

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

June 21, 2006

BOARD OF DIRECTORS'
MEETING MINUTES

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:03 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Jeff Lipscomb – Chairman
Bruce Davison – Vice Chairman (via teleconference)
Jim Nordlund – Secretary
Dave Cottrell – Treasurer
Allen Christopherson - Director
Uwe Kalenka – Director
Elizabeth Vazquez - Director

The following employees, members, and guests attended:

Bill Stewart	Dianne Hillemeier	Paul Risse
Bill Bernier	Ed Jenkin	Phil Steyer
Dave Carey, HEA	Carol Johnson	Mary Tesch
Mike Cunningham	Marilyn Leland, APA	Lee Thibert
Barbara Donatelli, CIRI	Bill Mede	Amber Van Treek
Crystal Enkvist, APA	Paul Neas-Arnold	Ron Vecera
Brad Evans	Connie Owens	Hannah Willard, REAP
Amy Fish, REAP	Jim Patras	
Rick Freymiller	Mike Pauley, MEA	
Carol Heyman	Jim Posey, ML&P	

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DeAnna Scott, Executive Assistant, recorded meeting proceedings.

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

I. EXECUTIVE SESSION

At 4:05 p.m. Director Kalenka moved and Director Nordlund seconded that pursuant to Alaska Statute 10.25.175(c) (2) the Board go into executive session to discuss (2) subjects that tend to prejudice the reputation and character of a person; however, the person may request a public discussion. The topic to be discussed in this executive session is: CEO Search. Motion passed unanimously.

The meeting reconvened at 5:15 p.m. Director Vazquez left after the executive session.

II. APPROVAL OF AGENDA

Director Cottrell moved and Director Kalenka seconded the motion to approve the Agenda. The motion to approve the Agenda passed unanimously. (*Vazquez absent at time of voting through the remainder of the meeting.*)

III. CONSENT AGENDA

Director Kalenka moved and Director Cottrell seconded the motion to approve the Agenda.

Director Kalenka moved and Director Cottrell seconded the motion to waive the seven-day rule for the purpose of adding item E, Letter to the Editor under New Business. The motion passed unanimously.

- A. **Calendar of Events** (June 2006 – May 2007)
July 5, 2006, Joint meeting with Anchorage Municipal Light and Power.
- B. **Minutes** (May 17, 2006)
No changes.
- C. **Director Expenses**
No changes.

The motion to approve the Consent Agenda, as amended, passed unanimously. Director Davison abstained from the vote.

IV. PERSONS TO BE HEARD

A. **Wholesale Customer Comments**

David Carey, President of Homer Electric Association Board of Directors, addressed the Board regarding disbursement of the Railbelt Energy Fund which represents a very successful interaction the utilities have taken together. Homer Electric is also very interested in working with Chugach on the Fire Island Project. Mr. Carey also informed the Board that Homer Electric has sent a letter to APA rescinding their withdrawal. Mr. Carey spoke on the Resource Development Council meeting and Pebble Project presentation. He also mentioned the Agrium project. Mr. Carey continued to say that he very much appreciates that Chugach and Homer are linked in many ways and looks forward seeing the two utilities work together through APA and as well as the two Boards.

B. **Member Comments**

Barbara Donatelli, Senior Vice President for Administration and Government Relations, CIRI, informed the Board how pleased CIRI is in working with Chugach Electric on the potential Fire Island Wind Generation Project. CIRI had an opportunity to host a Fire Island Leadership Group in May 2006, and representatives from all of the MOU partners were present either in person or by phone. It was the first time that all met together and it was an opportunity to talk about the status of the project. CIRI felt the meeting was very productive. Since that meeting, CIRI has circulated a draft Mutual Operations Agreement among all of the MOU partners with the hope of generating more discussion about the practical and economic feasibility of the wind project.

V. CEO REPORT

- Paul Risse, Director of Generation and Technical Services, gave a presentation on the Beluga Gas Field Compressor project.
- Phil Steyer, Manager, Government & Corporate Communications, gave a presentation and update on the O'Malley project.

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- Interim CEO Bill Stewart reported that the state's Capital Budget was forwarded to the Governor on June 9 and is due to be signed by the Governor on July 3.
- Interim CEO Bill Stewart reported that Chugach won two national prizes at the NRECA Excellence in Communications Conference. Chugach took first place award for the kids' safety calendar contest as well as first place for our website.
- Interim CEO Bill Stewart stated the Region IX Meeting is scheduled September 20-22 in Fairbanks and the Board may want to consider moving their September 20th Board Meeting.
- Phil Steyer, Manager, Government & Corporate Communications, updated the Board on the Fire Island Project.
- Interim CEO Bill Stewart reported that the Office of Federal Contract Compliance completed an evaluation of our employment and practices here at Chugach. We received written communication that they found no violations.
- Lee Thibert, Chief of Staff, updated the Board on the South Anchorage Substation Project.
- Interim CEO Bill Stewart reported that there is currently an OSHA inspection underway at Chugach and it should be completed within three to four weeks.

