

**AVEC Board of Directors Regular Meeting Minutes
April 5, 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 9:20 a.m. in the headquarters conference room. A moment of silence was called for to honor Steve Gilbert, who unexpectedly passed away recently, and others who are no longer with us. Charlie Curtis provided the invocation.

A roll call determined a quorum was in effect with the following board members present: Robert Beans, Charlie Curtis, Fred Sagoonick, Walter Sampson, Helena Jones and Phyllis Clough. Peter Demoski's absence was excused.

Others in attendance included: Meera Kohler, Mark Bryan, Bill Stamm, Katie Millen, Debbie Bullock, Roger Kempel, Lenny Welch 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

Upon a motion duly made and seconded, the Minutes of the January 22, 2016 board meeting were approved as presented.

5. Budget & Audit Committee Report

Walter Sampson, chair of the Budget and Audit Committee, said they had a good meeting this morning. There was one red flag, related to the Ekwok – New Stuyahok intertie. The situation was explained and there was a critical time deadline involved. We saved a lot of money by using the contractor on hand instead of going out for bids as usual, which takes a lot more time. We checked with the RUS before doing this and they approved it, but we may hear some follow up questions from the RUS. We have since revised our policy. Chairman Sampson recommended approval of the audit.

Upon a motion duly made and seconded, Resolution 16-07 Approve 2015 Audit was approved as presented.

6. Director Trip Reports

Chairman Beans said he, Helena Jones and Steve Gilbert went to Alaska Power Association's Legislative Conference in Juneau. There weren't very many participants this year. He feels it's very important to meet with the legislators and discuss legislation that affects rural Alaska, especially Senate Bill 196, which is related to PCE. Sen. Hoffman and Sen. Olson are supporting this bill. Helena said she visited with Sen. Olson. Meera Kohler said SB196 continues to evolve and we will stay on top of it. There was more discussion of proposed legislation and the state's financial situation. Robert said he visited some urban legislators while he was in Juneau. They are intrigued with the All Alaska project and would like another presentation. Steve worked very hard on this project. He was very quiet but knowledgeable and people listened to him when he spoke. We lost a valuable asset. Phyllis Clough said she planned to attend the conference but was weathered out. Walter Sampson said he had to back out due to borough business.

7. President's Report

7a. UBS Flash Report and Market Outlook: Tammy Head with UBS distributed copies of the Performance Measurement Report and the Market Outlook. She gave a brief recap of the PMR and mentioned the two new managers they selected to replace managers that weren't meeting performance expectations. Tammy also reviewed the Market Outlook. First quarter returns were positive. After a volatile start to the year, markets

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rebounded to post healthy returns for the quarter. This will be an interesting year as the U.S. elections could impact the markets. We continue to maintain a diversified portfolio that grows gradually and steadily.

7b. Energy Project Update: A copy of the same update included in the Annual Report was included in the board packet. The funding the Denali Commission receives is far less than in past years and capital project funding to AVEC has also decreased. We were informed that we will be building the last large bulk fuel replacement facility in 2016. After that the Denali Commission is focusing on life extension where tanks are repaired and refurbished. Bill Stamm said FEMA agreed that damage from the two severe storms that occurred in Teller in 2011 and 2013 can be consolidated into a single project. It's estimated the tank farm and power plant are a \$10 million project. We are working on the design and will start building in 2017. The Emmonak tank farm was finished last year and the power plant is substantially complete. There is an issue with the concrete floor in the Emmonak and Stebbins power plants leaking. This was a design flaw. We installed a retrofit in Emmonak and lifted the engines to lay down diamond plate flooring. The plant should go online in May, then we will shut down the old plant. More details are in the annual report.

7c. Financial Statements – Year End Form 7 and February 2016 Form 7: Copies of both of these forms were uploaded to ShareFile. The expanded version of the year-end report includes good detail of the financial statements. The February report shows we are having a modest year to date. Our fuel surcharge has decreased due to a drop in fuel prices. The operating margins were discussed. We have expensed a number of significant items. There was discussion about fuel costs and the wind surcharge fee that was implemented to pay for costs associated with operating and maintaining the wind turbines. Wind continues to be a good performer.

