

**Minutes of the August 10, 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 10:24 a.m. on August 10, 2007 at the AVEC headquarters. A quorum was ascertained with the following board members in attendance:

Robert Beans, Chairman
Phyllis Clough, Secretary
Fred Sagoonick, Director
Walter Sampson, Treasurer

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

Others in attendance included:

Meera Kohler, President and CEO
Roger Kemppe, Legal Counsel
Amy Murphy, Executive Assistant

Mark Teitzel, Vice Pres. and Mgr. of Engineering
Brent Petrie, Mgr. Community Development

Guests in attendance included:

George Lamont of Tuluksak
John Weiss of Sen. Hoffman's office

Joe Slats with the Yupiit School District

Chairman Robert Beans welcomed the guests who are representing the community of Tuluksak and gave them five minutes to address the board. Meera said that the Alaska Energy Authority invited AVEC to go on a tour of Tuluksak with them to check out the power generation situation and Mark Teitzel visited the community as an AVEC representative. A community meeting was held to discuss the problems with the electric utility and the community passed a resolution requesting AVEC to consider letting them become a member of AVEC. They want the opportunity to join AVEC so they can have reliable, affordable power.

Joe Slats said the school district runs a backup generator in Tuluksak and the power generation situation in the community is very critical. They only have one 50 kW generator running and it can't carry any of the school's load. With winter coming on the community will be without power unless something is done to get the other generators running. The school district is concerned about the kids; they want a good environment for the kids to learn in. It will be cold soon and it is very critical for the city to get power to the school. The school used to get power from the village for many years and they used to run two 50 kW generators. But now the city can't carry the school with just one generator so something needs to be done soon as school is starting soon.

George Lamont said the current utility management has been failing to meet state requirements and file reports. The utility system is in disrepair and the Denali Commission won't provide any more funds until the utility management changes. The community will change the utility manager if AVEC takes the community under their umbrella. There has been an energy crisis for over 20 years now and when the power goes out and freezers go down lots of food spoils. The school needs electric power. They are also getting a new airport in 2009, which will require additional power. The community is praying to the board that they consider taking Tuluksak on as a member so they are no longer a stand-alone utility.

John Weiss said Sen. Hoffman is very interested in helping the residents of Tuluksak and wants to do what he can to help out. Fixing the generators and utility system would require emergency funding but the legislature is currently not in session so can't help with any funding. John said he grew up in Bethel and is familiar with the area and the residents. He said it may be possible to get the Governor to provide money as the villages farther out really need help. The village of Tuluksak has very capable people but needs the right leadership, which AVEC could provide.

There was some discussion, including the location and population of the village, who built and owns the utility and how many tanks there are. Chairman Beans said that when it comes to the acquisition of other communities, we carefully consider our current members and whether a new acquisition would benefit AVEC's members as it is their money that we invest. We don't want to jeopardize our financial standing and we have to look at the total cost of acquiring a new community and getting it fixed up to meet AVEC's standards. We have to be very careful as we don't want to lose money. We would need to look at the entire system. In his 21 years serving on the board he has been involved in utilities and many stand-alone communities receive financial benefits from the state. AVEC has been successful and we have mainly used our own resources. Thankfully the Denali Commission has provided money in recent years. We will research this issue and let you know.

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Walter Sampson said we could discuss this issue later, during the President's Report. Mike Prince said that the situation in Tuluksak presents a pretty dismal picture. Our members have to come first and we have to consider what is best for them as it is their money. He suggested that the folks in Tuluksak keep their options open to deal with other people as it could be a long time frame for AVEC to act and the village needs help right away.

Joe Slats said during the meeting with the Native community, which Mark Teitzel attended, Mike Harper from AEA was also there. Mr. Harper said the utility needs new management before the state comes in the help fix the generators that aren't working. AEA is frustrated trying to deal with the current manager and there will be no more state investment until Tuluksak has competent management. The current manager offered to resign in September.

Meera Kohler said we can discuss this issue in Executive Session as there are a lot of questions that need to be answered, including fuel. Meera asked John Weiss if Sen. Hoffman would look for emergency funding to bring the utility up to a high-enough standard that it wouldn't financially hurt our members, especially since there are questions about the condition of the generators. John said Sen. Hoffman wants to help out, that is why he sent John to attend the board meeting. Both he and Rep. Nelson would like to have AVEC involved since the state's investment has deteriorated and the school needs reliable power. AVEC has the right type of management and proven skills to help operate the utility properly and provide reliable power.

