

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

March 22, 2006

BOARD OF DIRECTORS'
MEETING MINUTES

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:51 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Alan Christopherson – Chairman
Dave Cottrell – Secretary
Elizabeth Vazquez – Treasurer
Bruce Davison – Director
Jeff Lipscomb – Director (via teleconference)
Ray Kreig – Director
Uwe Kalenka – Director

The following employees, members, and guests attended:

Bill Stewart	Dora Gropp	Connie Owens
Dave Ausman	Parry Grover	Mike Pauley
Bill Bernier	Kathy Harris	Susan Pope
John Cooley	Ed Jenkins	Paul Risse
Mike Cunningham	Carol Johnson	Jean Sauget
David Dittman	Dan Knecht	Mary Tesch
Don Edwards	Monica Lewis	Lee Thibert
Brad Evans	Craig McCollom	Ron Vecera
Crystal Enkvist	Sherri McKay-Highers	Jim Walker
Rick Freymiller	Bill Mede	

DeAnna Scott, Executive Assistant, recorded meeting proceedings.

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

I. EXECUTIVE SESSION

At 4:52 p.m., Director Davison moved and Director Kalenka 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 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 in this executive session are 1) City of Seward Wholesale Power Agreement and 2) Fire Island Wind Generation Project Release of Information.

Meeting reconvened at 5:45 p.m.

II. APPROVAL OF AGENDA

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

The motion to approve the agenda passed unanimously.

III. CONSENT AGENDA

Director Kreig moved and Director Kalenka seconded the motion to approve the consent agenda.

A. **Calendar of Events** (March 2006 – February 2007)

No changes.

B. **Minutes** (February 15, 2006)

Director Lipscomb on page 7, Director's Comments, Chairman Christopherson also took full responsibility for the special meeting that had been requested then not scheduled. Director Lipscomb stated that it was scheduled and recommended the change "Chairman Christopherson took full responsibility for the special meeting." Director Christopherson stated that the schedule was rescinded before the Board ever met; it was rescinded after it was sent out and thus canceled. Director Lipscomb stated that he disagreed with that and there is no way to rescind or cancel a special meeting of the Directors. If there were, he would still be Chairman. Director Kreig stated this is what he remembers Chairman Christopherson saying in the meeting and that is what the minutes reflect. Director Lipscomb may disagree with what he said but we are approving the minutes, which record what was said. Director Lipscomb stated that we could always delete comments from the minutes. Director Lipscomb stated that he is just giving Chairman Christopherson a chance to make a correction. Chairman Christopherson stated that he would stand by what is presented in the minutes.

The motion passed. Director Lipscomb voted no.

IV. **PERSONS TO BE HEARD**

A. **Wholesale Customer Comments**

Mike Pauley, Manager of Government and Corporate Communications, MEA. Mr. Pauley stated that earlier this week MEA General Manager, Wayne Carmony, sent correspondence to Mr. Stewart to inquire about why MEA had not received a copy of Chugach's 22 page Financial Management Plan that was filed with the Regulatory Commission of Alaska in May 2005. MEA staff discovered this document only recently while reviewing the commission files. In response to Mr. Carmony's letter, Mr. Stewart sent a response indicating that Mr. Cunningham had forwarded the document to MEA attention at the same time it was filed with the Commission in May 2005. Mr. Stewart further said that the document was sent to all of Chugach's Wholesale Customers, the economy energy sales customers, rating agencies, major lenders, and Chugach's Trustee. Unfortunately, it appears that this correspondence was sent in a manner that was not verifiable. "As Chugach's largest member, we have an obvious interest to carefully analyze all available planning data that potentially affects rate making capital credit distributions power supply reliability and other issues that affect our 50,000 customers. Therefore, we are requesting that all future transmittals of obviously importance be sent in a manner that can be tracked and verified. I wish to reiterate that MEA has no record of ever receiving the 2005-2009 Financial Management Plan from Chugach. It initially struck us as odd that Chugach filed with the Commission a 42-page document described as the Chugach Financial Management Plan. The two-page document continued in the Board Packet of February 2005 meeting which appeared to be at that time to be the complete financial management plan does not even appear in the larger document that was filed with the Commission. However, after reading Mr. Stewart's response, it seems clear to us that the Board acted in a deceptive manner when it approved the Financial Management Plan in February 2005. MEA was present at that meeting and observed first-hand how a small two-page document was held out to the public as representing the Board's Financial Management Plan for a five-year period. There is nothing on the document indicating that it is a summary or synopsis or an excerpt. Perhaps Chugach thought it was unbecoming to file such a document with the Commission and pass it off as a Financial Management Plan. But, they did not hesitate to pass it off to Chugach retail members and wholesale customers as the comprehensive fruits of Chugach's planning effort. In closing, I would like to reiterate Mr. Carmony's request that MEA be provided tonight following Board approval with a complete copy of your 2006-2010 Financial Management Plan including your business plan, equity management plan, debt management plan, and anything else you consider to be part of this document. If the formal document has not been prepared, MEA request that all the information be provided in its existing format."

