

**Minutes of the January 9, 2009 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

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

In Charlie Curtis's absence, Vice Chairman Robert Beans served as Acting Chairman and called the meeting to order at 9:35 a.m. A quorum was determined with the following board members in attendance:

Robert Beans, Vice Chairman	Mike Prince, Director
Phyllis Clough, Secretary	Walter Sampson, Treasurer
Fred Sagoonick, Director	Helena Jones, Director
Charlie Curtis, Chairman (came in a few minutes late and stayed for a little while)	

Others in attendance included:

Mark Teitzel, Vice Pres. & Mgr. of Engineering	Brent Petrie, Mgr. Community Development
Roger Kemppele, Legal Counsel	Amy Murphy, Executive Assistant
Meera Kohler, President and CEO	Debbie Bullock, Manager Administrative Services
Andy Leman, Legal Counsel	Mark Barnum, UBS (stayed for part of the meeting)

2. Declaration of Conflicts of Interest

Chairman Beans asked if there were any conflicts of interest to declare and a couple minor things were mentioned by Helena Jones and Mike Prince.

3. Approval of Minutes

Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting dated November 7, 2008 were approved as presented.

4. Director Trip Reports

There were no director trips taken.

5. Committee Reports

Walter Sampson, Chair of the Budget and Audit Committee, said John Bost gave a very short update on the process involved with the upcoming audit.

6. President's Report

6a. Investment Report – Mark Barnum, UBS: Mark Barnum distributed a copy of his report and said the state of the investment world has been very difficult and is the worse he has been through. Unfortunately we are all feeling the loss in our portfolios due to the poor economy which was brought about by a variety of reasons. He provided a year-end report and said the performance of the stock market during the last three months was unbelievable. Overall our portfolio saw about a 16% loss this year, which is actually one of the "best" losses Mark has had to report to his clients. Mark provided a recap of the past economic performance and predictions for the future. He advised us to maintain status quo with our investments as he feels comfortable with our current investment strategy. He feels that the market has hopefully bottomed out and the economy should get better this coming year.

6b. Denali Commission Project Update: Brent provided a copy of a basic program summary that shows funding and spending, the status of current projects and listed the \$28 million worth of grant applications his department prepared for the AEA Renewable Energy Grant Application program. A couple projects are on hold until spring because the rivers froze up early and equipment got stuck and couldn't make it to the designated villages. Brent said our activity slowed down this year due to lack of funding. We have had to reallocate some funds in order to finish some projects that were in progress. Fred asked about the future of the Denali Commission funding. Brent and Meera said that receiving future funding from the Denali Commission is really up in the air, but there's a possibility we may receive some money for projects through the national economic stimulus package. The Denali Commission has changed their funding process and is requiring partners to sign MOU's (Memorandums of Understanding) and complete more paperwork before funding is awarded. There is concern about the future of the Denali Commission due to the departure of Sen. Stevens. AVEC will pursue other funding opportunities, such as grant programs offered by the state and other organizations. We will work on developing and maintaining partnerships with other organizations in order to maximize funding opportunities to develop projects. Discussion

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ensued, including comments about future interties and transportation projects. Release of the Statewide Energy Plan was delayed but should be presented soon. It will be interesting to see what that report says.

Fuel Hedging: A short break was taken. At 11:10 the meeting resumed and Peter Nance called in to give a fuel hedging presentation via teleconference. Andy Leman introduced Peter Nance and distributed a copy of the report Peter prepared to give to the board. Andy said we basically have two things to discuss: the report Peter prepared and review and approval of the revised version of the fuel hedging policy presented to the board at the last meeting. Peter told the board that his report provides a basic history of the costs of fuel from 1995 to January 6, 2009. He provided information about some different strategies and possible financial outcomes for the board to consider. Peter gave his presentation and provided clarification and answers to questions about his report. After Peter was done, Andy gave a recap of the proposed fuel hedging policy and explained the revisions. There was some discussion among the board and staff as there was a lot of concern about doing something to try to protect the cooperative and its members from the financial impacts caused by the volatile price of fuel.

A lunch break was taken as the board wanted to think about this issue before voting on it.

6c. Financial Statement: Meera distributed a copy of the latest financial statement for the period ending November 30, 2008. We had an operating margin but the year end financial statement will show a loss, mainly due to the losses in our investment portfolio and the high cost of fuel.

6d. Delinquency Update: Georgia provided a copy of a list of delinquent city accounts. Two communities are of major concern – Selawik and Kobuk. Kobuk called recently to express interest in possibly becoming an AVEC community. Georgia said she would work with them to get them to pay down their delinquent account. Selawik paid off their active accounts but not their old bills. They still owe \$125,000. St. Mary's Mission delinquent account is also fairly large, along with the city of Ambler. We have had some huge payments coming in from the Norton Sound Economic Development Corporation, which is providing financial assistance to their members. We should have the board write a thank you note to this organization, complimenting them for providing much needed help to residents in their region. We have also received quite a bit of money from the Energy Assistance program.

6e. APA Legislative Conference (March 10-11): Robert Beans, Walter Sampson, and Charlie Curtis were approved to attend with Helena Jones as first alternate and Mike Prince as second alternate.

