

AVEC Board of Directors Regular Meeting Minutes September 23, 2013

1. Call to Order

Chairman Curtis called the AVEC Board of Directors regular meeting to order at 11:12 a.m. on September 23, 2013 at the AVEC headquarters in Anchorage. Chairman Curtis delivered an invocation. A quorum was ascertained. Walter Sampson's absence was excused. The following board members were in attendance:

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

Others in attendance included:

Meera Kohler	Mark Bryan	Bill Stamm
Katie Millen	Debbie Bullock	Amy Murphy
Roger Kemppe		

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

3a. Upon a motion duly made and seconded, the minutes of the Regular Meeting on June 7, 2013 were approved as presented.

3b. Upon a motion duly made and seconded, the minutes of the Special Teleconference on August 23, 2013 were approved as presented.

4. Director Trip Reports

There were no director trips to report on.

5. President's Report

5a Project Update: Meera gave a brief update on our major projects. The Stebbins power plant is 65-70% complete and construction should be finished by the end of the year. The new plant uses a new design that is a single building instead of multiple modules. The new plant should be fired up in March. When we retire the old plant it will be moved off of the airport land. The new plant will serve both Stebbins and Saint Michael after the intertie is built next year. There was some discussion about the problem with vandalism last year. Not as much damage is occurring this year. ANTHC hired full-time security to stand watch over their project. We received full funding for the Emmonak bulk fuel and power plant. The community suffered significant flood damage this year.

We are submitting an application for the Old Harbor hydro project in the Renewable Energy Fund Round 7 application process. The Old Harbor project costs significantly less than the Cosmos Hills project. We are submitting six applications this year (list provided) by Tuesday, September 24th. There was some discussion of the Marshall Wind project. ANTHC's recovered heat projects seem to be working well and provide heat mainly to water plants. Some new projects to convert excess wind energy to heat are either underway or have applications being submitted for funding consideration. There was a contentious village meeting in Koyuk that showed there is not much support for a wind project. We will withdraw the application and return the remaining funding of \$130,700. We were granted RUS HECGP funding for both the Stebbins to St. Michael and New Stuyahok to Ekwok interties in January. Last week a grant agreement with the Denali Commission for the Stebbins to St. Michael intertie was established. Funding for the New Stuyahok to Ekwok intertie will come directly from RUS to AVEC. The Cosmos Hills feasibility study was completed by WH Pacific in September. The study concluded the Kogoluktuk River is the best prospect but the \$35.6 million cost is very high. The project would include a 700 kW run of river hydro plant and a road and interconnection with Shungnak and will supply power to both Shungnak and Kobuk.

5b. Financial Statements: Meera gave a brief review of the latest Financial Statement for the period ending July 31, 2013. We are tightening our belts and trying to reduce costs as much as possible. Overall we are tracking

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with the budget but our negative margins are very high. We hope that higher sales in the winter months will significantly offset losses to date.

5c. Delinquent Account Update: Katie Millen said the list of delinquent (non-city) accounts with balances over \$2,000 is very short, with only three consumers. The next disconnection list has about 300 people. Typically ½ of these accounts will get disconnected and the other ½ will pay their bill. The list of delinquent city accounts was discussed. The member services staff is actively pursuing the delinquent accounts. We expect significant cash receipts when the PFDs go out.

5d. Scholarship Update: Katie Millen gave an overview of the most recent scholarship application period and provided a list of applicants for the committee to review. The applications show dedication and enthusiasm. A total of \$10,000 was awarded for the fall disbursement, leaving \$5,000 available for spring disbursement. The committee will get together and make their recommendations.

5e. Fuel Delivery Update: A recap of the 2013 Fuel Summary by Village was provided. We ordered 5.7 million gallons and have received 4 million gallons. Several villages recently received fuel but aren't on the list yet. The average cost of fuel is \$4.08, compared to \$4.02 last year. One reason the fuel cost is higher this year is due to the financial requirements on long-term debt. We revised our contract with Vitus to pay for their debt service requirements. Debbie Bullock said the revised PCE rates were just filed. Ambler, Shungnak and Kobuk all show an increase in fuel costs as barges were unable to deliver due to low water.

5f. Investment Update: Mark Barnum and Brent Reys with UBS provided a detailed portfolio analysis for the second quarter of 2013. Mark gave a recap of the index performance, the flash report as of August, and the performance summary. So far our numbers are looking good and our investments have performed well. Mark gave an update on the performance of the various money managers. The market outlook was discussed. Things are looking good this year on the investment side and we will stay the course and continue placing an emphasis on capital preservation.

5g. Bethel Utilities Acquisition Update: Covered during the Bethel Utilities work session held prior to this meeting. TDX dropped their lawsuit, smoothing the way for us to get regulatory approval to purchase the utility.

