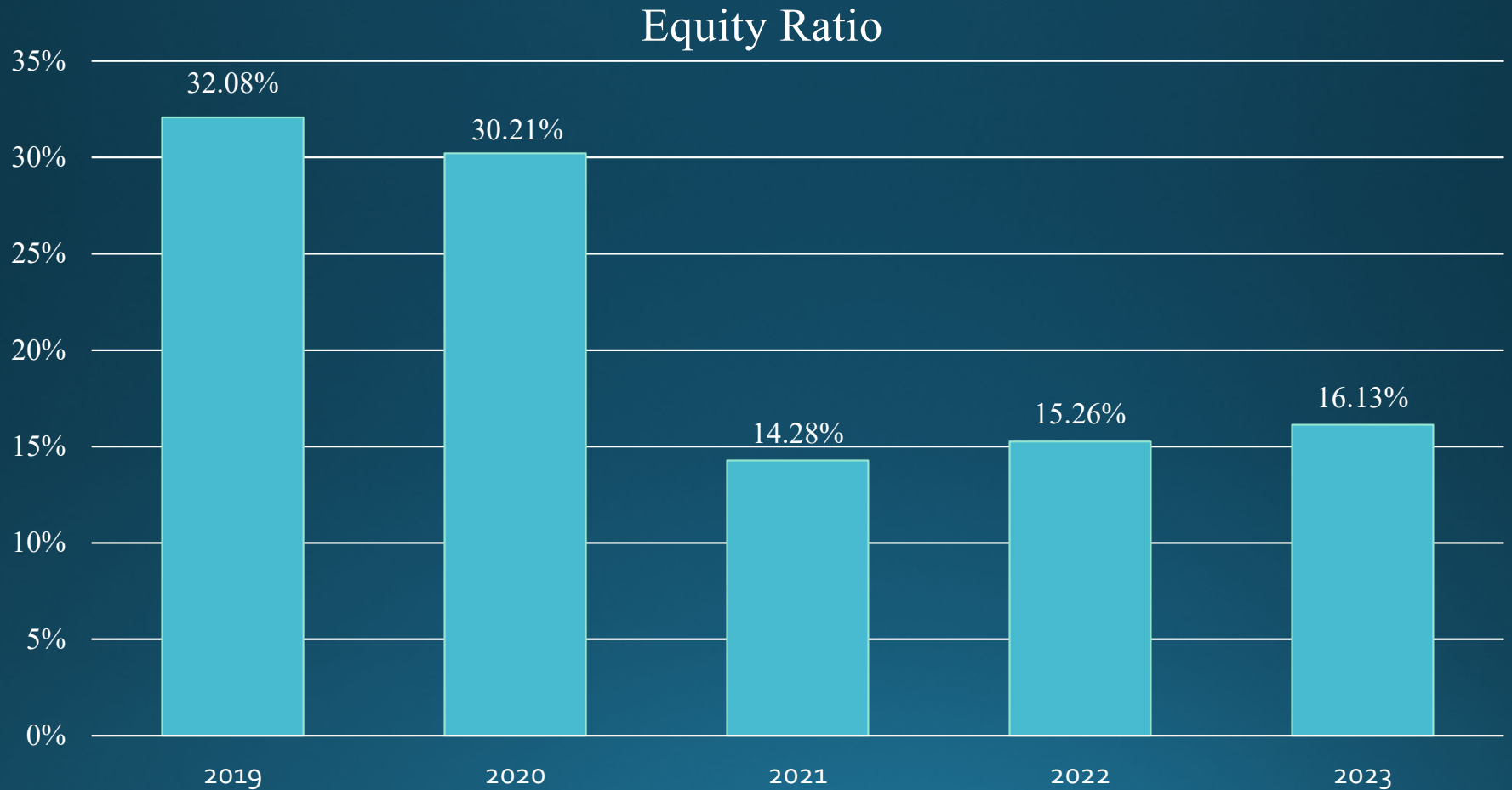
March YTD 2023 Financial Information

Comparative Balance Sheet, Liabilities & Other Credits

LIABILITIES & OTHER CREDITS	3/31/2023	12/31/2022	CHANGE
Memberships	1,993,341	1,986,171	7,170
Pat. Capital, Margins & Equities	213,682,687	210,349,305	3,333,382
Total Margins & Equities	\$ 215,676,028	\$ 212,335,476	\$ 3,340,552
Long-Term Debt - Bonds	1,109,633,329	1,128,549,996	(18,916,667)
Long-Term Debt - Other	17,898,000	18,924,000	(1,026,000)
Unamortized Debt Issuance Costs	(5,931,844)	(5,960,113)	28,269
Operating Lease Liabilities	3,576,143	3,583,801	(7,658)
Finance Lease Liabilities	203,209	203,786	(577)
Total Long-Term Debt	\$ 1,125,378,837	\$ 1,145,301,470	\$ (19,922,633)
Notes Payable	106,967,201	94,178,851	12,788,350
Accounts Payable	14,287,133	26,356,140	(12,069,007)
Consumer Deposits	4,524,759	4,874,798	(350,039)
Other Current & Accrued Liabilities	55,388,362	53,272,014	2,116,348
Total Current & Accrued Liabilities	\$ 181,167,455	\$ 178,681,803	\$ 2,485,652
Deferred Compensation	1,658,148	1,387,476	297,672
Other Liabilities, Non-Current	716,591	658,627	57,964
Deferred Liabilities	10,569,731	9,639,703	930,028
BRU Regulatory Liability	93,558,570	96,612,203	(3,053,633)
Cost of Removal Obligation	124,566,623	122,962,832	1,603,791
Total Liabilities & Other Credits	\$ 1,753,318,983	\$ 1,767,579,590	\$ (14,260,607)

March YTD 2023 Financial Information

5 Year Equity Ratio



March YTD 2023 Financial Information Statements of Cash Flows

	March 31, 2023	March 31, 2022
1. Cash flows from operating activities:	\$ 3,368,192	\$ 4,765,315
Assignable margins		
Adjustments to reconcile assignment margins to net cash provided (used) by operating activities:		
Depreciation and amortization	18,508,471	18,933,022
Allowance for funds used during construction	(41,011)	(19,363)
Other non-cash charges	2,530,604	2,888,109
(Increase) decrease in assets	(638,385)	3,530,127
Increase (decrease) in liabilities	<u>(2,332,088)</u>	<u>(4,260,222)</u>
Net cash provided by operating activities:	\$ <u>21,395,783</u>	\$ <u>25,836,988</u>
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	359,285	284,572
Investment in special funds	(799,143)	570,485
Proceeds from capital grants	-	238,604
Extension and replacement of plant	<u>(18,786,726)</u>	<u>(8,661,866)</u>
Net cash used in investing activities:	\$ <u>(19,226,584)</u>	\$ <u>(7,568,205)</u>
3. Cash flows from financing activities:		
Payments for debt issue costs	0	-
Net increase (decrease) in short-term obligations	13,000,000	(10,000,000)
Net increase (decrease) in long-term obligations	(19,942,667)	(17,328,667)
Net increase (decrease) in consumer advances/retired patronage/other	<u>4,855,019</u>	<u>1,695,503</u>
Net cash provided by (used in) financing activities:	\$ <u>(2,087,648)</u>	\$ <u>(25,633,164)</u>
Net change in cash, cash equivalents & restricted cash	81,551	(7,364,381)
4. <u>Cash, cash equivalents & restricted cash at beginning of period</u>	\$ <u>15,884,739</u>	\$ <u>37,655,033</u>
5. <u>Cash, cash equivalents and restricted cash at end of period</u>	\$ <u>15,966,290</u>	\$ <u>30,290,652</u>

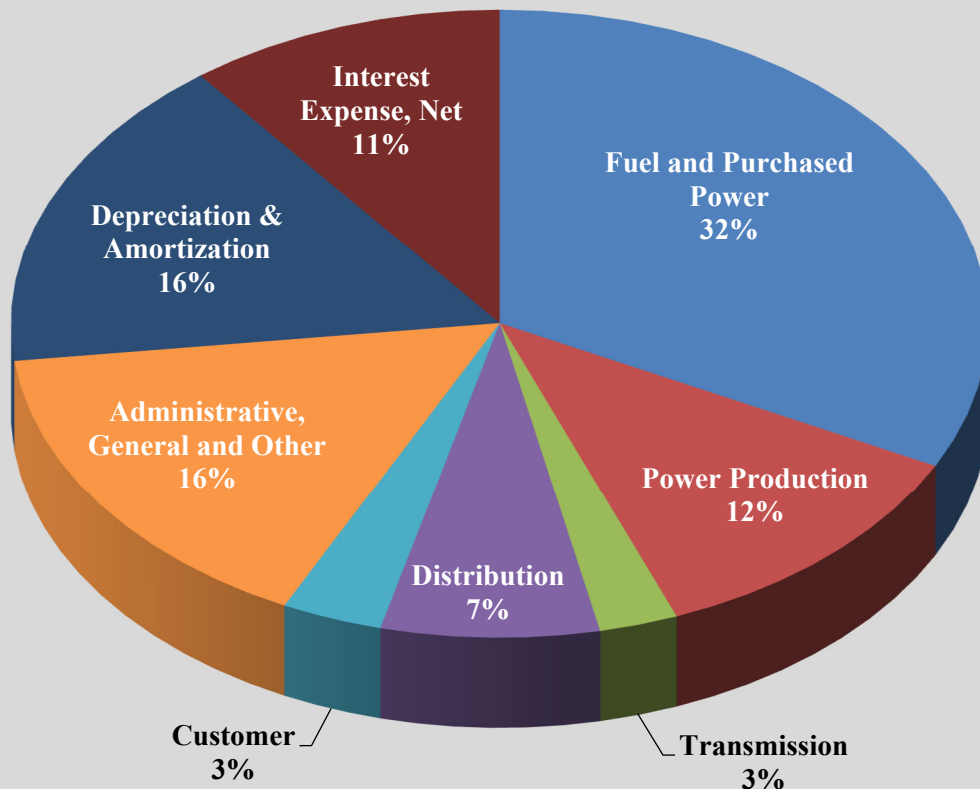


Questions?

COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2023 MTD ACTUAL TO BUDGET

CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 31,414,179	\$ 30,067,185	\$ 1,346,994
Fuel and Purchased Power	10,363,533	8,525,720	1,837,813
Power Production	3,710,319	3,029,174	681,145
Transmission	829,160	1,008,219	(179,059)
Distribution	2,302,387	2,268,101	34,286
Customer	1,061,730	948,739	112,991
Administrative, General and Other	5,051,774	4,530,795	520,979
Depreciation & Amortization	5,238,052	5,389,040	(150,988)
Interest Expense, Net	3,349,256	3,255,844	93,412
Total Cost of Electric Service	\$ 31,906,211	\$ 28,955,632	\$ 2,950,579
Patronage Capital & Operating Margins	\$ (492,032)	\$ 1,111,553	\$ (1,603,585)
Non-Operating Margins - Interest	103,965	78,658	25,307
Allowance for Funds Used During Construction	11,412	12,500	(1,088)
Non-Operating Margins - Other	(47,233)	(10,850)	(36,383)
Patronage Capital or Margins	\$ (423,888)	\$ 1,191,861	\$ (1,615,749)

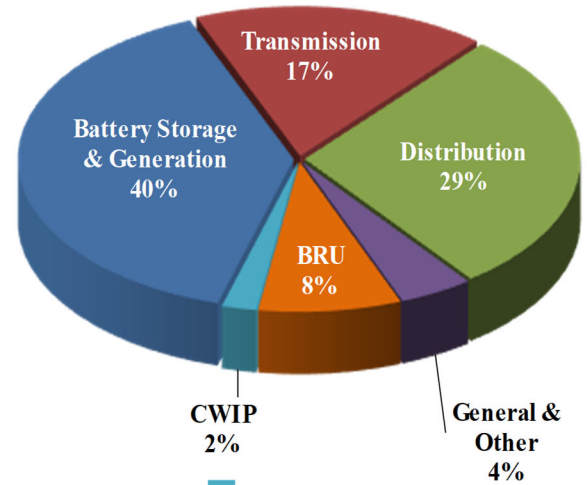
Total Cost of Electric Service (MTD Actual)



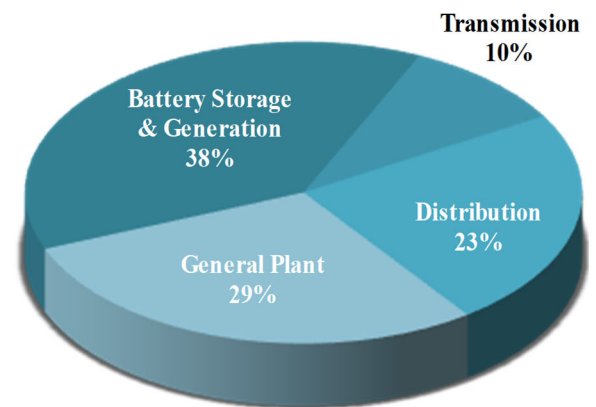
BALANCE SHEET

ASSETS & OTHER DEBITS	3/31/2023	12/31/2022
Electric Plant in Service	2,124,773,489	2,109,990,748
Construction Work in Progress	44,157,083	52,721,736
Total Utility Plant	\$ 2,168,930,572	\$ 2,162,712,484
Accum. Prov. for Depreciation/Amortization	(717,080,875)	(702,820,630)
Net Utility Plant	\$ 1,451,849,697	\$ 1,459,891,854
Nonutility Property - Net	76,889	76,889
Financing & Operating Lease ROU Assets	3,828,920	4,048,789
Investment in Assoc. Organizations	6,634,202	6,993,487
Special Funds	23,328,256	26,275,805
Restricted Cash Equivalents & Other	30,000	30,000
Long-term Prepayments	247,558	305,854
Total Other Property & Investments	\$ 34,145,825	\$ 37,730,824
Cash & Restricted Cash	15,936,290	15,854,739
Special Deposits	58,300	58,300
Accounts Receivable - Net	47,111,746	50,243,472
Materials and Supplies, Fuel Stock	69,463,257	68,199,774
Prepayments	7,038,088	6,239,353
Other Current & Accrued Assets	20,716,125	20,804,025
Total Current & Accrued Assets	\$ 160,323,806	\$ 161,399,663
Deferred Debits	106,999,655	108,557,249
Total Assets & Other Debits	\$ 1,753,318,983	\$ 1,767,579,590
LIABILITIES & OTHER CREDITS	3/31/2023	12/31/2022
Memberships	1,993,341	1,986,171
Pat. Capital, Margins & Equities	213,682,687	210,349,305
Total Margins & Equities	\$ 215,676,028	\$ 212,335,476
Long-Term Debt - Bonds	1,109,633,329	1,128,549,996
Long-Term Debt - Other	17,898,000	18,924,000
Unamortized Debt Issuance Costs	(5,931,844)	(5,960,113)
Operating Lease Liabilities	3,576,143	3,583,801
Finance Lease Liabilities	203,209	203,786
Total Long-Term Debt	\$ 1,125,378,837	\$ 1,145,301,470
Notes Payable	106,967,201	94,178,851
Accounts Payable	14,287,133	26,356,140
Consumer Deposits	4,524,759	4,874,798
Other Current & Accrued Liabilities	55,388,362	53,272,014
Total Current & Accrued Liabilities	\$ 181,167,455	\$ 178,681,803
Deferred Compensation	1,685,148	1,387,476
Other Liabilities, Non-Current	716,591	658,627
Deferred Liabilities	10,569,731	9,639,703
BRU Regulatory Liability	93,558,570	96,612,203
Cost of Removal Obligation	124,566,623	122,962,832
Total Liabilities & Other Credits	\$ 1,753,318,983	\$ 1,767,579,590

