



Minutes of Regular Meeting

December 12-13, 2018

Petersburg Assembly Chambers
Petersburg, Alaska

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

December 12, 2018

1) Call to Order

A. *Roll Call*

Chairman Prysunka called the meeting to order at 1:00 p.m. AKST on December 12, 2018. The following directors and alternates were present, thus establishing a quorum of the board:

Director	Alternate	Representing	
Karl Amylon	Andy Donato	Swan Lake	Ketchikan
	Bob Sivertsen	Swan Lake	Ketchikan
Bob Lynn		Tyee Lake	Petersburg
Stephen Prysunka		Tyee Lake	Wrangell
Lisa Von Bargaen		Tyee Lake	Wrangell

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

Trey Acteson, Chief Executive Officer	Clay Hammer, Operations Manager
Ed Schofield, Power System Specialist	Robert Siedman, Dir. of Eng & Tech Svc.
Kay Key, Controller	Sharon Thompson, Ex Asst/Cont Admin
Marcy Hornecker, Administrative Asst.	Joel Paisner, Ascent Law Partners, LLC

B. *Communications/Lay on the Table Item(s):* CEO Report

C. *Disclosure of Conflicts of Interest:* None.

2) Approval of the Agenda

➤ Motion	M/S (Lynn/Sivertsen) to approve the agenda as presented. Motion approved unanimously by polled vote.	Action 19-688
-----------------	---------------------------------------------------------------------------------------------------------	--------------------------

3) Proclamation Honoring Board Service: Chairman Prysunka read a Proclamation recognizing, thanking, and honoring board members John Jensen, Judy Zenge, and Clay Hammer, who will not be serving on the board in calendar year 2019, for their dedication of service and support of hydropower in Southeast Alaska.

4) Persons to be Heard: None.

5) Review and Approve Minutes

➤ Motion	M/S (Von Bargaen/Sivertsen) to approve the Minutes of the Regular Meeting of September 27, 2018. Motion approved unanimously by polled vote.	Action 19-689
-----------------	----------------------------------------------------------------------------------------------------------------------------------------------	------------------

6) Financial Reports

(A)-(H) Mr. Acteson reported that following SEAPA's rigorous efforts in response to a Standard and Poor's (S&P) review process, the Agency's financial position was categorized by S&P as stable and its credit rating upgraded from an "A-" to an "A". The Agency may also realize an average annual savings of \$65,450 when a refunding of the callable 2009 bonds are conducted in 2019 as a result of the efforts. Mr. Acteson recommended that the Agency proceed with a rebate distribution for FY18 but advised that rebates for FY19 were unlikely if cash flow is negatively impacted by drought conditions. He continued his report with an overview of the Agency's revenue and expenses and renewal and replacement expenditures.

➤ Motion	M/S (Von Bargaen/Lynn) to accept disbursements for September, October and November 2018 totaling \$1,920,159 and financial statements for August, September and October 2018. Following an overview by Mr. Acteson on the Agency's finances and discussion and fielding of various questions, the motion was unanimously approved by polled vote.	Action 19-690
-----------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

7) New Business

A. Executive Session

➤ Motion	M/S (Sivertsen/Von Bargaen) to move to recess into Executive Session to be conducted pursuant to SEAPA's Bylaws consistent with Alaska Statute 44.62.310 for the following matters: Agency's Union Contract Negotiations, which will include subjects the immediate knowledge of which would clearly have an adverse effect upon the Agency Projects; Hydrosite Analysis and RCA matters, which will clearly have an adverse effect on the finances of the Agency, and the Swan Lake Transition of Operations and Maintenance and CEO Annual Evaluation, both of which may include subjects that could tend to prejudice the reputation and character of an individual. Motion approved unanimously by polled vote.	Action 19-691
-----------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

The meeting recessed at 1:45 p.m. on December 12, 2018 for the executive session.

Chairman Prysunka gavelled into the meeting at 4:59 p.m. from the executive session and announced that the executive session would continue on December 13 at 9 a.m. He adjourned the meeting for the evening.

The meeting reconvened at 9:00 a.m. on December 13, 2018.

8) Call to Order

A. *Roll Call.*

Chairman Prysunka requested a roll call. A roll call was taken. The same board members who were available on December 12th were present and Director Jensen, who was unavailable on December 12, joined the meeting.

New Business under Item 7 of the Agenda continued with the Chairman's announcement that direction resulting from the executive session on December 12th includes direction for SEAPA's counsel to continue with the Agency's petition to the Regulatory Commission of Alaska (RCA) to discontinue a certificate of public convenience and necessity process submitted on behalf of the Thomas Bay Power Authority, and also includes the following motion:

➤ Motion	M/S (Sivertsen/Lynn) to authorize the Agency's CEO to enter into a Collective Bargaining Agreement (CBA) between the Southeast Alaska Power Agency and the IBEW Local 1547, which will be effective from July 1, 2018 through June 30, 2022 under the terms of the CBA presented to the Board for its consideration during an executive session at its December 12, 2018 regular board meeting. There was no discussion, and the motion was approved unanimously by polled vote.	Action 19-692
-----------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

Agenda Items 7B through 7H were not completed on December 12th due to the length of the executive session. Item 7E was advanced ahead of Items 7B through D to accommodate a pre-planned call-in by Joy Merriner of BDO USA, LLP, the firm conducting the Agency's FY18 financial audit.

