

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Sisi Cooper, Chair
Bettina Chastain, Vice Chair

Jim Henderson
Harry T. Crawford, Jr.
Janet Reiser

May 10, 2017

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 22, 2017 (Quezon-Vicente)*
- IV. PERSONS TO BE HEARD
 - A. *Wholesale Customer and Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (*scheduled*)
 - A. *1st Quarter 2017 Financial Statements and Variance Report (Harris/Curran)*
 - B. *1st Quarter 2017 Operating Budget Status Report (Curran)*
 - C. *1st Quarter 2017 Capital Tracking Report (Curran)*
 - D. *1st Quarter 2017 Contract Status Report (Vecera)*
 - E. *IRS Form 990 (Curran)*
- VI. NEW BUSINESS (*scheduled*)
 - A. *1st Quarter 2017 Financial Information (Harris)*
- VII. EXECUTIVE SESSION* (*scheduled*)
 - A. *Strategic Planning*
 - i. *KPMG 1st Quarter 2017 Review*
 - ii. *March 31, 2017, SEC Form 10Q Review*
 - iii. *FY2017 Tax Services*
- VIII. NEW BUSINESS* (*continued*)
 - B. *March 31, 2017, SEC Form 10Q Filing* (Curran)*
 - C. *Pre-Approval of FY2017 Tax Services* (Highers)*
 - D. *Annual Review of Board Policy 207 Audit and Finance Committee Discussion (Committee)*
- IX. DIRECTOR COMMENTS
- X. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

5/8/2017 10:01:14 AM

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

March 22, 2017
Wednesday
3:00 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 3:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

Sisi Cooper, Chair
Bettina Chastain, Vice Chair (*arrived at 3:05 p.m.*)
Jim Henderson, Director
Harry Crawford, Director
Janet Reiser, Director

Other Board Member Present:

Stuart Parks, Director
Susan Reeves, Director (*via teleconference at 3:06 p.m.*)

Guests and Staff in Attendance:

Lee Thibert	Jody Wolfe	Jean Kornmuller
Brian Hickey	Kathy Harris	Nick Horras
Tyler Andrews	Renee Curran	Julie Hasquet
Sherri Highers	Marty Freeman	Elizabeth Stuart, KPMG
Arthur Miller	Ron Vecera	Russ Thornton
Mark Johnson	Teresa Kurka	James Mullican
Connie Owens	Theresa Quigley	Gary Meadows

II. APPROVAL OF THE AGENDA

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

Directors Chastain and Reeves were not present at the time of vote.

III. APPROVAL OF THE MINUTES

Director Henderson moved and Director Crawford seconded the motion to approve the November 9, 2016, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

Directors Chastain and Reeves were not present at the time of vote.

IV. PERSONS TO BE HEARD

- A. *Wholesale Customer and Member Comments*
None

V. CEO REPORTS AND CORRESPONDENCE

- A. *2016 Year-End Financial Statements and Variance Report (Harris/Curran)*
The 2016 Year-End Financial Statements and the Variance Report were provided in the meeting packet.
- B. *4th Quarter 2016 Capital Tracking Report (Curran)*
The 4th Quarter 2016 Capital Tracking Report was provided in the meeting packet.
- C. *4th Quarter 2016 Operating Budget Status Report (Curran)*
The 4th Quarter 2016 Operating Budget Status Report was provided in the meeting packet.
- D. *4th Quarter 2016 Contract Status Report (Vecera)*
The 4th Quarter 2016 Contract Status Report was provided in the meeting packet.

Lee Thibert, Chief Executive Officer (CEO) and Sherri Highers, Chief Financial Officer (CFO) responded to questions from the Committee.

Director Chastain arrived at 3:05 p.m.

Director Reeves joined via teleconference at 3:06 p.m.

VI. NEW BUSINESS

- A. *2016 Year-End Financial Information (Harris)*
Kathy Harris, Sr. Manager, General Accounting discussed the 2016 Year-End Financial Information. Sherri Highers, CFO and Lee Thibert, CEO responded to questions from the Committee.

VII. EXECUTIVE SESSION

- A. *Strategic Planning*
- i. Review and Accept the 2016 Independent Audited Financial Statements*
 - ii. December 31, 2016, SEC Form 10K Review*

At 3:28 p.m., Director Chastain moved and Director Crawford 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 4:27 p.m.

VIII. NEW BUSINESS

B. Accept the 2016 Independent Audited Financial Statements (KPMG)*

Director Henderson moved and Director Chastain seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve the 2016 Independent Audited Financial Statements of Chugach Electric Association, Inc. and footnotes as presented by KPMG and management. The motion passed unanimously.

C. December 31, 2016, SEC Form 10K Filing (Curran)*

Director Crawford moved and Director Chastain 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.

D. Pre-Approval of KPMG for FY207 Audit Services (Highers)*

Director Chastain moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve the retention of KPMG for audit services for FY2017 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.

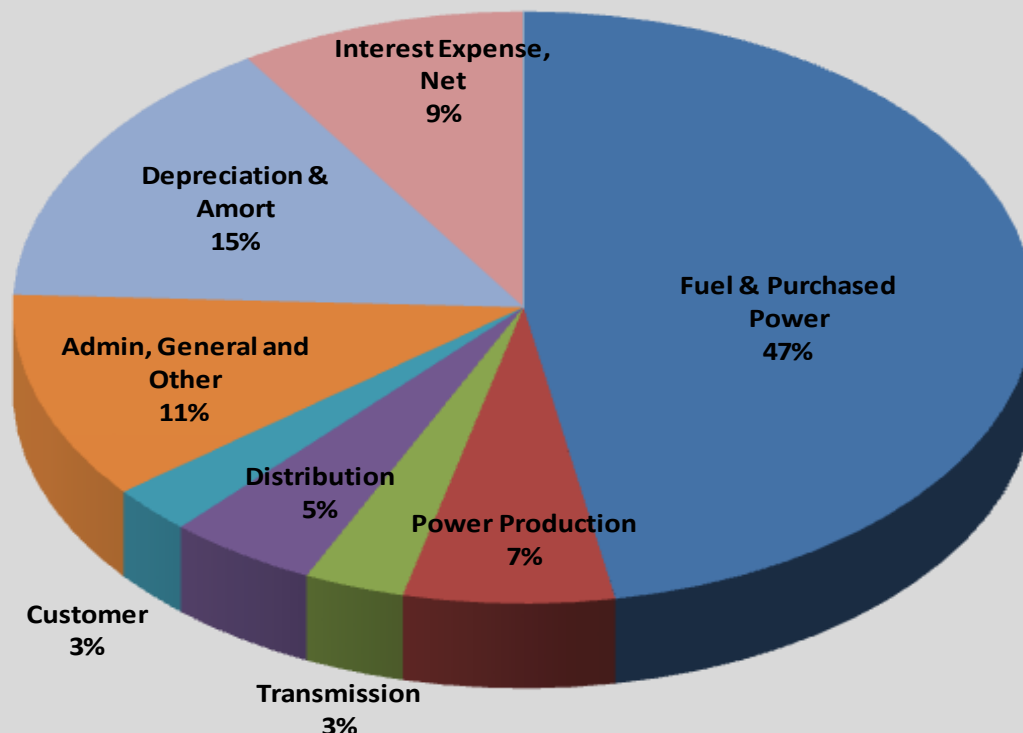
X. ADJOURNMENT

At 4:33 p.m., Director Chastain moved and Director Crawford seconded the motion to adjourn. The motion passed unanimously.

STATEMENT OF OPERATIONS

CATEGORY	2017 MTD ACTUAL	2017 MTD BUDGET	2017 MTD VARIANCE
Operating Revenue and Patronage Capital	\$ 21,490,193	\$ 19,288,169	\$ 2,202,024
Fuel and Purchased Power Expense	9,656,683	8,213,077	1,443,606
Power Production Expense	1,368,065	1,386,707	(18,642)
Transmission Expense	651,893	622,043	29,850
Distribution Expense	968,072	1,155,920	(187,848)
Customer Expense	532,703	529,756	2,947
Administrative, General and Other	2,331,980	2,177,107	154,873
Depreciation & Amortization Expense	3,120,721	3,215,636	(94,915)
Interest Expense, Net	1,863,477	1,756,810	106,667
Total Cost of Electric Service	\$ 20,493,594	\$ 19,057,056	\$ 1,436,538
Patronage Capital & Operating Margins	\$ 996,599	\$ 231,113	\$ 765,486
Non-Operating Margins - Interest	51,236	27,805	23,431
Allowance for Funds Used During Construction	2,808	9,578	(6,770)
Non-Operating Margins - Other	(13,200)	-	(13,200)
Patronage Capital or Margins	\$ 1,037,443	\$ 268,496	\$ 768,947

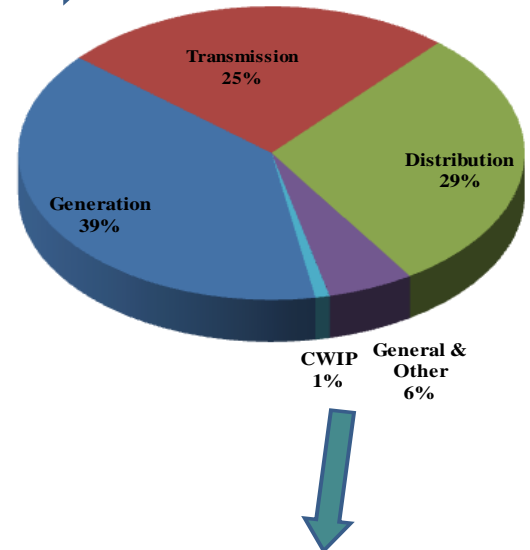
Total Cost of Electric Service (MTD Actual)



