


Date: September 27, 2021
To: Mayor Jensen and Borough Assembly
From: Karl Hagerman, Utility Director 
Re: SEAPA update
CC: Bob Lynn, SEAPA Voting Director for Petersburg
Steve Giesbrecht, Borough Manager

Following the regular quarterly meeting of the SEAPA Board of Directors, I'm happy to provide this update on the happenings of the agency. Director Lynn was on vacation, so I stood in as Petersburg's voting member at the meeting. A special meeting was held on September 17th in honor of long-time Ketchikan Manager and Board member Karl Amylon. Items of note are below:

- * The submarine cable project is complete and was highly successful. SEAPA staff negotiated the assumption of risk associated with weather delays. The negotiation removed approximately \$2.2M in contract costs in exchange for a cost per day of \$258,000 for any delays experienced during the cable lay process. Only one day of delays was experienced so the move by SEAPA staff was highly effective in reducing costs to the agency.
- * Debt service on the submarine cable bond sale will require ~\$790,000 in payments each year. Total debt service of the agency will be ~\$2.2M per year from FY22-FY33, when it will drop back down to include only the submarine cable debt.
- * SEAPA has sent the damaged ends of the failed submarine cable to an independent lab for evaluation. This is an important step to determine if the agency's \$5 million insurance policy will pay out on SEAPA's claim. After a deductible of \$250,000, the agency stands to receive up to \$4.75M from the insurance company. Initial evaluation by SEAPA and their cable consultant/expert indicate that an insurance claim will be successful, however we await the determination by the third-party lab and are ready to appeal and challenge any determination not in SEAPA's best interest.
- * Discussion is beginning on whether to purchase a spare triplex cable to span the longest submarine crossing on the north end of the transmission line. A price is being sought from Sumitomo, the company that recently provided the Vank-Woronofski cable, but the additional depth in other crossings must be addressed. Current estimates for cable cost are at ~\$4.5M. Having a spare cable would address the ongoing risk of aging cables in the system and reduce deployment time in the future. More information is needed by the Board.
- * Discussions on the wholesale rate continue. The CEO has stated that he should have a rate increase scenario for consideration of the Board at the December 2021 meeting. Presently, discussions and information are indicating the need for a 1 cent per kWh increase to wholesale power. Discussions are ongoing with the Board to determine how the increase will be implemented. The increase is needed to repay new debt for the submarine cable, fund annual needs of the vegetation management plan and cover other inflationary increases to agency expenses.

* SEAPA staff is working on a video presentation and article for a major industry publication that details the submarine cable replacement project from start to finish. We look forward to sharing this with the Assembly and community when completed.

* Lakes are full and have been in spill conditions since June. Legacy lakes in Ketchikan and at Crystal Lake are also full so SEAPA sales have lagged behind budgeted levels this summer due to local legacy generation. However, strong sales in late spring have the agency total YTD sales on track with the budget.

* The Board approved a Vegetation Management Plan that provides a systematic schedule for cutting and brushing of growth along the transmission line.

* SEAPA's auditor has provided an unmodified opinion on the agency's FY21 financial statements. All is well with the agency's books.

On September 17th, SEAPA called a special meeting in order for the Board and staff to honor Karl Amylon, long time City of Ketchikan Manager and a current SEAPA Board member. The agency read aloud a proclamation of recognition and appreciation for Mr. Amylon's service to the agency and his excellent work as KPU's manager. Karl had been serving as Ketchikan's Manager for over 26 years and leading KPU for 23 years. Unfortunately, Karl succumbed to illness and passed away before he could receive the recognition for his service to the community, agency and region. Many current and former SEAPA staff members, Board members and City staff provided testimony of respect and appreciation for Mr. Amylon's service during the meeting.