

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting

October 22, 2009

Southeast Alaska Power Agency
Anchorage, Alaska

1) CALL TO ORDER, ROLL CALL

Chairman Nelson called the meeting to order at 9:02AM AST on October 22, 2009 held at the Southeast Alaska Power Agency main office located at 1301 Huffman Road, Suite 201 in Anchorage, 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 (via teleconference)		Swan Lake – Ketchikan
Lew Williams (via teleconference)	Mike Elerding	Swan Lake – Ketchikan
Jack Dawson	John Jensen	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)
Mike Kline	Electric Division Manager, KPU

2) Agenda

The agenda was amended to include discussion of equipment ownership at the substations and the availability of records of meeting minutes added to the New Business section. **Mr. Maxand moved to approve the agenda as amended. Mr. Jensen seconded the motion. The motion carried unanimously.**

3) Persons to be Heard

Mr. Mitchell spoke to the board about the increased cost of oil, federal funding for interties in Southeast Alaska and potential interconnect requests.

4) Minutes

Mr. Maxand moved to approve the minutes of August 27, 2009. Mr. Dawson seconded the motion. There was further discussion regarding the office space at Whitecliff and the need for further clarification of the consensus of the board should certain requests be met to make leasing the space at that facility more palatable. The motion failed with 2 ayes and 3 nays. Mr. Carlson said that staff would review the tape from the meeting and would bring back amended minutes for board consideration.

Mr. Freeman moved to approve the minutes of September 9, 2009. Mr. Maxand seconded the motion. The motion carried unanimously.

5) Financials

Mr. Carlson updated the board on the unaudited financial statements for June and July, 2009. He commented that, in the future, the financial reports will be presented using reports generated directly from QuickBooks.

Mr. Carlson explained the reason for the negative net income shown on the July Profit and Loss statement was attributed to the inclusion of the R&R Fund Expenses. It was requested by the board that operations be separated from capital projects in future reports.

Mr. Maxand moved to approve the disbursements for August and September, 2009 in the amount of \$11,782,721.39. Mr. Williams seconded the motion. The motion carried unanimously.

6) CEO Report

Mr. Carlson addressed items in his CEO memo presented in the board packet. He spoke to the proposed term sheet between 1308 Properties LLC and SEAPA, as well as the floor plan. It was noted that the office space would be ready to occupy 8 weeks after receipt of the necessary building permits.

Mr. Carlson stated SEAPA would be issuing a Request for Proposals (RFP) to solicit accounting and bookkeeping services locally in Ketchikan.

Mr. Carlson met with FERC Commissioner Moeller on September 21, 2009 in Ketchikan. From there, they flew to the Swan Lake project as well as a portion of the intertie line to Neets Bay. On September 22nd, they flew to Petersburg with the intent to fly the potential line to Kake, but the weather was uncooperative and that trip was cancelled. Mr. Carlson found Commissioner Moeller's perspective on energy issues insightful.

Mr. Carlson attended the annual meeting of the Southeast Conference in Haines. He presented a DVD of the Swan-Tyee Intertie at the meeting.

Mr. Carlson presented the SEAPA website (www.seapahydro.org) for the board's review. It was requested that the board take a look at the website and present any changes, recommendations, etc. to Ms. Rothermel. It was also requested that a link to the Thomas Bay Power Authority website be included.

Mr. Carlson noted the FY09 Audit and associated financial statements should be ready for the board's review and approval at the next regular board meeting.

Mr. Carlson updated the board on the Operations Manager interview candidates. He noted there were a few potential candidates and held phone interviews with 5 of them. From the phone interviews the selection was narrowed down to 3 candidates and face to face interviews will be held in Ketchikan after their references are verified. Ed Schofield was selected as one of the 3 candidates to be interviewed. The other two, Tim O'Connor and Scott Elliott, were also selected for face to face interviews. Mr. Carlson noted that, of the 3 candidates, Mr. O'Connor was the only one with an active P.E. license at this time. Mr. Carlson anticipates making a final decision by the beginning of the year.

Mr. Carlson updated the board on the status of the requested analysis of the wheeling rate that could be charged for the transmission of power over SEAPA-owned transmission lines and facilities by other entities. He met with John Heberling of D. Hittle & Associates and received a proposal from him to develop a methodology for determining the cost of service and estimated transmission rates at a cost of \$13,600. There was further discussion about the need to determine the interconnection requirements for a third party desiring to hook up to the transmission system. Mr. Carlson and Mr. Wolfe were asked to bring a proposal to the next regular board meeting about how these interconnection requirements can be determined.

Mr. Carlson explained to the board that, contrary to his previous understanding, the Low Impact Hydro Institute do certify lake tap projects. Jim Thrall is in the process of gathering background information and will be drafting a letter to the LIHI to determine any initial concerns they may have with respect to certifying SEAPA projects as "low impact".

The meeting recessed at 10:14AM and resumed at 10:25AM.

Mr. Carlson updated the board on the status of the Swan-Tyee Intertie. He noted power was successfully transferred south along the transmission line. Mr. Carlson also noted that AEA is holding \$5.8 million that will not be released until an engineer signs off stating the line is energized and operational. He will be acquiring Del LaRue's (of Dryden & LaRue) signature next week to meet this requirement. He explained the "Throw the Breaker" party was postponed until sometime in January 2010.

