



SOUTHEAST ALASKA POWER AGENCY

Minutes of Regular Meeting

April 28, 2016

Ted Ferry Civic Center
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.* Vice Chairman Clay Hammer called the meeting to order at 9:00 a.m. AKDT on April 28, 2016. The following directors and alternates were present, thus establishing a quorum of the board:

Director	Alternate	Representing	
Lew Williams	Andy Donato	Swan Lake	Ketchikan
Judy Zenge	Charles Freeman	Swan Lake	Ketchikan
Joe Nelson	Mark Jensen	Tyee Lake	Petersburg
	Cindi Lagoudakis	Tyee Lake	Petersburg
Stephen Prysunka	Clay Hammer	Tyee Lake	Wrangell

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

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

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 Ketchikan Daily News invoices.

2) Approval of the Agenda

➤ Motion	M/S (Nelson/Williams) to approve the agenda, as amended, to add an item under New Business for discussion of a new turbine at Tyee Lake. Motion approved unanimously by polled vote.	Action 16-500
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3) Persons to be Heard – None.

4) Review and Approve Minutes

➤ Motion	M/S (Prysunka/Williams) to approve the Minutes of the Regular Meeting of February 11-12, 2016 and Minutes of the Special Meetings of March 15, 2016, April 11, 2016 and April 15, 2016. Motion approved unanimously by polled vote.	Action 16-501
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5) Financial Reports

(A)-(H) Mr. Acteson reported that SEAPA's financial position is stable, with no major unforeseen events occurring year-to-date. He reviewed current revenue and expenses, grant activities, and renewal and replacement projects.

➤ Motion	M/S (Williams/Zenge) to approve the financial statements for the months of January and February 2016. Motion approved unanimously by polled vote.	Action 16-502
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➤ Motion	M/S (Williams/Prysunka) to approve disbursements for the months of February and March 2016 in the amount of \$1,123,619.80. Motion approved unanimously by polled vote.	Action 16-503
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6) CEO Report

Mr. Acteson advised that final contract details, legal reviews, and pre-construction planning were under way for SEAPA's Swan Lake Reservoir Expansion Construction Project and highlighted the importance of controlling Swan Lake levels during construction.

Mr. Acteson provided updates on various legislative matters and reported that he led the annual Lunch & Learn event and met with several key legislators at the Alaska Power Association's legislative fly-in that took place in February. He reported on his opportunities to visit with Governor Walker in March in which he was able to showcase the Swan Lake Reservoir Expansion Project, and Congressman Young in April during which he apprised him of FERC's proposed 70% fee increase. He also provided updates on the status of the Energy Policy Modernization Act sponsored by Senator Murkowski, the US Forest Service's Proposed Amended Land and Resource Management Plan and draft Environmental Impact Statement for the Tongass National Forest, and the Kake-Petersburg Intertie permitting process.

Mr. Acteson was able to attend a Southeast Conference Mid-Session Summit in March and present to a full house the broad range of initiatives SEAPA is engaged in. He explained the substance of a meeting he had with Metlakatla Power & Light in March at which they expressed a renewed interest in connecting to the grid, and advised that Chinook Salmon rearing pens adjacent to the Swan Lake facility were in place as previously agreed to under a Memorandum of Understanding between the Southern Southeast Regional Aquaculture Association and SEAPA. He advised that measures to address priority items identified following the Bureau of Reclamation's assessment at Tyee were under way, that SEAPA's intern would start on May 11, and interviewing would commence at the end of April for a temporary Administrative Assistant at the Wrangell satellite office.

The meeting recessed at 10:35 a.m. and reconvened at 10:53 a.m.¹

Mr. Acteson presented a PowerPoint slideshow on Rates and Rebates covering pertinent issues including income and rebate history, SEAPA's levelized R&R fund contribution, current fund balances, and SEAPA's risk mitigation plan that includes the insured and self-insured program. He noted that

¹ Mr. Williams was not present when the meeting reconvened at 10:53 a.m.

SEAPA's single highest contingency risk is SEAPA's insurance deductibles followed by failure of a submarine cable.

Mr. Acteson presented the history of the R&R Plan and explained that the 4R Plan and policy to maintain reserves to pay for R&R projects and mitigate uninsured risk is a key credit strength, which is viewed favorably by bondholders and that maintaining SEAPA's bond rating is important in that it minimizes long-term debt costs. He advised that lowering the Agency's wholesale power rate (WPR) will reduce SEAPA's bonding capacity to refinance debt, take on new projects, or replace larger assets approaching their end of life. He explained that if SEAPA's excess revenues are issued as a rebate to the member utilities, SEAPA's bonding capacity is not affected, but it is affected if the WPR is lowered. Bonding capacity is based on current, not future, revenue so if rates are lowered SEAPA's bonding capacity is lowered accordingly.

Mr. Acteson discussed the expected high costs in the future for components that need to be replaced for reliability of the system. Discussion followed on whether money could be set aside in a fund to offset the expected future costs to offset an increase in the WPR. He explained that is the role of the 4R Plan - to identify issues and forecasts funds needed to offset those issues and that the forecasted levelized payment could offset increases and decreases in the WPR accordingly. He advised that the Agency retained D. Hittle & Associates to update SEAPA's 4R Plan in an effort to bring updated information forward to the board for future budget discussions.

