



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

**AUDIT AND FINANCE COMMITTEE MEETING**

**AGENDA**

Harold Hollis, Chair  
Sisi Cooper, Vice Chair

Sam Cason, Director  
Rachel Morse, Director  
Bettina Chastain, Director

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**November 30, 2022**

**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\*
- III. APPROVAL OF THE MINUTES\*
  - A. August 24, 2022 (Doyle)
- IV. PERSONS TO BE HEARD
  - A. Member Comments
- V. NEW BUSINESS (none)
- VI. CEO REPORTS AND CORRESPONDENCE (4:10 p.m.)
  - A. 3<sup>rd</sup> Quarter 2022 Capital Tracking Report (Sims/Griffin) (4:10 p.m.)
  - B. 3<sup>rd</sup> Quarter 2022 Operating Budget Status Report (Sims/Griffin) (4:15 p.m.)
  - C. 3<sup>rd</sup> Quarter 2022 Contract Status Report (Vecera) (4:20 p.m.)
- VII. NEW BUSINESS\* (scheduled) (4:25 p.m.)
  - A. 3<sup>rd</sup> Quarter 2022 Financial Information & Variance Report (Griffin/Highers)
- VIII. EXECUTIVE SESSION\* (scheduled) (4:45 p.m.)
  - A. BRU Investment Fund Review (APCM) (4:45 p.m.)
  - B. Review Chugach's 2022 Audit Plan (KPMG) (5:00 p.m.)
  - C. 3<sup>rd</sup> Quarter 2022 Financial Report (Sims/Griffin) (5:20 p.m.)
  - D. 2023-2027 Capital Improvement Plan (Laughlin/Highers) (5:35 p.m.)
  - E. 2023 Operating Budget (Highers) (6:10 p.m.)

\* Denotes Action Items

\*\* Denotes Possible Action Items

11/23/2022 9:37:31 AM

- IX. NEW BUSINESS\* (*continued*) (7:00 p.m.)
  - A. *Pre-Approval for FY2022 Audit Services\* (Highers)* (7:00 p.m.)
  - B. *2023 Operating and Capital Budget\* (Highers)* (7:05 p.m.)
- X. DIRECTOR COMMENTS (7:10 p.m.)
- XI. ADJOURNMENT\* (7:30 p.m.)

\* *Denotes Action Items*

\*\* *Denotes Possible Action Items*

11/23/2022 9:37:31 AM

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

**August 24, 2022**  
**Wednesday**  
**4:00 p.m.**

**AUDIT AND FINANCE COMMITTEE MEETING**

Recording Secretary: Ashton Doyle

**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 (*arrived at 4:09 p.m.*)

Sisi Cooper, Director

Rachel Morse, Director

Bettina Chastain, Director

*Board Members Present:*

Mark Wiggin, Director (*via teleconference*)

Erin Whitney, Director (*joined via teleconference at 4:03 p.m.*)

*Guests and Staff Attendance*

*Present:*

Sherrri Highers

Julie Hasquet

Curtis Sims

Arthur Miller

Matthew Clarkson

Jessie Anderson

Karen Griffin

Nathan Golab

Jean Kornmuller

*Via Teleconference:*

Arden Quezon

Andrew Laughlin

Blake Phillips, APCM

Sandra Cacy

**II. APPROVAL OF THE AGENDA**

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

*Director Whitney joined via teleconference at 4:03 p.m.*

*Director Cason was not present at the time of the vote.*

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

Director Chastain moved and Director Morse seconded the motion to approve the May 18, 2022, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

*Director Cason was not present at the time of the vote.*

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

- A. *Member Comments*  
None.

### **V. NEW BUSINESS**

- A. *Election of Audit and Finance Committee Vice Chair*  
Director Morse moved and Director Chastain seconded the motion that the Audit and Finance Committee appoint Director Cooper as Vice Chair of the Audit and Finance Committee. The motion passed unanimously.

*Director Cason was not present at the time of the vote.*

### **VI. CEO REPORTS AND CORRESPONDENCE**

- A. *BRU Quarterly Investment Reviews (APCM/Highers)*  
Blake Phillips, APCM CFA, Vice President, Director of Institutional Solutions, gave a Quarterly Investment Review presentation and responded to questions from the Committee.
  - B. *2<sup>nd</sup> Quarter 2022 Capital Tracking Report (Sims/Griffin)*  
The 2<sup>nd</sup> Quarter 2022 Capital Tracking Report was provided in the meeting packet.
  - C. *2<sup>nd</sup> Quarter 2022 Operating Budget Status Report (Sims/Griffin)*  
The 2<sup>nd</sup> Quarter 2022 Operating Budget Status Report was provided in the meeting packet.
- Director Cason arrived at 4:09 p.m.*
- D. *2<sup>nd</sup> Quarter 2022 Contract Status Report (Vecera)*  
The 2<sup>nd</sup> Quarter 2022 Contract Status Report was provided in the meeting packet.
  - E. *2<sup>nd</sup> Quarter 2022 Financial Information and Variance Report (Griffin)*  
Karin Griffin, Vice President of Finance and Accounting, presented the 2<sup>nd</sup> Quarter 2022 Financial Information and Variance Report and responded to questions from the Committee.

Arthur Miller, Chief Executive Officer, gave a summary of the CEO Reports and Correspondence items and responded to questions from the Board.

**VII. EXECUTIVE SESSION**

- A. *IRS Form 990 (Sims/Griffin)*
- B. *2<sup>nd</sup> Quarter 2022 Financial Report (Sims/Griffin)*
- C. *Internal Controls Update (Griffin)*

At 4:30 p.m., Director Morse moved and Director Cooper seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1), the Board of Directors' Audit and Finance Committee go into executive session to discuss and receive reports regarding 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 5:50 p.m.*

**VIII. NEW BUSINESS**

None.

**IX. DIRECTOR COMMENTS**

Director comments were made at this time.

**X. ADJOURNMENT**

At 5:59 p.m., Director Chastain moved and Director Morse seconded the motion to adjourn. The motion passed unanimously.

**CHUGACH ELECTRIC ASSOCIATION  
CAPITAL PROJECT TRACKING REPORT  
As of September 30, 2022**

CIP Ref #	Project Name <sup>1</sup>	Project Manager	BOD Project Approval Date	Estimate			Actuals			Variance		Physical 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>													
02.0142	Daves Creek 352 Reliability Improvements Phase I E1913922	Miller, Mike	5/26/2021	\$1,600,000	\$0	\$1,600,000	\$1,431,332	\$10,000	\$1,441,332	(\$158,668)	90%	95%	This project converted/rebuilt the overhead, 12.5kV, V-phase feeder to a three-phase feeder from the Dave's Creek Substation to Sunrise Inn near Cooper Landing while replacing approximately 100 poles. This project was bid in July with the low bid going to Alaska Line Builders (ALB). Project construction was completed on 01/20/22 with the final inspection on 01/26/22 and is now in the close-out phase. Final walk through took place on 7/7/22, and warranty work has been completed as of 8/24/22.
03.0485	O'Malley OH/UG: Rockridge Drive to Hillside Drive <sup>4</sup> E1813812, E1913870	Miller, Mike	4/28/2021	\$4,100,000	\$0	\$4,100,000	\$3,930,159	\$169,841	\$4,100,000	\$0	100%	90%	This project converts the overhead 12.5kV circuit to underground per Title 21 mandates and in conjunction with DOT road improvements. This project was bid in October 2021 with the low bid going to Lineworks. Lineworks completed construction of this project in October 2022. The project is currently in the close-out phase.
03.0810 11.0006	Jewel Lake Road OH/UG: Strawberry Road to W. 84th Ave E2013957 <sup>2</sup> , E2120058	Miller, Mike	2/16/2022	\$3,300,000	\$0	\$3,300,000	\$2,295,498	\$1,004,502	\$3,300,000	\$0	100%	95%	This project will retire approximately one mile of overhead three-phase primary 12kV and install new underground replacement circuits on the west side of Jewel Lake Road between Strawberry Road and 84th Avenue. In addition, conduit is being installed for future 35kV subtransmission infrastructure and communications. Bids were solicited for the project with Sturgeon Electric selected as the contractor. Notice to proceed was given in May 2022, construction began in June 2022 and was completed in September 2022. This project has been moved to the close-out phase.
05.0300	Campbell Lake Substation Rebuild E1920057, E2114076, C2130007	Moe, Jesse	2/16/2022	\$7,400,000	\$0	\$7,400,000	\$719,042	\$6,680,958	\$7,400,000	\$0	100%	7%	Design responsibility has moved from an in-house effort to EPS. A new baseline schedule has been developed with construction now slated for Q2 of 2024. Switchgear procurement is underway with delivery projected in August 2024. Estimated energization date is December 2024.
12.1027	Battery Energy Storage System - BESS E1720056, E1720057, P2031027	Laughlin, Andrew	1/19/2022	\$58,500,000	\$0	\$58,500,000	\$2,769,064	\$55,730,936	\$58,500,000	\$0	100%	5%	Chugach's RFP for a battery energy storage system (BESS) garnered four responses. The technical evaluation is complete. NERA has completed the revised economic evaluation of the BESS for the Power Pool regarding the net present value (NPV) of avoided fuel and O&M. T&Cs are being negotiate with the battery vendor selected for the project.
20.0252 20.0196	PS Replacement I2140001, I2140007, I2140018	Travis, Joshua	1/19/2022	\$16,973,000	\$0	\$16,973,000	\$2,477,435	\$14,495,565	\$16,973,000	\$0	100%	3%	The invoice cloud contract was approved by Chugach's Board of Directors. Training for November and December have been scheduled. Training, testing, and configuration sites have been setup throughout the Chugach campus to support the project. Work on configuration continues. The focus has been on rates, lighting, meter data collection, and billing.
<b>Retirements &amp; Replacements</b>													
10.0207	East Cable Terminal Reactor Replacement E2120054	Moe, Jesse	11/22/2021	\$3,200,000	\$0	\$3,200,000	\$168,117	\$3,031,883	\$3,200,000	\$0	100%	20%	Design is now scheduled for completion in early 2023. The project will go out to bid to an OELCC contractor Q2 2023. Construction will begin in May 2023 and is now expected to be completed by August 2023. The procurement contract for the HICO reactor has been completed, with delivery expected in Q1 2023. The reactor design approval process is ongoing and the design for the reactor replacement is about 35% to date. Remaining work has been postponed until next spring.
10.0240	Retire INSS 138kV Facilities E1720055	Moe, Jesse	1/24/2018	\$2,700,000	\$0	\$2,700,000	\$2,358,548	\$10,000	\$2,368,548	(\$331,452)	88%	99%	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. This portion of the project is currently in closeout.
10.0364	115kV Quartz Creek T/L Rebuild: Girdwood to Indian Substation E2020053	Merkel, Justin	10/26/2022	\$21,200,000	\$0	\$21,200,000	\$904,905	\$20,295,095	\$21,200,000	\$0	100%	20%	The design of the line rebuild is 95% complete. Permitting is underway. Documents are being prepared for steel procurement. Construction is estimated in 2024. Permitting will determine project schedule.
20.0033 20.0035	Fuel Tank Replacement and Storm Drain Reconstruction A2040003, A2040004	Prior, Tim	2/24/2021	\$1,173,654	\$0	\$1,173,654	\$1,473,665	\$1,126	\$1,474,791	\$301,137	126%	99%	Fuel tanks and storm drains are installed. Construction took place over the summer/fall/winter of 2021 and 2022 and is now anticipated to be completed by December 15, 2022. The project costs are higher than expected due to additional electrical work because of inaccurate electrical drawings. Additionally, we encountered unexpected contaminated soil and an additional storm drain replacement, as well as unanticipated environmental charges. Project is complete awaiting final invoice and drawings/red lines.

