

CHUGACH ELECTRIC ASSOCIATION BLUE RIBBON PANEL

Whereas Chugach Electric is a key part of public infrastructure in Anchorage and the Railbelt and has a significant role in determining the basic cost of living and doing business in Anchorage . . .

PANEL MISSION:

Chugach Electric Association Board of Directors requests the best thoughts and recommendations of the Blue Ribbon Panel so that Chugach Electric can meet its goal of delivering power *at a cost no higher than necessary* while maintaining current standards of safety and reliability.

THE BLUE RIBBON PANEL WILL:

1. Review basic high-level performance measures and finances.
2. Recommend how Chugach should restructure to deliver value in line with national economic performance standards for electric utilities.
3. Make recommendations in other areas that it deems appropriate or that arise as it undertakes its review.

This will entail a high level review of the challenges facing Chugach Electric. For your convenience, we are outlining below several areas of concern for the Board and on which we seek your counsel.

AREAS OF CONCERN:

1. Fuel supply and new generation
2. Loss of wholesale customers
3. Debt refinancing
4. Board of Directors instability from annual election cycle and undue special interest influence
5. Management uncertainty from Board instability
6. High service costs compared to national benchmarked electric utility economic performance norms

TIME TABLE:

September 1, 2007 - final report to the board, with monthly interim reports.

TIME REQUIREMENTS:

We anticipate about two days per month of meetings with homework to match.

The Panel shall have full access to Chugach Electric managers and information it needs to fulfill its objectives. The Panel will work independently of Chugach Electric in separate facilities from Chugach Electric with its own temporary staff. Panel members will sign professional service contracts and Chugach Electric confidentiality agreements. Panel members will be paid a \$1,000 honorarium and reimbursement of expenses. An initial budget not to exceed \$80,000 is authorized for panel member fees, expenses, and temporary staff.