



**City and Borough of Wrangell
Borough Assembly Meeting
AGENDA**

September 25, 2012 – 7:00 p.m.

Location: Assembly Chambers, City Hall

- 1. CALL TO ORDER**
 - a. PLEDGE OF ALLEGIANCE** led by Assembly Member Pamella McCloskey
 - b. INVOCATION**
 - c. COMMUNITY PRESENTATION**
- 2. ROLL CALL**
- 3. AMENDMENTS TO THE AGENDA**
- 4. CONFLICT OF INTEREST**
- 5. CONSENT AGENDA:**
 - a. Items (*) 6a, 7a, 7b, 13d**
- 6. APPROVAL OF MINUTES**
 - *a. Minutes of Regular Assembly meeting held September 11, 2012**
- 7. COMMUNICATIONS**
 - *a Minutes of Regular Port Commission meeting held May 3, 2012; Minutes of Special Port Commission meeting held August 7, 2012**
 - *b Minutes of Regular TBPA Commission meeting held June 8, 2012**
- 8. BOROUGH MANAGER'S REPORT**
- 9. BOROUGH CLERK'S FILE**
- 10. MAYOR/ASSEMBLY REPORTS AND APPOINTMENTS**
 - a. Reports by Assembly Members**
- 11. PERSONS TO BE HEARD**
- 12. UNFINISHED BUSINESS**

None
- 13. NEW BUSINESS**

- a. Request to hold Special Assembly Meeting on Monday, October 8, 2012 at 5:30 p.m. to Certify Election Results from Regular Election to be held on October 2, 2012**
- b. Request for funding for the Lynch Street paving project**
- c. Discussion and Possible Action to schedule a Workshop Session to review the "Operations and Maintenance Organizational Review" report produced by D Hittle and Associates and commissioned by SEAPA**
- *d Final Plat Approval for Woody Wilson Subdivision**

14. ATTORNEY'S FILE

15. EXECUTIVE SESSION

16. ADJOURNMENT

CITY & BOROUGH OF WRANGELL, ALASKA

BOROUGH ASSEMBLY

AGENDA ITEM

September 25, 2012

ITEM NO. 1 CALL TO ORDER:

INFORMATION: The Mayor, by code, is required to call the meeting to order at 7:00 p.m. in the City Council Chambers. Special meetings or continued meetings may be called for at differing times but at the same location. Notice of such will be required by the Borough Clerk. The Mayor will call the meeting to order according to such special or continued meeting notice. At all meetings of the assembly, four assembly members or three members and the mayor shall constitute a quorum for the transaction of business, but a smaller number less than a quorum may adjourn a meeting to a later date.

RECOMMENDED ACTION:

The Mayor, as presiding officer, is to call the meeting of the Borough Assembly to order, with the following actions to follow:

- a. Pledge of Allegiance to be given by Pamela McCloskey
- b. Invocation
- c. Community Presentation

ITEM NO. 2 ROLL CALL – BOROUGH CLERK:

INFORMATION: The Borough Clerk shall conduct a roll call of each elected and duly qualified Assembly Member. Such call shall result in an entry of those present or absent from the meeting. The roll call is primarily utilized in determining if sufficient member(s) are present to conduct a meeting. The Borough Clerk may randomly change the conduct of the roll to be fair to the members of the governing body unless the council determined an adopted procedure for roll call which is different than currently in use.

RECOMMENDED ACTION:

Borough Clerk to conduct a roll call by voice vote. Each member to signify by saying here, present (or equal) to give evidence of attendance.

ITEM NO. 3 AMENDMENTS TO THE AGENDA:

INFORMATION: The assembly may amend the agenda at the beginning of its meeting. The outline of the agenda shall be as from time to time prescribed and amended by resolution of the assembly. (WMC 3.04.100)

CITY & BOROUGH OF WRANGELL, ALASKA

RECOMMENDED ACTION:

The Mayor should request of the members if there are any amendments to the posted agenda. ***THE MAYOR MAY RULE ON ANY REQUEST OR THE ASSEMBLY MEMBERS MAY VOTE ON EACH AMENDMENT.***

ITEM NO. 4 CONFLICT OF INTEREST:

INFORMATION: The purpose of this agenda item is to set reasonable standards of conduct for elected and appointed public officials and for city employees, so that the public may be assured that its trust in such persons is well placed and that the officials and employees themselves are aware of the high standards of conduct demanded of persons in like office and position.

An elected city official may not participate in any official action in which he/she or a member of his/her household has a substantial financial interest.

ITEM NO. 5 CONSENT AGENDA:

INFORMATION: Items listed on the Consent Agenda or marked with an asterisk (*) are considered part of the Consent Agenda and will be passed in one motion unless the item has been removed by an Assembly Member or the Mayor and placed on the regular agenda.

RECOMMENDED ACTION:

Move to approve those Agenda items listed under the Consent Agenda and those marked with an asterisk (*) Items:

6a, 7a, 7b, 13d

ITEM NO. 6 APPROVAL OF MINUTES:

INFORMATION:

6a Minutes of Regular Assembly meeting held September 11, 2012

AGENDA

Item 6a
9-25-12

Minutes of Regular Assembly Meeting Held on September 11, 2012

Mayor Jeremy Maxand called the regular assembly meeting to order at 7:00 p.m., September 11, 2012, in the Assembly Chambers. Assembly Members Privett, McConachie, McCloskey, Jack, Younce and Stokes were present. Borough Manager Timothy Rooney and Borough Clerk Kim Flores were also in attendance.

Pledge of Allegiance was led by Assembly Member Don McConachie.

Invocation given by Assembly Member Don McConachie.

COMMUNITY PRESENTATION

None.

AMENDMENTS TO THE AGENDA

None.

CONFLICT OF INTEREST

None.

CONSENT AGENDA

Moved by McConachie, seconded by Jack, to approve Consent Agenda Items marked with an () asterisk, 6a and 7a. Motion approved unanimously by polled vote.*

APPROVAL OF MINUTES

*6a Minutes of Public Hearing held August 28, 2012; Minutes of Special Assembly meeting held August 28, 2012; Minutes of Regular Assembly meeting held August 28, 2012, were approved as presented.

BOROUGH MANAGER'S REPORT

Borough Manager Rooney Reported:

- Repairs to Lynch Street have begun

Assembly Member McConachie said that he was pleased to see the business plan from John Glenn in the Manager's Report.

BOROUGH CLERK'S FILE

- Upcoming Dates to Remember

- Sections three (3) and four (4) reviewed by the Code Review Committee on September 5, 2012
- Regular Borough Election coming up on October 2, 2012

MAYOR/ASSEMBLY REPORTS AND APPOINTMENTS

10a Reports by Assembly Members

Assembly Member Privett congratulated Manager Tim Rooney on his upcoming appointment as the new Southeast Conference President.

PERSONS TO BE HEARD

None.

UNFINISHED BUSINESS

None.

NEW BUSINESS

13a PROPOSED RESOLUTION #09-12-1256: A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AUTHORIZING THE CONVEYANCE OF FORCLOSED PUBLIC LAND, PART OF LOT 4 (LOT 4A), BLOCK 17, BY QUITCLAIM DEED, TO GARY AND SCARLETT POOVEY, AND KEVIN AND ABIGAIL BYLOW

Moved by Privett, seconded by McConachie, to adopt resolution. Motion approved unanimously by polled vote.

13b PROPOSED RESOLUTION #09-12-1257: A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, DESIGNATING CANVASS BOARD DUTIES TO THREE ASSEMBLY MEMBERS FOR CANVASSING THE RESULTS OF THE REGULAR ELECTION TO BE HELD OCTOBER 2, 2012 (Assembly Members Privett, Stokes, and Mayor Maxand)

Moved by McConachie, seconded by Younce, to adopt resolution. Motion approved unanimously by polled vote.

13c Discussion and possible action relating to a Letter of Support to Governor Sean Parnell supporting the (ARDOR) Alaska Regional Development Organization Program

Moved by McCloskey, seconded by Jack, to authorize a letter of support be sent to Governor Sean Parnell, Supporting the ARDOR Program. Motion approved unanimously by polled vote.

ATTORNEY'S FILE

None.

EXECUTIVE SESSION:

15a Borough Manager's Annual Evaluation

Moved by McConachie, seconded by Privett, to go into executive session to discuss the pending litigation 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.

Recessed into Executive Session at 7:12 p.m.

Reconvened back to Regular Meeting at 8:22 p.m.

There was no action taken by the Assembly.

ADJOURNMENT: 8:22 p.m.

Jeremy Maxand, Mayor

ATTEST: _____
Kim Flores, Borough Clerk

CITY & BOROUGH OF WRANGELL, ALASKA

BOROUGH ASSEMBLY AGENDA ITEM September 25, 2012

ITEM NO. 7 COMMUNICATIONS:

INFORMATION: The Assembly may receive items for Communications, reasons only which do not require action. This is an avenue to keep the Assembly informed, for the public to enter items on the record, if necessary. The Assembly also receives agenda communications directly by their constituents, Borough Manager, other agencies' Officers and Department Directors.

A MAIL BOX IS ALSO AVAILABLE IN THE BOROUGH CLERK'S OFFICE FOR EACH MEMBER OF THE ASSEMBLY AND SHOULD BE CHECKED ON A ROUTINE SCHEDULE.

All items appearing under Communications on the Agenda have been approved under the Consent Agenda unless removed.

7a Minutes of Regular Port Commission meeting held May 3, 2012; Minutes of Special Port Commission meeting held August 7, 2012

7b Minutes of Regular TBPA Commission meeting held June 8, 2012

**WRANGELL PORT COMMISSION
REGULAR MEETING MINUTES
Thursday, May 3, 2012 at 7:00 P.M.**

CALL TO ORDER – The Regular Meeting of the Wrangell Port Commission was called to order at 7:00 p.m. by Chairman Bill Knecht. Commissioners attending were John Yeager and Brennon Eagle. Also attending were Harbormaster Greg Meissner and Recording Secretary Carol Bean.

Commissioners Dave Sweat and Clay Hammer were absent.

APPROVAL OF MINUTES

a) April 5, 2012 Regular Meeting Minutes

Minutes approved by consensus

AMENDMENTS TO THE AGENDA

None

CORRESPONDENCE

None

PERSONS TO BE HEARD

None

8. REPORTS

a. Harbormaster

Meissner – Projects – Heritage Harbor and Boat Yard closing documents are being prepared. Heritage Harbor bathroom is done except for an electrical sensor. It will open tomorrow. Electrician will hang hand dryers. We will finish painting around hydrants and lines if it stays dry. Launch rules, maps, and etc. signs working on putting those together.

The Boat Yard is busy with only one space available. Boat projects are behind so going back out slower than planned.

We will start surveying, excavating for the concrete project. Mike Stough will be heading the project for S&S.

We will be launching more boats tomorrow. Keller is getting set up. The Boat yard will get busy. Traffic from downtown is going through the yard because of road construction. We have posted a 10 mph speed limit. The contractor will keep it watered down to keep dust down.

City dock materials are showing up. We are trying to get Southeast Earthmovers to move down to the other end of town to make space for the dock materials. Their barge shows up next week.

The workshop with vendors went okay. We set policies, and it will go fine. The cruise company feels better.

Eagle – Are you going to put up signs and paint lines?

Meissner – Yes, fire zone signs will be put up and a handicap parking spot. We will paint lines when we get some dry weather.

b. Commissioners

Yeager – The harbor doing a great job dealing with the traffic flow in the yard. We will have big pot holes and puddles; the contractor needs to keep them knocked down.

Knecht – How is harbor staff doing with the growth we have taken on the past few years?

Meissner – We are doing okay. We have more projects. We have been short staffed with deaths in families of staff recently. Thursday we launched six boats, and pulled a few more. Steve is back today. New harbors vs. old keeps the staff size low. We can get by with the staff we have.

Knecht – LaDonna was doing billing and she had people lined up. She was stressed. Can we bring in a temp to help her?

Meissner – I try to stay in the office when she is doing billings, but with short staff, I was out a lot. Yes, we can get a temp. We have a pool of workers we can hire as needed.

Knecht – Get a temp to fill in for LaDonna.

Meissner – We could get a temp for the summer. It is complicated trying to train on the computer systems. We are trying to schedule boats in the yard better.

Yeager – Do you see anyone who is holding up space, and holding up other boats from coming in?

Meissner – Some vendors have a hard time saying no to jobs. We reserve the right to monitor that. We can turn away boats if the vendor cannot get to them and manage their projects. Sometimes they get too many jobs going.

Yeager – We need boats to move in and out, and not homestead in the yard.

c. Port and harbor safety concerns

None

9. UNFINISHED BUSINESS

a. Mariner's Memorial

We have a Resolution that Carol Rushmore drafted. Next week we will have the drawing from Brenda. We are getting cost estimates from PND. If we need a support list, we can publicize this and get it going.

They will have the blessing of the fleet at the memorial site. They want a bell there for that.

10. **NEW BUSINESS**

a. **PROPOSED RESOLUTION: A RESOLUTION OF THE PORT COMMISSION OF THE CITY AND BOROUGH OF WRANGELL, ALASKA SUPPORTING THE MARINER'S MEMORIAL PROJECT**

Move by Eagle, to adopt the resolution, seconded by Yeager.

Eagle – This is laid out nicely and the history is done well.

Motion carried unanimously by poll vote.

b. **Approval of award of leases of Lots 1 and 2 on the Mill Dock in Marine Service Center**

Move by Eagle, to approve the lease of Mill Dock Lot 1 for \$320 per month to Alaska Special Sea Seafoods, and Mill Dock Lot 2 for \$144 per month to Mass Kills Seafood, seconded by Yeager.

Meissner –This will go to the assembly. Steve is ready to start. Tony is working for Steve now. They are aware that they cannot sit on the lots indefinitely. Steve is buying materials and getting ready to start up for the June crab opening. He is buying pumps, etc.

Motion carried unanimously by poll vote.

11. **CLOSING**

a. **Next Agenda Items**

Meissner – We purchased a skiff with city dock funds. We will sell it when the project is done. We have an extra \$1 million to do everything we were looking at doing. We will pick the new summer float dock and put it together.

b. **Adjourn meeting 7:30 p.m.**

AGENDA

Item 7a
9-25-12

Wrangell Port Commission Special Meeting Minutes August 7, 2012

CALL TO ORDER – The Special Meeting of the Wrangell Port Commission was called to order at 4:30 p.m. by acting Chairman Clay Hammer. Commissioners David Sweat and Brennon Eagle were in attendance. Also present were Harbormaster Greg Meissner and Recording Secretary Carol Bean.

Commissioners Knecht and Yeager were absent.

Harbormaster's Report

Meissner – Project update

The two projects are going great, smooth as silk.

- **City Dock** – The barge will be leaving tomorrow or the next day. Dive crews will continue work for the next two months. They are ahead of schedule.
- **Marine Service Center Concrete Project** – This project is a week to ten days ahead of schedule. Area 3 was poured yesterday. We have one more pour toward the gate. There have been no issues. We have had no real complaints. We are working on the design for the next phase of the project. We will be ordering the new machine soon.

Eagle – When will it be ready to pull out boats?

Meissner – It should be ready to go by this coming spring. We can pull 220 tons without further dock work. We will keep both machines.

Eagle – We need another trained operator.

Meissner – We have started that conversation.

- **Harbor Signs** – Some are ready and some are on order. They have all been designed.
- **Mariner's Memorial** – I have talked to Brenda and she will get this drawn up by this fall. We will submit it with the grant requests.

Hammer – Where are we on the parking permits?

Meissner – We have them, we just need to get people to come in and get them.

COMMISSION ACTION:

- Authorize Harbormaster to pay for armor rock placement for Campbell Drive fill from Port Reserves**

Meissner – I have received quotes from three guys. It will be around \$40,000 to haul armor rock and place it. It may go up a little. We need to clean up the corner and leave a dump zone.

Move by Eagle to spend up to \$50,000 for transport and placement of armor rock, with funds coming from Port Reserves; seconded by Hammer.

Motion carried unanimously by poll vote.

Meissner – We have more than enough armor.

Sweat – Regarding the armor rock, are we under obligation on this?

Meissner – No, we got this at no cost.

Meissner – Regarding the new travel lift machine, I spoke to the engineer regarding the specs on a 300 Ton vs. a 250 Ton machine. They recommended getting the 300 Ton. I have asked about sole sourcing this since we already have one machine from them.

Eagle – We have the Commercial Fishing Reserve fund; we could spend some of those funds for the larger machine.

Meissner – It is only \$100,000 more for the 300 Ton machine. I will know more next week.

Adjournment – 4:55 p.m.

AGENDA



Thomas Bay
Power Authority

Item 7b
9-25-12

— TYEE LAKE HYDROELECTRIC PROJECT —

P. O. BOX 1318 WRANGELL, ALASKA 99929 (907) 874-3834 FAX (907) 874-2581

THOMAS BAY POWER AUTHORITY REGULAR COMMISSION MEETING

Minutes of
June 8, 2012
FY2012

PETERSBURG MUNICIPAL POWER & LIGHT OFFICE
11 SOUTH NORDIC DRIVE – PETERSBURG, AK 99833

Summary of Items Discussed at this meeting:

TBPA General Manager resolution 2012-01, Carl Thrift Retirement Presentation, O&M Outside Contract Work Letter, NNB Checking Account, SE Conference Membership.

Thomas Bay Power Authority's Regular Commission Meeting was called to order by President John Jensen on Friday, June 8th, 2012 at 9:47 AM.

Present were Commissioners President John Jensen, Vice President Robert Larson, Member at Large Brian Ashton and Clay Hammer also present was TBPA General Manager Paul Southland and Commission Secretary Rhonda Dawson.

Excused Absence: Commissioner Joe Nelson and David Galla

A QUORUM was established.

Visitors Acknowledged: Carl Thrift, Tyee Foreman

Retirement Presentation Tyee Plant Foreman Carl Thrift:

Commissioner President John Jensen commended Tyee Foreman Carl Thrift with appreciation of his many years of service to the Thomas Bay Power Authority Commission and the Tyee Hydroelectric Plant and presented Carl with a token of appreciation for his years of dictated service. Mr. Thrift was very appreciative to the Commission for acknowledging his service to TBPA, Tyee and the communities of Wrangell and Petersburg after serving for 23 years he wouldn't change anything and looks forward to his retirement.

Persons to be heard: None

Amendment to the Agenda: None

Conflict of Interest: None

Meeting Minutes of April 26th, 2012 and May 3rd, 2012:

Commissioner Clay Hammer **MADE A MOTION** to approve the meeting minutes of April 26th, 2012 and May 3rd, 2012 as presented. Commissioner Brian Ashton **SECONDED the MOTION**.

Discussion was called for: *Hearing None.*

Question was called for roll call vote:

Yes – Commissioner Clay Hammer

Yes – Commissioner Robert Larson

Yes – Commissioner Brian Ashton

Yes – Commissioner President, John Jensen

MOTION CARRIED unanimously 4/0.

TBPA General Manager Contract:

Resolution 2012-01

Commissioner Clay Hammer **MADE A MOTION** to adopt resolution 2012-01 Thomas Bay Power Authority General Manager employment contract as presented. Commissioner Brian Ashton **SECONDED the MOTION**.

Discussion was called for:

President John Jensen informed the commission after giving him the authority to negotiate contract terms with TBPA approved General Manager, he stated he thought it was perfectly fair that he authorize the same pay as the other GM's were making. Paul Southland stated as a quick comment that if you wanted to increase out agreement that would be fine but what we decided on was \$5,000.00 less than what was offered. Commissioner John Jensen stated that was correct and the decision was \$85,000.00 not \$90,000.00. Commissioner John Jensen commented that he thought this wage to be very fair with e excellent job that Paul is doing and that figure is fair with the year he is asking for. Commissioner President John Jensen asked the Commission if anyone has anything to add, hearing no further comments. TBPA General Manager Paul Southland stated that our ordinances require that a resolution be adopted and that one has been presented to the Commission to formally ratify the resolution and contract agreement. Commissioner Hammer proceeded with the motion above and the Commission adopted resolution 2012-12

Question was called for roll call vote:

Yes – Commissioner Robert Larson

Yes – Commissioner Brian Ashton

Yes – Commissioner Clay Hammer

Yes – Commissioner President, John Jensen

MOTION CARRIED unanimously 4/0.

TBPA Southeast Conference Membership:

Commissioner Clay Hammer **MADE A MOTION** to approve the Southeast Conference membership dues in the amount of \$330.00. Commissioner Robert Larson **SECONDED the MOTION**.

Discussion was called for:

Commissioner President John Jensen commented that he does believe that TBA should be a member of the Southeast Conference (SEC) for it keeps us up to date with many items going on in southeast not just electricity and power generation and I think that is very important are they any other comments?. TBPA General Manager Paul Southland stated to the Commission that TBPA has been a member of the Southeast Conference for a number of years and I believe it is appropriate to continue our membership.

Question was called for roll call vote:

Yes – Commissioner Brian Ashton

Yes – Commissioner Clay Hammer

Yes – Commissioner Robert Larson

Yes – Commissioner President, John Jensen

MOTION CARRIED unanimously 4/0.


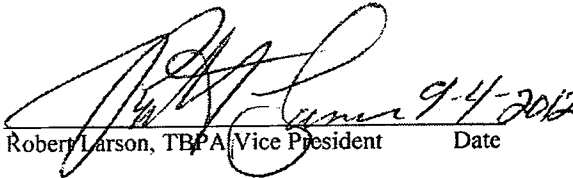
Commission Direction:

It was the direction of the Commission to hold a separate work session regarding continued power sharing discussion and for a decision to be made.

Next TBPA Meeting:

The next TBPA Commission meeting will tentatively take place in Wrangell on Monday August 13th, 2012 at 10:00am.

It was the consensus of the Commission to adjourn the meeting at 11:47am.

	
John Jensen, TBPA President	Robert Larson, TBPA Vice President
9.4.2012	9-4-2012
Date	Date

**TO: THE HONORABLE MAYOR AND ASSEMBLY
CITY AND BOROUGH OF WRANGELL**

**FROM: TIMOTHY D. ROONEY
BOROUGH MANAGER**

RE: BOROUGH MANAGER'S REPORT

DATE: September 21, 2012

*"God says we need to love our enemies. That hard to do.
But it can start by tellin' the truth."*

*- Aibileen Clark
"The Help"*

MANAGERIAL:

CITY AND BOROUGH OF WRANGELL V. SELLE-REA, ROBINSON, BJORGE, MCGEE, NELSON, ETTEFAUGH, RHINEHART - On Monday, September 17, 2012 the City and Borough of Wrangell filed a motion and memorandum for order for return of laptop computer and iPad to the City and Borough of Wrangell to allow for forensic examination. The motion and memorandum are attached for your information and review.

FEDERAL ENERGY REGULATORY COMMISSION – On September 20, 2012, the Federal Energy Regulatory Commission (FERC) provided a ruling yet again denying Cascade Creek's application for a third preliminary permit for the Cascade Creek Hydroelectric Project No. 12495. FERC had issued its original decision in January of 2012 and that decision was appealed by Cascade Creek in February of 2012. The order issued on September 20, 2012 denies the appeal for a rehearing and is attached for your information and review.

Staff will review this recent decision handed down by FERC with Borough Attorney Bob Blasco in order to discuss possible options moving forward for return of the \$250,000 "investment" of taxpayer dollars made by the City and Borough of Wrangell in Cascade Creek in January of 2009.

SOUTHEAST ALASKA POWER AGENCY – The Southeast Alaska Power Agency recently enlisted D. Hittle and Associates to conduct an Operations and Maintenance Organization Review of SEAPA and its hydroelectric and transmission facilities. The SEAPA Board of Directors began the process of reviewing the report at its meeting in Petersburg, AK this week. A complete copy of the Final Draft Report has been attached for your information and review.

