

**AVEC Board of Directors Regular Meeting Minutes
January 22, 2016**

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 10:05 a.m. at the AVEC headquarters in Anchorage, Alaska. Charlie Curtis gave the invocation. A quorum was ascertained with all of the board members in attendance: Robert Beans; Charlie Curtis; Fred Sagoonick; Walter Sampson; Peter Demoski; Helena Jones; and Phyllis Clough.

Others in attendance include: Meera Kohler; Mark Bryan; Bill Stamm; Debbie Bullock; Steve Gilbert; Roger Kempel and Andy Leman (Legal Counsel); and Amy Murphy.

2. Declaration of Conflicts of Interest, if any (Policy 2024)

Chairman Beans asked each board member if they had a conflict 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 Board of Directors Regular Meeting on November 13, 2015 were approved as presented.

5. Member Comments

There were no members in attendance.

6. Director Trip Reports

There were no director trips taken since the last board meeting.

7. Committee Reports

7a. Budget & Audit Committee: Committee Chair Charlie Curtis said the committee met earlier this morning with Joy Merriner and Grant Ellingson from BDO, the accounting firm that performs our annual audits. Joy Merriner gave a presentation on audit planning and a separate presentation on Fiduciary Responsibility. The Budget and Audit Committee recommended the full board approve the 2016 Audit Plan with BDO. **Upon a motion duly made and seconded, the board approved the 2016 Audit Plan with BDO.**

7b. Nominating Committee: A written copy of the results of the Nominating Committee's action was included in the board packet. The Nominating Committee selected the following three nominees to run for election to AVEC's board of directors to fill two three-year terms: Fred Sagoonick of Shaktoolik, Walter Sampson of Noorvik, and Gene Peltola of Bethel. The Committee Chair, Albert Ningeulook of Shishmaref, spoke on the telephone and said he was proud to serve on this historic committee. Albert said thank you to Chairman Beans and the full board of directors for giving him this opportunity.

8. President's Report

8a. Investment Report – Tammy Head, UBS: Tammy Head reviewed the year-end report of our investments as well as a recap of the last quarter. The financial markets are still volatile and have taken a hit this past year, but today was a good day with the price of oil increasing slightly. AVEC's investment portfolio did lose a little money this past year, but overall since the inception of our investments with UBS AVEC's investment portfolio has done well. UBS changed two different managers after reviewing their performance. Our asset target allocation is in line with the policy. The past year, 2015, was volatile but we seem to be in a good place at the moment.

8b. Energy Project Update: Emmonak Power Plant – Construction is on schedule and on budget. We expect to perform a substantial completion inspection the first half of February. Pilot Station – The 95% design package is expected from our consultant before the end of January with bids to go out the first week of February. We

**AVEC Board of Directors Regular Meeting Minutes
January 22, 2016**

expect to start construction this spring. Togiak Power Plant – We held a kick off meeting with design consultants. The project is scheduled to bid late Q3 or early Q4 2016 with construction in Q2 2017. Teller Power Plant & BFU – Four 27,000 gallon tanks have been ordered with the Pilot Station order. We are working through land issues to secure site control. This is most likely a 2018 project. New Stu – Ekwok Intertie – the intertie alignment was surveyed the first week of January and the final design with staking sheets has been issued to the contractor. However, the weather has been unseasonably warm and there is no snow cover. If there is no change in the current weather pattern by mid-February this project may have to be delayed a year. Bethel wind – two met towers have been erected and commissioned. We are conducting site evaluations for comparison. We also plan to improve the power plant engine governors to enhance the ability of the old plant to accommodate a large wind turbine. Eek wind – the met tower was decommissioned and a CDR has been completed. Due to Eek having a single-phase electrical distribution system the turbine choices are extremely limited and the cost per kW installed is high. Elim wind – the met tower was decommissioned. The wind class is too low for a viable wind project. We are closing out the grant and returning unspent funds to the AEA. Mt. Village wind – our consultant is completing work on the CDR. New Stuyahok wind – the met tower was decommissioned. The CDR is in final review. The village has a class two (marginal) wind resource and is not viable. St. Mary's wind – we made a decision to place a 900-kW turbine in St. Mary's. We re-engaged our design consultant and instructed them to complete final design and make ready for bidding. Scammon Bay wind – the 50-meter met tower was decommissioned. We installed a 10-meter tower at a lower elevation to verify computer-generated modeling that suggests good wind at a better location. The first location proved to have substantial icing issues. The CDR will be finished in the spring. Old Harbor: We are still awaiting the license. We will be licensed for one turbine not two turbines as we requested. Funding – we currently have \$30.8 million in the queue for designated projects in 2016, 2017 and 2018. In 2015 AVEC was named to receive \$20.3 million that will be spent on projects over the next three years. We have applied to RUS, CDBG and DOE for funding toward the St. Mary's to Mt. Village intertie and wind integration.

8c. Financial Statement: A copy of the Financial Statement for the period ending November 2015 shows that we are looking pretty good financially. Our margins are ahead of the budget and ahead of this same period in 2014. We were able to expense some projects, which will help our bottom line. Last year the board approved retiring \$1.6 million of capital credits and the patronage checks were mailed in late December. We have received some thank you calls and notes. Numerous deceased capital credits will be paid out. First the executor of the estate needs to contact us and provide information. Our operating TIER is healthy.

