

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Sisi Cooper, Chair
Susan Reeves, Vice Chair

Jim Henderson
Bettina Chastain

May 7, 2018

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER
 - A. *Roll Call*
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. *March 19, 2018 (Quezon-Vicente)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (*scheduled*)
 - A. *1st Quarter 2018 Financial Statements and Variance Report (Harris/Curran)*
 - B. *1st Quarter 2018 Operating Budget Status Report (Curran)*
 - C. *1st Quarter 2018 Capital Tracking Report (Curran)*
 - D. *1st Quarter 2018 Contract Status Report (Vecera)*
 - E. *IRS Form 990 (Curran)*
- VI. NEW BUSINESS (*scheduled*)
 - A. *1st Quarter 2018 Financial Information (Harris)*
- VII. EXECUTIVE SESSION* (*scheduled*)
 - A. *Strategic Planning*
 - 1. *KPMG 1st Quarter 2018 Review*
 - 2. *March 31, 2018, SEC Form 10Q Review*
 - 3. *FY2018 Tax Services*
 - 4. *Employees 401K Plan Audit Services*
- VIII. NEW BUSINESS* (*continued*)
 - A. *March 31, 2018, SEC Form 10Q Filing* (Curran)*
 - B. *Pre-Approval of FY2018 Tax Services* (Highers)*
 - C. *Annual Review of Board Policy 207 Audit and Finance Committee Discussion (Committee)*
 - D. *Employees 401K Plan Audit Services* (Andrews)*
- IX. DIRECTOR COMMENTS
- X. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

5/7/2018 3:59:47 PM

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

March 19, 2018
Monday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Arden Quezon-Vicente

I. CALL TO ORDER

Chair Cooper 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:

Sisi Cooper, Chair
Susan Reeves, Vice Chair (*via teleconference at 4:10 p.m.*)
Jim Henderson, Director
Bettina Chastain, Director

Other Board Member Present:

Harry Crawford, Director
Stuart Parks, Director
Rachel Morse, Director

Guests and Staff in Attendance:

Lee Thibert	Jody Wolfe	Elizabeth Stuart, KPMG
Paul Risse	Kathy Harris	James Mullican
Brian Hickey	Renee Curran	Mark Johnson
Tyler Andrews	Ron Vecera	Josh Travis
Sherri Highers	Julie Hasquet	Jean Kornmuller
Arthur Miller	Josh Resnick	Connie Owens
Mark Fouts	Matthew Clarkson	

II. APPROVAL OF THE AGENDA

Director Chastain moved and Director Henderson seconded the motion to approve the agenda. The motion passed unanimously.

Vice Chair Reeves was not present at the time of vote.

III. APPROVAL OF THE MINUTES

Director Chastain moved and Director Henderson seconded the motion to approve the November 27, 2017, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

Vice Chair Reeves was not present at the time of vote.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None

V. CEO REPORTS AND CORRESPONDENCE

- A. *2017 Year-End Financial Statements and Variance Report (Harris/Curran)*
The 2017 Year-End Financial Statements and the Variance Report were provided in the meeting packet.
- B. *4th Quarter 2017 Capital Tracking Report (Curran)*
The 4th Quarter 2017 Capital Tracking Report was provided in the meeting packet.
- C. *4th Quarter 2017 Operating Budget Status Report (Curran)*
The 4th Quarter 2017 Operating Budget Status Report was provided in the meeting packet.
- D. *4th Quarter 2017 Contract Status Report (Vecera)*
The 4th Quarter 2017 Contract Status Report was provided in the meeting packet.

VI. NEW BUSINESS

- A. *2017 Year-End Financial Information (Harris)*
Kathy Harris, Sr. Manager, General Accounting discussed the 2017 Year-End Financial Information and responded to questions from the Committee.

Lee Thibert, Chief Executive Officer (CEO), Arthur Miller, VP, Regulatory A& External Affairs and Mark Fouts, Executive Manager, Fuel & Corporate Planning responded to questions from the Committee.

Chair Cooper stated that additional discussion regarding Anchorage Economic Dispatch/Power Pool will continue in executive session. No objections were made.

Vice Chair Reeves joined via teleconference at 4:10 p

VII. EXECUTIVE SESSION

- A. *Strategic Planning*
 - i. *Review and Accept the 2017 Independent Audited Financial Statements*
 - ii. *December 31, 2017, SEC Form 10K Review*

At 4:39 p.m., Director Chastain moved and Director Henderson seconded the motion that pursuant to Alaska Statute 10.25.175 (c)(1), the Audit and Finance Committee go into executive session to discuss financial matters, the immediate knowledge of which would

clearly have an adverse effect on the finances of the cooperative. The motion passed unanimously.

The meeting reconvened in open session at 6:22 p.m.

VIII. NEW BUSINESS

A. Accept the 2017 Independent Audited Financial Statements (KPMG)*

Director Chastain moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve the 2017 Independent Audited Financial Statements of Chugach Electric Association, Inc. and footnotes by KPMG and management. The motion passed unanimously.

B. December 31, 2017, SEC Form 10K Filing (Curran)*

Director Chastain moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend to the Board of Directors that management file the Securities and Exchange Commission Form 10K by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG. Ms. Stuart and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes. The motion passed unanimously.

C. Pre-Approval of KPMG for FY2018 Audit Services (Highers)*

Director Henderson moved and Director Chastain seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve the retention of KPMG for audit services for FY2018 in accordance with the fees outlined in KPMG's current three (3) year contract. The motion passed unanimously.

IX. DIRECTOR COMMENTS

Comments were made at this time.

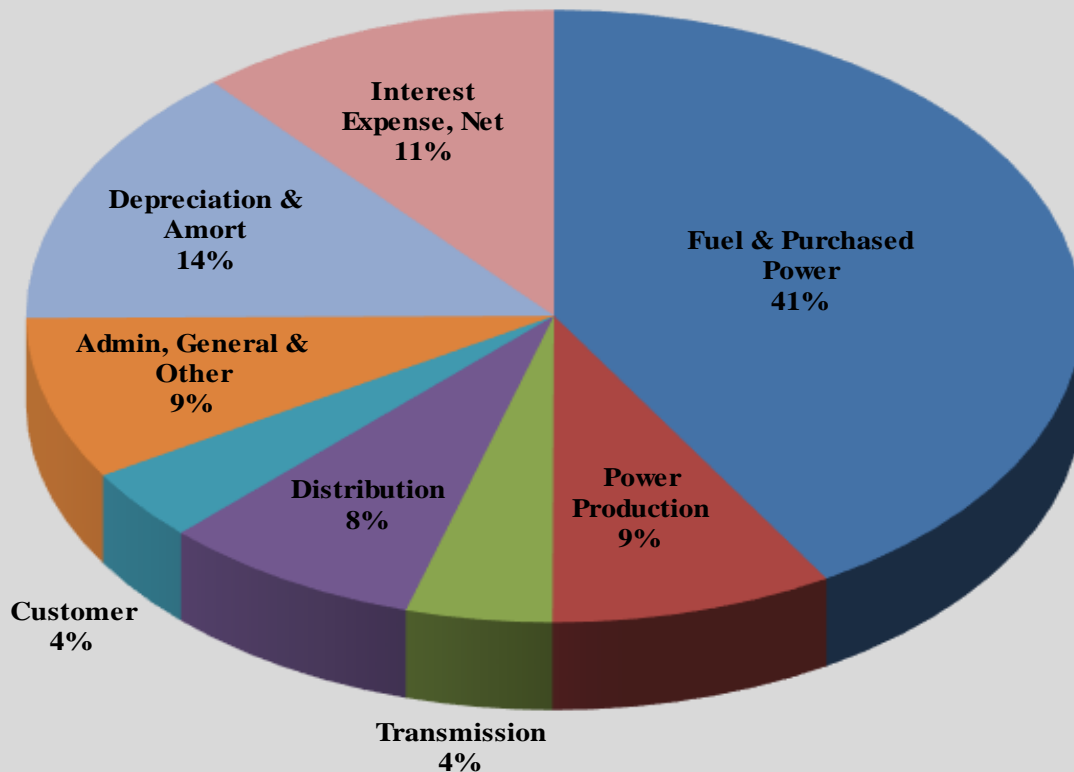
X. ADJOURNMENT

At 6:25 p.m., Director Chastain moved and Director Henderson seconded the motion to adjourn. The motion passed unanimously.

