

**CHUGACH ELECTRIC ASSOCIATION, INC.**

**Anchorage, Alaska**

**November 16, 2005**

**BOARD OF DIRECTORS'  
MEETING MINUTES**

A regular meeting of the Board of Directors of Chugach Electric Association, Inc. was called to order at 4:07 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

The following board members were present:

Alan Christopherson – Chairman  
David Cottrell – Secretary  
Elizabeth Vazquez – Treasurer (arrived at 4:25 p.m.)  
Bruce Davison – Director  
Jeff Lipscomb – Director  
Ray Kreig – Director  
Uwe Kalenka – Director

The following employees, members, and guests attended:

Bill Stewart	Lee Thibert	Mike Cunningham
Brad Evans	Dianne Hillemeier	Connie Owens
Phil Steyer	Carol Johnson	Bill Bernier
Katrina Storjohann	Ron Vecera	Ed Jenkin
Rick Freymiller	Arthur Miller	Helen Graham
Deanna Scott	Carol Heyman	John Cooley
Jean Sauget	Sue Pope	Craig McCollom
Mike Pauley	Brad Reeve	Crystal Enkvist
Jim Posey	Jim Torgerson	

Jennifer McDonald, Legal Secretary, recorded meeting proceedings.

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

**I. EXECUTIVE SESSION**

Director Kreig moved and Director Kalenka seconded the motion that pursuant to AS 10.25.175(c) (1)(2) 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 topic to be discussed in executive session is response to Director Cottrell's questions on the 2006 operating and capital budget. The motion passed unanimously. At 4:09 p.m. the Board went into executive session and resumed the board meeting at 4:48 p.m.

## II. APPROVAL OF AGENDA

Director Kreig moved and Director Kalenka seconded the motion to approve the Agenda with a change moving Item C. 2006 Operating and Capital Budget down to after Item E. The motion to approve the Agenda, as amended, passed unanimously.

## III. CONSENT AGENDA

Director Kreig moved and Director Kalenka seconded the motion to approve the Consent Agenda.

### A. Calendar of Events (November 2005 – November 2006)

### B. Minutes (October 19, 2005)

Chairman Christopherson stated that under Item IX.C. there was an extra word "unanimously" - Director Kreig asked that it be stricken it from the minutes. There was no objection.

The motion to approve the Consent Agenda as amended passed unanimously.

## IV. PERSONS TO BE HEARD

### A. Wholesale Customer Comments

None.

### B. Member Comments

Jim Posey, General Manager of Anchorage Municipal Light & Power, discussed the Energy Policy Act of 2005, effective August 8, 2005, and feels there are a number of provisions that we will likely be subject to. Mr. Posey also stated that natural gas prices were considerably higher in the lower 48 ranging from \$16 to \$18/btu compared to what Anchorage pays for natural gas.

## V. CEO REPORT

- NWPPA Alaska Electric Utility Conference, Thursday & Friday at Anchorage Sheraton.
- Monday, November 28, 2006, Legislative Reception at the Millennium Alaskan Hotel.
- Saturday, December 10, 2006, Chugach Holiday party; 7:30 p.m. at the Anchorage Sheraton.
- APA's Resolutions Committee - Chugach presented two proposed resolutions to the Committee. The first resolution in support of Fire Island passed. The second resolution was asking APA to vote in support of the agreement regarding the distribution of the Railbelt Energy Fund. That resolution failed and was referred by the Committee back to Chugach.
- CFO Study - An email was sent to Mr. Carmony and Mr. Janorschke regarding the CFO study, which has not started yet, and have not received a response from either of them on this topic. Part of the delay in starting this was the deposition of Don Zoerb.

- Chugach's United Way campaign kicked off on November 1, 2005. Chugach's goal for this year is \$60,000.

## **VI. CORRESPONDENCE**

November 3, 2005, letter from Lee Jordan regarding the invitation to the joint board meeting in January. The MEA board is sensitive to the need for avoiding discussion with third parties in litigated matters so to consider invitation to this, MEA would like to have an idea of what the agenda topics are.

Director Lipscomb noted that on January 26 there is a JAA meeting scheduled.

