

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

**August 21, 2024
Wednesday
4:00 p.m.**

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Amanda Mankel

I. CALL TO ORDER

Chair Morse called the Audit and Finance Committee meeting to order at 4:02 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

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

Absent/Excused
Jim Nordlund, Director, excused

*Guests and Staff Attendance
Present:*

Arthur Miller	Andrew Laughlin	Josh Travis
Sherri Highers	Paul Millwood	Bernie Smith, Member
Matthew Clarkson	Julie Hasquet	
Allan Rudeck	Whitney Wilkenson	

Via Teleconference:

Stephanie Huddell	Nathan Golab	Buddi Richey
Heather Slocum	Sandra Cacy	Anne Jensen, Member

II. APPROVAL OF THE AGENDA

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

III. APPROVAL OF THE MINUTES

Director Wiggin moved, and Director Rogers seconded the motion to approve the May 29, 2024, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

Chair Morse noted for the record the reports listed in the resource tab include: 2024 2nd Quarter Financial Report, 2024 2nd Quarter Budget Status Report, 2024 Contract Status Report, and the 2023 990.

IV. PERSONS TO BE HEARD

Anne Jensen provided written and verbal comments regarding gas quantity, debt, and employee compensation concerns.

V. NEW BUSINESS

None.

VI. CEO REPORTS AND CORRESPONDENCE

A. BRU Quarterly Investment Fund Review (Millwood)

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

B. 2nd Quarter 2024 Capital Tracking Report (Millwood/Laughlin)

Andrew Laughlin, Chief Operating Officer, and Paul Millwood, VP Finance & Accounting, presented highlights of the 2nd Quarter 2024 Capital Tracking Report and answered questions from the Committee.

C. 2nd Quarter 2024 Financial Information and Variance Report (Millwood)

Paul Millwood, VP Finance & Accounting, and Jessie Anderson, Manager of Budget & Financial Reporting, presented the 2nd Quarter 2024 Financial Information and Variance Report and answered questions from the Committee.

VII. NEW BUSINESS

None.

VIII. EXECUTIVE SESSION

A. Internal Controls

Director Cooper moved, and Director Wiggin seconded that pursuant to Alaska Statute 10.25.175(c)(1) the Board of Directors go into executive session to discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative.

The meeting reconvened in open session at 5:19 p.m.

IX. DIRECTOR COMMENTS

Director comments were made at this time.

X. ADJOURNMENT

At 5:26 p.m., Director Wiggin moved, and Director Cooper seconded the motion to adjourn. The motion passed unanimously.



ALASKA PERMANENT CAPITAL MANAGEMENT

Registered Investment Adviser

Chugach Electric Beluga River ARO Investment Fund

September 2024



Investment success starts with a plan:

Monitoring the path toward achieving your financial goals....

Making progress toward your growth objectives...

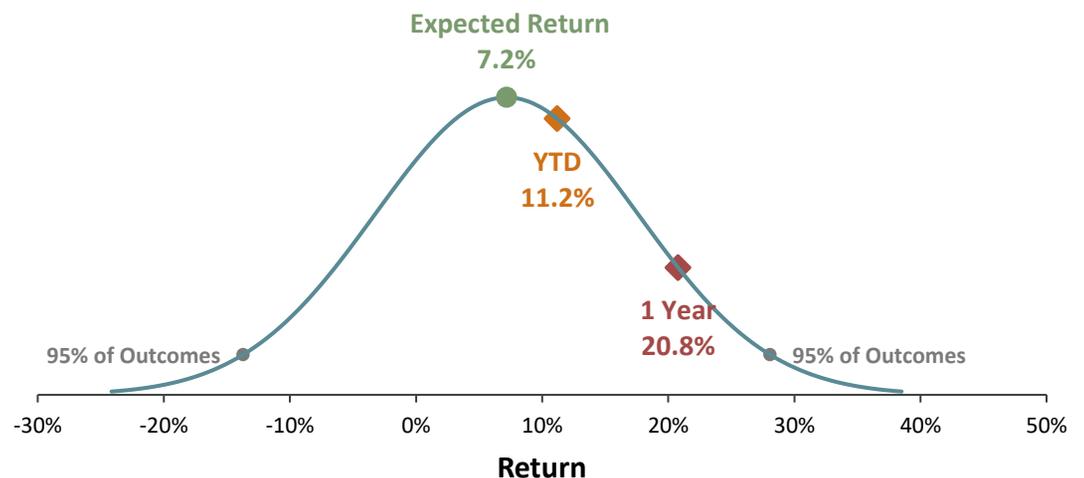


Chugach Electric Beluga River ARO Investment Fund		
September 2024		
Account Inception	October 2020	
Total Contributions	\$ 30,051,859	
Withdrawals <i>Does not include custodial or management fees</i>	\$ 0	
Current Market Value <i>September 30, 2024</i>	\$34,934,398	
Annualized Account Return* <i>Inception – September 30, 2024</i>	+ 5.32%	
Strategic Asset Allocation	Risk Control	27%
	Risk Assets	52%
	Alternatives	21%

Goals:

The investment objective of the ARO Fund is to achieve a long-term rate of return on assets in the ARO Fund which, in conjunction with monthly deposits of member funds by Chugach, will be sufficient to satisfy the ARO Liability.

The current funded status of the ARO Fund is 72.15% as of September 30, 2024.



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

Funded status has improved over the quarter...



Contributions to Date*	\$ 30,051,859
Net Earnings	\$ 4,882,539
Current Market Value	\$ 34,934,398
Total Liability <i>End of Life</i>	\$ 79,101,308
Anticipated Contributions**	\$ 22,138,392
Funded Status***	72.15%
Current Funding Gap**** <i>Additional contributions and/or earnings required to fully fund liability</i>	\$ 22,028,518
Funded Status + Funding Gap	100%

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

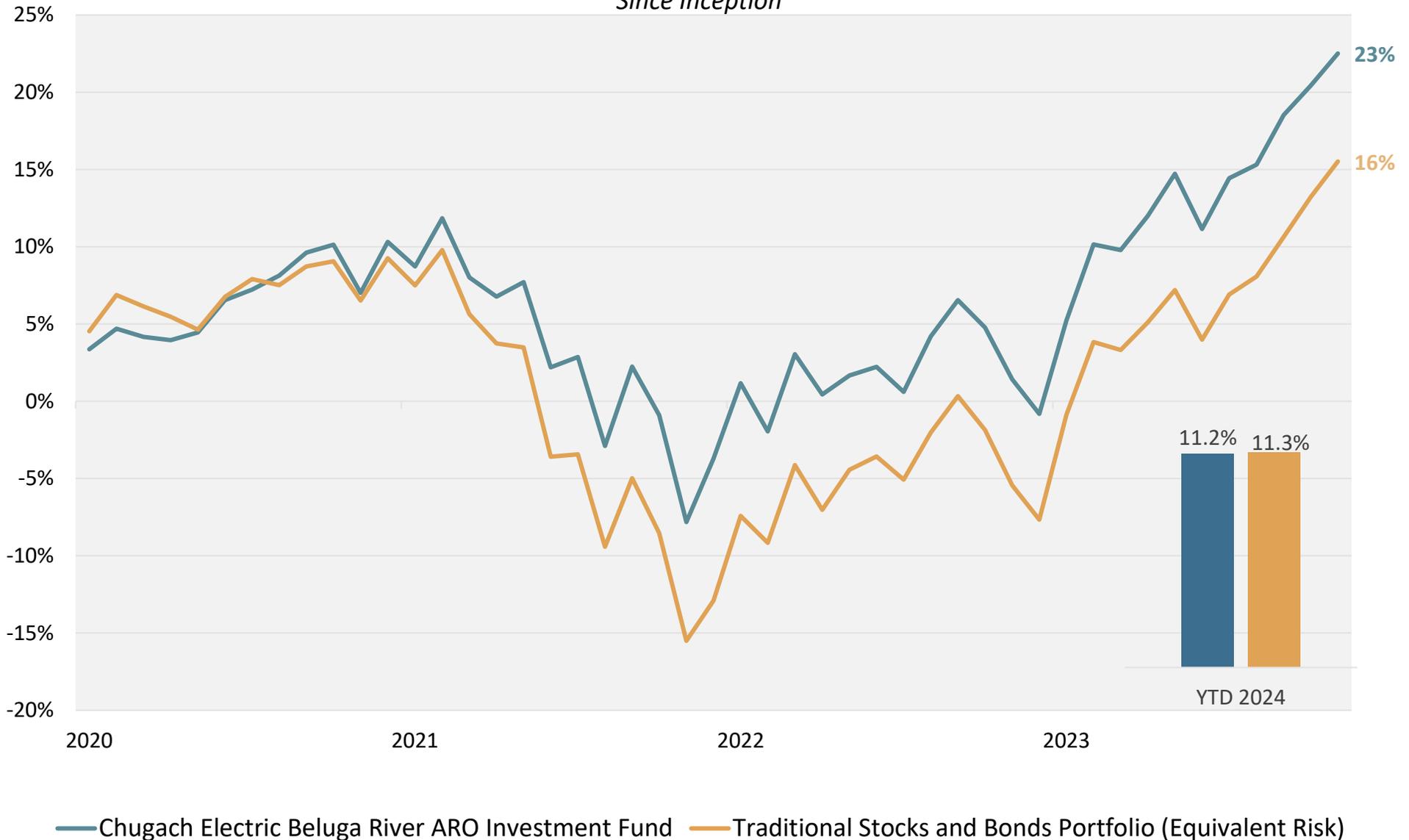
** Anticipated Contributions based on 2022 Reserve Study prepared by Ryder Scott.

***Funded Status calculated as current market value plus anticipated contributions of approximately \$22.14MM divided by the ARO liability of \$79.10MM.

****Total Liability – (Future Contributions + Anticipated Contributions)

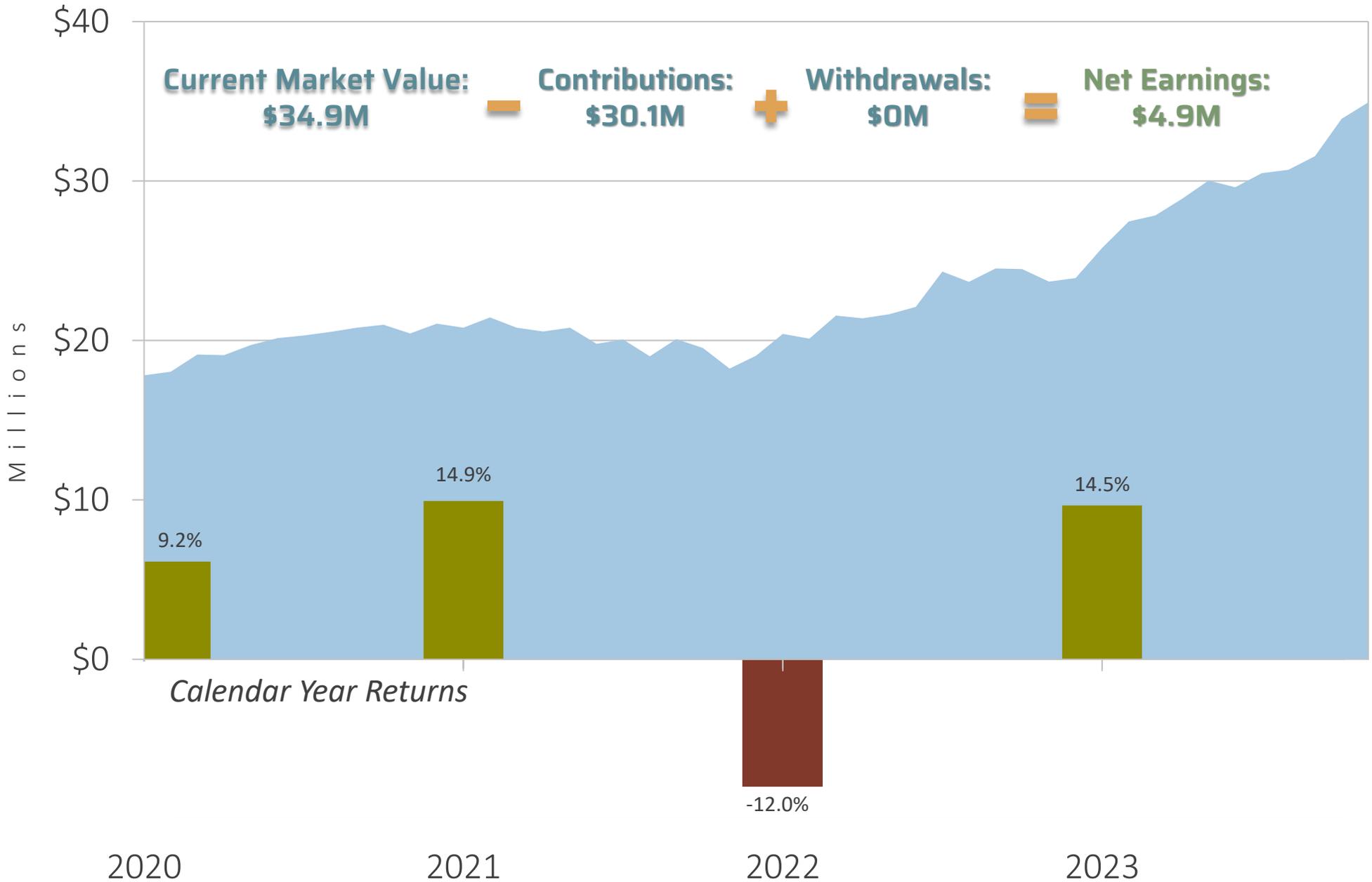
Diversification is enhancing performance beyond a traditional stock and bond portfolio...

Cumulative Total Return
Since Inception



Portfolio performance is gross of management fees and net of fund fees. Traditional Stocks and Bonds Portfolio (Equivalent Risk) is comprised of the ACWI World Index (25%) and Bloomberg Global Agg Index (75%) from inception through 9/30/2021. From that point forward, the Traditional Stocks and Bonds Portfolio (Equivalent Risk) is comprised of the ACWI World Index (55%) and Bloomberg Global Agg Index (45%)

Steady gains: the power of consistency in cumulative earnings...