STATEMENT OF OPERATIONS

CATEGORY	2018 MTD ACTUAL	2018 MTD BUDGET	2018 MTD VARIANCE
Operating Revenue and Patronage Capital	\$ 17,728,229	\$ 19,765,405	\$ (2,037,176)
Fuel and Purchased Power Expense	6,863,028	8,198,306	(1,335,278)
Power Production Expense	1,438,300	1,560,956	(122,656)
Transmission Expense	742,195	593,290	148,905
Distribution Expense	1,320,015	1,257,657	62,358
Customer Expense	631,045	500,113	130,932
Administrative, General and Other	1,427,905	1,984,375	(556,470)
Depreciation & Amortization Expense	2,310,668	2,653,166	(342,498)
Interest Expense, Net	1,854,372	1,852,420	1,952
Total Cost of Electric Service	\$ 16,587,528	\$ 18,600,283	\$ (2,012,755)
Patronage Capital & Operating Margins	\$ 1,140,701	\$ 1,165,122	\$ (24,421)
Non-Operating Margins - Interest	54,428	52,630	1,798
Allowance for Funds Used During Construction	8,269	5,414	2,855
Non-Operating Margins - Other	(8,637)	-	(8,637)
Patronage Capital or Margins	\$ 1,194,761	\$ 1,223,166	\$ (28,405)

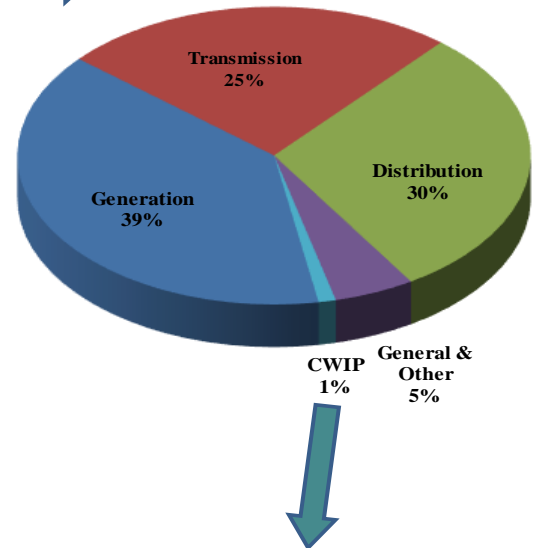
Total Cost of Electric Service (MTD Actual)



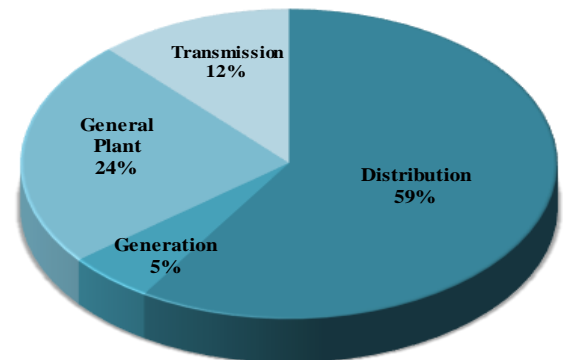
BALANCE SHEET

ASSETS & OTHER DEBITS	03/31/2018	12/31/17
Electric Plant in Service	1,208,267,411	1,205,092,224
Construction Work in Progress	13,314,406	17,952,573
Total Utility Plant	\$ 1,221,581,817	\$ 1,223,044,797
Accum. Prov. for Depreciation/Amortization	(516,994,008)	(515,496,312)
Net Utility Plant	\$ 704,587,809	\$ 707,548,485
Nonutility Property - Net	76,889	76,889
Investment in Assoc. Organizations	8,566,510	8,980,410
Special Funds	1,467,069	1,466,010
Restricted Cash & Other Investments	756,076	1,028,758
Total Other Property & Investments	\$ 10,866,544	\$ 11,552,067
Cash, Marketable Securities & Other	13,548,213	16,906,531
Special Deposits/Restricted Cash	603,939	741,670
Accounts Receivable - Net	28,436,792	35,680,680
Materials and Supplies, Fuel Stock	22,782,032	22,193,089
Prepayments	4,970,460	4,953,170
Other Current & Accrued Assets	5,074,137	5,178,987
Total Current & Accrued Assets	\$ 75,415,573	\$ 85,654,127
Deferred Debits	32,668,462	32,764,065
Total Assets & Other Debits	\$ 823,538,388	\$ 837,518,744
LIABILITIES & OTHER CREDITS	03/31/2018	12/31/17
Memberships	1,724,759	1,719,154
Pat. Capital, Margins & Equities	190,707,394	187,582,140
Total Margins & Equities	\$ 192,432,153	\$ 189,301,294
Long-Term Debt - Bonds	398,416,664	421,833,331
Long-Term Debt - Other	36,366,000	37,164,000
Unamortized Debt Issuance Costs	(2,607,091)	(2,669,485)
Total Long-Term Debt	\$ 432,175,573	\$ 456,327,846
Notes Payable	88,608,667	76,608,667
Accounts Payable	6,069,221	7,420,279
Consumer Deposits	5,279,088	5,335,896
Other Current & Accrued Liabilities	25,731,618	30,002,352
Total Current & Accrued Liabilities	\$ 125,688,594	\$ 119,367,194
Deferred Compensation	1,230,508	1,229,294
Other Liabilities, Non-Current	702,663	531,630
Deferred Liabilities	1,219,047	1,249,390
Patronage Capital Payable	8,798,077	8,798,077
Cost of Removal Obligation	61,291,773	60,714,019
Total Liabilities & Other Credits	\$ 823,538,388	\$ 837,518,744

