

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

September 26, 2007

SPECIAL BOARD OF DIRECTORS'
MEETING MINUTES

The following board members were present:

Elizabeth Vazquez – Chairman
Uwe Kalenka – Vice Chairman
Alex Gimarc – Secretary
PJ Hill - Treasurer
Jeff Lipscomb – Director

Jim Nordlund (Absent)

The following employees, members, and guests attended:

Bill Stewart	Brad Evans	Mike Cunningham
Lee Thibert	Connie Owens	Phil Steyer
Mary Tesch	Divina Portades	Tom Schulman
Gary Zipkin (Guess & Rudd)	Loral Carter (MEA)	Jim Patras (HEA)
Bill Mede (Turner & Mede)		

Jennifer McDonald, Legal Secretary, recorded meeting proceedings.

I. CONVENE MEETING

The special meeting of the Board of Directors was convened at 8:20 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

II. APPROVAL OF THE AGENDA

Director Gimarc moved and Director Kalenka seconded the motion to approve the agenda. The motion passed unanimously.

III. PERSONS TO BE HEARD

A. Wholesale Customer Comments

None.

B. Member Comments

None.

IV. CORRESPONDENCE

None.

V. EXECUTIVE SESSION

Director Kalenka moved and Director Gimarc seconded the motion that pursuant to Alaska Statute 10.25.175(c) (1) and (3) the Board go into executive session 1) 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 effect on the legal position of the cooperative. The matters to be discussed are: 1) The Chugach / ML&P Phase I Study and 2) Labor Update. The motion to go into executive session passed unanimously. The Board went into executive session at 8:25 p.m. and resumed in open session at 8:33 p.m.

VI. NEW BUSINESS

A. Chugach/ML&P Phase I Study

Director Gimarc moved and Director Kalenka seconded the motion that the Board approve the proposed contract with Navigant as presented to the Board by Board counsel and approved by the Municipality of Anchorage and that Chairman Vazquez is authorized to execute the contract on behalf of Chugach Electric Association. The motion passed unanimously.

B. Records Retention/Data Release and Policy-Hire Specialized Legal Counsel

Director Gimarc moved and Director Kalenka seconded the motion to retain Gordon Tans of Perkins Coie to review proposed board policies on executive session recordings and the release of Association records and the release of other documents on benchmarking and labor analyses at an initial cost not to exceed \$10,000. The Board Chair shall oversee the assignments and execution of legal tasks performed by counsel.

Director Lipscomb spoke against the motion and stated that this is specialized legal advice, is more opinion shopping and a waste of members' margins. Director Lipscomb stated the Board has already received legal opinions on this matter from the Association's General Counsel, the current Board counsel, the two Board labor attorneys and prior legal opinions from other outside counsel. Director Lipscomb stated that he did not feel it was appropriate for the Board Chair to oversee the assignments and execution of legal tasks and stated this should be done through the CEO and the Association General Counsel. Director Lipscomb stated that this would be attorney number six hired by the Board and did not feel this was good practice.

Director Kalenka stated that he would be voting for the motion and stated that Gordon Tans is a specialist in first amendment issues and that the Board needs his expertise since the Board is talking about releasing certain documents. Director Kalenka stated that Gordon Tans would complement the Board greatly.

The motion passed with a vote of 4 to 1 with Director Lipscomb voting against the motion.

C. Labor Update

No action was taken on this item.

VII. DIRECTOR COMMENTS

Director Hill: None.

Director Lipscomb: None.

Director Gimarc: None.

Director Kalenka: Stated that the Board was given a package and was expected to vote on something that the Board didn't have time to properly review, read or digest. Stated that at the last Board meeting the Board was given a 3-page letter and stated that he didn't think any of the Board members had an opportunity to digest properly what the letter said. Stated that he was attending to business with one eye and with the other eye trying to read that letter and there are a few things that he believes were not proper. Stated that letter was written on September 17, 2007 and was given to the Board two days later. Asked why this letter wasn't sent to the Board via email to give the Board time to review it, digest it and analyze it. Stated that laying it down in front of a Board member during a Board meeting is inappropriate. *Chair Vazquez asked which letters Director Kalenka was referring to.* Director Kalenka stated he was referring to the letter to Wayne Carmony. Stated that another thing that disturbed him was he went to an RCA meeting, but was not able to attend the whole meeting, and was handed a document from Don Edwards that clearly stated Chugach intends to file comments on MEA's filing. Stated that did not happen in that form and that management needs to provide the Board with these letters to give the Board ample time to analyze it to see what the implications are. Stated the Board was asked to do something that he didn't feel comfortable with and doesn't feel comfortable with now. *Bill Stewart, CEO, responded that the letter to Mr. Carmony was written at the direction of the Board. Chair Vazquez stated that the point is when the Board gets documents shoved at them at the last minute, given the amount of paperwork that the Board is dealing with and the amount of issues the Board is dealing with, it is not fair to the Board. Stated that employees get to be here 7 1/2 to 8 hours and the Board is basically almost volunteers, given the amount of time and energy and paperwork the Board needs to read, review, process, study, analyze and draw conclusions from. Stated that management needs to be better all-around in getting things to the Board to consider.*

Director Vazquez: Addressed an issue regarding salary adjustment for the portion of the Chugach workforce that is not represented by a union. Assured those employees that the Board knows it needs to address this very important topic. Stated that last year when the negotiation process began for the bargaining unit employees the Board felt that the proper course of action was to resolve the labor agreements first and then consider a pay adjustment for the non-represented employees. Stated that at the time the Board did not anticipate that the negotiations would take as long as they have. Stated she is hopeful the Board is nearing the end of that process and this would be a top priority at the October and possibly November Board meetings. Stated she is sorry for any concerns this delay

may have had. Stated that tonight the Board heard a presentation on risky accounts, appreciated the update and looks forward to working with management to brainstorm and come up with ideas to 1) more specifically identify the reasons for this increase in delinquent accounts and 2) ways of dealing more effectively with it. Stated that it is the intent and consensus of this Board not to subsidize members that use credit cards as this subsidy costs a substantial amount in excess of \$700,000. Stated it is not the intent of the Board to eliminate conveniences for the members, specifically it is not the intent of the Board to eliminate Auto-pay and is not the intent of this Board to make it inconvenient to simply pick up the phone and be able to pay by credit card. Stated the intent of this Board is that those that use credit cards simply pay for that convenience. Stated there must be a way for employees to take a telephone call and charge a member's credit card. Stated that since the onset of the merger/reorganization with ML&P, several events have emerged and these new developments are settlement of the Rate Case with most parties including HEA, the AG and Seward, MEA's filing with the RCA with regard to their request for a G&T study, the issuance of an RFP issued by the Alaska Energy Authority to study the uniformed system operator for the Railbelt. Stated that while she doesn't want to stand in the way of progress she feels there is a fiduciary responsibility on this Board and on Chugach to fully consider and investigate all alternatives including a traditional Railbelt G&T such as what has been proposed by MEA. Stated it is a method of providing generation and transmission down below and it is commonly used down below so it is not a strange idea. However, MEA's filing with the RCA is the best way to explore this. It may be debatable but the Board should explore the concept itself and not preclude the concept.

VIII. ADJOURNMENT

Director Lipscomb moved and Director Gimarc seconded the motion to adjourn. The meeting adjourned at 8:48 p.m.

Alex Gimarc, Secretary

Date Approved: October 17, 2007