



CHUGACH ELECTRIC ASSOCIATION, INC.

ANCHORAGE, ALASKA

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Rachel Morse, Chair  
Sisi Cooper, Vice Chair  
Susanne Fleek-Green, Director

Dan Rogers, Director  
Jim Nordlund, Director  
Mark Wiggin, Director

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**December 04, 2024**

**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. *November 19, 2024 (Richey)*
- IV. PERSONS TO BE HEARD
  - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (none)
- VI. NEW BUSINESS\* (scheduled) (4:10 p.m.)
  - A. *2025 Operating & Capital Budget\* (Highers/Millwood) (4:10 p.m.)*
  - B. *KPMG Contract Extension\* (Highers) (4:40 p.m.)*
- VII. EXECUTIVE SESSION (none)
- VIII. NEW BUSINESS (none)
- IX. DIRECTOR COMMENTS (4:55 p.m.)
- X. ADJOURNMENT\* (5:00 p.m.)

\* *Denotes Action Items*

\*\* *Denotes Possible Action Items*

12/2/2024 11:48:00 AM

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

**November 19, 2024**  
**Tuesday**  
**4:00 p.m.**

**AUDIT AND FINANCE COMMITTEE MEETING**

Recording Secretary: Buddi Richey

**I. CALL TO ORDER**

Chair Morse called the Audit and Finance Committee meeting to order at 4:03 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

*A. Roll Call*

*Committee Members' Present:*

Rachel Morse, Chair  
Sisi Cooper, Director  
Susanne Fleek-Green, Director  
Dan Rogers, Director  
Mark Wiggin, Director  
Jim Nordlund, Director

*Board Members Present:*

Bettina Chastain, Director - via teams

*Guests and Staff Attendance Present:*

Arthur Miller  
Sherri Highers  
Matthew Clarkson  
Allan Rudeck

Andrew Laughlin  
Paul Millwood  
Julie Hasquet  
Nathan Golab

Josh Travis  
Melissa Beedle, KPMG  
Bernie Smith, Member

*Via Teleconference:*

Stephanie Huddell  
Heather Slocum

Sandra Cacy  
Zin Narathon

Amanda Mankel  
Jackie Burman  
Beth Stuart, KPMG

**II. APPROVAL OF THE AGENDA**

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

**III. APPROVAL OF THE MINUTES**

Director Fleek-Green moved, and Director Wiggin seconded the motion to approve the August 21, 2024, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

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

Bernie Smith provided comments regarding his gratitude to CEA.

#### **V. CEO REPORTS AND CORRESPONDENCE**

##### *A. BRU Quarterly Investment Fund Review (Millwood)*

Paul Millwood, VP Finance & Accounting, presented the BRU Quarterly Investment Fund Review and answered questions from the Committee.

##### *B. 3<sup>rd</sup> Quarter 2024 Capital Tracking Report (Millwood/Laughlin)*

Andrew Laughlin, Chief Operating Officer, and Paul Millwood, VP Finance & Accounting, presented highlights of the 3rd Quarter 2024 Capital Tracking Report and answered questions from the Committee.

##### *C. 3<sup>rd</sup> Quarter 2024 Financial Information and Variance Report (Millwood)*

Paul Millwood, VP Finance & Accounting, presented the 3rd Quarter 2024 Financial Information and Variance Report and answered questions from the Committee.

#### **VI. NEW BUSINESS**

##### *A. 2024 Audit Plan (KPMG)*

#### **VII. EXECUTIVE SESSION**

##### *A. KPMG Contract Negotiations (KPMG/Highers) (5:20 p.m.)*

##### *B. Internal Controls (Millwood) (5:40 p.m.)*

Director Wiggin moved, and Director Cooper seconded that pursuant to Alaska Statute 10.25.175(c)(1) 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. The motion passed unanimously.

#### **VIII. NEW BUSINESS (none)**

#### **IX. DIRECTOR COMMENTS**

Director comments were made at this time.

#### **X. ADJOURNMENT**

At 5:50 p.m., Director Wiggin moved, and Director Cooper seconded the motion to adjourn. The motion passed unanimously.

# 2025 Operating Budget

Audit & Finance  
Committee Meeting  
December 4, 2024





# Agenda

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Overview

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2025 Operating Budget

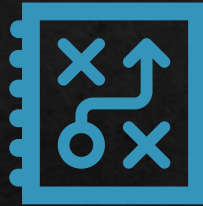
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2025 – 2029 Capital Improvement Plan

# Budget Overview



Defined by operations,  
capital investments, and  
cash requirements



Implementation plan for  
strategic, financial,  
regulatory and operational  
objectives

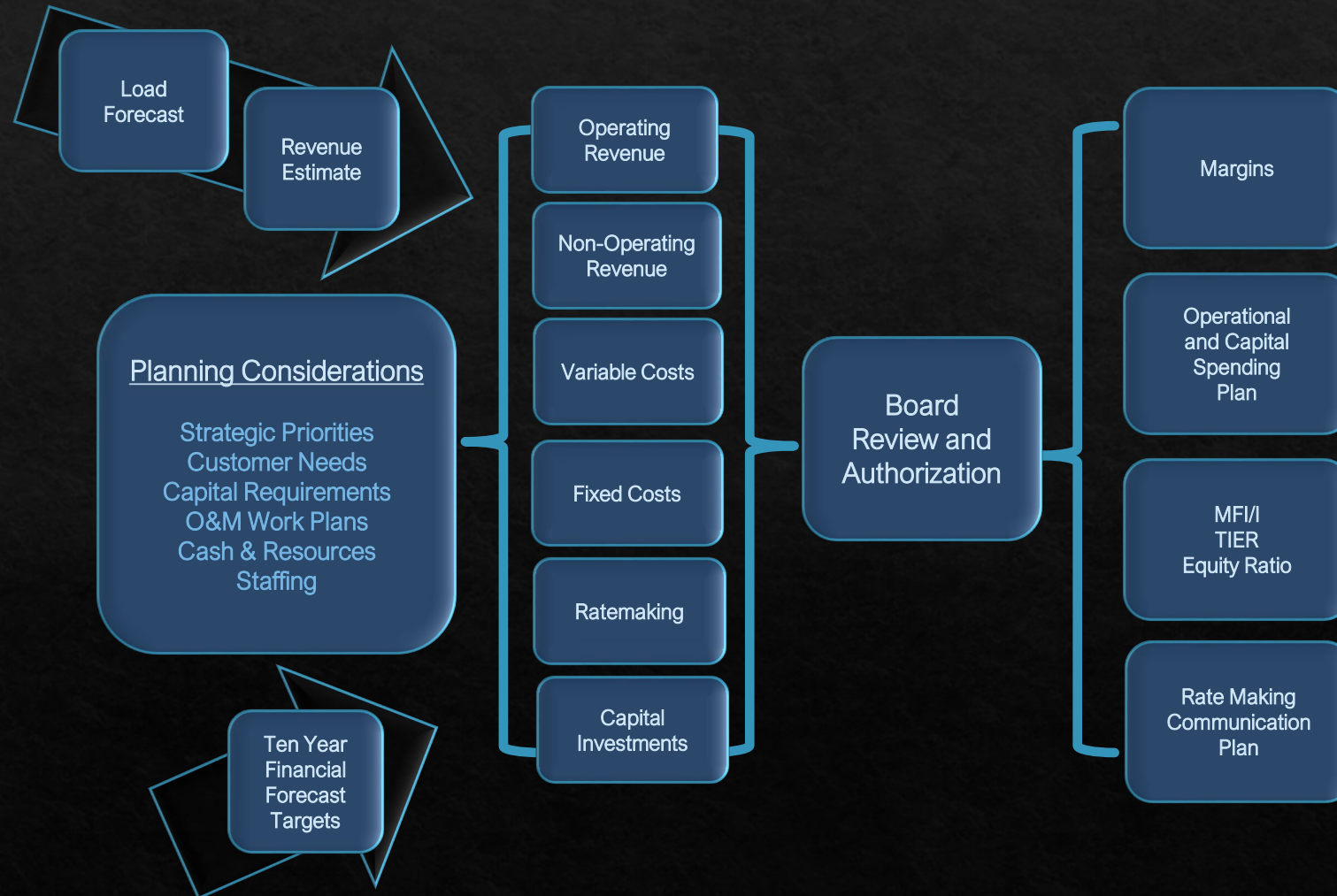


Meets the Board's goals  
and objectives and  
defines the resources  
required given the current  
environment



In accordance with  
Chugach's Bylaws Article  
VI. Section 10

# The Budget Process





# Major Assumptions

## Zero-based Budget

- Input provided by all budget owners

## Sales

- Slight increase in sales
- Economy sales in January

## Workforce

- Funding reflects resources to meet strategic priorities

## Fuel & Purchased Power

- Continued drilling at BRU (five wells)
- Includes fuel savings from battery
- Reflects transmission maintenance schedule
- No material changes to Purchased Power

## Regulatory

- System bill increase of 5.2% effective February 2025 as a result of SRF
- Does not reflect operations under the Open Access Transmission Tariff (OATT)

## Other

- One Campus Plan completed
- Continued advancement of decarbonization initiatives

