

**AVEC Board of Directors Meeting
Monday, August 20, 2018**

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

Chairman Beans called the Regular Meeting of the Alaska Village Electric Cooperative Board of directors to order at 9:04 a.m. Fred Sagoonick gave the invocation. A quorum was determined with the following board members in attendance: Chairman Robert Beans, Vice-Chairman Fred Sagoonick, Treasurer Peter Demoski, Secretary Helena Jones, Walter Sampson and Robert Okitkun (via teleconference). Robert Hoffman's absence was excused. Others in attendance included Meera Kohler, Bill Stamm, Debbie Bullock, Stacey Smith, Amy Murphy and Andy Leman (General Counsel). There were no guests and no member comments.

2. Declaration of Conflicts of Interest, if any, and Review Account Status of Board Members

Chairman Beans asked if there were any conflicts of interest to declare and there were none. None of the board members have a delinquent account.

3. Approval of Agenda

Upon a motion duly made and seconded the Agenda was approved.

4. Approval of Minutes

4a. Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Organizational Meeting on June 8, 2018 were approved.

4b. Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting on June 8, 2018 were approved.

5. Director Trip Reports

There were no director trips to report on.

6. President's Report

6a. Investment Update – Tammy Head with UBS provided a report on the status of our investment portfolio. She referred to page 3 of her report and said that volatility is back after an abnormally calm 2017. Overall January showed good returns while the market showed decreases in February and March. Returns increased again in June and July. The tariffs implemented by President Trump are becoming more of an issue. The US small-cap equities received the highest return YTD with US large cap equities showing the next highest returns. The U.S. economy is having its second-longest modern bull market, from 2009 to the present. Overall AVEC's investment policy is doing well and showing positive returns. Tammy said AVEC should stay diversified and continue investing for a pro-growth environment. The Board may decide to review the investment policy at a future meeting.

6b. Energy Projects Update: A copy of the Energy Projects Report is included in the board packet. Meera Kohler gave a brief recap of the report. In Togiak, construction of the bulk fuel tank farms and outfitting the completed power plant foundation and building is ongoing. Estimated completion is the beginning of October. We need to get the bulk fuel tank farm completed soon so we can receive fuel. The Teller power plant is installed and online. Construction of the bulk fuel tank farm began in June and was substantially complete the end of July. Bethel's EWT900 wind turbine is installed and scheduled to be commissioned the third week in September. Field work on Bethel's heat recovery pipeline integrity assessment is complete and the draft report issued in May 2018. The CDR has been finished, which will enable us to make informed decisions regarding upgrades. St. Mary's EWT900 wind turbine is in place with commissioning scheduled for the second week in September. Upgrading the tieline between the turbine and St. Mary's is underway. The St. Mary's to Mt. Village intertie project was awarded to Alaska Line Builders. Construction will start in late August and finish in the summer of 2019. The initial site plan for the bulk fuel tank farm is complete. We are working with the city for final site plan approval and moving forward

with the power plant design. The 95% design documents for a 900 kW turbine in Stebbins are complete. A proposal for completing bid-ready documents has been received and is on hold until construction funding is awarded and turbine height is finalized. Permitting is complete. No funding has been secured for final design or construction of the Old Harbor hydroelectric project yet. The 65% design documents for the Shaktoolik bulk fuel tank farm are complete and the 95% design is expected Third quarter 2018 with a final design expected Fourth quarter 2018. Construction began in June on the Holy Cross bulk fuel tank farm. Facility is scheduled for operational use by the end of this construction season. The city of Eek's CDBG financial award for upgrades and conversion to three-phase is ongoing. Upgrades should be completed by the fourth quarter of 2018. AVEC received funding from the Denali Commission for a CDR/design of a new power plant in Kivalina. Fencing projects in several communities are underway.

60 Hertz Energy: The agenda was revised to include a presentation from Piper Foster Wilder, the Founder of 60Hertz Energy. Piper said she has spent a lot of time with AVEC personnel the past year and a half or so refining this project. 60Hertz Energy is designing software for power plant operators to help keep the power on in remote communities. Currently the plant operators manually fill out a paper check list every week, which has drawbacks. This new software will digitize the information and put it into an "app" that the operators and AVEC personnel can use. A pilot project involving 30 power plant operators in 14 sites between February and May produced good results. Meera Kohler said this is a very exciting project and the software will be set up for specific engine and generator sets. Walter Sampson said this software program would address some of the issues we struggle with every year. Meera said we need to research the pros and cons and see how we can help them help us. They are looking for additional funding. Robert Beans said thank you for the presentation. It seems like this would be a tremendous partnership opportunity.

6c. Financial Statement (Form 7): A copy of the Form 7 for the period ending June 30, 2018 was included in the board packet. The news contained in the Form 7 is not very good. AVEC didn't realize a profit last year so no capital credit checks will be mailed out this year. AVEC is undergoing a rate structure review to see what needs to be done to our rates to ensure we receive positive margins each year. One issue impacting our bottom line is that due to decreased grant funding we are expensing employees' time and not capitalizing those hours. The board will be given a Cost of Service report at the next meeting.

