

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

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Harold Hollis, Chair
Sam Cason, Vice Chair

James Henderson
Mark Wiggin
Rachel Morse

August 23, 2021

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 28, 2021 (Bigelow)
- IV. PERSONS TO BE HEARD
 - A. Member Comments
- V. CEO REPORTS AND CORRESPONDENCE (4:10 p.m.)
 - A. 2nd Quarter 2021 Contract Status Report (Vecera) (4:10 p.m.)
 - B. 2nd Quarter 2021 Capital Tracking Report (Highers) (4:15 p.m.)
 - C. 2nd Quarter 2021 Operating Budget Status Report (Highers) (4:20 p.m.)
- VI. NEW BUSINESS (scheduled) (4:25 p.m.)
 - A. 2nd Quarter 2021 Financial Information and Variance Report (Harris/Highers)
- VII. EXECUTIVE SESSION* (scheduled) (4:40 p.m.)
 - A. BRU ARO Investment Fund Review (4:40 p.m.)
 - B. BRU ARO Investment Strategy Discussion (5:10 p.m.)
 - C. IRS Form 990 (5:40 p.m.)
 - D. 2nd Quarter 2021 Financial Report (6:00 p.m.)
- VIII. NEW BUSINESS* (continued) (6:25 p.m.)
 - A. BRU ARO Investment Strategy* (Highers)
- IX. DIRECTOR COMMENTS (6:30 p.m.)
- X. ADJOURNMENT* (6:45 p.m.)

* Denotes Action Items

** Denotes Possible Action Items

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

July 28, 2021
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Danielle Bigelow

I. CALL TO ORDER

Chair Hollis called the Audit and Finance Committee meeting to order at 4:02 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

Harold Hollis, Chair
Sam Cason, Director
James Henderson, Director
Mark Wiggin, Director (*via teleconference*)
Rachel Morse, Director (*absent*)

Board Members Present:

Bettina Chastain, Director
Erin Whitney, Director (*via teleconference*)

*Guests and Staff Attendance
Present:*

Lee Thibert	Sherri Highers	Arthur Miller
Mark Fouts	Matthew Clarkson	Arden Quezon
Brian Hickey	Kathy Harris	Ashton Doyle

Via Teleconference:

Connie Owens	Mike Hayhurst, KPMG	Blake Phillips, APCM
Karen Griffin	Bill Lierman, APCM	Brandy Niclai, APCM
Theresa Quigley	Vinay Sharma, APCM	

Lee Thibert, Chief Executive Officer and Arden Quezon, Executive Associate introduced Ashton Doyle, the new Executive Assistant I.

II. APPROVAL OF THE AGENDA

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

III. APPROVAL OF THE MINUTES

Director Cason moved and Director Henderson seconded the motion to approve the May 19, 2021, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None.

V. NEW BUSINESS

- A. *Election of Audit and Finance Committee Vice chair (Committee)*
Director Wiggin moved and Director Henderson seconded the motion that the Audit and Finance Committee appoint Director Cason as Vice Chair of the Audit and Finance Committee. The motion passed unanimously.

VI. EXECUTIVE SESSION

- A. *BRU ARO Investment Strategy Discussion*
- B. *BRU Contributed Capital*
- C. *Internal Controls Yearly Review*

At 4:07 p.m., Director Cason moved and Director Henderson seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1) and (3) the 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) to 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 Whitney left during Executive Session, the time was not noted.

The meeting reconvened in open session at 7:03 p.m.

VII. DIRECTOR COMMENTS

Director comments were made at this time.

VIII. ADJOURNMENT

At 7:08 p.m., Director Cason moved and Director Henderson seconded the motion to adjourn. The motion passed unanimously.

**CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of June 30, 2021**

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

10.0240	Retire INSS 138kV Facilities E1720055	Wendling	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$2,043,715	\$275,000	\$2,318,715	(\$381,285)	86%	83%	The retirement portion of this project has been completed by the OELCC Time and Materials Contractor brought on the summer of 2020 for COVID mitigation. Due to high commodity pricing associated with the affects of COVID on supply chains, the moving of transformers to new foundations will be addressed in a future project. The removal of the t2 shoo-fly and installation of the permanent 138kV feed is scheduled for early August.
02.0142	Daves Creek 352 Reliability Improvements Phase I	Miller, Mike	5/26/2021	\$1,600,000	\$0	\$1,600,000	\$101,086	\$1,498,914	\$1,600,000	\$0	100%	10%	The project is in the construction phase. The contract bid and was awarded to the lowest reponsible bidder. The contractor is scheduled onsite after freeze up and construction to be completed in the winter.
03.0810	Muldoon OH/UG: Northern Lights ² E1613660	Miller, Mike	11/27/2017 5/27/2020	\$2,500,000	\$1,208,831	\$3,708,831	\$2,895,121	\$25,000	\$2,920,121	(\$788,710)	79%	95%	OH to UG Muldoon Road from Northern Lights to Creekside Center Drive. Originally approved in the CIP on November 27, 2017, but revised due to Department of Transportation changes and design enhancements resulting in a \$1.2M increase to the estimate on May 27, 2020. Construction on the project was completed in 2020. The project is in closeout.
03.0485	O'Malley OH/UG: Rockridge Drive to Hillside Drive ⁴	Willis, Victor	4/28/2021	\$4,100,000	\$0	\$4,100,000	\$127,612	\$3,972,388	\$4,100,000	\$0	100%	5%	The design is complete and the construction package ready for bidding pending the DOT's construction schedule.
03.0810	Arctic Boulevard OH/UG: Raspberry Road to Dimond Boulevard ²	Willis, Victor	4/28/2021	\$2,100,000	\$0	\$2,100,000	\$264,168	\$1,835,832	\$2,100,000	\$0	100%	10%	Design on this project is complete. The project was bid and the successful contractor is schedule to execute construction this year.
03.0810	Old Seward OH/UG 12.5kV&34.5kV ² E1813853, E2020058	Wendling	7/22/2020	\$5,121,971	\$0	\$5,121,971	\$1,804,322	\$3,317,649	\$5,121,971	\$0	100%	70%	The scope of this project is undergrounding the 12.5kV and 34.5kV overhead facilities along the Old Seward Highway between O'Malley and Huffman Road. In response to constructability issues and stakeholder conflicts, the end of the project was changed to O'Malley Center Drive. The remaining overhead facilities up to O'Malley road will be addressed in a future project. Underground installation is substotionally complete. Project construction and overhead retirement are anticipated to be completed by the end of the third quarter.

Retirements & Replacements

16.0000	Land Mobile Radio Replacement C1730001	Murray	11/26/2019 05/26/2021	\$1,995,169	\$428,075	\$2,423,244	\$1,996,353	\$779,442	\$2,775,795	\$352,551	115%	85%	Vehicle installation and system cutover is under way for Ph I Legacy CEA system. Estimate was updated to include May 26 BOD Contract Authorization for Phase II of the project. This will replace North District radios. Ph II Equipment is scheduled for delivery in August and installations will be completed in October. Forecast to completion has been updated to reflect additional labor and professional services required Q4 2020/Q1 2021 for system integration and testing as well as 2018 microwave network improvements at sites that were not reflected in the overall 2019 BOD Project Authorization.
20.0033 20.0035	Fuel Tank Replacement and Storm Drain Reconstruction A2040003, A2040004	Prior	2/24/2021	\$1,173,654	\$0	\$1,173,654	\$42,381	\$960,647	\$1,003,028	(\$170,626)	85%	10%	Project is on schedule. Fuel tanks have been ordered and delivery is expected in September 2021. Construction to take place over the end of Summer/Fall 2021 and is anticipated to be complete by the end of October 2021.

Agency Mandated

20.0304	Eklutna Fish & Wildlife MY021283, P1990277	Brodie	2/24/2021	\$1,620,108 ³	\$0	\$1,620,108	\$225,029	\$1,395,079	\$1,620,108	\$0	100%	26%	Eklutna F&W is a multi-year project with final completion of the program in late 2024. The 2021 budget will be the first year of a 2-year study program on the Eklutna River, Lake, and plant facilities. The study plan has been approved and the year-one studies will occur through the end of October 2021. Development of year-two study plan and evaluation of study data will occur in the 4th quarter of the 2022 study program.
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Totals				\$22,910,902	\$1,636,906	\$24,547,808	\$9,499,787	\$14,059,951	\$23,559,738	(\$988,070)	96%	44%	
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¹ Report tracks projects with costs exceeding \$1M.

² Projects funded by the Undergrounding Ordinance.

³ Represents Chugach's portion.

⁴ Projects funded by a combination of the Undergrounding Ordinance and DOT.