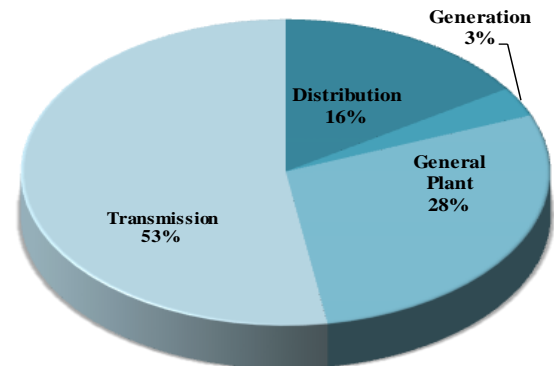
BALANCE SHEET

ASSETS & OTHER DEBITS	03/31/2017	12/31/16
Total Utility Plant in Service	1,204,760,014	1,192,513,869
Construction Work in Progress	11,023,857	18,455,940
Total Utility Plant	\$ 1,215,783,871	\$ 1,210,969,809
Accum. Prov. for Depreciation/Amortization	(503,108,877)	(496,098,131)
Net Utility Plant	\$ 712,674,994	\$ 714,871,678
Nonutility Property - Net	76,889	76,889
Investment in Assoc. Organizations	8,980,127	9,349,311
Special Funds	978,562	907,836
Restricted Cash & Marketable Securities	3,932,800	3,871,993
Total Other Property & Investments	\$ 13,968,378	\$ 14,206,029
Cash & Marketable Securities	11,835,902	12,048,316
Special Deposits/Restricted Cash	914,391	975,665
Accounts Receivable - Net	31,389,417	33,000,919
Materials and Supplies, Fuel Stock	32,068,482	34,210,843
Prepayments	3,233,765	1,407,026
Other Current & Accrued Assets	427,188	294,697
Total Current & Accrued Assets	\$ 79,869,145	\$ 81,937,466
Deferred Debits	24,914,883	25,140,957
Total Assets & Other Debits	\$ 831,427,400	\$ 836,156,130
LIABILITIES & OTHER CREDITS	03/31/2017	12/31/16
Memberships	1,697,209	1,691,014
Pat. Capital, Margins & Equities	187,908,463	183,824,511
Total Margins & Equities	\$ 189,605,672	\$ 185,515,525
Long-Term Debt - Bonds	421,833,331	405,249,998
Long-Term Debt - Other	39,558,000	40,356,000
Unamortized Debt Issuance Costs	(2,805,096)	(2,715,745)
Total Long-Term Debt	\$ 458,586,235	\$ 442,890,253
Notes Payable	73,922,667	93,036,667
Accounts Payable	8,241,261	9,618,630
Consumer Deposits	4,921,026	5,207,585
Other Current & Accrued Liabilities	21,819,672	26,532,912
Total Current & Accrued Liabilities	\$ 108,904,626	\$ 134,395,794
Deferred Compensation	978,562	907,836
Other Liabilities, Non-Current	752,597	655,277
Deferred Liabilities	1,174,806	1,179,414
Patronage Capital Payable	12,008,499	12,008,499
Cost of Removal Obligation	59,416,403	58,603,532
Total Liabilities & Other Credits	\$ 831,427,400	\$ 836,156,130

2017 Total Utility Plant (YTD)
\$1,215,783,871

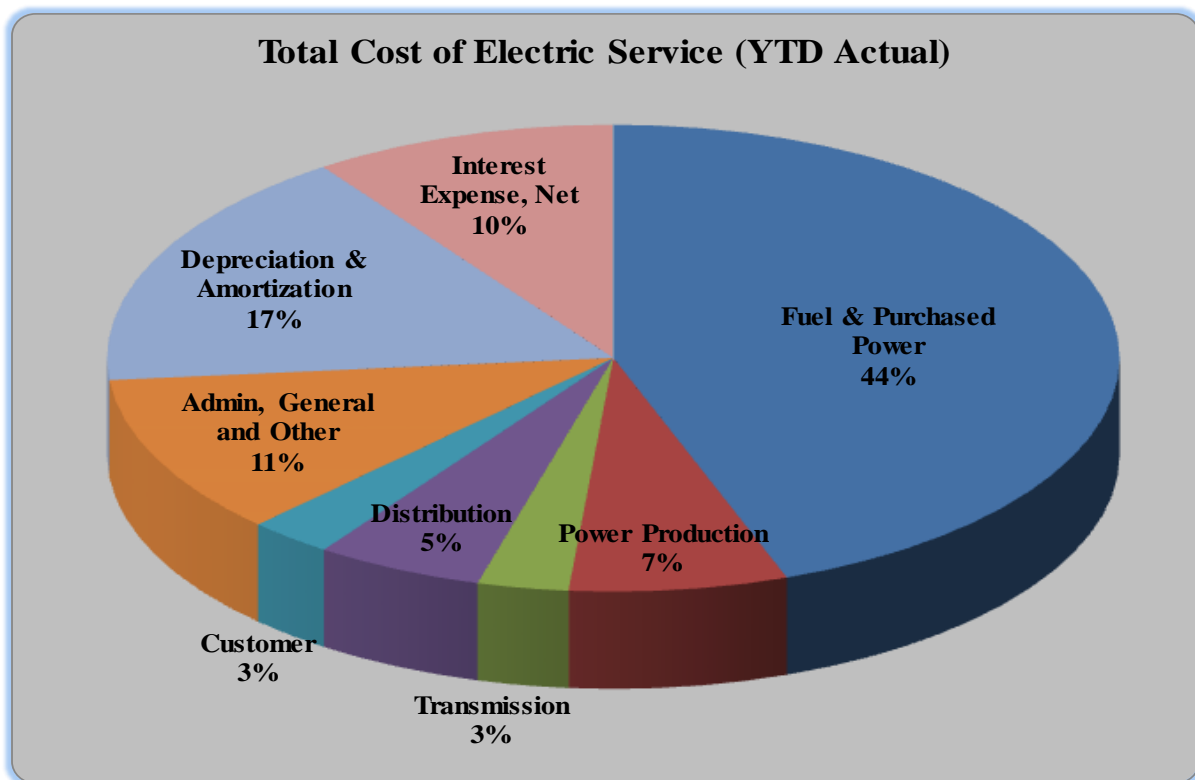


2017 Construction Work in Progress (YTD)
\$11,023,857



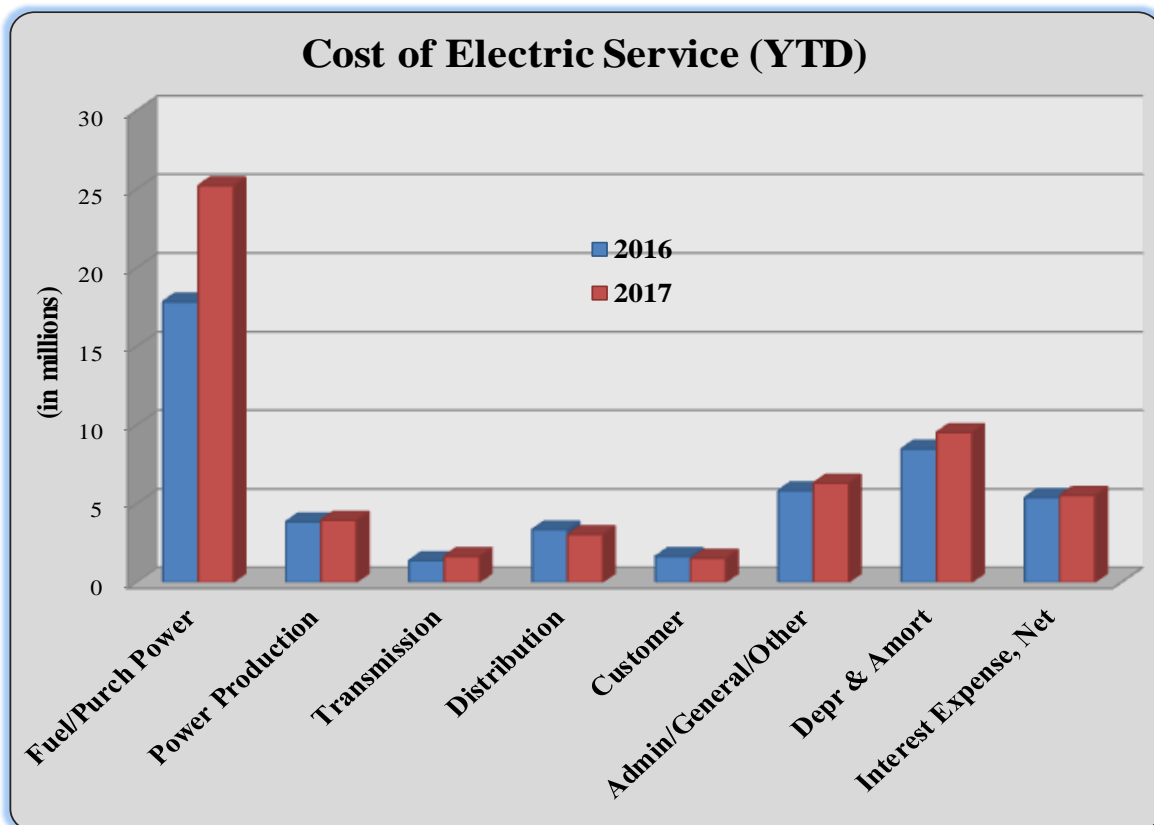
**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
CURRENT YTD ACTUAL TO BUDGET VARIANCE**

