CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA

REGULAR BOARD OF DIRECTORS' MEETING

AGENDA

Bettina Chastain, Chair    Harry T. Crawford Jr., Director
Susan Reeves, Vice Chair    Jim Henderson, Director
Rachel Morse, Treasurer    Harold Hollis, Director
Stuart Parks, Secretary

August 29, 2018     9:00 a.m.     Chugach Boardroom

I. CALL TO ORDER
   A. Pledge of Allegiance
   B. Roll Call
   C. Safety Minute – “Common Causes of Accidents” (Freeman)

II. APPROVAL OF THE AGENDA*

III. PERSONS TO BE HEARD
   A. Member Comments

IV. CONSENT AGENDA*
   A. Board Calendar
   B. Training and Conferences
      1. Director Winter School, November 30 – December 5, 2018, Nashville, TN
         (Deadline for conference and hotel registration is October 29, 2018)
   C. Minutes
      1. July 25, 2018, Regular Board of Directors' Meeting (Portades)
   D. Director Expenses

V. CEO REPORTS AND CORRESPONDENCE
   A. Marketing of Battery-Operated Tools (Skaling/Miller)
   B. 2nd Quarter 2018 Key Metrics Dashboard (Thibert)

VI. DIRECTOR REPORTS
   A. Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC) Report
   B. Renewable Energy Alaska Project (REAP) Report
   C. Board Committee Reports (Audit and Finance, Operations, & Governance)
   D. Alaska Power Association (APA) Annual Meeting Report
   E. Other Meeting Reports
VII. UNFINISHED BUSINESS (none)

VIII. NEW BUSINESS* (scheduled)
   A. Simplified Rate Filing – June 2018 Test Year* (Kornmuller/Miller)
   B. NRECA Resolutions (Board)

IX. EXECUTIVE SESSION* (scheduled)
   A. Update on Regulatory Asset
   B. USO-Transco Update
   C. Update on Power Pooling
   D. Gas Supply Update
   E. On-Going Strategic Matters
      1. Initiatives Under Consideration
      2. Outstanding Risks to the Association
   F. ML&P – Financing for Potential Acquisition
   G. Discussion Total Compensation Strategy Plan
   H. 2018 Salary Plan Revision
   I. Update on Sale of Utility – SES

X. NEW BUSINESS* (continued)
   A. ML&P – Financing for Potential Acquisition* (S. Highers)
   B. Railbelt Reliability Council Memorandum of Understanding** (Hickey)
   C. 2018 Salary Plan Revision* (Andrews)

XI. DIRECTOR COMMENTS

XII. ADJOURNMENT*
Five Common Causes of Workplace Accidents
Overexertion

- BLS- #1 Cause of workplace injuries
- Lifting, Pushing, Pulling, Holding, Bending, Etc.
- Even light loads can cause injury
- Prevention: Proper Lifting techniques
Slips, Trips, and Falls

- Falls from same level
- Falls from elevation
- Be careful of spills, wet floors, debris, and ice when walking, and practice good housekeeping.
Poor Housekeeping

- Housekeeping is an accurate indicator of attitudes toward quality, production, and safety.
- Poor housekeeping creates all kinds of hazards, and often results in workplace accidents.
- Good housekeeping ensures a safer work environment for all.
Taking Shortcuts

- Shortcuts that reduce job safety only increase the chance of injury.
- Facility managers should reinforce proper procedures for all employee tasks on a regular basis and make sure employees are aware of the risks associated with taking shortcuts.
Distractions

• If your day doesn’t start well at home, your worries can carry over to the workplace.
• Accidents often occur when employees are distracted, from walking into doors to tripping over clutter.
• Conducting good tailboard safety meeting can help eliminate some distractions through re-focusing on the tasks at hand.
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**NRECA Summer School for Directors (East) • Savannah, GA**

- 11:30AM - 1:00PM "Make it Monday" Forum - Alaska Business - Open to the World (Reeves) (Denali Civic & Convention Center - 600 W. 7th Avenue - 2nd Floor)

**APA 67th Annual Meeting & ARECA Insurance... • Fairbanks, AK**

- 8:00AM - 9:00AM Bi-Weekly Update on ML&P Acquisition Efforts (Chastain/Parks) (BoardroomCR)
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<td>10:00AM Mtg w/Chastain/Reeves (Review Board Meeting Packet &amp; Strategic Planning Material) (LDT's Office)</td>
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<td>8:30AM Board Phot/Regular Board of Directors' Meeting (All) (BoardroomCR)</td>
<td>10:00AM Strategic Planning w/Board (All) (Anchorage - The Megan Room (6591 A St, Anchorage, AK 99518))</td>
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**Notes:**
- Labor Day is celebrated on the 1st Monday of the month.
- Board Meeting dates and times vary.
- Strategic Planning dates and times vary.
- Board Photos and Meetings include regular board members.
- ML&P Acquisition Efforts date is set.
- Member Appreciation Day includes information and details.

**Events:**
- 2018 NRECA Region 9 Meeting (9/25 Pr.... Anchorage, Alaska)
- 2018 NACD Global Board Leaders' Summit... Washington DC
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- **2018 NACD Global Board Leaders’ Summit**: Washington DC
- **10:00AM - 2:00PM**: Member Appreciation Day (Information) (Lobby)
- **9:00AM - 10:00AM**: Bi-Weekly Update on ML&P Acquisition Efforts (Chastain/Parks) (BoardRoomCR)
- **4:00PM - 7:00PM**: Operations Committee Meeting (Parks, Reeves, Crawford, Chastain, Hollis) (BoardroomCR)
- **4:00PM - 7:00PM**: Regular Board of Directors Meeting (All) (BoardroomCR)
- **Gettysburg Leadership Experience**: Gettysburg, PA

