

AVEC Board of Directors Meeting Tuesday, April 4, 2017

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

Chairman Beans called the regular meeting of the AVEC Board of Directors to order at 10:15 a.m. at the AVEC headquarters. Charlie Curtis provided the invocation. A quorum was declared with all of the board members in attendance: Robert Beans, Charlie Curtis, Walter Sampson, Fred Sagoonick, Peter Demoski, Helena Jones and Phyllis Clough.

Others in attendance include: Meera Kohler, Debbie Bullock, Katie Millen, Bill Stamm, Forest Button, Bill Thomson, Lenny Welch, Andy Leman (general counsel) and Amy Murphy.

2. Declaration of Conflicts of Interest

Chairman Beans individually 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.

4. Approval of Minutes: January 20, 2017

Upon a motion duly made and seconded, the minutes of the Board of Directors Meeting on January 20, 2017 were approved as presented.

5. Budget & Audit Committee Report

Committee Chairman Charlie Curtis said the committee met earlier this morning and listened to a recap of the Audit Report. Chairman Curtis said the committee recommended approval of the Audit Report. **Upon a motion duly made and seconded, the Board approved Resolution 17-09 Approve Audit Report.**

6. Director Trip Reports

Phyllis Clough said she and Helena Jones attended the APA Legislative Conference in Juneau along with Meera. They met with Governor Walker. Both Meera and AVEC are well respected. AVEC is very active both in Juneau on a statewide level and in D.C. on a national level. Helena said Rep. Dean Westlake is interested, motivated and wants to help rural Alaskans. Helena said she was one of 20 people chosen from across the U.S. to serve on an ad hoc NRECA governance task force. Helena attended the meeting in San Diego via teleconference due to weather and weather was a factor in her trip to D.C. as well as she had to leave a little early. The meeting she attended was great. There are two more meetings. However, if the group doesn't finish their main tasks, they will have one more meeting. Meera said this is a joint effort between NRECA and CFC. Their boards are facilitating this effort with the goal of strengthening governing procedures throughout cooperatives nationwide. Directors, CEOs and lawyers are on the task force. Helena said AVEC is on the map nationally and it is a huge honor she was chosen. Most of the task force members didn't know anything about village life and they enjoy learning about that lifestyle. Meera said they hope to have results of this task force ready to present at the regional meetings this year.

7. President's Report

7a. UBS Flash Report and Market Outlook: Tammy Head with UBS distributed copies of two reports on the status of AVEC's investments, one showing year-end results and the other shows the first three months of 2017. Referring to the year-end report, Tammy said we had a much better year than last year. Overall, AVEC's investments have seen 8.77% average in trailing returns since the inception of the investment portfolio in 2003. Tammy reviewed the performance summary of the firms who manage the different asset classes. The asset allocation is within the investment policy parameters. Our portfolio is doing well so far this first quarter of 2017.

7b. Energy Project Update: A copy of the report is included in the electronic board pack. Forest Button said a lot of the information in the reports that he provides doesn't change much. The projects are moving along. The Emmonak and Alakanuk projects are fully operational. Alakanuk is being fed from Emmonak through the tie line. We have issues with the operators in Emmonak that can hopefully be solved soon. The Togiak power plant and bulk fuel project went out for bid. The tanks will be

delivered to the Port of Seattle in mid-June. An additional four 27,000-gallon tanks needed for the Teller bulk fuel project will be delivered to Seattle in April 2017 and put on the spring barge. Land issues are being worked through to secure site control at Teller. Shipping and installing of the power plant is scheduled for summer/fall 2017. Funding is through FEMA in response to the 2011 and 2013 Fall Storm Disaster Declaration. Construction of the New Stuyahok – Ekwok intertie is complete and the line is energized from New Stuyahok. We are working on the conversion of the Ekwok plant to standby. In Bethel, the city site MET tower has been decommissioned. The City site is not viable for wind due to migratory bird issues. We are working with BNC to secure a site west of the airport. Our consultant is finishing up the Conceptual Design Report for the Bethel Heat Recovery project, which will enable us to make informed decisions regarding upgrades to the line. A bid was awarded for the Bethel heat recovery module installation. Work continues on the other projects.

7c. Financial Statements – Year End Form 7, February 2017 Form 7: Copies of these two reports were included in the board packet. The year-end Form 7 is very detailed and is a good resource for all sorts of information, a lot of which was reviewed during the Budget and Audit Committee meeting. 2016 was a good year financially for AVEC and we disbursed \$1,750,000 in capital credits. Our operating margins were higher in 2015 than in 2016, but that's due to the fuel charge. We have 10,918 services in place and 569 miles of wire. Most of our inventory is fuel. Meera said Lenny Welch is doing a spectacular job and he can't retire. We have 82 full-time employees. The February 2017 Form 7 shows operating margins are below budget, but things will pick up. It's early in the year. There was some discussion about deceased customers and capital credits.

