

**CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA**

REGULAR BOARD OF DIRECTORS' MEETING

AGENDA

Bettina Chastain, Chair
Susan Reeves, Vice Chair
Rachel Morse, Treasurer
Stuart Parks, Secretary

Harry T. Crawford Jr., Director
Jim Henderson, Director
Harold Hollis, Director

November 28, 2018

4:00 p.m.

Chugach Boardroom

I. CALL TO ORDER

- A. *Pledge of Allegiance*
- B. *Roll Call*
- C. *Safety Minute – “Flu Prevention” (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. *NRECA Annual Meeting, March 7-13, 2019, Orlando FL (Deadline for conference and hotel registration is January 18, 2019)*
- C. *Minutes*
 - 1. *October 24, 2018, Regular Board of Directors Meeting (Quezon-Vicente)*
- D. *Director Expenses*

V. CEO REPORTS AND CORRESPONDENCE

- A. *3rd 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. *Other Meeting Reports*

VII. UNFINISHED BUSINESS (none)

VIII. NEW BUSINESS* (*scheduled*)

- A. *Appointments to 2019 Bylaws Committee* (Board)*
- B. *Appointments to 2019 Election Committee* (Board)*
- C. *Appointments to 2019 Nominating Committee* (Board)*
- D. *2018 Homer Electric Capital Credit Retirement Payment* (Highers)*
- E. *2018 Matanuska Electric Capital Credit Retirement Payment* (Highers)*
- F. *Discounting for 2019 Capital Credit Payments* (Highers)*
- G. *September 2018 Test Year Simplified Rate Filing* (Kornmuller/Miller)*

IX. EXECUTIVE SESSION* (*scheduled*)

- A. *Northern Economics Report – Sales Trends*
- B. *Request to Increase RCA Authorized Times Interest Earned Ratio (TIER)*
- C. *ML&P Acquisition Update*
- D. *Matanuska Electric Association - Memorandum of Understanding*
- E. *Board Policies Discussion*
- F. *On-Going Strategic Matters*
 - 1. *Initiatives Under Consideration*
 - 2. *Outstanding Risks to the Association*
- G. *Chief Operating Officer (COO)Term Sheet*

X. NEW BUSINESS* (*continued*)

- A. *Approve Board Policy 509 – Fraud Policy* (Highers)*
- B. *Approve Board Policy 307 – Interest Rate Risk Management Policy* (Highers)*
- C. *Approve Amendment to Board Policy 303 – Financial Management* (Highers)*
- D. *Approve Chugach/Matanuska Electric Association – Memorandum of Understanding** (Thibert)*
- E. *Chief Operating Officer (COO) Term Sheet** (Thibert)*

XI. DIRECTOR COMMENTS

XII. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

FLU PREVENTION

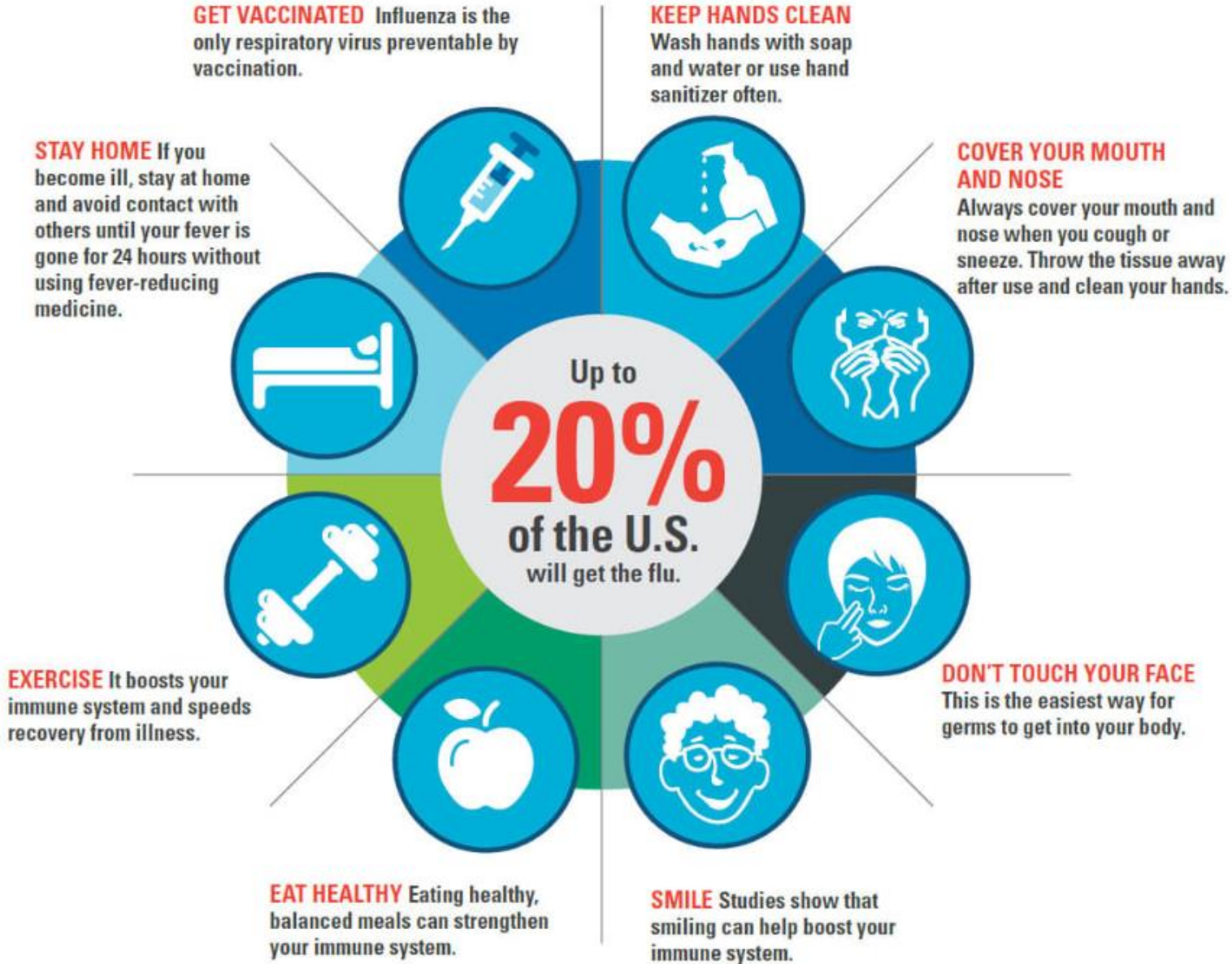




cold OR flu

Sneezing, coughing, achy, feverish, sore muscles? This table can help you determine if you are suffering from a cold or the flu.

	COLD	FLU
Fever	Rare	Usual high lasts 3-4 days
Headache	Rare	Common
General Aches, Pains	Slight	Usual often severe
Fatigue, Weakness	Sometimes	Usual can last up to 2-3 weeks
Extreme Exhaustion	Never	Usual at start of illness
Stuffy Nose	Common	Sometimes
Sneezing	Usual	Sometimes
Sore Throat	Common	Sometimes
Chest Discomfort	Mild-Moderate hacking cough	Common can become severe



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XII. ADJOURNMENT*

* *Denotes Action Items*

** *Denotes Possible Action Items*

November 2018

October 2018							December 2018						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
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28	29	30	31				23	24	25	26	27	28	29
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		<ul style="list-style-type: none"> 3:00PM REAP Finance Committee (308 G Street #225) 	<ul style="list-style-type: none"> 10:00AM REAP Quarterly Board Meeting (Morse/Henderson) (ACS Business and Technology Center 600 E 36th Avenue) 	<ul style="list-style-type: none"> 11:45AM Media Training Class (All) (TrainingRoom) 	<ul style="list-style-type: none"> 1:00PM Assembly Work Session re: AO/AM (Morse/Parks) (Mayor's Conference Room, Rm. 830, City Hall, 632 W. 6th Ave.) 3:00PM Review Audit & Finance Committee Meeting Packet w/ Sherri Highers (BoardRoomCR) 	
28	29	30	31	1	2	3
		<ul style="list-style-type: none"> 8:00AM Acquisition Talking Points [4525129] (LDT's Office) 4:00PM Audit and Finance Committee Meeting - 10Q (BoardroomCR) 	<ul style="list-style-type: none"> 9:00AM RCA - Public Meeting Agenda (Potential Sale ML&P to Chugach) (701 West Eighth Avenue, Suite 300) 5:00PM REAP Energy Speaker Series - "Residential Solar" (Anchorage Museum - 625 C Street) 6:00PM Assembly Meeting: Anticipated First Public Hearing on AO/AM (Parks/Hollis) (Loussac Library, 3600 Denali Street) 		<ul style="list-style-type: none"> 8:00AM Bi-Weekly Update on ML&P Acquisition Efforts (Chastain/Parks) (BoardRoomCR) 	
4	5	6	7	8	9	10
				<ul style="list-style-type: none"> 11:00AM UPDATED: Enterprise and Utility Oversight Committee Meeting-of-the-Whole to Continue Review of ML&P/CEA Transaction (City Hall-632 West 6th Avenue, Assembly Conference Room #155) 		
11	12	13	14	15	16	17
				Thanksgiving Holid.	Thanksgiving Holid.	
18	19	20	21	22	23	24
		<ul style="list-style-type: none"> 8:00AM ML&P Acquisition Update (Parks, Reeves, Chastain) (BoardRoomCR) 9:00AM Review Board Meeting Packet (Chastain/Reeves) (LDT's Office) 11:45AM Special Board of Directors Meeting - Chugach Legislative Reception (Embassy Suites) 	<ul style="list-style-type: none"> 4:00PM Regular Board of Directors' Meeting (All) (BoardroomCR) 5:00PM REAP Energy Speaker Series - "Carbon Pricing Solutions" (Anchorage Museum - 625 C Street) 		NRECA Winter School f... ♦ Nashville, TN <ul style="list-style-type: none"> 9:30AM ARCTEC Annual Meeting (Crawford/Henderson) (APA Board Room) 1:00PM Assembly Work Session re: AO/AM (Chastain/Parks) (Assembly Conference Room, Rm. 155, City Hall, 632 W. 6th Ave.) 	
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December 2018