**Important Dates**
- **2018 NACD Global Board Leaders’ Summit**: Washington DC
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- **November**
  - **28th, 29th**: 4:00PM - 7:00PM Audit and Finance Committee Meeting (Morse, Reeves, Chastain, Henderson, Hollis) (BoardroomCR)
  - **30th, 31st**: 4:00PM - 7:00PM Audit and Finance Committee Meeting (Morse, Reeves, Chastain, Henderson, Hollis) (BoardroomCR)
  - **1st**: 9:00AM - 10:00AM Bi-Weekly Update on ML&P Acquisition Efforts (Chastain/Parks) (BoardRoomCR)

- **December**
  - **8th, 9th**
  - **15th, 16th**: 11:00AM - 2:00PM Chugach Legislative Reception (All) (Embassy Suites)
  - **22nd, 23rd**: 4:00PM - 7:00PM Regular Board of Directors’ Meeting (All) (BoardroomCR)
  - **29th, 30th**: NRECA Winter School f... Nashville, TN

- **Thanksgiving Holiday**
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**Tentative:** Board Trip to Juneau (3/19-3/21) (All)

**NRECA Annual Meeting (3/10 - 3/13)** Orlando, FL • Connie Owens

**NRECA - Director Education - 3/7-3/10 - An...** Orlando, FL

**Tentative: Strategy...** Chugach Boardroom

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**NREC A**

- **Director Education** 3/7 - 3/10 - Orlando, FL

**NRECA Annual Meeting (3/10 - 3/13)**

- **Connie Owens**

**Tentative: Board Trip to Juneau (3/19-3/21) (All)**

**6:00PM - 10:00PM Chugach Spring Party (All) (O'Malley’s on the Green)**
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Tentative: Strategic Planning Session in Chugach Boardroom.

- **April 2019**
- **March 2019**
- **May 2019**
- **Sunday**
- **Monday**
- **Tuesday**
- **Wednesday**
- **Thursday**
- **Friday**
- **Saturday**
- **4:00PM - 5:00PM**
  - Community Meeting - Board of Directors Candidate Forum (All) (TrainingRoom)
- **4:00PM - 7:00PM**
  - Regular Board of Directors Meeting (All) (BoardroomCR)
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- **4:00PM - 7:00PM** Audit and Finance Followed by Regular Board of Directors Meeting (All) (BoardroomCR)

- **6:00PM - 9:00PM** Annual Meeting (All) (Denalina Center)

- **4:00PM - 7:00PM** Regular Board of Directors Meeting (All) (BoardroomCR)

**Memorial Day**

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- **May 2019**
- **Sunday**
- **Monday**
- **Tuesday**
- **Wednesday**
- **Thursday**
- **Friday**
- **Saturday**

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- **April 2019**
- **June 2019**
### June 2019

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**Attendees:**

- **Summer School for Directors (6/7 - 6/12)**  
  - **1:00PM - 5:00PM**  
    - Chugach Picnic (Alaska Zoo)

- **4:00PM - 7:00PM Yearly**  
  - Internal Controls Workshop (BoardroomCR)

- **4:00PM - 7:00PM**  
  - Regular Board of Directors Meeting (BoardroomCR)

**Independence Day**

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8/22/2018 8:39 AM

11/12

CCBOD
**July 2019**

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- **4:00PM - 7:00PM**
  Regular Board of Directors Meeting (BoardroomCR)

- **Independence Day**

- **Summer School for Di... Branson, MO**

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8/22/2018 8:39 AM 12/12 CCBOD
Winter School for Directors

Nashville, TN  November 30 - December 5, 2018

As boards are challenged to address multiple large-scale issues, NRECA’s Winter School for Directors is designed to ensure that board leaders develop the knowledge and skills required to meet these challenges successfully.

JOIN US

2018 Winter School for Directors

To help ensure that board leaders develop the knowledge and skills required to meet the challenges of today’s increasingly complex utility marketplace, NRECA offers a variety courses at Winter School for Directors.

This six-day program offers co-op directors:

- The essential knowledge and skills necessary to succeed on the board
- All required courses to earn the Credentialed Cooperative Director (CCD) certificate
- The opportunity to advance beyond the CCD level toward the Board Leadership Certificate (BLC)
- Earn continuing education credits that can be applied toward maintaining their Director Gold credential.
Also of Interest

- Summer School for Directors (East | West)
- Director Certificate Programs

Looking to earn credit?

Earn your Credentialed Cooperative Director (CCD) certificate or your Board Leadership Certificate (BLC). If you've already earned your CCD and BLC credentials, you can earn the credits you need to achieve Director Gold status.

Questions about Program?
Janet Bowers
703-907-5622
janet.bowers@nreca.coop

Questions about Registration?
Accounts Receivable Department
703-907-6875
AccountsReceivable@nreca.coop

Questions about Anything Else?
Member Contact Center
1-877-766-3226
member-support@cooperative.com

Cancellation and Refund Policy →
Photography/Image Agreement →
Conferences & Meetings Policies →
I. CALL TO ORDER
Chair Chastain called the Regular Board of Directors’ Meeting to order at 5:35 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Pledge of Allegiance
Chair Chastain led the Board in the Pledge of Allegiance.

B. Roll Call
Board Members Present:
Bettina Chastain, Chair
Stuart Parks, Secretary
Rachel Morse, Treasurer
Harry Crawford, Director
Jim Henderson, Director

Board Member Excused Absence:
Susan Reeves, Vice Chair

Guests and Staff in Attendance:
Lee Thibert Matthew Clarkson Renee Curran
Arden Quezon-Vicente Tom Schulman Sean Skaling
Tyler Andrews Taylor Crocker Mitchell Roth, Member
Sherri Highers Andrew Laughlin Kerry Williams, Member
Paul Risse Kate Ayers Ceal Smith, Member
Arthur Miller Linda Muise Harold Hollis, Member
Luke Sliman Josh Resnick

Chair Chastain stated that Director Reeves has a request for an excused absence for July 25, 2018, Audit and Finance Committee Meeting and Regular Board of Directors’ Meeting. No objections were made and the Board unanimously approved the request.

