

**AVEC Board of Directors Regular Meeting Minutes
April 8, 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 9:56 a.m. on April 8, 2014 in the headquarters building in Anchorage, Alaska. Phyllis Clough delivered the invocation. A quorum was determined with all of the board members in attendance:

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

Others in attendance included:

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

2. Declaration of Conflicts of Interest

Chairman Curtis asked each board member if they had any conflicts of interest to declare and there were none.

3. Approval of Agenda

Upon a motion duly made and seconded, the Agenda was approved as amended.

4. Approval of Minutes: January 10, 2014

Upon a motion duly made and seconded, the board approved the Regular Meeting Minutes dated January 10, 2014.

5. Approve Audit Report: Resolution 14-08

Budget and Audit Committee Chairman Walter Sampson said the committee met earlier this morning and Joy Merriner with BDO went over the results of the audit report. Walter said the committee recommended approving the audit report.

Upon a motion duly made and seconded, Resolution 14-08 was approved as presented.

6. Director Trip Reports

Robert Beans said he attended the APA Legislative Conference in Juneau and he visited with some legislators. There were many questions about the All Alaska Energy Project. The State is providing funding to the Susitna/Watana hydropower project that will only benefit the road system. He promoted rural Alaska during his visit at the capitol. He said we need to reduce the costs of living in rural Alaska to encourage development and more jobs. We need to continue promoting our projects.

Phyllis Clough said this is the first time she attended this conference and she was amazed. It's great when people work together to find solutions, both big and small utilities work together. They visited people on the hill to fight for funding and support for the villages. All the legislators showed respect to Meera and go to her to get questions answered. Sometimes they even quote her.

Walter Sampson asked about the budget that is being considered. Is there any idea of what funding is being provided? Meera said the actual budget hasn't passed yet and everything is in flux now. Meera met with the governor and he agreed Alaska needs some sort of transmission line.

Helena Jones said the conference was interesting, as usual. The folks on the panels provide good information. They visited with Mike Dunleavy who is very interested in AVEC and rural energy.

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Walter Sampson asked if AVEC produces a white paper or wish list to present to the legislature. Meera said we developed informational white papers on each of our four projects that were uploaded to CAPSIS and provided in hard copy to legislators.

Charlie Curtis said some legislators seem to work for – not with – the people. They have a preconceived idea of what is needed but they don't speak to the people to see what is actually needed. Some legislators didn't know about the All Alaska Energy Project. Fred Sagoonick asked what we are doing to educate the legislators on the All Alaska Energy Project. Meera said she makes lots of widespread presentations, but you can't force legislators to attend and it's hard to get their attention. Mike Dunleavy is interested but he's not in our area. Next week she is giving a presentation to the GVEA board. They think the AAEP might be a good option for their region.

Fred said it's good to reach out to the other utilities. He's skeptical about receiving any funding if the state doesn't back the project. They seem to like other projects, like the gas pipeline. Fred asked about the ACEP geothermal project outside of Nome, at Pilgrim hot springs. Meera said it's a small project, at 1 MW, that would not provide energy beyond the Nome area. ACEP is also looking at Elim. Discussion ensued.

7. President's Report

7a. Energy Project Update: Steve Gilbert included a recap of projects his department is involved with in the board packet. He gave a brief review.

The Stebbins plant was commissioned and put on line in mid-March. The old plant will be disassembled and removed. Planning for the Stebbins-St. Michael intertie is progressing. The project is planned for winter 2014/2015.

We are recommended by AEA for two wind design projects through the state's Renewable Energy Fund, the Stebbins wind project and Mt. Village wind project.

The Rural Utilities Service is processing the grant agreement for the New Stuyahok/Ekwok intertie and expects to have it to us in late June. We are exploring additional funding for project completion.

The Emmonak bulk fuel upgrade project was bid in January. STG won the bid. The tank farm will be installed this summer and the power plant in 2015.

Wind feasibility studies continue at Scammon Bay and Eek.

The Old Harbor hydro permits are in process. We applied for wet land delineation and water rights in February. The FERC missed the first milestone in their approval process. We have sufficient funding to acquire the permits required to complete the FERC process.

The consultant is writing responses to the AEA on their comments on the Cosmos Hills hydro feasibility report. The project design funding was not funded in the REF.

