

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

**BOARD MEETING**  
**AGENDA ITEM SUMMARY**

**November 14, 2007**

**ACTION REQUIRED**

**AGENDA ITEM NO. XI.D.ii.**

**Information Only**  
 **Motion**  
 **Resolution**  
 **Executive Session**  
 **Other**

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**TOPIC**

Chugach / ML&P (Phase I Study) - Hiring of Additional Specialized Legal Counsel (Attorneys Ken Vassar and Pamela Charles)

**DISCUSSION**

As previously discussed with the Finance Committee at its November 5 meeting, the services of additional specialized legal counsel are necessary to advise Chugach concerning the viability of assumptions contained in the Navigant Phase 1 Draft Report and the K&L Gates memo attached to the Report relating to (1) the availability of tax-exempt financing in some of the alternative combination structures but not others and (2) the likelihood that the parties could obtain a private letter ruling that a combined utility acquired (totally or partially) with tax-exempt debt would satisfy the "two-county rule". That counsel will also assist Chugach staff and the Board in identifying various other issues related to the Phase 1 Report, including providing questions/comments to Navigant and to the public concerning the Phase 1 Report, as well as determining what, if any, alternatives should be analyzed in more detail in Phase 2. Outside Counsel Don Percival has identified Ken Vassar with the Anchorage office of Birch, Horton, Bittner and Cherot as being qualified to advise Chugach in this regard. Mr. Vassar's resume is attached.

As also discussed, the services of additional specialized legal counsel are necessary to advise Chugach regarding federal income tax consequences to Chugach and / or to Chugach's members from (a) a sale of Chugach's assets and (b) distribution of sale proceeds to Chugach's members. Mr. Percival has identified Pamela Charles, a tax attorney with Heller Ehrman LLP, as the person best qualified to answer those questions. Ms. Charles has advised Chugach on tax matters on numerous prior occasions. Ms. Charles' resume is attached.

## **BUDGETARY IMPACTS**

Amount: Mr. Vassar's hourly rate is \$250 per hour. Once Mr. Vassar receives and reviews the relevant portions of the Navigant report and K&L Gates memo attached to it, he will be required to provide a budget for his services under this Scope of Work. It is estimated that his work on these issues will not exceed \$10,000.

Ms. Charles' hourly rate is \$450 per hour. The not to exceed amount for her Scope of Work is \$22,500.

Expense: \$32,500

Capital: N/A

Discussion: See Discussion above.

## **MOTION**

Motion 1: Move to waive the seven day rule.

Motion 2: Move that the Chugach Electric Association, Inc. (Chugach) Board of directors retain Ken Vassar of the law firm of Birch, Horton, Bittner and Cherot to advise Chugach concerning the viability of assumptions contained in the Navigant Phase 1 Draft Report and the K&L Gates memo attached to the Report relating to (1) the availability of tax-exempt financing in some of the alternative combination structures but not others and (2) the likelihood that the parties could obtain a private letter ruling that a combined utility acquired (totally or partially) with tax-exempt debt would satisfy the "two-county rule". Mr. Vassar's counsel will also assist Chugach staff and the Board in identifying various other issues related to the Phase 1 Report, including providing questions/comments to Navigant and to the public concerning the Phase 1 Report, as well as determining what, if any, alternatives should be analyzed in more detail in Phase 2. The cost of Mr. Vassar's services for this work shall not exceed \$10,000.

Motion 3: Move that the Chugach Board of directors retain Pamela Charles of Heller Ehrman LLP concerning the viability of assumptions contained in the Navigant Phase 1 Draft Report and the K&L Gates memo attached to the Report relating to (1) the availability of tax-exempt financing in some of the alternative combination structures but not others and (2) the likelihood that the parties could obtain a private letter ruling that a combined utility acquired (totally or partially) with tax-exempt debt would satisfy the "two-county rule". The cost of Ms. Charles' services for this work shall not exceed \$22,500.