

**SOUTHEAST ALASKA POWER AGENCY
Regular Board Meeting**

Best Western Plus Landing Hotel
Ketchikan, Alaska

Agenda for Tuesday, December 17, 2013 at 9:00 a.m. – 5:00 p.m. AKST

Access No. 1-800-315-6338
Access Code: 73272#



SEAPA's Annual Christmas Party



**for Board Members and Spouses/Significant Others will be held at the Best
Western Landing Hotel Sunny Point Reception Room
Hors d'oeuvres available at 6:00 p.m. ~ Dinner at 7:00 p.m.**

1. Call to Order
 - A. Roll call
 - B. Communications
 - C. Disclosure of Conflicts of Interest
2. Approval of the Agenda
3. Persons to be Heard
4. Review and Approve Minutes **MINUTES**
 - A. October 15-16, 2013 Minutes of Regular Board Meeting
 - B. December 3, 2013 Minutes of Special Board Meeting
5. Financial Reports **FINANCE**
 - A. Financial Statements: September 2013
 - B. Financial Statements: October 2013
 - C. R&R Report
 - D. Disbursement Approvals: October and November 2013 **DISBURSEMENTS**
 - E. Presentation and Approval of FY13 Audited Financials
(Joy Merriner of BDO USA will call at 10:00 a.m.)
6. CEO Report **CEO RPT**
 - A. Legislative Affairs
 - i. Swan Lake Reservoir Expansion and Beyond
 - ii. Roadless Rule
 - iii. Legislative Lunch and Learn
 - B. Best Practices and Process Improvements
 - i. Policies and Procedures Handbook Update
 - ii. Website Overhaul
 - iii. Structured Compensation Plan
 - C. Recruitment
 - D. Kake-Petersburg Intertie Project

- E. Transition of Tyee Lake Hydro Facilities O&M to SEAPA
 - F. Whitman True-up
 - G. Financial
7. Winston Tan/Intandem LLC Presentation Re SEAPA Compensation Plan
8. Operations Manager/Director of Special Projects Reports **OPS/DSP**
- A. **Operations Manager's Report (Henson)**
 - i. Regulatory
 - ii. Major Contracts
 - iii. Miscellaneous
 - iv. Conclusion
 - B. **Director of Special Projects Report (Wolfe)**
 - i. SCADA Capital Project Update
 - ii. Swan Lake Reservoir Expansion
 - iii. Tyee Lake Cooling Water Conversion
 - iv. SEAPA Long-Term Planning
 - v. Request for Offers of Power and Energy
 - vi. Department of Commerce, Community, and Economic Development (DCCED) Grant
 - vii. Water Management
9. Project Reports
- A. Swan Lake
 - B. Tyee Lake
10. New Business **NEW**
- A. Consideration and approval of Contract for Preliminary Engineering Design Services for Swan Lake Dam Modifications
 - B. Consideration and Approval of Additional Contractor for Board of Consultants for Swan Lake Reservoir Expansion Project
 - C. Consideration and Approval of Professional Services Agreement with Ascent Law Partners LLP
 - D. Discussion Re Bylaw Amendment for Staggered Board Terms
 - E. Consideration and Approval of Changes to Section I of SEAPA's 2005 Policies and Procedures Handbook
 - F. Consideration and Approval of City and Borough of Wrangell's Request for Retention of Digital Audio Recordings for not less than Two Years
 - G. Executive Session Re: SEAPA Compensation Discussions
 - H. Consideration and Approval of SEAPA's Operations Plan for 2014
 - I. Approval of Rebate to Member Utilities
 - J. Proposed 2014 Meeting Dates for SEAPA Board Members
 - K. Executive Session Re: Future Operations of Agency's Tyee Facility
11. Director Comments
12. Adjourn

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting October 15 & 16, 2013

The Nolan Center | Wrangell, Alaska

1) Call to Order/Roll Call

Chairman Sivertsen called the meeting to order at 10:00 a.m. AKDT on October 15, 2013, which was held at The Nolan Center, in Wrangell, Alaska.

Roll Call

The following directors and alternates were present, thus establishing a quorum of the board:

Director	Alternate	Representing
Bob Sivertsen	Andy Donato	Swan Lake – Ketchikan
Dick Coose	Jay Rhodes	Swan Lake – Ketchikan
	Charles Freeman	Swan Lake - Ketchikan
Joe Nelson		Tyee Lake – Petersburg
Brian Ashton	Clay Hammer	Tyee Lake – Wrangell

The following SEAPA staff/counsel were present for all or part of the meeting:

Trey Acteson	Chief Executive Officer, SEAPA
Eric Wolfe	Director of Special Projects, SEAPA
Steve Henson	Operations Manager, SEAPA
Kay Key	Controller, SEAPA
Sharon Thompson	Executive Assistant, SEAPA
Joel Paisner	Attorney, AterWynne

Chairman Sivertsen requested disclosure of any conflicts of interest. None were stated.

2) Approval of the Agenda

Mr. Coose moved to approve the agenda. Mr. Freeman seconded the motion. There were no objections to the motion. (Action 14-257)

3) Persons to be Heard

Bob Maxand expressed his appreciation for the information published in SEAPA's Community Flyer.

4) Review and Approve Minutes

Mr. Freeman moved to approve the minutes of the Regular Meeting of August 27, 2013 and the Special Meeting of September 16, 2013. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 14-258).

5) Financial Reports

Mr. Coose moved to approve Financial Statements for the months of July and August 2013. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 14-259)

Mr. Coose moved to approve Disbursements for the months of August and September 2013 in the amount of \$1,787,765.96 Mr. Freeman seconded the motion. The motion carried unanimously. (Action 14-260)

6) CEO Report

Mr. Acteson relayed the ongoing efforts by staff to continue with the Swan Lake Expansion Project, advising that the City of Ketchikan and the Ketchikan Gateway Borough voted the project as their number one community priority for consideration in the Governor's budget. He explained that as a multi-prong approach to finance the project, staff would also pursue funding through a direct legislative appropriation and Round VII of the AEA's Renewable Energy Fund Grant Program for the maximum amount available. Mr. Nelson expressed his disappointment that with the large amount of money in the AEA's Renewable Energy Fund Grant Program, and despite SEAPA having collaborated with the AEA in the project development stage of the Kake-Petersburg Intertie (KPI) to get it construction ready, the AEA has not committed funding for the next energy project in Southeast despite the intent agreed to in a Memorandum of Understanding between SEAPA, the AEA, and the Inside Passage Electric Cooperative. Mr. Acteson advised that SEAPA is reimbursed from grant funds for the KPI project. Chairman Sivertsen reiterated that the project has moved forward with the understanding by the State that it cannot affect or impact SEAPA's ratepayers.

Mr. Acteson reported that interest in starting up a Utility Manager's Forum was expressed during his attendance at the Southeast Conference annual meeting held in September in Sitka. The forum would serve the purpose of improving responses to outages by having mutual aid agreements in place between the utilities to provide resources or dispatch crews for emergencies. He also attended Alaska Power Association's (APA) annual meeting and a National Hydropower Association (NHA) meeting in Girdwood. During the APA meeting, he was apprised of several lawsuits in northern Alaska dealing with Independent Power Producers (IPP) and their attempt to integrate into existing grids while trying to shift the risk of project development onto existing utilities and their ratepayers. He advised that SEAPA needs to be aware of how legislation currently in the works to standardize how this occurs in Alaska may impact the Agency. Mr. Acteson broached the Board on hosting APA's annual meeting in Ketchikan during 2015 and explained that he may formalize a request to host the convention at a future board meeting pending some additional research.

During the NHA conference, he was surprised to learn they had not taken a position on the roadless rule issue. After becoming aware of that, he requested that they take an official position and expressed optimism that an official position statement would result from his request. Mr. Paisner provided an update on the status of the litigation advising that the original lawsuit SEAPA was involved in was dismissed by the District Court due to an administrative type decision which the State is appealing. Rather than join the appeal, SEAPA was asked to join as amicus in the Court of Appeals in Washington, D.C., which is more cost effective. He advised that the brief due in December would be prepared by his firm on a reduced fee basis.

The meeting recessed at 12:00 p.m. and reconvened at 12:13 p.m.

Mr. Acteson explained that as a part of his commitment to best practices and process improvement, SEAPA's 2005 Policies and Procedures Handbook is being reviewed for updates, Winston Tan will be available at the next SEAPA board meeting to present a structured compensation plan, and that a risk assessment from SEAPA's insurance brokers on the Swan and Tyee hydro facilities showed no significant new findings, which reaffirmed the facilities were being appropriately maintained and risk factors mitigated. He announced that SEAPA hired Rachel Guyselman as an Administrative Assistant and that a short list had been developed for the engineering position, although advertising was still underway for additional applicants.

Mr. Acteson provided an update on a trip to Wrangell for discussions on TBPA's O&M contract. He participated in a joint work session with the northern member community representatives and provided them with an update of recent SEAPA activities and introduced a new community flyer he prepared to help facilitate better communications. He also discussed specific items he presented in an August memo to the TBPA President on TBPA issues and presented possible solutions. Following that, Petersburg's Mayor advised the issue would be brought before their assembly for a vote on TBPA's future. Mr. Acteson directed the board to a resolution provided as an attachment in his CEO report in the board packet that was unanimously adopted by Petersburg's Assembly. He further advised that the Wrangell Assembly discussed the issue in a meeting in September as well with no definitive result other than to give direction to their interim city manager to draft questions and acquire appropriate legal counsel to advise them on the matter.

Mr. Acteson expressed concern about the considerable misinformation given during public comment at Wrangell's September Assembly meeting and advised he sent a memo to Wrangell's Mayor clarifying several issues and providing factual information so informed decisions could be considered. Mr. Acteson recited two questions the Wrangell Assembly agreed they would seek legal clarification on after their discussion at an October 8th meeting. He described a similar experience with the challenges of misinformation provided to the Ketchikan City Council by way of an unsolicited letter they received to which he also responded with factual information. SEAPA Board Members from both respective communities provided further information and clarification on the circumstances.

Julie Decker, a Wrangell Assembly Member, asked the Board's patience with that governing body, explaining that it is her personal goal to communicate, discuss, work out solutions, and build bridges in a long-term effort to promote cooperation in the region and expressed optimism that legal counsel would clarify questions the Assembly has on TBPA issues. Chairman Sivertsen requested that the SEAPA board and staff introduce themselves to members of the audience at the meeting. Audience members reciprocated the introductions. After introductions were made, Mr. Acteson continued his report noting that SEAPA strongly supports KPU's desire to integrate the Whitman project into the regional generation and expressed optimism that a true-up agreement could be reached between the parties for the Board's consideration at a future meeting.

The meeting recessed for lunch at 12:54 p.m. and reconvened at 2:03 p.m.

7) A. Operations Manager Report (Steve Henson)

Mr. Henson provided updates on his various projects including the Wrangell reactor. He advised that EPS is moving forward with the civil design on that project and should be providing a more definitive schedule for the balance of the work, that the satellite communications dish should arrive the end of October, and that installation between the SEAPA office and Swan Lake is scheduled to take place towards the end of November. He announced that the Forest Service issued the permit for the helipads, and that bids were solicited for installation of two prototypes. The solicitation resulted in five proposals. He recommended the board consider awarding the contract to the low bidder, who also had taken the time and expense to investigate the sites before submitting a proposal. He advised that Structure 76-1M bank stabilization was complete, the generator is in at the Tyee Gatehouse and the

gate controls are 95% complete. He accepted the new Tyee excavator after it passed inspection and discussed the roller compactor. He advised that Tyler Rental was interested in buying, selling, or trading the surplused John Deere 310 Backhoe and 1988 D-4 Caterpillar currently at Tyee in exchange for a roller compactor. Only one bid had been received on the compactor and it was well over the budget. Mr. Henson solicited the board's direction on the manner of disposal of the equipment and whether to pursue a trade for the compactor. Discussion followed on whether the loader could be used in Ketchikan to transport helipad equipment in the future.

Chairman Sivertsen requested a show of hands in favor of directing Mr. Henson to sell the 1988 D-4 Caterpillar so the funds could be used toward a compactor, and bringing the John Deere 310 Backhoe to Ketchikan to be utilized for hauling helipad equipment or other needs as necessary. Mr. Freeman, Mr. Coose, and Mr. Nelson all raised their hands in support of Mr. Henson proceeding with that direction.

Mr. Henson advised that new dock piling zincs had been purchased and installed at Swan Lake after it was discovered during an inspection that they were not functioning, and that new zincs would also be put on the dock pilings at Tyee. He reported that two bids received for a landing craft at Swan Lake were much higher than what was budgeted. He explained that a smaller vessel had initially been anticipated when the budget was drafted, but as the purposes for the intended use of the vessel were discussed, a larger vessel was solicited in the bid process resulting in the high bids. Mr. Henson stated he had not pursued the used boat market and Mr. Acteson advised staff would pursue further options.

Mr. Henson reported that the breaker racking devices for Swan and Tyee had been received and delivered to their respective areas. Discussion followed on whether SEAPA requires its contractors to comply with arc flash standards. Mr. Donato advised that there is an arc flash standard at Swan Lake and that adequate arc flash quality and protection has been deployed. Mr. Henson explained that it is different at Tyee as they de-energize the buss and that the crew has flame retardant clothing available to wear during those events.

Chairman Sivertsen requested that Mr. Henson pursue whether there is a permitted disposal area for inert waste at Swan Lake in advance of the Swan Lake Powerhouse roof replacement and Water Tank recoating projects.

Following his report, Mr. Henson presented a slide show of photographs showing the posts that were poured by hand for the satellite dish at Swan Lake, the stabilized bank area at Structure 76-1M, one of the prototype helipads at Tyee Lake, and several photos of the Tyee Lake weir project.

The meeting recessed at 2:57 p.m. and reconvened at 3:25 p.m.

B. Director of Special Projects Report (Eric Wolfe, P.E.)

Mr. Wolfe opened with a slide show presentation starting with an overview of the progress of Phases I and II of the SCADA project, advising that the north side (Tyee to Wrangell to Petersburg) should be commissioned by mid-January, and that construction will start four or five days after the factory acceptance test is accepted. He reported that the Swan Lake Reservoir Increase Project is one year ahead of schedule with the license application process prompting a need to get bids out for civil engineering services. He explained that permitting for construction is contingent upon favorable reviews by FERC's safety division and that SEAPA will need to retain a Board of Consultants as required by FERC for any project that requires a dam modification. He showed slides on Tyee's cooling water conversion project, described the conversion process, and reported that the Tyee crew wanted to do the pipe work for the project. The Tyee Gate Controls Project was discussed with Mr. Wolfe advising that the project is nearing completion. He reiterated and emphasized during the

discussions that the tunnel should never be unwatered during the life of the project and explained the reasons why that is specific to Tyee.

The reasons for long-term planning were discussed with Mr. Wolfe explaining that SEAPA is the system coordinator in that it is the largest generation asset holder, the only entity that can provide a regional planning perspective, is charged with execution of the Long-Term Power Sales Agreement, and that all long-range planning initiatives are subject to board approval. He explained how new assets integrate into SEAPA's system is vitally important to how the new asset displaces future diesel generation. That discussion morphed into a discussion of the power sales agreement. Mr. Wolfe cited an example of the full requirements clause in the agreement and explained the difference between energy and capacity, when capacity will become a problem for Wrangell and Petersburg, and why a third unit has not been installed at Tyee. He discussed how energy and capacity were considered in the request for offers of power and energy (RFO) that were solicited and amplified that by explaining that each spike from all three communities that has to be covered with the machines is capacity, then the average of each spike multiplied by the hours in the day is energy (spikes are capacity and the average of all the spikes times time is energy) so when shortages are planned, energy and capacity are both planned accordingly.

Mr. Wolfe explained that SEAPA's short-term plan to meet load is to complete the Swan Lake dam raise, make some small improvements, and integrate Whitman once it is on line, and the mid-term plan will start in 2017. He elaborated on the strategy of the RFO where planning is concerned. Mr. Acteson updated the board on the status of SEAPA's Whitman true-up discussions with KPU. Mr. Donato explained the various considerations and concepts KPU has contemplated before returning a draft of the true-up agreement. Mr. Paisner encouraged both sides to be diligent in the process to get a true-up arrangement in place before Whitman is commissioned so there is no issue with the commitment made to bondholders in the operation of the Agency's facilities.

The meeting recessed at 5:04 p.m. on October 15, 2013.

The meeting reconvened at 9:00 a.m. on October 16, 2013.

A roll call was taken. Everyone in attendance for the start of the meeting on October 15, 2013 was present, with the exception of Mr. Ashton who did not join the meeting until 9:13 a.m.

Mr. Wolfe opened with a water management report reciting what earlier planning and expectations were and what is currently projected. He considered that recent heavy rains would likely fill both Tyee and Swan Lakes if average conditions prevailed from mid-October to mid-November. He reported that Tyee had better snow pack than Swan Lake and that ice from melting glaciers due to the long, dry, and hot summer provided a one-time boost to inflows. Generation patterns were switched on October 6th since Swan Lake was quickly filling to help leverage that inflow. He explained that power is usually delivered south from Tyee but that power is now flowing north on the STI in an effort to refill Tyee for the winter heating season.

8) Project Reports

Mr. Donato provided a brief overview of activities that had taken place since the last board meeting noting there were no safety or environmental incidents to report, and described the safety training that took place in September and upcoming work. He covered compliance and maintenance issues and reported that issues with phones were taken care of so three working phones were available, and discussed several other new projects. He noted that a load of D1 gravel was needed at Swan, which could be coordinated with the next barge going out there.

There was no report on behalf of Tyee Lake other than a written report that was provided as a handout at the meeting.

9) Old Business

None.

10) New Business

Mr. Ashton explained his request for approval of travel and accommodation costs so he could attend a Law Seminars International Conference in Anchorage on behalf of the Agency. Discussion followed that Mr. Acteson had already planned to attend. Mr. Paisner described the conference and reported that he had attended in the past.

Mr. Nelson moved to authorize SEAPA's CEO to respond to Director Ashton's request for travel reimbursement for the Law Seminars International Conference as determined appropriate by the board. There was no second to the motion.

Mr. Coose moved to authorize staff to prepare a timeline of SEAPA history for the preservation of factual data, and authorize the expenditure of up to \$5,000 for any travel expenses necessary for participation by past and/or current Agency staff or board members who may contribute to the record. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 14-261).

Mr. Coose moved to authorize staff to enter into a contract with Glenn Brewer, P.E. of HDR, Inc. and Donald Bowes, P.E. as consulting engineers for SEAPA's Board of Consultants for the not-to-exceed value of \$138,000 for SEAPA's Swan Lake Reservoir Expansion Project. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 14-262)

Mr. Sivertsen moved to defer any action on contracting for a Landing Craft for SEAPA's Swan Lake facility pending further review. Mr. Freeman seconded the motion. Mr. Acteson advised that staff would thoroughly review the two bids received and reassess the needs for the vessel and bring a new proposal back to the board. After consulting Mr. Paisner on whether a deferred motion must be brought back for consideration within a certain date or time frame, Chairman Sivertsen directed that the motion is deferred until such time as staff has had the opportunity to do a complete review so if the review is not done in time for the next board meeting in December, a carryover of the motion into the next calendar year is acceptable. The motion carried unanimously. (Action 14-263)

Mr. Sivertsen moved to authorize staff to enter into a contract with Alaska Clearing, Inc. for a lump-sum value of \$11,500 plus a crew standby rate of \$360/day for Phase I of SEAPA's Swan-Tyee Intertie Helipad Installation Project. Mr. Freeman seconded the motion. The motion carried unanimously. (Action 14-264)

Mr. Sivertsen moved to recess the regular meeting into an Executive Session in order to discuss compensation related to SEAPA's Chief Executive Officer. The Executive Session will be conducted pursuant to SEAPA's Bylaws and Alaska State Law as the discussions may include a subject or persons that may tend to prejudice the reputation or character of a person. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 14-265)

The meeting recessed for the Executive Session at 11:05 a.m. The Executive Session ended at 11:35 a.m. The regular meeting reconvened at 11:45 a.m.

Chairman Sivertsen reported that the board took no action during the Executive Session and that information would be reviewed prior to further consideration of any action.

11) Director Comments

Several directors echoed their satisfaction with the meeting and acknowledged there is still a lot of work to be done. Mr. Freeman noted that although discussion has taken place in past meetings on amending the bylaws to stagger director's terms on the board and no action has been taken to date, he supports the concept for purposes of continuity for the board. Mr. Coose expressed his appreciation for and thanked the Wrangell citizens and Assembly Members who took their time to attend the meeting. He encouraged all to continue working together on the various issues. Mr. Nelson expressed appreciation for responses he received on some of the more complex issues and hopes to see progress on the Whitman True-up at the next meeting in December. He advised he is available and willing to participate in any teleconferences or meetings on the topic. Chairman Sivertsen expressed the need to have the northern communities involved in Whitman discussions as well as SEAPA's counsel at the appropriate time.

Chairman Sivertsen announced that the next meeting would be in Ketchikan on December 17, 2013 and that a kick-off meeting for the Historic Preservation Meeting would be held on December 16 in Ketchikan. He directed Mr. Paisner to review SEAPA's governing documents to see whether they can be amended to stagger terms for board members for continuity on the board.

12) Adjourn

Mr. Freeman moved to adjourn. Mr. Ashton seconded the motion. Chairman Sivertsen requested a raise of hands for adjournment. Several directors raised their hands to adjourn.
(Action 14-266)

The meeting adjourned on October 16, 2013 at 11:54 a.m. AKDT.

Signed:

Attest:

Secretary/Treasurer

Chairman

SOUTHEAST ALASKA POWER AGENCY

Special Meeting

December 3, 2013

Southeast Alaska Power Agency Offices via Teleconference | Ketchikan, Alaska

1) Call to Order/Roll Call

Bob Sivertsen, Chairman, called the meeting to order at 11:00 a.m. AKST on December 3, 2013, held via teleconference at the offices of Southeast Alaska Power Agency in Ketchikan, Alaska.

Roll Call

The following directors and alternates were present, thus establishing a quorum of the Board:

Director	Alternate	Representing
Bob Sivertsen	Andy Donato	Swan Lake – Ketchikan
Dick Coose	Jay Rhodes	Swan Lake – Ketchikan
	Charles Freeman	Swan Lake - Ketchikan
Joe Nelson (telephonic)		Tyee Lake - Petersburg
	Clay Hammer (telephonic)	Tyee Lake – Wrangell

The following participants were present for all or part of the meeting:

Trey Acteson (telephonic)	Chief Executive Officer, SEAPA
Steve Henson (telephonic)	Operations Manager, SEAPA
Sharon Thompson	Executive Assistant, SEAPA
Rachel Guyselman	Administrative Assistant, SEAPA

2) Approval of the Agenda

Chairman Sivertsen requested approval of the agenda as presented.

Mr. Coose moved to approve the agenda. Mr. Freeman seconded the motion. There was no objection to the motion. (Action 14-267)

3) New Business

Mr. Acteson explained that staff solicited proposals for an independent consultant to conduct a Potential Failure Mode Analysis review and complete a Part 12 Periodic Dam Safety Inspection Report under FERC's Dam Safety Performance and Monitoring Program for the Swan Lake Dam as required by FERC in a their letter of October 23, 2013 to SEAPA. Mr. Henson advised that three bids were received and all three proposers were qualified to perform the inspection

and review. Staff recommended award of the contract based on cost to Hatch Associates Consultants, Inc. as low bidder.

Mr. Freeman moved to authorize staff to enter into a contract with Hatch Associates Consultants, Inc. for the not-to-exceed value of \$45,565 to provide independent consulting services for a Potential Failure Mode Analysis Review and Completion of a Part 12 Periodic Dam Safety Inspection Report under FERC's Dam Safety Performance and Monitoring Program, subject to FERC approval. Mr. Hammer seconded the motion. The motion carried unanimously. (Action 14-268)

4) Adjourn

Mr. Coose moved to adjourn the meeting. Mr. Freeman moved to second the motion. There was no objection to the motion. (Action 14-269)

The meeting adjourned at 11:09 a.m.

Signed:

Attest:

Secretary/Treasurer

Chairman

Southeast Alaska Power Agency CEO Financial Cover Letter

DATE: December 12, 2013
TO: SEAPA Board of Directors
FROM: Trey Acteson, CEO

SEAPA's annual financial audit was performed by BDO (formerly Mikunda, Cottrell & Co.) during the week of October 21. The final draft of the Audit was not available at the time of this writing, but will be transmitted to the Board electronically prior to our December 17th meeting. Hard copies will also be available at the meeting for your convenience. Joy Merriner of BDO will call in on December 17 to present the audited financial results and answer any questions. The Management Discussion & Analysis that is included in the audit will also provide an overview and perspective. Overall, I am very pleased with the results of our annual audit and the continued improvement in our financial processes. SEAPA's financial position remains strong and is a testament to the Board's leadership and oversight of the organization.

As forecasted in my October memo, sales have moderated and are now back in-line with monthly projections. Total kWhr sales for November were 18,219,310 actual vs. 18,200,000 budget. YTD kWhr sales still exceed projections with 77,238,320 actual vs. 66,300,000 budget. The YTD sales are broken out below under our three member communities and illustrate a somewhat disproportionate variance.

YTD – Through November

Ketchikan power purchases	42,802,000 actual vs. 33,900,000 budget
Petersburg power purchases	19,095,650 actual vs. 16,300,000 budget
Wrangell power purchases	15,340,670 actual vs. 16,100,000 budget

Administrative and operating expenses YTD (July – October) were \$1,608,766 actual vs. \$2,095,616. We expect this to adjust accordingly as employee vacancies are filled, attorney-related activities increase, and public relations initiatives advance.

DATE: December 9, 2013
TO: Trey Acteson
FROM: Kay Key
SUBJECT: Financial Reports

Financial reports included in the board packet for December 17 are as follows:

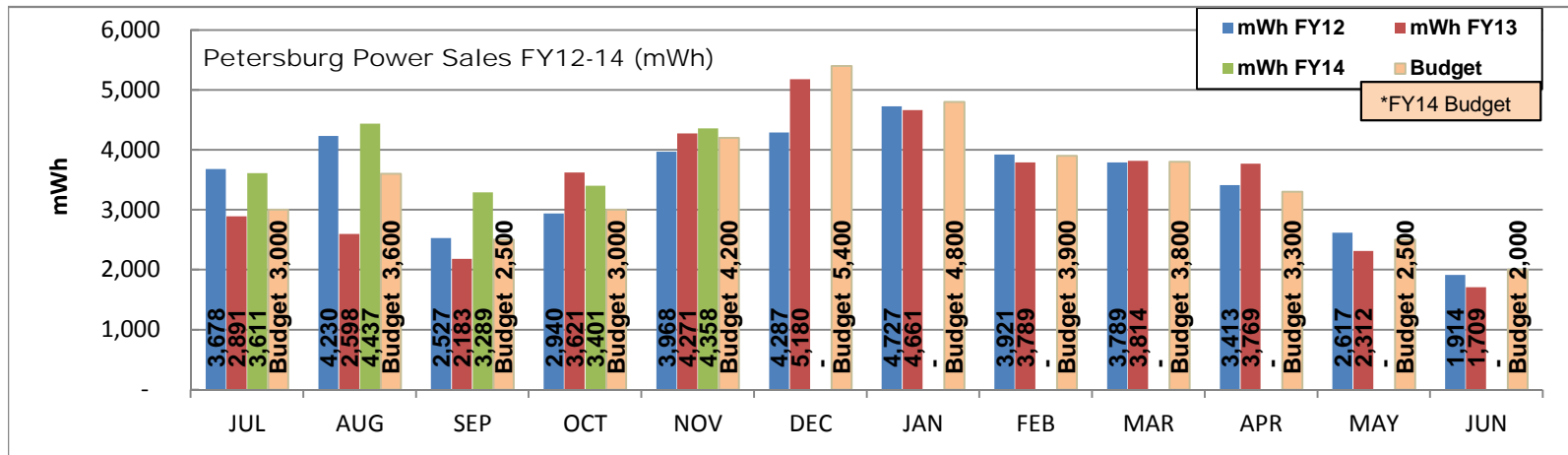
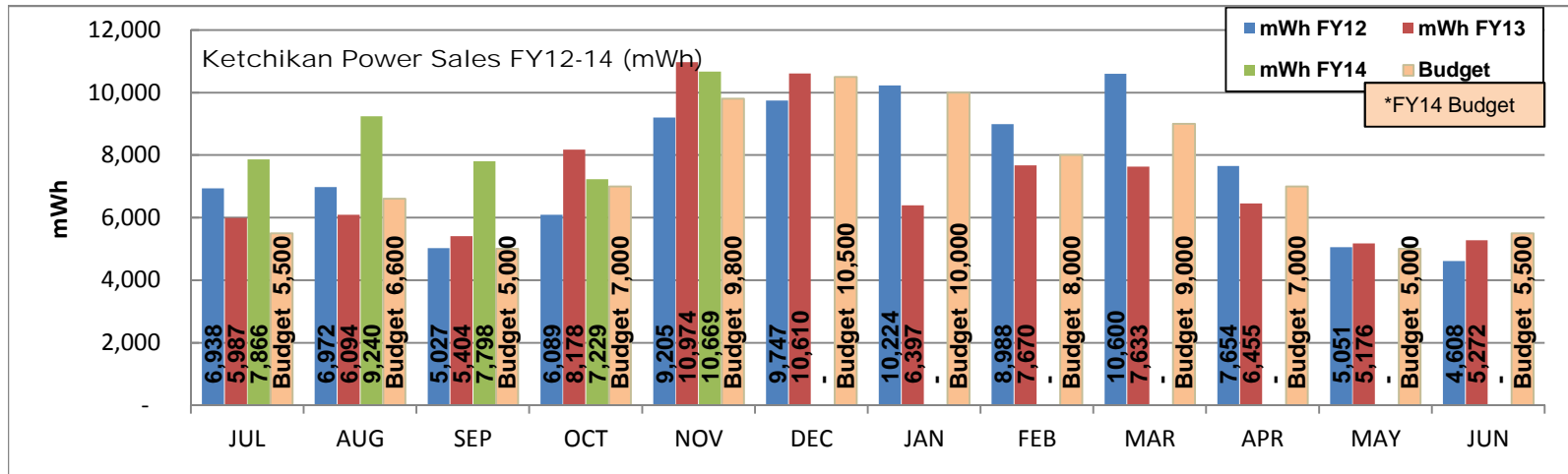
- **kWh Graph - YTD** (through November, 2013)
- **Grant Summary** (through October, 2013)
- **Monthly Financial Reports for September and October, 2013:**
 - ✓ Cover Memo
 - ✓ Fund Allocation Graph
 - ✓ Statement of Financial Position – Summary
 - ✓ Statement of Activities – Summary
 - ✓ Statement of Financial Position – Detail
 - ✓ Statement of Activities – Budget Comparison
- **R&R Reports** (through October, 2013)
 - ✓ R&R Summary
 - ✓ R&R Detail
 - ✓ Closed R&Rs
- **Disbursement Summary – October, November**

SUGGESTED MOTION
I move to approve financial statements for the months of September and October 2013.

SOUTHEAST ALASKA POWER AGENCY

Power Sales - FY12 through FY14

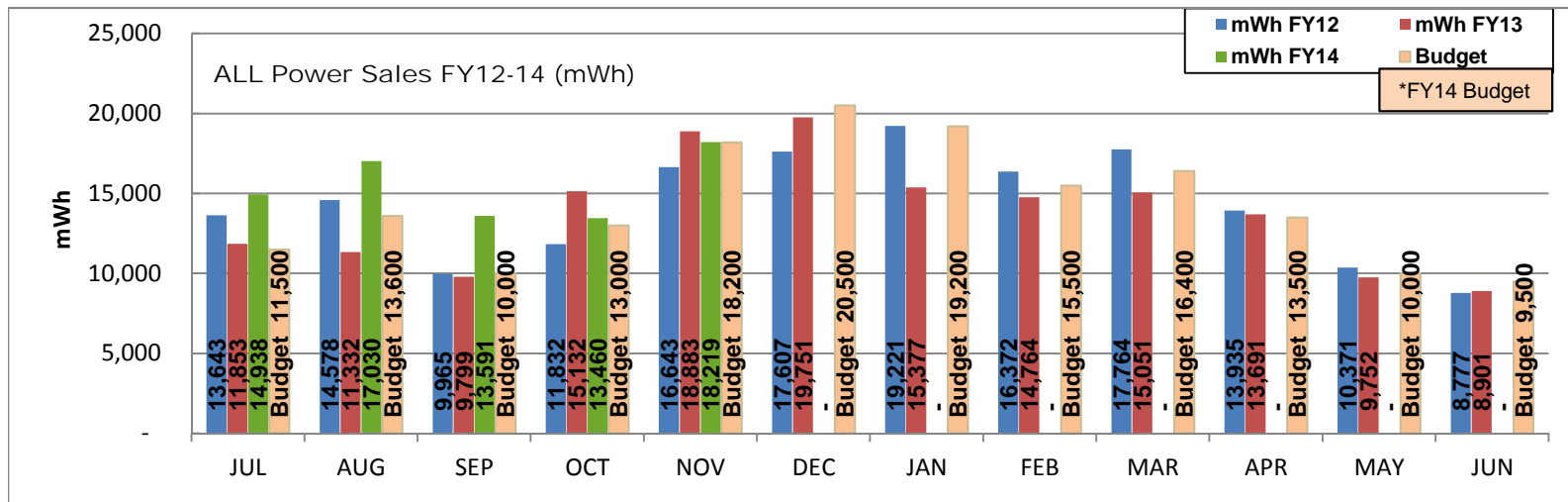
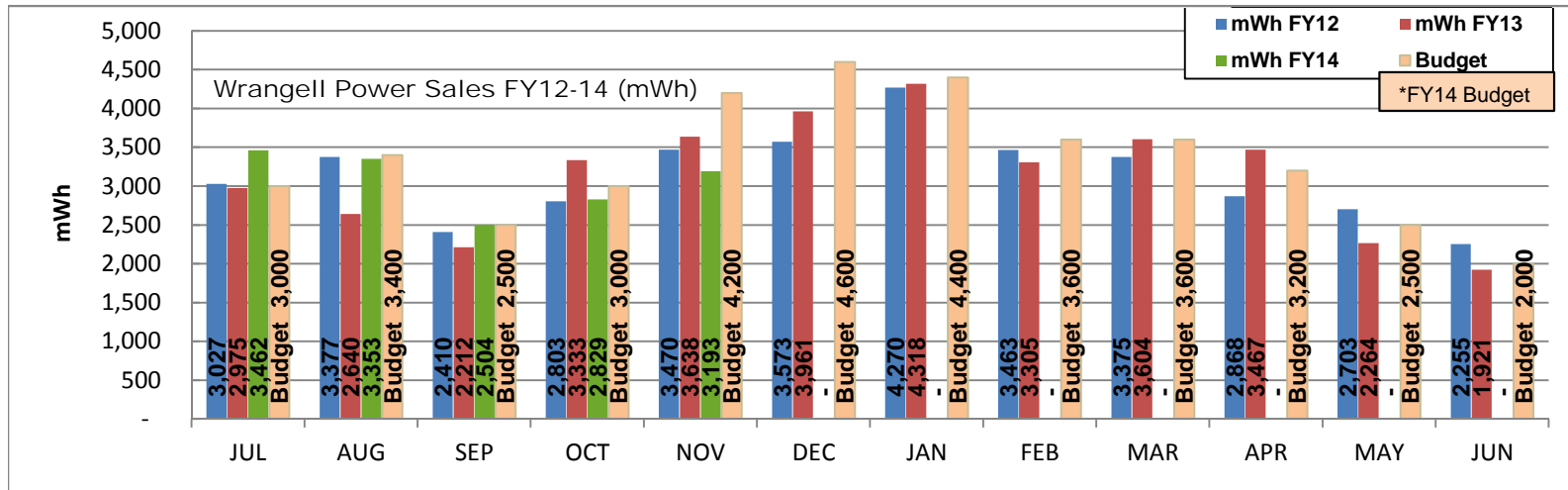
NOV. 2014	FY14 kWh Hydropower Sales	Current Month		Year-To-Date	
		Actual	Budget	Actual	Budget
	Ketchikan Power Purchases	10,669,000	9,800,000	42,802,000	33,900,000
	Petersburg Power Purchases	4,357,580	4,200,000	19,095,650	16,300,000
	Wrangell Power Purchases	3,192,730	4,200,000	15,340,670	16,100,000
	Total Power Purchases	18,219,310	18,200,000	77,238,320	66,300,000



SOUTHEAST ALASKA POWER AGENCY

Power Sales - FY12 through FY14

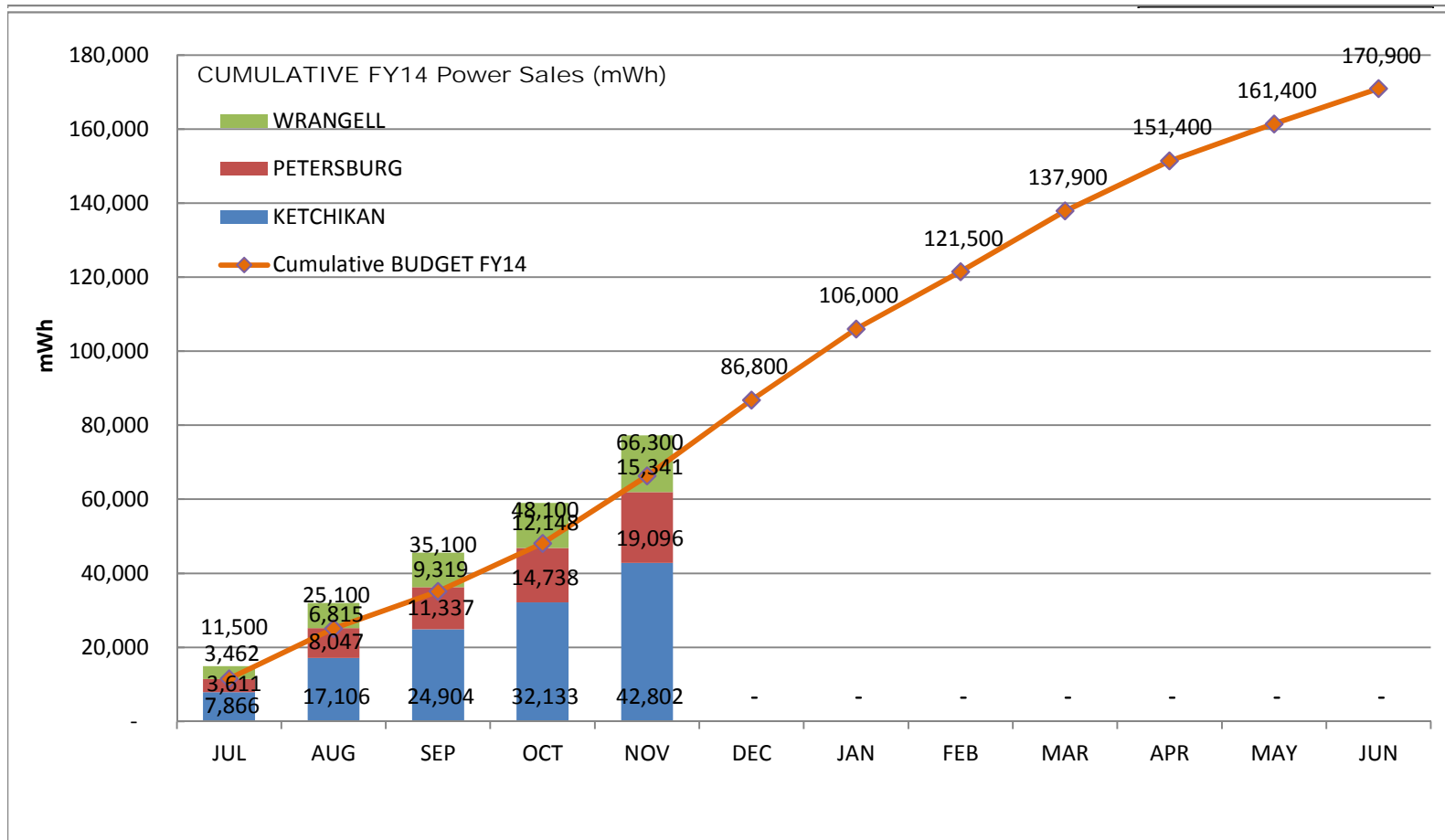
NOV. 2014	FY14 kWh Hydropower Sales	Current Month		Year-To-Date	
		Actual	Budget	Actual	Budget
	Ketchikan Power Purchases	10,669,000	9,800,000	42,802,000	33,900,000
	Petersburg Power Purchases	4,357,580	4,200,000	19,095,650	16,300,000
	Wrangell Power Purchases	3,192,730	4,200,000	15,340,670	16,100,000
	Total Power Purchases	18,219,310	18,200,000	77,238,320	66,300,000



SOUTHEAST ALASKA POWER AGENCY

Power Sales - FY12 through FY14

NOV. 2014	FY14 kWh Hydropower Sales	Current Month		Year-To-Date	
		Actual	Budget	Actual	Budget
	Ketchikan Power Purchases	10,669,000	9,800,000	42,802,000	33,900,000
	Petersburg Power Purchases	4,357,580	4,200,000	19,095,650	16,300,000
	Wrangell Power Purchases	3,192,730	4,200,000	15,340,670	16,100,000
	Total Power Purchases	18,219,310	18,200,000	77,238,320	66,300,000



SOUTHEAST ALASKA POWER AGENCY
FY13 Grant Summary
as of October 31, 2013

	<u>Grant</u>	<u>Expenditures</u>	<u>Balance</u>
Grant Income			
*FY13 AEA KPI#1			
1 - Project Mgmt	320,000	123,669	196,331
2 - EIS	1,030,000	637,203	392,797
3 - Engineering / Design	1,613,298	172,562	1,440,736
5 - SE Conference	26,702	26,702	(0)
Total FY13 AEA KPI#1	2,990,000	960,135	2,029,865
FY13 AEA KPI#2			
1 - Unallocated	2,000,000	-	2,000,000
Total FY13 AEA KPI#2	2,000,000	-	2,000,000
FY13 AK DLG			
1 - Hydro Storage	578,000	7,652	570,348
2 - G&T Site Evaluation	1,705,000	5,552	1,699,448
3 - Stability / Interconnectiv	146,000	-	146,000
4 - Load Balance Model	112,000	-	112,000
5 - Project Mgmt	309,000	13,707	295,293
6 - Business Analysis / PSA	150,000	35,154	114,846
Total FY13 AK DLG	3,000,000	62,065	2,937,935
TOTAL	7,990,000	1,022,200	6,967,800

*\$704,052.15 expended by Kwaan Electric Transmission Intertie Coop. prior to grant assignment to SEAPA



DATE: December 3, 2013

TO: SEAPA Board of Directors

FROM: Trey Acteson

SUBJECT: Financial Reports – September, 2013

Financial reports for September, 2013 follow this memo. The following are a few brief highlights:

- September, 2013 revenues from kWh sales were over budget:
\$924,203 actual vs. \$680,000 budget.
 - Ketchikan - \$530,264 actual vs. \$340,000 budget
 - Petersburg - \$223,681 actual vs. \$170,000 budget
 - Wrangell - \$170,258 actual vs. \$170,000 budget
- Year-to-date (July – September) revenues from kWh sales were also above budget:
\$3,061,665 actual vs. \$2,386,800 budget.
 - Ketchikan - \$1,673,777 actual vs. \$1,162,800 budget
 - Petersburg - \$762,168 actual vs. \$618,800 budget
 - Wrangell - \$625,721 actual vs. \$605,200 budget
- September, 2013 sales in kWh – 13,591,220 vs.
September, 2012 sales in kWh – 9,799,270 and
September, 2011 sales in kWh – 9,964,840
- Year-to-date (July – September, 2013) sales in kWh – 45,559,440 vs.
Year-to-date (July – September, 2012) sales in kWh – 32,984,740 and
Year-to-date (July – September, 2011) sales in kWh – 38,186,410
- Administrative and operating expenses for September, 2013 were under budget:
\$399,434 actual vs. \$506,380 budget.
- Year-to-date administrative and operating expenses (July – September) were also
under budget: \$1,247,369 actual vs. \$1,523,386 budget.

