

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting
June 25 & 26, 2013

Sons of Norway Hall | Petersburg, Alaska

1) Call to Order/Roll Call

Chairman Sivertsen called the meeting to order at 12:29 p.m. AKDT on June 25, 2013, held at the Sons of Norway Hall in Petersburg, Alaska.

A. Roll Call

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

Director	Alternate	Representing
Bob Sivertsen	Andy Donato	Swan Lake – Ketchikan
Dick Coose	Jay Rhodes	Swan Lake – Ketchikan
Sam Bergeron	Charles Freeman	Swan Lake - Ketchikan
Joe Nelson	John Jensen	Tyee Lake – Petersburg
Brian Ashton (telephonic)		Tyee Lake – Wrangell

The following SEAPA staff and counsel were present for all or part of the meeting:

Trey Acteson	Chief Executive Officer, SEAPA
Eric Wolfe	Director of Special Projects, SEAPA
Steve Henson	Operations Manager, SEAPA
Kay Key	Controller, SEAPA
Sharon Thompson	Executive Assistant, SEAPA
Joel Paisner	Attorney, AterWynne

B. Communications/Lay on the Table

Chairman Sivertsen reported that as a part of demand side management, the City of Ketchikan moved forward with an energy audit on facilities in Ketchikan. He advised the audit report provided a long list of recommendations for power conservation in the area and a packet was available for review.

C. Disclosure of Conflicts of Interest

None stated.

2) Approval of the Agenda

Mr. Coose moved to approve the agenda. Mr. Bergeron seconded the motion. The motion carried unanimously. (Action 13-217)

3) Persons to be Heard

Mick Nichols, Manager of Thomas Bay Power Authority (TBPA) reported that Steve Beers was hired as General Foreman at Tyee, and that since TBPA's Secretary would not be quitting as originally reported, funding would be needed for the position. He encouraged the Board to consider that if the position is unfunded, TBPA's ability to operate as an office would be compromised and work could not be contracted out under union contract provisions.

4) Review and Approve Minutes

Mr. Nelson moved to approve the minutes of the Regular Meeting of April 25, 2013. Mr. Coose seconded the motion. The motion carried unanimously. (Action 13-218)

5) Financial Reports

Mr. Coose moved to approve Financial Statements for the months of March and April 2013. Mr. Bergeron seconded the motion. Mr. Nelson requested a summary of the financial statements in memo form in future Board packets. The motion carried unanimously. (Action 13-219)

Mr. Coose moved to approve disbursements for the months of April and May 2013 in the amount of \$997,136.04. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 13-220)

The meeting recessed at 1:02 p.m. and reconvened at 1:08 p.m.

6) CEO Report

Mr. Acteson provided an update on SEAPA's continuing efforts toward best practices noting an electronic application process had been implemented for recruitment efforts, and discussed the continuing development of a structured compensation program. He recommended that SEAPA renew a contract with Ray Matiashowski for FY14 lobbying services and reported on public relations outreach efforts. He advised that an attorney familiar with SEAPA's organization, Mr. Greenough of Foster Pepper, had been retained as SEAPA's bond lawyer. Mr. Greenough had prepared a reimbursement resolution, which would allow Swan Lake expansion expenditures accrued prior to issuance of a bond in the bond total. It is anticipated Mr. Greenough will also be utilized to support bonding for the project.

Mr. Acteson discussed his recent meeting with key AEA staff and reported that the AEA shipped a meteorological tower to SEAPA to initiate a wind energy assessment program. Additional grant funding for the program will be pursued in Round 7 of the Renewable Energy Grant Fund Program, along with a request for funding Swan Lake's expansion project.

Mr. Acteson recommended that the diesel protocol initiative not move forward citing examples of unintended consequences that could occur and suggested other possible solutions. He also recommended that the Board direct SEAPA staff to meet with the TBPA Commission to pursue

negotiations and settlement of operations and maintenance contract issues for the Board's consideration. Several comments followed with the consensus that further discussion on both topics occur later on in the agenda under unfinished business.

Mr. Acteson provided a brief update on the Kake-Petersburg Intertie (KPI) noting SEAPA's attention to routing concerns verbalized by Petersburg's community and discussed a possible solution to address those concerns. He introduced Mark Schinman, the KPI Project Manager, for a more in-depth report on the progress of the project.

