

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting – Amended

August 27, 2009

Ted Ferry Civic Center
Ketchikan, Alaska

1) CALL TO ORDER, ROLL CALL

Chairman Nelson called the meeting to order at 9:06AM AST on August 27, 2009 held at the Ted Ferry Civic Center in Ketchikan, Alaska.

Roll Call

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

Director	Alternate	Representing
Charles Freeman		Swan Lake – Ketchikan
Lew Williams	Mike Elerding	Swan Lake – Ketchikan
Jack Dawson		Swan Lake – Ketchikan
Jeremy Maxand	Paul Southland	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
Shannon Rothermel	Office Administrator, SEAPA
Joel Paisner	Attorney, AterWynne (via teleconference)
Duff Mitchell	Cascade Creek (via teleconference)
Carl Thrift	Thomas Bay Power Authority
Mark Adams	Ketchikan Public Utilities
Brett Blasingame	Plant Foreman, Swan Lake
Wilbur Brown	Kake Council Member
JC Connelly	Southeast Conference Energy Committee
Jodi Mitchell	CEO, IPEC
Jim Strandberg	Alaska Energy Authority
Henrich Kadake	Mayor, City of Kake

2) Agenda

Vice-Chairman Freeman moved to approve the agenda. Mr. Maxand seconded the motion. The motion carried unanimously.

3) Minutes

Vice-Chairman Freeman moved to approve the minutes of June 25, 2009. Mr. Williams seconded the motion. The motion carried unanimously.

4) Financials

Mr. Carlson presented the monthly financial statements for May 2009 to the board and answered questions. Mr. Paisner updated the board on the outstanding restructuring item pertaining to the Department of Natural Resources (DNR). He explained that DNR is still in the process of compiling the assignments for the hydro projects.

Mr. Williams moved to approve the disbursements for June and July, 2009 in the amount of \$11,272,919.35. Mr. Maxand seconded the motion. The motion passed unanimously.

5) CEO Report

Mr. Carlson explained the status of SEAPA's property insurance renewal. He noted that the authorization to bind the policy was completed for Liberty Insurance to act as the primary underwriter with Star Tech as secondary underwriter. Mr. Carlson answered specific questions pertaining to the aircraft and airport insurance policies as well as the Directors and Officers policy.

Mr. Carlson referred to his CEO Report dated August 19, 2009. He noted he was in the process of reviewing options with regards to the Retirement Savings plan and was instructed to bring cost options to the next meeting.

Mr. Carlson attended the Waterpower conference in Spokane, Washington last month. Most notably, he addressed the topic of Low Impact Hydro Certification with the board. He was encouraged to write a letter to the executive director of the Low Impact Hydropower Institute (LIHI) regarding future certification for lake taps. There was further discussion on cap and trade standards with regards to hydro-generated power.

Mr. Carlson discussed his move to Ketchikan and requested direction from the board on reimbursement of moving expenses. It was decided he would be reimbursed based on actual costs incurred and was asked to present itemized receipts for such reimbursement.

Mr. Carlson spoke briefly on the Integrated Resource Plan (IRP). He noted Mr. Wolfe would be speaking on the topic later in the meeting, and provided a few points to consider. There was further board discussion on the topic and it was decided that future discussions should be carried at the board level more frequently before the IRP is developed. Mr. Carlson was asked to schedule and arrange a board meeting in October to specifically discuss this plan.

Mr. Paisner offered a discounted fee for attending future board meetings in the amount of \$1,000 plus expenses.

The meeting recessed at 10:20AM and resumed at 10:32AM.

6) Operations Report

Mr. Carlson addressed the status of the PFMA at Solomon Gulch as presented in Mr. Earsley's Operations Report dated August 10, 2009. Mr. Wolfe addressed the Operations Report with regards to the major projects currently underway.

Mr. Wolfe also gave a brief PowerPoint presentation to review the STI Operations Plan currently being developed. He explained the mission statement he presented was viewed by his role in developing the plan and encouraged the board to consider adopting a permanent mission statement.

7) Presentations

Mr. Carlson introduced Jodi Mitchell, CEO of Inside Passage Electric Cooperative (IPEC). Ms. Mitchell spoke to the board and gave a presentation concerning the challenges of providing electricity in rural Southeast Alaska. Her points were further reiterated by Mr. Brown, an IPEC board member, and Mayor Henrich Kadake. Mr. Connelly then spoke to the board regarding the same and elaborated on the need to bring clean, renewable energy to the community.

The meeting recessed for lunch at 11:55AM and resumed at 12:47PM.

Mr. Strandberg spoke to the board regarding the Alaska Energy Authority's support for SEAPA to construct and maintain a transmission line project from Petersburg to Kake and answered questions from board members.

The board opened discussion for comments in support of building a transmission line from Petersburg to Kake. Mr. Carlson was authorized to prepare a Memorandum of Understanding (MOU) and to continue dialogue with IPEC.

Mr. Maxand moved to direct Mr. Carlson to perform due diligence on the Kake-Petersburg Intertie in an effort to identify challenges and opportunities and continue dialogue. Mr. Williams seconded the motion. The motion carried unanimously.

Mark Adams from Ketchikan Public Utilities and Dean Scott with Commonwealth & Associates provided a status report of the proposed transmission line project which would interconnect the LORAN C station in Shoal Cove to the SEAPA transmission line near Swan Lake.

8) Swan-Tyee Intertie

Mr. Carlson referred to his STI Report dated August 19, 2009. He presented an update to the board with regards to construction and cost. He noted that construction was complete, although there is still some remaining substation construction to finish. He also presented the project cost summary to the board.

9) New Business

The board began discussions of potential office space in Ketchikan. Mr. Dawson removed himself from further voting due to a conflict of interest with the Whitecliff location consideration. Ms. Rothermel presented a PowerPoint presentation with photos of the potential office spaces. Mr. Carlson discussed costs and answered questions.

Mr. Williams moved to approve an office lease at Whitecliff. Vice-Chairman Freeman seconded the motion. The motion failed 0 to 4.

There were several points of contention addressed by the board. Of these, they requested no escalating costs in the lease terms, to solidify the remodeling costs, concern over how long construction would take and when it would be available for occupancy and, most notably, to reduce the cost per square foot to a maximum of \$1.25.

Vice-Chairman Freeman moved to approve Ms. Rothermel negotiating further for the space at Whitecliff. In the event negotiations were unsuccessful, the motion would provide for approval of a lease at The Plaza. Mr. Williams seconded the motion. The motion failed 2 to 2.

Following board discussion, it was determined that Ms. Rothermel and Mr. Carlson would renegotiate with the management of Whitecliff to remove the escalating cost clause, solidify the cost of remodeling, get a date-certain for moving into the new location and bring down the cost per square foot to \$1.25. If successful, the Chairman would call for a special meeting to discuss the new terms and consider leasing space under those terms.

The meeting recessed at 2:40PM and resumed at 2:50PM.

Representatives from Wilson Construction addressed the board and formally invited them to the final project closeout meeting and dinner at Jeremiah's Restaurant located at the Best Western Landing hotel at 6PM.

Mr. Maxand addressed the need to discuss a potential rebate to the ratepayers. After further discussion, it was decided that the topic would be reviewed and considered on the agenda at the board meeting to be held in December 2009.

It was discussed and determined that the next face to face meeting would be held on October 22, 2009.

Without further discussion or objection, Chairman Nelson adjourned the meeting at 3:30PM AST.