Member Comments

None.

IV. CEO REPORT

- Interim CEO Stewart stated in rebuttal to Mr. Pauley's comment that it can be agreed, that we certainly did not ask MEA to sign a receipt when we sent the Financial Management Plan. He was not CEO in May, but has no reason to believe we did anything different than we have done every year. This is the first time they have come here and claimed that they did not get it. We have the letter that would have accompanied it. In the future, MEA will be asked to sign a receipt when we deliver something of some importance to them to make sure that we do not have this miscommunication in the future. It is a mischaracterization to suggest that the Board approved a five-year financial management plan for the company on the basis of a two-page synopsis. This Board knows we have had substantial briefings on the Financial Management Plan that you are going to be asked to approve tonight, which was done in Executive Session. If you were to look in the agenda, there is a two-page summary. That does not mean that is the only information you received about it. After you approve the FMP tonight, we will prepare and distribute it, just as we did last year, the lengthy document that has all of the details in it that Mr. Pauley referred to. We will ask that someone comes and signs for it.
- Interim CEO Stewart reported that negotiations will continue with our gas suppliers the week of March 27. Lee Thibert and his group will be meeting with ConocoPhillips and Marathon. The Board will be kept informed as things move along.
- Interim CEO Stewart reported that the Home Show was last weekend. There was a good turnout and we had a great booth with a lot of participation. Over the three days, over 10,500 people went through the exhibit.
- Interim CEO Stewart informed the Board of the staff reorganization and stated an e-mail and organization chart had been sent to the Board explaining the changes made.
- Interim CEO Stewart reported on the Legislative reception in Juneau. Phil Steyer, Manager, Government and External Affairs gave an update.
- Interim CEO Stewart reported that there was a letter received from Mr. Budzynski wanting to get his capital credits retired and he thought senior citizens should have special treatment. Interim CEO Stewart stated it is not possible for us to do that. However, Mr. Budzynski decided to retire his capital credits at the discounted rate.
- David Dittman, Dittman Research, presentation to the Board the 4th Quarter Member Survey Results.

VI. CORRESPONDENCE

None.

VII. DIRECTORS' REPORTS

A. Committee Reports

Director Cottrell reported on the Audit Committee that met on March 22, 2006, where the 10K and other documents were presented and reviewed by the Committee.

Finance Committee

Director Vazquez reported the Finance Committee met on February 22, 2006, and discussed the 4th Quarter Unbundled Financials, the 4th Quarter Deferred Debits by Division, and the 4th Quarter Capital Tracking Report. After the meeting, there was a Board Workshop on the Financial Management Plan.

Chair Christopherson reported the Operations Committee met on March 1, 2006, and had a benchmarking update, NWPPA proposed resolutions, and reviewed the sample ballot of the 2006 Annual Membership election.

B. Alaska Power Association (APA) Report

Director Cottrell reported on the APA meeting and informed the Board that the new Executive Director is Marilyn Leland. Director Cottrell also stated that in May, there would be a Strategic Planning Retreat to separate APA into two organizations - APA the membership organization and APA the insurance exchange.

C. Meeting Reports

Director Kalenka reported on MEA's Board Meeting and had handouts available from the meeting.

VIII. UNFINISHED BUSINESS

None.

The Board Meeting recessed at 6:39 p.m.

At 6:48 p.m., the meeting reconvened.

IX. NEW BUSINESS

A. 2006-2010 Financial Management Plan

Director Kreig moved and Director Kalenka seconded the motion that the Board of Directors adopt the 2006-2010 Financial Management Plan and revised CIP as presented.

Director Kreig withdrew his motion.