The meeting recessed at 2:13 p.m. and resumed at 2:30 p.m.

7) Mark Schinman Presentation

Mr. Schinman presented a slide show on the KPI project. He provided an overview of the need for the intertie, funding, and progress-to-date noting a project management office had been established, an Environmental Impact Statement (EIS) was underway, and D.Hittle & Associates were updating a study they had prepared on the project in 2010. He discussed three different routing options offered in the EIS and the estimated construction costs for each option. He closed his report with a review of a schedule subject to U.S. Forest Service approval outlining the next steps to be taken for the project.

The meeting recessed at 3:01 p.m. and reconvened at 3:12 p.m.

8) Operations Manager/Director of Special Projects Reports

A. Operations Manager Report (Steve Henson)

Mr. Henson updated the Board on FERC activities, the Wrangell Reactor, Satellite Communications System, STI helipads, Argo use permit, annual maintenance, stabilization of the embankment at Tyee's Structure 76-1M, Tyee's dock replacement, and gatehouse generator projects. Mr. Henson presented a slideshow starting with a snow survey of the upper Tyee drainage that took place in May and reported there was significantly more snowpack this year than in 2010. He presented photos of the logjam at Tyee Lake the first week of May of this year showing that logs would have to be moved back at least 50 feet for the weir. He reported on the sole bid received after an RFP issued for the task, noting that because of the high cost it would not be considered. He explained that with little time left in this season's weather window to rebid the task, a local company proposed to take it on at a much lower cost and that Mr. Wolfe would provide more detail during his report.

Mr. Henson continued with slides on the helipads at Swan Lake, pole tops, broken structure brace bolts, deteriorating polymer insulators, an exposed cable in South Wrangell, failing dampers, a cracked insulator at North Vank, an issue with a guy wire, a failed guy anchor road at Tower 252, and a broken guy rod stub, and discussed remedies for the various failures.

The meeting recessed at 4:03 p.m. and reconvened at 4:15 p.m.

B. Director of Special Projects Report (Eric Wolfe, P.E.)

Mr. Wolfe opened with a slide show reporting on the proposal and vendor selection process for the Supervisory Control and Data Acquisition Project (SCADA), and reviewed the history leading up to a request for proposals to implement the project. He explained his request for the

Board's consideration of awarding a contract that excluded hardware, server redundancy, and no maintenance for five years for \$513,211 to Fiber Fusion Inc. and to Segrity, LLC for technical services, site project management, and installation oversight for \$116,000 for the project.

Mr. Wolfe advised that BAM, LLC presented a reasonable proposal for removal of the logjam at the Tyee Lake outlet and explained how they proposed to accomplish the project.

Mr. Wolfe reported that since filing of an Initial Consultation Document with FERC for the Swan Lake Expansion Project, that Tongass National Forest resource reports were needed for the draft environmental impact statement that would be submitted to the agencies for comment. He solicited the Board's consideration of a contract to Tetra Tech, Inc. to complete analysis work and site surveys for the project, and explained that an RFP would issue for a design-build contract for dam and intake modifications, and that a timber cruise of DNR lands and LiDAR flights to map vegetation around the reservoir would also be needed. He added that a portion of SEAPA's permitting and engineering costs, up to a maximum of \$578,000 would be reimbursed by grant funds.

Mr. Wolfe updated the Board on the Tyee Gate Controls Replacement Project and discussed Swan Lake maintenance. He noted that consultant, Morris Kepler, would need to conduct a final test and set of measurements to verify final dowel placement for the turbine guide bearing, described various issues needing resolution at the plant. He advised that a request for bids may issue in July-August for piping modification design and construction for the Tyee cooling water conversion and anticipated the best three proposals would be identified in early July for the hydrosite evaluation project for an award of a contract, with the goal to have engineers and technicians in the field by August or September. He reported that SEAPA intended to respond to those respondents who submitted letters of intent to SEAPA's request for offers of power and energy.

The meeting recessed at 5:12 p.m. on June 25, 2013.

JUNE 26, 2013

Chairman Sivertsen called the meeting to order at 8:25 a.m. and requested a roll call. All directors were present with the exception of Joe Nelson and Clay Hammer. Mr. Ashton joined the meeting telephonically.