Chair Chastain asked for a volunteer to sign Director Reeves’ expense report. Director Crawford volunteered to sign for Director Reeves’ expense report. No objections were made.
C. **Safety Minute**  
Taylor Crocker, Sr. Safety Specialist discussed “Back Safety”.

II. **APPROVAL OF THE AGENDA**  
Director Crawford moved and Director Parks seconded the motion to approve the agenda.  
Director Morse requested to add “ML&P Acquisition Update” in the Executive Session. No objections were made.  
Chair Chastain requested to add “APA Annual Meeting and Training on August 22-24, 2018 in Fairbanks, Alaska” in the Consent Agenda. No objections were made.  
Lee Thibert, Chief Executive Officer (CEO), requested to add “ARCTEC Discussion” in the Executive Session. No objections were made.  
Director Crawford accepts the additions to the agenda.  
After discussion, Chair Chastain called for a vote. The motion passed unanimously, as amended.

III. **PERSONS TO BE HEARD**  
A. **Member Comments**  
Mitchell Roth, a member, spoke before the Board regarding Renewable Energy and responded to questions from the Board.

IV. **CONSENT AGENDA**  
A. **Board Calendar**  
B. **Training and Conferences**  
   1. 2018 NRECA Region 9 Meeting, September 25-27, 2018, Anchorage, AK (Deadline for conference registration is August 1, 2018)  
   2. Director Winter School, November 30 – December 5, 2018, Nashville, TN (Deadline for conference and hotel registration is October 29, 2018)  
C. **Minutes**  
   1. June 27, 2018, Regular Board of Directors’ Meeting (Portades)  
   2. July 12, 2018, Special Board of Directors' Meeting (Portades)  
D. **Director Expenses**  
E. **Stoel Rives, LLP Task Order 4 Increase (Schulman)**  
Director Morse moved and Director Crawford seconded the motion to approve the consent agenda.  
Chair Chastain stated that the training and conferences are coming up and to let Connie Owens know, if interested in attending.  
After discussion, Chair Chastain called for a vote. The motion passed unanimously.

V. **CEO REPORTS AND CORRESPONDENCE**  
A. **May 2018 Financial Statements and Variance Report (Harris/Curran)**
The May 2018 Financial Statements and Variance Report were provided in the meeting packet.

Lee Thibert, CEO, discussed the May 2018 Financial Statements and Variance Report.

Sherri Highers, Chief Financial Officer (CFO) and VP, Finance and Administration, responded to questions from the Board.

B. 2nd Quarter 2018 Safety Report (Andrews)
The 2nd Quarter 2018 Safety Report was provided in the meeting packet.

C. Write-Off Accounts Receivable – Electric/Other (Kurka/Miller)
The Write-Off Accounts Receivable – Electric/Other was provided in the meeting packet.

D. Member Appreciation Day and National Drive Electric Week – Planning Update (Kurka/Miller)
Kate Ayers, Member and Energy Programs Specialist discussed the Member Appreciation Day and National Drive Electric Week – Planning Update and responded to questions from the Board.

VI. DIRECTOR REPORTS

A. Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC) Report
Lee Thibert, CEO, reported on the July 12 & 17, 2018 ARCTEC meetings. Mr. Thibert also stated that the upcoming ARCTEC meetings are scheduled for July 27, 2018 and August 8, 2018. Further discussion on the ARCTEC will be deferred in Executive Session.

B. Renewable Energy Alaska Project (REAP) Report
Director Morse reported on the July 11, 2018, REAP – Future of Solar meeting and July 19, 2018, REAP House Party and Fundraiser.

C. Board Committee Reports (Audit and Finance, Operations & Governance)
Director Morse reported on the July 11 & 25, 2018, Audit and Finance Committee meetings.

Director Parks reported on the June 25, 2018 and July 23, 2018, Operations Committee Meetings as well as the bi-weekly update on the ML&P Acquisition.

Chair Chastain stated that there was no Governance Committee meeting to report on. She also stated that with the amount of work needed, she would like for the Governance Committee to re-convene soon.

D. Other Meeting Reports
Chair Chastain reported on the July 24, 2018 meeting with Crystal Enkvist of Alaska Power Association and deferred further discussion in Executive Session.
VII. UNFINISHED BUSINESS
None

VIII. NEW BUSINESS
A. ML&P – Financing for Potential Acquisition* (Highers)
Director Morse moved and Director Parks seconded the motion that the Board of Directors authorize the Chief Executive Officer to select and negotiate financing services associated with the potential acquisition of ML&P as discussed in executive session. The motion passed unanimously.

B. Pumped Storage (Risse)
Paul Risse, Sr. VP, Production and Engineering, thanked Mr. Roth, Ms. Smith and Mr. Williams for their interests in Renewable Energy.

Mr. Risse discussed the Pumped Storage and responded to questions from the Board.

C. Battle Creek (Risse)
Paul Risse, Sr. VP, Production and Engineering, discussed the Battle Creek and responded to questions from the Board.

IX. EXECUTIVE SESSION
A. Alaska Power Association (APA) Membership
B. Battle Creek Update
C. 2018 CEO Performance Scorecard and Project Specific Initiatives
D. On-Going Strategic Matters
   1. Initiatives Under Consideration
   2. Outstanding Risks to the Association
E. Discuss the Interviews of Applicants for Vacant Board of Director Position

At 7:08 p.m., Director Morse moved and Director Parks seconded the motion that pursuant to Alaska Statute 10.25.175 (c)(1), (2) and (3) the Board of Directors go into executive session to: 1) discuss and receive reports regarding financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; 2) discuss personnel matters that may tend to prejudice the reputation or character of a person; however, the person may request a public discussion; and, 3) discuss with its attorneys legal matters, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The motion passed unanimously.

Director Henderson was not present at the time of vote.

