

# **SOUTHEAST ALASKA POWER AGENCY**

## **Regular Meeting**

April 25, 2013

### **The Best Western Landing Hotel | Ketchikan, Alaska**

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

Chairman Sivertsen called the meeting to order at 9:04 a.m. AKDT on April 25, 2013, which was held at The Best Western Landing Hotel in Ketchikan, Alaska.

#### **Roll Call**

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

<b>Director</b>	<b>Alternate</b>	<b>Representing</b>
Bob Sivertsen	Andy Donato	Swan Lake – Ketchikan
Dick Coose	Jay Rhodes (telephonic) <sup>1</sup>	Swan Lake – Ketchikan
Sam Bergeron	Charles Freeman	Swan Lake - Ketchikan
Joe Nelson	John Jensen	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 from the board. 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 13-205)**

#### **3) Persons to be Heard**

Lew Williams, Mayor of the City of Ketchikan, discussed communication concerns between SEAPA and the member utilities. He encouraged the entities to work together to address those concerns and noted several items on the agenda to be discussed were a step in the right direction. He encouraged

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<sup>1</sup> Mr. Rhodes joined the meeting telephonically at approximately 9:30 a.m. and remained on the line for a portion of the meeting.

everyone that had any questions or concerns to address the board. He requested information on SEAPA's revenues and net income and offered suggestions for utilization of funds.

Chairman Sivertsen introduced visitors present at the meeting from other communities that had participated in the Swan Lake Tour the previous day, and other interested visitors also in attendance.

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

**Mr. Nelson moved to approve the minutes of the Regular Meeting of March 5-6, 2013. Mr. Bergeron seconded the motion.** Mr. Donato reintroduced the topic of whether alternates could make and second motions based on an interpretation of Section 6A of the Joint Action Agency Agreement and his followup discussions with the City of Ketchikan counsel, Mitch Seaver. After considerable discussion it was the consensus that the topic be reintroduced at a later board meeting pending further research. **The motion carried unanimously.** (Action 13-206)

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

Mr. Sivertsen commented on the amount of detail available in the financial statements covering individual checks issued and what may or may not be necessary for review. Mr. Coose concurred and commented that copies of vendor billings are voluminous so could be left out of the board packets as they can be obtained from the SEAPA office.

Mr. Acteson provided an overview of the financial statements and commented that the R&R projects were picking up momentum. Discussion followed on the SkyWrap project, which will not be going forward this year. Mr. Ashton apprised the board of a newer satellite getting launched to service the west coast, noting also that he deferred to other dealers for resolutions to communication issues as he may have a conflict of interest. Mr. Bergeron encouraged the board to look for ways to economize so funds are not held in the R&R account for projects that may not move forward, which would then free up the funds for either rebates or a reduction in the wholesale power rate, while at the same time fulfilling the needs of SEAPA's projects.

**Mr. Coose moved to approve Financial Statements for the months of January and February 2013. Mr. Ashton seconded the motion. The motion carried unanimously.** (Action 13-207)

**Mr. Nelson moved to approve Disbursements for the month March 2013 in the amount of \$720,879.23. Mr. Coose seconded the motion. The motion carried unanimously.** (Action 13-208)

#### **6) CEO Report**

Mr. Acteson updated the board on his continuing efforts to implement best practices including reformatting of documents to make them easier to read. He cited efforts underway to provide a report similar to a capital improvement plan that would show SEAPA's R&R projects levelized over several years rather than just the current fiscal year. He also noted that insurance broker services, which had remained with the same broker the past five years, would be competitively bid to assure due diligence. He highlighted public relations efforts that had been taken by SEAPA directing attention to the messaging on banners on display during the meeting, and advised that SEAPA would have a booth at the First City Expo for outreach to the community. He encouraged anyone with questions about SEAPA to stop by the SEAPA office.

Mr. Acteson recapped the site visit to Swan Lake that took place the day before the board meeting noting the opportunities for interaction between the communities and learning more about the Swan

Lake expansion project during the event. He explained that although state funding is limited, SEAPA would be applying for a 50% match under the renewable energy fund and also lobby for a direct appropriation for the project. He directed the board to a recommended resolution in the board packet soliciting their support of the project by allowing SEAPA to move forward despite the funding environment.

