

CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA
October 4, 2006
Wednesday

4:00 p.m.

BOARD OF DIRECTORS'
OPERATIONS COMMITTEE MEETING MINUTES

Committee Members present: Jeff Lipscomb, Chairman
Bruce Davison (via telephone)
Uwe Kalenka
Jim Nordlund (arrived at 4:04 p.m.)

Other Directors present: David Cottrell (arrived at 4:05 p.m.)
Elizabeth Vazquez
Alan Christopherson (arrived at 4:54 p.m.)

Employees and Guests in attendance:

Bill Stewart	Parry Grover?	Paul Risse
Gina Armstrong	Steve Haagenson	Phil Steyer
Bill Bernier	Margaret Hansel	Mary Tesch
John Cooley	Dianne Hillemeier	Lee Thibert
Mike Cunningham	Ed Jenkin	Ron Vecera
Bradley Evans	Paula Neas-Arnold	Jim Walker
Mark Fouts	Connie Owens	
Rick Freymiller	Jim Posey	

Recording Secretary – DeAnna Scott, Executive Assistant.

I. Call to Order

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

II. Approval of Agenda

Chairman Lipscomb requested that the Operations Committee Meeting agenda be revised to defer item X – Update on the OSHA Inspection, to a later date. CEO Evaluation will be addressed as item X. Items XII, XIII, and XIV will be discussed together. The motion passed unanimously as amended.

III. Approval of Minutes (9/6/06)

Director Kalenka moved and Director Davison seconded the motion to approve the September 6, 2006, meeting minutes with corrections as noted by Dianne

Hillemeier, Executive Assistant. It was also noted Director Davison requested an excused absence for the September 6, 2006. The motion passed unanimously as corrected.

IV. Customer Comments

- A. Wholesale Customer Comments - None
- B. Retail Customer Comments - None

V. 2007 Legislative Agenda Discussion

Phil Steyer, Director, Manager, Government and External Affairs addressed the committee regarding the dates of the Legislative Reception. The committee decided November 29, 2006, would be the date for the Legislative Reception.

CEO Stewart stated he sent an e-mail to all of the CEOs and GMs in the Railbelt inviting them to meet at Chugach on October 27, 2006. To date, Mr. Posey, Mr. Haagenson, Mr. Janorschke all have accepted. Mr. Barnum from Seward has tentatively accepted pending another obligation. Mr. Carmony from MEA has not responded. The plan is to meet and discuss new strategies for the upcoming Legislative session. Those suggestion/recommendations would be brought back to the November Operations Committee.

VI. NRECA Pension Restoration Plan (CEO Date of Record)

Mary Tesch, Sr. V.P., Human Resources stated that NRECA requires the Board set a date of record for payment of pension restoration monies under the plan for the CEO and that date of record will be the last date of CEO Stewart's current contract. A resolution will be presented at the October board meeting for the pension restoration plan that was adopted in June 2006.

VII. Quality Assurance Position/Management Audit

The committee would like to meet with the 404 Auditors to discuss the scope of that audit to determine if there is a need for a Quality Assurance Position and/or Management Audit.

VIII. AREA JAA

The representatives from the AREA JAA spoke to the Operations Committee and answered questions. Additional information has been requested from the Operations Committee. Director Christopherson would like AIDEA to be involved in the next discussion.

At 5:30 p.m., the committee recessed.

The meeting reconvened at 5:45 p.m. Director Nordlund was not present at this time.

IX. Review of Member Applications for Renewable Energy Committee

Phil Steyer, Director of Corporate Communications and External Affairs, reported on the applications received for the Renewable Energy Committee and stated that

the deadline is October 6, 2006. This item was referred to the October 18, 2006, Board Meeting for appointments.

X. Update on OSHA Inspection

Deferred to a later date.

XI. CEO Evaluation

Chairman Lipscomb stated that the function of the Operations Committee is to appraise annually the performance of the CEO and provide a written report to the Board including recommendation and salary adjustment or other remunerations when appropriate on or before the February regular Board Meeting. The committee recommended that CEO Stewart develop his recommendation for the 2006 evaluation for the Committee and devise an evaluation for 2007. This item will be addressed at the November Operations Committee meeting.

