

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

REGULAR BOARD OF DIRECTORS' MEETING

AGENDA

Bettina Chastain, Chair
Susan Reeves, Vice Chair
Rachel Morse, Treasurer
Stuart Parks, Secretary

Harry T. Crawford Jr., Director
Jim Henderson, Director
Harold Hollis, Director

December 19, 2018

4:00 p.m.

Chugach Boardroom

I. CALL TO ORDER

- A. *Pledge of Allegiance*
- B. *Roll Call*
- C. *Safety Minute – “New Year’s Eve/Holiday Safety” (Freeman)*

II. APPROVAL OF THE AGENDA*

III. PERSONS TO BE HEARD

- A. *Member Comments*

IV. CONSENT AGENDA*

- A. *Board Calendar*
- B. *Training and Conferences*
 - 1. *NRECA Annual Meeting, March 7-13, 2019, Orlando FL (Deadline for conference and hotel registration is January 18, 2019)*
- C. *Minutes*
 - 1. *November 27, 2018, Special Board of Directors Meeting (Quezon-Vicente)*
 - 2. *November 28, 2018, Regular Board of Directors Meeting (Quezon-Vicente)*
- D. *Director Expenses*

V. CEO REPORTS AND CORRESPONDENCE

- A. *Alaska Power Association Presentation (Enkvist)*
- B. *October 2018 Financial Statements and Variance Report (Harris/Curran)*
- C. *4th Quarter 2018 Railbelt Bill Comparison (Skaling/Miller)*
- D. *Write-off of Accounts Receivable – Electric/Other (Kurka/Miller)*
- E. *Innovative Services Committee Presentation (Committee)*

VI. DIRECTOR REPORTS

- A. *Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC) Report*
- B. *Renewable Energy Alaska Project (REAP) Report*

- C. *Board Committee Reports (Audit and Finance, Operations & Governance)*
- D. *Other Meeting Reports*
- VII. UNFINISHED BUSINESS (*none*)
- VIII. NEW BUSINESS* (*scheduled*)
 - A. *Appointments of 2019 NRECA Voting Delegate and Alternate* (Board)*
- IX. EXECUTIVE SESSION* (*scheduled*)
 - A. *Earthquake Damage Assessment Report*
 - B. *IMO Request for 2019 Consulting Services*
 - C. *3rd Quarter 2018 Fire Island Wind Report*
 - D. *4th Quarter 2018 Business Development and Sustainability Report*
 - E. *Cost of Capital Study and Authorized Time Interest Earned Ratios (TIER)*
 - F. *ML&P Acquisition Update*
 - G. *On-Going Strategic Matters*
 - 1. *Initiatives Under Consideration*
 - 2. *Outstanding Risks to the Association*
- X. NEW BUSINESS* (*continued*)
 - A. *ML&P Acquisition – Conditions to Signing Transaction Agreements** (Miller)*
 - B. *Approve Integration Management Office (IMO) – 2019 Consulting Services** (Fouts)*
 - C. *Cost of Capital – Recommendation to Adjust Authorized Times Interest Earned Ratios (TIER)** (Miller)*
 - D. *Federal Public Assistance Grant for Earthquake Damage and Outage Response* (Vecera/Risse)*
 - E. *Quartz Creek Rebuild Construction Contract Approval* (Laughlin/Hickey)*
 - F. *Approval of 2019 Operating and Capital Budget* (Highers)*
- XI. DIRECTOR COMMENTS
- XII. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

SURVIVING THE HOLIDAY SEASON



HO-HO-HOLIDAY SAFETY TIPS

Easy ways to protect yourself, your home, and your loved ones from preventable, avoidable holiday injuries.

SOME SAFETY FACTS

142 ⁶

people were injured in 1999 by not removing all pins from new shirts.

Top 5 Days for Home Candle Fires

1. Christmas Day
2. Christmas Eve
3. New Year's Day
4. Halloween
5. December 23

FACTS

- ❗ Two of every five home decoration fires are started by candles.
- ❗ Nearly half of decoration fires happen because decorations are placed too close to a heat source.

Fire departments responded to an average of 230 home fires that started with Christmas trees per year

230

Riding toys, such as **tricycles & non-powered scooters** ⁸ is the leading cause of toy-related injuries

1 IN 4

NUMBER OF HOME CHRISTMAS TREE FIRES CAUSED BECAUSE THE TREE WAS TOO CLOSE TO A HEAT SOURCE

A graphic with a dark blue background and a light blue border. The text "HOLIDAY SAFETY TIPS" is written in a white, bubbly font with a red drop shadow. The word "HOLIDAY" is on the top line and "SAFETY TIPS" is on the bottom line. There are several white snowflake icons scattered around the text.

HOLIDAY SAFETY TIPS

- Your tree is a fire risk; water it daily
- Don't overdo it on the lights
- Be careful with candles; they are still open flames
- Stay in the kitchen while cooking
- Use designated drivers- drink responsibly.

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- XII. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

December 2018

November 2018							January 2019						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
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18	19	20	21	22	23	24	20	21	22	23	24	25	26
25	26	27	28	29	30		27	28	29	30	31		

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		<ul style="list-style-type: none"> 8:00AM ML&P Acquisition Update (Parks, Reeves, Chastain) (BoardRoomCR) 9:00AM Review Board Meeting Packet (Chastain/Reeves) (LDT's Office) 11:45AM Special Board of Directors Meeting - Chugach Legislative Reception (Embassy Suites) 	<ul style="list-style-type: none"> 4:00PM Regular Board of Directors' Meeting (BoardroomCR) 5:00PM REAP Energy Speaker Series - "Carbon Pricing Solutions" (Anchorage Museum - 625 C Street) 		NRECA Winter School f... ♦ Nashville, TN <ul style="list-style-type: none"> 9:30AM ARCTEC Annual Meeting (Crawford/Henderson) (APA Board Room) 	
25	26	27	28	29	30	1
NRECA Winter School for Directors ♦ Nashville, TN ♦ CCBOD				<ul style="list-style-type: none"> 3:00PM Mtg w/APA (Membership) (Chastain/Morse) (APA (703 W Tudor Road #200)) 	<ul style="list-style-type: none"> 9:00AM Bi-Weekly Update on ML&P Acquisition Efforts (Chastain/Parks) (BoardRoomCR) 10:00AM Mtg w/Morse - REAP Legislative Priorities & REAP Strategic Planning (Chastain, Henderson, Morse) (BoardroomCR) 	
2	3	4	5	6	7	8
<ul style="list-style-type: none"> 11:30AM Anchorage Chamber Make it Monday Forum - Sale Update (Chastain, Henderson, Reeves) (Egan Center) 1:00PM Assembly Work Session (City Hall Room 155 - First Floor) 	<ul style="list-style-type: none"> 6:00PM Assembly Meeting: Anticipated Public Hearing & Final Assembly Action on AO/AM (Chastain/Morse) (Assembly Chambers @ Loussac Library, 3600 Denali Street) 	<ul style="list-style-type: none"> 3:00PM Mtg w/Morse & Highers (Review Audit and Finance Budget Packet) (BoardRoomCR) 	<ul style="list-style-type: none"> 9:00AM RCA Mtg (Reliability and Security Standards - I-16-002 & I-15-001 (RCA) 			
9	10	11	12	13	14	15
<ul style="list-style-type: none"> 10:00AM REAP Strategic Planning Session (641-715-3570 and the access code is 711554) (NeighborWorks Alaska 2515 A Street) 4:00PM Audit and Finance Committee Meeting (Budget Meeting) (Morse, Reeves, Chastain, Henderson Hollis) (BoardroomCR) 		<ul style="list-style-type: none"> 8:30AM Review Board Packet (Chastain/Reeves) (LDT's Office) 	<ul style="list-style-type: none"> 3:00PM REAP Policy Committee Meeting (Morse & Henderson) (REAP Offices (308 G Street, Suite 224) 4:00PM Regular Board of Directors Meeting (All) (BoardroomCR) 	<ul style="list-style-type: none"> 11:00AM Utilities and Enterprise Committee (1st Floor Conference Room, City Hall) 5:30PM Board/Staff Dinner (Campobello Bistro (601 W 36th Avenue #10)) 		
16	17	18	19	20	21	22
	Christmas Eve Holi	Christmas Day Holi				
23	24	25	26	27	28	29
	New Year's Eve Holi	New Year's Day Holi				
30	31	1	2	3	4	5

January 2019

December 2018						
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February 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		New Year's Day Holi				
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13	<ul style="list-style-type: none"> 11:00AM - 2:00PM REAP's Board Meeting (Morse/Henderson) (NeighborWorks Alaska (2515 A Street)) 					
20	<ul style="list-style-type: none"> 9:00AM - 10:30AM Review Board Packet (Chastain/Reeves) (LDT's Office) 		<ul style="list-style-type: none"> 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (Boardroom) 			
27			APA Legislative Confere... ♦ Juneau, AK			
27	28	29	30	31	1	2

February 2019

January 2019						
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March 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
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24	<ul style="list-style-type: none"> 9:00AM - 10:30AM Review Board Packet (Chastain/Reeves) (LDT's Office) 	26	<ul style="list-style-type: none"> 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (Boardroom) 	28	1	2

March 2019

February 2019						
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April 2019						
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28	29	30				

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	● 9:00AM - 10:30AM Review Board Packet (Chastain/Reeves) (LDT's Office)		● 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (Boardroom)			
24	25	26	27	28	1	2
	● 4:00PM - 6:30PM Audit and Finance Committee Meeting (SEC Filing Recommendations) (Chugach Boardroom)			NRECA - Director Education - 3/7-3/10 - An... ♦ Orlando, FL		
3	4	5	6	7	8	9
NRECA - Director Education						
NRECA Annual Meeting (3/10 - 3/13) ♦ Orlando, FL ♦ Connie Owens						
10	11	12	13	14	15	16
● 4:00PM - 7:00PM Audit and Finance Committee Followed by a Special Board of Directors Meeting (Morse, Reeves, Chastain, Henderson, Hollis) (BoardroomCR)						● 6:00PM - 10:00PM Chugach Spring Party (O'Malley's on the Green)
17	18	19	20	21	22	23
	● 9:00AM - 10:30AM Review Board Packet Material (Chastain & Reeves) (LDT's Office)	● 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (BoardroomCR)				
24	25	26	27	28	29	30
31	1	2	3	4	5	6

April 2019

March 2019						
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May 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
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21	22	23	24	25	26	27
28	29	30	1	2	3	4

● 4:00PM - 5:00PM Board of Directors Candidate Forum (All) (TrainingRoom)

● 9:00AM - 10:30AM Review Board Packet (Chastain/Reeves) (LDT's Office)

● 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (BoardroomCR)

Strategic Planning w... ♦ Anchorage, AK

May 2019

April 2019						
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June 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
28	29	30	1	2	3	4
5	6	7	8 ● 4:00PM - 7:00PM Audit and Finance Followed by Regular Board of Directors Meeting (All) (BoardroomCR)	9	10	11
12	13	14	15	16	17	18
19	20 ● 9:00AM - 10:30AM Review Board Packet Material (Chastain & Reeves) (LDT's Office)	21 ● 6:00PM - 9:00PM Annual Meeting (All) (Dena'ina Center)	22 ● 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (BoardroomCR)	23	24	25
26	27 Memorial Day ♦ Ur	28	29	30	31	1

June 2019

May 2019						
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July 2019						
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28	29	30	31			

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26	27	28	29	30	31	1
					Summer School for Di... ♦ Williamsburg, VA	
2	3	4	5	6	7	8
Summer School for Directotrs (6/7 - 6/12) ♦ Williamsburg, VA						
1:00PM - 5:00PM Chugach Picnic (Alaska Zoo)						
9	10	11	12	13	14	15
			4:00PM - 7:00PM Yearly - Internal Controls Workshop (BoardroomCR)			
16	17	18	19	20	21	22
			4:00PM - 7:00PM Regular Board of Directors Meeting (BoardroomCR)			
23	24	25	26	27	28	29
				Independence Day		
30	1	2	3	4	5	6

July 2019

June 2019						
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August 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				Independence Day		
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14	15	16	17	18	19	20
21	22	23	4:00PM - 7:00PM Regular Board of Directors Meeting (BoardroomCR)	25	26	27
28	29	30	31	1	Summer School for Di... ♦ Branson, MO	
					2	3

August 2019

July 2019						
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September 2019						
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29	30					

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					Summer School for Di... ♦ Branson, MO	
28	29	30	31	1	2	3
Summer School for Directors - 8/2 - 8/7 ♦ Branson, MO			4:00PM - 7:00PM Audit and Finance Committee Meeting (BoardroomCR)			
4	5	6	7	8	9	10
11	12	13	14	15	16	17
			4:00PM - 4:30PM Regular Board of Directors Meeting (BoardroomCR)			
18	19	20	21	22	23	24
			Strategic Planning (8/28-8/30) ♦ Anchorage, AK			
25	26	27	28	29	30	31

September 2019

August 2019						
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October 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	
	Labor Day ♦ Unitec						
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8	9	10	11	12	13	14	
15	16	● 4:00PM - 7:00PM Regular Board of Directors Meeting (BoardroomCR)	18	19	20	21	
22	23	NRECA Region IX ♦ Spokane, WA			26	27	28
29	30	1	2	3	4	5	

October 2019

September 2019						
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November 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
29	30	1	2	3	4	5
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	Gettysburg Leadership Experience for... ♦ Gettysburg, PA		31	1	2

● 4:00PM - 7:00PM
Regular Board of
Directors Meeting
(BoardroomCR)

November 2019

October 2019						
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December 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
27	28	29	30	31	1	2
3	4	● 4:00PM - 7:00PM Audit and Fiance Committee Meeting (Budget) (BoardroomCR)	● 4:00PM - 7:00PM Audit and Finance Committee (Budget) (BoardroomCR)	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	● 11:45AM - 1:45PM Chugach Legislative Reception (Embassy Suites)	● 4:00PM - 7:00PM Regular Board of Directors Meeting (BoardroomCR)	Thanksgiving Day	Thanksgiving Holiday	30

Annual Meeting

Orlando, FL March 7 - 13, 2019

The Annual Meeting is THE place where the leaders of today's electric cooperatives can assemble and, together, take on the mantle of leading the energy future.

