

**AVEC Board of Directors Regular Meeting Minutes  
January 9, 2015**

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

Chairman Robert Beans called the AVEC Board of Directors Regular Meeting to order at 11:05 a.m. on January 9, 2015 at the AVEC headquarters. Chairman Beans asked Charlie Curtis to give the invocation. Roll call was taken. A quorum was ascertained with all of the board members in attendance:

Charlie Curtis	Robert Beans	Walter Sampson	Fred Sagoonick, via teleconference
Helena Jones	Peter Demoski		Phyllis Clough, via teleconference

Others in attendance included:

Meera Kohler	Mark Bryan	Katie Millen	Debbie Bullock
Steve Gilbert	Roger Kemppe	Bill Stamm	Amy Murphy
Crystal Enkvist with APA		Tammy Head with UBS	

2. Declaration of Conflicts of Interest

Chairman Beans asked each board member if they had any conflicts of interest to declare and there were none.

3. Approval of Minutes

**Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting dated November 14, 2014 were approved as presented.**

4. Director Trip Reports

There were no director trips to report on.

5. Committee Reports

5a. Budget & Audit Committee: Charlie Curtis said the auditor reviewed the audit process with the committee members again. And they had a work session that was a refresher to remind the board of their fiduciary duties and how they have to always try to act in good faith.

6. President's Report

6a. Investment Report: Tammy Head of UBS prepared a copy of an investment report that was uploaded into the Sharefile folder. Tammy gave a recap of the status of our investment portfolio with final figures for the end of the third quarter and estimated the year-end numbers. She will provide an updated report after they get the year-end numbers finalized. Overall our investments did well this past year, with the exception of the international markets. Meera mentioned our portfolio is up about 180% since UBS started managing our account. Tammy sad the price of oil has dropped a lot, but the U.S. economy is more stable than the global economy and is slowly gaining momentum. Our investment policy needs to be revised at some point. The revised policy will be brought to the board for their review and approval.

6b. APA and AIE: Crystal Enkvist, Executive Director of Alaska Power Association and Executive VP of Alaska Insurance Exchange, gave a presentation on these two organizations and the services and benefits they offer to AVEC and its members. She complimented the board for regularly having 100% board participation in ACRE/CARE and thanked Meera Kohler for the time and effort she has devoted to these organizations in various capacities.

6c. Denali Commission Project Update: Steve Gilbert provided an update of the status of our energy projects that was included in the board packet. The foundation of the Emmonak power plant is 90% complete. Construction will resume in June. The new tank farm in Emmonak is in use and a final inspection will occur in June. Field work started on the Stebbins – St. Michael's intertie in January. Scheduled completion is April 15, 2015. AVEC's portion of the Pilot Station bulk fuel tank farm replacement and power plant relocation design is progressing. Transfer of the City of Bethel's \$3.2 million grant has been completed. We are ordering a MET tower to collect wind data. Four of the applications we submitted to the AEA Renewable Energy Fund were approved for at least partial funding.

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Now we have to wait for final budget approval from the governor. Projects preliminarily awarded funding include Old Harbor hydro design, St. Mary's/Pitka's Point wind construction, Bethel heat recovery assessment and Goodnews Bay wind CDR. Steve provided an updated list of the funding AVEC received in 2014.

6d. Financial Statement: Meera said a copy of the latest signed Financial Statement (Form 7) dated the end of November was included in the board packet. So far we are having a decent year and the operating margins are higher than budgeted. The cost of fuel has decreased in the world market but hasn't decreased in the villages because they have to use up their supply of fuel at the old cost before they can get fuel at the current reduced cost. Meera explained an anomaly that occurred in the power sales due to a problem with the Bethel billing caused by the Daffron system. We will fix the billing and that will be reflected in the next financial statement. Peter asked if we could include the tier on the bottom of the financial statement. Meera said we will include the tiers and ratios in future Form 7s.