**CHUGACH ELECTRIC ASSOCIATION  
CAPITAL PROJECT TRACKING REPORT  
As of September 30, 2022**

CIP Ref #	Project Name <sup>1</sup>	Project Manager	BOD Project Approval Date	Estimate			Actuals			Variance		Physical 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>Agency Mandated</b>													
20.0304	Eklutna Fish & Wildlife <sup>3,5</sup> P1990277, P2000898	Brodie, Mike	11/26/2019 12/16/2020 12/15/2021	\$4,247,373	\$0	\$4,247,373	\$2,244,562	\$1,950,000	\$4,194,562	(\$52,811)	99%	60%	Eklutna F&W is a multi-year project with final completion of the program in late 2024. The 2022 budget was the second year of a 2-year study program on the Eklutna River, Lake, and plant facilities. Year 1 study reports have been finalized and distributed to the project technical working groups. The field work and data collection effort for the study year 2 was completed in Oct 2022. Draft Year 2 study reports are expected at the end of 1st quarter 2023. Draft program development will occur through 2023 with the final program likely submitted to the State of Alaska in 2nd quarter 2024 for approval in accordance with the 1991 Eklutna Fish & Wildlife Agreement.

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


<sup>2</sup> Projects funded by the Undergrounding Ordinance

<sup>3</sup> Represents Chugach's portion

<sup>4</sup> Projects funded by a combination of the Undergrounding Ordinance and DOT

<sup>5</sup> Represents Chugach's portion of this project. Estimate is based on the approved capital budgets for 2020, approved resolution No 02 02 21, and the budget included in the 2022-2026 CIP reviewed by the BOD on 12/15/2021.



**TO:** Sherri L. Highers, Chief Financial Officer  
**THROUGH:** Karen Griffin, Vice President, Finance & Accounting   
**FROM:** Curtis Sims, Sr. Manager, Budget & Financial Reporting  
**DATE:** September 30, 2022  
**SUBJECT:** *3<sup>rd</sup> Quarter 2022 Operating Budget Status Report*

There were no budget adjustments in the third of 2022. See Operating Budget Status Report on page 2.



**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**OPERATING BUDGET STATUS REPORT**  
**3RD QUARTER 2022**

CATEGORY	2022 Q2 AMENDED BUDGET	2022 Q3 BUDGET REVISIONS	2022 Q3 AMENDED BUDGET
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 345,060,581</b>	<b>\$ -</b>	<b>\$ 345,060,581</b>
Fuel and Purchased Power Expense	102,741,756	-	102,741,756
Power Production Expense	36,526,615	-	36,526,615
Transmission Expense	11,473,532	-	11,473,532
Distribution Expense	28,908,401	-	28,908,401
Customer Expense	11,510,953	-	11,510,953
Administrative, General & Other	46,129,487	-	46,129,487
Depreciation and Amortization Expense	61,413,835	-	61,413,835
Interest Expense, Net	38,424,734	-	38,424,734
<b>Total Cost of Electric Service</b>	<b>\$ 337,129,313</b>	<b>\$ -</b>	<b>\$ 337,129,313</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 7,931,268</b>	<b>\$ -</b>	<b>\$ 7,931,268</b>
Non-Operating Margins - Interest	291,144	-	291,144
Allowance for Funds Used During Construction	301,074	-	301,074
Non-Operating Margins - Other	(145,180)	-	(145,180)
<b>Patronage Capital or Margins</b>	<b>\$ 8,378,306</b>	<b>\$ -</b>	<b>\$ 8,378,306</b>
MFI/I	1.20		1.20
TIER	1.21		1.21

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**OPERATING BUDGET STATUS REPORT**  
**2ND QUARTER 2022**

CATEGORY	2022 Q1 AMENDED BUDGET	2022 Q2 BUDGET REVISIONS	2022 Q2 AMENDED BUDGET
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 345,060,581</b>	<b>\$ -</b>	<b>\$ 345,060,581</b>
Fuel and Purchased Power Expense	102,741,756	-	102,741,756
Power Production Expense	36,526,615	393,051	36,919,666
Transmission Expense	11,473,532	-	11,473,532
Distribution Expense	28,908,401	-	28,908,401
Customer Expense	11,510,953	-	11,510,953
Administrative, General & Other	46,129,487	(393,051)	45,736,436
Depreciation and Amortization Expense	61,413,835	-	61,413,835
Interest Expense, Net	38,424,734	-	38,424,734
<b>Total Cost of Electric Service</b>	<b>\$ 337,129,313</b>	<b>\$ -</b>	<b>\$ 337,129,313</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 7,931,268</b>	<b>\$ -</b>	<b>\$ 7,931,268</b>
Non-Operating Margins - Interest	291,144	-	291,144
Allowance for Funds Used During Construction	301,074	-	301,074
Non-Operating Margins - Other	(145,180)	-	(145,180)
<b>Patronage Capital or Margins</b>	<b>\$ 8,378,306</b>	<b>\$ -</b>	<b>\$ 8,378,306</b>
MFI/I	1.20		1.20
TIER	1.21		1.21

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**OPERATING BUDGET STATUS REPORT**  
**1ST QUARTER 2022**

CATEGORY	2022 APPROVED BUDGET	2022 Q1 BUDGET REVISIONS	2022 Q1 AMENDED BUDGET
<b>Operating Revenue and Patronage Capital</b>	<b>\$ 353,756,696</b>	<b>\$ (8,696,115)</b>	<b>\$ 345,060,581</b>
Fuel and Purchased Power Expense	105,281,462	(2,539,706)	102,741,756
Power Production Expense	36,526,615	-	36,526,615
Transmission Expense	11,473,532	-	11,473,532
Distribution Expense	28,908,401	-	28,908,401
Customer Expense	11,510,953	-	11,510,953
Administrative, General & Other	52,462,820	(6,333,333)	46,129,487
Depreciation and Amortization Expense	61,413,835	-	61,413,835
Interest Expense, Net	38,424,734	-	38,424,734
<b>Total Cost of Electric Service</b>	<b>\$ 346,002,352</b>	<b>\$ (8,873,039)</b>	<b>\$ 337,129,313</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 7,754,344</b>	<b>\$ 176,924</b>	<b>\$ 7,931,268</b>
Non-Operating Margins - Interest	291,144	-	291,144
Allowance for Funds Used During Construction	301,074	-	301,074
Non-Operating Margins - Other	(145,180)	-	(145,180)
<b>Patronage Capital or Margins</b>	<b>\$ 8,201,382</b>	<b>\$ 176,924</b>	<b>\$ 8,378,306</b>
MFI/I	1.20		1.20
TIER	1.20		1.21

September 2022  
YTD Financial  
Information  
November 30, 2022

# Chugach Electric Association

# September 2022 YTD Financial Information

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MWH Sales

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Statement of Operations

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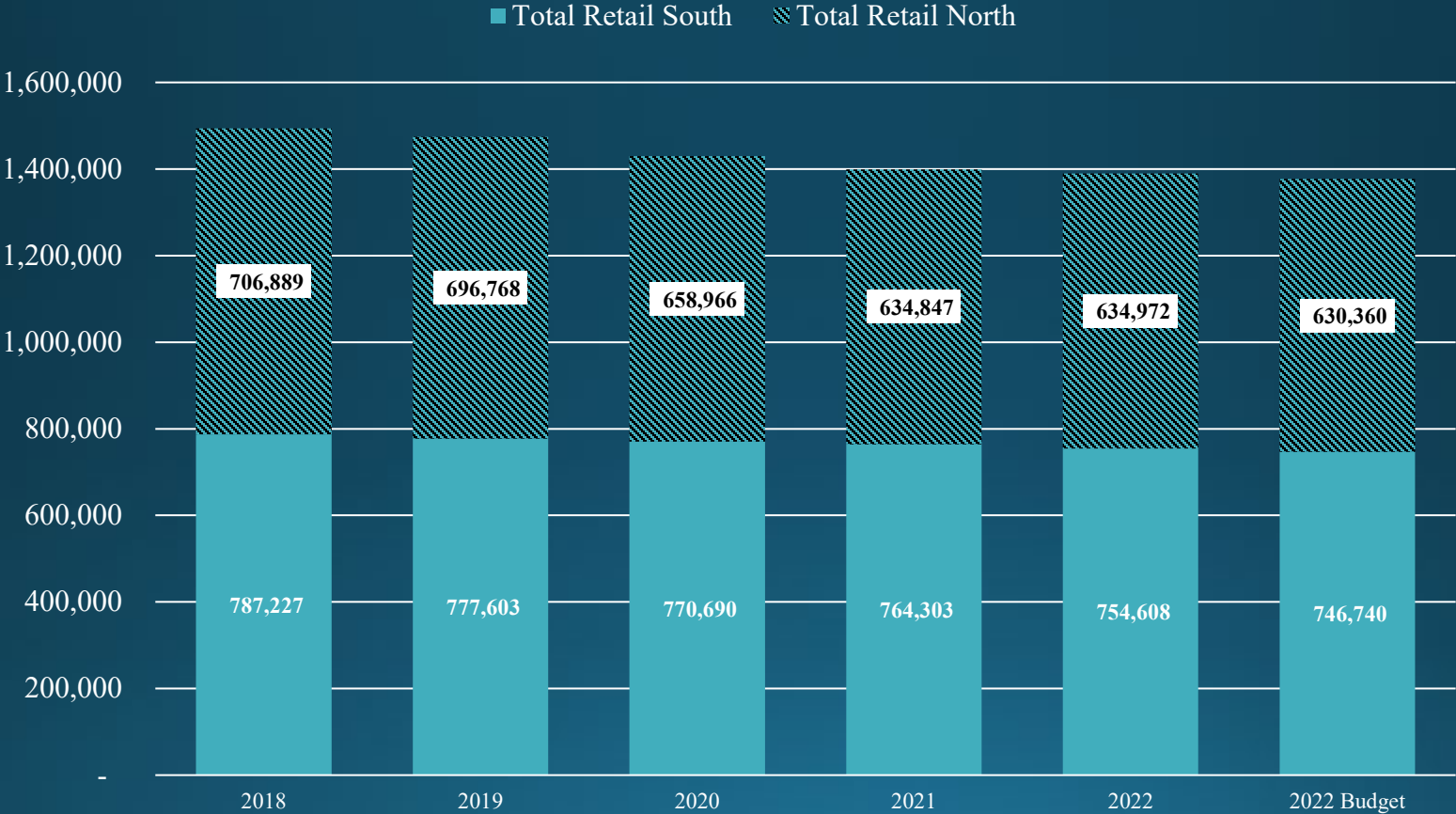
Balance Sheet