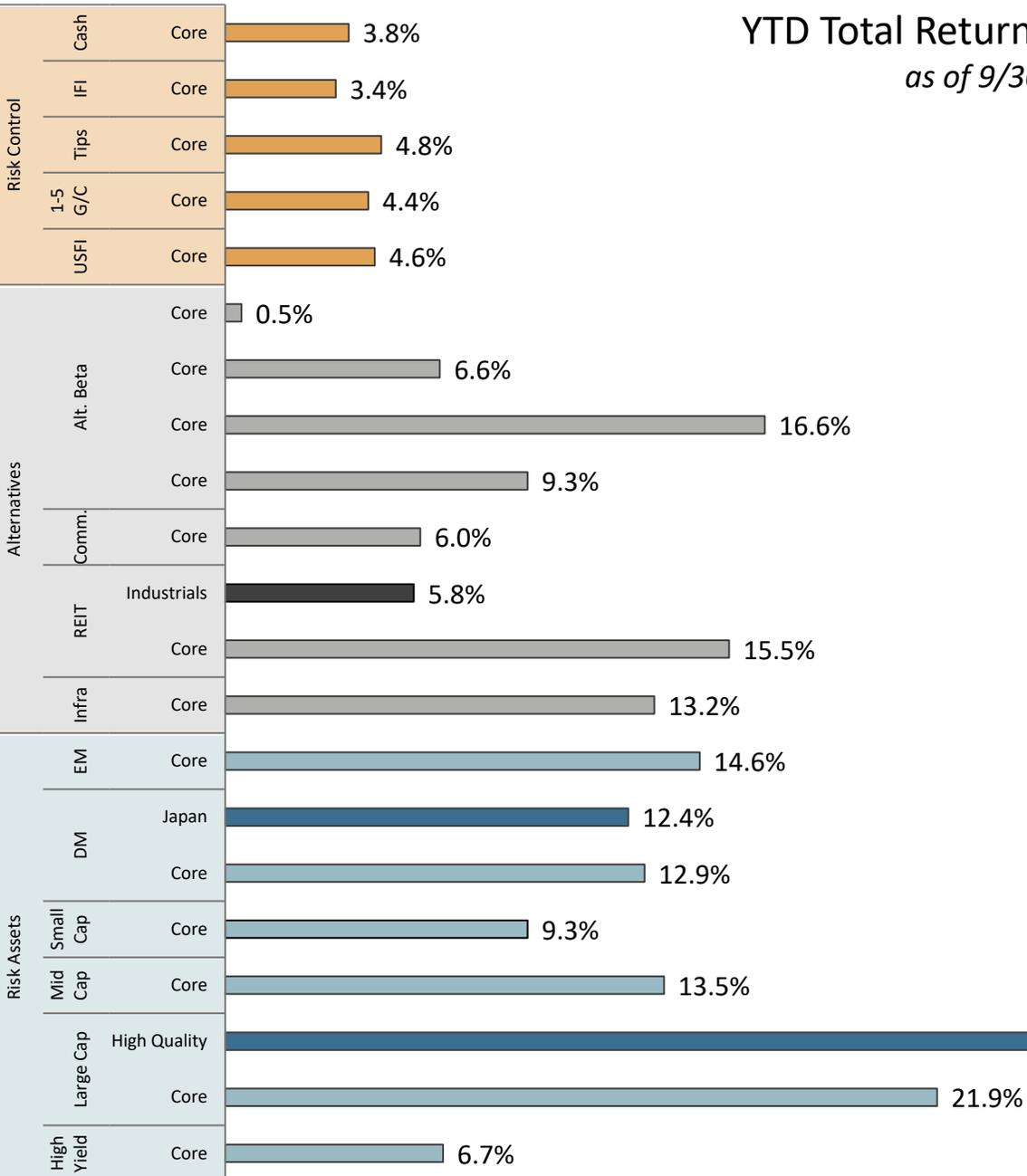


Navigating Short-Term Trends and Their Impact on Your Portfolio Strategy

Economic growth and inflation are slowing but recent returns have been positive

Maintaining long-term equity targets in 2024 has contributed positively to performance...

YTD Total Return by Asset Class
as of 9/30/2024



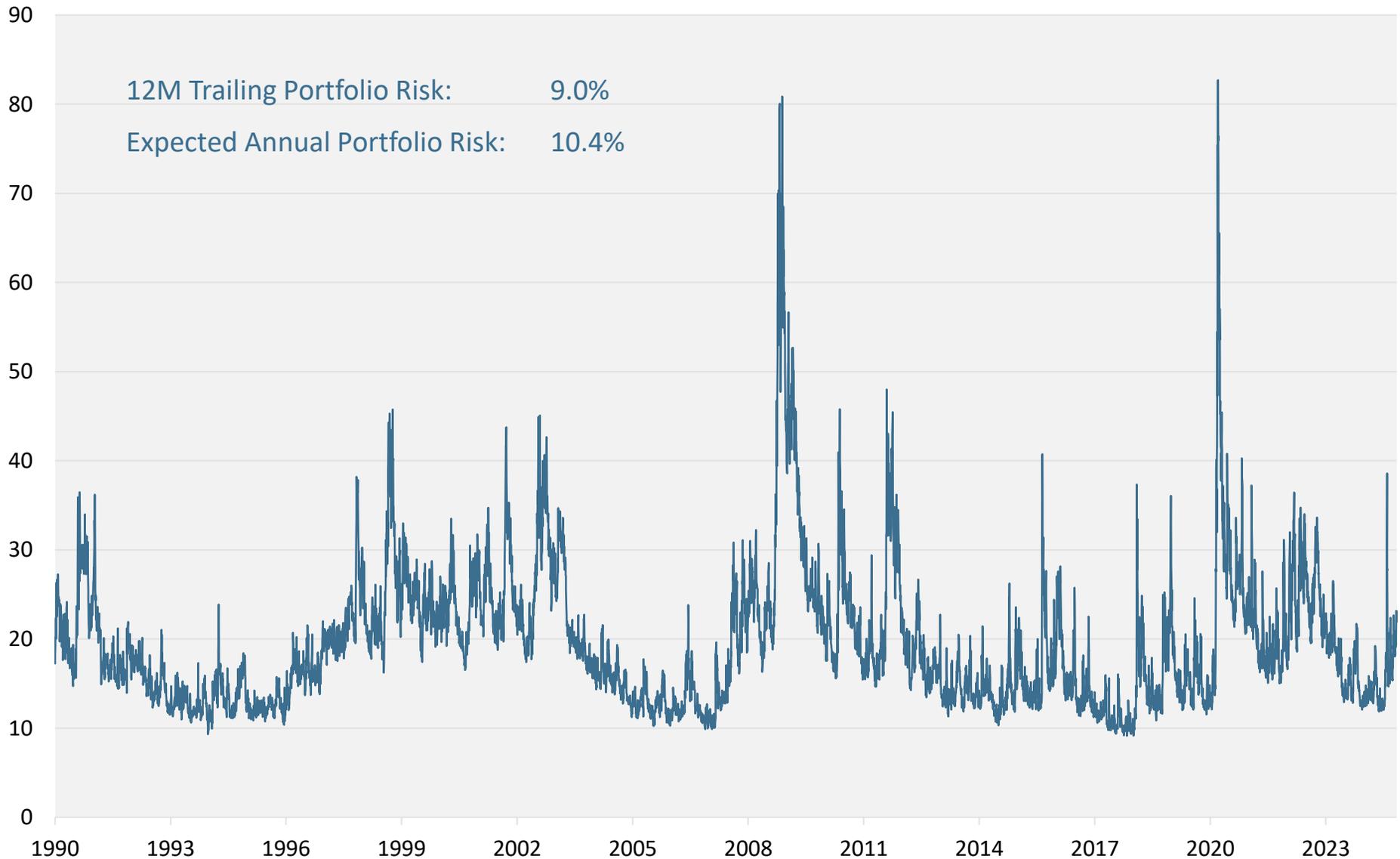
YTD returns have been in the upper range of APCM’s expectations given that asset classes across the board have benefited from easing monetary policy, generally robust corporate earnings, AI optimism, and economic resilience.

APCM has held high-quality Large Cap U.S. stock exposure as a tactical position throughout 2024. **This position outperformed the broad S&P 500** through September. In October, APCM took profits and sold the position due to a shifting valuation picture.

Within the Real Estate Allocation, Industrials have underperformed and APCM **recently closed the position** due to deteriorating fundamentals in the sector.

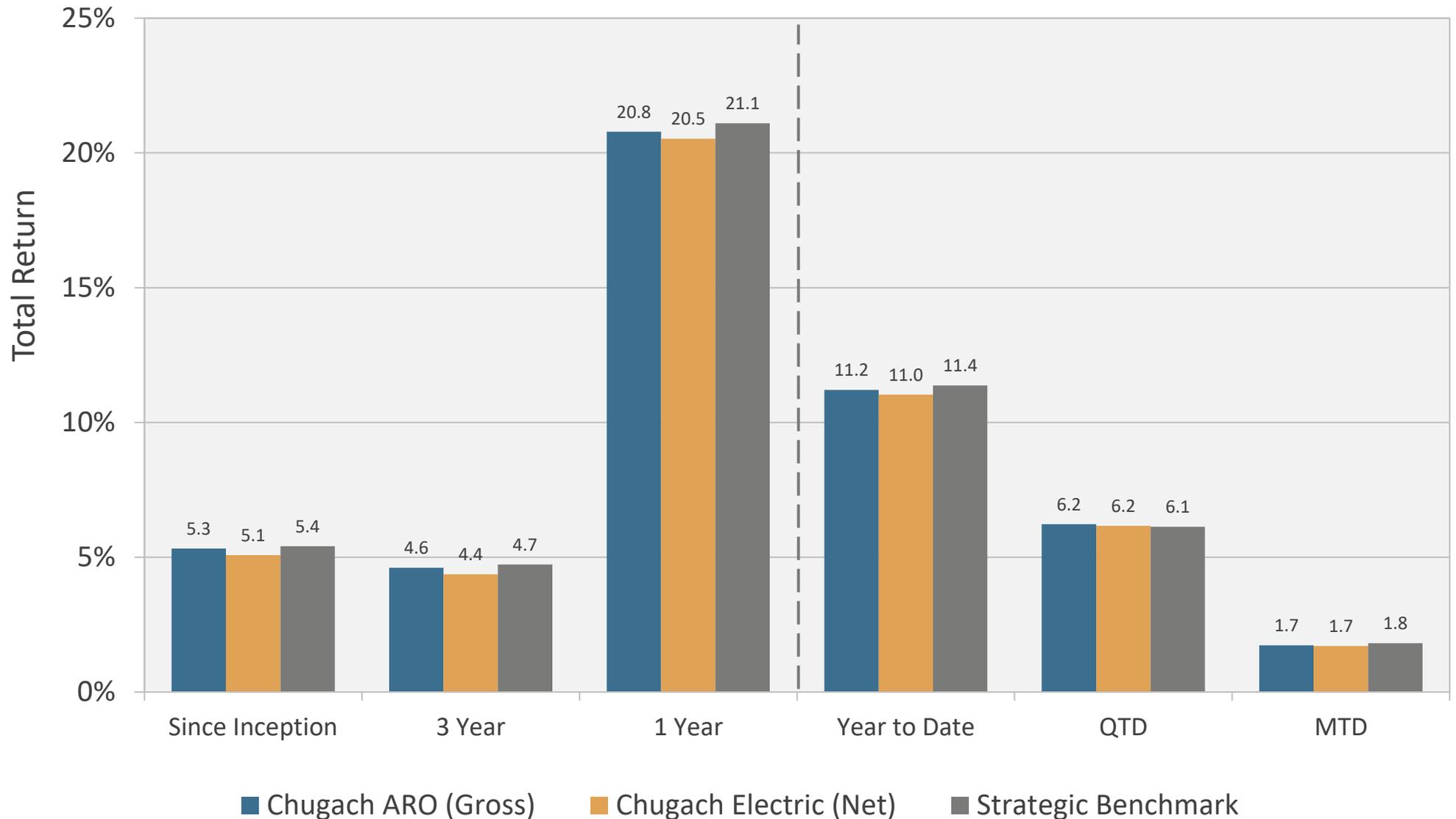
Your portfolio volatility has been within expectations for your risk profile...

Historical Market Risk
VIX Price Index

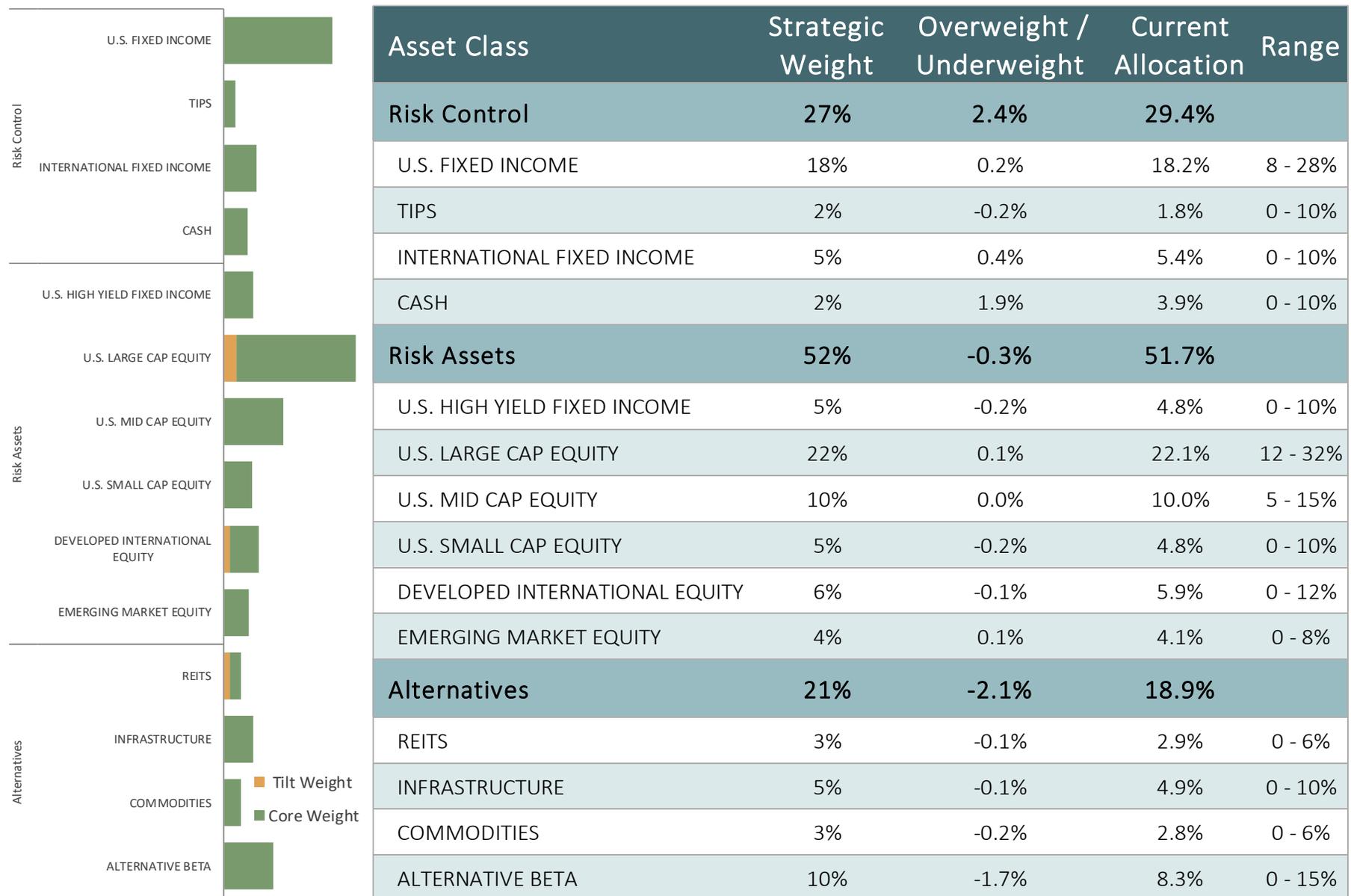


Recent returns have been fueled by equity gains and high-quality company exposure...

Account Performance
as of September 30, 2024



We are balancing risk and opportunity: overweight bonds, neutral equities...



Administrative updates and future priorities...



- As we approach the end of 2024, APCM's Multi-Asset Team is beginning to formulate our 2025 market outlook for short term portfolio positioning considerations.
- APCM is continuing due diligence to expand its private market offering to include private credit in 2025.
- Our firm's ten-year forward looking Capital Market Expectations utilized for long-term forward-looking projections will be completed Q1 2025.
- To help us prepare thoroughly for your upcoming meeting, please let us know as soon as you determine the meeting date, along with the deadline for when you'd like to receive the meeting materials. This will ensure we can provide you with the best possible support and insights.

Dedicated to Client Service

We are here to support you with anything you may need.

