

# SOUTHEAST ALASKA POWER AGENCY

## Regular Meeting

February 25, 2010

Ted Ferry Civic Center  
Ketchikan, Alaska

### 1) CALL TO ORDER, ROLL CALL

Chairman Nelson called the meeting to order at 9:07 AM AST on February 25, 2010 held at the Ted Ferry Civic Center located at 888 Venetia Avenue, in Ketchikan, Alaska.

#### Roll Call

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

Director	Alternate	Representing
	Mike Kline	Swan Lake – Ketchikan
Jack Dawson	Richard Coose	Swan Lake – Ketchikan
William Privett		Tyee Lake - Wrangell
Jeremy Maxand (via teleconference)	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
Joe Earsley	Operations Manager, SEAPA
Eric Wolfe	Director of Special Projects, SEAPA
Shannon Rothermel	Office Administrator, SEAPA (via teleconference)
Vicki Harsha	Administrative Assistant, SEAPA
Joel Paisner	Attorney, AterWynne
Jim Nelson	General Manager, TBPA
Mark Adams	Ketchikan Public Utilities, Operations Manager
Jay Rhodes	IBEW Local 1547
Eric Ilten	Ketchikan Public Utilities, Swan Lake
Kirk Gibson	Attorney, McDowell, Rackner & Gibson

Mr. Carlson noted there were no communications received. Chairman Nelson began the meeting welcoming the new members of the board and the guests present. Mr. Carlson introduced Vicki Harsha whom SEAPA hired to assist in cataloging archived records. Ms. Harsha will be taking minutes at today's meeting in place of Shannon Rothermel.

## **2) Agenda**

Under New Business, Mr. Carlson added staff salary adjustments. He also added a Professional Services Agreement for Commonwealth to oversee several of the Operations Manager's current projects. **Mr. Privett moved to approve the agenda as amended. Mr. Maxand seconded the motion. The motion carried unanimously.**

## **3) Election of Officers**

**Mr. Privett moved to elect Joe Nelson as Chairman, Charles Freeman as Vice-Chairman and Jeremy Maxand as Secretary/Treasurer. Mr. Dawson seconded the motion. The motion passed unanimously.**

## **4) Minutes**

**Mr. Maxand moved to approve the minutes of December 10, 2009. Mr. Privett seconded the motion. The motion passed unanimously.**

## **5) Introduction to SEAPA**

Mr. Carlson asked that Mr. Paisner provide a brief overview of SEAPA for the benefit of the new board members. Mr. Paisner passed out binders containing SEAPA's basic foundational documents including the Joint Action Agency agreement, By-Laws, Power Sales Agreement, bond financing Indenture and other associated documents.

Mr. Paisner began with a brief history of SEAPA and explained that SEAPA is a Joint Action Agency as defined by Alaska state statutes and is comprised of the three member utilities of Ketchikan, Petersburg and Wrangell. He pointed out that, although directors and alternates are appointed by the member City Councils, each member is bound by a fiduciary duty to SEAPA.

Mr. Paisner then explained some of the key by-laws provisions including examples when simple majority and super-majority votes are required.

Mr. Gibson explained his role and participation in the development and negotiation of the present Power Sales Agreement. Mr. Gibson stated that the objective of the Power Sales Agreement is to optimize the system and to protect the utilities individually and collectively. He explained the purpose of the Operations Plan contained within the Power Sales Agreement. The meeting recessed at 10:15AM and resumed at 10:25AM, at which time Mr. Rooney arrived.

## **6) Financial Reports**

Mr. Carlson provided an overview of the financial statements contained in the board packet. He reported that revenues are tracking slightly ahead of budget and expenses were lower than budget. Mr. Carlson provided background related to the Department of Natural Resources Reclamation Fund and the deposits SEAPA is required to make annually into the fund.

Chairman Nelson asked for clarification on the fixed assets and what they represent. Mr. Carlson responded that those figures represent book value. Mr. Carlson emphasized that these book values are certainly not replacement value nor market value.

Mr. Carlson also explained the status of the AEA-held Intertie Escrow account. He commented that this escrow was established for the Swan-Tyee Intertie and has a balance of approximately \$5.8 million dollars. These funds will be reimbursed to SEAPA for Intertie expenses. SEAPA will provide the AEA with final invoices for expenses incurred on the project and then AEA will make reimbursement.

Mr. Carlson referred the board to the disbursements that were paid by SEAPA for the months of December, 2009 and January, 2010 and requested board approval of these disbursements.

