



**SOUTHEAST ALASKA POWER AGENCY**

**Minutes of Regular Meeting**

November 13-14, 2014

Petersburg Borough Chambers  
Petersburg, Alaska

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

**1) Call to Order**

A. *Roll Call.* Chairman Sivertsen called the meeting to order at 12:30 p.m. AKST on November 13, 2014. The following directors and alternates were present, thus establishing a quorum of the board:

Director	Alternate	Representing	
Bob Sivertsen	Andy Donato	Swan Lake	Ketchikan
		Swan Lake	Ketchikan
Joe Nelson		Tyee Lake	Petersburg
Brian Ashton	Clay Hammer	Tyee Lake	Wrangell
	Don McConachie	Tyee Lake	Wrangell

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
Kay Key, Controller	Sharon Thompson, Executive Assistant
Joel Paisner, Ascent Law Partners	

B. *Communications* - none.

C. *Disclosure of Conflicts of Interest* - none.

**2) Approval of the Agenda**

<b>➤ Motion</b>	M/S (Nelson/Hammer) to approve the Agenda, as amended, to add Item H regarding renewal of a lease for a five-year term between SEAPA and the Ketchikan Gateway Borough under New Business. Motion approved unanimously by polled vote.	<b>Action 15-357</b>
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3) **Persons to be Heard** – None.

**4) Review and Approve Minutes**

<b>➤ Motion</b>	M/S (McConachie/Hammer) to approve the Minutes of the Regular Meeting of September 3, 2014 and Special Meeting of September 23, 2014. Motion approved unanimously by polled vote.	<b>Action 15-358</b>
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## 5) Financial Reports

(A-G) Mr. Acteson provided an overview of the Agency's finances, and advised that Joy Merriner, BDO Assurance Director, would be calling in to the meeting to review the independent audit report resulting from BDO's audit of SEAPA during the week of October 20, 2014.

<b>➤ Motion</b>	M/S (McConachie/Ashton) to approve Financial Statements for the months of July, August, and September 2014. Motion approved unanimously by polled vote.	Action 15-359
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### (H) Disbursement Approvals

<b>➤ Motion</b>	M/S (Ashton/Sivertsen) to approve Disbursements for the months of August, September, and October 2014 in the amount of \$2,712,716.37. Motion approved unanimously by polled vote.	Action 15-360
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Chairman Sivertsen advised that since there was time before Ms. Merriner called in on the audit results, that the Swan Lake report would be advanced in the Agenda. Mr. Donato provided an update on the activities at Swan Lake.

The meeting recessed at 1:45 p.m. and reconvened at 2:00 p.m.

Chairman Sivertsen requested a motion on the Agency's 2014 Audited Financial Statements as presented in advance of Ms. Merriner's report on the audit.

<b>➤ Motion</b>	M/S (Sivertsen/McConachie) to approve the Southeast Alaska Power Agency Fiscal Year 2014 Audited Financial Statements as presented. No vote was taken on the motion prior to Joy Merriner's report on the audit.	Action 15-361
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Ms. Merriner joined the meeting telephonically and discussed the results of BDO's audit of SEAPA's FY 2014 financial statements. She noted that the audit included a State of Alaska single audit since SEAPA had enough grant expenditures to require the additional audit, which required a lot of additional testing on the Agency's internal controls. She continued with a discussion and overview of the Agency's financial position and review of the financial statements. She reported there were no significant issues, deficiencies, or material weaknesses identified during the audit. She recommended that before the FY14 audited financial statements are finalized, that the grants receivable be reported separately from the accounts receivable because accounts receivable appears higher than it actually is when they are reported together. After reviewing the remainder of the financial statements and covering the highlights, she commended Ms. Key for doing a good job on the books throughout the fiscal year.

<b>➤ Motion</b>	Following Ms. Merriner's presentation, the motion moved by Mr. Sivertsen and seconded by Mr. McConachie to approve the Southeast Alaska Power Agency Draft Fiscal Year 2014 Audited Financial Statements, as presented, was amended to authorize staff to revise the Draft Fiscal Year 2014 Audited Financial Statements to report grants receivable separate from accounts receivable and with that revision, the Fiscal Year 2014 Audited Financial Statements was approved unanimously by polled vote.	Action 15-361 cont.
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6) **CEO Report**

Mr. Acteson reported on draft Senate legislation that could impact SEAPA, grant funding requests that had been submitted to the State for a wind resource assessment and the Swan Lake Reservoir Expansion Project, recent changes at the Federal level, an update on the policies and procedures changes in process, and a valuation that had been done on the Tyee and Swan Lake projects. He provided an overview on meetings he attended, which included an Alaska Power Association annual meeting, Southeast Conference, and an energy summit in Sitka. He reported that the Whitman True-up Agreement had been finalized and signed by all parties, and presented an update on the Kake-Petersburg Intertie project, and advised that SEAPA was currently recruiting for four vacant positions.

