

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting

April 29, 2011

Hyatt at Olive 8 Hotel, Seattle, Washington

1) CALL TO ORDER, ROLL CALL

Chairman Freeman called the meeting to order at 9:00 a.m. PDT on April 29, 2011, held at the Hyatt at Olive 8 Hotel in Seattle, Washington.

Roll Call

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

Director	Alternate	Representing
Charles Freeman	James Rhodes	Swan Lake – Ketchikan
Mike Kline		Swan Lake – Ketchikan
Richard Coose	Robert Sivertsen	Swan Lake - Ketchikan
Joseph Nelson	Ted Smith	Tyee Lake – Petersburg
	Timothy Rooney	Tyee Lake – Wrangell

The following participants were present for all or part of the meeting:

Dave Carlson	Chief Executive Officer, SEAPA
Eric Wolfe	Director of Special Projects, SEAPA
Donald K. Phillips	Operations Manager, SEAPA
Sharon Thompson	Executive Assistant, SEAPA
Joel Paisner	Attorney, AterWynne

2) Approval of the Agenda

Chairman Freeman requested approval of the agenda noting three additions/amendments to the agenda, which included completion of a presentation by Eric Wolfe under Persons to be Heard, Item F under New Business for authorization of ball valves for the Solomon Gulch Low Level Outlet Works Project, and Item G under New Business for a discussion on energy conservation. Mr. Nelson requested the addition of Item C under Project Operator's Report for discussion of Thomas Bay Power Authority's non-net billable system.

Mr. Freeman moved to approve the agenda. Mr. Rooney seconded the motion. The motion carried unanimously. (Action 11-19)

3) Persons to be Heard

Mr. Wolfe continued with a slide show presentation from a workshop session held on April 28, at which he discussed load resource balance and integration of a new hydro project. He explained the risk of load forecasting, the demand currently being met by existing hydro facilities; whether new projects could integrate into the system, and the importance of having enough storage capacity available in new hydro projects. The board discussed the pros and cons of several possible hydro sites, and other energy options.

4) Review and Approve Minutes

Mr. Sivertsen moved to approve the minutes of February 15, 2011. Mr. Kline seconded the motion. The motion carried unanimously. (Action 11-20)

5) Financial Reports

Mr. Carlson briefly discussed highlights of the financial statements for January 2011 and February 2011 that were included in the board packet.

Chairman Freeman requested that the board approve disbursements for the months of February, March and April 2011.

Mr. Rooney moved to approve disbursements for the months of February, March and April 2011 in the amount of \$977,924.41. Mr. Sivertsen seconded the motion. The motion carried unanimously. (Action 11-21)

6) CEO Report

Mr. Carlson reported that SEAPA filed a motion to intervene in Cascade Creek's preliminary permit from FERC for the Cascade Project in Thomas Bay, and that comments would also be filed to their draft license application after an extensive review of the hydrology and engineering behind their project, and impacts to SEAPA's transmission system.

Mr. Carlson reported that he attended a Northwest Hydro conference in Portland and participated on a panel focusing on what was making hydro 'hot' again. He presented slides from the conference on what is happening with energy on the lower 48 states, noting that it would not be cost effective to export hydro developed in Alaska to the lower 48 because natural gas pipelines are a cheaper and easier to permit energy source in that area. He explained that 15,000 miles of natural gas pipelines have been built between 2000 and 2009, while very few miles of electric transmission lines were added. He also noted that a substantial, new supply of natural gas has been discovered in the last few years in the U.S.

Mr. Carlson discussed FERC's land use fees, explaining that FERC is struggling with its methodology for computing how land use fees are determined. He provided a brief history of FERC's billings for the fees, the appeals of the billings, and that SEAPA has joined a group of utilities across the nation to retain Van Ness Feldman, a law firm in Washington, D.C., to monitor the issue, reporting that SEAPA's share of the legal fees is estimated at \$186. He advised that he provided comments to the firm that FERC should consider the impact of the Roadless Rule when setting values on the land used within the licensed projects.

Mr. Carlson announced that Mr. Kline would be resigning from KPU on June 10th, and expressed his appreciation to him for his participation on the board, and his efforts towards the challenges the communities and regions are facing with increasing loads.

Mr. Carlson informed the board that City Manager, Karl Amylon, requested that he accompany Mr. Amylon and other council members on a trip to Washington, D.C. to discuss Roadless issues.

