

**Minutes of the November 7, 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 10:12 a.m. on November 7, 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

Brent Petrie, Mgr. Community Development  
Amy Murphy, Executive Assistant  
Debbie Bullock, Manager Administrative Services

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 meeting minutes of the AVEC Board of Directors Regular Meeting on August 1, 2008 were approved as presented.**

4. Guest Comments

There were no guest comments.

5. Director Trip Reports

Robert Beans provided a written report of his trip to Barrow to attend APA's Annual Meeting in August. He said it was a good trip and the conference was well organized and informational. There was discussion about the weatherization program, the high cost of energy and the PCE program. Robert congratulated Meera for winning the Mason Lazelle award. Robert also represented AVEC at a special luncheon for John Katz on August 20.

Fred Sagoonick said he prepared notes for his trip report on attending APA's Annual Meeting in Barrow but his notes are missing. He said thanks for sending him to this conference. It was very interesting. Some of the topics discussed included the high cost of power, renewable energy, and the PCE endowment fund. AVEC was highlighted during the conference and Meera Kohler won the prestigious Mason Lazelle award. Utilities are exploring various economic means to reduce the cost of power. He didn't see any polar bears. It was a good conference and well organized. The folks in Barrow were very welcoming and friendly.

Walter Sampson said he likes the written trip reports and the board should all do that in the future.

6. Committee Reports - Budget & Audit Committee Meeting:

Walter Sampson said there was a good budget report during the meeting this morning. He would be very interested in hearing an investment report from Mark Barnum. It was a good meeting and the committee recommends approving the budget.

7. President's Report

7a. Investment Update – Mark Barnum with UBS: There was no investment presentation today. Meera will make sure we have a presentation in January.

7b. Denali Commission Project Update

Brent Petrie distributed copies of some information and gave a brief recap of the program. Funding has really been scaled back so our projects have also been scaled back and we are concentrating on finishing projects currently underway. So far the AVEC program has received \$139 million in funding and AVEC has contributed \$12 million. \$131 million has been spent to date. We have not received any funding from the Denali Commission yet this year. The Commission instituted new administrative procedures that are very cumbersome and time consuming. We

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submitted applications for about \$14 million in additional funding. Brent's report included photos from some of our projects, including the dredging program in Mekoryuk. Last month we started up two sets of wind turbines in Savoonga and Hooper Bay. There was an early freeze up this year which has been affecting barge shipments. The Denali Commission upgrade list for tank farms show that \$130 million is still needed to correct tank farm deficiencies, so there is a long way to go to upgrading facilities in rural Alaska. Hopefully the program will continue to receive and distribute funding. We still need to upgrade more power plants also. There was some discussion about the airport in Alakanuk and a possible intertie between Alakanuk and Emmonak.

Fred asked if Banner Wind has contacted AVEC. They have not formally contacted us. Fred said their pitch is they want to help bring energy costs down and would like to partner with energy producers on a regional basis. Meera said diesel plants need sophisticated controls to integrate intermittent wind energy and this is difficult and expensive on a large-scale basis. We will talk to representatives from Banner Wind, but they would have to prove that any partnership would benefit our members and not solely benefit the developer. Walter said he would like to have a comparison prepared and provided to the board for them to review. Discussion ensued, including turning to other organizations to get project funding, like Coastal Villages Region Funds.

#### 7c. Renewable Energy Fund Applications

Brent reviewed a list of applications that we submitted to the AEA on October 8 for funding through HB152. We requested about \$10.9 million for various projects, including three photovoltaic sites. We will submit applications for more projects by the next deadline, next Monday, November 12th. Recipients of funding from the first round of applications will be announced in mid December and the next group of winners will be announced in July. Discussion ensued. This round of applications included private developers and independent power producers. Meera has a problem with the state funding applications from those groups as a priority should be placed on projects that benefit the consumers of Alaska, not private organizations. We are developing regional plans with NANA and other groups.