2018 Total Utility Plant (YTD)
\$1,221,581,817

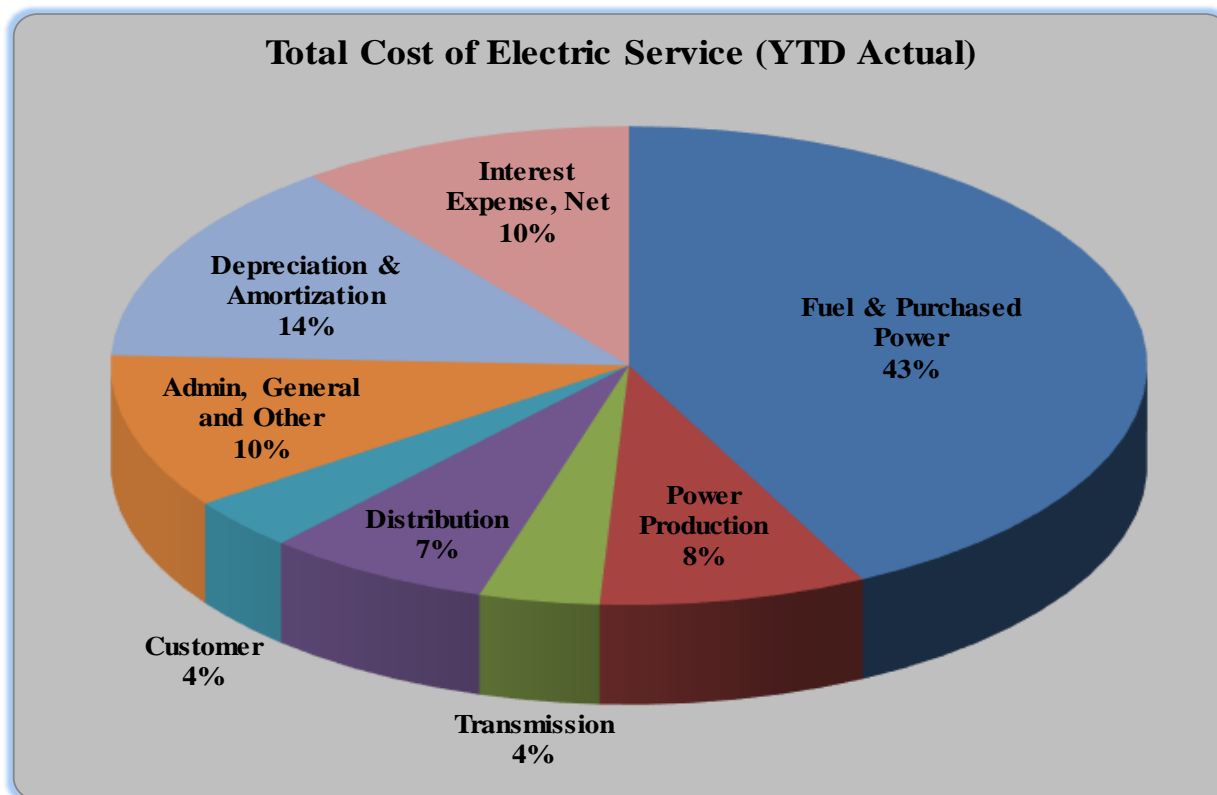


2018 Construction Work in Progress (YTD)
\$13,314,406



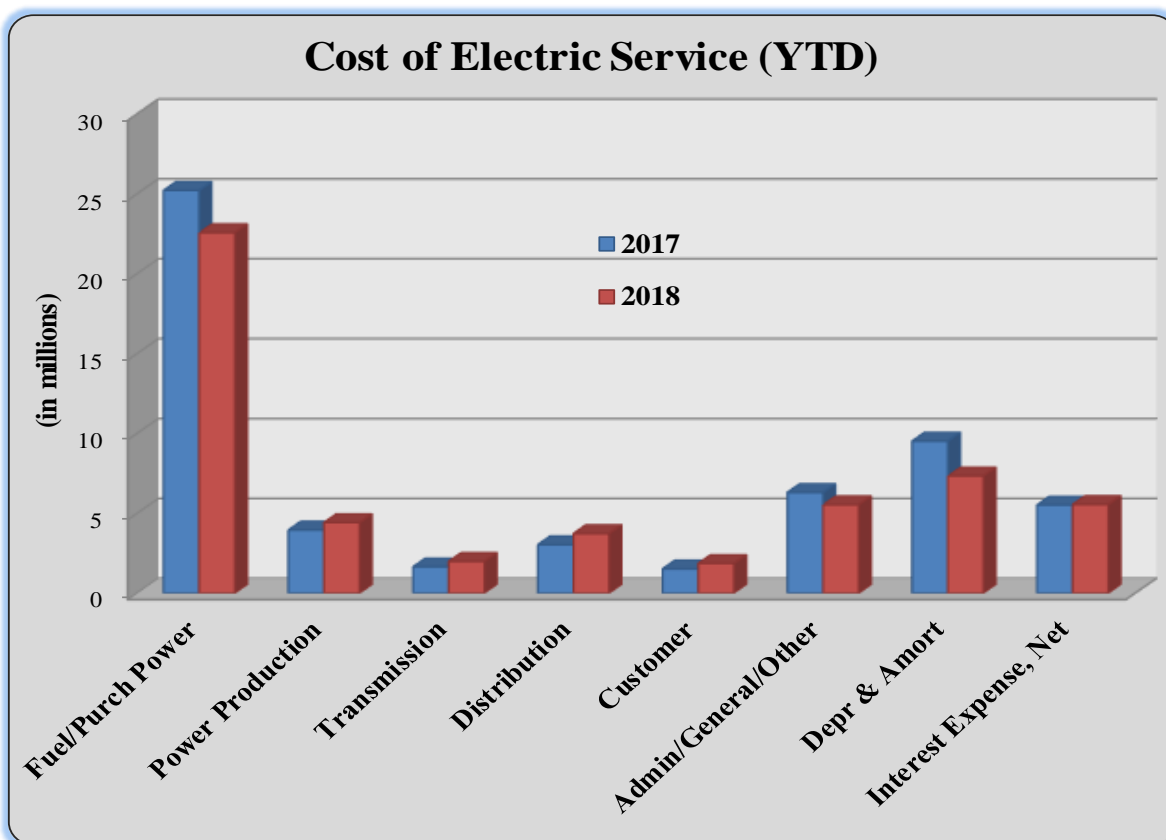
**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
CURRENT YTD ACTUAL TO BUDGET VARIANCE**

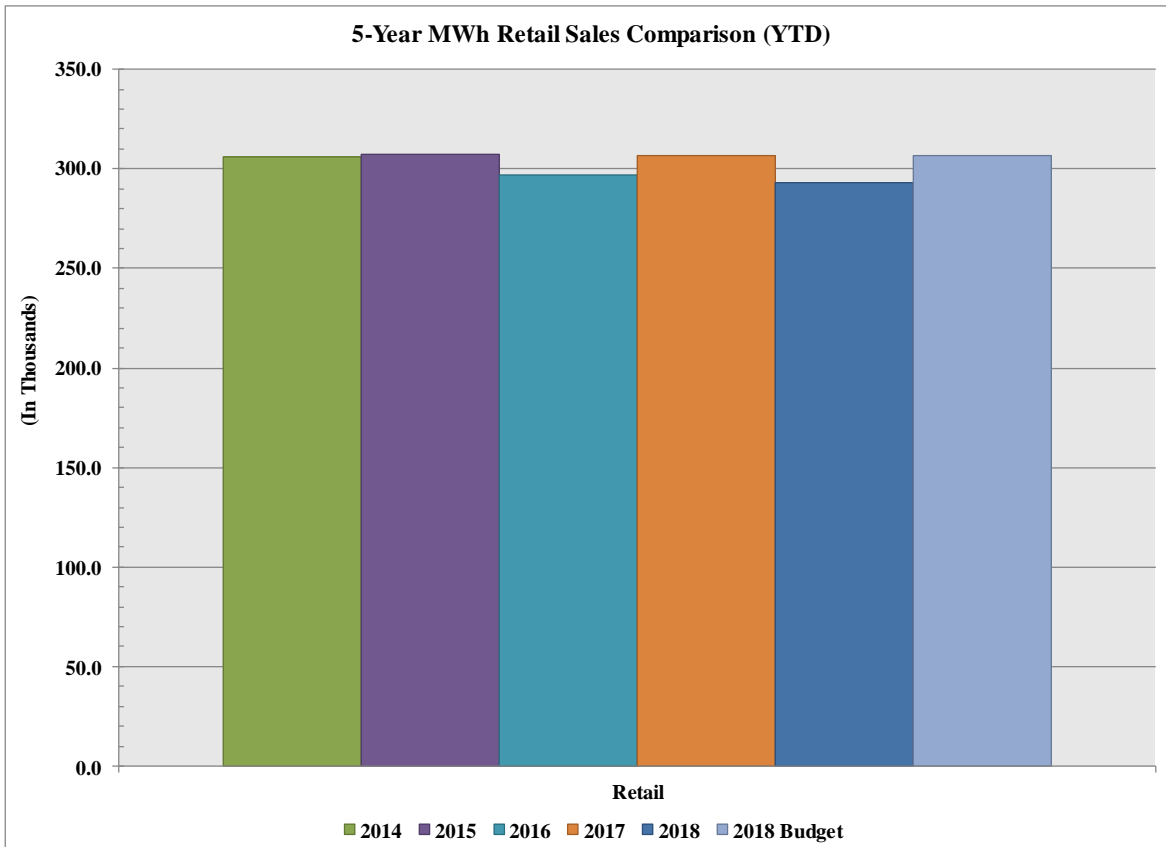
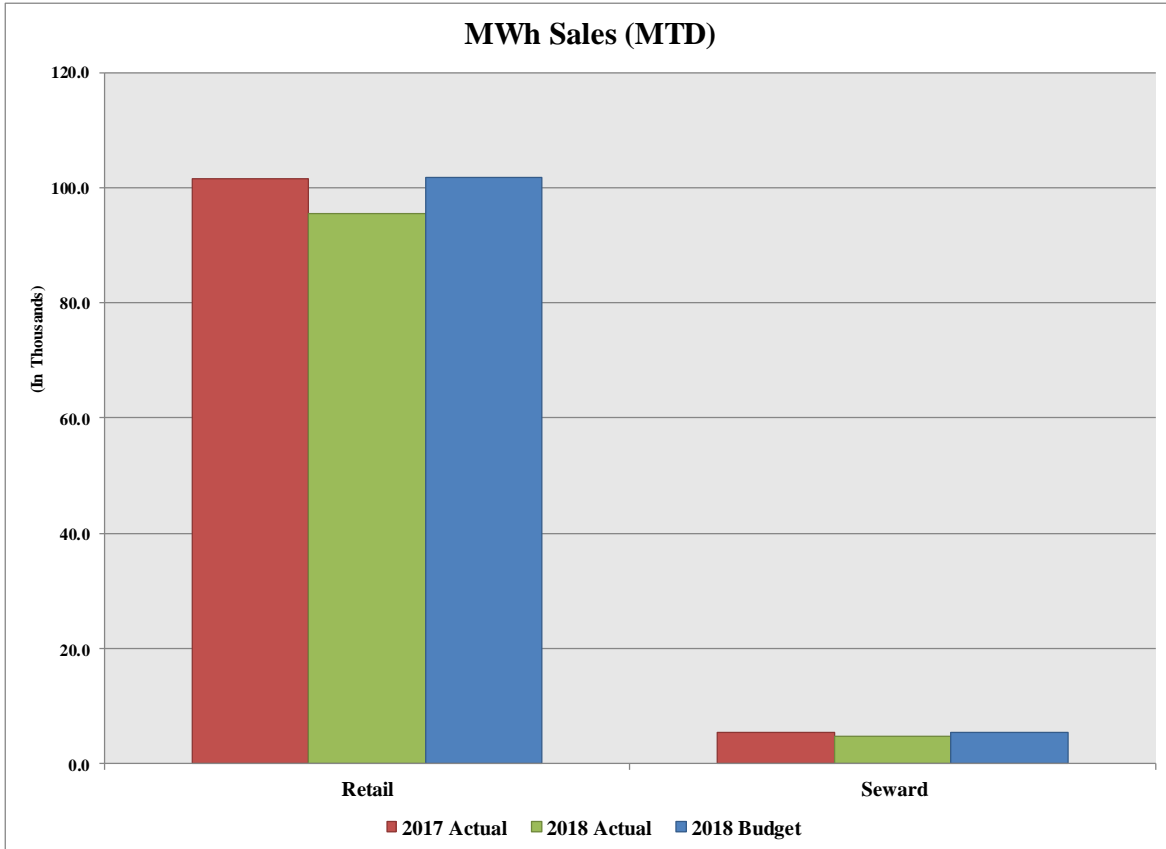
CATEGORY	2018 YTD ACTUAL	2018 YTD BUDGET	2018 YTD VARIANCE
Operating Revenue and Patronage Capital	\$ 56,057,278	\$ 59,931,226	\$ (3,873,948)
Fuel and Purchased Power Expense	22,570,478	24,854,144	(2,283,666)
Power Production Expense	4,423,919	4,610,143	(186,224)
Transmission Expense	1,988,004	1,795,798	192,206
Distribution Expense	3,735,960	3,758,814	(22,854)
Customer Expense	1,865,709	1,526,090	339,619
Administrative, General and Other	5,544,969	5,758,323	(213,354)
Depreciation & Amortization Expense	7,343,077	7,967,964	(624,887)
Interest Expense, Net	5,557,372	5,543,882	13,490
Total Cost of Electric Service	\$ 53,029,488	\$ 55,815,158	\$ (2,785,670)
Patronage Capital & Operating Margins	\$ 3,027,790	\$ 4,116,068	\$ (1,088,278)
Non-Operating Margins - Interest	159,583	155,483	4,100
Allowance Funds Used During Const.	23,873	20,706	3,167
Non-Operating Margins - Other	(83,286)	-	(83,286)
Patronage Capital or Margins	\$ 3,127,960	\$ 4,292,257	\$ (1,164,297)
MFI/I	1.56	1.77	
TIER	1.59	1.81	

