

AVEC Board of Directors Regular Meeting Minutes January 19, 2018

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

Chairman Beans called the Regular Meeting of the Alaska Village Electric Cooperative to order at 9:48 a.m. on January 19, 2018 at the Anchorage headquarters. Peter Demoski was called on to give the invocation. A quorum was determined with all of the board members in attendance: Robert Beans, Fred Sagoonick (via teleconference), Peter Demoski, Walter Sampson, Robert Hoffman, Phyllis Clough and Helena Jones. Others in attendance include Meera Kohler, Bill Stamm, Bill Thomson, Debbie Bullock, Katie Millen, Forest Button, Scott Sanner, Andy Leman (General Counsel) and Amy Murphy. There were no guests in attendance. A copy of the status of the accounts of the board members was provided for the board to review.

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 as presented.

4. Approval of Minutes

Upon a motion made and duly seconded, the minutes of the AVEC Board of Directors Regular Meeting dated November 10, 2017 were approved as presented.

5. Member Comments

There were no member comments.

6. Director Trip Reports

There were no director trips to report on.

7. Committee Reports

7a. Budget & Audit Committee: The Budget and Audit committee met earlier this morning and reviewed BDO's audit engagement letter and overall audit process as presented by Joy Merriner with BDO. The committee recommended signing the engagement letter pending approval of our attorney. **Upon a motion duly made and seconded, the board approved signing BDO's audit engagement letter subject to review and approval by AVEC's legal counsel.** Walter Sampson thanked Joy Merriner for her presentation and also thanked Debbie Bullock and her staff for the good work they do.

7b. Nominating Committee: The account status of each of the board candidates was reviewed and all of the candidates still have accounts in good standing.

8. President's Report

8a. Investment Report – Tammy Head, UBS: Tammy Head with UBS gave a brief overview of the Executive Summary prepared for the Fourth Quarter 2017. Overall we had a good year and have realized significant gains in our portfolio since its inception in March of 2003 We have trailing returns of 21.02% for 2017 and an overall yearly average of 9.56% trailing returns since the inception of the portfolio. The current Actual Asset Allocation is closely aligned with the Target Asset Allocation as set out in the investment policy.

8b. Research Projects Report – Bill Thomson: Bill Thomson provided an overview of research projects that AVEC is involved with. We continue to have challenges due to the distance between our communities and logistics related to having many small plants, some with decades-old technology and now some power plants with the latest technology and complex equipment. In the old days our equipment was simpler and easier to work on. Newer plants are bigger and more complex, with significant challenges caused by integrating wind and other renewable generation technology with diesel technology. Trying to successfully manage these numerous, varied power generation facilities will only get more challenging, especially when our consumers install their own solar or wind projects and don't tell us. Bill explained the SCADA system and how it would integrate it into our system. This would provide real-time information that could help diagnose power quality and outage issues. This could save money in the long run as we would know ahead of time what equipment, parts and personnel are needed to respond to problems in the field. Our main goals are to increase efficiency and reliability by implementing technology that quickly provides the ability to diagnose distribution and generation issues. Bill also discussed the Grid Bridging System, which is an innovative option that to integrate solar and other disruptive technologies. This system is essential for small utility systems. There was more discussion, including reviewing our tariff structure.

8c. IT Road Map – Scott Sanner: We are beginning a transition to a larger server and storage hardware that is newer, faster and provides better protection than our current system. The installation should be complete in March or April after which we will migrate the current server onto the new system. The second piece was hiring a team of people with certain skill sets to help oversee our system. We have outsourced to AlasConnect, at approximately the same cost as our previous set-up but with a much broader collection of skills. So far Scott has heard positive feedback on the new team. Walter Sampson asked about the security of our system and whether AVEC does a background check of contract employees. Meera said AVEC is very cautious about whom they hire. AlasConnect is associated with Golden Valley Electric Association and has a solid reputation. Another upgrade is to update all of AVEC's computers to the latest version of MS Office and install Office 365, with more robust servers, more storage and increased efficiency. The last signature piece is to upgrade all of AVEC's work stations. We currently use Windows 7 which is not supported anymore. This software works for now but we need to upgrade to Windows 10. We will eventually convert our work stations to virtual stations. AVEC will have server fleets that can be upgraded quickly, increasing efficiency and the security of our remote work stations. Another project underway is to install a SCADA system. The IT department stays very busy.

