

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

April 17, 2002

BOARD OF DIRECTORS'
MEETING MINUTES

President Davison convened the regular meeting of the Board of Directors of Chugach Electric Association, Inc. at 4:05 p.m. on Wednesday, April 17, 2002, in the boardroom of Chugach Electric Association, Inc., 5601 Minnesota Drive, Anchorage, Alaska.

The following board members were present:

Bruce Davison – President
Red Boucher – Vice President
Jeff Lipscomb – Treasurer
Chris Birch – Secretary
Dave Cottrell – Director
Pat Jasper – Director
Pat Kennedy – Director

The following employees, members, and guests attended:

Jim Ables
Al Anders
Gene Bjornstad
Patti Bogan
Jim Borden
David Braun
Helene Brooks
Laurel Brouillette
Heather Brown
Sam Cason
John Cooley
Mike Cunningham
Delbert Dunham
Patrick Eberley
Sandy Ellis
Lace Fenwick
Mike Fenwick
Mark Fouts
Rick Freymiler
Joe Gallagher
Lee Ann Gerhart
Mike Golick
Joe Griffith

Margaret Hansell
Kathy Harris
Anne Hays
Ed Helton
Carol Heyman
Brian Hickey
Dianne Hillemeier
Joseph Hodge
Jerry Holder
Monica Holder
Carol Johnson
Charles Kimmel
Lori Kirkendall
Gayle Knepper
Ray Kreig
Bob Larsen
Monica Lewis
Tom Lovas
Julius Matthew
Sherri McKay
Jena McKinney
Arthur Miller
Joe Miller

Mike Pauley
Susan Pope
Lynda Purvis
Wayne Richardson
Jeff Siebert
Kenni Simons
Ellen Stanley
Bill Stewart
Bob Stewart
Katrina Storjohann
Mary Tesch
Lee Thibert
Ken Thomas
Irene Tomory
Michael Tullius
Rena Vargan
Ron Vecera
Michael D. Ward
Sam Weir
Deborah Williams
Mike Wood
Eric Wren
Robert Zehnder

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President Davison led the Board and audience in the Pledge of Allegiance.

I. EXECUTIVE SESSION

At 4:08 p.m., Director Lipscomb moved and Director Kennedy seconded the motion that pursuant to Alaska Statute 10.25.175 (c) (1) and (3), the Board go into Executive Session to discuss matters the immediate knowledge of which would clearly have an adverse affect on the finances of the Cooperative and to discuss matters with its attorneys the immediate knowledge of which could have an adverse affect on the legal position of the Cooperative. The motion passed unanimously.

At 4:38 p.m. the meeting reconvened to regular session.

II. APPROVAL OF AGENDA

Director Boucher moved and Director Kennedy seconded the motion to approve the agenda as presented. Director Lipscomb moved and Director Kennedy seconded the motion to amend the agenda to add as Item IX. D. " Safety Award Recognition" and to waive the seven-day rule. The motion to amend the agenda and to waive the seven-day rule passed unanimously. The motion to approve the agenda as amended passed unanimously.

III. APPROVAL OF CONSENT AGENDA

Director Boucher moved and Director Kennedy seconded the motion to approve the Consent Agenda.

A. Calendar of Events

April - July 2002

Add: ARECA board meeting; April 15, 2002 – 10 a.m.

Operations Committee Meeting; April 23, 2002 – 4 p.m.

B. Minutes – March 20, 2002

No changes.

The motion to approve the Consent Agenda passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

None.

B. Member Comments

IBEW attorney Helene Brooks came forward to address the Board on behalf of the IBEW and to reiterate the proposal made to Chugach regarding the contract extensions. She stated that the IBEW's offer was not an invitation to commence bargaining but rather an opportunity for both parties to dedicate attention to

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more constructive activities. She asked the Board to accept the offer as it is presented, to shake hands, and to set their sights on more productive goals.

