

Southeast Alaska Power Agency

Update of Renewals and Replacement (R&R) Plan

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Overview

- Background of R&R requirements and funding
- Methodology of analysis
- Summary of projected R&R expenses
- Estimated payments to R&R Fund
- Self-Insured Risk fund

Background

- Future R&R expenditures were estimated prior to divestiture
 - State's obligation to fund future R&R expenses factored into Four Dam Pool purchase price
 - Net present value of estimated future R&R costs reduced purchase price
- State Loan provisions required establishment of 5R Fund to provide a reserve fund and establish means to assure FDPPA had monies available to fund R&R costs
- 5R Fund provisions were retained in the Indenture of Trust with FDPPA bond issuance in 2004
- First R&R Plan report was prepared in January 2002
- Updated R&R Plan report was provided in January 2007

Methodology

- Long-term renewals and replacement expenditures
 - Define major components and systems of SEAPA facilities
 - Estimate typical service life
 - Estimate replacement cost
 - Evaluate current condition
 - Establish schedule of replacements for all components
 - Develop 30-year projection of estimated replacement costs
 - Apply estimated inflation to current dollar costs
- Near-term renewals and replacement expenditures
 - SEAPA budgeted costs
 - Dryden & LaRue list of near-term replacement items

Analysis

- Combine near-term and long term estimated costs
- Determine annual payments needed to fund these costs over time
 - Payments deposited to the R&R Fund
 - Interest earnings accrue to the fund
- Estimate balance in R&R Fund over time
 - Balance at end of FY 2012 at \$17.4 million
 - Includes Self Insurance Reserve, Dedicated R&R Project Fund and Minimum R&R balance
 - Minimum balance should not drop much below the Self Insurance Reserve amount

Total Estimated Long-Term R&R Expenses

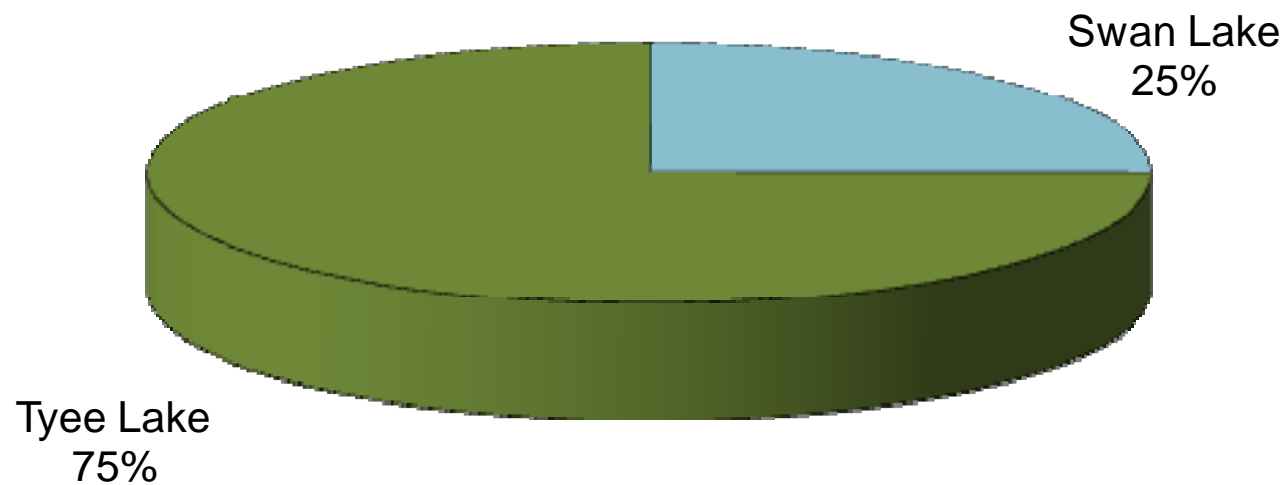
30 Years 2013-2042

(2012 \$000)

	Swan Lake	Tyee Lake	Total
Generation Facilities	\$ 13,636	\$ 12,653	\$ 26,289
Transmission Facilities	13,158	66,620	79,778
Rolling Stock	337	1,861	2,198
Total	\$ 27,131	\$ 81,134	\$ 108,265

Total Estimated Long-Term R&R Expenses

30 Years (2013-2042)



Near-Term R&R Costs

- Based on SEAPA budget
- Includes, among other costs:
 - \$3.4 million for helicopter pads
 - \$2.6 million for Wrangell reactor
 - \$1.5 million for Tyee stream gauge
 - \$13.2 million for Swan Lake reservoir expansion

	2013	2014	2015	2016
R&R Expense Job Costs	\$ 504,506	\$ 145,000	\$ 145,000	\$ 145,000
Work in Process R&R Capital Projects	2,040,851	6,331,721	2,007,000	-
Future R&R Capital Projects	<u>575,000</u>	<u>1,929,000</u>	<u>5,385,000</u>	<u>7,404,448</u>
Total	\$ 3,120,357	\$ 8,405,721	\$ 7,537,000	\$ 7,549,448

