



SOUTHEAST ALASKA POWER AGENCY

Minutes of Regular Meeting

June 10, 2015

Best Western Sunny Point Ball Room
Ketchikan, Alaska

(An audio recording of this meeting is available on SEAPA's website at www.seapahydro.org)

1) Call to Order

- A. *Roll Call.* Chairman Jensen called the meeting to order at 9:00 a.m. AKDT on June 10, 2015. The following directors and alternates were present, thus establishing a quorum of the board:

Director	Alternate	Representing	
Lew Williams	Bill Rotecki	Swan Lake	Ketchikan
Judy Zenge	Andy Donato	Swan Lake	Ketchikan
Matt Olsen	Charles Freeman	Swan Lake	Ketchikan
Joe Nelson	John Jensen	Tyee Lake	Petersburg
*	Clay Hammer	Tyee Lake	Wrangell

*It is noted that although Director, Stephen Prysunka, was not available for the meeting, he called in for a brief period during the Persons to be Heard portion of the meeting.

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

Trey Acteson, Chief Executive Officer	Eric Wolfe, Director of Special Projects
Ed Schofield, Power System Specialist	Steve Henson, Operations Manager
Sharon Thompson, Executive Assistant	Kay Key, Controller
Joel Paisner, Ascent Law Partners, LLC	Lisa Maddocks, Administrative Assistant

- B. *Communications/Lay on the Table* – None.

- C. *Disclosure of Conflicts of Interest* – Mr. Williams reported a conflict of interest in his capacity as a board member and ownership interest in the Ketchikan Daily News as the Agency had paid invoices from the Ketchikan Daily News.

2) Approval of the Agenda

> Motion	M/S (Williams/Hammer) to approve the Agenda as presented. Motion approved unanimously by polled vote.	Action 15-414
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- 3) **Persons to be Heard** – (1) Gage Tree Services Representative
(2) Stephen Prysunka

4) Review and Approve Minutes

> Motion	M/S (Williams/Olsen) to approve the Minutes of the Regular Meeting of March 25-26, 2015 and Special Meeting of May 15, 2015. Motion approved unanimously by polled vote.	Action 15-415
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5) Financial Reports

- (A) Mr. Acteson reported that revenues through May 2015 were below budget, that staff's processing of seven major RFP's would rapidly accelerate R&R spending during the upcoming construction season, and that the sale of SEAPA's Series 2015 Electric Revenue Improvement and Refunding Bonds on May 6, 2015 was successful.

> Motion	M/S (Williams/Hammer) to approve the financial statements for the months of February, March, and April 2015. Motion approved unanimously by polled vote.	Action 15-416
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> Motion	M/S (Williams/Olsen) to approve disbursements for the months of March, April, and May 2015 in the amount of \$1,993,912.08. Motion approved unanimously by polled vote.	Action 15-417
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6) CEO Report

Mr. Acteson explained the benefits of SEAPA's access to the Alaska Municipal Bond Bank, and voiced concerns over House Bill 78, the Alaska Competitive Energy Act of 2015 which attempts to force RCA regulatory oversight on SEAPA. He reported that he was able to meet with Senator Murkowski, Congressman Young, and Senator Sullivan during a trip to Washington, DC for the National Hydro Association's Annual Conference. Mr. Acteson advised he supported the Southern Southeast Aquaculture Association's (SSRAA) placement of pens near SEAPA's Swan Lake facility to resume release of King Salmon in upper Carroll Inlet, authorized mooring at the Swan Lake Dock for SSRAA's skiff, and authorized a base for the individuals tending the pens for approximately six weeks to show SEAPA's support of healthy fisheries. Mr. Acteson advised that Chris Barnett was hired as SEAPA's new Operator/Electrician at Tyee and that SEAPA was currently recruiting for a summer engineering intern.

The meeting recessed at 9:49 a.m. and resumed at 9:56 a.m.

