

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

September 13, 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 (arrived 5:35 p.m.)
David Cottrell – Treasurer (via teleconference)
Alan Christopherson – Director (arrived at 4:25 p.m.)
Uwe Kalenka – Director
Elizabeth Vazquez – Director (arrived at 4:08 p.m.)

The following employees, members, and guests attended:

Bill Stewart	Ed Jenkin	Dave Smith
Bill Bernier	Bill Mede	Mary Tesch
Mike Cunningham	Connie Owens	Lee Thibert
Brad Evans	Jim Patras, HEA	Ron Vecera
Ruth Fitzpatrick, HEA	Jim Posey, ML&P	Jim Walker, MEA
Dianne Hillemeier	Paul Risse	

DeAnna Scott, 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 to approve the Agenda passed unanimously.

III. CONSENT AGENDA

A. Calendar of Events

- Director Davison requested an excused absence from the September 27, 2007 Special Board Meeting.

- Director Nordlund, Kalenka, and Vazquez will be attending the NRECA Region IX meeting in Fairbanks.
- Workshop that was scheduled for September 20, 2006, has been moved to September 21, 2006, by the request of Director Christopherson.
- Chugach Christmas Party is scheduled for December 16, 2006.
- Lee Thibert provided an update to the Board as requested by Director Cottrell on the towers at Dynamite Slough.

There was no objection to the proposed changes.

B. Minutes – August 2, 2006 and August 16, 2006

There were no changes to the August 2, 2006 meeting minutes. Director Davison attendance was not reflected on the August 16, 2006, meeting minutes.

C. Directors' Expenses

Deferred to New Business.

Director Kalenka moved and Director Davison seconded the motion to approve the Consent Agenda with the amendment to move Directors' Expenses to New Business. The motion to approve the Consent Agenda, as amended, passed unanimously.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

Ms. Ruth Fitzpatrick, HEA Board Member, came to speak to the Board on behalf of the ARECA Education Foundation to see if Chugach would be interested in joining the foundation and consider contributing unclaimed capital credit monies to the Foundation for their scholarships fund. Ms. Fitzpatrick also encouraged the Board to become more active in the ACRE/CARE political action committee. She talked briefly about the NRECA Youth Rally in Montana.

B. Member Comments

Mr. Posey, General Manager, ML&P, stated the AREA Joint Action Agency is scheduled as a topic for the Operations Committee meeting on October 4, 2006. For those who did not have the opportunity to attend the meeting in Girdwood, AREA is now a member of APA and is going to be a signature participant of the MOU for Fire Island. Golden Valley and ML&P voted to join the JAA so that the utilities can have participation and assistance with the Fire Island project.

V. CEO REPORT

- Phil Steyer, Director, Government Relations and Corporate Communications, briefed the Board of Directors on the following
 - Mercury emissions as defined by the EPA.
 - Update on the O'Malley Transmission Line Project.
 - Update on the Fire Island project.
- CEO Bill Stewart reported that Chugach received a capital credits check from CFC in the amount of \$985.
- CEO Stewart reported that the Beluga Unit 6 was completed 28 days ahead of schedule; the savings to Chugach was in the amount of \$1 million dollars in fuel.

VI. CORRESPONDENCE

None.

VII. DIRECTORS' REPORTS

A. Committee Reports

Chairman Lipscomb reported there was an Operations Committee meeting on September 6 and the committee reviewed Board Policy 105 – Functions of the Board of Directors; Board Policy 111 – Statement of Functions of the Operations Committee; Quality Assurance Position; Update on Dynamite Slough Tower; review of Member Applications for Renewable Energy Committee; 2006 NRECA Resolutions; Rate Case Update (Joint Rates Committee Update) and Single Member G&T Progress.

Director Cottrell reported there was a Finance Committee meeting on August 23, 2006. Items discussed at the meeting were July Unbundled Financial Statement, 2007-2011 Financial Planning Guidance; 2007 Operating and 2007-2011 Capital Improvement Program; proposed outline of budget presentations.

B. APA Report

Director Cottrell provided an update on the APA meeting that was held in Girdwood in August 2006.

