

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

January 16, 2008

BOARD OF DIRECTORS'
MEETING MINUTES

The following board members were present:

Elizabeth, Vazquez – Chair
Uwe Kalenka – Vice Chairman
Alex Gimarc – Secretary
PJ Hill - Treasurer
Jim Nordlund – Director
Jeff Lipscomb – Director
Rebecca Logan – Director (arrived at 5:37 p.m.)

The following employees, members, and guests attended:

Brad Evans	Mike Cunningham	Dave Smith
Connie Owens	Phil Steyer	Carol Johnson
Ed Jenkin	Ken Thomas	Suzanne Gibson
Paul Risse	Carol Heyman	Patti Bogan
Jean Sauget	Ron Vecera	Hal Johnston
Pat Luby	Loral Carter (MEA)	Jim Posey (ML&P)
Tom Van Flein (Clapp, Peterson)	Mary Ann Pease (MAP Consulting)	

Jennifer McDonald, Legal Secretary, recorded the meeting proceedings.

I. CONVENE MEETING

Chair Vazquez called the regular meeting of the Board of Directors to order at 4:03 p.m. in the board room of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

II. PLEDGE OF ALLEGIANCE

Chair Vazquez led the Board and audience in the Pledge of Allegiance.

III. EXECUTIVE SESSION

Director Kalenka moved and Director Gimarc seconded the motion that pursuant to Alaska Statute 10.25.175(c) (1) and (3) the Board go into executive session 1) to discuss matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative, and 3) to discuss matters with its attorneys, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative.

The matters to be discussed are: 1) 2008 Gordon Tans Contract Amendment and Task Order; 2) 2008 Dittman Contract Amendment and Task Order; 3) 2008 Van Flein Contract Amendment and Task Order; and 4) Joint Generation with Other Utilities. The motion passed unanimously.

The Board went into executive session at 4:06 p.m. and resumed in open session at 5:17 p.m.

Director Kalenka moved and Director Gimarc seconded the motion that pursuant to Alaska Statute 10.25.175(c) (1) and (3) the Board go into executive session 1) to discuss matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative, and 3) to discuss matters with its attorneys, the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The matter to be discussed is: Personnel matter – William R. Stewart. The motion passed unanimously.

The Board went into executive session at 5:19 p.m. until 6:38 p.m. and after a break resumed in open session at 6:45 p.m.

Director Logan arrived at 5:37 p.m.

IV. APPROVAL OF AGENDA

Director Kalenka moved and Director Hill seconded the motion to approve the Agenda. Director Nordlund requested that a discussion on the Legislative Agenda be added as an item under Agenda Item XIII. Executive Session. There was no objection to this change. Director Lipscomb requested that Agenda Item XI.E. Approval of 2008 Master Election Judge and Agenda Item XI.F. Approval of 2008 Date of Record be moved under the Consent Agenda. There was no objection to these changes. Chair Vazquez requested Agenda Item XI.J. Gordon Tans Contract Amendment and Task Order be moved under the Consent Agenda. There was no objection to this change. Director Kalenka requested Agenda Item XI.K. Dittman Contract Amendment and Task Order and Agenda Item XI.L. Van Flein Contract Amendment and Task Order be moved under the Consent Agenda. Directors Lipscomb and Nordlund objected to these requested changes. The motion to approve the Agenda, as amended, passed unanimously.

V. CONSENT AGENDA

A. Board Calendar

The February Board meeting was rescheduled to February 18 due to the NRECA Annual. Director Lipscomb stated he will appear telephonically. Director Lipscomb added the NWPPA Board of Trustees meeting to be held March 6-7 in Idaho.

B. Minutes – November 14 2007; December 12, 2007; December 19, 2007

C. Directors' Expenses

D. Approve 2008 Master Election Judge (*moved from Agenda Item XI.E.*)

- E. Approve 2008 Date of Record** (*moved from Agenda Item XI.F.*)
- F. 2008 Gordon Tans Contract Amendment and Task Order** (*moved from Agenda Item XI.J*)

There was no objection to the Consent Agenda, as amended.

