

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

February 21, 2007

BOARD OF DIRECTORS'
MEETING MINUTES

The regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:04 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
David Cottrell - Treasurer
Jim Nordlund – Secretary
Alan Christopherson – Director (Arrived 4:09 p.m.)
Uwe Kalenka – Director
Elizabeth Vazquez – Director (Joined via telephone 5:06 p.m.)

The following employees, members, and guests attended:

Bill Stewart	Lee Thibert	Mike Cunningham	Brad Evans
Dianne Hillemeier	Rick Freymiller	Connie Owens	Parry Grover
Paul Risse	John Cooley	Ed Jenkin	Shawn Wendling
Dave Smith	Ron Vecera	Carol Heyman	Burke Wick
Carol Johnson	Bill Bernier	Jean Sauget	Bill Mede
Suzanne Gibson	Phil Steyer	Marc Marlow	Mark Sickles
Rick Schikora, GVEA	Jim Walker, MEA	Randy Hobbs	Marilyn Leland, APA
Jim Patras, HEA	Loral Carter, MEA	Jim Posey, ML&P	

Paula Neas-Arnold, Executive Assistant, recorded meeting proceedings.

Chairman Lipscomb led the Board of Directors 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. Director Kalenka requested that Item III.F. – 2007 CEO Goals, and Item III.G. – 2006 CEO Evaluation, be moved from the Consent Agenda to the New Business portion of the agenda. Both items were moved – with Item III.G. – CEO Evaluation being added to Executive Session and then as XII. as an action item following Executive Session. The motion carried; Director Kalenka abstained and Directors Christopherson and Vazquez were not present at the time of vote.

III. APPROVAL OF CONSENT AGENDA

Director Davison moved and Director Nordlund seconded the motion to approve the Consent Agenda

A. Calendar of Events

The following changes were noted:

- The March 2007 Board Meeting was moved to March 14, 2007.
(*Director Christopherson arrived at meeting.*)

B. Minutes – January 17, 2007

No changes.

C. NRECA Annual Meeting Delegate & Alternate

Director Kalenka noted that he would not be attending the NRECA Annual meeting, only the training classes. Thus, CEO Bill Stewart would serve as the Delegate.

D. Proposed Bylaw Amendment and Board Comment

- a. The following Board Comment had been approved by the Operations Committee at the February 7, 2007, meeting: *“Presently, there are different deadlines in the bylaws for appointing members to member committees. These proposed bylaw amendments would standardize the dates and make the process easier administratively.”* The proposed bylaw amendments and this comment is intended for inclusion in the election brochure that accompanies the ballot when it is sent to the members.

E. Approval – Board Policy 128 – Confidentiality

Board Policy 128 - Confidentiality, was reviewed and recommended for approval by the Board Operations Committee on February 7, 2007. There were no additional revisions recommended.

F. Director’s Expenses – no changes

The motion to approve the Consent Agenda passed; Director Kalenka abstained; Director Vazquez absent at the time of voting.

IV. PERSONS TO BE HEARD

A. Wholesale Customer Comments

Jim Walker, Senior Counsel, Matanuska Electric Association, Inc. (MEA) introduced Lorali Carter, Manager of Government Relations & Corporate Communications at MEA.

B. Member Comments

Marc Marlow, a member of Chugach and the owner of the Knik Arm Power Plant spoke to the Board of Directors registering a complaint regarding Chugach’s direction on new generation. Mr. Marlow plans to reopen the Knik Arm Power Plant and would offer Chugach low cost electricity. Mr. Marlow would like Chugach’s cooperation in this effort.

V. CEO REPORT

- CEO Stewart reported that Golden Valley Electric Association, Inc. (GVEA) has agreed to a joint meeting with the Chugach board to be scheduled in either April

or May 2007. Homer Electric Association would prefer a joint meeting be held after their annual meeting which is being held on May 3. Jim Posey, General Manager of Anchorage Municipal Light & Power was present at the meeting and indicated that their commissioners were willing to hold a joint meeting with our board at any time – perhaps with the three groups at the same time.

- Ed Jenkin, Director Engineering Services Division presented an update on the Dynamite Slough project.

