



CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA

GOVERNANCE COMMITTEE MEETING

AGENDA

Sam Cason, Chair  
Bernie Smith, Director

Mark Wiggin, Director  
Rachel Morse, Director  
Bettina Chastain, Director

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**April 12, 2023**

**4:00 p.m.**

**Chugach Board Room**

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- I. CALL TO ORDER (4:00 p.m.)
  - A. Roll Call
- II. APPROVAL OF THE AGENDA\* (4:05 p.m.)
- III. APPROVAL OF THE MINUTES\* (4:10 p.m.)
  - A. January 11, 2023 (Cacy)
- IV. PERSONS TO BE HEARD (4:15 p.m.)
  - A. Member Comments
- V. UNFINISHED BUSINESS (none)
- VI. NEW BUSINESS (scheduled) (4:25 p.m.)
  - A. Election of Governance Committee Vice Chair\* (Committee) (4:25 p.m.)
  - B. Review Board Policy 304 – Capital Credit Policy\* (Ayers) (4:30 p.m.)
  - C. Review Board Policy 302 – Integrated Resource Planning\* (Highers) (4:45 p.m.)
  - D. Review Board Policy 306 – Strategic Planning\* (Highers) (5:00 p.m.)
  - E. 2024 NRECA Resolutions Process (Board)\*\* (5:15 p.m.)
- VII. EXECUTIVE SESSION (none)
- VIII. NEW BUSINESS (none)
- IX. DIRECTOR COMMENTS (5:50 p.m.)
- X. ADJOURNMENT (6:10 p.m.)

\* Denotes Action Items

\*\* Denotes Possible Action Items

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

**January 11, 2023**  
**Wednesday**  
**4:00 p.m.**

**GOVERNANCE COMMITTEE MEETING**

Recording Secretary: Sandra Cacy

**I. CALL TO ORDER**

Chair Cason called the Governance Committee meeting to order at 4:05 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

*A. Roll Call*

*Committee Members Present:*

Sam Cason, Chair  
Erin Whitney, Vice Chair  
Mark Wiggin, Director (*via teleconference*)  
Bettina Chastain, Director  
Rachel Morse, Director

*Board Member Present:*

Harold Hollis, Director (*via teleconference*)  
Sisi Cooper, Director

*Guests and Staff Attendance Present:*

Arthur Miller	Matthew Clarkson	Julie Hasquet
Andrew Laughlin	Sherri Highers	Scarlett Masten
Kate Ayers	Chantelle Lewis-Boutte	Ashton Doyle
Jean Kornmuller	Teresa Kurka	

*Via teleconference:*

Arden Quezon	Ashton Doyle	Josh Travis
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**II. APPROVAL OF THE AGENDA**

Director Morse moved and Director Chastain seconded the motion to approve the agenda with the proposed change to move New Business item VI.A “Member Advisory Council (MAC) Agenda and Meeting Topics” down on the Agenda to now be item VI.C. and the corresponding items moved up. The motion to pass the amended Agenda passed unanimously.

**III. APPROVAL OF MINUTES**

Director Whitney moved and Director Morse seconded the motion to approve the December 5, 2022, Governance Committee meeting minutes. The motion passed unanimously.

**IV. PERSONS TO BE HEARD**

- A. *Member Comments*  
None.

**V. UNFINISHED BUSINESS**

None.

**VI. NEW BUSINESS**

- A. *Potential Bylaws Changes*

Chantelle Lewis-Boutte, Energy Programs Specialist, presented the proposed Bylaws Change, "Community Cents". Ms. Lewis-Boutte, Matthew Clarkson, Chief Legal Officer (CLO), and Scarlett Masten, Sustainability, KA & Document Control Specialist, responded to questions and suggestions from the Board.

- B. *Review of Board Compensation Policy*

Matthew Clarkson, CLO, reviewed the Board Compensation Policy, and a proposed change to section 2F to address the 20-day limit for education as it is shown in the Bylaws. Mr. Clarkson responded to questions from the Board.

