

CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Rachel Morse, Chair

Susan Reeves  
Jim Henderson  
Bettina Chastain  
Harold Hollis

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**August 8, 2018**

**4:00 p.m.**

**Chugach Board Room**

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- I. CALL TO ORDER
  - A. *Roll Call*
- II. APPROVAL OF THE AGENDA\*
- III. APPROVAL OF THE MINUTES\*
  - A. *July 25, 2018 (Portades)*
- IV. PERSONS TO BE HEARD
  - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (*scheduled*)
  - A. *2<sup>nd</sup> Quarter 2018 Financial Statements and Variance Report (Harris/Curran)*
  - B. *2<sup>nd</sup> Quarter 2018 Operating Budget Status Report (Curran)*
  - C. *2<sup>nd</sup> Quarter 2018 Capital Tracking Report (Curran)*
  - D. *2<sup>nd</sup> Quarter 2018 Contract Status Report (Vecera)*
- VI. NEW BUSINESS\* (*scheduled*)
  - A. *Election of Audit and Finance Committee Vice Chair\* (Committee)*
  - B. *2<sup>nd</sup> Quarter 2018 Financial Information (Harris)*
- VII. EXECUTIVE SESSION\* (*scheduled*)
  - A. *Strategic Planning*
    - 1. *KPMG 2<sup>nd</sup> Quarter 2018 Review*
    - 2. *June 30, 2018, SEC Form 10Q Review*
- VIII. NEW BUSINESS\* (*continued*)
  - A. *June 30, 2018, SEC Form 10Q Filing\* (Curran)*
- IX. DIRECTOR COMMENTS
- X. ADJOURNMENT\*

\* *Denotes Action Items*

\*\* *Denotes Possible Action Items*

8/8/2018 12:32:03 PM

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**July 25, 2018**  
**Wednesday**  
**3:00 p.m.**

**AUDIT AND FINANCE COMMITTEE MEETING**

Recording Secretary: Divina Portades

**I. CALL TO ORDER**

Chair Morse called the Audit and Finance Committee meeting to order at 3:05 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

*A. Roll Call*

*Committee Members Present:*

Rachel Morse, Chair  
Jim Henderson, Director  
Bettina Chastain, Director

*Committee Member Excused Absence:*

Susan Reeves, Director

*Other Board Member Present:*

Harry Crawford, Director (*arrived during Executive Session*)  
Stuart Parks, Director

*Guests and Staff in Attendance:*

Lee Thibert	Matthew Clarkson	Tom Schulman
Tyler Andrews	Arden Quezon-Vicente	Renee Curran
Sherri Highers	Julie Hasquet	Jody Wolfe
Arthur Miller	Debra Caldwell	Dan Walker, Walker
Paul Risse	Josh Resnick	Associates

**II. APPROVAL OF THE AGENDA**

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

**III. APPROVAL OF THE MINUTES**

Director Henderson moved and Director Chastain seconded the motion to approve the July 11, 2018, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

**IV. PERSONS TO BE HEARD**

- A. *Member Comments*  
None

**V. CEO REPORTS AND CORRESPONDENCE**

None

**VI. NEW BUSINESS**

None

**VII. EXECUTIVE SESSION**

- A. *Strategic Planning*  
1. *ML&P – Financing for Potential Acquisition*

At 3:07 p.m., Director Chastain moved and Director Henderson seconded the motion that pursuant to Alaska Statute 10.25.175 (c)(1), the Audit and Finance Committee go into executive session to discuss financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative. The motion passed unanimously.

The meeting reconvened in open session at 5:27 p.m.

**VIII. NEW BUSINESS**

- A. *ML&P – Financing for Potential Acquisition\* (Highers)*

Director Chastain moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend the Board of Directors authorize the Chief Executive Officer to select and negotiate financing services associated with the potential acquisition of ML&P as discussed in executive session. The motion passed unanimously.

**IX. DIRECTOR COMMENTS**

Comments were made at this time.

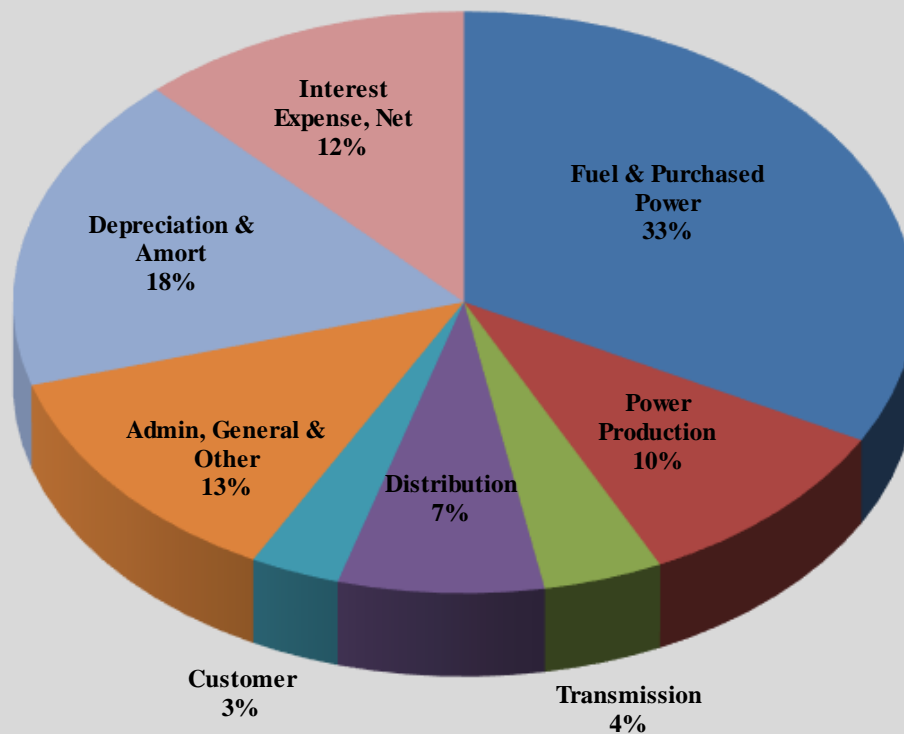
**X. ADJOURNMENT**

At 5:29 p.m., Director Chastain moved and Director Henderson seconded the motion to adjourn. The motion passed unanimously.

## STATEMENT OF OPERATIONS

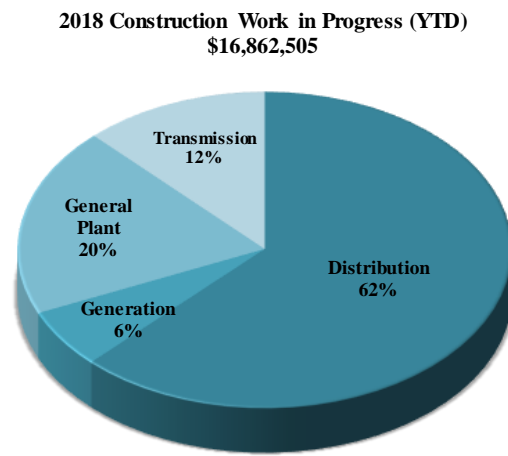
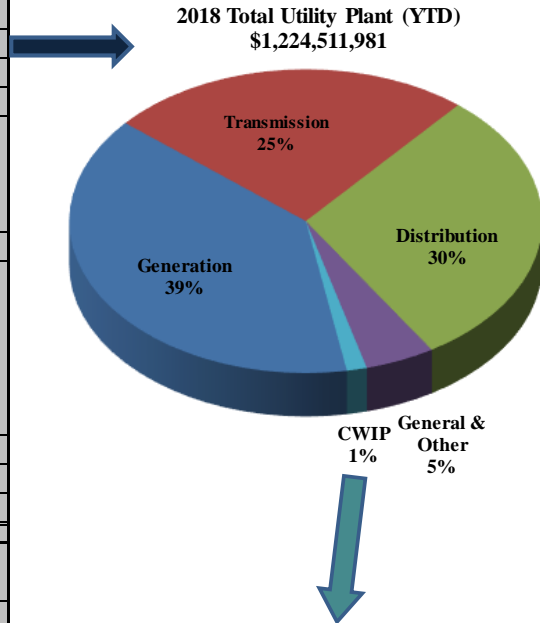
CATEGORY	2018 MTD ACTUAL	2018 MTD BUDGET	2018 MTD VARIANCE
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 14,326,978</b>	<b>\$ 15,630,411</b>	<b>\$ (1,303,433)</b>
Fuel and Purchased Power Expense	4,943,777	6,153,698	(1,209,921)
Power Production Expense	1,501,863	1,686,892	(185,029)
Transmission Expense	644,579	638,409	6,170
Distribution Expense	1,110,014	1,219,383	(109,369)
Customer Expense	484,316	557,279	(72,963)
Administrative, General and Other	1,902,876	1,838,838	64,038
Depreciation & Amortization Expense	2,656,231	2,647,874	8,357
Interest Expense, Net	1,799,045	1,790,726	8,319
<b>Total Cost of Electric Service</b>	<b>\$ 15,042,701</b>	<b>\$ 16,533,099</b>	<b>\$ (1,490,398)</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ (715,723)</b>	<b>\$ (902,688)</b>	<b>\$ 186,965</b>
Non-Operating Margins - Interest	76,240	51,827	24,413
Allowance for Funds Used During Construction	10,438	10,474	(36)
Non-Operating Margins - Other	(41,065)	-	(41,065)
<b>Patronage Capital or Margins</b>	<b>\$ (670,110)</b>	<b>\$ (840,387)</b>	<b>\$ 170,277</b>

