

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

**November 20, 2008**

**BOARD OF DIRECTORS'**  
**MEETING MINUTES**

The following board members were present:

Rebecca Logan – Chair  
Jim Nordlund – Vice Chairman (arrived at 4:14 p.m.)  
Alex Gimarc – Secretary  
PJ Hill – Treasurer  
Jeff Lipscomb – Director  
Janet Reiser – Director  
Elizabeth Vazquez – Director

The following employees, members, and guests attended:

Brad Evans	Mike Cunningham	Connie Owens
Bill Bernier	Arthur Miller	Ed Jenkin
Dave Smith	Rick Freymiller	Dora Gropp
Sherri McKay-Highers	Teresa Kurka	Jody Wolfe
Tyler Andrews	Suzanne Gibson	Phil Steyer
Ron Vecera	Jim Posey (ML&P)	Crystal Enkvist (APA)
Bruce Scott (MEA)		

Jennifer McDonald, Legal Secretary, recorded the meeting proceedings.

**I. CONVENE MEETING**

Chair Logan called the regular meeting of the Board of Directors to order at 4:10 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

**II. PLEDGE OF ALLEGIANCE**

Chair Logan led the Board and audience in the Pledge of Allegiance.

**III. EXECUTIVE SESSION**

None.

**IV. APPROVAL OF AGENDA**

Director Lipscomb moved and Director Hill seconded the motion to approve the Agenda. Director Lipscomb clarified that under Agenda Item XI. New Business, the order is:  
A. Resolution Authorizing Establishment of a Commercial Paper Borrowing Program;

B. Board Policy 126; C. Authorization to Issue Commercial Paper for Purposes of Refinancing Redeemed Bonds and Expenditures for Capital Expansion; D. Authority of the Association – Appointed Representative to Joint Operating Assets; and E. Resolution in Support of Alternative Energy. The motion to approve the agenda passed unanimously.

**V. CONSENT AGENDA**

**A. Board Calendar**

Added Audit Committee Meeting for February 11, 2009 so KPMG can give a status report of the 2008 Audit.

**B. Minutes – November 5, 2008**

**C. Director Expenses**

**D. Federal & State Single Audit Reports**

**E. Discounting of Capital Credit Payments for 2009**

**F. Retail Capital Credit Retirement Recommendation**

**G. Wholesale Capital Credit Retirement Recommendation**

**H. Simplified Rate Filing Implementation Plan**

**I. 2009 Operating and Capital Budget**

Director Lipscomb moved and Director Reiser seconded the motion to approve the Consent Agenda.

*Director Nordlund arrived at 4:14 p.m.*

There was no objection to the Consent Agenda.

**VI. PERSONS TO BE HEARD**

**A. Wholesale Customer Comments**

None.

**B. Member Comments**

None.

**VII. CEO REPORT**

Dave Smith, Vice President, Administration, gave an update on the progress of the Chugach United Way Campaign.

**VIII. CORRESPONDENCE**

None.

**IX. DIRECTOR REPORTS**

**A. Committee Reports**

Director Reiser reported that the Renewable Energy Committee did not meet.

**B. APA Report**

Director Nordlund reported a meeting is scheduled for December 5, 2008.

**C. Meeting Reports**

Director Lipscomb reported that he attended the RDC conference on November 19, 2008. Sarah Palin addressed the group and said “Safely and environmentally responsible development. We must do this for ourselves and gain the respect of Congress and the rest of the country”. Senator-elect Begich spoke next and emphasized “We must continue on the path of energy diversification”. Director Lipscomb stated they both talked about energy diversification.

Director Lipscomb reported that ConocoPhillips has an \$800 million 2009 Capital Investment Program for Alaska; BP has a \$1.2 billion Capital Investment Program; and Chevron has a \$200 million Capital Investment Program for 2009.

Director Lipscomb reported that he attended the Homer Electric Association Board meeting and stated HEA is looking at renewable projects. HEA has applied for \$15 million in grants for their projects. Director Lipscomb also noted that Dave Carey and Hugh Chumley resigned from the Homer Electric Board as Mr. Carey was elected Mayor and Mr. Chumley was selected as the Mayor’s Chief of Staff.

