

AVEC Board of Directors Meeting Minutes January 11, 2013

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

Chairman Charlie Curtis called the AVEC Board of Directors meeting to order at 10:04 a.m. at the AVEC headquarters in Anchorage. A quorum was ascertained with all of the board members in attendance:

Charlie Curtis, Chair, Walter Sampson, Vice Chair, Phyllis Clough, Secretary, Helena Jones, Treasurer, Robert Beans, Peter Demoski and Fred Sagoonick.

Others in attendance included:

Meera Kohler, Bill Stamm, Steve Gilbert, Katie Millen, Debbie Bullock, Roger Kemppe and Amy Murphy.

2. Declaration of Conflicts of Interest

Chairman Charlie 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, approval of the Minutes of the Regular Meeting dated November 20, 2012 were tabled until the next meeting.

4. Director Trip Reports

No director trips were taken.

5. Committee Reports

5a. Budget & Audit Committee: Committee Chairman Walter Sampson said the committee met with Joy Merriner of Mikunda Cottrell earlier this morning. Joy reviewed the engagement letter for the audit and also went over the completed Form 990. Walter said it was an informational meeting with no action required.

6. President's Report

6a. Investment Report – Mark Barnum, UBS: Mark Barnum participated telephonically and provided an electronic version of his report for the board. He reviewed the 4th quarter performance information and their predictions for 2013. We saw a good return on our equities. One manager is still on watch status as they had a volatile year and haven't been performing as well as they used to. For 2013 they are expecting lower returns than we have seen in the past few years. Even though our accounts are diversified, he wants to discuss a different diversification option at the next meeting. Some positive things are happening in the market and hopefully we will avoid a recession.

6b. Denali Commission Project Update: Steve Gilbert introduced two new staff members in his department, Forest Button and Alyona Selhay. Steve reported on projects we are currently involved with and their funding status. Steve is very impressed with the amount of work the small team does. He's excited to lead the team. In September we submitted 14 applications for grant funding to the AEA. Four of those applications were rejected and then challenged, with one of the applications being put back in the queue. Eleven of our applications are being considered. Discussion ensued. We need to do more relationship building and more education about some issues, including the wind map used for application evaluations as it is very general and not completely accurate. We were awarded two grants from the RUS High Energy Cost program worth \$5 million. These grants will fund two intertie projects (St. Michael-Stebbins and New Stuyahok-Ekwok) that are scheduled for 2014. We have been actively working to capitalize the Quinhagak project. Work continues on preparing documentation to apply for FERC licensing for the Old Harbor hydro project. Lots of data collection is required. We need to look at the construction review and hope to make an application to FERC by the end of April. We are still working on the CAPSIS applications and have a cluster of 11 projects worth \$119 million. We are collecting resolutions and letters of support from each of the communities and developing fact sheets on each project. The requests need to be uploaded to the legislative website by February 4th.

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6c. Financial Statement: A copy of the Financial Statement dated November 30, 2013 was included in the board packet. Meera said we are doing better than the budget as far as margins go. She hopes we end the year with a positive operating margin. Debbie just filed the new fuel and PCE rates. The average cost of fuel is \$4.03/gallon. The outlook for 2013 is that costs will be about the same as last year. The average PCE amount increased slightly. Meera prepared a report for Peter Demoski about high energy costs and what AVEC is doing to contain the costs. The Denali Commission has been an important funder for AVEC communities but unfortunately the program has been cut substantially. Our projects have been a high priority to them, especially the Emmonak – Alakanuk family of projects. Grants awarded through the State Renewable Energy fund have also been very beneficial to AVEC. We still have more work than we can do, with \$25 - \$30 million in the pipeline this year.

6d. Delinquency Updates: Katie Millen provided copies of the list of delinquent accounts with balances over \$2,000. Notes are included that show the status of the accounts and actions taken. Katie said the total amount of delinquent accounts (90 days past due) is about \$600,000 for the whole system. Her department continues the collection process on all the overdue accounts. Katie discussed the city accounts and said Nightmute doesn't have a telephone and hasn't responded to written communication efforts. They haven't had a mayor for a long time. We can't get electronic meter reads because the phone lines are of extremely poor quality.

6e. APA Legislative Conference: The conference is February 26-27, 2013 in Juneau. Charlie, Robert, Helena, Peter and possibly Fred will attend the conference. Rooms have been reserved at the Baranof.

