



SOUTHEAST ALASKA POWER AGENCY

Minutes of Regular Meeting
December 13-14, 2017

Petersburg Assembly Chambers
Petersburg, 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 Stephen Prysunka called the meeting to order at 1:00 p.m. AKST on December 13, 2017. The following directors and alternates were present, thus establishing a quorum of the board:

Director	Alternate	Representing	
	Charles Freeman	Swan Lake	Ketchikan
Karl Amylon	Bob Sivertsen	Swan Lake	Ketchikan
	Mark Jensen	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	Joel Paisner, Ascent Law Partners, LLC
Lisa Maddocks, Administrative Asst.	

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

- (i) Memo Re Swan Lake Spare Flash Board Gate Components Contract
- (ii) 2017 0630 BDO Audit Wrap-Up

C. *Disclosure of Conflicts of Interest:*

None.

2) Approval of the Agenda

➤ Motion	M/S (Jensen/Freeman) to approve the agenda as amended to add consideration and approval of the Swan Lake Spare Flash Board Gate Components Contract as Item C under New Business, with the remaining items moved forward accordingly. Motion approved unanimously by polled vote.	Action 18-624
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3) Proclamation Honoring Board Service

Mr. Hammer read a Proclamation recognizing, thanking, and honoring Mark Jensen, Charles Freeman, and Lew Williams for their service to the Agency.

4) Persons to be Heard

Joe Viechnicki, Reporter with KFSK Community Radio, voiced his objections to the Agency's Public Records policy adopted by the board and the form developed by the Agency for Public Records Requests.

5) Review and Approve Minutes

➤ Motion	M/S (Freeman/Jensen) to approve the Minutes of the Regular Meeting of September 28, 2017. Motion approved unanimously by polled vote.	Action 18-625
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6) Financial Reports

(A)-(H) Mr. Acteson affirmed the stability of the Agency's financial position and advised that a representative of BDO, the Agency's financial auditors, would be calling in to the meeting to present the Agency's FY2017 audited financials and respond to any board inquiries. He addressed an interest the board previously expressed on revisiting the size of the FY2017 rebate noting the matter could be discussed further under new business prior to approval of the rebate. He provided updates on the Agency's hedging of financial risk, revenue and expenses, grants, and renewal and replacement projects.

➤ Motion	M/S (Jensen/Freeman) to approve disbursements for the months of October and November 2017 in the amount of \$2,630,460.43. Motion approved unanimously by polled vote.	Action 18-626
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➤ Motion	M/S (Jensen/Freeman) to approve SEAPA's financial statements for the months of August, September and October 2017. Motion approved unanimously by polled vote.	Action 18-627
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➤ Motion	M/S (Jensen/Amylon) to accept the Southeast Alaska Power Agency Fiscal Year 2017 Audited Financial Statements as presented in the December 13-14, 2017 SEAPA Board packet. Following the motion, Joy Merriner of BDO joined the meeting telephonically to review the audited financial statements and answer questions from the board. She commended SEAPA's controller, Ms. Key, SEAPA management, and staff, on the positive results of the FY2017 audit. Mr. Jensen moved to postpone the pending motion until after the Rebate Distribution discussion scheduled later in the meeting. The motion failed to receive a second. The pending motion to accept the FY2017 Audited Financial Statements was approved unanimously by polled vote.	Action 18-628
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The meeting recessed at 2:01 p.m. and reconvened at 2:15 p.m.

7) New Business

A. Executive Session for Discussions related to Hydrosite Investigations

➤ Motion	M/S (Freeman/Jensen) to recess into Executive Session to conduct further discussions relating to 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 18-629
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The meeting recessed at 2:17 p.m. for the executive session and reconvened the regular meeting at 4:04 p.m.

Vice Chairman Prysunka advised that management will continue on with the process of hydrosite investigation.

The meeting recessed at 4:05 p.m. and reconvened at 4:13 p.m.