**X. UNFINISHED BUSINESS**

None.

**XI. NEW BUSINESS**

**A. Resolution Authorizing Establishment of a Commercial Paper Borrowing Program**

Director Lipscomb moved and Director Reiser seconded the motion that the Board of Directors approve the attached resolution authorizing establishment of a commercial paper borrowing program. The motion passed unanimously.

**B. Board Policy 126 – Business Planning and Financial Management**

Director Lipscomb moved and Director Nordlund seconded the motion that the Board of Directors approve the attached revisions to Board Policy 126 – Business Planning and Financial Management as discussed in the November 12, 2008 Operations Committee meeting. The motion passed unanimously.

**C. Authorization to Issue Commercial Paper for Purposes of Refinancing Redeemed Bonds and Expenditures for Capital Expansion**

Director Nordlund moved and Director Lipscomb seconded the motion that the Board of Directors authorize the issuance of \$50 million of commercial paper as necessary to cover bond redemption refinancing and power generation

construction costs for December 2008 and through the first quarter 2009. The motion passed unanimously.

**D. Authority of the Association – Appointed Representative to Joint Operating Assets**

Director Lipscomb moved and Director Reiser seconded the motion that the Board of Directors approve the attached policy on the Authority of the Association–Appointed Representative Regarding Jointly Operated Assets. The motion passed unanimously.

**E. Resolution in Support of Alternative Energy**

Director Hill moved and Director Gimarc seconded the motion that the Board of Directors support continued study of alternative electric generation solutions as described in the following resolution. The motion passed unanimously.

Director Gimarc requested a short press release notifying the public of Chugach’s support of alternative energy based on the motion just passed.

**XII. DIRECTOR COMMENTS**

**Director Hill:** “I’m glad we got through the commercial paper quickly in light of the meltdown we had today. I’m not even looking at my portfolio.”

**Director Lipscomb:** “We passed the authorization for Joint Operating Assets and we also passed the budget. Could we get a summary at our next Board meeting or Finance Committee meeting of the budgets before those jointly operated assets? I don’t believe we saw a budget for the SCAPP program that (*unintelligible*) capital – it’s probably in the capital budget someplace.” *Chair Logan:* “So, you’re asking for just a budget on the SCAPP project or for...” “All of the jointly operated assets – that would be Bradley Lake, Eklutna – and just a summary. It’s already included in the operating budget.” *Chair Logan:* “Is that doable? Mike and Brad?” *Brad Evans:* “Yeah, I think they’ve actually – Mike – some of that might have already been distributed but we’ll just redo a packet and...” *Chair Logan:* “For the next Finance Committee meeting?” “Yep, a one pager – just again a summary – one page or two pager.”

**Director Reiser:** “Congratulations on United Way – that’s a very achievement and goal. I also wanted to note I had asked some questions in the budget process about risk management and risk mitigation and I was fortunate enough to have a meeting with Sherri and Mike and Brad and we talked about it and I think I sent – I did send a note to all of you expressing my pleasure over what I heard and what I saw. In your packet there’s some supplemental information that talks a little bit about how we look at risk and how we manage risk and again, very satisfied with that and I think that’s a way that we should be looking at board directors and how the company is run. But anyway, I am very satisfied and pleased.” *Chair Logan:* “And thank you very much for doing that – following up and then sharing that information with us. That was very helpful.”