Chairman Sivertsen advised there would be changes to the Agenda under New Business noting Item J was already added for a discussion on the Tongass Land Management Plan, Item K regarding award of a contract to BAM, LLC for removal of the logjam at Tyee, and Item L for sole-sourcing the purchase of SCADA hardware.

Mr. Wolfe continued his report opening with a slide show reviewing water management and forecasting. He discussed how water had been managed this past winter and provided an overview of changes that may be suggested at SEAPA's August Board meeting to SEAPA's Operations Plan, explaining a diesel protocol may be introduced that is a different way to burn diesel, optimize water, and limit risk for Wrangell and Petersburg. In reviewing the process of a policy shift away from the culture that has been in place, he explained that if diesel is going to be minimized, then water needs to be optimized and that the purpose for changes that will be suggested are to make a difference in diesel consumption.

9) Project Reports

Mr. Donato distributed an update of activities at the Swan Lake plant highlighting safety training that occurred during May and June included MSDS, cranes, signaling, slings, rigging, lead and asbestos awareness, job hazard analysis and substation entry for non-qualified electrical workers and discussed outages, compliance, maintenance, new projects and procurement requests for the facility.

Mr. Nichols distributed a report on behalf of the Tye plant covering the budget, personnel, training, line clearing, and other miscellaneous items. He reported an additional employee completed CPR training and noted all Tye employees were now certified and trained in CPR. He would like to get two of the employees trained as first responders. He outlined activities of the line clearing crew and expressed appreciation for their work. He reported there were still no leads on who may have shot out the insulators on one of the main power delivery towers on Wrangell's backchannel.

10) Old Business

Although there was much discussion on diesel protocol, including consideration of a committee appointed by the Board to study the issue, a recommendation that the issue not move forward, and discussion of the differences between economic dispatch of diesel and diesel protocol to offset the cost of diesel to the member utilities, there was no overall consensus other than to get additional information for later discussions.

Discussions on SEAPA's operations and maintenance organization review culminated in a show of hands by Mr. Coose, Chairman Sivertsen, and Mr. Jensen directing Mr. Acteson to meet with the TBPA Commission to pursue negotiations and settlement of operations and maintenance contract issues for the Board's consideration.

No action was taken after Mr. Bergeron expressed his opinion that the motion on alternates making and seconding motions be rescinded, other than a consensus that discussion on the topic can be deferred until a later meeting and voted on at that time.

The meeting recessed at 10:07 a.m. and reconvened at 10:22 a.m.

11) New Business

Mr. Bergeron moved to adopt Resolution 2013-49 declaring an official intent to reimburse capital expenditures made by SEAPA in connection with the Swan Lake Reservoir Expansion Project from the proceeds of future borrowing. Mr. Jensen seconded the motion. The motion carried unanimously. (Action 13-221)

Mr. Bergeron moved to authorize staff to enter into a contract with Futaris Inc. for an estimated amount not-to-exceed \$154,000.00 for the Satellite Communications Upgrade Project. Mr. Jensen seconded the motion. The motion carried unanimously. (Action 13-222)

Mr. Coose moved to authorize staff to enter into a contract with Tetra Tech, Inc. for an amount not-to-exceed \$89,453.00 for analysis work and limited site surveys for the Swan Lake Reservoir Expansion Project. Mr. Bergeron seconded the motion. The motion carried unanimously. (Action 13-223)

Mr. Bergeron moved to authorize staff to enter into a contract with Fiber Fusion, Inc. for an amount not-to-exceed \$513,211.00 for the SCADA Upgrade and Integration Project. Mr. Jensen seconded the motion. The motion carried unanimously. (Action 13-224)

Mr. Bergeron moved to authorize staff to enter into a contract with Segrity, LLC for an amount not-to-exceed \$116,000.00 for site project management and installation oversight for the SCADA Upgrade and Integration Project. Mr. Jensen seconded the motion. The motion carried unanimously. (Action 13-225)

Mr. Jensen moved to authorize staff to enter into a contract with Ray Matiashowski, d/b/a Ray Matiashowski and Associates for an amount not-to-exceed \$48,000 for FY14 lobbying services. Mr. Coose seconded the motion. The motion carried unanimously. (Action 13-226)

Mr. Coose discussed the Tongass Land Management Plan (TLMP) explaining that it is a five-year review that provides the U.S. Forest Service with guidance on how to manage the forest service for a period of time spanning 10 to 15 years. Every five years the Forest Service solicits public comment on the plan. He suggested some key changes from SEAPA's standpoint and recommended that SEAPA staff prepare a letter to the Forest Service with recommendations specifically addressing SEAPA's concerns. Mr. Bergeron, Mr. Coose, and Mr. Jensen raised their hands in support of giving staff direction to move forward with a letter.

