

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting
October 15 & 16, 2013

The Nolan Center | Wrangell, Alaska

1) Call to Order/Roll Call

Chairman Sivertsen called the meeting to order at 10:00 a.m. AKDT on October 15, 2013, which was held at The Nolan Center, in Wrangell, Alaska.

Roll Call

The following directors and alternates were present, thus establishing a quorum of the board:

Director	Alternate	Representing
Bob Sivertsen	Andy Donato	Swan Lake – Ketchikan
Dick Coose	Jay Rhodes	Swan Lake – Ketchikan
	Charles Freeman	Swan Lake - Ketchikan
Joe Nelson		Tyee Lake – Petersburg
Brian Ashton	Clay Hammer	Tyee Lake – Wrangell

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

Trey Acteson	Chief Executive Officer, SEAPA
Eric Wolfe	Director of Special Projects, SEAPA
Steve Henson	Operations Manager, SEAPA
Kay Key	Controller, SEAPA
Sharon Thompson	Executive Assistant, SEAPA
Joel Paisner	Attorney, AterWynne

Chairman Sivertsen requested disclosure of any conflicts of interest. None were stated.

2) Approval of the Agenda

Mr. Coose moved to approve the agenda. Mr. Freeman seconded the motion. There were no objections to the motion. (Action 14-257)

3) Persons to be Heard

Bob Maxand expressed his appreciation for the information published in SEAPA's Community Flyer.

4) Review and Approve Minutes

Mr. Freeman moved to approve the minutes of the Regular Meeting of August 27, 2013 and the Special Meeting of September 16, 2013. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 14-258).

5) Financial Reports

Mr. Coose moved to approve Financial Statements for the months of July and August 2013. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 14-259)

Mr. Coose moved to approve Disbursements for the months of August and September 2013 in the amount of \$1,787,765.96 Mr. Freeman seconded the motion. The motion carried unanimously. (Action 14-260)

6) CEO Report

Mr. Acteson relayed the ongoing efforts by staff to continue with the Swan Lake Expansion Project, advising that the City of Ketchikan and the Ketchikan Gateway Borough voted the project as their number one community priority for consideration in the Governor's budget. He explained that as a multi-prong approach to finance the project, staff would also pursue funding through a direct legislative appropriation and Round VII of the AEA's Renewable Energy Fund Grant Program for the maximum amount available. Mr. Nelson expressed his disappointment that with the large amount of money in the AEA's Renewable Energy Fund Grant Program, and despite SEAPA having collaborated with the AEA in the project development stage of the Kake-Petersburg Intertie (KPI) to get it construction ready, the AEA has not committed funding for the next energy project in Southeast despite the intent agreed to in a Memorandum of Understanding between SEAPA, the AEA, and the Inside Passage Electric Cooperative. Mr. Acteson advised that SEAPA is reimbursed from grant funds for the KPI project. Chairman Sivertsen reiterated that the project has moved forward with the understanding by the State that it cannot affect or impact SEAPA's ratepayers.

Mr. Acteson reported that interest in starting up a Utility Manager's Forum was expressed during his attendance at the Southeast Conference annual meeting held in September in Sitka. The forum would serve the purpose of improving responses to outages by having mutual aid agreements in place between the utilities to provide resources or dispatch crews for emergencies. He also attended Alaska Power Association's (APA) annual meeting and a National Hydropower Association (NHA) meeting in Girdwood. During the APA meeting, he was apprised of several lawsuits in northern Alaska dealing with Independent Power Producers (IPP) and their attempt to integrate into existing grids while trying to shift the risk of project development onto existing utilities and their ratepayers. He advised that SEAPA needs to be aware of how legislation currently in the works to standardize how this occurs in Alaska may impact the Agency. Mr. Acteson broached the Board on hosting APA's annual meeting in Ketchikan during 2015 and explained that he may formalize a request to host the convention at a future board meeting pending some additional research.

During the NHA conference, he was surprised to learn they had not taken a position on the roadless rule issue. After becoming aware of that, he requested that they take an official position and expressed optimism that an official position statement would result from his request. Mr. Paisner provided an update on the status of the litigation advising that the original lawsuit SEAPA was involved in was dismissed by the District Court due to an administrative type decision which the State is appealing. Rather than join the appeal, SEAPA was asked to join as amicus in the Court of Appeals in Washington, D.C., which is more cost effective. He advised that the brief due in December would be prepared by his firm on a reduced fee basis.

The meeting recessed at 12:00 p.m. and reconvened at 12:13 p.m.

