

**Minutes of the November 12, 2010 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

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

Vice Chairman Walter Sampson called the meeting to order at 1:38 p.m. at the AVEC headquarters in Anchorage, Alaska. A quorum was determined with the following board members in attendance: Walter Sampson; Helena Jones; Julie Walker; Phyllis Clough; Fred Sagoonick; and Robert Beans. Chairman Charlie Curtis was excused.

Others in attendance included: Meera Kohler; Mark Teitzel; Debbie Bullock; Mark Bryan; Matt Metcalfe; Roger Kempel; Andy Leman; Mark Smith; Amy Murphy.

2. Declaration of Conflicts of Interest

Vice Chairman Walter asked for any conflicts of interest and there were none to declare.

3. Approval of Minutes

Upon a motion duly made and seconded, the Minutes of the Regular Meeting of the AVEC Board of Directors dated August 10, 2010 were approved as presented.

4. Director Trip Reports

Helena Jones said she attended the APA Annual Meeting in Fairbanks in August, hosted by GVEA. The reception the first night was really fun. During the annual meeting there was supposed to be a panel discussion with several legislators, but Sen. Lesil McGuire was the only one who showed up. She did a good job, is happy with APA and said people in the electric utility industry are important. Helena went on a tour of GVEA's North Pole facility, which has a huge steam boiler. The highlight on the final day was a presentation by Donna Vukich of Naknek Electric on their geothermal project.

Robert Beans said he doesn't have a written report to give this time. It was a good annual meeting and very informative. The attendance the past few years seems to have increased with more participation by board members. There is increased interest in providing adequate energy. The highlight of the meeting was when Sen. McGuire gave a good oversight of her vision for Alaska's energy needs.

Fred Sagoonick said he read where Naknek Electric Association filed for bankruptcy. There was discussion about this unfortunate situation that was caused by an unanticipated increase in costs, largely due to State requirements.

Julia Walker said she attended the NRECA Region IX meeting in Anchorage in September at the Hilton. There were 369 people registered from a variety of western states, including quite a few Alaskans. It was great to network with other participants and she heard lots of positive comments. She also answered lots of questions about Alaska and life in the Bush. The main focus was to encourage everybody to work together towards a common goal. She's very glad she went. She is proud of AVEC and all the accomplishments we have achieved.

5. Committee Reports

5a. Budget & Audit Committee: Walter Sampson said the committee had a meeting earlier in the day with good discussion. There were two options on the proposed budget. The committee recommends the full board adopt the proposed budget with Option #2, as reflected on Resolution 10-30.

6. President's Report

6a. Denali Commission Project Update: Matt Metcalf distributed current project information, starting with the 2010 winter season. During the period of 2007-2011, we have received \$90 million worth of funding for projects with a 10% match from AVEC. About \$27 million of this was for tank farm upgrades, the rest went to other facility upgrades. Matt gave an overview of the status of projects for 2010 and 2011. Robert Beans said Tribal Councils can get grant money in conjunction with CDBGs so collaborating with them would be good. Helena Jones asked about the Cosmos Hills hydro study. Meera said to check out their Website; it has great information.

6b. Recovered Heat Policy (dated September 2010): Meera said a copy of the revised policy was included in the board packet for informational purposes. We instated a lower cost for commercial facilities. We're working with ARUC and ANTHC to build recovered heat projects with grant funds. We applied for grants through ADEC.

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6c. Financial Statement: Meera distributed a copy of the September financial statements during the Budget and Audit committee. This statement marks the end of the summer slide where AVEC has less revenue. Sales revenue increases during the winter months. We are tracking per budget.

6d. Delinquent Account Update: A copy of the lists of delinquent accounts was distributed. There is nothing of enormous significance in the city accounts.. This is good news. Discussion ensued regarding some accounts with sizable delinquent amounts. Having the ability to remotely disconnect the meters of delinquent accounts has been beneficial and streamlines the collection and billing process. This year 321 AMR meters were disconnected, which is less than the average per year prior to AMR.

6e. Scholarship Update: A copy of a brief recap of the Scholarship Program was distributed. We awarded 10 scholarships for the current school year and will solicit applications through the end of the year for alternate education/training options. We will recommend additional scholarships if possible. Meera suggested creating a special Sen. Stevens scholarship worth \$5,000. Meera will develop that idea. First we need to determine how much money is available in the scholarship program.

6f. 2010 Fuel Delivery Status: A copy of the fuel delivery report was included in the board packet. We received 5.7 million gallons worth about \$19.3 million, for an average of \$3.35/gallon. The list shows the total gallons received and cost per village.

6g. Building addition status: The new building addition is coming along well. The total cost is going to be higher than we hoped for. We are going to refurbish the old building and redesigned the floor space to free up some existing space for more offices and a central file storage area. The building addition should be done by mid January. After that is finished the old building and warehouse will be remodeled in phases. The cost for the complete project is about \$2 million. There was a two-1/2 month delay starting the project due to a permitting issue related to parking. This turned into a four-month delay due to winter weather. The cost for the new building is about \$750,000, not including groundwork and architectural fees. The cost to completely remodel the interior of the old building is \$700,000. This includes refurbishing all the woodwork, painting and installing new carpet. We are working with CFC on a long-term loan to pay for the building improvements and the electronic meters. We have room to take on debt. An update will be provided in January.