7) A. **Operations Manager Report (Steve Henson)** – Mr. Henson's provided updates on several of SEAPA's major contracts and projects, one of which was Mapcon. Mr. Acteson elaborated on the benefits of a new, user-friendly version of Mapcon currently on the market. A brief exchange followed and Mr. Henson advised that the plant crews will have an opportunity to review the new program prior to an upgrade of the current system and centralization into the SEAPA office. Mr. Henson reported on activities at the Tyee Lake plant advising that annual maintenance of the generation and transmission facilities have been ongoing for the past several weeks and that refurbishment of the turbine shutoff valve hydraulic controls for Unit 1 was progressing. Mr. Henson followed with a slide show on what the crews do on the transmission lines, the clearing taking place on Vank Island, problems caused by birds on the lines, and various problems on different tower structures and poles. He recommended that SEAPA start pole replacement at the 40-year mark.

B. **Director of Special Projects Report (Eric Wolfe, P.E.)** – Mr. Wolfe opened with slides of load forecasting efforts. He explained that if there is no load forecast, there is no forward future plan, and further expounded on the need for a load forecast. He advised that utilities need to plan for capacity issues, which generated further discussion on how the data would be acquired for SEAPA's forecasting effort. Mr. Wolfe provided an update on the Swan Lake Reservoir Expansion Project, advising that if the application for license amendment is granted by October, then construction would still be on schedule. He provided further updates on the Tyee Lake Turbine Spherical Valve Project and hydrosite analysis

accomplishments to date. He summarized the geothermal investigations that had taken place at Bell Island and provided an update on water management.

The meeting recessed at 11:39 a.m. and reconvened at 11:47 a.m.

C. **Power System Specialist Report (Ed Schofield)** – Mr. Schofield reported on the various FERC related activities that had transpired since the last meeting noting that staff would be submitting an updated Supporting Technical Information Document to FERC by July 31, 2015. He provided an update on the Tyee Bureau of Reclamation Facility Review, and reported a 208 50-amp circuit outlet had been installed in SEAPA’s server room to accommodate a new battery back-up system, and the corresponding need for a climate control system in the server room. He explained that proposals were solicited for the replacement of the Swan Lake Powerhouse roof, and that staff will seek approval for the design and purchase of Basler hardware for SEAPA’s Swan Lake Generator Exciter Replacement and that once a vendor is approved, staff will solicit proposals for the installation of new switchgear and the exciter as one project.

8. **Project Reports** – Mr. Donato provided a report on behalf of Swan Lake.

The meeting recessed at 12:17 p.m. for lunch and resumed at 1:17 p.m.

9) **New Business.**

A. *Appointment of SEAPA Representative on Alaska Power Association Board.*

➤ Motion	M/S (Williams/Hammer) to appoint Trey Acteson to serve as SEAPA’s representative on the Alaska Power Association’s Board of Directors for a three-year term commencing August 27, 2015. Motion approved unanimously by polled vote.	Action 15-418
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It is noted for the record that Item 9.F. (seeking approval of an award for the Swan Lake Medium Voltage Switchgear Generator Breaker Replacement Project) and Item 9.H. (seeking approval of an award for Phase II of the Swan-Tyee Intertie Helipad Project (Assembly & Installation)) were inadvertently heard out of order during this portion of the meeting.

B. *Swan Lake Medium Voltage Switchgear Generator Breaker Replacement Project*

➤ Motion	M/S (Williams/Zenge) to authorize staff to enter into a contract with Gexpro Corporation for SEAPA’s Swan Lake Medium Voltage Switchgear / Generator Breaker Replacement Project for the not-to-exceed value of \$480,278. Motion approved unanimously by polled vote.	Action 15-419
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C. *Phase II of Swan-Tyee Intertie Helipad Project (Assembly & Installation)*

➤ Motion	M/S (Williams/Hammer) to authorize staff to enter into a contract with BAM, LLC for Phase II of SEAPA’s Swan-Tyee Intertie Helipad Project (Assembly and Installation) for the not-to-exceed value of \$2,148,100. Motion approved unanimously by polled vote.	Action 15-420
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D. *Wrangell Switchyard Reactor Installation Project*

➤ Motion	M/S (Williams/Olsen) to authorize staff to enter into a contract with Electric Power Constructors, Inc. for the installation of two reactors in the Wrangell, Alaska Switchyard for SEAPA's Wrangell Switchyard Reactor Installation Project for the not-to-exceed value of \$218,259. Motion approved unanimously by polled vote.	Action 15-421
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E. *Swan Lake Transmission Line Helicopter Pad Repair Project*