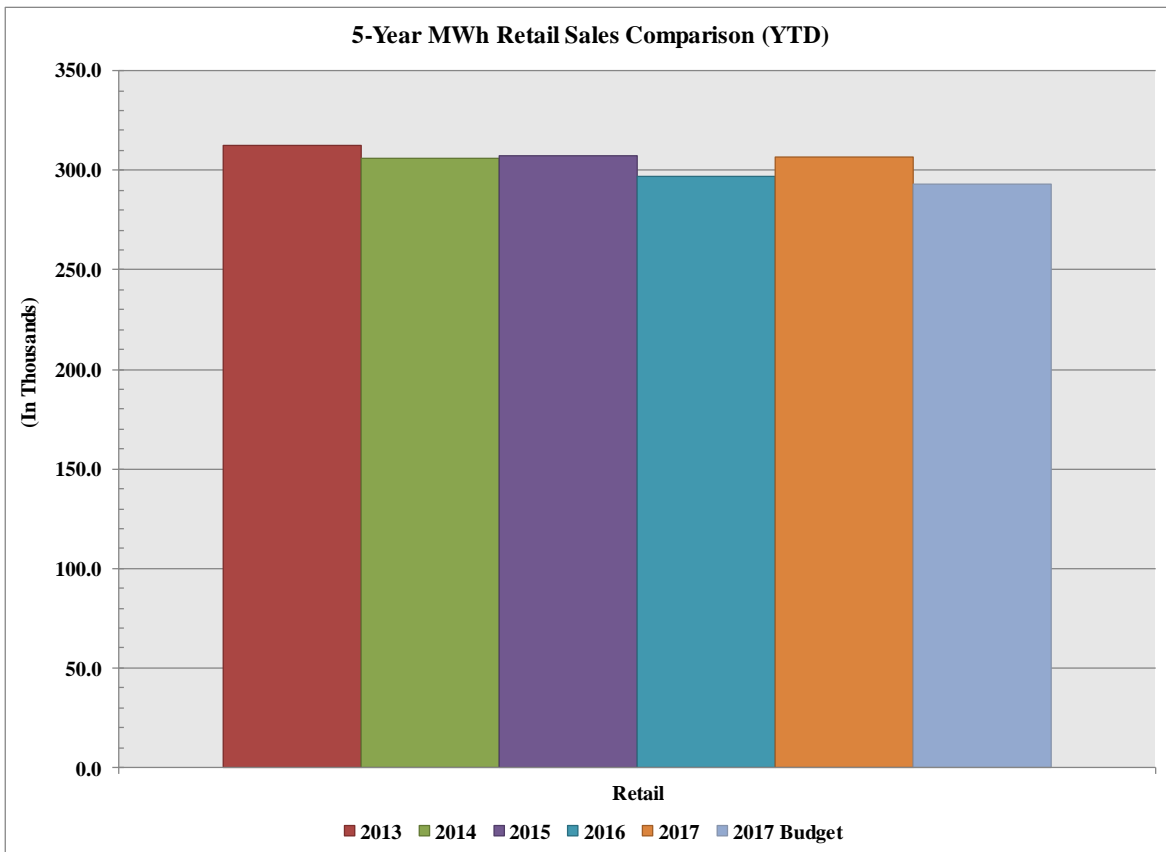
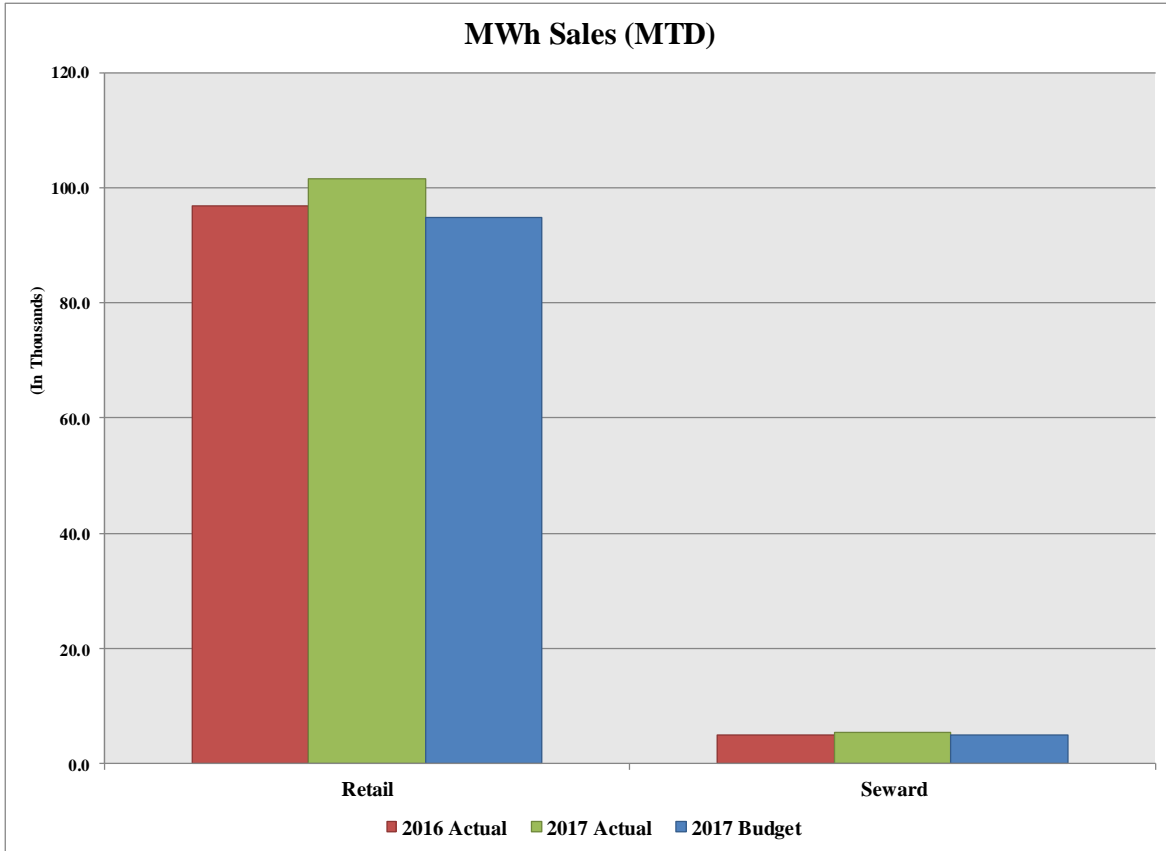
CATEGORY	2017 YTD ACTUAL	2017 YTD BUDGET	2017 YTD VARIANCE
Operating Revenue and Patronage Capital	\$ 60,793,482	\$ 57,963,010	\$ 2,830,472
Fuel and Purchased Power Expense	25,216,015	23,713,372	1,502,643
Power Production Expense	3,956,971	4,047,490	(90,519)
Transmission Expense	1,649,799	1,840,185	(190,386)
Distribution Expense	3,040,935	3,476,706	(435,771)
Customer Expense	1,524,201	1,574,464	(50,263)
Administrative, General and Other	6,310,066	6,197,657	112,409
Depreciation & Amortization Expense	9,525,251	9,645,802	(120,551)
Interest Expense, Net	5,520,479	5,282,542	237,937
Total Cost of Electric Service	\$ 56,743,717	\$ 55,778,218	\$ 965,499
Patronage Capital & Operating Margins	\$ 4,049,765	\$ 2,184,792	\$ 1,864,973
Non-Operating Margins - Interest	150,722	81,008	69,714
Allowance Funds Used During Const.	13,053	40,770	(27,717)
Non-Operating Margins - Other	48,102	-	48,102
Patronage Capital or Margins	\$ 4,261,642	\$ 2,306,570	\$ 1,955,072
MFI/I	1.77	1.43	
TIER	1.80	1.44	