**Mr. Privett moved to approve the disbursements for the months of December and January in the amount of \$1,435,937.46. Mr. Kline seconded the motion. The motion passed unanimously.**

## **7) Operations Plan**

Before Mr. Wolfe began his presentation, Mr. Carlson took the opportunity to comment on the recent passing of JC Conley. Mr. Carlson noted that JC Conley was an ardent supporter of the Swan-Tyee Intertie and always supported a regional approach to energy solutions. He said that the loss of JC will be a great loss for all of southeast Alaska.

Mr. Wolfe opened his presentation by noting that the operations plan follows the Power Sales Agreement, stating that SEAPA delivers energy, power, load following capabilities and frequency control, along with reserves, to the three cities. Mr. Wolfe explained how SEAPA forecasts the power needs for each community and how that power is generated and how and when power is sent over the intertie, for the greatest benefit of each community. Mr. Wolfe noted that the utilities meet each Tuesday morning to discuss their loads, the current status of the hydro projects, scheduled maintenance, weather forecasts and other related issues.

In summary, Mr. Wolfe explained that the operations plan is a risk management program. The board approved guidelines for the operations plan – establish a high load forecast and use the expected or average inflows. This results in a rule curve for each of the hydro facilities.

Mr. Wolfe explained how SEAPA operates the SEAPA system so there is a balance between generation, reliability and the reserve storage for the benefit of all 3 municipalities. He provided information and details on increasing the power and energy from the Swan and Tyee plants by synergistic operation.

The meeting was adjourned at 12:00 PM for lunch. The meeting resumed at 12:45 PM.

## **8) CEO Report**

Mr. Carlson began by explaining that, due to restructuring, SEAPA staff is in a state of transition. He reported that Shannon Rothermel has moved to Ketchikan, and he expects to be

in Ketchikan by mid-March. Mr. Earsley has terminated his employment with SEAPA with tomorrow being his last day of work.. There will be an interview with a potential Operations Manager candidate on March 30, 2010. Mr. Carlson further explained that Ms. Rothermel is planning on leaving SEAPA employment at the end of August, 2010 and the duties she took over when Frank Barrus, Controller, left the Agency should be moved back over to a full time Controller. Mr. Carlson asked that the board consider establishing a full time Controller. He then asked for board comments. Chairman Nelson responded that it was appropriate to increase the staff, as SEAPA staff has been operating way too thin.

The board concurred with Mr. Carlson's recommendation to proceed with recruiting a full time Controller. Mr. Carlson estimated the salary to be approximately \$75,000 to \$80,000 annually.

Mr. Carlson reported on the status of the AEA-held escrow account for the Swan-Tyee Intertie. He noted that some of the expenses for the SCADA implementation as well as the design and installation of the helicopter landing pads will be included in the reimbursement request to AEA. Mr. Carlson also noted that Northern Powerline Constructor's retention has not been paid. SEAPA is retaining those funds until a release of liens has been received from the subcontractors. As soon as the full \$5.8 million dollars has been expended, SEAPA will then request reimbursement from AEA.

Mr. Carlson reported that the Swan-Tyee Intertie is under warranty for one year. It will be prudent to conduct a thorough inspection of the entire transmission line focusing particularly on the foundations and guy anchors before the warranty period expires. Mr. Carlson again retained Jay Hansen to conduct the field inspection. This will be accomplished under a task order with Dryden & LaRue, the Construction Manager of the STI project.

The office move is totally complete, with SEAPA staff now operating out of the new office. The bookkeeper, Kaye Christofferson, is traveling to and from Anchorage on a week on/week off schedule until a Controller is hired.

Mrs. Harsha was hired to document and categorize the archived records from the Alaska Energy Authority. She will be working part-time on this project.

Ms. Rothermel provided a spreadsheet for board members, noting the office move expenses came in under budget.

Mr. Carlson will be traveling to Juneau to speak at the Southeast Conference mid-session summit. He plans to speak on the success of the Swan-Tyee Intertie project and the upcoming Integrated Resource Plan. He will also be meeting with FERC in Portland on March 17 and 18, 2010.

Mr. Carlson reported on the status of the USFS easement for the Swan-Tyee Intertie. Also included is the DNR easement, which is for the approximate 10 miles where the right-of-way is located on state land.

## **9) Operations Report**

Mr. Earsley discussed the Potential Failure Mode Analysis and follow-up projects at Solomon Gulch. Commonwealth Associates will be acting as the Project Manager for SEAPA on the project and an RFP for the Low Level Outlet Works will be issued soon.

Mr. Earsley explained there is also an issue with the Wrangell Substation Reactor. After the completion of the STI, the reactor is now working harder. SEAPA is working with EPS to assess the risk should the reactor fail.