➤ Motion	M/S (Williams/Olsen) to authorize staff to enter into a contract with Alaska Clearing, Inc. for SEAPA's Swan Lake Transmission Line Helicopter Pad Repair Project for the not-to-exceed value of \$100,000. Motion approved unanimously by polled vote.	Action 15-422
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F. *Swan Lake Transmission Line Brushing Project*

➤ Motion	M/S (Williams/Olsen) to authorize SEAPA staff to enter into a contract with Carlos Tree Service, Inc. for SEAPA's Swan Lake Transmission Line Brushing Project for the not-to-exceed value of \$203,000. Motion approved unanimously by polled vote.	Action 15-423
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G. *Swan Lake Reservoir Expansion Project (Engineering Services)*

➤ Motion	M/S (Williams/Hammer) to authorize staff to enter into a contract with McMillen LLC for engineering services for SEAPA's Swan Lake Reservoir Expansion Project for the not-to-exceed value of \$456,510. Motion approved unanimously by polled vote.	Action 15-424
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H. *Sole Source Award for Swan Lake Exciter Replacement Project*

➤ Motion	M/S (Williams/Hammer) to authorize staff to enter into a Purchase Order Contract with Basler Electric through its sales representative, DCS-Morgan, for the design and purchase of Basler Hardware for SEAPA's Swan Lake Exciter Replacement Project for the not-to-exceed value of \$283,558.06. Motion approved unanimously by polled vote.	Action 15-425
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I. *2016 Transmission Line Maintenance*

➤ Motion	M/S (Williams/Olsen) to authorize staff to exercise an option in writing and contract with Chatham Electric, Inc. to perform SEAPA's Annual Transmission Line Maintenance for Swan Lake, Tyee Lake, and the Swan-Tyee Intertie Transmission Lines for Calendar Year 2016 for the not-to-exceed value of \$524,910. The motion passed four to one with Mr. Olsen, Ms. Zenge, Mr. Williams, and Mr. Hammer voted in favor of the motion, and Mr. Nelson voted against the motion.	Action 15-426
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J. Increase to Hydropower Site Evaluation Contracts

> Motion	M/S (Williams/Olsen) to increase the not-to-exceed value of Hydropower Site Evaluation contracts with McMillen LLC by \$380,625 for a total not-to-exceed amount of \$2,080,625 and authorize staff to enter into such contracts to effect same. Motion approved unanimously by polled vote.	Action 15-427
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K. Suplus Equipment: Tyee Lake Boom Truck

> Motion	M/S (Williams/Olsen) that the red 1988 Boom Truck, VIN #1FDM F60H 4JVA 52335 Boom S/N 1705116 located at Tyee Lake be declared surplus equipment and sold to the highest bidder. Motion approved unanimously by polled vote.	Action 15-428
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L. SEAPA FY15 Audit Services

> Motion	M/S (Williams/Hammer) to authorize staff to enter into a contract with BDO USA, LLP for the value of \$26,000 for SEAPA's Fiscal Year 2015 financial audit. Motion approved unanimously by polled vote.	Action 15-429
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M. Presentation, consideration, and approval of SEAPA's Fiscal Year 2016 Budget

> Motion	M/S (Williams/Olsen) to approve the Southeast Alaska Power Agency Fiscal Year 2016 Operating Budget in the amount of \$7,352,228.	Action 15-430
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Following the motion, Mr. Acteson presented and discussed SEAPA's Fiscal Year 2016 budget. Discussions ensued following the introduction of the administrative expense, Budget Item #920000 on the suggested 2% increase for eligible SEAPA staff. The following motion was made following those discussions:

> Motion	M/S (Williams/Nelson) to eliminate the 2% increase for eligible SEAPA staff from the proposed FY16 Budget Item #920000. The motion failed four to one with Mr. Olsen, Mr. Nelson, Ms. Zenge, and Mr. Hammer voting against the motion, and Mr. Williams voting in favor of the motion.	Action 15-431
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> Motion	M/S (Olsen/Zenge) that the 2% increase for eligible SEAPA staff proposed in SEAPA's FY16 Budget Item #920000 be reduced from 2% to 1.5%. The motion passed four to one with Mr. Nelson, Ms. Zenge, Mr. Olsen and Mr. Hammer voting in favor of the motion, and Mr. Williams voting against the motion.	Action 15-432
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Mr. Acteson continued with explanation of each of the remainder of SEAPA's proposed budget line items. Following additional questions and discussions, the Chairman advised a friendly amendment would be made to the initial motion for approval of the FY16 budget to reflect the

change from 2% to 1.5% for the wage increase for eligible SEAPA staff. A roll call vote was taken on the following initial motion changed to reflect the friendly amendment as follows:

> Motion	M/S (Williams/Olsen) to approve the Southeast Alaska Power Agency Fiscal Year 2016 Operating Budget in the amount of \$7,352,228 is amended to reduce the budget by \$3,900 for an amended total of \$7,348,328, which reflects a change from a proposed 2% wage increase to 1.5% for eligible SEAPA staff. Motion approved unanimously by polled vote.	Action 15-430 Cont'd.
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The meeting recessed at 3:27 p.m. and reconvened at 3:48 p.m.

Mr. Acteson reviewed the current and new proposed Fiscal Year 2016 R&R Projects. Following the review and discussion, the following motions were made:

> Motion	M/S (Williams/Hammer) to approve the Swan Lake Reservoir Expansion FY2016 budget in the amount of \$3,697,143. Motion approved unanimously by polled vote.	Action 15-433
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> Motion	M/S (Williams/Nelson) to approve Current R&R Projects' FY2016 budget in the amount of \$6,621,999. Motion approved unanimously by polled vote.	Action 15-434
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> Motion	M/S (Williams/Hammer) to approve the Proposed FY2016 R&R Projects numbered 1601, 1602, 1603, 1604, 1605, 1606, 1607, 1608, and 1609 totaling \$1,544,541. Motion approved unanimously by polled vote.	Action 15-435
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> Motion	M/S (Hammer/Olsen) to approve the Wind Energy Project Feasibility FY2016 budget in the amount of \$71,921. The motion passed four to one with Mr. Olsen, Mr. Nelson, Ms. Zenge, and Mr. Hammer voting in favor of the motion, and Mr. Williams voting against the motion.	Action 15-436
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N. *FY16 Rebate*. Mr. Acteson distributed a SEAPA Fund Flow Chart for FY16 and a table explaining the estimate provided for a proposed rebate to the member utilities based on a three-year average from FY2015. Following an explanation of the flow chart and rebate estimate, and further discussion, the following motion was made:

> Motion	M/S (Williams/Olsen) to establish a rebate to the member utilities in the amount of \$1,500,000. Motion approved unanimously by polled vote.	Action 15-437
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O. *Wholesale Power Rate for 2016*. Mr. Acteson explained that the FY16 budget was premised on retaining the current wholesale power rate of 6.8 cents/kWh, which has remained constant for the past 17 years.

> Motion	M/S (Williams/Olsen) to approve setting SEAPA's wholesale power rate at 6.8 cents/kWh for Fiscal Year 2016. Following discussion of the pros and cons of lowering the wholesale power rate, it was determined that although this motion sets the rate at 6.8 cents/kWh for FY2016, that further discussion	Action 15-438
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regarding lowering the wholesale power rate be included on the agenda at SEAPA's next regular board meeting. Motion approved unanimously by polled vote.

P. *Executive Session*

➤ **Motion**

M/S (Hammer/Olsen) to recess into Executive Session to facilitate discussions relating to a request by AP&T for a Confidentiality and Non-Circumvention Agreement, and related matters. The Executive Session will be conducted pursuant to SEAPA's Bylaws, which are consistent with Alaska Statute 44.62.310 as the discussions will involve matters discussed with an attorney retained by the board, the immediate knowledge of which could have an adverse effect on the legal position of the Agency, the Projects, or any of the Member Utilities represented on the Board. Motion approved unanimously by polled vote.

Action
15-439

It is noted for the record that Mr. Williams left for the remainder of the meeting prior to the executive session.

The meeting recessed for the executive session at 5:03 p.m. and reconvened at 5:59 p.m.

No formal action was taken following the executive session.

Q. *Next Meeting Date*

After discussing various board members' schedules, the board reached a consensus on the following dates for regular meetings of the directors for the remainder of 2015:

September 23-24, 2015 (Petersburg)
December 9-10, 2015 (Ketchikan)

- 10) **Director Comments** – Directors provided brief comments.
- 11) **Adjourn**

Chairman Jensen adjourned the meeting at 6:07 p.m. AKDT.