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January 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
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NRECA Winter School for Directors ♦ Nashville, TN ♦ CCBOD						
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	Christmas Eve Holi	Christmas Day Holi				
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	New Year's Eve Holi	New Year's Day Holi				
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January 2019

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February 2019						
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		New Year's Day Holi				
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20	<ul style="list-style-type: none"> 9:00AM - 10:30AM Review Board Packet (Chastain/Reeves) (LDT's Office) 		<ul style="list-style-type: none"> 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (Boardroom) 			
27	28	29	APA Legislative Confere... ♦ Juneau, AK			26
27	28	29	30	31	1	2

February 2019

January 2019						
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March 2019						
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24	9:00AM - 10:30AM Review Board Packet (Chastain/Reeves) (LDT's Office)	26	4:00PM - 7:00PM Regular Board of Directors Meeting (All) (Boardroom)	27	28	1 2

March 2019

February 2019						
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April 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
24	<ul style="list-style-type: none"> 9:00AM - 10:30AM Review Board Packet (Chastain/Reeves) (LDT's Office) 25	26	<ul style="list-style-type: none"> 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (Boardroom) 27	28	1	2
3	<ul style="list-style-type: none"> 4:00PM - 6:30PM Audit and Finance Committee Meeting (SEC Filing Recommendations) (Chugach Boardroom) 4	5	6	NRECA - Director Education - 3/7-3/10 - An... ♦ Orlando, FL		9
NRECA - Director E		NRECA Annual Meeting (3/10 - 3/13) ♦ Orlando, FL ♦ Connie Owens				
10	11	12	13	14	15	16
17	<ul style="list-style-type: none"> 4:00PM - 7:00PM Audit and Finance Committee Followed by a Special Board of Directors Meeting (Morse, Reeves, Chastain, Henderson, Hollis) (BoardroomCR) 18	19	20	21	22	23
24	25	<ul style="list-style-type: none"> 9:00AM - 10:30AM Review Board Packet Material (Chastain & Reeves) (LDT's Office) 26	<ul style="list-style-type: none"> 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (BoardroomCR) 27	28	29	<ul style="list-style-type: none"> 6:00PM - 10:00PM Chugach Spring Party (All) (O'Malley's on the Green) 30
31	1	2	3	4	5	6

April 2019

March 2019						
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May 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
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21	22	23	24	25	26	27
28	29	30	1	2	3	4

● 4:00PM - 5:00PM Board of Directors Candidate Forum (All) (TrainingRoom)

● 9:00AM - 10:30AM Review Board Packet (Chastain/Reeves) (LDT's Office)

Strategic Planning w/Board ♦ Anchorage, AK ♦ Connie Owens

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

May 2019

April 2019						
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June 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
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5	6	7	8 ● 4:00PM - 7:00PM Audit and Finance Followed by Regular Board of Directors Meeting (All) (BoardroomCR)	9	10	11
12	13	14	15	16	17	18
19	20 ● 9:00AM - 10:30AM Review Board Packet Material (Chastain & Reeves) (LDT's Office)	21 ● 6:00PM - 9:00PM Annual Meeting (All) (Dena'ina Center)	22 ● 4:00PM - 7:00PM Regular Board of Directors Meeting (All) (BoardroomCR)	23	24	25
26	27 Memorial Day ♦ Ur	28	29	30	31	1

June 2019

May 2019						
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July 2019						
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28	29	30	31			

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26	27	28	29	30	31	1
					Summer School for Directors ♦ Williamsburg, VA	
2	3	4	5	6	7	8
Summer School for Directors (6/7 - 6/12) ♦ Williamsburg, VA						
1:00PM - 5:00PM Chugach Picnic (Alaska Zoo)						
9	10	11	12	13	14	15
			4:00PM - 7:00PM Yearly - Internal Controls Workshop (BoardroomCR)			
16	17	18	19	20	21	22
			4:00PM - 7:00PM Regular Board of Directors Meeting (BoardroomCR)			
23	24	25	26	27	28	29
				Independence Day		
30	1	2	3	4	5	6

July 2019

June 2019						
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August 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				Independence Day		
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7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	4:00PM - 7:00PM Regular Board of Directors Meeting (BoardroomCR)	25	26	27
28	29	30	31	1	Summer School for Di... ♦ Branson, MO	
					2	3

August 2019

July 2019						
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September 2019						
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29	30					

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					Summer School for Di... ♦ Branson, MO	
28	29	30	31	1	2	3
Summer School for Directors - 8/2 - 8/7 ♦ Branson, MO			<ul style="list-style-type: none"> 4:00PM - 7:00PM Audit and Finance Committee Meeting (BoardroomCR) 			
4	5	6	7	8	9	10
11	12	13	14	15	16	17
			<ul style="list-style-type: none"> 4:00PM - 4:30PM Regular Board of Directors Meeting (BoardroomCR) 			
18	19	20	21	22	23	24
			Strategic Planning (8/28-8/30) ♦ Anchorage, AK			
25	26	27	28	29	30	31

September 2019

August 2019						
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October 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	Labor Day ♦ Unitec					
1	2	3	4	5	6	7
8	9	10	11	12	13	14
		Gettysburg Leadership Experience for C... ♦ Gettysburg, PA				
			4:00PM - 7:00PM Regular Board of Directors Meeting (BoardroomCR)			
15	16	17	18	19	20	21
		NRECA Region IX ♦ Spokane, WA				
22	23	24	25	26	27	28
29	30	1	2	3	4	5

October 2019

September 2019						
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November 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
29	30	1	2	3	4	5
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	Gettysburg Leadership Experience for... ♦ Gettysburg, PA		31	1	2

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

November 2019

October 2019						
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December 2019						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
27	28	29	30	31	1	2
3	4	<ul style="list-style-type: none"> 4:00PM - 7:00PM Audit and Fiance Committee Meeting (Budget) (BoardroomCR) 	<ul style="list-style-type: none"> 4:00PM - 7:00PM Audit and Finance Committee Meeting (Budget) (BoardroomCR) 	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	<ul style="list-style-type: none"> 11:45AM - 1:45PM Chugach Legislative Reception (Embassy Suites) 	<ul style="list-style-type: none"> 4:00PM - 7:00PM Regular Board of Directors Meeting (BoardroomCR) 	Thanksgiving Day	Thanksgiving Holiday	28
29	30	31	1	2	3	4
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December 2019

November 2019						
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January 2020						
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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10	11	12	Winter School for Directors - 12/13 - 12/18 ♦ Nashville, TN	
15	16	17	18	19	20	21
22	23	Christmas Eve ♦ U	Christmas Day ♦ U	26	27	28
29	30	New Year's Eve ♦ l	New Year's Day ♦ l	2	3	4

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

Annual Meeting

Orlando, FL March 7 - 13, 2019

The Annual Meeting is THE place where the leaders of today's electric cooperatives can assemble and, together, take on the mantle of leading the energy future.

Schedule

Subject to change

THU. 03/07

8:00am - 4:00am **Pre-Meeting Education: 2640 Financial Decision Making (CCD)**

8:00am - 4:00pm **Pre-Meeting Education: 2600 Director Duties and Liabilities (CCD)**

8:00am - 4:00pm **Pre-Meeting Education: 901.1 Rules and Procedures for Effective Board Meetings (BLC)**

8:00am - 4:00pm **Pre-Meeting Education: 963.1 Strategic Technologies and their Impact on the Cooperative (BLC)**

FRI. 03/08

8:00am - 4:00pm **Pre-Meeting Education: 2620 Board Operations and Process (CCD)**

8:00am - 4:00pm **Pre-Meeting Education: 903.1 The Role of the Board Chair in Conducting Effective Meetings (BLC)**

8:00am - 4:00pm **Pre-Meeting Education: 918.1 Maximizing Your Grassroots Strategy (BLC)**

8:00am - 4:00pm **Pre-Meeting Education: 925.1 Co-op Bylaws: Guiding Principles and Current Issues (BLC)**

8:00am - 4:00pm	Pre-Meeting Education: 930.1 Ethics and Governance: Implementing the New Accountability (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 961.1 The Evolution of Electric Cooperative Power Supply (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 964.1 Communicating the New Energy Landscape (BLC)

SAT. 03/09

8:00am - 4:00pm	Pre-Meeting Education: 914.1 Cooperative Communications and Public Opinion: the Director's Perspective (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 2610 Understanding the Electric Business (CCD)
8:00am - 4:00pm	Pre-Meeting Education: 913.1 Cooperative Fundamentals, Legacy, and Economic Impact (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 929.1 Current Issues in Policy Development (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 935.1 Appraising and Compensating the CEO (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 943.1 Conversation Skills Outside the Boardroom (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 957.1 How to Evaluate and Improve Board Performance (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 974.1 Rate Making Strategies and Policy Decisions for Electric Co-op Board (BLC)
8:00am - 5:00pm	Community Service Project (Sponsored by Touchstone Energy)