The meeting reconvened in open session at 8:37 p.m.

X. NEW BUSINESS
A. 2018 CEO Performance Scorecard and Project Specific Initiatives** (Board)
Director Parks moved and Director Crawford seconded the motion that the Board of Directors approve the 2018 CEO Performance Scorecard and Project Specific Initiatives as discussed in the Executive Session. The motion passed unanimously.
B. Appointment of New Board Member** (Board)

Chair Chastain opened the floor to nominations of a new Board member. Director Crawford nominated Matt Moore and Director Morse seconded the nomination.

Chair Chastain called for any nomination of new Board member. Director Parks nominated Harold Hollis and Director Morse seconded the nomination.

No other nominations were made.

After discussion, Chair Chastain called for the vote on the two nominations.

For Harold Hollis:
Chastain – Yes
Crawford – No
Henderson – Abstained
Morse – Yes
Parks – Yes

For Matt Moore:
Chastain – No
Crawford – Yes
Henderson – Abstained
Morse – No
Parks – No

The result of the vote: Pursuant to Board Policy 603 and Article IV, Section 8 of Chugach’s bylaws, the Board of Directors’ appointed Harold Hollis, effective July 25, 2018, to fill the vacancy on the Chugach Board.

Matthew Clarkson, General Counsel, administered the oath of office to Harold Hollis, newly appointed Board member.

XI. DIRECTOR COMMENTS
Director comments were made at this time.

XI. ADJOURNMENT
At 9:03 p.m., Director Morse moved and Director Henderson seconded the motion to adjourn. The motion passed unanimously.

Stuart Parks, Secretary
Date Approved: August 29, 2018
ACTION REQUIRED

AGENDA ITEM NO. IV.D.

X Motion

DISCUSSION

The Director’s expenses will be submitted for approval at the board meeting.

MOTION

(Consent Agenda)
Battery Powered Yard Tools

Chugach Board of Directors’ Meeting, August 29, 2018
Program Background

Strategic Plan Initiative

- Identified as strategic priority, Fall 2017
- Established as a CEO goal for 2018

Sustainability Intern, Taylor Asher

- Graduate student
- University of Northern Arizona
  - Climate Science and Solutions
- Alaskan from Talkeetna
- Researched and developed initial plan
Program Outline

Purpose: To promote the use of battery powered yard tools

Program Components

1. Public Outreach
2. Retail Partnership
3. Rebate Program

Yard tools included in this program are lawn mowers, snow blowers, string trimmers, leaf blowers, chain saws and cultivators.
In line with Chugach’s sustainability business philosophy

Benefits

- **Chugach Benefits** (Performance)
  - Accelerates a trend
  - Increases sales
  - Increased member satisfaction

- **Member Benefits** (Perf. & People)
  - Simple
  - Less maintenance
  - Lower cost operations
  - Safer

- **Social Benefits** (People)
  - Quieter

- **Environmental Benefits** (Planet)
  - No fuel spills or storage
  - No fumes, reduced CO2
  - No used oil
Operational Costs and Carbon Dioxide Comparisons

Annual Operational Costs

- **Gas Powered Tools**: $20.60 (Fuel) + $3.34 (Maintenance) = $27.00
- **Battery Powered Tools**: $20.00 (Maintenance) = $20.00

**2X MORE**

Pounds of CO2 Per Hour of Use

- **Gas Powered Tools**: 6.33 pounds
- **Battery Powered Tools**: 0.85 pounds

Annual operational costs assume maintenance is conducted per typical operator’s manual. Fuel cost assumes average of .33 gal/hour at $3.50. Battery cost estimated at $100, replacement every 5 years. CO2 estimates are based on fuel consumption versus Chugach average emissions per kWh.
1. Public Outreach

Message will focus on the benefits of going electric

- Web content
- Newsletter articles
- Social media
- Community events/booths
2. Retail Partnership

- Seek best offer from retailers
  - Select one retailer for a pilot program
- Retailer provides
  - Marketing
  - Chugach promo tags
  - Point-of-sale rebates
  - Data on sales
- Chugach provides
  - Reimbursement of eligible rebates
  - Public outreach and education
  - Social media
3. Rebate Program

Chugach and retail partner offer a point-of-sale rebate to encourage adoption

Eligibility

- Chugach Electric members only
  - All retail classes: residential and commercial
- Limited to participating retailer(s)
- Rebate coupon from Chugach required at time of sale
- Equipment
  - Battery or plug-in electric yard tools
  - Lawn mowers, snow blowers, string trimmers, leaf blowers, chainsaws, hedge trimmers, cultivators
- Limited timeframe
- Buyer’s contact information required

20% off, maximum of $50 rebate

- Rebate

Process

- Buyer gives coupon to retailer
- Retailer takes instant rebate at point of sale
- Retailer sends coupons and proof of sale to Chugach
- Chugach reimburses retailer
- Program ends when rebate dollar maximum occurs
**Overall Program Design**

**Considerations**

- Start with 1-year pilot of rebate program
- Pilot program will provide information about participation levels
- Consider extending to multiple retailers if continued
- Consider offering rebate for a set number of weeks in future years
- Rebate evaluated annually
- Outreach and education evaluated seasonally
- Program could start spring 2019 pending other priorities
- Board updates will be provided

**Value**

- Estimated New Base Rate Revenues (cumulative)
  - Year 1: $1,000
  - Year 5: $20,000
  - Year 10: $64,000
  - Year 15: $133,000
  - Assumptions*:
    - 3-year rebate program
    - 2% to 5% of new tool sales converted to battery

- Costs, Year 1
  - Rebates $10,000
  - Outreach $4,000
  - Total $14,000

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*Other assumptions: Average eligible tools per HH (gas or battery): 1.75; average life: 8 years; average hourly energy use per tool: 0.850 kWh; hours of operation per year: 20; round trip loss: 10%; current residential electricity pricing, escalated 2% per year; counts only residential members.
Recent Efforts

Consider this: Battery-powered yard tools

Mowing our lawns, trimming our hedges, and cutting our firewood traditionally means more fuel use and more air pollution. According to the Department of Energy, lawn mowing consumes more than 1.2 billion gallons of gasoline annually and accounts for approximately 2 percent of U.S. motor gasoline consumption.