Director Kreig moved and Director Kalenka seconded the motion that the Board of Directors adopt the 2006-2010 Financial Management Plan and the revised CIP as set forth in the summary considered in the Board workshop on February 22, 2006, and that these parameters would be incorporated in a final document prepared by staff and distributed to the public. The motion passed with Director Lipscomb voting no.

B. Approval of 2005 Audit Report

Director Cottrell moved and Director Kalenka seconded the motion that the Directors accept the results of the 2005 Audit as presented by KPMG, LLC. The motion passed unanimously.

C. Postmark Substation – Power Transformer Contract Award

Director Kreig moved and Director Kalenka seconded the motion that the Chugach Board of Directors authorize the Interim Chief Executive Officer to execute a contract for power transformers for the Postmark Substation in an amount not to exceed \$1,299,872 with Waukesha. The motion passed unanimously.

D. Unit 6C Inspection – Project Authorization

Director Cottrell moved and Director Lipscomb seconded the motion that the Board of Directors authorize project expenditures for the Beluga Unit 6C Inspection Project with an estimated cost of \$10,928,294 and an estimated completion date of September 2006. The motion passed unanimously.

E. Fixed Wing Scheduled Air Services Contract Award

Director Davison moved and Director Kalenka seconded the motion to authorize the Interim Chief Executive Officer to execute a multiple year contract for Fixed Wing Air Services with ERA Aviation, Inc. in the amount not to exceed \$1,096,004 through 2008. The motion passed unanimously.

F. Helicopter Services Contract Award

Director Davison moved and Director Kalenka seconded the motion that the Chugach Board of Directors authorize the Interim Chief Executive Officer to execute a multiple year contract for

Helicopter Services with Last Frontier Air Ventures in the amount not to exceed \$1,644,750 through 2008. The motion passed unanimously.

G. Directors' Expenses

Director Vazquez moved and Director Cottrell seconded the motion to approve Directors' Expenses amending Director Vazquez Juneau trip reimbursement from \$400 to \$600. The motion passed unanimously.

H. City of Seward – Wholesale Power Agreement

Director Cottrell moved and Director Kalenka seconded the motion to approve the resolution authorizing the Interim Chief Executive Officer to enter into and take actions necessary to gain approval of an amendment to the contract with Seward in a form identical to the 2006 Agreement for the Sale and Purchase of Electric Power and Energy between Chugach Electric Association, Inc. and the City of Seward which has been executed by an authorized representative of the City of Seward. The motion passed unanimously.

I. Release of Information for Fie Island Wind Power Generation Project

This was referred to the Operations Committee.

X. DIRECTORS' COMMENTS

Director Kreig: Stated he was looking at the new Form 7s and wanted to congratulate the transmission department for increasing our transmission from 400 miles up to 529 miles. He spoke with Mr. Evans and Mr. Thibert during the break and apparently, we are going to claim sections of transmission line between Bernice Lake and Quartz Creek as well as the Eklutna line since we are paying the cost.

Director Cottrell: It was a great meeting in Juneau and he thanked Phil Steyer for all of his help.

Director Kalenka: Thanked everyone that was on the Juneau trip and stated it was a pleasure. He also thought the trip to be very productive. Director Kalenka would like to recommend that a small select group go down for a third visit.

Director Vazquez: With regard to the Juneau trip, she had the same comments that Director Cottrell and Kalenka made. She addressed MEA's allegations: "Mr. Pauley, this not to be taken personally, we realize that you are the messenger and not the creator of the message that you brought to us. I find that the allegation that Chugach was deceptive last year about not providing the financial plan very disturbing. If a document is so important my question to your cooperative is why did it take eleven months to realize that you did not have such an important document. You stated that the document went out in May 2005 and we are already into March, it is almost a year. The other disturbing fact that it is simply an allegation, there is no concrete evidence to support your allegation that this organization did not mail a copy of the financial plan to MEA. In fact, management has stated, both Mr. Stewart and Mr. Cunningham, that the document was mailed to you. I find that the description of deception is a very serious type of allegation and I hope that in the future, your management will reconsider its choice of words in addressing this group. I find it very strange and believe that the financial plan of such a big organization would simply be set forth in only two pages. It is really hard to believe that you relied on a two-page document thinking that was our financial plan. So, Mr. Pauley send back that message and again, I do not mean to make it personal to you. The other comment I would like to make is that its obvious that in Mr. Dittman's survey, our customers are concerned about rates. So to the extent that our employees and management are trying to curb costs and are trying to find ways in saving money, it is in tune with what our Co-op members would like to see and it's obviously needed in these times when fuel is adding so much to our cost."

