

## **AVEC Board of Directors Regular Meeting November 09, 2018**

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

Chairman Beans called the AVEC Board of Directors Regular Meeting to order at 10:35 a.m. in the AVEC board room. Fred Sagoonick gave the invocation. A quorum was determined with all of the board members in attendance: Robert Hoffman, Robert Beans, Robert Okitkun, Walter Sampson, Peter Demoski, Fred Sagoonick and Helena Jones. Others in attendance include Meera Kohler, Bill Stamm, Debbie Bullock, Stacey Smith, Bill Thomson, Andy Lemman and Amy Murphy. Mel Hutchinson with AREA Insurance Exchange was introduced. He briefly talked about NRECA's Commitment to Zero Contacts initiative, which was designed to provide cooperatives with ideas and resources they need to help eliminate serious injuries and fatalities due to electrical contact and to enhance co-op safety programs. Mel thanked Meera for AVEC's participation in the program. AVEC is one of nine utilities in Alaska that took the pledge to commit to zero contacts. Mel gave a "safety moment" discussion about weather preparations for cold conditions to increase safety.

### 2. Declaration of Conflicts of Interest

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.**

### 4. Approval of Minutes

- 4a. **Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting, August 20, 2018, were approved as presented.**
- 4b. **Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Special Teleconference Meeting on October 3, 2018 were approved as presented.**

### 5. Director Trip Reports

Fred Sagoonick said the APA Annual Meeting in Fairbanks was a good conference. He suggested we review our policies to make sure they're relevant and up to date. Meera said we could review our policies as a board work session during a future meeting that Andy Lemman can lead. We can cherry pick some of the most critical issues to discuss. Fred said the APA conferences keep getting better and better.

Walter Sampson said he enjoyed the conference, which was better than they used to be. There were good questions asked and good presentations. Robert Beans said the session are more interactive, making them more valuable. The topics discussed are current. The improvements started in Kodiak. Things discussed were easier to understand. Robert Hoffman went to Cordova for training. It was very good. He enjoyed the information presented and he got good instruction. He learned that other utilities are different than AVEC in a variety of ways. Some types of energy don't work well up here, like tidal energy. When different boards work together and information is compiled and shared we can all get good input and find answers.

### 6. Committee Reports

- 6a. Budget & Audit Committee: Committee Chairman Walter Sampson said they had a good committee meeting this morning. The financial information was very detailed. Meera's presentation was good and she answered questions. The committee recommends the board approve the 2019 budget.
- 6b. Nominating Committee: Committee Chairman Darrell Vent of Huslia submitted a brief report of the committee's activities. The committee passed a motion to extend the nomination application submission date to November 16 to give the committee more time to look for more candidates. The committee meets again on November 29.

## 7. President's Report

7a. Investment Update and Investment Policy Review – Tammy Head with UBS gave an update on the 3<sup>rd</sup> Quarter 2018 Executive Summary that was included in the board packet. The market did well most of the year, showing gains, but had a big decline starting at the beginning of October. We may be entering a period of global slow down. AVEC's inception date for our investment portfolio is March of 2003 and AVEC invested \$1.4 million. Overall our account has shown good returns through the end of September 2018, earning an average trailing return of 9.64%. 2017 was a really good year and we met and beat our investment goal and hopefully 2018's overall returns will be good. Our target asset allocation is on track, the economy is healthy and she recommends AVEC stay the course.

7b. Energy Projects Update: A copy of the report was included in the board packet for the board to read.

7c. Financial Statement: The board reviewed the financial statement during the Budget and Audit Committee meeting.

7d. Delinquent Account Update: A copy of the lists of the delinquent residential and business accounts was included in the board packet. There are no delinquent residential accounts with a balance over \$2,000. The list of business/city accounts with a balance over \$2,000 only contains only two accounts. This is great news. Stacey and her team have worked hard on collections with good results.

7e. Scholarship Update: A copy of the list of 2018 Fall Scholarship Winners and the 2019 Spring Scholarship Winners was included in the packet. AVEC awarded \$15,000 in scholarships for the fall and spring disbursements.

