

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

**April 8, 2005**

**TO:** Board of Directors

**FROM:** Joe Griffith, Chief Executive Officer

**SUBJECT:** *GAINS Payroll Tax Liabilities (Re: Director Cottrell question in April 6, 2005 Operations Committee Meeting)*

Chugach will not incur additional employer payroll tax liabilities as a result of the GAINS disbursements to non-represented employees. These tax liabilities are covered in the spread between the gross amount that was accrued as a payable at year-end 2004 (\$593,630) and the amount proposed for payment (after business unit deductions for Balanced Scorecard target shortfalls) of \$530,180. The difference of \$63,450 covers the employer portion of the FICA tax liability.

Any excess left in the GAINS accrual account, after the payments and taxes will be reclassified to equity and assigned to members.