Mr. Carlson handed out 2 articles. The first one regarded the completion of phase 1 of the Lake Dorothy project. The second article from the Anchorage Daily News entitled, "City unveils plan to reduce winter natural gas use", details the railbelt's color-coded advisory system in an effort to conserve natural gas.

Mr. Carlson concluded his CEO Report with an overview of the upcoming changes to the Retirement Savings Plan. He encouraged the board to invite Robert Alvin, NRECA representative, to speak and answer questions at the next regular board meeting.

7) Operations Report

Mr. Wolfe spoke to the Operations Report. He presented an update on the Solomon Gulch PFMA and noted that Mr. Earsley supplied a schedule of the construction to the board members within the report. Mr. Carlson reiterated the terms of the restructuring efforts with regards to the ongoing costs associated with the Solomon Gulch PFMA repairs.

Mr. Wolfe updated the board on the status of the generator rewind at Tyee. The board questioned Magnetech's stability as a sound company and inquired about a payment and performance bond with regards to their contract with SEAPA. The board also requested photographic updates of ongoing repair and replacement projects.

Mr. Wolfe presented an update on the governor replacement project at Swan Lake. He explained that SEAPA withheld money from L&S's payment due to provisions allowed for in the contract. Such provisions provide for reimbursement of diesel costs and staff overtime incurred as well as inadequate performance by the contractor.

Mr. Wolfe noted that, since the last regular board meeting, no additional work has been performed on the Swan and Tyee SCADA upgrade for the following reasons:

1. There is a natural lull in the work as a result of the rewind project.
2. There is a need to learn more about the STI and control of the plant operations before committing to a SCADA system and how the 3 utilities will work together.
3. There is a desire to separate SEAPA from the current electrical contractor and have all information documented.

Mr. Wolfe will be traveling to Wisconsin to discuss fast-forwarding the SCADA work from February 2010 to December 2009 without impacting generation schedules and what options are available to SEAPA.

Chairman Nelson requested clarification on point 1 found in the Operations Report (page 5), "build on the existing platform at Swan as much as possible, very few modifications required." Mr. Wolfe explained that there are 2 SCADA systems at Swan Lake. One allows Bailey substation to see and control the plant. The other allows the plant to see and access the data and trend it. The idea is to leave the existing equipment in place and upgrade the software that would operate the controls.

The meeting recessed at 11:30AM and resumed at 11:40AM.

8) Presentations

Mr. Wolfe presented a summary of the Swan-Tyee Intertie (STI) Operations Plan. He explained briefly that the purpose was to determine how to use the Power Sales Agreement as it is written to meet loads next year as well as ways in which the communities can work together to schedule maintenance such that loads are met everywhere with the minimum amount of diesel usage.

The meeting recessed at 12:10PM and resumed at 1:00PM.

Mr. Wolfe resumed his presentation of the STI Operations Plan.

Mr. Strandberg spoke to the board regarding AEA's effort and experience with the railbelt Integrated Resource Plan (IRP). He explained it is a cooperative restructuring with the railbelt utilities and AEA, an effort to work on the regulatory regime and to develop an economic plan for the improvement of the generation and transmission infrastructure to meet the evolving and emerging future that the railbelt faces.

Mr. Strandberg made recommendations of items to include in the SEAPA Request for Proposal (RFP). He suggested providing enough information in the RFP to focus on the way the network should operate in the future. He also suggested involving the member utilities from the beginning of the process and as the RFP is written, to ensure the output and deliverables will be useful to the utilities and will clearly express and consider all viable generation projects that could be added onto the network.

The meeting recessed at 2:25PM and resumed at 2:35PM.

Mr. Wolfe completed his presentation of the STI Operations Plan.

There were no individual project reports presented.

9) Old Business

Mr. Carlson made a recommendation to the board to instruct staff to execute a lease with 1308 Properties, LLC to lease office space at Whitecliff per the conditions of the term sheet pursuant to Mr. Paisner's acceptance of the terms and conditions of the lease.

Mr. Williams moved to approve executing an office lease at Whitecliff. Mr. Maxand seconded the motion. The motion carried unanimously.

10) New Business

Mr. Carlson presented a memo regarding substation ownership issues in Petersburg, Wrangell and Ketchikan. He suggested that, prior to transferring and/or defining ownership, he meet with the local utilities to reach agreement regarding ownership, repair and maintenance responsibilities of equipment within the substations and switchyards. Mr. Carlson would then return to the board with recommendations for any required action. The board concurred with Mr. Carlson suggestions.

Mr. Southland requested consideration for SEAPA board meeting recordings to be provided upon request. It was determined that SEAPA is not obligated to provide recordings under the Open Meetings Act. It is solely a board decision whether or not to make them available. The board consensus determined that the recordings are to be preserved only until that point when the written minutes are approved by the board.

11) Integrated Resource Plan (IRP)

The board convened into a work session at 3:20PM to discuss the Integrated Resource Plan (IRP). The regular meeting resumed at 4:30PM.

It was discussed and determined that the next face to face meeting would be held on December 10, 2009 in Wrangell.

Without further discussion or objection, Chairman Nelson adjourned the meeting at 4:37PM AST.