Mr. Acteson explained that as a part of his commitment to best practices and process improvement, SEAPA's 2005 Policies and Procedures Handbook is being reviewed for updates, Winston Tan will be available at the next SEAPA board meeting to present a structured compensation plan, and that a risk assessment from SEAPA's insurance brokers on the Swan and Tyee hydro facilities showed no significant new findings, which reaffirmed the facilities were being appropriately maintained and risk factors mitigated. He announced that SEAPA hired Rachel Guyselman as an Administrative Assistant and that a short list had been developed for the engineering position, although advertising was still underway for additional applicants.

Mr. Acteson provided an update on a trip to Wrangell for discussions on TBPA's O&M contract. He participated in a joint work session with the northern member community representatives and provided them with an update of recent SEAPA activities and introduced a new community flyer he prepared to help facilitate better communications. He also discussed specific items he presented in an August memo to the TBPA President on TBPA issues and presented possible solutions. Following that, Petersburg's Mayor advised the issue would be brought before their assembly for a vote on TBPA's future. Mr. Acteson directed the board to a resolution provided as an attachment in his CEO report in the board packet that was unanimously adopted by Petersburg's Assembly. He further advised that the Wrangell Assembly discussed the issue in a meeting in September as well with no definitive result other than to give direction to their interim city manager to draft questions and acquire appropriate legal counsel to advise them on the matter.

Mr. Acteson expressed concern about the considerable misinformation given during public comment at Wrangell's September Assembly meeting and advised he sent a memo to Wrangell's Mayor clarifying several issues and providing factual information so informed decisions could be considered. Mr. Acteson recited two questions the Wrangell Assembly agreed they would seek legal clarification on after their discussion at an October 8th meeting. He described a similar experience with the challenges of misinformation provided to the Ketchikan City Council by way of an unsolicited letter they received to which he also responded with factual information. SEAPA Board Members from both respective communities provided further information and clarification on the circumstances.

Julie Decker, a Wrangell Assembly Member, asked the Board's patience with that governing body, explaining that it is her personal goal to communicate, discuss, work out solutions, and build bridges in a long-term effort to promote cooperation in the region and expressed optimism that legal counsel would clarify questions the Assembly has on TBPA issues. Chairman Sivertsen requested that the SEAPA board and staff introduce themselves to members of the audience at the meeting. Audience members reciprocated the introductions. After introductions were made, Mr. Acteson continued his report noting that SEAPA strongly supports KPU's desire to integrate the Whitman project into the regional generation and expressed optimism that a true-up agreement could be reached between the parties for the Board's consideration at a future meeting.

The meeting recessed for lunch at 12:54 p.m. and reconvened at 2:03 p.m.

7) A. Operations Manager Report (Steve Henson)

Mr. Henson provided updates on his various projects including the Wrangell reactor. He advised that EPS is moving forward with the civil design on that project and should be providing a more definitive schedule for the balance of the work, that the satellite communications dish should arrive the end of October, and that installation between the SEAPA office and Swan Lake is scheduled to take place towards the end of November. He announced that the Forest Service issued the permit for the helipads, and that bids were solicited for installation of two prototypes. The solicitation resulted in five proposals. He recommended the board consider awarding the contract to the low bidder, who also had taken the time and expense to investigate the sites before submitting a proposal. He advised that Structure 76-1M bank stabilization was complete, the generator is in at the Tyee Gatehouse and the

gate controls are 95% complete. He accepted the new Tyee excavator after it passed inspection and discussed the roller compactor. He advised that Tyler Rental was interested in buying, selling, or trading the surplused John Deere 310 Backhoe and 1988 D-4 Caterpillar currently at Tyee in exchange for a roller compactor. Only one bid had been received on the compactor and it was well over the budget. Mr. Henson solicited the board's direction on the manner of disposal of the equipment and whether to pursue a trade for the compactor. Discussion followed on whether the loader could be used in Ketchikan to transport helipad equipment in the future.

Chairman Sivertsen requested a show of hands in favor of directing Mr. Henson to sell the 1988 D-4 Caterpillar so the funds could be used toward a compactor, and bringing the John Deere 310 Backhoe to Ketchikan to be utilized for hauling helipad equipment or other needs as necessary. Mr. Freeman, Mr. Coose, and Mr. Nelson all raised their hands in support of Mr. Henson proceeding with that direction.

Mr. Henson advised that new dock piling zincs had been purchased and installed at Swan Lake after it was discovered during an inspection that they were not functioning, and that new zincs would also be put on the dock pilings at Tyee. He reported that two bids received for a landing craft at Swan Lake were much higher than what was budgeted. He explained that a smaller vessel had initially been anticipated when the budget was drafted, but as the purposes for the intended use of the vessel were discussed, a larger vessel was solicited in the bid process resulting in the high bids. Mr. Henson stated he had not pursued the used boat market and Mr. Acteson advised staff would pursue further options.