Borough Manager's Report
September 21, 2012
Page 2 of 8

This item has been listed on the September 25, 2012 Borough Assembly agenda for the purpose of scheduling a workshop for the Borough Assembly to review and discuss the findings of the report.

LYNCH STREET – The project was held up a few days by heavy rain but crews are back onsite. A defective water service line was replaced to the AICS building while the road was opened up. The broken up sidewalk at the corner of the AICS building has been removed and will be replaced following ADA requirements. Public Works crew will be surveying grades and performing final grading this week.

Ketchikan Ready Mix (KRM) is out of cement and are making arrangements to use the Eddystone's extra materials from the Marine Service Center project to finish the last pours on the Front Street project, leaving no concrete in town for Lynch Street. KRM is having some cement put on the ferry to supply their other projects, including Lynch Street. The project should have concrete and be ready to pour early next week.

DOWNTOWN REVITALIZATION PROJECT – The Downtown Revitalization Project is rapidly nearing completion. The final inspection walkthrough of the project has been scheduled for Tuesday, October 2, 2012 beginning at 10:30 AM. The notice letter for the final walkthrough has been attached for your information and review. Mr. Johnson, Ms. Rushmore, and Ms. Al Haddad will be representing the City and Borough of Wrangell in this process.

Construction Progress Update Memorandum #13, submitted by Eric Voorhees, Project Engineer is attached for your information and review.

INITIATIVE PETITION – The initiative petition sponsors – Mr. Ernie Christian and Ms. Rhonda Dawson – have picked up the petition booklets from the Borough Clerk's office. Both Mr. Christian and Ms. Dawson have 90 days from the date the petition booklets were issued in which to obtain 94 signatures of registered voters for the petition to be voted on by Wrangell citizens. If the signatures are obtained and verified, the petition would be voted on by voters at the next Regular Borough Election to be held on **October 1, 2013.**

WCA REQUEST – The City and Borough of Wrangell received two letters of request from Wrangell Cooperative Association President Mr. Ernie Christian for the purposes of providing various services and access to city facilities during the upcoming re-dedication to Chief Shakes Clan House on May 3-4, 2013. I have pledged the City and Borough of Wrangell's cooperation during this process and staff looks forward to assisting in any way possible to make the re-dedication event a success. I have attached my correspondence with the WCA for your information and review.

Borough Manager's Report
September 21, 2012
Page 3 of 8

WMC REPLACEMENT PROJECT – Staff received confirmation this week that Mr. Keith Perkins with USDA will now be the “point person for anything related to moving forward on the WMC project.” Mr. Perkins represents the USDA’s Rural Development Office and works out of Sitka. Mr. Perkins has extensive USDA project experience and has worked with the City and Borough of Wrangell – specifically Ms. Rushmore, Mr. Jabusch, and Mr. Johnson – on several different USDA funded projects.

At the request of Mr. Perkins, I provided notification that the City and Borough of Wrangell desired to terminate the existing loan application so that USDA could de-obligate the ARRA financing that has been obligated for the WMC project. A copy of that letter is attached for your information and review. There will then be a formal notice from the state office to the City and Borough of Wrangell accepting the termination of that process. Once that is received, the City and Borough of Wrangell will begin working with Mr. Perkins on a new loan application utilizing non-ARRA financing.

If you have any questions regarding this process, please do not hesitate to contact me.

COFFEE WITH THE MAYOR - The next “Coffee with the Mayor” meeting will be held on Friday, October 5, 2012 from 9:00 AM to 11:00 AM at City Hall. The purpose of these meetings is to provide an opportunity for citizens to meet with the Mayor and discuss issues, concerns, and ideas they would like to share in a forum other than at regularly scheduled meetings of the Borough Assembly.

If you know of any citizens or business owners that would like to meet with the Mayor, no appointment is necessary, just direct them to City Hall on the above date and time do so. Coffee and donuts will be provided.

UPCOMING TRAVEL –I will be out of the office September 24-28, 2012 attending Southeast Conference in Craig, AK.

PUBLIC WORKS DEPARTMENT:

DRAINAGE ISSUES - After the completion of Lynch Street, Public Works staff will return to correcting various drainage problems around town. There are a number of places where drainage is not making it into the storm drain system and will cause icing problems this winter. In some cases this is caused by actions of property owners and staff will be requiring the property owner to address it. In other cases, the problems are for public works to correct. Staff will divert efforts to winter preparations outlined below and switch back to drainage after when completed.

WINTER PREPARATIONS - In October each year, Public Works staff begins the process of getting ready for winter. Much of the heavy equipment and a few trucks get modified for snow removal and de-icing. Fire hydrants in areas with a high water table get pumped out or have salt or non-glycol antifreeze added. Chemicals are purchases and stocked. The garage puts studded or winter tires on most vehicles at this time as well.

MISSION STREET ASPHALT - The new asphalt from last year on Mission Street has failed in the center of the road. Since there is a very high mobilization cost in setting up an asphalt plant and there is just a small amount of repair work, staff is working on a written commitment from SEACON to provide an overlay on the road when they are in town next for another asphalt job. In return the City would patch the center of the road with our asphalt recycler. There would be a significant amount of labor on the Public Works part but an overlay on Mission Street is desired as there would be a much longer life on the road with a thicker asphalt layer.

If you have any questions regarding these items, please do not hesitate to contact Mr. Johnson.

FINANCE DEPARTMENT:

SURPLUS PROPERTY – Mr. Jabusch is currently in the process of developing a list of surplus equipment that is no longer needed for disposal. Once finalized, the list of items along with a description of each with a minimum bid will be placed in the newspaper for public advertisement. If you have any questions, please contact Mr. Jabusch.

MUSEUM:

INFORMATIONAL ITEMS – The following items have been submitted by the Museum for informational purposes:

- As of September 20, 2012 the Wrangell Museum has changed to winter hours. Winter hours are 1 PM to 5 PM, Tuesdays through Saturdays.
- Mr. Zachary Jones, the Archivist for the Sealaska Cultural Heritage Institute visited the museum on September 19, 2012. Mr. Jones presented his research on the 1869 Battle of Wrangell.
- Ms. Clark will be traveling to Sitka for the Annual Museums Alaska Conference from October 9-13, 2012.
- The first priority on the list for winter projects is to begin work on the Archives. Ms. Clark will be sorting and storing archival items over the next few weeks while waiting to learn if a grant application to begin the Inventory will be approved.

If you have questions regarding any of these items, please contact Ms. Clark.

CAPITAL PROJECTS:

CITY DOCK REHABILITATION - Northwest Underwater Construction (NUC) is 100% complete on the metalizing of the dock piles and the installation of the aluminum anodes. They are also 70% complete on the last of the pile protection system, the protective pile wraps (tape and jackets), for the splash zone. Pile wraps will continue until the project is complete. NUC is currently projecting to be complete with the project by the middle of October 2012.



COMMUNITY CENTER ROOF REPLACEMENT - Johnson Construction & Supply, Inc. (JCSI) continues work on the Community Center Roof Replacement project. All demolition work has been completed, and all rot framing/decking repairs are complete as well. Roofing panels are complete on Phase 1 (Church Street side of Gymnasium). Roofing panels are 85% complete on Phase 2 (Reid Street side of Gymnasium) and 100% complete Phase 3 (Multi-Purpose Room). Entry roofs, flashings, downspouts and trims are remaining. JCSI anticipates completion by the middle of October.



Borough Manager's Report
September 21, 2012
Page 6 of 8

ETOLIN STREET AND MEDICAL CAMPUS UTILITIES - This project is substantially complete. Ketchikan Ready Mix expects to finish their punch list by the end of September 2012. Staff continues to work with R&M Engineering and Boreal Controls on the completion of the telemetry system for the lift station.



EASTERN PASSAGE PADDLE CRAFT TRAIL - Ketchikan Ready Mix completed the Paddle Craft Trail project at the end of August 2012. They were provided a change order to supply and install a trail marker on the shoreline end of the trail, allowing boaters to locate the trail easily from the water. Also included in the change order was the refuse clean-up of the area surrounding the trail site and the asphalt turn around, which over the years had become an unauthorized dump site. This refuse clean-up satisfies the mitigation requirements under the U.S. Army Corps of Engineers' Nationwide Permit, issued for this project.

This trail will afford people the opportunity for easy access to the shoreline. It is a nice addition to the Borough trails system and is now ready for public use.



MARINE SERVICE CENTER CONCRETE PAVING - At the Marine Service Center, S&S General Contractors achieved the required 80% compressive concrete strength in Area 2 on July 24, 2012, in Area 3 on August 16, 2012 and in Area 4 on September 6, 2012. Substantial completion for these areas of the Marine Service Center Concrete Paving project were granted to S&S General Contractors and the City and Borough of Wrangell has begun utilizing the space.

The Contractor is scheduled to complete the last three concrete pours of the project, weather permitting, by the middle of next week. Remaining are two small pours in Area 6 (north of the Cold Storage Building) and all of Area 5 (north of the Travel Lift pier). Following the last of the concrete pours, the Contractor will concentrate on installing construction joint sealant throughout the project and the Additive Alternate A work, which includes the installation of an oil water separator.

The Contractor remains on schedule to complete the work prior to the project's completion date.



MARINE SERVICE CENTER CONCRETE PAVING PHASE II - PND Engineers is currently in their initial design phase for the Marine Service Center Concrete Paving Phase II. This project will provide concrete paving over the remainder of the boat haul-out facility. PND's 35%-level plan review design is scheduled to be complete by the fourth week of October 2012. The final engineering design is scheduled to be completed by March 2013, after which the construction bidding phase will follow.

MARINE SERVICE CENTER PIER UPGRADES - PND Engineers is currently in their initial design phase for the Marine Service Center Pier Upgrades. This project will provide structural upgrades to the existing pier in order to accommodate heavier vessel loads at the facility. The final engineering design is scheduled to be completed by March 2013, after which the construction bidding phase will follow.

ATTACHMENTS:

1. Motion and Memorandum for order of return of laptop computer and iPad
2. FERC ruling dated September 20, 2012
3. D. Hittle and Associates Final Draft Report submitted to SEAPA
4. Construction Progress Update Memorandum #13
5. Wrangell Cooperative Association Correspondence
6. Letter to Mr. Keith Perkins, USDA

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
FIRST JUDICIAL DISTRICT AT WRANGELL

CITY AND BOROUGH OF WRANGELL,

Plaintiff,

v.

NOEL D. SELLE-REA, MARK ROBINSON,
LINDA BJORGE, LURINE MCGEE, JIM
NELSON, SYLVIA ETTEFAGH, and LEANN
RINEHART, individually and as co-conspirators

Defendants.

CASE NO.: 1WR-12- 55 CI

**MOTION AND MEMORANDUM FOR ORDER FOR RETURN OF LAPTOP
COMPUTER AND IPAD TO BOROUGH TO ALLOW FORENSIC EXAMINATION**

The City and Borough of Wrangell (hereafter Borough) respectfully requests that this Court order that a laptop, currently held in safekeeping by a security firm in Anchorage pending return to its owner by agreement of the parties or court order, and an iPad wrongfully removed and kept by Defendant Selle-Rea after his termination, be returned to the Borough for continued safekeeping and forensic examination. The laptop and iPad were purchased by the Borough's medical center, Wrangell Medical Center (hereafter WMC), for use by Defendant Selle-Rea when he was administrator at WMC. The Borough is entitled to the return of the property and to be able to examine the laptop and iPad for evidence related to this action.¹

¹ Pursuant to Alaska Rule of Civil Procedure 34(c), the Court may order production from a non-party. The Borough does not believe that it is necessary to make Digital Securus, the current possessor of the laptop a party to this motion because the Borough has been assured by its counsel that Digital will comply with a court order. If necessary, the Borough would file an independent action against Digital, but given the representations of Digital's counsel to date, the Borough pursues this motion because the defendants did not respond to the Borough's efforts to resolve this issue without Court involvement.

1 **I. STATEMENT OF FACTS**

2 During the course of his tenure as WMC Administrator, Defendant Selle-Rea (hereafter
3 Selle-Rea), was provided with a laptop computer, Blackberry and iPad by the WMC for his
4 work-related use. (Affidavit of Rooney). On June 20, 2012, the six recalled board member
5 defendants terminated Selle-Rea. (First Amended Complaint, para. 36 [hereafter
6 Complaint]). At the same meeting, the six recalled board member defendants appointed the
7 then WMC Chief Financial Officer, Olinda White (hereafter White) as the Acting
8 Administrator. (Complaint, para. 36).

9 On June 27, 2012, the Borough Manager requested that White preserve the laptop in the
10 WMC safe until it could be removed to the Borough safe for purposes of later forensic
11 examination by a qualified computer forensic expert. (Affidavit of Rooney). Upon learning
12 that Selle-Rea had kept his Blackberry phone and iPad, Rooney requested White to obtain
13 those items from Selle-Rea. White advised that Selle-Rea wanted to purchase those items.
14 Rooney told White that the items would not be sold to Selle-Rea and she was to effect the
15 return of those items immediately. (Affidavit of Rooney).

16 At some date not known to the Borough after June 27, 2012, White or someone at her
17 direction sent the laptop to a security firm in Anchorage, Digital Securus (hereafter Digital),
18 with no notice to the Borough. (Affidavit of Rooney). White also advised that Selle-Rea
19 refused to return the iPad and cell phone. (Affidavit of Rooney).

20 When the Borough Manager learned that the laptop had been removed from Borough
21 property, the Borough immediately contacted Digital. (Exh. 1). The Borough learned that
22 Digital had received a box sent from WMC with no prior communication—no phone call, no

1 e-mail, no letter, no request for services—just a box. Counsel for Digital confirmed that
2 Digital had not been requested to do anything by anybody and that Digital had not opened
3 the box presumed to contain the laptop. Counsel for Digital agreed that Digital would not
4 open the box or send the box anywhere pending agreement by the parties or a court order.
5 (Exh. 2).

6 The Borough made a written request to the parties to agree to a protocol for the forensic
7 consultants of all parties to examine and review the contents of the laptop as related to this
8 litigation. (Exh. 3). To date, neither Selle-Rea or the six recalled board member defendants
9 have responded to that request.

10 The Borough learned that Selle-Rea had retained the iPad and Blackberry cell phone
11 after this litigation was commenced. The Borough wrote Selle-Rea's attorney requesting the
12 immediate return of those items. (Exh. 4). Selle-Rea refused to return the iPad and advised
13 he had "discarded" the cell phone. (Exh. 5). Selle-Rea claimed that the Borough had no
14 authority to demand the return of the property and that in any event, he claimed certain
15 employees of the WMC agreed to let him purchase the items. The Borough confirmed that
16 the employees of WMC had not entered any such agreement and again demanded the return
17 of the public property. (Affidavit of Rooney; Exh. 6). Selle-Rea has not returned the iPad.

18 II. RELEVANT INFORMATION LIKELY ON THE LAPTOP AND IPAD

19 The Borough does not know whether Selle-Rea altered any of the contents on the laptop
20 or iPad or otherwise destroyed, erased or deleted information on the laptop or iPad. If he
21 did, the Borough would consider that to be spoliation of evidence and possibly destruction of
22 public property. There is at least a high likelihood that Selle-Rea has altered the information

1 on the iPad based on his attorney's representation that Selle-Rea "discarded" the cell phone
2 that belonged to the Borough/WMC, and that he was using the iPad for "personal matters."
3 (Exh. 5).

4 Selle-Rea was a public employee working for and paid by a public entity, an entity
5 owned and operated by the Borough. As such, there may be or might have been documents
6 and communications on the Blackberry cell phone, laptop and iPad which are part of the
7 public domain and any destruction or alteration or deletion of those documents would
8 constitute both spoliation and destruction of public property.² The Borough is entitled to
9 conduct a forensic examination of the laptop and iPad to determine whether anything
10 potentially relevant to this action has been altered, destroyed, deleted or erased.³

11 The Borough does not have any of the communications among the defendants and Selle-
12 Rea related to Selle-Rea's contract or the two purported amendments. (Exhibits 1-3 attached
13 to the First Amended Complaint). To the Borough's knowledge, there are no hard copy
14 drafts of the contract or the two purported amendments. Any and all drafts are relevant to
15 the action. (See Complaint para. 11-27). Drafts of the contract and the two purported
16 amendments are relevant to all of the causes of action and the Borough's defenses to Selle-

17 ² The Alaska Supreme Court has characterized "public access to records as a fundamental right."
18 *Fuller v. City of Homer*, 75 P.3d, 1059, 1062 (Alaska 2003) (internal quotations omitted.) Drafts
19 and communications, including emails and possibly text messages, between local officials may fall
20 within the scope of the Alaska Public Records Act.. See, Alaska Attorney General Opinion, AGO
21 661-08-0388 (August 21, 2008).

22 ³ The Borough also needs access to the laptop and iPad unrelated to this action because the laptop
and iPad may contain important information and documents necessary for the operation of the
WMC, which should be available to the WMC Board and the next WMC Administrator. The
Borough should also be able to determine whether Selle-Rea altered, destroyed or deleted
documents and information important to the WMC, regardless of whether those documents and
communications are relevant to this action. Based upon an initial review of documents at WMC, it
appears Selle-Rea kept no hard copy files and that would indicate the laptop and iPad may be the
only repository of some documents and communications. It is our understanding Selle-Rea did not
use a desk top computer.

1 Rea's counterclaim. Similarly, communications between Selle-Rea and the attorneys who
2 drafted the contract and purported amendments, and between Selle-Rea and the other
3 defendants, related to any drafts or communications about drafts of the contract and the two
4 purported amendments are potentially relevant to all of the causes of action and the
5 counterclaim.

6 There was no discussion of terminating Selle-Rea at the June 20, 2012 meeting and the
7 meeting failed to notice any action related to Selle-Rea on the Agenda. (Complaint, para.
8 33-36). There was no discussion during the public meeting on June 20, 2012 about an
9 immediate payment to Selle-Rea. (Complaint, para. 37-41). The laptop and iPad may
10 contain e-mail communications among Selle-Rea and board members before the meeting on
11 June 20, 2012 related to his employment. Those communications are relevant to all of the
12 causes of action.

13 Selle-Rea contends in his counterclaim that "following research into compensation paid
14 to Alaska medical center CEOs, the WMC board from time to time adjusted Rea's
15 compensation." (Selle-Rea Counterclaim, para. 14). To the Borough's knowledge, there is
16 no file or hard copy of any such research at the WMC, and if such research exists, it may be
17 on the laptop or iPad or there may be references to such research on the laptop.
18 Correspondingly, if there is nothing on the laptop or iPad, the absence of any alleged
19 research constitutes important evidence.

20 The six recalled board defendants contend that their actions were taken "pursuant to the
21 advice of counsel." (Answer, para. 7, p. 24). Any communications regarding the contract,
22 purported amendments and the termination of Selle-Rea with "counsel" are relevant to the

1 Borough's ability to both prosecute the claim and conduct discovery on the defenses to
2 Selle-Rea's counterclaim. Those communications may be on the laptop and/or iPad.

3 The six recalled board defendants submitted a written demand on the Borough to
4 preserve evidence. (Exhibits 7). Although the Borough does not concede at this point that
5 all of the categories of documents are relevant, or that the Borough has the obligations
6 demanded by counsel for these defendants, the letter is an admission and agreement by the
7 Defendants as to the universe of potentially relevant documents and communications. It is
8 easy to see that the documents and communications that the Defendants contend are relevant
9 are likely on the laptop and iPad.

10 We have also received a First Set of Interrogatories to Plaintiff from Selle-Rea.
11 Examples of these Interrogatories further demonstrate the importance of allowing the
12 Borough access to examine the laptop and access the information on the laptop.

13 Interrogatory No.3: Paragraph 130 of your Complaint for Declaratory
14 and Injunctive Relief states in part: "[t]he Borough believes that discovery will
15 establish that the six recalled board member defendants communicated
16 amongst themselves, and possibly with Defendant Rea, before the June 20,
17 2012 meeting to discuss making the motion [to terminate Rea without cause]
18 and to assure sufficient votes to pass the motion for the benefit of Defendant
19 Rea" State each and every fact that you believe supports this allegation, and
20 include the name, address and phone number of each person in possession of
21 any personal knowledge that would support it.

18 Interrogatory No.6: In paragraph 98 of Complaint for Declaratory and
19 Injunctive Relief, you state that conduct of Rea "constituted fraud against the
20 Borough and the people of the community of Wrangell." State precisely each
21 and every action or inaction that forms the basis of your claim of fraud against
22 Rea, and for each such action or inaction state (1) the specific facts you
contend occurred, (2) the name, address and phone number of each person who
witnessed such action or inaction, (3) the date when each such action or
inaction occurred, and (4) whether there are any witness statements regarding
any such conduct and, if so, the location of such statements.

1 The Borough should not be required to answer interrogatories such as these while the
2 defendants refuse to agree to allow the Borough access to the laptop and the iPad. These
3 interrogatories are an admission and concession by Selle-Rea that the laptop and iPad
4 constitute importance evidence and that the material and information on the laptop and iPad
5 constitute relevant information.

6 It is the Borough's contention that if there is no relevant information on the laptop
7 and/or iPad that "fact" would have considerable relevance and significance to the action. If
8 anything was altered, destroyed, erased, modified, deleted or otherwise tampered with, that
9 information would have significant relevance to the case.⁴

10 The information (or lack of it) on the laptop and iPad is also necessary for the Borough
11 to prepare for depositions of the defendants, prepare dispositive motions and ultimately for
12 cross-examination of the defendants at trial.

13 III. RELIEF REQUESTED

14 The Borough requests that the Court:

- 15 1. Order that the laptop be forwarded to the Borough's computer forensic consultant⁵
16 and preserved in its current state;
- 17 2. Order that the iPad be immediately forwarded to the Borough's computer forensic
18 consultant and preserved in its current state;

19
20 ⁴ Defendant Selle-Rea has already admitted that he has "discarded" the cell phone provided to him
21 by the WMC after the Borough demanded the return of the cell phone after his termination. He had
22 no authority to take it when he was terminated, let alone "discard" it. His actions can at least be
considered some evidence that the laptop and iPad or the information on it may have been altered or
destroyed or otherwise tampered with. (See Complaint, para. 47-53 and the Fifteenth Cause of
Action); See, *Akiona v. United States*, 938 F.2d 158, 161 (9th Cir. 1991)("Generally, a trier of fact
may draw an adverse inference from the destruction of evidence relevant to a case.")

⁵ The CV of the forensic computer consultant is attached as Exhibit 8.

1 3. Order that the Borough forensic consultant be permitted to:

2 A) first examine the laptop and iPad to determine if anything has been removed, altered,
3 destroyed, erased, modified, or otherwise tampered with;

4 B) make a forensic image of everything on the laptop and everything on the iPad;

5 C) provide a copy of that forensic image to the undersigned counsel for the Borough for
6 purposes of review by the undersigned for materials otherwise privileged,
7 confidential or proprietary. (See Affidavit of Yee explaining this procedure).

8 The Borough would then produce the documents (which would include e-mails) to all parties
9 pursuant to Civil Rule 26 with a privilege log as related to (D) above.⁶

10 There is no legal authority to deny the Borough access to its own laptop and iPad and
11 complete review of the information on the laptop and iPad for relevant documents and
12 information for use in this action. Once the protocol has been followed, all of the parties
13 will have the same information or absence of information from the laptop and iPad. As the
14 laptop and iPad are the property of the Borough/WMC and the Borough has brought this
15 action, the Borough should properly have custody of the laptop and iPad and have the first
16 opportunity to examine their contents, and upon doing so, comply with Civil Rule 26
17 disclosure requirements to the other parties.⁷

18
19
20
21 ⁶ The undersigned will exclude from Civil Rule 26 disclosures any information on the laptop that
22 relates to patient information or HIPAA information as such information has no relevance and is
otherwise confidential and protected by various federal laws. The undersigned will limit review of
the information on the laptop retrieved by the forensic consultant to himself and his immediate staff
assisting in the review, who will similarly be bound by the confidentiality requirements as counsel.

