

**Minutes of the January 11, 2008 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

1. Call to Order, Determination of Quorum, Introduction of Guests

Chairman Beans called the regular meeting of the Alaska Village Electric Cooperative Board of Directors to order at 9:28 a.m. on January 11, 2008 at the AVEC headquarters. A quorum was ascertained with the following board members in attendance:

Robert Beans, Chairman
Phyllis Clough, Secretary
Fred Sagoonick, Director
Walter Sampson, Treasurer

Mike Prince, Director
Charlie Curtis, Vice Chairman
Helena Jones, Director

Others in attendance included:

Meera Kohler, President and CEO
Roger Kemppe, Legal Counsel
Amy Murphy, Executive Assistant

Mark Teitzel, Vice Pres. and Mgr. of Engineering
Brent Petrie, Mgr. Community Development
Debbie Bullock, Administrative Svcs. Mgr

2. Declaration of Conflicts of Interest, if any (Policy 2024)

Chairman Beans asked if there were any conflicts of interest to declare and there were none that haven't been mentioned in the past.

3. Approval of Minutes

Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting dated November 9, 2007 were approved as presented.

4. Director Trip Reports

There were no director trips to report on.

5. Committee Reports

Walter Sampson said the Audit & Budget committee met with the auditor before the board meeting to discuss the upcoming audit. Walter said it sounds like the system in place is working well. The auditor's fee will increase due to new federal requirements that require more intense scrutiny. No problems are anticipated based on the outcome of past audits that went smoothly.

6. President's Report

6a. Denali Commission Project Update: Brent Petrie said he attended a wind energy conference in Bethel last week that had an unexpectedly large number of participants, including bankers. The AEA is looking for ways to spend \$250 million that Governor Palin wants to set aside for renewable energy projects in the state and this two-day conference was one way to gather and provide information about potential wind projects. The state is looking for partners to help develop renewable energy projects. Brent mentioned that AVEC serves 26 villages in the Yukon-Kuskokwim Delta area and would be able to help out substantially. The Denali Commission received less money for energy (and other) projects this year. We will submit a list of projects worth about \$15- to \$20-million for funding requests. The Savoonga power plant will be commissioned in February and we purchased two wind turbines to install in Savoonga. Brent provided a brief recap of the list of projects that are in the works. NANA received some funds from the DOE to start planning renewable energy projects in villages in their region. Several meetings have been held to identify potential wind sites or other options, like hydro or solar. As fuel costs increase, solar power becomes more feasible. Brent is checking into having the MET towers collect sun information as well. NANA is looking for ways to address energy options to reduce the high cost of power.

Meera Kohler said that the Denali Commission received \$21.8 million from the energy and water bill, significantly less than the \$50 million received in prior years. Of that amount only \$10 million will go towards energy and \$9 million towards renewable energy. The RUS only received \$20 million. We are not sure how this funding will pan out as this is a big decrease. We will go after whatever amount of funding we can get and

**Minutes of the January 11, 2008 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

plan our program from there. Mike Prince asked about the MET towers in Emmonak. Brent said AVEC only put up one MET tower so he's not sure about the other one. Mike said the Kuskokwim school district is sending some mechanics to class to learn to work on wind turbines, in case the school installs their own wind turbines. Meera said it isn't a good idea for the schools to install self generation because it could significantly impact the rest of the community since the school is the largest user and pays a significant portion of the non-fuel costs of electricity. Everybody needs to focus on doing what is best for the whole community – not just one entity. AVEC could possibly work with the schools to help install utility-grade wind generation, which would benefit the whole village.

6b. Financial Statement: A copy of the November financial statement was included in the board packet. The statement shows that we are tracking close to the budget and we should have positive operating margins, mainly due to the change in the way we expense plant depreciation. We should have a year-end statement in a few weeks – after the auditors leave.

