



**SOUTHEAST ALASKA POWER AGENCY**

**Minutes of Regular Meeting**

June 8-9, 2016

Petersburg Recreation Center  
Petersburg, Alaska

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

**1) Call to Order**

A. *Roll Call.* Chairman John Jensen called the meeting to order at 1:05 p.m. AKDT on June 8, 2016. The following directors and alternates were present, thus establishing a quorum of the board:

<b>Director</b>	<b>Alternate</b>	<b>Representing</b>	
Lew Williams	Andy Donato	Swan Lake	Ketchikan
Judy Zenge		Swan Lake	Ketchikan
Joe Nelson	Mark Jensen	Tyee Lake	Petersburg
John Jensen	Cindi Lagoudakis	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	Eric Wolfe, Director of Special Projects
Kay Key, Controller	Steve Henson, Operations Manager
Sharon Thompson, Executive Assistant	Ed Schofield, Power System Specialist
Joel Paisner, Ascent Law Partners, LLC	

B. *Communications/Lay on the Table Items* – None.

C. *Disclosure of Conflicts of Interest* – Mr. Williams reported a conflict of interest in his capacity as a board member and ownership interest in the Ketchikan Daily News as the Agency had paid Ketchikan Daily News invoices.

**2) Approval of the Agenda**

<b>➤ Motion</b>	M/S (Williams/Prysunka) to approve the agenda. Motion approved unanimously by polled vote.	<b>Action</b> 16-510
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**3) Persons to be Heard** – None.

**4) Review and Approve Minutes**

<b>➤ Motion</b>	M/S (Williams/Zenge) to approve the Minutes of the Regular Meeting of April 28, 2016. Motion approved unanimously by polled vote.	<b>Action</b> 16-511
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## 5) Financial Reports

(A)-(H) Mr. Acteson reported that SEAPA's financial position is stable, with no major unforeseen events occurring year-to-date. He reviewed the Agency's March and April 2016 financial statements and revenue graphs for May 2016.

➤ <b>Motion</b>	M/S (Williams/Zenge) to approve the financial statements for the months of April and March 2016. Motion approved unanimously by polled vote.	Action 16-512
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➤ <b>Motion</b>	M/S (Williams/Zenge) to approve disbursements for the months of April and May 2016 in the amount of \$1,644,074.61. Motion approved unanimously by polled vote.	Action 16-513
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## 6) CEO Report

Mr. Acteson opened his report with an overview of the activities involving the Swan Lake Reservoir Expansion Construction Project. He capsulized the history of Swan's lake level mitigation issues and emphasized the importance of cooperation by all parties for the project's success. He advised that he met with the Chief of Staff for Senator Murkowski to discuss federal power issues and that SEAPA had joined other Alaska hydro owners in petitioning FERC for relief from land use fee increases, and that Senate Bill 2012, the legislative vehicle for Swan Lake's land conveyance amendment for lands in the upper portion of the Lost Creek drainage, faces challenges as it moves into conference with the House. He will continue to update the board as information develops. Mr. Acteson briefly discussed public relations efforts that included reaching out to the public by way of public service announcements, community flyers, and that staff will meet with several individuals in Petersburg for SEAPA's history project to develop a historical timeline for SEAPA's website. He closed his report with updates on best practices and process improvements, safety, and personnel updates.

The meeting recessed at 2:33 p.m. and reconvened at 2:55 p.m.<sup>1</sup>

## 7) Staff Reports

**A. Operations Manager Report (Steve Henson).** Mr. Henson provided a brief summary of several projects including the roof and siding project underway for Tyee crew housing, marker balls, ATV use on the Tyee transmission line, the satellite communications system, CTs-Relay Wrangell Circuit Switcher, that the south Mitkof marine terminal was chosen as the location for the meteorological tower, and that BAM has started installation of STI helipads. He also reported on Tyee Lake and Swan Lake activities and explained that the annual line maintenance shutdown for the year is deferred due to Swan Lake level mitigation, and that Chatham would conduct visual inspections on all of the lines by helicopter instead.

**B. Director of Special Projects (Wolfe).** Mr. Wolfe provided a PowerPoint presentation on the Alarm-Controls-Protection Project noting the project is in commissioning and coming to a close. He presented several photographs on the Swan Lake Reservoir Expansion Construction Project while reporting on the engineering and permitting, and fabrication of the flashboards and vertical gates. He presented a schedule noting the center pier is the critical path in the schedule. He highlighted the importance of KPU's cooperation and utilization of the Load Bank for control of water levels for the project. He reported that the water levels were finally reduced allowing work to progress in a safe and predictable manner. He closed his report with a water management update.

