

AVEC Board of Directors Meeting August 15, 2017

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

Chairman Beans called the August 15, 2017 meeting of the Board of Directors to order at 10:58 a.m. at the AVEC Headquarters. Fred Sagoonick gave the invocation. A quorum was ascertained with all of the board members in attendance: Robert Beans, Helena Jones, Phyllis Clough, Fred Sagoonick, Peter Demoski, Robert Hoffman, and Walter G. Sampson. Other attendees included Meera Kohler, Bill Stamm, Brent Spencer, Debbie Bullock, Katie Millen, Forest Button, Scott Sanner, Andy Leman, and Amy Murphy.

2. Declaration of Conflicts of Interest

Chairman Beans asked if there were any conflicts of interest to declare. Fred Sagoonick said he's a director of BSNC who has acquired a supplier, Alaska Industrial Hardware (AIH). Robert Hoffman said his nephew is married to the CEO of Bethel Native Corporation. There were no other conflicts to declare.

3. Approval of Agenda

Upon a motion duly made and seconded, the meeting agenda for August 15, 2017 was approved as presented.

4. Approval of Minutes

4a. Upon a motion duly made and seconded, the minutes for the AVEC Board of Directors Organizational Meeting on June 2, 2017 were approved as presented.

4b. Upon a motion duly made and seconded, the minutes for the AVEC Board of Directors Regular Meeting dated June 2, 2017 were approved as presented.

5. Director Trip Reports

Helena Jones said she was one of 20 people appointed to the NRECA/CFC Governance Task Force. She traveled to San Antonio in June for a task force meeting and she also flew to Dulles in August for another meeting. This is a governance committee that will hold four or five meetings. One goal is to put together a manual on governance "best practices" for rural electric cooperatives. The committee's work is confidential until the results are published early in 2018. The committee is composed of directors, CEOs and attorneys and is the first time something like this has been put together. Helena is the only Alaskan. All of Helena's expenses are paid for by NRECA.

6. President's Report

6a. Investment Update – Tammy Head of UBS provided a 2nd quarter 2017 report that was included in the board packet. Tammy referred to a chart on page three that shows events that have happened since the beginning of the year that show how the markets continue to make new gains amid political uncertainty. Page four shows how the various asset classes have performed on an annual basis since 1999. Emerging markets equities leads the pack so far this year with international developing equities in second place. A chart on page five shows the total composite of AVEC's investment account with the account reconciliation showing the beginning value and total ending value. We have made substantial gains since the inception of the investment portfolio in March of 2003. The performance summary shows how the various money managers have performed. We have a good equities manager and no changes recommended there. One domestic equities manager is under performing and is under a watch. Our asset allocation is in line with policy. Tammy reviewed a little bit about what is currently happening to the economy. The markets have weathered political volatility. There was some discussion about the investment policy. No additional capital has been invested since establishment and this account can be tapped at any time.

6b. Energy Projects Update: Walter Sampson asked for a brief overview of all the work and department reports since the group already heard a lot of this information during yesterday's Strategic Planning session. Forest Button said his Energy Projects Report update is included in the board packet and he mentioned the high points yesterday. The Pilot Station project is substantially complete after moving and energizing the power plant. Some renovation work was done on the power plant. The City's tank farm is substantially complete and the

Corporation's facility is 90% complete. The tank farms should be ready for fuel delivery this fall. When completed, the Teller projects will increase the generating efficiency for the community and there is a possibility we can install some wind generation. Decreased fuel consumption will help lower electric rates for the community. Work continues on the wind turbine installations in Saint Mary's and Bethel. The Bethel heat recovery module will ship September 14th and be operational in mid-October. We have funds to fence three villages and those projects should be finished in 2017. The rest of his report is in the board packet.

6c. Financial Statement (Form 7): A copy of the Form 7 Financial Statement dated June 30, 2017 is included in the board packet. We still do not have positive margins, but that is due to the cost of fuel. We are using last year's fuel. We submitted a new rate filing to the RCA and it should be approved this week. We have been under-collecting fuel costs but the new rate will allow us to collect the correct amount and we hope to have positive margins by year's end. The financial statements were discussed in more detail during the strategic planning session.

6d. Update on Yakutat and Napakiak: Yakutat has been a member since June 1. We accepted the operations as they were being run. There are four employees and a couple of part-time employees. We have six months to evaluate the system and staffing to decide how to go forward. The transition has worked out pretty smoothly. The Napakiak deal stumbled along for 1.5 years and we recently heard through their attorneys that they no longer want to join AVEC. We are preparing documentation to request reimbursement for costs incurred on this deal, based on the resolution they presented to us.

6e. Delinquent Account Update: The list of delinquent business accounts owing over \$2,000 is not extensive. We have an effective collections procedure. We're working with the Kaltag fish processor. We contact these entities every month and will follow through with disconnection if necessary. There was some discussion on the Selawik account and a few other accounts. There is only one residential account with a delinquent balance over \$2,000. Katie's staff has been in contact with the consumers and are working on payment plans to bring all accounts current.

6f. Scholarship Update: Katie said we have collected applications for the next round of scholarships. She asked the board to give suggestions on how to increase exposure of our scholarship program. Today is the deadline to receive applications. Katie will include applications from the previous round of scholarship awards. We have the usual handful of applicants that don't enroll or complete their paperwork. The check goes directly to the college, not the student.

