

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

FINANCE COMMITTEE
MEETING MINUTES

July 25, 2007

Committee Members in Attendance: Elizabeth Vazquez (acting Chair)
Uwe Kalenka
Alex Gimarc
Jeff Lipscomb

PJ Hill (excused absence)

Other Directors Present: Alan Christopherson (arrived at 4:46 p.m.)
Jim Nordlund

Guests in Attendance: Lorali Carter (MEA)
Jim Posey (ML&P)
Jim Patras (HEA)
Don Edwards (Dorsey & Whitney)
Gary Zipkin (Guess & Rudd)
Mike McLaughlin (Guess & Rudd)
Marc Marlow (Tiqun)
Jill Sheley (Semeron)
Bill Mede (Turner & Mede)

Staff in Attendance:

Bill Stewart	Lee Thibert	Mike Cunningham	Brad Evans
Connie Owens	Carol Johnson	Dave Smith	Jody Wolfe
Ed Jenkin	Dan Knecht	Ron Vecera	Burke Wick
Amber Van Treeck	Sherri McKay – Highers	Mary Tesch	Shelly Schmidt
Phil Steyer	Suzanne Gibson	Carol Heyman	Rick Freymiller
Bill Bernier	Kathy Harris	Jean Sauget	Divina Portades

Recording Secretary: Jennifer McDonald, Legal Secretary

I. Convene Meeting

Acting Chair Vazquez called the Finance Committee to order at 4:08 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

II. Approval of Agenda

Director Kalenka moved and Director Gimarc seconded the motion to amend the agenda to delete Agenda Item XI. Correspondence. Director Kalenka commented that Director Hill (Finance Committee Chair) is not here and should be aware of what is being presented. The motion passed unanimously.

Director Kalenka moved and Director Gimarc seconded the motion to approve the agenda, as amended. The motion passed unanimously.

III. Approval of Minutes

a. June 27, 2007

Director Kalenka moved and Director Gimarc seconded the motion to approve the minutes of June 27, 2007 Finance Committee meeting. Director Lipscomb stated that Director Kalenka is not a member of the Finance Committee but made several motions during the June 27, 2007 meeting. Acting Chair Vazquez stated that she thought that Director Kalenka was already a member of the Finance Committee. Director Kalenka stated that it was his understanding that he was a member of the Finance Committee and was appointed as part of the five-member Committee when Chair Vazquez appointed members to the Committees. Director Lipscomb stated that he is not sure when Director Kalenka was appointed to the Finance Committee. After discussion with the Board's attorney, Gary Zipkin, the following motion was made:

Director Gimarc moved and Director Kalenka seconded the motion to amend the minutes of June 27, 2007 to reflect that Director Kalenka was a member of the Finance Committee and not an "Other Director." The motion passed unanimously.

IV. Customer Comments

- a. *Wholesale Customer Comments* - None.
- b. *Retail Customer Comments* -None.

V. June Unbundled Financial Results

Jody Wolfe, Controller, gave a presentation on the June Unbundled Financial Results and answered questions from the Committee.

VI. 2008 Budget and CIP Guidance

Sherri McKay – Highers, Manager, Corporate Budgeting, gave a presentation on the 2008 Budget and CIP Guidance and staff answered questions from the Committee.

Director Lipscomb moved and Director Gimarc seconded the motion to amend the 2008 Budget Guidance to add the target of 30% to the equity ratio, adding 65% sensitivity to the prior years' margins for capital credit rotation plus a sensitivity on the capital program expenditures, not including replacement generation. The motion passed unanimously.

Director Lipscomb moved and Director Gimarc seconded the motion that the Finance Committee recommend to the Board of Directors to adopt the 2008 Budget Guidance, as amended. The motion passed unanimously.

VII. Budget Revision

Director Christopherson arrived at 4:46 pm.

Mike Cunningham, Sr. VP Finance and CFO, gave an overview of the Budget Revisions and answered questions from the Committee.

Acting Chair Vazquez stated that the motion should have included a short summary of the budget revisions to show what the increases would be for each category and what the bottom line would be. Mr. Cunningham stated that it was done on an individual item basis.

Director Kalenka moved and Director Gimarc seconded the motion that the Finance Committee recommends approval of the 2007 Budget in the amount of \$268,219,508. Director Lipscomb stated that he does not see the \$268 million. Director Kalenka stated that it is his intention to reduce the budget by less than 1%.

Director Kalenka moved and Director Gimarc seconded the motion to withdraw his motion. The motion to withdraw the motion passed unanimously.

Acting Chair Vazquez stated that the motion as prepared “[m]ove that the Finance Committee recommend approval of the budget revisions to the Board of Directors” is unclear and she would like Mr. Cunningham to prepare a summary.

Director Kalenka moved and Director Gimarc seconded the motion to table this item to the August 8 Board meeting. The motion passed with a vote of 3 to 1 with Director Lipscomb voting in opposition.

VIII. Review of 2007 CEO Budget vs. Actual

Sherri McKay – Highers, Manager, Corporate Budgeting gave a presentation on the 2007 CEO Budget vs. Actual.

IX. Review of 2007 Finance Budget vs. Actual

Sherri McKay – Highers, Manager, Corporate Budgeting gave a presentation on the 2007 Finance Budget vs. Actual and answered questions from the Committee.

X. Credit Card Payments

Director Kalenka moved and Director Gimarc seconded the motion that the Finance Committee direct the CEO to come up with a plan for approval by the Board in regard of the credit card payment system whereby members who use a credit card to pay a fee for the credit card processor and Chugach no longer absorbs the total cost of accepting credit cards. After a lengthy discussion the Acting Chair called the vote. The motion passed with a vote of 3 to 1 with Director Lipscomb voting in opposition.

Bill Stewart stated that he would have a recommendation for the Board by August 22.

XI. Correspondence (*REMOVED FROM THE AGENDA*)

- a. *June Unbundled Financial Statements*
- b. *June Variance Report*
- c. *2nd Quarter Budget Status Report*
- d. *2nd Quarter Capital Tracking Report*
- e. *2nd Quarter Contract Status Report*
- f. *2nd Quarter Deferred Debits by Division*
- g. *Expenses not in Rates*

XII. Directors' Comments

Director Lipscomb: Stated that the minutes from the Finance Committee meeting of June 27, which was discussed tonight and the forwarding of the 2007 Budget Revisions to the Board without a recommendation from the Committee in my opinion reflects the confusion that has been present on this Board since May. Stated he doesn't think that it is more improper than what we are doing and we could certainly do a better job.

Director Christopherson: None.

Director Nordlund: None.

Director Gimarc: None.

Director Kalenka: Responded to Director Lipscomb's comments and stated there was no confusion – the only confusion was the motion was written extremely poorly and he wanted to make that point.

Acting Chair Vazquez: None.

XIII. Executive Session

None.

XIV. Adjourn

Director Kalenka moved and Director Gimarc seconded the motion to adjourn. The meeting adjourned at 5:35 p.m.