

**Minutes of the August 7, 2012 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 9:17 a.m. A quorum was ascertained with all of the board members in attendance:

Charlie Curtis	Walter Sampson	Helena Jones	Peter Demoski
Fred Sagoonick	Phyllis Clough	Robert Beans	

Others in attendance include:

Meera Kohler	Katie Millen	Debbie Bullock	Brent Petrie
Bill Stamm			

2. Declaration of Conflicts of Interest

Chairman Charlie Curtis asked if there were any conflicts 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 1, 2012, were approved as presented.

4. Director Trip Reports

No director trips were taken.

5. President's Report

5a. Project Update: Brent Petrie prepared a written report, with photos, that was provided electronically. Brent gave a brief recap of the status of various projects, which included the funding amounts and sources. We are now receiving more funding from the AEA than from the Denali Commission. We have some wind and small hydro projects under consideration and are working on closing out projects. The Brevig Mission/Teller intertie is still not operational as we discovered both cables were torn out by the storm and ice. We are working with FEMA to try to get funding, but there are some issues involved with that process. We are looking at options for repairing and funding the project. The fuel facilities in New Stuyahok have been commissioned. Work was stopped on the Stebbins bulk fuel project due to the bad behavior of some locals, who threatened some of the workers. STG flew its crew out of the village until security personnel can be hired. There are two weeks of work remaining and the ability for the city to get fuel for the winter is in jeopardy. AVEC staff is working with various state enforcement agencies to try to work things out. We have funding for an intertie between St. Michael and Stebbins and for a backup generator module. We are checking on wind feasibility. A meeting was held to discuss new power plant designs for Emmonak and Stebbins that would use fewer modules and require a smaller footprint. This would make some land issues related to easements a little easier to resolve. We have received a total of \$211.9 million in funding since 2001, and AVEC has contributed a \$17 million match.

5b. Financial Statements: An electronic copy of the latest financial statement was provided. So far we are showing positive margins and are ahead of our budget, mainly due to fuel cost charges being collected. There are always pendulum swings related to fuel costs and collection. We should end the year with a positive margin.

5c. Delinquent Account Update: An electronic copy of the latest delinquent account update was provided. Katie Millen gave a brief recap of the report, which shows the non-payment disconnects for the month of July. The report shows the total amount due and other account information. Katie said we mailed out over 400 letters in July, and 126 accounts were disconnected. Another report listed delinquent accounts with a balance over \$2,000. The City of Kobuk still owes us \$75,000. The sale agreement won't be finalized until they are current with their bill. Other cities with delinquent accounts over \$2,000 include Brevig Mission, New Stuyahok and Shungnak.

5d. Scholarship Update: An electronic copy of the list of scholarship recipients was provided. AVEC awarded \$10,000 worth of scholarships to eight students, based on their current academic performance. It was fun to make

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the phone calls and hear the excitement in the students' voices when they learned they were awarded a scholarship. The students were notified in July and the checks are going out to the schools. We will award another round of scholarships to students for the spring semester.

5e. Fuel Delivery Update: An electronic copy of the fuel delivery report was provided. We ordered 5.7 million gallons. We typically fill all of our tanks. We may not use all the fuel, but we can be an emergency fuel source for the community if it is absolutely necessary. We have paid an average of \$4.02/gallon so far. The cost will be close to last year's cost, but we still have some air deliveries coming up. Some good news is that we were able to get fuel barged in to Ambler this year. Some villages received more fuel than ordered. We prepaid for our fuel this year, to help Vitus Marine with operating expenses this first year. Fred said some of the members in Shaktoolik were very impressed with the tugs. Meera said to encourage our members to go on board the tugs and barges for tours, if possible. Discussion ensued, including concern about future fuel deliveries by air as there is no competition and only one carrier to fly fuel. That is just not enough capacity, especially in the winter.

5f. Investment Update: Mark Barnum called in and gave a brief overview of the year-to-date investment report. He said we had a low rate of return in our equity accounts, partially due to low interest rates. We had negative returns this last quarter, but still have positive returns year-to-date, which is a better performance than the overall market. We are experiencing a slowing global economy, especially in the international markets. On the stock portion of our account we showed a loss for the quarter, underperforming the market. One manager has been placed on watch. Mark recapped the target allocation and portfolio diversification showing values as of 3/31 vs. 6/30. Overall the portfolio is still doing well.

