

# DRAFT

CHUGACH ELECTRIC ASSOCIATION, INC.  
Anchorage, Alaska

## FINANCE COMMITTEE MEETING MINUTES

October 26, 2005

Committee Members in Attendance: Elizabeth Vazquez, Chair  
Alan Christopherson  
Dave Cottrell  
Bruce Davison

Other Directors Present: Ray Kreig  
Uwe Kalenka  
Jeff Lipscomb (arrived at 5:09 p.m.)

Guests in Attendance: Jim Walker, MEA  
Jim Patras, HEA

Staff in Attendance:

Bill Stewart	Dianne Hillemeier	Mike Cunningham	Brad Evans
Lee Thibert	Carol Johnson	Katrina Storjohann	Ed Jenkin
Connie Owens	Carol Heyman	Ron Vecera	Brian Hickey
Tom Schulman	Victor Montemezzani	Debra Brown	

Recording Secretary: Jennifer McDonald, Legal Secretary

### **I. Call to Order**

Chair Vazquez called the Finance Committee to order at 5:04 p.m. in the training room of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

### **II. Approval of Agenda**

Director Christopherson moved and Director Cottrell seconded the motion to approve the agenda. The motion passed unanimously.

### **III. 2005 Operating Budget Revision**

Bill Stewart, Interim Chief Executive Officer, informed the Board of a proposed revision to the 2005-operating budget, which reduces the operating budget by approximately \$1.5 million. Mike Cunningham, Chief Financial Officer, gave an overview of the proposed budget revision and staff answered questions from the Committee.

Director Christopherson moved and Director Cottrell seconded the motion to recommend approval of the 2005 Operating Budget revision to the Board of Directors at their November 16, 2005 Board meeting. Chair Vazquez and Director Christopherson voted in favor of the motion and Directors Davison and Cottrell voted against the motion. The motion failed for lack of a majority vote.

Director Cottrell stated that before he votes "yes" to approve the budget revision for 2005, unbudgeted items need to be accounted for such as the previous CEO severance pay, the CEO search including upcoming travel expenses and other unbudgeted items. Mr. Stewart stated details would be provided at the next Finance meeting scheduled for November 3, 2005.

#### **IV. 2006 Operating Budget and 2006-2010 Capital Improvement Program**

##### **A. Budget Review and Introduction**

Bill Stewart, Interim CEO, presented the schedule, an overview of the 2006 Operating Budget and 2006-2010 Capital Improvement Program. Mr. Stewart pointed out that fuel costs are projected to increase by \$45 million; therefore, over the course of 2006, customers may see an increase in their bill of 10 to 15%.

##### **B. Distribution**

Lee Thibert, General Manager, Distribution Division, presented the 2006 Operating Budget for the Distribution Division and answered questions from the Committee.

Chair Vazquez stated she would like to see more information on energy audits available to consumers either through the Chugach website or links to various Internet sites. Lee Thibert stated that staff would investigate various options and report back to the Committee.

Director Lipscomb requested a list of the employee reductions and reassignments and the calculations for the labor portion of the budget.

The Board recessed at 6:44 p.m. and reconvened at 7:04 p.m.

##### **C. G&T Division**

Brad Evans, General Manager, G&T Division, presented the 2006 Operating Budget for the G&T Division and answered questions from the Board.

#### **V. Correspondence**

##### **a. September Unbundled Financial Statements**

Mike Cunningham, CFO, presented the September 30, 2005 Unbundled Financial Statements

##### **b. September Corporate Variance Analysis**

##### **c. Capital Tracking Report**

Katrina Storjohann, Manager, Corporate Budgeting, presented the Capital Tracking Report.

#### **VI. Director Comments**

**Director Kreig:** I am disappointed in the actions of the Committee on the 2005 proposed budget revisions and request that Directors Cottrell and Davison reconsider their vote.

**Director Kalenka:** I'd like to echo Director Kreig's sentiments and would like those Directors who voted against the motion to reconsider. I'd like to thank everyone for a job well done in preparing the presentations.

**Director Christopherson:** I am disappointed that the Finance Committee did not come to an agreement on the 2005 Operating budget revision and would like the Committee to consider sending the right signal to staff that "savings matter". We have an opportunity to correct that – either tonight or at the next meeting. We have a new Interim CEO and he is approaching budgets differently and let's appreciate and work with his new approach and give him our support.

**Director Davison:** I was very pleased with the budget presentations. The clarity has improved a lot. As to the earlier comments – what I was advocating for was a format that allows you to see whether there have been savings or cost overruns on any various budget items over the course of the year. If you continually adjust the expense budget to match actual expenses or if you continually adjust the revenue budget to match revenues when you get to the end of the year and the numbers equal each other you don't know if you had cost overruns or savings. The reason for me not wanting to adjust the budget is so we can see the savings at the end of the year. It's possible that I misinterpreted how the budget numbers get used but that was the basis for my hesitancy to vote in favor in what I view is a reporting procedure that gives us less information – not more information.

Director Kreig suggested a different motion to approve the spending reductions in the amount of \$1.5 million that staff has presented.

**Director Cottrell:** I always like to have people who are not accountants start telling me how to be an accountant. The budget is a guideline. Budgets do not save you money. We have the expectation of management and management has the responsibility to spend only what is necessary to fulfill our mission. My final comment – everybody knows I am going to a Sarbanes Oxley class tomorrow. AICPA classes have preconditions before attending a class and I have done a pre-class study, which shows a 90% completion (copy of which was passed around to Board members).

**Director Lipscomb:** None.

**Chair Vazquez:** None.

Director Davison moved and Chair Vazquez seconded the motion that the Committee exhibit their support through this motion or through a resolution fully in favor of all the budget reductions that have been presented this evening in the amount of \$1.5 million. Director Davison accepted the friendly amendment.

Director Cottrell stated he wants to make sure we are not over expended in the Executive office. If we are that should be taken into consideration as an offset to the \$1.5 million.

Bill Stewart stated a report will be prepared and made available at the next budget review meeting, scheduled for November 3, to include unbudgeted items such as the CEO severance pay, the labor negotiation costs, the CEO search and the travel costs for the potential CEO candidates.

Director Cottrell moved to table the motion to November 3. The motion failed for lack of a second.

Chair Vazquez and Directors Christopherson and Davison voted in favor of forwarding the 2005 Operating Budget reduction to the full board for approval at their November 16, 2005 board meeting. The motion passed with a vote of 3 to 1. Director Cottrell voted against the motion.

**VII. Executive Session** – None.

**VIII. Adjourn**

The meeting adjourned at 8:26 p.m.