6c. Delinquency Update: Georgia Shaw distributed copies of the list of delinquent city accounts and said the delinquent accounts look good and the charge-offs for this year look better than they have in the past few years. About \$120,000 in capital credits were applied to delinquent and charge-off accounts, which helped out. Our members have also received help from the LIHEAP Energy Assistance program which received a bigger influx of funding from the federal government. It was suggested that the legislature be asked for financial relief for folks in rural Alaska who are suffering because of the high cost of fuel. There is a discrepancy between costs in rural and urban Alaska due to the location and cost of delivery. Helena said Ambler is having its annual meeting on the 16th and said anybody here is welcome to join her at the meeting. Her husband is the chairman. Charlie said the cost of fuel is never going down and the villages can't always depend on others to help them out. They need to develop a plan on how to deal with the high costs. Phyllis asked how the delinquent accounts and chargeoffs affect the cooperative, and does it impact the members who pay? Meera said that we still try to collect the accounts that get charged off and they can't get service in their name again until they are all paid up. Meera sees a bleaker picture in the future as many families can't afford to buy food and heating oil. The citizens of the state struggle while the state gets rich. Businesses in rural Alaska don't get PCE so the high cost of power and fuel impacts them greatly. Walter expressed concern about the future and said some harsh cost-cutting measures may be necessary. He wants the board to minimize their travel and he said some staff may have to be let go. He's concerned that we will hear about cost-cutting concerns at the annual meeting. Meera said that we are doing things as cheaply as possible. We have 53 communities and 73 employees, which is less than 1.5 employees per village to perform all the responsibilities involved with providing reliable power. We really can't cut staff as we are bare bones as it is, especially with all the extra work related to Denali Commission projects. Charlie Curtis said we are a cooperative, not a for-profit entity, and we have held the basic rate steady at 32 cents/kWh and want to avoid having to raise rates, if at all possible. As board members we can control some things, like the meeting fee. We could reduce the meeting fees for a while, and limit the number of meetings we attend and hold, but that could hurt the co-op more than it would benefit the co-op. We need to really evaluate our financial situation. We also need to educate our members on the benefit of belonging to a cooperative that operates as a non-profit organization. Meera said AVEC is seeing a sharp increase in operating costs everywhere, including steel, fuel, equipment and shipping, even though we haven't had a rate increase in 12 years. Phyllis said we need to make sure we have good infrastructure in place. Fred Sagoonick said we need to be careful cutting costs so we do not adversely affect the quality and reliability of our electric power. Mike Prince said we should consider renewable energy options like hydro and nuclear. The cost of fuel is skyrocketing and won't go down. Meera said we will continue to do what is necessary to maintain the quality and reliability of our power.

6d. Power Plant Operator Update: Meera has a meeting this afternoon with Jason Evan from Financial Alaska, who is helping us shape our program on how to bring the Power Plant Operators on as special contract employees. Meera met with Bob Alvin from NRECA regarding this issue and he had good information about offering this special class of employees a 401K account through NRECA. We can't set this up through Microgen; we have to set it up through AVEC. We hope to have issues resolved by the Annual Meeting so we can roll out information on setting up the power plant operators as contract employees at the annual meeting in March. It will take a few months after that to get the program in place and implemented. A major issue is the PERS program. Merri Shunk has been researching the villages that signed up for PERS to see which ones are

**Minutes of the January 11, 2008 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

still enrolled in the program and making the contributions that we send them. So far we only have two villages that are still participating for sure, but are slightly delinquent in their payments. Five communities said they want to move forward/continue the PERS program, but they are very delinquent in making their payments. Five communities have no interest in continuing and have quit the program. These villages will need to reimburse AVEC. Walter asked which villages are delinquent. Debbie said she could provide him that information later. Once the new PPO program is rolled out at the annual meeting we will print information about it in the Ruralite after the board approves it. We expect to sign up about 100 PPOs as contract employees.

A 15-minute break was taken.

6e. CREBs applications: A copy of a news release about AVEC being awarded CREBs for all six applications it submitted was included in the board packet. These applications for wind projects in six communities total \$6.16 million. Before we float the bonds we need to wait to see how this would impact us financially as these are low-interest loans – not grants. Meera said the Denali Commission seemed amenable to the CREBs money being considered AVEC's cash match for entire projects. Any left over money could be used as a cash match for other projects. We would get an interest rate of less than 1%. It is unusual to receive approval for all the applications that were submitted. Charlie Curtis said the AVEC staff did a great job assembling the applications and the board thanks them for their heroic efforts.

6f. APA Legislative Conference (Feb. 6-7): Robert Beans, Helena Jones, Fred Sagoonick, Mike Prince and Brent Petrie will attend the Legislative Conference in Juneau.

