

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting

April 20, 2010

Ted Ferry Civic Center

Ketchikan, Alaska

1) CALL TO ORDER, ROLL CALL

Chairman Nelson called the meeting to order at 9:03 AM ADST on April 20, 2010 held at the Ted Ferry Civic Center located at 888 Venetia Avenue, 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
William Privett (via teleconference)	Paul Southland (via teleconference)	Tyee Lake – Wrangell
Jeremy Maxand (via teleconference)	Timothy Rooney	Tyee Lake – Wrangell
Joe Nelson		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
Shannon Rothermel	Office Administrator, SEAPA
Joel Paisner	Attorney, AterWynne
Jim Nelson	General Manager, TBPA
Carl Thrift	TBPA
Mark Adams	Operations Manager, KPU
Andrew Donato	Engineer, KPU
Jay Rhodes	IBEW Local 1547

2) Agenda

Mr. Maxand moved to approve the agenda. Mr. Coose seconded the motion. The motion carried unanimously.

It was asked if there would be an opportunity to discuss the recent power outages. Mr. Carlson stated there would be discussion during the Director of Special Projects report.

3) Minutes

Mr. Freeman moved to approve the minutes of February 25, 2010. Mr. Privett seconded the motion. The motion passed unanimously.

4) Financial Reports

Mr. Carlson passed out copies of the January 2010 financials to the board and noted they would be scanned and emailed to those members in attendance via teleconference.

Mr. Carlson reviewed the December and January financials, noting revenues are over budget and expenses are under budget. Mr. Carlson referred the board to the disbursements for the months of February and March, 2010 and requested board approval of them.

Mr. Maxand moved to approve the disbursements for the months of February and March, 2010 in the amount of \$891,935.14. Mr. Privett seconded the motion. The motion passed unanimously.

5) CEO Report

Mr. Carlson explained that he had interviewed Don Phillips for the position of Operations Manager and requested the board enter into executive session later to discuss the terms and conditions of Mr. Phillips' employment contract. Mr. Carlson then regretfully reported to the board that Ms. Rothermel will be leaving SEAPA on May 14, 2010 and returning to Anchorage. He will be recruiting to fill the position as an Executive Assistant and stated Ms. Rothermel will still be available after the 14th to assist with the transition. Mr. Carlson further explained that he will be interviewing to fill the Controller position on May 10, 2010.

Mr. Carlson reported on his recent trip to Portland, Oregon to attend the annual FERC meeting. He explained that the meeting is a good forum to discuss the projects as well as for FERC to provide updates regarding their plans and initiatives.

Mr. Carlson also explained FERC's recent implementation of 'Security Group' classification. He noted each project was reviewed and issued a classification code of 1, 2 or 3 – the higher the code, the lower the consequence, vulnerability and likelihood of a terrorist attack. SEAPA's projects were ranked as a 3 and are thereby exempt from complying with mandated requirements. However, he noted, FERC encouraged SEAPA to perform a security assessment and develop a security plan and an internal emergency response plan.

Mr. Carlson reported on his recent trip to Juneau. He noted the trip was to meet with legislators with the intent to include funding for the Integrated Resource Plan (IRP) in the capital budget. Mr. Carlson explained to the board that these funds would be directed through the Alaska Energy Authority (AEA). There was board concern regarding the funds funneling through AEA and whether there may be strings attached.

Mr. Carlson made a recommendation to the board to rotate future board meetings based on board representation. He presented proposed meeting locations for the next 12 months and

suggested the upcoming June meeting take place in Petersburg. Mr. Carlson also suggested the board members make an annual trip to the hydro projects. He noted it would provide an excellent opportunity to those interested in gaining greater understanding of the R&R projects underway in addition to the plants themselves.

Mr. Carlson updated the board on Mr. Thrall's continued efforts to complete the application process for increased water rights at Tyee. He noted the Alaska Department of Fish & Game (ADF&G) will be traveling to the Tyee project to set fish traps at both the tailrace and Tyee Creek.

Mr. Carlson acknowledged receipt of the proposed FY2011 budgets from the operators at KPU and TBPA. He scheduled a follow up Operations budget meeting for Wednesday, May 12, 2010 and asked Mike Kline, Jim Nelson and Eric Wolfe to be in attendance.

Mr. Carlson noted in his CEO report to the board that he had scheduled a trip to Washington, DC for the week of May 10th to provide updates on the restructuring of the Agency, the completion of the Swan-Tyee intertie and to follow up with the request for funding for the IRP. He stated he cancelled this trip, as that week is Ms. Rothermel's last week in the office and he also has two scoping meetings that week in both Metlakatla and Petersburg.

Mr. Carlson noted the need to schedule a special board meeting in the near future to discuss the Solomon Gulch low level outlet work engineering bids, as well as to award the contract for the boat at Tyee.

6) Swan Tyee Intertie

Mr. Carlson handed out an updated STI cost estimate dated April 16, 2010. He noted SEAPA received the final DOE payment of \$20,000 and stated it would be approximately 2 months to accumulate the remaining invoices necessary to apply for the final \$5.8 million retention from AEA.