George Lamont said the community is willing to get new management in order to get outside help to run the utility. Walter said thanks for coming in person to express your design to have AVEC take over your utility. We will discuss this issue further. Fred Sagoonick asked if it was possible to get funding to fix the generators through Homeland Security. Robert said we will discuss this issue and get back with the community. The guests left the meeting.

2. Declaration of Conflicts of Interest

Chairman Beans asked if there were any conflicts of interest to declare. Fred Sagoonick said the Shaktoolik Native Corporation he works for is acquiring two wind turbines that they would like to hook up into AVEC's grid. He said they just want to break even with the power they produce and not have any excess power. He wanted to see if there was any conflict of interest with that. There was some discussion. Roger Kemppele said installing wind turbines there according to AVEC's tariff shouldn't present a problem and if there ever comes a time when the board discusses anything relevant to this issue Fred could excuse himself from voting on it.

3. Approval of Minutes

Upon a motion duly made and seconded, the minutes of the AVEC Board of Directors Regular Meeting on June 1, 2007 were approved as presented.

4. Director Trip Reports

Fred Sagoonick said thank you for sending him to the NRECA Fast-Track director training at Lake Tahoe. Bob Patton, one of the instructors, made participants aware of the importance of board members' roles and duties. He learned a lot about cooperatives, electric utilities and members. Fred gave a very detailed report on his trip and the sessions he attended, which he said were very informative. Strategic planning is very important as it gets the board involved with the staff for future planning. Directors from a couple of other Alaska utilities also attended (MEA and Nushagak). The resort was fairly isolated which made it hard to get around to sightsee and shop after classes were over. Fred was thankful for the training as it will make him a better board member, a better community member and will help him make better informed decisions. Chairman Beans said that was a great report and will be a hard act to follow.

Executive Session

Upon a motion duly made and seconded, the board moved into Executive Session at 11:12 a.m. AVEC staff members in the room were allowed to stay. Upon a motion duly made and seconded, the board moved out of Executive Session and back into a regular meeting at 11:45 a.m.

5. President's Report

5a. Denali Commission Update: Meera Kohler called upon Brent Petrie to give an update on the Denali Commission program. Brent distributed copies of a two-page handout that show total funding received from the Denali Commission to date. So far the program has received \$113 million, which includes AVEC's contribution of

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approximately \$9.6 million. We hope to receive more funding in the next few weeks. We received approximately \$11 million from the RUS funding award in FY07 and a breakdown of the projects that received funding was provided. Total funding for the Denali Commission program received to date is approximately \$118 million, including grants received from sources other than the Denali Commission. We are proceeding with some CDR studies and have undergone demobilization work at Toksook Bay and Kasigluk. Work also continues on the Savoonga projects and Nightmute bulk fuel project. The Gambell projects are completed. Construction of the Toksook/Nightmute intertie has stopped due to warm temperatures and thawed ground and will continue after the ground has frozen again. The ground along the intertie is getting torn up from all the ATV traffic. The Brevig bulk fuel project is also underway.

5b. Financial Statements: Meera said everybody should have a better understanding of the financial statement after the training we received yesterday. Our operating margins are down on the Statement of Operations, but this is mainly a depreciation issue as our computer software program grossly over-depreciated plant. Page 2 of the balance sheet shows that we only have \$42 million net plant after depreciation when we should actually have a higher amount than that. We wrote to the RUS to get their approval for the proposed, new depreciation method. Then our margins should go up. We need RUS approval because this is an accounting change. Meera explained the depreciation background and the current depreciation schedule. Other than that we are tracking closely with this year's budget and last year's budget. There are no major surprises. On a side note, we received a request from the mayor of Emmonak to share in the costs of purchasing an ATV that the city and the PPO could use. The city received a grant for public safety and they decided to purchase some ATVs. We went 50/50 on the cost of one ATV and they got a better deal going through us. We entered into an agreement with them that says they will maintain and provide fuel for the ATV and name us as an additional insured. We also removed the \$5/day transportation allowance paid to the operators since they will now have an ATV to use. This is a win-win situation as we can't maintain and control our own ATVs very well since we aren't in town all the time.