## **VII. DIRECTORS' REPORTS**

### **A. Committee Reports**

Director Kalenka reported on his trip to Fire Island to view the site. Director Davison was also there and followed up with a series of questions about Fire Island. Director Kalenka has requested that staff prepare another presentation on the potential for wind power on Fire Island. Director Davison also stated there are some public misconceptions on how that project is proceeding as well as some misconceptions with this Board.

Bill Stewart, Interim CEO, stated a task force, headed up by Lee Thibert, will prepare answers to Director Davison's questions.

Chairman Christopherson reported on the Operations Committee meeting held on November 2, 2005. There was a presentation on the member survey results by Dave Dittman, an update on JAA meeting, and an environmental presentation on Beluga.

Chairman Christopherson stated that Bill Stewart reported on the APA meeting in his CEO report. Brad Reeve, APA Board President, introduced the APA Interim Executive Director, Craig McCollom. Brad Reeve stated that APA is establishing a new process and wants to continue the dialogue and have Chugach help improve the process. Craig McCollom, Interim Executive Director, stated the resolution process is similar to what NWPPA is using which is very effective in getting information out and allowing better communication.

Director Cottrell reported the Audit Committee met on November 14, 2005, and discussed a variety of matters. The only matter that needs to come before the Board for approval is the KPMG Federal Single Audit Report and the Audit Committee recommends approval. Director Cottrell also reported that he attended a SEC class on Sarbanes Oxley and the new International Accounting Standards. Other subjects discussed: Section 404 interim controls, 8K requirements and management discussion and analysis.

Director Vazquez reported the Finance Committee met on October 26 and November 3, 2005. Topics discussed were the Operating and Capital Budget for

2006 which the Committee recommended for Board approval. Also presented for approval was a \$1,520,000 Operating Budget Revision to the 2005 budget.

**B. Alaska Power Association (APA) Report**

*Reported by Bill Stewart, Interim CEO, under Agenda Item V. CEO Report.*

**C. Meeting Reports**

*See above.*

**VIII. UNFINISHED BUSINESS**

None.

**IX. NEW BUSINESS**

**A. 2005 Operating Budget Revision**

Director Kreig moved and Director Cottrell seconded the motion that the Board of Directors approve the 2005 Operating Budget Revision as presented. The motion passed with a vote of five to two with Directors Lipscomb and Davison voting against the motion.

**B. Retail Capital Credit Retirement**

Ron Vecera, Director, Member Services, presented an overview of the Retail Capital Credit Retirement. Director Kreig moved and Director Cottrell seconded the motion to recommend passage of the resolution. The motion passed unanimously.

**C. G&T Division Rate Case**

Director Lipscomb moved and Director Cottrell seconded the motion that the Chugach Electric Association Board of Directors directs the Interim CEO to promptly begin the preparations to file a rate case with the Regulatory Commission of Alaska to achieve acceptable margins for the Generation & Transmission Division. Director Davison moved to table until the next Board meeting. Chairman Christopherson stated the motion to table is not debatable. The motion to table passed unanimously.

**D. AREA Joint Action Agency**

Director Lipscomb moved and Director Davison seconded the motion that the Chugach Electric Association Board of Directors amend its Confirmation of Prior Action on the AREA Joint Action Agency (JAA) of July 27, 2005, to remove the conditions and directions to the CEO to provide notice to the AREA JAA, of Chugach Electric Association's withdrawal from the AREA JAA. Director Kreig moved to table. Chairman Christopherson stated the motion to table is not debatable. The motion to table passed with a vote of four to three with Directors Lipscomb, Cottrell, and Davison voting against the motion.

**E. 2006 Operating and Capital Budget**

Director Davison moved and Director Kalenka seconded the motion that the Board of Directors approve the 2006 Operating and Capital Budget as presented. The motion passed unanimously.

**F. Directors' Expenses**

Director Kreig moved and Director Kalenka seconded the motion to approve Directors' Expenses. The motion passed unanimously.

**G. KPMG Federal Single Audit Report**

Director Cottrell moved and Director Kalenka seconded the motion to waive the seven-day rule to approve the Federal Single Audit. The motion passed unanimously.