Schedule

Subject to change

THU. 03/07

8:00am - 4:00am **Pre-Meeting Education: 2640 Financial Decision Making (CCD)**

8:00am - 4:00pm **Pre-Meeting Education: 2600 Director Duties and Liabilities (CCD)**

8:00am - 4:00pm **Pre-Meeting Education: 901.1 Rules and Procedures for Effective Board Meetings (BLC)**

8:00am - 4:00pm **Pre-Meeting Education: 963.1 Strategic Technologies and their Impact on the Cooperative (BLC)**

FRI. 03/08

8:00am - 4:00pm **Pre-Meeting Education: 2620 Board Operations and Process (CCD)**

8:00am - 4:00pm **Pre-Meeting Education: 903.1 The Role of the Board Chair in Conducting Effective Meetings (BLC)**

8:00am - 4:00pm **Pre-Meeting Education: 918.1 Maximizing Your Grassroots Strategy (BLC)**

8:00am - 4:00pm **Pre-Meeting Education: 925.1 Co-op Bylaws: Guiding Principles and Current Issues (BLC)**

8:00am - 4:00pm	Pre-Meeting Education: 930.1 Ethics and Governance: Implementing the New Accountability (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 961.1 The Evolution of Electric Cooperative Power Supply (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 964.1 Communicating the New Energy Landscape (BLC)

SAT. 03/09

8:00am - 4:00pm	Pre-Meeting Education: 914.1 Cooperative Communications and Public Opinion: the Director's Perspective (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 2610 Understanding the Electric Business (CCD)
8:00am - 4:00pm	Pre-Meeting Education: 913.1 Cooperative Fundamentals, Legacy, and Economic Impact (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 929.1 Current Issues in Policy Development (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 935.1 Appraising and Compensating the CEO (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 943.1 Conversation Skills Outside the Boardroom (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 957.1 How to Evaluate and Improve Board Performance (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 974.1 Rate Making Strategies and Policy Decisions for Electric Co-op Board (BLC)
8:00am - 5:00pm	Community Service Project (Sponsored by Touchstone Energy)

SUN. 03/10

8:00am - 4:00pm	Pre-Meeting Education: 2630 Strategic Planning (CCD)
8:00am - 4:00pm	Pre-Meeting Education: 905.1 Assessing Governance: Taking a Continuous Improvement Approach to Governing Your Co-op (BLC)

8:00am - 4:00pm	Pre-Meeting Education: 944.1 Giving and Receiving Effective Feedback (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 955.1 Your Board's Culture: It's Impact on Effectiveness (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 975.1 Capital Credits Issues and Decisions (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 977.1 Equity Management and Boardroom Decision Making (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 956.1 Crucial Conversations in the Boardroom (BLC)
8:30am - 5:00pm	Health and Retirement Screenings
9:00am - 3:30pm	NRTC Registration
9:00am - 6:00pm	NRECA Registration
9:00am - 6:00pm	CFC Registration
10:00am - 11:30am	SEDC Member Enrichment Meeting
11:30am - 1:30pm	NISC Annual Meeting & Luncheon
1:00pm - 5:00pm	Pre-Meeting Education: CFC Equity Management Level 1
2:30pm - 4:00pm	NRTC Annual Meeting
4:00pm - 5:00pm	Proposed Resolutions Forum
5:30pm - 7:30pm	Welcome Reception (Sponsored by CoBank)

MON. 03/11

7:00am - 8:15am	Breakfast (Sponsored by CFC, NCSC & Federated)
7:00am - 2:00pm	CFC Registration
7:00am - 7:00pm	NRECA Registration
8:30am - 10:30am	General Session 1
8:30am - 5:00pm	Health and Retirement Screenings

11:00am - 12:00pm	Breakout Sessions
11:00am - 1:30pm	Lunch (Sponsored by CFC, NCSC & Federated)
11:30am - 1:00pm	NRECA International Lunch
1:30pm - 2:30pm	Breakout Sessions
3:00pm - 4:30pm	CFC Annual Meeting
4:30pm - 7:00pm	TechAdvantage Expo Opening Reception

TUE. 03/12

7:00am - 8:15am	Breakfast (Sponsored by CFC, NCSC & Federated)
7:00am - 7:00pm	NRECA Registration
8:30am - 11:00am	General Session 2
8:30am - 5:00pm	Health and Retirement Screenings
11:00am - 1:30pm	Lunch (Sponsored by CFC, NCSC & Federated)
11:30am - 4:30pm	TechAdvantage Expo
1:00pm - 2:00pm	Breakout Sessions
2:15pm - 3:15pm	Breakout Sessions
3:45pm - 4:45pm	Federated Rural Electric Cooperation Annual Meeting
7:30pm - 9:30pm	Entertainment Night with Travis Tritt

WED. 03/13

7:00am - 3:00pm	NRECA Registration
7:00am - 8:30am	Annual ACRE® Meeting & Breakfast
9:00am - 11:00am	General Session 3
11:30am - 3:00pm	TechAdvantage Expo

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 27, 2018
Tuesday
12:00 p.m.

SPECIAL BOARD OF DIRECTORS MEETING

Recording Secretary: Arden Quezon-Vicente

I. CALL TO ORDER

The Special Board of Directors Meeting convened at 12:15 p.m. at the Embassy Suites, 600 East Benson Boulevard, Anchorage, Alaska.

A. Roll Call

Board Members Present:

Bettina Chastain, Chair
Rachel Morse, Treasurer
Stuart Parks, Secretary
Harold Hollis, Director

Board Member Excused Absent:

Harry Crawford, Director
Jim Henderson, Director

Board Member Absent:

Susan Reeves, Vice Chair

Others in Attendance:

Staff and Distinguished Guests

II. APPROVAL OF THE AGENDA

No formal action was taken on this item.

III. LEGISLATIVE LUNCHEON

Chair Chastain thanked everyone for attending the Chugach Electric Association's Legislative Luncheon and introduced the Board members and Lee Thibert, Chief Executive Officer. Mr. Thibert expressed his thanks to the guests and staff's attendance and introduced Phil Steyer, Director, Government Relations. Mr. Steyer presented and discussed ML&P Acquisition, Transco & Railbelt Reliability Council and Eklutna Hydroelectric Project. This was followed by a question and answer period.

VII. ADJOURNMENT

At approximately 1:57 p.m., Director Morse moved and Director Parks seconded the motion to adjourn. The motion passed unanimously.

Stuart Parks, Secretary

Date Approved: December 19, 2018

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 28, 2018
Wednesday
4:00 PM

REGULAR BOARD OF DIRECTORS' MEETING

Recording Secretary: Arden Quezon-Vicente

I. CALL TO ORDER

Chair Chastain called the Regular Board of Directors' Meeting to order at 4:04 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Pledge of Allegiance

Chair Chastain led the Board in the Pledge of Allegiance.

B. Roll Call

Board Members Present:

Bettina Chastain, Chair

Susan Reeves, Vice Chair

Stuart Parks, Secretary

Rachel Morse, Treasurer

Jim Henderson, Director

Harry Crawford, Director (*via teleconference*)

Harold Hollis, Director

Guests and Staff in Attendance:

Lee Thibert

Connie Owens

Ron Vecera

Paul Risse

Josh Resnick

Jean Kornmuller

Brian Hickey

Jody Wolfe

Kate Ayers

Arthur Miller

Renee Curran

Jim Bertrand, Stinson

Sherri Highers

Todd McCarty

Leonard Street

Tyler Andrews

Andrew Laughlin

Kurt Strunk, NERA

Matthew Clarkson

Marty Freeman

Marcus Hardly, Northern

Mark Fouts

Tom Schulman

Economics, Inc.

Julie Hasquet

Teresa Kurka

Sean Skaling

C. Safety Minute

Marty Freeman, Safety discussed "*Flu Prevention*" and responded to questions from the Board.

II. APPROVAL OF THE AGENDA

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

III. PERSONS TO BE HEARD

A. Member Comments

Mr. Eugene Carl Haberman addressed the Board.

IV. CONSENT AGENDA

A. Board Calendar

B. Training and Conferences

1. *NRECA Annual Meeting, March 7-13, 2019, Orlando FL (Deadline for conference and hotel registration is January 18, 2019)*

C. Minutes

1. *October 24, 2018, Regular Board of Directors' Meeting (Quezon-Vicente)*

D. Director Expenses

Chair Chastain reminded the Board to let Connie Owens know if interested in attending the NRECA Annual Meeting.

Director Parks commented that he has a conflict on September 18, 2019, Regular Board meeting and would like to see if it could potentially be changed.

Chair Chastain stated that the Board will take a poll to see which date would work.

Director Reeves moved and Director Hollis seconded the motion to approve the consent agenda. The motion passed unanimously.

V. CEO REPORTS AND CORRESPONDENCE

A. 3rd Quarter 2018 Key Metrics Dashboard (Thibert)

Lee Thibert, Chief Executive Officer (CEO) discussed the 3rd Quarter 2018 Key Metrics Dashboard.

Mr. Thibert and Paul Risse, Sr. VP Power Supply responded to questions from the Board.

VI. DIRECTOR REPORTS

A. Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC) Report

Lee Thibert, CEO stated that there was no ARCTEC meeting to report on but the Board and Annual meeting is scheduled for Friday, November 30, 2018.

B. Renewable Energy Alaska Project (REAP) Report

Director Morse reported on the October 31, 2018, Quarterly REAP Board meeting and that Director Henderson also attended the meeting via teleconference.

Director Morse stated that the REAP Strategic Planning is on December 10, 2018 and that a meeting has been scheduled with Chair Chastain and Director Henderson to discuss the REAP Legislative Priorities and REAP Strategic Planning.

- C. *Board Committee Reports (Audit and Finance, Operations & Governance)*
Director Morse reported on the November 6, 2018, Audit and Finance Committee meeting.

Director Parks stated that there was no Operations Committee meeting to report.

Director Reeves stated that there has been no Governance Committee meeting and that Sherri Highers, Chief Financial Officer, Sr. VP Finance and Administration will be presenting three policies tonight that were introduced and reviewed at the last Governance Committee meeting.

- D. *Other Meeting Reports*

Chair Chastain stated that she has spoken with Crystal Enkvist, Alaska Power Association regarding membership and that she will be meeting with her next week for further discussion.

Director Parks also reported that the following Assembly Enterprise meetings have been attended by Board members.

1. November 2, 2018 – Assembly Work Session
2. November 7, 2018 – Assembly Meeting
3. November 15, 2018 – Assembly Enterprise and Utility Oversight Committee Meeting

Director Reeves informed the Board that Janet Reiser got her involved in the Cooperative Leadership Network. And that she had suggested adding a presentation topic about minority voices on the Board and how to use them at the National Seminar. NRECA loved the idea and have decided to add “Minority Voices on the Board and How To Use Them”, as a topic at their meeting/conference next year.

Director Morse added for the record that the pre-meeting for the REAP strategic Planning is Friday, December 7, 2018 at 10:00 a.m.

Mr. Thibert stated that an Enterprise Committee meeting on Friday, November 30, 2018 and an Assembly Meeting is scheduled on December 4, 2018.

Chair Chastain also mentioned that there is a “Make It Monday Forum” on December 3, 2018.

Chair Chastain stated that Director Crawford has authorized Director Reeves to sign his expense report.

VII. UNFINISHED BUSINESS

VIII. NEW BUSINESS

- A. *Appointments to 2019 Bylaws Committee* (Board)*

Director Reeves moved and Director Morse seconded the motion that the Board of Directors appoints Michael Moore to “B” term and Matt Moore and Michael Powell to the “C” terms on the Bylaws Committee. The motion passed unanimously.

B. *Appointments to 2019 Election Committee* (Board)* Director Reeves moved and Director Morse seconded the motion that the Board of Directors appoint William Glover to “B” term and Vicki Soule to “C” term on the Election Committee. The motion passed unanimously.

C. *Appointments to 2019 Nominating Committee* (Board)* Director Reeves moved and Director Hollis seconded the motion that the Board of Directors appoints Donna Resnick to “B” term and Steve Strait, Patti Bogan and Jessica Koloski to “C” terms on the Nominating Committee. The motion passed unanimously.

Sherri Highers, CFO, Sr. VP, Finance and Administration discussed the 2018 Homer Electric Capital Credit Retirement Payment, 2018 Matanuska Electric Capital Credit Retirement Payment and Discounting for 2019 Capital Credit Payments and responded to questions from the Board.

D. *2018 Homer Electric Capital Credit Retirement Payment* (Highers)* Director Morse moved and Director Parks seconded the motion that the Board of Directors approve the attached resolution authorizing a capital credit retirement payment to HEA of \$2,000,000. This capital credit retirement payment will be distributed to HEA no later than December 31, 2018. The motion passed unanimously.

E. *2018 Matanuska Electric Capital Credit Retirement Payment* (Highers)* Director Hollis moved and Director Morse seconded the motion that the Board of Directors approve the attached resolution authorizing a capital credit retirement payment to MEA of \$3,404,824. This capital credit retirement payment will be distributed to MEA no later than December 31, 2018.

Sherri Highers, CFO, Sr. VP, Finance and Administration continued to discuss the 2018 Matanuska Electric Capital Credit Retirement Payment and responded to questions from the Board.

Director Morse moved and Director Reeves seconded the motion that the Board of Directors tables the original motion. And that further discussion is moved to executive session. The motion passed unanimously.

F. *Discounting for 2019 Capital Credit Payments* (Highers)* Director Morse moved and Director Reeves seconded that the Board of Directors approve the attached resolution authorizing early (discounted) capital credit payments for 2019 not to exceed \$300,000. The motion passed unanimously.

G. *September 2018 Test Year Simplified Rate Filing* (Kornmuller/Miller)*

Jean Kornmuller, Manager, Regulatory Affairs discussed the September 2018 Test Year Simplified Rate Filing. Mr. Thibert and Ms. Kornmuller responded to questions from the Board.

Director Reeves moved and Director Hollis seconded the motion that the Board of Directors approve the attached Resolution authorizing Chugach to file with the Commission, a September 2018 test year SRF requesting approval to increase demand and energy rates by 0.6 percent to Chugach retail and 3.3 percent to the wholesale class of Seward Electric System for rates effective February 1, 2019. After further discussion, Chair Chastain called for a vote. The motion passed unanimously.

Chair Chastain stated that she has a request for an excused absence for herself from the September 6, 2018, Governance Committee meeting.

Director Reeves moved and Director Parks seconded the motion that the Board of Directors approve Chair Chastain's request for an excused absence for the September 6, 2018, Governance Committee meeting. The motion passed unanimously.

IX. EXECUTIVE SESSION* (scheduled)

- A. *Northern Economics Report – Sales Trends*
- B. *Request to Increase RCA Authorized Times Interest Earned Ratio (TIER)*
- C. *ML&P Acquisition Update*
- D. *Matanuska Electric Association - Memorandum of Understanding*
- E. *Board Policies Discussion*
- F. *On-Going Strategic Matters*
 - 1. *Initiatives Under Consideration*
 - 2. *Outstanding Risks to the Association*
- G. *Chief Operating Officer (COO)Term Sheet*

At 6:04 p.m., Director Parks moved and Director Morse seconded the motion that pursuant to Alaska Statute 10.25.175 (c)(1), (2) and (3) the Board of Directors 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; 2) discuss personnel matters that may tend to prejudice the reputation or character of a person; however, the person may request a public discussion; and, 3) discuss with its attorneys legal matters, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

Director Reeves left during Executive Session.

The meeting reconvened in open session at 8:21 p.m.

X. NEW BUSINESS

- A. *Approve Board Policy 509 – Fraud Policy* (Highers)*
- B. *Approve Board Policy 307 – Interest Rate Risk Management Policy* (Highers)*
- C. *Approve Amendment to Board Policy 303 – Financial Management* (Highers)*

Director Morse moved and Director Hollis seconded the motion that the Board of Directors approve new Board Policy no. 509 titled Fraud Policy and approve new Board Policy no. 307 titled Interest Rate Risk Management Policy and approve the revision as indicated on Board packet page 526 for Board policy no. 303 Financial Management. The motion passed unanimously, as amended.

*D. Approve Chugach/Matanuska Electric Association – Memorandum of Understanding** (Thibert)*

Director Parks moved and Director Morse seconded the motion that the Chugach Board of Directors approve the attached Resolution authorizing the Chief Executive Officer to execute the MOU between Chugach and MEA under terms and conditions substantially in the form as attached thereto as Exhibit A, and that the MOU shall remain confidential until signed and both parties agree to publicly disclose the document. The motion passed unanimously.

*E. Chief Operating Officer (COO) Term Sheet** (Thibert)*

Director Morse moved and Director Hollis seconded the motion that the Board of Directors authorize the Chief Executive Officer to develop and execute an employment agreement between Chugach Electric and the Chief Operating Officer (Brian Hickey) consistent with the terms discussed in Executive Session. The motion passed unanimously.

F. 2018 Matanuska Electric Capital Credit Retirement Payment (Highers)*

Director Morse moved and Director Parks seconded the motion that the Board of Directors approve the attached resolution authorizing a capital credit retirement payment to MEA of \$3,404,824. This capital credit retirement payment will be distributed to MEA no later than December 31, 2018. The motion passed unanimously.

XI. DIRECTOR COMMENTS

Director comments were made at this time.

XII. ADJOURNMENT

At 8:31 p.m., Director Morse moved and Director Hollis seconded the motion to adjourn. The motion passed unanimously.

Stuart Parks, Secretary

Date Approved: December 19, 2018

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. IV.D.

- Information Only
 - Motion
 - Resolution
 - Executive Session
 - Other
-

TOPIC

Director Expenses

DISCUSSION

The Director's expenses will be submitted for approval at the board meeting.