Chugach is committed to environmental sustainability which is why we support the switch from gas to battery powered yard tools. Not only will you help improve air quality and reduce noise pollution but you’ll no longer need to hassle with changing spark plugs or oil.

Safety managers also support battery power. After incorporating a battery-powered chainsaw into the workplace, Mic Stiverne, an Anchorage Health and Safety Professional expressed, “The charge of the lithium-ion batteries lasts at least as long as a tank of gas on a comparable gasoline-powered chainsaw. The saw has a handle safety trigger to prevent accidental start up. An electric, on/off switch saves the repetitive motion of a pull-start, so we are helping to avoid soft tissue injuries as well.”

Join Chugach in moving towards a more sustainable future and make the switch to battery powered yard tools.

Outlet Article, July 2018

Annual Meeting, May 2018

Spenard Farmers Market, Aug. 2018
A. Executive Summary

Recent developments in battery technology and battery powered yard tools have created an opportunity for Chugach Electric Association, Inc. (Chugach) and its members to receive economical and environmental benefits through switching from gasoline to battery powered yard tools. Battery powered yard tools are cleaner, quieter, simpler, and less costly to operate than equivalent gasoline powered tools. The technology change presents a win-win opportunity for Chugach and its members and is consistent with the promotion of Chugach’s sustainability initiatives. All three components of the sustainability triple bottom line are positive with battery powered yard tools:

- People: less maintenance, quieter and safer operation.
- Planet: lower carbon dioxide (CO2) emissions, no fuel spills, no fumes, no gasoline storage.
- Performance: increases sales for Chugach, operational costs are lower for members.

This plan outlines a program to promote the adoption of battery powered yard tools in three ways: 1) public outreach, 2) retail partnership, and 3) rebate program.

The yard tools under this program are limited to battery power and plug-in1 lawn mowers, snow blowers, string trimmers, leaf blowers, chain saws and cultivators. References to battery powered yard tools in this report should be understood to include both battery and plug-in electric types.

By initiating this program when the public has little understanding of the advantages of battery operated equipment, Chugach can positively influence adoption rates. Without implementing this program, these battery tools will gain market share more slowly.

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1 Electric plug-in tools provide excellent power and continuous operation without charging, but have the limitation of operating with an extension cord. The market has moved primarily toward battery powered equipment as the lithium ion battery technology has matured and its costs have declined.
B. Benefits

Battery powered yard tools present many benefits outlined below and identified in the sustainability nomenclature of “people, planet, and performance.”

Social Benefits (People)
- Battery powered tools are estimated to be 10 times quieter
- Safety
  - No soft tissue injuries due to cranking
  - Machine stops quickly when operator releases the handle
  - No exhaust fumes during operation
  - No emissions from stored fuel in homes and buildings
  - Reduced fuel exposure and fire risk while handling fuel

Environmental Benefits (Planet)
- No fuel spills, which are frequent with gas powered yard tools
- No exhaust fumes
- Reduced CO2 emissions
- No need to purchase, transport and store fuel
- No motor oil, reducing the use, spills and disposal of oil
- No spark-plug or air filter replacements

Chugach Benefits (Performance)
- Increased energy sales
- Serves members by identifying and informing them about this new electric option
- Helps accelerate a new market trend

Member Benefits (Performance)
- Simpler to operate and fewer moving parts
- Less maintenance
  - No oil changes
  - No spark plug changes
  - No air filter replacements
  - Refueling is replaced by simpler and cleaner charging
- Lower cost operations\(^2\) (see Figure 1)
  - Maintenance costs are reduced
  - Fuel cost is replaced by electricity cost, which is significantly less
- Safer, as listed above

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\(^2\) Assumptions: maintenance is performed according the operator’s manual requiring an oil change approximately once per year. The maintenance cost for battery powered tools assumes a $100 battery replacement every five years. The gasoline cost is based on $3.50 per gallon and electric rates assumes an average five-year rate of $0.199. Actual expenses may vary based on user’s actual maintenance schedule.
Detriments

- The upfront purchase cost of battery powered equipment often exceeds equivalent gasoline powered alternatives. Operational costs, however, are lower and the higher upfront costs will typically be recovered.
- Operational time is limited to battery storage capacity and number of batteries.
- Higher power options (e.g. high-capacity snow blowers) may not be available.

C. The Implementation Plan

The implementation plan has three components: 1) Public outreach; 2) Retail partnership; and, 3) Rebate program.

1. Public Outreach

The most important part of the program and the least expensive to implement is the public outreach and public education component. A new market-driven technology change has occurred that few members of the public know about. By educating Chugach members on the benefits of battery powered yard tools, members will be more likely to purchase one when they are in the market for new equipment. Without increased publicity about the benefits, many members will be less likely to make the change and will instead choose the status quo of gas powered yard tools.

Due to the relatively long durability of these yard tools, these status quo purchases represent a lost opportunity for both the member and Chugach to benefit from the switch to battery powered tools. If members are more knowledgeable about battery powered options prior to shopping for a new yard tool, they are more likely to consider them while shopping.
The public outreach program will utilize several communication mediums: web content, newsletter articles, social media, and community events.

**Web Content**
A low-cost, low-effort way to promote these tools is to provide information on Chugach’s website. Web content will be designed to educate members on the benefits of battery powered tools and will be routinely updated based on current promotions and changes in technology. A “widget” could also be created within the MyAccount member portal that would direct members to the web content. A widget is an icon on the MyAccount home page that performs an action. Current examples include usage dashboard, view or pay my bill, and outage notifications. Clicking on a widget takes the user to the selected content. Figure 2 shows the current “widgets” available to members.

