

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

AUDIT AND FINANCE COMMITTEE MEETING

AGENDA

Sisi Cooper, Chair
Susan Reeves, Vice Chair

Bettina Chastain
Jim Henderson
Janet Reiser

November 6, 2017

4:00 p.m.

Chugach Board Room

- I. CALL TO ORDER
 - A. *Roll Call*
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. *August 9, 2017 (Portades)*
- IV. PERSONS TO BE HEARD
 - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (*scheduled*)
 - A. *3rd Quarter 2017 Financial Statements and Variance Report (Harris/Curran)*
 - B. *3rd Quarter 2017 Operating Budget Status Report (Curran)*
 - C. *3rd Quarter 2017 Capital Tracking Report (Curran)*
 - D. *3rd Quarter 2017 Contract Status Report (Vecera)*
 - E. *Employees 401k Plan Audit (Andrews)*
- VI. NEW BUSINESS* (*scheduled*)
 - A. *Recommendation on Discounting for 2018 Capital Credit Payments* (Highers)*
 - B. *3rd Quarter 2017 Financial Information (Harris)*
- VII. EXECUTIVE SESSION* (*scheduled*)
 - A. *Strategic Planning*
 - 1. *KPMG 3rd Quarter 2017 Review*
 - 2. *Board and Auditor Discussion*
 - 3. *Review Chugach's 2017 Audit Plan*
 - 4. *September 30, 2017, SEC Form 10Q Review*
- VIII. NEW BUSINESS* (*continued*)
 - A. *September 30, 2017, SEC Form 10Q Filing* (Curran)*
- IX. DIRECTOR COMMENTS
- X. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

10/30/2017 9:13:06 AM

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

August 9, 2017
Wednesday
4:00 p.m.

AUDIT AND FINANCE COMMITTEE MEETING

Recording Secretary: Divina Portades

I. CALL TO ORDER

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

A. Roll Call

Committee Members Present:

Sisi Cooper, Chair
Janet Reiser, Director
Jim Henderson, Director (*via teleconference*)

Committee Member Absent:

Susan Reeves, Vice Chair

Committee Member Excused Absent:

Bettina Chastain, Director

Guests and Staff in Attendance:

Sherri Highers	Paul Risse	Renee Curran
Arthur Miller	Mark Johnson	Julie Hasquet
Connie Owens	Jody Wolfe	Teresa Quigley
Josh Travis	Ron Vecera	Elizabeth Stuart, KPMG (<i>via teleconference</i>)

II. APPROVAL OF THE AGENDA

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

III. APPROVAL OF THE MINUTES

Director Henderson moved and Director Reiser seconded the motion to approve the June 6, 2017, Audit and Finance Committee Meeting minutes. The motion passed unanimously.

IV. PERSONS TO BE HEARD

- A. Wholesale Customer and Member Comments*
None

V. CEO REPORTS AND CORRESPONDENCE

- A. *2nd Quarter 2017 Financial Statements and Variance Report (Harris/Curran)*
The 2nd Quarter 2017 Financial Statements and the Variance Report were provided in the meeting packet. Sherri Highers, VP, Finance and Chief Financial Officer (CFO) gave a brief summary and discuss changes on the 2nd Quarter 2017 Financial Statements and Variance Report. Sherri Highers, VP, Finance and CFO, Paul Risse, Sr. VP, Production and Engineering and Arthur Miller, Executive Manager, Regulatory and External Affairs responded to questions from the Committee.
- B. *2nd Quarter 2017 Operating Budget Status Report (Curran)*
The 2nd Quarter 2017 Operating Budget Status Report was provided in the meeting packet.
- C. *2nd Quarter 2017 Capital Tracking Report (Curran)*
The 2nd Quarter 2017 Capital Tracking Report was provided in the meeting packet.
- D. *2nd Quarter 2017 Contract Status Report (Vecera)*
The 2nd Quarter 2017 Contract Status Report was provided in the meeting packet.

VI. NEW BUSINESS

- A. *2nd Quarter 2017 Financial Information (Harris)*
Jody Wolfe, Controller discussed the 2nd Quarter 2017 Financial Information. Sherri Highers, VP, Finance and CFO and Jody Wolfe, Controller responded to questions from the Committee.

VII. EXECUTIVE SESSION

- A. *Strategic Planning*
 - 1. *KPMG 2nd Quarter 2017 Review*
 - 2. *June 30, 2017, SEC Form 10Q Review*
 - 3. *NRUCFC Line of Credit*

At 4:30 p.m., Director Reiser moved and Director Henderson seconded the motion that pursuant to Alaska Statute 10.25.175 (c)(1), the Audit and Finance Committee go into executive session to discuss financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative. The motion passed unanimously.

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

VIII. NEW BUSINESS

- A. *June 30, 2017, SEC Form 10Q Filing* (Curran)*
Director Reiser moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend management file the Securities and Exchange Commission Form 10Q by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG.

Ms. Stuart and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes. The motion passed unanimously.

B. Recommendation on Approval of the NRUCFC Line of Credit (Highers)*

Director Reiser moved and Director Henderson seconded the motion that the Audit and Finance Committee recommend the Board of Directors authorize the Chief Executive Officer to enter into a Revolving Line of Credit Agreement (Agreement) with NRUCFC in an amount not to exceed \$50 million for a term of sixty months, subject to the provisions of the Agreement substantially in the form discussed in executive session. The motion passed unanimously.

IX. DIRECTOR COMMENTS

Comments were made at this time.

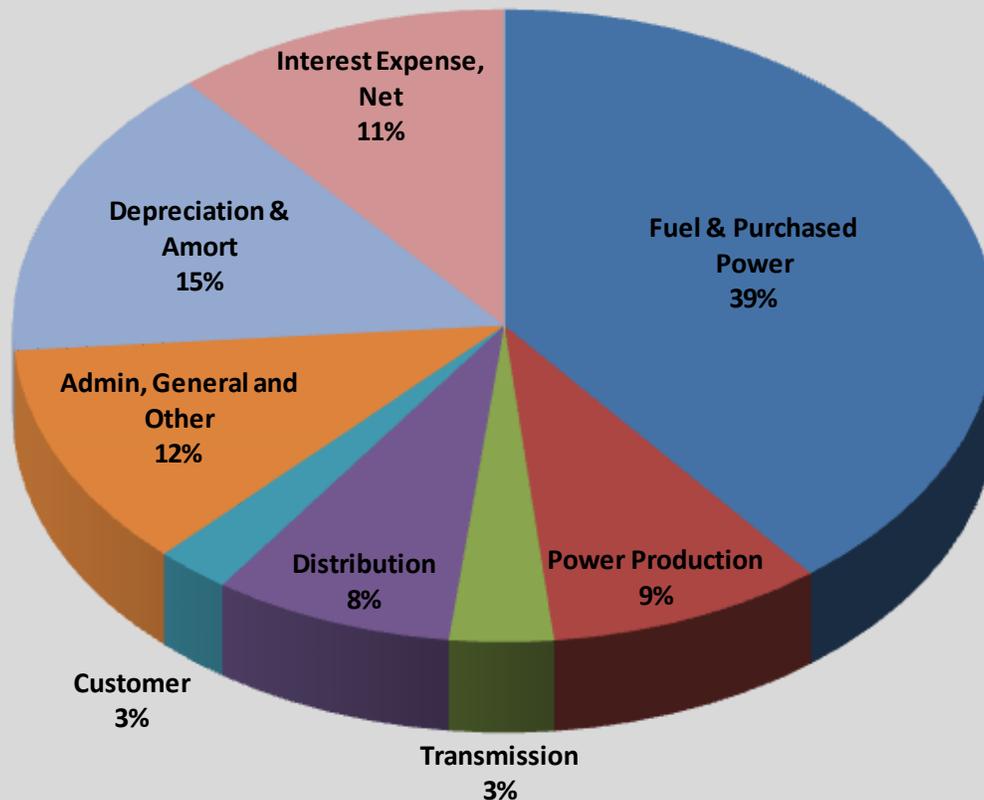
X. ADJOURNMENT

At 5:22 p.m., Director Reiser moved and Director Henderson seconded the motion to adjourn. The motion passed unanimously.