6g. Request for contribution toward APA Statewide Energy Plan Development: Information about APA's statewide energy plan development project was included in the board packet. This is a two-phase effort and the initial phase will look at other energy plans that have been developed to see what is out there and what could be used in a comprehensive plan. After that phase is completed APA will seek state or federal funds to produce a larger, statewide plan, which Alaska really needs. The estimated cost for the initial phase is \$30,000 to \$50,000 and APA members are being asked to contribute money to fund the project. Meera suggested a \$5,000 contribution from AVEC. There was some discussion. The board will vote on this later on when the resolution is discussed.

6h. Letter from City of Savoonga/Response: For information.

6i. Letter from Caroline Hoover from Kasigluk/Response: For information.

6j. ACRE/CARE Membership: Meera said that in the past the whole board has become ACRE/CARE members and the \$50 fee was deducted from director fees. Chairman Robert Beans encouraged the whole board to once again join ACRE/CARE as it benefits AVEC and its members. All of the board members agreed to join ACRE/CARE at the \$50 level. Some members wrote checks and the fee for the other members will be deducted from their per diem. Amy will fill out the applications and submit them to APA.

6k. "Hope Is Not a Strategy" – Anchorage Chamber of Commerce Report: A copy of this report was provided about the status and future of the electric power situation in Southcentral Alaska that members of the Anchorage Chamber of Commerce produced. This report has garnered widespread attention and the Chamber is seeking endorsement of the report. Meera served on the task force that developed the report and she endorses the report and signed off on it. This issue will be discussed when the resolution is brought up later in the meeting.

Meera distributed copies of a memo she received from the NW Arctic Borough regarding waste heat and the high cost of energy in our communities. The Borough feels that the water plants in the villages should have first dibs on the waste heat rather than the schools because the water plant benefits the whole community. Meera's response explained that entities requesting the waste heat have to design the system for themselves and we can provide recommendations to local consulting firms for that purpose. A big problem now is that our

**Minutes of the January 11, 2008 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

new power plants have been relocated outside of the communities by their request, due to the noise, and now it is less feasible to get the recovered heat because of the distance.

Meera distributed copies of an e-mail message she wrote to Governor Palin for the second time requesting money to pay for the relocation of the Kivalina tank farm. Somebody has to pay for it and it may end up being the residents in Kivalina if the state doesn't pay for it. Meera copied Kivalina's legislators as the money should come from emergency funds. Walter Sampson said there are new members on the city council and tribal counsel and they have increased their communication efforts and are now willing to work together.

Meera said Rep. Seaton filed a bill to require net metering in Alaska. APA has objected to net metering in the past and AVEC will fight this bill. It benefits individuals at the expense of the rest of the community. Meera included a copy of her January back page and a paper she wrote on net metering and explained the concept. Under net metering, customers operating their own generation receive full retail credit by rolling the meter backwards when generating their own power. Mike Prince asked how the school districts could get on the band wagon with this. Meera said this is an issue that has to be dealt with sensitively. She asked Mike to have the school district call her so she could speak with them one on one to explain the situation.

Meera said the Website has been upgraded and we are still working on it. People are visiting the site and asking questions and getting answers. This has been a good way to communicate with folks.

A whole village energy efficiency project has been proposed for Nightmute and as part of the project the Alaska Energy Authority will pay for the cost to install AMR meters throughout the village.

Mike Prince asked about the status of purchasing Bethel Utilities. Roger Kempel said he contacted the owners this past fall and said they are not interested in selling the utility at this time.

Meera said Martin Moore from Emmonak called about a letter they received from the state of Alaska saying they need to spend their \$1 million grant for streetlights or they would lose the grant. Meera said AVEC would be happy to work with the community on this and said we could develop a comprehensive plan for streetlights that would be powered by renewable energy – a 100 kW wind turbine that could be installed. Hopefully this plan would pass muster, if they can't get the language changed to include paying for road access and not strictly pay for streetlights. There was a discussion of the power line that goes to the airport as erosion is threatening the road and the power line. The state will pay for the power line relocation. Fred asked why the state will pay to move power lines but not tank farms. Meera said the state spends federal money to perform road work, which includes moving the utilities installed in the road right-of-way.

