

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

April 16, 2003

**BOARD OF DIRECTORS’
MEETING MINUTES**

President Davison convened the regular meeting of the Board of Directors of Chugach Electric Association, Inc. at 4:03 p.m. on Wednesday, April 16, 2003, in the boardroom of Chugach Electric Association, Inc., 5601 Minnesota Drive, Anchorage, Alaska.

The following board members were present:

Bruce Davison – President
Dave Cottrell – Vice President
Jeff Lipscomb – Treasurer
Chris Birch – Secretary (4:07 p.m. arrival)
Red Boucher – Director
Sam Cason – Director (4:10 p.m. arrival)
Pat Jasper – Director

The following employees, members, and guests attended:

Bill Bernier	Dianne Hillemeier	Jim Posey
John Cooley	Carol Johnson	Bill Stewart
Mike Cunningham	Uwe Kalenka	Phil Steyer
Beau Disbrow	Lori Kirkendall	Katrina Storjohann
Don Edwards	Mike Massin	Mary Tesch
Brad Evans	Sherri McKay	Ken Thomas
Joe Griffith	Arthur Miller	Ron Vecera
Kathy Harris	Connie Owens	Jody Wolfe
Carol Heyman	Jim Patras	Don Zoerb
Brian Hickey		

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

- I. EXECUTIVE SESSION**
None.
- II. APPROVAL OF AGENDA**
Director Jasper moved and Director Boucher seconded the motion to approve the agenda as amended. The motion passed unanimously.
- III. APPROVAL OF CONSENT AGENDA**
Director Jasper moved and Director Lipscomb seconded the motion to approve the Consent Agenda. The motion passed unanimously.

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A. Calendar of Events (April - August 2003)
Add: Finance Committee Meeting; April 22 - 4 p.m.; Chugach Boardroom

B. Minutes (March 19, 2003 - Regular Board Meeting)
No changes.

The motion to approve the Consent Agenda passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments
None.

B. Member Comments
None.

V. GENERAL MANAGER'S REPORT

The following topics were covered in the General Manager's Report:

- "Quarterly Safety Statistics" presented by Ken Thomas, Safety Manager
- "Fuel & Purchased Power" presented by John Cooley, Manager, Power Control
- General Manager Griffith discussed the \$270,000 in windstorm damages submitted to FEMA, and the passage of HR6. He also advised the board of other documents contained in their folders including a copy of Order 30, 1st Quarter Consumer Complaint Summary, Ft. Rich RFP summary pages, Ray Kreig's letter and Chugach's response, Dan Kennedy's April 15, 2003 memo, and the General Manager's monthly report to the board.

VI. CORRESPONDENCE

Letter from Ray Kreig.

VII. DIRECTORS' REPORTS

A. President's Report

President Davison reported that on April 15, 2003, he met with Joe Griffith and senior management for a quick run-through of the Ft. Rich proposal.

B. Committee Reports

Director Lipscomb reported on the April 9, 2003, Finance Committee meeting where they set goals for 2003/2004 and drafted the treasurer's report for the annual meeting.

President Davison reported on the April 2, 2003, Operations Committee meeting where they reviewed and approved for recommendation to the board the General Manager's 2003 goals, received an update on the NRECA 2002 Wage & Salary Plan, briefly discussed the Ft. Rich RFP, and gave the General Manager his 2002 evaluation.

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C. ARECA Report

None.

D. Meeting Reports

Matanuska Electric (MEA) - Director Jasper reported on MEA's 4 p.m., April 14 regular board meeting where they officially seated Lee Jordan, discussed a request for three-phase service for a recycling company, and discussed the judicial review and judgment of MEA's new bylaw. There was a motion approved to go into executive session to discuss financial ramifications of a lawsuit on the bylaw issue. In addition, Bill Folsom, Larry DeVilbiss, and Wayne Carmony were nominated and approved for the AEG&T board with DeVilbiss as voting member and Carmony the alternate.

VIII. UNFINISHED BUSINESS

None.