The meeting recessed at 10:37 a.m. and reconvened at 10:58 a.m.

7) **A. Operations Manager Report (Steve Henson)** – Mr. Wolfe reported on behalf of Mr. Henson, who was unable to attend the meeting due to a family emergency. Mr. Wolfe provided a brief overview on the Wrangell Reactor, Satellite Communications System, STI Helipads, the Wrangell Circuit Switcher, status of the permitting effort required for ATV use on the Tyee Transmission line, and the Swan Lake Power House Roof and Water Tank projects. He advised that first aid training would be provided to Tyee employees and that action would be deferred on the sloughing bank behind the storage building at Swan Lake until equipment and manpower become available during construction of the Swan Lake pool raise project. He closed with an update of annual maintenance performed on the Swan-Tyee Intertie by Chatham Electric and that an attempt to inspect the fine trash rack inside the gate shaft was unsuccessful since the remotely operated underwater vehicle being utilized for the inspection was too big to get past the platforms and gate.

**B. Director of Special Projects Report (Eric Wolfe, P.E.)** – Mr. Wolfe provided a slide show and discussed SCADA and ongoing communication issues; he advised that the Swan Lake reservoir expansion is still on schedule and provided updates on the Tyee Lake cooling water conversion and turbine shutoff valve projects, the next six months of hydrosite analysis, and explained that the Tyee outlet had significant leakage around and under the new weir.

The meeting recessed at 4:06 p.m. and reconvened at 4:16 p.m.

Mr. Wolfe continued his report with slides on resource planning and discussed a Request for Proposals that had issued for load forecasting and demand side management. He reported that Swan Lake spilled through the month of October 2014, and that Tyee, Ketchikan Lakes, and Whitman were also spilling providing more hydro resources than load. He explained that the effort in December would focus on carrying the full reservoirs into the winter and noted that the system had changed with Whitman being commissioned over the fall months. He added that SEAPA was working with KPU to use Whitman so the most efficient use of Swan Lake is emphasized.

8. **Executive Session Re Results of Agency's Request for Offers of Power and Energy and Project Development Strategy.**

<p>➤ <b>Motion</b></p>	<p>M/S (Sivertsen/Donato) to recess into Executive Session to facilitate discussions relating to results of SEAPA's request for offers of power and energy and the Agency's project development strategy. 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, the immediate knowledge of which, would clearly have an adverse impact upon the finances of the Agency, the Projects, or any of the Member Utilities represented on the Board. Motion approved unanimously by polled vote.</p>	<p><b>Action</b> 15-362</p>
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The meeting recessed at 4:45 p.m. for the Executive Session and reconvened at 6:25 p.m. in regular session. The Chairman reported that a motion would be brought forward as Item I under New Business as a result of discussions during the Executive Session.

The meeting recessed at 6:27 p.m. on November 13, 2014 and reconvened at 8:00 a.m. on November 14, 2014.

**9. Call to Order**

Chairman Sivertsen requested a roll call. The same directors and alternates present during the November 13, 2014 portion of the meeting were present for the November 14, 2014 portion of the meeting, thus establishing a quorum of the board.

**10. Project Reports**

Chairman Sivertsen noted that the Swan Lake Project Report had been reported during the previous day's portion of the meeting and that there was no one available to give the Tyee Report. Mr. Wolfe noted that most of the activities at Tyee were already noted in the report provided in the board packet.

**11. Old Business.**

- A. *Consideration of KPU Request for Reimbursement of Diesel Generation* – Mr. Donato reviewed his request for reimbursement of diesel that was initially presented for consideration at the September 3, 2014 board meeting. Considerable discussion followed on the diesel protocol issue.

