

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**September 21, 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:

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

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The following employees, members, and guests attended:

|                        |                   |                  |
|------------------------|-------------------|------------------|
| Bill Stewart           | Anita Gomez       | Jim Posey, ML&P  |
| Tuckerman Babcock, MEA | Perry Grover, DWT | Mike Pauley, MEA |
| Mike Barry, AIDEA/AEA  | Kathy Harris      | Paul Risse       |
| Bill Bernier           | Dianne Hillemeier | Phil Steyer      |
| Dave Carey, HEA        | Pat Jasper        | Mary Tesch       |
| John Cooley            | Ed Jenkin         | Lee Thibert      |
| Mike Cunningham        | Carol Johnson     | Jim Walker, MEA  |
| Debbie Debnam, HEA     | Dan Knecht        | Al Warfield      |
| Don Edwards, Dorsey    | Teresa Kurka      | Sheila Warfield  |
| Brad Evans             | Ron Miller, AIDEA | Sarah Wigger     |
| Ruth Fitzpatrick, HEA  | Paula Neas-Arnold | Jody Wolfe       |
| Mark Fouts             | Jim Patras, HEA   |                  |
| Rick Freymiller        | Mary Patterson    |                  |

DeAnna Scott, Executive Assistant, recorded meeting proceedings.

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

**I. EXECUTIVE SESSION**

At 4:05 p.m., Director Kreig moved and Director Kalenka seconded the motion that pursuant to Alaska Statue 10.25.175(c)(1), the Board go into executive session to discuss 1) matters the immediate knowledge which would clearly have an adverse effect on the finances of the cooperative. The topics to be discussed are 1) Healy Clean Coal Project and 2) Railbelt Energy Fund. It was requested by the Chairman of

the Board to include Homer Electric, Matanuska Electric, and AIDEA representatives.

The Board reconvened at 5:00 p.m.

**II. APPROVAL OF AGENDA**

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

**III. APPROVAL OF CONSENT AGENDA**

Director Kreig and Director Kalenka seconded the motion to approve the Consent Agenda.

**A. Calendar of Events (September 2005 – August 2006)**

The December Board Meeting has been moved to December 14, 2005.

The November 9th Audit Committee meeting may be moved to November 30.

**B. Minutes (August 24, 2005)**

No changes.

The motion to approve the Consent Agenda passed unanimously.

**IV. PERSONS TO BE HEARD**

**A. Wholesale Customer Comments**

Mr. Dave Carey, Board President, Homer Electric stated he appreciated the opportunity to attend Chugach's Board Meeting and being able to attend the Executive Session. The topic discussed represents opportunity for all of us to work together. Mr. Carey stated he was in receipt of an invitation for the Board of Directors and Managers to meet next week to discuss a very wide variety of topics. They are going to decline that meeting. Mr. Carey suggested meeting once a month or every other month to discuss one topic at a time.

Mr. Carey also stated that he met with a group representing various cooperatives in Anchorage to discuss informally the restructuring of APA. He shared the discussions and ideas that came from this meeting and hoped Chugach would work with the group in discussing ways to separate the Insurance Exchange. Mr. Carey stated he was pleased with the ongoing dialogues between the Associations and feels that all are committed to providing low cost and reliable power to our consumers.

**B. Member Comments**

None.

**V. CEO Report**

Ron Vecera, Manager of Member Services, gave a presentation to the Board regarding Capital Credits payments to estates.

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Interim CEO Stewart reported that the \$10M CoBank second note was refinanced on August 31, 2005, with an interest rate of 5.5%.

Lee Thibert, General Manager, Distribution Division, provided the Board with an update on the current benchmarking efforts.

Interim CEO Stewart reported that the SEC has extended the period on Rule 404 compliance under Sarbanes-Oxley. The new date is July 15, 2007.

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**VI. CORRESPONDENCE**

None.

**VII. DIRECTORS' REPORTS**

**A. Chairman's Report**

None.

**B. Committee Reports**

Director Christopherson reported on the Operations Committee meeting that was held on September 7, 2005. Discussed at the meeting were CEO Goals, JAA status, CEO search, and Benchmarking.

Director Vazquez reported that the Finance Committee will meet on September 28, 2005.

