



**SOUTHEAST ALASKA POWER
AGENCY**

**Minutes of Regular Meeting
June 20, 2017**

The Nolan Center
Wrangell, Alaska

(An audio recording of this meeting is available on SEAPA's website at www.seapahydro.org)

1) Call to Order

A. *Roll Call*

Vice-Chairman Prysunka called the meeting to order at 11:05 a.m. AKDT on June 20, 2017. The following directors and alternates were present, thus establishing a quorum of the board:

<u>Director</u>	<u>Alternate</u>	<u>Representing</u>	
Judy Zenge	Andy Donato	Swan Lake	Ketchikan
Karl Amylon	Bob Sivertsen	Swan Lake	Ketchikan
		Tyee Lake	Petersburg
Stephen Prysunka	Clay Hammer	Tyee Lake	Wrangell

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

Trey Acteson, Chief Executive Officer	Steve Henson, Operations Manager
Ed Schofield, Power System Specialist	Robert Siedman, Dir. of Eng. & Tech Svc.
Kay Key, Controller	Sharon Thompson, Ex. Asst./Cont. Adm.
Lisa Maddocks, Administrative Asst.	Joel Paisner, Ascent Law Partners, LLC

B. *Communications/Lay on the Table Item(s):*

- FY18 KWh Sales Forecast
- Sole Source Request Re ADL 106442
- Fund Flow Table
- KPU Swan Lake Report
- Ascent Memorandum dated 06.19.2017 re Status Update and Input Request Re Adoption of Public Disclosure Act Policy

C. *Disclosure of Conflicts of Interest: None*

2) Approval of the Agenda

➤ Motion	M/S (Donato/Zenge) to approve the agenda as presented. Motion approved unanimously by polled vote.	Action 18-584
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➤ Motion	M/S (Amylon/Donato) to amend the agenda to add Old Business as Item 9 for a discussion on the status of the Adoption of a Public Disclosure Policy for SEAPA. The remaining agenda items would move forward accordingly. Motion approved unanimously by polled vote.	Action 18-585
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3) Persons to be Heard – None¹.

4) Review and Approve Minutes

➤ Motion	M/S (Donato/Zenge) to approve the Minutes of the Regular Meeting of April 13, 2017. Motion approved unanimously by polled vote.	Action 18-586
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5) Financial Reports

(A)-(G) Mr. Acteson reported that sales were high and expenses lower than expected for FY2017, and explained that R&R expenses may accelerate in May and June due to capital project activity. He briefly discussed the Agency's two remaining grants, the KPI#2 and FY13 DCCED, noting the importance of KPI funding staying in Southeast Alaska. He also provided an update on the annual Whitman True-up. Mr. Amylon advised that a formal notice of true-up renegotiation would be issued in July.

➤ Motion	M/S (Zenge/Amylon) to approve the financial statements for the months of April and March 2017. Motion approved unanimously by polled vote.	Action 18-587
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➤ Motion	M/S (Donato/Zenge) to approve disbursements for the months of April and May 2017 in the amount of \$1,344,769.57. Motion approved unanimously by polled vote.	Action 18-588
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6) New Business

A. Presentation, Consideration, and Approval of FY18 SEAPA Budget

Mr. Acteson opened with a summary of the recommended FY18 SEAPA budget reporting that the budget is premised on retaining the wholesale power rate of 6.8 cents/kWh, which has not changed for the past 19 years. He provided an overview on the anticipated expenses, capital projects, project feasibility, and highlights of the changes in the FY18 budget.

The meeting recessed at 12:04 p.m. for lunch and reconvened at 12:28 p.m.

¹ Although no one came forward under Persons to be Heard, Ralph Kibby of Chatham Electric, later joined the meeting and requested that the board consider allowing him to be heard. As reflected later in these minutes, the board voted to amend the agenda accordingly to afford him that opportunity.