⁷ Attached as Exhibit 9 are the purchase orders for the laptop, iPad and cell phone.

1 IV. CONCLUSION

2 Without authorization from the Borough, the laptop that is Borough/WMC property was
3 sent to non-party company. Without authorization from the Borough, Selle-Rea destroyed
4 public property (the cell phone) and has refused to return other public property, the iPad.
5 There can be no dispute that the Borough is entitled to the return of its property. There can
6 be no dispute that the Borough is entitled to examine the laptop and iPad and its contents for
7 information potentially relevant to the issues in this case, as well as important to the
8 functioning of the WMC.

9 The Borough has proposed to the Court a fair protocol for both the preservation of the
10 laptop and iPad and the contents and the review of both and disclosure of material
11 potentially relevant to the claims and defenses. The Borough respectfully requests that the
12 Court order that the laptop be immediately forwarded by Digital Securus to Celerity
13 Consulting Group in Seattle, Washington, and that the iPad be immediately forwarded by
14 Selle-Rea's counsel to Celerity Consulting Group, and the protocol outlined on Part III
15 above be implemented by the Borough.

16 DATED: September 19, 2012.

HOFFMAN & BLASCO, LLC

17
18 By: Robert P. Blasco for
Robert P. Blasco AK Bar # 7710098
19 Attorneys for the City and
20 Borough of Wrangell
21
22

Certificate of Service

This is to certify that on September 17, 2012, true and correct copies of the forgoing **MOTION AND MEMORANDUM FOR ORDER FOR RETURN OF LAPTOP COMPUTER AND IPAD TO BOROUGH TO ALLOW FORENSIC EXAMINATION** was provided to the parties of record as indicated below:

Elizabeth P. Hodes [x] US Mail
Jon S. Dawson [] Facsimile
Davis Wright Tremaine LLP [x] Email
701 West 8th Ave., Suite 800
Anchorage, AK 99501-3468

David H. Shoup [x] US Mail
Tindall Bennett & Shoup [] Facsimile
508 West 2nd Ave., Third Floor [x] Email
Anchorage, AK 99501


Alison Foreman

HOFFMAN & BLASCO, LLC

JUNEAU OFFICE

9360 GLACIER HIGHWAY
SUITE 202
JUNEAU, ALASKA 99801
PHONE: (907) 586-3340
FACSIMILE: (907) 586-6818

PAUL M. HOFFMAN
ROBERT P. BLASCO
MARY HUNTER GRAMLING

ATTORNEYS AT LAW

August 3, 2012
Via email and
US Certified Mail, Return Receipt

ANCHORAGE & CRAIG OFFICES

PO BOX 809
CRAIG, ALASKA 99921
PHONE: (907) 826-2453

ROBERT P. BLASCO

Digital Securus
P.O. Box 242334
Anchorage, Alaska 99524
info@digitalsecurus.com

Re: *City and Borough of Wrangell v. Rea, et al.* 1WR-12-55 CI

To the President, Chief Executive Officer, Principal Owner or Whoever Owns or Operates Digital Securus:

We are the Borough attorneys for the City and Borough of Wrangell. We represent the City and Borough of Wrangell in the action referenced above. A copy of the Complaint in that action is attached.

It came to our attention Wednesday, August 1, 2012, that a laptop computer was sent to you by an employee of the Wrangell Medical Center. We do not know the date on which it was sent to you.

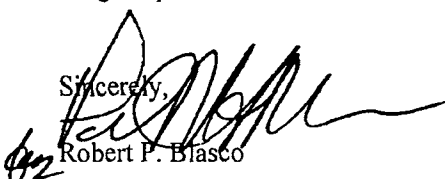
This letter constitutes notice to you that the person who sent that laptop to you had no authority to do so from the City and Borough of Wrangell. The laptop is the property of the City and Borough of Wrangell. The laptop and its contents constitute crucial evidence in the case referenced above. If you have turned on that laptop, or in any way accessed, altered, modified, changed, reviewed, damaged or destroyed the laptop or its contents in any way, the City and Borough of Wrangell considers your actions to constitute a spoliation of the evidence.

Please return the laptop to the Borough Manager for the City and Borough of Wrangell at the following address without delay: P.O. Box 531, Wrangell, AK 99929. If you have done anything at all to the laptop, please provide a detailed explanation of the following:

- a. Was a full forensic image (EnCase, FTK, etc.) acquired of the laptop as a first step?
- b. Has the hard drive been accessed or reviewed in any way without the use of a hardware or software write-blocker?
- c. Have any files or free space been altered, wiped, or deleted? If yes, what tools were used?

The Borough considers it a serious matter that the laptop was sent to you without Borough authorization in light of the pending litigation noted above. We request that you fully cooperate to preserve the crucial evidence contained on that laptop. If the Borough does not receive the laptop by 4:00 p.m. on August 8, 2012, with a complete explanation of anything that was done to the computer and its contents, the Borough will assume you intend to refuse to return the laptop and the Borough will evaluate its legal options to effect the return of its property and the evidence important to the above referenced case.

Sincerely,



Robert P. Blasco

cc: Tim Rooney - via email only w/o attachment
David Shoup - via email only w/o attachment
Jon Dawson - via email only w/o attachment

Exh 2 - memo from digital securus attorney 8-9-12.txt

From: Roberta C. Erwin, Esq, [RCERwin.PalmierErwin@alaska.net]
Sent: Thursday, August 09, 2012 4:06 PM
To: 'Bob Blasco'
Subject: RE: Wrangle1 v Rea, et al., 1WR-12-55

Bob:

I have spoken with Glen Klinkhart regarding your concerns. He reiterated to me that he spoke only with the IT person at Wrangle1 Medical Center. He did not have a contract for services nor was he expecting the Tap top. He has placed the Tap top in his safe it has not been opened and nothing has been done to it. He charges \$100 a month for evidence storage and will keep the Tap top until there is an agreement of all the parties or an order of the court. It will remain untouched until there is further direction from the parties. Rest assured, Mr. Klinkhart has not done anything to the Tap top. Any comments to the contrary are not correct.

Bobbi Erwin
Attorney at Law

Palmier ~ Erwin, LLC
121 West Fireweed Lane, Ste. 208
Anchorage, AK 99503
Phone: 907-279-8522
Fax: 907-278-5822

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From: Bob Blasco [mailto:rbblasco@hoffmanblasco.com]
Sent: Tuesday, August 07, 2012 5:07 PM
To: RCERwin.PalmierErwin@alaska.net
CC: 'Alison Foreman'; 'Paul M. Hoffman'
Subject: Wrangle1 v Rea, et al., 1WR-12-55

August 7, 2012

Roberta,

After our phone conversation today, I received and reviewed the attached letter from the Garvey Schubert Barer law firm. It appears it was copied to your client by Garvey Schubert. I have also attached a copy of the Complaint that underlies our request related to the laptop.

Exh 2 - memo from digital seculus attorney 8-9-12.txt
The Garvey Schubert letter implies that your client was directed by that law firm to actively do something with the laptop and its contents and that your client had been engaged by Garvey Schubert to perform those tasks and that those tasks had been performed. My understanding from your client's letter to us and from you in our conversation was that your client had not been so engaged and had not been instructed to do anything and had not done anything to the laptop or its contents. We are relying on you and your client's letter in that regard--that nothing has been done to the laptop or its contents and at this point nothing will be done to the laptop or its contents.

As you and I discussed today, we are not agreeable to anyone accessing the computer at this point and we do not agree to the anyone doing what is set out in the Garvey Schubert letter.

I look forward to hearing from you after you have conferred with your client.

Bob

Robert P. Blasco

E-MAIL: rpblasco@hoffmanblasco.com

CONFIDENTIAL

The information contained in this e-mail is confidential and is intended only for the use of the individual or entity to whom it is addressed. If you are not the intended recipient, or the person responsible for delivering it to the intended recipient, do not copy, use or disclose this e-mail or any of its contents. If you have received this e-mail in error, please immediately notify us by telephone or e-mail reply. Thank you.

Hoffman & Blasco, LLC
Anchorage: Cell (907) 723-1314

Juneau:
9360 Glacier Highway, Suite 202
Juneau, AK 99801
Phone (907) 586-3340
Fax (907) 586-6818
Cell (907) 723-1314

HOFFMAN & BLASCO, LLC

JUNEAU OFFICE

9360 GLACIER HIGHWAY
SUITE 202
JUNEAU, ALASKA 99801
PHONE: (907) 586-3340
FACSIMILE: (907) 586-6818

PAUL M. HOFFMAN
ROBERT P. BLASCO
MARY HUNTER GRAMLING

ATTORNEYS AT LAW

August 13, 2012
Via e-mail and US Mail

**ANCHORAGE & CRAIG
OFFICES**

PO BOX 809
CRAIG, ALASKA 99921
PHONE: (907) 826-2453

ROBERT P. BLASCO

David Shoup
Tindall Bennett & Shoup, PC
508 West 2nd Avenue, 3rd Floor
Anchorage, AK 99501
shoup@tindall-law.com
taylor@tindall-law.com

Jon Dawson
Davis Wright Tremaine, LLP
701 West 8th Avenue, Suite 800
Anchorage, AK 99501
jondawson@dwt.com
907-257-5399

Re: *City and Borough of Wrangell v. Rea, et al.* 1WR-12-55 CI

Dear David and Jon:

We have confirmed with Roberta Erwin, counsel for Digital Securus, that the laptop used by Mr. Selle-Rea while the Administrator at the WMC was sent to Digital Securus, unsolicited and without any agreement with anyone for Digital Securus to do anything. Ms. Erwin has confirmed that Digital Securus did not remove it from the box upon receipt.

Ms. Erwin has conferred with her client and Digital Securus is agreeable to forwarding the laptop to the City and Borough's forensic expert, Norman Yee, of Celerity Consulting in Seattle upon your agreement. Mr. Yee has agreed to accept custody of the laptop directly from Digital Securus and to take responsibility for the safekeeping of the laptop.

We propose that we enter an agreement allowing Digital Securus to forward the laptop to Mr. Yee and to allow Mr. Yee to make a forensic image of the contents of the laptop. This would be in accordance with a confidentiality agreement. We propose that the confidentiality agreement allow us to remove from the copy of the contents any attorney-client privilege information, any HIPAA information, and any other privileged information not relevant to this case, such as physician related credentialing information. Under the agreement, we would preserve that information and prepare a "privilege log." We do not know if any such information is on the laptop, but it would seem prudent

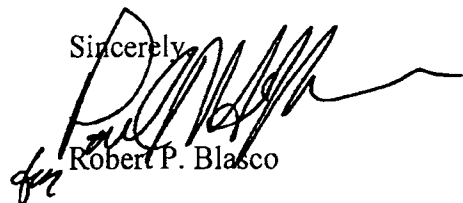
Letter to Shoup and Dawson
Wrangell v. Selle-Rea, et al.
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Page 2

to initially check. After those privileged items are removed, we would provide each of you with a copy pursuant to a confidentiality agreement and Mr. Yee would preserve the laptop, the original forensic image, and the copy without the removed privilege information.

Please let me know if you are amenable to this arrangement so we can all have a fair opportunity at discovery with respect to the contents of the laptop. If so, we would draft a confidentiality agreement for your review, as well as Ms. Erwin and her client.

We look forward to your prompt response.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert P. Blasco", with a long horizontal flourish extending to the right. The signature is written over the word "Sincerely," and the printed name "Robert P. Blasco".

Robert P. Blasco

cc: Tim Rooney
Roberta Erwin

HOFFMAN & BLASCO, LLC

JUNEAU OFFICE

9360 GLACIER HIGHWAY
SUITE 202
JUNEAU, ALASKA 99801
PHONE: (907) 586-3340
FACSIMILE: (907) 586-6818

PAUL M. HOFFMAN
ROBERT P. BLASCO
MARY HUNTER GRAMLING

ATTORNEYS AT LAW

August 3, 2012
Via e-mail, fax and US Mail

ANCHORAGE & CRAIG OFFICES

PO BOX 809
CRAIG, ALASKA 99921
PHONE: (907) 826-2453

ROBERT P. BLASCO

David Shoup
Tindall Bennett & Shoup, PC
508 West 2nd Avenue, 3rd Floor
Anchorage, AK 99501
907-278-8536
shoup@tindall-law.com
taylor@tindall-law.com

Re: *City and Borough of Wrangell v. Rea, et al.* 1WR-12-55 CI

Dear David:

On August 1, 2012, the Borough Manager was advised by the acting hospital administrator, Olinda White, that your client has refused to return the iPad and cell phone, which were provided to him for his use while he was the WMC Administrator.

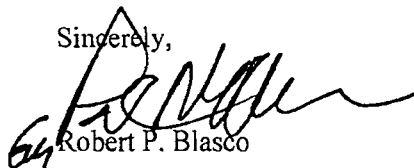
The iPad and cell phone are Borough property. Your client has no right to retain either. The iPad and the cell phone are not his personal property. We consider both the iPad and cell phone as crucial items of evidence in this case. The Borough expects those two items to be in the exact condition each was in on June 20, 2012.

Please direct your client to immediately return the iPad and the cell phone to the Borough Manager, Tim Rooney. His address is: P.O. Box 531, Wrangell, AK 99929. The items will be locked in the Borough safe pending forensic analysis.

Please confirm that your client has not altered, modified, changed, destroyed or damaged the iPad or the cell phone, or any of the contents of either in any way since June 20, 2012.

If the Borough Manager has not received the iPad and cell phone by 4:00 p.m. on August 8, 2012, we will assume that your client has refused to return the Borough's property, and we will file a motion with the Court. We appreciate your immediate cooperation and assistance.

Sincerely,



Robert P. Blasco

cc: Tim Rooney

TINDALL BENNETT & SHOUP
A PROFESSIONAL CORPORATION

LAWYERS
508 WEST 2ND AVENUE, THIRD FLOOR
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 278-8533
FACSIMILE (907) 278-8536

August 9, 2012

ELECTRONICALLY AND BY U.S. MAIL

Bob Blasco, Esq.
Hoffman & Blasco
9360 Glacier Hwy., Suite 202
Juneau, Alaska 99801

RE: City and Borough of Wrangell v. Noel Rea.

Dear Bob:

I am writing in response to your letter to me of August 3. I was out of town when you wrote the letter; otherwise, I would have responded sooner. In the letter, you stated that an iPad and cell phone you claim are in Noel's possession are "Borough property." In making this assertion, you seem unaware of both the facts pertaining to the issue and the Wrangell Municipal Code and Charter.

Section 3-9 of the Home Rule Charter of the City and Borough of Wrangell states that the "borough-operated Wrangell Medical Center shall be operated by a board established by ordinance and elected by the voters."

Section 3.32.020 of the Wrangell Municipal Code states:

A. The custody and management of the municipal hospital building, the land upon which the same is situated and all equipment, furnishings and property situated thereon and therein is entrusted to the board which shall have full power and authority to make all repairs, improvements thereto which are necessary to maintain the same in good condition, but no addition to or replacement of real property shall be made by the board. (Emphasis supplied.)

B. The board shall have the power to purchase, sell, exchange, operate maintain and repair all personal property which it deems advisable . . . (Emphasis supplied.)

Nowhere in the code or charter is there any reference to the Borough being allowed to deal with personal property of the Wrangell Medical Center (WMC). Instead, the code and charter specifically place this power in the hands of the WMC board.

As you know, in the past when WMC staff departed, they were allowed to

Bob Blasco, Esq.
August 9, 2012
Page 2

purchase their WMC electronic devices. When Noel left, there was an agreement between him, Olinda White and Bob Shymanski of WMC that Noel would purchase his used Blackberry for \$100.00 and his used iPad for \$600.00-\$700.00. It would appear the deduction for these devices was made in the final accounting before Noel was paid. If not, he would be happy to forward the funds, but in that event the funds would be forwarded to the WMC board, not to the city manager.

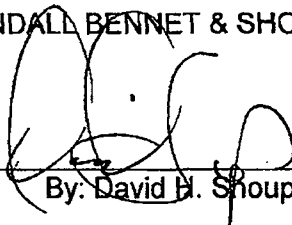
Unless the WMC board acts on the issue, neither you nor the manager has the legal authority to demand that either device be returned. Moreover, if the board does act, it would have to address the agreement made upon Noel's departure.

As a practical matter, the Blackberry no longer exists; it has been replaced and discarded. Noel still has the iPad, but he is using it for personal matters. To the extent it may contain email or other communications within the scope of Civil Rule 26(b), such communications of course would be preserved.

Finally, I will reiterate my request that you supply me with some explanation for the Borough's legal position that the WMC board overstepped its authority when it entered into Noel's employment contract. I would have thought that because the assertion lies at the heart of the lawsuit against Noel, it would have been a simple matter for you to forward citations to code and charter sections that support your position. Instead, I have heard nothing from you. Nor have I been able to locate any legal authority that would seem to justify the Borough's claims. As a result, I feel I have no choice but to file a counterclaim against your client.

Very truly yours,

TINDALL BENNET & SHOUP



By: David H. Shoup

cc: Noel Rea (electronically).
Barb Fleshman (electronically).
Digital Securus (electronically).
Roger Hillman, Esq (electronically).
Jon Dawson, Esq. (electronically).

HOFFMAN & BLASCO, LLC

JUNEAU OFFICE

9360 GLACIER HIGHWAY
SUITE 202
JUNEAU, ALASKA 99801
PHONE: (907) 586-3340
FACSIMILE: (907) 586-6818

PAUL M. HOFFMAN
ROBERT P. BLASCO
MARY HUNTER GRAMLING

David Shoup
Tindall Bennett & Shoup, PC
508 West 2nd Avenue, 3rd Floor
Anchorage, AK 99501
shoup@tindall-law.com
taylor@tindall-law.com

ATTORNEYS AT LAW

August 13, 2012
Via e-mail and US Mail

ANCHORAGE & CRAIG OFFICES

PO BOX 809
CRAIG, ALASKA 99921
PHONE: (907) 826-2453

ROBERT P. BLASCO

Re: *City and Borough of Wrangell v. Rea, et al.* 1WR-12-55 CI

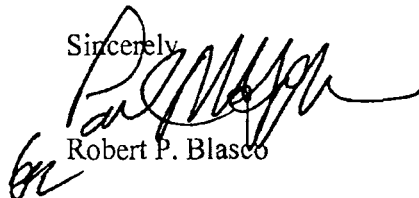
Dear David:

We have confirmed with Ms. White that neither Olinda White nor Bob Shymanski made any agreement with your client to allow him to purchase the cell phone and iPad provided to him for his use while administrator. He did request to purchase those items, but Ms. White and/or Mr. Shymanski told him no, the items would not be sold to him. He was requested to immediately return both items.

We have also confirmed with Ms. White that there was no "deduction" for the purchase of the cell phone and iPad on your client's final paycheck. The Borough maintains its position that it will not sell these items to your client. We again request that your client immediately return the cell phone and iPad. It is unclear to us what you mean that your client "discarded" the cell phone. Please explain what your client did with the cell phone.

We have also confirmed with Ms. White that no employees at WMC have been allowed to purchase electronic equipment upon their termination with WMC. As we noted in our last letter, if you have such information, please provide us with the names of the persons who purchased the items, when the items were purchased, the purchase price, and the person who authorized the purchases.

Sincerely,



Robert P. Blasco

cc: Tim Rooney
Jon Dawson



RECEIVED

AUG 20 2012

Hoffman & Blasco LLC
Juneau, Alaska

Suite 800
701 West Eighth Avenue
Anchorage, AK 99501-3468

Elizabeth P. Hodes
(907) 257-5337 tel
(907) 257-5399 fax

elizabethhodes@dwt.com

August 17, 2012

Robert P. Blasco
Hoffman & Blasco, LLC
9360 Glacier Hwy, Suite 202
Juneau, AK 99801

Re: Preservation of Documents and Electronically Stored Information,
City and Borough of Wrangell v. Noel Selle-Read, Mark Robinson, et al.,
Case No. 1WR-12-00055 CI

Dear Bob:

This letter is to confirm that our clients are taking appropriate steps to preserve evidence relating to the above-referenced lawsuit, and to provide you with notice of our expectations with respect to the preservation obligations of the City and Borough of Wrangell. Just as you asked our clients to preserve their communications and correspondence, we expect that the Borough will preserve all documents, information, communications and correspondence, in all electronic and hard copy form (including on laptops or cell phones, in Borough offices or at home), that may relate to this lawsuit. That includes but is not limited to the communications and correspondence of Borough employees, Assembly members, the Mayor, the Borough Manager and the Borough Clerk.

At this time, we believe that relevant documents, communications and correspondence include but are not limited to:

- Any documents, information, communications or correspondence from February 1, 2010 to the present relating to the Board of the Wrangell Medical Center ("WMC"), any board member, or any officer of WMC;
- Any documents, information, communications or correspondence from February 1, 2010 to the present relating to the WMC, including but not limited to its finances and operations and any attempted or actual involvement therein by the Borough;
- Any documents, information, communications or correspondence relating to Title 3 Chapter 32 of the Wrangell Municipal Code and any proposed revisions thereto during the time period February 1, 2010 to the present;

DWT 20189793v1 0096511-000001

Anchorage
Bellevue
Los Angeles

New York
Portland
San Francisco

Seattle
Shanghai
Washington, D.C.

Exhibit 7
Pg. 1 of 3

Robert P. Blasco
August 17, 2012
Page 2

- Any documents, information, communications or correspondence relating to the chapters of the Wrangell Municipal Code that are referenced in the Complaint and any proposed revisions thereto during the period February 1, 2010 to the present;
- Any documents, information, communications or correspondence relating to petitions to recall board members of the WMC or the recall vote, including but not limited documents, information, communications or correspondence reflecting or relating to any formal or informal activities or opinions of the Mayor, Assembly members or other Borough employees and officers in connection with such recall;
- Any documents, information, communications or correspondence relating to the Mayor's former employment with WMC;
- Any documents, information, communications or correspondence relating to the decision to file this lawsuit;
- Internal communications relating to any of the foregoing; and
- Communications with third parties relating to any of the foregoing.

We expect that appropriate steps have been taken to confirm that all individuals responsible for any of the items referred to in this letter are properly informed of their preservation obligations and that those individuals as well as appropriate IT staff have taken necessary steps to suspend normal information destruction practices if they have not done so already.

The terms "documents," "information," "communications" and "correspondence" are intended in their broadest sense, and include not just paper and hard copy documents, but all electronically stored information on any medium and in any electronic format. The information that must be preserved includes without limitation memoranda, notes, messages, voice mail, minutes, agendas, calendars, electronic mail, text messages, contracts, correspondence, drafts, and any other relevant data, regardless of the media or form in which it exists or is stored.

Robert P. Blasco
August 17, 2012
Page 3

We appreciate your prompt attention to this matter.

Very Truly Yours,

Davis Wright Tremain LLP

A handwritten signature in black ink, appearing to read "Elizabeth P. Hodes", written in a cursive style.

Elizabeth P. Hodes

cc: David Shoup



San Francisco Office:
2 Gough Street, Suite 300
San Francisco, CA 94103
415.986.8850 [T] 415.986.8851 [F]

Irvine Office:
7700 Irvine Center Drive, Suite 800
Irvine, CA 98101
949.276.9837 [T] 949.586.4083 [F]

Seattle Office:
2505 Second Avenue, Suite 405
Seattle, Washington 98121
206.441.8500 [T] 206.441.8111 [F]

Walnut Creek Office:
150 N. Wiget Lane, Suite 212
Walnut Creek, CA 94598
415.986.8850 [T]

NORMAN Y. YEE
VICE PRESIDENT AND COO
NYEE@CONSULTCELERITY.COM

BIOGRAPHY

Norman Yee is Vice President and Chief Operating Officer of Celerity Consulting Group, Inc. Prior to joining Celerity, Mr. Yee was a co-founder and partner of Certus Consulting Group LLC and Vice President of Operations at Electronic Evidence Discovery, Inc. He brings with him over twenty years of litigation consulting, computer forensics and information management experience. Mr. Yee specializes in electronic discovery, computer forensics, and data integrity with respect to data mining and complex systems audits.

