

**AVEC Board of Directors Regular Meeting Minutes
June 3, 2016**

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

Chairman Beans called the regular meeting of the AVEC Board of Directors to order at 12:30 p.m. on June 3, 2016 at the Anchorage headquarters. A quorum was determined with all of the board members in attendance: Robert Beans, Charlie Curtis, Fred Sagoonick, Helena Jones, Phyllis Clough, Walter Sampson and Peter Demoski.

Others in attendance include: Meera Kohler, Bill Stamm, Roger Kemppe and Amy Murphy.

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

Chairman Beans asked each board member if they had 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.

4. Approval of Minutes

4a. Upon a motion duly made and seconded, the Minutes of the AVEC Board of Directors Regular Meeting dated April 5, 2016 were approved.

4b. Upon a motion duly made and seconded, the Minutes of the AVEC Board of Directors Organizational Meeting dated April 6, 2016 were approved.

4c. Upon a motion duly made and seconded, the Minutes of the AVEC Board of Directors Special Teleconference Meeting dated April 22, 2016 were approved.

5. Director Trip Reports

There were no director trips to report on.

6. President's Report

6a. Investment Report: Tammy Head with UBS gave a brief update on the status of AVEC's investment portfolio. Overall things look good and the amount we invested in our portfolio has increased 8+% annually since the inception of this investment program. Our portfolio is well diversified. Some of the worst performers from last year are now amongst the top performers. The international funds are still at the bottom of the list but their performance is up slightly. Tammy said the different account managers are mostly doing well. Our target allocation is in compliance with the policy with 12% in international and 88% in equity. Consumers are still spending, which spurs a slow, steady economic growth.

6b. Energy Projects Program Update: A copy of a report on the status of the energy projects program was included in the board packet. The new power plant in Emmonak came online and the old plant was idled on May 6. Final work on the Alakanuk standby module is underway. Total project funding, including the new AVEC tank farm, is \$17,404 million (\$14,297 million from Denali Commission, \$3,107 million is AVEC match.) The Pilot Station project to move the power plant and community bulk fuel tank farm was bid and awarded in the first quarter. The 35% design plan set for the Togiak power plant was delivered to AVEC. The project is scheduled to bid late Q3 or early Q4 2016. Four tanks for the Teller bulk fuel tank farm project have been completed and are in storage until they are shipped in April 2017. We are working through land issues to secure site control for the new power plant and tank farm in Teller. Funding is expected to come from FEMA for the projects. Construction of the New Stuyahok – Ekwok intertie was completed in April. Final connection will be finished this summer and the Ekwok plant will be converted to a standby module. We continue to collect wind data from the two MET towers in Bethel and we are conducting site evaluations for comparison. Field work was completed and the draft report issued in May for the Bethel heat recovery pipeline integrity assessment. Design is 65% complete for the Bethel heat recovery module. This project is self-funded by AVEC. Our consultant is completing work on the CDR for the Mt. Village wind feasibility project. The CDR for the New Stuyahok wind feasibility project will be finalized this summer. The village has a class two (marginal) wind

**AVEC Board of Directors Regular Meeting Minutes
June 3, 2016**

resource and is not viable for wind energy at this time. We decided to place a 900-kW 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 900 kW turbine. The 50-meter MET tower in Scammon Bay has been decommissioned. We installed a 10-meter tower at a lower elevation to verify computer-generated modeling that suggests good wind at a different location. The first location proved to have substantial icing issues. In April we received a license from FERC for the Old Harbor hydroelectric project. There are some stipulations for modifications to the exhibits that are being addressed. We currently have \$26.7 million in the queue for designated projects in 2016, 2017 and 2018. So far in 2016 AVEC is named to receive \$781,000 that will be spent on projects over the next three years. We have applied to the RUS for funding toward the St. Mary's to Mt. Village intertie and wind integration. We are working on an application with the City of Shungnak for an Indian Community Development Block Grant (ICDBG) for installing a 500kW engine with marine manifolds for increased heat recovery and fuel efficiency. Wind generation in Shaktoolik is very productive. There was some discussion about heat recovery in Shaktoolik.

6c. Financial Statement: A copy of the latest financial statement dated April 30, 2016 was included in the packet. The statements show that year to date we are in the red in our patronage capital, but we will be back in the black by the end of the year. We have performed quite a few overhauls and are under-collecting on fuel. But that will turn around and even out. Overall things are tracking as expected.

6d. Update on Yakutat, Napakiak, and Oscarville: The Yakutat Borough Assembly voted to sell the electric system to AVEC. Legal counsel is working on compiling the application to the RCA to transfer Yakutat's Certificate of Public Convenience and Necessity to us. A soft target for submission of the transfer application is July 1. Oscarville has formally requested us to take them in. Meera is working toward incorporating them as a subdivision of Bethel, much like Andrafsky and St. Mary's. A consultant reviewed their distribution system and advised them on necessary upgrades before we can take over their system. The community is hiring a contractor to accomplish the improvements to bring services up to code. After that is finished, we will install our meters and incorporate them into the AVEC system. We will have to apply to the RCA for a service territory modification. Napakiak also formally requested that AVEC take them over. They received a draft Purchase and Sale Agreement and indicated they would act on it in June.