B. Consideration and Approval of Resolution No. 2018-069 Approving Signatories to First Bank Accounts.

➤ Motion	M/S (Jensen/Freeman) to adopt Resolution No. 2018-069 authorizing signatories to the First Bank accounts named in the resolution. Motion approved unanimously by polled vote.	Action 18-630
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C. Consideration and Approval of Swan Lake Spare Flash Board Gate Components Contract.

➤ Motion	M/S (Freeman/Jensen) to authorize staff to enter into a contract with Kuenz America Inc. for SEAPA's Swan Lake Spare Flash Board Gate Components Project for the lump-sum bid amount of \$420,850. Motion approved unanimously by polled vote.	Action 18-631
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D. Consideration and Approval of Independent Consultant for Swan Lake 2019 FERC Part 12 Report

➤ Motion	M/S (Jensen/Amylon) to authorize staff to enter into a contract with Schnabel Engineering, LLC for an Independent Consultant for SEAPA's Swan Lake 2019 FERC Part 12 Report for the not-to-exceed amount of \$72,576. Motion approved unanimously by polled vote.	Action 18-632
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E. *Consideration and Approval of SEAPA's Operations Plan for 2018.*

Mr. Siedman displayed a Power Point presentation providing the highlights of SEAPA's proposed 2018 Operations Plan suggesting that guide curve elevations be used by the scheduling group as guides. If lake levels fall below the guide curves, SEAPA will manage water resources taking into consideration current conditions with the overall objective of restoring lake levels to their respective guide curves. He explained that as lake levels approach the annual minimum Board approved draft limits (Tyee, 1260 feet, and Swan Lake, 272 feet) that staff suggests SEAPA and the dedicated resource holder(s) enter into discussions as to whether curtailments will be issued. He provided a table with 2018 Operations Plan Guide Curve Values and past Operations Plan minimum draft limits. Mr. Acteson explained adjustments to the guide curves.

➤ Motion	M/S (Prysunka/Jensen) to approve the 2018 SEAPA Operations Plans as presented in the December 13-14, 2017 Board packet. Motion approved unanimously by polled vote.	Action 18-633
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F. *Consideration and Approval of Dedicated Funding for Submarine Cable Replacement.*

➤ Motion	M/S (Jensen/Prysunka) to authorize staff to reduce the FY2017 rebate by 30% and redirect those funds into a capital reserve fund to be used for replacement of SEAPA's Submarine Cables. Additional contributions and balances shall be reviewed annually. The motion failed 3 to 1 with Mr. Freeman, Mr. Amylon, and Mr. Prysunka voting no, and Mr. Jensen voting yes.	Action 18-634
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G. *Consideration and Approval of Distribution of Rebate to Member Utilities.*

➤ Motion	M/S (Jensen/Amylon) to authorize the distribution of a \$2,700,000 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 the FY17 Rebate Memo dated December 1, 2017. Motion approved unanimously by polled vote.	Action 18-635
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H. *Consideration and Approval of Staff Bonuses.*

➤ Motion	M/S (Freeman/Jensen) to authorize SEAPA's CEO to issue staff bonuses not-to-exceed the total amount of \$12,000 payable on or before December 31, 2017. Motion approved unanimously by polled vote.	Action 18-636
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The meeting recessed at 5:18 p.m. on December 13, 2017.

The meeting reconvened at 9:00 a.m. on December 14, 2017.

A roll call was taken. The same directors and alternates present during the December 13, 2017 portion of the meeting were present for the December 14, 2017 portion of the meeting, thus establishing a quorum of the board.

I. *Executive Session for CEO Annual Evaluation.*

➤ Motion	M/S (Jensen/Amylon) to recess into Executive Session to conduct further discussions relating to an Annual Evaluation of SEAPA's Chief Executive Officer. 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 subjects that tend to prejudice the reputation and character of any person. Motion approved unanimously by polled vote.	Action 18-637
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The meeting recessed for the executive session and reconvened into regular session at 10:17 a.m.