→ **Total Utility Plant**
\$2,168,930,572



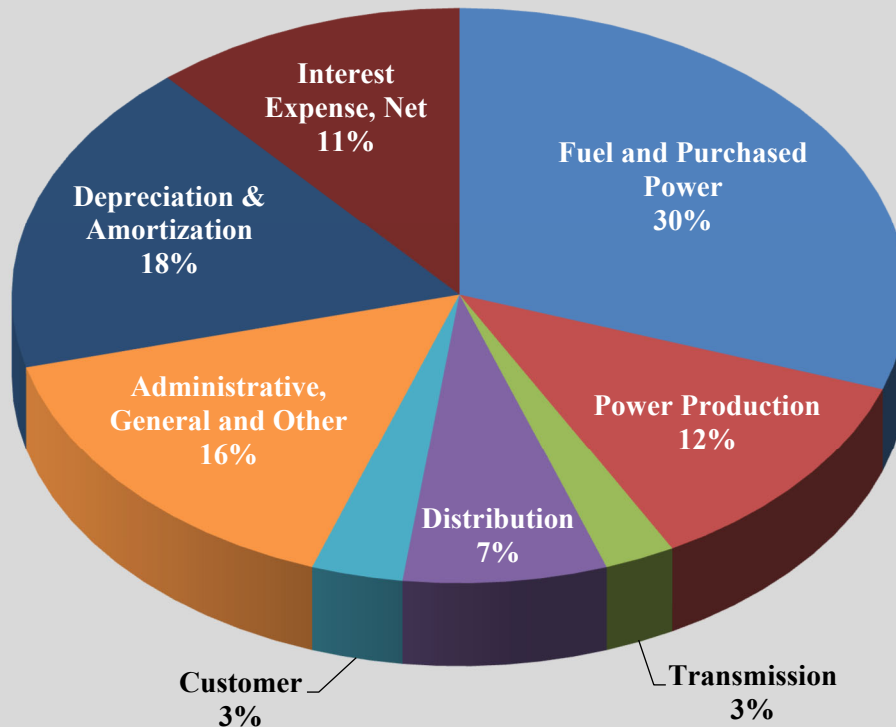
↓ **Construction Work in Progress**
\$44,157,083



COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2023 YTD ACTUAL TO BUDGET

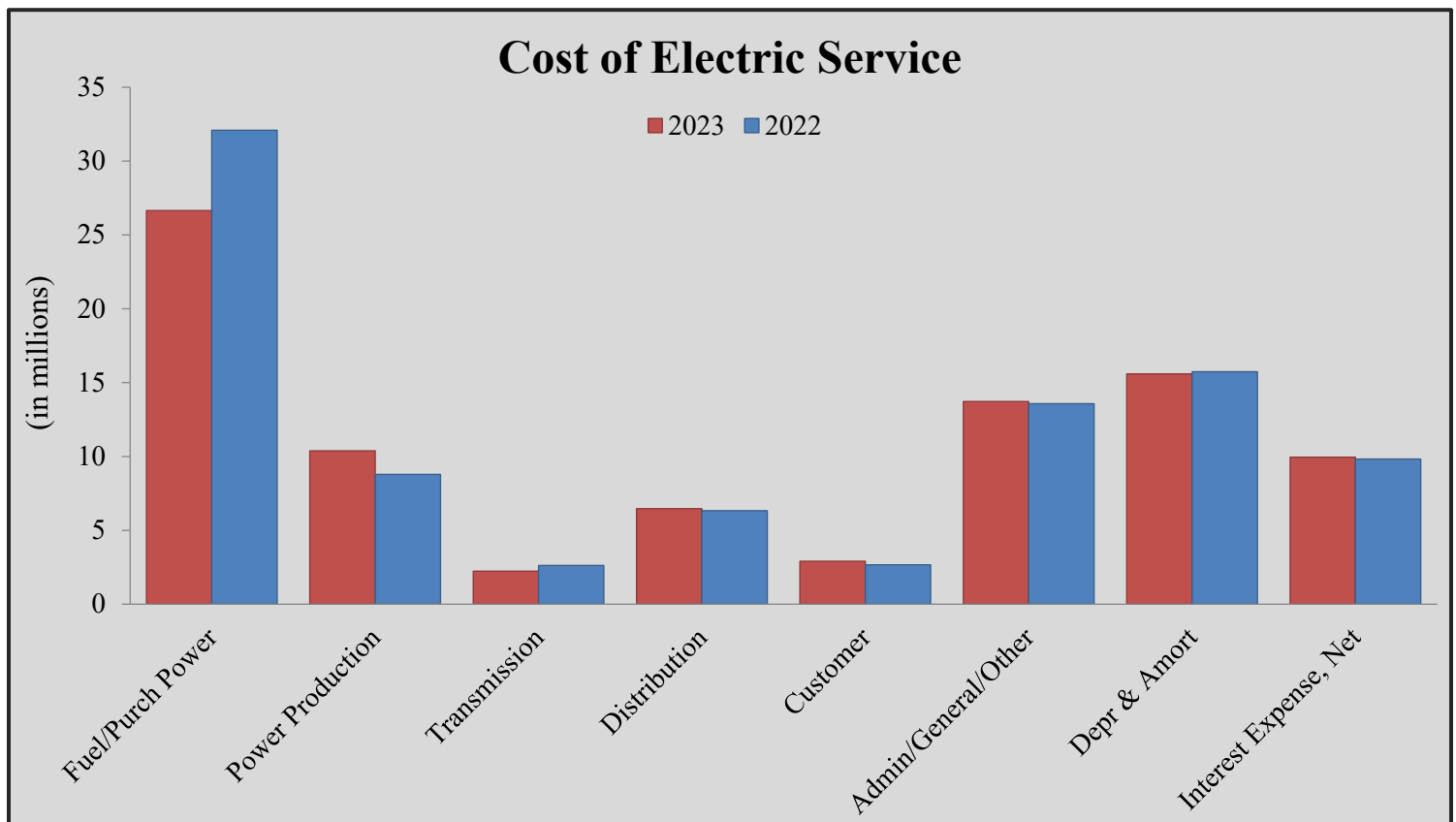
CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 91,030,694	\$ 89,935,924	\$ 1,094,770
Fuel and Purchased Power	26,646,798	24,780,958	1,865,840
Power Production	10,382,188	9,008,277	1,373,911
Transmission	2,239,286	2,974,827	(735,541)
Distribution	6,467,180	6,662,319	(195,139)
Customer	2,902,355	2,805,821	96,534
Administrative, General and Other	13,719,096	13,495,822	223,274
Depreciation & Amortization	15,591,021	16,150,482	(559,461)
Interest Expense, Net	9,951,454	9,640,934	310,520
Total Cost of Electric Service	\$ 87,899,378	\$ 85,519,440	\$ 2,379,938
Patronage Capital & Operating Margins	\$ 3,131,316	\$ 4,416,484	\$ (1,285,168)
Non-Operating Margins - Interest	296,488	224,676	71,812
Allowance for Funds Used During Const.	41,011	37,500	3,511
Non-Operating Margins - Other	(100,623)	(32,550)	(68,073)
Patronage Capital or Margins	\$ 3,368,192	\$ 4,646,110	\$ (1,277,918)
MFI/I	1.32	1.45	
TIER	1.34	1.47	

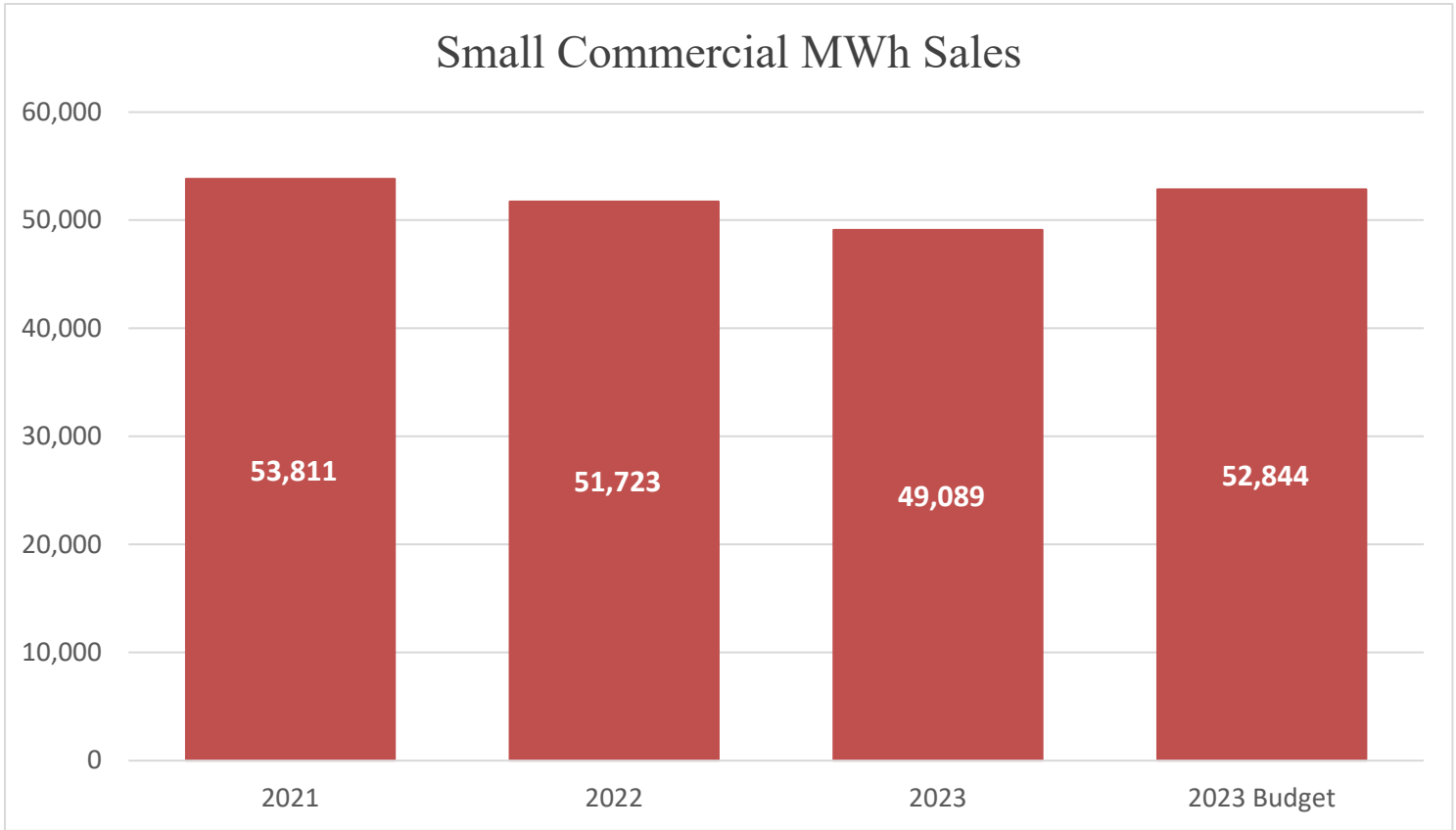
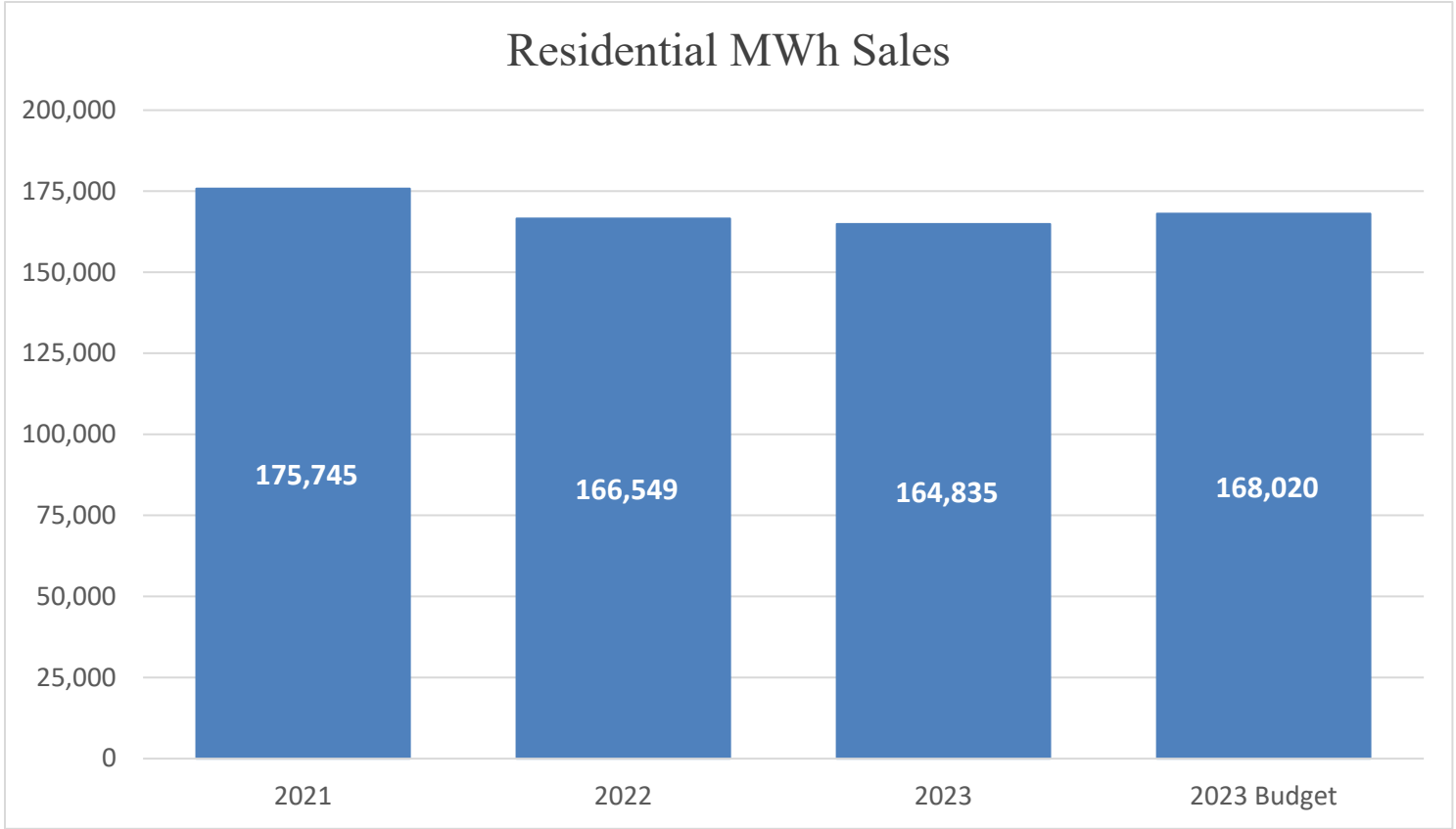
Total Cost of Electric Service (YTD Actual)

