



CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Rachel Morse, Chair
Harold Hollis, Vice Chair

Susan Reeves
Jim Henderson
Bettina Chastain

August 7, 2019

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER (4:00 p.m.)
 - A. Roll Call
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. July 17, 2019 (Portades)
- IV. PERSONS TO BE HEARD
 - A. Member Comments
- V. CEO REPORTS AND CORRESPONDENCE (scheduled) (4:10 p.m.)
 - A. 2nd Quarter 2019 Operating Budget Status Report (Curran) (4:10 p.m.)
 - B. 2nd Quarter 2019 Capital Tracking Report (Curran) (4:20 p.m.)
 - C. 2nd Quarter 2019 Contract Status Report (Vecera) (4:30 p.m.)
 - D. 2nd Quarter 2019 Financial Statements and Variance Report (Wolfe/Curran) (4:40 p.m.)
- VI. NEW BUSINESS* (scheduled) (4:45 p.m.)
 - A. 2nd Quarter 2019 Financial Information (Wolfe) (4:45 p.m.)
- VII. EXECUTIVE SESSION* (scheduled) (4:50 p.m.)
 - A. Strategic Planning
 1. KPMG SEC Settlement (5:00 p.m.)
 2. KPMG 2nd Quarter 2019 Review (5:15 p.m.)
 3. June 30, 2019, SEC Form 10Q Review (5:35 p.m.)
- VIII. NEW BUSINESS* (continued) (6:15 p.m.)
 - A. June 30, 2019, SEC Form 10Q Filing* (Curran) (6:20 p.m.)
- IX. DIRECTOR COMMENTS (6:35 p.m.)
- X. ADJOURNMENT* (6:45 p.m.)

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

July 17, 2019
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Divina Portades

I. CALL TO ORDER

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

A. Roll Call

Committee Members Present:

Rachel Morse, Chair (*via teleconference*)

Harold Hollis, Vice Chair

Susan Reeves, Director

Jim Henderson, Director

Bettina Chastain, Director (*arrived during executive session*)

Other Board Member Present:

Harry Crawford, Director

Stuart Parks, Director

Guests and Staff in Attendance:

Lee Thibert

Brian Hickey

Mike Hayhurst, KPMG

Sherri Highers

Tyler Andrews

Kyle Drefke, Orrick (*via*

Paul Risse

Jody Wolfe

teleconference)

Connie Owens

Pete Smithson

II. APPROVAL OF THE AGENDA

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

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

III. APPROVAL OF THE MINUTES

Director Reeves moved and Director Henderson seconded the motion to approve the May 8, 2019, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

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

IV. PERSONS TO BE HEARD

- A. Member Comments*
None

V. CEO REPORTS AND CORRESPONDENCE

None

VI. NEW BUSINESS

None

Sherri Highers, Chief Financial Officer and Executive VP, Finance and Administration, stated that Mike Hayhurst will be presenting the KPMG Merger and Acquisition Process and Considerations.

VII. EXECUTIVE SESSION

- A. KPMG Merger and Acquisition Process and Considerations*
B. Internal Controls Review
C. First Amendment to Credit Agreement

At 4:04 p.m., Director Reeves moved and Director Henderson seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1) and (3) the Board of Directors' Audit and Finance Committee go into executive session to: 1) discuss and receive reports regarding financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and, 2) discuss legal matters with its attorneys, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

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

Director Chastain arrived during executive session.

The meeting reconvened in open session at 6:19 p.m.

VIII. NEW BUSINESS

- A. First Amendment to Credit Agreement* (Highers)*

Director Reeves moved and Director Chastain seconded the motion that the Audit and Finance Committee recommend to the Board of Directors Move that the Audit and Finance Committee recommend the Board of Directors' authorize the Chief Executive Officer to enter into the First Amendment to 2016 Credit Agreement. The motion passed unanimously.

- B. Election of Audit and Finance Committee Vice Chair* (Committee)*

Vice Chair Hollis opened the floor to nominations for Vice Chair of the Audit and Finance Committee.

Director Reeves nominated Director Hollis for Vice Chair of the Audit and Finance Committee. Director Chastain seconded the nomination. No other nominations were made.

Director Chastain moved and Director Reeves seconded the motion that the Audit and Finance Committee appoint Director Hollis as Vice Chair of the Audit and Finance Committee. The motion passed unanimously.

IX. DIRECTOR COMMENTS

Comments were made at this time.

X. ADJOURNMENT

At 6:27 p.m., Director Reeves moved and Director Chastain seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

July 29, 2019

TO: Sherri L. Highers, CFO
FROM: Debra Caldwell, Financial Analyst
SUBJECT: 2nd Quarter 2019 Operating Budget Status Report

The Operating Budget Status Report on page 2 reflects budget adjustments for the second quarter and are outlined below.

- A. To adjust revenue as a result of the Simplified Rate Filing with rates effective August 1, 2019, as well as interest expense to reflect rolling \$75 million of commercial paper to long term debt. The effect is an increase to revenue and to interest on long-term debt associated with the 2019 Bonds issued May 15, 2019, and a decrease to interest-other.
- B. To decrease interest-other to reflect the impact of the revised Integration Management Office program budget approved by the Board of Directors June 26, 2019.

The foregoing budget adjustments had a \$124,218 impact on the 2019 Operating Budget.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
2ND QUARTER 2019

CATEGORY	2019 AMENDED BUDGET	2019 BUDGET REVISIONS	2019 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$207,385,275	\$1,428,434 A	\$208,813,709
EXPENSES:			
FUEL EXPENSE	57,772,723	0	57,772,723
POWER PRODUCTION EXPENSE	20,297,640	0	20,297,640
COST OF PURCHASED POWER	19,015,999	0	19,015,999
TRANSMISSION EXPENSE	7,442,254	0	7,442,254
DISTRIBUTION EXPENSE-OPERATIONS	6,884,599	0	6,884,599
DISTRIBUTION EXPENSE-MAINTENANCE	8,929,374	0	8,929,374
CONSUMER ACCOUNTS EXPENSE	6,711,863	0	6,711,863
CUSTOMER SERVICE/INFO EXPENSE	377,644	0	377,644
ADMINISTRATIVE/GENERAL EXPENSE	23,773,125	0	23,773,125
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$151,205,221	\$0	\$151,205,221
DEPRECIATION/AMORTIZATION EXPENSE	30,612,717	0	30,612,717
TAX EXPENSE-OTHER	225,100	0	225,100
INTEREST ON DEBT	20,646,473	1,304,216 A B	21,950,689
INTEREST ON CONSTRUCTION-CREDIT	(534,461)	0	(534,461)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$202,555,050	\$1,304,216	\$203,859,266
PATRONAGE CAPITAL/OPERATING MARGINS	\$4,830,225	\$124,218	\$4,954,443
NON-OPERATING MARGINS-INTEREST	629,772	0	629,772
ALLOWANCE FUNDS USED DURING CONST.	178,150	0	178,150
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	\$5,638,147	\$124,218	\$5,762,365

MFI/I

1.27

1.26

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2019



CATEGORY	2019 APPROVED BUDGET	2019 BUDGET REVISIONS	2019 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$207,385,275	\$0	\$207,385,275
EXPENSES:			
FUEL EXPENSE	57,772,723	0	57,772,723
POWER PRODUCTION EXPENSE	20,297,640	0	20,297,640
COST OF PURCHASED POWER	19,015,999	0	19,015,999
TRANSMISSION EXPENSE	7,442,254	0	7,442,254
DISTRIBUTION EXPENSE-OPERATIONS	6,766,249	118,350	6,884,599
DISTRIBUTION EXPENSE-MAINTENANCE	8,929,374	0	8,929,374
CONSUMER ACCOUNTS EXPENSE	6,711,863	0	6,711,863
CUSTOMER SERVICE/INFO EXPENSE	377,644	0	377,644
ADMINISTRATIVE/GENERAL EXPENSE	23,773,125	0	23,773,125
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$151,086,871	\$118,350	\$151,205,221
DEPRECIATION/AMORTIZATION EXPENSE	30,612,717	0	30,612,717
TAX EXPENSE-OTHER	225,100	0	225,100
INTEREST ON DEBT	20,646,473	0	20,646,473
INTEREST ON CONSTRUCTION-CREDIT	(534,461)	0	(534,461)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$202,436,700	\$118,350	\$202,555,050
PATRONAGE CAPITAL/OPERATING MARGINS	\$4,948,575	(\$118,350)	\$4,830,225
NON-OPERATING MARGINS-INTEREST	629,772	0	629,772
ALLOWANCE FUNDS USED DURING CONST.	178,150	0	178,150
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	\$5,756,497	(\$118,350)	\$5,638,147

MFI/I

1.28

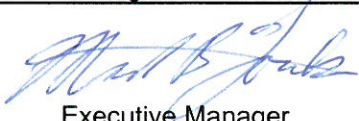
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BUDGET REVISION REQUEST