7d. Annual Meeting Update/Agenda: A copy of the facilitator's agenda was included in the board packet. Dick LaFever will conduct the visioning process and facilitate the meeting throughout the day. We should have a good morning session interacting with the delegates. We will have eight tables and each table will have a different topic, a facilitator, a person to record the notes, and a delegate spokesperson. Each table will report on their findings to the whole room. A copy of the vision processing presentation will be uploaded to ShareFile. The schedule also includes open working sessions where delegates can meet with staff and board members to discuss different issues like street lights, leaning poles, etc. Answers to each of the resolutions provided by their community will be given to the delegates. We received close to 2,000 ballots. We don't know the exact tally at this point. Every community held a meeting this year! We are flying Tommy and Martina Heckman to Anchorage to attend the annual meeting so we can celebrate his retirement after his 48 years of service to Pilot Station.

7e. Resolution AM-16-01 Director Fees and Expenses (to be voted on by the delegates): A copy of this resolution is included in the board packet. It has been several years since we looked at the fixed fees paid to board members for spending time on cooperative business and expenses have increased since then. This resolution, to be voted on by the delegates, would increase the Cooperative Directors' meeting fees to \$300 per day.

7f. Delinquent Account Updates: A copy of the delinquent accounts report was uploaded to ShareFile and Katie gave a brief update. The staff has been busy working with members to set up payment arrangements for their delinquent accounts. Some accounts are over \$2,000. We will start doing disconnects at the end of April. Notices will be going out soon. Katie explained the disconnection and deferred payment agreement process.

7g. Napakiak Resolution to Transfer Ownership and Asset Operation to AVEC: A copy of a signed resolution from the Napakiak Ircinraq Power Company and the Napakiak Corporation authorizing the transfer of ownership and operations of Napakiak Ircinraq Power Company including substantially all property used in connection with operations to Alaska Village Electric Cooperative was included in the board packet. Other information pertaining to this resolution was uploaded to ShareFile. Meera said representatives from Napakiak came to Anchorage in March to meet with her and they decided to go ahead with the sale and final details will be negotiated if approved by the board. There is some work involved as meters will have to be swapped out. The tieline will be inherited as part of the deal and it has some issues. Discussion ensued. This deal will reduce rates for these consumers who are paying a high rate.

8. Action Items

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8a. Upon a motion duly made and seconded, Resolution 16-08 Consent Agenda, including the following resolutions, 16-09 Director Expenses, 16-10 Year-End Records Cut Off and 16-11 2015 AVEC Annual Report, was approved as presented.

8b. A motion was duly made and seconded to approve Resolution 16-12 Delegate Per Diem Rates. Discussion was called for. Meera said the bylaw changes reduced the number of delegates we bring to the annual meeting, which will reduce meeting costs. The delegate per diem rates haven't been changed for a number of years. This resolution would increase the delegate per diem rate to \$200 per day. **The resolution was approved as presented.**

8c. A motion was duly made and seconded to approve Resolution 16-13 Village Annual Meeting Policy. Discussion was called for. Meera Kohler said the village meeting chairmen and secretary spend time planning and conducting the village meetings and recording and typing the minutes and submitting them to AVEC. Sometimes nominal costs are incurred to hold these meetings. This resolution would increase the payment made to the village chairmen and secretaries to \$150 each and provide a larger credit of \$25 to each voting member who attends the meeting to be applied to their electric account. **The resolution was approved as presented.**

8d. A motion was duly made and seconded to approve Resolution 16-14 Approval of Napakiak Purchase and Sale Agreement. A roll call vote was taken and the resolution was approved unanimously.

