

Minutes of the August 8, 2011 Board of Directors Meeting Alaska Village Electric Cooperative

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

Chairman Curtis called the regular meeting of the AVEC board of directors to order at 10:53 a.m. at the AVEC headquarters. A quorum was obtained with all of the board members present: Charlie Curtis; Walter Sampson; Fred Sagoonick; Phyllis Clough; Julia Walker; Robert Beans; and Helena Jones.

Others in attendance include: Meera Kohler; Mark Teitzel; Amy Murphy; Katie Millen; Roger Kempfel.

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 June 3, 2011 were approved as presented.

4. Director Trip Reports

There were no director trips to report.

5. President's Report

5a. Denali Commission Update: Matt Metcalf distributed a report that provided an update on the Denali Commission program. He also gave a slideshow presentation. He mentioned close-outs are still underway and gave an update on the Alakanuk – Emmonak intertie. This project has the largest water crossing in the entire AVEC system. The wind turbines should be online by the end of the month, hopefully, once the new Kohler switchgear is installed and operational. We have requested funding for a new tank farm for Emmonak, which along with a new power plant is required before we can provide power to both villages and fully use the intertie. We have had some issues with the city of Emmonak, including road work. STG donated two whole days of labor and trucks for city projects, including hauling gravel over the ice road. The intertie between Brevig and Teller is a hybrid design, with part of it being overhead, part underground and part submersible. We will install two lengths of submersible cable, for redundancy and safety. The cables will be weighed down and buried. The pilings in Stebbins are going in. Matt said the Cosmos Hills project is ongoing and we are getting good information. This hydro project looks promising. They have a wonderful website. The project in New Stuyahok is ongoing. We had some soil issues at the proposed site. The Shaktoolik wind project is ongoing and work should start soon. The turbines are already there. We are trying a new way to prepare foundation bases, which is a pre-cast, post-tension design. This process should be more cost-effective and provide better quality control as the concrete will be poured indoors, in five sections. It should take ten days to get each wind turbine installed. There was discussion about this new method of building the tower foundations. Matt said he will get the cost figures for pouring the foundation concrete on-site vs. pouring the concrete for the foundations in Seattle, where quality control is higher. We hope to finish the installation of these towers before the snow falls. We closed the successful Toksook Bay wind project. The Quinhagak and Mekoryuk wind turbines are operational. Matt discussed AEA's Round 4 grant application process and said we received more money than anticipated, enough to fund 10 projects. AEA's Round 5 grant application deadline is August 26 and their department will prepare and submit more grant applications. We are working with ANTHC to submit grant applications to fund heat recovery projects.

5b. Financial Statements: A copy of the financial statements dated June 30, 2011 was included in the board packet. We are tracking slightly ahead of the budget, thanks to a large patronage capital received from APA. Other than that we are tracking closely with the budget. There are no big surprises. The total utility plant figure is huge, at \$137 million. About \$12 million of that figure is in the tugs and barges. We are still working on closing CWIP.

5c. Delinquent Account Update: Katie Millen provided a list of the delinquent city accounts, which gets shorter each time. There are very few accounts out past 120 days. There are only two residential accounts over \$2,000. Her department is doing well collecting on accounts and the new electronic meters are very helpful.

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5d. Scholarship Update: Katie provided a list of the eight students that received scholarships. A total of \$10,000 in scholarships was awarded, including the first \$5,000 Ted Stevens Memorial Scholarship that went to Brian Stephanoff. The next deadline is August 15, for the second distribution of scholarships. Deceased and unclaimed capital credits are being analyzed and validated in our current system. When that is complete, Katie can provide a true number for the actual current funding level for the scholarship program.

5e. Building Addition Update: Meera gave an update on the status of the building addition and renovation. A lot of progress has been made. The new landscaping is looking nice. We found some asbestos in a couple areas in the warehouse and Meera had a crash course on asbestos to address employees' health concerns. There was a slight additional cost to remove the asbestos. Meera's office is one of the last areas to be done and she needs to toss a bunch of stuff. Overall the construction process has gone well, although it's been very noisy. The construction crew has been very cooperative to work with.

5f. Vitus Marine Update: The first tug and barge set is halfway up the Baja peninsula and should be here at the end of August. The second set of vessels will undergo sea trials soon and will then head up.

Upon a motion duly made and seconded, Charlie Curtis moved the meeting into Executive Session at 11:55 a.m. The board moved out of Executive Session and back into a regular meeting at 12:08 p.m.

