



**CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA**

OPERATIONS COMMITTEE MEETING

AGENDA

Mark Wiggin, Chair
Jim Nordlund, Vice Chair

Sisi Cooper, Director
Bettina Chastain, Director
Sam Cason, Director

June 21, 2023 **Immediately Following** **Chugach Board Room**
the Governance Committee Meeting

- I. CALL TO ORDER (5:20 p.m.)
 - A. *Roll Call*
- II. APPROVAL OF THE AGENDA* (5:25 p.m.)
- III. APPROVAL OF THE MINUTES* (5:30 p.m.)
 - A. *June 7, 2023 (Hamilton)*
- IV. PERSONS TO BE HEARD (5:35 p.m.)
 - A. *Member Comments*
- V. NEW BUSINESS* (scheduled) (5:40 p.m.)
 - A. *2023 General Rate Case Update (Kornmuller/Clarkson)* (5:40 p.m.)*
 - B. *2024-2033 Financial Forecast (Sims/Griffin)* (6:00 p.m.)*
- VI. EXECUTIVE SESSION* (scheduled) (6:20 p.m.)
 - A. *Gas Supply Update (Armfield/Gerlek/Thompson)*
 - B. *May 1, 2023 - April 30, 2024, CEO Project Specific Initiatives and Priority Areas (Miller)*
- VII. NEW BUSINESS** (scheduled) (6:40 p.m.)
 - A. *May 1, 2023 - April 30, 2024, CEO Project Specific Initiatives and Priority Areas** (Miller)*
- VIII. DIRECTOR COMMENTS (6:45 p.m.)
- IX. ADJOURNMENT* (7:00 p.m.)

* *Denotes Action Items*
** *Denotes Possible Action Items*
6/19/2023 12:28:52 PM

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

June 7, 2023
Wednesday
4:00 p.m.

OPERATIONS COMMITTEE MEETING

Recording Secretary: Ky'yanna Hamilton

I. CALL TO ORDER

Chair Wiggin called the Operations Committee meeting to order at 4:01p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

Mark Wiggin, Chair
Bettina Chastain, Director
Sisi Cooper, Director
Sam Cason, Director
Jim Nordlund, Director

Board Members Present:

Susanne Fleek-Green, Director
Rachel Morse, Director

Guests and Staff Attendance

Present:

Arthur Miller	Karen Griffin	Julie Hasquet
Sherri Highers	Bart Armfield	Russell Thornton
Matthew Clarkson	David Caye	
Josh Travis	Kate Ayers	
Jean Kornmuller	Eugene Ori	

Via Teleconference:

Sandra Cacy
Ashton Doyle
Nathan Golab

II. APPROVAL OF THE AGENDA

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

III. APPROVAL OF THE MINUTES

Director Chastain moved and Director Cason seconded the motion to approve the May 3, 2023, Operations Committee Meeting minutes. The motion passed unanimously.

IV. PERSONS TO BE HEARD

A. Member Comments

None.

V. NEW BUSINESS

A. Election of Operations Committee Vice Chair (Committee)

Director Cason nominated Director Nordlund to be the Vice Chair of the Operations Committee. The committee Voted and Director, Nordlund was elected Vice Chair.

B. 2024-2033 Financial Forecast (Griffin/Highers)

Sherri Highers, Chief Financial Officer, described the 2024 – 2033 Financial Forecast and responded to questions from the Committee.

VI. EXECUTIVE SESSION

A. BRU Underlift Agreement (Armfield/Clarkson)

At 4:33 p.m., Director Cason moved and Director Cooper seconded the motion that pursuant to Alaska Statute 10.25.175(c)(4) the Operations Committee goes into executive session to discuss personnel matters. The motion passed unanimously.

The meeting reconvened in open session at 5:52 p.m.

VII. NEW BUSINESS

A. BRU Underlift Agreement (Armfield/Clarkson) (5:15 p.m.)*

Director Nordlund read the motion to vote on the BRU Underlift Agreement. The Committee voted and unanimously denied the Proposed BRU Underlift Agreement.

VIII. DIRECTOR COMMENTS

Comments were made at this time.

IX. ADJOURNMENT

At 6:07 p.m., Director Chastain moved and Director Nordlund seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

June 21, 2023

ACTION REQUIRED

AGENDA ITEM NO. V.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Chugach Electric Association, Inc.'s (Chugach) 2022 test period rate case filing (2022 Rate Case).

DISCUSSION

See attached resolution.

MOTION

Move that the Operations Committee recommend the Board of Directors approve the attached resolution authorizing the Chief Executive Officer to file the 2022 Rate Case with the Regulatory Commission of Alaska.