1.	Division: Finance	Department:	Budget/FinReporting
2	Add: <input checked="" type="checkbox"/>	Delete: <input type="checkbox"/>	Transfer: <input type="checkbox"/>
3.	Full year amount (rounded to dollars):	\$ (80,941)	
4.	Monthly amounts (rounded to dollars - should total to line 3 above)		
	January \$0	May \$0	September \$84,439
	February \$0	June \$(301,875)	October \$84,436
	March \$0	July \$(201,250)	November \$84,437
	April \$0	August \$84,436	December \$84,436
5.	General Ledger Account Number (from):	43100/098/00/2101	
	General Ledger Account Number (to):	44000-44720/120,138,130/00/2101 42700/275/00/2101	
6.	General Ledger Account Name (from):	Other Interest Expense/Commercial Paper	
	General Ledger Account Name (to):	Residential-Sales for Resale/Sales, Generation Energy, Seward Interest on LTD/2019 Series A Bond	
7.	Explanation: Increase energy sales revenue (base) and interest on long-term debt, as well as decrease interest on short-term debt, to reflect the impact of issuance of the 2019 Series A Bonds.		
8.	Requested by: Renee Curran	Date: 7/26/19	
9.	<\$25,000 Approved by:	 Division Director/Department Manager	Date: 7/29/19
10.	\$25,000 - \$250,000 Approved by:	 Executive Manager	Date: 7-29-2019
11.	\$250,000 - \$1,000,000 Approved by:	Chief Executive Officer	Date:
12.	>\$1,000,000 Approved by:	Board of Directors	Date:
Obtain necessary approval signatures, forward to the Manager of Corporate Budgeting			

Account	Description	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
44000-120-00-2101	101 Residential Energy	\$0	\$0	\$172,395	\$178,744	\$182,626	\$187,210	\$193,322	\$914,297
44210-120-00-2101	201 Small General Energy	\$0	\$0	\$31,183	\$30,779	\$31,708	\$31,828	\$31,335	\$156,833
44230-120-00-2101	307 LGS<1000 Primary Energy	\$0	\$0	\$1,391	\$1,421	\$1,106	\$1,338	\$1,114	\$6,370
44232-120-00-2101	310 LGS<1000 Combined Energy	\$0	\$0	\$297	\$385	\$284	\$981	\$1,264	\$3,211
44240-120-00-2101	306 LGS>1000 Primary Energy	\$0	\$0	\$1,236	\$1,356	\$3,426	\$2,330	\$1,278	\$9,626
44242-120-00-2101	304 LGS>1000 Combined Energy	\$0	\$0	\$4,030	\$3,410	\$3,112	\$2,737	\$2,544	\$15,833
44243-120-00-2101	313 LGS<1000 Secondary Energy	\$0	\$0	\$1,642	\$1,626	\$1,516	\$1,405	\$1,284	\$7,473
44244-120-00-2101	308 LGS>1000 Secondary Energy	\$0	\$0	\$3,600	\$2,922	\$2,636	\$2,302	\$2,038	\$13,498
44245-120-00-2101	301 LGS<1000 Secondary Energy	\$0	\$0	\$60,730	\$56,670	\$51,833	\$48,859	\$45,395	\$263,487
44246-120-00-2101	311 LGS>1000 Secondary Energy	\$0	\$0	\$273	\$116	\$187	\$91	\$48	\$715
44247-138-00-2101	312 LGS<1000 Primary Energy	\$0	\$0	\$36	\$36	\$32	\$29	\$26	\$159
44400-120-00-2101	Lighting Energy	\$0	\$0	\$5,640	\$5,533	\$4,906	\$4,476	\$4,013	\$24,568
44720-130-00-2101	SES Energy	\$0	\$0	\$3,233	\$2,691	\$2,314	\$2,101	\$2,025	\$12,364
	Base Revenue Increase	\$0	\$0	\$285,686	\$285,689	\$285,686	\$285,687	\$285,686	\$1,428,434
42700-275-00-2101	Interest on Long-Term Debt	\$361,875	\$241,250	\$241,250	\$241,250	\$241,250	\$241,250	\$241,250	\$1,809,375
43100-098-00-2101	Commercial Paper Interest	(\$60,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$40,000)	(\$300,000)
	Net Interest Expense Increase	\$301,875	\$201,250	\$201,250	\$201,250	\$201,250	\$201,250	\$201,250	\$1,509,375
	Net Change in Assignable Margins	(\$301,875)	(\$201,250)	\$84,436	\$84,439	\$84,436	\$84,437	\$84,436	(\$80,941)

BUDGET REVISION REQUEST

1.	Division: Corp Plnng/Analysis	Department:	Corp Plnng/Analysis
2	Add: <input type="checkbox"/>	Delete: <input checked="" type="checkbox"/>	Transfer: <input type="checkbox"/>
3.	Full year amount (rounded to dollars):		\$(205,159)
4.	Monthly amounts (rounded to dollars - should total to line 3 above)		
	January \$0	May \$0	September \$(24,089)
	February \$0	June \$(67,923)	October \$(25,524)
	March \$0	July \$(19,773)	November \$(23,763)
	April \$0	August \$(21,959)	December \$(22,128)
5.	General Ledger Account Number (from):		43100-098-00-2101
	General Ledger Account Number (to):		
6.	General Ledger Account Name (from):		Other Interest Expense-Commercial Paper
	General Ledger Account Name (to):		
7.	Explanation: Reduce short-term interest expense due to reduction and timing of Integration Management Office (IMO) activities as a result of anticipated approval by the Regulatory Commission of Alaska (RCA) and as approved by Board of Directors on June 26, 2019.		
8.	Requested by: Mark Fouts		Date: 7/25/19
9.	<\$25,000 Approved by:	Division Director/Department Manager	Date:
10.	\$25,000 - \$250,000 Approved by:	 Executive Manager	Date: 7/29/2019
11.	\$250,000 - \$1,000,000 Approved by:	Chief Executive Officer	Date:
12.	>\$1,000,000 Approved by:	Board of Directors	Date:
Obtain necessary approval signatures, forward to the Manager of Corporate Budgeting			

Month	Original IMO	Revised IMO	Monthly Reduction	Cumulative Reduction	Commercial Paper Interest	Budget Revision
	Approved Budget	Budget			Expense Reduction	
19-Jan	\$ 2,927,867	\$ 84,506	\$ (2,843,361)	\$ (2,843,361)	\$ (3,791)	\$ -
19-Feb	\$ 2,925,170	\$ 177,758	\$ (2,747,412)	\$ (5,590,773)	\$ (7,454)	\$ -
19-Mar	\$ 2,925,822	\$ 598,504	\$ (2,327,318)	\$ (7,918,091)	\$ (10,557)	\$ -
19-Apr	\$ 2,926,870	\$ 981,190	\$ (1,945,680)	\$ (9,863,771)	\$ (13,152)	\$ -
19-May	\$ 2,927,981	\$ 1,148,985	\$ (1,778,996)	\$ (11,642,767)	\$ (15,524)	\$ -
19-Jun	\$ 2,925,284	\$ 1,484,595	\$ (1,440,689)	\$ (13,083,456)	\$ (17,445)	\$ (67,923)
19-Jul	\$ 2,927,813	\$ 1,181,619	\$ (1,746,194)	\$ (14,829,650)	\$ (19,773)	\$ (19,773)
19-Aug	\$ 2,926,997	\$ 1,287,285	\$ (1,639,712)	\$ (16,469,362)	\$ (21,959)	\$ (21,959)
19-Sep	\$ 2,925,956	\$ 1,328,599	\$ (1,597,357)	\$ (18,066,719)	\$ (24,089)	\$ (24,089)
19-Oct	\$ 2,927,926	\$ 1,851,426	\$ (1,076,500)	\$ (19,143,220)	\$ (25,524)	\$ (25,524)
19-Nov	\$ 2,925,957	\$ 4,246,632	\$ 1,320,675	\$ (17,822,544)	\$ (23,763)	\$ (23,763)
19-Dec	\$ 2,926,997	\$ 4,153,417	\$ 1,226,420	\$ (16,596,125)	\$ (22,128)	\$ (22,128)
Total	\$ 35,120,640	\$ 18,524,515	\$ (16,596,125)		\$ (205,159)	\$ (205,159)

CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of June 30, 2019

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

20.0303	Beluga U3 Major P1700876	Highers/Love	5/23/2018	\$4,239,012	\$0	\$4,239,012	\$2,740,733	\$0	\$2,740,733	(\$1,498,279)	65%	100%	Project is complete and in closeout. Revised estimate reflects lower anticipated costs for exhaust components and hot gas path parts.
05.0974	Beluga Transformer T10 Replacement E1920053	Laughlin/Wendling	5/5/2019	\$2,500,000	\$0	\$2,500,000	\$56,899	\$2,443,101	\$2,500,000	\$0	100%	2%	Project will procure and install a replacement power transformer, gas insulated circuit breaker, isolation switch and associated support structures and foundations. A contract with a transformer manufacturer has been executed. Design is 30% complete. Construction is anticipated to start late in the third quarter of 2019 with commissioning and closeout expected the first quarter of 2020.
10.0240	Retire INSS 138kV Facilities E1720055	Pahkala	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$460,720	\$2,239,280	\$2,700,000	\$0	100%	20%	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. 90% design has been completed. Construction of this project will be moved to 2020.
10.0364	115 kV Rebuild - Hope to Summit E1720053	Wendling	2/20/2018	\$9,500,000	\$0	\$9,500,000	\$8,553,621	\$946,379	\$9,500,000	\$0	100%	99%	This project rebuilt approximately 9 miles of the Quartz Creek 115 kV transmission line between Hope Substation and Summit Lake Substation. The rebuilt line is insulated to 230 kV standards. Additionally, this project installed fiber optic cable on the transmission structures and connected communication sites at Silvertip and Summit Lake and installed wire to the communication sites and back up generation at Girdwood. Construction is complete and close out is anticipated in the third quarter of 2019.

Operating Efficiency

05.0300	Debarr Substation Rebuild E1620052	Reid	1/26/2017	\$6,000,000	\$0	\$6,000,000	\$5,799,112	\$440,888	\$6,240,000	\$240,000	104%	99%	This project upgraded the existing facilities at Debarr Substation. The scope included replacement of the existing power transformer, 12.5kV switchgear, 34.5kV circuit breakers, and associated control and power cables. The contractor's, Electric Power Constructors (EPC), work is substantially complete. The power transformer and switchgear were delivered in the third quarter of 2018. Commissioning is finished and the substation is energized. Landscaping is finished. Final permitting is expected in Q3 2019. 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	\$434,119	\$0	\$434,119	(\$1,465,881)	23%	100%	This project upgraded several of the existing facilities at Hope Substation. The scope was changed to reuse the existing transformer and install a seismically rated foundation with a membrane type secondary containment, therefore reducing the total estimated cost. Construction is complete and energized. The project is complete and closed out.