### Total Cost of Electric Service (MTD Actual)



## BALANCE SHEET

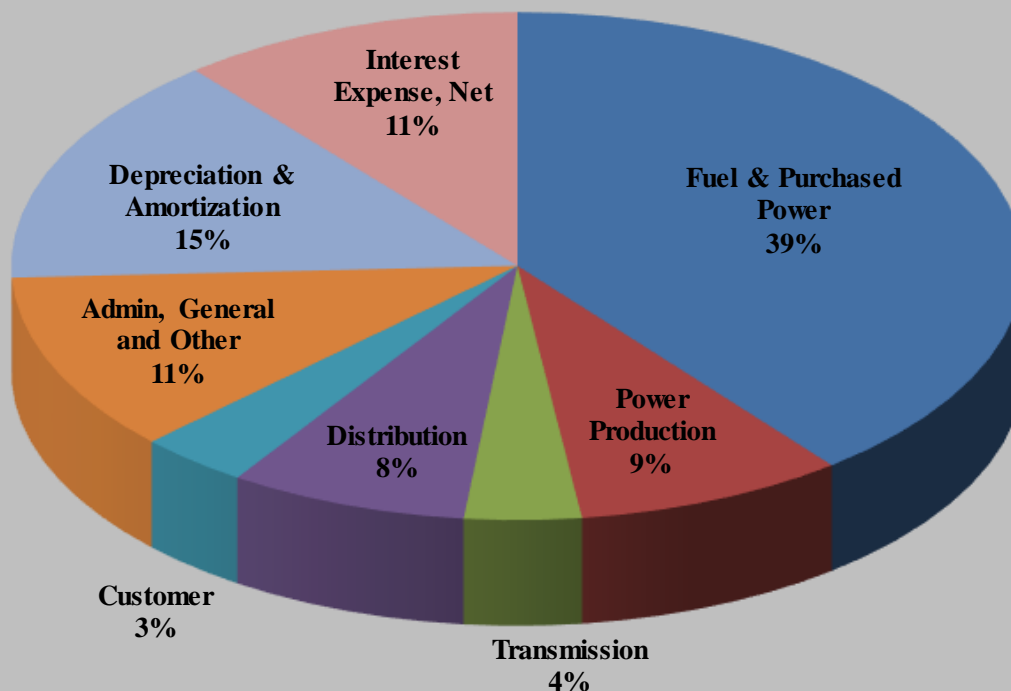
ASSETS & OTHER DEBITS	06/30/2018	12/31/17
Electric Plant in Service	1,207,649,476	1,205,092,224
Construction Work in Progress	16,862,505	17,952,573
<b>Total Utility Plant</b>	<b>\$ 1,224,511,981</b>	<b>\$ 1,223,044,797</b>
Accum. Prov. for Depreciation/Amortization	(519,871,345)	(515,496,312)
<b>Net Utility Plant</b>	<b>\$ 704,640,636</b>	<b>\$ 707,548,485</b>
Nonutility Property - Net	76,889	76,889
Investment in Assoc. Organizations	8,566,395	8,980,410
Special Funds	1,843,468	1,466,010
Restricted Cash & Other Investments	748,953	1,028,758
<b>Total Other Property &amp; Investments</b>	<b>\$ 11,235,705</b>	<b>\$ 11,552,067</b>
Cash, Marketable Securities & Other	15,680,403	16,906,531
Special Deposits/Restricted Cash	611,083	741,670
Accounts Receivable - Net	25,691,910	35,680,680
Materials and Supplies, Fuel Stock	25,152,848	22,193,089
Prepayments	3,216,623	4,953,170
Other Current & Accrued Assets	1,851,577	5,178,987
<b>Total Current &amp; Accrued Assets</b>	<b>\$ 72,204,444</b>	<b>\$ 85,654,127</b>
Deferred Debits	33,522,024	32,764,065
<b>Total Assets &amp; Other Debits</b>	<b>\$ 821,602,809</b>	<b>\$ 837,518,744</b>
LIABILITIES & OTHER CREDITS	06/30/2018	12/31/17
Memberships	1,732,662	1,719,154
Pat. Capital, Margins & Equities	189,632,536	187,582,140
<b>Total Margins &amp; Equities</b>	<b>\$ 191,365,198</b>	<b>\$ 189,301,294</b>
Long-Term Debt - Bonds	398,416,664	421,833,331
Long-Term Debt - Other	35,568,000	37,164,000
Unamortized Debt Issuance Costs	(2,546,476)	(2,669,485)
<b>Total Long-Term Debt</b>	<b>\$ 431,438,188</b>	<b>\$ 456,327,846</b>
Notes Payable	79,608,667	76,608,667
Accounts Payable	10,003,134	7,420,279
Consumer Deposits	5,084,010	5,335,896
Other Current & Accrued Liabilities	30,096,758	30,002,352
<b>Total Current &amp; Accrued Liabilities</b>	<b>\$ 124,792,569</b>	<b>\$ 119,367,194</b>
Deferred Compensation	1,318,295	1,229,294
Other Liabilities, Non-Current	730,506	531,630
Deferred Liabilities	1,214,613	1,249,390
Patronage Capital Payable	8,798,077	8,798,077
Cost of Removal Obligation	61,945,363	60,714,019
<b>Total Liabilities &amp; Other Credits</b>	<b>\$ 821,602,809</b>	<b>\$ 837,518,744</b>



