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CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING MINUTES

May 3, 2006

Committee Members in Attendance: Jeff Lipscomb, Chair
Bruce Davison
Uwe Kalenka
Jim Nordlund

Other Directors Present: Dave Cottrell
Alan Christopherson (*arrived at 5:35 p.m.*)
Elizabeth Vazquez (*departed at 5:30 p.m.*)

Guests in Attendance: Jim Walker (MEA)
Jim Posey (ML&P)
Jim Patras (HEA)
Marilyn Leland (APA)
Craig McCollom (APA)
Donald Edwards
Bill Mede
Parry Grover

Staff in Attendance:

Bill Stewart	Dianne Hillemeier	Mike Cunningham	Brad Evans
Lee Thibert	Carol Johnson	Connie Owens	Carol Heyman
Patti Bogan	Dave Smith	Dan Knecht	Rick Freymiller
Arthur Miller	Ed Jenkin	John Cooley	Mark Fouts
Mary Tesch	Brian Hickey	Ron Vecera	Burke Wick
Bill Bernier	Paul Risse	Paula Neas-Arnold	Jean Sauget
Diane Thatcher			

Recording Secretary: Jennifer McDonald, Legal Secretary

I. Call to Order

Chair Lipscomb called the Operations Committee to order at 4:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

II. Approval of Agenda

Director Davison moved and Director Kalenka seconded the motion to approve the agenda. Chair Lipscomb suggested moving Agenda Item X. Review and Recommendation of Interim CEO Goals for 2006 under Agenda Item XIII.d. Executive Session. The motion to approve the agenda, as amended, passed unanimously.

III. Approval of Minutes – April 5, 2006

Director Davison moved and Director Kalenka seconded the motion to approve the April 5, 2006, minutes. The motion passed unanimously.

IV. Executive Session

None.

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V. **Customer Comments**

a. Wholesale Customers

Jim Posey, General Manager, Municipal Light & Power, congratulated the Board on the new Board members and stated he hoped it was a successful election. Mr. Posey stated that the Joint Action Agency (JAA) Board Chair would like to extend an offer to Chugach to reconsider re-joining the JAA and feels it is the best way to do business in the Railbelt for the long-term. Mr. Posey stated he felt that fair and equitable distribution of the Railbelt Energy Fund is probably the most important legislative item right now in Juneau and what he sees in the capital budget does not meet that requirement.

b. Retail Customers – None.

VI. **Adoption of Committee Goals for 2006-2007**

Director Davison moved and Director Kalenka seconded the motion that the Operations Committee adopt the tentative Operations Committee Goals set out for 2006-2007. Chair Lipscomb proposed deleting the 2007 CIP Recommendation and 2007/2011 Business Plan Recommendation, as those items are also included in the Finance Committee. The motion to adopt the Operations Committee Goals for 2006-2007, as amended, passed unanimously.

VII. **Review and Recommendation on BP 128 Confidentiality**

Director Davison moved and Director Nordlund seconded the motion that the Operations Committee recommend to the full Board adoption of the revised Board Policy 128 that adds the words "Directors" into paragraph C.1. in front of "Employees" and the words "or their membership on the Association's Board of Directors" at the appropriate location on the last sentence in paragraph C.1. Director Davison moved and Director Kalenka seconded the motion to table the motion until such time as the Board has had a chance to discuss in Executive Session the legal ramifications of the Policy change and the Board hears back on the insurance coverage for ex-Directors. The motion to table until the Committee obtains outside legal review and D&O policy information, which is to be discussed in Executive Session, passed unanimously.

VIII. **Review and Recommendation on Alaska Power Association (APA) Membership**

Director Davison moved and Director Kalenka seconded the motion to recommend to the Board of Directors that Chugach Electric Association continue its membership in the APA. Craig McCollom, ex-Interim Executive Director, APA, presented a brief overview of the issues and changes since December 8, 2005, the date Chugach submitted its intent to withdraw its membership, and responded to questions from the Committee. The motion passed with Director Kalenka voting in opposition.

IX. **Competitive Analysis/Cost Control**

Bill Stewart, Interim CEO, gave a presentation on "A Competitive Analysis" and staff responded to questions from the Committee. Lee Thibert, Sr. Vice President, Power Delivery, presented information regarding reductions under review in the Distribution division and responded to questions from the Committee. Brad Evans, Sr. Vice President, Power Supply, presented information regarding reductions under review in the G&T division and responded to questions from the Committee. Dave Smith, Director, Information Services, presented information regarding reductions under review in the Information Services department.

X. **Review and Recommendations of Interim CEO Goals for 2006**

Moved to Executive Session.

XI. **Single Member G&T Transition Update**

Bill Stewart, Interim CEO, gave an update on the Single Member G&T Transition and responded to questions from the Committee.

XII. **Directors' Comments**

Director Cottrell: None.

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Director Davison: Expressed his concerns on the Single Member G&T issues and the importance for the Board to make a decision on that, the rate case, future generation, and possible new debt.

Director Kalenka: None.

Director Nordlund: Appreciates the opportunity to serve on the Committee and on the Board. He had talked on the phone with the Chairman phone about the Fire Island project and encouraged Chugach to continue working with the other utilities in pursuing Denali Commission funding to continue economic studies.

Director Christopherson: Indicated he would be making a motion at the next Board meeting to promote Bill Stewart to CEO wanted to give the Board a heads up.

Chair Lipscomb: None.

XIII. Executive Session

At 5:53 p.m. Director Davison moved and Director Kalenka seconded the motion that pursuant to Alaska statute 10.25.175(c)(1) and (3), the Committee 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 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) Legislative Update, 2) Labor Update, 3) Rate Case and 4) Strategic Planning with respect to the CEO Goals.

XIV. Adjourn

The meeting was adjourned at 8:35 p.m.