

**Minutes of Regular Assembly Meeting  
Held on November 27, 2012**

Mayor Donald McConachie called the regular assembly meeting to order at 7:00 p.m., November 27, 2012, in the Assembly Chambers. Assembly Members Jack, Stough, Wiederspohn, Privett and Stokes were present. Assembly Member McCloskey was absent. Borough Manager Timothy Rooney and Borough Clerk Kim Flores were also in attendance.

Pledge of Allegiance was led by Assembly Member Wiederspohn.

Invocation given by Nettie Covalt from the Presbyterian Church.

**COMMUNITY PRESENTATION**

None.

**AMENDMENTS TO THE AGENDA**

None.

**CONFLICT OF INTEREST**

None.

**CONSENT AGENDA**

*Moved by Privett, seconded by Jack, to approve Consent Agenda Items marked with an (\*) asterisk, 6a, 7a, 7b, 7c, 7d, 7e, 7f, 7g, 7h and 13h. Motion approved unanimously by polled vote.*

**APPROVAL OF MINUTES**

\*6a Minutes of Regular Assembly meeting held October 30, 2012

**COMMUNICATIONS**

- \*7a Gaming Permit Application for the Alaska State Elks Association
- \*7b Gaming Permit Application for the American Legion Post #6 Auxiliary
- \*7c Gaming Permit Application for the Benevolent & Protective Order of Elks Lodge # 1595
- \*7d Gaming Permit Application for the Wrangell Golf Club, Inc
- \*7e Department of the Army - Corps of Engineers Alaska District - SPECIAL PUBLIC NOTICE (SPN) POA-2012-138 - SE Alaska Watershed Coalition Mitigation Fund
- \*7f Department of the Army - Corps of Engineers Alaska District - Permit Modification, file number POA-1990-114-M7, Zimovia Strait
- \*7g Minutes of Parks & Recreation Board Regular meeting held October 3, 2012
- \*7h Minutes of the TBPA regular meeting held September 4, 2012

## **BOROUGH MANAGER'S REPORT**

Borough Manager Rooney's report was presented.

## **BOROUGH CLERK'S FILE**

Borough Clerk Flores's report was presented.

## **MAYOR/ASSEMBLY REPORTS AND APPOINTMENTS**

### **10a Reports by Assembly Members**

Assembly Member Stough presented the Assembly with the travel report for Assembly Member Wiederspohn and for himself for their attendance at the Newly Elected Officials (NEO) training and also for the Alaska Municipal League (AML) conference.

Mayor McConachie reported that he had to leave the AML Conference early due to an unexpected death in the family.

Mayor McConachie further reported that the power rates in Wrangell were considerably lower than the power rates in other communities in Alaska. He said that we needed to strive to do more to maintain or look for more power resources in order to have lower power rates in the future.

**10b** Certificates of Service for August Schultz, Planning & Zoning Commission and Economic Development Committee was presented.

**10c** Certificate of Service for Dave Sweat, Port Commission was presented.

**10d** Appointment to fill the vacancy on the Planning & Zoning Commission

Mayor McConachie appointed Greg Knight to the Planning & Zoning Commission with the consensus of the Assembly.

**10e** Appointment to fill the vacancy on the Economic Development Committee

Mayor McConachie appointed Dorothy Hunt-Sweat to the Economic Development Committee with the consensus of the Assembly.

## **PERSONS TO BE HEARD**

**Trey Acteson**, 10709 Gina Road, Ketchikan, stated that he was available if the Assembly had any questions regarding the discussion of the D. Hittle and Associates Report. He further respectfully requested the Assembly's support of the report.

**Wayne Kaer**, 218 Berger Street, asked if the Assembly had settled on the Noel Rea settlement litigation.

Mayor McConachie replied that the settlement proceedings on the pending litigation had not yet been completed. He further replied that the settlement proceedings were still going on through the attorneys involved.