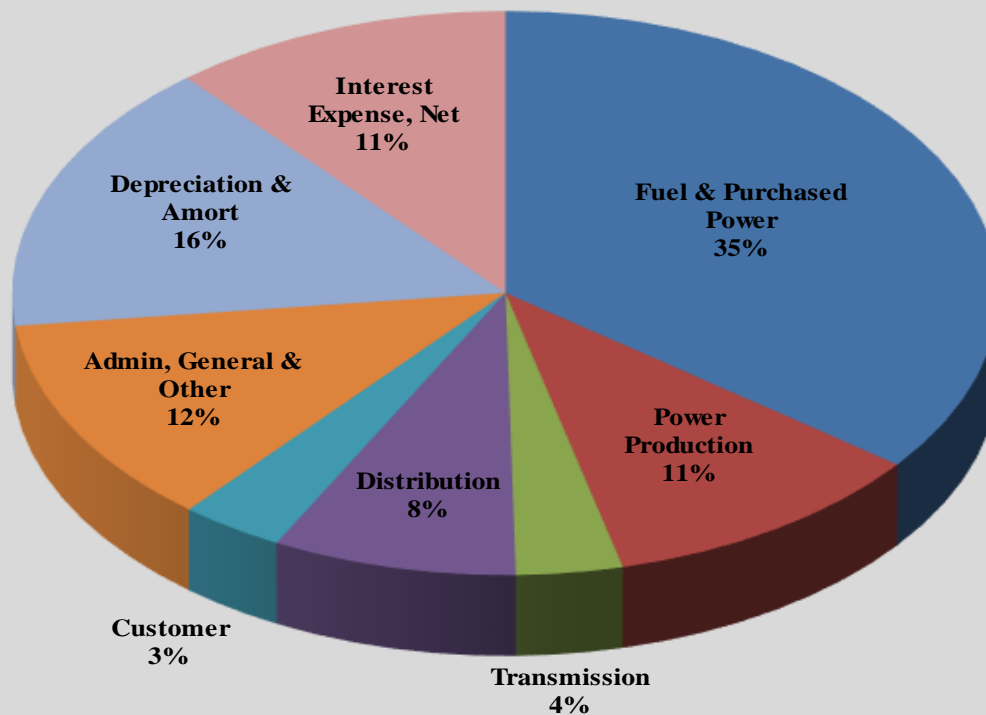
MOTION

(Consent Agenda)

STATEMENT OF OPERATIONS

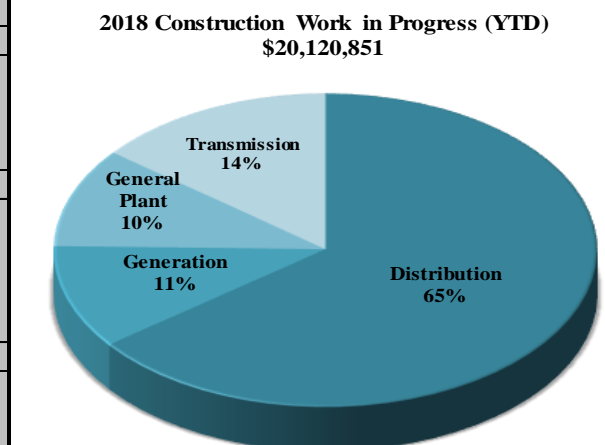
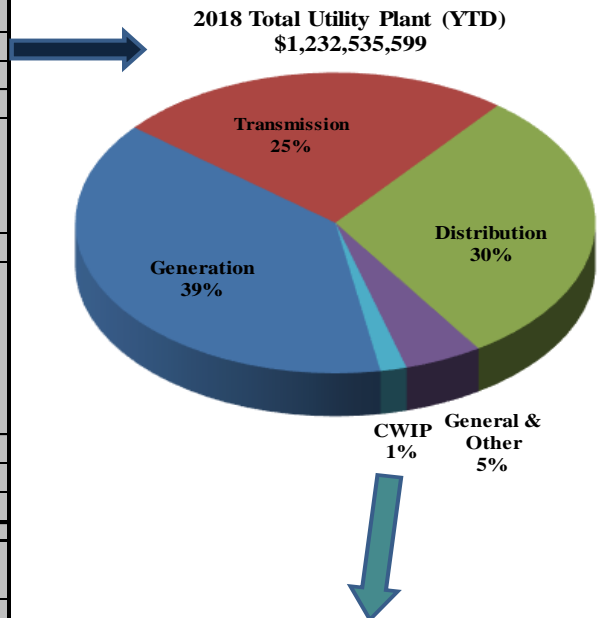
CATEGORY	2018 MTD ACTUAL	2018 MTD BUDGET	2018 MTD VARIANCE
Operating Revenue and Patronage Capital	\$ 16,274,823	\$ 18,203,099	\$ (1,928,276)
Fuel and Purchased Power Expense	5,763,103	7,167,035	(1,403,932)
Power Production Expense	1,753,386	1,462,128	291,258
Transmission Expense	567,631	560,278	7,353
Distribution Expense	1,303,078	1,254,621	48,457
Customer Expense	553,208	595,928	(42,720)
Administrative, General and Other	1,962,574	1,928,178	34,396
Depreciation & Amortization Expense	2,552,993	2,729,618	(176,625)
Interest Expense, Net	1,820,853	1,758,972	61,881
Total Cost of Electric Service	\$ 16,276,826	\$ 17,456,758	\$ (1,179,932)
Patronage Capital & Operating Margins	\$ (2,003)	\$ 746,341	\$ (748,344)
Non-Operating Margins - Interest	54,096	52,630	1,466
Allowance for Funds Used During Construction	14,478	23,956	(9,478)
Non-Operating Margins - Other	(38,230)	-	(38,230)
Patronage Capital or Margins	\$ 28,341	\$ 822,927	\$ (794,586)

Total Cost of Electric Service (MTD Actual)



BALANCE SHEET

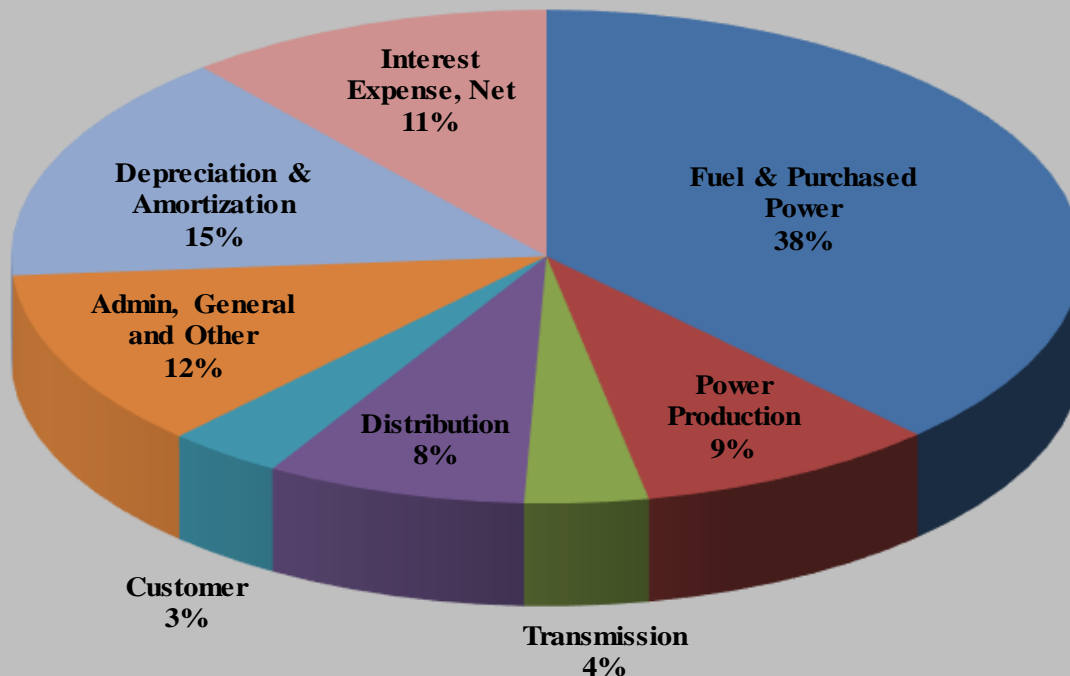
ASSETS & OTHER DEBITS	10/31/2018	12/31/17
Electric Plant in Service	1,212,414,748	1,205,092,224
Construction Work in Progress	20,120,851	17,952,573
Total Utility Plant	\$ 1,232,535,599	\$ 1,223,044,797
Accum. Prov. for Depreciation/Amortization	(525,271,320)	(515,496,312)
Net Utility Plant	\$ 707,264,279	\$ 707,548,485
Nonutility Property - Net	76,889	76,889
Investment in Assoc. Organizations	8,566,395	8,980,410
Special Funds	1,892,847	1,466,010
Restricted Cash & Other Investments	774,888	1,028,758
Total Other Property & Investments	\$ 11,311,019	\$ 11,552,067
Cash, Marketable Securities & Other	15,386,340	16,906,531
Special Deposits/Restricted Cash	593,798	741,670
Accounts Receivable - Net	26,531,259	35,680,680
Materials and Supplies, Fuel Stock	27,155,635	22,193,089
Prepayments	3,213,215	4,953,170
Other Current & Accrued Assets	186,317	5,178,987
Total Current & Accrued Assets	\$ 73,066,564	\$ 85,654,127
Deferred Debits	37,931,819	32,764,065
Total Assets & Other Debits	\$ 829,573,681	\$ 837,518,744
LIABILITIES & OTHER CREDITS	10/31/2018	12/31/17
Memberships	1,744,402	1,719,154
Pat. Capital, Margins & Equities	188,322,317	187,582,140
Total Margins & Equities	\$ 190,066,719	\$ 189,301,294
Long-Term Debt - Bonds	398,416,664	421,833,331
Long-Term Debt - Other	33,972,000	37,164,000
Unamortized Debt Issuance Costs	(2,465,656)	(2,669,485)
Total Long-Term Debt	\$ 429,923,008	\$ 456,327,846
Notes Payable	87,608,667	76,608,667
Accounts Payable	12,319,627	7,420,279
Consumer Deposits	5,173,901	5,335,896
Other Current & Accrued Liabilities	29,268,493	30,002,352
Total Current & Accrued Liabilities	\$ 134,370,688	\$ 119,367,194
Deferred Compensation	1,366,927	1,229,294
Other Liabilities, Non-Current	941,896	531,630
Deferred Liabilities	1,258,781	1,249,390
Patronage Capital Payable	8,798,077	8,798,077
Cost of Removal Obligation	62,847,585	60,714,019
Total Liabilities & Other Credits	\$ 829,573,681	\$ 837,518,744



**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
CURRENT YTD ACTUAL TO BUDGET VARIANCE**

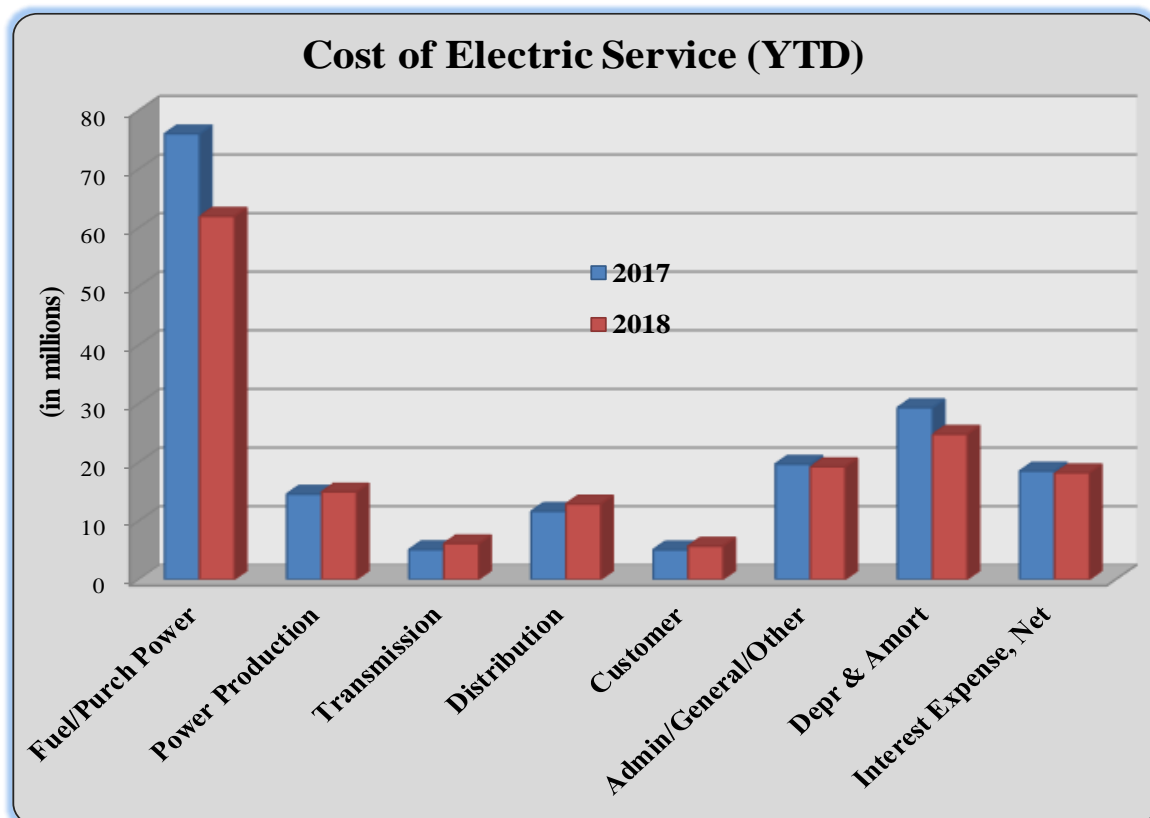
CATEGORY	2018 YTD ACTUAL	2018 YTD BUDGET	2018 YTD VARIANCE
Operating Revenue and Patronage Capital	\$ 164,435,274	\$ 175,315,013	\$ (10,879,739)
Fuel and Purchased Power Expense	61,979,741	70,098,850	(8,119,109)
Power Production Expense	14,937,951	15,697,343	(759,392)
Transmission Expense	6,113,685	5,828,436	285,249
Distribution Expense	12,893,438	12,356,960	536,478
Customer Expense	5,703,429	5,636,719	66,710
Administrative, General and Other	19,248,898	18,663,195	585,703
Depreciation & Amortization Expense	24,788,366	26,803,390	(2,015,024)
Interest Expense, Net	18,201,119	18,033,222	167,897
Total Cost of Electric Service	\$ 163,866,627	\$ 173,118,115	\$ (9,251,488)
Patronage Capital & Operating Margins	\$ 568,647	\$ 2,196,898	\$ (1,628,251)
Non-Operating Margins - Interest	591,001	521,484	69,517
Allowance Funds Used During Const.	100,781	118,500	(17,719)
Non-Operating Margins - Other	(228,072)	-	(228,072)
Patronage Capital or Margins	\$ 1,032,357	\$ 2,836,882	\$ (1,804,525)
MFI/I	1.06	1.15	
TIER	1.06	1.16	

