

**CHUGACH ELECTRIC ASSOCIATION, INC.**  
**Anchorage, Alaska**

**August 8, 2007**

**BOARD OF DIRECTORS'**  
**MEETING MINUTES**

The following board members were present:

Elizabeth, Vazquez – Chair  
Uwe Kalenka – Vice Chairman (absent)  
Alex Gimarc – Secretary  
PJ Hill – Treasurer  
Alan Christopherson – Director  
Jim Nordlund – Director  
Jeff Lipscomb – Director

The following employees, members, and guests attended:

Bill Stewart	Marilyn Leland, APA	Gregory Silvery, Guess & Rudd
Bill Bernier	Marc Marlow, Tiquin	Sean Skaling, Green Star
Patti Bogan	Marie Marquardt, KPMG	Dave Smith
Bruce Campbell	Bill Mede, T&M	Bob Sramek, Sramek Hightower
Mike Cunningham	Joe Miller	Phil Steyer
Debbie Debnam, HEA	Sue Murphy	Mary Tesch
Tom Engelhart, Worksafe	Ron Nichols, Navigant	Lee Thibert
Brad Evans	Jena Noethlich	Ken Thomas
Matt Fagnani, Worksafe	Connie Owens	Tom Tierney
Rick Freymiller	Robert Pool	Ron Vecera
Dora Gropp	Divina Portades	Jim Walker, MEA
Chuck Haddon, Navigant	Jean Sauget	Gary Zipkin, Guess & Rudd
Pat Hurley, Navigant	Tom Schulman	

DeAnna Scott, Executive Assistant, recorded meeting proceedings.

**I. CONVENE MEETING**

Chair Vazquez called the regular meeting of the Board of Directors to order at 5:01 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**

At 6:07 p.m., Director Gimarc moved and Director Hill 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) Ron Nichols, Navigant, 2) Labor Negotiations, 3) Litigation involving Chugach and Ray Kreig, Stephen Routh and Chugach Consumers, Superior Court Case No. 3AN-06-13743, 4) The Chugach/ML&P consolidation efforts and projected costs for Navigant consulting work, as well as discussions regarding the consulting group with NRECA and 5) Board Policy 131 Drug & Alcohol Policy - Discussion. *Before going into Executive Session the Board took a break 10 minute break at 6:08 p.m. The Board went into Executive Session at 6:19 p.m.*

The Board came out of Executive Session at 7:56 p.m. and the Regular Board Meeting reconvened at 8:03 p.m.

#### **IV. APPROVAL OF AGENDA**

*(This item was voted on before Agenda Item III)*

Director Gimarc moved and Director Nordlund seconded the motion to move Agenda Item IX. Director's Reports to III., renumber Agenda Item IV. Executive Session. Add Ron Nichols, Navigant Consulting to Item IV, Executive Session as item A and renumber the items on current agenda; add item F., Board Policy 131 – Drugs & Alcohol Policy and procedures. Under Agenda Item XI., remove item B. Jim Strandberg (Discussion).

#### **V. CONSENT AGENDA**

##### **A. Board Calendar**

- Move the Budget Meetings from October 22, 23, and 24, 2007 to October 15, 16 and 17<sup>th</sup>.
- Add Navigant meetings for August 9 & 10 @ 8:30 to noon
- Add JAA Meeting October 3 @ 10:00 a.m.
- Add October 3, 2007, Green Star Kick-off Meeting 2:00 p.m. to 6:00 p.m.
- Add ML&P/Chugach Oversight Meeting (date not available but will be emailed as soon as Chair Vazquez receives)
- Add CFC Meeting - tentative dates September 17 or 18.
- Please note the Renewable Energy Committee has changed their meeting to August 23, 2007.
- Move the November Finance, Audit, and Regular Board Meetings to November 14, 2007.

##### **B. Minutes – 6/27/07, 7/11/07, 7/25/07**

No changes.

##### **C. Directors' Expenses**

Director Gimarc requested to remove from his expenses the APA - Climate Change Legislative Briefing from Senator Lisa Murkowski's Office.

Director Lipscomb moved that the Board approve the Consent Agenda. A second to the motion was not recorded and when asked by Chair Vazquez if there were any objections, none were made.

## **VI. PERSONS TO BE HEARD**

### **A. Wholesale Customer Comments**

None.

### **B. Member Comments**

None.