- C. *Member Advisory Council (MAC) Agenda and Meeting Topics*

Julie Hasquet, Sr. Manager Corporate Communications, presented the upcoming, January 18, 2023, MAC meeting Agenda and Meeting Topics and responded to questions from the Board.

**VII. EXECUTIVE SESSION**

None.

**VIII. NEW BUSINESS**

None.

**IX. DIRECTOR COMMENTS**

Director comments were made at this time.

**X. ADJOURNMENT**

At 5:31 p.m., Director Chastain moved and Director Morse seconded the motion to adjourn. The motion passes unanimously.

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

**GOVERNANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**April 12, 2023**

**ACTION REQUIRED**

**AGENDA ITEM NO. VIA.**

- Information Only
  - Motion
  - Resolution
  - Executive Session
  - Other
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**TOPIC**

Election of Governance Committee Vice Chair

**DISCUSSION**

Board Policy 208, Statement of Functions of the Governance Committee, Section II. states the Board Chair shall appoint the Governance Committee Chairperson. The Governance Committee elects from its membership a vice chair.

The Vice Chair acts during the absence of the Committee Chair. The term of the Vice Chair is from her or his election by the Committee and until a new Committee is appointed by the Board Chair or unless the Vice Chair is otherwise removed.

**MOTION**

Move that the Governance Committee elect Director \_\_\_\_\_ as the Vice Chair of the Governance Committee.

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

**GOVERNANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**April 12, 2023**

**ACTION REQUIRED**

**AGENDA ITEM NO. VI.B.**

Information Only  
 Motion  
 Resolution  
 Executive Session  
 Other

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**TOPIC**

Board Policy 304 – Capital Credit Policy

**DISCUSSION**

There are various retirement methods an electric cooperative can choose from. Although Chugach Electric Association, Inc. (Chugach) has traditionally chosen a first-in, first-out (FIFO) retirement method, any of the following three retirement methods can be used: 1) FIFO; 2) last-in, first-out (LIFO); or 3) a combination FIFO/LIFO methodology.

While each method has advantages and disadvantages, the retirement method selected should emphasize the value of membership and provide flexibility on choosing a retirement method that considers various factors such as retirement amount, rotation periods, membership tenure and the general economic conditions within Chugach’s service territory.

The recommended changes to Board Policy 304 – Capital Credit Policy, describe the different retirement methods and provides flexibility on choosing a retirement method that considers various factors, emphasizes the value of membership, and helps Chugach achieve its goals.

**MOTION**

Move that the Governance Committee recommend the Board of Directors approve the attached Board Policy 304 - Capital Credit Policy, as amended.

## CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 304

### CAPITAL CREDITS POLICY

#### I. OBJECTIVE

The objective of this Capital Credits Policy (“Policy”) is to state the general policy of the Association for allocating and retiring capital credits.

#### II. CONTENT

The Association shall allocate and retire capital credits in a manner that: (1) is consistent with state and federal law; (2) is consistent with operating on a cooperative basis under federal tax law; (3) is fair and reasonable to the Association’s patrons and former patrons; (4) provides the Association with sufficient equity and capital to operate effectively and efficiently; and (5) protects the Association’s financial condition. Subject to law, the Association’s Articles of Incorporation and Bylaws; the allocation method and retirement of capital credits are at the sole discretion of the Association’s Board of Directors (“Board”), subject to section III. D., below.

The Association shall allocate and retire capital credits according to the manner, method, timing, and amount approved by the Board.

