

**CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska**

March 16, 2005

**BOARD OF DIRECTORS'
MEETING MINUTES**

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:04 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Minnesota Drive, Anchorage, Alaska.

The following board members were present:

Red Boucher - Chairman
Pat Jasper – Secretary
Jeff Lipscomb – Treasurer
Chris Birch – Director (Departed at 5:33 p.m.)
Sam Cason – Director (Arrived at 4:05 p.m.)
Dave Cottrell – Director

Vice Chairman Davison was absent.

The following employees, members, and guests attended:

Joe Griffith	Dora Gropp	Chris Rose
Bill Bernier	Kathy Harris	Mark Smith
Paul Brandon	Jack Hession	Bill Stewart
Patti Bogan	Brian Hickey	Katrina Storjohann
Claire Chandler	Dianne Hillemeier	Mary Tesch
Alan Christopherson	Carol Johnson	Lee Thibert
Mike Cunningham	Uwe Kalenka	Ken Thomas
Don Edwards	Ray Kreig	Peg Tileston
Crystal Enkvist	Sherri McKay	Ron Vecera
Bradley Evans	Arthur Miller	Jim Walker
Rick Freymiller	Margellen Oman	Burke Wick
Lee Ann Gerhart	Connie Owens	Jody Wolfe
Steve Gilbert	Kathy Porterfield	

DeAnna Scott, Executive Assistant, recorded meeting proceedings.

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

I. EXECUTIVE SESSION

At 4:05 p.m. Director Cottrell moved and Director Lipscomb 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 that immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; 2) subjects that may prejudice the reputation and character of a person; and 3) matters with its attorneys, the immediate

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knowledge of which could have an adverse effect on the legal position of the cooperative. The topics to be discussed in executive session are: Legislative matters and related strategic planning, financial matters, and personnel matters.

There was a five-minute recess at 4:05 p.m. and the board went into executive session.

The Board reconvened out of executive session at 5:33 p.m. Director Birch left the meeting at this time.

II. APPROVAL OF AGENDA

Director Jasper moved and Director Cason seconded the motion to approve the revised agenda. The motion to approve the revised agenda passed unanimously.

III. APPROVAL OF CONSENT AGENDA

Director Jasper moved and Director Lipscomb seconded the motion to approve the Consent Agenda.

A. Calendar of Events (March 2005 – March 2006)

Director Jasper will be out of town beginning March 23-30, 2005.

B. Minutes (February 23, 2005)

Director Jasper noted a correction under Directors' Comments for Director Lipscomb's comment: one of the "was rising" needs deletion.

The motion to approve the Consent Agenda passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

None.

B. Member Comments

Ray Kreig stated that he was present on behalf of Chugach Consumers to discuss the labor contract negotiations. Stated that this item is, by far, the largest financial impact the Board will be voting on during their three-year term. Stated that we are talking about our consumers' rates and that each director individually had a duty and an obligation to conduct an independent investigation and make sure that they had all the facts to make an informed decision. Mr. Kreig began to discuss a document. General Counsel Carol Johnson advised Mr. Kreig that the document he was speaking about was a document he had received when he was a Chugach Board member and which she believed was confidential. Ms. Johnson advised Mr. Kreig that he could not refer to, discuss, or disclose the contents of the document in any context or in any manner and that she and Chugach had previously advised him about disclosing confidential documents on several occasions. Ms. Johnson further advised Mr. Kreig that there was a Board policy concerning use of confidential documents by both current and former Board members, which had been sent to him. Mr. Kreig continued his comments by stating that there would be approximately \$10 million dollars left on the table with a three-year contract

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extension without any savings from free, open, and competitive bidding and that Chugach Consumers was going to continue to monitor and follow up on this matter differently than it had three years ago.

Mr. Paul Brandon stated he is a 20-year Chugach member, a CPA in Anchorage, and had e-mailed a letter to the Board regarding wind power alternative energy. He said that Chugach is too dependent on natural gas as an energy source, should pursue alternative energy sources, and specifically should pursue the Fire Island wind power project that was on this evening's Board meeting agenda

(Chairman Boucher stated that member Chris Rose had signed up to speak in support of Fire Island but had to leave before his chance to speak. Director Jasper stated that members Peg Tileston and Claire Chandler also came to speak in support of the Fire Island project but had to leave.)