Mr. Acteson assured the board that in spite of the challenges of getting the KPI project to a construction ready status, that there has been no negative impact to SEAPA finances resulting from SEAPA's commitment to the project. Mr. Nelson expressed concern that the AEA should fund the next energy project as a part of their commitment to the KPI under the MOU. Mr. Acteson advised he would arrange for the KPI Project Manager, Mark Schinman, to come to the next board meeting for a full update on the KPI.

Mr. Acteson requested direction from the board on proceeding with recruitment of an Administrative Assistant and Engineer for SEAPA.

**Mr. Nelson moved to authorize staff to recruit for an Engineer I and Administrative Assistant for the SEAPA office. Mr. Coose seconded the motion.** Several comments followed on salary ranges, location of the positions, peer review, and the loss of micro-economics to Wrangell and Petersburg if the positions are in Ketchikan, with the general consensus that the positions would be in Ketchikan. **The motion carried unanimously.** (Action 13-209)

Mr. Acteson introduced speakers available at the meeting to present various topics including Joel Paisner, SEAPA's counsel for a discussion on the history of SEAPA, John Heberling of D. Hittle & Associates to discuss the R&R Plan, Alan Dashen, SEAPA's financial consultant, for a discussion on the bond indenture, potential financing for the Swan Lake Expansion Project, and other issues, and Robert Venables, Southeast Conference Energy Coordinator, to provide an update on regional planning.

The meeting recessed at 10:08 a.m. and reconvened at 10:30 a.m.

## **7) Joel Paisner Presentation - History**

Mr. Paisner provided a history of the Agency from its inception when there were four hydroelectric projects combined into one unit called the Four Dam Pool<sup>2</sup>, all of which were developed in the early 1980's. He commented that the State failed to get power sales agreements from all of the communities before they expended significant funds to complete the projects. With no agreements in place on the purchase of output, maintenance, and base rates, respective legal counsel were retained by the communities to negotiate rates and other terms with the State. After a lengthy negotiation process, a 45-year Long-Term Power Sales Agreement (PSA) was agreed upon in 1985 signed by the AEA and the purchasing utilities.<sup>3</sup> He noted that each community represented was concerned that if the State did not maintain the facilities, they wanted the opportunity to do the work and charge it back to the State, which was an important risk mitigation factor. In 1998 a wholesale power rate of

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<sup>2</sup> Originally the Alaska Energy Authority (AEA) was established by the State of Alaska to construct, acquire, finance, and operate power projects to provide long-term electrical power to the urban areas of the State, among other duties. During the early 1980's four of the State's projects, including Swan Lake and Tyee Lake were combined into one unit called the Four Dam Pool.

<sup>3</sup> The Four Dam Pool was managed by the AEA and the purchasing utilities under provisions of the PSA. The PSA created the project management committee (PMC) as the supervising body, whose six members represent each of the purchasing utilities and the AEA. In 1995, the member utilities began discussions with the State to purchase the projects. This effort culminated successfully on January 31, 2002. As a result of this sale, The Four Dam Pool Power Agency (FDPPA) was created. In 2006, the member utilities of the FDPPA began discussions to restructure the Agency whereby one or more projects could be sold back to the member utilities. This effort was also successful and on February 24, 2009, the FDPPA sold the two northern projects and changed its name to SEAPA to better reflect the geographic location of its two projects (Swan and Tyee) in Southeast Alaska.

6.8 cents was established (often called a 'postage stamp rate' because everyone is charged the same rate no matter where they are in the system).

Mr. Paisner continued his report explaining that risk to the Agency, as discussed in the PSA, shall be mitigated by an insurance plan, provision of sufficient reserves for unmitigated risks, and establishment of a renewal, replacement, and risk fund for maintenance of the facilities. Discussion followed on the reasons for the State wanting to get out from under the maintenance costs and future repairs for the facilities, which at the time was \$30 million dollars, and that when divestiture from the State started in approximately 1995 it took seven years to complete and legal fees were in excess of a million dollars.

#### **8) John Heberling (D. Hittle & Associates) SEAPA R&R Plan Review**

Mr. Heberling presented a background on renewal and replacement funding that had been in place since the FDPPA, the methodology for the analysis and summary of renewal and replacement expenses, and covered the projected expenses. He discussed the estimated payments to the R&R fund in order to fund the payments and the self-insured risk plan.