#### **UNFINISHED BUSINESS**

**12a** PROPOSED ORDINANCE NO. 866: AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING TITLE 3, CHAPTER 3.32.030 (D) AND CHAPTER 3.32.090 AND ORDINANCE NO. 865 OF THE WRANGELL MUNICIPAL CODE RELATING TO THE WRANGELL MEDICAL CENTER AND LONG-TERM CARE FACILITY BOARD (second reading)

*Moved by Privett, seconded by Jack, to approve second reading and adopt. Motion approved by polled vote with Stough, Wiederspohn, Stokes, Privett, and Mayor McConachie voting yea; and Jack voting nea.*

#### **NEW BUSINESS**

**13a** PROPOSED RESOLUTION NO. 11-12-1261: A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, ADOPTING AN ALTERNATIVE ALLOCATION METHOD FOR THE FY 2013 SHARED FISHERIES BUSINESS TAX PROGRAM AND CERTIFYING THAT THIS ALLOCATION METHOD FAIRLY REPRESENTS THE DISTRIBUTION OF SIGNIFICANT EFFECTS OF FISHERIES BUSINESS ACTIVITY IN FISHERIES MANAGEMENT AREA 18: CENTRAL SOUTHEAST

*Moved by Stough, seconded by Wiederspohn, to adopt resolution.*

Borough Manager Rooney reported that the State of Alaska required that a resolution be presented to the Assembly for adoption each year in order to participate in this program. He reported that the funding for this program was not substantial; about 9,000 to 20,000 per year.

*Motion approved unanimously by polled vote.*

**13b** Approval to schedule a Workshop Session for the purpose of discussing the use of technology by staff and the Borough Assembly.

*Moved by Stough, seconded by Wiederspohn, to schedule a Workshop Session for the purpose of discussing the use of technology by staff and the Borough Assembly.*

The Assembly directed Borough Clerk Flores to schedule a Workshop Session for January 8, 2012 at 6:00 p.m.

*Motion approved unanimously by polled vote.*

**13c** Approval to Remove Harbor Receivable Accounts and Forward to Collection Agency

***Moved by Jack, seconded by Stough, to remove Harbor Receivable Accounts and forward to collection agency, as presented. Motion approved unanimously by polled vote.***

**13d** Assembly Action relating to the D. Hittle and Associates "Operations and Maintenance Organizational Review" report

***Moved by Stough, seconded by Privett, to approve a letter of non-support from the Mayor for the D. Hittle and Associates "Operations and Maintenance Organizational Review" Report.***

Assembly Member Privett read the following statement into the record

PROPOSED WRANGELL BOROUGH ASSEMBLY POLICY STATEMENT  
RELATING TO SEAPA

Thomas Bay Power Authority (TBPA) has served the communities of Wrangell and Petersburg well operating and maintaining the Tyee Lake Hydropower Plant since its construction, providing clean, affordable, and reliable power to each community.

The Southeast Alaska Power Agency (SEAPA) is a Joint Action Agency of, and for, the people of Wrangell, Petersburg, and Ketchikan, providing for local control of the Tyee Lake hydropower project, the Swan Lake hydropower project, the Swan-Tyee Intertie, and other related interties (the "Projects").

With the completion of the Swan-Tyee Intertie, SEAPA's ratepayers in the region have benefited from the Projects being operated in a more efficient, reliable manner, increasing sales and helping to keep the cost of power down.

The Projects are being operated pursuant to an outdated operations and maintenance agreement that was negotiated by the State of Alaska in 1997 when it was the owner of the Projects, which has not been changed since that time, and does not reflect the addition of the Swan-Tyee Intertie, the restructuring of SEAPA, or any possible changes in technology.

In order to protect its ratepayers, SEAPA is in the process of evaluating how to better improve the reliability, efficiency and operations of the Projects, and studying whether it is preferable to consolidate management of the Projects under one contract for operations and maintenance.

The City and Borough of Wrangell does not want a notice of termination of contract by SEAPA to TBPA to result in an immediate termination of employment or work by TBPA at Tyee Lake, but believes an estimated two year period of time would provide SEAPA sufficient time to develop a new single contract for the operations and maintenance of all the SEAPA owned assets.