# Revenue Assumptions



## Sales

Slight increase in sales



## Rates

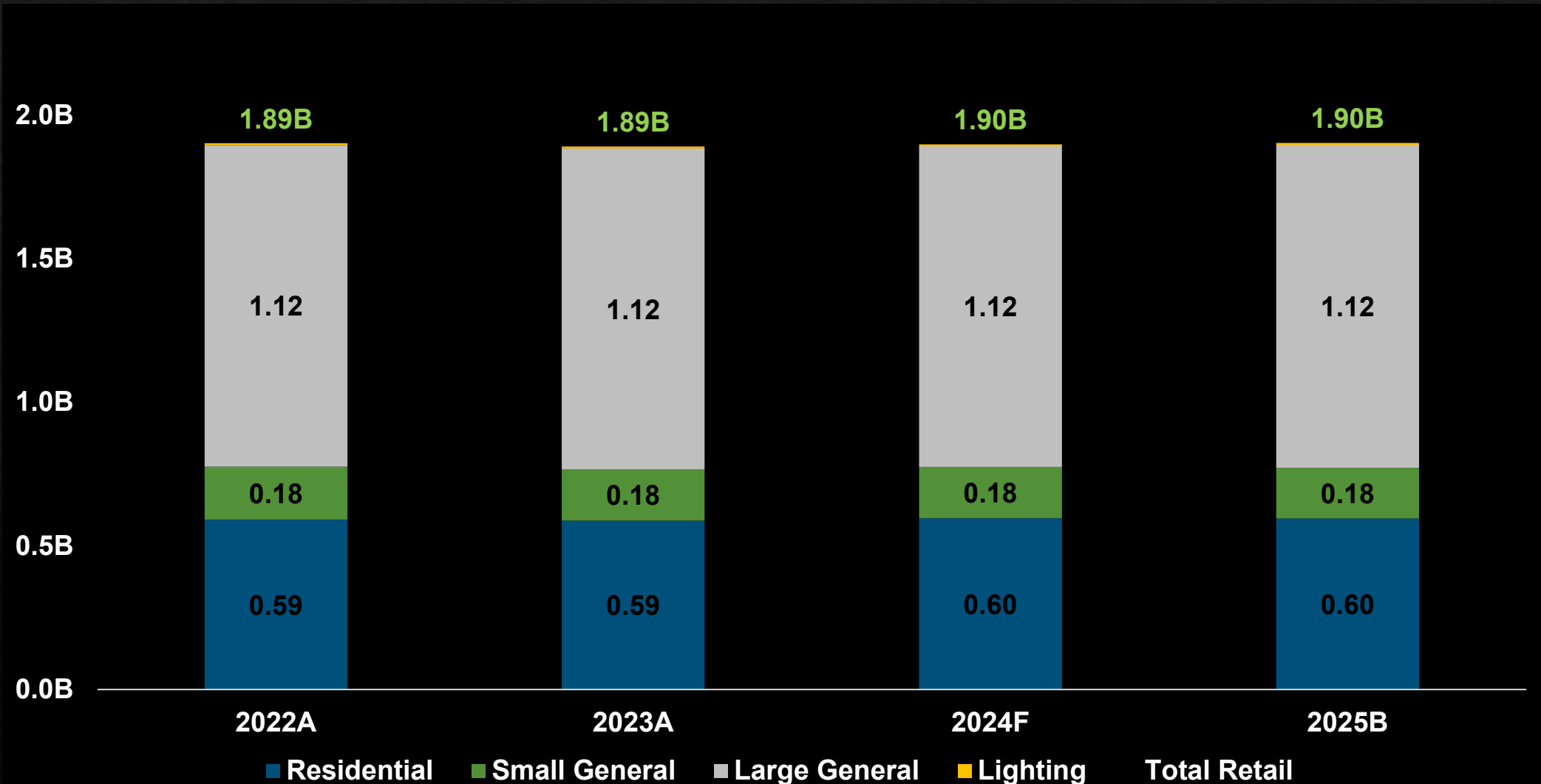
Simplified Rate Filing  
Proposed Rates Effective  
February 2025



## Other

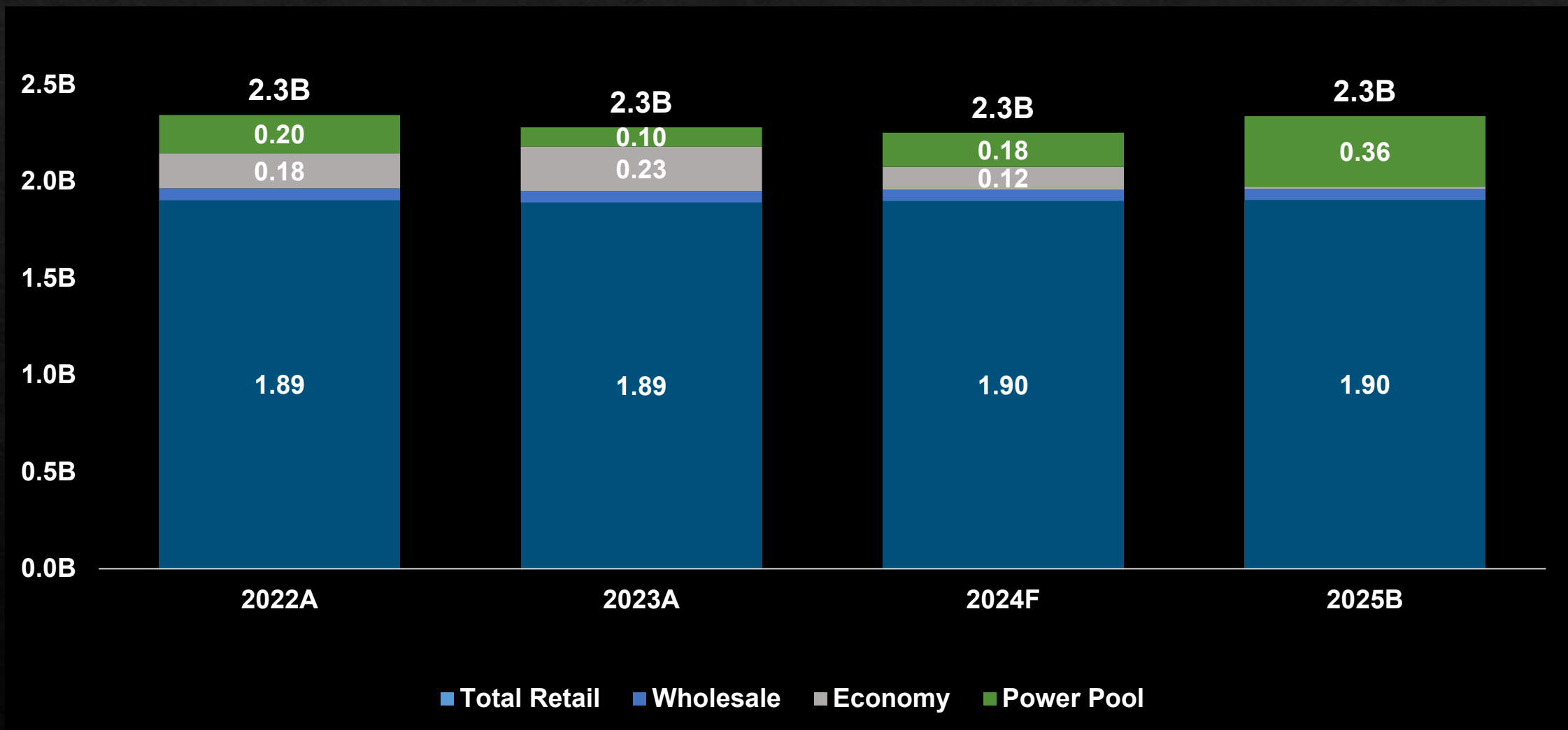
GVEA Economy Sales (January)  
Power Pool - MEA

