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Subject: ML&P sale and Budget and Finance Committee meeting
Date: Tuesday, February 14, 2023 4:18:36 PM

Hi all – I have looked into the ML&P documents, reviewed some of the accounting records and discussed internally to better understand the sale obligations. First and foremost – the accounting records are not “clean.” I am not implying anything is wrong, inaccurate, or nefarious. I simply saying there is not a clean path between the Assembly Resolutions tied to the accounting entries. Additionally, Wilks Consulting Services has been retained by the MOA and is being issued a task order(s) to review accounting of the ML&P sale and to close all outstanding accounting associated with the utility in SAP. I want to be sure we have full understanding of the accounting records to close all the records and believe them to be complete and accurate.

Questions asked:

1. What are the various accounts that were established as part of the ML&P sale? Which of these still exist, what can we use these funds for, and what are the current balances?
2. We know that we must spend \$15M on an Alaska Center for Treatment by around December 2025, or else we need to return those funds to Chugach at a loss to the Muni and its residents, but was \$15M specifically set aside for this? Is there an account with whatever is left following the purchase of the Golden Lion waiting to be spent, or must we locate those funds from within our general fund?

Three obligations from the sale – 1) \$15M for the Alaska Center for Treatment, 2) Cost of Redemption, Defeasance and Professional Service Fees (Sect 8 AR 2020-360 and ARs 2021-187(S)) & 2022-164), and 3) Employment Matters (Section 11 AR 2020-360 and AR 2021-187 (S))

1. Alaska Center for Treatment. \$15M was set aside as required in Section 9 on AR-2020 - 360. The purchase of the Golden Lion and associated repairs have credited the account. Should the Golden Lion not become the Alaska Center for Treatment the expended funds will need to be reappropriated elsewhere as \$15M of ML&P sale proceeds is required for the Alaska Center for Treatment. Should the Golden Lion become the Alaska Center for Treatment all funds expended to date will be subject to audit and verification for appropriate allocation to the Alaska Center for Treatment. Approximately \$5M remains available in this account.

Should MOA not complete the Alaska Center for Treatment the inflows from the Power Purchase Agreement with CEA will not be paid until \$15M is withheld from payment by Chugach Electric Association as required by RCA U-18-102/U-19-020/U-19-021 in the Stipulation Resolving All Issues of October 25, 2019.

2. Cost of Redemption, Defeasance and Professional Service Fees - \$700,000 in expenses were coded to this account. Nothing remains. Section 8 – AR 2020–360 and Section 3a. AR 2021-187(S).
 - a. AR 2022-164 - \$637K was set aside for outstanding anticipated expenses associated with the sale of ML&P. \$616K remains restricted and set-aside. The only known

needed professional fees associated with the sale are the completion of draft sales agreements to be used in 35 years at the end of the PPAs with CEA and MEA as required under the ML&P sale agreement. Any unused funds must be deposited into the MOA Trust Account.

3. Employment Matters (Section 11 AR 2020-360 and AR 2021-187 (S)) - \$1.9M (\$1,890,032) in unfunded PERS liability was transferred to the State of Alaska in accordance with this section. A more thorough review of the ML&P accounts will need to be conducted to ensure that the funds appropriated with the attached ARs were accounted for properly. In reviewing the entries noted as Section 11 – the PERS entry is the only one that surfaced. Other items such as retention fees and IBEW Grievances settlements appeared to have been paid but referenced to the ARs listed above.

Please let me know if you have questions.

Thanks
--Grant