

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

**FINANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**March 5, 2008**

**ACTION REQUIRED**

**AGENDA ITEM NO. XI.**

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

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**TOPIC**

Resolution for Redemption of the 2002 Series B Bonds, Due 2012

**DISCUSSION**

Chugach issued \$60,000,000 of variable rate, amortizing bonds (auction rate securities – ARS) in 2002. The interest rate (coupon) is reset every 28 days. Currently, \$29,600,000 of principal remains outstanding. Chugach has benefited from the low interest rates of the bonds (averaging 3.03% from the 2002 issue date to through the January, 2008 reset date.

However, recent pressures on bond insurers, including MBIA (Chugach’s insurer), and a lack of liquidity have created volatility in the ARS market and the failure in some instances to obtain sufficient clearing bids at bond auctions has resulted in the establishment of interest rates based on contractual formulas contained in the governing documents instead of the underlying credit quality of the issuer.

The 2002 Series B Bonds have conversion options to fix the interest rate to maturity (2012) or to redeem the 2002 Series B Bonds in Chugach’s discretion.

The attached board of directors resolution authorizes the Acting Chief Executive Officer to take the necessary steps to redeem the entire outstanding principal of the 2002 Series B Bonds under the terms of the Eleventh Supplemental Indenture of Trust using funds obtained from one or more new borrowings under Chugach’s existing line(s) of credit. The resolution further authorizes the Acting Chief Executive Officer to develop a future financing plan to fund the repayment of amounts borrowed from the line(s) of credit and present that plan to the board of directors for approval.

## **MOTION**

Move that the Finance Committee recommends to the Board of Directors the approval of the attached resolution (Exhibit 1) authorizing the Acting Chief Executive Officer to take the necessary steps to redeem the entire outstanding principal amount of the 2002 Series B Bonds using Chugach's existing line(s) of credit and to develop a future financing plan to fund the repayment of amounts borrowed under such existing line(s) of credit and present that plan to the Board of Directors for approval.

**Resolution**

WHEREAS; Chugach Electric Association, Inc. (“Chugach”) issued its New Bonds, 2002 Series B, Due 2012, CUSIP No. 171265 AD 3 (the “2002 Series B Bonds”) in the principal amount of \$60,000,000;

WHEREAS, the current principal amount of 2002 Series B Bonds outstanding is \$29.6 million;

WHEREAS, the interest rate on the 2002 Series B Bonds is currently determined through an auction process under which the interest rate is reset through auctions occurring at 28-day intervals, and;

WHEREAS, as a result of this auction process the interest rate on the 2002 Series B Bonds has averaged 3.03% over the five year period during which they have been outstanding;

WHEREAS, the 2002 Series B Bonds are insured by MBIA;

WHEREAS, recent pressures on bond insurers, including MBIA, and a lack of liquidity have created volatility in the auction rate securities markets and the failure in some instances to obtain sufficient clearing bids at bond auctions has resulted in the establishment of interest rates on auction rate securities based on contractual formulas contained in the governing documents instead of the underlying credit quality of the issuer;

WHEREAS, Chugach recognizes the past benefit of the favorable interest rates on the 2002 Series B Bonds, but desires to minimize the uncertainty associated in the current auction rate securities market;

WHEREAS, the 2002 Series B Bonds have conversion options to fix the interest rate to maturity of the 2002 Series B Bonds (2012) or to redeem the 2002 Series B Bonds in Chugach’s discretion;

NOW THEREFORE IT IS RESOLVED that the Chugach Board of Directors authorizes the Acting Chief Executive Officer to take the necessary steps to redeem the entire outstanding principal amount of the 2002 Series B Bonds under the terms of the Eleventh Supplemental Indenture of Trust, using funds obtained from one or more new borrowings under Chugach’s existing line(s) of credit with CoBank ACB (“CoBank”) and/or the National Rural Utilities Cooperative Finance Corporation (“CFC”), pursuant to the terms and conditions of the documents governing those lines of credit at such time and on such other terms and conditions as may be determined by the Acting Chief Executive Officer in his discretion; and

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# CHUGACH

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RESOLVED FURTHER that the Acting Chief Executive Officer is authorized to develop a future financing plan to fund the repayment of amounts borrowed from CoBank or CFC under such existing lines of credit and to present that plan to the Board of Directors for approval; and

RESOLVED FURTHER, that the Acting Chief Executive Officer is authorized and empowered by and on behalf of Chugach, and in its name, to execute and file, or cause to be filed, such consents, applications, certificates and other documents with the indenture trustee or any other person, and to do such other things and acts as such Acting Chief Executive Officer deems necessary or appropriate, in order to effectuate the transactions contemplated by the foregoing resolutions.

## 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 5<sup>th</sup> day of March, 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 5<sup>th</sup> day of March 2008.

(Seal)

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Secretary