Chairman Sivertsen moved to authorize staff to enter into a contract with BAM, LLC for an amount not-to-exceed \$157,500.00 for the log removal for the Tyee Lake Stream Gage Installation Project. Mr. Coose seconded the motion. The motion carried unanimously. (Action 13-227)

Chairman Sivertsen moved to authorize staff to issue a purchase order for hardware for the SCADA Upgrade and Integration Project for an amount not-to-exceed \$140,000.00. Mr. Coose seconded the motion. The motion carried unanimously. (Action 13-228)

Next Meeting Date(s):

The next Board meeting was set for August 27, 2013 in Ketchikan. Mr. Acteson advised the Board that a special Board meeting would also need to be held on July 17, 2013 for award of the insurance broker contract. There were no objections.

Future Agenda Items:

Mr. Donato requested that discussions relating to Ketchikan maintaining SCADA control at Swan be kept on the agenda. Mr. Acteson advised that it would be on the agenda in December to give Mr. Donato time to bring solutions to the Board so specific issues can be addressed more directly with backup data to provide the Board enough information to work toward a resolution.

Chairman Sivertsen requested that the Whitman true-up also remain on the agenda for future discussion pending agreement between SEAPA and the City of Ketchikan, how that will integrate into the system, and what the true-up will result in as it will require Board approval. It was the consensus that Joe Nelson, a northern community member, be a part of the Whitman true-up negotiations.

Mr. Acteson provided a summary of SEAPA's Fiscal Year 2014 budget.

Mr. Jensen moved to approve the Southeast Alaska Power Agency Fiscal Year 2014 Budget in the amount of \$7,745,096. Mr. Coose seconded the motion. Chairman Sivertsen directed the Board through the budget as presented in the Board packet. **Mr. Jensen, Chairman Sivertsen, Mr. Bergeron and Mr. Coose voted in favor of the motion. Mr. Ashton was not available to vote. The motion carried with four votes in favor. (Action 13-229)**

Mr. Jensen moved to approve the Wind Energy Feasibility Project in the amount of \$75,000. Mr. Coose seconded the motion. Chairman Sivertsen, Mr. Bergeron, Mr. Coose and Mr. Jensen voted in favor of the motion. Mr. Ashton was not available to vote. The motion carried with four votes in favor. (Action 13-230)

Mr. Coose moved to approve the new FY14 R&R Projects numbered 14-1, 14-2, 14-3, 14-4, 14-5, 14-6, 14-7, 14-8, 14-9, 14-10, 14-11, 14-12 and 14-13 totaling \$1,642,400.00. Mr. Jensen seconded the motion. Mr. Bergeron, Chairman Sivertsen, Mr. Jensen, and Mr. Coose voted in favor of the motion. Mr. Ashton was not available to vote. The motion carried with four votes in favor. (Action 13-231)

Mr. Coose moved to approve FY14 expenditures in the amount of \$1,590,400 for the new FY14 approved R&R projects. Mr. Jensen seconded the motion. Mr. Coose, Mr. Jensen, Chairman Sivertsen, and Mr. Bergeron voted in favor of the motion. Mr. Ashton was not available to vote. The motion carried with four votes in favor. (Action 13-232)

Mr. Jensen moved to approve the FY14 expenditures in the amount of \$7,353,938 for previously-approved R&R projects. Mr. Coose seconded the motion. Mr. Coose, Mr. Jensen, Chairman Sivertsen, and Mr. Bergeron voted in favor of the motion. Mr. Ashton was not available to vote. The motion carried with four votes in favor. (Action 13-233)

12) Director Comments

Mr. Donato applauded SEAPA for its numerous initiatives and voiced KPU's availability to assist in those endeavors.

Chairman Sivertsen expressed his appreciation for an improvement in cooperation between the communities and SEAPA, and noted the cooperative effort it will take for funding SEAPA's larger projects.

13) Adjourn

Mr. Jensen moved to adjourn the meeting. Mr. Coose seconded the motion. There was no opposition to the motion. The meeting adjourned at 12:45 p.m.