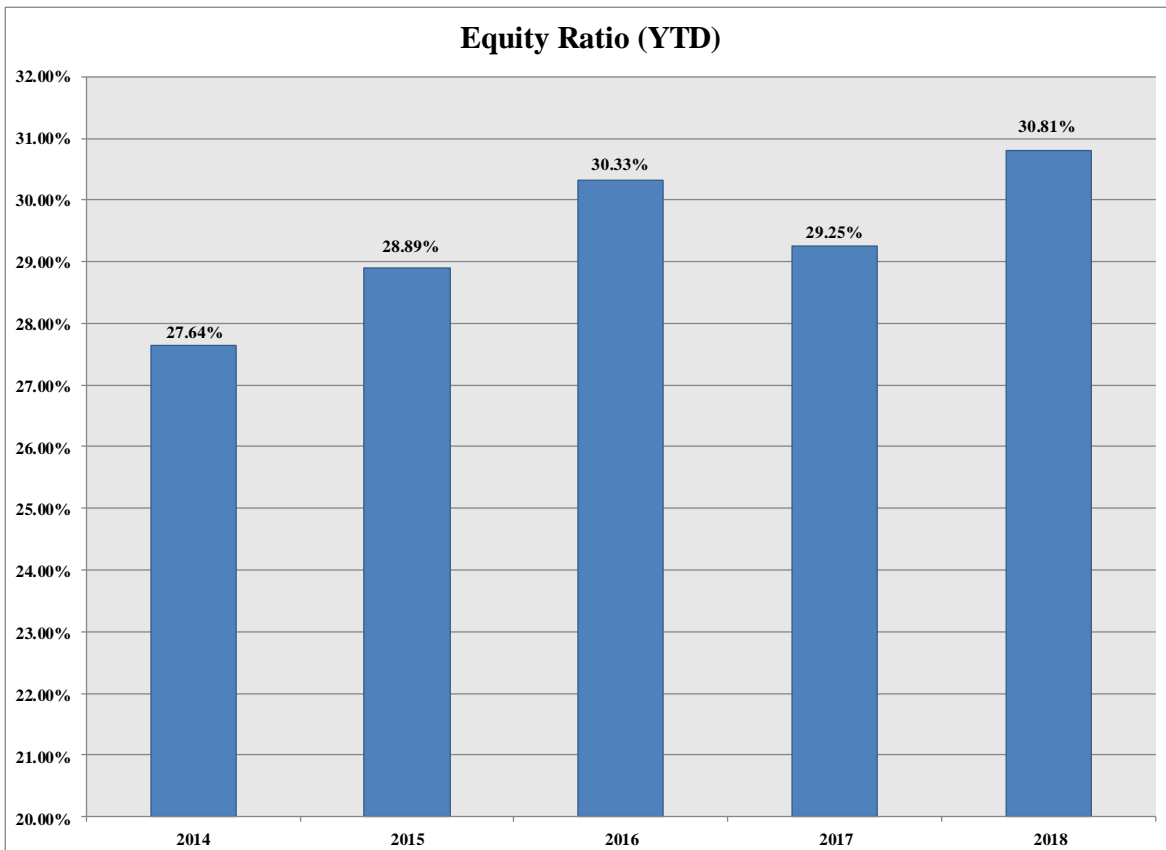
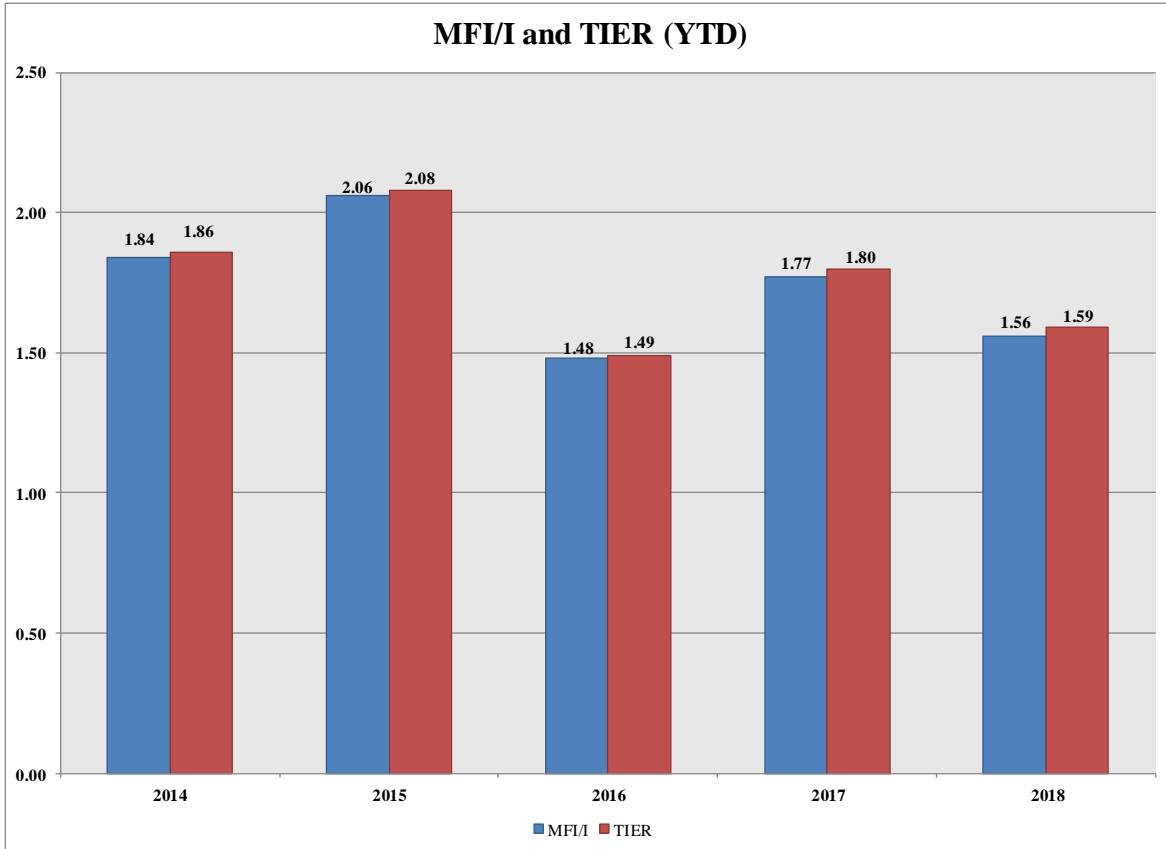


