

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

**BOARD OF DIRECTORS' MEETING**  
**AGENDA ITEM SUMMARY**

**February 18, 2008**

**ACTION REQUIRED**

**AGENDA ITEM NO. X.D.**

       Information Only  
  X   Motion  
  X   Resolution  
       Executive Session  
       Other

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**TOPIC**

Memorandum of Understanding Regarding Joint Development of South Anchorage Power Project

**DISCUSSION**

Chugach provides 73 MW of capacity and associated energy to Alaska Electric & Energy Cooperative, Inc. ("AEEC") under the terms of a wholesale power agreement, the term of which expires on December 31, 2013. AEEC is the sole power supplier of Homer Electric Association, Inc. ("HEA"), and is engaged in planning for HEA's future power supply. Chugach and HEA have undertaken a joint study to examine specific opportunities for power supply cooperation.

Chugach's existing generation is aging and new generation is more efficient using substantially less fuel. Jointly building a new generation unit offers economies of scale that cannot be gained through individual utility efforts. Chugach desires to transition from a wholesale electric provider to a more collaborative partner-type relationship; Chugach is in the process of developing a gas-fired generation plant in the South Anchorage area and has offered AEEC the opportunity to participate in the project in order to partially satisfy its power requirements; and in order for AEEC to explore the potential of participating in the South Anchorage power project, AEEC and Chugach have developed a Memorandum of Understanding committing the parties to negotiate in good faith to develop and execute an agreement providing for the joint development of the South Anchorage generation project.

**MOTION**

Move that the Board of Directors of Chugach Electric Association, Inc. authorize the Acting Chief Executive Officer to execute a Memorandum of Understanding with HEA and ML&P regarding joint development of the South Anchorage Power Project in a form that is substantially similar to the attached.

## RESOLUTION

WHEREAS, Chugach provides 73 MW of capacity and associated energy to Alaska Electric & Energy Cooperative, Inc. (“AEEC”) under the terms of a wholesale power agreement, the term of which expires on December 31, 2013;

WHEREAS, AEEC is the sole power supplier of Homer Electric Association, Inc. (“HEA”), and is engaged in planning for HEA’s future power supply;

WHEREAS, Chugach and HEA have undertaken a joint study to examine specific opportunities for power supply cooperation;

WHEREAS, Chugach’s existing generation is aging and new generation is more efficient using substantially less fuel;

WHEREAS, jointly building a new generation unit offers economies of scale that cannot be gained through individual utility efforts;

WHEREAS, Chugach desires to transition from a wholesale electric provider to a more collaborative partner-type relationship;

WHEREAS, Chugach is in the process of developing a gas-fired generation plant in the South Anchorage area and has offered AEEC the opportunity to participate in the project in order to partially satisfy its power requirements; and

WHEREAS, in order for AEEC to explore the potential of participating in the South Anchorage power project, AEEC and Chugach have developed a Memorandum of Understanding committing the parties to negotiate in good faith to develop and execute an agreement providing for the joint development and equity ownership shares in the South Anchorage generation project;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Chugach Electric Association, Inc. authorize the Acting Chief Executive Officer to execute a Memorandum of Understanding with HEA regarding joint development of the South Anchorage Power Project in a form that is substantially similar to the attached.

## CERTIFICATION

I, Alex Gimarc, 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 18<sup>th</sup> day of February, 2008; 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 18<sup>th</sup> day of February, 2008.

(Seal)

\_\_\_\_\_  
Secretary

**MEMORANDUM OF UNDERSTANDING REGARDING JOINT  
DEVELOPMENT OF SOUTH ANCHORAGE POWER PROJECT**

This memorandum of understanding (“MOU”) is entered into as of the \_\_\_\_ day of January, 2008, between Alaska Electric and Energy Cooperative, Inc. (“AEEC”), an Alaska Electric Cooperative, whose address is 3977 Lake Street, Homer, Alaska 99603 and , Chugach Electric Association, Inc. (“Chugach”) an Alaska Electric Cooperative, whose address is P.O. Box 196300, Anchorage, Alaska, 99519-6300.

**Recitals**

AEEC is a not-for-profit cooperative engaged in the business of providing electric power and energy at wholesale to its member-owner Homer Electric Association, Inc. (“HEA”).