STATEMENT OF OPERATIONS

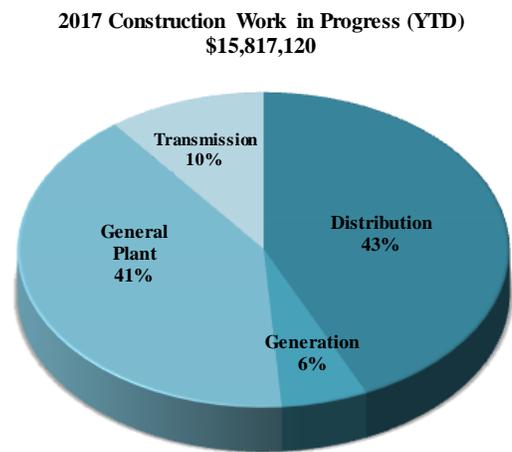
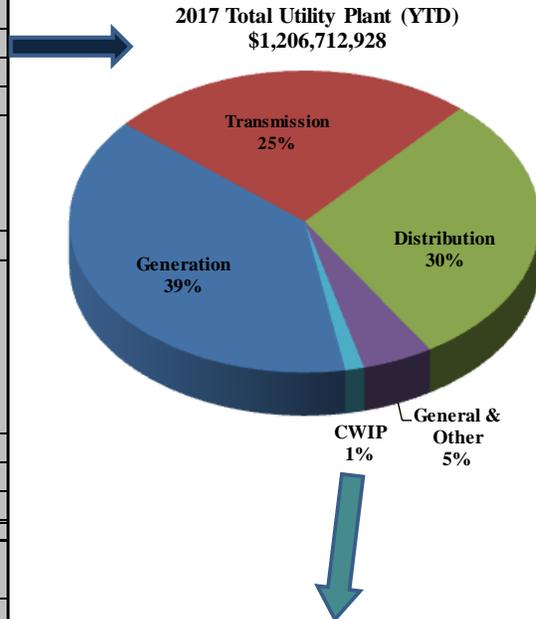
CATEGORY	2017 MTD ACTUAL	2017 MTD BUDGET	2017 MTD VARIANCE
Operating Revenue and Patronage Capital	\$ 16,232,104	\$ 16,697,292	\$ (465,188)
Fuel and Purchased Power Expense	6,553,523	6,530,255	23,268
Power Production Expense	1,514,622	1,736,440	(221,818)
Transmission Expense	569,581	594,239	(24,658)
Distribution Expense	1,318,697	1,075,963	242,734
Customer Expense	407,740	506,076	(98,336)
Administrative, General and Other	1,930,855	1,886,566	44,289
Depreciation & Amortization Expense	2,526,468	2,674,577	(148,109)
Interest Expense, Net	1,852,789	1,838,993	13,796
Total Cost of Electric Service	\$ 16,674,275	\$ 16,843,109	\$ (168,834)
Patronage Capital & Operating Margins	\$ (442,171)	\$ (145,817)	\$ (296,354)
Non-Operating Margins - Interest	54,446	27,000	27,446
Allowance for Funds Used During Construction	6,662	7,002	(340)
Non-Operating Margins - Other	(6,260)	-	(6,260)
Patronage Capital or Margins	\$ (387,323)	\$ (111,815)	\$ (275,508)

Total Cost of Electric Service (MTD Actual)



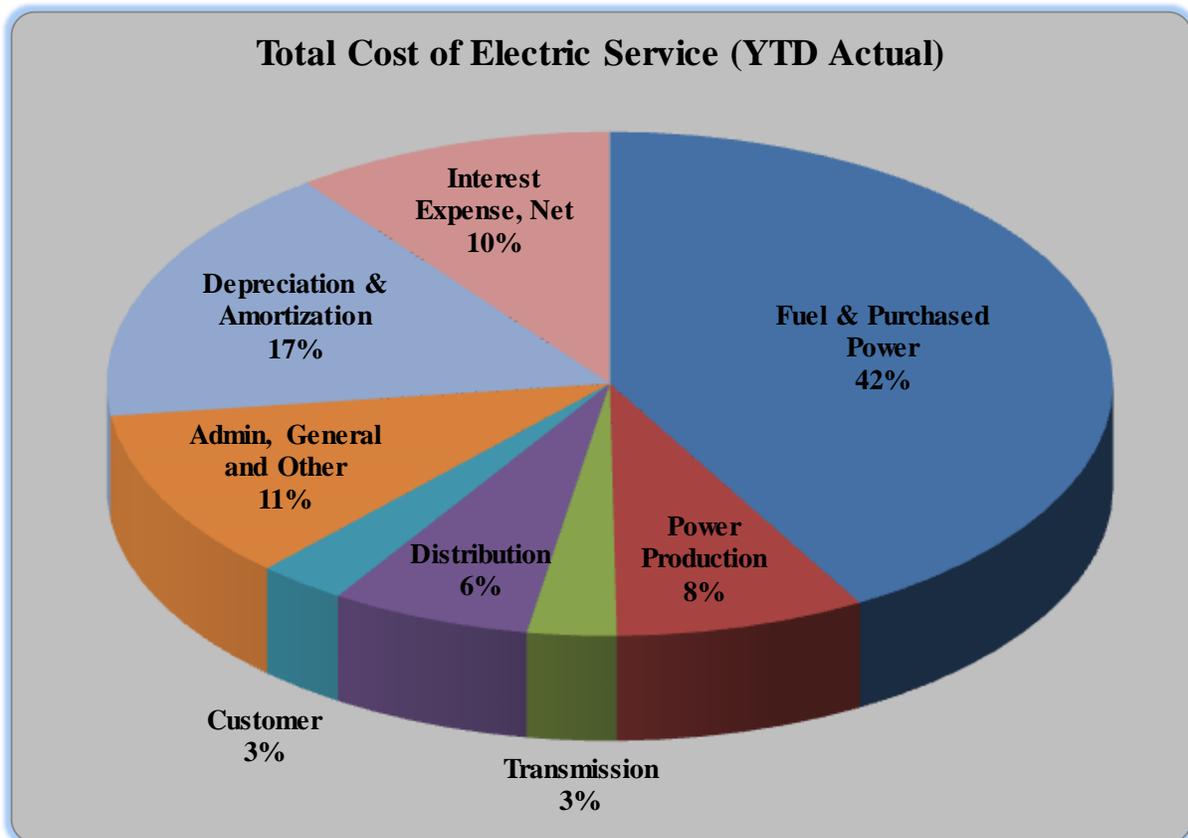
BALANCE SHEET

ASSETS & OTHER DEBITS	09/30/2017	12/31/16
Total Utility Plant in Service	1,206,712,928	1,192,513,869
Construction Work in Progress	15,817,120	18,455,940
Total Utility Plant	\$ 1,222,530,048	\$ 1,210,969,809
Accum. Prov. for Depreciation/Amortization	(513,861,377)	(496,098,131)
Net Utility Plant	\$ 708,668,671	\$ 714,871,678
Nonutility Property - Net	76,889	76,889
Investment in Assoc. Organizations	8,980,409	9,349,311
Special Funds	1,137,189	907,836
Restricted Cash & Marketable Securities	2,395,306	3,871,993
Total Other Property & Investments	\$ 12,589,793	\$ 14,206,029
Cash & Marketable Securities	14,242,355	12,048,316
Special Deposits/Restricted Cash	791,817	975,665
Accounts Receivable - Net	29,662,805	33,000,919
Materials and Supplies, Fuel Stock	24,837,104	34,210,843
Prepayments	4,921,490	1,407,026
Other Current & Accrued Assets	1,760,302	294,697
Total Current & Accrued Assets	\$ 76,215,873	\$ 81,937,466
Deferred Debits	33,819,717	25,140,957
Total Assets & Other Debits	\$ 831,294,054	\$ 836,156,130
LIABILITIES & OTHER CREDITS	09/30/2017	12/31/16
Memberships	1,712,704	1,691,014
Pat. Capital, Margins & Equities	182,206,438	183,824,511
Total Margins & Equities	\$ 183,919,142	\$ 185,515,525
Long-Term Debt - Bonds	421,833,331	405,249,998
Long-Term Debt - Other	37,962,000	40,356,000
Unamortized Debt Issuance Costs	(2,734,709)	(2,715,745)
Total Long-Term Debt	\$ 457,060,622	\$ 442,890,253
Notes Payable	77,608,667	93,036,667
Accounts Payable	7,712,302	9,618,630
Consumer Deposits	5,219,743	5,207,585
Other Current & Accrued Liabilities	26,053,738	26,532,912
Total Current & Accrued Liabilities	\$ 116,594,450	\$ 134,395,794
Deferred Compensation	1,137,189	907,836
Other Liabilities, Non-Current	863,220	655,277
Deferred Liabilities	1,574,566	1,179,414
Patronage Capital Payable	10,798,077	12,008,499
Cost of Removal Obligation	59,346,788	58,603,532
Total Liabilities & Other Credits	\$ 831,294,054	\$ 836,156,130



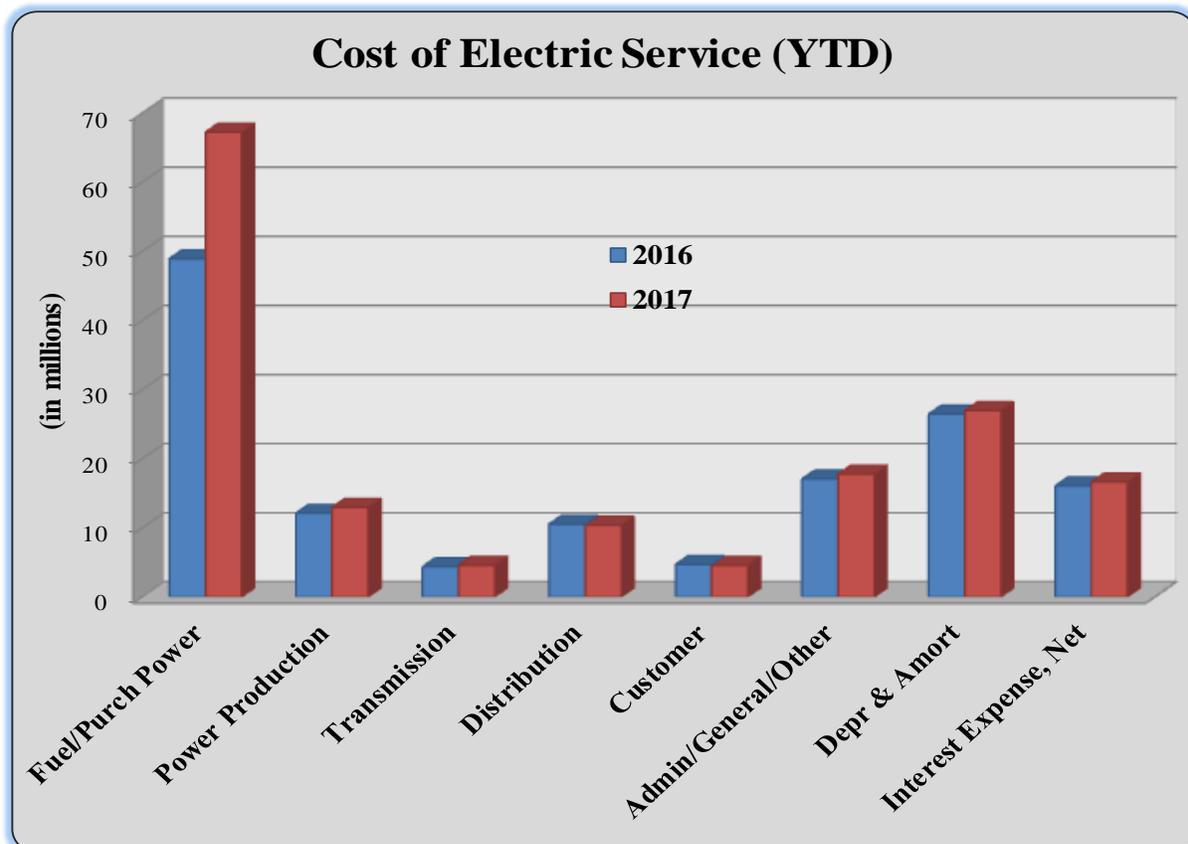
**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
CURRENT YTD ACTUAL TO BUDGET VARIANCE**