*Figure 2*

![Figure 2](image)

Figure 3 illustrates a sample web content mockup representing an initial landing page for Battery Powered Yard Tools information. Modifications will be needed prior to implementation, such as banner photo replacements.
Newsletter Articles
Newsletter articles provide a low-cost and effective way to communicate with our members. Articles would be written at appropriate times to promote the use of battery powered yard tools, the retail partnerships and rebate programs described below.

Social Media
Social media will include Facebook and Twitter postings to encourage learning about battery powered yard tools and any current partnerships, rebate programs or community events. Other strategies include posing questions on Facebook, posting photos related to battery powered yard tools and asking for creative captions, or requesting photos or personal stories relating to battery powered yard tools.
Community Events/Booths
When implementing this plan, Chugach will help educate members about battery powered yard tools at community events and booths. Examples include Chugach’s Member Appreciation Day, the Annual Meeting, and Earth Day. Other events include farmer’s markets, events hosted by our partnering retailer(s), and speaking engagements.

2. Retail Partnership
Chugach will solicit proposals from retail sellers of battery powered yard tools within the Chugach service territory and will select one partner for the first year of the pilot project. By competitively soliciting partners, Chugach will leverage its offer of the rebate (described in the section below) and the additional traffic to the retailer into additional publicity, promotions and marketing of battery powered yard tools and Chugach’s program. The selected partner and Chugach will work together to develop further cross-promotions through social media, events, product hang tags, retail displays, and other communications to the public.

The one-year pilot program allows Chugach to better gauge public participation prior to possibly opening the program to multiple partners in future years. Chugach will work closely with the selected first-year retail partner to end the rebate program when the rebate budget has been met. In future years with potentially multiple partners, the program may require offering the rebate for a pre-defined period of time. Gauging the level of public participation will be important for the budgeting of such a program.

Chugach will work with the selected partner to ensure the rebate coupons are filled out with the buyer’s contact information and member number to ensure that rebates are provided to only Chugach members.

Chugach staff will review expressions of interest from potential retailers against pre-established criteria when selecting a retail partner. The solicitation and selection will be conducted under Chugach’s standard procurement procedures.

3. Rebate Program
A rebate program will be offered through the selected retail partner. The rebate will offer 20 percent off the cost of an eligible product, up to a maximum of $50 per product and $50 per member each year. The buyer must be a Chugach retail member (residential or commercial) and must turn in a completed coupon at the time of purchase including the member’s name, address, email address, phone number and member number. The retail partner will ensure that all fields are complete and that the member number is valid. The retail partner will then sell the product with the rebate applied and will send completed rebate forms with proof of the purchase and price to Chugach for reimbursement.

Chugach and the retail partner will monitor the total value of rebates offered to end the program within the rebate budget. The rebate budget is set at $10,000. This is expected to offset the
purchase cost of approximately 150 lawn mowers or snow blowers, and about 60 other eligible devices (string trimmer, leaf blowers, chainsaws, hedge trimmers, and cultivators).

Members will be able to obtain coupons at Chugach’s Earth Day Event or at Chugach headquarters during the rebate period. Additional distribution methods will be considered, weighing the cost of the distribution method against member convenience, security and budget. For example, coupons could be distributed during Chugach’s Annual Meeting, through the mail, or through MyAccount, the member portal. The rebate is expected to be offered seasonally, prior to summer for most yard tools, and prior to winter for snow blowers.

The program will be evaluated annually to determine whether continuation is warranted. The public outreach and education components will be considered seasonally to be relevant to the next season’s yard tools.

D. Cost and Value

Costs
The first-year program budget is $14,000 with $10,000 budgeted for rebates and $4,000 budgeted for all other costs including the cost of the promotional hang tags for retail displays, flyers and materials, tools to demonstrate at informational booths, booth registration costs, and social media boost.

Future year costs will be dependent on whether a rebate program will be offered and at what level, and what outreach budget is required.

Value
Estimated cumulative new base rate revenues by year are as follows:

- Year 1: $1,000
- Year 5: $20,000
- Year 10: $64,000
- Year 15: $133,000

Assumptions used in the value calculation include: a 3-year rebate program; 2% to 5% of new tool sales converted to battery growing from year 1 to year 15; the estimated number of yard tools per household (gas or battery): 1.75; average life: 8 years; average hourly energy use per tool: 0.850 kWh; hours of operation per year: 20; energy losses due to battery storage: 10%; current residential electricity pricing, escalated 2% per year; includes only residential members.
E. Additional Information and Resources

Other Materials and Approaches
Chugach has developed additional resources for the implementation of this program, including initial drafts of edit-and-use materials such as informational flyers, sample communication with members, promotional hang tags for retail displays, an FAQs sheet, web content, a draft partnership agreement, and coupon designs.

Other approaches were researched and could be implemented if warranted. These include a social media photo contest, a radio promotional campaign focused around prize drawings for battery powered yard tools, and a gasoline tool recycling rebate.

Timing
The implementation of this program could begin as early as spring 2019, depending on other Chugach priorities at the time. The first-season’s pilot program would be evaluated prior to deciding on a fall campaign for snowblowers or future-year programs.
CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS’ MEETING
AGENDA ITEM SUMMARY

August 29, 2018

ACTION REQUIRED                    AGENDA ITEM NO. VIII.A.

___  Information Only
  X  Motion
  X  Resolution
  ___  Executive Session
  ___  Other

TOPIC

Simplified Rate Filing (SRF) – June 2018 Test Year

DISCUSSION

The original Agenda Item Summary for the June 30, 2018 test year Simplified Rate Filing (SRF) indicated that the SRF calculations would be updated if the Regulatory Commission of Alaska (Commission) issued an order on Chugach Electric Association, Inc.’s (Chugach) petitions to create regulatory assets for the overhaul of Beluga Unit No. 3 and dredging associated with the Cooper Lake Power Plant prior to the scheduled board approval date of August 29, 2018.