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

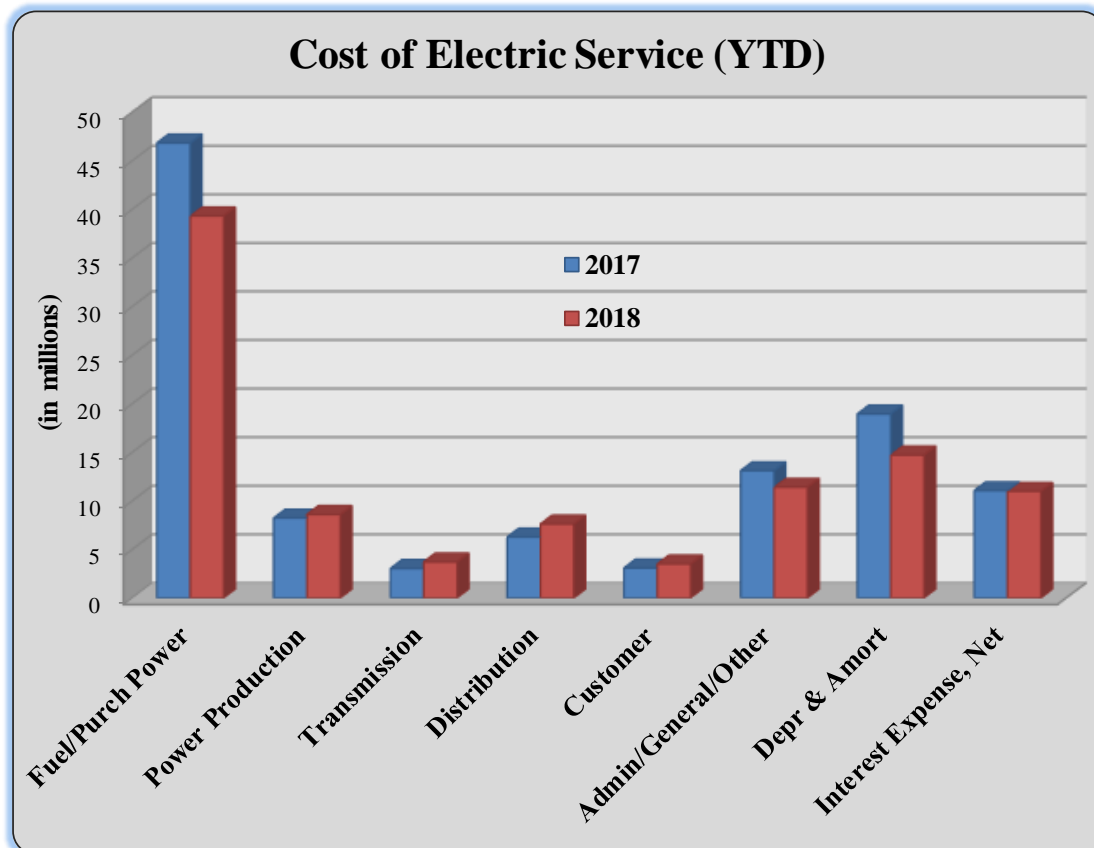
CATEGORY	2018 YTD ACTUAL	2018 YTD BUDGET	2018 YTD VARIANCE
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 102,045,861</b>	<b>\$ 108,000,071</b>	<b>\$ (5,954,210)</b>
Fuel and Purchased Power Expense	39,336,581	43,584,594	(4,248,013)
Power Production Expense	8,607,205	9,353,090	(745,885)
Transmission Expense	3,729,188	3,540,365	188,823
Distribution Expense	7,621,549	7,403,258	218,291
Customer Expense	3,517,651	3,242,439	275,212
Administrative, General and Other	11,415,273	11,394,511	20,762
Depreciation & Amortization Expense	14,737,296	15,916,756	(1,179,460)
Interest Expense, Net	10,991,285	10,936,959	54,326
<b>Total Cost of Electric Service</b>	<b>\$ 99,956,028</b>	<b>\$ 105,371,972</b>	<b>\$ (5,415,944)</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 2,089,833</b>	<b>\$ 2,628,099</b>	<b>\$ (538,266)</b>
Non-Operating Margins - Interest	350,696	311,767	38,929
Allowance Funds Used During Const.	51,998	45,665	6,333
Non-Operating Margins - Other	(192,101)	-	(192,101)
<b>Patronage Capital or Margins</b>	<b>\$ 2,300,426</b>	<b>\$ 2,985,531</b>	<b>\$ (685,105)</b>
MFI/I	1.21	1.27	
TIER	1.22	1.29	

**Total Cost of Electric Service (YTD Actual)**



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

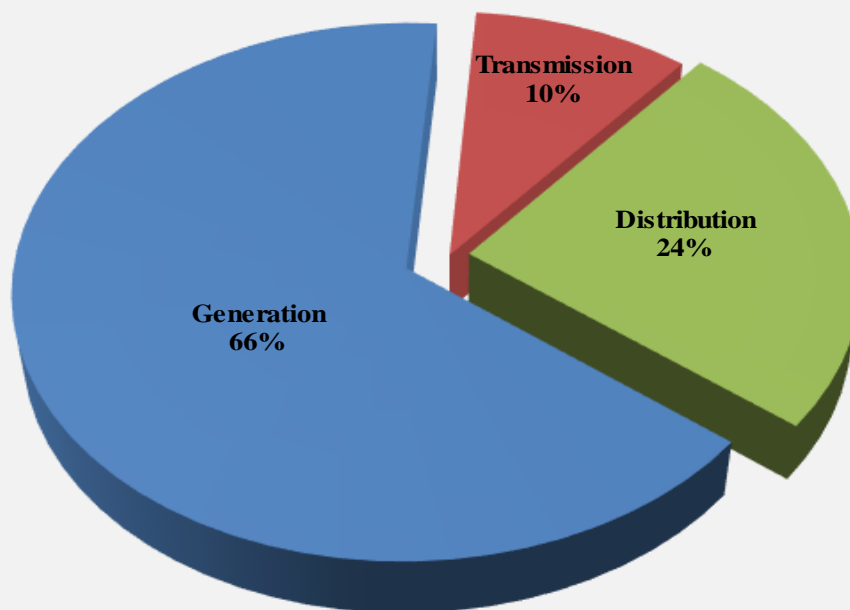
CATEGORY	2018 YTD ACTUAL	2017 YTD ACTUAL
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 102,045,861</b>	<b>\$ 112,348,132</b>
Fuel and Purchased Power Expense	39,336,581	46,846,036
Power Production Expense	8,607,205	8,240,717
Transmission Expense	3,729,188	3,050,058
Distribution Expense	7,621,549	6,287,814
Customer Expense	3,517,651	3,097,089
Administrative, General and Other	11,415,273	13,110,605
Depreciation and Amortization Expense	14,737,296	18,956,671
Interest Expense, Net	10,991,285	11,055,510
<b>Total Cost of Electric Service</b>	<b>\$ 99,956,028</b>	<b>\$ 110,644,500</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 2,089,833</b>	<b>\$ 1,703,632</b>
Non-Operating Margins - Interest	350,696	306,831
Allowance for Funds Used During Construction	51,998	25,664
Non-Operating Margins - Other	(192,101)	81,298
<b>Patronage Capital or Margins</b>	<b>\$ 2,300,426</b>	<b>\$ 2,117,425</b>
MFI/I	1.21	1.19
TIER	1.22	1.20



