

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

FINANCE COMMITTEE
MEETING MINUTES

October 26, 2004

Committee Member Attendees: Jeff Lipscomb, Chair (Teleconferenced @ 4:15 p.m.)
Dave Cottrell
Sam Cason
Red Boucher (Arrived @ 4:04)

Other Directors in attendance: Pat Jasper
Chris Birch
Bruce Davison

Guests: Jim Walker, Matanuska Electric Association, Inc.

Staff in Attendance:

Bill Stewart	Lee Thibert	Ron Vecera	Jody Wolfe	Mike Cunningham
Phil Steyer	Kathy Harris	John Cooley	Arthur Miller	Paul Risse
Katrina Storjohann	Carol Heyman	Carol Johnson	Bill Bernier	Dianne Hillemeier
Mary Tesch	Don Edwards	Brian Hickey	Mark Fouts	Ed Jenkin
Dan Knecht	Dave Smith	Joe Griffith	Sherri McKay	

Recording Secretary: Connie Owens, Executive Assistant

I. Call To Order

Director Cottrell who was the Acting Chair, called the Finance Committee meeting to order at 4:00 p.m. in the Training Room of Chugach Electric Association, Inc., 5601 Minnesota Drive, Anchorage, Alaska.

II. Approval of Agenda

Director Cason moved and Director Boucher seconded the motion to approve the agenda as presented. The motion to approve the agenda passed unanimously. Chair Lipscomb was not present at the time of the vote.

III. Review of 2005 Operating Budget

Chief Executive Officer Joe Griffith brief the Finance Committee on the 2005 Budget Planning Criteria, and the Operational and Strategic Challenges Chugach will face in the coming year.

Mike Cunningham, Chief Financial Officer discussed the 2005 Operating Budget Financial Results, Comparative Statement of Operations, kWh Sales Comparison, Revenue Comparison, and Total Operating Revenue Breakdown.

Mike then addressed the Expense Budget Comparison, Major Expense Category Variances, Total Cost of Electric Service, Budgeted 2005 Equity Ratio, Position Budget Comparison, and Total Labor by Financial Category.

The meeting was open to questions.

Director Cottrell requested the detail on all budget line items that increased in amounts over \$5,000 and requested that the information be distributed to the Board at the meeting scheduled on October 27, 2005.

Katrina Storjohann, Manager, Corporate Budgeting briefed the Committee on the Sensitivity Analysis on the 2005 Operating Budget and responded to questions.

Director Cottrell would like to know Economy Energy Sales number for the wholesale customer side of the house. Is it the same as impact (\$0.83) for the wholesale customers retail customers?

Director Cottrell questioned whether Chugach would have the funds available for discounting capital credits and estate payments in 2005 and questioned what the plan was for bringing that to the Committee. Joe Griffith stated it would be discussed at the next Operations Committee meeting scheduled for November 3, 2005.

Joe Griffith discussed the Comparative Financial Report and responded to questions from the Committee.

Director Boucher wants to know how much Sarbanes Oxley 404 compliance is going to cost Chugach customers over the next year. How much is included in the budget for next year? Mike Cunningham stated \$100,000 is included in the budget for consulting services related to Section 404 Compliance. A recommendation will be forth coming to the Committee. Mike stated there really aren't any other costs that we can see at this time. Mike is estimating an additional 20%, in additional audit fees for ongoing Section 404 testing and compliance work.

Director Cottrell wanted to know when the unbundled 2005 Budget would be available for the Committee to review. Katrina Storjohann stated an unbundled 2005 Comparative Financial Statement would be presented to the Committee at their regularly scheduled meeting on November 10, 2005.

Director Boucher asked about the push to underground lines? He questioned who was going to share in the costs of undergrounding. Joe Griffith stated the Municipal Ordinance is 4% of lines should be undergrounded on an annual basis. The current state requirement is 1%. Joe explained that Chugach has been meeting that goal on the distribution side and that currently the existing ordinance isn't being strictly implemented.

Phil Steyer and the Assembly will discuss the revision to the ordinance at its next meeting. The amendment will require 2%. It is not known at this time how the assembly will act on it.

IV. Recess

Director Cason moved and Director Boucher seconded the motion to recess until 4:00 p.m. on October 27, 2004. Motion passed unanimously.