7f. 2018 Fuel Delivery Status: A copy of AVEC's 2018 Fuel Delivery Summary by Village is included in the board packet. A little more than 8 million gallons was delivered in 573 deliveries for a total cost of \$28.3 million. AVEC paid an average of \$3.43/gallon. Noatak's average fuel cost was \$6.17. Peter mentioned a possible fuel shortage for the city of Nulato and asked if the city could buy fuel from AVEC if needed. There was some discussion about this.

Justin Charon with Vitus Energy provided a copy of the 2018 Fuel Delivery Season Report and reviewed the information. Justin said for seven years AVEC and Vitus have brought exceptional value to western Alaska energy consumers. Effective transport rates in the entire western Alaska region remain on average below the market rates of 2010. This trend was the direct result of AVEC's support in the formation of Vitus and the building of Alaska's most efficient coastal tug and barge sets. At the start of preseason it was discovered that a four-foot thick block of ice covered the Naniq's engine room, rendering the tug unusable until repairs were made. A substitute vessel was brought into service and other vessels from the Vitus fleet were redeployed. Repairs to the damaged tug were fast tracked and the Naniq began service with a completely new engine room in mid-October of 2018. The only impact to AVEC was a slight delay in the schedule. The average AVEC price per gallon was \$3.392/gallon. The fuel component was 2.211/gallon. Justin mentioned the cost-savings and efficiencies created by the 7-year old agreement between AVEC and Vitus. Fred Sagoonick asked about the status of a new tank farm for Shaktoolik. Robert Beans said thank you to Vitus Marine and told them to keep plugging away.

Meera said AVEC helped organize a successful conference for NRECA research staff. There were very interesting sessions that discussed topics like emerging utility trends, utility cyber security, the FBI, Homeland Security and state cyber issues. It was a good conference aimed at assessing and minimizing risk. The city of Stebbins is taking steps to establish a functioning utility board.

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

## 8. Action Items

**8a. Upon a motion duly made and seconded, Resolution 18-19 Director Expenses was approved as presented.**

**8b. Upon a motion duly made and seconded, Resolution 18-20 2019 Operating Budget was approved as presented.**

8c. **A motion was made and seconded to approve Resolution 18-21 CFC \$16,000,000 Loan and Authorization to Execute Loan Documents.** During discussion, Meera said this is a long-term loan that was introduced to the board at the August meeting. AVEC needs this loan primarily due to large investments made to the Bethel infrastructure in order to have enough generation capacity to meet bigger loads. AVEC is now working on a cost of service study with a view to changing the rate structure to increase revenue. Andy Leman cautioned that this CFC loan is under the existing mortgage and they can take everything we own if we default. **A roll call vote was taken and the following board members voted yes to approve the loan: Robert Hoffman, Walter Sampson, Fred Sagoonick, Robert Okitkun, Helena Jones and Peter Demoski. The motion passed.**

8d. Resolution 18-22 CFC Certificate of Resolution and Incumbency did not need to be approved, just signed.

9. New / Unfinished Business

9a. Potential AVEC investment in 60Hertz  
Resolution No. 18-23 – Approving \$500,000 Investment in 60Hertz, Inc.

10. Executive Session

**Upon a motion duly made and seconded the board moved into Executive Session at 1:14 p.m. to discuss a potential investment. The board moved out of Executive Session at 2:15 p.m.**

**A motion was made and seconded to approve making a \$500,000 investment in 60 Hertz, Inc. A roll call vote was taken to authorize the CEO to make this investment. The following board members voted yes: Robert Hoffman, Walter Sampson, Fred Sagoonick, Robert Okitkun, Helena Jones and Peter Demoski. The motion passed.**

11. Board Comments

Helena Jones said her travel getting to the meeting was very exciting. She hopes for less exciting travel heading home. It was a good meeting.

Peter Demoski said his wife was voted to be the village delegate for the Annual Meeting.

Walter Sampson said we did good today with a lot of interesting discussions, including 60 Hertz and Vitus Marine. He is happy the board authorized the CEO to move forward with the investment in 60 Hertz.

Fred Sagoonick agreed this was a productive meeting. He thanked the staff for preparing for the meeting.

Robert Beans said these are exciting times that make life interesting. He's excited to see the opportunities for cost savings and improved efficiency with 60 Hertz. We have been doing micro grids for years and could sell our experience.

12. Next Meeting: January 28, 2019

Board members will let staff know if they can attend the APA Legislative Conference by the end of the month.

13. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 2:37 p.m.