Meera said she just received a letter from Pilgrim Hot Springs this morning letting us know they are looking for financial support from the Denali Commission for their renewable energy project. They are looking at the design and development of a geothermal project 65 miles north of Nome. They want to supply power to Brevig Mission and Teller, which is a very expensive challenge. Lots of people are interested in the renewable energy grants available through the Denali Commission.

Meera said she is going to Germany tomorrow for three weeks and will be available by e-mail.

Upon a motion duly made and seconded, the President's Report was approved as presented.

7. New Business

7a. Appoint Policy Review Committee: Chairman Beans appointed Charlie Curtis to chair this committee and appointed Fred Sagoonick and Helena Jones to serve on the committee. They will review the board policies.

7b. Upon a motion duly made and seconded, Resolution 08-01 Consent Agenda, including the following Resolutions: 08-02 and 08-02A New Memberships; 08-03 RUS Construction Fund

**Minutes of the January 11, 2008 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

Expenditures; 08-04 Director Expenses; and 08-05 Collections Representative, Georgia Shaw; was approved as presented.

7c. Upon a motion duly made and seconded, Resolution 08-06 Year-End Consumer Charge Offs was approved as presented.

7d. Upon a motion duly made and seconded, Resolution 08-07 Statement of Nondiscrimination was approved as presented.

7e. Upon a motion duly made and seconded, Resolution 08-08 NRECA/CFC/NRTC/NWPPA Voting Delegate Certification was approved as presented.

7f. Upon a motion duly made and seconded, Resolution 08-09 Supporting APA's Development of a State Energy Plan and a contribution of \$5,000 towards developing the plan was approved as presented. A roll call vote was taken with six board members voting in favor. The chairman did not need to vote.

7g. Upon a motion duly made and seconded, Resolution 08-10 Authorizing the Amendment and Restatement of the 401(k) Pension Plan was approved as presented.

7h. Upon a motion duly made and seconded, Resolution 08-11 Supporting ACC's "Hope is not a Strategy" Report and Recommendations was approved as presented.

8. Unfinished Business

There was no unfinished business to discuss.

9. Executive Session

An executive session was not required.

10. Board Comments

Phyllis Clough said we discuss the same important issues every time and she is still concerned for our members and for the future of the PCE program. We need to develop infrastructure throughout the state and find ways to decrease the cost of fuel. We need to strive to develop alternate energy in every community and cut costs for our cooperative members. She told everybody to be safe. The recent Servant Air plane crash was a bad loss.

Charlie Curtis said Happy New Year to everybody and said he hopes everybody has a blessed and safe new year. He feels blessed to be part of this team.

Mike Prince said Happy New Year and hopes everybody enjoys good health and is safe. We need to cut costs where we can.

Fred Sagoonick said he is glad AVEC is trying to increase their involvement with wind power. He asked if anybody has looked into sponsoring or supporting legislation that provides credits for reducing your carbon footprint. Meera said nothing like that is in our state yet but it's a good idea. Meera will review this and contact the legislature about the possibility of a credit like this. We can use CFLs and do other energy conservation measures to reduce our carbon footprint. Mike Prince asked about getting laws passed to ban BB guns in the communities as they are used to shoot out streetlights. Meera pointed out that this is a local vandalism issue. We have the VBECS policy that deals with any high costs associated with vandalism in the communities.

Walter Sampson said he would like Meera or Mark Teitzel to review an issue that was presented to him by Rep. Joule, regarding the high fuel surcharge billed to the Native store in Shishmaref. This consumer's bill has

**Minutes of the January 11, 2008 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

gone up dramatically and he wants it to be reviewed. Happy New Year and he is glad folks are working together to try to find ways to reduce the high energy costs in the NANA Region.

Helena Jones said Happy New Year. The high fuel surcharge affects everybody, but unfortunately is extremely higher in some communities than in others. She encouraged everybody to be safe.

There was some discussion about having a speaker address the delegates at the annual meeting during lunch to stress the importance of belonging to a cooperative. The board members provided information about the hotels they prefer to stay at so reservations can be made in advance and save money.

11. Next Meeting Dates

The next regular board meeting is March 24 in the afternoon and the Annual Meeting is March 25, 2008, with an organizational board meeting immediately following the annual meeting.

12. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 12:07 p.m.

Robert Beans, Chairman

Phyllis Clough, Secretary