

**Minutes of the June 1, 2007 Board of Directors Regular Meeting  
Alaska Village Electric Cooperative, Inc.**

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

Chairman Beans called the regular meeting of the Alaska Village Electric Cooperative Board of Directors to order at 1:10 p.m. on June 1, 2007 at the AVEC headquarters. Walter Sampson's absence was excused. A quorum was ascertained with the following board members in attendance:

Robert Beans, Chairman  
Phyllis Clough, Secretary  
Fred Sagoonick, Director

Mike Prince, Director  
Charlie Curtis, Vice Chairman  
Helena Jones, Director

Others in attendance included:

Meera Kohler, President and CEO  
Debbie Bullock, Mgr. of Administrative Services  
Amy Murphy, Executive Assistant  
Mark Barnum, UBS (arrived at 2:00 pm)

Mark Teitzel, Vice Pres. and Mgr. of Engineering  
Roger Kempel, Legal Counsel  
Brent Petrie, Mgr. Community Development

**Executive Session**

**Upon a motion duly made and seconded, the board moved into Executive Session at 1:15 p.m., with staff members being excused.** The main topic of discussion was the President and CEO's Annual Review. **The board moved out of Executive Session and back into a regular board meeting at 2:15 p.m.**

**Upon a motion duly made and seconded, the board approved extending the President and CEO's contract for an additional year and providing a 4.2% COLA raise effective June 1, 2007.**

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

Chairman Beans asked if there were any conflicts of interest to declare and there were none.

**3. Approval of Minutes**

**Upon a motion duly made and seconded, the board approved the minutes of the Regular Meeting, dated March 26, 2007, as presented.**

**Upon a motion duly made and seconded, the board approved the minutes of the March 27, 2007 Organizational Meeting as presented.**

**4. Director Trip Reports**

Robert Beans said that May 6-9 the NRECA held a legislative conference in Washington, D.C. and he was a member of the Alaskan contingent that participated. The group visited our congressional delegation and talked about issues of importance to Alaskan utilities, including climate change and some of the potential negative impacts. They also discussed renewable energy issues and the importance of the high energy cost grant program. After the Alaska Power Association did their spiel each Alaskan participant was asked to give the different views from each utility. Robert mentioned the Denali Commission and concern about the increase in postage rates which could cause a bigger increase in delinquent accounts. Other items of concern are low-sulfur diesel and the negative impacts; the increasing cost of fuel and the importance of funding the PCE program. So far the state has stood up to help fund the PCE Program and now it's time the federal government also helps out. If any funding is made available, it would probably go through the Denali Commission. Senators Stevens and Murkowski and Representative Young have a high regard for AVEC. It was a very productive conference. Robert tagged along with the Hawaii group and met Sen. Inoue from Hawaii and learned he was very approachable and knowledgeable about Native issues.

**5. President's Report**

**5a. Prime/UBS Financial Services Investment Portfolio Update:** Mark Barnum distributed a paper copy of his report and also gave a brief update on the performance of our investments through the end of the 1<sup>st</sup> quarter and also through the end of May. Various events have impacted the market and our investment returns in the first quarter, but we still had good returns overall. We also had a cash infusion from our CoBank loan that brought our account up higher as of March

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higher as of March 31. Two money managers underperformed and one has been replaced. Since the inception of this investment program AVEC has earned an average rate of return of 5.10%. Mark explained the asset allocation and said he became uncomfortable with the language in our investment policy due to our numbers and the cash allocation breakdown. The last policy change we made allowed AVEC to invest in international markets and they showed a 29% return, which is great. Another firm earned over 21% this year and they have done extremely well for us. The flash report through May 25 shows that we have earned a 7.25% rate of return this year. Mark explained the proposed changes to AVEC's Investment Policy which are minor but important. He distributed copies of the proposed changes and reviewed them. Mark and Meera recommended the board approve these changes and adopt a resolution to implement the minor revisions that aren't quite as restrictive and provide more power to revise the recommended asset allocation, which is necessary due to the cash infusion. Mark then provided a brief prediction of their market outlook for the future.