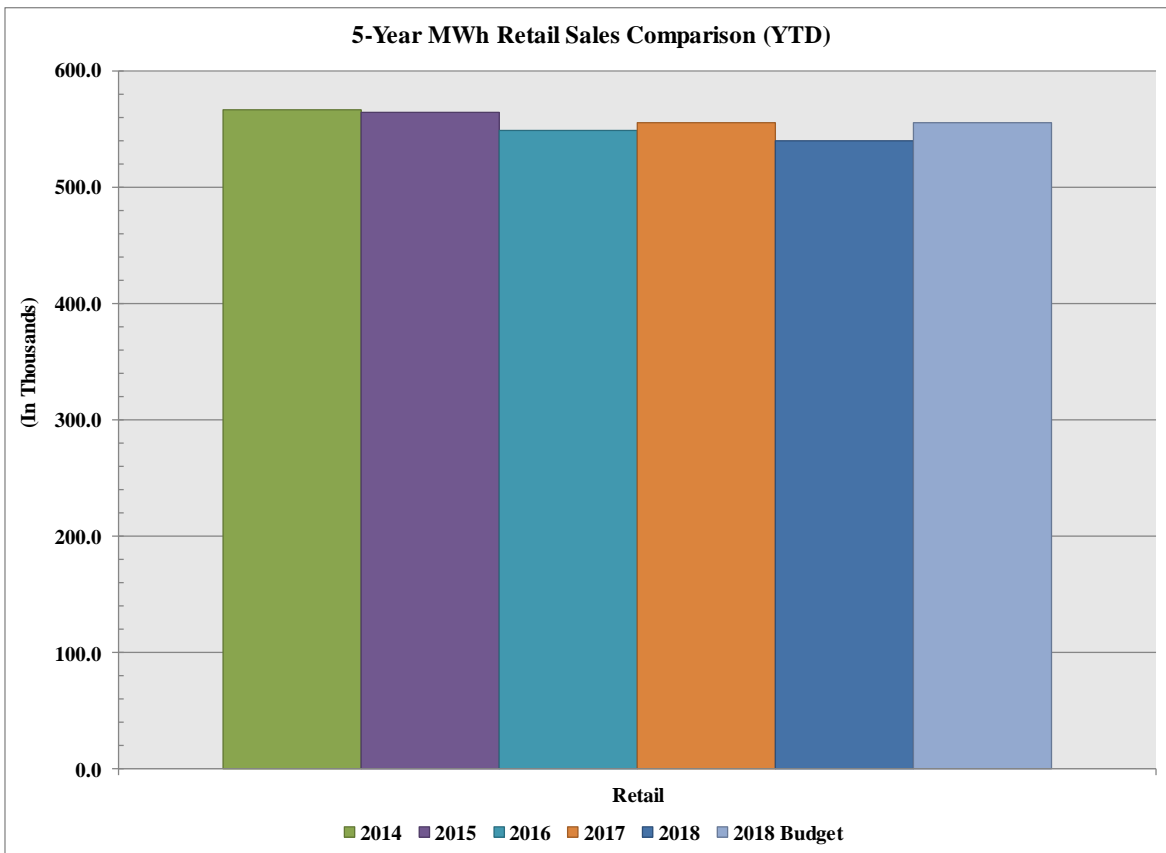
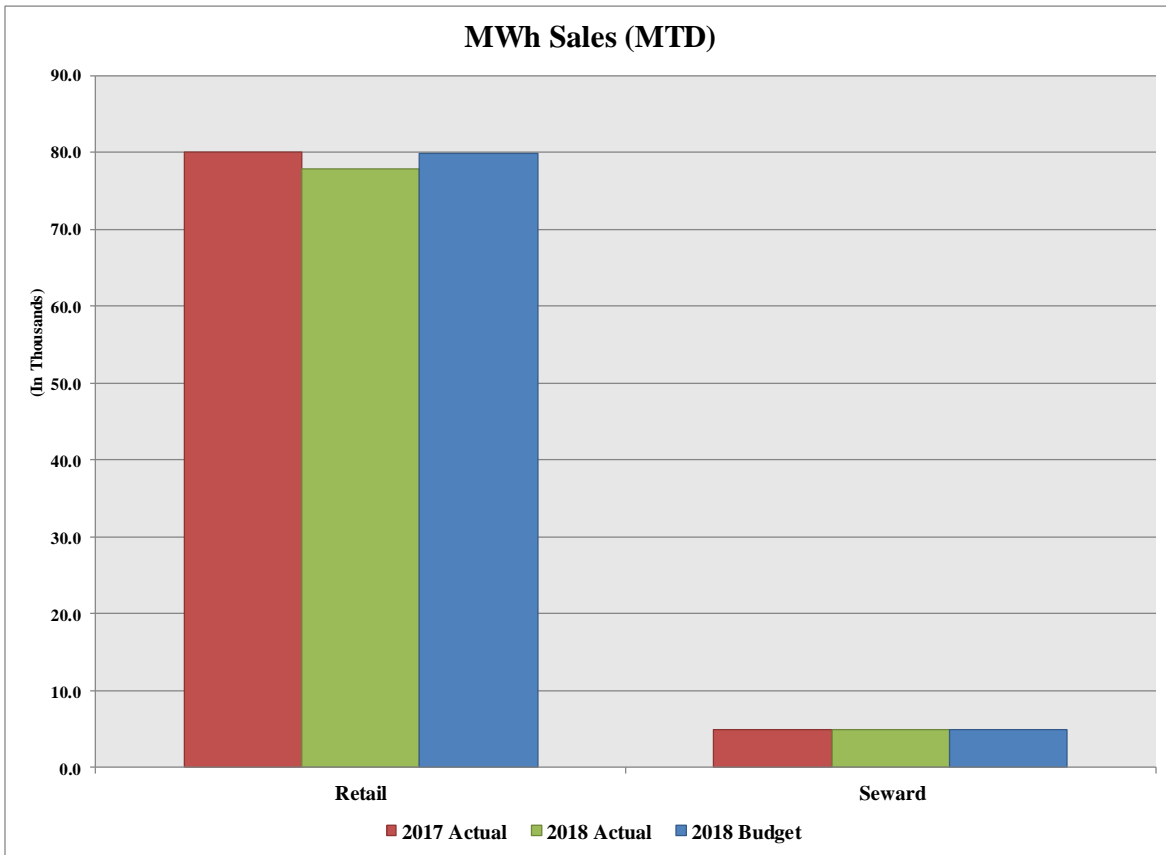
## FUNCTIONAL STATEMENT OF OPERATIONS JUNE 30, 2018

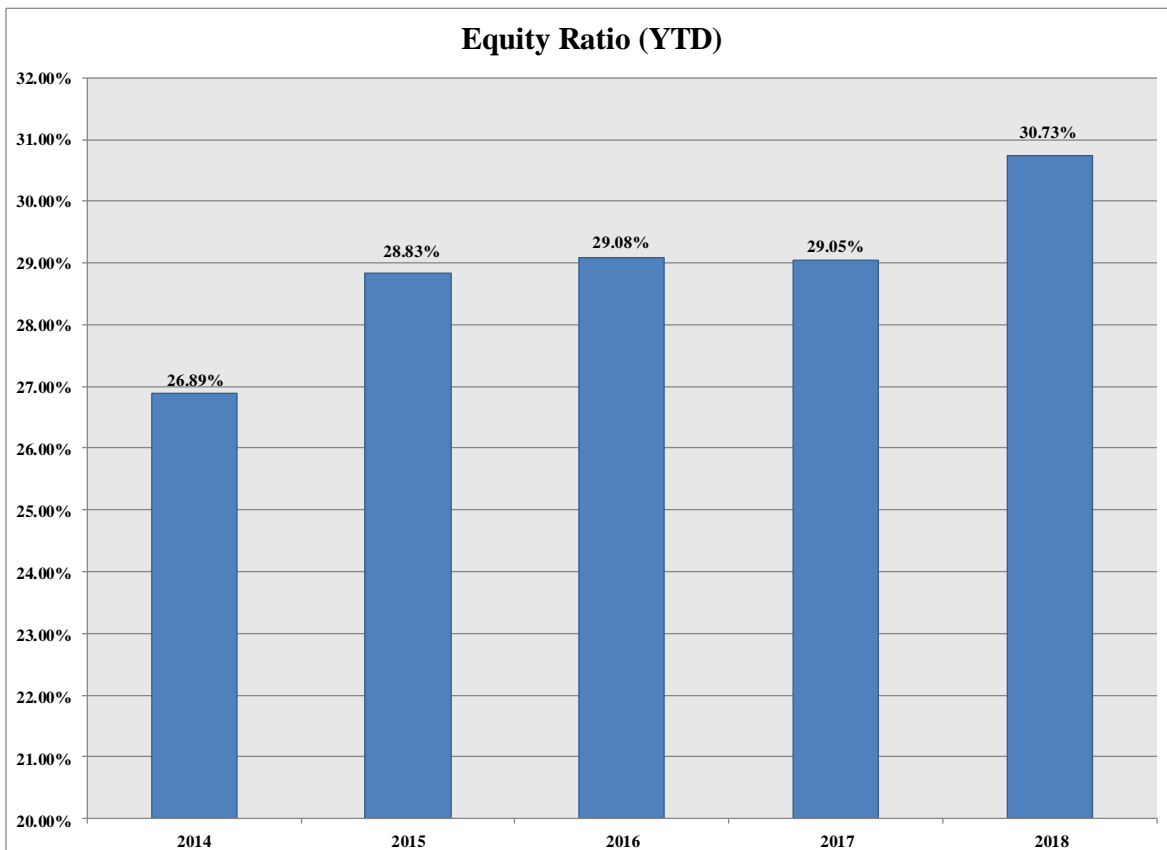
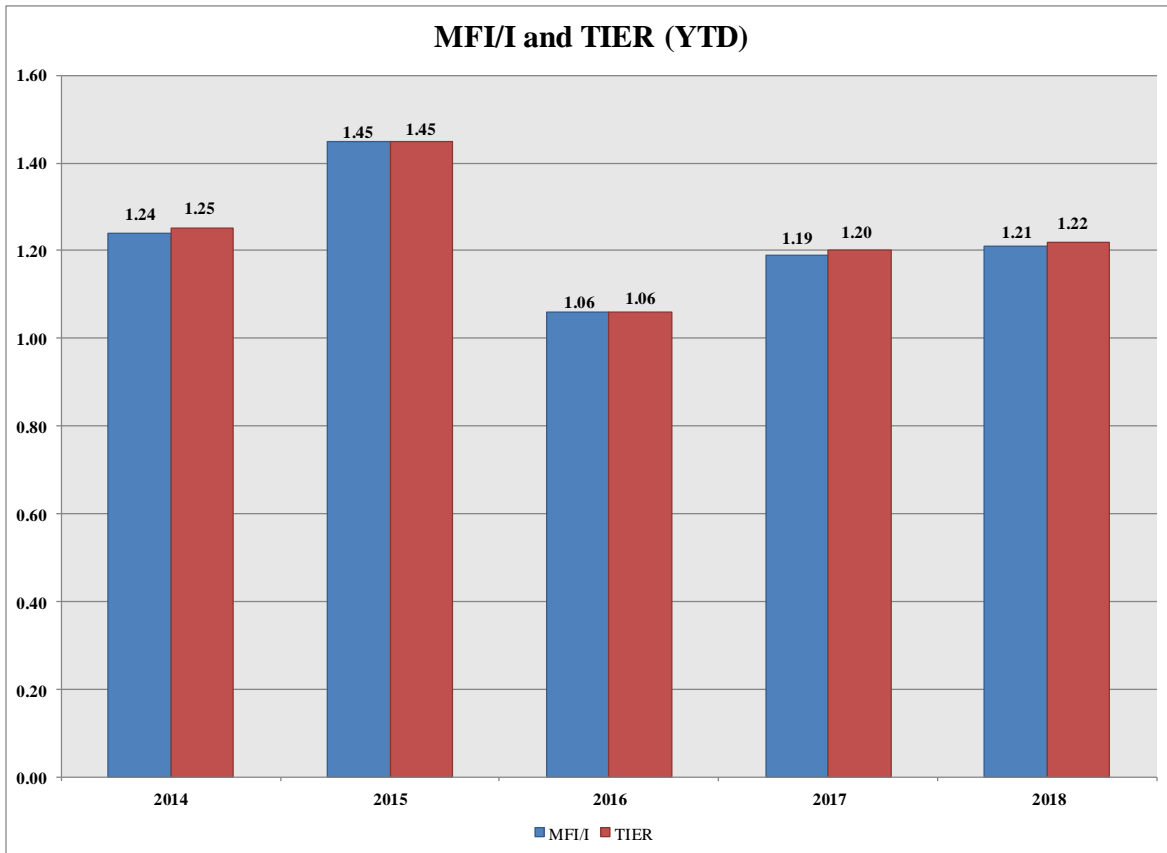
CATEGORY	2018 YTD TOTAL	2018 YTD GEN	2018 YTD TRANS	2018 YTD DIST
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 102,045,861</b>	<b>\$ 65,717,535</b>	<b>\$ 10,000,494</b>	<b>\$ 26,327,832</b>
Fuel and Purchased Power Expense	39,336,581	39,336,581	0	0
Power Production Expense	8,607,205	8,607,205	0	0
Transmission Expense	3,729,188	0	3,729,188	0
Distribution Expense	7,621,549	0	0	7,621,549
Customer Expense	3,517,651	0	0	3,517,651
Administrative, General and Other	11,415,273	3,470,999	1,489,820	6,454,454
Depreciation & Amortization Expense	14,737,296	7,679,929	2,334,847	4,722,520
Interest Expense, Net	10,991,285	6,505,222	2,223,648	2,262,415
<b>Total Cost of Electric Service</b>	<b>\$ 99,956,028</b>	<b>\$ 65,599,936</b>	<b>\$ 9,777,503</b>	<b>\$ 24,578,589</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 2,089,833</b>	<b>\$ 117,599</b>	<b>\$ 222,991</b>	<b>\$ 1,749,243</b>
Non-Operating Margins - Interest	350,696	\$182,756	55,561	\$112,379
Allowance for Funds Used During Construction	51,998	2,985	3,145	45,868
Non-Operating Margins - Other	(192,101)	(58,735)	(25,410)	(107,956)
<b>Patronage Capital or Margins</b>	<b>\$ 2,300,426</b>	<b>\$ 244,605</b>	<b>\$ 256,287</b>	<b>\$ 1,799,534</b>

