

**Minutes of the June 3, 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 regular meeting of the AVEC Board of Directors to order at 1:15 p.m. on June 3, 2011, at the AVEC headquarters building. A quorum was declared with all of the board members in attendance.

Charlie Curtis, Chairman
Phyllis Clough, Secretary
Julia Walker, Director

Walter Sampson, Vice Chairman
Fred Sagoonick, Director

Helena Jones, Treasurer
Robert Beans, Director

Others in attendance include:

Meera Kohler
Katie Millen

Mark Teitzel
Amy Murphy

Debbie Bullock
Brent Petrie

Roger Kemppe

2. Declaration of Conflicts of Interest

Chairman Charlie asked if there were any declarations of conflict of interest to declare and there were none.

3. Approval of Minutes

Upon a motion duly made and seconded, the minutes of the Regular Meeting, dated March 21, 2011, and the Organizational Meeting, dated March 22, 2011, were approved as presented.

4. Director Trip Reports

Charlie attended the NRECA Legislative Conference in Washington, D.C. in early May. He said there was a small Alaska contingency there. The Alaska group met for breakfast to discuss issues of mutual interest to support or oppose. For example, the group agreed to support retaining earmarks. Another meeting with all of the participants was held to discuss the four main legislative goals NRECA supports, including increasing renewable energy bonds. He learned about coal ash and how the by-products can be turned into useful items like decorator bricks. Over 3,000 people attended and most of them are older people with gray hair. He learned a lot about issues facing our industry and said it was a very good meeting. Meera also attended the conference and said it was a good trip. She also went back to Washington, D.C. the week before with an NWPPA contingency and that conference was more intense, with fewer people. They made about 35 visits to different legislator's offices in three days, collaborating with other statewide organizations to develop cooperation in supporting issues of mutual benefit. The NRECA board decided to redo the entire resolution process. Meera volunteered to sit on the committee to look at ways to streamline the process, compressing the big booklet of resolutions into something more manageable and easier to work with.

5. President's Report

5a. Denali Commission Update: Brent Petrie distributed copies of a handout providing updates on the funding received to date and the status of various projects. He also used a Powerpoint presentation as he gave a brief recap of the program. The Denali Commission had a meeting yesterday. There is less and less money available so AVEC continues to concentrate on finishing projects in a few villages, while diligently striving to obtain funding from other sources. So far we have received about \$20 million from organizations other than the Denali Commission and we have \$42 million in Denali Commission projects either underway or in close out status. The Alakanuk-Emmonak intertie project is still under construction and the wind turbines have been installed. The turbines aren't operational yet, but should be commissioned later this year. Brent discussed the Cosmos Hills project as well as future plans for Stebbins and Emmonak projects, if we can get funding. Meera said one major concern heard in Washington, D.C. is that the Denali Commission is not in line to get money from the RUS under the High Energy Cost Grant Program. One of the priorities of the visits to various legislators' offices is to get support for the HECGP. The RUS may not share their funding like they have in the past. Unfortunately federal funding for the Denali Commission continues to decrease and this means less funding for our projects. The Denali Commission sunsets in 2013.

5b. Financial Statement: A copy of the latest financial statement dated 04/30 was included in the board packet. So far we are tracking right along with the budget. Our total utility plant is \$136 million, a very impressive number as this is non-grant funded. Ten years ago we had about \$60 to \$65 million in utility plant. We have made a lot of progress.

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5c. Scholarship Applications: Katie provided a recap in the board packet. She said we received 60 completed scholarship applications, which is a huge increase over last year. The Scholarship Committee needs to review all the applications and make their recommendations so we can follow the timeline to award the scholarships and distribute the money. The committee members are Fred, Walter, Helena and Phyllis. Katie gave each of them a packet of applications for them to review and a teleconference will be scheduled to decide who receives scholarship. This is the first year we will award one \$5,000 Ted Stevens scholarship.

5d. Delinquent Account Update: Information about delinquent accounts and collections is in the board packet. Katie Millen said the list of delinquent accounts gets shorter each time. Her staff is more involved in the collections process, which is easier thanks to the new technology. They are working with overdue accounts to reduce the debt. The big delinquent account for one city was discussed. The city will make a payment after they receive their revenue sharing check in June or July. One account that will have to get disconnected is the mission in St. Mary's. Katie provided a summary sheet showing the balances by village. There aren't a lot of delinquent accounts. She also provided a list of accounts that were disconnected in May. Some of these were reconnected after bills were paid. Our consumers are still waiting for the collectors to arrive in the villages, but we don't have to send collectors to the villages any more. The AMR meters really simplify the collection process since we can remotely disconnect and reconnect the meters. The system is working really well.

5e. CWN Rural and Alternative Energy Study: Meera included a copy of a paper framing this issue and described the purpose and scope of this study. This working group has gotten off to a roaring start, with lots of people involved.