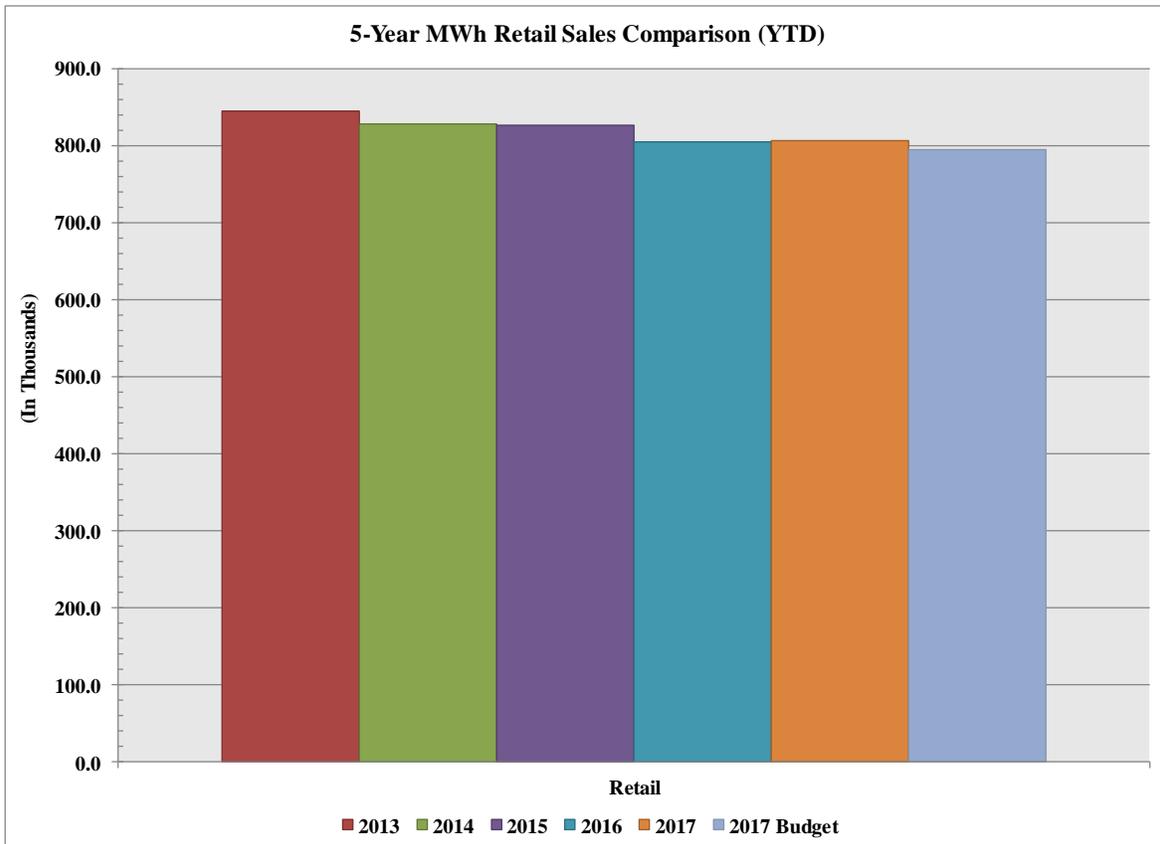
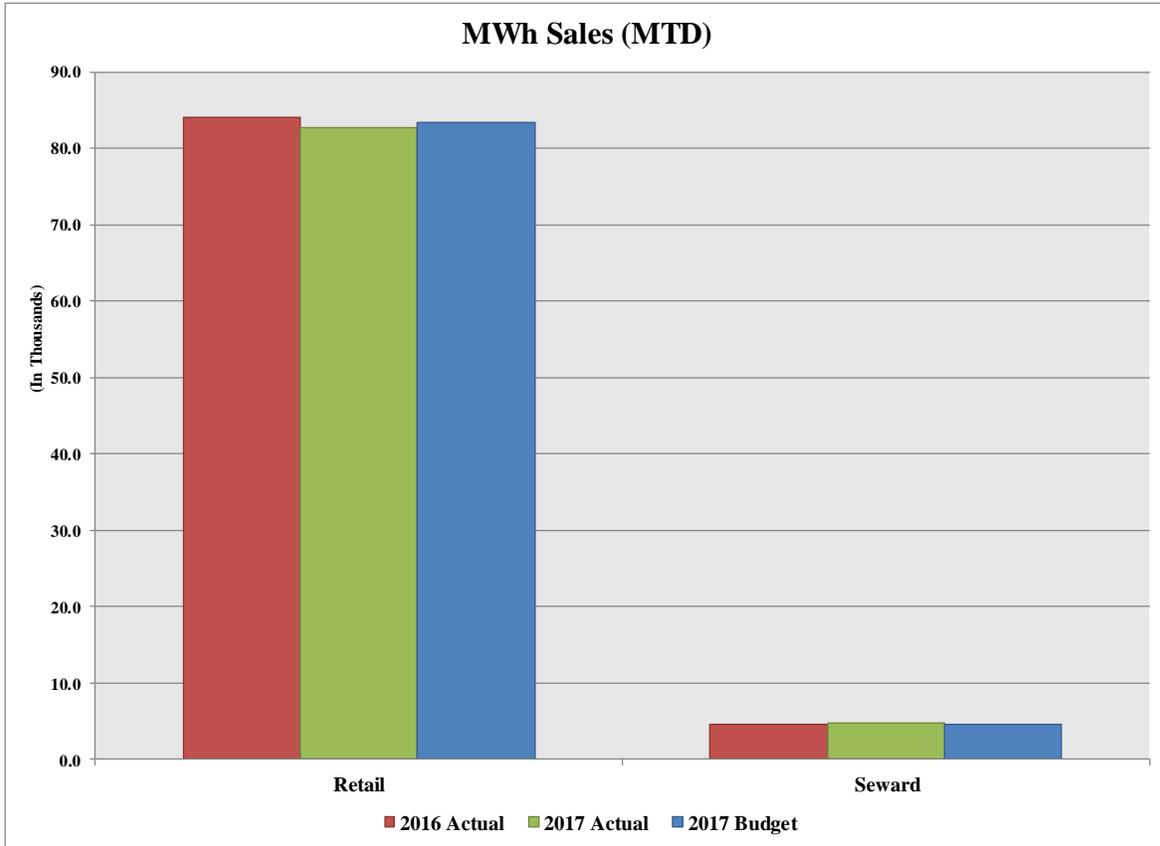
CATEGORY	2017 YTD ACTUAL	2017 YTD BUDGET	2017 YTD VARIANCE
Operating Revenue and Patronage Capital	\$ 161,753,739	\$ 157,364,680	\$ 4,389,059
Fuel and Purchased Power Expense	67,226,738	61,774,669	5,452,069
Power Production Expense	12,951,877	13,307,419	(355,542)
Transmission Expense	4,598,273	5,465,295	(867,022)
Distribution Expense	10,368,772	10,042,390	326,382
Customer Expense	4,580,216	4,713,680	(133,464)
Administrative, General and Other	17,776,742	18,159,736	(382,994)
Depreciation & Amortization Expense	26,936,964	27,312,831	(375,867)
Interest Expense, Net	16,625,472	16,358,749	266,723
Total Cost of Electric Service	\$ 161,065,054	\$ 157,134,769	\$ 3,930,285
Patronage Capital & Operating Margins	\$ 688,685	\$ 229,911	\$ 458,774
Non-Operating Margins - Interest	471,038	245,422	225,616
Allowance Funds Used During Const.	45,219	84,439	(39,220)
Non-Operating Margins - Other	105,049	-	105,049
Patronage Capital or Margins	\$ 1,309,991	\$ 559,772	\$ 750,219
MFI/I	1.08	1.03	
TIER	1.08	1.03	