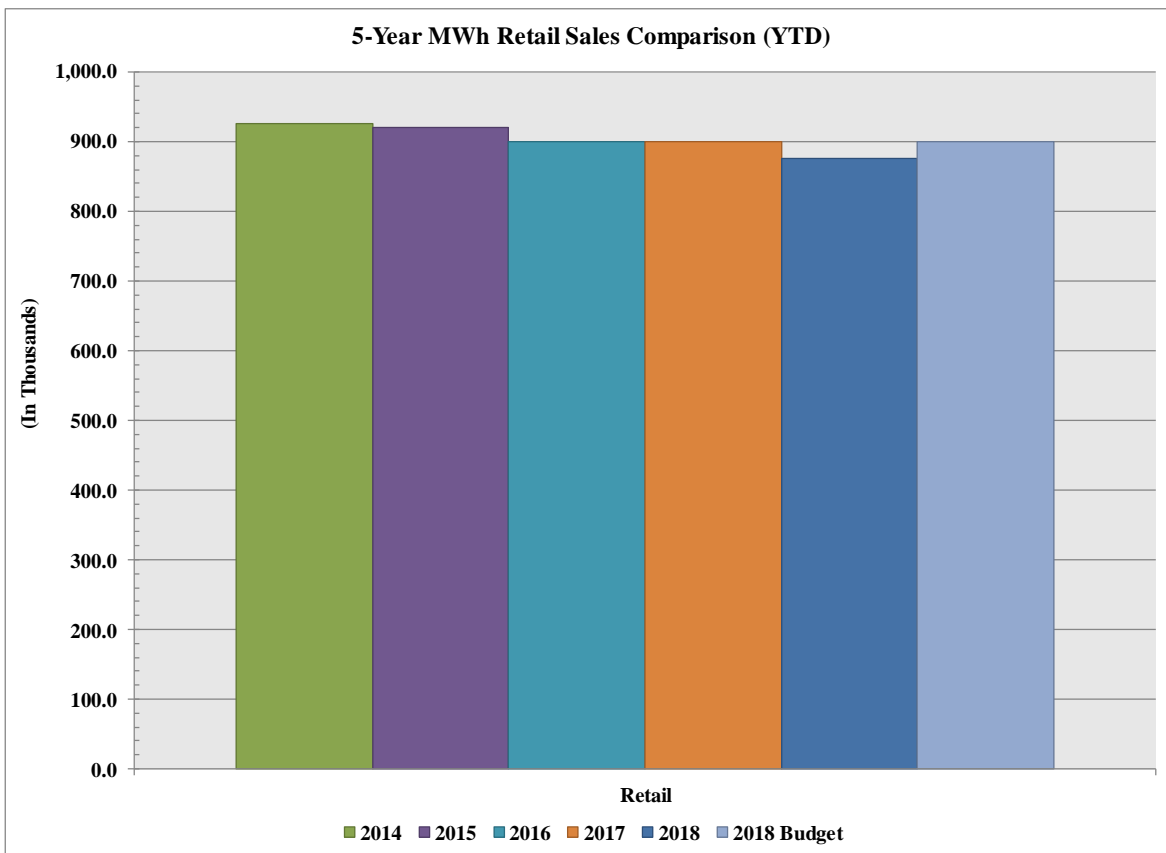
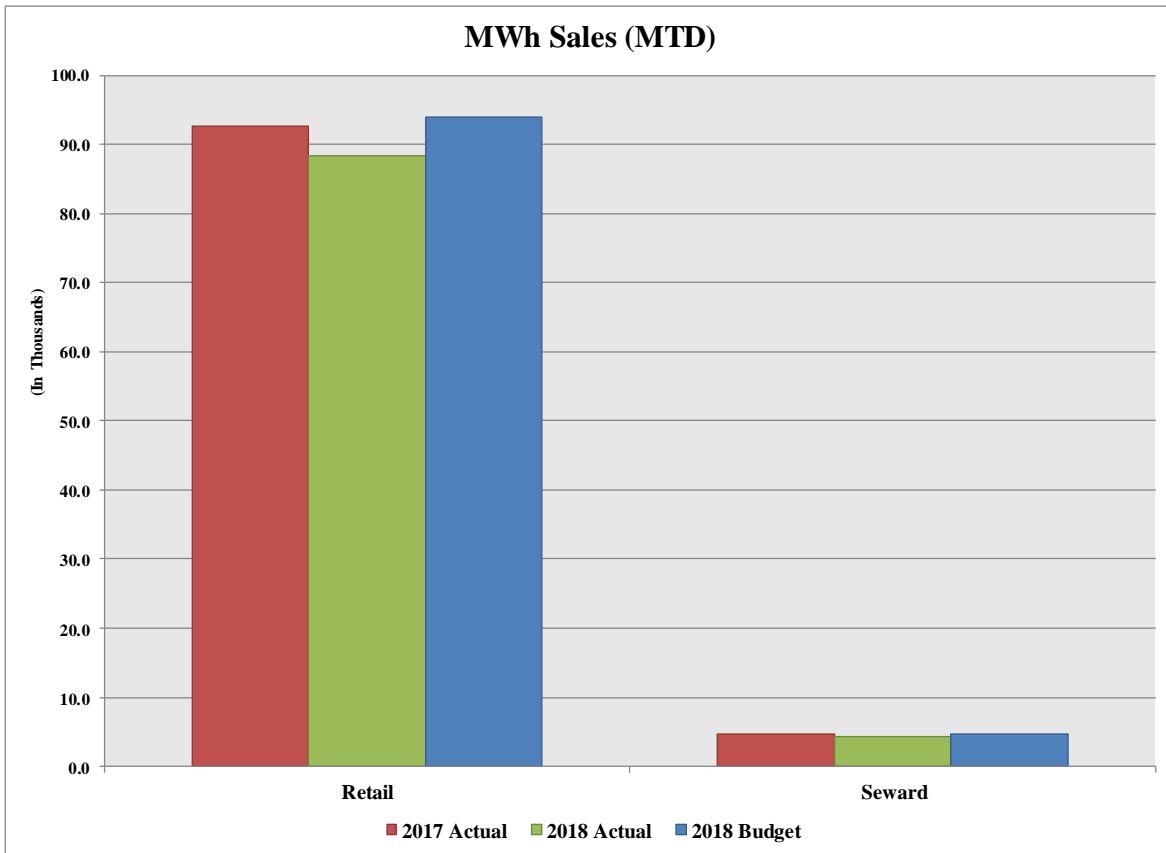
Total Cost of Electric Service (YTD Actual)

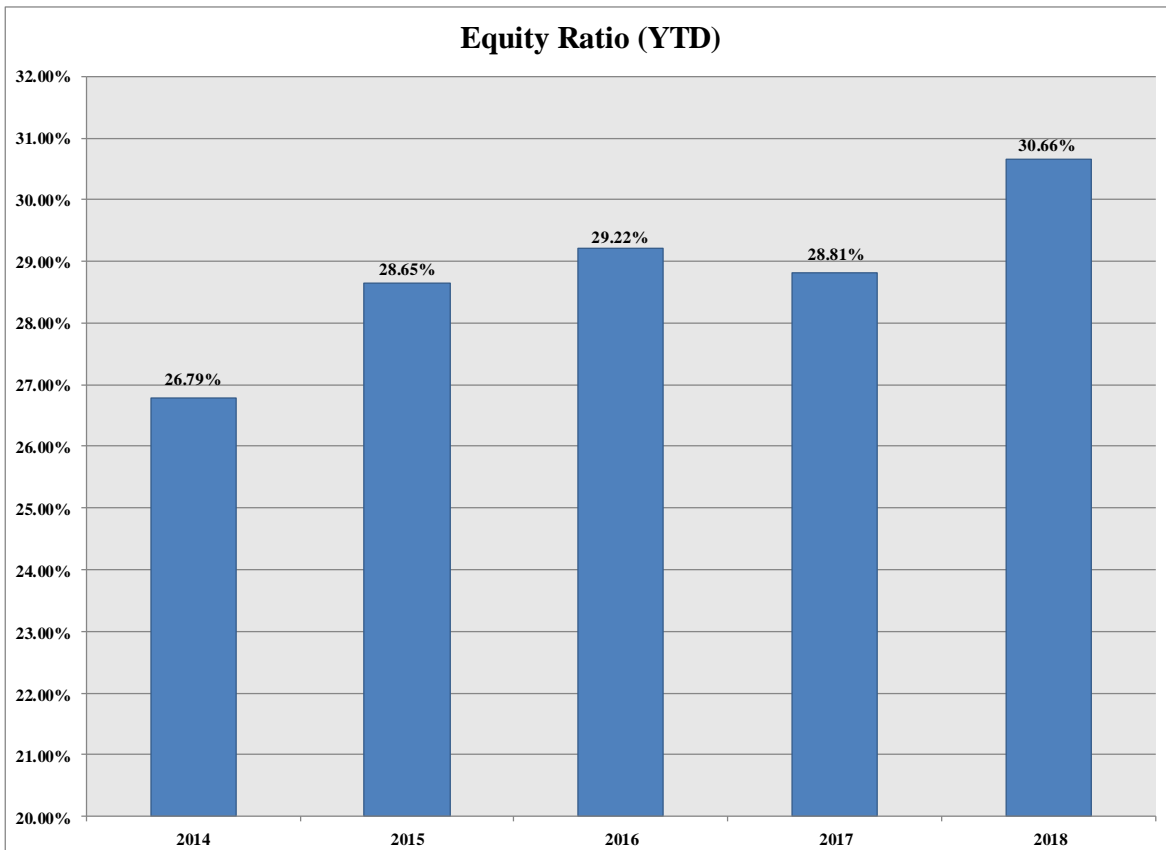
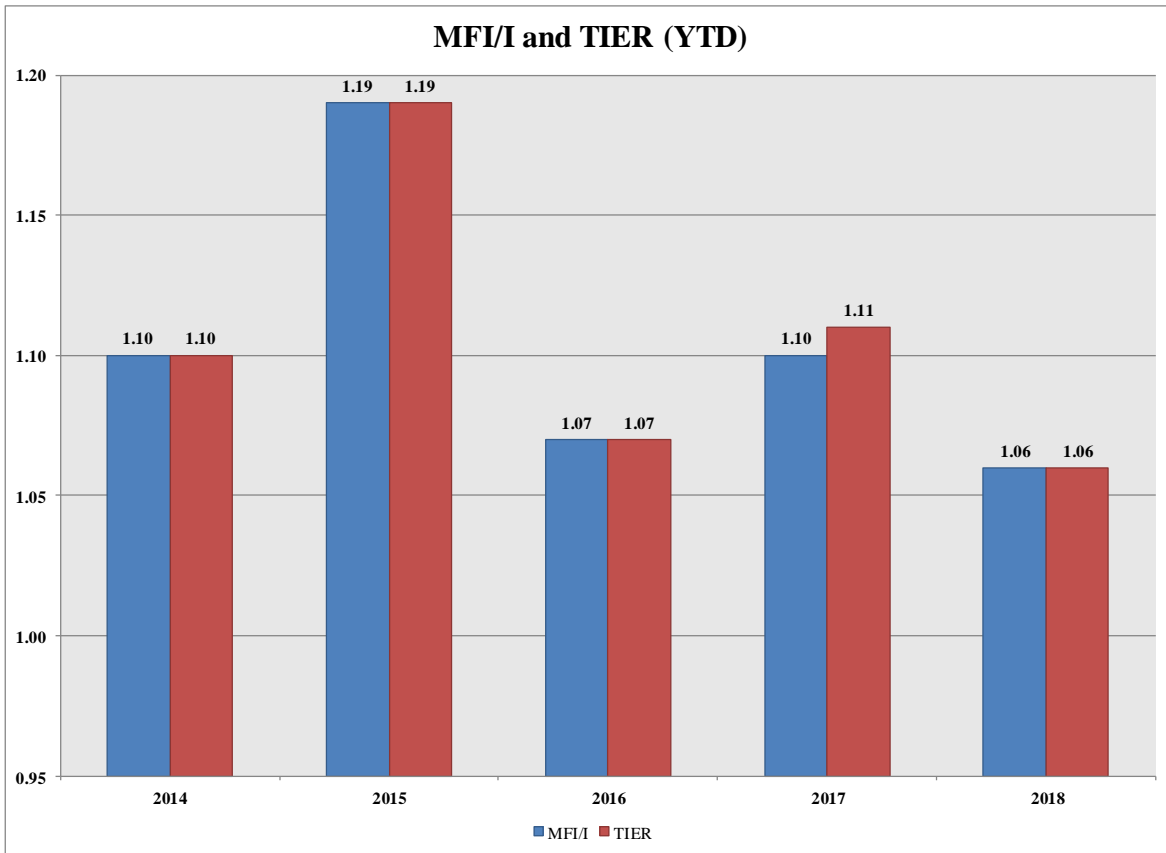


COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YTD ACTUAL

CATEGORY	2018 YTD ACTUAL	2017 YTD ACTUAL
Operating Revenue and Patronage Capital	\$ 164,435,274	\$ 181,091,603
Fuel and Purchased Power Expense	61,979,741	76,030,287
Power Production Expense	14,937,951	14,567,255
Transmission Expense	6,113,685	5,085,976
Distribution Expense	12,893,438	11,623,237
Customer Expense	5,703,429	5,059,583
Administrative, General and Other	19,248,898	19,674,600
Depreciation and Amortization Expense	24,788,366	29,308,085
Interest Expense, Net	18,201,119	18,487,489
Total Cost of Electric Service	\$ 163,866,627	\$ 179,836,512
Patronage Capital & Operating Margins	\$ 568,647	\$ 1,255,091
Non-Operating Margins - Interest	591,001	524,269
Allowance for Funds Used During Construction	100,781	52,898
Non-Operating Margins - Other	(228,072)	97,711
Patronage Capital or Margins	\$ 1,032,357	\$ 1,929,969
MFI/I	1.06	1.10
TIER	1.06	1.11







ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	875,655,707	900,612,782
Wholesale Energy Sales	<u>48,182,592</u>	<u>50,116,391</u>
Total Firm Energy Sales	923,838,299	950,729,173
Economy Energy Sales	<u>207</u>	<u>0</u>
Total Energy Sales	923,838,506	950,729,173

Firm energy sales totaled 923,838,299 kWh, which was a 2.8% unfavorable variance compared to budget. Retail energy sales were under budget 2.8% and wholesale energy sales were under budget by 3.9%, primarily due to warmer than anticipated weather.

ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$ 152.0	\$ 162.7
Wholesale Revenue	<u>4.3</u>	<u>5.0</u>
Total Firm Revenue	156.3	167.7
Economy/Other Energy Revenue	0.1	0.0
Other Operating Revenue	<u>8.0</u>	<u>7.6</u>
Total Revenue	\$ 164.4	\$ 175.3

Revenue from firm sales totaled \$156.3 million compared to \$167.7 million in the budget. Firm revenue was lower than expected primarily due to lower than anticipated kWh sales and lower fuel recovered in revenue through the fuel and purchased power adjustment process.

Economy/other energy revenue totaled \$0.1 million due to unanticipated sales to GVEA, MEA, and HEA. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$8.0 million compared to \$7.6 million in the budget, primarily due to room and board charged for Beluga camp use, reimbursable fuel storage costs, and higher than anticipated wheeling revenue.

FUEL AND PURCHASED POWER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Fuel	\$ 47.5	\$ 56.0
Purchased Power	<u>14.5</u>	<u>14.1</u>
Total	\$ 62.0	\$ 70.1

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$47.5 million compared to \$56.0 million projected in the budget. This variance was primarily due to less fuel consumed as a result of lower sales and lower than anticipated BRU operating costs.

Actual fuel purchased for production was 5,397,313 MCF at an average effective delivered price of \$8.01 per MCF, compared to 6,002,436 MCF in the budget at an average effective delivered price of \$8.31 per MCF.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, and other utilities as needed, as well as costs associated with dispatching. Purchased power expense was \$14.5 million compared to \$14.1 million in the budget, due to higher than anticipated purchases from MEA, Bradley Lake, and Fire Island.

Actual energy purchased was 187,753 MWh at an average effective price of 6.31 cents per kWh compared to 167,684 MWh budgeted at an average effective price of 6.87 cents per kWh. Higher than anticipated purchases from Bradley Lake resulted in a lower average effective price.

POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 14.9	\$ 15.7

Power production expense was \$14.9 million compared to \$15.7 million in the budget. This favorable variance is primarily due to lower than anticipated labor and maintenance costs at SPP and Beluga, as well as reimbursement for Beluga camp use.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 6.1	\$ 5.8

Transmission operations and maintenance expense was \$6.1 million compared to \$5.8 million in the budget, primarily due to higher than anticipated substation and line operations labor.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 12.9	\$ 12.4

Distribution operations and maintenance expense was \$12.9 million compared to \$12.4 million in the budget. This unfavorable variance is primarily due to higher than anticipated labor, vegetation control expenses as well as increased maintenance costs due to storm-related damage.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 5.7	\$ 5.6

Consumer accounts and customer information expense was \$5.7 million compared to \$5.6 million in the budget. This variance is primarily due to advertising for the ML&P acquisition which was somewhat offset by lower than anticipated credit card merchant fees.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 19.2	\$ 18.7

Administrative, general and other expense includes tax, donations, other deductions associated with preliminary survey and investigation charges of projects, and obsolete inventory write-offs that are not attributable to operating or maintenance accounts, which was \$19.2 million compared to \$18.7 million in the budget. Increased labor, training, workers compensation, and power pooling expenses were somewhat offset by the deferred classification of costs associated with the ML&P acquisition.

SUMMARY

Depreciation, interest, and interest during construction expense totaled \$43.0 million compared to \$44.8 million in the budget. The favorable variance compared to budget was primarily due to lower than anticipated depreciation expense as a result of retirement adjustments from project closeouts.

All of the foregoing expenses resulted in total cost of electric service of \$163.9 million compared to \$173.1 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 income. Non-operating margins totaled \$0.5 million compared to \$0.6 million in the budget primarily due to the loss in value of marketable securities.

The net result of revenue and expenses was margins of \$1.0 million compared to projected margins of \$2.8 million in the budget. The current forecast projects year-end margins of \$5.5 million, an MFI/I of 1.25, and TIER of 1.26.

COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS YEAR-END FORECAST

CATEGORY	2018 APPROVED BUDGET	2018 YTD ACTUALS	2018 REVISED FORECAST
Operating Revenue and Patronage Capital	\$ 214,960,079	\$ 164,435,274	\$ 203,650,753 ^{1 2}
Fuel and Purchased Power Expense	85,194,690	61,979,741	77,075,581 ¹
Power Production Expense	18,965,542	14,937,951	18,184,486 ^{1 2}
Transmission Expense	6,915,445	6,113,685	7,158,862 ^{1 2}
Distribution Expense	14,835,722	12,893,438	15,230,292 ^{1 2}
Customer Expense	6,833,267	5,703,429	6,899,477 ^{1 2}
Administrative, General & Other	22,127,986	19,248,898	22,671,538 ^{1 2}
Depreciation and Amortization Expense	32,264,325	24,788,366	29,949,301 ^{1 2}
Interest Expense, Net	21,493,320	18,201,119	21,661,217 ¹
Total Cost of Electric Service	\$ 208,630,297	\$ 163,866,627	\$ 198,830,754
Patronage Capital & Operating Margins	\$ 6,329,782	\$ 568,647	\$ 4,819,999
Non-Operating Margins - Interest	625,941	591,001	695,458 ¹
Allowance for Funds Used During Construction	181,126	100,781	163,407 ¹
Non-Operating Margins - Other	-	(228,072)	(228,072) ¹
Patronage Capital or Margins	\$ 7,136,849	\$ 1,032,357	\$ 5,450,792
MFI/I	1.32	1.06	1.25
TIER	1.35	1.06	1.26

¹ Forecast based on 10 month actual and 2 month forecast

² Forecast has been adjusted to reflect anticipated changes

**Chugach Electric Association, Inc.
Anchorage, Alaska**

December 19, 2018

TO: Chugach Board of Directors

FROM: Lee D. Thibert, Chief Executive Officer

SUBJECT: *Railbelt Electric Utility Bill Comparison: Rates Effective Fourth Quarter 2018*

In fourth quarter 2018, Chugach has the lowest effective rates of any Railbelt utility on a customer bill basis in all three main service categories (residential, small general service and large general service). Chugach continues to have the lowest base rates and the second lowest fuel and purchased power rates.