7E. *Presentation and Acceptance of FY18 Audited Financials*

Joy Merriner joined the meeting telephonically to review the Agency's audited financial statements and answer questions from the board. She noted that SEAPA's accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and adequately described in the financial statements. She commended the Agency's Controller, Kay Key, management and staff on the positive results of the FY18 audit.

➤ Motion	M/S (Sivertsen/Von Bargaen) to accept the Southeast Alaska Power Agency Fiscal Year 2018 Audited Financial Statements as presented in the December 12-13, 2018 SEAPA Board packet. Motion approved unanimously by polled vote.	Action 19-693
-----------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

Chairman Prysunka announced that the meeting would recess and requested a motion to enter back into executive session to complete the business of an annual evaluation of the Agency's CEO.

➤ Motion	M/S (Sivertsen/Lynn) to recess into executive session to be conducted pursuant to SEAPA's Bylaws consistent with Alaska Statute 44.62.310 for the following matter: CEO Annual Evaluation which may include subjects that could tend to prejudice the reputation and character of an individual. Motion approved unanimously by polled vote.	Action 19-694
-----------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

The meeting recessed at 9:32 a.m. for the executive session and reconvened at 11:13 a.m. The Chairman gavelled back into the meeting to announce completion of the executive session and recessed the meeting for a brief break.

The meeting reconvened following the break. Chairman Prysunka announced that the meeting will continue under Item 7B of the Agenda.

7) New Business

B. Consideration and Approval of Roving Relief Operator for Hydroelectric Projects

➤ Motion	M/S (Sivertsen/Von Bargaen) to authorize the Agency's CEO to recruit and hire a full-time Roving Relief Operator to supplement manning at the Tye Lake and Swan Lake Hydroelectric Facilities. Motion approved unanimously by polled vote.	Action 19-695
-----------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

C. Consideration and Approval of Contract Award for Swan Lake and Tye Lake Fabric Covered Equipment Storage Building Packages Project

➤ Motion	M/S (Sivertsen/Lynn) to authorize staff to enter into a Purchase Order Contract with Legacy Building Solutions, Inc. for SEAPA's Swan Lake and Tye Lake Fabric Covered Equipment Storage Building Packages Project for the lump-sum bid amount of \$104,562, plus a 10% contingency of \$10,456 for the total not-to-exceed value of \$115,018 for the Project. Motion approved unanimously by polled vote.	Action 19-696
-----------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

D. Consideration and Approval of Increase to FY19 R&R Budget for Swan Lake Flashboard Gate Trigger Assembly

➤ Motion	M/S (Von Bargaen/Sivertsen) to increase the FY2019 R&R Budget by \$61,000 for Project RR19321 for the design, manufacture, and installation of a Flashboard Gate Trigger Assembly at Swan Lake. Motion approved unanimously by polled vote.	Action 19-697
-----------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

F.¹ Consideration of Staff Bonuses.

➤ Motion	M/S (Sivertsen/Von Bargaen) to authorize SEAPA's CEO to issue staff bonuses not to exceed the total amount of \$7,500 payable on or before December 31, 2018. Motion approved unanimously by polled vote.	Action 19-698
-----------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

¹ Agenda Item 7E was completed earlier in the Agenda.

G. *Consideration and Approval of Distribution of Rebate to Member Utilities.*

> Motion	M/S (Lynn/Von Barga) to authorize the distribution of an \$800,000 rebate with a pro rata share to each Member Utility based on an average of the last three years' firm kWh purchases from SEAPA as specified in the FY18 Rebate Memo dated December 5, 2018. Motion approved unanimously by polled vote.	Action 19-699
--------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------

H. *Consideration and Approval of SEAPA's Operations Plan for 2019.*

> Motion	M/S (Prysunka/Sivertsen) to approve the 2019 Operations Plan as presented in the December 12-13, 2019 Board packet.	Action 19-700
--------------------	---------------------------------------------------------------------------------------------------------------------	--------------------------

Mr. Acteson opened discussion on the Agency's 2019 Operations Plan (Ops Plan) explaining how SEAPA uses the guidelines of the plans approved annually by the board and noted the unique challenges faced by SEAPA and its member communities by the drought conditions in 2018.

Mr. Siedman queued up a Power Point presentation of the 2019 Ops Plan. He explained in detail how the Agency develops the plan, the conservative approach anticipated for 2019, and modeling for both the Swan Lake and Tyee Lake inflows. He announced that the 2019 Ops Plan proposes a draft elevation of 275 at Swan Lake and 1260 at Tyee Lake. He discussed integration of supplemental diesel into SEAPA's system and fielded questions from the board. Following a question on what would happen to Tyee's curve if more water was used from Tyee to save water in Swan, Mr. Siedman responded by reviewing the history of the guide curves from 1999 to 2015, and how the lakes operated before and after the Swan-Tyee Intertie (STI) was energized in 2009. He noted that prior to the STI, both Swan and Tyee spilled every year and after the STI, it was important to draw down the water for maximum optimization of the lakes and minimal impact to the communities in the months with less inflow. He summarized that the water could be shifted one way or the other at the risk of spilling or not maximizing utilization.