Totals				\$26,839,012	\$0	\$26,839,012	\$18,045,204	\$6,069,649	\$24,114,853	(\$2,724,159)	90%	70%	
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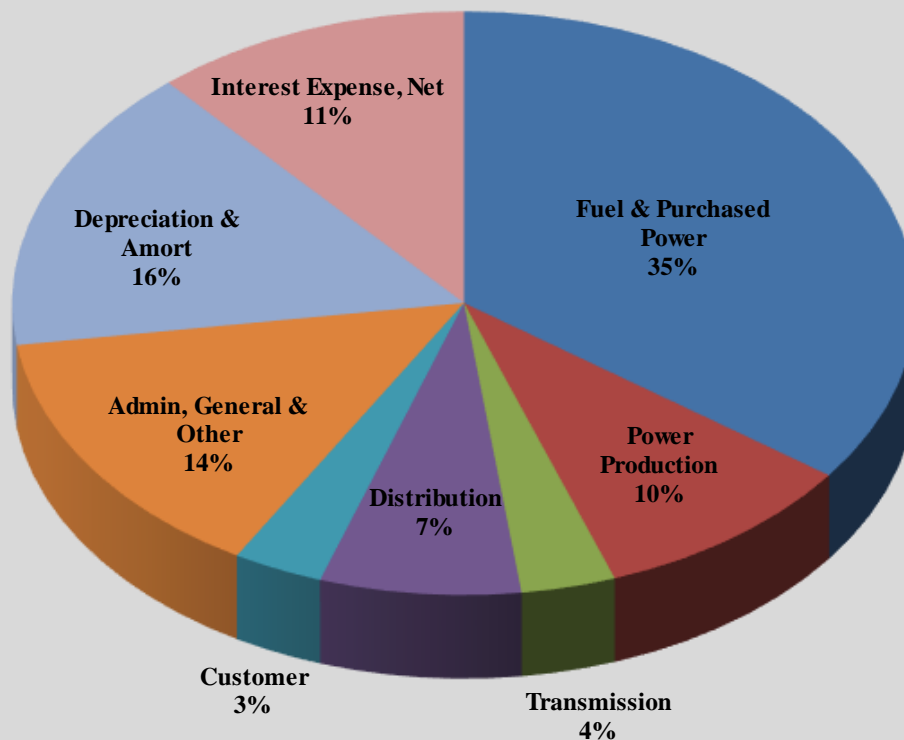
¹ Report tracks projects with costs exceeding \$1M.

² Represents Chugach costs only.

STATEMENT OF OPERATIONS

CATEGORY	2019 MTD ACTUAL	2019 MTD BUDGET	2019 MTD VARIANCE
Operating Revenue and Patronage Capital	\$ 15,458,891	\$ 14,979,092	\$ 479,799
Fuel and Purchased Power Expense	5,743,903	5,228,652	515,251
Power Production Expense	1,563,613	1,712,824	(149,211)
Transmission Expense	553,346	606,385	(53,039)
Distribution Expense	1,178,138	1,245,389	(67,251)
Customer Expense	527,295	559,653	(32,358)
Administrative, General and Other	2,346,737	1,976,866	369,871
Depreciation & Amortization Expense	2,612,995	2,548,236	64,759
Interest Expense, Net	1,862,589	1,881,584	(18,995)
Total Cost of Electric Service	\$ 16,388,616	\$ 15,759,589	\$ 629,027
Patronage Capital & Operating Margins	\$ (929,725)	\$ (780,497)	\$ (149,228)
Non-Operating Margins - Interest	37,030	52,481	(15,451)
Allowance for Funds Used During Construction	9,431	14,845	(5,414)
Non-Operating Margins - Other	4,977	-	4,977
Patronage Capital or Margins	\$ (878,287)	\$ (713,171)	\$ (165,116)

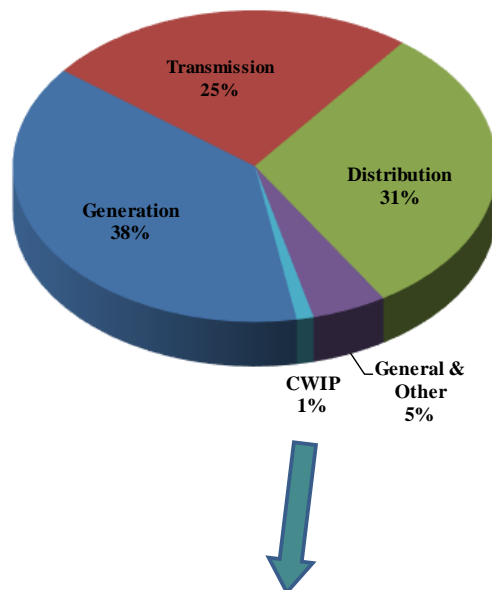
Total Cost of Electric Service (MTD Actual)



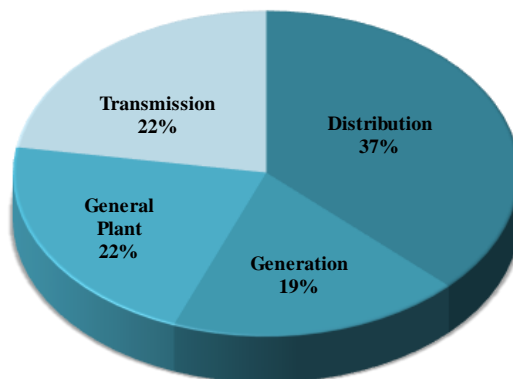
BALANCE SHEET

ASSETS & OTHER DEBITS	6/30/2019	12/31/18
Electric Plant in Service	1,236,459,969	1,216,663,092
Construction Work in Progress	14,170,391	17,272,307
Total Utility Plant	\$ 1,250,630,360	\$ 1,233,935,399
Accum. Prov. for Depreciation/Amortization	(545,192,611)	(529,099,451)
Net Utility Plant	\$ 705,437,749	\$ 704,835,948
Nonutility Property - Net	76,889	76,889
Operating lease right-of-use assets	1,025,106	-
Investment in Assoc. Organizations	8,155,603	8,570,046
Special Funds	2,132,485	1,890,221
Restricted Cash & Other Investments	108,000	108,000
Total Other Property & Investments	\$ 11,498,083	\$ 10,645,156
Cash, Marketable Securities & Other	2,199,574	12,423,578
Special Deposits/Restricted Cash	1,279,558	1,268,274
Accounts Receivable - Net	25,600,024	31,165,249
Materials and Supplies, Fuel Stock	26,563,037	28,175,563
Prepayments	3,557,760	2,227,117
Other Current & Accrued Assets	303,381	241,279
Total Current & Accrued Assets	\$ 59,503,334	\$ 75,501,060
Deferred Debits	39,288,829	37,668,424
Total Assets & Other Debits	\$ 815,727,995	\$ 828,650,588
LIABILITIES & OTHER CREDITS	6/30/2019	12/31/18
Memberships	1,761,182	1,748,172
Pat. Capital, Margins & Equities	188,450,437	192,776,522
Total Margins & Equities	\$ 190,211,619	\$ 194,524,694
Long-Term Debt - Bonds	449,999,997	398,416,664
Long-Term Debt - Other	32,376,000	33,972,000
Unamortized Debt Issuance Costs	(2,780,509)	(2,425,247)
Operating lease liabilities	834,925	-
Total Long-Term Debt	\$ 480,430,413	\$ 429,963,417
Notes Payable	34,798,849	87,608,667
Accounts Payable	8,662,054	9,538,749
Consumer Deposits	4,657,070	4,845,611
Other Current & Accrued Liabilities	30,999,912	32,853,659
Total Current & Accrued Liabilities	\$ 79,117,885	\$ 134,846,686
Deferred Compensation	1,573,178	1,359,878
Other Liabilities, Non-Current	771,838	580,841
Deferred Liabilities	752,523	764,834
Patronage Capital Payable	1,931,295	3,393,253
Cost of Removal Obligation	60,939,244	63,216,985
Total Liabilities & Other Credits	\$ 815,727,995	\$ 828,650,588