6d. Delinquent Account Update: A copy of the Business/City Accounts with a Balance Over \$2,000 was included in the board packet. Stacey Smith said the list contains one city with two delinquent accounts for a total of \$19,000. This city is a perpetual offender and they have not sent in money as they promised. Stacey will follow up on this as their collections work start up again soon. She is able to use the city's sales tax and apply it to current amounts due, but that doesn't help pay down the total past-due amount. The Residential Accounts with a Balance Over \$2,000 report shows no accounts listed, which is great. Our members have been good at paying their bills.

6e. Scholarship Update: Stacey Smith said we received 17 completed scholarship applications for the spring semester classes/training. A summary of the applicants including their GPA, area of study and plan for the community after they graduate was included in the board packet. The Scholarship Committee will meet later and select scholarship winners. A copy of all of the essays received is included in a separate Scholarship Committee meeting folder.

6f. Natural Gas Discussion: Meera said this topic was included in the agenda at Robert Okitkun's request. Robert Okitkun said there have been discussions in his community about oil and natural gas and the desire to use cheaper natural gas instead of diesel to provide power. There has been talk about transferring municipal lands to the Tribe, which would give them subsurface rights under ANCSA. If their community could start using natural gas for power it would decrease the cost of power and maybe an intertie could be built to provide natural gas power to other communities. There is high interest in natural gas out there and we need to look at fuel besides stove oil. Walter said thank you for your comments. However, the Regional Corporations own all the subsurface rights and the village corporations own the surface rights. Walter explained land transfers and surface rights. There was further discussion. Chairman Beans thanked Robert Okitkun for his comments and concern but said this is not AVEC's bailiwick. This is an issue for the regional corporations and let's leave it at that.

6g. ACRE/CARE donation: Meera Kohler said in the past AVEC's Board of Directors has always had 100% participation in ACRE/CARE at the \$50 level, splitting the amount 50/50 between ACRE and CARE. Robert Beans donated at the \$100 level. AVEC is one of the few Alaskan cooperatives that have 100% Board participation and she hopes this continues. Meera said the contribution could come out of their next per diem and asked which board members will participate. Robert Beans, Helena Jones, Fred Sagoonick, Peter Demoski and Walter Sampson said they will contribute to ACRE/CARE again. Robert Okitkun said no.

6h. APA Annual Meeting and Director Training, August 22-24 in Fairbanks: Meera said all of the board members signed up for the NRECA Director Training and the Annual Meeting. Unfortunately Robert Hoffman had to cancel due to a death in the family. Robert Okitkun said he had to cancel due to the weather. Meera said she is not sure if we will get a refund for Robert Okitkun's last-minute cancelation (\$1,500) but Amy Murphy will check into it.

Meera said she received an e-mail message from Bernie John in Kipnuk asking how new members join AVEC. He mentioned their community is having some issues. She hasn't heard back from him.

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

7. Action Items

7a. Upon a motion duly made and seconded, Resolution 18-15 Director Expenses was approved.

7b. Upon a motion duly made and seconded, Resolution 18-16 Capital Credit Retirement was approved.

7c. Upon a motion duly made and seconded, Resolution 18-17 2018-2019 Schedule of Board Meetings was approved.

8. New / Unfinished Business

8a. Review Nominating Committee Policy: There was no need to revise this policy.

8b. Appoint Nominating Committee for 2019 Board Candidates: Chairman Beans is having a hard time getting in touch with folks as they are out fishing and hunting. He will keep trying to find people willing to serve on the committee and present the list to the board at a later date.

8c. 60 Hertz PPO Program: Meera said this company is looking for funding and approached AVEC to see if we would be interested in being a lead investor. Meera said we're very enthusiastic about the software program and the app and she and Andy have had discussions about potentially investing in the company. Andy said he has worked with outside legal counsel that has more experience in this area than he has. Primary paperwork was sent to CFC to evaluate. The AVEC Board would have to sign off on any investment before anything would be finalized.

8d. System Improvements and New Long-term Loan: Meera mentioned a list of big projects with high costs and cash matching funds required from AVEC that have impacted AVEC's bottom line. Meera said it is time to set up a new long-term loan as we don't have the cash for these large project investments. She contacted both CFC and RUS about a potential loan that would give Debbie Bullock the cash required to pay our bills. We need to lock in an interest rate at the best time. Meera said we will get all the appropriate paperwork together and the Board can act on it in November.

9. Executive Session

Upon a motion duly made and seconded, the Board moved into Executive Session at 11:50 to discuss a matter of a potential investment in 60Hertz Energy. The Board moved out of Executive Session at 12:15.

10. Board Comments

Fred Sagoonick said it was a good meeting. Walter Sampson also said it was a good meeting. He really liked the presentation Piper Foster Wilder gave. The software program they are developing seems like it could help AVEC staff address some of the issues they face and free up more time to work on other projects. Robert Okitkun said

he read the Director Fees and Expenses policy and wonders why board members that attend meetings via teleconference only receive ½ of the regular Director meeting fee instead of the whole \$300 even if they attend the entire meeting. Meera Kohler said that typically we give directors the \$300 meeting fee if they attend the whole meeting via teleconference. The reduced meeting fee of \$150 applies to special teleconferenced board meetings that only last from 30 minutes to several hours instead of all day.

11. Next Meeting: November 9, 2018

12. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 1:07 p.m.

Helena Jones, Secretary

Robert Beans, Chairman