



CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA

OPERATIONS COMMITTEE MEETING

AGENDA

Mark Wiggin, Chair  
Jim Nordlund, Vice Chair

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

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**October 11, 2023**

**4:00 p.m.**

**Chugach Board Room**

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- I. CALL TO ORDER (4:00 p.m.)
  - A. Roll Call
- II. APPROVAL OF THE AGENDA\* (4:05 p.m.)
- III. APPROVAL OF THE MINUTES\* (4:10 p.m.)
  - A. September 6, 2023
- IV. PERSONS TO BE HEARD (4:15 p.m.)
  - A. Member Comments
- V. NEW BUSINESS\*\* (4:20 p.m.)
  - A. Third Quarter 2023 BRU Production Update (Armfield) (4:20 p.m.)
  - B. One Campus Plan Update (Resnick) (4:40 p.m.)
  - C. Capital Credit Retirement\*\* (Highers) (5:00 p.m.)
- VI. EXECUTIVE SESSION\* (scheduled) (5:25 p.m.)
  - A. Eklutna Project Update (Owen/Laughlin) (5:25 p.m.)
  - B. Cyber Security Update (McCarty) (5:55 p.m.)
- VII. DIRECTOR COMMENTS (6:15 p.m.)
- VIII. ADJOURNMENT\* (6:35 p.m.)

\* Denotes Action Items

\*\* Denotes Possible Action Items

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

**September 6, 2023**  
**Wednesday**  
**4:00 p.m.**

**OPERATIONS COMMITTEE MEETING**

Recording Secretary: Ky'yanna Hamilton

**I. CALL TO ORDER**

Chair Wiggin called the Operations Committee meeting to order at 4:04 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

*A. Roll Call*

*Committee Members Present:*

Mark Wiggin, Chair  
Jim Nordlund, Vice Chair (*arrived at 4:26 p.m.*)  
Bettina Chastain, Director  
Sisi Cooper, Director  
Sam Cason, Director

*Board Members Present:*

Susanne Fleek-Green, Director (*Via Telephonic*)  
Rachel Morse, Director

*Guests and Staff Attendance*

*Present:*

Arthur Miller	Todd McCarty	Mike Brodie
Matthew Clarkson	Sean Skaling	Steve Gerlek
Andrew Laughlin	Trish Baker	Samantha Owen,
Allan Rudeck	Chantall Walsh, PRA	McMillion
Russ Thornton	Brad Meiklejohn	David Martinez
Julie Hasquet	David Caye	Marty Schwarz, NREL
Emily Muller	Aurora Roth, Member	Matt Findley, PRA
Bart Armfield	Mark Henspeter	Matt Perkins

*Via Teleconference:*

Donovan Russoniello	Mitchell Roth, Member	Jim Henderson, Member
Brian Kassof	Dehmer Wells, Member	Sarah Nabirye
Chris Rose, Member	George Donart	Rachel Christensen
Greg Stiegel, REAP	Heather Slocum	Shaina Kilcoyne, Member
Nat Herz, Member		Ashton Doyle
Sandra Cacy		

## **II. APPROVAL OF THE AGENDA**

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

## **III. APPROVAL OF THE MINUTES**

Director Cooper moved, and Director Cason seconded the motion to approve the July 12, 2023, Operations Committee Meeting minutes. The motion passed unanimously.

## **IV. PERSONS TO BE HEARD**

### *A. Member Comments*

Chugach Members, Mitchell Roth, George Donart and Jim Henderson addressed the Board with comments on Energy Reliability and affordability, outages, and the Eklutna Restoration Project.

## **V. NEW BUSINESS**

### *A. NREL Wind Integration Modeling (Schwarz)*

Marty Schwarz, Chief Modeler with National Renewable Energy Laboratory (NREL) gave a detailed presentation on the Wind Integration Modeling system and answered questions from the Committee.

### *B. Eklutna Project (Owen, Brodie)*

Mike Brodie, Manager of Maintenance and Operations and Samantha Owen, McMillion gave an update on the Eklutna River Project and responded to questions from the Committee.

### *C. B&V Gas Supply Update (Rudeck/Gerlek/Thompson/Armfield)*

Al Rudeck, Chief Strategic officer gave an update on the Gas Supply Update and responded to questions from the Committee.

### *D. Gas Storage (PRA/Armfield)*

Chantall Walsh, PRA and Bart Armfield, Consult presented and discussed gas storage and answered questions from the Committee.

## **VI. EXECUTIVE SESSION**

### *A. Eklutna Project (Owen/Glass/Brodie)*

### *B. B&V Gas Supply Update (Rudeck/Gerlek/Thompson/Armfield)*

### *C. Gas Storage (Findley)*

At 6:33 p.m., Director Nordlund moved and Director Cooper seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1) and (3), the Board of Directors go into executive session to discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and 2) discuss with its attorneys matters the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

*The meeting reconvened in open session at 8:55 p.m.*

**VII. DIRECTOR COMMENTS**

Comments were made at this time.

**VIII. ADJOURNMENT**

At 9:03 p.m., Director Cason moved, and Director Nordlund seconded the motion to adjourn. The motion passed unanimously.