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Statement of Cash Flows

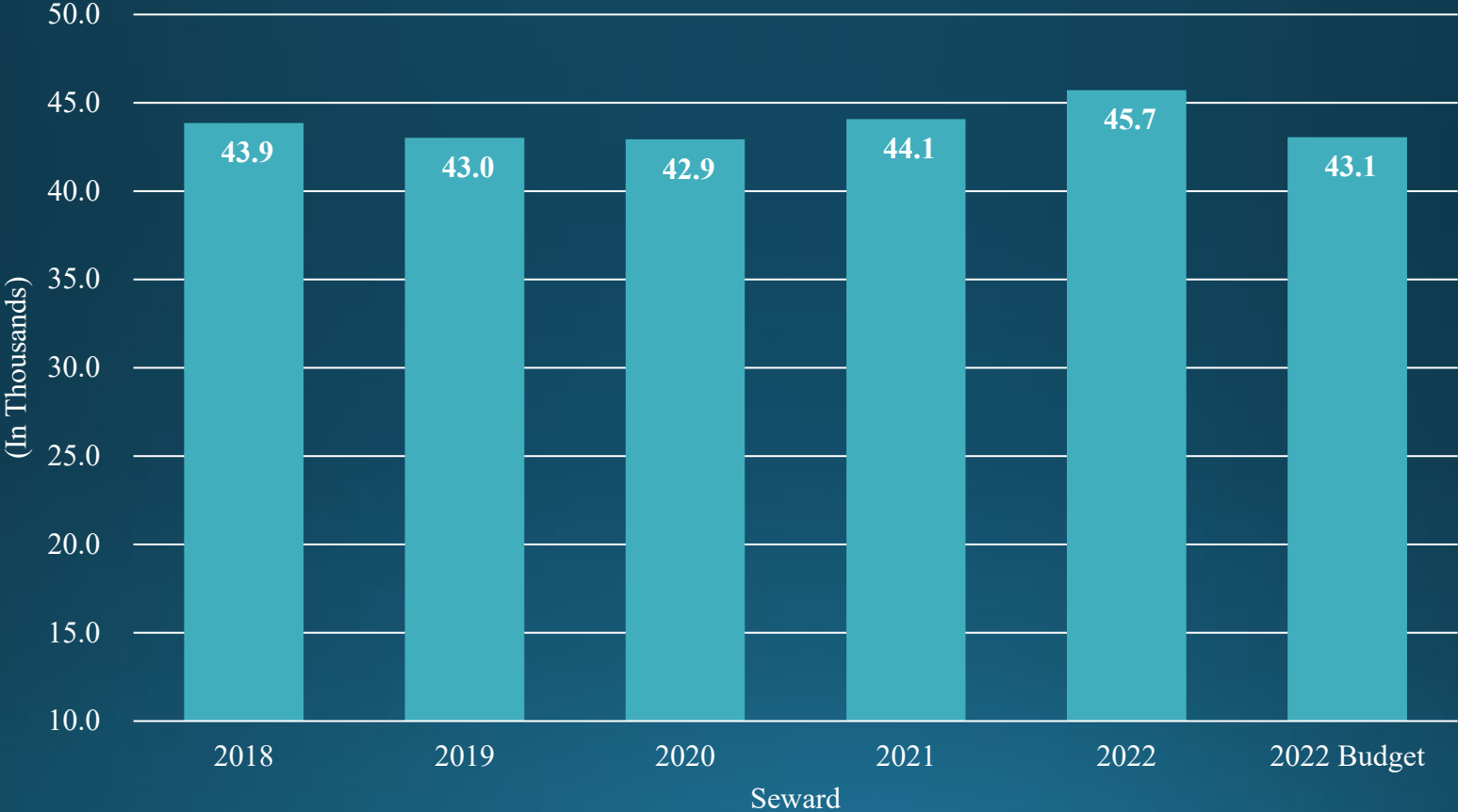
# September 2022 YTD Financial Information

## Retail MWh Sales Comparison



# September 2022 YTD Financial Information

## 5 Year Seward MWh Sales Comparison



# September 2022 YTD Financial Information

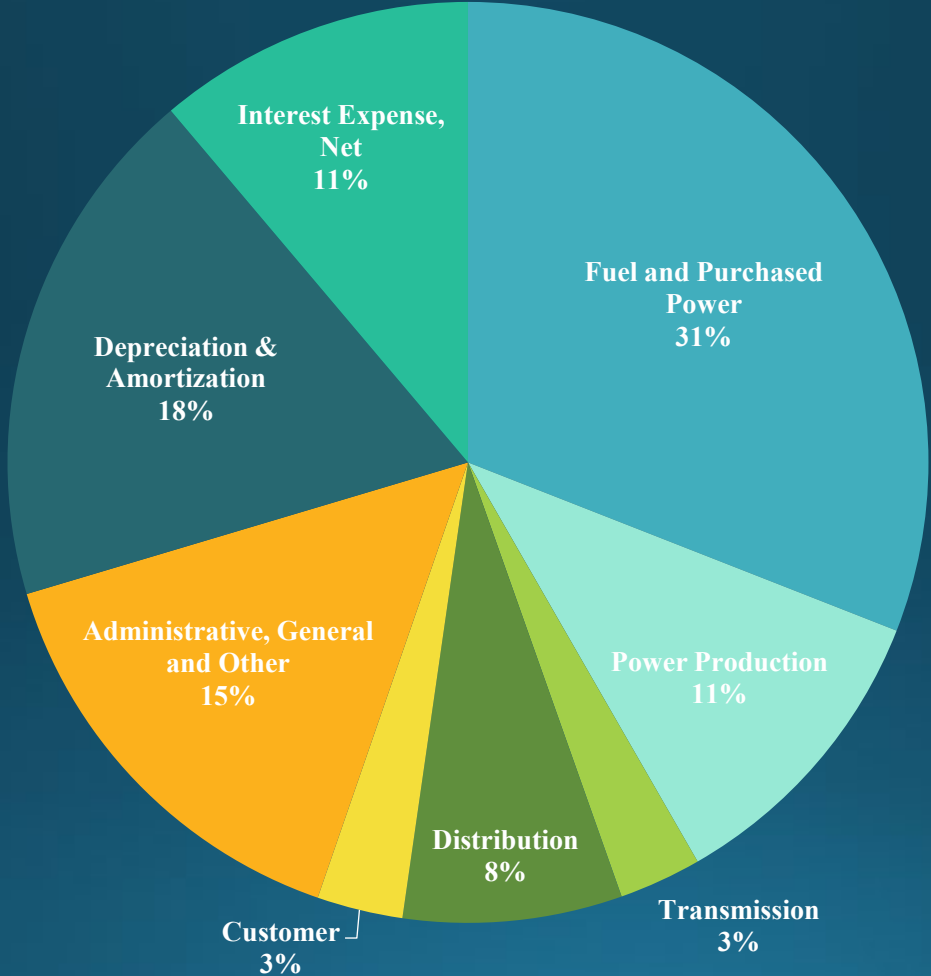
## Comparative Statement of Operations

CATEGORY	ACTUAL	BUDGET <sup>1</sup>	VARIANCE
<b>Operating Revenue &amp; Patronage Capital</b>	<b>\$ 261,709,317</b>	<b>\$ 254,292,813</b>	<b>\$ 7,416,504</b>
Fuel and Purchased Power	\$ 80,811,935	\$ 78,153,395	\$ 2,658,540
Power Production	\$ 28,031,401	\$ 27,567,704	\$ 463,697
Transmission	\$ 7,561,104	\$ 8,606,261	\$ (1,045,157)
Distribution	\$ 20,078,733	\$ 21,198,865	\$ (1,120,132)
Customer	\$ 7,869,998	\$ 8,633,362	\$ (763,365)
Administrative, General and Other	\$ 39,413,792	\$ 39,408,116	\$ 5,676
Depreciation & Amortization	\$ 48,160,719	\$ 45,967,810	\$ 2,192,909
Interest Expense, Net	\$ 29,151,440	\$ 28,915,196	\$ 236,244
<b>Total Cost of Electric Service</b>	<b>\$ 261,079,122</b>	<b>\$ 258,450,709</b>	<b>\$ 2,628,412</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 630,195</b>	<b>\$ (4,157,896)</b>	<b>\$ 4,788,092</b>
Non-Operating Margins - Interest	\$ 385,176	\$ 218,358	\$ 166,818
Allowance for Funds Used During Construction	\$ 65,624	\$ 209,781	\$ (144,157)
Non-Operating Margins - Other	\$ (47,260)	\$ (108,886)	\$ 61,626
<b>Patronage Capital or Margins</b>	<b>\$ 1,033,735</b>	<b>\$ (3,838,643)</b>	<b>\$ 4,872,379</b>
<b>Adj. Patronage Capital or Margins<sup>2</sup></b>	<b>\$ 7,686,929</b>	<b>\$ 2,814,550</b>	<b>\$ 4,872,379</b>
MFI/I	<b>1.03</b>	<b>0.88</b>	
TIER	<b>1.03</b>	<b>0.87</b>	
<sup>1</sup> Amended budget			
<sup>2</sup> Results if adjusted by secondary regulatory asset & Eklutna PPA			



# September 2022 YTD Financial Information

## Total Operating and Interest Expense



# September 2022 YTD Financial Information

## Comparative Balance Sheet, Assets & Other Debits

<b>ASSETS &amp; OTHER DEBITS</b>	<b>9/30/2022</b>	<b>12/31/2021</b>	<b>CHANGE</b>
Electric Plant in Service	2,110,932,473	2,085,567,712	25,364,761
Construction Work in Progress	41,131,381	34,253,304	6,878,077
<b>Total Utility Plant</b>	<b>\$ 2,152,063,854</b>	<b>\$ 2,119,821,016</b>	<b>32,242,836</b>
Accum. Prov. for Depreciation/Amortization	(688,464,701)	(640,729,478)	(47,735,223)
<b>Net Utility Plant</b>	<b>\$ 1,463,599,153</b>	<b>\$ 1,479,091,538</b>	<b>(15,492,385)</b>
Nonutility Property - Net	76,889	76,889	0
Financing & Operating Lease Right-of-Use Assets	4,097,390	4,126,967	(29,577)
Investment in Assoc. Organizations	6,993,487	7,280,936	(287,449)
Special Funds	34,480,872	43,016,636	(8,535,764)
Restricted Cash Equivalents & Other	64,310	64,310	0
Long-term Prepayments	342,892	291,846	51,046
<b>Total Other Property &amp; Investments</b>	<b>\$ 46,055,840</b>	<b>\$ 54,857,584</b>	<b>(8,801,744)</b>
Cash & Restricted Cash	20,929,863	37,590,723	(16,660,860)
Special Deposits and Marketable Securities	58,300	58,300	0
Accounts Receivable - Net	41,384,195	47,186,182	(5,801,987)
Materials and Supplies, Fuel Stock	66,067,902	59,371,225	6,696,677
Prepayments	8,643,324	4,917,095	3,726,229
Other Current & Accrued Assets	13,261,391	942,497	12,318,894
<b>Total Current &amp; Accrued Assets</b>	<b>\$ 150,344,975</b>	<b>\$ 150,066,022</b>	<b>278,953</b>
Deferred Debits	108,674,256	112,348,138	(3,673,882)
<b>Total Assets &amp; Other Debits</b>	<b>\$ 1,768,674,224</b>	<b>\$ 1,796,363,282</b>	<b>\$ (27,689,058)</b>