TO: Sherri L. Highers, Chief Financial Officer

FROM: Kathy Harris, Controller

DATE: July 28, 2021

SUBJECT: *2nd Quarter 2021 Operating Budget Status Report*

There were no budget adjustments in the second quarter of 2021. See Operating Budget Status Report on page 2.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
2ND QUARTER 2021

CATEGORY	2021 AMENDED BUDGET	2021 Q2 BUDGET REVISIONS	2021 Q2 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$364,283,486	\$0	\$364,283,486
EXPENSES:			
FUEL EXPENSE	84,158,638	0	84,158,638
POWER PRODUCTION EXPENSE	36,368,956	0	36,368,956
COST OF PURCHASED POWER	24,495,588	0	24,495,588
TRANSMISSION EXPENSE	10,609,412	0	10,609,412
DISTRIBUTION EXPENSE-OPERATIONS	12,336,031	0	12,336,031
DISTRIBUTION EXPENSE-MAINTENANCE	15,623,002	0	15,623,002
CONSUMER ACCOUNTS EXPENSE	9,585,125	0	9,585,125
CUSTOMER SERVICE/INFO EXPENSE	1,110,320	0	1,110,320
ADMINISTRATIVE/GENERAL EXPENSE	42,554,894	0	42,554,894
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$236,841,966	\$0	\$236,841,966
DEPRECIATION/AMORTIZATION EXPENSE	64,373,484	0	64,373,484
TAX EXPENSE-OTHER	8,934,253	0	8,934,253
INTEREST ON DEBT	42,210,623	0	42,210,623
INTEREST ON CONSTRUCTION-CREDIT	(680,928)	0	(680,928)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$352,079,398	\$0	\$352,079,398
PATRONAGE CAPITAL/OPERATING MARGINS	\$12,204,088	\$0	\$12,204,088
NON-OPERATING MARGINS-INTEREST	198,380	0	198,380
ALLOWANCE FUNDS USED DURING CONST.	226,980	0	226,980
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	\$12,629,448	\$0	\$12,629,448

MFI/I

1.30

1.30

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2021

CATEGORY	2021 APPROVED BUDGET	2021 Q1 BUDGET REVISIONS	2021 Q1 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$364,283,486	\$0	\$364,283,486
EXPENSES:			
FUEL EXPENSE	84,158,638	0	84,158,638
POWER PRODUCTION EXPENSE	36,368,956	0	36,368,956
COST OF PURCHASED POWER	24,495,588	0	24,495,588
TRANSMISSION EXPENSE	10,609,412	0	10,609,412
DISTRIBUTION EXPENSE-OPERATIONS	12,336,031	0	12,336,031
DISTRIBUTION EXPENSE-MAINTENANCE	15,623,002	0	15,623,002
CONSUMER ACCOUNTS EXPENSE	9,499,422	85,703	9,585,125
CUSTOMER SERVICE/INFO EXPENSE	1,110,320	0	1,110,320
ADMINISTRATIVE/GENERAL EXPENSE	42,640,597	(85,703)	42,554,894
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$236,841,966	\$0	\$236,841,966
DEPRECIATION/AMORTIZATION EXPENSE	64,373,484	0	64,373,484
TAX EXPENSE-OTHER	8,934,253	0	8,934,253
INTEREST ON DEBT	42,210,623	0	42,210,623
INTEREST ON CONSTRUCTION-CREDIT	(680,928)	0	(680,928)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$352,079,398	\$0	\$352,079,398
PATRONAGE CAPITAL/OPERATING MARGINS	\$12,204,088	\$0	\$12,204,088
NON-OPERATING MARGINS-INTEREST	198,380	0	198,380
ALLOWANCE FUNDS USED DURING CONST.	226,980	0	226,980
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	\$12,629,448	\$0	\$12,629,448

MFI/I

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CHUGACH ELECTRIC ASSOCIATION, INC.