<b>&gt; Motion</b>	M/S (McConachie/Sivertsen) that SEAPA is not responsible for diesel costs incurred by utilities whether caused by human or annual outages. Following additional discussion, there was no vote on the motion as an amendment to the motion was proposed.	<b>Action 15-363</b>
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<b>&gt; Motion</b>	M/S (McConachie/Sivertsen) As consistent with the Power Sales Agreement, SEAPA is not responsible for diesel costs incurred by utilities whether caused by human error, or otherwise. The motion failed 3-2 with Mr. Nelson, Mr. Donato, and Mr. Ashton voting against the motion and Mr. Sivertsen and Mr. McConachie voting in favor of the motion.	<b>Action 15-364</b>
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<b>&gt; Motion</b>	M/S (Nelson/Donato) to reimburse Ketchikan Public Utilities for their diesel cost per Mr. Donato's request. The motion failed 4-1 with Mr. Nelson, Mr. Sivertsen, Mr. Ashton, and Mr. McConachie voting against the motion and Mr. Donato voting in favor of the motion.	<b>Action 15-365</b>
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Considerable discussion followed on the importance of safety at the plants with the consensus of the board that staff would present the status of its safety programs at the next board meeting.

12. **New Business**

A. *Resolution No. 2015-056 for Authorization for Filing of Special Use Permit from the USFS for Portion of Power Line located on National Forest Land Re Kake-Petersburg Intertie*

<p>➤ <b>Motion</b></p>	<p>M/S (McConachie/Sivertsen) to adopt Resolution No. 2015-056 authorizing SEAPA's Chief Executive Officer to sign and file an Application for Transportation and Utility Systems and Facilities on Federal Lands for a Special Use Permit with the U.S. Forest Service for the portion of a proposed power line that would be located on National Forest System lands for the Kake-Petersburg Intertie Project and further authorizing the Chief Executive Officer to enter into a cost recovery agreement with the USDA, Forest Service, Tongass National Forest, to facilitate the continuation of the Kake-Petersburg Intertie Project review process. Motion approved unanimously by polled vote.</p>	<p>Action 15-366</p>
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B. *Turbine Spherical Valve Controls Refurbishment Project*

<p>➤ <b>Motion</b></p>	<p>M/S (McConachie/Donato) to authorize staff to enter into a contract with HDR Alaska, Inc. for the not-to-exceed value of \$75,000 for the engineering review, design, installation oversight, commissioning, and project documentation for the refurbishment of turbine spherical valve (TSV) controls for SEAPA's Tyee Lake Hydroelectric Facility, and noted that this is the first Task Order. Motion approved unanimously by polled vote.</p>	<p>Action 15-367</p>
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The meeting recessed at 9:07 a.m. and reconvened at 9:19 a.m.

C. *Load Forecasting and Demand Side Management Project* – Mr. Wolfe explained that proposals had been received on a Request for Proposal for SEAPA's Load Forecasting and Demand Side Management Project, and that one of the two bids received exceeded the \$125,000 budgeted in FY15 for the project. He requested an increase of \$25,000 in the budget to cover the additional cost to contract with the vendor he recommended for award.

<p>➤ <b>Motion</b></p>	<p>M/S (McConachie/Sivertsen) to increase SEAPA's Fiscal Year 2015 budget by \$25,000 for the Load Forecasting and Demand Side Management Project. The motion failed 3-2 with Mr. Ashton, Mr. Nelson, and Mr. Donato voting no, and Mr. McConachie and Mr. Sivertsen voting yes.</p>	<p>Action 15-368</p>
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Following the failed motion, the Chairman requested direction from the board on how they would like to proceed with regard to the project.

<p>➤ <b>Motion</b></p>	<p>M/S (McConachie/Donato) to authorize staff to enter into a contract with Commonwealth for the not-to-exceed value of \$97,100 for SEAPA's System Loading, Forecasting and Demand Side Management Project. The motion failed 3-2 with Mr. Nelson, Mr. Donato, and Mr. Ashton voting no, and Mr. McConachie and Mr. Sivertsen voting yes.</p>	<p>Action 15-369</p>
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Following the failed motion, Mr. Acteson requested direction from the board, since the project was an approved budget item, on how they would like staff to proceed. The board requested that their comments on the project be considered by staff for re-presentation of the project.

