



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

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

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

Sam Cason, Director
Jim Nordlund, Director

December 6, 2023

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER *(4:00 p.m.)*
 - A. *Roll Call*
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. *November 8, 2023 (Hamilton)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. NEW BUSINESS *(none)*
- VI. CEO REPORTS AND CORRESPONDENCE *(4:05 p.m.)*
 - A. *3rd Quarter 2023 Capital Tracking Report (Sims/Griffin)*
 - B. *BRU ARO Investment Fund Review (APCM/Highers)*
 - C. *Semi-Annual Write-off (Muisse)*
 - D. *3rd Quarter 2023 Financial Information and Variance Report (Sims/Griffin)*
- VII. NEW BUSINESS* *(scheduled) (4:25 p.m.)*
 - A. *Discounting for 2024 Retail Capital Credit Payments* (Muisse)*
- VIII. EXECUTIVE SESSION* *(scheduled) (4:35 p.m.)*
 - A. *Internal Controls Update (Golab/Griffin)*
- IX. NEW BUSINESS *(none)*
- X. DIRECTOR COMMENTS *(none)*
- XI. ADJOURNMENT* *(4:45 p.m.)*

* *Denotes Action Items*

** *Denotes Possible Action Items*

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 08, 2023
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Ky'yanna Hamilton

I. CALL TO ORDER

Chair Morse called the Audit and Finance Committee meeting to order at 4:09 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
Sam Cason, Director
Susanne Fleek-Green, Director

Board Members Present:

Bettina Chastain, Director (*Telephonic*)

Guests and Staff Attendance

Present:

Arthur Miller	Mike Miller	Josh Travis
Sherri Highers	Luke Sliman	Karen Griffin
Andrew Laughlin	Eugene Ori	
Matthew Clarkson	Paul Johnson	
Allan Rudeck	Jessie Anderson	
Tiffany Wilson	Curtis Sims	

Via Teleconference:

Ashton Doyle	Melissa Beedle, KPMG	Blake Phillips, APCM
Debbie Gardino	David Caye	
Sandra Cacy	Nathan Golab	
Heather Slocum	Jean Kornmuller	

II. APPROVAL OF THE AGENDA

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

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

III. APPROVAL OF THE MINUTES

Director Fleek-Green moved, and Director Cooper seconded the motion to approve the August 30, 2023, 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

V. NEW BUSINESS

A. Review Chugach's 2023 Audit Plan (KPMG)

Beth Stuart, KPMG presented the Chugach's 2023 Audit plan and answered questions from the Board.

B. 2024-2028 Capital Improvement Plan and 2024 Operating Budget (Laughlin/Highers/Griffin/Sims)

Curtis Sims, Senior Manager of Budget, and Finance Reporting presented the 2024-2028 Capital Improvement Plan and Andrew Laughlin, Chief Operating Officer presented the 2024 Operating Budget to the committee and answered questions.

Director Cason arrived at 4:40 p.m.

VI. CEO REPORTS AND CORRESPONDENCE

None.

VII. NEW BUSINESS

None.

VIII. EXECUTIVE SESSION

A. Review Chugach's 2023 Audit Plan (KPMG)

At 5:28 p.m., Director Cooper moved, and Director Cason seconded the motion 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.

The meeting reconvened in open session at 6:05 p.m.

IX. NEW BUSINESS

A. 2024 Operating and Capital Budget (Griffin/Sims)*

Director Cooper moved, and Director Cason seconded that the Audit & Finance Committee recommend the Board of Directors approve the 2024 Operating and Capital Budget which is expected to produce margins of \$8.2 million, MFI/I ratio

of 1.18, TIER ratio of 1.22 and Equity to Total Capitalization ratio of 17.6%. These results are based on a Total Cost of Service of \$349.7 million, Total Revenue of \$357.1 million, Non-Operating Margins of \$0.8 million, and a capital expenditure cash requirement of \$133.2 million. The motion passed unanimously.

X. DIRECTOR COMMENTS

Director comments were made at this time.

XI. ADJOURNMENT

At 6:18 p.m., Director Cooper moved, and Director Fleek-Green seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION CAPITAL PROJECT TRACKING REPORT As of September 30, 2023													
CIP Ref #	Project Name ¹	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	%		
Reliability													
03.0810	Old Seward OH/UG Dimond-O'Malley E2214120, E2320066	Thornton, Darvin	4/26/2023	\$5,700,000	\$0	\$5,700,000	\$4,286,262	\$1,413,738	\$5,700,000	\$0	100%	70%	This project will underground the existing overhead distribution and sub-transmission circuits going down Old Seward from the south side of O'Malley Road to approximately Dimond Boulevard. Bids were solicited for the project with Sturgeon Electric selected as the contractor. Active construction began in July of 2023 and the project is anticipated to be completed in early July 2024.
03.0810	Baxter OH/UG E1613634	Thornton, Darvin	4/26/2023	\$2,900,000	\$0	\$2,900,000	\$187,268	\$2,712,732	\$2,900,000	\$0	100%	40%	This project will underground a portion of the Baxter Road distribution feeders and will tie two radial feeders, Baxter 282 and Boniface 412, together to increase reliability in the area. Bids were solicited for the project with Sturgeon Electric selected as the contractor. Construction completion is anticipated to be in early August 2024.
05.0300	Campbell Lake Substation Rebuild C2130007, E1920057, E2114076	Chris Kohler	2/16/2022 3/22/2023	\$7,400,000	\$1,200,000	\$8,600,000	\$1,319,669	\$7,280,331	\$8,600,000	\$0	100%	15%	The public hearing with the Planning & Zoning Commission for the Conditional Use Permits (CUP) for the substation and communication tower was held on September 11, 2023. It is anticipated that signed resolutions for the two CUPs will be recieved in early October 2023. Switchgear vendor design submittal recieved on September 25, 2023 and anticipated switchgear arrival on site date is September 2024. Estimated energization period is December 2024.
12.1027	Battery Energy Storage System - BESS ³ P2031027, E2314189	Chris Kohler	12/15/2021 10/26/2022	\$43,875,000	\$2,737,500	\$46,612,500	\$37,624,664	\$8,987,836	\$46,612,500	\$0	100%	85%	The Tesla Megapacks arrived on site in June 2023 with construction activities ongoing. The 38 kV switchgear fabrication started in August 2023 with the anticipated arrival on site date of January 2024. The MV transformers are in fabrication and anticipated arrival on site date is December 2023. Estimated energization period is Q4 2024.
Retirements & Replacements													
10.0207	East Cable Terminal Reactor Replacement E2120054	Bottorff, Stacey	11/22/2021	\$3,200,000	\$0	\$3,200,000	\$1,693,419	\$1,346,581	\$3,040,000	(\$160,000)	95%	95%	The reactor was placed in September and energized in October 2023. Project is in close-out and is estimated to be 95% complete.
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	\$3,550,476	\$17,649,524	\$21,200,000	\$0	100%	35%	The design of the line rebuild is complete and the bid package was released in October 2023. Purchase orders and contracts for all owner furnished material, conductor, pipe piling and hardware is complete. Conductor, steel piling, and miscellaneous material has been delivered with steel poles scheduled for delivery October-December 2023. Permitting is 100% complete. Vegetation clearing is 95% complete. Construction is estimated to begin Q2 2024. Material lead times have shifted work 6 months and pushed the completion date to June 2025.
Agency Mandated													
20.0304	Eklutna Fish & Wildlife ² P1990277, P2000898	Brodie, Mike	11/26/2019 12/16/2020 12/15/2021 12/14/2022	\$5,383,203	\$0	\$5,383,203	\$4,574,751	\$550,000	\$5,124,751	(\$258,452)	95%	80%	Eklutna Fish & Wildlife is a multi-year project with final completion of the program in late 2024. Year 2 study reports were finalized and distributed to the project technical working groups in June 2023. Alternative analysis discussions were held throughout the summer of 2023. Draft program development started in September 2023 and was issued in October 2023. The final program is scheduled to be submitted to the State of Alaska in Q2 2024 for approval in accordance with the 1991 Eklutna Fish & Wildlife Agreement.
Operating Efficiency													
20.0196 20.0252	CIS/ERP Replacement I2140018	Wood, Melanie	1/19/2022	\$16,973,000	\$0	\$16,973,000	\$7,936,273	\$9,036,727	\$16,973,000	\$0	100%	51%	Phase three testing in progress. Conversion 2 completed.
20.0036	One Campus Plan A2240032, A2340003, A2240033, A2340005, A2240036, plus purchase of Building G.	Resnick, Josh	12/14/2022	\$64,298,000	\$0	\$64,298,000	\$8,100,098	\$56,197,902	\$64,298,000	\$0	100%	13%	The One Campus Plan is a multi-year project with final completion of the project in late 2025. The Covered Equipment Storage construction and Building C remodel are underway and scheduled to be completed in late Q1 2024. New Building C design is complete and going to bid late October 2023.
20.0230	Desktop Replacement Project Authorization I2240002	Jim Pickel	8/16/2023	\$5,200,000	\$0	\$5,200,000	\$571,148	\$4,628,852	\$5,200,000	\$0	100%	15%	Hardware has been ordered with approximately 85% received to date. Application packaging and testing is in progress. Deployment to Information Services will be complete by end of 2023 with deployment to the rest of the organization to start in January 2024. This project is expected to finish in Q1 2025.
Totals				\$176,129,203	\$3,937,500	\$180,066,703	\$69,844,027	\$109,804,224	\$179,648,251	(\$418,452)	100%		

¹ Report tracks projects with costs exceeding \$2M.

² Represents Chugach's portion. Estimate is based on the approved capital budgets for 2020, approved resolution No 02 02 21, and the budget included in the 2023-2027 CIP reviewed by the BOD on 12/14/2022.

³ Represents Chugach's portion. Project cost is shared at 75% CEA / 25% MEA.

CHUGACH ELECTRIC ASSOCIATION

Agenda

- 1. Portfolio Review*
- 2. Market Review*

QUARTERLY REVIEW

for the period ending September 30, 2023

Audit & Finance Committee Meeting
December 6, 2023

BLAKE PHILLIPS, CFA® • (907) 646-3505 • WWW.APCM.NET

TRUSTED ADVISORS • MORE EXPERTS • BETTER ACCESS

Portfolio Review

Chugach Electric Beluga River ARO Investment Fund

Portfolio Review

Market Review

Account Summary as of September 30, 2023

Chugach Electric Beluga River ARO Investment Fund

Account Inception		October 2020
Initial Contribution		\$ 17,175,687
Subsequent Contributions		\$ 6,427,774
Withdrawals <i>Does not include custodial or management fees</i>		\$ 0
Current Market Value <i>September 30, 2023</i>		\$ 23,687,418
Account Return Since Inception*		0.49% <i>Inception – September 30, 2023</i>
Year to Date Account Return*		3.44% <i>Dec. 31, 2022 – September 30, 2023</i>
Strategic Asset Allocation	Risk Assets	52%
	Risk Control	27%
	Alternatives	21%

Unofficial since inception return through 11/15/2023 is +1.28% and unofficial year to date return through 11/15/2023 is 5.98%.

Unofficial market value as of 11/15/23 is \$25,044,137.

Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year.

Account Summary as of September 30, 2023

Chugach Electric Beluga River ARO Investment Fund

Contributions to Date*	\$ 23,603,461
Current Market Value	\$ 23,687,418
Anticipated Contributions**	\$28,407,588
Total Liability <i>Due 2033</i>	\$ 79,101,308
Funded Status***	65.86%

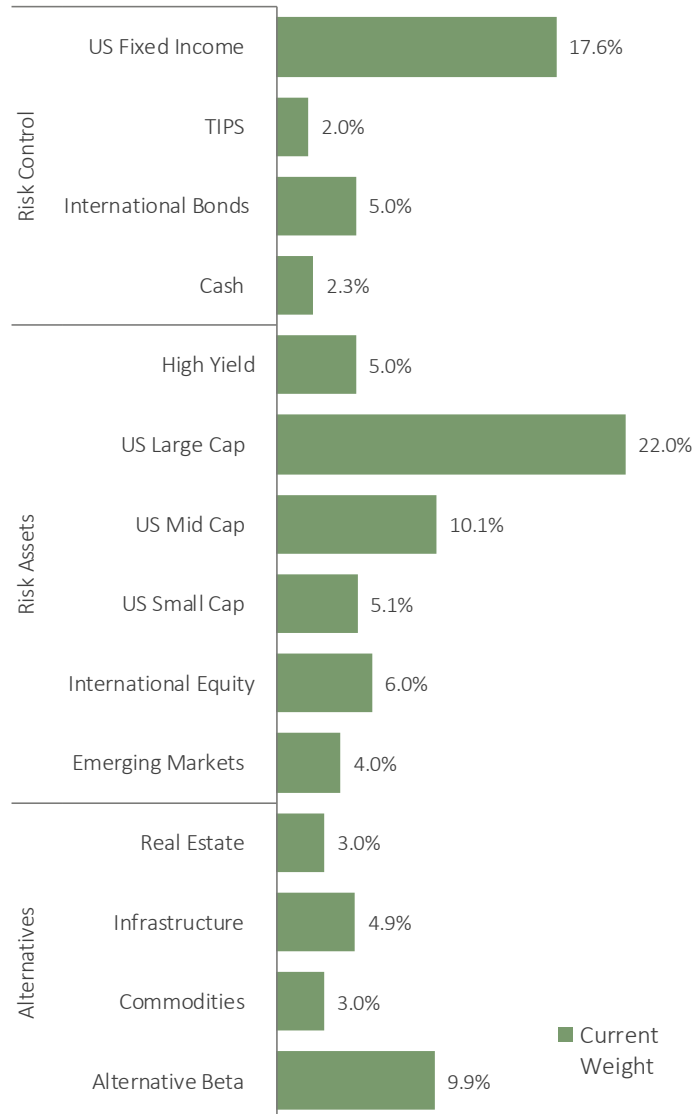
*Contributions to Date calculated as the initial contribution plus subsequent deposits.

** Anticipated Contributions based on 2022 Reserve Study prepared by Ryder Scott.

***Funded Status calculated as current market value plus anticipated contributions of approximately \$28.41MM divided by the ARO liability of \$79.10MM.

Asset Allocation as of September 30, 2023

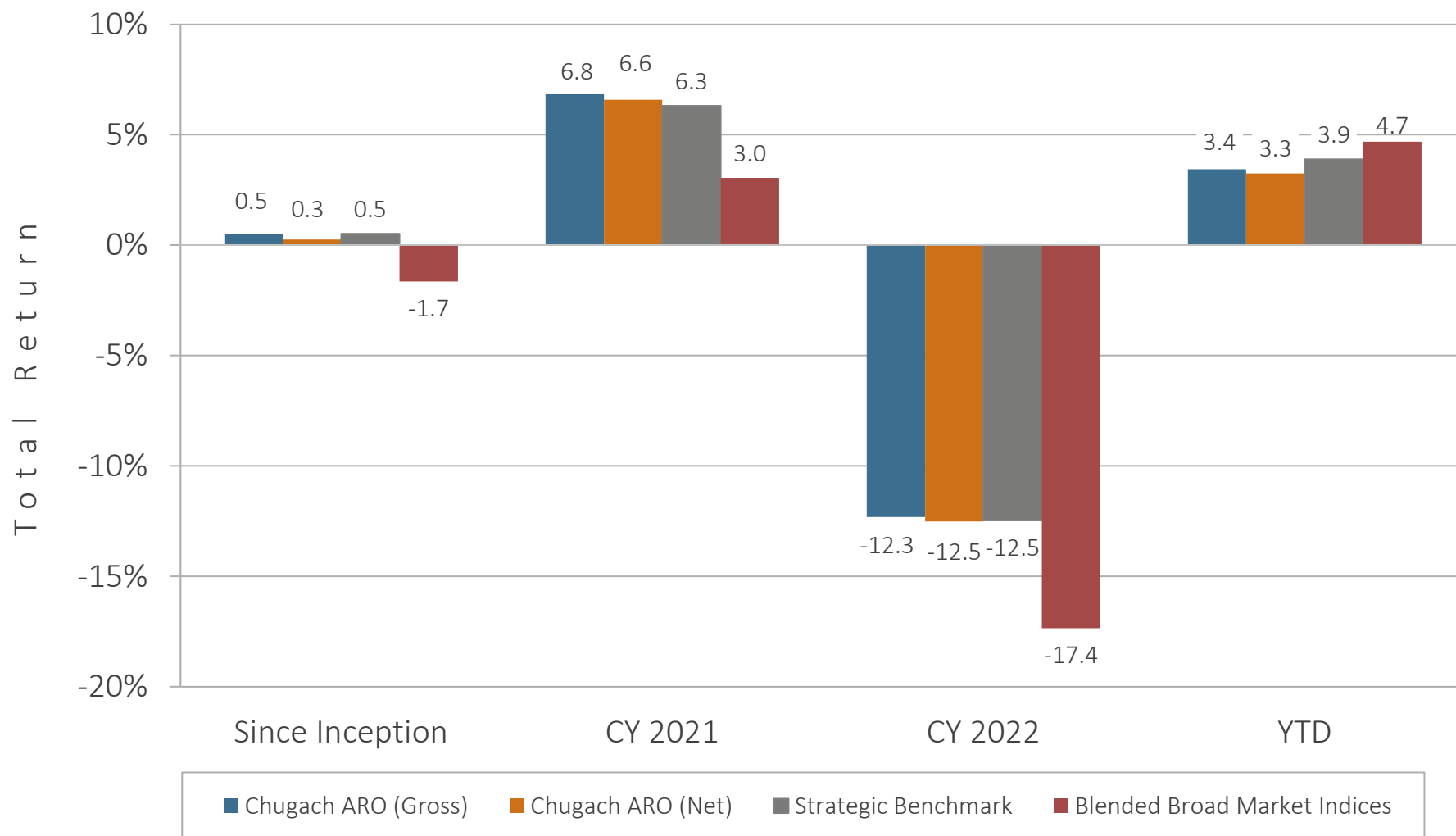
Chugach Electric Beluga River ARO Investment Fund



Asset Class	Strategic Weight	Overweight / Underweight	Range
Risk Control	27%	-0.1%	
US Fixed Income	18%	-0.4%	8 - 28%
TIPS	2%	0.0%	0 - 10%
International Bonds	5%	0.0%	0 - 10%
Cash	2%	0.3%	0 - 10%
Risk Assets	52%	0.2%	
High Yield	5%	0.0%	0 - 10%
US Large Cap	22%	0.0%	12 - 32%
US Mid Cap	10%	0.1%	5 - 15%
US Small Cap	5%	0.1%	0 - 10%
International Equity	6%	0.0%	0 - 12%
Emerging Markets	4%	0.0%	0 - 8%
Alternatives	21%	-0.1%	
Real Estate	3%	0.0%	0 - 6%
Infrastructure	5%	-0.1%	0 - 10%
Commodities	3%	0.0%	0 - 6%
Alternative Beta	10%	-0.1%	0 - 15%

Account Performance as of September 30, 2023

Chugach Electric Beluga River ARO Investment Fund

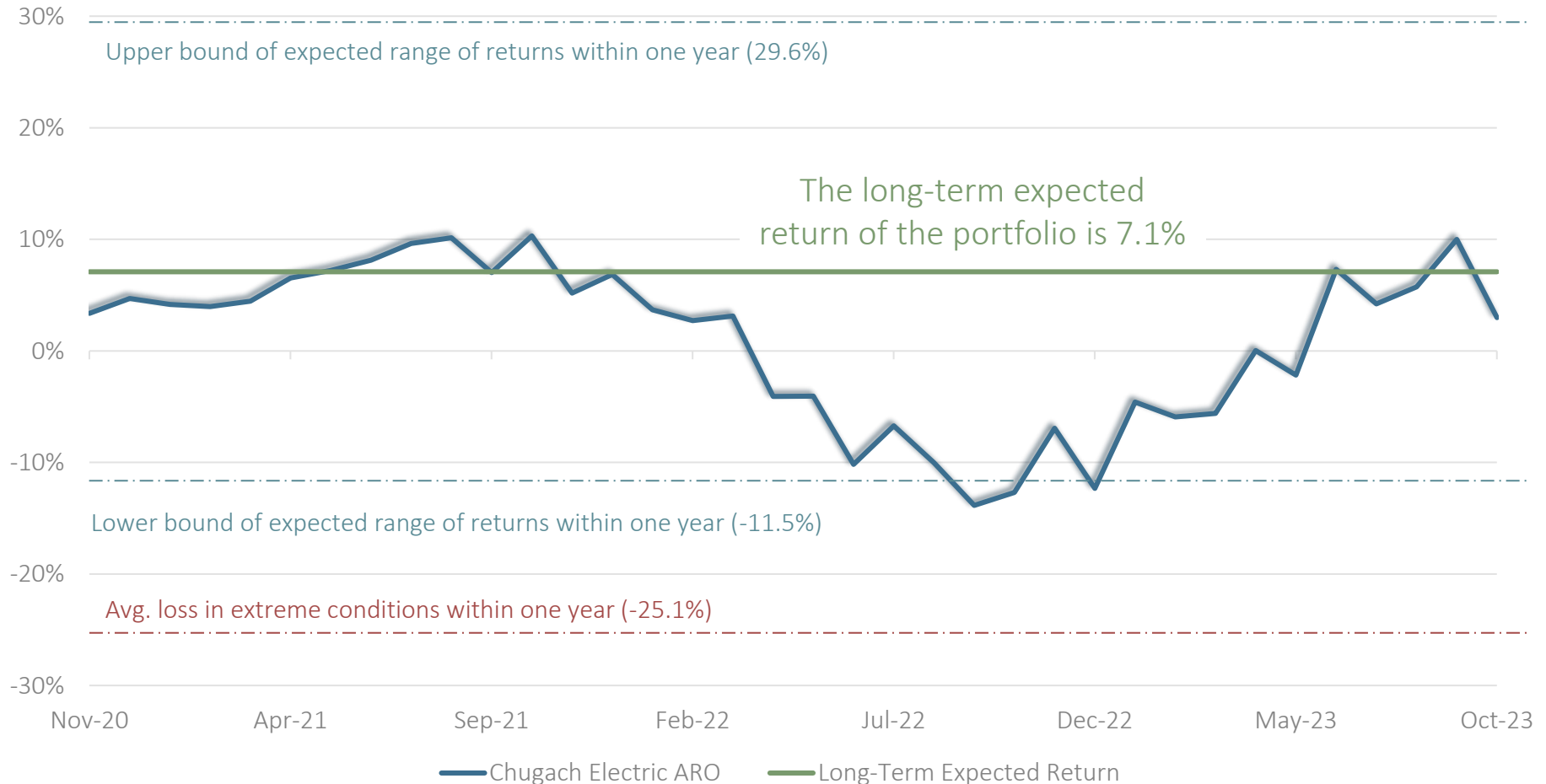


Performance is gross of management fees, net of internal fund fees, and annualized for periods greater than one year. Inception performance begins on October 31, 2020. Blended Broad Market Indices represented by a blend of MSCI ACWI and Bloomberg Global Agg at weights of 25% equity / 75% bonds through 9/30/2021 and 60% equity / 40% bonds thereafter.