- A. Patronage Earning Allocations: All margins received by the Association shall, insofar as permitted by law and approved by the Board, be allocated to members on a patronage basis (as may be defined by specific agreements) in accordance with Article VII of the Bylaws. Any amount so allocated shall be included as part of the capital credited to the accounts of members, as herein provided.
- B. Patronage Loss Allocations: For each good or service provided by the Association on a cooperative basis, the Association shall offset patronage losses with the Association’s patronage non-operating earnings from providing the good or service during the next succeeding fiscal year(s).
- C. General Capital Credits Retirements: The Association shall generally retire capital credits with the goals of: (1) remaining in compliance with Indenture and debt agreement requirements; (2) maintaining or progressing toward an equity target level established by the Board; (3) retiring capital credits using a method approved by the Board; and (4) communicating and promoting cooperative principles.

D. Capital Credit Retirement Methods: The Association shall retire capital credits under a first-in, first-out (“FIFO”), a last-in, first-out (“LIFO”), or a combination FIFO/LIFO methodology based on factors, including but not limited to, cooperative

goals, retirement amount, rotation periods, membership tenure, and/or general economic conditions within our service territory.

D.E. Special / Discounted Capital Credits Retirements: The Association may retire capital credits on a discounted basis as approved by the Board to reflect the net present value of the capital credits. Approval of special or discounted capital credit retirements may reduce allowable amounts in a general retirement to the extent required to comply with Indenture and debt agreements. Amounts approved for discounting will be either (1) estate payments or (2) former members that are no longer on the Association's distribution system.

E.F. Recoupment of bad debt: After retiring, and before paying, capital credits allocated to a patron or former patron, the Association, unless otherwise provided for by law, may recoup or offset any amount owed to the Association by the patron or former patron by reducing the amount of retired capital credits due to the patron or former patron by the amount owed until it is paid in full or all available capital credits have been credited to the amount owed.

### III. LIMITATIONS

- A. Forfeiture of Capital Credits: The Association shall not enter into contracts through which a patron or former patron forfeits the right to the allocation or retirement of capital credits. The Association shall not require any patron or former patron to forfeit the right to the allocation or retirement of capital credits.
- B. Patron Classes: As reasonable and fair, and as approved by the Board, the Association may allocate or retire capital credits to classes of similarly situated patrons or former patrons under different manners, methods, timing, and amounts, provided the Association allocates and retires capital credits to similarly situated patrons and former patrons under the same manner, method, timing, and amount pursuant to the Association's Bylaws.
- C. Notice of Allocation: Within eight and one-half (8 1/2) months following a fiscal year, the Association shall notify each patron in writing, or through electronic means, of the amount of capital credits allocated to the patron for the preceding fiscal year.
- D. Adverse Financial Impact: The Association shall not retire any capital credits unless the Board first determines that the retirement will not adversely impact the Association's financial condition.
- E. Request and Agreement for Special Retirement: Pursuant to Section II. DE., the Association may specially retire and pay capital credits upon the death of a patron or former patron only upon receiving a written request from the appropriate legal representative, and only under terms and conditions agreed upon by the Association and the appropriate legal representative.

- F. Discount Rate: Pursuant to Section II. ~~DE~~, the Association may retire capital credits early on a discounted basis, by approximating the Association's current cost of equity capital. In making this determination, the Board will use the most recent cost of equity capital filed with the Regulatory Commission of Alaska (RCA). Alternatively, the Board may use the 10-year National Rural Utilities Cooperative Finance Corporation ("NRUCFC") borrowing rate plus 3% (three percent), if the resulting rate is higher than the rate set by the RCA.
- G. Minimum Amount: The Association shall establish a minimum check amount; unless the retirement and payment is for all remaining capital credits allocated to a former patron pursuant to Section II. ~~DE~~.
- H. Payment and Notice of Retirement: After the Association retires capital credits allocated to a patron; the Association shall pay the retired amount by sending a check or issuing a bill statement credit to active members for the amount to the patron's most current address listed on the Association's records.
- I. Unclaimed Capital Credits: A distribution of net margins is presumed abandoned if the distribution remains unclaimed by the owner for more than one year after payment has been made. An abandoned distribution reverts to the Association, provided the Association has, at least six months prior; (1) mailed a notice of the proposed reversion to the last known address of the owner as shown on the cooperative records, (2) posted for at least 180 days on the Association's Internet website a list of the persons for whom the Association has unclaimed distributions, and (3) published once a week for four consecutive weeks in a newspaper of general circulation in the Association's judicial district.