**5b. Denali Commission Update:** Brent Petrie said we haven't received any money from the Denali Commission yet this year. We are working on projects in Gambell and Savoonga and Savoonga should be complete by the end of 2007. We are demobilizing in Kasigluk and Toksook Bay. These were large projects and there is lots of stuff to remove. We are moving the man camp to Chevak. The Toksook – Nightmute teline is still under construction. This project is significantly over budget due to geotechnical conditions and bad weather. There are land issues regarding the Nightmute standby module. The Brevig Mission bulk fuel project is starting up. The pipe from Savoonga will be used in Brevig. We are using left over materials on other projects. In late summer the Hooper Bay and Chevak wind turbines will be installed. We need additional money for the Chevak projects. We will start the Mekoryuk project and a number of other projects in 2008. Brent said his department is still really busy. Alden Worachek was hired to replace Bob Tripp and the transition was pretty smooth.

Meera said she went to the recent Denali Commission meeting in Dillingham and their proposed work plan was approved with an allocation of \$27 million for the energy program. An additional \$14.4 million in funding should come from the RUS and \$4 million from TAPS. Meera expects that AVEC should receive \$20 - \$22 million of that funding. We haven't received funding for the intertie pilot project yet.

**5c. Financial Statements:** Meera said a copy of the financial statement dated April 30 was included in the board packet. Looking at this year versus last year, we are on a downhill slide and our operating margins are 50% of last year's margins. Our expenses are creeping up and our revenue isn't. Our members are using less power so our revenue is down. We are trying to see where we can tighten our belt internally, including how we calculate our rate of depreciation. Meera is very concerned about this. We haven't adjusted our rates in 12 years and the rate we charge is not keeping up with the costs and we will probably have to have a rate increase to keep up with the increasing operating costs. Mike Prince asked about other communities becoming members of AVEC, like Sheldon Point and Kotlik. Meera said they haven't followed up with her about joining AVEC. We need to try to get bigger systems in good shape to lower our overall operating costs instead of increasing them.

**5d. Scholarship Fund Status:** Georgia said she will be sending out information on the scholarships within the next couple of weeks. She had over 70 applications to process. The committee needs to approve the scholarship recipients after they are selected. She will mail out a list of the students she proposes to award scholarships to as well as the top essays. She is still trying to figure out the logistics of the change in the scholarship policy that allows scholarships to be awarded later in the year as well. Meera said the students need to be notified as soon as possible. Robert Beans said he would appoint three members to the scholarship committee.

**5e. Delinquency Account of Communities:** Georgia said that the delinquent accounts aren't looking very bad and collections are going well so far. Selawik has a large balance due because of their heat trace, but they always have huge winter bills and usually catch up with their payments during the summer. The collectors are on their first trip and there were only two disconnects in Shungnak. The Citgo fuel deal seems to have helped rural residents and the revenue sharing program helped the cities out financially. Some cities have said they will pay at the end of July after they receive their payment from the state. Meera said PCE is important to our members and \$350,000 was proposed for appropriation to the PCE program for the balance of this fiscal year. We hope that amount is approved by the legislature and governor. The average cost of electric power in the Railbelt area has increased to 12.87 cents, which means the floor for the PCE program will also go up, which will impact our members.

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**5f. Future Meetings – Alaska Power Association Annual Meeting (Sept. 12-14):** Robert Beans, Helena Jones, Charlie Curtis and possibly Fred Sagoonick (if he is available) will attend this meeting in Valdez. The actual meeting dates are September 13-14. Amy will help coordinate travel arrangements.

**5g. Youth Rally Update:** Two students were chosen to attend the Youth Rally in Idaho in July: Regina Williams from Togiak and Wassillie Levi from Lower Kalskag. The camp is July 8 – 14 and reservations have already been made. Homer Electric is supplying the chaperone again this year.

**NRECA Awards:** AVEC won three awards in NRECA's Spotlight on Excellence communications competition.

**Energy Usage Audits:** Charlie Curtis asked about self audits of energy usage. Meera said she has checked for tools through CRN and they provided some links to information about energy usage audits. She will check this out and keep working on this so we can put information/links on our Website.

