

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**  
**December 5, 2007**  
**Wednesday**

**4:00 p.m.**

**BOARD OF DIRECTORS'**  
**FINANCE COMMITTEE MEETING MINUTES**

Committee Members in Attendance: PJ Hill, Chair  
Elizabeth Vazquez (*arrived at 4:10 p.m.*)  
Uwe Kalenka  
Jeff Lipscomb

Other Directors Present: Jim Nordlund (*arrived at 4:28 p.m.*)  
Rebecca Logan  
Alex Gimarc

Staff and Guest in Attendance:

Bill Stewart	Brian Hickey	Bruce Piasse, HEA
Bill Bernier	Carol Johnson	Jim Posey, ML&P
Elizabeth Bluemink, ADN	Dan Knecht	Jean Sauget
Dave Carey, HEA	Gloria Lafferty	Phil Steyer
Dave Dittman, DRC	Marilyn Leland, APA	Dane Thatcher
Don Edwards, Dorsey	Marc Marlow, Tiquin	Lee Thibert
Brad Evans	Joe Miller	Peg Tileston
Ruth Fitzpatrick, HEA	Mike Nugent, HEA	Merit Waldrop
Perry Grover, DWT	Connie Owens	Mark Wiggin
Frank Gwartney	Jim Patras, HEA	Gary Zipkin
Margret Hansell	MaryAnn Pease, MAP Cons.	
Carol Heyman	Bill Pederson	

Recording Secretary: DeAnna Scott, Executive Assistant

**I. Convene Meeting**

Chair Hill called the Finance Committee to order at 4:09 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

**II. Executive Session - None**

**III. Approval of Agenda**

Director Lipscomb moved and Director Kalenka seconded the motion to approve the agenda. The motion passed unanimously.

**IV. Approval of Minutes (November 1, 2007, November 2, 2007 November 5, 2007 and November 7, 2007)**

Director Lipscomb moved and Director Kalenka seconded the motion to approve the meeting minutes.

Director Lipscomb stated a correction was needed to the minutes of November 2, 2007, page 2, IX. Directors' Comments. His comment down towards the bottom states: "I noticed today in response that MEA had to their reply to the comments on their petition to open the docket on Railbelt G&T that they had tribulation ship with the IBEW. I meant to say, "a good relationship".

The motion for approving the November 1, 2007, November 2, 2007, November 5 2007, and November 7, 2007, meeting minutes passed unanimously, as amended.

**V. Customer Comments**

a. Wholesale Customer Comments - **None**

b. Retail Customer Comments - **None**

**VI. Write-Off Accounts Receivable - Electric**

Director Lipscomb moved and Director Kalenka seconded the motion that the Finance Committee recommend the Board of Directors adopt the attached resolution authorizing and directing the Chief Executive Officer to transfer balances as of October 31, 2007, in the amount of \$208,227.81 from account 14210.000.00.2101, Accounts Receivable – Consumer Electric, to account 14410.000.00.2101, Accumulated Provision for Uncollectable Accounts – Consumer Electric.

Move further that the Chief Executive Officer be directed to continue cost effective and appropriate collection efforts on these accounts. *The motion passed unanimously.*

**VII. Write-Off to Accounts Receivable – Other\***

Director Lipscomb moved and Director Kalenka seconded the motion that the Finance Committee recommend the Board of Directors adopt the attached resolution authorizing and directing the Chief Executive Officer to transfer balances as of October 31, 2007 in the amount of \$4,291.72 from account 14300.000.00.2101, Accounts Receivable – Other, to account 14440.000.00.2101, Accumulated Provision for Uncollectable Accounts – Other.

Move further that the Chief Executive Officer be directed to continue cost effective and appropriate collection efforts on these accounts. *The motion passed unanimously.*

**VIII. October Unbundled Financial Statement**

Jody Wolfe, Controller, presented to the Finance Committee the October Unbundled Financial Statements and answered questions of the Committee.

**IX. Recommendation on 2008 Operating Budget and Capital Budget**

Director Lipscomb moved and Director Kalenka seconded the motion that the Finance/Budget Committee recommend that the Board of Directors approve the 2008 Operating and Budget Capital Budget which is expected to produce margins of \$6.7 million, a Margin for Interest/Interest (MFI) ratio of 1.28 and an Equity to Total Capitalization ratio of 31.6%. These results are based on a Total Cost of Service of \$266.4 million, total Revenue of \$271.8 million and Non-Operating Margins of \$1.3 million.