Ray Kreig, a former Chugach Director and representing Chugach Consumers, came forward to address the Board. He said Chugach not only needs to get communications started with the union, but also with its members. He said Chugach consumers have a lot at stake and have a strong interest in the savings that can come from a negotiated contract and especially from competitive bidding. Since contracts don't expire until 2003, there is everything to gain by considering them carefully and much to be lost by rushing to accept the extension offer. He asked the Board to negotiate the contract, continue the dialog with the IBEW, but not to leave the membership out of the dialog.

Anne Hays was next to speak but requested to defer her two minutes to Helene Brooks. After consultation with counsel, President Davison denied Ms. Hayes' request and advised no substitutions would be granted to any subsequent speakers. Ms. Hayes then waived her speaking time as did Bob Larsen who was also signed up to speak.

Mike Golick, a 25-year member of Chugach, requested that the Board think long and hard about the IBEW proposal regarding contract extensions. He said he did not want to see Chugach take their first offer, but rather negotiate the contracts. He distributed copies of Laborers and Mechanics Minimum Rates of Pay State of Alaska with a request that the Board review it carefully before making a final decision.

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V. GENERAL MANAGER'S REPORT

A. The following topics were included in the General Manager's report:

- Mike Cunningham, Controller, presented March financials in a new format. Director Cottrell asked that the slide breaking down percentages for total cost of service (page 3 of presentation) be shown again so that he could point out, for the audience's benefit, that only 17 cents of every expense dollar goes to labor expense, and for that reason, a 10 or even a 20 percent savings in Chugach's labor costs would not be significant.
- General Manager Bjornstad announced that Dee Fultz, Planning Engineer, had been invited to join one of the National Rural Electric Cooperative Association committees and will be sitting on the System Planning Subcommittee representing Chugach.
- General Manager Bjornstad proposed that the Board consider that, due to lack of responses, they discontinue the monetary incentive used to encourage Chugach consumers to read the Outlet.

VI. CORRESPONDENCE

President Davison stated that he received a fair amount of correspondence regarding the contract extensions since the last board meeting. No further discussion ensued.

VII. DIRECTORS' REPORTS

A. President's Report

None.

B. MAC Report

None.

C. Committee Reports

Director Lipscomb reported on the April 11, 2002 Finance Committee meeting. Items discussed included depreciation expense, first quarter auditor plans, capital expenditures review from 2001, and draft committee goals for 2002.

President Davison reported on the April 15, 2002 Operations Committee meeting. Agenda items included the general manager search and the IBEW contract extension proposal. No recommendations came forward for either of the agenda items.

D. ARECA Report

Director Jasper gave a brief report of the April 15, 2002 ARECA meeting.

E. Meeting Reports

Director Birch thanked Gina Armstrong, Financial Analyst, for the exceptionally well-written summaries of AML&P commission meetings.

Director Kennedy reported on two MEA meetings; their annual meeting held Saturday, April 6, 2002, and a regular board meeting held April 8, 2002.

VIII. UNFINISHED BUSINESS

A. Collective Bargaining Unit Contract Extensions

Director Kennedy moved and Director Boucher seconded the motion to adopt the Finance Committee's recommendation to accept the IBEW's proposal to extend the three collective bargaining unit agreements through June 30, 2006.

Discussion

Director Boucher— Stated that Chugach's three executive managers and the general manager, who were hired to run the daily business, were requested by the Board to review the proposal and determine what, if any, were the cost benefits. It was determined to have a cost savings of approximately \$1,000,000. He said all senior managers supported moving the contracts forward and that the issue has been kicked around since December and was discussed in several Finance and Operations Committee meetings. He added that Chugach needs to get on with the new business of bringing in our new general manager and that he doesn't want to leave \$1,000,000 on the table. For these reasons, he stated that he was voting for the contract extensions.