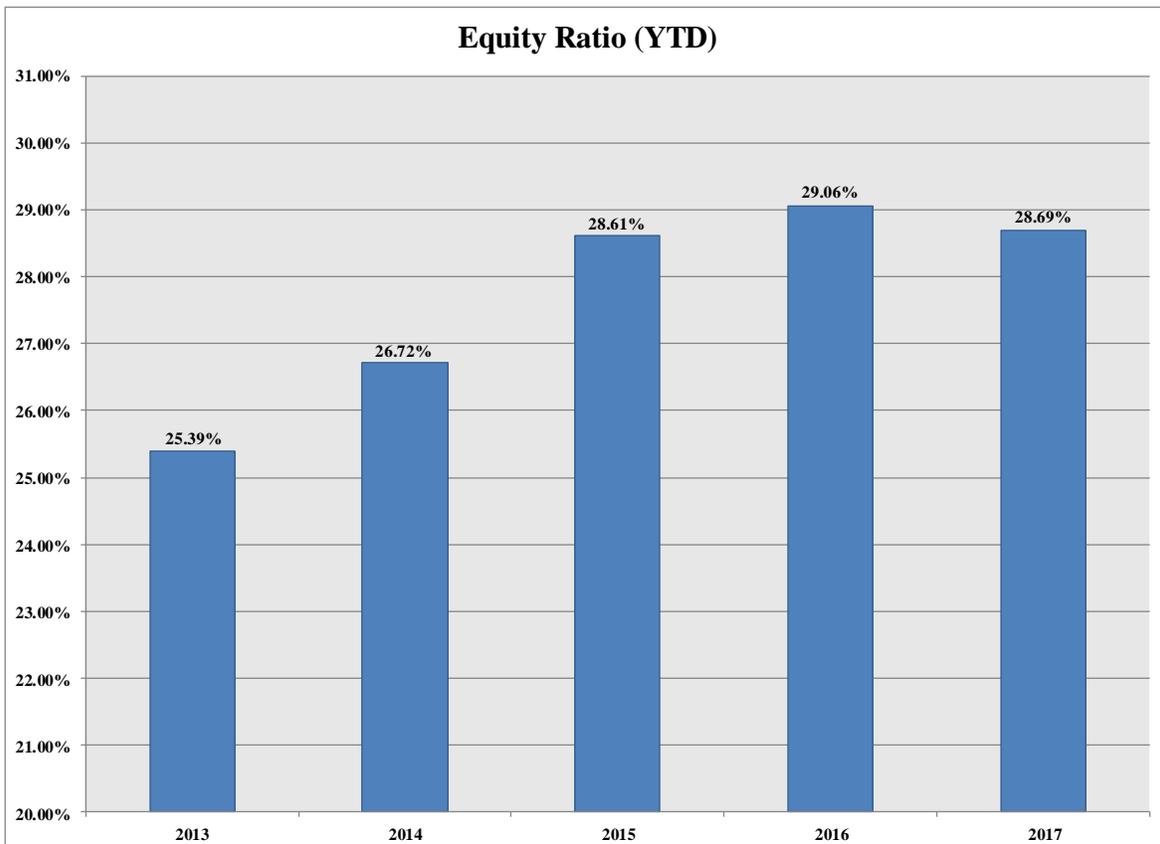
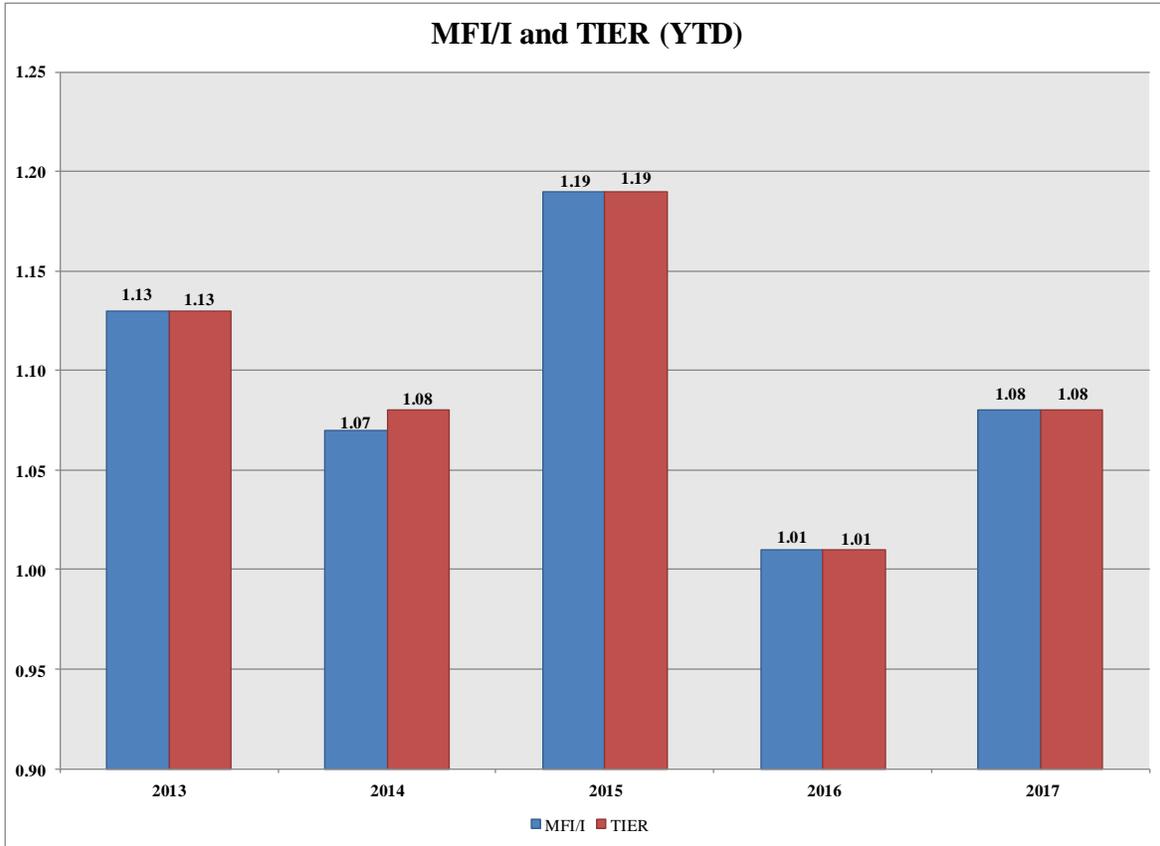


COMPARATIVE FINANCIAL REPORT STATEMENT OF OPERATIONS CURRENT TO PRIOR YTD ACTUAL

CATEGORY	2017 YTD ACTUAL	2016 YTD ACTUAL
Operating Revenue and Patronage Capital	\$ 161,753,739	\$ 140,005,625
Fuel and Purchased Power Expense	67,226,738	48,920,271
Power Production Expense	12,951,877	12,111,405
Transmission Expense	4,598,273	4,369,240
Distribution Expense	10,368,772	10,530,563
Customer Expense	4,580,216	4,704,764
Administrative, General and Other	17,776,742	17,068,780
Depreciation and Amortization Expense	26,936,964	26,435,059
Interest Expense, Net	16,625,472	16,060,055
Total Cost of Electric Service	\$ 161,065,054	\$ 140,200,137
Patronage Capital & Operating Margins	\$ 688,685	\$ (194,512)
Non-Operating Margins - Interest	471,038	253,455
Allowance for Funds Used During Construction	45,219	117,189
Non-Operating Margins - Other	105,049	5,636
Patronage Capital or Margins	\$ 1,309,991	\$ 181,768
MFI/I	1.08	1.01
TIER	1.08	1.01







ENERGY SALES (kWh)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Energy Sales	806,832,569	795,519,138
Wholesale Energy Sales	<u>45,503,487</u>	<u>43,616,822</u>
Total Firm Energy Sales	852,336,056	839,135,960
Economy Energy Sales	<u>31,220,000</u>	<u>0</u>
Total Energy Sales	883,556,056	839,135,960

Firm energy sales totaled 852,336,056 kWh, which were 1.6% over budget. Retail energy sales were over budget 1.4% and wholesale energy sales were over budget by 4.3%, primarily associated with higher sales due to colder than anticipated weather primarily in the first quarter.

Economy energy sales totaled 31,220,000 kWh which were 100% over budget due to unanticipated sales to Golden Valley Electric Association (GVEA), Matanuska Electric Association (MEA), and Homer Electric Association (HEA).

ENERGY REVENUE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Retail Revenue	\$ 142.0	\$ 144.0
Wholesale Revenue	<u>4.4</u>	<u>4.3</u>
Total Firm Revenue	146.4	148.3
Economy Energy Revenue	3.2	0.0
Other Operating Revenue	<u>12.2</u>	<u>9.1</u>
Total Revenue	\$ 161.8	\$ 157.4

Revenue from firm sales totaled \$146.4 million compared to \$148.3 million in the budget. Lower than anticipated fuel and purchased power revenue was collected from firm customers as a result of higher than anticipated economy and wheeling revenue. This was somewhat offset by higher than anticipated firm energy sales.

Economy energy revenue totaled \$3.2 million due to unanticipated sales to GVEA, MEA, and HEA. Other operating revenue includes late fees, pole rental, wheeling, microwave, BRU sales and royalties, miscellaneous service and other electric revenue. Other operating revenue totaled \$12.2 million compared to \$9.1 million in the budget, primarily due to higher than anticipated wheeling revenue.