Mr. Carlson advised that the next board meeting will include the budget and proposed that it be held on June 23, 2011 in Ketchikan, and that the August board meeting be held at Tyee. There were no objections to either of the proposed meetings.

The meeting recessed at 10:15 a.m.

The meeting resumed at 10:31 a.m.

7. Operations Manager/Director of Special Projects Report

Mr. Phillips updated the board on the Reliability Committee's goals of system reliability, and described the items discussed at the February 16, 2011 meeting held in Petersburg.

Mr. Phillips reported that staff attended a meeting with FERC in Portland, Oregon on February 24, 2011, and outlined the action required by FERC since the last board meeting.

Mr. Phillips advised that SEAPA's annual fees for telecommunications service exceeds \$100,000, and that multiple phone companies make installation and maintenance agreements nearly unworkable. He reported that SEAPA entered into a Consulting Service Agreement with Gillespie, Prudhon & Associates for advice on system improvements.

Mr. Phillips reported that the current estimated cost of the Power System Study project has been negotiated with Commonwealth Associates, Inc. for \$161,370, that data collection is ongoing, and a kickoff meeting was held on April 15, 2011.

Mr. Phillips provided a brief overview of MapCon training that took place at Swan Lake on March 7, 2011, and related its importance in tracking when preventative maintenance is scheduled and repairs and problems that occur on different pieces of equipment.

Mr. Phillips explained that a consultant's agreement was awarded to Emerson Electric Reliability to review revenue meters across the system on May 2-14 after it was determined that the meters had neither been checked nor calibrated since the 1990's and discrepancies may exist.

Mr. Phillips briefed the board on the latest efforts in right-of-way tree clearing, reporting that Thomas Bay Power Authority would be assisting with tree clearing this year on the Swan to Ketchikan line.

Mr. Phillips reported the annual transmission and power plant maintenance outage is scheduled for May 23-28 on the 115kV line from Swan Lake to Ketchikan, and from May 31 to June 7 on the 69 kV line from Tyee to Wrangell and Petersburg.

Mr. Phillips presented slides showing snow on the access road to the intake gate structure at Swan Lake and a slide of an exposed 69 kV submarine cable during an extreme low tide off Wrangell Island. Mr. Phillips advised that he will evaluate options to correct this exposure issue.

8) Project Reports

Mr. Kline reported that annual maintenance was done on Unit 1 at Swan Lake, except for megering the winding. He also reported that the temporary labor ends in May.

Mr. Nelson reported for Thomas Bay Power Authority that things were going well, with no labor issues, that TBPA was involved in south end right-of-way clearing, and that the 34' Svendsen landing craft was working out well. He also reported that TBPA is still in the process of getting crewmember, Archie Galyean, hired on a more permanent basis for right-of-way clearing work.

Mr. Nelson initiated discussion on the non-net billable portion of Thomas Bay's budget, requesting that before the next board meeting, SEAPA's counsel review the history and justification of it, and whether it's still appropriate. The topic prompted considerable discussion, with the general consensus that it may be timely for SEAPA's counsel to develop a new Operations and Maintenance Agreement with more definitions and clarity on net billing and other issues.

9) Old Business

Mr. Carlson introduced the issue of additional staffing at Swan Lake. Mr. Kline relayed KPU's concerns behind its request for additional staff. Discussion followed on budgeting and housing for the position.

Chairman Freeman requested a motion be put on the table.

Mr. Kline moved to approve adding an additional journeyman at Swan Lake. Mr. Freeman seconded the motion. The motion failed four to one with Mr. Kline voting yes, and Mr. Freeman, Mr. Coose, Mr. Nelson and Mr. Rooney voting no. (Action 11-22)

Mr. Carlson opened up discussion on extension of the Petersburg Aquatic Center Power Sales Agreement for one year following the procedures set forth in the Power Sales Agreement. After much discussion, Mr. Nelson moved to extend the agreement for one year to develop options for heating the pool, with a second by Mr. Rooney; however, the board deferred the motion on the extension until the June 2011 board meeting to provide SEAPA's counsel the opportunity to draft a resolution establishing a policy in the Power Sales Agreement on how SEAPA should handle surplus power, which would include consideration of Petersburg having the opportunity to develop other options for heating the pool.

The meeting recessed at 12:02 p.m. for lunch.

