

## **Rail belt CFO Meetings Joint Action Agency/ G&T Formation**

- At the direction of the Rail belt CEO's/ GM's, the five CFO's representing Golden Valley Electric Association (GVEA), Matanuska Electric Association (MEA), Homer Electric Association (HEA), City of Seward (SES) Anchorage Municipal Light and Power (AML&P) and Chugach Electric Association Inc. (Chugach) Have met four times to discuss forming a Joint Action Agency (JAA) or G&T to address future power supply options.
  
- Major assumptions for a new entity were as follows:
  - One member, one vote.
  - Unified system operation.
  - All requirements contract a must.
  - Open membership available to all interconnected certified Distribution cooperatives.
  - All new facilities will be constructed, operated and maintained by the new entity.
  - A uniform Wholesale rate will be developed for all members.
  - Uniform planning will be implemented in the Rail belt.
  - The new entity will acquire three currently state owned assets:
    - Bradley Lake Hydro Project.
    - Alaska Intertie.
    - - Healy Clean Coal Project.
  
- Tasks:
  - Identify hurdles and recommend mitigation.
  - Develop most optimistic/ least optimistic implementation schedule.
  - Estimate initial, 5 year and 10 year wholesale rate schedule.
  
- A list of Preliminary Issues was developed that addressed a full range of items from what assets would be included in the new entity to Regulatory considerations.
  
- The municipal entities involved (SES and AML&P) have said they would not be participating in a G&T due to tax and governance issues.
  
- Both did say they may participate in future generation or transmission projects if such facilities were constructed under the auspices of a JAA.
  
- Golden Valley unofficially stated they would probably not participate in either type of organization initially as they see no initial benefit to membership.

- At a conference call held on Thursday, September 2<sup>nd</sup>, the CFO's elected to request that the CEO's/ GM's reconvene to decide the direction of the project, given the uncertainty of participation and also to discuss the issue of acquisition of state owned assets.
  
- Also discussed on the call was the "2014 and Beyond" point paper presented  
At the Chugach Operations Committee meeting September 1<sup>st</sup>.

Preliminary Issues List  
(Distributed at July 22, 2004 Meeting)

Existing Assets

- Definition
- Identification
- Valuation
- Restrictions/Securitization

Existing Debt

- Identification
- Apportionment
- Restrictions/Covenants

Existing Equity

- Allocations
- Capital Credit Issues

Real Property Considerations

- Right of Way/Easement Issues
- Transferability of Permits
- Leasehold Interests

Organizational Framework

- Organic Documentation
- Governance Structure
- Statutory Issues
- Headquarters Location

Regulatory Considerations

- Regulatory Commission of Alaska
- FERC
- Securities & Exchange Commission
- Rural Utilities Service
- Internal Revenue Service

State Assets

- Healy
- Bradley Lake
- Alaska Intertie

Railbelt Energy Fund

- Availability
- Liquidation Strategy

Resource Forecast

Financial Forecast

- Future Capital Requirements
- Sources of Capital
- Wholesale Rate Forecast

Operational Issues

- Operational Protocols
- Staffing
- Transition Plan
- IT Support/System Selection
- Training Needs

Membership Issues

- Approval Requirements
- Communication/Education Effort

Liability Issues

- Active Litigation
- Pending/Threatened Claims
- Environmental Assessments

Timing

## Railbelt JAA/G&T Working Group

### Draft Agenda

Date and Time: July 28, 2004 (Wednesday); 10:00 a.m.

Place: Chugach Electric Association, Inc.

#### Topics for Discussion:

1. Review/modification of draft issues list (distributed at July 22 meeting)
2. Definition of "Generation" and "Transmission" facilities
  - a. Distribution substations in or out?
  - b. Sub-transmission plant in or out?
3. Discussion of potential issues related to General Plant
4. Existing debt and equity
  - a. General discussion of major debt covenants/restrictions
  - b. Discussion of possible allocation methods
5. Financial forecast
  - a. What do we need?
  - b. Should we retain a consulting firm to conduct the modeling effort?
6. Scheduling/planning issues
  - a. Do we need a formal work plan?
  - b. Goals/deliverables
  - c. Targeted completion dates
  - d. Meeting frequency and schedule

#### Distribution:

Mike Cunningham, Chugach  
Rick Eckert, Homer  
Rick Gifford, Seward  
Rick Miller, ML&P  
John Grubich, Golden Valley  
Don Zoerb, MEA