

**CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA**

February 15, 2006

**BOARD OF DIRECTORS'
MEETING MINUTES**

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:02 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 (via teleconference)
Elizabeth Vazquez – Treasurer
Bruce Davison – Director
Jeff Lipscomb – Director
Ray Kreig – Director
Uwe Kalenka – Director

The following employees, members, and guests attended:

Bill Stewart	Lee Thibert	Mike Cunningham
Brad Evans	Dianne Hillemeier	Connie Owens
Phil Steyer	Patti Bogan	Carol Johnson
Ed Jenkin	Bill Bernier	Ron Vecera
Carol Heyman	Dave Smith	Mark Fouts
Jean Sauget	Debbie Debnam (HEA)	Ruth Fitzpatrick (HEA)
Jim Patras (HEA)	Mike Pauley (MEA)	Crystal Enkvist (APA)
Craig McCollom (APA)	Parry Grover	Jim Nordlund
David Ausman	Jason Brune	

Paula Neas-Arnold, Executive Assistant, recorded meeting proceedings.

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

I. EXECUTIVE SESSION

At 4:04 p.m., Director Davison moved and Director Kreig 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) Labor Negotiations and 2) CEO Search.

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The board meeting resumed at 5:22 p.m.

Director Lipscomb moved and Director Cottrell seconded the motion to continue with Bill Stewart as Interim CEO with Mr. Stewart's salary and job description to be negotiated. The motion passed unanimously.

II. APPROVAL OF AGENDA

Director Kalenka moved and Director Kreig seconded the motion to waive the seven-day rule to add Agenda Item IX. C. Proposed Bylaw Amendment – Director Term Limits. The motion to waive the seven-day rule passed with directors Christopherson, Kreig, Kalenka, and Vazquez voting in favor; Directors Cottrell, Davison, and Lipscomb were opposed. Director Kreig moved and Director Kalenka seconded the motion to add Agenda Item IX.C. Proposed Bylaw Amendment - Director Term Limits, to the agenda. The motion carried with Directors Christopherson, Kalenka, Kreig, Cottrell, and Vazquez voting in favor; Directors Davison and Lipscomb were opposed.

Director Vazquez moved and Director Kalenka seconded the motion to waive the seven-day rule to add Agenda Item IX.D. Amendment to Board Policy 128 - Confidentiality, to the agenda. Directors Christopherson, Kreig, Kalenka, and Vazquez voted in favor; Directors Davison and Director Lipscomb voted in opposition; Director Cottrell abstained. The motion carried. Director Vazquez moved and Director Kreig seconded the motion to add Agenda Item IX.D. Amendment to Board Policy 128 – Confidentiality, to the agenda. The motion carried with Directors Christopherson, Kalenka, Kreig, and Vazquez voting in favor; Directors Davison, Cottrell, and Lipscomb were opposed.

Director Kreig moved and Director Kalenka seconded the motion to approve the agenda as amended. The motion carried with Directors Christopherson, Kalenka, Kreig, and Vazquez voting in favor; Directors Davison, Cottrell, and Lipscomb were opposed.

III. CONSENT AGENDA

A. Calendar of Events (February 2006 – January 2007)

No changes.

B. Minutes (January 18, 2006)

No changes.

Director Kreig moved and Director Kalenka seconded the motion to approve the consent agenda. The motion passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

Debbie Debnam, Board member from Homer Electric Association, Inc., reported on HEA General Manager Brad Janorschke's recent visit to the legislature in Juneau and with the Governor regarding the distribution of the Railbelt Energy Funds. The Homer board expressed their appreciation for Chugach's attendance and cooperation.

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B. Member Comments

Jason Brune, Chugach member and member of the Bylaws and Election Committees, stated that he is very displeased with several issues - the priority being the Board's decision to waive the seven-day rule and the last-minute additions to the meeting agenda. He expressed his disappointment with the pattern of last-minute additions to the meeting agendas over the past six months in spite of the open meetings law. Having served on the Bylaws Committee for the past four years, he felt their work was for naught. He had addressed the Board of Directors last August about proposed bylaws items coming to the committee and nothing came forth. He had been told that there were no planned bylaws amendments for this year's ballot. Last year the members had voted to retain the Member Advisory Committee - yet the Board has done nothing to populate that committee. He was disappointed that the Board is now proposing a bylaw amendment that has not been run by the Bylaws Committee.