#### IV. RESPONSIBILITY

- A. Implementation of Policy: The Association's Chief Executive Officer is responsible for implementing this Policy.
- B. Recommendations to Board: Management is responsible for: (1) recommending to the Board the manner, method, timing, and amount for allocating and retiring capital credits; and (2) when in the best interest of the Association and its patrons and former patrons, recommending to the Board revisions to this Policy.
- C. Review and Approval by Board: The Board is responsible for: (1) reviewing, discussing, and evaluating management's recommendations regarding the manner, method, timing, and amount for allocating, retiring, and paying capital credits; (2) approving the manner, method, timing, and amount for allocating, retiring, and paying capital credits; and, (3) periodically reviewing, discussing, and evaluating this Policy.



- D. Compliance with Policy: The Board is responsible for the Association's compliance with this Policy.

Date Approved: ~~September~~April 23~~6~~6, 2020~~3~~

Henderson

Attested: \_\_\_\_\_

Samuel W. Cason~~James R.~~

Secretary of the Board

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

**GOVERNANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**April 12, 2023**

**ACTION REQUIRED**

**AGENDA ITEM NO. VI.C.**

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

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**TOPIC**

Board Policy 302 – Integrated Resource Planning

**DISCUSSION**

Chugach Electric Association, Inc. (Chugach) has certain integrated resource planning requirements as outlined in Board Policy 302 – Integrated Resource Planning.

On December 14, 2022, the Chugach Board of Directors approved the 2023-2027 Strategic Plan, which added a strategic priority of implementing a decarbonization plan, reducing carbon emissions and supporting beneficial electrification of buildings, equipment and vehicles. An action plan associated with the strategic priority includes a goal to reduce carbon intensity by at least 35% by 2030 and at least 50% by 2040, using 2012 as the baseline year without a negative material impact on Chugach members' rates.

The recommended changes to Board Policy 302 – Integrated Resource Planning, updates the factors Chugach will consider as part of the integrated resource planning process, to include reliability standards and the development of a decarbonization plan that compliments Railbelt resource planning efforts. In addition, the comprehensive plan will consider the impacts of transitioning to achieve carbon reduction goals as defined in the strategic plan. It also requires Chugach to assess and evaluate economic values for power supply options that include changes in legislation and regulations related to thermal and clean energy generation resources, other environmental and sustainable attributes and incorporates alternative rate designs and on-going education to members on carbon reduction initiatives.

**MOTION**

Move that the Governance Committee recommend the Board of Directors approve the attached Board Policy 302 – Integrated Resource Planning, as amended.

## CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 302

### INTEGRATED RESOURCE PLANNING

#### I. OBJECTIVE

To outline the integrated resource planning requirements of the Association.

#### II. CONTENT

- A. The Association shall periodically undertake integrated resource planning as loads and resources change to ~~i~~ensure meeting power requirements at the lowest cost consistent with sound economics, reliability standards, wise use of resources, ~~and~~ effective business management and through the development of a decarbonization plan that compliments Railbelt resource planning efforts.
- B. The Integrated Resource Plan will evaluate supply-side and demand-side resources to develop a comprehensive resource plan that reliably meets the member's electric load consistent with risk management, environmental responsiveness, costs and other factors and considers the impacts of transitioning to achieve carbon reduction goals as defined in Chugach's strategic plan.
- C. To ensure that a cost-effective electric power supply will increasingly rely upon renewable and alternative energy sources and that all technology alternatives be compared on a fair and equal basis, the Association shall assess and evaluate economic values for power supply options that include but are not limited to the following:
  1. The value of power supply security achieved from fuel type and generation technology diversification;
  2. The value of power supplies with the level and non-volatile pricing compared to market-based pricing, e.g., mitigating fuel price volatility;
  3. Employ life-cycle cost-to-benefit economic analysis including the cost of decommissioning;
  4. The cost of government actions, including carbon emissions taxes and carbon credit sales and other changes in legislation and regulations related to thermal and clean energy generation resources;
  5. The value of other environmental and sustainable attributes;