Mr. Yee has performed computer forensics for expert testimony, analyzed drives for deletion and other activity, coordinated the gathering of electronic evidence from multiple sites, as well as the restoration of various forms of media. He has coordinated the gathering, searching and processing of e-mail and electronic data, and trained legal teams on the use of technology for privilege and relevance reviews for production purposes. He has designed and collaborated on project and client-specific extranets to track documents, billing information, and other financial data. With his diverse technology background, Mr. Yee has also managed and designed the architecture and methodology of numerous complex litigation projects in almost every facet of the process from initial concept and strategy to implementation and is currently focused on the practice of electronic evidence handling and web-based extranets for discovery and production purposes.

Mr. Yee expertise also includes organizing and building analytical databases to support expert damage claims, document management for discovery, and evaluation and development of litigation support software. As technology has progressed over the past two decades, he became involved in bringing multi-media into the courtroom and began integrating higher-end technologies into trial presentations.

Mr. Yee has consulted with attorneys on a wide range of technical matters including trial presentation strategies, electronic discovery, and forensic data recovery. He has presented numerous CLE and educational seminars related to technology and the legal practice to judges, arbitrators, law firms, bar associations, litigation support professionals, and corporate counsel.

Mr. Yee graduated from the University of California Berkeley with a Bachelor of Science degree in Business Administration with a dual emphasis in Finance and Accounting.

CELERITY

San Francisco Office:
2 Gough Street, Suite 300
San Francisco, CA 94103
415.986.8850 [T] 415.986.8851 [F]

Irvine Office:
7700 Irvine Center Drive, Suite 800
Irvine, CA 98101
949.276.9837 [T] 949.586.4083 [F]

Seattle Office:
2505 Second Avenue, Suite 405
Seattle, Washington 98121
206.441.8500 [T] 206.441.8111 [F]

Walnut Creek Office:
150 N. Wiget Lane, Suite 212
Walnut Creek, CA 94598
415.986.8850 [T]

NORMAN Y. YEE
VICE PRESIDENT AND COO
NYEE@CONSULTCELERITY.COM

**TESTIMONY:
DECLARATIONS**

State of Washington v. Gary Ridgway, Superior Court of Washington for King County, Cause No. 01-1-10270-9, October 2002. (Computer forensics, document management)

Labor Ready, Inc. et al. v. Welstad, et al., United States District Court Western District of Washington, October 2003. (Source code forensics)

In Re: Phenylpropanolamine (PPA) Products Liability Litigation, Berg v. Bayer Corporation (C02-2451), United States District Court Western District of Washington, No. MDL 1407, May 2004. (File deletion activity)

Microsoft Corporation v. Robert Smoley and Jane Doe Smoley, and the martial community composed thereof, Global Group International, LLC, and John Does 1 – 20, Superior Court of the State of Washington for King County, June 2004. (Computer forensics)

Microsoft Corporation v. John Does 1 – 20, Inclusive, Superior Court of the State of California for the County of Los Angeles, November 2004. (Computer forensics)

Bechtel Power Corporation/Bechtel Associates Professional Corporation v. Athens Generating Company, L.P./New Athens Generating Company, L.L.C. v. Siemens Westinghouse Power Corporation, August 2005, AAA No. 16 Y 110 00065 04, July 2005. (Format of ESI production)

Watchguard Technologies, Inc. v. Michael Valentine and SonicWALL, Inc., Superior Court of the State of Washington for King County, October 2005. (Computer forensics)

Microsoft Corporation v. Jeff Sweaney and John Does 2 – 20 D/B/A JUSTWEBS.BIZ, Superior Court of the State of Washington for King County, January 2006. (Computer forensics)

United States of America v. Briana Waters, US District Court, Western District of Washington at Tacoma, Cause No. CR 05-5828 FDB, May 2008. (Computer forensics)

Saesere, et al. v. Liberty Mutual Fire Insurance Company, Luna, et al., State of Washington Superior Court for King County, No. 9-2-21794-7 SEA, October 2010.

CELERITY

San Francisco Office:
2 Gough Street, Suite 300
San Francisco, CA 94103
415.986.8850 [T] 415.986.8851 [F]

Irvine Office:
7700 Irvine Center Drive, Suite 800
Irvine, CA 98101
949.276.9837 [T] 949.586.4083 [F]

Seattle Office:
2505 Second Avenue, Suite 405
Seattle, Washington 98121
206.441.8500 [T] 206.441.8111 [F]

Walnut Creek Office:
150 N. Wiget Lane, Suite 212
Walnut Creek, CA 94598
415.986.8850 [T]

NORMAN Y. YEE
VICE PRESIDENT AND COO
NYEE@CONSULTCELERITY.COM

Flattery, et al. v. McGraw, et al., Superior Court of the State of California,
County of Los Angeles, Case No. BC409402, November 2010. Jones Day

Brubaker v. Chang et al., Superior Court of the State of Washington for
Snohomish County, Cause No. 09-2-02195-1, July 2011.

McGeough, et al. v. Opus NWR Development LLC, et al., Case No. 09-2-
05646-3 SEA, State of Washington Superior Court in the County of King,
August 2010.

Comscore, Inc. v. The Nielsen Company (US), LLC and Netratings, LLC,
US District Court for the Eastern District of Virginia, Alexandria Division,
Civil Action No 1:11-CV-290-LMB/TRJ, September 2011.

Mendoza de Sugiyama v. State of Washington, State of Washington
Thurston County Superior Court, Case No. 11-2-013747, February 2012.

**TESTIMONY:
DEPOSITIONS**

Allergan, Inc. v. Merz Pharmaceuticals, LLC, et al., US District Court, Central
District of California, Case No. SACV11-00446 AG, January – February 2012.

**TESTIMONY:
TRIAL**

Allergan, Inc. v. Merz Pharmaceuticals, LLC, et al., US District Court, Central
District of California, Case No. SACV11-00446 AG, February 2012.

CELERITY

San Francisco Office:
2 Gough Street, Suite 300
San Francisco, CA 94103
415.986.8850 [T] 415.986.8851 [F]

Irvine Office:
7700 Irvine Center Drive, Suite 800
Irvine, CA 98101
949.276.9837 [T] 949.586.4083 [F]

Seattle Office:
2505 Second Avenue, Suite 405
Seattle, Washington 98121
206.441.8500 [T] 206.441.8111 [F]

Walnut Creek Office:
150 N. Wiget Lane, Suite 212
Walnut Creek, CA 94598
415.986.8850 [T]

NORMAN Y. YEE
VICE PRESIDENT AND COO
NYEE@CONSULTCELERITY.COM

SELECTED SPEAKING ENGAGEMENTS

Institute for Paralegal Education, "Effective Use of Medical Records in Trial", June 11, 2003.

Washington State Paralegals Association, Educational Conference, "Getting What You Want and Need: Drafting Discovery Requests in the Electronic Age", October 15, 2004.

Washington State Paralegals Association, 2005 CLE Technology Conference, "Trends in Automated Litigation Support - Reviewing Electronic Information; the Evolving Discovery Landscape", February 3 - 4, 2005.

LegalTech (Los Angeles) 2005, Emerging Technology track, "Dispelling the Myths of the Latest and Greatest", June 23, 2005.

Desert Bar Association, "Electronic Discovery: What You Really Need to Know to Develop a Cost-Effective and Defensible Discovery Strategy", April 2006.

King County Bar Association / Federal Bar Association, "What's the Hype? A Short and Simple Introduction to 'Electronically Stored Information'", June 2006.

Patent Litigation Conference for Corporate Counsel, "Meeting Your e-Discovery and Record Retention Obligations During Litigation: Key Considerations for Corporate Counsel", June 2006.

Marcus Evans E-Discovery Conference for Corporate Counsel, Sustaining E-Discovery Management & Litigation Preparedness, "Incorporating the Latest Search and Retrieval Technologies in Your E-Discovery Action Plan", December 2006.

Marcus Evans Corporate Counsel Summit, The Legal and Strategic Guide to E-Discovery: Best Practices for Corporate Counsel, "Litigation Preparedness and E-Discovery: Using Your Brain Not Your Pocketbook", October 2008.

College of Commercial Arbitrators, 10th Annual Meeting, "Electronically Stored Information (ESI) 101", October 2010.

AIIM 2011 Info360 Annual Conference and Expo, "Multi-National E-Discovery: Risks, Complications and Solutions", March 2011.

IQPC Oil & Gas Conference, "Safety and Compliance Records; Responding and Reporting to State and Federal Agencies", September 2011.



Page: 18 of 21
 Billing Cycle Date: 05/25/11 - 06/24/11
 Account Number: 878038796
 Foundation Account Number: 03288240



Wireless Line Summary For: (Continued)		907-305-1035
User Name: WRANGELL MEDICAL CENTER		
Credits, Adjustments & Other Charges		
Equipment & Accessories Ordered On-Line		
06-07	EQUIPMENT PURCHASE	49.99
06-07	TAXES	3.50
TOTAL CREDITS, ADJUSTMENTS & OTHER CHARGES		\$74.95
Government Fees & Taxes		
Local Wireless 911 Surcharge		1.50
TOTAL GOVERNMENT FEES & TAXES		\$1.50
TOTAL CHARGES FOR: 907-305-1035		\$242.42

Usage Charge Details				907-305-1035	
User Name: WRANGELL MEDICAL CENTER					
Summary of Usage Charges	Minutes Included In Plan	Minutes Used	Billed Minutes	Billed Rate	Total Charge
FTNTNUNLIMITED					
Daytime		744	744	0.00	0.00
Nwkd		260	260	0.00	0.00
Directory Assistance				3 Call(s)	5.97
Subtotal					\$5.97
Summary of Wireless Data	Msg/Min/ KB/MB Included In Plan	Msg/Min/ KB/MB Used	Msg/Min/ KB/MB Billed	Billed Rate	Total Charge
FAMILY MSG UNLIMITED					
- Text Messaging Incoming		1,054			0.00
- Text Messaging Out		1,407			0.00
BBRYUNLCHILD					
- Blackberry		27.250	27.250	\$0.00 KB	0.00
- DATA ACCESS		1.565	1.565	\$0.00 KB	0.00
FAMILY MSG UNLIMITED					
- Pict Video MSG		31			0.00
Subtotal					\$0.00
TOTAL USAGE CHARGES					\$5.97

Equipment & Accessories Charged to Wireless Number						907-305-1035	
User Name: WRANGELL MEDICAL CENTER							
Item	Trans Date	Transaction Number	Item Description	Item ID	Qty	Unit Price	Total Charge
Equipment & Accessories Ordered On-Line							
1	06-07	N081-I-078628	DAT RIM TORCH 9800 BLK UNITS	68001	1	49.99	49.99
2	06-07	N081-I-078625	SIM UICC-F COR 2FF	73057	1		0.00
Equipment & Accessories Ordered On-Line							
3	06-07	N081-I-078628	TOTAL TAX				3.50
Subtotal Equipment & Accessories Ordered On-Line							53.49
Total Equipment & Accessories Charged to Wireless Number 907-305-1035							53.49

[marleen's Amazon.com](#) [Today's Deals](#) [Gift Cards](#) [Help](#)
[Shop by Department](#)
[Search](#)
[Hello, marleen](#)
[Your Account](#)
[Cart](#)
[Wish List](#)
[Customer Service](#) [Your Account](#) [Your Orders](#) [Returns Center](#) [Manage Your Kindle](#) [Help](#) [General Help Forum](#)
[Your Account](#) > [Your Orders](#) > [104-5562917-3249005](#)

When will your items arrive?

Shipment #1: 3 items - delivery estimate: May 23, 2011 - June 8, 2011

Order Placed: May 16, 2011

Amazon.com order number: 104-5562917-3249005

Order Total: \$2,927.94

Shipment #1: Ordered from GOSAVER

[Problem with this order?](#)
Shipping estimate: May 17, 2011 - May 18, 2011

Delivery estimate: May 23, 2011 - June 8, 2011

1 package via FedEx

 For information about this order, please contact [GOSAVER](#).

[Learn more](#) about GOSAVER's return and replacement policy.

Shipping Address:

 marleen j carroll
 310 bennett st
 Wrangell Medical Center
 Wrangell, AK 99929-1081
 United States

Items Ordered

 3 of: [Apple iPad 2 MC775LL/A Tablet \(64GB, Wifi + AT&T 3G, Black\) NEWEST MODEL](#) [Personal Computers]
 Condition: New
 Sold by: GOSAVER ([seller profile](#))

Price

Shipping Speed:

Standard Shipping

 Item(s) Subtotal: \$2,909.97
 Shipping & Handling: \$17.97

Total Before Tax: \$2,927.94

Sales Tax: \$0.00

Total for This Shipment: \$2,927.94

Your seller feedback about this order

Seller Name

GOSAVER

We're sorry. More than 90 days have passed since you placed this order from GOSAVER.

[See all orders awaiting feedback](#)

Payment Information

Payment Method:

MasterCard | Last digits: 1799

Billing Address:

 marleen j carroll
 PO BOX 1081
 WRANGELL, AK 99929-1081
 United States

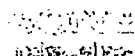
[Need to print an invoice?](#)

 Item(s) Subtotal: \$2,909.97
 Shipping & Handling: \$17.97

Total Before Tax: \$2,927.94

Estimated Tax To Be Collected: \$0.00

Grand Total: \$2,927.94
[See Amazon.com shipping charges](#)
[Careers](#)
[Investor Relations](#)
[Press Releases](#)
[Amazon and Our Planet](#)
[Amazon in the Community](#)
[Sell on Amazon](#)
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[Advertise Your Products](#)
[Independently Publish with Us](#)
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[FAQ](#)
[Privacy Policy](#)
[Terms of Service](#)

SEARCH

Order Summary

Order Detail

Review and the complete details for this selected order from [Vizio](#). Items and quantities are listed along with your actual order price. These details can change as information on the status of a sale is being sent to the seller.

Please contact your seller if you have questions or concerns.

Order Number
ST11030100270

GIFT CARDS

Item Details

Quantity

Total Price

CREDIT & FINANCING



Model Number: VPCS135GX/Z
Vizio Signature Collection S Series

1

\$1,499.99

Items: 1
Order Status: ORDER COMPLETED
Shipping Method: Standard
Shipped Date: 03/02/2011
Fedex: 628779472270883

[Write a review](#)

BILLING ADDRESS



Model Number: VGPBPL21
Vizio Large Capacity Battery

1

\$49.99

SHIPPING ADDRESS

Items: 1
Order Status: ORDER COMPLETED
Shipping Method: Standard
Shipped Date: 03/02/2011
Fedex: 628779472270883

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Model Number: VGPFL16
Vizio Privacy Filter

\$19.99

Items: 1
Order Status: ORDER COMPLETED
Shipping Method: Standard
Shipped Date: 03/02/2011
Fedex: 628779472270883

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Model Number: VGPAMB14-B
Vizio Messenger Bag

1

\$19.99

Items: 1

Order Status: **ORDER COMPLETED**
Shipping Method: **Standard**
Shipped Date: **03/02/2011**
Fedex: **026729472276603**

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IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
FIRST JUDICIAL DISTRICT AT WRANGELL

CITY AND BOROUGH OF WRANGELL,

Plaintiff,

v.

NOEL D. SELLE-REA, MARK ROBINSON,
LINDA BJORGE, LURINE MCGEE, JIM
NELSON, SYLVIA ETTEFAGH, and LEANN
RINEHART, individually and as co-conspirators

Defendants.

CASE NO.: 1WR-12- 55 CI

**AFFIDAVIT OF NORMAN YEE IN SUPPORT OF MOTION FOR ORDER FOR
RETURN OF LAPTOP COMPUTER AND IPAD TO BOROUGH TO ALLOW
FORENSIC EXAMINATION**

STATE OF WASHINGTON)
)ss.
COUNTY OF _____)

I, Norman Yee, declare as follows:

1. I am over the age of eighteen years, have personal knowledge of the facts set forth herein, and am otherwise competent to make this Declaration.

2. I am a Vice President, Chief Operating Officer and Co-Owner of Celerity Consulting Group Inc. ("Celerity"). Among other things, Celerity provides computer forensic services to law firms, corporations, government agencies, and other clients. These services include analysis of hard drives and other data storage media.

3. I have substantial experience in the field of computer forensics. I have been providing litigation technology support to law firms for over 21 years, and have assisted in all aspects of a case from discovery through trial. I have been named as an expert on

1 numerous cases involving such issues as file deletion activity, email system architecture and
2 recovery, data preservation, internet activity, and software code comparison.

3 4. Unfortunately, data stored on a computer are easily deleted, often irretrievably.
4 Logs typically are deleted within a set time frame and the ordinary process of adding data to
5 a computer can overwrite other data. Data that are deleted can sometimes be recovered if
6 the data haven't been overwritten with other data. The more time that passes, the more
7 likely it is that deleted data will become unrecoverable. In addition, users can take steps to
8 delete permanently the data on a computer. This type of deletion is commonly called a "low
9 level format".

10 5. Computer forensics attempts to obtain data before it is deleted by taking a "mirror
11 image" of the hard drive or other storage media within a computer. That method of copying
12 focuses not only on the "live files," but also on the parts of the hard drive that are "empty"
13 because those "empty" areas can contain deleted files.

14 6. The process of taking a mirror image is usually quick. The time required to create a
15 mirror image depends on the size and configuration of the storage media, but it typically
16 takes only 1-4 hours to image a standard personal computer or workstation and 4-8 hours to
17 image a network server. Once a computer system is imaged, the data can be analyzed and
18 reviewed.

19 7. The same concerns regarding preservation of data apply to an iPad. Depending on
20 the model of iPad and the manner in which it is used, there are varying levels of what can
21 and cannot be recovered from the device, but from a forensics standpoint, it is considered a
22 best practice to acquire a "mirror image" of the device as a first step to preserve whatever
data may be resident.

Executed on this ____ day of September, 2012, at Seattle, Washington.

Norman Yee

SUBSCRIBED AND SWORN TO before me this ____ day of September, 2012.

HOFFMAN & BLASCO, LLC
9360 Glacier Highway, Suite 202
Juneau, AK 99801
907-586-3340 (T) 907-586-6818 (F)

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Notary Public, State of Washington
My commission expires: _____

HOFFMAN & BLASCO, LLC
9360 Glacier Highway, Suite 202
Juneau, AK 99801
907- 586-3340 (T) 907-586-6818 (F)

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA
FIRST JUDICIAL DISTRICT AT WRANGELL

CITY AND BOROUGH OF WRANGELL,

Plaintiff,

v.

NOEL D. SELLE-REA, MARK ROBINSON,
LINDA BJORGE, LURINE MCGEE, JIM
NELSON, SYLVIA ETTEFAGH, and LEANN
RINEHART, individually and as co-conspirators

Defendants.

CASE NO.: 1WR-12- 55 CI

**AFFIDAVIT OF TIMOTHY ROONEY IN SUPPORT OF MOTION FOR ORDER
FOR RETURN OF LAPTOP COMPUTER AND IPAD TO BOROUGH
TO ALLOW FORENSIC EXAMINATION**

STATE OF ALASKA)
FISRT JUDICIAL DISTRICT)ss.

I, Timothy Rooney, being first duly sworn, state as follows:

1. I am the Borough Manager for the City and Borough of Wrangell.

2. The Borough is a home rule borough organized and existing under the constitution and laws of the State of Alaska. The Borough owns and operates the Wrangell Medical Center.

3. I have reviewed the First Amended Complaint, Section IV, Statement of Facts. To the best of my knowledge, the facts as stated are accurate.

4. During the time that Defendant Selle-Rea was employed as the Administrator at the WMC, the WMC provided at laptop, iPad, and Blackberry cell phone for his use in that

1 capacity, all of which were paid for by the WMC. Defendant Selle-Rea did not own the
2 laptop, iPad or cell phone.

3 5. The Borough never authorized anyone to send the laptop used by Defendant Selle-
4 Rea anywhere at any time. Defendant Selle-Rea was not authorized to retain the iPad and
5 cell phone. The laptop, iPad and cell phone are all property of the Borough pursuant to
6 Wrangell Borough Code Ch. 3.32 and as the Borough owns the Wrangell Medical Center.
7 Exhibit 9 attached to the Motion is an accurate copy of the purchase orders for the laptop,
8 iPad and cell phone.

9 6. On June 27, 2012, I met with then Acting Administrator of the WMC, Olinda White.
10 At that meeting, I instructed Ms. White to maintain the laptop in the safe at the WMC until I
11 moved it to the safe at the Borough. I advised Ms. White that the purpose was to preserve
12 the laptop as is and to allow for a forensic examination of the laptop by an outside forensic
13 consultant and that the laptop should not be touched in any way before the forensic
14 examination. Ms. White agreed. At the same meeting, Ms. White told me that Mr. Selle-
15 Rea wanted to purchase the laptop, cell phone and iPad. I told her absolutely not and
16 requested that she immediately obtain the return of those items from Mr. Selle-Rea. She
17 agreed to do that.

18 7. On August 1, 2012, I learned that the laptop had been sent to a security firm in
19 Anchorage. The details of how, why, and at whose direction it was sent are still not clear to
20 me. But, neither myself, nor anyone else with authority to act on behalf of the Borough or
21 the WMC with respect to the laptop, authorized the laptop to be removed from Borough
22 property and Borough safekeeping. The removal was done without any notice to me, despite

HOFFMAN & BLASCO, LLC
9360 Glacier Highway, Suite 202
Juneau, AK 99801

907-586-3340 (T) 907-586-6818 (F)

1 my direction to Ms. White on June 27, 2012, and despite her agreement to preserve the
2 laptop at the WMC. At the same time, I learned that Mr. Selle-Rea refused to return the iPad
3 and cell phone.

4 8. I reviewed the letter from Mr. Selle-Rea's attorney dated August 9, 2012, claiming
5 that Ms. White and Mr. Shymanski had agreed to allow him to purchase the iPad and cell
6 phone and that the purchase price was reflected on his last paycheck. I discussed Mr. Selle-
7 Rea's claim with Ms. White. She confirmed that no agreement was made with Mr. Selle-
8 Rea to allow him to purchase the iPad and cell phone. I also confirmed with Ms. White that
9 there was no deduction in Mr. Selle-Rea's last paycheck for the purchase of those items.

10 DATED this 17th day of September, 2012.

11 Timothy D. Rooney
12 Timothy Rooney

13 SUBSCRIBED AND SWORN TO before me this 17 day of September, 2012.

14 Lavonne Klinka
15 Notary Public, State of Alaska
16 My commission expires: 4-13-2015



140 FERC ¶ 61,221
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellenghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

Cascade Creek, LLC

Project No. 12495-006

ORDER DENYING REHEARING

(Issued September 20, 2012)

1. On January 30, 2012, Commission staff issued an order denying Cascade Creek, LLC's (Cascade) application for a third preliminary permit for the Cascade Creek Hydroelectric Project No. 12495.¹ On the same day, Commission staff issued a letter to Cascade terminating the pre-filing alternative licensing process (ALP) for the proposed project.

2. On February 29, 2012, Cascade filed a request for rehearing of the January 30, 2012 Order denying its permit application and letter terminating the ALP. This order denies Cascade's request for rehearing.

I. Background

3. On October 8, 2004, Commission staff issued Cascade its first three-year preliminary permit for the proposed Cascade Creek Hydroelectric Project, an 80-megawatt project to be located in the Tongass National Forest on Swan Lake, in Southeast Alaska near the town of Petersburg.² The Cascade Creek project would divert water from Swan Lake through a low-head weir and conduit for approximately three miles to a powerhouse, after which the water would be delivered to Thomas Bay. The estimated annual generation would be 205 gigawatt-hours.