# BRU Q3 2023 Performance Report

EFFECTIVE SEPTEMBER SAVINGS @ \$ 2.88 NET / mcf \$ 2,168,366

September 2023

Cumulative NET Savings since 2016 \$ 87,891,208

YTD Saving \$ 18,545,427

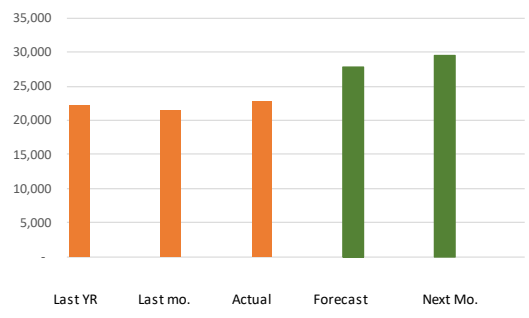
Total Production mcf 6,279,109

## Production - NET to Chugach

### August 2023 Production (mcf)

	Sep-22	Aug-23	September-23		Oct-23
			Actual	Forecast	Forecast
NET Production	666,924	686,507	752,905	835,997	918,377
Average daily rate	22,231	21,460	22,884	27,867	29,625
Acitve wells	14	18	19		20

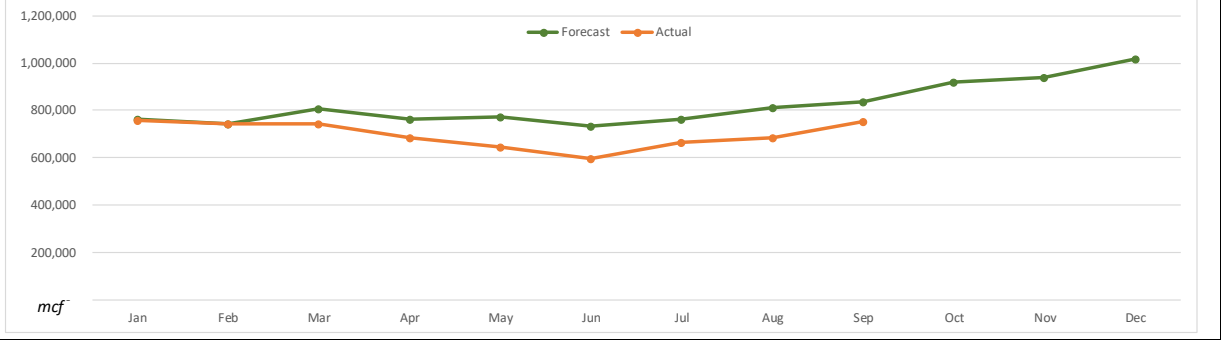
Average Daily Rate



## Production Forecast to Actual - NET to Chugach

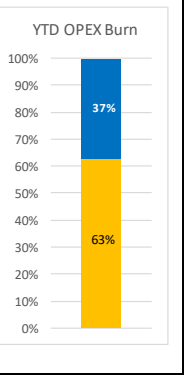
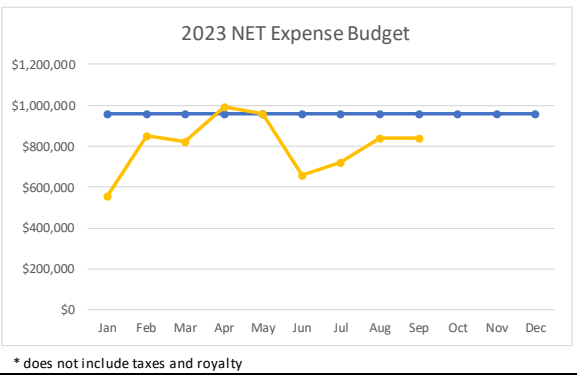
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>MONTHLY</b>												
Forecast	760,551	742,992	806,793	765,260	775,063	735,163	760,451	813,092	835,997	918,377	940,307	1,016,391
Actual	759,764	741,549	743,939	685,198	645,345	598,637	665,265	686,507	752,905			
Month Variance	(787)	(1,443)	(62,854)	(80,062)	(129,718)	(136,526)	(95,186)	(126,585)	(83,092)			
Variance %	0%	0%	-8%	-10%	-17%	-19%	-13%	-16%	-10%			

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Year to Date</b>												
Forecast	760,551	1,503,543	2,310,336	3,075,596	3,850,659	4,585,823	5,346,274	6,159,366	6,995,363			
Actual	759,764	1,501,313	2,245,252	2,930,450	3,575,795	4,174,432	4,839,697	5,526,204	6,279,109			
YTD Variance	(787)	(2,230)	(65,084)	(145,146)	(274,864)	(411,391)	(506,577)	(633,162)	(716,254)			
Variance %	0%	0%	-3%	-5%	-7%	-9%	-9%	-10%	-10%			



## Budget Performance

BRU OPEX (NET to CEA) *				
	Forecast	Actual	YTD Cum Delta	Variance
Jan	958,420	555,168	(403,252)	-42%
Feb	958,420	851,293	(510,379)	-27%
Mar	958,420	819,904	(648,895)	-23%
Apr	958,420	993,260	(614,055)	-16%
May	958,420	956,788	(615,687)	-13%
Jun	958,420	660,364	(913,743)	-16%
Jul	958,420	719,408	(1,152,755)	-17%
Aug	958,420	841,869	(1,269,306)	-17%
Sep	958,420	840,312	(1,387,414)	-16%
Oct	958,420	-	-	0%
Nov	958,420	-	-	0%
Dec	958,420	-	-	0%
<b>Total</b>	<b>11,501,040</b>	<b>7,238,366</b>	<b>-</b>	<b>-</b>