# Retail Energy Sales (kWh)

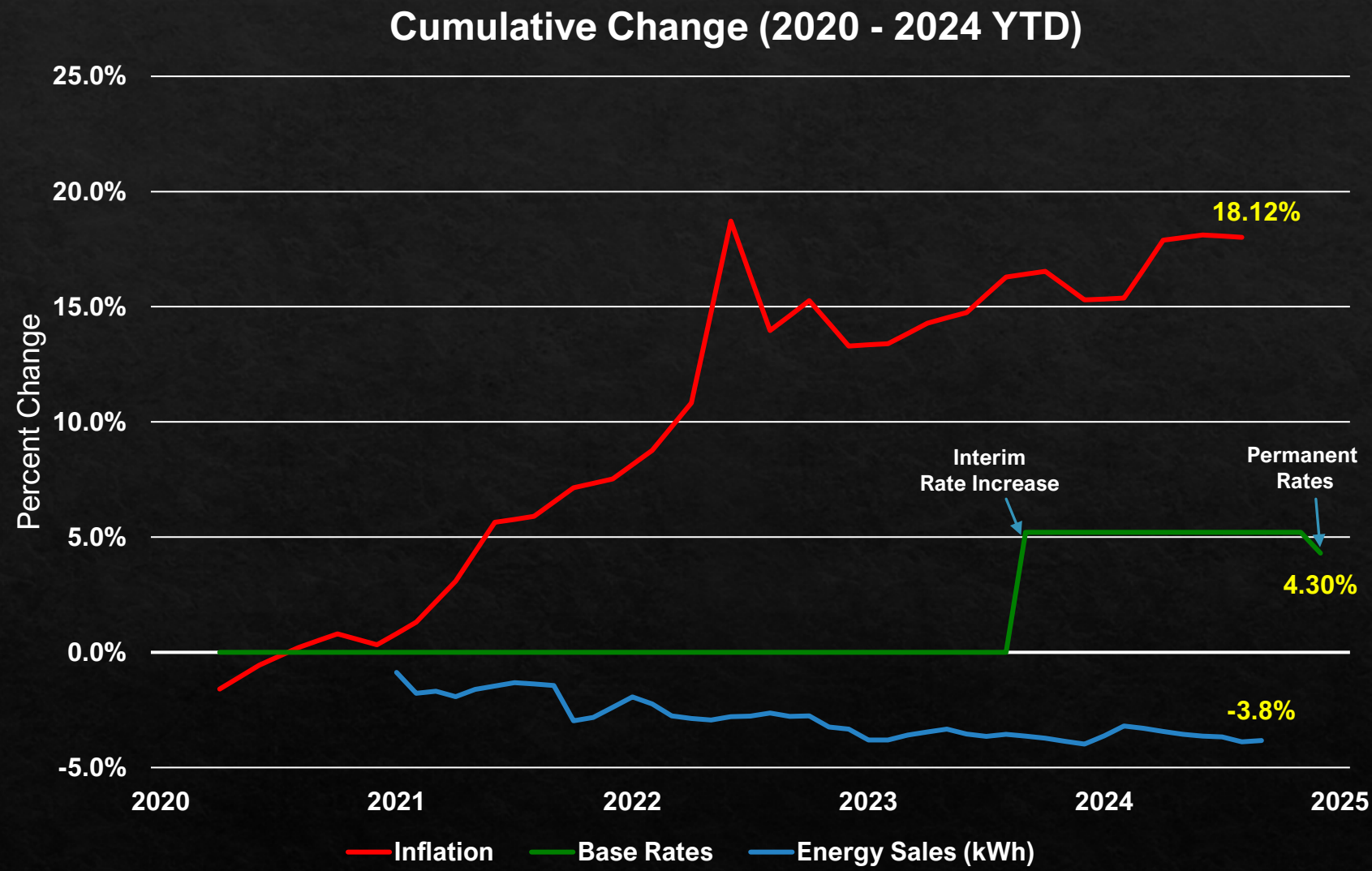




# Total Energy Sales (kWh)



# Alaska Inflation/Sales Versus Rate Changes

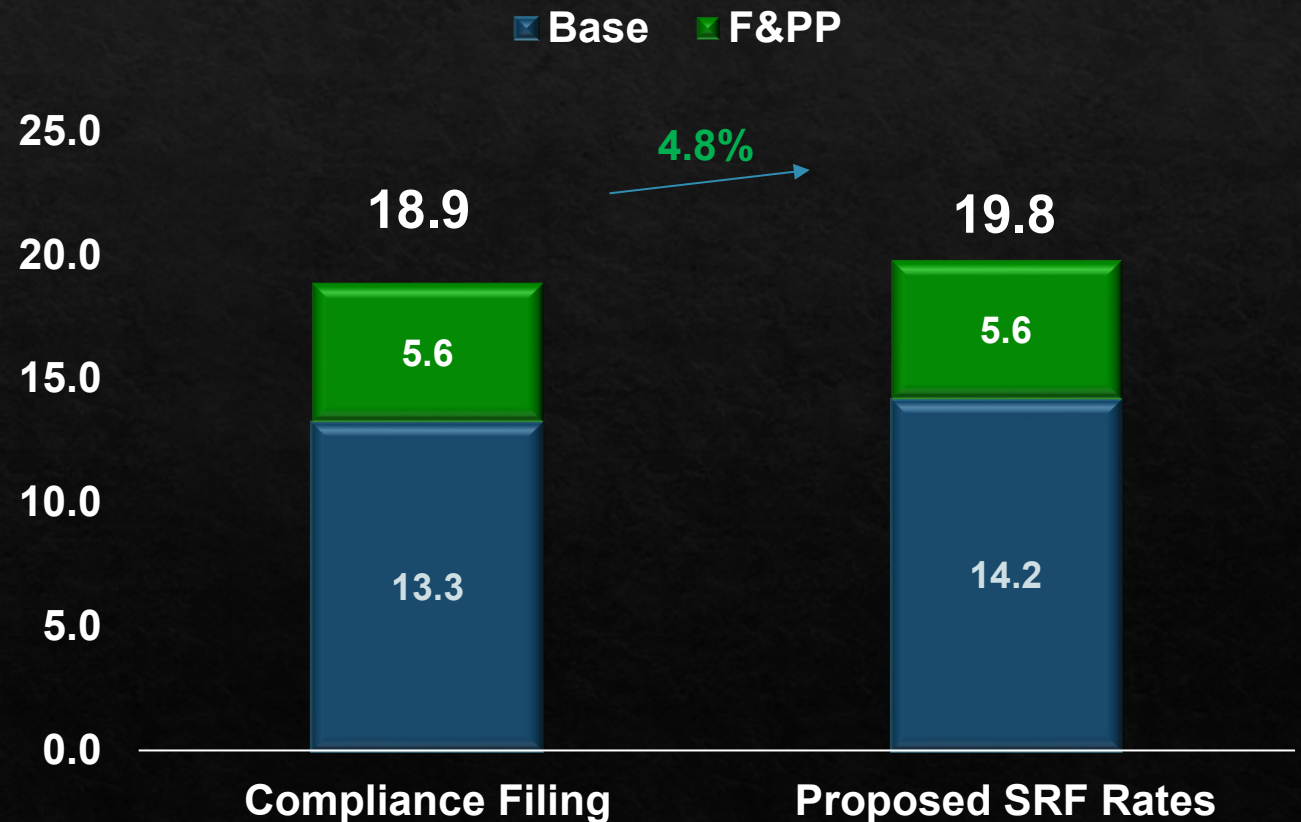


\* Source: U.S. Bureau of Labor Statistics – Anchorage Region and Chugach System Average Base Rate Changes

# Rates

Retail bill increase of 5.2%  
(8% demand and energy)  
effective February 2025 as a  
result of Simplified Rate  
Filing

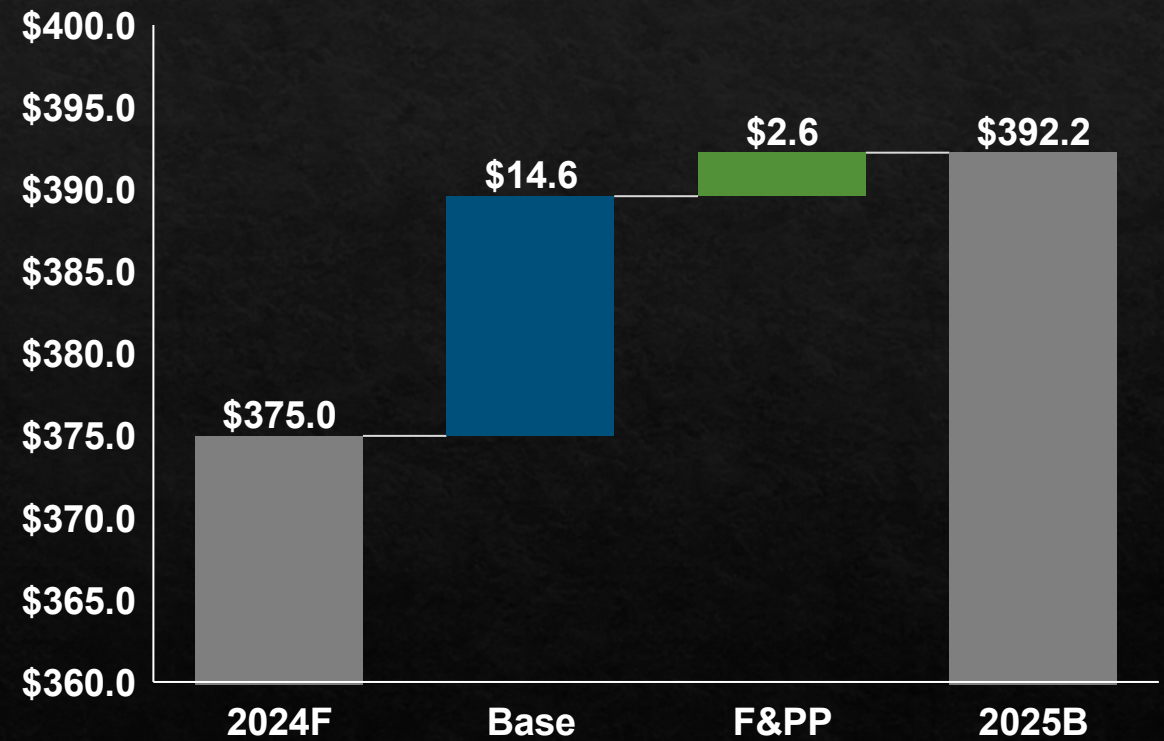
2025 Calendar Year Bill Impact (Cents per kWh)



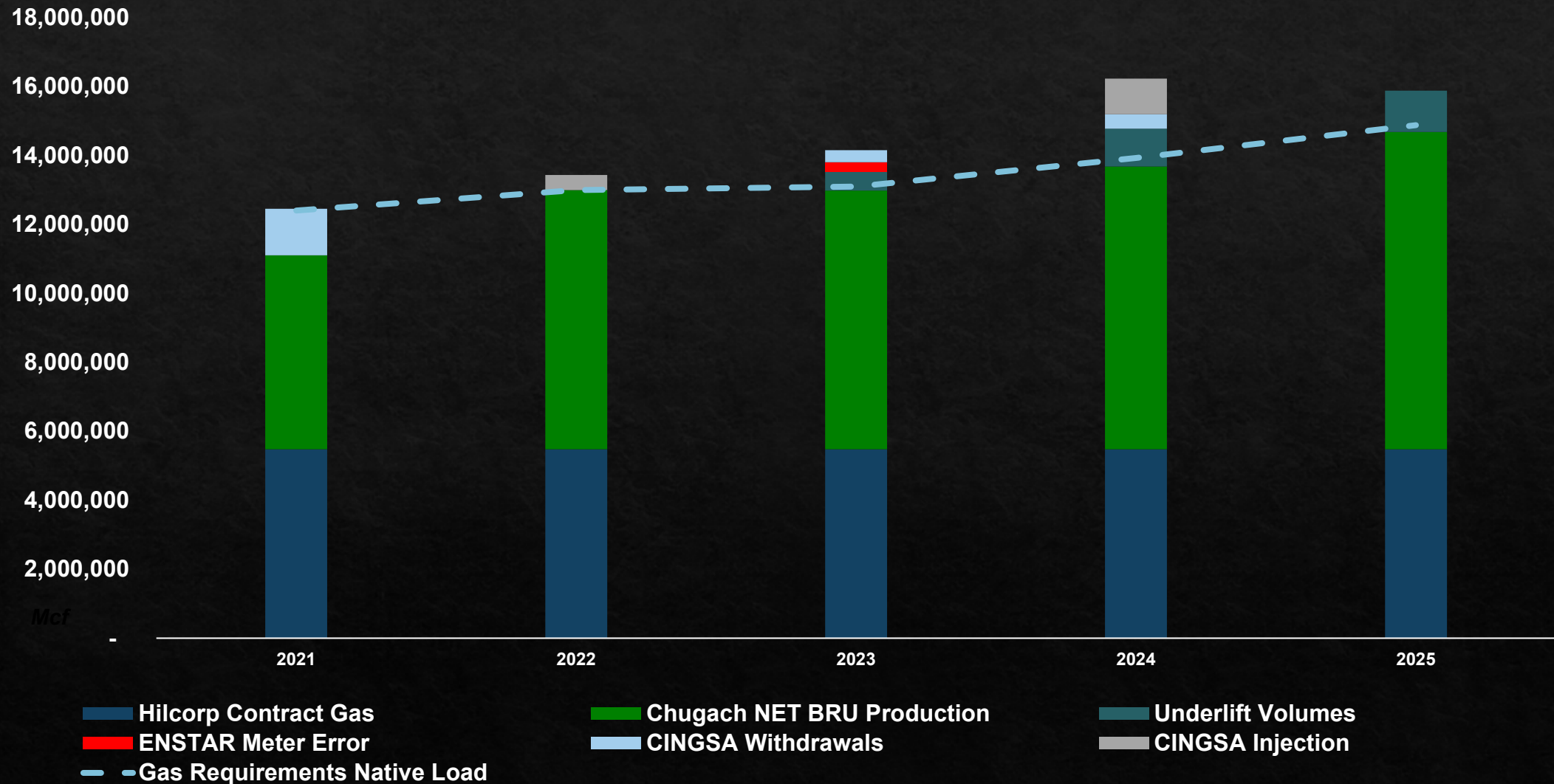


# Revenue

## 2024 to 2025 Operating Revenue (In Millions)



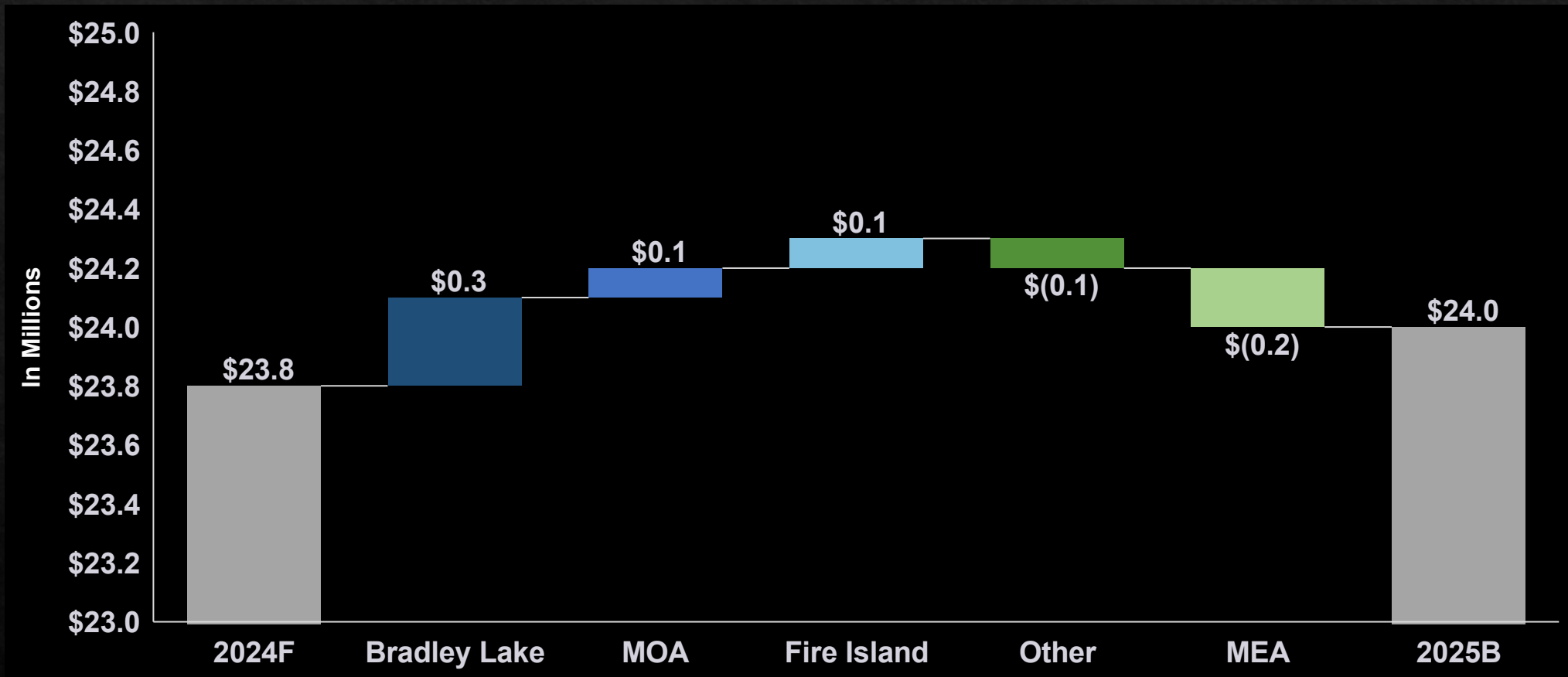
# Fuel Supply Historic / Forecast (Mcf)