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Director Birch – Stated that this is not the time to extend an existing agreement that has not been openly negotiated in over 10 years. He said Chugach is looking at extending a contract 50 months into the future when reduction in revenues is looming and the economic future of Alaska is uncertain. He said that when he first joined the Board, they went to Harvard with an IBEW negotiating team and talked about interest-based negotiations—determining what the interests of both parties were and negotiating from there. He said the IBEW’s contract proposal is not interest-based, but rather a take it or leave it proposition. He said the Board has an obligation to encourage fair and open discussion of contract issues and added that it is unfortunate that the parties cannot have more dialog rather than the take it or leave it approach. He said that these are the reasons he does not support the contract extensions.

Director Kennedy – Stated that as the longest member of the Board and because this was her last board meeting, she felt it her fiduciary responsibility to keep labor peace and vote in support of the contract extensions—especially with a cost savings of \$1,000,000. She said she remembers the strike and serving on the board after the strike. The entire labor contract was negotiated from cover to cover and progress was reported back to the board every step of the way. But the time expended in negotiations compared to the differences that resulted was not substantial. She said that because Chugach is bringing on a new general manager and possibly a new organizational structure, for the good of the order, she is voting to extend the contracts.

Director Jasper – Said she takes seriously the recommendation from the Finance Committee regarding the contract extensions, particularly because they are a very thorough group. She stated that she also takes Chugach’s senior management’s recommendation very seriously and, therefore, is voting in favor of the contract extensions.

President Davison – Stated that he would not support the contract extensions because Chugach loses flexibility and the opportunity for bi-lateral contract discussions for an excess of four years. He said that Alaska’s economy is uncertain, and if we move forward with a long extension, the Co-op loses the ability to make adjustments to the contract that would allow the utility to continue to provide electricity at reasonable rates. He said another reason for voting no is competition. He said Chugach needs to be competitive if we want to stay in business, and if we agree to a contract of this length, and if competition comes sooner rather than later, again we’ve lost the flexibility to sit down and re-negotiate the contract based on what the future holds. He said he was hoping we could look at some in-between length of extension, but apparently that is not an option; so, weighing Alaska’s uncertain economy, the need for flexibility, and our absolute necessity to be competitive, he was voting no on the extensions.

Director Cottrell – Stated that he heard the comments about the proposal being on a fast track, but that, in reality, it has not been. He said the proposal was

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presented in December and broken down between the Operations Committee and the Finance Committee for review and analysis. He said they met in January, February, March, and even April. The Finance Committee gave their recommendation after three or four, in-depth meetings, taking into account information that was received from a variety of sources. He said between the two committees, they have met over 10 times on this one issue. He added that it has been kicked around enough, especially considering the size and significance of the economic consequences in our total operational budget. He said he came on the Board to increase Chugach's accountability to the membership and to provide disclosure about what was happening in Chugach's financial affairs. He said he wanted to help the board analyze and understand Chugach's financial situation using the wealth of knowledge and experience he has in those areas and he added that he thought that is why he was supported by the Chugach Consumers group. He said dealing with this situation is like dealing with death and taxes. If you deal with death and taxes and the internal revenue code, you start looking at the code to see how best you can benefit. He said he has not found anyone who says Chugach will not have an organized employee body. So, he said, you take into account everything you can, given the terms of the contract, to see how best it can benefit the Co-operative. Two examples he gave were the Alaska Joint Electrical Training Program and the National Electrical Contractors Association. He said Chugach pays a lot of money to these organizations, but does not use it to its benefit to hire additional employees in order to manage and reduce overtime or to minimize the cost of the existing contracts. He said the contract was presented in good faith, it has financial benefits, and the Board can spend its time working on things that will affect the cooperative in greater financial areas than trying to beat this contract down to some amount that will not have a big financial result in daily bills. He added that everyone keeps talking about free and competitive bidding. He said it sounds like a policy situation and that he doesn't know how it fits into the equation. He said the issue came and went before he got on the board and that he has put it aside because he needs more information on the subject. But, based on the information he does have, he said he is voting to support the contract extensions.