For assistance with:

- Arranging future meetings
- One-on-one educational or Q&A sessions
- Questions about invoices or statements

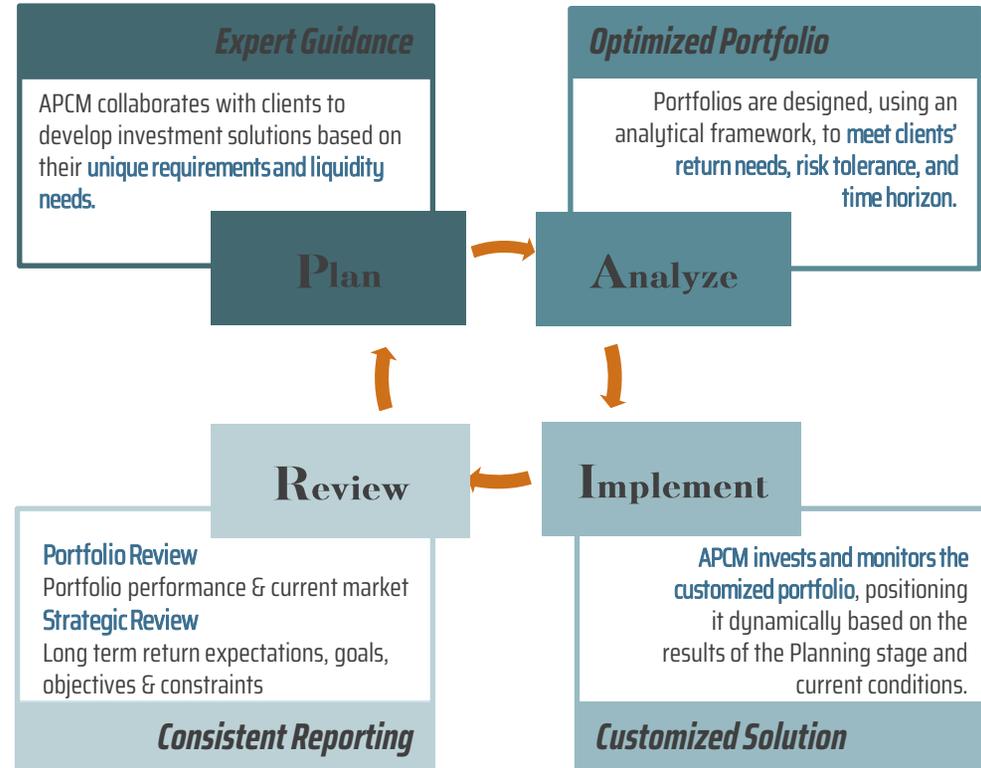
Please contact:

Blake Phillips
907-646-3505
blake@apcm.net

Lindsey Cashman:
907-646-3532
lindsey@apcm.net

If they cannot answer your question directly, they will connect you with the right team member at APCM who can.

Value in Process



Disclosures



Important Assumptions

IMPORTANT: The projections or other information generated by Alaska Permanent Capital Management Company (APCM) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. There can be no assurance that the projected or simulated results will be achieved or sustained. The charts and data only present a range of possible outcomes. Actual results will vary over time, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than that demonstrated in the simulations. Please note that the analysis does not take into consideration all asset classes, and other asset classes not considered may have characteristics similar or superior to those being analyzed.

Important Legal Information

These calculations are designed to be informational and educational only, and when used alone, do not constitute investment advice. APCM encourages investors to review their investment strategy periodically as financial circumstances do change.

Model results are provided as a rough approximation of future financial performance. Actual results could produce different outcomes (either better or worse) than those illustrated by the model, since it is not possible to anticipate every possible combination of financial market returns. APCM is not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided by the results of the model.

Other Influences on Rates of Return

Investment management fees: Returns are presented gross of management fees and include the reinvestment of all income. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) \$1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

Taxes: Unless noted otherwise, model results have not been adjusted for any state or federal taxes or penalties.

Inflation: Unless noted otherwise, model results do not adjust any inputs or outcomes for inflation. Inflation is assumed to be constant over the investment horizon.

Limitations Inherent in Model Results

Limitations include but are not restricted to the following:

Model results do not represent actual trading and may not reflect the impact that material economic and market factors might have had on APCM's decision making if the actual client money were being managed.

Extreme market movements may occur more frequently than represented in the model.

Some asset classes have relatively limited histories. While future results for all asset classes in the model may materially differ from those assumed in APCM's calculations, the future results for asset classes with limited histories may diverge to a greater extent than the future results of asset classes with longer track records.

Market crises can cause asset classes to perform similarly over time; reducing the accuracy of the projected portfolio volatility and returns. The model is based on the long-term behavior of the asset classes and therefore is less reliable for short-term periods. This means that the model does not reflect the average periods of "bull" and "bear" markets, which can be longer than those modeled.

The model represent APCM's best view of the next 7-10 years, but is unlikely to reflect actual investment returns worldwide over this period.

Capital Tracking Report

3rd Quarter 2024

Chugach Electric Association, Inc.

Audit & Finance Committee

November 19, 2024



Projects Summary

Project Name	Last Approved	Actual	Forecast	Approved	Financial Status					
		(In Millions)			Legend:	Actual	Under	Over <15%	Over >15%	Approve
Reliability Projects		\$61.5	\$85.0	\$82.0						
Retirements & Replacements Projects		\$21.3	\$34.6	\$34.2						
Agency Mandated Projects		\$5.6	\$6.0	\$5.4						
Operating Efficiency Projects		\$45.5	\$92.5	\$94.7						

Capital Tracking Report

3rd Quarter 2024

Supplemental Information



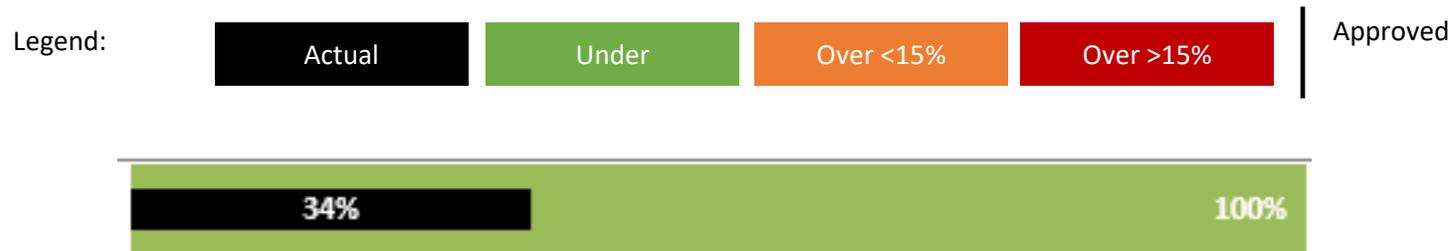
Reliability Projects

Reliability Projects Summary

Project Name	Last Approved	Actual-to-Date	Forecast	Approved	Physically Complete	Financial Status
			(In Millions)		Legend: Actual Under Over <15% Over >15% Approve	
Reliability						
Dimond OH/UG	6/26/2024	\$1.4	\$4.0	\$4.0	10%	<div style="display: flex; align-items: center; gap: 5px;"> <div style="background-color: black; color: white; padding: 2px;">34%</div> <div style="background-color: #76923c; width: 66%;"></div> <div style="margin-left: auto; text-align: right;">100%</div> </div>
Huffman OH/UG	6/26/2024	\$1.8	\$7.0	\$7.0	40%	<div style="display: flex; align-items: center; gap: 5px;"> <div style="background-color: black; color: white; padding: 2px;">26%</div> <div style="background-color: #76923c; width: 74%;"></div> <div style="margin-left: auto; text-align: right;">100%</div> </div>
LaTouche Substation Rebuild	8/28/2024	\$1.2	\$7.2	\$7.2	15%	<div style="display: flex; align-items: center; gap: 5px;"> <div style="background-color: black; color: white; padding: 2px;">16%</div> <div style="background-color: #76923c; width: 84%;"></div> <div style="margin-left: auto; text-align: right;">100%</div> </div>
Old Seward OH/UG Dimond-O'Malley	4/26/2023	\$6.2	\$6.4	\$5.7	100%	<div style="display: flex; align-items: center; gap: 5px;"> <div style="background-color: black; color: white; padding: 2px;">109%</div> <div style="background-color: #f4a460; width: 4%;"></div> <div style="margin-left: auto; text-align: right;">113%</div> </div>
Baxter OH/UG	4/26/2023	\$2.8	\$2.9	\$2.9	100%	<div style="display: flex; align-items: center; gap: 5px;"> <div style="background-color: black; color: white; padding: 2px;">96%</div> <div style="background-color: #76923c; width: 4%;"></div> <div style="margin-left: auto; text-align: right;">100%</div> </div>
Campbell Lake Substation Rebuild	3/22/2023	\$2.2	\$8.6	\$8.6	36%	<div style="display: flex; align-items: center; gap: 5px;"> <div style="background-color: black; color: white; padding: 2px;">25%</div> <div style="background-color: #76923c; width: 75%;"></div> <div style="margin-left: auto; text-align: right;">100%</div> </div>
Battery Energy Storage System	10/26/2022	\$45.9	\$48.9	\$46.6	98%	<div style="display: flex; align-items: center; gap: 5px;"> <div style="background-color: black; color: white; padding: 2px;">98%</div> <div style="background-color: #f4a460; width: 2%;"></div> <div style="margin-left: auto; text-align: right;">105%</div> </div>

Dimond OH/UG

- Approved – 6/26/2024
- Project Manager – B. Jackson
- Physically Complete – 10%
- Approval Amount – \$4.0M
- Actuals – \$1.4M
- Forecast – \$4.0M



Dimond OH/UG

The Dimond project will underground the existing overhead distribution circuit from the east side of Roy Street to the west side of Jewel Lake Road. Project Notice To Proceed (NTP) was awarded to Lineworks in mid-July 2024. Some bore and pad work has been completed, with minimal construction expected through winter. Substantial completion is expected in mid-July 2025.



Huffman OH/UG

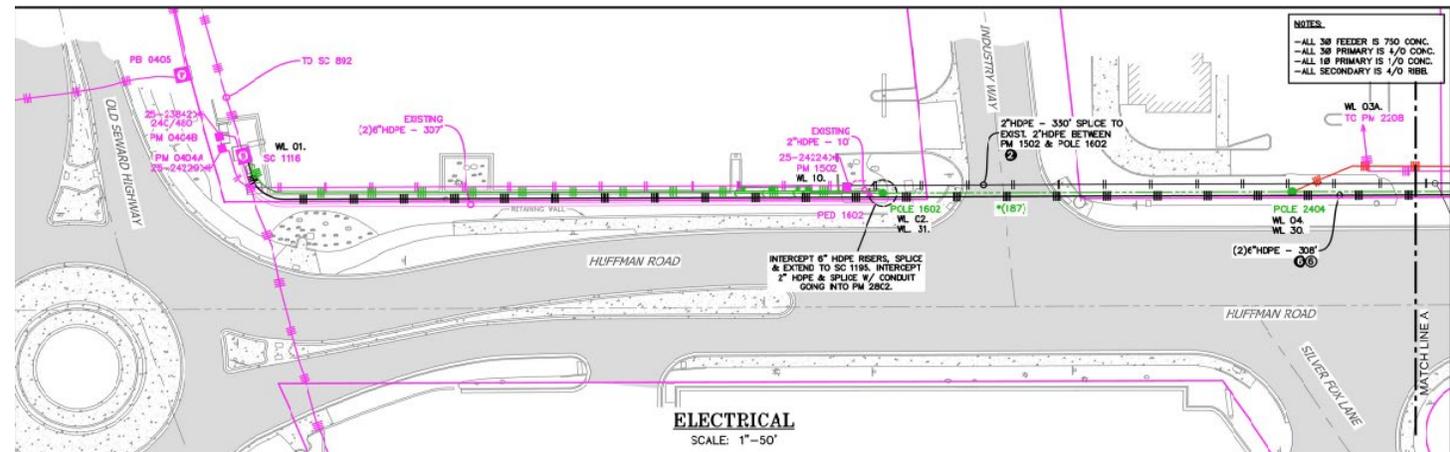
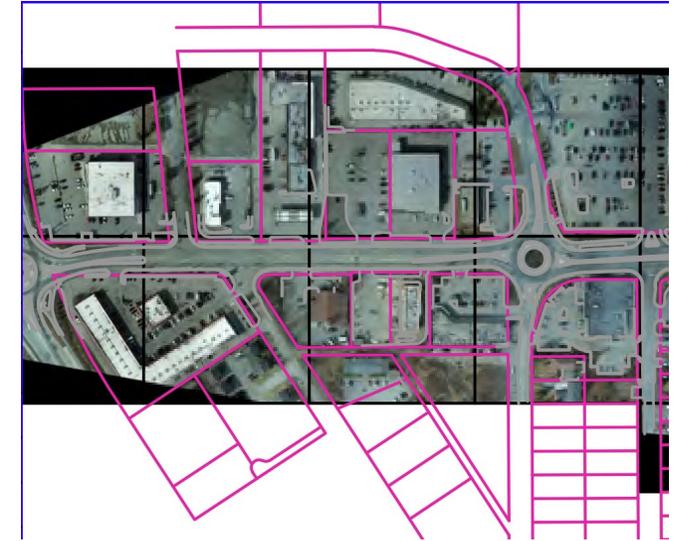
- Approved – 6/26/2024
- Project Manager – B. Jackson
- Physically Complete – 40%
- Approval Amount – \$7.0M
- Actuals – \$1.8M
- Forecast – \$7.0M



Huffman OH/UG

The Huffman project will underground the existing overhead distribution and sub-transmission circuit from the east side of Old Seward Highway to the east side of Lake Otis.

Project NTP was awarded to Sturgeon in mid - August 2024. 15kV feeder construction has been completed with winter construction to proceed until major snowfall. Substantial completion is expected in mid-August 2025.



LaTouche Substation Rebuild

- Approved – 8/28/2024
- Project Manager – C. Kohler
- Physically Complete – 15%
- Approval Amount – \$7.2M
- Actuals – \$1.2M
- Forecast – \$7.2M



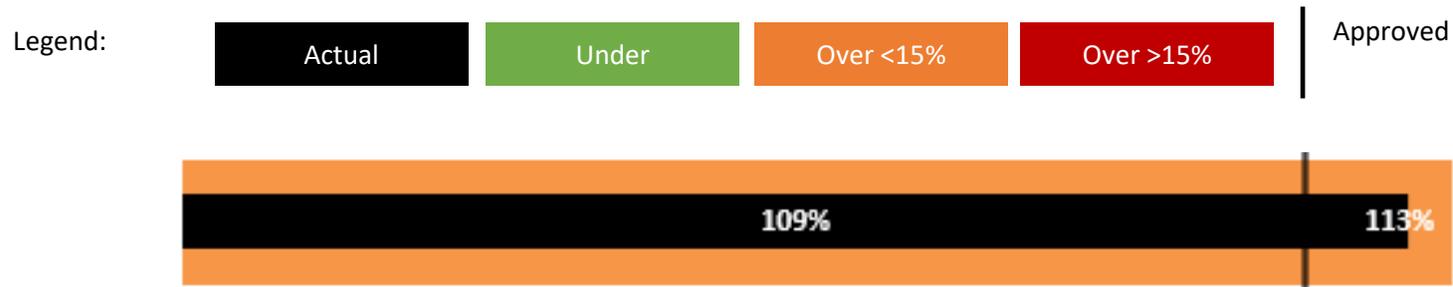
LaTouche Substation Rebuild

The initial construction kicked off in September. The switchgear will be delivered in October of 2024. Full project engineering is in progress.