6e. Delinquency Update: Katie Millen provided updates of delinquent accounts in the board packet. There are a handful of communities with delinquent accounts and Member Services actively tries to collect the amounts due. We will pursue our options to disconnect the accounts if necessary. The list of delinquent accounts that are not cities has increased slightly, partly because the criteria was changed to owing \$1,000 or more instead of over \$2,000. This was done because some members go all winter without paying their bills. We are focusing on services with amounts 60 days past due and we will start doing disconnections year round if necessary. We will give proper notifications before disconnecting accounts in winter, but we need to be persistent to be successful collecting past-due amounts.

Katie provided a list of the 2015 Charge Off Recap and it's larger than last year. She reviewed the disconnected accounts with a balance to ensure the customer was properly notified. She explained the process for delinquent notices and late fees. These accounts that are charged off continue to be pursued. We do what we can to locate these customers and obtain payments. For example, capital credits are applied to these accounts. We work with a few other cooperatives and provide this list of names, looking for folks who have moved to other communities. When we took over Bethel we found quite a few people whose accounts had been charged off.

6f. Annual Meeting Update: So far 29 communities have held their annual meetings and the paperwork has been certified. An additional seven communities have held meetings but the paperwork hasn't been certified yet. Meetings in five communities have been planned for January. Staff calls the other communities once a week to remind them to hold their meetings if they want to have representation at AVEC's annual meeting. Meera will attend Bethel's community meeting. We will plan the meeting and get the information out. Meera will take the delegate slide show that explains the history of AVEC and how we function as a cooperative. Bethel will hold elections for three delegates and a chairman to plan the meeting the following year. AVEC's Annual Meeting will be held at the Coast International Inn on April 8. The board meeting and delegate training will be held on April 7.

6g. Kiana Fuel Spill Cleanup Costs: Meera said she included a copy of the sequence of events regarding the fuel spill and cleanup costs in Kiana. The spill was not our fault but it occurred on our property. We have made efforts to persuade the School District to participate in the cleanup costs and the Alaska Department of Environmental Conservation has sent "Potential Responsible Party" letters to several entities in Kiana, but at this time only AVEC is bearing the costs. So far more than \$319,000 has been expended on response to this fuel spill that was caused by other entities and it's expected that a significant amount of additional work remains to be done to remediate the impacted areas. Meera said it is her recommendation that we set aside these cleanup costs in an account to be recovered through the Community Based Extraordinary Cost Charge for Kiana. Due to the large amount of the charge, Meera proposes that we spread the collection of the funds out over a five-year period. \$60,000 a year equates to about 4 cents per kWh. As additional costs are incurred, the annual amount to be collected will be adjusted so as to recover all of the costs over a five-year period.

6h. Vitus Marine Fuel Delivery Season Recap: Vitus Marine provided a brief recap of their third full season of deliveries using the new AVEC tugs and barges. They delivered 4.0 million gallons on AVEC's behalf, including Kotzebue Sound areas subcontracted to Crowley. The average AVEC price was \$4.07/per gallon. Vitus was able to coordinate fuel delivery with AVEC construction projects, allowing projects to continue on schedule. AVEC and

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Vitus achieved a favorable settlement with their legal action over insurance coverages relating to construction claims on the AVEC ATBs (barges).

6i. APA Legislative Conference: All of the board members with the exception of Charlie Curtis said they will attend this conference, scheduled for February 11-12, 2015 in Juneau. Rooms are reserved at the Westmark Baranof.

Meera said she served on the new governor's transition team on the consumer energy panel. She's not sure of the final outcome of the meetings. High on their list was a recommendation to have a high-level energy position in state government that has access to the governor and can provide information about energy issues. There was consensus that we need a robust distribution system across the state.

Meera said the Tuluksak catastrophe, where their power generation system shut down due to maintenance issues, has been in the news a lot. Once again they looked to AVEC to fill the gap. Meera said we could take the system over but first they must bring the system up to par with AVEC's other systems, which would cost an estimated \$600,000 at the very minimum. Their tank farm also needs to be significantly upgraded. The Denali Commission may play a role. This issue is a real challenge.