#### 7d. Fuel Cost/PCE Update

Debbie provided a copy of the COPA and fuel rates recently approved by the RCA and there is a lot of bad news. The average cost of fuel has increased all over, except for Ambler. The PCE cost cap has increased from 52 cents to \$1.00, which is good news as it covers the higher costs of fuel. In some places the cost of fuel has gone up substantially as we had to buy fuel when it was really expensive. This will place a bigger financial burden on our members. Mike Prince asked how the wind turbines are doing generating power. Meera said those villages with wind power have significantly lower fuel rates than other villages.

Meera sits on a fuel task force formed by AVCP and their goal is to reduce fuel consumption in 2009 by 10% in rural Alaska. This group will work with communities to educate and implement energy efficiency measures, including installing CFL light bulbs. Chugach Electric adopted an energy efficiency policy that includes reaching out to all of Alaska and Meera is working with them on this effort. In non-AVEC villages, poor power quality would cause CFL bulbs to burn out quicker than their predicted life. Meera asked the board if rural residents are switching over to CFLs. Walter said he recently switched over to using CFL bulbs and his monthly energy costs went down. Meera said we need to get all of our members to switch their bulbs and do other energy saving measures, like using a power strip to reduce phantom energy usage and replace old appliances that are energy hogs. Discussion ensued. The PCE cap increase is scheduled to expire on June 30 of next year, so we will work with the legislature to keep the cap increase in place until fuel purchased in 2008 is used up.

#### 7e. Financial Statements

The financial statement as of 8/31/2008 was included in the board packet. August shows a big loss for two major reasons: the higher cost of fuel and lower summer sales. As far as year to date financial information, things are tracking on line and we show a modest operating margin. Mike asked if global warming is affecting us. Meera said not in a widespread manner, but we do have impacts like moving the tank farm in Kivalina due to the continuing erosion problem. Some of these expenses get reimbursed. The Governor formed a sub-cabinet on climate change who appointed a Mitigation Advisory Group and Adaptation Advisory Group to work on Alaska climate change issues. Meera is involved with both of these groups and is also on two of the Technical Working Groups (TWGs.) These groups will be developing policy recommendations for consideration by the administration. We need to continue developing transmission lines to connect communities and concentrate on developing renewable energy sources.

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7f. Strategic Plan Update

The board reviewed the Strategic Plan report prepared after the Strategic Planning Retreat. One of the findings is that the PCE program and continued grant funding are extremely important to AVEC and its members, along with decreasing our reliance on diesel fuel. The goals the board set were discussed. There was consensus this was a good product and something to have included in every agenda to use as a guideline. Walter said he would like staff to go through the two-year report in detail and provide a quick report, including having staff provide updates on each objective. There was discussion about having an ftp site for larger documents that could be board accessible, as well as discussion about e-mail file size and downloads and the lack of rural broadband deployment. Charlie said the Strategic Planning Retreat was the most effective one he has been in and the facilitator kept the group on focus. He likes reading the notes and looking at the big picture. The report provides a good overall picture and is a living document that should not be put on a shelf. This report is linked to the President's evaluation and she will add the goals and objectives on to her to do list, along with visiting the villages. There was discussion on how to ensure the strategic plan is adopted, how to measure it, review and update it. The board would like to continue using Sue Dicile for future strategic planning retreats as she did a stellar job. Charlie asked what AVEC plans to do to address the increasing cost of energy. Meera said she included information about energy costs in her November Ruralite back page and listed the board goals to keep the membership informed.

7g. Delinquent Account Update

Georgia distributed a copy of the delinquent city accounts. She is still working on producing other delinquent account and collection reports, but so far the cities are doing well overall, except for Selawik. There was discussion about Selawik's heat tape system. Selawik is now an AMR meter village and Georgia can look at the accounts on a daily basis and can turn meters off as needed. Ambler also has a high delinquent account but they are trying to make monthly payments. AVEC received a huge amount of money when the PFDs and energy resource rebate checks came out. The phones were very busy the first day the checks were distributed. So far our collections don't look too bad. The State LIHEAP program will begin sending checks out and they should be big checks as the program funding doubled this year. This past summer we only had one collector. We tried using local collectors but only two worked out well. Hiring the local collectors made for a lot of extra work in house. Georgia will prepare a separate report that shows the AMR villages. People are learning that we can do remote disconnects of delinquent accounts. The AMR meters are hard to get as there is more demand than supply, so our program to deploy meters throughout all our villages has been somewhat delayed. Overall, our members seem to be staying current despite the high prices.

