

AVEC Board of Directors Regular Meeting Minutes November 15, 2013

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

Chairman Charlie Curtis called the AVEC Board of Directors regular meeting to order at 10:18 a.m. on November 15, 2013 at the AVEC headquarters in Anchorage. Phyllis Clough delivered an invocation. A quorum was ascertained with all of the board members in attendance.

Charlie Curtis
Robert Beans

Fred Sagoonick
Peter Demoski

Helena Jones
Phyllis Clough

Walter Sampson

Others in attendance included:

Meera Kohler
Katie Millen

Mark Bryan
Debbie Bullock

Bill Stamm
Amy Murphy

Steve Gilbert
Roger Kempel

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 board of directors Regular Meeting, dated September 23, 2013, were approved as presented.

4. Director Trip Reports

Most of the board members attended the APA Annual Meeting in Girdwood in September (Fred and Walter weren't able to go). Phyllis Clough said the board member training they attended really got her thinking about her duties as a board member. Obtaining education like this really helps and benefits both the board and the cooperative. They learned how to make decisions. She said the trainer emphasized that everybody on the board needs to support the majority's decision, even if they personally didn't support it. She really liked the lawyers who spoke during lunch one day. They were very interesting and presented great information. Helena Jones said there was a good turnout for the training and she felt like it was the best course she has taken so far. She said receiving training like this is beneficial, even if she has been a board member for many years. Peter Demoski also enjoyed the training session, which talked about the culture of boards. He sits on many different boards and found the material presented to be very enlightening. Each board has a culture of some sort, although some of the principles discussed would be hard to apply to a city or tribal board as everybody comes from the same community and already have a long-standing "culture" developed outside of the board. Charlie said one thing he learned during the training is that a culture is created, no matter what. This pertains to NANA too. The class was an eye opener as it explained how some boards may prohibit growth. Some boards create a culture of dominance by some members while others are quiet. The AVEC board has cohesiveness and trust and a responsibility of serving almost half of rural Alaska. It's an honor to be on this board. This is one of the best trainings he has ever gone to. Charlie Curtis said some boards are very rigid and have combative sessions. We have a "human" board and we want to be the best utility in Alaska. Walter Sampson said he was sorry he couldn't make it. Education and training are things we need to take advantage of as it helps make improvements in how we work together. We need to be open with our members and up front with them. The board's responsibility is to continue to improve and we have made headway the last few years. He appreciates time spent on training.

Meera Kohler said there are some governance issues related to the Bethel Utilities Corporation acquisition that the board needs to consider. Based on a recommendation from the board, she will set up a facilitated work session to explore these issues and how to handle them. After looking at their schedules, the board said December 20, 2013 is a good day to hold the training.

Meera said support is growing for the Alaska Grid project. She is making a presentation to the Alaska Municipal League meeting next week.

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5. Committee Reports

5a. Budget & Audit Committee: Chairman Walter Sampson said the committee met earlier this morning to review the budget and they had a good, detailed report on projected revenues and expenses. There are some issues related to the Bethel Utilities acquisition that the board is looking forward to working on. He's glad to hear AVEC is looking at ways to decrease costs. The board will review various proposed tariff changes at the next board meeting, including a possible fee for credit cards and a surcharge for communities with wind generation to recoup the operating costs related to the wind turbines.

6. President's Report

6a. Energy Projects Update: Steve Gilbert gave an update on the energy projects AVEC is working on. STG said the construction portion of the Stebbins power plant was expected to be finished the first part of December. However the original schedule may slip depending on damages incurred during the November storms. The interior walls are 90% complete and the gensets have been placed and the fire suppression installation should be complete by the end of the year. Final testing and start up should be complete by February 2014. The Stebbins to St. Michael intertie project has been delayed due to a realignment of the road that we were not aware of until October. We are working toward 95% design by end of November. Construction will be moved from the summer of 2014 to the winter of 2014/2015. The Emmonak project is on schedule to go out for bid in December. The Elim project is delayed, waiting on FAA determination. We anticipate a start in either mid-December or early next year. Progress continues on the Old Harbor hydro project. The FERC license application has been submitted. It's possible we could have a permit by late 2014 or early 2015. We applied for design funding for this project in the Renewable Energy Fund (REF) Round 7. We submitted six other applications in the REF Round 7 and have received no requests for clarifications to date. ANTHC is working on wind-to-heat designs in four communities: Chevak, Gambell, Mekoryuk and Shaktoolik. Funding for the New Stuyahok to Ekwok intertie will come directly from Rural Utilities Service (RUS) to AVEC. AVEC needs to perform a base-line environmental assessment before funding is released. The Cosmos Hills feasibility study was completed by WH Pacific on September 6th. The study concluded the Kogoluktuk is the best prospect, but the cost is very high at more than \$35 million. A MET tower has been collecting wind data at Scammon Bay for a year. The data suggests a good wind regime but also shows periods of heavy icing. We heard the recent storm caused even more damage to the spit in Teller and Brevig Mission.

6b. Financial Statement: Meera Kohler said we reviewed the financial statement during the budget and audit committee meeting. The financial statement included with the board packet is dated 9/30/2013.

6c. Delinquent Account Update: Katie Milled distributed copies of the list of delinquent accounts with balances over \$2,000 with the city accounts removed. There is only one person on that list. More good news to report is that there are no delinquent city accounts. This is the first time this landmark has been achieved. It's something to be proud of. Meera Kohler and the board members complimented Katie Millen and her team for doing such a great job collecting on all of our accounts. Katie said having the AMR meters really helps.

