

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

BOARD MEETING
AGENDA ITEM SUMMARY

April 16, 2003

ACTION REQUIRED

AGENDA ITEM NO. IX.D.

- Information Only
 Motion
 Resolution
 Executive Session
 Other
-

TOPIC

Southern Intertie Plan

DISCUSSION

At the Board Finance Committee meeting on April 9, 2003, the committee members recommended that the Board develop a plan and take action regarding the transfer of the interest earned on the grant funds. Attached is a proposed resolution and background information on the Southern Intertie.

GENERAL MANAGER'S RECOMMENDATION

Motion 1: Move to waive the seven-day rule.

Motion 2: Move that the Board of Directors approve the attached resolution to support the Intertie Participants Group's actions to recover investment earnings on the Southern Intertie Grant

Resolution to Support IPG Actions to Recover Investment Earnings on the Southern Intertie Grant

Whereas, Chugach was granted \$46.8 million per SB 126 dated May 10, 1993, for the benefit of the participating utilities for construction of the Southern Intertie;

Whereas, Chugach, AML&P, HEA, MEA, GVEA and SES are the participants in the Southern Intertie project and have entered into the Intertie Grant Agreement and Intertie Participation Agreement and those utilities are referred to as the Intertie Participants Group (IPG);

Whereas, the IPG members, the State of Alaska, Department of Administration and the Anchorage Industrial Development and Export Authority (AIDEA) have entered into a Grant Transfer & Delegation Agreement, dated November 5, 1993, that identifies that the interest earned on the grant funds shall not constitute money of the State, and that interest earned from investment of the grant will be retained by AIDEA and expended for the purposes of the original grant;

Whereas, the IPG members, and AIDEA entered into the Grant Administration Agreement dated August 30, 1994, that outlines the custodial relationship of the grant funds and outlines AIDEA's investment strategy of the grant funds;

Whereas, on April 4, 2003, AIDEA transferred \$27.0 million from the Southern Intertie project account to the State Treasury; and

Whereas, Chugach has determined that this action violates the Grant Administration Agreement;

Now, therefore, the Chugach Electric Association Board of Directors resolves that this action is an abrogation of the existing agreements and action must be taken to protect our members' legitimate interests.

Further, the General Manager is directed to:

1. Commence development of a complaint of action
2. Prepare draft legislation for the purpose of appropriating interest earnings with the grant funds
3. Take all appropriate steps to insure that the House, Senate, and Governor understand that building long-term development projects is in the best interest of the state of Alaska.