As always, feel free to ask any questions concerning the financials.

SOUTHEAST ALASKA POWER AGENCY

Fund Allocation Graph

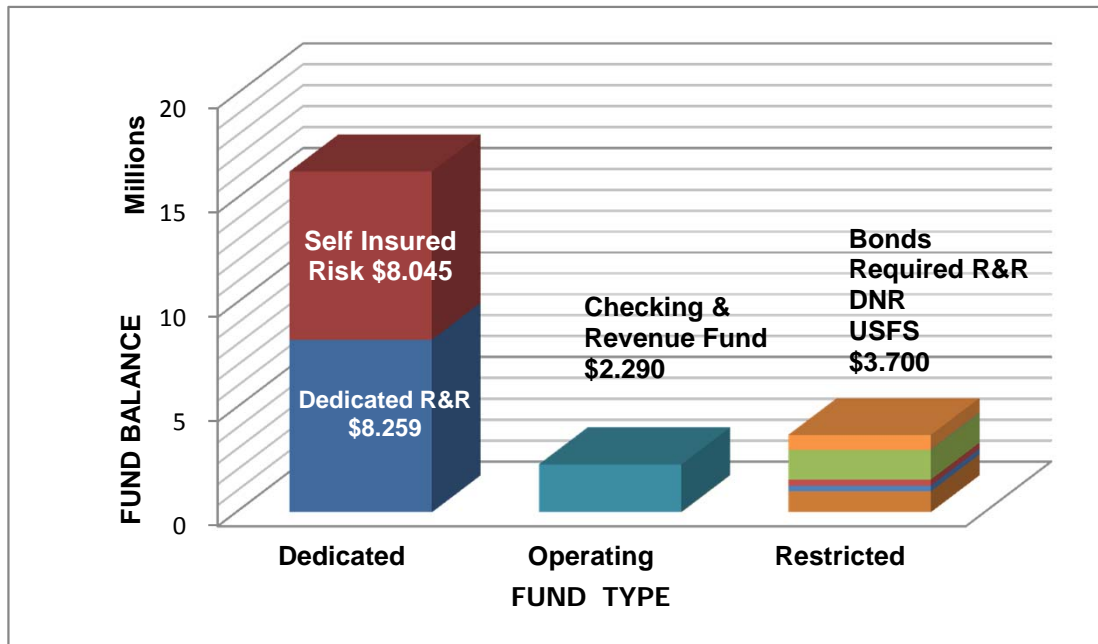
September 2013

ASSETS

Current Assets

Agency Funds

111000 · Ops/Capital/Insurance Funds	
111100 · Revenue Fund FB	2,263,513
111200 · Required R&R Fund FB	1,000,154
111210 · Dedicated R&R Projects Fund FB	8,258,824
111300 · Commercial FB	26,039
111400 · Subordinate Debt Fund FB	309
Financial 111500 · Self Insured Risk Fund FNBA	8,045,144
Total 111000 · Ops/Capital/Insurance Funds	19,593,983
112000 · Trustee Funds	
112100 · WF Trust Bond Interest	274,571
112200 · WF Trust Bond Principal	291,698
112300 · WF Trust Bond Reserve	1,409,592
112400 · WF Refund 2004AB Escrow	2
Total 112000 · Trustee Funds	1,975,862
113000 · Restricted Funds	
113100 · STI - USFS CD WF	21,608
113500 · DNR Reclamation Fund WF	702,249
Total 113000 · Restricted Funds	723,856
Total Agency Funds	22,293,701



Dedicated Funds

Self-Insured Risk Fund = Coverage for uninsured transmission lines, submarine cables and insurance deductibles

Dedicated R&R = Funding for FY14 Replacement & Repair projects approved by the SEAPA Board.

Operating Funds

Checking & Revenue Fund

Restricted Funds (Legally or contractually restricted)

Bonds = All Trustee Funds: Bond Interest, Principal, Reserve and Escrow accounts

R&R = \$1,000,000 minimum balance required by bond indenture

DNR = Alaska DNR Reclamation Agreement

USFS = USFS Land Remediation Certificate of Deposit

SOUTHEAST ALASKA POWER AGENCY
Statement of Financial Position - Summary
as of **September 30, 2013**

ASSETS

Current Assets

Checking/Savings

111000 · Ops/Capital/Insurance Funds 19,593,983

112000 · Trustee Funds 1,975,862

113000 · Restricted Funds 723,856

Total Checking/Savings 22,293,701

Accounts Receivable

110000 · Accounts Receivable 1,819,697

110100 · Grants Receivable 68,258

Total Accounts Receivable 1,887,956

Other Current Assets

120000 · Other Current Assets 514,232

Total Other Current Assets 514,232

Total Current Assets 24,695,889

Fixed Assets

130000 · Fixed Assets 132,674,582

Total Fixed Assets 132,674,582

Other Assets

183000 · Deferred Assets 280

Total Other Assets 280

TOTAL ASSETS 157,370,751

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

210100 · Accounts Payable General 652,128

Total Accounts Payable 652,128

Other Current Liabilities

210150 · Other Current Liabilities 987,148

210300 · Reserve Interest Payable 219,635

210400 · Wages Payable 63,483

210500 · Payroll Liabilities 149

Total Other Current Liabilities 1,270,415

Total Current Liabilities 1,922,543

Long Term Liabilities

220000 · Long Term Liabilities 13,986,838

Total Long Term Liabilities 13,986,838

Total Liabilities 15,909,381

Equity

310000 · Equity 133,661,640

320000 · Unrestricted Net Assets 7,206,868

Net Income 592,861

Total Equity 141,461,369

TOTAL LIABILITIES & EQUITY 157,370,751

SOUTHEAST ALASKA POWER AGENCY
Statement of Activities - Summary
September 2013

Ordinary Income/Expense

Income

410000 · Hydro Facility Revenues	924,203
Total Income	<u>924,203</u>

Gross Profit 924,203

Expense

535000 · Hydro/Ops-Suprvision & Engineer	22,675
537000 · Hydraulic Expenses	4,390
538000 · Electric Expenses	1,174
539000 · Misc Power Generation Expense	32,830
540000 · Rents	14,076
541000 · Hydro Power Station Maintenance	199
542000 · Hydro Structure Maintenance	(286)
543000 · Dams, Reservoirs & Waterways	9,884
544000 · Maintenance of Electric Plant	86,267
545000 · Plant Miscellaneous Maintenance	2,822
560000 · Trans Sys Operation Sup & Eng	412
562000 · Trans/Operations Station Exp	2,453
564000 · Trans/Submarine Cable Expense	54
571000 · Trans/Maint Overhead Lines(OHL)	59,782
920000 · Administrative Expenses	75,860
921000 · Office Expenses	9,839
922000 · Legislative Affairs	4,000
923000 · Contract Services	18,972
924000 · Insurance	37,943
928000 · Regulatory Commission Expense	7,539
930000 · General Expenses	4,038
931000 · Admin Rent	4,610
Total Expense	<u>399,535</u>

Net Ordinary Income 524,668

Other Income/Expense

Other Income

941000 · Grant Income	68,258
941100 · Third Party Income	9,885
942000 · Interest Income	10,286
945000 · Unrealized Gain/Loss	9,189
Total Other Income	<u>97,619</u>

Other Expense

952000 · Bond Interest 2009 Series	55,765
953000 · Depreciation Expense	330,233
954000 · Grant Expenses	38,021
954100 · Contributed Capital	-
954200 · Third Party Expense	96,728
Total Other Expense	<u>520,746</u>

Net Other Income (423,127)

Net Income 101,541

SOUTHEAST ALASKA POWER AGENCY
Statement of Financial Position - Detail
as of September 30, 2013

ASSETS

Current Assets

Agency Funds

111000 · Ops/Capital/Insurance Funds	
111100 · Revenue Fund FB	2,263,513
111200 · Required R&R Fund FB	1,000,154
111210 · Dedicated R&R Projects Fund FB	8,258,824
111300 · Commercial FB	26,039
111400 · Subordinate Debt Fund FB	309
111500 · Self Insured Risk Fund FNBA	8,045,144
Total 111000 · Ops/Capital/Insurance Funds	<u>19,593,983</u>

112000 · Trustee Funds

112100 · WF Trust Bond Interest	274,571
112200 · WF Trust Bond Principal	291,698
112300 · WF Trust Bond Reserve	1,409,592
112400 · WF Refund 2004AB Escrow	2
Total 112000 · Trustee Funds	<u>1,975,862</u>

113000 · Restricted Funds

113100 · STI - USFS CD WF	21,608
113500 · DNR Reclamation Fund WF	702,249
Total 113000 · Restricted Funds	<u>723,856</u>

Total Agency Funds 22,293,701

Accounts Receivable

110000 · Accounts Receivable	1,819,697
110100 · Grants Receivable	68,258
Total Accounts Receivable	<u>1,887,956</u>

Other Current Assets

120000 · Other Current Assets

120200 · Other Receivables	4,286
120300 · Accrued Interest Receivable	28,812
120500 · Prepaid Fees	
120520 · Prepaid Insurance	378,571
120540 · Prepaid USDA FS Land Use Fees	19,225
120550 · Prepaid Admin Expense	75,195
Total 120500 · Prepaid Fees	<u>472,991</u>

120700 · Inventory Assets

120701 · Inventory - Wood Poles	8,143
Total 120700 · Inventory Assets	<u>8,143</u>

Total 120000 · Other Current Assets 514,232

Total Other Current Assets 514,232

Total Current Assets 24,695,889

SOUTHEAST ALASKA POWER AGENCY
Statement of Financial Position - Detail
as of September 30, 2013

Fixed Assets	
130000 · Fixed Assets	
130100 · Capital Assets	
130110 · Swan Lake	16,231,708
130120 · Tyee Lake	26,060,565
130130 · SEAPA Office	<u>668,955</u>
Total 130100 · Capital Assets	42,961,228
132100 · Swan Tyee Intertie in Operation	111,381,868
132200 · R&R Projects WIP Capital Improv	
132210 · R&R Projects - WIP Swan Lake	
132211 · WIP SWL Agency Permits/Environm	488,522
132213 · WIP SWL Equipment	2,250
132214 · WIP SWL Engineering/Design	3,640
132215 · WIP SWL Legal	1,260
132216 · WIP SWL Project Mgmt/Professnal	123,949
132210 · R&R Projects - WIP Swan Lake - Other	<u>1,137,774</u>
Total 132210 · R&R Projects - WIP Swan Lake	1,757,396
132220 · R&R Projects - WIP Tyee Lake	1,219,338
132230 · R&R Projects - WIP STI-Transmsn	166,242
132240 · R&R Projects - WIP SEAPA Office	<u>62,047</u>
Total 132200 · R&R Projects WIP Capital Improv	3,205,023
132900 · Accumulated Depreciation	<u>(24,873,537)</u>
Total 130000 · Fixed Assets	<u>132,674,582</u>
Total Fixed Assets	132,674,582
Other Assets	
183000 · Deferred Assets	
183300 · Meteorological Tower	<u>280</u>
Total 183000 · Deferred Assets	<u>280</u>
Total Other Assets	<u>280</u>
TOTAL ASSETS	<u><u>157,370,751</u></u>

SOUTHEAST ALASKA POWER AGENCY
Statement of Financial Position - Detail
as of September 30, 2013

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

210100 · Accounts Payable General 652,128

Total Accounts Payable 652,128

Other Current Liabilities

210150 · Other Current Liabilities 987,148

210300 · Reserve Interest Payable 219,635

210400 · Wages Payable 63,483

210500 · Payroll Liabilities

210530 · SUI Tax Payable 150

Total 210500 · Payroll Liabilities 150

Total Other Current Liabilities 1,270,415

Total Current Liabilities 1,922,544

Long Term Liabilities

220000 · Long Term Liabilities

220100 · Series B Bonds 2009 14,100,000

220110 · Bond Issuance Premium 13,062

220120 · Bond Discount (126,225)

Total 220000 · Long Term Liabilities 13,986,838

Total Long Term Liabilities 13,986,838

Total Liabilities 15,909,381

Equity

310000 · Equity

310100 · STI Net Assets 106,354,593

310300 · Retained Earnings 27,307,048

Total 310000 · Equity 133,661,640

32000 · Unrestricted Net Assets 7,206,868

Net Income 592,861

Total Equity 141,461,369

TOTAL LIABILITIES & EQUITY 157,370,751

SOUTHEAST ALASKA POWER AGENCY
Statement of Activities - Budget Comparison Detail
September 2013

	Sep 13	Budget	Jul - Sep 13	YTD Budget	Annual Budget
Ordinary Income/Expense					
Income					
410000 · Hydro Facility Revenues					
410100 · Ketchikan Power Purchases	530,264	340,000	1,673,777	1,162,800	6,045,200
410200 · Petersburg Power Purchases	223,681	170,000	762,168	618,800	2,856,000
410300 · Wrangell Power Purchases	170,258	170,000	625,721	605,200	2,720,000
Total 410000 · Hydro Facility Revenues	924,203	680,000	3,061,665	2,386,800	11,621,200
Total Income	924,203	680,000	3,061,665	2,386,800	11,621,200
Gross Profit	924,203	680,000	3,061,665	2,386,800	11,621,200
Expense					
535000 · Hydro/Ops-Suprvision & Engineer					
535100 · Hyd/Ops Sup & Eng - Swan Lake	8,613	9,400	16,590	28,200	113,000
535150 · Hyd/Ops Sup & Eng - SWL SEAPA	110	2,800	330	8,400	34,500
535200 · Hyd/Ops Sup & Eng - Tyee Lake	11,783	12,200	38,017	36,600	147,500
535250 · Hyd/Ops Sup & Eng -TYL SEAPA	-	800	-	2,400	10,000
535400 · Hyd/Op Sup & Eng - Proj Drawing	2,170	1,000	4,170	3,000	200,000
535700 · Hyd/Op Sup & Eng - 4R Plan	-	-	860	-	-
Total 535000 · Hydro/Ops-Suprvision & Engineer	22,675	26,200	59,967	78,600	505,000
537000 · Hydraulic Expenses					
537150 · Hydraulic Expense - SWL SEAPA	2,195	500	2,195	1,500	13,000
537250 · Hydraulic Expense - TYL SEAPA	2,195	625	2,195	1,875	18,000
Total 537000 · Hydraulic Expenses	4,390	1,125	4,390	3,375	31,000
538000 · Electric Expenses					
538100 · Electric Expense - Swan Lake	371	250	3,772	850	3,250
538150 · Electric Expense - SWL SEAPA	-	1,000	-	3,000	12,500
538200 · Electric Expense - Tyee Lake	804	300	804	900	3,600
538250 · Electric Expense - TYL SEAPA	-	1,000	-	3,000	12,500
Total 538000 · Electric Expenses	1,174	2,550	4,575	7,750	31,850
539000 · Misc Power Generation Expense					
539100 · Misc Exp - Swan Lake	62	5,400	783	16,200	65,850
539150 · Misc Expense - SWL SEAPA	8,503	7,500	12,483	12,500	73,600
539200 · Misc Expense - Tyee Lake	2,848	13,000	103,144	106,640	227,640
539250 · Misc Expense - TYL SEAPA	21,416	8,000	35,679	36,600	155,850
539300 · Misc Expense - Annual Inspectns	-	-	-	-	1,500
539400 · Misc Expense - Permits & Maps	-	-	-	-	150
Total 539000 · Misc Power Generation Expense	32,830	33,900	152,090	171,940	524,590
540000 · Rents					
540300 · FERC Land Use Fee - Swan Lake	3,846	3,900	11,538	11,700	47,000
540400 · FERC Land Use Fee - Tyee Lake	3,822	3,800	11,466	11,400	46,000
540500 · USDA Land Use Fee - USFS ROW	1,541	1,600	4,624	4,800	20,000
540600 · USDA Land Use Fee - STI	4,720	5,000	14,161	15,000	60,000
540700 · USDA Tyee Passive Reflector	103	100	310	300	1,350
540710 · USDA Etolin Burnett Radio	44	50	131	150	650
Total 540000 · Rents	14,076	14,450	42,229	43,350	175,000
541000 · Hydro Power Station Maintenance					
541150 · Maintenance - SWL SEAPA	199	7,400	18,894	22,150	88,750
541250 · Maintenance - TYL SEAPA	-	6,500	3,306	19,500	78,250
Total 541000 · Hydro Power Station Maintenance	199	13,900	22,200	41,650	167,000

SOUTHEAST ALASKA POWER AGENCY
Statement of Activities - Budget Comparison Detail
September 2013

	Sep 13	Budget	Jul - Sep 13	YTD Budget	Annual Budget
542000 - Hydro Structure Maintenance					
542100 - Hyd Structure Maint - Swan Lake	(286)	250	452	750	3,500
Total 542000 - Hydro Structure Maintenance	(286)	250	452	750	3,500
543000 - Dams, Reservoirs & Waterways					
543100 - Dams Res & Waterwys - Swan Lake	-	50	655	150	1,000
543150 - Dams Res & Waterwys - SWL SEAPA	9,856	-	9,856	-	-
543200 - Dams Res & Waterwys - Tyee Lake	28	600	28	1,800	7,200
Total 543000 - Dams, Reservoirs & Waterways	9,884	650	10,539	1,950	8,200
544000 - Maintenance of Electric Plant					
544100 - Maint Electric Plant-Swan Lake	45,421	48,000	157,160	144,000	576,500
544150 - Maint Electric Plant-SWL SEAPA	-	3,750	-	11,250	45,000
544200 - Maint Electric Plant-Tyee Lake	40,846	50,700	141,741	152,100	608,400
544250 - Maint Electric Plant-TYL SEAPA	-	2,000	-	6,000	25,000
Total 544000 - Maintenance of Electric Plant	86,267	104,450	298,901	313,350	1,254,900
545000 - Plant Miscellaneous Maintenance					
545100 - Plant Misc Maint - Swan Lake	1,186	2,250	4,606	6,750	27,000
545200 - Plant Misc Maint - Tyee Lake	1,635	800	1,667	2,400	9,700
545250 - Plant Misc Maint - TYL SEAPA	-	4,800	16,735	14,400	58,000
Total 545000 - Plant Miscellaneous Maintenance	2,822	7,850	23,009	23,550	94,700
560000 - Trans Sys Operation Sup & Eng					
560200 - Sys Ops Sup & Eng - Tyee Lake	412	800	844	2,400	10,300
Total 560000 - Trans Sys Operation Sup & Eng	412	800	844	2,400	10,300
561000 - Trans/SCADA Load Dispatch					
561250 - SCADA Load Dispatch - TYL SEAPA	-	1,000	4,800	7,000	25,000
Total 561000 - Trans/SCADA Load Dispatch	-	1,000	4,800	7,000	25,000
562000 - Trans/Operations Station Exp					
562100 - Trans/Ops Station - Swan Lake	1,378	1,000	1,378	3,000	15,000
562150 - Trans/Ops Station - SWL SEAPA	-	2,000	-	5,000	23,000
562200 - Trans/Ops Station - Tyee Lake	1,075	2,100	3,030	6,300	26,000
562250 - Trans/Ops Station-TYL SEAPA	-	2,000	-	6,000	25,000
Total 562000 - Trans/Operations Station Exp	2,453	7,100	4,408	20,300	89,000
564000 - Trans/Submarine Cable Expense					
564200 - Trans/Sub Cable Exp - Tyee Lake	54	1,500	3,820	4,500	12,825
564250 - Trans/Sub Cable Exp - TYL SEAPA	-	15,000	-	15,000	30,000
Total 564000 - Trans/Submarine Cable Expense	54	16,500	3,820	19,500	42,825
571000 - Trans/Maint Overhead Lines(OHL)					
571100 - Trans/Maint OHL - Swan Lake	-	1,000	961	3,000	15,000
571150 - Trans/Maint OHL - SWL SEAPA	14,528	25,000	14,528	25,000	448,000
571200 - Trans/Maint OHL - Tyee Lake	16,528	16,300	57,140	48,900	196,150
571250 - Trans/Maint OHL - TYL SEAPA	28,727	-	38,011	11,000	787,750
571300 - Trans/Maint OHL STI Maintenance	-	-	-	-	296,500
571500 - Trans/Maint OHL STI Therml Scan	-	-	-	-	10,000
571600 - Trans/Maint OHL Spare Mat Stor	-	-	-	-	500
571700 - Trans/Maint OH STI Clearing	-	-	-	-	100,000
571800 - Trans/Maint OHL System Events	-	12,500	4,460	37,500	150,000
Total 571000 - Trans/Maint Overhead Lines(OHL)	59,782	54,800	115,100	125,400	2,003,900

SOUTHEAST ALASKA POWER AGENCY
Statement of Activities - Budget Comparison Detail
September 2013

	Sep 13	Budget	Jul - Sep 13	YTD Budget	Annual Budget
920000 - Administrative Expenses					
920100 - Administrative	75,860	105,000	247,336	311,761	1,256,761
Total 920000 - Administrative Expenses	75,860	105,000	247,336	311,761	1,256,761
921000 - Office Expenses					
921100 - Office Supplies	1,413	1,000	2,790	4,000	13,000
921200 - Office Equipment	2,463	2,200	6,161	6,600	27,200
921300 - Phone, Courier, Internet	1,667	2,400	4,950	7,400	25,400
921400 - System Networking	4,249	3,400	8,976	10,400	41,000
921600 - Vehicle Expenses	47	200	413	650	3,000
Total 921000 - Office Expenses	9,839	9,200	23,290	29,050	109,600
922000 - Legislative Affairs	4,000	5,800	12,039	17,400	70,000
923000 - Contract Services					
923200 - Annual Financial Audit	-	-	-	-	28,000
923300 - Bank & Trustee Fees	259	980	791	2,940	11,800
923400 - Insurance Consultant	5,727	800	13,717	2,400	10,000
923500 - Investment Consultant	1,682	2,000	5,038	6,000	25,000
923600 - Legal Fees	11,121	12,500	13,986	37,500	150,000
923700 - Recruitment	-	2,500	3,397	7,500	30,000
923800 - Other Professional Services	183	1,300	2,014	3,900	16,000
Total 923000 - Contract Services	18,972	20,080	38,943	60,240	270,800
924000 - Insurance	37,943	49,000	118,270	147,000	588,000
928000 - Regulatory Commission Expense					
928150 - FERC SWL	3,945	4,500	11,834	13,500	151,000
928250 - FERC TYL	3,595	3,500	10,784	11,500	43,000
Total 928000 - Regulatory Commission Exp	7,539	8,000	22,617	25,000	194,000
930000 - General Expenses					
930100 - Advertising Expense	165	400	855	1,400	5,000
930110 - Public Relations	388	6,250	388	18,750	75,000
930300 - Association Dues Expense	-	2,450	660	7,450	29,050
930310 - Professional Assn Dues	-	-	230	245	645
930400 - Board Meeting Expenses	704	3,750	5,073	11,250	45,000
930500 - Training Expense	1,336	1,900	7,503	5,700	23,575
930600 - Travel Expense	914	3,900	7,943	11,900	47,000
930700 - Non-Travel Incidental	532	300	570	900	3,500
Total 930000 - General Expenses	4,038	18,950	23,222	57,595	228,770
931000 - Admin Rent					
931010 - Office Rent	3,885	4,100	12,256	12,300	51,700
931100 - Apartment Rent - Ketchikan	725	725	2,175	2,175	8,700
Total 931000 - Admin Rent	4,610	4,825	14,431	14,475	60,400
Total Expense	399,535	506,380	1,247,471	1,523,386	7,745,096
Net Ordinary Income	524,668	173,620	1,814,194	863,414	3,876,104

SOUTHEAST ALASKA POWER AGENCY
Statement of Activities - Budget Comparison Detail
September 2013

	Sep 13	Budget	Jul - Sep 13	YTD Budget	Annual Budget
Other Income/Expense					
Other Income					
941000 · Grant Income	68,258		90,075		
941100 · Third Party Income	9,885		9,885		
942000 · Interest Income					
942100 · Misc Interest Income	581		2,292		
942200 · Investment Interest Income	9,705		30,224		
Total 942000 · Interest Income	10,286		32,515		
944000 · Realized Gain/Loss					
944200 · Realized Gain/Loss on Invest	-		(1,574)		
Total 944000 · Realized Gain/Loss	-		(1,574)		
945000 · Unrealized Gain/Loss					
945100 · Unrealized Gain/Loss Bonds	(44)		84		
945200 · Unrealized Gain/Loss Investment	9,233		7,294		
Total 945000 · Unrealized Gain/Loss	9,189		7,378		
Total Other Income	97,619		138,279		
Other Expense					
951000 · Amortization Expense	-		-		
952000 · Bond Interest 2009 Series	55,765		167,294		
953000 · Depreciation Expense	330,233		989,452		
954000 · Grant Expenses					
954002 · Grant Contractual	37,803		99,895		
954004 · Grant Labor & Benefits	218		476		
954005 · Grant Legal	-		1,260		
954007 · Grant Other Expense	-		185		
954008 · Grant Travel	-		5,184		
Total 954000 · Grant Expenses	38,021		106,999		
954100 · Contributed Capital	-		(1,260)		
954200 · Third Party Expense					
954210 · Annette Island Hydro Site Eval					
954211 · Annette Island - Contractual	82,564		82,564		
954212 · Annette Island - Materials	232		232		
954213 · Annette Island - Direct Labor	9,486		9,486		
954214 · Annette Island - Travel	4,446		4,845		
Total 954210 · Annette Island Hydro Site Eval	96,728		97,127		
Total 954200 · Third Party Expense	96,728		97,127		
955000 · Interest Expense					
955200 · Investment Interest Expense	-		-		
Total 955000 · Interest Expense	-		-		
Total Other Expense	520,746		1,359,612		
Net Other Income	(423,127)		(1,221,333)		
Net Income	101,541	173,620	592,861	863,414	3,876,104



DATE: December 9, 2013

TO: SEAPA Board of Directors

FROM: Trey Acteson

SUBJECT: Financial Reports – October, 2013

Financial reports for October, 2013 follow this memo. The following are a few brief highlights:

- October, 2013 revenues from kWh sales were over budget:
\$915,251 actual vs. \$884,000 budget.
 - Ketchikan - \$491,572 actual vs. \$476,000 budget
 - Petersburg - \$231,284 actual vs. \$204,000 budget
 - Wrangell - \$192,395 actual vs. \$204,000 budget
- Year-to-date (July – October) revenues from kWh sales were also above budget:
\$3,976,916 actual vs. \$3,270,800 budget.
 - Ketchikan - \$2,165,349 actual vs. \$1,638,800 budget
 - Petersburg - \$993,451 actual vs. \$822,800 budget
 - Wrangell - \$818,116 actual vs. \$809,200 budget
- October, 2013 sales in kWh – 13,459,570 vs.
October, 2012 sales in kWh – 15,132,300 and
October, 2011 sales in kWh – 11,832,010
- Year-to-date (July – October, 2013) sales in kWh – 59,019,010 vs.
Year-to-date (July – October, 2012) sales in kWh – 48,117,040 and
Year-to-date (July – October, 2011) sales in kWh – 50,018,420
- Administrative and operating expenses for October, 2013 were under budget:
\$361,295 actual vs. \$572,230 budget.
- Year-to-date administrative and operating expenses (July – October) were also
under budget: \$1,608,766 actual vs. \$2,095,616 budget.

As always, feel free to ask any questions concerning the financials.

SOUTHEAST ALASKA POWER AGENCY

Fund Allocation Graph

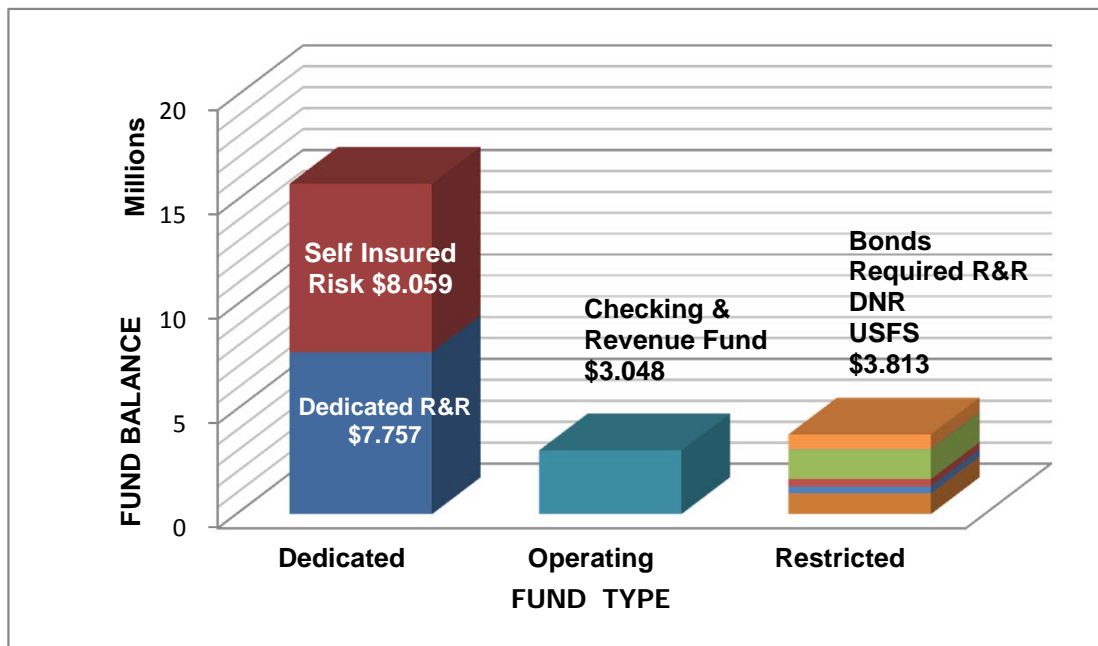
as of October 31, 2013

ASSETS

Current Assets

Agency Funds

111000 · Ops/Capital/Insurance Funds	
111100 · Revenue Fund FB	3,046,387
111200 · Required R&R Fund FB	1,000,206
111210 · Dedicated R&R Projects Fund FB	7,757,493
111300 · Commercial FB	1,000
111400 · Subordinate Debt Fund FB	309
Financial 111500 · Self Insured Risk Fund FNBA	8,058,784
Total 111000 · Ops/Capital/Insurance Funds	19,864,179
112000 · Trustee Funds	
112100 · WF Trust Bond Interest	329,481
112200 · WF Trust Bond Principal	350,030
112300 · WF Trust Bond Reserve	1,409,513
112400 · WF Refund 2004AB Escrow	2
Total 112000 · Trustee Funds	2,089,026
113000 · Restricted Funds	
113100 · STI - USFS CD WF	21,613
113500 · DNR Reclamation Fund WF	702,249
Total 113000 · Restricted Funds	723,862
Total Agency Funds	22,677,067



Dedicated Funds

Self-Insured Risk Fund = Coverage for uninsured transmission lines, submarine cables and insurance deductibles

Dedicated R&R = Funding for FY14 Replacement & Repair projects approved by the SEAPA Board.

Operating Funds

Checking & Revenue Fund

Restricted Funds (Legally or contractually restricted)

Bonds = All Trustee Funds: Bond Interest, Principal, Reserve and Escrow accounts

R&R = \$1,000,000 minimum balance required by bond indenture

DNR = Alaska DNR Reclamation Agreement

USFS = USFS Land Remediation Certificate of Deposit

SOUTHEAST ALASKA POWER AGENCY

Statement of Financial Position - Summary

As of October 31, 2013

ASSETS

Current Assets

Checking/Savings

111000 · Ops/Capital/Insurance Funds 19,864,179

112000 · Trustee Funds 2,089,026

113000 · Restricted Funds 723,862

Total Checking/Savings 22,677,067

Accounts Receivable

110000 · Accounts Receivable 1,490,992

110100 · Grants Receivable 68,258

Total Accounts Receivable 1,559,250

Other Current Assets

120000 · Other Current Assets 443,890

Total Other Current Assets 443,890

Total Current Assets 24,680,207

Fixed Assets

130000 · Fixed Assets 132,628,731

Total Fixed Assets 132,628,731

Other Assets

183000 · Deferred Assets 584

Total Other Assets 584

TOTAL ASSETS 157,309,521

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

210100 · Accounts Payable General 276,642

Total Accounts Payable 276,642

Other Current Liabilities

210150 · Other Current Liabilities 1,002,356

210300 · Reserve Interest Payable 274,543

210400 · Wages Payable 65,265

210500 · Payroll Liabilities 86

Total Other Current Liabilities 1,342,250

Total Current Liabilities 1,618,893

Long Term Liabilities

220000 · Long Term Liabilities 13,987,694

Total Long Term Liabilities 13,987,694

Total Liabilities 15,606,586

Equity

310000 · Equity 133,661,640

320000 · Unrestricted Net Assets 7,206,868

Net Income 834,427

Total Equity 141,702,935

TOTAL LIABILITIES & EQUITY 157,309,521

SOUTHEAST ALASKA POWER AGENCY

Statement of Activities - Summary

October 2013

Ordinary Income/Expense

Income

410000 · Hydro Facility Revenues	915,251
Total Income	915,251

Gross Profit	915,251
--------------	---------

Expense

535000 · Hydro/Ops-Suprvision & Engineer	15,597
537000 · Hydraulic Expenses	-
538000 · Electric Expenses	5,218
539000 · Misc Power Generation Expense	18,739
540000 · Rents	14,076
541000 · Hydro Power Station Maintenance	1,610
542000 · Hydro Structure Maintenance	713
543000 · Dams, Reservoirs & Waterways	89
544000 · Maintenance of Electric Plant	88,950
545000 · Plant Miscellaneous Maintenance	3,591
560000 · Trans Sys Operation Sup & Eng	413
562000 · Trans/Operations Station Exp	1,318
564000 · Trans/Submarine Cable Expense	-
571000 · Trans/Maint Overhead Lines(OHL)	35,577
920000 · Administrative Expenses	87,336
921000 · Office Expenses	16,607
922000 · Legislative Affairs	4,000
923000 · Contract Services	2,714
924000 · Insurance	37,857
928000 · Regulatory Commission Expense	8,540
930000 · General Expenses	13,138
931000 · Admin Rent	5,210
Total Expense	361,295

Net Ordinary Income	553,955
---------------------	---------

Other Income/Expense

Other Income

941000 · Grant Income	11,271
941100 · Third Party Income	92,863
942000 · Interest Income	10,686
944000 · Realized Gain/Loss	2,307
945000 · Unrealized Gain/Loss	1,120
Total Other Income	118,246

Other Expense

952000 · Bond Interest 2009 Series	55,765
953000 · Depreciation Expense	329,817
954000 · Grant Expenses	43,434
954200 · Third Party Expense	5,621
Total Other Expense	434,636

Net Other Income	(316,390)
------------------	-----------

Net Income	237,565
-------------------	----------------

SOUTHEAST ALASKA POWER AGENCY

Statement of Financial Position - Detail

as of October 31, 2013

ASSETS

Current Assets

Agency Funds

111000 · Ops/Capital/Insurance Funds	
111100 · Revenue Fund FB	3,046,387
111200 · Required R&R Fund FB	1,000,206
111210 · Dedicated R&R Projects Fund FB	7,757,493
111300 · Commercial FB	1,000
111400 · Subordinate Debt Fund FB	309
111500 · Self Insured Risk Fund FNBA	8,058,784
Total 111000 · Ops/Capital/Insurance Funds	<u>19,864,179</u>

112000 · Trustee Funds

112100 · WF Trust Bond Interest	329,481
112200 · WF Trust Bond Principal	350,030
112300 · WF Trust Bond Reserve	1,409,513
112400 · WF Refund 2004AB Escrow	2
Total 112000 · Trustee Funds	<u>2,089,026</u>

113000 · Restricted Funds

113100 · STI - USFS CD WF	21,613
113500 · DNR Reclamation Fund WF	702,249
Total 113000 · Restricted Funds	<u>723,862</u>

Total Agency Funds 22,677,067

Accounts Receivable

110000 · Accounts Receivable	1,490,992
110100 · Grants Receivable	68,258
Total Accounts Receivable	<u>1,559,250</u>

Other Current Assets

120000 · Other Current Assets

120200 · Other Receivables	4,286
120300 · Accrued Interest Receivable	28,503
120500 · Prepaid Fees	
120520 · Prepaid Insurance	340,714
120540 · Prepaid USDA FS Land Use Fees	12,817
120550 · Prepaid Admin Expense	49,427
Total 120500 · Prepaid Fees	<u>402,958</u>

120700 · Inventory Assets

120701 · Inventory - Wood Poles	8,143
Total 120700 · Inventory Assets	<u>8,143</u>

Total 120000 · Other Current Assets 443,890

Total Other Current Assets 443,890

Total Current Assets 24,680,207

SOUTHEAST ALASKA POWER AGENCY

Statement of Financial Position - Detail

as of October 31, 2013

Fixed Assets	
130000 · Fixed Assets	
130100 · Capital Assets	
130110 · Swan Lake	16,231,708
130120 · Tyee Lake	26,060,565
130130 · SEAPA Office	668,955
Total 130100 · Capital Assets	<u>42,961,228</u>
132100 · Swan Tyee Intertie in Operation	111,381,868
132200 · R&R Projects WIP Capital Improv	
132210 · R&R Projects - WIP Swan Lake	
132211 · WIP SWL Agency Permits/Environm	498,642
132213 · WIP SWL Equipment	2,250
132214 · WIP SWL Engineering/Design	3,640
132215 · WIP SWL Legal	1,260
132216 · WIP SWL Project Mgmt/Professnal	126,647
132210 · R&R Projects - WIP Swan Lake - Other	1,158,686
Total 132210 · R&R Projects - WIP Swan Lake	<u>1,791,124</u>
132220 · R&R Projects - WIP Tyee Lake	1,453,689
132230 · R&R Projects - WIP STI-Transmsn	177,779
132240 · R&R Projects - WIP SEAPA Office	66,396
Total 132200 · R&R Projects WIP Capital Improv	<u>3,488,989</u>
132900 · Accumulated Depreciation	<u>(25,203,354)</u>
Total 130000 · Fixed Assets	<u>132,628,731</u>
Total Fixed Assets	132,628,731
Other Assets	
183000 · Deferred Assets	
183300 · Meteorological Tower	584
Total 183000 · Deferred Assets	<u>584</u>
Total Other Assets	<u>584</u>
TOTAL ASSETS	<u><u>157,309,521</u></u>

SOUTHEAST ALASKA POWER AGENCY

Statement of Financial Position - Detail

as of October 31, 2013

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

210100 · Accounts Payable General

276,642

Total Accounts Payable

276,642

Other Current Liabilities

210150 · Other Current Liabilities

1,002,356

210300 · Reserve Interest Payable

274,543

210400 · Wages Payable

65,265

210500 · Payroll Liabilities

210530 · SUI Tax Payable

86

Total 210500 · Payroll Liabilities

86

Total Other Current Liabilities

1,342,250

Total Current Liabilities

1,618,893

Long Term Liabilities

220000 · Long Term Liabilities

220100 · Series B Bonds 2009

14,100,000

220110 · Bond Issuance Premium

12,577

220120 · Bond Discount

(124,883)

Total 220000 · Long Term Liabilities

13,987,694

Total Long Term Liabilities

13,987,694

Total Liabilities

15,606,586

Equity

310000 · Equity

310100 · STI Net Assets

106,354,593

310300 · Retained Earnings

27,307,048

Total 310000 · Equity

133,661,640

32000 · Unrestricted Net Assets

7,206,868

Net Income

834,427

Total Equity

141,702,935

TOTAL LIABILITIES & EQUITY

157,309,521

SOUTHEAST ALASKA POWER AGENCY

Statement of Activities - Budget Comparison Detail

October 2013

	Oct '13	Budget	Jul-Oct '13	YTD Budget	Annual Budget
Ordinary Income/Expense					
Income					
410000 · Hydro Facility Revenues					
410100 · Ketchikan Power Purchases	491,572	476,000	2,165,349	1,638,800	6,045,200
410200 · Petersburg Power Purchases	231,284	204,000	993,451	822,800	2,856,000
410300 · Wrangell Power Purchases	192,395	204,000	818,116	809,200	2,720,000
Total 410000 · Hydro Facility Revenues	915,251	884,000	3,976,916	3,270,800	11,621,200
Total Income	915,251	884,000	3,976,916	3,270,800	11,621,200
Financial Reports – September, 2013	915,251	884,000	3,976,916	3,270,800	11,621,200
Expense					
535000 · Hydro/Ops-Suprvision & Engineer					
535100 · Hyd/Ops Sup & Eng - Swan Lake	3,712	9,400	20,302	37,600	113,000
535150 · Hyd/Ops Sup & Eng - SWL SEAPA	110	2,900	440	11,300	34,500
535200 · Hyd/Ops Sup & Eng - Tyee Lake	11,775	12,200	49,792	48,800	147,500
535250 · Hyd/Ops Sup & Eng - TYL SEAPA	-	800	-	3,200	10,000
535400 · Hyd/Op Sup & Eng - Proj Drawing	-	5,000	4,170	8,000	200,000
535700 · Hyd/Op Sup & Eng - 4R Plan	-	-	860	-	-
Total 535000 · Hydro/Ops-Suprvision & Engineer	15,597	30,300	75,564	108,900	505,000
537000 · Hydraulic Expenses					
537150 · Hydraulic Expense - SWL SEAPA	-	500	2,195	2,000	13,000
537250 · Hydraulic Expense - TYL SEAPA	-	625	2,195	2,500	18,000
Total 537000 · Hydraulic Expenses	-	1,125	4,390	4,500	31,000
538000 · Electric Expenses					
538100 · Electric Expense - Swan Lake	1,083	250	4,855	1,100	3,250
538150 · Electric Expense - SWL SEAPA	3,420	1,000	3,420	4,000	12,500
538200 · Electric Expense - Tyee Lake	715	300	1,519	1,200	3,600
538250 · Electric Expense - TYL SEAPA	-	1,000	-	4,000	12,500
Total 538000 · Electric Expenses	5,218	2,550	9,793	10,300	31,850
539000 · Misc Power Generation Expense					
539100 · Misc Exp - Swan Lake	1,431	5,400	2,215	21,600	65,850
539150 · Misc Expense - SWL SEAPA	1,659	5,500	14,142	18,000	73,600
539200 · Misc Expense - Tyee Lake	7,918	13,000	111,062	119,640	227,640
539250 · Misc Expense - TYL SEAPA	7,731	22,000	43,410	58,600	155,850
539300 · Misc Expense - Annual Inspectns	-	-	-	-	1,500
539400 · Misc Expense - Permits & Maps	-	-	-	-	150
Total 539000 · Misc Power Generation Expense	18,739	45,900	170,829	217,840	524,590
540000 · Rents					
540300 · FERC Land Use Fee - Swan Lake	3,846	3,900	15,384	15,600	47,000
540400 · FERC Land Use Fee - Tyee Lake	3,822	3,800	15,288	15,200	46,000
540500 · USDA Land Use Fee - USFS ROW	1,541	1,600	6,165	6,400	20,000
540600 · USDA Land Use Fee - STI	4,720	5,000	18,882	20,000	60,000
540700 · USDA Tyee Passive Reflector	103	100	413	400	1,350
540710 · USDA Etolin Burnett Radio	44	50	174	200	650
Total 540000 · Rents	14,076	14,450	56,305	57,800	175,000
541000 · Hydro Power Station Maintenance					
541150 · Maintenance - SWL SEAPA	697	7,400	19,591	29,550	88,750
541250 · Maintenance - TYL SEAPA	912	6,500	4,218	26,000	78,250
Total 541000 · Hydro Power Station Maintenance	1,610	13,900	23,810	55,550	167,000
542000 · Hydro Structure Maintenance					
542100 · Hyd Structure Maint - Swan Lake	713	250	1,165	1,000	3,500
Total 542000 · Hydro Structure Maintenance	713	250	1,165	1,000	3,500

