

**Minutes of the June 3, 2006 Board of Directors Regular Meeting
Alaska Village Electric Cooperative, Inc.**

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

Chairman Robert Beans called the Alaska Village Electric Cooperative Board of Directors Regular Meeting to order at 2:15 p.m. at the AVEC headquarters in Anchorage. A quorum was ascertained with the following board members in attendance:

Robert Beans, Chairman	Walter Sampson, Treasurer
Charlie Curtis, Vice-Chairman	Helena Jones, Secretary
Phyllis Clough	Julie Walker
Mike Prince	

Others in attendance included:

Meera Kohler, President and CEO	Mark Teitzel, Vice President and Mgr. of Engineering
Brent Petrie, Mgr. Community Development	Amy Murphy, Executive Assistant
Roger Kemppe, Legal Counsel	

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

Chairman Beans asked for declarations of conflicts of interest and there was none to declare, other than the usual for Walter Sampson.

3. Approval of Minutes

Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting of March 27, 2006 and the Organizational Meeting on March 28, 2006 were approved as presented.

4. Director Trip Reports

Charlie Curtis attended NWPPA's annual meeting at Lake Tahoe and there were about 350 participants. The group passed amendments to bylaws and also passed some resolutions that included two issues related to Alaska. One session talked about disaster planning, which is very important at the village level as well as at the AVEC level. The last speaker was great. He spoke about power plants being more efficient and gave examples from California. The demand there is increasing but they are trying to be more conservative. The meeting had some very good presentations that were very informational. The meeting providing good networking opportunities and participants learned some creative ways to do things. He encouraged future attendance at these meetings as it's beneficial to learn what other cooperatives are doing.

Julia Walker also attended the conference at Lake Tahoe and said it was her first NWPPA conference. It was very interesting as people represented cooperatives from different areas and different regions. Some utilities are much larger than AVEC. There was a good presentation on ANWR and Julia and Helena enjoyed hearing the statistics and interesting comments made by the speaker. The disaster planning presentation was also very good. The disasters could be anything like hurricanes, volcanoes, tsunamis, etc. We are very vulnerable to these types of disasters. Julia learned lots about other areas and feels NWPPA is a worthwhile organization. The last speaker, Rosenfeld, was very good. California is aggressively attacking its energy flow. We tend to take having electric power for granted and plug lots of stuff in. We need to encourage everybody to be more conservative and work with our members to conserve energy. Julia really enjoyed the conference.

Helena Jones also went to the NWPPA conference at Lake Tahoe and felt it was the best conference she ever attended. There was a test about what natural event formed Lake Tahoe; it was an earthquake. ANWR is a topic discussed everywhere and the presentation on ANWR was interesting. They tried to get support for ANWR passed in the resolutions but it was a no go. However, the group passed a resolution supporting development of oil and gas reserves.

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There was some discussion on bird flappers and how they are installed on power lines. AVEC is using these flappers in the Toksook Bay and Brevig Mission areas, and Homer Electric and Kodiak Electric are also using them. The flappers tend to blow off and we have lost about 1/3 of the ones we installed. They also leave black marks on conductors. Other utilities are having problems with the flappers as well.

5. President's Report

Meera Kohler told the board about an employee that was injured on April 11, 2006 in Toksook Bay. A young lineman touched an energized line and the electric charge went in through his wrist and out both thighs. He was taken to the Toksook Bay clinic. The clinic staff was very professional and did what they could to help until the lineman was medevaced to Bethel and then flown to Anchorage. From Anchorage he was flown down to Harborview in Seattle, which has an excellent hospital for treating burn patients. This was a very severe incident and the young man is doing well, although he still needs more surgery. OSHA met with AVEC staff and AVEC received five citations and some associated fines. We have learned a lot from this incident and some changes will be made. A thank you letter was sent to the clinic for their outstanding assistance.

Denali Commission Update: Brent Petrie distributed a copy of the Executive Summary from the latest quarterly report to the Denali Commission and he gave a brief update on funding and projects AVEC is working on. The Denali Commission allocated about \$23 million for AVEC this year, in increments. The tieline was finished between Toksook Bay and Tununak and the new backup power plant in Tununak was completed. This allowed the old power plant in Tununak to be turned off, which will save AVEC lots of money over the years. There has been slow progress on the tieline between Toksook Bay and Nightmute. It is hoped this project will be completed in 2007. The Nunapitchuk power plant modules have been moved to Kasigluk and the standby module in Kasigluk was moved to Nunapitchuk. The tielines between the communities are completed. Work continues on the new tank farm in Kasigluk. The Gambell modules are on the barge and should arrive this season. Construction work continues on the Savoonga projects and the Huslia tank farm. The new fuel tanks have landed in Brevig Mission and their business plan is being worked on. Brent said that the Denali Commission-funded projects have a 64% local hire average overall. Lots of locals have been trained and worked on projects in their communities. Brent also distributed a copy of the snapshots with narratives and schedules of ongoing and proposed projects. The Mekoryuk projects are coming up, but the Nightmute project may not go because the IRS has a lien against the city. Brent mentioned the proposed wind systems in Gambell and Savoonga. Basically AVEC works on two or three major projects each year. Right now we are behind on the Toksook/Nightmute tieline, but we hope to catch up on all of our projects this year. The Old Harbor hydro project was mothballed because of high operating costs. There weren't enough resources to make the project economically feasible. We used the grant for other projects in Old Harbor, including the AMR meter and the Series 60 genset.

