



# SEAPA 101

BOARD PRESENTATION

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# WHAT IS SEAPA?

- ▶ SEAPA Created by Statute
  - ▶ AS Section 42.25.300-.310
  - ▶ A Joint Action Agency of the State
  - ▶ Formerly Known as: Four Dam Pool Power Agency (FDPPA)
- ▶ SEAPA is a Wholesale Electric Provider (“G and T”)

# What is SEAPA – Facilities

- ▶ SEAPA Owns 2 Hydroelectric Projects
  - ▶ Swan Lake (Dedicated to KPU)
  - ▶ Tye Lake (Dedicated to WML&P and PMP&L)
- ▶ SEAPA Owns and Operates Swan – Tye Transmission Line
- ▶ SEAPA Manages Water According to Long Term Power Sales Agreement

# What is SEAPA – Governance

- ▶ SEAPA Governed By 5 Member Board of Directors
  - ▶ One year terms, each Board position has an alternate
- ▶ Each Project Represented By Two Board members
  - ▶ Swan Lake – 2 Ketchikan Board members
  - ▶ Tyee Lake – 1 Petersburg Board member | 1 Wrangell Board member
- ▶ Fifth Board member rotation –
  - ▶ Per JAA Agreement and Bylaws, 5<sup>th</sup> Board member rotates annually between Projects – Swan Lake and Tyee Lake

# What is SEAPA – Governance

- ▶ Fifth Board member rotation – continued
  - ▶ 2014 – Fifth Board member selected by Wrangell for Tyee Lake Project Representative
  - ▶ 2015 – Fifth Board member to be selected by Ketchikan for Swan Lake Project Representative
- ▶ Member Utilities – City Council/Mayor Appoint SEAPA Board members
- ▶ Joint Action Agency Agreement and Bylaws Provide Basis for Governance
  - ▶ SEAPA is separate and distinct from its Member Utilities
  - ▶ Debt is separate from each Member Utility

# What is SEAPA – Customers

- ▶ SEAPA Has 3 Customers -Wholesale:
  - ▶ KPU
  - ▶ WML&P
  - ▶ PMP&L
- ▶ SEAPA Must Sell “ All Capacity and Energy ” it Produces
  - ▶ All sales are to each Member Utility according to Long Term Power Sales Agreement
  - ▶ Wholesale Power Rate –
    - ▶ 6.8 cents/kWh
    - ▶ Rate Set Annually by Board of Directors

# Key Agreements

- ▶ Joint Action Agency Agreement
  - ▶ State Statute – AS 42.45.300-310 Sets Key Terms and Conditions
    - ▶ Has Specific Authority to Operate Independently from its Member Utilities
      - ▶ Financing Distinct from Each Member Utility
      - ▶ Non-Profit Basis – May issue Tax Exempt Debt
    - ▶ JAA Agreement Is In Place of Distinct Articles of Incorporation
- ▶ Long Term Power Sales Agreement (PSA)
  - ▶ PSA Binds Agency and Member Utilities – 25 Year Agreement (2034)
    - ▶ SEAPA Must Sell All its Output to Member Utilities – Full Requirements
    - ▶ Member Utilities Must Purchase all Energy and Capacity Available
  - ▶ PSA Provides Ability to Finance Projects

# Key Agreements – Cont.

- ▶ PSA
  - ▶ Long Term Agreement – 25 Years – Expires 2034
  - ▶ Grandfathers In Pre-Existing Facilities
- ▶ Indenture of Trust
  - ▶ Contract Between Agency and Trustee Representing Bondholders
    - ▶ i.e., Directs Payment Obligations
  - ▶ Ex. – Agreement to Obtain Bondholder Approval When Waiving Dedicated Power Obligations in Agency Bylaws (changes 3(c) in PSA Wavier)
- ▶ Bylaws
  - ▶ Agency Policies Governing Decision Making Process and Conduct of Board and Directors
  - ▶ Adopts Open Meeting Act

# Key Agreements – Cont.

- ▶ Operations and Maintenance Agreements
  - ▶ Agency Continues to Use a Form Contract from 1997, Renewable Each Year
  - ▶ Upon Completion of the Intertie after Restructuring SEAPA Capable of Managing Water Between Projects
- ▶ KPU Provides Operations and Maintenance for Swan Lake Hydroelectric Project based upon a Long Term Contract with SEAPA
- ▶ Thomas Bay Power Agency (TBPA) Provides Operations and Maintenance for Tyee Lake Hydroelectric Project based upon a Long Term Contract with SEAPA
  - ▶ TBPA is an Interlocal Agency Established by the Boroughs of Wrangell and Petersburg, and SEAPA and the Boroughs are currently discussing transferring back to SEAPA the Operations and Maintenance Obligations for Tyee Lake.

# Key Agreements – More About PSA

- ▶ PSA Obligates SEAPA to Deliver All Output to its Member Utilities
  - ▶ All Output from Swan Lake, in the first instance, is dedicated to serving the Firm Power Requirements of Ketchikan (See Section 1 (f))
  - ▶ All Output from Tye Lake, in the first instance, is dedicated to serving the Firm Power Requirements of the Interconnected Utilities (Petersburg and Wrangell (See Section 1 (f)).
- ▶ Dedicated and Additional Dedicated Power
  - ▶ The Member Utilities Have “Direct Financial Interest” in Maximizing Sales from all Agency Facilities – Section 3(C), PSA
  - ▶ Hierarchy of Supply
    - ▶ Ketchikan Lakes (FERC 420) and Beaver Falls (FERC No. 1922) – Ketchikan Takes First
    - ▶ Crystal Lake Hydroelectric Project (FERC No. 201) – Petersburg Takes First

# Key Agreements – More About PSA

- ▶ Additional Dedicated Power
  - ▶ To the extent Any SEAPA Facility has Excess Output, SEAPA Shall Make it Available for Purchase by Member Utilities,
  - ▶ Sold at the Wholesale Power Rate
  - ▶ This allocates Excess out of Tye
- ▶ Interconnected Utilities
  - ▶ PSA Does Not Allocate Output From Tye
  - ▶ What Happens When Excess Gone...??

# Decision Making

- ▶ SEAPA's Bylaws Provide Road Map for Key Board Decisions
  - ▶ Key Decisions Require Unanimous Vote of All Board Members
    - ▶ Changes to the JAA and Bylaws
    - ▶ Changes to the PSA Including Waiver of Firm Power Obligations
      - ▶ NOTE: Decision Implicates Indenture of Trust
    - ▶ Adding Qualifying Members
    - ▶ Withdrawal of Member Utilities

# Role of Agency Board Member

- ▶ Each Board member Appointed by City Council Of The Member Utility
- ▶ Serving On SEAPA Board, Each Board Member Has a Fiduciary Duty to the Agency
- ▶ What Is a Fiduciary?
  - ▶ A Fiduciary assumes a duty to act in good faith and with care, candor, and loyalty in fulfilling their obligation to the Board.
  - ▶ The duty of care is one that an ordinarily prudent person exercises – reasonableness standard
  - ▶ Practically, even though a city council appoints you to SEAPA, the fiduciary obligation runs to SEAPA and not necessarily to the city appointing you.
  - ▶ For example, the duty of loyalty may be breached by disclosing confidential information disclosed in an executive session

# End

▶ Questions:

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