Vice Chairman Prysunka announced that the directors would like to make a motion resulting from the executive session and requested that the motion be made.

➤ Motion	M/S (Jensen/Amylon) to move for SEAPA's Board of Directors to authorize a \$5,000 bonus to SEAPA's Chief Executive Officer payable on or before December 31, 2017. Following Vice Chairman Prysunka's expression of appreciation for Mr. Acteson's leadership and achievements during the past year, the motion was approved unanimously by polled vote.	Action 18-638
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Vice Chairman Prysunka advised that further action resulting from the executive session was to request that the Agency's counsel develop a formal evaluation process for the CEO, which can be used for 2018 goal setting during the February 2018 board meeting in Ketchikan.

8) CEO Report

Mr. Acteson provided updates on federal activities relative to Agency business noting that FERC revised its license term policy establishing a 40-year default term over the previous 30-year term, which includes relicensing, a definite benefit to the Agency. He reported on his testimony before the House of Representatives Subcommittee in support of H.R. 219 optimistic that the legislation to correct the Swan Lake Project Boundary will eventually pass. He also reported that follow-up comments were filed requesting clarification on whether the lowered adjustment of 25% for federal land use fees imposed by FERC would be retroactive to last year and that SEAPA has once again joined in as an amicus to the State of Alaska's challenge to the Roadless Rule litigation. He advised that SEAPA will be responding to the RCA's response from the Agency's initial filing after a letter order issued regarding the close-out of TBPA's certificate of public convenience to operate Tyee. Mr. Paisner explained that the Agency's response to the RCA will support Wrangell, Petersburg, and the Agency's assertion that they are exempt from RCA regulation while holding long-term debt.

Mr. Acteson reported that a Public Records Request Form has been developed and will be posted on the Agency's website. Discussion followed with Mr. Acteson and Mr. Paisner explaining the Agency's process for access and transparency. Mr. Acteson closed his report with updates on personnel, the Whitman True-up, and Public Relations.

9) **Staff Reports**

A. *Operations Manager Report*

Mr. Henson requested a short break to prepare an overview of the weekly schedule meetings between SEAPA and the member utilities.

The meeting recessed at 10:54 a.m. and reconvened at 11:02 a.m.

Mr. Henson displayed and explained the various tables, schedules, and weather resources involved in weekly meetings to discuss and schedule ongoing maintenance items. He explained that everything SEAPA and the utilities are doing is discussed every Tuesday morning during these meetings.

Mr. Henson announced that following an inspection by the U.S. Army Corps of Engineers (USACE) to assist with a design and plan to alleviate silting in the Tyee Lake harbor area that USACE determined there is no federal interest in the project and that although there are no authorities in place for USACE to assist with a project and study to build a road through the tidelands out to deeper water, that would be the most prudent direction for the Agency to take for better access to Tyee.

Mr. Acteson supported building a road to tidewater as the best long-term solution for better access. He advised that the board's consideration would be requested at the next board meeting for funding to develop a scope and schedule for the project. Mr. Sivertsen suggested that funds be approved now. Mr. Henson advised there is currently \$350,000 that had been budgeted for dredging. Vice Chairman Prysunka expressed his concerns over the safety of the Tyee workers with the limited access currently available to the plant in the event of an emergency. Mr. Paisner advised that since funds were already budgeted a motion to amend the agenda was not necessary to move for reallocation of the funds.

<p>➤ Motion</p>	<p>M/S (Jensen/Amylon) to reallocate the \$350,000 in funds currently in the SEAPA budget for the Dredging Project at Tyee to be reallocated to a Road Building Project to tidewater. Following discussion, it was determined that if some dredging was needed in the meantime, that funding could be requested at a future meeting for that purpose, so the road building project is not postponed. Motion approved unanimously by polled vote.</p>	<p>Action 18-639</p>
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Mr. Henson provided updates on ATV use on the Tyee Transmission System, the STI final as-built survey and DNR ROW permitting process, Tyee Satellite platform survey and plat, and that brushing was complete in the Neets Bay area along the STI transmission line. He reported on maintenance activities that had taken place at Tyee and noted that KPU's Swan Lake Report was available in the board packet for an update of Swan Lake activities.