5f. Future Meetings – Alaska Power Association Annual Meeting (Wasilla, August. 10-11): Phyllis, Helena, Robert, Fred, Walter and Charlie said they would attend the APA meeting and the NRECA training on the 9th.

5g. Building Addition Update: The remodeling work on the building is going right along with lots of shuffling around of people and boxes. It's been very noisy. The HVAC ducting needed replaced. The next big area getting remodeled is the warehouse, which will be enlarged and have more storage.

5h. New Member Villages: This issue was discussed earlier, with the possible addition of Ekwok and/or Chignik Lagoon. Are there any other prospects? Unalakleet was mentioned. Meera and Mark Teitzel will visit this community.

5k. Skystream Discussion: There was some discussion on the Skystream wind turbines. The Skystreams installed in Shaktoolik are working well. We have been offered the opportunity to deploy a couple Skystreams to see how they work. They are good machines but they are small, at 2.4 kW. They can't generate utility-grade power, but could generate about 7 kW/year. We're contemplating where to deploy them. The Alaska Dispatch recently printed an article about Skystream wind turbines in Perryville and Meera got into quite a debate with the reporter, who didn't do his homework. These small wind turbines are good for homes, but are not a utility-grade machine like we need in our villages. It would take 40 Skystreams to equal the output of one Northwind 100, which means a bigger footprint. Discussion ensued. Walter asked if he could get a brochure describing the Skystream system. Meera pulled up some information on the Internet. Meera asked what the board wants to do. The board authorized Meera to negotiate with the company to install some Skystreams for testing purposes.

Meera mentioned that she has been asked by the Lt. Governor to look at Naknek's geothermal project on June 24th. They will have a candid discussion about energy projects.

6. Action Items

6a. Upon a motion duly made and seconded, Resolution 11-15 Director Expenses was approved as presented.

6b. Rogert Kemppe distributed paperwork regarding the potential purchase of Ekwok for the board to review. The paperwork will be presented to the Ekwok City Council and Mayor for them to review and approve. After they approve the resolution, the AVEC board has the last work on whether or not to approve the purchase allowing Ekwok to become an AVEC member. We need to move quickly on this and we will need a temporary operating agreement approved by the PUC. We can schedule a telephone board meeting to discuss the issue. Mark Bryan and Mark Teitzel both visited Ekwok to evaluate the system. Mark Teitzel prepared a big list of required repairs. Discussion ensued about the pros and cons. Overall the folks seem positive about AVEC coming in and the community really needs some help.

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7. Unfinished Business

7a. Strategic Plan Review: a copy was included in the board packet.

8. New Business

Upon a motion duly made and seconded, the board approved extending the President and CEO's contract for another year and increasing her salary by 2.5%.

There was no other new business to discuss.

9. Executive Session

No executive session was held at this time.

10. Board Comments

Helena Jones said this was a good meeting. She'll be heading to Seward in August as her son is getting married there on August 13. Thank you to Meera and the staff for doing a good job.

Julia Walker said the building looks nice!

Phyllis Clough is excited to see we're working with all the communities to make them sustainable for the future and AVEC is striving to go green. Thanks to Meera and her staff and the lawyers for all they do. She's glad AVEC looks out for its people.

Walter Sampson said this was a very informative meeting. He learned a lot about barges. The board supported what AVEC intends to do with the fuel barge situation, including reinforcing the decision to follow through with the two barges. We made the right decision to build two tug and barge sets, and even though extra cost is involved, we want to ensure the end product is a quality product. We'll work through what is before us as we have done in the past when confronted with challenges. The board will work with management and the lawyers. Thank you to the staff for all their hard work.

Fred Sagoonick said this was a good meeting and very informative. He's glad the board was updated on the status of the tugs and barges. It's a pleasure to work with the board and staff, who are receptive to new ideas and concepts. They are cleaning up the site where the wind turbines will be going up. The mayor still hasn't received a copy of the signed lease agreement. At a public meeting people expressed a request for a new power plant and tank farm. They need more bulk fuel storage capacity. Some old tanks from Koyuk may be refurbished and relocated to Shaktoolik. A survey crew is coming July 2 to do soil sampling. The proposed relocation site is closer toward the foothills. Folks are split between staying and going, due to erosion concerns. It's hard to get funding for relocation purposes.

Robert Beans said his subsistence fishing trip was delayed as his wife needs surgery. It was a good meeting.

Charlie Curtis agreed that this was another good meeting. He hopes for a nice spring for everybody. There is high water in Kiana right now. As always, it's good to see the AVEC family. Thank you so much to Meera and her staff.

11. Next Meeting Date

The next board meeting is August 12, 2011.

12. Adjournment

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

Phyllis Clough, Secretary

Charlie Curtis, Chairman