The CREB (Clean Renewable Energy Bonds) blanket resolution was approved by the board in March and staff will prepare applications for some small wind projects worth about \$1 to \$1.5 million dollars each. We should fare well with these applications. We don't need further board approval at this point and Meera will keep the board informed about this.

Folks are working on a strategic plan in Kivalina to attempt to keep the coastal erosion at bay. There is no evacuation plan or evacuation route developed as of yet. Mark Teitzel participated in their latest planning session and said they want to build a road all the way to the Red Dog Mine. They have ambitious plans but no funding. He didn't see much happening and the city is going to try to use super sacks to control erosion.

Meera said that a future merger or acquisition may be possible. There has been some discussion about purchasing Bethel Utilities. AVEC came close to purchasing it in the early 90s but the PUC turned it down for various reasons. Meera will try to reopen that door to see if we could revive their interest in selling. Roger Kemppel will pursue this issue. In early May, Ed Tilbury of Bethel Utilities objected to a wind generating program being developed by the City in Bethel for various reasons as published in the Tundra Times. In addition to Bethel, there are several other communities having problems that may be interested in joining AVEC, including Kobuk, Egegik, Koyukuk and Tuluksak. We would have to research these potential acquisitions very carefully to make sure it would not have a negative impact to our bottom line. We still haven't received a response from Kotlik.

Meera gave a quick update on the status of the AK Dept. of Transportation proposed new regulations for the right-of-way program. There was a very short period to make comments on the proposed regulation changes, which dealt with changing the costs of permits and a 13-item list of things to respond to on the "no" list. There was an APA teleconference as the changes impacted the electric utility industry. Meera and others wrote letters to the department objecting strenuously to the proposed changes. The department has since said they are rewriting their regulation changes and a new draft will be coming out soon.

**Upon a motion duly made and seconded, the president's report was approved as present.**

#### **6. Action Items**

**Upon a motion duly made and seconded, Resolution 07-22 Consent Agenda, with the following Resolutions: 07-23 New Memberships; 07-24 RUS Construction Fund Expenditures; and 07-25 Director Expenses, was approved as presented.**

**Upon a motion duly made and seconded, Resolution 07-26 Investment Policy Revision was approved as presented.**

#### **7. Unfinished Business**

There was no unfinished business to discuss.

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**8. New Business**

Item 8a. President/CEO Annual Evaluation was taken care of at the beginning of the meeting.

**Chairman Beans appointed the following committees:**

Budget and Audit Committee: Walter Sampson, chair; Charlie Curtis and Mike Prince.

Village Operating Agreement Committee: Helena Jones, chair; Phyllis Clough and Robert Beans.

Scholarship and Youth Rally Committee: Phyllis Clough, chair; Fred Sagoonick and Charlie Curtis.

**9. Executive Session (if necessary)**

The Executive Session was held at the beginning of the meeting. A motion was made and approved and is previously mentioned.

**10. Board Comments**

Mike Prince said this was a good meeting and he's sorry he missed the annual meeting.

Fred Sagoonick said this was a good meeting and he was interested to see how the process works. He hopes to be a positive contributor. He is going to the fast-track Credentialed Cooperative Director training in late July.

Helena Jones agreed that it was a good meeting and welcomed Fred to the board. She hopes everybody has a good summer.

Phyllis Clough said she is proud to be part of this board. We work hard to serve all of our communities. She is sorry to see Julie leave and she welcomed Fred to the board. As usual, PCE is a big issue as well as renewable energy. We need to continue to do what we can to lower the cost of electric power in our communities. She said thanks to everybody, including the board and staff.

Charlie Curtis said "ditto" to the previous comments. He welcomed Fred to the board and said he hopes everybody has a good summer and enjoys the sun.

Robert Beans welcomed Fred and said he should be a good addition to the board. We serve all our members, not just those in our regions. We need to approach alternative energy with care as the upfront costs are very expensive. He hopes everybody has a good summer.

**11. Next Meeting Dates**

The next meeting dates are August 9 and 10, 2007. On August 9<sup>th</sup> we will try to arrange a financial training course.

**12. Adjournment**

**Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 4:20 p.m.**

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Phyllis Clough, Secretary

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Robert Beans, Chairman