7) Staff Reports

A. Operations Manager Report (Steve Henson). Mr. Henson provided a summary of several projects including the Satellite Communications System, CTs and Relay for the Wrangell Switchyard circuit switcher, an update of the progress of installation of a meteorological tower, Swan-Tyee Intertie helipads, Tyee Housing Roof-Siding Project, marker balls for the Tyee Lake transmission line, ATV use on the Tyee transmission system, and reported that a lathe and mill had been ordered. Mr. Henson also provided updates on activities at Swan Lake and Tyee Lake, and presented the anticipated schedule for SEAPA's shutdown to conduct annual maintenance activities. He announced that Tongass Substance Screening (TSS) was available to conduct safety training at Tyee Lake since the contracted vendor, ESCI, had not been able to schedule the training. Mr. Schofield reported that he would have a conflict with a TSS contract since a family member owned the business. The board voiced no objections to issuing a contract to TSS for the safety training since ESCI could not follow through with its contract.

The meeting recessed at 12:00 noon for lunch and reconvened at 1:15 p.m.²

B. Director of Special Projects (Wolfe). Mr. Wolfe presented a PowerPoint slide show opening with the highlights of SEAPA's load forecasting project. He reported that to date, D. Hittle collected data from municipal utilities and from SEAPA during the spring and summer of 2015, developed incremental report segments over an eight-month period, and issued a draft report on April 12 that will be released to the municipal utilities following some minor corrections. He also provided updates on the Alarm-Controls-Protection Project, and the status of current contracts in place for the Swan Lake Reservoir Expansion Project. He closed with slides of Swan and Tyee Lake water elevations showing that both reservoirs are significantly above the maximum draft levels of SEAPA's 2016 Operations Plan and advised that he expects that trend will continue.

C. Power System Specialist Report (Schofield). Mr. Schofield opened his report with a PowerPoint slide show on the Tyee Lake Weir Abutment Repair Project. He outlined the history of the weir project and showed several photographs on how the abutment voids were filled with flowable, quick

² Mr. Williams was present when the meeting reconvened.

setting foam that had been designed and approved by the U.S. Forest Service. He explained that before the voids could be filled, the contractor hand excavated the voids of woody debris and loose rock. He advised that final commissioning of the new Turbine Guide Bearing Cooling System Project was completed and recapped the history of the project explaining that it would eliminate corrosion issues and provide redundant cooling circuits for the turbine guide bearings to enhance plant reliability. Mr. Schofield reported that a Swan Lake Emergency Action Plan Table Top Exercise was held at the SEAPA office on March 29th. He explained the purpose and goals of the exercise and that the report on the exercise was complete and would be filed with FERC as required. He advised that Swan Lake's 2015 Dam Safety Surveillance Monitoring Report, which outlines a variety of surveillance and monitoring procedures in place to evaluate the conditions of the Swan Lake dam, had also been submitted to FERC.

The meeting recessed at 2:40 p.m. and reconvened at 2:56 p.m.

8) New Business

A. *Consideration and Approval of Resolution No. 2016-064 re SEAPA's Capitalization Policy.*

➤ Motion	M/S (Prysunka/Williams) to adopt Resolution No. 2016-064 adopting a Revised Capitalization Policy. Motion approved unanimously by polled vote.	Action 16-504
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B. *Consideration and Approval of Budget Increase and Sole Source Contract to Chatham Electric, Inc.*

➤ Motion	M/S (Williams/Lagoudakis) to increase the FY2016 R&R budget by \$71,000 for Project R&R269-16 and authorize staff to enter into a sole source contract with Chatham Electric, Inc. for Guy Thimble Replacements on the Swan-Tyee Intertie Transmission Line for the not-to-exceed value of \$270,000. Motion approved unanimously by polled vote.	Action 16-505
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C. *Consideration and Approval of Contract Award for Tyee Lake Housing Roof and Siding Installation Project.*

➤ Motion	M/S (Williams/Prysunka) to increase the FY2016 R&R Budget by \$70,000 for Project R&R267-16 and authorize staff to enter into a Contract with H Construction LLC for SEAPA's Tyee Lake Housing Roof Replacement and Siding Installation Project for the not-to-exceed value of \$190,000. Motion approved unanimously by polled vote.	Action 16-506
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D. *Consideration and Approval of Swan Lake Reservoir Expansion Project/Flashboard System Modification.*

➤ Motion	M/S (Williams/Zenge) to authorize staff to enter into a contract with Kuenz America, Inc. for a modification and additional parts needed for the Flashboard system for SEAPA's Swan Lake Reservoir Expansion Project for the not-to-exceed value of \$49,000. Motion approved unanimously by polled vote.	Action 16-507
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E. *Consideration and Approval of Load Bank Lease for Swan Lake Reservoir Expansion Project.*

➤ Motion	M/S (Prysunka/Williams) to authorize staff to enter into a lease with Marsh Creek, LLC for a 5 MW Load Bank for six months for \$198,000 and disconnection/shipping costs of \$31,260 and enter into a contract for their field services for installation oversight and guidance, operator training, and oversight of initial start-up operations for a not-to-exceed value of \$10,494 for a total cost of \$239,754 for SEAPA's Swan Lake Reservoir Expansion Project.	Action 16-508
	Following concerns expressed about the recommended bidder, Marsh Creek, LLC, the motion was amended by Mr. Prysunka, and seconded by Mr. Williams, to authorize staff to go back and review the bids, and enter into a contract up to the amount of \$259,630 with a company that is able to deliver the Load Bank on SEAPA's schedule. Motion approved unanimously by polled vote.	

F. *Discussion Re Third Turbine at Tye Lake.*

➤ Motion	M/S (Freeman and adopted by Zenge/Williams) to authorize staff to develop a scope of work related to evaluating a third turbine at Tye Lake. Motion approved unanimously by polled vote.	Action 16-509
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G. *Board Meeting Dates* – The board had no objections to the following dates for regular meetings of the directors for the remainder of calendar year 2016:

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

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

14) **Adjourn**

Vice Chairman Hammer adjourned the meeting at 3:40 p.m. There were no objections to the adjournment.