Meera has been talking to the Lower Kuskokwim School District. The communities of Napakiak and Oscarville would like us to be their direct provider. They receive power from Bethel through two separate tie-lines. These communities are pretty small but are acceptable if their distribution systems are up to utility standards.

FEMA has finally indicated that the Brevig-Teller intertie is eligible for restoration funding but that they would prefer improvements in Teller instead of rebuilding the intertie, since the storms have impacted the local geography. Final approval and funding have not yet been awarded. We can use a portion (80%) of the total amount to do an alternate project. We will work with the community on these projects.

Meera has been trying to get the RCA to the table to discuss how to best implement our new wind surcharge. We need to be careful how we term it for PCE purposes.

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

7. New Business

**7a. Upon a motion duly made and seconded, Resolution 15-01 Consent Agenda including Resolution 15-02 Director Expenses, Resolution 15-03 New Memberships and Resolution 15-04 Collections Representatives – Member & Employee Relations Staff, was approved as presented.**

**7b. Upon a motion duly made and seconded, Resolution 15-05 Statement of Nondiscrimination was approved as presented.**

**7c. Upon a motion duly made and seconded, Resolution 15-06 Year-End Consumer Charge Offs was approved as presented.**

**7d. A motion was made and seconded to recover the fuel spill costs in Kiana through implementing a Community Based Extraordinary Cost Charge for Kiana and spread the collection of the fuel spill cleanup costs (\$319,000 to date) over a five-year period. A roll call vote was taken with the following results: Charlie Curtis, Fred Sagoonick, Peter Demoski, Walter Sampson, Helena Jones and Phyllis Clough all voted yes. The motion was approved.**

8. Old Business

8a. Strategic Plan (uploaded into the Sharefile Folder for reference purposes).

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9. Executive Session

Upon a motion duly made and seconded, the board moved into Executive Session at 1:31 p.m. to discuss legal matters. Upon a motion duly made and seconded, the board moved out of Executive Session and back into regular session at 1:43 p.m. No action was taken.

10. Board Comments

Charlie Curtis said there are a lot of people who are ecstatic about receiving their capital credit checks. He hopes everybody has a happy new year. This has been an unusual winter for Alaska so far. He is sorry to hear Roger is going to really retire.

Walter Sampson said this has been a good board meeting. Thanks to the whole staff for their good work. Thanks to Meera for staying on top of things. He hopes she continues to expose AVEC to outside entities to get the maximum benefit for AVEC and our members. Thanks again to everybody.

Peter Demoski said the review of the audit process went well and he commends Meera and her staff for demonstrating fiscal responsibility. He is glad he doesn't have Katie Millen's job, having to collect past-due accounts and disconnecting meters. He appreciated the long talk about fiscal responsibility. He suggested including this topic as an agenda item.

Helena Jones said it was a good board meeting. She encouraged her brother Ernest Lee to call Katie Millen regarding the notice of her mom's deceased capital credits. She hopes everybody has a happy new year. She is going to miss Roger Kempel and thanked him for his many years working for AVEC.

Fred Sagoonick said thanks to everybody for their hard work. It was a good meeting. Things are real icy up where he lives. He was disappointed that weather conditions prevented him from attending the meeting.

Phyllis Clough said the meeting and training were very informative and she is sorry she had to miss it due to bad weather. She said thanks to Meera for providing direction and thanks to all of AVEC's staff members for their hard work. She is sad to have to say goodbye to Roger. She wanted it on record that AVEC thanks him and expresses appreciation for his many years of dedication working for AVEC and our members. Phyllis would like to run for election to the board again. We need to continue to work together to improve things for our villages.

11. Next Meeting Dates

Board Meeting April 7 and Annual Meeting April 8, 2015

12. Adjournment

**Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 1:52 p.m.**

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Phyllis Clough, Secretary

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Robert Beans, Chairman