

CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Sisi Cooper, Chair  
Susan Reeves, Vice Chair

Jim Henderson  
Bettina Chastain  
Janet Reiser

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**November 27, 2017**

**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. *November 6, 2017 (Portades)*
  - IV. PERSONS TO BE HEARD
    - A. *Member Comments*
  - V. CEO REPORTS AND CORRESPONDENCE (*none*)
  - VI. EXECUTIVE SESSION\* (*scheduled*)
    - A. *Strategic Planning*
      - 1. *2018 Operating Budget and Capital Improvement Plan*
        - a. *2018 Operating Budget*
        - b. *2018-2022 Capital Improvement Plan*
        - c. *2018 Risk Factors*
- VII. NEW BUSINESS\* (*scheduled*)
  - A. *Recommendation on Approval of the 2018 Operating and Capital Budget\**  
*(Highers)*
- VIII. DIRECTOR COMMENTS
- IX. ADJOURNMENT\*

\* *Denotes Action Items*

\*\* *Denotes Possible Action Items*

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

**November 6, 2017**  
**Monday**  
**4:00 p.m.**

**AUDIT AND FINANCE COMMITTEE MEETING**

Recording Secretary: Divina Portades

**I. CALL TO ORDER**

Chair Cooper called the Audit and Finance Committee meeting to order at 4:05 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

*A. Roll Call*

*Committee Members Present:*

Sisi Cooper, Chair  
Susan Reeves, Vice Chair (*via teleconference*)  
Bettina Chastain, Director (*via teleconference*)  
Jim Henderson, Director  
Janet Reiser, Director

*Other Board Member Present:*

Harry Crawford, Director  
Stuart Parks, Director (*arrived at 4:13 p.m.*)

*Guests and Staff in Attendance:*

Lee Thibert	Mark Johnson	Renee Curran
Sherri Highers	Tyler Andrews	James Mullican
Arthur Miller	Jody Wolfe	Elizabeth Stuart, KPMG
Arden Quezon-Vicente	Ron Vecera	

**II. APPROVAL OF THE AGENDA**

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

**III. APPROVAL OF THE MINUTES**

Director Reiser moved and Director Henderson seconded the motion to approve the August 9, 2017, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

**IV. PERSONS TO BE HEARD**

- A. Wholesale Customer and Member Comments*  
None

## V. CEO REPORTS AND CORRESPONDENCE

- A. *3<sup>rd</sup> Quarter 2017 Financial Statements and Variance Report (Harris/Curran)*  
The 3<sup>rd</sup> Quarter 2017 Financial Statements and the Variance Report were provided in the meeting packet.
- B. *3<sup>rd</sup> Quarter 2017 Operating Budget Status Report (Curran)*  
The 3<sup>rd</sup> Quarter 2017 Operating Budget Status Report was provided in the meeting packet.
- C. *3<sup>rd</sup> Quarter 2017 Capital Tracking Report (Curran)*  
The 3<sup>rd</sup> Quarter 2017 Capital Tracking Report was provided in the meeting packet.
- D. *3<sup>rd</sup> Quarter 2017 Contract Status Report (Vecera)*  
The 3<sup>rd</sup> Quarter 2017 Contract Status Report was provided in the meeting packet. Sherri Highers, Chief Financial Officer (CFO) & VP, Finance and Administration and Lee Thibert, Chief Executive Officer (CEO) responded to questions from the Committee.
- E. *Employees 401K Plan Audit (Andrews)*  
The Employees 401K Plan Audit was provided in the meeting packet.

## VI. NEW BUSINESS

- A. *Recommendation of Discounting for 2018 Capital Credit Payments\* (Highers)*  
Director Reiser moved and Director Reeves seconded the motion that the Audit and Finance Committee recommend the Board of Directors' approve the resolution authorizing early (discounted) capital credit payments for 2018 not to exceed \$275,000.

Sherri Highers, CFO & VP, Finance and Administration gave a brief summary of the program for Discounting for 2018 Capital Credit Payments. Ms. Highers, Lee Thibert, CEO and Tyler Andrews, VP, Member and Employee Services responded to questions from the Committee.

*Director Parks arrived at 4:13 p.m.*

After discussion, Chair Cooper called for a vote. The motion passed unanimously.

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

- B. *3<sup>rd</sup> Quarter 2017 Financial Information (Harris)*  
Kathy Harris, Sr. Manager, General Accounting discussed the 3<sup>rd</sup> Quarter 2017 Financial Information.

## **VII. EXECUTIVE SESSION**

- A. *Strategic Planning*
  - 1. *KPMG 3<sup>rd</sup> Quarter 2017 Review*
  - 2. *Board and Auditor Discussion*
  - 3. *Review Chugach's 2017 Audit Plan*
  - 4. *September 30, 2017, SEC Form 10Q Review*

At 4:22 p.m., Director Reiser 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 5:33 p.m.

## **VIII. NEW BUSINESS**

- A. *September 30, 2017, SEC Form 10Q Filing\* (Curran)*

Director Reiser moved and Director Henderson seconded the motion 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. The motion passed unanimously.

## **IX. DIRECTOR COMMENTS**

Comments were made at this time.

## **X. ADJOURNMENT**

At 5:37 p.m., Director Reiser moved and Director Henderson seconded the motion to adjourn. The motion passed unanimously.

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

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

**November 27, 2017**

**ACTION REQUIRED**

**AGENDA ITEM NO. VII.A.**

Information Only  
 Motion  
 Resolution  
 Executive Session  
 Other

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**TOPIC**

Recommendation on Approval of the 2018 Operating and Capital Budget

**DISCUSSION**

On November 27, 2017, the Audit and Finance Committee met and reviewed a proposed 2018 Operating and Capital Budget and 2018-2022 Capital Improvement Program.

The 2018 Operating Budget is expected to produce margins of \$7.1 million, Margins for Interest/Interest (MFI/I) ratio of 1.32, Times Interest Earned Ratio (TIER) ratio of 1.35 and Equity to Total Capitalization Ratio of 30.9%. These results are based on a Total Cost of Service of \$208.6 million, Total Revenue of \$214.9 million and Non-Operating Margins of \$0.8 million.

The 2018 Capital Budget cash requirement is \$41.9 million, consisting of \$18.9 million in Distribution, \$7.9 million in Transmission and Subtransmission and \$15.1 million in Generation, Deferred Plant, General Plant and Telecommunications/SCADA capital expenditures. The 2018 Capital Budget includes an additional \$7.9 million from sources other than Chugach's base rates to its members.

**MOTION**

Move that the Audit and Finance Committee recommend the Board of Directors approve the 2018 Operating and Capital Budget which is expected to produce margins of \$7.1 million, MFI/I ratio of 1.32, TIER ratio of 1.35 and Equity to Total Capitalization ratio of 30.9%. These results are based on a Total Cost of Service of \$208.6 million, Total Revenue of \$214.9 million, Non-Operating Margins of \$0.8 million, and a capital expenditure cash requirement of \$41.9 million.