The meeting recessed at 11:27 a.m. and reconvened at 11:37 a.m.

#### **9) Allen Dashen – Financial Advisor for SEAPA Bond Sale (2009)**

Mr. Dashen presented a slide covering two agreements entered into as a part of restructuring from the FDPPA to SEAPA, including the PSA and an Indenture of Trust. He explained that both agreements secure long-term debt issued by SEAPA, establish SEAPA's structure, address development of new resources, and cannot be significantly modified until the outstanding debt is repaid. He advised there is \$14,775,000 currently outstanding in SEAPA's issued debt that could be repaid with certain restrictions. He provided information on SEAPA's 2009 tax-exempt bonds and explained the process involved for paying off the bonds before the call date. He commented that the Indenture of Trust requires enforcement of the PSA, and changes to the indenture require consent by the owners of a majority of the bonds outstanding, and also requires the establishment of revenue and R&R funds.

Mr. Dashen provided information on new resources, one of which was the Whitman Hydroelectric project. He advised the options for ownership include a transfer of obligations and benefits and that if SEAPA elected to own it, SEAPA would likely either refinance it or pay debt service on KPU debt. If the project were retained by KPU there may be restrictions on operations or compensation to SEAPA for displaced power. He also provided three funding options for SEAPA to fund the Swan Lake Reservoir Expansion Project.

The meeting recessed for lunch at 12:09 p.m. and resumed at 1:01 p.m.

#### **10) Robert Venables (Southeast Conference)**

Mr. Venables provided an update on regional planning noting his recognition of the State's confidence in SEAPA because of the way it operates in the region. He explained that followup discussions to the IRP took place in Petersburg which highlighted the need for communications between all of the utilities. He discussed funding challenges, demand side management, energy efficiencies, and described energy struggles in other communities, and the efforts to address those struggles.

#### **11) CEO – Overview of Bundled Services**

Mr. Acteson presented a slideshow and provided a very thorough discussion on the services that are bundled into the wholesale 6.8 cent/kWh power rate noting the stability of the rate, which had not

changed in the past 15 years. He described the services provided by SEAPA, which are covered by the rate, including debt service, intertie operation and maintenance, risk management, insurance premiums and self-insured reserves, voltage stability, power scheduling, facility operations, renewal and replacement, regional planning/feasibility studies, load growth analysis and forecasting, regional hydroengineering expertise, water management, weather and water monitoring to maximize resource value, compliance with federal regulations, and rebates to member utilities.

## **12) Project Reports**

Mr. Donato reported there were no safety or environmental issues at Swan and reviewed the safety training that had taken place commenting that training would be needed for the crew on the new excavator. He noted that Swan's reservoir level was currently at 278.9 feet, the lowest level it has been in years, and that it would be drafted down even further until the May outage, which will be the lowest they've ever had it, and then allow it to fill in an effort to capture the most amount of water to prevent spill. Mr. Donato requested consideration of the purchase of a copier/scanner and welder for the facility and advised that new air monitors were on order. He reported that he worked in collaboration with SEAPA staff on Swan Lake's FY14 budget and that there was \$2,000 less in the budget than the previous year. Mr. Acteson stated his approval for the purchase of the copier/scanner and welder.

John Jensen distributed a handout on Tyee's Project Update prepared by Mick Nichols and Paul Southland. He noted that TBPA was in the process of seeking a manager and discussed the options available. Mr. Jensen directed the board to review the activities outlined in the handout for a further update on the Tyee project.

## **13) A. Operations Manager Report (Steve Henson)**

Mr. Henson reported that an RFP was issued to create a matrix for FERC reporting requirements, that the Wrangell Reactor Replacement Project had been awarded to Electric Power Systems and tentatively scheduled for completion in December 2013. He also reported that the Wrangell Reactor Switching Study was complete and determined that we could operate without the reactor but during light load conditions it would be on the edge of system capabilities and that while it would be difficult to energize from Wrangell to Petersburg, it would be feasible. He advised that two bids were received for the Satellite Communications System Project and that recommendations for an award of the contract would be brought to the June board meeting. He provided an update on the STI helipads noting that the change analysis was submitted to the U.S. Forest Service and provided a tentative schedule for installation of the pads, and that staff is waiting on instructions from the USFS on what environmental impact studies needed to be done for the Argo Use Permit that had been submitted for use of the Argo on the Tyee transmission line right-of-way.