**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
CURRENT TO PRIOR YTD ACTUAL**

CATEGORY	2018 YTD ACTUAL	2017 YTD ACTUAL
Operating Revenue and Patronage Capital	\$ 56,057,278	\$ 60,793,482
Fuel and Purchased Power Expense	22,570,478	25,216,015
Power Production Expense	4,423,919	3,956,971
Transmission Expense	1,988,004	1,649,799
Distribution Expense	3,735,960	3,040,935
Customer Expense	1,865,709	1,524,201
Administrative, General and Other	5,544,969	6,310,066
Depreciation and Amortization Expense	7,343,077	9,525,251
Interest Expense, Net	5,557,372	5,520,479
Total Cost of Electric Service	\$ 53,029,488	\$ 56,743,717
Patronage Capital & Operating Margins	\$ 3,027,790	\$ 4,049,765
Non-Operating Margins - Interest	159,583	150,722
Allowance for Funds Used During Construction	23,873	13,053
Non-Operating Margins - Other	(83,286)	48,102
Patronage Capital or Margins	\$ 3,127,960	\$ 4,261,642
MFI/I	1.56	1.77
TIER	1.59	1.80







ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	293,232,377	306,659,827
Wholesale Energy Sales	<u>14,351,206</u>	<u>15,227,092</u>
Total Firm Energy Sales	307,583,583	321,886,919
Economy Energy Sales	<u>207</u>	<u>0</u>
Total Energy Sales	307,583,790	321,886,919

Firm energy sales totaled 307,583,583 kWh, which was a 4.4% unfavorable variance compared to budget. Retail energy sales were under budget 4.4% and wholesale energy sales were under budget by 5.8%, primarily due to warmer than anticipated weather.

ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$ 52.2	\$ 55.9
Wholesale Revenue	<u>1.3</u>	<u>1.6</u>
Total Firm Revenue	53.5	57.5
Economy Energy Revenue	0.1	0.0
Other Operating Revenue	<u>2.5</u>	<u>2.4</u>
Total Revenue	\$ 56.1	\$ 59.9

Revenue from firm sales totaled \$53.5 million compared to \$57.5 million in the budget. Firm revenue was lower than expected primarily due to lower than anticipated kWh sales.

Economy energy revenue totaled \$28.2 thousand due to unanticipated sales to GVEA. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$2.5 million compared to \$2.4 million in the budget, primarily due to higher than anticipated wheeling revenue.

FUEL AND PURCHASED POWER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Fuel	\$ 18.5	\$ 20.7
Purchased Power	<u>4.1</u>	<u>4.2</u>
Total	\$ 22.6	\$ 24.9

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$18.5 million compared to \$20.7 million projected in the budget. This variance was primarily due to less fuel consumed as a result of lower sales and lower than anticipated BRU operating costs.

Actual fuel purchased for production was 2,194,538 MCF at an average effective delivered price of \$7.86 per MCF, compared to 2,524,202 MCF in the budget at an average effective delivered price of \$7.44 per MCF.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, and other utilities as needed, as well as costs associated with dispatching. Purchased power expense was \$4.1 million compared to \$4.2 million in the budget. This variance was primarily due to a refund received from Alaska Energy Authority for contributions paid on the Battle Creek Diversion Project, which was somewhat offset by unanticipated purchases from ML&P.

Actual energy purchased was 53,270 MWh at an average effective price of 6.24 cents per kWh compared to 44,965 MWh budgeted at an average effective price of 7.56 cents per kWh. Higher than anticipated purchases from Bradley Lake contributed to a lower average effective price.

POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 4.4	\$ 4.6

Power production expense was \$4.4 million compared to \$4.6 million in the budget. This favorable variance is primarily due to lower than anticipated SPP maintenance costs and Beluga camp materials. These savings were somewhat offset by costs associated with a maintenance procedures program.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 2.0	\$ 1.8

Transmission operations and maintenance expense was \$2.0 million compared to \$1.8 million in the budget, primarily due to higher than anticipated substation expense labor and vegetation clearing expenses.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 3.7	\$ 3.8

Distribution operations and maintenance expense was \$3.7 million compared to \$3.8 million in the budget. This favorable variance is primarily due to lower than anticipated locating costs, which was somewhat offset by higher vegetation control expense.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 1.9	\$ 1.5

Consumer accounts and customer information expense was \$1.9 million compared to \$1.5 million in the budget. This variance is primarily due to advertising for the ML&P acquisition.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 5.5	\$ 5.8

Administrative, general and other expense includes tax, donations, other deductions associated with preliminary survey and investigation charges of projects, and obsolete inventory write-offs that are not attributable to operating or maintenance accounts, which was \$5.5 million compared to \$5.8 million in the budget. This variance was primarily due to the deferred classification of costs associated with the ML&P acquisition.

SUMMARY

Depreciation, interest, and interest during construction expense totaled \$12.9 million compared to \$13.5 million in the budget. The favorable variance compared to budget was primarily due to lower than anticipated depreciation expense as a result of retirement adjustments from project closeouts.

All of the foregoing expenses resulted in total cost of electric service of \$53.0 million compared to \$55.8 million in the budget.

Non-operating margins include allowance for funds used during construction (AFUDC), capital credit and patronage capital allocations, extraordinary items, and interest income. Non-operating margins totaled \$100.2 thousand compared to \$176.2 thousand in the budget primarily due to the loss in value of marketable securities.

The net result of revenue and expenses was margins of \$3.1 million compared to projected margins of \$4.3 million in the budget. The current forecast projects year-end margins of \$6.5 million and an MFI/I of 1.29.

COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS YEAR-END FORECAST

CATEGORY	2018 APPROVED BUDGET	2018 YTD ACTUALS	2018 REVISED FORECAST
Operating Revenue and Patronage Capital	\$ 214,960,079	\$ 56,057,278	\$ 211,436,131 ¹
Fuel and Purchased Power Expense	85,194,690	22,570,478	82,911,024 ¹
Power Production Expense	18,965,542	4,423,919	18,865,542 ²
Transmission Expense	6,915,445	1,988,004	6,915,445
Distribution Expense	14,835,722	3,735,960	14,835,722
Customer Expense	6,833,267	1,865,709	7,172,886 ¹
Administrative, General & Other	22,127,986	5,544,969	21,852,632 ^{1 2}
Depreciation and Amortization Expense	32,264,325	7,343,077	31,639,438 ¹
Interest Expense, Net	21,493,320	5,557,372	21,506,810 ¹
Total Cost of Electric Service	\$ 208,630,297	\$ 53,029,488	\$ 205,699,499
Patronage Capital & Operating Margins	\$ 6,329,782	\$ 3,027,790	\$ 5,736,632
Non-Operating Margins - Interest	625,941	159,583	630,041 ¹
Allowance for Funds Used During Construction	181,126	23,873	184,293 ¹
Non-Operating Margins - Other	-	(83,286)	(83,286) ¹
Patronage Capital or Margins	\$ 7,136,849	\$ 3,127,960	\$ 6,467,680
MFI/I	1.32	1.56	1.29
TIER	1.35	1.59	1.31

¹ Forecast based on 3 month actual and 9 month forecast

² Forecast has been adjusted to reflect known and measurable changes

Functional Statement of Operations – March 2018

CATEGORY	2018 YTD TOTAL	2018 YTD GEN	2018 YTD TRANS	2018 YTD DIST
Operating Revenue and Patronage Capital	\$ 56,057,278	\$ 36,717,517	\$ 5,045,155	\$ 14,294,606
Fuel and Purchased Power Expense	22,570,478	22,570,478	0	0
Power Production Expense	4,423,919	4,423,919	0	0
Transmission Expense	1,988,004	0	1,988,004	0
Distribution Expense	3,735,960	0	0	3,735,960
Customer Expense	1,865,709	0	0	1,865,709
Administrative, General and Other	5,544,969	1,736,818	724,198	3,083,953
Depreciation & Amortization Expense	7,343,077	3,803,059	1,068,015	2,472,003
Interest Expense, Net	5,557,372	3,317,396	1,130,705	1,109,271
Total Cost of Electric Service	\$ 53,029,488	\$ 35,851,670	\$ 4,910,922	\$ 12,266,896
Patronage Capital & Operating Margins	\$ 3,027,790	\$ 865,847	\$ 134,233	\$ 2,027,710
Non-Operating Margins - Interest	159,583	\$82,650	23,211	\$53,722
Allowance for Funds Used During Construction	23,873	1,370	1,444	21,059
Non-Operating Margins - Other	(83,286)	(25,464)	(11,017)	(46,805)
Patronage Capital or Margins	\$ 3,127,960	\$ 924,403	\$ 147,871	\$ 2,055,686

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

April 26, 2018

TO: Sherri L. Highers, CFO
FROM: Debra Caldwell, Financial Analyst
SUBJECT: 1st Quarter 2018 Operating Budget Status Report

There were no budget adjustments in the first quarter of 2018. See Operating Budget Status Report on page 2.

**CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2018**

CATEGORY	2018 APPROVED BUDGET	2018 BUDGET REVISIONS	2018 APPROVED BUDGET
REVENUES:			
TOTAL REVENUE	\$214,960,079	\$0	\$214,960,079
EXPENSES:			
FUEL EXPENSE	67,675,501	0	67,675,501
POWER PRODUCTION EXPENSE	18,965,542	0	18,965,542
COST OF PURCHASED POWER	17,519,189	0	17,519,189
TRANSMISSION EXPENSE	6,915,445	0	6,915,445
DISTRIBUTION EXPENSE-OPERATIONS	6,142,833	0	6,142,833
DISTRIBUTION EXPENSE-MAINTENANCE	8,692,889	0	8,692,889
CONSUMER ACCOUNTS EXPENSE	6,437,520	0	6,437,520
CUSTOMER SERVICE/INFO EXPENSE	395,747	0	395,747
ADMINISTRATIVE/GENERAL EXPENSE	21,490,686	0	21,490,686
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$154,235,352	\$0	\$154,235,352
DEPRECIATION/AMORTIZATION EXPENSE	32,264,325	0	32,264,325
TAX EXPENSE-OTHER	237,300	0	237,300
INTEREST ON DEBT	22,036,708	0	22,036,708
INTEREST ON CONSTRUCTION-CREDIT	(543,388)	0	(543,388)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$208,630,297	\$0	\$208,630,297
PATRONAGE CAPITAL/OPERATING MARGINS	\$6,329,782	\$0	\$6,329,782
NON-OPERATING MARGINS-INTEREST	625,941	0	625,941
ALLOWANCE FUNDS USED DURING CONST.	181,126	0	181,126
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	0	0	0
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$7,136,849	\$0	\$7,136,849

MFI/I

1.32

1.32

CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of March 31, 2018

CIP Ref #	Project Name ¹	Project Manager	BOD Project Approval Date	Estimate			Actuals			Variance		Project Completion	Comments
				Estimate	Revisions to Estimate	Revised Estimate	Spending to Date	Forecast to Completion	Total Estimated Completion Cost	Total Estimated Cost vs. Revised Estimate			
										Amount	%		
SYSTEM IMPROVEMENT PROJECTS													
Reliability													
02.0384	Hane Distribution Substation Feeders E1413522 & E1513572	Schmitt	2/17/2015	\$1,279,000	\$0	\$1,279,000	\$1,255,330	\$0	\$1,255,330	(\$23,670)	98%	100%	Project is in final closeout.
20.0266	Multi-Stage Energy Storage System (MS-ESS) P1300850, P1730266, P1730267	Highers	5/25/2016	\$2,495,191 ²	\$0	\$2,495,191	\$2,718,488	\$3,135	\$2,721,623	\$226,432	109%	99%	Project is in final closeout.
10.0240	Retire INSS 138kV Facilities E1720055	Laughlin	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$48,690	\$2,651,310	\$2,700,000	\$0	100%	2%	This project will retire existing 138 kV facilities at the International Substation (INSS) and move two power transformers to new foundations with oil containment meeting fire protection and seismic requirements. A request for proposal was solicited for an engineering services contract. Black and Veatch (B&V) was successful and brought on board. B&V kicked off design work with a site visit.
10.0364	115 kV Rebuild - Hope to Summit E1720053	Wendling	2/20/2018	\$9,500,000	\$0	\$9,500,000	\$157,534	\$9,342,466	\$9,500,000	\$0	100%	5%	This project will rebuild an approximate 10 mile section of the 115 kV transmission line between Hope Substation and Summit Lake Substation to 230kV insulation standards. An engineering services request for proposal was solicited for the design of the rebuild. POWER Engineers was the successful consultant. Transmission line design criteria was established.
Retirements & Replacements													
06.0824	Advanced Metering Infrastructure (AMI) implementation I1540001, E1313415, I1640000, I1740000	McCarty	3/17/2015	\$14,050,000	\$250,000	\$14,300,000	\$14,734,245	\$0	\$14,734,245	\$434,245	103%	100%	Project is in final closeout.
Agency Mandated													
03.0810	Dowling Road Undergrounding E1513614 E1513613 E1613631 E1613630	Schmitt	9/28/2016	\$3,000,000	\$0	\$3,000,000	\$2,639,146	\$0	\$2,639,146	(\$360,854)	88%	100%	Project is in final closeout.
03.0810	Old Seward Highway Undergrounding E1513623	Schmitt	8/23/2016	\$2,400,000	\$0	\$2,400,000	\$2,101,177	\$0	\$2,101,177	(\$298,823)	88%	100%	Project is in final closeout.
Operating Efficiency													
05.0300	Debarr Substation Rebuild E1620052	Reid	1/26/2017	\$6,000,000	\$0	\$6,000,000	\$915,437	\$5,324,563	\$6,240,000	\$240,000	104%	18%	This project will upgrade the existing facilities at Debarr Substation. The scope includes replacement of the existing power transformer, 12.5kV switchgear, 34.5kV circuit switchers, and associated control and power cables. Electric Power Constructors (EPC) is performing the design and will also perform the construction in 2018. EPC has completed the 95% design set. Large equipment procurements including switchgear and power transformer are on order. A Limited Notice to Proceed for demolition has been issued to EPC. Forecast to completion includes an additional \$240,000 for work to move the substation per the request of the Municipality.
05.0886	Hope Substation Upgrade Hope 25 kV Xfmr Fdn (HMGP) E1613628	Wendling	12/12/2017	\$1,900,000	\$0	\$1,900,000	\$81,244	\$668,756	\$750,000	(\$1,150,000)	39%	35%	This project will upgrade several of the existing facilities at Hope Substation. The scope has been changed: to reuse the existing transformer, install a seismically rated foundation with a membrane type secondary containment, therefore reducing the total estimated cost. The project is currently in the planning and design phase.
New Business Offering													
20.0310	Community Solar Project P1731026	Highers	10/1/2017	\$2,000,000	\$0	\$2,000,000	\$57,641	\$1,942,359	\$2,000,000	\$0	100%	0%	Project to install a 500 kW community solar project. Proposals received for engineering, procurement and construction (EPC) work with one apparent successful bidder identified after evaluation. Awaiting RCA approval of the Community Solar program and the achievement of 80% participation before seeking Board approval of contract.
Totals				\$45,324,191	\$250,000	\$45,574,191	\$24,708,932	\$19,932,589	\$44,641,521	(\$932,670)	98%	56%	

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

² Represents Chugach costs only.

CHUGACH ELECTRIC ASSOCIATION, INC.