2019 Total Utility Plant (YTD)
\$1,250,630,360

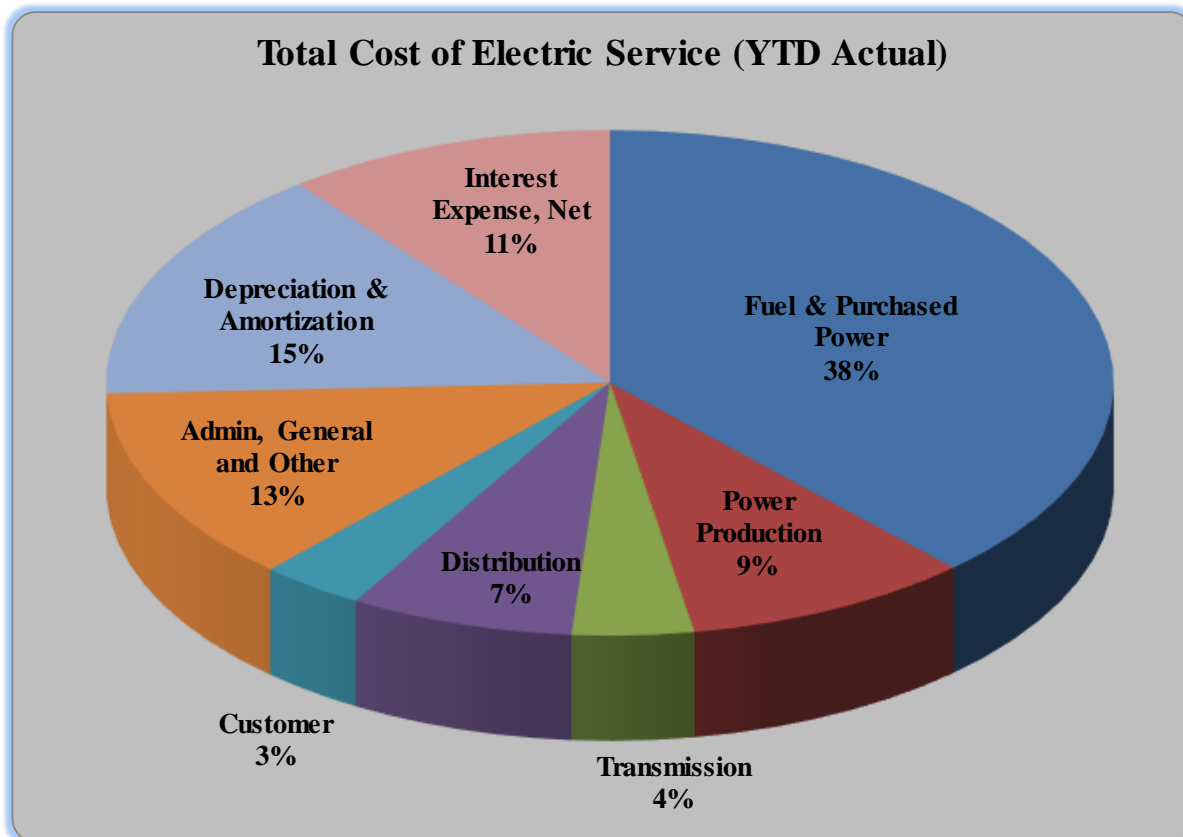


2019 Construction Work in Progress (YTD)
\$14,170,391



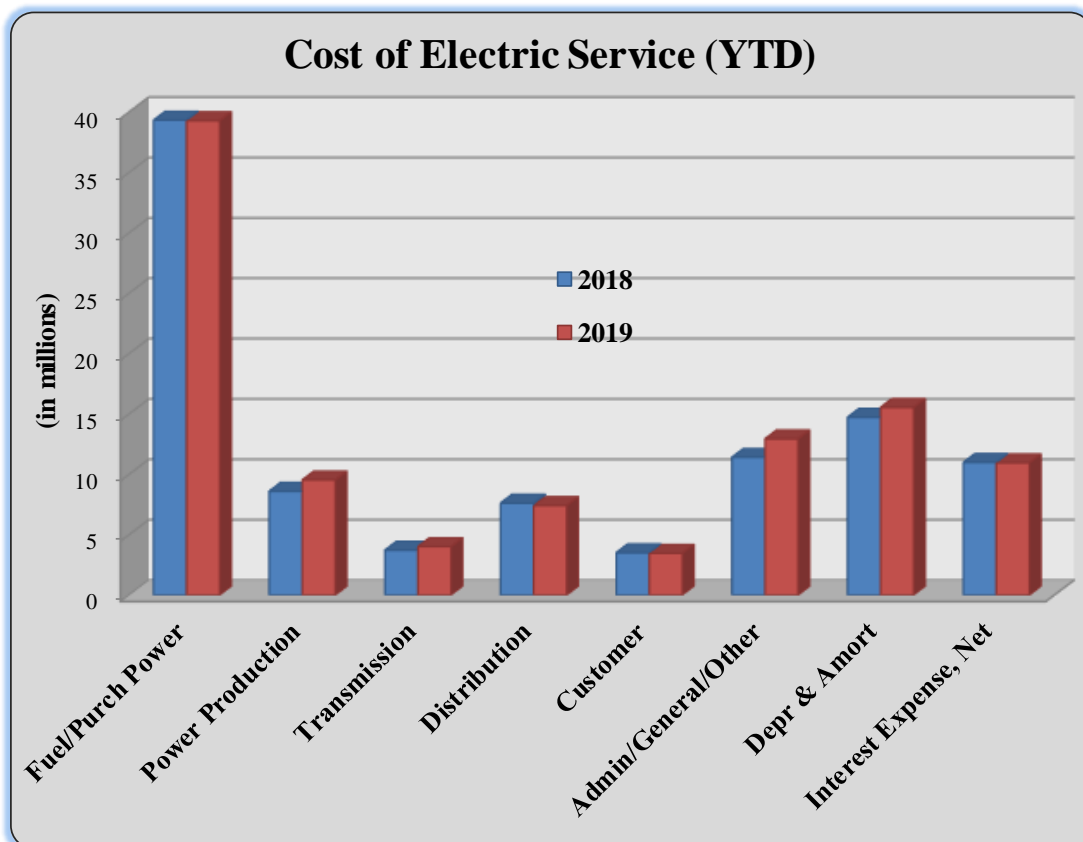
**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
CURRENT YTD ACTUAL TO BUDGET VARIANCE**

CATEGORY	2019 YTD ACTUAL	2019 YTD BUDGET	2019 YTD VARIANCE
Operating Revenue and Patronage Capital	\$ 103,367,326	\$ 102,080,545	\$ 1,286,781
Fuel and Purchased Power Expense	39,297,796	38,172,407	1,125,389
Power Production Expense	9,542,186	10,107,914	(565,728)
Transmission Expense	4,022,783	4,020,384	2,399
Distribution Expense	7,424,478	7,710,146	(285,668)
Customer Expense	3,466,561	3,346,363	120,198
Administrative, General and Other	12,946,367	12,492,591	453,776
Depreciation & Amortization Expense	15,550,749	15,312,685	238,064
Interest Expense, Net	10,961,979	10,297,650	664,329
Total Cost of Electric Service	\$ 103,212,899	\$ 101,460,140	\$ 1,752,759
Patronage Capital & Operating Margins	\$ 154,427	\$ 620,405	\$ (465,978)
Non-Operating Margins - Interest	311,815	314,886	(3,071)
Allowance Funds Used During Const.	83,507	89,075	(5,568)
Non-Operating Margins - Other	118,757	-	118,757
Patronage Capital or Margins	\$ 668,506	\$ 1,024,366	\$ (355,860)
MFI/I	1.06	1.10	
TIER	1.07	1.10	



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

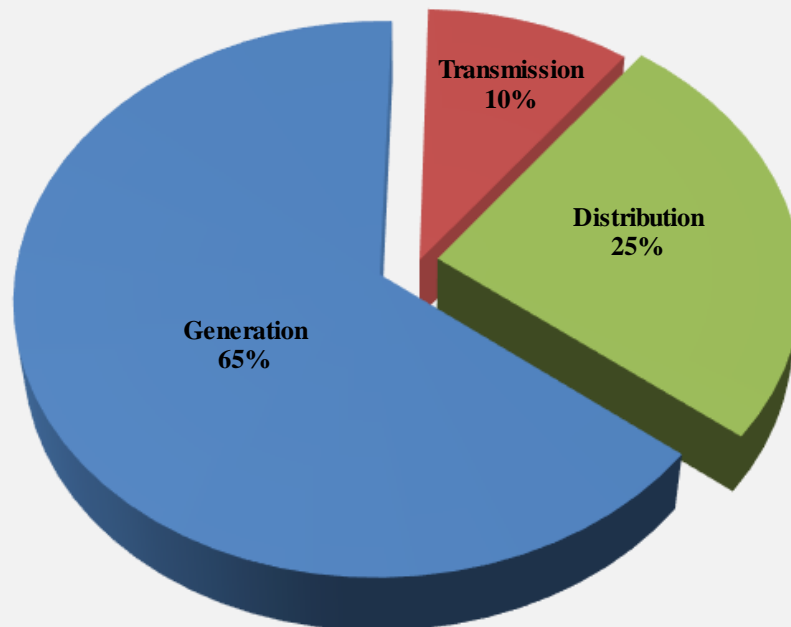
CATEGORY	2019 YTD ACTUAL	2018 YTD ACTUAL
Operating Revenue and Patronage Capital	\$ 103,367,326	\$ 102,045,861
Fuel and Purchased Power Expense	39,297,796	39,336,581
Power Production Expense	9,542,186	8,607,205
Transmission Expense	4,022,783	3,729,188
Distribution Expense	7,424,478	7,621,549
Customer Expense	3,466,561	3,517,651
Administrative, General and Other	12,946,367	11,415,273
Depreciation and Amortization Expense	15,550,749	14,737,296
Interest Expense, Net	10,961,979	10,991,285
Total Cost of Electric Service	\$ 103,212,899	\$ 99,956,028
Patronage Capital & Operating Margins	\$ 154,427	\$ 2,089,833
Non-Operating Margins - Interest	311,815	350,696
Allowance for Funds Used During Construction	83,507	51,998
Non-Operating Margins - Other	118,757	(192,101)
Patronage Capital or Margins	\$ 668,506	\$ 2,300,426
MFI/I	1.06	1.21
TIER	1.07	1.22