The City and Borough of Wrangell only supports a new operations and maintenance contract with a single contractor or by SEAPA itself if employment opportunities with SEAPA are equally provided to residents of Wrangell and Petersburg. Existing TBPA employees are provided first opportunity for positions under the new single contract.

The City and Borough of Wrangell supports moving forward with a single operator of all the SEAPA assets.

Assembly Member Privett said that he had read through all of the information that had been received from D. Hittle and Associates, SEAPA, Thomas Bay Power Authority, and the Wrangell Light & Power Authority Statement from Plant Manager Clay Hammer. He stated that he intended to vote against the D. Hittle and Associates report because he believed that there were multiple unions involved and PERS issues to be considered.

Assembly Member Privett further stated that he believed that in two to three years down the road, Wrangell, Petersburg and Ketchikan would be well served by having a single operator at the SEAPA Sites. He said that it would take a while to accomplish that. At this time, he didn't see how there could be less than two operators at the remote plant sites at any given time.

Assembly Member Jack said that the D. Hittle and Associates report did not address administration costs. He said that he believed that administration costs should be reviewed.

Assembly Member Privett requested that Borough Clerk Flores read the following statement provided by Clay Hammer, Electrical Superintendent for Wrangell Light & Power.

Borough Clerk Flores read the following document into the record:

***REVIEW & RECOMMENDATIONS:***

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Having studied the D.Hittle and Associates review of the SEAPA O&M arrangements as well as listening to the concerns of fellow utility members and SEAPA staff I have come to the conclusion that this is a work in progress. At this point I would not advocate following through with all of the report's recommendations but neither would I support dismissing it entirely as a course of action. If this was indeed an unbiased report based on D.Hittle's observations and not a "Wagging of the Dog" as some have asserted then I believe SEAPA staff and board should be given an opportunity to review the concerns of the member utilities and come forward with recommendations of their own based on not only the D. Hittle report but member utility concerns as well. As our representative owner of the projects and as the entity that in the end bears full responsibility for the

supervision and accountability needed for safe and reliable operation of the projects we should give them that opportunity.

The Swan and Tyee Projects have operated independently of one another since beginning operations. They are not identical projects and over the years each has had its own hurdles to overcome, politics notwithstanding. With the formation of SEAPA and the completion of the Swan /Tyee intertie the two projects are now interconnected and under the eye of an owner that is playing an ever increasing role in their management. In order for the member utilities to fully realize all the benefits that this current arrangement has to offer we can no longer afford to operate the projects as independent entities. In my opinion it is in the best interest of all parties concerned, to pool our resources in such a way as to manage these energy assets in the most prudent way possible. Prudent shall always combine safety, cost, and reliability in such a way as to meet the needs of the greater good.

It is apparent in reviewing the report and by making personal observations that there are many advantages to the single operator approach. Having all our operators under one union contract, the ability to cross train and share skill assets between projects, a unified chain of command are just a few. I would not advocate sharing operators between sites as a part of daily operations but in times of need or crisis it would make much more sense to have that ability than to bring in help from an outside contractor.

In my opinion, even under the single operator scenario, I would not expect to see an extreme change in staffing levels. Given the remote setting of the projects and reliance on weather for travel, from a safety and security stand point I would not be in support of anything less than two operators on sight at any given time.

While it is conceivable that SEAPA could undertake administration of the Tyee and Swan Lake projects, it should still be considered that an expeditor of some kind would still need to be on staff to provide local support. In my mind someone would still need to man the local Tyee office in support of the operators on site as well as the brushing crew. I would assume someone would have to fill a similar role for the Swan project as well. Whether this support was provided by WML&P, KPU or a SEAPA employee or even a local contractor it is a staffing issue that bears consideration. Plans are in place to improve SCADA and communications systems on site. This could in the future accommodate unmanned operations of Tyee or the Swan projects. This is nothing new in terms of operations as both Petersburg and Ketchikan operate local hydro plants in this manner. The major difference is that none of these remote operated sites are as critical to operations as a whole as Swan and Tyee. Loss of any of these small unmanned resources for a limited amount of time could be absorbed by the system whereas loss of Tyee or Swan during a critical time would be devastating. While improved communications are being considered that would better accommodate remote control of the sites, they are far too valuable and critical to be left unattended. For that reason I would be hesitant to support unmanned operations.

