

Summary of SEAPA December 8, 2022 Meeting

Karl Hagerman and I attended a long one day in person SEAPA meeting on December 8th in Ketchikan. It was the first in person meeting in about 3 years so lots of items to discuss.

CEO Retirement

- SEAPA's CEO Trey Atkinson announced his retirement to the Board at the October Zoom meeting to be effective at the end of calendar year 2022.
- The Board unanimously appointed Robert Siedman, Director of Engineering and Technical Services, as the acting CEO until such time as the permanent position is filled.
- The Board scheduled a January zoom meeting to take the next steps in filling the position.

2023 Operations Plan Approved

- The 2023 Operations Plan was approved by the board.
- The lake levels in both Tyee and Swan are essentially full as we go into the winter. This is the result of above average snowpack earlier in the year and a slightly above average rainfall coming into December.
- One of the items that we watch very closely is the guide curve for Tyee Lake since it is dedicated output for both Wrangell and Petersburg. As Tyee drafts during the winter, available power sales to Ketchikan will be curtailed when the lake level reaches the "curtailment curve", with sales to Ketchikan beginning again when the lake level rebounds to above the "sales curve". This ensures that Petersburg and Wrangell are not put in a position like 2019 where the sales were not curtailed until the lake was at a very low level. This operation plan keeps Tyee water available for the north end firm power needs in keeping with the Power Sales Agreement.
- There is a 10 foot difference in curtailment and sales curves, meaning that once curtailment to Ketchikan starts, the lake must fill by at least 10 feet before sales may be started for Ketchikan again.
- At the bottom end of the winter draft curtailment curve, there will still be 13 feet of water in Tyee lake above the FERC draft limit and 5 feet above the Board approved draft limit, keeping water available for emergencies and allowing Petersburg and Wrangell the opportunity to contribute diesel power to meet loads if the reservoir levels continue to drop.
- The 13 feet below the bottom end of the curtailment curve will give approximately 2 months reserve for our two communities.

Rate Study Approved

- Prior to the submarine cable failure, the Board had been discussing rate increases. The cable failure placed some urgency on the need to evaluate existing revenues and future revenue requirements to serve debt service caused by the large cable project.
- The Board earlier this year approved the contract for a rate study and the draft rate study was presented and approved by the Board at the December meeting.
- Meantime, the \$13.5 million bonding for the submarine cable was finalized, as well as \$5.9 million in bonding to construct a permanent agency office building in Ketchikan.
- The Board has always taken the position of very small increases in rates over time rather than one or two major increases and this continues to be favored by the Board.
- The rate study showed the Board that debt service for large projects requires additional revenue to be generated. Additionally, levelized payments into the Renewal and Replacement Fund (in

lieu of funding full depreciation) and annual transmission line clearing contracts have increased revenue requirements.

- The Board is resigned to the need for wholesale rate increases to cover capital projects and operational needs of the agency after decades of rate stability.
- The rate study provides a model where actual expenses and revenues can be entered into the spreadsheet annually to update the understanding of financial health and revenue requirements. This update can be used to determine if future rate increases will be needed as the budget is being developed each year.

Wholesale Rate Increase Approved

- Resulting from the rate study the Board approved a wholesale rate increase to the municipalities of a quarter cent per kilo-watt hour. The current wholesale rate of 7.05 cents/kWh will increase to 7.3 cents/kWh beginning in January 2023.

Load Growth Study Approved

- The Board approved the award of a load-growth study which will be completed in 2023. The study will give the CEO and Board much better information to make a decision on beginning a new hydro project.

2023 Budget Approved

- The 2023 draft budget was reviewed and approved by the board.
- Supply line problems in 2022 were a real factor in establishing a new budget. Twelve of the 2022 projects are being carried into 2023 as a result of supply issues. Some of these projects with specialized electrical components may even go into 2024. Nine new projects were approved.

CBA approved.

- The Board also approved a new 3 ½ year Collective Bargaining agreement between the Agency and the International Brotherhood of Electrical Workers (IBEW).

FERC Relicensing

- Both Swan and Tyee Lakes were identified in the 2023 budget to begin the process of relicensing with FERC.
- The Boards discussion centered around the possibility of combining the re-licensing rather than keeping it on separate tracks. The hope is that by combining the two it would reduce duplication and save considerable money.
- The Board also discussed the need to hire engineering staff to work with FERC on the re-licensing, which is expected to take 3-4 years with costs upwards of \$3-4 million. Further discussions are needed.

Auditing Contractor

- BDO USA LLP was awarded a three-year contract for auditing services.