As shown on Table 1 (page 2), the total residential customer bills of the other utilities are higher than Chugach by the following percentages:

Matanuska Electric Association, Inc. (MEA): 6.8%
Municipal Light and Power (ML&P): 6.9%
Golden Valley Electric Association, Inc. (GVEA): 16.9%
Homer Electric Association, Inc. (HEA): 29.4%

Comparison of Residential Rates

Chugach's fourth quarter average residential bill of about \$123 (for 600 kWh) compares with bill totals of \$131 for ML&P, \$131 for MEA, \$143 for GVEA, and \$159 for HEA. Below is a summary of residential rate changes at Chugach and other Railbelt electric utilities since last quarter, as detailed in Table 1 on page 2.

- The average Chugach residential bill, which includes fuel and purchased power costs, increased by 0.9 percent in fourth quarter 2018. The increase is due to the combined effects of a 2.7 percent increase to the base energy rate and a 2.1 percent decrease of the fuel and purchased power rate.
- ML&P residential bill levels increased 10.8 percent as a result of an doubling of to the Cost of Power Adjustment (COPA) rate from about 2 cents per kWh to about 4 cents per kWh. There were no changes to ML&P's energy rate.
- MEA residential bill levels increased 1.6 percent due to an approximate 3 percent increase to the COPA rate and 1 percent increase in energy rate.
- HEA residential bill levels increased 3.4 percent due to a 12 percent increase to their COPA rate. There were no changes to HEA's demand and energy rates.

- GVEA’s residential bill levels decreased 5 percent, due to the combined impacts of a 29 percent increase of the customer charge, a 2 percent decrease of the base energy rate, and an 18 percent reduction to the COPA rate. GVEA credits the COPA reduction to the restarting of the Healy Coal Plant Unit 2.

Table 1, below, compares current retail bill totals of each utility to the prior quarter and to Chugach. The table includes residential, small general service, and large general service customer classes.

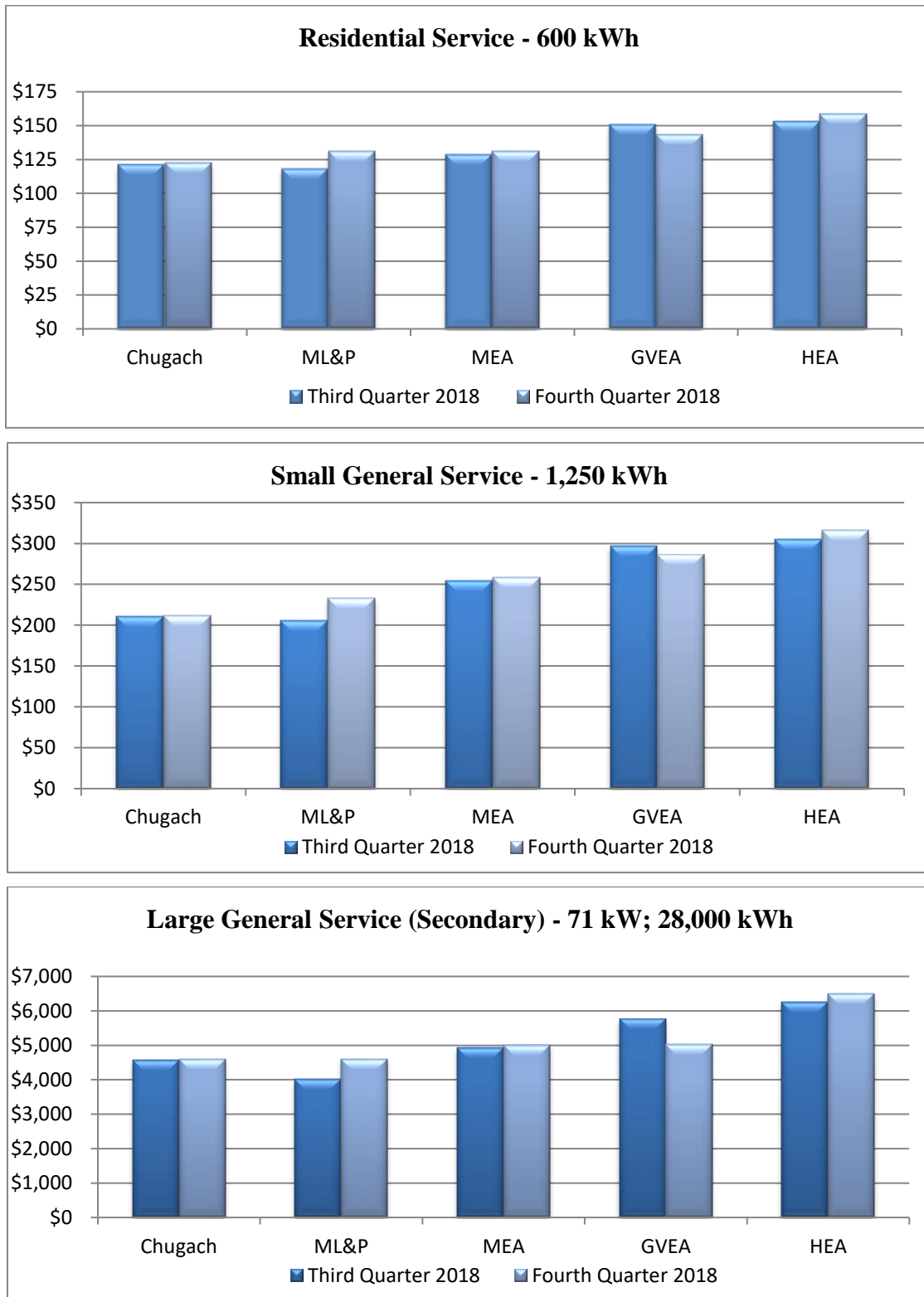
Customer Class	Chugach	ML&P	MEA	GVEA	HEA
Residential total based on 600 kWh	\$122.66	\$131.13	\$130.94	\$143.40	\$158.67
Cost per kWh	\$0.204	\$0.219	\$0.218	\$0.239	\$0.264
Change from Prior Quarter	0.9%	10.8%	1.6%	(5.0%)	3.4%
Difference from Chugach Bill	----	6.9%	6.8%	16.9%	29.4%
Small General Service total based on 1,250 kWh	\$212.12	\$232.82	\$258.71	\$286.21	\$316.49
Cost per kWh	\$0.170	\$0.186	\$0.207	\$0.229	\$0.253
Change from Prior Quarter	0.5%	13.0%	1.7%	(3.5%)	3.6%
Difference from Chugach Bill	----	9.8%	22.0%	34.9%	49.2%
Large General Service - Secondary total	\$4,598.53	\$4,600.70	\$5,012.43	\$5,042.18	\$6,501.43
Cost per kWh	\$0.164	\$0.164	\$0.179	\$0.180	\$0.232
Change from Prior Quarter	0.6%	15.0%	1.8%	(12.5%)	3.9%
Difference from Chugach Bill	----	0.05%	9.0%	9.6%	41.4%

Figures 1 through 4

The graphs on the following pages provide additional comparisons of Railbelt utility rates. Figure 1 (page 3) compares bill totals between fourth quarter 2018 and the prior quarter. Figure 2 (page 4) expands the comparison by identifying separately the base rate component and the fuel / purchased power components of each utility this quarter. Figure 3 (page 5) summarizes Chugach quarterly residential bill levels for the past seven years, identifying the base rate and fuel / purchased power components of each bill. Figure 4 (page 5) illustrates residential bill totals for the last five consecutive quarters for all Railbelt electric utilities.

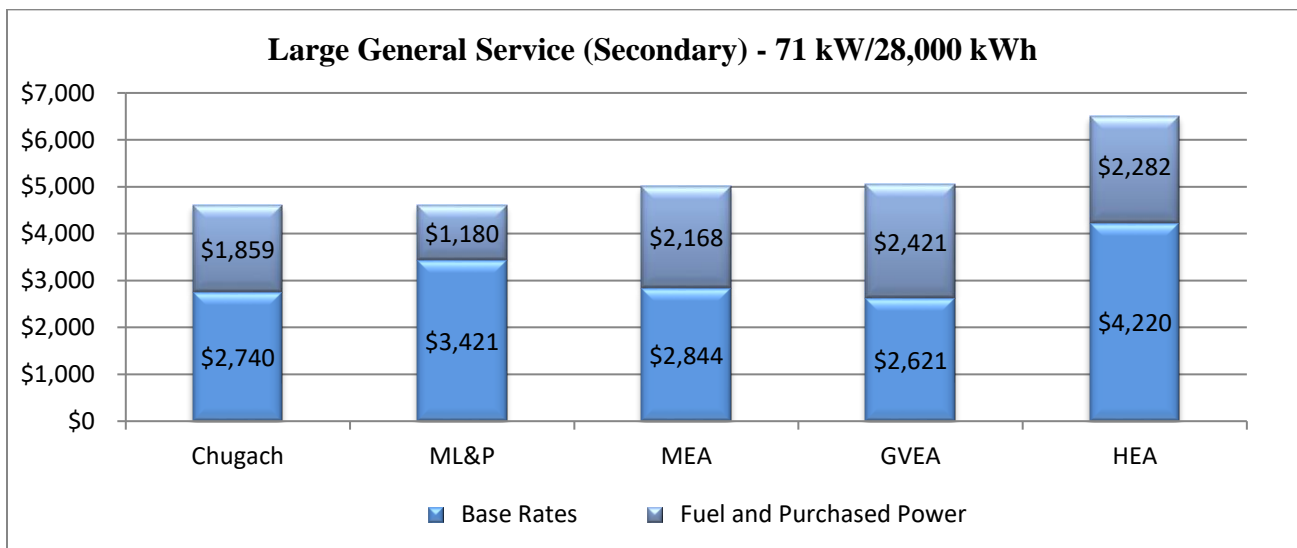
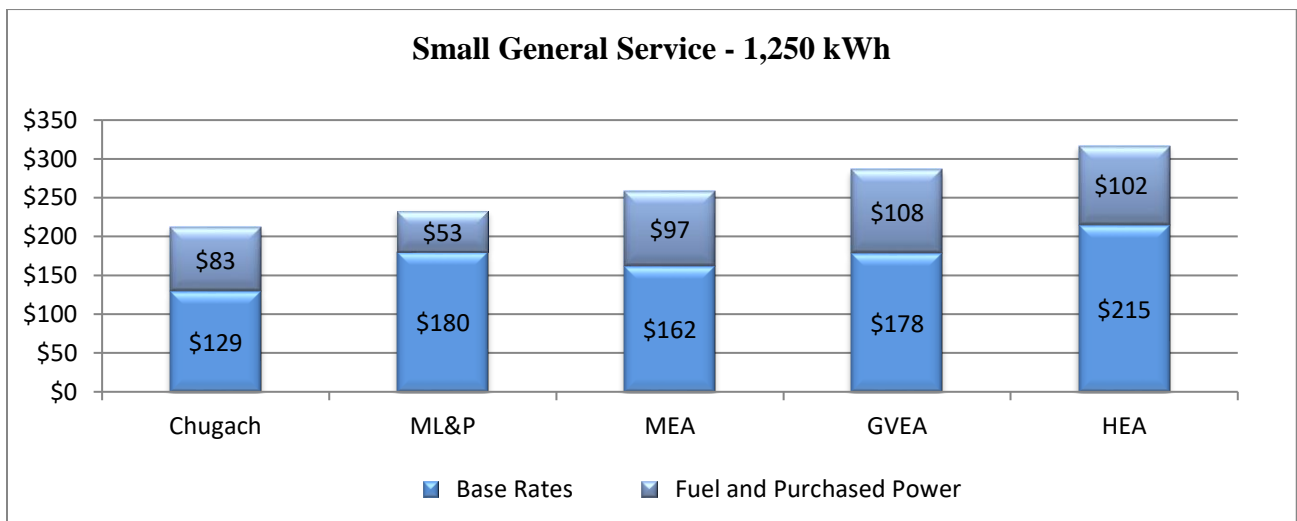
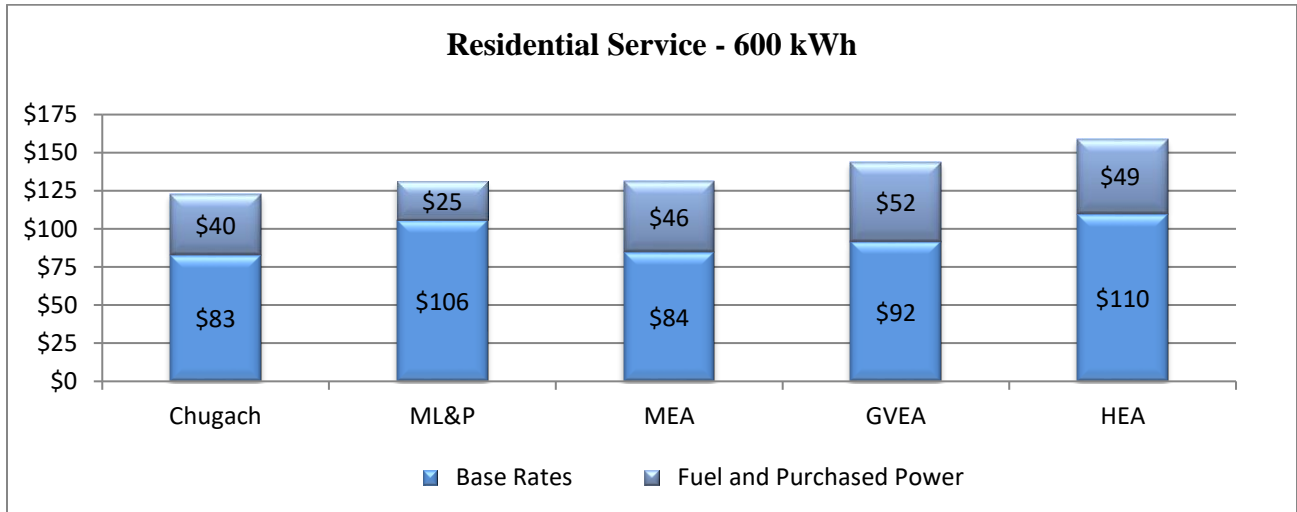
¹ Bill totals are based on tariffed rates. Local taxes, including the Municipality of Anchorage two percent underground surcharge, are not applicable to all utilities in this comparison and are therefore excluded from the calculations. The Regulatory Cost Charge is included as this charge is applied equally to all utilities. For all cooperatives, the Gross Revenue Tax is included. The residential and small general service bill totals are based on monthly energy purchases of 600 kWh and 1,250 kWh, respectively. The large general service bill totals are based on 28,000 kWh and 71kW. Large General Service bill totals do not reflect impacts associated with tariffed demand ratchet for ML&P and GVEA. Bill comparisons include all approved and pending fuel and purchased power rates for third quarter 2018.

**Figure 1: Retail Electric Bill Totals by Utility
 Third Quarter 2018 vs. Fourth Quarter 2018**



 Bill totals are based on tariffed rates and include state taxes that are applied to all utilities and exclude local taxes and surcharges that vary by community, such as the Municipality of Anchorage two percent undergrounding charge. Large General Service totals do not reflect tariffed impacts of ratchet on demand charges for ML&P and GVEA.

**Figure 2: Base Rate and Fuel and Purchased Power Components
 Bill Totals – Fourth Quarter 2018**



ML&P and GVEA's Large General Service totals do not reflect tariffed impacts of their ratchets on demand charges.