The annual T-Line Maintenance contract RFP has been issued. Dryden & LaRue is pre-qualifying contractors and providing the RFP to acceptable contractors.

The meeting adjourned at 2:08 PM and reconvened at 2:20 PM.

Mr. Earsley explained that the crew at Tyee Lake is preparing for the turbine rewind project.

There was a lengthy discussion on the Integrated Resource Plan (IRP). The board was notably disappointed that AEA turned down SEAPA's request to fund an IRP. Chairman Nelson commented that the board needs to be cognizant that the scope only includes southeast Alaska so that the communities of Wrangell, Petersburg and Ketchikan are not funding the IRP for the entire state. The area scope should include Kake to Metlakatla, and the resources adjacent to that, such as Thomas Bay and Bell Island.

The RFP that Mr. Carlson is drafting would seek an individual or firm with a strong background and extensive experience in Integrated Resource Planning to assist and guide the Agency in the development of a detailed Scope of Work for the project. This firm or individual would meet with the stakeholders, including SEAPA, the member utilities and others to gain their input in developing the Scope of Work. The Scope of Work will include all the studies that will be necessary for the IRP.

Mr. Carlson stated that there is \$75,000 included in this year's SEAPA budget for the project to get started. He added that he submitted a State capital appropriation request in the amount of \$250,000 and he has spoken with both Senator Stedman and Steve Haagenon about this request. He has also submitted federal appropriation requests for an additional \$175,000

**Mr. Privett moved to authorize Mr. Carlson to develop and issue an RFP, which will retain an individual or firm to better define the scope of work and provide guidance to SEAPA in developing an IRP. The scope of work should include the resources adjacent to the SEAPA interconnected system. Mr. Dawson seconded the motion. The motion passed unanimously.**

## **10) New Business**

The board entered into Executive Session at 2:35 PM.

The board resumed regular session at 3:38 PM.

**Mr. Privett moved to approve a bonus to Eric Wolfe for \$15,000 to be paid no later than March 1, 2010 and to increase staff salaries 4% effective March 1, 2010. Mr. Kline seconded the motion. The motion passed unanimously.**

**Mr. Privett moved to approve a bonus of \$25,000 to Dave Carlson, payable March 1, 2010, and \$25,000 to Dave Carlson related to the sale of his townhouse in Anchorage, payable March 10, 2010. Mr. Dawson seconded the motion. The motion passed unanimously.**

**Mr. Privett moved to increase Dave Carlson's annual salary to \$165,000, effective March 1, 2010. Mr. Dawson seconded the motion. The motion passed unanimously.**

Mr. Earsley requested board authorization to pay an invoice on a project that was completed two years ago. Rittmeyer installed the flow meters, which required two trips to the Swan Lake project. After installing, they never billed for the installation labor. Mr. Earsley reported that he had conducted extensive research and determined this bill had never been paid.

Mr. Carlson recommended that the amount of \$12,415.20 be added to the Swan Lake R&R fund under work order number SWL 137-07.

**Mr. Privett moved to approve amending the budget to include \$12,415.20 to R&R project SWL 137-07. Mr. Kline seconded the motion. The motion passed unanimously.**

Mr. Earsley requested board authorization to fund a new R&R Project. He explained there is a dam failure alarm wire that has failed at Swan Lake. The crew at Swan Lake devised a way to get the system up and running as a temporary fix. SEAPA indicated to FERC that this would have a permanent repair later this year. SEAPA has requested R&M - Ketchikan to design and manage this project as well as design the OSHA required fall protection for the crew to cross over the spillway.

**Mr. Privett moved to approve amending the FY10 budget in include funding for the repair of the dam failure alarm system in an amount not to exceed \$30,000. Mr. Kline seconded the motion. The motion passed unanimously.**

Mr. Nelson explained the condition of the boat currently being utilized by TBPA personnel. It was built in 1974 and used extensively for cutting brush. The new boat will be a 34-foot landing craft. Mr. Nelson would like to put the construction of this boat out to bid in Petersburg, Wrangell and Ketchikan. This boat will be used to haul freight to Tyee. The cost estimate is \$230,000. TBPA would take the lead on bidding the boat and would need approximately \$50,000 to \$60,000 added to this year's budget to get the project started. This would be sufficient to get the aluminum and other material ordered. The remaining funds can be added in next fiscal year's budget. SEAPA currently owns the existing boat and will continue as owner of the newly-construction vessel.