Mr. Henson reported that the breaker racking devices for Swan and Tyee had been received and delivered to their respective areas. Discussion followed on whether SEAPA requires its contractors to comply with arc flash standards. Mr. Donato advised that there is an arc flash standard at Swan Lake and that adequate arc flash quality and protection has been deployed. Mr. Henson explained that it is different at Tyee as they de-energize the buss and that the crew has flame retardant clothing available to wear during those events.

Chairman Sivertsen requested that Mr. Henson pursue whether there is a permitted disposal area for inert waste at Swan Lake in advance of the Swan Lake Powerhouse roof replacement and Water Tank recoating projects.

Following his report, Mr. Henson presented a slide show of photographs showing the posts that were poured by hand for the satellite dish at Swan Lake, the stabilized bank area at Structure 76-1M, one of the prototype helipads at Tyee Lake, and several photos of the Tyee Lake weir project.

The meeting recessed at 2:57 p.m. and reconvened at 3:25 p.m.

B. Director of Special Projects Report (Eric Wolfe, P.E.)

Mr. Wolfe opened with a slide show presentation starting with an overview of the progress of Phases I and II of the SCADA project, advising that the north side (Tyee to Wrangell to Petersburg) should be commissioned by mid-January, and that construction will start four or five days after the factory acceptance test is accepted. He reported that the Swan Lake Reservoir Increase Project is one year ahead of schedule with the license application process prompting a need to get bids out for civil engineering services. He explained that permitting for construction is contingent upon favorable reviews by FERC's safety division and that SEAPA will need to retain a Board of Consultants as required by FERC for any project that requires a dam modification. He showed slides on Tyee's cooling water conversion project, described the conversion process, and reported that the Tyee crew wanted to do the pipe work for the project. The Tyee Gate Controls Project was discussed with Mr. Wolfe advising that the project is nearing completion. He reiterated and emphasized during the

discussions that the tunnel should never be unwatered during the life of the project and explained the reasons why that is specific to Tyee.

The reasons for long-term planning were discussed with Mr. Wolfe explaining that SEAPA is the system coordinator in that it is the largest generation asset holder, the only entity that can provide a regional planning perspective, is charged with execution of the Long-Term Power Sales Agreement, and that all long-range planning initiatives are subject to board approval. He explained how new assets integrate into SEAPA's system is vitally important to how the new asset displaces future diesel generation. That discussion morphed into a discussion of the power sales agreement. Mr. Wolfe cited an example of the full requirements clause in the agreement and explained the difference between energy and capacity, when capacity will become a problem for Wrangell and Petersburg, and why a third unit has not been installed at Tyee. He discussed how energy and capacity were considered in the request for offers of power and energy (RFO) that were solicited and amplified that by explaining that each spike from all three communities that has to be covered with the machines is capacity, then the average of each spike multiplied by the hours in the day is energy (spikes are capacity and the average of all the spikes times time is energy) so when shortages are planned, energy and capacity are both planned accordingly.

Mr. Wolfe explained that SEAPA's short-term plan to meet load is to complete the Swan Lake dam raise, make some small improvements, and integrate Whitman once it is on line, and the mid-term plan will start in 2017. He elaborated on the strategy of the RFO where planning is concerned. Mr. Acteson updated the board on the status of SEAPA's Whitman true-up discussions with KPU. Mr. Donato explained the various considerations and concepts KPU has contemplated before returning a draft of the true-up agreement. Mr. Paisner encouraged both sides to be diligent in the process to get a true-up arrangement in place before Whitman is commissioned so there is no issue with the commitment made to bondholders in the operation of the Agency's facilities.

The meeting recessed at 5:04 p.m. on October 15, 2013.

The meeting reconvened at 9:00 a.m. on October 16, 2013.

A roll call was taken. Everyone in attendance for the start of the meeting on October 15, 2013 was present, with the exception of Mr. Ashton who did not join the meeting until 9:13 a.m.

Mr. Wolfe opened with a water management report reciting what earlier planning and expectations were and what is currently projected. He considered that recent heavy rains would likely fill both Tyee and Swan Lakes if average conditions prevailed from mid-October to mid-November. He reported that Tyee had better snow pack than Swan Lake and that ice from melting glaciers due to the long, dry, and hot summer provided a one-time boost to inflows. Generation patterns were switched on October 6th since Swan Lake was quickly filling to help leverage that inflow. He explained that power is usually delivered south from Tyee but that power is now flowing north on the STI in an effort to refill Tyee for the winter heating season.