**C. Alaska Power Association (APA) Report**

Director Cottrell reported on the APA meeting and requested a topic be added in Executive Session to discuss financial issues.

**D. Meeting Reports**

Director Vazquez reported on the rating agency presentation that was held at the offices of Moody's on August 26, 2005.

Director Lipscomb reported on the JAA Board meeting that was held August 31, 2005. Director Lipscomb expressed to the committee the desire to have the meetings open to member utilities and directors.

Director Lipscomb attended the NWPPA Trustees meeting held on September 8-9, 2005. A written report will be sent via e-mail to the board.

Director Kalenka reported on the MEA Board meeting that was held on September 12, 2005.

**VIII. UNFINISHED BUSINESS**

None.

## IX. NEW BUSINESS

### A. Bank Signature Cards

Director Davison moved and Director Kreig seconded the motion that the Board of Directors approve the resolution to update the approved check signers and slate of officers based on actions taken at the September 7, 2005, Special Board meeting and the appointment of Bill Stewart as the Interim CEO effective September 3, 2005. The motion passed unanimously.

### B. Change of Registered Agent

Director Davison moved and Director Kreig seconded the motion that the Board adopt the resolution changing the Association's Registered Agent from Evan J. Griffith to William R. Stewart. The motion passed unanimously.

### C. Directors' Expenses

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

## X. DIRECTORS' COMMENTS

**Director Kreig:** Stated he would like to recognize whoever put the tent cards that has our name on one side and on the other side it says: "Is it good for Chugach rate payers?" This is excellent and each Director looks at this as we go through our meetings. Director Kreig also stated that he supports the current policy on the discounting of capital credits payments to estates. Director Kreig stated he would like more information on how the discount rate is determined.

**Director Davison:** Stated he was glad to see that someone took the initiative to have AIDEA come over and speak to the Board. However, Director Davison stated that it is going to be very important that the Board hears from our own expert and get a balanced view of the situation. It would also be important to hear from Golden Valley. Therefore, at some point in time, he stated he would like to have an opportunity to hear and question people with different views on Healy Clean Coal.

**Director Kalenka:** Stated he was responsible for the tentcards and compliments MEA because he got the idea from them. He also stressed his concern on the JAA and the lack of action on open communications and meetings.

**Director Cottrell:** Stated the service interruptions we experienced put thousands of customers out of electricity. Director Cottrell stated that since he has been on the Board, the Board has been very serious about reducing cost in the maintenance and capital areas by limiting our capital expenditures, the amount of our depreciation and our net margins or cash flow situation. In addition, the Board has been pushing management to have margins so that capital credits can be returned. Reliability is by far more important than large margins. He did not know if these two instances were due to maintenance budgets being cut. He stated his concern that we might be concentrating on margins and cutting costs and not concentrating on reliability. Reliability is still foremost and if we are cutting maintenance and capital costs and increasing margins at the expense of reliability then we need to sit down and talk about what is the primary goal of this Board.

**Director Vazquez:** Stated with regard to the JAA subject, she agrees with Directors Cottrell and Kreig. Perhaps this is not a legal issue but a public relations issue and a

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resolution needs to be found. Director Vazquez also stated she was delighted to see representatives from AIDEA. We are breaking new ground and are going into territory that this Board has not gone into. With regard to Director Cottrell's remark, you can spend a whole lot of money and still not get reliability. She was uncomfortable with some of the statements in the press release. Interim CEO Stewart asked if Bradley Evans, General Manager, G&T Division could share with the Board the events that lead up to the outages and explain the procedure and process that took place.

**Director Lipscomb:** Stated he is glad to see that customer satisfaction continues to improve.

**Director Christopherson:** No comment.

## **XI. EXECUTIVE SESSION**

At 6:05 p.m. Director Davison moved and Director Cottrell seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1)(3), the Board go into executive session to discuss 1) matters the immediate knowledge which would clearly have an adverse effect on the finances of the cooperative and 3) matters discussed with an attorney for the cooperative the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The topics to be discussed 1) Labor Negotiations Update; 2) APA; 3) JAA; and 4) Healy Clean Coal Power Plant.

## **XII. ADJOURNMENT**

The Board came out of executive session at 7:20 p.m. and adjourned.

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David Cottrell, Secretary

Date Approved: October 19, 2005

Director