

**CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA**

May 17, 2006

**BOARD OF DIRECTORS'
MEETING MINUTES**

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Jeff Lipscomb – Chairman
Jim Nordlund – Secretary
Dave Cottrell – Treasurer
Bruce Davison – Director
Uwe Kalenka – Director
Alan Christopherson – Director (arrived 4:05 p.m.)
Elizabeth Vazquez – Director (arrived 4:08 p.m.)

The following employees, members, and guests attended:

Bill Stewart	Mike Cunningham	Lee Thibert
Brad Evans	Dianne Hillemeier	Connie Owens
John Cooley	Bill Bernier	Ed Jenkin
Frank Gwartney	Mark Fouts	Rick Freymiller
Burke Wick	Dan Knecht	Arthur Miller
Ron Vecera	Dave Smith	Jean Sauget
Phil Steyer	Mary Tesch	Don Edwards
Carol Johnson	Carol Heyman	Crystal Enkvist, APA
Ruth Fitzpatrick, HEA	Mike Pauley, MEA	Jim Patras, HEA

Paula Neas-Arnold, Executive Assistant, recorded meeting proceedings.

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

I. EXECUTIVE SESSION - None

II. APPROVAL OF AGENDA

Director Davison moved and Director Kalenka seconded the motion to approve the agenda. The motion passed unanimously.

III. CONSENT AGENDA

A. Calendar of Events

A Strategic Planning Session for the Board of Directors has been added to July 5 prior to the Operations Committee meeting.

Director Cottrell noted Chugach would be co-hosting, along with AML&P, the APA Annual Meeting to be held August 22–25 at Alyeska. The Board agreed to hold the August 23 Finance Committee meeting in Girdwood in order to accommodate both meetings.

B. Minutes (April 26, 2006)

Director Kalenka asked for correction to his statement in the April 26 Board meeting minutes. In last paragraph on page 2 “private property” should read “invitee property”.

Director Cottrell moved and Director Kalenka seconded the motion to approve the consent agenda. The motion passed unanimously.

C. Director’s Expenses

Chairman Lipscomb introduced the idea that Director’s Expenses be moved to the Consent Agenda portion of board meetings. Director Kalenka moved and Director Davison seconded the motion. The motion passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

Michael Pauley, Matanuska Electric Association, Inc. stated that MEA is not opposed to Bill Stewart being named CEO. Mr. Pauley read a letter from Wayne Carmony, MEA General Manager to Bill Stewart, Interim Chief Executive Officer, dated this date, May 17, 2006.

“With this letter, Matanuska Electric Association requests that Chugach allow MEA to inspect and copy certain Chugach corporate records, including those maintained as a part of its automated accounting system.

Chugach is a member owned cooperative, organized under the Alaska Electric and Telephone Cooperative Act, AS 10.25. MEA is a customer and member in good standing of the Chugach cooperative. MEA is also Chugach’s largest single customer. Under MEA and Chugach’s power supply contract, MEA depends upon Chugach to supply MEA with all the electrical power that MEA requires to serve MEA 50,000 meters. Accordingly MEA has substantial interest in the matters with respect to Chugach’s financial health.

Consistent with such interests, MEA desires to inspect and copy certain Chugach corporate records to better inform itself regarding the management and financial health of the Chugach cooperative. MEA’s right to access and copy such records is codified in AS 10.25.235 as well as Article XVII of Chugach’s bylaws. In addition, the right as a member of the cooperative association, to access the corporation’s records is well established, and exists independently, under the common law.

MEA has retained the services of FDI Consulting to assist it in conducting this review. Phil Innes, a Managing Director at FTI who is based in it Houston office, has been designated MEA’s principle point of contact for this effort. Please let me know who at Chugach will be its principle point of contact so we can have Mr. Innes begin scheduling FTI’s visit with Chugach.

We would like to make arrangements with you for Mr. Innes and his team to begin their review at Chugach’s offices on or about June 1, 2006. We request that you provide reasonable workspace accommodations for up to three representatives of FTI in your headquarters, including desks in a private work area near the Accounting department and a means for each to access Chugach’s computer system.

We anticipate that FTI's initial visit to Chugach will be devoted to interviews with key financial, accounting and data processing personnel for the purpose of gaining a working understanding of the Chugach accounting and financial reporting systems involved. During this initial visit, FTI will also survey the universe of available records and reports, and commence work on a detailed work plan for completion of its review. We anticipate that, at the conclusion of this first visit, FTI personnel will present Chugach management with a more detailed records request for their return visit. We expect the initial visit to last from three to five days, and we would expect FTI's second visit to the Chugach offices to commence approximately two weeks later. The duration of the second and any subsequent visits cannot be predicted until the detailed work plan has been developed.