Katie Millen gave an update on the annual meeting. Villages can start holding their annual meetings on November 1 and three communities held their village annual meeting on November 2. So far six villages have sent in completed paperwork and three meetings have been officially certified. Villages have until March 1 to hold their meetings.

6d. 2013 Fuel Delivery Status / Recap from Vitus Marine: Mark Smith distributed a copy of a report that lists highlights of the second full season of deliveries using AVEC's tugs and barges. A little over four million gallons of fuel were delivered on AVEC's behalf, including Kotzebue Sound areas contracted to Crowley. The average AVEC price per gallon was \$4.03/gallon. Vitus now has substantial operations in aircraft refueling, terminal sales and on-shore fuel deliveries so they changed their name to Vitus Energy to better describe everything they do. However, the name Vitus Marine will still be used for their marine business. The tugs and barges also moved AVEC freight to individual locations with an estimated savings of \$28,000. Fred Sagoonick asked about the log that damaged one of the tugboats this past summer. Mark explained that the damaged propeller was repaired in Nome. Mark answered questions from the board. Fred Sagoonick asked about the possibility of shipping bulk propane as propane is very expensive.

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6e. Bethel Utilities Acquisition Update: Meera Kohler said that on October 29, 2013 the RCA approved the Transfer of Bethel Utilities Corporation's Certificate of Public Convenience and Necessity to AVEC. This decision was issued six weeks early, which is very helpful. Shortly after that AVEC's management team participated in a dynamic planning meeting and identified nine key tracks to pursue. Alden Worachek has been appointed overall project manager and each track has a team leader assigned to work on developing, and fulfilling, tasks related to their track. The Bethel Acquisition team will hold a weekly meeting to report on progress they have made. Meera is going to fly to Bethel soon to meet all the staff members there. Tom Sterrett in the Anchorage office is the Bethel Utilities liaison and he participated in the first planning session. We only have 5.5 months to ensure a smooth transition. The board has their own track to work on, which is governance issues. We will have a facilitated work session for these issues that will require tariff and bylaw changes.

6f. RUS Form 300: A copy of the recent RUS Form 300 was included in the board packet. Meera Kohler said we are very proud of it. Eric Marchegiani with the RUS completed the inspection and was really pleased with the progress AVEC has made addressing issues raised during the last review. Our ratings used to be mainly 2s, but this time we earned mainly 3s, which is good. Mark Bryan said the board needs to formally accept the review of the Form 300 report.

Upon a motion duly made and seconded, the AVEC Board of Directors accepted the RUS Form 300 report as presented.

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

7. New Business

7a. Upon a motion duly made and seconded, Resolution 13-22 Director Expenses was approved as presented.

7b. Upon a motion duly made and seconded, Resolution 13-23 2014 Operating Budget was approved as presented.

8. Old Business

8a. Strategic Plan (included in board packet for informational purposes). Meera Kohler said we will hold another Strategic Planning session after the Bethel acquisition is concluded.

9. Executive Session

An executive session was not needed.

10. Board Comments

Fred Sagoonick said some of the members in his community have expressed concern about the treated timber being used at the AVEC tank farm. What happens if there is a fire? Meera said treated timber is used in tank farms all over the state and does not pose a fire danger. Fred also said there is concern about the proximity of the tank farm to the eroding beach line. Meera Kohler said we are concerned too and are watching this area. The tank farm is scheduled to get a life-extension upgrade and we're bringing in two newer tanks from Elim. However, we have to rebuild the tank farm on the existing site. Fred said the city realizes it needs to get busy making relocation plans as the storms are increasing the erosion problems. There is concern the river may erode enough to create an island. That would also damage the water supply.

Robert Beans said there are a lot of old tanks in the villages that need disposed of. If they are eligible to be used for erosion control, we could get the tanks moved, cleaned up and cut up to form a dike or seawall and prevent further erosion. Meera Kohler said a there has been discussion about this and this is a good potential use for the old tanks.

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Peter Demoski said Meera Kohler's recent back page article in the Ruralite about Bethel Utilities spurred a lot of calls to him. Members wanted more information about the acquisition, including the cost, board representation and other issues. Peter asked Meera if she could write up something to address these concerns that he can present at the village annual meeting. Meera said she will write something up and provide it to all the chairmen. Peter Demoski said he has been looking at the big list of tasks that AVEC has to work on related to the Bethel Utilities acquisition to ensure a smooth transition. Peter said it looks very ambitious and he said good luck to the staff in accomplishing this project.

Helena Jones said a meeting was held in Noorvik regarding the wind towers but it was during AFN so she couldn't attend. Steve Gilbert said he participated in the meeting by telephone. This is not an AVEC project. The NWAB is providing funding and hired Coffman Engineers. AVEC is providing input. At the meeting they discussed the location for the wind turbines. Data has been collected at two sites. AVEC prefers the closer site as it would be less expensive and easier to maintain the wind turbines. However, some folks prefer the other location which is farther away from town. This would be harder to maintain and more costly to build. Discussion ensued.

Phyllis Clough said thank you to the staff for their dedication to help our rural communities and thanks to the board members too. She's glad AVEC is doing what it can to lower the cost of energy in our communities. Alaska isn't seeing as much outmigration from the villages, which is good. She is excited about the hydropower project and hopes the hydro plant will eventually get funded and built. She hopes other villages are able to get renewable energy projects too.

Charlie Curtis said he is glad everybody made it to the meeting despite the bad weather. He hopes everybody has a safe flight home. He is looking forward to the work session on December 20. Happy Turkey Day!

11. Next Meeting:

A governance work session will be held on December 20, 2013. The next regular board meeting is January 10, 2014.

12. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the board meeting at 1:02 p.m.

Charlie Curtis, Chairman

Phyllis Clough, Secretary