

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

January 18, 2006

BOARD OF DIRECTORS'
MEETING MINUTES

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:03 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Alan Christopherson – Chairman
Dave Cottrell – Secretary
Elizabeth Vazquez – Treasurer (arrived at 4:35 p.m.)
Bruce Davison – Director
Jeff Lipscomb – Director
Ray Kreig – Director
Uwe Kalenka – Director

Draft

The following employees, members, and guests attended:

Bill Stewart	Lee Thibert	Mike Cunningham
Brad Evans	Dianne Hillemeier	Connie Owens
Phil Steyer	Carol Johnson	Bill Bernier
Ken Thomas	Ron Vecera	Ed Jenkin
Rick Freymiller	Arthur Miller	Mary Tesch
Patti Bogan	Carol Heyman	John Cooley
Dan Knecht	Brian Hickey	Paul Risse
Jean Sauget	Dave Smith	Debbie Debnam
Leona Pooler	Ruth Fitzpatrick	David Carey
Hugh Chumley	Rick Schikora	Craig McCollom
Jim Henderson	Jim Patras	Dave Ausman
Mike Pauley	Don Edwards	Bill Mede
Parry Grover		

Jennifer McDonald, Legal Secretary, recorded meeting proceedings.

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

I. EXECUTIVE SESSION

None.

II. APPROVAL OF AGENDA

Director Kreig moved and Director Kalenka seconded the motion to approve the agenda. Director Lipscomb requested the 2006 – 2010 Financial Management Plan

be added under Agenda Item VIII. Unfinished Business as stated in the December 7, 2005, board meeting minutes.

Director Davison moved and Director Lipscomb seconded the motion to waive the seven-day rule to add under Agenda Item VII. Unfinished Business, the previous motion raised at the November Board meeting requesting to amend Chugach's participation in the JAA to remove the contingency that our continued participation be based on tax-exempt financing.

Chairman Christopherson struck Agenda Item IX.B. under New Business, Approval of 2006 Election Procedures, which will be discussed in a proposed special Board meeting scheduled to be held before the Finance Committee meeting on January 25, 2006.

The motion to approve the agenda, as amended, passed unanimously.

III. **CONSENT AGENDA**

A. **Calendar of Events** (January 2006 – December 2006)

The following was added to the calendar: Special Board meeting to be held right before the Finance Committee meeting on January 25, 2006; the March 15 Board meeting was moved to March 22; and the Bylaws Committee meeting was added to January 23, 2006 at 5:30.

B. **Minutes** (December 7, 2005)

No changes.

There was no opposition to the amended consent agenda.

IV. **PERSONS TO BE HEARD**

A. **Wholesale Customer Comments**

Rick Schikora, Chairman of Golden Valley Electric Association, Inc. (GVEA) Board and Chairman of Alaska Railbelt Authority Board (JAA), spoke about issues related to the JAA; discussed the Railbelt Energy Fund split, Chugach's membership in the Alaska Power Association (APA); provided an update on several of GVEA's legal matters; and informed the Board that GVEA hired former DNR Commissioner, Tom Irwin, as GVEA's Vice President of Government and Public Affairs.

B. **Member Comments**

David Carey, Board President of Homer Electric Association, Inc. (HEA), invited the Chugach Board to attend the International Arctic Winter Games, to be held March 5 – 11, in the Kenai Peninsula. Mr. Carey spoke about the Railbelt Energy Fund; the restructuring of APA; HEA, Matanuska Electric Association (MEA), and Chugach speaking together in Juneau; HEA's legislative priorities; a unified system operator; a Beluga Intertie; and the Tesoro Plant.

Draft

V. CEO REPORT

A. 4th Quarter Safety Report

Ken Thomas, Manager of Safety, gave a presentation on the 2005 4th Quarter Safety Report and answered questions from the Board.