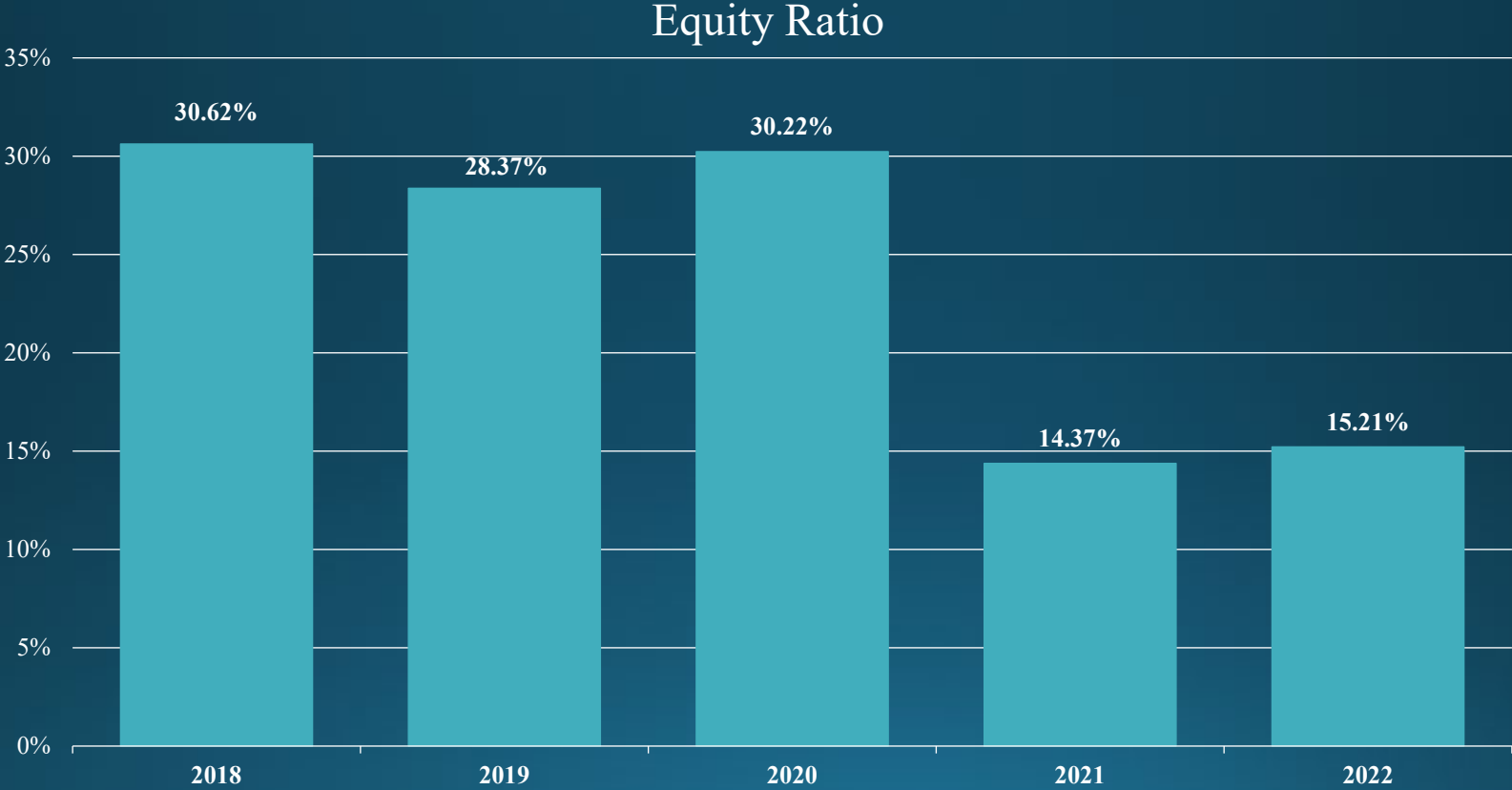
# September 2022 YTD Financial Information

## Comparative Balance Sheet, Liabilities & Other Credits

LIABILITIES & OTHER CREDITS	9/30/2022	12/31/2021	CHANGE
Memberships	1,977,856	1,949,262	28,594
Pat. Capital, Margins & Equities	204,907,251	204,051,676	855,575
<b>Total Margins &amp; Equities</b>	<b>\$ 206,885,107</b>	<b>\$ 206,000,938</b>	<b>\$ 884,169</b>
Long-Term Debt - Bonds	1,139,549,996	1,173,366,663	(33,816,667)
Long-Term Debt - Other	19,950,000	23,028,000	(3,078,000)
Unamortized Debt Issuance Costs	(5,994,915)	(6,072,373)	77,458
Operating Lease Liabilities	3,633,269	3,835,282	(202,013)
Finance Lease Liabilities	202,569	13,667	188,902
<b>Total Long-Term Debt</b>	<b>\$ 1,157,340,919</b>	<b>\$ 1,194,171,239</b>	<b>\$ (36,830,320)</b>
Notes Payable	81,179,229	64,473,838	16,705,391
Accounts Payable	19,902,138	14,878,065	5,024,073
Consumer Deposits	5,178,095	5,663,067	(484,972)
Other Current & Accrued Liabilities	55,196,961	52,236,502	2,960,459
<b>Total Current &amp; Accrued Liabilities</b>	<b>\$ 161,456,423</b>	<b>\$ 137,251,472</b>	<b>\$ 24,204,951</b>
Deferred Compensation	1,387,476	2,115,229	(727,753)
Other Liabilities, Non-Current	790,993	741,387	49,606
Deferred Liabilities	11,799,253	24,724,119	(12,924,866)
BRU Regulatory Liability	99,902,155	107,364,906	(7,462,751)
Cost of Removal Obligation	129,111,898	123,993,992	5,117,906
<b>Total Liabilities &amp; Other Credits</b>	<b>\$ 1,768,674,224</b>	<b>\$ 1,796,363,282</b>	<b>\$ (27,689,058)</b>

# September 2022 YTD Financial Information

## 5 Year Equity Ratio



# September 2022 YTD Financial Information Statements of Cash Flows

	September 30, 2022	September 30, 2021
<b>1. Cash flows from operating activities:</b>	<b>\$ 1,033,735</b>	<b>\$ 2,755,684</b>
Assignable margins		
Adjustments to reconcile assignment margins to net cash provided (used) by operating activities:		
Depreciation and amortization	57,562,161	55,142,519
Allowance for funds used during construction	(65,624)	(85,154)
Other non-cash charges	776,231	296,098
(Increase) decrease in assets	(9,712,813)	(11,510,736)
Increase (decrease) in liabilities	(4,686,839)	(13,501,954)
Net cash provided by operating activities:	<u>\$ 44,906,851</u>	<u>\$ 33,096,457</u>
<b>2. Cash flows from investing activities:</b>		
Return of capital from investment in associated organizations	288,329	317,218
Investment in special funds	0	(12,051,421)
Proceeds from capital grants	238,604	109,650
Extension and replacement of plant	(49,387,489)	(23,440,956)
Net cash used in investing activities:	<u>\$ (48,860,556)</u>	<u>\$ (35,065,509)</u>
<b>3. Cash flows from financing activities:</b>		
Payments for debt issue costs	0	(110,629)
Net increase (decrease) in short-term obligations	12,000,000	2,000,000
Net increase (decrease) in long-term obligations	(32,166,667)	(32,052,667)
Net increase (decrease) in consumer advances/retired patronage/other	7,459,512	5,384,818
Net cash (used in) financing activities:	<u>\$ (12,707,155)</u>	<u>\$ (24,778,478)</u>
<b>Net change in cash, cash equivalents &amp; restricted cash</b>	<b>(16,660,860)</b>	<b>(26,747,530)</b>
<b>4. Cash, cash equivalents &amp; restricted cash at beginning of period</b>	<b>\$ 37,655,033</b>	<b>\$ 60,456,418</b>
<b>5. Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 20,994,173</b>	<b>\$ 33,708,888</b>

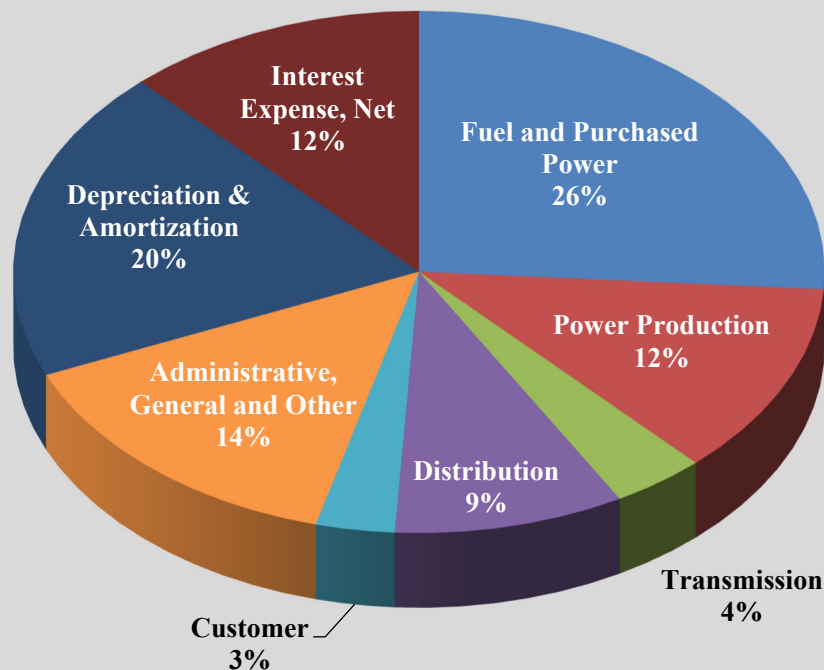
Questions?

## COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2022 MTD ACTUAL TO BUDGET

CATEGORY	ACTUAL	BUDGET <sup>1</sup>	VARIANCE
<b>Operating Revenue &amp; Patronage Capital</b>	<b>\$ 26,215,500</b>	<b>\$ 26,153,720</b>	<b>\$ 61,780</b>
Fuel and Purchased Power	7,027,112	7,513,887	(486,775)
Power Production	3,229,767	3,097,082	132,685
Transmission	999,016	935,289	63,727
Distribution	2,474,767	2,274,675	200,092
Customer	847,490	966,218	(118,728)
Administrative, General and Other	3,889,372	4,292,576	(403,204)
Depreciation & Amortization	5,240,679	5,117,796	122,883
Interest Expense, Net	3,240,868	3,181,057	59,811
<b>Total Cost of Electric Service</b>	<b>\$ 26,949,071</b>	<b>\$ 27,378,580</b>	<b>\$ (429,509)</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ (733,571)</b>	<b>\$ (1,224,860)</b>	<b>\$ 491,289</b>
Non-Operating Margins - Interest	68,180	24,262	43,918
Allowance for Funds Used During Construction	9,496	28,619	(19,122)
Non-Operating Margins - Other	555	(12,098)	12,653
<b>Patronage Capital or Margins</b>	<b>\$ (655,340)</b>	<b>\$ (1,184,077)</b>	<b>\$ 528,737</b>
<b>Adj. Patronage Capital or Margins<sup>2</sup></b>	<b>\$ 83,903</b>	<b>\$ (444,834)</b>	<b>\$ 528,737</b>

<sup>1</sup>Amended budget  
<sup>2</sup>Results if adjusted by secondary regulatory asset & Eklutna PPA

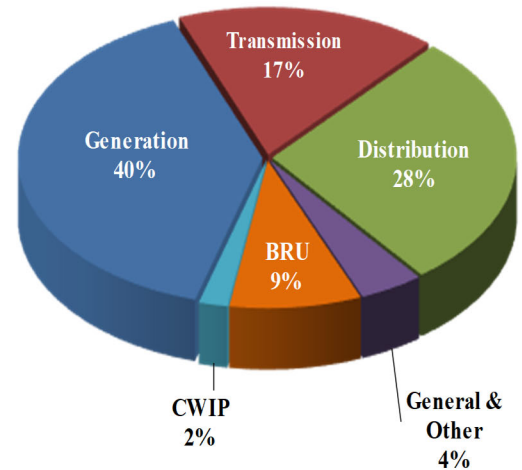
### Total Cost of Electric Service (MTD Actual)