Inception to Date Returns Have Been within Modeled Expectations

Chugach Electric Beluga River ARO Investment Fund

Rolling 12 Month Returns vs. Expectations



Portfolio performance is gross of management fees and net of fund fees. The long-term expected return of 7.1% is gross and annualized.

U.S. Fixed Income Performance as of September 30, 2023

Chugach Electric Beluga River ARO Investment Fund

- Actively managed U.S. Fixed Income return for the 3rd quarter was **-3.26%** vs. **-3.23%** for the benchmark.
- Fixed income performance can be decomposed into three primary sources of return: **sector allocation, interest rate changes, and security selection.**
 - An overweight to Agency MBS was the main driver of underperformance as mortgages underperformed during the quarter.
 - A slight underweight to duration in US Treasuries was a driver of positive performance compared to the benchmark. This was due to intermediate and long-term interest rates increasing during the quarter.

U.S. Fixed Income Summary Statistics as of September 30, 2023

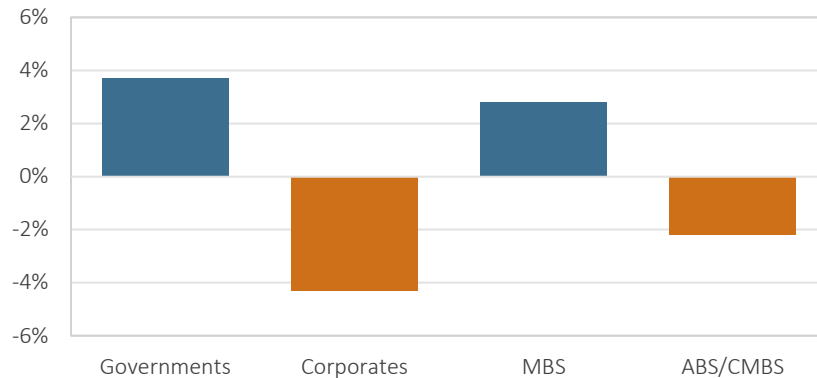
	ARO Investment Fund	Bloomberg Aggregate
Market Value	\$ 4,150,735	—
Yield to Maturity	5.37%	5.37%
Effective Duration	6.14	6.15

Source: Bloomberg and Clearwater

U.S. Fixed Income Positioning as of September 30, 2023

Chugach Electric Beluga River ARO Investment Fund

Sector Under/Overweight



Quality Under/Overweight



Source: Bloomberg

Bond Sector Comparison

	Chugach	Bloomberg Agg
Governments*	49.4%	45.7%
Corporates	21.2%	25.5%
MBS	29.4%	26.6%
ABS/CMBS	0.0%	2.2%
Total	100%	100%

* Includes Municipal Debt

Credit Quality Comparison

	Chugach	Bloomberg Agg
AAA	0.0%	3.7%
AA	78.3%	72.2%
A	5.8%	11.4%
BBB	15.9%	12.7%
Total	100%	100%

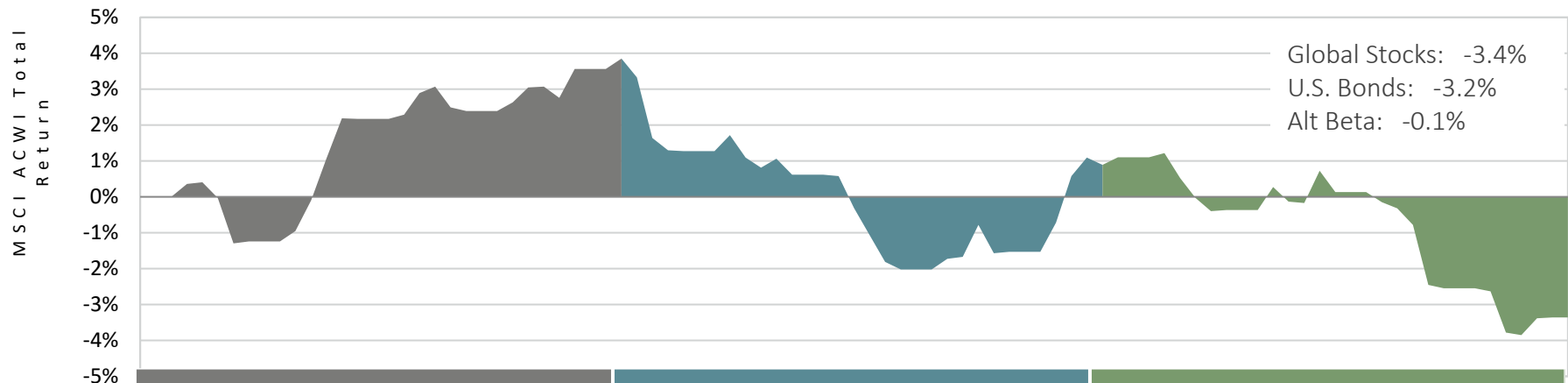
Market Review

Portfolio Review

Market Review

Higher Rates Weigh on Global Stocks

Market Recap Q3 2023



July

Nonfarm payrolls report is not as strong as feared, helping ease concern on labor market overheating from strong ADP jobs data released the prior day.

Wheat and other agricultural-related commodities see volatility after Russia backs out of the Black Sea grain initiative.

Financial markets embrace lower U.S. Consumer Price Index (CPI) prints, with modest month-over-month changes in headline and core (0.2%).

The Fed hikes by 25 basis points (bps) to 5.25-5.50% – the last rate hike of the cycle that investors anticipate.

The European Central Bank (ECB) hikes by 25 bps but moving forward it signals a more data-dependent approach versus a bias to tighten.

August

Fitch downgrades its U.S. sovereign credit rating because of expected fiscal deterioration over the coming years and an erosion of confidence in governance.

China CPI moves into negative territory as it contends with weak trade, high youth unemployment and ongoing property- and debt-related stresses.

Rising interest rates weigh on equities with the 30-year Treasury yield hitting its highest level since 2011 (rises about 40 bps more through quarter-end).

U.K. core CPI remains unchanged at a high level of 6.9% year-over-year – a worrisome development for the Bank of England given accelerating wages.

No surprises from Fed Chair Powell at Jackson Hole with Powell noting inflation remains too high and the Fed is prepared to raise rates more if needed.

September

U.S. jobs data shows orderly loosening, adding to soft landing hopes fueled by benign inflation and solid consumer spending data the day before.

The ECB raises its key policy rate by 25 bps, but its statement language hints that it is likely done hiking for now.

The Fed holds its policy rate, but the press conference and updated Summary of Economic Projections signal a higher-for-longer policy path.

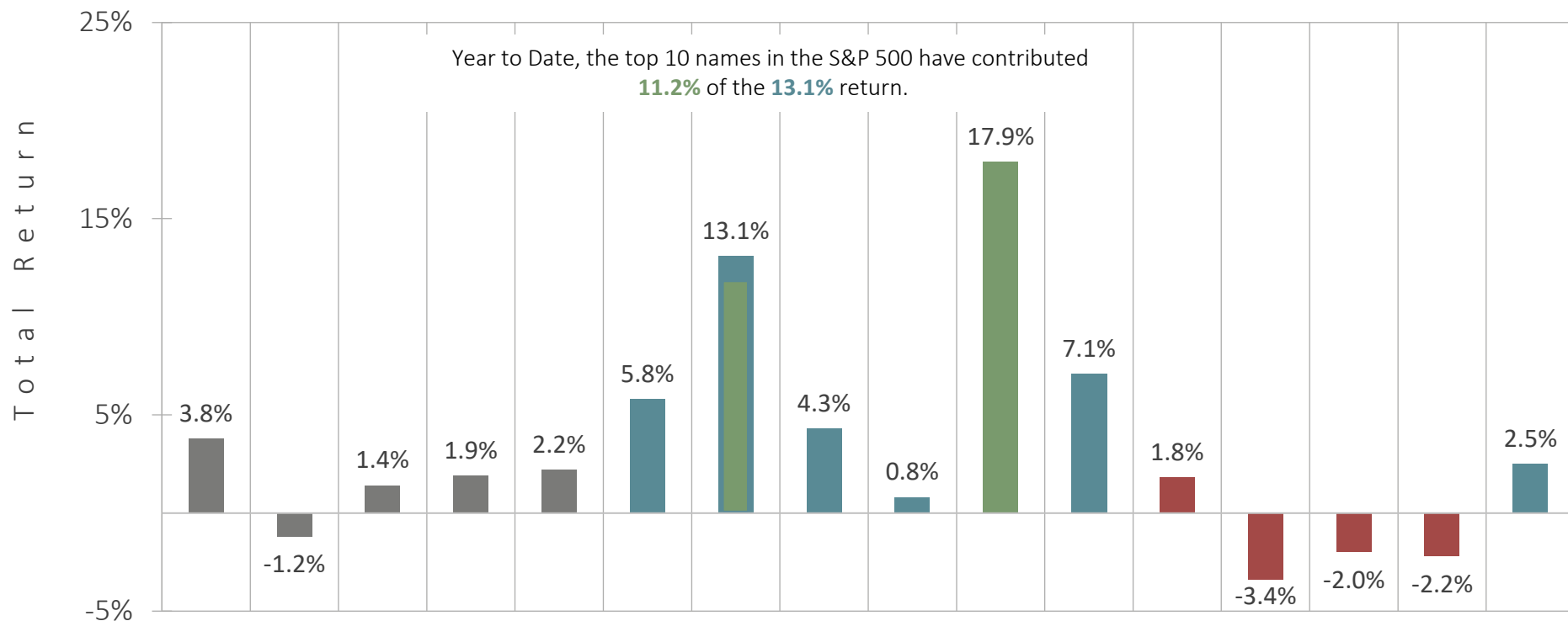
Strikes broaden to more plants at the three largest U.S. automakers, with the walkouts poised to enter week three.

U.S. unexpectedly avoids government shutdown after last-minute deal provides funding at current levels for six more weeks.

Data: Bloomberg / Northern Trust. Global Stocks, US Bonds, and Alternative Beta are represented by MSCI ACWI, Bloomberg Agg, and Willshire Liquid Alt Indices, respectively.

Risk Assets Have Outperformed

Year-to-date Asset Class Returns as of September 30, 2023



	RISK CONTROL						RISK ASSETS						ALTERNATIVES			
	FIXED INCOME						EQUITIES						ALTERNATIVES			
	Cash	U.S. Fixed Income	1-5 Gov. Credit	TIPS	Intl. Fixed Income	HY Fixed Income	U.S. Large Cap	U.S. Mid Cap	U.S. Small Cap	Small Cap Quality	Dev. Ex-U.S.	Emerging Markets	Comm.	Real Estate	Infra.	Alt. Beta
YTD	3.8	-1.2	1.4	1.9	2.2	5.8	13.1	4.3	0.8	17.9	7.1	1.8	-3.4	-2.0	-2.2	2.5
CY' 2022	1.5	-13.0	-5.5	-2.7	-12.7	-11.9	-18.1	-13.1	-16.1	-14.1	-14.5	-20.1	16.1	-24.4	-10.1	-5.6
5 Year	1.7	0.1	1.1	2.8	0.1	2.5	9.9	6.1	3.2	10.2	3.2	0.6	6.1	2.8	3.2	1.4
10 Year	1.1	1.1	1.1	1.7	2.0	3.8	11.9	8.9	8.1	10.4	3.8	2.1	-0.7	5.8	4.5	1.4

Data: Bloomberg. Asset class performance is represented by the stated index return. Returns annualized for periods greater than one year.

Four Key Portfolio Benefits in 2023

Q3 2023

Navigating Economic Resilience

The global economy has been more resilient than anticipated, **leading risk assets to outperform risk control assets this year.**

APCM's decision to **maintain exposure near strategic targets for risk assets has been a benefit to portfolios.** (Global Stocks +9.4% and U.S. Bonds -1.2% YTD)

1

Benefits of Diversified Fixed Income

As the global economy has proven more resilient than expected, there is a noticeable **divergence in growth rates, inflationary trends, and monetary policy.**

The diversified fixed income exposure recommended by APCM has proven valuable, as the broad US bond market is down -1.2% while **other risk control assets are in positive territory.**

2

Focus on Quality

As global central banks began their inflation fighting campaign, APCM anticipated that economic growth would slow. It certainly has, **US post-COVID growth came in around 6% in 2021 and is expected to be around 2% in 2023.**

To acknowledge this forecast, we added high-quality stock exposure within the US Small Cap space. Year to Date through September 2023, **the high-quality small-cap fund has outperformed our core holding by 16%!**

3

Compelling Investment Prospects

Maintaining your customized investment strategy is crucial. **12-month total returns across asset classes after rates peak have been strong historically.**

Our latest **long-term capital market forecasts project the highest long-term returns for our portfolios in several years.** The current environment could be a compelling entry point given the prospects of attractive income and total return ahead.

4



TO: Arthur Miller, Chief Executive Officer

FROM: Lynda Muise, Sr. Manager, Member Accounting
Teresa Kurka, VP Member Services
Allan Rudeck, Chief Strategic Officer

DATE: November 27, 2023

SUBJECT: *Semi-Annual Electric Write-Off: December 2023*

The current write-off reflects uncollectible account balances through April 30, 2023. This write-off consists of 1,180 retail electric accounts totaling \$285,120, with an average write-off balance of \$242, and two damage claims totaling \$23,065. Recovery of previously written-off electric account balances through collections totaled \$147,605. The December 2023 net write-off is \$160,580, or approximately 0.10 percent of retail revenue.

Member Services works diligently with members who are behind in payments, making referrals to payment assistance agencies and other resources. After an account is final billed for electric service, collection efforts continue for 60 days, after which time, uncollected accounts are sent to our collection agency for their follow-up. In the most recent two full years, our collection agency has collected on average 42.8% of the total amount placed with them. One of the most effective collection tools Chugach utilizes is our operating tariff regarding Chugach's right to collect on former indebtedness prior to providing future electric service. Finally, if the debt remains unpaid, Chugach will also use the member's capital credit retirements to satisfy a bad debt.

The attached tables and figures have been updated to provide a more in-depth look at the types of accounts being written-off. Table 1 shows a five-year comparison of electric account write-offs, with damage claims and recovery through collection. Table 2 is a summary of the December 2023 write-off, broken out by rate class and damage claims. Figure 1 shows the five-year comparison of net write-off as a percentage of revenue in chart form. Figure 2 shows the five-year comparison of net write-offs as a dollar amount in chart form.

December 2023 Write-Off Report
Billing Period: November 2022-April 2023

Table 1: Rolling Five Year Write Off

Write-off Period	Collection Period	Residential Counts	Residential Amount	Small Commercial Counts	Small Commercial Amount	Large Commercial Counts	Large Commercial Amount	Total Electric Write-off	Damage Claim Counts	Damage Claim Amount	Total Write-off	Recovery Through Collections	Net Total Write-off
Jul-19	May 2018 - Oct 2018	692	\$126,342	17	\$9,321	1	\$586	\$136,249	0	\$0	\$136,249	\$61,775	\$74,474
Dec-19	Nov 2018 - Apr 2019	733	\$175,377	5	\$5,162	6	\$37,553	\$218,092	0	\$0	\$218,092	\$82,950	\$135,142
Jul-20	May 2019 - Oct 2019	776	\$172,332	8	\$3,881	4	\$10,734	\$186,947	0	\$0	\$186,947	\$77,856	\$109,091
Dec-20	Nov 2019 - Apr 2020	611	\$153,967	8	\$3,333	5	\$18,619	\$175,919	0	\$0	\$175,919	\$84,096	\$91,823
Jul-21	May 2020 - Oct 2020	517	\$140,757	13	\$10,131	2	\$2,593	\$153,481	0	\$0	\$153,481	\$80,953	\$72,528
Dec-21	Nov 2020 - Apr 2021	880	\$209,683	2	\$1,406	4	\$4,642	\$215,731	0	\$0	\$215,731	\$114,226	\$101,505
Jul-22	May 2021 - Oct 2021	934	\$157,170	36	\$36,157	1	\$1,619	\$194,946	0	\$0	\$194,946	\$123,286	\$71,660
Dec-22	Nov 2021 - Apr 2022	976	\$266,391	19	\$15,528	1	\$2,661	\$284,580	0	\$0	\$284,580	\$144,872	\$139,708
Jul-23	May 2022 - Oct 2022	1,293	\$247,020	18	\$18,491	4	\$80,081	\$345,592	9	\$59,413	\$405,005	\$94,504	\$310,501
Dec-23	Nov 2022-April 2023	1,154	\$270,724	24	\$6,451	2	\$7,945	\$285,120	2	\$23,065	\$308,185	\$147,605	\$160,580

Table 2: Summary of December 2023 Account Balance Write-Off

Write-offs by Rate Class	Number of Write-Offs	Total Write-offs	Average per Item
Residential	1,154	\$270,724	\$235
Small Commercial	24	\$6,451	\$269
Large Commercial	2	\$7,945	\$3,972
Subtotal	1,180	\$285,120	\$242
Damage Claims	2	\$23,065	\$11,532
Total	1,182	\$308,185	\$261

