

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

February 25, 2009

**BOARD OF DIRECTORS’
MEETING MINUTES**

The following board members were present:

Rebecca Logan – Chairman
Jim Nordlund – Vice Chairman (*arrived at 4:06 p.m.*)
Alex Gimarc – Secretary
PJ Hill – Treasurer
Jeff Lipscomb – Director
Janet Reiser – Director
Elizabeth Vazquez – Director (*arrived at 5:02 p.m.*)

The following employees, members and guests attended:

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| Bradley Evans | Ed Jenkin | Paul Risse |
| Tyler Andrews | Theresa Kurka | Tom Schulman |
| Bill Bernier | Marilyn Leland, APA | Bruce Scott, MEA |
| Patti Bogan | Arthur Miller | Dave Smith |
| Mike Cunningham | Connie Owens | Phil Steyer |
| Marc Hellenthal, Hellenthal & Associates. | Jim Patras, HEA | Lee Thibert |
| | Jim Posey, ML&P | |

DeAnna Scott, Executive Assistant, recorded the meeting proceedings.

I. CONVENE MEETING

The meeting of the Board of Directors was convened at 4:00 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

II. PLEDGE OF ALLENGIANCE

Chair Logan led the Board and audience in the Pledge of Allegiance.

III. EXECUTIVE SESSION

At 4:03 p.m., Director Gimarc moved and Director Reiser seconded the motion that pursuant to Alaska Statute 10.25.175(c)(1), the Board go into executive session to discuss matters the immediate knowledge of which would clearly have an adverse effect on the finances of the cooperative as it relates to Chugach’s Natural Gas Contract Negotiations. The matters to be discussed would be specifics of the Term Sheet for Gas Sales Agreement between Chugach and ConocoPhillips dated February 24, 2009. The motion passed unanimously.

The meeting reconvened in open session at 4:54 p.m.

IV. APPROVAL OF THE AGENDA

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

Director Vazquez arrived at 5:02 p.m.

V. CONSENT AGENDA

A. Board Calendar

Items added:

- Tentative Board Meeting scheduled for March 19, 2009.
- ML&P Board Meetings the fourth Wednesday of each month.

B. Minutes – January 28, 2009

C. Director Expenses

D. 2008 K&L Gates Contract – Increase to Task Order One

E. 2009 Perkins Coie Contract

F. 2009 K&L Gates Contract

G. Beluga Units 6 & 7 Hot Gas Path Parts Refurbishment

No objections to the Consent Agenda were noted.

VI. PERSONS TO BE HEARD

- A. Wholesale Customer Comments – *None*
- B. Member Comments – *None*

VII. CEO Report

A. Presentation – Customer Survey Results

Phil Steyer, Director, Government Relation & Corporate Affairs, and Marc Hellenthal, Hellenthal & Associates, presented the Customer Survey Results and answered questions from the Board.

Director Vazquez departed at 5:08 p.m.

B. Presentation on Electrical Apprenticeship Program

Bill Bernier, Director, Substations and Line Operations, gave a presentation on the Electrical Apprenticeship Program and answered questions from the Board.

C. Verbal Update on the 2008 Audit

Mike Cunningham, CFO, gave an update on the 2008 Audit and answered questions from the Board.

Director Vazquez returned at 5:27 p.m.

D. Verbal Update on Southcentral Power Plant

Paul Risse, Sr. V.P., Power Supply Division, gave an update on the Southcentral Power plant and answered questions from the Board.

E. Verbal Update on Utility Restructuring

Lee Thibert, Sr. V.P., Strategic Planning & Corporate Affairs, gave an update on the Utility Restructuring and answered questions from the Board.

F. Verbal Legislative Update

Phil Steyer, Director, Government Relation & Corporate Affairs, gave an update on Legislative Issues and answered questions from the Board.

VIII. CORRESPONDENCE

A. 2008 Contributions

IX. DIRECTORS REPORTS

A. Committee Reports

Director Reiser provided on overview of the February 2009 NRECA Meeting in New Orleans, LA.

B. APA Report

Director Nordlund stated the APA meeting is taking place in Juneau, March 10-11, 2009.

C. Meeting Reports

Director Logan reported on the trip to Juneau with Brad Evans, CEO, and Directors Gimarc and Nordlund. She stated it was a really good trip and that people are looking to Chugach to give them direction on some of the critical issues. She stated they spent time in Joe Balash's office discussing legislation that is going to be introduced on the Unified Power Provider or what has been renamed as GRETC meaning Greater Railbelt Energy Transmission Cooperation. It was a good trip; it was a good for us to be there. Chair Logan recommended to those going down for the APA Conference, to spend some significant amount of time communicating Chugach's position on that issue.

X. UNFINISHED BUSINESS

XI. NEW BUSINESS

A. 2009 Election Procedure

Director Gimarc moved and Director Lipscomb seconded the motion that the Board of Directors review and approve the 2009 Election Procedures. The motion passed unanimously.

Chair Logan departed the meeting at 6:15 p.m. and Vice-Chair Nordlund assumed role as Chair.

B. Proposed Bylaw Amendments – Housekeeping Amendments

Director Hill moved and Director Gimarc seconded the motion that the Board of Directors approve the proposed Housekeeping Bylaw Amendments, Agenda Item XI.B., including the proposed comments for placement on the ballot for the 2009 annual membership meeting election. The motion passed unanimously.

C. Proposed Bylaw Amendments – Number of Election Committee Members

Director Hill moved and Director Gimarc seconded the motion that the Board of Directors approve the proposed Election Committee Bylaw amendment, Agenda Item XI.C., including the proposed comments for placement on the ballot for the 2009 annual membership meeting election. The motion passed unanimously.