6f. ACRE/CARE Membership: All of the board members wished to participate in ACRE/CARE. Once again AVEC has 100% board participation.

6g. Annual Meeting Update: Katie provided a list of locations that have held their village annual meetings for 2012-13 and attained a quorum. So far 20 villages have held meetings and David Kaganak of Scammon Bay won the November Early Bird chairman drawing.

6h. Thank you letter from Pilot Station: The city of Pilot Station sent a very nice thank you note for the surveyor's stakes we donated to them to use to mark trails that are used by both locals and visitors.

Meera said she has been spending a lot of time promoting the All Alaska Energy Project and awareness of this issue has grown across the state. It is now on the table with the other big projects including the Fairbanks LNG project and the Watana hydro project. The situation in Southcentral Alaska is becoming more dire and Anchorage may have to import LNG. The state is heading towards an economic disaster and we need to act sooner rather than later. The State is still in denial but Fairbanks is interested.

Meera will prepare a bullet list of items for the board members to review and promote during their trip to Juneau. She put our lobbyist on notice about the AAEP project, which has a high priority along with the PCE project. The Alaska Energy Authority is far behind on making PCE payments to us. They are not paying within the statutory timeframe and they are trying to deny payments to certain entities. AVEC will draft a resolution for community facilities operators to adopt to ensure they get the PCE payments they are entitled to.

Kobuk is an official member of AVEC as the RCA approved the CPCN transfer. KVEC owed us lots of money so we didn't officially approve the final paperwork until they made arrangements to pay us. We now have 55 villages. We are in the process of switching meters to AMRs and are taking over the old phone line.

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

A lunch break was taken from 12:00 to 12:30 p.m.

7. New Business

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7a. Upon a motion duly made and seconded, Resolution 13-01 Consent Agenda including 13-02 Director Expenses; 13-03 New Memberships; and 13-04 Collections Representatives – Member & Employee Relations Staff; was approved as presented.

7b. Upon a motion duly made and seconded, Resolution 13-05 Statement of Nondiscrimination was approved as presented.

7c. Upon a motion duly made and seconded, Resolution 13-06 Year-End Consumer Charge Offs was approved as presented.

7d. Upon a motion duly made and seconded, Resolution 13-07 Amendments to Annual Leave Policy was approved as presented.

7e. Upon a motion duly made and seconded, Resolution 13-08 Personnel Policy #1073 was approved as presented. Meera said we hired somebody to perform an overview all of our policies and there are some issues in the annual leave policy that had to be dealt with right away so we are in compliance with NRECA's policies.

8. Old Business

8a. A copy of the Strategic Plan was included for reference purposes.

9. Executive Session

Upon a motion duly made and seconded, the board moved into Executive Session at 12:37 to discuss financial matters. The board moved out of Executive Session and back into the regular meeting at 1:12 p.m. No action was taken.

10. Board Comments

Helena Jones said it was a good meeting. She hopes everybody had a Merry Christmas and Happy New Year. She was very busy over the holidays with her family. It's good to be here.

Peter Demoski said he's very interested in reducing the cost of electricity in the villages, sooner rather than later, but he's learning there isn't a quick solution. He has been to a few alternative energy meetings and he's tired of hearing about biomass. Steamboats used to run on wood and the hills around Nulato were deforested after supplying wood for the steamboats. If folks use biomass for energy, it could reduce their trees and future wood supply. He likes that we are continuing to advocate for natural gas. He is still learning a lot about AVEC. The staff is dedicated and professional.

Phyllis Clough said she worries about rural Alaska. The high costs of fuel, energy, and everything out in rural Alaska is hard on people and more folks are moving out of the villages to places like Anchorage. Thanks to the board and staff for working to make things better for our communities.

Walter Sampson said ditto; thanks to the board and staff for working together and putting this meeting together.

Fred Sagoonick said it's good to see everybody again. We have another exciting year ahead of us, but we can tackle it. We are becoming a bigger and better organization. He loves these meetings. There is a good connection between the board and staff.

Charlie Curtis said he's glad to see everybody again and he hopes everybody has a safe trip home.

Meera Kohler said it was a good meeting with good participation. She's glad folks are willing to speak up.

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11. Next Meeting Dates

The next board meeting is April 9 and the Annual Meeting is April 10, 2013 at the Coast Hotel.

12. Adjournment

Upon a motion duly made and seconded, Chairman Charlie adjourned the meeting at 1:23 p.m.

Charlie Curtis, Chairman

Phyllis Clough, Secretary