



**SOUTHEAST ALASKA POWER AGENCY**

**Minutes of Regular Meeting**

December 17, 2013

The Best Western Landing Hotel | Ketchikan, Alaska

**1) Call to Order/Roll Call**

Chairman Sivertsen called the meeting to order at 9:01 a.m. AKST on December 17, 2013, which was held at The Best Western Plus Landing Hotel 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	John Jensen	Tyee Lake – Petersburg
*Brian Ashton	*Clay Hammer	Tyee Lake – Wrangell
*It is noted for the record that Mr. Ashton and Mr. Hammer's did not arrive until 9:45 a.m. due to travel delays.		

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

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

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

**2) Approval of the Agenda**

**Mr. Nelson moved to approve the agenda. Mr. Coose seconded the motion. There were no objections to the motion. (Action 14-270)**

**3) Persons to be Heard**

None.

#### **4) Review and Approve Minutes**

Mr. Freeman moved to approve the minutes of the Regular Meeting of October 15-16, 2013 and the Special Meeting of December 3, 2013. Mr. Nelson seconded the motion. Mr. Coose, Mr. Nelson, Chairman Sivertsen, and Mr. Freeman voted in favor of the motion. Neither Mr. Ashton nor his alternate, Mr. Hammer, were present to vote due to travel delays. (Action 14-271).

#### **5) Financial Reports**

Mr. Coose moved to approve Financial Statements for the months of September and October 2013. Mr. Nelson seconded the motion. Mr. Coose, Mr. Nelson, Chairman Sivertsen, and Mr. Freeman voted in favor of the motion. Neither Mr. Ashton nor his alternate, Mr. Hammer, were present to vote due to travel delays. (Action 14-272)

Mr. Coose moved to approve Disbursements for the months of October and November 2013 in the amount of \$1,318,633.50. Mr. Freeman seconded the motion. Mr. Nelson, Chairman Sivertsen, Mr. Freeman, and Mr. Coose voted in favor of the motion. Neither Mr. Ashton nor his alternate, Mr. Hammer, were present to vote due to travel delays. (Action 14-273)

Chairman Sivertsen requested that the Swan and Tyee Lake project reports be moved forward in the agenda since the Wrangell board members had not yet arrived due to travel delays. There were no objections to the request.

#### **6) Project Reports**

Mr. Donato provided a brief update on safety/environmental/security issues, planned outages, compliance, periodic maintenance and new projects. Safety training the past month included hazardous energy control and work related to assuring the proper functioning of the dam's fail alarm system. Emergent work included communication and control issues, which were resolved. He explained there were two bird strikes within two weeks causing a ripple in the power supplies to the controls at Swan, which knocked the enunciation out and some of the communications. A followup item following the event was a need for an appropriately rated Control Room UPS.

Mr. Jensen outlined a report on behalf of Tyee provided by General Manager, Mick Nicholls, covering the budget, personnel, training, line clearing, and miscellaneous topics. Chairman Sivertsen noted the report included discussion of attempts to install a camera at Tyee by AP&T to evaluate the safety of flying in and out of Tyee. Considerable discussion followed with Mr. Henson explaining how the work was initiated, the problems that arose, and the reasons it was discontinued. He reported that although the camera is currently installed, a dedicated T1 would also be needed on the microwave system. Once SCADA and satellite are complete, the camera will be re-evaluated. Mr. Acteson advised that the camera will also require approval by the Federal Aviation Administration.

The meeting recessed at 9:50 a.m. and reconvened at 10:03 a.m.

#### **7) CEO Report**

Mr. Acteson opened his report showing a slide of potential options for the State to move toward a sustainable type of endowment for funding projects. He explained that current projections did not appear favorable for full funding by the State for the Agency's Swan Lake Reservoir Expansion Project.

Chairman Sivertsen requested that the CEO report be temporarily suspended since Joy Merriner, Audit Director of BDO USA (formerly Mikunda Cottrell) had joined the meeting telephonically to present a report on SEAPA's FY 2013 financial statement results.