One of the benefits in the current O&M arrangement is the perception of local oversight of the projects. This is an opinion I have heard voiced from both the KPU and TBPA camps in regard to the projects they manage. One way to address that concern could be through the Reliability Committee. The makeup of that

committee may need to be reviewed but in the end it could be a committee with teeth, having real influence as well as technical background with the ability to provide oversight and accountability in regard to the maintenance for the projects. This could give utility managers and technical staff a chance to weigh in on operations without getting bogged down in SEAPA board politics.

In regard to cutting cost it becomes apparent that only so much fat can be cut before you start hitting muscle and not long after that you start getting into bone.

The real benefit to consolidating the two operations may not initially be cost savings at all, at least not at first. The real advantages may be in better efficiency and overall business structure, setting the foundation for future growth of the SEAPA system. Having seen the demand on the Wrangell system grow expeditiously over the last few years as well as growth in demand from neighboring utilities, it is apparent that future hydro sources will need to be developed. SEAPA, with a firm operational foundation and structure is an ideal platform to meet that future demand.

It is my recommendation that the SEAPA Board and Staff be asked to review member utility concerns and then draft a revised operational plan of their own. If that revised plan is unable to effectively address member utility concerns then we should move forward with plans to revise and update the current O&M contracts.

***Clay Hammer, Electrical Superintendent  
Wrangell Municipal Light and Power***

Assembly Member Stough requested that Borough Clerk Flores read the proposed direction to the SEAPA Board provided by Mr. Paul Southland, General Manager for TBPA, sent to him from a member of the City Council of Ketchikan.

Borough Clerk Flores read the following document into the record:

November 8, 2012  
Special Council Meeting

**Council Direction to the SEAPA Board**

I move:

- a. the City Council recommend to the City of Ketchikan SEAPA Board representatives that they reject the concept of canceling the existing O&M contracts with KPU and TBPA in order to enable SEAPA or another single party to take over the O&M work for the operation and maintenance of the Swan Lake and Lake Tyee Hydroelectric Projects;
- b. the City Council recommend to the City of Ketchikan SEAPA Board representatives to direct SEAPA staff to rewrite, revise, and upgrade the existing O&M agreements in collaboration with the Member Utilities, until they more accurately reflect the scope of work that is in line with today's need as mutually agreed upon; and

- c. the City Council recommend to the City of Ketchikan SEAPA Board representatives to direct SEAPA staff to work with the Member Utilities in development of operational budgets that promote the well-being, reliability, and operational sustainability of the Swan and Tyee Projects.

**Steve Henson, 1.5 Mile Zimovia Hwy**, stated that the recommendations that had just been read into the record were one proposal from one Council Member from the City of Ketchikan. He also stated that the recommendations had not been voted on and that there had been no direction given at that Special Meeting. He further said that the City of Ketchikan would be meeting again on December 6, 2012 to address these and other recommendations.

**Paul Southland, 114 Third**, said that the recommendations that had been read into the record had been forwarded to him via email and that he had been told that these recommendations had been differed and would be addressed at their next regular Council Meeting.

Assembly Member Stough asked for clarification of the draft resolution that had been placed on the table for the Assembly. He further asked if there would be a resolution drafted if the motion currently before the Borough Assembly were to pass.

Mayor McConachie explained that the motion before the Borough Assembly did not include a resolution. He further explained that the resolution given to the Borough Assembly was for information purposes only.