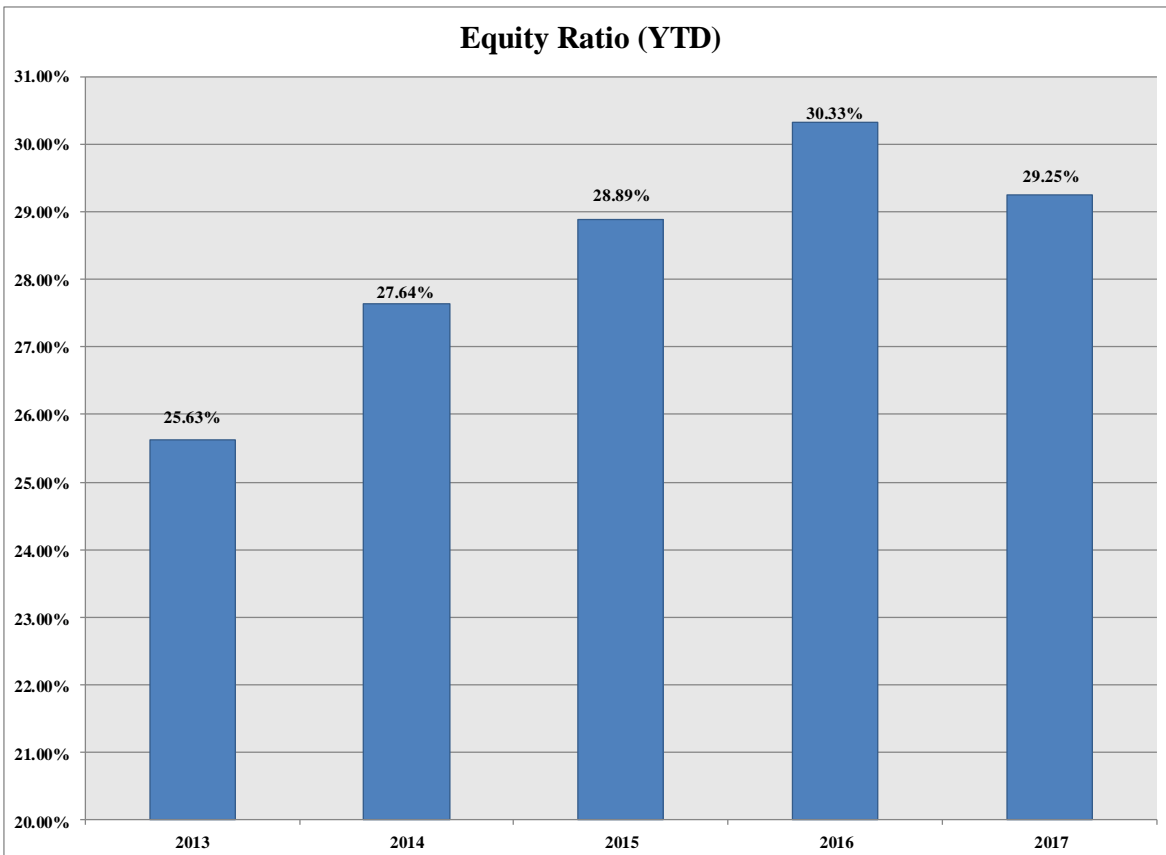
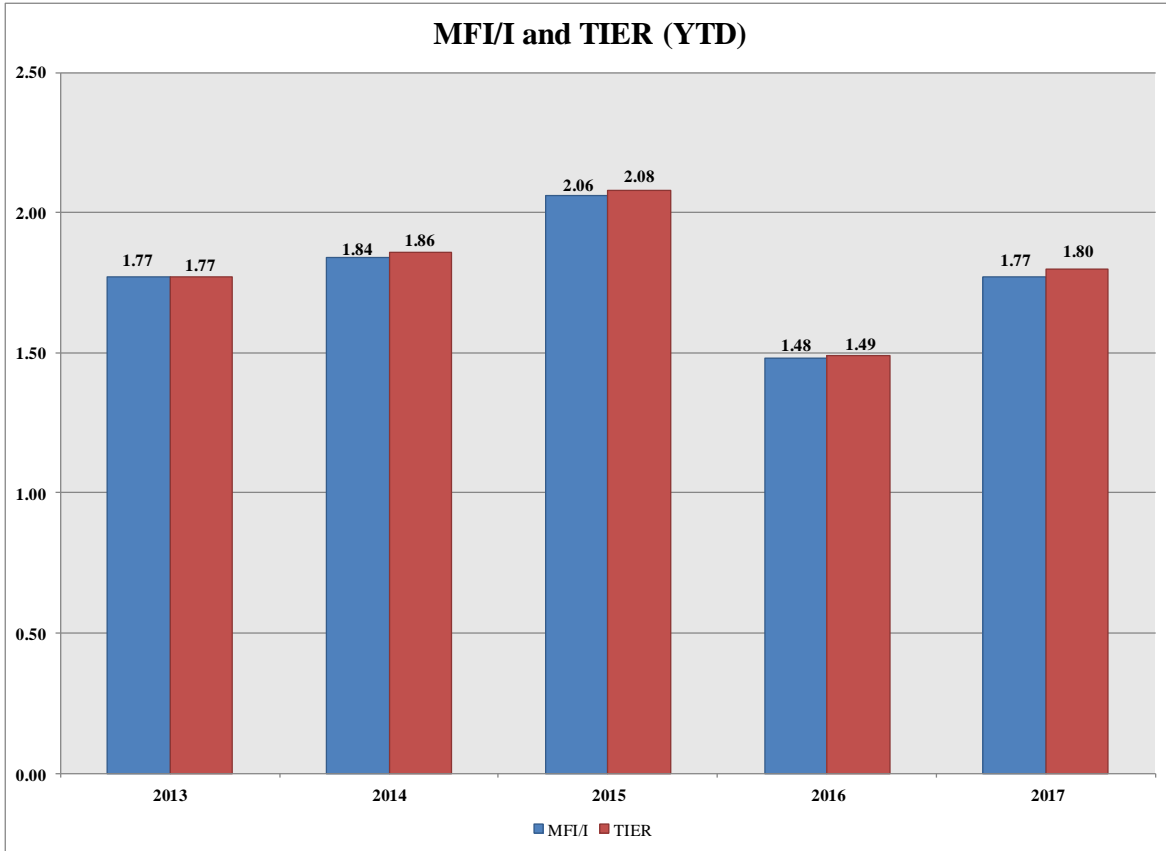


COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YTD ACTUAL

CATEGORY	2017 YTD ACTUAL	2016 YTD ACTUAL
Operating Revenue and Patronage Capital	\$ 60,793,482	\$ 50,250,135
Fuel and Purchased Power Expense	25,216,015	17,838,165
Power Production Expense	3,956,971	3,848,269
Transmission Expense	1,649,799	1,376,867
Distribution Expense	3,040,935	3,345,943
Customer Expense	1,524,201	1,632,213
Administrative, General and Other	6,310,066	5,829,967
Depreciation and Amortization Expense	9,525,251	8,487,648
Interest Expense, Net	5,520,479	5,385,211
Total Cost of Electric Service	\$ 56,743,717	\$ 47,744,283
Patronage Capital & Operating Margins	\$ 4,049,765	\$ 2,505,852
Non-Operating Margins - Interest	150,722	81,116
Allowance for Funds Used During Construction	13,053	40,762
Non-Operating Margins - Other	48,102	1,200
Patronage Capital or Margins	\$ 4,261,642	\$ 2,628,930
MF/I	1.77	1.48
TIER	1.80	1.49







ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	306,599,162	292,747,893
Wholesale Energy Sales	<u>15,227,089</u>	<u>14,861,895</u>
Total Firm Energy Sales	321,826,251	307,609,788
Economy Energy Sales	<u>16,303,000</u>	<u>0</u>
Total Energy Sales	338,129,251	307,609,788

Firm energy sales totaled 321,826,251 kWh, which were 4.6% over budget. Retail energy sales were over budget 4.7% and wholesale energy sales were over budget by 2.5% primarily associated with higher sales due to colder than anticipated weather.

Economy energy sales totaled 16,303,000 kWh which were 100% over budget due to unanticipated sales to Golden Valley Electric Association (GVEA) and Homer Electric Association (HEA).

ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$ 53.4	\$ 53.4
Wholesale Revenue	<u>1.4</u>	<u>1.5</u>
Total Firm Revenue	54.8	54.9
Economy Energy Revenue	1.9	0.0
Other Operating Revenue	<u>4.1</u>	<u>3.1</u>
Total Revenue	\$ 60.8	\$ 58.0

Revenue from firm sales totaled \$54.8 million compared to \$54.9 million in the budget. Firm revenue was lower than expected primarily due to lower fuel and purchased power revenue collected through the fuel and purchased power adjustment process due to unanticipated economy energy sales and lower than anticipated purchases from Anchorage Municipal Light & Power (ML&P).

Economy energy revenue totaled \$1.9 million due to unanticipated sales to GVEA and HEA.

Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU sales and royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$4.1 million compared to \$3.1 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	\$ 20.7	\$ 18.6
Purchased Power	<u>4.5</u>	<u>5.1</u>
Total	\$ 25.2	\$ 23.7

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$20.7 million compared to \$18.6 million projected in the budget. This variance was due primarily to higher than anticipated fuel consumption due to an increase in sales and hydro maintenance. This was somewhat offset by lower than anticipated storage and transportation expenses.

Actual fuel purchased for production was 2,424,861 MCF at an average effective delivered price of \$7.87 per MCF, compared to 2,134,064 MCF in the budget at an average effective delivered price of \$7.90 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 \$4.5 million compared to \$5.1 million in the budget. This variance was primarily due to lower than anticipated purchases from ML&P and less power produced at Fire Island.

Actual energy purchased was 51,606 MWh at an average effective price of 7.32 cents per kWh compared to 50,912 MWh budgeted at an average effective price of 8.58 cents per kWh. The average effective price was lower per kWh as a result of purchasing more power from Bradley Lake.

POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 4.0	\$ 4.0

Power production operating and maintenance expense was \$4.0 million compared to \$4.0 million in the budget with no significant variance.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 1.6	\$ 1.8

Transmission operations and maintenance expense was \$1.6 million compared to \$1.8 million in the budget, primarily due to lower than anticipated labor due to changes in scheduled maintenance from transmission to distribution.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 3.0	\$ 3.5

Distribution operations and maintenance expense was \$3.0 million compared to \$3.5 million in the budget. This variance is due primarily to lower than anticipated underground locate expense and vegetation control. This was somewhat offset by increased labor expense due to the change in scheduled maintenance from transmission to distribution.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 1.5	\$ 1.6

Consumer accounts and customer information expense was \$1.5 million compared to \$1.6 million in the budget primarily due to lower than anticipated printing costs.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 6.3	\$ 6.2

Administrative, general and other expense includes tax, donations, other deductions associated with preliminary survey and investigation charges of projects, and obsolete inventory write-offs that are not attributable to operating or maintenance accounts. Administrative, general and other expense was \$6.3 million compared to \$6.2 million in the budget, with no significant variance.

SUMMARY

Depreciation, interest, and interest during construction expense totaled \$15.0 million compared to \$14.9 million in the budget. This variance is primarily due to an increase in rates associated with commercial paper, the issuance of the 2017 bonds, and less interest charged to construction.

All of the foregoing expenses resulted in total cost of electric service of \$56.7 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 \$0.2 million compared to \$0.1 million in the budget due primarily to higher interest and dividend income as well as a gain in the value of marketable securities.

The net result of revenue and expenses was margins of \$4.3 million compared to projected margins of \$2.3 million in the budget. The current forecast projects year-end margins of \$5.9 million and an MFI/I of 1.28.

COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS YEAR-END FORECAST

CATEGORY	2017 APPROVED BUDGET	2017 YTD ACTUALS	2017 REVISED FORECAST
Operating Revenue and Patronage Capital	\$ 214,142,698	\$ 60,793,482	\$ 216,973,170 ¹
Fuel and Purchased Power Expense	84,787,639	25,216,015	86,290,282 ¹
Power Production Expense	17,255,632	3,956,971	17,255,632
Transmission Expense	7,235,161	1,649,799	7,235,161
Distribution Expense	13,466,026	3,040,935	13,466,026
Customer Expense	6,315,719	1,524,201	6,315,719
Administrative, General & Other	23,942,288	6,310,066	23,717,288 ²
Depreciation and Amortization Expense	35,344,430	9,525,251	35,792,561 ^{1 2}
Interest Expense, Net	20,794,273	5,520,479	22,068,748 ^{1 2}
Total Cost of Electric Service	\$ 209,141,168	\$ 56,743,717	\$ 212,141,417
Patronage Capital & Operating Margins	\$ 5,001,530	\$ 4,049,765	\$ 4,831,753
Non-Operating Margins - Interest	328,028	150,722	\$ 397,742 ¹
Allowance for Funds Used During Construction	100,029	13,053	\$ 72,312 ¹
Non-Operating Margins - Other	-	48,102	\$ 48,102 ¹
Other Capital Credits and Patronage Dividends	571,586	-	\$ 571,586 ¹
Patronage Capital or Margins	\$ 6,001,173	\$ 4,261,642	\$ 5,921,495
MFI/I	1.28	1.77	1.28
TIER	1.30	1.80	1.29

¹ Forecast based on 3 month actual and 9 month forecast

² Forecast has been adjusted to reflect known and measurable changes

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

May 3, 2017

TO: Sherri L. Highers, CFO
FROM: Debra Caldwell, Financial Analyst
SUBJECT: 1st Quarter 2017 Operating Budget Status Report

There were no budget adjustments in the first quarter of 2017. See Operating Budget Status Report on page 2.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2017

CATEGORY	2017 APPROVED BUDGET	2017 BUDGET REVISIONS	2017 APPROVED BUDGET
REVENUES:			
TOTAL REVENUE	\$214,142,698	\$0	\$214,142,698
EXPENSES:			
FUEL EXPENSE	64,893,734	0	64,893,734
POWER PRODUCTION EXPENSE	17,255,632	0	17,255,632
COST OF PURCHASED POWER	19,893,905	0	19,893,905
TRANSMISSION EXPENSE	7,235,161	0	7,235,161
DISTRIBUTION EXPENSE-OPERATIONS	5,422,856	0	5,422,856
DISTRIBUTION EXPENSE-MAINTENANCE	8,043,170	0	8,043,170
CONSUMER ACCOUNTS EXPENSE	5,897,740	0	5,897,740
CUSTOMER SERVICE/INFO EXPENSE	417,979	0	417,979
ADMINISTRATIVE/GENERAL EXPENSE	23,303,488	0	23,303,488
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$152,363,665	\$0	\$152,363,665
DEPRECIATION/AMORTIZATION EXPENSE	35,344,430	0	35,344,430
TAX EXPENSE-OTHER	238,800	0	238,800
INTEREST ON DEBT	21,094,359	0	21,094,359
INTEREST ON CONSTRUCTION-CREDIT	(300,086)	0	(300,086)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$209,141,168	\$0	\$209,141,168
PATRONAGE CAPITAL/OPERATING MARGINS	\$5,001,530	\$0	\$5,001,530
NON-OPERATING MARGINS-INTEREST	328,028	0	328,028
ALLOWANCE FUNDS USED DURING CONST.	100,029	0	100,029
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	571,586	0	571,586
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$6,001,173	\$0	\$6,001,173

MFI/I

1.28

1.28

CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of March 31, 2017

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	\$1,236,902	\$42,098	\$1,279,000	\$0	100%	100%	Construction is complete on the Hane Substation feeder project that installed new feeders out of the substation and tied them into the existing distribution system. Substation and feeders are energized and the system is in its final configuration.
04.0428	Hane Substation E0320238 & E1513543	Sinclair	11/18/2014	\$10,900,000	(\$545,000)	\$10,355,000	\$10,094,897	\$260,103	\$10,355,000	\$0	100%	99%	Construction and commissioning are substantially complete. Closeout is underway and should be completed in the second quarter of 2017.
10.0364	115 kV Rebuild - Hope Extension E1420426	Sinclair	11/30/2016	\$4,800,000	\$0	\$4,800,000	\$2,907,747	\$1,892,253	\$4,800,000	\$0	100%	90%	Construction is substantially complete. Still awaiting final construction invoices. Closeout is underway and should be completed in the second quarter of 2017.
20.0266	Multi-Stage Energy Storage System (MS-ESS) P1300850	Highers	5/25/2016	\$2,495,191 ²	\$0	\$2,495,191	\$1,379,190	\$1,116,001	\$2,495,191	\$0	100%	85%	Flywheel system (FESS) and battery system (BESS) have both been purchased and are in various stages of completion at their fabrication sites.
Retirements & Replacements													
05.0305	Girdwood Substation Enclosure Replacement E1520057	Sinclair	8/23/2016	\$1,200,000	\$0	\$1,200,000	\$1,022,703	(\$22,703)	\$1,000,000	(\$200,000)	83%	100%	Construction and commissioning are substantially complete. Closeout is underway and should be completed in the second quarter of 2017.
06.0824	Advanced Metering Infrastructure (AMI) Implementation I1540001, E1313415, I1640000, I1740000	McCarty	3/17/2015	\$14,050,000	\$250,000	\$14,300,000	\$12,309,171	\$1,990,829	\$14,300,000	\$0	100%	75%	Mass meter exchanges are 99% complete in remote areas. The RF Mesh network is complete. The project forecast has increased due to expenses exceeding budget to install AMI network infrastructure in Beluga and additional costs to improve existing software to support increased AMI data volume.
Agency Mandated													
03.0810	Dowling Road Undergrounding E1513614 E1513613 E1613631 E1613630	Schmitt	9/28/2016	\$3,000,000	\$0	\$3,000,000	\$2,335,665	\$664,335	\$3,000,000	\$0	100%	75%	This project is upgrading two 12.5kV distribution circuits out of Dowling Substation and a portion of the 35kV subtransmission loop by retiring the existing overhead wire and installing new, larger cables underground in duct and vault. In addition to 2.3 miles of wire, 25 poles will also be retired. The duct and vault portion of the project is nearly complete. Winter hold for first quarter waiting for the ground to thaw.
03.0810	Old Seward Highway Undergrounding E1513623	Schmitt	8/23/2016	\$2,400,000	\$0	\$2,400,000	\$1,745,865	\$654,135	\$2,400,000	\$0	100%	75%	This project is installing a new underground 12.5kV distribution circuit down Old Seward Highway from Tudor Road to International Airport Road and retire the overhead 12.5kV conductors and transformers. The duct and vault and cable installation work is complete. Service conversions and overhead retirements will be completed in the second quarter.
Operating Efficiency													
05.0300	Debarr Substation Rebuild E1620052	Sinclair	1/26/2017	\$6,000,000	\$0	\$6,000,000	\$0	\$6,000,000	\$6,000,000	\$0	100%	1%	This project will upgrade the existing facilities at Debarr Substation. The scope will include replacement of the existing power transformer, 12.5kV switchgear, 34.5kV circuit switchers, and associated control and power cables. Most of the existing facilities are between 30 and 50 years old and have reached the end of their useful life and require replacement. The new facilities will extend the life of the substation and provide reliable power to east Anchorage. Starting design in 1st quarter 2017 and project is scheduled for completion at the end of 2018
Totals				\$46,124,191	(\$295,000)	\$45,829,191	\$33,032,138	\$12,597,053	\$45,629,191	(\$200,000)	100%	70%	

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

² Represents Chugach costs only.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

CHUGACH ELECTRIC ASSOCIATION, INC.