## 8) AUDITOR'S REPORT

Ms. Merriner discussed the results of BDO's audit of SEAPA's FY 2013 financial statements. She noted that at the close of FY13 that the Agency's assets exceeded liabilities, the wholesale power rate had been maintained, an \$800,000 rebate was approved, three state grants were awarded to SEAPA, the Potential Failure Mode Analysis project for Solomon Gulch had been completed, and that SEAPA had adopted two additional statements of the Governmental Accounting Standards Board. She continued with a discussion of the Agency's financial position and review of the financial statements. She reported there were no significant issues, deficiencies or material weaknesses identified during the audit and commended management on its responsiveness, availability of records, and continual improvement of the audit process.

**Mr. Freeman moved to approve the Southeast Alaska Power Agency Financial Year 2013 audited financial statements as presented. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 14-274)**

### CEO Report Resumes:

Mr. Acteson reported that staff continues to actively pursue funding for Swan in spite of the dismal outlook for State funding. He discussed his communications with Niel Lawrence of the National Resource Defense Council who was involved in writing an exemption in the Roadless Rule for the Kake-Petersburg Intertie (KPI), noting that Mr. Lawrence was instrumental in the USDA providing clarification of the exemption. Mr. Paisner discussed an Amicus Brief that had been filed on the behalf of the Agency supporting the State's lawsuit to overturn the Roadless Rule. Mr. Acteson continued with an overview of the Agency's best practices and process improvements noting the policies and procedures handbook update was well underway, a new website was in progress, and that Agency had contracted with Winston Tan of Intandem LLC for a structured compensation plan.

Mr. Acteson reported that the permitting and preliminary design work was progressing on the KPI, and that a Preliminary Draft Environmental Impact Statement had been submitted to the U.S. Forest Service for review. Mr. Nelson expressed his disappointment with the lack of participation by the State in the project.

Mr. Acteson referred to several attachments to his report in the board packet on transition of the Tyee Lake hydro facilities operations and maintenance (O&M) to SEAPA. SEAPA's support of the public processes in Petersburg and Wrangell resulted in resolutions of support from each of those communities to move forward with a negotiated transition for SEAPA to assume daily O&M at Tyee. He advised that specific details may be discussed further during the executive session scheduled later in the meeting.

Mr. Donato provided a brief update on the Whitman Lake project.

**The meeting recessed at 11:52 a.m. for lunch and reconvened at 1:00 p.m.**

## 9) Winston Tan Presentation

Winston Tan, Managing Principal of Intandem, LLC, a management consulting group based in Spokane, Washington specializing in the design of compensation plans and other management services, opened with a PowerPoint presentation on a compensation plan designed for SEAPA. He

discussed the compensation plan's objectives which include the Agency's recruiting and retention strategy in a market valuation system, and explained the plan's methodology and approach. The methodology includes a point factor evaluation system utilized to develop grade levels for existing staff positions in the Agency. Mr. Tan introduced market models showing how they were utilized to develop salary ranges for each position, with the exception of the CEO. He explained how the process and approach to CEO compensation is a different process. He followed up with the approach for determining a salary range for the CEO utilizing data sources, which include generation and transmission survey and Economic Research Institute Salary Assessor data. He presented the range calculations for the position and discussed the importance of making strategic decisions when determining employment value propositions. Mr. Tan explained the three components of the compensation plan including internal equity, external market values, and funding of the plan and administrative procedures.

There was considerable discussion following Mr. Tan's presentation. It was noted that the objective is to establish a compensation plan framework to guide budget decisions and provide a structure for the CEO to manage within the approved salary range. The board directed staff to send Mr. Tan's presentation to each board member for further evaluation and review.

Chairman Sivertsen advised that it was necessary to add two items to new business under the Agenda. Item L for consideration and approval of additional funds for SEAPA's Historic Preservation Project and Item M for consideration of the removal of Mr. Bergeron as Secretary/Treasurer and appointment of Mr. Freeman in his place.

