

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**FINANCE COMMITTEE**  
**MEETING MINUTES**

**October 14, 2009**

Committee Members in Attendance: PJ Hill, Chair  
Pat Kennedy  
Rebecca Logan  
Alex Gimarc (*joined telephonically at 4:15 p.m.*)  
Elizabeth Vazquez (*arrived at 4:26 p.m.*)

Other Director Present: Janet Reiser (*arrived at 4:07 p.m.*)  
Jim Nordlund (*arrived at 4:19 p.m.*)

Guests in Attendance: Jim Walker, MEA  
Jim Posey, ML&P

Staff in Attendance:

Brad Evans	Mark Johnson	Dave Smith
Tyler Andrews	Dan Knecht	Lee Thibert
Bill Bernier	Sherri McKay-Highers	Ron Vecera
Mike Cunningham	Divina Portades	Jody Wolfe
Kathy Harris	Paul Risse	
Ed Jenkin	Tom Schulman	

Recording Secretary: DeAnna Scott, Executive Assistant

**I. Convene Meeting**

Chair Hill called the Finance Committee to order at 4.06 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

**II. Executive Session**

None.

**III. Approval of Agenda**

Director Logan moved and Director Kennedy seconded the motion to approve the agenda. The motion passed unanimously.

**IV. Approval of Minutes**

*a. September 9, 2009*

Director Logan moved and Director Kennedy seconded the motion to approve the minutes of September 9, 2009. The motion passed unanimously.

**V. Customer Comments**

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

**VI. August Financial**

Jody Wolfe, Controller, gave a presentation on the August Financial Statements and answered questions from the Committee.

**VII. Training – Utility Construction Accounting**

Kathy Harris, Manager, Plant and Budget Accounting, gave a presentation on Utility Construction Accounting and answered questions from the Committee.

*Director Gimarc joined the meeting at 4:15 p.m.*

*Director Nordlund arrived at 4:19 p.m.*

**VIII. 4<sup>th</sup> Quarter Commercial Paper Issue Authorization**

Mike Cunningham, Chief Financial Officer, gave an overview of the 4<sup>th</sup> Quarter Commercial Paper Issue Authorization and answered questions from the Committee.

Director Logan moved and Director Kennedy seconded the motion that the Finance Committee recommend the Board of Directors authorize the issuance of an additional \$25 million of commercial paper as necessary to cover capital expansion, new generation requirements, and operational needs in lieu of using higher priced line of credit sources to a maximum total of \$100 million outstanding at the end of fourth quarter 2009. The motion passed unanimously.

*Director Vazquez arrived at 4:26 p.m.*

**IX. Southcentral Power Plant (SPP) Combustion Turbine/Generation (CTG) Transportation Services Purchase.**

Dan Knecht, Manager, Administrative Services, gave an overview of the Southcentral Power Plant (SPP) Combustion Turbine/Generation (CTG) Transportation Services Purchase and answered questions from the Committee.

Director Logan moved and Director Kennedy seconded the motion that the Finance Committee recommend the Board of Directors authorize the purchase of transportation services for the SPP CTGs with Panalpina, Inc., in the amount of \$1,115,895. The motion passed with Chair Hill, Directors Logan, Kennedy, and Vazquez voting yes. Director Gimarc's vote was not recorded.

**X. Recommendation on Approval of the 2010 Operating Budget**

Director Logan moved and Director Kennedy seconded the motion that the Finance Committee recommend the Board of Directors approve the 2010 Operating Budget which is expected to produce margins of \$6.1 million, a Margin for Interest/Interest (MFI/I) ratio of 1.29 and an Equity to Total Capitalization ratio of 34.7%. These results are based on a Total Cost of Service of \$236.0 million, Total Revenue of \$241.2 million and Non-Operating Margins of \$0.9 million. The motion passed unanimously.

**XI. Recommendation on Approval of the 2010 Capital Budget**

Director Logan moved and Director Kennedy seconded the motion that the Finance Committee recommend the Board of Directors approve the 2010 Capital Budget with expenditures of \$111.9 million. The motion passed unanimously.

**XII. Correspondence**

- a. *August Variance Report*
- b. *Signature Authority Review Compliance*
- c. *To Establish a New Escrow Account at First National Bank of Alaska – Housekeeping*

**XII. Director Comments**

**Director Logan:** “It’s been fun spending three days with everybody on the budget. I’m not tired of seeing people but no really, actually, excellent work done by the staff. You guys, I mean, very, very thorough and I appreciate the opportunities that you gave us to really ask detail questions and kind of dig into things then, excellent, excellent presentation.”

**Director Reiser:** “I have no comment.”

**Director Kennedy:** “It was a, really my first retake on the Board. It’s really interesting to do that, get everything in a different format. Just a side comment about when we start talking about depreciation. The only time I heard depreciation in my entire life was when I was 18 that’s been how long ago it was. It was depreciating ... *unintelligible*...at a steel company it was entirely different, so it was kind of interesting to see it and know that it is a different ...*unintelligible*... and it is still operating ...*unintelligible*....

**Director Vazquez:** “I appreciate the hard work that went into putting things together to make the presentation to the Board of Directors and I especially appreciate that the first time we have had an extensive discussion on the risk analysis, sensitivity analysis, it was the most thorough job to date I’ve ever seen. I did object to moving into executive session wholesale the first day; and, I continue to have that objection. I think that in previous years most of the budget presentations were made in the open and then there was a very short executive session at the very end. I think that we need, we are a Co-op, we are subject to the open meetings law and to the extent that we can discern and carefully review matters and make sure that only those things that need to be in executive session are considered in executive session; and I can’t stress that enough and I think we are moving away from that. Um, I would have like to have seen a shorter executive session and more, a longer public session that we have

done it previous years. Although I thought it was a very thoughtful presentation and it's obvious management is kind of monitoring the situation as they say, so, that's all I have to say tonight."

**Director Gimarc:** I have one question for management that I would like to answer off line and that is, the question is so why isn't IGT depreciated yet? And I will take the answer offline. Other than that, very pleased with the budget workup and thank you for your time and forbearance."

**Director Nordlund:** "I'll just repeat what I said last night, thanks for the presentation. I thought it was very informative and a good snapshot of what we are doing in the utility and its good work and thanks a lot.

**Chair Hill:** "I too want to thank the staff and the work that was done, it was really, really marvelous. There was an article that came in yesterday's *The Economist* on Smart Grids. I had reproduced it and thought you guys might enjoy it."

### **XIII. Executive Session**

None.

### **XV. Adjourn**

Director Logan moved and Director Kennedy seconded the motion to adjourn. The meeting adjourned at 4:36 p.m.