

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

FINANCE COMMITTEE
MEETING MINUTES

June 11, 2008

Committee Members in Attendance: PJ Hill, Chairman (left at 6:40 p.m.)
Rebecca Logan (acting Chair after Hill departed)
Elizabeth Vazquez
Jeff Lipscomb
Alex Gimarc

Other Director Present: Janet Reiser
Jim Nordlund

Guests in Attendance: Jim Walker (MEA)
Don Zoerb (MEA)
Jim Patras (HEA)
Dan Walker (Walker & Associates)
Don Edwards (Dorsey & Whitney)
Joel Groves (Fishhook)
Dan Hertrich (Fishhook)
Earl Ausman (Polarconsult)

Staff in Attendance:

Brad Evans	Mike Cunningham	Connie Owens	Dave Smith
Ron Vecera	Paul Risse	Ed Jenkin	Phil Steyer
Patti Bogan	Rick Freymiller	Mark Fouts	Jody Wolfe
Arthur Miller	Tyler Andrews		

Recording Secretary: Jennifer McDonald, Legal Secretary

I. Convene Meeting

Chair Hill called the Finance Committee to order at 5:41 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

Director Lipscomb called a short recess and then the meeting resumed in open session at 5:43 p.m.

II. Executive Session

Director Lipscomb moved and Director Gimarc seconded the motion that pursuant to Alaska Statute 10.25.175(c) (1) the Finance Committee go into executive session to discuss matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative. The matters to be discussed are: 1) Interim Financing Vehicle Review and 2) Amendment to the Tripartite Agreement with Matanuska Electric Association. The motion passed unanimously. The Committee went into executive session at 5:44 and resumed in open session at 6:45 p.m.

Chair Hill turned the meeting over to Director Logan to chair as he had to leave. Chair Hill departed at 6:40 p.m.

III. Approval of Agenda

Director Lipscomb moved and Director Gimarc seconded the motion to approve the agenda. The motion passed with a vote of three to one with Director Vazquez voting in opposition.

IV. Approval of Minutes

- a. April 30, 2008

Director Lipscomb moved and Director Gimarc seconded the motion to approve the minutes of April 30, 2008. The motion passed unanimously.

V. Customer Comments

- a. Wholesale Customer Comments
Jim Walker and Don Zoerb of MEA stated they are available to answer any questions the Committee may have on Agenda Item XII. Amendment to the Tripartite Agreement with MEA. Mr. Walker stated that Earl Ausman, Joel Groves and Dan Hertrich were also in the audience and they were the consultants that designed the hydro projects.
- b. Retail Customer Comments
None.

VI. Capital Markets Project Update

- a. Market Update
- b. Review or Enhancement of Ratings

Dan Walker, President of Walker & Associates, gave an update on the capital markets and spoke on the review or enhancement of ratings.

VII. Update 2005 Test Year Rate Case

Don Edwards, attorney with Dorsey & Whitney, gave an update on the 2005 Test Year Rate Case

VIII. 2008-2009 Finance Committee Goals

Director Lipscomb and Director Vazquez asked staff questions about the proposed 2008-2009 Finance Committee Goals. Director Vazquez suggested that the Chair of the Audit Committee create a proposed list of goals for the Audit Committee to review and recommend for approval.

Acting Chair Logan stated that a revised draft of the 2008-2009 Finance Committee Goals will be on the July Finance Committee Agenda for approval.

IX. Recommendation Interim Financing Vehicle

Director Lipscomb moved and Director Gimarc seconded the motion that the Finance Committee recommend the Board of Directors establish the interim financing vehicle as discussed in the Finance Committee's executive session held on June 11, 2008.

Director Lipscomb stated that he is voting in favor of this motion with the understanding that the back-up and additional ratio information be included in the June 25, 2008 Board packets seven days in advance to be open and transparent.

Director Gimarc offered a friendly amendment as follows: add the words after "interim financing vehicle" "with NRUCFC and Key Bank as the vendor" and add the following sentence to the end of the motion: "Management will provide a detailed description of the financing vehicle including but not limited its effect on key ratios, rates charged to our members, list of all assumptions, description of all debt, backstop and selection criteria no later than June 18, 2008."