Old Seward OH/UG Dimond-O'Malley

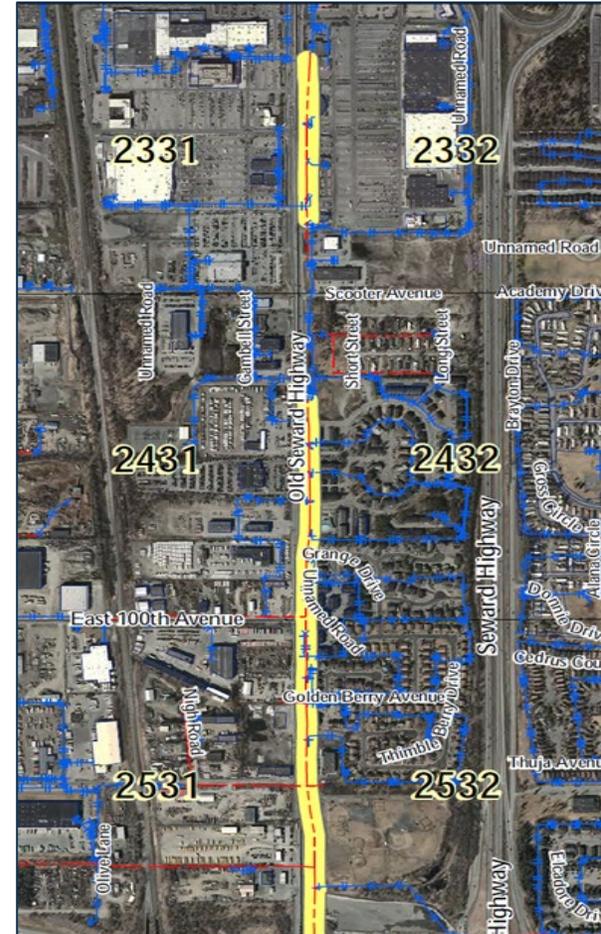
- Approved – 04/26/2023
- Project Manager – B. Jackson
- Physically Complete – 100%
- Approval Amount – \$5.7M
- Actuals – \$6.2M
- Forecast – \$6.4M



Old Seward OH/UG Dimond-O'Malley

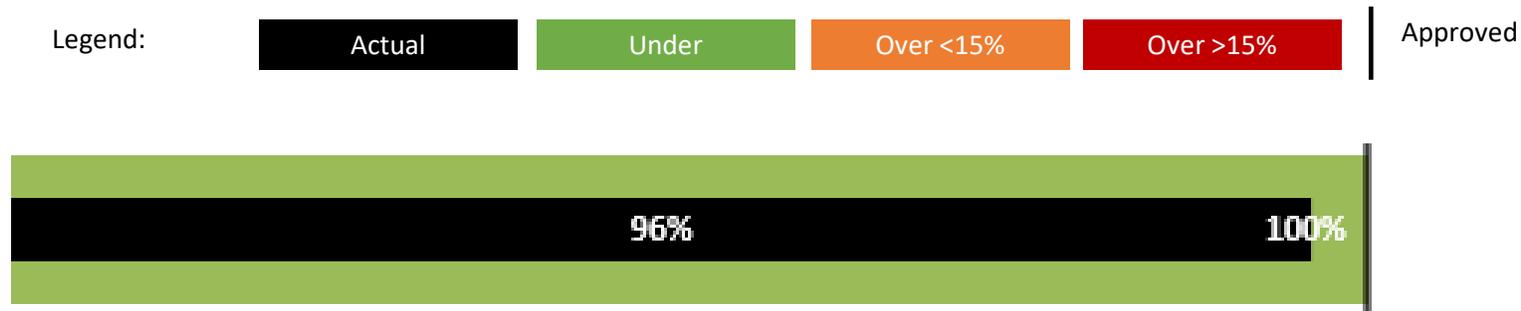
This project will underground the existing overhead distribution and sub-transmission circuits going down Old Seward from the south side of O'Malley Road to approximately Dimond Boulevard.

Bids were solicited for the project with Sturgeon Electric selected as the contractor. This project is complete and in closeout phase.



Baxter OH/UG

- Approved – 04/26/2023
- Project Manager – B. Jackson
- Physically Complete – 100%
- Approval Amount – \$2.9M
- Actuals – \$2.8M
- Forecast – \$2.9M



Baxter OH/UG

This project will underground a portion of the Baxter Road distribution feeders and will tie two radial feeders, Baxter 282 and Boniface 412, together to increase reliability in the area. Bids were solicited for the project with Sturgeon Electric selected as the contractor. This project is complete and in closeout.



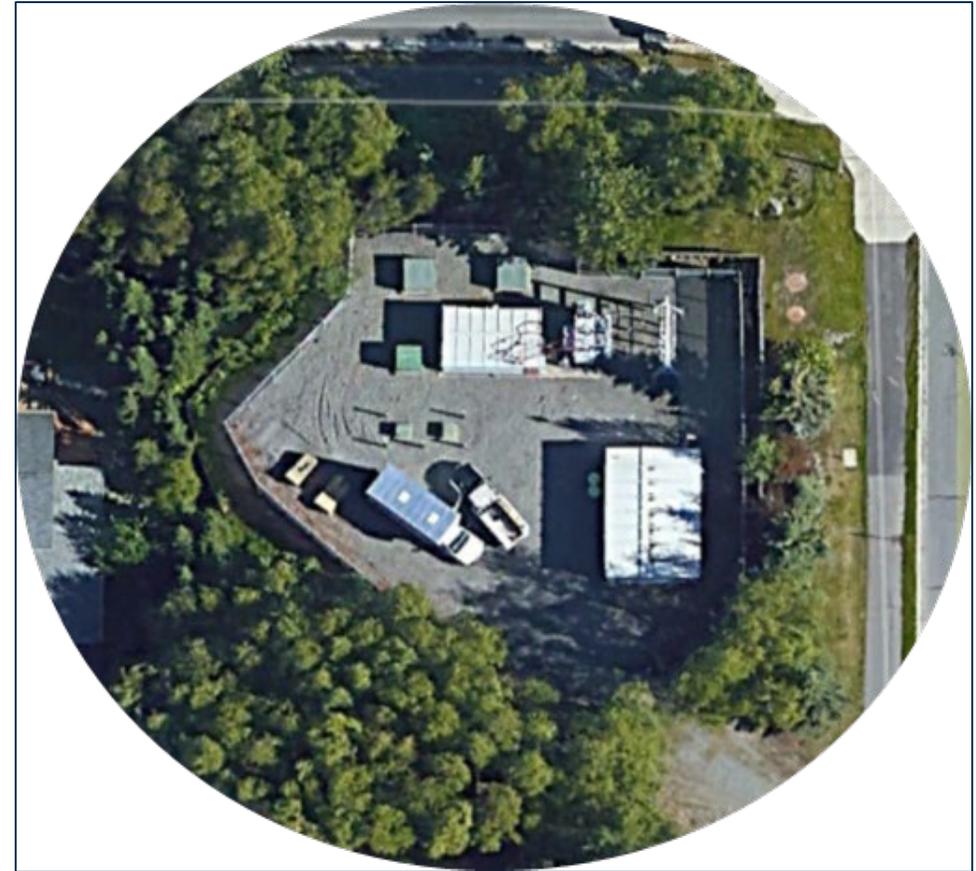
Campbell Lake Substation Rebuild

- Approved – 03/22/2023
- Project Manager – C. Kohler
- Physically Complete – 36%
- Approval Amount – \$8.6M
- Actuals – \$2.2M
- Forecast – \$8.6M



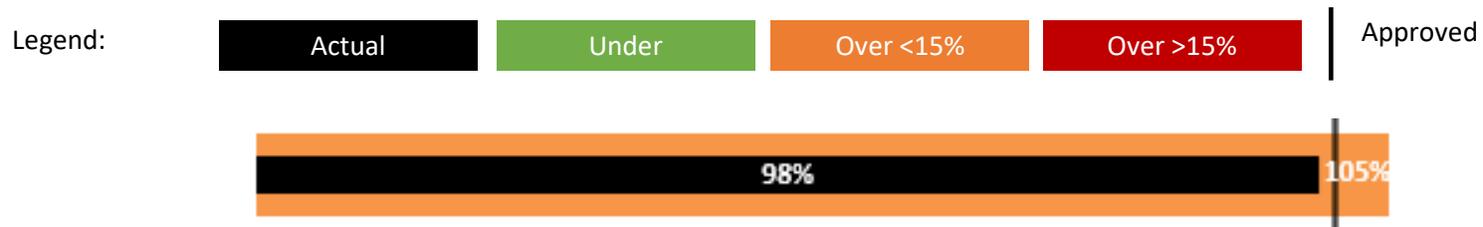
Campbell Lake Substation Rebuild

Conditional Use Permits have been rescinded by the Municipality of Anchorage from the Appeal of the Southport Masters Association. Project is currently on hold. The project team will re-engage with the community in 2025.



Battery Energy Storage System

- Approved – 10/26/2022
- Project Manager – C. Kohler
- Physically Complete – 98%
- Approval Amount – \$46.6M
- Actuals – \$45.9M
- Forecast – \$48.9M



Battery Energy Storage System

Shortly after Tesla commissioning, energization took place in October 2024, as expected.



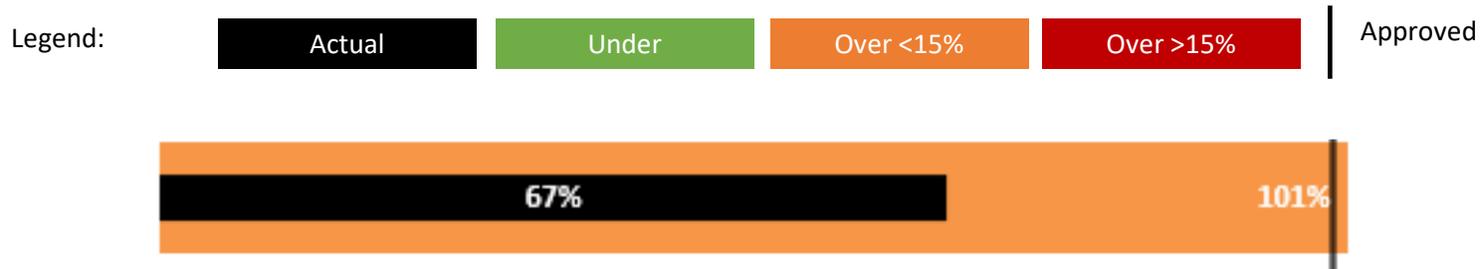
Retirement & Replacement Projects

Retirements & Replacements Projects Summary

Project Name	Last Approved	Actual-to-Date	Forecast	Approved	Physically Complete	Financial Status
			(In Millions)		Legend:	Actual Under Over <15% Over >15% Approved
Retirements & Replacements						
115kV T-Line Rebuild Girdwood to Indian	1/24/2024	\$20.8	\$31.4	\$31.0	75%	<div style="display: flex; align-items: center;"> <div style="background-color: #f39c12; width: 100%; height: 20px; position: relative;"> <div style="background-color: black; width: 67%; height: 100%; position: absolute;"></div> 101% </div> </div>
Cooper Lake U2 Runner Upgrade	4/10/2024	\$0.5	\$3.2	\$3.2	15%	<div style="display: flex; align-items: center;"> <div style="background-color: #76b82a; width: 100%; height: 20px; position: relative;"> <div style="background-color: black; width: 17%; height: 100%; position: absolute;"></div> 100% </div> </div>

115kV T-Line Rebuild Girdwood to Indian

- Approved – 1/24/2024
- Project Manager – C. Kohler
- Physically Complete – 75%
- Approval Amount – \$31.0M
- Actuals – \$20.8M
- Forecast – \$31.4M



115kV T-Line Rebuild Girdwood to Indian

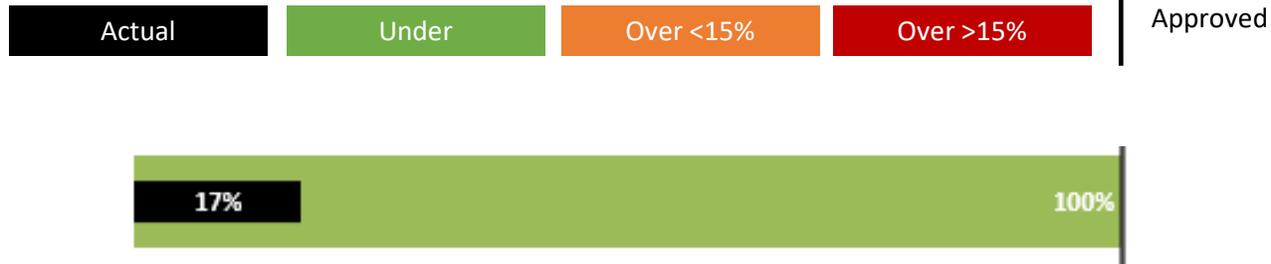
Project is under construction. Project forecast has increased due to design changes during the construction and is anticipated to be completed in May 2025.



Cooper Lake U2 Runner Upgrade

- Approved – 4/10/2024
- Project Manager – J.Privett
- Physically Complete – 15%
- Approval Amount – \$3.2M
- Actuals – \$0.5M
- Forecast – \$3.2M

Legend:



Cooper Lake U2 Runner Upgrade

Project is underway. Initial runner design has been completed. Runner and Wicket Gate work have begun.



Agency Mandated Projects

Eklutna Fish & Wildlife

- Approved – 12/14/2022
- Project Manager – E. Ori
- Physically Complete – 95%
- Approval Amount – \$5.4M
- Actuals – \$5.6M
- Forecast – \$6.0M



Eklutna Fish & Wildlife

Eklutna Fish and Wildlife is a multi-year project with final completion of the program in late 2024. Negotiations with the agreement signers and the Native Village of Eklutna occurred up to the submission of the Proposed Final Draft Program to the State of Alaska, which occurred at the end of April 2024. Public comment to the submitted Proposed Final Draft Program were received up until the end of June.

Owner responses to public comments were submitted at the end of July 2024. On October 2, 2024, the Governor's Office approved the submitted Fish & Wildlife plan with an opener for the study of a pumped hydro storage option if the Municipality of Anchorage/Native Village of Eklutna fund.



Operating Efficiency Projects

Operating Efficiency Projects Summary

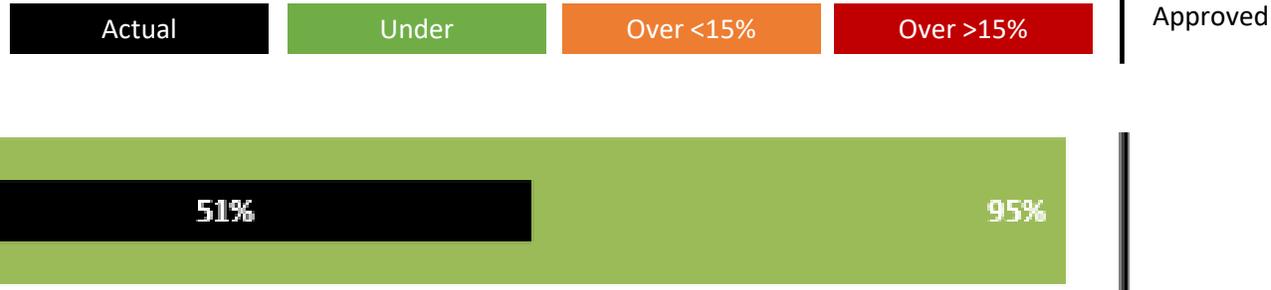
Project Name	Last Approved	Actual-to-Date	Forecast	Approved	Physically Complete	Financial Status					
			(In Millions)			Legend:	Actual	Under	Over <15%	Over >15%	Approved
Operating Efficiency											
CIS/ERP Replacement	1/19/2022	\$12.8	\$23.9	\$25.2	Restructuring		51%	95%			
One Campus Plan	12/14/2022	\$28.5	\$64.3	\$64.3	44%		44%	100%			
Desktop Replacement Project	8/16/2023	\$4.2	\$4.3	\$5.2	100%		81%	83%			



CIS/ERP Replacement

- Approved – 01/19/2022
- Project Manager – J. Travis
- Physically Complete – Restructuring
- Approval Amount – \$25.2M
- Actuals – \$12.8M
- Forecast – \$23.9M

Legend:



CIS/ERP Replacement

The CIS/ERP Replacement project shifted to a split go-live deliverable approach at the end of September.

Current targets are go-live for CIS July 1, 2025, and a resumption of the ERP portion of the project in Q1 of 2026. The project tasks are being restructured as there will be two physically complete percentages represented in future updates.