D. Proposed Bylaw Amendments – Director Attendance

Director Hill moved and Director Lipscomb seconded the motion that the Board of Directors approve the proposed Director Meeting Attendance Bylaw amendment, Agenda Item XI.D., including the proposed comments for placement on the ballot for the 2009 annual membership meeting election. The motion passed unanimously.

Director Logan joined telephonically at 6:24 p.m.

E. Annual Report Savings & Distribution

Director Hill moved and Director Gimarc seconded the motion that the Board of Directors approve the plan to achieve the savings as identified in the memo and implement electronic distribution of the Annual Report.

Director Logan disconnected at 6:31 p.m.

Director Lipscomb moved and Director Gimarc seconded the motion to postpone the main motion until a time certain of the approval of the Association Communication Plan. Vice-Chair Nordlund called for the vote with Vice-Chair Nordlund, Directors Reiser, Vazquez, Gimarc and Lipscomb voted yes; Director Hill voted no. Motion passed.

F. Gas Term Sheet Approval

Director Reiser moved and Director Gimarc seconded the motion that the Board of Directors approve the gas term sheet as discussed in executive session and authorize the Chief Executive Officer to proceed with negotiations of the Gas Sales Agreement consistent with the Gas Term Sheet. The motion passed unanimously.

XII. EXECUTIVE SESSION – None

XIII. DIRECTOR COMMENTS

Director Hill: “No comments.”

Director Lipscomb: “I had the opportunity to inspect our mobile substation on Monday. If you haven’t seen it, it’s dark but you can see it right out the window there. It’s a very

impressive specialized piece of equipment. I want to thank Jeff and Tom and Shawn from Ed and Bill's shop for the tour; they did a good job. And remind everybody that when working around and moving this one hundred and twenty one thousand pound piece of equipment, please do it safely. I don't want to see anybody going up on a Volkswagen. Second, I would like to take a brief summary of Chugach's 2008 Finances and reasoning for the Rate Case and our increase plan for 2009 to the Homer Electric Board on March 17th. If there is no objection from anybody, I would ask Brad and Mike to put together; we talked about this before, but if there's objection but if not, I would like to do that." *Brad Evans:* " *You will have to come in and talk to the Rates Department about where they're at and know whether or not we can meet that specific date and we can discuss that in more detail.*" *Director Lipscomb:* "if we can't do the rates then maybe just a two page summary of our finances, how much money we made, that sort of thing. Thank you."

Director Reiser: "Yes, I'd like to compliment the members and management of Chugach. I am very proud to be a Board member of Chugach, by the way, and I thank you all for that. Particularly on the progress on the gas negotiations, the progress on the power plant, the well received customer service and other elements of the business; it's very, very gratifying to the a Board member for such a hard working organization. So, I want to thank you all for that and I have an idea that I want to propose for the Annual Meeting, as we start to modernize our thing, particularly a web cast for the Annual Meeting or even the Candidate Forum or some sort of video we can put on a website that we can access people who normally don't come to those things. So, I would like to throw that out there; I would like to see if we can make happen so that we can reach more people and start moving down that path and thank you all for your really hard work."

Director Vazquez: "I am very glad that Management is making progress with the Gas Negotiations and I'd like to thank Mr. Smith for coordinating and providing support to the Bylaws and Nominating Committee and Elections Committee. He's *..unintelligible ..* I know that the Bylaws Committee, we had two meetings that lasted about 9:30 p.m., one at 9:30 p.m. and the other about 10:00 o'clock; long days for Mr. Smith so, thank you."

Director Gimarc: "Mr. Chairman, this had been a busy month. This meeting we ended up considering a Term Sheet for natural gas contract, passed the Election Committee 2009 procedures, Bylaw Committee 2009 proposed bylaw changes and there in enabling legislation for the UPP or whatever it's current acronym to be introduced later this week in Juneau. Thank you to the staff and our members on the Election, Bylaws and Nominating Committees for their hard work; congratulations to all. Thank you."

Director Nordlund: "I guess I'd like to repeat some of the comments that have been made. First of all, I did, along with Jeff, visited the mobile substation it was an interesting tour, interesting piece of equipment *...unintelligible...*so thanks everybody for thatI was part of the delegation that went down to Juneau and visited the legislators last week and I think that we were in fact pretty well received; I particularly want to give kudos to Brad; it was apparent in our meeting with Joe Balash in the Governor's Office that there had been a really long and good working relationship between them that's helped fashioned the Governor's initiatives in Energy. I think truly, largely because of Brad's leadership, Chugach is the leader in trying to reshape this industry in Alaska; thank you Brad for your work and the work of all your staff that has gone into those relationships with the Governor and the Legislature. I was also pleased tonight to hear

about the response for our surveys, survey of our members, just to sum it in a very few words the initiative that we have been taking as a board are well accepted by our membership – 71% of our members are in favor of moving away from fossil fuels to renewables. 84% of our members appreciate the fact that we are looking at hydroelectric as an energy project for the future of the Railbelt. 58% of our members feel that the formation of a UPP or Railbelt energy cooperation as proposed, as led by Chugach and proposed by the Governor – is a good idea. 47% feel that transferring assets into such a corporation would be a good idea. And based on our customary surveys we’ve done with members, about 80% or 89% or so of our members feel good about Chugach. They relate reliability of electric service way in the stratosphere about, in the 90 percentile and especially in restoring power after an outage happens in the 94 %, so I guess to reiterate Janet’s comments, I also as well am proud to be a Board member of this organization. I think everybody is doing a great job as evidence by real hard data here from our members we represent. Thanks to everybody for their hard work.

XIV. ADJOURNMENT

At 8:43 p.m., Director Hill moved and Director Reiser seconded the motion to adjourn. The motion passed unanimously.

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Alex Gimarc, Secretary

Date Approved: March 25, 2009