4. On August 3, 2007, approximately two months before its permit expired, Cascade filed a Notice of Intent (NOI) to prepare a license application, a Pre-Application

¹ *Cascade Creek, LLC*, 138 FERC ¶ 62,063 (2012).

² *Cascade Creek, LLC*, 109 FERC ¶ 62,027 (2004).

Document (PAD) identifying existing information relevant to the proposed project,³ and a request to use the alternative licensing procedures (ALP) to prepare a license application.⁴ Cascade's PAD included the process plan and schedule for pre-license application activities required by the Commission's regulations.⁵ Cascade's process plan and schedule stated that scoping, study planning, and studies would be conducted from fall 2007 through spring 2008, and a draft license application would be sent to stakeholders in March 2010.⁶

5. Cascade's PAD also included a communications protocol with a schedule for providing major documents to interested entities for review.⁷ This schedule stated that Cascade expected to distribute study plans in fall 2007, Scoping Document 1 in fall 2007, study reports in 2008-2009, a draft license application in spring 2009, a preliminary draft environmental assessment in spring 2009, and a final license application in fall-winter 2009. In addition to the schedule, the communications protocol stated that a reference file for all documents would be maintained in Petersburg, Alaska, and Cascade would develop and maintain a website on which most pre-filing material would be available.

³ Cascade's PAD, filed on August 3, 2007, described three proposed projects for which Cascade held three separate preliminary permits: Cascade Creek Hydroelectric Project No. 12495, Ruth Lake Hydroelectric Project No. 12619, and Scenery Lake Hydroelectric Project No. 12621. Cascade lost a successive permit for the Ruth Lake Hydroelectric Project to a competing municipal applicant, and Cascade did not seek a successive permit for the Scenery Lake Hydroelectric Project.

⁴ In contrast to the default integrated licensing process (ILP), the ALP allows potential license applicants some flexibility in designing pre-filing consultation such that timeframes for completing pre-filing consultation and studies are established collaboratively in the communications protocol and recited in the process plan and schedule section of the PAD.

⁵ See 18 C.F.R. § 5.6(d)(1) (2012).

⁶ Cascade Creek, LLC August 3, 2007 Filing at 28.

⁷ When requesting use of the ALP, a potential license applicant must submit a communications protocol, supported by interested entities, governing how the applicant and other participants in the pre-filing consultation process, including Commission staff, may communicate with each other regarding the merits of the applicant's proposal and proposals and recommendations of interested entities. 18 C.F.R. § 4.34(i)(3)(ii) (2012).

6. On September 13, 2007, the Commission issued public notice of Cascade's NOI, PAD, and Commission's staff's approval of Cascade's request to use the ALP to prepare a license application.⁸

7. Cascade's first permit expired September 30, 2007, and on October 2, 2007, Cascade filed an application for a successive preliminary permit. On February 14, 2008, Commission staff issued Cascade a second three-year preliminary permit for the proposed project, finding that Cascade had demonstrated sufficient progress toward preparing a license application during the course of its previous permit.⁹ The permit explained that, during the permit term, staff expected Cascade to conduct agency consultation and prepare a license application in accordance with sections 4.38 and 4.41 of the Commission's regulations.¹⁰

8. Standard Article 4 for preliminary permits requires that a permittee submit progress reports every six months describing the specific nature of the progress made in preparing an adequate license application during that six-month period. The Commission's ALP regulations also require a potential license applicant to submit, every six months, a report summarizing the progress made in the pre-filing consultation process and referencing the applicant's public reference file, where additional information on that process can be obtained.¹¹ On August 1, 2008, and February 3, 2009, Cascade submitted its first and second six-month progress reports.¹²

⁸ Ten entities, including state and federal agencies, local communities, tribes, and a consulting firm, consented to Cascade's communications protocol for the ALP, indicating that they did not oppose Cascade's use of the ALP.

⁹ *Cascade Creek, LLC*, 122 FERC ¶ 62,147 (2008).

¹⁰ *Id.* at 64,307. Section 4.38 of the Commission's regulations describes the Commission's first and second stage consultation requirements, which include consulting with relevant stakeholders, diligently conducting all reasonable studies, and obtaining all reasonable information required by resource agencies and Indian tribes affected by the proposed project. 18 C.F.R. § 4.38 (2012). Section 4.41 of the Commission's regulations details the specific application filing requirements for a major unconstructed hydropower project. 18 C.F.R. § 4.41 (2012).

¹¹ 18 C.F.R. § 4.34(i)(6)(ii) (2012).

¹² Rather than having completed necessary studies in consultation with agencies and nearly completed its draft license application by February 2009, as had been presented in Cascade's schedule, Cascade stated that it reviewed stakeholder comments,

(continued...)

9. On May 26, 2009, Commission staff issued Scoping Document 1, which gave public notice of two scoping meetings to be held in Petersburg, Alaska, on June 18, 2009, briefly described the project, and described the procedures for filing scoping comments and participating in the meetings.

10. On July 31, 2009, and February 2, 2010, respectively, Cascade Creek submitted its third and fourth progress reports.¹³

11. On February 2, 2010, and March 8, 2010, almost three years later than identified in its schedule, Cascade filed several draft study plans for review by Commission staff.¹⁴ On March 31, 2010, Commission staff responded by explaining that staff attempted to review the plans but they “lack[ed] the detail needed to provide constructive input on the study efforts.” The letter reminded Cascade that its second preliminary permit would expire on January 31, 2011, noted Cascade’s “general lack of progress toward developing a license application,” and warned that, “[b]ased on the comments provided during scoping and our review of your study plans, considerable effort will be required to develop an adequate license application before your permit expires.”

12. On May 5, 2010, Commission staff issued a letter to Cascade expressing concern that the configuration of Cascade’s proposed project may be inconsistent with the standards and guidelines in the Tongass National Forest Land and Resource Management Plan (Forest Plan) and inconsistent with approved development activities within an Inventoried Roadless Area (roadless area).¹⁵ Commission staff explained that Cascade’s

sought consultant estimates, held meetings, received a Forest Service permit, conducted a site visit for agency staff, and conducted initial field work.

¹³ Cascade stated that it engaged in field data collection, continued to review stakeholder comments, held more public meetings, visited the site again, further refined the project design, and prepared Scoping Document 2 and draft study plans. These pre-filing activities occurred almost three years later than presented in Cascade’s communications protocol and PAD process plan and schedule.

¹⁴ These included a Draft Wildlife Resources Study Plan, Draft Aquatic Resources Study Plan, Draft Recreational Resources Study Plan, a Visual Resources Study, and a Cultural Resources Study. Cascade’s communications protocol stated that it would make study plans available in fall 2007.

¹⁵ Certain activities within an inventoried roadless area of a national forest must be approved and permitted by the Secretary of Agriculture. These activities may include certain field studies in a national forest and hydropower project construction-related activities.

discussion of these issues with the Forest Service appeared to have been limited and these issues were unresolved. Therefore, Commission staff directed Cascade to meet with the Forest Service within 120 days to discuss options, which could include a project alternative that is acceptable to the Forest Service, and file a report that provided a description of how Cascade and the Forest Service intended to resolve these issues. Cascade filed nothing in the record indicating that it met with the Forest Service to resolve these issues.

13. On July 6, 2010, Cascade submitted a second draft of its recreational resources study plan. On July 27, 2010, Commission staff responded with comments on the plan, but reiterated that several issues still required clarification, including clarification of the study's objectives, data sources, study methodology, sampling protocol, study time frame, and the qualitative scope of the activities surveyed.

14. On August 2, 2010, Cascade submitted its fifth progress report during the term of its second permit.¹⁶

15. On October 15, 2010, Cascade filed a document titled "Scoping Document 2" (October 15 filing) that it stated was prepared to communicate Cascade's efforts to date, address comments, inform stakeholders of the proposed project design and operation, and provide final study plans.¹⁷

16. Throughout the permit term, and particularly in response to Cascade's distribution of the October 15 filing, many stakeholders, including those that had agreed to Cascade's communications protocol, submitted comments expressing concern with Cascade's management of the ALP, and stating that Cascade had not been following the schedule or terms of the communications protocol.¹⁸ In addition, the resource agencies' comments on

¹⁶ Cascade's process plan and schedule proposed that Cascade would have finished preparing its draft license application by March 2010. However, in its report, Cascade stated that it had drafted responses to comments on Scoping Document 1, conducted meetings, refined the project operations plan, developed and circulated study plans, and solicited environmental analysis consultants.

¹⁷ Cascade Creek, LLC October 15, 2010 Filing. Cascade's October 15 filing was prepared and issued by Cascade as part of its ALP, and was not issued by Commission staff.

¹⁸ See, e.g., June 29, 2009 Comment of Charles Wood; August 19, 2009 Comment of Petersburg Indian Association; November 15, 2010 Comment of Rebecca Knight; December 1, 2010 Comment of Petersburg Municipal Power and Light; December 7, 2010 Comment of Southeast Alaska Conservation Council.

the October 15 Filing observed that Cascade had not included in its study plans, without explanation, specific details, including study scope and methodology, that had been requested by the agencies.¹⁹

17. Cascade's second preliminary permit expired on January 31, 2011, and on February 1, 2011, Cascade filed an application for a third preliminary permit for the proposed project.

18. On February 11, 2011, Cascade filed a draft license application and, as provided for in the Commission's regulations, a preliminary draft environmental assessment.²⁰ On February 18, 2011, the Commission issued notice of the draft license application and the preliminary draft environmental assessment, requesting preliminary terms and conditions and recommendations on the preliminary draft environmental assessment from agencies, and soliciting comments on the draft license application. Staff received numerous comment letters from federal agencies, state agencies, and private entities asserting that Cascade had not been complying with the communications protocol, nor working cooperatively with stakeholders to scope environmental issues or to analyze the completed studies.

19. On May 19, 2011, Commission staff issued a detailed letter identifying deficiencies and additional information needs in Cascade's draft license application and preliminary draft environmental assessment. The letter explained that, since Cascade's distribution of the October 15 filing, many stakeholders, including state and federal agencies had expressed concern with Cascade's implementation of pre-filing consultation under the ALP. In particular, the comment letters stated, and Commission staff agreed and reiterated, that Cascade had not been complying with components of its communications protocol; the scoping of environmental issues had not been adequate, especially since Cascade had significantly altered the design and operation of the project between Scoping Document 1 and the October 15 filing; Cascade had eliminated some

¹⁹ See, e.g., December 22, 2010 Comment of Alaska Department of Fish and Game; January 19, 2011 Comment of Forest Service.

²⁰ A draft license application is not required to be submitted under the ALP or the Commission's regulations for filing a license application for a major unconstructed project. The Commission's regulations require that any license application submitted for a major unconstructed project must include an Exhibit E, which is an Environmental Report containing information that is *commensurate with the scope of the project*. 18 C.F.R. § 4.41(f) (2012). An applicant authorized to use the alternative procedures may substitute a preliminary draft environmental review document instead of Exhibit E to its application. 18 C.F.R. § 4.34(i)(6)(iv) (2012).

studies requested by agencies without adequate consultation; study plans, including timeframes for data collection, had been changed without adequate consultation; the study plans were only made available for agency comment after the studies had commenced; and the study plans did not sufficiently cover all the resource areas potentially affected by the project. The May 19, 2011 letter warned Cascade that its ALP may be terminated if it did not show cause within 30 days by describing how Cascade would resolve the issues with stakeholders.

20. On June 20, 2011, Cascade responded to the Commission's May 19, 2011 letter. Cascade attributed the shortcomings in its filing to its haste to prepare a draft application before the second permit expired, and listed the following eight actions that it would take to resolve ongoing issues: (1) comply with the communications protocol; (2) update the project website and the Petersburg Public Library with all documents, meeting information, meeting minutes, and relevant correspondence by July 31, 2011; (3) hold a general public information meeting in Petersburg and schedule subsequent meetings to update the public about the project proposal; (4) respond to all agency comments on the draft license application by August 5, 2011, by describing when and how Cascade proposed to address the identified issues and information needs; (5) distribute proposed changes in the project design by August 16, 2011 in response to agency concerns; (6) submit new or revised study plans to agencies for the Freshwater Aquatics, Wildlife, Marine, Recreation, Scenery/Aesthetics, Geotechnical, Hydrology, and Cultural Resources Studies; (7) summarize and provide to the agencies the results of all field studies as they become available within 45 days of completing a study, and provide final study results for efforts completed in 2011 by January 30, 2012; and (8) complete and file the results of studies conducted in 2012 prior to preparing and issuing a second draft license application for stakeholder comment by mid- to late-2012, and file a final license application in late 2012.

21. On January 30, 2012, Commission staff issued a letter terminating Cascade's ALP. The January 30 letter explained that a major concern in this proceeding has been Cascade's lack of an appropriate approach to resolving study needs, and that nothing in Cascade's June 20, 2011 letter suggested that Cascade intended to alter its approach. The January 30, 2012 letter advised that constructive changes could have included a proposed schedule for holding meetings or detailed means to resolve disagreements with stakeholders over studies, such as the establishment of work groups, or engaging the ALP participants cooperatively, as required by the ALP regulations. The January 30, 2012 letter found that Cascade's approach to the ALP had not adequately demonstrated a sufficient effort to cooperatively resolve disagreements or engage stakeholders. The letter further found that Cascade's proposed measures to improve its ALP process would not adequately address Cascade's failure to engage in meaningful stakeholder

cooperation, and that Cascade had not demonstrated that continued use of the ALP would likely result in the filing of a complete license application in a timely manner.²¹

22. Also on January 30, 2012, Commission staff issued an order denying Cascade's application for a third preliminary permit.²² The order explained that Cascade's second preliminary permit was itself a successive permit, which warranted a higher degree of diligence in complying with the terms of a permit and making progress in preparing an acceptable license application.²³ The order found that Cascade had more than six years to prepare an adequate license application, and had failed to do so. The order further found that Cascade had exerted limited or minimal effort to resolve study disagreements in a timely fashion, as contemplated by the Commission's licensing regulations. Therefore, the order concluded that Cascade could not be found to have been diligent under its second permit, particularly under the heightened diligence standard warranted by a request for a third permit.

23. On February 29, 2012, Cascade filed a motion for reconsideration or, in the alternative, request for rehearing of the January 30, 2012 order denying Cascade's preliminary permit application and the letter terminating the alternative licensing process for the proposed project.

II. Discussion

A. Denial of Successive Permit

24. Sections 4(f) and 5 of the Federal Power Act (FPA) authorize the Commission to issue preliminary permits to potential development applicants for a period of up to three years.²⁴ The FPA does not address the issue of how many preliminary permits an applicant may receive for the same site. However, it is Commission policy to grant a successive permit only if it concludes that the applicant has pursued the requirements of

²¹ The January 30, 2012 letter also explained that Cascade had taken none of the steps it set forth in its June 20, 2011 letter. On August 8, 2011, Cascade did file notice of a meeting to be held on August 23, 2011. However, there is no record of Cascade's distribution of a transcript or meeting summary.

²² *Cascade Creek, LLC*, 138 FERC ¶ 62,063 (2012).

²³ *Id.* PP 10-12.

²⁴ 16 U.S.C. §§ 797(f) and 798 (2006).

its prior permit in good faith and with due diligence.²⁵ This policy applies regardless of whether there are competing applications for a site.²⁶

25. Cascade argues that it should receive a third preliminary permit because it acted in good faith and with due diligence during the term of its prior permit. Cascade contends that it has made a good faith effort to undertake studies requested by resource agencies and stakeholders, and to provide information and updates pursuant to the communications protocol. Cascade explains that, in part, its delay in conducting consultation and studies and preparing a license application has been because of design modifications as a result of stakeholder meetings and communications. Cascade contends that it has a solid foundation with which to progress with consultation as a result of detailed comments from resource agencies on the draft license application and the preliminary draft environmental assessment.

26. Cascade is correct that the Commission has issued successive preliminary permits if the applicant can show that it pursued the requirements of its prior permit in good faith and with due diligence. In general, at a minimum, pursuing the requirements of a permit with due diligence has meant that a permittee timely filed all progress reports, consulted with resource agencies, and conducted environmental studies agreed upon with the resource agencies. In addition, Commission staff must be able to discern in the content of a permittee's filings a pattern of progress toward the preparation of a development application.²⁷ Thus, while there is a minimum bar that a permittee must achieve to be diligent, each application for a successive permit is considered on a case-by-case basis.

²⁵ *City of Redding, California*, 33 FERC ¶ 61,019 (1985) (*City of Redding*) (permittee must take certain steps, including consulting with the appropriate resource agencies early in the permit term, and timely filing six-month progress reports).

²⁶ *Id.*

²⁷ Section 4(f) of the FPA, 16 U.S.C. § 797(f) (2006), states that the purpose of a preliminary permit is to enable applicants for a license to secure the data and to perform the acts required by section 9 of the FPA, 16 U.S.C. § 802 (2006). Section 9 requires license applicants to submit to the Commission such maps, plans, specifications, and estimates of cost as may be required for a full understanding of the proposed project (i.e., an acceptable license application). In order for an applicant to submit an acceptable license application, it must have consulted with relevant resource agencies regarding the information the agencies will need in the environmental document, and therefore what studies the applicant must conduct to obtain that information prior to the filing of a license application. 18 C.F.R. § 4.38 (2012).

27. However, the Commission rarely issues a third consecutive permit to the same applicant for the same site, unless some extraordinary circumstance or factor outside the control of permittee is present.²⁸ Cascade's second permit explained that because the permit would be Cascade's second, the diligence standard would be heightened.²⁹ In most cases, three years should be enough time to consult with resource agencies and conduct requested studies to prepare a license application, and six years should certainly be more than enough time. Allowing a site to be reserved for nine years (i.e., three permit terms), absent some showing of extraordinary circumstances, would be to allow site banking.³⁰ Thus, we review whether Cascade was diligent in satisfying the terms of its second permit and the progress it made in preparing a license application during the permit's term against an even higher standard than would apply to a second permit.

28. After a review of Cascade's record, we affirm staff's finding that Cascade did not pursue development of its license application in good faith and with due diligence during the term of its second permit to warrant a third preliminary permit, and we believe the record is replete with evidence to support such a finding. In this case, we recognize that Cascade has generally filed timely progress reports, which included brief generalized descriptions of Cascade's progress, and intermediary documents such as its October 15 Filing.³¹ However, the reports consistently lacked updates on the consultation process,

²⁸ *Mokelumne River Water and Power Auth.*, 89 FERC ¶ 61,001 (1999) (*Mokelumne*) (third permit issued notwithstanding failure to complete environmental studies because of pending litigation over water rights at an adjacent downstream licensed project that could affect upstream flow requirements).

²⁹ *Cascade Creek, LLC*, 122 FERC ¶ 62,147, at 64,307 (2008).

³⁰ The essence of our policy against site banking is that an entity that is unwilling or unable to develop a site should not be permitted to maintain the exclusive right to develop it. *Public Utility District No. 1 of Pend Oreille County, Wash.*, 124 FERC ¶ 61,064, at P 31 (2008). See also *Idaho Power Co. v. FERC*, 767 F.2d 1359 (9th Cir. 1985) (finding Commission conclusion that site banking is inconsistent with the FPA is "not only clearly reasonable" but also supported by the terms of the FPA); *Mt. Hope Water Power Project LLP*, 116 FERC ¶ 61,232, at PP 8-13 (affirming application of policy against site banking in permit cases).

³¹ As noted in the Background section, Cascade's progress reports noted activities such as solicitation of contractors for field study work, expenditures for field study work, meetings, and reviews of comments.

even after Commission staff expressly identified this as an issue.³² Further, agency comments on Cascade's scoping documents reveal that Cascade did not incorporate agency requests into its study plans. Thus, the record indicates that Cascade did not meaningfully respond to agency and stakeholder concerns, including Commission staff's concerns, and therefore did not resolve study request issues in a timely manner. As a result, most of the documents submitted by Cascade for review by Commission staff or agencies included significant gaps and defects.³³ Cascade's progress during the term of its second permit does not rise to the level of extraordinary circumstances outside of the permittee's control that would justify a third permit.

29. Likewise, Cascade's arguments on rehearing do not demonstrate such extraordinary circumstances. Cascade's circumstances are unlike those presented in *Mokelumne*, where the Commission issued a third permit because the applicant had demonstrated that its delay in performing water flow studies necessary to prepare a license application was dependent on resolution of a pending licensing proceeding at the Commission and pending water rights litigation that could impact available flows.³⁴ The Commission determined that the circumstances in *Mokelumne* were sufficiently extraordinary to excuse the applicant's delay in completing permit studies to prepare a license application.³⁵ Because Cascade has not demonstrated such extraordinary

³² For example, Cascade has yet to adequately respond to the Commission's significant concern that the proposed project may be inconsistent with the Tongass National Forest Land and Resource Management Plan and the Inventoried Roadless Area rule.

³³ The principal problem with the documents, as noted by Commission staff, resource agencies, and stakeholders, is that Cascade did not conduct studies to the satisfaction of the resource agencies who require certain information in order to submit mandatory conditions or recommendations pursuant to the FPA and other authorities. The quality of Cascade's draft license application and preliminary draft environmental assessment confirm the inadequacy of the work performed during the term of the second permit.

³⁴ *Mokelumne*, 89 FERC ¶ 61,001 (1999). In *Mokelumne*, the applicant explained that flow information, which is an important aspect of a license application, could not be known until these outstanding proceedings concluded. The Commission also explained that, although it would grant the applicant in *Mokelumne* a third permit, given the unique circumstances presented, it is well within the Commission's discretion to deny successive permits where it concludes that the timing of the removal of an external, potentially long-term preclusion of permit studies, is speculative and likely years off.

³⁵ *Id.*

circumstances that were outside of its control, we find Cascade's lack of diligence in conducting studies to prepare a license application cannot be excused.

30. Cascade also cites *City of Redding* as support for its argument that it should receive a third permit.³⁶ However, in *City of Redding*, the applicant sought a second permit, or an additional three years for a total of six years, to complete the studies required to file a license application.³⁷ The Commission found that the applicant had been diligent during its prior three-year permit term, especially since the delays in conducting studies were the result of factors outside the applicant's control, namely the U.S. Army Corps of Engineers' delay in performing necessary repairs to two dams that were the subject of the applicant's permit. Thus, *City of Redding* does not support issuing Cascade a third permit.

31. Next, Cascade argues that issuing a third permit is consistent with Commission precedent because Cascade's proposed project is the type of project that justifies successive permits described in the Commission's rulemaking implementing the ILP regulations, Order No. 2002.³⁸ In the paragraph cited by Cascade, the Commission acknowledged agency concerns that the ILP timeframes may not be sufficient for original license applications where a lack of existing project-specific information and studies at the site of an unconstructed project could add significant time to the period needed to prepare a new development application.³⁹ However, in the next paragraph, the Commission affirmed its proposal to apply the ILP to original license applications because it is unnecessary to align the permit term and the ILP schedule since pre-filing consultation can and does go forward regardless of whether the potential applicant has a preliminary permit.⁴⁰ The lack of existing project-specific information and the need for

³⁶ 33 FERC ¶ 61,019.

³⁷ At the time *City of Redding* was issued, the Commission issued two-year permits, with an opportunity for extension up to the full three-year permit term allowed under the FPA. In *City of Redding*, the applicant first received a 12-month extension of its first permit, and then applied for a successive permit, which was granted in the cited order. Thus, *City of Redding* is an example of the Commission's diligence standard for a second three-year permit, not a third three-year permit.

³⁸ *Hydroelectric Licensing under the Federal Power Act*, Order No. 2002, FERC Stats. & Regs. ¶ 31,150, at P 351 (2003).