**Mr. Privett moved to approve developing a Request for Bid to construct the new boat in an amount not to exceed \$230,000.** Mr. Carlson recommended amending the FY10 budget to include \$50,000 to \$60,000 and open a new R&R project in FY11 for the additional funds. Chairman Nelson made the suggestion that Mr. Jim Nelson could act as the Project Manager, due to the limited staff of SEAPA. Mr. Carlson suggested that SEAPA be included in the process to make sure that the procurement process is followed. It will need to go out to bid and SEAPA will approve the bid documents for Mr. Nelson. **Mr. Dawson seconded the motion. The motion passed unanimously.**

**Mr. Privett moved to approve Resolution 2010-031 authorizing Mr. Carlson and Mr. Wolfe as check signers on the First Bank accounts and removing Mr. Earsley from the accounts. Mr. Dawson seconded the motion. The motion passed unanimously.**

Mr. Carlson reported on his interim plan to manage SEAPA operations and the R&R projects underway in light of Joe Earsley departure as Operations Manager. In summary,

Commonwealth will manage the Solomon Gulch PFMA projects, the annual maintenance project and other projects as assigned. Mr. Carlson will also have Mr. Earsley, now employed with Hatch Energy, continue work on FERC regulatory issues such as dam safety, helicopter pads and SEAPA FY11 budget preparation and support.. Ed Schofield, through Commonwealth Associates, will be in the SEAPA office working approximately 20 hours/week handling day-to-day activities and some of the other ongoing projects.

**Mr. Privett moved to approve a Professional Services Agreement with Commonwealth Associates to include Task Order 1 (Solomon Gulch low level outlet works), Task Order 2 (testing the Penstock at Solomon Gulch), Task Order 3 (T-line inspection maintenance) and Task Order 4 for an amount not to exceed \$117,968. Mr. Dawson seconded the motion.** During discussion it was noted that the costs related to Task Orders 1 and 2 will jointly be paid by SEAPA, Kodiak Electric Association and Copper Valley Electric Association. **The motion passed unanimously.**

#### **11) Rebate:**

Mr. Carlson began the rebate discussion by providing an overview of the SEAPA risk mitigation plan including the purposes and history of the R&R fund. He stated that the transmission lines and submarine cables are generally uninsurable. In addition, in the event of a significant earthquake, SEAPA would be required to provide substantial funds to meet their deductible with respect to property insurance.

Mr. Carlson then provided some history regarding previous rebates approved by Four Dam Pool Power Agency Board. He stated that the allocation of the rebate was by the percentage of power purchased over the most recent 3-year average.

Mr. Carlson discussed his memo to the board regarding the rebate and explained the projected cash flow and fund balance in the R&R fund. He explained that the board has supported building the R&R Fund balance to \$10 million dollars to mitigate the previously discussed uninsured risk. He also stated that SEAPA does have a \$10 million Line of Credit with First Bank in place and this could be used if an uninsured event did occur. Mr. Carlson added that SEAPA borrowed an additional \$5 million for the Swan-Tyee Intertie, most of which will not be needed as the project came in below estimates.

Mr. Carlson explained that SEAPA is presently doing better financially than projections done by D. Hittle at the time of restructuring and recommended a rebate in the amount of \$750,000 to be allocated to the utilities based upon the 3-year average percentage of kWh purchases.

**Mr. Privett moved to approve a rebate in the equivalency of a ½ cent per kWh reduction of the WPR based on a this year's budgeted sales with payments not made to the utilities until the STI escrow funds are received by SEAPA. Mr. Maxand seconded the motion.**

Mr. Dawson asked if the R&R fund projections provided in Mr. Carlson's memo would be less due to the rebate paid to the utilities. Mr. Carlson replied that they would be less by the rebate amount.

Mr. Dawson suggested that the rebate be announced through some sort of press release. The board concurred agreeing that this was a good idea.

**Mr. Nelson asked for a roll call vote. The motion passed unanimously.**

It was determined that the next meeting date would be Tuesday, April 20 and would be in Ketchikan. The change in the meeting date was due to Mr. Carlson's leaving on PTO on April 22<sup>nd</sup>. It was also asked by Mr. Privett if the issue of rotating the meeting locations had ever been addressed. After some comments, it was decided that Mr. Carlson come back with a proposal on Board Meeting Locations, but that the next meeting would be held in Ketchikan.

**Director's Comments:**

Mr. Privett inquired about the status of the Kake - Petersburg Intertie Project and expressed his desire to see this project gain some momentum. He stated that it is vital that the project is grant funded. Mr. Carlson stated that he did speak with Jodi Mitchell, IPEC's CEO, at JC Conley's memorial service and that he would be talking with her in the near future.

**Without further discussion or objection, Chairman Nelson adjourned the meeting at 5:07 PM ADST.**

Signed:

Attest:

\_\_\_\_\_  
Secretary/Treasurer

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Chairman