\* does not include taxes and royalty

## CAPEX Commitment

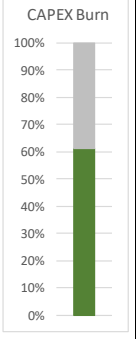
NET to Chugach	
Total CAPEX Budget	\$ 34,127,388
CAPEX Spend to date	\$ 20,851,478
Balance Remaining	\$ 13,275,910

BRU - Gas Transfer Price	
Field Ops	\$ 2.62
ARO Surcharge	\$ 0.57
Capital Recovery	\$ 2.30
GTP / mcf	\$ 5.49

effective 10/1/2023



# ONE CAMPUS PLAN UPDATE

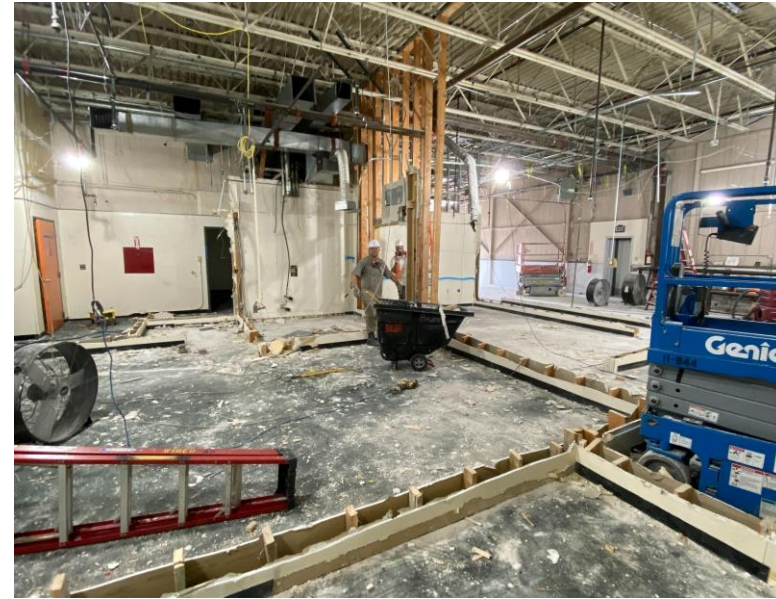
Chugach Electric Association, Inc.  
Operations Committee Meeting  
October 11, 2023

# Agenda

- Project Updates
  - Package 1 – Existing Building C Remodel
  - Package 2 – Covered Equipment Storage
  - Package 3 – New Building C
- Contamination Update
- Budget Update
- Questions