Director Davison: "I also am very disturbed by the letter to our Interim CEO from Mr. Carmony. As I read the letter, I find it contained unsupported, undocumented allegations. I suppose what bothered me most was that the tone of the letter was so disrespectful to our Management and to our Board. In my view, the letter borders on being defamatory at best, it suggested that Chugach engages in

repetitious and unethical conduct. The worse, it suggests that the organization is dishonest and was intentionally trying to deceive MEA and on a final note, without explanation it was copied to the RCA, so I have question of the motivations behind the letter. I have two requests - the first is to Bill Stewart: I think he needs to write a much stronger response to the MEA letter. MEA took the initiative of copying the RCA. If all of the allegations in here are not dealt with and rebutted and explained its not unlikely that MEA will use the unrebutted portions of their letter to probably establish facts that don't exist and 2) I'd like to request to Mr. Pauley, that if MEA is truly interested in fostering better relationships with Chugach Electric and establishing mutual respect, in the future when these kind of issues arise maybe Mr. Carmony could pick up the phone and call Mr. Stewart and suggest that there has been some sort of miscommunication and if Mr. Stewart could be so kind as to forward to him a copy missing documents. It think this letter totally and almost extraordinarily allows things to get out of hand that did not need to get out of hand."

He also thanked Paul Risse for his presentation. It is always good for the Board to go back and see what the guts of the organization looks like and what really counts toward our ability to keep the lights turned on. He complimented management on the helicopter vendor and the process established to determine their responsiveness and their ability to perform. He felt the competitiveness of the solicitation would benefit the organization.

Director Lipscomb: "I would like to thank everybody for keeping the lights and looking at the safety report in February, we had accidents and bad weather. I want to thank everyone for their efforts and encourage management and staff that safety is our top priority."

Director Christopherson: "I would like to bring attention to a press release that was put out on March 21st, and it talks about Chugach gears up for the election. I would like you to read the third, next to the last paragraph and it talks about election groups that use Chugach in their titles and be clear that organizations are not supported or endorsed by Chugach. I would like to set the tone for the election and avoid any problems if possible. I have been a little discouraged by the information and questionable accuracy that has been aired so far. Certain claims of cost and other statements have been made that are not correct. The Co-op will not respond to every comment or political claim, but I do expect this race to be run with due consideration and respect to the membership and management. Egregious or flagrant propagation or mishandling is a disservice to our members and to the public. So, sponsors of independent web pages should clearly inform their reader that they are not supported or endorsed by Chugach. Do not use Chugach provided materials in a way that suggest the materials were provided to you by Chugach are an endorsement of your candidacy. If a candidate wants information about Chugach, please refer them to the Corporate Communications Department. Management will provide information that is stated in Chugach's bylaws and board policies. Please act responsibly, do not mislead the membership with reckless or scare tactics or attack our valued customers. This approach has been tried before and obviously brings us all down in the eyes of the community. In summary, the candidates should conduct their campaigns in a manner that 1) their campaign literature clearly indicates it is coming from them or their supporters so that the public can clearly understand that it is not coming from Chugach, 2) not to compromise Executive Session or other confidential materials, and 3) they and their supporters conduct themselves in a matter that is civil and does not dishonor the Board or this Association."

XI. EXECUTIVE SESSION

At 7:45 p.m. Director Davison moved and Director Kalenka 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 which would clearly have an adverse effect on the finances of the cooperative, 3) matters with its attorneys the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The topic to be discussed: Labor Update. The motion passed unanimously.

The meeting reconvened at 10:08 p.m.

Director Kreig moved and Director Kalenka seconded the motion to authorize Management and its attorneys to proceed as discussed in Executive Session regarding the H.E.R.E. Contract. Motion passed. Director Lipscomb and Davison were not present for the vote.

Director Kreig moved and Director Kalenka seconded the motion to authorize Management and its attorneys to proceed as discussed in Executive Session regarding the three IBEW contracts. Chairman Christopherson, Directors Kreig, Kalenka, and Vazquez voting yes; Director Cottrell voting no. Director Lipscomb and Davison were not present for the vote.

XII. ADJOURNMENT

The Board came out of executive session at 10:10 p.m. and adjourned.

_____/ss/_____
David Cottrell, Secretary
Date Approved: April 26, 2006