5g. All Alaska Energy Project Overview: Meera gave a brief overview of the Alaska Energy Project presentation that was put together for the Commonwealth North Energy Coalition. There was a good turnout, including some legislators who were very interested in the concept. She's making presentations to various organizations, including the RCA. This is a solid solution to Alaska's increasingly high energy costs and impending lack of natural gas supply in southcentral Alaska. The proposed solution would use the North Slope's stranded natural gas and HVDC transmission lines to bring the power to regional centers and then out to the small villages. This project would be built out in stages. Not every village could get power this way, so the PCE program would have to be modified to ensure that everybody in the whole state benefits from the project. Discussion ensued. Meera said the concept is gaining momentum.

5h. CFC Key Ratio Trend Analysis: A copy of this report was included in the board packet. This report shows a range of key system operating, expense, growth and other performance indicators.

5i. NRECA 2013 Distinguished Service Award: An electronic copy of this information was provided. Senator Lisa Murkowski received this award for her support and political determination that has advanced the work of electric cooperatives during her congressional career.

5j. Thank you note from Andrew Brown: Andrew Brown sent Meera (and the board) a handwritten thank you note saying it was good to see the new tug boat, the Naniq, and the barge. He feels it was a good decision to build the new boats instead of paying absentee owners of other barge lines. He's sure AVEC will save a lot of money and said thanks for approving this decision that will benefit AVEC's members.

Meera distributed a draft letter regarding reimbursement for Julia's funeral expenses. Discussion ensued. The board directed that the letter be issued.

Meera said she is on NRECA's board of director and also on the International board. The group is taking a trip to Bolivia to celebrate their 50th anniversary celebration of rural electrification. She will cover her expenses but requested that the board consider allowing her administrative leave to attend. The board had no objection to the utilization of administrative leave.

6. Action Items

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6a. Upon a motion duly made and seconded, Resolution 12-17 2012-2013 Schedule of Board Meetings was approved after changing the November meeting date to the 20th.

6b. Upon a motion duly made and seconded, Resolution 12-18 Director Expenses was approved as presented.

6c. Upon a motion duly made and seconded, Resolution 12-19 2011 Capital Credit Allocation and Retirement, was tabled.

6d. Upon a motion duly made and seconded, Resolution 12-20 Approval of Kobuk Purchase and Sale Agreement was approved. During discussion, Meera said the agreement will not be finalized until the City of Kobuk meets certain terms and conditions, including payment of all outstanding balances due to AVEC.

7. Unfinished Business

a. The APA Annual Meeting is August 8 – 10 in Juneau. Helena, Robert, Charlie and Peter are attending.

8. New Business

8a. Strategic Plan Follow Up Discussion. The board and management team will receive copies of the revised strategic plan document when it is completed.

8b. Director Fast Track Training in Anchorage is November 5 – 9, 2012. Peter will not be able to attend.

9. Executive Session

There was no need for an executive session.

10. Board Comments

Fred Sagoonick said this was another good meeting. Thanks to Meera and her staff. Keep up the good work.

Phyllis Clough said she was glad we had another strategic planning retreat to set the direction for the cooperative to take. Thanks to Meera, the staff and board for all their hard work. She is excited to see what Meera and others are doing to try to decrease costs in rural Alaska.

Walter Sampson said thank you to the staff. This was a good meeting. He feels it's a good change to start going paperless. The process will improve with time. The Stebbins issue is not good. We need to make sure things are documented well and show steps we have taken. We need to figure out the extra cost factor associated with this issue and let the village know they need to take steps to ensure this uncalled for behavior is taken care of. We need to work together to try to improve life in rural Alaska. AVEC needs to provide service to our members and it costs a lot of extra money if we have to get security and protection for people to travel to the villages to do business.

Peter Demoski said he concurs with Walter's comments. He said thank you to the board for accommodating his travel schedule for the ice freezing up. He lives in the old way and traps during the winter.

Helena Jones said this was a good meeting. She will have fun learning how to use the iPad. Stebbins isn't the only village having problems. There are other villages with vandals committing thefts. There are a rising number of "terrorist" kids that need to be taken care of somehow.

Fred Sagoonick asked what to do with the PDF files that they don't need after the meeting? He receives the NWPPA Bulletin (magazine) and there was an article on cyber security. Do our IT guys know about security issues and does AVEC have a plan for recovering data? Meera said we don't have a grid yet so we're not as vulnerable as utilities in the Lower 48. Sherry Kent gave a quick overview of AVEC's networks and security systems.

Meera said Brent Petrie plans to retire in January and Steve Gilbert will be hired as his replacement. Steve previously worked at Chugach Electric and has experience working with wind projects.

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Charlie Curtis said it's always a blessing to see everybody. He hopes the fishing season gets better. We'll see you all in November.

11. Next Meeting: November 20, 2012

12. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 12:18 p.m.

Charlie Curtis, Chairman

Phyllis Clough, Secretary