The Denali Commission has been without a federal co-chair and unable to do any new grants. Meera said Joel was recently reappointed, which is good news. There was some discussion about various projects and the pursuit of funding. The NSEDC is providing \$1 million in grant funds to each of their communities and we are looking at ways to help the communities use the money. Steve said Wales is interested in using wind to provide power and they are working to repower the current wind site. The NSEDC funding could help purchase new wind turbines. Meera said Gambell has streetlights for the first time ever, thanks to NSEDC funding. NSEDC funding also helped pay for the installation of stainless steel meter bases in Savoonga and Gambell. These are very worthwhile projects.

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Walter Sampson said the NWAB is thinking about hydro and developing a road from the Dalton Highway towards the Ambler mining district.

Peter Demoski said he notices we are doing a lot of projects but none have been in his area. He's concerned about the closing of the Flint Hills refinery as it will have a big impact on future costs. Steve Gilbert said they look at the map and are trying to take incremental steps to build projects and opportunities are more limited due to less funding. He will think about projects in the middle Yukon River and they will present ideas on future possibilities. There is some potential for interties and possibly solar.

The city of Galena was discussed. They pay 67 cents per kWh but they weren't interested in joining AVEC. Meera said she will call the mayor to chat with him. Fred said he read an article about the Navy developing a process to convert sea water to fuel to run their ships.

7b. Financial Statement: A copy of the Year End Form 7 and a copy of the Form 7 dated February 28, 2014 were included in the board packet. The financials were discussed during the budget and audit committee meeting earlier this morning. Margins are ahead of the budget as of this date last year. This bodes well for the rest of the year, especially since we are adding Bethel. There is a possibility we may be able to retire some capital credits this year.

7c. Annual Meeting Update/Agenda: Katie Millen provided a copy of this information in the board packet. So far 76 delegates are attending the annual meeting. One village, Kotlik, did not hold a meeting, this year or last year. We have 14 new delegates and they will attend the new delegate orientation. The fruit baskets are ready to be dropped off in the hotel rooms. The agenda is basically the same as last year. All the village resolutions and minutes have been uploaded to Sharefile. The board annual meeting packets will be available in the morning.

7d. Delinquent Updates: Katie Millen provided a copy of this information in the board packet. She briefly reviewed the reports. We have a few city accounts that are delinquent but they have promised to pay. We may apply sales tax to their balance due. We have some residential accounts that are delinquent. Disconnections start April 21 and members will have to pay their past due accounts or sign a DPA to avoid disconnection.

7e. Scholarship Update: Katie Millen provided an update of the scholarship program in the board packet. The application deadline for the first round of scholarship awards is April 15. They work with the applicants to ensure they submit a complete packet. A list of the applicants and the proposed disbursement of scholarship awards will be prepared for the June meeting. Katie will have scholarship applications available at the annual meeting and open house.

Meera said board members may hear from Doug Karlberg, who owns a fish processing plant in Kaltag, and is very upset about the very high cost of electric power. Discussions ensued. Vitus Marine has applied for a loan for operating funds through CFC and CFC wants us to guarantee the loan. The board would have to approve this request for a loan guarantee. If allowed by RUS, this will be considered at the June board meeting.

Charlie asked about the proposed tariff changes as they weren't posted on Sharefile. Roger Kemppe distributed copies of the potential tariff changes and reviewed the changes with the board. The potential changes involve the following: street light tariff; wind surcharge in wind communities; wind rate for dump energy; change customer charge; QF allowable capacity; nonrecurring fee schedule; standard offering; and recovered heat sales. We need to determine the priority of these changes. We will have final language prepared by the June meeting. We need to hold public hearings on the potential changes.

8. Action Items

Upon a motion duly made and seconded, Resolution 14-09 Consent Agenda, containing Resolution 14-10 Director Expenses, 14-11 Year-End Records Cut Off, and 14-12 2013 AVEC Annual Report was approved as presented.

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9. Unfinished Business

9a. A copy of the Strategic Plan is located on Sharefile for review purposes. We will hold a full-day Strategic Plan refresher course at the August or November board meeting.

9b. Policy 1025 – Post Retirement Benefits. Changes to this resolution were given to the board to review as they need to go over it in detail. This resolution will be kept on the next agenda.