VI. CORRESPONDENCE

None

VII. DIRECTOR'S REPORTS

A. Committee Reports

Director Cottrell reported on the January 24, 2007, Finance Committee Meeting.

Chairman Lipscomb reported on the February 7, 2007, Operations Committee Meeting.

B. APA Report

Director Cottrell reported there have no meetings held since the last board meeting to report on, but there is a legislative conference next week in Juneau.

C. Meeting Reports

Director Nordlund reported there have been three meetings of the Renewable Energy Committee. Director Nordlund asked Lee Thibert, Senior-Vice President of Power Delivery, to report on the most recent of those meetings. Mr. Thibert reported on the February 20, 2007, meeting. The committee has named Bruce Campbell, Renewal Energy Committee Chairman. Meeting attendance has varied from 25 to 30 attendees. Focus of the committee has been on becoming educated and focusing on renewable energy sources.

VIII. UNFINISHED BUSINESS

None

IX. NEW BUSINESS

A. 2008 Beluga Unit 7 C Inspection – Refurbishment of Hot Gas Path Parts

Director Davison moved and Director Cottrell seconded the motion that the Board of Directors hereby authorizes the Chief Executive Officer to award the component refurbishment contract to Alstom Power components in the amount of \$1,753,656.29 for FY2007. The motion passed unanimously.

B. AREA JAA

Director Davison moved and Director Cottrell seconded the motion to approve the Resolution in Support of Joining the AREA Joint Action Agency.

CEO Bill Stewart reported that he had met as requested by the Board of Directors with the JAA and recommends readmission to the agency. Director Cottrell reported the budgeted annual cost would be \$44,100 for membership in the AREA JAA. Director Cottrell recommended and Director Christopherson agreed there needs to be a ceiling on costs.

Chairman Lipscomb recommended revised language to the motion, recommending authorizing the CEO to negotiate goals, projects, and the readmission of Chugach, including the costs, to the AREA JAA, and then bring the information back to the Board of Directors for approval at the March Board meeting. Director Davison moved and Director Cottrell accepted the amendment to the motion.

Rick Schikora, GVEA and AREA JAA Chairman, and Jim Posey, AML&P, spoke to the Board of Directors in support of Chugach re-joining the AREA JAA. They responded to questions from the Board of Directors. Mr. Stewart pointed out if the AREA JAA is not formed by the utilities voluntarily, the State of Alaska could step in and direct the utilities to form some sort of group to work joint projects.

Director Kalenka stated again that he is opposed to Chugach rejoining the AREA JAA. The vote was taken and Directors Christopherson, Cottrell, Davison, Nordlund, and Chairman Lipscomb voted to approve the motion as revised. Director Kalenka was opposed, the motion carried. *(Director Vazquez absent at time of vote.)*

C. RCA Resolution

Director Davison moved and Director Kalenka seconded the motion that the Board of Directors authorize the CEO to articulate the Chugach positions as laid out in the memo “*Chugach Position Paper on REC Proposed Statutory Changes*” as unanimously agreed upon by the Board Operations Committee at the February 7, 2007, meeting. The motion passed unanimously.

D. Renewable Energy Resolution

Director Davison moved and Director Nordlund seconded the motion to approve the resolution in support of concept regarding the creation of a Renewable Fund. The motion was amended to read “Resolution in support of the establishment of a Renewable Energy Fund”. The motion passed unanimously. *(Vazquez absent at time of vote)*

E. 2007 CEO Goals & Evaluation Form

Director Davison moved and Director Christopherson seconded the motion to approve the 2007 CEO Goals and Evaluation form as discussed on February 7, 2007, and recommended by the Board Operations Committee. Chairman Lipscomb, Directors Davison, Cottrell, Nordlund, Christopherson and Kalenka voting yes and Director Vazquez abstained. The motion passed.

X. DIRECTOR COMMENTS

Director Davison: Stated he was pleased that today's meeting was a short one.

Director Kalenka: Stated he is very displeased with the silence at today's Board meeting considering the RCA ruling three days ago. Carol Johnson, General Counsel, advised that this item would be discussed during Executive Session.

Director Kalenka was disappointed with the CEO Evaluation not being discussed with the full Board of Directors. He stated only the Chairman of the Board, Vice-Chairman, and the Chief Executive Officer were involved in that discussion.