IX. New Business

A. General Manager's 2002 Evaluation

Director Cottrell moved and Director Cason seconded the motion to approve the General Manager's evaluation as recommended by the Operations Committee. President Davison asked for comments. Director Boucher responded that he commended the General Manager for a job well done over the past year, particularly in keeping the Board informed. Director Lipscomb concurred. Director Cottrell agreed that the General Manager is doing a good job but stated that financial rewards should be based upon performance, not just for doing the job. He said the President of Southwest Airlines took a cut in pay, even though the airline is making money, because he did not meet the goals he established. Director Cason noted that the General Manager accepts a salary far below the national average of companies this size and that Chugach is fortunate to have such a well-qualified person accepting this lower scale for the responsibilities he has. President Davison added that it has been a pleasure working with Joe and that it has been a tough year, particularly in dealing with the rate case. He said Joe is open and professional and deals with criticism in the constructive spirit intended. He said Joe's communication efforts have been extremely helpful and he feels more educated and up-to-speed on Chugach issues than ever before. President Davison called for a vote on the motion to approve the General Manager's 2002 evaluation. The motion passed unanimously.

B. General Manager's 2003 Goals

Director Lipscomb moved and Director Cason seconded the motion to adopt the General Manager's 2003 goals as approved for recommendation to the board by the Operations Committee and noted as "Draft 4" in the board book. Director Boucher inquired how the General Manager planned to achieve Goal VI. "Bring Stability to the Relationship with our Wholesale Customers." Joe responded that past rancor is slowly being left behind through joint board meetings with wholesale customers and that he plans to build upon that progression. Director Jasper inquired if Goal II.D. "Achieve equity ratio of 25-30%, MFI/I equal to or

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greater than 1.15,” was a realistic objective and if the General Manager was willing to accept that target. Joe responded that it would be a challenge, but he would accept it. President Davison called for a vote on the motion to approve the General Manager’s 2003 goals. The motion passed unanimously.

C. **Directors’ Expenses**

Director Boucher moved and Director Jasper seconded the motion to approve directors’ expenses as submitted. Director Cottrell questioned the total on President Davison’s report. After review, Director Lipscomb stated for the record that the correct total was \$1,081. 24. The motion to approve director’s expenses passed unanimously.

D. **Southern Intertie Grant Interest Issue**

Director Birch moved and Director Cason seconded the motion to waive the seven-day rule on agenda item IX.D. “Southern Intertie Grant Interest Issue.” Director Cottrell commented that he recalled a previous board decision in January or February to add a Southern Intertie update as a regular agenda item at subsequent board meetings. He inquired if it was necessary to waive the seven-day rule. Joe Griffith said he recalled the discussion to include the Southern Intertie as a regular board meeting topic; however, he said item IX.D. relates to a different topic regarding a resolution to address the interest monies taken from the Southern Intertie grant fund, hence the need for a motion to waive the seven-day rule. The motion to waive the seven-day rule passed unanimously.

Director Birch moved and Director Jasper seconded the motion to support the Intertie Participants Group’s actions to recover investment earnings on the Southern Intertie grant. Joe Griffith corrected the date in paragraph five of the resolution to April 7, 2003, and corrected the amount to \$28.5 million.

Director Birch stated that he supported the resolution and that it was a reasoned and responsible course of action. Director Cottrell inquired of Jim Posey, ML&P General Manager (sitting in audience), if he had comments about the interest being taken. Mr. Posey stated that ML&P was alarmed by the action and said that they felt the funds were necessary for infrastructure development and critical to ML&P’s future plans. Director Cason commented that it is important to respond to the negative publicity regarding the Intertie. He said if Chugach stays silent, we would lose support for the project. Director Jasper commented that she favors the resolution and felt that a "Compass" article in the newspaper might help the cause. She said the general public does not understand the issue. She said the public thinks Chugach is trying to get money for themselves. Director Cottrell said he thinks Chugach should get proactive in an advertising campaign. He said Chugach would lose the Southern Intertie if we continue to sit and do nothing. Joe Griffith reminded the board that Chugach is one member of the Intertie Participants Group (IPG) and the “Group” runs the project. He said the IPG did not want a mud-slinging contest and wanted to pursue the legislative approach; however, he and Lee Thibert

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were having a discussion the following morning with Norm Story, Chairman of the IPG, and would again broach the topic at that time.