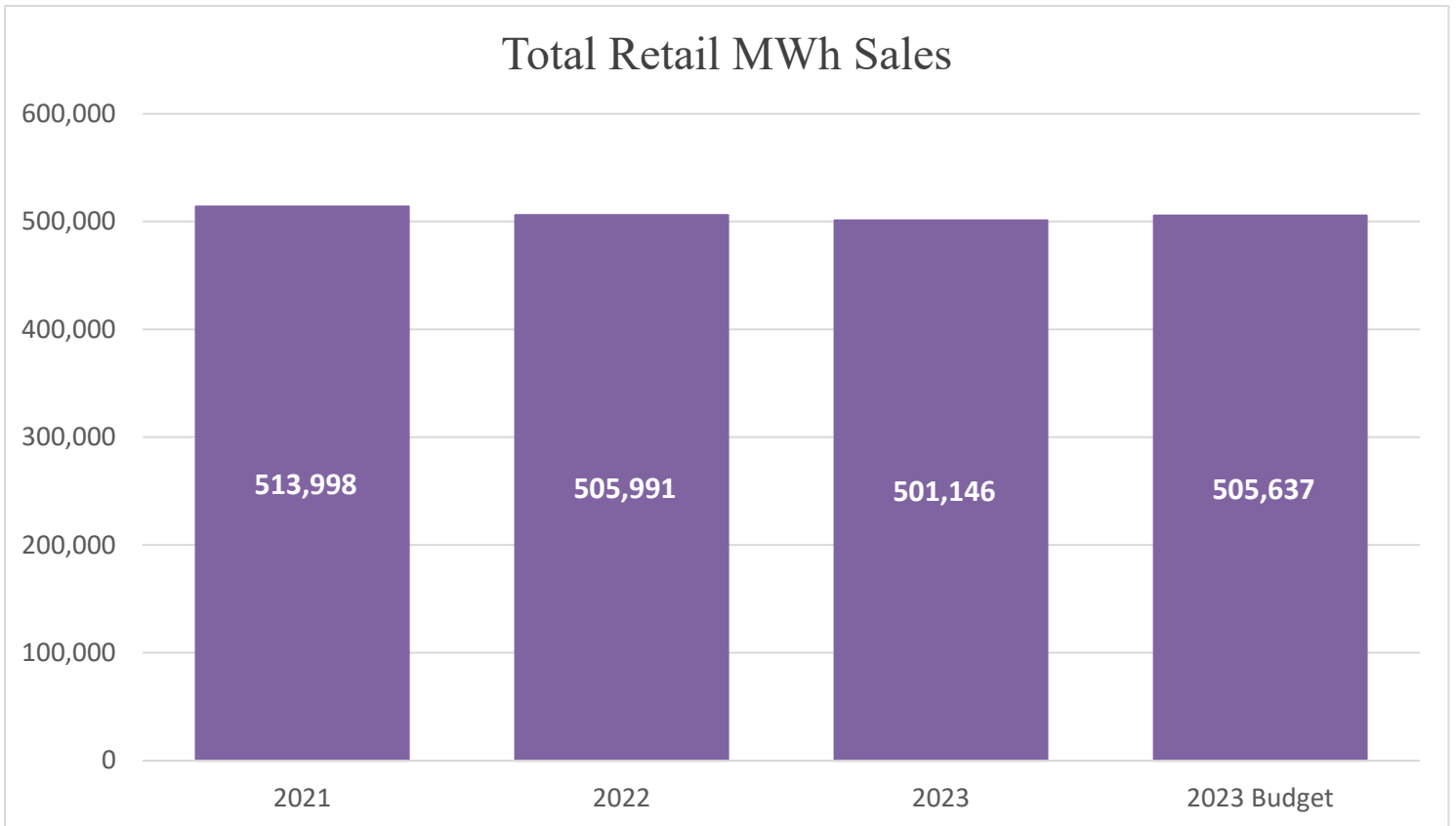


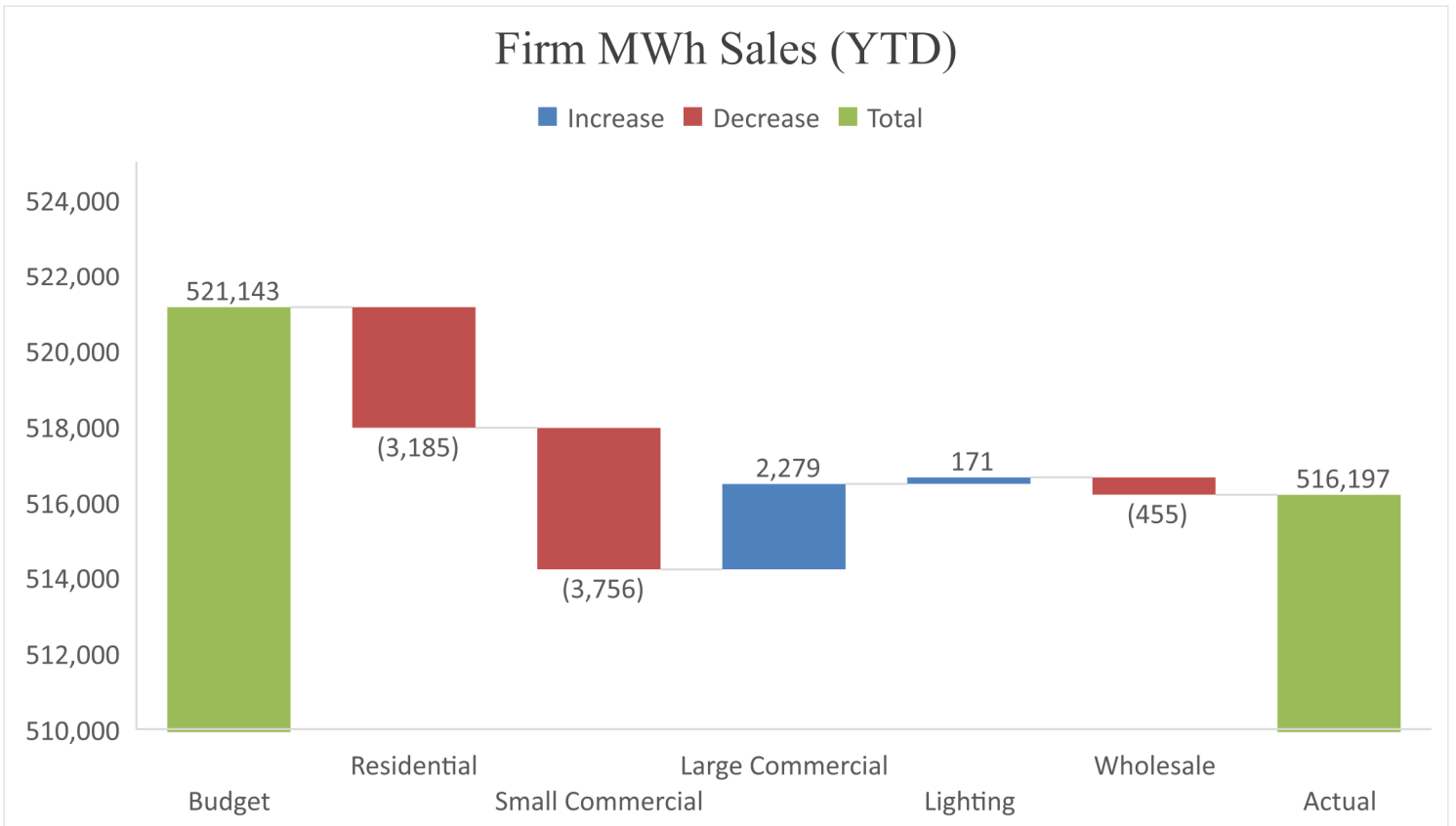
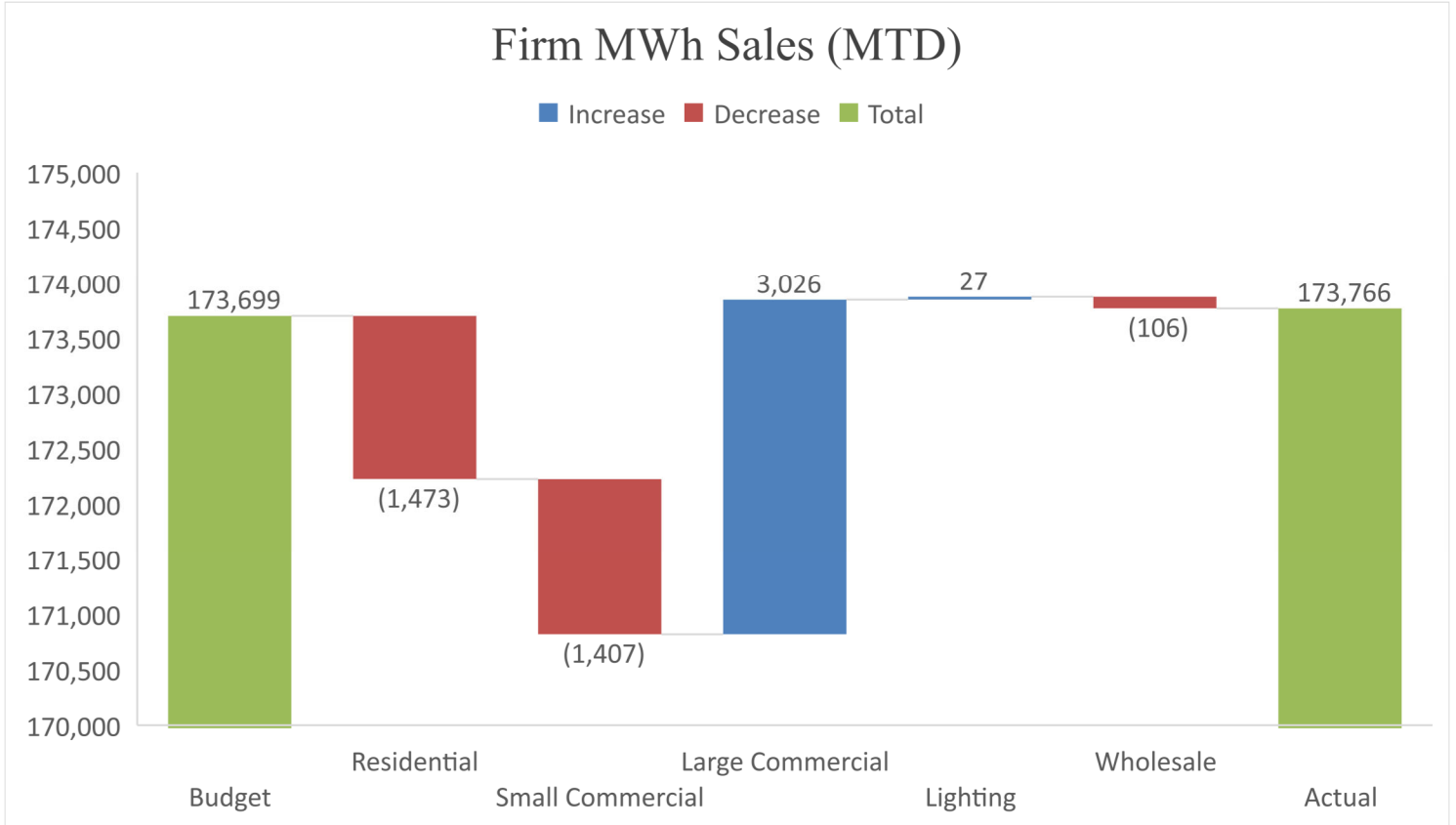
COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YEAR

