

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

June 27, 2007

SPECIAL BOARD OF DIRECTORS'
MEETING MINUTES

The following board members were present:

Elizabeth Vazquez – Chairman
Uwe Kalenka – Vice Chairman
Alex Gimarc – Secretary
PJ Hill – Treasurer
Jeff Lipscomb - Director
Alan Christopherson – Director
Jim Nordlund – Director

The following employees, members, and guests attended:

Bill Stewart	Carol Heyman	Phil Steyer
Bill Bernier	Randy Hobbs	Mary Tesch
Loralie Carter	Ed Jenkin	Lee Thibert
Mike Cunningham	Ralf Kalenka	Tom Tierney
Don Edwards	Marc Marlow	Thomas Van Flein
Brad Evans	Bill Mede	Amber Van Treeck
Rick Freymiller	Connie Owens	Ron Vecera
Susanne Gibson	Mary Ann Pease	Burke Wick
Margaret Hansel	Paul Risse	Gary Zipkin

DeAnna Scott, Executive Assistant, recorded meeting proceedings.

I. CONVENE MEETING

A special meeting of the Board of Directors was called to order at 5:52 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 5:53 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 to discuss: (1) matters the immediate knowledge of which would clearly have an adverse effect on the finances of the Cooperative; (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 Update - Office & Engineering Negotiations; 2) RCA Order U-07-46 (Knik Arm Power Plant); 3)

Chugach Electric Association, Inc. v. Ray Kreig, Stephen Routh and Chugach Consumers Case No 3AN-06-13743; 4) RCA Proceeding U-06-135 Chugach Consumers and Ray Kreig vs. Chugach Electric Association, Inc. The motion passed unanimously.

The Board came out of Executive Session at 7:10 p.m. and took a 5 minute recess.

The meeting reconvened at 7:19 p.m.

IV. APPROVAL OF AGENDA

Director Kalenka moved and Director Gimarc seconded the motion that pursuant to Article 5, Section 2 of the Bylaws the Board members waive notice on VI. Old Business agenda items C. RCA Proceeding U-06-135 Chugach Consumers and Ray Kreig vs. Chugach Electric Association, Inc., and D. Board Counsel – Scope of Legal Services and under VII. New Business add agenda item A. Drug and Alcohol Policy Procedure. After some discussion, the vote was called by Chair Vazquez. Chair Vazquez, Directors Kalenka, Gimarc, Hill and Christopherson voting yes and Directors Lipscomb and Nordlund voting no. Motion passed.

Director Kalenka moved and Director Gimarc seconded the motion to amend the agenda to add VI. Old Business agenda items C. RCA Proceeding U-06-135 Chugach Consumers and Ray Kreig vs. Chugach Electric Association, Inc., and D. Board Counsel – Scope of Legal Services and under VII. New Business, add agenda item A. Drug and Alcohol Policy and Procedure. Chair Vazquez, Directors Kalenka, Hill, Gimarc and Christopherson voting yes and Directors Lipscomb and Nordlund voting no. Motion passed.

V. PERSONS TO BE HEARD

A. Wholesale Customer Comments

None.

B. Member Comments

None.

VI. UNFINISHED BUSINESS

A. RCA Order U-07-46 (Knik Arm Power Plant)

Director Kalenka moved and Director Gimarc seconded the motion that the Board of Directors retain Guess & Rudd, P.C. for the purpose of reviewing the Association's position and evaluating the prospects for settling all or part of the complaint filed by KAPP, LLC against the Association, RCA Docket U-07-46, and for the purpose of participating in or conducting settlement negotiations on behalf of the Association of all or a part of the case. The motion passed unanimously.

Director Kalenka moved and Director Gimarc seconded the motion that the Chief Executive Officer, or his designee, is authorized to take such legal action as

necessary and as discussed in Executive Session consistent with this authorization. The motion passed unanimously.