On August 27, 2018, the Commission issued Order No. U-18-036(3)/U-18-051(3) granting approval to create regulatory assets for the overhaul of Beluga Unit No. 3 in the amount of $4.2 million to be amortized over a 26-month period beginning September 1, 2018, and dredging associated with the Cooper Lake Power Plant in the amount of $1.0 million beginning January 1, 2019. The June 30, 2018 test year SRF results have been updated to include a normalization adjustment for the amortization of the Beluga Unit No. 3 overhaul. Next quarter’s SRF, based on the September 2018 test year, will reflect both the Beluga Unit No. 3 overhaul and the Cooper Lake dredging project.

The updated results of Chugach’s June 30, 2018 test year SRF indicate that system demand and energy rates should increase 2.7 percent. On an individual customer class basis, the results show demand and energy rate increases of 2.7 percent to Chugach retail and 1.5 percent to the wholesale class of Seward Electric System. On a total customer bill basis, which includes fuel and purchased power rates, a Chugach residential customer using 600 kWh will see an increase of approximately 1.6 percent, or $1.93 on a monthly bill.
Under SRF, energy and demand rate increases are limited to 8 percent in a rolling 12-month period, and 20 percent in a rolling 36-month period. Including the current proposed rate increase of 2.7 percent, the cumulative total rate adjustments over the last 12-months is 5.3 percent. Chugach has been a participant in SRF for less than 36-months, and therefore the 36-month limit does not currently apply. Chugach entered the SRF process with the March 31, 2016 filing and, cumulatively, system demand and energy rates have increased 8.5 percent.

If approved, Chugach’s annual revenue will increase by approximately $3.0 million. The increase in rates is primarily driven by increases in adjusted test period Depreciation Expense ($2.9 million), Transmission Expense ($0.4 million), and Distribution Expense ($0.5 million). These increases were partially offset by a decrease in Administrative and General Expense ($0.8 million).

If approved by the Commission, the rate adjustments contained in this filing will become effective on November 1, 2018.

**MOTION**

Move that the Board of Directors approve the attached Resolution authorizing Chugach to file with the Commission, a June 2018 test year SRF requesting approval to increase demand and energy rates by 2.7 percent to Chugach retail and 1.5 percent to the wholesale class of Seward Electric System for rates effective November 1, 2018.
RESOLUTION

Simplified Rate Filing – June 2018 Test Year

WHEREAS, the Chugach Electric Association, Inc. (Chugach) Board of Directors has approved the use of quarterly Simplified Rate Filings (SRF) to adjust base demand and energy rates for Chugach retail and the wholesale customer class of Seward Electric System, and the Regulatory Commission of Alaska (Commission) has authorized its use;

WHEREAS, calculations under the SRF procedures based on operating results for the test year ended June 30, 2018 indicate a Chugach system demand and energy rate increase of 2.7 percent; and,

WHEREAS, on an individual customer class basis, the results show demand and energy rate increases of 2.7 percent to Chugach retail and 1.5 percent to the wholesale class of Seward Electric System.

NOW, THEREFORE, BE IT RESOLVED, Chugach shall submit its SRF based on the June 30, 2018 test year to the Commission requesting approval to increase the demand and energy rates charged to Chugach retail and Seward Electric System by 2.7 percent and 1.5 percent, respectively, for rates effective November 1, 2018.

CERTIFICATION

I, Stuart Parks, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 29th day of August, 2018; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation on the 29th day of August 2018.

Secretary
CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS’ MEETING
AGENDA ITEM SUMMARY

August 29, 2018

ACTION REQUIRED

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AGENDA ITEM NO. X.A.

TOPIC

Financing for Potential Acquisition of ML&P

DISCUSSION

At the July 25, 2018, Regular Board of Directors’ meeting the Board authorized the Chief Executive Officer to select and negotiate financing services associated with the potential acquisition of ML&P as discussed in executive session.

MOTION

Move that the Board of Directors authorize the Chief Executive Officer to execute and deliver on behalf of the Company (“Chugach Electric Association, Inc.”) engagement letters for the potential acquisition financing with one or more placement agents as deemed necessary or appropriate (including Bank of America Merrill Lynch, Wells Fargo Securities and KeyBank Capital Markets, Inc.) as discussed in executive session.
RESOLUTION

Financing for Potential Acquisition of Municipal Light & Power

WHEREAS, in anticipation of a potential acquisition of Municipal Light & Power (ML&P), on July 25, 2018, the Audit and Finance Committee voted to recommend the Board of Directors authorize the Chief Executive Officer to select and negotiate financing services associated with the potential acquisition of ML&P as discussed in executive session;

WHEREAS, immediately following the Audit and Finance Committee meeting, the Board of Directors approved the above recommendation at its July 25, 2018, Regular Board meeting.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors authorize the Chief Executive Officer to execute and deliver on behalf of the Company ("Chugach Electric Association, Inc.") engagement letters for the potential acquisition financing with one or more placement agents as deemed necessary or appropriate (including Bank of America Merrill Lynch, Wells Fargo Securities and KeyBank Capital Markets, Inc.) as discussed in executive session.

CERTIFICATION

I, Stuart Parks, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 29th day of August, 2018; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 29th day of August, 2018.

________________________________________
Secretary
ACTION REQUIRED

X  Information Only
   Motion
   Resolution
   Executive Session
   Other

TOPIC

Railbelt Reliability Council Memorandum of Understanding

DISCUSSION

As discussed in executive session.

MOTION

Move that the Board of Directors authorize the Chief Executive Officer to sign the Railbelt Reliability Council Memorandum of Understanding and proceed with Transco negotiations subject to the current draft Transco Term Sheet and conditions substantially the same as discussed in executive session.
TOPIC

Railbelt Reliability Council Memorandum of Understanding

DISCUSSION

As discussed in executive session.