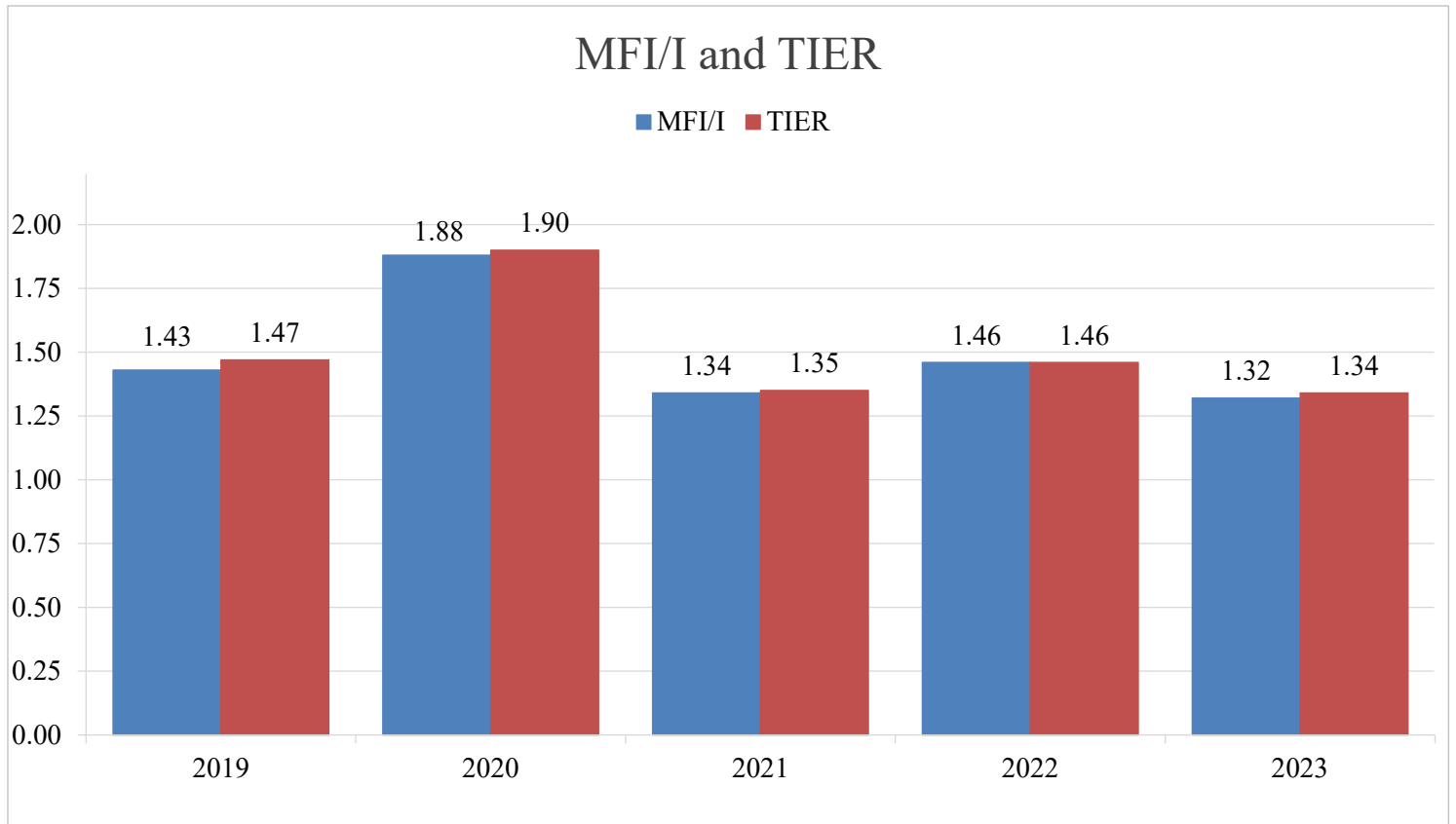
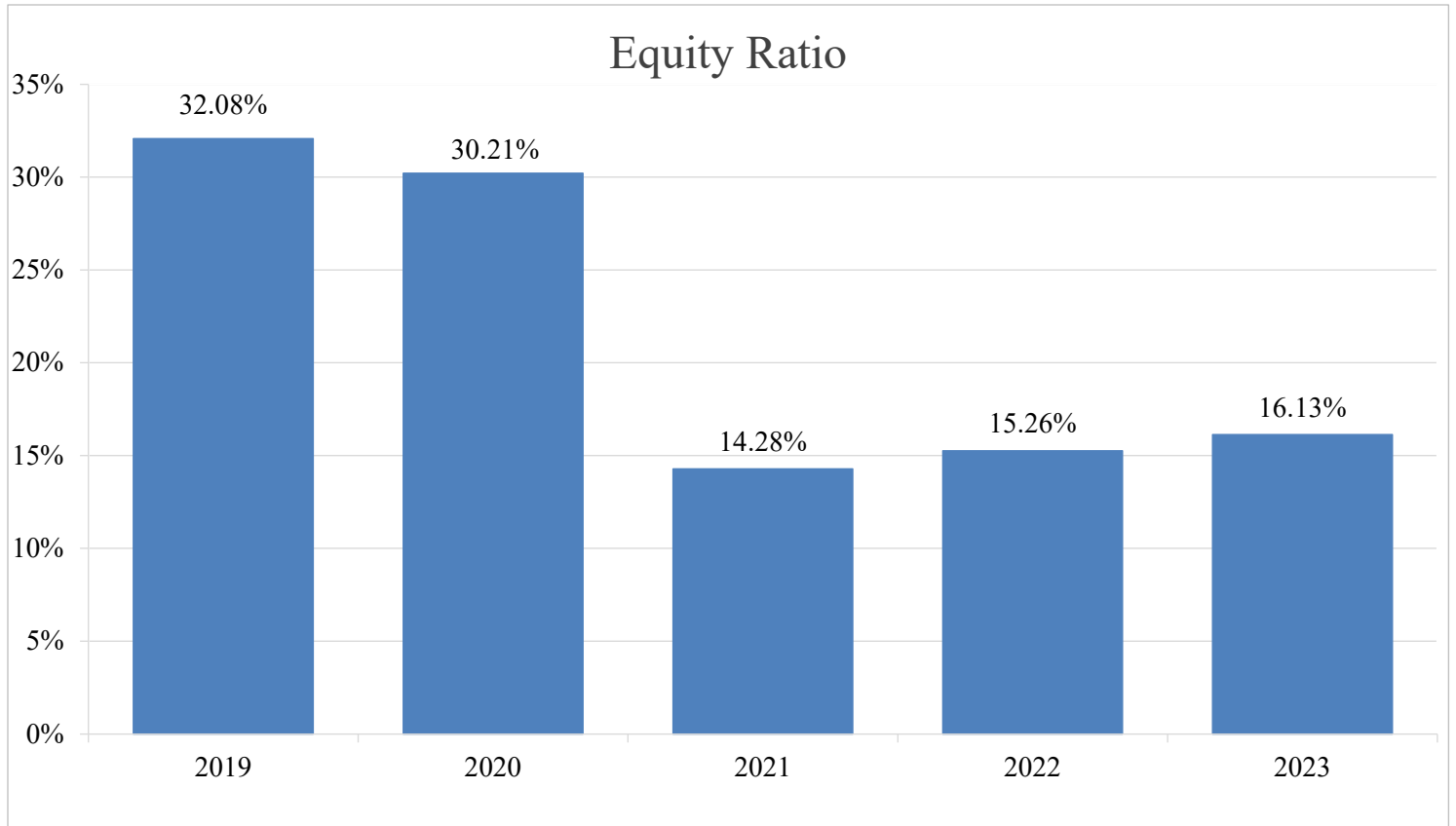
CATEGORY	2023 YTD ACTUAL	2022 YTD ACTUAL
Operating Revenue & Patronage Capital	\$ 91,030,694	\$ 96,372,530
Fuel and Purchased Power	26,646,798	32,086,846
Power Production	10,382,188	8,790,217
Transmission	2,239,286	2,625,070
Distribution	6,467,180	6,329,345
Customer	2,902,355	2,661,302
Administrative, General and Other	13,719,096	13,571,224
Depreciation & Amortization	15,591,021	15,734,455
Interest Expense, Net	9,951,454	9,832,011
Total Cost of Electric Service	\$ 87,899,378	\$ 91,630,470
Patronage Capital & Operating Margins	\$ 3,131,316	\$ 4,742,060
Non-Operating Margins – Interest	296,488	78,958
Allowance for Funds Used During Construction	41,011	19,363
Non-Operating Margins – Other	(100,623)	(75,066)
Patronage Capital or Margins	\$ 3,368,192	\$ 4,765,315
MFI/I	1.32	1.46
TIER	1.34	1.46











ENERGY SALES (kWh)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Retail Energy Sales	501,145,778	505,637,041
Wholesale Energy Sales	<u>15,051,439</u>	<u>15,505,932</u>
Total Firm Energy Sales	516,197,217	521,142,973
Economy Energy/Capacity	55,818,000	41,208,750
Power Pool Sales	<u>76,538,000</u>	<u>45,000,000</u>
Total Energy Sales	648,553,217	607,351,723

Firm energy sales totaled 516,197,217 kWh, which was a 0.9% unfavorable variance compared to budget. This unfavorable variance was due to lower residential and small commercial sales, which was somewhat offset by higher large commercial sales. Economy energy and capacity sales were over budget by 35.5% due to higher than anticipated sales to GVEA, while power pool sales to MEA were over budget by 70.1%.

ENERGY REVENUE (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Retail Revenue	\$ 84.1	\$ 86.0
Wholesale Revenue	<u>1.3</u>	<u>1.2</u>
Total Firm Revenue	85.4	87.2
Economy Energy/Capacity Revenue	2.8	0.7
Power Pool Revenue	1.0	0.5
Other Operating Revenue	<u>1.8</u>	<u>1.6</u>
Total Revenue	\$ 91.0	\$ 90.0

Revenue from firm sales was under budget at \$85.4 million compared to a budget of \$87.2 million. This unfavorable variance was due primarily to lower residential and small commercial sales, as well as lower large commercial demand revenue. Economy energy and capacity revenue was over budget by 277.0%, due to higher sales, and higher economy fuel recorded in revenue as a result of our short-term support of GVEA's generation failures. Power pool revenue with MEA was over budget at \$1.0 million compared to a budget of \$0.5 million. 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 over budget by 16.0%, due primarily to wheeling from GVEA, the sale of renewable energy certificates, and miscellaneous service fees.

FUEL AND PURCHASED POWER (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Fuel	\$ 18.6	\$ 18.0
Purchased Power	<u>8.0</u>	<u>6.8</u>
Total	\$ 26.6	\$24.8

Fuel expenses include fuel, storage, transportation, and BRU operating costs. Fuel expense was over budget at \$18.6 million compared to \$18.0 million in the budget.

Fuel purchased or withdrawn from inventory for production was 1,476,588 Mcf at an average effective price of \$8.75 per Mcf compared to 1,299,616 Mcf budgeted at an average effective price of \$8.93 per Mcf. The higher purchased fuel cost was somewhat offset by lower BRU operating expense.

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 over budget at \$8.0 million compared to \$6.8 million in the budget. This unfavorable variance was due primarily to the true-up of power pooling transactions with MEA.

Energy purchased was 120,467 MWh at an average effective price of 5.4 cents per kWh compared to 88,167 MWh budgeted at an average effective price of 6.1 cents per kWh.

POWER PRODUCTION (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Power Production	\$ 10.4	\$ 9.0

Power production expense was \$10.4 million compared to \$9.0 million in the budget. The unfavorable variance was due primarily to higher labor, contract maintenance expense at SPP, warehouse costs allocated to this financial category, and ML&P regulatory asset amortizations. The unfavorable labor variance was due, in part, to less capital maintenance performed than budgeted.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Transmission	\$ 2.2	\$ 3.0

Transmission operations and maintenance expenses were \$2.2 million compared to \$3.0 million in the budget. This favorable variance was due primarily to lower warehouse costs allocated to this financial category and lower power pool, studies, and easements costs.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Distribution	\$ 6.5	\$ 6.7

Distribution operations and maintenance expenses were \$6.5 million compared to \$6.7 million in the budget. This favorable variance was due primarily to lower labor and materials related to maintenance, which was somewhat offset by higher warehouse and information services costs allocated to this financial category.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Consumer/Customer Information	\$ 2.9	\$ 2.8

Consumer accounts and customer information expense was \$2.9 million compared to \$2.8 million in the budget. This unfavorable variance was due primarily to higher payment processing fees, which was somewhat offset by lower labor costs and the timing of grant related funds for member beneficial electrification.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Administrative, General and Other	\$ 13.7	\$ 13.5

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 over budget by \$0.2 million. The unfavorable variance was due primarily to higher cost related to ML&P regulatory asset amortizations, employee recruitment, and worker's compensation claims, which was somewhat offset by lower labor and PILT expense.

Depreciation, interest, and interest during construction expense totaled \$25.5 million compared to \$25.8 million in the budget. The favorable variance was due primarily to lower than anticipated depreciation rates as approved in our new depreciation study, which was somewhat offset by higher interest expense. The unfavorable interest expense variance was driven by higher short-term interest rates and a larger than budgeted commercial paper balance.

All the foregoing expenses resulted in the cost of electric service of \$87.9 million compared to \$85.5 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 \$236.9 thousand compared to \$229.6 thousand in the budget due primarily to higher non-operating interest income, which were somewhat offset by the timing of hardship contributions.

The net result of revenue and expenses was margins of \$3.4 million compared to projected margins of \$4.6 million in the budget. This resulted in an MFI/I of 1.32, a TIER of 1.34, and an equity-to-total capitalization ratio of 16.13%. The current forecast projects year-end margins of \$7.3 million, an MFI/I of 1.18, and TIER of 1.19.

**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2023 YEAR-END FORECAST**

CATEGORY	YTD ACTUAL	YTD BUDGET	REVISED BUDGET	YEAR-END FORECAST
Operating Revenue and Patronage Capital	\$ 91,030,694	\$ 89,935,924	\$ 355,033,525	\$ 352,907,564
Fuel and Purchased Power Expense	26,646,798	24,780,958	100,583,752	100,583,752
Power Production Expense	10,382,188	9,008,277	37,356,737	37,870,613
Transmission Expense	2,239,286	2,974,827	11,617,536	11,617,536
Distribution Expense	6,467,180	6,662,319	26,635,196	26,678,756
Customer Expense	2,902,355	2,805,821	11,055,459	11,055,459
Administrative, General & Other	13,719,096	13,495,822	53,359,769	53,107,721
Depreciation and Amortization Expense	15,591,021	16,150,482	66,472,501	63,897,985
Interest Expense, Net	9,951,454	9,640,934	40,305,418	41,568,289
Total Cost of Electric Service	\$ 87,899,378	\$ 85,519,440	\$ 347,386,368	\$ 346,380,111
Patronage Capital & Operating Margins	\$ 3,131,316	\$ 4,416,484	\$ 7,647,157	\$ 6,527,453
Non-Operating Margins - Interest	296,488	224,676	770,763	770,763
Allowance for Funds Used During Construction	41,011	37,500	150,000	150,000
Non-Operating Margins - Other	(100,623)	(32,550)	(130,200)	(130,200)
Patronage Capital or Margins	\$ 3,368,192	\$ 4,646,110	\$ 8,437,720	\$ 7,318,016
MFI/I	1.32	1.45	1.20	1.18
TIER	1.34	1.47	1.22	1.19

¹ Forecast has been adjusted to reflect anticipated changes



Quarterly Financial Report

As of and for the quarter ended March 31, 2023

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CHUGACH ELECTRIC ASSOCIATION, INC.

Quarterly Financial Report

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The statements in this report that do not relate to historical facts, including statements relating to future plans, events or performance, are forward-looking statements that involve risks and uncertainties. Actual results, events or performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this report and the accuracy of which is subject to inherent uncertainty. It is suggested that these statements be read in conjunction with the audited financial statements for Chugach Electric Association, Inc. (“Chugach”) for the year ended December 31, 2022. Chugach undertakes no obligation to release any revisions to these forward-looking statements to reflect events or circumstances that may occur after the date of this report or the effect of those events or circumstances on any of the forward-looking statements contained in this report.

FINANCIAL STATEMENTS

The unaudited financial statements and notes to the unaudited financial statements of Chugach as of and for the quarter ended March 31, 2023, follow.

