

**Minutes of the January 7, 2011 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 to order at 9:35 a.m. at the AVEC headquarters in Anchorage, Alaska. A quorum was determined with all of the board members in attendance: Charlie Curtis; Walter Sampson; Helena Jones; Julie Walker; Phyllis Clough; Fred Sagoonick; and Robert Beans.

Others in attendance included: Meera Kohler; Mark Teitzel; Debbie Bullock; Mark Bryan; Brent Petrie; Roger Kempel; Andy Leman; and Amy Murphy.

2. Declaration of Conflicts of Interest

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

3. Approval of Minutes

**3a. Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting, dated November 12, 2010, were approved as presented.**

4. Director Trip Reports

There were no director trips to report on.

5. President's Report

Meera gave a brief update on the status of conditions in Savoonga, where we had a major power outage for nearly a week. Matt Kruger flew there the afternoon of the same day the outage started, December 27, and two more linemen flew in two and three days later. We could find no damage to our distribution and generation systems, i.e. there were no downed lines or bad transformers. This was an interesting and very unusual problem that consumed our lives for days. A forensic analysis is upcoming. We don't have any photos yet, mainly due to bad weather and short hours of daylight. It was extremely cold with high winds and the sea ice had either not formed or had been melted or blown away. The winds carried salty sea spray that almost immediately turned to freezing slush that coated our power equipment. The conductive properties of the moist salt caused arcing and outages. The linemen had to climb each pole to clean equipment off and re-energize the transformers, one by one.

Chairman Charlie said we are blessed to have dedicated employees and linemen. A big thank you goes to Senator Stevens and the Denali Commission for the funding that allowed us to upgrade our systems. He is happy AVEC has hired the types of people who are committed to working hard for AVEC's members, our people. He feels blessed that AVEC's field crew and office staff provided such prompt response and teamwork to restore the power. He liked Meera's frequent status updates. She clearly explained the situation and actions being taken. He appreciates the efforts of Meera and the linemen, who had to work in the adverse weather conditions, over the holiday. He hopes this is a lesson for the state agencies and other organizations as it shows we are dealing with changing and very challenging environmental conditions. We have learned lessons from this unique storm situation and may have to do things different as it could happen again in the future. Thanks to Meera and her staff for working with the community and the state.

Fred Sagoonick asked if there is any thought to moving the distribution lines underground. Meera said the lines can't be buried in Savoonga as there is too much rock. We will have to design different standards for Arctic coastal village conditions. We use RUS standards but they didn't work well in this storm. There was a lot of arcing taking place. There was discussion about various retrofit possibilities. The Division of Emergency Services sent a team to Savoonga and their flight was delayed due to bad weather. Matt Kruger attended a community meeting with the Div. of Emergency Services team and explained what happened. He said he received a big round of applause and the residents said they really appreciated that we were there, helping restore power in the blizzard conditions. Meera said this is an Arctic problem – not just an AVEC problem. Charlie said he's proud of AVEC and we have a lot to be thankful for.

Meera has exchanged correspondence with the city of Kivalina regarding payments to the PERS program as they kept the PERS payments AVEC sent to them and never paid the money to the State PERS program. PPO Lewis Wesley wants to retire, which is what engendered the discussion.

**Minutes of the January 7, 2011 Board of Directors Regular Meeting  
Alaska Village Electric Cooperative, Inc.**

Meera said she's going to Maui next week for a three-week vacation. She will be connected and will stay in touch.

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

5a. Investment Report from UBS: A copy of a year-end flash report was included in the board packet. It shows that we realized a respectable rate of return. A more comprehensive investment recap will be provided in March.