SUN. 03/10

8:00am - 4:00pm	Pre-Meeting Education: 2630 Strategic Planning (CCD)
8:00am - 4:00pm	Pre-Meeting Education: 905.1 Assessing Governance: Taking a Continuous Improvement Approach to Governing Your Co-op (BLC)

8:00am - 4:00pm	Pre-Meeting Education: 944.1 Giving and Receiving Effective Feedback (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 955.1 Your Board's Culture: It's Impact on Effectiveness (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 975.1 Capital Credits Issues and Decisions (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 977.1 Equity Management and Boardroom Decision Making (BLC)
8:00am - 4:00pm	Pre-Meeting Education: 956.1 Crucial Conversations in the Boardroom (BLC)
8:30am - 5:00pm	Health and Retirement Screenings
9:00am - 3:30pm	NRTC Registration
9:00am - 6:00pm	NRECA Registration
9:00am - 6:00pm	CFC Registration
10:00am - 11:30am	SEDC Member Enrichment Meeting
11:30am - 1:30pm	NISC Annual Meeting & Luncheon
1:00pm - 5:00pm	Pre-Meeting Education: CFC Equity Management Level 1
2:30pm - 4:00pm	NRTC Annual Meeting
4:00pm - 5:00pm	Proposed Resolutions Forum
5:30pm - 7:30pm	Welcome Reception (Sponsored by CoBank)

MON. 03/11

7:00am - 8:15am	Breakfast (Sponsored by CFC, NCSC & Federated)
7:00am - 2:00pm	CFC Registration
7:00am - 7:00pm	NRECA Registration
8:30am - 10:30am	General Session 1
8:30am - 5:00pm	Health and Retirement Screenings

11:00am - 12:00pm	Breakout Sessions
11:00am - 1:30pm	Lunch (Sponsored by CFC, NCSC & Federated)
11:30am - 1:00pm	NRECA International Lunch
1:30pm - 2:30pm	Breakout Sessions
3:00pm - 4:30pm	CFC Annual Meeting
4:30pm - 7:00pm	TechAdvantage Expo Opening Reception

TUE. 03/12

7:00am - 8:15am	Breakfast (Sponsored by CFC, NCSC & Federated)
7:00am - 7:00pm	NRECA Registration
8:30am - 11:00am	General Session 2
8:30am - 5:00pm	Health and Retirement Screenings
11:00am - 1:30pm	Lunch (Sponsored by CFC, NCSC & Federated)
11:30am - 4:30pm	TechAdvantage Expo
1:00pm - 2:00pm	Breakout Sessions
2:15pm - 3:15pm	Breakout Sessions
3:45pm - 4:45pm	Federated Rural Electric Cooperation Annual Meeting
7:30pm - 9:30pm	Entertainment Night with Travis Tritt

WED. 03/13

7:00am - 3:00pm	NRECA Registration
7:00am - 8:30am	Annual ACRE® Meeting & Breakfast
9:00am - 11:00am	General Session 3
11:30am - 3:00pm	TechAdvantage Expo

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

October 24, 2018
Wednesday
4:00 PM

REGULAR BOARD OF DIRECTORS MEETING

Recording Secretary: Arden Quezon-Vicente

I. CALL TO ORDER

Chair Chastain called the Regular Board of Directors' Meeting to order at 4:04 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
Susan Reeves, Vice Chair
Stuart Parks, Secretary
Rachel Morse, Treasurer
Jim Henderson, Director
Harry Crawford, Director
Harold Hollis, Director

Guests and Staff in Attendance:

Lee Thibert	Julie Hasquet	Tom Schulman
Paul Risse	Connie Owens	Josh Travis
Brian Hickey	Josh Resnick	James Mullican
Arthur Miller	Jody Wolfe	Jim Bertrand, Stinson
Sherri Highers	Renee Curran	Leonard Street
Tyler Andrews	Todd McCarty	Aaron Wiseman, Gonzalez
Matthew Clarkson	Andrew Laughlin	Marketing
Mark Fouts	Marty Freeman	Brian Meissner, ECI

C. Safety Minute

Marty Freeman, Safety discussed “*End of Daylight Savings Time Can be Deadly*” and responded to questions from the Board.

Chair Chastain presented Director Parks the NRECA Certificate of Achievement for successfully completing the Credentialed Cooperative Director Program.

Director Reeves presented Chair Chastain the NRECA Certificate of Achievement for successfully completing the Board Leadership Program.

II. APPROVAL OF THE AGENDA

Director Reeves moved and Director Parks seconded the motion to approve the agenda.

Director Morse recommended to move the December 6, 2018, Audit and Finance Committee meeting to December 10, 2018. No objections were made.

Chair Chastain stated that she and Director Reeves have a request for an excused absence for September 13, 2018, Operations Committee Meeting. No objections were made and the request was approved.

Chair Chastain also stated that Director Crawford has requested an excused absence for the October 9, 2018, Operations Committee Meeting. No objections were made and the request was approved.

The motion passed unanimously, as amended.

III. PERSONS TO BE HEARD

- A. *Member Comments*
None

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. *September 24, 2018, Special Board of Directors Meeting (Portades)*
 - 2. *September 27, 2018, Regular Board of Directors' Meeting (Quezon-Vicente)*
- D. *Director Expenses*

Director Morse restated that the December 6, 2018, Audit and Finance Committee meeting has been moved to December 10, 2018.

Director Parks moved and Director Hollis seconded the motion to approve the consent agenda. The motion passed unanimously, as amended.

V. CEO REPORTS AND CORRESPONDENCE

- A. *August 2018 Financial Statements and Variance Report (Harris/Curran)*
The August 2018 Financial Statements and Variance Report were provided in the meeting packet.

Sherri Highers, Chief Financial Officer and VP of Finance and Administration

and Arthur Miller, VP Regulatory and External Affairs responded to questions from the Board.

B. 3rd Quarter 2018 Safety Report (Freeman/Andrews)

Tyler Andrews, VP Employee Services and Communications discussed the 3rd Quarter 2018 Safety Report and responded to questions from the Board.

Mr. Andrews also stated that Chugach Electric was a participant in the RESAP workshop and that debriefing of the report will be discussed at the next safety meeting.

VI. DIRECTOR REPORTS

A. Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC) Report

Lee Thibert, Chief Executive Officer (CEO) stated that there is an ARCTEC memo attached to this Agenda item.

Brian Hickey, VP System Operations and Lee Thibert, CEO reported on the October 2, 2018, ARCTEC meeting and RCA meeting held today, October 24, 2018.

B. Renewable Energy Alaska Project (REAP) Report

Director Morse reported on the October 23, 2018, REAP Policy meeting and stated that the REAP Strategic meeting will be on November 15, 2018.

C. Board Committee Reports (Audit and Finance, Operations & Governance)

Director Morse informed the Board that she does not have any meetings to report and that the December 6, 2018, Audit and Finance Committee meeting was moved to December 10, 2018 as stated under Consent Agenda.

Director Parks reported on the October 9, 16 and 22, 2018, Operations Committee meetings.

Director Reeves stated that there is a Governance Committee meeting on Thursday, October 25, 2018 at 8:00 a.m.

D. Other Meeting Reports

None

VII. UNFINISHED BUSINESS

VIII. NEW BUSINESS

None

Mr. Thibert, CEO commented on this morning's RCA meeting and stated that there will be further discussion in Executive Session.

IX. EXECUTIVE SESSION* (scheduled)

- A. *Construction Manager/General Contractor (CMGC) Update*
- B. *ML&P Acquisition Update*
- C. *On-Going Strategic Matters*
- D. *Update on TRANSCO*
- E. *CEO Contract Extension*

At 4:46 p.m., Director Reeves moved and Director Crawford 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.

The meeting reconvened in open session at 8:21 p.m.

X. NEW BUSINESS

- A. *Authorization for the CEO to Execute the Asset Purchase Agreement and Related Ancillary Agreements** (Miller)*

Director Morse moved and Director Parks seconded the motion that the Chugach Board of Directors approve the attached Resolution authorizing the Chief Executive Officer to, subject to conditions stated therein, among other things: 1) Execute and deliver the Asset Purchase Agreement under terms and conditions substantially in the form attached thereto as Exhibit A; 2) Execute the ancillary agreements to the Asset Purchase Agreement as described in the Resolution under terms and conditions substantially in the form attached thereto as Exhibits B, C and D; 3) Execute and deliver all such further documents in the name of the Association as necessary; and, 4) Take all such other actions as the Chief Executive Officer shall deem necessary to carry out the transactions contemplated by the attached Resolution. The motion passed unanimously.

- B. *Amend Professional Legal Services Contract – Stinson Leonard Street* (Schulman)*

Tom Schulman, Manager, Regulatory Legal discussed the Amendment to the Professional Legal Services Contract – Stinson Leonard Street and responded to question from the Board.

Matthew Clarkson, Legal Counsel and Arthur Miller, VP Regulatory and External Affairs responded to questions from the Board.