7h. RUS Borrower Statistical Profile for 2007

A copy was included in the board packet. Meera said this is valuable information that she refers to frequently and to call her if there were any questions.

7i. 2008 Fuel Delivery Status

The 2008 recap of fuel delivery by village was included in the packet. This shows what the cost per gallon was for each community.

Meera is going to make a presentation at the Native Energy Conference in Denver. She flew to Washington, D.C. to testify for Sen. Stevens, but she ended up not having to testify. Meera said there is an addition to the agenda and this afternoon Peter Nance will give a presentation over the telephone on fuel hedging and options.

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

8. New Business

**8a. Upon a motion duly made and seconded, Resolution 08-36 Consent Agenda including Resolutions 08-37 RUS Construction Fund Expenditures and 08-38 Director Expenses was tabled until the next meeting.**

**8b. Upon a motion duly made and seconded, Resolution 08-39 2009 Operating Budget was approved as presented.**

9. Executive Session

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**Upon a motion duly made and seconded, the board moved into Executive Session at 11:52 a.m. to discuss legal matters.** Staff members were allowed to remain in the room. Information was provided but no action was required. **The board moved back into a regular board meeting at 12:00 p.m.**

A recess was taken for lunch with the meeting to resume at 1:00 p.m. Chairman Charlie called the meeting back to order at 1:05 p.m. Andy Leman, our legal counsel, provided an introduction of Peter Nance, who has lots of experience and knowledge in the fuel and energy trading business. Peter is familiar with AVEC and fuel hedging but is not a broker. Peter will explain the pros and cons of fuel hedging and options and will show how hedging could possibly help give AVEC some control over future fuel costs. Hedging could potentially help stabilize fuel prices and help us get a better shot at a competitive price. Peter's telephone presentation lasted from 1:15 to 2:20 p.m. Charlie said this discussion was very informative and detailed and it may be advantageous for AVEC to lock in today's prices. Meera said we have no choice as to when we can buy fuel as we are locked into the barge schedule and she hopes to avoid future spikes in prices like that one that hit us so hard this past summer. Discussion ensued. Andy had prepared a draft Policy on Fuel Cost Risk Management for the board to consider approving. Walter asked staff to provide cost options to the board so they can think about it for the next board meeting. The board can always call a special board meeting to approve the Policy if it becomes necessary. Meera will have to talk to the RCA to see how this would fit into our rates and fuel cost recovery. Andy said the policy was drafted to be very broad in the powers given to the President/CEO and to let him know their concerns or desires to have more control. The policy could be less broad and set constraints and guidelines. This will be addressed at a future board meeting.

#### 10. Board Comments

Mike Prince said this was a good meeting and thanks for everything.

Helena Jones agreed this was a good meeting with interesting information. She said it's amazing to see how AVEC continues growing. It's exciting to see the changes taking place.

Phyllis Clough said they recently lost an elder who was strong in the language and teaching. She continues to worry about the PCE program. We need to continue working to keep the villages alive and bring people back home to maintain rural Alaska. Thanks to all of AVEC's staff members for doing a good job trying to keep the costs down. Phyllis also wanted to say a special thanks to Lonnie for helping with the problems at their school. His outstanding help was really appreciated.

Robert Beans and Walter Sampson had no comments.

Fred Sagoonik said it was a good meeting. The PPOs at home say the generators are too small and there was an outage due to overloading. Mark Bryan said he will check on this issue. A new generator is on site.

#### 11. Next Meeting

The next board meeting is January 9, 2009, after the Audit and Budget Committee meeting in the morning.

#### 12. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 2:42 p.m.

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Chairman Charlie Curtis

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Secretary Phyllis Clough