Figure 3: Chugach's Monthly Residential Bill Total History Based on 600 kWh Consumption

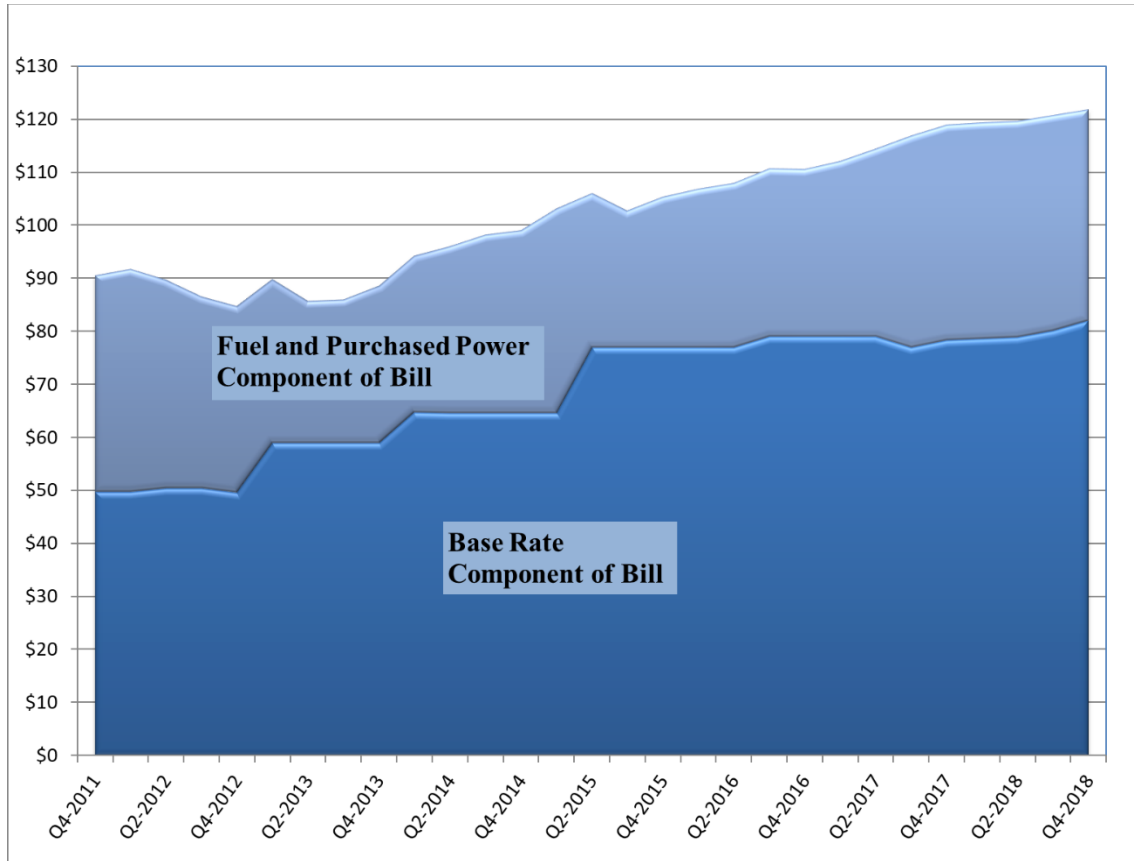
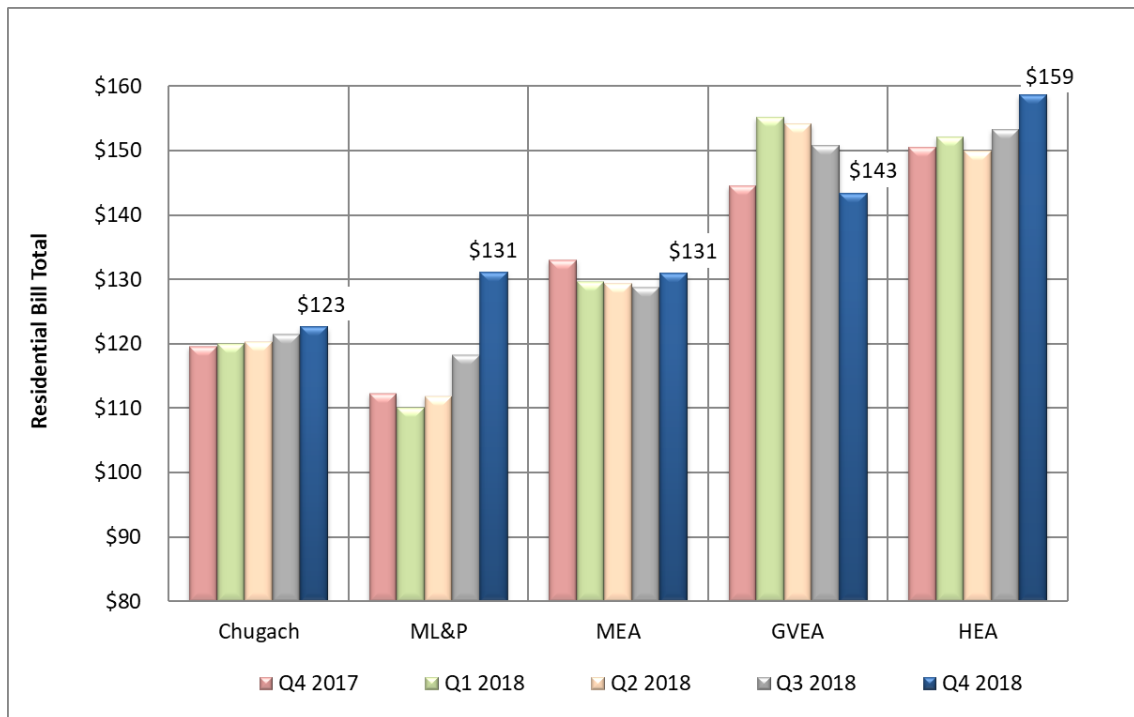


Figure 4: Railbelt Electric Utility Average Residential Bill Levels Fourth Quarter 2017 through Fourth Quarter 2018



CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

December 12, 2018

TO: Arthur Miller, Sr. VP, Regulatory & External Affairs

THROUGH: Teresa Kurka, Director Member Services

FROM: Lynda Muise, Manager, Consumer Accounting

SUBJECT: *Semi-Annual Electric Write-Off*

The current write-off reflects uncollectible electric account balances through April 30, 2018. This write-off consists of 652 accounts totaling \$180,538, which represents 0.21% of retail revenue with an average write-off balance amount of \$277. These accounts will be written-off of our accounts receivable general ledger and reclassified as bad debt. There were no write-offs of miscellaneous accounts receivable for this period.

Table 1 on the second page reflects a five-year comparison of the write-off this period to those of prior periods for electric accounts receivables. Figure 1 represents the gross write-off, while Figure 2 represents the same write-off, net collections. Collection efforts include those we do in-house and those done through our collection agency.

CHUGACH ELECTRIC ASSOCIATION, INC. Anchorage, AK

Table 1: Five Year Electric Write-Off Comparison

Write-Off Date	Collection Period	Number of Accounts	Retail Revenue	Write Off Amount	Percent of Revenue	Collection Accounts Recovered	Collections as a Percent of Revenue	Net Write Off	Net Write Off as a Percent of Revenue	Average Amount per Account
June 25, 2014	October 31, 2013	903	\$85,568,850	\$160,134.93	0.19%	\$41,787.79	0.05%	\$118,347.14	0.14%	\$177.34
December 9, 2014	April 30, 2014	661	\$77,643,405	\$117,629.35	0.15%	\$56,221.00	0.07%	\$61,408.35	0.08%	\$177.96
June 24, 2015	October 31, 2014	787	\$84,324,971	\$126,104.13	0.15%	\$41,961.50	0.05%	\$84,142.63	0.10%	\$160.23
December 16, 2015	April 30, 2015	622	\$81,416,107	\$108,494.75	0.13%	\$38,426.31	0.05%	\$70,068.44	0.09%	\$174.43
June 23, 2016	October 31, 2015	771	\$94,542,710	\$115,842.51	0.12%	\$50,966.16	0.05%	\$64,876.35	0.07%	\$150.25
December 6, 2016	April 30, 2016	636	\$83,344,470	\$125,809.55	0.15%	\$42,018.07	0.05%	\$83,791.48	0.10%	\$197.81
July 26, 2017	October 31, 2016	783	\$105,477,123	\$147,454.48	0.14%	\$48,156.33	0.05%	\$99,298.15	0.09%	\$188.32
December 20, 2017	April 30, 2017	783	\$89,530,357	\$177,468.80	0.20%	\$72,114.57	0.08%	\$105,354.23	0.12%	\$226.65
July 12, 2018	October 30, 2017	854	\$105,900,546	\$175,118.20	0.17%	\$52,142.99	0.05%	\$122,975.21	0.12%	\$205.06
December 10, 2018	April 30, 2018	652	\$85,120,459	\$180,538.32	0.21%	\$52,332.29	0.06%	\$128,206.03	0.15%	\$276.90

Figure 1: Semi-annual Write Off (% of Retail Revenue)

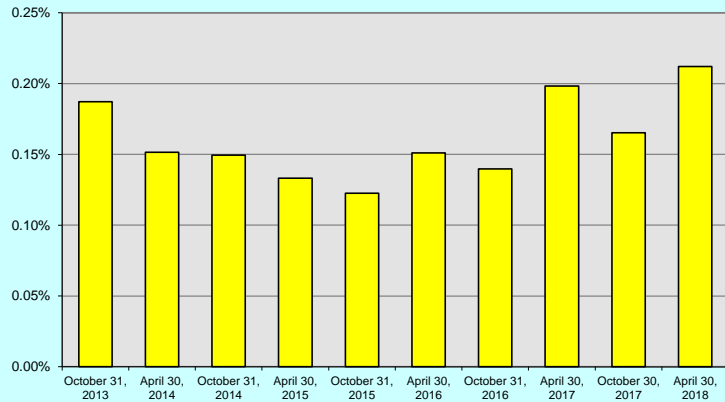
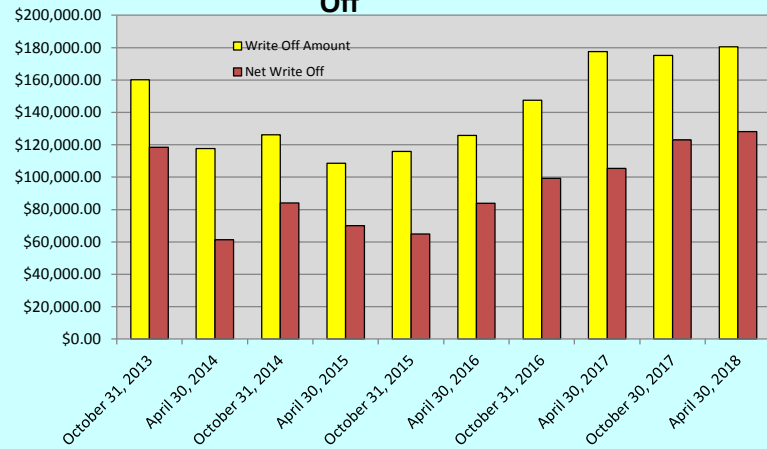


Figure 2: Semi-annual Write Off (\$) vs. Net Write Off





Innovative Services Committee



Committee Members



Accounting

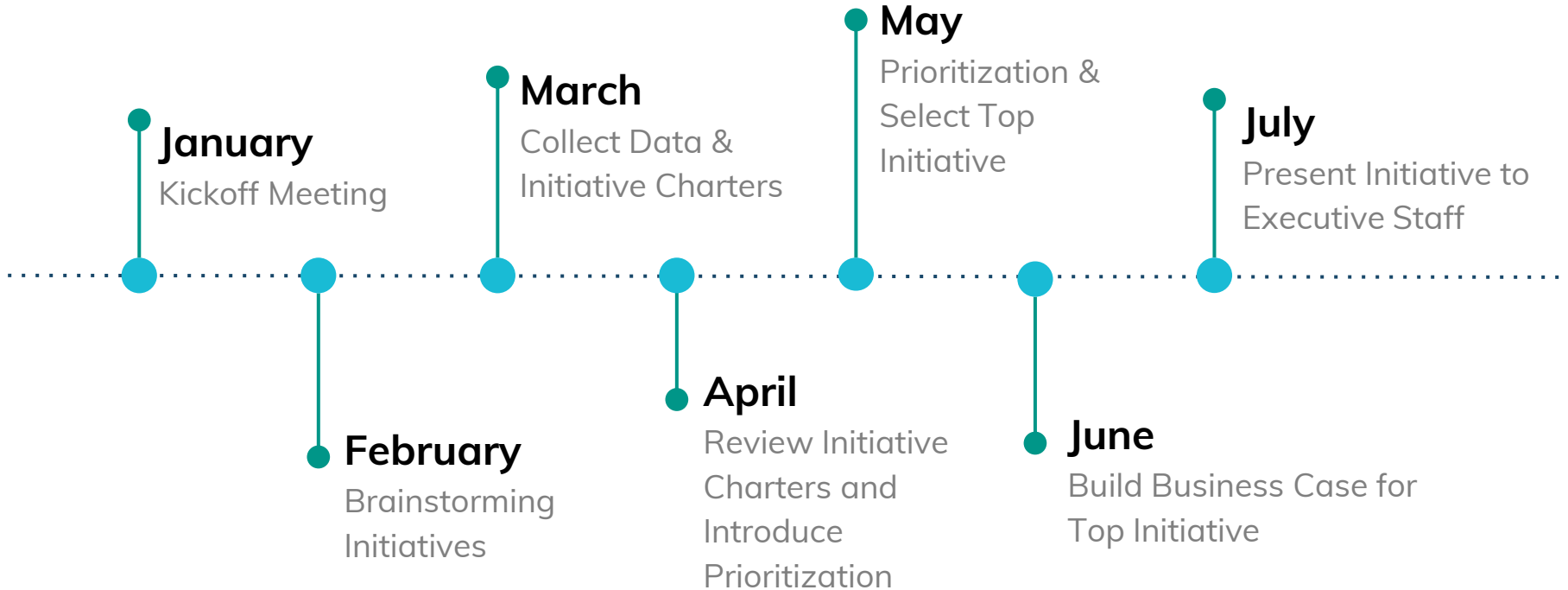
Regulatory
Affairs

Fuel &
Corporate
Planning

Member
Services

System
Operations

2018 Committee Timeline





Employee Volunteer Program (EVP) Chugach in the Community



EVP Benefits

55%

of companies on Fortune's 100 Best Companies to Work For offer paid time off to volunteer.

81%

of people who volunteered in the last year agreed that volunteering together strengthens relationships among colleagues.

87%

of people who volunteered in the last year said that volunteering had developed teamwork and people skills.

67%

of millennial employees surveyed prefer to work at companies that let them volunteer while at work.



Member & Employee Surveys

64%

of Chugach members believe employee volunteerism is very or somewhat important.

67%

of Chugach employees volunteer in their spare time. Eighty-nine employees completed the Employee Volunteer Survey.

American Diabetes Association

American Lung Association

Anchorage School District

Bean's Café

Boys & Girls Clubs of Alaska


Downtown Soup Kitchen

Food Bank of Alaska

Habitat for Humanity

Kids Kitchen

Program Overview

- 
- Chugach will create a Volunteer Leave Bank consisting of 3,000 hours per year.
 - 750 hours will be allocated each quarter, with unused hours rolling over through December 31st.
 - Employees may volunteer during their regular work hours with supervisor approval.
 - Employees will wear their “Chugach in the Community” vest while volunteering.

Program Metrics

Sustainability Metrics - Employee Volunteerism:

- Paid corporate volunteer hours
- Paid corporate volunteerism rate

Chugach will also track:

- Number of employees participating
- Number of volunteer hours per employee
- Number of hours in volunteer leave bank
- Volunteer organizations - nonprofit only
- Volunteer dates
- Volunteer locations



Volunteer Process Flow

#1

Request
volunteer
time

#2

Receive approval &
pick up attire & post
EVP form

#3

Volunteer!

#4

Complete post
EVP form and
return to HR



Front



Back

Communication Plan

Employee Awareness & Retention	<ul style="list-style-type: none">+ Company Email+ Electric Wire+ Insidewire+ CEO Quarterly Meeting+ Employee Spotlight Opportunity+ Chugach Branded Clothing
Community Engagement	<ul style="list-style-type: none">+ Social Media+ Outlet Article+ Press Release - Volunteer Hours+ Website - In the Community Section





Cost Estimate

\$45,000

20% Employee Utilization Cost/Year

\$140,000

Maximum Annual Cost

There are no incremental labor costs to the Program.



Regulatory

“EVP”

Timesheet Code

Volunteer hours are not recoverable in rates.