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Chugach Electric Association, Inc.
Consolidated Balance Sheets

Assets	March 31, 2023 (Unaudited)	December 31, 2022
Utility plant:		
Electric plant in service	\$ 2,124,773,489	\$ 2,109,990,748
Construction work in progress	44,157,083	52,721,736
Total utility plant	2,168,930,572	2,162,721,484
Less accumulated depreciation	(717,080,875)	(702,820,630)
Net utility plant	1,451,849,697	1,459,891,854
Other property and investments, at cost:		
Nonutility property	76,889	76,889
Operating lease right-of-use assets	3,612,370	3,831,720
Financing lease right-of-use assets	261,550	217,069
Investments in associated organizations	6,634,202	6,993,487
Special funds	23,328,256	26,275,805
Restricted cash equivalents	30,000	30,000
Long-term prepayments	247,558	305,854
Total other property and investments	34,145,825	37,730,824
Current assets:		
Cash and cash equivalents	6,195,820	3,178,673
Special deposits	58,300	58,300
Restricted cash equivalents	9,740,470	12,676,066
Fuel cost under-recovery	2,413,432	1,579,375
BRU capital surcharge under-recovery	17,832,482	18,845,238
Accounts receivable, net	47,111,746	50,243,472
Materials and supplies	51,766,404	49,979,660
Fuel stock	17,696,853	18,220,114
Prepayments	7,038,088	6,239,353
Other current assets	470,211	379,412
Total current assets	160,323,806	161,399,663
Other non-current assets:		
Deferred charges, net	106,999,655	108,557,249
Total other non-current assets	106,999,655	108,557,249
Total assets	\$ 1,753,318,983	\$ 1,767,579,590

(Continued)

Chugach Electric Association, Inc.
Consolidated Balance Sheets
(continued)

Liabilities, Equities and Margins	March 31, 2023	December 31, 2022
	(Unaudited)	
Equities and margins:		
Memberships	\$ 1,993,341	\$ 1,986,171
Patronage capital	198,069,487	194,755,133
Other	15,613,200	15,594,172
Total equities and margins	215,676,028	212,335,476
Long-term obligations, excluding current installments:		
Bonds payable	1,109,633,329	1,128,549,996
Notes payable	17,898,000	18,924,000
Less unamortized debt issuance costs	(5,931,844)	(5,960,113)
Operating lease liabilities	3,576,143	3,583,801
Financing lease liabilities	203,209	203,786
Total long-term obligations	1,125,378,837	1,145,301,470
Current liabilities:		
Current installments of long-term obligations	48,967,201	49,178,581
Commercial paper	58,000,000	45,000,000
Accounts payable	14,287,133	26,356,140
Consumer deposits	4,524,759	4,874,798
Accrued interest	10,466,285	8,454,148
Salaries, wages and benefits	13,196,294	12,103,644
Fuel	5,824,368	6,933,243
Undergrounding ordinance liabilities	13,304,401	11,894,343
Settlement obligation	9,298,783	12,181,556
Other current liabilities	3,298,231	1,705,080
Total current liabilities	181,167,455	178,681,803
Other non-current liabilities:		
Deferred compensation	1,685,148	1,387,476
Other liabilities, non-current	716,591	658,627
Deferred liabilities	10,569,731	9,639,703
BRU regulatory liability	93,558,570	96,612,203
Cost of removal obligation / asset retirement obligation	124,566,623	122,962,832
Total other non-current liabilities	231,096,663	231,260,841
Total liabilities, equities and margins	\$ 1,753,318,983	\$ 1,767,579,590

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Operations

	Three months ended March 31,	
	2023	2022
	(Unaudited)	
Operating revenues	\$ 91,030,694	\$ 96,372,530
Operating expenses:		
Fuel	18,649,862	26,604,845
Production	10,382,188	8,790,217
Purchased power	7,996,936	5,482,001
Transmission	2,239,286	2,625,070
Distribution	6,467,180	6,329,345
Consumer accounts	2,902,355	2,661,302
Administrative, general and other	13,719,096	13,571,224
Depreciation and amortization	15,591,021	15,734,455
Total operating expenses	77,947,924	81,798,459
Interest expense:		
Long-term debt and other	10,674,460	10,428,678
Charged to construction and other	(723,006)	(596,667)
Interest expense, net	9,951,454	9,832,011
Net operating margins	3,131,316	4,742,060
Nonoperating margins:		
Interest income	296,488	78,958
Allowance for funds used during construction	41,011	19,363
Capital credits, patronage dividends and other	(100,623)	(75,066)
Total nonoperating margins	236,876	23,255
Assignable margins	\$ 3,368,192	\$ 4,765,315

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Changes in Equities and Margins

	Three months ended March 31,	
	2023	2022
Memberships:	(Unaudited)	
Balance at beginning of period	\$ 1,986,171	\$ 1,949,262
Memberships and donations received	7,170	7,934
Balance at end of period	<u>\$ 1,993,341</u>	<u>\$ 1,957,196</u>
Other equities and margins:		
Balance at beginning of period	15,594,172	15,477,923
Unclaimed capital credits retired	(3,288)	(2,434)
Memberships and donations received	22,316	24,529
Balance at end of period	<u>\$ 15,613,200</u>	<u>\$ 15,500,018</u>
Patronage capital:		
Balance at beginning of period	194,755,133	188,573,753
Assignable margins	3,368,192	4,765,315
Retirement/net transfer of capital credits	(53,838)	(59,604)
Balance at end of period	<u>\$ 198,069,487</u>	<u>\$ 193,279,464</u>
Total equities and margins	<u><u>\$ 215,676,028</u></u>	<u><u>\$ 210,736,678</u></u>

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Cash Flows

	Three months ended March 31,	
	2023	2022
<u>Cash flows from operating activities:</u>	(Unaudited)	
Assignable margins	\$ 3,368,192	\$ 4,765,315
Adjustments to reconcile assignable margins to net cash provided by operating activities:		
Depreciation, depletion, and amortization	15,591,021	15,734,455
Amortization and depreciation cleared to operating expenses	2,917,450	3,198,567
Allowance for funds used during construction	(41,011)	(19,363)
Write off of inventory, deferred charges, and projects	60,142	242,383
PILT	2,327,327	2,561,472
Other	143,135	84,254
(Increase) decrease in assets:		
Accounts receivable, net	3,358,893	1,458,208
Fuel cost under-recovery	(834,057)	-
Materials and supplies	(1,808,343)	(1,234,820)
Fuel stock	523,261	6,088,255
Prepayments	(740,439)	(1,322,266)
Other assets	(90,799)	(272,698)
Deferred charges	(1,046,901)	(1,186,552)
Increase (decrease) in liabilities:		
Accounts payable	(1,279,405)	(1,805,321)
Consumer deposits	(350,039)	(654,528)
Fuel cost over-recovery	-	(1,130,245)
Accrued interest	2,012,137	2,010,658
Salaries, wages, and benefits	1,092,650	677,226
Fuel	(1,108,875)	740,309
Other current liabilities	(537,182)	(525,892)
Deferred liabilities	(2,161,373)	(3,572,429)
Net cash provided by operating activities	<u>21,395,783</u>	<u>25,836,988</u>
<u>Cash flows from investing activities:</u>		
Return of capital from investment in associated organizations	359,285	284,572
Investment in special funds	(799,143)	570,485
Proceeds from capital grants	-	238,604
Extension and replacement of plant	(18,786,726)	(8,661,866)
Net cash used in investing activities	<u>(19,226,584)</u>	<u>(7,568,205)</u>
<u>Cash flows from financing activities:</u>		
Net increase (decrease) in short-term obligations	13,000,000	(10,000,000)
Repayments of long-term obligations	(19,942,667)	(17,328,667)
Memberships and donations received	26,198	30,029
Retirement of patronage capital and estate payments	(76,338)	(59,604)
Proceeds from consumer advances for construction	4,905,159	1,725,078
Net cash used in financing activities	<u>(2,087,648)</u>	<u>(25,633,164)</u>
Net change in cash, cash equivalents, and restricted cash equivalents	81,551	(7,364,381)
Cash, cash equivalents, and restricted cash equivalents at beginning of period	\$ 15,884,739	\$ 37,655,033
Cash, cash equivalents, and restricted cash equivalents at end of period	<u>\$ 15,966,290</u>	<u>\$ 30,290,652</u>
Supplemental disclosure of non-cash investing and financing activities:		
Cost of removal obligation	\$ 1,603,791	\$ 1,693,412
Extension and replacement of plant included in accounts payable	\$ 2,737,770	\$ 1,913,280
Supplemental disclosure of cash flow information - interest expense paid, net of amounts capitalized	\$ 7,722,292	\$ 7,342,364

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

(1) Description of Business and Presentation of Financial Information

Description of Business

Chugach Electric Association, Inc. (“Chugach”) is the largest electric utility in Alaska engaged in the generation, transmission, and distribution of electricity in Anchorage and the upper Kenai Peninsula area. Chugach is on an interconnected regional electrical system referred to as the Alaska Railbelt, a 400-mile-long area stretching from the coastline of the southern Kenai Peninsula to the interior of the state, including Alaska's largest cities, Anchorage and Fairbanks.

Chugach’s retail and wholesale members are the consumers of the electricity sold. Chugach supplies much of the power requirements to the City of Seward (“Seward”), as a wholesale customer. Occasionally, Chugach sells available generation, in excess of its own needs, to Matanuska Electric Association, Inc. (“MEA”), Homer Electric Association, Inc. (“HEA”), Golden Valley Electric Association, Inc. (“GVEA”). Power pool sales to MEA began in April 2021.

Chugach was organized as an Alaska electric cooperative in 1948 and operates on a not-for-profit basis and, accordingly, seeks only to generate revenues sufficient to pay operating and maintenance costs, the cost of purchased power, capital expenditures, depreciation, and principal and interest on all indebtedness and to provide for reserves. Chugach is subject to the authority of the Regulatory Commission of Alaska (“RCA”).

On October 30, 2020, Chugach acquired substantially all of the assets of ML&P from the Municipality of Anchorage, Alaska (“MOA”).

The consolidated financial statements include the activity of Chugach and the activity of the Beluga River Unit (“BRU”). Chugach accounts for its share of BRU activity using proportional consolidation (see Note 6 – “Beluga River Unit”). Intracompany activity has been eliminated for presentation of the consolidated financial statements.

(2) Significant Accounting Policies

a. Management Estimates

In preparing the financial statements in conformity with U.S. GAAP, the management of Chugach is required to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and revenues and expenses for the reporting period. Estimates include the fair value of assets acquired and liabilities assumed, allowance for doubtful accounts, workers’ compensation liability, deferred charges and liabilities, unbilled revenue, estimated useful life of utility plant, cost of removal and asset retirement obligation (“ARO”), and remaining proved BRU reserves. Actual results could differ from those estimates.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

b. Regulation

The accounting records of Chugach conform to the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (“FERC”). Chugach meets the criteria, and accordingly, follows the accounting and reporting requirements of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 980, “Topic 980 - Regulated Operations.” FASB ASC 980 provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. Regulated rates are established to recover all specific costs of providing electric service. In each rate filing, rates are set at levels to recover all specific allowable costs and those rates are then collected from our retail and wholesale customers. The regulatory assets or liabilities are then reduced as the cost or credit is reflected in earnings and our rates, see *Note (2g) – “Deferred Charges and Liabilities.”*

c. Investments in Associated Organizations

Chugach’s investments in associated organizations are considered equity securities without readily determinable fair values, and as such are measured at cost minus impairment, if any. There were no impairments of these investments recognized during the three months ended March 31, 2023, or 2022.

d. Special Funds

Special funds include deposits associated with the deferred compensation plan and investments associated with the BRU. The BRU ARO investment was established pursuant to an agreement with the State of Alaska and was \$21.6 million and \$20.1 million as of March 31, 2023 and December 31, 2022, respectively. Additional funds associated with the BRU for which the RCA has specified the use was \$0 and \$4.8 million at March 31, 2023 and December 31, 2022, respectively. Currently, its use is for fuel price volatility in future periods. On May 16, 2022, Chugach received approval to adopt a forward-funding recovery structure for BRU capital expenditures through a BRU Capital Reserve Surcharge on an interim, non-refundable basis. This account is being used to fund current and future years BRU capital requirements. The BRU Capital Reserve Surcharge provides for the exact recovery of BRU capital requirements through a balancing account.

e. Cash, Cash Equivalents, and Restricted Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the Consolidated Balance Sheet that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

	March 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 6,195,820	\$ 3,178,673
Restricted cash equivalents	9,740,470	12,676,066
Restricted cash equivalents included in other property and investments	30,000	30,000
Total cash, cash equivalents and restricted cash equivalents shown in the consolidated statements of cash flows	\$ 15,966,290	\$ 15,884,739

Restricted cash equivalents include funds on deposit for future workers' compensation claims and funds from the MOA to be used for a rate reduction refund to the North District members as ordered by the RCA, which was \$9.3 million and \$12.2 million at March 31, 2023 and December 31, 2022, respectively. Restricted assets, including cash equivalents, are recognized on Chugach's Consolidated Balance Sheet when they are restricted as to withdrawal or usage.

f. Fuel Stock

Fuel Stock is the weighted average cost of fuel injected into Cook Inlet Natural Gas Storage Alaska ("CINGSA"). Chugach's fuel balance in storage amounted to \$17.7 million and \$18.2 million at March 31, 2023 and December 31, 2022, respectively.

g. Deferred Charges and Liabilities

Deferred charges include regulatory assets recorded in accordance with FASB ASC 980 and includes costs associated with the ML&P acquisition and integration, which were \$78.6 million and \$79.4 million at March 31, 2023, and December 31, 2022, respectively.

h. Income Taxes

Chugach is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code and for the three months ended March 31, 2023, and 2022, was in compliance with that provision. In addition, as described in *Note 9 – "Commitments and Contingencies,"* Chugach collects sales tax and is assessed gross revenue and excise taxes which are presented on a net basis in accordance with FASB ASC 606-10-65, "Topic 606 - Revenue from Contracts with Customers."

Chugach applies a more-likely-than-not recognition threshold for all tax uncertainties. FASB ASC 740, "Topic 740 – Income Taxes," only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. Chugach's management reviewed Chugach's tax positions and determined there were no outstanding or retroactive tax positions that were not highly certain of being sustained upon examination by the taxing authorities.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

(3) Fair Value of Assets and Liabilities

Fair Value Hierarchy

In accordance with FASB ASC 820, Chugach groups its financial assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect Chugach’s estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The table below presents the balance of Chugach’s investment accounts associated with the BRU ARO, Restricted Rate Reduction (“RRR”) funds and other obligations, which are comprised of bond and equity securities, Chugach had no other assets or liabilities measured at fair value on a recurring basis at March 31, 2023, or December 31, 2022.