Mr. Henson reported that Specialty Engineering was the only contractor that submitted a bid for the substation maintenance and that award of a contract to them would be requested. He noted that they have been the only bidder for the maintenance for about the past 15 years, and that they have done a good job. Mr. Henson provided an annual maintenance update describing the maintenance that will be required beyond the normal line and tower inspections, and provided a shutdown schedule. He reported a task order had issued to Tongass Engineering for design and project management for stabilization of the embankment at Tower 76-1M with completion expected by June 30, 2013, and that based on the two bids received for the Tyee Dock Replacement Project, he would be requesting an increase in the budget and award of the contract for the project. He closed his report with an update on the Tyee Gatehouse Generator Project, noting two bids were received on that project as well and a request would be made for an award under New Business.

The meeting recessed at 2:37 p.m. and reconvened at 2:47 p.m.

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

Mr. Wolfe presented a slide show reporting that seven bidders offered proposals ranging from \$830,000 to \$2.1 million dollars for the SCADA project, and that approval of a contract would be requested at the June board meeting. Mr. Donato expressed concern that the SCADA system already in place remain and co-exist with the new SCADA system as a contingency so KPU has a 'force majeure' button that can control the system from the Bailey Substation in the event of a failure opening the STI line or other unforeseen event. Considerable discussion followed with Mr. Wolfe explaining that any preservation of KPU's SCADA system should be at KPU's expense and explained further that there are four different systems to be replaced and that the system Mr. Donato refers to was before the STI interconnected the utilities. He explained that if you change a setting at Swan, you also change a setting at Tyee, and that a large machine cannot be moved without another machine compensating so although Mr. Donato clarified he did not want to control Tyee, if Bailey controlled Swan then it would also affect Tyee. Mr. Wolfe suggested the issue be decided by the board because it is a policy decision. Mr. Donato requested a review of the proposals received with Mr. Wolfe concurring that Mr. Donato would have the opportunity to review the top three proposals.

Mr. Wolfe provided updates of the Tyee Stream Gage Installation Project noting an RFP was issued for the logjam removal, and showed slides of an accelerated schedule for the Swan Lake Reservoir Increase project. He advised that manufacture of the Swan Lake coils was on schedule with Morris Kepler scheduled to go to Ontario for high potential tests the second week of May. He briefly discussed Swan Lake vibration testing and the Tyee Cooling Water Project. He advised the next step in the RFO process was to issue a hydro site development RFP. Mr. Wolfe continued his report with a discussion on water management and query on whether more diesel would be required in the spring explaining the equation of system loads (Petersburg, Wrangell and Ketchikan load forecasts) less hydro generation subject to volatile inflows to Swan, Beaver Falls, and Ketchikan Lakes generally mean diesel has to be burned when differing business objectives enter into the operations plan. He reported that SEAPA stayed within the terms of the Power Sales Agreement and board approved operations plan for the month. Discussion followed on the draft limits at the projects.

### **14) Old Business**

The ongoing issue of diesel protocol was discussed with no action taken other than Mr. Acteson's recommendation that the issue be discussed in the June meeting when the budget is discussed to see if a portion of the monies should be dedicated to a diesel protocol fund. He also suggested the board review the existing documents and draft resolution already prepared on the issue to determine whether a committee should be formed come back with recommendations so the issue can move forward.

Chairman Sivertsen requested a motion on a resolution memorializing the conflict of interest policy adopted by motion in the previous board meeting.

**Mr. Bergeron moved to adopt Resolution 2013-48 adopting SEAPA's Conflict of Interest Policy. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 13-210)**

Chairman Sivertsen requested a motion for a revision to SEAPA's iPad policy.