Director Cottrell moved and Director Kalenka seconded the motion that the Board of Directors accept the KPMG Federal Single Audit Report for the year ending December 31, 2004, as recommended by the Audit committee. The motion passed unanimously.

**X. DIRECTORS' COMMENTS**

**Director Kreig:** The Frontiersman ran an article describing accusations from former director Mike Janeczek who is alleging that the MEA Board is racist because they are not making appointments of one of the directors to a committee. I know the individuals on the MEA Board and feel that these charges are false. I think it is malicious and destructive to make such racism charges just because they may be a politically convenient tactic to accuse someone of racism when the decision made is highly unlikely to have anything to do with that. When this is tolerated in the public arena it has serious outcomes because it desensitizes the discrimination issue and the public then doesn't take discrimination claims seriously. This is wrong and does a great disservice to the issue of diversity and racial discrimination to have it used in this manner.

**Director Cottrell:** I'd like the CFO study to get started and think that our fellow cooperatives probably have a lot of reasons not to do the CFO study but we need to look at the G&T entity and see if there may be a better entity than we currently have. Second, I would like to see the Fire Island budget for 2006 come to the Board for review even if the Board does not have to approve it. In addition, I think we need to investigate whether or not a rate case is due on the unbundled financial statements. Finally, I think the JAA needs to be cranked up as far as an entity. It should have a budget and operating projections for next year. We need to be prepared if the legislature starts asking questions about transferring assets.

**Director Kalenka:** I would like to echo Director's Kreig's comments (about Frontiersman/MEA) and feel the situation is rather disturbing. I would like to thank staff and the rest of the company for their efforts in reducing the budget by \$1.5 million. Finally, I have some concerns about APA's recent actions regarding our resolution that did not pass.

**Director Vazquez:** I want to compliment staff for the efforts in identifying savings. It is a very important symbolic gesture and sends signals to the rest of the organization and to others out in the public. I appreciate all the hard work.

**Director Lipscomb:** The recent Outlet states that at the October 26 Finance Committee meeting staff presented proposed reductions to the 2005 budget. The Board endorsed the 2005 proposed cost reductions and encouraged management to continue its efforts to further improve efficiency. I did not know the Board could take action in a Finance Committee meeting.

**Director Davison:** I have been getting educated on generation and coal generation is our first option in diversifying besides natural gas. Information I have received recently states that a 250 MW plant is the optimum size from an economic efficiency standpoint and there is no one utility in the Railbelt that is going to, on its own, build a 250 MW coal fired generation plant. We really need to move ahead with the JAA and get them to study the options and decide who is going to participate. The longer we wait to actively be involved in the JAA the deeper in the hole we are going to be based on the forecast for the future generation needs for the Railbelt.

**Director Christopherson:** If you saw in the paper today, Senator Stevens and Representative Don Young are under a lot of pressure in Washington DC for holding the line on the two bridges as quoted in the press to "nowhere". As a result, the JAA and tax-exempt financing is being held up in committees. I look forward to the CEO bringing to the Board later this month the discussion on the rate case and those issues. Regarding the CFO study – this topic was suggested by MEA in our joint meeting. I am disappointed that it has not gone forward. Lastly, in reading the articles on GVEA and Healy Clean Coal and Mr. Barry's response. If it is true that all GVEA offered AIDEA was a passive storage lease to prevent a \$300 million publicly funded plant from being operated this appears to be unacceptable. We would hope that a resolution can be achieved out of court and the project go forward on its own merits.

## XI. EXECUTIVE SESSION

At 6:00 p.m. Director Davison moved and Director Kalenka seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1)(2) and (3), the Board go into executive session to discuss 1) matters the immediate knowledge which would clearly have an adverse effect on the finances of the cooperative, 2) subjects that tend to prejudice the reputation and character of a person although the person may request a public discussion, and 3) 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 1) Capital Credits Litigation and 2) CEO search. The motion passed unanimously.

## XII. ADJOURNMENT

The Board came out of executive session at 8:00 p.m. and adjourned.



Dave Cottrell, Secretary

Date Approved: December 7, 2005