VI. CORRESPONDENCE

Chairman Lipscomb reported that an e-mail was received regarding allegations of improper conduct at the Beluga Power Plant. Brad Evans will bring a report to the Board in July.

VII. DIRECTORS' REPORTS

A. Committee Reports

Chairman Lipscomb reported that the Board Operations Committee met on June 7, 2006. The committee recommended that the Board adopt the Interim CEO Goals for 2006. Other items discussed were the Railbelt peer review, alternative Energy Citizen Task Committee, Legislative Update provided by Phil Steyer and lobbyist Jerry Reinwald, and the committee recommended revisions to Board Policy 128 – Confidentiality.

Director Cottrell reported that the Finance committee met on May 25, 2006. Items discussed were April Unbundled Financial Statements, approval of 2006/2007 Finance Committee Goals, 1st Quarter Line Loss Report, review and recommendation of pension restoration plan, and the individual departments' budget review.

B. Alaska Power Association (APA) Report

Director Cottrell reported that APA will be having their Annual Meeting in Girdwood August 22-23, 2006.

C. NWPPA Report

Chairman Lipscomb reported on the NWPPA Annual Meeting which was held in Lake Tahoe in May.

D. Meeting Reports

Director Kalenka reported on the June 12, 2006, MEA Board Meeting.

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VIII. UNFINISHED BUSINESS - none

IX. NEW BUSINESS

A. Adopt Interim CEO Goals

Director Cottrell moved and Director Nordlund seconded the motion that the Board of Directors approve the revised Interim CEO Goals for 2006 as discussed and recommended by the Board Operations Committee on June 7, 2006.

Director Kalenka moved that the Interim CEO Goals be referred to the Operations Committee for further consideration. The motion failed due to the lack of a second.

The main motion passed with Chairman Lipscomb, Directors Cottrell, Davison, and Christopherson voting yes and Direction Kalenka voting no.

B. NRECA's Pension Restoration Plan

Director Christopherson moved and Director Cottrell seconded the motion that the Board of Directors freeze participation in NRECA's Severance Pay Pension Restoration Plan effective January 1, 2005, and adopts the updated Deferred Compensation Pension Restoration Plan, which has been updated to comply with Section 409 (A) of the Internal Revenue Code, effective June 21, 2006. The motion passed unanimously.

C. Board Policy 128 - Confidentiality

Director Cottrell moved and Director Nordlund seconded the motion to approve the recommendation made at the June 7, 2006, Board Operations Committee meeting, proposing to recommend to the full Board adoption of the revised Board Policy 128 adding the words "Directors" into paragraph C.1. in front of "Employees" and the words "or their membership on the Association's Board of Directors" at the appropriate location in the last sentence in paragraph C.1. The motion passed with Chairman Lipscomb, Directors Nordlund, Davison, and Cottrell voting yes and Directors Kalenka and Christopherson voting no.

D. Interim CEO Job Description and Contract

Director Kalenka moved and Director Cottrell seconded the motion to extend the termination date on the Interim CEO Contract from June 30, 2006, to July 31, 2006. The motion passed unanimously.

E. Letter the to Editor by Director Cottrell

Director Kalenka moved and Direction Cottrell seconded the motion to waive the seven-day rule. The motion passed unanimously.

Director Cottrell moved and Director Nordlund seconded the motion to approve publication of the Letter to the Editor for Chugach Electric as authored by Director Cottrell on behalf of the Board of Directors. Director Kalenka did not feel it was necessary for the Board of Directors to approve an individual's correspondence. The words "and I am writing this article on behalf of the Chugach Board." were added at the end of the first paragraph.

The motion passed unanimously.

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X. DIRECTORS' COMMENTS

Director Davison: Stated he was glad to hear that the South Anchorage Substation was completed.

Director Kalenka: Expressed his agreement with MEA Chairman Jordan's concerns regarding Chugach that were presented at their June board meeting.

Director Nordlund: No Comment

Director Christopherson: Would like all of the Railbelt cooperatives to get together in investigating a Railbelt G&T. All power users need to get involved and they need to support this idea. He encouraged the utilities to try to do business differently and work together in the future.

Director Cottrell: Asked CFO Cunningham to respond to the financial side of MEA's comments that Director Kalenka mentioned.

Chairman Lipscomb: Stated he brought a lot of information on Wind Power from the NWPPA meeting and it was available for anyone to read. He also congratulated everyone on the safety calendar and the website design awards. He thanked Mr. Posey, Mr. Carey, Mr. Pauley, Ms. Leland, and Ms. Donatelli for coming to our board meeting and sharing their comments. Congratulations to Mr. Stewart and staff on the energizing of the South Anchorage Substation.

XI. EXECUTIVE SESSION

At 6:56 p.m., Director Kalenka moved and Director Christopherson seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1)(3), the Board go into executive session to discuss matters that the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; and 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: 1) Labor Update and 2) Fuel Supply Negotiations update. The motion passed unanimously.

XII. ADJOURNMENT

The Board came out of executive session at 8:25 p.m. and adjourned.

Jim Nordlund, Secretary
Date Approved: July 19, 2006

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