Figure 1: Net Write-Offs as a Percent of Revenue

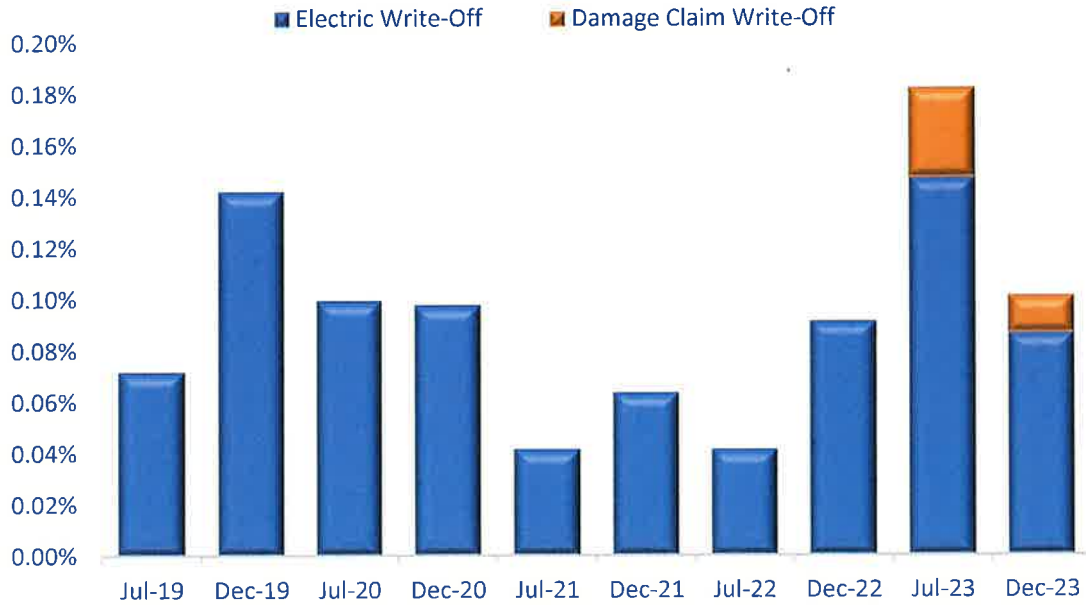
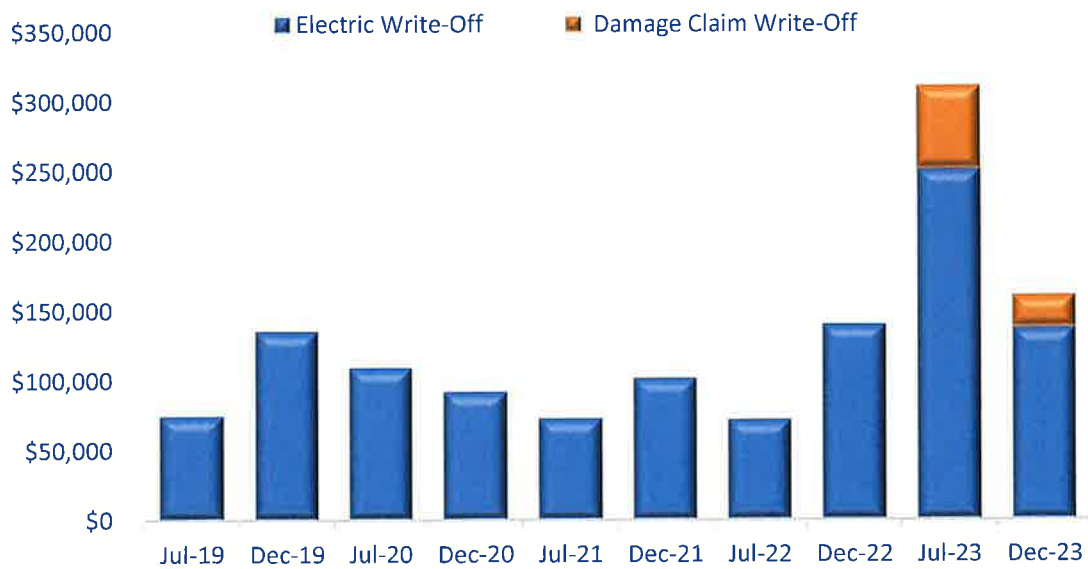


Figure 2: Net Write-Off Amounts



September 2023 YTD
Financial Information
December 6, 2023

Chugach Electric Association

September 2023 YTD Financial Information

MWH Sales

Statement of Operations

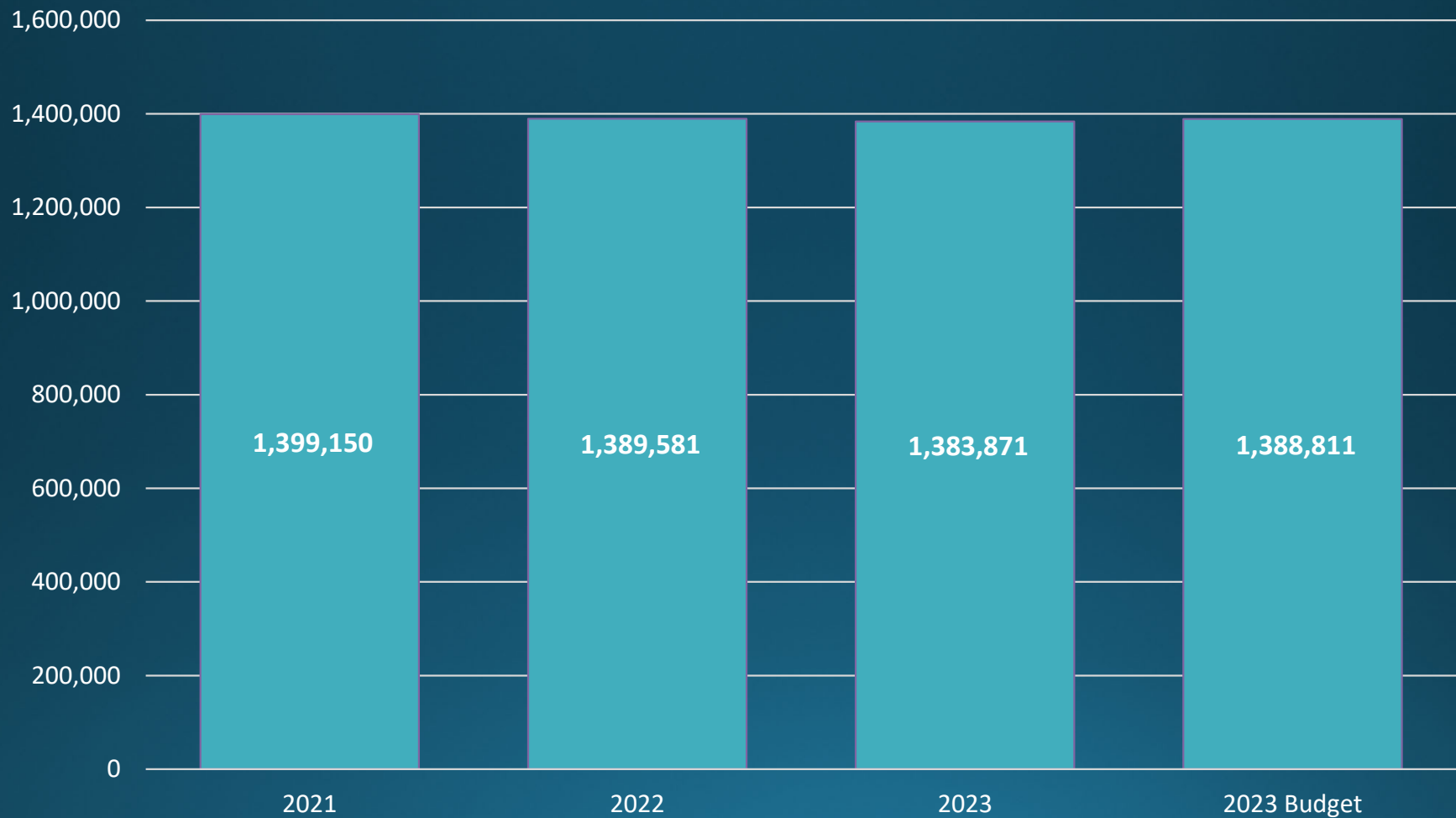
Balance Sheet

Statement of Cash Flows

Equity Ratio

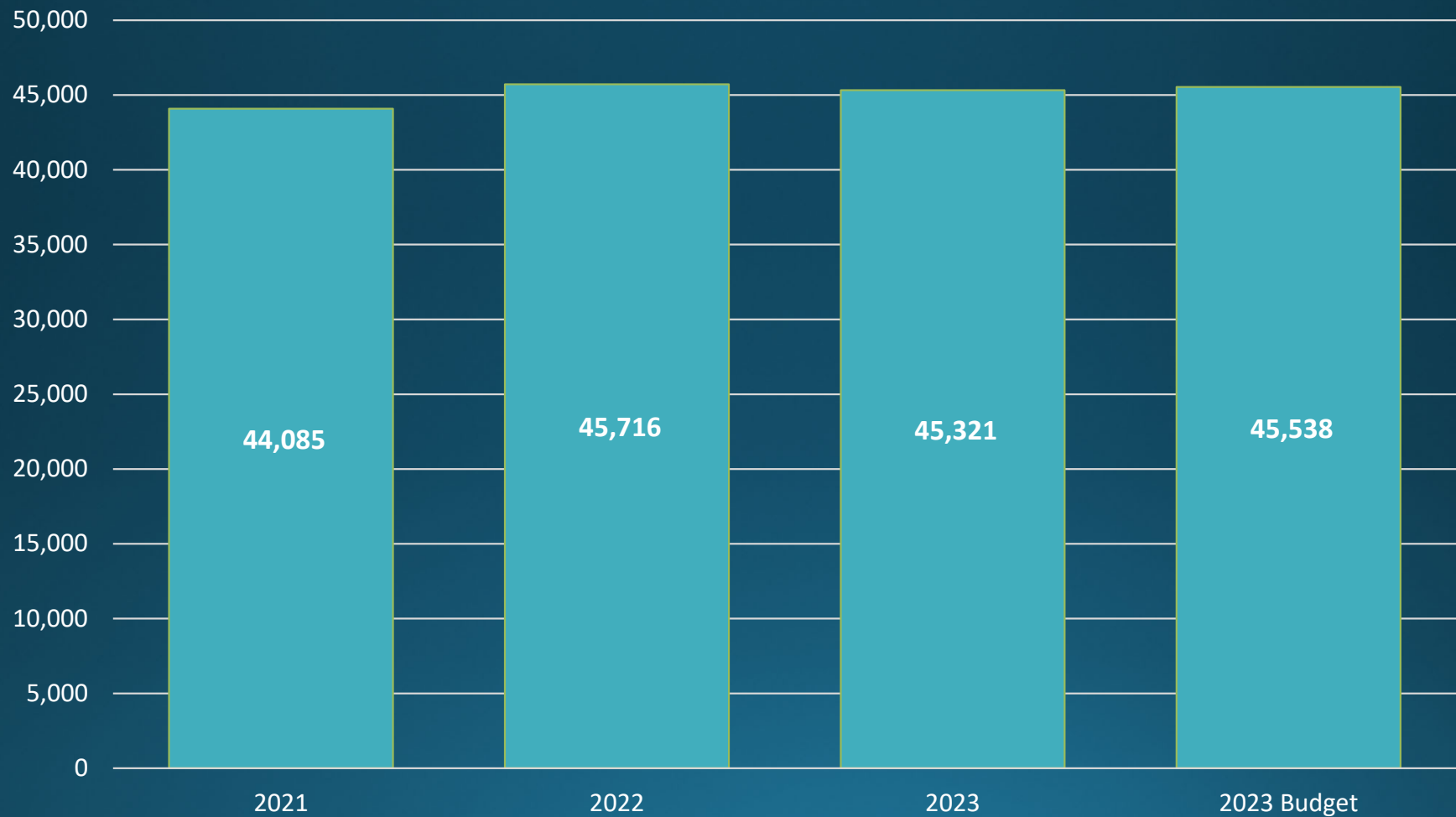
September 2023 YTD Financial Information

Retail MWh Sales Comparison



September YTD 2023 Financial Information

Seward MWh Sales Comparison



September YTD 2023 Financial Information

Comparative Statement of Operations

COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2023 YTD ACTUAL TO BUDGET

CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 260,153,685	\$ 257,126,177	\$ 3,027,508
Fuel and Purchased Power	78,870,378	73,243,762	5,626,616
Power Production	30,478,897	27,958,109	2,520,788
Transmission	6,484,903	8,851,780	(2,366,877)
Distribution	19,463,219	19,876,802	(413,583)
Customer	8,072,438	8,288,030	(215,592)
Administrative, General and Other	39,695,474	40,479,531	(784,057)
Depreciation & Amortization	45,855,526	49,091,047	(3,235,521)
Interest Expense, Net	30,381,117	29,667,046	714,071
Total Cost of Electric Service	\$ 259,301,952	\$ 257,456,107	\$ 1,845,845
Patronage Capital & Operating Margins	\$ 851,733	\$ (329,930)	\$ 1,181,663
Non-Operating Margins - Interest	796,296	653,225	143,071
Allowance for Funds Used During Construction	161,047	112,500	48,547
Non-Operating Margins - Other	15,017	(97,650)	112,667
Patronage Capital or Margins	\$ 1,824,093	\$ 338,145	\$ 1,485,948
MFI/I	1.06	1.01	
TIER	1.06	1.01	

September YTD 2023 Financial Information

Comparative Balance Sheet, Assets & Other Debits

ASSETS & OTHER DEBITS	9/30/2023	12/31/2022	CHANGE
Electric Plant in Service	2,131,883,060	2,109,990,748	21,892,312
Construction Work in Progress	88,116,115	52,721,736	35,394,379
Total Utility Plant	\$ 2,219,999,175	\$ 2,162,712,484	57,286,691
Accum. Prov. for Depreciation/Amortization	(747,377,798)	(702,820,630)	(44,557,168)
Net Utility Plant	\$ 1,472,621,377	\$ 1,459,891,854	12,729,523
Nonutility Property - Net	76,889	76,889	0
Financing & Operating Lease Right-of-Use Assets	3,799,518	4,048,789	(249,271)
Investment in Assoc. Organizations	6,633,888	6,993,487	(359,599)
Special Funds	25,318,079	26,275,805	(957,726)
Restricted Cash Equivalents & Other	30,000	30,000	0
Long-term Prepayments	158,660	305,854	(147,194)
Total Other Property & Investments	\$ 36,017,034	\$ 37,730,824	(1,713,790)
Cash & Restricted Cash	21,185,485	15,854,739	5,330,746
Special Deposits and Marketable Securities	56,800	58,300	(1,500)
Accounts Receivable - Net	46,473,849	50,243,472	(3,769,623)
Materials and Supplies, Fuel Stock	68,313,039	68,199,774	113,265
Prepayments	8,566,130	6,239,353	2,326,777
Other Current & Accrued Assets	38,139,224	20,804,025	17,335,199
Total Current & Accrued Assets	\$ 182,734,527	\$ 161,399,663	21,334,864
Deferred Debits	104,839,914	108,557,249	(3,717,335)
Total Assets & Other Debits	\$ 1,796,212,852	\$ 1,767,579,590	\$ 28,633,262

September YTD 2023 Financial Information

Comparative Balance Sheet, Liabilities & Other Credits

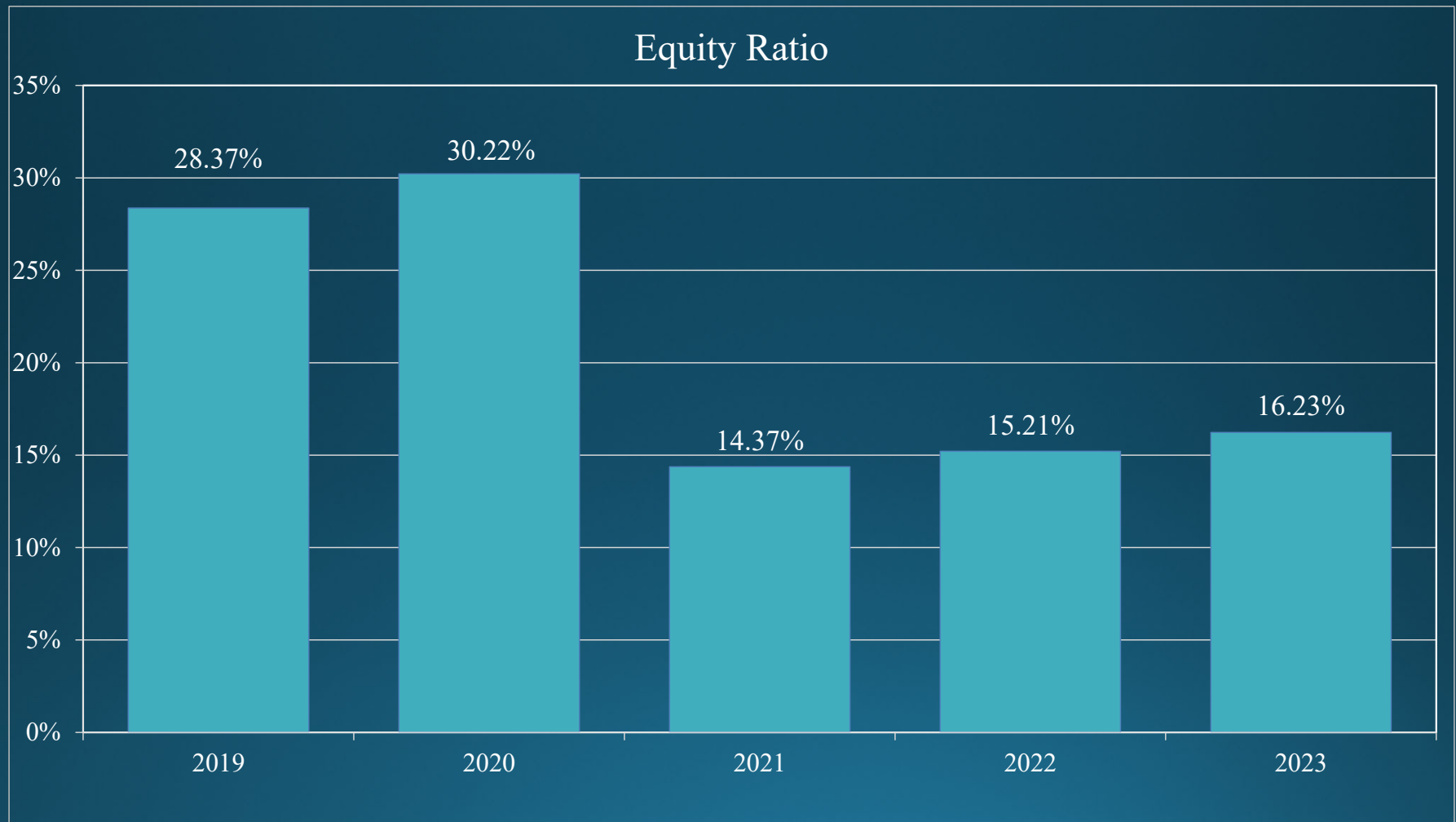
LIABILITIES & OTHER CREDITS	9/30/2023	12/31/2022	CHANGE
Memberships	2,012,228	1,986,171	26,057
Pat. Capital, Margins & Equities	212,063,985	210,349,305	1,714,680
Total Margins & Equities	\$ 214,076,213	\$ 212,335,476	\$ 1,740,737
Long-Term Debt - Bonds	1,094,733,329	1,128,549,996	(33,816,667)
Long-Term Debt - Other	15,846,000	18,924,000	(3,078,000)
Unamortized Debt Issuance Costs	(5,855,642)	(5,960,113)	104,471
Operating Lease Liabilities	3,557,610	3,583,801	(26,191)
Finance Lease Liabilities	194,405	203,786	(9,381)
Total Long-Term Debt	\$ 1,108,475,702	\$ 1,145,301,470	\$ (36,825,768)
Notes Payable	166,968,006	94,178,851	72,789,155
Accounts Payable	30,020,857	26,356,140	3,664,717
Consumer Deposits	4,380,483	4,874,798	(494,315)
Other Current & Accrued Liabilities	43,156,932	53,272,014	(10,115,082)
Total Current & Accrued Liabilities	\$ 244,526,278	\$ 178,681,803	\$ 65,844,475
Deferred Compensation	1,633,400	1,387,476	245,924
Other Liabilities, Non-Current	575,133	658,627	(83,494)
Deferred Liabilities	11,697,768	9,639,703	2,058,065
BRU Regulatory Liability	87,713,805	96,612,203	(8,898,398)
Cost of Removal Obligation	127,514,553	122,962,832	4,551,721
Total Liabilities & Other Credits	\$ 1,796,212,852	\$ 1,767,579,590	\$ 28,633,262