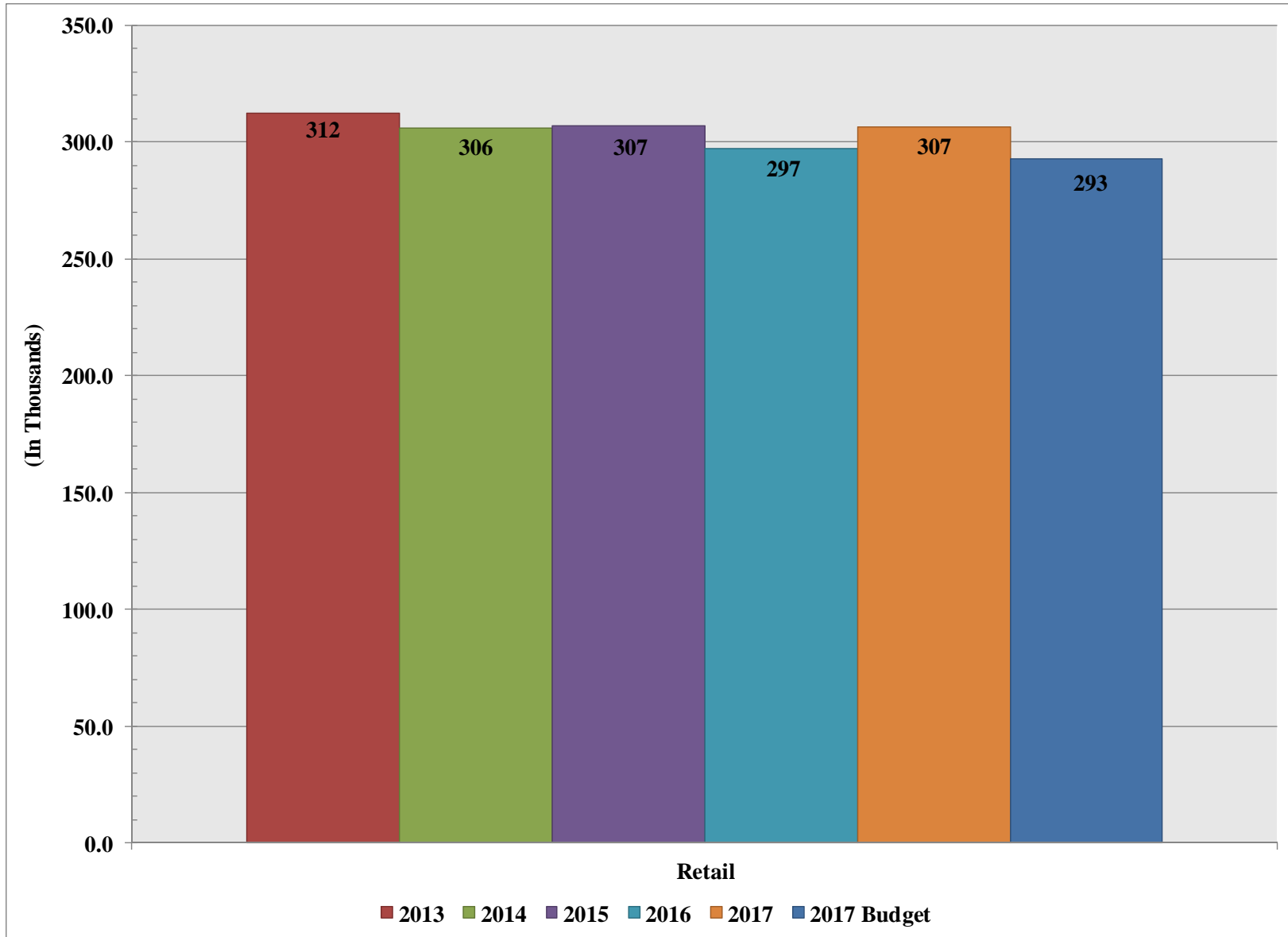
March 2017 Financial Information
May 10, 2017