XII. Director Attendance at MEA, MEA, ML&P, GVEA board meeting

Chairman Lipscomb stated he would like for more board members to attend the meetings of the other utilities. Director Cottrell would also like for the Chugach Board to be active participants at these board meetings - informing them of Board recommendations and, in this case, the 2005 Rate Case.

XIII. Joint meetings with HEA, MEA, ML&P, GVEA

Chairman Lipscomb would like to have the Chugach Board to visit Beluga and invite HEA, MEA, ML&P, and GVEA over to have a joint meeting. The Committee is in support.

XIV. Joint meeting at Beluga or Soldotna

Chairman Lipscomb suggested to the Board members to check their calendars for a meeting at Beluga during the month of November to include HEA, MEA, ML&P, and GVEA.

XV. Board Policy 110 – State of Functions of Finance Committee

Director Kalenka moved and Director Davison seconded the motion to recommend to the Board to change Board Policy 110 to five Directors as members of the Finance Committee. The motion passed unanimously.

XVI Director Comments

Director Vazquez: Stated it is very important to make presentations to the other utilities about our rate case.

Director Cottrell: Stated that the Chugach Board of Directors should take the time to go and talk with the other utility boards about the rate case. He felt that directors have a right to talk with the other utility board members about what Chugach's Board has determined. Director Cottrell also requested an update on the results on the RCA rejection of the Enstar contract with Marathon.

Director Christopherson: Commented on the letter from HEA dated October 2, 2006, stating the "presentation was made, Chugach did not advise that Directors

would be conducting the meeting, Chugach did not advise HEA the format of the meeting or how it could meaningfully participate, HEA did not consider the September 25, 2006, meeting to be an meaningful opportunity to understand the Chugach rate case nor was it meaningful for them to engage in a discussion of the rate case.” “This goes back to Director Cottrell’s request that when we go to the different cooperatives and talk about the rate case. Second of all, I asked the question, we advertised and we’ve said this in several board meetings but I do take exception their issues with Mr. Janorschke’s question, his representative came in and was completely bewildered and didn’t know why he was there even, all three people. He also goes on to say that “there may have been reasons for the meeting and the way it was packaged he said that it didn’t allow enough time”. Chugach would have been very accommodating if he said I used my 30 minutes or one hour, whatever he was given and he wanted additional time, we would have set up additional time. We need to get on this rate case, Mr. CEO, we need to find a way with Legal to do it so that it doesn’t impact our future legal standing.”

Director Nordlund: None

Director Kalenka: Appreciate Director Cottrell volunteering to go Homer and MEA Board meetings. Director Kalenka stated it is disturbing that no other directors have volunteered and yet Chugach wants to make an effort to have better relations with the utilities. All should join in and show them that we are genuinely concerned.

Director Davison: Stated he used to go up to MEA and once was the designated board member to go the ML&P meetings. He felt this is a voluntary aspect of being a board member. “We all have priorities but my service as a Board member to Chugach Electric is not my first priority. It is my third priority and a very important priority but I have been experiencing over the past five months and my business is in a very active phase taking away the time that I can devote to Chugach. I still try to perform my duties as Director faithfully as I could and for the first time as a Board member I think a meeting or more than one meeting. I am not in a position at this time to take on additional time commitments. I know there are other board members and have business and family commitments and in my book would probably come before Chugach. I think it’s going to impact a member willing to service as a board member if the time commitments are increased. I know it would be a serious consideration for me.”

Chairman Lipscomb: Thanked the CEO and staff for keeping the lights on and working hard. Do it safely please.

XVII. Executive Session

At 6:46 p.m., Director Kalenka moved and Director Nordlund, seconded the motion that pursuant to Alaska statute 10.25.175(c)(1), 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; and (3) matters with its attorneys the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The items to be discussed in the executive session are: 1) Labor Update, 2) Rate Case Update – recommended

deletion, 3) Strategic Planning – 2006 Generation Plan, 4) Update on Single Member G&T. The motion passed unanimously as amended.

Rate Case Update:

Mike Cunningham, CFO reported to that Committee that the rate case was filed with the Commission on September 29, 2006. The Commission has 45 days to evaluate the filing and take action. We expect them to suspend the filing and have a hearing scheduled.

The committee had a 15 minute recess.

XVIII. Adjourn

The Operations Committee meeting adjourned at 9:17 P.M.

DRAFT