Bill Stewart, Interim CEO, reported the following:

- The NRECA Annual meeting is scheduled for February 20 – 23 in Orlando, Florida. Let Dianne know if you are planning to attend.
- The APA Legislative conference is scheduled for March 14 – 16 in Juneau. Let Dianne know if you are planning to attend.
- KPMG will begin their audit fieldwork on Monday, January 23.
- Chugach's United Way campaign goal for this year was \$60,000 and to date Chugach has received \$61,413 in pledges. Mary Tesch and Connie Owens ran the campaign and did a great job.
- Beluga Power Plant Unit #3, which went into service October 1975, has achieved 200,000 hours of service as of December 24, 2005. The unit has been started and shut down 1620 times and is one of the longest running units of its size anywhere. A lot of credit goes to Brad Evans and his department for making that happen. This is a significant milestone.

VI. CORRESPONDENCE

None.

VII. DIRECTORS' REPORTS

A. Committee Reports

Director Vazquez reported the Bylaws Committee met on January 11, 2006, and there were three Bylaws proposals to discuss and consider. The Committee will meet again on Monday, January 23.

Director Kalenka reported on his meeting with MEA and stated that Jamie Stout's report details that meeting.

Chair Christopherson reported the Operations Committee met on January 4, 2006, and discussed records retention, Bylaw amendments, alternative supply to Baxter Lake, and Beluga gas.

Director Cottrell reported the APA Committee was scheduled to have a Resolutions Committee meeting on January 19, and a joint meeting on January 26, 2006.

Director Vazquez reported the Finance Committee met on November 30, 2005, and discussed the October Unbundled Financials and the 2006 – 2010 Financial Management Plan. The Committee requested that staff prepare an alternate Financial Management Plan to include a potential 130MW generation plant and

Draft

maintenance of the 115kV line. The Committee will be meeting in early February to consider the amended plan. In addition, Chugach received a letter from Standard and Poors upgrading our bond rating from "A- unstable" to "A- stable".

B. Alaska Power Association (APA) Report

Reported above.

C. Meeting Reports

Reported above.

VIII. UNFINISHED BUSINESS

Director Lipscomb stated an alternative to the Financial Management Plan was to be prepared to show the impacts to Chugach as a member of the JAA and as a non-member of the JAA. Chair Christopherson stated that the Board did not have the amended plan and was not prepared to talk about it tonight. Director Lipscomb withdrew his motion as a Special Meeting has been scheduled on February 8 to discuss the amended Financial Management Plan and requested it be on the agenda for the February 15 Board meeting.

Director Davison moved and Director Lipscomb seconded the motion to bring off the table the motion that was made at the November Board meeting to remove the conditions and directions to the CEO to provide notice to the AREA JAA of Chugach Electric Association's withdrawal from the AREA JAA. The motion failed on a vote of 4 to 3 - Directors Cottrell, Davison, and Lipscomb voting in favor and Directors Christopherson, Kalenka, Kreig, and Vazquez voting against.

Draft

IX. NEW BUSINESS

A. Appointment of 2006 Master Election Judge

Director Kreig moved and Director Cottrell seconded the motion to appoint Philip Levis as the 2006 Master Election Judge. The motion passed unanimously.

B. Approval of 2006 Election Procedures

This item will be the subject of a Special Board meeting scheduled to be held before the Finance Committee meeting on January 25, 2006.

C. 2006 Date of Record

Director Kreig moved and Director Kalenka seconded the motion to set March 15 as the record date for the 2006 Chugach annual meeting election. The motion passed unanimously.

D. Beluga Gas Compression – Budget Revision

Director Kreig moved and Director Cottrell seconded the motion to approve the CIP addition in the amount of \$3.2 million for payment to ConocoPhillips Alaska, Inc. for the Gas Compression Project at Beluga River Field. The motion passed unanimously.

