

**Minutes of the August 1, 2008 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

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

Chairman Curtis called the AVEC Board of Directors Regular Meeting to order at 9:00 a.m. on August 1, 2008 at the AVEC Headquarters in Anchorage, Alaska. A quorum was determined with all board members in attendance:

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

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

Others in attendance included:

Mark Teitzel, Vice Pres.& Mgr. of Engineering
Roger Kempel, Legal Counsel
Meera Kohler, President and CEO (Meera joined the meeting after testifying during the special legislative session)

Brent Petrie, Mgr. Community Development
Amy Murphy, Executive Assistant

2. Declaration of Conflicts of Interest

Chairman Charlie 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, May 23, 2008 were approved as presented.

4. Director Trip Reports

Phyllis attended some NRECA basic board member training classes in Colorado Springs in July as refresher courses. She said thanks for allowing her to attend the training as they are very good sessions and she learned a lot again. The AVEC board is doing well in fulfilling its duties. AVEC still needs to rely on diesel but she's happy that we are looking at ways to generate electric power using renewable energy and expanding our wind program as funding becomes available. The price of everything is increasing in our villages and we need to do what we can to keep the cost of energy as affordable as possible so our members can afford to stay in their villages. The board needs to continue to help the President and CEO do her job. Running the cooperative takes a lot of hard work. Thanks to Meera and her fine staff for doing a good job representing AVEC's members and rural Alaska.

5. President's Report

5a. Investment Update: Mark Barnum with UBS Financial Services provided a copy of his quarterly report and gave a brief update on the status of our investments via teleconference. Overall the performance of the stock market this past quarter was not good. The first quarter wasn't very good either so the first six months of this year have been tough for the entire market. However, due to the good performance of one of the money managers, AVEC's account for the past three-month period was up instead of down. However, for the entire year-to-date our account is down, but luckily not down as much as the overall market.

5b. Denali Commission Update: Brent Petrie distributed a packet of information and gave a brief overview of the status of the Denali Commission funding and projects. The Denali Commission budget was cut 60% and we had to reprioritize projects to ensure we could finish jobs that we had started in the following villages: Brevig Mission; Chevak; Gambell; Hooper Bay; Mekoryuk; Nightmute; and Savoonga. Brent reviewed the snapshot of active projects as of June 30, 2008, as stated in the report. So far we have received nearly \$126 million in funding from the Denali Commission and other groups, along with a cash match from AVEC for nearly \$12 million, for a total of nearly \$138 million dollars that have gone towards upgrading our facilities and/or building new ones since 2001. Two wind turbines were recently installed in Savoonga and three wind turbines were recently erected in Hooper Bay. In less than a year more turbines will be erected in Chevak and Gambell. In Brevig Mission, some human remains were found while excavating for the new site pad. An archeologist is now on site and we may have to change the pad location. Everything is on hold. We will work with the community and archeologist(s) before proceeding.

5c. Financial Statements: Charlie said a copy of the latest statement is included in the board packet.

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5d. Delinquent Account Update: Georgia said that due to the recent software conversion, she isn't able to print out a delinquent account report yet. However, two of our biggest city accounts have signed agreements and are making payments. Selawik should get their account paid off in November. There was some discussion. Georgia said summer collections are going well even though we are only using one collector this year. Chip Sterbenz, Nina's husband and a former AVEC employee, is our only full-time collector and he is doing a great job. We are doing something new this year and are trying to have some interested local people do the collections in their village. They aren't allowed to do meter disconnects, so we have to have the plant operator or linemen pull the meters. We are also using the remote disconnect feature available in the villages with AMRs and that is working well. There was some discussion. Mike Prince said we should try sending e-mail reminders instead of just sending reminders through the regular mail. Georgia said we currently don't have that capability.

5e. Scholarship Update: Georgia said she distributed a packet of scholarship information to the scholarship committee. She also provided a brief recap and list of suggested scholarship award recipients in the board packet. She said she thought it would be a great idea to pursue a suggestion made during the Strategic Planning Retreat to develop some sort of apprentice program using the scholarship money. She will do some research and prepare a proposal on that later in the year.

5f. Update on Special Energy Session: Meera gave a brief recap of what transpired that morning during the special legislative session when she was asked to testify. Things are still up in the air and many issues are being negotiated and rewritten.