March 31, 2023	Total	Level 1	Level 2	Level 3
BRU ARO Fund	\$ 21,641,762	\$ 19,053,434	\$ 2,588,328	\$ 0
RRR Fund	\$ 9,290,470	\$ 9,290,470	\$ 0	\$ 0
Future Gas Purchases Fund	\$ 1,346	\$ 1,346	\$ 0	\$ 0
December 31, 2022	Total	Level 1	Level 2	Level 3
BRU ARO Fund	\$ 20,144,870	\$ 18,004,464	\$ 2,110,406	\$ 0
RRR Fund	\$ 12,174,066	\$ 12,174,066	\$ 0	\$ 0
Future Gas Purchases Fund	\$ 4,773,459	\$ 4,773,459	\$ 0	\$ 0

Fair Value of Financial Instruments

Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The fair value of cash, cash equivalents, restricted cash equivalents, accounts receivable and payable, and other short-term monetary assets and liabilities approximate carrying value due to their short-term nature.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

The estimated fair values of long-term obligations included in the financial statements at March 31, 2023, are as follows (dollars in thousands):

	Carrying Value	Fair Value Level 2
Long-term obligations (including current installments)	\$ 1,176,452	\$ 985,753

(4) Regulatory Matters

Potential Margin Shortfalls Due to Lower Sales

On July 1, 2021, Chugach submitted a petition to the RCA requesting approval to modify the Stipulation Resolving All Issues (as approved in Order No. U-18-102(44)/U-19-020(39)/U-19-021(39)), in response to reductions in sales due, in part, to the COVID-19 pandemic. In the petition, Chugach requested approval to modify the amortization amounts for the Secondary Regulatory Asset and the Eklutna Purchased Power Agreement (“PPA”) payments, as and if needed, that would allow Chugach to achieve a Margins for Interest (“MFI/I”) of 1.20 for 2021, 2022 and 2023. On July 30, 2021, the RCA issued Order No. U-19-020(47)/U-19-021(47) partially denying the petition, and opening Docket U-21-059 for investigation of Chugach’s projected margin shortfall. In Order No. 1, the RCA indicated that a decision would be issued by July 29, 2022. On August 10, 2021, Chugach requested expedited consideration requesting that a decision be issued by the RCA by November 12, 2021. A hearing was held on September 23, 2021, to address Chugach’s request to modify the Stipulation.

On November 9, 2021, the RCA issued an order authorizing Chugach to modify the amortization of its Secondary Regulatory asset and defer the Eklutna PPA payments, if needed, to achieve a MFI/I of not more than 1.20 for 2021. Additionally, the RCA required Chugach to submit a filing to propose an alternative solution for years 2022 and 2023. Chugach submitted the proposed alternative solution; however, in response to issues raised by select members, withdrew this filing on January 20, 2022. On February 28, 2022, Chugach submitted a petition to the RCA requesting approval to defer up to \$8.8 million of the secondary regulatory asset and Eklutna PPA payments that were approved for deferral in 2021 by the RCA in Order No. U-19-020(47)/U-19-021(47). Since Chugach did not defer any amounts in 2021, the petition requested RCA approval to defer up to the \$8.8 million as previously authorized for 2021 in calendar-years 2022 and 2023, if needed. The RCA scheduled hearings during the week of May 23, 2022. On October 27, 2022, the RCA issued an order authorizing the deferral of expense recognition to the extent necessary to achieve a 1.20 MFI/I during 2022, but denied the deferral request for 2023.

Power Pooling and Joint Dispatch

The RCA approved the Amended and Restated Operations Agreement for Power Pooling and Joint Dispatch (“Pooling Agreement”) on November 2, 2020. Pursuant to the Pooling Agreement, Chugach and MEA spent the next 18 months working to implement the Pooling Agreement. On December 29, 2021, MEA filed its first quarter 2022 cost of power adjustment wherein it alleged that beginning in January 2022 MEA would no longer be purchasing energy from Chugach at the price proposed by Chugach. On March 3, 2022, the RCA opened a docket to investigate the tight power pool energy exchange and settlement practices of Chugach. A hearing was held on the matter and a final order was issued on March 3, 2023. The RCA ruled (1) that Chugach’s departure from the Standard

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
March 31, 2023 and 2022

Operating Procedure (“SOP”) was unreasonable; (2) that Chugach must recalculate pool savings based on the SOP; and (3) that no penalties or civil sanctions would be imposed. The RCA did not accept Chugach’s request to address other outstanding issues, either through extension of the existing docket or through a new docket.

Chugach has complied with the RCA’s order by issuing corrected invoices for power pool transactions occurring from January 3, 2022, through March 3, 2023, based on the SOP. The required recalculations resulted in a net amount due from Chugach to MEA of approximately \$0.6 million.

BRU Capital Surcharge

Chugach received approval to adopt a forward-funding recovery structure for BRU capital expenditures through a BRU Capital Reserve Surcharge. Revenues received from the surcharge are deposited into the BRU Reserve account to meet BRU capital expenditure requirements over the remaining life of the gas field. Under this structure, all future capital expenditures are recovered through the BRU Capital Reserve Surcharge. The BRU Capital Reserve Surcharge is a component of Chugach’s BRU gas transfer price. All BRU costs are recovered through Chugach’s fuel and purchased power adjustment process as a direct pass-through.

Railbelt Reliability Council

The Railbelt Reliability Council (“RRC”) was formed with the intent of becoming the electric reliability organization (“ERO”), as required by the Alaska Senate Bill (“SB”) 123. The council will be responsible for adoption and enforcement of uniform reliability standards and integrated transmission resource planning for the Alaska Railbelt. On March 25, 2022, the RRC formally submitted its application for certification as the ERO. On September 23, 2022, the RCA approved the certification of the RRC.

(5) Debt

Lines of credit

Chugach maintains a \$50.0 million line of credit with the National Rural Utilities Cooperative Finance Corporation (“NRUCFC”). Chugach did not utilize this line of credit during the first quarter of 2023, and therefore had no outstanding balance at March 31, 2023. The borrowing rate is calculated using the total rate per annum and may be fixed by NRUCFC. The borrowing rate was 6.75% and 6.25% at March 31, 2023 and December 31, 2022, respectively.

The NRUCFC Revolving Line of Credit Agreement requires that Chugach, for each 12-month period, for a period of at least five consecutive days, pay down the entire outstanding principal balance. The NRUCFC line of credit was renewed December 15, 2021 and expires December 21, 2026. This line of credit is immediately available for unconditional borrowing.

Commercial Paper

Chugach maintains a \$300.0 million senior unsecured credit facility, as amended June 2019, (“Credit Agreement”), which is used to back Chugach’s commercial paper program. The pricing

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includes an all-in drawn spread of one-month of the London Inter-Bank Offered Rate (“LIBOR”) plus 90.0 basis points, along with a 10.0 basis points facility fee (based on an A/A2/A unsecured debt rating), as well as provisions for calculating the interest on loans in ways other than the LIBOR. Therefore, any transition away from using LIBOR is not expected to have a material impact on Chugach. The Credit Agreement expires on July 30, 2024. The participating banks include NRUCFC, Bank of America, N.A., KeyBank National Association, Wells Fargo Bank N.A., and CoBank, ACB.

Our commercial paper can be repriced between one day and 397 days. Chugach is expected to continue to issue commercial paper in 2023, as needed.

Chugach had \$58.0 million and \$45.0 million of commercial paper outstanding at March 31, 2023 and December 31, 2022, respectively.

The following table provides information regarding average commercial paper balances outstanding for the quarters ended March 31, 2023, and 2022 (dollars in millions), as well as corresponding weighted average interest rates:

2023		2022	
Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
\$ 50.6	4.96%	\$ 14.6	0.60%

Term Loans

Chugach has a term loan facility with CoBank. Loans made under this facility are evidenced by the 2016 CoBank Note, which is governed by the Amended and Restated Master Loan Agreement dated June 30, 2016 (“CoBank Loan Agreement”), as amended November 26, 2019, and secured by the Second Amended and Restated Indenture of Trust (“Indenture”). At March 31, 2023, Chugach had \$22.0 million outstanding with CoBank.

Financing

The bonds and all other long-term debt obligations are secured by a lien on substantially all of Chugach’s assets, pursuant to the Indenture, which became effective on January 20, 2011, as previously amended and supplemented. On October 30, 2020, a lien was granted on certain ML&P acquired assets to secure the debt associated with the acquisition.

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Debt Issuance Costs

The following table outlines the debt issuance costs associated with the long-term obligations, excluding current installments, at March 31, 2023.

	Long-term Obligations	Unamortized Debt Issuance Costs
2011 Series A Bonds	\$ 136,333,329	\$ 662,186
2012 Series A Bonds	142,000,000	639,473
2017 Series A Bonds	26,000,000	144,810
2019 Series A Bonds	63,300,000	355,157
2020 Series A Bonds	742,000,000	4,026,470
2016 CoBank Note	17,898,000	103,748
	<u>\$ 1,127,531,329</u>	<u>\$ 5,931,844</u>

The following table outlines the debt issuance costs associated with long-term obligations, excluding current installments at December 31, 2022.

	Long-term Obligations	Unamortized Debt Issuance Costs
2011 Series A Bonds	\$ 146,999,996	\$ 684,859
2012 Series A Bonds	148,250,000	655,767
2017 Series A Bonds	28,000,000	147,396
2019 Series A Bonds	63,300,000	364,454
2020 Series A Bonds	742,000,000	4,000,745
2016 CoBank Note	18,924,000	106,892
	<u>\$ 1,147,473,996</u>	<u>\$ 5,960,113</u>

(6) Beluga River Unit

The BRU is located on the western side of Cook Inlet, approximately 35 miles from Anchorage, and is an established natural gas field that was originally discovered in 1962. Effective October 30, 2020, Chugach acquired ML&P's 57% ownership share of the BRU, increasing Chugach's ownership share of the BRU to 66.7%. Hilcorp owns the remaining 33.3%.

Chugach records depreciation, depletion, and amortization on BRU assets based on units of production. During the first quarter of 2023, Chugach lifted 1.9 Bcf resulting in a cumulative lift since purchase of 21.7 Bcf of the approximate 69.0 Bcf in Chugach's proven developed and undeveloped reserves. Chugach and the other owner, Hilcorp, are operating under an existing Joint Operating Agreement. Hilcorp is the operator for BRU. In addition to the operator fees to Hilcorp, other BRU expenses include royalty expense and interest on long-term debt. All expenses other than depreciation, depletion and amortization and interest on long-term debt are included as fuel expense on Chugach's Consolidated Statement of Operations. Chugach has applied and qualified for a small producer tax credit, provided by the State of Alaska, resulting in an estimate of no liability for production taxes for a period of ten years, through 2026. The revenue in excess of expenses less the allowed TIER from BRU operations is adjusted through Chugach's fuel and purchased power adjustment process.

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(7) Revenue From Contracts with Customers

a. Nature of goods and services

The following is a description of the contracts and customer classes from which Chugach generates revenue.

i. Energy Sales

Energy sales revenues are Chugach's primary source of revenue, representing approximately 98.0% and 97.6% of total operating revenue during the three months ended March 31, 2023 and 2022, respectively. Energy sales revenues are recognized upon delivery of electricity, based on billing rates authorized by the RCA, which are applied to customers' usage of electricity. Chugach's rates are established, in part, on test period sales levels that reflect actual operating results. Chugach's tariffs include provisions for the recovery of gas costs according to gas supply contracts and costs associated with the BRU operations, as well as purchased power costs.

Expenses associated with electric services include fuel purchased from others and produced from Chugach's interest in the BRU, both of which are used to generate electricity, as well as power purchased from others. Chugach is authorized by the RCA to recover fuel and purchased power costs through the fuel and purchased power adjustment process, which is adjusted quarterly to reflect increases and decreases of such certain costs. The amount of fuel and purchased power revenue recognized is equal to actual fuel and purchased power costs. We recognize differences between projected recoverable fuel and purchased power costs and amounts recovered through rates. The fuel cost under/over recovery on our balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. Fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, fuel cost over-recovery will appear as a liability on our balance sheet and will be refunded to our members in subsequent periods. Payment on energy sales invoices to all customer classes below are due within 15 to 30 days.

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Customer Class	Nature, timing of satisfaction of performance obligations, and significant payment terms
Retail	Retail energy customers can have up to four components of monthly billing included in revenue – energy, fuel and purchased power, demand, and customer charge. The energy rate and fuel and purchased power surcharge are applied by kilowatt hour (kWh) usage. The demand charge is applied by kilowatt (kW). The customer charge is a monthly amount applied by meter.
Wholesale	Classified as firm energy sales. Four components of monthly billing are included in revenue – energy, fuel and purchased power, demand, and customer charge. The energy rate and fuel and purchased power surcharge are applied by kWh usage. The demand charge is applied by kW. The customer charge is a monthly amount applied by meter.
Economy	Classified as non-firm energy sales. Three components of monthly billing are included in revenue – fuel, operations and maintenance, and margin. The actual fuel costs include transportation and other fuel related costs. The operations and maintenance and margin rates are applied on a megawatt hour (MWh) basis.
Power Pool	Power pool transactions are generally firm energy sales that are subject to changes in generation unit availability. The two components of monthly billings included in revenue are fuel and operations and maintenance.

Chugach calculates unbilled revenue, for residential and commercial customers, at the end of each month to ensure the recognition of a full month of revenue. Chugach accrued \$11,257,129 and \$9,219,630 of unbilled retail revenue at March 31, 2023 and 2022, respectively, which is included in accounts receivable on the balance sheet. Revenue derived from wholesale and economy customers is recorded from metered locations on a calendar month basis, so no estimation is required.

Power Pool transactions began in April of 2021. Power pool revenues are recognized upon delivery of electricity and the transaction is then settled using a split-the-savings principle. Purchases are treated as a cost of purchased power.

The collectability of our energy sales is very high with typically 0.35% written off as bad debt expense, adjusted annually.

There were no costs associated with obtaining any of these contracts, therefore no asset was recognized or recorded associated with obtaining any contract.

ii. Wheeling

Wheeling represented 1.0% and 1.1% of our revenue during the three months ended March 31, 2023 and 2022, respectively. Wheeling was recorded through the wheeling of energy across Chugach's transmission lines at tariffed rates as approved by the RCA. The rates are applied to MWh of energy wheeled. The collectability of wheeling is very high, with no adjustment required.