6g. ACRE/CARE donation: Once again all of the board members opted to make a contribution to ACRE/CARE, which are the national and statewide electric utility political action committees. Chairman Beans donated at the \$100 level while the rest of the board members donated at the \$50 level.

6h. APA Annual Meeting and Director Training, September 12-15, Kodiak. The following board members will attend APA's Annual Meeting in Kodiak: Robert Beans, Walter Sampson, Phyllis Clough, Helena Jones, Peter Demoski and Fred Sagoonick. It was mentioned that it would be good to take separate planes as much as possible.

6i. Appoint Nominating Committee to select board candidates: Chairman Beans proposed appointing the following people to the Nominating Committee: Clarence Dull, Chair; George Beans of St. Mary's, Miles Cleveland of Ambler, Zora Inga of Old Harbor, Clyde Ramoth of Selawik, Agnes Takak of Shaktoolik and Darrell Vent of Huslia. The board approved the nominees.

Meera mentioned that we have had some issues with the hotels that don't direct bill us anymore and it takes a lot of staff time to fill out credit card authorization forms for 4 or 5 different hotels for every single meeting and follow up to make sure they were received. It gets frustrating as sometimes our board members still erroneously get bills charged to their credit cards despite our efforts. It would be easier if the board members could select one or possibly two different hotels to stay at.

Upon a motion duly made and seconded, the Board approved the President's Report.

7. Action Items

7a. Upon a motion duly made and seconded, Resolution 17-19 Authorizing the Transfer of Employees of Yakutat Power, Inc. to AVEC NRECA 401(k) Pension Plan, Adoption Agreement "A" and the Retirement Security Plan was approved as presented.

7b. Upon a motion duly made and seconded, Resolution 17-20 Change of Registered Agent was approved as presented.

7c. Upon a motion duly made and seconded, Resolution 17-21 Director Expenses was approved as presented.

7d. Upon a motion duly made and seconded, Resolution 17-22 Capital Credit Retirement was approved as presented.

7e. Upon a motion duly made and seconded, Resolution 17-23 2017-2018 Schedule of Board Meetings was approved as presented.

8. New / Unfinished Business

8a. Review Board Policies: These files are located in the BoardPaq Library.

8b. Review Nominating Committee Policy: **Upon a motion duly made and seconded, the board approved changing the deadline for the Expressions of Interest (self-nomination form) from December 31 to October 31 every year.**

8c. Strategic Plan: An updated version of the Strategic Plan will be posted in the BoardPaq Library.

9. Executive Session: There was no need to hold an Executive Session.

10. Board Comments

Fred Sagoonick said there was a Facebook post about a member's meter base in Shaktoolik. It said the home owner is responsible for fixing NEC violations. Fred asked if AVEC provides notice to members about not being in compliance. Meera said we send out notices. The issue is the deficiencies aren't necessarily apparent from the outside. We also send letters announcing imminent disconnection and that includes a description of the deficiency that needs repaired. There was some discussion, including how meter base kits can be paid for through a member's bill.

Phyllis Clough said she enjoyed the strategic planning session. It's always good to revisit the plan and make any necessary adjustments. She also liked the training that Andy Leman provided. She feels the training helps us all stay on top of things and do the best we can for our members. She said thanks to Meera and the AVEC staff and the board.

Walter Sampson said this was a good session. We need to do strategic planning on a regular basis so we can provide good service. Meera and AVEC's staff do good work. It's important that management and staff work together as a team. Together we can make the impossible possible. We continue to face lots of challenges, including decreased funding from the Denali Commission and the state. We get good feedback from our members and communities saying we provide a good service. We're the best utility in Alaska and are recognized at a federal and state level. I applaud Meera for her outstanding efforts. We need to keep up the good work. Thanks to everybody for working as a team. He looks forward to attending the APA Annual Meeting in Kodiak.

Bobby Hoffman said he really enjoys working with the AVEC team. It's rare to see a team work together as well as AVEC does. It's hard to work together without good administration. We can put our heads together as we take steps to move forward. This is a pleasant place to work and he's glad to see how the board and staff work together.

Peter Demoski said thanks to the whole team. It's good we do strategic planning on a regular basis. Thank you to Andy Leman for his presentation. Peter looks forward to attending the APA Annual Meeting in Kodiak. He enjoys

traveling to new places and interacting with other utilities. Meera Kohler is really good at keeping AVEC in the spotlight.

Helena Jones enjoyed the strategic planning, training and board meeting. She was surprised at how fast the long day passed. She is glad AVEC has such a knowledgeable staff. Thank you for today and for yesterday's training and thanks to Bobby Hoffman, the newest board member.

Robert Beans said he echoes what everybody has said. He mentioned the issue about the board members selecting one hotel to stay at. He asked if there were any suggestions. Walter said we should stay where we feel comfortable, not in just one hotel. Peter Demoski said he hears what Walter is saying. It's been his experience that if he stays often the staff gets to know him and sometimes may give a discount. There was some discussion. Meera said we will have conversations with the hotels to see if we can try to get better rates.

11. Next Meeting: November 10, 2017

12. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 1:05 p.m.

Phyllis Clough, Secretary

Robert Beans, Chairman