5g. Postage Stamp Rate Discussion: Charlie said one item that was skipped was the issue of AVEC's rates and some disparity between communities that is becoming apparent. Meera explained that some communities are seeing reduced fuel costs on their bills because they are reaping the benefit of having some power generated by wind turbines. However, the cash match for these projects comes from a pot of money that belongs to all of the members. Something needs to be done so that some benefit from the capital investment into the wind turbines is shared by all the members, not just the members lucky enough to live in the communities that have wind turbines. There are many pros and cons to how the current rate structure is set up. Any future rate change would require a tariff change and would be a long, involved process to get it approved. The board authorized staff to proceed to do research and prepare some numbers and look at different options on how to ensure equitable rates for all of our members. Staff will prepare a report to present to the board at the January meeting.

Meera mentioned the death of Dan Kasper in Teller. He was the PPO and died unexpectedly. He was a big attribute to the community and will be missed. Mike Prince said seven people in Emmonak died in the past 15 days. Phyllis said Old Harbor also had a loss recently.

6. Action Items

Upon a motion duly made and seconded, Resolution 08-29 Consent Agenda, including Resolutions 08-30 New Memberships; 08-31 RUS Construction Fund Expenditures; and 08-32 Director Expenses was approved as presented. Amy mentioned that there was no new member list or recap of board of director expenses prepared for approval due to the software conversion.

Upon a motion duly made and seconded, Resolution 08-33, 2008-2009 Schedule of Board Meetings, was approved as presented

Upon a motion duly made and seconded, Resolution 08-34, 2007 Capital Credit Allocation and Retirement, was approved as presented.

Upon a motion duly made and seconded, Resolution 08-35, CFC Line of Credit, was approved as presented.

7. Unfinished Business

Fred Sagoonick asked if there was anything that could be done to hold a Youth Rally camp in Alaska. Amy said that it would be difficult to do as there are only two or three Alaskan cooperatives that participate in the Youth Rally. There just isn't enough interest to hold a camp like that up here in Alaska.

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Mike Prince asked who is responsible in the community for requesting wind turbines to be installed. Brent Petrie said that the community itself can ask about the possibility of getting wind turbines, but we look at the community needs and prioritize our projects to maximize funding and cost/benefit ratio. We follow a prioritized list put together by the state and the Denali Commission. We also try to combine or amalgamate projects so we can work on them at the same time in order to save money, especially on equipment costs. But a community could start by requesting that a MET tower be installed to test the wind regime.

8. New Business

a. Strategic Planning Session Outcomes: The overall consensus is that the board members liked the process and said it was a very good and efficient meeting. Walter said he would like more time next time, rather than having to rush through the agenda to get things done. Charlie said he thought it was good because it forced us to look at the big picture. We talked about objectives and strategies and it was good that the facilitator involved the staff and board and gave everybody a chance to talk. It will be interesting to see her report. A couple board members said it might be good to meet twice a year for strategic planning, especially while we're in a crisis mood. It's a good way to deal with changes. Robert Beans said there are a couple of classes coming up at the 900 level, geared toward higher learning, and he will look into it and give the information to Charlie as he would like to go. A comment was made that we have to consider the board training policy when looking at future training.

9. Executive Session

Upon a motion duly made and seconded, the board moved into Executive session at 11:03 a.m. to discuss legal issues. Mike Prince excused himself for a portion of the Executive Session. **Upon a motion duly made and seconded, the board moved back into the regular board meeting at 11:30 a.m.**

10. Board Comments

Fred Sagoonick said the Strategic Planning Retreat was really good. Walter Sampson said this was a good meeting. Helena Jones agreed that it was a good meeting and a good retreat and she hopes everybody has a good summer. Mike Prince asked how often UBS gives their report. Meera said they provide quarterly reports. Mike said this was a good meeting and thanks to everybody. Phyllis said she is very happy to serve on this respected board and she is looking forward to the future. We need to continue to keep alternative energy and PCE at the forefront of our big list of issues. The Strategic Planning retreat was exciting and gave good direction to everybody who attended. It's good to look at issues that we will face more than one year in the future. Thanks to Meera and her fine staff for doing a great job. Robert Beans said thanks to everybody for their thoughts and prayers for his wife. She is healing from her surgery. Charlie Curtis said Phyllis Clough, Helena Jones and Mike Prince are up for election this year. He said thanks to everybody for participating. Have a safe fall and good hunting.

11. Next Meeting:

The next meeting is November 7, 2008.

12. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 11:45 a.m.

Phyllis Clough, Secretary

Charlie Curtis, Chairman