

AVEC Board of Directors Regular Meeting Minutes November 10, 2017

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

Chairman Robert Beans called the regular meeting of the AVEC Board of Directors to order at 10:30 a.m. in the AVEC headquarters. A quorum was determined with all of the board members in attendance: Robert Beans, Bobby Hoffman, Peter Demoski, Helena Jones (via teleconference), Fred Sagoonick (via teleconference), Phyllis Clough, and Walter Sampson. Others in attendance include Meera Kohler, Katie Millen, Debbie Bullock, William Thomson, Forest Button, Andy Leman and Amy Murphy. Chairman Beans called for a few minutes of silence to honor those who have recently passed on.

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 none.

3. Approval of Agenda

Upon a motion duly made and seconded, the agenda was approved as presented.

4. Approval of Minutes

4a. Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting, dated August 15, 2017, were approved as presented.

5. Director Trip Reports:

Fred Sagoonick said he attended the APA Annual Meeting in Kodiak in September and it was very interesting. He really liked the workshop on social media that provided good information. Some of the implications of inappropriate social media comments or postings were mentioned. He said the banquet was very nice and Kodiak is a nice place to visit.

Phyllis Clough also attended the APA conference and enjoyed it. She liked the presentation on conversation skills outside of the board room. They did some role playing to help with communication skills. She also learned that social media stuff doesn't ever really go away. It was a good meeting.

Walter Sampson also said it was a good conference. The participation of all the board members was good and the conference provided opportunities for good dialogue.

Helena Jones said the whole conference was awesome. She said some of the training was different this year, with active participation by the attendees instead of just lectures. They got to ask lots of questions. She likes Kodiak.

Robert Beans echoes the comments of the other board members. After attending the NRECA training session he earned his NRECA Board Leadership Certificate, which is a good accomplishment.

6. Committee Reports

6a. Budget & Audit Committee: Walter Sampson said the committee met and reviewed the proposed 2018 budget and recommends the full board approve the budget.

6b. Nominating Committee: A copy of a report from the Nominating Committee was included in the board packet. The committee approved the following candidates to run for election for the three board seats being vacated in 2018: Helena Jones of Ambler, Phyllis Clough of Old Harbor, Peter Demoski of Nulato, Henrietta Tom of Stebbins, Enoch Mitchell of Noatak, Homer Hunter Jr. of Scammon Bay and Robert Okitkun of Kotlik. The Board voted to accept the report and the list of nominated candidates as presented.

7. President's Report

7a. Investment Update – Tammy Head : Tammy Head of UBS gave a brief overview of the investment report included in the board packet. Our investments continue to do well, realizing good gains in appreciation YTD. Tammy mentioned concerns with a couple of our portfolio managers, whose performance they will continue to monitor.

7b. Energy Projects Update: Forest Button provided an overview of the Energy Projects report included in the board packet. The Pilot Station projects are complete and waiting a final inspection. Togiak's new power plant foundation building shell is complete and the projects are in winter shutdown. The Teller power plant has been commissioned. Next summer work will continue on the new tank farm. This project is in winter shutdown. Property west of the airport has been secured for the Bethel wind project. Road, pad and foundation pile installation is scheduled for this winter. Field work was completed on the Bethel Heat Recovery Pipeline Integrity Assessment and a draft report was issued in May. Our consultant is finishing up the Conceptual Design Report. We expect delivery of the EWT wind turbine for the St. Mary's wind project in the spring. Road, pad and foundation are complete. We received some grant funding for the St. Mary's to Mt. Village intertie and are applying for a CDBG to cover AVEC's match. The design is at 95%. AVEC received grant money to construct new bulk fuel facilities in Holy Cross. AVEC is taking the lead on construction of new facilities for both AVEC and the community. Fencing projects in Kivalina, Kobuk, Shishmaref and Quinhagak have been installed.

7c. Financial Statements: Meera Kohler said this financial information was reviewed during the Budget and Audit Committee's meeting earlier in the morning. So far we have a negative operating margin but that is related to the timing of fuel cost and fuel billed and will hopefully change by the end of the year.

7d. Update on Napakiak and Yakutat: December 1 is the six-month anniversary of purchasing Yakutat. We are assessing our ongoing needs for the plant to decide what positions we need there. We will post the jobs locally but don't expect to retain all four employees. The employees are not certified in line work and we have to fly our field employees in to do line work. Nothing further has happened with Napakiak. This was the third time they approached us expressing interest in joining AVEC and we expended time and money to assess the utility. We are proposing changes to our Village Acquisition policy to require the community to reimburse us for any costs we incur assessing their system. This new policy will affect future acquisitions.

7e. Delinquent Account Update: Katie Millen provided a copy of the delinquent non-business/city accounts with a balance over \$2,000 and the list was empty. This is the first time this has happened in AVEC's history. The list of delinquent business/city accounts with a balance over \$2,000 is short. Some of the accounts just moved onto this list after the last billing. Katie's staff pursue collections diligently. We rarely do account disconnects during the winter but will do so in egregious cases.