September YTD 2023 Financial Information Statements of Cash Flows

	September 30, 2023	September 30, 2022
Cash flows from operating activities:		
Assignable margins	\$ 1,824,093	\$ 1,033,735
Adjustments to reconcile assignment margins to net cash provided (used) by operating activities:		
Depreciation and amortization	55,083,344	57,562,162
Allowance for funds used during construction	(161,047)	(65,624)
Other non-cash charges	502,469	776,230
(Increase) decrease in assets	(11,844,855)	(9,124,629)
Increase (decrease) in liabilities	5,758,184	(5,600,023)
Net cash provided by operating activities:	\$ 51,162,188	\$ 44,581,851
Cash flows from investing activities:		
Return of capital from investment in associated organizations	359,599	288,329
Investment in special funds	(4,444,096)	0
Proceeds from capital grants	0	238,604
Extension and replacement of plant	(92,022,230)	(49,387,489)
Net cash used in investing activities:	\$ (96,106,727)	\$ (48,860,556)
Cash flows from financing activities:		
Payments for debt issue costs	0	0
Net increase (decrease) in short-term obligations	73,000,000	12,000,000
Net increase (decrease) in long-term obligations	(36,894,667)	(32,166,667)
Net increase (decrease) in consumer advances/retired patronage/other	14,169,952	7,784,512
Net cash provided by (used in) financing activities:	\$ 50,275,285	\$ (12,382,155)
Net change in cash, cash equivalents & restricted cash	5,330,746	(16,660,860)
Cash, cash equivalents & restricted cash at beginning of period	\$ 15,884,739	\$ 37,655,033
Cash, cash equivalents and restricted cash at end of period	\$ 21,215,485	\$ 20,994,173

September YTD 2023 Financial Information

5 Year Equity Ratio



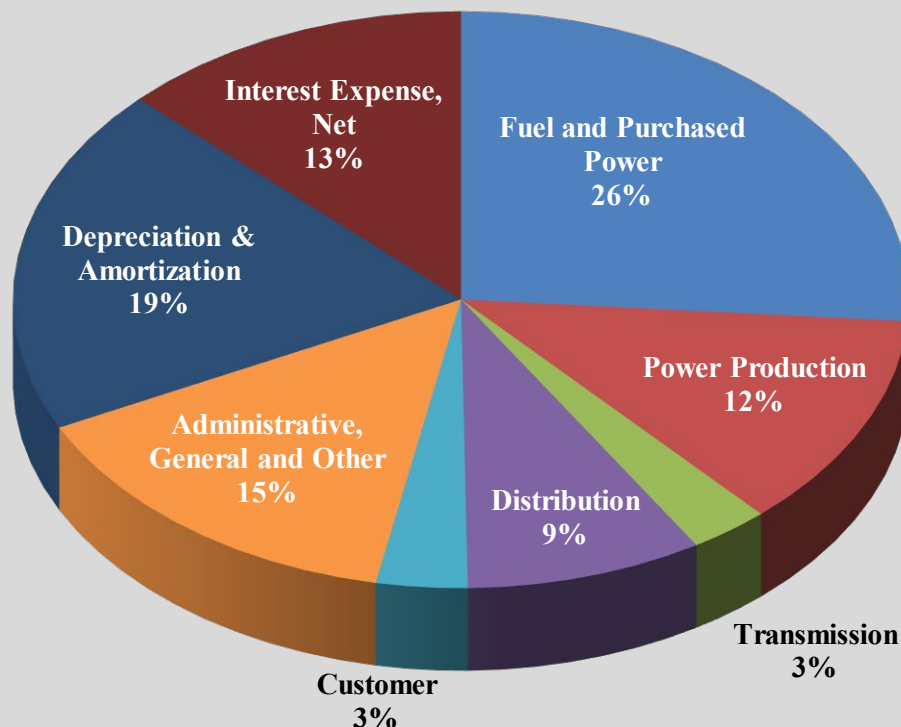


Questions?

COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2023 MTD ACTUAL TO BUDGET

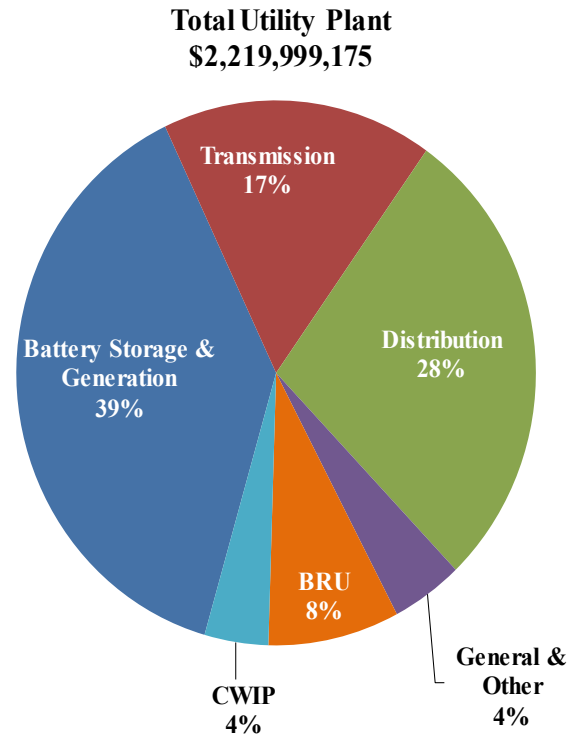
CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 27,781,734	\$ 29,429,691	\$ (1,647,957)
Fuel and Purchased Power	7,397,157	8,558,778	(1,161,621)
Power Production	3,425,024	2,926,461	498,563
Transmission	810,126	936,734	(126,608)
Distribution	2,415,906	2,156,145	259,761
Customer	928,559	887,452	41,107
Administrative, General and Other	4,130,217	4,688,662	(558,445)
Depreciation & Amortization	5,521,407	5,750,911	(229,504)
Interest Expense, Net	3,604,511	3,502,483	102,028
Total Cost of Electric Service	\$ 28,232,907	\$ 29,407,626	\$ (1,174,719)
Patronage Capital & Operating Margins	\$ (451,173)	\$ 22,065	\$ (473,238)
Non-Operating Margins - Interest	66,619	45,454	21,165
AFUDC	26,235	12,500	13,735
Non-Operating Margins - Other	88,716	(10,850)	99,566
Patronage Capital or Margins	\$ (269,603)	\$ 69,169	\$ (338,772)

Total Cost of Electric Service (MTD Actual)

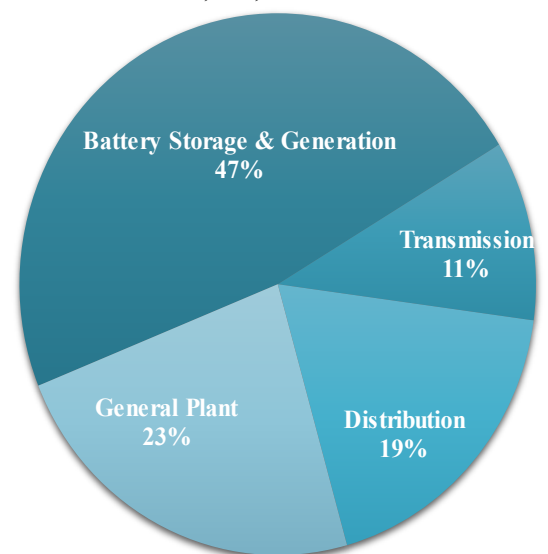


BALANCE SHEET

ASSETS & OTHER DEBITS	9/30/2023	12/31/2022
Electric Plant in Service	2,131,883,060	2,109,990,748
Construction Work in Progress	88,116,115	52,721,736
Total Utility Plant	\$ 2,219,999,175	\$ 2,162,712,484
Accum. Prov. for Depreciation/Amortization	(747,377,798)	(702,820,630)
Net Utility Plant	\$ 1,472,621,377	\$ 1,459,891,854
Nonutility Property - Net	76,889	76,889
Financing & Operating Lease ROU Assets	3,799,518	4,048,789
Investment in Assoc. Organizations	6,633,888	6,993,487
Special Funds	25,318,079	26,275,805
Restricted Cash Equivalents & Other	30,000	30,000
Long-term Prepayments	158,660	305,854
Total Other Property & Investments	\$ 36,017,034	\$ 37,730,824
Cash & Restricted Cash	21,185,485	15,854,739
Special Deposits	56,800	58,300
Accounts Receivable - Net	46,473,849	50,243,472
Materials and Supplies, Fuel Stock	68,313,039	68,199,774
Prepayments	8,566,130	6,239,353
Other Current & Accrued Assets	38,139,224	20,804,025
Total Current & Accrued Assets	\$ 182,734,527	\$ 161,399,663
Deferred Debits	104,839,914	108,557,249
Total Assets & Other Debits	\$ 1,796,212,852	\$ 1,767,579,590
LIABILITIES & OTHER CREDITS	9/30/2023	12/31/2022
Memberships	2,012,228	1,986,171
Pat. Capital, Margins & Equities	212,063,985	210,349,305
Total Margins & Equities	\$ 214,076,213	\$ 212,335,476
Long-Term Debt - Bonds	1,094,733,329	1,128,549,996
Long-Term Debt - Other	15,846,000	18,924,000
Unamortized Debt Issuance Costs	(5,855,642)	(5,960,113)
Operating Lease Liabilities	3,557,610	3,583,801
Finance Lease Liabilities	194,405	203,786
Total Long-Term Debt	\$ 1,108,475,702	\$ 1,145,301,470
Notes Payable	166,968,006	94,178,851
Accounts Payable	30,020,857	26,356,140
Consumer Deposits	4,380,483	4,874,798
Other Current & Accrued Liabilities	43,156,932	53,272,014
Total Current & Accrued Liabilities	\$ 244,526,278	\$ 178,681,803
Deferred Compensation	1,633,400	1,387,476
Other Liabilities, Non-Current	575,133	658,627
Deferred Liabilities	11,697,768	9,639,703
BRU Regulatory Liability	87,713,805	96,612,203
Cost of Removal Obligation	127,514,553	122,962,832
Total Liabilities & Other Credits	\$ 1,796,212,852	\$ 1,767,579,590



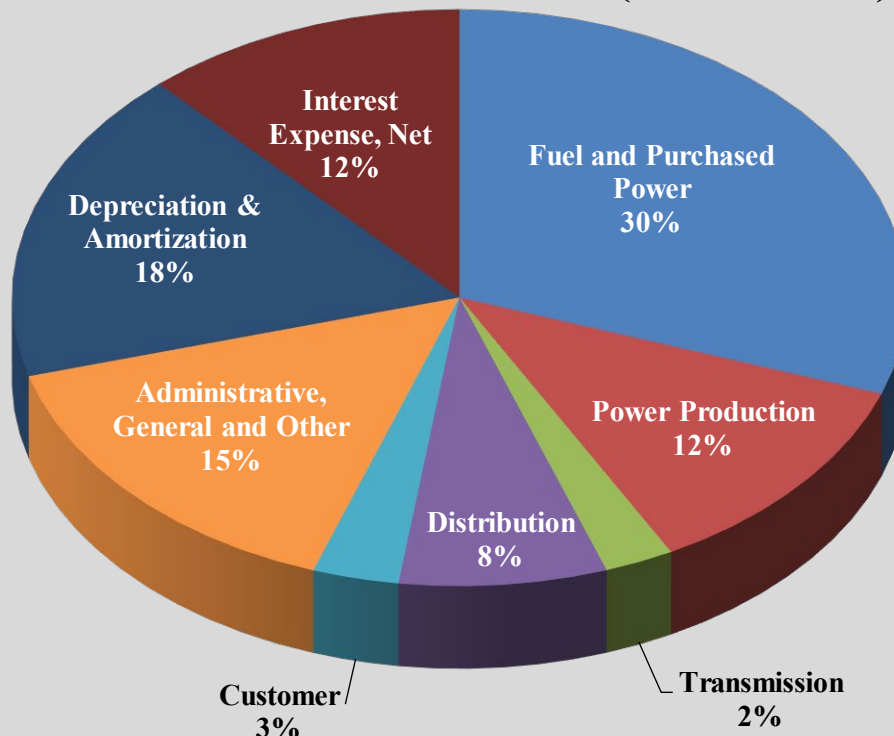
Construction Work in Progress
\$88,116,115



COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2023 YTD ACTUAL TO BUDGET

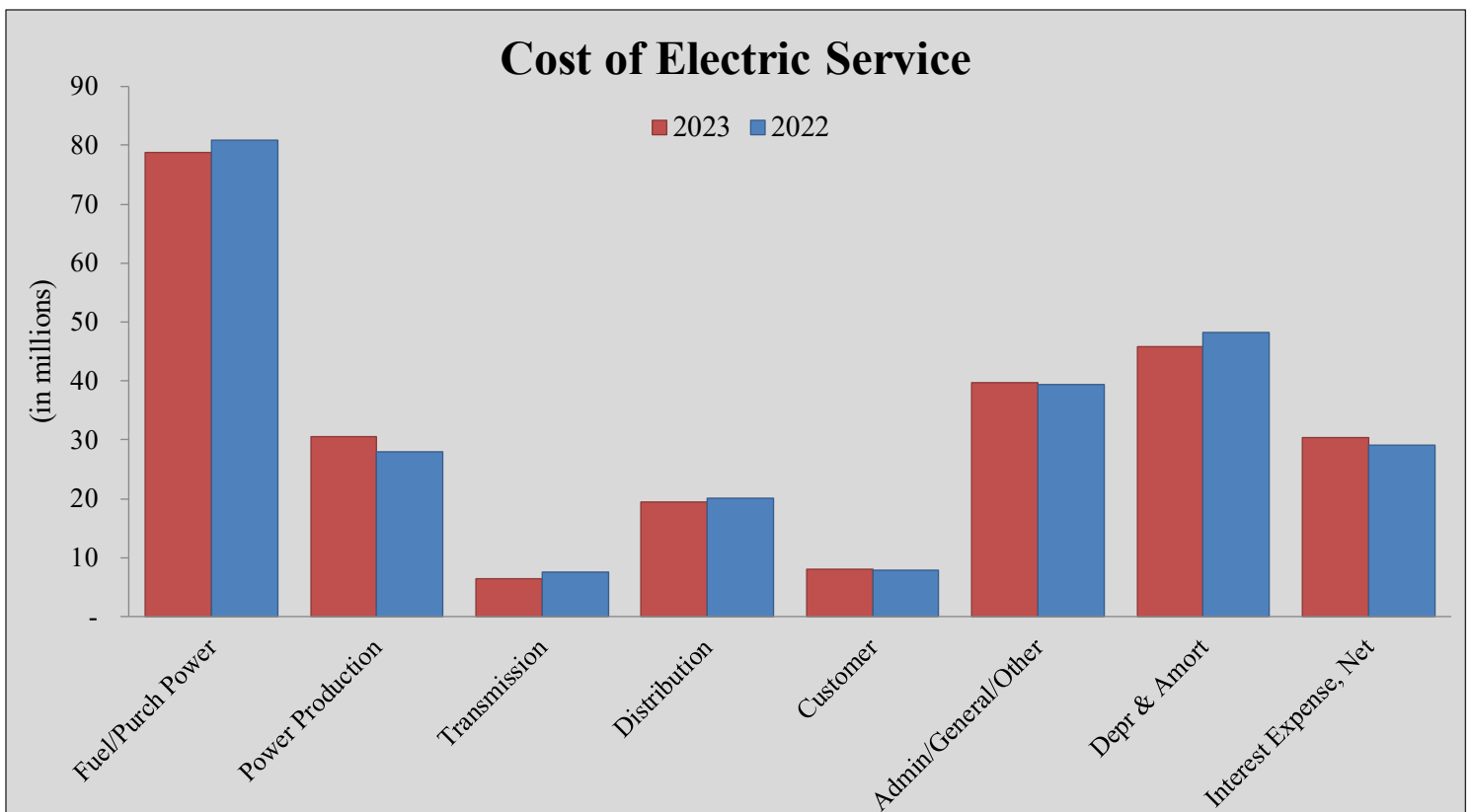
CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 260,153,685	\$ 257,126,177	\$ 3,027,508
Fuel and Purchased Power	78,870,378	73,243,762	5,626,616
Power Production	30,478,897	27,958,109	2,520,788
Transmission	6,484,903	8,851,780	(2,366,877)
Distribution	19,463,219	19,876,802	(413,583)
Customer	8,072,438	8,288,030	(215,592)
Administrative, General and Other	39,695,474	40,479,531	(784,057)
Depreciation & Amortization	45,855,526	49,091,047	(3,235,521)
Interest Expense, Net	30,381,117	29,667,046	714,071
Total Cost of Electric Service	\$ 259,301,952	\$ 257,456,107	\$ 1,845,845
Patronage Capital & Operating Margins	\$ 851,733	\$ (329,930)	\$ 1,181,663
Non-Operating Margins - Interest	796,296	653,225	143,071
AFUDC	161,047	112,500	48,547
Non-Operating Margins - Other	15,017	(97,650)	112,667
Patronage Capital or Margins	\$ 1,824,093	\$ 338,145	\$ 1,485,948
MFI/I	1.06	1.01	
TIER	1.06	1.01	

Total Cost of Electric Service (YTD Actual)