RESOLUTION

2022 Test Period General Rate Case Filing

WHEREAS, the Regulatory Commission of Alaska (“Commission”) issued its final order approving Chugach Electric Association, Inc.’s (“Chugach”) acquisition of most of the electric utility assets and service obligations of the Municipality of Anchorage d/b/a Municipal Light & Power (“ML&P”) on May 28, 2020 (“Acquisition Order”);

WHEREAS, the Commission’s Acquisition Order required Chugach to file, by December 31, 2023, a revenue requirement study, cost-of-service study, and rate design proposing unified rates for its combined service territories based on a 2022 calendar year test year (“2022 GRC”);

WHEREAS, Chugach has been working constructively with the Commission and its members to address financial performance concerns over the past several years since the close of the acquisition;

WHEREAS, in response to Chugach’s financial performance concerns, the Commission expedited the deadline for filing Chugach’s 2022 GRC from December 31, 2023, to August 15, 2023;

WHEREAS, Chugach has prepared its 2022 GRC in accordance with the Commission’s Acquisition Order and 3 AAC 48.275(a);

WHEREAS, Chugach’s 2022 GRC filing requests approval of retail and wholesale customer, demand, and energy rate changes based on the results of Chugach’s 2022 test period revenue requirement and system sales;

WHEREAS, Chugach’s 2022 GRC filing requests Commission approval for interim demand and energy rate increases effective September 1, 2023, of 5.6 percent (3.6 percent on a total bill basis) to the Chugach retail class and 10.6 percent (4.6 percent on a total bill basis for delivery at transmission voltages) to the wholesale class of Seward Electric System;

WHEREAS, Chugach’s primary 2022 GRC proposal for permanent rates deviates from a strictly cost-of-service based result by offering a rate mitigation plan that constrains rate impacts to certain customer classes (“Primary GRC Proposal”);

WHEREAS, to ensure compliance with the Acquisition Order, Chugach will also file an unmitigated 2022 GRC proposal for review by the Commission (“Alternative GRC Proposal”);

WHEREAS, under Chugach’s Primary GRC Proposal, total retail customer bills (including fuel and purchased power) would increase by a system average of approximately 5.9 percent, with individual customer impacts varying based on cost-of-service results and rate design;

WHEREAS, under Chugach's Primary GRC Proposal Seward Electric System's total wholesale customer bill (including fuel and purchased power) would increase by approximately 6.5 percent, with the ultimate end-use customer increase being significantly less;

WHEREAS, the 2022 GRC filing also includes (1) a proposal designed to encourage beneficial electrification through optional time-of-use rates for residential and small commercial customer classes; (2) a program designed to incentivize cruise ship interconnections thereby reducing carbon emissions while at port, and (3) an update to Chugach's firm and non-firm transmission wheeling rates and attendant ancillary services in support of third-party wheeling transactions on the Chugach system, including dispatch, voltage control, regulation and frequency response, and operating reserves (spin and supplemental) services; and

WHEREAS, the requested rate changes in the 2022 GRC are based on a requested Times Interest Earned Ratio ("TIER") of 1.75 for the Chugach system and 2.20 TIER for the Beluga River Unit operations, which allow Chugach to achieve an equity ratio of 35 percent by 2033 and its targeted equity ratio of 40 percent no later than 2038.

NOW THEREFORE BE IT RESOLVED, the Board of Directors authorizes the Chief Executive Officer to file Chugach's 2022 GRC, including both the Primary and Alternative GRC Proposals, with rates, terms, and conditions substantially similar to those discussed herein.

CERTIFICATION

I, Susanne Fleek-Green, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 28th day of June, 2023; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation on the 28th day of June, 2023.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

June 21, 2023

ACTION REQUIRED

AGENDA ITEM NO. V.B

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

2024-2033 Financial Forecast

DISCUSSION

The purpose of the Financial Forecast is to measure the results of strategic decisions, highly probable events and core service expenditures occurring over a ten-year forecast period.

The 2024-2033 Financial Forecast is expected to produce margins ranging from \$8.1 million in 2024 to \$22.2 million in 2033, a Margins for Interest/Interest (MFI/I) ratio ranging from 1.18 in 2024 to 1.73 in 2033, an Equity to Total Capitalization Ratio ranging from 17.6% in 2024 to 35.0% in 2033, and a Debt Service Coverage Ratio ranging from 1.36 in 2024 to 1.41 in 2033. These results are based on a Total Cost of Service ranging from \$353.8 million in 2024 to \$433.5 million in 2033 and Total Revenue ranging from \$361.3 million in 2024 to \$455.4 million in 2033.

MOTION

Move that the Operations Committee recommend the Board of Directors approve the 2024-2033 Financial Forecast in all material respects as discussed and summarized on the attached Projected 2024-2033 Financial Forecast Results.

