

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting

December 10, 2009

Nolan Center
Wrangell, Alaska

1) CALL TO ORDER, ROLL CALL

Chairman Nelson called the meeting to order at 9:04AM AST on December 10, 2009 held at the Nolan Center located at 296 Campbell Drive in Wrangell, Alaska.

Roll Call

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

Director	Alternate	Representing
Lew Williams (via teleconference)	Mike Elerding (via teleconference)	Swan Lake – Ketchikan
Charles Freeman (via teleconference)		Swan Lake – Ketchikan
Jack Dawson (via teleconference)	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
Joe Earsley	Operations Manager, SEAPA
Shannon Rothermel	Office Administrator, SEAPA
Joel Paisner	Attorney, AterWynne (via teleconference)
Mike Kline	Electric Division Manager, KPU
Jim Nelson	Manager, TBPA
Steve Hensen	Superintendent, Wrangell Municipal Light and Power

Dave Carlson noted there were two communications received. The first was a letter from Thomas Bay Power Authority (TBPA) requesting approval for R&R funding for a new TBPA/SEAPA crew boat in an amount not to exceed \$230,000. The second was a letter from TBPA recommending consideration of a third turbine and full completion of the Tyee project.

John Jensen spoke to the letter concerning the crew boat. Paul Southland echoed Mr. Jensen's concerns adding that with the completion of the Swan-Tyee Intertie the need to transport brushers out to maintain clearing warranted the purchase. Jim Nelson brought specifications with him to present to the board. Chairman Nelson stated the proper approach would be for Mr.

Nelson to work directly with Joe Earsley to develop the specifications, to determine the need, safety concerns and level of urgency and to present this to the board at the next meeting.

2) Agenda

The agenda was amended to include the approval of the fiscal year 2009 audit under "New Business". **Mr. Jensen moved to approve the agenda as amended. Mr. Maxand seconded the motion. The motion carried unanimously.**

3) Minutes

Mr. Jensen moved to approve the amended minutes of August 27, 2009. Mr. Maxand seconded the motion. The motion carried unanimously.

Mr. Jensen moved to approve the minutes of October 22, 2009. Mr. Maxand seconded the motion. The motion carried unanimously.

There was brief discussion regarding the website. It was requested that the phone number be included on the contact page and noted that the link to the City of Petersburg was broken. It was also suggested that the home page include mention of public power. Ms. Rothermel stated she would correct these items.

4) Financials

Mr. Carlson mentioned the auditor from Mikunda Cottrell would be calling in at 10AM to present the FY2009 audited financial statements to the board and answer questions at that time.

Mr. Carlson presented the balance sheet for August and September 2009. He noted that \$3.1 million of R&R funds had been used for STI expenses which will be reimbursed from the approximate \$5.8 million held in escrow at AEA. He also noted that he would not be submitting a reimbursement request until the entire \$5.8 million has been expended on the project. The R&R Account will then be reimbursed for these expenses.

Mr. Carlson also noted that, in the past, capital projects were listed as an expense throughout the year and then capitalized at the end of the year. Going forward, rather than show these projects as an expense on the profit and loss report, they will go into a 'work in progress' account on the balance sheet. Once the project is complete, it will be fully capitalized. .

The board requested the graphs be adjusted to remove the flat line representing actual totals for future months. The results, as compared to the budgeted amounts, were misleading.

Mr. Maxand moved to approve the disbursements for the months of October and November, 2009 in the amount of \$3,033,129.40. Mr. Jensen seconded the motion. The motion carried unanimously.

Mr. Carlson presented the FY09 audited financial statements to the board. He requested they replace the report in their board packet with the one handed out at the meeting, as the new

version included the Management Discussion Letter. There was further discussion on the impact of restructuring as it related to the financial statements.

At this time, the board recognized the visitors in the room from the Wrangell Sentinel and KSTK radio in Wrangell.

5) CEO Report

Mr. Carlson addressed items in his CEO memo presented in the board packet. He noted the office move from Anchorage to Ketchikan was fast approaching. Ms. Rothermel presented the timeline to the board. Mr. Carlson reminded the board that there would be larger pieces of furniture available that would not fit in the new office space. They included a 14' conference room table with 14 high-back chairs, a large desk with return and a bookcase. After further discussion, it was decided that these items would be donated and shipped to Wrangell at their expense. Ms. Rothermel offered to work directly with Steve Hensen to make arrangements.

