

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

June 15, 2005

BOARD OF DIRECTORS'
MEETING MINUTES

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. called to order at 4:05 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Alan Christopherson – Vice Chairman
Dave Cottrell – Secretary
Elizabeth Vazquez – Treasurer
Bruce Davison – Director
Uwe Kalenka – Director

Chairman Jeff Lipscomb was absent.

The following employees, members, and guests attended:

Lee Thibert	Joe Griffith (tele.)	Brad Evans
Ed Jenkin	Red Boucher	Connie Owens
Chris Birch	Bill Stewart	Ruth Fitzpatrick, HEA
Ron Vecera	Carol Heyman	Rick Freymiller
Dan Knecht	Brian Hickey	Katrina Storjohann
Mary Tesch	Dianne Hillemeier	Carol Johnson
Bill Bernier	Paul Risse	Dave Carey, HEA
Patti Bogan	John Cooley	Mike Nugent, HEA
Mike Cunningham	Dora Gropp	Harold Heinze, ANGDA
Mike Pauley, MEA		

Paula Neas-Arnold, Executive Assistant, recorded meeting proceedings.

Vice Chairman Christopherson led the Board and audience in the Pledge of Allegiance.

I. EXECUTIVE SESSION

None.

II. APPROVAL OF AGENDA

Director Vazquez moved and Vice Chairman Christopherson seconded the motion to approve the agenda. The motion to approve the agenda passed unanimously.

Draft

III. APPROVAL OF CONSENT AGENDA

Director Davison moved and Director Cottrell seconded the motion to approve the Consent Agenda.

A. Calendar of Events (July 2005)

The July 20, 2005, Board of Directors meeting was moved to July 27, 2005.

B. Minutes (May 11, 2005, Board Meeting)

No changes

The motion to approve the consent agenda passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

Dave Carey, Board President, Homer Electric Association, Inc. (HEA) stated that they look forward to building a better relationship with Chugach.

Mr. Carey also stated that HEA sent a letter on June 14, 2005, to the Alaska Power Association (APA) providing notice of their intention to withdraw their membership in 18 months.

B. Member Comments

None.

V. CEO Report

- Lee Thibert, General Manager, Distribution Division, introduced guest speaker Mr. Harold Heinze, CEO, Alaska Natural Gas Development Authority. Mr. Heinze gave a presentation on North Slope gas and responded to questions from the Board.
- Lee Thibert, General Manager, Distribution Division, and Vice Chairman Christopherson recognized former board member Chris Birch's service with a congratulatory plaque and clock.
- Dora Gropp, Manager, Transmission & Special Projects, reported that Chugach received a Certificate of Recognition from the University of Alaska School of Engineering for Chugach's support of the new undergraduate degree program.
- Dora Gropp, Manager, Transmission & Special Projects, presented an update on the South Anchorage Loop Project and responded to questions from the Board.
- Ron Vecera, Director, Member Services, gave a presentation on Capital Credits.

D
r
e
a
f
t

VI. CORRESPONDENCE

None.

VII. DIRECTORS' REPORTS

A. Chairman's Report

Vice Chairman Christopherson told the Board he received an email from Chairman Lipscomb detailing correspondence he received from Mr. Lee Jordan, Matanuska Electric Association, Inc. (MEA) Board President, expressing their desire to develop a better working relationship with Chugach. Both Mr. Jordan and Chairman Lipscomb expressed their willingness to communicate better in the future. Mr. Jordan made note that MEA has very strict bylaws regarding communications between boards and board members.

B. Committee Reports

Vice Chairman Christopherson reported on the Operations Committee meeting held on June 1, 2005. Topics included improvement of member communication through publications; Board Policy 115, Director Vacancy, was reviewed and a revised policy will be presented at tonight's meeting; Alaska Railbelt Energy Authority JAA members met in Fairbanks on June 9, 2005, to negotiate a final agreement; Operations Committee goals for 2005/2006 were approved.

Director Vazquez reported on the June 7, 2005, meeting with Standard & Poor's (S&P) and representatives of Chugach management. Chugach's current rating is A- with a negative outlook. The focus of the visit was to evaluate the outlook portion of the rating. S&P Benchmarks - Chugach has the highest rating among our peer groups. The Chugach bond rating is considered adverse in S&P's opinion. The fuel surcharge is considered favorable. Bond debt for \$180,000,000 is due in 2011 and 2012. The fact that Chugach does have access to funds through CoBank and National Rural Utilities Cooperative Finance Corporation (NURCFC) is considered favorable.

Director Vazquez discussed the June 8, 2005, Finance Committee meeting. Items reviewed included the April unbundled financial statements; adoption of the 2005/2006 Finance Committee goals; review of two action items that will be presented at tonight's meeting - CoBank Short Term Line of Credit Renewal and adding an additional signer to the Securities and Exchange Commission filings.