March 2018 Financial Information

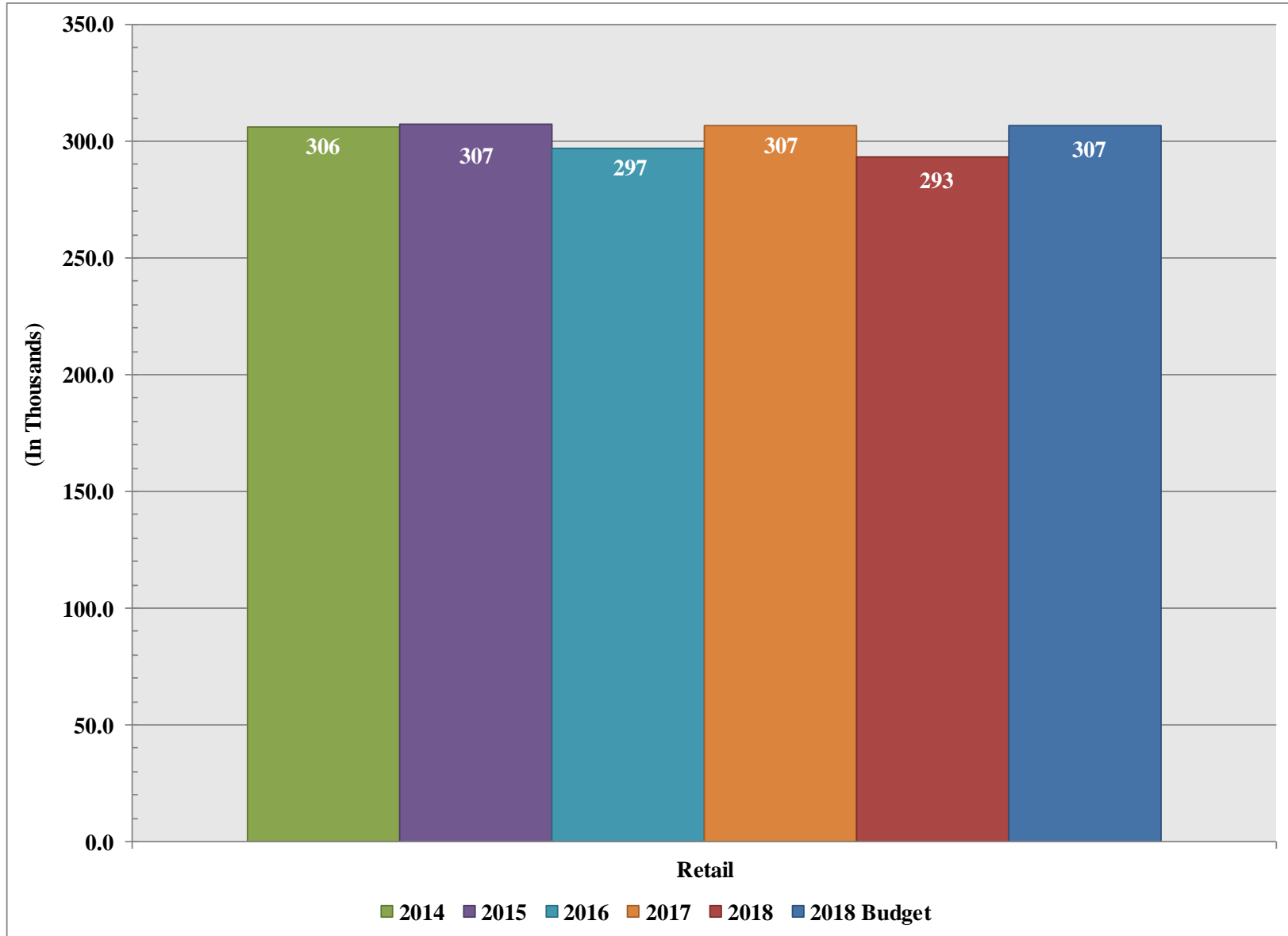
May 7, 2018



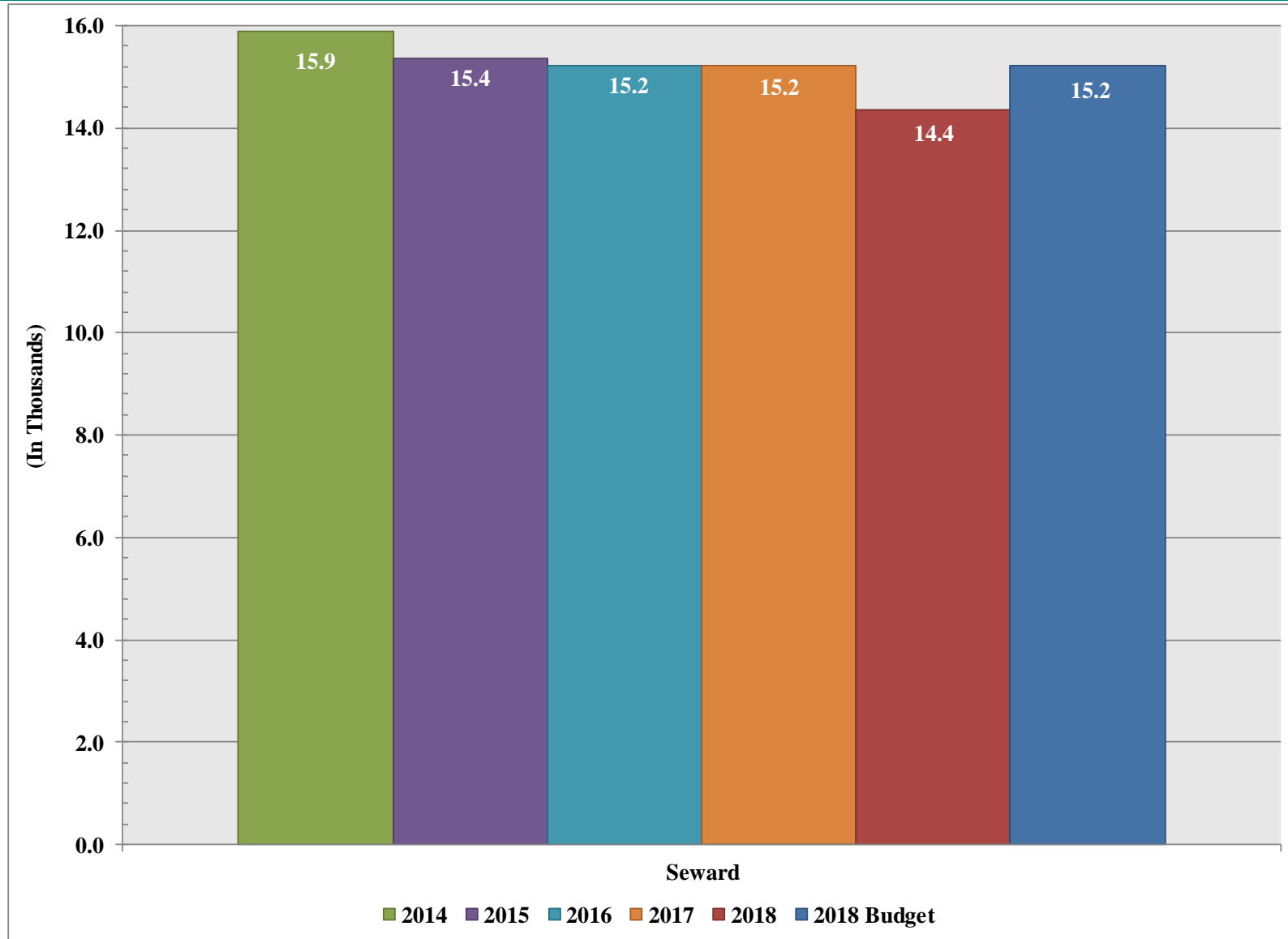
March 2018 Financial Information

- ▶ MWH Sales
- ▶ Statement of Operations
- ▶ Balance Sheet
- ▶ Statements of Cash Flows
- ▶ ASC 842 – Leases Update