Director Hollis moved and Director Henderson seconded the motion that the Board of Directors approves an increase to the Task Order for Stinson Leonard Street's work on the acquisition of ML&P assets and related matters from

\$565,652 to \$1,479,190 and a total contract NTE amount of \$1,599,190. The motion passed unanimously.

C. National Association of Corporate Directors (NACD) Membership (Board)*
Chair Chastain stated that the Board will be taking a poll via email.

D. Discussion on Legislative Reception (Board)
Lee Thibert, CEO discussed the agenda for the Legislative Reception.

E. Approve CEO Contract Extension (Board)*
Director Reeves moved and Director Henderson seconded the motion that the Board of Directors approves the amendment to the Chief Executive Officer Employment Agreement dated February 25, 2016 in accordance with the terms discussed in executive session. The motion passed unanimously.

XI. DIRECTOR COMMENTS

Director comments were made at this time.

XII. ADJOURNMENT

At 8:43 p.m., Director Parks moved and Director Crawford seconded the motion to adjourn. The motion passed unanimously.

Stuart Parks, Secretary

Date Approved: November 28, 2018

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. IV.D.

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

TOPIC

Director Expenses

DISCUSSION

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

MOTION

(Consent Agenda)

Core Performance Metrics

YTD September 2018

MFI/I



TIER



Capital Spending vs. Budget



Equity Ratio



Long-term Bond Ratings



Firm Load Fuel Supply vs. Budget



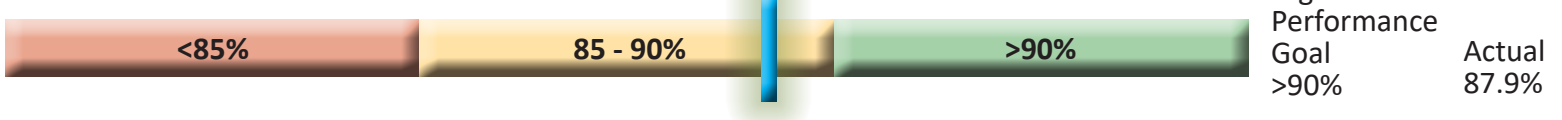
O&M Expense vs. Budget



Reliability - SAIDI



Generation Unit Availability



System Heat Rate



Fire Island Wind Curtailment



Environmental Violations



Customer Satisfaction



Lost Time Injury Rate



*Annual measurement only

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.A.

<u> </u>	Information Only
<u> X </u>	Motion
<u> </u>	Resolution
<u> </u>	Executive Session
<u> </u>	Other

TOPIC

Appointments to 2019 Bylaws Committee

DISCUSSION

Article XIII, Section 2 of the Chugach bylaws requires the board to appoint a Bylaws committee as provided for in Article XV of the bylaws. The committee consists of not less than five nor more than seven members.

Three Bylaws Committee members are returning as shown on the attached committee list.

Chugach ran an ad looking for annual meeting committee volunteers in the Anchorage Daily News starting October 4, 2018 and running twice a week through October 25, 2018. In addition, a notice was published on the Chugach Website and in the September and October Outlets.

The Board may appoint members to fill the one "B" terms and two "C" terms available on the committee. "B" term is a 1-year appointment "C" terms are 3-year appointments

There are two applicants for the 3 terms available. The relevant documents are attached:

Michael Powell (seeking re-appointment)
Matt Moore (seeking re-appointment)

MOTION

Move that the Board of Directors appoint _____ to "B" and _____ to "C" terms on the Bylaws Committee.

2019 Chugach Bylaws Committee

A Term (2017, 2018, 2019)

Jessica Koloski

Donna Resnick

B Term (2018, 2019, 2020)

Frank Gwartney

Vacant

C Term (2019, 2020, 2021)

Vacant

Vacant

Vacant

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.B.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Appointments to 2019 Election Committee

DISCUSSION

Article III, Section 9 of the Chugach Bylaws requires the board to appoint an Election Committee as provided for in Article XV of the bylaws. The committee consists of not less than five and no more than thirteen members.

Seven Election Committee members are returning as shown on the attached committee list.

Chugach ran an ad looking for annual meeting committee volunteers in the Anchorage Daily News starting October 4, 2018 and running twice a week through October 25, 2018. In addition, a notice was published on the Chugach Website and in the September and October Outlets.

The Board may appoint members to fill the one "B" term or the four "C" terms. The "B" term is a 2-year appointment and the "C" terms are 3-year appointments.

There are two applicants for the five terms available. The relevant documents are attached:

William Glover	(seeking re-appointment)
Vicki Soule	(seeking reappointment)

MOTION

Move that Board of Directors appoint _____ to "B" term and/or _____ to the "C" term on the Election Committee.

2019 Chugach Election Committee

A Term (2017, 2018, 2019)

Vacant

Jim Magowan

William Simpson

Mary P. (Patti) Bogan

Lawrence Camp

B Term (2018, 2019, 2020)

Vacant

Stacey Horn

Louis Theiss

Esther Cox

C Term (2019, 2020, 2021)

Vacant

Vacant

Vacant

Vacant

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.C.

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

TOPIC

Appointments to 2019 Nominating Committee

DISCUSSION

Article IV, Section 4 of the Chugach bylaws required the board to appoint a Nominating Committee as provided for in Article XV of the bylaws. The committee consists of not less than five and no more than seven members.

Three Nominating Committee members are returning as shown on the attached committee list.

Chugach ran an ad looking for annual meeting committee volunteers in the Alaska Dispatch News starting October 4, 2018 and running twice a week through October 25, 2018. In addition, a notice was published on the Chugach Website and in the October Outlet.

The Board may appoint members to fill the one "B" term available on the committee or the three "C" terms. The "B" term is a 2-year appointment and the "C" terms are 3-year appointments.

There are five applicants for the four terms available. The relevant documents are attached:

Donna Resnick	(seeking re-appointment)
Steve Strait	(seeking re-appointment)
Patti Bogan	(new volunteer)
Michael Powell	(new volunteer)
Jessica Koloski	(new volunteer)

MOTION

Move that the Board of Directors appoint _____ to a "B" term and/or _____ to the "C" terms on the Nominating Committee.

2019 Chugach Nominating Committee

A Terms (2017, 2018, 2019)

Vicki Soule

Ron Stafford

B Terms (2018, 2019, 2020)

Vacant

Ashley Johnson

C Terms (2019, 2020, 2021)

Vacant

Vacant

Vacant

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.D.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

2018 Homer Electric Association, Inc. (HEA) Capital Credit Retirement Payment

DISCUSSION

The attached resolution authorizes a retirement payment of capital credits to HEA.

The Board of Directors has determined that this retirement payment will not impair the financial condition of the Association.

The amount of the retirement payment to HEA is \$2,000,000 and will be distributed no later than December 31, 2018.

MOTION

Move that the Board of Directors approve the attached resolution authorizing a capital credit retirement payment to HEA of \$2,000,000. This capital credit retirement payment will be distributed to HEA no later than December 31, 2018.

RESOLUTION

HEA Capital Credit Retirement Payment

WHEREAS, an Amendment to Memorandum of Agreement dated July 27, 2007, between Homer Electric Association, Inc. (HEA) and Chugach was executed; and

WHEREAS, the Board of Directors desires to proceed with a capital credit retirement payment to HEA in accordance with that Amendment to Memorandum of Agreement; and

WHEREAS, the Board of Directors has determined that this retirement payment will not impair the financial condition of the Association.

NOW THEREFORE BE IT RESOLVED, Chugach establishes the amount of the HEA retirement payment at \$2,000,000.

BE IT FURTHER RESOLVED, that the retirement to HEA will be distributed no later than December 31, 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 28th day of November, 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 28th day of November, 2018.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.E.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

2018 Matanuska Electric Association, Inc. (MEA) Capital Credit Retirement Payment

DISCUSSION

The attached resolution authorizes a retirement payment of capital credits to MEA.

The Board of Directors has determined that this retirement payment will not impair the financial condition of the Association.

The amount of the retirement payment to MEA is \$3,404,824 and will be distributed no later than December 31, 2018.

MOTION

Move that the Board of Directors approve the attached resolution authorizing a capital credit retirement payment to MEA of \$3,404,824. This capital credit retirement payment will be distributed to MEA no later than December 31, 2018.

RESOLUTION

MEA Capital Credit Retirement Payment

WHEREAS, the Board of Directors desires to proceed with a capital credit retirement payment to MEA; and

WHEREAS, the Board of Directors has determined that this retirement payment will not impair the financial condition of the Association;

NOW THEREFORE BE IT RESOLVED, Chugach establishes the amount of the MEA retirement payment at \$3,404,824.

BE IT FURTHER RESOLVED, that the retirement to MEA will be distributed no later than December 31, 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 28th day of November, 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 28th day of November, 2018.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.F.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Discounting for 2019 Capital Credit Payments

DISCUSSION

Chugach's Bylaws require Board approval of capital credit payments. This resolution authorizes the payment not to exceed \$300,000 during 2019 to retire early (discounted) capital credits. If the funding and approval of payments is preauthorized, staff can expeditiously process these requests without having to come to the Board for approval prior to making payments throughout the year.

At the November 6, 2018, Audit and Finance Committee Meeting the Committee recommend the Board of Directors approve the resolution authorizing early (discounted) capital credit payments for 2019 not to exceed \$300,000.

MOTION

Move that the Board of Directors approve the attached resolution authorizing early (discounted) capital credit payments for 2019 not to exceed \$300,000.

