

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska
December 7, 2005

BOARD OF DIRECTORS'
MEETING MINUTES

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 5:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Alan Christopherson – Chairman
David Cottrell – Secretary
Elizabeth Vazquez – Treasurer
Jeff Lipscomb – Director
Ray Kreig – Director
Uwe Kalenka – Director

Director Bruce Davison was absent.

The following employees, members, and guests attended:

Bill Stewart	Ed Jenkin	Phil Steyer
Bill Bernier	Carol Johnson	Mary Tesch
Mangala Chaobal	Meera Kohler	Lee Thibert
Mike Cunningham	Craig McCollom	Ron Vecera
Crystal Enkvist	Connie Owens	Jim Walker
Brad Evans	Mike Pauley	Dave Ausman
Carol Heyman	Paul Risse	
Dianne Hillemeier	Jim Patras	

DeAnna Scott, Executive Assistant, recorded meeting proceedings.

Chairman Christopherson led the Board and audience in the Pledge of Allegiance.

I. EXECUTIVE SESSION

None.

II. APPROVAL OF AGENDA

Director Kalenka moved and Director Kreig seconded the motion to approve the Agenda. Director Lipscomb requested to add under New Business amendments to the 2006 Operating Budget – JAA Budget Addition and the G&T Rate Case Budget Addition.

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Director Lipscomb moved and Director Kreig seconded the motion to waive the seven-day rule amending the Agenda to include Amendments to the 2006 G&T Operation Budget under New Business, Item I. The motion passed unanimously as amended.

III. **CONSENT AGENDA**

Director Kalenka moved and Director Kreig seconded the motion to approve the Consent Agenda.

- A. **Calendar of Events** (December 2005 – December 2006)
Bylaws Committee meeting January 11, 2006, at 5:30 p.m.
- B. **Minutes** (November 16, 2005)
Director Kreig addressed revision to his comments at the prior Board meeting. Changes were accepted as recommended.
- C. **Write-off of Account Receivable – Electric**
Move that the Board of Directors adopt the resolution referring to write-offs of Accounts Receivable – Electric.
- D. **Write-off of Account Receivable – Other**
Move that the Board of Directors adopt the resolution referring to write-offs of Uncollectible Accounts Receivable – Other.

The motion to approve the Consent Agenda as amended passed unanimously.

IV. **PERSONS TO BE HEARD**

A. **Wholesale Customer Comments**

Mr. Mike Pauley, Matanuska Electric Association, Inc., addressed the Board regarding the Railbelt Energy Fund. Mr. Pauley distributed the letter that was sent out by MEA to the Alaska Power Association members to express their views on the current discussions regarding the Railbelt Energy Fund. Mr. Pauley stated MEA feels strongly committed to the agreement that was signed on September 26, 2005, by MEA, Homer, Chugach, and AIDEA. MEA's view is that this issue is in the public arena and APA has a right to support or not support as they see fit. MEA remains committed to the proposed distribution as outlined in the September 26, 2005, letter.

B. **Member Comments**

None.

V. **CEO REPORT**

Interim CEO Bill Stewart reported on the following:

- Holiday Party at the Sheraton on Saturday, December 10, 2005, at 7:30 p.m.
- APA Annual Legislative Conference - March 15-16, 2006, in Juneau. We might want to consider moving the March Board Meeting.

- Letters and gift cards distributed to all employees. The employees are extremely grateful for this effort and we are already receiving their expressions of appreciation.
- Chugach will donate 400 turkeys to charities.
- Chugach's United Way goal for this year is \$60,000. To date, we have received \$33,000 in pledges.
- Meetings with our current and potential gas suppliers: ConocoPhillips, Chevron, Marathon, and Aurora to discuss future gas supplies and prepare for our future contracts.
- Meeting with Bob Stiles of Chuitna Coal to discuss development of their coal mine and prospective power needs.
- Railbelt Utility Managers' group is going to meet in the next two weeks to further discuss a joint recommendation for the list of projects to be funded with the remaining Railbelt Energy Funds.

VI. CORRESPONDENCE

- MEA Letter dated December 6, 2005
- GVEA's November 30, 2005, letter to AIDEA
- Memo from Sherri McKay-Highers to Mike Cunningham regarding Denali Commission Grant Funds
- Consumer Price Index memo from Interim CEO Bill Stewart
- E-mail from Ron Saxton regarding the JAA discussions in Washington, DC
- AVEC letter to MEA dated December 7, 2005

VII. DIRECTORS' REPORTS

A. Committee Reports

Chairman Christopherson reported on the Legislative reception that was on November 28, 2005. Phil Steyer, Manager, Governmental & External Affairs, made a presentation and interesting conversation followed.

Director Vazquez reported that the Finance Committee met on November 30, 2005. Items discussed were the Unbundled October 2005 financials and the Financial Management Plan. The Committee requested an alternate financial plan be developed to include two projects: 130 MW generation plant and the 115 KV line maintenance project.

Director Christopherson reported that the Operations Committee met at 4:00 p.m. today and the items discussed were the 2005 Budget-to-Actuals Briefing on CIP and Expense Projects, and appointments to the Bylaws, Election, and Nominating Committees.

B. Alaska Power Association (APA) Report

Interim CEO Stewart reported on the December 1-2, 2005, APA meeting.

C. Meeting Reports

None.

