

**Minutes of the June 5, 2009 Board of Directors Regular Meeting  
Alaska Village Electric Cooperative, Inc.**

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

Chairman Charlie Curtis called the meeting of the board of directors of Alaska Village Electric Cooperative to order on June 5, 2009 at 12:50 p.m. A quorum was determined with all of the board members in attendance. Fred Sagoonick participated via teleconference.

Charlie Curtis, Chairman  
Phyllis Clough, Secretary  
Helena Jones, Treasurer  
Fred Sagoonick, Director

Julia Walker, Director  
Walter Sampson, Vice Chairman  
Robert Beans, Director

Others in attendance included:

Meera Kohler, President and CEO  
Roger Kemppl, Legal Counsel

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

2. Declaration of Conflicts of Interest

Chairman Curtis called for declarations of conflicts of interest and there were none to declare.

3. Approval of Minutes

**Upon a motion duly made and seconded, the AVEC Board of Directors Regular Meeting Minutes dated June 6, 2009, were approved as presented.**

4. Director Trip Reports

There were no director trips to report.

5. President's Report

5a. Investment Update: Mark Barnum, with Prime/UBS Financial Services, called in to give a brief update on the status of AVEC's investment portfolio. A copy of the latest investment report was distributed. Overall the investments are doing better than the past year and show a slight improvement instead of a loss.

5b. Denali Commission Update: Brent Petrie distributed a copy of a summary providing updates on projects under construction and near-term priorities. The list included Denali Commission funding for each project. He gave a brief recap of the current funding levels and what projects are under construction and/or consideration. He also distributed a copy of some photos and information about flooding in some of our communities that Meera distributed at the Denali Commission meeting. Meera attended the Denali Commission quarterly meeting in Fairbanks yesterday and she constantly reminds them of our needs. The Commission received good news from the RUS, which approved \$8 million in funding for the Legacy Program. We received an additional \$3.6 million in funding yesterday. So far we have received almost \$140 million from the Denali Commission plus \$7 million or so from the RUS and about \$12 million that we matched.

Robert said that AVEC is a member organization, a cooperative, and he gets calls from folks that don't receive wind and they are very interested in getting wind power to help reduce their electric bills too. We need to treat everybody fairly as the money going into the wind projects belongs to all the members. Meera said we need to look at a creative consideration of the tariff so everybody benefits from the decreased fuel consumption. We need to somehow spread the benefits to non-wind communities. Last year only 2% of our power generation came from wind, which is a small number. One option could be to charge the "wind" villages a little more to pay for the capital investment costs. We went to postage stamps years ago for very good reason and the fuel surcharge changed also. Hopefully we will have some data prepared by the next annual meeting. We need a discussion of how this would affect PCE. There are various reasons why electric bills go down for wind communities.

5c. Financial Statements: Meera Kohler distributed a copy of the financial statements dated April 30, 2009. We show operating margins so far this year, which is due to the high usage of power in winter. Line 12 shows our depreciations expense. Our new software causes a change in the accounting method so our depreciation is different. The cash doesn't change – so it's correct – it's just different than how it was accounted for previously. We have \$2.2 million in

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CWIP that we need to close out and retire old tanks and plants and finalize projects. We are making in-roads paying off the fuel loan. Based on the report received from Mark Barnum, we should see positive margins in our investment interest soon. The new software system is still causing problems and makes doing some things very time consuming. We have a long ways to go to get the programming all set up, but this is a system we can live with.

5d. All-Alaska Generation and Transmission Utility Draft White Paper: A copy of this white paper was included in the board packet. Meera provided a brief recap of the idea being proposed instead of the generation and transmission utility for the entire Railbelt area that the state is promoting. The All-Alaska G&T would expand the Railbelt proposal to the entire state and take ownership of the generation assets throughout the state. All the power costs across the state would be pooled into a single bucket. Each distributing utility would then buy power back from the pool at a postage-stamp rate and add their own costs to that power and sell it to their customers. Discussion ensued.

5e. Scholarship Fund Status: A report on the scholarship program will be provided at the August meeting.

5f. Delinquency Accounts of Communities: The two biggest delinquent city accounts are Selawik and Kobuk. Selawik owes us \$240,000 and we told them we need \$80,000 now or we will disconnect their power. They will pay \$104,000 in August and pay their account in full monthly. They need to turn their water and sewer system over to RUC to help get things working smoothly. Kobuk also has a big delinquent account. Meera spent a day over there trying to get things straightened out. The city council didn't know how much they owed us and they haven't paid or issued any bills for some months. Discussion ensued. They hired a new city manager and new utility manager and bills have been sent out and money is coming in and they paid \$75,000 towards their \$209,000 owed. The new software system makes tracking delinquent accounts much easier.