RESOLUTION

Discounting for 2019 Capital Credit Payments

WHEREAS, Chugach Electric Association, Inc. (Chugach) has developed a plan to pay discounted capital credits to former members before normal retirements; and

WHEREAS, Chugach has received a Private Letter Ruling from the Internal Revenue Service stating the discounted capital credits retirement plan does not jeopardize Chugach's tax-exempt status; and

WHEREAS, the plan provides that the amount available for discounted capital credit payments to former members can be increased or decreased at the discretion of the Board of Directors; and

WHEREAS, Chugach's bylaws require Board approval of capital credit retirements; and

WHEREAS, the Board of Directors has determined that a retirement under this early payment plan in 2019 will not impair the financial condition of the Association; and

WHEREAS, early payments of capital credits include payments to estates of deceased patrons; and

WHEREAS, estate and other early payments will be made on a frequent basis and it would delay these payments if Board approval is required for each specific early retirement being paid;

NOW THEREFORE, BE IT RESOLVED, Chugach shall make early payments of capital credits to former members and estates who request early retirements under the plan in the actual discounted amount, not to exceed \$300,000 in cash payments for 2019.

BE IT FURTHER RESOLVED, before receiving a payment under this plan, any member with an outstanding electric debt will be required to first pay the outstanding debt or acknowledge the capital credit payment will be reduced by the amount necessary to satisfy the outstanding debt.

BE IT FURTHER RESOLVED, any payments under the plan for 2019 will be in accordance with Board Policy 304.

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 28th day of November, 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 28th day of November, 2018.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

October 31, 2018

TO: Lee Thibert, Chief Executive Officer

THRU: Arthur Miller, Vice President, Regulatory and External Affairs

FROM: Teresa Kurka, Director, Member Services

SUBJECT: **Discounted Capital Credit Payments**

Chugach Electric Association, Inc. (Chugach) implemented an early payment program for the retirement of capital credits in late 2004. The authority for this program is Board Policy 304 Capital Credit Policy. With this option, former members can receive their capital credits early at a discounted amount. The program was submitted to the Internal Revenue Service and a private letter ruling was received to ensure it did not impact Chugach's tax exempt status.

The goals of the early retirement plan are as follows:

- Reduce administrative expenses by no longer needing to send checks and maintain records for memberships that are "cashed out".
- Build equity by recognizing the difference between the amount paid and the face value of the capital credits retired as donated capital.
- Reduce future funding requirements. When a former member takes an early payment, the amount by which it is discounted (i.e., the donated portion) is also the total of future year's capital credits for the membership that no longer need to be funded.
- Provide a voluntary option to former members to collect capital credits prior to normal retirements.

Only former members are eligible to cash in their capital credits, and any outstanding debts are recovered against payment amounts. Per Board Policy 304, the discount rate for determining payment amounts is Chugach's recent cost of equity filed with the Regulatory Commission of Alaska or, alternatively, the 10-year National Rural Utilities Cooperative Finance Corporation (NRUCFC) borrowing rate plus 3 percent. Chugach's current cost of equity is 3.6 percent and the NRUCFC rate plus 3 percent is 8.05 percent.

Discounted Capital Credit Payments

The current funding level is \$275,000 per year, which was established by Board Resolution Number 11 01 17 on November 29, 2017. This amount can be adjusted at the discretion of the Board. I am recommending the amount for 2019 be raised to \$300,000. This amount recognizes the continued growth in the popularity of the program and the fact that as we reached the 2018 cap of \$275,000.00, we received another \$66,500.00 in additional member requests. Below is a summary of early retirements for 2016, 2017 and 2018, which shows the growth of the program that should be considered when determining funding levels for future years.

Description	2016	2017	2018
Authorized Board Funding Level	\$250,000	\$275,000	\$275,000
Number of Payments Made	210	257	338
Amount paid to Member (Discounted)	\$138,868	\$271,882	\$273,802
Bad debts recovered	\$217	\$1,002	\$775
Donated capital	\$123,320	\$212,426	\$193,364
Capital credits retired	\$262,405	\$485,310	\$467,941

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. VIII.G.

 Information Only
 X Motion
 X Resolution
 Executive Session
 Other

TOPIC

Simplified Rate Filing (SRF) – September 2018 Test Year

DISCUSSION

The results of Chugach Electric Association, Inc.'s (Chugach) September 30, 2018 test year Simplified Rate Filing (SRF) indicate that system demand and energy rates should increase 0.7 percent, a system base rate revenue increase of \$0.8 million. On a customer class basis, the results show demand and energy rate increases of 0.6 percent to Chugach retail and 3.3 percent to the wholesale class of Seward Electric System (Seward).

A primary driver of the increases is a reduction in test period sales levels, which puts upward pressure on rates. Of the \$0.8 million system increase, approximately \$0.5 million is associated with lower sales. If sales levels had remained consistent with the prior quarter, the rate increases would have been 0.3 percent to Chugach retail and 1 percent to Seward. Test period expense levels increased \$0.3 million, primarily driven by increases in Administrative and General Expense (\$1.4 million) and Transmission Expense (\$0.3 million) offset by reductions in Depreciation Expense (\$1.2 million) and Power Production Expense (\$0.2 million).

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 0.4 percent, or \$0.47 on a monthly bill. The increase to Seward of 3.3 percent is measured at transmission voltages and excludes fuel and purchase power costs. The final impact to the individual retail customer within the Seward system is considerably lower and is similar to a Chugach retail customer when distribution-related and fuel and purchased power costs are included. If approved by the Regulatory Commission of Alaska (Commission), the rate adjustments contained in this filing will become effective on February 1, 2019.

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 retail rate increase of 0.6 percent, the cumulative total rate adjustments over the last 12-months is 5.5 percent. In contrast, Seward's rates have increased 7.6 percent on a rolling 12-month basis. Chugach has been a participant in SRF for less than 36-months, so the 36-month limit does not currently apply. Chugach entered the SRF process with the March 31, 2016 test period filing and, cumulatively, demand and energy rates for retail and Seward have increased 9.2 percent and 6.9 percent, respectively.

MOTION

Move that the Board of Directors approve the attached Resolution authorizing Chugach to file with the Commission, a September 2018 test year SRF requesting approval to increase demand and energy rates by 0.6 percent to Chugach retail and 3.3 percent to the wholesale class of Seward Electric System for rates effective February 1, 2019.

RESOLUTION

Simplified Rate Filing – September 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 September 30, 2018 indicate a Chugach system demand and energy rate increase of 0.7 percent;

WHEREAS, on an individual customer class basis, the results show demand and energy rate increases of 0.6 percent to Chugach retail and 3.3 percent to the wholesale class of Seward Electric System; and,

WHEREAS, on a total customer bill basis, which includes fuel and purchased power rates, a residential customer using 600 kWh will see an increase of approximately 0.4 percent, or \$0.47 on a monthly bill.

NOW, THEREFORE, BE IT RESOLVED, Chugach shall submit its SRF based on the September 2018 test year to the Commission requesting approval to increase the demand and energy rates charged to Chugach retail and Seward Electric System by 0.6 percent and 3.3 percent, respectively, for rates effective February 1, 2019.

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 28th day of November, 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 28th day of November, 2018.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.A.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Approve New Board Policy 509 – Fraud Policy

DISCUSSION

At its October 25, 2018 meeting, the Board Governance Committee reviewed the attached new policy that addresses detection and prevention of fraud against the Association.

The Governance Committee voted to forward the policy to the full Board of Directors for its review and consideration for adoption. The Governance Committee recommends approval by the Board.

MOTION

Move that the Board of Directors approve new Board Policy No. 509, titled Fraud Policy.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 509

FRAUD POLICY

I. OBJECTIVE

To establish and facilitate the development of controls which will aid in the detection and prevention of fraud against the Association and to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

II. CONTENT

A. Policy Statement.

It is the policy of the Association to manage the detection, deterrence, investigation, and consequences of fraudulent activity against the Association. Fraudulent activities against the Association may be prosecuted to the fullest extent of the law.

B. Scope.

This policy applies equally to any fraudulent activity against the Association involving not only employees but also directors, vendors, outside agencies, and/or unknown parties, without regard to length of service, title/position, or affiliation.

C. Actions Constituting Fraud.

The term fraud refers to, but is not limited to:

1. Any dishonest or fraudulent act;
2. Misapplication of funds or assets;
3. Destruction of records or assets;
4. Disclosure of confidential information;
5. Forgery or alteration of documents;
6. Impropriety in reporting transactions;
7. Gifts from vendors outside of policy limits;
8. Disappearance of records or assets.

D. Non-Fraud Irregularities.

Identification or allegations of personal improprieties or irregularities whether moral or behavioral, should be resolved by department management, executive management, and/or the Human Resources department, rather than audit-related departments or agencies.

E. Detection.

The Association's Board of Directors, Chief Executive Officer (CEO), and management are responsible for the prevention and detection of fraud. All parties should be familiar with the types of fraud that might occur and should be alert for any indication of fraud. Any suspected fraud must be immediately reported using procedures set out herein.

F. Procedures.

1. Reporting Structure.

All instances of suspected fraudulent activity shall be reported in the same manner as described in Board Policy 305, Reporting Audit and Accounting Concerns. Additionally, there is a link on the Chugach Electric Association Intranet ("Inside Wire") that may be used for anonymous reports regarding fraudulent activity.