Employees will use the time code “EVP” when recording their volunteer time, making the costs associated with this Program easy to be identified and removed from the determination of rates.



Update Board Policy

Proposed Amendment to Board Policy 502 “Contributions”

“

II. C. *The Association may provide employees with an annual 3,000-hour company-wide volunteer leave bank. Volunteer hours may be used at approved non-profit organizations in Anchorage and within Chugach’s service territory during the employee’s regular work hours. The Association will track volunteer hours.*



Chugach in the Community

Chugach employees
volunteering in the
Community demonstrates
that Chugach Electric
Association contributes to
the community that it
serves.





Questions?



CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

- Information Only
 - Motion
 - Resolution
 - Executive Session
 - Other
-

TOPIC

Appointment of 2019 NRECA Voting Delegate and Alternate

DISCUSSION

The voting delegate and alternate to the NRECA meetings are chosen from those who will be attending.

The current NRECA voting delegate is Susan Reeves and the alternate is Jim Henderson.

The NRECA 2019 Annual Meeting is scheduled for March 7-13, 2019, in Orlando, FL.

MOTION

Move that the Board of Directors appoint _____ as the NRECA Voting Delegate and _____ as the alternate.



NRECA Annual and Regional Meeting Voting Delegate Certification and Credentialing Process



Please fill out the form below. Indicate who will be your Voting Delegate and Alternate at the Business Meeting. The Alternate will serve only if the Delegate is unable to attend the Business Meeting.

Please return this form to NRECA using the following email address: VotingDelegates@nreca.coop or this fax number: (703) 907-5512.

Chugach Electric Association, Inc.

Region: 9

CEO/GM: Lee D. Thibert

State: Alaska

MEETING AND REGISTRATION PROCEDURES

- Please return signed, dated and completed form to VotingDelegates@nreca.coop
- **Make sure you are selecting a delegate that is registered for and will be attending the meeting.**
- At the meeting, the delegate must first pick up their badge, then proceed to the Delegate Check-in station located near registration.
- At the Delegate Check-in station, the delegate will confirm their certification and pick up all voting credentials, including badge and ribbon.
- At the Business Meeting, delegates will be asked to present their badge and credentials in order to vote. **Delegates must be present at the Business Meeting to have their vote counted.** No individual may represent more than one system. Proxy voting is prohibited.
- Each voting member is permitted one vote on each of the resolutions and other business properly brought before the Business Session.

NRECA VOTING DELEGATE CERTIFICATION

NRECA Bylaws Article V, Section 2(B) and 2(C) provide that "...each voting member shall be entitled to select, either by vote of its membership or its board of directors, one of its members, directors, or employees to act as the voting delegate, and one such person to act as the alternate delegate, at the meeting...each voting delegate must submit a certification signed by the director who is president of the member or is chair of the member's board of directors, and by the director who is secretary of the member, stating that such delegate is duly authorized to cast the vote of the member."

Please indicate below who will be your delegate at the Business Meeting. **Only those delegates who have been properly documented as authorized by their cooperatives shall be credentialed to act during the NRECA Annual and Regional Meeting Business Sessions. This form must be dated, signed by the board President and board Secretary (board of directors/trustees), and returned to NRECA by the deadline provided in the accompanying instructions.**

Please note: Delegates chosen for the NRECA Annual Meeting are certified for the year. If there is no change for the *Regional Business Meeting*, there is no need to send in this form. If new delegates have been selected, please provide the new information requested.

The following are hereby certified as official voting delegate and alternate and are duly authorized to cast the vote of this member.

Voting Delegate

Title

Alternate Voting Delegate

Title

Signed

_____ DATE

Board President (of Member System)

_____ DATE

Board Secretary (of Member System)

DATE

Prepared by Arden Quezon-Vicente (12/13/2018 4:14:15 PM)

If you have any questions concerning the above procedure, please contact the Membership Department at (703) 907-5868.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.A.

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

TOPIC

ML&P Acquisition - Conditions to Signing Transaction Agreements

DISCUSSION

On October 24, 2018, the Chugach Electric Association, Inc. (Chugach) Board of Directors authorized the Chief Executive Officer to execute and deliver, subject to certain conditions being met, the following Transaction Agreements to be entered into by and among Chugach and the Municipality of Anchorage: 1) Asset Purchase and Sale Agreement; 2) Eklutna Power Purchase Agreement; 3) Payment in Lieu of Taxes Agreement; and, 4) Beluga River Unit Fuel Agreement. These agreements are designated as Exhibits A, B, C and D to the attached Resolution and are to remain confidential and only be made publicly available by Chugach upon agreement with the Municipality of Anchorage.

The conditions to signing the Transaction Agreements identified in the October 24, 2018 Resolution are: 1) Receipt of satisfactory 2017 Municipal Light & Power ("ML&P") audited financial statements and current interim financial statements; 2) Completion of the Disclosure Schedules as defined in the Asset Purchase Agreement; 3) Determination of no known material negative impact to ML&P having occurred; and, 4) Receipt of Assembly approval of the Transaction Agreements substantially in the form as provided to the Chugach Board on October 24, 2018.

With the exception of 2018 interim financial statements, the conditions to signing the Transaction Agreements have been met. The Municipality of Anchorage notified Chugach that ML&P's 2018 interim financial statements will not be available until 2019. Chugach management recommends that execution of the Transaction Agreements prior to receipt of

ML&P's 2018 interim financial statements is reasonable considering ML&P's recent financial performance as reflected in the 2017 audited financial statements, and recent affirmation of ML&P's A+ rating by Fitch Ratings, and Chugach's rights and protections contained in the Asset Purchase Agreement.

MOTION

Move that the Chugach Board of Directors approve the attached Resolution authorizing the Chief Executive Officer to: 1) Execute and deliver the Asset Purchase Agreement under terms and conditions without substantive changes from the form attached thereto as Exhibit A; 2) Execute the ancillary agreements to the Asset Purchase Agreement as described in the Resolution under terms and conditions without substantive changes from the forms attached thereto as Exhibits B, C and D; 3) Execute and deliver all such further documents in the name of the Association as necessary; and, 4) Take all such other actions as the Chief Executive Officer shall deem necessary to carry out the transactions contemplated by the attached Resolution and Exhibits thereto.

RESOLUTION

Asset Purchase Agreement for the Acquisition of Anchorage Municipal Light & Power

WHEREAS, on October 24, 2018, the Chugach Electric Association, Inc. (“Chugach”) Board of Directors authorized the Chief Executive Officer to execute and deliver, subject to the Board’s determination that certain conditions have been satisfied, the Asset Purchase Agreement (“APA”), the Eklutna Power Purchase Agreement, the Beluga River Unit Fuel Agreement, and the Payment in Lieu of Taxes Agreement (collectively, the “Transaction Agreements”) by and among Chugach and the Municipality of Anchorage (Resolution No. 10 01 18);

WHEREAS, the conditions to signing the Transaction Agreements identified in the October 24, 2018 Resolution are: 1) Receipt of satisfactory 2017 Municipal Light & Power (“ML&P”) audited financial statements and current interim financial statements; 2) Completion of the Disclosure Schedules as defined in the Asset Purchase Agreement; 3) Determination of no known material negative impact to ML&P having occurred; and, 4) Receipt of Assembly approval of the Transaction Agreements substantially in the form as provided to the Chugach Board on October 24, 2018;

WHEREAS, Chugach received ML&P’s 2017 audited financial statements and Independent Auditor’s Report on December 18, 2018 and Chugach management has determined to its satisfaction that there have been no significant or unexpected changes in ML&P’s asset balances, no new disclosures of adverse events, and no identified going concerns;

WHEREAS, the Independent Auditor’s Report issued on ML&P’s 2017 financial statements states that they present fairly, in all material respects, the respective financial position of the Electric Utility Fund, as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America;

WHEREAS, the APA requires the Municipality of Anchorage to provide Chugach with quarterly interim financial statements prior to close of the transaction as follows: (1) no later than January 31, 2019, for the quarter ended March 31, 2018; (2) no later than March 31, 2019, for the quarter ended June 30, 2018; and (3) no later than May 31, 2019, for the quarter ended September 30, 2018;

WHEREAS, the APA provides that Chugach’s receipt of such updated financial statements is a condition to Chugach’s obligation to close the transaction;

WHEREAS, the APA requires that all updated financial statements be prepared in accordance with generally accepted accounting principles (“GAAP”) and be materially consistent with ML&P’s 2017 audited financial statements;

WHEREAS, Chugach management has recommended that execution of the Transaction Agreements prior to receipt of ML&P’s 2018 interim financial statements is reasonable considering ML&P’s recent financial performance as reflected in the 2017 audited financial statements, and recent affirmation of ML&P’s A+ rating by Fitch Ratings, and Chugach’s rights and protections contained in the APA;

WHEREAS, Chugach management has represented that the Disclosure Schedules identified in the Asset Purchase Agreement are substantially complete to Chugach’s satisfaction in all material respects and will be fully completed prior to execution of the Transaction Agreements;

WHEREAS, Chugach is not aware of any material negative impacts to ML&P having occurred that would compromise or materially impact the transaction;

WHEREAS, on December 4, 2018, the Anchorage Assembly authorized through Ordinance 2018-89 the sale of substantially all the assets of ML&P to Chugach as provided in the Transaction Agreements substantially in the form as provided to the Chugach Board of Directors on October 24, 2018; and

WHEREAS, Chugach management has represented that total combined utility net savings exceed the \$110 million identified in the initial economic analysis as referenced in the October 24, 2018, Board Resolution.

NOW THEREFORE BE IT RESOLVED, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the Asset Purchase Agreement without substantive changes from the form attached hereto as Exhibit A;

BE IT FURTHER RESOLVED, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the Eklutna Power Purchase Agreement without substantive changes from the form attached hereto as Exhibit B;

BE IT FURTHER RESOLVED, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the Payment in Lieu of Taxes Agreement without substantive changes from the form attached hereto as Exhibit C;

BE IT FURTHER RESOLVED, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the Beluga River Unit Fuel Agreement without substantive changes from the form attached hereto as Exhibit D;

BE IT FURTHER RESOLVED, that the Transaction Agreements attached hereto as Exhibits A, B, C and D shall remain confidential and only be made publicly available by Chugach upon agreement with the Municipality of Anchorage; and,

BE IT FURTHER RESOLVED, that following execution and delivery of the Transaction Agreements, the Chief Executive Officer be, and hereby is, authorized and empowered to take such further action and to execute and deliver (or delegate the execution and delivery of) all such further agreements, certificates, instruments and documents, in the name and on behalf of Chugach; to pay or cause to be paid all expenses; to take all such other actions as the Chief Executive Officer shall deem necessary, desirable, advisable or appropriate to consummate, effectuate, carry out or further the transactions contemplated by, and the intent and purposes of, the foregoing resolutions; and that any and all such actions heretofore or hereafter taken by the Chief Executive Officer hereby are, adopted, affirmed, approved, and ratified in all respects as the act and deed of Chugach Electric Association, Inc.

CERTIFICATION

I, Stuart Parks, 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 19th day of December, 2018; 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 19th day of December, 2018.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.B.

- Information Only
 - Motion
 - Resolution
 - Executive Session
 - Other
-

TOPIC

Approve Integration Management Office (IMO) – Consulting Services

DISCUSSION

To be discussed in Executive Session.

MOTION

Move that the Board of Directors authorize the Chief Executive Officer to execute the Integration Management Office (IMO) consulting services agreements after the final APA has been executed as discussed in Executive Session.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.C.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Cost of Capital – Recommendation to Adjust Authorized Times Interest Earned Ratios (“TIER”)

DISCUSSION

Chugach Electric Association, Inc.’s (“Chugach”) authorized TIER for purposes of establishing rates is approved by the Regulatory Commission of Alaska (“Commission”). TIER is an interest coverage ratio that measures the extent to which margins exceed interest expense. The Commission’s statutory obligation provides that rates set by the Commission must be adequate to ensure contracted debt service coverage covenants are met.

Chugach’s current Commission-authorized TIER is 1.35 on a system basis, 1.10 for Generation and Transmission (“G&T”), and a floating Distribution TIER that, collectively, results in an overall system TIER of 1.35. Chugach’s existing TIER levels were established in prior general rate case filings.

Chugach retained NERA Economic Consulting (“NERA”) to complete a cost of capital study to provide recommendations on Chugach’s target equity ratio and TIER levels. The study considered Chugach’s operating conditions, including declines in electric sales, a low interest rate environment, current and projected equity levels, financial performance and flexibility, and utility industry benchmarking comparisons that included TIER and the return levels of other electric utilities on both a national and Alaska Railbelt basis. The objective of the cost of capital study is to establish equity and TIER levels that, collectively, provide the lowest overall cost of capital to Chugach over the long term.

The NERA study recommends that Chugach maintain its existing equity target of 40 percent. In addition, the study also recommends that Chugach increase its authorized system TIER from 1.35 to 1.55, increase its authorized G&T TIER from 1.10 to 1.60, and reduce its Distribution TIER to reflect the relatively higher risk associated with G&T activities. The study recommends that Chugach's TIER for its working interest in the Beluga River Unit should be set commensurate with its G&T TIER for electric operations.

Chugach is recommending a phase-in approach to adopting the NERA recommendations to mitigate significant changes on a functional basis. Based on the results of the cost of capital study, Chugach is recommending an increase to its system authorized TIER from 1.35 to 1.55, an increase to its authorized G&T TIER from 1.10 to 1.35, and to leave Distribution TIER variable such that overall rates are set to achieve a TIER of 1.55.

The cost of capital study will be updated if Chugach acquires all or a portion of the assets of Anchorage Municipal Light & Power ("ML&P"). The update will evaluate the combined operations of Chugach and ML&P as a single utility. Chugach anticipates that this update would be submitted to the Commission at the time Chugach files its first general rate case as a combined utility following the acquisition.

The TIER levels authorized by the Commission establish the maximum TIER that Chugach is permitted to use to set electric rates. Chugach is not required to set rates at the maximum authorized TIER levels. If fully implemented, and assuming no other changes on the system, Chugach's annual margins would increase by approximately \$4 million, or from \$7 million to \$11 million. As a result and if fully implemented, a residential customer bill, based on 600 kWh per month, would increase 2 percent.

MOTION

Move that the Chugach Board of Directors approve the attached Resolution authorizing the Chief Executive Officer to submit a filing to the Regulatory Commission of Alaska requesting approval to increase Chugach's system TIER from 1.35 to 1.55, increase the G&T TIER for both electric and natural gas operations from 1.10 to 1.35, and leave the Distribution TIER variable such that overall rates are set to achieve a system TIER of 1.55.

RESOLUTION

Cost of Capital – Recommendation to Adjust Authorized Times Interest Earned Ratios (“TIER”)

WHEREAS, Chugach Electric Association, Inc. (“Chugach” or “Association”) is economically regulated through Certificate of Public Convenience and Necessity No. 8, issued and approved by the Regulatory Commission of Alaska (“Commission”);

WHEREAS, Chugach’s margins included in rates for electric and gas operations are established on a Times Interest Earned Ratio (“TIER”) basis approved by the Commission;

WHEREAS, Chugach recently retained NERA Economic Consulting (“NERA”) to complete a cost of capital study to evaluate Chugach’s TIER levels and equity targets in recognition of current business conditions, factoring trends in electric sales levels, interest rates, equity levels, financial performance and flexibility, and utility benchmarking on both a national and Alaska Railbelt basis;

WHEREAS, the primary objective of the cost of capital study is to establish equity targets and TIER levels that, collectively, provide the lowest overall cost of capital (debt and equity) to the Association;

WHEREAS, Chugach’s current authorized TIER is 1.35 on a system basis, 1.10 for Generation and Transmission (“G&T”), and a variable Distribution TIER that, collectively, results in an overall system TIER of 1.35;

WHEREAS, the cost of capital study completed by NERA maintains Chugach’s existing target equity ratio of 40 percent and recommends that Chugach’s authorized TIER should increase from 1.35 to 1.55 on a system basis, increase from 1.10 to 1.60 on a G&T basis, and decrease from approximately 2.60 to 1.40 on a Distribution basis;

WHEREAS, Chugach management recommends a phased-in approach towards implementing the NERA recommendations to mitigate customer bill impacts on a functional (G&T and Distribution) basis; and,

WHEREAS, this cost of capital study will be updated if Chugach acquires all or a portion of the assets of Anchorage Municipal Light & Power at the time Chugach files its first general rate case as a combined single utility following the acquisition.

