

AVEC Board of Directors Meeting November 18, 2016

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

Chairman Beans called the AVEC Board of Directors Regular Meeting to order at 10:05 a.m. in the Anchorage headquarters building. A quorum was declared with the following board members in attendance: Robert Beans, Fred Sagoonick, Walter Sampson, Helena Jones and Phyllis Clough. The following board members' absences were excused: Charlie Curtis and Peter Demoski.

The following people were also in attendance: Meera Kohler, Bill Stamm, Debbie Bullock, Katie Millen, Bill Thomson, Andy Leman, and Amy Murphy.

2. Declaration of Conflicts of Interest

Chairman Beans asked each board member if they had any declarations of Conflict of Interest to declare and there were none.

3. Approval of Minutes

3a. Upon a motion duly made and seconded, the AVEC Board of Directors Regular Meeting Minutes, dated September 19, 2016, were approved as presented.

4. Director Trip Reports

The following directors attended the APA Annual Meeting in Cordova: Phyllis Clough, Helena Jones, Walter Sampson, Robert Beans, and Peter Demoski. Robert said he really enjoyed the director training. There was discussion about the role of the co-op president. He bought a book authored by the presenter even though he had already read it. The other board members concurred that they enjoyed the great training session. Phyllis said the APA staff does an awesome job and the hosting utility made them feel welcome. Helena said she also enjoyed the fact there was no phone or TV at the hotel. It was very quiet. Robert mentioned the AK Airlines incoming flight that got struck by lightning, which disrupted flights leaving Cordova. He agreed the staff does a fantastic job.

5. Committee Reports

5a. Budget & Audit Committee: Acting Committee Chair Walter Sampson said the committee met prior to the board meeting and staff reviewed the proposed 2017 budget. Chairman Sampson said the committee recommended the full board approve the 2017 budget. Chairman Sampson also said Meera introduced Bill Thomson, who was hired to be AVEC's new Operations Manager. He previously worked as Mark Bryan's right-hand man for a number of years so he is very familiar with AVEC's operations.

5b. Nominating Committee

The nominating committee, chaired by Walter Bauchman of Minto, is holding a meeting on Monday, November 21 to review their duties and discuss the candidate selection process. The other committee members include: George Beans Sr. of Mt. Village, Janice Demoski of Nulato, Clarence Dull of Toksook Bay, Darla Jemewouk of Elim, Clyde Ramoth of Selawik and Denis Shelden of Alakanuk. The deadline to receive board nomination forms is December 31.

6. President's Report

6a. Investment Report – UBS: A copy of the 2016 Third Quarter Report was included in the board packet. Tammy Head with UBS attended the meeting in person and gave a recap of the report. She mentioned there has been a big change in the market since the end of the third quarter that had a positive impact on our investment portfolio YTD. The markets dropped after the recent election but stabilized after a few days. Tammy reviewed the chart that shows how the various asset classes performed. AVEC's investments are doing well with higher returns than last year. Overall our portfolio has made substantial gains since the inception date.

6b. Energy Projects Update: A report on the status of the Energy Projects program was included in the board packet and Meera provided a very brief update. AVEC applied for grid bridging development funding through the Emerging Energy Technology Fund and we are waiting to hear back on that. There was discussion on this project that would provide an interface between different technologies (i.e. wind and diesel) to optimize our system and get the most bang for the buck. This is especially crucial when we install the bigger wind turbines as the grid bridging system would store power for long enough to bring a diesel generator online when the intermittent generation is unavailable. Discussion ensued. We need to be ready to respond to disruptive technology, especially if and when our members start installing renewable energy systems, like photo-voltaic cells.

6c. Financial Statements: Copies of the September and October 2016 financial statements were included in the board packet. Meera gave a brief recap of the October information that showed we had a good month and made some operating margins. We are ahead of our budget now and hope to see better margin numbers by the end of the year. One line item shows that year-to-date we have a negative balance in patronage capital from associated organizations. Our insurance reserves took a hit, mainly due to three large claims that were settled this past year.

6d. Delinquent Account Update: The list of delinquent city/business accounts with a balance over \$2,000 is very short, showing three different communities and a total of five accounts. There was discussion on action to take for one of the cities that isn't paying their past-due streetlight bills. Member Services is doing a great job handling collections and trying to keep accounts up to date so they don't get disconnected. This is AVEC's lowest amount of delinquent accounts due going into the winter.

6e. Scholarship Program Update: Katie Millen asked the Scholarship Committee members to get together after the board meeting to discuss scholarship awards for spring 2017. Katie provided a list of the top ten scholarship applicants. A total of \$6,000 is available for disbursement. Phyllis Clough and Helena Jones approved a list of scholarship winners.