2. Investigation Responsibilities.

Upon notification of a suspected fraudulent activity, the CEO or CEO's designee shall promptly investigate the specific allegation utilizing available internal and/or external resources, as deemed appropriate. The CEO or designee shall retain in their possession and control, all documentation regarding the nature of the allegation, the date the allegation was received, the resolution of the allegation, and date resolved. Decisions to refer investigation results to the appropriate authorities for prosecution shall be made in consultation with the Association's General Counsel, senior management, and as appropriate, the Board of Directors.

3. Confidentiality.

The employee reporting the suspected fraudulent activity, if it was not anonymous, shall be periodically apprised of the status of the investigation and shall be provided with a summary of the disposition of the investigation. The Association will endeavor to protect the confidentiality of the reporting employee's identity to the extent possible, consistent with the Association's need to fully investigate the alleged fraudulent activity. All employees shall cooperate fully, promptly, and truthfully in the investigation of alleged fraudulent activity, which may include the review of documents as well as personal interviews. Employees participating in any investigation of alleged fraudulent activity are expected to respect the confidentiality of the process and to refrain from discussing the investigation with anyone other than the person assigned to conduct the investigation.

4. Authorization for Investigation.

Individuals or agencies assigned the responsibility for investigation pursuant to Section II. F. 2., above, may access Association records and premises, as necessary, without prior consent of any individual who may have custody of any such records or facilities.

5. Acting in Good Faith.

Any individual reporting any irregularity in accordance with this policy must be acting in good faith and have reasonable grounds for believing the information provided is accurate. Allegations made maliciously or with knowledge of falsity will not be tolerated. Individuals making such allegations may be subject to appropriate disciplinary and/or legal action.

6. Protection from Retaliation.

The Association, its officers, directors, and employees, shall not retaliate against any Association employee for reporting an activity which that person believes in good faith to be fraudulent or dishonest. Retaliation can be evidenced by the intent of adversely affecting the terms or conditions of employment (including, but not limited to, threats of physical harm, dismissal, transfer to an undesirable job assignment, demotion, suspension, or impact on salary or wages). Retaliation in any form, is not permitted against an employee who assists or otherwise participates in the investigation or resolution of alleged fraudulent activity. However, making knowingly false or malicious reports will subject the Association employee to appropriate disciplinary action, which may include discharge, as well as legal action as appropriate.

Individuals who believe they have been retaliated against may file a written complaint with the Association's Human Resources department. Any complaint of retaliation will be promptly investigated by the CEO or the CEO's designee and appropriate measures will be taken if allegations of retaliation are proven. This protection from retaliation is not intended to prohibit managers or supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors. Nothing in this paragraph shall be deemed to diminish the rights, privileges or remedies of any Association employee under any Federal or State law, or under any collective bargaining agreement.

7. Suspension/Termination.

During the pendency of an investigation, the suspected individual(s) may be suspended with pay. Based upon the results of the investigation, the individual will either be reinstated or terminated under the direction of the CEO or the CEO's designee with assistance of the Association's General Counsel and, as appropriate, the Board of Directors.

III. RESPONSIBILITY

- A. The policy and any subsequent revision shall be reviewed and approved by the Board of Directors.
- B. The CEO and Board of Directors, as appropriate, shall be responsible for ensuring this policy is carried out.

Date Approved: _____

Attested: _____
Stuart Parks
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.B.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Approve New Board Policy 307 – Interest Rate Risk Management Policy

DISCUSSION

At its October 25, 2018 meeting, the Board Governance Committee reviewed the attached new policy that addresses the Association's management of interest rate risks.

The Governance Committee voted to forward the policy to the full Board of Directors for its review and consideration for adoption. The Governance Committee recommends approval by the Board.

MOTION

Move that the Board of Directors approve new Board Policy No. 307, titled Interest Rate Risk Management Policy.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 307

INTEREST RATE RISK MANAGEMENT POLICY

I. OBJECTIVE

- A. To provide a framework through which interest rate risks are evaluated and managed to minimize the long-term cost of debt capital.
- B. To manage current and forecasted interest rate risk incurred in the ordinary course of business while maintaining optimal financial flexibility and quality.
- C. To take appropriate measures to ensure costs related to interest rate risk management can be recovered in rates.

II. EXPOSURE IDENTIFICATION AND DEFINITIONS

- A. The Association's financial performance is impacted by interest rates in a number of ways, including:
 - 1. Floating rate exposure. Floating rate exposure relates to variability of interest expense linked to outstanding or future variable rate financing, such as commercial paper or term loan debt.
 - 2. Refinancing risk. Refinancing risk relates to bullet debt maturities, lines of credit and the rollover of commercial paper to long-term debt.
 - 3. Financing risk. Financing risk relates to large construction projects or acquisitions that may be greater than existing commercial paper limits or lines of credit.
- B. For each of the above, the management of financial risk consists of three steps detailed below:
 - 1. Identification of Risk. Identify the risks relevant to the Association and ensure that these are regularly measured. This identification process needs to encompass all exposures as outlined above.

Floating rate risks and risks associated with forecasted issuance should be considered and re-evaluated on an ongoing basis.

2. Identification of Costs. For each potential transaction, costs should be identified in addition to the assessment of rate recovery and accounting treatment.
3. Determine the Company's Risk Appetite. Having identified the sources of interest rate exposure, determine the desired company risk appetite. This requires an assessment of the range and impact on the Association's financial performance and members' rates.

Hedging positions taken should always be in line with underlying exposures. In no instance is a speculative position to be taken for which there is no actual or anticipated underlying exposure.

III. ALLOWABLE DERIVATIVE INSTRUMENTS

Chugach recognizes that there are numerous derivatives of varying degrees of complexity. Chugach attempts to avoid structural complexity in its use of derivatives and believes the instruments as defined below, used alone or in combination with each other, allow for sufficient flexibility to help the Association meet its interest rate risk management objectives.

- A. Interest Rate Swap - An interest rate swap can be utilized to synthetically lock in borrowing rates for either current floating rate debt or a planned future funding.
- B. Interest Rate Call or Put Options – An option gives the holder a right, but not an obligation, to buy or sell a security at or by a specified date(s) at an agreed upon price in exchange for the payment of a premium. Interest rate options, typically in the form of interest rate caps or floors, are designed to provide protection against interest rates being above a certain cap rate or below a certain floor rate. Options can be used when interest rates may rise prior to a new debt issuance. Options to enter into swaps, or swaptions, give the buyer the right to enter into a swap as a fixed-rate or floating-rate payer depending on the buyer's interest rate exposure.
- C. Swaption – A swaption provides the right, but not the obligation, to enter into a swap on a future effective date at today's market pricing for an upfront premium.
- D. Swaption collar – This can reduce the upfront premium of a bought swaption by selling a lower strike swaption effectively locking the rate it would issue at within an agreed-upon range.
- E. Interest Rate Locks – A rate lock is a forward contract that represents the sale of a specific benchmark security (e.g., U.S. Treasuries, LIBOR, or tax-exempt indices) or other appropriate benchmark security at an agreed price or interest rate. This may be utilized to help lock in a future financing rate.

Before entering into any derivative transaction, Association staff, the Board Audit and Finance Committee and Board of Directors (BOD) shall perform appropriate due diligence and have a full understanding of the transaction, including: (i) a quantification of potential risks and benefits, and (ii) an analysis of the impact on the Association's debt portfolio.

IV. DOCUMENTATION

While not a requirement, documentation best practice relative to interest rate hedging is to have an International Swaps and Derivatives Association (ISDA) in place with each counterparty prior to the commencement of trading.

V. OPERATIONS CONTROL

From an internal control perspective, key treasury functions must be adequately segregated to prevent possible fraud, operational errors, misappropriation of funds, unauthorized deals and concealment of trades and/or manipulation of accounting records. Personnel involved in risk monitoring activities should be segregated from risk taking activities such as executing financial transactions.

VI. RESPONSIBILITY

- A. The BOD shall review and approve all financial interest rate mitigation plans and costs.
- B. The Chief Financial Officer (CFO) is responsible for all interest rate risk management activities of the Association, providing oversight while monitoring all derivative transactions. At least quarterly, the CFO will report to the Chief Executive Officer (CEO) and the Board Audit and Finance Committee on the Association's outstanding derivatives and performance.
- C. This policy and any subsequent revisions shall be reviewed and approved by the BOD as it deems necessary.
- D. The CEO shall be responsible for ensuring this policy is carried out.

Date Approved: _____

Attested: _____

Stuart Parks
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.C.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Board Policy 303 – Financial Management

DISCUSSION

At its October 25, 2018 meeting, the Board Governance Committee reviewed and voted to approve forwarding to the Board of Directors two new Board Policies. One is Board Policy 307, Interest Rate Risk Management Policy.

Existing Board Policy 303, Financial Management, currently reads in part, “Synthetic financial instruments may be utilized as appropriate to structure a minimum-cost capital acquisition program.” (Board Policy 303, Section II.E.2.e.) Staff recommends this section be replaced with language that refers to the new Interest Rate Risk Management Policy, Board Policy 307, (if approved on tonight’s Board agenda) with the following language: “Interest rate risk mitigation methods may be utilized in accordance with Board Policy 307, Interest Rate Risk Management Policy.” A redlined copy of Board Policy 303 with this change is attached.