Director Lipscomb accepted the friendly amendment. The motion, as amended, passed unanimously.

X. Review/Recommendation 2005-2007 Capital Credit Allocations

Mike Cunningham, Senior Vice President and Chief Financial Officer, reviewed and made recommendations on the 2005-2007 Capital Credit Allocations. Mr. Cunningham answered questions from the Committee.

Director Lipscomb moved and Director Gimarc seconded the motion that the Finance Committee recommend to the Board of Directors that proposed capital credit allocations for 2005-2007 be based on the streamlined cost of service approach, using the 2000 Test Year results. The motion passed unanimously.

XI. April Unbundled Financial Statements & Review 2008 Operating Results Forecast

Jody Wolfe, Controller, gave an overview of the April Unbundled Financial Statements and reviewed the 2008 Operating Results Forecast. Mr. Wolfe and staff answered questions from the Committee.

XII. Amendment to Tripartite Agreement with MEA

Mark Fouts, Manager, Corporate Planning & Analysis, gave a brief overview of the Amendment to the Tripartite Agreement with MEA and introduced the parties who worked on this agreement; Earl Ausman with the Southfork project, Joel Groves and Dan Hertrich the Fishhook developers, Don Zoerb with MEA and Rick Freymiller and Arthur Miller with Chugach. Mr. Fouts stated that the purpose of this amendment is to aid in the development of renewables and provides up to 4 MW of renewables.

Director Lipscomb moved and Director Gimarc seconded the motion that the Finance Committee recommend the Board of Directors approve the amendment to the Tripartite Agreement with Matanuska Electric Association, Inc. The motion passed unanimously.

XIII. State Department of Transportation (DOT) Relocation Agreement for Old Seward Highway

Ed Jenkin, Acting Sr. Vice President, Power Deliver, gave an overview of the State DOT Relocation Agreement for the Old Seward Highway and stated that the money Chugach is spending for the work will be reimbursed.

Director Lipscomb moved and Director Gimarc seconded the motion that the Finance Committee recommend that the Board of Directors authorize project expenditures for the relocations of Chugach facilities associated with the upgrade of the Old Seward Highway between Brandon and O'Malley Road with an estimated total cost of \$3,073,280 with an estimated completion date of December 2009.

Director Lipscomb suggested that if this motion passes that this item be placed on the consent agenda at the June 25 Board meeting.

The motion passed unanimously.

XIV. Correspondence

- a. April Unbundled Financial Statements
- b. April Variance Report
- c. Signature Authority Review

XV. Director Comments

Director Lipscomb: "No comments. Thank you."

Director Reiser: "None."

Director Vazquez: "Well, tonight I voted for the motion on the interim financing vehicle. I did so in order not to delay the matter to the detriment of Chugach but, for the record, a lot more material was provided to us for the \$3 million upgrade project from Brandon to O'Malley – that's only \$3 million – on the other hand this interim finance vehicle is going to involve hundreds of millions of dollars. We get no materials in our packet and then we get a PowerPoint that is seriously deficient the day before the meeting. This is not a way to run the Board business. I mean, we have an obligation, a legal obligation, to do due diligence and yes, we were given an overview back in March but there's been nothing else other than that overall general overview we received in March. So, I am hoping we get the information we need by the 18th."

Director Gimarc: "Madam Chair, I'd like to echo what Director Vazquez said. I am also moderately uncomfortable with the interim financing vehicle, if only due to the amount of the information we were given. It appears to be a pretty good deal and it appears to be well thought out but I am sufficiently uncomfortable with it that I feel it necessary to speak up. In the future more information earlier on this sort of thing is better than less information later. But that's 20/20 hindsight. But please, more information folks."

Director Nordlund: "No comment."

Acting Chair Logan: None.

XVI. Executive Session

None.

XVII. Adjourn

Director Lipscomb moved and Director Gimarc seconded the motion to adjourn. The meeting adjourned at 7:47 p.m.