## **VII. CEO REPORT**

- Ken Thomas, Safety Manager & Industrial Hygiene presented to the Board the 2<sup>nd</sup> quarter safety statistics.
- CEO Stewart reported that the Power Supply Division made its one year mark for not having any “no lost time injuries” reported.
- CEO Stewart reported the he along with Meera Kohler were recently asked by the Northwest Public Power Association to serve on a new committee tasked with opening a dialogue on regional energy issues with the Western Governors’ Association.
- CEO Stewart reported that the Safety Calendar/Poster contest ended July 20<sup>th</sup>. For ages 6 & under there were 14 entries received, ages 7-9 12 entries and ages 10-12 10 entries. Jackie Purcell chaired the committee to judge the entries this year and their meeting was yesterday.
- CEO Stewart reported that the RCA accepted the 2005 Test Year Rate Case Settlement agreement among Chugach, Homer City of Seward and the Attorney General’s office.
- CEO Stewart reported on a traffic accident that happened on Dimond and Arctic.
- CEO Stewart reported on the Postmark Substation project.
- CEO Stewart asked if any board member was interested in having a tour of the Beluga Power Plant to let Connie Owens know.

## **VIII. CORRESPONDENCE**

None.

## **IX. DIRECTORS’ REPORT**

*(This item was changed to Item III)*

### **A. Committee Reports**

#### **1. Finance Committee**

Chair Vazquez reported that all Directors were in attendance for the Finance Committee meeting.

#### **2. Operations Committee**

Chair Vazquez reported that all Directors were in attendance for the Operations Committee meeting.

**3. Election Committee – Discussion with Bob Sramek – On-line Voting**  
Mr. Sramek discussed and answered questions of the Board regarding On-Line Voting. Mr. Sramek stated that the State law that governs the voting for the Association is very short and concise, that the voting has to either occur in person or by mail and it stops at that point. There would have to be an amendment to current state law to open up the ability for us to explore the electronic tabulation process.

**4. Renewable Committee Member – Sean Skaling – Presentation – Green Star**

Mr. Skaling, Executive Director, Green Star addressed the Board and spoke with them regarding Green Star's new initiative on energy efficiency. Mr. Skaling stated that Green Star is putting together an 18-month program that will kick-off October 3, 2007, called LEEP (Lighting Energy Efficiency Pledge). LEEP is organized around businesses budgeting and then retrofitting lighting. "We think there is a lot of potential and we are hopeful it will make a big splash and make some changes in the amount of energy that is consumed and hopefully return some positive numbers to businesses bottom line," Skaling said. Mr. Skaling asked if Chugach would like to be an official partners or a sponsor. Mr. Skaling stated on the second to the last page of the handout there was a list of other ways Chugach Electric might wanted to get involved.

**5. APA**  
None.

**6. Meeting Reports**

**a. Unified System Operations Reception**

CEO Bill Stewart reported on the Unified System Operations Reception that was held on July 26, 2007.

**X. UNFINISHED BUSINESS**

None.

**XI. NEW BUSINESS**

**A. Board Policy 131 – Drug & Alcohol Policy and Procedure (Discussion)**

*This item was moved and discussed during Executive Session.*

**B. Jim Strandberg – (Discussion)**

*This item was deleted from the agenda.*

**C. Budget Revisions**

Mike Cunningham, Chief Financial Officer presented to the Board the Budget Revisions and answered questions of the Board as recommended by the Finance

Committee. *This item was tabled and moved to the August 22, 2007, Finance Committee and Special Board Meeting.*

**D. Bank Erosion on Submarine Cables (West Terminal)**

Director Lipscomb moved and Director Christopherson seconded the motion that the Chugach Board of Directors approve authorization of project expenditures for Six Mile West Submarine Cable Terminal – Erosion Protection with an estimated cost of \$2,210,000 and an estimated completion date of October 2007, as reviewed by Chugach Board of Directors’ Operations Committee on July 25, 2007, and stated in the attached Resolution. *The motion passed unanimously.*

**E. Revised Meeting Scheduled of the Board of Directors**

Director Gimarc moved that the Board of Directors eliminate the Finance and Operations Committee meeting on the fourth Wednesday of the month and add a Regular Board meeting on the first Wednesday of each month as reviewed and recommended by the Chugach Board of Directors’ Operations Committee on July 25, 2007. This change will be effective as of September 1, 2007. *The motion failed due to the lack of a second.*

**F. CoBank #5 Refinancing**

Director Lipscomb moved and Director Christopherson seconded the motion that the Board of Directors approve the attached resolution issuing the \$5 million promissory note to CoBank at the best terms to be determined on August 20, 2007. *The motion passed unanimously.*

**G. 2008 Operating Budget and CIP Guidance**

Director Lipscomb moved and Director Christopherson seconded the motion that the Board of Directors adopt the 2008 Budget and CIP Guidance as modified by the Finance Committee on July 25, 2007. *The motion passed unanimously.*