10. New Business

Meera gave a brief overview of the status of the Bethel Utilities Corporation acquisition. BUC will do their final billing on May 2. This gives us the weekend to convert data from their system to ours. As of midnight on May 6, we will officially take over Bethel Utilities and their employees will become ours. Bethel Utilities will get to keep customer revenue through May 6. This acquisition is made more complicated due to the different rates applicable in the month of May. There are two employees who work in the office in Bethel. We will keep our operations in the same office building until we move to a new office area in the AC annex. GCI will also have an office in this building, which is a very nice facility. We are in lease negotiations. We will have a US Bank Payment Kiosk outside of our space that consumers can use during the hours the A/C Store is open. It will accept cash, checks or credit cards. We can start setting up the new office in July and begin operations there on August 1. Meera ordered 2,000 devices call the TrickleStar Smart Strip that customers can use to determine the load and cost of electric power consumed by a single appliance. We will give the devices to new consumers in Bethel who sign up for service to say welcome to AVEC. There was a question about whether or not we would get AMRs installed in Bethel. Meera said that is our intent and funding for the project was included in a CAPSIS grant request. The \$5 million grant will be used to pay for the purchase of Bethel Utilities. There will be no Bethel delegates at our annual meeting this year as they aren't members yet. They will have delegates next year and the proposed bylaw changes will be voted on in 2015.

10a. Resolution 14-13 RS Plan. Meera provided a recap of this resolution, which essentially modifies our existing retirement plan in order to waive the waiting period to add the former 19 BUC employees. There is no waiting period for the 401K savings plan either. BUC will provide their employees' health insurance through the month of May and they will enroll in AVEC's plan as of June 1. We made formal employment offers to the Bethel Utility employees at or above their existing rate of pay. Walter Sampson asked if we have taken all the necessary steps and legal work that have implications in the purchase of Bethel Utilities, as far as leases, cleanup, agreements, replacement parts, etc. He doesn't want anything to come back and bite us five years down the road. Meera said Dean Thompson, our legal counsel, has been working on it. We are in good shape. Fred Sagoonick asked when the rate change will occur for BUC customers. Meera said the rate change will take place at midnight on May 7. There will be a reduction to the base charges and the fuel cost will still be the actual cost of fuel. At first we will probably go directly through Crowley for fuel. Soon we will award the fuel bid, which should reduce the fuel cost in the future.

10b. Insurance Plan: We will dovetail the BUC insurance plan with our insurance plan.

10c. Other – Proposed Bylaw Changes: Roger Kemppe distributed a copy of proposed bylaw changes and reviewed the highlights. One major change will be in Article 3 Section 1. Each village will elect one delegate to come to the Annual Meeting (instead of multiple delegates) and the whole membership will elect the board members. Ballots and a pamphlet listing the candidates will be mailed out to each member. A nominating committee will choose candidates from a wide geographic location and only one board member can come from the same community. Delegates will still represent their communities and perform a valuable function. There was a consensus to rename the Village Annual Meeting to Community Annual Meeting. Walter Sampson asked what the time frame is for the bylaw changes. Roger said he gave a copy of the proposed changes to the board so they can take them home and review them. The board has to approve the proposed changes to submit to the members. The packet of proposed changes will be prepared for the June meeting. The bylaw changes will be voted on by the delegates at the 2015 annual meeting. Roger Kemppe explained the process and there was some discussion. Meera Kohler said she will give a heads-up to the delegates at the annual meeting. The proposed changes are relatively innocuous and we will give an opportunity for

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members to provide input. The board-approved copy of the proposed changes will be mailed to each village chairman to present to their community for discussion.

10d. Resolution 14-16 Authorizing CEO to Apply for a U.S.D.A. Rural Business Enterprise Grant (RBEG). **Upon a motion duly made and seconded, Resolution 14-16 was approved as presented.**

11. Executive Session

Upon a motion duly made and seconded, the Board moved into Executive Session at 12:26. At 12:59 the meeting moved back into the regular board meeting.

12. Board Comments

Fred Sagoonick said their community held a meeting in February to discuss erosion issues and invited representatives from entities with a vested interest. They plan to build a big berm and they purchased dump trucks to move gravel to build the berm. This project is contingent upon funding and they hope to have it built by fall. The floodwaters get real close to the tank farm and we need to protect AVEC's power plant and tank farm.

Chairman Curtis appointed the nominating committee: Walter Sampson, chair; Fred Sagoonick and Peter Demoski, committee members. The two seats up for election are Charlie Curtis and Robert Beans.

13. Adjournment

Upon a motion duly made and seconded, Chairman Curtis adjourned the meeting at 1:37 p.m.

Charlie Curtis, Chairman

Phyllis Clough, Secretary