June 2021 YTD Financial Information
August 23, 2021



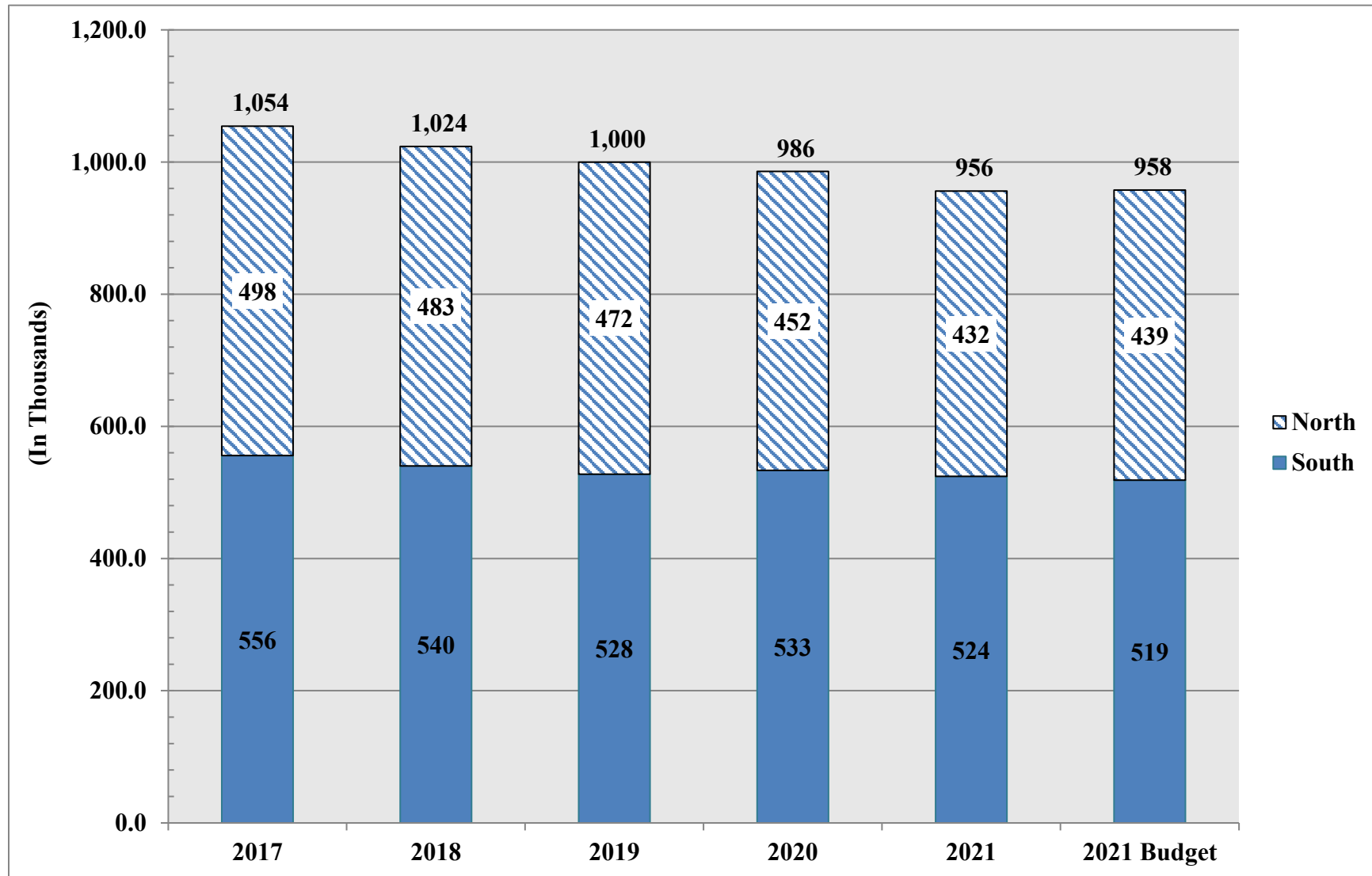
June 2021 YTD Financial Information



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

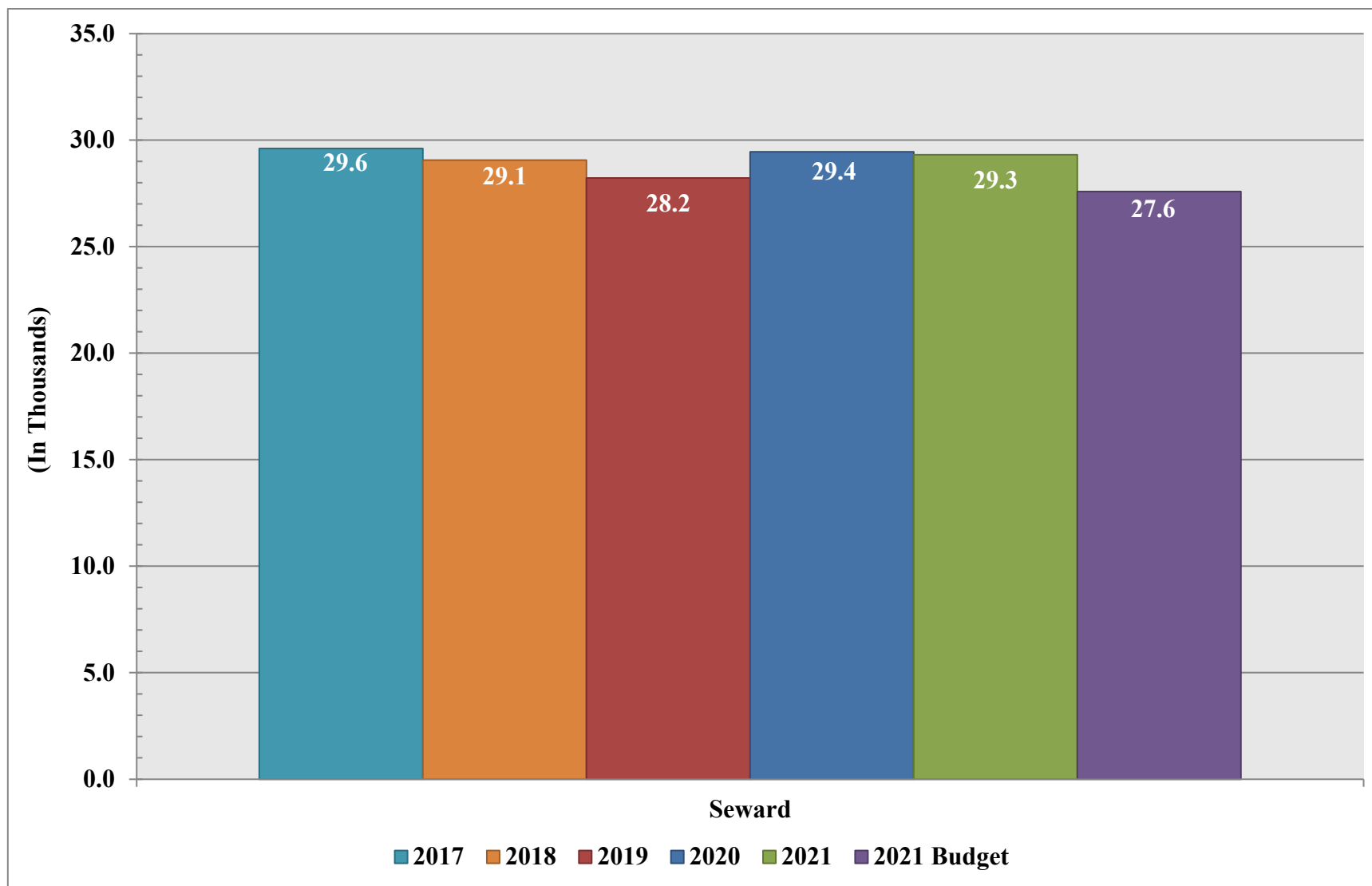
June 2021 YTD Financial Information

2021 Retail MWh Sales Comparison



June 2021 YTD Financial Information

5 Year Seward MWh Sales Comparison



June 2021 YTD Financial Information

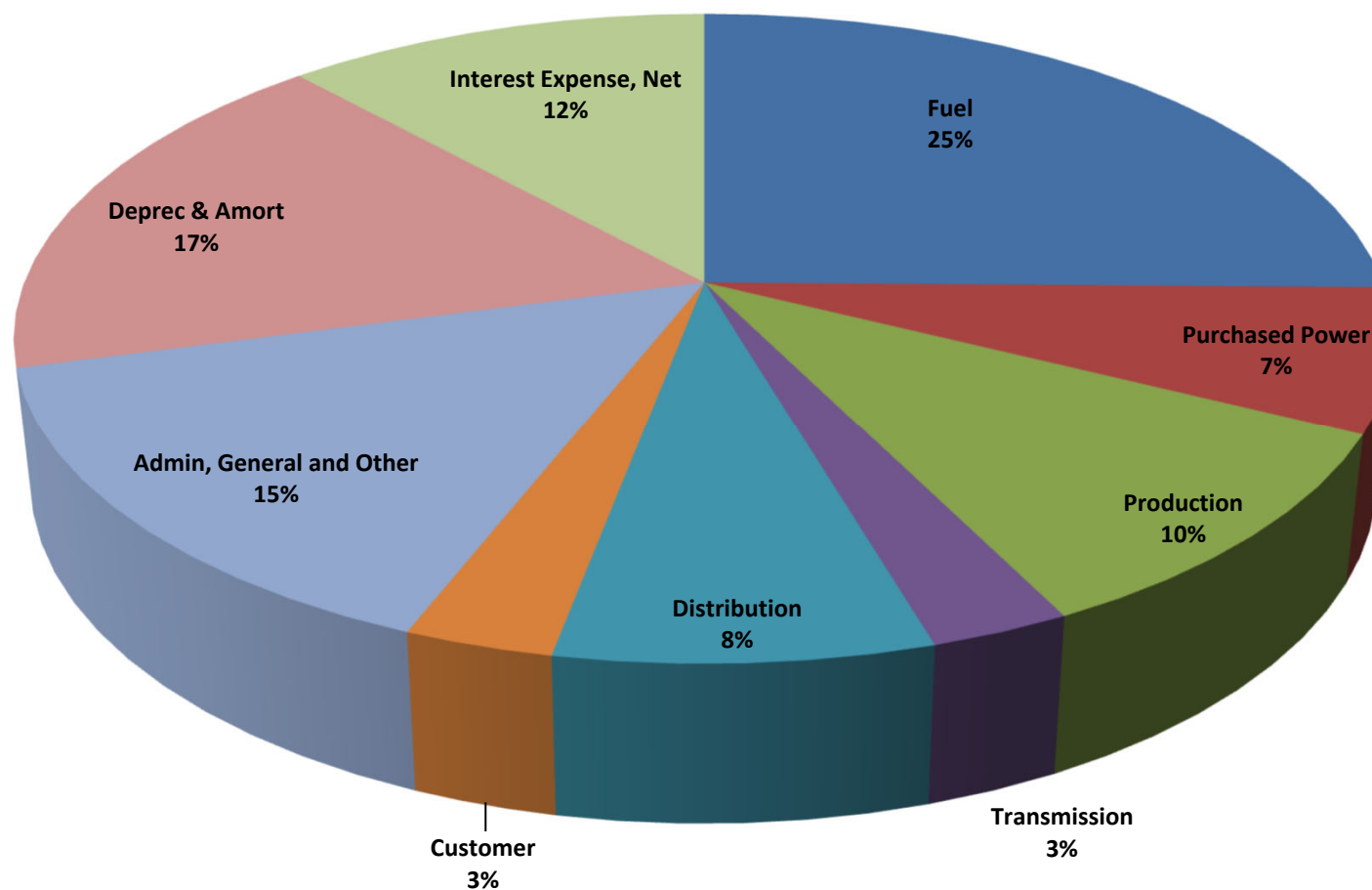
Comparative Statement of Operations



CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenues	\$ 179,114,823	\$ 183,414,003	\$ (4,299,180)
Fuel	44,804,999	42,379,425	2,425,574
Production	18,232,487	17,879,756	352,731
Purchased Power	12,643,868	12,312,929	330,939
Transmission	5,002,563	5,322,379	(319,816)
Distribution	13,373,033	13,799,444	(426,411)
Consumer Accounts	5,298,349	5,289,417	8,932
Administrative, General and Other	26,391,432	26,473,080	(81,648)
Depreciation and Amortization	30,908,240	32,118,965	(1,210,725)
Total Operating Expenses	\$ 156,654,971	\$ 155,575,395	\$ 1,079,576
Interest Expense, Long-Term and Other	21,168,436	21,301,164	(132,728)
Interest Charged to Construction	(288,672)	(340,464)	51,792
Net Interest Expense	\$ 20,879,764	\$ 20,960,700	\$ (80,936)
Net Operating Margins	\$ 1,580,088	\$ 6,877,908	\$ (5,297,820)
Interest Income	145,815	99,190	46,625
Allowance Funds Used During Const.	58,854	113,490	(54,636)
Capital Credits, Patronage Dividends, Other	7,942	0	7,942
Patronage Capital or Margins	\$ 1,792,699	\$ 7,090,588	\$ (5,297,889)
MFI/I	1.08	1.33	
TIER	1.09	1.34	

June 2021 YTD Financial Information

Total Operating and Interest Expense



June 2021 YTD Financial Information

Comparative Balance Sheet, Assets & Other Debits



ASSETS & OTHER DEBITS	06/30/21	12/31/20	CHANGE
Electric Plant in Service	2,059,339,845	1,941,080,063	118,259,782
Construction Work in Progress	31,988,599	38,075,575	(6,086,976)
Total Utility Plant	\$ 2,091,328,444	\$ 1,979,155,638	\$ 112,172,806
Accumulated Depreciation	(599,095,785)	(581,506,871)	(17,588,914)
Net Utility Plant	\$ 1,492,232,659	\$ 1,397,648,767	\$ 94,583,892
Nonutility Property	76,889	76,889	0
Financing & Operating Lease Right-of-Use Assets	3,939,437	4,102,328	(162,891)
Investment in Assoc. Organizations	7,288,564	7,595,197	(306,633)
Special Funds	32,235,394	19,862,119	12,373,275
Restricted Cash Equivalents & Other	64,310	64,310	0
Long-term Prepayments	350,900	423,404	(72,504)
Total Other Property & Investments	\$ 43,955,494	\$ 32,124,247	\$ 11,831,247
Cash and Restricted Cash	37,413,305	60,392,108	(22,978,803)
Special Deposits and Marketable Securities	58,300	58,300	-
Accounts Receivable - Net	48,138,227	53,679,921	(5,541,694)
Materials and Supplies, Fuel Stock	63,117,401	62,430,009	687,392
Prepayments	4,391,081	4,672,489	(281,408)
Other Current Assets	784,477	241,983	542,494
Total Current Assets	\$ 153,902,791	\$ 181,474,810	\$ (27,572,019)
Deferred Charges, Net	112,740,152	110,489,123	2,251,029
Total Assets	\$ 1,802,831,096	\$ 1,721,736,947	\$ 81,094,149

