Minutes of the March 27, 2006 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.

1. Call to Order, 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 1:58 p.m. on March 27, 2006 at the AVEC headquarters. A quorum was ascertained with the following board members in attendance:

Robert Beans, Chairman
Phyllis Clough, Member
Walter Sampson, Treasurer
Charlie Curtis, Vice Chairman
Julia Walker, Secretary
Leslie Hunter, Member
Helena Jones, Member

Others in attendance included:

Meera Kohler, President and CEO
Roger Kemppel, Legal Counsel
Mark Teitzel, Vice Pres. & Mgr. of Engineering
Amy Murphy, Executive Assistant

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

Chairman Beans asked if there were any conflicts of interest to declare and there were only some minor concerns mentioned. Leslie Hunter said "the usual."

3. Approval of Minutes

Upon a motion duly made and seconded, the minutes of the Regular Meeting of January 20, 2006 were approved as presented.

4. Presentation of 2005 Audit Report

Charlie Curtis, chair of the Audit and Budget Committee, said that his committee has reviewed the 2005 Audit Report and recommends approval.

5. Approve Audit Report

Upon a motion duly made and seconded, Resolution 06-12 Approve 2005 Audit Report, was approved as presented.

6. Director Trip Reports

Helena Jones and Leslie Hunter went to Juneau in March to attend the Alaska Power Association Legislative Conference. Helena said it was very cold there, with temperatures around zero degrees and below. But that turned out good because the coldness seemed to generate support for the PCE Program, as people realized how nice it is to have heat when it's cold out. Helena said she and Meera went up to the hill to visit with the urban legislators to tell them how important the PCE program is and try to get their support to fully fund the program. There seemed to be strong support for the PCE Program among the APA members. Leslie Hunter said Reggie Joule mentioned there were some state grant programs available and AVEC needs to apply for them. He wasn't sure what the grants were for. Helena said it would be good for the board to have more people attend the Legislative Conference and visit with the legislators to talk about issues important to rural Alaska, especially the PCE program. Walter asked Meera what she felt the feelings were about PCE funding on the legislative side. Meera said there isn't much support for the PCE program among the urban legislators but the rural legislators strongly support it. Meera testified before the House Finance Committee about the history and importance of the PCE Program. Walter said if we have any opportunities to testify at the board level regarding PCE and rural financial issues, we should do it. The board represents AVEC members on a statewide basis and we need to voice our concerns.

Leslie said we should have the delegates go back home and spread the word and ask them to write letters of support for the program and send them to the legislators. He suggested preparing a draft letter to be distributed to the urban legislators. He said the bush attitude is laid back and sometimes people need strong encouragement to

get actively involved. We need to increase the efforts to contact the legislators or rural Alaska will be run over. Meera said a form letter won't work as legislators don't pay much attention to those. Personal phone calls really help. Discussion ensued. Meera said she would prepare a list of legislators with toll-free numbers and distribute that to our delegates at the annual meeting and encourage them to call some urban legislators. Leslie asked for a definition of ACRE/CARE and whether it supports candidates at a national or statewide level. He said we should support candidates running in opposition to the legislators that don't support rural issues in the next elections. Meera and Robert pointed out that we have 100% board participation in ACRE/CARE and APA carefully considers candidates to send political contributions to.

7. President's Report

Chairman Beans called upon Mark Barnum and Marie Murdock with UBS to give a presentation. Mark Barnum said he would give a brief review of how AVEC's investment performed and reiterated their role as account manager. They will work with management to review and reallocate our investment funds and minimize AVEC's risk in order to conform to the board policy. The basic account summary shows that AVEC's account has increased about 4.65% for the year, which is a higher growth than the one set by the board policy objective. In fact, we almost doubled the policy goal over the past four year. The flash report shows that AVEC has realized a good start to the year so far. Mark reviewed some of the surprises in 2005 that affected the market and provided a brief recap of their market outlook and there was some discussion. Marie distributed coffee mugs to everybody.

Denali Commission Update: Meera Kohler said we have received $8 million more from the Denali Commission this year and that total should reach almost $15 million after the USDA funds get approved and come in. We will know more soon, but we did quite well in getting a large chunk of the funds available for the energy program this year. Progress is being made on projects already underway.

Annual Meeting Update/Agenda: a copy of the Annual Meeting Agenda was included in the board packet. Georgia Shaw distributed an annual meeting packet to the board members and they asked whether or not anything really interesting was brought up in the resolutions. Georgia said there may be some questions about the bylaws and the change approved last year making power plant operators ineligible to be delegates. One new piece of information included in the packet is a paper Brent Petrie prepared showing village rankings on the priority list the state put together. This allows communities to refer to the paper and get an idea of where there community stands as far as getting new facility upgrade projects. No issue seems really glaring, but the number of resolutions regarding renewable energy tripled. Six or seven communities didn't have village annual meetings, including Noorvik, Kivalina, Selawik, Nightmute, Alakanuk and Lower Kalskag. Georgia flew to Teller to help them conduct their first village meeting and she said there was a great turn out of about 40% of the members, despite terrible weather. This year during the Suggestions for Improvement session each village will be called up alphabetically, starting in reverse, as that worked well last year. There is no guest speaker this year, which will allow the delegates to have more time to voice concerns.