SOUTHEAST ALASKA POWER AGENCY
Statement of Activities - Budget Comparison Detail

October 2013

	Oct '13	Budget	Jul-Oct '13	YTD Budget	Annual Budget
543000 · Dams, Reservoirs & Waterways					
543100 · Dams Res & Waterwys - Swan Lake	-	50	655	200	1,000
543150 · Dams Res & Waterwys - SWL SEAPA	-	-	9,856	-	-
543200 · Dams Res & Waterwys - Tyee Lake	89	600	117	2,400	7,200
Total 543000 · Dams, Reservoirs & Waterways	89	650	10,628	2,600	8,200
544000 · Maintenance of Electric Plant					
544100 · Maint Electric Plant-Swan Lake	51,163	48,000	208,323	192,000	576,500
544150 · Maint Electric Plant-SWL SEAPA	-	3,750	-	15,000	45,000
544200 · Maint Electric Plant-Tyee Lake	37,787	50,700	179,528	202,800	608,400
544250 · Maint Electric Plant-TYL SEAPA	-	2,000	-	8,000	25,000
Total 544000 · Maintenance of Electric Plant	88,950	104,450	387,851	417,800	1,254,900
545000 · Plant Miscellaneous Maintenance					
545100 · Plant Misc Maint - Swan Lake	3,253	2,250	7,859	9,000	27,000
545200 · Plant Misc Maint - Tyee Lake	338	800	2,006	3,200	9,700
545250 · Plant Misc Maint - TYL SEAPA	-	4,800	16,735	19,200	58,000
Total 545000 · Plant Miscellaneous Maintenance	3,591	7,850	26,600	31,400	94,700
560000 · Trans Sys Operation Sup & Eng					
560200 · Sys Ops Sup & Eng - Tyee Lake	413	800	1,257	3,200	10,300
Total 560000 · Trans Sys Operation Sup & Eng	413	800	1,257	3,200	10,300
561000 · Trans/SCADA Load Dispatch					
561250 · SCADA Load Dispatch - TYL SEAPA	-	1,000	4,800	8,000	25,000
Total 561000 · Trans/SCADA Load Dispatch	-	1,000	4,800	8,000	25,000
562000 · Trans/Operations Station Exp					
562100 · Trans/Ops Station - Swan Lake	-	1,000	1,378	4,000	15,000
562150 · Trans/Ops Station - SWL SEAPA	-	2,000	-	7,000	23,000
562200 · Trans/Ops Station - Tyee Lake	1,318	2,100	4,347	8,400	26,000
562250 · Trans/Ops Station-TYL SEAPA	-	2,000	-	8,000	25,000
Total 562000 · Trans/Operations Station Exp	1,318	7,100	5,726	27,400	89,000
564000 · Trans/Submarine Cable Expense					
564200 · Trans/Sub Cable Exp - Tyee Lake	-	1,500	3,820	6,000	12,825
564250 · Trans/Sub Cable Exp - TYL SEAPA	-	-	-	15,000	30,000
Total 564000 · Trans/Submarine Cable Expense	-	1,500	3,820	21,000	42,825
571000 · Trans/Maint Overhead Lines(OHL)					
571100 · Trans/Maint OHL - Swan Lake	-	1,000	961	4,000	15,000
571150 · Trans/Maint OHL - SWL SEAPA	-	25,000	14,528	50,000	448,000
571200 · Trans/Maint OHL - Tyee Lake	22,374	16,300	79,514	65,200	196,150
571250 · Trans/Maint OHL - TYL SEAPA	-	50,000	38,011	61,000	787,750
571300 · Trans/Maint OHL STI Maintenance	13,021	-	13,021	-	296,500
571500 · Trans/Maint OHL STI Therml Scan	-	-	-	-	10,000
571600 · Trans/Maint OHL Spare Mat Stor	-	200	-	200	500
571700 · Trans/Maint OH STI Clearing	-	-	-	-	100,000
571800 · Trans/Maint OHL System Events	182	12,500	4,642	50,000	150,000
Total 571000 · Trans/Maint Overhead Lines(OHL)	35,577	105,000	150,678	230,400	2,003,900

SOUTHEAST ALASKA POWER AGENCY
Statement of Activities - Budget Comparison Detail

October 2013

	Oct '13	Budget	Jul-Oct '13	YTD Budget	Annual Budget
920000 · Administrative Expenses					
920100 · Administrative	87,336	105,000	334,672	416,761	1,256,761
Total 920000 · Administrative Expenses	87,336	105,000	334,672	416,761	1,256,761
921000 · Office Expenses					
921100 · Office Supplies	2,296	1,000	5,086	5,000	13,000
921200 · Office Equipment	9,478	2,200	15,639	8,800	27,200
921300 · Phone, Courier, Internet	2,214	2,000	7,164	9,400	25,400
921400 · System Networking	2,442	3,400	11,418	13,800	41,000
921600 · Vehicle Expenses	177	200	590	850	3,000
Total 921000 · Office Expenses	16,607	8,800	39,896	37,850	109,600
922000 · Legislative Affairs	4,000	5,800	16,039	23,200	70,000
923000 · Contract Services					
923200 · Annual Financial Audit	-	15,000	-	15,000	28,000
923300 · Bank & Trustee Fees	310	980	1,101	3,920	11,800
923400 · Insurance Consultant	-	800	13,717	3,200	10,000
923500 · Investment Consultant	1,685	2,000	6,722	8,000	25,000
923600 · Legal Fees	438	12,500	14,424	50,000	150,000
923700 · Recruitment	-	2,500	3,397	10,000	30,000
923800 · Other Professional Services	282	1,300	2,297	5,200	16,000
Total 923000 · Contract Services	2,714	35,080	41,657	95,320	270,800
924000 · Insurance	37,857	49,000	156,127	196,000	588,000
928000 · Regulatory Commission Expense					
928150 · FERC SWL	4,945	4,500	16,779	18,000	151,000
928250 · FERC TYL	3,595	3,500	14,379	15,000	43,000
Total 928000 · Regulatory Commission Expense	8,540	8,000	31,157	33,000	194,000
930000 · General Expenses					
930100 · Advertising Expense	178	400	1,033	1,800	5,000
930110 · Public Relations	245	6,250	633	25,000	70,000
930111 · PR - SEAPA History Project	10	100	10	100	5,000
930300 · Association Dues Expense	-	2,400	660	9,850	29,050
930310 · Professional Assn Dues	-	-	230	245	645
930400 · Board Meeting Expenses	3,800	3,750	8,873	15,000	45,000
930500 · Training Expense	5,265	1,900	12,768	7,600	23,575
930600 · Travel Expense	3,303	3,900	11,246	15,800	47,000
930700 · Non-Travel Incidental	336	300	907	1,200	3,500
Total 930000 · General Expenses	13,138	19,000	36,360	76,595	228,770
931000 · Admin Rent					
931010 · Office Rent	4,485	4,100	16,742	16,400	51,700
931100 · Apartment Rent - Ketchikan	725	725	2,900	2,900	8,700
Total 931000 · Admin Rent	5,210	4,825	19,642	19,300	60,400
Total Expense	361,295	572,330	1,608,766	2,095,716	7,745,096
Net Ordinary Income	553,955	311,670	2,368,150	1,175,084	3,876,104

SOUTHEAST ALASKA POWER AGENCY
Statement of Activities - Budget Comparison Detail

October 2013

	Oct '13	Budget	Jul-Oct '13	YTD Budget	Annual Budget
Other Income/Expense					
Other Income					
941000 · Grant Income	11,271		101,346		
941100 · Third Party Income	92,863		102,748		
942000 · Interest Income					
942100 · Misc Interest Income	634		2,926		
942200 · Investment Interest Income	10,052		40,275		
Total 942000 · Interest Income	10,686		43,201		
944000 · Realized Gain/Loss					
944200 · Realized Gain/Loss on Invest	2,307		732		
Total 944000 · Realized Gain/Loss	2,307		732		
945000 · Unrealized Gain/Loss					
945100 · Unrealized Gain/Loss Bonds	(88)		(4)		
945200 · Unrealized Gain/Loss Investment	1,208		8,501		
Total 945000 · Unrealized Gain/Loss	1,120		8,498		
Total Other Income	118,246		256,526		
Other Expense					
952000 · Bond Interest 2009 Series	55,765		223,058		
953000 · Depreciation Expense	329,817		1,319,269		
954000 · Grant Expenses					
954002 · Grant Contractual	42,843		142,738		
954004 · Grant Labor & Benefits	-		476		
954005 · Grant Legal	-		1,260		
954007 · Grant Other Expense	-		185		
954008 · Grant Travel	591		5,775		
Total 954000 · Grant Expenses	43,434		150,433		
954100 · Contributed Capital	-		(1,260)		
954200 · Third Party Expense					
954210 · Annette Island Hydro Site Eval					
954214 · Annette Island - Travel	5,621		88,185		
954214 · Annette Island - Travel	-		232		
954214 · Annette Island - Travel	-		9,486		
954214 · Annette Island - Travel	-		4,845		
Total 954210 · Annette Island Hydro Site Eval	5,621		102,748		
Total 954200 · Third Party Expense	5,621		102,748		
955000 · Interest Expense					
955200 · Investment Interest Expense	-		-		
Total 955000 · Interest Expense	-		-		
Total Other Expense	434,636		1,794,248		
Net Other Income	(316,390)		(1,537,723)		
Net Income	237,565	311,670	830,427	1,175,084	3,876,104

Southeast Alaska Power Agency
SUMMARY - WIP R&R CAPITAL PROJECTS
October 31, 2013

	FY14 Budget	FY14 Expenditures		FY10	EXPENDITURES			FY13	FY14	Total Expenditures
					FY11	FY12				
002-10TRN Helicopter Pads	\$ -	(\$20,600)	Complete Nov 2013.	155,131	11,156	(63,600)	-	(20,600)	\$	82,085
220-12 SCADA Upgrade	\$ 790,093	\$425,860	Tentative completion: Apr 2014	-	-	130,663	156,453	425,860	\$	712,975
227-13 Burnett Peak Battery	\$ 13,160	\$6,452	Work complete in August 2013				21,140	6,452	\$	27,592
228-13 Circuit Switcher WRG	\$ 98,000	\$0	Scheduled with RR236-13, FY14.				-	-	\$	-
229-13 Gate Control Refurbish TYL	\$ 28,246	\$20,294	Scheduled completion Jun 2014.				9,160	20,294	\$	29,454
231-13 Helicopter Pads	\$ 1,608,000	\$44,964	Prototype in place.				57,731	44,964	\$	102,695
232-13 Communications Upgrade	\$ 245,000	\$52,093	Partial installation by Dec 2013.				12,160	52,093	\$	64,253
234-13 Gatehs Generator TYL	\$ 60,000	\$38,833	Complete Sep 2013				114	38,833	\$	38,947
236-13 Wrangell Reactor	\$ 1,800,000	\$0	In design phase with EPS.				55,066	-	\$	55,066
237-13 Remote Brkr Rack. Device	\$ 70,000	\$31,121	Complete Oct 2013				-	31,121	\$	31,121
238-13 Replacement Winding SWL	\$ 28,492	\$19,741	Complete Aug 2013				872,559	19,741	\$	892,301
240-13 Cooling Water TYL	\$ 177,295	\$52,906	Piping installation done.				26,600	52,906	\$	79,506
241-13 Stream Gauge TYL	\$ 1,444,651	\$551,767	Weir in place Sep 2013				37,845	551,767	\$	589,612
242-13 Reservoir Expansion SWL	\$ 1,626,750	\$60,365	Increased Storage			151,421	421,782	60,365	\$	633,569
	\$ (575,750)		DCCED Grant Funds							
243-14 Compactor-Roller TYL	\$ 80,000	\$126	Original bid rejected by board.					126	\$	126
244-14 Covered Storage TYL	\$ 25,000	\$0	Spare OHL equipment storage					-	\$	-
245-14 Crew Boat SWL	\$ 130,000	\$134	Replaces open skiff. Sep RFP					134	\$	134
246-14 Excavator TYL	\$ 125,000	\$101,674	Complete Oct 2013					101,674	\$	101,674
247-14 Generator Controls SWL	\$ 60,000	\$0	Project on hold.					-	\$	-
248-14 Lathe TYL	\$ 42,000	\$16,593	New lathe to machine parts, in transit.					16,593	\$	16,823
249-14 Marine Term Gage/CommTYL	\$ 175,500	\$0	Replace analog w/digital, comm link					-	\$	-
250-14 Needle Valve AssemblyTYL	\$ 59,000	\$0	Modify & manufacture assemblies					-	\$	-
251-14 Powerhs Roof Repair SWL	\$ 399,900	\$0	Out to bid in Feb 2014.					-	\$	-
252-14 Submarine SpliceSpareTYL	\$ 288,000	\$0	Stock splicing kits					-	\$	-
253-14 Vehicle SEAPA Office	\$ 31,000	\$31,057	Complete Aug 2013					31,057	\$	31,057
254-14 Water Tank Remediatn SWL	\$ 73,000	\$0	Out to bid in Feb 2014.					-	\$	-
255-14 Wood Helipad Repair SWL	\$ 102,000	\$0	Permit, new & wood deck replace.					-	\$	-
Total WIP R&R Capital Projects	\$9,004,337	\$1,433,380		\$155,131	\$11,156	\$218,483	\$1,670,609	\$1,433,380	\$3,488,989	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
002-10TRN Helicopter Pads			\$0	-	This project will be capitalized in FY14 after the helipad prototype is placed in service. The FY12 credit represents helipad design and materials that were abandoned due to excessive liability. Project continued under R&R 231-13.
	\$ 155,131	FY10 Expenditures			
	\$ 11,156	FY11 Expenditures			
	\$ (63,600)	FY12 Expenditures			
07/31/13	307	Touchdown Enterprises		(20,600)	One helipad moved to RR241-13 Stream Gage project.
Total 002-10 Helicopter Pads				82,085	COMPLETE. Prototype in place November 2013.
220-12 SCADA Upgrade			\$790,093	-	SEAPA System SCADA Consolidation Project. Continuation of SEAPA 001-09. Phase I (TYL-Wrangell-Petersburg) design underway. (E.Wolfe)
	\$ 130,663	FY12 Expenditures			
	\$ 156,453	FY13 Expenditures			
07/08/13	WOL201307	.Wolfe, Eric		7	
07/10/13	51212	Sunrise Aviation Inc		420	
07/10/13	51217	Sunrise Aviation Inc		720	
07/11/13	51222	Sunrise Aviation Inc		915	
07/12/13	51225	Sunrise Aviation Inc		285	
07/30/13	INV130731	Segrity LLC		6,778	
07/30/13	INV130731	Segrity LLC		6,778	
07/31/13	WOL9225-20130	"Bank of America		318	
07/31/13	THO9358-20130	"Bank of America		205	
07/31/13	783	Fiber Fusion		102,268	
08/19/13	S1108456001	Technical Marketing Mfg., Inc.		48,444	
08/28/13	5566922511	Siemens Industry Inc		8,443	
08/31/13	786	Fiber Fusion		27,769	
09/03/13	40478534116	Schweitzer Engineering Laboratorie		43,498	
09/04/13	40478534328	Schweitzer Engineering Laboratorie		864	
09/05/13	71623	Transduction		18,263	
09/09/13	40478535150	Schweitzer Engineering Laboratorie		2,832	
09/18/13	40478536833	Schweitzer Engineering Laboratorie		14,697	
09/24/13	10141	Bison ProFab		3,521	
09/25/13	51111839001	Technical Marketing Mfg., Inc.		2,397	
09/27/13	XJ7KR2MP8	DELL		3,803	
09/30/13	WOL9225-20130	"Bank of America		66	
09/30/13	792	Fiber Fusion		35,849	
10/03/13	11G005646	Anixter		1,427	
10/03/13	11G005688	Anixter		3,509	
10/04/13	11G005665	Anixter		1,657	
10/04/13	11G005653	Anixter		152	
10/04/13	55185	Standard Automation		1,820	
10/06/13	INV131004	Segrity LLC		23,828	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
10/07/13	11G005666	Anixter		72	
10/07/13	110961	REVL Communications & Systems		4,122	
10/10/13	40478541024	Schweitzer Engineering Laboratorie		1,713	
10/11/13	11G005698	Anixter		12	
10/14/13	11G005746	Anixter		1,060	
10/23/13	XJ83NC8X9	DELL		627	
10/31/13	GUY8385-201311	"Bank of America		68	
10/31/13	THO9358-201311	"Bank of America		387	
10/31/13	WOL9225-201311	"Bank of America		162	
10/31/13	TBPA201310	Thomas Bay Power Authority		2,317	
10/31/13	WOL201310	.Wolfe, Eric		354	
10/31/13	795B	Fiber Fusion		53,432	
Total 220-12 SCADA Upgrade				<u>712,975</u>	
227-13 Burnett Peak Battery			\$13,160	-	Battery replacement at Burnett Peak communication center completed by AP&T in August 2013. (S.Henson)
01/10/13	18040	AP&T Wireless, Inc.		21,140	
08/29/13	8267401	Madison Lumber & Hardware Inc		18	
09/20/13	19515	AP&T Wireless, Inc.		6,434	
Total 227-13 Burnett Peak Battery				<u>27,592</u>	
228-13 Circuit Switcher WRG			\$98,000	-	Replace manual 3-phase circuit switcher at the Wrangell switchyard.
				-	Scheduled in conjunction with R&R236-13 Wrangell Reactor. (S.Henson)
Total 228-13 Circuit Switcher Wrg				<u>-</u>	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
229-13 Gate Control Refurbish			\$28,246	-	Replace control panel and components, rebuild hand-hydraulic pump. Scheduled for completion in June 2013. (S.Henson)
	\$9,160	<i>FY13 Expenditures</i>			
08/27/13	26937	Temsco Helicopters, Inc.		1,738	
09/05/13	27058	Temsco Helicopters, Inc.		2,738	
09/06/13	27002	Temsco Helicopters, Inc.		1,303	
09/30/13	TBPS201309	Thomas Bay Power Authority		532	
10/10/13	27131	Temsco Helicopters, Inc.		1,863	
10/11/13	27138	Temsco Helicopters, Inc.		3,699	
10/12/13	27140	Temsco Helicopters, Inc.		3,494	
10/13/13	51468	Sunrise Aviation Inc		435	
10/31/13	TBPA201310	Thomas Bay Power Authority		4,492	
Total 229-13 Gate Control Refurbish TYL				<u>29,454</u>	
231-13 Helicopter Pads			\$1,608,000	-	Helipad installation on the intertie and replacement of pads on Swan and Tyee lines. Includes design work. Prototype installed on the STI during November. Preparations underway to bid for the manufacture of 105 helipads. (S.Henson)
	\$ 57,731	<i>FY13 Expenditures</i>			
07/15/13	1575	PSSA LLC		1,062	
07/16/13	26298	Taquan Air		467	
07/26/13	50705567	Tetra Tech Inc		1,391	
07/31/13	132017	Tongass Engineering		4,369	
08/23/13	13483	Ketchikan Autobody & Glass		5,000	
08/23/13	50712997	Tetra Tech Inc		387	
08/28/13	26947	Temsco Helicopters, Inc.		5,962	
08/31/13	132018	Tongass Engineering		4,974	
09/27/13	50726766	Tetra Tech Inc		789	
09/30/13	132019	Tongass Engineering		1,234	
09/30/13	132101	Tongass Engineering		709	
09/30/13	28343	Ketchikan Daily News		59	
10/04/13	54805	Pilot Publishing, Inc.		57	
10/04/13	54803	Wrangell Sentinel		45	
10/07/13	27124	Temsco Helicopters, Inc.		3,279	
10/15/13	27141	Temsco Helicopters, Inc.		3,643	
10/15/13	27138	Taquan Air		467	
10/24/13	27173	Temsco Helicopters, Inc.		2,440	
10/24/13	27174	Temsco Helicopters, Inc.		555	
10/25/13	27176	Temsco Helicopters, Inc.		1,331	
10/27/13	27178	Temsco Helicopters, Inc.		1,664	
10/28/13	27185	Temsco Helicopters, Inc.		1,698	
10/29/13	27191	Temsco Helicopters, Inc.		1,220	
10/31/13	27194	Temsco Helicopters, Inc.		1,553	
10/31/13	50741540	Tetra Tech Inc		611	
Total 231-13 Helicopter Pads				<u>102,695</u>	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
232-13 Communications Upgrac			\$245,000	-	Preferred recommendation for SEAPA Communications upgrade.
	\$12,160	<i>FY13 Expenditures</i>			Continuation of Gillespie, Prudhon & Assoc. "Communication Network Evaluation & Recommendation" study. (S. Henson)
08/15/13	26680	Taquan Air		935	
08/17/13	51319	Sunrise Aviation Inc		180	
08/22/13	51322	Sunrise Aviation Inc		1,220	Satellite dishes and telephone systems installed at Swan Lake and SEAPA Office as of mid-December.
08/30/13	MK139744	Futaris		14,790	
08/30/13	MK139757	Futaris		300	
08/30/13	MK139756	Futaris		1,250	
09/03/13	TIE201309	Tek Indoor Environmental		1,948	
09/12/13	MK139764	Futaris		2,441	
09/12/13	MK139765	Futaris		2,324	
09/20/13	8326341	Madison Lumber & Hardware Inc		774	
09/20/13	8326351	Madison Lumber & Hardware Inc		66	
09/30/13	1600	PSSA LLC		798	
10/01/13	MK139771	Futaris		3,645	
10/01/13	MK139772	Futaris		6,956	
10/06/13	INV131004	Segrity LLC		608	
10/06/13	INV131004	Segrity LLC		608	
10/28/13	MK139807	Futaris		9,914	
10/28/13	MK139809	Futaris		2,736	
10/29/13	27180	Taquan Air		467	
10/30/13	205508	Best Western Landing Hotel		133	
Total 232-13 Communications Upgrade				<u>64,253</u>	
234-13 Gatehs Generator TYL			\$60,000	-	Replacement of aging propane generator and two propane tanks at Tyee Gatehouse. Propane tanks passed inspection July 2012 & will not be replaced. Generator installed & tanks filled Sep 2013. (S.Henson) COMPLETE Sep 2013.
	\$	114 <i>FY13 Expenditures</i>			
07/30/13	72613	Arrowhead LP Gas WRG		13,880	
08/02/13	26858	Temsco Helicopters, Inc.		1,814	
08/27/13	26937	Temsco Helicopters, Inc.		1,738	
08/29/13	11410	Buness Electric LLC		488	
09/03/13	26999	Temsco Helicopters, Inc.		8,683	
09/03/13	26998	Temsco Helicopters, Inc.		3,769	
09/03/13	14259	Arrowhead LP Gas WRG		1,275	
09/03/13	17702	Service Auto Parts		66	
09/04/13	80237	Wrangell Oil Inc		499	
09/05/13	51365	Sunrise Aviation Inc		420	
09/05/13	95131	Arrowhead Transfer SIT		912	
09/06/13	27002	Temsco Helicopters, Inc.		1,303	
09/18/13	80364	Wrangell Oil Inc		527	
10/12/13	K9333001	Tyler Rental, Inc.		118	
10/25/13	51492	Sunrise Aviation Inc		870	
10/25/13	27176	Temsco Helicopters, Inc.		2,371	
10/31/13	HEN0453-20131	"Bank of America		101	
Total 234-13 Gatehs Gen-Propane TYL				<u>38,947</u>	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
236-13 Wrangell Reactor			\$1,800,000	-	Replace aging reactor in Wrangell with switchable reactors and capacitors. Studies performed by EPS and Segrity. Currently in design phase. EPS is project manager/design contractor. (S.Henson)
	\$55,066	<i>FY13 Expenditures</i>			
Total 236-13 Wrangell Reactors				<u>55,066</u>	
237-13 Remote Brkr Rack. Device			\$70,000	-	Safety measure to protect personnel while racking a breaker. Two racking devices delivered to both Swan & Tyee complete in October. (S.Henson)
09/13/13	145693	Powell Electrical Systems		4,805	COMPLETE Oct 2013.
09/13/13	145693	Powell Electrical Systems		4,805	
09/27/13	10712	CBS ArcSafe, Inc		10,755	
09/27/13	10712	CBS ArcSafe, Inc		10,755	
Total 237-13 Remote Brkr Rack. Device				<u>31,121</u>	
238-13 Replacement Winding S'			\$28,492	-	Spare generator winding for Swan Lake. Constructed by Voith Hydro. Delivered to Swan Lake in June. Humidity-controlled storage built in August 2013. COMPLETE Aug 2013.
07/31/12	MK201207	Morris Kepler Consulting		3,327	
08/31/12	MK201208	Morris Kepler Consulting		880	
10/29/12	26552	Ketchikan Daily News		373	
11/07/12	448854	Juneau Empire		291	
11/25/12	TX164749	Anchorage Daily News		325	
12/15/12	52161	Pilot Publishing, Inc.		45	
12/15/12	52169	Wrangell Sentinel		30	
01/04/13	7004002934	Voith Hydro, Inc		84,723	
01/08/13	22079	Matsu Alaska Construction LLC		697	
01/08/13	623672	Alaska Marine Lines		935	
01/21/13	7004002960	Voith Hydro, Inc		169,445	
02/15/13	217768750	FedEx		56	
02/18/13	115276398	FedEx		71	
02/20/13	7004003022	Voith Hydro, Inc		127,084	
02/28/13	MK201302	Morris Kepler Consulting		1,610	
03/20/13	7004003114	Voith Hydro, Inc		169,445	
04/22/13	7004003168	Voith Hydro, Inc		127,084	
05/31/13	MK201305	Morris Kepler Consulting		5,889	
06/04/13	8010541	Madison Lumber & Hardware Inc		4,032	
06/04/13	51143	Sunrise Aviation Inc		720	
06/13/13	7004003324	Voith Hydro, Inc		169,445	
06/18/13	51178	Sunrise Aviation Inc		830	
06/18/13	T1529501	Tyler Industrial Supply		193	
06/20/13	13057	Boyer Towing, Inc.		4,416	
06/30/13	MK201306	Morris Kepler Consulting		575	
06/30/13	ACT4655-201306	Bank of America		36	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
06/30/13	HEN0453-201306	Bank of America		49	
06/30/13	286	Voith Hydro, Inc (freight reimburse.)		(48)	
07/15/13	8129541	Madison Lumber & Hardware Inc		351	
07/15/13	8129671	Madison Lumber & Hardware Inc		86	
07/15/13	330359	Northland Services		15	
07/19/13	331757	Northland Services		51	
07/29/13	26451	Taquan Air		234	
07/31/13	THO9358-201307	Bank of America		489	
07/31/13	MKC201307	Morris Kepler Consulting		34	
08/07/13	8203771	Madison Lumber & Hardware Inc		71	
08/12/13	26669	Taquan Air		234	
08/31/13	THO9358-201308	Bank of America		127	
08/31/13	MKC201308	Morris Kepler Consulting		16,790	
09/30/13	MKC201309	Morris Kepler Consulting		1,260	
Total Replacement Winding SWL				<u>892,301</u>	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
240-13 Cooling Water TYL			\$177,295	-	Piping installation complete. Valves and control work remain.
	\$ 26,600	<i>FY13 Expenditures</i>			
07/31/13	MKC201307	Morris Kepler Consulting		719	
08/31/13	THO9358-20130	"Bank of America		458	
08/31/13	MKC201308	Morris Kepler Consulting		1,220	
08/31/13	TBPA201308	Thomas Bay Power Authority		751	
09/10/13	K39322	Tyler Rental, Inc.		578	
09/10/13	K9291801	Tyler Rental, Inc.		945	
09/11/13	2714550	Ferguson Enterprises		4,487	
09/12/13	346056	Northland Services		300	
09/18/13	80371	Wrangell Oil Inc		697	
09/20/13	51405	Sunrise Aviation Inc		420	
09/25/13	94867	McCall Industrial		4,356	
09/25/13	94869	McCall Industrial		6,875	
09/26/13	51423	Sunrise Aviation Inc		720	
09/27/13	2264220895	FedEx		183	
09/30/13	MKC201309	Morris Kepler Consulting		11,780	
09/30/13	WOL9225-20130	"Bank of America		41	
09/30/13	TBPS201309	Thomas Bay Power Authority		7,171	
10/01/13	351224	Northland Services		72	
10/04/13	ACT4655201309	"Bank of America		18	
10/08/13	51455	Sunrise Aviation Inc		435	
10/11/13	353357	Northland Services		72	
10/16/13	353818	Northland Services		38	
10/25/13	K9291802	Tyler Rental, Inc.		378	
10/31/13	TBPA201310	Thomas Bay Power Authority		10,191	
Total Project				79,506	
241-13 Stream Gauge TYL			\$1,444,651	-	Logs cleared July 2013. Weir construction completed September 2013.
	\$ 37,845	<i>FY13 Expenditures</i>			
07/02/13	26629	Temsco Helicopters, Inc.		2,070	Helipad placed at site. Emergency shack to be constructed in spring.
07/11/13	26699	Temsco Helicopters, Inc.		2,368	
07/11/13	127199	Promech Air		2,790	
07/14/13	129683	Promech Air		1,350	
07/15/13	1575	PSSA LLC		1,062	
07/19/13	8208	Alaska Clearing Inc		7,400	
07/19/13	76753	Pacific Airways Inc		1,000	
07/20/13	331933	Northland Services		833	
07/28/13	3291	McMillen, LLC		431	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
07/29/13	129937	Promech Air		2,258	
07/30/13	201926	Best Western Landing Hotel		258	
07/31/13	2670-201307	Wrangell City of		12	
07/31/13	HEN0453-201307	"Bank of America		1,168	
07/31/13	BAM201307	BAM, LLC		151,900	
07/31/13	WOL9225-201307	"Bank of America		17	
07/31/13	307	Touchdown Enterprises		20,600	
08/01/13	26629	Taquan Air		1,233	
08/20/13	BAM201308	BAM, LLC		54,000	
08/22/13	51333	Sunrise Aviation Inc		1,724	
08/23/13	51338	Sunrise Aviation Inc		715	
08/29/13	11410	Buness Electric LLC		1,463	
08/31/13	26969	Temsco Helicopters, Inc.		3,810	
08/31/13	WOL201308	.Wolfe, Eric		2	
08/31/13	WOL9225-201307	"Bank of America		94	
08/31/13	THO9358-201307	"Bank of America		458	
09/05/13	51365	Sunrise Aviation Inc		420	
09/06/13	51371	Sunrise Aviation Inc		420	
09/06/13	51372	Sunrise Aviation Inc		420	
09/06/13	27002	Temsco Helicopters, Inc.		1,305	
09/06/13	27001	Temsco Helicopters, Inc.		14,082	
09/07/13	51373	Sunrise Aviation Inc		420	
09/13/13	51398	Sunrise Aviation Inc		720	
09/13/13	51397	Sunrise Aviation Inc		420	
09/13/13	27045	Temsco Helicopters, Inc.		8,106	
09/13/13	27046	Temsco Helicopters, Inc.		3,034	
09/17/13	1489	Stikine Transportation		23,146	
09/18/13	3388	McMillen, LLC		3,502	
09/25/13	BAM201309	BAM, LLC		10,000	
09/25/13	BAM201309	BAM, LLC		219,500	
09/27/13	350220	Northland Services		252	
09/30/13	TBPS201309	Thomas Bay Power Authority		5,588	
09/30/13	1600	PSSA LLC		798	
10/16/13	1772	Sign Pro		430	
10/31/13	WOL201310	.Wolfe, Eric		190	
Total 241-13 Stream Gauge TYL				<u>589,612</u>	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
242-13 Reservoir Expansion SW			\$1,626,750		Refer to report from Director of Special Projects.
AK DCCED Grant >			(\$575,750)		
06/30/12	\$ 151,421	<i>FY12 Expenditures</i>			
	\$ 421,782	<i>FY13 Expenditures</i>			
07/26/13	50705565	Tetra Tech Inc		2,911	
07/26/13	50705569	Tetra Tech Inc		33,899	
07/28/13	3290	McMillen, LLC		4,196	
08/23/13	50712999	Tetra Tech Inc		2,753	
08/24/13	3349	McMillen, LLC		2,660	
09/20/13	51405	Sunrise Aviation Inc		1,130	
10/10/13	50726769	Tetra Tech Inc		2,479	
10/10/13	50726769	Tetra Tech Inc		631	
10/14/13	3437	McMillen, LLC		3,450	
10/31/13	50741551	Tetra Tech Inc		219	
10/31/13	50741551	Tetra Tech Inc		6,038	
Total 242-13 Reservoir Expansion SWL				633,569	
243-14 Compactor-Roller TYL			\$80,000		Initial RFP responses unsuccessful; additional research underway.
08/08/13	28027	Ketchikan Daily News		47	
08/08/13	54324	Pilot Publishing, Inc.		44	
08/08/13	54314	Wrangell Sentinel		36	
Total 243-14 Compactor-Roller TYL				126	
244-14 Covered Storage TYL			\$25,000		Pending prices from TBPA.
Total 244-14 Covered Storage TYL				-	
245-14 Crew Boat SWL			\$130,000		RFP being rewritten.
09/19/13	3280081	Daily Journal of Commerce		42	
09/19/13	28290	Ketchikan Daily News		53	
09/28/13	54635	Wrangell Sentinel		39	
Total 245-14 Crew Boat SWL				134	
246-14 Excavator TYL			\$125,000		Acceptance-inspection scheduled for October in Wrangell.
08/08/13	28028	Ketchikan Daily News		53	
08/08/13	54324	Pilot Publishing, Inc.		47	
08/08/13	54314	Wrangell Sentinel		39	
10/04/13	351975	Northland Services		136	
10/15/13	K39536	Tyler Rental, Inc.		101,400	
Total 246-14 Excavator TYL				101,674	

Southeast Alaska Power Agency
WORK-IN-PROGRESS R&R CAPITAL PROJECTS
October 31, 2013

Date	Num	Vendor	FY14 BUDGET \$	Amount	Description
247-14 Generator Controls SWL			\$60,000		Replacement of generator controls will be much more extensive than originally planned. Further evaluation taking place in December.
				-	
Total 247-14 Generator Controls SWL				-	
248-14 Lathe TYL			\$42,000		In transit.
06/30/13	MK201306	Morris Kepler Consulting		230.00	
07/09/13	IMC1	Idaho Machinery Company, LLC		16,334.00	
07/31/13	MKC201307	Morris Kepler Consulting		258.75	
Total 248-14 Lathe TYL				16,823	
249-14 Marine Term Gage/Comr			\$175,500		Scheduled to coincide with SCADA work.
				-	
Total 249-14 Marine Term Gage/Co				-	
250-14 Needle Valve Assembly¹			\$59,000		Under review.
				-	
Total 250-14 Needle Valve Assembly				-	
251-14 Powerhs Roof Repair SV			\$399,900		Issue RFP in February.
				-	
Total 251-14 Powerhs Roof Repair				-	
252-14 Submarine SpliceSpare¹			\$288,000		Scheduled to be ordered in December.
				-	
Total 252-14 Submarine Splice SpareTYL				-	
253-14 Vehicle SEAPA Office			\$31,000		Delivered. COMPLETE AUG 2013.
08/09/13	1FM5K	Titus-Will Ford		30,232	
08/16/13	339139	Northland Services		825	
Total 253-14 Vehicle SEAPA Office				31,057	
254-14 Water Tank Remediatn \$			\$73,000		Issue RFP in February.
				-	
Total Water Tank Remediatn SWL				-	
255-14 Wood Helipad Repair SV			\$102,000		Issue RFP in February.
				-	
Total 255-14 Wood Helipad Repair SWL				-	
Total WIP R&R Capital Projects \$			9,004,337	\$ 3,488,989	

CLOSED FY14 : R&R 227-13

Project Name: **Burnett Peak Battery**

Project Number: **227-13**

Project Description: Replace the battery bank at the Burnett Peak communication center.

Project Cost Estimate: \$40,000 **Actual Cost: \$27,592**

Project Start Date: July 2012

Project Completion Date: August 2013

Project Discussion: The battery bank that supplies backup for our Burnett Peak radio system has out lived its expected life span of 10 years. They have been in service for 12 years. During last summer's maintenance by AP&T it was noted that the battery bank would not supply backup for more than a few hours whereas the previous year it lasted through a 3-day power supply outage at the site during AP&T's maintenance cycle.

Project Cost Estimate Summary	Item	Cost
	Labor, Freight, Transportation	\$13,160
	Material	\$21,140
	Design/Engineering	\$00
Total		\$34,300

Project Cost Estimate Discussion: Received a quote from AP&T who is our service provider on Burnett Peak. Includes weather- and helicopter-time contingency.

Budget Amount Requested for FY2013: \$34,300

Budget Amount Requested for FY2014: \$13,160

Project Responsibility: Project Manager: Steve Henson Construction: AP&T Wireless

R&R Project / Budget Approval		
Submitted By	Steve Henson	April 2012
CEO Approval	Dave Carlson / Trey Acteson	May 2012
Project Approval	SEAPA Board	06/27/12
Budget Approval FY13	SEAPA Board	06/27/12, 06/26/13

R&R Project Contracts		
Material Contract	Delta Star Inc (batteries)	
Design/Engineering/Inspection	AP&T Wireless, Ketchikan	

CLOSED FY14 : R&R 227-13

Project Close-Out Summary



New battery bank and flooring at Burnett Peak communication shack.

CLOSED FY14 : R&R 227-13



New foundation and antenna mounts at Burnett Peak communication shack.



CLOSED FY14 : R&R 227-13

The Burnett Peak communication's battery back-up system has been replaced by AP&T Wireless. Concurrently repairs were made to the floor and foundation of the enclosure for these systems. This should give us another ten years of service before it will have to be addressed again.

227-13 Burnett Peak Battery			\$13,160	-
01/10/13	18040	AP&T Wireless, Inc.		\$21,140
08/29/13	8267401	Madison Lumber & Hardware Inc		18
09/20/13	19515	AP&T Wireless, Inc.		<u>6,434</u>
Total 227-13 Burnett Peak Battery				\$27,592

CLOSED FY14 : R&R 234-13

Project Name	GATEHOUSE GENERATOR & PROPANE TANKS – Tyee		
Project Description	Replace propane generator at the Tyee Gatehouse and remove, replace and fill the two propane tanks.		
Cost Estimate Actual Cost	\$60,000 \$38,947	Project Responsibility: Steve Henson	
Start Date:	JUL, 2013	Project Management:	Steve Henson
Completion Date:	SEP, 2013	Design/Engineering:	
Submitted By:	S. Henson	Installation:	Arrowhead/Tyee Crew
Project Discussion			
<p>The propane generator at the Tyee gatehouse is required for station service for maintenance and repair efforts and it is essential for operation of the ventilation equipment to allow safe entry into the confined space of the gate shaft. It has been problematic for the last 10 years with starting and operating. The generator was installed in 1984. It also powers the bunk house for extended stays during maintenance.</p> <p>There are two propane tanks at the Tyee gatehouse that fuel the generator. One is empty and the other is at 5% capacity. The tanks are 1984 vintage and cannot be refilled until they have been tested which would require their removal, shipping to a testing facility down South, reinstallation and filling. Replacing the tanks with a smaller and more manageable size would be less expensive than the aforementioned process.</p>			

Project Cost Estimate			
Item	Cost	Budget Request	
Labor	\$25,000	FY13	\$82,0000
Material	\$15,000		---
Helicopter	\$20,000	FY14	\$60,000
Total	\$60,000	Total	\$60,000
Project Cost Estimate Discussion			
<p>This FY13 project was originally approved with a budget of \$82,000; however, during a July 2012 inspection by Arrowhead, it was determined that the propane tanks did not need to be replaced. The cost of refueling the tanks was recorded as an operating expense in FY13. Replacement generator has been ordered from Arrowhead at a cost of \$13,880. Installation of the new generator will be coordinated with gatehouse control work (R&R 229-13) to reduce helicopter expense.</p>			

R&R Project / Budget Approval		FY13	FY14
CEO Approval	D.Carlson/Trey Acteson	May 2012	Jun 2013
Project/Budget Approval	SEAPA Board	06/27/2012	
R&R Project Contracts (Vendor, Description, Award Date)			
Arrowhead LP Gas	Inspection, propane		July-Aug 2012
Temsco Helicopters			

CLOSED FY14 : R&R 234-13

Project Close-Out Summary

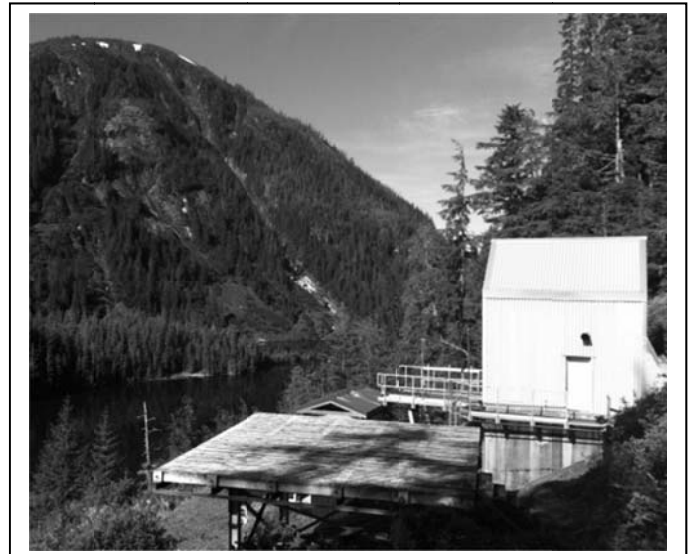
July 28, 2012 – Steve Henson and staff from Arrowhead traveled to the Tyee gatehouse to evaluate the propane tanks. Arrowhead deemed the tanks to be in good working order and refillable.

August 14, 2012 – Steve Henson loaded four 100-gallon “liquid-out” propane tanks onto the SEAPA boat in Wrangell and transported them to Tyee. On the 15th, two technicians from Arrowhead LP Gas were flown to the Tyee gatehouse, the helicopter picked up the liquid-out tanks one at a time from the Tyee Harbor and flew them to the gatehouse. The Arrowhead techs filled up one of the tanks at the gatehouse, which should provide a 10-year supply of propane.

September 2013 – Replacement generator ordered purchased Arrowhead; installed and tanks filled.