June 2021 YTD Financial Information

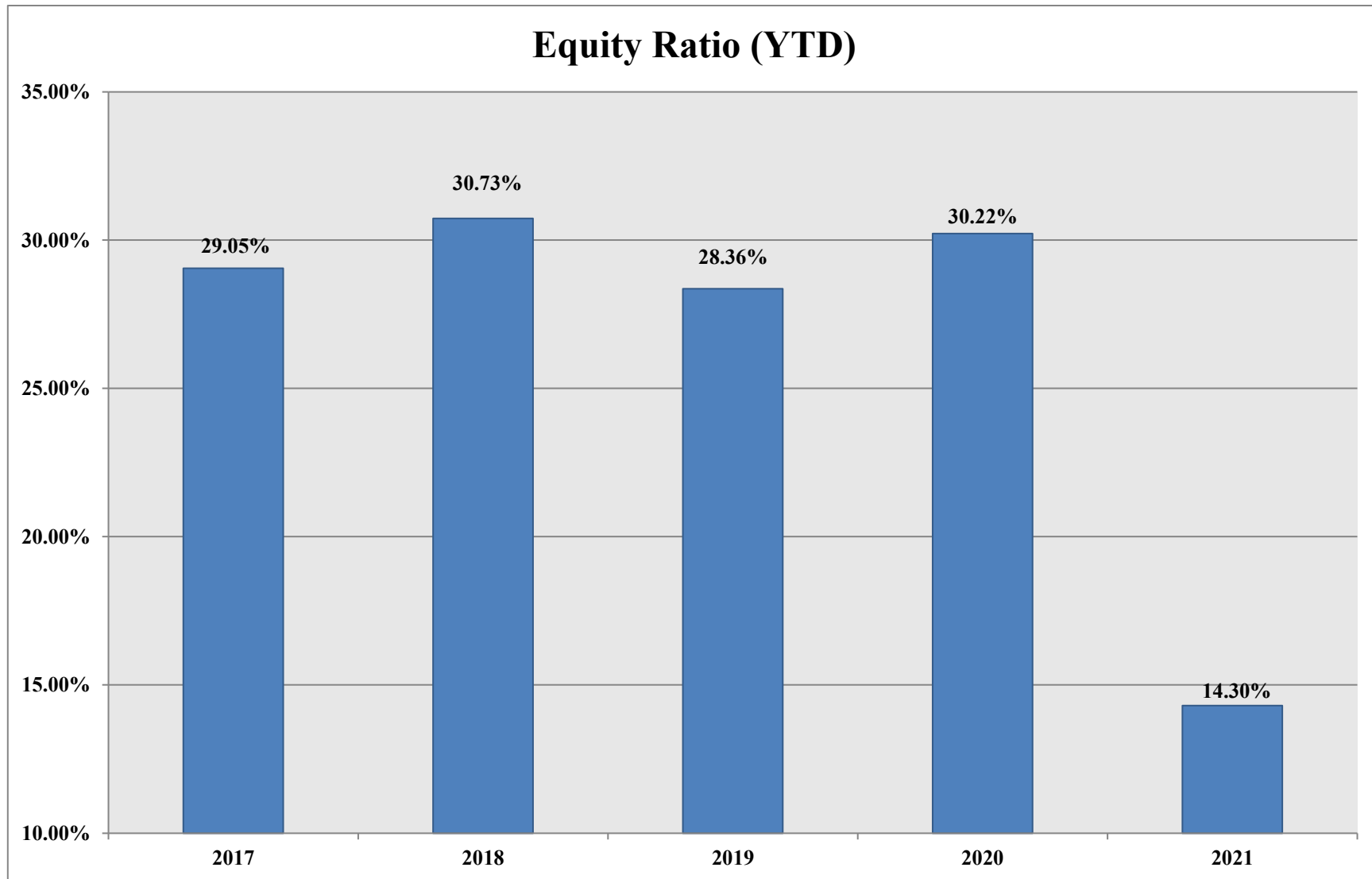
Comparative Balance Sheet, Liabilities & Other Credits



LIABILITIES & OTHER CREDITS	06/30/21	12/31/20	CHANGE
Memberships	1,927,892	1,908,432	19,460
Patronage Capital	183,153,598	181,564,419	1,589,179
Other	15,420,992	15,376,562	44,430
Total Equities and Margins	\$ 200,502,482	\$ 198,849,413	\$ 1,653,069
Bonds Payable	1,182,366,663	1,211,683,330	(29,316,667)
National Bank for Cooperatives	25,080,000	26,904,000	(1,824,000)
Unamortized Debt Issuance Costs	(5,960,133)	(6,179,476)	219,343
Operating & Finance Lease Liabilities	3,706,512	3,873,394	(166,882)
Total Long-Term Obligations	\$ 1,205,193,042	\$ 1,236,281,248	\$ (31,088,206)
Current Installments of Long-Term Obligations	42,198,139	42,197,115	1,024
Commercial Paper	12,000,000	10,000,000	2,000,000
Accounts Payable	12,753,613	19,170,493	(6,416,880)
Consumer Deposits	4,954,773	5,249,272	(294,499)
Other Current & Accrued Liabilities	58,063,704	53,612,254	4,451,450
Total Current Liabilities	\$ 129,970,229	\$ 130,229,134	\$ (258,905)
Deferred Compensation	2,043,093	1,821,222	221,871
Other Liabilities, Non-Current	916,158	548,570	367,588
Deferred Liabilities	31,978,100	36,899,176	(4,921,076)
BRU Regulatory Liability	111,695,023	-	111,695,023
Cost of Removal Obligation / ARO	120,532,969	117,108,184	3,424,785
Total Liabilities, Equities and Margins	\$ 1,802,831,096	\$ 1,721,736,947	\$ 81,094,149

June 2021 YTD Financial Information

5 Year Equity Ratio



June 2021 YTD Financial Information

Statements of Cash Flows



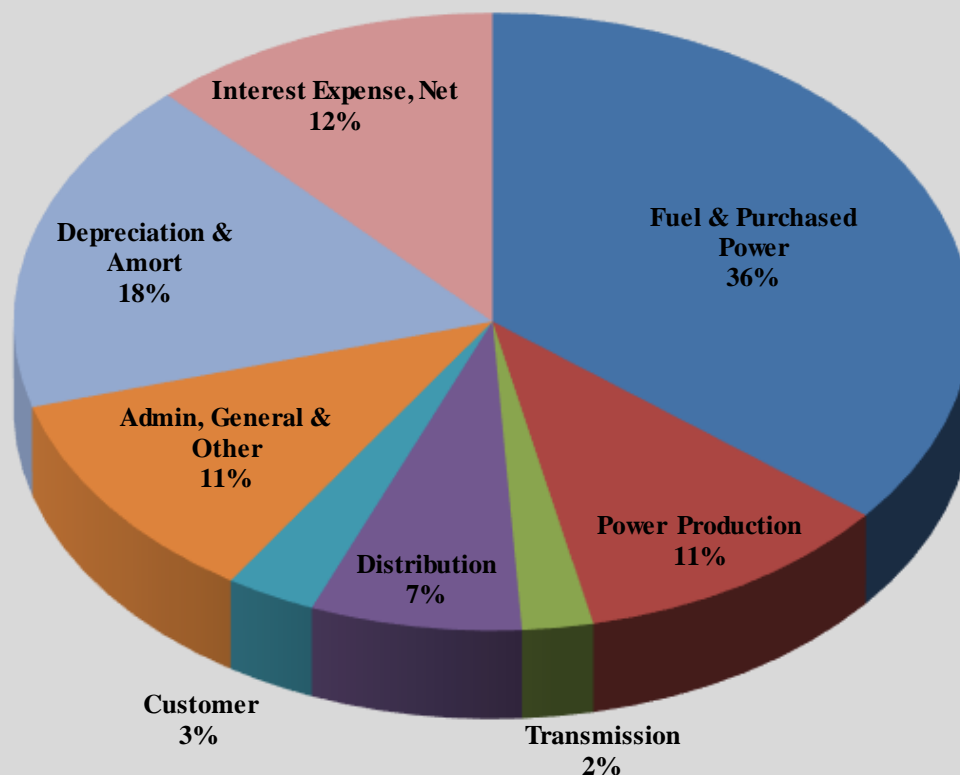
	06/30/21	06/30/20
1. Cash flows from operating activities:		
Assignable margins	\$ 1,792,699	\$ 3,584,755
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	36,635,518	19,643,228
Allowance for funds used during construction	(58,854)	(57,329)
PILT	5,190,816	0
Other	194,095	316,824
Increase in assets	(2,859,201)	(4,681,606)
Decrease in liabilities	(14,846,261)	(2,829,274)
Net cash provided by operating activities:	\$ 26,048,812	\$ 15,976,598
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	308,646	357,436
Investment in special funds	(12,151,404)	(305,373)
Investment in marketable securities and investments-other	0	(3,372)
Proceeds from capital grants	109,650	0
Extension and replacement of plant	(11,218,172)	(13,434,130)
Net cash used in investing activities:	\$ (22,951,280)	\$ (13,385,439)
3. Cash flows from financing activities:		
Payments for debt issue costs	(7,734)	(34,122)
Net increase (decrease) in short-term obligations	2,000,000	17,000,000
Net increase (decrease) in long-term obligations	(31,140,667)	(25,012,667)
Net increase (decrease) in consumer advances/retired patronage/other	3,072,066	1,665,745
Net cash provided by (used in) financing activities:	\$ (26,076,335)	\$ (6,381,044)
Net change in cash, cash equivalents & restricted cash	(22,978,803)	(3,789,885)
4. <u>Cash, cash equivalents & restricted cash at beginning of period</u>	\$ 60,456,418	\$ 8,623,975
5. <u>Cash, cash equivalents and restricted cash at end of period</u>	\$ 37,477,615	\$ 4,834,090

Questions?

COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2021 MTD ACTUAL TO BUDGET

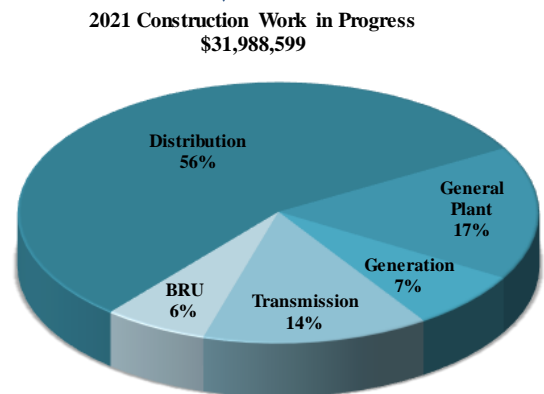
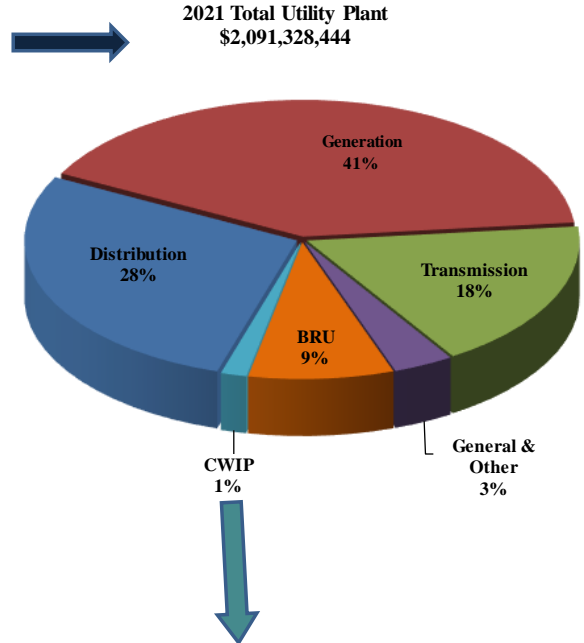
CATEGORY	2021 MTD ACTUAL	2021 MTD BUDGET	2021 MTD VARIANCE
Operating Revenue and Patronage Capital	\$ 27,630,157	\$ 26,869,440	\$ 760,717
Fuel and Purchased Power Expense	10,174,000	7,317,889	2,856,111
Power Production Expense	3,079,883	3,024,140	55,743
Transmission Expense	680,176	972,488	(292,312)
Distribution Expense	2,028,411	2,261,263	(232,852)
Customer Expense	864,148	901,195	(37,047)
Administrative, General and Other	3,221,598	4,268,699	(1,047,101)
Depreciation & Amortization Expense	5,000,598	5,343,670	(343,072)
Interest Expense, Net	3,377,910	3,437,389	(59,479)
Total Cost of Electric Service	\$ 28,426,724	\$ 27,526,733	\$ 899,991
Patronage Capital & Operating Margins	\$ (796,567)	\$ (657,293)	\$ (139,274)
Non-Operating Margins - Interest	23,994	16,531	7,463
Allowance for Funds Used During Construction	7,760	18,915	(11,155)
Non-Operating Margins - Other	400	-	400
Patronage Capital or Margins	\$ (764,413)	\$ (621,847)	\$ (142,566)

Total Cost of Electric Service (MTD Actual)



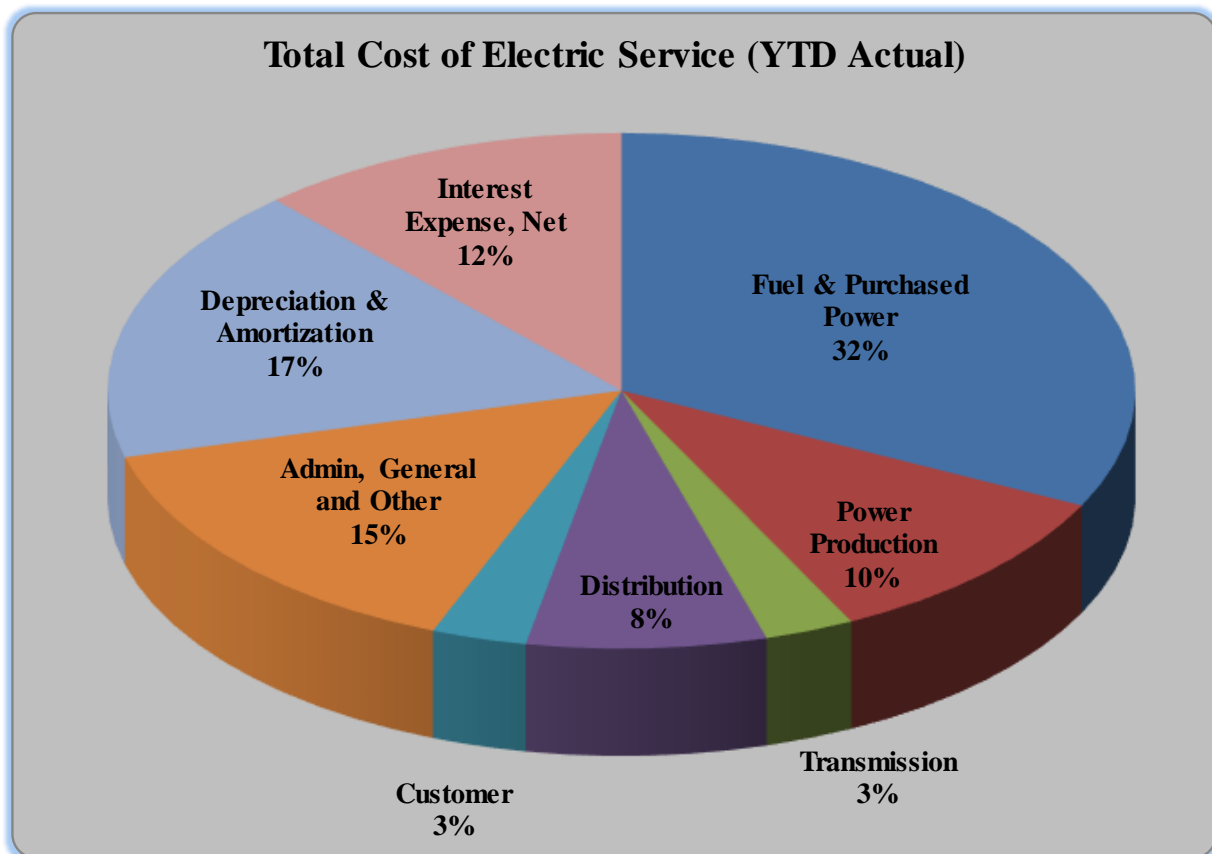
BALANCE SHEET

ASSETS & OTHER DEBITS	6/30/2021	12/31/2020
Electric Plant in Service	2,059,339,845	1,941,080,063
Construction Work in Progress	31,988,599	38,075,575
Total Utility Plant	\$ 2,091,328,444	\$ 1,979,155,638
Accum. Prov. for Depreciation/Amortization	(599,095,785)	(581,506,871)
Net Utility Plant	\$ 1,492,232,659	\$ 1,397,648,767
Nonutility Property - Net	76,889	76,889
Financing & Operating Lease Right-of-Use Assets	3,939,437	4,102,328
Investment in Assoc. Organizations	7,288,564	7,595,197
Special Funds	32,235,394	19,862,119
Restricted Cash Equivalents & Other	64,310	64,310
Long-term Prepayments	350,900	423,404
Total Other Property & Investments	\$ 43,955,494	\$ 32,124,247
Cash & Restricted Cash	37,413,305	60,392,108
Special Deposits and Marketable Securities	58,300	58,300
Accounts Receivable - Net	48,138,227	53,679,921
Materials and Supplies, Fuel Stock	63,117,401	62,430,009
Prepayments	4,391,081	4,672,489
Other Current & Accrued Assets	784,477	241,983
Total Current & Accrued Assets	\$ 153,902,791	\$ 181,474,810
Deferred Debits	112,740,152	110,489,123
Total Assets & Other Debits	\$ 1,802,831,096	\$ 1,721,736,947
LIABILITIES & OTHER CREDITS	6/30/2021	12/31/2020
Memberships	1,927,892	1,908,432
Pat. Capital, Margins & Equities	198,574,590	196,940,981
Total Margins & Equities	\$ 200,502,482	\$ 198,849,413
Long-Term Debt - Bonds	1,182,366,663	1,211,683,330
Long-Term Debt - Other	25,080,000	26,904,000
Unamortized Debt Issuance Costs	(5,960,133)	(6,179,476)
Operating Lease Liabilities	3,700,262	3,866,092
Finance Lease Liabilities	6,250	7,302
Total Long-Term Debt	\$ 1,205,193,042	\$ 1,236,281,248
Notes Payable	54,198,139	52,197,115
Accounts Payable	12,753,613	19,170,493
Consumer Deposits	4,954,773	5,249,272
Other Current & Accrued Liabilities	58,063,704	53,612,254
Total Current & Accrued Liabilities	\$ 129,970,229	\$ 130,229,134
Deferred Compensation	2,043,093	1,821,222
Other Liabilities, Non-Current	916,158	548,570
Deferred Liabilities	31,978,100	36,899,176
BRU Regulatory Liability	111,695,023	-
Cost of Removal Obligation	120,532,969	117,108,184
Total Liabilities & Other Credits	\$ 1,802,831,096	\$ 1,721,736,947