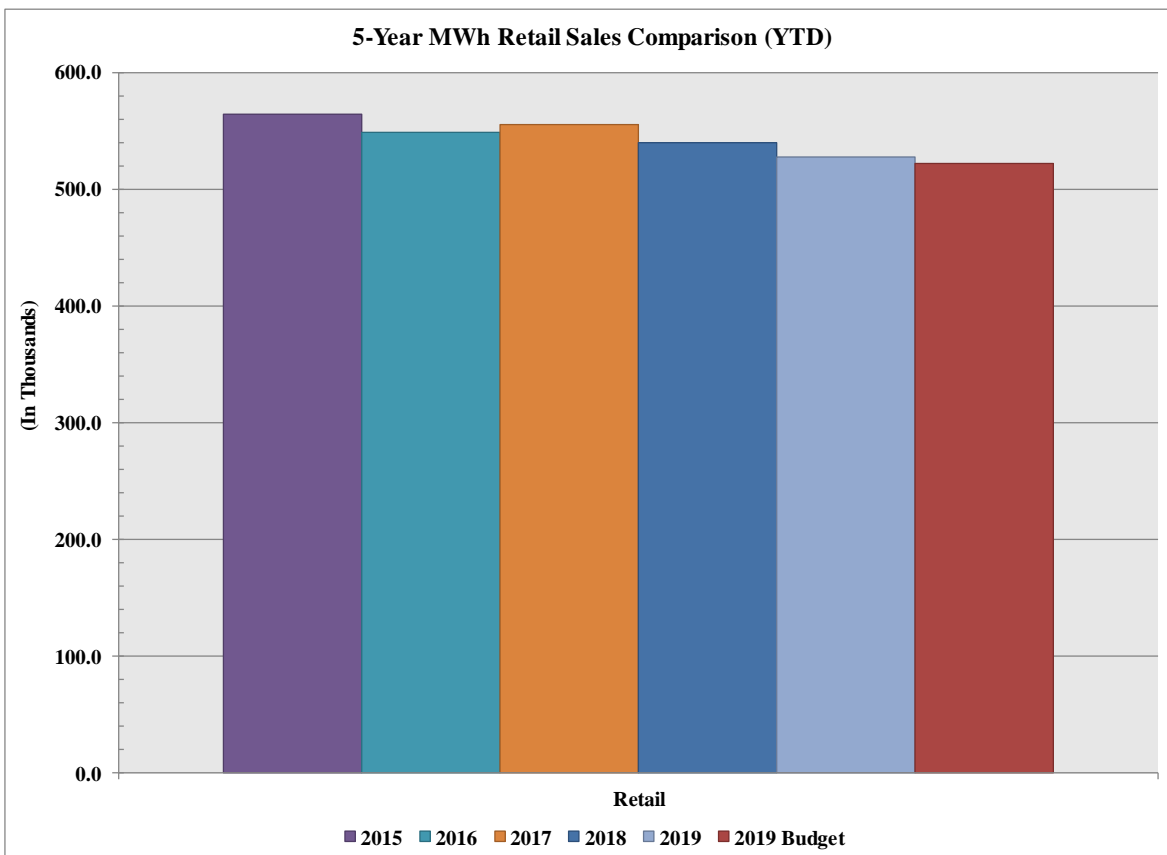
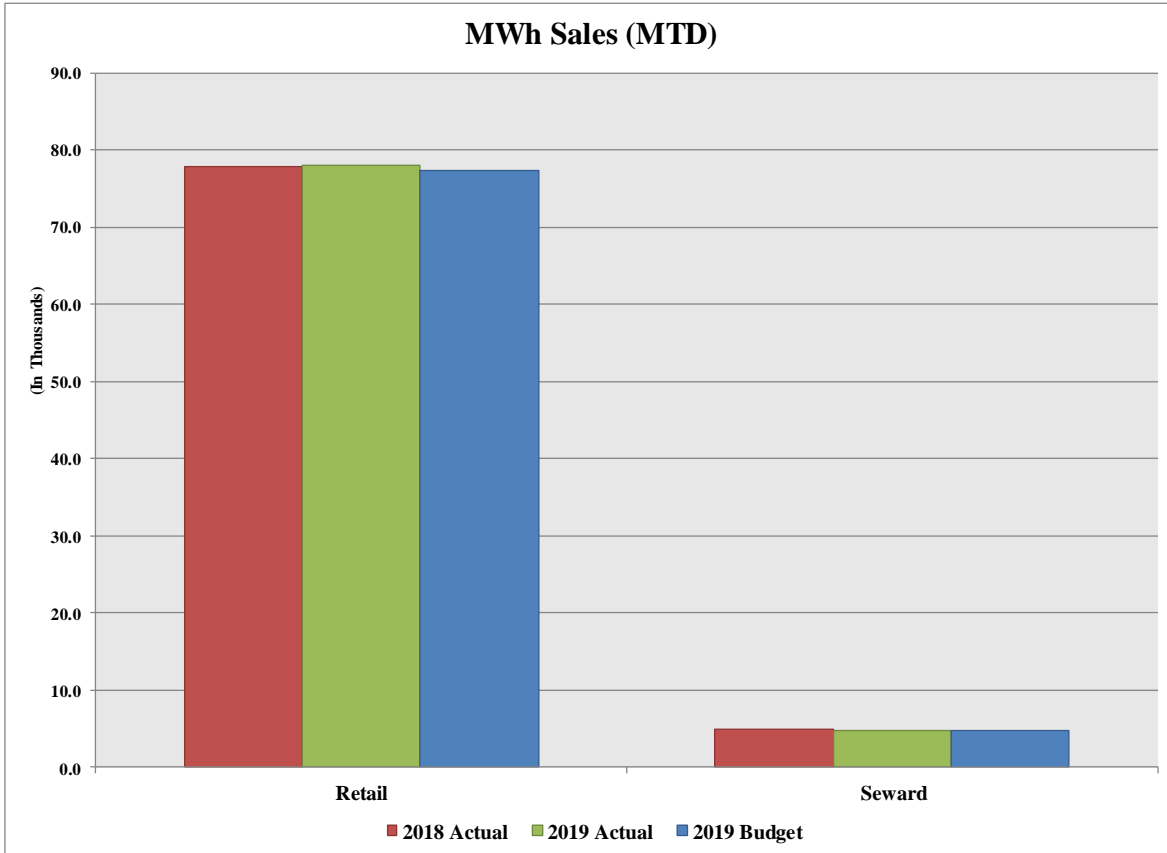


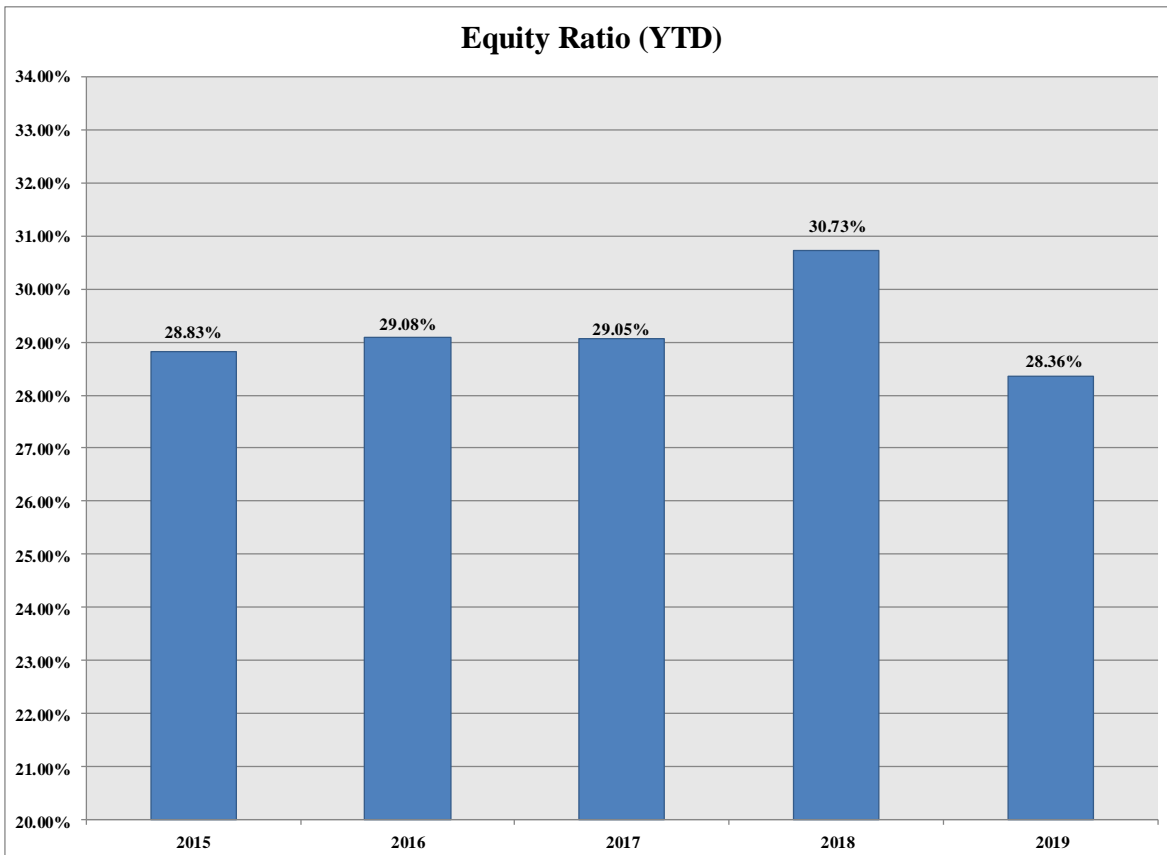
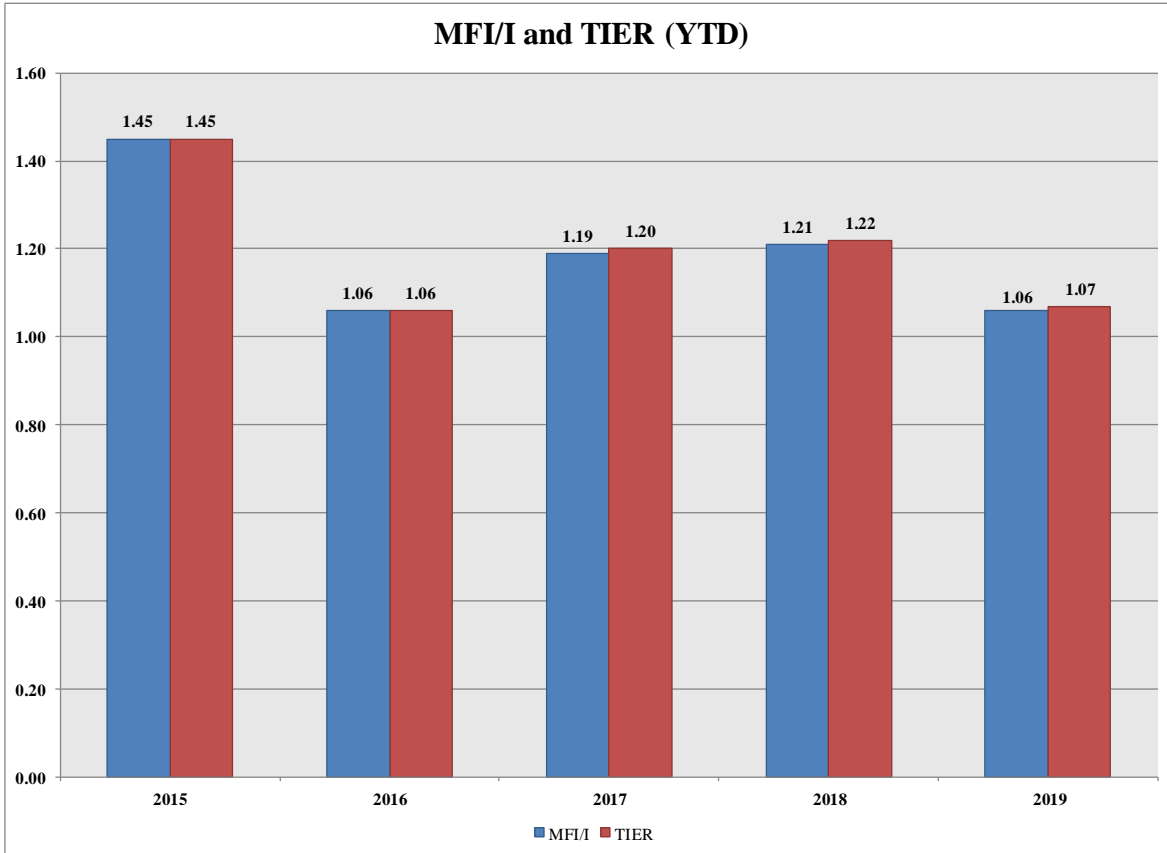
FUNCTIONAL STATEMENT OF OPERATIONS JUNE 30, 2019