The 2008 Capital Improvement Program presented is \$45.3 million consisting of the following functional categories and amounts:

Telecommunications/ SCADA	\$ 3.9 million
Distribution	12.6 million
Transmission	7.1 million
Generation	<u>21.7 million</u>
Total	\$ 45.3 million

The unbundled 2008 Operating Budget is expected to produce Distribution margins of \$5.7 million and a Distribution MFI/I of 1.76 with Generation & Transmission margins of \$1.0 million and a Generation & Transmission MFI/I of 1.06.

The 2008 Operating Budget results meet or exceed the 2008 Budget Planning Criteria as approved by the Finance Committee. The criteria and budgeted results are as follows:

	<u>Criteria</u>	<u>Budget</u>
Margins for Interest/ Interest	> 1.25	1.28
Equity Ratio	30% or greater	31.6%
Rotate Capital Credits at 50% of prior Year's margins	50%	50%

*The motion passed unanimously.*

**X. Recommendation on Wholesale Capital Credit Retirement**

Director Lipscomb moved and Director Kalenka seconded the motion that the Finance Committee recommend the Board of Directors approve the attached resolution (Exhibit 1) retiring 1997 wholesale capital credits in the amount of \$79,079.

The amounts to equity to be returned are:

- Homer Electric Association, Inc. \$31,658
- Matanuska Electric Association, Inc. \$36,653
- Seward Electric System \$10,768

*The motion passed unanimously.*

**XI. Recommendation on Retail Capital Credit Retirement**

Director Lipscomb moved and Director Kalenka seconded the motion that the Finance Committee recommend the Board of Directors approve the attached resolution, Exhibit 1, authorizing retirement of retail capital credits to members of record for 1988 and 1989.

The amount of the retail retirement is the total of \$5,019,529 less \$79,079 payable to wholesale customers, and less approximately \$350,000 paid early to estates and inactive members who closed their memberships and received discounted capital credits payments. This retirement will pay the final portion of the retail distribution capital credits to the members of record in 1988, and a portion to members of record in 1989. *The motion passed unanimously.*

**XII. 3<sup>rd</sup> Quarter Budget Revisions Discussion**

Mike Cunningham, Chief Financial Officer, presented the 3<sup>rd</sup> Quarter Budget Revisions and answered questions of the Committee.

**XIII. Correspondence**

- a. October Unbundled Financial Statements
- b. October Variance Report
- c. Credit Card Payments

Mr. Dittman from Dittman Research discussed the results of the survey and answered questions of the Committee.

**XIV. Director Comments**

**Director Kalenka:** "No Comment."

**Director Gimarc:** "No Comment."

**Director Nordlund:** "No Comment."

**Director Logan:** "No Comment."

**Director Lipscomb:** "The preparation of the Operating/Capital Budgets is a large and thorough effort. It becomes the foundation of our financial management plans. I was happy to see the Finance Committee recommend approval of the Budgets tonight to the Board. Thank you Bill, thank you Mike, Lee, Brad and the rest of the staff."

**Director Vazquez:** "Likewise, I thank everybody. I know who prepared the budget, it's a big project so, that's appreciated. That's all I have to say tonight."

**Chair Hill:** "I'd like throw out one option here at least talk, put it on the table and that is or to think about further unbundling costs. Right now, we unbundled cost in two areas of G&T and Distribution and I think if we are ever going to get a good handle on what our costs are, I think, it is very possible to separate Transmission from Distribution and separate Customer Service from, I mean separate out Transmission from Generation and Customer Service from Distribution. Those are kind of the four functional areas that we could certainly look at and get a better handle on our cost. I would like to at least broach the subject and inquire how much additional cost it would require us to undertake, to get that kind of information because it just gives us a better handle on our costs; and if we go to any kind of benchmarking, we can always add them together, but we'd develop a long term set of financial statements that reflect these costs in these divisions. I think it would certainly enhance our operations, at least give

us information about it. I just put that on the table at this point. Director Vazquez asked if Mr. Cunningham could come forth with a proposed plan of action to deal with those issues along with a time frame and budget at the next Finance Committee meeting. Mr. Cunningham stated yes.”

**XV. Executive Session**

At 4:53 p.m. Director Kalenka moved and Director Vazquez seconded the motion that pursuant to Alaska statute 10.25.175(c) (1) and (3) the Finance Committee go into executive session to discuss (1) matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and (2) to discuss matters with its attorneys the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The matter to be discussed is (1) Rate Case Update. The motion passed unanimously.

The Committee recessed at 4:54 p.m. and reconvened into Executive Session at 5:03 p.m. The Committee came out of Executive Session at 5:17 p.m. and reconvened the meeting.

**XVI. Adjourn**

Director Kalenka moved and Director Lipscomb seconded the motion to adjourn. The motion passed unanimously. The meeting adjourned at 5:18 p.m.