8) Project Reports

Mr. Donato provided a brief overview of activities that had taken place since the last board meeting noting there were no safety or environmental incidents to report, and described the safety training that took place in September and upcoming work. He covered compliance and maintenance issues and reported that issues with phones were taken care of so three working phones were available, and discussed several other new projects. He noted that a load of D1 gravel was needed at Swan, which could be coordinated with the next barge going out there.

There was no report on behalf of Tye Lake other than a written report that was provided as a handout at the meeting.

9) Old Business

None.

10) New Business

Mr. Ashton explained his request for approval of travel and accommodation costs so he could attend a Law Seminars International Conference in Anchorage on behalf of the Agency. Discussion followed that Mr. Acteson had already planned to attend. Mr. Paisner described the conference and reported that he had attended in the past.

Mr. Nelson moved to authorize SEAPA's CEO to respond to Director Ashton's request for travel reimbursement for the Law Seminars International Conference as determined appropriate by the board. There was no second to the motion.

Mr. Coose moved to authorize staff to prepare a timeline of SEAPA history for the preservation of factual data, and authorize the expenditure of up to \$5,000 for any travel expenses necessary for participation by past and/or current Agency staff or board members who may contribute to the record. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 14-261).

Mr. Coose moved to authorize staff to enter into a contract with Glenn Brewer, P.E. of HDR, Inc. and Donald Bowes, P.E. as consulting engineers for SEAPA's Board of Consultants for the not-to-exceed value of \$138,000 for SEAPA's Swan Lake Reservoir Expansion Project. Mr. Ashton seconded the motion. The motion carried unanimously. (Action 14-262)

Mr. Sivertsen moved to defer any action on contracting for a Landing Craft for SEAPA's Swan Lake facility pending further review. Mr. Freeman seconded the motion. Mr. Acteson advised that staff would thoroughly review the two bids received and reassess the needs for the vessel and bring a new proposal back to the board. After consulting Mr. Paisner on whether a deferred motion must be brought back for consideration within a certain date or time frame, Chairman Sivertsen directed that the motion is deferred until such time as staff has had the opportunity to do a complete review so if the review is not done in time for the next board meeting in December, a carryover of the motion into the next calendar year is acceptable. The motion carried unanimously. (Action 14-263)

Mr. Sivertsen moved to authorize staff to enter into a contract with Alaska Clearing, Inc. for a lump-sum value of \$11,500 plus a crew standby rate of \$360/day for Phase I of SEAPA's Swan-Tye Intertie Helipad Installation Project. Mr. Freeman seconded the motion. The motion carried unanimously. (Action 14-264)

Mr. Sivertsen moved to recess the regular meeting into an Executive Session in order to discuss compensation related to SEAPA's Chief Executive Officer. The Executive Session will be conducted pursuant to SEAPA's Bylaws and Alaska State Law as the discussions may include a subject or persons that may tend to prejudice the reputation or character of a person. Mr. Nelson seconded the motion. The motion carried unanimously. (Action 14-265)

The meeting recessed for the Executive Session at 11:05 a.m. The Executive Session ended at 11:35 a.m. The regular meeting reconvened at 11:45 a.m.

Chairman Sivertsen reported that the board took no action during the Executive Session and that information would be reviewed prior to further consideration of any action.

11) Director Comments

Several directors echoed their satisfaction with the meeting and acknowledged there is still a lot of work to be done. Mr. Freeman noted that although discussion has taken place in past meetings on amending the bylaws to stagger director's terms on the board and no action has been taken to date, he supports the concept for purposes of continuity for the board. Mr. Coose expressed his appreciation for and thanked the Wrangell citizens and Assembly Members who took their time to attend the meeting. He encouraged all to continue working together on the various issues. Mr. Nelson expressed appreciation for responses he received on some of the more complex issues and hopes to see progress on the Whitman True-up at the next meeting in December. He advised he is available and willing to participate in any teleconferences or meetings on the topic. Chairman Sivertsen expressed the need to have the northern communities involved in Whitman discussions as well as SEAPA's counsel at the appropriate time.

Chairman Sivertsen announced that the next meeting would be in Ketchikan on December 17, 2013 and that a kick-off meeting for the Historic Preservation Meeting would be held on December 16 in Ketchikan. He directed Mr. Paisner to review SEAPA's governing documents to see whether they can be amended to stagger terms for board members for continuity on the board.

12) Adjourn

Mr. Freeman moved to adjourn. Mr. Ashton seconded the motion. Chairman Sivertsen requested a raise of hands for adjournment. Several directors raised their hands to adjourn. (Action 14-266)

The meeting adjourned on October 16, 2013 at 11:54 a.m. AKDT.