CATEGORY	2019 YTD TOTAL	2019 YTD GEN	2019 YTD TRANS	2019 YTD DIST
Operating Revenue and Patronage Capital	\$ 103,367,326	\$ 66,961,354	\$ 10,285,049	\$ 26,120,923
Fuel and Purchased Power Expense	39,297,796	39,297,796	0	0
Power Production Expense	9,542,186	9,542,186	0	0
Transmission Expense	4,022,783	0	4,022,783	0
Distribution Expense	7,424,478	0	0	\$7,424,478
Customer Expense	3,466,561	0	0	\$3,466,561
Administrative, General and Other	12,946,367	4,079,887	1,692,053	\$7,174,427
Depreciation & Amortization Expense	15,550,749	7,634,597	2,328,936	\$5,587,216
Interest Expense, Net	10,961,979	\$6,392,305	\$2,189,821	\$2,379,853
Total Cost of Electric Service	\$ 103,212,899	\$ 66,946,771	\$ 10,233,593	\$ 26,032,535
Patronage Capital & Operating Margins	\$ 154,427	\$ 14,583	\$ 51,456	\$ 88,388
Non-Operating Margins - Interest	311,815	\$153,085	\$46,698	\$112,032
Allowance for Funds Used During Construction	83,507	\$4,794	\$5,050	\$73,663
Non-Operating Margins - Other	118,757	36,309	15,709	66,739
Patronage Capital or Margins	\$ 668,506	\$ 208,771	\$ 118,913	\$ 340,822

Total Cost of Electric Service







ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	527,672,707	522,687,152
Wholesale Energy Sales	<u>28,221,846</u>	<u>28,581,423</u>
Total Firm Energy Sales	555,894,553	551,268,575
Economy Energy Sales	<u>103,400</u>	<u>0</u>
Total Energy Sales	555,997,953	551,268,575

Firm energy sales totaled 555,894,553 kWh, which was a 0.8% favorable variance compared to budget. Retail energy sales were over budget 1.0%, primarily due to higher than anticipated large commercial activity. Wholesale energy sales were under budget by 1.3%.

Economy energy sales totaled 103,400 kWh, which was a favorable variance of 100% compared to budget. This was due to unanticipated sales to Golden Valley Electric Association (GVEA) and Matanuska Electric Association (MEA).

ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$ 97.1	\$ 96.8
Wholesale Revenue	<u>2.8</u>	<u>2.8</u>
Total Firm Revenue	99.9	99.6
Economy/Other Energy Revenue	0.0	0.0
Other Operating Revenue	<u>3.5</u>	<u>2.5</u>
Total Revenue	\$ 103.4	\$ 102.1

Revenue from firm sales totaled \$99.9 million compared to \$99.6 million in the budget. Although not a significant variance, firm revenue was higher than expected primarily due to higher than anticipated sales to large general commercial customers and higher purchased power recovered in revenue, which was somewhat offset by lower than expected fuel recovered and lower than anticipated rates. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$3.5 million compared to \$2.5 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	\$ 27.5	\$ 28.5
Purchased Power	<u>11.8</u>	<u>9.7</u>
Total	\$ 39.3	\$ 38.2

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$27.5 million compared to \$28.5 million projected in the budget. This variance was primarily due to lower than anticipated storage and transportation expense.

Actual fuel purchased or withdrawn from inventory and used for production was 3,100,377 MCF at an average effective delivered price of \$8.21 per MCF, compared to 3,035,119 MCF in the budget at an average effective delivered price of \$8.26 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 \$11.8 million compared to \$9.7 million in the budget, due to higher than anticipated purchases from ML&P and MEA at a higher average effective price.

Actual energy purchased was 138,754 MWh at an average effective price of 7.13 cents per kWh compared to 111,334 MWh budgeted at an average effective price of 7.01 cents per kWh.

POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 9.5	\$ 10.1

Power production expense was \$9.5 million compared to \$10.1 million in the budget. This favorable variance is primarily due to lower than anticipated maintenance costs, which was somewhat offset by higher amortization expense associated with the Cooper Lake dredging project.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 4.0	\$ 4.0

Transmission operations and maintenance expense was \$4.0 million compared to \$4.0 million in the budget with no significant variance. Although not an overall variance, higher substation expense labor was offset by lower than anticipated substation and microwave maintenance.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 7.4	\$ 7.7

Distribution operations and maintenance expense was \$7.4 million compared to \$7.7 million in the budget. This favorable variance is primarily due to lower than anticipated locating and lease costs, as well as a shift in substation expense labor to Transmission.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 3.5	\$ 3.3

Consumer accounts and customer information expense was \$3.5 million compared to \$3.3 million in the budget. This unfavorable variance is primarily due to higher than anticipated credit card merchant fees, which was somewhat offset by lower than anticipated printing costs.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 12.9	\$ 12.5

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 \$12.9 million compared to \$12.5 million in the budget. This unfavorable variance is primarily due to higher than anticipated labor and project write-offs, which was somewhat offset by lower than anticipated consulting costs associated with fuel management, accounting, and safety, as well as headquarters maintenance.

SUMMARY

Depreciation, interest, and interest during construction expense totaled \$26.5 million compared to \$25.6 million in the budget. The unfavorable variance compared to budget was primarily due to higher than anticipated interest expense on short-term borrowings of commercial paper as well as increased depreciation expense due primarily to the timing of projects.

All of the foregoing expenses resulted in total cost of electric service of \$103.2 million compared to \$101.5 million in the budget.

Non-operating margins include allowance for funds used during construction (AFUDC), capital credit and patronage capital allocations, extraordinary items, and interest income. Non-operating margins totaled \$0.5 million compared to \$0.4 million in the budget primarily due to the gain in value of marketable securities.

The net result of revenue and expenses was margins of \$0.7 million compared to projected margins of \$1.0 million in the budget. The current forecast projects year-end margins of \$5.4 million, an MFI/I of 1.24, and TIER of 1.25.