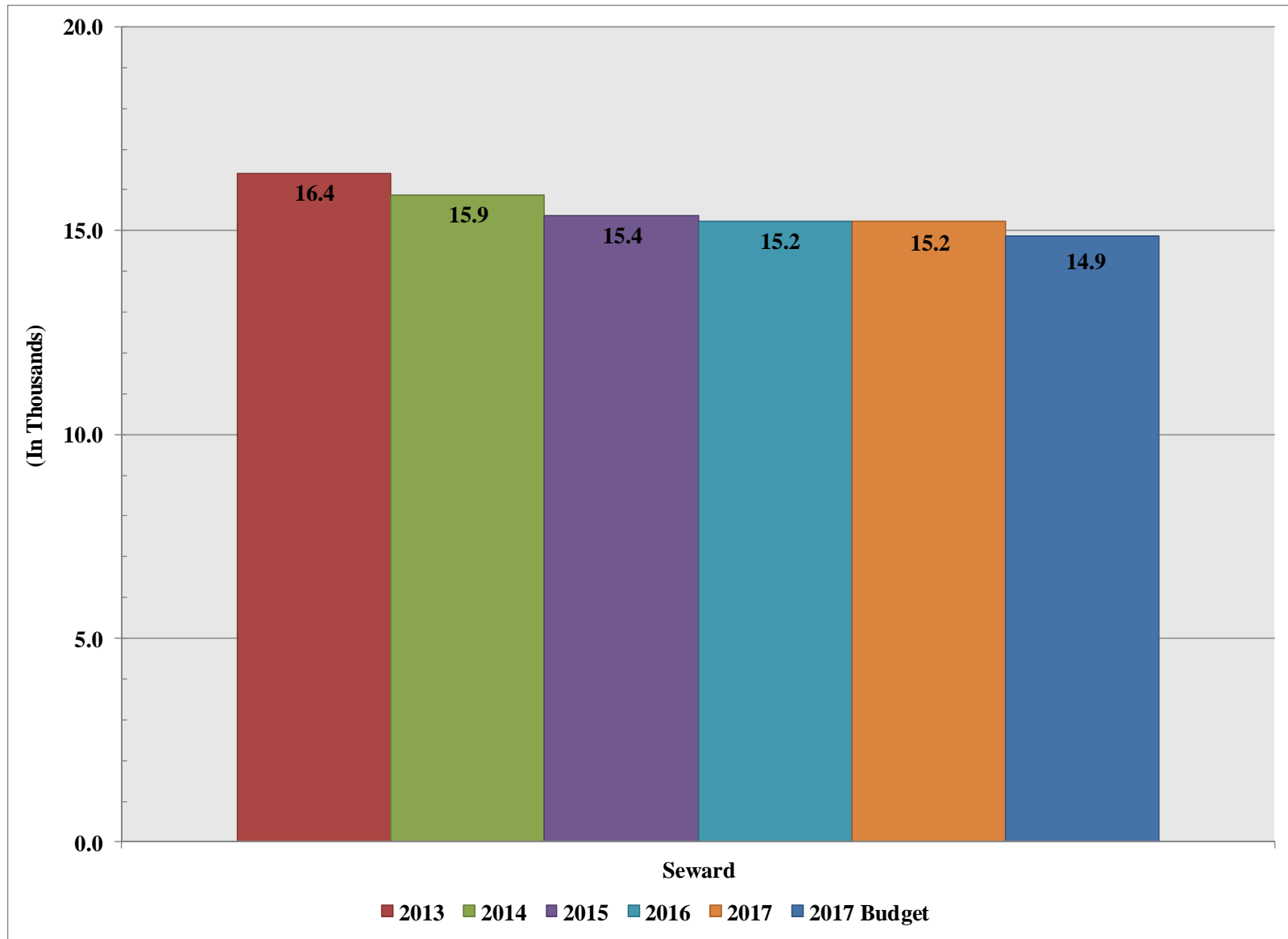
March 2017 Financial Information

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

5 Year Retail MWh Sales Comparison (March YTD)



5 Year Seward MWh Sales Comparison (March YTD)



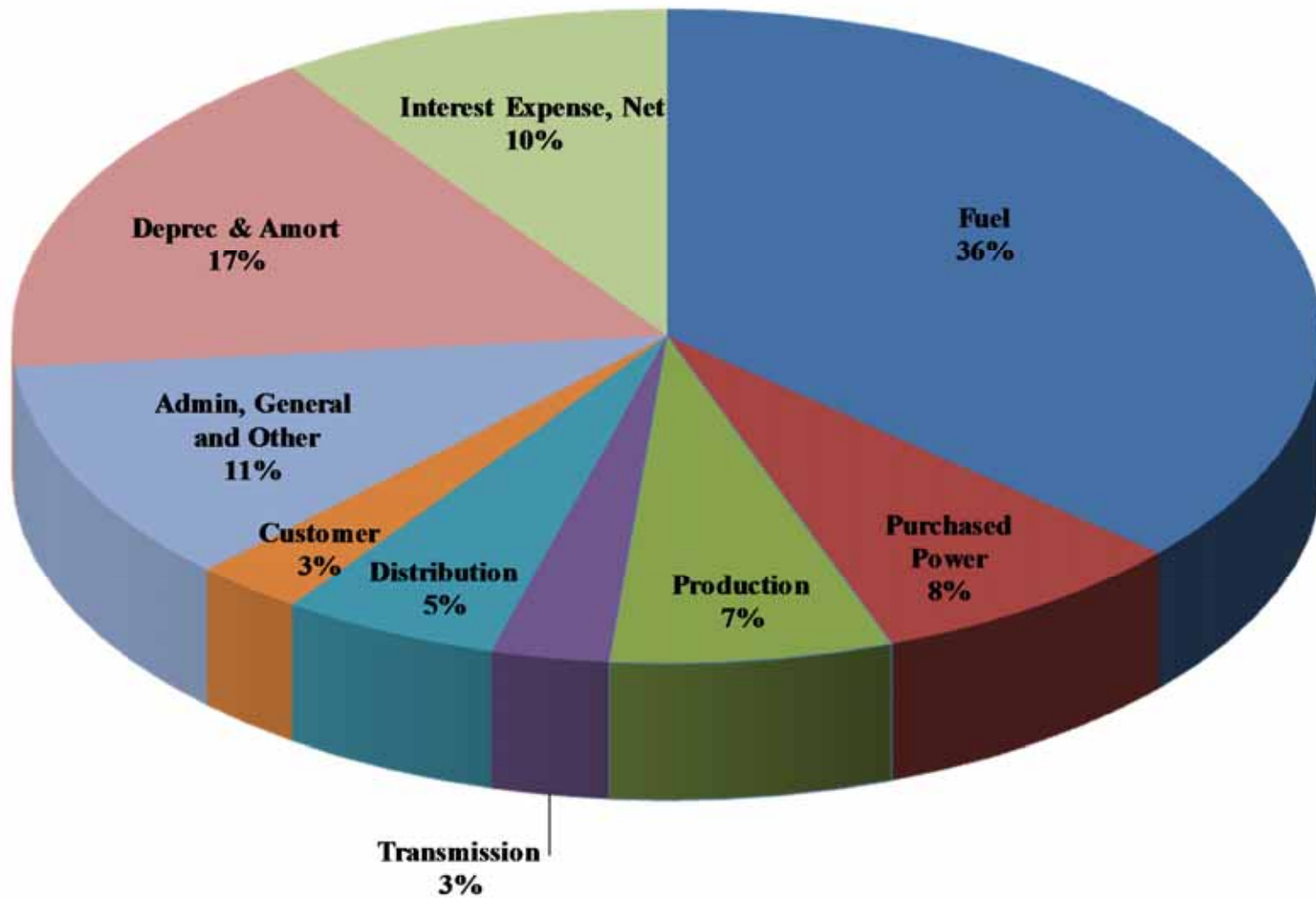
Comparative Statement of Operations

March YTD 2017



CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenues	\$ 60,793,482	\$ 57,963,010	\$ 2,830,472
Fuel	20,719,292	18,616,635	2,102,657
Production	3,956,971	4,047,490	(90,519)
Purchased Power	4,496,723	5,096,737	(600,014)
Transmission	1,649,799	1,840,185	(190,386)
Distribution	3,040,935	3,476,706	(435,771)
Customer	1,524,201	1,574,464	(50,263)
Administrative, General and Other	6,310,066	6,197,657	112,409
Depreciation and Amortization	9,525,251	9,645,802	(120,551)
Total Operating Expenses	\$ 51,223,238	\$ 50,495,676	\$ 727,562
Interest Expense, Long-Term and Other	5,551,351	5,404,854	146,497
Interest Charged to Construction	(30,872)	(122,312)	91,440
Net Interest Expense	\$ 5,520,479	\$ 5,282,542	\$ 237,937
Net Operating Margins	\$ 4,049,765	\$ 2,184,792	\$ 1,864,973
Interest Income	150,722	81,008	69,714
Allowance Funds Used During Const.	13,053	40,770	(27,717)
Capital Credits, Patronage Dividends, Other	48,102	0	48,102
Patronage Capital or Margins	\$ 4,261,642	\$ 2,306,570	\$ 1,955,072

Total Operating and Interest Expense March YTD 2017



Comparative Balance Sheet, Assets & Other Debits March 2017 & December 2016

ASSETS & OTHER DEBITS	03/31/17	12/31/16	CHANGE
Electric Plant in Service	1,204,760,014	1,192,513,869	12,246,145
Construction Work in Progress	11,023,857	18,455,940	(7,432,083)
Total Utility Plant	\$ 1,215,783,871	\$ 1,210,969,809	\$ 4,814,062
Accumulated Depreciation	(503,108,877)	(496,098,131)	(7,010,746)
Net Utility Plant	\$ 712,674,994	\$ 714,871,678	\$ (2,196,684)
Nonutility Property	76,889	76,889	0
Investment in Assoc. Organizations	8,980,127	9,349,311	(369,184)
Special Funds	978,562	907,836	70,726
Other Investments	3,932,800	3,871,993	60,807
Total Other Property & Investments	\$ 13,968,378	\$ 14,206,029	\$ (237,651)
Cash & Marketable Securities	11,835,902	12,048,316	(212,414)
Special Deposits/Restricted Cash	914,391	975,665	(61,274)
Accounts Receivable - Net	31,389,417	33,000,919	(1,611,502)
Materials and Supplies, Fuel Stock	32,068,482	34,210,843	(2,142,361)
Prepayments	3,233,765	1,407,026	1,826,739
Other Current Assets	427,188	294,697	132,491
Total Current Assets	\$ 79,869,145	\$ 81,937,466	\$ (2,068,321)
Deferred Charges, Net	24,914,883	25,140,957	(226,074)
Total Assets	\$ 831,427,400	\$ 836,156,130	\$ (4,728,730)

Comparative Balance Sheet, Liabilities & Other Credits March 2017 & December 2016

LIABILITIES & OTHER CREDITS	03/31/17	12/31/16	CHANGE
Memberships	1,697,209	1,691,014	6,195
Patronage Capital	173,984,906	169,996,436	3,988,470
Other	13,923,557	13,828,075	95,482
Total Equities and Margins	\$ 189,605,672	\$ 185,515,525	\$ 4,090,147
Bonds Payable	421,833,331	405,249,998	16,583,333
National Bank for Cooperatives	39,558,000	40,356,000	(798,000)
Unamortized Debt Issuance Costs	(2,805,096)	(2,715,745)	(89,351)
Total Long-Term Obligations	\$ 458,586,235	\$ 442,890,253	\$ 15,695,982
Current Installments of Long-Term Obligations	26,722,667	24,836,667	1,886,000
Commercial Paper	47,200,000	68,200,000	(21,000,000)
Accounts Payable	8,241,261	9,618,630	(1,377,369)
Consumer Deposits	4,921,026	5,207,585	(286,559)
Other Current & Accrued Liabilities	21,819,672	26,532,912	(4,713,240)
Total Current Liabilities	\$ 108,904,626	\$ 134,395,794	\$ (25,491,168)
Deferred Compensation	978,562	907,836	70,726
Other Liabilities, Non-Current	752,597	655,277	97,320
Deferred Liabilities	1,174,806	1,179,414	(4,608)
Patronage Capital Payable	12,008,499	12,008,499	0
Cost of Removal Obligation / ARO	59,416,403	58,603,532	812,871
Total Liabilities, Equities and Margins	\$ 831,427,400	\$ 836,156,130	\$ (4,728,730)

Statements of Cash Flows

March 2017 and March 2016

	03/31/17	03/31/16
1. Cash flows from operating activities:		
Assignable margins	\$ 4,261,642	\$ 2,628,930
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	10,648,038	9,618,490
Allowance for funds used during construction	(13,053)	(40,762)
Other	30,205	112,223
Increase in assets	1,425,053	1,522,951
Decrease in liabilities	(6,404,583)	(4,991,559)
Net cash provided by operating activities:	\$ 9,947,302	\$ 8,850,273
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	369,917	318,164
Investment in restricted cash equivalents	(399)	(44)
Investment in special funds	0	(4,560,000)
Proceeds from capital grants	0	114,775
Extension and replacement of plant	(7,966,158)	(7,326,570)
Net cash used in investing activities:	\$ (7,596,640)	\$ (11,453,675)
3. Cash flows from financing activities:		
Payments for debt issue costs	(152,072)	0
Net increase (decrease) in short-term obligations	(21,000,000)	23,000,000
Net increase (decrease) in long-term obligations	17,671,333	(22,706,339)
Consumer advances for construction/Other	872,669	989,728
Net cash (used in) provided by financing activities:	\$ (2,608,070)	\$ 1,283,389
Net change in cash and cash equivalents	(257,408)	(1,320,013)
4. Cash & cash equivalents at beginning of period	\$ 4,672,935	\$ 15,626,919
5. Cash & cash equivalents at end of period	\$ 4,415,527	\$ 14,306,906

Questions?

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

This page has been excluded from your book.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

May 10, 2017

ACTION REQUIRED

AGENDA ITEM NO. VIII.B.

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

TOPIC

March 31, 2017, 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 10, 2017

ACTION REQUIRED

AGENDA ITEM NO. VIII.C.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Pre-Approval of FY2017 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 2017 Tax Services.

MOTION

Move that the Audit and Finance Committee recommend to the Board of Directors approve the tax services for FY2017.

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 chairman, 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.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 100

CODE OF ETHICS FOR DIRECTORS AND EMPLOYEES

I. OBJECTIVE

The Association demands the highest possible ethical conduct from individuals serving as its directors as well as from its employees. Full compliance with this Policy is mandatory, and directors and employees are expected to foster, promote and maintain a culture of transparency, integrity, honesty and high ethical standards. This Policy is promulgated in part by the Board of Directors of the Association pursuant to Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder and specifically applies for the purposes therein to the Senior Financial Officers of the Association. For these purposes, Senior Financial Officers means the Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer. This Policy applies, however, to all Association directors and employees. This Policy contains standards reasonably necessary to promote: honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the Association and in other public communications; and, compliance with applicable governmental laws, rules and regulations (Laws) as well as accounting and auditing standards and Association Policies and Procedures. It should be read in conjunction with the Association's Conflict of Interest policies.

II. CONTENT

Directors and employees of the Association must:

- A. Act with honesty and integrity, ethically handling actual or apparent conflicts of interest in personal and professional relationships. Directors and employees should recognize that even the appearance of a conflict of interest can damage the Association. A conflict of interest may exist because of a relationship of theirs or of a family member that is inconsistent with the Association's best interests, of the Association's Bylaws or Policies or Procedures, or could cause a conflict with their ability to perform their director or employee job responsibilities.
- B. Report to the Chief Executive Officer, General Counsel, or Chair of the Audit and Finance Committee, as applicable, any transaction that reasonably could be expected to give rise to a conflict of interest.

- C. Produce, or cause to be produced, full, fair, accurate, timely, and understandable disclosure in reports and documents that the Association prepares or submits to the Securities and Exchange Commission, if applicable, and in other public communications.
- D. Comply with applicable Laws, Association Policies and Procedures, and Accounting and Auditing Standards and Policies.
- E. Promptly report any violation of this Policy to the Chief Executive Officer, General Counsel, or Chair of the Audit and Finance Committee, as applicable.

III. APPLICABILITY

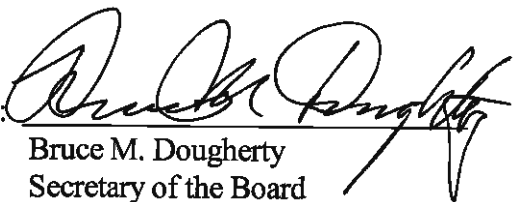
- A. The Association reserves the right to determine when actual or potential conflicts of interest exist, and then to take any action, which in the sole judgment of the Association, is needed to prevent the conflict from continuing.
- B. Directors and employees will be held accountable for their adherence to this Policy. Failure by a director to observe the terms of this Policy shall be dealt with as provided by the Association's Bylaws and applicable law. Failure of an employee to observe the terms of this Policy may result in disciplinary action, up to and including immediate termination of employment. Any employment action taken under this Policy shall be consistent with applicable personnel policies and collective bargaining agreements.
- C. Any request by a Director for a waiver of any provision of this Policy must be submitted to and approved by the Board of Directors. A request by a Senior Financial Officer for a waiver of any provision of this Policy must be in writing and addressed to the Chair of the Audit and Finance Committee. The Board will have the sole and absolute discretionary authority, acting upon such recommendation as may be made by the Audit and Finance Committee, to approve any waiver from this Policy. Any waiver of this Policy for Senior Financial Officers will be disclosed promptly on Form 8-K or any other means approved by applicable SEC rules or listing standards, if applicable. Any request by an employee for a waiver of any provision of this Policy must be submitted to and approved by the employee's supervisor and the Principal Executive Officer.
- D. Nothing contained in this Policy is intended by the Association to be, nor shall it be construed as, an employment agreement.

