

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

June 19, 2002

**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, June 19, 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 (arrived at 4:05 p.m.)
Chris Birch – Secretary
Dave Cottrell – Director
Pat Jasper – Director (by phone)
Sam Cason – Director

The following employees, members, and guests attended:

Gina Armstrong	Kathy Harris	Dave Smith
Bill Bernier	Dianne Hillemeier	Mary Stallone
John Cooley	Carol Johnson	Bill Stewart
Mike Cunningham	Lori Kirkendall	Katrina Storjohann
Brad Evans	Gayle Knepper	Jim Susey
Mark Fouts	Mike Massin	Mary Tesch
Dee Fultz	Sherri McKay	Lee Thibert
Joel Green	Arthur Miller	Ken Thomas
Joe Griffith	Jim Patras	Ron Vecera
Dora Gropp	Mike Pauley	Jody Wolfe

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

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

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A. Calendar of Events

June – September, 2002

Add: 1) RCA Hearings, June 20, 2002, 1 p.m.; June 21, 10 a.m.; Anchorage Legislative Information Office

2) Davison, Griffith, Thibert in Juneau, June 23-25, 2002

3) Davison - out of town, July 14-20, 2002 (Cottrell conducting July board meeting)

Move: Operations Committee meeting from June 25 to July 2, 2002; 4 p.m.; Boardroom

B. Minutes – May 15, 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

None.

V. GENERAL MANAGER'S REPORT

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

- Mike Cunningham, CFO, presented May 2002 financials.
- Joel Green, consultant, SMG Columbia, presented an overview on Chugach's Gain Sharing program.
- FERC Review of Kenai Lake PCB Review
- Cooper Lake Re-licensing
- 2000 Test Year Rate Case
- Rabbit Creek Subdivision – legal decision
- Arthur Miller, Manager, Pricing, presented a brief overview of the Line Extension Settlement Agreement.
- Ken Thomas, Safety Manager, presented information on Chugach's Safety Training program.
- Brad Evans, Executive Manager, Energy Supply, presented an overview on the work taking place on Beluga Unit 8.
- Dave Smith, Director, Information Services, presented a proposal for directors to use computer technology to access board meeting documents and presentations.

VI. CORRESPONDENCE

None.

VII. DIRECTORS' REPORTS

A. President's Report

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President Davison reported on testimony he gave at the June 12, 2002, RCA legislative hearings. He said he would also attend and be available for testimony at the special sessions in Juneau on June 24, 2002. (Joe Griffith and Lee Thibert are also attending the Juneau hearings.) He said he is also assisting in drafting an article on the RCA issue for publication in the Anchorage Daily News.

B. MAC Report
None.

C. Committee Reports
Director Lipscomb reported on the June 12, 2002, Finance Committee meeting where they received updates on capital projects authorization process, Southern Intertie, South Anchorage Loop, and the NECA training program.

D. ARECA Report
Lee Thibert presented highlights from the ARECA Strategic Planning meeting that he and Director Jasper attended in Talkeetna June 3-5, 2002. At that meeting, participants reviewed ARECA's mission statement, added two new beliefs to philosophies, performed a S.W.O.T analysis and prioritized issues. In addition, ARECA will be soliciting via an RFP for benchmarking of their insurance exchange. Director Jasper added that the remaining portion of the meeting was used to perform Eric Yould's evaluation, set his goals for the year, and make an upward adjustment in his salary.

D. Meeting Reports
None.

VIII. UNFINISHED BUSINESS
None.

IX. New Business

A. General Manager's Employment Agreement
Director Birch moved and Director Lipscomb seconded the motion to approve General Manager Joe Griffith's contract. Director Cason inquired if the bonus discussed in the contract was in addition to, or in lieu of, the GAINS program. Mr. Griffith replied that it was different from the GAINS program. Director Cason also inquired about the indemnification language contained in the contract regarding the two insurance policies that would be implicated—the CGL policy for third parties and a D&O policy provided by Chugach. He wanted to know if the two policies had been reconciled so they were not conflicting. General Manager Griffith was not certain, but said he would look into the matter. Director Cason also inquired about the severability language in the contract. He said severability was implied but not explicit in the contract. General Manager Griffith said that he would ask counsel for their views and make changes if necessary; however, he did not want to delay the approval of

the contract, so he recommended that any necessary changes come after the approval of the contract. The motion passed unanimously.

B. South Anchorage Loop – 2002 Task Order Releases

Dora Gropp, Manager, Transmission and Special Projects, presented an overview of the South Anchorage Loop project. Director Birch moved and Director Japer seconded the motion that the Board of Directors authorize General Manager, Joe Griffith, to execute task orders with Dryden & LaRue, Inc., for a cumulative amount not to exceed \$1,300,000 for design and right-of-way services for the calendar year 2002. The motion passed unanimously.

C. 2001 Capital Credit Allocation

Director Birch moved and Director Boucher seconded the motion that the Board of Directors adopt the resolution allocating capital credits in the year 2001 to the retail and wholesale customers of the Association as follows:

Year	Retail	AEG&T MEA	AEG&T HEA	SES	Total
2001	\$4,453,805	\$614,507	\$430,638	\$40,187	\$5,539,136

The motion passed unanimously.

E. Directors' Expenses

Director Boucher moved and Director Lipscomb seconded the motion to approve Directors' Expenses as submitted. Director Cottrell inquired if he could include the cost of fuel for flying his plane to Beluga. General Manager Griffith consented and the Board concurred. Director Boucher also had some additional expenses resulting in an amendment to his expense report. The motion to approve director's expenses as amended and/or modified passed unanimously. (Directors Jasper and Cason did not participate in vote, as they were not present for review of expense reports.)

X. DIRECTORS' COMMENTS

Director Boucher - Commented about the possibility of applying for funding from Homeland Security for use in securing the safety of Chugach Electric's infrastructure.

Director Birch - Congratulated General Manager Griffith on his new contract and added that he appreciated the focus and communications on the RCA issue. He said he thought the new on-line access for board meeting documents and presentations were a nice addition. He noted that the Chugach board just approved a capital credit allocation of \$5 million which will be a significant benefit for members.

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Director Lipscomb – Said he was very pleased with the activities that General Manager Griffith has undertaken and that the communication with the Board has been working well.

President Davison - Congratulated Mike Cunningham on his new appointment as Chief Financial Officer and thanked Bill Bernier and Mary Tesch for the meeting at the NECA training center. He said it was extremely informative and helped foster the kind of relationship Chugach needs to have with the collective bargaining unit.

At 6:40 p.m., President Davison announced a five-minute recess to be followed by an executive session.

XI. EXECUTIVE SESSION

At 6:45 p.m., Director Birch 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 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.

XII. ADJOURNMENT

At 7:00 p.m., it was moved and seconded to adjourn. The motion passed unanimously and the meeting concluded at 7:00 p.m.

Chris Birch, Secretary

Date Approved:

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