My staff and I are available to discuss this request if you have any questions. Of course, MEA will compensate Chugach in accordance with the requirements of AS 10.25."

Chairman Lipscomb stated that he would give Bill Stewart, Interim Chief Executive Officer, the opportunity to review and provide a recommendation.

B. Member Comments

None

V. CEO REPORT

Bill Stewart: Interim Chief Executive Officer's report consisted of the following:

- Paul Risse, Director, Generation & Technical Services, gave a presentation on Beluga Unit #5 2006 Overhaul and Annual Inspection. He responded to questions from the Board.
- The Financial Management Plan has been printed and a copy will be mailed to Matanuska Electric Association, Inc. on May 18, 2006. Mike Cunningham, Chief Financial Officer provided additional information on debt allocation and unbundled financials. Questions from the March 22 Finance Committee meeting were also answered by Mr. Cunningham.
- Phil Steyer, Manager, Corporate Communications, reported on the following issues:
 - Chugach Electric Association, Inc., Matanuska Electric Association, Inc., Homer Electric Association, Inc. and others' joint efforts were successful regarding distribution of the Railbelt Energy Fund. The legislature has approved the bill and it is on the Governor's desk for signature.
 - A meeting was held with CIRI on May 12, 2006, to discuss Fire Island future plans. Phil Steyer, Bill Stewart, Interim CEO, Jeff Lipscomb, Chairman of the Chugach Board of Directors, and Director Jim Nordlund attended the meeting on Chugach's behalf. A follow-up meeting will be held during the next few weeks with the MOU partners.
 - Phil, and Lee Thibert, Senior Vice-President, Power Delivery, had a meeting on May 16, 2006, with Pastor Clary at the Anchorage Baptist Temple to discuss the East Northern Lights Boulevard transmission line project. The church expressed their desire to remove and revise the project. Chugach indicated this was not likely to happen. On the same issue, Phil reported receiving a letter

from the Northeast Community Council requesting a meeting. Mr. Steyer is in the process of setting up that meeting.

- Phil reported on the progress of the South Anchorage Loop Project. This transmission line will run along O'Malley Road. Representatives from Chugach will appear at both the upcoming O'Malley Community Council and Abbott Community Council meetings within the next month.
- Mary Tesch, Vice President, Human Resources, reported on the upcoming annual Chugach Electric Association, Inc., safety calendar contest. The contest is open to all employees' children. The winners will receive their awards from Jackie Purcell at the July 19, 2006, Board meeting.

VI. CORRESPONDENCE

A. Unclaimed Capital Credits

Ron Vecera, Director, Member Services, reported last year Chugach sent out 662 discounted capital credit checks for a total of just under \$400,000 (allotment of \$500,000 not reached). Through the first four months of 2006, Chugach has sent out \$150,000 without the benefit of public notice. With that rate in mind, and public notice yet to come, the allotment should be reached this year.

B. 2006 Election Report

Robert Sramek, representing Sramek-Hightower Certified Public Accountants, reported on the recent election. All involved parties felt the election was very successful.

VII. DIRECTOR'S REPORTS

A. Committee Reports

- Director Vazquez reported the Finance Committee met on April 26, 2006. The first quarter report was submitted at that time. The unbundled financial statements, budget revision status report, deferred debits by division, and capital projects tracking report were also covered at that meeting.
- Chairman Lipscomb reported on the Operations Committee meeting held on May 3, 2006. The committee reviewed its goals for the year, reviewed the board policy on confidentiality, and recommended to the Board their recommendation to continue membership in APA.
- Director Cottrell reported on the Audit Committee meeting. The committee reviewed the arrangement letter with KPMG and Director Cottrell signed the letter.

B. APA Report - None

C. Other Meeting Reports

Director Kalenka attended both the Matanuska Electric Association, Inc., and Homer Electric Association, Inc., board meetings. HEA expressed their appreciation for recent efforts on the distribution of the Railbelt Energy Fund.

Chairman Lipscomb, Director Kalenka, and Director Nordlund were pleased to have a tour of the NECA training facility.

VIII. UNFINISHED BUSINESS - None

IX. NEW BUSINESS

A. Authorization and Funding of Early (Discounted) Capital Credit Payments

Director Davison moved that the Board of Directors approve the resolution to update the approved check signers and slate of officers and to reflect division title changes within the organization based on actions taken at the 2006 Annual Meeting. Director Kalenka seconded the motion.

Chairman Lipscomb noted on the resolution, last paragraph, last sentence, correction should be made to read “and signature cards or other documents of substantially similar type and purpose”. Also cross out the word “attached” in same sentence. The signature cards are not attached.