V. CEO Report

- CEO Griffith reported that Board training is available on May 26, 2005, but that it conflicts with the NWPPA meeting. We will work on a time to fit it into the Board calendar.
- CEO Griffith reported that the Home Show is Friday through Sunday. Tickets are available if Board members are interested.
- CEO Griffith reported on lobby and phone business hour changes.
- Jody Wolfe, Controller, presented the February 2005 financial reports.
- CEO Griffith reminded the Directors of the April 1, 2005, trip to the Healy Clean Coal Plant. If interested, please contact us as soon as possible.

VI. CORRESPONDENCE

MEA Meeting Report - March 2005

Letter to Mr. Kreig - March 11, 2005

VII. DIRECTORS' REPORTS

A. Chairman's Report

None

B. Committee Reports

Director Cason reported that the Board Legislative Affairs Committee met on March 9, 2005, and had extensive discussion on the various proposals to make disbursements from the Railbelt Energy Fund.

Director Cason reported on the CFC Annual Meeting on March 1, 2005. The main order of business was the passage of bylaw amendments. Director Cason also reported on the ACRE/CARE meeting that was held during the NRECA annual meeting.

Director Lipscomb reported that the Finance Committee met on March 9, 2005. Alaska Power Association deferred its presentation on the 2002 and 2003 audited financials and will address the Finance Committee in April. The Committee

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reviewed the fourth quarter Capital Tracking Report as presented by Katrina Storjohann; the 2004 Treasurer's report was reviewed; the January 2005 financials were discussed by Jody Wolfe; and Sherri McKay discussed the 2004 Form 10K which was approved by the Committee.

C. Alaska Power Association (APA) Report

Director Jasper reported on the APA meeting.

D. Meeting Reports

Director Jasper stated she did not attend the MEA Board meeting. She reported on the NRECA annual meeting that was in San Diego, California.

VIII. UNFINISHED BUSINESS

None.

IX. NEW BUSINESS

A. Resolution in Support of Fire Island Wind Power Project

Director Cason moved and Director Lipscomb seconded the motion that the Board of Directors approve the resolution directing the Chief Executive Officer to take all necessary action to support joint efforts among the Memorandum of Understanding signatory utilities to secure necessary grant funding from the State of Alaska, the Federal Government, and other parties as appropriate to reduce the ultimate cost of energy produced by the Fire Island wind power project and promote economic development in Alaska. The motion passed unanimously.

B. Board Policy 130 – Authority of the Association-appointed Alaska Railbelt Energy Authority JAA Director

Director Lipscomb moved and Director Cason seconded the motion that the Board of Directors approve Board Policy 130, Authority of the Association-appointed Alaska Railbelt Energy Authority JAA Director, as recommended by the Operations Committee. The motion passed unanimously.

C. South Anchorage Substation – Construction Bid Award

Director Lipscomb moved and Director Jasper seconded the motion that the Chugach Board of Directors authorize the Chief Executive Officer to execute a contract for construction of the South Anchorage Substation to NORCON, Inc., in an amount not to exceed \$2,989,422.30. The motion passed unanimously.

D. Directors' Expenses

Director Cason recommended tabling this motion until the expenses were circulated and move to the next agenda item.

E. Cooper Lake Relicensing

At 6:25 p.m. Director Cason moved and Director Lipscomb seconded the motion that pursuant to Alaska Statute 10.25.175 (c)(1) and (3), the Board go into executive session to discuss 1) matters the immediate knowledge of which would

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clearly have an adverse effect on the finances of the cooperative; and 3) matters with its attorneys, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The topic to be discussed in executive session is: Cooper Lake Relicensing. The motion passed unanimously.

The Board reconvened out of executive session at 6:40 p.m.