FUEL AND PURCHASED POWER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Fuel	\$ 55.5	\$ 47.2
Purchased Power	<u>11.7</u>	<u>14.6</u>
Total	\$ 67.2	\$ 61.8

Fuel expense includes fuel, storage, transportation, and BRU operating costs. Fuel expense was \$55.5 million compared to \$47.2 million projected in the budget. This variance was due, in part, to higher than anticipated fuel consumption as a result of increased sales coupled with less efficient generation units used as a result of lower than anticipated power available to purchase from ML&P.

Actual fuel purchased for production was 6,327,236 MCF at an average effective delivered price of \$7.95 per MCF, compared to 5,319,424 MCF in the budget at an average effective delivered price of \$7.85 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 \$11.7 million compared to \$14.6 million in the budget. This variance was primarily due to lower than anticipated purchases from ML&P and less power produced at Fire Island, which was somewhat offset by more purchases from MEA. Also contributing to this variance was a lower average effective price per kWh.

Actual energy purchased was 164,032 MWh at an average effective price of 5.79 cents per kWh compared to 172,968 MWh budgeted at an average effective price of 7.19 cents per kWh.

POWER PRODUCTION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Power Production	\$ 13.0	\$ 13.3

Power production expense was \$13.0 million compared to \$13.3 million in the budget primarily due to lower than anticipated maintenance costs at SPP.

TRANSMISSION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Transmission	\$ 4.6	\$ 5.5

Transmission operations and maintenance expense was \$4.6 million compared to \$5.5 million in the budget, primarily due to lower than anticipated labor associated with changes in scheduled maintenance from transmission to distribution and higher than expected labor expended on capital projects.

DISTRIBUTION OPERATIONS AND MAINTENANCE (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Distribution	\$ 10.4	\$ 10.0

Distribution operations and maintenance expense was \$10.4 million compared to \$10.0 million in the budget. This variance is due primarily to increased labor expense due to the change in scheduled maintenance from transmission to distribution. This was somewhat offset by lower than anticipated vegetation control and allocated costs.

CONSUMER ACCOUNTS / CUSTOMER INFORMATION (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Total Consumer / Customer Information	\$ 4.6	\$ 4.7

Consumer accounts and customer information expense was \$4.6 million compared to \$4.7 million in the budget, with no significant variance.

ADMINISTRATIVE, GENERAL AND OTHER (in millions)

	<u>YTD Actual</u>	<u>YTD Budget</u>
Administrative, General and Other	\$ 17.8	\$ 18.2

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 \$17.8 million compared to \$18.2 million in the budget. This variance was primarily due to lower than anticipated building maintenance expenses.

SUMMARY

Depreciation, interest, and interest during construction expense totaled \$43.6 million compared to \$43.7 million in the budget, with no significant variance.

All of the foregoing expenses resulted in total cost of electric service of \$161.1 million compared to \$157.1 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 \$0.6 million compared to \$0.3 million in the budget due primarily to higher interest and dividend income and the gain in the value of marketable securities.

The net result of revenue and expenses was margins of \$1.3 million compared to projected margins of \$0.6 million in the budget. The current forecast projects year-end margins of \$5.5 million and an MFI/I of 1.25.

**COMPARATIVE FINANCIAL REPORT
STATEMENT OF OPERATIONS
YEAR-END FORECAST**

CATEGORY	2017 APPROVED BUDGET	2017 AMENDED BUDGET	2017 YTD ACTUALS	2017 REVISED FORECAST
Operating Revenue and Patronage Capital	\$ 214,142,698	\$ 215,797,542	\$ 161,753,739	\$ 219,606,392 ^{1 2}
Fuel and Purchased Power Expense	84,787,639	84,787,639	67,226,738	90,239,708 ¹
Power Production Expense	17,255,632	17,824,312	12,951,877	17,824,312
Transmission Expense	7,235,161	7,235,161	4,598,273	6,368,139 ¹
Distribution Expense	13,466,026	13,466,026	10,368,772	13,792,408 ¹
Customer Expense	6,315,719	6,315,719	4,580,216	6,182,255 ¹
Administrative, General & Other	23,942,288	23,942,288	17,776,742	23,867,288 ²
Depreciation and Amortization Expense	35,344,430	35,344,430	26,936,964	34,968,563 ^{1 2}
Interest Expense, Net	20,794,273	21,880,437	16,625,472	22,147,160 ^{1 2}
Total Cost of Electric Service	\$ 209,141,168	\$ 210,796,012	\$ 161,065,054	\$ 215,389,833
Patronage Capital & Operating Margins	\$ 5,001,530	\$ 5,001,530	\$ 688,685	\$ 4,216,559
Non-Operating Margins - Interest	328,028	328,028	471,038	553,644 ¹
Allowance for Funds Used During Construction	100,029	100,029	45,219	60,809 ¹
Non-Operating Margins - Other	-	-	105,049	105,049 ¹
Other Capital Credits and Patronage Dividends	571,586	571,586	-	571,586 ¹
Patronage Capital or Margins	\$ 6,001,173	\$ 6,001,173	\$ 1,309,991	\$ 5,507,647
MFI/I	1.28	1.27	1.08	1.25
TIER	1.30	1.28	1.08	1.26

¹ Forecast based on 9 month actual and 3 month forecast

² Forecast has been adjusted to reflect known and measurable changes

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

October 26, 2017

TO: Sherri L. Highers, CFO
FROM: Debra Caldwell, Financial Analyst, Budget and Financial Reporting
SUBJECT: 3rd Quarter 2017 Operating Budget Status Report

The Operating Budget Status Report on page 2 reflects budget adjustments for the third quarter and are outlined below.

- To correct the prior budget adjustment A for the amortization amounts associated with the Beluga Power Plant production equipment parts in accordance with RCA order number U-16-092 from depreciation expense to generation maintenance power production expense.

The foregoing budget adjustments had a \$0 impact on the 2017 Operating Budget.

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
3RD QUARTER 2017

CATEGORY	2017 AMENDED BUDGET	2017 BUDGET REVISIONS	2017 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$214,142,698	\$0	\$214,142,698
EXPENSES:			
FUEL EXPENSE	64,893,734	0	64,893,734
POWER PRODUCTION EXPENSE	17,255,632	568,680 B	17,824,312
COST OF PURCHASED POWER	19,893,905	0	19,893,905
TRANSMISSION EXPENSE	7,235,161	0	7,235,161
DISTRIBUTION EXPENSE-OPERATIONS	5,422,856	0	5,422,856
DISTRIBUTION EXPENSE-MAINTENANCE	8,043,170	0	8,043,170
CONSUMER ACCOUNTS EXPENSE	5,897,740	0	5,897,740
CUSTOMER SERVICE/INFO EXPENSE	417,979	0	417,979
ADMINISTRATIVE/GENERAL EXPENSE	23,303,488	0	23,303,488
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$152,363,665	\$568,680	\$152,932,345
DEPRECIATION/AMORTIZATION EXPENSE	35,344,430	(568,680) B	34,775,750
TAX EXPENSE-OTHER	238,800	0	238,800
INTEREST ON DEBT	21,094,359	0	21,094,359
INTEREST ON CONSTRUCTION-CREDIT	(300,086)	0	(300,086)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$209,141,168	\$0	\$209,141,168
PATRONAGE CAPITAL/OPERATING MARGINS	\$5,001,530	\$0	\$5,001,530
NON-OPERATING MARGINS-INTEREST	328,028	0	328,028
ALLOWANCE FUNDS USED DURING CONST.	100,029	0	100,029
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	571,586	0	571,586
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$6,001,173	\$0	\$6,001,173

MFI/I

1.28

1.28

CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
2ND QUARTER 2017

CATEGORY	2017 APPROVED BUDGET	2017 BUDGET REVISIONS	2017 AMENDED BUDGET
REVENUES:			
TOTAL REVENUE	\$214,142,698	\$1,654,844 A	\$215,797,542
EXPENSES:			
FUEL EXPENSE	64,893,734	0	64,893,734
POWER PRODUCTION EXPENSE	17,255,632	0	17,255,632
COST OF PURCHASED POWER	19,893,905	0	19,893,905
TRANSMISSION EXPENSE	7,235,161	0	7,235,161
DISTRIBUTION EXPENSE-OPERATIONS	5,422,856	0	5,422,856
DISTRIBUTION EXPENSE-MAINTENANCE	8,043,170	0	8,043,170
CONSUMER ACCOUNTS EXPENSE	5,897,740	0	5,897,740
CUSTOMER SERVICE/INFO EXPENSE	417,979	0	417,979
ADMINISTRATIVE/GENERAL EXPENSE	23,303,488	0	23,303,488
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$152,363,665	\$0	\$152,363,665
DEPRECIATION/AMORTIZATION EXPENSE	35,344,430	568,680 A	35,913,110
TAX EXPENSE-OTHER	238,800	0	238,800
INTEREST ON DEBT	21,094,359	1,086,164 A	22,180,523
INTEREST ON CONSTRUCTION-CREDIT	(300,086)	0	(300,086)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$209,141,168	\$1,654,844	\$210,796,012
PATRONAGE CAPITAL/OPERATING MARGINS	\$5,001,530	\$0	\$5,001,530
NON-OPERATING MARGINS-INTEREST	328,028	0	328,028
ALLOWANCE FUNDS USED DURING CONST.	100,029	0	100,029
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	571,586	0	571,586
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$6,001,173	\$0	\$6,001,173

MFI/I

1.28

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CHUGACH ELECTRIC ASSOCIATION, INC.
OPERATING BUDGET STATUS REPORT
1ST QUARTER 2017

