

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

July 11, 2007

BOARD OF DIRECTORS'
MEETING MINUTES

The following board members were present:

Elizabeth, Vazquez – Chair
Uwe Kalenka – Vice Chairman
Alex Gimarc - Secretary
Alan Christopherson – Director
Jim Nordlund – Director
Jeff Lipscomb – Director

PJ Hill – Treasurer (excused absence)

The following employees, members, and guests attended:

Bill Stewart	Lee Thibert	Mike Cunningham
Brad Evans	Connie Owens	Phil Steyer
Patti Bogan	Ron Vecera	Mary Tesch
Dave Smith	Rick Freymiller	Carol Heyman
Burke Wick	Tom Schulman	Jean Sauget
Margaret Hansell	Don Zoerb (MEA)	Bill Mede (Turner & Mede)
Tom Tierney	Don Edwards (Dorsey)	Marilyn Leland (APA)
Jim Posey (ML&P)	Gary Zipkin (Guess & Rudd)	Marc Marlow (Tiqun)

Jennifer McDonald, Legal Secretary, recorded meeting proceedings.

I. CONVENE MEETING

Chair Vazquez called the regular meeting of the Board of Directors to order at 4:08 p.m. in the boardroom 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 to combine Agenda Item III. with Agenda Item XIII. as there are no action items under Agenda Item III. The motion passed unanimously.

IV. APPROVAL OF AGENDA

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

V. CONSENT AGENDA

A. Board Calendar

Director Kalenka moved and Director Gimarc seconded the motion to move the August Regular Board meeting from August 15 to August 8. Director Nordlund stated that moving this meeting may conflict with the Renewable Energy Committee which is scheduled to start on August 8 at 5:30 p.m. Director Lipscomb stated that the Audit Committee meeting is being moved from August 1 to August 8. Director Lipscomb stated that this vote should be included in the vote for the Consent Agenda.

B. Minutes – 4/26/07, 5/30/07, 6/13/07, 6/20/07

C. Directors' Expenses

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

VI. PERSONS TO BE HEARD

A. Wholesale Customer Comments

None.

B. Member Comments

Marilyn Leland, Executive Director, Alaska Power Association (APA), stated that tomorrow (July 12) there would be a briefing from Chuck Kleeschulte, who is an aide to Senator Murkowski, regarding climate change and the legislation Murkowski will be introducing. Ms. Leland extended the offer to all Board members to attend the meeting and stated the meeting would be held at 11:00 a.m., July 12, at the APA offices on Tudor.

VII. CEO REPORT

- Bill Stewart, CEO, stated that if anyone drove inbound on the Glenn Highway this morning you might have seen smoke by ML&P Plant 2. There was a leak in one of the units on Sunday and when the unit was restarted some of the oil got into the insulation which resulted in a small fire. The fire was put out but generated a great deal of smoke. There was no damage to the turbine or instrumentation and the unit was to be restored within a day or two.
- The Governor vetoed the Railbelt Energy Fund and the Governor's statement was distributed to the Board. Later this year the Governor may look to all the utilities to come to an agreement as to what to do with that money.

- Information about the Alaska Energy Authority reception has been distributed to the Board. The reception will be held on July 26 and will kick off their study on a Unified System Operator.
- Tony Price was elected on June 29 as the new Chair of the Regulatory Commission of Alaska (RCA).
- Chugach's company picnic will be held on July 26 from 6:00 p.m. to 8:30 p.m. at Ruth Arcand Park.
- In late April Chugach held its bi-annual planning meeting with Matanuska Electric Association (MEA). Items discussed included the status of gas negotiations, the 2014 transition plan, coordinated switching, status of the Quartz Creek line re-build and development of PURPA resources in MEA's service territory. The next meeting will be held October 25.
- On June 29 attended a meeting at the RCA where Chugach and ML&P were invited to discuss the potential merger. Director Kalenka spoke along with Mr. Posey of ML&P. The Commission requested that Chugach and ML&P come back and keep them informed as the process moves forward.
- On July 2 Bill Stewart, Chair Vazquez, Mayor Begich, the Mayor's merger team and Phil Steyer met with the editorial board of the Anchorage Daily News. Stated that it was a good meeting and about a week later was followed by an editorial in the Anchorage Daily News.
- On Monday, July 9, Bill Stewart, Chair Vazquez and Director Kalenka met with Mr. Barry and Mr. Ballow and discussed items relating to the merger or other type of relationship with ML&P.

VIII. CORRESPONDENCE

None.

IX. DIRECTORS' REPORTS

A. Committee Reports

Director Kalenka reported that on Monday, MEA held their Board meeting and items discussed included the coal plant. Some of the people who spoke for/against the coal plant were rather animated. In addition, the new MEA Board directors were sworn in.

Director Kalenka stated that he attended the RCA hearing which Mr. Stewart already addressed.

Chair Vazquez stated that the Blue Ribbon Panel met for the first time yesterday and were presented with an overview of the Railbelt. They will meet again next week and Chugach will make a presentation regarding Chugach's operations.

Chair Vazquez stated that the oversight committee for the Chugach/ML&P merger met earlier this week with she, Chugach staff, Mr. Barry, Mr. Ballow and Mr. Stewart.

Director Lipscomb asked that Director Kalenka expand on the comments made to the RCA. Director Kalenka stated that comments made at this time were that it is only an exploratory situation that Chugach is in with ML&P, certain members have been appointed to represent Chugach and at this point, Chugach really doesn't know the outcome.

B. APA Report

Nothing was reported.

C. Meeting Reports

Nothing was reported.

X. UNFINISHED BUSINESS

None.