VI. PERSONS TO BE HEARD

A. Wholesale Customer Comments

None.

B. Member Comments

None.

C. Pat Lubby - AARP

Pat Lubby, the local Director of AAPR, was invited by Chair Vazquez to address the Board but he had to leave.

VII. CEO REPORT

- Ken Thomas, Manager, Safety & Industrial Hygiene, presented the 4th quarter safety report.
- Acting CEO Evans reported that all improvements along the first mile of line towards Hope from the Hope substation have been completed. They have improved access, cleared right-of-way, widened where they could, installed various poles and strung new conductors in that area. A more detailed report will be presented at the February Operations Committee meeting.
- Acting CEO Evans reported that there are 2 memos in the Board packets relating to New Hires and the 3% COLA retro for 2007.

VIII. CORRESPONDENCE

Correspondence is in the Board of Directors' packets.

IX. DIRECTORS' REPORTS

A. Committee Reports

Director Gimarc reported that the Election Committee has met three times. In those meetings the Committee has selected the Election Judge and set the Date of Record for March 12, both of which were passed tonight under the Consent Agenda. Stated there was some concern expressed by some members of the Committee of the ability of Chugach members to change signatures on the signature cards. Director Gimarc requested from Mr. Evans written procedures for handing those changes. Stated the Committee passed a motion for the election contractor to start breaking down natural vs. non-natural member ballots - ballots not returned, ballots rejected and ballots counted.

Chair Vazquez reported that the Bylaws Committee met January 10 and there were no proposed bylaw changes for the Board. Carol Johnson, General Counsel,

also stated that the January 4 deadline for members to submit proposed bylaw changes has passed and there were no proposed bylaw changes submitted.

B. APA Report

Director Kalenka reported that he did not attend the latest APA meeting but Director Logan did and she made a report at the last Board meeting. There has not been a meeting since then.

C. Meeting Reports

Director Kalenka reported that he and the Chair attended the MEA Board meeting and the Chair made a presentation to the MEA Board in response to the article that was published in the Alaska Star and in the Alaska Journal of Commerce. Stated he and the Chair reached out to MEA and were friendly, open-armed and once again let the MEA Board know that Chugach is open for business and all they have to do is make a phone call. Chair Vazquez reported that the intention was not to go to the MEA Board meeting to address point by point the negative articles that Lee Jordan had written – it was more to inform the MEA Board that Chugach is undertaking efforts with other utilities and the door is open for MEA too.

Director Gimarc reported that he attended the JAA meeting, held January 16, and those in attendance included Brad Evans and Directors Kalenka and Hill and items discussed included the Unified Power Provider grant memo.

X. UNFINISHED BUSINESS

None.

XI. NEW BUSINESS

A. Review and Approve Revisions to Board Policy 119 - Contributions

Director Kalenka moved and Director Gimarc seconded the motion that the Board of Directors review and approve the revisions to Board Policy 119, Contributions, as reflected in the attached revised Policy, as approved by the Operations Committee on January 8, 2008. Director Lipscomb stated there was a typo on the second line – “disabled and over 65” needs to be changed to “disabled or over 65”. The motion, as amended, passed unanimously.

B. Conservation Efforts

Carol Heyman, Manager, Commercial & Community Relations, gave an update on Chugach’s Conservation Efforts.

C. Joint Meeting with Homer Electric

Director Kalenka provided an update on the Joint Meeting with Homer Electric.

D. Joint Generation with Other Utilities

Brad Evans, Acting CEO, stated that the discussions with Homer were very productive. Stated there were also discussions with ML&P regarding joint generation and there is a meeting scheduled for tomorrow with ML&P to discuss residual issues regarding doing joint generation at International.