The meeting recessed at 9:50AM
The meeting resumed at 10:07AM

7) Director of Special Projects Report

Mr. Carlson addressed items in his Operations and R&R Projects memo. He noted the pitfalls surrounding the construction of the helipads along the STI transmission line. Mr. Carlson explained that the helipads were not included in the original record of decision signed by the USFS when the STI project was permitted. Steve Negri of Tetra Tech has been working to secure these permits, as the latest requirement is an analysis related to endangered plants. Mr. Carlson stated that this analysis, however, will not require any in-field surveys. He then explained that Mr. Kline informed him that Ketchikan is reluctant to have KPU staff perform the modifications for the helipads at Swan Lake due to potential liability concerns. Mr. Carlson explained that if an agreement to indemnify KPU and Ketchikan cannot be reached, a third-party contractor may need to be retained to perform the work. He noted, however, there is no time crunch to install these at the present moment.

Mr. Carlson informed the board of the Notice of Intent to Award the annual transmission line maintenance contract to Chatham Electric. He noted 2 bids were received, however Chatham Electric provided the lower bid and they have performed the work over the last several years. Mr. Carlson supplied the bid amounts as well as the engineer's estimate and noted the award of the 3-year contract would be presented on the agenda for board approval under New Business.

Mr. Carlson reported that the substation maintenance contract was awarded to Specialty Engineering for \$42,076. This contract did not require board approval as it falls under the \$100,000 threshold in the procurement policy.

Mr. Wolfe presented a slideshow presentation of photos taken during the Tyee generator rewind project.

The meeting recessed at 10:47AM for 10 minutes.

Mr. Wolfe updated the board on the recent SCADA upgrade work and STI integration. He explained the broad spectrum of work included SCADA-supervisory control and data acquisition replacements at Tyee, Petersburg and Wrangell, as well as reconfiguring a portion of the SCADA infrastructure at Swan and Bailey. The integration also includes plant and unit automation engineering and implementation, and engineering analysis of the SEAPA electrical transmission system. Mr. Wolfe presented a timeline of major milestones for these projects.

There was board discussion concerning the recent power outages of April 11, 2010. Mr. Wolfe explained the reason for these occurrences. He noted that a complete collapse of system frequency and voltage occurred during line restoration switching and presented a graph depicting the power delivery interruption. The board requested a public relations press release to provide public awareness and address concern of the situation.

Mr. Wolfe provided information to the board regarding communication issues at Shoal Cove. He explained how the US Coast Guard plans to close the Shoal Cove site. Closing the site and removing the Coast Guard facilities will remove the power source to the microwave repeater and Swan Lake will lose communications. He further explained phone communication and internet capability will need to be replaced. There was discussion regarding SEAPA taking over the microwave tower and possibly lowering the elevation. Land ownership, pollution and roads were among the concerns.

Mr. Wolfe recommended a capital project to redesign the telecommunications infrastructure. He presented drawings detailing the existing infrastructure and the costs already expended monthly to maintain it. No definitive decision was made.

The meeting recessed at 11:55AM for lunch.

The meeting resumed at 1:00PM

Mr. Wolfe spoke to the board about his upcoming meeting with Charles Howard. Mr. Howard is a water management consultant in Victoria, British Columbia. He will be performing a peer review of SEAPA's water management processes. Mr. Wolfe anticipates this review to be completed by September 1, 2010.

At this time, several board members and Mr. Wolfe scheduled a brief operations meeting to follow the board meeting at 4:30PM in the conference room at the Ted Ferry Civic Center.

Vice-Chairman Freeman noted on the record his sympathy for the systems and the goal of protecting the consumers and expressed his desire to see the system in proper working order.

8) Project Reports

Mark Adams spoke to the board regarding the current conditions at Swan Lake. He met with representatives from Commonwealth Associates and R&M Consulting regarding the dam movement survey. Work is still under way on the dam failure, the fault protection for the spillway and steel is arriving soon for the handrails. A crane consultant reviewed the integrity of the bucket crane as well as the bridge crane. He determined the bucket crane was not rated to have a man-bucket installed on it. The bucket will be removed from the crane until it is certified.

Mr. Nelson spoke to the board regarding the current conditions at Tye Lake. He noted that they have received the steel for the helicopter pads. The siding has been replaced on the forest service cabins as part of the special use permit.

At this time, Jay Ramos, candidate for Lieutenant Governor, arrived and spoke to the board briefly about the railbelt. He noted the uncertainty of the project, the difficulties lining up the communities and the overall solvency issues that surround the project.

The board entered into Executive Session to discuss Don Phillips' employment contract at 1:20PM. They resumed Regular Session at 1:32PM, noting for the record that no board action was taken during Executive Session.

9) New Business

Mr. Carlson presented the results of the annual transmission line maintenance contract. He requested board approval to award the 3-year contract to Chatham Electric. **Mr. Freeman moved to approve awarding the contract for annual transmission line maintenance to Chatham Electric in an amount not to exceed \$957,345. Mr. Coose seconded the motion.** Chairman Nelson expressed his concern to the existence of an exit clause. Mr. Carlson maintained that there is, in fact, one written into the contract. **The motion passed unanimously.**

Mr. Maxand moved to approve the Operations Manager's employment contract to include travel/moving expenses not to exceed \$15,000. Mr. Privett seconded the motion. The motion carried unanimously.

Without further discussion or objection, Chairman Nelson adjourned the meeting at 1:40PM ADST.