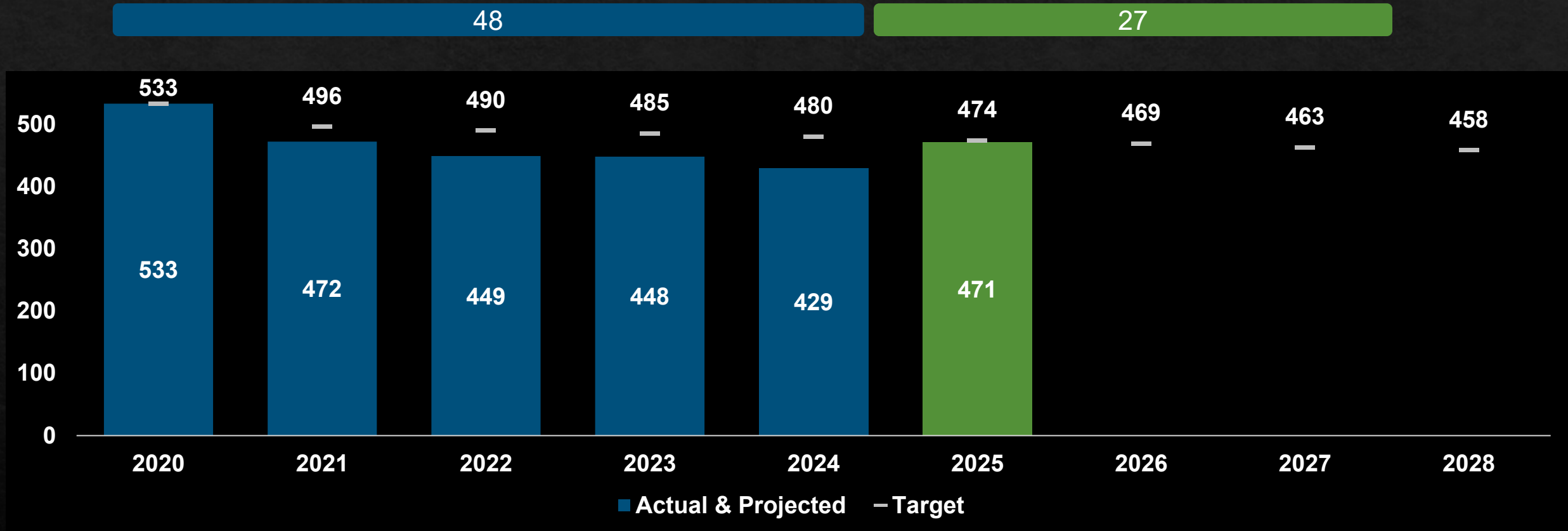
# Purchased Power

## 2024 to 2025 Purchased Power Cost



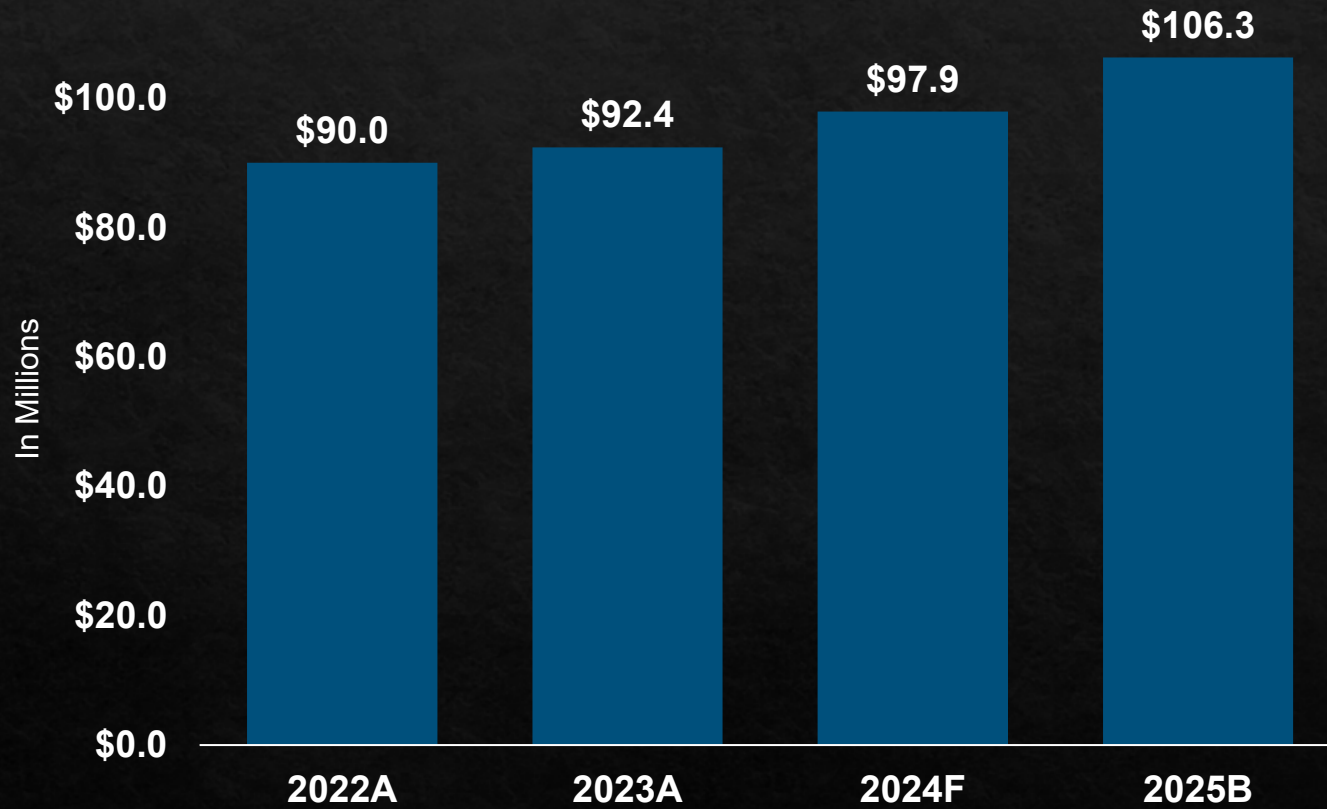


# Number of Employees / Positions



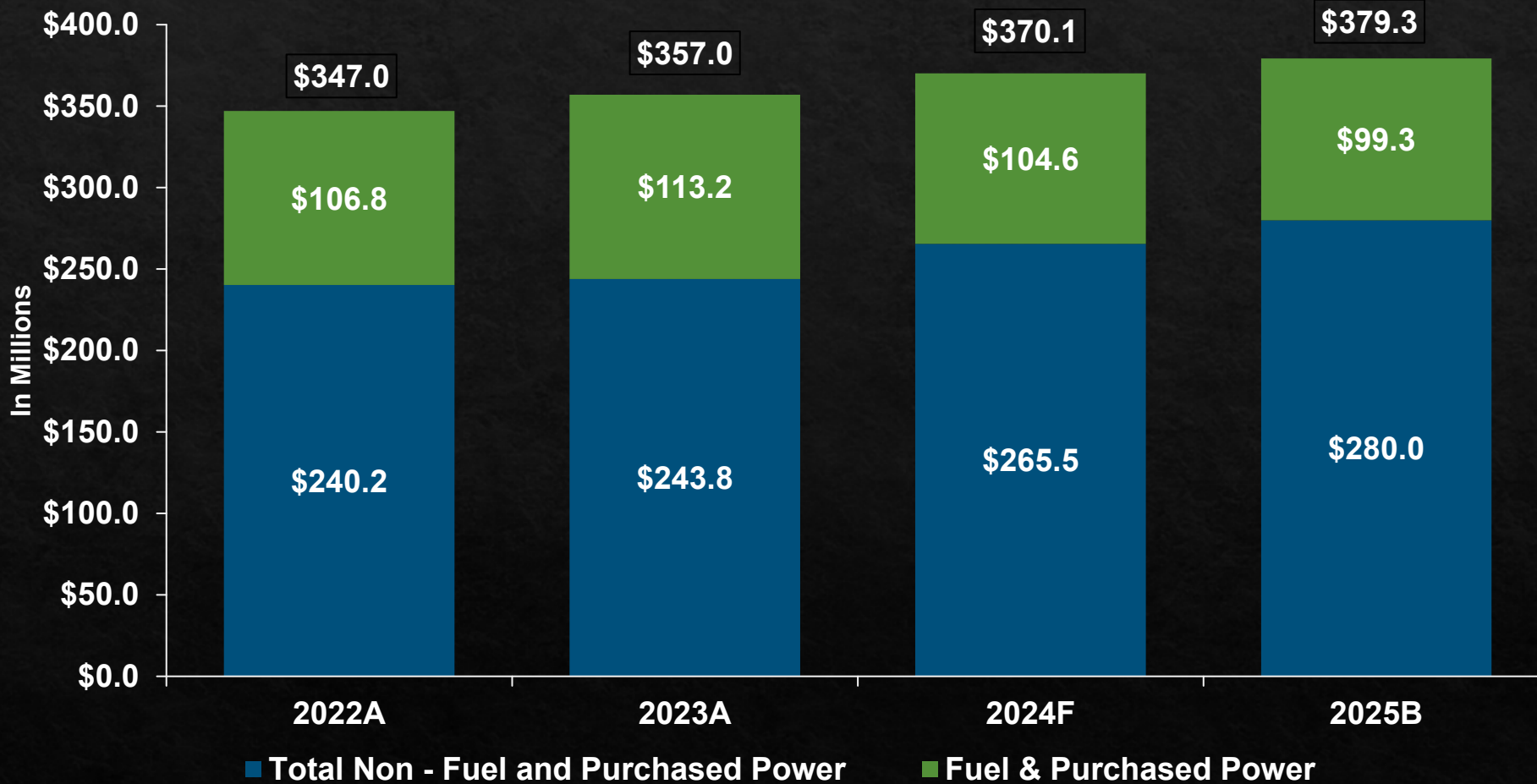
# Labor

Labor Cost by Year



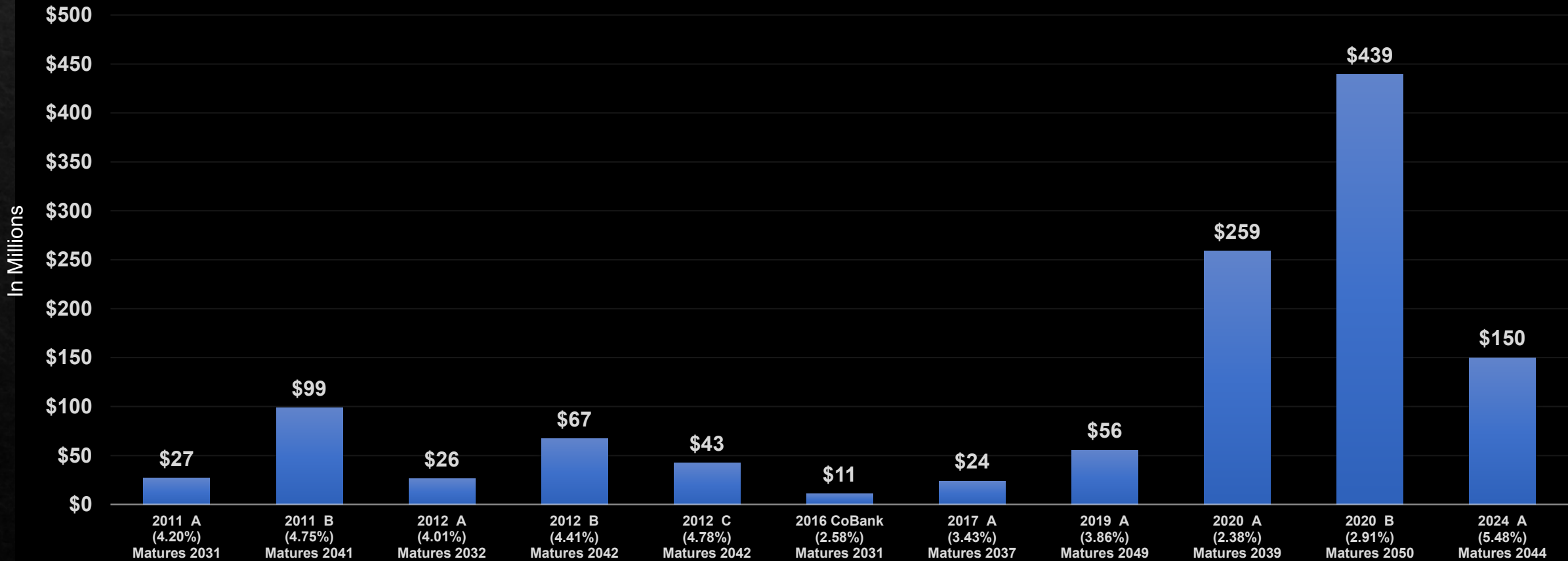
# Cost of Electric Service

## Operating Expense by Year



# Long-Term Debt

2025 Ending Balances  
(In Millions)



2025 Debt Outstanding:  
\$1.2 billion

Weighted Average Interest Rate:  
3.52%

2025 Principal Payments:  
\$48.7 million



# Consolidated Statement of Operations

In Millions

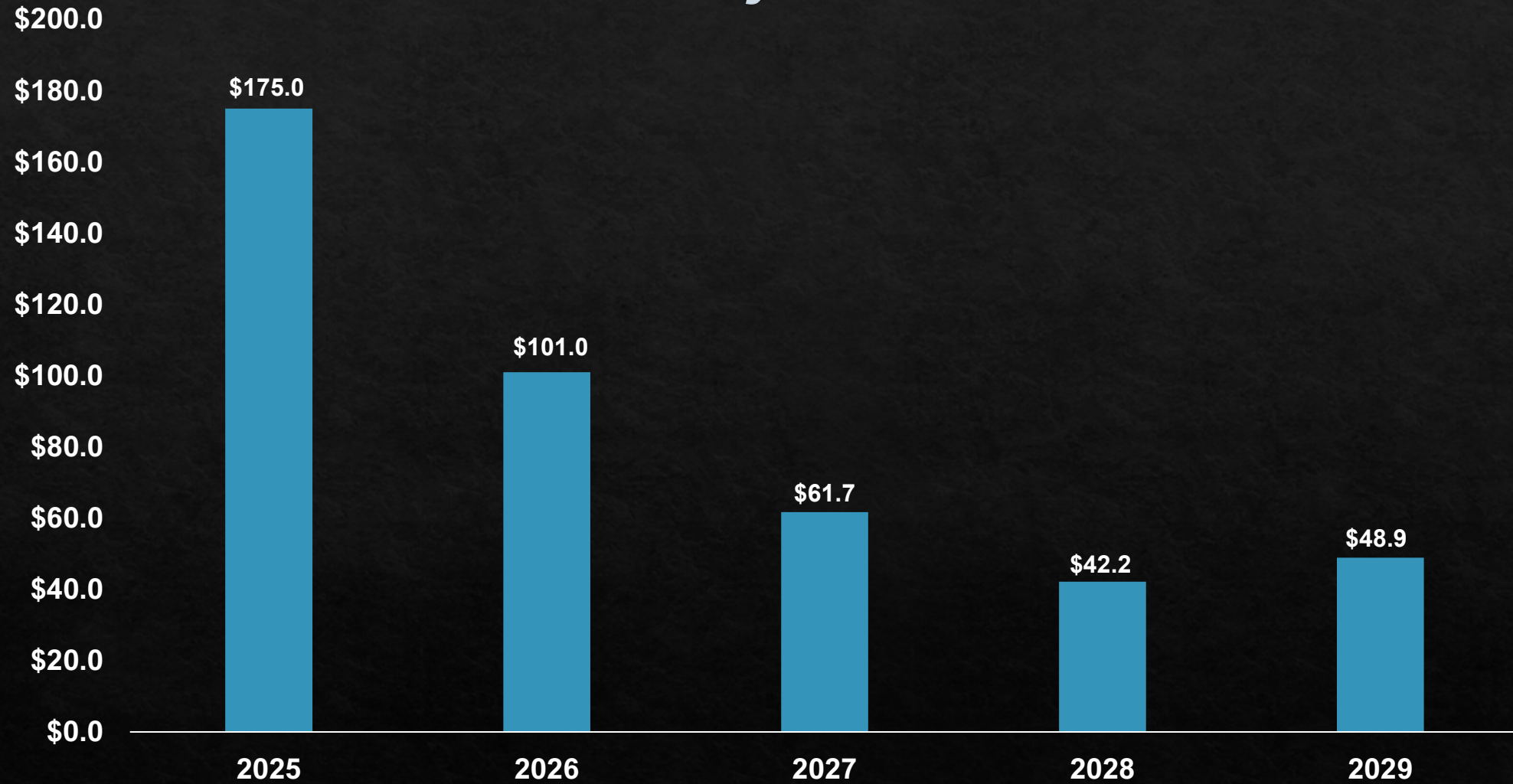
	2023 Actual	2024 Budget	2024 Forecast	2025 Budget
Operating Revenue	\$ 362,720	\$ 357,104	\$ 374,983	\$ 392,247
Fuel and Purchased Power	113,235	93,938	104,557	99,350
Power Production	40,744	42,111	40,575	44,418
Transmission	8,714	11,159	9,353	12,827
Distribution	27,150	28,571	29,426	29,086
Customer	10,591	11,517	11,422	12,526
Administrative, General, & Other	52,318	51,395	50,518	61,078
Depreciation and Amortization	62,722	67,450	77,985	72,250
Interest Expense, Net	41,599	43,535	46,185	47,771
Total Cost of Electric Service	\$ 357,073	\$ 349,676	\$ 370,021	\$ 379,305
Operating Margins	\$ 5,648	\$ 7,428	\$ 4,962	\$ 12,942
Non-Operating Margins - Interest	1,885	450	2,039	1,905
AFUDC	244	196	378	336
Non-Operating Margins - Other	323	110	675	215
Net Margins	\$ 8,100	\$ 8,184	\$ 8,054	\$ 15,398
MFI/I	1.18	1.19	1.17	1.30
TIER	1.21	1.22	1.20	1.35
Equity Ratio	16.6%	17.6%	15.7%	17.1%