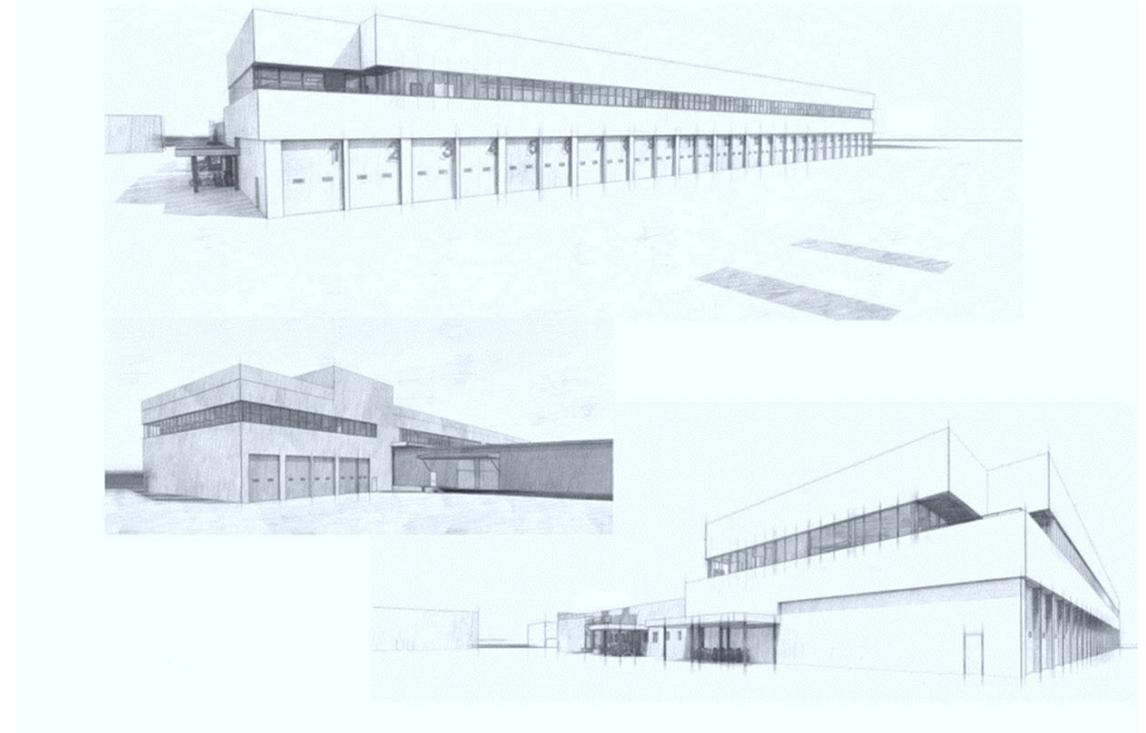
One Campus Plan

- Approved – 12/14/2022
- Project Manager – J. Resnick
- Physically Complete – 44%
- Approval Amount – \$64.3M
- Actuals – \$28.5M
- Forecast – \$64.3M



One Campus Plan

The One Campus Plan is a multi-year project with final completion of the project in late 2025. The new Covered Equipment Storage building and Field Operations Building Remodel are complete. Construction of the new building is underway.



Desktop Replacement

- Approved – 08/16/2023
- Project Manager – J. Pickel
- Physically Complete – 95%
- Approval Amount – \$5.2M
- Actuals – \$4.2M
- Forecast – \$4.3M



Desktop Replacement

All PC and monitor hardware has been deployed with no remaining hardware purchases expected. Forecast to complete includes outstanding invoices.



September 2024 YTD
Financial Information

November 19, 2024

Chugach Electric Association, Inc.

September 2024 YTD Financial Information

MWH Sales

Statement of Operations

Balance Sheet

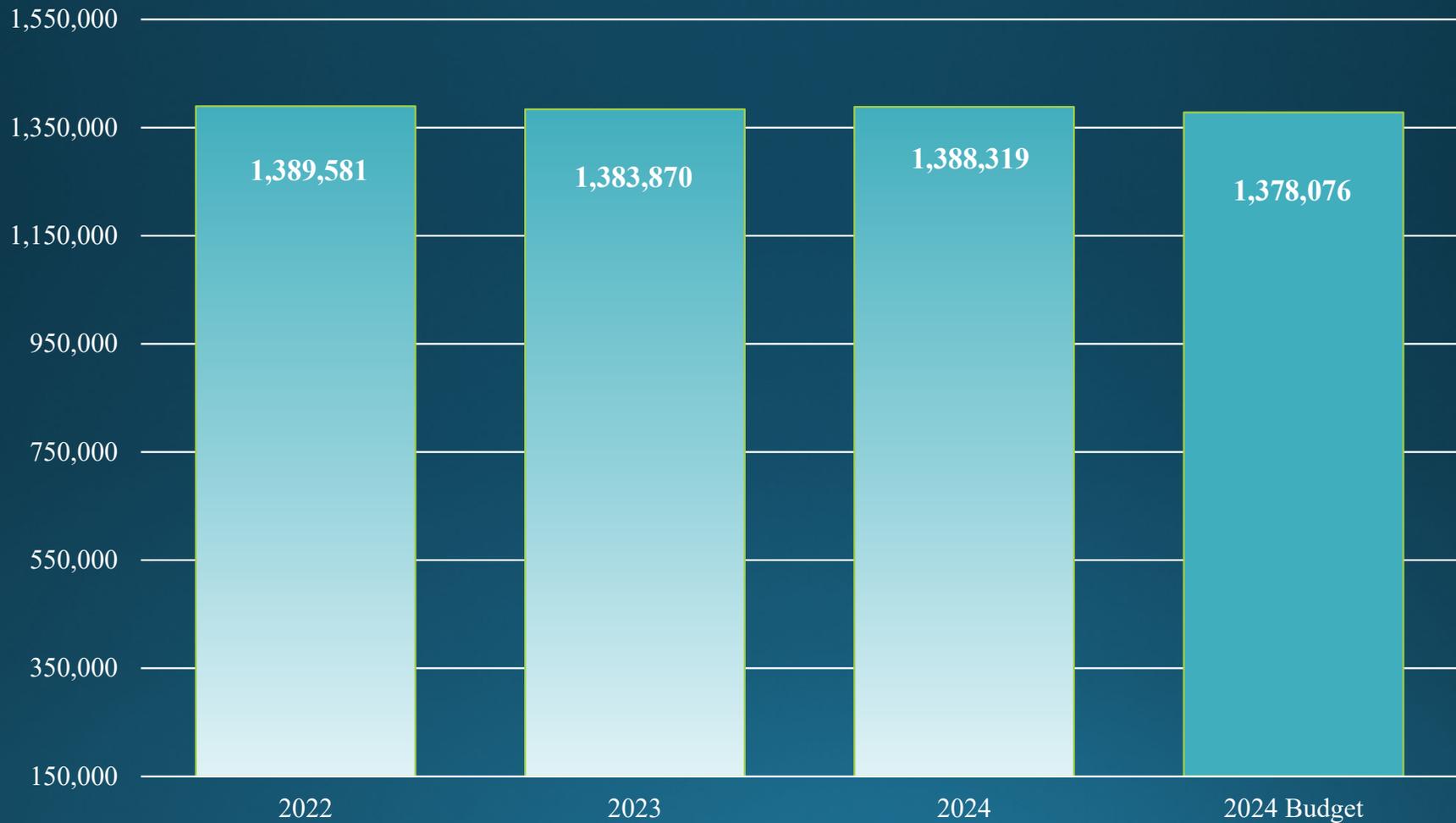
Statement of Cash Flows

Equity Ratio

Financial Forecast

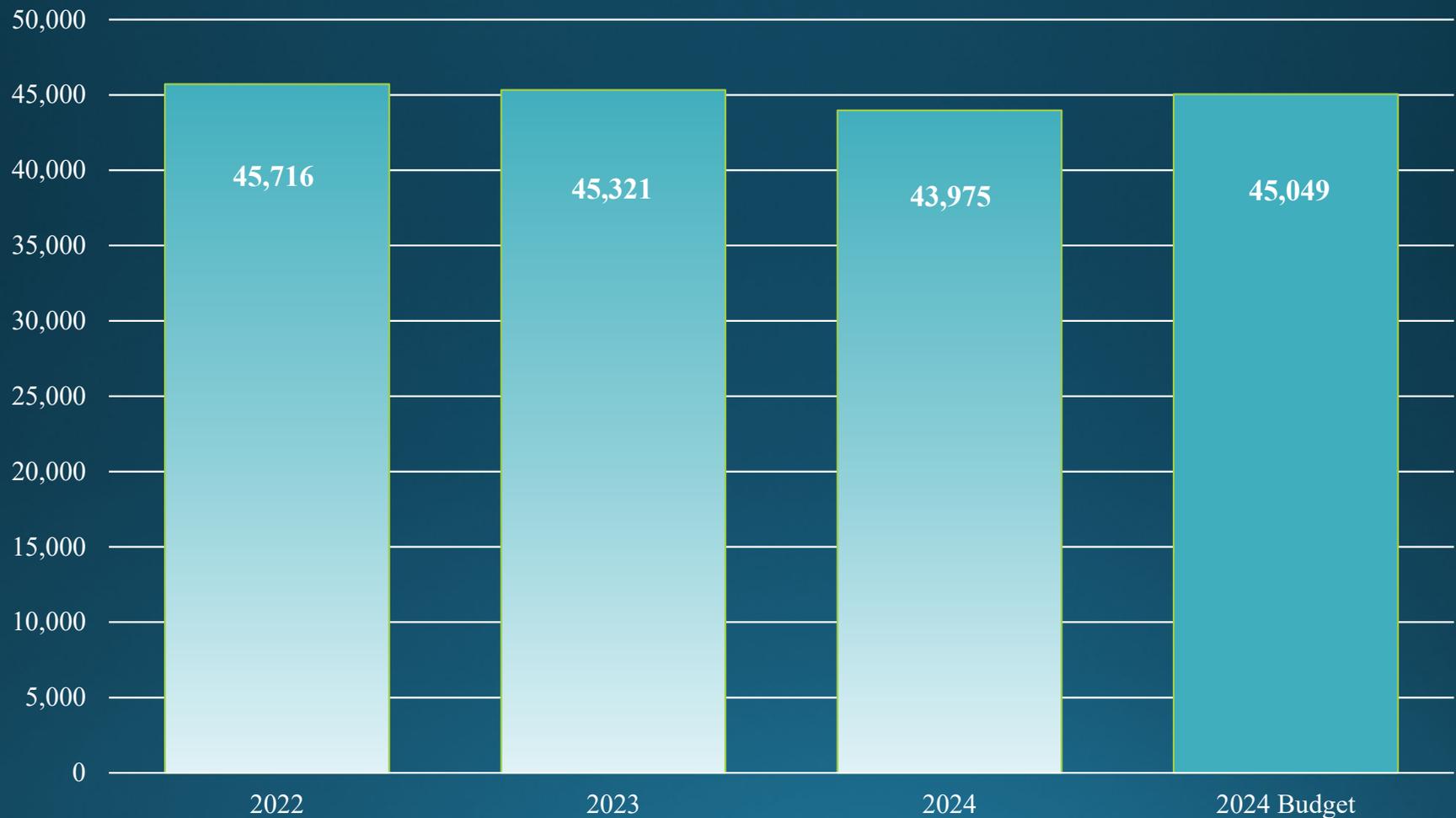
September 2024 YTD Financial Information

Retail MWh Sales Comparison



September YTD 2024 Financial Information

Seward MWh Sales Comparison



September YTD 2024 Financial Information

Comparative Statement of Operations

	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 274,299,148	\$ 257,258,180	\$ 17,040,968
Fuel and Purchased Power	76,120,522	66,902,622	9,217,900
Power Production	30,147,638	31,465,843	(1,318,205)
Transmission	7,030,052	8,426,458	(1,396,406)
Distribution	22,145,009	21,324,190	820,819
Customer	8,531,422	8,592,157	(60,735)
Administrative, General and Other	37,981,370	38,567,845	(586,475)
Depreciation & Amortization	60,739,582	50,507,882	10,231,700
Interest Expense, Net	34,528,735	32,494,266	2,034,469
Total Cost of Electric Service	\$ 277,224,330	\$ 258,281,263	\$ 18,943,067
Patronage Capital & Operating Margins	\$ (2,925,182)	\$ (1,023,083)	\$ (1,902,099)
Non-Operating Margins - Interest	1,930,041	341,481	1,588,560
Allowance for Funds Used During Construction	328,481	170,380	158,101
Non-Operating Margins - Other	647,776	82,350	565,426
Patronage Capital or Margins	\$ (18,884)	\$ (428,872)	\$ 409,988
MFI/I	1.00	0.99	
TIER	1.00	0.98	

September YTD 2024 Financial Information

Comparative Balance Sheet, Assets & Other Debits

ASSETS & OTHER DEBITS	9/30/2024	12/31/2023	CHANGE
Electric Plant in Service	2,201,081,244	2,138,053,513	63,027,731
Construction Work in Progress	146,648,925	106,643,658	40,005,267
Total Utility Plant	\$ 2,347,730,169	\$ 2,244,697,171	\$ 103,032,998
Accum. Prov. for Depreciation/Amortization	(822,093,632)	(759,799,995)	(62,293,637)
Net Utility Plant	\$ 1,525,636,537	\$ 1,484,897,176	\$ 40,739,361
Nonutility Property - Net	76,889	76,889	0
Financing & Operating Lease Right-of-Use Assets	3,749,149	3,787,330	(38,181)
Investment in Assoc. Organizations	6,420,444	6,635,234	(214,790)
Special Funds	36,829,858	29,275,168	7,554,690
Restricted Cash Equivalents & Other	30,000	30,000	0
Long-term Prepayments	103,338	110,308	(6,970)
Total Other Property & Investments	\$ 47,209,678	\$ 39,914,929	\$ 7,294,749
Cash & Restricted Cash	28,117,409	5,385,690	22,731,719
Special Deposits and Marketable Securities	55,800	56,800	(1,000)
Accounts Receivable - Net	45,288,250	62,436,741	(17,148,491)
Materials and Supplies, Fuel Stock	70,767,433	63,822,191	6,945,242
Prepayments	9,136,123	5,559,353	3,576,770
Other Current & Accrued Assets	59,329,207	42,872,957	16,456,250
Total Current & Accrued Assets	\$ 212,694,222	\$ 180,133,732	\$ 32,560,490
Deferred Debits	101,284,177	102,973,793	(1,689,616)
Total Assets & Other Debits	\$ 1,886,824,614	\$ 1,807,919,630	\$ 78,904,984

September YTD 2024 Financial Information

Comparative Balance Sheet, Liabilities & Other Credits

LIABILITIES & OTHER CREDITS	9/30/2024	12/31/2023	CHANGE
Memberships	2,043,248	2,019,553	23,695
Pat. Capital, Margins & Equities	215,669,204	216,041,500	(372,296)
Total Margins & Equities	\$ 217,712,452	\$ 218,061,053	\$ (348,601)
Long-Term Debt - Bonds	1,191,916,662	1,083,733,329	108,183,333
Long-Term Debt - Other	11,856,000	14,820,000	(2,964,000)
Unamortized Debt Issuance Costs	(6,294,086)	(5,763,629)	(530,457)
Operating Lease Liabilities	3,520,176	3,545,670	(25,494)
Finance Lease Liabilities	184,100	193,192	(9,092)
Total Long-Term Debt	\$ 1,201,182,852	\$ 1,096,528,562	\$ 104,654,290
Notes Payable	140,853,824	186,968,978	(46,115,154)
Accounts Payable	27,108,293	34,146,210	(7,037,917)
Consumer Deposits	3,846,531	4,198,551	(352,020)
Other Current & Accrued Liabilities	38,287,378	37,725,256	562,122
Total Current & Accrued Liabilities	\$ 210,096,026	\$ 263,038,995	\$ (52,942,969)
Deferred Compensation	1,903,400	1,817,393	86,007
Other Liabilities, Non-Current	723,818	728,963	(5,145)
Deferred Liabilities	14,662,259	14,783,832	(121,573)
BRU Regulatory Liability	73,359,353	84,019,067	(10,659,714)
Cost of Removal Obligation	167,184,454	128,941,765	38,242,689
Total Liabilities & Other Credits	\$ 1,886,824,614	\$ 1,807,919,630	\$ 78,904,984