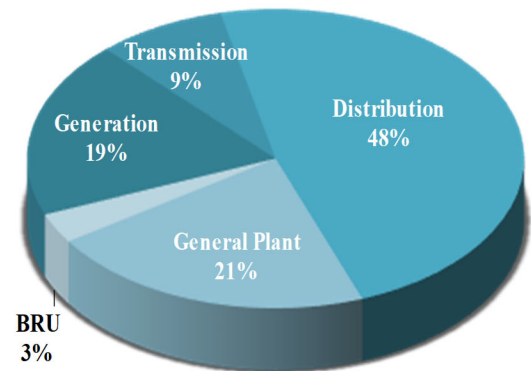
## BALANCE SHEET

ASSETS & OTHER DEBITS	9/30/2022	12/31/2021
Electric Plant in Service	2,110,932,473	2,085,567,712
Construction Work in Progress	41,131,381	34,253,304
<b>Total Utility Plant</b>	<b>\$ 2,152,063,854</b>	<b>\$ 2,119,821,016</b>
Accum. Prov. for Depreciation/Amortization	(688,464,701)	(640,729,478)
<b>Net Utility Plant</b>	<b>\$ 1,463,599,153</b>	<b>\$ 1,479,091,538</b>
Nonutility Property - Net	76,889	76,889
Financing & Operating Lease ROU Assets	4,097,390	4,126,967
Investment in Assoc. Organizations	6,993,487	7,280,936
Special Funds	34,480,872	43,016,636
Restricted Cash Equivalents & Other	64,310	64,310
Long-term Prepayments	342,892	291,846
<b>Total Other Property &amp; Investments</b>	<b>\$ 46,055,840</b>	<b>\$ 54,857,584</b>
Cash & Restricted Cash	20,929,863	37,590,723
Special Deposits and Marketable Securities	58,300	58,300
Accounts Receivable - Net	41,384,195	47,186,182
Materials and Supplies, Fuel Stock	66,067,902	59,371,225
Prepayments	8,643,324	4,917,095
Other Current & Accrued Assets	13,261,391	942,497
<b>Total Current &amp; Accrued Assets</b>	<b>\$ 150,344,975</b>	<b>\$ 150,066,022</b>
Deferred Debits	108,674,256	112,348,138
<b>Total Assets &amp; Other Debits</b>	<b>\$ 1,768,674,224</b>	<b>\$ 1,796,363,282</b>
LIABILITIES & OTHER CREDITS	9/30/2022	12/31/2021
Memberships	1,977,856	1,949,262
Pat. Capital, Margins & Equities	204,907,251	204,051,676
<b>Total Margins &amp; Equities</b>	<b>\$ 206,885,107</b>	<b>\$ 206,000,938</b>
Long-Term Debt - Bonds	1,139,549,996	1,173,366,663
Long-Term Debt - Other	19,950,000	23,028,000
Unamortized Debt Issuance Costs	(5,994,915)	(6,072,373)
Operating Lease Liabilities	3,633,269	3,835,282
Finance Lease Liabilities	202,569	13,667
<b>Total Long-Term Debt</b>	<b>\$ 1,157,340,919</b>	<b>\$ 1,194,171,239</b>
Notes Payable	81,179,229	64,473,838
Accounts Payable	19,902,138	14,878,065
Consumer Deposits	5,178,095	5,663,067
Other Current & Accrued Liabilities	55,196,961	52,236,502
<b>Total Current &amp; Accrued Liabilities</b>	<b>\$ 161,456,423</b>	<b>\$ 137,251,472</b>
Deferred Compensation	1,387,476	2,115,229
Other Liabilities, Non-Current	790,993	741,387
Deferred Liabilities	11,799,253	24,724,119
BRU Regulatory Liability	99,902,155	107,364,906
Cost of Removal Obligation	129,111,898	123,993,992
<b>Total Liabilities &amp; Other Credits</b>	<b>\$ 1,768,674,224</b>	<b>\$ 1,796,363,282</b>

➔ **Total Utility Plant  
\$2,152,063,854**



↓ **Construction Work in Progress  
\$41,131,381**



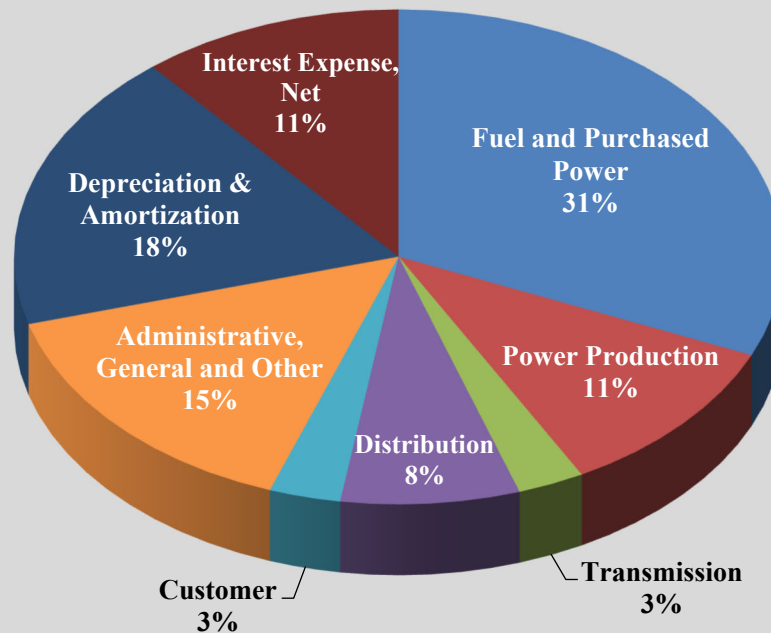


**COMPARATIVE FINANCIAL REPORT  
STATEMENT OF OPERATIONS  
2022 YTD ACTUAL TO BUDGET**

CATEGORY	ACTUAL	BUDGET <sup>1</sup>	VARIANCE
<b>Operating Revenue &amp; Patronage Capital</b>	<b>\$ 261,709,317</b>	<b>\$ 254,292,813</b>	<b>\$ 7,416,504</b>
Fuel and Purchased Power	80,811,935	78,153,395	2,658,540
Power Production	28,031,401	27,567,704	463,697
Transmission	7,561,104	8,606,261	(1,045,157)
Distribution	20,078,733	21,198,865	(1,120,132)
Customer	7,869,998	8,633,362	(763,365)
Administrative, General and Other	39,413,792	39,408,116	5,676
Depreciation & Amortization	48,160,719	45,967,810	2,192,909
Interest Expense, Net	29,151,440	28,915,196	236,244
<b>Total Cost of Electric Service</b>	<b>\$ 261,079,122</b>	<b>\$ 258,450,709</b>	<b>\$ 2,628,412</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 630,195</b>	<b>\$ (4,157,896)</b>	<b>\$ 4,788,092</b>
Non-Operating Margins - Interest	385,176	218,358	166,818
Allowance for Funds Used During Construction	65,624	209,781	(144,157)
Non-Operating Margins - Other	(47,260)	(108,886)	61,626
<b>Patronage Capital or Margins</b>	<b>\$ 1,033,735</b>	<b>\$ (3,838,643)</b>	<b>\$ 4,872,379</b>
<b>Adj. Patronage Capital or Margins<sup>2</sup></b>	<b>\$ 7,686,929</b>	<b>\$ 2,814,550</b>	<b>\$ 4,872,379</b>
MFI/I	<b>1.03</b>	<b>0.88</b>	
TIER	<b>1.03</b>	<b>0.87</b>	

<sup>1</sup>Amended budget  
<sup>2</sup>Results if adjusted by secondary regulatory asset & Eklutna PPA

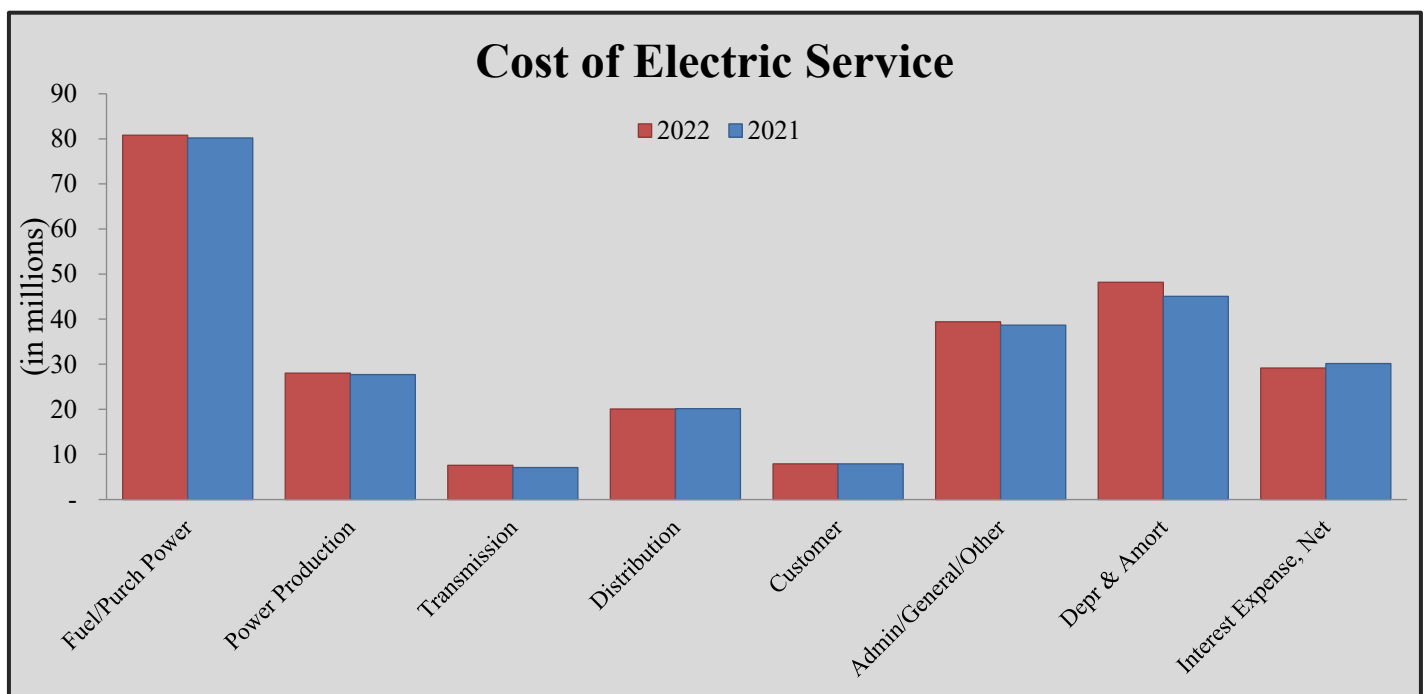
### Total Cost of Electric Service (YTD Actual)