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

CATEGORY	2019 APPROVED BUDGET	2019 AMENDED BUDGET	2019 YTD ACTUALS	2019 REVISED FORECAST
Operating Revenue and Patronage Capital	\$ 207,385,275	\$ 208,813,709	\$ 103,367,326	\$ 210,100,490 ¹
Fuel and Purchased Power Expense	76,788,722	76,788,722	39,297,796	77,914,111 ¹
Power Production Expense	20,297,640	20,297,640	9,542,186	20,297,640
Transmission Expense	7,442,254	7,442,254	4,022,783	7,442,254
Distribution Expense	15,695,623	15,813,973	7,424,478	15,813,973
Customer Expense	7,089,507	7,089,507	3,466,561	7,209,705 ¹
Administrative, General & Other	24,398,225	24,398,225	12,946,367	24,033,225 ²
Depreciation and Amortization Expense	30,612,717	30,612,717	15,550,749	30,850,781 ¹
Interest Expense, Net	20,112,012	21,416,228	10,961,979	22,080,557 ¹
Total Cost of Electric Service	\$ 202,436,700	\$ 203,859,266	\$ 103,212,899	\$ 205,642,246
Patronage Capital & Operating Margins	\$ 4,948,575	\$ 4,954,443	\$ 154,427	\$ 4,458,244
Non-Operating Margins - Interest	629,772	629,772	311,815	626,701 ¹
Allowance for Funds Used During Construction	178,150	178,150	83,507	172,582 ¹
Non-Operating Margins - Other	-	-	118,757	118,757 ¹
Patronage Capital or Margins	\$ 5,756,497	\$ 5,762,365	\$ 668,506	\$ 5,376,284
MFI/I	1.28	1.26	1.06	1.24
TIER	1.30	1.27	1.07	1.25

¹ Forecast based on 6 month actual and 6 month forecast

² Forecast has been adjusted to reflect anticipated changes

CHUGACH ELECTRIC ASSOCIATION, INC.

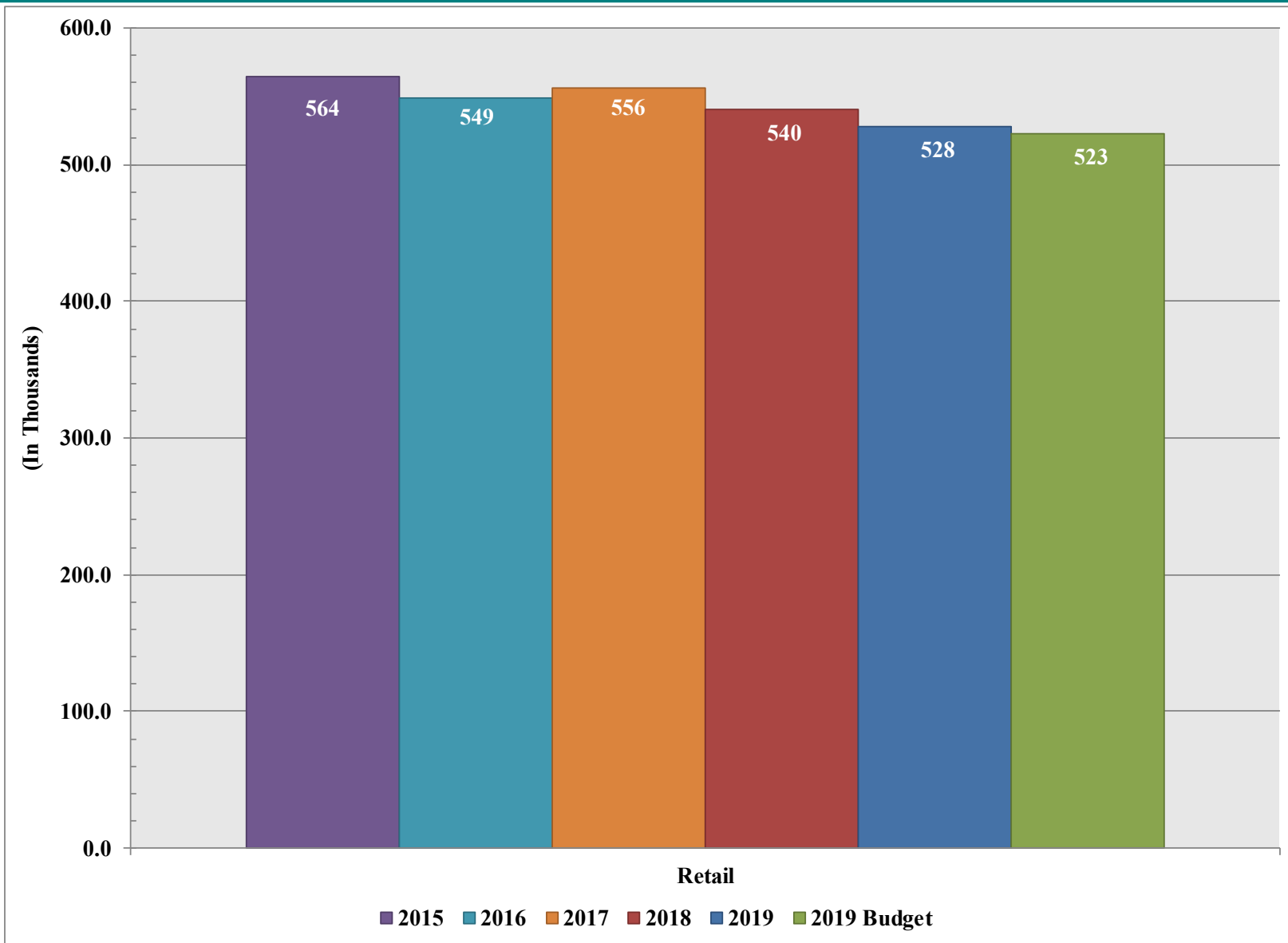
June 2019 Financial Information
August 7, 2019



