

**Minutes of the August 11, 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 Alaska Village Electric Cooperative Board of Directors Regular Meeting to order at 2:15 p.m. on August 11, 2006 at the AVEC headquarters in Anchorage. Walter Sampson's absence was excused. A quorum was ascertained with the following board members in attendance:

Robert Beans, Chairman	Julie Walker
Charlie Curtis, Vice-Chairman	Helena Jones, Secretary
Phyllis Clough	Mike Prince

Others in attendance included:

Meera Kohler, President and CEO	Mark Teitzel, Vice President and Mgr. of Engineering
Brent Petrie, Mgr. Community Development	Amy Murphy, Executive Assistant
Roger Kemppe, Legal Counsel	

2. Declaration of Conflicts of Interest

Chairman Robert Beans asked for declarations of conflicts of interest and there were none to declare. Robert Beans said he has a new job starting next Monday and he will be working for CVRF.

Mike Prince said he recently visited Hooper Bay and saw the fire damage first hand. The school district hopes to keep the students there as well as the teachers. The new teacher housing units are being connected. Everybody in the town was real busy helping to clean up and find homes for people. There is a lot of aid and support in town from various organizations. Construction on the new school has been accelerated and they hope to have completion fast-tracked to November. Right now the water pipes are causing a hold up and delay. The new teacher housing is also being fast-tracked. Chairman Beans said AVEC made a \$1,000 donation and two board members and several employees also donated money to an account set up at Wells Fargo. Donations of clothing and other items were also made.

3. Approval of Minutes

Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting of June 2, 2006 were approved as presented.

4. Director Trip Reports

There were no director trip reports.

5. President's Report

5a. Denali Commission Update: Brent Petrie distributed a copy of part of the 2nd Quarter Report to the Denali Commission and briefly reviewed some of the highlights. So far AVEC has been awarded almost \$102 million from the Denali Commission and other organizations. We have received \$83 million so far and have almost \$26 million left to spend. The major projects mostly completed are in Toksook Bay, Huslia and Kasigluk/Nunapitchuk. New projects include installing new power plants in Gambell and Savoonga. Statistics on local hire were included in the packet of information. The last few pages of the packet include some project photos. So far this year we have received about \$23 or \$24 million from the Denali Commission and hope to get additional funding, which would go towards the Mekoryuk projects.

5b. Financial Statements: President Meera Kohler said a copy of the financial statements dated 06/30/06 were included in the board packet. So far we are slightly ahead of budget and there are no surprises. However, our net margins will decrease over the summer months as less revenue comes in during the summer. We should finish the year with a modest positive margin. The CoBank loan will add to our long-term expenses.

5c. Delinquent Account Update: Meera provided a copy of a list of delinquent city accounts. Chevak's delinquent account was discussed. They have made a lot of progress paying down their past-due account

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but still aren't completely caught up. We could get some money from the state if the IRS agrees. The city of Selawik is a concern as their delinquent account is fairly high. There appear to be no other major issues.

5d. PCE Rate Update: A copy of a letter regarding the change in the PCE rate was included in the board packet. The legislature passed a supplemental appropriation bill that fully funded the PCE program for the months of April, May and June and retroactively for February and March. The list of credits was posted this week, with totals by village, and AVEC and its consumers will receive \$433,000 from the state for the retroactive credit. The credits will be posted on the next billing, which goes out next week. It was a huge undertaking to get things squared away. More good news is that the PPT legislation that was passed means that the PCE Endowment Fund will be fully funded. The next goal is to protect the PCE Endowment Fund and ensure it is somehow made inaccessible to the legislature and strictly goes to the PCE Program.

5e. RUS Borrower's E-Authentication: This is required paperwork from the RUS, which wants formal approval from the board authorizing the President/CEO, Vice President and Manager of Administrative Services to have online access to the RUS data. The information is available online, we just need authorization to access it. They have upgraded their computer system to reduce paperwork and streamline the application process. It is a very secure system.

5f. Co-Bank Loan Information: Copies of the paperwork regarding the Co-Bank loan and line of credit were included in the board packet, including the master loan agreement. Roger Kemppe said the master loan agreement sets out the terms of the agreement and corresponds to RUS restrictions. There is a certificate of incumbency that all the officers have to sign. Upon board approval, AVEC will receive a \$10 million loan and a \$5 million line of credit. This loan will help replace some of the cash that AVEC has paid out as a cash match for the Denali Commission projects. Charlie asked the terms of the agreement. The loan is a 20-year loan and the rate is about 5.45%. Default terms were discussed

5g. Rep. Mary Kapsner's Letter to the Governor: A copy of a letter Rep. Mary Kapsner wrote to Gov. Murkowski was included in the board packet for informational purposes. Rep. Kapsner mentioned concern about items of critical importance to rural Alaska.

Meera said that the Chugach Electric board of directors appointed Bill Stewart the new CEO to replace Joe Griffith. Bill has worked at Chugach for a long time and had been serving as the interim CEO. Meera said she may fly to Dillingham next week to moderate a debate between Carl Moses and Bryce Edgmon. Next week Meera is giving a presentation on rural energy to the Commonwealth North Forum, along with Mike Harper of AEA.