MOTION

Move that the Board of Directors approve the revision as indicated above, to Board Policy No. 303, Financial Management.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 303

FINANCIAL MANAGEMENT

I. OBJECTIVE

To outline policies ensuring responsible management of the financial resources of the Association; including general and specific guidelines and risk management for effective administration of the Association's finances, an operative system of internal controls committed to the prevention, deterrence and detection of fraud and to meet indenture and debt agreement covenants.

II. CONTENT

A. Accounting Policies and Practices. The Chief Executive Officer shall:

1. Create timely, accurate monthly financial and operating reports including explanations of budget variances, the monitoring of costs associated with major construction projects and progress toward strategic and business goals.
2. Monitor and evaluate financial plans that guide the development of equity and debt portfolio management.
3. Assure efficient use of the Association's debt and equity while achieving required service reliability levels and to meet indenture and debt agreement covenants.
4. Assure compliance with regulatory and contractual obligations, indenture requirements, debt agreements, laws and other regulations.

B. Responsibility Accounting and Conformity with Generally Accepted Accounting Principles (GAAP)

1. The accounting system utilized by the Association shall be based on GAAP and conform to the Uniform System of Accounts required and approved by regulatory bodies and lending agencies. Requirements by any other organization or agency shall be subordinated to those requirements.

2. A responsibility accounting system shall be established and maintained in all appropriate areas, designed to reflect deviation from plans and budgets, including both construction projects and operating activities. An inventory of work orders of completed construction projects will be compiled and maintained for review and approval by senior management.

C. Internal Controls

Internal accounting procedures and practices shall be established and maintained in accordance with principles for adequate management of the Association's financial resources and for effective internal controls committed to the prevention, deterrence and detection of fraud while achieving the organization's objectives. In addition, policies and procedures shall be established governing the use and access to the Association's computer network, including its electronic communications systems, business networks, SCADA, and plant controls network.

Management, through Board oversight, will establish and maintain the following internal control components:

1. An organizational environment in which integrity and values control behavior and promote ethical conduct.
2. Development and execution of policies and procedures adequate to control Association activities, address risks and ensure execution of management directives.
3. Information and communication systems sufficient to capture and transmit important Association information as required for decision-making, customer service and business operations.
4. Regular monitoring of internal control system operations to assure compliance with policies and procedures:
 - a. Internal controls shall be routinely reviewed and tested and all key controls shall be tested no less than bi-annually.
 - b. A third party security audit of the Association's computer networks shall be conducted annually.
 - c. Results of all testing, modification of controls and any significant changes to internal control process narratives shall be provided to the Chief Executive Officer and Chief Financial Officer quarterly to attest to the evaluation of internal controls over financial reporting.

D. Audit Committee

1. Oversight over financial reporting process and internal controls over financial reporting (ICFR).
2. Oversight over establishment and maintenance by management of programs and internal controls designed to prevent, deter and detect fraud.

E. Other Financial Responsibilities

1. Rates and Margins

Rates for electric service will be established in accordance with applicable statutes, regulations and conditions, consistent with financial forecast directives and approved by Board resolution.

2. Sources of Funds and Working Capital

- a. A blend of debt and equity is used in accordance with management's long-term planning. Funding of construction, preliminary project costs and asset acquisition may be obtained from any available and appropriate sources.
- b. Fixed rate and variable rate financing may be obtained from appropriate sources to fund construction and asset acquisition. Short-term maturities may be selected within long-term commitments contingent upon prevailing interest rates at the time of draw.
- c. Long-term debt will be structured as provided for in the Trust Indenture. Guarantees and/or credit enhancements from any available source may be utilized as necessary.
- d. Leveraged lease financing may be considered as an alternative to long-term debt when appropriate and will be approved by the Board of Directors.
- e. Interest rate risk mitigation methods may be utilized in accordance with Board Policy 307, Interest Rate Risk Management Policy .
- f. Working capital shall be provided from margins, temporary investments and short-term borrowings when cost effective.
 - i. Preliminary costs for projects not supported by debt issuances will be included with working capital requirements.

- ii. Short-term cash requirements may be met through the sale of commercial paper in accordance with applicable law and regulations and not to exceed Chugach's commercial paper backstop facility.

3. Short-Term Investment Practices

- a. The purchase or sale of governmental securities, governmentally guaranteed or insured securities, selected bond mutual funds and other securities or short-term bank investments, such as certificates of deposit and repurchase agreements, are authorized as appropriate by the Chief Executive Officer.
- b. All Association investments not specifically authorized in 3.a. above shall be subject to the approval of the Board.
- c. The Board of Directors shall receive periodic reports that show the status of all long and short-term investments, including the rate of return and current market value.

4. Financial Reports

A report reflecting the financial condition and results of operations of the Association shall be prepared and presented to the Board on a monthly basis or as otherwise indicated below. This financial report shall include:

- a. Revenue and expense statements for the month, year-to-date and prior year, with comparisons to budgets;
- b. A balance sheet update to reflect current financial results as of each month;
- c. Selected financial ratios;
- d. Graphic illustration of operating results;
- e. Functional financial data (quarterly); and
- f. Statement of cash flows (quarterly).

5. Credit Ratings

Management shall take into consideration credit rating recommendations and concerns when making financial management decisions.

6. Risk Management

To prudently manage the Association's financial health, the Chief Executive Officer shall ensure the oversight of management's identification, assessment, and prioritization of risks followed by a coordinated and economical application of resources is utilized to effectively mitigate those risks.

7. Check Authorizations, Electronic Payments and Credit Cards

The Board shall authorize by resolution, specific Board members and management to be signatories authorized to act on behalf of the Association in transactions with Chugach's banking institution. This authorization shall include signing of checks and payment by electronic means. All checks will contain two authorized signatories. A signature stamp for checks below \$5,000 and the issuance of a credit card to members of the Board and to employees for bona fide business purposes may be authorized by the Chief Executive Officer.

III. RESPONSIBILITY

It shall be the responsibility of the Board Chair to see that the foregoing Board functions are effectively carried out.

The Chief Executive Officer shall be accountable for the management and administration of all financial activities and programs prescribed in this Policy. The Chief Executive Officer may delegate specific responsibilities as deemed appropriate.

Date Approved: November 28, 2018

Attested: _____
Stuart Parks
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 303

FINANCIAL MANAGEMENT

I. OBJECTIVE

To outline policies ensuring responsible management of the financial resources of the Association; including general and specific guidelines and risk management for effective administration of the Association's finances, an operative system of internal controls committed to the prevention, deterrence and detection of fraud and to meet indenture and debt agreement covenants.

II. CONTENT

A. Accounting Policies and Practices. The Chief Executive Officer shall:

1. Create timely, accurate monthly financial and operating reports including explanations of budget variances, the monitoring of costs associated with major construction projects and progress toward strategic and business goals.
2. Monitor and evaluate financial plans that guide the development of equity and debt portfolio management.
3. Assure efficient use of the Association's debt and equity while achieving required service reliability levels and to meet indenture and debt agreement covenants.
4. Assure compliance with regulatory and contractual obligations, indenture requirements, debt agreements, laws and other regulations.

B. Responsibility Accounting and Conformity with Generally Accepted Accounting Principles (GAAP)

1. The accounting system utilized by the Association shall be based on GAAP and conform to the Uniform System of Accounts required and approved by regulatory bodies and lending agencies. Requirements by any other organization or agency shall be subordinated to those requirements.

2. A responsibility accounting system shall be established and maintained in all appropriate areas, designed to reflect deviation from plans and budgets, including both construction projects and operating activities. An inventory of work orders of completed construction projects will be compiled and maintained for review and approval by senior management.

C. Internal Controls

Internal accounting procedures and practices shall be established and maintained in accordance with principles for adequate management of the Association's financial resources and for effective internal controls committed to the prevention, deterrence and detection of fraud while achieving the organization's objectives. In addition, policies and procedures shall be established governing the use and access to the Association's computer network, including its electronic communications systems, business networks, SCADA, and plant controls network.

Management, through Board oversight, will establish and maintain the following internal control components:

1. An organizational environment in which integrity and values control behavior and promote ethical conduct.
2. Development and execution of policies and procedures adequate to control Association activities, address risks and ensure execution of management directives.
3. Information and communication systems sufficient to capture and transmit important Association information as required for decision-making, customer service and business operations.
4. Regular monitoring of internal control system operations to assure compliance with policies and procedures:
 - a. Internal controls shall be routinely reviewed and tested and all key controls shall be tested no less than bi-annually.
 - b. A third party security audit of the Association's computer networks shall be conducted annually.
 - c. Results of all testing, modification of controls and any significant changes to internal control process narratives shall be provided to the Chief Executive Officer and Chief Financial Officer quarterly to attest to the evaluation of internal controls over financial reporting.

D. Audit Committee

1. Oversight over financial reporting process and internal controls over financial reporting (ICFR).
2. Oversight over establishment and maintenance by management of programs and internal controls designed to prevent, deter and detect fraud.

E. Other Financial Responsibilities

1. Rates and Margins

Rates for electric service will be established in accordance with applicable statutes, regulations and conditions, consistent with financial forecast directives and approved by Board resolution.