Mayor McConachie said that he believed that direction needed to be given to the Wrangell SEAPA Board Members. Mayor McConachie said that he was in favor of SEAPA and the idea of them being involved in the operations of the utilities. He also said that the employees at both the Tyee and Swan plants need to have the assurance that they are important to the operations of the hydroelectric projects.

**Steve Henson, 1.5 Mile Zimovia Hwy**, explained that the D. Hittle and Associates report was only one recommendation to SEAPA; support of the report doesn't necessarily mean that SEAPA will follow the report; SEAPA has spoken to all of the employees at both the Tyee and Swan sites; SEAPA had assured the employees at the sites that SEAPA was not coming in to cut their jobs; stated that if there were to be any job loss, that would be a SEAPA Board decision; also, if there were to be job loss, it would be through attrition; SEAPA checked into the Union, there two different contracts; unions would need to be combined along with union negotiations; checked into PERS Retirement System, SEAPA can participate in the PERS Retirement System.

Mayor McConachie spoke to a letter that had been read at the Alaska Conference of Mayors Meeting earlier this month in Anchorage. He said that there had been another Alaska community that had gone below their staffing levels which is set by PERS/TERS. He explained that the community did not retain that staffing level and had received a bill from the State of Alaska for over \$200,000, plus 12% interest.

**Trey Acteson, 10709 Gina Rd., Ketchikan,** said that he was confused as to why no one had asked him any questions; explained that he had traveled to each community to attend the Council/Assembly Meetings; he said that he had talked to community members and addressed their concerns; he had been to the plant sites and had spoken to the employees there.

Mayor McConachie asked Mr. Acteson if the remote sites that were currently working with under a single operator had road access or were they only accessible by aircraft.

Mr. Acteson replied that all of his 28 years of power plant experience was in Alaska at remote and semi-remote sites; defined a remote site as a site that does not have road access; semi-remote site does have road access but was a long distance from civilization and where access might be marginal due to weather conditions.

Mr. Acteson expressed that there were ways have a single operator at the remote and semi-remote sites; there were ways to mitigate the risk; single operator was done routinely at both remote and semi-remote sites. He further expressed that the D. Hittle report was just that, a report; not looking at going out and terminating employees; SEAPA Board was trying to make some proactive steps to keep rates down; explained that if steps were not taken, rates would go up.

Mr. Acteson explained that if SEAPA were to take the operation ownership back, there would be a skills & training needs assessment in order to get the workers trained properly. He further explained that there was clear risk with the current lack of training at the sites. He emphasized that SEAPA owns that risk. He expressed concern that currently, SEAPA has no input on who was hired to work the hydroelectric plant sites. He said that SEAPA needs to regain control in the areas that address risk over the sites.

Assembly Member Stough asked why the SEAPA Administration costs were so high. Stough also said that SEAPA handled and managed the SEAPA annual budget.

Mr. Acteson replied that no, SEAPA did not compile the annual budget; SEAPA approves the annual budget. Mr. Acteson further replied that SEAPA was providing a lot more costs towards the projects such as insurance fees and FERC fees; currently, under the O&M Contract, SEAPA cannot manage what was going on at the sites to control costs, skill set and overall management; plan is to combine management of both facilities for procurement and safety training to save the rate payers money.

Assembly Member Jack asked that the proposal be presented in writing.

Mr. Acteson answered that the report did not go into detail on what would be proposed because SEAPA did not want to pay D. Hittle for that detailed proposal if the SEAPA Board did not approve for a single operator concept. He further explained that the detailed report would be the next step if the report were approved and that the cost for a detailed proposal from D. Hittle would be estimated to be over \$100,000.

Assembly Member Privett requested an amendment to the main motion.