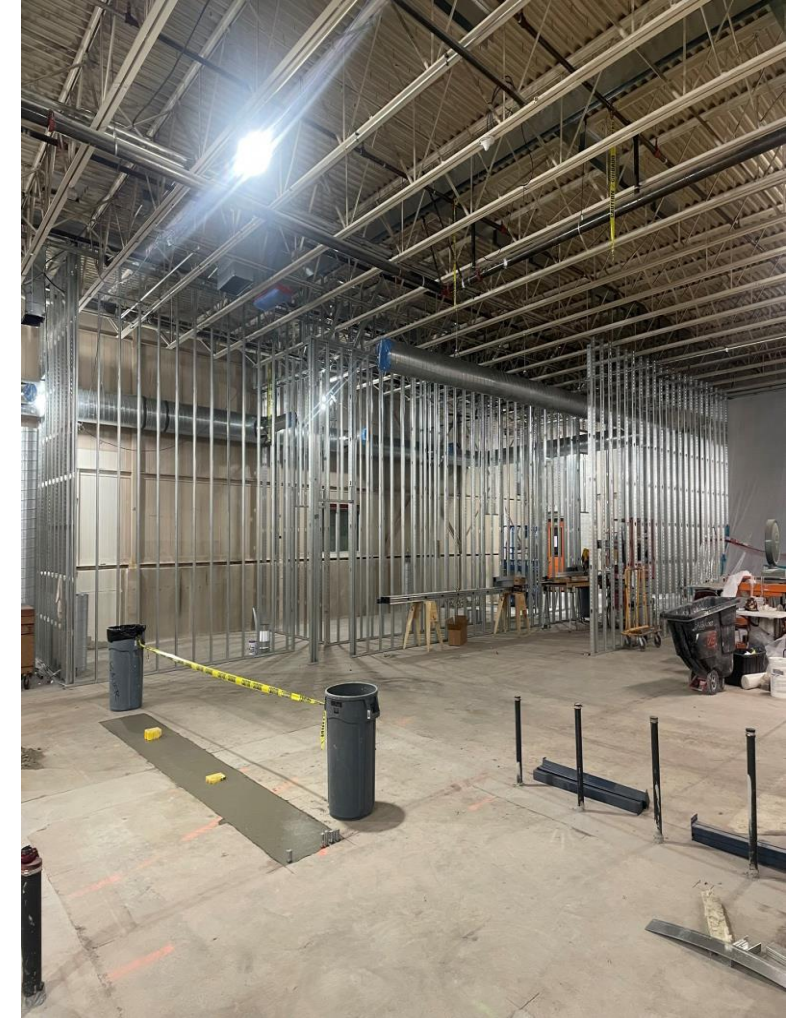
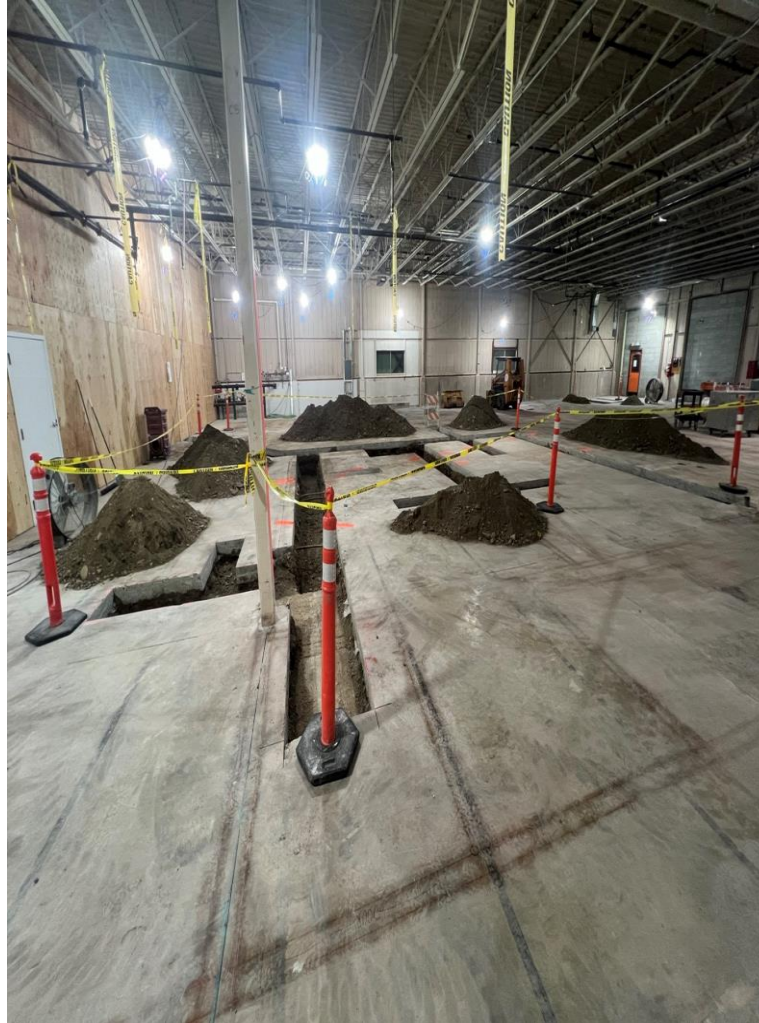
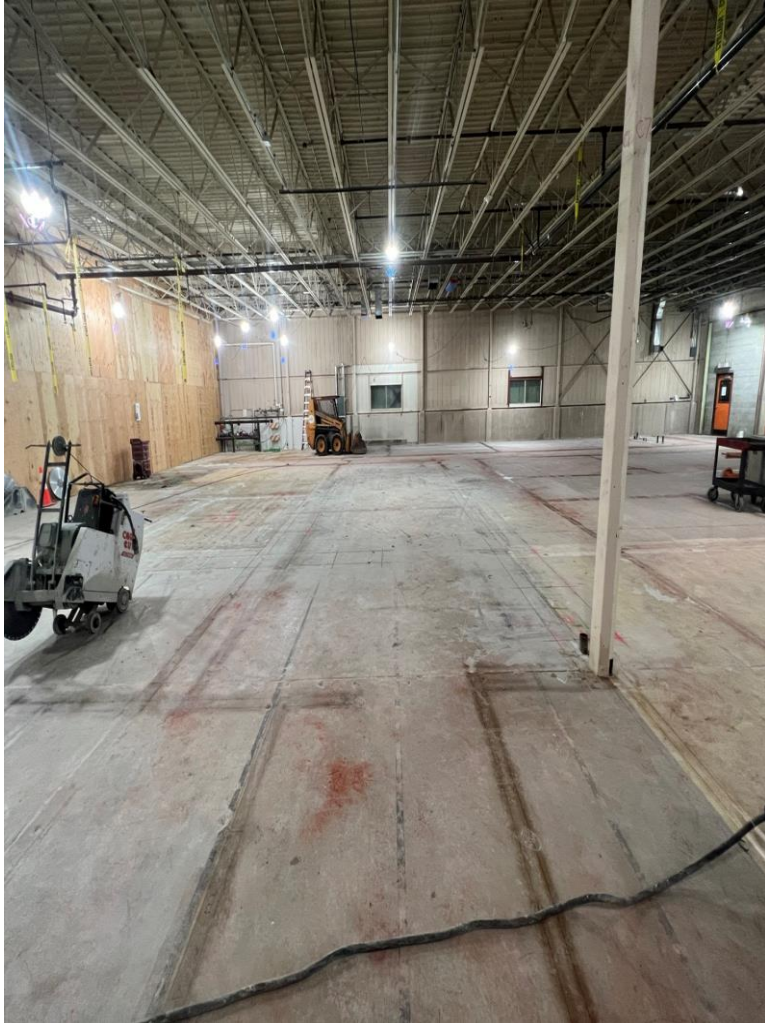
# Package 1 – Existing Building C Remodel