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

6. Action Items

Upon a motion duly made and seconded, Resolution 06-25 Consent Agenda, including Resolutions 06-26 New Memberships; 06-27 RUS Construction Fund Expenditures; and 06-28 Director Expenses was approved as presented.

Upon a motion duly made and seconded, Resolution 06-29 2006-2007 Schedule of Board Meetings was approved, changing the January 2007 board meeting from the 10th to the 12th.

Upon a motion duly made and seconded, Resolution 06-33 Co-Bank \$10,000,000 Loan, was approved as presented. (Resolution 06-33 was moved up in order so it could be voted on before considering approval of Resolution 06-30.) This resolution authorizes the board officers and the president to sign documents and execute the originals.

Upon a motion duly made and seconded, Resolution 06-30 2005 Capital Credit Allocation and Retirement, was approved as presented.

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Upon a motion duly made and seconded, Resolution 06-31 RUS Borrower's E-Authentication, was approved as presented.

Upon a motion duly made and seconded, Resolution 06-32 Amendment to the 401(k) Plan – Ratification of Action Taken 07/31/06, was approved as presented.

Upon a motion duly made and seconded, Resolution 06-34 Wage & Salary Policy Revision, was approved as presented. Meera said she changed the policy to do away with the 12 steps in each category and we are going back to listing only the minimum, maximum and fully qualified rates of pay for each category. Having the 12 steps was confusing and caused problems.

7. Unfinished Business - President & CEO Salary Review

The board had asked for a list of salaries of other general managers of electric utilities in Alaska so they could compare the salaries to see if the salary for AVEC's President and CEO was in line with other utilities. Meera presented a confidential list of general manager salaries for different Alaskan utilities that excluded the names of the utilities. Chairman Beans said that what AVEC pays is in line with other utilities and he is satisfied with that.

Mike Prince asked about the status of the lower road by the river in Emmonak. The water is getting closer to the road. Mark Teitzel said the situation was investigated and there are two AVEC poles now within 40' of the water, and the road sits in between the poles and the water. Mike said he is concerned about the road getting washed away and wants future plans to consider this. Meera asked if the state has been contacted to do something about the road. Meera said AVEC has nothing to do with the roads in the communities; we are only responsible for maintaining our own poles and facilities.

8. New Business

8a. NRECA/CFC Voting Delegate/Alternate: **Upon a motion duly made and seconded, the board moved to retain the same voting delegate and alternate for NRECA and CFC: Meera Kohler and Robert Beans.**

Mike Prince asked why workers/power plant operators aren't allowed to attend AVEC's annual meeting as delegates and vote on issues. He wanted to know how AVEC could change this and allow plant operators to be delegates. Meera explained that this issue was brought up by the membership numerous times and the membership voted on a bylaw change to exclude power plant operators and people who work for AVEC coming to the meetings as a delegate. It creates a conflict of interest.

8b. APA Board Member Designation: **Upon a motion duly made and seconded, the board moved to retain the same APA Board Member designation: Meera Kohler.**

c. NRECA Region 9 Meeting – Fairbanks, Sept. 20-22: The following board members said they may tentatively attend the meeting: Helena Jones; Robert Beans; Walter Sampson and Michael Prince.

9. Executive Session

Upon a motion duly made and seconded, the board moved into Executive Session to discuss legal and financial matters at 10:53 a.m. Staff in attendance were allowed to remain in the room. The board moved out of Executive Session at 11:21 a.m.

10. Board Comments

Charlie Curtis said he hopes everybody has been having a good summer and has an enjoyable fall. He hopes to get a caribou.

Mike Prince told everybody to have a good fall and he hopes to get a moose in September.

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Phyllis Clough said that she still worries about rural Alaska, the PCE program and the increasing fuel prices. Heating fuel and gasoline are getting very expensive and our future is scary. She said we need to be more conservative. She said we are putting great articles in the Ruralite and said thank you to everybody at AVEC for doing a wonderful job. Their new clinic is done and is beautiful! She asked if the board meetings could be held on a Friday and Saturday when there are two days of meetings. This will be looked in to.

Julie Walker said things are looking up at home, especially now that the new airport is underway. Soon Northern Air Cargo will be able to fly to Anvik. With the recent discovery of the new terrorist plot on airplanes, Julie wonders how safe we are while flying. It's pretty scary and she hopes and prays that things don't get worse. Fishing has been wonderful this year. School starts soon so she will have to go back to work. She has enjoyed her vacation. Julie said congratulations to Robert for his new job.

Helena said she is happy to see everybody again and is happy we have AVEC. She is glad we have electric power, but there is no fuel in the city so she is concerned about that. She said reading the article about Nepal and rural Alaska put AVEC in a good light as it shows how AVEC is a good role model for providing power to remote areas.

Robert Beans said it has been a cool summer here. He visited Mountain Village and it was dusty and hot with lots of mosquitoes. He asked where we are with Microgen and Horst. Meera Kohler said Borealis actually made a very small profit last month and we are not losing money any more. Robert said he hopes everybody has a good summer and he provided his new e-mail address and work phone number.

11. Next Meeting Dates

The next board meeting dates are November 2 and 3, 2006.

12. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 11:35 a.m.

Robert Beans, Chairman

Helena Jones, Secretary