Chugach is a not-for-profit cooperative engaged in the business of providing electric power and energy at wholesale and retail to its member-owners in the Anchorage, Matanuska Valley and on the Kenai Peninsula areas. Chugach and AEEC have discussed a plan involving the construction of a generation plant and associated transmission facilities in the south Anchorage area.

AEEC currently purchases 73 MW of capacity and associated energy from Chugach under the terms of a wholesale power agreement, the term of which expires December 31, 2013. AEEC intends to acquire power supply resources to provide the power requirements of HEA from and after the expiration of the agreement.

Chugach is in the process of developing a gas-fired generation plant in the south Anchorage area and has offered AEEC the opportunity to participate in the project in order to partially satisfy its power requirements.

NOW, THEREFORE, in consideration of the mutual promises set forth herein and other good and valuable consideration, the parties agree as follows:

1. Project Agreement. AEEC and Chugach will negotiate in good faith in an effort to develop and execute an agreement providing for the joint development of the south Anchorage generation project.

2. Non-exclusivity. Neither party is precluded from proceeding to develop other power supply alternatives. Until a project agreement is executed, Chugach will have no obligation to plan for a project that would include AEEC.
3. Governance. The project agreement will address governance issues. Each party, as an equity owner in the project will have meaningful governance rights and duties.
4. Timing. Time is of the essence. The parties pledge to work toward a completed project agreement, ready for presentation to their respective boards on or before the regularly scheduled April board meetings.
5. Confidentiality. The parties will enter into a confidentiality agreement in order to encourage the free and open exchange of information necessary to allow each party to make the necessary business judgments required to evaluate the project.
6. Title to Studies. If a party actively participates in the preparation of a study performed hereunder, the party shall have title as co-owner to the study and all information developed in accordance therewith, and shall have the right to make whatever use of the study or information the party determines in its own discretion.
7. Notice. Any notice or demand, including invoices, which, under the terms of this MOU, may or must be given or made by a party hereto must be in writing and may be given or made by mailing the same by regular mail, addressed to the other party at the address hereinabove mentioned; or subject to written agreement of the parties sent by facsimile transmission to the telephone number provided by the party or by any other electronic method. Either party may, however, designate, in writing, such now or other address to which such notice or demand shall thereafter be so given, made, mailed or sent. Any notice or demand given hereunder by mail shall be deemed delivered when deposited in the United States general or branch post office, enclosed in prepaid wrapper addressed as hereinbefore provided.
8. Integration. This MOU sets out the entire agreement between the parties, and all representations made by or on behalf of either party are void unless contained in

this MOU. The provisions of this MOU shall inure to the benefit of and be binding upon the parties to this MOU and their respective successors and assigns. Although the parties intend to pursue the courses of action as set forth in the recital to this MOU, neither party shall be contractually obligated to the other, except as and to the extent the obligation is evidenced by a written agreement.

9. Assignment. Neither party shall assign this MOU without the written agreement of the other. Any assignment in violation of this provision shall be void.

10. Applicable Law. This MOU shall be governed by and construed in accordance with the laws of the State of Alaska.

IN WITNESS WHEREOF, the parties hereto have caused this MOU to be duly executed as of the date first set forth above.

ALASKA ELECTRIC AND ENERGY  
COOPERATIVE, INC.

By: \_\_\_\_\_  
Bradley P. Janorschke  
As its General Manager

CHUGACH ELECTRIC ASSOCIATION, INC.

By: \_\_\_\_\_  
Bradley Evans  
As its Chief Executive Officer

## RESOLUTION

WHEREAS, Chugach and ML&P have undertaken a joint study to examine specific opportunities for power supply cooperation;

WHEREAS, Chugach's existing generation is aging and new generation is more efficient using substantially less fuel;

WHEREAS, jointly building a new generation unit offers economics of scale that cannot be gained through individual utility efforts;

WHEREAS, Chugach desires to achieve additional economies from jointly building and owning a new combined cycle power plant located in South Anchorage with another existing regulated electric utility;

WHEREAS, Chugach is in the process of developing a gas-fired generation plant in the South Anchorage area and has offered ML&P the opportunity to participate in the project in order to partially satisfy its power requirements; and

WHEREAS, in order for ML&P to explore the potential of participating in the South Anchorage power project, ML&P and Chugach have developed a Memorandum of Understanding committing the parties to negotiate in good faith to develop and execute an agreement providing for the joint development and equity ownership shares in the South Anchorage generation project;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Chugach Electric Association, Inc. authorize the Acting Chief Executive Officer to execute a Memorandum of Understanding with ML&P regarding joint development of the South Anchorage Power Project in a form that is substantially similar to the attached.