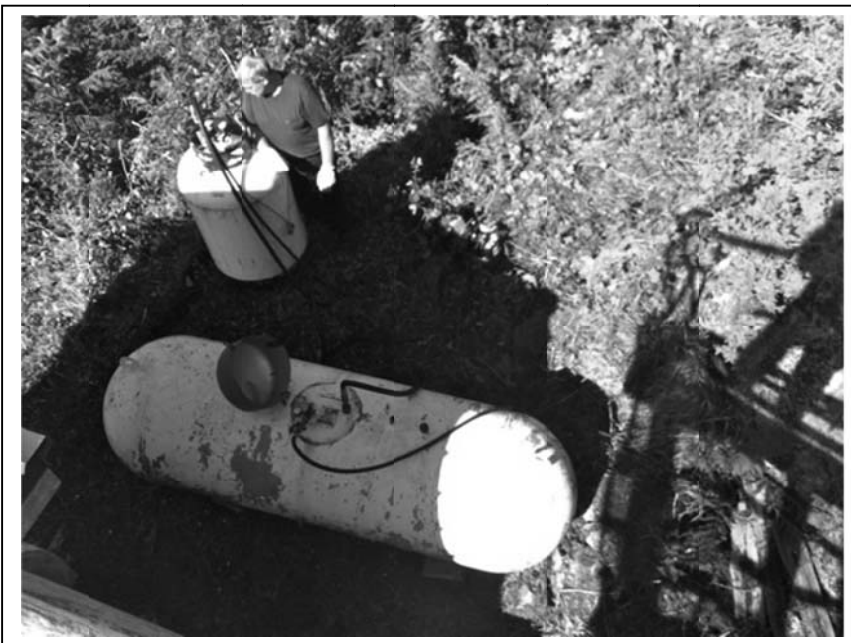
Unloading propane tanks at Tyee project.



Tyee Gatehouse

234-13 Gatehs Generator TYL			\$60,000	-
	\$	114	<i>FY13 Expenditures</i>	
07/30/13	72613		Arrowhead LP Gas WRG	13,880
08/02/13	26858		Temsco Helicopters, Inc.	1,814
08/27/13	26937		Temsco Helicopters, Inc.	1,738
08/29/13	11410		Buness Electric LLC	488
09/03/13	26999		Temsco Helicopters, Inc.	8,683
09/03/13	26998		Temsco Helicopters, Inc.	3,769
09/03/13	14259		Arrowhead LP Gas WRG	1,275
09/03/13	17702		Service Auto Parts	66
09/04/13	80237		Wrangell Oil Inc	499
09/05/13	51365		Sunrise Aviation Inc	420
09/05/13	95131		Arrowhead Transfer SIT	912
09/06/13	27002		Temsco Helicopters, Inc.	1,303
09/18/13	80364		Wrangell Oil Inc	527
10/12/13	K9333001		Tyler Rental, Inc.	118
10/25/13	51492		Sunrise Aviation Inc	870
10/25/13	27176		Temsco Helicopters, Inc.	2,371
10/31/13	HEN0453-201310		"Bank of America	101
Total 234-13 Gatehs Gen-Propane TYL				38,947

CLOSED FY14 : R&R 234-13



Above: Helicopter transporting propane from facility to gatehouse.

Left: Transferring propane from the liquid-out tanks to the Tyee tank.

CLOSED FY14 : R&R 237-13

Project Name: **Remote Breaker Racking Device**

Project Number: **237-13**

Project Description: Purchase 2 remote racking devices

Project Cost Estimate: \$70,000 **ACTUAL COST: \$31,121**

Project Start Date: 07/01/2012 Project Completion Date: September 2013

Project Discussion: Due to the potential flash hazard of racking a breaker from an energized buss, the purchase of remote racking devices would alleviate the risk to maintenance personnel.

Project Cost Estimate Summary	Item	Cost
	Material	\$70,000
	Total	\$70,000

Project Cost Estimate Discussion: There would be two units purchased, one for Tyee Lake and one for Swan Lake.

Budget Amount Requested for FY2013: \$70,000

Budget Request FY2014: \$70,000

Project Responsibility: Steve Henson

R&R Project / Budget Approval		
Submitted By	Steve Henson	May 2012
CEO Approval	D.Carlson / T.Acteson	May 2012
Project Approval	SEAPA Board	06/27/12
Budget Approval FY13	SEAPA Board	06/27/12
Budget Approval FY14	SEAPA Board	June 2013

PROJECT CLOSEOUT

Remote breaker racking devices for the Swan Lake 13.8kv generator breakers and the 480v switchgear have been delivered to the Swan Lake project. Devices for the Wrangell Substation 15kv switchgear and the Tyee Lake 480v switchgear are also in place.

These devices provide a method for removing and installing breakers when the buss is energized. They are designed to keep the operator out of the “blast” zone in the event of an explosion.

Powell Electric supplied the 13.8kv generator breaker and the 15kv switchgear breaker devices. These devices are interchangeable between the different medium voltage breaker manufacturers we have.

CBS ArcSafe supplied the 480v racking devices which are specific for each manufacturer and are custom made for individual switchgear.

237-13 Remote Brkr Rack. Device				
09/13/13	145693	Powell Electrical Systems	WIP R&R CAPITAL PROJECTS:237-13 Remote Brkr Rack...	4,805.00
09/13/13	145693	Powell Electrical Systems	WIP R&R CAPITAL PROJECTS:237-13 Remote Brkr Rack...	4,805.00
09/27/13	10712	CBS ArcSafe, Inc	WIP R&R CAPITAL PROJECTS:237-13 Remote Brkr Rack...	10,755.37
09/27/13	10712	CBS ArcSafe, Inc	WIP R&R CAPITAL PROJECTS:237-13 Remote Brkr Rack...	10,755.37
Total 237-13 Remote Brkr Rack. Device				31,120.74



Remote Racking Solutions

The CBS ArcSafe Remote Racking System

- Use with low and medium voltage circuit breakers produced by all the major switchgear manufacturers
- Use with horizontal and vertical types of air, SF₆ and vacuum circuit breakers
- Remote operation places operator outside the arc flash protection boundary
- Height and angle of the drive is easily adjusted
- Quick release drive shafts and couplings simplify setup
- Over-racking protection is provided
- Battery operated with built-in charger



CBS ArcSafe®

Distance Is Safety®

CBS ArcSafe Remote Switching Options

There are numerous CBS ArcSafe remote switch actuators which enable the system to be used with circuit breakers, motor controls, and other electrical equipment which use a variety of:

- Pistol-grip switches
- Pushbutton switches
- Lever or toggle style control switches
- Charge, close and/or tripping

**940-382-4411
1-877-4 SAFETY
(1-877-472-3389)**

PO Box 550 • Argyle, TX 76226 • www.DistanceIsSafety.com • info@CBSArcSafe.com



CLOSED FY14 : R&R 238-13

Project Name: **Swan Lake Replacement Winding**

Project Number: **238-13**

Project Description: Specify and procure a complete spare winding and necessary miscellaneous winding materials using a competitive bid process. Windings to be stored in a fabricated container of wood or steel with a temperature and humidity controlled atmosphere (simple heater or in shop with dehumidifier).

Project Cost Estimate: \$895,000 (\$880,000 for winding, or \$15,000 for storage)

Actual Cost: \$892,301

Project Start Date: August 2012

Project Completion Date: June 2013

Project Discussion: During the fall of 2010, Morris Kepler inspected the Swan Lake generator stators and rotors at Swan Lake. No extraordinary damage or non-repairable corona damage was found. During this inspection he advised SEAPA that one way to significantly decrease the risk of an extended rewind outage is to have spare coils or a complete spare winding on site. This removes at least 75% of the outage time from the rewind effort as there is no delay for: coil design, coil specification, and vendor submittals, nor time lost to coil fabrication, coil factory testing, and shipping. If Swan Lake generators failed during the winter, then this capacity loss would result in an extended diesel generation period.

Typically if a run-to-failure program is followed, the thought is that market power which could be cheaper than the lost power may be available, or perhaps the hydroplant or hydro system has enough spare capacity, that a loss of the machine in question poses a small scheduling problem. For these reasons most utilities don't go to the trouble and expense of acquiring a spare winding. A different aspect of the run to failure philosophy is the risk of core damage. A phase to phase fault under load can damage extensive layers of core, this type of failure greatly extends both rewind time and cost as the stator core (iron plates) have to be disassembled, repaired, and restacked.

Our proposal addresses both of these issues by intentionally creating a low damage failure at the time we want the failure to occur.

This proposed capital request combines a testing program and spare parts. A simple DC-High-pot or a more involved DC ramp test could be performed only during times when a failure during testing is advantageous, meaning the rewind or repair could take place immediately after the test without loss of deliveries (spring or fall). The Swan Lake windings (one phase at a time) would be tested with our new DC Hi-pot machine to a level below acceptance test because the winding has aged. The DC hi-pot acceptance test level for new 13.8 kV machines is 48.6 kV DC (1.7* AC test) where the AC test is 2 times rated + 1 kV. Our test level is approximately 35 kV DC.

CLOSED FY14 : R&R 238-13

Typically, unless water or mechanical damage has weakened lower voltage coils, the coils with the highest voltage fail first. If a single high voltage coil fails, you have to cut 10-12 coils to get at the damaged coil. The span is then replaced with the new coils. If the winding is showing signs of multiple areas of damage, the winding needs to be completely replaced. For these reasons utilities usually employ a testing program to prevent the more damaging failures from occurring, yet try to extract the maximum life of the winding by interpreting test results. Our testing is different, we would test at Swan Lake every few years, if no failure occurred at approximately 35 kV; we would consider the machine fully rated until the next test with a high level of confidence.

We have two different generators at Swan Lake in that Unit #2 (U2) was rewound in 1995 with new coils of different configuration than the original coils. U2 coils have significantly more copper and less insulation (new insulation type and different end turn shapes). Thus if we have a failure in U2, we can't repair that failure well as we don't have enough spare coils. We could fashion a splice from a low voltage coil and then de-rate the machine, but that won't help during the winter when buss voltages are high and loads are high.

We have 27 spare U1 coils and 5 spare U2 coils. We also have (1) ½ coil of each set. U2 can't be repaired due to a lack of spares. U1 could be repaired but only with older, moisture damaged coils. Even if you repair a winding, you have a repaired old winding compared to a new, re-wound winding. These two repairs do not have the same value; one repair is the same machine in a condition just before the failure, the rewound machine is basically new, with a 30 year life.

The cost of the new coils in 1995 was approximately \$450k, using 3.5% escalation and adding a bit for miscellaneous parts, and extra coils we estimate a cost of \$880k for the coils.

SEAPA staff recommends purchasing 1 complete set of new spare coils (186) + 4 coils for endurance testing, + 2 spares for installation errors through a competitive bid process using the specification developed for the Tyee windings. The coils would be delivered in the spring or summer of 2013 and could be used for either a Unit #1 or Unit #2 re-wind.

Available on our web site:

SEAPA's Tyee Lake and Swan Lake Long Term Generator Risk Management Report

R&R Project / Budget Approval		
Submitted By	Eric Wolfe	06/16/2012
CEO Approval	Dave Carlson	June 2012
Project Approval	SEAPA Board	06/27/12
Budget Approval FY13	SEAPA Board	06/27/12

R&R Project Contracts (Contract Description, number and award date)		
Material Contract	Bid process	
Design/Engineering/Inspection	Eric Wolfe, Morris Kepler	



CLOSED FY14 : R&R 238-13

Project Close-Out

Spare generator winding for Swan Lake was constructed by Voith Hydro and delivered to Swan Lake in June 2013. Manufacturing inspections overseen by Morris Kepler Consulting. Humidity-controlled storage unit built at Swan Lake by Morris Kepler Consulting in August 2013.

238-13 Replacement Winding SWL			\$28,492	-
07/31/12	MK201207	Morris Kepler Consulting		3,327
08/31/12	MK201208	Morris Kepler Consulting		880
10/29/12	26552	Ketchikan Daily News		373
11/07/12	448854	Juneau Empire		291
11/25/12	TX164749	Anchorage Daily News		325
12/15/12	52161	Pilot Publishing, Inc.		45
12/15/12	52169	Wrangell Sentinel		30
01/04/13	7004002934	Voith Hydro, Inc		84,723
01/08/13	22079	Matsu Alaska Construction LLC		697
01/08/13	623672	Alaska Marine Lines		935
01/21/13	7004002960	Voith Hydro, Inc		169,445
02/15/13	217768750	FedEx		56
02/18/13	115276398	FedEx		71
02/20/13	7004003022	Voith Hydro, Inc		127,084
02/28/13	MK201302	Morris Kepler Consulting		1,610
03/20/13	7004003114	Voith Hydro, Inc		169,445
04/22/13	7004003168	Voith Hydro, Inc		127,084
05/31/13	MK201305	Morris Kepler Consulting		5,889
06/04/13	8010541	Madison Lumber & Hardware Inc		4,032
06/04/13	51143	Sunrise Aviation Inc		720
06/13/13	7004003324	Voith Hydro, Inc		169,445
06/18/13	51178	Sunrise Aviation Inc		830
06/18/13	T1529501	Tyler Industrial Supply		193
06/20/13	13057	Boyer Towing, Inc.		4,416
06/30/13	MK201306	Morris Kepler Consulting		575
06/30/13	ACT4655-201306	"Bank of America		36
06/30/13	HEN0453-201306	"Bank of America		49
06/30/13	286	Voith Hydro, Inc (freight reimb.)		(48)
07/15/13	8129541	Madison Lumber & Hardware Inc		351
07/15/13	8129671	Madison Lumber & Hardware Inc		86
07/15/13	330359	Northland Services		15
07/19/13	331757	Northland Services		51
07/29/13	26451	Taquan Air		234
07/31/13	THO9358-201307	"Bank of America		489
07/31/13	MKC201307	Morris Kepler Consulting		34
08/07/13	8203771	Madison Lumber & Hardware Inc		71
08/12/13	26669	Taquan Air		234
08/31/13	THO9358-201308	"Bank of America		127
08/31/13	MKC201308	Morris Kepler Consulting		16,790
09/30/13	MKC201309	Morris Kepler Consulting		1,260
Total Replacement Winding SWL				892,301

CLOSED FY14 : R&R 246-14

Project Name	EXCAVATOR – Tyee Lake		
Project Description	Excavator to replace other equipment at Tyee Lake.		
Cost Estimate	\$125,000	Project Responsibility: SEAPA/Steve Beers	
Actual Cost	\$101,674		
Start Date:	July 2013	Project Management: Steve Henson	
Completion Date:	June 2014		
Submitted By:	Steve Henson	Design/Engineering:	
		Installation:	
Project Discussion			
There are two pieces of equipment at Tyee that are not utilized often except for specific tasks. The Caterpillar D4 and John Deere tractor/backhoe could be replaced with an excavator which would be much more universal and useful at the project. Purchase would be scheduled to take advantage of the fall supply barge to Tyee. The two pieces of equipment being replaced could be auctioned and some of the expenditure for the excavator could be recouped.			

Project Cost Estimate			
Item	Cost	Budget Request	
Excavator	\$120,000	FY14	\$125,000
Freight	\$5,000		
Total	\$125,000	Total	\$125,000
Project Cost Estimate Discussion			
Bids would be solicited. Budget estimate is based on quote from Tyler Rental, Ketchikan.			

R&R Project / Budget Approval		FY14	FY15
CEO Approval	Trey Acteson	06/2013	
Project/Budget Approval	SEAPA Board	06/26/2013	

Project Close-Out Summary

246-14 Excavator TYL			\$125,000 Budget
08/08/13	28028	Ketchikan Daily News	53
08/08/13	54324	Pilot Publishing, Inc.	47
08/08/13	54314	Wrangell Sentinel	39
10/04/13	351975	Northland Services	136
10/15/13	K39536	Tyler Rental, Inc.	101,400
Total 246-14 Excavator TYL			\$101,674

Kobelco SK160LC Excavator (Unit 36-16002)	\$78,500
CIMAF DAH-060 Brush Cutter Attachment (Unit 37-07101)	\$22,900
36" HD Bucket Attachment (Unit 39-16002B36)	
60" Mud Bucket w/QC Attachment (Unit 39-16002B60)	
Quick Coupler Attachment (Unit 39-16002Q)	
Thumb Attachment (Unit 39-16002T)	

SOUTHEAST ALASKA POWER AGENCY

OCTOBER & NOVEMBER 2013 DISBURSEMENTS

ACCOUNTS

Revenue Fund

R&R Fund

TOTAL

TOTAL

\$ 623,637.43

\$ 694,996.07

\$ 1,318,633.50

RECOMMENDED MOTION

I move to approve disbursements for the months of October & November 2013
in the amount of \$1,318,633.50.

Invoice No.	Company (vendor)	Revenue Fund	R&R Fund
3052470	4Imprint	885.31	
1397806	AAA Moving & Storage	812.50	
1397954	AAA Moving & Storage	125.00	
ACS201310	Alaska Communications Systems	38.04	
APCM201309	Alaska Permanent Capital Inc	1,681.91	
APCM201310	Alaska Permanent Capital Inc	1,684.59	
ATC201311	Alaska Telephone Company	5,434.76	
ATC201312	Alaska Telephone Company	5,470.70	
8636	Alltek Network Solutions Inc	74.80	
8700	Alltek Network Solutions Inc	18.95	
I00736292	Anchorage Daily News	67.23	
11G005646	Anixter	-	1,426.62
11G005688	Anixter	-	3,509.20
11G005653	Anixter	-	152.17
11G005665	Anixter	-	1,657.19
11G005666	Anixter	-	72.00
11G005698	Anixter	-	12.45
11G005746	Anixter	-	1,060.22
19515	AP&T Wireless, Inc.	-	6,434.00
19517	AP&T Wireless, Inc.	14,277.40	
AP&T201310	AP&T Wireless, Inc.	1,352.50	
AP&T201311	AP&T Wireless, Inc.	1,380.64	
3063786	Arctic Office Products	92.82	
14259	Arrowhead LP Gas WRG	-	1,274.97
95131	Arrowhead Transfer SIT	-	911.75
2651065656	AT&T Alascom 5019	305.34	
2651190017	AT&T Alascom 5019	305.34	
1129141	AterWynne LLP	7,130.57	
1129756	AterWynne LLP	3,990.00	
1130279	AterWynne LLP	11,067.52	
BAM201309	BAM, LLC	-	229,500.00
205124	Best Western Landing Hotel	120.00	
205509	Best Western Landing Hotel	134.17	
205508	Best Western Landing Hotel	-	133.48
205510	Best Western Landing Hotel	148.75	
205795	Best Western Landing Hotel	99.00	
206103	Best Western Landing Hotel	-	148.14
10141	Bison ProFab	-	3,521.01
BLUE201311	Blue Water Charter & Tackle	725.00	
BLUE201312	Blue Water Charter & Tackle	725.00	

SOUTHEAST ALASKA POWER AGENCY

Invoice No.	Company (vendor)	Revenue Fund	R&R Fund
2013576	Box-It LLC	110.00	
2013651	Box-It LLC	110.00	
1310	Breakaway Adventures, LLC	160.00	
10712	CBS ArcSafe, Inc	-	21,510.74
10290PB5	Chatham Electric, Inc.	14,527.50	
5694272	Cisco WebEx LLC	49.00	
5738738	Cisco WebEx LLC	49.00	
36488	Commonwealth Associates, Inc.	7,756.68	
3661	Commonwealth Associates, Inc.	452.40	
3280081	Daily Journal of Commerce	-	42.00
3281716	Daily Journal of Commerce	42.00	
3281814	Daily Journal of Commerce	-	44.10
XJ7KR2MP8	DELL	-	3,803.10
XJ83NC8X9	DELL	-	626.96
9810	DHittle & Associates, Inc.	2,475.00	
9851	DHittle & Associates, Inc.	1,980.00	
1861	Electric Power Systems Inc.	3,008.00	
66172	Environmental Resources Management	1,000.00	
66756	Environmental Resources Management	1,000.00	
AKKET5242	Fastenal	29.50	
AKKET5401	Fastenal	6,256.92	
2264220895	FedEx	-	182.84
2714550	Ferguson Enterprises	-	4,487.09
792	Fiber Fusion	-	35,849.35
795B	Fiber Fusion	-	53,431.77
MK139771	Futaris	-	3,645.00
MK139772	Futaris	-	6,955.93
MK139796	Futaris	-	7,165.00
MK139807	Futaris	-	9,914.32
MK139809	Futaris	-	2,736.00
CM139796	Futaris	-	(7,165.00)
CM139807	Futaris	-	(9,914.32)
51490147	GCI 99001	461.60	
52184438	GCI 99001	531.47	
59544970	GE Capital	595.00	
59556029	GE Capital	140.00	
59699225	GE Capital	140.00	
59704600	GE Capital	595.00	
3097	I Even Do Windows	300.00	
3229	I Even Do Windows	300.00	
3299	I Even Do Windows	300.00	
99295	Jud's Office Supply	102.30	
99449	Jud's Office Supply	39.99	
99512	Jud's Office Supply	120.92	
99603	Jud's Office Supply	30.85	
99781	Jud's Office Supply	82.59	
99888	Jud's Office Supply	600.49	
99974	Jud's Office Supply	86.00	
685790	Ketchikan City of 334	12.50	
28290	Ketchikan Daily News	-	53.00
28343	Ketchikan Daily News	-	59.15
28347	Ketchikan Daily News	59.10	
28458	Ketchikan Daily News	65.30	
KGB201311	Ketchikan Gateway Borough	3,737.25	

SOUTHEAST ALASKA POWER AGENCY

Invoice No.	Company (vendor)	Revenue Fund	R&R Fund
KGB201312	Ketchikan Gateway Borough	3,737.25	
KPUT201310	Ketchikan Public Utilities 2417	802.34	
KPU201311	Ketchikan Public Utilities 2417	799.06	
LK201311	LK Storage	304.20	
LK201312	LK Storage	304.20	
8326341	Madison Lumber & Hardware Inc	-	774.00
8326351	Madison Lumber & Hardware Inc	-	65.97
8437391	Madison Lumber & Hardware Inc	17.27	
8438731	Madison Lumber & Hardware Inc	64.20	
8440271	Madison Lumber & Hardware Inc	55.56	
17228	Mapcon Technologies, Inc.	4,390.00	
288844387765	Marsh USA Inc.	1,024.00	
101	May Engineering Services LLC	2,170.00	
94867	McCall Industrial	-	4,356.00
94869	McCall Industrial	-	6,875.00
3388	McMillen, LLC	-	3,502.08
3408	McMillen, LLC	34,441.69	
3409	McMillen, LLC	5,620.99	
3410	McMillen, LLC	59,393.31	
3437	McMillen, LLC	-	3,450.25
3516	McMillen, LLC	1,107.00	
3517	McMillen, LLC	-	8,347.50
MKC201309	Morris Kepler Consulting	199.02	13,040.30
38742	Nolan Center	1,225.00	
347189	Northland Services	70.11	
347191	Northland Services	56.44	
350220	Northland Services	-	252.40
350236	Northland Services	159.22	
351224	Northland Services	-	72.13
351175	Northland Services	181.95	
351975	Northland Services	-	135.55
353357	Northland Services	-	72.13
353818	Northland Services	-	38.08
26842013	NRECA 758777 Deferred	1,000.00	
13110630	NRECA 798185 Group Ins	785.22	
13110630A	NRECA 798324 Group Ins Admin	76.53	
13108046A	NRECA 798330 RSP Admin	428.15	
13118046A	NRECA 798330 RSP Admin	428.15	
13128046A	NRECA 798330 RSP Admin	428.15	
54611	Pilot Publishing, Inc.	-	50.63
54614	Pilot Publishing, Inc.	57.38	
54635	Pilot Publishing, Inc.	-	38.50
54805	Pilot Publishing, Inc.	54.00	57.38
1600	PSSA LLC	795.00	1,595.00
520	Ray Matiashowski & Assoc.	4,000.00	
528	Ray Matiashowski & Assoc.	4,000.00	
110961	REVL Communications & Systems	-	4,122.18
1009160	Satellite & Sound Inc	1,659.00	
1115150	Satellite & Sound Inc	1,659.00	
40478536833	Schweitzer Engineering Laboratories Inc	-	14,697.28
40478541024	Schweitzer Engineering Laboratories Inc	-	1,713.39
314663	SE Business Machines	755.00	
INV131004	Segrity LLC	-	25,042.50
17702	Service Auto Parts	-	65.90

SOUTHEAST ALASKA POWER AGENCY

Invoice No.	Company (vendor)	Revenue Fund	R&R Fund
1772	Sign Pro	430.10	
1739	Sign Pro	57.28	
55185	Standard Automation	1,820.01	
2784	Stikine Inn	1,638.00	
2785	Stikine Inn	175.00	
1489	Stikine Transportation	23,146.00	
51405	Sunrise Aviation Inc	1,550.00	
51423	Sunrise Aviation Inc	720.00	
51455	Sunrise Aviation Inc	-	435.00
51468	Sunrise Aviation Inc	-	435.00
51470	Sunrise Aviation Inc	525.00	
51476	Sunrise Aviation Inc	1,090.00	
51492	Sunrise Aviation Inc	-	870.00
57513	Sunrise Aviation Inc	720.00	
51518	Sunrise Aviation Inc	-	435.00
27007	Taquan Air	3,122.50	
27008	Taquan Air	934.90	
27138	Taquan Air	-	467.45
27142	Taquan Air	467.45	
27180	Taquan Air	-	467.45
51111839001	Technical Marketing Mfg., Inc.	-	2,397.14
TEK201311	TekMate Incorporated	2,100.00	
43375	TekMate Incorporated	1,652.90	
43440	TekMate Incorporated	1,531.14	
27058	Temsco Helicopters, Inc.	-	2,737.93
27045	Temsco Helicopters, Inc.	-	8,106.25
27046	Temsco Helicopters, Inc.	-	3,033.60
27124	Temsco Helicopters, Inc.	-	3,279.13
27131	Temsco Helicopters, Inc.	1,862.52	1,862.53
27138	Temsco Helicopters, Inc.	-	3,698.80
27140	Temsco Helicopters, Inc.	-	3,494.15
27141	Temsco Helicopters, Inc.	-	3,643.20
27173	Temsco Helicopters, Inc.	-	2,439.80
27174	Temsco Helicopters, Inc.	-	554.50
27176	Temsco Helicopters, Inc.	-	3,701.65
27178	Temsco Helicopters, Inc.	-	1,663.50
27185	Temsco Helicopters, Inc.	-	1,697.50
27191	Temsco Helicopters, Inc.	-	1,219.90
27194	Temsco Helicopters, Inc.	-	1,552.60
27210	Temsco Helicopters, Inc.	-	1,885.30
27205	Temsco Helicopters, Inc.	-	3,863.70
11062013	Temsco Helicopters, Inc.	-	3,607.90
K5632	Temsco Helicopters, Inc.	-	270.00
50726766	Tetra Tech Inc	-	788.50
50726767	Tetra Tech Inc	16,300.77	
50726768	Tetra Tech Inc	183.40	
50726769	Tetra Tech Inc	-	3,109.60
50741540	Tetra Tech Inc	-	610.65
50741547	Tetra Tech Inc	40,410.50	
50741549	Tetra Tech Inc	282.40	
50741551	Tetra Tech Inc	-	6,257.00
14280	TexRus	7,419.34	
TBPS201309	Thomas Bay Power Authority	-	13,291.82
TBPA201310	Thomas Bay Power Authority	-	16,999.71

SOUTHEAST ALASKA POWER AGENCY

Invoice No.	Company (vendor)	Revenue Fund	R&R Fund
306521	Timber & Marine Supply Inc	6,049.00	
132019	Tongass Engineering	-	1,233.75
132036	Tongass Engineering	3,813.07	
132101	Tongass Engineering	-	708.75
71623	Transduction	-	18,262.81
9291801	Tyler Rental, Inc.	-	945.00
K9333001	Tyler Rental, Inc.	-	118.00
K39536	Tyler Rental, Inc.	-	101,400.00
K9291802	Tyler Rental, Inc.	-	378.00
241844FDM	Wagner Smith Equipment Co	230.12	
0241488IN	Wagner Smith Equipment Co	12,791.30	
12453	Warren, McVeigh & Griffin, Inc.	5,726.71	
12459	Warren, McVeigh & Griffin, Inc.	2,827.50	
12413	Warren, McVeigh & Griffin, Inc.	(2,500.00)	
WF201310	Wells Fargo Bank-Corporate Trust	113,238.87	
WF201311	Wells Fargo Bank-Corporate Trust	113,238.87	
471463	Wesco Distribution	828.00	
54594	Wrangell Sentinel	46.75	
54635	Wrangell Sentinel	-	38.50
54803	Wrangell Sentinel	45.38	45.37
2013 09	Bank of America Credit Card	9,362.15	124.94
2013 10	Bank of America Credit Card	10,039.20	716.96
	Board Member Reimbursement	9.99	
	Employee Reimbursements	2,048.72	543.35
Total Disbursements		623,637.43	694,996.07
		\$1,318,633.50	

Southeast Alaska Power Agency

CEO Report

DATE: December 12, 2013

TO: SEAPA Board of Directors

FROM: Trey Acteson, CEO

LEGISLATIVE AFFAIRS

Swan Lake Reservoir Expansion, and Beyond: The Governor's draft 2015 budget does not appear to have included funding for this project, which we can discuss further at the board meeting. As previously noted, it is highly unlikely that the Swan Lake Reservoir Expansion will be "fully" funded through this or any other State funding mechanism. The fiscal outlook for the State of Alaska is dismal. TAPS is 2/3rds empty and declining at a rate of 6%. It provides about 90% of the State's revenues. The State budget has exploded to \$7 billion and revenues are around \$4 billion. Budget reserves are \$18 billion and are forecasted to evaporate in less than eight years. The fiscal crisis is a reality and will inevitably change the State's approach to new project funding. We can anticipate a rapid transition to a model that primarily supports self-sustaining projects which provide a positive return on investment to the State.

Although the odds are VERY low, SEAPA will continue to actively pursue funding options for the Swan Lake Expansion Project. After we have had an opportunity to review the Governor's budget, we'll submit a follow-up request through the CAPSIS process. As a reminder, we've also submitted a request for the maximum \$4MM allowed under the Renewable Energy Grant Program. Looking beyond Swan Lake, the cost of the next increment of generation will undoubtedly be fully burdened by the rate payers.

Roadless Rule: On August 22, 2013, I reached out to Niel Lawrence of the Natural Resources Defense Council seeking support and clarification regarding the KPI exemption in the Roadless Rule. Mr. Lawrence had a hand in the drafting of the legislation and concurred that recent interpretations did not meet the original intent. On November 22, 2013, the USDA provided a rare clarification that states "To state it in the most plain and unambiguous terms, USDA regards the Kake-Petersburg Intertie Project, like all projects identified in the Final Judgment, as exempt from the prohibitions of the 2001 Roadless Rule under the terms of the Final Judgment." (Attachment 1). This is good news, but we are still waiting to see how this clarification changes things at the local level with regard to KPI permitting, construction, and maintenance costs.

From a broader perspective, SEAPA continues to actively oppose the Roadless Rule. I've met with Chief Tidwell, Senator Murkowski, Congressman Young, and numerous State legislators regarding the negative impact of the Roadless Rule. Additionally, on December 2, 2013, Ater Wynne LLP filed an Amicus Brief on our behalf in support of the State's lawsuit to overturn the Roadless Rule (Attachment 2). A copy of the Amicus Brief will be forwarded to Governor Parnell and key legislators to illustrate SEAPA's regional leadership role and alliance with the State on this important issue.

Legislative Lunch & Learn: I have been selected to chair a special committee with APA to develop and present Alaska Power Association's Lunch & Learn presentation on January 29th in Juneau. There will be five regional speakers and I have been asked to represent S. E. Alaska.

Southeast Alaska Power Agency

CEO Report

The focus will be on regional challenges, solutions, and the State's role in major infrastructure development.

BEST PRACTICES AND PROCESS IMPROVEMENTS

Policies and Procedures Handbook Update: Staff distributed a “draft” of Section 1 of SEAPA’s Policies and Procedures Handbook for Board review and consideration. All proposed additions and deletions have been tracked for your convenience. One look at the amount of red ink and I’m sure everyone will agree that this comprehensive update is overdue. This will be covered in greater detail under new business. Section 2 edits are in progress and we anticipate distributing a “draft” to the Board well in advance of our scheduled February meeting.

Website Overhaul: Staff is making good progress with our contractor on the SEAPA website overhaul. We are working to give it a fresh new look and make it more intuitive for users. We are also adding features to track user traffic more effectively. This is an important core improvement that will enhance communication and interaction with the public. We anticipate roll out early next year.

Structured Compensation Plan: As noted during our last regular meeting, Winston Tan, of Intandem LLC has been scheduled to provide a presentation on our proposed compensation plan to the Board. Mr. Tan is a distinguished subject matter expert with relevant Alaska experience. I have requested he provide details on his approach to compensation plan development, highlighting data-set resources and their applicability. This is an important business process improvement that will provide a framework for the future. The proposed plan is malleable and can be adjusted periodically to address changing market conditions.

RECRUITMENT

Attracting a seasoned professional engineer to Ketchikan has been challenging as expected. We have received nine new applications since our last regular Board meeting in October. Most applicants have lacked basic qualifications and experience so our search continues. We may need to employ the services of a recruitment agency in the spring if current initiatives are not successful.

KAKE – PETERSBURG INTERTIE PROJECT (KPI)

Permitting and preliminary design work continues. The Preliminary Draft EIS has been submitted for review to the USFS, which is the lead agency. We expect the Draft EIS to be published February 7th and public meetings are tentatively scheduled for February 25th and 26th. The Intertie Study Update Final Report, prepared by D. Hittle and Associates, should be finalized and available for distribution in January. The Kake-Petersburg Intertie Steering Committee held a meeting telephonically on November 21st (Attachment 3). A community flyer project update was distributed that same day following the meeting (Attachment 4). This project faces considerable challenges in the current fiscal environment. It will likely require 100% state funding to advance it past final design. As part of feasibility due diligence, SEAPA’s consultants will conduct hydrosite analysis in Kake next spring utilizing existing KPI grant funding.

Southeast Alaska Power Agency

CEO Report

TRANSITION OF TYEE LAKE HYDRO FACILITIES O&M TO SEAPA

I have included several attachments behind this report to provide the necessary background regarding the transition of Tyee O&M to SEAPA. SEAPA has supported the public process in Petersburg and Wrangell for several months and this outreach effort has resulted in formal resolutions of support from both Assemblies (Attachments 5 and 6) to proceed with a negotiated transition settlement. My August 19, 2013 Letter to the President of the Thomas Bay Power Authority (Attachment 7) detailed a list of possible solutions to address primary concerns and is generally the basis of the anticipated settlement. I look forward to discussing these details with the Board, as well as the anticipated next steps to advance the transition process. Wrangell's counsel's legal opinion on TBPA issues is also attached. (Attachment 8)

Additionally, Mr. Jabusch and I plan to meet directly with the TBPA employees after the holidays to provide further information and work toward an equitable transition plan. I will also be meeting with the IBEW to establish a dialog regarding their existing agreement with the TBPA. I anticipate we will need to draft a Letter of Agreement between the IBEW and SEAPA as part of the transition.

WHITMAN TRUE-UP

SEAPA has contacted KPU in another attempt to advance Whitman True-up negotiations. KPU has responded to our request and we look forward to working with them to progress this effort in January. We are currently waiting for them to provide edits to our "Draft" True-up document that was provided to them in August. I believe the proposal on the table is a fair approach that will allow us to integrate the Whitman Project into the regional generation mix, while maintaining compliance with the Long-Term Power Sales Agreement and our bond indenture requirements.

FINANCIAL

Financial matters are addressed in a separate cover letter under the "Financial" tab in the Board packets.

Attachments:

- Attachment 1: USDA KPI Clarification Letter
- Attachment 2: Roadless Rule Amicus Brief
- Attachment 3: KPI Steering Committee Meeting Minutes
- Attachment 4: KPI Community Flyer
- Attachment 5: Tyee O&M - Wrangell City & Borough Resolution #12-13-1290
- Attachment 6: Tyee O&M - Petersburg Borough Resolution #2013-21
- Attachment 7: Tyee O&M – CEO August 19, 2013 Letter to TBPA
- Attachment 8: Tyee O&M - Wrangell's Legal Opinion on TBPA issues

ATTACHMENT 1



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

NOV 22 2013

Niel Lawrence
Director, Forestry
Natural Resources Defense Council
3723 Holiday Drive SE
Olympia, WA 98501

Dear Mr. Lawrence:

The Department of Justice has referred to this office your letter of August 20, 2013 concerning the Kake-Petersburg Intertie Project and the District Court's May 24, 2011, Final Judgment issued in *Organized Village of Kake v. USDA*, 1:09-cv-00023 JWS (D. Alaska).

Although it is not our general practice to comment on the operation of court orders, in this instance we believe that a response to your inquiry would promote mutual understanding and clarity for all interested parties. USDA regards the language of the Court's Order to be clear and dispositive, notwithstanding the fact that some interested and affected entities continue to express concerns or confusion regarding the Final Judgment's effect on transmission lines, hydropower and other development activities. To state it in the most plain and unambiguous terms, USDA regards the Kake-Petersburg Intertie Project, like all projects identified in the Final Judgment, as exempt from the prohibitions of the 2001 Roadless Rule under the terms of the Final Judgment.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Bonnie", written over a horizontal line.

Robert Bonnie
Under Secretary, Natural Resources and Environment

ATTACHMENT 2

No. 13-5147

(Consolidated with Nos. 13-5150 and 13-5151)

**UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT**

STATE OF ALASKA, *et al.*

Appellants,

v.

UNITED STATES OF AMERICA, *et al.*

Appellees.

On Appeal from the United States District Court for the District of Columbia,
Case No. 11-cv-01122, Honorable Richard J. Leon, U.S. District Judge

**BRIEF OF *AMICI CURIAE* SOUTHEAST ALASKA POWER AGENCY,
AMERICAN FOREST RESOURCES COUNCIL, FEDERAL FOREST
RESOURCES COALITION, AND NATIONAL MINING COALITION
IN SUPPORT OF APPELLANTS, SEEKING REVERSAL**

John M. Schultz
ATER WYNNE LLP
1331 NW Lovejoy Street, Suite 900
Portland OR 97209
Telephone: 503.226.8647

Stephen J. Kennedy
ATER WYNNE LLP
601 Union Street, Suite 1501
Seattle WA 98101-3981
Telephone: 206.623.4711

Attorneys for Amici Curiae

CERTIFICATE AS TO PARTIES, RULINGS, AND RELATED CASES

Pursuant to Circuit Rule 28(a)(1), undersigned counsel certifies the following information on behalf of amici curiae Southeast Alaska Power Agency (“SEAPA”), American Forest Resources Council (“AFRC”), Federal Forest Resource Coalition (“FFRC”) and National Mining Association (“NMA (collectively the “Amici”) .

1. Parties and Amici Curiae.

All parties and intervenors appearing before the district court and in this Court are listed in the Appellants’ Joint Opening Brief. All amici curiae appearing in this Court are listed above.

2. Rulings Under Review.

These appeals seek review of the March 25, 2013 (date of docketing) Order and Memorandum Opinion of Judge Richard J. Leon, of the United States District Court for the District of Columbia, *State of Alaska, et al. v. United States Department of Agriculture, et al.* made final in the order docketed on March 25, 2013. J.A. 281.

3. Related Cases.

The Amici are not aware of any related cases.

CORPORATE DISCLOSURE STATEMENT FOR AMICI CURIAE

Pursuant to Fed. R. App. P. 26.1 and Circuit Rule 26.1, undersigned counsel states that:

1. SEAPA is an Alaska Joint Action Agency that has no parent companies, nor does any publicly-held company have a 10% or greater ownership in SEAPA. SEAPA's general nature and purpose, insofar as relevant to the litigation, are set forth below in paragraph 1 of the Statement Of Identity, Interest And Authority To File.

2. AFRC is an Oregon nonprofit corporation that does not issue shares to the public and has no subsidiaries that issue shares to the public. AFRC's general nature and purpose, insofar as relevant to the litigation, are set forth below in paragraph 2 of the Statement Of Identity, Interest And Authority To File.

3. FFRC is a Washington D.C. nonprofit corporation that does not issue shares to the public and has no subsidiaries that issue shares to the public. FFRC's general nature and purpose, insofar as relevant to the litigation, are set forth below in paragraph 3 of the Statement Of Identity, Interest And Authority To File.

4. National Mining Association ("NMA") is a Delaware nonprofit corporation that operates as a national trade association which does not issue shares to the public and has no subsidiaries that issue shares to the public. NMA's

general nature and purpose, insofar as relevant to the litigation, are set forth below in paragraph 4 of the Statement of Identity, Interest And Authority To File.

STATEMENT OF IDENTITY, INTEREST AND AUTHORITY TO FILE

Pursuant to Fed. R. App. P. 29(c)(4), undersigned counsel states that:

1. SEAPA is a Joint Action Agency, an Alaska public corporation formed and existing under Alaska Statutes §§ 42.45.300, et seq. SEAPA owns two hydroelectric projects (Swan Lake and Tyee) and associated transmission facilities that provide economical, renewable, non-carbon-based electric power to SEAPA's three member public utilities – the City of Ketchikan d/b/a Ketchikan Public Utilities, the City of Wrangell d/b/a City of Wrangell Light Department, and the City of Petersburg d/b/a Petersburg Municipal Power and Light. SEAPA has a legal existence separate from and independent of its member public utilities. SEAPA is interested in this action because the rule that is the subject of this litigation – the 2001 Roadless Area Conservation Final Rule and Record of Decision, 66 Fed. Reg. 3244 (Jan. 12, 2001) (“Roadless Rule”) – directly and adversely affects SEAPA's ability to generate renewable hydroelectric power in rural Southeast Alaska, as an alternative to diesel and other fossil fuels, in a cost-effective and affordable manner.

SEAPA's authority to file this brief is based on Fed. R. App. P. 29(a) and Circuit Rule 29(b), in that all parties have consented to its filing. See

Representation of Consent of All Parties to Participation of Southeast Alaska Power Agency as Amicus Curiae, dated September 26, 2013 (Doc. # 1458314). By separate Order dated October 3, 2013, the Court authorized amici curiae to participate in the briefing of this case within specified parameters (Doc. # 1459406).

2. AFRC is an Oregon nonprofit corporation that represents forest product businesses and forest landowners throughout Oregon, Washington, Idaho, Montana, and California who purchase the majority of timber from federal lands managed by the Forest Service. AFRC is interested in this action because the Roadless Rule directly and adversely affects AFRC members' ability to purchase and economically harvest timber from inventoried roadless areas, as well as their ability to gain access to their own privately-held timber lands when such lands are surrounded by federal inventoried roadless areas.

AFRC's authority to join this amicus brief is based on Fed. R. App. P. 29(a) and Circuit Rule 29(b), in that all parties have consented to its joining the filing.

3. FFRC is a Washington D.C. nonprofit corporation that is a national coalition of small and large companies and regional trade associations whose members manufacture wood products, paper, and renewable energy from national forest timber resources. FFRC has an interest in this litigation because

implementation of the Roadless Rule adversely affects the availability of timber and timber products for its members to use in their businesses.

FFRC's authority to join this amicus brief is based on Fed. R. App. P. 29(a) and Circuit Rule 29(b), in that all parties have consented to its joining the filing.

4. The National Mining Association ("NMA") is Delaware nonprofit corporation that operates as a national trade association based in Washington, D.C. Its members produce most of America's coal, metals, and industrial and agricultural minerals or operate businesses that serve the mining industry. NMA's members rely on the ready availability of sufficient mineral resources to allow its member mineral producers and collateral business to thrive economically. NMA's members have an interest in this litigation because the Roadless Rule will make access to many important mineral resources too expensive to be developed.

NMA's authority to join this amicus brief is based on Fed. R. App. P. 29(a) and Circuit Rule 29(b), in that all parties have consented to its joining the filing.

STATEMENT OF AUTHORSHIP AND FUNDING OF BRIEF

Pursuant to Fed. R. App. P. 29(c)(5), undersigned counsel states that no party's counsel authored any portion of this brief. Additionally, no party and no party's counsel, nor any other person or entity other than SEAPA, AFRC, FFRC, and NMA have or are expected to contribute money intended to fund preparing or submitting this brief.