MOTION

Move that the Board of Directors reaffirm its January 26, 2017 resolution regarding the Unified System Operator (USO) and Transmission-only Utility (Transco) Business Plan Development. In doing so, the Board reaffirms its desire to ensure the development of these organizations, and the subsequent realization of the economic benefits associated with a non-discriminatory open access transmission system and Railbelt-wide economic dispatch.

The Board of Directors authorizes the Chief Executive Officer to sign the Railbelt Utility Managers (RUM) negotiated Railbelt Reliability Council Memorandum of Understanding and proceed with Transco negotiations subject to the current draft Transco Term Sheet and conditions substantially the same as discussed in executive session.
RESOLUTION

Unified System Operator (USO) and Transmission-only Utility (Transco) Business Plan Development

WHEREAS, the Chugach Board of Directors supports establishment of an inclusive Railbelt stakeholder-governed entity, or governing board, tasked with the responsibility to plan, condition and coordinate necessary transmission additions and upgrades, and to ensure reliability, non-discriminatory open access, and regional economic dispatch;

WHEREAS, Chugach has a large investment in transmission facilities and further investment is needed to upgrade Railbelt transmission infrastructure; and

WHEREAS, Chugach supports the establishment of an owner-governed transmission-only utility with responsibility for financing, constructing, operating and maintaining the Railbelt transmission Grid; and

WHEREAS, the Chugach Board of Directors desires to be proactive and take a leadership role in developing a Railbelt model that protects Chugach’s investment in transmission and prudently plans for transmission expansion; and

WHEREAS, a Railbelt transmission model that would benefit Chugach’s members, the other Railbelt utilities, and other stakeholders would include these attributes:

- Non-discriminatory open access.
- Maximizing the use of all assets from all transmission providers for joint use with full cost recovery for all providers.
- A universal transmission rate based on system load that will encourage the economic transfer of generation across the network.
- Regional planning of all future transmission infrastructure investments.
- A regulatory compact between the Regulatory Commission of Alaska (RCA), the transmission operator and utilities to enable full cost recovery of transmission investments as long as projects are incorporated in the regional plan.

NOW, THEREFORE, BE IT RESOLVED, that the Chugach Board of Directors authorize the Chief Executive Officer (CEO) to enter a non-binding MOU and associated confidentiality agreements with ATC and other Railbelt utilities to further the work and collaboratively define the business and organizational structure of a USO/Transco that conforms to our guiding principles.

The CEO will inform the Board of any definitive agreements or significant changes. The CEO will report to the Board not later than July 31, 2017 on the status of this effort. And, subsequently, will submit to the Board, for the Board’s approval, any documents or proposed regulatory filings
related to the establishment of the USO/Transco.

Guiding Principles

In the end, our objective must be to maintain reliability and lower costs to each consumer. Lowering the overall costs to end-consumers, and improving the reliability and resilience of the electric system will sustain and promote economic growth. The following guiding principles have been developed as touchstone for the development and substance of a restructured Railbelt business model.

- The governance of Railbelt policy making must be inclusive of, and reflect, all relevant Railbelt stakeholder input.
- The bylaws and financial structure of the organization must be structured such that the organization delivers its mission at the lowest practical cost and highest value to the end-use consumer via:
  - An optimal debt to equity structure
  - A reasonable return on equity
  - Functionally appropriate incremental administration costs
- The Transco formation must ensure open access and equitable compensation to all transmission owners for usage of the transmission system.
- The transmission cost recovery tariff (or mechanism) must not distort economic dispatch decisions and should provide a transition to equitable cost sharing for existing assets.
- The policy making governance body of the restructured Railbelt must have authority to monitor and assess the effectiveness of economic dispatch in the Railbelt.
- The restructured business model must maximize regional benefit and minimize the incremental costs of restructuring by, as much as practical, using long term service agreements with existing utilities and granting a preference to locally domiciled entities to accomplish its functions.
  - Further, the new entities (USO and Transco) must assure the use of existing Railbelt human and technical resources e.g.
    - Use existing control centers as the – USO/Transco control center.
    - Railbelt Project Management and Engineering
    - Railbelt Telecom SCADA and System Protection
    - Railbelt Accounting Finance and HR
- For both the USO and the TRANSCO, a minimum of four of the six Railbelt Utilities participating plus 60% of Railbelt load must participate in the initial CPCN filing.

CERTIFICATION

I, Bettina Chastain, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska; that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 26th day of January, 2017; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 26th day of January, 2017.

Bettina Chastain
Secretary
CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS’ MEETING
AGENDA ITEM SUMMARY

August 29, 2018

ACTION REQUIRED

____ Information Only
X Motion
____ Resolution
____ Executive Session
____ Other

AGENDA ITEM NO. X.C.

TOPIC

2018 Salary Plan Revision

DISCUSSION

Consistent with prudent salary administration and Chugach Board Policy a salary market survey of non-represented salaries is conducted every year. Prior surveys resulted in no recommendation for change, the most recent survey suggest that the current management salary plan needs an adjustment to maintain Chugach’s position in the employment market. Anecdotally, Chugach is experiencing some recruitment and retention difficulties based on our total compensation, of which salary is the major component.

The non-represented salary plan covers approximately 90 positions. Non-represented job classifications include: accountants, engineers (project managers), supervisors, executive secretaries, security personnel, administrative workers, managers and executives. The plan was last updated March 26, 2014, using the most current data from 2013. Chugach uses an independent third-party consultant to analyze the plan within a number of appropriate market surveys. The third-party consultant has determined that the current salary plan is lagging the market. Executive management recommends that the consultant recommendation is accepted by the Board of Directors.

MOTION

Move that the Board of Directors approve the 2018 Salary Plan Revision as the basis for the non-bargaining unit salary plan administration, essentially the same as discussed in Executive Session.