Concerns were expressed about holding water in reserve to cover for possible diesel failures and at the same time providing SEAPA with enough latitude to be able to work with the communities within the confines of the Power Sales Agreement. Mr. Siedman explained that the Agency wants to work with the communities by going to the board approved draft limit, then curtail based on the Power Sales Agreement, governing documents, and the Agency's understanding of how best to execute the documents to maximize the lake and reduce risk.

Following much discussion, Mr. Amylon summarized Ketchikan's concerns with its diesels and expressed reservations about a 275' draft limit for Swan Lake. He proposed a more conservative approach on Ketchikan's behalf by moving to increase Swan Lake's draft limit to 280.

> Motion	M/S (Amylon/Sivertsen) to amend SEAPA's 2019 Operations Plan to move the draft limit for Swan Lake from 275 to 280. Motion approved unanimously by polled vote.	Action 19-701
--------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------

Mr. Prysunka opened discussion on Tyee Lake's draft levels expressing concerns about damage to the system with low lake levels because of high turbidity and low visibility in the shaft which became evident during the ROV inspection. He asked whether zero visibility was a function of the project or a function of low lake levels. Mr. Schofield explained that there is glacial silt that may be 100' deep and that low lake levels were causing the silt, which is a very fine mica, to stay suspended in the water. He advised that the turbidity does not harm the equipment.

Mr. Acteson discussed the modeling presented by Mr. Siedman, the efforts and data involved in developing the models, and the Agency's reasoning in determining Tyee's draft limit and efforts to manage the levels. Chairman Prysunka concurred with Mr. Acteson's reasoning as long as Wrangell's internal systems for generation are fully functional recognizing that the communities must evaluate their internal capacities to deliver power because SEAPA can't always guarantee that it can send power. He cautioned the board that the Agency is in a very unique situation as demonstrated by the drought conditions.

Mr. Lynn expressed Petersburg's concerns under the circumstances as well and the Chair expressed the importance of good communication between the communities and SEAPA.

Chairman Prysunka requested a poll vote on the main motion, as amended, to increase the draft limit at Swan from 275 to 280 and the Tyee Lake draft at 1260. The motion was approved unanimously.

The meeting recessed at 12:54 pm for a brief lunch and reconvened at 1:04 pm.

9) CEO Report

Mr. Acteson provided a brief summary of his activities as a committee member of the Governor's Citizen's Advisory Committee representing utility interests across the state to draft options for a State-specific Alaska Roadless Rule. He provided updates on public relations, insurance policy placements, the Swan Lake O&M transition, and best practices and process improvements. He discussed the recruitment and training that may be necessary for the Swan Lake transition and advised that the Agency's temporary brushing technician had been terminated for the winter.

10) Staff Reports

A. Operations Manager's Report (Hammer)

Mr. Hammer advised that the Agency solicited quotes from qualified engineering firms to submit a quote on alternative routes for Tyee road access routes to tidewater. He provided brief updates and comments on several other Agency projects currently in process and referred the board to his report in the board packet for additional information on each project.

B. Power System Specialist Report (Schofield)

Mr. Schofield discussed the Tyee Lake Intake Gate removal, inspection, and re-installation following the ROV survey of the Tyee power tunnel. He advised that the gate will be removed again next spring to complete identified repairs. Mr. Schofield provided updates on the Swan Lake Wastewater Treatment System Modifications Project and the Swan Lake Reservoir Access Ladder Extension Project. He presented a Power Point on an abnormal condition that was discovered during a scheduled preventative maintenance exercise that was conducted for the Swan Lake Flash Board Gate. He explained that the abnormal condition was corrected by SEAPA staff and that design engineers were in the process of determining the cause and how to prevent a reoccurrence.

C. Director of Engineering and Technical Services.

Mr. Siedman provided a brief report on his Swan Lake projects which include the satellite at Swan, Rittmeyer Flow Meters, Governor Pressure System(s), Distribution Valve Controller and Manifold, Station Service Switchgear, Tye Lake Level Remote RF-Modem, and a landslide that occurred on the STI. He advised that the landslide occurred on November 14th in the Neets Bay area causing a 400Amp phase-to-phase fault. He explained that there was minimal impact to the system and that the Agency's annual transmission line maintenance contractor conducted emergency repairs. The contractor found that no poles were damaged, although one pole was leaning and became upright after debris was removed from the guy wires that were under tension. A new guy wire was installed and following an inspection of the line, the STI was returned to service on November 18th.

11) Calendar Year 2019 Meeting Dates

There were no objections to the proposed calendar year 2019 meeting dates.

12) Director Comments

Directors provided brief comments.

13) Adjourn

Chairman Prysunka adjourned the meeting at 2:00 p.m.