TABLE OF CONTENTS

CERTIFICATE AS TO PARTIES, RULINGS, AND RELATED CASES.....	ii
CORPORATE DISCLOSURE STATEMENT FOR AMICI CURIAE.....	iii
STATEMENT OF IDENTITY, INTEREST AND AUTHORITY TO FILE	iv
STATEMENT OF AUTHORSHIP AND FUNDING OF BRIEF	vii
TABLE OF CONTENTS	viii
TABLE OF AUTHORITIES.....	ix
GLOSSARY OF ABBREVIATIONS	xii
I. INTRODUCTION, INTERESTS OF AMICI CURIAE, AND PURPOSE OF THIS AMICUS BRIEF.....	1
A. Interests Of Amici Curiae And Purpose Of This Amicus Brief.....	4
II. ARGUMENT.....	15
CERTIFICATE OF COMPLIANCE	22
CERTIFICATE OF FILING AND SERVICE.....	23

TABLE OF AUTHORITIES

Cases

<i>American Security Vanlines, Inc. v. Gallagher</i> , 782 F.2d 1056 (D.C. Cir. 1986).....	18
<i>Autera v. Robinson</i> , 419 F.2d 1197 (D.C. Cir. 1969)	18
<i>Conservation Northwest v. Rey</i> , 674 F.Supp.2d 1232 (W.D. Wash. 2009).....	20
<i>Jackson v. Costa Lines, Inc.</i> , 490 F. Supp. 393 (S.D. Fla. 1980).....	17
<i>McCarthy v. Cahill</i> , 249 F. Supp. 194 (D. D.C. 1966)	18
<i>Organized Village of Kake v. U.S. Department of Agriculture</i> , 776 F. Supp. 2d 960 (D. Alaska 2011).....	3
<i>Pace v. DiGuglielmo</i> , 544 U.S. 408, 125 S. Ct. 1807, 161 L. Ed. 2d 669 (2005)	16
<i>Pacific Rivers Council v. Shepard</i> , No. 03:11–CV–442–HU, 2012 WL 950032 (D. Or. March 20, 2012).....	19
<i>Platoro Ltd., Inc. v. Unidentified Remains of a Vessel</i> , 614 F.2d 1051 (5 th Cir. 1980), 449 U.S. 901, 66 L. Ed. 2d 131, 101 S. Ct. 272 (1980).....	17
There are no legal authorities on which the brief principally relies.	

Williams v. First Nat'l Bank, 216 U.S. 582, 54 L. Ed. 625, 30 S. Ct.

441 (1910) 18

Statutes

28 U.S.C § 2401 3, 15

46 U.S.C. § 730 17

Administrative Procedure Act, 5 U.S.C. § 701 xi, 1

Alaska National Interest Lands Conservation Act, 16 U.S.C. § 3101 xi, 1, 2

Alaska Stat. §§ 42.45.300..... 4

Multiple-Use Sustained-Yield Act, 16 U.S.C. § 528 xi, 1

National Environmental Policy Act, 42 U.S.C. § 4321 xi, 1

National Forest Management Act, 16 U.S.C. § 1604..... xi, 1

Oregon and California Railroad and Coos Bay Wagon Road Grant

Lands Act. 43 U.S.C. 1181..... 19

Organic Administration Act, 16 U.S.C. § 473 xi, 1

Tongass Timber Reform Act, 16 U.S.C. § 539 xi, 1

Wilderness Act, 16 U.S.C. § 1131 1

Rules and Regulations

2001 Roadless Area Conservation Final Rule and Record of Decision,

66 Fed. Reg. 3244 (Jan. 12, 2001) xi, 1

36 C.F.R. § 294.14 (2004).....	xi, 2, 16
68 Fed. Reg. 75,136 (2003).....	2

Rules of Court

Circuit Rule 26	iii
Circuit Rule 28	ii
Circuit Rule 29	iv, vi
Circuit Rule 32	22
Fed. R. App. P. 26	iii
Fed. R. App. P. 29	iv, vi
Fed. R. App. P. 32	22

GLOSSARY OF ABBREVIATIONS

Roadless Rule	2001 Roadless Area Conservation Final Rule and Record of Decision, 66 Fed. Reg. 3244 (Jan. 12, 2001)
AFRC	American Forest Resources Council
ANILCA	Alaska National Interest Lands Conservation Act, 16 U.S.C. § 3101 et seq.
APA	Administrative Procedure Act, 5 U.S.C. § 701 et seq.
FFRC	Federal Forest Resources Coalition
MUSYA	Multiple-Use Sustained-Yield Act, 16 U.S.C. § 528 et seq.
NEPA	National Environmental Policy Act, 42 U.S.C. § 4321 et seq.
NFMA	National Forest Management Act, 16 U.S.C. § 1604 et seq.
NMA	National Mining Association
Organic Act	Organic Administration Act, 16 U.S.C. § 473 et seq.
SEAPA	Southeast Alaska Power Agency
Tongass Exemption	36 C.F.R. § 294.14(d) (2004)
TTRA	Tongass Timber Reform Act, 16 U.S.C. § 539d

I. INTRODUCTION, INTERESTS OF AMICI CURIAE, AND PURPOSE OF THIS AMICUS BRIEF.

This litigation concerns the validity of the 2001 Roadless Area Conservation Final Rule and Record of Decision, 66 Fed. Reg. 3244 (Jan. 12, 2001) (“Roadless Rule”) as it relates to inventoried roadless areas in the United States, including the Tongass and Chugach National Forests in Alaska.

Plaintiff-Appellant State of Alaska challenges the Roadless Rule’s validity on the grounds that defendants – the United States Department of Agriculture; the United States Forest Service; the United States Department of Agriculture Secretary Tom Vilsack, in his official capacity; and the United States Forest Service Chief Tom Tidwell, in his official capacity (collectively the “Forest Service” or the “Defendants”) – violated the Alaska National Interest Lands Conservation Act (“ANILCA”), 16 U.S.C. § 3101 et. seq., the Tongass Timber Reform Act (“TTRA”), 16 U.S.C. § 539d, the Wilderness Act, 16 U.S.C. § 1131 et seq., the National Forest Management Act (“NFMA”), 16 U.S.C. § 1604 et seq., the National Environmental Policy Act (“NEPA”), 42 U.S.C. § 4321 et seq., the Multiple-Use Sustained-Yield Act (“MUSYA”), 16 U.S.C. § 528 et seq., the Organic Administration Act (“Organic Act”), 16 U.S.C. § 473 et seq., and the Administrative Procedure Act (“APA”), 5 U.S.C. § 701 et seq., along with implementing regulations for such statutes, by promulgating and applying the Roadless Rule in the United States, including Alaska. The State of Alaska alleged

further that by failing to follow the above-cited laws in applying the Roadless Rule to the national forests in Alaska, the Forest Service acted in an arbitrary and capricious manner causing irreparable harm to the State of Alaska.

The State of Alaska first challenged the Roadless Rule's application in Alaska within a few weeks after the rule was promulgated in 2001. That original lawsuit, *Alaska v. U.S. Department of Agriculture*, Case No. A01-039-CV (JKS), was resolved by way of settlement agreement whereby the federal defendants agreed, among other things, to promulgate a "temporary regulation that would exempt the Tongass National Forest from the application of the Roadless Rule" The result was the so-called "Tongass Exemption", 36 C.F.R. § 294.14(d) (2004).

In promulgating the Tongass Exemption, the Forest Service stated that it best embodied "the letter and spirit of congressional direction" as expressed in ANILCA and the TTRA. 68 Fed. Reg. 75,136, 75,142 (Dec. 30, 2003). Paraphrasing Section 101(d) of ANILCA, 16 USC §3101(d), the Forest Service went on to observe that "the designation and disposition of the public lands in Alaska pursuant to [ANILCA] were found to represent a proper balance between the reservation of national conservation system units and those public lands necessary and appropriate for more intensive use and disposition." *Id.* The Forest Service also noted that within the Tongass, the Roadless Rule "significantly limits the ability of communities to develop road and utility connections" and that

“socioeconomic costs to local communities of applying the roadless rule’s prohibitions to the Tongass . . . warrant treating the Tongass differently.” *Id.* at 75,137, 75,139.

The Tongass Exemption remained in place until May 24, 2011 when the U.S. District Court for the District of Alaska invalidated it. *Organized Village of Kake v. U.S. Department of Agriculture*, 776 F. Supp. 2d 960, 977 (D. Alaska 2011). The court held that the adoption of the Tongass Exemption violated the APA and NEPA.

The State of Alaska filed this action on June 17, 2011, just a few weeks after May 24, 2011 ruling. SEAPA moved to intervene as an additional party plaintiff in the case, and the court below granted that motion on March 13, 2012. SEAPA filed its Complaint in Intervention on March 13, 2012.

In its Memorandum Opinion dated March 25, 2013, the court below granted the defendants’ motion to dismiss the case as untimely under the applicable six-year statute of limitations, 28 U.S.C § 2401(a). Although intervenor SEAPA did not appeal the court’s decision, its interests in this case remain strong. The parties have agreed that SEAPA may file this amicus brief. See Representation of Consent of All Parties to Participation of Southeast Alaska Power Agency as Amicus Curiae, dated September 26, 2013 (Doc. # 1458314). All Parties have also

consented to the participation of AFRC, FFRC, and NMA as additional amici curiae in this appeal.

A. Interests Of Amici Curiae And Purpose Of This Amicus Brief.

1. SEAPA is a Joint Action Agency, an Alaska public corporation formed and existing under Alaska Statutes §§ 42.45.300, et seq. SEAPA owns and operates two hydroelectric projects (Swan Lake and Tyee Lake) and approximately 175 miles of transmission line which interconnects the towns of Petersburg, Wrangell and Ketchikan. The hydro projects and associated transmission facilities provide economical, renewable, non-carbon-based electric power to SEAPA's three member public utilities – the City of Ketchikan d/b/a Ketchikan Public Utilities, the City of Wrangell d/b/a City of Wrangell Light and Power Department, and the City of Petersburg d/b/a Petersburg Municipal Power and Light. See SEAPA Motion to Intervene, Declaration of David Carlson, Dkt. 25-2, p.2.¹

SEAPA's three member utilities are located in remote areas of Southeast Alaska. With rare exceptions, communities in Southeast Alaska are not connected by road or to the North American electrical grid. Communities generally operate their own, isolated electrical generation and distribution systems. Abundant water and steep terrain have made hydroelectric power the natural choice for the energy needs of Southeast Alaska, and it is Alaska's largest source of renewable energy.

¹ The Declaration of David Carlson is the source of most of the factual statements made in this Section I(A)(1) of this amicus brief.

SEAPA's Swan Lake and Tyee Lake Hydroelectric Projects provide affordable electric power to the cities of Ketchikan, Wrangell, and Petersburg, and allow these communities to decrease the use of diesel and other expensive carbon-based fossil fuels. Natural gas, one of the least polluting fossil fuels, is common to most of the United States and even portions of Alaska, but it is not available in Southeast Alaska. Generation of electricity in Southeast Alaska is either by renewable hydro or by non-renewable and polluting diesel generation.

In December 2009, SEAPA completed construction of the 57-mile long "Swan-Tyee Intertie" ("STI"). This long-planned project interconnects the Swan Lake and Tyee Lake hydroelectric projects. As a result, all of the SEAPA member utilities (Ketchikan, Wrangell, and Petersburg) are interconnected via an electrical grid for the first time, something most communities in the United States take for granted. With the STI, the hydroelectric projects are now more efficiently operated which allows greater displacement of diesel generation.

In that May 24, 2011 judgment in the *Kake* case, a copy of which attached to this brief as Exhibit 1 and incorporated by this reference ("2011 Final Judgment"), the court offered some potential relief from the effect of the reinstatement of the Roadless Rule for SEAPA's existing Swan-Tyee Intertie project and its proposed Kake-Petersburg Intertie project by stating that:

"[n]othing in this judgment shall be construed to prohibit otherwise lawful road construction, road reconstruction, or

cutting or removal of timber if and when approved by the U.S. Forest Service to effectuate the following projects:

(2) The Kake-Petersburg Intertie, as described in the Notice of Intent to prepare an Environmental Impact Statement published in the Federal Register on May 7, 2010;

(10) Swan Tyee Intertie, as described in the U.S. Forest Service Record of Decision issued in August 1997 and the Secretary of Agriculture's August 11, 2010, redelegation memorandum . . .”

2011 Final Judgment at 2-3.

This language in the 2011 Final Judgment appears to allow the construction or reconstruction of a road needed to build the proposed Kake-Petersburg Intertie.² However, it does not specifically allow the building or reconstruction of roads needed to maintain the existing Swan-Tyee Intertie in a cost-effective manner. Moreover, this language does not protect any of SEAPA's future hydroelectric, geothermal, or wind energy projects from the Roadless Rule restrictions on new roads or other construction that require the cutting or removal of timber in an inventoried roadless area.

² On November 22, 2013, the Forest Service confirmed that the “USDA regards the [KPI] Project . . . as exempt from the prohibitions of the 2001 Roadless Rule under the terms of the final judgment.” See November 22, 2013 letter from Robert Bonnie, Under Secretary, Natural Resources and Environment, USDA, to Niel Lawrence, Director, Forestry, Natural Resources Defense Council, a copy of which is attached to this brief as Exhibit 2, and incorporated by this reference.

The watersheds surrounding SEAPA's hydroelectric projects lie within the Tongass National Forest, as do most of the transmission lines. As applied in the Tongass since 2011 when the Tongass Exemption was struck down, the Roadless Rule may directly and adversely impact SEAPA's current and future maintenance work on or modifications of the STI and will clearly adversely impact SEAPA's future capacity planning of energy and transmission line projects (other than the Kake-Petersburg Intertie project as discussed below) for the communities it serves by prohibiting road building and other construction activities in "inventoried roadless areas." SEAPA's hydro projects and transmission lines are mostly surrounded by "inventoried roadless" areas. Although pre-Roadless Rule special use permits are in place to operate and maintain the existing transmission lines in some inventoried roadless areas, the rights-of-way are narrow; adding additional necessary facilities such as communication repeaters outside the permitted rights-of-way will be difficult, if not impossible, under the Roadless Rule. For example, SEAPA requires a reliable communications path between its operations centers and its remote hydro projects to ensure efficient operation of the projects through voice and data communications. SEAPA has had to cobble together a proposed communication path in very remote areas, with limited access for construction and repair, in order to provide the necessary communication. Under the Roadless Rule, this task has become much more difficult and expensive. When roads are not

available to access transmission lines for maintenance and unscheduled outages, the increased cost is a significant barrier. These costs are passed on to the ratepayers and outages for maintenance/repairs take longer to perform which also causes the member utilities to generate more electricity with diesel. Additionally, there are increased safety risks for SEAPA's employees and contractors because of the greater need to use helicopters to provide access in very steep and challenging terrain. These increased risks and the potential human costs are no small matter.

The Roadless Rule's general prohibition on road construction also adversely affects future hydropower development in Southeast Alaska. SEAPA is currently participating in a region-wide planning effort through a state-sponsored Integrated Resource Plan ("IRP"). Among other things, the IRP is providing load forecasting and identifying potential hydro projects which can be constructed to provide future capacity to communities throughout Southeast Alaska. The need for additional projects is being driven, in large part, by a conversion from heating oil to electricity to heat homes, municipal buildings, and businesses. This conversion has accelerated in the past few years and is being driven by the doubling and tripling of oil prices. The SEAPA region's electric customers have converted to electric heat because the rates charged for electricity have been very stable due to the lower and consistent cost of power from existing remote hydro facilities and transmission lines that deliver power to the communities served. Increased use of

power from hydro facilities has further driven down the use of diesel to provide electricity and thereby has reduced overall carbon emissions throughout the SEAPA interconnected region.

The IRP for Southeast Alaska identified a number of potential energy projects for the entire Southeast Alaska region. The list of projects that the U.S. District Court of Alaska in its 2011 Final Judgment exempted from the Roadless Rule does not include every project identified in the IRP. This leaves open the obligation for SEAPA to comply with Roadless Rule restrictions that greatly impact both planning and development of future projects for the region.

For example, the IRP did not limit its focus to those projects with licenses or preliminary permits issued by the Federal Energy Regulatory Commission. Included in the IRP are possible geothermal sources and wind projects as well as a variety of hydro-related projects. Before any of the potential projects are selected, numerous studies identifying loads, feasibility, cost and financing need to be completed for every potential site pursued in the SEAPA region. The impact of the Roadless Rule on each of these potential projects adds to their cost of development, and increases the uncertainty of pursuing a clean energy future for Southeast Alaska.

In addition, the Roadless Rule affects the region's economic development. The need for additional economic and environmentally-friendly hydroelectric

resources in Southeast Alaska is immediate. Given the time that long range planning and permitting takes before any construction for such projects can begin, it is crucial that viable projects begin planning and development immediately. The Roadless Rule directly impacts this effort. The locations of most of the potential hydro projects and their associated transmission lines being evaluated in the Southeast IRP fall within “inventoried roadless areas” in the Tongass National Forest and will be adversely affected by the prohibition on road construction and tree cutting in such areas. Inventoried roadless areas cover 57% of the Tongass National Forest. This is in addition to the 35% that is currently set aside in National Monuments and Wilderness areas. Because of the Roadless Rule, a total of 92% of the Tongass National Forest – the nation’s largest national forest – is off-limits to development activities other than those projects listed in the Final Judgment if roadbuilding or tree removal is required.

A specific example of an economic development project in Southeast Alaska that may be adversely affected by the Roadless Rule is the Niblack Mine. While the 2011 Final Judgment may have exempted exploratory drilling for the mine, should the mine itself go forward the region may well need additional energy resources to provide power to the mine. It is far from certain whether the energy resources necessary to supply the mine are already on the list of exempted projects identified by the court in the Final Judgment. This fact alone can impact the

region's ability to successfully compete for important projects like the Niblack mine.

A hydroelectric project simply cannot be built using helicopters alone. Hydroelectric plants are major construction projects that require heavy machinery, equipment and concrete. For example, each generator at the Tyee hydroelectric project weighs approximately 30 tons. Moving this equipment by helicopter is not only impractical, it is virtually impossible at any cost because no existing civilian helicopters can handle more than a 12.5-ton payload. Roads to move this type of very heavy equipment are a necessity. Because the Roadless Rule prohibits road construction as well as tree cutting, in general no new hydro projects can be built in inventoried roadless areas. The result of this will be more generation of electricity by more costly non-renewable and polluting diesel. This has a direct effect on SEAPA and its member communities.

Hydroelectric power plants, transmission lines, and associated equipment also require regular maintenance. The cost to maintain a transmission line that is constructed without road access is also exorbitant, and these costs are paid by SEAPA's ratepayers. The rights-of-way for such lines must be maintained and brushed continually. The structures have to be inspected on a rotating annual basis. With road access, this work can be done efficiently by a crew in a truck. Without road access, the work has to be helicopter-supported which is very

expensive, approaching \$1,000 per hour for a small helicopter such as a Hughes 500. For example, SEAPA is currently spending in excess of a half million dollars a year on clearing its transmission lines from Ketchikan to Petersburg using helicopter support.

In addition, transmission lines that do not have road access must have helicopter pads near the structures. On the STI alone, there are over 100 helipads yet to be installed, and at an estimated price of \$35,000 per pad, the total cost because of the Roadless Rule will be approximately \$3.5 million. These pads will have to be maintained and brushed every few years, which also has to be done by hired helicopter.

To summarize, the defendants' application of the Roadless Rule to the Tongass National Forest has caused and will continue to cause immediate and direct injury to SEAPA's ability to provide affordable, renewable, environmentally clean, non-carbon-based hydroelectric power, by either prohibiting or substantially impairing such projects and development.

2. The American Forest Resource Council ("AFRC") is an Oregon nonprofit corporation that represents forest product businesses and forest landowners throughout Oregon, Washington, Idaho, Montana, and California. In these states, AFRC members purchase the majority of timber from federal lands managed by the Forest Service. AFRC and its members have been actively

involved in national forest planning and roadless area management issues during the last several decades. Many AFRC members own land which is adjacent to or intermingled with national forest land and are concerned about access to, and protection of, their private forest land. The concern is particularly great for national forest lands which are currently roadless and pose a high fire hazard or a heightened risk of insects and disease affecting intermingled private forest land. AFRC has been a plaintiff in many cases challenging management plans and regulations for federal forests. Some of these cases have resulted in settlements purportedly resolving claims with a commitment to prepare new plans or adopt revised regulations that are later invalidated by environmental group lawsuits beyond a six-year statute of limitations, thereby undermining AFRC's ability to obtain relief on its original claims.

AFRC or its members have also been unfairly prejudiced by entering settlement agreements that are later rendered ineffective by a subsequent lawsuit by non-settling groups which essentially destroys the fruits of the settlement more than six years later. AFRC is left with little or no recourse because the six-year statute of limitations has run.

3. The Federal Forest Resources Coalition ("FFRC") is a Washington D.C. nonprofit corporation with members in more than two dozen states. It is a national coalition of small and large companies and regional trade associations

whose members manufacture wood products, paper, and renewable energy from national forest timber resources. FFRC seeks healthy national forests that contribute to local economies through prompt and efficient management. Coalition members employ over 350,000 workers in over 650 mills, with payroll in excess of \$19 billion. FFRC represents companies that collectively purchase at least 75% of timber sold by the national forests each year. FFRC has an interest in encouraging settlements of disputes that foster prudent regulation and management of national forests and not having such settlements later eviscerated through collateral lawsuits after the six-year statute of limitations has run, thereby leaving the settling parties no option to redress their original grievances.

4. The National Mining Association (“NMA”) is a Delaware nonprofit national trade association whose members produce most of America’s coal, metals, and industrial and agricultural minerals. Its membership also includes manufacturers of mining and mineral processing machinery and supplies, transporters, financial and engineering firms, and other businesses involved in the nation’s mining industries. NMA works with Congress and federal and state regulatory officials to provide information and analyses on public policies of concern to its membership, and to promote policies and practices that foster the efficient and environmentally sound development and use of the country’s mineral resources.

NMA's members encourage settlements of disputes involving regulations and plans affecting the management of not only national forests but also other federal lands with mineral resources such as those managed by the Bureau of Land Management's ("BLM"). NMA does not want such a settlement to be adversely affected by court decisions or agency action or inaction that undercut the settlement more than six years after the statute of limitations has run because this would deprive NMA members of an opportunity to revive their original challenge to the regulation or management plan.

The Amici support Appellants' position that the court below erred in dismissing the case as untimely, and submit this brief specifically to address the issue of equitable tolling in light of the 2003 settlement which led to the Tongass Exemption.

II. ARGUMENT.

The court below held that this action was barred by the six-year statute of limitations set forth in 28 U.S.C. § 2401(a) because this action was commenced more than six years after the initial promulgation of the Roadless Rule. We support Appellants' position that their right of action to challenge the Roadless Rule did not accrue until September 20, 2006 and thus is timely without equitable tolling. However, the Amici have chosen to focus this brief on why equitable tolling provides an alternative reason the dismissal below should be reversed and

the matter remanded so that the District Court may consider the parties' substantive arguments.

A party urging the application of equitable tolling "bears the burden of establishing two elements: (1) that he has been pursuing his rights diligently, and (2) that some extraordinary circumstances stood in his way." *Pace v. DiGuglielmo*, 544 U.S. 408, 418, 125 S. Ct. 1807, 161 L. Ed. 2d 669 (2005). Both elements are established here.

First, the State of Alaska diligently pursued its claims. The State filed its initial lawsuit challenging the Roadless Rule in 2001, just 19 days after it was adopted. The Alaska Forest Association, an appellant in this case, joined the State as a plaintiff-intervenor. In 2003, that lawsuit was resolved by a settlement agreement with the federal defendants in this case, which resulted in the Tongass Exemption, 36 C.F.R. § 294.14(d) (2004). The Tongass Exemption remained in effect until May 24, 2011, when the district court in Alaska set it aside. The State promptly filed this case on June 17, 2011, less than one month later. There can be no question but that the State of Alaska diligently pursued its rights.

Second, the defendants' action in remedying the State's injuries through the Tongass Exemption was an "extraordinary circumstance" that stood in the State's way of pursuing further relief. Indeed, during the eight years that the Tongass Exemption was in effect, the State (and, for that matter, SEAPA) had no reason to

challenge the Roadless Rule a second time because the State was still benefiting from the Tongass Exemption that had come out of the 2003 settlement of its original 2001 challenge. However, when the Tongass Exemption was set aside in 2011, the State could be harmed by the Roadless Rule and diligently revived its challenge of the regulation.

SEAPA has not found any similar cases involving the re-filing of a lawsuit after a settlement was overturned by a court and after the statute of limitations had passed. Equitable tolling has been applied, however, in at least two salvage cases where settlement agreements have later been *dishonored* by a party. See *Platoro Ltd., Inc. v. Unidentified Remains of a Vessel*, 614 F.2d 1051, 1054-55 (5th Cir. 1980), *cert. denied* 449 U.S. 901, 66 L. Ed. 2d 131, 101 S. Ct. 272 (1980) (holding that the two-year statute of limitations formerly set forth in 46 U.S.C. § 730 was tolled after plaintiff negotiated an agreement which was later dishonored); and *Jackson v. Costa Lines, Inc.*, 490 F. Supp. 393, 397 (S.D. Fla. 1980) (holding that the two-year statute of limitations formerly set forth in 46 U.S.C. § 730 was tolled until plaintiff learned that the defendant would not honor their previous settlement agreement). Similarly, here, the statute of limitations should be deemed to have been tolled during the eight-year period when the Tongass Exemption was in effect.

Equitable tolling is especially appropriate here in light of the strong and well-established public policy to promote settlements in litigation. Compromises of disputed claims are favored by the courts. *Williams v. First Nat'l Bank*, 216 U.S. 582, 595, 54 L. Ed. 625, 30 S. Ct. 441 (1910); *see also American Security Vanlines, Inc. v. Gallagher*, 782 F.2d 1056, 1060 (D.C. Cir. 1986) ("Few public policies are as well established as the principle that courts should favor voluntary settlements of litigation by the parties to a dispute"); *Autera v. Robinson*, 419 F.2d 1197, 1199 (D.C. Cir. 1969) ("voluntary settlement of civil controversies is in high judicial favor"); *McCarthy v. Cahill*, 249 F. Supp. 194, 198 (D. D.C. 1966) ("The inveterate policy of the law is to encourage, promote, and sustain the compromise and settlement of disputed claims"). As the Court stated in *Gallagher*:

Courts and commentators have identified two principal bases for the policy of promoting settlements: settlements produce a substantial savings in judicial resources and thus aid in controlling backlog in the courts; and settlements promote efficient use of private resources by reducing litigation and related costs.

782 F.2d at 1060, fn. 5 (citations omitted).

The failure to apply the equitable tolling doctrine in this case would result in a chilling effect on settlements with the government, such as that which resulted in the Tongass Exemption. Indeed, if the government can repudiate a settlement agreement or a court can set it aside after the statute of limitations has run, and the government is thereby allowed to return to its previously challenged conduct

without any prospect of judicial review, then litigants such as the State of Alaska will have little or no incentive to settle in the first place. The strong policy favoring settlements in order to save judicial and private resources thus will have been frustrated.

AFRC members have also been or could be harmed if equitable tolling is not available. For example, AFRC members challenged the 1994 Northwest Forest Plan which severely restricted timber harvest on millions of acres in Washington, Oregon, and California. One of AFRC's claims challenged the BLM's no-harvest reserves in the Plan which prevented management of timberland in violation of the Oregon and California Railroad and Coos Bay Wagon Road Grant Lands Act ("O&C Act"), 43 U.S.C. 1181a. The case was settled in 2003, with the BLM agreeing to revise its resource management plans to consider an alternative that would not impose reserves on the O&C timberland. In 2012, in response to environmental groups' challenge to the revised resource management plans, a court held that those revisions violated the Endangered Species Act. *Pacific Rivers Council v. Shepard*, No. 03:11-CV-442-HU, 2012 WL 950032 (D. Or. March 20, 2012). Under the holding on appeal in this case, any renewed challenge to the 1994 Northwest Forest Plan would be defended on the ground that the six-year statute of limitations had run.

In addition, in April 2003 AFRC entered into a settlement involving the so-called “survey and manage” amendments to the Northwest Forest Plan regarding surveys and set-aside requirements for over 400 species of fungi, lichens, mollusks, bryophytes, and arthropods, among others. The Forest Service and BLM agreed to develop an amendment to these requirements of the Northwest Forest Plan that would consider eliminating the survey and manage restrictions. The agencies made several unsuccessful attempts and ultimately chose not to challenge a district court’s December 2009 decision agreeing with the environmentalists’ lawsuit that elimination of the survey and manage program violated the NEPA. *Conservation Northwest v. Rey*, 674 F.Supp.2d 1232 (W.D. Wash. 2009). As a result, the survey and manage amendments came back to life after the six-year statute of limitations had run, leaving AFRC with no remedy to challenge continued imposition of onerous survey and manage restrictions.

For all the reasons stated above, the Amici respectfully request that the decision of the court below should be reversed.

DATED this 2nd day of December, 2013.

ATER WYNNE LLP**By: /s/ John M. Schultz****John M. Schultz****ATER WYNNE LLP****1331 NW Lovejoy Street, Suite 900****Portland OR 97209****Telephone: 503.226.8647****Stephen J. Kennedy****ATER WYNNE LLP****601 Union Street, Suite 1501****Seattle WA 98101-3981****Telephone: 205.623.4711****Attorneys for *Amici Curiae***

CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(a)(7)(C) and Circuit Rule 32(a)(2)(C), and consistent with the Court's October 3, 2013 Order regarding briefing schedule and format, undersigned counsel certifies that the foregoing brief has been prepared in a proportionally spaced typeface using Microsoft Office Word 2010, font size 14 and Times New Roman type style, and that the brief contains 4,576 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii).

DATED this 2nd day of December, 2013.

ATER WYNNE LLP

By: /s/ John M. Schultz

John M. Schultz

ATER WYNNE LLP

1331 NW Lovejoy Street, Suite 900

Portland OR 97209

Telephone: 503.226.8647

Stephen J. Kennedy

ATER WYNNE LLP

601 Union Street, Suite 1501

Seattle WA 98101-3981

Telephone: 205.623.4711

Attorneys for Amici Curiae

CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this 2nd day of December, 2013, I caused the foregoing brief to be filed electronically with the Court's ECF system; all of the entities listed on the attorney service preference report have been served via the Court's CM/ECF system. I further certify that on the same day, I caused eight copies of the foregoing brief to be sent to the Court via Federal Express.

/s/ John M. Schultz

Exhibit 1

Final Judgment in *Organized Village of Kake v. USDA*, 776 F. Supp. 2d 960
(D. Alaska 2011)

court's order at docket 68 denied plaintiffs' motion without prejudice insofar as it sought an order vacating the Scratching Timber Sale ROD II, and portions of the Iyouktug Timber Sales ROD and Kuiu Timber Sale Area ROD in light of the interim directive issued by the Secretary of Agriculture on May 28, 2010, reserving all decision making on timber sales to the Secretary.

In accordance with the court's decision at docket 68, it is hereby **ORDERED**, **DECLARED**, and **ADJUDGED** that federal defendants' decision to adopt the Tongass Exemption, 68 Fed. Reg. 75,136, 75,146 (Dec. 30, 2003) is **VACATED**, and the Roadless Area Conservation Rule, 66 Fed. Reg. 3244, 3272-73 (Jan. 12, 2001), is **REINSTATED** as to the Tongass National Forest.

Nothing in this judgment shall be construed to prohibit otherwise lawful road construction, road reconstruction, or cutting or removal of timber if and when approved by the U.S. Forest Service to effectuate the following projects:

- (1) The Whitman Lake Hydroelectric Project, as licensed by the Federal Energy Regulatory Commission on March 17, 2009;
- (2) The Kake-Petersburg Intertie, as described in the Notice of Intent to prepare an Environmental Impact Statement published in the Federal Register on May 7, 2010;
- (3) Rainforest Aerial Tram, as described in the Decision Notice and Finding of No Significant Impact issued by the U.S. Forest Service on December 14, 2010;
- (4) Greens Creek Exploratory Drilling, as described in the Decision Memo "2011 Surface Exploration Annual Work Plan" issued by the U.S. Forest Service on April 8, 2011;

(5) Greens Creek Geotechnical, as described in the Decision Memo "Geotechnical and Hydrologic Drilling Investigations" issued by the U.S. Forest Service on April 8, 2011;

(6) Greens Creek Tailings Expansion, as described in the Notice of Intent to prepare an Environmental Impact Statement for the project published in the Federal Register on October 5, 2010;

(7) Cascade Point Road/Glacier Highway Extension, as described in the U.S. Forest Service Record of Decision issued on December 22, 1998;

(8) Blue Lake Hydroelectric Expansion, as described in the Federal Energy Regulatory Commission Notice of Application Accepted for Filing, Project No. 2230-044, April 8, 2011;

(9) Little Port Walter hydropower project, as described in the application dated April 2, 2008, from the National Marine Fisheries Service to the U.S. Forest Service for a special use authorization;

(10) Swan Tyee Intertie, as described in the U.S. Forest Service Record of Decision issued in August 1997 and the Secretary of Agriculture's August 11, 2010, redelegation memorandum;

(11) Bokan Mountain Exploration Plan, as described in the proposed Plan of Operations dated March 15, 2011, submitted by Rare Earth One, LLC, to the U.S. Forest Service; and

(12) Niblack Mine Exploratory Drilling, as described in the Decision Memorandum issued by the U.S. Forest Service on September 25, 2009.

Nothing in this judgment shall be construed to prohibit otherwise lawful cutting or removal of timber authorized by the U.S. Forest Service in Inventoried Roadless Areas as follows:

- (1) Timber for personal use but not for sale, pursuant to 36 C.F.R. § 223.10 (2010);
- (2) Dead and/or down wood for sale as firewood, from within 400 yards of roads now existing and constructed consistent with the Roadless Area Conservation Rule, including roads described in 36 C.F.R. §§ 294.13(b)(4) and 294.14(d) (2001), 66 Fed. Reg. at 3273; and
- (3) Dead and/or down wood in microsales of no more than 50,000 board feet, from within 400 yards of roads now existing and constructed consistent with the Roadless Area Conservation Rule, including roads described in 36 C.F.R. §§ 294.13(b)(4) and 294.14(d) (2001), 66 Fed. Reg. at 3273.

Nothing in this judgment shall be construed to prohibit any person or entity from seeking, or the U.S. Department of Agriculture from approving, otherwise lawful road construction, road reconstruction, or the cutting or removal of timber for hydroelectric development pursuant to the standards and procedures set forth in the Federal Power Act, 16 U.S.C. §§ 791-823d. Such developments include, but are not limited to:

- (1) Takatz Lake Hydroelectric Project, Federal Energy Regulatory Commission No. P-13234;
- (2) Schubee Lake Hydroelectric Project, Federal Energy Regulatory Commission Preliminary Permit No. P-13645;

(3) Lake Shelokum Hydroelectric Project, Federal Energy Regulatory

Commission Preliminary Permit No. P-13281;

(4) Soule River Hydroelectric Project, Federal Energy Regulatory Commission

Nos. P-12615 and P-13528;

(5) Port Frederick Tidal, Federal Energy Regulatory Commission Preliminary

Permit No. P-13512; and

(6) Cascade Creek Hydroelectric Project, Federal Energy Regulatory

Commission No. P-12495.

The list of projects and activities herein is not a judgment that they, or any other projects or activities in the Tongass National Forest, would otherwise violate the terms of the Roadless Area Conservation Rule. Nothing herein shall be construed as a judgment about whether projects and activities not listed herein do or do not violate the Roadless Area Conservation Rule.

Pursuant to the interim directive issued on May 28, 2010, by the Secretary of Agriculture reserving all decision making on timber sales to the Secretary, nothing herein shall be construed as a judgment as to the Scratching Timber Sale ROD II, and portions of the Iyouktug Timber Sales ROD and Kuiu Timber Sale Area ROD.

DATED this 24th day of May 2011.

/s/ JOHN W. SEDWICK
UNITED STATES DISTRICT JUDGE

Exhibit 2

November 22, 2013 USDA Letter Regarding KPI



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

NOV 22 2013

Niel Lawrence
Director, Forestry
Natural Resources Defense Council
3723 Holiday Drive SE
Olympia, WA 98501

Dear Mr. Lawrence:

The Department of Justice has referred to this office your letter of August 20, 2013 concerning the Kake-Petersburg Intertie Project and the District Court's May 24, 2011, Final Judgment issued in *Organized Village of Kake v. USDA*, 1:09-cv-00023 JWS (D. Alaska).

Although it is not our general practice to comment on the operation of court orders, in this instance we believe that a response to your inquiry would promote mutual understanding and clarity for all interested parties. USDA regards the language of the Court's Order to be clear and dispositive, notwithstanding the fact that some interested and affected entities continue to express concerns or confusion regarding the Final Judgment's effect on transmission lines, hydropower and other development activities. To state it in the most plain and unambiguous terms, USDA regards the Kake-Petersburg Intertie Project, like all projects identified in the Final Judgment, as exempt from the prohibitions of the 2001 Roadless Rule under the terms of the Final Judgment.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Bonnie", written over a horizontal line.

Robert Bonnie
Under Secretary, Natural Resources and Environment

ATTACHMENT 3

STEERING COMMITTEE MEETING NOTES
Kake-Petersburg Intertie (KPI) Project
November 21, 2013
Conference Call
3:30 PM Alaska Time

Participants included:

Mark Jensen
Henrich Kadake
Jodi Mitchell
Gary Williams
Wilbur Brown
Paulette Jackson
Trey Acteson
Robert Venables
Mark Schinman

1. **Meeting called to order** - Trey Acteson, SEAPA, CEO
2. **Introductions** - All
3. **KPI Construction Funding Status** – Jodi Mitchell reported that grants are available from the Renewable Energy Fund for \$8M dollars. We have received a grant previously so approximately \$5M is still available for the KPI project. She started an application but had computer issues. She also talked to Sara Fisher-Goad after the recent costs estimates were released. Sara Fisher-Goad didn't express optimism for receiving funds considering the increase in costs and the states financial situation.

There were concerns raised about putting our eggs into one basket. It was said we should look at other options as well for example renewables.

Trey Acteson reported that SEAPA is conducting a hydro site analysis and Kake will be included.

Robert Venables commented that funding discussions generally include two factors: the project cost is up and funding is more likely to be obtained as the road along the northern route moves forward. He indicated we need to keep trying for funding.

4. **Preliminary Draft EIS** – Mark Schinman reported that the Preliminary Draft EIS has been sent to the Forest Service for comment. The Joint Review Team (JRT) is reviewing. We expect comments back from the Forest Service November 27, next Wednesday. Tetra Tech will review the comments and incorporate necessary changes into the draft EIS. Tetra Tech expects the Draft EIS to be published and made available to the public approximately February 7th. They plan to send out post cards to a mailing list the Forest Service has been maintaining asking how those on the mailing list would like to receive the document, for example an electronic link on a web site so it can be downloaded, on a Compact Disc or a hard copy. Public Meetings are tentatively planned February 25 and 26, however there is an APA meeting

scheduled then so new dates will be found. The Final EIS is expected to be released August 2014. Mark Schinman encouraged participation by the Steering Committee at the public meetings. It is important we provide positive comments.

It was suggested that the public meetings be scheduled soon so they can get on calendars and the dates be coordinated with the Steering Committee. Note: This comment has been passed on to Tetra Tech.

5. **D. Hittle Report** – Mark Schinman reported we have received the D. Hittle report preliminary draft and utility members are reviewing. Comments will be provided to D. Hittle in the next few days. They will incorporate the comments and then the report will be made available in the next month or so.
6. **Community Update** – Mark Schinman reported a Community Update will be provided in the next few days with the new EIS schedule information. There was discussion with the Steering Committee how the update is circulated in the communities. Broad distribution was encouraged.
7. **Additional Cost of Construction with Helicopters** – Jodi Mitchell asked about the additional cost of helicopter construction. Trey Acteson and Mark Schinman indicated the additional cost is about \$7M. For Alternative 2 and 3, helicopters are required for 14.5 miles and the extra cost is about \$500K per mile.
8. **Roadless Rule** – Gary Williams asked about the status of the interpretation of the roadless rule and its applicability to the KPI. Trey Acteson replied SEAPA is preparing an amicus brief regarding this. Trey encouraged Gary to talk to his contacts.
9. **Henrich Kadake** – Henrich commented that the KPI is our number one priority, and that we should look at other alternatives and renewables as second priority. Trey Acteson commented that SEAPA is looking at potential projects throughout the region including Kake.

ATTACHMENT 4

This issue updates the information that was provided in August 2013.

Permitting and preliminary design work continues for a new electrical transmission line intertie that is proposed to extend west across the Tongass National Forest, from the Petersburg area to Kake on Kupreanof Island. The **Kake – Petersburg Intertie (KPI)** would transmit power to Kake at either 69 or 138 kilovolts (kV) and consist primarily of single wood pole structures.

The U.S. Forest Service is the lead agency for the Environmental Impact Statement (EIS). The Preliminary Draft EIS has been submitted by Tetra Tech to the Forest Service for review and comment.

The Forest Service's Joint Review Team (JRT) is reviewing the document and Tetra Tech expects to receive consolidated comments approximately November 27.

Tetra Tech will review the comments and modify the Preliminary Draft EIS as appropriate.

The Draft EIS is then expected to be published February 7.

Tetra Tech will be sending out post cards using an updated mailing list from the Forest Service in the next month or so to let interested parties know the status of the document and if interested, how they would like to receive it

(e.g., electronic link, CD, or hard copy).

Public meetings are tentatively scheduled for February 25th and 26th in Petersburg and Kake.

The Final EIS is expected to be released in August 2014.

Additionally, SEAPA has received a draft of the Kake-Petersburg Intertie Study Update, Final Report. It has been prepared by D. Hittle and Associates, Inc. We expect it will be finalized in the next month and be available to interested parties.