5b. Denali Commission Project Update: Brent distributed copies of a handout showing the status of various projects and funding sources, including total funding amounts received to date. We have seen a big decrease in Denali Commission funding, but there has been an influx of money from AEA that replaces some of that lost funding. Brent gave a recap of the status of projects that have been closed out, under design, in progress and future projects. Fred asked about the status of the Shaktoolik bulk fuel tank farm. Brent Petrie said we can't count on getting any money from the Denali Commission for that. There was discussion about the possibility of using left-over tanks from other tank farm upgrade projects. Results from AEA's recent Round 4 grant program were discussed. Brent mentioned the Brevig-Teller and Emmonak-Alakanuk intertie projects. Mark Bryan briefly mentioned the heat recovery projects in Goodnews Bay and Shungnak. We're working with ANTHC to develop these projects, which utilizes EPA funding through the ADEC. There was some discussion about ULSD regulations and the impact to AVEC, which isn't an issue yet as we don't have any Tier 4 engines.

5c. Financial Statement: A copy of the latest financial statement, dated the end of November, was included in the board packet. So far we are low on operating margins, but that will change in December after the year-end financials are completed. The COPA filings will change and adjust some figures. We should end the year with respectable margins. Maintenance expenses have been slightly more than budgeted.

5d. Building Addition Update: Meera said the building construction is coming along. The design of the entryway will change and some employees and offices will be relocated. Colors and carpet have been selected. The board room will be much bigger and really nice. We'll have a Smart overhead projector with a big screen. The board room should be completed in a few weeks. The whole building will be renovated in phases as office areas are being shifted and re-designed to improve efficiency. Robert Beans suggested having a Native person bless the new board room in a traditional way.

5e. Vitus Marine Update: A one-paragraph update was included in the board packet. Construction on the tugs and barges is coming along well. There are some great photos on Facebook. The tug names are Cavek and Naniq.

5f. Delinquency Update: Katie provided copies of the list of delinquent accounts for cities and individuals and these lists are shorter than in the past. Carmen and Katie have been actively pursuing delinquent accounts by sending letters and making follow-up phone calls. The cities are doing a good job paying their accounts. There was some discussion about the mission in St. Mary's. Meera and Carmen spoke with the Catholic Diocese in Fairbanks about the situation. Katie provided a separate list that shows the aging report comparing November 2010 vs. November 2009. Improvements have been made and bills are being paid. The AMR meters are very helpful and allows AVEC to be more proactive about disconnecting meters. The AMRs are about 93% installed throughout all the villages. Some meters can't be hooked up due to significant service entrance problems that the consumer needs to remedy.

5g. Annual Meeting Update: The annual meeting is March 22 at the Coast International Hotel. So far about 24 villages held their annual meeting. Katie's department is making follow-up phone calls to encourage chairmen to schedule their meetings. Katie is working on preparing responses to questions and resolutions. The chairmen said they really appreciate having the increased door prizes and the quorum change as it helps them achieve a quorum at their meetings. Charlie Curtis and Robert Beans' board seats are up for election. Charlie attended the annual meeting in his village and there was a good response from the members and things went smoothly.

5h. Scholarship Update: In order to streamline the application process, Katie proposed revising the current scholarship program to have two set rounds of enrollment deadlines per year instead of once per year. This will accommodate the board's desire to award scholarship to students throughout the year who attend schools that start at times other than August. She included a copy of the revised application and proposed changes to the scholarship program for the board to review and make comments on. She also provided information on a special scholarship to be set up in former Sen. Ted Stevens' name in the amount of \$2,000 that will be awarded to a

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Alaska Village Electric Cooperative, Inc.**

student who demonstrates strong public service to their communities and rural Alaska. There was discussion about automatically awarding scholarships to renewing students or possibly applying online to streamline the application process. These options will be reviewed. There is a huge list of deceased capital credits that Katie is reviewing to validate. This will determine the amount of money in the scholarship fund.

5i. APA Legislative Conference (Feb 15-16): Robert Beans and Charlie Curtis will attend the conference. Helena Jones and Fred Sagoonick may be able to attend. Phyllis Clough may be able to go as an alternate. There are four rooms reserved at the Westmark Baranof, including one room for Meera.

5j. ACRE/CARE Membership: The board members agreed to renew each of their memberships in ACRE CARE at the \$50 level. Most of the board asked to have their contributions deducted from their next expense statements.