E. Approve 2008 Master Election Judge

Moved to Agenda Item V. Consent Agenda

F. Approve 2008 Date of Record

Moved to Agenda Item V. Consent Agenda

G. APA Conference

Chair Vazquez reminded the Board that the APA Conference will be held February 6-7. Director Kalenka suggested the Board make a presentation regarding the Blue Ribbon Panel report.

H. Personnel Matter

Director Kalenka moved and Director Gimarc seconded the motion to approve the issues as discussed in Executive Session. The motion passed unanimously.

I. Review and Approve 2008 Election Procedures

Director Gimarc moved and Director Lipscomb seconded the motion to postpone this item until the Special Board Meeting to be held February 4. The motion passed unanimously.

J. 2008 Gordon Tans Contract Amendment and Task Order

Moved to Agenda Item V. Consent Agenda

K. 2008 Dittman Contract Amendment and Task Order

Director Kalenka moved and Director Gimarc seconded the motion that the Board of Directors review and approve the professional services contract amendment and task order with Dittman Research & Communications Corporation. The Board Chair shall oversee the assignments and execution of legal tasks performed by consultant. Director Kalenka stated that the word "legal" should be stricken.

Director Nordlund stated: "Well, I am going to object to this. Some issues you've heard me talk about before. One is, first of all, this contract never went out to competitive bid. I think that's against Board policy for us to do that. There are other companies in this town that can provide this service. I think we might get more bang for our dollar if we'd gone out to competitive bid. The second thing is, in this contract the scope of services is very broad and I don't see any deliverables so paying Mr. Dittman \$75,000, which for most people would be a really nice annual salary, and I'm not seeing what he's delivering for that money. I know he's going to be doing a bunch of other stuff and I don't question his

competence, but I don't really get a sense of what he's actually going to do. The third issue is the one that's probably most disturbing, especially given the other two, is that Mr. Dittman does participate in helping get members of this Board elected to this position and I think that creates an inherent conflict of interest. I am not confident with an election coming up, I'm not confident that Mr. Dittman's time isn't going to be spent helping people get elected to this Board and I think that's entirely inappropriate, probably illegal, and I'm not sure whatever else. I think it's a good idea for Chugach to have, to improve its communication plan and to do more public outreach but funneling this contract to Mr. Dittman who is a friend to people on the Board and has helped people get elected to this Board just really stinks and that's what I think."

Director Gimarc stated: "In reference to Director Nordlund's comments, number 1, we've already passed this contract, we've already had this discussion, the horse is now dead, and it's been dead a long time. Item number 2, if you take a look at the task orders you'll find the deliverables. Item number 3, accusing Mr. Dittman of, who may have other clients doing other things, of doing something that borders on illegality is the worst character assassination I've heard around this table in a long time."

Director Kalenka stated: "I had the privilege of the invitation of our Acting CEO to sit in basically at a meeting here this morning at which Mr. Dittman was present. He convinced me even more to vote for this contract. I think this man is extremely capable and what I heard is we are in dire need of this help to facilitate a proper program to inform our members out there of what we are doing and how we are doing it and openness and basically, how should I say, build Chugach up for what Chugach is doing. Having said that I will vote for that contract. It's a no-brainer to me. To have it put out for bid, if I have, if somebody has brain surgery I'm sure they wouldn't put that out for bid either."

Director Lipscomb stated: "I'm going to speak against the motion also. I don't think the – well lots of the grounds have already been covered. I think this is a duplication of responsibilities and capabilities of staff. This is delving into the day-to-day operations of the co-op. This is clearly micromanaging. I think for the Board Chair to be overseeing activities such as Blue Ribbon Panel report recommendations, credit card transition plan, consultant will conduct focus groups, polling as requested, design community outreach program to members of the public, messaging statement in mission, write and prepare presentations, recommend and design website content, develop media press kit, design annual report and other materials as requested, review and develop op-eds and facilitate editorial Board meetings and other interviews, design and produce radio and television ads and the Board Chair will oversee these activities. That incredible micromanagement. So I can in clear conscious support this and I also believe there is certainly the specter of conflict of interest which we ought to be avoiding. Thank you."

The motion passed with a vote of 4 to 3 with Directors Nordlund, Lispcomb and Logan voting against the motion.

L. 2008 Van Flein Contract Amendment and Task Order

Director Kalenka moved and Director Gimarc seconded the motion that the Board of Directors review and approve the contract amendment and task order with Thomas Van Flein of the law firm of Clapp, Peterson, Van Flein, Tiemessen & Thorsness, LLC. The Board Chair shall oversee the assignments and execution of legal tasks performed by counsel. The motion passed unanimously.

XII. DIRECTOR COMMENTS

Director Hill: “No comment.”

Director Lipscomb: “I would like to again restate my concerns relating to this second amendment to the contract with Mr. Dittman in two months. These new tasks are a duplication of duties and capabilities of staff and the CEO is responsible for executing these day-to-day operations, not the Board Chair, and since Mr. Dittman is also currently working for Ray Kreig, Chugach Electric members will be paying for this inexcusable conflict of interest. Thank you.”

Director Logan: “No comment.”

Director Nordlund: “I just have one comment again, it’s about the Dittman contract – my comments when I objected to the Dittman contract should just be reflected as my Director comments so I don’t have to say them all again I’d appreciate that. Thank you.”

Director Gimarc: “Madam Chair, it’s interesting the large attack on Mr. Dittman for conflict of interest especially when we have two members of Chugach Reliability who signed up and are currently sitting this Board. Is that not a conflict of interest also? Thank you.”

Director Kalenka: “Madam Chair, I do have some comments pertaining to that too. Reflecting back on the SOX training we had, this is not just the conflict of interest, it’s even a little further and I’m referring to Director Gimarc’s remark. I would suggest that those two Directors research the legalities of that and would suggest to you that they are skating on extremely thin legal ice.”

Chair Vazquez: “I have a comment with regard to the Dittman contract and that is there is – his tasks are clearly set forth. This is an amendment to a contract that has already been passed by the Board. He must bill on an hourly rate and informed us what tasks he’s doing. It’s noted that he for years has done polling, he’s done polling for this Association so he’s not new to this Association and knows this Association quite well. I also want to thank management and staff for working hard and bringing to us tonight, at last and finally, the revisions to Board Policy 119, those dealing with Contributions. Personally I am very very pleased and I know it’s been a lot of hard work so, and it’s been in addition to all the responsibilities and to all the other work you have had to do the past several months but I personally am very appreciative of that. Director Gimarc, thank you for guiding the Elections Committee process and it looks like they’re working hard at whatever issues they are dealing with and I appreciate their efforts. Again, Mr. Evans, we appreciate your efforts in discussing future generation with other utilities and getting

together and that in itself is a big project, let alone all of your duties and other responsibilities and so I know that top management and staff are just on overdrive right now so I really appreciate it. Ms. Owens, thank you for always keeping us on track and letting us know when to do things and when and how and distributing quite quickly the materials I ask you to distribute to the Board. Thank you very much. And that's all I have to say tonight."

The Board recessed for a break at 7:40 p.m. and resumed the meeting at 7:54 p.m.

XIII. EXECUTIVE SESSION

Director Kalenka moved and Director Gimarc seconded the motion that pursuant to Alaska Statute 10.25.175(c) (1) and (3) the Board go into executive session 1) to discuss matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative, and 2) to discuss matters with its attorneys the immediate knowledge of which could have an adverse effect on the legal position of the cooperative. The matters to be discussed are: 1) Chugach and ML&P Phase I Study; 2) New Generation; 3) Strategic Planning; and 4) Legislative Issues. The motion passed unanimously.

The Board went into executive session at 7:55.

Director Logan left at 8:44 p.m.

The Board resumed in open session at 9:37 p.m.

XIV. ADJOURNMENT

Director Kalenka moved and Director Gimarc seconded the motion to adjourn. The meeting adjourned at 9:38 p.m.

/ss/
Alex Gimarc, Secretary
Date Approved: February 18, 2008