### Total Cost of Electric Service









## ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	540,137,189	555,771,740
Wholesale Energy Sales	<u>29,057,513</u>	<u>29,606,653</u>
Total Firm Energy Sales	569,194,702	585,378,393
Economy Energy Sales	<u>207</u>	<u>0</u>
Total Energy Sales	569,194,909	585,378,393

Firm energy sales totaled 569,194,702 kWh, which was a 2.8% unfavorable variance compared to budget. Retail energy sales were under budget 2.8% and wholesale energy sales were under budget by 1.9%, primarily due to warmer than anticipated weather.

## ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$ 94.0	\$ 100.3
Wholesale Revenue	<u>2.6</u>	<u>2.9</u>
Total Firm Revenue	96.6	103.2
Economy/Other Energy Revenue	0.1	0.0
Other Operating Revenue	<u>5.3</u>	<u>4.8</u>
Total Revenue	\$ 102.0	\$ 108.0

Revenue from firm sales totaled \$96.6 million compared to \$103.2 million in the budget. Firm revenue was lower than expected primarily due to lower than anticipated kWh sales and lower fuel recovered in revenue through the fuel and purchased power adjustment process.

Economy/other energy revenue totaled \$0.1 million due to unanticipated sales to GVEA, MEA, and HEA. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$5.3 million compared to \$4.8 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	\$ 31.0	\$ 35.3
Purchased Power	<u>8.3</u>	<u>8.3</u>
Total	\$ 39.3	\$ 43.6

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$31.0 million compared to \$35.3 million projected in the budget. This variance was primarily due to less fuel consumed as a result of lower sales and lower than anticipated BRU operating costs.

Actual fuel purchased for production was 3,428,438 MCF at an average effective delivered price of \$8.30 per MCF, compared to 3,789,181 MCF in the budget at an average effective delivered price of \$8.40 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 \$8.3 million compared to \$8.3 million in the budget with no overall variance. Higher than anticipated purchases were offset by a lower average effective price.

Actual energy purchased was 104,378 MWh at an average effective price of 6.45 cents per kWh compared to 95,381 MWh budgeted at an average effective price of 7.07 cents per kWh. Higher than anticipated purchases from Bradley Lake resulted in a lower average effective price.

## POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 8.6	\$ 9.4

Power production expense was \$8.6 million compared to \$9.4 million in the budget. This favorable variance is primarily due to reimbursement from Hilcorp for Beluga camp use and lower than anticipated SPP maintenance costs. These savings were somewhat offset by costs associated with a maintenance procedures program.

## TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 3.7	\$ 3.5

Transmission operations and maintenance expense was \$3.7 million compared to \$3.5 million in the budget, primarily due to higher than anticipated substation expense labor.

## DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 7.6	\$ 6.7

Distribution operations and maintenance expense was \$7.6 million compared to \$6.7 million in the budget. This unfavorable variance is primarily due to higher than anticipated labor, vegetation control expenses as well as increased maintenance costs due to storm-related damage.

## CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 3.5	\$ 3.2

Consumer accounts and customer information expense was \$3.5 million compared to \$3.2 million in the budget. This variance is primarily due to advertising for the ML&P acquisition.

## ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 11.4	\$ 11.4

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 \$11.4 million compared to \$11.4 million in the budget. While not an overall variance, increased labor expenses were offset by the deferred classification of costs associated with the ML&P acquisition.

## SUMMARY

Depreciation, interest, and interest during construction expense totaled \$25.7 million compared to \$26.9 million in the budget. The favorable variance compared to budget was primarily due to lower than anticipated depreciation expense as a result of retirement adjustments from project closeouts.

All of the foregoing expenses resulted in total cost of electric service of \$100.0 million compared to \$105.4 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 \$0.4 million in the budget primarily due to the loss in value of marketable securities. At June 30, 2018, the market value of Chugach's marketable securities was \$11.0 million, and had an annualized rate of return of -0.3%.

The net result of revenue and expenses was margins of \$2.3 million compared to projected margins of \$3.0 million in the budget. The current forecast projects year-end margins of \$6.3 million, an MFI/I of 1.29, and TIER of 1.31.

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

CATEGORY	2018 APPROVED BUDGET	2018 YTD ACTUALS	2018 REVISED FORECAST
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 214,960,079</b>	<b>\$ 102,045,861</b>	<b>\$ 209,355,869</b> <sup>1 2</sup>
Fuel and Purchased Power Expense	85,194,690	39,336,581	80,946,677 <sup>1</sup>
Power Production Expense	18,965,542	8,607,205	18,715,146 <sup>2</sup>
Transmission Expense	6,915,445	3,729,188	7,104,268 <sup>1</sup>
Distribution Expense	14,835,722	7,621,549	15,054,013 <sup>1</sup>
Customer Expense	6,833,267	3,517,651	7,108,479 <sup>1</sup>
Administrative, General & Other	22,127,986	11,415,273	22,132,750 <sup>1 2</sup>
Depreciation and Amortization Expense	32,264,325	14,737,296	31,084,865 <sup>1</sup>
Interest Expense, Net	21,493,320	10,991,285	21,547,646 <sup>1</sup>
<b>Total Cost of Electric Service</b>	<b>\$ 208,630,297</b>	<b>\$ 99,956,028</b>	<b>\$ 203,693,844</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 6,329,782</b>	<b>\$ 2,089,833</b>	<b>\$ 5,662,025</b>
Non-Operating Margins - Interest	625,941	350,696	664,870 <sup>1</sup>
Allowance for Funds Used During Construction	181,126	51,998	187,459 <sup>1</sup>
Non-Operating Margins - Other	-	(192,101)	(192,101) <sup>1</sup>
<b>Patronage Capital or Margins</b>	<b>\$ 7,136,849</b>	<b>\$ 2,300,426</b>	<b>\$ 6,322,253</b>
MFI/I	1.32	1.21	1.29
TIER	1.35	1.22	1.31