Financial Statements: Meera Kohler said a copy of the financial statements dated March 31 were included in the board packet. So far we have a positive operating margin, but revenues are always higher in the winter than in the summer. The cash demands are creeping up, partly due to the increased cost of fuel purchases. There are no big surprises.

Scholarship Fund Status: Georgia Shaw said there were about 60 applicants this year and there is about \$22,000 available. She distributed a copy of the proposed distribution of scholarships. There was some discussion on how to divide the total amount available. Twenty students from 16 villages were awarded scholarships this year.

Delinquency Account of Communities: Georgia Shaw distributed information pertaining to delinquent accounts, including the top 15 delinquent city accounts. The collections season has already started. There was some discussion about the delinquent accounts and several cities in particular that may end up getting their services disconnected. Georgia said we will have to start talking to some state and federal agencies if that happens, to let them know what's going on and to try to get some funding assistance. Some of the cities have huge bills due to the cuts in PCE. Luckily, some communities will receive state assistance towards some of their high fuel energy costs.

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Co-Bank Loan: Meera said she and Debbie have been talking with CoBank and met with them about the possibility of getting a line of credit and a long-term loan. CoBank is a very large cooperative bank which offers better rates than CFC. We need to get our cash back up as it has become depleted due to the cash match requirements for the Denali Commission projects. We have a high equity ration that needs to be lowered. Meera just received the final paperwork from CoBank today but didn't have time to get the paperwork and resolution ready for this board meeting. She would like the Board to approve the concept of moving forward with establishing a new line of credit and a long-term loan agreement with CoBank. She would have a final resolution prepared by the August board meeting.

A resolution was duly made and seconded to approve moving forward with the concept of establishing a new line of credit and a long-term loan agreement with CoBank and having AVEC's attorney look at the paperwork. A roll call vote was taken and the motion was approved as presented.

Future Meetings - Alaska Power Association Annual Meeting (Aug. 22-25): Meera said AVEC, Chugach, ML&P and TDX Power are co-hosting this year's event out at Girdwood. The board approved the following board members attending the conference: Phyllis Clough; Charlie Curtis; Helena Jones; and possibly Mike Prince.

NRECA Region 9 Meeting in Fairbanks in September: This meeting will be discussed in August.

Meera said a white paper is being developed about taking ownership of our village energy usage. We need help to advance this issue and Meera asked for input from the board. The goal is to get this put into the curriculum of rural schools. The idea is to have students do a community energy audit and identify the various sources of fuel being used. There was a suggestion to do a pilot project in one district to see how it goes.

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

6. Action Items

Upon a motion duly made and seconded, Resolution 06-21 Consent Agenda, with the following resolutions: 06-22 New Memberships; 06-23 RUS Construction Fund Expenditures; and 06-24 Director Expenses, were approved as presented.

7. Unfinished Business

There was no unfinished business to discuss.

8. New Business

8a. President/CEO Annual Evaluation: The President and CEO's annual review was held earlier in the day.

Upon a motion duly made and seconded, the board approved increasing the President's salary by 1.7%. The President was directed to present the board with information on Alaska electric utility manager salaries.

8b. Co-Bank Loan: Already discussed.

9. Executive Session

The board moved into Executive Session at 3:53 p.m. and moved out of Executive Session at 4:23 p.m.

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10. Board Comments

Charlie Curtis welcomed Mike Prince to the board. He said the price of oil has been steadily increasing. It used to be \$20/barrel for years, now it looks like it will be at least \$40 - \$45 for a while. We need to look at ways to save money in the villages and look at how we can reduce usage and costs. Have a nice summer!

Mike Prince said this is a new organization and he has a lot to learn so bear with him. He said to have trust in him, and he will trust the other board members. He said he will be honest.

Phyllis Clough was happy to be elected again. Funding the PCE program is important and so is developing alternative energy. We need to find ways to cut costs. Keep up the great work with the information contained in the Ruralite. Phyllis complimented Meera, Amy and the rest of the AVEC staff for their hard work. A new clinic will open on July 3 and it is really beautiful.

Julia Walker said that she started buying gas for herself and having to pay \$4.50 a gallon is a lot! Some villages pay \$5/gallon, or even more. The Brownfield Grant that Anvik received was in the "Anchorage Daily News." The intertribal council is working hard to clean up communities and doing backhauls of garbage and items to be recycled. They will have a new multipurpose building this summer. In April she and her husband had a scare at her home, which is a HUD home. One half of their house was without power, so they unplugged everything and checked breakers, wires, etc. There discovered a live wire was dangling. An electrician in Anvik spliced it back in. It went from the transformer to the meter base and somehow got jerked loose. Thankfully it was fixed as it was very dangerous.

Helena Jones welcomed Mike Prince to the board. It was a long meeting today but it was productive. She is glad Meera is still here. Have a good summer!

Walter Sampson welcomed Mike Prince to the board. He said feel free to speak your mind. We're professionals and should be treated as such, and also treated with respect. We put issues on the table and leave them in the board room. Have a good summer.

Robert Beans welcomed Mike to the board. He said we have an open board with no hidden agendas. He said they would put pressure on Mike to join ACRE CARE so we have 100% board participation.

11. Next Meeting Dates

The next meeting dates are August 10 and 11, 2006.

12. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 4:35 p.m.

Robert Beans, Chairman

Helena Jones, Secretary