C. Alaska Power Association (APA) Report

None

D. Meeting Reports

Chief Executive Officer (CEO) Griffith reported from Fairbanks on the Defense Base Closure and Realignment Commission (BRAC) presentation in Fairbanks.

CEO Griffith facilitated the Strategic Planning Process for the Alaska Power Association (APA) and stated a summary would be distributed to board members

Directorate

if they desired. One of the action items was the creation of an Audit Committee. Robert Wilkinson, Copper Valley Electric Association (CVEA), was elected Chairman. CEO Griffith was pleased Director Cottrell volunteered to be the Chugach representative for the APA.

Vice Chairman Christopherson reported on the JAA Agreement. CEO Griffith, General Counsel Don Edwards, and Jeff Lipscomb attended a meeting held in Fairbanks to negotiate the remaining open items on the proposed Alaska Railbelt Energy Authority (AREA). Ron Saxton, Counsel for GVEA, will have the final draft agreement ready by June 29, 2005. An agenda item will be added to the July board meeting for the JAA Agreement. The City of Seward is interested in joining the JAA. Karina West with Senator Stevens' office has informed Chugach that the tax-exempt status is moving ahead.

Vice Chairman Christopherson reported for Chairman Lipscomb on the Northwest Public Power Association (NWPPA) Annual Meeting held May 23 through May 26, 2005.

Director Kalenka attended the Matanuska Electric Association, Inc. (MEA) monthly board meeting and then met with President Lee Jordan. Director Kalenka expressed concern for future relations.

VIII. UNFINISHED BUSINESS

None.

IX. NEW BUSINESS

A. CoBank Short Term Line of Credit Renewal

Vice Chairman Christopherson reported on CoBank's Short Term Line of Credit renewal. Director Davison moved and Director Vazquez seconded the motion to approve the resolution renewing the CoBank Short Term line of credit. The motion passed unanimously.

B. SEC Filings

Director Davison moved and Director Cottrell seconded the motion to approve the resolution adding the General Manager, Corporate Services Division, as a signer on SEC filings. The motion passed unanimously.

C. Board Policy 115 – Director Vacancy

Director Davison moved and Director Cottrell seconded the motion to amend Board Policy 115, Director Vacancy, as discussed in the June 1, 2005, Operations Committee Meeting. Carol Johnson gave a general overview of the amended policy. The motion passed unanimously.

D. Director Vacancy

Vice Chairman Christopherson read the following statement: On May 23, 2005, Chugach received notice from Chris Birch that he has resigned his seat on the

Draft

Chugach Electric Association Board of Directors effective May 19, 2005, creating a vacancy. Pursuant to Board Policy 115 and Article IV, Section 8 of the bylaws, Chugach will begin the process of soliciting for applicants to fill the vacancy.

Director Davison moved and Director Cottrell seconded the motion to proceed to fill the vacancy on the Chugach Board pursuant to Board Policy 115 and Article IV, Section 8 of Chugach's bylaws in addition to the process and schedule recommended by the Board Operations Committee at its June 1, 2005, meeting. The motion passed four to one with Director Vazquez voting against the motion.

E. Directors' Expenses

Director Cottrell moved and Director Davison seconded the motion to approve the Directors' expenses as submitted. The motion passed unanimously.

X. DIRECTORS' COMMENTS

Director Cottrell stated he had read an article in the newspaper about the new incoming Director at MEA and the alleged discrepancy in disclosed campaign information.

Director Kalenka asked about the term "hot sticking". General Manager, Distribution Division, Lee Thibert, explained to the Board that it is a fiberglass tool used to work on energized lines. Director Kalenka would like to observe that procedure on the next available field trip.

Director Davison stated that Mr. Heinze's presentation was very sobering. The Board has been extensively briefed over the past year on various options related to gas. Director Davison would like an update on alternatives including the contraction case. Director Davison would like to learn more about any possibility of brownouts.

Director Vazquez stated that she is very disappointed the gas issue has not been discussed more. Director Vazquez feels the issue is very important to the future of Chugach.

Vice Chairman Christopherson reported that he would like to thank Chugach employees for their timely response to his requests for information.

XI. EXECUTIVE SESSION

Director Kalenka moved and Director Cottrell 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) a matter that the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; (2) subjects that tend to prejudice the reputation and character of a person; and (3) matters with its attorneys that 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: a) security issues; b) strategic planning issues; 3) general legal advice and information. The motion passed unanimously.

Director

XII. ADJOURNMENT

The Board came out of executive session at 6:20 p.m. and adjourned.

David Cottrell, Secretary
Date Approved: July 27, 2005

D
r
e
a
f
t