

**Minutes of the March 21, 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 AVEC board of directors regular meeting to order at 1:50 p.m. on March 21, 2011 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, if any

Chairman Curtis asked if there were any conflicts of interest to mention and there were none.

3. Approval of Minutes - Regular Meeting, January 7, 2011

**Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting dated January 7, 2011 were approved as presented.**

4. Approve Audit Report - Resolution 11-07

**Upon a motion duly made and seconded, Resolution 11-07 2010 Audit Report was approved as presented.**

5. Director Trip Reports

Robert Beans provided a written copy of his trip report to attend APA's Legislative Conference in Juneau. Energy issues are important and moving along. Meera's idea of a statewide G&T appears to be in the forefront. Meera was invited by the legislature to go to a meeting in Norway to represent Alaska's utilities.

Helena Jones also attended the APA Legislative Conference and said it was very good. It's always helpful to visit with the legislators in person to educate them about issues important to AVEC. Helena and Meera visited with Rep. Neal Foster and Sen. Don Olson. Sen. Olson said he really appreciated receiving Meera's daily updates about the situation in Savoonga. Meera is trying to get support for an entire state solution to our energy problems, especially if the Railbelt area gets state funding to build a hydroelectric project. There was some discussion about the proposed Susita hydro design and costs, the PCE program, and finding an equitable energy power solution for the whole state. There was also some discussion about the natural gas pipeline and ACES. We need to develop a fiscal analysis for a statewide energy solution and develop a strategy to garner support.

6. President's Report

6a. Investment Report – Mark Barnum: Mark Barnum with UBS Financial Services participated in the meeting telephonically and a hard copy of his report was distributed. Mark gave a brief recap of our investment portfolio as of December 2010. We had good returns for the last quarter but the second quarter was not good. Overall our investments did well, showing a slight increase. Mark discussed current events that are causing a very volatile situation in financial markets, including the earthquake and tsunami in Japan and the violence in the Middle East. We need to ensure we have good investment managers and continue having lots of diversification in our stock portfolio. Mark gave a brief recap of the flash report and the market outlook.

6b. Denali Commission Update: Brent Petrie distributed a copy of his report and also gave a slide show presentation. We have received about \$203 million in project funding since inception, including AVEC's cash match of \$17.4 million. We have about \$37 million worth of major projects currently under construction. There is \$46 million worth of project close-outs underway. Brent showed photos and gave a brief recap of the Emmonak-Alakanuk intertie and wind turbine project. The ice at the river and slough crossings had to be thickened due to warmer-than-normal temperatures that didn't freeze up ice thick enough to hold the heavy equipment required for the project. He mentioned the excavator that fell through the ice into the Yukon River and had to be rescued. Major projects coming this summer include new bulk fuel upgrades at New Stuyahok and Stebbins and the Brevig Mission – Teller intertie.

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6c. Financial Statement – Period Ending January 31: A copy of this financial statement was included in the board packet. Meera said our revenues are down slightly because of the rate reduction put in place a year ago. Our depreciation increased slightly and the fuel cost has increased. The audit went smoothly.

6d. Annual Meeting Update/Agenda: A copy of the annual meeting agenda was included in the board packet. Katie gave a brief update on the annual meeting. Most of our villages had meetings, but some delegates may not make it here due to weather problems. It was a real scramble to arrange flights to get our delegates here due to the Iditarod Banquet that was held the night before our delegates had to fly.

6e. Delinquent Updates: Katie provided copies of a list of delinquent city accounts and a list of non-city accounts that owe more than \$2,000. Katie said they are calling the past-due accounts and are gearing up for the collection season that begins in May. Some cities still owe money, but overall there are no huge outstanding balances. The City of Kobuk's account is now current. Thanks mainly due to the AMR meters that were installed, our delinquent accounts are about ½ of what they were two years ago. Collections are going well now that we can disconnect remotely and people are more proactive paying their bills.

6f. PCE Update: Meera said there is money in the state budget for full funding of the PCE Program this year and next year. Some folks talk about tightening up the PCE program to encourage folks to use less energy. Right now there are no disincentives to not be energy efficient. Rural Alaskans are generally pretty conservative in their energy usage to avoid going over the 500 kW/month limit for PCE.

6g. Vitus Marine Update: The two barges were just launched and the first tug was launched last week. Construction of the second tug is still underway. The vessels should be delivered around the first of May. There has been discussion about how we do a christening. We may hold a christening in Seward or Mark Smith may hold a small picnic with hotdogs, etc., in each village he delivers fuel to. Construction costs are running ahead of the projections. We can expand our line of credit at no extra cost to AVEC as Vitus Marine will pay for the cost through the lease. The extra costs may also be absorbed through savings in a better line haul rate that was obtained. So far things are coming together nicely and our venture to drive down transportation costs in rural Alaska is working. Discussion ensued.

6h. Building addition update: Meera distributed a copy of a report with a summary statement identifying the original design and costs for the building addition and renovation of the existing building. Project costs increased and a list of modifications to consider was discussed, including the cost of items we need to have done, like an ADA sidewalk access ramp. Some renovations that we wanted to have done will be put on hold to help contain costs.

6i. Schedule of board meetings: a list showing the schedule of board meetings for 2010 was included in the board packet.

6j. Revised Scholarship Procedure: A copy of the revised scholarship program was included in the board packet. The new procedure allows us to formally roll out two scholarship distributions throughout the year, in coordination with our board meetings. The scholarship applications were amended. The board thanked Katie for working on this project.

6k. Strategic Plan Review: Meera said a copy of the Strategic Plan is always included in the board packet for review. We continue to plug away at the goals. Wind generation is now up to about 3.6% of our net production. We save a lot of money in fuel costs at some locations with wind generation.

## 7. Action Items

**7a. Upon a motion duly made and seconded, Resolution 11-08 Consent Agenda, including 11-09 Year-End Records Cut Off and 11-10 2010 AVEC Annual Report was approved as presented.**

**7b. Upon a motion duly made and seconded, Resolution 11-11 Approval of \$6,000,000 CFC Loan for Plant Additions was approved as amended, to include the signature page.**

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**7c. Upon a motion duly made and seconded, Resolution 11-12 Approval of \$9,000,000 CFC Loan to Refinance Existing Debt was approved as amended, to include the signature page.**

8. Unfinished Business

There was no unfinished business.

9. New Business

9a. Appoint Nominating Committee

Charlie Curtis appointed Phyllis Clough as chair and Helena Jones and Julia Walker as committee members.

So far six members have expressed interest in running for election: Aaron Kameroff of Alakanuk; Joseph Maillelle Sr. of Grayling; Kenny Morgan Sr. of Upper Kalskag; Milton Cheemuk of St. Michael; Angela Kamkoff of Emmonak; and Charles Rudstrom of Brevig Mission. Each of these candidates provided written statements to be read during the election portion of the annual meeting.

10. Executive Session

No executive session was necessary.

11. Board Comments

There were general board comments saying it was a good meeting. Phyllis Clough said she's excited about the good leadership AVEC has. It feels good to be part of an organization that is trying to cut costs.

12. Adjournment

**Upon a motion duly made and seconded, Chairman Charlie adjourned the meeting at 4:00 p.m.**

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Phyllis Clough, Secretary

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Charlie Curtis, Chairman