

**Minutes of the November 6, 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 November 6, 2009 at 10:00 a.m. A quorum was determined with all of the board members in attendance.

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

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

Others in attendance included:

Meera Kohler, President and CEO
Roger Kempel, Legal Counsel
Amy Murphy, Executive Assistant
Jeff Cutler, Cascade Investment Counsel

Brent Petrie, Mgr. Community Development
Mark Teitzel, V.P. and Manager of Engineering
Debbie Bullock, Manager of Administrative Services
Mark Barnum, UBS

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 August 4, 2009 were approved as presented.

4. Presentations

4a. Jeff Cutler, Cascade Investment Counsel – Board Fiduciary Duties: Jeff Cutler gave a two-part presentation on board fiduciary duties and distributed copies of his presentations.

4b. Mark Barnum, UBS – AVEC Investment Report: Mark distributed copies of the investment report and gave a brief presentation on the status of AVEC's investment portfolio.

4c. Tim Ridenour, RIM Architects – Proposed Building Modifications: Tim distributed copies of a concept design report for different proposals to increase office space in the AVEC headquarters. The proposals include remodeling the warehouse to have two floors with additional offices, or adding on to the existing building and extending it out towards the street on the western side. Additional parking spots would be added. Discussion ensued.

A motion was duly made and seconded to authorize the expenditure of \$50,000 to proceed with a design concept to build an addition on to the building. The motion carried with one vote in opposition.

5. Director Trip Reports

Robert Beans said he attended the APA annual meeting in Kenai/Soldotna and said the meetings and hotels were spread out all over the place. He felt the conference was great overall and they have interesting and informative presentations. Meera was elected to be the NRECA board member from Alaska.

Julia said she attended the APA annual meeting in Kenai along with Phyllis, Robert, Meera and Amy. She took the pre-conference board training course on New and Emerging Technologies. She said the course had really good information and a good speaker. It was a very interesting class and stresses the fact that we need to work together and look out for our members and the cooperative. She is grateful for AVEC's knowledgeable staff and board for implementing new technology that benefits our members. The rest of the conference was also very good. We need to remain open to learning new things and not be afraid of change.

Phyllis Clough said the conference was very informative. The training session on technology provided a list of questions that the board needs to ask about new technology, including will it be cost effective and improve reliability. We need to ensure our key assets are protected. One highlight was when Mr. Bob Hatcher of Kodiak attended the

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awards dinner to present the award that is named after him, Fred Williams and Robert Turkington. Things are not easy today, but so far AVEC is doing well. The drive to and from Kenai was good.

6. Budget & Audit Committee Report

Walter Sampson said the committee had a good meeting this morning reviewing the proposed budget and they will submit a resolution to act on in the January meeting regarding the investment policy. Some of the budget highlights include good news that the cost of fuel went down this year but gross revenue also shows a decrease. We anticipate having increased operating margins next year due to the change in depreciation accounting methods. The committee is recommending that the board adopt a resolution to decrease the base electric rate by 2 cents per kWh for all rate classes. The committee also recommended approving the budget as presented.

Meera Kohler said she wanted to make sure the board knows that the budget that was presented includes reduced benefits for the employees. Does the board want to stay the course or reduce the employee benefits?

7. President's Report

7a. Denali Commission Project Update: Brent Petrie distributed copies of a handout that contained a list of projects and funding sources and amounts as well as photos of some of our projects. Brent gave a brief recap of projects in progress and future projects we're looking at. A team went to Alakanuk and Emmonak to look at sites for a possible intertie and wind turbines. The city of Alakanuk offered to pay for the CDR to get the process rolling as they would really like to see this project happen. We received funding from AEA for some projects, including wind turbines at Mekoryuk and Quinhagak, another wind turbine at Toksook, wind at Shaktoolik and Emmonak, a hydro power study at Old Harbor and a solar project at Ambler/Noatak or Shungnak. We have a whole group of wind projects in different communities that we are preparing proposals to submit for funding. So far we have generated about 3.6 million kWh of wind, which has displaced a lot of diesel fuel. Things are a little problematic in Stebbins as we are being kicked off of the land where our power plant is located. We need money to locate a new site and to finance moving the plant. The HVDC project has completed Phase 1 and the University of Alaska is becoming more involved in this project and they are working on the next phase. The project is economically feasible if the distance between communities is 25 miles or longer. We have a number of MET towers installed and collecting wind regime data. The tallest Met tower we have is a 50M tower recently installed in Mt. Village. Gambell will probably have the highest wind production penetration in the entire AVEC system. Discussion ensued.

Fred Sagoonick asked if we have a Hazard Mitigation Plan in place for the tank farm in Shaktoolik as the erosion problem is getting worse. Brent said moving the tank farm is on the "wish list," but there is no funding available. We would also have to find a suitable site to relocate to. Meera asked if we could also relocate the power plant to a new site. There was some discussion on high water and erosion problems in various communities as it is becoming more of an issue. Unfortunately the Denali Commission funds have been dramatically lowered so there is less money available for new projects. We should make it a priority to get the state more involved in funding some of the projects. Meera said APA prepared a resolution asking the state to participate more and step up and fund projects in rural communities that really need help. Meera said we borrowed \$1.6 million from CREBS at a good interest rate.

7b. Financial Statement: A copy of the latest financial statement was included in the board packet. Meera pointed out the amount listed under the depreciation account. We should end the year with good operating margins. Some expenses were lower than expected, which helps the bottom line. Our financial status looks pretty good.