C. Meeting Reports

Chairman Lipscomb reported on the NWPPA Board of Trustees meeting that was held September 7-8, 2006, in Billings, Montana.

Director Kalenka reported that he attended the MEA Board meeting on September 11, 2006, and brought back materials for distribution to the Board and staff.

Director Kalenka reported on the Homer Electric Association Board meeting that was held on September 12, 2006.

Director Christopherson reported on the Joint Rates Committee and noted that MEA indicated they would not be a participant in the Joint Rates process.

VIII. UNFINISHED BUSINESS

None.

IX. NEW BUSINESS

A. Board Policy 105 – Functions of the Board of Directors

Director Kalenka moved and Director Christopherson seconded the motion that the Board of Directors approve the revisions to the Board Policy 105, Functions of the Board of Directors. The motion passed unanimously.

B. Board Policy 111 – Statement of Functions of the Operations Committee

Director Kalenka moved and Director Davison seconded the motion that the Board of Directors approve the revisions to Board Policy 111, Statement of Functions of the Board Operations Committee. The motion passed unanimously.

C. 2007-2011 Financial Planning Guidance

Director Davison moved and Director Vazquez seconded the motion that the Board of Directors adopt the 2007-2011 financial target guidance as presented. The motion passed unanimously.

D. NRECA Resolutions

Director Kalenka moved and Director Davison seconded the motion that the Board of Directors accept the recommendations on the proposed resolutions for NRECA's 2006 regional meeting to be held in Fairbanks September 20-22, 2006. The motion passed unanimously.

Executive Session

At 5:12 p.m., Director Kalenka moved and Director Davison 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 (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 topic to be discussed: 1) Labor Negotiations.

The meeting reconvened from executive session at 6:27 p.m.

E. Labor Negotiations

Director Davison moved and Director Nordlund seconded the motion that the Board of Directors authorizes attorneys Bill Mede and Parry Grover to proceed with the preferred options regarding labor negotiations as discussed during executive session. The motion passed with Chair Lipscomb, Directors Davison, Nordlund, Cottrell, Vazquez, and Christopherson voting yes and Director Kalenka voting no. Motion passed.

F. Directors' Expenses

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

X. DIRECTORS' COMMENTS

Director Vazquez: Thanked Mr. Thibert and his staff again for work that was done to get the towers at Dynamite Slough up and running again. She acknowledged the creativity and hard work spent in order to make this successful. "Good job done. Very impressive."

Director Christopherson: Would like to have AIDEA invited to future discussions on the AREA JAA. The Joint Rates Committee members would like to make certain their meetings are announced to our members and wholesale customers.

Director Nordlund: Concurred with Director Vazquez's comments on the fine work on temporarily fixing the problem at Dynamite Slough. The staff did a great job.

Director Kalenka: No comment.

Director Davison: Congratulations to Mr. Evans and his group for the savings on the Unit 6 Overhaul and Mr. Thibert's group for getting the transmission line repaired. He would like to see further discussion on lessons learned on how we can avoid this kind of situation again in the future.

Director Cottrell: He continues to read that the current price of natural gas is at the lowest it has been in the last 12 to 24 months and would like to know when our utility billings going to go down too. CEO Stewart responded that as fuel prices go down, the fuel surcharge component of the bills goes down. The fuel surcharge is a 12-month rolling average. Director Cottrell thought it would be nice to explain to our members when they might expect a reduction in the fuel surcharge. Mr. Stewart stated that as we put the budget together for next year, we will be looking at the fuel cost projections and we will certainly look at the fuel surcharge.

Chairman Lipscomb: Congratulated everyone on the outstanding results on the overhaul at Beluga and the Dynamite Slough repairs and the tower relocation which was done safely.

XI. EXECUTIVE SESSION

At 6:35 p.m. p.m., Director Kalenka moved and Director Davison 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 (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 are: 1) Beluga Security Assessment and 2) Strategic Planning.

The Board reconvened from executive session at 7:15 p.m.

XII. ADJOURNMENT

It was moved and seconded to adjourn the meeting. The motion passed unanimously. The meeting adjourned at 7:15 p.m.

Approved: Jim Nordlund, Secretary
Date approved: October 18, 2006