- 6. The statistical value of capacity from non-firm power supplies; and
  - 7. Demand side programs including energy efficiency and energy conservation and incorporating alternative rate designs and on-going education to members on carbon reduction initiatives.
- D. The Integrated Resource Plan shall be updated, reviewed and approved by the Board of Directors as needed.

**III. RESPONSIBILITY**

The Chief Executive Officer shall be accountable for the management and administration of integrated resource planning activities and programs prescribed in this Policy.

Date Approved: ~~May 25, 2016~~ April 26, 2023

Cason

Attested: \_\_\_\_\_

~~Bruce M. Dougherty~~ Samuel W.

Secretary of the Board

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

**GOVERNANCE COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**April 12, 2023**

**ACTION REQUIRED**

**AGENDA ITEM NO. VI.D.**

Information Only  
 Motion  
 Resolution  
 Executive Session  
 Other

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**TOPIC**

Board Policy 306 – Strategic Planning

**DISCUSSION**

Chugach Electric Association, Inc. (Chugach or Association) has an ongoing strategic planning process by which it transforms its mission and values into actionable, measurable goals. That process incorporates the evaluation of many factors including, but not limited to, the Association’s mission, value and vision statements, safety, reliability, ethical concerns, operational efficiency, rate impacts, community needs, resources, success profile, exit strategies and environmental stewardship.

On December 14, 2022, the Chugach Board of Directors approved the 2023-2027 Strategic Plan, which added a strategic priority of implementing a decarbonization plan, reducing carbon emissions and supporting beneficial electrification of buildings, equipment and vehicles. An action plan associated with the strategic priority includes a goal to reduce carbon intensity by at least 35% by 2030 and at least 50% by 2040, using 2012 as the baseline year without a negative material impact on Chugach members’ rates.

The recommended changes to Board Policy 306 – Strategic Planning, specifically adds progress towards meeting these decarbonization targets as an evaluation factor associated with the strategic planning process in addition to the reporting of the target progress.

**MOTION**

Move that the Governance Committee recommend the Board of Directors approve the attached Board Policy 306 – Strategic Planning, as amended.

# CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 306

DATE: ~~February 21, 2017~~

## STRATEGIC PLANNING

### I. OBJECTIVE

The purpose of this policy is to describe the authority and responsibility for the Association's strategic planning.

### II. OVERVIEW

The Association's Bylaws empower the Board of Directors to make, adopt and enforce policy as *it may deem advisable for the management of the affairs and business of the Association, for the protection of its investments, and for the interest and welfare of its members* (Chugach Electric Association, Inc. Bylaws Article IV, Section 6).

Board Policy 103 (*Duties and Responsibilities of the Board of Directors*) directs the Board to consider and adopt short and long-range plans, including:

- Objectives and major goals for the Association that are in conformance with the Articles of Incorporation and the Bylaws as well as all applicable federal and state laws; and
- Operating programs, services and activities developed and recommended by the Chief Executive Officer (CEO).

The Association shall establish an ongoing strategic planning process by which it transforms its mission and values into actionable, measurable goals. Strategic planning shall be based on consideration of the Association's Mission Statement, Value Statement, established decarbonization targets and on its internal capabilities and limitations and the external market, regulatory environment and other trends, events and developments.

The Board may guide the direction and conduct of the Association through periodic, fact-based, thoughtful and collaborative strategic planning. The Association's strategic plan will be updated annually and may be amended between updates if warranted.