2. Sources of Funds and Working Capital

- a. A blend of debt and equity is used in accordance with management's long-term planning. Funding of construction, preliminary project costs and asset acquisition may be obtained from any available and appropriate sources.
- b. Fixed rate and variable rate financing may be obtained from appropriate sources to fund construction and asset acquisition. Short-term maturities may be selected within long-term commitments contingent upon prevailing interest rates at the time of draw.
- c. Long-term debt will be structured as provided for in the Trust Indenture. Guarantees and/or credit enhancements from any available source may be utilized as necessary.
- d. Leveraged lease financing may be considered as an alternative to long-term debt when appropriate and will be approved by the Board of Directors.
- e. Interest rate risk mitigation methods may be utilized in accordance with Board Policy 307, Interest Rate Risk Management Policy
~~Synthetic financial instruments may be utilized as appropriate to structure a minimum-cost capital acquisition program.~~
- f. Working capital shall be provided from margins, temporary investments and short-term borrowings when cost effective.

- i. Preliminary costs for projects not supported by debt issuances will be included with working capital requirements.
- ii. Short-term cash requirements may be met through the sale of commercial paper in accordance with applicable law and regulations and not to exceed Chugach's commercial paper backstop facility.

3. Short-Term Investment Practices

- a. The purchase or sale of governmental securities, governmentally guaranteed or insured securities, selected bond mutual funds and other securities or short-term bank investments, such as certificates of deposit and repurchase agreements, are authorized as appropriate by the Chief Executive Officer.
- b. All Association investments not specifically authorized in 3.a. above shall be subject to the approval of the Board.
- c. The Board of Directors shall receive periodic reports that show the status of all long and short-term investments, including the rate of return and current market value.

4. Financial Reports

A report reflecting the financial condition and results of operations of the Association shall be prepared and presented to the Board on a monthly basis or as otherwise indicated below. This financial report shall include:

- a. Revenue and expense statements for the month, year-to-date and prior year, with comparisons to budgets;
- b. A balance sheet update to reflect current financial results as of each month;
- c. Selected financial ratios;
- d. Graphic illustration of operating results;
- e. Functional financial data (quarterly); and
- f. Statement of cash flows (quarterly).

5. Credit Ratings

Management shall take into consideration credit rating recommendations and concerns when making financial management decisions.

6. Risk Management

To prudently manage the Association’s financial health, the Chief Executive Officer shall ensure the oversight of management’s identification, assessment, and prioritization of risks followed by a coordinated and economical application of resources is utilized to effectively mitigate those risks.

7. Check Authorizations, Electronic Payments and Credit Cards

The Board shall authorize by resolution, specific Board members and management to be signatories authorized to act on behalf of the Association in transactions with Chugach’s banking institution. This authorization shall include signing of checks and payment by electronic means. All checks will contain two authorized signatories. A signature stamp for checks below \$5,000 and the issuance of a credit card to members of the Board and to employees for bona fide business purposes may be authorized by the Chief Executive Officer.

III. RESPONSIBILITY

It shall be the responsibility of the Board Chair to see that the foregoing Board functions are effectively carried out.

The Chief Executive Officer shall be accountable for the management and administration of all financial activities and programs prescribed in this Policy. The Chief Executive Officer may delegate specific responsibilities as deemed appropriate.

| Date Approved: ~~May 25~~November 28, 20168

Attested: _____

|

~~Bruce M. Dougherty~~ Stuart Parks
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.D.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Memorandum of Understanding between Chugach Electric Association, Inc. (Chugach) and Matanuska Electric Association, Inc. (MEA)

DISCUSSION

On January 9, 2018, the Anchorage Assembly approved resolution AR No. 2018-21 that stated its expectations for Chugach to work with MEA to ensure MEA customers within the Municipality of Anchorage benefit from cost savings and power reliability in connection with Chugach's purchase of ML&P. Chugach and MEA have negotiated a non-binding Memorandum of Understanding (MOU) that identifies terms and conditions consistent with this resolution. The MOU is to remain confidential until signed and the parties agree to publicly disclose the document.

The MOU is conditioned, in part, on Chugach's acquisition of ML&P. Chugach and the Municipality of Anchorage expect to sign the four transaction agreements (Asset Purchase Agreement, Eklutna Power Purchase Agreement, PILT Agreement and BRU Fuel Agreement) by December 31, 2018. Collectively, these agreements provide for Chugach's acquisition of ML&P.

MOTION

Move that the Chugach Board of Directors approve the attached Resolution authorizing the Chief Executive Officer to execute the MOU between Chugach and MEA under terms and conditions substantially in the form as attached thereto as Exhibit A, and that the MOU shall remain confidential until signed and both parties agree to publicly disclose the document.

RESOLUTION

Memorandum of Understanding between Chugach Electric Association, Inc. and Matanuska Electric Association, Inc.

WHEREAS, the Anchorage Assembly approved Resolution AR No. 2017-235 on June 13, 2017 urging Chugach Electric Association, Inc. (Chugach), the Municipality of Anchorage (MOA), and Anchorage Municipal Light & Power (ML&P) to initiate substantive steps to explore merger opportunities;

WHEREAS, on January 9, 2018, the Anchorage Assembly approved resolution AR No. 2018-21 that stated its expectations for Chugach to work with Matanuska Electric Association, Inc. (MEA) to ensure MEA customers within the MOA benefit from cost savings and power reliability in connection with Chugach's purchase of ML&P;

WHEREAS, on January 23, 2018, the Anchorage Assembly approved Ordinance AO No. 2018-1(S), finding the sale of ML&P to Chugach is in the public interest and submitting to Anchorage voters a charter amendment authorizing the assets and business of ML&P to be sold to Chugach;

WHEREAS, on April 3, 2018, the voters in the Municipal election approved the ballot proposition authorizing the MOA to move forward on the activities that could lead to a sale of ML&P assets to Chugach;

WHEREAS, Chugach and the MOA have negotiated four transaction agreements entitled, "Asset Purchase Agreement", "Eklutna Power Purchase Agreement", "Payment in Lieu of Taxes Agreement", and "BRU Fuel Agreement";

WHEREAS, on October 24, 2018, the Chugach Board of Directors authorized Chugach's Chief Executive Officer to sign the four transaction agreements upon certain conditions being met, and these agreements are expected to be signed by December 31, 2018;

WHEREAS, Chugach and MEA entered into negotiations consistent with resolution AR No. 2018-21 and have reached agreement on a non-binding Memorandum of Understanding that identifies the terms and conditions consistent with this Resolution ("MOU");

WHEREAS, consistent with AR No. 2018-21, the negotiated terms and conditions contained in the MOU provide benefits to MEA customers that reside within the MOA, and MEA shall make the necessary determinations for how such benefits accrue to these customers;

WHEREAS, the obligations of Chugach and MEA contemplated by the MOU are subject to and conditioned upon (1) the successful closing of Chugach's acquisition of ML&P; (2) the successful negotiation of binding definitive agreements by Chugach and MEA effectuating the transactions contemplated by the MOU; and (3) the receipt of all necessary regulatory approvals;

WHEREAS, either Chugach or MEA may terminate the MOU for any reason at any time by providing written notice thereof to the other party;

WHEREAS, Chugach management has recommended that the Chugach Board of Directors authorize the Chief Executive Officer to execute the MOU substantially in the form attached hereto as Exhibit A; and,

WHEREAS, the Chugach Board of Directors has reviewed all materials, information, and recommendations provided to it by Chugach management and has determined that the transactions encompassed by the MOU satisfy the expectations of Anchorage Assembly resolution AR No. 2018-21.

NOW THEREFORE BE IT RESOLVED, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the MOU substantially in the form attached hereto as Exhibit A;

BE IT FURTHER RESOLVED, that the MOU, attached hereto as Exhibit A, shall remain confidential until signed and both parties agree to publicly disclose the document.

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 28th day of November, 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 28th day of November, 2018.

Secretary

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

REGULAR BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

November 28, 2018

ACTION REQUIRED

AGENDA ITEM NO. X.E.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Chief Operating Officer (COO) Term Sheet

DISCUSSION

The acquisition of Municipal Light and Power (ML&P) will nearly double the number of Chugach Electric employees, increase our membership by over 40 percent, add the Central Business District to our service territory, and double our energy deliveries. It essentially creates a new company.

Capturing the value of the acquisition will require a focused effort on operational excellence over the next five-to-eight years. Also needed is a dedicated outward-facing focus on our members, the community, and large commercial and wholesale customers. These efforts must be sustained and consistently applied over the next decade as the new company will be carefully scrutinized by regulators, members, and the community at large to ensure that the acquisition commitments and value are achieved. Longer term, the changes required to integrate the two organizations successfully will create an opportunity to re-work our corporate DNA – establishing a more adaptable and agile organization with the skill set needed to ensure the long-term viability of the Cooperative.

The new company needs: (1) a more collaborative and cross-functional approach to internal management, and (2) a more focused and intentional outward-facing structure towards our members and community. Instituting a Chief Operating Officer (COO) role with responsibility for all operating functions will enable “inward” cross-functional collaboration and significantly improve the likelihood of achieving the acquisition’s value. Furthermore, this structure will create more “outward” space for the CEO to nurture relationships with the Board, the

Membership, the Community, Labor, Large Commercial and Wholesale Customers, and Local, State, and Federal Governments. This space will also afford the CEO more time to steward the organization's direction and provide leadership support to the executive team.

A national salary review was conducted to establish the starting salary for the position. Additionally, the starting salary was established at approximately 70% of the Chief Executive's salary, consistent with Chugach salary practice.

MOTION

Move that the Board of Directors authorize the Chief Executive Officer to develop and execute an employment agreement between Chugach Electric and the Chief Operating Officer (Brian Hickey) consistent with the terms discussed in Executive Session.