

AVEC Board of Directors Regular Meeting Minutes January 10, 2014

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

Chairman Curtis called the regular meeting of the AVEC board of directors to order at 10:30 a.m. on January 10, 2014 in the headquarters building in Anchorage, Alaska. Phyllis Clough delivered the invocation. Peter Demoski's absence was excused. A quorum was determined with the following board members in attendance:

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

Others in attendance included:

Meera Kohler	Roger Kemppel	Debbie Bullock	Amy Murphy
Katie Millen	Steve Gilbert	Bill Stamm	

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 Regular Meeting of the AVEC Board of Directors dated November 15, 2013 were approved as presented.

4. Director Trip Reports

There were no director trips to report on.

5. Committee Reports

5a. Budget & Audit Committee: Walter Sampson, Chair, reported on the committee meeting. The 2013 audit will be conducted by BDO, which is the firm that recently bought Mikunda Cottrell. Mladen Begojevic, AVEC's lead auditor, explained what is involved with the audit process and who's responsible for what. Lia Patton also gave a brief presentation on the fiduciary responsibilities of the AVEC board members. Staff discussed a list of potential tariff charges and explained the rationale behind them. The proposed tariff changes will be developed to include more detail and presented to the committee at the April meeting.

Upon a motion duly made and seconded, the Budget and Audit Committee report was accepted.

6. President's Report

6a. Investment Report: Mark Barnum with UBS provided an electronic preliminary year-end report. Mark and Brent Reys participated via teleconference and gave a brief overview of the information in the report. 2013 was a very good year, which has benefited our investment account. The information in the Flash Report is understated and will be updated later today. A new money manager, The London Company, was hired to replace Cascade. AVEC's accounts are well positioned for expected continued appreciation of the market. There was some discussion on the estimate for the global real GDP growth and estimated future treasury yields. Overall the economy is doing better. Mark is working on a proposed asset allocation for the next meeting that would include minor changes to the investment policy.

6b. Energy Projects Update: Steve Gilbert gave a brief overview of the report that was included in the board packet. The Renewable Energy Fund (REF) advisory committee recommended five of our six Round 7 applications for funding. However, the Governor's proposed budget only includes \$20 million for the REF and only the top 8 applications qualify for funding, which includes two of our projects, Stebbins/St. Michael wind design and permitting and Mt. Village conceptual wind design. The Old Harbor final design did not make the cut but we still expect to have a FERC license by early 2015 and we are still seeking funding for final design and construction. The new Stebbins power plant is scheduled for completion by mid-February. Engineering is nearly complete on the Stebbins/St. Michael intertie and the project will be bid this summer. We are working on the Environmental Assessment for the New Stuyahok/Ekwok intertie. The Emmonak bulk fuel upgrade project is out for bid. The tank

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farm should be installed this summer and the power plant in 2015. Wind feasibility studies continue at Scammon Bay, Eek, Marshall and Teller. The Denali Commission meets next week and we will attend to give our Energy Partner report. Fred Sagoonick asked how the new power plant and tank farm in Stebbins did during the recent flooding. Bill Stamm said the power plant buildings and tanks stayed dry and above the waterline. Fred asked how priority is established for the tank farms. Meera Kohler said the Denali Commission continues to work off a 1999 study that evaluated tank farm conditions in 169 villages based on a list of set criteria. The study prioritized the communities based upon the greatest need. AVEC's communities were carved out of that list and we merged our own priority list, which is what is guiding us now. There was a brief discussion of interties.

6c. Financial Statement: A copy of the Financial Statement dated 11/30/13 was included in the board packet. We are showing a modest operating margin, and an adequate non-operating margin due to the earnings on our investments and capital credits from ARECA. The year-end financial statement should look acceptable. Our budget is tracking with budget expectations.

6d. Post-retirement Benefits: This issue was discussed in Executive Session.

6e. Potential tariff changes: Meera Kohler said the proposed tariff changes were already discussed during the committee meeting. The tariff changes have different deadlines. Meera hopes to implement the revenue tariffs by the end of the year and all of them should be implemented before our first annual meeting with Bethel as a member. Roger Kempel is working on the bylaw changes. A narrative of the proposed changes will be given to the delegates as there may be substantial changes. The 2016 annual meeting will reflect these changes.

6f. Delinquent Account Update: A report was included in the board packet. Katie Millen gave a brief recap of the status of the accounts. Ten cities have delinquent accounts but there is only one non-city delinquent account with a balance over \$2,000. Katie and her staff continue to pursue payments on all the accounts.

6g. Annual Meeting Update: A report was included in the board packet. Katie Millen said 27 villages have held meetings so far and 12 locations have a January 2014 meeting scheduled. Village Annual Meetings can be held through February 28th. AVEC's annual meeting dates are April 8th and 9th with new delegate orientation on the 8th and the annual meeting on the 9th.

6h. Bethel transition – Work session notes, Bylaw revisions: A copy of the notes from the board work session was included in the board packet. Revisions to the bylaws are being worked on. The staff is working on various tracks to ensure a smooth transition when we formally take over Bethel Utilities Corporation (BUC) in early May. Meera traveled to Bethel on January 2 and met with the Yukon Kuskokwim Health Corporation to discuss health insurance options for the employees in Bethel. They seemed willing to consider working with NRECA. Meera met with the Chamber of Commerce at lunch and spoke about the transition process. She heard positive comments about the local staff. After that she participated in an interview with the KYUK public radio station. That evening Meera met with the City Council and gave a presentation on the Alaska Grid Project as well as another discussion on utility transition. It was a good day and very productive. A key issue facing AVEC is to ensure that employee transition is smooth. There was some discussion about policies and computer systems. We have major challenges ahead of us.

6i. APA Legislative Conference (February 25-26, 2014): The following board members said they would like to attend this conference in Juneau: Phyllis Clough, Helena Jones, Walter Sampson, Charlie Curtis and Robert Beans. Meera reminded them that once we register them we can't get a refund if they cancel so they should make sure they can go.

Meera Kohler said Twin Hills and Napakiak are potentially interested in joining AVEC. A tieline would first have to be constructed between Twin Hills and Togiak. Napakiak receives power from Bethel over a tieline, which the Alaska Energy Authority owns. Meera said we will have our first ADEC Contingency Plan facility after our bulk fuel tank farm in Emmonak is built as it will have storage for more than 420,000 gallons of diesel. We have been having discussions with the Coast Guard as they want to require hard boom in each of our communities. It would be very expensive and time consuming to purchase and test the equipment every year, so we have been pushing back. Meera explained the situation. Fuel barges are required to have spill response capabilities on board so we

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have developed MOUs with the various barge companies to ensure availability of their spill response equipment should a spill occur while they are there. Meera hopes the Coast Guard will find this acceptable alternative.

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

7. New Business

7a. Upon a motion duly made and seconded, Resolution 14-01 Consent Agenda, including Resolutions 14-02 Director Expenses, 14-03 New Memberships and 14-04 Collections Representatives – Member & Employee Relations Staff, was approved as presented.

7b. Upon a motion duly made and seconded, Resolution 14-05 Statement of Nondiscrimination was approved as presented.

7c. Upon a motion duly made and seconded, Resolution 14-06 Year-End Consumer Charge Offs was approved as presented.

7d. Resolution 14-07 Post-Retirement Benefits was moved for discussion during Executive Session.

8. Old Business

8a. The Strategic Plan is posted in the Sharefile folder for reference purposes.

9. Executive Session

Upon a motion duly made and seconded, the board moved into Executive Session at 12:26 to discuss financial matters. The board moved out of Executive Session at 12:50 p.m.

7d. Upon a motion duly made, seconded and approved, Resolution 14-07 Post-Retirement Benefits was tabled until the April board meeting.

The board moved and seconded a motion to cease providing post-retirement health insurance benefits to employees hired after 12/31/2013. The motion was approved.

10. Board Comments

Meera Kohler said she received notification that she received a grant from the Rasmuson Foundation to take a sabbatical in 2014. If she does take a sabbatical, it would be for 90 days, sometime later this year. This break would allow for an internal process to start prepping somebody to step into her shoes when she retires.

Walter Sampson said this was a good meeting and it was good to meet the folks with BDO, the new auditing firm. Debbie Bullock and her staff have a lot of work ahead of them, with the upcoming audit and the Bethel acquisition. Walter has trust in their abilities and if there are any issues, he knows Meera will be kept informed. Thank you to everybody for their good work.

Helena Jones said thank you to all. AVEC's history speaks for itself as the company has come a long way since we energized our first village. Thanks to all the staff and board members who work well together and work hard. We're doing great.

Phyllis Clough said she echoes the previous comments. She is excited about the new opportunities for all of our consumers. Thanks to the board, Meera and all the staff, for working hard to lower costs for everybody. They had a good village meeting and folks are happy about Bethel Utilities coming on board. We need to continue to help others who need our help.

Fred Sagoonick appreciates the board for adopting the invocation at the beginning of the board meetings, like we have at our annual meetings. It works wonders. The company is going well and he has faith that AVEC can work out the challenges and keep the ball rolling smoothly.

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Charlie Curtis said he hopes everybody has a nice springtime. The two board members up for election at the annual meeting are Charlie Curtis and Robert Beans.

11. Next Meeting Dates

The next board meeting is April 8, 2014 and the Annual Meeting is April 9, 2014.

12. Adjournment

Upon a motion duly made and seconded, the meeting was adjourned at 1:57 p.m.

Charlie Curtis, Chairman

Phyllis Clough, Secretary