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<sup>1</sup> Mr. Freeman joined the meeting.

**C. Power System Specialist Report (Schofield).** Mr. Schofield reported that the Forest service would conduct a timber cruise at Swan Lake from June 14-15 to establish a value of the timber in the 25.8 acres of land within the Swan Lake Project boundary that will be inundated, and noted that a future hatchery valve was reconditioned and serviced for operation in an effort to reduce excess impoundment water. He provided an update on invasive and rare plant surveys, FERC license conditions, and reported that a 5 MW Load Bank had been installed at Swan Lake to help deplete surplus impoundment water.

The meeting recessed on June 8, 2016 at 3:48 p.m.

The meeting reconvened on June 9, 2016, at 9:00 a.m.

A roll call was taken. The same directors and alternates present during the June 8, 2016 portion of the meeting were present for the June 9, 2016 portion of the meeting, thus establishing a quorum of the board.

**8) New Business**

*A. Presentation, Consideration, and Approval of FY17 SEAPA Budget*

Mr. Acteson opened with a summary of the recommended FY17 SEAPA budget noting the budget is premised on retaining the wholesale power rate of 6.8 cents/kWh, which has not changed since 1998. He provided an overview of the anticipated expenses, capital projects, project feasibility, and highlights of the changes in the FY17 budget. He noted the Swan Lake Reservoir Expansion Project will be the biggest R&R project for FY17 and recapped the history of the project's funding. He proceeded with the highlights of each line item in the proposed budget. He explained that the overall budget proposed is approximately seven percent, or \$500,000 below the FY16 budget. He noted an FY16 versus FY17 budget comparison for the Swan and Tyee Plants have essentially stayed pretty close to the same and that SEAPA has cut back about 9% in the consolidated operations and maintenance and administrative budgets.

The meeting recessed at 10:30 a.m. and reconvened at 10:40 a.m.

Chairman Jensen requested a motion on the budget.

<b>➤ Motion</b>	M/S (Prysunka/Williams) to approve the Southeast Alaska Power Agency Fiscal Year 2017 Operating Budget in the amount of \$6,892,620. Motion approved unanimously by polled vote.	<b>Action 16-514</b>
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<b>➤ Motion</b>	M/S (Williams/Prysunka) to approve the Swan Lake Reservoir Expansion FY2017 budget in the amount of \$6,820,253. Following a brief financial summary by Mr. Acteson of the Swan Lake Reservoir Expansion project, the motion was approved unanimously by polled vote.	<b>Action 16-515</b>
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Chairman Jensen requested a motion

<b>➤ Motion</b>	M/S (Prysunka/Williams) to approve the Current R&R Projects' FY2017 budget in the amount of \$3,429,916. Following a summary of the current R&R projects by Mr. Acteson and various staff/board exchanges, the motion was approved	<b>Action 16-516</b>
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unanimously by polled vote.

Chairman Jensen requested a motion on the New FY2017 R&R Projects.

➤ <b>Motion</b>	M/S (Williams/Prysunka) to approve the New FY2017 R&R Projects as presented in the amount of \$575,200. <sup>2</sup> No roll call was taken on the motion.	Action 16-517
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Following discussions on the proposed new FY17 R&R DNR Easement Survey Project, it was determined the Project would not be included in the new FY17 R&R budget pending a legal review. The Project cost of \$275,000 will be deducted from the \$575,200 total proposed for FY17.

➤ <b>Motion</b>	M/S (Nelson/Zenge) to remove R&R #1701 (DNR Easement Survey – STI for \$275,000) from the new FY17 R&R budget pending a legal review. Motion approved unanimously by polled vote.	Action 16-518
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➤ <b>Motion</b>	M/S (Prysunka/Williams) to approve the New FY2017 R&R Projects as presented, with the exception of R&R #1701 which was removed, in the amount of \$300,200. Motion approved unanimously by polled vote.	Action 16-519
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➤ <b>Motion</b>	M/S (Prysunka/Williams) to approve the Meteorological Tower, Tyee Dredge/Road Plan, and Tyee Lake Third Turbine Feasibility Projects in the amount of \$221,046 as a part of the FY2017 Budget. Motion approved unanimously by polled vote.	Action 16-520
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B. *Discussion of FY17 Rebate*

Mr. Acteson distributed a memo on the Fiscal Year 2016 Rebate. Chairman Jensen requested a motion on the rebate.