³⁹ *Id.*

⁴⁰ *Id.* P 352.

studies at the site of an unconstructed project can add time to the period needed to prepare a license application, but that is all the more reason for a permittee to use its permit period wisely and begin such work as early as possible. The language cited by Cascade concerns the overlap of the defined ILP timeframes with the permit timeframes. In contrast, Cascade chose to use the ALP. The ALP gives an applicant a significant amount of flexibility because it allows the potential license applicant to establish its own schedule, as well as a significant amount of responsibility to keep the process moving forward cooperatively. Nothing in Order No. 2002 supports issuing Cascade a third permit.

32. Cascade also cites *Warmsprings Irrigation District*⁴¹ and *Burke Dam Hydro Associates*,⁴² where applications for third and second permits, respectively, were denied, as cases that contrast with Cascade's situation. Cascade argues that the work it has performed is more than the applicants in either of these cases performed, thereby justifying issuing a third permit here. For example, Cascade argues that it has presented evidence of agency consultation, whereas, in *Warmsprings*, the Commission staff denied a third permit because the applicant had presented no documentation of agency consultation, and in *Burke*, the Commission denied a second permit because the applicant failed to file timely progress reports or consult with resource agencies. These cases do little to support Cascade's position. While Cascade did file progress reports, unlike *Burke*, it did not present evidence of ongoing and collaborative agency consultation or the results of studies. The agencies' dissatisfaction with Cascade's efforts makes this case similar to *Warmsprings*. In any event, diligence determinations are made on a case-by-case basis and during the term of Cascade's second permit, it was subject to a heightened diligence standard. As discussed above, Cascade did not satisfy this standard.

33. Cascade next argues that its proposed project is an original project in Southeast Alaska raising complex environmental and engineering design issues. This fact should counsel a project proponent to begin the important work of agency consultation and studies as soon as possible after receipt of a permit. In this case, Cascade did not initiate the pre-filing licensing process until one month before the first permit expired. It then provided generalized descriptions of its progress but did not specifically respond to

⁴¹ 126 FERC ¶ 62,026 (2009) (*Warmsprings*).

⁴² 47 FERC ¶ 61,449 (1989) (*Burke*).

Commission staff or agency concerns regarding consultation and study plan development.⁴³

34. Finally, Cascade states that municipalities like the City of Wrangell have invested funds in this proposed project and obtained a commitment for a portion of the electricity produced. Cascade states that, given the complexity of the project, dispute resolution is needed to resolve issues with agencies and stakeholders. Cascade argues that a new permit would allow the permit process to be reset, and Cascade would embrace appropriate conditions and timelines imposed by the Commission. Cascade argues that a preliminary permit would provide regulatory certainty for capital investment in the proposed project. Cascade notes that one of the purposes of a permit under the FPA is to allow developers to make financial arrangements for a proposed project. Cascade asserts that its past investment of over \$2.9 million should be taken into account.

35. Cascade was issued its first permit in October 2004, almost eight years ago, and has been involved in the ALP process for almost five years. The Commission's regulations implementing the ALP process include the opportunity for any stakeholder, including the potential license applicant, to petition Commission staff for assistance in resolving study plan issues.⁴⁴ Cascade has never submitted such a request. We recognize that Cascade may have invested significant funds to develop its project, and that one purpose of a permit is to allow developers to make financial arrangements. However, after almost eight years, we find that Cascade's failure to make more progress is due to its failure to work cooperatively with other stakeholders.⁴⁵

⁴³ As noted above, Cascade did not respond to Commission staff's request for resolution of the Tongass National Forest issues, nor did Cascade give reasoned explanations as to why it did not include agency-requested studies in its study plans.

⁴⁴ 18 C.F.R. § 4.34(i)(7) (2012).

⁴⁵ The resource agency comments in response to Cascade's draft license application and preliminary draft environmental assessment confirm the Commission's concerns. For example, the Forest Service's May 19, 2011 comments on Cascade's draft license application and preliminary draft environmental assessment explain that it could not provide preliminary FPA section 4(e) terms and conditions because Cascade did not include the specific resource information (i.e., results of resource studies) requested by the Forest Service in response to Scoping Document 1 and Cascade's October 15 filing.

B. Termination of Alternative Licensing Process

36. On May 19, 2011, Commission staff issued a letter to Cascade that expressed staff's concern that Cascade was not collaborating appropriately with stakeholders in the ALP, and warned Cascade that its ALP might be terminated if it did not show cause within 30 days by describing how Cascade would resolve the issues with stakeholders. Staff also reviewed Cascade's draft license application and preliminary draft environmental assessment, identifying an inventory of deficiencies to be corrected and additional information required for Cascade to submit an acceptable final license application and preliminary draft environmental assessment.

37. Cascade submitted a response on June 21, 2011, in which it committed to undertake specific actions to better manage the ALP.⁴⁶ On January 30, 2012, Commission staff issued a letter terminating Cascade's ALP.

38. Cascade requests rehearing of the January 30, 2012 letter terminating the ALP asserting that staff erred in terminating the ALP because such an action is not consistent with the regulatory process set forth in section 4.34(i)(7) of the Commission's ALP regulations,⁴⁷ and not based on substantial evidence. Cascade argues that it acted with good faith to resolve the issues identified in Commission staff's May 19, 2011 letter warning Cascade of possible termination of its ALP. Cascade also argues that the Commission should provide an opportunity to develop alternative procedures that will allow Cascade and stakeholders to resolve differences of opinion with respect to environmental studies. Cascade contends that it was caught in a "catch-22" by the show cause letter, and that "regulatory uncertainty," rather than an unwillingness to meet the requirements of the ALP, prompted its inaction. Cascade asserts that it is committed to acting diligently and with good faith to submit a viable license application within a collaborative process.

39. Between June 2011 and January 2012, Cascade completed none of its proposed actions. As staff explained in the January 30, 2012 termination letter, no additional filings were placed in the record by Cascade indicating that it had updated the project website or the project record at a local public library; a public meeting was held on August 8, 2011, but no transcript or summary of the meeting had been placed in the record; and Cascade had filed nothing to indicate that it had submitted revised study plans to agencies, responded to agency comments on the draft license application, or distributed revised project descriptions. The January 30, 2012 letter further identified staff's

⁴⁶ See *supra* at P 20.

⁴⁷ 18 C.F.R. § 4.34(i)(7) (2012).

ongoing concern regarding Cascade's approach to resolving agency study needs, and found that Cascade had not meaningfully proposed to resolve this issue either in Cascade's June 21 letter nor through Cascade's actions between June 2011 and January 2012. Commission staff concluded that Cascade had failed to demonstrate that continued use of the ALP would result in an acceptable license application, and therefore terminated Cascade's ALP.

40. We find that the record supports staff's conclusion. As described above, there are numerous comments in the record from stakeholders and agencies describing Cascade's failure to resolve environmental scoping and study issues. Cascade did not meet a single deadline identified in its schedule in the communications protocol, which is the guidance document for an ALP proceeding. Further, Cascade failed to resolve specific issues identified by staff, such as the Tongass National Forest roadless area issue, and failed to meaningfully respond to agency study requests. Staff communicated these concerns to Cascade and warned of the potential termination of the ALP. Despite its explicit assertions of specified future actions to correct past deficiencies, Cascade did little to nothing in the six months following staff's May 19, 2011 show cause letter. Given this record, staff acted within its discretion to terminate Cascade's ALP.

41. Moreover, contrary to Cascade's assertion, we find that staff's determination to terminate the ALP was not inconsistent with section 4.34(i)(7) of the Commission's regulations.⁴⁸ This section states that if a participant, including the applicant using the ALP process, "can show that it has cooperated in the process but a consensus supporting the use of the process no longer exists and that continued use of the alternative process will not be productive, the participant may petition the Commission for an order directing the use of appropriate procedures to complete its application." The participant's request must recommend specific procedures that are appropriate under the circumstances. Section 4.34(i)(7) is a tool that can be used by an entity participating in an ALP to move a licensing process forward if the alternative process has devolved and lost consensus. However, Cascade never filed a petition with the Commission requesting an order directing the use of appropriate procedures to complete its application.⁴⁹

42. If Cascade wishes to pursue this project, it must submit sufficient information to Commission staff to demonstrate that it intends to meaningfully pursue the Commission's

⁴⁸ 18 C.F.R. § 4.34(i)(7) (2012).

⁴⁹ To the extent that Cascade considers its rehearing or reconsideration request to be a petition under section 4.34(i)(7), Cascade has not stated so explicitly, nor recommended specific procedures that it believes are appropriate under the circumstances, as required by section 4.34(i)(7).

pre-filing requirements to prepare a license application. At a minimum, any submission by Cascade should include: (1) documentation of consultation with relevant resource agencies, including specific responses to agency comments on Cascade's study plans; (2) a process plan and schedule for completing pre-filing consultation, including completing studies and filing a license application; and (3) documentation of consultation with the Forest Service explaining how Cascade and the Forest Service intend to resolve the potential inconsistencies between the proposed hydropower project and the Tongass National Forest Land and Resource Management Plan and Inventoried Roadless Area designation. Commission staff will determine whether Cascade's filing sufficiently demonstrates an intent to meaningfully pursue development of a license application.

The Commission orders:

Cascade Creek, LLC's request for rehearing or reconsideration is denied.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

Southeast Alaska Power Agency
Operations and Maintenance
Organization Review

September 13, 2012
FINAL DRAFT REPORT

Prepared for
Southeast Alaska Power Agency
Ketchikan, Alaska

by



Lynnwood, Washington

Southeast Alaska Power Agency Operations and Maintenance Organization Review

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Southeast Alaska Power Agency Operations and Maintenance Organization Review

Introduction

This report summarizes the results and findings of an Operations and Maintenance Organizational Review (the “O&M Review”) of the Southeast Alaska Power Agency (SEAPA) and its hydroelectric and transmission facilities. D. Hittle & Associates, Inc. (DHA) was retained by SEAPA in April 2012 to conduct the O&M Review. The O&M Review is intended to address several issues related to evaluating the overall operation of SEAPA’s system to assure the most effective operation into the future. Ultimately, SEAPA’s goal is to provide safe, reliable and cost effective operation of its power supply and transmission assets for the benefit of the interconnected electric consumers long into the future. As a member-owned entity serving consumer-owned electric utility operations, reductions in SEAPA operating costs and improvements in performance provide a direct positive effect on the cost of electric service in the communities of Ketchikan, Petersburg and Wrangell.

Description of SEAPA

SEAPA is a joint action agency originally organized in 2000 as the Four Dam Pool Power Agency and existing pursuant to the laws of the State of Alaska. The Four Dam Pool Power Agency was created by its members for the purpose of purchasing certain generating and transmission facilities from the Alaska Energy Authority, a public corporation of the State. In 2009, the Four Dam Pool Power Agency was restructured and its name was changed to SEAPA to reflect the withdrawal of two previous cooperative members and the generating and transmission facilities that served those members.

The members of SEAPA are the Alaska home rule municipalities of Ketchikan, Petersburg and Wrangell (collectively, the “Member Utilities” or the “Purchasing Utilities”). The municipally-owned electric utilities of the cities of Ketchikan and Petersburg and the City and Borough of Wrangell provide electric service within their respective communities. SEAPA’s system currently consists of two separate hydroelectric generation facilities and accompanying transmission facilities located in Southeastern Alaska (the Projects). Power is sold from the Projects pursuant to a Long-Term Power Sales Agreement (the “Power Sales Agreement”) dated February 2009 to the Member Utilities.

SEAPA is governed by a five-member board of directors consisting of directors appointed by the City Councils of the Member Utilities. Each director serves for a one-year term, January 1 through December 31, but continues to serve until a successor is appointed. Each year, Ketchikan appoints two directors to the board and Wrangell and Petersburg appoint one director each. In alternating years, the fifth director is appointed by Ketchikan or by either Petersburg or Wrangell. At the present time, there are two directors from Ketchikan, two directors from Petersburg and one director from Wrangell. There are also five non-voting alternate members of the board of directors, appointed in the same manner as the five directors.

SEAPA is authorized and has the power to design, develop, acquire, purchase, own, operate, manage, maintain and improve power projects or generating and transmission facilities. SEAPA's facilities consist of two hydroelectric generating plants, the Swan Lake Hydroelectric Project ("Swan Lake") and the Tyee Lake Hydroelectric Project ("Tyee Lake"), and related transmission lines (together, the "SEAPA Facilities") that connect the generating plants to the electric systems of the Member Utilities. In late 2009, SEAPA completed a 57-mile long transmission line interconnecting Swan Lake and Tyee Lake, the Swan-Tyee Intertie (STI). The STI provides interconnection of the electric systems of Petersburg, Wrangell and Ketchikan. Prior to completion of the STI, the electric systems of Petersburg and Wrangell were interconnected, however, the electric system of Ketchikan was electrically isolated from any other electric utility systems. Now all three Member Utilities are interconnected with both projects and with each other.

SEAPA owns, manages and administers the SEAPA Facilities. Regular operations and maintenance of the hydroelectric projects is performed by Ketchikan Public Utilities (KPU) and the Thomas Bay Power Authority (TBPA)¹ under contractual arrangements (the "Operations & Maintenance Agreements"). KPU operates the Swan Lake project while the TBPA, an operating entity created by the cities of Petersburg and Wrangell, operates the Tyee Lake project. SEAPA provides maintenance of the STI, which was not contemplated under the Operations and Maintenance Agreements and also supports certain maintenance, repair, and equipment replacement activities at the Swan Lake and Tyee Lake projects.

Power generated by the SEAPA Facilities is sold to the Member Utilities in accordance with the terms and conditions of the Power Sales Agreement. The Power Sales Agreement states, among other things, that:

- The output of Swan Lake is first dedicated to Ketchikan and the output of Tyee Lake is first dedicated to Petersburg and Wrangell.
- All capacity and energy generated by the SEAPA Facilities will be sold by SEAPA;
- The Purchasing Utilities must purchase from SEAPA, to the extent power is available, their full energy requirement that exceeds the output of existing Purchasing Utility-owned hydroelectric resources;
- SEAPA shall at all times, except when prevented by a cause or event not preventable by SEAPA, make power continuously available to the Purchasing Utilities;
- SEAPA is to provide an annual operations plan that estimates the energy requirements of the Purchasing Utilities and identifies the output of the SEAPA Facilities to supply the net loads with the objective of maximizing and optimizing the output of the SEAPA Facilities.

Pursuant to the Power Sales Agreement, energy generated at the two hydroelectric projects is sold at a Firm Wholesale Power Rate established each year to produce sufficient revenue to meet SEAPA's debt service obligations and to pay for the cost of operations, maintenance, renewals

¹ TBPA was initially formed in 1976 to evaluate potential new hydroelectric generating resource opportunities. At the present time, Petersburg and Wrangell pay some of the operating costs of TBPA directly, including the cost of the office administrator.

Southeast Alaska Power Agency Operations and Maintenance Organization Review

and replacements, insurance, regulatory compliance, and other costs. The wholesale power rate may be adjusted during the year as needed.

The Firm Wholesale Power Rate is presently set at 6.8 cents per kilowatt-hour, a rate that is sufficient to produce revenues that will pay all the costs of SEAPA and provide a deposit into SEAPA's Renewal and Replacement Fund (the "R&R Fund"). The Wholesale Power Rate has been at the present level since before the Four Dam Pool Power Agency's formation in 2002. At the present time, SEAPA's only sources of revenue are from the sale of power to the Member Utilities and earnings on invested funds. Table 1 summarizes certain operating statistics for the year ended June 30, 2012 for SEAPA.

Table 1
Southeast Alaska Power Agency
Selected Operating Statistics
Year Ended June 30, 2012

Energy Sales (kWh)		
Ketchikan		91,103,000
Petersburg		42,011,980
Wrangell		37,594,100
Total Energy Sales		170,709,080
Revenues from Energy Sales ¹	\$	11,608,217
Other Income	\$	142,442
Expenses ²	\$	10,949,836

¹ Does not include impact of rebates to Member Utilities.

² Includes all operating expenses, debt service and deposits to R&R reserve fund.

SEAPA Facilities

The SEAPA Facilities consist of two separate hydroelectric generating systems and related transmission lines, switchyards and substations. The hydroelectric systems are geographically separate from each other but with the completion of the STI in 2009, the two projects are electrically interconnected. The projects provide a significant portion, if not all of the total electrical power requirement in the communities to which they are connected. Both of the projects include the transmission lines that interconnect the hydroelectric projects to the electric systems in the communities. Table 2 shows the two hydroelectric generating plants owned and operated by SEAPA.

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**Table 2
Southeast Alaska Power Agency
Existing Hydroelectric Generating Plants**

Project	General Location	Nominal Capacity (MW)	Year of Initial Operation
Swan Lake Hydroelectric Project	22 miles northeast of Ketchikan	22.5	1984
Tyee Lake Hydroelectric Project	40 miles southeast of Wrangell	22.5	1984

The hydroelectric projects were originally developed and built in the early 1980's. A substantial portion of the original construction costs of the Projects was funded with State grants. The Projects have been in regular operation since they first became commercially operable in 1984.

In fiscal year 2011, SEAPA provided the majority of the total energy requirements of the Member Utilities. Further, the SEAPA projects provide essentially all of the load following for the Member Utilities' systems. Table 3 shows the energy resources of the Member Utilities' systems in 2012 and the percentage of the total energy provided by SEAPA. Note that total energy generation shown for SEAPA in Table 3 is before deductions for transmission losses estimated to be roughly 6.5%.

**Table 3
Southeast Alaska Power Agency
Member Utilities' Energy Resources
Year Ended June 30, 2012**

	Ketchikan	Wrangell	Petersburg
Energy Resources (MWh)			
SEAPA	91,103	37,594	42,012
Utility-owned Hydro	82,000	-	13,500
Diesel	1,118	440	600
Total	174,221	38,034	56,112
Energy Provided by SEAPA	52%	99%	75%
Load Following Provided by SEAPA	100%	100%	100%

Swan Lake Project

The Swan Lake project is located on Revillagigedo Island at the head of Carroll Inlet, about 22 miles northeast of the city of Ketchikan. Primary facilities include a 174-foot tall concrete thin arch dam, a 2,217-foot long, 11-foot diameter power tunnel and a powerhouse with two Francis, vertical shaft turbines and two generating units having a combined nominal generating capacity

of 22.5 MW. The project includes two substations, one at the Swan Lake powerhouse and the Bailey substation in Ketchikan. The two substations are connected by approximately 30.5 miles of 115-kV transmission line. The Swan Lake project was constructed by the City of Ketchikan and subsequently purchased by the Alaska Power Authority. It began commercial operation in June 1984.

The Swan Lake project also contains a number of houses and support buildings, along with a dock. There is a road that connects the dam to the rest of the project features. The project is accessible by helicopter, float plane, boat or barge.

Average annual energy generation at Swan Lake is 74,929 MWh based on actual generation over the period 1991 through 2011. During this twenty-one year period, annual generation at Swan Lake has ranged from a low of 55,538 MWh in 1997 to a high of 82,088 MWh in 2001. Engineering estimates indicate that the average annual energy generation of Swan Lake would be approximately 77,000 MWh with sufficient interconnected load to fully use the energy generation potential of the project in all years. Currently, loads are not in place that match the seasonal variation in available power and energy from SEAPA.

Studies are being contemplated to evaluate raising the level of the dam at Swan Lake to increase both the amount of storage and the amount of available head or water pressure at the existing turbines.

Tyee Lake Project

The Tyee Lake project is located approximately 40 miles southeast of Wrangell and uses a lake tap intake to withdraw water from Tyee Lake. There is no dam at the Tyee Lake project. The project includes the lake tap intake, a drop shaft, an 8,300-foot long, 10-foot diameter unlined power tunnel, a 1,350-foot long steel penstock and a powerhouse. There are two vertical shaft, six jet Pelton turbines and two generating units with a combined nominal capacity of 22.5 MW. Provision was made at the time of construction for a third turbine-generator unit to be installed in the powerhouse at a later date. Provision was also made in the original project design to raise the lake level, which would provide additional head and reservoir storage. The project includes a substation at the powerhouse, the Wrangell switchyard, Wrangell Substation and Petersburg Substation. Approximately 70.5 miles of 138-kV transmission line² and 11.4 miles of submarine cable interconnect the Tyee Lake project to the communities of Wrangell and Petersburg, where the power is utilized.

Average annual energy generation at Tyee Lake has been 48,198 MWh based on actual generation over the period 1991 through 2011. Although energy sales from Tyee Lake were generally in the range of original expectations, connected loads in Wrangell and Petersburg were until recently, significantly lower than the generation capability of the project. As a result, actual historical energy generation at Tyee Lake is not reflective of the long-term energy generation capability of the project. The completion of the STI in 2009 connected the Tyee Lake project to Ketchikan where additional loads can be served. Since completion of the STI, the

² The Tyee Lake transmission system is designed for 138-kV but is presently operated at 69-kV.

annual energy generation at Tyee Lake has increased approximately 30,000 MWh over 2008 levels. Engineering estimates indicate that the annual energy generation of Tyee Lake would be approximately 128,000 MWh with sufficient interconnected load to fully use the energy generation potential of the project in all years.

The Tyee Lake project was constructed by the Alaska Power Authority beginning in 1981. The project became commercially operable in May 1984. Although Tyee Lake was initially operated for a short period by the State, it has since then been operated by the Thomas Bay Power Authority, an entity formed by Petersburg and Wrangell, under agreement with SEAPA. Access to the project is by land-based planes on a gravel runway and there is a small shallow harbor for boat or barge access, but its use is limited by the tidal fluctuations.

Swan-Tyee Intertie

The Swan-Tyee Intertie is a 57-mile long 138-kV transmission line that interconnects the Tyee Lake and Swan Lake hydroelectric projects. Prior to completion of the STI in 2009, the Tyee Lake project only served Wrangell and Petersburg and the Swan Lake project only served Ketchikan. The STI provides for greater utilization of the capability of the Tyee Lake project, greater turbine efficiency of operation at the Swan Lake project, sharing of spinning reserves, as well as for integrated operation of all hydroelectric generation in the interconnected Petersburg, Wrangell and Ketchikan system. Further benefits of the STI should include improved reliability in the interconnected system and more effective scheduling of maintenance outages for the hydroelectric units.

Recently, SEAPA, with the implementation of the Swan-Tyee Intertie Control System (STICS), has implemented a water management plan that allows for additional energy to be produced by the projects through optimized use of turbine efficiency and sharing of energy to reduce spilled water. If there is sufficient desire by the Member Utilities, the interconnected sharing of economic benefits could ultimately include enhanced economic scheduling of some diesel-fired generation between the northern and southern ends of the SEAPA system.

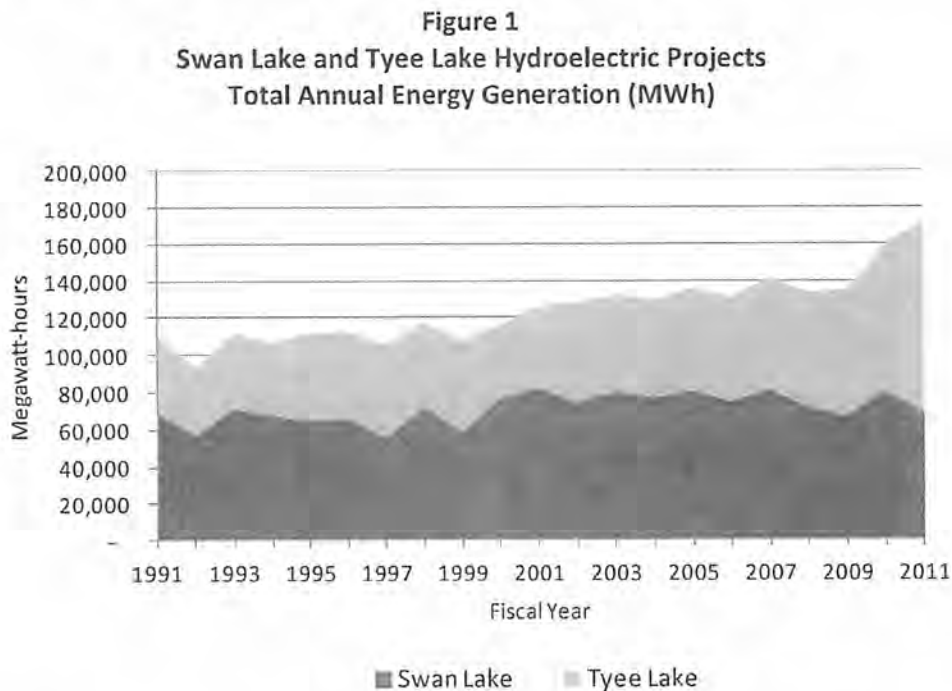
Remote Operation

The Swan Lake and Tyee Lake projects are capable of remote operation. Both projects can be controlled from either powerhouse; however, some additional control and alarm indication may be needed for regular unmanned operation. Remote operation will provide valuable training and an understanding of the plants' and transmission system operation to all the operators. This will be especially beneficial if the operators rove between plants better utilizing the workforce.