Following the lunch break, Vice Chairman Prysunka introduced the following motion:

➤ Motion	M/S (Prysunka/Zenge) to amend the Agenda to move Item 3, Persons to be Heard, to allow a citizen the opportunity to address the board immediately following the Agency's lunch break. Motion approved unanimously by polled vote.	Action 18-589
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Vice Chairman Prysunka announced there was one person to be heard, Ralph Kibby, of Chatham Electric. Mr. Kibby addressed the board and voiced concerns regarding the bidding process for the Agency's 2017-2019 Annual Transmission Line Maintenance Contract.

6) New Business (continued)

Mr. Acteson proceeded with the highlights of each line item in the proposed budget. During discussion of line item 545100 for Swan Lake housing, Mr. Donato requested the amount be increased by \$1,500 for additional furnishings. Mr. Acteson suggested that any additional increases could be summarized following review of the budget. Mr. Acteson directed the budget discussion for line item 564000 to a quote in the board packet for a remotely operated vehicle (ROV) inspection of SEAPA's submarine cables, and explained it would be a large expense item for the board's consideration. He explained the submarine cables, although robust, were likely the Agency's number one risk for a major, prolonged outage. He explained that there are 66 areas of cable suspensions that are a concern on the Cleveland Peninsula crossing, that would cause outages in both Wrangell and Petersburg in the event of a failure. He recommended the board consider including the project in the FY18 budget.

➤ Motion	M/S (Amylon/Zenge) to add \$535,000 to the FY2018 Budget for line item 564200 for SEAPA's Submarine Cable ROV Inspection Project. Motion approved unanimously by polled vote.	Action 18-590
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Following the discussion of several additional line items in the budget, the meeting recessed at 1:30 p.m. and reconvened at 1:38 p.m.

Mr. Acteson continued budget discussions informing the board that the Agency has been able to hold insurance rates down and is exercising efforts to extend the renewal dates for all of SEAPA's policies to better coincide with an annual insurance conference that provides an opportunity for face-to-face meetings with insurance underwriters to explain the Agency's risk.

Mr. Acteson diverted discussion on line item 928000, regulatory commission expenses, to explain that recent information received provided a cost estimate for an as-built survey for a land use permit from the Alaska Department of Natural Resources for the Swan-Tyee Intertie Transmission Line, and requested authorization to sole source a contract to conduct the survey, and for an amendment to the budget to add a contingency for the project and funding for helicopter costs.

➤ Motion	M/S (Donato/Zenge) to authorize staff to enter into a sole-source contract with R&M Engineering-Ketchikan, Inc. to conduct an as-built survey for a land use permit for the Agency's Swan-Tyee Intertie Transmission Line for \$130,330 and a 15% contingency of \$19,550 for unforeseen changes or	Action 18-591
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	weather delays, for a total not-to-exceed value of \$150,000. Motion approved unanimously by polled vote.	
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➤ Motion	M/S (Donato/Amylon) to add \$200,000 to the FY2018 budget to include \$150,000 for the as-built survey for a land use permit for the Agency's Swan-Tyee Intertie Transmission Line and the amount of \$50,000 for helicopter transportation to support the project, for a total budget amendment of \$200,000. Motion approved unanimously by polled vote.	Action 18-592
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Mr. Acteson continued with highlights of the remaining line items of the FY2018 budget. He reviewed the summary of non-operating income and receivables and non-operating expense, liabilities, reserves and feasibility, and focused on the DNR Reclamation Contingency Fund, explaining that the Agency would like to get the DNR's consensus on purchasing a bond in lieu of an annual contribution to the fund.

Mr. Acteson suggested the budget motion be concluded before moving forward with discussion on the FY2018 Feasibility Budget. He noted the \$1,500 increase for line item 545100(b) had not yet been authorized for furnishings at Swan Lake.

➤ Motion	M/S (Prysunka/Donato) to increase SEAPA's FY2018 Budget line item 545100(b) by \$1,500 for furnishings for the Swan Lake Housing Project. Motion approved unanimously by polled vote.	Action 18-593
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Ms. Key summarized the amendments to be added to the line items discussed in the FY2018 budget, explaining that the total expense for the fiscal year 2018 SEAPA operating budget with the amendments is increased to \$7,692,038.