***Moved by Privett, Seconded by Stough, to request that the Wrangell SEAPA Board Members to develop a long-term work plan that will begin to evaluate a new Operations & Maintenance Agreement and review the Municipal Concerns and keep them on board.***

***Amendment passed unanimously by polled vote.***

***Main Motion as amended passed unanimously by polled vote.***

**13e** Approval of Change Order #2 to Ketchikan Ready Mix for the Etolin Street & Medical Campus Utilities Assistance Project

***Moved by Stough, seconded by Jack, to authorize the Borough Manager to issue Change Order #2 to Ketchikan Ready Mix for Changed Conditions to the Etolin Street & Medical Campus Utilities Assistance Construction Contract in the amount of \$112,545.50.***

Borough Manager Rooney reported that the change order was necessary because the contractor had begun to discover unsuitable soil conditions on the project based on the excavation amounts that the engineer had identified. Funds were to come from a grant for the medical center in the amount of \$27,481, and the balance of \$85,000 to come from the Wrangell Economic Recovery Fund.

***Motion passed unanimously by polled vote.***

**13f** Approval of Amendment #2 to R&M Engineering-Ketchikan for the Etolin Street & Medical Campus Utilities Assistance project

***Moved by Jack, seconded by Wiederspohn, to authorize the Borough Manager to issue Contract Amendment #2 to R&M Engineering-Ketchikan, based on a lump sum amount of \$29,975.00, for Contract Administration, Inspection, and Testing Services. Motion passed unanimously by polled vote.***

**13g** Approval to Participate in the Community Development Block Grants (CDBG) Program

***Moved by Privett, Seconded by Stough to authorize the Participation in the Community Development Block Grant (CDBG) Program in the amount of \$470,855, for the Sewer Pump Replacement Project and to further authorize the Borough Manager as the signatory for all grant documents.***

Borough Manager Rooney stated that there had been a Public Hearing the previous evening to discuss four or five different proposed projects that were possible candidates for the use

of the CDBG program funds. Following the Public Hearing, he said that staff had recommended that the CDBG funds be used for the Sewer Pump Replacement Project.

Borough Manager Rooney further explained that currently, 80% of the city's sewer flows through two pumps that were over thirty years old. He said that parts for these pumps were difficult to acquire and therefore, they need to be replaced.

The City and Borough of Wrangell had already applied for a grant through Alaska Department of Environmental Conservation (DEC) to help in the replacement of the Sewer Pump Project. He said that if we receive the DEC funding, those funds could be used towards the CDBG match funding requirements.

Borough Mayor McConachie asked if Wrangell was in competition for this funding opportunity.

Borough Manager Rooney answered that there was a little over 2 million dollars being offered statewide for the CDBG Program and that in applying for this funding, the City would hope receive the funding for the Sewer Pump Replacement Project.

***Motion approved unanimously by polled vote.***

**\*13h** Final Plat Approval for the Reed/Larson Easement Vacation

**APPROVED UNDER CONSENT AGENDA**

**ATTORNEY'S FILE**

None.

**EXECUTIVE SESSION**

**15a** Discussion of Wrangell v. Rea, et.al. 1WR-12-55

***Moved by Privett, seconded by Jack, to go into executive session to discuss the pending litigation in Discussion of Wrangell v. Rea, et.al. 1WR-12-55 involving matters, the immediate knowledge of which would clearly have an adverse effect upon the finances of the public entity.***

Meeting recessed into Executive Session at 8:22 p.m.

Meeting reconvened at 9:20 p.m.

Mayor McConachie reported that the amended motion that had been adopted for Action Item 13d had not been done correctly.

Assembly Member Privett asked that his original motion be withdrawn. Assembly Member Stough agreed to the withdrawal.

*Original Motion was withdrawn with unanimous consent of the Assembly.*

*Moved by Privett, Seconded by Stough, to request that the Wrangell SEAPA Board Members to develop a long-term work plan that will begin to evaluate a new Operations & Maintenance Agreement and review the Municipal Concerns and keep them on board. Motion passed unanimously by polled vote.*

Mayor McConachie reported that the Assembly had been brought up date with the continuing litigation. He further reported that Borough Manager Rooney and Borough Attorney Blasco would continue with the ongoing negotiations.

**ADJOURNMENT: 9:32 p.m.**

ATTEST:

  
Kim Flores, Borough Clerk

  
Donald J. McConachie, Mayor

