

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

August 16, 2006

BOARD OF DIRECTORS'
MEETING MINUTES

The regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:03 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Jeff Lipscomb – Chairman
Bruce Davison – Vice Chairman
Jim Nordlund – Secretary
David Cottrell – Treasurer
Alan Christopherson – Director (arrived at 4:12 p.m.)
Uwe Kalenka – Director
Elizabeth Vazquez – Director

The following employees, members, and guests attended:

Bill Stewart	Lee Thibert	Mike Cunningham
Brad Evans	Connie Owens	Deanna Scott
Ed Jenkin	Rick Freymiller	Phil Steyer
Ron Vecera	Dave Smith	Bill Bernier
Patti Bogan	Paula Neas-Arnold	Carol Johnson
Helen Graham	Jackie Purcell (KTUU)	Dallas Massie (MEA)
Michael Pauley (MEA)	Jim Posey (ML&P)	Chris Rose (REAP)
Ruth Fitzpatrick (HEA)	Dave Carey (HEA)	Bill Mede (Turner & Mede)
Don Edwards (Dorsey)	Jim Torgerson (Heller)	Winners of Safety Calendar Contest and their families

Jennifer McDonald, Legal Secretary, recorded meeting proceedings.

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

I. EXECUTIVE SESSION

None.

II. APPROVAL OF AGENDA

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

III. CONSENT AGENDA

A. Calendar of Events

The following changes were proposed:

- Cancel budget review meetings for October 23, 24, 25
- Combine Finance Committee meeting with the budget review meeting on October 30 and continue with the budget review meeting on October 31
- Director Cottrell to attend Sarbanes Oxley and SEC reporting continuing education classes on October 25, 26 and 27, to be held in Las Vegas
- November Finance Committee meeting moved from November 22 to November 29
- Joint Rates Committee Workshop moved from September 14 to September 20
- Chair Lipscomb to attend the NWPPA Trustees meeting September 7 – 8 to be held in Billings, Montana

There was no objection to the proposed changes.

B. Minutes – 7/19/06

C. Directors' Expenses

Director Davison moved and Director Kalenka seconded the motion to approve the Consent Agenda. The motion to approve the Consent Agenda, as amended, passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

None.

B. Member Comments

None.

V. CEO REPORT

1. Safety Calendar Award presentation

Jackie Purcell, chief meteorologist for KTUU, Channel 2, and Chair Lipscomb presented the awards for the Safety Calendar Contest. Judges for this year included:

Steve Boyd, Alaska Chapter Manager – NECA
Leslie Schmitz, Owner - Leslie Schmitz, CPA
Jackie Purcell, Channel 2 KTUU meteorologist
Janet Waldon, HR Manager - Petro Marine
Kay Smith, Owner - Far North Yarn Company
Jerry Holder, Assistant Business Manager - IBEW

In 2004, the calendar won a National Communication Award from NRECA and in 2005, a National Communication Award from NWPPA.

Awards and T-shirts were presented to the following:

First Place Winners:

- Ages 6 and under – Hayden Johnson, son of Paul Johnson, Manager, Control and Communications System
- Ages 7–9 – Josh Lytle, son of Gary Lytle, Meter Technician
- Ages 10-13 – Olivia Bergsrud, daughter of Ashley Bergsrud, Administrative Secretary, Regulatory Affairs and Pricing

Calendar Front Cover and Back Cover Winners

- Calendar Front Cover Winner – Vincent Radoff, son of Journeyman Lineman Bud Radoff
- Calendar Back Cover Winner – Pauline Corpus, step-daughter of Juvy Gobaleza, CAD GIS Operator

2. Alternative Energy in Alaska (REAP)

Chris Rose, REAP Executive Director, gave a presentation on wind energy, policy, talked briefly about other types of renewable energy and answered questions from the Board. Mr. Rose informed the Board that Larry Flowers with the U.S. Department Energy National Renewable Energy Laboratory, a national expert on wind, will be in Alaska September 18-20 and would be available to speak to the Board if there was interest.

3. Update on Dynamite Slough Transmission Tower

Bill Stewart, Chief Executive Officer, gave an update on the situation regarding the Dynamite Slough transmission towers. Lee Thibert, Vice President, Power Delivery, presented an overview of the current and future plans for repair of the downed tower. Mr. Thibert and Mr. Stewart answered questions from the Board.

VI. CORRESPONDENCE

Chair Lipscomb stated that he received an email inviting Bill Stewart, Chief Executive Officer, and himself to the Alaska Railbelt Energy Authority Joint Action Agency meeting for Tuesday, August 22, to be held in Girdwood.

The Board received an undated anonymous letter on August 7, 2006, addressed to the Board of Directors to the attention of Director Kalenka. The letter alleges many problems associated with pilfering, sleeping on the job, lack of control, etc. Chair Lipscomb stated that management was looking into these issues. Director Vazquez requested that this issue be discussed in executive session at the next Operations Committee meeting.

VII. DIRECTORS' REPORTS

A. Committee Reports

Director Cottrell reported there was a Finance Committee meeting on July 26 and items discussed included the second quarter unbundled financial statements and a variety of other financial information. Director Cottrell stated the financial statements were distributed to the Board.