➤ Motion	<i>Note: The following motion was moved and seconded earlier in the meeting to approve \$6,955,538 for SEAPA's FY2018 Operating Budget. Following the motion, three additional motions were made and approved (SWL housing, \$1,500; ROV Project, \$535,000; and R&M Sole Source & Helicopter costs, \$200,000) which increased the budget from \$6,955,538 to \$7,692,038. A poll vote was requested on the main motion, as amended, to reflect the increase. The following captures the intent of the poll vote to increase the budget to \$7,692,038.</i>	Action 18-594
	M/S (Donato/Zenge) to approve the Southeast Alaska Power Agency Fiscal Year 2018 Operating Budget, as amended, in the amount of \$7,692,038. Motion approved unanimously by polled vote.	

Vice Chairman Prysunka directed that budget discussions move to the FY2018 Feasibility Budget.

➤ Motion	M/S (Prysunka/Zenge) to approve the FY2018 Feasibility Budget in the amount of \$425,000 and further move to abandon the Meteorological Tower as a Feasibility Project and approve its Nonoperational Expense budget in the amount of \$5,000. Following an explanation by Mr. Acteson and Mr. Henson of the FY2018 Feasibility Projects, the motion was approved unanimously by polled vote.	Action 18-595
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Current and new R&R projects were discussed.

➤ Motion	M/S (Donato/Amylon) to approve the Current R&R Projects' FY2018 Budget in the amount of \$1,086,572. Motion was approved unanimously by polled vote.	Action 18-596
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➤ Motion	M/S (Donato/Prysunka) to approve the New R&R Projects as presented in the amount of \$1,816,500. Motion was approved unanimously by polled vote.	Action 18-597
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B. *Discussion, Consideration, and Approval of FY17 Rebate*

Vice Chairman Prysunka requested a motion on the Fiscal Year 2017 rebate:

➤ Motion	M/S (Prysunka/Zenge) to approve a Fiscal Year 2017 rebate in the amount of \$2,700,000 to the Member Utilities. Issuance of the rebate would take place after the successful completion of the FY17 audit, contingent upon satisfying bond covenant requirements, including debt service ratio compliance, and on the condition that no catastrophic system events take place in the interim. Following a short discussion, the motion was approved unanimously by polled vote.	Action 18-598
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The meeting recessed at 3:08 p.m. and reconvened at 3:16 p.m.

Vice Chairman Prysunka announced that another amendment would be made to the agenda.

➤ Motion	M/S (Prysunka/Zenge) to add the Wrangell City and Borough worker strike discussions and the effect of the strike on SEAPA to the Agenda. Motion approved unanimously by polled vote.	Action 18-599
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Chairman Prysunka provided an update on the status of the negotiations with the union representative of the IBEW regarding the Wrangell strike.

C. *Consideration and Approval of Wholesale Power Rate for FY18*

➤ Motion	M/S (Amylon/Zenge) to approve setting SEAPA's wholesale power rate at 6.8 cents/kWh for Fiscal Year 2018. Motion approved unanimously by polled vote.	Action 18-600
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D. *KPU Request for Reimbursement of Diesel Generation Fuel Cost.*

➤ Motion	M/S (Prysunka/Zenge) to authorize staff to approve a payment of \$3,307.43 to Ketchikan Public Utilities (KPU) to reimburse KPU for the cost of 1,277 gallons of diesel fuel at \$2.59/gallon burned during KPU's May 8, 2017 diesel generation run. Motion failed 3-1 with Mr. Amylon, Ms. Zenge and Mr. Prysunka voting no, and Mr. Donato voting yes.	Action 18-601
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E. *Consideration and Approval of Disposal of Swan Lake Housing Unit 2.*

➤ Motion	M/S (Zenge/Amylon) that the modular home located at Swan Lake known as "Housing Unit 2", which will be decommissioned following the placement of a new duplex unit, be declared surplus property, and that SEAPA staff is authorized to dispose of the unit through a public bid process and sell it to the highest bidder. Motion approved unanimously by polled vote.	Action 18-602
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F. *Executive Session Re Bid Bond Recovery and Hydrosite Investigations Update*