The meeting recessed at 9:57AM and resumed at 10:12AM.

Joy Merriner of Mikunda Cottrell was available via teleconference to review the audited financial statements and answer questions from the board. She commended the board, as well as SEAPA management and staff, on the positive results of the FY09 audit.

Mr. Carlson resumed presenting the CEO report. He explained that he, Mr. Wolfe and Mr. Earsley were in Ketchikan on November 30 and December 1, 2009 to interview three potential Operations Manager candidates. As a result, Mr. Carlson recommended re-advertising the position and, in the interim, contracting with Commonwealth Associates to assist in a project management role with respect to some of the projects currently handled by the Operations Manager. He noted that Mr. Earsley will be maintaining his employment until the end of February and presumed it would take approximately five months to retain someone.

Mr. Carlson spoke to several issues related to the Swan-Tyee intertie project. He stated the intertie is operational and running during normal daily shift hours when Tyee personnel are working. He noted that project costs are coming in below budget and the project will be primarily, if not entirely, grant funded upon completion.

Mr. Carlson informed the board of the current matters being addressed with the Forest Service (USFS). They include the helipads, the existing collection agreement between SEAPA and the USFS and the STI easement agreement. He also reported on the increase in annual USFS land use fees. Mr. Carlson noted he will be developing the final comprehensive report on the STI due to the Department of Energy in the next few months.

Mr. Carlson reported on the STI Throw the Breaker party and reminded the board that it will take place on Friday, January 29 at 7pm at the Ted Ferry Civic Center.

At this time, Tim Rooney, Borough Manager for Wrangell, was introduced.

Also, at this time, Mr. Carlson broke from his report to introduce Robert Alvin of NRECA (via teleconference). Mr. Alvin spoke to the board regarding the increase in the Retirement and Savings Plan for 2010.

The meeting recessed at 12:03PM for lunch and resumed at 1:02PM.

Mr. Carlson resumed his CEO report. He referenced his memo relating to the Integrated Resource Plan (IRP) dated December 10, 2009 and spoke to it. He noted that SEAPA submitted an application to the State of Alaska requesting funding for the IRP, and received a letter from the AEA that stated the application was rejected because a specific renewable energy project was not specified. While disappointing, Mr. Carlson noted it may work favorably to obtain appropriation with the state delegation to assist with the IRP efforts. He firmly recommended that SEAPA retain an individual or firm with strong IRP expertise and experience to assist with the initial process of developing a scope of work for the IRP and requested board approval to develop a Request for Proposal (RFP) to solicit such an individual or firm.

The board expressed their extreme disappointment in AEA's response to SEAPA's IRP application and requested Mr. Carlson speak with the Executive Director of AEA, Steve Haagenson.

Mr. Carlson spoke to the accounting RFP. He recommended retaining Kaye Christofferson, part-time bookkeeper, during the transition for 80 hours per month and suggested re-advertising the RFP after the SEAPA office has permanently moved to Ketchikan. He anticipated the process to take approximately three months.

Mr. Carlson recommended the board postpone a rebate until SEAPA has been reimbursed the \$5.8 million from AEA for the remaining STI expenses. He also cautioned the board on the aggressive R&R projects planned over the upcoming year. He stated he is not opposed to a modest rebate but recommended discussion resume after the final reimbursement for the STI is received. The board requested the topic of a rebate be carried on every board meeting agenda until it is resolved. It was also requested that reserves be addressed in conjunction with future rebate discussions.

Mr. Carlson noted that it was originally the intent to build the R&R fund to \$10 million for risk mitigation. He stated he would present again the Risk Assessment and Earthquake Analysis from MARSH as well as the Submarine Cable Risk Analysis from Poseidon Engineering at the next regular board meeting.

Mr. Carlson updated the board on the transmission line wheeling rate analysis. He stated that John Heberling of D Hittle and Associates had been given the notice to proceed with the cost methodology analysis, but due to limited staff availability, there had not been enough time to address the interconnection requirements. More information would be forthcoming at the next regular board meeting.

