



SOUTHEAST ALASKA POWER AGENCY

Minutes of Regular Meeting

December 10, 2015

The Best Western Landing Hotel
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 9:20 a.m. AKST on December 10, 2015. The following directors and alternates were present, thus establishing a quorum of the board:

<u>Director</u>	<u>Alternate</u>	<u>Representing</u>	
Judy Zenge*	Bill Rotecki	Swan Lake	Ketchikan
	Andy Donato	Swan Lake	Ketchikan
	Charles Freeman	Swan Lake	Ketchikan
Joe Nelson	John Jensen	Tyee Lake	Petersburg
	Clay Hammer	Tyee Lake	Wrangell

*Ms. Zenge joined the meeting at 9:24 a.m.

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

Trey Acteson, Chief Executive Officer
Ed Schofield, Power System Specialist
Sharon Thompson, Executive Assistant
Joel Paisner, Ascent Law Partners, LLC

Eric Wolfe, Director of Special Projects
Steve Henson, Operations Manager
Kay Key, Controller
Lisa Maddocks, Administrative Assistant

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

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

2) Approval of the Agenda

➤ Motion	M/S (Freeman/Hammer) to approve the agenda as presented. Motion approved unanimously by polled vote.	Action 16-465
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➤ Motion	M/S (Freeman/Nelson) to amend the Agenda to add Item 'J' regarding a discussion on the Roadless Rule. Motion approved unanimously by polled vote.	Action 16-466
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3) **Persons to be Heard** – None.

4) **Review and Approve Minutes**

➤ Motion	M/S (Hammer/Rotecki) to approve the Minutes of the Regular Meeting of September 14-15, 2015. Motion approved unanimously by polled vote.	Action 16-467
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➤ Motion	M/S (Hammer/Rotecki) to approve the Minutes of the Special Meeting of November 3, 2015. Motion approved unanimously by polled vote.	Action 16-468
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5) Financial Reports

(A)-(H) Mr. Acteson reported that SEAPA's financial position remains strong. He reviewed current revenue and expenses, renewal and replacement projects, the annual audit, and discussed the FY2015 rebate to the member utilities.

➤ Motion	M/S (Hammer/Zenge) to approve the financial statements for the months of August, September, and October 2015. Motion approved unanimously by polled vote.	Action 16-469
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➤ Motion	M/S (Rotecki/Hammer) to approve disbursements for the months of September, October, and November 2015 in the amount of \$3,545,759.59. Motion approved unanimously by polled vote.	Action 16-470
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➤ Motion	M/S (Zenge/Hammer) to approve the Southeast Alaska Power Agency Fiscal Year 2015 Audited Financial Statements as presented. Following a report by Joy Merriner, CPA, of BDO on the Fiscal Year 2015 audit, the motion was approved unanimously by polled vote.	Action 16-471
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The meeting recessed at 10:19 a.m. and reconvened at 10:42 a.m.

6) CEO Report

Mr. Acteson reported that SEAPA had submitted previous comments to the USDA Forest Service's Proposed Amended Land and Resource Management Plan and Draft Environmental Impact Statement (DEIS) for the Tongass National Forest. The comments focused on facilitation of the enhancement, processes, and cost savings of renewable energy development opportunities in the Tongass. The Amendment and DEIS are being reviewed to determine whether additional comments may be merited. He also reported on the advancement of proposed Independent Power Producer (IPP) legislation filed with the RCA, which he advised is important to monitor to maintain SEAPA's current exempt status.

Mr. Acteson provided an update of a feasibility study of the geothermal potential at Bell Island, and advised that no further action would be taken after weighing the risk/reward profile of initiating further investigation. After being apprised of an endorsement that would cause a significant increase in premium for SEAPA's third-party aviation premises liability insurance, he advised that the issue would be revisited in the spring of 2016 during a review of SEAPA's insurance program.

7) Staff Reports

A. **Operations Manager Report (Steve Henson)** – Mr. Henson provided updates on several of SEAPA's major contracts and projects, including the Wrangell Reactor, Wrangell Switchyard Circuit Switcher, Satellite Communications System, Swan-Tyee Intertie Helipads, Marine Terminal Gage Replacement and SEAPA's Communications Upgrade. He advised that ATV's may be permitted for use along the Tyee transmission line right-of-way next season pending a public review of the final Environmental Assessment of their use in that area. He reported on the various training programs that plant personnel will be attending and that SEAPA had joined the Red Vector Group which provides online access to over 900 courses in safety and craft skills training. Mr. Henson also provided updates on activities at Tyee Lake and Swan Lake.