V. CEO REPORT

- Bill Stewart, Interim CEO, reviewed upcoming calendar events.
- Phil Steyer, Manager, Government & External Affairs, reported on the status of legislative issues, in particular, distribution of funds from the Railbelt Energy Fund. Mr. Steyer will provide the Operations Committee with an update.
- Lee Thibert, General Manager, Distribution Division, reported on the recent outage events due to weather. Mr. Thibert stated the storm, which started February 9 and continued through February 14, created an avalanche in Seward, taking down steel structures and isolating Seward from the system. The damage was worse in Hope as the damage caused outages for 2 ½ days. In addition, Moose Pass, Cooper Landing, Girdwood, and Portage were also affected and the Seward Highway was closed due to avalanches. Icy conditions outside Hope caused an accident involving three Chugach vehicles and fortunately no injuries resulted.
- Bill Stewart, Interim CEO, reported on the Chugach website redesign. Dave Smith, Director, Information Services, gave a presentation demonstrating many new features of the redesign.

VI. CORRESPONDENCE – None.

VII. DIRECTOR'S REPORTS

A. Committee Reports

Director Vazquez reported the Finance Committee met on January 25 where Ron Vecera, Director, Member Services, gave a presentation showing the account payment options available to members as well as possible ways to reduce related costs.

Chairman Christopherson reported the Operations Committee met on February 6. At that meeting, Ron Vecera, Director, Member Services, gave an Energy Audit presentation and also discussed the funding of discounted capital credits payments.

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B. APA Report

Director Cottrell reported on the APA board meeting. Their CEO search is continuing with the final three candidates set for interviews on March 13.

C. Other Meeting Reports

Chairman Christopher reported on the Special Board Meetings held on January 25 and February 6.

Director Vazquez reported that both the Bylaws and Election Committees met on January 23 as reported at the last meeting of the Board.

Director Lipscomb reported on the AREA JAA meeting held on January 26 where Chugach gave notice of its immediate withdrawal from the JAA.

Director Kalenka reported on the MEA meeting held on February 13. He found their safety and security presentations very enlightening. Security preparation is a very important issue. He is looking forward to a good relationship with all our wholesale customers and will also be attending the Homer Electric Association board meetings in the summer.

VIII. UNFINISHED BUSINESS

None.

IX. NEW BUSINESS

A. Authorization and Funding of Early (Discounted) Capital Credit Payments

Director Cottrell moved and Director Vazquez seconded the motion to approve the Authorization and Funding of Early (Discounted) Capital Credit Payments. The motion passed unanimously.

B. Directors' Expenses

Director Lipscomb moved and Director Kalenka seconded the motion to approve Director's Expenses. The motion passed unanimously.

(Director Davison left the meeting at 6:30 p.m.)

Executive Session

At 6:30 p.m., Director Kreig moved that pursuant to Alaska statute 10.25.175(c) (3), the Board go into executive session to discuss 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 in this executive session are agenda items IX.C. and IX.D. Director Kalenka seconded the motion. The motion passed unanimously. (Director Davison was not present at this time).

The meeting reconvened at 7:24 p.m.

C. Proposed Bylaw Amendment - Director Term Limits

Director Kalenka moved and Director Kreig seconded the motion to place the Proposed Bylaw Amendment – Director Term Limits, on the 2006 Annual Meeting election ballot with the wording to reinstate (put back) term limits. Director Lipscomb moved to amend the motion to provide that the proposed amendment be referred to the Board Operations Committees per Board Policies 101 and 111 and then subsequently referred to the Bylaws Committee for review. Director Cottrell seconded the motion. Chairman Christopherson asked for a vote on the amendment. The amendment failed with directors Christopherson, Kalenka, Kreig, and Vazquez voting no and directors Cottrell and Lipscomb voting yes. General Counsel Johnson indicated that the proposed bylaw amendment would be forwarded to the Bylaws Committee in any case. A vote was taken on the main motion: to place the proposed Bylaw Amendment - Director Term Limits, on the 2006 Annual Meeting election ballot. Directors Vazquez, Kreig, Kalenka, and Christopherson voted yes. Director Cottrell and Lipscomb voted no. The motion passed.