The State of Alaska's finances are dismal and the budget deficit stands at \$3.8 billion. At this point we're not sure what impact that will have on AVEC. It would be terrible if the PCE program is done away with. The PCE program is currently funded from the PCE Endowment Fund. There was discussion on how to protect the endowment fund and the status of the All Alaska Energy Project. We are trying to get more community facilities into the PCE program, where they belong, but it is a challenge. The communities must work with AEA directly to get their services included. Fred Sagoonick asked if there is any way we can take advantage of the low oil prices for our future deliveries. There was some discussion on this. We have locked in some fuel prices for this spring.

8d. Delinquency Update: Meera said that overall things are going well with members generally paying their bills on time to avoid disconnection. There are a few larger city accounts but the individual accounts are in good shape overall.

8e. Annual Meeting Update: So far 30 communities have held their annual meetings and paperwork is coming in. Bethel is holding their meeting on February 5 and Meera is going to attend to help out. March 1 is the last day to hold community meetings.

8f. Fuel Delivery Season Recap: In 2015 we purchased 5.5 million gallons of fuel at an average price of \$3.11/gallon, which is a significant drop from the previous year. Our electric rates have decreased due to a decrease in the cost of fuel. Peter Demoski said his wife was elected as the delegate for their community and he wanted to make sure that is not an issue since she's married to a board member. There is no problem with this.

**AVEC Board of Directors Regular Meeting Minutes
January 22, 2016**

A lunch recess was held from 12:00 p.m. to 12:30 p.m.

8g. APA Legislative Conference (February 24-25, 2016): Meera is unable to attend this conference so Steve Gilbert will go in her place. Board members attending include Helena Jones, Walter Sampson, Robert Beans and possibly Phyllis Clough.

8h. Thank You Note – Martin & May Moore: For information.

Meera said she's back from her sabbatical and she had a really good time. Mark Bryan did a fabulous job taking over for her and the management team also did well during her absence. Meera looked at some key issues during her sabbatical, including PCE, and Mark took care of everything else. The sabbatical was a very peaceful time. She would like to express appreciation to the board for allowing her to do it. She got to slow down her pace and relax and it was very beneficial. She is glad to be back.

9. New Business

9a. **Upon a motion duly made and seconded, Resolution 16-01 Consent Agenda including Resolutions 16-02 Director Expenses, 16-03 New Memberships, and 16-04 Collections Representatives – Member & Employee Relations Staff was approved as presented.**

9b. **Upon a motion duly made and seconded, Resolution 16-05 Statement of Nondiscrimination was approved as presented.**

9c. **Upon a motion duly made and seconded, Resolution 16-06 Year-End Consumer Charge Offs was approved as presented.** Meera said this amount is higher than in the past, but we ended up writing off a lot of accounts in Bethel. After some review of last year's charge offs, Meera learned that we collected money from 114 accounts from last year. We will continue trying to collect money from the accounts that get written off each year.

10. Old Business

10a. Strategic Plan: a copy is included in the board packet for reference purposes.

11. Executive Session: **Upon a motion duly made and seconded, the board moved into Executive Session at 12:35 p.m. to discuss financial issues. The board moved out of Executive Session at 1:10 p.m.**

Upon a motion duly made and seconded, the board directed the President/CEO to extend AVEC's contract with Vitus Marine until 2021. A roll call vote was taken with the following board members saying yes: Walter Sampson, Phyllis Clough, Fred Sagoonick, Charlie Curtis, Helena Jones and Peter Demoski.

12. Board Comments

Helena Jones said it was a good meeting. Happy New Year to everybody and she's looking forward to going to the meeting in Juneau.

Peter Demoski said it was another good meeting. Thank you to everybody. He's not optimistic about the state's budget deficit and hopes that the state's budget problems don't impact AVEC. He heard that there was a suggestion to increase the student enrollment to 25 students for a school to stay open, which could shut down some schools in small communities. Meera said that issue is dead on arrival in the legislature. Peter says a lot of times it is education, health and energy projects that are the first areas that get budget cuts. There was discussion about project funding.

**AVEC Board of Directors Regular Meeting Minutes
January 22, 2016**

Walter Sampson said it was a good meeting and he is looking forward to the annual meeting. We should have good discussions again this year.

Phyllis Clough said it was a good meeting. She continues to worry about the future of rural Alaska. She hopes AVEC continues to strive for green energy to help our small villages survive. She is proud of Meera and all her efforts to support rural Alaska and AVEC. She said thanks to the staff and lawyers. She is amazed at how well our board works together. Thanks for your commitment.

Charlie Curtis said he could say a lot about the legislature, which hasn't had any foresight. They wait until the last minute and now the price of oil is causing huge problems. There is too much politics involved and not enough working together to find solutions. AVEC looked ahead and took advantage of federal and state funding while it was available and we have fixed up many of our facilities. In the legislature, too many egos fight and people in Alaska suffer. Charlie sees things happen that show the legislators only worry about themselves and getting re-elected and don't worry enough about their constituents. Their behavior promotes division amongst various groups and regions, including a growing rural/urban divide. AVEC is a good example of how people can work together to provide benefits to our members and other residents. He is proud to be part of an organization that strives to be good for people.

Robert Beans said we need to work to protect the PCE endowment fund. A healthy rural Alaska means a healthy urban Alaska. He'll bring that message to Juneau. The Mt. Village council passed a resolution to support and protect the PCE program and they are going to encourage other villages to pass similar resolutions too. Thanks to everybody for participating. He is proud that AVEC cares about our members. Thanks all.

13. Next Meeting Dates

The next Board Meeting is April 5 and the Annual Meeting April 6, 2016

14. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 1:20 p.m.

Robert Beans, Chairman

Phyllis Clough, Secretary