6e. Scholarship Applications: We received over 70 applications, of which 46 were complete and met the requirements for consideration for our scholarships. Katie provided a list of the top ten scholarship applicants for the scholarship committee to consider awarding scholarships to. The committee decided to wait to award scholarships until after they review the applications.

6f. Delinquent Account Update: The list of delinquent city/business accounts with a balance over \$2,000 is very small. All but one of the city accounts belong to a single community. Katie and her staff are working with this city to try to collect payments. The list of other delinquent accounts with a balance over \$2,000 contains only one consumer. Katie reported April and May collections efforts brought this list down to only the one account. They continue to work hard to collect on past due accounts.

6g. Letter to Board from John Andrew (Andy) Leman, with Kemppe Huffman and Ellis: Andy Leman submitted a letter containing information to assist the board with selection of a new General Counsel to replace Roger Kemppe, who is retiring. The board will consider hiring either Andy Leman or Dean Thompson. Andy's letter explained some of the work he has done for AVEC and also provided information about his education and experience. Andy has been handling most of AVEC's general counsel work while Dean has overseen almost all of the firm's regulatory work. KH&E proposes that AVEC's primary point of contact going forward would be Andy, with the understanding that KH&E would continue to make all of its attorneys available for AVEC on an as-needed basis. Dean Thompson would serve as the secondary contact in instances where Andy is unavailable or the issue involved is one within his areas of expertise.

6h. Future Meetings – Alaska Power Association Annual Meeting (Cordova, September 21-23, 2016). So far all of the board members think they can attend this meeting. The next board meeting will be September 19 with September 20 designated as a travel day to Cordova. We may plan a strategic planning retreat on the 19th, prior to the board meeting.

**AVEC Board of Directors Regular Meeting Minutes
June 3, 2016**

Meera asked the board members if they would like to purchase new I-Pads to upgrade their current I-pads. The board members will let her know if they want a new one.

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

7. Action Items

7a. Upon a motion duly made and seconded, Resolution 16-23 Director Expenses was approved.

7b. Upon a motion duly made and seconded, Resolution 16-24 Nominating Committee Policy Revisions was approved.

7c. Upon a motion duly made and seconded, Resolution 16-25 Statement of Non Discrimination was approved.

7d. CEO Evaluation. Upon a motion duly made and seconded, the board approved extending the President and CEO's contract to 2019 with a 12% increase in salary.

7e. Selection of AVEC General Counsel: Roger Kempffel, our General Counsel for 38 years, has retired. Board members concurred that John Andrew "Andy" Leman, also with the firm Kempffel, Huffman and Ellis, will replace Roger as General Counsel.

8. Unfinished Business

8a. Strategic Plan Review – may be scheduled for next board meeting.

9. New Business

There was no new business to discuss.

10. Executive Session

There was no need to conduct an Executive Session.

11. Board Comments

Helena Jones said it was a great meeting and she hopes everybody has a good summer. She is going to miss Roger.

Peter Demoski said he regrets having to miss the annual meeting and the teleconference meeting. His family appears to be on the right track for now. He looks forward to next year's annual meeting to see how the new format works. He previously had questions about how effective the question and answer session was. Good luck to Roger in his retirement.

Charlie Curtis said he hopes everybody has a good spring and summer. He sees lots of Native food photos on Facebook and it makes him hungry. He is always pleased to work with people who are committed to making a difference for our people. It's a joy to work with people who get along and put our members first. He hopes Roger enjoys his retirement and greatly appreciates Roger's commitment to AVEC and its members for the past 37 or 38 years. Thank you so much.

Fred Sagoonick said he echoes Charlie Curtis's comments. Thank you Roger for your service and enjoy retirement. Fred appreciated knowing Roger as he is likeable and concerned about doing his best for AVEC. Fred also said thank you to Meera Kohler for staying on top of everything. She has a great crew.

Walter Sampson agreed that it was a good meeting. He congratulated Meera Kohler and said she's the best. We have a high caliber person in her. Walter told Roger it has been good working with him and hopes he enjoys his retirement. Walter looks forward to working with Andy. He hopes everybody has a good summer.

**AVEC Board of Directors Regular Meeting Minutes
June 3, 2016**

Robert Beans echoed the previous comments of the other board members and also hopes Roger enjoys his retirement. We truly appreciate Roger's service for the board and AVEC's members over the years. Robert would like to have the board review the board policies and look at formulating a succession policy. Meera said the policies could be scanned and placed in the Sharefile folder.

Roger Kemppele said he will miss everybody and he enjoyed all of his years working for AVEC. This has been a really good and easy board of directors to be a General Counsel for. He felt that all the board members had the best interests of the co-op in mind and not all board members do.

12. Next Meeting Date: September 19, 2016.

13. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 1:08 p.m.

Phyllis Clough, Secretary

Robert Beans, Chairman