The meeting recessed at 11:31 a.m. for projector set up, and reconvened at 11:40 a.m.

B. **Director of Special Projects Report (Eric Wolfe, P.E.)** – Mr. Wolfe opened with a Power Point presentation on SEAPA's load forecasting efforts. He reviewed several charts and graphs on loads and deliveries and explained why the effort is necessary and its importance in planning. Mr. Wolfe provided an update on SEAPA's Alarm Control Protection and Tyee Cooling Water Modification Projects noting that with better control and protection, an increase in energy and capacity effectiveness will be realized. He reported on SEAPA's Swan Lake Reservoir Expansion Project advising that a contract with Kuenz America, Inc. had been successfully negotiated for a flashboard design-build effort, and that he will seek board approval for award of a contract for the design and fabrication of a Fixed Wheel Gate. He noted that a Request for Proposals for construction is also underway with the goal of starting construction in April 2016 and commissioning of the flashboards by mid-September. He provided an update on the Tyee Spherical Valve Controls Project and discussed water management.

The meeting recessed at 12:04 p.m. for lunch and reconvened at 1:10 p.m.

C. **Power System Specialist Report (Ed Schofield)** – Mr. Schofield reported that although the Swan Lake Powerhouse Roof Project was completed on September 25, 2015 on time and on budget, a minor leak was discovered, which is being monitored by the roofing contractor. The Contractor provided a two-year warranty and the roofing manufacturer provided a 20-year warranty. He advised that he expected shipment of a skid mounted heat exchanger cooling equipment the first week of December for SEAPA's Swan Lake Lower Turbine Guide Bearing Cooling Project, and that Basler Exciter Gear and Cabinetry was being manufactured and may be shipped the first week of December. He reported that the General Electric main generator switchgear and cabinetry were also being manufactured and should ship the end of February 2016. Mr. Schofield discussed various Federal Power Act and FERC requirements under FERC's Order amending the Swan Lake license for the Swan Lake Reservoir Expansion Project. He reported that two Genie Boom Lifts were purchased for Tyee and Swan Lake and that on-line and site training had been provided for equipment operators. He also reported that the Bureau of Reclamation's PRO&M Team is scheduled to provide a review of the Tyee Lake Hydroelectric Facility from March 6-12, 2016.

8) New Business.

A. *Bylaws.* Mr. Paisner explained that since the meeting approving changes to the Agency's Bylaws that some non-substantive and minor changes to the Bylaws were discovered, and needed board approval. A draft of the changes to the Bylaws was provided to each director by email and at the meeting. A minor correction not reflected on the distributed draft regarding Article I, Section 1.6 of the Bylaws to correct an internal reference from 6(b) to 6(c) to that section was discussed.

> Motion M/S (Hammer/Zenge) to approve the minor and non-substantive changes to SEAPA's Bylaws, as presented in the draft provided to the board of directors at the December 10, 2015 meeting in its entirety. A friendly amendment was introduced to the motion by Mr. Rotecki to correct an internal reference in Section 1.6 of the Bylaws from Section 6(b) to 6(c). The motion was approved unanimously by polled vote.

Action 16-472

B. Resolution No. 2016-02: Document Retention Policy

> Motion M/S (Hammer/Zenge) to approve Resolution No. 2016-062 adopting a Document Retention Policy for record retention and disposal of SEAPA's records. Motion approved unanimously by polled vote.

Action 16-473

C. SEAPA 2016 Operations Plan

> Motion M/S (Hammer/Freeman) to approve the following for SEAPA's 2016 Operations Plan:

Action #1: The Swan Lake draft and fill schedule will be guided by the values of Table 'X' below.

Action #2: Tabled until the next regular board meeting.

Action #3: For 2016, SEAPA staff should utilize the guide points curve included below as Table 'Z' as a basis for maximum draw-down levels at the Tye Lake Reservoir.

Action 16-474

Table X		Table Y – KPU Hydro Reduction							Table Z	
Date	SWL El. (ft)		LL	LL	HL	HL		Date	TYL El. (ft)	
			MW	Hrs.	MW	Hrs.	MWh			
12/01/15	323							12/01/15	1370	
01/01/16	305	May	2	8	2	16	720	12/31/15	1350	
01/29/16	290	June	3	8	3	16	2160	01/30/16	1320	
03/24/16	275	July	2	8	1.5	16	1240	02/29/16	1300	
05/08/16	285	Aug.	2	8	1.5	16	1240	04/29/16	1270	
05/23/16	302	Sept.	3	8	2	16	1680	06/08/16	1300	
06/23/16	312.5						7040	07/08/16	1350	
		Total								
07/24/16	312.5	LL – light load hours (10 p.m. to 6 a.m.)							08/07/16	1355
09/02/16	312.5	HL – heavy load hours (6 a.m. to 10 p.m.)							09/06/16	1360
10/13/16	327								10/06/16	1380
11/13/16	335								11/05/16	1390
12/08/16	330								12/05/16	1370

The motion was approved unanimously by polled vote.