5c. Delinquent Account Update: Georgia Shaw provided a list showing delinquent city accounts. Generally the list isn't bad. Selawik has a huge delinquent account, but they use lots of heat tape in the winter. Every city has promised to pay their bills after the state payments come in, so we should be receiving some payments soon. The Selawik situation was discussed. Georgia had the meters pulled on the heat tape services until she receives full payment of those accounts plus an advance payment before hooking them up again. Several villages are doing great and have paid or are paying in advance: Goodnews Bay; Hooper Bay; and Kivalina.

5d. Youth Rally Report: AVEC sent two students to the 2007 ICUA Youth Rally in Idaho in July: Regina Williams of Togiak and Wassillie Levi of Kalskag. The students said they enjoyed the rally and learned a lot.

5e. Scholarship Update: Georgia provided a list of 15 students she proposed awarding \$1,000 scholarships to. The committee will review the list and let Georgia know if they approve. This has to be done soon as school starts in a couple of weeks. Additional scholarships will be awarded at the November meeting.

5f. Kotlik Electric Service: This issue was discussed during Executive Session.

5g. Tuluksak Report: This issue was discussed during Executive Session.

6. Action Items

6a. Upon a motion duly made and seconded, Resolution 07-27 Consent Agenda, including Resolutions 07-28 New Memberships; 07-29 RUS Construction Fund Expenditures; and 07-30 Director Expenses was approved as presented. Georgia will double check on one of the memberships that Fred questioned.

6b. Upon a motion duly made and seconded, Resolution 07-31 2007-2008 Schedule of Board Meetings was approved as amended.

6c. Upon a motion duly made and seconded, Resolution 07-32 2006 Capital Credit Allocation and Retirement was approved as presented. The checks will be mailed out later in the year; after the software conversion is completed.

6d. Resolution 07-33 Kotlik Electric Service – no action was taken.

7. Unfinished Business

There was no unfinished business.

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8. New Business

Meera mentioned she wrote a back page article about a power cost monitor that consumers can use to monitor their electric power usage. Meera requested some of these monitors so that AVEC and other entities could test them out. These could be very helpful at getting our members to understand where their power is going and look at ways to conserve power usage. She spoke with folks at GreenStar, RuralCap and LIHEAP to see if there is any interest in paying for some of them to be used in our villages. Meera received the monitors and let a couple of board members borrow them to test them out on their homes. They are fairly easy to install. We also bought CFL bulbs and draft stoppers for electric outlets and light switches that we will send out to the villages for door prizes.

9. Executive Session

The Executive Session was moved up and took place earlier in the meeting.

10. Board Comments

Fred Sagoonick said he learned about the growing problem with knowledgeable, seasoned employees retiring after long years of service. He asked if we have a contingency plan to ensure we hire and train good employees to take over. Meera said we can't really prepare for that but we do have a good talent pool in house that can be trained to successfully fill positions that long-term employees retire from. Hiring linemen is a problem and we usually get young ones after they graduate, but they don't always stick around. We do need more linemen in the state. Fred said this was a good meeting and thanks for the workshop yesterday and for sending him to earn his CCD.

Phyllis Clough said thanks for providing the refresher financial course yesterday. It was great and it's good to re-learn the financial issues. She said thanks to Meera and her staff for doing a good job. We need to continue to look for alternative energy sources in order to help keep the cost of power down. PCE is still an important issue.

Mike Prince said thanks for the training and the board meeting; they were both good.

Walter Sampson said it was a good training session and he was glad it was held in-house. He has avoided going to outside training. It's good to have training here for the whole board. Now he will become a CCD.

Charlie Curtis said our meetings are always good. The refresher course was focused and very beneficial. Thanks to the staff for arranging it. He hopes everybody has a successful fall hunting season.

Helena Jones said the training was great. Thanks to the board for selecting Option #3 for bringing on the plant operators as part-time employees and thanks to the staff for working on this issue.

Robert Beans said thanks to everybody. He is looking forward to possibly working with Kotlik. He asked the board members attending the APA annual meeting in Valdez to coordinate their travel with Fred as he will drive a car from Anchorage to Valdez.

11. Next Meeting

The next board meeting is November 9, 2007.

12. Adjournment

Upon a motion duly made and seconded, Chairman Beans adjourned the meeting at 2:00 p.m.

Robert Beans, Chairman

Phyllis Clough, Secretary