CATEGORY	2017 APPROVED BUDGET	2017 BUDGET REVISIONS	2017 APPROVED BUDGET
REVENUES:			
TOTAL REVENUE	\$214,142,698	\$0	\$214,142,698
EXPENSES:			
FUEL EXPENSE	64,893,734	0	64,893,734
POWER PRODUCTION EXPENSE	17,255,632	0	17,255,632
COST OF PURCHASED POWER	19,893,905	0	19,893,905
TRANSMISSION EXPENSE	7,235,161	0	7,235,161
DISTRIBUTION EXPENSE-OPERATIONS	5,422,856	0	5,422,856
DISTRIBUTION EXPENSE-MAINTENANCE	8,043,170	0	8,043,170
CONSUMER ACCOUNTS EXPENSE	5,897,740	0	5,897,740
CUSTOMER SERVICE/INFO EXPENSE	417,979	0	417,979
ADMINISTRATIVE/GENERAL EXPENSE	23,303,488	0	23,303,488
TOTAL OPERATIONS/MAINTENANCE EXPENSE	\$152,363,665	\$0	\$152,363,665
DEPRECIATION/AMORTIZATION EXPENSE	35,344,430	0	35,344,430
TAX EXPENSE-OTHER	238,800	0	238,800
INTEREST ON DEBT	21,094,359	0	21,094,359
INTEREST ON CONSTRUCTION-CREDIT	(300,086)	0	(300,086)
OTHER DEDUCTIONS	400,000	0	400,000
TOTAL COST OF ELECTRIC SERVICE	\$209,141,168	\$0	\$209,141,168
PATRONAGE CAPITAL/OPERATING MARGINS	\$5,001,530	\$0	\$5,001,530
NON-OPERATING MARGINS-INTEREST	328,028	0	328,028
ALLOWANCE FUNDS USED DURING CONST.	100,029	0	100,029
NON-OPERATING MARGINS-OTHER	0	0	0
GENER./TRANS. CAPITAL CREDITS	0	0	0
OTHER CAPITAL CREDITS/DIVIDENDS	571,586	0	571,586
EXTRAORDINARY ITEMS	0	0	0
PATRONAGE CAPITAL OR MARGINS	\$6,001,173	\$0	\$6,001,173

MFI/I

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CHUGACH ELECTRIC ASSOCIATION
CAPITAL PROJECT TRACKING REPORT
As of September 30, 2017

CIP Ref #	Project Name ¹	Project Manager	BOD Project Approval Date	Estimate			Actuals			Variance		Project Completion	Comments
				Estimate	Revisions to Estimate	Revised Estimate	Spending to Date	Forecast to Completion	Total Estimated Completion Cost	Total Estimated Cost vs. Revised Estimate			
										Amount	%		
SYSTEM IMPROVEMENT PROJECTS													
Reliability													
02.0384	Hane Distribution Substation Feeders E1413522 & E1513572	Schmitt	2/17/2015	\$1,279,000	\$0	\$1,279,000	\$1,251,844	\$500	\$1,252,344	(\$26,656)	98%	99%	Construction is complete on the Hane Substation feeder projects. Project is in final closeout.
20.0266	Multi-Stage Energy Storage System (MS-ESS) P1300850, P1730266, P1730267	Highers	5/25/2016	\$2,495,191 ²	\$0	\$2,495,191	\$2,665,865	\$3,135	\$2,669,000	\$173,809	107%	99%	Construction was completed on flywheel and battery systems. Final data collection systems remain to be installed and configured.
Retirements & Replacements													
06.0824	Advanced Metering Infrastructure (AMI) Implementation I1540001, E1313415, I1640000, I1740000	McCarty	3/17/2015	\$14,050,000	\$250,000	\$14,300,000	\$14,504,787	\$55,838	\$14,560,625	\$260,625	102%	99%	81,200 meters have been exchanged to date. Mass meter exchanges are 100% complete.
Agency Mandated													
03.0810	Dowling Road Undergrounding E1513614 E1513613 E1613631 E1613630	Schmitt	9/28/2016	\$3,000,000	\$0	\$3,000,000	\$2,540,208	\$75,000	\$2,615,208	(\$384,792)	87%	98%	Construction is complete. Final invoices will be processed and closeout will be completed in the fourth quarter.
03.0810	Old Seward Highway Undergrounding E1513623	Schmitt	8/23/2016	\$2,400,000	\$0	\$2,400,000	\$2,072,755	\$10,000	\$2,082,755	(\$317,245)	87%	99%	Construction is complete, project in closeout.
Operating Efficiency													
05.0300	Debarr Substation Rebuild E1620052	Sinclair	1/26/2017	\$6,000,000	\$0	\$6,000,000	\$473,778	\$5,526,222	\$6,000,000	\$0	100%	15%	This project will upgrade the existing facilities at Debarr Substation. The scope includes replacement of the existing power transformer, 12.5kV switchgear, 34.5kV circuit switchers, and associated control and power cables. Electric Power Constructors (EPC) is performing the design and will also perform the construction in 2018. EPC is also assisting with permitting, which should be completed in early 2018. Chugach is procuring the large equipment. This equipment is scheduled to arrive in the third quarter of 2018. Construction is anticipated to start in the second quarter of 2018 and run through the end of 2018.
Totals				\$29,224,191	\$250,000	\$29,474,191	\$23,509,238	\$5,670,695	\$29,179,932	(\$294,259)	99%	85%	

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

² Represents Chugach costs only.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

November 6, 2017

ACTION REQUIRED

AGENDA ITEM NO. VI.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Recommendation on Discounting for 2018 Capital Credit Payments

DISCUSSION

Chugach's Bylaws require Board approval of capital credit payments. This resolution authorizes the payment not to exceed \$275,000 during 2018 to retire early (discounted) capital credits. If the funding and approval of payments is preauthorized, staff can expeditiously process these request without having to come to the Board for approval prior to making payments throughout the year.

MOTION

Move that the Audit and Finance Committee recommend the Board of Directors' approve the resolution authorizing early (discounted) capital credit payments for 2018 not to exceed \$275,000.

RESOLUTION

Discounting for 2018 Capital Credit Payments

WHEREAS, Chugach Electric Association, Inc. (Chugach) has developed a plan to pay discounted capital credits to former members before normal retirements; and

WHEREAS, Chugach has received a Private Letter Ruling from the Internal Revenue Service stating the discounted capital credits retirement plan does not jeopardize Chugach's tax-exempt status; and

WHEREAS, the plan provides that the amount available for discounted capital credit payments to former members can be increased or decreased at the discretion of the Board of Directors; and

WHEREAS, Chugach's bylaws require Board approval of capital credit retirements; and

WHEREAS, the Board of Directors has determined that a retirement under this early payment plan in 2018 will not impair the financial condition of the Association; and

WHEREAS, early payments of capital credits include payments to estates of deceased patrons; and

WHEREAS, estate and other early payments will be made on a frequent basis and it would delay these payments if Board approval is required for each specific early retirement being paid;

NOW THEREFORE, BE IT RESOLVED, Chugach shall make early payments of capital credits to former members and estates who request early retirements under the plan in the actual discounted amount, not to exceed \$275,000 in cash payments for 2018.

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

BE IT FURTHER RESOLVED, any payments under the plan for 2018 will be in accordance with Board Policy 126.

CERTIFICATION

I, James Henderson, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 6th day of November, 2017; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 6th day of November, 2017.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

November 1, 2017

TO: Lee Thibert, Chief Executive Officer
THRU: Tyler Andrews, V.P. Member and Employee Services
FROM: Teresa Kurka, Director, Member Services
SUBJECT: **Early (Discounted) Capital Credits Payments**

Chugach implemented an early payment plan for capital credits in late 2004. With this option, a former member can receive their capital credits early at a discounted amount. The plan was submitted to the Internal Revenue Service and a private letter ruling was received to ensure it did not impact Chugach's tax exempt status.

The authority for this program is Board Policy 304 Capital Credit Policy and the goals of the early retirement plan are as follows:

- Reduce administrative expenses by no longer needing to send checks and maintain records for memberships that are "cashed out".
- Build equity by recognizing the difference between the amount paid and the face value of the capital credits retired as donated capital.
- Reduce future funding requirements. When a former member takes an early payment, the amount by which it is discounted (i.e., the donated portion) is also the total of future year's capital credits for the membership that no longer need to be funded.
- Provide a voluntary option to former patrons to collect capital credits prior to normal retirements.

Specifics of the early retirement plan include:

- The current funding level is \$250,000 per year, which can be decreased or increased at the discretion of the Board. In 2017, this amount was increased by \$25,000.
- Only former members can cash in their capital credits and outstanding debts will be recovered against any payments.

- The discount rate will be per Board Policy 304. Since our cost of equity is currently 3.99%, the applicable discount rate is the NRUCFC rate plus 3%, currently 8.050% for 2017.
- Payment will be at present value and the member will be clearly informed of amounts to be paid and donated. The member signs off on an authorization form that presents this information.

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Payments	163	210	257
Discounted amount paid (net)	\$112,288	\$138,868	\$271,882
Bad debts recovered	\$189	\$217	\$1,002
Donated capital	<u>\$69,798</u>	<u>\$123,320</u>	<u>\$212,426</u>
Capital credits retired	\$182,275	\$262,405	\$485,310

CHUGACH ELECTRIC ASSOCIATION, INC.