B. Chugach Electric Association, Inc. vs. Ray Kreig, Stephen Routh and Chugach Consumers, Case No. 3AN-06-13743 CI

Director Kalenka moved and Director Gimarc seconded the motion that Thomas Van Flein be directed by the Chugach Board of Directors to extend the current stay for 90 days in order to allow the parties adequate time to reach an amicable settlement and case resolution and that Mr. Van Flein is further directed to engage in settlement discussions with the goal of enforcing Judge Stowers' Preliminary Injunction with respect to the three records specifically referenced by Judge Stowers in his Findings of Fact in paragraph no. 3, such that those records are returned to the sole possession of Chugach and that no copies of these documents are maintained by any of the defendants or their counsel.

Assuming that agreement can be reached in this regard, Mr. Van Flein is directed to negotiate a settlement which will allow Mr. Kreig to retain possession of all of the other documents contained in the "two file cabinets and eight banker's boxes" referenced in Judge Stowers' Preliminary Injunction at page 8, containing documents supposedly obtained during Mr. Kreig's tenure as a Chugach Director, without waiving Chugach's right to later seek the return of any of those documents or to otherwise act to protect Chugach's legal or equitable rights pertaining to those documents.

Mr. Van Flein is further directed to negotiate settlement which would dismiss the remaining claims asserted by Chugach in its Complaint with prejudice, each side bearing its own costs and attorney's fees, and which would waive any claim Chugach may have to an award of costs and attorney's fees with respect to the entry of the Preliminary Injunction.

Director Kalenka: Speaking for the motion stated that this lawsuit was filed without proper authorization by the Board. Management does not have the authority to file lawsuits under the bylaws that are out of the normal course of business. This lawsuit, in my opinion, was filed for personal reasons and not of sound business reasons. No cost benefit analysis was presented to the Board. Chugach has expended a tremendous amount of money and effort that could drag on for several years. We need to get out from under this litigation. It has cost Chugach, as of early June, more than \$58,000. Even if we eventually win, we don't need a victory that would surely be accompanied by a major public relations disaster. We are losing sight of what the real issue here is. It is not who owns the confidential documents, it not whether Chugach has the right to recover the confidential documents. The real issue is that Chugach should be collecting the decisional files from the departing Directors. How does this help the membership? It might be very convenient for those who want to protect themselves from accountability but, it does not increase reliance on what the

Chugach Board is told in Executive Sessions. If the extent is to extinguish all files that could be in the hands of others, the lawsuit was improperly undertaken. There was no benefit to our membership launching it therefore our new attorney needs to negotiate a settlement that means returning all documents still under joint seal to Kreig. Let me make it clear, Ray Kreig from what I have read and what I am aware of has not made any confidential materials public. The filings he has made with the court of the RCA has been in the form of confidential filings for them. Just because the law says we can demand return of the documents doesn't mean it's the right thing to do. I think it increases the risk of every Director on this board to allow management to do this. It's obvious to me, we need to get out from under this litigation, it's dividing this board and we have bigger fish to fry. We have spent a tremendous amount of money and if we continue, how much more will it cost us, how much more will it cost our rate payers. Therefore, I will vote for this motion.

Director Lipscomb: Speaking against the motion stated we received this information tonight. Board information in the packets stated that we would receive this information over the weekend but it wasn't provided until this evening. How could we permit Mr. Kreig to retain confidential documents as we don't even know what they are? The Preliminary Injunction findings of fact and conclusion of law were uncontroverted. It was reviewed and endorsed, if you would, by Mr. Zipkin. Mr. Kreig divulged confidential information. The confidential records are the property of Chugach and are to be returned to Chugach. Those are the findings of fact, conclusions of law and according to Judge Stower, uncontroverted. Chugach has won its case and its position. This action will benefit some of the Directors personal friend to the detriment of the Association. I will be voting against the motion.

Director Nordlund: Stated that he too will be voting against the motion. The affect of the motion would be to allow Mr. Kreig to retain confidential documents and not knowing what those confidential documents are. There is a reason why we have confidential documents, we want to protect potential trade secrets, you want to protect personnel information, you want to protect issues such as our gas negotiations. There are some very sensitive documents that board members have in their possessions and Mr. Kreig is no longer a board member and would not be allowed to retain. He's a pretty zealous individual, Mr. Kreig, who knows if he feels like if this board is doing something he doesn't like he might feel motivated to make those documents public or semi-public. Mr. Kreig aside, I think it's a bad precedent to allow an individual to retain documents that are owned by the company and can do potential harm. Director Kalenka asked how does it help our members. I say it helps our members to protect them against the risk of loosing documents that could be used against them in the future. I think we ought to be looking out for the welfare of the Association and its memberships and not the welfare of ourselves as Directors as we proceed as board members ourselves. This is a bad precedent and I will vote against it.