## CERTIFICATION

I, Alex Gimarc, 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 18<sup>TH</sup> day of February, 2008; 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 18<sup>th</sup> day of February, 2008.

(Seal)

\_\_\_\_\_  
Secretary

## **MEMORANDUM OF UNDERSTANDING REGARDING JOINT DEVELOPMENT OF SOUTH ANCHORAGE POWER PROJECT**

This memorandum of understanding (“MOU”) is entered into as of the \_\_\_\_ day of January, 2008, between Anchorage Municipal Light & Power (“ML&P”), 1200 E. First Avenue, Anchorage, Alaska and , Chugach Electric Association, Inc. (“Chugach”) an Alaska Electric Cooperative, whose address is P.O. Box 196300, Anchorage, Alaska, 99519-6300.

### **Recitals**

ML&P is a municipally-owned utility engaged in the business of providing electric power and energy to ratepayers in the Municipality of Anchorage.

Chugach is a not-for-profit cooperative engaged in the business of providing electric power and energy at wholesale and retail to its member-owners in the Anchorage, Matanuska Valley and on the Kenai Peninsula areas. Chugach and ML&P have discussed a plan involving the construction of a generation plant and associated transmission facilities in the south Anchorage area.

ML&P intends to acquire significant additional power supply resources to meet its power requirements.

Chugach is in the process of developing a gas-fired generation plant in the south Anchorage area and has offered ML&P the opportunity to participate in the project in order to partially satisfy its power requirements.

NOW, THEREFORE, in consideration of the mutual promises set forth herein and other good and valuable consideration, the parties agree as follows:

1. Project Agreement. ML&P and Chugach will negotiate in good faith in an effort to develop and execute an agreement providing for the joint development of the south Anchorage generation project.
2. Non-exclusivity. Neither party is precluded from proceeding to develop other power supply alternatives. Until a project agreement is executed, Chugach will have no obligation to plan for a project that would include ML&P.

3. Governance. The project agreement will address governance issues. Each party, as an equity owner in the project, will have meaningful governance rights and duties.
4. Timing. Time is of the essence. The parties pledge to work toward a completed project agreement, ready for presentation to their respective boards on or before the regularly scheduled April board meetings.
5. Confidentiality. The parties will enter into a confidentiality agreement in order to encourage the free and open exchange of information necessary to allow each party to make the necessary business judgments required to evaluate the project.
6. Title to Studies. If a party actively participates in the preparation of a study performed hereunder, the party shall have title as co-owner to the study and all information developed in accordance therewith, and shall have the right to make whatever use of the study or information the party determines in its own discretion.
7. Notice. Any notice or demand, including invoices, which, under the terms of this MOU, may or must be given or made by a party hereto must be in writing and may be given or made by mailing the same by regular mail, addressed to the other party at the address hereinabove mentioned; or subject to written agreement of the parties sent by facsimile transmission to the telephone number provided by the party or by any other electronic method. Either party may, however, designate, in writing, such other address to which such notice or demand shall thereafter be so given, made, mailed or sent. Any notice or demand given hereunder by mail shall be deemed delivered when deposited in the United States general or branch post office, enclosed in prepaid wrapper addressed as hereinbefore provided.
8. Integration. This MOU sets out the entire agreement between the parties, and all representations made by or on behalf of either party are void unless contained in this MOU. The provisions of this MOU shall inure to the benefit of and be binding upon the parties to this MOU and their respective successors and assigns. Although the parties intend to pursue the courses of action as set forth in the

recital to this MOU, neither party shall be contractually obligated to the other, except as and to the extent the obligation is evidenced by a written agreement.

9. Assignment. Neither party shall assign this MOU without the written agreement of the other. Any assignment in violation of this provision shall be void.

10. Applicable Law. This MOU shall be governed by and construed in accordance with the laws of the State of Alaska.

IN WITNESS WHEREOF, the parties hereto have caused this MOU to be duly executed as of the date first set forth above.

ANCHORAGE MUNICIPAL LIGHT AND  
POWER

By: \_\_\_\_\_  
James Posey  
As its General Manager

CHUGACH ELECTRIC ASSOCIATION, INC.

By: \_\_\_\_\_  
Bradley Evans  
As its Chief Executive Officer