

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

BOARD MEETING
AGENDA ITEM SUMMARY

January 21, 2004

ACTION REQUIRED

AGENDA ITEM NO. IX.E.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Chugach Electric Association's position on participation in the Anchorage-Kenai Intertie (Southern Intertie).

DISCUSSION

Chugach is currently a 30.23 percent participant in the Southern Intertie. A participant can withdraw from the project only upon providing written notice to the other participants on or before a particular date referred to as the "decision date". At the Intertie Participants Group meeting of November 21, 2003, the participants established February 20, 2004, as the new decision date.

By virtue of increased costs and reduced funds due to state government action, the project is no longer viable. We believe that all Railbelt members would be well served in the long run by an additional electrical intertie between Anchorage and the Kenai Peninsula; however, in the near term, there are many impediments to building this line. These include the aforementioned seizure by the state of promised funding, the intention of both wholesale customers (Homer Electric Association and Matanuska Electric Association) to not participate, the potential of higher construction costs and risk that Chugach members would not achieve adequate benefits to cover the increased costs. When Chugach realistically reviews the array of obstacles, we find that we cannot justify the risk to our members of continuing with this project regardless of its necessity or long-term benefit.

CEO's RECOMMENDATION

Move that the Board of Directors approve the resolution authorizing the Chief Executive Officer to withdraw from participation in the Southern Intertie per section 4(b)(3) of the Participants Agreement and authorize the Chief Executive Officer to pursue recovery from AIDEA of funds expended for the Southern Intertie for Chugach's portion of Phase 1 funding not yet reimbursed by AIDEA.