

**Minutes of the May 23, 2008 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

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

Chairman Charlie Curtis called the regular meeting of the Alaska Village Electric Cooperative Board of Directors to order at 1:30 p.m. on May 23, 2008 at the AVEC headquarters. Mike Prince's absence was excused. A quorum was ascertained with the following board members in attendance:

Charlie Curtis, Chairman
Phyllis Clough, Secretary
Fred Sagoonick, Director

Robert Beans, Vice Chairman
Walter Sampson, Treasurer
Helena Jones, Director

Others in attendance included:

Meera Kohler, President and CEO
Don Ellis, Legal Counsel
Amy Murphy, Executive Assistant

Mark Teitzel, Vice Pres. & Mgr. of Engineering
Brent Petrie, Mgr. Community Development

1b. Swearing in of newly-elected board members

Don Ellis conducted the swearing in of Charlie Curtis and Robert Beans.

2. Declaration of Conflicts of Interest

Chairman Curtis asked if there were any conflicts of interest to declare and there were none.

3. Approval of Minutes

Upon a motion duly made and seconded, the Minutes of the AVEC Board of Directors Regular Meeting dated March 24, 2008 and the Organizational Meeting dated March 25, 2008 were approved as presented.

4. Director Trip Reports

Robert Beans submitted a written report of his and Charlie's trip to the NRECA Legislative Conference in Washington D.C. and briefly touched on some of the highlights. They went to visit with Alaska's congressional delegation and discuss issues that are important to AVEC and Alaska. Overall it was a very productive trip. Some of the largest concerns are climate change and how it's harder for Alaska to get federal money due to the state's huge budget surplus. Unfortunately the state isn't using money to help and rural Alaskans are getting hit really hard with high costs and there a steadily increasing outmigration from villages to bigger cities, resulting in the villages slowly drying up. AVEC is really recognized as a leader in rural Alaska.

Charlie Curtis said the trip was quite an experience with numerous folks from other Alaskan utilities and APA attending. The Alaska delegation held a meeting to discuss overall needs of the industry in Alaska as well as the separate needs each utility has. We need to stress working together to provide safe, affordable power. Charlie noticed a lot of the directors are really old and gray-haired. The trip was an eye opener and he learned that electric utilities share a lot of similar issues that we can work on nationwide, including building increased generating capacity to meet increasing demand.

Phyllis said thanks for letting her come to the NWPPA session for the last day. She attended the banquet and sat with some people from Oregon. The increasing fuel cost is having a ripple effect and times are tough on cooperatives and consumers all over. She got to attend a couple of sessions with good speakers that presented information on whales, technology and the future. It's important to stay involved and keep learning.

Helena Jones said she attended the NWPPA meeting from the beginning and attended the Government Relations Committee meeting for a half-day on Monday. She liked the spacing of the sessions throughout the conference and she liked learning about new renewable energy projects being tested, including tidal power. She missed the luncheon where Robert was presented with the Public Service Award and she congratulated Robert.

Robert Beans said he attended the NWPPA conference and has heard all the issues before. Everything related to alternative energy and climate change is coming to a head. We need be cautious how we approach alternative energy. Robert related the story about the luncheon where he was to be presented with an award but he had gone out to lunch with some friends. Meera called him and told him he needed to return to the conference and attend the

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luncheon. He was very surprised and honored to receive the award and gave a short acceptance speech. He encouraged all the board members to attend this conference when possible.

Charlie said he also attended the NWPPA conference and liked the process as there was a variety of presentations on issues facing Alaska, the U.S. and the whole world. There were discussions about carbon emissions worldwide and the U.S. impact, which is rather insignificant compared to other countries like China, Brazil, Russia and India. They are big producers of CO₂ but they aren't doing much to reduce their carbon emissions, while the U.S. is looking at ways to reduce carbon emissions. Another topic discussed is globalization and America's place in the world. We are not #1 any more. He liked the process of the presentations and it was a very good format and very educational. Even activities that take place in small villages have an impact on the world. There was discussion of the Lieberman/Warner bill and the affects it would have in different areas, including the loss of many jobs. This conference was very beneficial with lots of top-notch speakers.

