

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting

August 26, 2010

Swan Lake Hydroelectric Project

1) CALL TO ORDER, ROLL CALL

Chairman Nelson called the meeting to order at 9:40 AM ADST on August 26, 2010 held at the Swan Lake Hydroelectric Project located 36 air miles west of Ketchikan, Alaska.

Roll Call

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

Director	Alternate	Representing
Charles Freeman	Mike Kline	Swan Lake – Ketchikan
	Richard Coose	Swan Lake – Ketchikan
	Paul Southland (via teleconference)	Tyee Lake – Wrangell
Jeremy Maxand	Timothy Rooney	Tyee Lake – Wrangell
Joe Nelson	Ted Smith	Tyee Lake – Petersburg

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
Don Phillips	Operations Manager, SEAPA
Sharon Thompson	Executive Assistant, SEAPA
Joel Paisner	Attorney, AterWynne
Charles Howard	Water Management Consultant, Victoria, B.C.
Brett Blasingame	KPU Foreman, Swan Lake
Ray Davis	KPU Journeyman Electrician, Swan Lake

2) Agenda

Mr. Freeman moved to approve the agenda. Mr. Maxand seconded the motion. The motion passed unanimously.

3) Persons to be Heard:

None.

4) Minutes

Mr. Maxand moved to approve the minutes of June 29, 2010. Richard Coose seconded the motion. The motion passed unanimously.

Mr. Maxand moved to approve the minutes of July 9, 2010. Richard Coose seconded the motion, and it passed unanimously.

5) Financial Reports

Mr. Carlson briefed the board on the May financial statements, explaining that the board meeting will be shortened due to scheduled tours of the STI line and Swan Lake facility. Discussion ensued over the helicopter expenses reflected in the May financials, with Mr. Carlson explaining the costs are attributable to the Swan-Tyee warranty inspection. Mr. Carlson explained further that annual operations and maintenance expenses will increase with 57 miles of line having been added, including brush clearing, and construction of helicopter pads to access the towers. Chairman Nelson commented that the warranty inspection was a good one, resulting in very minor corrective action needed on the line, which speaks well for the quality of the construction.

Chairman Nelson requested the board's approval of the July and August 2010 disbursements.

Charles Freeman moved to approve the disbursements for the months of July and August 2010 in the amount of \$2,213,218.67. Mr. Coose seconded the motion. The motion passed unanimously.

6) CEO Report

Mr. Carlson provided a brief summary of his report explaining that the State of Alaska has not yet responded to the AEA escrow submittal, that the outcome of the insurance renewal was good in that it came in substantially under the approved budget for insurance, and that SEAPA had not yet been billed for FERC land use fees as FERC was re-evaluating their fee schedule, which may result in higher fees.

Mr. Carlson addressed the status of the permanent easement for the intertie and permits for the inclusion of helipads within the Swan-Tyee right-of-way, referring the board to his letter of July 26, 2010 to Forrest Cole, Tongass National Forest Supervisor, noting that the congressional delegation had been copied. He explained that although an easement would be granted for the existing Swan-Tyee intertie and a permit issued for installation of helipads, it was a hollow victory in that the Roadless rule will hamper development of any new hydro or transmission line projects.

Mr. Carlson reported that the Forest Service invited him to speak at a meeting on August 31st to be attended by three representatives from Washington D.C., and others, as a result of his letter to Forrest Cole. He provided the board with an overview of what he will address at the August 31st meeting, and cautioned the board that the Roadless rule could be a huge issue for SEAPA. Mr. Maxand added that the Roadless rule overlapped with the Integrated Resource Planning (IRP) issue.

Considerable discussion ensued on the IRP issue, including discussion on protection of the projects currently in place, getting work done at Tyee to make the plant more robust which would maximize efficiency in the turbines, encouragement for each community to have a voice in Washington, D.C., and pursuit of an intertie with Metlakatla. Discussion continued that an intertie with Metlakatla would benefit Kake, may avoid the Roadless issue, may help with FERC licensing requirements, and provide leverage and access to funding sources.