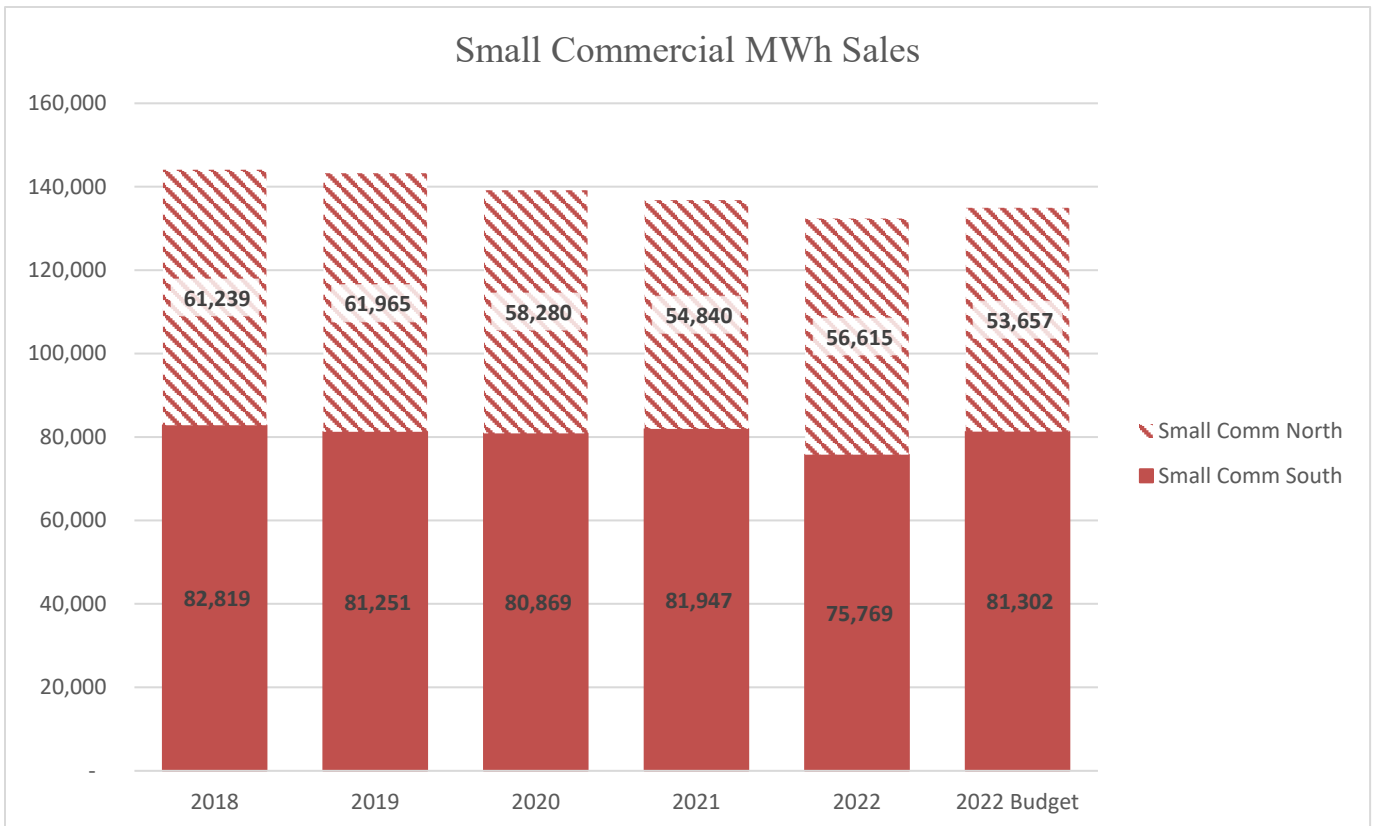
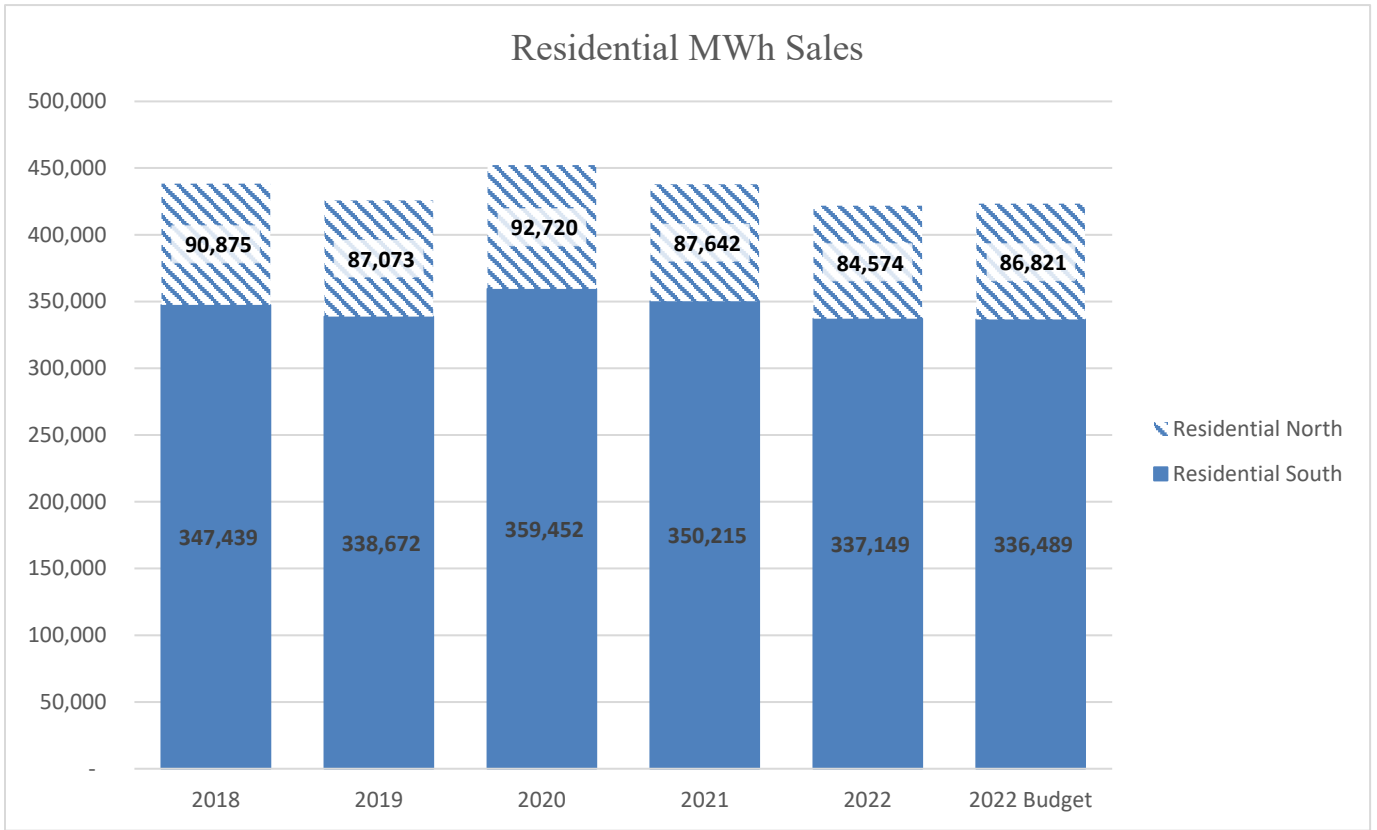


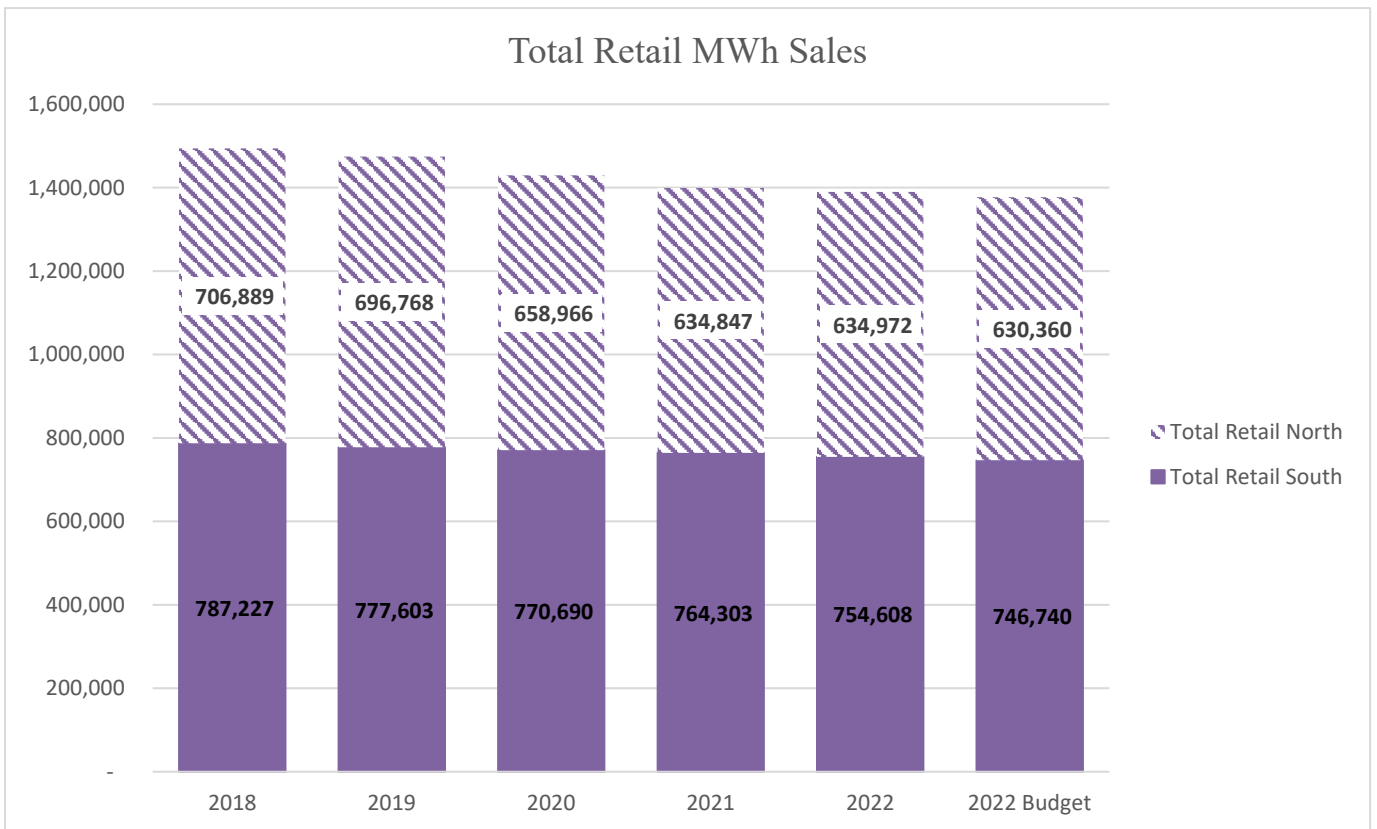
## COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YEAR