- Remodel of the west half of Building C to create room for combined line operations and operations warehouse
- Awarded to Bauer Construction
- Scheduled to be completed March 2024



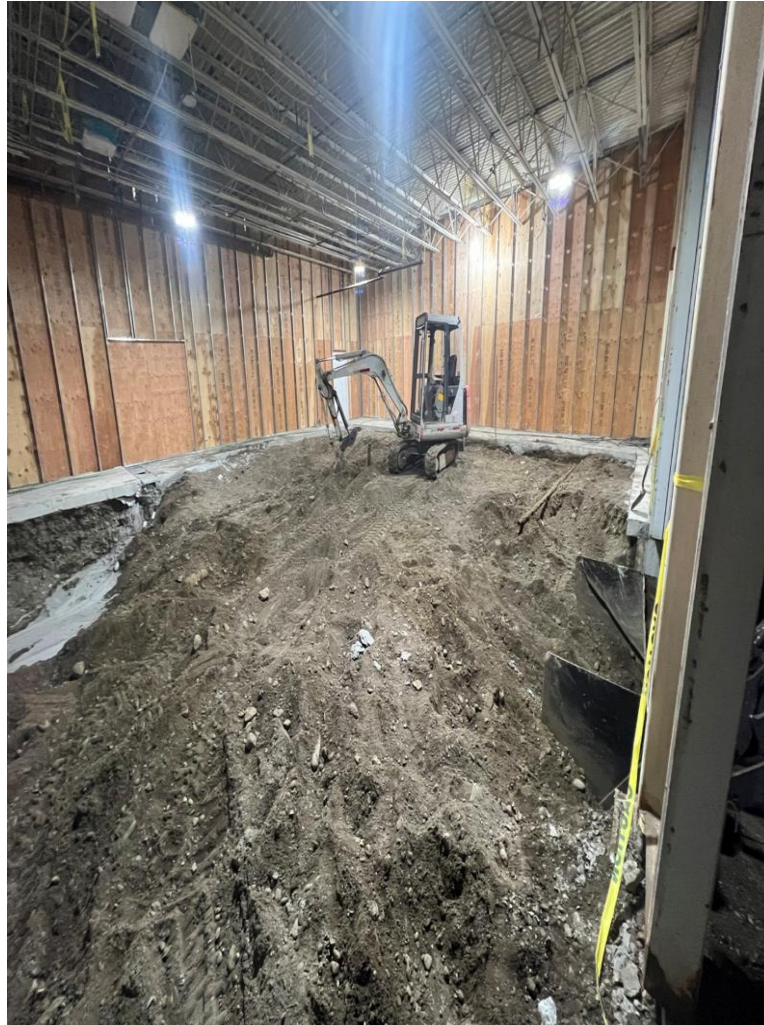


# Package 1 – Existing Building C Remodel





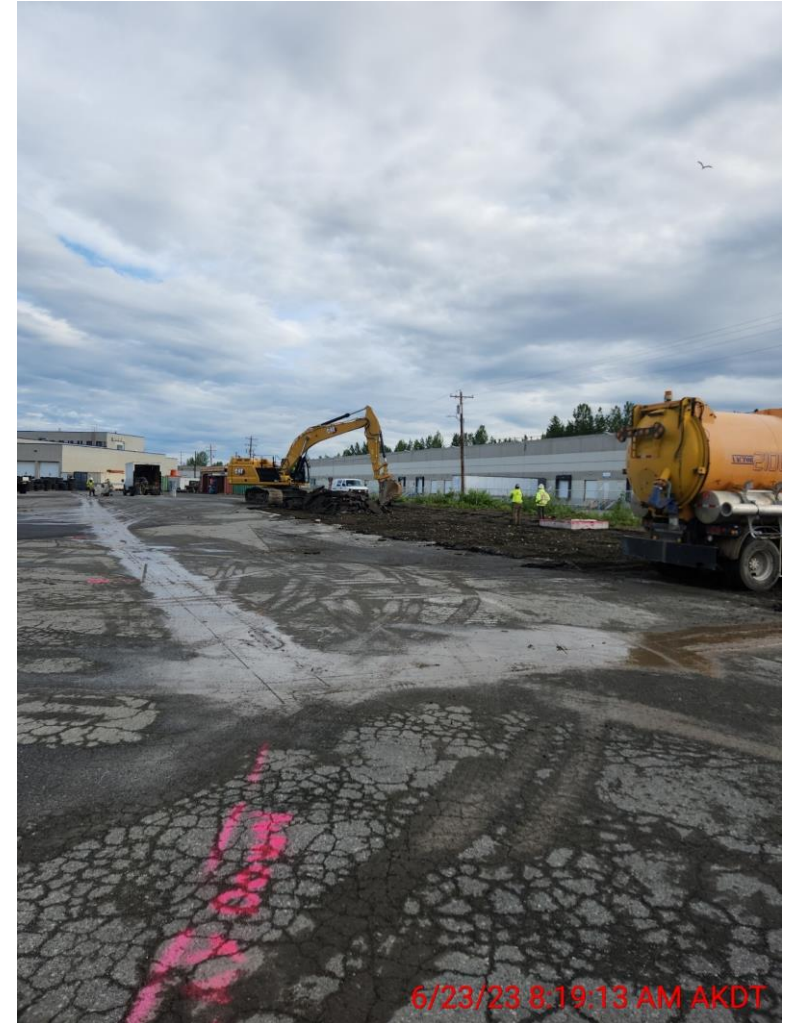
# Package 1 – Existing Building C Remodel