6h. Tug and barge update: Meera included information about the proposed names for the tugs and barges. The barge names will be a standard designation based on length: AVEC-183 and AVEC-208. The two names proposed for the tugs are Cavek, a Yupik word meaning harpoon and/or metal and Naniq, an Inupiat word meaning source of light. Discussion on the names ensued. Mark Smith said he needs names for the ships as soon as possible. Mark Smith provided color copies of photos that were taken earlier in the day at the boat yard in Texas. Web cams provide live feeds of the ship-building progress. Meera said we're working on reassigning the loan from Microgen to AVEC and will sign all the required loan documents later today after both boards approve the proposed resolutions.

6i. Investment Presentation by Mark Barnum: Mark Barnum with UBS distributed a copy of a report showing the status of our investments for the 3rd Quarter 2010. He briefly reviewed the highlights of the report. We had a bad second quarter but had good returns in the third quarter. We are in a volatile investment market but things have turned around a little bit and we have a positive rate of return year to date.

We are working with AVCP and ANTHC to jointly apply for block grants, primarily to help pay for the AMR meter system and home monitoring systems in some communities. We hope to get \$1 million total. Lonnie Perry is now working full-time performing inspections in the villages. We expect he'll be in every village every year or two to inspect issues, including NEC violations and leaning poles. There are many deficiencies in some villages with some meter bases rusting away. These violations need to be fixed before the new meters can be installed. These deficiencies are being documented. We have tried working with the various Housing Authorities as it is their responsibility to help with the homes in their villages. Discussion ensued.

Meera said she finally has a new car – a Lexus hybrid. She sold her old car for \$12,500, which reduced the cost of the new car.

Upon a motion duly made and seconded, the President's Report was accepted.

7. Recess (to convene Microgen Board Meeting)

At 3:45 p.m. Vice Chairman Sampson called a recess of the AVEC Board Meeting to conduct a Microgen Board Meeting. The Microgen Board meeting adjourned at 3:50 and the AVEC Board Meeting reconvened at 3:51 p.m. Walter said the Microgen board met to discuss Vitus Marine loan documents. Microgen was originally set up as the

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owner of our two tugs and barges. However, after consulting with the RUS, they notified us that AVEC is allowed to buy vessels to transport fuel and deal with Vitus Marine directly. The Microgen board has approved resolutions to reassign the vessels back to AVEC.

8. New Business

8a. Upon a motion duly made and seconded, Resolution 10-29 Director Expenses was approved as presented.

8b. A motion was duly made and seconded to approve Resolution 10-30 2011 Operating Budget Option #2. A roll call vote was taken. The motion was unanimously approved.

8c. Upon a motion duly made and seconded, Resolution 10-31 Approval of Assignment and Assumption Agreement was unanimously approved as presented.

8d. A motion was duly made and seconded to approve Resolution 10-32 Approval of \$12 Million NCSC Loan and Authorization to Execute Loan Documents. A roll call vote was taken. The motion was unanimously approved.

8e. Upon a motion duly made and seconded, Resolution 10-33 Authorizing the Amendment of the NRECA Retirement Security Plan RUS #02027-001A & 02027-001B, was approved as presented.

9. Executive Session

Upon a motion duly made and seconded, the board went into Executive Session at 4:03 to discuss legal issues. The board moved out of Executive Session and back into regular session at 4:14 p.m.

10. Board Comments:

Robert Beans said thank you to the veterans who served in the Armed Services. This was another good meeting.

Phyllis Clough said she's glad we continue to work together for the betterment of all of our communities. She asked about the lights in the boat harbor – when will they be installed? She was re-elected to the tribal council board. Thanks to everybody for their hard work.

Fred Sagoonick said this was a good meeting with good information. The Southwest wind power group is field testing the new 4.7 Skystream in Shaktoolik. So far the PC board on the hatch cover blew twice. The new Skystream is supposed to produce 30% more power than the current version. There are two test sites in Alaska, to see how the turbines perform in the extreme cold and weather variations. Data shows that turbines operating for three years in Alaska are equivalent to operating 10 years elsewhere. Discussion ensued.

Julia Walker said it was a good meeting and thanked everybody.

Helena Jones said this was a good meeting and it's always good to see everybody. She hopes everyone has a happy Thanksgiving and safe holidays.

Walter Sampson agreed that this was a good meeting and he's glad to see AVEC moving forward on the boat-building project. He talked about the big Veteran's Day celebration held the day before up in Kotzebue.

11. Next Board Meeting: January 7, 2011; Annual Meeting: March 21-22, 2011.

12. Adjournment:

Upon a motion duly made and seconded, Vice Chairman Sampson adjourned the meeting at 4:28 p.m.

Phyllis Clough, Secretary

Charlie Curtis, Chairman