5h. ACRE/CARE membership: The board members in attendance approved contributing to ACRE/CARE at the \$50 level, with a 50/50 split between ACRE/AK CARE. Robert Beans will contribute \$100 solely to AK CARE.

5i. Future Tariff Amendments: AVEC is looking at some future tariff amendments. One amendment pertains to LED streetlight installations, which will see a reduction in cost. Another amendment pertains to our wind generation projects. The costs to construct, operate and maintain these wind projects is paid for by all of the members while the benefits go to the communities that have the wind turbines. Discussion ensued about a potential surcharge to the communities that receive the benefits from wind to help pay for the costs. There was also some discussion about other future tariff amendments related to the purchase of Bethel Utilities.

Meera said we received a Potential Responsible Party (PRP) letter from the DEC on Kaltag. There are several abandoned tank farms there, including AVEC's, and the state is cleaning them up. We were notified that we may have to pay for part of the cleanup. Meera wrote the Commissioner of the DEC about the cleanup of contaminated land. This is a big problem throughout the state and we need a systematic plan to deal with it. AVEC pays for cleanup costs but few others do. Meera said a discussion is scheduled with DEC and we need to prepare a priority list of sites and fees and costs already incurred.

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

6. Action Items

6a. Upon a motion duly made and seconded, Resolution 13-19, 2013-2014 Schedule of Board Meetings, was approved as presented.

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6b. Upon a motion duly made and seconded, Resolution 13-20, Director Expenses, was approved as presented.

6c. A motion was duly made and seconded to approve Resolution 13-21, RUS Mortgage Amendment.

Meera said this amendment changes the TIER and debt service coverage levels we need to meet. The amendment reduces those levels based on investment in generation plant vs. distribution plant. TIER levels are much lower for generation and transmission cooperatives while distribution cooperatives have higher levels. AVEC has a high percentage of generating assets. The amendment would give us a blended TIER requirement and help us meet our loan covenants. **Resolution 13-21 was approved as presented.**

7. Unfinished Business

7a. The APA Annual Meeting and Director Training takes place September 24-26 in Girdwood. Robert Beans, Charlie Curtis, Peter Demoski, Phyllis Clough and Helena Jones are attending the training and annual meeting.

7b. Bylaw Considerations: a future work session will be scheduled to discuss this issue.

7c. Strategic Plan: a copy is included in the board packet for review purposes

8. Executive Session

Upon a motion duly made and seconded, the board moved into Executive Session. The board moved out of Executive Session and back into regular session at 1:26 p.m. The staff returned to the room.

9. Board Comments

Fred Sagoonick apologized for not being able to attend the APA annual meeting. This is a busy time of year for him. He hopes the board members have a good APA meeting and training session. This was another good meeting.

Phyllis Clough said thanks to Meera and the staff for all their continued hard work. She also thanked the scholarship committee for making funds available to our students to obtain higher education. She is glad AVEC continues to support the PCE program to help keep electric costs low for our members. She also said thank you to the board members for their time and efforts.

Peter Demoski said the changing weather patterns messed up his schedule, which is why he missed the June 4th board meeting. He looks forward to hearing discussion on the natural gas project in Prudhoe Bay that would provide natural gas to Fairbanks and Anchorage. He would like to see a presentation on natural gas and alternative energy projects at a board meeting. Meera Kohler said that can be arranged.

Helena Jones said this was another good and successful meeting. She appreciates the opportunity to receive more training as it is very beneficial, even though she is a long-time board member. She is looking forward to the APA meeting.

Robert Beans didn't have any comments.

Charlie Curtis said it's good to see all of you again. Looking back on AVEC's evolution from the beginning to what we have become now is pretty awesome. He is very proud of AVEC. He said developing a historical summary would be good. It's important to communicate with people to let them know how far we have come and what we are all about. We need to let people know about our achievements and how we have overcome numerous challenges. AVEC makes a big difference in our people's lives in terms of impact. It's very exciting. Meera said AVEC produced a historical booklet in 1992 named "Village Phoenix," written by Loyd Hodson.

Fred Sagoonick suggested having staff members do some historical research on AVEC when they are in between projects. He said it would be great to see a short story book about AVEC, or have somebody write a

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series of stories or articles about AVEC's board members and employees. Some of the stories could be printed in the Ruralite.

Charlie Curtis said it's good to see everybody again and said good luck hunting. Thanks to everybody for a job well done and he hopes everybody has safe travels.

10. Next Meeting

The next board meeting is November 15, 2013.

11. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 1:45 p.m.

Charlie Curtis, Chairman

Phyllis Clough, Secretary