September YTD 2024 Financial Information Statements of Cash Flows

	<u>September 30, 2024</u>	<u>September 30, 2023</u>
Cash flows from operating activities:		
Assignable margins	\$ (18,884)	\$ 1,824,093
Adjustments to reconcile assignment margins to net cash provided (used) by operating activities:		
Depreciation and amortization	67,583,310	55,083,344
Allowance for funds used during construction	(328,481)	(161,047)
Other non-cash charges	(13,965,054)	502,469
(Increase) decrease in assets	(4,346,663)	(11,844,855)
Increase (decrease) in liabilities	(97,454)	5,758,184
Net cash provided by operating activities:	\$ 48,826,774	\$ 51,162,188
Cash flows from investing activities:		
Return of capital from investment in associated organizations	214,983	359,599
Investment in special funds	(4,180,207)	(4,444,096)
Extension and replacement of plant	(101,894,131)	(92,022,230)
Net cash used in investing activities:	\$ (105,859,355)	\$ (96,106,727)
Cash flows from financing activities:		
Net increase (decrease) in short-term obligations	(54,000,000)	73,000,000
Net increase (decrease) in long-term obligations	113,105,333	(36,894,667)
Net increase (decrease) in consumer advances/retired patronage/other	20,658,967	14,169,952
Net cash provided by financing activities:	\$ 79,764,300	\$ 50,275,285
Net change in cash, cash equivalents & restricted cash	\$ 22,731,719	\$ 5,330,746
<u>Cash, cash equivalents & restricted cash at beginning of period</u>	<u>\$ 5,415,690</u>	<u>\$ 15,884,739</u>
<u>Cash, cash equivalents and restricted cash at end of period</u>	<u>\$ 28,147,409</u>	<u>\$ 21,215,485</u>

September YTD 2024 Financial Information

5 Year Equity Ratio



Comparative Financial Report Statement of Operations 2024 Year End Forecast

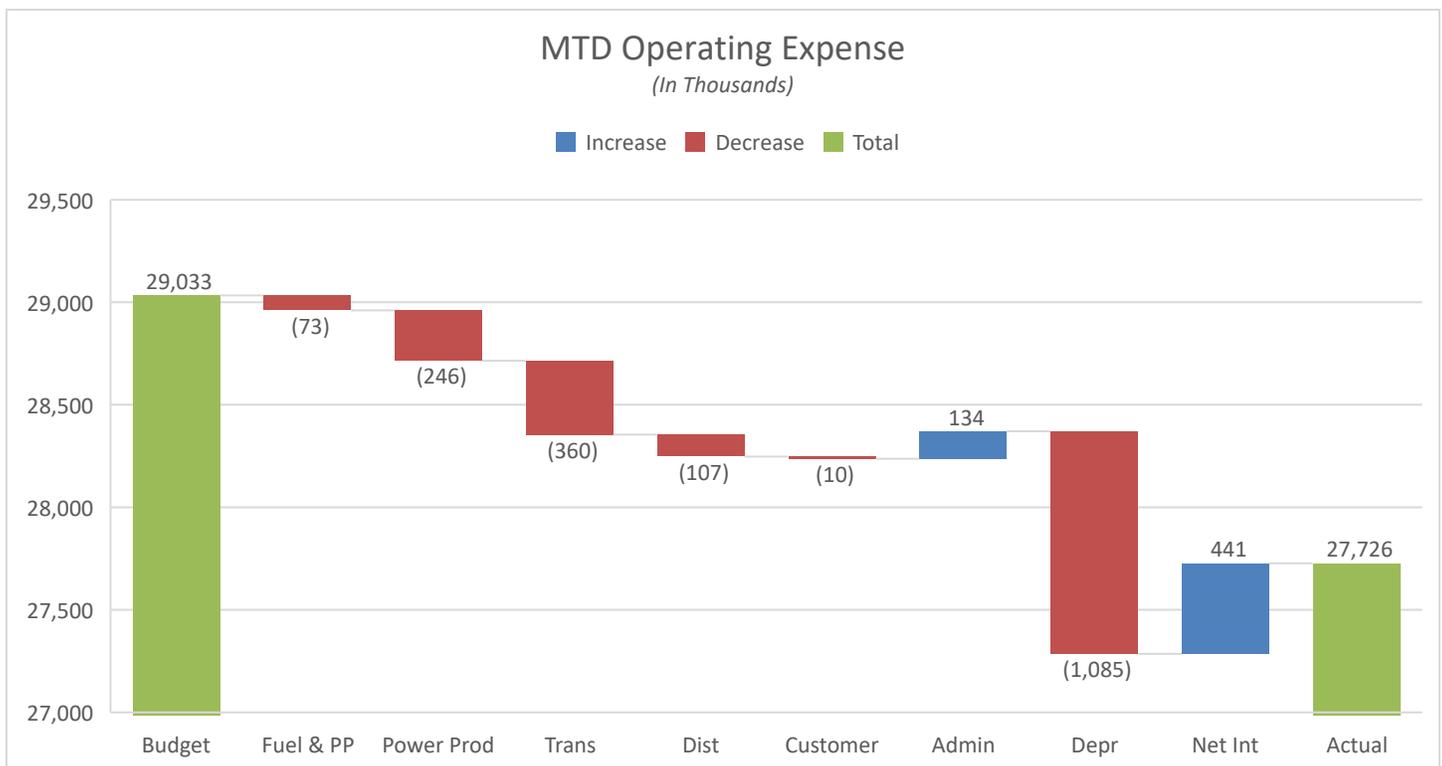
	YTD Actual	YTD Budget	Year end Budget	Year end Forecast
Operating Revenue and Patronage Capital	\$ <u>274,299,148</u>	\$ <u>257,258,180</u>	\$ <u>357,104,031</u>	\$ <u>374,983,477</u>
Fuel and Purchased Power Expense	76,120,522	66,902,622	93,937,929	104,556,673
Power Production Expense	30,147,638	31,465,843	42,111,376	40,574,696
Transmission Expense	7,030,052	8,426,458	11,159,354	9,353,014
Distribution Expense	22,145,009	21,324,190	28,570,830	29,426,236
Customer Expense	8,531,422	8,592,157	11,516,793	11,422,120
Administrative, General & Other	37,981,370	38,567,845	51,395,436	50,518,462
Depreciation and Amortization Expense	60,739,582	50,507,882	67,450,047	77,985,518
Interest Expense, Net	34,528,735	32,494,266	43,535,030	46,184,910
Total Cost of Electric Service	\$ <u>277,224,330</u>	\$ <u>258,281,263</u>	\$ <u>349,676,795</u>	\$ <u>370,021,629</u>
Patronage Capital & Operating Margins	\$ <u>(2,925,182)</u>	\$ <u>(1,023,083)</u>	\$ <u>7,427,236</u>	\$ <u>4,961,848</u>
Non-Operating Margins - Interest Allowance for Funds Used During Construction	1,930,041	341,481	450,201	2,038,761
Non-Operating Margins - Other	328,481	170,380	195,934	377,800
	647,776	82,350	109,800	675,226
Patronage Capital or Margins	\$ <u>(18,884)</u>	\$ <u>(428,872)</u>	\$ <u>8,183,171</u>	\$ <u>8,053,635</u>
MFI/I	1.00	0.99	1.19	1.17
TIER	1.00	0.98	1.22	1.20



Questions?

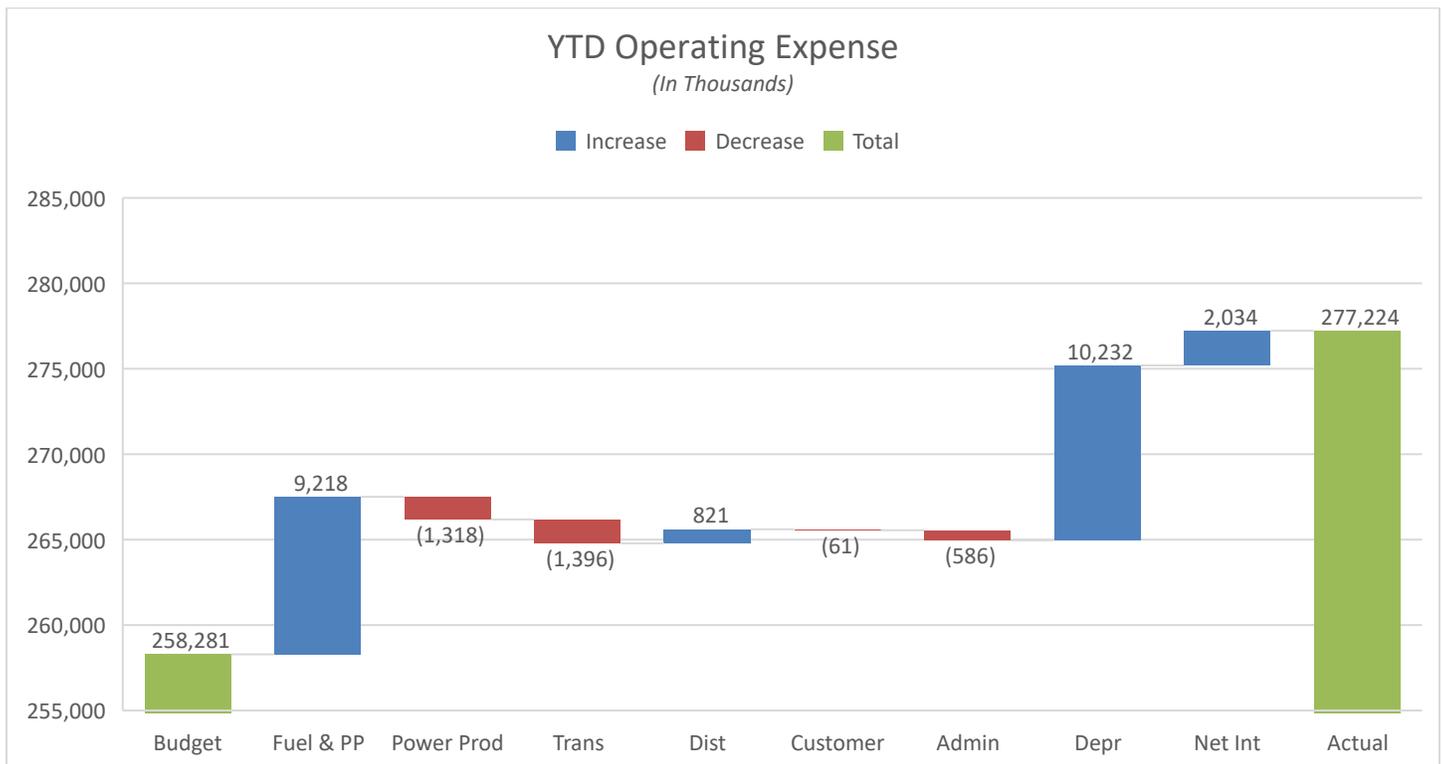
COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2024 MTD ACTUAL TO BUDGET

CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 25,486,107	\$ 28,460,804	\$ (2,974,697)
Fuel and Purchased Power	7,880,508	7,953,480	(72,972)
Power Production	3,261,051	3,507,236	(246,185)
Transmission	610,421	970,301	(359,880)
Distribution	2,200,843	2,307,972	(107,129)
Customer	880,259	890,594	(10,335)
Administrative, General and Other	4,289,025	4,155,266	133,759
Depreciation & Amortization	4,517,968	5,603,458	(1,085,490)
Interest Expense, Net	4,086,320	3,644,984	441,336
Total Cost of Electric Service	\$ 27,726,395	\$ 29,033,291	\$ (1,306,896)
Patronage Capital & Operating Margins	\$ (2,240,288)	\$ (572,487)	\$ (1,667,801)
Non-Operating Margins - Interest	288,204	36,070	252,134
AFUDC	40,744	10,083	30,661
Non-Operating Margins - Other	36,542	9,150	27,392
Patronage Capital or Margins	\$ (1,874,798)	\$ (517,184)	\$ (1,357,614)



COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS 2024 YTD ACTUAL TO BUDGET

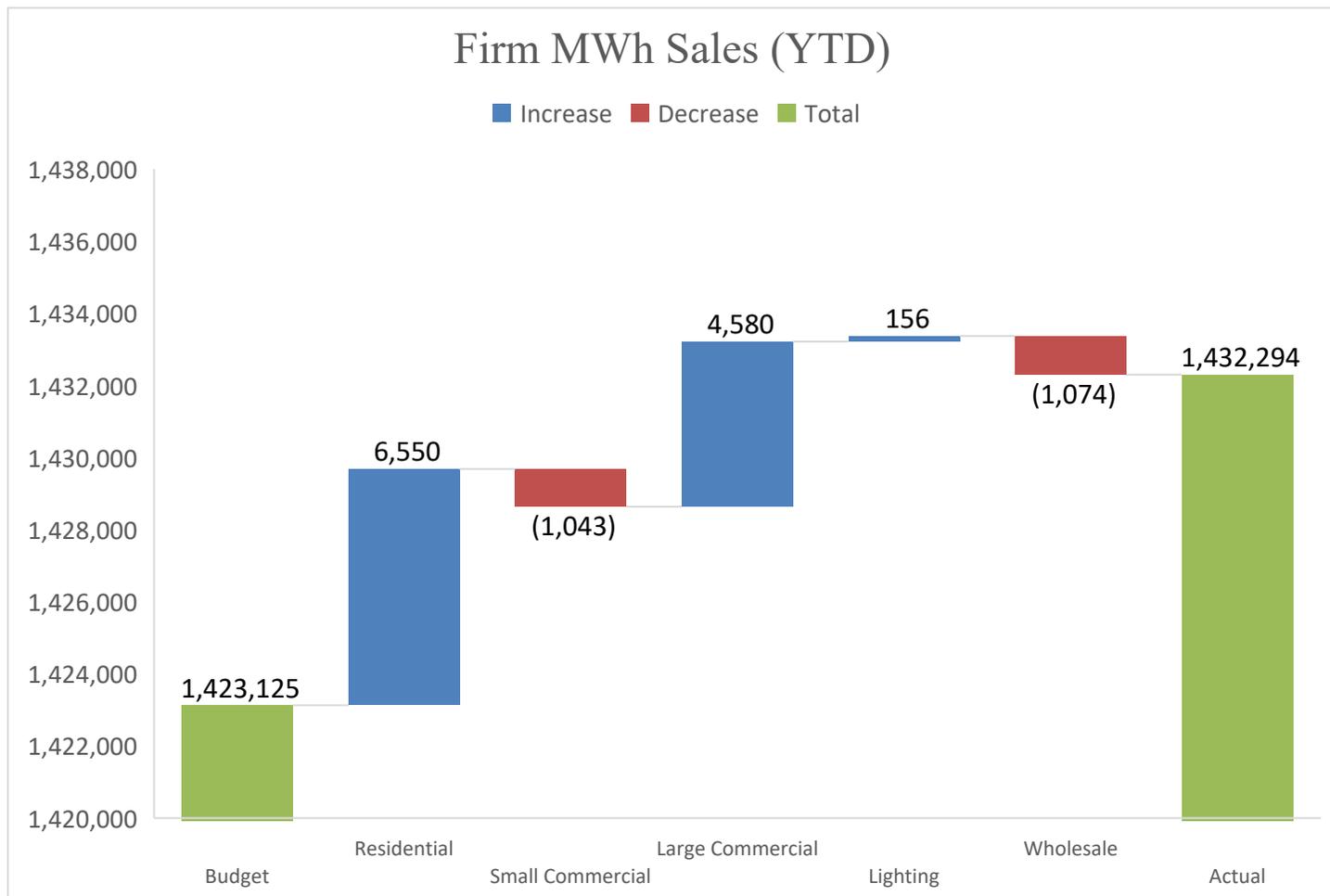
CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenue & Patronage Capital	\$ 274,299,148	\$ 257,258,180	\$ 17,040,968
Fuel and Purchased Power	76,120,522	66,902,622	9,217,900
Power Production	30,147,638	31,465,843	(1,318,205)
Transmission	7,030,052	8,426,458	(1,396,406)
Distribution	22,145,009	21,324,190	820,819
Customer	8,531,422	8,592,157	(60,735)
Administrative, General and Other	37,981,370	38,567,845	(586,475)
Depreciation & Amortization	60,739,582	50,507,882	10,231,700
Interest Expense, Net	34,528,735	32,494,266	2,034,469
Total Cost of Electric Service	\$ 277,224,330	\$ 258,281,263	\$ 18,943,067
Patronage Capital & Operating Margins	\$ (2,925,182)	\$ (1,023,083)	\$ (1,902,099)
Non-Operating Margins - Interest	1,930,041	341,481	1,588,560
AFUDC	328,481	170,380	158,101
Non-Operating Margins - Other	647,776	82,350	565,426
Patronage Capital or Margins	\$ (18,884)	\$ (428,872)	\$ 409,988
MFI/I	1.00	0.99	
TIER	1.00	0.98	



ENERGY SALES (kWh)

	2024 YTD Actual	2024 YTD Budget
Retail Energy Sales	1,388,319,576	1,378,075,289
Wholesale Energy Sales	43,974,796	45,049,101
Total Firm Energy Sales	1,432,294,372	1,423,124,390
Economy Energy/Capacity	87,311,000	111,493,416
Power Pool Sales	114,618,021	205,486,185
Total Energy Sales	1,634,223,393	1,740,103,991

Firm energy sales totaled 1,432,294,372 kWh, which was a 0.6 % favorable variance compared to budget. This favorable variance was due to higher residential and large commercial sales. Economy energy and capacity sales were under budget by 21.7% due to lower than anticipated sales to GVEA, while power pool sales to MEA were under budget by 44.2%.