Director Kalenka moved and Director Kreig seconded the motion to adopt as a board comment the following:

"Term limits are widely considered desirable for elected positions. Governors in 36 states (including Alaska) serve under term limits and there are over 4,000 cities, counties, and school boards across the United States that have established term limits (including the mayor and assembly and school board members in Anchorage).

At Chugach, term limits had been in place for the board of directors for over twenty years until the design of the election ballot in 2004 caused many members to cast ballots in error. Many in favor of term limits mistakenly voted yes. But the way it was worded, voting yes actually ended term limits.

A nine-year stretch on the Chugach board is enough for directors to accomplish their policy objectives. It's healthy for a cooperative board for such directors to take a break and sit out a year as an ordinary electric ratepayer before running again.

The wording in the bylaw change proposed here is identical to what was removed as a result of the flawed 2004 vote. The bylaw would reinstate term limits.

A majority of the board recommends a "yes" vote."

The motion carried with Directors Christopherson, Kalenka, Kreig, and Vazquez voting yes and Directors Cottrell and Lipscomb voting no.

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D. Amendment to Board Policy 128 – Confidentiality

Director Vazquez moved to amend Board Policy 128, Section C, paragraph 2, repealing provisions improperly restricting accountability for executive session decisional deliberations. Director Kalenka seconded the motion. Director Lipscomb moved and Director Cottrell seconded the motion to refer the proposed amendment to Board Policy 128 to the Board Operations Committee as per Board Policies 101 and 111. The motion failed with Directors Lipscomb and Cottrell voting yes and Directors Christopherson, Kalenka, Kreig, and Vazquez no. Directors Vazquez and Lipscomb indicated they would be happy to assist General Counsel with a review and update to all Board Policies.

A vote was taken on the main motion to amend Board Policy 128 as follows:

"C. Obligations Upon Termination of Termination of Employment and Board Membership.

1. ~~Directors and~~ Employees shall immediately return all confidential information or documents of the Association in their possession to the Association upon request of the Association, and, in any event, upon termination of their employment with the Association ~~or their membership on the Association's Board of Directors~~, including those in electronic format."

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The motion passed with Directors Christopherson, Kalenka, Kreig, and Vazquez voting yes and Directors Lipscomb and Cottrell voting no.

X. DIRECTOR'S COMMENTS

Director Kreig: Director Kreig complimented Dave Smith, Director, Information Services, on the presentation of the website updates. He also complimented Lee Thibert, General Manager, Distribution Division, on the heroic measures taken during the outage in Hope.

Director Cottrell: Director Cottrell expressed his appreciation to all of the volunteer committee members. It is not the Board's intention to offend anyone.

Director Kalenka: Director Kalenka distributed copies of materials received at MEA's board meeting and requested that copies of staff's monthly report of MEA board meetings be sent to all directors. He also shares security concerns and would like to work further with both MEA and HEA on this issue. He asked for a history on the issue of an MEA board member seat on the Chugach board.

Director Vazquez: Director Vazquez complimented Dave Smith, Director, Information Services, on the website improvements. She agreed that security is important for all Railbelt utilities. She also expressed her concerns about offending volunteer committee members.

Director Lipscomb: Director Lipscomb complimented Lee Thibert, General Manager, Distribution Division, on the outage efforts and maintaining our employees' safety. He was disappointed with the behavior and actions of the Board tonight concerning the last-minute additions to the agenda and the apparent cancellation of a special board meeting that had been called for on February 24.

Chairman Christopherson: Chairman Christopherson reported that he is pleased that the Board of Directors has asked Bill Stewart, Interim CEO, to continue in his role as Interim CEO. Changes will be made to allow Mr. Stewart more latitude. He also thanked Mr. Thibert and staff for their efforts during the recent outages. Chairman Christopherson expressed disappointment with Jason Brune's comments and will personally telephone Mr. Brune and discuss his concerns. Chairman Christopherson would like to thank all volunteer committee members for their efforts. Chairman Christopherson also took full responsibility for the special meeting that had been requested then not scheduled.

XI. EXECUTIVE SESSION

At 8:10p.m. Director Kreig moved and Director Cottrell seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1) 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. The topic to be discussed is the Fire Island Wind Project.

XII. The board meeting adjourned at 8:44 p.m.

David Cottrell, Secretary
Date Approved: March 22, 2006

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