5g. Future Meetings – Alaska Power Association Annual Meeting (Kenai, August. 5-7): All of the board members are going to go, with the exception of Julia and Walter who are tentative. They were asked to let Amy know as soon as possible whether or not they could attend the meeting. Amy needs to make sure all the board members are on APA's mailing list. The board members will rent a vehicle and drive to Kenai after the AVEC board meeting ends.

Meera said she has worked on preparing and signing a joint letter with ANTHC and AVCP to solicit villages to allow them to apply for black grants on their behalf in order to get funding from the federal stimulus package to go towards big projects. We hope to get funding for AMRs, in-home power usage displays and energy ratings for community buildings. The Denali Commission will offer a match. We will work on the AMR side and ANTHC will work on energy efficiency.

Meera mentioned AVEC (Amy Murphy) won eight awards in NRECA's Spotlight on Excellence Communications Competition.

AVEC purchased a bunch of Willie Hensley's books to give one to each employee, board member and delegate and Meera asked Willie to autograph each of them. Willie personalized a book for Lloyd Hodson and Meera invited Lloyd and his wife to lunch so she could give him the book. She also invited Willie to lunch as a surprise for Lloyd and it turned into a very special luncheon and was a great get together.

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

#### 6. Action Items

**6a. Upon a motion duly made and seconded, Resolution 09-15 Consent Agenda, including 09-16 New Memberships and 09-17 Director Expenses, was approved as presented.**

#### 7. Unfinished Business

7a. Strategic Plan Review: a copy of the Strategic Plan is always included in the board packet for informational purposes. We continue to work on our goals.

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8. New Business

Meera said she received a call from Martin Moore in Emmonak, regarding the \$1 million federal earmark money they received for streetlights. He wanted to redirect the money for driveways but can not rechannel the money, so it has to be used for energy. We may work with them on their streetlight upgrading and possibly get a wind turbine. This project is in the discussion stages.

9. Executive Session

**Upon a motion duly made and seconded, the board moved into executive session at 1:33 p.m. to discuss legal matters. The board moved out of executive session and back into a regular board meeting at 2:12 p.m.**

10. Board Comments

Robert Beans had no comments.

Walter Sampson had no comments.

Phyllis Clough said we need to continue doing what we do and increase our renewable energy projects to help reduce the cost of power. Meera is on the right track. She would like AVEC to send Mike Prince a plaque saying thank you for his service to the cooperative. She extended her condolences to Fred on the loss of his mother.

Julia Walker said it was nice to have a break but it feels good to be back on board. She wanted to give a brief PPO update. They had a fatal house fire in April and the PPO got the power to the house shut down quickly. We continue to supply power to the fish plant, which is good. She's thinking electric power again!

Helena Jones said welcome to Julie and thanks to Mike Prince for serving on the board. She spoke with the mayor from Kotzebue yesterday and he wanted Helena to tell Meera that he is really impressed with her and Brent Petrie and thinks Meera and Brent are doing a really great job. He said to keep up the good work. Helena's sister's granddaughter died overnight yesterday and her prayers are with them.

Fred Sagoonick said it was a good meeting and he congratulated the officers for the election to their seats.

Charlie Curtis said thank you everybody. This is an exciting time for AVEC. The increased cost of fuel wakes people up. Luckily, thanks to the Denali Commission, we have been able to build facilities that increase our operating and generating efficiency to keep the increase in costs from being even larger. He commends the entire staff for their hard work. He commends Robert Beans for his long tenure on the board and serving as an officer. He is one of the key players that have helped AVEC move along over the years. He said thanks to Meera for thinking of new ways to keep AVEC moving ahead. He wants to retain her. He also wants to retain Roger Kemppel, who has been our attorney since 1977 or so. Have an enjoyable summer, be safe and get lots of food. He thanked Fred for taking the time to call in.

11. Next Meeting Date:

The next board meeting is scheduled for August 4, 2009 to allow the board members to attend APA's annual meeting. The day will start at 9:00 a.m. with some training by Lynne Curry Swann, followed by the annual evaluation of the president and the regular board meeting in the afternoon.

12. Adjournment

**Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 2:20 p.m.**

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Charlie Curtis, Chair

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Phyllis Clough, Secretary