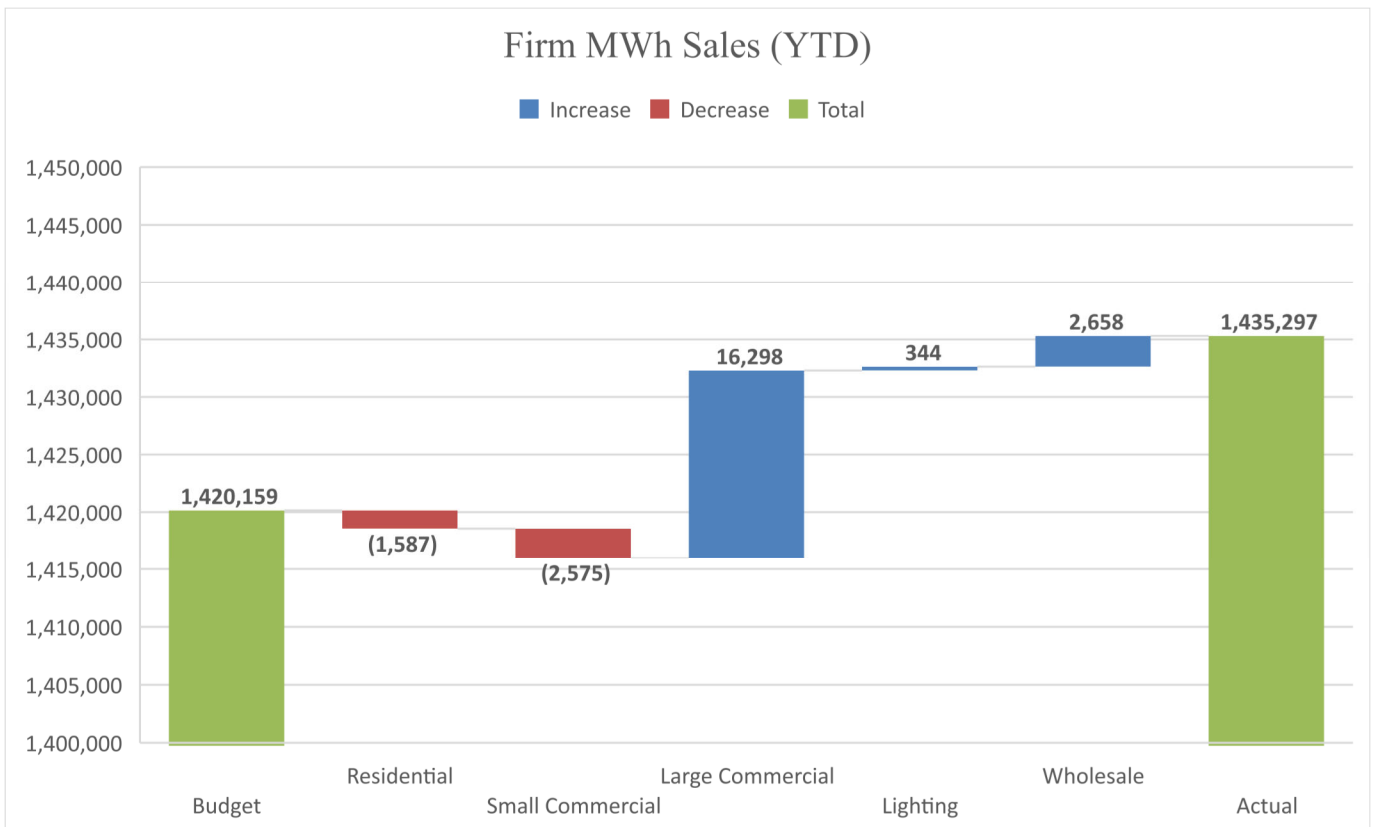
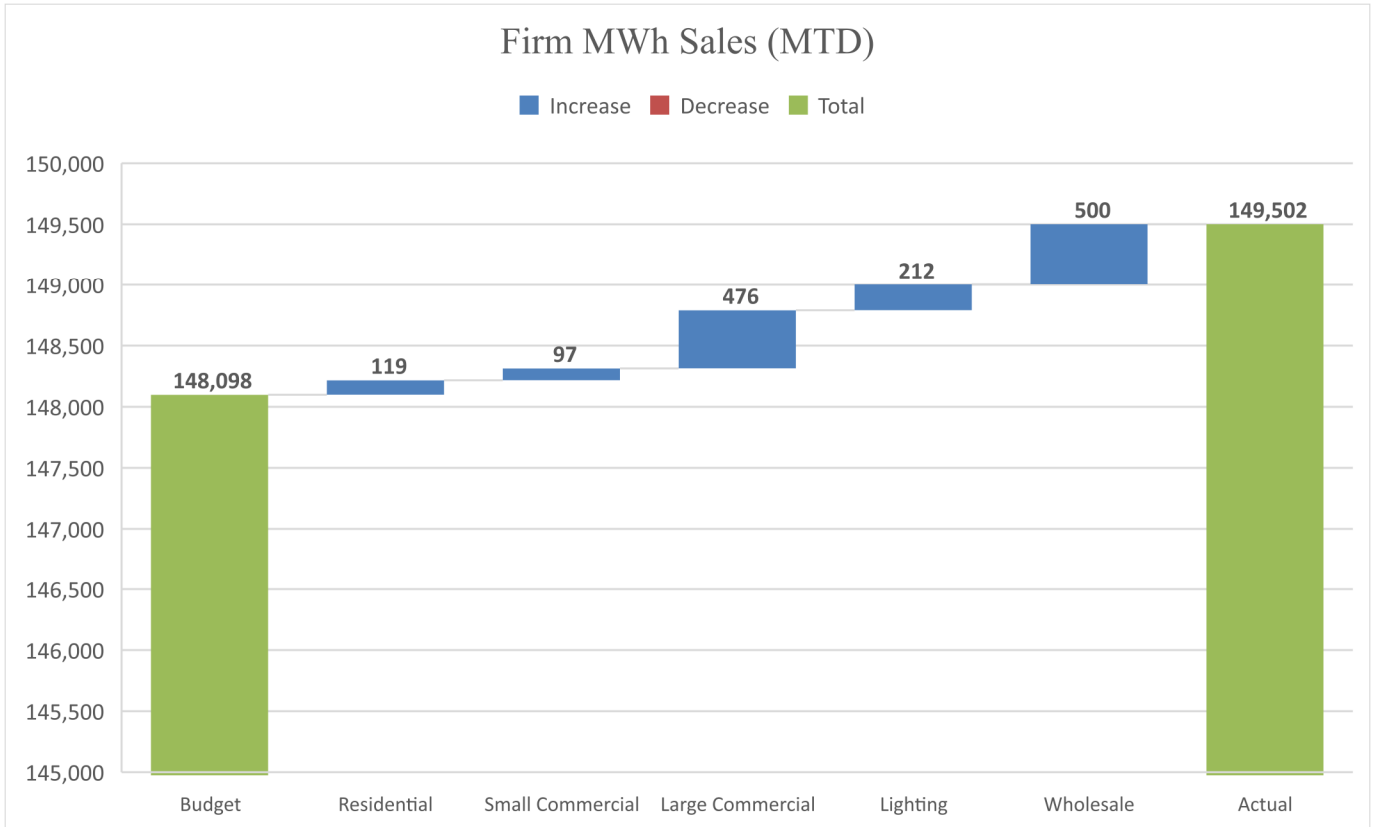
CATEGORY	2022 YTD ACTUAL	2021 YTD ACTUAL
<b>Operating Revenue &amp; Patronage Capital</b>	<b>\$ 261,709,317</b>	<b>\$ 259,280,252</b>
Fuel and Purchased Power	80,811,935	80,207,375
Power Production	28,031,401	27,691,002
Transmission	7,561,104	7,075,336
Distribution	20,078,733	20,140,798
Customer	7,869,998	7,875,904
Administrative, General and Other	39,413,792	38,669,083
Depreciation & Amortization	48,160,719	45,039,708
Interest Expense, Net	29,151,440	30,140,562
<b>Total Cost of Electric Service</b>	<b>\$ 261,079,122</b>	<b>\$ 256,839,768</b>
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 630,195</b>	<b>\$ 2,440,484</b>
Non-Operating Margins - Interest	385,176	220,504
Allowance for Funds Used During Construction	65,624	85,154
Non-Operating Margins - Other	(47,260)	9,542
<b>Patronage Capital or Margins</b>	<b>\$ 1,033,735</b>	<b>\$ 2,755,684</b>
<b>Adj. Patronage Capital or Margins<sup>1</sup></b>	<b>\$ 7,686,929</b>	N/A
MFI/I	1.03	1.09
TIER	1.03	1.09

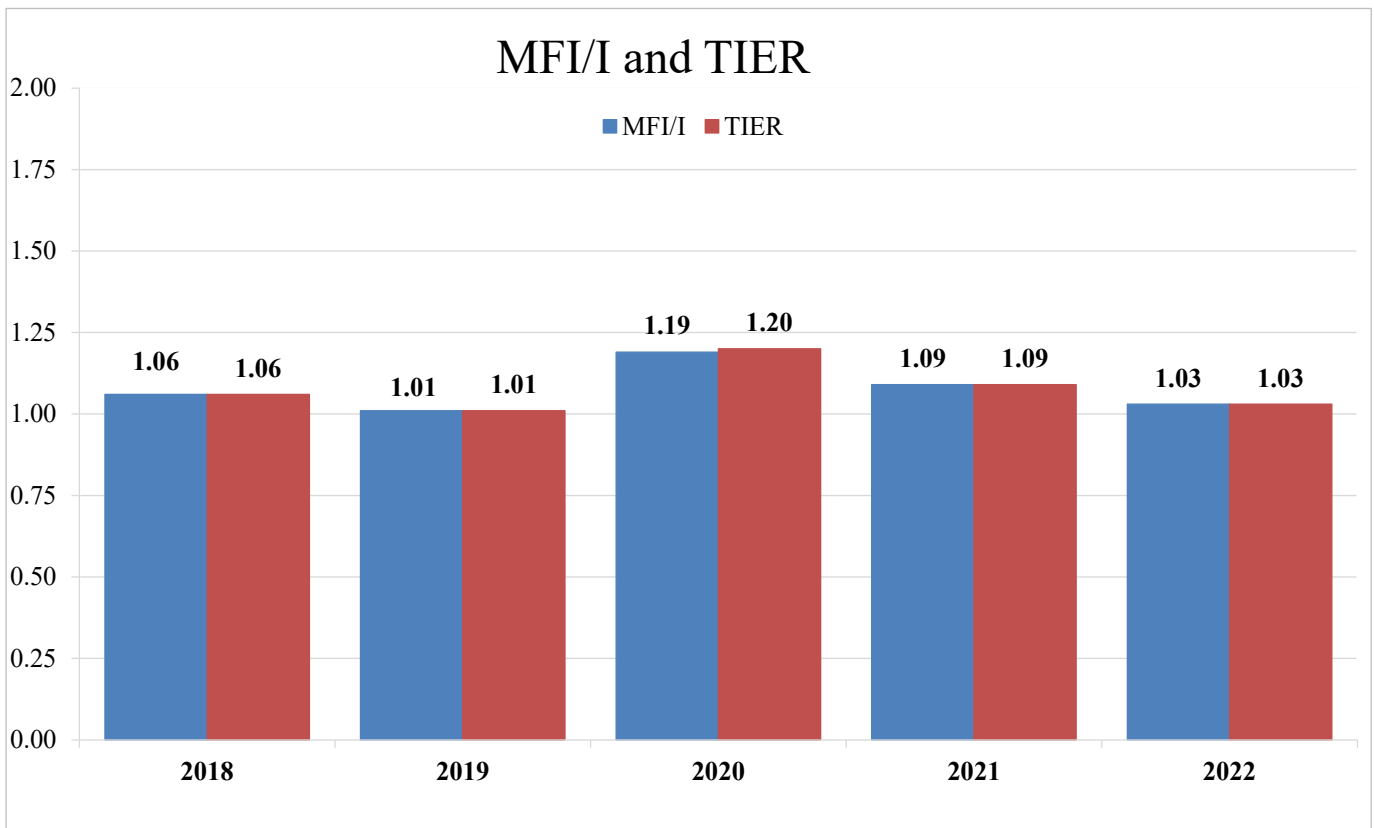
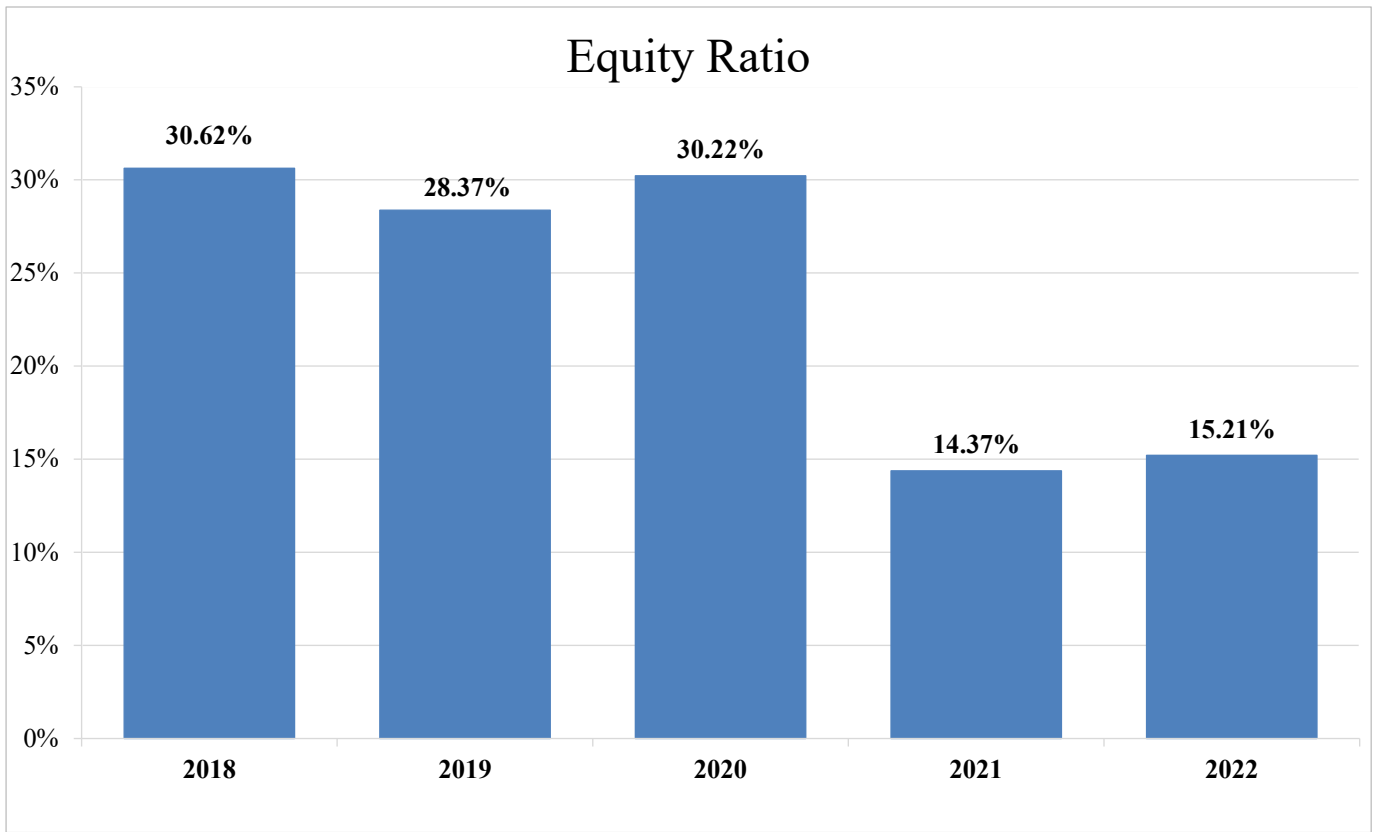
<sup>1</sup>Results if adjusted by secondary regulatory asset & Eklutna PPA