5. President's Report

5a. Prime / UBS Financial Services and Resolution 8-27: Mark Barnum will provide an update at the next meeting. Since UBS is not available, Meera requested discussion of Resolution 8-27 about AVEC's fuel emergency. We don't have the cash to meet the \$26 million outlay to purchase our fuel this year. She gave a recap of our costs to Steve Haagenson, the Governor and the Legislature. She hopes to get the state to pay for the fuel up front to help us out. Therefore we need to declare an emergency by passing this resolution. This action is taken in response to the Governor's recently proposed emergency energy plan to help reduce energy costs for Alaska residents by reducing the cost of electricity for everyone by 60% and giving every Alaskan who qualified for a PFD a debit card to use towards energy purchases. Meera has composed a letter to the Governor proposing that the state cap the cost of utility fuel at \$10 per million BTU and retail fuel at \$12.50 per million BTU. This would help all residents throughout the state and be much less of a headache for the state to administer. There is concern with the Governor's current proposed plan that the cooperatives could lose their tax-exempt status as there is a 15% limit on revenue received from sources other than members. Under AVEC's proposal, retail and heating fuel could also be subsidized throughout the state. This idea was presented at the APA board meeting and there was general support for the draft proposal.

5b. Denali Commission Update: There has been no significant change since March. No grants have been issued which reduces the money available for projects this construction season. We are moving forward with projects that have previously been funded and we have received two additional grants from the RUS. We received proposed project schedules from CE2 and STG. We shipped out three new modules that our field personnel assembled here in town on some land we leased right next door. Meera suggested the board members look at the remaining modules after the meeting.

5c. Financial Statements: A copy of the financial statement dated March 31 was included in the board packet. The cumulative impact of the change in depreciation has helped our bottom line, which should help see us through the lean summer months. Our balance sheet shows that we don't have enough cash to purchase fuel at today's high prices. We are also about \$211,000 behind in interest normally received due to the stock market. The high price of oil is having a significant impact on AVEC as well as our members.

5d. Proposed Policy – Board of Director Training: A copy of a proposed policy regarding board training was included in the packet. Charlie said this came about after board inquiries about training opportunities. We would like to encourage board members to attend training classes and earn their CCD status within a certain time frame. This policy would put reasonable limits on travel per board member as we need to keep on top of costs and overhead. It would be good to have a one-day training session again this fall, which can be customized to AVEC and be more effective.

5e. Scholarship Fund Status: Georgia is running behind and will review the scholarships soon and will provide the board with a suggested list of applicants to award scholarships too. The Education Committee will meet by teleconference to approve the scholarship awards.

5f. Delinquency Accounts of Communities: Georgia distributed copies of paperwork showing the status of delinquent accounts, including a detailed listing of the City of Selawik's accounts. We have a big problem there as there has been no payment since December. Their account is huge because they use heat tape to keep their water system

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functional during the winter. Georgia requested direction on how to proceed with dealing with Selawik because this has become a perennial problem. The city knows they have a problem with their water system but it is their problem, not AVEC's problem, and they need to take care of it. If any other customer becomes delinquent they are subject to disconnection, so a city should be treated the same way. Georgia said she could pull all the meters on the heat tape services and require payment in advance before the meters get replaced. The RUBA report shows that the city doesn't charge high-enough rates to pay for the cost of the water system. Walter thought AVEC should talk to the designers of the project but Meera did not think AVEC should get involved in the City's problems. Discussion ensued. Meera said she would call RUBA on the city's behalf to see what is going on as this is a big problem and they need assistance. Georgia will send the city a letter and explain that they must pay their bills. The City of Ambler also owes a lot, due to the high cost of fuel. They have been working with us to help pay down their bill. There are some other villages with delinquent accounts, which is typical for this time of year. They usually wait and pay AVEC after they receive state assistance. We have received some money from LIHEAP's energy assistance program. A new collections clerk has been hired. We are advertising for collectors, since neither collector from last year is returning. In one of her back page articles Meera asked for members interested in doing local collections to submit applications and we have received 20 or so letters of interest from the villages. This is a good opportunity for people to make good money for a few days work.