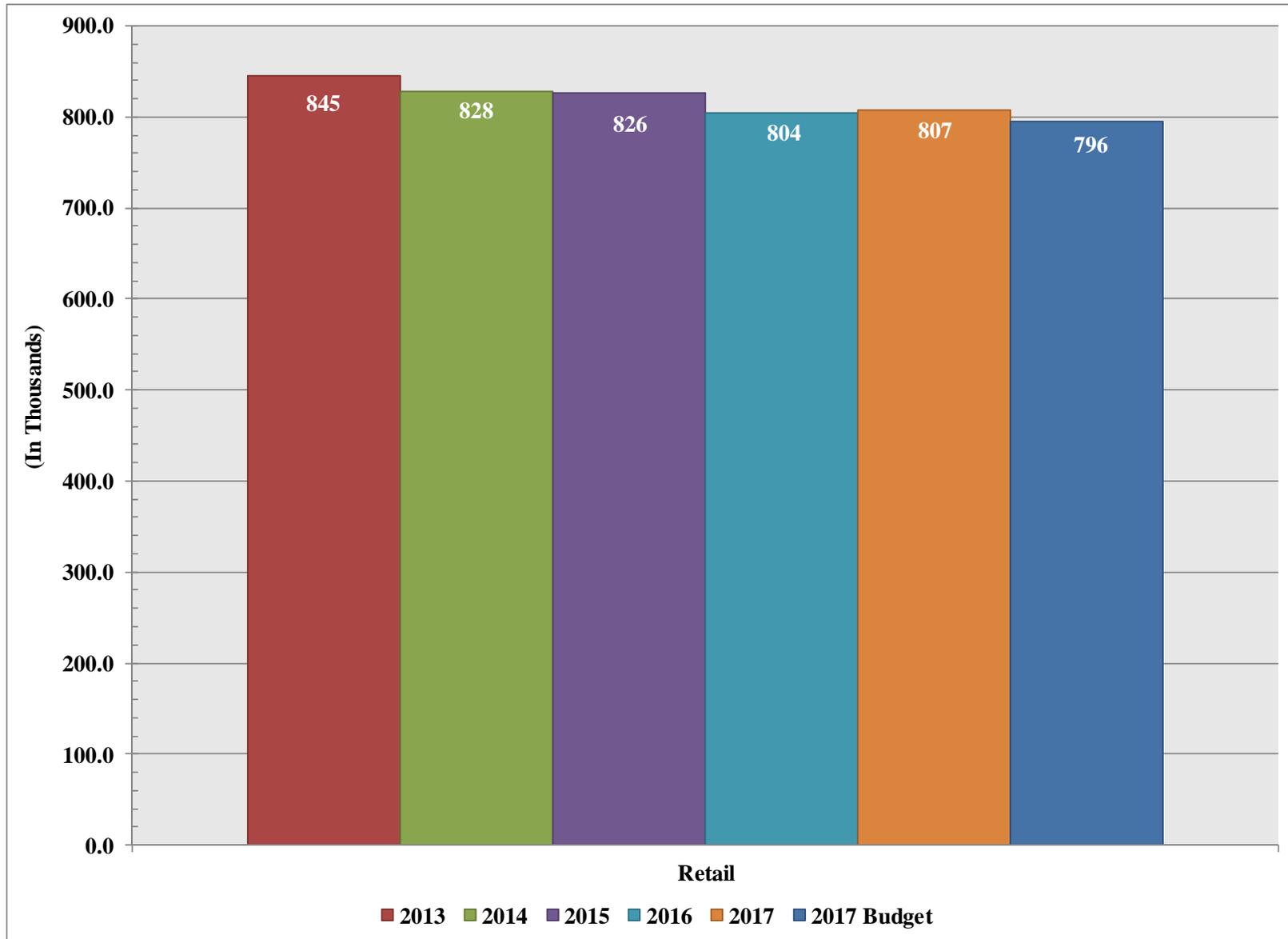
September 2017 Financial Information
Audit and Finance Committee Meeting
November 6, 2017



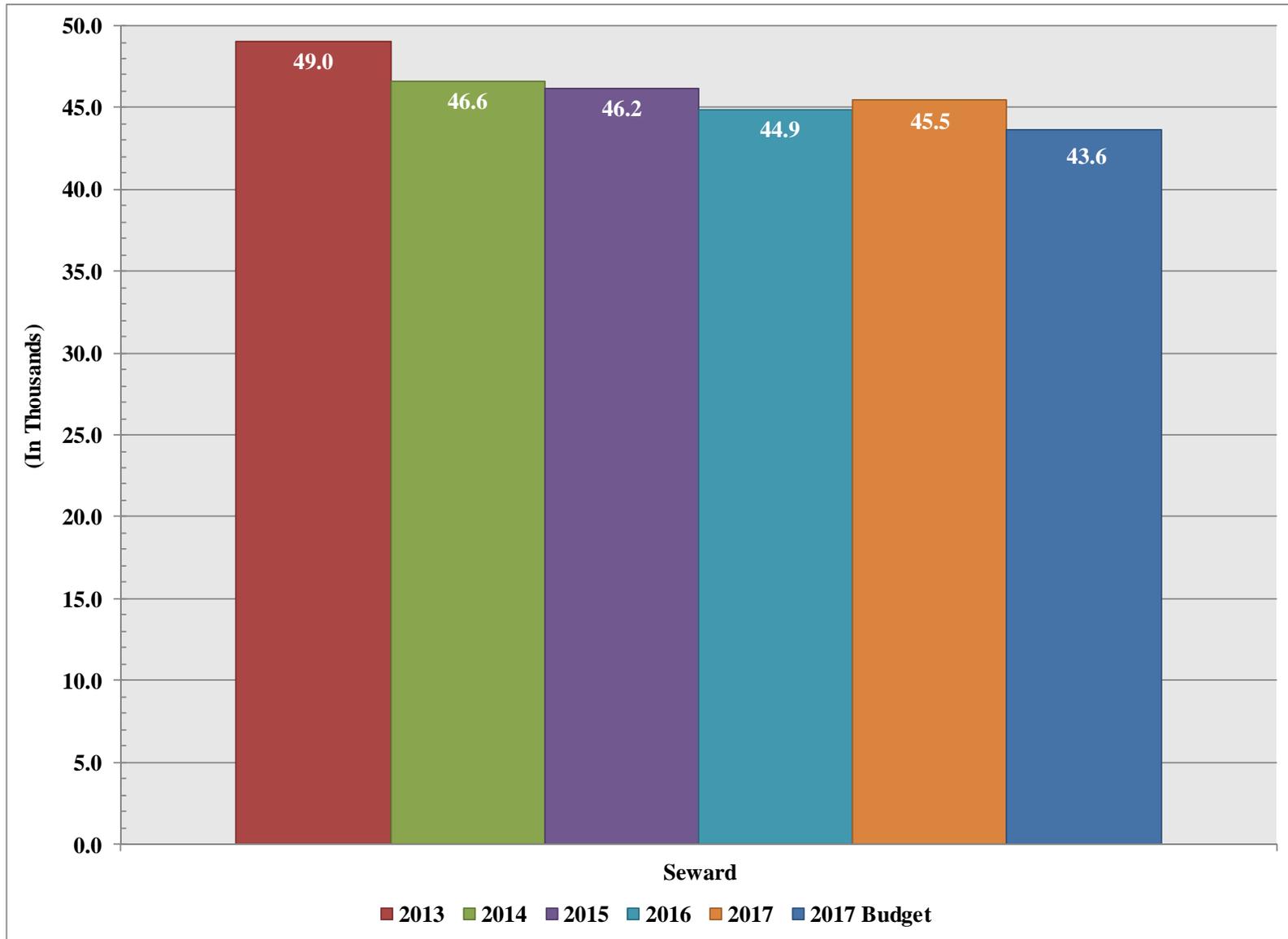
September 2017 Financial Information

- ▶ MWH Sales
- ▶ Statement of Operations
- ▶ Balance Sheet
- ▶ Statements of Cash Flows

