

CHUGACH ELECTRIC ASSOCIATION, INC.  
ANCHORAGE, ALASKA

OPERATIONS COMMITTEE MEETING

AGENDA

Stuart Parks, Chair  
Susan Reeves, Vice Chair

Harry Crawford  
Bettina Chastain

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**June 25, 2018**

**4:00 p.m.**

**Chugach Board Room**

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- I. CALL TO ORDER
  - A. *Roll Call*
- II. APPROVAL OF THE AGENDA\*
- III. APPROVAL OF THE MINUTES\*
  - A. *May 24, 2018 (Portades)*
- IV. PERSONS TO BE HEARD
  - A. *Member Comments*
- V. CEO REPORTS AND CORRESPONDENCE (*none*)
- VI. NEW BUSINESS (*scheduled*)
  - A. *Board Policy 206 - Statement of Functions of the Operations Committee (Committee Review)*
- VII. EXECUTIVE SESSION\* (*scheduled*)
  - A. *ML&P Acquisition Update*
  - B. *ML&P - Integration Consulting Agreement*
  - C. *ML&P - Authorization to Negotiate Asset Purchase Agreement for Potential Acquisition*
- VIII. NEW BUSINESS\* (*continued*)
  - A. *ML&P - Approval of the Integration Consulting Agreement\* (Fouts)*
  - B. *ML&P - Authorization to Negotiate Asset Purchase Agreement for Potential Acquisition \*\* (Miller)*
- IX. DIRECTOR COMMENTS
- X. ADJOURNMENT\*

\* *Denotes Action Items*

\*\* *Denotes Possible Action Items*

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

**May 24, 2018**  
**Thursday**  
**4:00 p.m.**

**OPERATIONS COMMITTEE MEETING**

Recording Secretary: Divina Portades

**I. CALL TO ORDER**

Chair Parks called the Operations Committee meeting to order at 4:03 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

*A. Roll Call*

*Committee Members Present:*

Stuart Parks, Chair  
Harry Crawford, Director  
Susan Reeves, Director  
Bettina Chastain, Director

*Other Board Members Present:*

Jim Henderson, Director (*via teleconference*)  
Rachel Morse, Director (*arrived at 4:06 p.m.*)

*Guests and Staff in Attendance:*

Lee Thibert	Connie Owens	Matthew Clarkson
Brian Hickey	Arthur Miller	Tyler Andrews
Sherri Highers	Tom Schulman	Dustin Highers
Julie Hasquet	Mark Fouts	Kelly Haggerty, Pritchett LLC

**II. APPROVAL OF THE AGENDA**

Director Crawford moved and Director Chastain seconded to motion to approve the agenda. The motion passed unanimously.

**III. APPROVAL OF THE MINUTES**

Director Chastain moved and Director Crawford seconded the motion to approve the November 28, 2017, Operations Committee Meeting minutes. The motion passed unanimously.

**IV. PERSONS TO BE HEARD**

- A. Member Comments*  
None

**V. CEO REPORTS AND CORRESPONDENCE**

None

**VI. NEW BUSINESS**

A. *Election of Operations Committee Vice Chair\* (Committee)*

Director Chastain moved and Director Crawford seconded the motion to elect Director Reeves as the Vice Chair of the Operations Committee. The motion passed unanimously.

*Director Morse arrived at 4:06 p.m.*

**VII. EXECUTIVE SESSION**

A. *Board Role*

B. *Confidentiality Review*

C. *ML&P Acquisition Update/Integration Training*

D. *2018-2019 CEO Performance Scorecard*

At 4:08 p.m., Director Chastain moved and Director Reeves seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1), (2) and (3) the Board Operations Committee go into executive session to discuss: 1) financial matters, the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; 2) personnel matters that may tend to prejudice the reputation or character of a person; however, the person may request a public discussion; and, 3) legal matters with its attorneys, 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 6:33 p.m.*

**VIII. DIRECTOR COMMENTS**

Director comments were made at this time.

**IX. ADJOURNMENT**

At 6:38 p.m., Director Crawford moved and Director Chastain seconded the motion to adjourn. The motion passed unanimously.

**CHUGACH ELECTRIC ASSOCIATION, INC.**

**BOARD POLICY: 206**

**STATEMENT OF FUNCTIONS OF THE OPERATIONS COMMITTEE**

**I. OBJECTIVE**

To state the functions of the Operations Committee. The purpose of this committee shall be to study, examine and report on matters assigned to it by the Board of Directors.

**II. DUTIES AND RESPONSIBILITIES**

The Operations Committee of the Association Board of Directors:

- A. Upon request, makes recommendations to the Board regarding Section II.C. of Board Policy 103.
- B. Reviews such other matters as may be specifically assigned to it by the Board.

**III. COMMITTEE ORGANIZATION**

- A. The Committee shall be comprised of five Board members.
- B. A quorum of the Committee shall consist of three members.
- C. The Board Chair shall appoint the Committee Chair as well as the Directors to serve on the Committee. The Committee shall elect from its membership a Vice Chair.
- D. The Committee shall meet as needed. The Committee Chair shall convene all meetings of the Committee. In his or her absence, the Committee Vice Chair shall convene meetings. The Committee Chair or a quorum of the Committee may call a special meeting of the Committee.
- E. The Committee Chair may appoint sub-committees from the Committee's membership to study specific areas. Written statements of the functions of such subcommittees should be prepared and reviewed periodically.