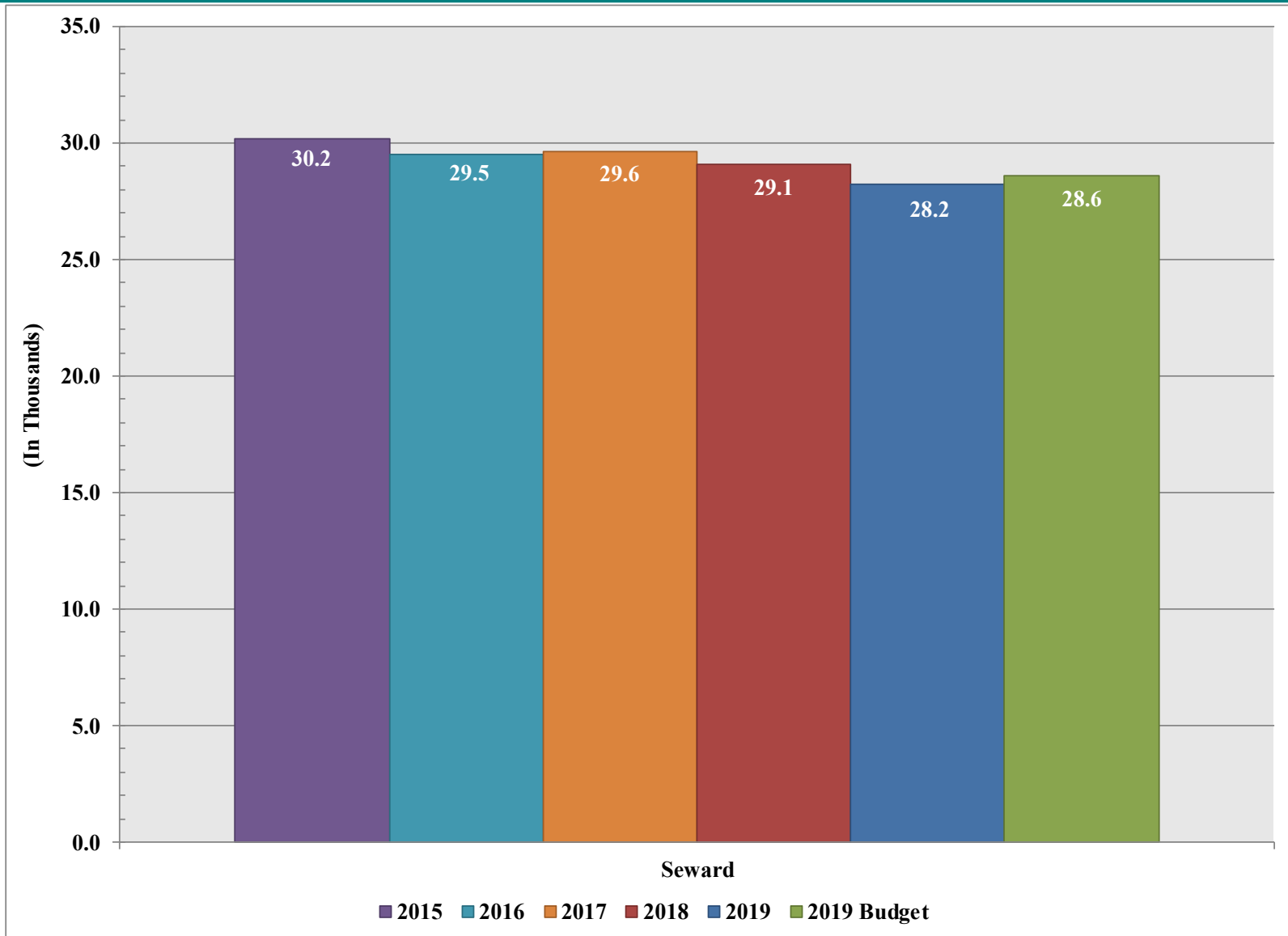
June 2019 Financial Information

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

5 Year Retail MWh Sales Comparison (June YTD)



5 Year Seward MWh Sales Comparison (June YTD)



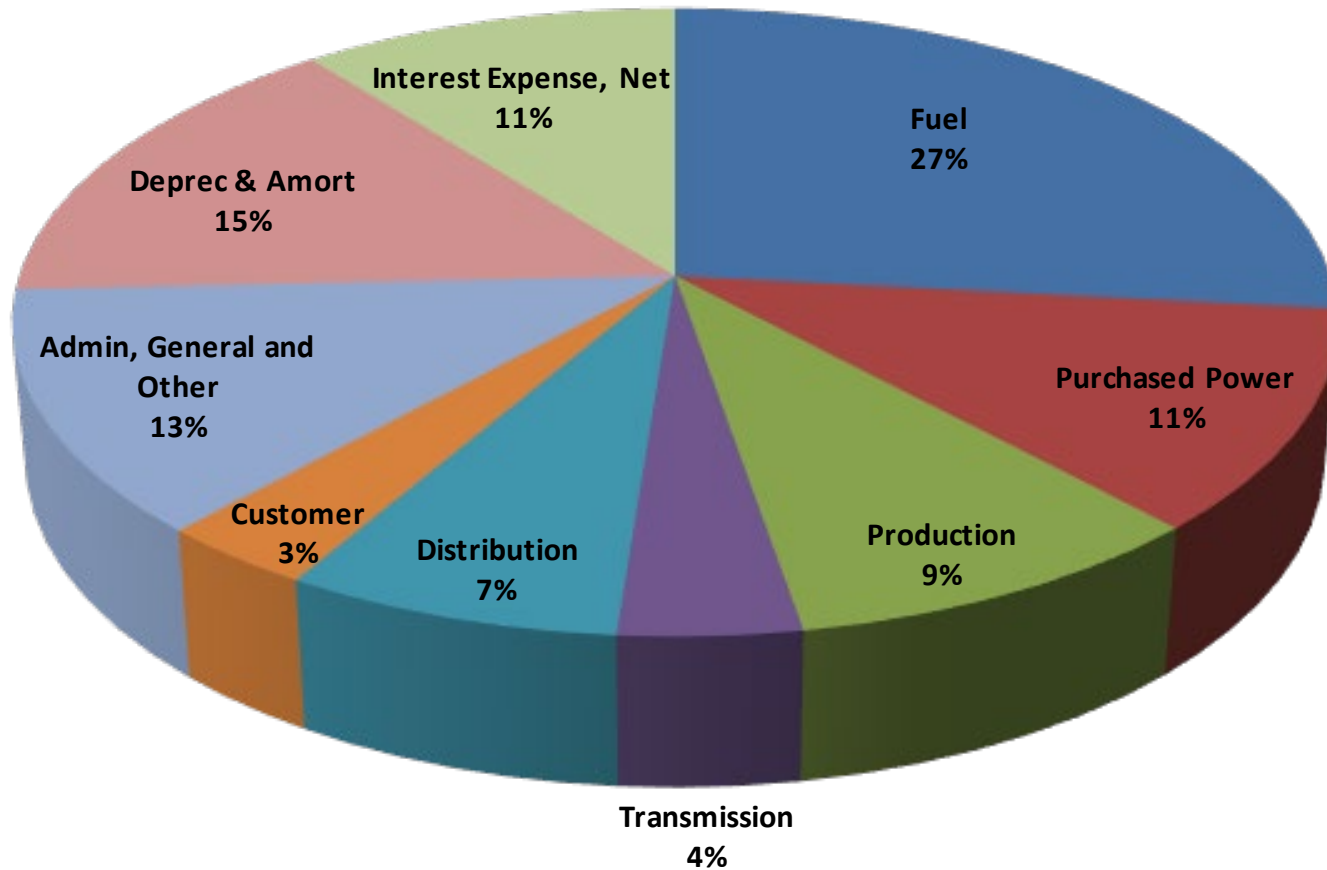
Comparative Statement of Operations

June YTD 2019



CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenues	\$ 103,367,326	\$ 102,080,545	\$ 1,286,781
Fuel	27,526,795	28,482,434	(955,639)
Production	9,542,186	10,107,914	(565,728)
Purchased Power	11,771,001	9,689,973	2,081,028
Transmission	4,022,783	4,020,384	2,399
Distribution	7,424,478	7,710,146	(285,668)
Consumer Accounts	3,466,561	3,346,363	120,198
Administrative, General and Other	12,946,367	12,492,591	453,776
Depreciation and Amortization	15,550,749	15,312,685	238,064
Total Operating Expenses	\$ 92,250,920	\$ 91,162,490	\$ 1,088,430
Interest Expense, Long-Term and Other	11,147,036	10,564,881	582,155
Interest Charged to Construction	(185,057)	(267,231)	82,174
Net Interest Expense	\$ 10,961,979	\$ 10,297,650	\$ 664,329
Net Operating Margins	\$ 154,427	\$ 620,405	\$ (465,978)
Interest Income	311,815	314,886	(3,071)
Allowance Funds Used During Const.	83,507	89,075	(5,568)
Capital Credits, Patronage Dividends, Other	118,757	0	118,757
Patronage Capital or Margins	\$ 668,506	\$ 1,024,366	\$ (355,860)
MFI/I	1.06	1.10	
TIER	1.07	1.10	

Total Operating and Interest Expense June YTD 2019



Comparative Balance Sheet, Assets & Other Debits

June 2019 & December 2018



ASSETS & OTHER DEBITS	06/30/19	12/31/18	CHANGE
Electric Plant in Service	1,236,459,969	1,216,663,092	19,796,877
Construction Work in Progress	14,170,391	17,272,307	(3,101,916)
Total Utility Plant	\$ 1,250,630,360	\$ 1,233,935,399	\$ 16,694,961
Accumulated Depreciation	(545,192,611)	(529,099,451)	(16,093,160)
Net Utility Plant	\$ 705,437,749	\$ 704,835,948	\$ 601,801
Nonutility Property	76,889	76,889	0
Operating Lease Right-of-Use Assets	1,025,106	0	1,025,106
Investment in Assoc. Organizations	8,155,603	8,570,046	(414,443)
Special Funds	2,132,485	1,890,221	242,264
Restricted Cash Equivalents & Other	108,000	108,000	0
Total Other Property & Investments	\$ 11,498,083	\$ 10,645,156	\$ 852,927
Cash, Marketable Securities & Other	2,199,574	12,423,578	(10,224,004)
Special Deposits & Restricted Cash	1,279,558	1,268,274	11,284
Accounts Receivable - Net	25,600,024	31,165,249	(5,565,225)
Materials and Supplies, Fuel Stock	26,563,037	28,175,563	(1,612,526)
Prepayments	3,557,760	2,227,117	1,330,643
Other Current Assets	303,381	241,279	62,102
Total Current Assets	\$ 59,503,334	\$ 75,501,060	\$ (15,997,726)
Deferred Charges, Net	39,288,829	37,668,424	1,620,405
Total Assets	\$ 815,727,995	\$ 828,650,588	\$ (12,922,593)

Comparative Balance Sheet, Liabilities & Other Credits

June 2019 & December 2018



LIABILITIES & OTHER CREDITS	06/30/19	12/31/18	CHANGE
Memberships	1,761,182	1,748,172	13,010
Patronage Capital	173,370,711	177,823,597	(4,452,886)
Other	15,079,726	14,952,925	126,801
Total Equities and Margins	\$ 190,211,619	\$ 194,524,694	\$ (4,313,075)
Bonds Payable	449,999,997	398,416,664	51,583,333
National Bank for Cooperatives	32,376,000	33,972,000	(1,596,000)
Unamortized Debt Issuance Costs	(2,780,509)	(2,425,247)	(355,262)
Operating Lease Liabilities	834,925	0	834,925
Total Long-Term Obligations	\$ 480,430,413	\$ 429,963,417	\$ 50,466,996
Current Installments of Long-Term Obligations	26,798,849	26,608,667	190,182
Commercial Paper	8,000,000	61,000,000	(53,000,000)
Accounts Payable	8,662,054	9,538,749	(876,695)
Consumer Deposits	4,657,070	4,845,611	(188,541)
Other Current & Accrued Liabilities	30,999,912	32,853,659	(1,853,747)
Total Current Liabilities	\$ 79,117,885	\$ 134,846,686	\$ (55,728,801)
Deferred Compensation	1,573,178	1,359,878	213,300
Other Liabilities, Non-Current	771,838	580,841	190,997
Deferred Liabilities	752,523	764,834	(12,311)
Patronage Capital Payable	1,931,295	3,393,253	(1,461,958)
Cost of Removal Obligation / ARO	60,939,244	63,216,985	(2,277,741)
Total Liabilities, Equities and Margins	\$ 815,727,995	\$ 828,650,588	\$ (12,922,593)

Statements of Cash Flows

June 2019 and June 2018

	06/30/19	06/30/18
1. Cash flows from operating activities:		
Assignable margins	\$ 668,506	\$ 2,300,426
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	19,157,983	17,254,539
Allowance for funds used during construction	(83,507)	(51,998)
Other	372,045	336,131
Decrease in assets	29,976	8,876,817
Decrease in liabilities	(3,544,097)	(494,072)
Net cash provided by operating activities:	\$ 16,600,906	\$ 28,221,843
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	414,443	414,012
Investment in special funds	(14,855)	(296,047)
Investment in marketable securities and investments-other	(22,430)	(1,423,399)
Proceeds from the sale of marketable securities	6,437,508	1,672,465
Extension and replacement of plant	(19,481,053)	(9,708,321)
Net cash used in investing activities:	\$ (12,666,387)	\$ (9,341,290)
3. Cash flows from financing activities:		
Payments for debt issue costs	(472,332)	0
Net increase (decrease) in short-term obligations	(53,000,000)	3,000,000
Net increase (decrease) in long-term obligations	49,987,333	(25,012,667)
Net increase (decrease) in consumer advances/retired patronage/other	(4,345,657)	1,925,917
Net cash provided by (used in) financing activities:	\$ (7,830,656)	\$ (20,086,750)
Net change in cash, cash equivalents & restricted cash	(3,896,137)	(1,206,197)
4. Cash, cash equivalents & restricted cash at beginning of period	\$ 7,428,969	\$ 7,201,759
5. Cash, cash equivalents and restricted cash at end of period	\$ 3,532,832	\$ 5,995,562

Questions?

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

August 7, 2019

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

June 30, 2019, 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. Mr. Hayhurst and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes.