

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

April 18, 2007

BOARD OF DIRECTORS'
MEETING MINUTES

The following board members were present:

Jeff Lipscomb – Chairman
Bruce Davison – Vice Chairman
Jim Nordlund – Secretary (arrived at 4:05 p.m.)
David Cottrell – Treasurer
Alan Christopherson – Director (arrived at 4:10 p.m.)
Uwe Kalenka – Director
Elizabeth Vazquez – Director

The following employees, members, and guests attended:

Bill Stewart	Lee Thibert	Mike Cunningham
Brad Evans	Dianne Hillemeier	Connie Owens
Patti Bogan	Carol Johnson	Sherri McKay - Highers
Burke Wick	Ron Vecera	Kevin Dunham
Carol Heyman	John Cooley	Amber Van Treeck
Ed Jenkin	Phil Steyer	Paul Risse
Mark Fouts	Bill Bernier	Dave Smith
Rick Freymiller	Suzanne Gibson	Gene White
Alex Gimarc	Jim Posey (ML&P)	Marilyn Leland (APA)
Jim Walker (MEA)	Lorali Carter (MEA)	Jim Patras (HEA)
Robert Stewart (DWT)	Barbara S. Kraft (DWT)	Bill Mede (Turner & Mede)
Mike Rodgers		

Jennifer McDonald, Legal Secretary, recorded meeting proceedings.

I. CONVENE MEETING

The regular meeting of the Board of Directors was called to order at 4:04 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

II. PLEDGE OF ALLEGIANCE

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

III. EXECUTIVE SESSION

None.

IV. APPROVAL OF AGENDA

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

V. CONSENT AGENDA

A. Minutes – 3/14/07, 2/21/07

Director Nordlund stated that at the February 21, 2007 meeting he voted in favor of the motion under Agenda Item IX.B. AREA JAA and that his vote was not recorded in the minutes. Chair Lipscomb stated the minutes would be amended to state “Directors Christopherson, Cottrell, Davison, Nordlund and Chairman Lipscomb voted to approve the motion as revised”. There was no objection.

*Director Kalenka stated that in the minutes of the February 21, 2007 meeting he would like to disallow his vote under Agenda Item III.E. Board Policy 128 – Confidentiality. In addition, Director Kalenka noted that Agenda Item III, Motion to Approve the Consent Agenda should state that Director Kalenka abstained from voting. Director Kalenka stated that under Robert’s Rules an abstention is automatically a “no” vote and urged counsel to research that issue.

**The February 21, 2007 meeting tape was reviewed. The following was recorded:
“Chairman Lipscomb: Any comments on the items in the Consent Agenda?*

No response.

Chairman Lipscomb: All those in favor in approving the Consent Agenda please say “I”. Directors responded

Chairman Lipscomb: Any opposed?

Director Kalenka: I abstain

Chairman Lipscomb: One abstention.”

B. Calendar of Events

Bill Stewart, CEO, stated that there would be a Special Board meeting immediately following the Finance Committee meeting scheduled for April 25, 2007, to approve the Generation contract.

Chair Lipscomb stated that the NWPPA Annual meeting is scheduled for May 20 through May 22.

Chair Lipscomb stated that a joint meeting with the Railbelt utilities may be scheduled during the APA conference in Valdez but a date/time has not been set. MEA has also suggested that Chugach hold a joint board meeting with them and the Board decided on tentative dates of June 27 after the Finance Committee meeting or on June 20 at 2:00 p.m. with the Regular Board meeting following at 4:00 p.m.

The July 4, 2007, Operations Committee meeting has been rescheduled to July 11, 2007.

C. Directors' Expenses

Director Cottrell stated that when he was in Juneau he had dinner with the Commissioner and Deputy Commissioner of the State of Alaska, Department of Natural Resources and one of the ML&P Commissioners and paid for the dinner.

D. Beluga Unit 5 Generator Repair – Project Authorization

E. Beluga Unit 5 Hot Gas Path Inspection – Project Authorization

F. Beluga Unit 3 Major Inspection – Project Authorization

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

VI. PERSONS TO BE HEARD

A. Wholesale Customer Comments

None.

B. Member Comments

None.