The motion passed unanimously.

B. APA Membership

Director Cottrell moved that the Board of Directors continue Chugach’s membership in the Alaska Power Association, Inc. Director Davison seconded the motion.

Director Kalenka questioned the benefits versus the cost of APA membership. Director Kalenka moved that the membership issue be tabled, Director Vazquez seconded the motion. Discussion followed the motion to table.

Chairman Lipscomb requested a vote the motion to table. Directors Kalenka and Vazquez voted to table the motion on continuation of membership in APA. Directors Nordlund, Davison, Christopherson, Cottrell, and Lipscomb voted against the motion to table. Discussion followed the vote.

Chairman Lipscomb requested a vote on the continuation of Chugach’s membership in APA. Directors Nordlund, Davison, Christopherson, Cottrell, Vazquez, and Lipscomb voted in favor of the motion to continue membership; Director Kalenka voted against. The motion carried.

C. Adoption of Board Goals 2006-2007

Director Davison moved to adopt Board Goals for 2006-2007, Director Nordlund seconded the motion. The motion passed unanimously.

D. Ratify Interim CEO Contract

Director Davison moved that the Board of Directors ratify the first amended memorandum of agreement between Chugach Electric and William R. Stewart,

Interim Chief Executive Officer, effective March 17, 2006. Director Cottrell seconded the motion. The motion passed unanimously.

Executive Session

At 5:30 PM., Director Davison moved and Director Kalenka seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1)(2) and (3), the Board go into executive session to discuss 1) matter the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative; 2) subjects that tend to prejudice the reputation and character of a person; however, the person may request a public discussion; 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 are: 1) Labor update 2) 2005 rate Case 3) CEO Search and 4) Interim CEO Goals.

The board meeting resumed at 7:15 PM.

E. 2005 Test Year General Rate Case Authorization

Director Davison moved and Director Cottrell seconded the motion that the Board approve the resolution authorizing the Interim Chief Executive Officer to carry through with the 2005 Test Year General Rate Case filing and communicate Chugach's intentions to the wholesale and retail customers. Chairman Lipscomb asked that Bill Stewart, Interim Chief Executive Officer, prepare a test year general rate case. The motion passed unanimously.

F. Adopt Interim CEO Goals

Bill Stewart, the Interim Chief Executive Officer will revise the CEO Goals as modified in tonight's Executive Session and resubmit to the June 7, 2006, Operations Committee meeting.

G. CEO Search

This item was not discussed at this board meeting.

H. Directors' Expenses

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

X. DIRECTORS' COMMENTS

Director Davison: Expressed appreciation for Paul Risse's presentation.

Director Kalenka: Reported on his NRECA "How to be a Better Director" training in Cordova. He recommended the course for all directors.

Director Nordlund: This being Director Nordlund's first board meeting, he would like to thank the membership for their support during the recent election. He takes his new responsibility very seriously and looks forward to keeping Chugach on a stable footing. He asked the board members to try to keep the board meetings as open as possible. He would also like to see a greater mix in renewable energy. He complimented the staff on the Strategic Planning that has been done to date.

Director Christopherson: Would like to see the board focus on a G&T presentation. This presentation could be given to legislators and members alike. Director Christopherson would like to recommend that Bill Stewart, Interim Chief Executive Officer, plan for a south-central G&T being inclusive of MEA, City of Seward, Homer Electric Association, Inc., and Anchorage Municipal Light & Power. Director Christopherson also stated he is extremely disappointed by the lack of action by the board members during the Executive Session.

Director Cottrell: Hoped that everyone had a chance to read his proposed "Compass" article, which he was planning to submit to the newspaper in his role as Treasurer. He has had no feedback at this point. His statement reiterates previous information published in the Chugach "Outlet". He would like for the statement to reach more people than just the Chugach membership. If either the Board or the cooperative's attorneys do not want his statement published, they need to advise him so. Otherwise, Director Cottrell would be happy to step down as Treasurer.

Director Vazquez: Stated for the record - Director Vazquez thinks the attorneys may recommend Director Cottrell's statement not be published due to the lawsuit filed by Matanuska Electric Association, Inc., against Chugach Electric Association, Inc. today.

Chairman Lipscomb: Would like to thank all of those who waited patiently during the executive session this evening. Would also like to thank all of those employees who work to keep the lights on.

XI. EXECUTIVE SESSION - None

XII. The motioned passed unanimously to adjourn the board meeting. The meeting was adjourned at 9:15 p.m.

Approved: _____
Jim Nordlund, Secretary
Date approved: June 21, 2006