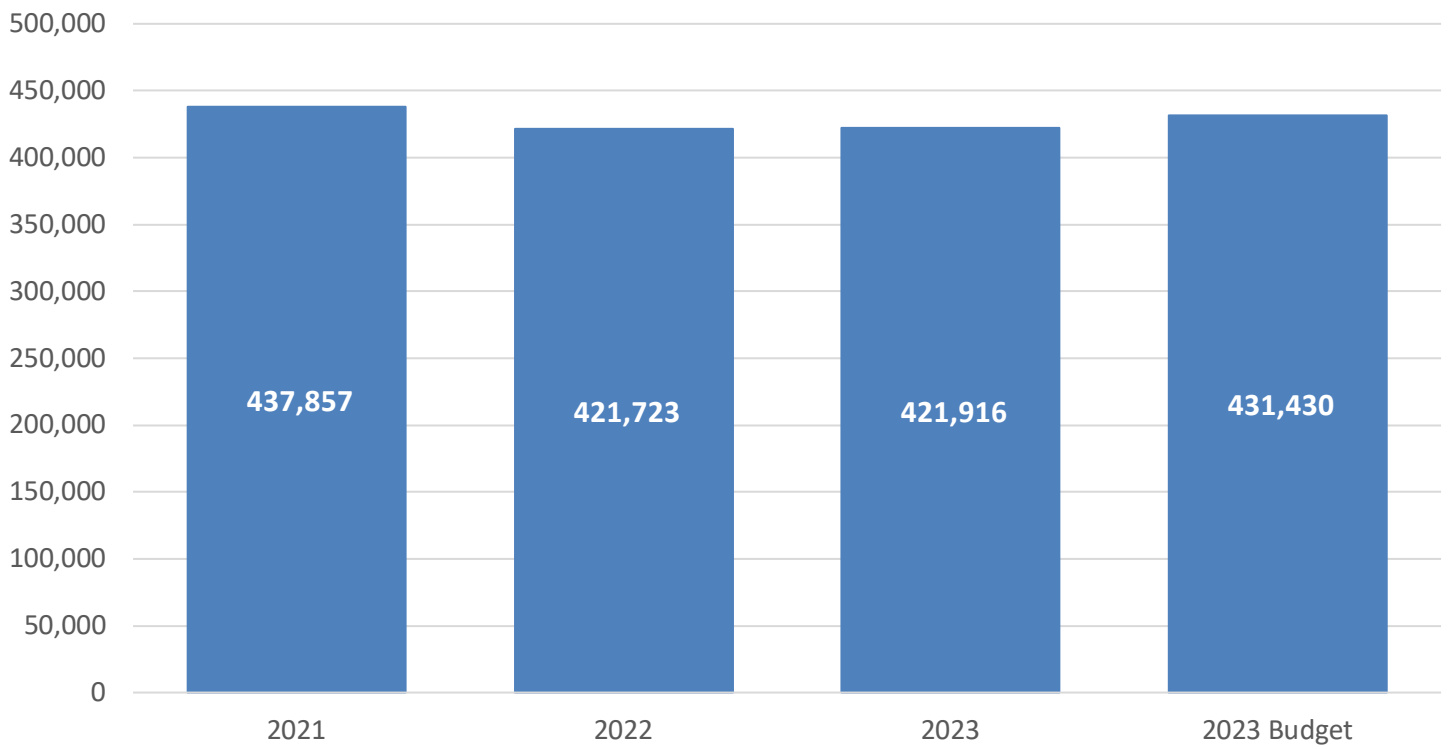


COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YTD ACTUAL TO ACTUAL

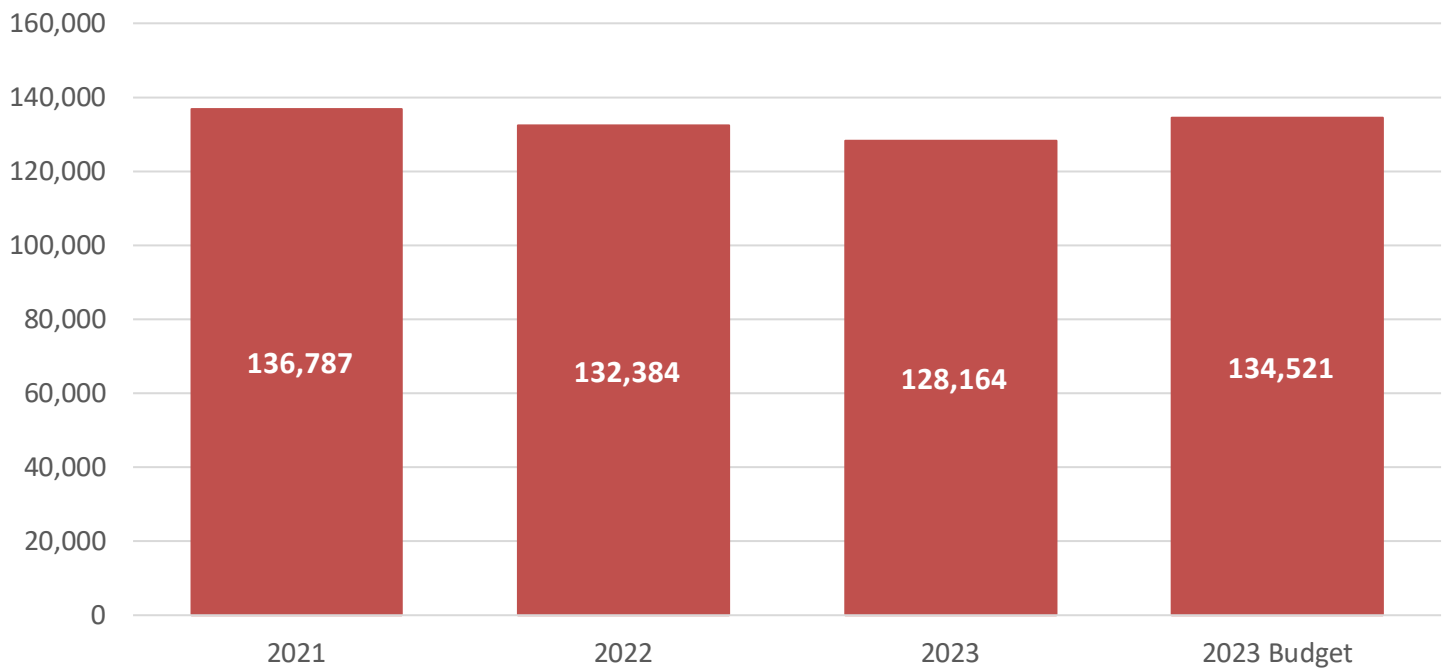
CATEGORY	2023	2022	VARIANCE
Operating Revenue & Patronage Capital	\$ 260,153,685	\$ 261,709,317	\$ (1,555,632)
Fuel and Purchased Power	78,870,378	80,811,935	(1,941,557)
Power Production	30,478,897	28,031,401	2,447,496
Transmission	6,484,903	7,561,104	(1,076,201)
Distribution	19,463,219	20,078,733	(615,514)
Customer	8,072,438	7,869,998	202,440
Administrative, General and Other	39,695,474	39,413,792	281,682
Depreciation & Amortization	45,855,526	48,160,719	(2,305,193)
Interest Expense, Net	30,381,117	29,151,440	1,229,677
Total Cost of Electric Service	\$ 259,301,952	\$ 261,079,122	\$ (1,777,170)
Patronage Capital & Operating Margins	\$ 851,733	\$ 630,195	\$ 221,538
Non-Operating Margins - Interest	796,296	385,176	411,120
AFUDC	161,047	65,624	95,423
Non-Operating Margins - Other	15,017	(47,260)	62,277
Patronage Capital or Margins	\$ 1,824,093	\$ 1,033,735	\$ 790,358
MFI/I	1.06	1.03	
TIER	1.06	1.03	



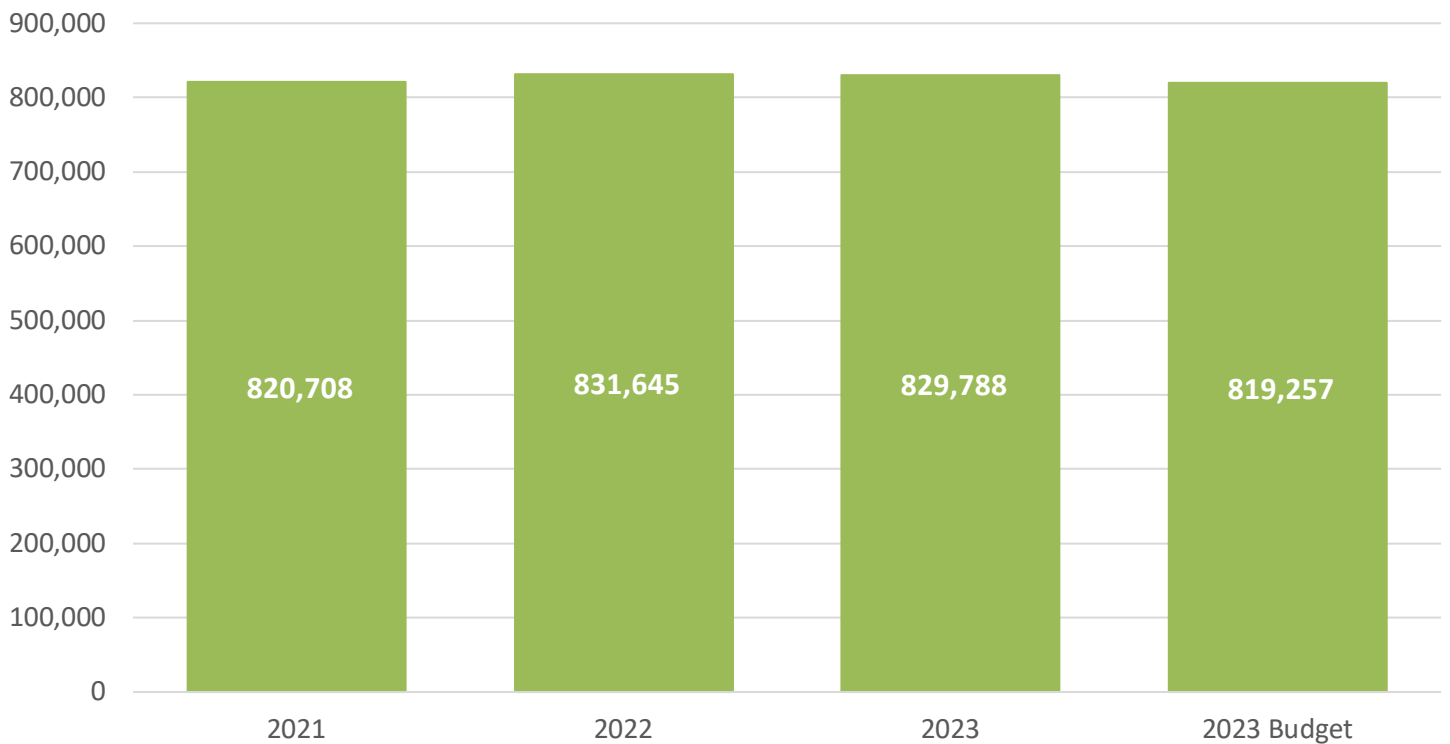
Residential MWh Sales



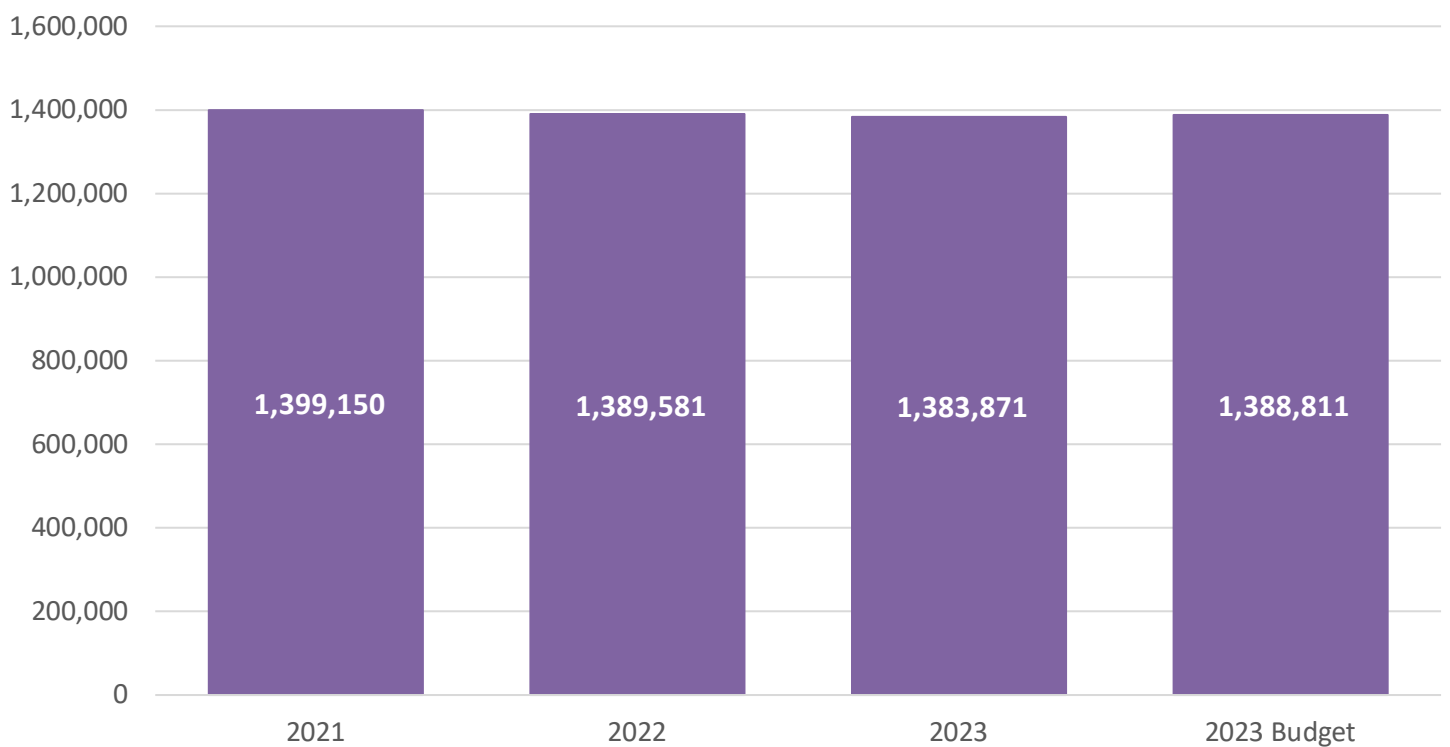
Small Commercial MWh Sales



Large Commercial MWh Sales

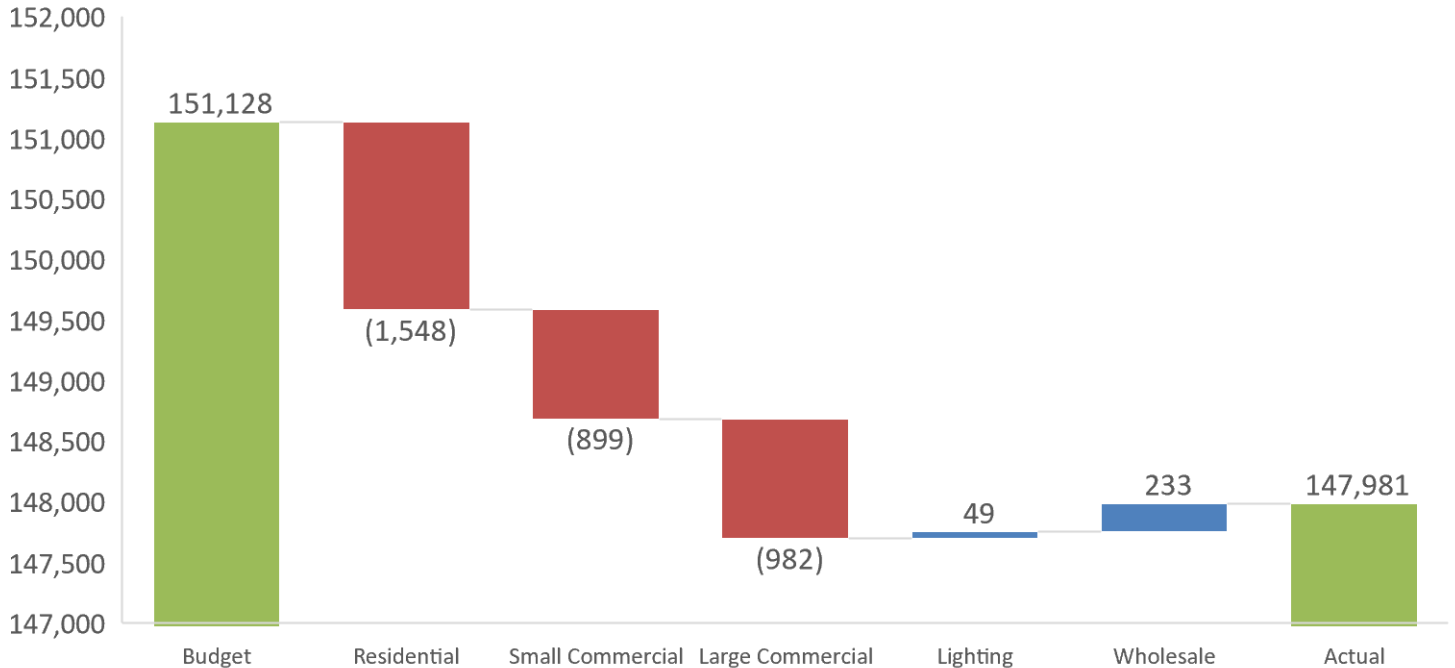


Total Retail MWh Sales



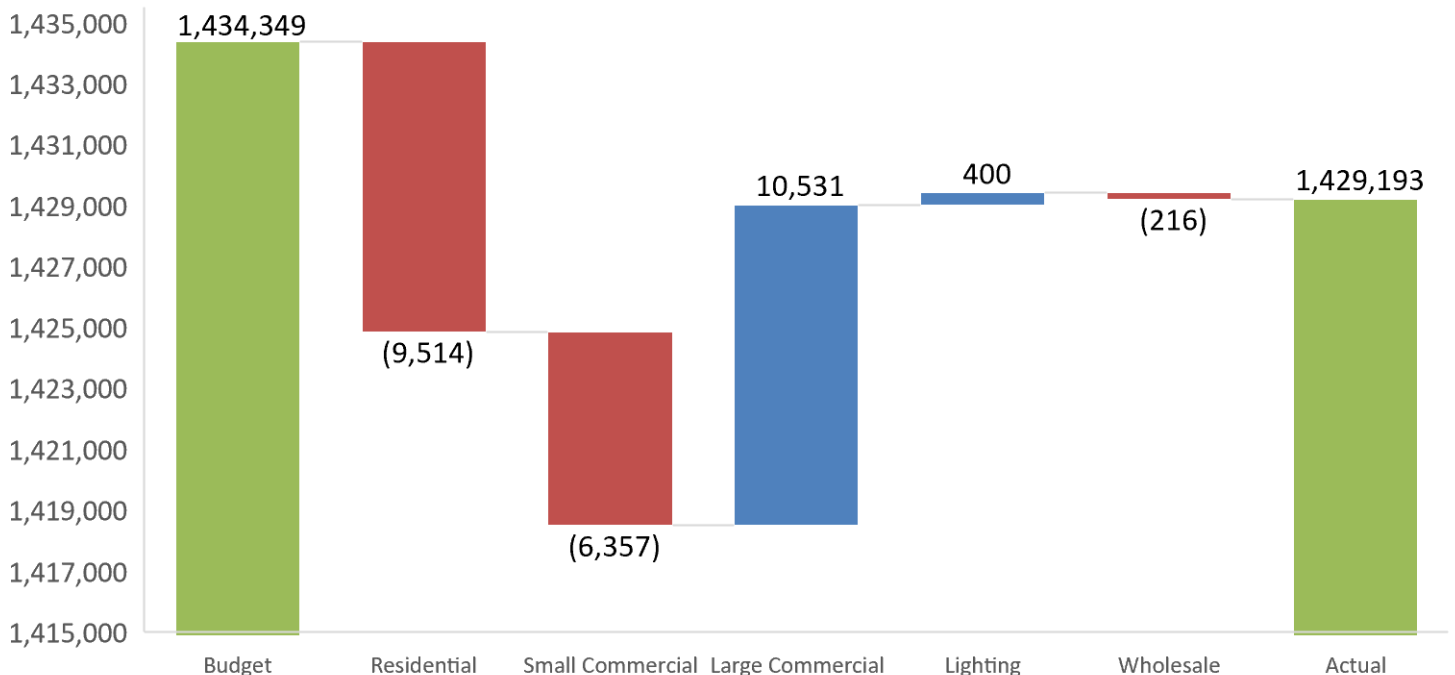
Firm MWh Sales (MTD)

■ Increase ■ Decrease ■ Total

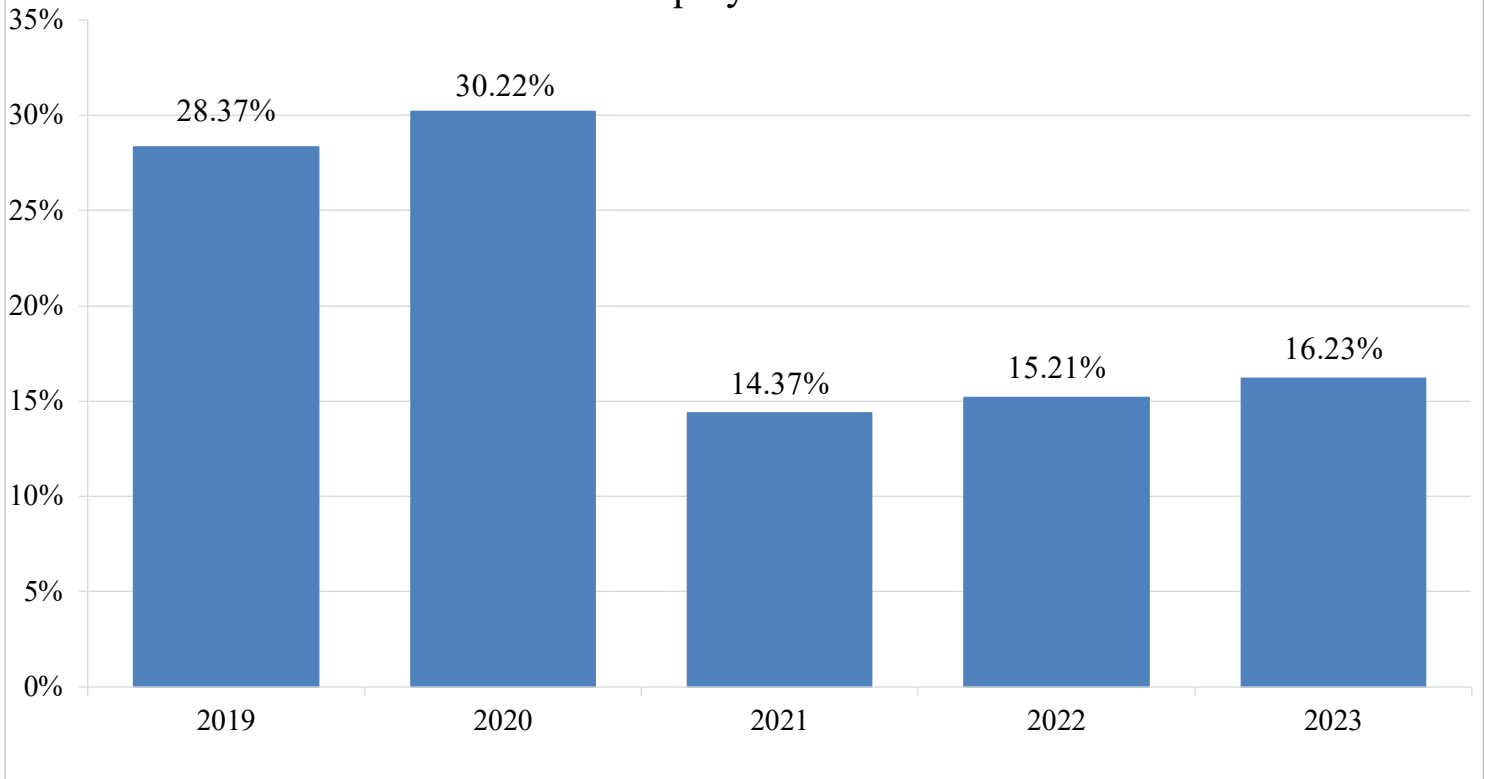


Firm MWh Sales (YTD)