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iii. Other Miscellaneous Services

Other miscellaneous services consist of various agreements including dispatch service and gas transfer agreements, pole rentals, and microwave bandwidth. Revenue from these agreements is billed monthly and represented 1.0% and 1.3% of total operating revenue during the three months ended March 31, 2023 and 2022, respectively. The revenue recognized from these agreements is recorded as the service is provided over a period of time. The collectability of these agreements is very high, with no adjustment required.

b. Disaggregation of Revenue

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the first quarter of 2023 and 2022 (in millions).

	Three Months Ended March 31,								
	<u>Base Rate Sales Revenue</u>			<u>Fuel and Purchased Power Revenue</u>			<u>Total Revenue</u>		
	2023	2022	% Variance	2023	2022	% Variance	2023	2022	% Variance
Retail	\$ 62.6	\$ 62.8	(0.3%)	\$ 21.5	\$ 22.0	(2.3%)	\$ 84.1	\$ 84.8	(0.8)
Wholesale	0.6	0.6	0.0%	0.7	0.7	0.0%	1.3	1.3	0.0%
Economy	0.6	0.8	(25.0%)	2.2	6.8	(67.6%)	2.8	7.6	(63.2%)
Power Pool	0.6	0.2	200.0%	0.5	0.3	66.7%	1.0	0.4	150.0%
Total Energy	\$ 64.4	\$ 64.4	0.0%	\$ 24.9	\$ 29.8	(16.4%)	\$ 89.2	\$ 94.1	(5.2%)
Wheeling	0.0	0.0	0.0%	0.9	1.1	(18.2%)	0.9	1.1	(18.2%)
Other	0.6	0.9	(33.3%)	0.3	0.4	(25.0%)	0.9	1.2	(25.0%)
Total Miscellaneous	\$ 0.6	\$ 0.9	(33.3%)	\$ 1.2	\$ 1.5	(20.0%)	\$ 1.8	\$ 2.3	(21.7%)
Total Revenue	\$ 65.0	\$ 65.3	(0.5%)	\$ 26.1	\$ 31.3	(16.6%)	\$ 91.0	\$ 96.4	(5.6%)

c. Contract Balances

The table below provides information about contract receivables, contract assets, and contract liabilities.

	March 31, 2023	December 31, 2022
Contract receivables, included in accounts receivable	\$ 43,883,212	\$ 45,827,873
Contract liabilities	2,648,343	2,836,240

Contract receivables represent amounts receivable from retail, wholesale, economy, and wheeling.

Contract liabilities consist of credit balances. Credit balances are reported as consumer deposits and represent the prepaid accounts of retail customers and are recognized in revenue as the customer uses electric service.

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Significant changes in the contract liabilities balances are as follows:

	March 31, 2023	December 31, 2022
Contract liabilities at beginning of period	\$ 2,836,240	\$ 4,622,550
Cash received, excluding amounts recognized as revenue during the period	2,559,041	2,658,131
Revenue recognized and transferred from contract liabilities at the beginning of the period	(2,746,938)	(4,444,441)
Contract liabilities at end of period	\$ 2,648,343	\$ 2,836,240

d. Transaction Price Allocated to Remaining Performance Obligations

The table below includes estimated revenue to be recognized in 2023 related to performance obligations that are unsatisfied (or partially unsatisfied) at March 31, 2023.

	2023
Credit balances	\$ 2,648,343

Credit balances are primarily associated with Chugach’s LevelPay program. The program calculates the monthly amount to be collected from customers annually. It is anticipated the balance will be recognized in revenue within the following year as customers consume electricity.

(8) Leases

Chugach has three financing leases and five operating leases, most of which are various land easements. Chugach’s eight leases, recognized as right-of-use assets, consist of six land leases and two equipment leases, with remaining lease terms of two to forty-eight years and a weighted average lease term of 45 years. Chugach’s operating and financing lease assets are presented as operating or financing right-of-use assets on our Consolidated Balance Sheet. The current portion of lease liabilities is included in current installments of long-term obligations and the long-term portion is presented as operating or financing lease liabilities on our Consolidated Balance Sheet. A weighted discount rate of 3.25% was used in calculating the right-to-use assets and lease liabilities. Chugach’s discount rate was calculated using our incremental borrowing rate based on the average borrowing rate of our long-term debt.

Recognition of the right-of-use asset and operating lease liability represents a non-cash investing and financing activity. Chugach entered into a Power Purchase Agreement with Fire Island Wind, LLC, (“FIW”) on June 21, 2011. The Fire Island Wind contract contains a lease because the agreement identifies an asset (the wind farm is explicitly specified in the agreement and FIW does not have substantive substitution rights) and Chugach controls the use of the asset (it takes 100% of the output and, to the extent there is wind, can control how and when the wind farm produces power directly through its supervisory control and data acquisition (“SCADA”) system). However, due to the exclusively variable nature of the payments related to Fire Island Wind, no new assets or liabilities have been added to the Consolidated Balance Sheet, no changes were made to the Consolidated Statements of Cash Flow, and the variable payments are still classified as purchased power expense on the Consolidated Statements of Operations. These variable payments, included in purchased power, are reflected in the following table.

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Supplemental statement of operations information associated with leases for the three months ended March 31:

	2023	2022
Finance lease cost		
Amortization of right-of-use assets	\$ 1,073	\$ 1,676
Interest on lease liabilities	128	171
Operating lease cost	83,166	102,145
Variable lease cost	1,235,607	1,557,879
Total lease cost	<u>\$ 1,319,974</u>	<u>1,661,871</u>

Supplemental cash flow information associated with leases for the three months ended March 31:

	2023	2022
Cash paid for amounts included in the measurement of liabilities:		
Operating cash flows from operating leases	\$ 78,416	\$ 96,393
Operating cash flows from financing leases	1,210	1,210

Supplemental balance sheet information associated with leases:

	March 31, 2023	December 31, 2022
Operating lease right-of-use assets	\$ 3,612,370	3,831,720
Financing lease right-of-use assets	216,550	217,069
Total right-of-use assets	<u>\$ 3,828,920</u>	<u>4,048,789</u>
Operating lease liabilities	3,576,143	3,583,801
Financing lease liabilities	203,209	203,786
Current installments of lease liabilities	46,534	258,184
Total operating lease liabilities	<u>\$ 3,825,886</u>	<u>4,045,771</u>

Maturities associated with lease liabilities at March 31, 2023:

2023	\$ 134,401
2024	169,345
2025	167,523
2026	166,313
2027	164,504
Thereafter	6,392,755
Total lease payments	<u>7,194,841</u>
Less imputed interest	3,368,955
Present value of lease liabilities	<u>\$ 3,825,886</u>

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(9) Commitments and Contingencies

Contingencies

Chugach is a participant in various legal actions, rate disputes, personnel matters and claims both for and against Chugach's interests. Management believes the outcome of any such matters will not materially impact Chugach's financial condition, results of operations or liquidity. Chugach establishes reserves when a particular contingency is probable and calculable. Chugach has not accrued for any contingency at March 31, 2023, as it does not consider any contingency to be probable nor calculable. Chugach faces contingencies that are reasonably possible to occur; however, they cannot currently be estimated.

Concentrations

Approximately 74% of our employees are members of the International Brotherhood of Electrical Workers ("IBEW"). Chugach has three Collective Bargaining Unit Agreements ("CBA") with the IBEW. On October 30, 2020, with the closing of the ML&P acquisition, all three IBEW CBAs were extended through June 30, 2025. We also have a CBA with the Hotel Employees and Restaurant Employees (HERE), which is effective through June 30, 2025.

Fuel Supply Contracts

Chugach has a gas contract with Hilcorp effective January 1, 2015, to provide gas through March 31, 2028. The total amount of gas supplied under this contract is estimated to be 79.4 Bcf. All of the gas production is expected to come from Cook Inlet, Alaska. The terms of the Hilcorp agreement require Chugach to manage the natural gas transportation over the connecting pipeline systems. Chugach has gas transportation agreements with ENSTAR Natural Gas Company ("ENSTAR"), Harvest Alaska, and AIY Energy, LLC.

Chugach also has a gas supply agreement with AIX Energy LLC through March 31, 2024 (with an option to extend the term an additional 5-year period through March 31, 2029).

Chugach has two active gas storage contracts with CINGSA that conclude on March 31, 2032. The firm storage agreements provides for up to 2.1 Bcf of capacity. The interruptible storage agreement provides for up to 1.0 Bcf of capacity.

BRU Operations

At this time, Chugach and Hilcorp, the other owner, have chosen to continue operating under an existing Joint Operating Agreement. Hilcorp is the operator for BRU.

Environmental Legislation or Regulation

Chugach includes costs associated with environmental compliance in both our operating and capital budgets. We accrue for costs associated with environmental remediation obligations when those costs are probable and reasonably estimated. Chugach is subject to numerous environmental statutes including the Clean Air Act, the Clean Water Act, the Emergency Planning and Community Right-

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to-Know Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Endangered Species Act, and the Comprehensive Environmental Response, Compensation and Liability Act, the regulations implementing these statutes. Chugach does not believe that compliance with these statutes and regulations to date has had a material impact on its financial condition, results of operation or cash flows. However, the implementation of any additional new law or regulation, or the limitations thereof, or changes in or new interpretations of laws or regulations could result in significant additional capital or operating expenses. Chugach monitors proposed new regulations and existing regulation changes through industry associations and professional organizations.

The Clean Air Act and Environmental Protection Agency (“EPA”) regulations under the Clean Air Act establish ambient air quality standards and limit the emission of many air pollutants. In 2022, The Alaska Department of Environmental Conservation (“ADEC”) increased all fees associated with Title I and Title V air emissions. These increased fees affect Beluga, Southcentral, Sullivan, and Nikkels power plants on a yearly basis. Chugach has obtained or applied for all Clean Air Act permits currently required for the operation of generating facilities.

Chugach replaced two Underground Storage Tanks (“USTs”) in 2022. These tanks were approximately thirty years old. Upon excavation, contamination was discovered under the location of the original fuel dispensing units. Chugach is working diligently with ADEC to determine the best path forward for remediation of the contaminated site. Dependent on the outcome of site investigation, Chugach may be required to complete annual site sampling, but this would not have any material impact on operating expenses.

The utility owners of the Eklutna Hydro Project (Chugach, MOA, and MEA) are obligated by a 1991 Fish & Wildlife Agreement (“Agreement”) to develop and implement measures to protect, mitigate, and enhance (“PME”) the fish and wildlife impacted by the project (“PME program”). The program is to be approved by the Governor of Alaska by October 2024 with completion of the approved program no later than October of 2032, 35 years after the Eklutna Hydro Project purchase. The utility owners initiated a required consultation process with key government agencies and interested parties in March 2019, study planning development in 2020, field data collection in 2021 and 2022, and study reporting and program development in 2023 and 2024. The Agreement requires equal consideration of; 1) efficient and economical power production, 2) energy conservation, 3) protection, mitigation of damage to, and enhancement of fish and wildlife, 4) protection of recreation opportunities, 5) municipal water supplies, 6) preservation of other aspects of environmental quality, 7) other beneficial public uses, and 8) requirements of state law when determining the PME alternatives to be included in the program. The Eklutna Hydro Project and municipal water system currently utilize 100% of the Eklutna reservoir water inflows. This project is a multi-year study with final completion expected in late 2024. The program will have additional capital costs not included in the Program development and approval.

Delay in obtaining, or failure to obtain and maintain in effect any environmental approvals, or the delay or failure to satisfy any applicable environmental regulatory requirements related to the operation of our existing facilities could result in significant additional costs to Chugach and a material adverse impact to Chugach’s results of operations, financial condition, and cash flows.

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While Chugach cannot predict the implementation of any additional new law or regulation, or the limitations thereof, it is possible that new laws or regulations could increase capital and operating costs. Chugach does not anticipate that environmental related expenditures will have a material effect on our results of operations or financial condition. We cannot, however, predict the nature, extent or cost of new laws or regulations relating to environmental matters.

Legal Proceedings

Chugach has certain litigation matters and pending claims that arise in the ordinary course of business. We cannot predict the outcome of any current or future legal proceedings. Our business, financial condition, and results of operations could be materially adversely affected by unfavorable resolution or adverse results of legal matters.

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the information contained under the caption “CAUTION REGARDING FORWARD-LOOKING STATEMENTS” at the beginning of this report.

Results of Operations

Quarter ended March 31, 2023, compared to the quarter ended March 31, 2022

Margins

Our margins for the three months ended March 31, were as follows:

Net operating margins for the first quarter of 2023 were \$1.6 million, or 34.0% less than the first quarter of 2022 due primarily to higher power production costs.

Nonoperating margins include interest income, AFUDC, capital credits and patronage capital allocations and other. Nonoperating margins increased \$214 thousand, or 918.6%, in the first quarter of 2023 from the same period in 2022, due primarily to higher interest income.

Revenues

Operating revenues include sales of electric energy to retail, wholesale and economy energy customers, and other miscellaneous revenues. In the three months ended March 31, 2023, operating revenues were \$5.3 million, or 5.5% lower than the same period in 2022.

Retail revenue decreased \$0.7 million, or 0.8% in the three months ended March 31, 2023, from the same period in 2022, due primarily to lower fuel cost recovered in revenue, and lower retail sales.

Wholesale revenue did not materially change in the three months ended March 31, 2023, from the same period in 2022.

Occasionally, Chugach sells available generation, in excess of its own needs, to other electric utilities as economy energy sales. Economy revenue decreased \$4.8 million, or 63.2%, in the three months ended March 31, 2023, from the same period in 2022, due primarily to a decrease in sales to GVEA.

Power Pool revenue increased \$0.6 million, or 150.0%, in the three months ended March 31, 2023, from the same period in 2022 due to higher power pool sales with MEA.

Miscellaneous revenue decreased \$0.5 million, or 21.7%, in the three months ended March 31, 2023, from the same period in 2022, due primarily to a decrease in wheeling from GVEA.

The following table summarizes kWh sales and revenue for the three months ended March 31 were as follows:

	Three Months Ended March 31,			
	2023	2023	2022	2022
	Sales (kWh)	Revenue	Sales (kWh)	Revenue
Retail	501,145,778	\$ 84,098,195	505,991,179	\$ 84,771,558
Wholesale	15,051,439	1,285,667	15,413,339	1,263,443
Economy energy	55,818,000	2,809,664	74,988,000	7,579,254
Power Pool	76,538,000	1,011,340	42,696,000	440,942
Other	N/A	1,825,828	N/A	2,317,333
Total	648,553,217	\$ 91,030,694	639,088,578	\$ 96,372,530

Expenses

Fuel

Chugach recognizes actual fuel expense as incurred. Fuel expense decreased \$8.0 million, or 29.9% in the three months ended March 31, 2023, from the same period in 2022. The decrease was due primarily to a decrease in the amount of fuel used and/or purchased. In the three months ended March 31, 2023, Chugach purchased 1,476,588 Mcf of fuel at an average effective price of \$8.75. In the three months ended March 31, 2022, Chugach purchased 2,509,816 Mcf of fuel at an average effective price of \$8.48. The amount of fuel purchased does not include fuel produced at BRU. For the three months ended March 31, 2023, and 2022, Chugach used 1,898,757 and 1,255,873 Mcf of fuel produced at BRU, respectively.