B. *Power System Specialist Report*

Mr. Schofield opened his report explaining the cause of a failure and repairs made to correct the failure on Swan Lake's Unit 1 Switchgear buss connection. He reported that repairs were complete at the Swan Lake dock, and provided an update on the history of Swan Lake housing advising that following a meeting between KPU and SEAPA seeking a resolution to KPU's housing concerns, it was determined that the originally proposed housing plan would be the best option

with the addition of 50 square feet to be built in the enclosed rear porch area of the proposed housing.

Mr. Schofield reported that he and Mr. Siedman descended 200 feet into the Tyee Lake Inlet Gate shaft to examine equipment for assurance that an emergency closure of the gate could be made if necessary. They noted several deficiencies given the humid environment the electrical and hydraulic equipment is subjected to in that location and described their plan for taking the electrical cabinets out and installing sealed type control pennants that extend from the top surface down to operate the hydraulics.

Mr. Schofield stressed the importance of assessing the condition of the tunnel explaining that because of the risk of draining the tunnel, an inspection has not been performed to date to determine if degradation of the tunnel walls has occurred. He explained the process involved for an ROV inspection to take place, which includes the ROV navigating through a 24-inch wide gate slot and around three 90° bends while descending a depth of 1,400 ft. and ascending 8,200 ft. to view the rock traps, which if successful, may break the current ROV descent on record. In the process the ROV will pass through four fault zones and could get hung up in the process. He explained that a re-analysis of the dewatering process was previously recommended by a board of consultants because of a failure that occurred when a contractor had to dewater to fix dresser couplers in the penstock. He advised that the Agency has retained an engineer to perform that analysis, so a process and procedure is in place for dewatering. Costs and risks of the ROV inspection were discussed, and it was noted that the ROV inspection of the tunnel could coincide with the submarine cable inspections that are also planned to save on mobilization costs.

Mr. Schofield closed his report with updates on the Tyee Lake Weir seepage inspection, Swan Lake Miscellaneous Metals Project, Emergency Action Plan, Marine Bulkhead Renovation, Spare Flashboards, and the SEAPA Ketchikan office remodel.

C. *Director of Engineering & Technical Services*

Mr. Siedman described the return on investment already realized following completion of the Agency's Swan Lake Reservoir Expansion Project and noted the 2018 Operations Plan provided more insight into the importance of the impounded water given the predicted upcoming low inflow season. He discussed a concern with the flashboards in the event of a large rain event and announced that SEAPA had developed an algorithm (a process or set of rules to be followed in calculations or other problem-solving operations, especially by a computer) to predict lake levels based on forecasted rain events, which enables SEAPA to forecast lake levels and run scenarios to mitigate risk associated with large rain events.

Mr. Siedman provided an update on the Swan Lake DC Distribution upgrades advising that the upgrades are 90% complete and that the remaining work will require a powerhouse outage, which will not likely occur during the upcoming winter months. He reported that procurement of a relay testing system was 90% complete and explained the capabilities of the procured SMRT46D Megger Multi-Phase Relay Test System. He advised that SEAPA is also 90% complete with development of a test bed utilizing spare protective relays and that security cameras have been procured and are currently being installed at the Swan Lake dock, Powerhouse and Dam.

10) Next Meeting Date

There were no objections to the next board meeting date of February 8, 2018 in Ketchikan, Alaska.

11) Director Comments

Directors provided brief comments.

12) Adjourn

Vice Chairman Prysunka adjourned the meeting at 12:30 p.m.