

Tyee Lake Operations and Maintenance (O&M):

The Southeast Alaska Power Agency (SEAPA) is working with the communities of Wrangell and Petersburg to facilitate a transition of daily O&M responsibilities for the Tyee Hydroelectric Project to SEAPA. This change will streamline management of the facility and consolidate all facets of the project under a single entity. SEAPA already plans all major maintenance including renewal & replacement projects, equipment upgrades, and design enhancements. We hold the Federal Energy Regulatory Commission (FERC) License for the project and are solely responsible for regulatory compliance. SEAPA is also responsible for power dispatch coordination, substation and transmission line maintenance, outage planning, reservoir water management, insurance, risk management, and debt service commitments.

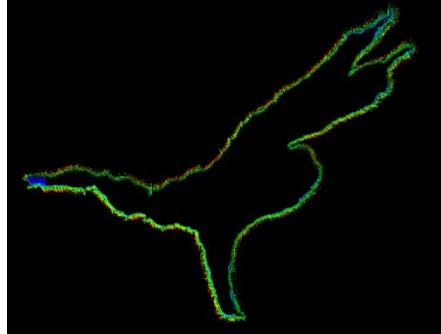
Petersburg and Wrangell have both passed formal resolutions in support of SEAPA assuming the daily O&M duties. The local communities will retain oversight of the Tyee Project through their SEAPA Board appointments. Measures such as this Community Flyer and longer retention of Board meeting recordings have been implemented to enhance regional communications. Final details of the transition will unfold over the next couple of months and we look forward to a seamless transition.

Swan Lake Expansion:

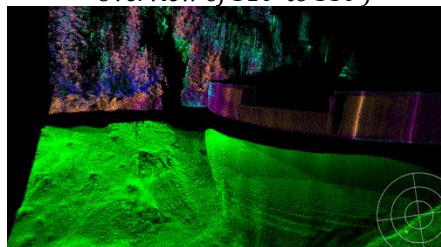
- \$13.3 million dollar cost
- 6 foot raise on dam crest

- Gates will be installed in existing fixed spillway slot
- Reservoir full pool elevation will increase by 15 feet
- 25% more active storage
- Offsets up to 12,000 MWhrs of diesel generation annually, which is equivalent to 800,000 gallons of expensive diesel.

SEAPA's consultant Tetra-Tech conducted LIDAR and bathymetric studies of the Swan Lake reservoir in October. This data will be used for both preliminary engineering inputs and resource reports.

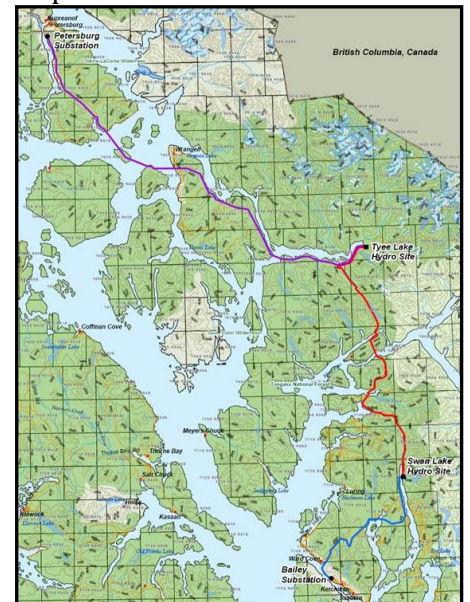


(Swan Lake preliminary LIDAR returns - Overview of 310' to 350')



SEAPA plans to submit its FERC non-capacity license amendment application for the Swan Lake Expansion in April 2014. Project completion is scheduled for 2016.

Helicopter Pad Project: SEAPA owns, operates, and maintains approximately 175 miles of transmission lines that traverse extremely rugged terrain. In most cases, the only way to access these transmission facilities for emergency repairs and scheduled maintenance inspections is via helicopter.



SEAPA has undertaken a multi-year project to design, test, and install over 100 new helicopter pads along our transmission path. Most of the existing pads are primitive log structures that were installed during original line construction and have deteriorated.