We are going to step away from the AMR villages this year and will do disconnects remotely.

5g. Future Meetings – Alaska Power Association Annual Meeting: APA's meeting is August 13-15 in Barrow. Fred, Walter and Robert said they could go. Phyllis asked to be an alternate.

5h. Youth Rally Update: No applications were received this year. Amy spends a lot of time putting packets together and mailing them so we have to rethink this and do something else. Students just don't seem to be interested. We will probably suspend AVEC's participation in this program.

6. Action Items

6a. Upon a motion duly made and seconded, Resolution 08-21 Consent Agenda, including: 08-22 New Memberships; 08-23 RUS Construction Fund Expenditures; and 08-24 Director Expenses was approved as presented.

6b. Upon a motion duly made and seconded, Resolution 08-25 Approving Board Policy Changes was approved as presented.

6c. Upon a motion duly made and seconded, Resolution 08-26 Board of Director Training Policy was approved as presented.

6d. Upon a motion duly made and seconded, Resolution 08-27 Declaring Fuel Emergency was approved as presented. A roll call vote was taken with unanimous agreement.

6e. Upon a motion duly made and seconded, Resolution 08-28 Certificate of Resolutions and Incumbency, was approved as presented. There was some discussion. Meera said this is just a housekeeping resolution associated with the CREB application process and doesn't authorize bonds at this time.

7. Unfinished Business

There was no unfinished business to discuss.

8. New Business

8a. President/CEO Annual Evaluation: Upon a motion duly made and seconded, the board approved a one-year extension to the President/CEO's contract with the expectation she continues working on the six goals previously set out and adding a seventh goal regarding alternative energy projects. The board also approved a 6.5% pay increase effective June 1, 2008.

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9. Executive Session

Upon a motion duly made and seconded, the board went into Executive Session at 3:10 p.m. to discuss legal matters. The Executive Session ended at 3:18 and the board went back into a regular meeting.

10. Board Comments

Helena Jones said it was another good meeting and the NWPPA conference was also good. It's good to see everybody again and she hopes they have a good summer.

Phyllis Clough said thanks to all the board members and Meera and her staff for their efforts to do whatever is possible to cut costs. We have a long hard road ahead for the villages with the increasingly high cost of fuel and daily living expenses. She's glad AVEC is doing what it can to reduce energy costs and install renewable energy where feasible. She is excited about AVEC's plans to install the AMRs as it should help save costs in the long run. Thanks to everybody and have a good summer.

Robert Beans said thanks to Charlie for running a good meeting. Charlie did a good job representing us in Washington, D.C. at the NRECA legislative conference. It's good to have board members present at those conferences to talk with our legislators. His wife has to undergo surgery on the 12th so he would appreciate some prayers. Thanks.

Fred Sagoonick said it was a good meeting and it is a pleasure working with you guys. He apologizes for not attending the NWPPA conference but he wanted to spend time with family and everybody agreed family has to come first. He appreciates Meera's efforts and congratulations to Robert for the award he received from NWPPA.

Walter Sampson mentioned the erosion problem in Kivalina and how the situation with the failed seawall is still causing problems. The Corps of Engineers took no blame even though the system failed. They said it was money well spent and it saved the tank farm and school. It's hard to ask the federal government for more money when the city is suing the big energy companies. Robert and Charlie both said Sen. Stevens said it doesn't look favorable that Kivalina will receive more federal funding in the near future.

11. Next Meeting Dates: August 1, 2008

The next board meeting is August 1, 2008. A strategic planning meeting will be held around that same date.

12. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 3:25 p.m.

Phyllis Clough, Secretary

Charlie Curtis, Chairman