

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

**December 19, 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	Josh Resnick	Theresa Quigley
Paul Risse	Jody Wolfe	James Mullican
Brian Hickey	Renee Curran	John Pahkala
Arthur Miller	Todd McCarty	Melisa Yang
Sherri Highers	Andrew Laughlin	Crystal Enkvist, APA
Tyler Andrews	Marty Freeman	Michael Rovito, APA
Matthew Clarkson	Ron Vecera	Jim Bertrand, Stinson
Mark Fouts	Jean Kornmuller	Leonard Street
Julie Hasquet	Sean Skaling	Kurt Strunk, NERA
Connie Owens	Kathy Harris	(via teleconference)
Tom Schulman	Lynda Muise	Beth Stuart, KPMG

*C. Safety Minute*

Marty Freeman, Safety discussed "New Year's Eve/Holiday Safety" and responded to questions from the Board.

## **II. APPROVAL OF THE AGENDA**

Director Hollis moved and Director Parks seconded the motion to approve the agenda. The motion passed unanimously.

## **III. PERSONS TO BE HEARD**

- A. *Member Comments*  
None

## **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. *November 27, 2018, Special Board of Directors' Meeting (Quezon-Vicente)*
  - 2. *November 28, 2018, Regular Board of Directors' Meeting (Quezon-Vicente)*
- D. *Director Expenses*

Chair Chastain reminded the Board to let Connie Owens know if interested in attending the NRECA Annual Meeting.

Director Morse moved and Director Parks seconded the motion to approve the consent agenda. The motion passed unanimously.

## **V. CEO REPORTS AND CORRESPONDENCE**

- A. *Alaska Power Association (APA) Presentation (Enkvist)*  
Crystal Enkvist, Executive Director, APA discussed membership and responded to questions from the Board.
- B. *October 2018 Financial Statements and Variance Report (Harris/Curran)*  
Sherri Highers, Chief Financial Officer (CFO) and Sr. VP, discussed the October 2018 Financial Statements and Variance Report as well as a summary of the November 2018 Financials and responded to questions from the Board.
- C. *4<sup>th</sup> Quarter 2018 Railbelt Bill Comparison (Skaling/Miller)*  
Lee Thibert, Chief Executive Officer (CEO), discussed the 4<sup>th</sup> Quarter 2018 Railbelt Bill Comparison.
- D. *Write-off of Accounts Receivable – Electric/Other (Kurka/Miller)*  
Lee Thibert, CEO discussed the Write-off of Accounts Receivable – Electric/Other.
- E. *Innovative Services Committee Presentation (Committee)*  
Lee Thibert, (CEO) introduced the Innovative Services Committee members.

Kate Ayers, Member and Energy Program Specialist, thanked Mr. Thibert for the introduction and also asked the rest of the Innovative Services Committee to stand from the audience to be identified. Kathy Harris, Manager, General Accounting and Sean Skaling, Manager, Business Development & Sustainability Program Development stood up from the audience.

Committee members, Kate Ayers, Member & Energy Program Specialist and Josh Resnick, Contracts & Projects Specialist, Melissa Yang, Plant Accountant II/III and Jean Kornmuller, Manager, Regulatory Affairs discussed the Innovative Services Committee Presentation and responded to questions from the Board.

## **VI. DIRECTOR REPORTS**

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

Director Crawford stated that there was not much activity at the November 30, 2018 ARCTEC meeting due to the Earthquake event. Director Henderson and Lee Thibert, CEO stated that the ARCTEC meeting was rescheduled for January 17, 2019.

### *B. Renewable Energy Alaska Project (REAP) Report*

Director Morse reported on the December 10, 2018, REAP Strategic pre-planning and planning and she also stated that the next meeting will be for the Policy Committee on December 20, 2018.

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

Director Morse reported on the December 10, 2018, Audit and Finance Committee meeting.

Director Parks reported on the December 17, 2018, Operations Committee meeting.

Director Reeves stated that there has been no Governance Committee meeting and would like the Board to keep in mind about previous discussion in establishing an Advisory Council to start in January 2019. An amendment to Board Policy 502, the Board Qualifications and Meeting Fees under the Bylaws are also going to be taken up in January.

Director Henderson commented on having a periodic review of policies.

### *D. Other Meeting Reports*

Directors Parks and Hollis reported on their attendance at the Winter Director School in Nashville, Tennessee.