<sup>1</sup> Forecast based on 6 month actual and 6 month forecast

<sup>2</sup> Forecast has been adjusted to reflect anticipated changes

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**July 9, 2018**

**TO:** Sherri L. Highers, CFO  
**FROM:** Debra Caldwell, Financial Analyst  
**SUBJECT:** 2<sup>nd</sup> Quarter 2018 Operating Budget Status Report

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

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**OPERATING BUDGET STATUS REPORT**  
**2ND QUARTER 2018**

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

MFI/I

1.32

1.32



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

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

MFI/I

1.32

1.32

**CHUGACH ELECTRIC ASSOCIATION  
CAPITAL PROJECT TRACKING REPORT  
As of June 30, 2018**

CIP Ref #	Project Name <sup>1</sup>	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	%		
<b>SYSTEM IMPROVEMENT PROJECTS</b>													
<b>Reliability</b>													
20.0266	Multi-Stage Energy Storage System (MS-ESS) P1300850, P1730266, P1730267	Highers	5/25/2016	\$2,495,191 <sup>2</sup>	\$0	\$2,495,191	\$2,720,880	\$0	\$2,720,880	\$225,689	109%	100%	Project is in final closeout. The variance is substantially due to higher than expected interconnection costs.
20.0303	Beluga U3 Major P1700876	Highers/Love	5/23/2018	\$4,239,012	\$0	\$4,239,012	\$1,227,814	\$2,582,976	\$3,810,790	(\$428,222)	90%	32%	Unit 3 major inspection is ongoing. Revised estimate reflects lower anticipated costs for exhaust components and hot gas path parts.
10.0240	Retire INSS 138kV Facilities E1720055	Laughlin	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$351,940	\$2,348,060	\$2,700,000	\$0	100%	7%	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. Equipment procurement packages are under development and will be solicited in the third quarter.
10.0364	115 kV Rebuild - Hope to Summit E1720053	Wendling	2/20/2018	\$9,500,000	\$0	\$9,500,000	\$292,199	\$9,207,801	\$9,500,000	\$0	100%	5%	This project will rebuild an approximate 10 mile section of the 115 kV transmission line between Hope Substation and Summit Lake Substation to 230kV insulation standards. Transmission line design is at 35%. Steel structure procurement documents are being developed. Material procurement will start in the third quarter.
<b>Operating Efficiency</b>													
05.0300	Debarr Substation Rebuild E1620052	Reid	1/26/2017	\$6,000,000	\$0	\$6,000,000	\$1,923,369	\$4,316,631	\$6,240,000	\$240,000	104%	33%	This project will upgrade the existing facilities at Debarr Substation. The scope includes replacement of the existing power transformer, 12.5kV switchgear, 34.5kV circuit switchers, and associated control and power cables. The contractor, Electric Power Constructors (EPC), has completed demolition of the site. Transformer foundations, oil containment, site work, and conduit installation is ongoing. The power transformer and switchgear are scheduled to be delivered in the third quarter. 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	\$134,565	\$615,435	\$750,000	(\$1,150,000)	39%	35%	This project will upgrade several of the existing facilities at Hope Substation. The scope has been changed to reuse the existing transformer and install a seismically rated foundation with a membrane type secondary containment, therefore reducing the total estimated cost. Design drawings are complete. All material has been ordered. Construction is scheduled to start in third quarter and be completed by the fourth quarter.
<b>New Business Offering</b>													
20.0310	Community Solar Project P1731026	Highers	10/1/2017	\$2,000,000	\$0	\$2,000,000	\$0	\$2,000,000	\$2,000,000	\$0	100%	0%	Project to install a 500 kW community solar project. Proposals received for engineering, procurement and construction (EPC) work with one apparent successful bidder identified after evaluation. Awaiting RCA approval of the Community Solar program and the achievement of 80% participation before seeking Board approval of contract.
<b>Totals</b>				<b>\$28,834,203</b>	<b>\$0</b>	<b>\$28,834,203</b>	<b>\$6,650,766</b>	<b>\$21,070,904</b>	<b>\$27,721,670</b>	<b>(\$1,112,533)</b>	<b>96%</b>	<b>30%</b>	

<sup>1</sup> Report tracks projects with costs exceeding \$1M.

<sup>2</sup> Represents Chugach costs only.

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**AUDIT AND FINANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**August 8, 2018**

**ACTION REQUIRED**

**AGENDA ITEM NO. VI.A.**

**Information Only**  
 **Motion**  
 **Resolution**  
 **Executive Session**  
 **Other**

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**TOPIC**

Election of Audit and Finance Committee Vice Chair

**DISCUSSION**

Board Policy 207, Audit and Finance Committee, states the Board Chair shall appoint the Board Treasurer as Audit and Finance Committee Chair person. The Audit and Finance Committee elects from its membership a vice chair.

The Vice Chair acts during the absence of the Chair. The term of the Vice Chair is from his or her election by the Committee and until a new Committee is appointed by the Board Chair or unless the Vice Chair is otherwise removed or no longer wishes to serve. Director Rachel Morse was appointed by the Board Chair as Chair of the Audit and Finance Committee. Other Committee members include Directors Jim Henderson, Susan Reeves and Bettina Chastain.

**MOTION**

Move that the Audit and Finance Committee appoint Director \_\_\_\_\_ as Vice Chair of the Audit and Finance Committee.

# CHUGACH ELECTRIC ASSOCIATION, INC.

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June 2018 Financial Information  
August 8, 2018