Date Approved: May 25, 2016

Attested:

  
Bruce M. Dougherty  
Secretary of the Board

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

**OPERATIONS COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**June 25, 2018**

**ACTION REQUIRED**

**AGENDA ITEM NO. VIII.A.**

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

**TOPIC**

ML&P - Approval of the Integration Consulting Agreement

**DISCUSSION**

As discussed in Executive Session.

**MOTION**

Move that the Operations Committee recommend to the Board of Directors to authorize the Chief Executive Officer to execute the Integration Consulting Agreement as discussed in Executive Session.

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

**OPERATIONS COMMITTEE MEETING**  
**AGENDA ITEM SUMMARY**

**June 25, 2018**

**ACTION REQUIRED**

**AGENDA ITEM NO. VIII.B.**

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

**TOPIC**

ML&P - Authorization to negotiate Asset Purchase Agreement with the Municipality of Anchorage for the potential acquisition of Anchorage Municipal Light & Power (ML&P).

**DISCUSSION**

Discussed in Executive Session.

**MOTION**

Move that the Operations Committee recommend that the Board of Directors authorize the Chief Executive Officer to negotiate and develop an Asset Purchase Agreement with the Municipality of Anchorage for the purchase of all or a majority interest of ML&P, with expected savings of at least \$110 million and subject to due diligence, under terms and conditions substantially the same as discussed in Executive Session.

## RESOLUTION

### **ML&P - Authorization to Negotiate Asset Purchase Agreement for Potential Acquisition**

WHEREAS, Chugach Electric Association, Inc. (“Chugach” or “Association”) and Anchorage Municipal Light & Power (“ML&P”) currently provide electric service to retail customers within the Municipality of Anchorage through Certificate of Public Convenience and Necessity Nos. 8 and 121, respectively, issued and approved by the Regulatory Commission of Alaska;

WHEREAS, on June 13, 2017, the Anchorage Assembly approved Resolution AR No. 2017-235 urging the Municipality of Anchorage, ML&P and Chugach to initiate substantive steps to explore merger opportunities;

WHEREAS, Chugach completed its initial economic analysis that identified potential total savings of \$280 to \$390 million realized through economies of scale and scope from all facets of electric utility operations, including generation, transmission, distribution and customer-related functions;

WHEREAS, based on the results of the analysis, the Association has determined that under certain conditions and subject to adjustment based on due diligence activity, the acquisition of all or a majority interest of ML&P’s assets results in net economic benefit to Chugach’s membership and ML&P customers as evaluated on both a net present value and electric customer bill basis;

WHEREAS, the Association has determined that the current purchase value of ML&P is approximately \$694 million, plus the cost of defeasance, and a premium reflective of current industry acquisition multiples and expected savings resulting from consolidation;

WHEREAS, the analysis completed by Chugach indicates that, after payment of the total purchase price to the Municipality of Anchorage, a minimum level of savings totaling \$110 million (net present value; 5 percent discount rate over 40-year period) is needed for the acquisition to move forward;

WHEREAS, Chugach’s guiding principles of the acquisition require that the electric rates of Chugach members and ML&P customers will not increase as a result of the acquisition and that there will be no employee layoffs at either Chugach or ML&P as a result of the acquisition;

WHEREAS, on January 9, 2018, the Anchorage Assembly passed Resolution AR No. 2018-21 identifying its expectation for Chugach to work with Matanuska Electric Association, Inc. (“MEA”) to ensure customers served by MEA within the Municipality of Anchorage benefit from cost savings and power reliability, including potential asset transfers, resulting from Chugach’s acquisition of ML&P;

WHEREAS, agreement between Chugach and MEA in recognition of Anchorage Assembly Resolution AR No. 2018-21 is subject to Chugach board approval;

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 but not requiring ML&P to be sold to Chugach;

WHEREAS, on April 3, 2018, 65 percent of the voters in the Municipal election approved the ballot proposition authorizing the Municipality of Anchorage to move forward on the activities that could lead to a sale of ML&P assets to Chugach of approximately \$1 billion, subject to adjustment during the due diligence process and inclusive of all payments including payments in lieu of taxes;

WHEREAS, the specific terms and conditions of the acquisition of ML&P will be contained in an Asset Purchase Agreement between Chugach and the Municipality of Anchorage that, subject to due diligence and negotiation, will be presented for approval to the Chugach Board of Directors and to the Anchorage Assembly;

WHEREAS, the due diligence efforts to support the development of the Asset Purchase Agreement include, but are not limited to, further evaluation of the cost savings resulting from consolidation and the attendant economic and financial impacts resulting from the transaction as well as due diligence efforts specific to legal, title, environmental, and physical plant; and

WHEREAS, the Chief Executive Officer, Chugach staff and the Chugach Board of Directors have had and will continue to have substantive discussions of the benefits and costs of the potential acquisition of ML&P.

NOW THEREFORE, BE IT RESOLVED, that the Chugach Board of Directors authorizes the Chief Executive Officer to negotiate and develop an Asset Purchase Agreement with the Municipality of Anchorage for the purchase of all or a majority interest of ML&P, with expected savings of at least \$110 million and subject to due diligence, under terms and conditions substantially the same as discussed in Executive Sessions.

#### **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 27<sup>th</sup> day of June, 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 27<sup>th</sup> day of June, 2018.

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Secretary