Mr. Carlson highlighted the importance of the utilities' involvement in the IRP from the inception of the process, and the opportunity to comment on the scope of work before it is put out to bid. Discussion continued amongst board members that the IRP will control State funding, and that a poor IRP product will divide the region around energy issues. Mr. Carlson offered that he would look to getting some press time to talk about the IRP and the importance of it to the region.

The meeting recessed at 10:30AM

The meeting resumed at 10:45AM

7) Presentation – Operations Plan Review – Chuck Howard

Mr. Carlson introduced Chuck Howard, a water management consultant from Victoria, B.C. He explained that after the intertie was complete and an operating plan was put into place, it was determined that Mr. Howard be retained to advise whether water management could be done better in the future, and what kind of information was needed to reach that goal. Mr. Wolfe added to Mr. Howard's introduction confirming the importance of Mr. Howard's recommendations to make sure SEAPA is on the right track and to consider what should be done differently. He also explained that Mr. Howard's presentation utilizes a computer model because it shows long-term projections.

Mr. Howard presented a Power Point presentation and discussed prediction of inflow and loads. He explained the probabilistic nature of predicting inflows, and that most utilities have non-power related outflow constraints that prevent low levels of discharge when inflow conditions are low. He explained as an example, most "rule" curves are for 65% or less of average inflow, and that assuming you will get more water than the 65% means you will draft more than a conservative plan. Mr. Howard continued explaining that SEAPA then has an opportunity for a more risk tolerant plan because there are few constraints and back-up diesel generation is also available. Mr. Howard emphasized the importance of utilizing current available data for operation of the plants and that current information facilitates decisions that need to be made concerning operations.

Mr. Howard explained that the goals for optimizing operation of the STI include increasing hydro energy thereby reducing diesel generation in the long run, scheduling interconnected hydro capacity to reduce peaking required from diesel, early diesel scheduling stores water (head) to maximize hydro capacity for peak loads, minimizing spinning reserve costs, and delaying the next capital expansion by getting the most out of the existing assets. Mr. Howard commented that Mr. Wolfe was currently using standard water operations practices, and that there were no glaring deficiencies in the plan. He commented further that improvements to the prediction of inflow could only be accomplished with improvements to weather prediction and that adding a regression analysis technique at Tyee for correlating powerhouse weather to basin snowpack would be an improvement.

Mr. Howard continued his presentation discussing short-term hourly and long-term optimization models.

There was a short discussion after Mr. Howard's demonstration was complete. Mr. Howard recommended use of the models and Mr. Freeman expounded on that recommendation noting that SEAPA is currently using Eric Wolfe as the optimizer.

Chairman Nelson recessed the meeting at 12:00PM for lunch. The meeting resumed at 12:40PM.

Chuck Howard opened the afternoon session of the meeting with parting comments that after hearing the board's comments on the roadless rule issue, he will suggest to the organizers of a Department of Energy workshop on development of small hydro projects that he will be attending in Colorado, that they have someone from the US Forest Service, or other pertinent agencies, attend the workshop for the obvious opportunity of discussing with them the realities of the permitting process for developers of hydro projects.

8) Operations Manager/Director of Special Projects Report

Don Phillips recommended that two of the four R&R projects that were deferred at the June 29, 2010 board meeting, the Swan Caterpillar D4/6 Dozer for snow removal and the Swan Lake Dam Road Repair, continue to be deferred until he has additional opportunity to gather information to assure adequate equipment for the facility. He explained that since the road repair was dependent on the dozer, that it also be deferred.

Mr. Phillips reported on the Reliability Committee, noting that it will be necessary to issue an RFP for a Reliability Coordination Study, and that a conference call is scheduled to work out some issues on the RFP.

Mr. Phillips explained that Shoal Cove is a microwave link providing SCADA and telephone communications to Swan Lake, but that since the U.S. Coast Guard decided to shut down the Loran C Station, KPU will be in the process of getting another link to Swan Lake.

Eric Wolfe presented a slide show of SEAPA's operations plan and a special project summary. He expressed his optimism that power will continue to generate without resorting to diesel.

Mr. Wolfe updated the board on the status of the major contracts reporting that the Tyee Lake Runner Replacement Project is 100% complete. He explained that there are currently three spare runners and that one should be kept and the other two sold. He reported further that the Tyee Generator Rewind Project is three weeks behind schedule, noting that the Unit #2 stator is in transit back to Tyee, and it is expected that it will be back on line by September 12, 2010.