VIII. UNFINISHED BUSINESS

A. G&T Division Rate Case

Director Lipscomb moved and Director Cottrell seconded the motion that the Chugach Electric Association Board of Directors directs the Interim CEO to promptly begin the preparation to file a rate case with the Regulatory Commission of Alaska to achieve acceptable margins for the Generation & Transmission Division. Directors Lipscomb and Cottrell voted yes. Chairman Christopherson, Directors Kreig, Vazquez, and Kalenka voted no. The motion failed.

IX. NEW BUSINESS

A. Authorizing and Funding of Early Capital Credit Payments

Tabled to the February 2006 Board meeting.

B. Appointment of 2006 Bylaws Committee

Director Kalenka moved and Director Cottrell seconded the motion to appoint Donald Anderson for Term A; David Ausman for Term B; George Hanson for Term C; and Robert Gastrock for Term B. The motion passed unanimously.

C. Appointment of the 2006 Election Committee

Director Kalenka moved and Director Cottrell seconded the motion to appoint Mary Charmley for Term C; Belinda Davis for Term B; John Hansmeyer for Term B; R.H. Kinney for Term B; and Wayne Lahti for Term B. The motion passed unanimously.

D. Appointment of 2006 Nominating Committee

Director Kalenka moved and Director Cottrell seconded the motion to appoint Jim Magowan for Term B.

Director Lipscomb moved and Director Cottrell seconded to amend the motion to add Yvonne Hall former Nominating Committee to this Committee.

Director Lipscomb moved and Director Cottrell seconded the motion to amend the amendment to add Chuck Lund to the Nominating Committee.

Vote was called on the amendment to the amendment to add Chuck Lund to the Nominating Committee with Directors Lipscomb and Cottrell voting yes. Chairman Christopherson, Directors Kreig, Vazquez, and Kalenka voted no. Motion failed.

Vote was called on the amendment to add Yvonne Hall to the Nominating Committee. Directors Lipscomb and Cottrell voted yes. Chairman Christopherson, Directors Kreig, Vazquez, and Kalenka voted no. Motion failed.

Vote was called on the original motion as recommended by the Operations Committee. Chairman Christopherson, Directors Cottrell, Kreig, Vazquez, and Kalenka voted yes. Director Lipscomb abstained. Motion passed.

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E. 2006 - 2010 Financial Management Plan

Tabled to January 2006 meeting.

F. Beluga Unit 6C Inspection

Director Lipscomb moved and Director Kreig seconded the motion that the Board of Directors hereby authorizes procurement of necessary Alstom Power components in the amount of \$4,406,832.11 for fiscal year 2006. The motion passed unanimously.

G. APA (Alaska Power Association) Membership

Director Kalenka moved and Director Kreig seconded to waive the seven-day rule. The motion passed with Director Lipscomb opposed.

Director Kalenka moved and Director Vazquez seconded the motion to provide a six-month notice of intent to withdraw membership from the Alaska Power Association. Chairman Christopherson, Directors Kreig, Vazquez, and Kalenka voted yes. Director Lipscomb and Cottrell voted no. Motion passed.

H. Director's Expenses

Director Lipscomb moved and Director Vazquez seconded the motion to approve Directors' Expenses. The motion passed unanimously.

I. Increase the 2006 G&T Operating Budget for Professional Services for a Rate Case and AREA JAA Membership Cost

Director Lipscomb move and Director Kreig seconded to waive the seven-day rule to amend the 2006 G&T Operating Budget. The motion passed unanimously.

Director Lipscomb moved and Director Cottrell seconded the motion to add \$1,000,000 to the G&T Division for Professional Services for a rate case in 2006. Chairman Christopherson, Directors Kreig, Vazquez, and Kalenka voted no. Directors Lipscomb and Cottrell voted yes. Motion failed.

Director Lipscomb moved and Director Cottrell seconded the motion to add \$100,000 to the 2006 Operating Budget to the G&T Division for the AREA JAA membership costs. Chairman Christopherson, Directors Cottrell, Kreig, Vazquez, and Kalenka voted no. Director Lipscomb voted yes. Motion failed.

X. DIRECTORS' COMMENTS

Director Kreig: Stated he appreciated the messages received from the Chugach employees in reaction to the Board's Christmas communications. He also appreciated the material received on ML&Ps Bond presentation. It is noted they are planning to use funds that would alternately be ratepayer money to drill deep exploration holes in their gas field. He expressed concern questioning whether it is appropriate for a public entity to be spending electric ratepayer money drilling exploration holes.

Director Cottrell: Stated that he continues to support the APA and hopes that Chugach can continue to be a member of the statewide organization and participate at their annual meeting.

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Director Kalenka: No comments.

Director Vazquez: Not present during Directors' Comments.

Director Lipscomb: Concurred with Director Cottrell's comment in support of the APA and like to see Chugach participate without contingencies associated with it. It is better to operate within an organization than from without. Director Lipscomb wished APA good luck in their endeavor and hopes that Chugach will be participating in the future. Merry Christmas to everyone and be safe during the holidays.

Director Davison: Absent

Director Christopherson: Offered his commitment to the September Railbelt Energy Fund letter. Chairman Christopherson sent a warm holiday message and seasons greetings to all employees and management.

XI. EXECUTIVE SESSION

At 6:47 p.m. Director Lipscomb moved and Director Cottrell seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1)(2) and (3), the Board go into executive session to discuss personnel matters – subjects that tend to prejudice the reputation and character of a person although the person may request a public discussion. The topic to be discussed is CEO Search – Personnel Relations. The motion passed unanimously. Director Vazquez was not present at the time of the vote.

XII. ADJOURNMENT

The Board came out of executive session at 7:13 p.m. and adjourned.

Dave Cottrell, Secretary

Date Approved: January 18, 2006

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