Director Gimarc: Stated as a new officer on this board, this case sets a terrible precedent for current and past Directors any time any future board with a suitable hair or irritation or an action of a current or a past board member gets sufficiently fired up they can bring the same sort of case. If a document is confidential it is on Chugach to take steps to identify those documents, track those documents, and control those documents and detailed declassification and destruction of those documents. To date, Chugach has not done any of that. That tells me that those documents aren't nearly as important as what we've been hearing for the last couple of months at this table. The case was brought in response to Mr. Kreig going to the RCA over the Generation Contract in December. It was a vehicle to defend itself and to make that case go away. You hired a good lawyer, he did a heck of a job and he got the judgment. In my opinion, that injunction needs to be vacated. It won't be, but I think it ought to be. I will be supporting this effort.

Chair Vazquez: Stated the lawsuit was filed without approval of the Board. It could be that management discussed filing the lawsuit with certain members of the board but certainly the whole board did not vote on this lawsuit. For that fact, I was not informed prior to filing the lawsuit. It is an established principle of corporate law that lawsuits are actions that fall outside the ordinary clause of business and need a proper form of resolution, a motion passed by the Board, this was not the case. The sense I get about this case is that it's a lot of emotion, it's a lot of personal agendas, a lot of vindictiveness and frankly, it's a case of David vs. Goliath. The Association having at its disposal many resources as of June 8th it was willing to spend in excess of \$58,000. I do want an update of what it has been costing after June 8th and would like those costs by the next board meeting but it is obvious that it wanted to squash any type of vitality or life out of an organization that professes to be pro-consumer. There appears to have been minimal, if no effort, at settling this case and in fact, the motive was to simply litigate to the hilt to eliminate what was perceived a vocal adversary in the community. I would say shame on the Association for using its resources in that way instead of trying to reach a resolution with Mr. Kreig and its organization. It is true as we speak, that this organization does not have the declassification policy and procedure that indeed historically, this organization and I'm talking in general terms have viewed many items as confidential and not subject to the light of day. While there is a time and place for confidentiality of confidential documents, the sense I get is that this organization has done all that it can to spread this confidentiality tent to the utmost doing very little to try to minimize this confidentiality tent. In that spirit, I think, we see this lawsuit as a very negative and I hope not in the future see such a negative exercise. But beyond that, it's been decisive among the Board, it has taken time and energy from this Board that we ought to use in other ways, there are big issues we need to consider, and to the extent we can put this aside and move on. It would be very productive and very positive for us as a Board. I will be voting for the motion and I hope that this can be settled expeditiously.

Director Christopherson: Stated that nobody objected, not one board member when he brought up the subject and said wait a minute, lets not do this, lets talk about it, let's have more action on it so shame on all of us and let's put it to bed tonight. Shame on all of us and no more discussion on it please, let's end it tonight.

The question was called with Chair Vazquez, Directors Kalenka, Gimarc and Hill voting yes and Directors Lipscomb, Christopherson and Nordlund voting no. Motion passed.

C. RCA Order U-06-135 Chugach Consumers and Ray Kreig vs. Chugach Electric Association, Inc.

Director Kalenka moved and Director Gimarc seconded the motion that the Board of Directors instruct Don Edwards to enter into immediate negotiations with counsel for the Complainants (Chugach Consumers and Ray Kreig) for a 90-day stay of these proceedings for the purpose of allowing the parties the opportunity to explore possible settlement. The Board further directs Mr. Edwards to enter into negotiations for possible settlement of this proceeding on the basis that the Complainants agree to the return to Chugach of the documents filed with the RCA by Complainants under seal as part of all overall agreement whereby Chugach agrees that Mr. Kreig may retain possession of the "two file cabinets and eight banker's boxes" containing other documents obtained by Mr. Kreig during his tenure as a Chugach Director, and whereby Chugach agrees to dismiss with prejudice the claims asserted against the defendants in Chugach v. Kreig, et al., Case No. 3AN-06-13743 Civil, with each side bearing its own costs and attorney's fees.