Mr. Carlson informed the board of a letter he received from Southeast Conference requesting consideration of a donation to keep the Energy Coordinator's position funded until July 1, 2010, when funding was expected to be received from the State. He recommended SEAPA donate \$5,000.

Mr. Carlson addressed the SEAPA travel policy that the board adopted in June 2009. He reminded board members not to net-bill their expenses and that reimbursement would be made for actual expenses incurred. He also reminded the board that Ms. Rothermel would assist members in making their travel arrangements and a corporate credit card was available to pay for travel-related charges.

Mr. Carlson reminded the board that board member appointments need to be made by the first of the year. All current terms expire December 31, 2009 and the respective communities should make the appointments and notify SEAPA in writing of the voting and alternate positions for 2010.

6) Operations Report

Mr. Earsley spoke to the Operations Report. He updated the board on the Solomon Gulch PFMA status. Copper Valley Electric Association is in agreement with the project schedule to correct the deficiencies and submitted the information to FERC. Once approved, SEAPA will issue an RFP for engineering and project management services to design and manage the installation of the low level outlet works, as well as the penstock reinforcement. These two projects and their associated costs will span two years.

Mr. Earsley updated the board on the Swan Lake PFMA. He noted the independent consultant is preparing the final report that is due to FERC by the end of the year. He is not anticipating any major capital improvements will be necessary as a result of the final report.

Mr. Earsley provided a further update on the Tye Lake runner replacement and substation relay replacement design and installation.

Mr. Earsley stated he is working on an RFP for the materials to construct an equipment shed at Swan Lake. The board suggested pursuing a "design-bid" approach. It provides a more turnkey project whereby one contractor would be responsible for the concrete foundation as well as erecting the shed.

Mr. Earsley provided updates to many of the capital projects still underway. He explained how the completed STI project will aid in minimizing diesel generation while these projects are completed.

The meeting recessed at 2:00PM and resumed at 2:16PM.

The discussion of R&R cash flow was tabled until the next regular board meeting where it will be presented again as part of the rebate information and discussion.

Mr. Earsley addressed the Operations Plan for the interconnected system. He noted the utilities' managers have reviewed the plan as presented and are in concurrence with it. The chief plant operators have also reviewed and discussed the Operations Plan and agreed it is a feasible plan.

Chairman Nelson requested a diesel generation protocol be considered and included in the Operations Plan. The protocol should address which utility generates the diesel, when and to what extent. Mr. Earsley reminded the board of the weekly projection meetings scheduled to evaluate load forecasts. These load forecasts will be used as a guide to schedule plant generation ranges.

Mr. Earsley also noted that the last several pages pertaining to the ownership of the equipment should be disregarded at this time. The recommended motion would be to approve the Operations Plan without the verbiage found under 4.7 "Delivery Point".

The discussion of the Ketchikan substation ownership was deferred to a later meeting.

7) New Business

Vice-Chairman Freeman moved to approve the Operations Plan as presented, excluding 4.7 located on page 13. Mr. Maxand seconded the motion. The motion carried unanimously.

Mr. Maxand moved to approve a \$5,000 donation to Southeast Conference to aid in funding the Energy Coordinator's position until July 1, 2010. Vice-Chairman Freeman seconded the motion. The motion carried unanimously.

Mr. Maxand moved to approve the FY09 audit as presented. Vice-Chairman Freeman seconded the motion. The motion carried unanimously.

The meeting recessed at 3:35PM and resumed at 3:45PM. At that time, the board moved into Executive Session to discuss personnel issues. The regular meeting resumed at 4:10PM.

Chairman Nelson gave a brief overview of the discussion held in Executive Session. It was determined that there was no need for a not-to-exceed cap placed on Mr. Carlson's moving expenses from Anchorage to Ketchikan. Chairman Nelson also informed the board that Mr. Carlson's evaluation was due. He stated he will send out the evaluation forms to the board members for their completion prior to the next regular meeting. No decisions were made during this Executive Session.

It was discussed and determined that the next face to face meeting would be held on February 25, 2010 in Ketchikan. Ms. Rothermel will email details to the board members as they become available.

Without further discussion or objection, Chairman Nelson adjourned the meeting at 4:22PM AST.

Signed:

Attest:

Secretary/Treasurer

Chairman