President Davison questioned the wording under item three of the resolution, “Take all appropriate steps to insure that the House, Senate, and Governor understand that building long-term development projects is in the best interest of the state of Alaska.” He commented that the wording was a broad delegation of authority for the General Manager. He said the statement gives the General Manager two avenues to work through - either with the IPG or independent of the IPG and he wanted to ensure the board understood the difference. President Davison also questioned the wording in item one of the resolution, “Commence development of a complaint of action.” After lengthy discussion, a friendly amendment was proposed to change the sentence to read, “Commence preparation of a lawsuit.” Director Birch accepted the friendly amendment. President Davison then called for a vote on the motion. The motion to support the Intertie Participants Group’s actions to recover investment earnings on the Southern Intertie grant passed unanimously with changes as noted in the friendly amendment.

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X. **DIRECTORS’ COMMENTS**

Director Cottrell – Stated that Chugach should be more proactive in accomplishing our objectives for the Southern Intertie for the good of Chugach members and as a legacy to our grandchildren.

Director Boucher – Added to Director Cottrell’s comment to be more proactive and to show responsibility to our membership we should create a PowerPoint presentation for the annual meeting that focuses on the simple fact that the legislators are taking money away from the Southern Intertie project to spend in other areas. He also commented that Joe’s contract was approved with comments regarding performance, but that politics are partly responsible for Chugach’s bottom line problems. Therefore, we need to get more aggressive—get in legislators’ faces and get our issue heard even if it means filing a lawsuit. Otherwise, he said, our pockets will be picked.

Director Jasper – Said that Pat Kennedy would be unable to attend the annual meeting to give her candidate's statement and requested that she speak for her. Director Jasper inquired if that was agreeable to the board? (There were no objections from the board.) Director Jasper added that she is entering her tenth year on the board and hopes that, before her departure, the Southern Intertie matter will be settled. She said after she leaves, she would not want to rely on the press to keep her informed. She feels the news reporting is so slanted, she would never be able to sort fact from fiction. She said she wants the issue cleaned up before her tenth year is over.

Director Cason – Stated that he wanted to express his appreciation for the safety presentation. He said he applauds the employees and said they should be proud for achieving such an impressive turnaround in our safety statistics. He added that this is the last board meeting before the annual meeting. He said his experience since the last annual meeting has been a pleasant surprise. The board has worked extremely well together even when they were not in agreement. There are two directors up for

re-election, and he wished them good luck. He said Judge Wickersham was a federal judge, Alaska's first representative in Congress, and was elected to several offices on the motto, "Alaska for Alaskans." Mio Fritz, a medical doctor who was elected to the Alaska legislature several times, ran his last campaign on the motto, "Development not Devastation." He said he thought these slogans were excellent for reminding people about the development of the Intertie. He said we are not talking about rape and pillage of the Alaskan landscape, we are talking about common sense development for future generations.

Director Birch – Thanked Ken Thomas for the excellent safety report and said it is a tribute to management and employees to see the incident rate and lost work day statistics decreasing. He said he is happy to be squared away with the General Manager's contract and that he is anxious to see how things work out with the regulatory commission. He said it is a shame Chugach had to log a \$2 million loss. He said people have asked him how a loss can possibly happen in a regulated environment and he is wondering the same himself.

Director Lipscomb – Said it may be his last time to address the board and staff and said it has been pleasure serving on the board. He encouraged everyone to continue the focus and emphasis on safety because it is good for us personally as well as for the organization. He said working with the board has been especially satisfying. He said there have been a lot of difficult issues, but they've been discussed and thoroughly evaluated and the board has worked together to resolve the issues. He thanked them for their teamwork and for their friendship.

President Davison – Thanked Directors Birch and Lipscomb for their contributions to the board and wished them well in the election. He added that he is pleased that the General Manager's evaluation went smoothly and glad to see the board was on the same wavelength.

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XI. EXECUTIVE SESSION

At 6:46 p.m. Director Cason moved and Directors Lipscomb and Jasper 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 effect on the finances of the Cooperative; and (2) 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.

XII. ADJOURNMENT

At 7:30 p.m., Director Jasper moved and Director Boucher seconded the motion to adjourn. The motion passed unanimously.

Patricia Jasper, Secretary
Date Approved: May 21, 2003