➤ <b>Motion</b>	M/S (Prysunka/Williams) to approve a Fiscal Year 2016 rebate in the amount of \$800,000 to the Member Utilities. Issuance of the rebate would take place after the successful completion of the FY16 audit, contingent upon satisfying bond covenant requirements, including debt service ratio compliance, and on the condition that no catastrophic events take place in the interim.	Action 16-521
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Following an exchange of questions/information between Mr. Williams and staff on the rebate, Mr. Williams made the following motion:

➤ <b>Motion</b>	M/S (Williams/Zenge) to amend the rebate motion from \$800,000 to \$1.1 million. Motion failed 3-2 with John Jensen, Nelson, and Prysunka voting no, and Zenge and Williams voting yes.	Action 16-522
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<sup>2</sup> Ms. Lagoudakis left the meeting at 11:29 a.m.

A roll call was taken on the main rebate motion, which was approved unanimously by polled vote.

Following additional discussion on the Agency's funds, the meeting recessed at 12:05 p.m. for lunch and reconvened at 12:57 p.m.

C. *Consideration and Approval of Wholesale Power Rate for FY17*

<b>➤ Motion</b>	M/S (Williams/Prysunka) to approve setting SEAPA's wholesale power rate at 6.8 cents/kWh for Fiscal Year 2017. Motion approved unanimously by polled vote.	Action 16-523
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D. *Discussion Re Consideration and Approval of SEAPA FY16-18 Audit Services*

<b>➤ Motion</b>	M/S (Prysunka/Zenge) to authorize staff to engage BDO USA, LLC for professional audit services in the amount of \$30,500 for the fiscal year ending June 30, 2016, with options to renew for fiscal years 2017 and 2018. Motion approved unanimously by polled vote.	Action 16-524
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E. *Discussion of Swan Lake Operations and Maintenance Contract.*

Mr. Acteson opened the discussion explaining his recommendation is to give notice of termination for the operations and maintenance contract at Swan Lake and move forward in a different direction. He provided a background of the transition activities following the change of operations for the Agency's Tyee facility and highlighted the positive benefits of a similar transition for the Swan Lake facility. He explained that SEAPA is solely responsible for environmental and FERC license compliance at the facility, bears responsibility for bond indenture requirements, and would assume control of the risk of ownership if it operated its own facility, which would also mitigate a third-party contractor's risk. He advised that the mechanism required to effect the process would be a vote by the board to terminate the contract and a one-year transition period. A substantive exchange followed on the pros and cons of terminating operations, resulting in the following motion:

<b>➤ Motion</b>	M/S (Prysunka/Nelson) that the Board of Directors has reviewed and considered the best manner to provide Operations and Maintenance at the Swan Lake Hydroelectric Project. Consistent with these considerations and discussions, the Board directs SEAPA staff to provide written notice of termination of the existing O&M Contract with Ketchikan Public Utilities prior to the end of the SEAPA fiscal year, June 30, 2016. The Board further directs staff to take all measures to ensure a timely and orderly transition of all outstanding contracts, suppliers, and consultants are notified about the transition. SEAPA staff is further directed to take all steps to work with the IBEW to provide for the transition of all represented employees.  No vote was taken on the motion.	Action 16-525
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The meeting recessed at 1:55 p.m. and reconvened at 2:06 p.m.

After Chairman Jensen requested input on the motion that was on the table, Mr. Williams offered the following motion:

➤ <b>Motion</b>	M/S (Williams/Zenge) to table the motion regarding Operations and Maintenance at the Swan Lake Hydroelectric Project until further notice. The motion passed 4-1 with Prysunka, John Jensen, Zenge and Williams voting yes and Nelson voting no.	<b>Action 16-526</b>
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F. *Board Meeting Dates* – The board had no objections to the following dates for regular meetings of the directors for the remainder of calendar year 2016:

August 25, 2016 (Ketchikan)  
October 12-13, 2016 (Wrangell)  
December 14, 2016 (Ketchikan)

9) **Director Comments** – Directors provided brief comments.

10) **Adjourn**

Chairman Jensen adjourned the meeting at 2:15 p.m.