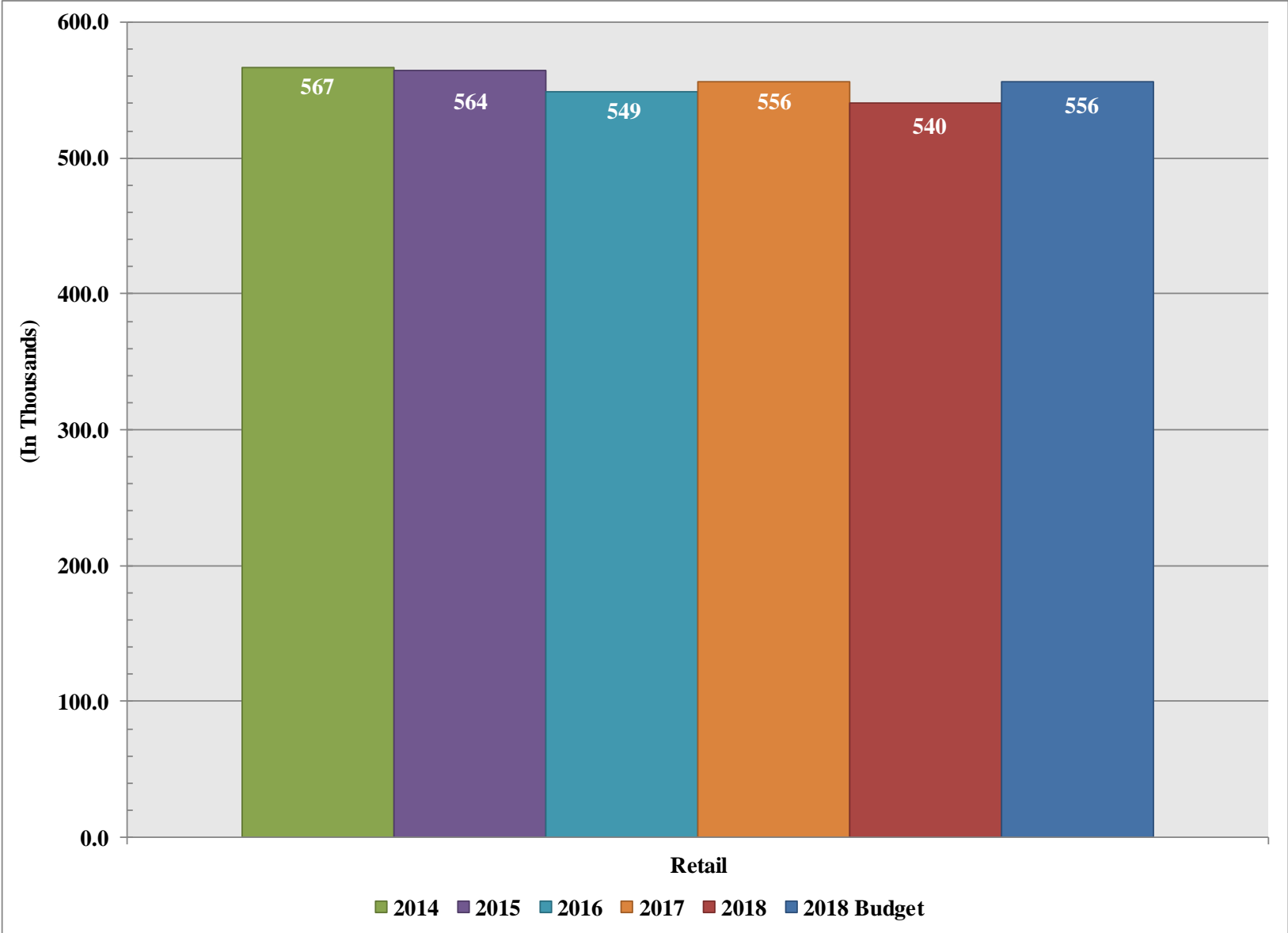


# June 2018 Financial Information

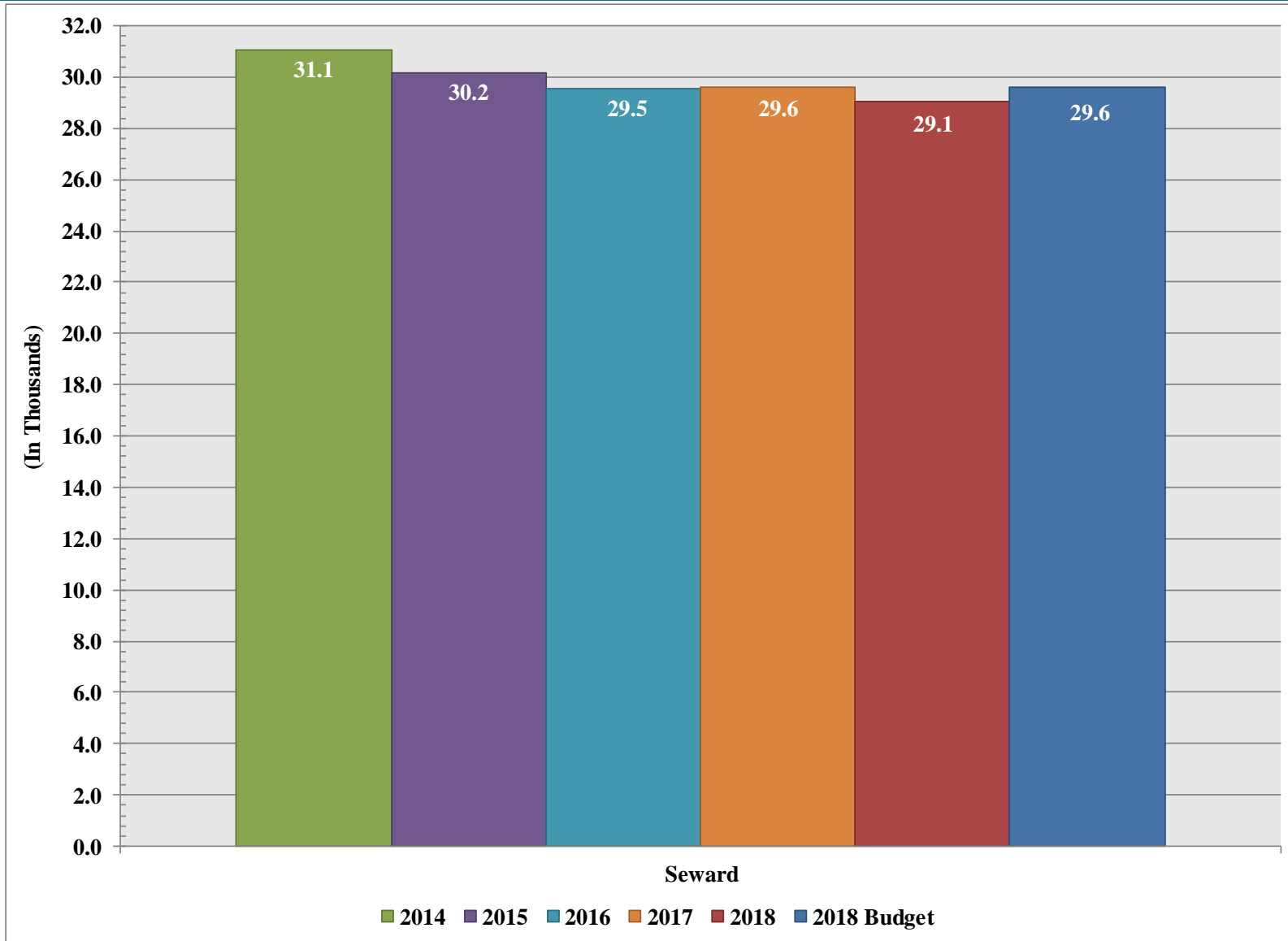
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- ▶ MWH Sales
- ▶ Statement of Operations
- ▶ Balance Sheet
- ▶ Statements of Cash Flows
- ▶ ASC 842 – Leases Update