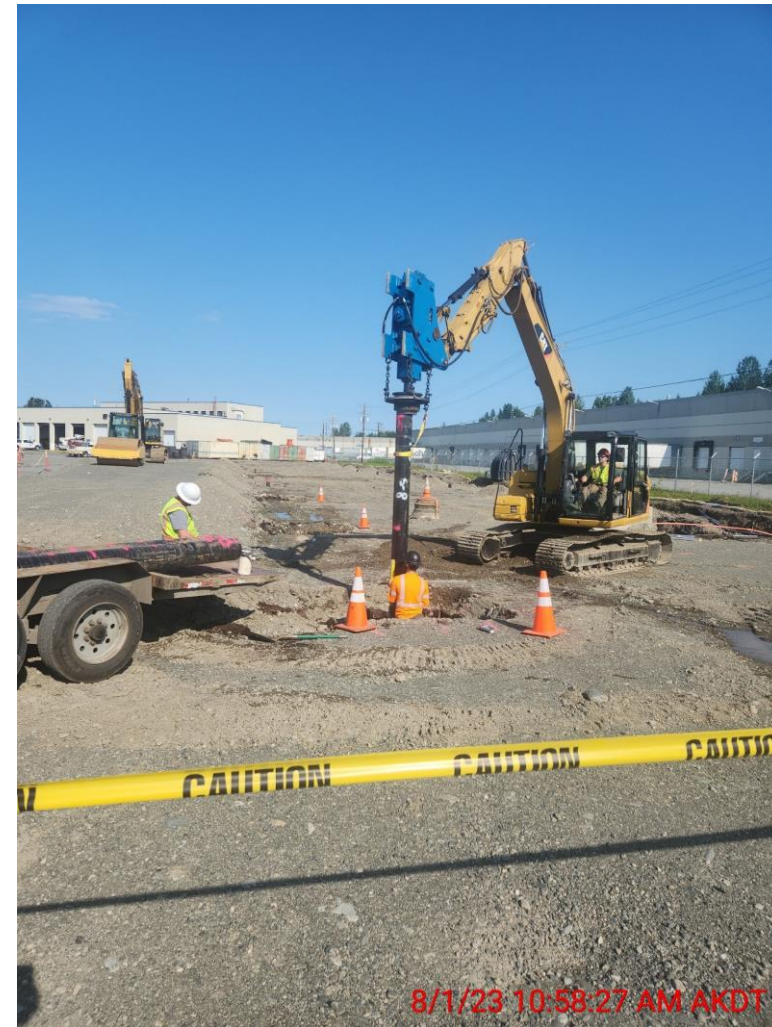
# Package 2 – Covered Equipment Storage

- Construction of a 12,718 SF covered equipment storage structure allowing the storage of expensive equipment and vehicles
- Awarded to Watterson Construction
- Scheduled to be completed February 2024



