



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

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Harold Hollis, Chair
Sam Cason, Vice Chair

Jim Henderson
Mark Wiggin
Bettina Chastain

December 9, 2020

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 10, 2020 (Quezon)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE *(none)*
- VI. NEW BUSINESS *(none)*
- VII. EXECUTIVE SESSION* *(scheduled) (4:15 p.m.)*
 - A. *2021 Operating and Capital Budget **
- VIII. NEW BUSINESS* *(scheduled) (6:30 p.m.)*
 - A. *Recommendation on Approval of the 2021 Operating and Capital Budget* (Highers)*
- IX. DIRECTOR COMMENTS *(6:35 p.m.)*
- X. ADJOURNMENT* *(6:45 p.m.)*

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 10, 2020
Tuesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Arden Quezon

I. CALL TO ORDER

Chair Hollis called the Audit and Finance Committee meeting 4:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

Harold Hollis, Chair
Sam Cason, Vice Chair
Jim Henderson, Director *(via teleconference)*
Mark Wiggin, Director *(via teleconference)*
Bettina Chastain, Director *(via teleconference)*

Other Board Member Present:

Rachel Morse, Director *(via teleconference)*
Stuart Parks, Director *(via teleconference)*

Guests and Staff Attendance
Present:

Lee Thibert	Jody Wolfe	Jody Abruzzino
Brian Hickey	Arthur Miller	Renee Curran
Matthew Clarkson	Sherri Highers	Ron Vecera
		Danielle Bigelow

Via Teleconference:

Connie Owens	Mike Hayhurst, KPMG	Bill Lierman, APCM
Jeff Warner	Melissa Beedle, KPMG	Brandy Nicial, APCM
Theresa Quigley	Blake Phillips, APCM	Allison Caps, APCM
		Joyce Mucha

II. APPROVAL OF THE AGENDA

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

III. APPROVAL OF THE MINUTES

Director Cason moved and Director Henderson seconded the motion to approve the August 12, 2020, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None

V. CEO REPORTS AND CORRESPONDENCE

- A. *Employees 401K Plan Audit Report (Andrews)*
The Employees 401K Plan Audit Report was provided in the meeting packet. Sherri Highers, Chief Financial Officer (CFO), Executive VP of Administration and Information Services and Mike Hayhurst, KPMG, responded to questions from the Committee on the Employees 401K Plan Audit Report.
- B. *3rd Quarter 2020 Operating Budget Status Report (Curran)*
The 3rd Quarter 2020 Operating Budget Status Report was provided in the meeting packet.
- C. *3rd Quarter 2020 Capital Tracking Report (Curran)*
The 3rd Quarter 2020 Capital Tracking Report was provided in the meeting packet.
- D. *3rd Quarter 2020 Contract Status Report (Vecera)*
The 3rd Quarter 2020 Contract Status Report was provided in the meeting packet. Sherri Highers, CFO, Executive VP., Administration and Information Services responded to questions from the Committee.
- E. *3rd Quarter 2020 Financial Statements and Variance Report (Harris/Curran)*
The 3rd Quarter 2020 Financial Statements and the Variance Report were provided in the meeting packet. Sherri Highers CFO, Executive VP., Administration and Information Services responded to questions from the Committee.

VI. NEW BUSINESS

- A. *3rd Quarter 2020 Financial Information (Harris)*
Sherri Highers, CFO, Executive VP., Administration and Information Services introduced Joyce Mucha, new employee from ML&P.

Kathy Harris, Sr. Manager, Accounting, discussed the 3rd Quarter 2020 Financial Information and responded to questions from the Committee.

- B. Recommendation on Discounting for 2021 Capital Credit Payments* (Miller)
Arthur Miller, Executive VP., Regulatory and External Affairs discussed the Recommendation on Discounting for 2021 Capital Credit Payments and responded to questions from the Committee.

Director Cason moved and Director Chastain seconded the motion that the Audit and Finance Committee recommend the Chugach Board of Directors approve the attached resolution authorizing early (discounted) capital credit payments for 2021 not-to-exceed \$300,000. The motion passed unanimously.

VII. EXECUTIVE SESSION

- A. Beluga River Unit – Asset Retirement Obligation Presentation*
- B. KPMG 3rd Quarter 2020 Review*
- C. Board and Auditor Discussion*
- D. Review Chugach's 2020 Audit Plan*
- E. 2020 Budget Revision*
- F. September 30, 2020, SEC Form 10Q Review*

At 4:30 p.m., Director Cason moved and Director Chastain seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1) and (3) the Board of Directors' Audit and Finance Committee go into executive session to: 1) discuss and receive reports regarding financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and, 2) to discuss legal matters with its attorneys, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

The meeting reconvened in open session at 6:36 p.m.

VIII. NEW BUSINESS

- A. 2020 Budget Revision (Highers)*
Director Cason moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend the Board of Directors approve to amend the 2020 Amended Budget to include revenues and expenses incorporating ML&P operations for November and December 2020. The motion passed unanimously.
- B. September 30, 2020, SEC Form 10Q Filing (Curran)*
Director Cason moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend management file the Securities and Exchange Commission Form 10Q by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG. Mr. Hayhurst and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes. The motion passed unanimously.

IX. DIRECTOR COMMENTS

Director comments were made at this time.

X. ADJOURNMENT

At 6:50 p.m., Director Cason moved and Director Hollis seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

December 9, 2020

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

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

TOPIC

Recommendation on Approval of the 2021 Operating and Capital Budget

DISCUSSION

On December 9, 2020, the Audit and Finance Committee met and reviewed a proposed 2021 Operating and Capital Budget.

The 2021 Operating Budget is expected to produce margins of \$12.6 million, Margins for Interest/Interest (MFI/I) ratio of 1.30, Times Interest Earned Ratio (TIER) ratio of 1.30 and Equity to Total Capitalization Ratio of 14.7%. These results are based on a Total Cost of Service of \$236.8 million, Total Revenue of \$364.3 million and Non-Operating Margins of \$0.4 million.

The 2021 Capital Budget cash requirement is \$68.9 million, consisting of \$26.6 million in Distribution, \$10.2 million in Transmission and Subtransmission, \$17.4 million in Generation and BRU and \$10.5 million in Deferred Plant, General Plant and Telecommunications/SCADA capital expenditures, as well as \$4.2 million for Integration costs. The 2021 Capital Budget includes an additional \$19.7 million from sources other than Chugach's base rates to its members.

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors approve the 2021 Operating and Capital Budget which is expected to produce margins of \$12.6 million, MFI/I ratio of 1.30, TIER ratio of 1.30 and Equity to Total Capitalization ratio of 14.7%. These results are based on a Total Cost of Service of \$236.8 million, Total Revenue of \$364.3 million, Non-Operating Margins of \$0.4 million, and a capital expenditure cash requirement of \$68.9 million.