Director Kalenka commented on his recent removal from the Operations Committee and stated he is pleased that Director Christopherson has decided to participate on a committee.

Director Kalenka noted the appointment of five members to Finance Committee, while Board Policy 110 directs that there shall only four members. Director Kalenka feels that invalidates the approval of the 2007 Chugach Operating budget.

Director Kalenka also stated that Operating Policy 016, which allows for recreational use of company vehicles at Beluga, is in direct conflict Board Policy 106.

Director Kalenka commented that while he is pleased with the work done at Dynamite Slough, he feels it was not disclosed at any meeting that Director Christopherson was with PND, Inc. as a subcontractor on this project. He also stated he did not concur with CEO Stewart's memo on prepaid electric meters.

Director Nordlund: Stated he would like to congratulate the staff the work for done at Dynamite Slough.

Director Christopherson: Stated he would like to thank Director Davison and Chairman Lipscomb for their work on the CEO Evaluation. Director Christopherson felt he did have adequate opportunity to express his opinions and comments during the Executive Sessions.

Director Cottrell: Stated he also felt involved in the 2006 CEO Evaluation and the 2007 CEO Goals. He also would like to thank those Directors who took the lead in this effort. Director Cottrell felt that since MEA and HEA are thinking about future generation, Chugach should develop a proposal so that they might have an alternative at a future date in time.

Director Cottrell would like to offer the Rate Case Presentation offered to the Anchorage Chamber of Commerce or other outside entities.

Director Vazquez: Stated she shares Director Kalenka's views that the Chugach Board of Directors has been in violation of two policies. Director Vazquez referred to the recent RCA filing; she feels everyone needs to be made aware of all filings. Board approval today of Board Policy 128 regarding Confidentiality left Director Vazquez and Director Kalenka feeling left out of adequate discussion before its approval. Regarding the 2006 CEO Evaluation and the 2007 CEO Goals, she feels not all members of the Board of Directors were not privy to information before a decision was made. Director Vazquez agreed with Director Kalenka's comments on the Dynamite Slough Project. She looks forward to more discussion on this topic at the next Operations Committee meeting.

Chairman Lipscomb: Reported his sister's electric bill recently from Pepco Electric in Bethesda, Maryland, has a rate of 12.5 cents per kilowatt, very close to Chugach's rate. Chairman Lipscomb likes Director Cottrell's suggestion to promote

the Chugach Rate Case presentation to local venues. Chairman Lipscomb thanked the staff for keeping the lights on.

CEO Bill Stewart: In response to some of the Directors' comments, the recent ruling on the rate case has not been fully reviewed by Don Edwards, the attorney assigned to handling this issue for Chugach. Mr. Edwards will return to the office on Monday, February 26, 2007. The Omnibus Case recent ruling by the Supreme Court of the State of Alaska rejected MEA's argument as to financial mismanagement. Chugach will be seeking to recover \$110,000 in legal fees. With regard to Dynamite Slough, Mr. Stewart recalls discussing with the Board of Directors last fall who the prime design contractor was and the fact that PND, Inc. would be a subcontractor.

XI. EXECUTIVE SESSION

At 5:40 p.m., Director Davison moved and Director Christopherson 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) Gas Negotiations 3) Legislative Affairs 4) 2006 CEO Evaluation and 5) Strategic Planning. The Board of Directors took a ten-minute recess and then went into executive session at 5:55 p.m.

The Board of Directors reconvened from executive session at 8:45 p.m.

XII. 2006 CEO Evaluation

Director Davison moved and Director Nordlund seconded the motion to approve the 2006 CEO Evaluation and Compensation as discussed in executive session and recommended by the Board Operations Committee at their February 4, 2007, meeting. Chairman Lipscomb, Directors Davison, Cottrell, Christopherson and Nordlund voted in favor, Director Kalenka was opposed; Director Vazquez was not present at the time of voting.

XIII. ADJOURNEMENT

The Board of Directors voted unanimously to adjourn and the meeting was adjourned at 8:47 p.m.

_____/ss/_____
Jim Nordlund, Secretary
Date Approved: April 18, 2007