➤ Motion	M/S (Prysunka/Donato) to recess into Executive Session to conduct further discussions relating to recovery under a bid bond and an update on the Agency's hydrosite investigations. The Executive Session will be conducted pursuant to SEAPA's Bylaws which are consistent with Alaska Statute 44.62.310 as the discussions may include matters the immediate knowledge of which would clearly have an adverse impact upon the finances of the Agency, the Projects, or any of its Member Utilities as well as the matters discussed with an attorney retained by the Board, the immediate knowledge of which could have an adverse effect on the legal position of the Agency. Motion approved unanimously by polled vote.	Action 18-603
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The meeting recessed at 3:55 p.m. for the Executive Session and reconvened at 4:43 p.m. for the regular session. No formal action was taken following the executive session.

7) CEO Report

Mr. Acteson provided a brief outline of his report highlighting the Agency's efforts on federal legislation and reporting on meetings he attended with Senators Murkowski and Sullivan, Congressman Young, and key staff members of the Speaker of the House, Chairman of the House Energy and Water Development Appropriations Subcommittee, and Congresswomen Cathy McMorris Rodgers in Washington, D.C. He also had the opportunity to meet with acting FERC Chairwoman Cheryl LaFleur, who was well acquainted with SEAPA's issues and other issues unique to Alaska's hydroelectric projects.

8) Staff Reports

A. *Operations Manager Report*

Mr. Henson announced that the U. S. Forest Service had published an Environmental Assessment for the permitting effort for use of the ARGO on select areas of the Tyeve Transmission Line right-of-way, that a new satellite had been repositioned and installed at Swan Lake to improve communications. He discussed projects that would be deferred until a September shutdown including the CT Current Transformer Relay installation, Turbine Shutoff Controls, Transformer Bushing Replacement, the Marker Ball replacements, and the Tyeve Transmission Line maintenance. He reported that during the Swan Lake shutdown maintenance on the Swan Lake Transmission Line, the Swan-Tyeve Intertie, and guy thimbles were completed and complimented Mr. Schofield on directing Swan Lake operations during the shutdown and the KPU crew on their performance. He noted that Mr. Donato's Swan Lake report had several good photographs on the work that had taken place.

B. *Power System Specialist Report*

Mr. Schofield reported that Electric Power Constructors completed the exciter and switchgear replacement work at Swan Lake, which were complex projects involving the pulling of hundreds of feet of new control cabling. He advised that the debris boom project at Swan Lake was complete, improving the ability to handle increased debris and aid in debris removal, and reported that the reservoir expansion project was complete with all automated and manual spillway gate controls functioning as designed. He provided updates on Swan Lake's annual maintenance outage, the Runner Air Admission System repairs, and the rare and invasive plant survey required by the Forest Service under FERC's issued license amendment. He advised that the Agency's Swan Lake Emergency Action Plan is being rewritten with distribution to all Plan Holders anticipated in December 2017 following FERC's approval.

C. *Director of Engineering & Technical Services*

Mr. Siedman gave a very informative and detailed power point presentation on Protective Relays. He explained what a protective relay is, why they're needed, how they work, the several different types of relays, and discussed the electrical-mechanical digital crossover. The presentation included several photographs, diagrams, and examples on the importance of relays for the prevention of catastrophic failure for substations and other scenarios.

9) **Old Business**

A. *Discussion re SEAPA Public Disclosure Policy*

Mr. Paisner distributed a memo on implementation of a Public Disclosure Policy for SEAPA. He provided a status report and update on implementation of the policy noting the importance of clarity in the volunteer policy since SEAPA is exempt from the Public Disclosure Act, and recommended that the policy be implemented on a going forward basis.

➤ Motion	M/S (Amylon/Donato) to direct staff to move forward with drafting policies that direct disclosure for SEAPA in accordance with the terms of the Alaska Public Disclosure Act and as recommended in SEAPA's counsel's memorandum dated June 19, 2017. Motion approved unanimously by polled vote.	Action 18-604
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10) **Next Meeting Date(s)**

There were no objections to the next board meeting date of September 28, 2017 in Ketchikan, Alaska.

11) **Director Comments**

Directors provided brief comments.

12) Adjourn

Vice Chairman Prysunka adjourned the meeting at 5:20 p.m.