*D. Sole Source Contract to Morris Kepler Consulting, LLC*

<b>➤ Motion</b>	M/S (McConachie/Sivertsen) to authorize staff to enter into contracts with Morris Kepler Consulting, LLC for the Swan Lake Cooling Water Piping Modifications Project for the not-to-exceed value of \$28,200 and the Swan Lake Turbine Guide Bearings Heat Exchanger, Procurement, Installation, and Testing Project for the not-to-exceed value of \$26,700. Motion approved unanimously by polled vote.	<b>Action 15-370</b>
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*E. Rebate to Member Utilities*

<b>➤ Motion</b>	M/S (Ashton/Donato) to authorize the distributions of an \$864,590 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 November 3, 2014. Motion approved unanimously by polled vote.	<b>Action 15-371</b>
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*F. Proposed 2015 Meeting Dates* – there were no changes to the suggested meeting dates provided in the board packet.

Item 12.G (Executive Session) in the Agenda was moved forward to Item 12.I to discuss two motions regarding SEAPA's office lease and geothermal prior to the executive session.

*G. Ketchikan Gateway Borough/SEAPA Office Space Lease*

<b>➤ Motion</b>	M/S (Sivertsen/Donato) that the lease between SEAPA and the Ketchikan Gateway Borough entered into on February 28, 2012, is set to automatically renew for a five-year term by its terms. Pursuant to SEAPA's Bylaws, it is moved to approve the lease renewal for a five-year term from January 15, 2015 to January 15, 2020. Motion approved unanimously by polled vote.	<b>Action 15-372</b>
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*H. Geothermal*

<b>➤ Motion</b>	M/S (Ashton/Donato) to increase SEAPA's Fiscal Year 2015 budget by \$70,000 for Phase I - Geotechnical feasibility and further move to authorize staff to solicit a vendor or vendors for the Phase I work and enter into a contract with the vendor or vendors to be selected by staff for the work. Motion approved unanimously by polled vote.	<b>Action 15-373</b>
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*I. Executive Session Re Avoided Cost Request, Legal Strategy Re Intervenors in Agency's Application before FERC for Non-Capacity Amendment for its Swan Lake Project, and SEAPA CEO Annual Review.*

<b>&gt; Motion</b>	M/S (Donato/McConachie) to recess into Executive Session to facilitate discussions relating to an avoided cost request, and legal strategy regarding intervenors in the Agency's application before the Federal Energy Regulatory Commission for a non-capacity amendment for its Swan Lake Hydroelectric Project, and to conduct a review of the Agency's Chief Executive Officer. 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, the immediate knowledge of which, would clearly have an adverse impact upon the finances of the Agency, the Projects, or any of the Member Utilities represented on the Board, and the discussions may include a person or subject that may tend to prejudice the reputation or character of a person. Motion approved unanimously by polled vote.	<b>Action 15-374</b>
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The meeting recessed at 10:15 a.m. for the Executive Session and reconvened at 1:15 p.m. in regular session. The Chairman advised that topics were discussed during the Executive Session and that there will be suggested motions as a result of those discussions:

<b>&gt; Motion</b>	M/S (Ashton/McConachie) to increase SEAPA's Fiscal Year 2015 budget by \$40,000 for avoided cost modeling and related expenses for required responses to FERC and further authorize staff to enter into a contract with the Financial Engineering Company for avoided cost modeling for the not-to-exceed value of \$30,000 from the \$40,000 increase. Motion approved unanimously by polled vote.	<b>Action 15-375</b>
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<b>&gt; Motion</b>	M/S (Ashton/Donato) to authorize an increase of \$55,000 to SEAPA's Fiscal Year 2015 budget for legal expenses related to the Swan Lake non-capacity license amendment intervention by the City of Saxman, Alaska Power & Telephone and Cape Fox Corporation, and further authorize staff to enter into a contract with the Van Ness Feldman, LLP firm for the required responses to the intervention and avoided cost issues for the not-to-exceed value of \$35,000 from the \$55,000 increase. Motion approved unanimously by polled vote.	<b>Action 15-376</b>
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<b>&gt; Motion</b>	M/S (McConachie/Nelson) that as a result of the Executive Session the board has discussed the review of SEAPA's CEO related to his compensation issues and his contract and the board directs counsel to develop a contract for the Agency's CEO and grant the Agency's Chair the authority to execute the contract consistent with the direction of the SEAPA Board. Motion approved unanimously by polled vote.	<b>Action 15-377</b>
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13) **Director Comments** – Directors provided brief comments.

**14) Adjourn**

Chairman Sivertsen adjourned the meeting at 1:25 p.m. AKST.