# 2025 – 2029 Capital Improvement Plan

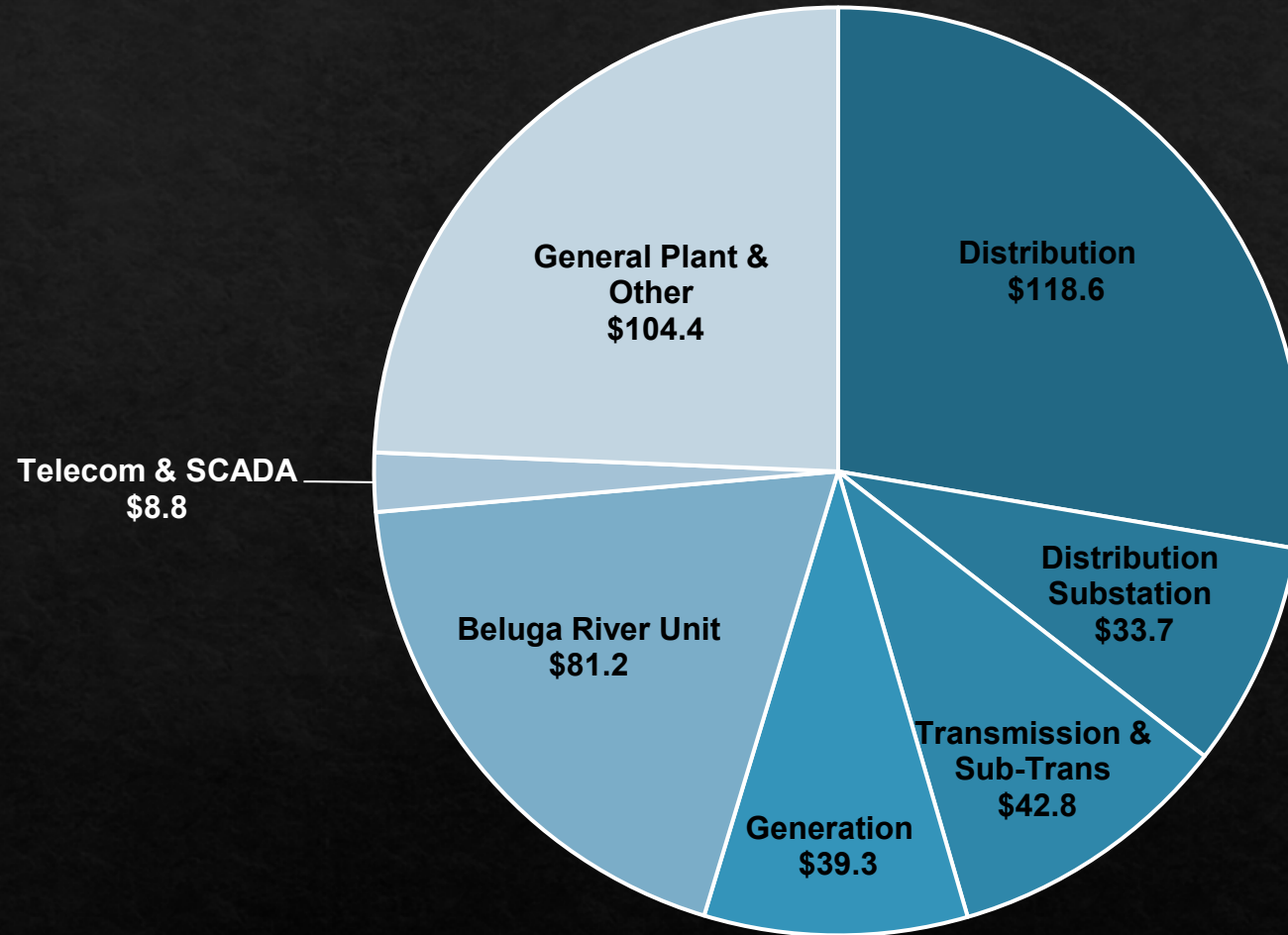




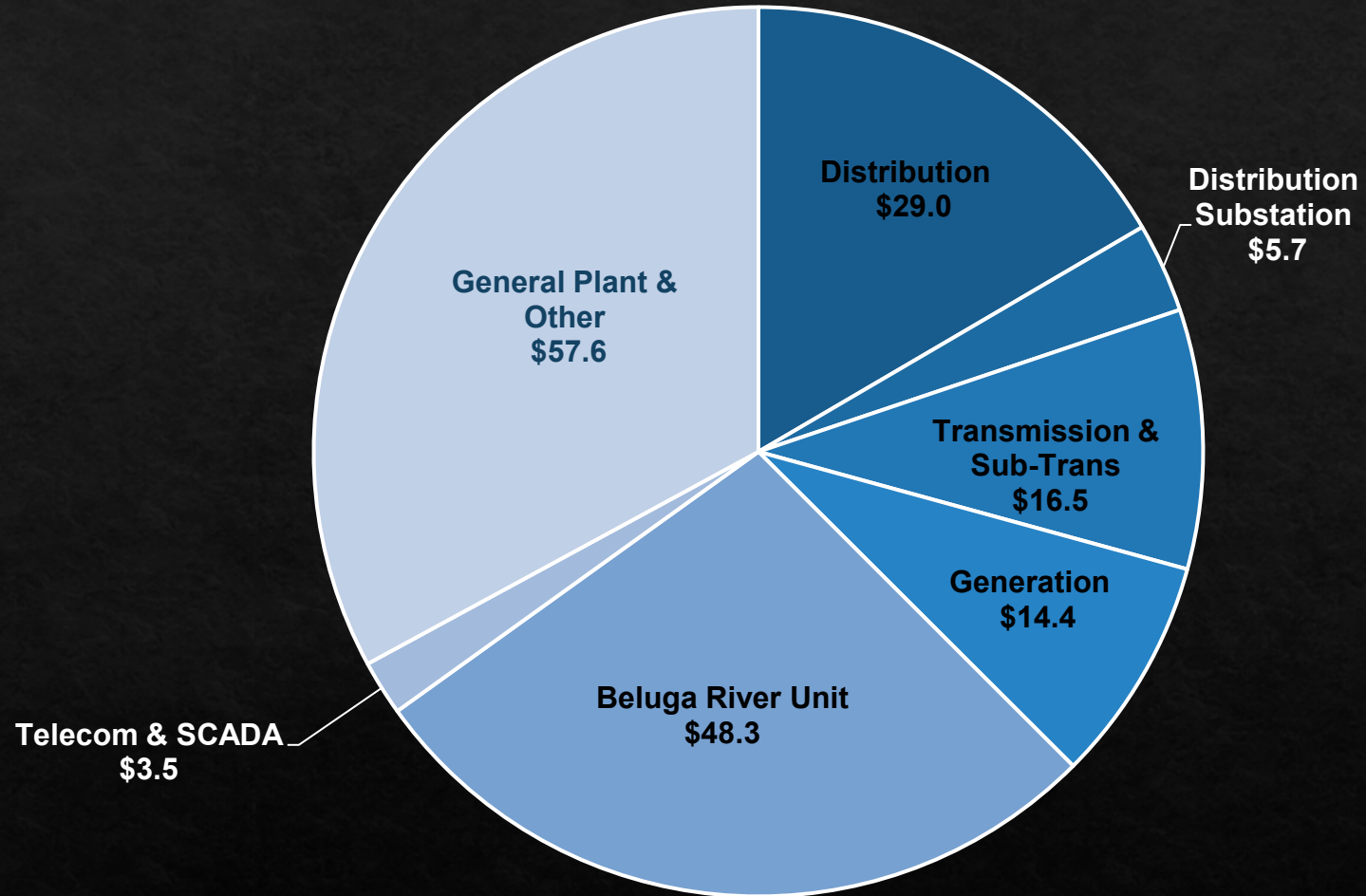
# 5-Year CIP By Year \$428.8M



# 5-Year CIP By Function \$428.8M

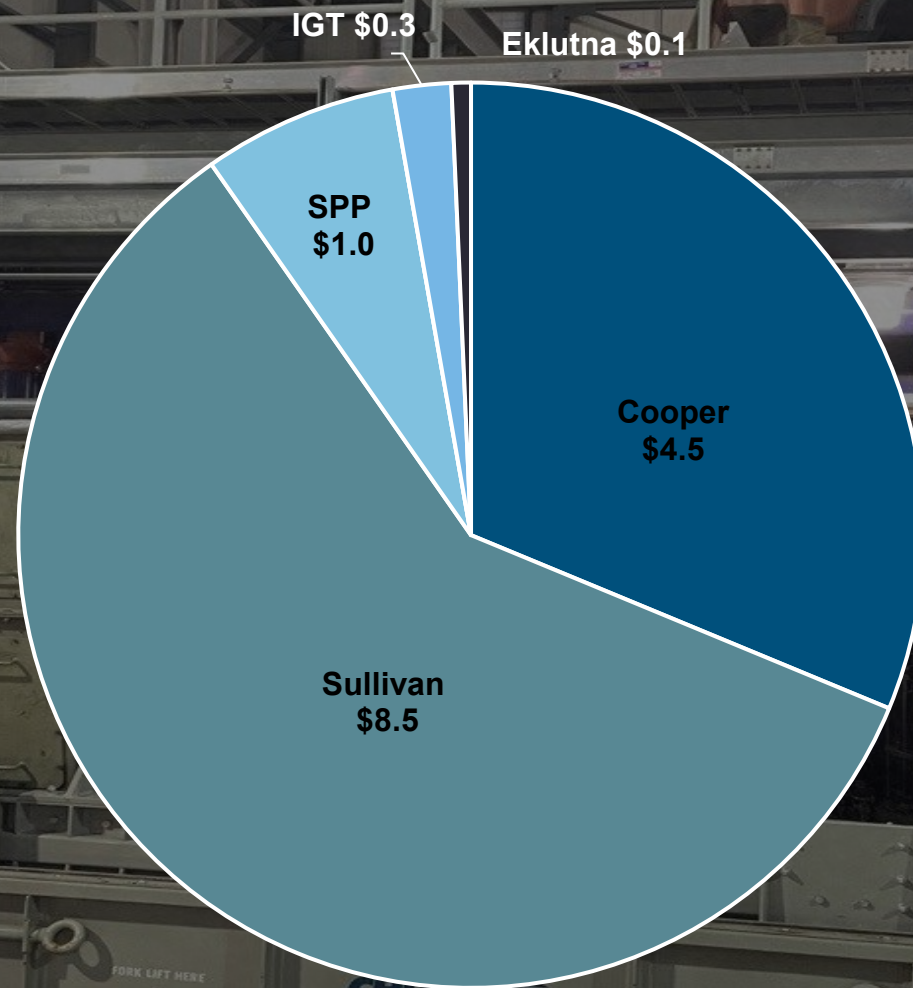


# 2025 CIP By Function \$175.0M



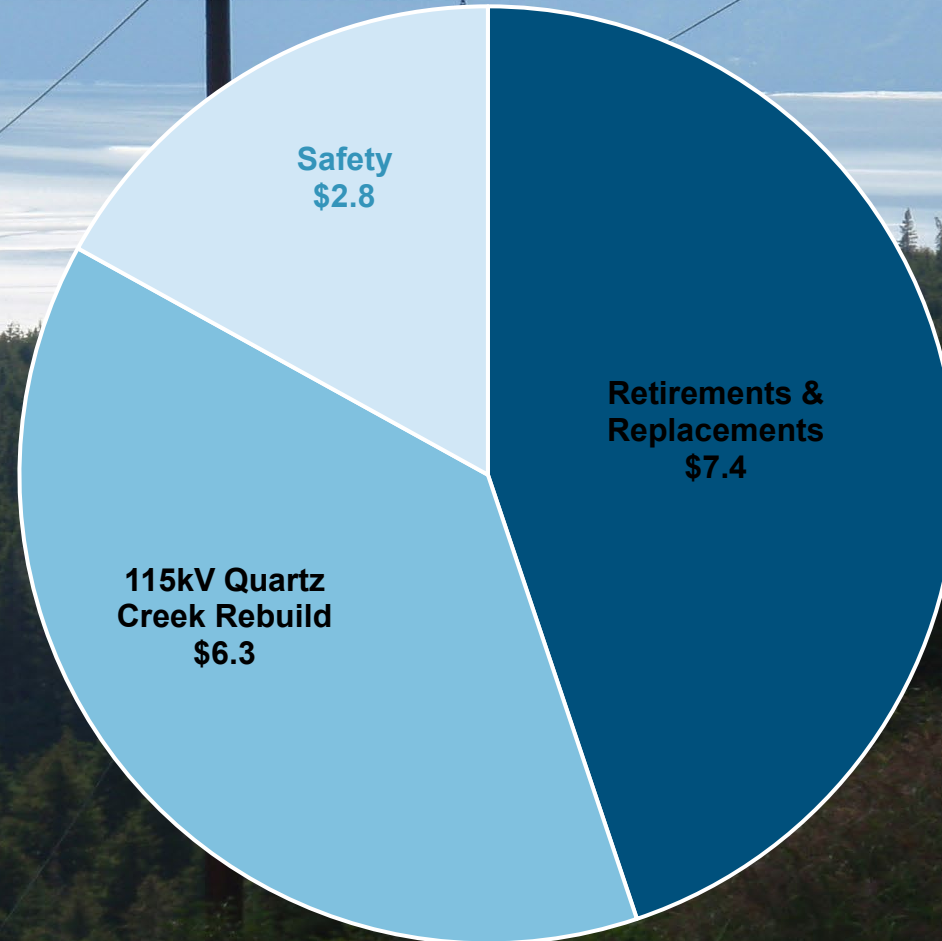


# 2025 Generation \$14.4M



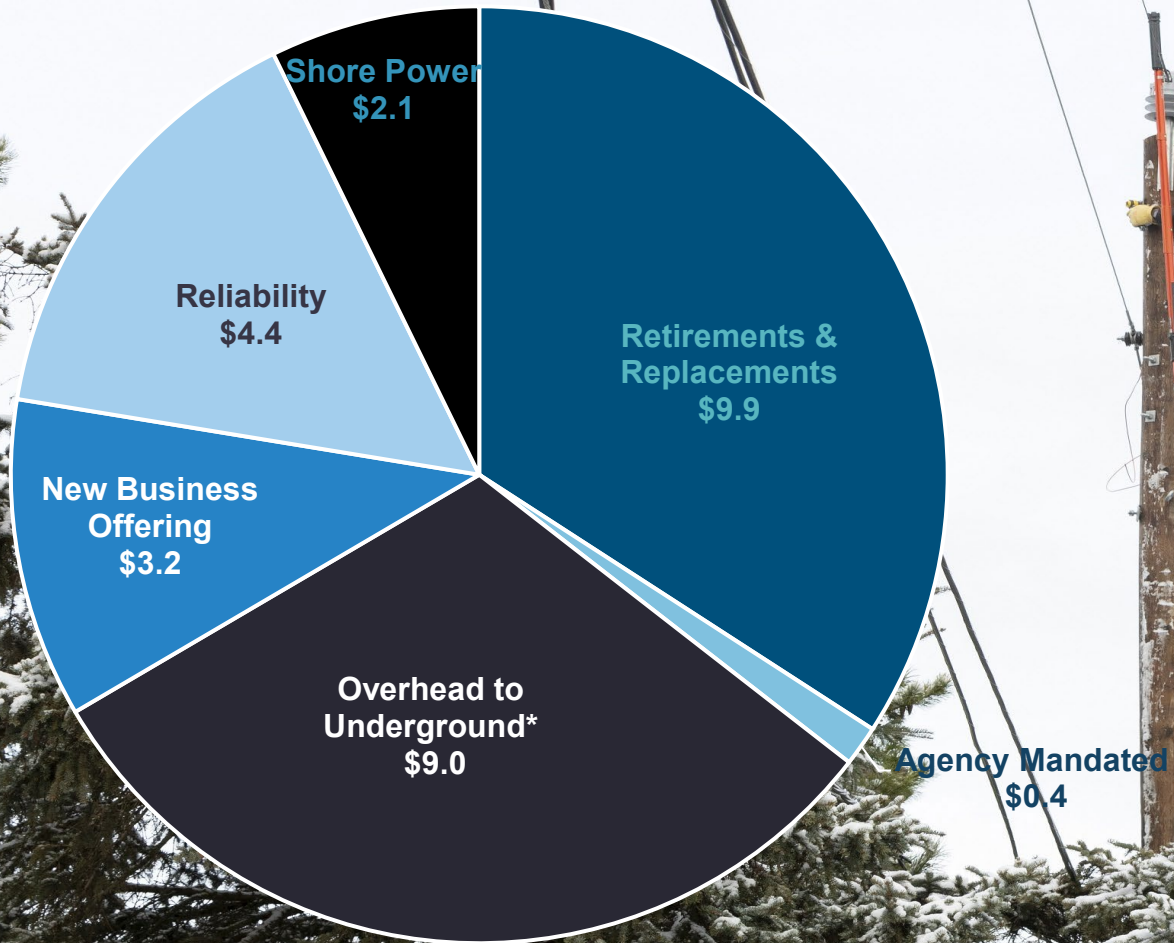


# 2025 Transmission & Sub-Transmission \$16.5M





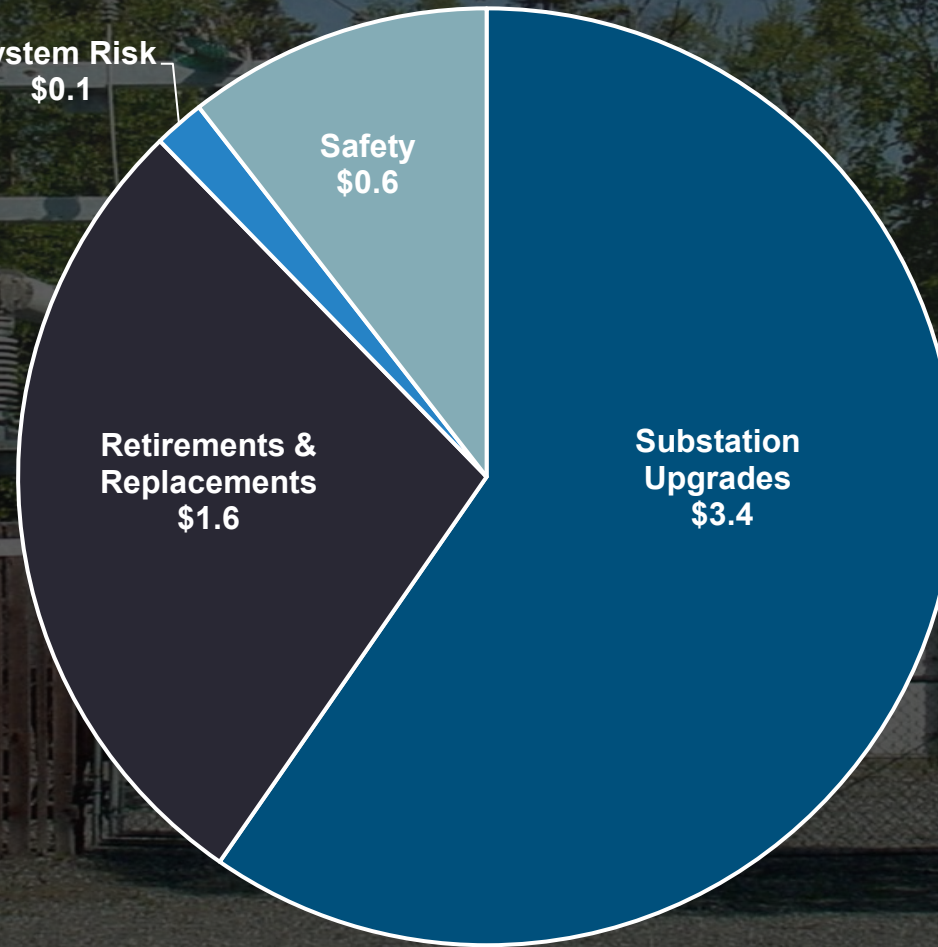
# 2025 Distribution \$29.0M



\*Overhead to Underground projects funded by the Title 21 surcharge

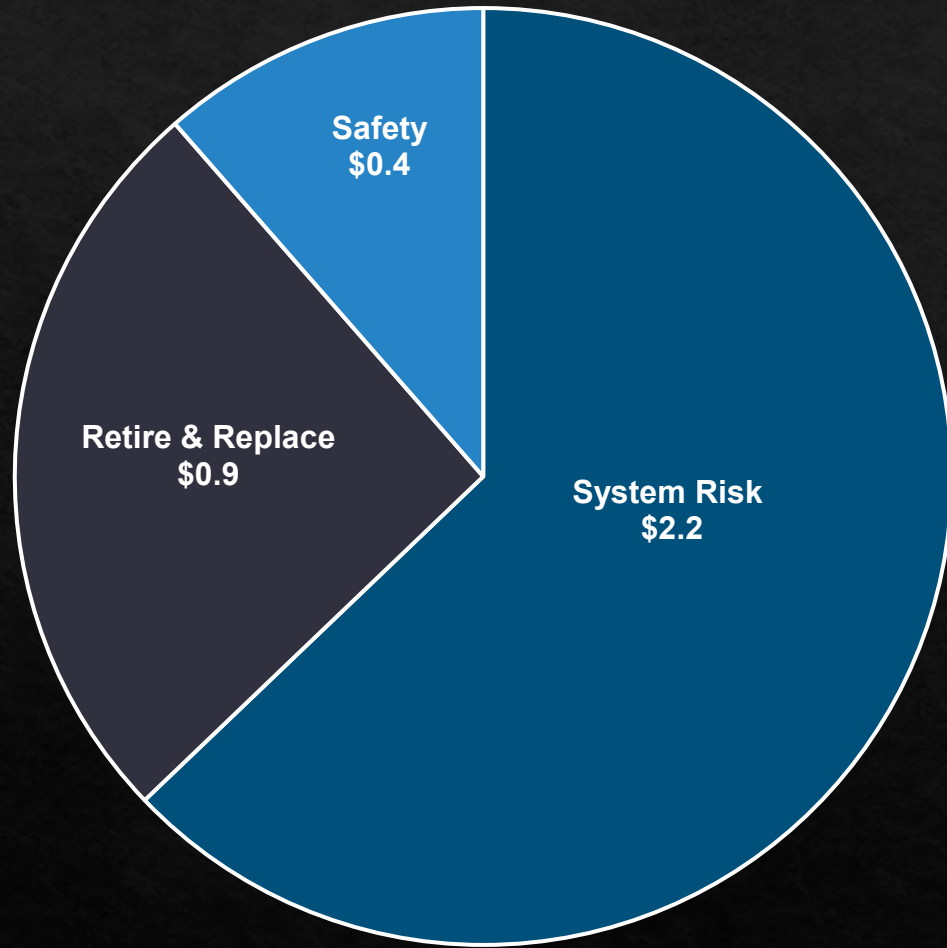


# 2025 Distribution Substation \$5.7



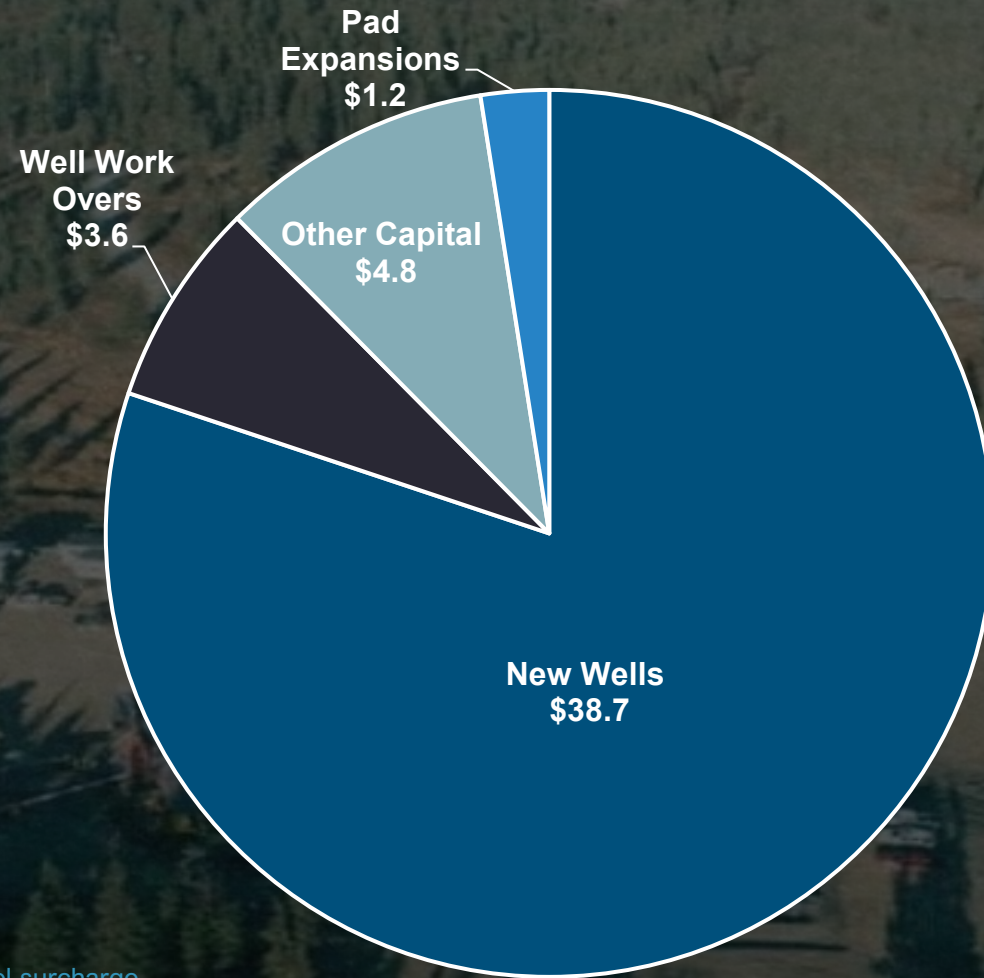


# 2025 Telecom and SCADA \$3.5M





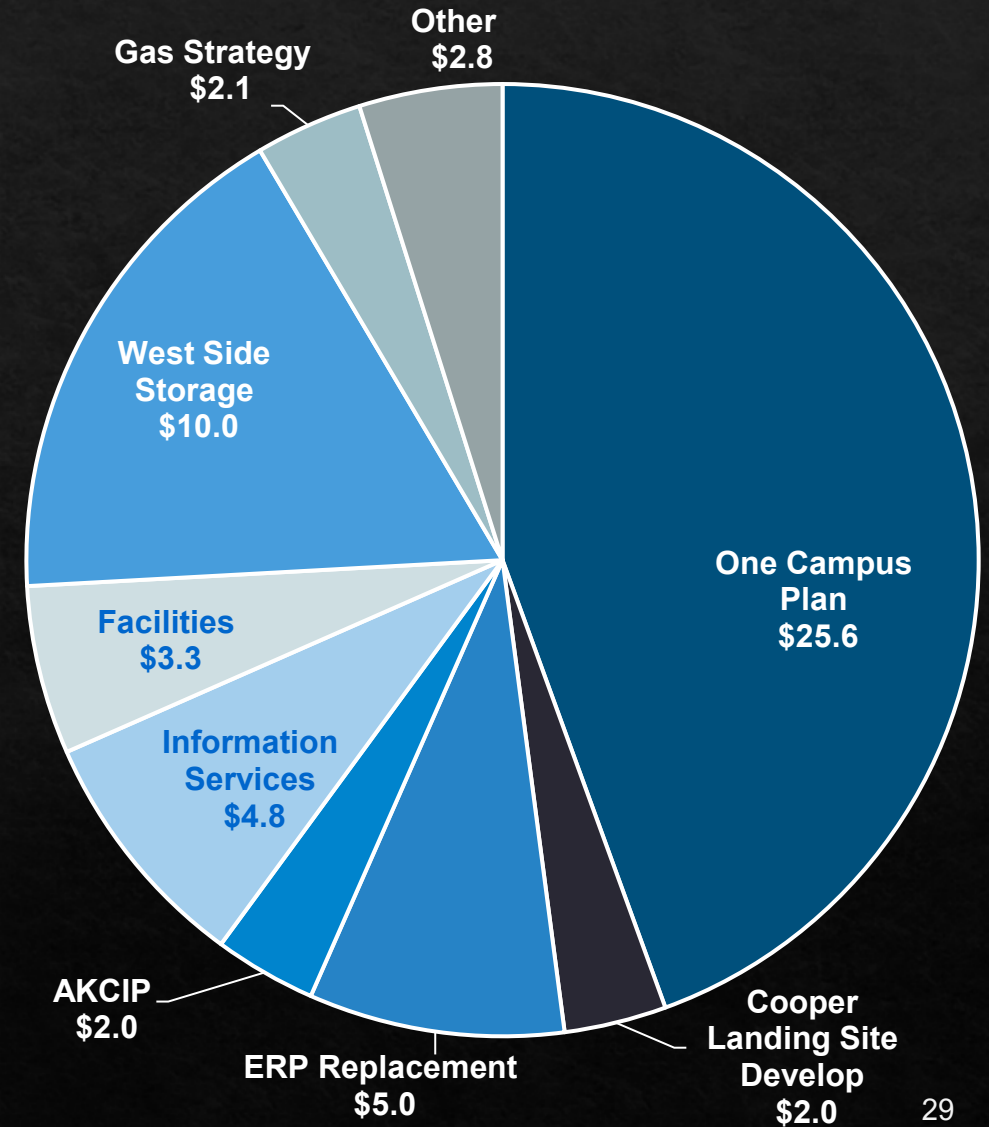
# 2025 Beluga River Unit \$48.3M\*



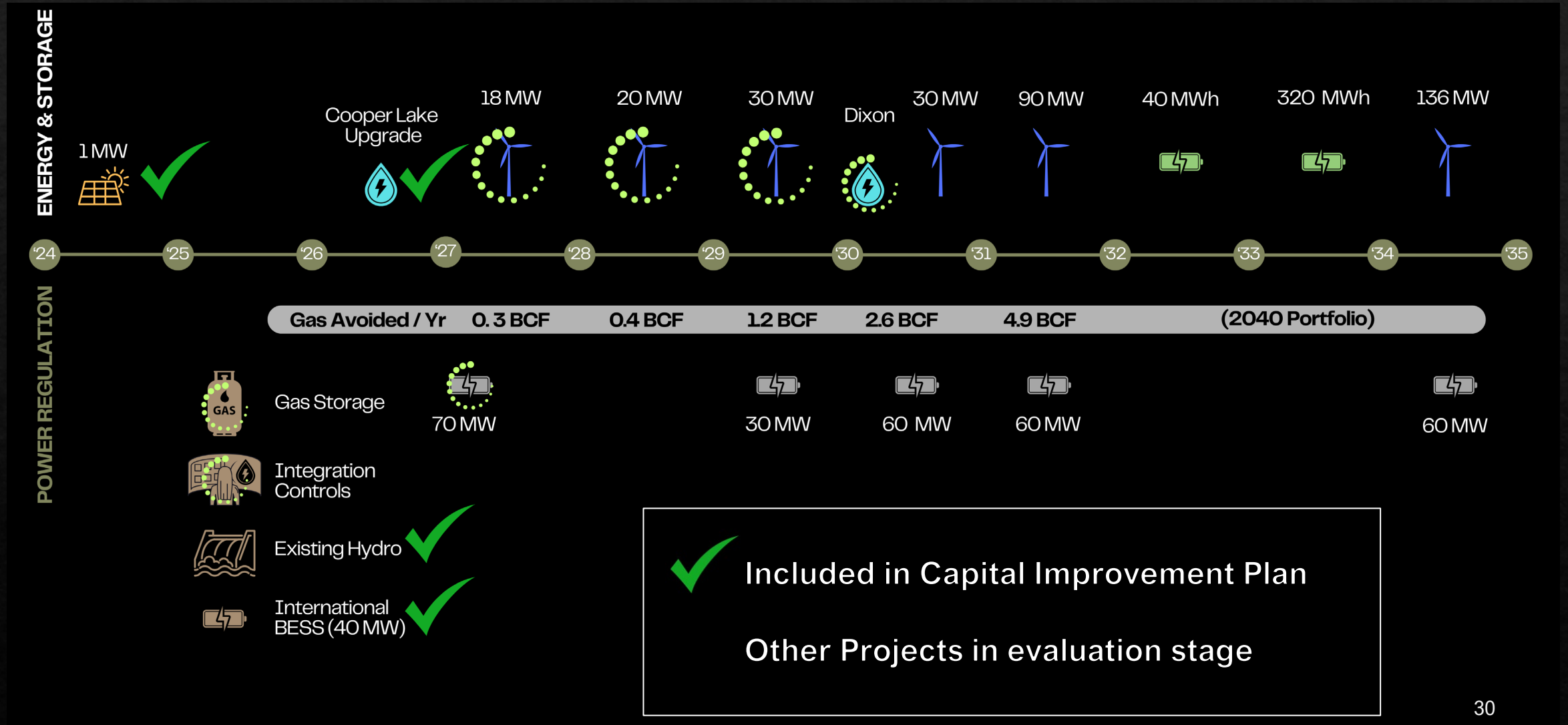
\*Beluga River Unit projects funded by the BRU Fuel surcharge



# 2025 General Plant and Other \$57.6M



# Decarbonization Projects





# Questions & Discussion



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

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