XI. NEW BUSINESS

A. Write-Offs of Accounts Receivable - Electric

Director Kalenka moved and Director Gimarc seconded the motion that the Board of Directors adopt the resolution referring to write offs of Accounts Receivable – Electric as recommended by the Finance Committee on June 27, 2007. The motion passed unanimously.

B. Write-Offs of Accounts Receivable - Other

Director Kalenka moved and Director Gimarc seconded the motion that the Board of Directors adopt the resolution referring to write-offs of Uncollectible Accounts Receivable – Other as recommended by the Finance Committee on June 27, 2007. The motion passed unanimously.

C. Board Policy 131 – Drug and Alcohol Policy and Procedures

Director Kalenka moved and Director Gimarc seconded the motion to table this to the next Board meeting in August. After a request by Director Lipscomb, Director Kalenka moved to amend the motion to also add this Agenda Item to the July Operations Committee meeting Agenda. The motion passed unanimously.

XII. DIRECTOR COMMENTS

Director Lipscomb: Stated that at June 27 at the Special Board meeting he requested a copy of Mr. Zipkin's Report and Recommendation on Board Policy 128 – Confidentiality and to date he has not seen it yet. *Mr. Zipkin stated that he has sent it to the Chair and he is not sure if she has had a chance to distribute it yet.* Director Lipscomb stated that the Board had previously talked about a budget estimate for each of the task orders through Guess & Rudd and has not seen that estimate yet. *Mr. Zipkin stated that he gave estimates where he could and those are shown on the approved task orders. Stated that he has given the Board budget projections for each item where he could. There were a couple that were fairly broad in scope and he didn't know what number to put down. States he is operating under a general limitation for the year, subject to amendment.*

Director Lipscomb stated that the contract the Board has with Guess & Rudd calls for all correspondence to be copied to the Board and stated he has not seen any of it. *Mr. Zipkin stated that the only correspondence that he has authored, which was the evaluation he prepared in the Chugach v. Kreig matter, has gone to all the Board members which he handed out at the last Board meeting. In addition, he prepared the memo regarding Board Policy 128 – Confidentiality which the Board should receive a copy of tonight.* Director Lipscomb asked about the budget amounts for the task orders. *Mr. Zipkin stated that he incorporated those estimates in the task orders but has not prepared a more detailed budget.* Director Lipscomb stated that he has not seen the task orders. *Chair Vazquez stated that the task orders were distributed to the Board at the last meeting on June 27. Mr. Zipkin asked Connie Owens to provide the Board with copies of the task orders prepared to date.* Director Lipscomb thanked Bill for keeping the lights on.

Director Christopherson: None.

Director Nordlund: None.

Director Gimarc: None.

Director Kalenka: None.

Chair Vazquez: Stated that she asked Ms. Johnson whether other legal counsel have had to submit task orders and for the record, other legal counsel have not been required to submit task orders. This is the first time that legal counsel is required to write task orders and in fact is – I asked for a copy of the contract with our counsel Bob Stewart where he represented Chugach in the Kreig matter and there was no contract – just a one sentence – there was no contract, there is no contract with that attorney. Stated it appears there is a double standard being applied when the Board hired its own counsel, he is required to submit very detailed budget projections; he is required to submit a contract, which he should, but he is required to do these very extensive and detailed task orders that no other legal counsel in the past have been required to do and I note the double standard for the record that it is very interesting that only Board counsel is required to do this. Stated she finds this very interesting – the double standard. Stated she thinks if there is going to be a standard it ought to be uniform Mr. (Bill) Stewart – in other words, your attorneys hired by Chugach ought to have a contract – not a one sentence like I saw with Mr. (Bob) Stewart’s contract and if you’re going to make legal counsel submit task orders with budgetary projections then we ought to have that across the line. *Mr. Stewart stated that he has not asked the Board’s counsel for any kind of budget estimates or anything. How the Board chooses to work with Mr. Zipkin is certainly up to the Board. Stated that the Chair does make some good points - about treating everyone the same around here and not have two sets of rules. Stated that Chugach has had attorneys work on projects where they have provided a budget and there have been other occasions where Chugach has instructed the attorney to handle the matter. How the Board chooses to work with the Board attorney is up to the Chair – not up to him – stated he is not asking Mr. Zipkin for any budgets or even a task order. That is between the Board Chair and him. Stated he did not know that the Chair had asked Carol for the other stuff or he would have handled it.* Chair Vazquez stated that she finds it extremely disconcerting when Bob Stewart’s contract is basically less than a complete sentence with just a year time-frame and everybody else is required to do something else and there is no budget in that contract – there’s no task order and in fact indeed the litigation handled was beyond the

scope of that very short sentence. Stated she is just noting the inconsistency there and stated she will be talking with Ms. Johnson. Stated that if one legal counsel is required to submit task orders every legal counsel ought to be submitting task orders with projections with a budget. *Mr. Stewart stated he agreed with that.*

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 to discuss (1) 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 topics to be discussed in this executive session are: 1) Labor Update – Office and Engineering negotiations, 2) RCA Proceeding U-06-135, Chugach Consumers and Ray Kreig v. Chugach Electric Association, Inc.; 3) Chugach Electric Association v. Ray Kreig, Stephen Routh and Chugach Consumers, Superior Court Case No. 3AN-06-13743; 4) RCA Proceeding U-07-046 (Knik Arm Power Plant); 5) Rate Case Update Discussion; and 6) Strategic Planning. The motion passed unanimously.

The Board went into executive session at 4:39 p.m., paused for a break at 6:06 p.m. and went back into executive session at 6:14 p.m.

XIV. ADJOURNMENT

There was no motion to adjourn. The meeting adjourned at 8:45 p.m.

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Alex Gimarc, Secretary
Date Approved: August 8, 2007