## **VII. UNFINISHED BUSINESS**

None

## VIII. NEW BUSINESS

- A. *Appointments of 2019 NRECA Voting Delegate and Alternate\* (Board)*  
Director Reeves moved and Director Morse seconded the motion that the Board of Directors appoints Susan Reeves as the NRECA Voting Delegate and Jim Henderson as the alternate. The motion passed unanimously.

## IX. EXECUTIVE SESSION

- A. *Earthquake Damage Assessment Report*  
B. *IMO Request for 2019 Consulting Services*  
C. *3<sup>rd</sup> Quarter 2018 Fire Island Wind Report*  
D. *4<sup>th</sup> Quarter 2018 Business Development and Sustainability Report*  
E. *Cost of Capital Study and Authorized Time Interest Earned Ratios (TIER)*  
F. *ML&P Acquisition Update*  
G. *On-Going Strategic Matters*  
    1. *Initiatives Under Consideration*  
    2. *Outstanding Risks to the Association*

At 5:08 p.m., Director Parks moved and Director Reeves seconded the motion that pursuant to Alaska Statute 10.25.175 (c)(1) 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; and, 2) 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 9:01 p.m.*

## X. NEW BUSINESS

- A. *ML&P Acquisition – Conditions to Signing Transaction Agreements\*\* (Miller)*  
Director Reeves moved and Director Crawford seconded the motion that the Chugach Board of Directors approve the attached Resolution authorizing the Chief Executive Officer to: 1) Execute and deliver the Asset Purchase Agreement under terms and conditions without substantive changes from 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 without substantive changes from the forms 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 and Exhibits thereto. The motion passed unanimously.
- B. *Approve Integration Management Office (IMO) – 2019 Consulting Services\*\* (Fouts)*  
Director Morse moved and Director Parks seconded the motion that the Board of Directors' authorize the Chief Executive Officer to execute the Integration Management Office (IMO) consulting services agreements after the final APA

has been executed as discussed in Executive Session. The motion passed unanimously.

C. *Cost of Capital – Recommendation to Adjust Authorized Times Interest Earned Ratios (TIER)\*\* (Miller)*

Director Morse moved and Director Reeves seconded the motion that the Chugach Board of Directors approve the attached Resolution authorizing the Chief Executive Officer to submit a filing to the Regulatory Commission of Alaska requesting approval to increase Chugach's system TIER from 1.35 to 1.55, increase the G&T TIER for both electric and natural gas operations from 1.10 to 1.35, and leave the Distribution TIER variable such that overall rates are set to achieve a system TIER of 1.55. The motion passed unanimously.

D. *Federal Public Assistance Grant for Earthquake Damage and Outage Response\* (Vecera/Risse)*

Director Hollis moved and Director Reeves seconded the motion that the Board of Directors' approve the attached resolution authorizing and endorsing the preparation and submittal of a State Public Assistance Grant application and a FEMA claim to recover costs for earthquake-related damages and for mitigation funding to improve Chugach's ability to withstand future disasters. The motion passed unanimously.

E. *Quartz Creek Rebuild Construction Contract Approval\* (Laughlin/Hickey)*

Andrew Laughlin, Sr. Manager, Transmission Substation and Engineering gave a presentation and discussed the Quartz Creek Rebuild Construction project. Mr. Laughlin and Matthew Clarkson, VP General Counsel responded to questions from the Board.

Director Morse moved and Director Reeves seconded the motion that the Board of Directors' approve the resolution authorizing the Chief Executive Officer to execute a construction contract with Northern Powerline Constructors (NPC), to rebuild nine miles of transmission line between Hope Substation and Summit Lake Substation, in the amount of \$5,714,019.93.

Director Parks abstain from voting. Chair Chastain called for a vote. The motion passed unanimously.

F. *Approval of 2019 Operating and Capital Budget\* (Highers)*

Director Morse moved and Director Hollis seconded the motion that the Board of Directors' approve the 2019 Operating and Capital Budget which is expected to produce margins of \$5.8 million, MFI/I ratio of 1.28, TIER ratio of 1.30 and Equity to Total Capitalization ratio of 31.9%. These results are based on a Total Cost of Service of \$202.4 million, Total Revenue of \$207.4 million, Non-Operating Margins of \$0.8 million, and a capital expenditure cash requirement of \$76.3 million. The motion passed unanimously.

**XI. DIRECTOR COMMENTS**

Director comments were made at this time.

**XII. ADJOURNMENT**

At 9:30 p.m., Director Hollis moved and Director Crawford seconded the motion to adjourn. The motion passed unanimously.

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/ss/

Stuart Parks, Secretary

Date Approved: January 23, 2019