The current procedure to restore the system during system wide outage or black start situation is; Swan Lake would energize the Swan - Bailey line and Bailey would sync to it. Tyee Lake would energize the North Line and Wrangell and Petersburg would sync to it. Swan Lake will then energize the STI and Tyee would then connect the North - South systems. This procedure could be implemented from either powerhouse with remote operation.

Total Energy Generation

Total SEAPA energy generation varies from year to year depending on precipitation and the local power requirements. Both Petersburg and Ketchikan own and operate hydroelectric generation plants in the same general region as Swan Lake and Tyee Lake. When precipitation levels are higher in the area, these utility-owned plants produce more power thereby reducing demand for power from the SEAPA projects. With the high cost of heating oil in recent years, there has been a large increase in power demand for the Member Utilities as residential and commercial customers convert to electric space heat. As a result, the overall demand for electricity has increased and with the STI, SEAPA has seen a relatively large increase in energy sales. In fiscal year 2011, total SEAPA energy generation was 172,297 MWh, up 28% from fiscal year 2009. Energy generation for the Swan Lake and Tyee Lake projects over the 21 fiscal years, 1991 through 2011, is shown in the following figure.



Purpose of the O&M Review

The general purpose of the O&M Review is to assess SEAPA's current approach to O&M and determine what adjustments could be made to improve O&M and provide potential cost savings. Eleven tasks were originally defined in the Request for Qualifications. We synthesized these tasks into six primary questions to be addressed in the study.

The primary questions addressed in the study with reference to the initially defined tasks included in the RFQ are as follows:

**Southeast Alaska Power Agency
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1. How are the plants currently being operated? (Task 1)
2. What is actually required in operating and maintaining the plants? Are staffing levels appropriate? (Task 2)
3. How do the existing O&M agreements function with regard to the purpose for which they are intended? How do these agreements function and perform as far as the relationship between SEAPA and its contractors? (Task 10)
4. What improvements could be made in the operations and maintenance of the hydro and transmission projects? What would be involved in establishing an unmanned or caretaker approach to operation of the hydro plants? Should the projects be operated and maintained by one entity rather than the two separate contractors? What costs and benefits could be realized with alternative approaches to operations and maintenance as compared to the current approach? (Tasks 3, 4, 5, 6, 7, 8, 9)
5. Are there functional improvements that could be made to SEAPA's management and staff to better provide for the operations and maintenance of the hydro and transmission system? (Task 11)
6. What specific changes in existing agreements and contracts are recommended to improve operations and maintenance? (Task 12)

In addition to the tasks defined above, the RFQ requested that Kodiak Electric Association be contacted with regard to KEA's operation of the Terror Lake Hydroelectric Project. At the beginning of the study effort, discussions with SEAPA deemphasized some of the initial tasks related to "fixing" the existing contracting arrangements. Rather, the study focused on the recommendations for a revised approach to operations and maintenance of the projects.

In preparing the O&M Review, various documents, financial reports, budgets and other materials were reviewed. SEAPA management and staff were interviewed and both hydroelectric projects were visited where operators were interviewed. Representatives from Ketchikan and the Thomas Bay Power Authority were interviewed as well. During the visits to the SEAPA facilities, the general condition of the facilities was observed on the ground as well as from the air.

Interviews were generally conducted during the week of April 16-20, 2012. The following individuals were interviewed during the course of the O&M Review:

Dave Carlson, Acting CEO, SEAPA
Steve Henson, Director of Operations, SEAPA
Eric Wolfe, Director of Special Projects, SEAPA
Kay Key, Controller, SEAPA
Sharon Thompson, Administrative Assistant, SEAPA
Tim McConnell, Electric Division Manager, Ketchikan Public Utilities
Andy Donato, Ketchikan Public Utilities, SEAPA Board Alternate
Bret Blasingame, Foreman, Swan Lake

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Ray Davis, Swan Lake Operator
Danny Smith, Swan Lake Operator
Joel Buchanan, Swan Lake Operator
Carl Thrift, Foreman (retiring), Tyee Lake
Mick Nicholls, Tyee Lake Operator
Steve Beers, Tyee Lake Operator
Brent Mill, Tyee Lake Operator
Dave Galla TBPA Commissioner
Rhonda Dawson, TBPA Office Manager
Brian Ashton, TBPA Commissioner, SEAPA Board Alternate
Clay Hammer, TBPA Commissioner, Electric Superintendent, Wrangell Municipal Light
& Power
John Jensen, TBPA Commissioner, SEAPA Board Alternate
Robert Larson, TBPA Commissioner, SEAPA Board
Joe Nelson, SEAPA Board, TBPA Commissioner, Electric Superintendent, Petersburg
Municipal Power & Light
Paul Southland, Acting Manager, Thomas Bay Power Authority, TBPA Commissioner
Jay Rhodes, SEAPA Board Alternate, IBEW Local 1547 Unit 104 (Ketchikan, Wrangell,
Petersburg, Prince of Wales Island),

In general, the interviews were conducted to obtain an understanding of the work performed by SEAPA employees, the plant operators, and KPU and TBPA management with regard to performance of tasks pursuant to the O&M Agreements. The role of SEAPA and TBPA board members with regard to oversight of the operation of the SEAPA facilities was also reviewed. To insure candor, it was agreed that individuals interviewed would not be identified by their comments.

Existing Operations and Maintenance

SEAPA operates the Swan Lake and Tyee Lake projects in a rather unique way. First, physical operation and maintenance activities have been contracted out by SEAPA to two contractors. Thomas Bay Power Authority operates and maintains the Tyee Lake project and Ketchikan Public Utilities (KPU) operates and maintains the Swan Lake project. Both TBPA and KPU perform their functions as operations and maintenance contractors pursuant to the terms and conditions of Operations and Maintenance Agreements dated January 31, 1997 for the TBPA agreement and January 24, 1997 for the KPU agreement (the “O&M Agreements”).

The two O&M Agreements were between the respective contractors and the Alaska Energy Authority, the owner of the Swan Lake and Tyee Lake projects prior to the establishment of the Four Dam Pool Power Agency. Prior to enactment of the O&M Agreements in 1997, TBPA and KPU operated the Tyee Lake and Swan Lake projects, respectively, pursuant to similar agreements. The O&M Agreements have not been revised or updated since establishment of the Four Dam Pool Power Agency and SEAPA.

At the time the O&M Agreements were enacted, the Alaska Energy Authority, an agency of the State of Alaska, assigned operation and maintenance of the projects to the utility organizations that purchased power from the projects. Wrangell and Petersburg ceded their normal operations and maintenance functions to the Thomas Bay Power Authority. The Alaska Energy Authority had only one employee based in Anchorage dedicated to management and administration of the Four Dam Pool projects and as such, did not have staff capable of operating the projects. In addition to the O&M contractors, the Alaska Energy Authority regularly retained the services of other contractors for engineering, construction, licensing-related and major maintenance services.

With the sale by the State of the of Four Dam Pool projects to the Four Dam Pool Power Agency (FDPPA) in 2002, the FDPPA retained management and staff that eventually included several positions to manage and administer the projects as well as provide certain engineering functions.

When SEAPA was established in 2009, some of the FDPPA staff transferred to SEAPA as SEAPA moved its headquarters from Anchorage to Ketchikan. At the present time, the SEAPA staff includes the following positions:

- Chief Executive Officer
- Director of Operations
- Director of Special Projects
- Controller
- Administrative Assistant

The existing SEAPA staff, with the oversight of the SEAPA Board, provides a number of critical functions related to operation and maintenance of the SEAPA Facilities including:

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- Compliance with FERC issues and requirements
- Compliance with provisions and obligations of the Power Sales Agreement
- Coordination with various State and federal agencies
- Community and public relations
- Administration of the O&M Agreements
- Oversight of the extraordinary and normal O&M contractors
- Installation, operation and maintenance of communications systems
- Review and approval of annual O&M budgets provided by the O&M contractors
- Accounting, billing and accounts payable
- Direct procurement of some items and review of procurement of some items
- Compliance with bond covenants and legal commitments
- Planning and implementation of renewal and replacement activities
- Retention and management of selected engineering and construction contractors associated with maintenance, repair, or equipment replacement and with other SEAPA investigations or projects.
- Coordination of O&M activities with plant operators (weekly meetings to discuss generation scheduling, water management, maintenance activities, among other items)
- Coordination of interconnected system operations and efforts to develop further improvements in integrated system operations
- Periodic inspection of certain transmission lines
- Maintenance of the Swan-Tyee Intertie
- Representation of SEAPA to the Alaska legislature and the Alaska congressional delegation
- Coordination with the SEAPA board of directors

In addition to the tasks above, at the present time the CEO and the Director of Special Projects indicate that 30% and 50% of their time, respectively, is spent on long term planning, evaluation of new resources, potential new contracts and other related activities.

SEAPA benefits from the longevity of certain employees and managers who have provided many years of service to SEAPA and its predecessor organizations. It also benefits from the many years of experience that some of the staff bring to their jobs. Further, the SEAPA staff understands that the reliable operation of the SEAPA Facilities is critical to the economic viability of the communities it serves.

For a further definition of the responsibilities of the SEAPA staff, see the job descriptions provided in Appendix A.

The O&M Contractors

TBPA employs the operations and maintenance staff at the Tyee Lake project, and provides management services from Wrangell associated with the regular maintenance of the Tyee Lake project. TBPA is headquartered in the SEAPA owned warehouse near the SEAPA switchyard outside of Wrangell. The facilities also operated and maintained by TBPA include the transmission line between the Tyee Lake project and Wrangell and Petersburg.

In particular there are overhead and submarine transmission facilities from Tyee Lake to the Wrangell SEAPA switchyard station and overhead and submarine transmission facilities from Wrangell to the Petersburg SEAPA substation. The underwater transmission power crossings with submarine cable terminal stations include crossings at Zimovia, Stikine, and Sumner Straight. Other important functions currently provided by TBPA are the supervisory control and data acquisition (SCADA) operations and management of the: (1) Wrangell switchyard and the reactor within the switchyard; (2) the submarine cable termination stations, (3) the Wrangell substation and its breakers, (4) Petersburg substation and its breakers, (5) the STI, and normal synchronization of the intertie between the projects or the Swan Tyee Intertie Control System (STICS).

KPU employs the operations and maintenance staff at the Swan Lake project and provides management services from Ketchikan associated with the regular maintenance of the Swan Lake Project and with the delivery of power to KPU. The facilities also operated and maintained by KPU include the transmission line between the Swan Lake project and the KPU-owned Bailey substation switchyard, within which SEAPA has ownership of certain substation transformer, breaker and communication equipment. KPU, through its Bailey control center can also perform normal synchronization to the Swan Lake transmission line

There are four operators at each hydroelectric plant. The four operators (three operators and a relief operator) at Tyee Lake are employed by TBPA and the four operators at Swan Lake are employed by KPU. TBPA also employs a manager and an office manager, both located in Wrangell, who are assigned full-time to the management and administration of the Tyee Lake O&M Agreement. The cost of the TBPA manager is charged to SEAPA through net-billing while the office manager position is funded by Wrangell and Petersburg. There are three additional TBPA employees who perform right of way clearing, of which only the foreman is a full-time regular employee. KPU manages the Swan Lake O&M Agreement as an activity within its utility operation and does not employ a manager directly related to the O&M Agreement. Until last year, KPU had only used three operators at Swan Lake. A fourth operator was added in 2011 for safety concerns, as identified by KPU. The total number of full-time employees currently assigned to the management, administration, operation and maintenance of the SEAPA Facilities is shown in the following table:

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**Table 4
SEAPA, Swan Lake and Tyee Lake
Existing Staffing Levels (Full-time employees)**

SEAPA		Swan Lake ¹		Tyee Lake ²		Total
Management & Admin	Technical	Plant Operators	Management	Plant Operators	Management	
3	2	4	0	4	2	15

¹ Employed by KPU.

² Employed by TBPA. TBPA indicates that it also has one regular and two seasonal right of way clearing laborers. One of the four Tyee operators is a relief operator. Some of the TBPA management staff labor costs are not SEAPA costs and are paid directly by Wrangell and Petersburg.

The plant operators have a variety of functions they perform. Some of the activities are provided on a daily basis and others are more periodic. In general, the functions provided by the operators are as follows:

- Monitor mechanical and electrical project equipment and log elected metered properties
- Respond to project alarms or abnormal events
- Respond to Wrangell and Petersburg SEAPA substation alarms or abnormal events (Tyee Lake operators)
- Comply with regulatory requirements
- Perform scheduled preventive maintenance via MAPCON
- Perform unscheduled maintenance
- Order parts and supplies
- Provide site security
- Clear snow from roads and aircraft runway
- Maintain dwelling units, shops, docks, miscellaneous buildings and associated utility systems
- Maintain vehicles, equipment, and boats
- Perform on-site training
- Assist other operators with repairs
- Work with contract service providers
- Assist in annual major maintenance outage work
- Take clearances, operate SCADA breakers on submarine cable and at substations and synchronize STI (Tyee Operators)
- Participate in weekly operations meetings with SEAPA

There are typically two plant operators at each project at all times. The TBPA operators and the KPU operators are governed by different IBEW Local 1547 Unit 104 contracts. The KPU three-year contract was just recently negotiated. The TBPA three-year contract will be renegotiated in

2013. As such, the respective project operators have different normal hours of work and some other differences in work rules.

Two operators at Swan Lake work eight ten-hour days at the plant and then have six days off. Each Wednesday the two sets of Swan Lake operators overlap for much of the day at the project. This results in a float plane arriving with a crew each Wednesday morning and then a second float plane returning Wednesday afternoon and taking the relieved crew back to Ketchikan. An estimate of current annual air charter costs for Swan Lake crew changes is indicated to be about \$50,000 per year, although KPU budgets about \$74,000 per year for this expense.

The Tyee Lake operators work a more complex schedule. At Tyee Lake three operators work staggered ten eight-hour days at the plant and have four days off. This schedule allows all operators to be on site together twice a month. During one of these overlap days each month, a Tyee Lake operator performs preventive maintenance at the Wrangell and Petersburg substations. There is a fourth operator who is used for coverage during vacations, illness and major maintenance. With this schedule, a flight will arrive at the project land-based air strip twice each week. One week it will arrive on Monday and Friday and the following week it will arrive on Tuesday and Thursday, with each flight dropping off one fresh operator and leaving with a different operator. An estimate of current annual air charter costs for Tyee Lake is \$44,000 per year.

The Swan Lake and Tyee Lake project operators employ a variety of skills. Traditionally, the primary skills have been classified as either mechanical or electrical. At Swan Lake, currently there are two electrical operators and two mechanical operators. At the time of our interview at Tyee Lake the classifications of the operators were one electrical operator, one lineman, one millwright and one boiler worker. As the projects are maturing and replacements are occurring, skill needs appear to be changing. Most of the preventive maintenance work at the power plants is general in nature, taking readings, and performing routine modifications, changes of filters, cleaning, oil changes, taking samples, etc. Another form of routine maintenance has to do with snow removal associated with roads and the landing strip at Tyee. This principally is heavy equipment operation along with maintenance of the heavy equipment.

Another major function at both projects is administration of the computer maintenance system, MAPCON and its backup. Another significant function has to do with maintenance, both preventative and unscheduled, of support infrastructure at the project sites. This includes repair to dwelling units, shops, potable water lines, infrastructure electrical systems, sewage and solid waste (incineration) systems, and associated vehicles and boats and docks. The Swan Lake project includes a dam that has maintenance requirements including periodic checking.

Currently there are essentially four operators that are distributed in two different types of overlapping shifts at each project. There is a single foreman at each project who is with one shift, but communicates with the other operators and coordinates work on days where staff overlap at the project. It was indicated that in the past, there have been fewer operators employed at the projects.

As the projects have evolved and are likely to evolve in the near future there will be a greater need for electronic, telecommunication, fiber optic, and electronic relay skills at the two projects. This trend is likely to increase even more and should be a consideration for future hiring and training.

Based on observations, if the projects were remotely operated and there were better access, there could come a point in time that one FTE for preventive maintenance may be all that is required per plant, with a care-taker at the plant when operator(s) are not present. The first major change in staffing would likely be to reduce the number of operators to two with principally electrical, mechanical or hydro plant operator skills at each project during the week and a caretaker position at each project on the weekends and, as weekends could alternate, the caretaker position could be shared between the two projects.

A problem with implementing this concept at both Swan Lake and Tyee Lake is equipment operator road/airstrip snow removal during the operator off days and if that lack of snow removal would jeopardize operator access or medical evacuation of the caretaker.

The O&M Agreements

The O&M Agreements are relatively general in their specification of activities to be provided by the contractors. When originally developed, the Alaska Energy Authority had a very limited role in operation and maintenance of the projects and placed a high degree of responsibility on the utility contractors, as recipients of the project output, to maintain and operate the projects. The Swan Lake and Tyee Lake O&M Agreements are essentially the same from the perspective of provisions, terms and conditions. The term of the O&M Agreements was five years from the date of initiation (1997) and year to year thereafter. Written notice must be provided by July 1st one year in advance to terminate the agreement.

Included in the provisions of the O&M Agreements are the following contractor responsibilities, among others:

- Operation of the project including dispatching, starting and stopping
- Maintain project features, station logs and records
- Deliver project power to the Purchasers in accordance with the terms of the Power Sales Agreement
- Provide all labor, material, technical support and training to repair the project facility
- Comply with federal and state agency requirements
- Provide security of the project facility at all times
- Conduct scheduled technical, operation and maintenance inspections of the project facility
- Read, maintain and operate all project facility metering devices
- Integrate power from the project into the Purchaser's system
- Provide trained and qualified personnel with the ability to provide the duties of the agreement

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- Interpret the cause of and provide notification of protective relay or alarm action
- Take all reasonable measures to protect equipment, personnel and the general public from hazards from equipment failure
- Monitor and record the operating characteristics of all equipment and machinery
- Each year submit a five (5) year schedule of equipment replacement
- Submit a budget each year for the project facility
- Provide notification of equipment failure or other contingency that requires extraordinary maintenance

In general, it appears that the O&M contractors are fulfilling the requirements of the O&M Agreements. Areas which seem to be of some concern at Swan Lake include: frequency of transmission normal right of way clearing between Swan Lake and Bailey substation by KPU, wood transmission pole testing by KPU along that stretch of transmission line, MAPCON report documentation by KPU operators, Swan Lake operator training and cross trade training, and a detailed MAPCON derived bottoms up normal O&M functional budget. At Tyee Lake some of the areas of concern are: Tyee Lake operator training and cross trade training, quality of power sales metering, current transformers and potential transformers, and the amount of call-out time expended by operators on Wrangell and Petersburg SEAPA substations due to load loss on substations breakers/feeders.

The O&M contractors have not been providing the five year schedule of equipment replacement identified in the O&M Agreements. Since divestiture in 2002, the FDPPA has had to prepare a comprehensive renewals and replacement (R&R) plan. The R&R plan was updated in 2007 and is currently being updated again by SEAPA. The O&M Agreements are provided in Appendix B.

O&M Costs

Each year, the O&M contractors prepare a draft budget, have the draft budgets approved by their respective governing bodies and then submit the draft budgets to SEAPA for the upcoming fiscal year. SEAPA reviews the draft budgets and provides comments and proposed adjustments. The contractors then incorporate the adjustments, as appropriate, and submit the budgets for approval by the SEAPA board. Payments to the O&M contractors are not made directly; rather, they are provided as reductions in the cost of purchased power from the projects by the Member Utilities. Each month, TBPA submits its O&M costs to Wrangell and Petersburg and each community pays half that cost by deducting the payments from the amount owed SEAPA for purchased power. This method of deducting operating costs from purchased power is known as “net-billing”.

The following table shows the actual O&M costs for the past five fiscal years. Typically, budgeted costs each year are noticeably higher than actual results. It is important to understand that O&M costs do not include capital costs or forward funding for certain renewals and replacements.

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**Table 5
Southeast Alaska Power Agency
Actual O&M Costs
(Fiscal Years Ending June 30)**

	Actual				
	2008	2009	2010	2011	2012
Facility O&M					
Swan Lake	\$ 932,942	\$ 885,664	\$ 1,005,028	\$ 740,207	\$ 699,502
Tyee Lake	<u>1,049,487</u>	<u>1,123,342</u>	<u>1,006,509</u>	<u>1,054,015</u>	<u>1,130,918</u>
Subtotal - Facility O&M	\$ 1,982,429	\$ 2,009,006	\$ 2,011,537	\$ 1,794,222	\$ 1,830,420
SEAPA Expenses ¹					
Hydroelectric O&M	\$ 298,308	\$ 559,950	\$ 386,993	\$ 626,705	\$ 817,501
Transmission and Dispatching	32,057	81,500	488,292	561,532	671,827
Administrative Expense	<u>1,521,014</u>	<u>2,125,690</u>	<u>2,010,782</u>	<u>1,918,042</u>	<u>2,017,846</u>
Subtotal - SEAPA Expenses	\$ 1,851,378	\$ 2,767,140	\$ 2,886,067	\$ 3,106,279	\$ 3,507,174
Total Expenses	\$ 3,833,807	\$ 4,776,146	\$ 4,897,604	\$ 4,900,501	\$ 5,337,594

¹ SEAPA Expenses shown for 2008 and 2009 are approximate allocations of The Four Dam Pool Power Agency expenses in those years. SEAPA was established in February 2009.

Included in the facility O&M expenses are the costs of SCADA operation and dispatch at Bailey and the costs of transmission at both plants. Until a recent budget revision, SEAPA had included 50% of KPU's SCADA system costs as Swan Lake operating costs. Deducting these costs from the facility O&M expense provides the cost of operating and maintaining the hydroelectric plants themselves. Table 6 shows the resulting hydroelectric generating plant O&M.