6f. 2016 Fuel Delivery Status: A copy of AVEC's 2016 Fuel Summary by Village report was included in the board packet. The average cost of fuel was \$2.559/gallon, with the exception of Bethel where the fuel cost was \$3.14. This is a decrease in fuel costs from last year. We were finally able to get a fuel barge in to Ambler and Shungnak but fuel still had to be flown in to Noatak. The cost of fuel is high in Noatak, at \$6.31/gallon. There was some discussion about Noatak and lack of options to get fuel in by barge. Vitus Energy provided a 2016 Season Report on their operations and a copy is in the board packet. AVEC's vessels completed a dry-docking before the 2016 open water season and were ready for delivery service on time. During the dry-dock period the vessels were surveyed for valuation purposes, inspected by the American Bureau of Shipping, inspected by the U.S. Coast Guard and audited by the American Waterways Operators Responsible Carrier Program. The repairs and maintenance on the four vessels ensured they met all regulatory requirements and provided a 99.9% readiness rating. The report listed the average price per gallon and cost-savings and efficiencies the operation has achieved. AVEC members, as well as residents of western Alaska, are still seeing the cost benefits of competition in the fuel market.

6g. Update on Yakutat, Napakiak and Oscarville: Yakutat and AVEC filed a joint application to transfer the certificate of service to us. A public comment period was opened. There was some discussion. Yakutat's general manager moved to Cordova so AVEC has been providing some management support. Bill

Stamm and Sam Lindquist flew to Yakutat to meet folks and look at the facilities and learn about their mode of operation. Discussion ensued. The distribution system is quite old and needs some TLC. There is a mixture of overhead and underground lines. Bill Thomson also visited Yakutat to learn about the system and operations. The Napakiak Sale and Purchase Agreement has been in limbo for a while as there was no response from Napakiak. This will be a simple process to execute and we will ask for immediate operating authority once the agreement has been signed. Adding Napakiak to our system will immediately decrease Napakiak's cost of power. All of the new meters were installed in Oscarville and they are now receiving power from AVEC, becoming our 57th community. They were billed for ½ a month's worth of service and are realizing a reduced cost for their electric power as they now qualify to receive PCE.

7. New Business

7a. Upon a motion duly made and seconded, Resolution 16-31 - Director Expenses, was approved as presented.

7b. Upon a motion duly made and seconded, Resolution 16-32 - 2017 Operating Budget, was approved as presented.

8. Old Business

8a. A copy of the Strategic Plan is in the BoardPaq library for review purposes. A Strategic Planning session will be held in the morning on January 20, 2017, prior to the regular board meeting. Copies of all of AVEC's policies are also contained in the library.

9. Executive Session

General Counsel Andy Lemman discussed the Open Meetings Act, under which we need to specify the reason for going into Executive Session and that no actions can be taken during Executive Session. The board concurred that future minutes will reflect the topic of discussion(s) during Executive Sessions.

Upon a motion duly made and seconded, the Board moved into Executive Session to discuss financial matters pertaining to wind turbines at 11:44. Staff stayed in the room. The Board moved out of Executive Session and back into the regular meeting at 11:58 a.m. No action was taken.

Andy also presented the board with a copy of a proposed policy pertaining to board attendance at meetings and conferences held by various organizations. It basically says that the board members will attend all sessions and meetings related to AVEC when they travel and officially represent AVEC. The board will review the proposed policy and make comments prior to voting on the policy, which was requested by the board members.

10. Board Comments

Walter Sampson said it was a good meeting and thanks to the staff for their hard work.

Helena Jones said it was a good meeting and she hopes everybody has a happy holiday season and safe flight home.

Phyllis Clough said she is excited about our future and the renewable energy projects we have built. She's really glad AVEC works hard to help our rural communities and do what we can to reduce the cost of power. Other organizations look at AVEC to see how we do things. Thank you to the staff and board for their dedication to our members.

Fred Sagoonick said he was really sad to hear about the recent suicide of a young boy in Shishmaref. He said news of suicides really brings the pain out. He asked if there is anything we can do in the Ruralite to

stress that suicide is not an answer. Maybe we could promote some of the suicide prevention efforts underway in rural Alaska. Meera said we will look for something appropriate to mention. If you see something meaningful related to suicide, let us know.

Robert Beans said this issue is close to his heart. There is an 800 number folks can call if they are considering suicide or have concerns about somebody they think may be considering suicide. It is important for folks to recognize suicidal tendencies and try to intervene. We need to look at a proactive effort. Robert Beans asked about the status of the Alaska Grid Project. Meera Kohler said this project has been dormant the last few months. The state budget's huge shortfall has put a crimp on a lot of projects. There was some discussion.

11. Next Meeting

The next board meeting is January 20, 2017. We will hold a strategic planning session in the morning, prior to the board meeting in the afternoon.

12. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 12:20 p.m.

Phyllis Clough, Secretary

Robert Beans, Chairman