VII. CEO REPORT

- Mark Fouts, Manager Corporate Planning & Analysis, distributed a report and gave an update on generation planning and answered questions from the Board.
- Burke Wick, Plant Manager Peaking & Hydro, reported on the status of the Cooper Lake Relicensing Project and answered questions from the Board.
- Chugach has received \$1,516,468.83 from FEMA as the first payment for the Transmission Line rebuilt at Dynamite Slough. The total Chugach expects to receive is around \$5,174,623.
- Phil Steyer, Director, Government Relations and Corporate Communications, gave an update on legislative activities in Juneau and answered questions from the Board.
- Chugach had a joint meeting on April 11, 2007, with GVEA and ML&P last week and towards the end of the meeting everybody was asked to write down on a piece of paper what they thought were the biggest challenges facing all the Railbelt utilities. The number one challenge was the utilities' need to do a better job of working together. Some general items included the Railbelt Energy Fund. An email was sent out to work on getting the General Managers and CEOs together this week to try and reach a compromise on the Railbelt Energy Fund. A meeting was set for Friday at 10:30 a.m. Mr. Haagenson (GVEA) accepted, Mr. Janorschke (HEA) will be out of town, Mr. Barnum (Seward) will be out of town, Mr. Posey (ML&P) accepted, and Mr. Carmony (MEA) declined. This resulted in a meeting of the three General

Managers/CEOs who already agree, therefore, there will not be a meeting. We are working on another date for the meeting.

- The ballot count thus far for this year's annual meeting is: 14,072 mail ballots which compares to 13,855 last year, 9,349 in 2005, 7,501 in 2004, 8,494 in 2003, 8,550 in 2002, and 7,357 in 2001.
- Bill Stewart acknowledged Director Davison for his contributions as a Board member as this will be his last Board meeting.

VIII. CORRESPONDENCE

None.

IX. DIRECTORS' REPORTS

A. Committee Reports

Chair Lipscomb reported that the Operations Committee met on April 4, 2007, and items approved and/or discussed included the Beluga Unit 5 Generation Repair, Beluga Unit 5 Hot Gas Path Inspection, Beluga Unit 3 Major Inspection, Board Policy 113, Director's Code of Conduct, Operations Committee Goals for the year, and review of the Chairman's report for the annual meeting.

Director Cottrell reported that the Audit Committee met on March 28, 2007, to review the 10K filing. The Finance Committee met on March 28, 2007, and items approved and/or discussed included the January and February variance reports, the January financial statements, the Amended Operating and Capital Budgets, and the 2007-2011 Financial Management Plan.

Director Vazquez reported that the Election Committee met four times. Director Vazquez added that to date 253 mail ballots have been rejected; 40 because an individual other than the member signed, 68 because of a questionable signature, and 145 had no signatures. The last mail ballot pickup is on Monday. Director Nordlund suggested revising the ballot envelopes for next year as the envelopes are difficult to open to retrieve the ballot.

Director Nordlund reported on the Renewable Energy Committee meeting. Bruce Campbell resigned as Chairman and Pat Kennedy, who was the Vice-Chairman, has taken over as Chairman. The Committee is narrowing its focus to determine how it can be of value to the Board.

B. APA Report

Director Cottrell reported that he has not had the opportunity to attend any meetings. APA is going to have a retreat for the APA Board members and if Director Cottrell is unable to attend Phil Steyer will attend on behalf of Chugach.

C. Meeting Reports

Chair Lipscomb reported that Chugach and Golden Valley had a joint meeting on April 11, 2007. ML&P Commissioners and Lee Jordan and Jim Walker from MEA also attended as guest. Items discussed included discounted capital credit retirements, the JAA, Fire Island, the Railbelt Energy Fund, and generation planning. In addition, there was a roundtable exercise to come up with a list of the major issues facing the Railbelt utilities: 1) cooperation amongst each other; 2) high cost of fuel and long term availability; 3) new generation and replacement generation for aging equipment; 4) renewable energy and 5) aging workforce were the top issues. A future meeting was discussed and planned to be held during the APA annual meeting in September and a joint meeting with MEA sometime in June.

Director Kalenka reported that he went to Las Vegas, Nevada, and attended NRECA educational training which included a legal seminar. Director Kalenka stated that he did not attend the NRECA annual meeting, but went strictly for the education and thinks he has completed the requirements for the CCD certificate.

X. UNFINISHED BUSINESS

None.

XI. NEW BUSINESS

A. 2007 Amendment Operating Budget

Director Cottrell moved and Director Christopherson seconded the motion that the Board of Directors approve the 2007 Amended Operating Budget as a result of the 2007 Amended Capital Budget as recommended by the Finance Committee on March 28, 2007. The motion passed with a vote of 5 to 2 with Directors Kalenka and Vazquez voting in opposition.

B. 2007 Amended Capital Budget

Director Cottrell moved and Director Christopherson seconded the motion that the Board of Directors approve the 2007 Amended Capital Budget as recommended by the Finance Committee on March 28, 2007. The motion passed with a vote of 5 to 2 with Directors Kalenka and Vazquez voting in opposition.