**Mr. Bergeron moved to adopt Resolution 2013-47 adopting a Revised Digital Communication Device Policy. Mr. Coose seconded the motion. The motion carried unanimously. (Action 13-211)**

## 15) New Business

Chairman Sivertsen discussed a request brought forward by Mr. Ashton whether SEAPA would consider paying travel and housing for the project managers to each of SEAPA's board meetings. Mr. Acteson suggested SEAPA pay if there was something of significant relevance requiring the project manager's attendance so would be at SEAPA's discretion and offered a reminder that the managers have access to dialog of the meeting by telephone. There was also comment that project reports could be prepared by the managers and distributed in the board packet so it wouldn't be necessary for the manager to give the report in person. After additional discussion, the consensus was that it is a budgetary consideration and further discussion should be taken up during budget discussions at the June board meeting

Chairman Sivertsen requested a motion for consideration of approval of Resolution 2013-046 in support of the Swan Lake Reservoir Expansion Project.

**Mr. Bergeron moved to adopt Resolution 2013-046 formally supporting a commitment to proceed with development of the Swan Lake Reservoir Expansion Project and in parallel continue to seek funding support from the State of Alaska. Mr. Coose seconded the motion. The motion carried unanimously. (Action 13-212)**

**Mr. Bergeron moved to authorize staff to amend the FY13 budget with an increase to R&R Project No. 230-13 from \$55,000 to \$75,000 and further authorize staff to enter into a contract with Seley Properties Ltd., d/b/a Seaborne Marine Services for an amount not to exceed \$75,000 for the Tyee Dock Replacement Project. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 13-213)**

Mr. Henson advised that the low bidder for the Tyee Gatehouse Generator Project was Arrowhead LP Gas for \$13,880.

**Mr. Bergeron moved to authorize staff to enter into a contract with Arrowhead LP Gas for an amount not to exceed \$13,880 for the Tyee Gatehouse Propane Generator Replacement Project. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 13-214)**

Mr. Henson reported that the sole bidder for the Annual Substation/Switchyard Equipment Maintenance Contract was Speciality Engineering, Inc., that the bid was advertised from Anchorage to Seattle, and that the RFP was sent to several firms however only the one bid was received for \$61,148. Chairman Sivertsen requested a motion.

**Mr. Bergeron moved to authorize staff to enter into a contract with Specialty Engineering, Inc. for an amount not to exceed \$61,148 for the 2013 Annual Substation/Switchyard Equipment Maintenance Contract for the Swan Lake Plant, Tyee Lake Plant, Wrangell Substation/Switchyard, Petersburg Substation, and Bailey Substation. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 13-215)**

The SEAPA board meeting schedule was reviewed and there were no changes to the suggested date of June 25-26, 2013 for the next meeting to be held in Petersburg.

## 16) Director Comments

Mr. Freeman commented that after visiting the Swan Lake facility the day before and reflecting on the length of time he has invested in the Agency and the Swan and Tyee projects, he would not be silent on Wrangell and Ketchikan's endeavors to divest SEAPA. Mr. Coose complimented the Swan Lake crew for maintenance of the Swan project and, along with several others, expressed thanks for the

tour to Swan Lake. Mr. Nelson appreciated hearing from Mr. Dashen that SEAPA was an economically solvent organization that has managed its business well, which has afforded the Agency the ability to move forward as a regional player and forward fund its projects, and that he was pleased to be a part of such an economically sound organization. Mr. Jensen concurred with Mr. Nelson. Mr. Ashton mirrored Mr. Nelson's comments. Mr. Donato complimented staff on the banners and the amount of work done and expressed appreciation for being a part of the organization. Mr. Bergeron commented that the SEAPA organization does a good job, is understaffed, and was glad to be a part of it and be able to help move forward. Chairman Sivertsen thanked everyone noting that the strength of SEAPA was at the table with diverse ideas and discussions keeping things on track and whether everyone agrees or disagrees on issues, he noted the bottom line is that SEAPA is still providing cheap power to the communities.

Visitors from other communities, Pam McCloskey from Wrangell, and Sue Flint from Petersburg, also thanked the organization for the opportunity to attend the Swan Lake Tour and SEAPA board meeting, and expressed their appreciation for the effort and work involved.

Mr. Bergeron requested that a motion to rescind the motion not allowing alternates to make or second motions be placed on the agenda for the next board meeting.

#### **17) Adjourn**

**Mr. Bergeron moved to adjourn the meeting. Mr. Coose seconded the motion. There was no opposition to the motion. (Action 13-216)**

The meeting adjourned at 4:24 p.m.