E. ConocoPhillips Beluga Gas Compression Agreement

Director Kreig moved and Director Cottrell seconded the motion to authorize the Interim CEO Bill Stewart to sign the Cost Sharing Agreement with ConocoPhillips for new compression at the Beluga River Field. After Board discussion the Resolution (Agenda Item D) was amended to read: "WHEREAS Chugach's share of the project shall not exceed \$3.3 million" and the CIP addition (Agenda Item D) will also be revised accordingly. The motion passed unanimously.

F. 34.5 kV Alternate Supply to Baxter Lake Substation

Director Lipscomb moved and Director Davison seconded the motion that the Chugach Board of Directors authorize the Interim Chief Executive Officer Bill Stewart to execute a contract with Hot Wire Electric, Inc., for the rebuilding of the APA-Eklutna Line from APA Substation to Baxter Lake substation in an amount not to exceed \$1,181,660. The motion passed unanimously.

G. Directors' Expenses

Director Kreig moved and Director Kalenka seconded the motion to approve Directors' Expenses. The motion passed unanimously.

X. DIRECTORS' COMMENTS

Director Cottrell: I received a call on my voice mail from one of our members supporting the wind generation power project at Fire Island. It appears from one of her comments that she is of the opinion the Fire Island wind power generation is economical. We have not determined whether it is economical and I think it is important that we provide information to our members that the wind generation power is being researched but it has not been determined whether it is economical. Misinformation about the wind power generation keeps growing and we ought to do something about it.

Director Kalenka: I had a phone call and possibly talked to the same member. I reassured her that we have not seen any figures yet and the Board will have a presentation in the near future but at this point in time we do not know what the power options are. Lee Thibert stated a presentation would be made on February 8.

Director Vazquez: I share the concerns about the wind power issue. Once we have more information we should put it in our next newsletter. I understand our staff has started to work on a project to inform our members on how they can save energy and David Ausman will be working on that project with staff.

Director Lipscomb: I want to thank everyone for their hard work in keeping the lights on. I encourage us to commit ourselves in 2006 to working safely. It is to all of our advantage to do better and work safely.

Director Davison: I want to thank Dave Carey and Rick Schikora for coming to our meeting and making presentations to the Board. Good luck on the Arctic Winter games and I hope you get your snow. They both presented very useful information and our Board did not really have the opportunity to consider and digest the information. I would encourage and hope that on important issues, such as the JAA

Draft

and the disbursements of funds from the Railbelt Energy Fund, our Boards have an opportunity to get together, either collectively or individually, and get these issues hashed out and discuss them in more depth and detail around the table instead formal presentations.

Director Kreig: I talked to the member regarding wind power. The one thing that struck me from the conversation was I asked her what she felt she was willing to pay for wind power and she stated whatever it takes – even as high as 40 cents per kWh. The member was cost insensitive and I did not really tell her what it would mean if the Chugach Board started charging 40 cents per kWh.

Director Christopherson: I would like to express to Homer good luck on the games and thank you for coming to our meeting. I appreciate your comments. There has been a lot of discussion on the JAA and it has been made apparent that it can be open to people opting in and opting out in the future. I think when it is right we will be there. Director Davison asked me earlier about my meeting with MEA. There was a very good historic and interesting development. We have worked with MEA and HEA in developing a joint planning/joint legislative reception in Juneau. It will start late in January with the GMs and CEOs going to Juneau, and on a date to be determined in March MEA, HEA, and Chugach will get together to discuss the Railbelt.

XI. EXECUTIVE SESSION

At 5:46 p.m. Director Kreig 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 1) matters the immediate knowledge which would clearly have an adverse effect on the finances of the cooperative, 2) subjects that tend to prejudice the reputation and character of a person although the person may request a public discussion, and 3) matters with its attorneys the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The topics to be discussed are: 1) Seward Contract Extension, 2) Emergis, 3) Labor, and 4) Personnel matters. The motion passed unanimously.

XII. ADJOURNMENT

The Board came out of executive session at 8:05 p.m. and adjourned.

David Cottrell, Secretary
Date Approved: March 22, 2006

Draft