5 Year Retail MWh Sales Comparison (March YTD)



5 Year Seward MWh Sales Comparison (March YTD)



Comparative Statement of Operations

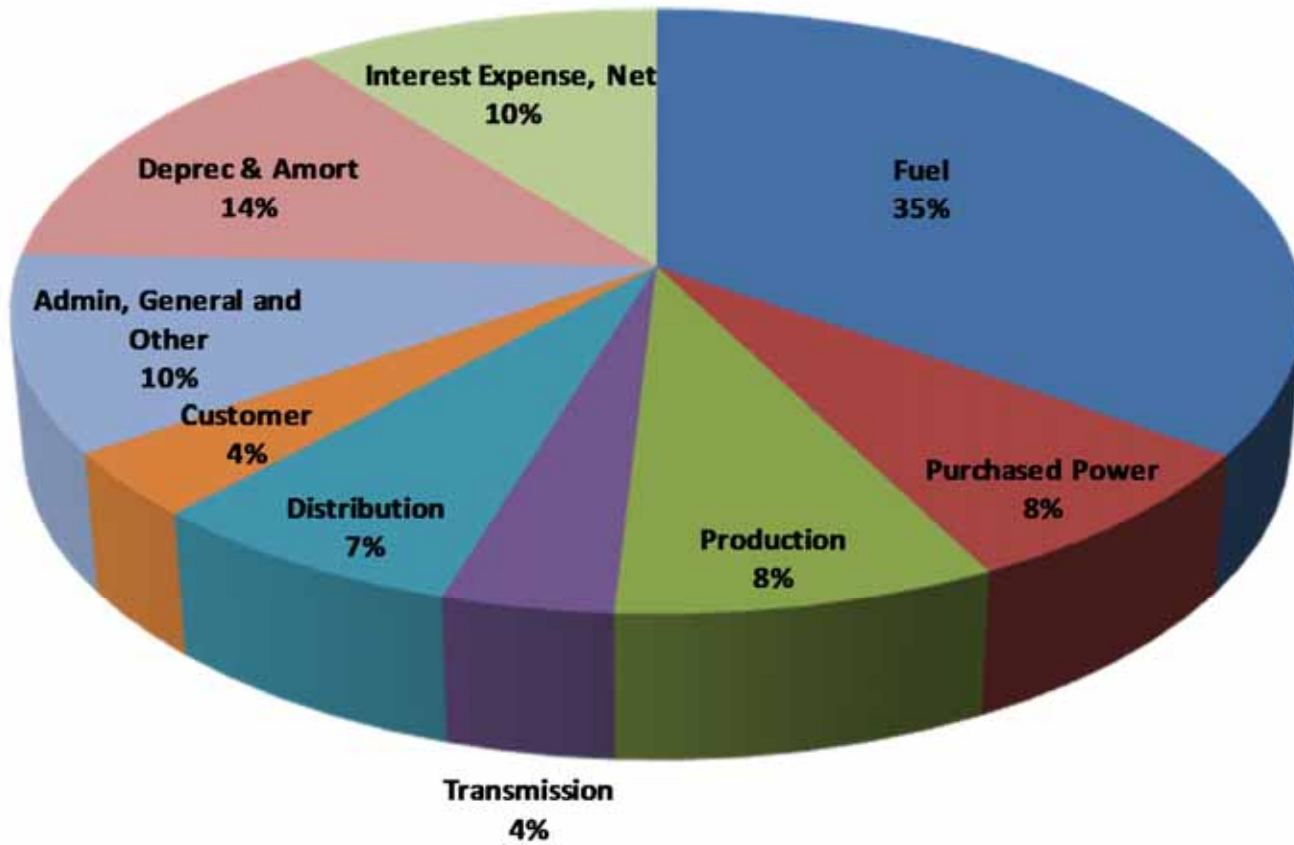
March YTD 2018



CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenues	\$ 56,057,278	\$ 59,931,226	\$ (3,873,948)
Fuel	18,487,590	20,667,519	(2,179,929)
Production	4,423,919	4,610,143	(186,224)
Purchased Power	4,082,888	4,186,625	(103,737)
Transmission	1,988,004	1,795,798	192,206
Distribution	3,735,960	3,758,814	(22,854)
Consumer Accounts	1,865,709	1,526,090	339,619
Administrative, General and Other	5,544,969	5,758,323	(213,354)
Depreciation and Amortization	7,343,077	7,967,964	(624,887)
Total Operating Expenses	\$ 47,472,116	\$ 50,271,276	\$ (2,799,160)
Interest Expense, Long-Term and Other	5,614,735	5,606,000	8,735
Interest Charged to Construction	(57,363)	(62,118)	4,755
Net Interest Expense	\$ 5,557,372	\$ 5,543,882	\$ 13,490
Net Operating Margins	\$ 3,027,790	\$ 4,116,068	\$ (1,088,278)
Interest Income	159,583	155,483	4,100
Allowance Funds Used During Const.	23,873	20,706	3,167
Capital Credits, Patronage Dividends, Other	(83,286)	0	(83,286)
Patronage Capital or Margins	\$ 3,127,960	\$ 4,292,257	\$ (1,164,297)

MFI/I	1.56	1.77
TIER	1.59	1.81

Total Operating and Interest Expense March YTD 2018



Comparative Balance Sheet, Assets & Other Debits March 2018 & December 2017

ASSETS & OTHER DEBITS	03/31/18	12/31/17	CHANGE
Electric Plant in Service	1,208,267,411	1,205,092,224	3,175,187
Construction Work in Progress	13,314,406	17,952,573	(4,638,167)
Total Utility Plant	\$ 1,221,581,817	\$ 1,223,044,797	\$ (1,462,980)
Accumulated Depreciation	(516,994,008)	(515,496,312)	(1,497,696)
Net Utility Plant	\$ 704,587,809	\$ 707,548,485	\$ (2,960,676)
Nonutility Property	76,889	76,889	0
Investment in Assoc. Organizations	8,566,510	8,980,410	(413,900)
Special Funds	1,467,069	1,466,010	1,059
Restricted Cash Equivalents & Other	756,076	1,028,758	(272,682)
Total Other Property & Investments	\$ 10,866,544	\$ 11,552,067	\$ (685,523)
Cash, Marketable Securities & Other	13,548,213	16,906,531	(3,358,318)
Special Deposits & Restricted Cash	603,939	741,670	(137,731)
Accounts Receivable - Net	28,436,792	35,680,680	(7,243,888)
Materials and Supplies, Fuel Stock	22,782,032	22,193,089	588,943
Prepayments	4,970,460	4,953,170	17,290
Other Current Assets	5,074,137	5,178,987	(104,850)
Total Current Assets	\$ 75,415,573	\$ 85,654,127	\$ (10,238,554)
Deferred Charges, Net	32,668,462	32,764,065	(95,603)
Total Assets	\$ 823,538,388	\$ 837,518,744	\$ (13,980,356)

Comparative Balance Sheet, Liabilities & Other Credits March 2018 & December 2017

LIABILITIES & OTHER CREDITS	03/31/18	12/31/17	CHANGE
Memberships	1,724,759	1,719,154	5,605
Patronage Capital	176,056,635	172,928,887	3,127,748
Other	14,650,759	14,653,253	(2,494)
Total Equities and Margins	\$ 192,432,153	\$ 189,301,294	\$ 3,130,859
Bonds Payable	398,416,664	421,833,331	(23,416,667)
National Bank for Cooperatives	36,366,000	37,164,000	(798,000)
Unamortized Debt Issuance Costs	(2,607,091)	(2,669,485)	62,394
Total Long-Term Obligations	\$ 432,175,573	\$ 456,327,846	\$ (24,152,273)
Current Installments of Long-Term Obligations	26,608,667	26,608,667	-
Commercial Paper	62,000,000	50,000,000	12,000,000
Accounts Payable	6,069,221	7,420,279	(1,351,058)
Consumer Deposits	5,279,088	5,335,896	(56,808)
Other Current & Accrued Liabilities	25,731,618	30,002,352	(4,270,734)
Total Current Liabilities	\$ 125,688,594	\$ 119,367,194	\$ 6,321,400
Deferred Compensation	1,230,508	1,229,294	1,214
Other Liabilities, Non-Current	702,663	531,630	171,033
Deferred Liabilities	1,219,047	1,249,390	(30,343)
Patronage Capital Payable	8,798,077	8,798,077	0
Cost of Removal Obligation / ARO	61,291,773	60,714,019	577,754
Total Liabilities, Equities and Margins	\$ 823,538,388	\$ 837,518,744	\$ (13,980,356)

Statements of Cash Flows

March 2018 and March 2017

	03/31/18	03/31/17
1. Cash flows from operating activities:		
Assignable margins	\$ 3,127,960	\$ 4,261,642
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	8,605,321	10,648,038
Allowance for funds used during construction	(23,873)	(13,053)
Other	109,153	30,205
Decrease in assets	5,123,390	1,425,053
Decrease in liabilities	(5,944,990)	(6,404,583)
Net cash provided by operating activities:	\$ 10,996,961	\$ 9,947,302
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	413,897	369,917
Investment in special funds	(3,139)	0
Proceeds from the sale of marketable securities	250,556	0
Extension and replacement of plant	(3,963,731)	(7,966,158)
Net cash used in investing activities:	\$ (3,302,417)	\$ (7,596,241)
3. Cash flows from financing activities:		
Payments for debt issue costs	0	(152,072)
Net increase (decrease) in short-term obligations	12,000,000	(21,000,000)
Net increase (decrease) in long-term obligations	(24,214,667)	17,671,333
Consumer advances for construction/Other	1,081,361	872,669
Net cash provided by financing activities:	\$ (11,133,306)	\$ (2,608,070)
Net change in cash, cash equivalents & restricted cash	(3,438,762)	(257,009)
4. Cash, cash equivalents & restricted cash at beginning of period	\$ 7,201,759	\$ 6,383,217
5. Cash, cash equivalents and restricted cash at end of period	\$ 3,762,997	\$ 6,126,208

ASC 842 – Leases Update

- ▶ Completeness Evaluation
- ▶ Management Controls
- ▶ Practical Expedients
- ▶ Next Steps

Questions?

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

May 7, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

- Information Only
 - Motion
 - Resolution
 - Executive Session
 - Other
-

TOPIC

March 31, 2018, SEC Form 10Q Filing

DISCUSSION

The Form 10Q as reviewed in executive session.

MOTION

Move that the Audit and Finance Committee recommend management file the Securities and Exchange Commission Form 10Q by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG. Ms. Stuart and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

May 7, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.B.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Pre-Approval of FY2018 Tax Services

DISCUSSION

KPMG provides tax services which includes the preparation and filing of the Form 990 and assistance with various tax related matters.

In accordance with Public Company Accounting Oversight Board Rule 3525 (Audit Committee Pre-approval of Non-audit Services Related to Internal Control Over Financial Reporting) we are seeking Audit and Finance Committee pre-approval of the 2018 Tax Services.

MOTION

Move that the Audit and Finance Committee recommend to the Board of Directors to approve the tax services for FY2018.

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 SAS 61, as it may be modified or supplemented.
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. Following such reviews and discussions, if so determined by the Audit and Finance Committee, recommend to the Board of Directors that the annual financial statements be included in the Association's annual report.
9. Meet quarterly with management and the independent auditor to review and discuss the quarterly financial statements prior to the filing of the Form 10Q, if applicable, and meet annually with management and the independent auditor to review and discuss the annual financial statements and, if applicable, prior to filing of the Form 10K.
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 25, 2016

Attested:


Bruce M. Dougherty
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.