5g. Investment Update – Mark Barnum: Mark Barnum distributed a copy of the latest investment report, dated June 30, and gave a brief update of the status of AVEC's investment accounts. The index performance the past year was high and the bonds have been very active. Despite the recent downturn in market performance, our returns for the year are still positive. Mark reviewed the asset allocation by category and briefly discussed the performance of the money managers. The U.S. bond ratings were recently downgraded, which caused things in the market to turn ugly. His advice is to sit still and let the market balance out.

5h. Form 990: Meera included a copy of the 2010 Form 990 in the board packet. This information is available online, at the Guide Star Website.

Meera said normally capital credits are decided on at this meeting, but we are deferring the decision on whether or not to award capital credits until November since we don't have any available cash at this time.

Meera was invited to visit Nunam Iqua to discuss potential membership in AVEC. This small village is located close to Alakanuk and is very nice with a stand-alone utility. They are looking to develop wind, if possible. John Haase, a former AVEC employee, is their primary mechanic. Their system is in pretty good shape.

AVEC held a ribbon-cutting ceremony in Chevak last week and donations from some of our vendors basically paid for the event. We chartered a DC3 to fly guests into the village. Guests included representatives from the entities that provided funding for our energy projects, representatives from each of our Congressional delegates' offices, as well as staff from our contractors as well as AVEC. AVEC staff worked really hard preparing for the event, and were assisted by some of the locals, including Ox Boyscout who made over 300 sandwiches and Hillary Hill who made numerous cakes for the luncheon. These energy projects cost \$17.5 million and included a new, fuel-efficient power plant, two bulk fuel tank farms, and four wind turbines. Planning major events like this in small villages is a logistical nightmare but it was a fun day with beautiful weather and Chevak was very welcoming.

We have been working with Winston Tan to develop a new wage and salary plan. We will bring the revised policy to the board. We were notified we can't "opt out" employees from the NRECA plans, so we will need to adopt a new resolution for NRECA's R&S plans in November.

6. Action Items

6a. Upon a motion duly made and seconded, Resolution 11-16 2011-2012 Schedule of Board Meetings was approved after changing the November 2011 meeting dates to November 3 and 4.

6b. Upon a motion duly made and seconded, Resolution 11-17 Director Expenses was approved.

6c. Upon a motion duly made and seconded, Resolution 11-18 Approval of Purchase and Sale Agreement – Ekwok was approved.

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7. Unfinished Business

7a. President/CEO Review: Upon a motion duly made and seconded, the board moved into Executive Session at 2:08 to discuss the President/CEO Review. The board moved out of Executive Session and back into regular session at 2:28 p.m.

A motion was duly made and seconded to adjust the President and CEO's salary effective June 1, 2011. The motion was approved.

8. New Business

8a. Report from Bylaw Committee: Walter Sampson said the Bylaw Committee (all of the board members) met this morning to review each of the bylaws. Roger Kemppele will provide suggested revisions at the next board meeting for appropriate action.

8b. Strategic Plan: A copy of the Strategic Plan was included in the board packet. We will hold a ½ day Strategic Planning session on November 3rd, the day before the November 4th board meeting.

9. Executive Session (if necessary)

Executive sessions were held earlier in the day.

10. Board Comments

Phyllis Clough said AVEC is doing great under Meera's leadership and the teamwork of all involved. Thanks to everybody for doing a great job. Meera's a great leader and also a kind person. Phyllis is happy we're trying to go green and reduce our emissions. She's excited to be a part of this board with its great leaders.

Fred Sagoonick said the American flag at the front door is looking tattered and should be replaced. He said thank you to AVEC for letting the city use the old fuel tanks. It looks like there's a possibility they can use the NSEDC \$1 million energy grant to secure funding for a tank farm. Discussion ensued regarding the cost and storage capacity required. Meera said AVEC could help them pull the grant request together.

Helena Jones said this was a good meeting. Meera does a good job. She's looking forward to the APA meeting.

Charlie Curtis said he hopes everybody has a safe trip home. Be careful. He hopes everybody gets a moose this fall.

Meera Kohler said thanks for the nice raise.

11. Next Meeting

The next board meetings are scheduled for November 3-4, 2011.

12. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 2:35 p.m.

Phyllis Clough, Secretary

Charlie Curtis, Chairman