Director Cottrell reported there was an Audit Committee meeting on August 2 and items discussed included the contract extension for Chugach's independent auditor, KPMG, the second quarter 10-Q filing, and KPMG's limited review of the second quarter 10-Q filing. The Audit Committee recommends to the Board to renew KPMG's contract on a three-year basis and continuing on a yearly basis.

Chair Lipscomb reported there was a Special Board meeting on August 2 to consider the CEO Search. The Board approved the contract with and appointed Bill Stewart as Chugach's Chief Executive Officer.

Chair Lipscomb reported there was an Operations Committee meeting on August 2 and items discussed included Board Policy 108, Director Meeting Fees and Expenses, the Operating Policy regarding the use of cooperative vehicles, benchmarking, Fire Island, the AREA JAA and the Alternative Energy Citizen Task Force. Board Policy 108 and the Alternative Energy Citizen Task Force are items up for Board approval this evening.

B. APA Report

Director Cottrell reported that the APA Annual meeting was scheduled for next week (August 23-25). In addition, the Chugach Finance Committee meeting will be held in Girdwood on Wednesday (August 23). The Board hopes to meet some local people in Girdwood at the Finance Committee meeting.

Director Cottrell reported that he was invited to the APA Audit Committee meeting last week. APA reported they talked with their auditors, KPMG, and the consensus from the Audit Committee was they see some additional improvements in the financial reporting of APA. APA will have financial information available at the Annual meeting.

C. Meeting Reports

Director Cottrell reported that he and Director Christopherson, as Chugach's members of the Joint Rates Committee, had their first workshop session on August 15, with Directors Lipscomb and Kalenka also attending. The workshop was to discuss the Joint Committee process for presenting a rate filing to the RCA including the schedule. The results of the formal Joint Rates Committee meeting will go before the Board for recommendation. Director Christopherson requested that Chair Lipscomb email MEA Board member Lee Jordan asking who the MEA

Board was appointing to the Joint Rates Committee and Director Lipscomb said he had but there had not been a response.

Director Kalenka reported that he attended the MEA Board meeting on August 14 and brought back materials for distribution to the Board and staff.

VIII. UNFINISHED BUSINESS

None.

IX. NEW BUSINESS

A. 2007 Budget Guidance

Director Christopherson moved and Director Kalenka seconded the motion that the Board of Directors adopt the 2007 Budget Guidance as presented. The motion passed unanimously.

B. Board Policy 108 – Director Meeting Fees and Expenses

Director Davison moved and Director Kalenka seconded the motion to adopt revised Board Policy 108. The motion passed unanimously.

C. KPMG Contract Extension

Director Christopherson moved and Director Cottrell seconded the motion to approve the KPMG LLP contract extension as recommended by the Chugach Audit Committee. The motion passed unanimously.

D. Renewable Energy Citizen Task Force

Director Nordlund moved and Director Christopherson seconded the motion to approve the resolution to create the Renewable Energy Committee. After a lengthy discussion, the Board voted on the motion. The motion passed with Directors Kalenka and Vazquez voting against the motion.

X. DIRECTORS' COMMENTS

Director Davison: Stated that after the presentation by Mr. Rose, felt this was an appropriate area for the Board to start getting educated on and hoped to continue getting these types of presentations in the Board meetings.

Director Kalenka: Thanked Mr. Thibert for looking into Chakachamna (hydroplant). Stated that as far as renewable energy is concerned, it should be high on the Board's list – to investigate further hydropower. Thanked Mr. Massey for coming to the Board meeting and hoped to see him more often and build on that relationship.

Director Nordlund: Congratulated the kids for the great safety calendar. Regarding the Renewable Energy Committee – stated he would not want this to be seen as deferring the Board's progress on Fire Island and appreciated the support of the Board.

Director Christopherson: Thanked the Board for establishing the Renewable Energy Committee; expressed his condolences to Dianne and her family; congratulated the safety calendar award winners; and encouraged MEA to appoint a director to participate in the Joint Rates Committee and looked forward to talking with them.

Director Cottrell: Stated he hoped the Beluga transmission line gets fixed.

Director Vazquez: Thanked Mr. Rose for the presentation and the brochure. Thanked Mr. Thibert for his presentation on the Dynamite Slough transmission towers. Stated that renewable energy is the future and the Board certainly needs to look into it, but is concerned with how the Board is going about doing it. Stated to Mr. Thibert that she would like to see people on the Renewable Energy Committee with a substantive background so they can be an additional resource to staff.

Chair Lipscomb: Stated that safety is first and was pleased to present the awards for the safety calendars as it gives him an opportunity to encourage all to have a safe workplace and environment and believes that is the key to good management. Stated if there is not a safe workplace then you are not having good productivity or good reliability. Encouraged MEA to participate in the Joint Rates Committee and thanked Mr. Massey, Jim, Ruth, and Dave for coming.

XI. EXECUTIVE SESSION

Director Vazquez 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 matters (1) the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative, and (2) 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 are: 1) Labor Negotiations; 2) 2005 Test Year Rate Case; 3) Legal Matters with MEA. The Board went into executive session at 6:05 p.m.

The Board reconvened from executive session at 8:55 p.m.

XII. ADJOURNMENT

It was moved and seconded to adjourn the meeting. The motion passed unanimously. The meeting adjourned at 8:55 p.m.

Approved: Jim Nordlund, Secretary
Date approved: September 13, 2006