**10) A. Operations Manager Report (Steve Henson)**

Mr. Henson advised that FERC is requiring additional work on the Owner's Dam Safety Program and that Electric Power Systems is preparing design drawings for replacement of the 7.5 reactor with three 2.5 reactors for Wrangell. He reported that the satellite dish and new phone system had been installed at Swan Lake and that a satellite dish was installed at the SEAPA office. He was optimistic that the mesh network would be operational within the week. He provided brief updates on the Swan-Tyee helipads, Tyee Gatehouse Generator and Gate Controls, engineering drawings, helipad installation on Department of Natural Resources lands, FERC annual fees, the Swan Lake Breaker Project, and upcoming projects.

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

Mr. Wolfe opened with a slide show tribute to the dedication and commitment of various contractors that have performed above and beyond the scope of work required by the Agency, and expressed appreciation for Ketchikan Public Utilities' employee, Ray Davis at Swan Lake, for his work ethic and willingness to meet the day-to-day challenges presented on the job.

Mr. Wolfe discussed the Supervisory Control and Data Acquisition (SCADA) project explaining the necessity of issuing a change order to Fiber Fusion for \$25,300 for integration of SCADA nodes into the SCADA system and a second change order for \$12,300 to split the location of the SCADA Historian from one location into two separate locations (Swan and Tyee) to enhance communications integrity.

Mr. Wolfe solicited the board's approval to include two additional consultants for the Board of Consultants (BOC) required by FERC to oversee the design of the Swan Lake Reservoir Expansion Project and discussed in detail his evaluation of the proposals received for the preliminary design engineering consultant for the project. He recommended award of the contract for engineering services to Jacobs Associates.

Mr. Sivertsen moved to authorize staff to enter into a contract with Kim De Rubertis, P.E. and Eric Kollgaard, P.E. as consulting engineers 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. Mr. Freeman seconded the motion. The motion carried unanimously. (Action 14-275)

Mr. Nelson moved to authorize staff to enter into a contract with Jacobs Associates for the not-to-exceed value of \$367,000 for SEAPA's Engineering Design Services for the Swan Lake Dam Modification Project. Mr. Coose seconded the motion. The motion carried unanimously. (Action 14-276)

Mr. Wolfe provided an update on the Tye Cooling Water Project and discussed a letter received from Voith advising that there had been catastrophic failures of generators due to rotor pole integrity problems. He explained the inspection process and advised that Voith will determine at no cost to SEAPA whether an inspection is warranted after drawings, operational history, and maintenance practices are exchanged.

Mr. Wolfe discussed winter capacity shortages and suggested that demand side management may offer some relief for capacity problems. He reviewed water management and the past year's inflows, snow pack, and loads, noting that for the first time in the history of the Agency that spill did not occur over the inflow cycle period at either Swan or Tye Lakes, and referred to a cumulative water year table, attributing the lack of spill to load growth, not a low water year.

Mr. Wolfe broached the SEAPA Operations Plan for 2014 (2014 Ops Plan) noting that Swan Lake was 20 ft below the guide curve. He reviewed the terms of the Power Sales Agreement (PSA), previous guide posts, and discussed hydraulic modeling, strategizing that since it is difficult to determine timing of the snow run-off, and there may not be enough storage capacity through mid-May, that maintenance of the Swan-Bailey line should be moved up to the first week of May rather than late May when it is traditionally scheduled to allow the reservoir to rebound while the line is out of service. Discussion followed on the different elevations that could be drafted to and the risk involved at each plant. Mr. Wolfe explained that in order to develop the numbers for the 2014 Ops Plan if enough information is not available and because of volatility, averages are used to determine inflow. He stressed that Tye would not be drafted to a point that compromised SEAPA's dedicated responsibilities to the northern communities. He suggested there be fluidity in the drafting levels at both plants, with adjustments as necessary, to fulfill the purpose of avoiding spill, maximizing revenues, and adhering to the Agency's obligations under the PSA.

