

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

July 27, 2005

BOARD OF DIRECTORS'
MEETING MINUTES

A regular meeting of the Board of Directors of Chugach Electric Association, Inc., was called to order at 4:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Jeff Lipscomb – Chairman
Alan Christopherson – Vice Chairman
David Cottrell – Secretary
Elizabeth Vazquez – Treasurer
Bruce Davison – Director
Uwe Kalenka – Director

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The following employees, members, and guests attended:

Joe Griffith	Brad Evans	Lee Thibert
Mike Cunningham	Dianne Hillemeier	Bill Stewart
Connie Owens	Carol Johnson	Juvy Gobaleza
Jackie Purcell	Mary Tesch	Chris Birch
Monica Lewis	Susan Pope	Don Edwards
Kathy Harris	Katrina Storjohann	Ken Thomas
Sherri Mckay-Highers	Dan Knecht	Burke Wick
Ed Jenkin	Mark Fouts	Patti Bogan
Mary Tesch	Teresa Kurka	Jeff Vroman
Fran Petrivelli	Dave Smith	Carol Heyman
Ron Vecera	Sarah Wiggers	Mangala Chaobal
Pat Jasper	John Cooley	Bill Bernier
Brian Hickey	Arthur Miller	Mike Pauley, MEA
Jim Posey, ML&P	Jean Sauget	Debbie Debnam, HEA
Hugh Chumley, HEA	Ruth Fitzpatrick, HEA	Steve Pratt, ML&P
Ray Kreig	LeeAnn Gearhart	Crystal Enkvist, APA
Russ Nogg, ML&P	Sam Cason	Bob Stewart
Dave Carey, HEA		

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

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

CEO Joe Griffith and Jackie Purcell (Channel 2 News) presented checks for \$100 to each of the three winners of the Safety Calendar contest. Employees' children were grouped by age as follows:

Ron Vecera's son Brody, six years old and under.
Mike Snell's daughter, Josie Snell, ages seven to nine
Juvy Gobaleza's son Ricardo, ages ten to thirteen.
Pete & Cona Carroll's son Hayden Carroll received \$60 for the cover of calendar.

I. EXECUTIVE SESSION

None

II. APPROVAL OF AGENDA

Chairman Lipscomb moved and Director Cottrell seconded the motion to approve the agenda. The motion to approve the agenda passed unanimously.

III. APPROVAL OF CONSENT AGENDA

A. Calendar of Events

Audit Committee meeting scheduled for August 10, 2005, at 3:30 p.m.
Finance Committee meeting to immediately follow at 4:00 p.m.

Starting September 28, 2005, the Finance Committee meetings will be shifted to the fourth Wednesday of each month.

B. Correction to June 15, 2005, board meeting minutes (as indicated below in Wholesale Customer Comments).

C. & D. Mangala Chaobal, Manager, Credit, Collections & Cost Recovery, gave a presentation on Uncollectible Accounts Receivable. Ms. Chaobal responded to questions from the Board members.

The motion to approve the Consent Agenda passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

Jim Posey, General Manager of ML&P, announced the July 26 Anchorage Assembly's approval of the Joint Action Agency. Mr. Posey also reported that the ML&P Annual Report is now available.

Dave Carey, President of HEA Board of Directors, made a correction to the June 15 board meeting minutes. They had indicated their intent to withdraw from APA in 18 months, not immediately as previously stated. HEA board members Debbie Debnam, Hugh Chumley, and Ruth Fitzpatrick were also present. The Agrium Corporation will remain functioning for one more year.

B. Member Comments

Past board member and consumer Pat Jasper spoke and felt that there were wonderful applicants for the board position. Chugach has many needs in future, the most important being stability in ratings, followed by good community relations and consumer reliability. She does not feel Ray Kreig was a suitable candidate because

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he did not have Chugach's best interests at heart. She disputes his claim of offering a 20 percent savings to Chugach consumers.

Crystal Enkvist with the APA spoke on behalf of Eric Yould. She welcomed Director Cottrell to the APA Board. She invited all interested parties to attend APA's annual meeting to be held in Kodiak this year.

V. CEO Report

- Ken Thomas, Manager, Safety, gave a presentation on the second quarter safety statistics.
- The Board also viewed a television news clip broadcast July 26 on the Boy Scouts' Jamboree tragedy in Virginia. Bill Bernier, Director Line Operations and Maintenance Division, and Patti Bogan, Manager, Public Relations, were both interviewed for the television news. A portion of the Safety City presentation by Mel Hutchinson, Manager Maintenance and Operations Services, was also used in the television news article.

VI. CORRESPONDENCE

None

VII. DIRECTORS' REPORTS

A. Chairman's Report

Chairman Lipscomb and Director Cottrell attended the HEA Board meeting on July 12, 2005.

Chugach board members and Matanuska Electric Association held a joint board meeting in Palmer on July 19, 2005.

Chairman Lipscomb, Director Kalenka, and Phil Steyer, Manager, Government & External Affairs, attended the Anchorage Assembly workshop, which was held on July 22, 2005.

B. Committee Reports

Director Vazquez reported that the Finance Committee met on July 13, 2005. The committee considered and approved changing the meeting date to the fourth Wednesday of each month starting in September. Mike Cunningham, Chief Financial Officer, gave a presentation on Long Term Debt.

Chairman Lipscomb reported on the Operations Committee meeting on July 6, 2005. Items discussed were Board Policy 131 - E&O Reporting Policy, and Board Policy 125 - Indemnification of Employees, Officers and Agents. Policy 125 was tabled for further legal review. The AREA Joint Action Agency was also discussed. Mary Tesch, Vice President, Human Resources reported on the CEO search. Don Edwards gave a presentation on the Depreciation Study that was presented to the RCA.