Project Schedule

The current project schedule has been adjusted to:

May 2010 - Notice of Intent to prepare an EIS published

Apr/May 2010 - Public scoping meetings

February 2014 - Draft EIS published

February 2014 – Public meetings on draft EIS

August 2014 – Final EIS published

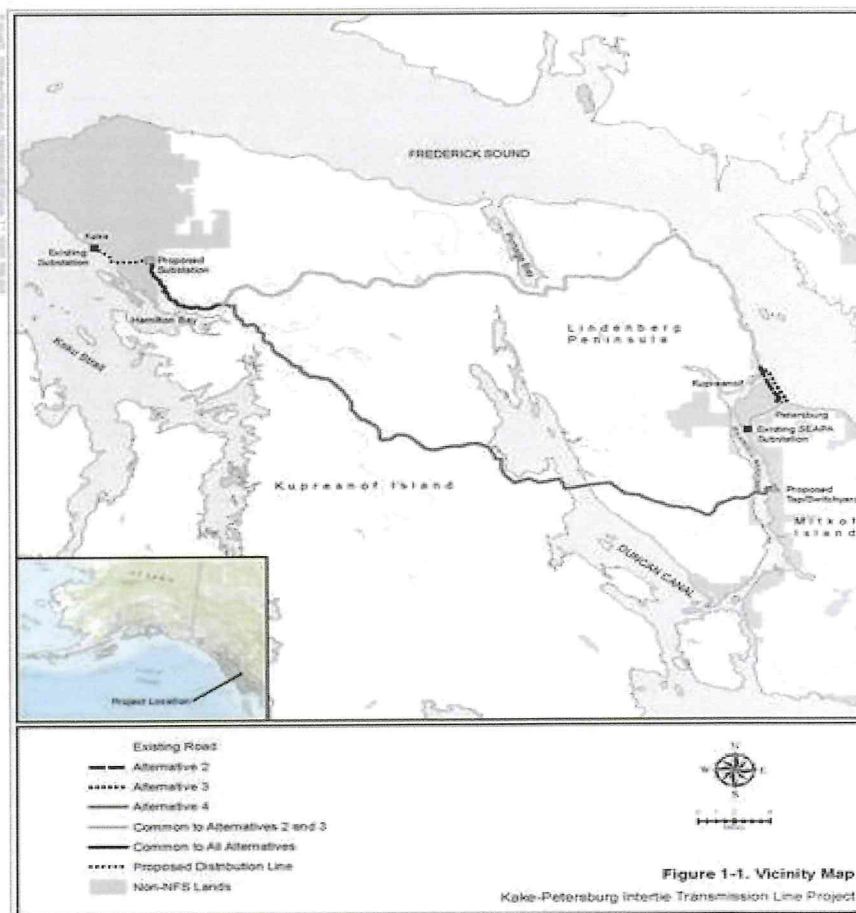


Figure 1-1. Vicinity Map
Kake-Petersburg Intertie Transmission Line Project

ATTACHMENT 5

CITY OF WRANGELL, ALASKA

RESOLUTION NO. 12-13-1290

A RESOLUTION OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, RECOMMENDING THAT THE OPERATIONS AND MANAGEMENT OF THE TYEE HYDROELECTRIC PROJECT BE TRANSFERRED FROM THOMAS BAY POWER AUTHORITY (TBPA) TO SOUTHEAST ALASKA POWER AUTHORITY (SEAPA) AND TO WORK COOPERATIVELY WITH THE PETERSBURG BOROUGH AND SEAPA TO FORMULATE A COMPREHENSE CONVERSION PLAN TO MEET THIS GOAL

WHEREAS, Thomas Bay Power Authority is under contract with SEAPA to operate and maintain the Tyee Hydroelectric Facility; and

WHEREAS, TBPA was created by the Cities of Wrangell and Petersburg to operate and maintain the Tyee Hydro project Facility, and

WHEREAS, SEAPA is the owner and holds the Federal Energy Regulatory Commission (FERC) permit for the Tyee Hydroelectric project, and

WHEREAS, Wrangell recognizes the many contributions that TBPA has made over the years, the bond it has helped create between Petersburg and Wrangell and believes that TBPA should go into an inactive state rather than eliminate it so it may reactivate it in the future if the need arises ; and

WHEREAS, SEAPA has proposed to operate the Tyee facility for the communities of Wrangell and Petersburg; and

WHEREAS, Petersburg has passed a resolution that states that they want to accept the offer made by SEAPA's CEO dated August 19, 2013 and that they are willing to work with SEAPA and others to make the offer, or a similar negotiated offer, a permanent agreement and encouraged Wrangell to also accept the SEAPA offer; and

WHEREAS, Both Wrangell and Petersburg believe there are economic and operation advantages for SEAPA to operate the Tyee facility; and

WHEREAS, Wrangell believes that in this transfer of operations, it is important that the employees of TBPA that will be absorbed into the SEAPA system are given assurances that they will "kept whole" during the transfer and that the positions will be kept in Wrangell for a period of two years; and

WHEREAS, Wrangell currently is paying for 100% of the non-net billable costs of TBPA since July 1st, 2013 and believes that these costs need to be equally shared from July 1, 2013 up to the time that the conversion is completed; and

WHEREAS, Without TBPA, it is important that Wrangell, Petersburg and SEAPA make every effort to continue to improve open and transparent communications with each other on both the Tyee Project and the SEAPA system as a whole and believes both a longer retention of SEAPA's Digital Audio Recording of meetings and having an assembly member on the SEAPA board will help both SEAPA community members and Wrangell achieve progress in area of better communications and transparency; and

WHEREAS, Wrangell believes that it is important that from time to time that the three communities: Ketchikan, Petersburg, and Wrangell revisit the existing MOU, including updates that may be needed, and the underlying reasons why it was part of the original divestiture and urges Ketchikan and Petersburg to participate in this process; and

WHEREAS, SEAPA's offer to run the Tyee Hydroelectric Project included absorbing all costs related to the Public Employees Retirement System (PERS) unfunded liability, transferring all employees to SEAPA and integrating them into the various benefit packages that SEAPA would provide; and

WHEREAS, Wrangell recognizes that the ARECA Insurance Rebate of approximately \$259,798 is an asset of TBPA and that it is not unreasonable to apply this amount to the unfunded liability debt incurred by its employees while working for TBPA and would encourage Petersburg to take a similar stance; and

WHEREAS, Wrangell understands that the conversion of various payroll, accounting and other records to SEAPA may take some time and Wrangell is committed to making that process as smooth as possible and is willing to assist in any way that we can to less the impact this transition has on the employees of TBPA.

NOW THEREFORE BE IT RESOLVED, THE CITY AND BOROUGH OF WRANGELL BOROUGH ASSEMBLY directs the Borough Manager to enter into negotiations with SEAPA and the Petersburg Borough to develop a conversion plan to transfer the operations and maintenance of the Tyee Hydroelectric Facility to SEAPA and to bring back the plan to the respective boards for approval.

RESOLVED FURTHER, THE CITY AND BOROUGH OF WRANGELL BOROUGH ASSEMBLY would like the following features included as part of the conversion plan:

1. That the conversion plan be completed and presented to the respective boards by January 31, 2014.
2. The current TBPA employees are "kept whole" as it relates to wages and benefits through the conversion process.
3. That the current employee contracts with both IBEW and the TBPA manager are "kept whole" during the conversion process or if some changes have to be made every effort will be made to minimize any negative impacts to the employees.
4. That the City and Borough of Wrangell will work cooperative with SEAPA with all matters related to payroll and other accounting records to help reduce any impact on both the TBPA employees and SEAPA.
5. That SEAPA will be responsible for all of the TBPA PERS unfunded liability and that to help lessen that impact, Wrangell and Petersburg agree to contribute the ARECA Insurance Rebate of approximately \$259,798 or the amount of the unfunded liability, whichever is less.
6. That there is a date set in the future that would require the City and Borough of Wrangell, the City and Borough of Ketchikan and the Petersburg Borough to review the Power Sales Agreement and the organization of SEAPA to see if it is in all of our best interest to continue as is or if there are changes that could be made for the mutual benefit of all communities.
7. That the non-net billable costs that Wrangell has paid since July 1, 2013 to the date of the final conversion are shared by the other parties to this agreement.

FINALLY RESOLVED, THE CITY AND BOROUGH OF WRANGELL ASSEMBLY would like the following items adopted in order to promote open communications between Wrangell, SEAPA, Petersburg Borough, and the City and Borough of Ketchikan:

1. Direct the Borough Manager to send a letter to the SEAPA Board requesting them to retain the Digital Audio recordings of their meetings for a period of two years.
2. That the City and Borough of Wrangell would make as policy that the SEAPA board appointment from Wrangell each year would first be chosen, if a candidate is available, from the borough assembly prior to any other candidates being considered.
3. That Wrangell send a letter to both the City and Borough of Ketchikan and the Petersburg

Borough urging them to participate in revising the existing MOU to meet current conditions and to adopt a date in the future that the three communities would participate in reviewing this revised MOU.

ADOPTED: _____, 2013

David L. Jack, Mayor

ATTEST: _____
Kim Lane, Borough Clerk

ATTACHMENT 6

**PETERSBURG BOROUGH, ALASKA
RESOLUTION #2013-21**

A RESOLUTION INFORMING THE CITY AND BOROUGH OF WRANGELL ASSEMBLY THAT THE PETERSBURG ASSEMBLY ACCEPTS THE SOUTHEAST ALASKA POWER AGENCY'S AUGUST 19, 2013 OFFER TO TAKE OVER THE COSTS OF OPERATIONS OF THE TYEE HYDROELECTRIC PROJECT AND TO ABSORB THE CURRENT AND PAST EMPLOYMENT CASH LIABILITIES INCURRED BY THOMAS BAY POWER AUTHORITY AND SUGGESTS THAT THE NON-NET BILLABLE EXPENSES BE PAID BY SEAPA; AND URGING THE WRANGELL ASSEMBLY DO THE SAME

WHEREAS, the formation of Southeast Alaska Power Agency (SEAPA) in late 2008, carried forward a 1996 Operation and Maintenance Agreement contract between the Thomas Bay Power Authority (TBPA) and the Alaska Energy Authority (AEA), whereby SEAPA assumed the rights and responsibilities of the operation and maintenance authority, and costs, of the Tyee Lake Hydro project; and

WHEREAS, in the mid 1970's the communities of Wrangell and Petersburg voters jointly approved formation of the TBPA for the purpose of hydro development and operation, and

WHEREAS, for many years, the Petersburg municipality has been voluntarily supporting and funding one-half of the Non-Net Billable portion of the annual TBPA budget. The Non-Net Billable budget provides mostly for the expenses to employ two positions within TBPA that are outside of the general operations & maintenance crew costs covered by the O&M Agreement with SEAPA. It also provides the administrative costs associated with the TBPA Board of Directors, and

WHEREAS, on May 6, 2013, the Petersburg Borough Assembly by a vote of 6-1 determined not to fund the proposed FY 13/14 TBPA Non-Net Billable budget. It was consensus of the Assembly that responsibility for this budget item was an issue which should be resolved between TBPA and SEAPA; and

WHEREAS, the CEO for SEAPA, in a memo dated August 19, 2013 addressed to the TBPA President, proposed a very fair solution, subject to SEAPA Board approval, to absorb all existing TBPA employees, to relieve the Petersburg and Wrangell boroughs from absorbing a substantial retirement liability cost incurred over the years for two employment positions, and to add and fund an additional employment position within the Tyee Project, and

WHEREAS, it was apparent at the joint work session held between the Wrangell and Petersburg Borough Assemblies on September 10, 2013 the Wrangell representatives may not fully appreciate the effects of the generous offer made by SEAPA that will benefit both communities.

NOW THEREFORE BE IT RESOLVED, the Petersburg Borough Assembly finds the August 19, 2013 memo from the SEAPA CEO to the President of TBPA regarding the Operation and Maintenance Agreement for the Tyee Hydroelectric Project to be acceptable and is willing to work with the SEAPA and TBPA boards to make the offer, or a similar negotiated offer, a permanent agreement.

RESOLVED FURTHER, the Petersburg Borough Assembly urges the City and Borough of Wrangell Assembly to acknowledge acceptance of the proposed August 19, 2013 SEAPA terms, or

similar terms that could be negotiated, to save TBPA in excess of \$750,000 in immediate cash liability, as well as retain the ability to influence regional hydro site analysis in the future, is a benefit to both communities.

FINALLY RESOLVED, failure of the City and Borough of Wrangell to accept the August 19, 2013 memo terms, or similar terms to be negotiated between SEAPA and TBPA, leaves the Petersburg Borough with no alternative but to take the position that 1) the unfunded PERS liability, exceeding \$750,000, will be the sole liability of the City and Borough of Wrangell should SEAPA determine to terminate the agreement with TBPA; and 2) Petersburg Borough will not fund any future Non-Net Billable items as currently presented in the TBPA budgets.

Passed and Approved by the Petersburg Borough Assembly on Friday, September 27, 2013.

Mark Jensen, Mayor

ATTEST:

Kathy O'Rear, Clerk

ATTACHMENT 7

August 19, 2013

To: John Jensen, President - Thomas Bay Power Authority (TBPA)

From: Trey Acteson, CEO - Southeast Alaska Power Agency (SEAPA)

RE: TBPA – Tyee Hydroelectric Project Operation & Maintenance (O&M) Agreement.

Dear President Jensen,

SEAPA is reaching out to the Thomas Bay Power Authority to explore opportunities that exist to remedy a number of important issues that revolve around the current Tyee O&M Agreement. We have provided specific solutions to each of the prominent topics below and believe that collectively they represent an enormous benefit to the TBPA, your employees, and the communities your organization represents. We offer these potential solutions for the Commission's consideration, contingent upon final approval by the SEAPA Board of Directors.

PERS Unfunded Liability: The four TBPA power plant employees working under the existing Tyee O&M agreement participate in the State PERS retirement program instead of their Union's (IBEW) pension plan. They are technically employees of the City & Borough of Wrangell and one of the positions has an unfunded liability of \$528,250.00 (\$155,920 termination fee + 18 years of annual payments equaling \$372,330). The other three positions are PERS Tier 4, and although there is no unfunded liability identified for them, the City & Borough of Wrangell currently pays a 10% PERS premium above the normal contribution rate.

The TBPA Secretary position has an unfunded liability of \$228,574.00 (\$3,520 termination fee + 18 years of annual payments equaling \$225,054). There is no unfunded liability identified for the TBPA General Manager's position.

Termination of the existing Tyee O&M contract would result in the TBPA (technically the City & Borough of Wrangell) being burdened with payments for positions that no longer exist, totaling \$756,824.00 (per Buck Consultants' Termination Study).

Possible Solution: SEAPA proposes absorbing existing TBPA employees and making a one-time lump sum payment to the City & Borough of Wrangell to cover the unfunded liability for those positions. The City & Borough of Wrangell have indicated that they would consider keeping one employee on their books who prefers to stay in PERS until such time that they retire. The remainder of the employees, with the exception of the Secretary, would have the opportunity to join the IBEW pension plan. The IBEW pension plan is far superior to the PERS Tier 4, which is basically a 401k plan. The IBEW has indicated that they will work with us during any transition and past years of service are typically acknowledged through a partial credit. The secretary position is an administrative position and would be transitioned to SEAPA's NRECA program to be consistent with our other administrative employees.

This solution is a win/win that relieves the Northern communities of a large unfunded liability. It provides a much better opportunity for newer employees to have a "livable" wage when they retire, and also addresses concerns of those approaching retirement.

ARECA Insurance Rebate: There is approximately \$259,798.00 available in rebates from ARECA Insurance Exchange. The original premiums were funded by SEAPA through the net billing process. These

rebate monies could be applied toward the PERS unfunded liability payoff to help reduce the collective impact to SEAPA's three member utilities.

Clearing Crew: The existing clearing crew is based in Wrangell and consists of one regular full-time position, supplemented by seasonal part-time employees. These individuals face uncertainty every year depending on workload and budgets.

Possible Solution: SEAPA proposes absorbing the clearing crew operations as part of a comprehensive package. The crew's home base would remain in Wrangell and SEAPA would commit to hiring one additional regular position. The crew's work scope would expand to cover other areas of the SEAPA transmission system, which would provide greater job stability and help meet line clearing objectives.

Community Oversight of Tyee: There is a strong sense of community pride and purpose for the Tyee hydroelectric project in Wrangell and Petersburg. Although the project is owned by SEAPA, it is the primary source of low-cost hydroelectric power for the area. Power from Tyee also now flows south to the interconnected community of Ketchikan to displace high cost diesel generation. Some people feel that if the extra layer of management provided by TBPA is removed, somehow they will lose local control.

Possible Solution: The SEAPA Board is comprised of community members appointed by their respective Mayors. They are a direct conduit to their communities and are in a strong position to provide oversight and affect change. It is important to acknowledge that half of the members of the TBPA Commission are already on the SEAPA Board. The misperception of loss of community oversight can be resolved through better outreach and communications. SEAPA would commit to providing quarterly project updates in written report form directly to the City/Borough Assemblies of Wrangell and Petersburg. Community members are always welcome to attend SEAPA Board meetings and significant information regarding budgets and ongoing activities is now readily available on the SEAPA website.

Thomas Bay Power Authority's Role and Future: The TBPA's initial mission was to perform hydrosite analysis and advance hydro development in the Thomas Bay Basin. They also assumed the role of O&M contractor for the Tyee project. Over the years TBPA's role has narrowed to just being an O&M contractor.

Possible Solution: The State of Alaska has provided funding for SEAPA to perform regional hydrosite analysis and that process will include potential projects in the Thomas Bay Basin. If the Commission desires to have SEAPA transition into the role of managing daily O&M of Tyee, the TBPA could still remain in the community charters and be available for immediate re-activation should a need arise.

Transition to SEAPA: There is a clause in the current O&M agreement that requires SEAPA to provide a minimum one year notice of contract termination by June 30, effective the following year. The TBPA currently has a funding gap for non-net billables and they would benefit from an expedited solution.

Possible Solution: There is nothing that prevents an early termination of the O&M contract if it is mutually agreed upon by both parties. If it is the desire of the TBPA Commission (and their respective communities), SEAPA is willing to relieve the TBPA of their contractual obligations as part of a more timely transition. Although not required upon termination of the O&M agreement, SEAPA is offering a package of favorable solutions at this time to help facilitate a seamless and positive transition for all parties.

ATTACHMENT 8



November 13, 2013

Svend A. Brandt-Erichsen
206.292.2611
svendbe@martenlaw.com

Privileged and Confidential

VIA ELECTRONIC and U.S. MAIL

Jeff Jabusch
Interim Borough Manager
City and Borough of Wrangell
P.O. Box 531
Wrangell, AK 99929

RE: *Thomas Bay Power Authority*
Response to Question re Administrative Costs

Dear Mr. Jabusch:

This letter responds to three questions you have asked me regarding clerical and administrative expenses for the Thomas Bay Power Authority (TBPA). Here are the short answers to each of your questions, followed by a background discussion and the analysis that supports the short answers:

Short Answer

1. Are TBPA clerical and administrative costs normally allowed under FERC accounting code 539 and the Long Term Power Sales Agreement?

As explained below, certain TBPA supervisory activities and clerical support for those activities would fall under FERC accounting code 535. General clerical costs in support of hydroelectric operations would fall under code 539.

The assignment of a cost to a FERC code does not establish a right to recover those costs. TBPA does not sell electricity, so its compensation is not linked to power rates or FERC regulatory requirements. TBPA is compensated for operating the Tyee Lake project under the terms of contracts, and it is those contracts that determine what TBPA costs can be recovered.

The relevant agreements are the Operation and Maintenance Agreement for TBPA (Tyee O&M Agreement) and the Long Term Power Sale Agreement (PSA). The O&M Agreement limits TBPA cost recovery to the O&M budget approved by the Southeast Alaska Power Authority (SEAPA). Similarly, the PSA limits Wrangell's ability to deduct TBPA costs to those costs contained in a SEAPA-approved O&M budget.

2. Does Southeast Alaska Power Authority (SEAPA) have the legal right to deny reimbursement of TBPA clerical and administrative costs based on SEAPA's Policies and Procedures Handbook?

Neither the Tyee O&M Agreement nor the PSA specify whether TBPA general administrative costs can be classified as O&M expenses. The PSA says that approved costs are subject to procedures prescribed by SEAPA. I understand that SEAPA uses a Policies and Procedures Handbook that was compiled in 2005 for the Four Dam Pool Power Agency. Since the Handbook proscribes standards and procedures for O&M budgeting, the PSA makes the Handbook applicable to determine TBPA's recoverable O&M costs. As a result, SEAPA does have authority to make decisions regarding TBPA's budget using the Handbook.

It may be possible to argue about whether the Handbook's budgeting standards allow recovery of TBPA's administrative costs. There is a Handbook provision (Section 6.1.1(2)) that excludes general administrative costs. A clause in that paragraph allows administrative costs if they are necessitated by operation of the Project. An argument could be made that all TBPA costs are due to Project operations, since TBPA has no other purpose. However, this Handbook provision appears to have been adopted specifically to exclude the sort of general administrative costs that are at issue. So, while it is possible to make this argument, it seems unlikely to succeed. Moreover, if TBPA administrative costs could be shifted to SEAPA, presumably Ketchikan would want to do the same with its utility's administrative costs. Ultimately that could prove more expensive for Wrangell than the existing arrangement.

3. If SEAPA does not have the right to deny these charges, can Wrangell deduct these costs when it pays the monthly power bill to SEAPA?

The PSA does not give Wrangell the power to independently determine on its own whether a TBPA operating cost is recoverable. The PSA only authorizes deduction of costs that have been approved by SEAPA. So, even if Wrangell wanted to pursue an argument about whether the Handbook allows recovery of general administrative costs, the PSA does not give Wrangell the right to unilaterally begin deducting those costs while that argument plays out with SEAPA.

Background

The Assembly's questions stem from a dispute regarding responsibility for TBPA's administrative costs. I understand that historically Petersburg has paid half of these administrative costs, but that it is refusing to pay its share of these costs going forward. You also have told me that TBPA proposed an O&M budget for the Tyee Lake hydroelectric project to SEAPA that included the administrative costs, referred to as "net non-billables," and that SEAPA approved the overall Tyee Lake O&M budget but rejected the net non-billables portion of the proposed budget.

There are several agreements and governing documents that are relevant to questions regarding responsibility for TBPA's administrative costs. SEAPA is a Joint Action Agency (JAA), an Alaska Public Corporation created under authority of AS 42.45.300 to 42.45.320. SEAPA formerly was the Four Dam Pool Power Agency, initially formed by five utilities in December 2000. Two utilities withdrew, and since 2008 SEAPA has had three members: Wrangell, Petersburg and Ketchikan. SEAPA is currently governed by the Third Amended and Restated Joint Action Agency Agreement (the JAA Agreement).

TBPA is an entity created and governed jointly by Wrangell and Petersburg. SEAPA owns (and holds the FERC licenses for) two hydroelectric power projects – Tyee Lake and Swan Lake. TBPA operates the Tyee Lake Project under an operation and maintenance agreement with SEAPA (the Tyee O&M Agreement). The Swan Lake Project is operated by Ketchikan's utility, under a separate O&M agreement.

SEAPA sells power from the projects to the three member communities under the PSA. The current PSA was signed in 2008, replacing the PSA that governed operations of the Four Dam Pool. Revenues from the power sales are used to make bond payments and to operate and maintain the hydro projects and other SEAPA assets. Power output from Tyee Lake is dedicated, in the first instance, to meeting firm power requirements for Wrangell and Petersburg.

Provisions of the Tyee O&M Agreement and the PSA are relevant to the question of TBPA's administrative costs and are discussed in the analysis below. There also is one additional relevant document: the Policies and Procedures Handbook dated June 2005. The Handbook was developed for the Four Dam Pool Power Agency. I understand that SEAPA continues to rely upon the Handbook to guide its operations.

Analysis

Where would TBPA Administrative Costs Be Categorized Under FERC's Accounting System?

FERC has developed a standardized accounting system applicable to all FERC licensees and to all public utilities that are subject to FERC jurisdiction. 18 C.F.R. Part 101.

TBPA is neither a FERC licensee nor a public utility subject to FERC jurisdiction. However, Section 5 of the Tyee O&M Agreement requires TBPA to use the FERC accounting procedures in keeping its books, presumably because SEAPA is the FERC licensee for the Tyee Lake Project.

The FERC accounting system requires more detailed accounting from major utilities and licensees than from smaller utilities and licensees (called “nonmajor utilities” in FERC’s system). Part 101, General Instructions, ¶¶ 1.A and 1.D. The “major” and “nonmajor” criteria are based on power sales. A “major” utility is one with total sales of at least 1 million megawatt-hours, or sales for resale of at least 100 megawatt-hours. *Id.* Since SEAPA’s sales to the communities are for resale, I assume (but have not confirmed) that it is categorized as a major utility under FERC’s accounting system based on sales for resale.

FERC’s accounting system uses a three-digit numbering code with eight general categories of accounts. The 500 series is used to categorize production, transmission and distribution expenses. Part 101, General Instructions, ¶ 3.

For nonmajor utilities, all of the costs of operating a hydroelectric facility, including supervision costs, are reported under code 535. For major utilities, the costs that nonmajor utilities report under code 535 are spread over codes 535-539. Major utilities use code 535 only for the general supervision and direction of hydro facility operations. Costs of operating hydraulic works (including direct supervision) go under code 537, costs of operating electrical equipment (including direct supervision) go under code 538, and miscellaneous labor and expenses are recorded under code 539. The accompanying instructions indicate that code 539 includes general clerical, as well as costs like guarding the plant and yard, building service, snow removal, first aid supplies and safety equipment, office supplies, etc. *See* Part 101.

FERC’s general instructions for the accounting system include guidance on what costs major utilities should record to “operation supervision and engineering” (code 535 for hydro facilities). The instructions state:

The supervision and engineering includable in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each utility function.

Pt. 101, Operating Expense Instructions, ¶ 1. The instructions then list items that major utilities should charge to this category, including preparing or reviewing budgets and estimates related to operation or maintenance activities, reviewing and analyzing operating results, establishing organizational setup of departments, and formulating and reviewing routines of departments, as well as secretarial work for supervisory personnel –

but not general clerical work chargeable to other accounts. *Id.* Those general clerical costs would be recorded to code 539.

Based on the above, assuming TBPA follows the accounting procedures for major utility, I would expect TBPA's general supervisory activities, including secretarial support for supervisory activities, to be recorded to code 535. General clerical and administrative support for operation of hydraulic works and electrical production would be recorded to code 539. Without additional information regarding the work performed by TBPA's board, I cannot say definitively whether administrative costs associated with governance of TBPA would fall within code 535. That question can be answered by comparing the Board's work to the tasks listed and described in Part 101's Operating Expense Instructions.

Assuming TBPA Administrative Costs Fall Within FERC Accounting Codes, Does That Make Them Recoverable From SEAPA?

While some of TBPA's administrative costs are likely to fall under code 539, and others under code 535, that in and of itself does not make those costs recoverable from SEAPA. FERC's accounting system is simply a standardized approach to accounting for the revenues and costs associated with electric power facilities. A FERC licensee is required to record its costs using this standard accounting system and to provide FERC with access to those records on request, but the obligation for any party to pay those costs must be found elsewhere.

IF TBPA were selling electric power, then the fact that administrative costs are recognized in the FERC accounting system would support inclusion of those costs in TBPA's power rate base. But here, TBPA has no role in power sales. It operates Tyee Lake under a contract with SEAPA. The PSA also contains relevant terms. These documents give SEAPA authority over the Tyee Lake project's budget. Neither the O&M Agreement nor the PSA make any reference to FERC accounting codes, so the classification of TBPA costs within the FERC accounting system does not appear relevant to whether those costs are recoverable from SEAPA.

Does the Tyee Lake O&M Agreement Obligate SEAPA to Pay TBPA's Clerical and Administrative Expenses?

The Tyee O&M Agreement provides only general guidance on what costs should be included in TBPA's annual budget for operation and maintenance of Tyee Lake. Section 6 of the Agreement sets out the process for development and approval of TBPA's annual budget. Sections 6(a) and (b) provide that TBPA is to prepare an annual draft budget based on "a reasonable estimate of all anticipated expenditures for operating and maintaining the Project Facility during the Contract Year." Section 6(c) provides that SEAPA is to review the draft budget and forward its recommended budget for Project Management Committee (PMC) approval. Section 6(d) provides that TBPA is not to

make any expenditures in excess of the approved budget unless a revised budget has first been approved. Thus, SEAPA is given the power to approve TBPA's budget, but Section 6 does not provide any detailed direction on the content of the budget.

There is some additional guidance provided by Section 4, which lists TBPA's general responsibilities under the O&M Agreement. These include "all operations of the Project Facility," and providing "all material, labor, technical support, and training to operate maintain and repair the Project Facility." Again, these are fairly broad descriptions and do not provide direct guidance on whether clerical or administrative costs are properly part of the annual budget. There is however, further general and specific direction provided by Section 4 regarding facility operations, including a provision that TBPA "shall also prepare operating and financial statements ... relating to the operation, maintenance and repair of the Project Facility." Section 4(f)(6). Administrative or supervisory staff presumably are responsible for preparing operating and financial statements and maintaining the facility records required by Section 4(f)(6). Accordingly, while Section 4 does not expressly authorize the recovery of TBPA's general administrative costs, Section 4(f)(6) does indicate that the annual budget should include at least the administrative costs associated with the tasks identified in that section.

In sum, the Tyee O&M Agreement is essentially silent as to general administrative or overhead costs. This could be interpreted several ways, but the best reading seems to be that the O&M Agreement neither prohibits TBPA from including general administrative overhead in the annual budget, nor requires SEAPA to approve those costs. That means we need to look at the other relevant agreements to see if they provide any additional guidance, starting with the PSA.

Does The PSA Allow Wrangell To Deduct Unreimbursed TBPA Administrative Costs From Its Power Payments To SEAPA?

The PSA gives SEAPA control over what may be treated as a facility operating cost.

Section 6.a(iii) of the PSA provides:

Each Purchasing Utility may offset against and deduct from its monthly payments all or a portion of the approved Facility Operating Costs the Purchasing Utility has incurred. All such costs shall be subject to audit, approval, and such other procedures as the Agency may from time to time prescribe.

The term “Facility Operating Costs” is capitalized, which means it should be a defined term in the PSA, but it is not – the current version of the PSA does not specify what constitutes a “Facility Operating Cost.”¹

Since the term is undefined, it is open to interpretation. Wrangell could argue that “Facility Operating Cost” includes any costs related to operation of Tyee Lake, including TBPA’s clerical and administrative costs. Even though they are overhead costs, they are costs that would not be incurred, but for Tyee Lake operations. And unlike Ketchikan’s utility, which manages other generating facilities besides Swan Lake, TBPA incurs these administrative costs solely to support TBPA operations. Thus, a good argument could be made that TBPA’s administrative costs are “Facility Operating Costs” within the meaning of this provision of the PSA.

But the provision only allows an offset for “approved” Facility Operating Costs. Likewise, the second sentence of this paragraph says that all such costs are subject to “approval” and “such other procedures as the Agency may from time to time prescribe.” Thus, Wrangell may only deduct operating costs that have been approved by SEAPA, and the PSA does not limit SEAPA’s authority over approval of those costs.

Reading the Tyee O&M Agreement and the PSA together, Wrangell may deduct any costs it incurs for TPBA that are part of TBPA’s SEAPA-approved budget. The agreements provide limited guidance on what costs are supposed to be in that budget. However, the second sentence of 6.a(iii) directs us to another document. The proviso that Facility Operating Costs are “subject to” procedures that SEAPA proscribes takes us to SEAPA’s Policies and Procedures Handbook.

Does SEAPA’s Policies and Procedures Handbook give SEAPA the right to deny TBPA’s clerical and administrative costs?

I understand that the Handbook was compiled in 2005 for the Four Dam Pool Power Agency and continues to be used by SEAPA. If there is any question regarding whether SEAPA has taken the appropriate administrative steps to formally adopt the Handbook, that question should be presented to SEAPA staff. The comments that follow assume the Handbook was properly adopted.²

¹ There was a definition of “Facility Operating Costs” in the prior version of the PSA, which is reproduced in the Handbook (Section 3.15). The Handbook defines the term to mean “an actual and allowable cost incurred under the provisions of the PSA in operating and maintaining a Dedicated Facility of Facilities.” The PSA provision it cites for this definition is no longer in the PSA – it was removed when the PSA was revised in 2008. In any event, the definition provides no additional guidance, as the term “actual and allowable cost” is effectively the same as the term “approved Facility Operating Cost” in the current version of the PSA.

² Even if properly adopted, there are some minor problems with the fit between the Handbook and the current version of the agreements that govern SEAPA and its operations. Section 6 of the Handbook deals with budgeting and billing procedures and standards. The introductory section of Section 6 indicates:

As noted above, Section 6.a(iii) of the PSA provides that Facility Operating Costs are to be subject to “such other procedures as the Agency may from time to time prescribe.” Section 5.1 of the Handbook discusses the O&M Agreements. Paragraph 5.1.4 provides: “An Operator who is also a Purchasing Utility under the Power Sales Agreement may deduct from its monthly power purchase payments, the costs provided for in the O&M budget which are actually incurred, including emergency expenses.” This supports the reading of the term “Facility Operating Costs” in the PSA as meaning costs included in the O&M budget. Beyond this, however, Section 5.1 does not add anything regarding the content of the O&M budget, beyond what it already discussed above in connection with the Tyee O&M Agreement.

Section 6.1.1 of the Handbook sets out standards and procedures for the O&M budgeting process. The provision that appears to be key to the dispute over TBPA administrative costs is Paragraph 6.1.1(2), which provides:

Administrative, clerical, and supervisory costs relating to the normal utility operations of the Project that are not the result of the addition of the Project to the Operators system are not permitted as a Project expense.

This provision is the only direct guidance provided by the relevant documents regarding whether administrative costs are properly included in an O&M budget. I understand that SEAPA has relied on this paragraph as the basis for rejecting TBPA’s general clerical and administrative costs. Given the proviso in PSA Section 6.a(iii) that Facility Operating Costs are subject to prescribed procedures, SEAPA is correct in applying this provision to evaluate the O&M budget for TBPA. The remaining question is whether this provision is being properly interpreted by SEAPA.

The intent of the first half of this provision is clear that clerical and administrative costs related to normal utility operations are not recoverable. However, the second half of the provision limits that exclusion to clerical and administrative costs that “are not the result of the addition of the Project to the Operator’s system.” Since TBPA does not have any operations beyond those related to Tyee Lake, an argument could be made that all TBPA costs result from addition of Tyee Lake to TBPA’s system, and so should be recoverable. However, the absolute breadth of this reading – that any TBPA costs are recoverable –

The PMC has principal budget authority and is responsible for including Agency costs in the annual budget. Section 7 of the PSA, together with a Memorandum of Understanding dated April 8, 1988, gives the PMC the responsibility for approval of budgets.

No reference to the PMC remains in the current PSA. Its role has been wrapped into that of the SEAPA Board. This is more a matter of form than substance, however, as the Handbook makes clear that Agency Board has long acted as the PMC. Therefore these particular discrepancies between the Handbook and the current PSA do not appear to be material to the questions presented.

undercuts its credibility. Furthermore, the apparent purpose of this provision is to exclude the sort of basic administrative costs that an operator would have to incur regardless of whether they are operating a SEAPA hydro project. Given that intent, it is hard to argue that the limiting clause effectively negates to exclusion of general administrative costs.

Even if a broad exception could be read into the Handbook's exclusion of general administrative costs, nothing in the PSA or the Tyee O&M Agreement dictates – or even supports – that reading. Accordingly, nothing would prevent SEAPA from changing the language to clarify its intent. Alternatively, SEAPA could respond by allowing Ketchikan to shift its administrative costs to SEAPA – and thus to Petersburg and Wrangell. If this were to occur, the net effect could be to increase Wrangell's net costs.

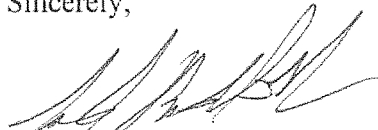
Can Wrangell deduct TBPA Administrative Costs from its Payments to SEAPA, Even Though SEAPA Has Not Approved Those Costs?

Even if Wrangell were to make an argument along the lines just discussed for why SEAPA should pay TBPA's administrative costs, that by itself would not give Wrangell the right to withhold those costs from its SEAPA payments over SEAPA's objection.

The PSA only authorizes Wrangell to deduct approved Facility Operating Costs. The Handbook makes explicit what is implied by the PSA and the Tyee O&M Agreement: that by approved costs, the PSA means costs that are part of an O&M budget approved by SEAPA. Thus, the PSA only authorizes deductions for costs SEAPA has approved in the O&M budget for the Tyee Project. The PSA does not give Wrangell the ability to approve Facility Operating Costs on its own. While Wrangell could frame an argument for SEAPA to allow inclusion of these costs in an approved budget, I would recommend against Wrangell engaging in "self help." Among other considerations, Wrangell's potential claim rests on Handbook language that SEAPA could change at any time. Also, withholding the funds could make it more likely this dispute leads to litigation, the cost of which could easily exceed the amounts at issue.

I hope that this analysis proves useful to the Assembly as it deliberates on how to proceed with the future of TBPA.

Sincerely,



Svend A. Brandt-Erichsen

SOUTHEAST ALASKA POWER AGENCY

Date: December 11, 2013
To: Trey Acteson
From: Steve Henson, Operations Manager
Subject: Operations Update for December 17, 2013 Board Meeting
Purpose: To provide a status report on major operations activities.

REGULATORY

FERC

A letter has been received from FERC requiring additional work on the Owners Dam Safety Program we submitted. ERM, LLC who authored our original ODSP, assisted us with the follow-up effort to FERC's request. SEAPA submitted the additional information.

Year-end submittals and consultation letters are being processed by SEAPA staff.

MAJOR CONTRACTS

Wrangell Reactor

The Wrangell Reactor replacement project management, engineering, and design were awarded to Electric Power Systems, Inc. (EPS). An update will be provided at the board meeting.

Satellite Communications System

The satellite dish has been installed at Swan Lake and may be put into service by the end of this week. Swan Lake's new phone system has also been installed.

The SEAPA office dish has been installed and it is anticipated that the phone system for the SEAPA office and mesh net work will be operational this week.

The permitting required for the Tyee project will begin after the first of the year.

STI Helipads

The pad at Tower 16 is complete. The pad at 36 still requires additional stabilization with cables and turnbuckles. Staff will provide photographs in a slide show during the board meeting.

Tyee Gatehouse Generator and Gate Controls

The cable runs, junction boxes and control cabinet have been installed. During checkout a problem in the control logic surfaced. The problem will likely be resolved next spring weather permitting.

The gate was lifted off of the stop block with the manual hydraulics system which satisfies our requirements for this year.

During the next Tyee shutdown, we will send down an ROV and inspect the trash racks and as much of the gate as possible.

ATV Use on the Tyee Transmission System

An RFP has been drafted for the permitting effort required by the USFS for the use of the ARGO on select areas of the Tyee transmission line right-of-way. It is anticipated bids will be solicited in January 2014.

Swan Lake Power House Roof and Water Tank Projects

RFP's for both projects are in draft. It is anticipated bids will be solicited the first week of February 2014. They consist of replacing the roof membrane and recoating the water tank.

SEAPA Landing Craft for Swan Lake Project

Invitations to Bid on the fabrication of a landing craft to be used primarily for the Swan Lake project were advertised. The resulting bids were rejected by the Board as too expensive and it was suggested that staff look at a smaller craft. An RFP has been redrafted for a smaller landing craft that will better fit the approved budget figure. It is anticipated bids will be solicited in January 2014.

Operator Training

SEAPA will be sending one operator from each plant to Golden Colorado for an 8-day course on power plant operation and maintenance in early April. As time and budget allow, we will continue this rotation with other personnel.

Engineering Drawings

Joe May has completed the first phase of the drawings project, which will allow us to complete the EDMS system and once again have outside engineering access to our drawings library.

Next we'll be looking at the field portion to verify redlines and changes. After which we will have the drawings updated and reissued to their respective areas.

Helipad installation on DNR Lands

McMillen LLC has proposed an approach for the permitting of helipad placement on DNR Lands within the STI. The process is similar to the permitting for the USFS Lands. The process should not be as lengthy due to the USFS having already given their approval. Staff is reviewing the proposal.

FERC Annual Fees

McMillen LLC and Tetra Tech are working jointly on the non-capacity amendment to the projects with regard to the change in FERC fees we will be assessed each year. This stems from being

able to deduct acreage owned by the State within our project boundaries being removed from the Federal inventory for fee purposes.

Swan Lake Breaker Project

The rebuilt generator breaker has been accepted and installed. Another breaker is crated and being shipped to Western Electrical Services for rehab. When that breaker is returned, we will install it and ship out the final breaker for the same treatment.

Upcoming Projects in the Queue

1. Marine terminal oil reservoirs
2. RFP's for maintenance shutdown
3. DOT permit for Heritage Harbor pole move
4. SEAPRO membership
5. Bluff Lake DNR permit
6. Swan Lake transmission line clearing
7. Circuit Switcher move at Wrangell switchyard
8. Pole replacement in Petersburg
9. Abutment clearing at Swan Lake Dam
10. Protocol for system changes
11. Submarine cable spare parts
12. Compactor Roller for Tyee project
13. Covered storage for Tyee spare transmission line parts
14. Generator controls for Swan Lake standby generators
15. Marine terminal gages
16. Mapcon update
17. Netting for Tyee Lake equipment barn
18. Marker ball assessment for Tyee Lake transmission system
19. Helipad repair on Tyee passive reflector bench
20. Right-of-way clearing plan for the Tyee line required by the USFS due by the end of March
21. Standardized Outage and Event Analysis report form
22. Permit for inert waste site at Swan Project

MISCELLANEOUS

A slide presentation will be provided at the Board meeting on various topics.

CONCLUSION

Staff will be available to answer any questions or concerns.

SOUTHEAST ALASKA POWER AGENCY

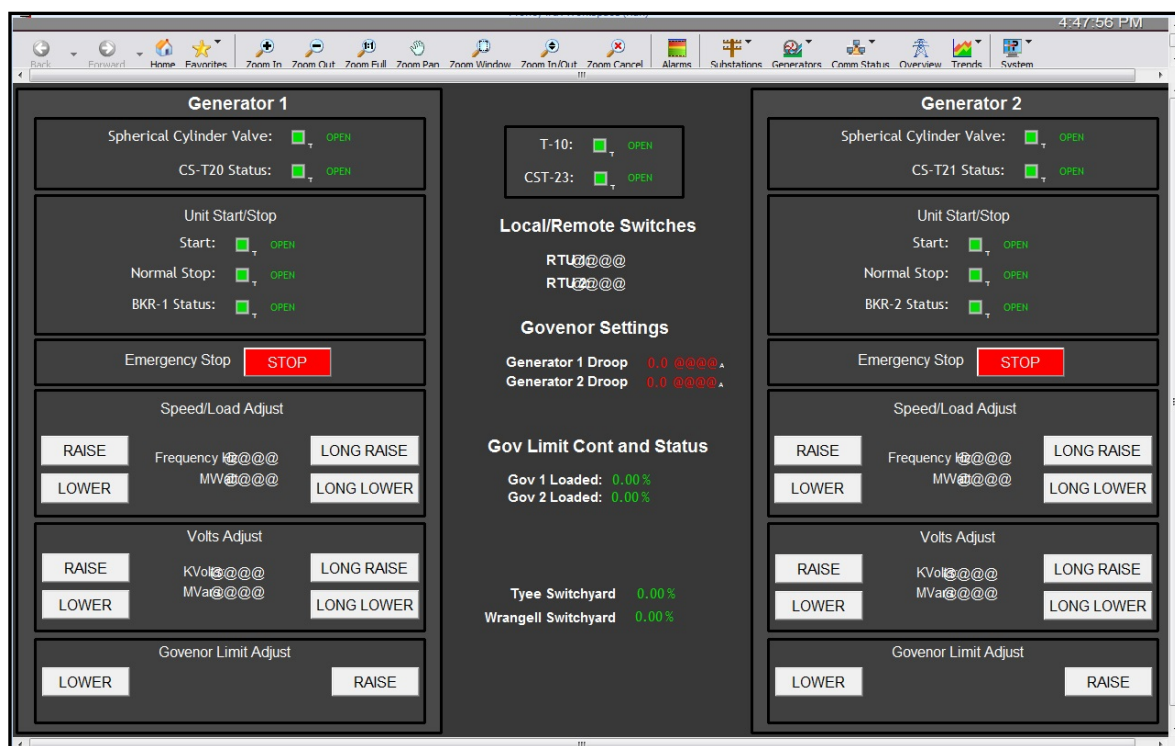
Director of Special Projects Report

December 12, 2013

SCADA Capital Project Update (Supervisory Control and Data Acquisition)

Proposal Process and Vendor Selection

Fiber Fusion has completed Phase 1 design and factory acceptance testing; installation at Tyee is complete, and installation is underway at the Wrangell Substation and Wrangell Switchyard. Phase I covers the Tyee-to-Petersburg portion of the system, while Phase II is the Swan-Bailey-SEAPA office portion of the system. James Volk of Segrity, LLC continues to provide detailed project management, construction coordination, and technical support, and James has helped us overcome significant North end communication hurdles by directing how and where the control network interfaces through AP&T. For the short term, our SCADA network will be redundant with the original system as the Petersburg Substation is now scheduled for replacement in early January. We'll also have redundant communication paths until the new satellite system is fully operational. Our end plan concerning SCADA communication is to use the new satellite system for the control network by installing dishes at the Petersburg Substation, Wrangell Switchyard, Tyee, Swan, and the SEAPA office. How and to what degree the Tyee Microwave system will be decommissioned has not yet been determined. The Fiber Fusion crew will return to Tyee and Petersburg just after the holidays to complete Phase I installation, final testing, punch list checks, and commissioning. Phase I at this time is 85% complete on a schedule and budget basis.