### III. CONTENT

To implement the strategic planning process, the Board Chair or his or her designee shall meet periodically with the CEO prior to any scheduled Board meeting to review a list of Significant Strategic Initiatives currently under consideration, and to decide whether and when the CEO shall present any such initiatives to the Board and how the Board will review that initiative. A "Significant Strategic Initiative" is a potential program, service or activity that:

- (1) Requires a substantial investment of staff time or other Association assets;
- (2) Has a potential substantial impact on the cost structure of the Association; or
- (3) Has the potential to substantially affect the Association's relationship with the community at large (including employees, members, government agencies including the Regulatory Commission of Alaska)

When reviewing potential initiatives, the strategic planning process will incorporate an evaluation including, for example, the following components:

Mission Statement, Value Statement, Long-term Vision Statement, safety and ethical concerns, reliability, progress towards meeting established decarbonization targets, rates and efficiency issues, environmental stewardship and a community needs assessment, critical assumptions regarding the future, Association resources, a success profile and exit strategies.

#### **IV. RESPONSIBILITY**

The Board of Directors of the Association has a critical role in the strategic planning process and shall:

- (A) Approve the strategic plan on an annual basis.
- (B) Commit the Association to a mission-driven strategic planning process and adopt long-term vision and mission statements for the Association.
- (C) Establish Board and subcommittee work that focuses on the strategic priorities of the organization, as necessary.
- (D) Identify and prioritize key strategic priorities of the Association and monitor the progress towards achieving these goals. Make adjustments and take corrective action in response to changes in business and operating conditions, as necessary.
- (E) Remain abreast on industry trends, and federal, state and local issues that have strategic implications to the Association.
- (F) Maintain standing meeting agenda item at each Board meeting for the opportunity to discuss strategic-level issues.

The responsibility of the CEO is to:

- (A) Update the Association's strategic plan based on Board guidance and present the plan to the Board for approval on an annual basis. Strategize, execute and manage the strategic planning process to meet the strategic objectives of the plan.
- (B) Provide on-going information to the Board on opportunities, challenges, and industry trends that impact the strategic direction of the Association and progress

towards meeting established decarbonization targets. Bring objective analysis and recommendations to the Board for deliberation and decision making.

- (C) Establish and coordinate board/management strategic planning subcommittees to identify short and long-term strategic matters that impact the Association.
- (D) Structure presentations on strategic topics to allow sufficient time for Board questions and guidance.
- (E) Include a list of Significant Strategic Initiatives in the CEO report to the Board. A majority of Board members may direct the CEO to present, and the Board to review, any Significant Strategic Initiative on the list at a future meeting of the Board.
- (F) Schedule annual Board retreat to address key strategic issues impacting the Association.

Date Approved:                     April 26, 2023

Attested:

~~Bettina Chastain~~ Samuel W. Cason

Secretary of the Board



Chugach Electric Association, Inc.  
Anchorage, Alaska

Governance Committee Meeting  
April 12, 2023

**Resolution Timeline**

April 12	Governance Committee Meeting
April	Distribute for Review/Comment to Other Alaska NRECA Members
May 24	Regular Board of Directors' Meeting for Approval
June 16	Submit to Resolutions Committee

**5: Premature Retirement of Generation Assets**

**5-A: Not Adopted**

For numerous reasons, electric cooperatives are currently facing the premature retirement of fossil fuel generating resources before the end of their useful life. These premature retirements have the potential to impact reliability, strand these assets, and leave cooperatives with unproductive debt on their balance sheets. These stranded assets can jeopardize the financial strength of, and lead to upward rate pressure on, those impacted members. We urge NRECA to educate federal policymakers on the reliability and financial impacts of premature retirement.

**5-C: Adopted**

Electric cooperatives are currently facing the premature retirement of fossil fuel generating resources. These premature retirements have the potential to strand these assets, leaving cooperatives with unproductive debt on their balance sheets. These stranded assets can jeopardize the financial strength of, and lead to upward rate pressure on, those impacted members. We urge NRECA to oppose legislation and regulatory policies that interfere with the ability of electric cooperatives to operate fossil fuel generation through the end of useful life.