To the extent that this action before the RCA involves other claims for relief, the Board requests that Mr. Edwards provide his recommendations for possible resolution of those claims by way of settlement.

The motion passed with Chair Vazquez, Directors Kalenka, Gimarc and Hill voting yes and Directors Christopherson, Nordlund and Lipscomb voting no.

D. Board Counsel – Scope of Legal Services

Director Kalenka moved and Director Gimarc seconded the motion that the Board of Directors approve Task Order No. 2 as submitted by Guess and Rudd. After much discussion, Chair Vazquez called for the vote with Chair Vazquez, Directors Kalenka, Hill and Gimarc voting yes and Directors Lipscomb, Christopherson and Nordlund voting no. The motion passed.

VII. NEW BUSINESS

A. Drug and Alcohol Procedures

Director Kalenka moved and Director Gimarc seconded the motion that the Board approves the new random Drug and Alcohol Testing Policy. After much discussion, Director Kalenka moved and Director Hill seconded the motion to table this item to the July 11, 2007, meeting. The motion to table passed unanimously.

VIII. DIRECTORS' COMMENTS

Director Hill: Stated he hoped the Board could put this thing behind us.

Director Lipscomb: Questioned if there was a written opinion from Mr. Zipkin on Board Policy 128? Mr. Zipkin stated that it was provided by way of a revised motion and Mr. McLaughlin of Guess and Rudd provided a memo. He did not know if it was provided to the Board. Director Lipscomb requested a copy and Mr. Zipkin stated he would check and on the status of the memo and get back with the Board. Director Lipscomb also stated that there was discussion and motions tonight where we didn't have proper notice and all the information and appreciates the Chair's acknowledgement and desire to do better. It is important for us as a Board to be able to act appropriately and efficiently. I would appreciate better, proper notice. I would also suggest the Chair consider taking up the Drug and Alcohol Policy not at the Board Meeting on the July 11th but at the Operations Committee meeting on July 25th. It is the duties of the Operations Committee to work in conjunction with the CEO Operating Policies and make recommendations to the Board. I apologize, Board Policies, so I would again suggest we follow our standard procedures and go through this at the Operations Committee and make a recommendation from the Committee to the Board. Thank you for keeping the lights on Bill and thank you for the sunshine.

Director Christopherson: Stated he really hoped that that we've gotten this decisive issue behind us and doesn't want to talk about it anymore. Appreciate the Chair's interest in trying to facilitate getting things out on time.

Director Nordlund: Stated he too will be glad when this decisive issue, the Ray Kreig case is behind us and I look forward to working with you all on proactive, constructive issues. I think that the way this will ultimately be resolved is to the detriment of the Association, unfortunately, and I think it's a sad thing frankly for the Association that we have taken the action we have tonight in the Ray Kreig case. I have objected to some other motions tonight clearly because of the improper notice requirement and process but having assurances from the Chair that she will try to do better and get the packets out on time and give proper notice for the motions that we are suppose to take, I do appreciate that.

Director Gimarc: Stated he believed excellent progress was made today and we can proceed to work on the potential merger, new generation and alternative energy and things to take care of our customers, members and employees. There is a bit more to be done but it's a start so far. I would like to thank Mr. Edwards for his candor and forthrightness during the executive session. It's a pleasure seeing a Lawyer involved with the ongoing cases doing what the board actually wants him to do.

Director Kalenka: Concurred with the remarks by Director Gimarc and wanted to add that the Ray Kreig matter has been festering way too long, it needs to be lanced in order for the us to heal this wound and move forward with bigger issues that are at stake. To continue something like that, to let it fester for a period of time, it is very detrimental to this organization and it already has been costly to the Association.

IX. EXECUTIVE SESSION

At 9:00 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 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) Strategic Planning and 2) Legal Issues. The motion passed unanimously.

XIV. ADJOURNMENT

The meeting adjourned at 10:00 p.m.

/ss/
Alex Gimarc, Secretary
Date Approved: August 8, 2007