■ Increase ■ Decrease ■ Total

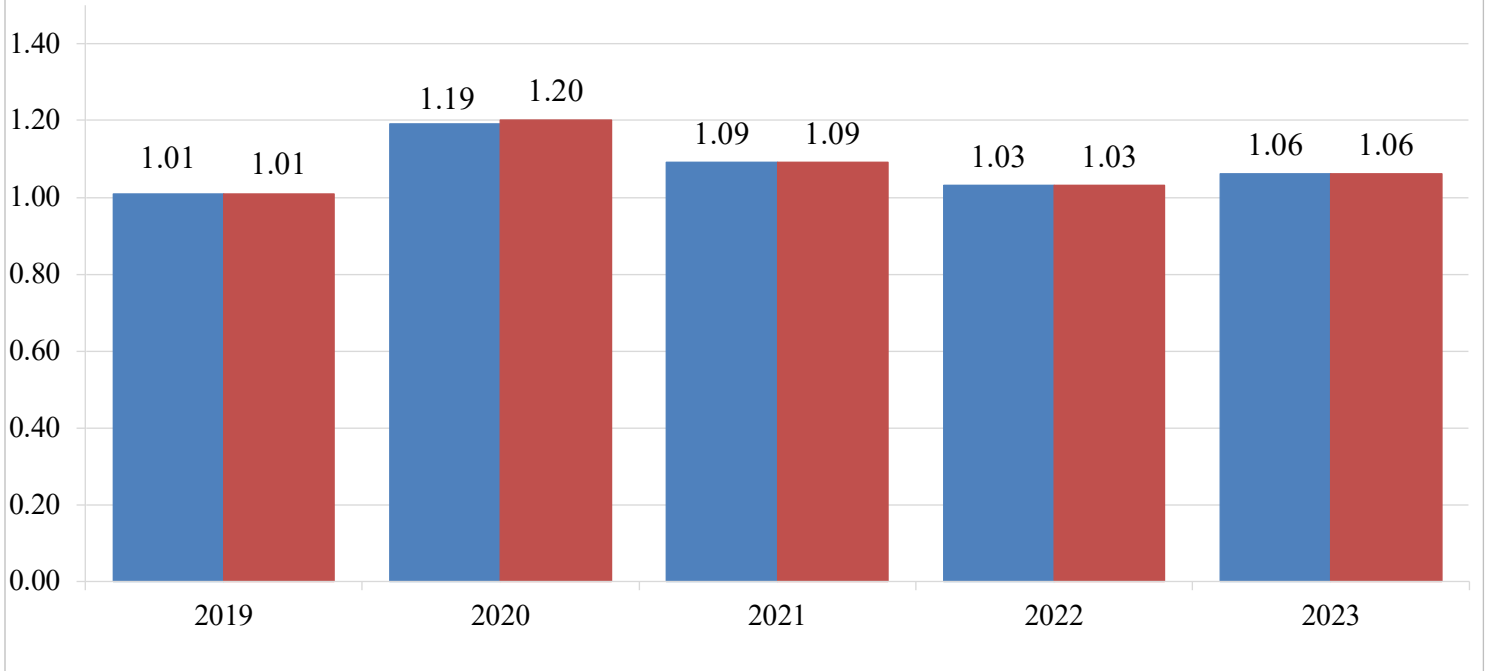


Equity Ratio



MFI/I and TIER

■ MFI/I ■ TIER



ENERGY SALES (kWh)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Retail Energy Sales	1,383,870,907	1,388,810,674
Wholesale Energy Sales	<u>45,321,731</u>	<u>45,538,048</u>
Total Firm Energy Sales	1,429,192,638	1,434,348,722
Economy Energy/Capacity	128,875,000	84,697,105
Power Pool Sales	<u>98,979,000</u>	<u>117,000,000</u>
Total Energy Sales	1,657,046,638	1,636,045,827

Firm energy sales totaled 1,429,192,638 kWh, which was a 0.4% unfavorable variance compared to budget. This unfavorable variance was due to lower residential and small commercial sales, which was largely offset by higher large commercial sales. Economy energy and capacity sales were over budget by 52.2% due to higher than anticipated sales to GVEA, while power pool sales to MEA were under budget by 15.4%.

ENERGY REVENUE (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Retail Revenue	\$ 242.1	\$ 246.5
Wholesale Revenue	<u>4.3</u>	<u>3.8</u>
Total Firm Revenue	246.4	250.3
Economy Energy/Capacity Revenue	7.6	1.6
Power Pool Revenue	1.4	1.2
Other Operating Revenue	<u>4.8</u>	<u>4.0</u>
Total Revenue	\$ 260.2	\$ 257.1

Revenue from firm sales was under budget at \$246.4 million compared to a budget of \$250.3 million. This unfavorable variance was due primarily to lower residential and small commercial sales and the delayed effective date of interim rates. The interim rate increase was budgeted to take effect on August 1, 2023 however, it did not go into effect until September 1, 2023 thus contributing to the unfavorable variance in revenue. Economy energy and capacity revenue was over budget by 381.7%, due to higher sales, and higher economy fuel recorded in revenue as a result of our short-term support of GVEA's generation failures during the first quarter of the year. Power pool revenue with MEA was over budget at \$1.4 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 services, and other electric revenue. Other operating revenue was over budget by 19.5%, due primarily to wheeling from GVEA.

FUEL AND PURCHASED POWER (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Fuel	\$ 53.8	\$ 53.0
Purchased Power	<u>25.0</u>	<u>20.2</u>
Total	\$ 78.8	\$ 73.2

Fuel expenses include fuel, storage, transportation, and BRU operating costs. Fuel expense was over budget at \$53.8 million compared to \$53.0 million in the budget. This unfavorable variance was primarily caused by more fuel purchased due to economy sales, which was somewhat offset by lower CINGSA fuel storage costs.

Fuel purchased or withdrawn from inventory for production was 4,112,570 Mcf at an average effective price of \$8.90 per Mcf compared to 3,695,348 Mcf budgeted at an average effective price of \$9.04 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 over budget at \$25.0 million compared to \$20.2 million in the budget. This unfavorable variance was due primarily to higher purchases from MEA through power pooling.

Energy purchased was 339,412 MWh at an average effective price of 6.0 cents per kWh compared to 246,305 MWh budgeted at an average effective price of 6.5 cents per kWh.

POWER PRODUCTION (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Power Production	\$ 30.5	\$ 28.0

Power production expense was \$30.5 million compared to \$28.0 million in the budget. The unfavorable variance was due primarily to higher labor at the Beluga and Sullivan plants, and higher material costs at the Nikkels and Sullivan plants.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Transmission	\$ 6.5	\$ 8.9

Transmission operations and maintenance expenses were \$6.5 million compared to \$8.9 million in the budget. This favorable variance was due primarily to less labor, maintenance costs, and lower costs related to power pool settlement studies.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Distribution	\$ 19.5	\$ 19.9

Distribution operations and maintenance expenses were \$19.5 million compared to \$19.9 million in the budget. This favorable variance was due primarily to lower tree clearing.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Consumer/Customer Information	\$ 8.1	\$ 8.3

Consumer accounts and customer information expense was \$8.1 million compared to \$8.3 million in the budget. This favorable variance was due primarily to lower labor costs and allowance for uncollectible accounts, which was somewhat offset by higher payment processing fees.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>2023 Actual</u>	<u>2023 Budget</u>
Administrative, General and Other	\$ 39.7	\$ 40.5

Administrative, general, and other expenses include 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 expenses were \$39.7 million compared to \$40.5 million in the budget. This favorable variance was due primarily to lower PILT expense and lower costs related to regulatory matters which were somewhat offset by unbudgeted regulatory asset amortizations.

Depreciation, interest, and interest during construction expense totaled \$76.2 million compared to \$78.8 million in the budget. The favorable variance was due primarily to lower than anticipated depreciation rates as approved in our new depreciation study, lower than anticipated capital spending and lower amortization as a result of the timing related to new regulatory assets included in Chugach's rate case, which were somewhat offset by higher interest expense. The unfavorable interest expense variance was driven by higher short-term interest rates and a larger than budgeted commercial paper balance.

All the foregoing expenses resulted in the total cost of electric service of \$259.3 million compared to \$257.5 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 \$1.0 million compared to \$0.7 million in the budget due primarily to higher non-operating interest income.

The net result of revenue and expenses was margins of \$1.8 million compared to projected margins of \$0.3 million in the budget. This resulted in an MFI/I of 1.06, a TIER of 1.06, and an equity-to-total

capitalization ratio of 16.23%. The current forecast projects year-end margins of \$8.5 million, an MFI/I of 1.19, and TIER of 1.22.

COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2023 YEAR-END FORECAST

CATEGORY	YTD ACTUAL	YTD BUDGET	REVISED BUDGET	YEAR-END FORECAST
Operating Revenue and Patronage Capital	\$ 260,153,685	\$ 257,126,177	\$ 355,033,525	\$ 356,400,884
Fuel and Purchased Power Expense	78,870,378	73,243,762	100,583,752	107,225,748
Power Production Expense	30,478,897	27,958,109	37,356,737	40,043,764
Transmission Expense	6,484,903	8,851,780	11,617,536	8,558,022
Distribution Expense	19,463,219	19,876,802	26,635,196	27,100,792
Customer Expense	8,072,438	8,288,030	11,055,459	10,728,606
Administrative, General & Other	39,695,474	40,479,531	53,359,769	51,976,121
Depreciation and Amortization Expense	45,855,526	49,091,047	66,472,501	61,763,751
Interest Expense, Net	30,381,117	29,667,046	40,305,418	41,454,458
Total Cost of Electric Service	\$ 259,301,952	\$ 257,456,107	\$ 347,386,368	\$ 348,851,262
Patronage Capital & Operating Margins	\$ 851,733	\$ (329,930)	\$ 7,647,157	\$ 7,549,622
Non-Operating Margins - Interest	796,296	653,225	770,763	710,783
Allowance for Funds Used During Construction	161,047	112,500	150,000	241,760
Non-Operating Margins - Other	15,017	(97,650)	(130,200)	34,256
Patronage Capital or Margins	\$ 1,824,093	\$ 338,145	\$ 8,437,720	\$ 8,536,421
MFI/I	1.06	1.01	1.20	1.19
TIER	1.06	1.01	1.22	1.22



Quarterly Financial Report

As of and for the quarter ended September 30, 2023

CHUGACH ELECTRIC ASSOCIATION, INC.

Quarterly Financial Report

Table of Contents

Caution Regarding Forward-Looking Statements.....	3
Financial Statements.....	3
Consolidated Balance Sheets as of September 30, 2023, and December 31, 2022.....	4
Consolidated Statements of Operations:	
For the Three and Nine Months ended September 30, 2023, and September 30, 2022	6
Consolidated Statements of Changes in Equities and Margins:	
For the Three and Nine Months ended September 30, 2023, and September 30, 2022	7
Consolidated Statements of Cash Flows:	
For the Nine Months ended September 30, 2023, and September 30, 2022.....	8
Notes to Consolidated Financial Statements	9
Management’s Discussion and Analysis of Financial Condition and Results of Operations	25
Quantitative and Qualitative Disclosures about Market Risk	33
Controls and Procedures.....	33
Risk Factors	34

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The statements in this report that do not relate to historical facts, including statements relating to future plans, events or performance, are forward-looking statements that involve risks and uncertainties. Actual results, events or performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this report and the accuracy of which is subject to inherent uncertainty. It is suggested that these statements be read in conjunction with the audited financial statements for Chugach Electric Association, Inc. (“Chugach”) for the year ended December 31, 2022. Chugach undertakes no obligation to release any revisions to these forward-looking statements to reflect events or circumstances that may occur after the date of this report or the effect of those events or circumstances on any of the forward-looking statements contained in this report.

FINANCIAL STATEMENTS

The unaudited financial statements and notes to the unaudited financial statements of Chugach as of and for the quarter ended September 30, 2023, follow.

Chugach Electric Association, Inc.
Consolidated Balance Sheets

Assets	September 30, 2023 (Unaudited)	December 31, 2022
Utility plant:		
Electric plant in service	\$ 2,131,883,060	\$ 2,109,990,748
Construction work in progress	88,116,115	52,721,736
Total utility plant	2,219,999,175	2,162,712,484
Less accumulated depreciation	(747,377,798)	(702,820,630)
Net utility plant	1,472,621,377	1,459,891,854
Other property and investments, at cost:		
Nonutility property	76,889	76,889
Operating lease right-of-use assets	3,594,439	3,831,720
Financing lease right-of-use assets	205,079	217,069
Investments in associated organizations	6,633,888	6,993,487
Special funds	25,318,079	26,275,805
Restricted cash equivalents	30,000	30,000
Long-term prepayments	158,660	305,854
Total other property and investments	36,017,034	37,730,824
Current assets:		
Cash and cash equivalents	17,268,151	3,178,673
Special deposits	56,800	58,300
Restricted cash equivalents	3,917,334	12,676,066
Fuel cost under-recovery	7,432,539	1,579,375
BRU capital surcharge under-recovery	29,266,918	18,845,238
Accounts receivable, net	46,473,849	50,243,472
Materials and supplies	52,257,656	49,979,660
Fuel stock	16,055,383	18,220,114
Prepayments	8,566,130	6,239,353
Other current assets	1,439,767	379,412
Total current assets	182,734,527	161,399,663
Other non-current assets:		
Deferred charges, net	104,839,914	108,557,249
Total other non-current assets	104,839,914	108,557,249
Total assets	\$ 1,796,212,852	\$ 1,767,579,590

(Continued)

Chugach Electric Association, Inc.
Consolidated Balance Sheets
(continued)

Liabilities, Equities and Margins	September 30, 2023 (Unaudited)	December 31, 2022
Equities and margins:		
Memberships	\$ 2,012,228	\$ 1,986,171
Patronage capital	196,364,152	194,755,133
Other	15,699,833	15,594,172
Total equities and margins	214,076,213	212,335,476
Long-term obligations, excluding current installments:		
Bonds payable	1,094,733,329	1,128,549,996
Notes payable	15,846,000	18,924,000
Less unamortized debt issuance costs	(5,855,642)	(5,960,113)
Operating lease liabilities	3,557,610	3,583,801
Financing lease liabilities	194,405	203,786
Total long-term obligations	1,108,475,702	1,145,301,470
Current liabilities:		
Current installments of long-term obligations	48,968,006	49,178,851
Commercial paper	118,000,000	45,000,000
Accounts payable	30,020,857	26,356,140
Consumer deposits	4,380,483	4,874,798
Accrued interest	10,264,304	8,454,148
Salaries, wages and benefits	13,374,065	12,103,644
Fuel	4,902,567	6,933,243
Undergrounding ordinance liabilities	9,874,947	11,894,343
Settlement obligation	3,476,896	12,181,556
Other current liabilities	1,264,153	1,705,080
Total current liabilities	244,526,278	178,681,803
Other non-current liabilities:		
Deferred compensation	1,633,400	1,387,476
Other liabilities, non-current	575,133	658,627
Deferred liabilities	11,697,768	9,639,703
BRU Regulatory Liability	87,713,805	96,612,203
Cost of removal obligation / asset retirement obligation	127,514,553	122,962,832
Total other non-current liabilities	229,134,659	231,260,841
Total liabilities, equities and margins	\$ 1,796,212,852	\$ 1,767,579,590

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Operations

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
Operating revenues	\$ 83,686,360	\$ 78,731,322	\$ 260,153,685	\$ 261,709,317
Operating expenses:				
Fuel	15,853,982	13,738,188	53,835,746	63,738,002
Production	8,981,836	10,307,047	30,478,897	28,031,401
Purchased power	8,752,743	7,310,187	25,034,632	17,073,933
Transmission	2,197,691	2,619,996	6,484,903	7,561,104
Distribution	6,611,204	6,750,802	19,463,219	20,078,733
Consumer accounts	2,707,601	2,567,379	8,072,438	7,869,998
Administrative, general and other	12,792,238	12,536,999	39,695,474	39,413,792
Depreciation and amortization	15,377,975	16,335,723	45,855,526	48,160,719
Total operating expenses	73,275,270	72,166,321	228,920,835	231,927,682
Interest expense:				
Long-term debt and other	11,162,587	10,331,768	32,606,659	30,997,119
Charged to construction and other	(781,579)	(634,766)	(2,225,542)	(1,845,679)
Interest expense, net	10,381,008	9,697,002	30,381,117	29,151,440
Net operating margins	30,082	(3,132,001)	851,733	630,195
Nonoperating margins:				
Interest income	217,445	194,492	796,296	385,176
Allowance for funds used during construction	80,168	24,454	161,047	65,624
Capital credits, patronage dividends and other	88,915	25,866	15,017	(47,260)
Total nonoperating margins	386,528	244,812	972,360	403,540
Assignable margins	\$ 416,610	\$ (2,887,189)	\$ 1,824,093	\$ 1,033,735

See accompanying notes to financial statements

Chugach Electric Association, Inc.
Consolidated Statements of Changes in Equities and Margins

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Memberships:	(Unaudited)		(Unaudited)	
Balance at beginning of period	\$ 2,002,773	\$ 1,967,276	\$ 1,986,171	\$ 1,949,262
Memberships and donations received	9,455	10,580	26,057	28,594
Balance at end of period	<u>\$ 2,012,228</u>	<u>\$ 1,977,856</u>	<u>\$ 2,012,228</u>	<u>\$ 1,977,856</u>
Other equities and margins:				
Balance at beginning of period	15,628,941	15,523,803	15,594,172	15,477,923
Unclaimed capital credits retired	(2,678)	(7,928)	(10,309)	(14,524)
Memberships and donations received	73,570	64,728	115,970	117,204
Balance at end of period	<u>\$ 15,699,833</u>	<u>\$ 15,580,603</u>	<u>\$ 15,699,833</u>	<u>\$ 15,580,603</u>
Patronage capital:				
Balance at beginning of period	196,063,390	192,356,092	194,755,133	188,573,753
Assignable margins	416,610	(2,887,189)	1,824,093	1,033,735
Retirement/net transfer of capital credits	(115,848)	(142,255)	(215,074)	(280,840)
Balance at end of period	<u>\$ 196,364,152</u>	<u>\$ 189,326,648</u>	<u>\$ 196,364,152</u>	<u>\$ 189,326,648</u>
Total equities and margins	<u><u>\$ 214,076,213</u></u>	<u><u>\$ 206,885,107</u></u>	<u><u>\$ 214,076,213</u></u>	<u><u>\$ 206,885,107</u></u>

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Cash Flows

	Nine months ended September 30,	
	2023	2022
<u>Cash flows from operating activities:</u>	(Unaudited)	
Assignable margins	\$ 1,824,093	\$ 1,033,735
Adjustments to reconcile assignable margins to net cash provided by operating activities:		
Depreciation, depletion, and amortization	45,855,525	48,160,719
Amortization and depreciation cleared to operating expenses	9,227,819	9,401,443
Allowance for funds used during construction	(161,047)	(65,624)
Write off of inventory, deferred charges, and projects	499,453	654,222
Other	3,016	122,008
(Increase) decrease in assets:		
Accounts receivable, net	3,348,427	5,780,226
Fuel cost under-recovery	(5,853,164)	(788,241)
Materials and supplies	(2,338,688)	(2,988,871)
Fuel stock	2,164,731	(3,832,799)
Prepayments	(2,179,583)	(3,783,540)
Other assets	(61,581)	551,751
Deferred charges	(6,924,997)	(4,063,155)
Increase (decrease) in liabilities:		
Accounts payable	9,462,006	3,469,176
Consumer deposits	(494,315)	(484,972)
Fuel cost over-recovery	0	(1,281,307)
Accrued interest	1,810,156	1,835,455
Salaries, wages, and benefits	1,270,421	622,904
Fuel	(2,030,676)	(396,843)
Other current liabilities	(456,921)	(96,284)
Deferred liabilities	(3,802,487)	(9,268,152)
Net cash provided by operating activities	51,162,188	44,581,851
<u>Cash flows from investing activities:</u>		
Return of capital from investment in associated organizations	359,599	288,329
Investment in special funds	(4,444,096)	0
Proceeds from capital grants	0	238,604
Extension and replacement of plant	(92,022,230)	(49,387,489)
Net cash used in investing activities	(96,106,727)	(48,860,556)
<u>Cash flows from financing activities:</u>		
Net increase (decrease) in short-term obligations	73,000,000	12,000,000
Repayments of long-term obligations	(36,894,667)	(32,166,667)
Memberships and donations received	131,718	131,274
Retirement of patronage capital and estate payments	(282,574)	(280,840)
Proceeds from consumer advances for construction	14,320,808	8,594,758
Transfer of restricted cash equivalents	0	(660,680)
Net cash provided by (used in) financing activities	50,275,285	(12,382,155)
Net change in cash, cash equivalents, and restricted cash equivalents	5,330,746	(16,660,860)
<u>Cash, cash equivalents, and restricted cash equivalents at beginning of period</u>	\$ 15,884,739	\$ 37,655,033
<u>Cash, cash equivalents, and restricted cash equivalents at end of period</u>	\$ 21,215,485	\$ 20,994,173
Supplemental disclosure of non-cash investing and financing activities:		
Cost of removal obligation	\$ 4,551,721	\$ 5,117,906
Extension and replacement of plant included in accounts payable	\$ 7,670,669	\$ 3,629,074
Supplemental disclosure of cash flow information - interest expense paid, net of amounts capitalized	\$ 27,604,936	\$ 26,230,548

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

(1) Presentation of Financial Information

The accompanying unaudited interim financial statements include the accounts of Chugach Electric Association, Inc. (“Chugach”) and have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by United States of America generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. They should be read in conjunction with Chugach’s audited financial statements for the year ended December 31, 2022. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for an entire year or any other period.

