

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

BOARD MEETING
AGENDA ITEM SUMMARY

November 20, 2002

ACTION REQUIRED

AGENDA ITEM NO. IX.C.

Information
 Motions
 Resolution
 Executive Session
 Other

TOPIC

Retail Capital Credit Retirement.

DISCUSSION

This resolution authorizes the retirement of a portion of the retail distribution capital credits to the members of record in 1985, less payment made to deceased member's estates. The retirement amount is proposed at \$2,769,568 in accordance with the distribution limit -- the lesser of 50% of prior years margins or 5% of total margins and equities contained in the Amended and Restated Indenture of Trust. Options and ramifications are discussed in the following:

OPTIONS

1. No Action, table – Presuming the tabling is not, in effect, disapproval, then retirement of retail capital credits would be on hold until some future date. Equity level would remain above 25% until further board action.
2. Delay – This would jeopardize our ability to issue retirement checks by year-end, though there is no absolute requirement to issue retirements in any particular year.
3. Disapprove – Assuming no additional guidance, this would be the third time since 1987 with no retail retirement. Equity level stays at current level, cash will be retained and less borrowing will be required.
4. Approve – Authorizes retirement of selected amount.
5. Modify –
 - (a) Authorize a smaller amount, equity ratio will be reduced less and rotation period will increase.
 - (b) Authorize a larger amount, equity ratio will be reduced more. Capital credit rotation period remains at 17 years; this means increased borrowing to replace cash used to pay the capital credits, however, the rotation period is somewhat shortened though 1985 rotation will not be completed.

GENERAL MANAGER'S RECOMMENDATION

Motion 1: Recommend passage of resolution authorizing retirement of \$2,769,568 representing 50% of 2001 margins in accordance with Amended and Restated Indenture of Trust.

WHEREAS, the Board of Directors desires to proceed with a general retirement of retail capital credits in 2002; and

WHEREAS, the Board of Directors has determined that this retirement will not have a significant adverse impact upon the Association's financial health;

NOW THEREFORE BE IT RESOLVED, Chugach shall make a total retail capital credits retirement of \$2,769,568, less payments made to deceased members estates, which will retire a portion of the retail distribution credits for 1985.

BE IT FURTHER RESOLVED that the capital credits of any member with an outstanding debt will be used to offset that debt until it is paid in full or all available capital credits have been confiscated.

BE IT FURTHER RESOLVED, members who are still active will have their account credited for their retirement amount unless they have multiple accounts, are on budget billing or the amount is greater than \$600.00. Checks will not be created for less than \$5.00 but credits of less than \$5.00 will be applied. Any member who is inactive and has less than \$5.00 payable will be paid in the first year their cumulative amount payable is \$5.00 or more.