

## **AVEC Board of Directors September 19, 2016 Meeting Minutes**

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

Chairman Robert Beans called the meeting of the AVEC Board of Directors to order at 11:01 a.m. on September 19, 2016 in the AVEC headquarters board room. Chairman Beans called upon Charlie Curtis to deliver the invocation, which included a moment of silence and special recognition of Mark Bryan, who recently passed away. A quorum was declared with all of the board members present: Robert Beans; Charlie Curtis; Helena Jones; Peter Demoski; Walter Sampson; Fred Sagoonick; and Phyllis Clough.

Also in attendance were: Meera Kohler; Bill Stamm; Debbie Bullock; Katie Millen; Andy Lemman (General Counsel) and Amy Murphy.

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

Chairman Beans asked each board member if they had any conflicts to declare and there were none.

### 3. Approval of Agenda

**Upon a motion duly made and seconded, the Board approved the Agenda.**

### 4. Approval of Minutes

**Upon a motion duly made and seconded, the Board approved the Minutes of the Regular Meeting held on June 3, 2016.**

### 5. Director Trip Reports

There were no director trips taken since the last meeting.

### 6. President's Report

6a. Investment Update – Tammy Head with UBS: Tammy Head provided a hard copy of the Investment Program update and it is in the board packet.

6b. Energy Projects Update: Forest Button provided a hard-copy of the Energy Projects Update that was included in the board packet. Meera Kohler and Bill Stamm provided additional information about the status of some of the projects. The new plant and bulk fuel tank farm in Emmonak are fully online and operational. Alakanuk is being fed from Emmonak through the tie line. Final work on the Alakanuk standby module is underway with expected completion at the end of October. The Pilot Station project was bid and awarded in the first quarter. Substantial completion inspection for the AVEC BFU is this week with fuel delivery scheduled for the end of the month. The power plant move will commence the first week of October. We anticipate bringing the plant back online the third week of October. The 65% design plan for the Togiak power plant was delivered to AVEC this week. The project is scheduled to bid late Q4 2016 with construction in Q2 2017. Discussions with the Denali Commission are positive for securing funding for refurbishing AVEC's existing fuel storage and augmenting with additional tankage as well as tankage for the city. We are working through land issues to secure site control for the Teller power plant and bulk fuel tank farm project. The building module bid is on the street and bids will be opened September 22<sup>nd</sup>. Funding has finally been received from FEMA in response to the 2011 and 2013 Fall Storm Disaster Declaration. Construction of the New Stuyahok – Ekwok intertie was completed in April. AVEC is scheduled to complete final connection this fall/winter at which time the Ekwok plant will be converted to a standby module. We continue to collect wind data from the two MET towers in Bethel and are conducting site evaluations for comparison. Governor upgrades were completed in July enhancing the ability of the old plant to accommodate a large wind turbine. We are nearing completion of the turbine

purchase agreement and continue to seek additional funding to make the project whole. The Bethel heat recovery module design is at 95%. The foundation contract was awarded with construction scheduled for mid-October. The module will be bid separately and constructed locally, most likely in Anchorage. Installation will be in the spring/summer of 2017. Our consultant completed work on the Mt. Village Wind Feasibility CDR and it is being reviewed internally. The New Stuyahok Wind Feasibility CDR will be finalized this fall. The village has a class two (marginal) wind resource and is not viable for wind energy at this time. We made a decision to place a 900-kW wind turbine in St. Mary's. A 95% design package was delivered to AEA for review. Contract purchase agreement negotiations are ongoing with EWT for procurement of the 900kW turbine. The RUS announced a \$3-million grant for AVEC to construct an intertie between St. Mary's and Mt. Village, which is about half of the funding that is needed. The design is at 35% and should be complete by the end of the year. AVEC is in conversations with the Denali Commission to provide additional funding. The 50-meter MET tower in Scammon Bay has been decommissioned. The first location has substantial icing issues. We installed a 10-meter tower at a lower elevation to verify computer-generated modeling that suggests good wind at a better location. We decided to place a 900-kW wind turbine in Stebbins. A consultant is working on permitting applications as well as construction-ready design. The permits and design should be in hand in Q1 2017. AVEC received a license from FERC for the Old Harbor hydroelectric project on April 29 with some stipulations for modifications to the exhibits in the short term. The license is dependent on construction starting within two years with an option to renew for an additional two years. We currently have \$25.7 million in the queue for designated projects in 2016, 2017 and 2018. So far in 2016 AVEC is named to receive \$781,000 which will be spent on projects over the next three years.

6c. Financial Statements: Meera said copies of two financial statements for the periods ending July 2016 and August 2016 were included in the board packet. We are still experiencing a lag in operating margins but that should reverse by the end of the year. Some of the extra expense we have incurred is due to the hiring of outside contractors to do engine overhauls that we got behind on. Our margins should increase the last four months of this year, which is what typically occurs.

6d. Update on Yakutat, Napakiak and Oscarville: Meera said we are working on Yakutat's filing. They have a unique rate structure and developing a new, reasonable rate structure is a challenge. Some consumers may end up seeing a rate increase. We need to invest money to renovate the infrastructure. Meera does Yakutat's PCE filings. We will file with the RCA once the application is complete. Yakutat won't come on board until early next year, by the end of February or in March. Service upgrades are underway in Oscarville, with new residential meters being installed. Oscarville should be online by the end of the October or November billing, with around 25 services. Oscarville receives power from Bethel via a 6-mile tieline so we will have to monitor the line loss. Napakiak sent back some requested revisions to the Purchase and Sale Agreement. We would like to clarify who their primary point person is. It will take a couple months to prepare and submit the filing and we will work on that after the Yakutat filing is submitted. There was some discussion about a situation in Noatak.