GE IFix SCADA screen, Unit control screen for Tyee Units.

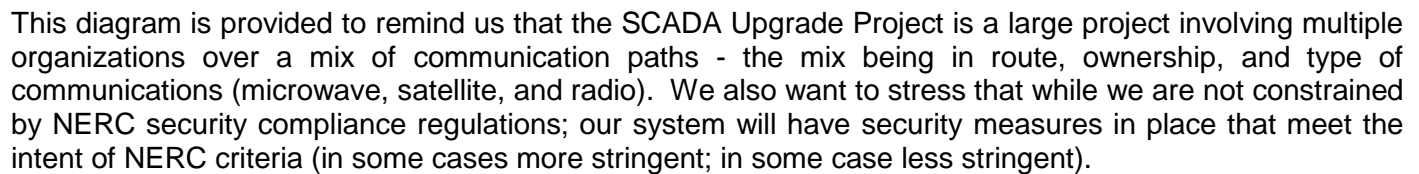
SCADA Project Schedule

Difficulties with installation in Alaska (common for us) and delayed electrical cabinet delivery have shifted the schedule a bit; new and original schedules are shown below. Delays with this project are being monitored closely, more important than delays are cost-effective execution and quality. Since the completion date does not adversely affect SEAPA electrical deliveries, we have allowed delays to maintain quality and forego expediting costs.

Original Fiber Fusion Schedule	Tyee-Psg	Swan-SEAPA-Bailey
SCADA Task	Phase I	Phase II
Site Visits	7/16 to 7/26	during Phase I
Preliminary Design	7/27 to 8/26	1/25 to 2/13
Factory Accept. Test	10/1 to 10/18	1/6 to 1/10
Installation	10/21 to 11/15	1/13 to 2/3
Commissioning Complete	11/22	2/3/2014
Training/Manuals	2/4 to 2/14	2/4 to 2/15
Project Close-out		3/6/2014

New Schedule	Tyee-Psg	Swan-SEAPA-Bailey
SCADA Task	Phase I	Phase II
Site Visits	7/16 to 7/26	1/9/14 +/-
Preliminary Design	7/27 to 8/26	2/1/2014
Factory Accept. Test	10/29	2/15
Installation	11/4 to 1/15/2014	2/17 to 3/28
Commissioning Complete	1/22/2014	4/4/2014
Training/Manuals	1/15 to 2/14	4/15/2014
Project Close-out		4/18/2014

[Remainder of page intentionally left blank.]

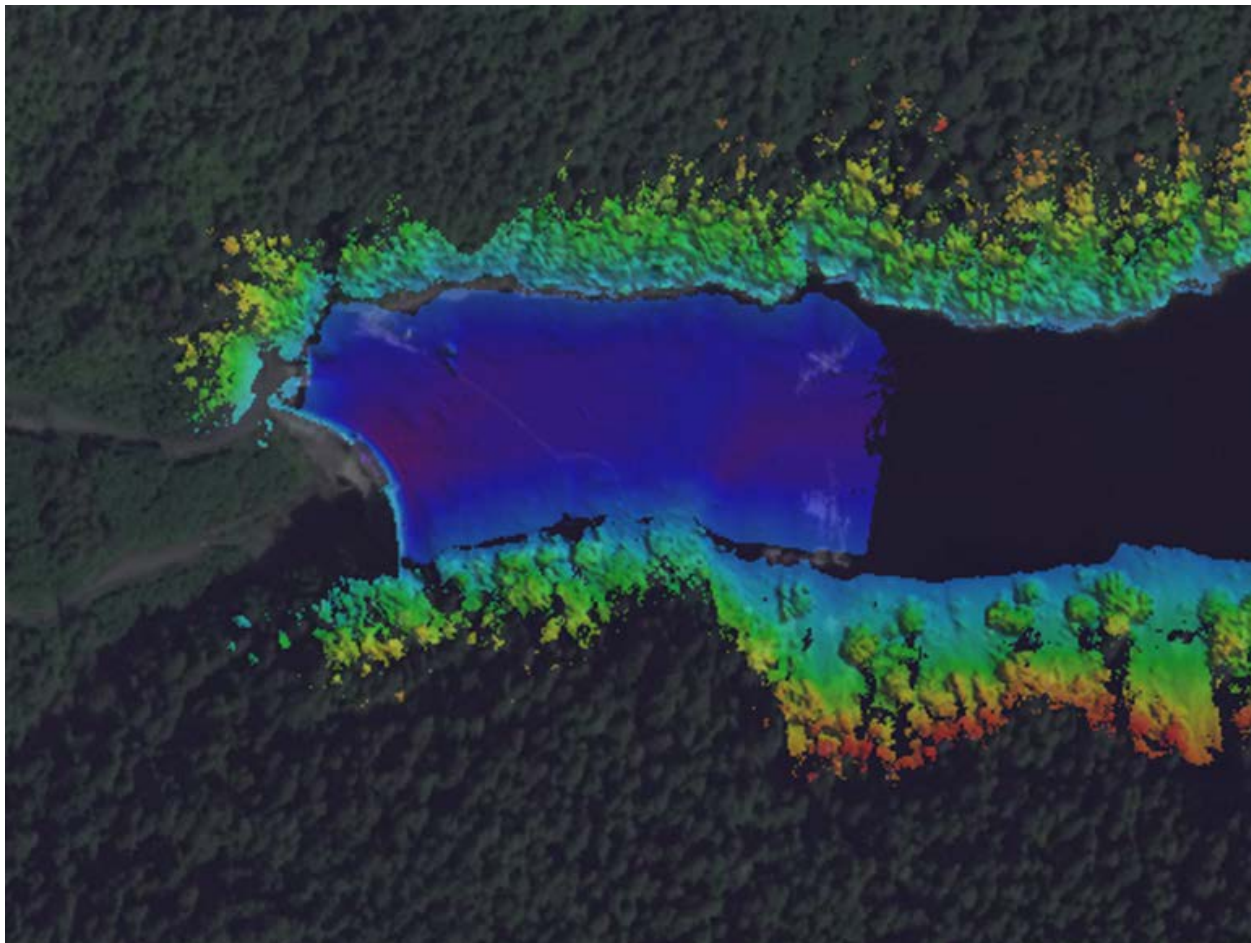


SEAPA continues the planning effort to expand the Swan Lake reservoir. We plan to add 6 feet of concrete to our arch dam for a gain of 25% in active storage. In order to start construction, we need approval from the FERC Division of Dam Safety, and we also need an amended FERC license from the Washington DC based Compliance division. We plan to submit our application for a license amendment this coming April after 18 months of environmental agency consultation, and we plan to start the dam safety approval process this January with joint Owner-Consultant-FERC safety meetings. At our last Board Meeting in Wrangell we asked for and the Board granted approval of a contract not-to-exceed \$138,000 with expert dam design/modification engineers to sit on our Board of Consultants (BOC). We have contacted Don Bowes, Kim DeRubertis, and Glenn Brewer and we are in the process of getting these service contracts signed. We also need to contract with an arch dam design firm to perform design and analysis structural engineering; we've named this step preliminary engineering to be consistent with FERC terminology. At the conclusion of the preliminary engineering stage we will issue a call for EPC proposals. EPC: E as in engineering which would be final design and construction engineering, P-procurement, C-construction. We plan to issue a call for EPC proposals the day we receive our amended license, which could take up to a year of FERC compliance processing time. Most likely we will receive an amended license sooner than at the end of a year but this license amendment would be *contingent upon division of dam safety approval*. Either way our project is still on schedule to be completed during late 2016.

Engineering Summary

1) hire a Board of Consultants (BOC) which is a FERC requirement, 2) hire a dam engineering firm which will submit the actual design modification and do the analysis in accordance with the joint requirements of the BOC and FERC, 3) sign an EPC contract and get to the business end of construction. We do not have a preliminary engineering design firm under contract yet and that is the reason for the new business item "Engineering Design Services for the Swan Lake Dam Modification Project". At the time of writing this memo, proposals have been received but staff has not had an opportunity to evaluate them; we intend to submit an evaluation and request authority to proceed with contract finalization at the Board Meeting. The total cost of this effort is expected to range between \$180,000 and \$275,000 depending on FERC requirements.

During November, McMillen LLC's subcontractor, Tetra Tech, performed LIDAR mapping of the Swan Reservoir from water surface elevation (MSL 311 ft +/-) up to elevation 355 ft. Tetra Tech also performed multi-beam bathymetric surveys of critical areas (dam face and tributary areas), photographed significant portions of shoreline, and measured select species of trees. The survey results will be used in our license amendment documents, by the Department of Natural Resources during the timber cruise (summer of 2014), and by the design engineering firm. Tetra Tech did a great job expediting this work under difficult conditions; payment for this work will be charged to the DCCED grant under the storage initiative category.



Overview (Plan View) of LIDAR and Bathymetric survey areas near the Swan Lake Dam

Tyee Lake Cooling Water Conversion

Tests conducted during 2012 indicate throttling the cooling water (CW) and using the existing pumps is by far a more efficient way to cool the units. The annual value of using the existing CW pumps combined with a simple control system is approximately 1,000 MWh of additional energy for our municipal members. CW at Tyee was supplied off the penstock via a set of pressure reducing valves until this October when Tyee crews under the direction of Morris Kepler modified the piping to allow the CW flows to be supplied from pumps. Since October, CW has been supplied by two pumps in parallel with a third pump available as emergency standby. The next step is to conduct heat and flow measurements such that James Volk of Segrity can program either one of the new SEL RTACs or a PLC; the control range will be stator temperatures between 70 and 75 degrees Celsius. Final control valve installation and pressure-flow measurements occurred December 10th and December 11th, and PLC or RTAC programming is scheduled to occur during the last stages of SCADA Phase I commissioning.

SEAPA Long-Term Planning

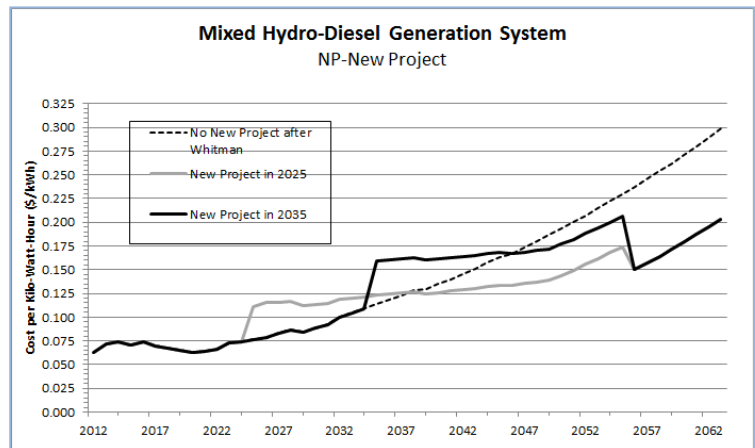
A Coordinated and Integrated Three-City Regional Effort

At our last Board meeting in Wrangell, SEAPA staff discussed several projects/issues that are part of the long-term planning process. Within this process are project titles you will recognize/remember:

- The Kake-Petersburg Intertie
- Annette Island Hydro and Transmission
- Future Hydro Sites such as: Mahoney Lakes, Sunrise, and Cascade Creek
- SEAPA's Request for Offers of Power and Energy
- Swan Lake Reservoir Expansion
- Swan Lake and Tyee Lake Relicensing

We also discussed the Power Sales Agreement (PSA) full requirements clause and common questions regarding long-term planning. Please refer back to the previous board packet and the Wrangell presentation, which included an economic model for project timing, construction costs, and rate increases that result from new plant construction in response to future *energy* shortages. As a summary of that discussion the graph and accompanying table presented during the Wrangell board meeting are shown at right. We also showed that the impending energy shortage is largely a Ketchikan problem, but analyzed costs based on an integrated system.

At our upcoming December Board meeting in Ketchikan, we will discuss winter capacity shortages which may become everyone's (all three member utilities) problem. One option that offers relief from capacity problems is demand side management (DSM). DSM is a global, catch-all term that largely means reduction in electrical demand by a combination of capital improvements and/or customer service programs. The important aspect to DSM is that it costs money in capital improvement and

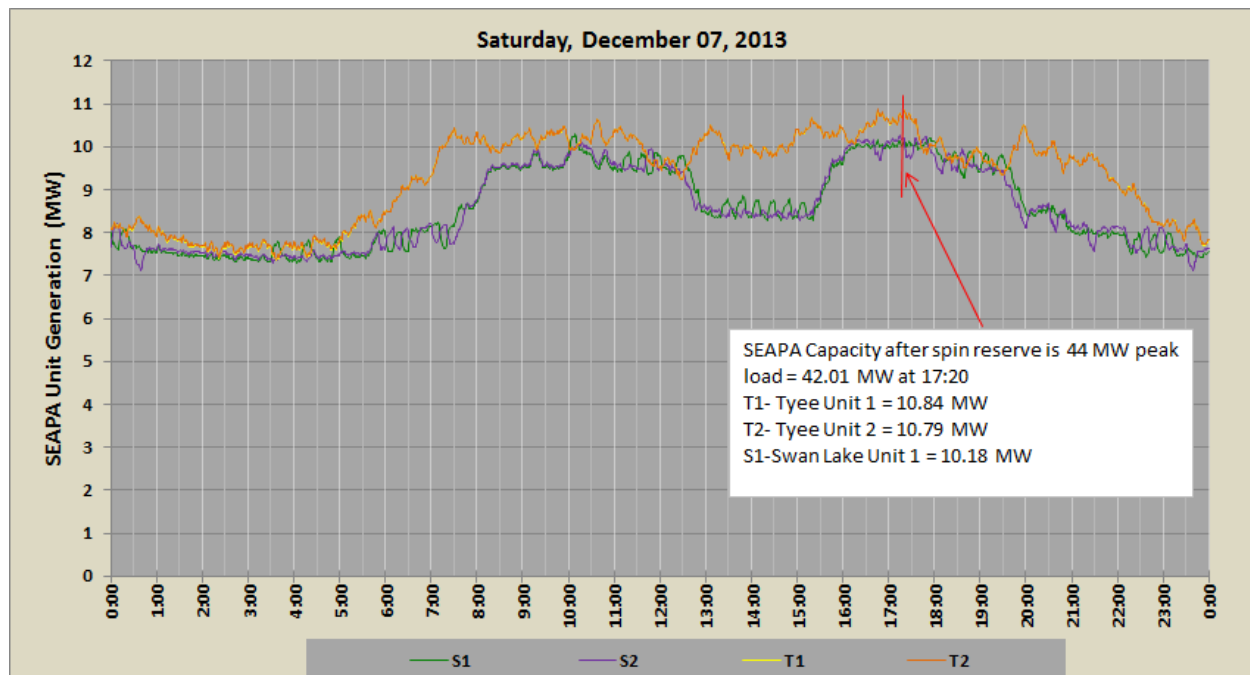


	Status Quo	New Project 2025	New Project 2035
Bond Rate	-	7.5%	8.5%
Bond Term	-	30	20
NP Energy (MWh)	-	40,000	40,000
NP Capacity (MVA)	-	10.00	10.00
NP Construction Cost	-	\$95,000,000	\$154,744,990
Construction Cost Escalation	-	-	5.0%
Diesel Fuel Base Cost	\$4.00	\$4.00	\$4.00
Diesel Fuel Escalation	2.00%	2.00%	2.00%
SEAPA Area Load Growth	.5% after 2017	.5% after 2017	.5% after 2017
O&M Cost Escalation	2.0%	2.0%	2.0%
	3.0%	3.0%	3.0%

O&M effort but also reduces utility income. Thus DSM must be implemented carefully such that the right amount of load is reduced without removing too big of a chunk of utility revenue. While recent efforts by our utility members have:

- converted street lighting
- initiated heat pump programs
- investigated/constructed biofuel for space heating

we think there are a number of areas which, if integrated into our hydro dispatch process, could lead to substantial peak shaving and load reduction. In response to a request from SEAPA, Alaska Energy Engineering submitted a proposal to conduct further studies and audits in our control area; the difference from previous work being a more integrated approach that looks at specific aspects of loads such as fish processing and municipal pool heat rejection, thermal storage coupled with heat pump applications, and O&M improvements for biofuel installations.



Total of SEAPA exports on Sunday, December 7th; no supplemental diesel generation occurred, peak load was 42 MW, 3 MW remaining before encroachment on a voluntary 4 MW spin reserve limit. Capacity issues will affect all members before energy issues affect all members.

Request for Offers of Power and Energy (RFO)

The RFO was issued on January 31, 2013; a Workshop was held on April 10, 2013. The deadline to submit letters of intent to make an offer was April 15, 2013. Respondents have until September 30, 2014

to submit an offer under Options 1, 2, and 3, and had until November 29, 2013 to submit a business plan under Option 4.

The RFO has developed interest from a variety of suppliers/manufacturers, utilities, and Independent Power Producers. We received letters of intent that totaled in excess of 70 MW of generating capacity. SEAPA has returned letters of clarification and acknowledgement to each party that submitted a letter of intent.

We received three (3) Option 4 proposals nearly consistent with our requests on November 29th, and have several other contacts submitting information by various means. Since we asked for a business plan, which is unique to each submittal, it will take some time to evaluate each submittal as to value and risk, we will keep you posted on our progress and have more information at the next Board meeting.

Department of Commerce, Community, and Economic Development Grant (DCCED Grant)

Last Board Packet

We received the grant last summer, and set up the accounts and project plan over the fall of 2012. Kay Key monitors the accounts and manages our submittals to the DCCED. We selected McMillen LLC and Tetra Tech as our site evaluation contractors this past July, and started field work this past September. We have five years from July 2012 to execute our grant, and have initiated three aspects of the grant.

1-Business Analysis Task (RFO)

2- Hydro Site analysis

3-Storage (Swan Lake)

A field team of McMillen and Tetra Tech technicians traveled to Annette Island to appraise the energy and capacity content of not only the previously proposed projects, but also the capabilities of the entire Island. Investigations and analysis work include:

- Basin Hydrology Assessment (Inflow prediction)
- Flood estimation using USGS Regression Analysis
- Stream Gauge Installation at Lower Todd and Triangle Lakes
- Intake/ Impoundment surveys
- Bathymetric Survey (depth) and side band LIDAR (storage)

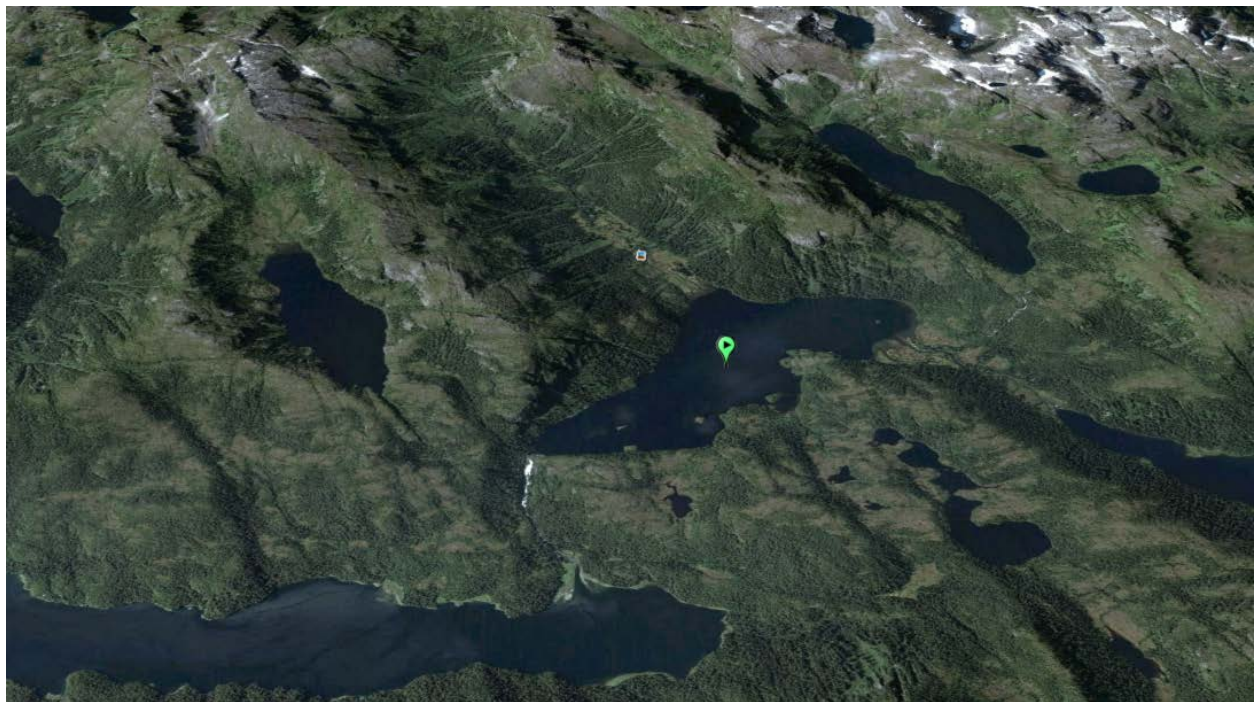
Staff will explain the sites and technical work in more detail at our Board Meeting, but in short a lot of field measurements and observations were recorded, McMillen and Tetra Tech continue to format this data into site definition documents. These documents will be the basis for an electronic library of all sites, with each site having a definition document. As the analysis work continues, proposed sites will have different levels of information and detail depending on progression of the appraised value of the site.

DCCED Grant Tasks	Schedule		Budget
	Start (Month-Year)	Projected Stop	Approved
Hydro Storage-Swan Lake Reservoir Expansion	Oct-13	Oct-14	\$578,000
Hydro Site Evaluation	Jul-13	Jun-15	\$1,705,000
Electrical Stability/Interconnection Studies	Jun-14	Nov-14	\$146,000
System Water & Load Balance Modeling	Jun-14	Oct-14	\$112,000
Project Management/Meetings/PR/Analysis	Nov-13	Dec-15	\$309,000
RFO-Business Analysis and Power Purchase/Sales/Exchange	Dec-12	Apr-13	\$150,000
DCCED Total			\$3,000,000

Remaining funds can be transferred to other tasks with approval by the DCCED.

Since our last Board Meeting:

McMillen and SEAPA have conducted three meetings over the October-November period to review the Annette Island work, revise the site definition document process, and design the electronic library. Our December meetings will begin scoping the 2014 field efforts. In addition to planning, we have completed preliminary hydrology and construction cost estimates. We are currently preparing for the 2014 field team plan meeting (December 20th in Boise) and a 2014 project management and organizational meeting (January 7th in Ketchikan).



Google Earth applications allow survey estimates such that feasibility study estimates can be made without costly site visits. We are also considering drone based surveying if permissible by the TNF for 2015 by Trimble a survey instrument company.

Water Management

Here is our year in brief, using the Ketchikan airport weather station as an indicator (proportional) of south side inflows.

October 2012	Low inflows in October and maximum loads for the winter of 2013 occurred in October 2012, a combination of events that significantly reduced storage going into the winter of 2013
December 2012 to May 2013	Less-than-average snow pack at Swan Lake; above average at Tyee.
June and July	Less-than-average precipitation and record summer loads; the key here is that high loads were the significant driver compared to deviations in precipitation.
September	Slightly greater-than-normal precipitation.
October through November 2013	Less-than-average inflow, equal temperature load growth over 2011 and 2012 levels (greater loads for a given temperature); again, load growth more significant than downward deviation in precipitation.
November and December 2013	As a result of previous low storage, cumulative precipitation below normal and high summer loads, KPU has commenced with supplemental diesel generation.

Inch Precip	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Normal	15.4	10.53	10.89	9.38	8.2	6.6	6.57	9.81	13.79	19.22	16.63	14.23	141.25
2013	13.83	19.75	5.73	7.53	12.82	4.65	4.19	9.84	16.48	12.74	15.76		123.32
Δ =	1.57	-9.22	5.16	1.85	-4.62	1.95	2.38	-0.03	-2.69	6.48	0.87		

Total Monthly precipitation at the NOAA site located at the Ketchikan Airport

At our last Board Meeting in Wrangell we said:

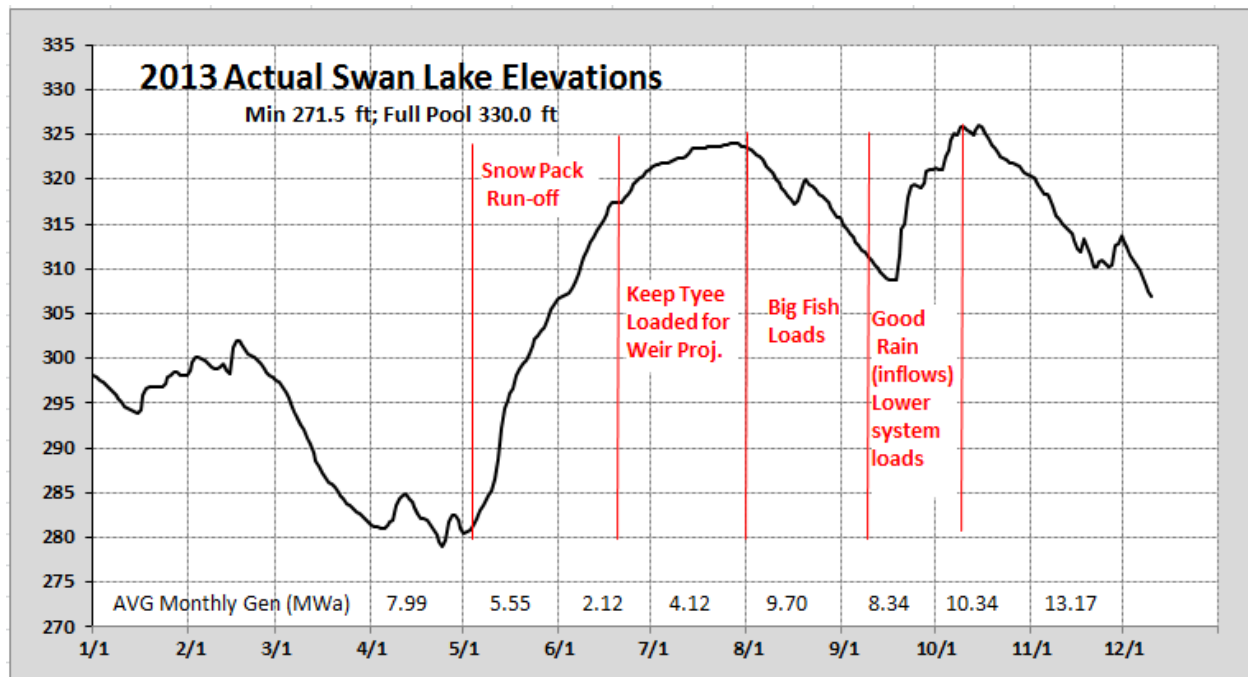
... given the monsoon that just passed through S.E. Alaska, it looks like we will fill both Tyee and Swan Lake if average conditions prevail from mid-October through mid-November. On October 6th we switched generation patterns at Tyee and Swan Lake to leverage the quickly filling Swan Lake.

Then the rain stopped! As shown in the above table under the October column and since November load growth consumed November inflow and 10 ft of Swan Lake storage (shown on next page), we didn't refill either Swan Lake or Tyee Lake.

For the first time in the history of the FDPPA and SEAPA, spill did not occur over the inflow cycle period at *either* Swan Lake or Tyee Lake. If we use the cumulative water year table listed below as a guide, the dominant characteristic is load growth, not a low water year.

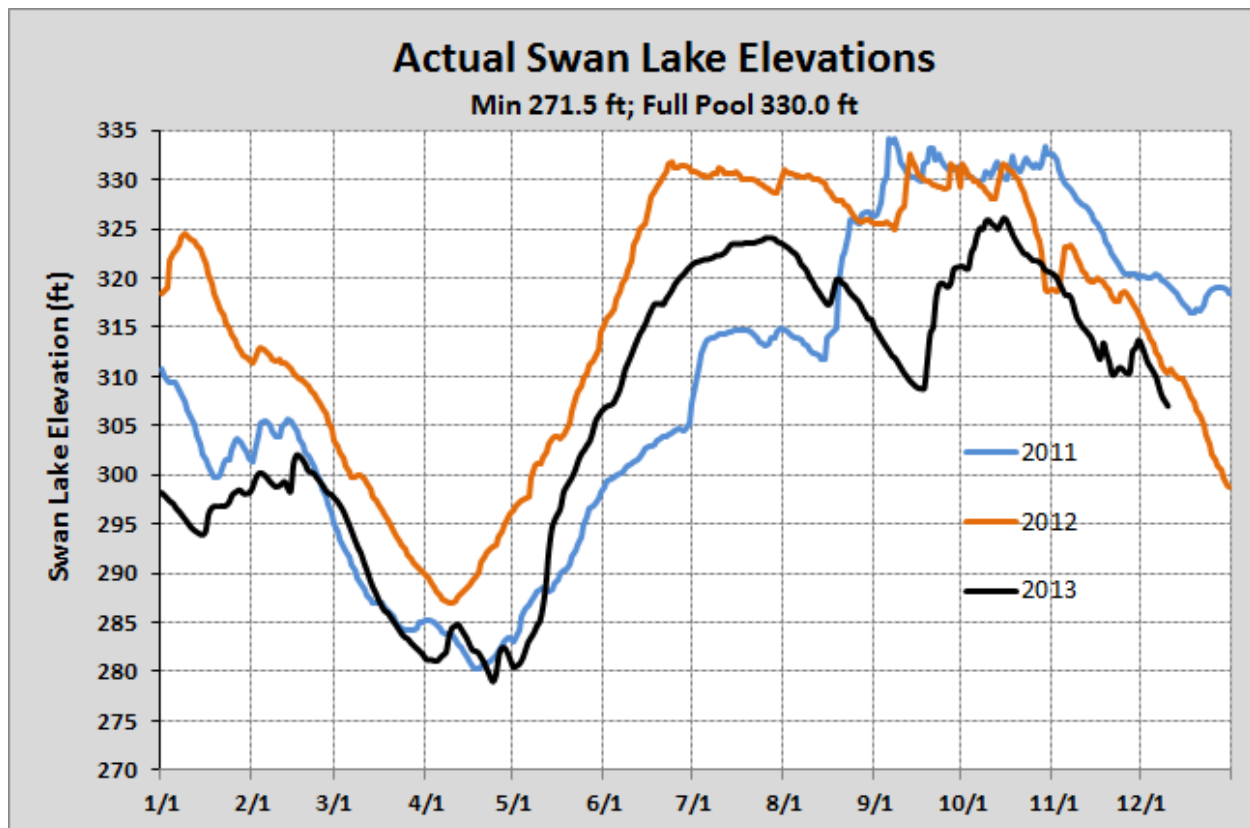
	Water Yr Nov1-Oct 31				
Normal	2009	2010	2011	2012	2013
141.3	147.1	149.2	164.4	150.0	134.5
0.0%	4.1%	5.6%	16.4%	6.2%	-4.8%

Annual inches of precipitation based on Ketchikan Airport data.



Swan Lake 2013 water levels with average generation listed from April through November.

[Remainder of page intentionally left blank.]



Swan Lake elevations compared to previous years; spill occurs at elevation 330 ft, the FERC minimum operating level is 271.5 ft.

A discussion of inflows and loads will be presented at the meeting (right after lunch of course) but of importance now is: "What is the SEAPA operations plan for the winter of 2014?"

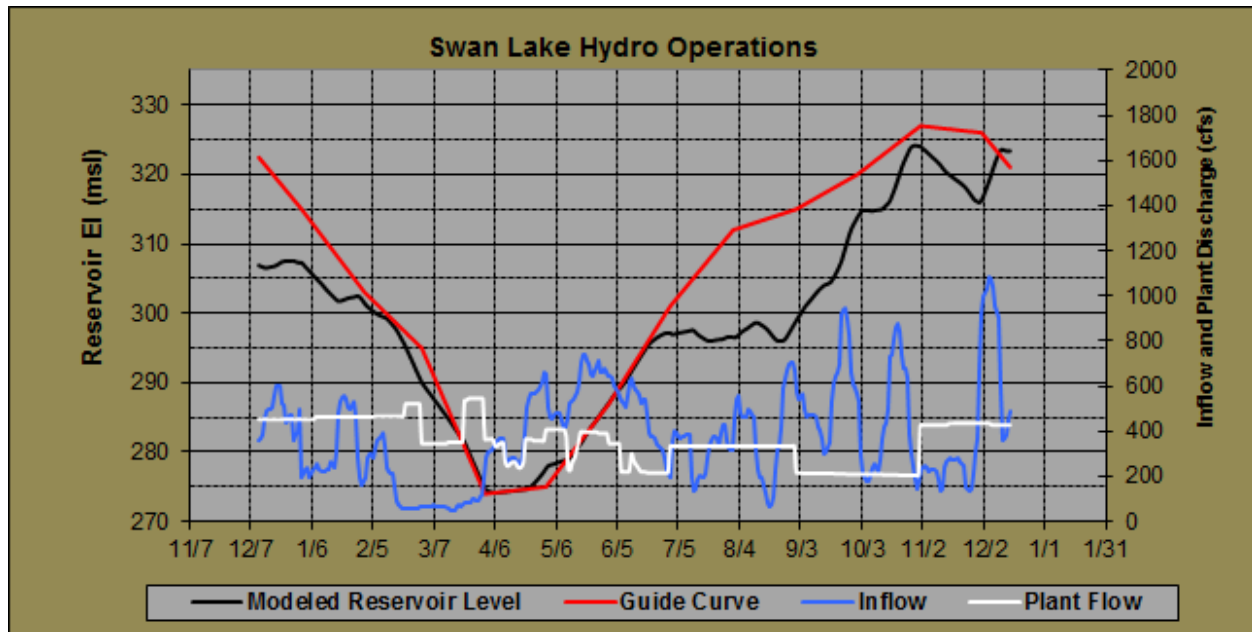
2014 Operations Plan - Swan Lake First, Then Tyee

Swan Lake

We are starting out our annual journey on a sore foot; we are approximately 20 feet below the Swan Lake guide curve (see below). Discussing the operations plan means we must take into account the terms of the PSA and re-state the previously agreed-to guide posts and also talk a bit about hydraulic modeling.

Terms of the PSA

Dedicated resource of Swan goes to Ketchikan; if KPU wants the capacity, they get it. SEAPA can make a suggestion, but it is KPU's resource in both capacity and energy. As an example, we are now in a situation where it makes sense on a water use basis to keep Swan Lake at or near 10 MW (or even less) all day every day. KPU has chosen to use capacity in excess of 10 MW to meet loads without diesel generation during off-peak hours (about 10 pm to 6 am) and on weekends. This leads to inefficient turbine settings but avoids increased KPU O&M costs; that's KPU's call. Hence we may see the actual Swan Lake reservoir level drift below the black line shown in the figure below as that trace is based on 10 MW during December, January, and February. This means the total value of the dedicated resource will be below the model value as there is a reduction in Swan hydro production due to head loss over time using KPU methodology. This year the dedicated resource is expected (modeled) to be approximately 67,000 MWh (generated) 64,350 MWh delivered. The 20-year average generation at Swan Lake is 76,000 MWh or 8.67 MWa.



Swan Lake reservoir model using near-average inflows, starting level on December 11, elevation 306.9 ft, generation schedule fixed at 10 MW for 3 months (December – February) then based on the guide curve, reservoir constraint based on returning to near-full for next season. Annual model generation after losses was 64,347 MWh; minimum reservoir level was 274.2 ft. Swan Lake hydraulic model details are shown as an attachment at the end of this section.

What we should do differently at Swan Lake from last year: Timing the start of the snow run-off is difficult; it can be as early as late April and as late as mid-May. We do not have enough storage capacity or inflows to get to mid-May, and traditionally annual maintenance starts in late May. This year we should move maintenance of the Swan-to-Bailey line up to the first week of May. That way the reservoir can rebound immediately while the line is out of service; this could be a substantial fuel savings for KPU.

[Remainder of page intentionally left blank.]

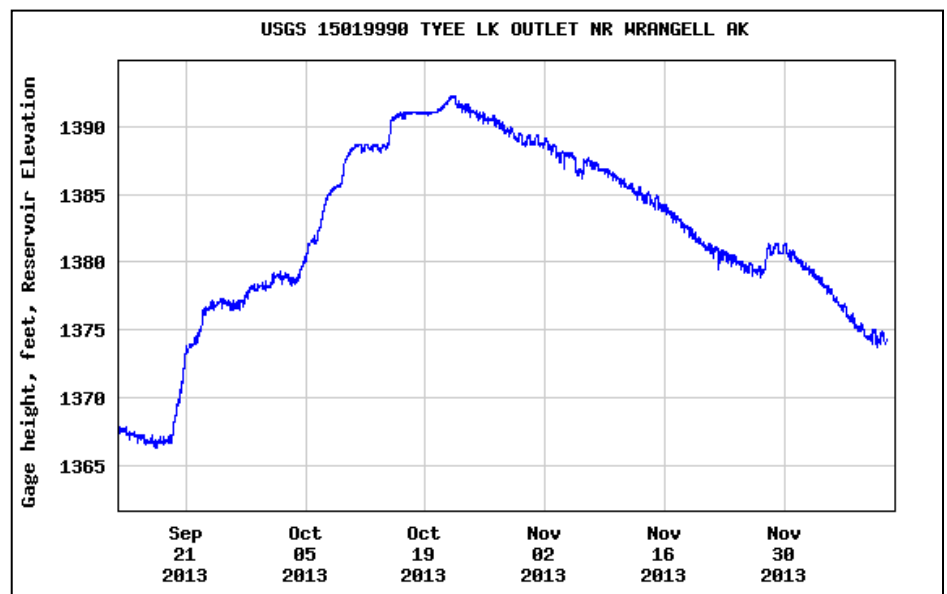
Tyee Lake

Tyee Lake firm generation before transmission losses is listed in the IECo design documentation as 130,000 MWh; this past year, November 2012 to October 31, 2013, Tyee generated 120,214 MWh or 92.5% of the engineer's estimate. Recalling that precipitation was about 132/141 (92% of normal) on the south side, and that Wrangell and Petersburg were also drier-than-normal this summer, we suspect from our many visits this summer to the outlet that we received a one-time boost in Tyee generation from melting glaciers. Overall we still expect to average 130,000 MWh of generation which translates after losses to be 121,550 MWh (+/- 1 %) of deliveries. This past year our Operations Plan stated a reservoir level of 1260 ft. as the limit of maximum draft but we stopped drafting at elevation 1288. If we would have drafted to elevation 1260, Tyee Lake would be more than 20 ft lower than it is today for the same level of generation. Why did we stop drafting before we hit the limit? There was less-than-average snow pack at Swan Lake; Swan Lake was too low to provide ancillary services, and the Tyee snow pack was 25% below the level of the previous year but still near what we expect to be average. Also, we were lucky; we mistimed the runoff thinking runoff would not start until late May and had reserved some water for May generation to be exported to KTN. We did not spill at Tyee as shown in the plot below, Tyee spill occurs now at elevation 1396 ft. which is the FERC full-pool limit. This year our Operations Plan target elevation for drafting Tyee is

1370 ft; the FERC minimum is 1250 ft. As we have discussed before, Tyee should not be thought of in similar terms as the PSA existing facilities or thought of in the same light as Swan Lake. Tyee provides a huge system stability role in supplying voltage support, frequency stability, and regulating margin that the other hydro plants simply cannot replace in quite the same quality. In short, if you expect less inflow, you should draft less, and you have to follow this rule with a conservative eye if the plant in question provides a majority of the ancillary services.

	HW level	kWh	U1 & U2 gen
HW start	1390	Nov-12	11,962,000
		Dec-12	12,388,000
		Jan-13	11,372,000
		Feb-13	9,264,000
		Mar-13	9,002,000
		Apr-13	13,183,000
		May-13	6,409,000
		Jun-13	7,449,000
		Jul-13	13,183,000
		Aug-13	12,050,000
		Sep-13	7,291,000
		Oct-13	6,661,000
HW end	1386.5	Nov-13	10,259,000
		Dec-13	
		Jan-14	
		Feb-14	
Total generation		kWh	120,214,000
		MWh	120,214
		MWa	13.72

Tyee Generation, Oct-12 to Nov-13



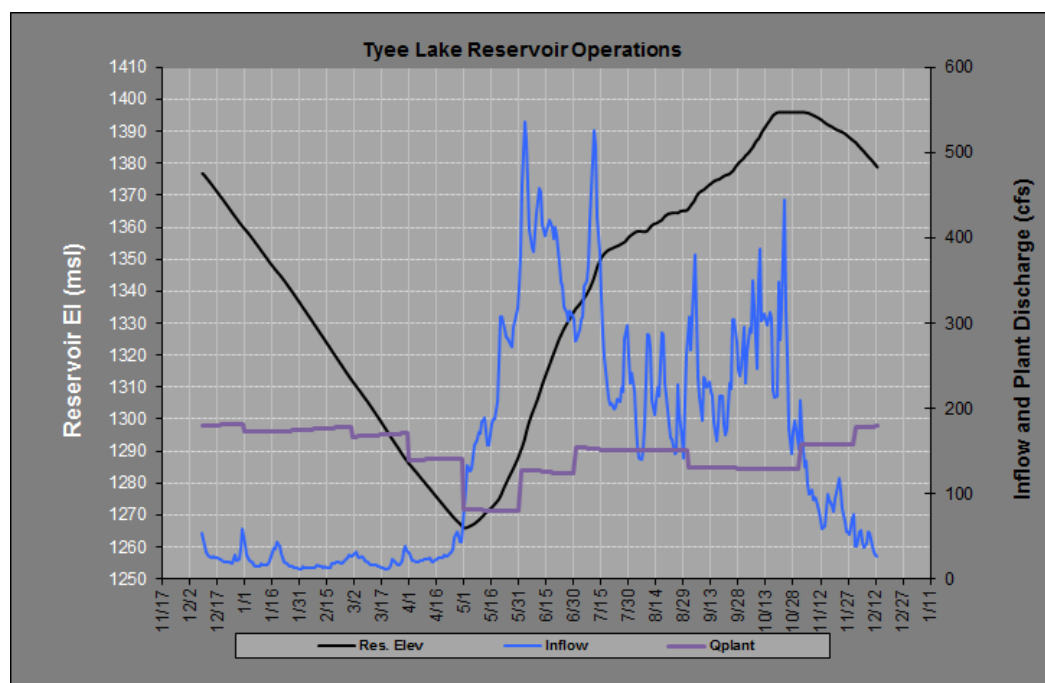
Tyee Model¹

Inputs:

Average Inflows (snow and precipitation)
HW start level (actual) = 1376.9 on 12-9-13
Generation pattern to achieve maximum energy.

Outputs:

Spill volume = 51.5 cfs for 30 days; Minimum Reservoir Level = 1266 ft., maximum level = 1396 ft.



Generation Level for reservoir levels in plot

Date	Power MW	Energy MWh
Jan	17.0	12,648
Feb	17.0	11,424
Mar	16.0	11,904
Apr	13.0	9,360
May	7.5	5,580
Jun	12.0	8,640
Jul	17.0	11,160
Aug	17.0	11,160
Sep	13.0	9,360
Oct	13.0	9,672
Nov	16.0	11,520
Dec	18.0	13,392
Avg	14.7	
Total		125,820

Expected Questions

Q1: What if you totally blow it, maybe you've just been lucky for four years in a row!