**December 04, 2024**

**ACTION REQUIRED**

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

<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 2025 Operating and Capital Budget

**DISCUSSION**

The Audit and Finance Committee reviewed a proposed 2025 Operating and Capital Budget.

The 2025 Operating Budget is expected to produce margins of \$15.4 million, Margins for Interest/Interest (MFI/I) ratio of 1.30, Times Interest Earned Ratio (TIER) ratio of 1.35 and Equity to Total Capitalization Ratio of 17.1%. These results are based on a Total Cost of Service of \$379.3 million, Total Revenue of \$392.2 million and Non-Operating Margins of \$2.5 million.

The 2025 Capital Budget is \$175.0 million, net of member funding of \$18.5 million, consisting of 14.4 million in Generation, \$16.5 million in Transmission and Sub-Transmission, \$29.0 million in Distribution, \$5.7 million in Distribution Substation, \$48.3 million in Beluga River Unit, \$3.5 million in Telecommunications/SCADA and \$57.6 million in General Plant and Other expenditures. Additionally, the 2025 Capital Budget includes \$57.3 million funding from surcharges related to BRU and undergrounding.

**MOTION**

Move that the Audit and Finance Committee recommend the Board of Directors approve the 2025 Operating and Capital Budget which is expected to produce margins of \$15.4 million, MFI/I ratio of 1.30, TIER ratio of 1.35 and Equity to Total Capitalization ratio of 17.1%. These results are based on a Total Cost of Service of \$379.3 million, Total Revenue of \$392.2 million, Non-Operating Margins of \$2.5 million, and a capital expenditure cash requirement of \$117.7 million.

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

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

**December 04, 2024**

**ACTION REQUIRED**

**AGENDA ITEM NO. VI.B.**

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

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**TOPIC**

*KPMG Contract Extension*

**DISCUSSION**

The Audit & Finance Committee reviewed a contract extension proposal from KPMG for financial audit services.

**MOTION**

Move that the Audit & Finance Committee recommend the Board of Directors approve a 3-year contract extension for financial audit services with KPMG.