6e. Delinquent Account Update: Katie Millen included a copy of the Delinquent Account update in the board packet. Katie's department aggressively follows up with consumers who have delinquent accounts to make sure bills get paid to avoid having their meter get disconnected. Only one individual is listed in the delinquent accounts. There was some discussion about the delinquent city/business accounts. The list is shorter than in previous years. Katie's staff is in constant contact with these accounts to keep their balances low. Some cities are waiting for state funding to come in so they can pay their bill. We are trying to be sensitive to avoid cut-offs. We have two more full months of doing collections but will maintain contact with delinquent accounts throughout the winter.

6f. Scholarship Update: Katie Millen prepared a list of the Spring 2017 Top Ten AVEC Scholarship Applicants to share with the Scholarship Committee. The committee will need to approve the winners by mid November 2016. The applications were uploaded into BoardPaaS so the committee members can

review them. A total of \$14,000 was awarded for the fall disbursement, leaving \$6,000 remaining for spring disbursement. Katie requires a thank you note from the scholarship recipients.

6g. Fuel Delivery Update: A copy of the latest fuel delivery report was included in the board packet. Things have been going smoothly and all the fuel should be delivered by the end of the season. The cost of fuel, so far, is \$2.56/gallon, which is very good. Our latest rates were approved in early August and our COPA has decreased. The cost of fuel in Bethel decreased to \$2.45/gallon in July and Bethel's rate is just over 30 cents/kWhr.

6h. ACRE/CARE donation: Each of the board members said they will make an ACRE/CARE donation again this year. Six board members contributed \$50 and one board member contributed \$100. The contributions will come out of the board members' per diem.

6i. APA Annual Meeting and Director Training, September 21-23, Cordova: The following board members are traveling to Cordova to attend this meeting and board training session: Helena Jones, Phyllis Clough, Peter Demoski, Robert Beans, and Walter Sampson. Mark Bryan is receiving an APA award posthumously and his wife Angie is going to Cordova to accept the award on his behalf.

6j. Appoint nominating committee for board candidates: Chairman Beans, with concurrence of the full board, appointed the following delegates to serve on the nominating committee: Walter Bauchman of Minto, Chair; Denis Sheldon of Alakanuk; Darla Jemewouk of Elim; Janice Demoski of Nulato; Clyde Ramoth of Selawik; George Beans of St. Mary's/Andreafsky; and Clarence Dull of Toksook Bay.

## 7. Action Items

**7a. Upon a motion duly made and seconded, Resolution 16-26 Director Expenses was approved with one correction.**

**7b. Upon a motion duly made and seconded, Resolution 16-27 2016-2017 Schedule of Board Meetings was approved.**

**7c. Upon a motion duly made and seconded, Resolution 16-28 Sponsoring "The Alaska Energy Prize" Competition created by The Entrepreneurs And Mentors Network (TEAM) was approved.**

**7d. Upon a motion duly made and seconded, Resolution 16-29 Approval of \$7,117,061 Loan and Authorization to Execute Loan Documents (AK027-A-9015) was approved by a roll call vote: Walter Sampson – yes; Fred Sagoonick – yes; Charlie Curtis – yes; Phyllis Clough – yes; Helena Jones – yes; Peter Demoski – yes.**

**7e. Upon a motion duly made and seconded, Resolution 16-30 Capital Credit Retirement was approved. There was some discussion about how to split the payment and about deceased capital credits.**

## 8. New / Unfinished Business

**8a. Review Board Policies** – the policy files are located in the BoardPaq Library.

**8b. Strategic Plan** – posted in BoardPaq Library for review purposes. The board will review the Strategic Plan at the November meeting from 9:00 a.m. to noon.

## 9. Executive Session

**Upon a motion duly made and seconded, the Board of Directors moved into Executive Session at 1:11 p.m. The staff members were asked to leave the room. At 1:16 p.m. the board moved back into Regular Session. There was nothing to report.**

#### 10. Board Comments

Walter Sampson said it was a good meeting and thanks to all of the staff members for their good work. Welcome to Andy, the new legal counsel. We heard some issues raised this morning, during the training Andy provided. He likes how this board works out critical issues, unless it's something only the CEO needs to work out.

Peter Demoski asked to be excused from the board meeting on November 18.

Phyllis Clough extended condolences to Mark Bryan and his family, and to his AVEC family. She will miss his smile, laughter and kind words. She was sad to see Roger go but is glad to have Andy represent AVEC now. We work well together. Everybody works hard and is dedicated to all of our communities. She hopes everybody has a safe trip.

Fred Sagoonick said it seems empty and quiet without Mark Bryan in the room. He can feel a void. Mark had a friendly face and his efforts throughout the years are much appreciated. Fred welcomed Andy on board and hopes he stays a long time. He hopes everybody has a good trip to Cordova.

Charlie Curtis said he won't be running for re-election to the board. He misses Mark Bryan too, and also hopes everybody has a safe trip.

Helena Jones said she misses Mark Bryan. He was hired one year before she was elected to the board. Mark was very young and he loved AVEC and the big AVEC family. We will miss him. We will also miss Roger. Welcome to Andy. She is looking forward to the meeting in Cordova.

Robert Beans echoes what has been said. Andy is the third legal counsel for AVEC during Robert and Helena's tenure on the board of directors. Some of the long-term board members have worked with three different CEOs. Robert Beans and Phyllis Clough both said they would like new I-Pads.

#### 11. Next Meeting:

The next board meeting is Friday, November 18, with a Strategic Planning Session in the morning.

#### 12. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 1:25 p.m.

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Phyllis Clough, Secretary

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Robert Beans, Chairman