**H. Chugach Electric Association, inc. v. Ray Kreig, Stephen Routh and Chugach Consumers, Superior Court Case No. 3AN-06-13743**

*This item was discussed in Executive Session and there will be no action taken.*

**I. Chugach/ML&P – Project Costs – Navigant Consulting Work**

*This item was discussed in Executive Session and will be addressed at the August 22, 2007, Special Board Meeting.*

**J. NRECA Consulting Group**

Chair Vazquez read the motion and there was discussion with the Board. Chair Vazquez stated that she would provide to CEO Stewart Monica Schmidt’s business contact information and have someone send her immediately a Confidentiality Agreement. *There was no formal action taken by the Board.*

**K. Heller Ehrman LLP**

Director Gimarc moved and Director Hill seconded the motion to waive the seven day rule. *The motion passed unanimously*

Director Gimarc moved and Director Hill seconded the motion that the Chugach Electric Association, Inc. (Chugach) Board of Directors engage the law firm of Heller Ehrman, LLP for the purpose of rendering legal advice regarding the effect of the Association's existing debt structure on a possible combination with Anchorage Municipal Light and Power (AML&P) and Navigant Consulting, including working with a financial advisor for the Association and AML&P and counsel for AML&P to identify possible structures for such a combination in light of existing debt structures, tax status, and debt capital requirements of both utilities. *The motion passed unanimously.*

**XII. DIRECTOR COMMENTS**

**Director Hill:** Congratulated Chair Vazquez in saying that we will have a short Board meeting on the 22<sup>nd</sup>.

**Director Lipscomb:** Stated that he has some concerns. In three months this Board has hired a Labor Advisor, Communications Advisor, as of tonight, five attorneys, a Blue Ribbon Panel and the Chair has appointed two members to the Utility Merger Committee. Director Lipscomb stated that the Board is now trying to oversee the largest electric utility in Alaska and a shadow management team at the same time. He thinks that is very bad governance. There has been no control over the management by the Board of the Shadow Team, Advisors, and Attorneys. Not one has submitted any progress activity reports or progress reports to the Board. This is poor practice; we are trying to do too much. In the Journal of Commerce article titled "Problems with Chugach Sparks Utility Overhaul", Dave Dittman was cited on Utility Elections. Mr. Dittman is currently under contract with Chugach Board and he is not authorized to speak for the Board on any matter, clearly should not be speaking to Chugach elections while under contract to the Board. This is very inappropriate and Mr. Dittman should be so advised. Most importantly, Director Lipscomb thanked the staff for their hard work in keeping the lights on in spite of the distractions. Congratulations to Bill, staff, and employees on the improving safety record reduced accidents. Please continue to work safe.

**Director Christopherson:** Kudos to Brad Evans and 75 members of the Power Production Group with one year of no loss time and for the Cooper Lake, Bernice Lake, and Beluga. This commitment to no loss time is excellent. He also thanked Bruce Campbell for coming in. Director Christopherson requested the Board's indulgence asking if Mr. Evans and CEO Stewart taking Mr. Campbell to lunch and giving him more feedback. I appreciate getting Board Policy 131 implemented and getting that started.

**Director Nordlund:** Congratulations to Brad for his outstanding safety record. Earlier tonight we failed to get a second on the motion to eliminate the Operations and Finance Committees. Director Nordlund restated his objection to that proposal and that to him, it is important to have two reading in the delivery process. My proposal in the second reading motion would say as long no board member objects, then, an item could be

considered for passing on the same night. If one board member objects, that board member should have the prerogative to be able to sleep on the issue. Again, I would be more inclined to vote for this, when it come back in front of us if that provision is included. If you are so inclined, you can direct staff to draft up something to that affect.

**Director Gimarc:** Also passed along to Mr. Evans and the Power Production team for their one year without loss time accidents in a high tech industrial setting. You guys are doing good and impressive work.

**Chair Vazquez:** Congratulated Mr. Evans too and stated that it was real impressive. Chair Vazquez also stated that a lot of ground was covered tonight and that the Finance and Operations Committee Meetings and a Special Board Meeting would be kept short.

### **XIII. EXECUTIVE SESSION**

At 10:00 p.m., Director Hill 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. The topics to be discussed in this executive session: Strategic Planning. *The motion passed unanimously.*

### **XIV. ADJOURNMENT**

There was no motion to adjourn. The meeting adjourned at 10:10 p.m.

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/ss/

Alex Gimarc, Secretary

Date Approved: September 19, 2007