Mr. Nelson moved to approve SEAPA's 2014 Operations Plan as presented by staff which includes drafting Swan Lake to elevation 275 ft +5 ft, -0 ft, and drafting Tye Lake to 1,265 ft +15 ft -0 ft. The tolerances approved depend on operational circumstances which are expected to be clearly conveyed during SEAPA's weekly operations calls. Mr. Freeman seconded the motion. The motion carried unanimously. (Action 14-277)

#### 11) Old Business

None.

#### 12) New Business

Chairman Sivertsen noted that Items A and B under New Business in the Agenda had already been addressed and requested that Mr. Paisner explain Item C regarding his move from the Ater Wynne law firm to Ascent Law Partners LLP. Mr. Paisner highlighted the opportunity that was presented to him in moving to a new firm and expressed his interest in continuing his representation of SEAPA

after the move. Chairman Sivertsen requested that SEAPA receive a digitized, searchable copy of any and all SEAPA records that will be digitized by Ater Wynne in the transfer by Mr. Paisner to the new firm.

**Mr. Freeman moved 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. He further moved to 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. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 14-278)**

Chairman Sivertsen read a memo from Mr. Paisner discussing options regarding the length of terms board of directors serve on SEAPA's board and the option of staggered terms. Considerable discussion followed on the pros and cons of amending the bylaws, the corresponding changes that would need to be made for SEAPA's Third Restated Joint Action Agency Agreement and that it would be prudent to vet the issue at the Council/Assembly level of the Agency's member utilities. Mr. Paisner reminded the board that amendment of the bylaws is a board decision and that any memo directed to the member utilities on the issue be directed to the respective communities from the board or Chairman. Chairman Sivertsen advised that staff could prepare the communication for his signature and distribution to the communities, and that since additional information and research was required that staff and the board exercise the direction given before re-introducing the matter.

**Mr. Freeman moved 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. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 14-279)**

**Mr. Freeman moved to retain Digital Audio Recordings of SEAPA's board meetings for a period of not less than two (2) years. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 14-280)**

**Mr. Coose moved 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. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 14-281)**

**Mr. Nelson moved to authorize an additional \$10,000 in funding for SEAPA's Historic Preservation Project for copying and digitizing of records and travel and accommodation expenses for project participants. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 14-282)**

Chairman Sivertsen explained that since Mr. Bergeron had been absent from the last meetings of the board of directors that the Agency's bylaws provide for removal of an officer for any reason and that SEAPA's ongoing business required a Secretary. He suggested that since Mr. Freeman is Mr. Bergeron's alternate that Mr. Freeman be appointed as Secretary.

**Chairman Sivertsen moved to remove Mr. Bergeron as the Secretary/Treasurer. Mr. Coose seconded the motion. The motion carried four to one, with Mr. Freeman abstaining due to a conflict. (Action 14-283)**

Chairman Sivertsen moved to nominate Charles Freeman as board Secretary/Treasurer for the remainder of calendar year 2013. Mr. Nelson seconded the motion. The motion carried four to one with Mr. Freeman abstaining due to a conflict. (Action 14-284)

Mr. Coose moved to recess into Executive Session for discussions relating to future operations of the Agency's Tyee Lake facility. Mr. Nelson seconded the motion. 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. **The motion carried unanimously.** (Action 14-285)

The meeting recessed for the Executive Session at 5:17 p.m. The Executive Session ended at 6:05 p.m. The regular meeting reconvened at 6:10 p.m.

Chairman Sivertsen called the meeting back to order and noted that although Mr. Nelson was not in the room there was a quorum of directors. He reported that the board met in executive session, discussed the topic, and gave the manager direction.

**13) Director Comments**

None.

**14) Adjourn**

Mr. Freeman moved to adjourn. Mr. Coose seconded the motion. There was no objection to the motion. (Action 14-286)

The meeting adjourned on December 17, 2013 at 6:15 p.m. AKST.