(2) Description of Business and Presentation of Financial Information

Description of Business

Chugach Electric Association, Inc. (“Chugach”) is the largest electric utility in Alaska engaged in the generation, transmission, and distribution of electricity in Anchorage and the upper Kenai Peninsula area. Chugach is on an interconnected regional electrical system referred to as the Alaska Railbelt, a 400-mile-long area stretching from the coastline of the southern Kenai Peninsula to the interior of the state, including Alaska’s largest cities, Anchorage and Fairbanks.

Chugach’s retail and wholesale members are the consumers of the electricity sold. Chugach supplies much of the power requirements to the City of Seward (“Seward”), as a wholesale customer. Occasionally, Chugach sells available generation, in excess of its own needs, to Matanuska Electric Association, Inc. (“MEA”), Homer Electric Association, Inc. (“HEA”), and Golden Valley Electric Association, Inc. (“GVEA”). Power pool sales to MEA began in April 2021.

Chugach was organized as an Alaska electric cooperative in 1948 and operates on a not-for-profit basis and, accordingly, seeks only to generate revenues sufficient to pay operating and maintenance costs, the cost of purchased power, capital expenditures, depreciation, and principal and interest on all indebtedness and to provide for reserves. Chugach is subject to the authority of the Regulatory Commission of Alaska (“RCA”).

On October 30, 2020, Chugach acquired substantially all of the assets of Municipal Light & Power (“ML&P”) from the Municipality of Anchorage, Alaska (“MOA”). Chugach refers to the legacy service territories as Chugach’s South District (Chugach) and North District (ML&P).

The consolidated financial statements include the activity of Chugach and the activity of the Beluga River Unit (“BRU”). Chugach accounts for its share of BRU activity using proportional consolidation (see Note 8 – “Beluga River Unit”). Intracompany activity has been eliminated for presentation of the consolidated financial statements.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

(3) Significant Accounting Policies

a. Management Estimates

In preparing the financial statements in conformity with U.S. GAAP, the management of Chugach is required to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and revenues and expenses for the reporting period. Estimates include the fair value of assets acquired and liabilities assumed, allowance for doubtful accounts, workers' compensation liability, deferred charges and liabilities, unbilled revenue, estimated useful life of utility plant, cost of removal and asset retirement obligation ("ARO"), and remaining proved BRU reserves. Actual results could differ from those estimates.

b. Regulation

The accounting records of Chugach conform to the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission ("FERC"). Chugach meets the criteria, and accordingly, follows the accounting and reporting requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 980, "Topic 980 - Regulated Operations." FASB ASC 980 provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. Regulated rates are established to recover all specific costs of providing electric service. In each rate filing, rates are set at levels to recover all specific allowable costs and those rates are then collected from our retail and wholesale customers. The regulatory assets or liabilities are then reduced as the cost or credit is reflected in earnings and our rates, see *Note (3g) – "Deferred Charges and Liabilities."*

c. Investments in Associated Organizations

Chugach's investments in associated organizations are considered equity securities without readily determinable fair values, and as such are measured at cost minus impairment, if any. There were no impairments of these investments recognized during the nine months ended September 30, 2023, or 2022.

d. Special Funds

Special funds include deposits associated with the deferred compensation plan and investments associated with the BRU. The BRU ARO investment was established pursuant to an agreement with the State of Alaska and was \$23.7 million and \$20.1 million as of September 30, 2023 and December 31, 2022, respectively. Additional funds associated with the BRU for which the RCA has specified the use was \$0.0 and \$4.8 million at September 30, 2023 and December 31, 2022, respectively. Currently, its use is for fuel price volatility in future periods. On May 16, 2022, Chugach received approval to adopt a forward-funding recovery structure for BRU capital expenditures through a BRU Capital Reserve Surcharge on an interim, non-refundable basis, and received final approval on December 23, 2022. This account is being used to fund current and future years BRU capital requirements. The BRU Capital Reserve Surcharge provides for the exact recovery of BRU capital requirements through a balancing account.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

e. Cash, Cash Equivalents, and Restricted Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the Consolidated Balance Sheet that sum to the total of the same amounts shown in the Consolidated Statements of Cash Flows.

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 17,268,151	\$ 3,178,673
Restricted cash equivalents	3,917,334	12,676,066
Restricted cash equivalents included in other property and investments	30,000	30,000
Total cash, cash equivalents and restricted cash equivalents shown in the consolidated statements of cash flows	\$ 21,215,485	\$ 15,884,739

Restricted cash equivalents include funds on deposit for future workers' compensation claims and funds from the MOA to be used for a rate reduction refund to the North District members as ordered by the RCA, which was \$3.5 million and \$12.2 million at September 30, 2023 and December 31, 2022, respectively. Restricted assets, including cash equivalents, are recognized on Chugach's Consolidated Balance Sheet when they are restricted as to withdrawal or usage.

f. Fuel Stock

Fuel Stock is the weighted average cost of fuel injected into Cook Inlet Natural Gas Storage Alaska ("CINGSA"). Chugach's fuel balance in storage amounted to \$16.1 million and \$18.2 million at September 30, 2023 and December 31, 2022, respectively.

g. Deferred Charges and Liabilities

Deferred charges include regulatory assets recorded in accordance with FASB ASC 980 and includes costs associated with the ML&P acquisition and integration, which were \$76.4 million and \$79.4 million at September 30, 2023, and December 31, 2022, respectively.

h. Income Taxes

Chugach is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code and for the nine months ended September 30, 2023, and 2022, was in compliance with that provision. In addition, as described in *Note 11 – "Commitments and Contingencies,"* Chugach collects sales tax and is assessed gross revenue and excise taxes which are presented on a net basis in accordance with FASB ASC 606-10-55, "Topic 606 - Revenue from Contracts with Customers."

Chugach applies a more-likely-than-not recognition threshold for all tax uncertainties. FASB ASC 740, "Topic 740 – Income Taxes," only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. Chugach's management reviewed Chugach's tax positions and determined there were no outstanding or retroactive tax positions that were not highly certain of being sustained upon examination by the taxing authorities.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

(4) Fair Value of Assets and Liabilities

Fair Value Hierarchy

In accordance with FASB ASC 820, Chugach groups its financial assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect Chugach’s estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The table below presents the balance of Chugach’s investment accounts associated with the BRU ARO, Restricted Rate Reduction (“RRR”) funds and other obligations, which are comprised of bond and equity securities. Chugach had no other assets or liabilities measured at fair value on a recurring basis at September 30, 2023, or December 31, 2022.

September 30, 2023	Total	Level 1	Level 2	Level 3
BRU ARO Fund	\$ 23,684,679	\$ 21,204,523	\$ 2,480,156	\$ 0
RRR Fund	\$ 3,467,334	\$ 3,467,334	\$ 0	\$ 0
Future Natural Gas Purchases Fund	\$ 0	\$ 0	\$ 0	\$ 0

December 31, 2022	Total	Level 1	Level 2	Level 3
BRU ARO Fund	\$ 20,114,870	\$ 18,004,464	\$ 2,110,406	\$ 0
RRR Fund	\$ 12,174,066	\$ 12,174,066	\$ 0	\$ 0
Future Natural Gas Purchases Fund	\$ 4,773,459	\$ 4,773,459	\$ 0	\$ 0

Fair Value of Financial Instruments

Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The fair value of cash, cash equivalents, restricted cash equivalents, accounts receivable and payable, and other short-term monetary assets and liabilities approximate carrying value due to their short-term nature.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

The estimated fair values of long-term obligations included in the financial statements at September 30, 2023, are as follows (dollars in thousands):

	Carrying Value	Fair Value Level 2
Long-term obligations (including current installments)	\$ 1,159,500	\$ 913,736

(5) Accounting Pronouncements

Issued

18 Code of Federal Regulations (“CFR”) Part 101 update “Accounting and Reporting Treatment of Certain Renewable Energy Assets”.

On June 29, 2023, the FERC issued docket No. RM21-11-000 amending the Uniform System of Accounts (“USofA”) for public utilities. This amendment creates new accounts for wind, solar and other renewable generating assets, codifies the accounting treatment of certain renewable energy assets, as well as requires relevant FERC forms to be amended to accommodate these changes.

This amendment is effective January 1, 2025, and will require Chugach to adjust its current chart of accounts. Adoption is not expected to have a material effect on our results of operations, financial position or cash flows.

It has been determined that none of the Accounting Standards Updates (“ASU”) issued by the Financial Accounting Standards Board (“FASB”), during the first three quarters of 2023, are applicable to Chugach.

(6) Regulatory Matters

General Rate Case Filing

On June 30, 2023, Chugach submitted a general rate case filing to the RCA. The filing included a revenue requirement study, a cost of service study, a cost of capital study, and a proposed rate design to unify the rates for Chugach’s North and South Districts. Chugach is requesting approval to increase its system authorized Times Interest Earned Ratio (“TIER”) from 1.55 to 1.75, and to eliminate the current differentiated TIER levels between Chugach’s Generation and Transmission (“G&T”) and Distribution functions. The filing presents an alternative rate design that mitigates some of the rate impacts resulting from consolidating two different rate structures.

Based on the 1.75 TIER, proposed in the cost of capital study, Chugach’s revenue requirement is \$264.4 million. Although sales levels are lower than they were the last time pre-acquisition Chugach and ML&P filed their revenue requirement studies, post-acquisition related cost savings largely offset inflationary cost increases, which resulted in a much lower revenue deficiency than would have occurred without the acquisition.

On August 17, 2023 the RCA suspended Chugach’s tariff filing into a docket, as expected, and approved across the board interim and refundable rate increases of 5.54% for retail customers and 10.55% for its wholesale class of service to Seward. The interim rate increase will provide additional revenue of approximately \$12.7 million annually, or \$4.2 million during the last four months of 2023.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

The permanent rates proposed in this filing are projected to become effective October 2024. Incorporating the 1.75 TIER proposed in the cost of capital study, compared to current bill levels, the permanent rates would increase total bills for Chugach's retail class by approximately an additional 2.2% after the interim rate increase. On an annual basis, the permanent rates are expected to increase revenue by approximately \$20.4 million and provide \$28.9 million in margins.

BRU Capital Surcharge

Chugach received approval to adopt a forward-funding recovery structure for BRU capital expenditures through a BRU Capital Reserve Surcharge. Revenues received from the surcharge are deposited into the BRU reserve account to meet BRU capital expenditure requirements over the remaining life of the gas field. Under this structure, all future capital expenditures are recovered through the BRU Capital Reserve Surcharge. The BRU Capital Reserve Surcharge is a component of Chugach's BRU gas transfer price. All BRU costs are recovered through Chugach's fuel and purchased power adjustment process as a direct pass-through.

Railbelt Reliability Council

The Railbelt Reliability Council ("RRC") was formed with the intent of becoming the electric reliability organization ("ERO"), as required by Alaska Senate Bill ("SB") 123. The council is responsible for adoption and enforcement of uniform reliability standards and integrated transmission resource planning for the Alaska Railbelt. On March 25, 2022, the RRC formally submitted its application for certification as the ERO. On September 23, 2022, the RCA approved the certification of the RRC.

On March 1, 2023, the RCA approved the RRC 2023 budget on an interim and non-refundable basis effective April 1, 2023. On April 6, 2023, the RRC issued its initial monthly surcharge to Chugach in the amount of \$109,278.43. As permitted by 3 AAC 46.420(e), beginning June 1, 2023, Chugach implemented the ERO surcharge on member bills for recovery of amounts paid to the RRC. The ERO surcharge is applied to member bills based on their monthly energy usage and is treated as a pass-through charge. Chugach collects no more and no less than the amount paid to the RRC and uses a balancing account to record under and over recovery amounts to be resolved through periodic rate adjustments.

(7) Debt

Lines of credit

Chugach maintains a \$50.0 million line of credit with the National Rural Utilities Cooperative Finance Corporation ("NRUCFC"). Chugach did not utilize this line of credit during the first three quarters of 2023, and therefore had no outstanding balance at September 30, 2023. The borrowing rate is calculated using the total rate per annum and may be fixed by NRUCFC. The borrowing rate was 7.25% and 6.25% at September 30, 2023 and December 31, 2022, respectively.

The NRUCFC Revolving Line of Credit Agreement requires that Chugach, for each 12-month period, for a period of at least five consecutive days, pay down the entire outstanding principal balance. The NRUCFC line of credit was renewed December 15, 2021 and expires December 21, 2026. This line of credit is immediately available for unconditional borrowing.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Commercial Paper

Chugach had maintained a \$300.0 million senior unsecured credit facility, as amended June 2019, (“Credit Agreement”), which is used to back Chugach’s commercial paper program. On July 28, 2023, Chugach closed on a 2023 Amended and Restated Credit Agreement. The total amount decreased from \$300.0 million to \$270.0 million. The calculation of the interest on borrowings under the facility is based upon the Secured Overnight Financing Rate (“SOFR”). The Amended and Restated Credit Agreement expires on July 28, 2028. The participating banks include NRUCFC, Bank of America, N.A. and CoBank, ACB.

Our commercial paper can be repriced between one day and 397 days. Chugach is expected to continue to issue commercial paper in 2023, as needed.

Chugach had \$118.0 million and \$45.0 million of commercial paper outstanding at September 30, 2023 and December 31, 2022, respectively.

The following table provides information regarding average commercial paper balances outstanding for the quarters ended September 30, 2023, and 2022 (dollars in millions), as well as corresponding weighted average interest rates:

2023		2022	
Weighted Average		Weighted Average	
Average Balance	Interest Rate	Average Balance	Interest Rate
\$ 97.9	5.52%	\$ 26.5	2.65%

Term Loans

Chugach has a term loan facility with CoBank. Loans made under this facility are evidenced by the 2016 CoBank Note, which is governed by the Amended and Restated Master Loan Agreement dated June 30, 2016 (“CoBank Loan Agreement”), as amended November 26, 2019, and secured by the Second Amended and Restated Indenture of Trust (“Indenture”). At September 30, 2023, Chugach had \$20.0 million outstanding with CoBank.

Financing

The bonds and all other long-term debt obligations are secured by a lien on substantially all of Chugach’s assets, pursuant to the Indenture, which became effective on January 20, 2011, as previously amended and supplemented. On October 30, 2020, a lien was granted on certain ML&P acquired assets to secure the debt associated with the acquisition.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Debt Issuance Costs

The following table outlines the debt issuance costs associated with the long-term obligations, excluding current installments, at September 30, 2023.

	Long-term Obligations	Unamortized Debt Issuance Costs
2011 Series A Bonds	\$ 136,333,329	\$ 618,636
2012 Series A Bonds	142,000,000	608,151
2017 Series A Bonds	26,000,000	139,638
2019 Series A Bonds	59,400,000	336,564
2020 Series A Bonds	731,000,000	4,055,192
2016 CoBank Note	15,846,000	97,461
	<u>\$ 1,110,579,329</u>	<u>\$ 5,855,642</u>

The following table outlines the debt issuance costs associated with long-term obligations, excluding current installments at December 31, 2022.

	Long-term Obligations	Unamortized Debt Issuance Costs
2011 Series A Bonds	\$ 146,999,996	\$ 684,859
2012 Series A Bonds	148,250,000	655,767
2017 Series A Bonds	28,000,000	147,396
2019 Series A Bonds	63,300,000	364,454
2020 Series A Bonds	742,000,000	4,000,745
2016 CoBank Note	18,924,000	106,892
	<u>\$ 1,147,473,996</u>	<u>\$ 5,960,113</u>

(8) Beluga River Unit

The BRU is located on the western side of Cook Inlet, approximately 35 miles from Anchorage, and is an established natural gas field that was originally discovered in 1962. Effective October 30, 2020, Chugach acquired ML&P's 57% ownership share of the BRU, increasing Chugach's ownership share of the BRU to 66.7%. Hilcorp owns the remaining 33.3%.

Chugach records depreciation, depletion, and amortization on BRU assets based on units of production. During the third quarter of 2023, Chugach lifted 2.1 Bcf resulting in a cumulative lift since purchase of 25.5 Bcf of the approximate 69.0 Bcf in Chugach's proven developed and undeveloped reserves. Chugach and the other owner, Hilcorp, are operating under an existing Joint Operating Agreement. Hilcorp is the operator for BRU. In addition to the operator fees to Hilcorp, other BRU expenses include royalty expense and interest on long-term debt. All expenses other than depreciation, depletion and amortization and interest on long-term debt are included as fuel expense on Chugach's Consolidated Statement of Operations. Chugach has applied and qualified for a small producer tax credit, provided by the State of Alaska, resulting in an estimate of no liability for production taxes for a period of ten years, through 2026. The revenue in excess of expenses less the allowed TIER from BRU operations is adjusted through Chugach's fuel and purchased power adjustment process.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

(9) Revenue From Contracts with Customers

a. Nature of goods and services

The following is a description of the contracts and customer classes from which Chugach generates revenue.

i. Energy Sales

Energy sales revenues are Chugach's primary source of revenue, representing approximately 98.2% and 97.8% of total operating revenue during the nine months ended September 30, 2023 and 2022, respectively. Energy sales revenues are recognized upon delivery of electricity, based on billing rates authorized by the RCA, which are applied to customers' usage of electricity. Chugach's rates are established, in part, on test period sales levels that reflect actual operating results. Chugach's tariffs include provisions for the recovery of gas costs according to gas supply contracts and costs associated with the BRU operations, as well as purchased power costs.