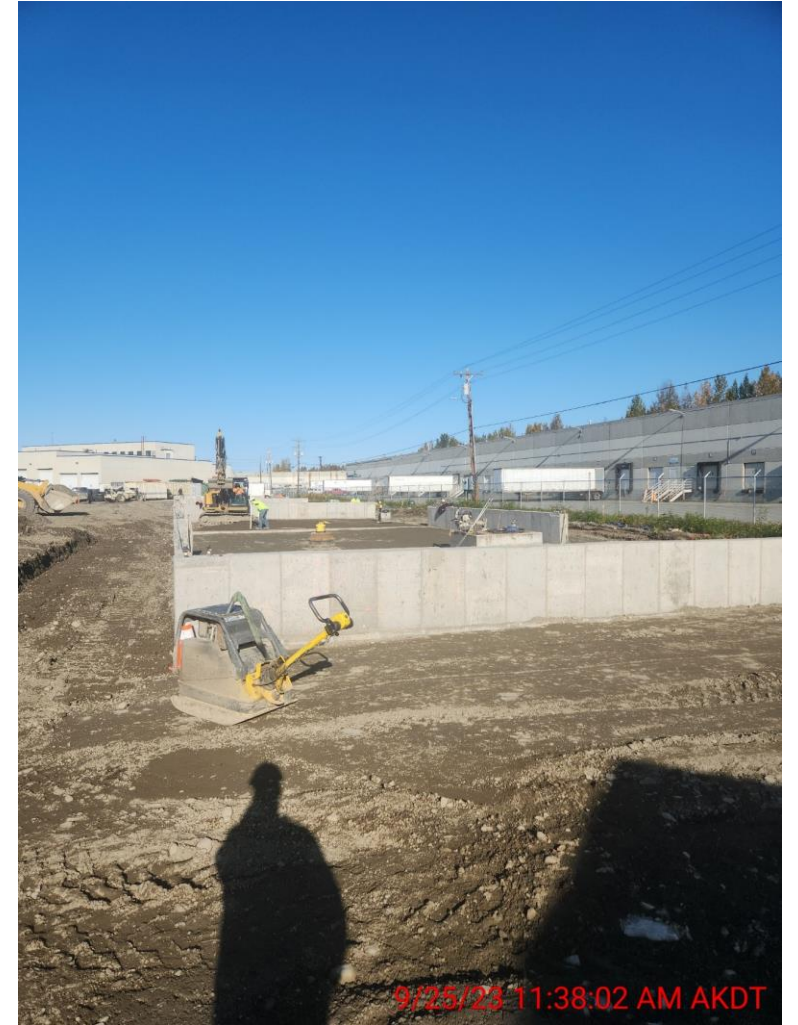


# Package 2 – Covered Equipment Storage



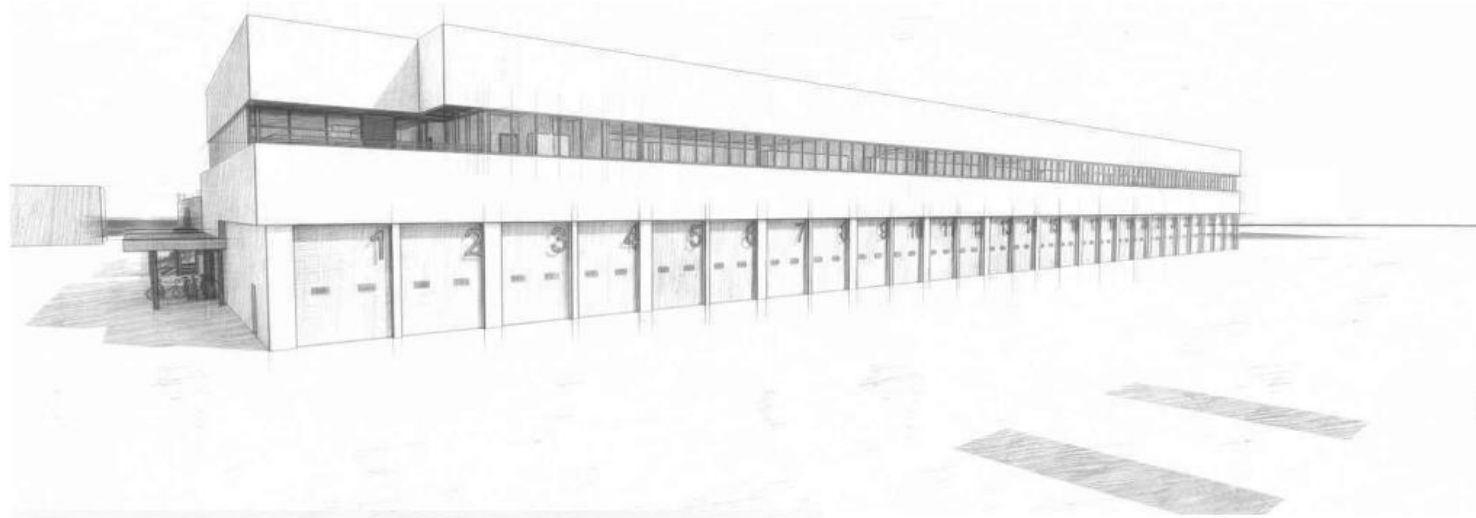


# Package 2 – Covered Equipment Storage



# Package 3 – New Building C

- 95% construction drawings are due October 11
- Project will go to bid on October 25
- Bids are due back November 20
- Arctic Solar Ventures selected as solar provider through RFQ



# Contamination Update

- Contamination was found in the soil of the Operations parking lot (consistent with fuel)
- Requires further investigation to determine the magnitude of the site and the potential effect on groundwater
- Further investigation will assist Alaska Department of Environmental Conservation (ADEC) in their determination of required future site actions
- Estimated impact is \$2.4 million



# Budget Update

Authorized Project Budget	Actuals through August 30, 2023	Notes
\$ 64,298,000	\$ 5,677,911	Includes Building G Purchase



**Questions?**

# *2023 Retail Capital Credit Retirement*

Operations Committee Meeting  
October 11, 2023

# Agenda

- Capital Credits Program
- Chugach's Capital Credit Retirement History
- Proposed 2023 Retail Capital Credit Retirement
- Questions

# Capital Credits Program

- Capital Credits represent a member's share of Chugach's equity, or their ownership interest in Chugach.
- Patronage capital assignment and retirement is required to maintain tax exempt status under Internal Revenue Code Section 501(C)12.
- Capital Credit retirements are limited by the 2011 Amended and Restated Indenture of Trust (Indenture) at the lesser of 5% of Chugach's patronage capital or 50% of assignable margins for the prior fiscal year if Chugach's equity to total capitalization ratio falls below 30%.
- In accordance with Chugach bylaws, the board of directors shall determine that the financial condition of the Association will not be impaired by a capital credit retirement.
- Capital credits that are retired but unclaimed are retained by Chugach, rather than escheating to the state. Notice and advertising in accordance with the state statute is required to retain these unclaimed credits as permanent equity.

# Chugach's Capital Credits Retirement History

- Chugach has historically used a First In – First Out (FIFO) method for retiring capital credits. Chugach has committed to alternative retirement methods, specifically a hybrid method of FIFO and Last In – First Out (LIFO) to recognize new members to Chugach's system.
- In accordance with agreements with Chugach's previous wholesale members Homer Electric Association, Inc. (HEA) and Matanuska Electric Association, Inc. (MEA), all capital credits to these former wholesale members have been retired. The only wholesale capital credits Chugach still retains is the City of Seward, whose current balance is approximately \$220,000.
- In 2002, the Chugach Board of Directors approved a discounted capital credits retirement plan to return capital to former members and estates who request early retirements at discounted rates. Annually, the board of directors sets the maximum amount to be distributed under that plan.
- To date, Chugach has retired approximately \$100 million of capital credits to its members.