**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
2021 YTD ACTUAL TO BUDGET**

CATEGORY	2021 YTD ACTUAL	2021 YTD BUDGET	2021 YTD VARIANCE
Operating Revenue and Patronage Capital	\$ 179,114,823	\$ 183,414,003	\$ (4,299,180)
Fuel and Purchased Power Expense	57,448,867	54,692,354	2,756,513
Power Production Expense	18,232,487	17,879,756	352,731
Transmission Expense	5,002,563	5,322,379	(319,816)
Distribution Expense	13,373,033	13,799,444	(426,411)
Customer Expense	5,298,349	5,289,417	8,932
Administrative, General and Other	26,391,432	26,473,080	(81,648)
Depreciation & Amortization Expense	30,908,240	32,118,965	(1,210,725)
Interest Expense, Net	20,879,764	20,960,700	(80,936)
Total Cost of Electric Service	\$ 177,534,735	\$ 176,536,095	\$ 998,640
Patronage Capital & Operating Margins	\$ 1,580,088	\$ 6,877,908	\$ (5,297,820)
Non-Operating Margins - Interest	145,815	99,190	46,625
Allowance Funds Used During Const.	58,854	113,490	(54,636)
Non-Operating Margins - Other	7,942	-	7,942
Patronage Capital or Margins	\$ 1,792,699	\$ 7,090,588	\$ (5,297,889)
MFI/I	1.08	1.33	
TIER	1.09	1.34	

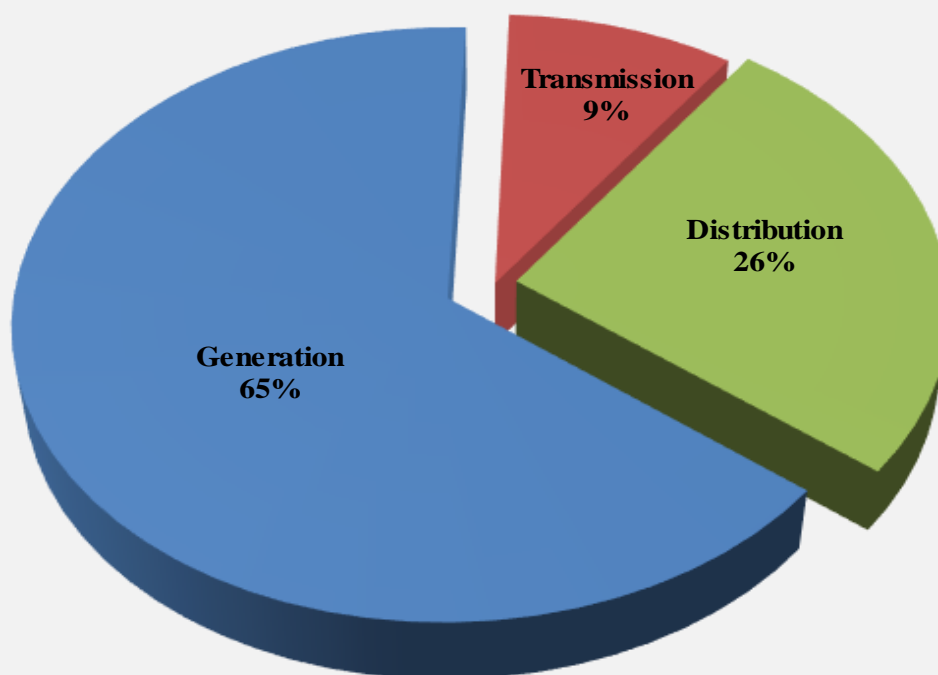


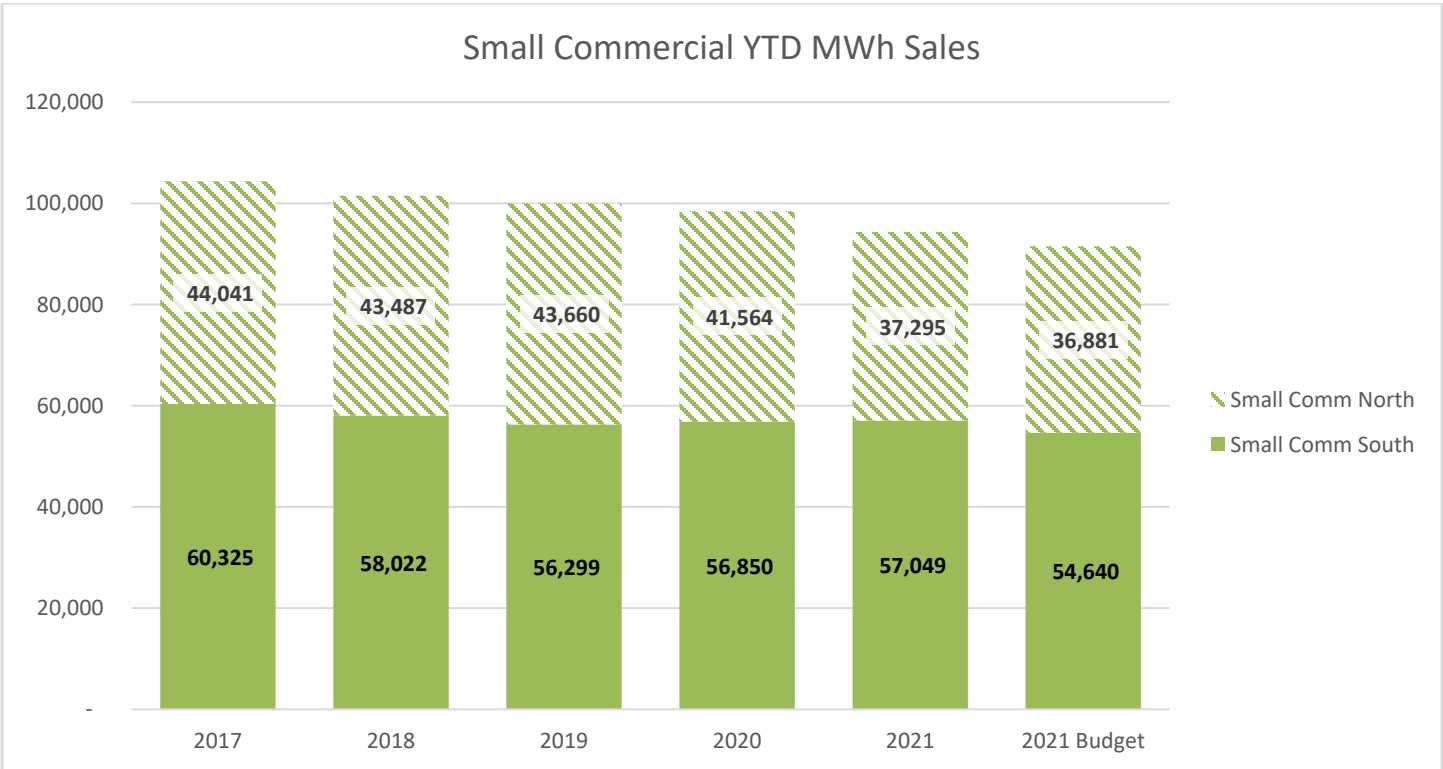
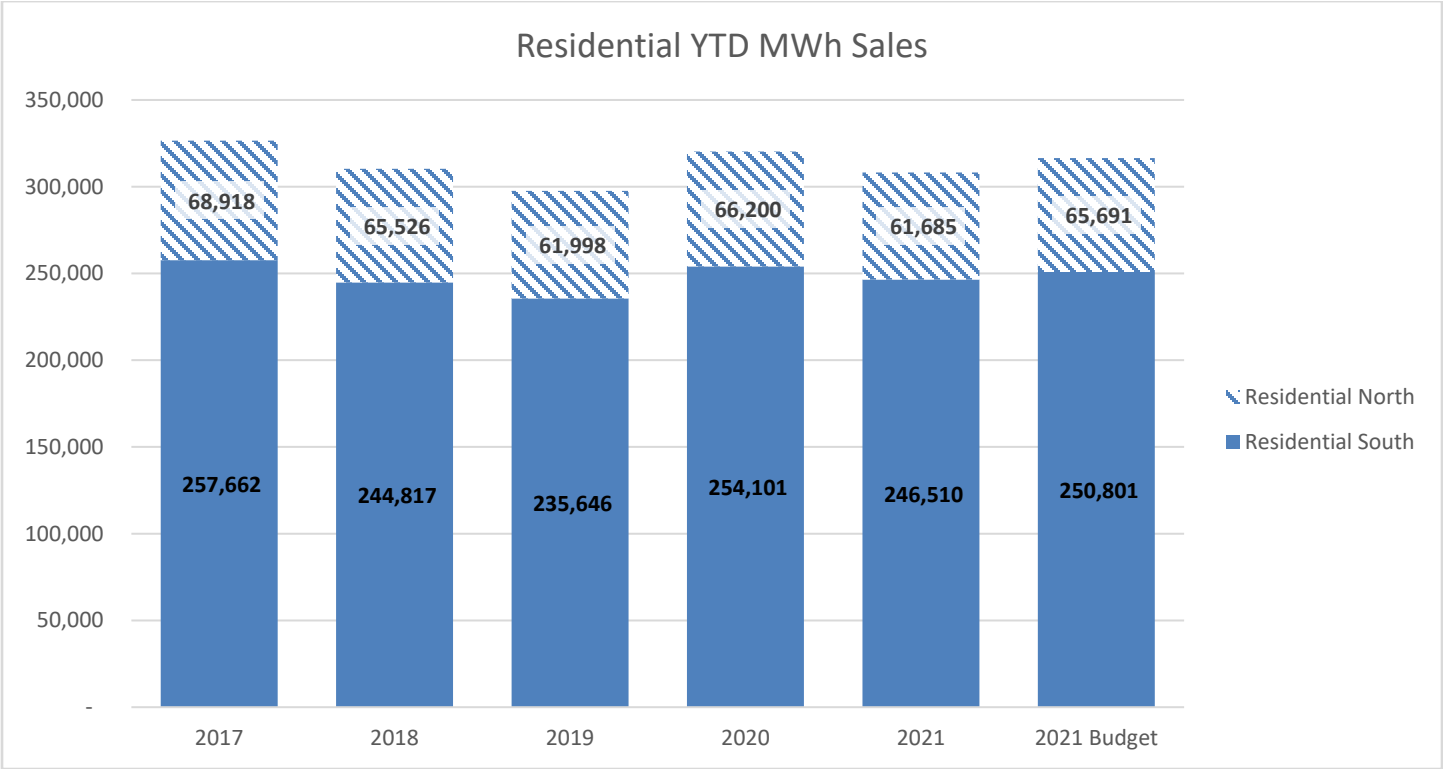
FUNCTIONAL STATEMENT OF OPERATIONS