8d. Energy Projects Update- Forest Button: A copy of Forest's report in the board packet but most of the projects are in winter shutdown. Forest has been working with Lenny on the Bethel wind project. Our EWT generators are at the Seattle port. We requested a FERC extension on the Old Harbor hydroelectric project. No funding has been secured for design or construction yet. We completed four fencing projects in Kivalina, Kobuk, Shishmaref and Quinhagak. Meera met with the Denali Commission this past week to discuss funding options for future projects as not much funding is available. Meera said the Renewable Energy Advisory Committee held a meeting yesterday and there was a lot of discussion of projects. Excess earnings from the PCE Endowment Fund will provide funding for Municipal Assistance as well as projects through REF. Approximately \$14 million is available for REF/AEA this year and we may get as much as \$6 million. The Stebbins wind project design includes an EWT 900 kW machine. AVEC is working with the DOE, ACEP and other entities to develop a robust micro-grid bridge system.

8e. Financial Statement: A copy of the November 30, 2017 Financial Statement was included in the board packet. The statement shows a \$2 million operating deficit, which is related to undercollection of the cost of fuel. We have new fuel rates approved and put in place so we can collect the higher fuel cost. This will help us to recover margins in 2018. We will not break even in 2017 but that is due to the timing of the new rates vs. when the cost of fuel went up. Eventually we will collect the fuel cost but it will continue to swing like a pendulum.

8f. Delinquency Update - Katie Millen: Katie Millen provided copies of the list of delinquent accounts with balances over \$2,000. The non-city list has one consumer listed. The list of business/city accounts is also short, with only four accounts listed. Member Services has started a different process this winter and staff make more phone calls with persistent follow-up. Staff works hard to collect money and make alternate arrangements in order to avoid a huge number of disconnects when collection season starts. There was some discussion about our tariff.

8g. Annual Meeting Update – Katie Millen: Katie Millen provided a copy of the Annual Meeting Update as of January 18, 2018. So far 31 locations have held meetings, 5 communities have meetings scheduled in January

and 20 communities have not scheduled their meetings yet. The annual meeting is April 4th at the Coast International Inn.

8h. APA Legislative Conference (January 30 – Feb 1, 2018; NRECA training on January 30): The APA Legislative Conference is January 31 through February 1, with an NRECA training class on January 30. The following board members said they can attend this conference and training: Robert Beans, Helena Jones, Fred Sagoonick, Peter Demoski, Robert Hoffman, and Walter Sampson. Forest Button will attend the conference in Meera's place. Meera asked Bobby Hoffman if he would like to attend the week-long NRECA fast track training held in Anchorage in March. Bobby said he would like to go so we will sign him up.

Meera asked about the status of the scholarship program. Katie said the Scholarship Committee approved awarding scholarships to a list of applicants and the scholarships have been distributed. Bobby Hoffman said AVEC should provide scholarships to people who earn a living by their hands. They appear to be left out. Katie said the scholarships are available for vocational trade schools that teach skills like carpentry, diesel mechanics and lineman training. The scholarships aren't limited to four-year universities.

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

9. New Business

9a. Upon a motion duly made and seconded, Resolution 18-01 Consent Agenda, including Resolution 18-02 Director Expenses; 18-03 New Memberships; Resolution 18-04 Collections Representatives – Member & Employee Relations Staff; and Resolution 18-05 Statement of Nondiscrimination were approved as presented.

9b. Upon a motion duly made and seconded, Resolution 18-06 Year-End Consumer Charge Offs was approved as presented.

10. Old Business: There was no old business to discuss.

11. Executive Session (if necessary): No executive session was held.

12. Board Comments

Helena Jones said she has been here since November 20th as her husband had knee surgery. He wants to get home to hold the community annual meeting. He should get home before March. This was a good meeting.

Peter Demoski asked if AVEC is up to date on our villages that may need moving due to erosion. Meera said she gets updates on the communities and the Denali Commission is coordinating the issue. Three of the four worst communities, including Shaktoolik, Shishmaref and Kivalina, are AVEC members. The cost to relocate communities is very high and there is no funding. Kivalina has an emergency evacuation route but no firm plans to relocate. Peter asked about the status of the proposed road to Ambler. Walter Sampson said that issue is still under discussion.

Phyllis Clough said thank you for all the presentations. It's very exciting to see what is planned for AVEC. She's glad the staff has that much knowledge and shares it with the board. Thanks to Meera for her hard work. Phyllis is proud of everybody at AVEC and sorry for the loss of loved ones. Keep up the good work everybody!

Fred Sagoonick thanked the staff for their hard work. He was disappointed he couldn't make the meeting due to the weather.

Walter Sampson also thanked the staff for their hard work. He's looking forward to the upcoming Annual Meeting. Peter Demoski said good luck to the candidates running for re-election to the board.

13. Next Meeting Dates

AVEC's next Board Meeting is April 3, 2018 and the Annual Meeting is April 4, 2018.

14. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 2:45 p.m.

Robert Beans, Chairman

Phyllis Clough, Secretary