OPERATING REVENUE & PATRONAGE CAPITAL (in millions)

	2024 YTD Actual	2024 YTD Budget
Retail Revenue	\$ 260.0	\$ 240.9
Wholesale Revenue	4.7	3.7
Total Firm Revenue	<u>264.7</u>	<u>244.6</u>
Economy Energy/Capacity Revenue	3.5	4.7
Power Pool Revenue	1.6	2.9
Other Operating Revenue	4.5	5.1
Total Revenue	<u>\$ 274.3</u>	<u>\$ 257.3</u>

Revenue from firm sales was over budget at \$264.7 million compared to a budget of \$244.6 million. This favorable variance was due primarily to higher retail revenue as a result of higher residential and large commercial sales, and higher fuel recovered in revenue. Economy energy and capacity revenue was under budget by 26.6% due to lower than anticipated economy energy sales. Power pool revenue was under budget at \$1.6 million compared to a budget of \$2.8 million. This unfavorable variance was due primarily to lower than anticipated power pool sales, as a result of Chugach's steam unit outage, during the first quarter of 2024. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU royalties, grants, AWWU revenue, miscellaneous services, and other electric revenue. Other operating revenue was under budget by 11.8%, due to lower wheeling revenue related to Bradley Lake and GVEA sales.

FUEL AND PURCHASED POWER (in millions)

	2024 YTD Actual	2024 YTD Budget
Fuel	\$ 54.0	\$ 42.6
Purchased Power	22.1	24.3
Total	<u>\$ 76.1</u>	<u>\$ 66.9</u>

Fuel expenses include fuel, storage, transportation, and BRU operating costs. Fuel expenses were over budget at \$54.0 million compared to \$42.6 million in the budget. This unfavorable variance was primarily caused by higher BRU operating expenses due to a higher than budgeted Gas Transfer Price (GTP), and more fuel purchased due to retail sales, which was somewhat offset due to a lower average effective price of non-BRU gas.

Purchased power expense represents energy purchased from Bradley Lake, Fire Island, Eklutna, MEA through power pooling and other utilities as needed, as well as costs associated with dispatching. Purchased power expense was under budget at \$22.1 million compared to \$24.3 million in the budget. This favorable variance was due primarily to lower purchases from MEA through power pooling.

POWER PRODUCTION (in millions)

	2024 YTD Actual	2024 YTD Budget
Power Production	\$ 30.1	\$ 31.5

Power production expense was \$30.1 million compared to \$31.5 million in the budget. This favorable variance was due to lower maintenance costs at Sullivan, SPP and Cooper Lake and lower Information Services costs allocated to this financial statement category, which was somewhat offset by higher maintenance costs at Beluga and Nikkels.

TRANSMISSION (in millions)

	2024 YTD Actual	2024 YTD Budget
Transmission	\$ 7.0	\$ 8.4

Transmission operations and maintenance expenses were \$7.0 million compared to \$8.4 million in the budget. This favorable variance was due to lower labor costs and lower costs related to projects and studies.

DISTRIBUTION (in millions)

	2024 YTD Actual	2024 YTD Budget
Distribution	\$ 22.1	\$ 21.3

Distribution operations and maintenance expenses were \$22.1 million compared to \$21.3 million in the budget. This unfavorable variance was due primarily to higher outage related costs, which was somewhat offset by lower engineering studies and information services allocated costs.

CONSUMER (in millions)

	2024 YTD Actual	2024 YTD Budget
Consumer/Customer Information	\$ 8.5	\$ 8.5

Consumer accounts and customer information expenses were on par with the budget at \$8.5 million.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	2024 YTD Actual	2024 YTD Budget
Administrative, General and Other	\$ 38.0	\$ 38.6

Administrative, general, and other expenses include tax, donations, other deductions associated with preliminary survey and investigation charges of projects, and obsolete inventory write-offs that are not attributable to operating or maintenance accounts. Administrative, general, and other expenses were \$38.0 million compared to \$38.6 million in the budget. The favorable variance was due primarily to lower PILT costs, which was somewhat offset by higher snow removal costs and costs related to fuel and decarbonization initiatives.

DEPRECIATION, AMORTIZATION AND INTEREST (in millions)

	2024 YTD Actual	2024 YTD Budget
Depreciation and Amortization	\$ 60.7	\$ 50.5
Interest Expense, Net	34.5	32.5
Total Depreciation, Amortization and Interest	95.2	83.0

Depreciation, interest, and interest during construction expense totaled \$95.2 million compared to \$83.0 million in the budget. The unfavorable variance was primarily attributed to higher net interest expense caused by the issuance of new bonds, a higher than expected commercial paper balance and higher depreciation expense related to a BRU ARO adjustment.

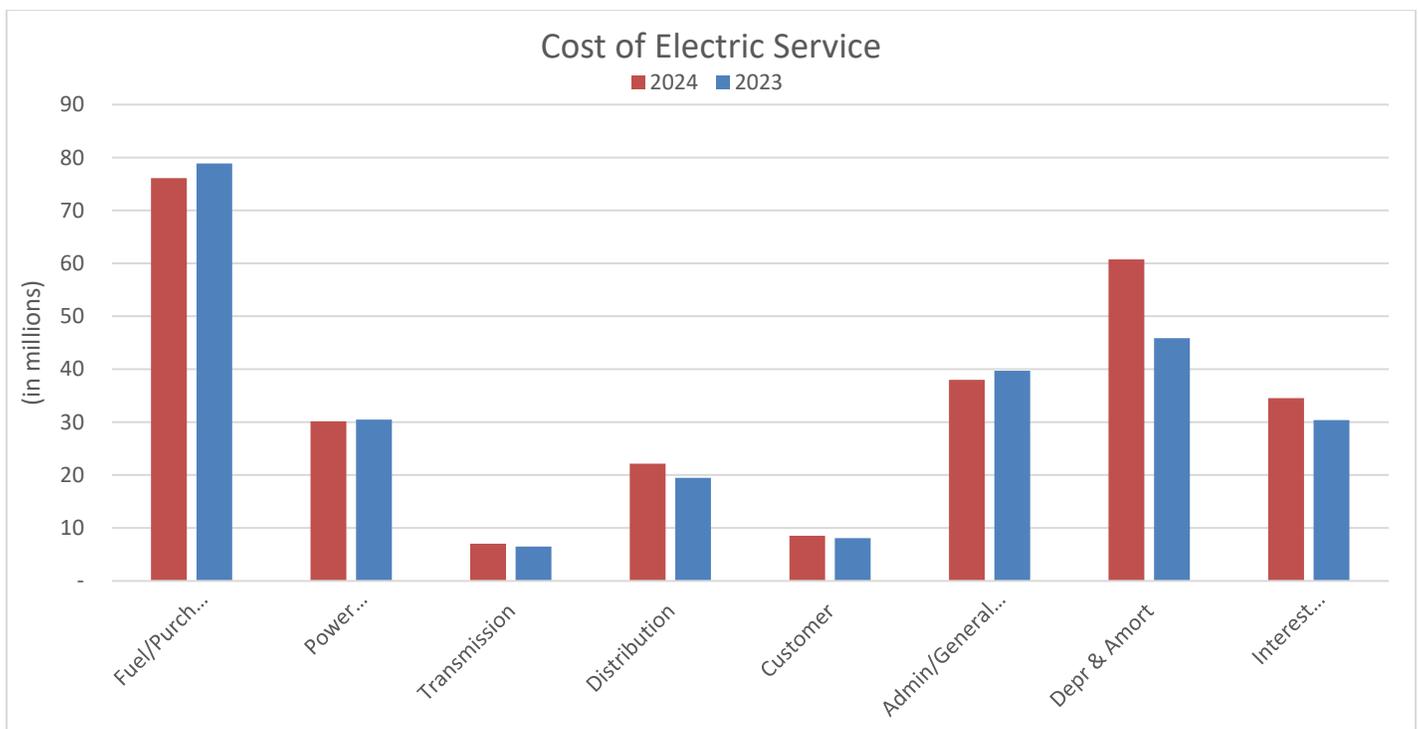
NON-OPERATING MARGINS (in millions)

	2024 YTD Actual	2024 YTD Budget
Non-Operating Margins - Interest	\$ 1.9	\$ 0.3
AFUDC	0.3	0.2
Non-Operating Margins - Other	0.6	0.1
Total Non-Operating Margins	2.8	0.6

Non-operating margins include allowance for funds used during construction (AFUDC), capital credit and patronage capital allocations, extraordinary items, and interest and dividend income. Non-operating margins totaled \$2.8 million compared to \$0.6 million in the budget due primarily to higher non-operating interest income.

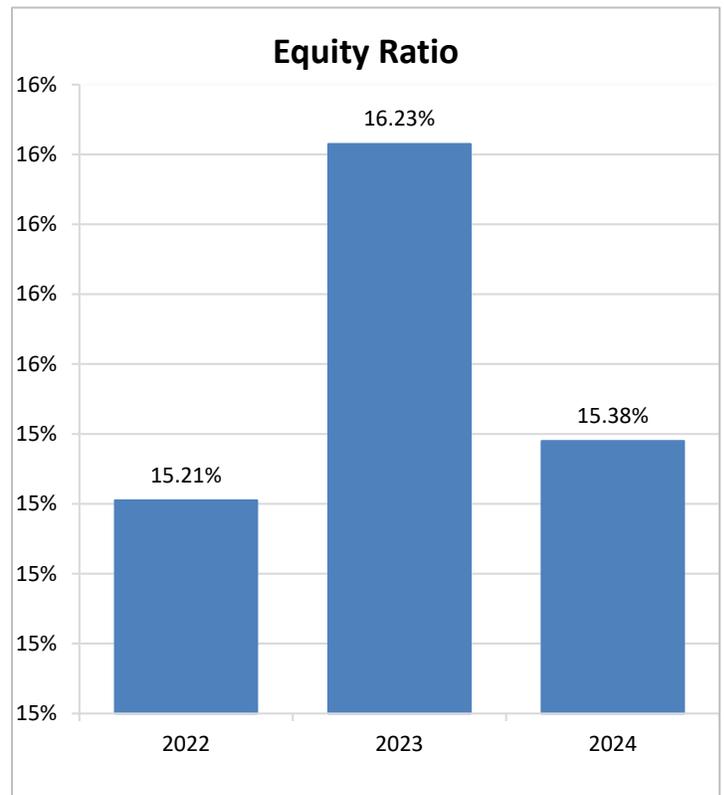
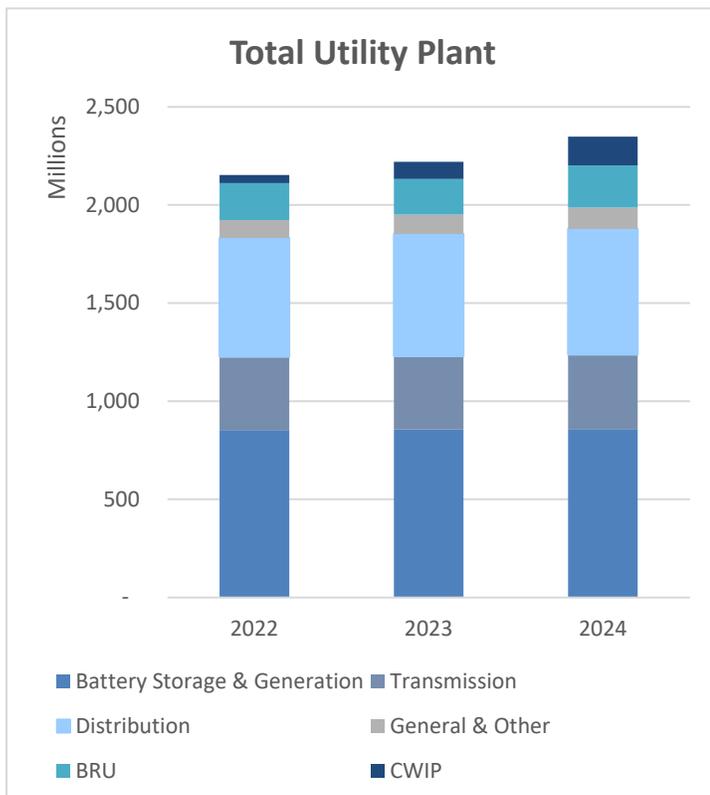
COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YTD ACTUAL TO ACTUAL

CATEGORY	2024	2023	VARIANCE
Operating Revenue & Patronage Capital	\$ <u>274,299,148</u>	\$ <u>260,153,685</u>	\$ <u>14,145,463</u>
Fuel and Purchased Power	76,120,522	78,870,378	(2,749,856)
Power Production	30,147,638	30,478,897	(331,260)
Transmission	7,030,052	6,484,903	545,149
Distribution	22,145,009	19,463,219	2,681,790
Customer	8,531,422	8,072,438	458,984
Administrative, General and Other	37,981,370	39,695,474	(1,714,104)
Depreciation & Amortization	60,739,582	45,855,526	14,884,056
Interest Expense, Net	34,528,735	30,381,117	4,147,618
Total Cost of Electric Service	\$ <u>277,224,330</u>	\$ <u>259,301,952</u>	\$ <u>17,922,377</u>
Patronage Capital & Operating Margins	\$ <u>(2,925,182)</u>	\$ <u>851,733</u>	\$ <u>(3,776,914)</u>
Non-Operating Margins - Interest	1,930,041	796,296	1,133,745
AFUDC	328,481	161,047	167,434
Non-Operating Margins - Other	647,776	15,017	632,759
Patronage Capital or Margins	\$ <u>(18,884)</u>	\$ <u>1,824,093</u>	\$ <u>(1,842,976)</u>
MFI/I	1.00	1.06	
TIER	1.00	1.06	



BALANCE SHEET As of 09/30/2024

ASSETS & OTHER DEBITS		LIABILITIES & OTHER CREDITS	
Electric Plant in Service	2,201,081,244	Memberships	2,043,248
Construction Work in Progress	146,648,925	Pat. Capital, Margins & Equities	215,669,204
Total Utility Plant	\$ 2,347,730,169	Total Margins & Equities	\$ 217,712,452
Accum. Depreciation/Amortization	(822,093,632)	Long-Term Debt - Bonds	1,191,916,662
Net Utility Plant	\$ 1,525,636,537	Long-Term Debt - Other	11,856,000
Nonutility Property - Net	76,889	Unamortized Debt Issuance Costs	(6,294,086)
Financing & Operating Lease ROU	3,749,149	Operating Lease Liabilities	3,520,176
Investment in Assoc. Organizations	6,420,444	Finance Lease Liabilities	184,100
Special Funds	36,829,858	Total Long-Term Debt	\$ 1,201,182,852
Restricted Cash Equivalents & Other	30,000	Notes Payable	140,853,824
Long-term Prepayments	103,338	Accounts Payable	27,108,293
Total Other Property & Investments	\$ 47,209,678	Consumer Deposits	3,846,531
Cash & Restricted Cash	28,117,409	Other Current & Accrued Liabilities	38,287,378
Special Deposits	55,800	Total Current & Accrued Liabilities	\$ 210,096,026
Accounts Receivable - Net	45,288,250	Deferred Compensation	1,903,400
Materials and Supplies, Fuel Stock	70,767,433	Other Liabilities, Non-Current	723,818
Prepayments	9,136,123	Deferred Liabilities	14,662,259
Other Current & Accrued Assets	59,329,207	BRU Regulatory Liability	73,359,353
Total Current & Accrued Assets	\$ 212,694,222	Cost of Removal Obligation	167,184,454
Deferred Debits	101,284,177		
Total Assets & Other Debits	\$ 1,886,824,614	Total Liabilities & Other Credits	\$ 1,886,824,614



The current forecast projects year-end margins of \$8.1 million, an MFI/I of 1.17 and TIER of 1.20.