Financial Statement – Year End Form 7: Meera Kohler said a copy of the Financial Statement dated 12/31/05 is included in the board packet and reflects financial information for the whole year. Line 20 shows that AVEC had an operating loss of $76,000 and we received a letter from the RUS commenting on that and asking for an explanation of what happened. Meera distributed a copy of that letter and a copy of her response that explained three significant events that contributed to our operating loss. Discussion ensued. Meera encouraged the board members to read the Form 7 as it had really good information. Leslie Hunter asked why we pay per diem in cash and asked if there is a problem providing the per diem and board meeting fees using checks. Meera said that over the years some board members have expressed a preference in receiving their fees in cash instead of by check and there are controls in place to make sure the cash is disbursed properly.

Delinquent Updates: Meera Kohler said that the community of Chevak is doing reasonably well trying to catch up on their delinquent account balance and have reduced the amount of money they owe AVEC. They are a little bit behind where they should be but they are making a good-faith effort to catch up. We have no other major city delinquencies at this time.

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Alaska Village Electric Cooperative, Inc.

Update on AMR Project: The pilot project to install AMR meters in five communities is up and operating quite well, except for one glitch. Our current software system does not accept the information automatically so the meter reads still have to be entered manually. The new software system we are purchasing and installing will be able to accept the information electronically and we are anxious to get opportunity to download and view the data remotely. AVEC and Elster won a national award for this project.

PCE Update: Meera said the PCE funding in SB232 was taken out by Senate Finance and we are trying to get urban residents to call urban legislators to encourage them to support funding the PCE program. The governor's budget included $22.5 million for full funding of the PCE program for FY '07, but that was decreased to $18.7 by the legislature. We hope to generate enough support to get the program fully funded. We are asking people to enlist the support of their friends and family members to call urban legislators and tell how important it is to fully fund the PCE program. Chairman Beans said it would be a good idea to enlist the grassroots efforts of the Native population in urban areas. The AFN promoted this plan and he said he would check on this issue. Meera said she would try to get the delegates to join People Power Alaska to increase the grassroots support. Meera included a copy of the two funding requests she presented to our congressional delegation asking for federal funding for the PCE endowment and to clean up and remove old bulk fuel tanks.

Board Travel Authorization: A copy of the Director Fees policy was included in the packet for informational purposes. All board travel has to be approved by the board of directors. If travel occurs in between board meetings, the chairman needs to be contacted and he is authorized to approve board travel. Discussion ensued.

8. Action Items

Upon a motion duly made and seconded, Resolution 06-13 Consent Agenda, which included the following resolutions; 06-14 New Memberships; 06-15 RUS Construction Fund Expenditures; 06-16 Director Expenses; 06-17 Year-End Records Cut Off; and 06-18 2005 AVEC Annual Report; was approved as presented.

9. Unfinished Business

There was no unfinished business.

10. New Business

Chairman Beans appointed Walter Sampson to chair the Nominating Committee and appointed George Beans to serve on the committee. One other delegate will be appointed tomorrow morning at the annual meeting.

Chairman Beans asked if anybody would like to attend the NWPPA annual meeting in Lake Tahoe at the end of May. Julia Walker and Charlie Curtis said they would attend, and depending on election outcomes, either Leslie Hunter or Helena Jones will also attend the conference.

Chairman Beans asked about the status of the new Website and Meera said that it is now up and running.

11. Executive Session

Upon a motion duly made and seconded, the Board of Directors moved into Executive Session at 3:28 p.m. The Executive Session ended at 3:54 p.m. and the Board of Directors moved back into their regular board meeting.

12. Board Comments

Phyllis Clough said she is nervous about running for election tomorrow. She is proud to serve on AVEC's board and hopes she gets re-elected again. She is also proud of Meera for doing so well running the cooperative and for hiring good staff. She said kudos to Meera.

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Helena Jones said she is up for election and will run again. She said it is good to see everybody again and she enjoyed attending the legislative conference to see Meera in action as she keeps people on their toes.

Julia Walker said good luck to the incumbents that are up for election and she said she knows it's a nerve-wracking experience.

Charlie Curtis said he is looking forward to the annual meeting tomorrow as the meetings are becoming more positive every year. The delegates are becoming more educated and good information is always provided at the meetings. He has some photos from his New Zealand trip that he would like to share with everybody some day.

Leslie Hunter said thank you to appointing him to the board seat and he would like to run for election again. He asked what the process is for getting nominated. He said he likes to represent AVEC's members and he has strong views and is willing to fight for them.

Walter Sampson agreed that the annual meetings are becoming more positive. Part of this is because the board and staff have been diligently working to respond to the concerns and issues raised by the delegates and the communities. He is also looking forward to tomorrow's meeting.

13. Adjournment

Upon a motion duly made and seconded, the board meeting was adjourned at 4:05 p.m.

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Chairman, Robert Beans Secretary, Helena Jones