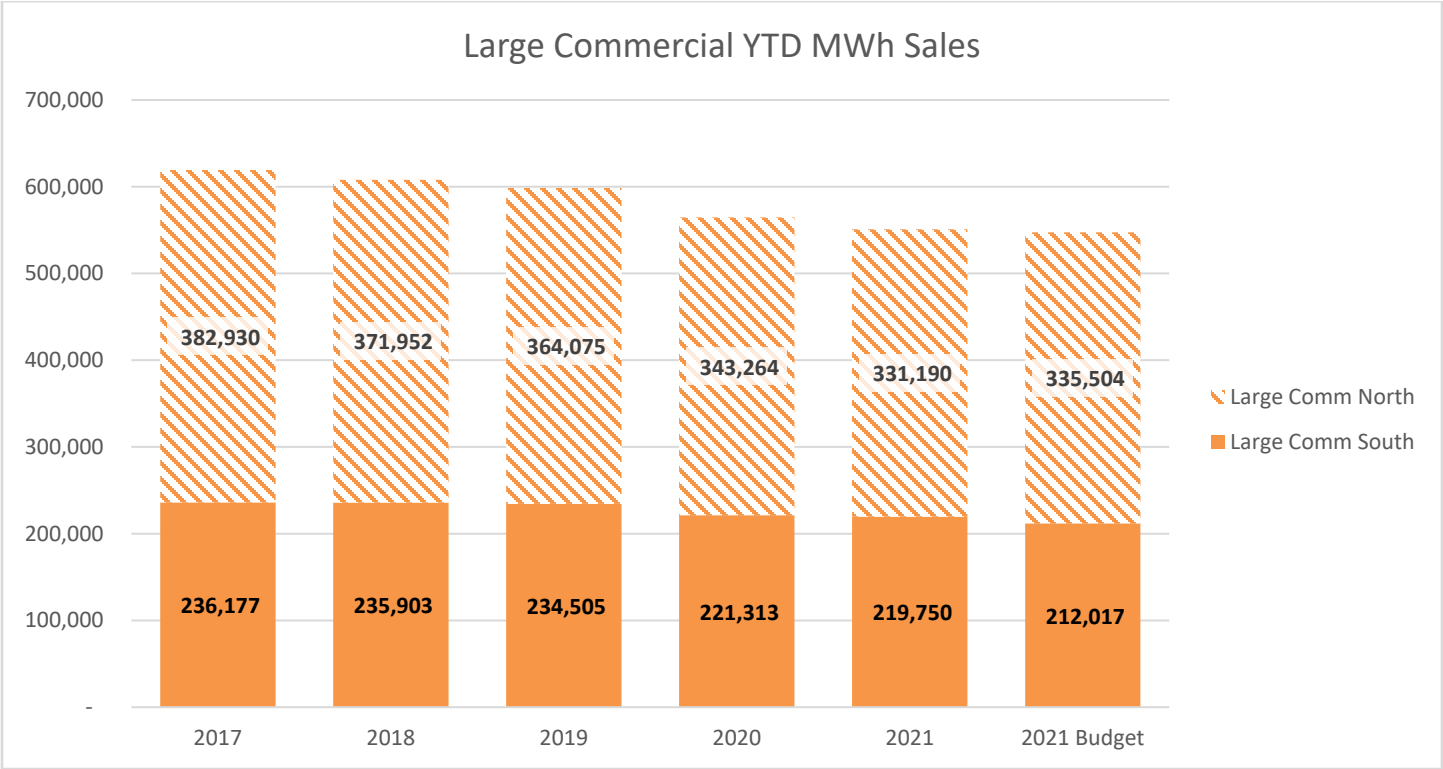
June 30, 2021

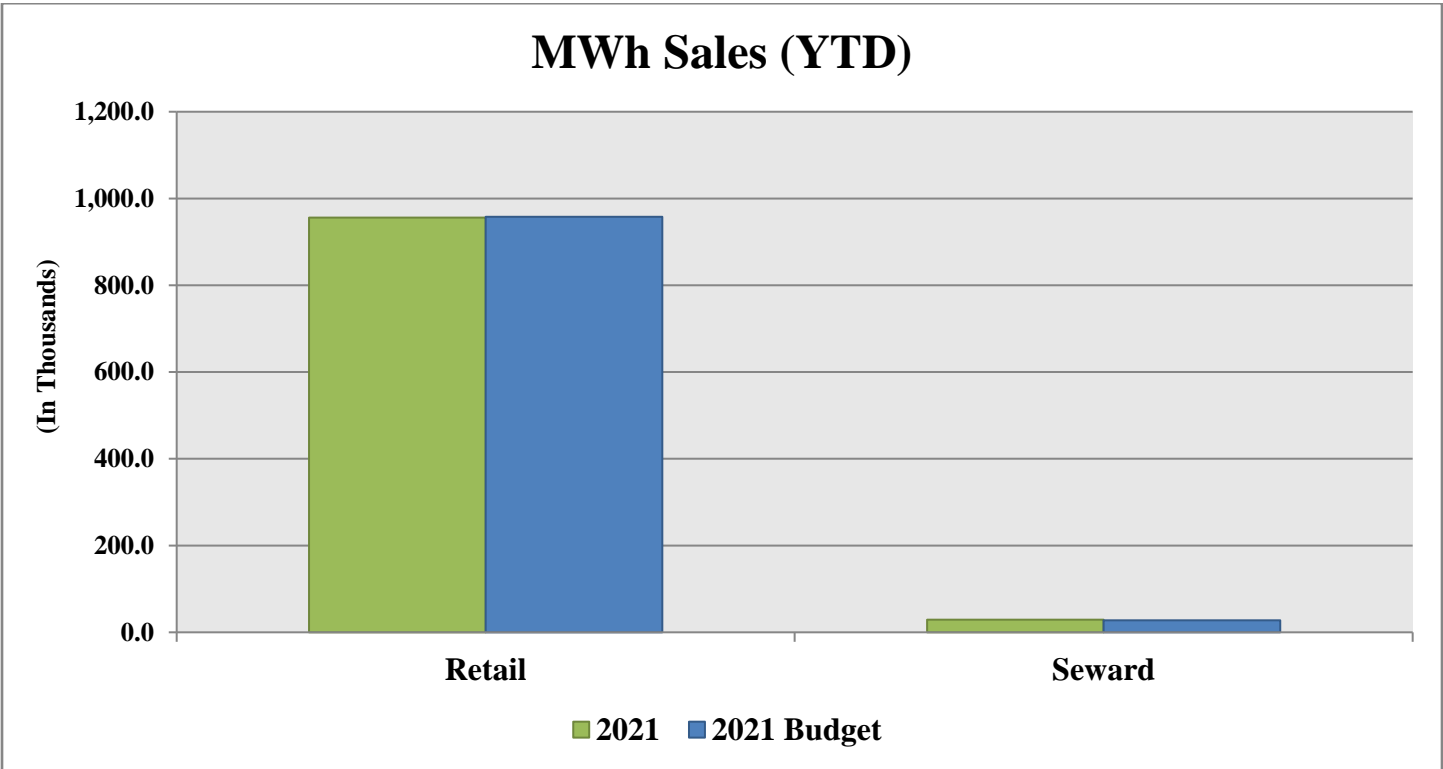
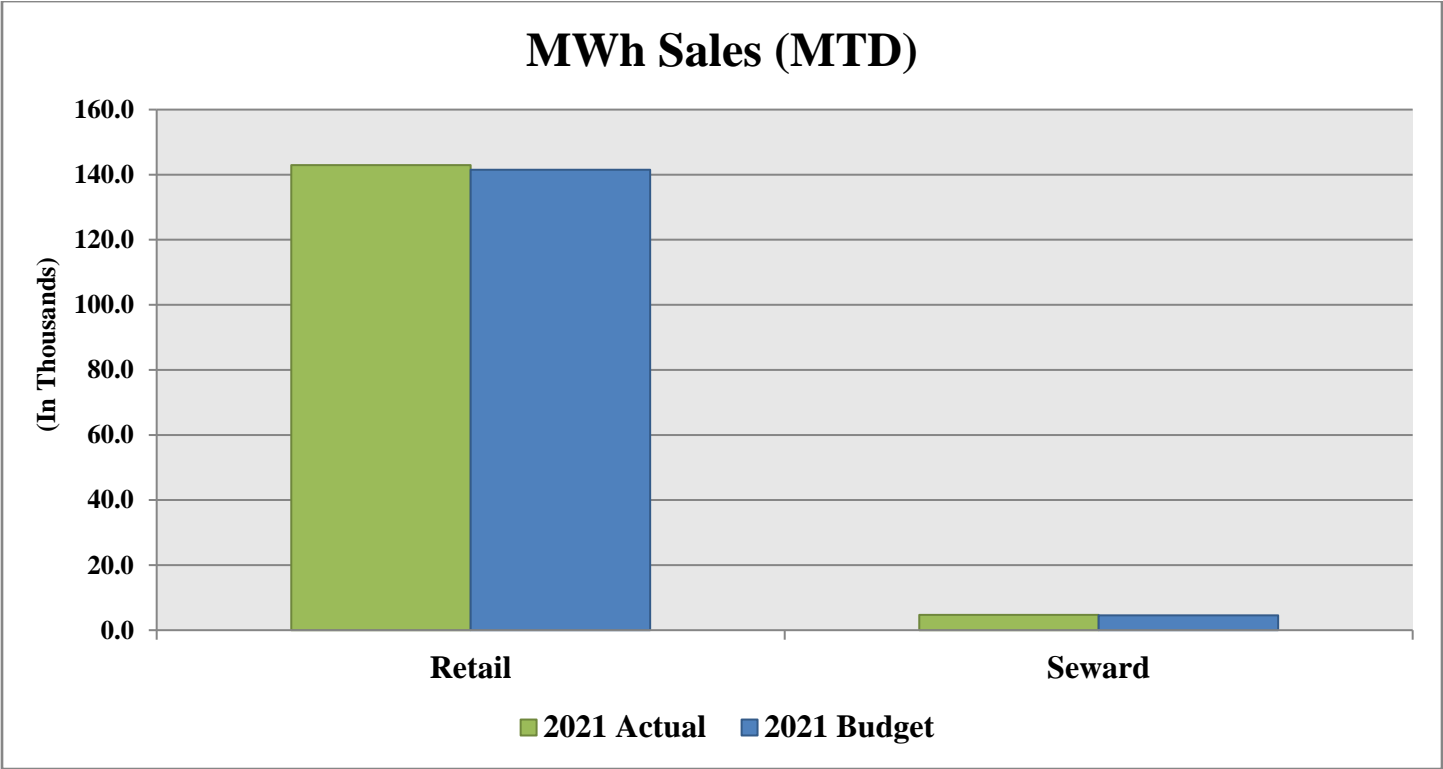
CATEGORY	2021 YTD TOTAL	2021 YTD GEN	2021 YTD TRANS	2021 YTD DIST
Operating Revenue and Patronage Capital	\$ 179,114,823	\$ 116,453,696	\$ 16,569,451	\$ 46,091,677
Fuel and Purchased Power Expense	57,448,867	57,448,867	-	-
Power Production Expense	18,232,487	18,232,487	-	-
Transmission Expense	5,002,563	-	5,002,563	-
Distribution Expense	13,373,033	-	-	13,373,033
Customer Expense	5,298,349	-	-	5,298,349
Administrative, General and Other	26,391,432	8,713,417	3,394,086	14,283,928
Depreciation & Amortization Expense	30,908,240	17,802,149	3,767,001	9,339,090
Interest Expense, Net	20,879,764	13,229,462	4,259,631	3,390,671
Total Cost of Electric Service	\$ 177,534,735	\$ 115,426,382	\$ 16,423,281	\$ 45,685,072
Patronage Capital & Operating Margins	\$ 1,580,088	\$ 1,027,313	\$ 146,170	\$ 406,605
Non-Operating Margins - Interest	145,815	83,984	17,771	44,059
Allowance for Funds Used During Construction	58,854	3,379	3,559	51,916
Non-Operating Margins - Other	7,942	2,428	1,051	4,463
Patronage Capital or Margins	\$ 1,792,699	\$ 1,117,105	\$ 168,551	\$ 507,043

