

**AVEC Board of Directors Regular Meeting Minutes
June 5, 2015**

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

Chairman Robert Beans called the regular meeting of the Alaska Village Electric Cooperative board of directors to order at 12:21 p.m. Charlie Curtis provided the invocation. A quorum was ascertained with all of the board members in attendance:

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

Others in attendance include: Meera Kohler, Roger Kemppe, Bill Stamm, Katie Millen, Debbie Bullock, Mark Bryan, Steve Gilbert and Amy Murphy.

2. Declaration of Conflicts of Interest

Chairman Beans asked each director 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.

4. Approval of Minutes

4a. Upon a motion duly made and seconded, the minutes of the AVEC Regular Meeting dated April 7, 2015 were approved as presented.

5. Director Trip Reports

Chairman Beans said he had planned on traveling to Moses Paukan's retirement party in St. Mary's, but his flight was canceled due to weather. He called Moses and thanked him for 40+ years of service as an AVEC PPO and AVEC mailed a box of thank-you gifts to Moses, including a nice Carhartt jacket.

6. President's Report

6a. Investment Report and Investment Policy Revisions: Tammy Head with UBS gave a brief overview of the investment report as of the end of March. Tammy also reviewed the proposed Investment Policy Revisions that include a Comprehensive Cash Flow Policy and Long-Term Corporate Reserve Policy.

6b. Energy Projects Program Update: Steve Gilbert provided an overview of the report that was included in the board packet. Phase I construction of the Emmonak power plant is 90% complete. Phase II was started three weeks ahead of schedule as the barge arrived earlier than expected. Completion and commissioning is scheduled for March/April 2016. The Emmonak BFU is 98% completed and should be finished by August. The Stebbins/St. Michael intertie is substantially complete, awaiting the installation of FAA-approved lighting on select poles near the airport. The line has been energized between Stebbins and the St. Michael airport. An AVEC crew will do final connections and commissioning in June/July. The Pilot Station project has had a 35% design complete for some time. Bid-ready design should be complete in September followed by bidding. AVEC has delayed this project while the Denali Commission works with the community on organization and ownership of the community portion of the tank farm. New Stuyahok, Eek, Scammon Bay, Teller and Stebbins wind design and feasibility reports are scheduled for completion by July. Stebbins wind permitting and design is on hold pending prototype evaluation of new turbine design by Northern Power that could lower the cost of construction by 35%. Completion of these reports will drive Round 9 applications to the Renewable Energy Fund in September. The engineering department has a draft plan and estimate for the Teller power plant and BFU that would use FEMA funds to design and construct the project. We are working with the City of Bethel on the location of two MET towers. Bethel would need larger turbines than AVEC has deployed in the past. The Corps of Engineers is still reviewing Old Harbor's wetlands mitigation plan. There is \$2.7 million in funding left over from the New Stuyahok project. We have asked the Denali Commission if these funds can be reassigned to fill funding gaps in the New Stuyahok intertie project and Emmonak power plant project. These funds are subject to a 20% match requirement. The Renewable Energy Fund (REF) Advisory Committee instructed AEA to develop guidelines to make the REF into a studies only fund.

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Fred Sagoonick asked about the two recent fires that damaged AVEC facilities and wondered whether AVEC can do anything to try to help mitigate future fires. Mark Bryan said we investigated the cause of both fires. In the wind towers, among other steps, we will re-route some cable and install fire extinguishers and have two people working on the towers, one up high and one on the ground. The fire in Emmonak occurred due to a pin-hole leak in the high-pressure fuel line. The leak sprayed fuel around a hot engine and the fire started. That isn't something we can anticipate. Our fire suppression system deployed and prevented much more significant damage.

6c. Financial Statement: Meera Kohler said a copy of the latest signed Form 7 is included in the board packet and includes a year's worth of information for Bethel. AVEC is doing quite well financially and was able to distribute patronage capital last year. In computing our annual PCE filing, we demonstrate that non-fuel costs were lower across the board last year, mainly due to the Bethel acquisition that allowed us to reduce costs there and spread operating costs over more kWh sales. We need to consider changes to our patronage capital allocation policy to allocate based upon revenue less fuel cost as fuel is a 100% pass-through. This will be discussed at the August meeting. Our RUS mortgage and our bylaws need to be reviewed to ensure compliance with all applicable regulations. Financially things are looking solid and we should have a robust year.

6d. Borrower Statistical Profile: Meera included the latest copy of the Borrower Statistical Profile from RUS, which shows that we are now in good shape financially. Plus, our "outage minutes" per customer really decreased. We should be proud of AVEC's performance.

6e. Scholarship Applications: Katie Millen said we received a lot of good applications. The scholarships AVEC awards are funded through unclaimed capital credits. We went through the process and have contacted a lot of these people and cut about \$100,000 worth of checks. We should be able to roll about \$300,000 into the scholarship fund. The list of people with unclaimed credits have been posted on our Website alphabetically for a few months now. These unclaimed credits can be claimed at any time. Chairman Beans appointed the following members to the Scholarship Committee: Peter Demoski, Phyllis Cough and Helena Jones. The committee will meet after the board meeting is over to decide which applicants will receive scholarships.

6f. Delinquent Account Update: Katie Millen said the delinquent accounts will be updated after billing is complete. Her staff works on collections every month and they have started performing disconnections. We probably have over 2,000 delinquent accounts but that could drop to 292 accounts on the day of disconnection, or after people sign DPAs. We can reconnect them after they pay their bills. We try to batch the billing and disconnections and be organized. Our members get bills every month and we can work with people. They just need to call us. The communities are doing better paying their bills and some have signed DPAs.

6g. Future Meetings – Alaska Power Association Annual Meeting: All of the board members plan on attending APA's annual meeting in Ketchikan, August 26-28. The AVEC board meeting will be on August 24 and the board members will travel to Ketchikan on August 25. The board members attend director training on Wednesday the 26th and fly out of Ketchikan on the 28th.

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

7. Action Items

7a. Upon a motion duly made and seconded, Resolution 15-14 Director Expenses was approved.

7b. Upon a motion duly made and seconded, Resolution 15-15 Comprehensive Cash Flow Policy was approved.

7c. Upon a motion duly made and seconded, Resolution 15-16 Long-Term Corporate Reserve Policy was approved.

7d. CEO Evaluation

After a motion was duly made and seconded, a roll call vote was taken and the board unanimously approved extending the President/CEO's contract to June of 2018 with a 5% increase in pay effective June 1, 2015.

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8. Unfinished Business

A copy of the Strategic Plan was included in the board packet for review purposes.

9. New Business

There was no new business to conduct.

10. Executive Session

Upon a motion duly made and seconded, the board moved into Executive Session at 2:05. The board moved out of Executive Session and back into a regular meeting at 2:15 p.m. No action was taken.

11. Board Comments

Helena Jones said it was a great meeting with good food. Thanks to everybody.

Peter Demoski said he echoes Helena's comments.

Walter Sampson said no comment.

Phyllis Clough said she appreciates Meera Kohler's leadership. It's a team effort to run AVEC and she appreciates everything that everybody (Meera, staff, board of directors) does to contribute to AVEC's success.

Fred Sagoonick said it was a good meeting and thanks to everybody. He also said thanks for the tank farm improvements in Shaktoolik. He asked about the wind surcharge. Meera said Chevak is the top wind performing community and saves about 8 cents/kW off their bills, after the wind surcharge is applied.

Charlie Curtis said things are all okay and he liked the lunch.

12. Next Meeting Date: August 24, 2015.

13. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 2:20 p.m.

Phyllis Clough, secretary

Robert Beans, Chairman