NOW, THEREFORE, BE IT RESOLVED, the Chugach Board of Directors authorizes the Chief Executive Officer to submit a filing to the Regulatory Commission of Alaska requesting approval to increase Chugach’s system TIER from 1.35 to 1.55, increase the G&T TIER for both

electric and natural gas operations from 1.10 to 1.35, and leave the Distribution TIER variable such that overall rates are set to achieve a system TIER of 1.55.

CERTIFICATION

I, Stuart Parks, 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 19th day of December, 2018; 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 19th day of December, 2018.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.D.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

State and Federal Public Assistance for Earthquake Damage, Outage Response and Mitigation

DISCUSSION

A magnitude 7.0 earthquake occurred on November 30, 2018 that resulted in outages and damages to Chugach facilities. The cost of much of the damage is still being determined.

As a result, a state disaster declaration and a federal emergency declaration were issued on November 30, 2018. These declarations provide an opportunity to recover costs related to the earthquake and to apply for mitigation funding to increase system resilience. Funding applications expected to be filed include a State Public Assistance Grant application and a Federal Emergency Management Agency (FEMA) claim.

The attached resolution has been prepared to show Chugach's commitment to the process of securing disaster assistance and mitigation funding.

MOTION

Move that the Board of Directors approve the attached resolution authorizing and endorsing the preparation and submittal of a State Public Assistance Grant application and a FEMA claim to recover costs for earthquake-related damages and for mitigation funding to improve Chugach's ability to withstand future disasters.

RESOLUTION

Federal Public Assistance Grant for Earthquake Damage and Outage Response

WHEREAS, on November 30, 2018 a magnitude 7.0 earthquake occurred which caused Chugach Electric Association, Inc. (Chugach) to experience outages and damages to facilities; and

WHEREAS, the state of Alaska issued a disaster declaration and federal government issued an emergency declaration on November 30, 2018; and

WHEREAS, the issuance of these declarations provides an opportunity to apply for public assistance from state and federal sources to recover costs related to the disaster and for mitigation funding to increase the resilience of the electric system; and

WHEREAS, a resolution of the governing body authorizing the filing of a grant application or federal claim demonstrates Chugach's commitment to pursue grant funding to recover costs and improve the electric system.

NOW THEREFORE, BE IT RESOLVED, Chugach shall submit a State Disaster Public Assistance Grant application and a Federal Emergency Management Agency (FEMA) claim to recover earthquake-related damage and outage response costs that occurred due to the November 30, 2018 earthquake and for mitigation funding to increase the resilience of the electric system.

BE IT FURTHER RESOLVED, Paul Risse, is Chugach's official representative with respect to a State of Alaska grant application or a FEMA claim.

CERTIFICATION

I, Stuart Parks, 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 19th day of December, 2018; 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 19th day of December, 2018.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.E.

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

TOPIC

Quartz Creek Rebuild Construction Contract Approval

DISCUSSION

The 115kV Quartz Creek Transmission line between Anchorage and the Kenai Peninsula is over 50 years old and is nearing the end of its useful life. Beginning in 2011, Chugach started rebuilding this line in sections. To date, Chugach has rebuilt approximately 25 miles of the 90 miles line length. Based on field inspections of the remaining sections, the Hope Substation to Summit Lake Substation section has significant deterioration, and will be the next section to be rebuilt. The nine mile long section will be rebuilt to 230 kV standards. The project includes retiring the existing structures and wire, and installation of new larger structures and wire. The new structures are designed for heavy snow and wind loading. A method to mitigate avalanches was also incorporated into the design. These design features were included to increase reliability and reduce maintenance on the line.

Funding was included in the Capital Improvement Program for this project and February of 2018 the board provided project authorization in the amount of \$9.5 million. This motion will consider a construction contract to rebuild the 115 kV transmission line between the Hope Substation the Summit Lake Substation.

Chugach received three bids in response to our solicitation for the construction project to rebuild nine miles of the transmission line. The lowest, responsible and responsive bidder was Northern Powerline Constructors with a bid of \$5,714,019.93. The engineer's estimate is \$5,816,102.32.

MOTION

Move that the Board of Directors approve the resolution authorizing the Chief Executive Officer to execute a construction contract with Northern Powerline Constructors, to rebuild nine miles of transmission line between Hope Substation and Summit Lake Substation, in the amount of \$5,714,019.93.

RESOLUTION

Quartz Creek Rebuild Construction Contract Approval

WHEREAS, Chugach Electric Association, Inc. (Chugach) has identified the need to rebuild nine miles of 115 kV transmission line between Hope Substation and Summit Lake Substation to increase reliability;

WHEREAS, the eventual conversion of the 115kV line to 230kV will result in a reduction in losses and increased transfer capacity from the Kenai Peninsula to Anchorage;

WHEREAS, this section of the 115 kV line has reached the end of its useful life and must be replaced, and the additional incremental cost of construction at 230 kV is only 10%-20% greater than an in-kind replacement, and which will result in significant savings over its future conversion to 230 kV;

WHEREAS, Chugach will upgrade nine miles of transmission line between Anchorage and the Kenai Peninsula to 230 kV insulation as recommended in the states RIRP;

WHEREAS, Chugach has included this project in the 2018 -2022 Capital Improvement Plan (CIP);

WHEREAS, Chugach has included this project in the 2018 Annual Operating Budget;

WHEREAS, Chugach has authorized \$9,500,000 of project expenditures in February, 2018;

WHEREAS, Chugach has publicly solicited and received bids for the construction contract to rebuild the transmission line from Hope Substation to Summit Lake Substation from three (3) bidders and;

WHEREAS, Chugach has evaluated the bids and found Northern Powerline Constructors to be the lowest, responsive and responsible bidder,

NOW, THEREFORE, BE IT RESOLVED, that the Chugach Board of Directors authorizes the Chief Executive Officer to execute a contract with Northern Powerline Constructors to rebuild nine miles of the 115 kV transmission line between Hope Substation and Summit Lake Substations in the amount of \$5,714,019.93.

CERTIFICATION

I, Stuart Parks, 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 19th day of December, 2018; 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 19th day of December, 2018.

Quartz Creek 115 kV Rebuild

Hope Substation to Summit Lake Substation
Motion/Resolution for Construction Contract
December 19, 2018

Agenda

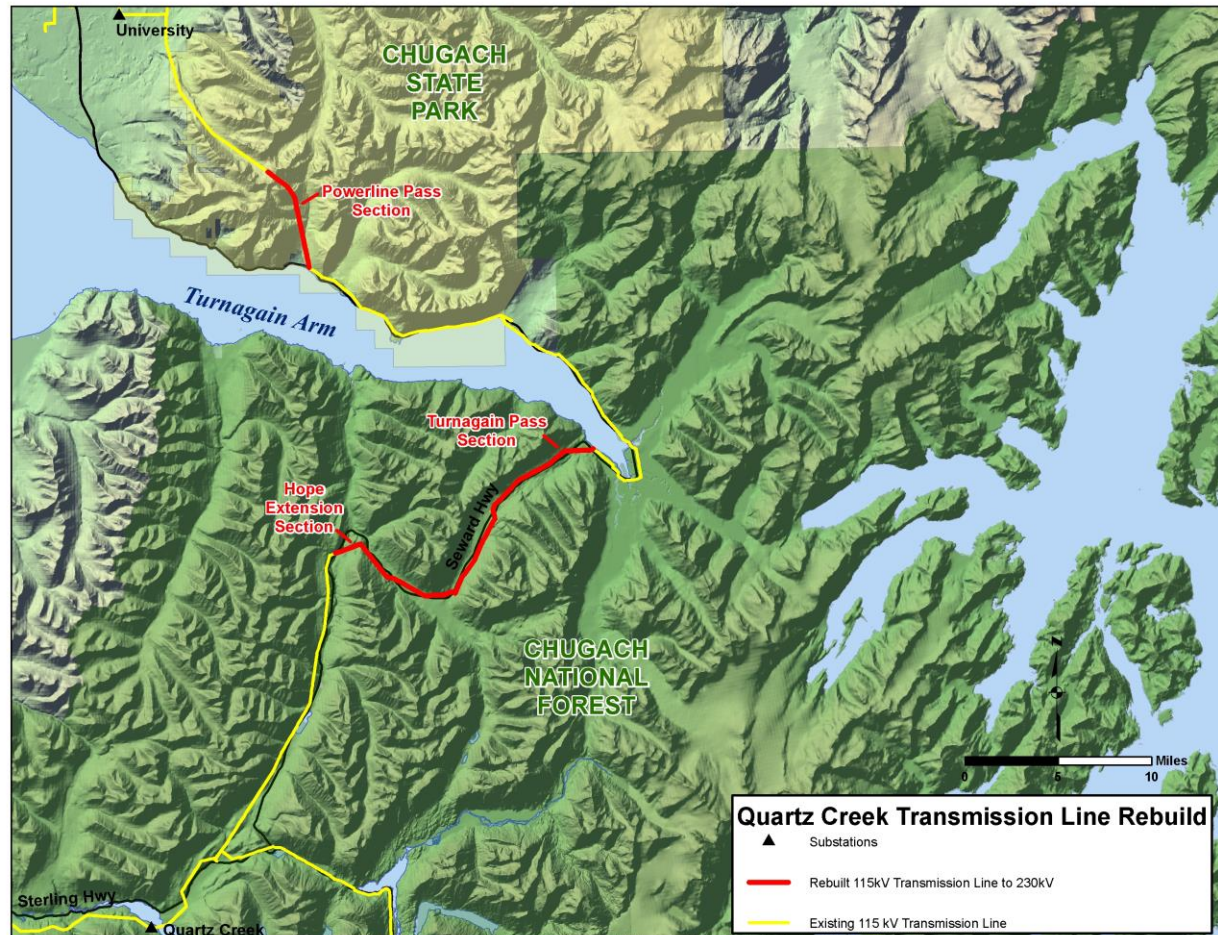
1. History and Background of the Transmission Line
2. Scope of the Project
3. Project Status
4. Construction Contract Bid Results
5. Questions

Background

- Constructed in the 1960s to support the Cooper Lake Hydro Project
- Transfers power from the Bradley Lake Hydro Project
- Rebuild Projects
 - Various sections have been rebuilt
 - Chugach started a systematic rebuild to 230 kV standards in 2011
 - Approximately 25 miles have been rebuilt since 2011

Vicinity Map

Quartz Creek 115 kV Rebuild



Hope Substation to Summit Lake Substation Project

Quartz Creek
115 kV Rebuild

- Board Approvals

- | | | |
|----------------------------|-----------|------|
| • 2018-2022 CIP | November | 2017 |
| • Project \$9.5M | February | 2018 |
| • Steel Procurement \$1.2M | September | 2018 |

- Project Scope

- Rebuild nine miles of transmission line between Hope and Summit Lake Substations to 230 kV standards utilizing wood and steel poles with 795 Drake conductor
- Special Considerations
 - Areas with avalanche hazards will use specialized structures/design
 - Fiber optic cable will be installed
 - Girdwood Backup Generation
- 60 Day outage

Rebuild Photographs

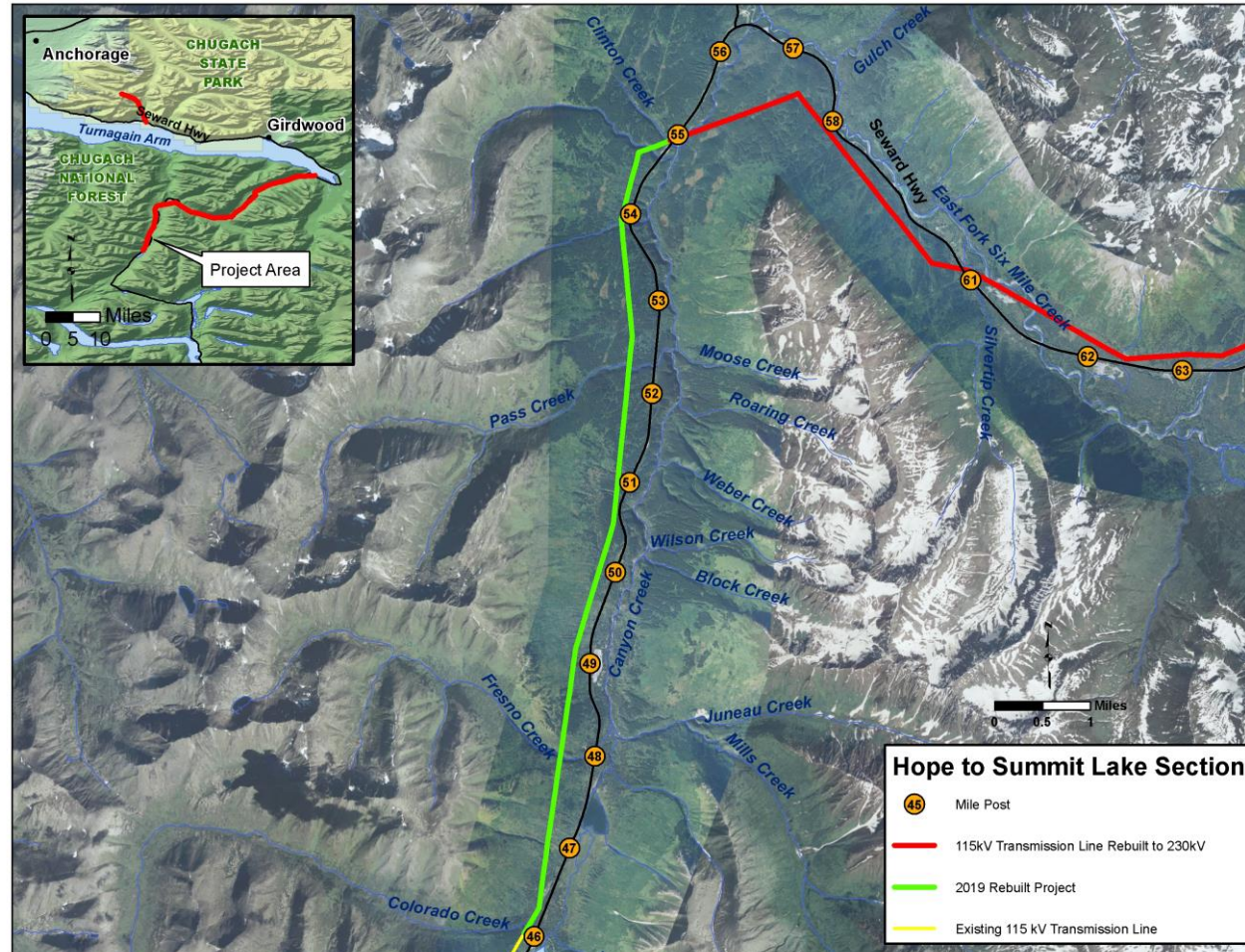
Quartz Creek 115 kV Rebuild



December 19, 2018

Project Map

Quartz Creek 115 kV Rebuild



Construction Contract Bid Results

Quartz Creek
115 kV Rebuild

Northern Powerline Constructors	\$5,714,019.93
Electric Power Constructors	\$6,381,253.14
Alaska Line Builders	\$6,429,576.43
Engineer's Estimate	\$5,816,102.32

Northern Powerline Constructors was found to be the lowest responsible and responsive bidder.

Questions

Quartz Creek
115 kV Rebuild

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

December 19, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.F.

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

TOPIC

Approval of 2019 Operating and Capital Budget

DISCUSSION

On December 10, 2018, the Audit and Finance Committee met, reviewed and recommended that the Board of Directors approve 2019 Operating and Capital Budget and 2019-2023 Capital Improvement Program.

The 2019 Operating Budget is expected to produce margins of \$5.8 million, Margins for Interest/Interest (MFI/I) ratio of 1.28, Times Interest Earned Ratio (TIER) ratio of 1.30 and Equity to Total Capitalization Ratio of 31.9%. These results are based on a Total Cost of Service of \$202.4 million, Total Revenue of \$207.4 million and Non-Operating Margins of \$0.8 million.

The 2019 Capital Budget cash requirement is \$76.3 million, consisting of \$11.6 million in Distribution, \$11.5 million in Transmission and Subtransmission and \$10.8 million in Generation, Deferred Plant, General Plant and Telecommunications/SCADA capital expenditures, as well as \$42.4 million for ML&P Acquisition and Integration costs. The 2019 Capital Budget includes an additional \$7.6 million from sources other than Chugach's base rates to its members.

MOTION

Move that the Board of Directors approve the 2019 Operating and Capital Budget which is expected to produce margins of \$5.8 million, MFI/I ratio of 1.28, TIER ratio of 1.30 and Equity to Total Capitalization ratio of 31.9%. These results are based on a Total Cost of Service of \$202.4 million, Total Revenue of \$207.4 million, Non-Operating Margins of \$0.8 million, and a capital expenditure cash requirement of \$76.3 million.