## ENERGY SALES (kWh)

	<u>2022 Actual</u>	<u>2022 Budget</u>
Retail Energy Sales	1,389,580,438	1,377,100,264
Wholesale Energy Sales	<u>45,716,674</u>	<u>43,058,799</u>
Total Firm Energy Sales	1,435,297,112	1,420,159,063
Economy Energy/Capacity	147,907,000	96,415,945
Power Pool Sales	<u>127,291,000</u>	<u>117,000,000</u>
Total Energy Sales	1,710,495,112	1,633,575,008

Firm energy sales totaled 1,435,297,112 kWh, which was a 1.1% favorable variance compared to budget. While the total of retail energy sales were above budget, lower residential and small commercial sales were offset by higher large commercial sales. Wholesale and economy energy and capacity sales were both over budget by 6.2% and 53.4%, respectively. The favorable variance related to economy sales was due to higher than anticipated sales to GVEA as well as unanticipated sales to HEA. Power pool sales with MEA totaled 127,291,000 kWh, which was over budget by 8.8%.

## ENERGY REVENUE (in millions)

	<u>2022 Actual</u>	<u>2022 Budget</u>
Retail Revenue	\$ 236.3	\$ 236.9
Wholesale Revenue	<u>3.8</u>	<u>4.3</u>
Total Firm Revenue	240.1	241.2
Economy Energy/Capacity Revenue	14.6	8.2
Power Pool Revenue	1.3	1.2
Other Operating Revenue	<u>5.7</u>	<u>3.7</u>
Total Revenue	\$ 261.7	\$ 254.3

While revenue from firm sales was on par with budget at \$240.1 million compared to \$241.2 million, lower residential and small commercial revenue was somewhat offset by higher large commercial revenue. Economy energy and capacity revenue was over budget by 78.9%, due to higher than anticipated sales to GVEA. Power pool revenue with MEA was over budget at \$1.3 million compared to a budget of \$1.2 million. 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 \$5.7 million compared to \$3.7 million in the budget, due primarily to higher revenue from gas exchange and wheeling from GVEA.

## FUEL AND PURCHASED POWER (in millions)

	<u>2022 Actual</u>	<u>2022 Budget</u>
Fuel	\$ 63.7	\$ 62.2
Purchased Power	<u>17.1</u>	<u>16.0</u>
Total	\$ 80.8	\$ 78.2

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$63.7 million compared to \$62.2 million in the budget. This unfavorable variance was due primarily to higher than anticipated BRU operating costs.

Fuel purchased or withdrawn from inventory for production was 5,556,324 Mcf at an average effective price of \$8.59 per Mcf compared to 5,658,186 Mcf budgeted at an average effective price of \$8.53 per Mcf.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, Eklutna, MEA through power pooling and other utilities as needed, as well as costs associated with dispatching. Purchased power expense was \$17.1 million compared to \$16.0 million in the budget. This unfavorable variance was caused primarily by higher energy purchases from Fire Island and Bradley Lake, in addition to higher costs associated with Bradley Lake and certain costs associated with power pooling, which was somewhat offset by lower system control and dispatch labor.

Energy purchased was 198,417 MWh at an average effective price of 6.62 cents per kWh compared to 156,668 MWh budgeted at an average effective price of 7.19 cents per kWh.

## POWER PRODUCTION (in millions)

	<u>2022 Actual</u>	<u>2022 Budget</u>
Power Production	\$ 28.0	\$ 27.6

Power production expense was \$28.0 million compared to \$27.6 million in the budget. Higher warehouse costs allocated to this financial category, the amortization of acquired ML&P regulatory assets, and higher maintenance expense at Sullivan, was largely offset by lower labor costs at the Nikkels, SPP, and Sullivan plants.

## TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>2022 Actual</u>	<u>2022 Budget</u>
Transmission	\$ 7.6	\$ 8.6

Transmission operations and maintenance expense was \$7.6 million compared to \$8.6 million in the budget. This favorable variance was due primarily to lower labor and warehouse costs allocated to this financial category.



## DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>2022 Actual</u>	<u>2022 Budget</u>
Distribution	\$ 20.1	\$ 21.2

Distribution operations and maintenance expense was \$20.1 million compared to \$21.2 million in the budget. This favorable variance was due primarily to lower labor and information services costs allocated to this financial category.

## CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>2022 Actual</u>	<u>2022 Budget</u>
Consumer/Customer Information	\$ 7.9	\$ 8.6

Consumer accounts and customer information expense was \$7.9 million compared to \$8.6 million in the budget. This favorable variance was due primarily to lower labor costs.

## ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>2022 Actual</u>	<u>2022 Budget</u>
Administrative, General and Other	\$ 39.4	\$ 39.4

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. Administrative, general, and other expense was on par with budget. The favorable variance in labor and tax expense, was offset by an unfavorable variance in professional services and other deductions, due primarily to higher than anticipated costs related to legal and RRC, in addition to the write off of obsolete inventory and cancelled projects.

## SUMMARY

Depreciation, interest, and interest during construction expense totaled \$77.3 million compared to \$74.9 million in the budget. The unfavorable variance was due primarily to higher than anticipated depreciation expense related to BRU.

All the foregoing expenses resulted in total cost of electric service of \$261.1 million compared to \$258.5 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 \$403.5 thousand compared to \$319.3 thousand in the budget due primarily to higher non-operating interest income, which was offset by lower AFUDC.

The net result of revenue and expenses was margins of \$1.0 million compared to a projected loss of \$3.8 million in the budget. This resulted in an MFI/I of 1.03, a TIER of 1.03, and an equity-to-total capitalization ratio of 15.21%. The current forecast projects year-end margins of \$8.2 million, an MFI/I of 1.20, and TIER of 1.20.

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

CATEGORY	2022 APPROVED BUDGET	2022 AMENDED BUDGET	2022 YTD ACTUALS	2022 REVISED FORECAST	
<b>Operating Revenue and Patronage Capital</b>	<b>\$353,756,696</b>	<b>\$345,060,581</b>	<b>\$261,709,317</b>	<b>350,953,435</b>	1,2
Fuel and Purchased Power Expense	105,281,462	102,741,756	80,811,935	106,414,610	1
Power Production Expense	36,526,615	36,526,615	28,031,401	36,039,764	1,2
Transmission Expense	11,473,532	11,473,532	7,561,104	11,327,868	1
Distribution Expense	28,908,401	28,908,401	20,078,733	28,551,971	1,2
Customer Expense	11,510,953	11,510,953	7,869,998	11,138,133	1
Administrative, General & Other	52,462,820	46,129,486	39,413,792	47,489,273	1,2
Depreciation and Amortization Expense	61,413,835	61,413,835	48,160,792	63,633,835	2
Interest Expense, Net	38,424,734	38,424,735	29,151,440	38,660,979	1
<b>Total Cost of Electric Service</b>	<b>\$346,002,352</b>	<b>\$337,129,313</b>	<b>\$261,079,122</b>	<b>343,256,433</b>	
<b>Patronage Capital &amp; Operating Margins</b>	<b>\$ 7,754,344</b>	<b>\$ 7,931,268</b>	<b>\$ 630,195</b>	<b>7,697,002</b>	
Non-Operating Margins - Interest	291,144	291,144	385,176	457,962	1
Allowance for Funds Used During Construction	301,074	301,074	65,624	156,917	1
Non-Operating Margins - Other	(145,180)	(145,180)	(47,260)	(83,554)	1
<b>Patronage Capital or Margins</b>	<b>\$ 8,201,382</b>	<b>\$ 8,378,306</b>	<b>\$ 1,033,735</b>	<b>8,228,327</b>	
MFI/I	1.20	1.20	1.03	1.20	
TIER	1.20	1.21	1.03	1.20	

<sup>1</sup> Forecast based on 9 months actual and 3 months budget

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

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

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

**November 30, 2022**

**ACTION REQUIRED**

**AGENDA ITEM NO. IX.A.**

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

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**TOPIC**

Pre-Approval for FY2022 Audit Services

**DISCUSSION**

KPMG performs a year-end audit of Chugach's financial statements and supplemental schedules, all of which are included in Chugach's annual financial report. KPMG issues a debt compliance letter and a report on our FERC-1 filing and, if applicable, also performs state and/or federal single audits.

**MOTION**

Move that the Audit and Finance Committee recommend the Board of Directors approve the retention of KPMG for audit services for FY2022 in accordance with the estimated fees outlined in KPMG's audit plan and strategy for the year ending December 31, 2022, as presented in executive session and consistent with the estimated fees in KPMG's contract, due to expire April 15, 2023.

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

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

**November 30, 2022**

**ACTION REQUIRED**

**AGENDA ITEM NO. IX.B.**

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

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**TOPIC**

Recommendation on Approval of the 2023 Operating and Capital Budget

**DISCUSSION**

On November 30, 2022, the Audit and Finance Committee met and reviewed a proposed 2023 Operating and Capital Budget.

The 2023 Operating Budget is expected to produce margins of \$8.4 million, Margins for Interest/Interest (MFI/I) ratio of 1.20, Times Interest Earned Ratio (TIER) ratio of 1.22 and Equity to Total Capitalization Ratio of 16.3%. These results are based on a Total Cost of Service of \$347.4 million, Total Revenue of \$355.0 million and Non-Operating Margins of \$0.8 million.

The 2023 Capital Budget cash requirement is \$154.5 million, consisting of \$32.6 million in energy storage, \$31.3 million in Distribution, \$21.0 million in Transmission and Sub-transmission, \$7.1 million in Generation, \$23.1 million in BRU and \$39.4 million in Deferred Plant, General Plant and Telecommunications/SCADA capital expenditures. The 2023 Capital Budget includes \$32.2 million funding from surcharges related to BRU and undergrounding.

**MOTION**

Move that the Audit and Finance Committee recommend the Board of Directors approve the 2023 Operating and Capital Budget which is expected to produce margins of \$8.4 million, MFI/I ratio of 1.20, TIER ratio of 1.22 and Equity to Total Capitalization ratio of 16.3%. These results are based on a Total Cost of Service of \$347.4 million, Total Revenue of \$355.0 million, Non-Operating Margins of \$0.8 million, and a capital expenditure cash requirement of \$154.5 million.