C. 2007-2011 Financial Management Plan

Director Davison moved and Director Christopherson seconded the motion that the Board of Directors approve the 2007-2011 Financial Management Plan (130 MW nominal gas-fired generation scenario) as recommended by the Finance Committee on March 28, 2007. The motion passed with a vote of 5 to 2 with Directors Kalenka and Vazquez voting in opposition.

D. Board Policy 113, Board Meeting Procedures - Amendments

Director Davison moved and Director Christopherson seconded the motion that the Board of Directors approved the changes to Board Policy 113 titled Procedures for Board of Directors Meetings. The motion passed with a vote of 5 to 2 with Directors Kalenka and Vazquez voting in opposition.

E. Board Goals 2007-2008

Chair Lipscomb stated that no action was required on this item and asked the Board to review the goals and be in a position to adopt them at next month's meeting and if there were any comments/additions to submit them to Dianne.

F. Board Self-Evaluation

Chair Lipscomb stated that no action was required on this item and it was for informational purposes only.

XII. DIRECTORS' COMMENTS

Director Vazquez: None.

Director Cottrell: Asked Chairman Lipscomb if a JAA representative has been appointed. *Chair Lipscomb said no. Director Vazquez stated that the JAA Agreement has not come before the Board and she would like to see what Bill Stewart will be signing. Chair Lipscomb stated that at the previous Board meeting a resolution was passed authorizing the CEO to enter into the Agreement. Director Vazquez stated that she would like to review the document again as it has been two years since she reviewed it and she does not have a photographic memory. Bill Stewart stated he would send it around to the Board for review before signing.* Director Cottrell stated that he and Phil Steyer are going to the Hillside Homeowner's Association to talk about the Rate Case.

Director Christopherson: None.

Director Nordlund: Commented on the editorial in the Anchorage Daily News last week in favor of the appropriation for Fire Island Wind Power project and feels there is growing support in the community for that project.

Director Kalenka: Concurs with Director Vazquez's comment. *(Listed above under Director Cottrell's comments.)* As for Fire Island, Director Kalenka stated that he has a different opinion on that. Director Kalenka stated that we've been feeding the horse for two years and it's about time Chugach comes up with some solid figures that we can represent to the public rather than dangling a carrot that most likely will end up in a train wreck.

Director Davison: Thanked the CEO and management and all the Directors he has been affiliated with over the past years he has been on the Board. Stated he was reflecting before the meeting and stated that his daughter was in the second grade when he was appointed to the Board and she is graduating from high school this year. Director Davison stated that it seems like it has been a short period of time but must be because he enjoyed it and liked the people he was working with. He thanked everyone who was helpful over the years as they were very patient, informative, respectful and professional and it has meant a lot and made his job as a director much easier.

Chair Lipscomb: Gave Director Davison his compliments and stated he has been great counsel during his 7 years on the Board. Stated that his advice and wisdom has always

been greatly appreciated as well as his gentlemanly manner. Chair Lipscomb thanked Director Davison for his service. Chair Lipscomb reminded the staff to make safety a top priority – work safe and drive safe.

XIII. EXECUTIVE SESSION

At 5:31 p.m. Director Davison moved and Director Nordlund 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 (2) 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 in this executive session are: 1) Labor, 2) Litigation and 3) Strategic Planning. The Board took a 10 minute recess and then went into executive session.

The Board reconvened from executive session at 7:45 p.m.

XIV. NEW BUSINESS – cont'd.

A. Requests for Defense & Indemnification

Director Davison moved and Director Nordlund seconded the motion that, based on the advice of legal counsel during executive session and the above information in the Board agenda item, the Chugach Board of Directors deny Ray Kreig and Stephen Routh's demands for defense and indemnification arguably made in Ken P. Jacobus' March 8, 2007 letter because defense and indemnification of Mr. Kreig and Mr. Routh is not authorized pursuant to Article XVI of Chugach's Bylaws because the conduct complained of in the Complaint in **Chugach Electric Association, Inc. vs. Chugach Consumers, et al.**, Case No. 3AN-06-13743 CI was not performed within the scope of their duties for the Association.

Chair Lipscomb stated that prior to proceeding with the motion on the table Directors should keep in mind possible conflicts of interest on advice from counsel. Chair Lipscomb stated he will ask three questions of each Director and the answer the Director gives will determine whether the Director has a conflict of interest that would prevent the Director from voting. The purpose is to make sure the affairs of the Association are carried out in a business-like and ethical manner and Directors should avoid situations which might be construed as conflicts of interest.

First question: Would you incur a personal or financial loss or gain as a result of the Board's decision that would be different from the loss or gain suffered by members of Chugach Electric generally?

Chair Lipscomb and Directors Davison, Kalenka, Cottrell, Nordlund, Christopherson and Vazquez all answered "No".