Expenses associated with electric services include fuel purchased from others and produced from Chugach's interest in the BRU, both of which are used to generate electricity, as well as power purchased from others. Chugach is authorized by the RCA to recover fuel and purchased power costs through the cost of power adjustment process, which is adjusted quarterly to reflect increases and decreases of such certain costs. The amount of fuel and purchased power revenue recognized is equal to actual fuel and purchased power costs. We recognize differences between projected recoverable fuel and purchased power costs and amounts recovered through rates. The fuel cost under/over recovery on our balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. Fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, fuel cost over-recovery will appear as a liability on our balance sheet and will be refunded to our members in subsequent periods. Payment on energy sales invoices to all customer classes below are due within 15 to 30 days.

Customer Class	Nature, timing of satisfaction of performance obligations, and significant payment terms
Retail	Retail energy customers can have up to four components of monthly billing included in revenue – energy, fuel and purchased power, demand, and customer charge. The energy rate and fuel and purchased power surcharge are applied by kilowatt hour (kWh) usage. The demand charge is applied by kilowatt (kW). The customer charge is a monthly amount applied by meter.
Wholesale	Classified as firm energy sales. Four components of monthly billing are included in revenue – energy, fuel and purchased power, demand, and customer charge. The energy rate and fuel and purchased power surcharge are applied by kWh usage. The demand charge is applied by kW. The customer charge is a monthly amount applied by meter.
Economy	Classified as non-firm energy sales. Three components of monthly billing are included in revenue – fuel, operations and maintenance, and margin. The actual fuel costs include transportation and other fuel-related costs. The operations and maintenance and margin rates are applied on a megawatt hour (MWh) basis.
Power Pool	Power pool transactions are generally firm energy sales that are subject to changes in generation unit availability. The two components of monthly billings included in revenue are fuel and operations and maintenance.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Chugach calculates unbilled revenue, for residential and commercial customers, at the end of each month to ensure the recognition of a full month of revenue. Chugach accrued \$11,872,351 and \$9,251,734 of unbilled retail revenue at September 30, 2023 and 2022, respectively, which is included in accounts receivable on the balance sheet. Revenue derived from wholesale and economy customers is recorded from metered locations on a calendar month basis, so no estimation is required.

Power Pool transactions began in April of 2021. Power pool revenues are recognized upon delivery of electricity and the transaction is then settled using a split-the-savings principle. Purchases are treated as a cost of purchased power.

The collectability of our energy sales is very high with typically .20% written off as bad debt expense, adjusted annually.

There were no costs associated with obtaining any of these contracts, therefore no asset was recognized or recorded associated with obtaining any contract.

ii. Wheeling

Wheeling represented 0.9% and 1.0% of our revenue during the nine months ended September 30, 2023 and 2022, respectively. Wheeling was recorded through the wheeling of energy across Chugach's transmission lines at tariffed rates as approved by the RCA. The rates are applied to MWh of energy wheeled. The collectability of wheeling is very high, with no adjustment required.

iii. Other Miscellaneous Services

Other miscellaneous services include various agreements including dispatch service and gas transfer agreements, pole rentals, and microwave bandwidth. Revenue from these agreements is billed monthly and represented 1.0% and 1.1% of total operating revenue during the nine months ended September 30, 2023 and 2022, respectively. The revenue recognized from these agreements is recorded as the service is provided over a period of time. The collectability of these agreements is very high, with no adjustment required.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

b. Disaggregation of Revenue

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the third quarter of 2023 and 2022 (in millions).

Three Months Ended September 30,

	<u>Base Rate Sales Revenue</u>			<u>Fuel and Purchased Power Revenue</u>			<u>Total Revenue</u>		
	2023	2022	% Variance	2023	2022	% Variance	2023	2022	% Variance
Retail	\$ 58.0	\$ 57.3	1.2%	\$ 19.1	\$ 16.5	15.8%	\$ 77.1	\$ 73.8	4.5%
Wholesale	0.6	0.6	0.0%	0.8	0.6	33.3%	1.4	1.2	16.7%
Economy	0.5	0.2	150.0%	2.8	1.5	86.7%	3.3	1.7	94.1%
Power Pool	0.0	0.3	(100.0%)	0.1	0.2	(50.0%)	0.1	0.5	(80.0%)
Total Energy	\$ 59.1	\$ 58.4	1.2%	\$ 22.8	\$ 18.8	21.3%	\$ 81.9	\$ 77.2	6.1%
Wheeling	0.0	0.0	0.0%	0.9	0.7	28.6%	0.9	0.7	28.6%
Other	0.6	0.6	0.0%	0.3	0.2	50.0%	0.9	0.8	12.5%
Total Miscellaneous	\$ 0.6	\$ 0.6	0.0%	\$ 1.2	\$ 0.9	33.3%	\$ 1.8	\$ 1.5	20.0%
Total Revenue	\$ 59.7	\$ 59.0	1.2%	\$ 24.0	\$ 19.7	21.8%	\$ 83.7	\$ 78.7	6.4%

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the nine months ended September 30, 2023 and 2022 (in millions).

Nine Months Ended September 30,

	<u>Base Rate Sales Revenue</u>			<u>Fuel and Purchased Power Revenue</u>			<u>Total Revenue</u>		
	2023	2022	% Variance	2023	2022	% Variance	2023	2022	% Variance
Retail	\$ 177.6	\$ 177.2	0.2%	\$ 64.5	\$ 59.1	9.1%	\$ 242.1	\$ 236.3	2.5%
Wholesale	1.9	1.8	5.6%	2.4	2.0	20.0%	4.3	3.8	13.2%
Economy	1.3	1.5	(13.3%)	6.3	13.1	(51.9%)	7.6	14.6	(47.9%)
Power Pool	0.7	0.6	16.7%	0.7	0.7	0.0%	1.4	1.3	7.7%
Total Energy	\$ 181.5	\$ 181.1	0.2%	\$ 73.9	\$ 74.9	(1.3%)	\$ 255.4	\$ 256.0	(0.2%)
Wheeling	0.0	0.0	0.0%	2.3	2.7	(14.8%)	2.3	2.7	(14.8%)
Other	1.6	2.1	(23.8%)	0.9	0.9	0.0%	2.5	3.0	(16.7%)
Total Miscellaneous	\$ 1.6	\$ 2.1	(23.8%)	\$ 3.2	\$ 3.6	(11.1%)	\$ 4.8	\$ 5.7	(15.8%)
Total Revenue	\$ 183.1	\$ 183.2	(0.1%)	\$ 77.1	\$ 78.5	(1.8%)	\$ 260.2	\$ 261.7	(0.6%)

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

c. Contract Balances

The table below provides information about contract receivables and contract liabilities.

	September 30, 2023	December 31, 2022
Contract receivables, included in accounts receivable	\$ 39,939,125	\$ 45,827,873
Contract liabilities	2,509,476	2,836,240

Contract receivables represent amounts receivable from retail, wholesale, economy, and wheeling.

Contract liabilities consist of credit balances. Credit balances are reported as consumer deposits and represent the prepaid accounts of retail customers and are recognized in revenue as the customer uses electric service.

Significant changes in the contract liabilities balances are as follows:

	September 30, 2023	December 31, 2022
Contract liabilities at beginning of period	\$ 2,836,240	\$ 4,622,550
Cash received, excluding amounts recognized as revenue during the period	2,480,659	2,658,131
Revenue recognized and transferred from contract liabilities at the beginning of the period	(2,807,424)	(4,444,441)
Contract liabilities at end of period	\$ 2,509,476	\$ 2,836,240

d. Transaction Price Allocated to Remaining Performance Obligations

The table below includes estimated revenue to be recognized in 2023 related to performance obligations that are unsatisfied (or partially unsatisfied) at September 30, 2023.

	2023
Credit balances	\$ 2,480,659

Credit balances are primarily associated with Chugach's LevelPay program. The program calculates the monthly amount to be collected from customers annually. It is anticipated the balance will be recognized in revenue within the following year as customers consume electricity.

(10) Leases

Chugach has three financing leases and five operating leases, most of which are various land easements. Chugach's eight leases, recognized as right-of-use assets, consist of six land leases and two equipment leases, with remaining lease terms of two to forty-eight years and a weighted average lease term of 45 years. Chugach's operating and financing lease assets are presented as operating or financing right-of-use assets on our Consolidated Balance Sheet. The current portion of lease liabilities is included in current installments of long-term obligations and the long-term portion is presented as operating or financing lease liabilities on our Consolidated Balance Sheet. A weighted discount rate of 3.25% was used in calculating the right-to-use assets and lease liabilities. Chugach's discount rate was calculated

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

using our incremental borrowing rate based on the average borrowing rate of our long-term debt.

Recognition of the right-of-use asset and operating lease liability represents a non-cash investing and financing activity. Chugach entered into a Power Purchase Agreement with Fire Island Wind, LLC, (“FIW”) on June 21, 2011. The Fire Island Wind contract contains a lease because the agreement identifies an asset (the wind farm is explicitly specified in the agreement and FIW does not have substantive substitution rights) and Chugach controls the use of the asset (it takes 100% of the output and, to the extent there is wind, can control how and when the wind farm produces power directly through its supervisory control and data acquisition (“SCADA”) system). However, due to the exclusively variable nature of the payments, no new assets or liabilities have been added to the Consolidated Balance Sheet, no changes were made to the Consolidated Statements of Cash Flow, and the variable payments are still classified as purchased power expense on the Consolidated Statements of Operations. These variable payments, included in purchased power, are reflected in the following table.

Supplemental statement of operations information associated with leases for the nine months ended September 30:

	2023	2022
Finance lease cost		
Amortization of right-of-use assets	\$ 3,571	\$ 10,213
Interest on lease liabilities	352	482
Operating lease cost	158,918	285,897
Variable lease cost	3,361,646	3,668,381
Total lease cost	\$ 3,524,487	3,964,973

Supplemental cash flow information associated with leases for the nine months ended September 30:

	2023	2022
Cash paid for amounts included in the measurement of liabilities:		
Operating cash flows from operating leases	\$ 160,750	\$ 305,226
Operating cash flows from financing leases	16,028	214,486

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Supplemental balance sheet information associated with leases:

	September 30, 2023	December 31, 2022
Operating lease right-of-use assets	\$ 3,594,439	3,831,720
Financing lease right-of-use assets	205,079	217,069
Total right-of-use assets	<u>\$ 3,799,518</u>	<u>4,048,789</u>
Operating lease liabilities	3,557,610	3,583,801
Financing lease liabilities	194,405	203,786
Current installments of lease liabilities	47,339	258,184
Total operating lease liabilities	<u>\$ 3,799,354</u>	<u>4,045,771</u>

Maturities associated with lease liabilities at September 30, 2023:

2023	\$ 43,336
2024	169,345
2025	167,523
2026	166,313
2027	164,504
Thereafter	6,437,292
Total lease payments	<u>7,148,313</u>
Less imputed interest	3,348,959
Present value of lease liabilities	<u>\$ 3,799,354</u>

(11) Commitments and Contingencies

Contingencies

Chugach is a participant in various legal actions, rate disputes, personnel matters and claims both for and against Chugach's interests. Management believes the outcome of any such matters will not materially impact Chugach's financial condition, results of operations or liquidity. Chugach establishes reserves when a particular contingency is probable and calculable. Chugach has not accrued for any contingency at September 30, 2023, as it does not consider any contingency to be probable nor calculable. Chugach faces contingencies that are reasonably possible to occur; however, they cannot currently be estimated.

Concentrations

Approximately 74% of our employees are members of the International Brotherhood of Electrical Workers ("IBEW"). Chugach has three Collective Bargaining Unit Agreements ("CBA") with the IBEW. On October 30, 2020, with the closing of the ML&P acquisition, all three IBEW CBAs were extended through June 30, 2025. We also have a CBA with the Hotel Employees and Restaurant Employees (HERE), which is effective through June 30, 2025.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Fuel Supply Contracts

Chugach has a gas contract with Hilcorp effective January 1, 2015, to provide gas through March 31, 2028. The total amount of gas supplied under this contract is estimated to be 79.4 Bcf. All of the gas production is expected to come from Cook Inlet, Alaska. The terms of the Hilcorp agreement require Chugach to manage the natural gas transportation over the connecting pipeline systems. Chugach has gas transportation agreements with ENSTAR Natural Gas Company (“ENSTAR”), Harvest Alaska, and AIX Energy, LLC.

Chugach also has a gas supply agreement with AIX Energy LLC through March 31, 2024 (with an option to extend the term an additional 5-year period through March 31, 2029).

Chugach has two active gas storage contracts with CINGSA that conclude on March 31, 2032. The firm storage agreements provides for up to 2.1 Bcf of capacity. The interruptible storage agreement provides for up to 1.0 Bcf of capacity.

BRU Operations

At this time, Chugach and Hilcorp, the other owner, have chosen to continue operating under an existing Joint Operating Agreement. Hilcorp is the operator for BRU.

Environmental Legislation or Regulation

Chugach includes costs associated with environmental compliance in both our operating and capital budgets. We accrue for costs associated with environmental remediation obligations when those costs are probable and reasonably estimated. Chugach is subject to numerous environmental statutes including the Clean Air Act, the Clean Water Act, the Emergency Planning and Community Right-to-Know Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Endangered Species Act, and the Comprehensive Environmental Response, Compensation and Liability Act, the regulations implementing these statutes. Chugach does not believe that compliance with these statutes and regulations to date has had a material impact on its financial condition, results of operation or cash flows. However, the implementation of any additional new law or regulation, or the limitations thereof, or changes in or new interpretations of laws or regulations could result in significant additional capital or operating expenses. Chugach monitors proposed new regulations and existing regulation changes through industry associations and professional organizations.

The Clean Air Act and Environmental Protection Agency (“EPA”) regulations under the Clean Air Act establish ambient air quality standards and limit the emission of many air pollutants. In 2022, The Alaska Department of Environmental Conservation (“ADEC”) increased all fees associated with Title I and Title V air emissions. These increased fees affect Beluga, Southcentral Power Project (“SPP”), Sullivan, and Nikkels power plants on a yearly basis. Chugach has obtained or applied for all Clean Air Act permits currently required for the operation of generating facilities.

Chugach replaced two Underground Storage Tanks (“USTs”) in 2022. These tanks were approximately thirty years old. Upon excavation, contamination was discovered under the location of the original fuel dispensing units. Chugach received a cleanup complete determination from ADEC on September 29, 2023. This notice concludes the UST replacement project and any potential costs remaining.

Chugach Electric Association, Inc.
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

The utility owners of the Eklutna Hydro Project (Chugach, MOA, and MEA) are obligated by a 1991 Fish & Wildlife Agreement (“Agreement”) to develop and implement measures to protect, mitigate, and enhance (“PME”) the fish and wildlife impacted by the project (“PME program”). The program is to be approved by the Governor of Alaska by October 2024 with completion of the approved program no later than October of 2032, 35 years after the Eklutna Hydro Project purchase. The utility owners initiated a required consultation process with key government agencies and interested parties in March 2019, study planning development in 2020, field data collection in 2021 and 2022, and study reporting and program development in 2023 and 2024. The Agreement requires equal consideration of; 1) efficient and economical power production, 2) energy conservation, 3) protection, mitigation of damage to, and enhancement of fish and wildlife, 4) protection of recreation opportunities, 5) municipal water supplies, 6) preservation of other aspects of environmental quality, 7) other beneficial public uses, and 8) requirements of state law when determining the PME alternatives to be included in the program. The Eklutna Hydro Project and municipal water system currently utilize 100% of the Eklutna reservoir water inflows. This project is a multi-year study with final completion expected in late 2024. On October 27, 2023 the owners of the Eklutna Hydroelectric Project released a draft program, to protect, mitigate damages to, and enhance fish and wildlife resources impacted by the hydro project. The program will have additional capital costs not included in the program development and approval.

Delay in obtaining, or failure to obtain and maintain in effect any environmental approvals, or the delay or failure to satisfy any applicable environmental regulatory requirements related to the operation of our existing facilities could result in significant additional costs to Chugach and a material adverse impact to Chugach’s results of operations, financial condition, and cash flows.

While Chugach cannot predict the implementation of any additional new law or regulation, or the limitations thereof, it is possible that new laws or regulations could increase capital and operating costs. Chugach does not anticipate that environmental related expenditures will have a material effect on our results of operations or financial condition. We cannot, however, predict the nature, extent or cost of new laws or regulations relating to environmental matters.

Legal Proceedings

Chugach has certain litigation matters and pending claims that arise in the ordinary course of business. We cannot predict the outcome of any current or future legal proceedings. Our business, financial condition, and results of operations could be materially adversely affected by unfavorable resolution or adverse results of legal matters.

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

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

December 6, 2023

ACTION REQUIRED

AGENDA ITEM NO. VII.A

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

TOPIC

Discounting for 2024 Retail Capital Credit Payments

DISCUSSION

Chugach Electric Association, Inc. (Chugach) Board Policy 304 provides for the retirement of retail capital credits on a discounted basis for estate payments and former members that are no longer receiving electric service. Section II.D. of Board Policy 304 states:

Special / Discounted Capital Credits Retirements: The Association may retire capital credits on a discounted basis as approved by the Board to reflect the net present value of the capital credits. Approval of special or discounted capital credit retirements may reduce allowable amounts in a general retirement to the extent required to comply with Indenture and debt agreements. Amounts approved for discounting will be either (1) estate payments or (2) former members that are no longer on the Association's distribution system.

Chugach's Bylaws require Board of Directors approval for the retirement of capital credits. If the funding and approval of payments is preauthorized, Chugach can process the requests without having to seek Board approval for each specific retirement processed.

Below is a summary of early retirements for 2021, 2022 and 2023 (year-to-date November), which shows recent trends in member participation in the program.

<u>Description</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Authorized Board Funding Level	\$300,000	\$350,000	\$300,000
Number of Payments Made	289	271	180
Amount paid to Member (Discounted)	\$243,637	\$191,257	\$124,956
Bad debts recovered	\$93	\$716	\$191
Donated capital	\$127,067	\$135,934	\$144,194
Capital credits retired	\$370,797	\$327,907	\$269,341

The attached Board resolution authorizes the retirement of capital credits in 2024 in an amount not-to-exceed \$300,000 on a discounted basis for estate payments and former members that are no longer on Chugach's system. The early retirement of capital credits in an amount not-to-exceed \$300,000 for 2024 will not adversely impact the Association's financial condition.

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors approve the attached resolution authorizing early (discounted) retail capital credit payments in 2024 for estate payments and former members that are no longer on Chugach's system in an amount not-to-exceed \$300,000.



RESOLUTION

Discounting for 2024 Retail Capital Credit Payments

WHEREAS, Chugach Electric Association, Inc. (Chugach) Board Policy 304 provides for the retirement of retail capital credits on a discounted basis for estate payments and to former members who are no longer receiving electric service;

WHEREAS, Chugach received a Private Letter Ruling from the Internal Revenue Service stating that the discounting of capital credits as provided for under Board Policy 304 does not jeopardize Chugach's tax-exempt status;

WHEREAS, Chugach's Bylaws require Board of Directors approval of capital credit retirements;

WHEREAS, amounts available for discounted capital credit payments can be increased or decreased at the discretion of the Chugach Board of Directors;

WHEREAS, estate and other early payments will be made on a frequent basis throughout 2024 and Board of Director approval of each specific early retirement would cause delay in issuing the payments; and,

WHEREAS, the discounting of retail capital credit payments for estates and former members who are no longer receiving electric service on Chugach's system in an amount of up to \$300,000 in 2024 will not impair the financial condition of the Association.

NOW THEREFORE, BE IT RESOLVED, Chugach shall make early payments of retail capital credits for estate payments and former members who request early retirements in the actual discounted amount, not-to-exceed \$300,000 in cash payments for 2024.

BE IT FURTHER RESOLVED, any payments under the plan for 2024 will be at the present value based on a discount rate derived using the NRUCFC 10-year long-term fixed borrowing rate plus of 3%.

BE IT FURTHER RESOLVED, before receiving a payment under this plan, any member with an outstanding electric debt balance will be required to first pay the outstanding debt or acknowledge the capital credit payment will be reduced by the amount necessary to satisfy the outstanding 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 6th day of December, 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 6th day of December, 2023.

Secretary

Chugach Electric Association, Inc.
Anchorage, Alaska

Summary of Executive Session Topics for
Audit and Finance Committee Meeting on December 6, 2023
Agenda Item VIII.

Discussion regarding confidential information concerning an update of Chugach's internal controls, public disclosure of which could have an adverse effect on the finances of the Association. (AS 10.25.175(c)(1))