5 Year Retail MWh Sales Comparison (September YTD)



5 Year Seward MWh Sales Comparison (September YTD)



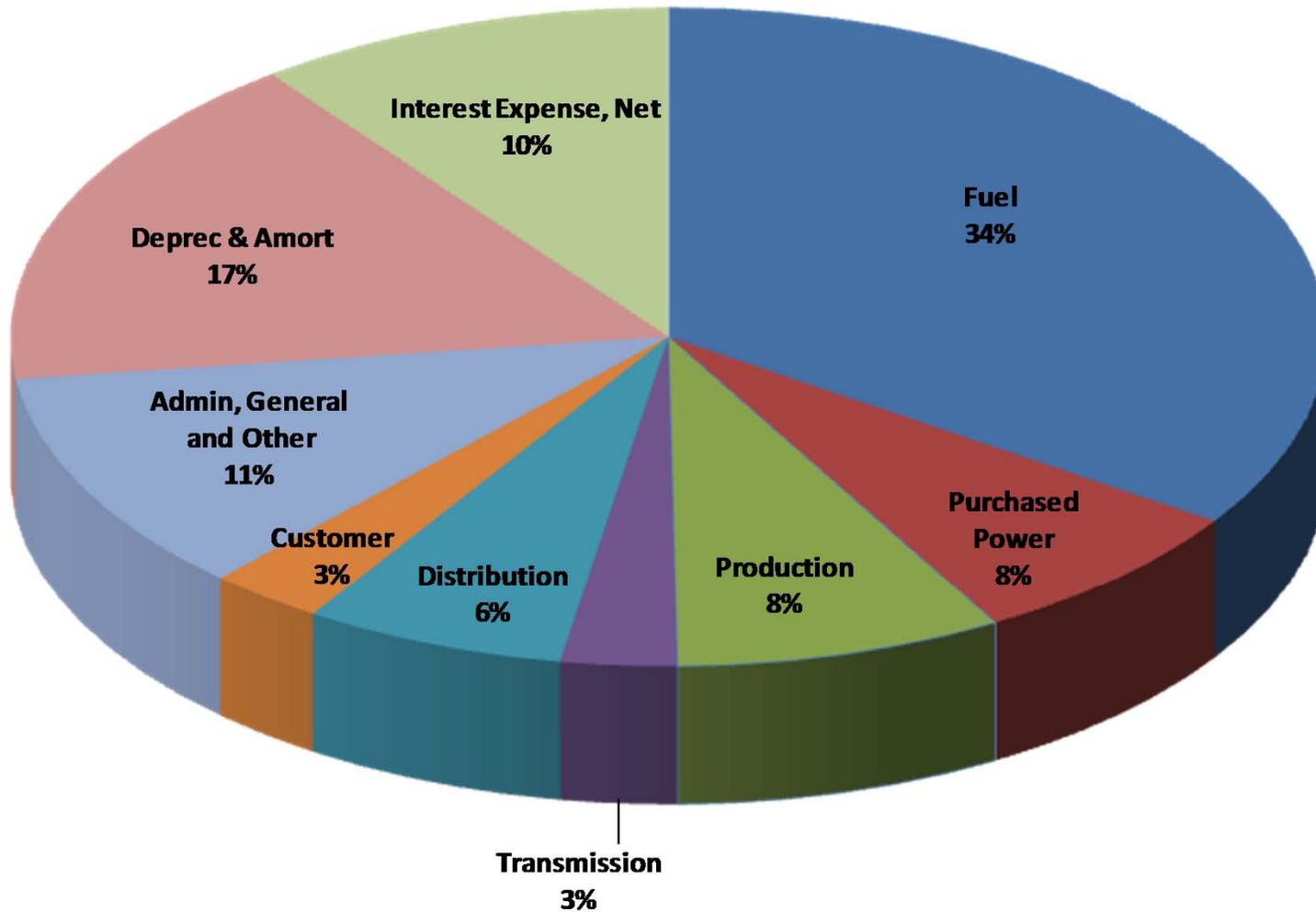
Comparative Statement of Operations

September YTD 2017



CATEGORY	ACTUAL	BUDGET	VARIANCE
Operating Revenues	\$ 161,753,739	\$ 157,364,680	\$ 4,389,059
Fuel	55,487,263	47,176,834	8,310,429
Production	12,951,877	13,307,419	(355,542)
Purchased Power	11,739,475	14,597,835	(2,858,360)
Transmission	4,598,273	5,465,295	(867,022)
Distribution	10,368,772	10,042,390	326,382
Consumer Accounts	4,580,216	4,713,680	(133,464)
Administrative, General and Other	17,776,742	18,159,736	(382,994)
Depreciation and Amortization	26,936,964	27,312,831	(375,867)
Total Operating Expenses	\$ 144,439,582	\$ 140,776,020	\$ 3,663,562
Interest Expense, Long-Term and Other	16,733,184	16,612,064	121,120
Interest Charged to Construction	(107,712)	(253,315)	145,603
Net Interest Expense	\$ 16,625,472	\$ 16,358,749	\$ 266,723
Net Operating Margins	\$ 688,685	\$ 229,911	\$ 458,774
Interest Income	471,038	245,422	225,616
Allowance Funds Used During Const.	45,219	84,439	(39,220)
Capital Credits, Patronage Dividends, Other	105,049	0	105,049
Patronage Capital or Margins	\$ 1,309,991	\$ 559,772	\$ 750,219

Total Operating and Interest Expense September YTD 2017



Comparative Balance Sheet, Assets & Other Debits September 2017 & December 2016

ASSETS & OTHER DEBITS	09/30/17	12/31/16	CHANGE
Electric Plant in Service	1,206,712,928	1,192,513,869	14,199,059
Construction Work in Progress	15,817,120	18,455,940	(2,638,820)
Total Utility Plant	\$ 1,222,530,048	\$ 1,210,969,809	\$ 11,560,239
Accumulated Depreciation	(513,861,377)	(496,098,131)	(17,763,246)
Net Utility Plant	\$ 708,668,671	\$ 714,871,678	\$ (6,203,007)
Nonutility Property	76,889	76,889	0
Investment in Assoc. Organizations	8,980,409	9,349,311	(368,902)
Special Funds	1,137,189	907,836	229,353
Restricted Cash & Other Investments	2,395,306	3,871,993	(1,476,687)
Total Other Property & Investments	\$ 12,589,793	\$ 14,206,029	\$ (1,616,236)
Cash, Marketable Securities & Other	14,242,355	12,048,316	2,194,039
Special Deposits/Restricted Cash	791,817	975,665	(183,848)
Accounts Receivable - Net	29,662,805	33,000,919	(3,338,114)
Materials and Supplies, Fuel Stock	24,837,104	34,210,843	(9,373,739)
Prepayments	4,921,490	1,407,026	3,514,464
Other Current Assets	1,760,302	294,697	1,465,605
Total Current Assets	\$ 76,215,873	\$ 81,937,466	\$ (5,721,593)
Deferred Charges, Net	33,819,717	25,140,957	8,678,760
Total Assets	\$ 831,294,054	\$ 836,156,130	\$ (4,862,076)

Comparative Balance Sheet, Liabilities & Other Credits September 2017 & December 2016

LIABILITIES & OTHER CREDITS	09/30/17	12/31/16	CHANGE
Memberships	1,712,704	1,691,014	21,690
Patronage Capital	168,190,154	169,996,436	(1,806,282)
Other	14,016,284	13,828,075	188,209
Total Equities and Margins	\$ 183,919,142	\$ 185,515,525	\$ (1,596,383)
Bonds Payable	421,833,331	405,249,998	16,583,333
National Bank for Cooperatives	37,962,000	40,356,000	(2,394,000)
Unamortized Debt Issuance Costs	(2,734,709)	(2,715,745)	(18,964)
Total Long-Term Obligations	\$ 457,060,622	\$ 442,890,253	\$ 14,170,369
Current Installments of Long-Term Obligations	26,608,667	24,836,667	1,772,000
Commercial Paper	51,000,000	68,200,000	(17,200,000)
Accounts Payable	7,712,302	9,618,630	(1,906,328)
Consumer Deposits	5,219,743	5,207,585	12,158
Other Current & Accrued Liabilities	26,053,738	26,532,912	(479,174)
Total Current Liabilities	\$ 116,594,450	\$ 134,395,794	\$ (17,801,344)
Deferred Compensation	1,137,189	907,836	229,353
Other Liabilities, Non-Current	863,220	655,277	207,943
Deferred Liabilities	1,574,566	1,179,414	395,152
Patronage Capital Payable	10,798,077	12,008,499	(1,210,422)
Cost of Removal Obligation / ARO	59,346,788	58,603,532	743,256
Total Liabilities, Equities and Margins	\$ 831,294,054	\$ 836,156,130	\$ (4,862,076)

Statements of Cash Flows

September 2017 and September 2016

	09/30/17	09/30/16
1. Cash flows from operating activities:		
Assignable margins	\$ 1,309,991	\$ 181,768
Adjustments to reconcile assignable margins to net cash provided (used) by operating activities:		
Depreciation and amortization	30,485,258	30,234,553
Allowance for funds used during construction	(45,219)	(117,189)
Other	340,559	816,457
Increase in assets	(5,703,923)	(4,233,594)
Decrease in liabilities	(6,530,066)	(5,653,279)
Net cash provided by operating activities:	\$ 19,856,600	\$ 21,228,716
2. Cash flows from investing activities:		
Return of capital from investment in associated organizations	370,010	319,233
Investment in restricted cash equivalents	(2,967)	(199)
Investment in marketable securities and investments-other	(1,158,521)	(8,895,871)
Investment in Beluga River Unit	0	(44,421,161)
Proceeds from capital grants	115,452	387,692
Extension and replacement of plant	(21,844,914)	(26,494,465)
Net cash used in investing activities:	\$ (22,520,940)	\$ (79,104,771)
3. Cash flows from financing activities:		
Payments for debt issue costs	(208,498)	(274,373)
Net increase (decrease) in short-term obligations	(17,200,000)	45,200,000
Net increase (decrease) in long-term obligations	15,961,333	(1,669,832)
Consumer advances for construction/Other	3,404,892	2,711,625
Net cash provided by financing activities:	\$ 1,957,727	\$ 45,967,420
Net change in cash and cash equivalents	(706,613)	(11,908,635)
4. Cash & cash equivalents at beginning of period	\$ 4,672,935	\$ 15,626,919
5. Cash & cash equivalents at end of period	\$ 3,966,322	\$ 3,718,284

Questions?

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

AUDIT AND FINANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

November 6, 2017

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

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

TOPIC

September 30, 2017, SEC Form 10Q Filing

DISCUSSION

The Form 10Q as reviewed in executive session.

MOTION

Move that the Audit and Finance Committee recommend management file the Securities and Exchange Commission Form 10Q by the due date incorporating any amendments to the document which will be reviewed and approved by KPMG. Ms. Stuart and Ms. Highers will immediately inform the Board, in writing, of any material or significant changes.