IV. **RESPONSIBILITIES**

- A. All employees are responsible for compliance with and being alert to possible violations of this Policy. Any employee witnessing a possible violation of this Policy shall inform his or her supervisor.
- B. The Board of Directors and the Chief Executive Officer shall undertake reasonable efforts to ensure compliance with this Policy.

Date Approved: May 25, 2016

Attested:


Bruce M. Dougherty
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 103

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

I. OBJECTIVE

To describe the major duties and responsibilities of the Board of Directors (“Board”).

II. CONTENT

Full compliance with this Policy is mandatory and directors are expected to foster a culture of transparency, integrity and honesty.

A. General duties and responsibilities of the Board are as follows:

1. Ensure that the legal requirements, as set forth in the Articles of Incorporation, the Bylaws, and regulations applicable to the Association are complied with including, but not necessarily limited to:
 - a. Relevant federal, State and local statutes, ordinances and regulations.
 - b. The Indenture of Trust and other loan covenants, loan agreements and financing agreements.
 - c. Requirements of federal and State regulatory agencies and commissions with jurisdiction over the Association’s activities.
2. Select and employ a competent Chief Executive Officer and delegate to him or her, the complete responsibility and authority to select and direct employed personnel and to terminate employment if such action becomes necessary, within the limitations of Association policy, procedures and collective bargaining agreements.
3. The Board Chair shall be responsible for ensuring that the performance of the Chief Executive Officer is evaluated each year by the Board Operations Committee and that a written report to the full Board is provided on or before the first Board meeting in April on the results of such evaluation. The evaluation is to include a recommendation on salary adjustment when appropriate. Once reviewed and approved by the Board, the results of such evaluation are to be provided to and discussed with the Chief Executive Officer.

4. Hold well-planned and effectively conducted Board Meetings in a timely manner sufficiently often to stay well-informed about Association matters; to provide policy guidance; and, to take action on Association business as necessary and appropriate. The preliminary agenda for such meetings shall be developed by the Board Chair in consultation with the Chief Executive Officer. The agenda should be transmitted to Board Members in advance of the Board Meeting with sufficient supporting information to facilitate the decision-making process.
5. Ensure that complete and accurate minutes of the Board and annual and special membership meetings are prepared and maintained. Except as specified otherwise in the Association's Bylaws, minutes will generally be prepared in accordance with the "Guidelines for Taking Meeting Minutes" contained in the most recent version of *Robert's Rules of Order*, and shall be kept and maintained at the Association headquarters and distributed to all Board members.
6. Ensure open discussion and information exchange about all matters that come before the Board.
7. Authorize the funds, facilities, equipment, and human resources necessary to carry out the mission and objectives of the Association.
8. Establish committees when necessary.
9. Through the Chair, in consultation with the Chief Executive Officer and the Committee Chair, refer matters to committees for examination and investigation, receive reports from those committees and take appropriate action as a result of such reports; provided that referral of a matter to a committee will not preclude the Board from taking action on that matter.
10. Select and appoint Board Counsel, as required.
11. Arrange periodically for an evaluation of Board performance and for a systematic program to keep the Board informed and educated about the Association's business and operations.
12. Periodically review this Board policy regarding the functions, duties and responsibilities of the Board and review the Association's objectives and goals, as recommended by the Chief Executive Officer and the strategy to achieve those objectives and goals.

B. Financial duties and responsibilities of the Board are as follows:

1. Ensure the fiscal soundness of the organization.
2. Review the Association's financial statements.
3. Review the consolidated operating and capital budgets as recommended by the Chief Executive Officer including all budget revisions greater than \$1,000,000. Approve the operating and capital budgets, and budget revisions.
4. Review on an annual basis, the long-range financial forecasts to determine the financial needs of the Association and how they will be met.
5. Review staff recommendations on financial policies and practices and review sources and strategies for financing.
6. Protect the assets of the Association through appropriate risk management policies and coverages and by ensuring that lending covenants are met or exceeded.
7. Adopt and ensure appropriate controls for the exercise of authority delegated to Board Officers, the Chief Executive Officer, and other employees.
8. Approve depositories for funds of the Association and those authorized to sign checks, drafts, notes, contracts, deeds, mortgages and other instruments on behalf of the Association.
9. Establish policies governing the investment of funds of the Association and periodically review the investment of funds to make sure the principal is safe and the rate of return is reasonable and discuss with the Chief Executive Officer any action required.
10. In consultation with the Chief Executive Officer and Chief Financial Officer, establish target Equity to Total Capitalization Ratio and Capital Credit Rotation Policy to ensure progress towards target equity ratio.
11. Adopt proposed base rate changes.
12. Review annually the Capital Improvement Plan.
13. Review and approve major contracts exceeding Chief Executive Officer authority, as required.
14. Develop basic policies to ensure that major purchases are done competitively, where appropriate.

15. Establish policies governing the payment of travel, out-of-pocket and other expenses of Directors.

C. Operations duties and responsibilities of the Board are as follows:

1. Consider and adopt short-range and long-range plans with respect to:
 - a. objectives and major goals for the Association that are in conformance with the Articles of Incorporation and the Bylaws as well as all applicable federal and state laws; and
 - b. operating programs, services, and activities developed and recommended by the Chief Executive Officer.
2. Review and adopt any changes necessary to the Delegations of Authority (Board Policy 401) from the Board to the Chief Executive Officer.
3. Review, in consultation with the Chief Executive Officer, the Association's bylaws and recommend any changes required to meet current operating conditions, which changes shall be recommended to the Bylaws Committee.
4. Review periodically the method of nominating Directors to make sure the process encourages nominations which are representative of the composition of the membership and make recommendations to the Nominating and Bylaws Committees regarding any proposed changes to that process.
5. Ensure that controls are established which can be used in evaluating the effectiveness of Association operations by:
 - a. examining periodic reports from the Chief Executive Officer to ensure conformity to the Board's approved objectives, policies, major goals, plans and programs. These reports should be of sufficient scope to enable the Board of Directors to: prevent unauthorized action; determine how operations in key performance areas are progressing; predict trends and forecast results; determine where remedial or corrective action may be required; measure results against annual work plans and budgets; measure performance against plans and policies; and
 - b. examining the independent management audit if such an audit is undertaken, and ensuring that Board-approved recommendations are carried out.
6. In consultation with the Chief Executive Officer, review (a) proposed revisions to the Association's wage and salary plan for non-bargaining unit

employees; (b) major employee benefit programs; and (c), strategies to be utilized in labor negotiations and/or proposed contract changes. Adopt changes to those plans and programs as appropriate.

7. In consultation with the Chief Executive Officer, review member attitude studies and public and member relations programs, including member involvement and communication, so that a continuous program of member, public, and governmental relations is carried out to obtain understanding and support for Association objectives.
8. Keep members informed about issues affecting the Association through the Association website, newsletters and other publications, annual reports and membership meetings. Every reasonable effort shall be made to keep the members advised of the long-range outlook on power costs, and as far in advance as possible, on the need for adjustments in rates.
9. In consultation with the Chief Executive Officer, review market research and marketing plans and programs to improve load factors and energy sales and to help the members make more efficient use of electric energy. Adopt changes to those plans and programs as appropriate.
10. In consultation with the Chief Executive Officer, review and adopt legislative strategies and legislation to be supported or opposed by the Association.
11. In consultation with the Chief Executive Officer, review the Association's relations with Alaska Power Association (APA) and with other organizations, agencies and entities as necessary and adopt policies with regard to those entities.
12. Review recommendations of the Chief Executive Officer on the selection of principal consultants to the Board, and approve the selection of those consultants.
13. Endeavor to improve the quality of the environment through supporting the implementation of business practices that reduce or eliminate waste and encourage the recycling and environmentally sound disposal of waste.
14. Encourage the active participation of the members through committees and review, in accordance with Board Policy 602, the applications of those interested in serving on Member Standing Committees.
15. Review periodically programs and plans for Director education and development, so that Board members may be well informed about changing member needs and how the Association might meet those needs. This includes increasing knowledge and understanding of the Association's

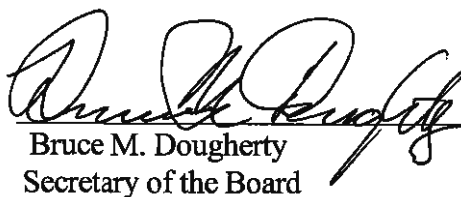
business and operations, participating in conferences, workshops, seminars, and other professional activities deemed advantageous to the Association.

- 16. Assisting new Board members to develop a greater understanding of the Association and their basic responsibilities and duties, including arranging for training of new Board members about the Association's objectives, plans, policies, operations and programs.

III. RESPONSIBILITIES

- A. The Board may delegate any or all of these responsibilities to a committee of the Board or Chief Executive Officer as long as such action is not inconsistent with the Association's Bylaws or other legal requirements.
- B. It shall be the responsibility of the Board Chair to see that the foregoing functions are effectively carried out.

Date Approved: May 25, 2016

Attested: 
Bruce M. Dougherty
Secretary of the Board