Second question: Do you have any personal, financial, pecuniary or other relationship or interest involving Stephen Routh or Ray Kreig that you would like to disclose?

Director Davison: Stated he has known Mr. Kreig for an excess of 30 years. On past occasions, although he can't be certain of the dates, he has contributed money to either Mr. Kreig or Chugach Consumers and is unable to recollect the amounts or time that those contributions were made. Stated that in the past while serving on this Board that either Mr. Kreig or Chugach Consumers provided funds for advertising which supported his re-election on the Board. Stated he has had prior business relationships with Mr. Kreig in his capacity as an attorney and the last time he spoke to Mr. Kreig was at least a year and a half ago. Director Davison stated he does not believe those past relationships would result in a current conflict or result in any positive or negative pecuniary interest at this time and stated he does not have any family members that have had any relationship with Mr. Kreig.

Director Kalenka: Stated that in the past he has made some contribution to Chugach Consumers but has not made any to Ray Kreig since he is not running for any campaigns. Other than that he stated he has a social relationship with Mr. Kreig.

Director Nordlund: Stated that personal interest could be construed by the fact that he ran for the Chugach Electric Board a year ago as did Ray Kreig as an opponent and I won the election. Stated he supposed someone could construe that as a personal interest but that fact would not bias his vote.

Director Christopherson: Stated that he has known Ray Kreig for 30 years and has worked with Mr. Kreig on technical projects and worked closely with him on early Chugach business. Stated he stopped all relationships cold with Mr. Kreig in February of 2005 and has not talked to him since that time. Stated that Mr. Kreig may or may not have spent money on advancing Director Christopherson's campaign during the election. Stated he is not sure if Mr. Kreig provided funds or if other people provided funds and passed them through. Stated he does not believe any of his past relationships would result in any sort of pecuniary or other type of personal interest and stated he has no family members that are involved with Mr. Kreig.

Director Cottrell: Stated that he doesn't have anything material involved with Mr. Kreig. Stated that Mr. Kreig asked and Director Cottrell did give Chugach Consumers some funds over the years – very immaterial funds as to his relationship and his net worth. Stated he has no other relationship with Mr. Kreig nor is there any relationship between Director Cottrell's family and Mr. Kreig that he is aware of.

Director Vazquez: Stated that she has previously contributed money to Chugach Consumers however, she has not made such contributions over the past two years.

Chair Lipscomb: Stated that he has served with Mr. Kreig on the Chugach Board for a period of about 9 months from August 2005 to April 2006. Stated he received advice and assistance from Mr. Kreig when running for the Chugach

Board in 1999 and 2000. Stated he has no personal relationship with Mr. Kreig or any other financial or pecuniary relationships with Mr. Kreig or Mr. Routh.

Third question: Does any immediate family member of a Director have a personal, financial, pecuniary or other relationship of interest with Stephen Routh or Ray Kreig?

Chair Lipscomb and Directors Davison, Kalenka, Cottrell, Nordlund, Christopherson and Vazquez all answered “No”.

Director Davison commented that the motion is clear and based on Article XVI. of the Chugach Bylaws it states that a Director is not entitled to defense and indemnification for actions taken when the Director was not on the Board. Director Davison stated that the Association is trying to recover property that it likely owns and Mr. Kreig does not own and Mr. Kreig has no legal basis that would justify his continued retention of the documents. Director Davison stated that the Association has bent over backwards trying to avoid the litigation and unfortunately Mr. Kreig has not been cooperative and is not even trying to accommodate any kind of return.

Director Vazquez stated she prefers to have independent legal counsel that has been hired directly by this Board of Directors and not by Association management. Director Vazquez stated that in all due respect to legal counsel that have rendered legal opinions on this matter, they all have had previous relationships with the Association management and stated that she thinks they can't wear two hats at the same time representing the Association management and representing this Board. Director Vazquez stated that this matter is serious enough that the Board should have its own separate independent legal counsel to research this issue as there are some very technical legal issues involved. Director Vazquez stated that it appears there are some inconsistencies with the legal opinions and states that the requirement for Directors to return confidential documents under Board Policy 128 was not in effect when Mr. Kreig left the Board. Director Vazquez stated that there has been a long-standing animosity between Director Kreig and the Association management and perhaps among this Board but that should not dictate how the Board rules on this matter. Director Vazquez stated that it is no secret that there are many people that have a strong dislike of Director Kreig.

Director Kalenka stated that he would like to reflect on what Director Vazquez said and feels uncomfortable with legal counsel that sits on both sides of the fence. Director Kalenka states that the Board needs independent counsel on those issues and believes it borders on being unethical to give that kind of advice and urges management and legal counsel to check the Bar Code.