7c. Delinquent Account Update: Georgia distributed copies of reports showing the delinquent account status of cities and residents. She also provided an update on the status of collections and disconnects. We are owed a substantial amount of money in delinquent accounts, both residential and city accounts. There are two cities that present a big concern. There was a lot of discussion about Kobuk. Meera went out of her way to try to help them and it has all been for naught. Georgia said that the new AMR meters are very helpful with the billing and collections process. She is working on developing a winter collection policy and will check to see what procedures other cooperatives use for winter disconnects. We started offering online billing and account access in June and that seems to be working well. We aren't able to credit card payments like we used to due to the Red Flag policy, so members have to call in on the phone to use their credit cards, or go online each month.

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Charlie Curtis said to call Kobuk one more time and have another serious talk with them and then let them know we may have no choice but to disconnect them due to lack of payment. Meera said she would look at the DPA they signed and will write an appropriate letter detailing the situation.

7d. Scholarship Update: Georgia said she only received seven applications since the last board meeting and three were from the Career Academy. Georgia told them we need more lead time. One scholarship was received from a student wanting to attend AVTEC but the application was incomplete. Phyllis Clough said she would like to be more involved with the Scholarship Program since she heads the committee. She would like to know how much money is available for scholarships and she would like a list of recipients to see where they are coming from and what sort of education they are working on. She would like to hold a Scholarship Committee meeting before the next board meeting. Georgia is working on drafting policy revisions to the current scholarship policy.

Georgia said all of the village annual meeting packets and boxes of door prize goodies have been mailed out. Her department is now calling everybody to confirm chairmen and the receipt of the information and boxes. Three villages already have meeting dates scheduled for November. So far chairmen have expressed appreciation for implementing the increased door prize policy and for sending the extra door prizes. They said to tell the board "thank you" as it should make getting a quorum a little easier.

Georgia also distributed a copy of a list of new members for the year for board approval.

7e. 2009 Fuel Delivery Status: Meera distributed a copy of the 2009 fuel delivery status report by village. The overall average cost is \$3/gallon, which is a lot better than last year.

Meera said the building expansion update will be included on the agenda from now on.

Meera starts her NRECA state director responsibilities in February 2010. There are four meetings per year, including three held in Washington, D.C. Meera is going to D.C. for a week in December and NRECA pays for her expenses. She will receive \$600/day for per diem once she is seated and she will give most of that back to AVEC since she also receives per diem from AVEC. She did not seek re-election to the MIC committee and is not seeking re-election to the Ruralite board. Removing herself from serving on boards for those two organizations will free up some of her time. She has received lots of comments from folks glad to see she'll be representing Alaska and she's excited about the opportunity to bring more attention to Alaskan issues.

Meera was invited to attend the NWAB assembly meeting on November 23. She is going to attend to explain AVEC's history and our current rate structure. She said AVEC is happy to participate in energy committees and/or institutes as we support improved communications with other entities, but we don't support new regulations they might want to impose on us.

Meera was in Washington, D.C. this week attending a Clean Energy Forum, which was by White House invitation only. She was very impressed with Ken Salazar as he was very engaged and informed. Meera testified twice and got a lot of feedback. AVEC has credibility. It was a very good, quick trip.

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

8. New Business

Upon a motion duly made and seconded, the board approved the new membership list as presented.

8a. Resolution 09-18 Director Expenses – was tabled until the next meeting.

8b. Upon a motion duly made and seconded, Resolution 09-21 2010 Operating Budget was approved as presented. Before the vote was called for, Meera clarified that this budget reflected the reductions to the defined benefit plan and also the proposed rate reduction of 2 cents/kWhr.

8c. Upon a motion duly made and seconded, Resolution 09-22 Proposed Bylaw Amendment – Village Meeting Quorum Requirements Budget was approved as presented.

8d. Upon a motion duly made and seconded, Resolution 09-23 Insurance Program Revision was approved as presented.

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8e. Upon a motion duly made and seconded, Resolution 09-24 Authorizing Amendment of The NRECA 401(K) Pension Plan Adoption Agreement "A" and The Retirement Security Plan was approved as presented. A roll call vote was taken with one vote in opposition.

8f. Upon a motion duly made and seconded, Resolution 09-25 Authorizing Changes to Policy 1008 Travel and Per Diem and Day Travel was approved as presented.

8g. Upon a motion duly made and seconded, Resolution 09-26 Authorizing Changes to Policy 2002 Director Fees and Expenses was approved as presented.

9. Executive Session

There was no executive session.

10. Board Comments

Fred Sagoonick said this was a good meeting.

Walter Sampson agreed that it was a good meeting.

Phyllis Clough said thanks for the ride to/from Kenai to attend the APA meeting and thanks for the due diligence. PCE continues to be important to our communities so let's continue to work hard to ensure the program is funded. Thanks and continue the good work you do for the members.

Julia Walker said it was a good meeting and it is good to be back again.

Robert Beans asked to go to Juneau to attend the APA Legislative Conference.

Helena Jones said it was a good meeting and thanks. She is also in town attending the school board meeting.

Charlie Curtis said thanks for another good meeting and told everybody to stay warm and have a good winter.

11. Next Meeting:

The next meeting is January 8, 2010.

12. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 2:12 p.m.

Charlie Curtis, Chairman

Phyllis Clough, Secretary