# 5 Year Retail MWh Sales Comparison (June YTD)



# 5 Year Seward MWh Sales Comparison (June YTD)



# Comparative Statement of Operations

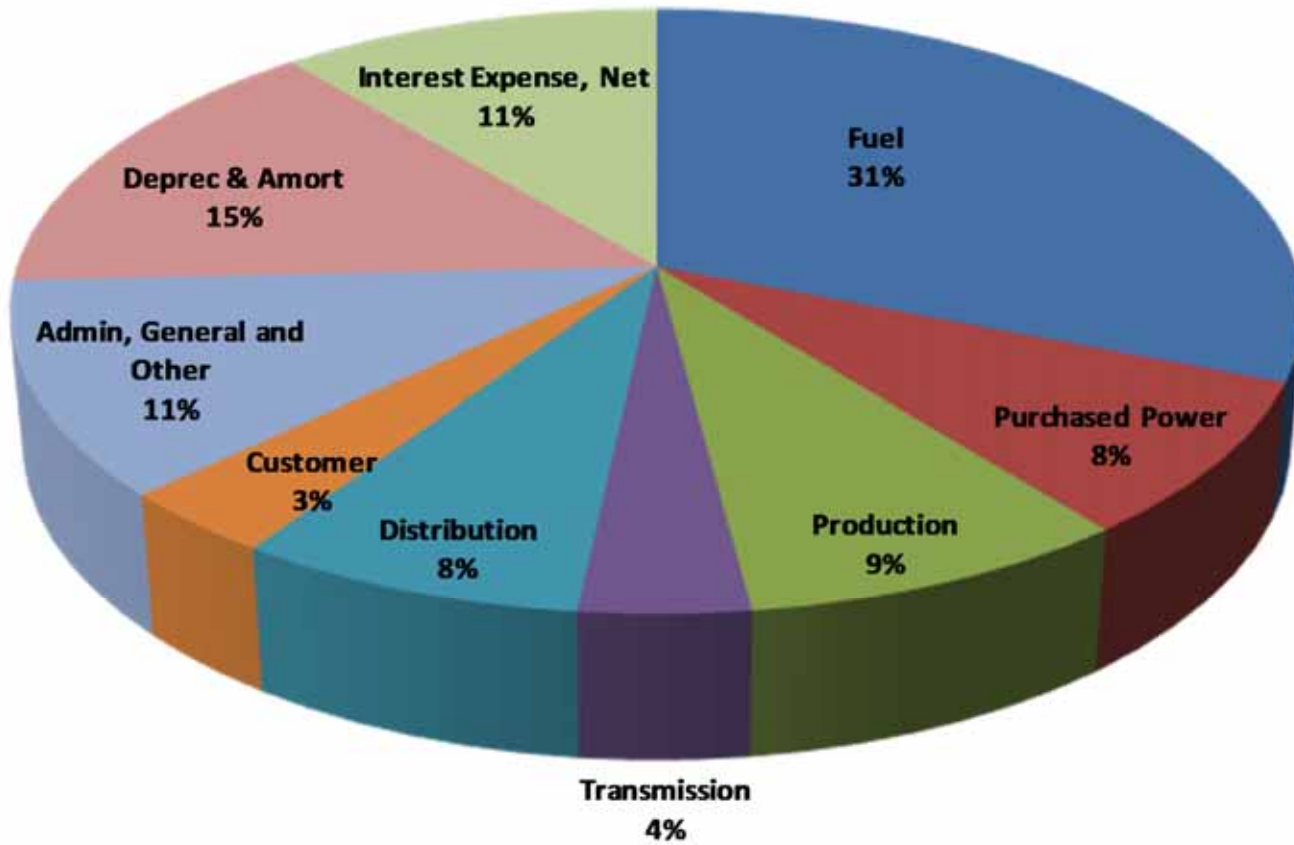
## June YTD 2018



CATEGORY	ACTUAL	BUDGET	VARIANCE
<b>Operating Revenues</b>	<b>\$ 102,045,861</b>	<b>\$ 108,000,071</b>	<b>\$ (5,954,210)</b>
Fuel	31,041,678	35,278,513	(4,236,835)
Production	8,607,205	9,353,090	(745,885)
Purchased Power	8,294,903	8,306,081	(11,178)
Transmission	3,729,188	3,540,365	188,823
Distribution	7,621,549	7,403,258	218,291
Consumer Accounts	3,517,651	3,242,439	275,212
Administrative, General and Other	11,415,273	11,394,511	20,762
Depreciation and Amortization	14,737,296	15,916,756	(1,179,460)
<b>Total Operating Expenses</b>	<b>\$ 88,964,743</b>	<b>\$ 94,435,013</b>	<b>\$ (5,470,270)</b>
Interest Expense, Long-Term and Other	11,116,146	11,073,964	42,182
Interest Charged to Construction	(124,861)	(137,005)	12,144
<b>Net Interest Expense</b>	<b>\$ 10,991,285</b>	<b>\$ 10,936,959</b>	<b>\$ 54,326</b>
<b>Net Operating Margins</b>	<b>\$ 2,089,833</b>	<b>\$ 2,628,099</b>	<b>\$ (538,266)</b>
Interest Income	350,696	311,767	38,929
Allowance Funds Used During Const.	51,998	45,665	6,333
Capital Credits, Patronage Dividends, Other	(192,101)	0	(192,101)
<b>Patronage Capital or Margins</b>	<b>\$ 2,300,426</b>	<b>\$ 2,985,531</b>	<b>\$ (685,105)</b>
MFI/I	1.21	1.27	
TIER	1.22	1.29	



# Total Operating and Interest Expense June YTD 2018



## Comparative Balance Sheet, Assets & Other Debits June 2018 & December 2017

ASSETS & OTHER DEBITS	06/30/18	12/31/17	CHANGE
Electric Plant in Service	1,207,649,476	1,205,092,224	2,557,252
Construction Work in Progress	16,862,505	17,952,573	(1,090,068)
<b>Total Utility Plant</b>	<b>\$ 1,224,511,981</b>	<b>\$ 1,223,044,797</b>	<b>\$ 1,467,184</b>
Accumulated Depreciation	(519,871,345)	(515,496,312)	(4,375,033)
<b>Net Utility Plant</b>	<b>\$ 704,640,636</b>	<b>\$ 707,548,485</b>	<b>\$ (2,907,849)</b>
Nonutility Property	76,889	76,889	0
Investment in Assoc. Organizations	8,566,395	8,980,410	(414,015)
Special Funds	1,843,468	1,466,010	377,458
Restricted Cash Equivalents & Other	748,953	1,028,758	(279,805)
<b>Total Other Property &amp; Investments</b>	<b>\$ 11,235,705</b>	<b>\$ 11,552,067</b>	<b>\$ (316,362)</b>
Cash, Marketable Securities & Other	15,680,403	16,906,531	(1,226,128)
Special Deposits & Restricted Cash	611,083	741,670	(130,587)
Accounts Receivable - Net	25,691,910	35,680,680	(9,988,770)
Materials and Supplies, Fuel Stock	25,152,848	22,193,089	2,959,759
Prepayments	3,216,623	4,953,170	(1,736,547)
Other Current Assets	1,851,577	5,178,987	(3,327,410)
<b>Total Current Assets</b>	<b>\$ 72,204,444</b>	<b>\$ 85,654,127</b>	<b>\$ (13,449,683)</b>
Deferred Charges, Net	33,522,024	32,764,065	757,959
<b>Total Assets</b>	<b>\$ 821,602,809</b>	<b>\$ 837,518,744</b>	<b>\$ (15,915,935)</b>

## Comparative Balance Sheet, Liabilities & Other Credits June 2018 & December 2017

LIABILITIES & OTHER CREDITS	06/30/18	12/31/17	CHANGE
Memberships	1,732,662	1,719,154	13,508
Patronage Capital	174,834,061	172,928,887	1,905,174
Other	14,798,475	14,653,253	145,222
<b>Total Equities and Margins</b>	<b>\$ 191,365,198</b>	<b>\$ 189,301,294</b>	<b>\$ 2,063,904</b>
Bonds Payable	398,416,664	421,833,331	(23,416,667)
National Bank for Cooperatives	35,568,000	37,164,000	(1,596,000)
Unamortized Debt Issuance Costs	(2,546,476)	(2,669,485)	123,009
<b>Total Long-Term Obligations</b>	<b>\$ 431,438,188</b>	<b>\$ 456,327,846</b>	<b>\$ (24,889,658)</b>
Current Installments of Long-Term Obligations	26,608,667	26,608,667	0
Commercial Paper	53,000,000	50,000,000	3,000,000
Accounts Payable	10,003,134	7,420,279	2,582,855
Consumer Deposits	5,084,010	5,335,896	(251,886)
Other Current & Accrued Liabilities	30,096,758	30,002,352	94,406
<b>Total Current Liabilities</b>	<b>\$ 124,792,569</b>	<b>\$ 119,367,194</b>	<b>\$ 5,425,375</b>
Deferred Compensation	1,318,295	1,229,294	89,001
Other Liabilities, Non-Current	730,506	531,630	198,876
Deferred Liabilities	1,214,613	1,249,390	(34,777)
Patronage Capital Payable	8,798,077	8,798,077	0
Cost of Removal Obligation / ARO	61,945,363	60,714,019	1,231,344
<b>Total Liabilities, Equities and Margins</b>	<b>\$ 821,602,809</b>	<b>\$ 837,518,744</b>	<b>\$ (15,915,935)</b>

# Statements of Cash Flows

## June 2018 and June 2017

	06/30/18	06/30/17
<b>1. Cash flows from operating activities:</b>		
Assignable margins	\$ 2,300,426	\$ 2,117,425
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	17,254,539	21,219,580
Allowance for funds used during construction	(51,998)	(25,664)
Other	336,131	282,864
Net (increase) decrease in assets	8,876,817	(157,934)
Net decrease in liabilities	(494,072)	(1,315,440)
<b>Net cash provided by operating activities:</b>	<b>\$ 28,221,843</b>	<b>\$ 22,120,831</b>
<b>2. Cash flows from investing activities:</b>		
Return of capital from investment in associated organizations	414,012	370,010
Investment in special funds	(296,047)	0
Investment in marketable securities and investments-other	(1,423,399)	(1,156,286)
Proceeds from the sale of marketable securities	1,672,465	0
Extension and replacement of plant	(9,708,321)	(15,383,495)
<b>Net cash used in investing activities:</b>	<b>\$ (9,341,290)</b>	<b>\$ (16,169,771)</b>
<b>3. Cash flows from financing activities:</b>		
Payments for debt issue costs	0	(184,778)
Net increase (decrease) in short-term obligations	3,000,000	(26,200,000)
Net increase (decrease) in long-term obligations	(25,012,667)	16,759,333
Consumer advances for construction/Other	1,925,917	1,887,825
<b>Net cash provided by financing activities:</b>	<b>\$ (20,086,750)</b>	<b>\$ (7,737,620)</b>
Net change in cash, cash equivalents & restricted cash	(1,206,197)	(1,786,560)
<b>4. Cash, cash equivalents &amp; restricted cash at beginning of period</b>	<b>\$ 7,201,759</b>	<b>\$ 6,383,217</b>
<b>5. Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 5,995,562</b>	<b>\$ 4,596,657</b>

# ASC 842 – Leases Update

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- ▶ Fire Island
- ▶ Bradley Lake
- ▶ Easements
- ▶ Next Steps

Questions?

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**AUDIT AND FINANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**August 8, 2018**

**ACTION REQUIRED**

**AGENDA ITEM NO. VIII.A.**

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

**TOPIC**

June 30, 2018, SEC Form 10Q Filing

**DISCUSSION**

The Form 10Q as reviewed in executive session.

**MOTION**

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