Total Cost of Electric Service









ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	956,126,309	957,687,535
Wholesale Energy Sales	<u>29,308,607</u>	<u>27,583,354</u>
Total Firm Energy Sales	985,434,916	985,270,889
Economy Energy/Capacity Sales	45,308,000	53,137,000
Power Pool Sales	<u>23,546,000</u>	<u>0</u>
Total Energy Sales	1,054,288,916	1,038,407,889

Firm energy sales totaled 985,434,916 kWh, which was not a significant variance compared to budget. Retail energy sales were under budget 0.2% primarily due to lower than anticipated residential energy sales, which was somewhat offset by higher than anticipated small and large commercial energy sales. This variance was offset by higher than anticipated wholesale energy sales which were over budget by 6.3%. Economy energy and capacity sales were under budget by 14.7% due to lower than anticipated economy sales to GVEA caused by limited gas availability, MEA pricing competition and unit availability capable of the heat rate requirement, due in part to the impact of power pooling to unit availability. Power pool sales were over budget by 100% due to unanticipated sales to MEA beginning in April.

ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$170.0	\$ 174.9
Wholesale Revenue	<u>2.6</u>	<u>2.5</u>
Total Firm Revenue	172.6	177.4
Economy Energy/Capacity/Power Pool Revenue	3.8	4.3
Other Operating Revenue	<u>2.7</u>	<u>1.7</u>
Total Revenue	\$179.1	\$ 183.4

Revenue from firm sales totaled \$172.6 million compared to \$177.4 million in the budget. Firm revenue was lower than expected primarily due to lower than anticipated residential energy sales and large commercial demand revenue. Economy energy, capacity and power pool revenue was \$3.8 million compared to \$4.3 million in the budget. This unfavorable variance was due to lower than anticipated sales to GVEA as discussed above. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, grants, AWWU revenue, miscellaneous service and other electric revenue. Other operating revenue totaled \$2.7 million compared to \$1.7 million in the budget, primarily due to higher than anticipated wheeling from GVEA, AWWU revenue and FEMA grants associated with the 2018 earthquake.

FUEL AND PURCHASED POWER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Fuel	\$ 44.8	\$ 42.4
Purchased Power	<u>12.6</u>	<u>12.3</u>
Total	\$ 57.4	\$ 54.7

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$44.8 million compared to \$42.4 million in the budget. This unfavorable variance was primarily due to higher than anticipated BRU operating costs and more fuel purchased from providers due to less fuel produced at BRU, which was somewhat offset by lower storage and transportation costs.

Actual fuel purchased or withdrawn from inventory for production was 4,084,805 Mcf compared to 3,501,902 Mcf in the budget.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, Eklutna, and other utilities as needed, as well as costs associated with dispatching. Purchased power expense was \$12.6 million compared to \$12.3 million in the budget, caused primarily by higher than budgeted labor.

Actual energy purchased was 180,626 MWh at an average effective price of 5.48 cents per kWh compared to 164,237 MWh budgeted at an average effective price of 5.97 cents per kWh.

POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 18.2	\$ 17.9

Power production expense was \$18.2 million compared to \$17.9 million in the budget. This unfavorable budget variance is primarily due to unbudgeted labor, which was somewhat offset by lower than anticipated maintenance and utility costs.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 5.0	\$ 5.3

Transmission operations and maintenance expense was \$5.0 million compared to \$5.3 million in the budget. This favorable variance is primarily due to lower than anticipated expense labor charged to this financial category, which was somewhat offset by higher than anticipated vegetation control expenses.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 13.4	\$ 13.8

Distribution operations and maintenance expense was \$13.4 million compared to \$13.8 million in the budget. This favorable variance is primarily due to lower than anticipated labor and line clearing, which was somewhat offset by higher than anticipated costs allocated to this financial category for garage and information services costs.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 5.3	\$ 5.3

Consumer accounts and customer information expense was \$5.3 million compared to \$5.3 million in the budget, with no significant variance.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 26.4	\$ 26.5

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. Administrative, general and other expense was \$26.4 million compared to \$26.5 million in the budget. This favorable budget variance is primarily due to lower than anticipated legal and audit fees, which was somewhat offset by higher than anticipated PILT.

SUMMARY

Depreciation, interest, and interest during construction expense totaled \$51.8 million compared to \$53.1 million in the budget. This favorable variance compared to budget was primarily due to lower than anticipated depreciation expense.

All the foregoing expenses resulted in total cost of electric service of \$177.5 million compared to \$176.5 million in the budget.

Non-operating margins include allowance for funds used during construction (AFUDC), capital credit and patronage capital allocations, extraordinary items, and interest and dividend income. Non-operating margins totaled \$212.6 thousand compared to \$212.7 thousand in the budget which was primarily due to higher than anticipated interest income which was offset by lower AFUDC. The quarterly BRU ARO Investment Fund Review to the Audit and Finance Committee includes the market value and rate of return on that investment. The other investment associated with BRU, the future natural gas purchases investment account had a balance of \$9.7 million on June 30, 2021, and had a 30-day yield of 0.03%.

The net result of revenue and expenses was margins of \$1.8 million compared to projected margins of \$7.1 million in the budget.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT & FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

August 23, 2021

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

<u> </u>	Information Only
<u> X </u>	Motion
<u> X </u>	Resolution
<u> </u>	Executive Session
<u> </u>	Other

TOPIC

Beluga River Unit (“BRU”) Asset Retirement Obligation (“ARO”) Investment Strategy

DISCUSSION

The Audit & Finance Committee reviewed proposed BRU ARO investment strategies on July 28 and August 23, 2021.

MOTION

Move that the Audit & Finance Committee recommend the Board of Directors approve the attached resolution establishing an investment strategy and adopting investment guidelines to accomplish the purpose of the ARO Fund.