This is an important project that will enhance worker safety and improve access to our transmission facilities. To date we have

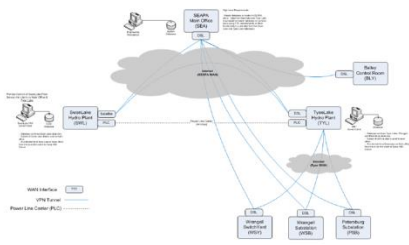
conducted individual helicopter pad site field surveys. Also completed, are installation of two new pads with prototype riser configurations as proof of concept on slopes of varying degree. These efforts have resulted in design refinements and substantial project cost reductions. We anticipate significant deployment of new helicopter pads in 2014.

Satellite Communications System Upgrade: SEAPA is in the process of upgrading to a “full mesh” satellite communications system. This will provide a robust secure private link between the SEAPA office, Tyee Lake Plant, Petersburg Substation, Wrangell Substation, Wrangell Switchyard, and the Swan Lake Plant. Satellite dishes were recently installed at Swan Lake and the SEAPA office.

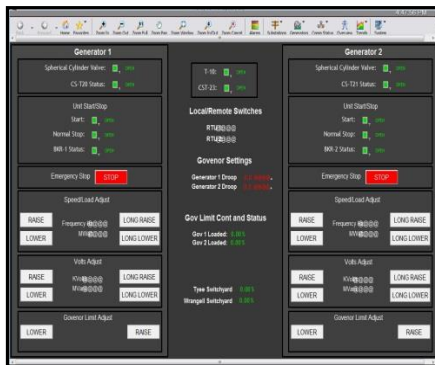


Satellite dishes will also be installed at the Tyee Plant, Wrangell Switchyard, and the Petersburg Substation. Final commissioning is anticipated in the second quarter of 2014.

Supervisory Control and Data Acquisition (SCADA) Upgrade Project: This complex project will standardize the backbone of our regional control network and enhance access to remote field data critical to system operations.



Phase 1 is 85% complete and includes replacement of the north end SCADA system (Tyee, Petersburg, and Wrangell).



(GE iFix SCADA screen, Tyee Units)

Phase 2 includes Swan Lake SCADA, Programmable Logic Controller (PLC) replacements, and installation of data storage in the SEAPA office. The new SCADA system is scheduled to be fully commissioned and operational in the second quarter of 2014.

Tyee Lake Outlet Weir (stream gaging) Project: The weir installation is complete and awaiting final installation of stream gaging equipment. The new weir replaces the existing USGS gaging station which has deteriorated over time. SEAPA’s FERC license requires accurate measurement of reservoir outlet flows. This will also allow us to better assess the basin as we evaluate expanding the Tyee Project.



(Tyee weir, downstream side)



(Tyee weir, upstream side)

Legislative Affairs: SEAPA has been actively pursuing State funding support for the Swan Lake Reservoir Expansion Project. As anticipated, the Governor’s budget released in December foreshadowed a very challenging road ahead. The State has a large fiscal gap and capital dollars will be extremely hard to come by for the foreseeable future. The Swan Lake project is still moving forward, but we will continue to maintain a strong presence in Juneau to make sure this important enhancement remains in the queue for potential funding opportunities. I encourage you to engage your representatives to help support this project.

Roadless Rule: The Roadless Rule continues to have a detrimental effect on our region. It directly and adversely affects SEAPA’s ability to maintain our existing generation and transmission infrastructure in the most cost effective manner. It also inhibits our ability to develop new renewable hydroelectric resources as an alternative to diesel generation. On December 2, 2013, SEAPA joined forces with the State of Alaska and filed an Amici Curiae Brief (friend of the court) in the U.S. Court of Appeals, Case No. 13-5147. This Brief supports the State of Alaska’s appeal of its challenge to the Roadless Rule.

Please visit the SEAPA website at www.seapahydro.org for further information on these and other interesting topics. Thank you.