CEO Joe Griffith attended a meeting with AEA staff and Board of Directors regarding the Alaska Intertie held July 22, 2005. Concerns by AEA include the lack of R&R (removal and repair) funding, creation of R&R fund since state funding

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disappeared in 1993. AEA Chairman Barry asked for consideration by the Intertie Operating Committee and a report back.

C. Alaska Power Association (APA) Report

Director Cottrell attended an APA meeting with Eric Yould and Crystal Enkvist.

D. Meeting Reports

None

VIII. UNFINISHED BUSINESS

None

IX. NEW BUSINESS

A. Selection of Director

Director Davison moved and Chairman Lipscomb seconded the nomination of Bruce Campbell.

Director Christopherson moved and Director Kalenka seconded the nomination of Ray Kreig.

Chairman Lipscomb and Director Davison voted for Mr. Campbell. Directors Christopherson, Cottrell, Vazquez, and Kalenka voted for Mr. Kreig.

General Counsel Carol Johnson administered the oath of office to Mr. Kreig.

B. CoBank Loan Pricing Committee Appointments

Director Davison moved and Chairman Lipscomb seconded motion of the appointment of a Pricing Committee to evaluate alternatives for the CoBank note that will mature on August 31, 2005.

After discussion, Director Cottrell and Director Vazquez asked that this item be referred to the Finance Committee for review and recommendation.

C. Selection of CEO Search Firm

Director Davison moved and Chairman Lipscomb seconded the motion to select Mycoff & Associates as the CEO search firm. Director Cottrell amended the motion to change the recommendation to NRECA (Geoff Smith). Director Davison withdrew his original motion.

Director Cottrell moved and Director Christopherson seconded the motion to select NRECA (Geoff Smith) as the CEO search firm.

The motion carried with six yes votes; Director Kreig abstained.

D. Confirming Prior Action on Joint Action Agency Agreement

Director Davison moved and Director Cottrell seconded the motion to confirm the March 17, 2004, resolution that had been previously approved by the Board.

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Director Christopherson suggested the following amendment to that resolution:

The Chief Executive Officer or his or his designee is authorized to enter into the attached Joint Action Agency Agreement, which was revised on July 6, 2005. However, if federal legislation granting tax-exempt financing status to the Joint Action Agency is not signed into law by the President prior to January 31, 2006, the Chief Executive Officer or his designee is directed to send a letter of withdrawal to the Joint Action Agency on February 1, 2006, pursuant to Section 14.B. of the Agreement.

Furthermore, if at any time prior to July 31, 2006, Chugach's obligation to pay administrative and overhead costs of the Joint Action Agency pursuant to Section 3.B. of the Agreement exceeds \$100,000 (not including start-up costs already incurred as of July 31, 2005, by Chugach) the Chief Executive Officer or his designee is directed to send a letter of withdrawal from the Joint Action Agency pursuant to Section 14.B. of the Agreement.

The amendment was accepted and the motion to confirm the resolution passed unanimously.

E. Appointment of AREA Joint Action Agency Representatives

Director Kreig moved and Director Davison seconded the motion to approve Chairman Lipscomb to serve as Chugach representative on the AREA Joint Action Agency from the Board of Directors. The motion passed unanimously.

F. Directors' Expenses

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

X. DIRECTORS' COMMENTS

Director Vazquez welcomed Director Kreig to the Board.

Director Cottrell welcomed Director Kreig to the Board. Director Cottrell feels Director Kreig brings both experience and knowledge to his new post. He noted Director Kreig will have to run for re-election in April 2006. Director Cottrell proposes that the Operations Committee consider sending the Wind Generation Project to the Joint Action Agency along with grant funds received.

Director Christopherson welcomed Director Kreig to the Board. He feels the new Board is ready to move forward and work diligently. He is also interested in looking at the Joint Action Agency as a means to resolve the Railbelt issues.

Director Kreig looks forward to serving on the Board. He would like to recognize Ms. Jasper's achievement and accomplishments as a past Board member.

Director Davison welcomed Director Kreig to the Board. He was pleased with compromises made on the Joint Action Agency issue. Director Davison also noted the

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Boy Scout Jamboree tragedy. The lesson to be learned here is always maintain your guard.

Chairman Lipscomb addressed safety issues in the workplace. Safety should always be our first concern.

XI. EXECUTIVE SESSION

At 6:55 p.m., Director Davison moved and Director Christopherson 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) matters 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 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) SES Contract Negotiations; 2) Labor Negotiations; 3) Jacobus letter; 4) Modification of Agreement and General Release; 5) Personnel review; 6) GAINS Program; 7) CEO Search; 8) Board relations. The motion passed unanimously.

XII. NEW BUSINESS Continued

The Board reconvened from executive session at 8:43 p.m. Director Christopherson moved and Director Cottrell seconded the motion to accept the modifications to the CEO Agreement/General Release as signed by Mr. Griffith. The motion was approved unanimously.

Director Davison left the meeting/executive session at 9:10 p.m.

Director Kreig moved and Director Cottrell seconded the motion to waive the seven-day rule. The motion passed unanimously (Director Davison was not present at time of vote).

Director Kreig moved and Director Christopherson seconded the motion that the Board of Directors authorizes the GAINS performance incentive program for the period of January 1 to December 31, 2005, as presented in the Finance Committee on June 8, 2005. The motion failed unanimously (Director Davison was not present at the time of vote).

At 9:30 p.m., Director Kreig moved and Director Christopherson seconded the motion to go back into executive session to discuss financial and personnel matters. The motion passed unanimously.

XIII. ADJOURNMENT

The Board meeting adjourned at 9:45 p.m.

David Cottrell, Secretary
Date Approved: August 24, 2005

Dr
Griffith