Power Production

Power production expense increased \$1.6 million or 18.1% in the first three months of 2023 compared to the same period in 2022. The increase was due primarily to an increase in maintenance expense at SPP.

Purchased Power

Purchased power expense increased \$2.5 million or 45.9% in the first three months of 2023 compared to the same period in 2022. The increase was due primarily to an increase in expenses related to the Bradley Lake project.

Transmission, Distribution, Consumer Accounts, Administrative, General and Other, Depreciation, and Amortization and Interest Expense

In the first three months of the year, transmission, distribution, consumer accounts, administrative, general and other, depreciation and amortization and interest expense did not materially change compared to the same period in 2022.

Non-Operating Margins

Non-operating margins increased \$213 thousand, or 918.6% in the first three months of 2023 from the same period in 2022, due primarily to higher interest income.

Changes in Financial Condition

Assets

Total assets decreased \$14.3 million, or 0.8%, for the three months ended March 31, 2023 from December 31, 2022. Decreases in net utility plant, special funds, restricted cash equivalents, BRU capital surcharge

under-recovery, accounts receivable, and deferred charges were somewhat offset by increases in cash and cash equivalents, fuel cost under-recovery, material and supplies and prepayments. Net utility plant decreased \$8 million, or 0.6% due primarily to depreciation exceeding construction expenditures. Special funds decreased a net of \$2.9 million, or 11.2%, primarily due to the transfer of BRU related funds, which was somewhat offset by an increase in deferred compensation and BRU ARO accounts. Restricted cash equivalents decreased \$2.9 million, or 23.2%, due primarily to the rate reduction refund applied to North District members as ordered by the RCA. BRU Capital Surcharge under-recovery decreased by \$1 million, or 5.4%, due primarily to the timing of fuel used and the recovery of funds from members. Accounts receivable decreased \$3.1 million, or 6.2%, due primarily to members payments and usage changes from year-end 2022. Deferred charges decreased \$1.6 million, or 1.4%, due primarily to amortizations exceeding additions. Cash and cash equivalents increased \$3 million, or 94.9%, due primarily to the receipt of funds from outstanding account receivables. Fuel cost under-recovery increased \$0.8 million, or 52.8%, due primarily to the under-recovery of fuel & purchased power costs. Materials and supplies increased \$1.8 million, or 3.6%, primarily due to increases in transmission, distribution, and generation inventory and prepayments increased \$798.7 thousand, or 12.8%, due primarily to prepaid insurance.

Liabilities and Equity

Total liabilities, equities, and margins decreased \$14.3 million, or 0.8%, for the three months ended March 31, 2023, from December 31, 2022. Decreases in net long-term obligations, accounts payable, and settlement obligations, were somewhat offset by increases in patronage capital, commercial paper, accrued interest, salaries, wages and benefits, and undergrounding ordinance liability. Long-term obligations, net of current installments, decreased \$20.1 million, or 1.7%, due to principal payments on existing debt. Accounts payable decreased \$12.1 million or 45.8% due primarily to the timing of project payments. Settlement obligations, including current portion, decreased \$2.9 million, or 23.7%, as funds were applied to members in the North District. Patronage capital increased \$3.3 million or 1.6%, due to the assignable margins earned during the first quarter of 2023. Commercial paper increased \$13.0 million, or 28.9%, due to working capital needs and the timing of principal payments on existing debt. Accrued interest increased \$2.0 million or 23.8%, due to the increase in outstanding commercial paper and associated rates. Salaries, wages and benefits increased \$1.1 million or 9.0%, due to an increase in labor cost. Undergrounding ordinance liabilities increased \$1.4 million, or 11.9%, due to the undergrounding surcharge exceeding capital expenditures related to undergrounding activities.

Liquidity and Capital Resources

Chugach ended the first quarter of 2023 with \$16.0 million of cash, cash equivalents, and restricted cash equivalents, down from \$30.3 million at March 31, 2022. Cash equivalents consist of all highly liquid debt instruments with a maturity of three months or less when purchased, an Overnight Repurchase Agreement and Concentration account with First National Bank Alaska (“FNBA”), and a money market with Principal Financial Group.

	Three Months Ended March 31,	
	2023	2022
Total cash provided by (used in):		
Operating activities	\$ 21,395,783	\$ 25,836,988
Investing activities	(19,226,584)	(7,568,205)
Financing activities	(2,087,648)	(25,633,164)
Increase (decrease) in cash and cash equivalents	<u>\$ (15,966,290)</u>	<u>\$ (7,364,381)</u>

Cash provided by operating activities was \$21.4 million in the three months ended March 31, 2023, compared to \$25.8 million in 2022. The change in cash provided by operating activities was due, in part, to an increase in fuel under-recovery, fuel payable and materials and supplies, which was somewhat offset by less cash used for fuel inventory, and a decrease in accounts receivable for the three months ended March 31, 2023, from 2022.

Cash used in investing activities was \$19.2 million in the three months ended March 31, 2023, compared to \$7.6 million in 2022. The change in cash used in investing activities was due primarily to an increase in extension and replacement of plant in 2023.

Cash used for financing activities in the three months ended March 31, 2023, was \$2.1 million compared to \$25.6 million in 2022. The change in 2023 from 2022 was due primarily to additional commercial paper outstanding.

Sources of Liquidity

Chugach has satisfied its operational and capital cash requirements through internally generated funds, a \$50.0 million line of credit from NRUCFC and a \$300.0 million commercial paper program. At March 31, 2023, there was no outstanding balance on our NRUCFC line of credit and \$58.0 million of outstanding commercial paper under the commercial paper program. Thus, at March 31, 2023, our available borrowing capacity under our line of credit was \$50.0 million and our available commercial paper capacity was \$242.0 million. The NRUCFC line of credit was renewed on December 15, 2021, and expires December 21, 2026.

Chugach maintains a \$300.0 million Credit Agreement, which is used to back Chugach's commercial paper program and is due to expire on July 30, 2024. Information concerning our commercial paper program, the Credit Agreement and a table providing information regarding quarterly average commercial paper balances outstanding and corresponding weighted average interest rates are described in Note 7, see "*Notes to Consolidated Financial Statements – Note 5 – Debt – Commercial Paper.*"

Chugach has a term loan facility with CoBank. Loans made under this facility are evidenced by the 2016 CoBank Note, which is governed by the Second Amended and Restated Master Loan Agreement dated June 30, 2016, as amended on November 26, 2019, and secured by the Indenture. At March 31, 2023, Chugach had \$22.0 million outstanding with CoBank.

Under the Indenture, additional obligations may be sold by Chugach upon the basis of bondable additions and the retirement or defeasance of, or principal payments on previously outstanding obligations. Chugach's ability to sell debt obligations will be dependent on the market's perception of Chugach's financial condition and credit rating, and Chugach's continuing compliance with the financial covenants, including the rate covenant, contained in the Indenture and its other credit documents.

Chugach management continues to expect that cash flows from operations and external funding sources, including additional short-term or commercial paper borrowings, will be sufficient to cover operational, financing, and capital funding requirements in 2023 and thereafter.

Fuel Supply

Chugach's working ownership interest in the BRU serves to reduce the cost of electric service to its retail and wholesale members by securing an additional long-term supply of natural gas to meet on-going generation requirements. At the time of acquisition, the BRU was expected to continue to provide gas, which in combination with the Hilcorp firm contract will provide gas to meet Chugach's on-going generation requirements over an approximate 18-year period. As it is currently operated, pursuant to an updated reserve study completed in 2022, BRU is expected to provide approximately 50% of Chugach's gas requirements

on a volume basis through 2034 although actual gas quantities produced are expected to vary on a year-by-year basis.

Chugach has a firm gas supply contract with Hilcorp, see “Notes to Consolidated Financial Statements – Note 9 – Commitments and Contingencies – Commitments – Fuel Supply Contracts.” In addition to this firm contract, Chugach has a gas supply agreement with AIX Energy LLC through March 31, 2024 (with an option to extend the term an additional 5-year period through March 31, 2029).

Other

Chugach’s annual membership meeting was held on May 19, 2023. Chugach members re-elected Bettina Chastain to serve a partial two-year term and elected Susanne Fleek-Green and Jim Nordlund to serve four-year terms. A by-law amendment related to the establishment of a bill round-up program passed.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Chugach is exposed to a variety of risks, including changes in interest rates. In the normal course of our business, we manage our exposure to these risks as described below. We do not engage in trading market risk-sensitive instruments for speculative purposes.

Interest Rate Risk

At March 31, 2023, our short- and long- term debt was comprised of our 2011, 2012, 2017, 2019 and 2020 Series A Bonds, 2016 CoBank Note and outstanding commercial paper.

The interest rates of Chugach’s bonds and CoBank note are fixed and are set forth in the table below with carrying value and fair value, measured as Level 2 liabilities, (dollars in thousands) at March 31, 2023.

	<u>Maturing</u>	<u>Interest Rate</u>	<u>Carrying Value</u>	<u>Fair Value</u>
2011 Series A, Tranche A	2031	4.20 %	\$ 36,000	\$ 34,608
2011 Series A, Tranche B	2041	4.75 %	111,000	107,913
2012 Series A, Tranche A	2032	4.01 %	33,750	32,053
2012 Series A, Tranche B	2042	4.41 %	67,000	62,166
2012 Series A, Tranche C	2042	4.78 %	47,500	46,233
2017 Series A, Tranche A	2037	3.43 %	28,000	25,092
2019 Series A, Tranche A	2049	3.86 %	67,200	61,476
2020 Series A, Tranche A	2039	2.38 %	275,000	225,048
2020 Series A, Tranche B	2050	2.91 %	489,000	370,627
2016 CoBank Note	2031	2.58 %	22,002	20,537
Total			\$ 1,176,452	\$ 985,753

Chugach is exposed to market risk from changes in interest rates associated with our other credit facilities. Our credit facilities’ interest rates may be reset due to fluctuations in a market-based index, such as LIBOR, Secured Overnight Financing Rate (“SOFR”), or the base rate or prime rate of our lenders. The phase-out of LIBOR is not expected to have a material adverse effect on our cost of borrowing due to the amounts typically outstanding under our credit facilities. At March 31, 2023, we had \$58.0 million of commercial paper outstanding, which is currently our only debt subject to variable interest rates. Based on this balance, a 100 basis-point rise in interest rates would increase our interest expense by approximately \$0.6 million.

CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal controls over financial reporting uses the criteria set forth in “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) (2013 framework). Effective internal controls timely alert management to material information to be disclosed in our financial reports, ensuring that such information is recorded, processed, summarized, and reported, and such information is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding disclosure. The design of any system of controls is based in part upon various assumptions about the likelihood of future events, and there can be no assurance that any of our plans, services, or procedures will succeed in achieving their intended goals under future conditions and are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Inherent limitations exist with respect to the effectiveness of any system of internal control over financial reporting. No control system can provide absolute assurance that all control issues and instances of error or fraud, if any, have been detected. Even the best designed system can only provide reasonable assurance that the objectives of the control system have been met. Because of these inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements. Additionally, projections as to the effectiveness of internal control in future periods are subject to the risk that internal control may not continue to operate at its current effectiveness levels due to changes in personnel, systems, or operating environment. Management believes that, as of March 31, 2023, Chugach maintained effective internal controls over financial reporting.

RISK FACTORS

Fuel Supply

In 2022, 85% of Chugach’s electric energy was generated from natural gas, which includes energy purchased from others. Our primary sources of natural gas in 2022 were Hilcorp and Chugach’s 2/3rd share of the BRU. In April of 2022, Hilcorp announced it will not commit to renew existing Railbelt utility firm contracts at this time. Currently, Chugach has a take or pay contract volume of 6.1 Bcf annually, with options, and with a contract expiration date of March 31, 2028. The State of Alaska’s Department of Natural Resources (“DNR”) most recent “Cook Inlet Gas Forecast,” published in January 2023, provides an estimate of additional Cook Inlet gas that could be recovered through additional investment and how long Cook Inlet gas production can continue to meet existing demand levels. The 2023 DNR study concluded there is potentially 1,361.7 Bcf of additional gas in their High Case, 1,079.3 Bcf in their Mid Case, and 832.4 Bcf in their Low Case of additional gas that could be developed. The 2023 DNR study also concluded there was sufficient Cook Inlet gas to satisfy the current demand of 75 Bcf/year to meet the demand until around 2026, under the assumptions and simplifications used therein. The 2023 DNR study did not attempt to forecast Cook Inlet gas prices. Chugach continues to explore other alternatives to diversify its portfolio, including our stated strategic objective to increase renewable generation by 100,000 MWh by March 31, 2025.

Seward

On August 17, 2022, the City of Seward issued a Request for Proposals for the potential sale of Seward Electric System. Seward’s assets total approximately \$20.0 million. The Seward City Council (“Council”) received proposals from Chugach and Homer Electric Association (“HEA”) on September 7, 2022, with HEA supplementing their proposal on September 19, 2022. The proposals were assessed by the Council, who recommended to commence negotiations with HEA. **Seward residents voted not to proceed with HEA’s proposal on May 5, 2023.**

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.

Chugach Electric Association, Inc.
Anchorage, Alaska

Summary of Executive Session Topics for
Audit and Finance Committee Meeting on May 31, 2023
Agenda Item VIII.

- A. Chugach's quarterly contract status report contains competitively sensitive and confidential vendor names and prices. Public disclosure of this information would undermine Chugach's ability to negotiate competitive prices with its vendors, discourage participation in Chugach's otherwise confidential procurement process, breach non-disclosure agreements that Chugach has with numerous vendors, and have an adverse effect on the finances and legal position of Chugach. (AS 10.25.175(c)(1) and (3))

- B. Chugach expects to file its first post-acquisition general rate case on June 30, 2023. Chugach reviewed the results of its updated revenue requirement with the Board in public session on May 3, 2023. Since then, Chugach has continued to work on finalizing its cost of service and rate design. Chugach has preliminary results that need to be discussed with the Board in executive session prior to finalizing. Premature public disclosure of cost of service and rate design results as well as discussion with Chugach legal counsel regarding various legal issues and strategies relating to Chugach's upcoming filing could have an adverse effect on Chugach's legal position in the upcoming rate case. (AS 10.25.175(c)(1))