Director Cason moved and Director Lipscomb seconded the motion that the Board of Directors of Chugach Electric Association, Inc., authorize the Chief Executive Officer to sign an Agreement In Principal with certain state and federal agencies and interested non-governmental organizations regarding the relicensing of Chugach's Cooper Lake Hydroelectric Project consistent with the discussion during the executive session concerning agenda item XI.E. The motion passed unanimously.

F. Amendment to 2005-2009 Capital Improvement Program

Director Cason moved and Director Lipscomb seconded the motion that the Chugach Board of Directors waive the seven-day rule. The motion passed unanimously.

Director Lipscomb moved and Director Cason seconded the motion that the Chugach Board of Directors adopt the amended 2005-2009 Capital Improvement Program as presented. The motion passed unanimously.

D. Directors' Expenses

Director Jasper moved and Director Lipscomb seconded the motion that directors' expenses be approved. Director Lipscomb noted that with Director Davison not in attendance, there are no expenses for him for the period of February and March 2005. The motion passed unanimously.

X. DIRECTORS' COMMENTS

Director Cottrell: Stated that he should have spoke up earlier when one of our members stated that the largest financial decision of our term is going to be the extension of the labor contracts. Director Cottrell said that as a member of the Board and as an expert in financial matters, he thought the Board members should know that the extension of the labor contract and Chugach's labor costs are probably less than 20% of the Association's total costs and do not represent the largest financial decision that we will make in this term. He gave two examples: Cooper Lake Relicensing and maintaining the financial rating of the company. Director Cottrell stated that any rate increases due to annual labor cost increases are probably considerably less than if this organization was to be downgraded by one point due to disruption, interruption, or lawsuits. He further stated that in our normal course of business when we lose one point on our interest rate, is financially a much larger decision than considering whether or not we should extend our labor contracts.

Director Jasper: Stated she appreciated Director Cottrell giving the Board that information and that she felt we were very close to that kind of a situation. Said we have studied all implications very carefully before extending any union contracts. She

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was glad to see that many people had come to the Board meeting to support the Fire Island project. The NRECA meeting in San Diego was great and the weather was wonderful.

Director Cason: Stated it had been a busy month and he was going to talk about the lighter side for a moment. Chugach employees and their families had come to his attention on more than one occasion through their participation in the community - noting Don Edwards' daughter in a production of Beauty and the Beast at West High School and Kathy Harris speaking on human rights. Director Cason said Mr. Edwards' family is a credit to him and having people with community involvement reflects well on the Association. He passed on his congratulations. Director Cason stated the trip to San Diego was one of the most educational weeks he had ever spent. He stated he received a lot of information and had forwarded to General Counsel Carol Johnson an article discussing a utility that provides power to Las Vegas, Nevada, and discusses overtime paid to and worked by linemen. Director Cason said that the graph that the Board saw this evening shows that Chugach management is doing a good job by keeping overtime under control. Thanks for an interesting month.

Director Lipscomb: Said he wanted to thank the employees and Directors for all of their efforts and encourages everyone to think safety and work safely.

Chairman Boucher: Said he agreed with what Director Cason had said. In all of his years in the Legislature, as Lieutenant Governor, and on the Board, the NRECA Conference was well worth the money spent. Chairman Boucher stated he was invited to attend several conferences on cyber security and had been told that Chugach is moving into the top ten percent of the nation in the work that we are doing and there is more work to be done. CISCO had offered to hold a forum in Anchorage to discuss the steps being taken by the industry to deal with cyber security. Chairman Boucher stated he now hears regularly from NRECA regarding cyber security. Chairman Boucher has given the CEO the pertinent information to contact CISCO directly and schedule the meeting.

XI. EXECUTIVE SESSION

At 6:55 p.m., Director Cason moved and Director Lipscomb seconded the motion that pursuant to Alaska Statute 10.25.175, the Board go into executive session to discuss personnel matters. The motion passed unanimously.

XII. ADJOURNMENT

The meeting adjourned at 8:30 p.m.

Patricia Jasper, Secretary

Date Approved: April 20, 2005