

**Minutes of the March 24, 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 1:32 p.m. on March 24, 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 Kempel, Legal Counsel
Amy Murphy, Executive Assistant

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

2. Declaration of Conflicts of Interest

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 of January 11, 2008 were approved as presented.

4. Presentation of 2007 Audit Report

John Bost with Mikunda Cottrell & Co. provided the full board with a recap of the 2007 audit during the Audit & Budget committee meeting held right before the board meeting. The audit went well and there were no surprises and no adjustments required.

5. Approve Audit Report - Resolution 08-12

Upon a motion duly made and seconded, Resolution 08-12 2007 Audit Report was approved as presented.

6. Director Trip Reports

Helena Jones flew to Juneau to attend the APA legislative conference in February. Robert Beans and Fred Sagoonick canceled their travel plans due to bad weather conditions. During the morning some legislators came and spoke to the whole group. The governor also came and spoke for a little bit and Helena got her picture taken with the governor. During the afternoon Helena and Brent Petrie met with Larry Markley to prioritize their list of issues and decide whom to see. Costs to move the Kivalina tank farm had a high priority on the list. Other priority issues are funding for the intertie between Mt. Village and St. Mary's, opposition to the net metering bill and the high cost of fuel. They visited with 11 legislators and had good meetings with all of them. There was some discussion about the visit with Sen. Hoffman as the atmosphere was slightly uncomfortable in there, due to the problems the community of Tuluksak encountered and AVEC's refusal to take over their system as it wasn't up to code. Walter asked if it was true that AVEC was never reimbursed for the cost to relocate the tank farm. Meera said no, we didn't receive any money because the Governor disapproved the tank relocation costs. There was some discussion and Meera gave a recap of letters and discussions she has held with different people, trying to ensure AVEC is treated equitably and gets reimbursed for the tank relocation costs. The Speaker of the House has promised to help and we are optimistic that the money will be forthcoming.

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7. President's Report

7a. Denali Commission Update: Meera called upon Brent Petrie to give an update on the Denali Commission program. Brent distributed copies of the Executive Summary from the 4th Quarter 2007 report and gave a brief review of what has transpired. So far we have received about \$119 million from the Denali Commission, about \$5.7 million from other organizations and AVEC's cash match is about \$11.7 million for a total of about \$136 million so far. We have been able to upgrade facilities in a lot of our communities but a lot of work still remains. The bad news is that federal funding for the Denali Commission has been drastically reduced so our funding from the Denali Commission has also been reduced. We received some money from the Denali Commission for a couple of transportation projects in Hooper Bay and Mekoryuk. So far we have not received any new funds this year and timing is getting critical as we are nearing the end of winter and some projects required work being done while the ground was frozen. Since we haven't received funding for these projects they could end up being put off for another year. The Denali Commission is redoing their grant program and in the future each project will have its own grant and those funds are restricted to that project. This will require more time on our behalf to track the grant awards. We have held multiple meetings with staff to figure out our priorities and which projects we should finish. We sent a letter to Kathy Prentki outlining our priorities and gave a basic schedule of project completion timelines. We need more funding to finish these projects so we will try to get financial assistance from other organizations, including the RUS. We need to help encourage the state to provide some money to the Denali Commission to help fund future projects in rural Alaska since the state has a large surplus. The state is very interested in alternative energy and doesn't seem as excited about diesel plants and tank farms, but there is still a big need to improve basic facilities out there. Fred Sagoonick asked about applying for funds from various federal grant programs. Brent said that we apply for lots of grants at the federal level and state level on a regular basis. Unfortunately the federal government is also running out of money for programs. We are also working with other groups, like NANA and AVCP to try to combine forces to work together to reduce the high cost of energy. It looks like interties between villages are the way to go. Discussion ensued.

7b. Financial Statement – Year End Form 7 and Feb. Statement: Meera distributed new copies of the Year End Form 7 along with copies of February's Form 7. The Form 7 included in the board packet didn't have all the budget information in it. Meera uses the year-end information extensively throughout the year and encouraged the board to keep a copy of the statement and refer to it in the future. We are doing well as far as unscheduled outages go and we are up to 78 full-time employees. We distributed capital credits in December and have distributed about \$16 million total in capital credits over the years. The month-end Form 7 for February shows that we are tracking to budget, although we are a bit lower on revenue. So far there are no big surprises. There were no questions.

7c. Annual Meeting Update/Agenda: Georgia Shaw provided an updated copy of the annual meeting agenda and gave the board members their annual meeting packets and a list of the delegates that are attending. So far the weather looks good and most of the delegates are coming in. Georgia hasn't heard any major rumbles yet, except people are concerned about the increasing cost of fuel and keeping the costs down and there has been lots of interest expressed in using alternative energy to reduce fuel usage. The following villages didn't have annual meetings: Kivalina; Noorvik; Noatak; Kotlik and Nunapitchuk. We invited folks from Kotlik to attend as guests but they aren't eligible to vote. The delegate gift baskets have been prepared and dropped off at the hotel. The special pink t-shirts arrived. We're starting the meeting at 8:00 a.m. this year and a hot breakfast will be served starting at 7:00 a.m. We will eat and meet in the same room and see how that works.

7d. Delinquent Updates: Georgia distributed a list of the cities with delinquent accounts. At this point things are worse than they were last year at this time. The high fuel costs are really hitting the cities. Selawik has the highest delinquent account due because they use heat tape on their water distribution system and run up high monthly bills during winter. Ambler's delinquent account is also high (due to the fact that their fuel cost increased substantially) but they have been in contact with Georgia and are trying to find ways to pay their bill.

7e. PCE Update: Meera said the PCE Program is short of full funding for this fiscal year due to the increasing fuel costs. An additional \$1.2 million to fully fund the PCE program for this year is included in the supplement budget bill and it passed both the House and Senate so far and the bill is waiting for the Governor to sign it. Hopefully the additional \$1.2 million will be fully approved. We are trying to get federal money to go into the endowment, but that doesn't look too hopeful.

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7g. Operating Agreement Update:

Upon a motion duly made and seconded, the board moved into Executive Session to discuss legal and financial matters at 3:04 p.m. The board moved out of Executive Session at 3:14 p.m.

7h. NWPPA Annual Meeting, May 19-22: The following board members are going to attend the NWPPA Annual Meeting in Anchorage: Robert Beans; Helena Jones; Mike Prince; Walter Sampson; Charlie Curtis; and Fred Sagoonick. They will fly in on May 19 and fly home on May 24 after attending the AVEC work session and board meeting on May 23.

8. Action Items

Upon a motion duly made and seconded, Resolution 08-13 Consent Agenda with the following resolutions: 08-14 New Memberships; 08-15 RUS Construction Fund Expenditures; 08-16 Director Expenses; 08-17 Year-End Records Cut Off; and Resolution 08-18 2007 AVEC Annual Report; was approved as presented.

9. Unfinished Business

There was no unfinished business to discuss.

10. New Business

Chairman Beans appointed the following board members to serve on the Nominating Committee: Phyllis Clough, chair; Walter Sampson and Helena Jones.

11. Executive Session

An executive session was held earlier in the meeting.

12. Board Comments

Mike Prince said thanks and this was a very productive meeting. He told everybody to have a good day and he hopes we have a good meeting tomorrow. The rest of the board members echoed his comments.

13. Next Board Meeting Date

The next board meeting date is Friday, May 23.

14. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 3:23 p.m.

Phyllis Clough, Secretary

Charlie Curtis, Chairman