PROJECTED 2024-2033 FINANCIAL FORECAST RESULTS

PROJECTED STATEMENT OF OPERATIONS

(In Millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Total Revenue	\$361.3	\$402.9	\$408.0	\$409.3	\$387.9	\$373.5	\$388.6	\$446.6	\$452.2	\$455.4
Fuel Expense	71.3	77.3	77.7	77.9	57.6	44.4	59.3	115.9	120.5	124.2
Purchased Power Expense	39.0	40.1	40.2	40.9	42.1	43.4	44.7	46.1	47.6	49.0
Operating & Maintenance Expense	78.3	85.1	88.7	90.7	91.7	93.6	95.9	98.1	100.3	102.8
General & Administrative Expense	39.3	40.2	41.5	42.7	43.5	44.0	45.4	46.8	48.3	49.8
Total Operations & Maintenance Expense	227.9	242.7	248.1	252.2	234.9	225.4	245.3	306.9	316.7	325.8
Depreciation/Amortization Expense	71.9	70.4	71.4	72.5	71.6	71.3	70.8	70.8	70.3	67.8
Net Interest Expense	43.4	45.3	43.7	41.9	40.3	37.8	35.4	33.7	32.0	30.2
Tax Expense/Other Deductions	10.6	10.6	12.5	12.0	11.4	10.9	10.6	10.2	9.9	9.7
Total Cost of Electric Service	353.8	369.0	375.7	378.6	358.2	345.4	362.1	421.6	428.9	433.5
Non-Operating Margins	0.6	0.3	0.3	0.4	0.3	0.3	0.3	0.2	0.4	0.3
Margins	\$8.1	\$34.2	\$32.6	\$31.1	\$30.0	\$28.4	\$26.8	\$25.2	\$23.7	\$22.2

PROJECTED BALANCE SHEET

(In Millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Assets										
Net Utility Plant	1,519.7	1,525.3	1,502.0	1,471.3	1,435.2	1,397.4	1,360.4	1,333.4	1,307.7	1284.9
Total Other Property & Investments	38.3	42.2	46.3	52.5	72.0	82.7	90.2	94.9	99.5	104.2
Total Current & Accrued Assets	145.7	150.4	150.6	150.5	148.4	147.1	148.1	152.6	152.9	152.7
Deferred Debits	120.6	114.5	110.3	102.3	83.7	63.6	44.1	37.1	31.2	26.4
Total Assets	\$1,824.3	\$1,832.4	\$1,809.2	\$1,776.6	\$1,739.3	\$1,690.8	\$1,642.8	\$1,618.0	\$1,591.3	\$1,568.2
Liabilities & Patronage Capital										
Total Margins & Equities	223.1	254.5	278.3	299.8	320.7	340.2	358.7	376.0	392.4	407.6
Total Long Term Debt	1044.2	1210.8	1149.6	1088.9	1044.0	983.6	925.9	867.2	812.4	757.6
Total Current & Accrued Liabilities	325.7	134.4	146.7	151.0	138.7	133.3	126.3	137.6	143.3	153.4
Total Other Non-current Liabilities	231.3	232.7	234.6	236.9	235.9	233.7	231.9	237.2	243.2	249.6
Total Liabilities & Patronage Capital	\$1,824.3	\$1,832.4	\$1,809.2	\$1,776.6	\$1,739.3	\$1,690.8	\$1,642.8	\$1,618.0	\$1,591.3	\$1,568.2

PROJECTED STATEMENT OF CASH FLOWS

(In Millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Assignable Margins	\$8.1	\$34.2	\$32.6	\$31.1	\$30.0	\$28.4	\$26.8	\$25.2	\$23.7	\$22.2
Total Adjustments to Assignable Margins	73.5	69.1	70.4	74.0	74.5	84.8	84.5	68.6	71.2	68.0
Net Cash Provided by Operating Activities	\$81.6	\$103.3	\$103.0	\$105.1	\$104.5	\$113.2	\$111.3	\$93.8	\$94.9	\$90.2
Net Cash Used in Investing Activities	(85.7)	(73.8)	(45.6)	(39.3)	(38.4)	(38.6)	(38.4)	(38.5)	(38.6)	(38.5)
Net Cash Provided by/(Used In) Financing Activities	2.9	(28.2)	(57.4)	(65.8)	(66.1)	(74.6)	(72.9)	(55.3)	(56.3)	(51.7)
Net Changes in Cash and Cash Equivalents	-\$1.2	\$1.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash and Cash Equivalents at Beginning of Period	5.5	4.3	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Cash and Cash Equivalents at End of Period	\$4.3	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6	\$5.6

SUMMARY FINANCIAL INFORMATION & RATIOS

(In Millions)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Margins	\$8.1	\$34.2	\$32.6	\$31.1	\$30.0	\$28.4	\$26.8	\$25.2	\$23.7	\$22.2
Margins for Interest/Interest (MFI/I)	1.18	1.75	1.74	1.73	1.74	1.74	1.75	1.74	1.73	1.73
Times Interest Earned Ratio (TIER)	1.22	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Equity Ratio	17.6%	17.4%	19.5%	21.6%	23.5%	25.7%	27.9%	30.2%	32.6%	35.0%
Debt Service Coverage Ratio (DSC)	1.36	1.47	1.40	1.41	1.39	1.39	1.38	1.42	1.39	1.41

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

June 21, 2023

ACTION REQUIRED

AGENDA ITEM NO. VII.A.

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

TOPIC

May 1, 2023 - April 30, 2024 Chief Executive Officer (CEO) Project Specific Initiatives and Priority Areas

DISCUSSION

As discussed in executive session.

MOTION

Move that the Operations Committee recommend the Board of Directors approve the May 1, 2023 through April 30, 2024 CEO Project Specific Initiatives and Priority Areas as discussed in executive session.