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Director Kennedy moved and Director Boucher seconded the motion for a roll call vote. The motion passed unanimously.

The motion to adopt the Finance Committee's recommendation to accept the IBEW's proposal to extend the three collective bargaining unit agreements through June 30, 2006 passed with Directors Boucher, Kennedy, Jasper, and Cottrell in favor, and Directors Birch, Davison, and Lipscomb opposed.

At 5:45 p.m., President Davison declared a 5-minute recess. The meeting resumed at 5:50 p.m.

IX. NEW BUSINESS
A. NRECA's Pension Restoration Plan

Director Jasper moved and Director Kennedy seconded the motion that the Board of Directors approve the resolution setting a new date of record of May 3, 2002 for General Manager Gene Bjornstad to protect the benefits afforded him under the NRECA's Pension Restoration Plan adopted by the Board of Directors on May 6, 1998. The motion passed unanimously.

B. Appointment of General Manager

Because the Operations committee had not made a decision on this issue, the topic was deferred.

C. Release of Information

Director Birch moved and Director Kennedy seconded the motion to postpone this agenda item to a date uncertain. The motion passed unanimously.

D. Safety Award Recognition

Director Lipscomb moved and Director Boucher seconded the motion to direct General Manager, Gene Bjornstad, to procure and distribute to all Chugach employees and directors a fleece vest with an embroidered Chugach Electric logo and safety slogan in recognition of safety in the workplace. Employees and directors may also elect to have the IBEW logo embroidered onto their vest. The total amount of the project is not to exceed \$20,000. The motion passed unanimously.

E. Directors' Expenses

Director Boucher moved and Director Kennedy seconded the motion to approve Directors' Expenses as submitted. The motion passed unanimously.

X. DIRECTORS' COMMENTS

Director Boucher – None.

Director Birch – Wanted to ensure that Internet postings of board meeting minutes on Chugach's web page is continuing and that old minutes are not dropping off as new ones are added.

Director Jasper - Wished Gene a happy birthday. She also commented that of all the emails, letters, and phone calls she received regarding the contract extensions, there were good points on both sides of the issue.

Director Cottrell - Had a question regarding the NWPPA organization and about who is attending their Juneau meeting. He added that the new format on the financial information is good—easier to obtain information and easier to understand. He said he was happy that Chugach is meeting its margin and thought that all management compensation should be tied to that goal.

Director Kennedy - Stated that it was her last regular board meeting as a Director and that it has been an interesting experience with many changes over the years. She added that she has tried to do her best for Chugach and its members.

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Director Lipscomb - Congratulated the represented employees and their bargaining units on their new contract. He said the extension proposal they put forth was in good faith and he thanked them for their hard work.

Director Davison – Thanked Director Kennedy for her institutional memory over the years regarding board activities. He said that with her gone and with Gene (Bjornstad) leaving it will be difficult to find someone with that kind of longevity.

General Manager Bjornstad - Stated that this was his last regular board meeting as General Manager. He said he began his employment with Chugach 19 years ago and that it is a completely different organization now. He said the labor dispute in 1987 was an event none of us would want to repeat. He said it tore the organization apart for a number of years yet today Chugach has come to be a top-notch organization. He said in a recent customer survey, the results were clear that Chugach members think we are doing a good job, and it is because of the employees, the management, and the Board. He said we are all capable of taking the Co-op forward despite the challenges ahead. He said the new general manager will have his hands full. He concluded by thanking the Board for the opportunity to serve them.

XI. EXECUTIVE SESSION

None.

XII. ADJOURNMENT

At 6:10 p.m., Director Lipscomb moved and Director Kennedy seconded the motion to adjourn. The motion passed unanimously and the meeting concluded at 6:12 p.m.

Chris Birch, Secretary

Date Approved: May 15, 2002

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