7d. Annual Meeting Update/Agenda: A copy of the expanded agenda is included in the board packet. Breakfast is from 7:00 a.m. to 8:00 a.m. and the meeting will start at 8:00 a.m. Meera will give a presentation on AVEC and the Role of the Delegate and a list of Hot Topics that the delegates, staff and board will discuss in-depth, based on level of importance determined by the delegates. Each table will present feedback on the topics they discussed. The annual meeting will start after lunch.

7e. Delinquent Updates: Katie Millen put two documents in the board packet. One shows the business-city past due accounts and the other document listed the non city-business accounts. These two lists are much-shorter than they used to be. The business accounts show several delinquent accounts. Some of them have been delinquent for a while. Katie's staff attempts to maintain constant contact with these account owners to try to get payments. Our collection season starts in three weeks and her department will start doing disconnects at the end of April. The list of non-business accounts with a balance over \$2,000 is also shorter than in previous years. Our policy is that we don't do disconnects in the winter. There are about 15 delinquent accounts, some of which appear every year.

7f. Update on Yakutat and Napakiak: Not much has happened with adding Napakiak as a new member. A new attorney is now involved and it looks like they're doing something. We spent a lot of time working on the Purchase and Sale agreement. We told them they need to be proactive in order for things to get done. The community members may need to get involved as their electric rates would drop if they join AVEC. The deal with Yakutat is still ongoing. We entered into an agreement to provide support services on a reimbursable basis. The RCA has until April 12 to make a decision. Meera hasn't heard much feedback. There was some discussion about the potential closing date.

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

8. Action Items

Upon a motion duly made and seconded, Resolution 17-10 Consent Agenda including Resolution 17-11 Director Expenses, Resolution 17-12 Year-End Records Cut Off, and Resolution 17-13 2016 AVEC Annual Report was approved as presented.

9. Unfinished Business

9a. Strategic Plan (included in Boardpaq library folder for review purposes)

10. New Business

There was no new business to discuss.

11. Executive Session

At 12:55 p.m. the Board moved into Executive Session to discuss with counsel a recent takeover threat, the

immediate knowledge of which could have a negative impact on the legal position of the Cooperative. The Board moved back into regular session at 1:27 p.m. with no action taken.

12. Board Comments

Charlie Curtis said he is both sad and happy at this last AVEC board meeting he'll participate in. He has been involved with AVEC for many years. The cooperative has been doing good things for our people. AVEC is out in our communities more than other entities. It's amazing. After the state received lots of oil money it started provided grant funding to build huge projects that provided benefits to AVEC and its members. There has been a change in perspective, with the metro vs. rural, and the rural communities are being forgotten. The Alaska Grid could have been built by now and provided lower-cost energy to many communities, but the state didn't fund the project. Instead we have projects like Red Dog and Donlin. The politicians have been very short sighted. He feels blessed to have been a part of AVEC. This is the best association he has served on as a board member. He'll stop by and visit sometime. He values our friendship and we are all family. He said he will miss us terribly.

Fred Sagoonick said he will miss Charlie. It's always good to see him at the meetings. He and Charlie are old rock 'n roll band rivals. Fred appreciates Charlie's dedication and his love for our people. We are the best utility and Charlie did a lot to help AVEC fulfill the vision. He wishes Charlie the best in his future endeavors.

Phyllis Clough thanked Charlie for being a dedicated leader both on and outside of the board. Charlie is a truly good person and we have been lucky to have him. He will be missed.

Walter Sampson said thank you to Charlie on behalf of the AVEC members and staff. Charlie has done really good work. The board learned some good processes and we got Meera Kohler to certify the total quality issues, (strategic plan). Charlie pushed for this process and it is now in place. The administration and staff also picked up the process and we are all team members. Walter thanked Charlie for his support to the board and for providing service to the membership. He looks forward to visiting with Charlie in the future. We will always remember Charlie. Walter wishes him well and said have safe travels and enjoy your family.

Peter Demoski said he seconds everything the other board members said. He looks forward to the annual meeting tomorrow. He and his wife will be there. It looks like the Denali Commission funding is in jeopardy and state funding for projects will also be harder to come by. We need to approach the legislature and ask for funding support.

Helena Jones said she would like to reinforce what everybody said. She and Charlie have been through a lot over the years, serving on AVEC's board and the school board. She misses him already. She is looking forward to the annual meeting.

Robert Beans said he also echoes what everybody else has said. Charlie has always been a thoughtful and dedicated leader.

13. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 1:50 p.m.

Secretary

Chairman