The meeting reconvened at 12:57 p.m.

10) New Business

Chairman Freeman requested a motion for approval of Resolution No. 2011-036 authorizing SEAPA staff to submit an application to Bank of America for an Alaska Airlines VISA account, authorizing Sharon Thompson as the sole cardholder, and authorizing Dave Carlson, Kay Key, and Sharon Thompson as contacts on the account.

Mr. Rooney moved to authorize SEAPA to enter into Resolution No. 2011-036. Mr. Coose seconded the motion. The motion carried unanimously. (Action 11-23)

Chairman Freeman requested a motion for approval of Resolution No. 2011-037 on the Roadless Rule drafted to request the President, U.S. Congress, and Secretary of the U.S. Department of Agriculture not to implement protection of inventoried roadless areas under the Roadless Rule, or otherwise restrict the development of hydroelectric and transmission line projects in the Tongass and Chugach National Forests and also urging Alaska's Governor Parnell to take whatever actions are necessary to remove the Roadless Rule restrictions from Alaska's National Forests.

Mr. Coose moved to approve Resolution No. 2011-037. Mr. Sivertsen seconded the motion. The motion passed unanimously. (Action 11-24)

Chairman Freeman requested a motion for approval of the design and engineering phase of an R&R project request for an additional bay for SEAPA's Petersburg Substation.

Mr. Rooney moved to approve \$24,000 for the design and engineering phase of the additional bay for SEAPA's Petersburg Substation, and for SEAPA staff to meet with member utilities to develop a resolution to define delineation points at the substations owned by SEAPA to determine the point of transfer of ownership, and specifying who is responsible for operation and maintenance, and who should pay renewal and replacement costs for any additions needed at the substation. Mr. Nelson seconded the motion. The motion passed unanimously. (Action 11-25)

Chairman Freeman requested approval of a motion for repair fans on SEAPA's transformer at the Bailey Substation.

Mr. Rooney moved for approval of \$16,460.52 for replacement of the cooling fans on SEAPA's transformer at the Bailey Substation. Mr. Coose seconded the motion. The motion passed unanimously. (Action 11-26).

Chairman Freeman requested a motion to approve Task Order No. 11-02 to Gillespie, Prudhon & Associates, Inc. for strategic design of options selected for upgrading/consolidating SEAPA's telecommunications network.

Mr. Coose moved for approval of Task Order No. 11-02 to Gillespie, Prudhon & Associates, Inc. for strategic design of the options selected for upgrading/consolidating SEAPA's telecommunications network in the not-to-exceed amount of \$46,582. Mr. Kline seconded the motion. The motion passed unanimously. (Action 11-27)

Mr. Carlson explained that he will need authorization to enter into a contract to purchase Ball Valves for the Solomon Gulch Potential Failure Mode Analysis (PFMA) Project at Solomon Gulch in Valdez. He advised that four bids were received but until the project manager, Commonwealth, can identify which bidder can expedite the valves the quickest to preclude project delays, authorization is needed to enter into a contract for a not-to-exceed amount of \$175,000.

Mr. Sivertsen moved to authorize Dave Carlson to enter into a contract with the successful bidder of the Ball Valves for the Solomon Gulch Potential Failure Mode Analysis Project at Solomon Gulch in Valdez, Alaska for the not-to-exceed amount of \$175,000. Mr. Nelson seconded the motion. The motion passed unanimously. (Action 11-28)

Mr. Carlson informed the board that Mr. Maxand requested that the board consider a budget item for a small amount of advertising money to promote energy conservation. Mr. Carlson directed Ms. Thompson to get estimates that can be discussed during the June board meeting.

Chairman Freeman requested a motion for revisions to the Operations and Maintenance Agreement.

Mr. Sivertsen moved to direct staff to review and bring back recommendations to the Operations and Maintenance Agreements that are now in place, and to establish an account and budget for this work. Mr. Nelson seconded the motion. The motion passed unanimously. (Action 11-29)

11) Director Comments

Mr. Nelson commended the board for the work they are doing on SEAPA's behalf, and reiterated appreciation for Mr. Kline and that he will be missed. Mr. Sivertsen acknowledged there are a lot of issues ahead to absorb. Mr. Kline expressed his pleasure for the opportunity of serving on the board.

12) Adjourn

Chairman Freeman, after hearing no objections, adjourned the meeting at 1:53 p.m. PDT.