5k. Schedule of Meetings: A list of the 2011 board meetings was included in the board packet. The August board meeting was changed to Friday, August 12 to coincide with APA's Annual Meeting taking place August 10-11 in Wasilla. The November board meeting was changed to two days, the 17<sup>th</sup> and 18<sup>th</sup>, to allow an extra day for reviewing the strategic plan.

#### 6. New Business

**6a. Upon a motion duly made and seconded, Resolution 11-01 Consent Agenda, including the following resolutions: 11-02 Director Expenses; 11-03 New Memberships; 11-04 Collections Representatives, Katie Millen and Carmen Ramos; and 11-05 Statement of Nondiscrimination, was approved as presented.**

**6b. Upon a motion duly made and seconded, Resolution 11-06 Year-End Consumer Charge Offs, was approved as presented.** Meera said this was the lowest amount in 10 years.

#### 7. Old Business

7a. Strategic Plan: a copy of the Strategic Plan was included in the board packet for informational purposes.

#### 8. Executive Session

There was no need to hold an Executive Session.

#### 9. Board Comments

Robert Beans said we haven't reviewed AVEC's policies for a while and the board needs to do that. His son-in-law received an education but can't get a job with AVEC since Robert sits on AVEC's board. Robert feels we need to review and revise this policy so his son-in-law can get a job. Discussion about the nepotism policy ensued. Roger Kempel said this sensitive issue was very important to the board, which is why they developed the policy. This is a policy but is also in the bylaws and would require approval by the membership to make revisions. Discussion ensued. Some research will be done and this issue will be discussed during the November meeting.

Fred Sagoonick said he doesn't have a problem with the nepotism policy as he doesn't see any hiring issues. This was a good meeting.

Walter Sampson said he supports looking at the nepotism policy. We need to be able to hire students we award scholarships to. If we don't hire these students, we should do away with the scholarship program. We need to look at what occurred at the Naknek bankruptcy situation. This was a good meeting.

Phyllis Clough is excited to see we have installed AMR meters in almost all the communities as they have been very beneficial. She's glad to hear we are becoming more green and are a leader in the wind-diesel technology. The situation in Savoonga was tough for everybody involved and she's proud and happy that AVEC provided such a prompt response. This shows that we care about our people. Everybody is subject to bad weather conditions and it's something that can't be prevented, just taken care of as promptly as possible. Thanks to everybody and have a Happy New Year.

**Minutes of the January 7, 2011 Board of Directors Regular Meeting  
Alaska Village Electric Cooperative, Inc.**

Julia Walker said this was a good meeting and she feels refreshed. She liked receiving Meera's updates on the situation in Savoonga. Strange things are happening with the weather, in various areas throughout Alaska. They had rain for a week and the weather has been warmer than normal. One of their neighbors shot a grizzly in their yard during the last weekend in February, which is not normal as they're usually hibernating. It was very skinny and not well fed. The weather is definitely changing. Happy New Year to everybody.

Helena Jones said a belated Merry Christmas and Happy New Year to everybody. She is proud to be on this board. The board did a great job hiring Meera and her staff. They provided a quick response to the outage in Savoonga and there are no words to describe the effort and dedication of AVEC's staff. Thank you.

Meera Kohler said we have had a couple of exciting weekends that demonstrated AVEC has exceptional people working here. Everybody pulled together, both the staff and the residents of Savoonga. We were missing three managers and a supervisor but the remaining staff seamlessly worked together to provide a prompt response to a severe storm. Bob II is retiring this year and we're going to miss him.

Charlie Curtis said it's good to be back here again and he's sorry he missed the last meeting. This organization has matured a lot since its inception and we're keeping up with all sorts of new technology and environmental changes. We have lots of long-term, competent and dedicated employees that work to make a difference for our people and our communities. We have a great board and staff that work well together. Thanks for your commitment and have a good year.

10. Meeting Dates

The next meeting dates are: Board Meeting - March 21<sup>st</sup> and Annual Meeting March 22<sup>nd</sup>, 2011

11. Adjournment

**Upon a motion duly made and seconded, Chairman Charlie adjourned the meeting at 12:10 p.m.**

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Phyllis Clough, Secretary

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Charlie Curtis, Chairman