D. *Swan Lake Reservoir Expansion Project (Fixed Wheel Gate)*

<p>➤ Motion</p>	<p>M/S (Hammer/Freeman) to authorize staff to enter into a contract with Kuenz America, Inc. for SEAPA's Swan Lake Reservoir Expansion Project (Fixed Wheel Gate) for the value of \$689,379. Mr. Freeman introduced a friendly amendment to the motion to add "not to exceed" value of \$689,379. Mr. Hammer seconded the amendment. Motion approved unanimously by polled vote.</p>	<p>Action 16-475</p>
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E. *Volunteer Maintenance Agreement for U.S. Forest Service Cabins*

<p>➤ Motion</p>	<p>M/S (Hammer/Freeman) to authorize staff to enter into a Volunteer Maintenance Agreement with the U.S. Department of Agriculture Ranger Districts in Ketchikan, Wrangell, and Petersburg for the following public use recreational cabins: (1) cabin located at Eagle Lake near Wrangell, (2) cabin located at the mouth of the Harding River near Wrangell, (3) cabin located at Reflection Lake near Ketchikan, and (4) cabin located at Swan Lake above Thomas Bay near Petersburg. The Agreement will be effective for a three-year term with an option to renew annually thereafter until otherwise terminated. Motion approved unanimously by polled vote.</p>	<p>Action 16-476</p>
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F. *SSRAA Memorandum of Understanding*

<p>➤ Motion</p>	<p>M/S (Rotecki/Zenge) to authorize staff to enter into a Memorandum of Understanding with the Southern Southeast Regional Aquaculture Association (SSRAA) which identifies SEAPA's support services and the operational expectations of SSRAA and SEAPA during SSRAA's Chinook rearing season. The motion passed 4 to 1, with Mr. Hammer, Mr. Freeman, Ms. Zenge and Mr. Rotecki voting in favor of the motion, and Mr. Nelson voting against the motion.</p>	<p>Action 16-477</p>
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G. *Bell Island Geothermal Investigation*

<p>➤ Motion</p>	<p>M/S (Hammer/Zenge) that no further action be taken following conclusion of an investigation of the Bell Island geothermal resource. Motion approved unanimously by polled vote.</p>	<p>Action 16-478</p>
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H. *FY2015 Rebate to Member Communities*

<p>➤ Motion</p>	<p>M/S (Hammer/Zenge) to authorize the distribution of a \$1,500,000 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 Mr. Acteson's rebate memo dated December 2, 2015. Motion approved unanimously by polled vote.</p>	<p>Action 16-479</p>
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- I. *Discussion Re: Roadless Rule*¹. Mr. Paisner advised that SEAPA agreed to participate as amicus to support a challenge at the United States Supreme Court by the State of Alaska regarding the Roadless Rule². SEAPA has joined a group of timber interests in support of the State. The case originated in the Alaska Federal District where the Village of Kake successfully challenged the Tongass exemption, that had allowed the Tongass Forest to operate under separate rules. He explained that SEAPA has a vital interest in the management of the Tongass because application of the Roadless Rule to the Tongass adversely affects SEAPA's ability to generate affordable renewable hydroelectric power in rural Southeast Alaska. Mr. Paisner outlined the next steps in the litigation explaining that the US Government will have to reply in mid-January, and then we will have to wait and see if the US Supreme Court will hear the case by the end of their term, which is in June 2016.
- J. *2016 Meeting Dates*. The board had no objections to the following dates for regular meetings of the directors in 2016:

February 11-12, 2016 (Wrangell)
April 28, 2016 (Ketchikan)
June 8-9, 2016 (Petersburg)
August 25, 2016 (Ketchikan)
October 12-13, 2016 (Wrangell)
December 14, 2016 (Ketchikan)

9) **Director Comments** – Directors provided brief comments.

10) **Adjourn**

Chairman Jensen adjourned the meeting at 3:08 p.m. AKST.

¹ This New Business Item was designated as Item 'J' in the Amendment to the Agenda for a discussion on the Roadless Rule. Since it was heard in the Agenda before New Business Item 'I', it was renumbered accordingly.

² The 2001 Roadless Rule established prohibitions on road construction, road reconstruction, and timber harvesting on 58.5 million acres of inventoried roadless areas on the National Forest System lands.