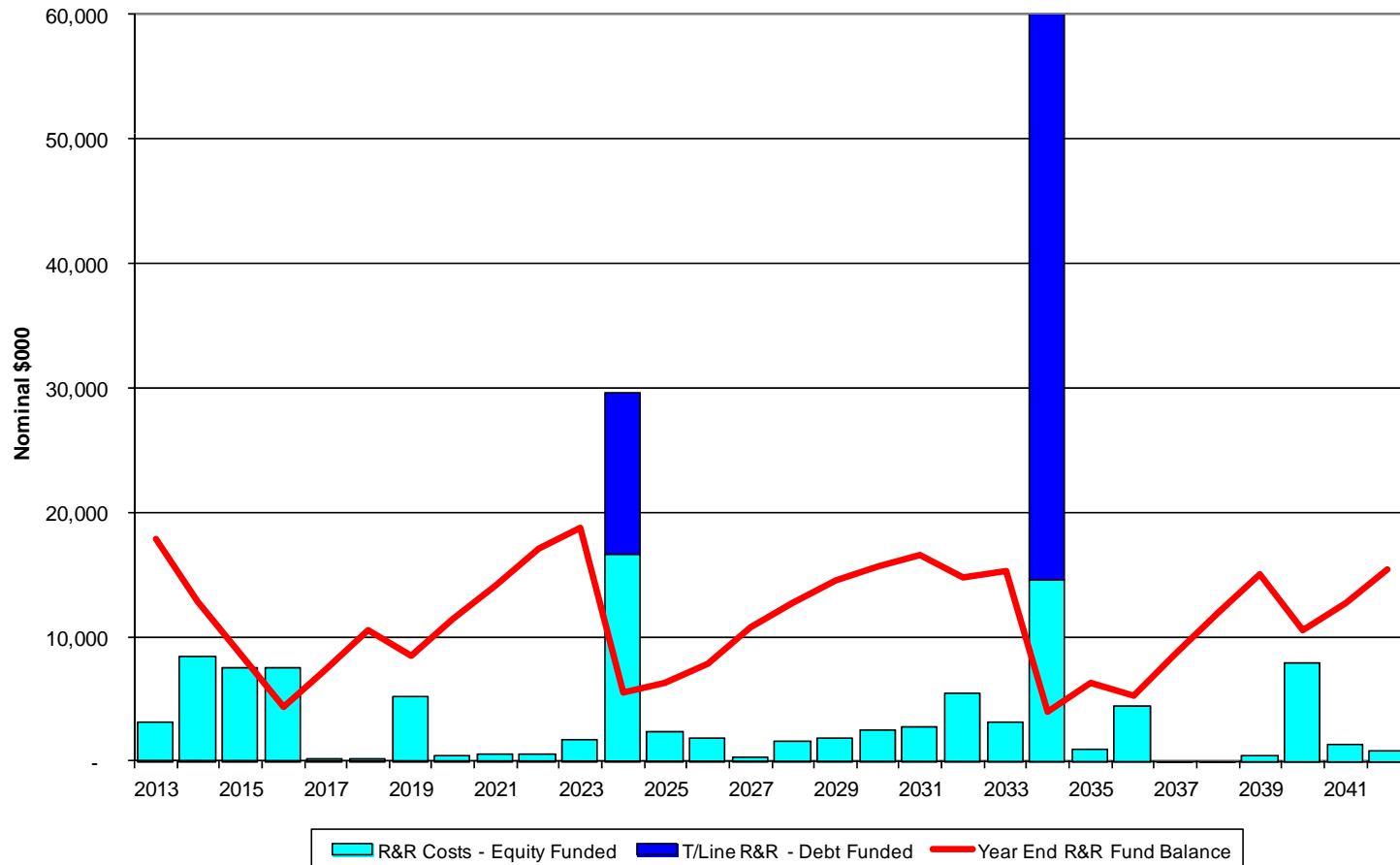
Necessary Payments

- Amount needed annually to build up fund to pay costs when they come due
- Assumes major transmission replacement projects to be debt funded (\$13 million in 2024, \$101 million in 2034)
- Keep minimum fund balance at about \$10 million

Fiscal Years 2013 through 2022	\$ 3,073,000
Fiscal Years 2022 through 2027	\$ 3,073,000
Fiscal Years 2028 through 2032	\$ 3,273,000
Fiscal Years 2033 through 2042	\$ 3,173,000

Estimated R&R Fund Balance

**Projected Annual R&R Expenditures and R&R Reserve Balance
Assuming Major T-Line R&R Funded with Debt and \$17.4 Million Initial Balance**



Self Insured Risk Fund

- Provides funding for uninsured risks
 - Transmission lines
 - Submarine cables
- Covers insurance deductibles
- Emergency repairs
- Should it cover more?
- Minimum balance currently set at \$10 million
 - Largest single loss contingency estimated at \$7.8 million
 - Total deductible for major earthquake damage