7f. Scholarship Update: Katie Millen provided two documents related to the Scholarship Program. One document lists the top 12 scholarship applicants including their GPA, field of study and their plan to help their community. The other document is for the Scholarship Committee to fill out, listing the scholarship applicant winners and the amount they were awarded.

7g. 2017 Fuel Delivery Status: A copy of Vitus Energy's 2017 Fuel Delivery Season report was included in the board packet. The AVEC ATBs completed their preseason maintenance and inspections and were ready for delivery service on time. The vessels were inspected by the US Coast Guard to ensure they met all regulatory requirements. There was almost zero downtime during the 2017 delivery season. The report lists some cost-savings and efficiencies that provide benefits to AVEC. As Vitus and AVEC continue to grow, Vitus looks forward to finding new efficiencies for both companies. They are united in a desire to lower the cost of energy in our service areas and have a track record of doing that. Vitus extends its sincere thanks to AVEC management and board of directors for their ongoing support. AVEC received a total of 8,002,774 gallons of fuel for all the communities at a system-wide average cost of \$2.75/gallon.

7h. Memo from Andy Leman regarding policy revisions: A copy of Andy Leman's memo was included in the board packet. Andy reviewed the memo that pertained to revisions to three policies. Policy 2002 revisions

included adding a requirement for directors to purchase insurance when renting cars. This policy was also revised to make it a Board policy instead of a management policy. Revisions to Policy 2011, regarding new village acquisitions, updates language and requires a signed MOU with reimbursement to AVEC for consultant and legal fees incurred should the acquisition fail. Policy 2019 addresses directors with delinquent bills. The policy now requires management to give the Board a monthly report on the status of directors' accounts. It also clarifies the standard the Board will use to determine when a director is delinquent enough to merit removal from the Board.

Bill Stamm traveled to Uganda at the request and expense of NARUC (National Association of Regulatory Utility Commissioners) to participate in a work session on management and operation of microgrids. Folks in Uganda are interested in learning how we developed our systems. Bill gave two presentations and facilitated a panel. The participants were fascinated by what we do and how we operate. Bill will do a presentation at the next board meeting. Fred Sagoonick said it's pretty neat that we receive international recognition for our projects and get requests to share our information. Fred asked about the Bethel wind turbine. Forest said the turbine size is 900 kW and it's an EWT machine with a 50-meter hub height and a 52-meter diameter blade. It's been challenging to find a spot to install the large turbine as most of the air space in Bethel is subject to FAA control. We are also installing a 900 kW machine for the St. Mary's/Mt. Village project. The EWT is smaller than the turbines in Kodiak.

Upon a motion duly made and seconded, the President's Report was accepted.

8. Action Items

- 8a. Upon a motion duly made and seconded, the board approved Resolution 17-24 Director Expenses as presented.**
- 8b. Upon a motion duly made and seconded, the board approved Resolution 17-25 2018 Operating Budget as presented.**
- 8c. Upon a motion duly made and seconded, the board approved Resolution 17-26 Director Fees and Expenses - Policy 2002 (revision).**
- 8d. Upon a motion duly made and seconded, the board approved Resolution 17-27 Request for Possible Membership in AVEC By Villages With Existing Electrical Facilities - Policy 2011 (revision).**
- 8e. Upon a motion duly made and seconded, Resolution 17-28 Delinquent Accounts of Directors – Policy 2019 (revision), was approved as presented.**

9. New / Unfinished Business

- 9a. Review Board Policies – files located in BoardPaq Library

10. Executive Session

Upon a motion duly made and seconded the Board moved into Executive Session at 1:16 p.m. to discuss the potential acquisition of new AVEC villages that could have a negative financial impact on the finances of the cooperative. The Board moved out of Executive Session and back into a Regular Meeting at 1:44 p.m. No action was taken.

11. Board Comments

Peter Demoski said he saw the plaque from Alaska Business that gave AVEC an award for being the 49th organization in the Top 49 Alaska Companies Ranked by Gross Revenue during 2017. He said this is pretty significant and he is proud of AVEC. Meera said this was made possible by the acquisition of Bethel, which increased our revenue.

Walter Sampson didn't have any comments.

Bobby Hoffman said he is pleased with the way AVEC's administration is going. It's good for the board to keep an eye on things.

Phyllis Clough is happy with Meera and her staff and is glad everybody works together, including the board. She is thankful the PCE program is safe for now as many people rely on it to pay their electric bills.

Helena Jones said she wished she could have been at the meeting in person, but the weather was bad.

Fred Sagoonick said he is glad to have Meera Kohler as a spokesperson. He is disappointed he couldn't attend the meeting in person, also due to bad weather.

Robert Beans echoed everybody else's comments. He said now there's an opportunity for the Governor to work to fulfill a promise to consider and fund the All Alaska Energy Project. It's been 15 years. Now the Governor is focusing more on the LNG project. He needs to represent Alaska, not the Chinese, and do what's best for Alaska and work to develop our economy. Robert reported that he earned his BLC (Board Leadership Certificate) after attending the training in Kodiak. This is a good accomplishment. Happy Thanksgiving everybody and have a good weekend. Thank you for being here.

12. Next Meeting: January 19, 2018

13. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 1:58 p.m.

Chairman Robert Beans

Secretary Phyllis Clough