8f. Upon a motion duly made and seconded, Resolution 16-15 Sponsoring "The Alaska Energy Prize" Competition created by The Entrepreneurs And Mentors Network (TEAM) was approved as presented. This is a challenge grant designed to boost innovation and spur invention of better products or more-efficient processes that could reduce high energy costs and drive economic growth throughout Alaska. AVEC will put up \$5,000 contingent on at least 10 ANSCA corporations matching or exceeding AVEC's contribution.

8g. Upon a motion duly made and seconded, Resolution 16-16 Travel and Per Diem and Day Travel Policy 1008 was approved as presented. This resolution changes the mileage rate to 54 cents per mile and increases the per diem rate to \$96 per day (\$24 per six-hour period).

8h. Upon a motion duly made and seconded, Resolution 16-17 Authorization to Sign Off on Kwiguk Pass Power Subdivision Plat was approved as presented. Meera Kohler said this is a routine action that occurs when we negotiate land deals related to building energy projects.

8i. A motion was duly made and seconded to approve Resolution 16-18 Certificate of Resolutions and Incumbency for CFC Loan. Meera Kohler said the board heard detail about this loan at the January meeting. There is no executed agreement yet but Andy Leman is working on it. This resolution would authorize us to accept the loan. An appraisal showed the value of the boats has increased. **A roll call vote was taken and the resolution was approved unanimously.**

8j. A motion was duly made and seconded to approve Resolution 16-19 Authorization to Negotiate Bareboat Charter Agreement Amendment. A roll call vote was taken and the resolution was approved unanimously.

9. Unfinished Business

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

Roger Kemppe said this is his last annual meeting and the AVEC board will choose his successor. At the June meeting the board will decide who they wish to appoint as their General Counsel.

10. New Business

There was no new business to discuss.

11. Executive Session

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There was no need for an executive session.

12. Board Comments

Helena Jones said this was a good meeting but also sad due to the loss of Steve Gilbert. She is looking forward to the annual meeting tomorrow and meeting with the new delegates this afternoon.

Walter Sampson said this was a good meeting and he is also looking forward to the annual meeting. He would like to get to know more of the delegates. His seat is up for election and he will speak from his heart. The visioning session should be interesting and provide good dialogue. Have a safe spring.

Phyllis Clough expressed sympathy for Steve Gilbert's wife and family. She is sad that Roger is leaving and said he will be missed. He has been very dedicated. She is proud of AVEC and the board and staff who do a good job representing AVEC. She is thankful we continue looking out for rural Alaska's best interests and do what we can to go green.

Fred Sagoonick said it was a good meeting and he echoes the previous comments. He will also miss Steve Gilbert. He looks forward to the meeting tomorrow.

Charlie Curtis said it was a shock to learn the news of Steve Gilbert. It shows that anyone can go soon. He said to frequently say the words "I love you" to those you care about as you never know if you'll see them again. You could tell that Steve Gilbert came from the heart, not the head, and he made a difference for our people. He will be in the memories of the AVEC family forever. We just have to go forward and deal with what comes up. Tomorrow's meeting will be different and he hopes more people speak out. The delegates will learn more about what's going on at AVEC. The state's financial situation is bad and we hope the PCE program stays funded. Oil is a non-renewable resource and the legislature has known this for many years but hasn't taken any action. Everybody is getting hit hard now. He hopes everybody has a safe spring and successful hunting. Send him some muktuk!

Robert Beans said the annual meeting should go much faster without holding the question and answer session. He hopes the delegates give us some good direction during the visioning session. He echoes all the previous comments. He will miss quiet Steve Gilbert. He was an asset in Juneau. There is one potent opportunity for AVEC in the future. The Donlin Mine project is in the permitting process. There are plans to build a gas pipeline from here to Donlin and they want to partner with an electric company to provide power down river. He is notifying the board as this project has a big potential, affecting regional issues. The PCE program continues to have a high priority. Thanks to the board and staff for all their hard work. Robert said he took his house off of the market so he isn't selling it.

13. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 11:40 a.m.

Robert Beans, Chairman

Phyllis Clough, Secretary