6f. ACRE/CARE Membership: All of the board members agreed to join ACRE/CARE and have their payments come out of their board fee. Meera said she will encourage key staff members to also participate in ACRE/CARE.

6g. Annual Meeting Update: Georgia provided a brief recap of the upcoming annual meeting plans. She said the village annual meeting packets went out pretty late this year so the villages are just now starting to hold their meetings. Either Meera or Georgia will travel to Kotlik to help them hold their village meeting. The Annual Meeting will be held at the West Coast hotel again. Georgia hasn't heard of any major issues yet.

6h. Scholarships Update: Georgia didn't have any updated information to provide. She is working on a new type of scholarship program that she will provide information on at the annual meeting. Meera Kohler delegated Amy Murphy to help Georgia plan the new scholarship program.

6i. CoBank Incumbency Certificate Signatures: Some of the board members were asked to sign some paperwork.

Meera distributed a report that listed the status of the AMR program. The 2008 and 2009 villages will be completed by the end of 2009. We are making progress in getting AMRs installed in each of our villages.

The fuel bid RFPs for 2009, 2010 and 2011 with additional two, one-year contract options went out last week. Nine out of the ten school districts in our service area agreed to go in on a joint fuel purchase with us, making a total package of about 8 million gallons. We redefined our service areas in order to increase competition options. Crowley indicated that they will increase their transportation fees.

Meera will be on vacation for 10 days, beginning next Friday. She will be back in the office on January 26th.

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

7. New Business

7a. Appoint Policy Review Committee: Charlie Curtis will appoint a committee at the next meeting.

7b. Upon a motion duly made and seconded, Resolution 09-01 Consent Agenda, including Resolutions 09-02 Director Expenses, 09-03 New Memberships and 09-04 Collections Representative, Georgia Shaw and Jeri Lynn Tallant, was approved after deleting Resolution 09-02.

7c. Upon a motion duly made and seconded, Resolution 09-05 Year-End Consumer Charge Offs was approved with a total amount of \$76,015.61.

7d. Upon a motion duly made and seconded, Resolution 09-06 Statement of Nondiscrimination was approved as presented.

8. Old Business

a. Fuel Hedging: The discussion for this was moved up in the order of the agenda and occurred during the President's Report. Peter Nance called in by telephone and gave a presentation on fuel hedging options. Andy Lemman added comments about fuel hedging and distributed copies of the proposed Fuel Hedging policy for the board to review and take action on. Andy discussed revisions that had been made to the original policy given to the board at the November meeting. The board discussed the policy and took a lunch break to think about the policy.

Upon a motion duly made and seconded, the Fuel Hedging Policy was approved as presented. A roll call vote was taken with all of the board members voting yes.

b. Strategic Plan Comments: Walter asked if any changes or revisions were needed and none were mentioned. The Strategic Plan will continue to be used as a tool for running the cooperative.

9. Executive Session

No Executive Session was necessary.

10. Board Comments

Mike Prince said we are continuing to go in the right direction. We're making good decisions and have a good crew. He appreciates getting together for these meetings. He mentioned a power outage that was maybe caused by some heating coils. There was some discussion about a meter located low on a power pole that needs to be relocated to a higher level. This is the responsibility of the recipient of electric power at this service – it's not AVEC's responsibility.

Walter Sampson said thanks for the good board meeting. We need to remain vigilant due to all the happenings taking place worldwide, the decline of the economy, the increasing cost of living and increased expenses. We need to continue to try to maximize what we are doing. Luckily our investment losses were somewhat minimal and we need to stay on course or we could have greater losses. We need to keep things on track. Thanks to the staff for doing a good job. Walter asked Meera to keep in touch with Charlie during his wife's illness. We are a family and some of the board members donated some of their per diem to Charlie.

Robert Beans asked for a moment of silence for Charlie and his wife.

Helena Jones said thanks for another good meeting and Happy New Year.

Phyllis Clough said thanks to the board, Meera and her staff for doing a good job. We need to continue to work with the PCE program to ensure it continues to provide assistance. The cost of fuel and the overall cost of living in rural Alaska has increased substantially and is causing financial difficulties in the villages. We need to continue to look at ways to cut costs to benefit our consumers and fulfill our mission.

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Fred Sagoonick expressed disappointment at how late the village annual meeting packets went out. Also, one elder in his community last appliances due to a loose connection at the pole and he hasn't had a response from AVEC or the insurance company. Meera said she wasn't aware of the situation and said she will ask Georgia to call our insurance company to check on this. The insurance company will act fast to address this issue. Fred said thanks to the staff and board for a good meeting.

There was some discussion about some recent deaths in the villages in the past couple of months. Walter said there has been a noticeable increase in the number of suicides, especially up north. They (the borough) have held discussions on how to deal with it within the communities. They need to provide good leadership and resources to the communities to help them work through the process and provide assistance. Walter relayed some personal experiences and feelings he has dealt with. He has volunteered to talk to different youth groups.

11. Next Meeting Dates

The next board meeting is March 23 and the Annual Meeting is March 24, 2009. The following board seats are up for election: Helena Jones; Mike Prince and Phyllis Clough.

12. Adjournment

Upon a motion duly made and seconded, acting Chairman Beans adjourned the meeting at 2:05 p.m.

Phyllis Clough, Secretary

Charlie Curtis, Chairman