# Chugach's Capital Credits Retirement History (continued)

Retail capital credits left to be retired by year:

<b>1991</b>	\$3.364	<b>2001</b>	\$4.286	<b>2011</b>	\$4.903	<b>2021</b>	\$9.027
<b>1992</b>	\$3.969	<b>2002</b>	\$0	<b>2012</b>	\$5.202	<b>2022</b>	<u>\$7.658</u>
<b>1993</b>	\$5.481	<b>2003</b>	\$4.529	<b>2013</b>	\$8.210	<b>Total</b>	\$193.540
<b>1994</b>	\$12.605	<b>2004</b>	\$5.275	<b>2014</b>	\$5.740		
<b>1995</b>	\$7.153	<b>2005</b>	\$8.665	<b>2015</b>	\$6.001		
<b>1996</b>	\$7.638	<b>2006</b>	\$9.441	<b>2016</b>	\$5.746		
<b>1997</b>	\$7.103	<b>2007</b>	\$2.498	<b>2017</b>	\$5.990		
<b>1998</b>	\$7.468	<b>2008</b>	\$5.546	<b>2018</b>	\$5.321		
<b>1999</b>	\$7.531	<b>2009</b>	\$4.918	<b>2019</b>	\$5.068		
<b>2000</b>	\$7.526	<b>2010</b>	\$4.789	<b>2020</b>	\$4.889		

# Proposed 2023 Retail Capital Credit Retirement

- The maximum amount Chugach can retire in 2023 due to the Indenture restriction is 50% of 2022 assignable margins, or \$4,061,868. Since the board of directors approved \$325,000 to be distributed under the discounting program for 2023, the amount remaining for a retail capital credit retirement is \$3,736,868.
- Since the remaining balance of capital credits for the year 1991 is \$3,364,092, management recommends we target that balance as the total 2023 retirement and continue to use the FIFO method and move to a hybrid method when we have more flexibility under the Indenture.

**Questions?**



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

**OPERATIONS COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**October 11, 2023**

**ACTION REQUIRED**

**AGENDA ITEM NO. V.C.**

Information Only  
 Motion  
 Resolution  
 Executive Session  
 Other

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**TOPIC**

2023 Retail Capital Credit Retirement

**DISCUSSION**

The proposed retail capital credit retirement is an amount not to exceed \$3,689,092 less \$325,000 paid early to estates and inactive members who closed their memberships and received discounted capital credit payment. This retirement of \$3,364,092 retires the balance of capital credits for the year 1991, has a 0.21% impact on Chugach's equity to total capitalization ratio and is expected to be distributed no later than December 31, 2023.

**MOTION**

Move that the Operations Committee recommend the Board of Directors approve the attached resolution authorizing a retail capital credit retirement not to exceed \$3,364,092, which will retire the remaining balance of capital credits for the year 1991 and is expected to be distributed no later than December 31, 2023.



## RESOLUTION

### Retail Capital Credit Retirement

WHEREAS, the Chugach Electric Association, Inc. (Chugach) Board of Directors desires to proceed with a retail capital credit retirement;

WHEREAS, the Board of Directors has determined that this retirement will not impair the financial condition of the Association; and

WHEREAS, in accordance with Chugach's Second Amended and Restated Indenture of Trust, capital credit retirements are currently restricted to the lesser of 5% of Chugach's patronage capital or 50% of assignable margins for the prior fiscal year, which cannot exceed \$4,061,868.

NOW THEREFORE BE IT RESOLVED, Chugach shall make a retail capital credit retirement of the remaining balance of 1991, which is \$3,689,092 less \$325,000 paid early to estates and inactive members who closed their memberships and received discounted capital credit payments, or a total amount not to exceed \$3,364,092. This amount will have a 0.21% impact on Chugach's equity to total capitalization ratio.

BE IT FURTHER RESOLVED, that the retail retirement is expected to be distributed in the form of a check or as a credit on a member's bill no later than December 31, 2023.

BE IT FURTHER RESOLVED, that the capital credits of any member with an outstanding debt will be used to offset that debt until it is paid in full or all available capital credits have been credited to that debt.

### CERTIFICATION

I, Susanne Fleek-Green, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 25<sup>th</sup> day of October, 2023; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 25<sup>th</sup> day of October, 2023.

\_\_\_\_\_  
Secretary

Chugach Electric Association, Inc.  
Anchorage, Alaska

Summary of Executive Session Topics for  
Operations Committee Meeting on October 11, 2023  
Agenda Item VI.

- A. Discussion of confidential and sensitive information regarding an update of the Eklutna project, public disclosure of which could have an adverse effect on the finances and legal position of the Association. (AS 10.25.175(c)(1) and (3))
- B. Discussion of confidential and sensitive information concerning an update of Chugach's cyber security practices, public disclosure of which could have an adverse effect on the finances and legal position of the Association. (AS 10.25.175(c)(1) and (3))