COMPARATIVE FINANCIAL REPORT				
STATEMENT OF OPERATIONS				
2024 YEAR-END FORECAST				
CATEGORY	YTD ACTUAL	YTD BUDGET	YEAR-END BUDGET	YEAR-END FORECAST
Operating Revenue and Patronage Capital	\$ 274,299,148	\$ 257,258,180	\$ 357,104,031	\$ 374,983,477
Fuel and Purchased Power Expense	76,120,522	66,902,622	93,937,929	104,556,673
Power Production Expense	30,147,638	31,465,843	42,111,376	40,574,696
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Total Cost of Electric Service	\$ 277,224,330	\$ 258,281,263	\$ 349,676,795	\$ 370,021,629
Patronage Capital & Operating Margins	\$ (2,925,182)	\$ (1,023,083)	\$ 7,427,236	\$ 4,961,848
Non-Operating Margins - Interest	1,930,041	341,481	450,201	2,038,761
Allowance for Funds Used During Construction	328,481	170,380	195,934	377,800
Non-Operating Margins - Other	647,776	82,350	109,800	675,226
Patronage Capital or Margins	\$ (18,884)	\$ (428,872)	\$ 8,183,171	\$ 8,053,635
MFI/I	1.00	0.99	1.19	1.17
TIER	1.00	0.98	1.22	1.20



Chugach Electric Association Discussion with those charged with governance

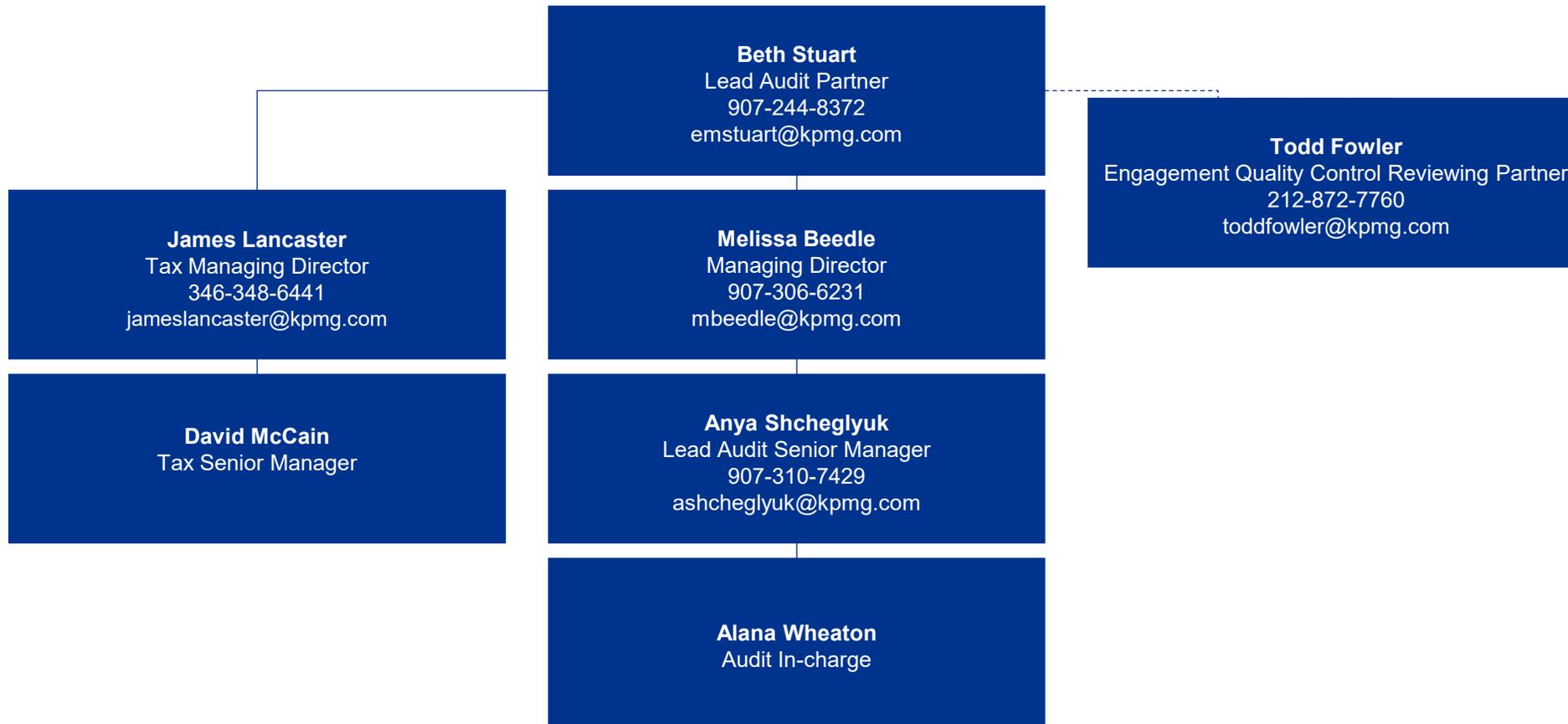
Audit plan and strategy for the year ending December 31, 2024

November 19, 2024



Client service team

Team members with continuity are designated in blue. We are proud to offer you 100% continuity this year!



Audit plan required communications and other matters

Our audit of the consolidated financial statements of Chugach Electric Association Inc. and its subsidiary (the Company) as of and for the year ended December 31, 2024, will be performed in accordance with auditing standards generally accepted in the United States of America.

Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.

Our audit includes issuing an audit opinion on the Company's annual filing with the Federal Energy Regulatory Commission and issuing a report regarding the Company's compliance with debt covenants.

Matters to communicate	Response
Role and identity of engagement partner	Lead audit engagement partner is Beth Stuart
Significant findings or issues discussed with management	None to report
Materiality in the context of an audit	See page 4
Our timeline	See page 5
Risk assessment: Significant risks	See page 6
Involvement of others	None to report
Newly effective accounting standards	None to report
Independence	See page 8
Responsibilities	See page 9
Inquiries	See page 10

Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the consolidated financial statements, considering the following factors:

<p>Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.</p>	<p>Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.</p>	<p>Judgments about materiality involve both qualitative and quantitative considerations.</p>
<p>Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.</p>	<p>Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.</p>	<p>Judgments about the size of misstatements that will be considered material provide a basis for</p> <ol style="list-style-type: none">Determining the nature and extent of risk assessment procedures;Identifying and assessing the risks of material misstatement; andDetermining the nature, timing, and extent of further audit procedures.

Our timeline

July-October

Planning and risk assessment

- Planning and initial risk assessment procedures, including:
 - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Company and its environment
- Evaluate design and implementation of entity level controls and process level controls for certain processes
- Perform process walkthroughs and identification of process risk points for certain processes

November – January

Interim

- Ongoing risk assessment procedures, including:
 - Identification and assessment of risks of misstatements and planned audit response for remaining processes
- Identify IT applications and environments
- Perform process walkthroughs and identification of process risk points for remaining processes
- Inquire of those charged with governance, management and others within the Company about risks of material misstatement
- Perform interim substantive audit procedures
- Communicate audit plan

February – March

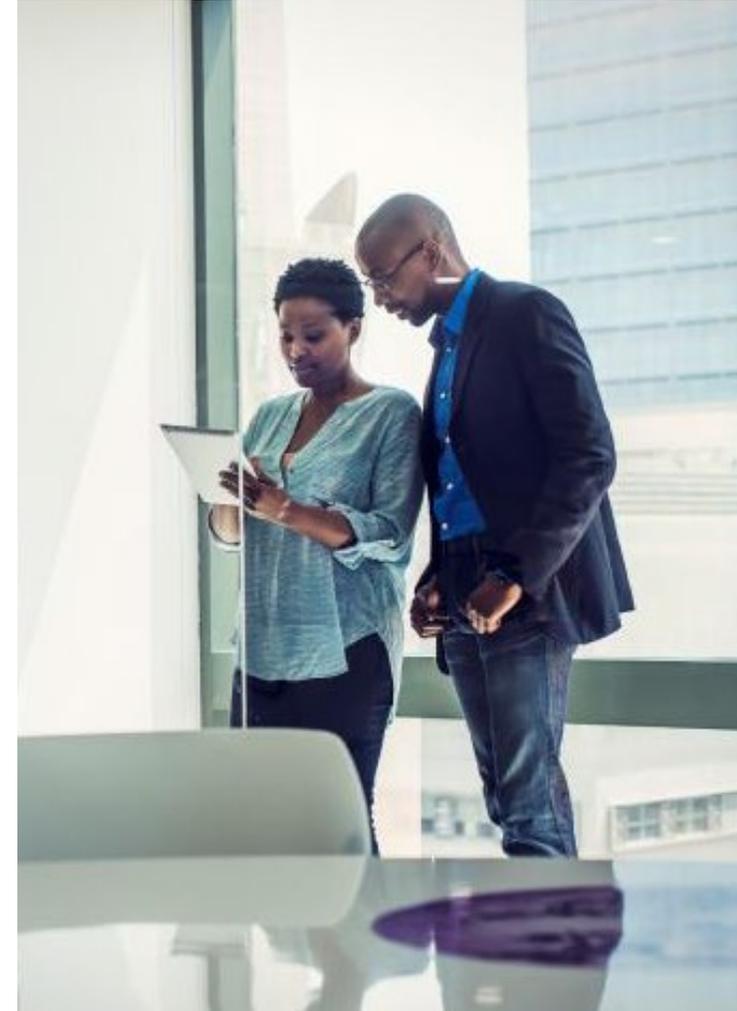
Year-end

- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Present audit results to those charged with governance and perform required communications

March: Issue audit reports on financial statements.

Risk assessment: Significant risks

Significant risk	Susceptibility to:	
	Error	Fraud
Management override of controls Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.		Yes



Cybersecurity considerations

Factors and forces elevating cybersecurity risks:

- Shifts to remote work, online customer engagement, digital finance – ‘remote everything’
- Acceleration of digital strategies/transformation
- Surge and sophistication of cyber attacks
- Risks, vulnerabilities posed by third-party vendors

Your considerations for robust oversight

- Focus on internal controls, access, and security protocols
- Increase diligence around third-party vendors
- Insist on a robust data governance framework
- Obtain cyber expertise at board or upper management level
- Provide ongoing cyber awareness training to leaders in the company
- Trust but verify the information reported by the Chief Information Officer function and by third-party cyber service providers

Our audit responsibilities

- Evaluate risks of material misstatement resulting from, among other things, unauthorized access to financial reporting systems (e.g. IT applications, databases, operating systems)
- Determine whether there is a related risk of fraud
- Develop audit approach based on risk assessment
- If a cybersecurity incident occurs, we understand and evaluate its effect on our audit approach, as well as evaluate management’s assessment of the effect on the financial statements and disclosures

Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, and KPMG each play an important role.

System of Independence Quality Control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over the Company, and persons in key positions with respect to the preparation or oversight of the financial statements

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The Company or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Responsibilities



Management responsibilities

- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



KPMG responsibilities – objectives

- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.



KPMG responsibilities – other

- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
- Withdraw from the audit engagement when possible under applicable law or regulation;
- Communicate the circumstances to those charged with governance, and
- Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

Inquiries

Are those charged with governance aware of:

- Matters relevant to the audit, including, but not limited to, violations or possible violations of laws or regulations?
- Any significant communications with regulators?
- Any developments in financial reporting, laws, accounting standards, corporate governance, and other related matters, and the effect of such developments on, for example, the overall presentation, structure, and content of the financial statements, including the following:
 - The relevance, reliability, comparability, and understandability of the information presented in the financial statements
 - Whether all required information has been included in the financial statements, and whether such information has been appropriately classified, aggregated or disaggregated, and presented?

Do those charged with governance have knowledge of:

- Fraud, alleged fraud, or suspected fraud affecting the Company?
 - If so, have the instances been appropriately addressed and how have they been addressed



What a better audit experience looks like.



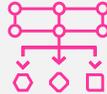
The ability to focus on your business, not our audit process



Tailored responsiveness and flexibility



Focused, precise risk assessment



Stronger coordination and consistency



Fit-for-purpose technology-driven efficiencies



Deeper insights into your organization and industry



Increased value, less disruption



Always-enhancing quality

Continuous improvement powered by transformation

Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.



Positioning audit committees for the future: 10 areas of focus

1

Financial reporting and related expertise: Stay focused on financial reporting and related internal control risks—job number one.

2

Risk oversight: Continue to assess the risk oversight responsibilities assigned to the audit committee.

3

ESG risk and disclosures: Clarify the role of the audit committee in overseeing the company's climate and other ESG risks.

4

Talent in the finance organization: Focus on whether finance has the talent and skill sets to meet the evolving reporting and IT landscape.

5

Audit quality: Reinforce the importance of audit quality and set clear expectations.

6

Internal audit's value: Make sure internal assessments are focused on the company's key risks.

7

Transparency: Insist on transparency among the board/audit committee, management, and auditors.

8

Compliance and culture: Closely monitor the tone at the top, culture, and behaviors.

9

Critical alignments: Help maintain alignment of culture, purpose, strategy, goals, risks, compliance, controls, incentives, performance metrics, and people.

10

Audit committee focus and effectiveness: Make the most of the committee's time together.

See the full report at <https://boardleadership.kpmg.us/>

US Audit Quality, Transparency and Impact reports



- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report



- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness.

Transparency Report



- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

KPMG Impact Plan

In addition to this report, we are providing you with our Transparency Report Supplement: Assisting audit committees in meeting NYSE rules on auditor communications Reports and supplements available at: audit.kpmg.us/auditquality



Questions?

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For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at www.kpmg.com/ACI

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Executive Session Motion
(Financial and Legal)
November 19, 2024

**Chugach Electric Association, Inc.
Regular Board of Directors' Meeting**

Agenda Item VII.

Move that pursuant to Alaska Statute 10.25.175(c)(1) and (3), the Board of Directors go into executive session to: 1) discuss and receive reports regarding matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and 2) discuss with its attorneys matters the immediate knowledge of which could have an adverse effect on the legal position of the cooperative.

Chugach Electric Association, Inc.
Anchorage, Alaska

Summary of Executive Session Topics for
Audit & Finance Committee Meeting on November 19, 2024
Agenda Item VII.

- A. Discussion of confidential and sensitive information regarding KPMG Contract negotiations, public disclosure of which could have an adverse effect on the finances and legal position of the Association. (AS 10.25.175(c)(1) and (3))
- B. Discussion of confidential and sensitive information concerning internal controls of Chugach's accounting department, public disclosure of which could have an adverse effect on the finances of the Association. (AS 10.25.175(c)(1))