A1: If we blow it, it means we sent too much power to Ketchikan and that exports to Ketchikan could be totally eliminated or curtailed for the early part of the summer. We have very high confidence in our May and June load requirements to Petersburg and Wrangell; we also know that sooner or later that snow pack, which we will again monitor closely over the winter, must come off the mountain.

Q2: How low can Tyee run assuming the above scenario plays out, would you draft to elevation 1250 ft to serve Wrangell and Petersburg?

A2: Very, very, unlikely we will go below 1255 ft. The plant is designed to operate at 1250 ft. but our timing of the snow pack, and recognizing Tyee will be offline for a week starting sometime in late May or early June, means we are very confident we will not overdraft. May is our lowest delivery month; it is the easiest month to serve Petersburg and Wrangell. Also, if we overdrafted Tyee because of extenuating circumstances we could borrow from Swan Lake as long as that

¹ Another model run with less inflow but the same loads is listed as an attachment.

does not impinge on Ketchikan dedicated resource requirements. That is a benefit to having reservoirs at significantly different elevations.

Q3: What is an extenuating circumstance?

A3: Blind Slough goes bust; we hold water back for that; also failures at Ketchikan plants; it is another ancillary service SEAPA bundles with the other delivery products. We try to limit this as it leads to spill so reserve volumes really only play a role in planning during April-May.

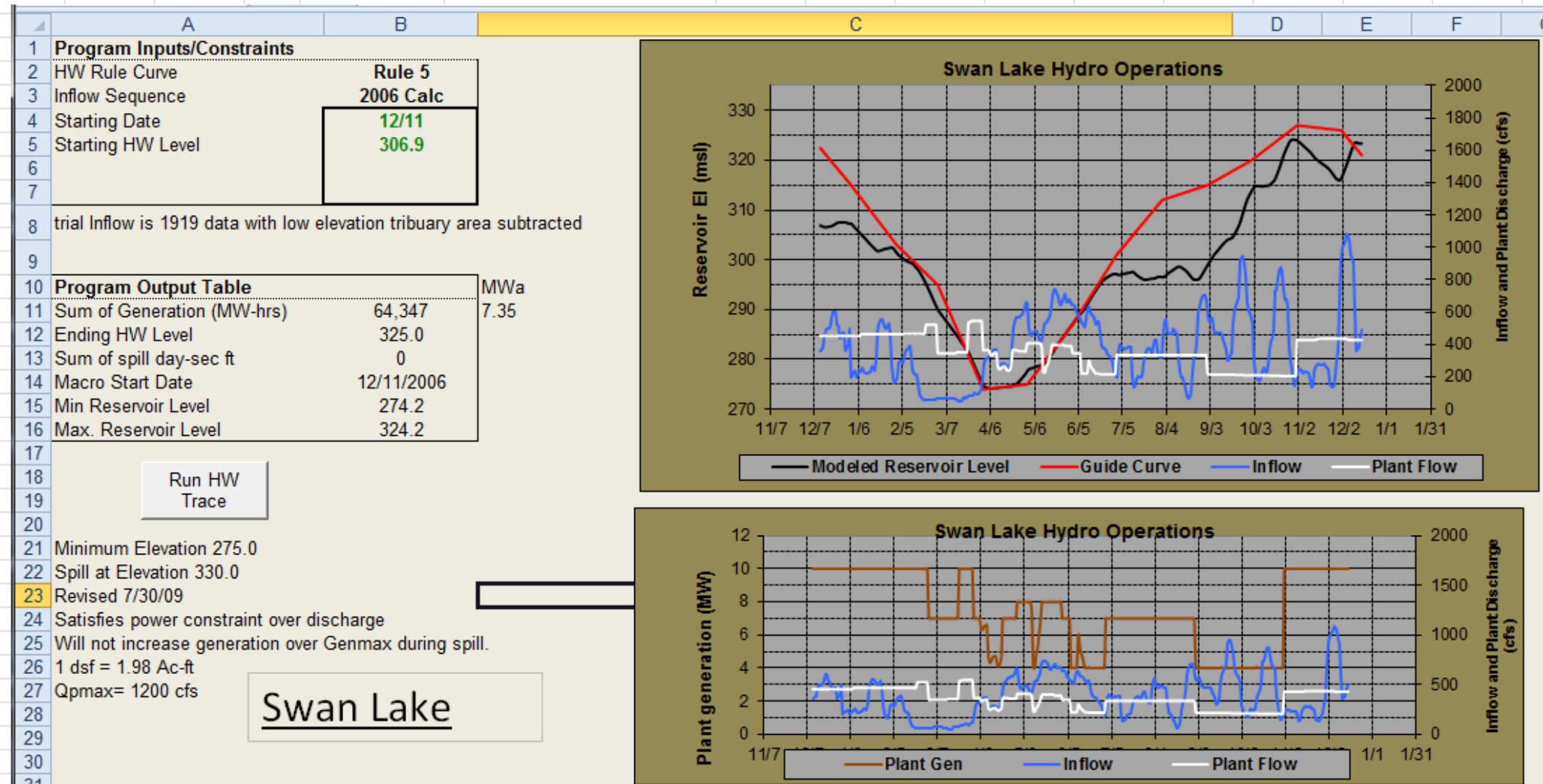
A suggested motion has been drafted for consideration and approval under New Business in the board packet.

Merry Christmas!!

SOUTHEAST ALASKA POWER AGENCY

Director of Special Projects Report

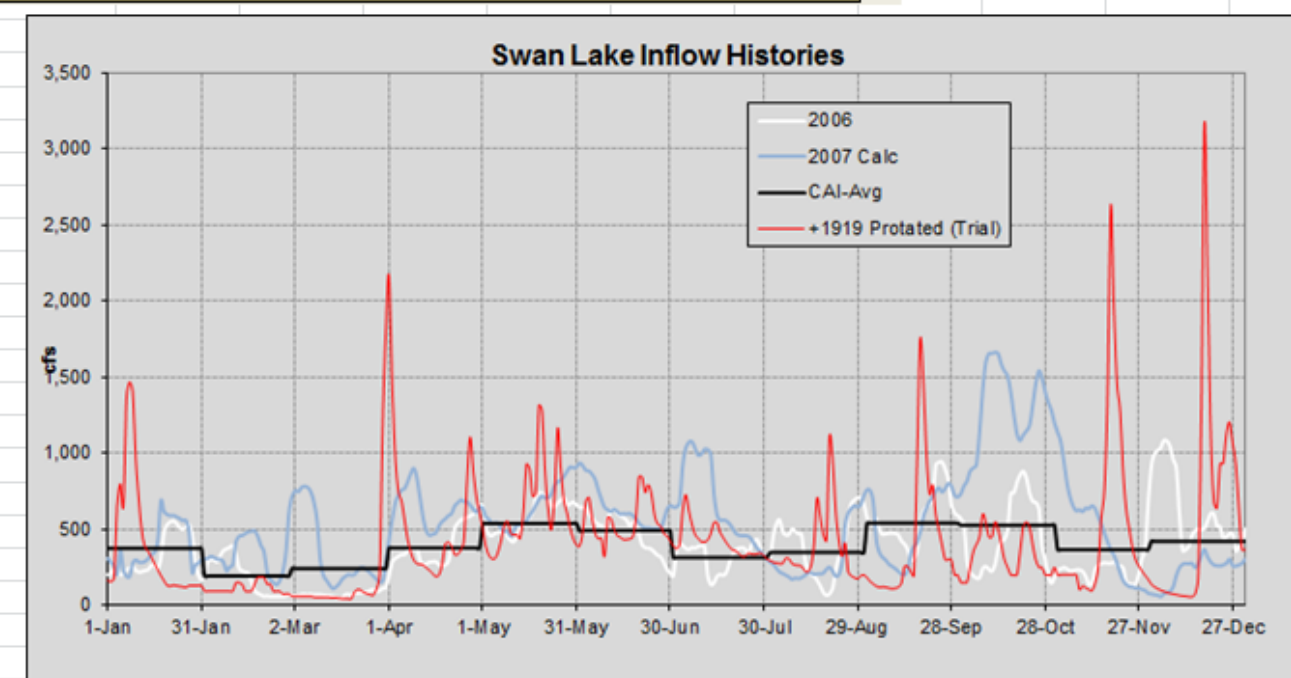
December 12, 2013



Rule 5	
1-Jan	315.0
1-Feb	303.0
1-Mar	295.0
1-Apr	275.0
1-May	275.0
1-Jun	287.0
1-Jul	301.0
1-Aug	312.0
1-Sep	315.0
1-Oct	320.0
1-Nov	327.0
1-Dec	326.0
1-Jan	315.0

Daily Generation		
Date	Min	Max
1-Jan	10.00	10.00
1-Feb	10.00	10.00
1-Mar	7.00	10.00
1-Apr	4.00	7.00
1-May	4.00	8.00
1-Jun	4.00	7.00
1-Jul	7.00	11.00
1-Aug	7.00	11.00
1-Sep	4.00	10.00
1-Oct	4.00	10.00
1-Nov	10.00	10.00
1-Dec	10.00	10.00

Table of User Selectable Inflows			
Entry Name	Description-Category	Total Inflow Ac-ft	% Avg
1919 Revised	1919 data with prorate	309,556	108.8%
1994 Derived	CAI derived low	224,171	78.8%
CAI-Avg	CAI 1994 (Rain Records derived)	284,514	100.0%
2006 Calc	calc from gen&hw records	281,055	98.8%
2007 Calc	calc from gen&hw records	389,912	137.0%
Trial	1919 with aggressive prorate	303,662	106.7%



Program Inputs/Constraints

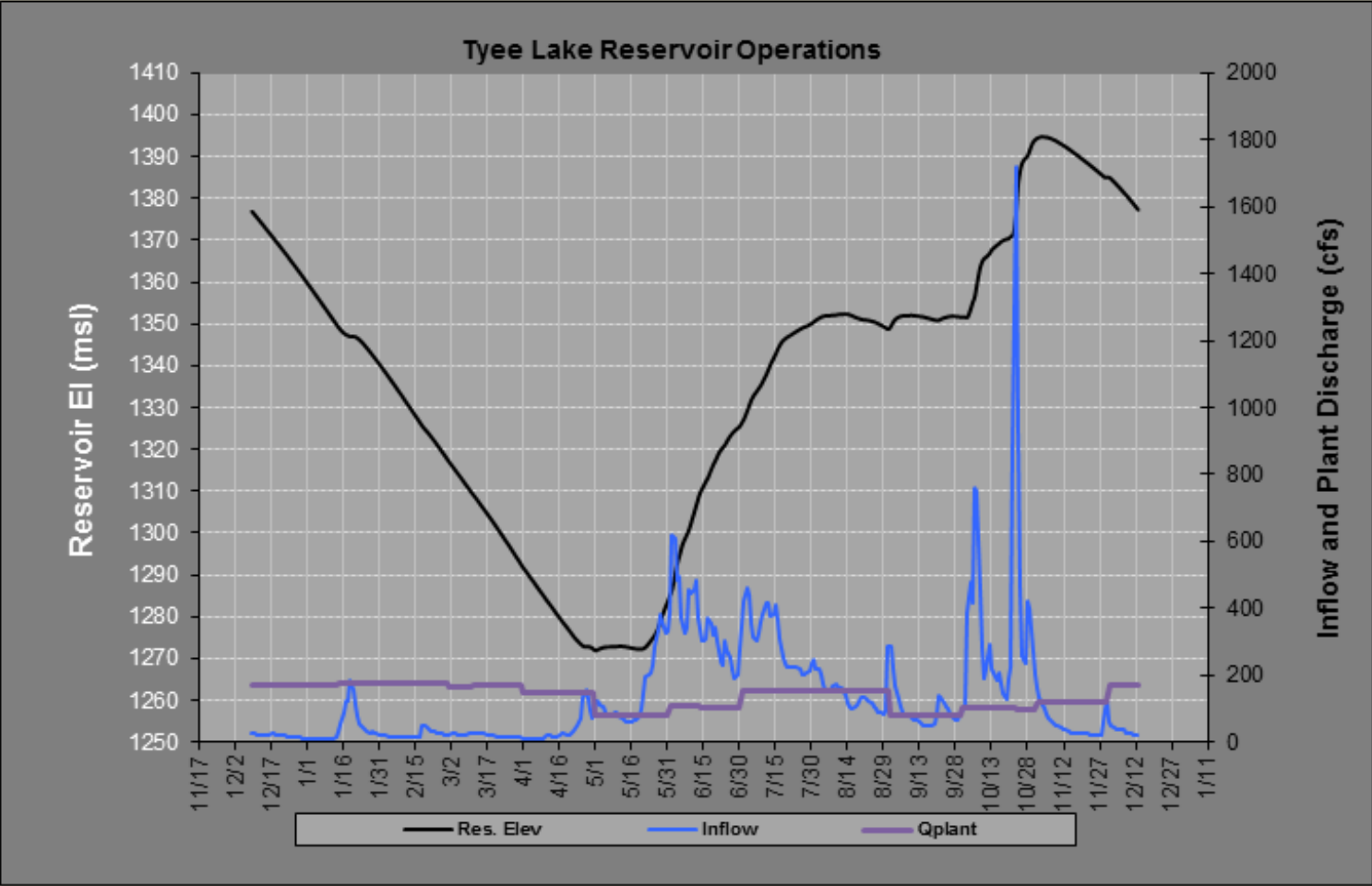
Inflow Sequence	1965Adj
Starting Date	12/9/13
Starting HW Level	1376.9
Full Pond Elevation	1396
Green Fields entered by User	

Program Output Table

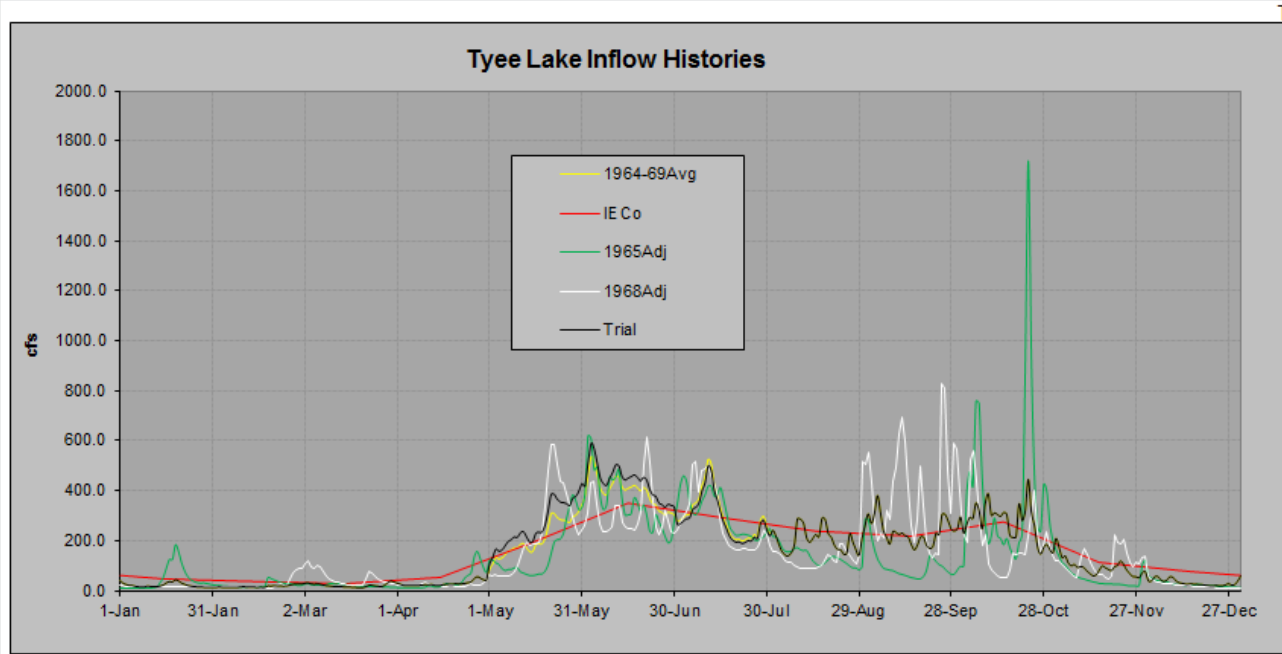
Sum of Generation (MW-hrs)	115,644
Ending HW Level	1380.8
Sum of spill day-sec ft	0
Macro Start Date	12/9/2006
Min Reservoir Level	1271.9
Max. Reservoir Level	1394.7
Total Inflow Volume (Ac-ft)	99,598
IECo Design Average Inflow (Ac-ft)	116,323

Run HW
Trace

Revised 10/11/12
Satisfies power constraint over discharge
run time = 13 sec.
1 dsf = 1.98 Ac-ft



Date	Power MW	Energy MWh
Jan	17.0	12,648
Feb	17.0	11,424
Mar	16.0	11,904
Apr	14.0	10,080
May	7.5	5,580
Jun	12.0	7,200
Jul	17.0	11,160
Aug	17.0	11,160
Sep	8.0	5,760
Oct	10.0	7,440
Nov	12.0	8,640
Dec	17.0	12,648
Avg	13.7	Total 115,644



Options
Column N
Select Inflow for Reservoir Simulation
1965Adj
Must be a year entry such as 1910 or 2003

Tyee Drainage Area		14.2	sq. mi	
Inflow Year	Total InFlow Ac-ft	Case type	% Avg.	cfs/sq mi
1965Adj	99,598	Low	89.4%	9.69
1964-69Avg	111,420	Expected	100.0%	10.84
1967Adj	125,385	High	112.5%	12.20
IECo	116,323	Design	104.4%	11.32
1968Adj	109,951	Expected	98.7%	10.70
Trial	116,104	Varies	104.2%	11.30

SEAPA Project Update: Swan Lake December 2013

Safety/Environmental/Security

- No Safety incidents to report
- A peculiar Environmental situation logged with the death of two birds within or along a site drainage outfall. Birds were recovered and sent to the State F&G, Wildlife Management for toxicology examination along with a water sample.
- Safety Training for December included: Hazardous Energy Control (HEC), LOTO, OSHA 1910. 147/ 1910.269.
- Dam Fail battery bank and charger PMs, all good.

Outages/Unit constraints/Reservoir Level

- Forced outages: None since October issues with Unit #1 on 10-10& 10-25.
- Planned station outages (when returned to single unit operation)
- Reservoir level dropping: 310.6 ft. as of December 5th.
- Emergent work: Control communications issue remains from Nov. 28th 07:17, Ketchikan outage (bird strike opening 34.5 kV line at Ketchikan Substation). An action item identified was the need for an appropriately rated control room UPS.

Compliance

- Dam deflection survey remain for December, R&M notified.

Periodic Maintenance

- (Unit 2 open item)Draft tube cavity inspections with replacement of vibration instrumentation
- New Spare Breaker rotated into Unit #1 breaker position successfully and Unit #1 breaker is now out. It will be sent out for rehab & testing, followed by rotation with Unit #2.
- (open item) SF6 Breaker gas testing.
- Unit #2 baffle removal and cleaning scheduled for December

New Projects

- New communications satellite dish installed, awaits contractor initialization.
- Lighting upgrades - (open)
- Load of D1 gravel (open)
- Recent PMs included stand-by diesel generator oil change and compressor maintenance.



— TYEE LAKE HYDROELECTRIC PROJECT —

P. O. BOX 1318 WRANGELL, ALASKA 99929 (907) 874-3834 FAX (907) 874-2581

General Manager Report
Submitted by Michael J. Nicholls 12-05-13

1) BUDGET:

- a) R&R approved projects status:
 - i. Gate Control Relocation - Installation of components complete; Function test not done
 - ii. Cooling Water Piping -Piping and on/off valves complete; control valves to modulate generator cooling water from the tailrace rather than from the penstock incomplete; Valves for controlling the cooling water flow were purchased as air operated valves; provisions for an air dryer and clean dry air lines to the valves need to be made
 - iii. Excavator –Complete; however, spare wear parts and repair manuals need to be provided
 - iv. Tyee Lake Level Gage Installation - Complete
 - v. Work on the SCADA upgrade in progress – James Volk and Fiber Fusion employees on site in Wrangell; Tyee equipment installed; Wrangell Switchyard and Substation in progress; however, a necessary RS-232 cable was not on site (a frantic search was instituted to find when or if the missing equipment would arrive in Wrangell); finally, an Ethernet cable was substituted in place of an RS-232 cable
 - vi. Trash Rack Inspection – Divers to inspect trash rack - time to be determined. Tyee Generators will be shut down during this inspection

2) PERSONNEL:

- a) Eric Ogren – Medical PTO 11-29 thru 12-8 due to illness under doctor care
- b) Rhonda Christian – Medical PTO 11-12 thru 11-22 due to illness under doctor care
- c) Temporary employee Scott Delong hired 9-16 and quit 10-31
- d) Temporary employee Mark Looman laid off 10-31 - Union agreement requires 6 month limit on temporary employees
- e) Mark Looman rehired 12-9 after one pay period off

3) TRAINING:

- a) STILL Awaiting training schedule from SEAPA
- b) Rhonda Christian attended OSHA related safety training with AIPE in Anchorage 10-21 thru 10-25

4) LINE CLEARING:

- a) Line Clearing on Cleveland Peninsula complete until next year
- b) Petersburg Sub yard clean up continues

5) MISC:

- a) Emergency tools purchased by SEAPA are stored in the upper Wrangell yard ;however budget constraints did not allow for Chatham's complete list
- b) Web camera for use on site at TBPA by Sunrise and available to others is installed - software issues required dedicated line with static IP address – was working with AP&T to install (**Steve Henson STOPPED the AP&T Technician from completing the installation**); In talking with the Sunrise Aviation pilots, the camera could well be used to help evaluate the safety in flying in and out of Tyee; Sunrise pilots routinely use private cameras to see weather conditions at remote landing strips
- c) Surplus Submarine Cable oil and tanks were offered to TBPA/SEAPA by Bonneville Power at no cost except shipping from BPA Snohomish WA substation/ SEAPA advised they would handle
- d) Remaining Marine Terminal Batteries are installed – All terminals have new batteries

Southeast Alaska Power Agency

DATE: December 9, 2013
TO: Trey Acteson
FROM: Eric Wolfe, Director of Special Projects
RE **Engineering Design Services for Swan Lake Dam Modification Project**

Staff issued a Request for Proposals (RFP) for Preliminary Engineering Design Services for Swan Lake Dam Modifications in early November. The RFP described tasks required to complete the technical analysis, coordinate and receive FERC approval to continue with the proposed action, prepare design documents and drawings for use in bidding an engineer, procurement, and construction contract and provide supplementary FERC coordination as needed during the transition from preliminary design to final design.

The following four bids were timely received on December 6, 2013:

	Bidder	Comments
1.	Kleinschmidt Associates Gresham, Oregon	[to be provided at the board meeting]
2.	MWH Global, Inc Bellevue, Washington	
3.	Jacobs Associates Portland, Oregon	
4.	Hatch USA Seattle, Washington	

Staff's recommendation and additional information on the evaluation process will be provided at the board meeting. I have prepared the following suggested form of motion in the event the board elects to award the contract at the meeting:

SUGGESTED MOTION
I move to authorize staff to enter into a contract with _____ for the not-to-exceed value of \$_____ for SEAPA's Engineering Design Services for Swan Lake Dam Modification Project.

Southeast Alaska Power Agency

DATE: December 12, 2013
TO: Trey Acteson, CEO
FROM: Eric Wolfe, Director of Special Projects
RE **Additional SEAPA Board of Consultants (BOC) Contractor**

At the October 15-16, 2013 board meeting the board approved the following motion:

I move to authorize staff to enter into a contract with Glenn Brewer, P.E. of HDR, Inc. and Donald Bowes, P.E. as consulting engineers for SEAPA's Board of Consultants for the not-to-exceed value of \$138,000 for SEAPA's Swan Lake Reservoir Expansion Project.

Since that meeting staff became aware that it will be necessary to include a third contractor, namely, Kim DeRubertis, to the Board of Consultants. Staff will elaborate further at the board meeting for the board's consideration and approval of including this third consultant to the BOC.

The following is a suggested motion:

Suggested Motion
I move to authorize staff to enter into a contract with Kim DeRubertis as a consulting engineer for SEAPA's Board of Consultants for the previously approved not-to-exceed dollar amount of \$138,000 allocated to be expended between previously approved consultants Donald Bowes, P.E. and Glenn Brewer, P.E.

Southeast Alaska Power Agency

DATE: December 12, 2013
TO: SEAPA Board of Directors
FROM: Trey Acteson, CEO
RE **Ascent Law Partners LLP**

Staff recently became aware of a change in law firms of SEAPA's legal counsel, Joel Paisner. He is leaving the Ater Wynne law firm and joining the Ascent Law Partners LLP firm. Mr. Paisner will provide further information to the board during the meeting. It is staff's recommendation that we enter into a Professional Services Agreement with Ascent Law Partners LLP to maintain continuity of legal counsel.

The following is a suggested motion:

Suggested Motion
I move to authorize staff to terminate the existing Professional Services Agreement and associated Task Orders with the Ater Wynne law firm and enter into a Professional Services Agreement with Ascent Law Partners LLP. I further authorize staff to prepare and enter into new Task Orders with Ascent Law Partners LLP to replace the Task Orders that will be terminated with the Ater Wynne law firm for the remaining balance of the previously approved dollar amounts for each Task Order.

Southeast Alaska Power Agency

DATE: December 12, 2013
TO: Trey Acteson, CEO
FROM: Sharon Thompson, Executive Assistant
RE **Section I Redline Draft: SEAPA 2005 Policies and Procedures Handbook**

Staff provided the board with the attached redlined draft of Section I of SEAPA's 2005 Policies and Procedures Handbook by email on December 9. No comments were received from any board members on the changes to that section. I have attached a copy of the draft for any further discussion and/or the board's consideration and approval of the changes to that section.

The following is a suggested motion:

SUGGESTED MOTION
I move to authorize staff to accept the changes made to Section I of SEAPA's 2005 Policies and Procedures Handbook as set forth in the draft submitted to the board by email on December 9, 2013.

SECTION 1. THE ~~FOUR DAM POOL~~SOUTHEAST ALASKA POWER AGENCY POLICIES AND PROCEDURES HANDBOOK

The following materials are a compilation and summary of key provisions of the basic agreements related to the formation and financing of The ~~Four Dam Pool~~Southeast Alaska Power Agency (“Agency”) and the Long-Term Power Sales Agreement, ~~— Four Dam Pool — Initial Project of the Alaska Power Authority (“PSA”).~~ Included in the materials are summaries of the procedures and rules that govern the Agency Board (“Board”) ~~and the Four Dam Pool Project Management Committee (“PMC”).~~ These materials have been prepared for the convenience of the members of the Board ~~and PMC~~ and are based on the underlying documents, which provide the legal basis for Board ~~and PMC~~ actions and should be consulted when appropriate.

HISTORY AND BACKGROUND OF SEAPA

Following the dramatic increase in oil prices in 1979-1980, the State of Alaska was in a financial position to ~~dedicate large amounts of money to make significant investments in~~ the development of energy projects. During the early 1980s, the Alaska Power Authority (now known as the Alaska Energy Authority - “AEA”) constructed or acquired four projects, as part of the State’s investment: Lake Tyee, Terror Lake, Swan Lake, and Solomon Gulch. These four projects were financed by a combination of state grants and money lent to the AEA by the Department of Commerce and Economic Development from the Power Development Revolving Loan Fund. These four projects owned by the AEA were collectively known as the Initial Project of the “Four Dam Pool” and were designated as a “pool” because debt service, operations, and maintenance costs were “pooled” together. The five municipal and cooperative utilities (the municipalities of Ketchikan, Petersburg, and Wrangell, and the cooperatives of Copper Valley Electric Association, Inc. and Kodiak Electric Association, Inc. [“Purchasing Utilities”]) were charged the same wholesale power rate for power sold from the four projects and operated under a Power Sales Agreement signed October 1985 (1985 PSA), which provided the terms and conditions for the sale of power by the AEA to the Purchasing Utilities.

Pursuant to the 1985 PSA, a Project Management Committee (“PMC”) was formed to implement the provisions of the 1985 PSA, which required that the PMC adopt management procedures for the operation and maintenance of the four projects. The PMC operated similar to the way the SEAPA Board operates today with many of the PMC’s adopted procedures still in effect today as a carryover from Divestiture and Restructuring, which is more fully explained below. In February 1998, the PMC set the wholesale power rate at 6.8 cents per kilowatt hour and that same rate is still in effect as of the writing of this revised policy manual in 20__.

The Alaska Legislature provided that ~~these~~ four projects would be considered as one project - the Initial Project, ~~—to facilitate the pooling of revenues, and spreading the risk of each individual project over the five communities served by the Initial Project. Over time, the State determined that it was best to allow the communities served by the Initial Project to own those projects. They would be operated and managed jointly and the wholesale power rate for power sales would be the same for all four projects. In 1985, the five municipal and cooperative utilities (the City of Ketchikan, the City of Petersburg, the City of Wrangell, Copper Valley Electric Association, Inc., and Kodiak Electric Association, Inc. (the “Purchasing Utilities”)) served by the Initial Project negotiated and entered into the PSA with the AEA. The PSA provides the terms and conditions for the sale of power by AEA to the Purchasing Utilities and the formation of the PMC. The PMC was given certain duties with respect to the management and oversight of~~

~~the Four Dam Pool Initial Project (“Project”), while AEA retained non-delegable responsibility as the owner of the four projects.~~

Formatted: Highlight

~~The Agency was formed in 2000 after several years of negotiations between the State and the Purchasing Utilities regarding the possible purchase of the four pProjects. Legislation adopted by the Legislature in 2000 and 2001 provided legal structure for the formation and governance of the Agency-Four Dam Pool Power Agency (“FDPPA”). The legislation provided that two or more public utilities that purchase power from a power project acquired or constructed as a part of the former energy program for Alaska and owned by the AEA, may form a Joint Action Agency (“JAA”) to purchase the project(s) and own, operate, and manage the project(s). Accordingly, a Joint Action Agency Agreement (“JAA Agreement”) was entered into on December 1, 2000 between the member utilities of the cities of Ketchikan, Wrangell, and Petersburg, and the Copper Valley Electric Association, Inc., and the Kodiak Electric Association, Inc. (the “Initial Member Utilities”). This first JAA Agreement memorialized a Memorandum of Understanding (MOU) between the AEA and the Initial Member Utilities for the sale of the four projects from the AEA to the Initial Member Utilities, financing of a loan for purchase of the projects, and that the 1985 PSA would be assigned by the AEA to the JAA formed by the Initial Member Utilities, with the JAA to assume all of the obligations, liabilities, and risks of the AEA’s ownership of the Initial Project, including the 1985 PSA.~~

~~Under the original JAA Agreement, each Initial Member Utility determined that the formation of a joint action agency to own the four projects and assume all of the obligations, liabilities, and risks under the Power Sales Agreement, and consummation of the transactions described in the MOU, were in the best interests of each Initial Member Utility, and further agreed that pursuant to the JAA Act and the JAA Agreement, that a joint action agency to be known as the FOUR DAM POOL POWER AGENCY (“FDPPA”) be created.~~

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Not Bold

~~The original JAA Agreement provided that the Agency’s status be an Alaska public corporation and an instrumentality of the Member Utilities, having a legal existence independent of and separate from each of the Member Utilities, and that no debt, liability, or obligation of the Agency at any time constitutes a debt, liability, or obligation of the Member Utilities, unless they expressly agree otherwise. The JAA Agreement defines the Agency as a governmental unit, but not a political subdivision of the State of Alaska, except for the sale of State lands and resources. The exercise of powers under the JAA Agreement are considered an essential government function and exercise of governmental powers, with the Agency to continue in existence until unanimously terminated by all Member Utilities pursuant to a written termination of the Agency under terms and conditions set forth in the JAA Agreement.~~

Formatted: Font: Bold

~~and affirmed the Memorandum of Understanding regarding the terms and conditions for the Agency’s purchase of the Project.—The sale of the four projects from the AEA to the FDPPA of the Project required the transfer of each project’s the-FERC licenses for the four projects to the AgencyFDPPA, as well as the transfer of real and personal property, owned and leased, as well as and the various permits and interests related to the Initial ProjectProject retained by AEA and the State. The purchase of the PInitial Project by the Agency-FDPPA was completed under a Purchase and Sale Agreement signed on January 31, 2002. This sale of the four projects from the State to the FDPPA is commonly referred to as ‘Divestiture’.~~

~~The purchase price of the four pProjects was financed by a loan from the Alaska Industrial Development and Export Authority (“AIDEA”), requiring the first- amendment to the original JAA Agreement. A First Amended and Restated Joint Action Agency Agreement was entered into on January 1, 2002 to facilitate the acquisition, financing, ownership, and operation~~

of the four projects. Initially, ~~the Agency-FDPPA~~ entered into ~~the a~~ Loan and Security Agreement with AIDEA concurrently with the execution of the Purchase and Sale Agreement on January 31, 2002.

The JAA Agreement was again amended on October 1, 2004 providing for the refinancing of existing FDPPA debt and to comply with legislation enacted to facilitate the refinancing. The Second Amended and Restated Joint Action Agency Agreement enabled the FDPPA to On October 21, 2004, the Agency entered the capital markets and refinanced its loan from ~~the State AIDEA~~ through the issuance of tax-exempt and taxable bonds (collectively the "Bonds"). Both series of Bonds ~~awere~~ issued pursuant to ~~the a~~ Second Indenture of Trust ("Indenture", Appendix ~~D~~) between the ~~Agency-FDPPA~~ and Wells Fargo Bank, National Association, as Trustee. Credit enhancement and liquidity for the Bonds ~~are were~~ provided by two letters of credit, one issued for each series by Dexia Credit Local, acting through its New York branch (the "Credit Provider"). The Bonds and the obligations of the ~~Agency-FDPPA~~ to repay the Credit Provider ~~are were~~ secured by a first lien on ~~all P~~the four projects' assets and a pledge of the \$0.04/kWh debt service component of the wholesale power rate under the terms of the 1985 PSA (Appendix ~~A~~). The Indenture between the Agency and Wells Fargo Bank provides the details related to the funding of various accounts and funds established in the Indenture and impose restrictions on the Agency's use of certain funds provided by the sale of power from the four pProjects. The two series of Bonds were required in order to provide both tax exempt and taxable funds to support the municipal and cooperative Member Utilities.

In 2006, the member utilities of the FDPPA began discussions to restructure the Agency (commonly referred to as "Restructuring") whereby one or more projects could be sold back to the Member Utilities. This effort was successful and led to a third amendment to the JAA Agreement on February 24, 2009 (Third Amended and Restated Joint Action Agency Agreement) to reflect the withdrawal of Copper Valley and Kodiak Electric Associations, transfer of the Solomon Gulch and Terror Lake projects to the respective Cooperative Associations, refinancing of the existing bonds, and to change the name of the Four Dam Power Pool Agency to The Southeast Alaska Power Agency ("SEAPA" or the "Agency") to better reflect the geographic location of the remaining projects (Swan Lake and Tyee Lake). A Long-Term Power Sales Agreement between SEAPA and the City of Ketchikan, City and Borough of Wrangell, and City of Petersburg was entered into and effective as of February 19, 2009 for the sale, delivery, and purchase of electric power from The Swan and Tyee Projects and other Agency facilities ("2009 PSA"). The Agency Bylaws were also revised in 2009 as a result of restructuring. The Restructuring did not alter the underlying legal structure of the Agency.

In addition, SEAPA completed construction of the Swan-Tyee Intertie ("STI") in mid-August 2009, and it was commissioned in December 2009. The STI was a long-planned project interconnecting the Swan Lake and Tyee Lake projects. As a result, all of the remaining member utilities (Ketchikan, Wrangell, and Petersburg) were interconnected for the first time resulting in more efficient operation of the Swan and Tyee Hydroelectric Projects ("Projects"). The 2009 PSA was executed prior to the completion of the STI. Among other things, it accounted for the completion of the STI, and required the Agency to adopt an annual Operations Plan. In addition, it provided for the sale of additional dedicated power in the event any Member Utility requested additional power beyond its dedicated power from each project.

This Policies and Procedures Handbook ("Handbook") is intended to provide a general overview of the basic obligations of ~~the Agency-SEAPA and the PMC~~ with respect to the Projects,

Formatted: Font: Times New Roman

Formatted: Justified

Formatted: Font: Bold

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

Formatted: Font: Times New Roman

including summaries of relevant agreements, board resolutions, and the underlying laws creating the Agency. This Handbook does not purport to be a complete or definitive summary of the provisions of these and other relevant agreements.

KEY ~~FOUR-DAM POOL~~ AGENCY AGENCY AGREEMENTS AND DOCUMENTS

The following is a list of the key agreements and documents governing Agency ~~and Project Management Committee~~ actions related to the management, operation, maintenance, and repair of ~~the Four-Dam Pool Initial Project~~ SEAPA's Projects. (Copies of the full Text of the Agreements and Documents are included in this Manual.)

1. 2009 Long-Term Power Sales Agreement—~~Four-Dam Pool Initial Project~~
2. Bylaws of The ~~Four-Dam Pool~~ Southeast Alaska Power Agency
3. ~~Second~~ Third Amended and Restated Joint Action Agency Agreement
4. Indenture of Trust Agreement - Wells Fargo Bank and Agency
5. Tax Exempt Certificate and Agreement
6. Agency Bond Resolution 2004-015
7. Agency/PMC Joint Resolution JR04-05
8. PMC Resolution 04-58
9. Flow of Funds Chart
10. Renewal and Replacement Plan
11. Insurance Plan
12. Memorandum of Understanding Regarding Certain Relationships Between Agency and PMC
13. Investment Policy
14. Procurement Policy
15. Continuing Disclosure Agreement



CITY AND BOROUGH OF WRANGELL
INCORPORATED MAY 30, 2008

Office of the Borough Clerk

P.O. Box 531 907-874-2381
Wrangell, AK 99929 907-874-3952

December 11, 2013

Southeast Alaska Power Agency
Attn: SEAPA Board Chairman Bob Sivertsen
1900 First Avenue, Suite 318
Ketchikan, AK 99901

Re: SEAPA Board Digital Audio Recording retention.

Dear SEAPA Board Chairman Sivertsen:

At their Regular Assembly meeting held on Tuesday, December 10, 2013, the Borough Assembly approved Resolution No. 12-13-1290.

In that resolution, the Borough Manager was directed to send a letter to the SEAPA Board, requesting that the Digital Audio recordings of the SEAPA Board meetings be retained for a period of not less than two years.

It is the request of the City & Borough of Wrangell that this request be placed on the agenda for your upcoming Regular Board meeting to be held on Tuesday, December 17, 2013.

Best Regards,

Kim Lane, Borough Clerk
City & Borough of Wrangell, Alaska

**MEMORANDUM
ATTORNEY-CLIENT COMMUNICATIONS**

TO: Bob Sivertsen, Chair
Southeast Alaska Power Agency

FROM: Joel R. Paisner, Ater Wynne LLP

DATE: December 12, 2013

RE: Suggested Motion for Executive Session Re Compensation Issues

To the extent that the Board of Directors seeks to discuss compensation issues in Executive Session, I recommend the following motion be made:

I move to recess into Executive Session to discuss compensation issues. The Executive Session will be conducted pursuant to SEAPA's Bylaws and Alaska State Law as the discussions may include a person or subject that may tend to prejudice the reputation or character of a person.

1840527/1/JRP/104637-0000

P O R T L A N D S E A T T L E M E N L O P A R K

Southeast Alaska Power Agency

DATE: December 12, 2013
TO: Trey Acteson, CEO
FROM: Eric Wolfe, Director of Special Projects
RE **2014 Operations Plan**

Staff provided information in his Director of Special Projects Report in the board packet on the 2014 Operations Plan and will discuss it further during the board meeting for the board's consideration and approval.

The following is a suggested motion:

Suggested Motion
I move to approve drafting Swan Lake to elevation 275 ft + 5 ft, -0 ft, and drafting Tyee Lake to 1265 ft + 15 ft, -0 ft. The tolerances suggested depend on operational circumstances and we expect these circumstances to be clearly conveyed during the weekly operations call.

Southeast Alaska Power Agency

DATE: December 11, 2013
TO: SEAPA Board of Directors
FROM: Trey Acteson
SUBJECT: Rebate – FY2013

The board approved a rebate in the amount of \$800,000 at the August 27, 2013 board meeting, and the rebate was recorded as a reduction of FY13 revenues. This rebate was conditional upon the successful completion of the FY13 audit and also contingent upon satisfying bond covenant requirements including debt service ratio compliance.

I am pleased to report that the FY13 audit by BDO USA, LLC is complete and will be presented for your consideration and approval at this meeting. We are compliant with the debt service ratio requirements of the bond indenture, and therefore are in a position to approve distribution of the rebate at this meeting.

As in the past, the rebate share for each utility is based upon the last three years' average of firm kWh purchases from SEAPA. This includes the years FY2011 – FY2013 and is summarized in the table below:

kWh Purchases	Ketchikan	Petersburg	Wrangell	Total
FY11	87,552,000	41,721,060	32,519,670	161,792,730
FY12	91,103,000	42,011,980	37,594,100	170,709,080
FY13	85,850,000	40,798,210	37,640,010	164,288,220
Total kWh	264,505,000	124,531,250	107,753,780	496,790,030
Percentage	55.0524%	24.8313%	20.1163%	100%
Rebate Allocation	\$425,942	\$200,538	\$173,520	\$800,000

This rebate represents just under a half-cent reduction in the Wholesale Power Rate. The rate of 6.8 cents/kWh has remained the same for the last 16 years, and this rebate lowers the effective rate to slightly more than 6.3 cents/kWh. I am requesting board approval to formally award the rebate amounts as defined above. A suggested motion would be:

“I move to authorize the distribution of an \$800,000 rebate with a pro rata share to each member utility based on an average of the last three years’ firm kWh purchases from SEAPA as specified in Mr. Acteson’s rebate memo dated December 11, 2013.”



1900 1st Avenue, Suite 318
Ketchikan, Alaska 99901
Ph: (907) 228-2281 | Fax: (907) 225-2287
www.seapahydro.org

PROPOSED SEAPA BOARD MEETING DATES FOR CALENDAR YEAR 2014

2014 Dates	Location	Comments
February 12-13 (Wed/Thurs)	Petersburg	Propose split meeting from 1 pm-5 pm Wednesday and 9 am-1 pm on Thursday
April 24 (Thurs)	Ketchikan	9 am-5 pm
June 25-26 (Wed/Thurs)	Wrangell	Propose split meeting from 11 am-5 pm Wednesday and 9 am-12 noon on Thursday
August 28 (Thurs)	Ketchikan	9 am-5 pm
October 22-23 (Wed/Thurs)	Petersburg	Propose split meeting from 1 pm-5 pm Wednesday and 9 am-1 pm on Thursday
December 11 (Thurs)	Ketchikan	9 am-5pm

**MEMORANDUM
ATTORNEY-CLIENT COMMUNICATIONS**

TO: Bob Sivertsen, Chair
Southeast Alaska Power Agency

FROM: Joel R. Paisner, Ater Wynne LLP

DATE: December 12, 2013

RE: Suggested Motion for Executive Session Re Agency's Tyee Lake Facility

To the extent that the Board of Directors seeks to discuss future operations of the Agency's Tyee Lake Facility in Executive Session, I recommend the following motion be made:

I move to recess into Executive Session for discussions relating to future operations of the Agency's Tyee Lake facility. The Executive Session will be conducted pursuant to SEAPA's Bylaws and Alaska State Law as the discussions may include matters the immediate knowledge of which would clearly have an adverse effect upon the finances of the Agency, the Projects, or any of the Member Utilities represented on the Board.

1840525/1/JRP/104637-0000

P O R T L A N D S E A T T L E M E N L O P A R K