Mr. Wolfe stated that the Tyee exciter is 85% complete and that control of Swan Lake from Tyee is complete. He reported on the Swan and SCADA Upgrade Project and indicated his highest priority is a concern that the STI SEAPA System is not adequately dispersed with data in a dispatch quality manner. He outlined concerns with L&S Electric, the contractor for the Project, and cited several reasons for the contract basis with L&S being re-established, and informed the board that he planned to meet with L&S on September 20, 2010.

Mr. Wolfe completed his report with summaries of STI operations discussing power flows, reservoir levels and the water management evaluation that SEAPA contracted with CDDHoward Consulting Ltd. for study and recommended improvements to the SEAPA operations plan.

9) Project Report

Chairman Nelson deferred the Swan Lake report to Brett Blasingame to be discussed as the board is given a tour of the Swan Lake facility.

Jim Nelson reported that he had photographs of the progress of the Svendsen craft being constructed in Wrangell. He presented before and after photographs of the Gatehouse roof repair, and discussed the repair. Mr. Nelson presented photographs on the progress of the brushing. He reported that his crew will build a helicopter pad at a site between Tyee and Wrangell. Discussion followed concerning the cost of building the helicopter pads. Mr. Carlson interjected that the helicopter pads that need to be built in the areas subject to the Roadless rule are on hold pending resolution of the permits to put the pads in place.

After Mr. Carlson reported that approximately one-half of the STI line has been cleared, and that the remaining line will be inspected for clearing next year, and Jim Nelson's comment that a lot of clearing and brushing work will be needed at Tyee next year, Chairman Nelson acknowledged that the board is on notice that there will be significant right-of-way costs that need to be budgeted on an annual basis, which costs need to be identified and quantified so clearing can be done cyclically.

10) Old Business

None.

11) New Business

Mr. Carlson opened with a request that the board approve a resolution authorizing Don Phillips as an additional check signer.

It was moved by Charles Freeman to approve Resolution No. 2010-032 authorizing Don Phillips as an additional check signer. Jeremy Maxand seconded the motion. The motion carried unanimously.

Mr. Carlson requested the board authorize a resolution to change SEAPA's registered agent from Dennis Lewis to himself in his capacity as CEO.

Jeremy Maxand moved for approval of Resolution No. 2010-33 authorizing a change of registered agent. Mr. Coose seconded the motion. The motion passed unanimously.

Mr. Carlson then discussed three R&R projects including the Jib Boom, Design and Repair of the Swan Lake Power House Roof, and the Swan Lake Dam Failure Alarm. Don Phillips provided additional information for the board's consideration and approval of the projects.

Jeremy Maxand moved the board for approval of the purchase of a Snorkel Lift-type Jib Boom for \$60,000. Dick Coose seconded the motion. The motion passed unanimously.

Charles Freeman moved for approval of a Swan Lake Power House Roof evaluation for \$25,000. Mr. Coose seconded the motion. The motion carried unanimously.

It was moved by Jeremy Maxand that the Dam Failure Alarm repair and replacement at Swan Lake for \$108,000 be approved by the board. Charles Freeman seconded the motion. The motion passed unanimously.

Dave Carlson addressed the board regarding the Shoal Cove microwave repeater which would be lost shortly due to closing of the Loran Station at the Shoal Cove site. Mr. Phillips elaborated on the necessity of the link and explained that the ongoing costs will be paid as a part of this budget item for this year.

Charles Freeman moved the board for approval of a Swan Lake Power Plant to Bailey Control Center SCADA Link for \$30,000. Richard Coose seconded the motion. The motion carried unanimously.

12) Director Comments

Mike Kline endorsed the actions of the Reliability Committee and commended Don Phillips for doing a good job keeping the committee focused and analyzing the various systems. Chairman Nelson echoed the commendation. Jim Nelson concurred that Mr. Phillips was doing a good job while working with him on various concerns.

13) Adjourn

Without further discussion or objection, Chairman Nelson moved to adjourn the meeting at 1:45PM ADST.