**Director Vazquez:** “First of all I want to thank Mr. Evans and his management team including Mr. Cunningham in putting together this big commercial paper project. As everyone knows I’ve been a vocal critic of being very passive with regard to our finances

and over the years I have always expressed concern about simply waiting for things to happen instead of us taking the active role. So, it is a pleasure to see that we have taken an active role – not only to rectify some passivity I’ve seen in the past, but frankly to avoid the giant tsunami of credit problems that we are now seeing in the markets. I mean there is definitely – anybody that’s reading or hearing the news is well aware of the dire credit situation now existing for companies throughout the United States and it’s not – you know – those companies in bankruptcy. Everybody is experiencing a credit crunch. So, Mr. Evans, thank you for taking a very aggressive lead on this. I know you started the project immediately after December 5 when you got on board and we proceeded with *unintelligible* speed. Mr. Cunningham, it’s acknowledged too that you – no grass grew under both of your feet and you took this horn – this bull by the horn but I’ll tell you it would be very interesting if we had not done that. If you guys didn’t do that because nobody knew it was going to get this bad. But it’s bad – it’s bad out there so thank you. We may have saved millions of dollars. Mr. Cunningham – can you please for the record tell us what – I mean how well we did in getting these credit – these...” *Mike Cunningham: “Well, given the spreads and the bond market today I’m sure it’s almost in the thousands of bases points. I think that getting that credit agreement was probably a very timely move because those are not being executed today. Lenders are not putting up backstop credit agreements under those pricing conditions today. They’re not even doing it. So we were fortunate and timely getting that done.”* “Mr. Evans, did you want to add anything?” *Brad Evans: “It would be hard to (unintelligible) a guess because every time you look at the market (unintelligible). If we could take an estimate of what we might of thought we’d save by putting this in place tomorrow it would be a different number. So, it’s extremely difficult but we did get very good lending terms for backstop vehicle if the credit market does fail and we do go to the backstop but before the ink was even dry on that everybody was marveling at the terms that we got (unintelligible). It was really extremely well and what we were seeing after that was well in excess of 100.”* *Chair Logan: “Did we ever do a press release on that piece that we talked about before? We had a really brief conversation about that. I don’t remember seeing it.”* *Director Lipscomb: “That would be wise to do.”* *Director Nordlund: “Well I think tonight’s actions an appropriate time to do a press release.”* *Chair Logan: “Uh-huh.”*

**Director Gimarc:** “Madam Chair, one of the things I’ve been kind of *(unintelligible)* hard over with my short time on the Board is full consideration of all potential generation sources and techniques. Like all of us, I’ve got my own particular views but what I’m most interested in is everything being considered on an equal basis. That’s what the resolution hence affordable, alternative energy in Alaska is meant to do. I want to thank the Board members for their votes. I want to thank them for sitting around and listening to the folks we brought in. I want to thank you for helping on the resolution and I want to thank the staff and Mr. Evans for their help on the resolution. We’ve taken a good step and we’re going to look at everything and I like that a lot. Thank you.”

**Director Nordlund:** “*(Unintelligible)* give kudos to the staff for establishment of the commercial paper program and backstop credit facility. Good work and way to go. Thanks.”

**Chair Logan:** “I just want to call to everybody’s attention this most recent issue of NWPPA – Chugach cleaned up in here. It looks pretty good. Director Vazquez is listed

in there for receiving her Board leadership certificate. Thank you very much for putting the time into doing that and then also we have several staff listed and their promotions – Brad for his acceptance of the CEO job, Ed Jenkin is listed in here for his promotion to Vice President of Power Delivery and Teresa Kurka is also listed in here for Director of Member Services. So, congratulations to everybody.”

### **XIII. EXECUTIVE SESSION**

Director Gimarc moved and Director Nordlund seconded the motion that pursuant to Alaska Statute 10.25.175(c) (1) the Board go into executive session to discuss matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative as it related to strategic negotiation matters for fuel supply. The matters to be discussed are: 1) Update Gas Negotiations – a) Enstar – Petition for Reconsideration and b) DNR Meeting Update. The motion passed unanimously.

The Board paused for a break at 4:36 p.m. and went into executive session at 4:46 p.m.

The Board resumed in open session at 5:48 p.m.

### **XIV. ADJOURNMENT**

Director Lipscomb moved and Director Reiser seconded the motion to adjourn. The meeting adjourned at 5:49 p.m.

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Alex Gimarc, Secretary  
Date Approved: December 18, 2008