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**Table 6
Southeast Alaska Power Agency
Hydroelectric Generating Plant O&M
(Fiscal Years Ending June 30)**

	Actual				
	2008	2009	2010	2011	2012
Swan Lake					
Facility O&M	\$ 932,942	\$ 885,664	\$ 1,005,028	\$ 740,207	\$ 699,502
Less: SCADA, Dispatch & Trans. O&M ¹	(538,638)	(517,586)	(370,794)	(71,961)	(1,241)
Net Hydroplant O&M	\$ 394,304	\$ 368,078	\$ 634,234	\$ 668,246	\$ 698,261
Increase (Decrease) over Prev. Year		-6.7%	72.3%	5.4%	4.5%
Tyee Lake					
Facility O&M	\$ 1,049,487	\$ 1,123,342	\$ 1,006,509	\$ 1,054,015	\$ 1,130,918
Less: Transmission O&M ²	(275,168)	(302,314)	(177,379)	(195,268)	(238,685)
Net Hydroplant O&M	\$ 774,319	\$ 821,028	\$ 829,130	\$ 858,747	\$ 892,233
Increase (Decrease) over Prev. Year		6.0%	1.0%	3.6%	3.9%
Swan Lake and Tyee Lake Combined					
Net Hydroplant O&M	\$ 1,168,623	\$ 1,189,106	\$ 1,463,364	\$ 1,526,993	\$ 1,590,494
Increase (Decrease) over Prev. Year		1.8%	23.1%	4.3%	4.2%

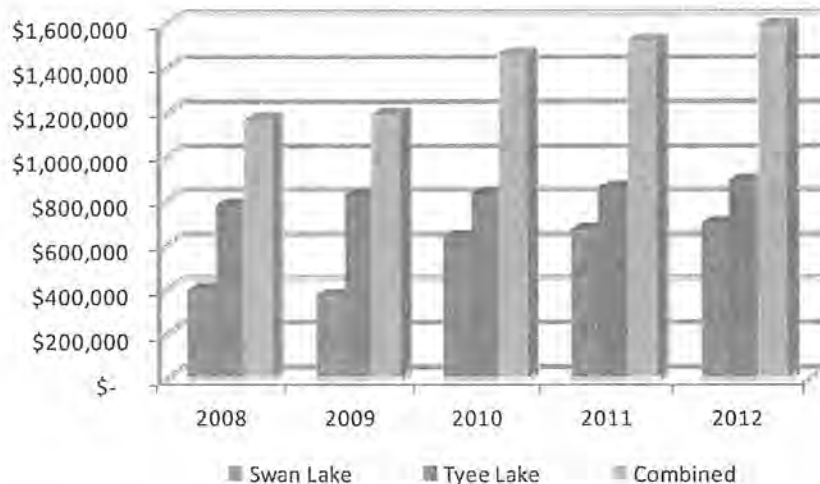
¹ Includes SCADA and Dispatch expenses, Account 561100 and transmission O&M expenses, Account 571100.

² Includes SCADA and Dispatch expenses, Account 561200 and transmission O&M expenses, Account 571200.

As shown in Table 6 the hydroelectric plant O&M costs have increased noticeably at both plants over the past five years. Over the five year period 2008 through 2012, the hydroelectric plant O&M costs have increased an average of 15.4%, 3.6% and 8.0% per year, for the Swan Lake, Tyee Lake and the two plants combined, respectively.

Figure 2 shows the hydroelectric plant O&M costs graphically.

Figure 2
Swan Lake and Tyee Lake Hydroelectric Projects
Hydroelectric Plant O&M Expenses
(Fiscal Years Ending June 30)



If, for an example, the hydroelectric plant O&M costs were to continue to increase at 4% per year over the next ten years (half the average increase of 8.0% per year the past five years) the annual cost would be \$2.4 million, 48% higher than the cost incurred in 2012. The terms of the PSA would indicate that as O&M costs increase, the wholesale cost of power from the SEAPA projects will increase and electric rates in the Purchasing Utilities would need to increase accordingly. Assuming annual energy sales increase approximately 1.25% per year and O&M costs increase 4% per year, the SEAPA wholesale cost of power is estimated to increase from 5.8³ cents per kWh in 2012 to 7.1 cents per kWh in 2021⁴. In addition to O&M costs, the wholesale cost of power includes annual debt service and renewal and replacement expenditures.

Observations

The operations and maintenance contracts with TBPA and KPU have not substantively changed since they were originally created with the Alaska Energy Authority back in 1985. However, the project assets and SEAPA have evolved over time. Much of the Swan Lake and Tyee Lake physical equipment is approximately 28 years old. The STI was constructed and became

³ Although the wholesale price of power as charged by SEAPA is 6.8 cents per kWh, the actual cost of power production is less than this amount. SEAPA has in the past refunded a portion of the difference between the cost of production and the wholesale price to the Member Utilities.

⁴ At 1.25% annual growth, energy sales are estimated to increase from 169,800 MWh in 2012 to 189,900 MWh in 2021. The wholesale cost of power production includes O&M and A&G expenses, debt service and deposits to the R&R Fund.

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operational in late 2009 which interconnected the entire Petersburg, Wrangell and Ketchikan electric systems. Generators have been rewound and governors were replaced at the Tyee Lake project in 2010. An additional significant change has occurred recently with the increase in loads in the communities caused by higher oil prices and the greater reliance upon low-cost power from the SEAPA projects.

Another evolution on the part of SEAPA has been the more active management role it has taken in the operations and maintenance of its assets. SEAPA has ultimate responsibility to provide power to the Purchasing Utilities pursuant to the terms of the PSA and as such, needs to have an active role in assuring the reliable operation of the interconnected utility systems.

Part of the change has been due to the SEAPA staff and their past experience. For example, the current Director of Operations is a good example of local employee experience, having worked as the Electric Superintendent of Wrangell Municipal Light and Power as well as an operator at the Tyee Lake hydro project. His knowledge of hydro maintenance and operations and understanding of the management and training of electric utility employees has helped refocus attention on project maintenance needs in a way that is consistent with the cultures of the projects and their communities.

Concurrent with the personnel changes at SEAPA there have been changes in the leadership at TBPA. TBPA, unlike KPU, does not have other electric utility operations or maintenance. As such, its support of plant operators at Tyee Lake is limited to resources of the individual operators and a limited number of active contract engineers, technicians, and consultants. So when operators at the Tyee Lake project have technical questions regarding the operation or maintenance of the plant they really don't have technical resources within TBPA.

Conversely, when operators at the Swan Lake project have technical questions regarding operation or maintenance they can contact management and staff at KPU who may be able to provide some limited technical support. KPU also maintains and operates the Beaver Falls hydro project, the Silvis Lake hydro project and the Ketchikan Lakes hydro project and significant amounts of diesel generation. A noticeable problem, however, is that KPU management and staff have seen a fair amount of turnover in the past. In the past five years, there have been four different KPU individuals assigned to manage the hydroelectric plants, including Swan Lake. This relatively constant change would indicate that there is a continuing need to relearn the specific requirements related to operation and maintenance of the projects.

Partially because of the limited depth of technical support for operators from TBPA and partially because of the historic knowledge of operations and maintenance at Tyee Lake that resides with SEAPA's Director of Operations, TBPA operators have recently been relying upon SEAPA staff and interacting with them more than in the past. This is indicated to have lead to some perceptions related to control at TBPA.

The Director of Special Projects at SEAPA, has undertaken a number of new projects at SEAPA and technical/engineering leadership has been provided through this position that would potentially have been previously provided by consultants hired and working directly for either KPU or TBPA. A different example of an evolved SEAPA role is due to the completion of the

STI transmission line and the greater need to coordinate operation of all hydroelectric facilities in the interconnected system. SEAPA has implemented a water management system to increase the total energy generation from the two hydro projects through more efficient use of water to meet load requirements. This has significantly benefited the Member Utilities but is not explicitly discussed in the O&M Agreement.

SEAPA staff conducts a weekly telephone meeting with the operators to assure mutual understanding of and coordinate schedules and planned maintenance activities. Problems at the projects are also discussed in these meetings. These meetings have contributed to a greater involvement of SEAPA with the operators and a better understanding of the technical capabilities of SEAPA staff by the operators.

It appears that in recent years, much of the success in continuing to operate the projects effectively is due to the ever increasing role that SEAPA management and staff play in managing the operations and maintenance effort. The O&M Agreements do not provide enough specificity to direct the actions of the O&M Contractors in operating and maintaining the Projects and as such, the projects are operated based on procedures established by the contractors that don't necessarily acknowledge the integrated operation of the system. Prior to the operation of the STI, Swan Lake served only KPU, which operated the project and Tyee Lake served only Wrangell and Petersburg. In essence each contracted operator organization (TBPA & KPU) had an unquestioned vested interest in prudently operating and maintaining the principal low cost source of power to its respective community.

Acknowledging the ongoing increase in operation and maintenance costs, the changes in the SEAPA facilities and the interconnected system, and the changes in SEAPA itself, the need to change the way the SEAPA facilities are operated and maintained is apparent.

Terror Lake Operations and Maintenance

The 22.5-MW Terror Lake hydroelectric project (Terror Lake) is owned and operated by Kodiak Electric Association (KEA). Terror Lake was part of the Four Dam Pool and the Four Dam Pool Power Agency until restructuring of the FDPPA in 2009 and has been operated by KEA since construction of the project was completed in 1985. As part of the O&M Review, SEAPA requested that KEA be contacted to gain a better understanding of how KEA currently operates Terror Lake. The project is located on Kodiak Island approximately 25 miles southwest of Kodiak and access to the project is by boat or float plane only.

Primary facilities of the Terror Lake project include a 193-foot tall, 2,400-foot long concrete faced rock fill dam, a 26,700-foot long power tunnel with additional diversions, penstock, powerhouse and switchyard. Transmission systems include 17.4 miles of 138-kV and 12 miles of 12.5-kV overhead lines and two substations. At the present time, the project includes two vertical shaft, Pelton type turbines although provision exists for a third turbine-generator unit. KEA is planning to install a third turbine with a capacity of approximately 11-MW in 2013.

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KEA operates Terror Lake within its power production division and the chief operator at Terror Lake reports to KEA's Power Production Manager. At the present time, there are three regular operators (two operators and one chief operator) at Terror Lake. All three operators work four ten-hour days each week, Monday through Thursday, and one operator, on a rotating basis, remains on standby duty at the site through the three day weekend to monitor the project and for security. With one operator on standby over the weekend⁵, the other operators can either go home or stay on-site. There are three separate houses for the operating staff at the projects.

The Terror Lake project cannot be started remotely so it is necessary to have an operator available at the project if a restart is needed. Scheduling and dispatching of the project output is conducted by KEA's production and dispatch staff in Kodiak.

KEA indicates that ideally, the skill classifications of the operators would be one electrical and two mechanical, although at the present time, the skills are about ½ electrical and 2-½ mechanical. All operators are represented by IBEW Local 1547. For larger maintenance tasks, KEA will use other KEA staff to supplement the Terror Lake operators. Some contractors are used but to a limited extent. Transmission maintenance is provided by the KEA line crews. Right-of-way clearing is conducted on the entire KEA system on roughly a five year rotation. The 2-½ substations included in the Terror Lake project have been recently overhauled so maintenance on these facilities is minimal.

KEA has continued to use the MAPCON maintenance software for maintenance activity scheduling and monitoring. This system is Windows based and is indicated by KEA to be more robust than is actually needed for a smaller utility such as KEA. Training programs for Terror Lake operators have not been formally established at the present time; however, the close integration of the operations staff with KEA's production staff provides a means for some training and skill improvements.

Although KEA evaluates the long-term replacement needs for Terror Lake, it does not contribute to or maintain an R&R fund to pay the costs of renewals and replacements. Rather, KEA expects to fund renewal and replacement expenditures primarily with new debt at the time the expenses are paid. KEA indicates, however, that it may establish a limited reserve fund to contribute to future expenses.

The total annual O&M budget for Terror Lake is \$2.5 million, as provided by KEA. This budgeted amount includes everything for the operations and maintenance of the project and the transmission lines and also includes insurance costs, FERC costs and other related expenses. The current annual Terror Lake O&M budget amount also includes \$622,000 of system dispatching costs.

⁵ The standby operator is required to make two 30 minute checks of the plant each day.

Conclusions and Recommendations

Conclusions

SEAPA and its facilities are a very valuable asset to the residents and businesses of the Petersburg, Wrangell and Ketchikan communities. The benefits of reliable, low-cost, hydroelectric power generation have been realized in the communities and should be realized for many years to come. To ensure the continuation of maximum benefits, it is important that SEAPA and the Member Utilities acknowledge the functional changes that have occurred in recent years to SEAPA's organizational and ownership structure and make appropriate adjustments. Based on our review of SEAPA and its operations we offer the following conclusions:

1. Pursuant to the terms of the PSA, SEAPA has a legal obligation to make electric power available from the SEAPA Facilities to the Purchasing Utilities at all times, except when prevented by a cause or event outside the control of SEAPA. The term of the PSA extends to 2033.
2. The wholesale price of power charged for SEAPA power sales to the Purchasing Utilities, pursuant to the PSA, is a rate that will provide sufficient revenues to pay SEAPA's debt service obligations and pay the costs of operation, maintenance, renewals and replacements, insurance, regulatory compliance and other costs of SEAPA. As such, the costs of operations and maintenance for the SEAPA Facilities will directly affect the cost that the Purchasing Utilities pay for SEAPA power. If the O&M costs continue to increase over time, there will be a need to increase the wholesale power rate. Conversely, if O&M costs can be reduced, the wholesale power rate could potentially be decreased, kept from increasing, or allowed to fund renewals and replacements or other SEAPA board approved activities.
3. Operation and maintenance activities have been contracted out by SEAPA to two contractors. Thomas Bay Power Authority operates and maintains the Tyee Lake project and Ketchikan Public Utilities operates and maintains the Swan Lake project. Both TBPA and KPU perform their functions as operations and maintenance contractors pursuant to the terms and conditions of Operations and Maintenance Agreements dated January 31, 1997 for the TBPA agreement and January 24, 1997 for the KPU agreement. The O&M Agreements have not been revised or updated since establishment of the Four Dam Pool Power Agency and SEAPA. At the direction of SEAPA, TBPA now performs some right of way clearing of SEAPA transmission lines other than the Tyee Lake line.
4. The original purpose of the O&M Agreements was for the Purchasing Utilities, as direct users of the output of the Projects, to perform the needed operations and maintenance of the projects. Although the O&M Agreements have worked over time in that the Swan Lake and Tyee Lake projects have continued to provide reliable electric service to the Purchasing Utilities, there are a number of problems with regard to the continued effectiveness of these agreements. One of the principal issues is that the O&M Agreements do not reflect the current ownership structure of the system and SEAPA's

**Southeast Alaska Power Agency
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obligations under the Power Sales Agreement. Exhibits attached to the O&M Agreements are in significant need of being updated to reflect current conditions. Among the problems of the O&M Agreements are:

- a. The O&M Agreements are not consistent with the SEAPA system as it exists today. In particular, the STI was not constructed or operational at the time the agreements were written and, as such, the operation of the interconnected electric systems of the Purchasing utilities was not anticipated.
- b. Responsibilities for the maintenance and operation of certain system facilities such as the STI and STICS are not defined in the O&M Agreements. As such, SEAPA performs some of these functions. This however, creates an area of potential misunderstanding and problems at times, particularly at the interfaces of various system facilities.
- c. SEAPA does not have direct control over staffing and budgeting at the Projects. However, SEAPA has the contractual responsibility for delivery of the output of the projects to the Purchasing Utilities.
- d. Certain provisions of the O&M Agreements, such as the need for the contractors to provide a 5-year plan of equipment replacements, have not been regularly followed. The renewals and replacements for the Projects are planned, financed and implemented by SEAPA. This points out an element of the O&M Agreements that is not consistent with practice.
- e. There are no performance standards defined in the O&M Agreements nor are there any O&M standards reflective of industry standards for similar facilities.
- f. There is a lack of symmetry in the organizational structures of TBPA and KPU as O&M contractors. For example, KPU is a fairly large utility that provides for its own system operations and is responsible for meeting the training requirements of its staff. KPU has many skilled employees on staff that can assist with many different types of utility problems; however, in the past KPU staff may not be available or willing to go to Swan Lake. TBPA has a much more narrowly focused function than KPU and has less depth of technical capability.
- g. There are inconsistencies in staffing, training of operators, preventative maintenance procedures, budgeting, and other factors, as implemented by the two O&M contractors that are not reflective of an interconnected system owned by a single entity.
- h. The turnover of management and employees over the years of TBPA and KPU, as well as, among the operators at the plants, causes a certain degree of uncertainty as to the responsibilities of staff and management in performance of the O&M Agreements.
- i. Because of the need to perform utility functions outside the SEAPA O&M Agreement responsibilities, there can be conflicts in prioritizing the assignment of resources by the O&M contractors to the projects. For example, KPU had a shortage of linemen during a power problem a few years ago and had to decide

whether to assign linemen to Swan Lake to perform switching or to use them in Ketchikan for critical work to serve KPU's retail customers. TBPA expressed concern about the use of its right of way clearing crew by SEAPA on the Swan Lake to Bailey transmission line when it had contract right of way responsibilities on the Tyee Lake transmission line.

- j. The year-to-year budgeting within the O&M Agreements does not provide an appropriate incentive or means to control costs. Further, since each O&M Contractor operates independently of the other, costs and charges are not necessarily similar for each project.
 - k. Charges for O&M services pursuant to the O&M Agreements are credited (net-billed) against the charges to each of the Purchasing Utilities for purchased power. Accounting for the charges through the net billing arrangements is not necessarily easy to appropriately track.
5. There is an asymmetry as to how the two O&M Contractors charge for certain expenses. For example, TBPA has little on-going purpose besides acting as the agent for Wrangell and Petersburg for operation and maintenance of the Tyee Lake project. As such, its overheads, like insurance, management and a portion of office staff are included in the charges to SEAPA pursuant to the O&M Agreement. In contrast, KPU insures its normal electric utility operations and its other hydro-electric projects, so many of these similar items are not directly charged to SEAPA.
6. The cost to operate and maintain the Swan Lake and Tyee Lake projects through the O&M Agreements has increased an average of 8.0% per year over the past five years. If the O&M costs continue to increase at this rate, there will be pressure to increase the wholesale cost of power that SEAPA charges for power sold to the Purchasing Utilities. If total O&M costs increase at 4% per year, the wholesale cost of power from SEAPA would increase from 5.8⁶ cents per kWh to 7.1 cents per kWh over the ten years between 2012 and 2021.
7. The approval process for the annual O&M Contractors' budgets to SEAPA is complicated and time-consuming. The budgets are developed by KPU and TBPA independent of each other and SEAPA. The specific tasks, within each budget are not fully documented and are not based on defined metrics, but are defined by various FERC accounts. These budgets then must be approved by the respective City councils, the TBPA Commissioners and ultimately the SEAPA Board of Directors. As such, the budgeting does not necessarily provide a budget that is aligned with SEAPA's obligations pursuant to the Power Sales Agreement.
8. The current net-billing procedure does not allow for monitoring and review of costs as would typically be expected with utility operations. The Member Utilities have generally paid their monthly power bills net of their respective monthly O&M expenses between 30 and 50 days after each month. In this manner, it has been the responsibility of the

⁶ Although the wholesale price of power as charged by SEAPA is 6.8 cents per kWh, the actual cost of power production is less than this amount. SEAPA has in the past refunded a portion of the difference between the cost of production and the wholesale price to the Member Utilities.

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Member Utilities to determine the amount to be paid to SEAPA each month. Although a report of monthly O&M costs is provided to SEAPA by KPU and TBPA, SEAPA does not have time to review the costs before the net-billed payments are made. If SEAPA determines that adjustments need to be made with regard to the net-billed costs reported by TBPA and KPU, the adjustments are made after the fact and can cause some confusion and misunderstanding. It would potentially be a better arrangement if the detailed O&M costs for each month were reported directly to SEAPA by the 15th of the following month for review and adjustment as needed. SEAPA could then prepare and submit to the Member Utilities an invoice by the 30th of each month for power purchases net of the appropriate O&M costs for the previous month. Payment could then be due by the 10th of the next month. This procedure would allow for better tracking and review of O&M expenses.

9. As the two hydro projects have evolved and especially after the generator and governor upgrades at Tyee Lake, the amount of unscheduled power plant maintenance has dropped. Most of the power plant maintenance is now scheduled maintenance or renewals and replacements. The preventive and normally scheduled power plant maintenance requirements at each plant could reasonably be accomplished with one full time equivalent (FTE) operator per project based on our experience and observations at the projects. Maintenance of dwellings, shops, miscellaneous buildings, and especially snow clearing increases the level of O&M work load at each project to something above one FTE and less than two FTEs. However, snow removal is seasonal. Swan Lake has four operators and Tyee Lake has three operators and a relief operator. This indicates that there is potential for significantly reducing project O&M costs as each project now has effectively four FTE operators.

Safety during certain kinds of maintenance such as operation of heavy equipment and work in proximity to live electrical parts, as well as, the remote nature of the two projects will likely require more than one person doing many of the maintenance tasks for most situations. However, if heavy equipment operations and more complex maintenance activities can be planned and performed only when more than one operator is on site, there is the potential to scale back the number of operators from eight to five with a possible floating caretaker. This would potentially be accomplished with two operators at each project during a five day week and the caretaker providing security during the weekends. While not immediately obtainable under current bargaining contract rules, this is something that could be achieved in the next few years as various agreements are renegotiated and with attrition of the operating staff.

10. Transportation of hydro project operators is an expense that could be reduced. For example, even if there were no change in staffing levels, at the Swan Lake project one group of operators is flown to the project in the morning and a separate flight takes the relieved operators home later that day (weather permitting). There is an overlap so that information between operators can be exchanged on what has been modified and what work needs to be done. In talking to Swan Lake operators they questioned the value of the overlap information transfer. With the proposed fiber-optic link to the Swan Lake project, some of the overlap could take place prior to the crew change via a video

conference and reduce the length of time personal communication needs to occur to the point that a single flight might be possible. Similarly, when the all-weather road to Shelter Cove is finished, it will provide an alternate way to get crews in and out of the Swan Lake project that would be less expensive, if a suitable boat is available to transport crews.

11. There is a close and interrelated nature of many of the people serving on various boards or commissions related to the SEAPA projects. For example, there are TBPA board members who are SEAPA board members and KPU management who are SEAPA board members. This can lead to problems when O&M contractor issues come before the SEAPA board. Business theory has long identified that interlocking boards of directors can cause problems if the directors are not extremely careful in their responsibilities to each of the organizations for which they are involved.
12. SEAPA has been fortunate in having a staff with complementing skills that fit together quite well. There are some functions that likely need to be adjusted. With the hiring of the new SEAPA CEO there will be a natural change in direction of some aspects of the organization
13. The SEAPA system could benefit from obtaining certain additional skills. These skills include information technologies, communication systems, and CADD, among others. These specific skills would help with some problems identified by the current SEAPA staff and help provide better support to the hydro projects.
14. A concern indicated by SEAPA staff, KPU staff, and TBPA staff was confusion over what is to be included within normal budgets. A more transparent, bottom up and collaborative budgeting process is needed. It appears that much (with the exception of labor and contracted services) of the Tyee Lake budget was generated via the MAPCON system on a task or bottom up basis. There was further interest expressed regarding budget performance. It was noted that the operators at both the Swan Lake and Tyee Lake plants took pride in their project and wanted the projects to perform well from a reliability basis and from a cost performance basis. The operators were interested in knowing what was within the budget and how their team was performing against the budget.
15. Regular preventive maintenance of transmission systems, structure inspections, sampling and testing (along with treatment if necessary) of wood pole structures, regular air and ground right of way inspections and maintenance conducted by SEAPA are all typical of lower-48 transmission maintenance. SEAPA with the cooperation of TBPA has been working with TBPA to increase right of way clearing efforts along the transmission routes. A cursory examination of the right of way found that it was generally in well cleared condition. SEAPA has been moving forward on a number of fronts in regards to formalizing transmission O&M plans. Sampling of wood poles to determine their structural strength or decay levels, as currently underway, is good.
16. SEAPA is in the position to potentially plan, develop, and finance additional new hydroelectric generating resources to supply power to its currently interconnected system, as well as, other communities which may become interconnected in the future. As such,

the ability to effectively integrate new resources into the interconnected system and operate them efficiently is a critical function that SEAPA provides in southern Southeast Alaska.

Recommendations

The ability for SEAPA to continue to provide highly reliable, low-cost hydroelectric power to the communities of Petersburg, Wrangell and Ketchikan is an essential element in the economic viability and quality of life in these communities. Based on our review of the SEAPA system and the operations and maintenance of the SEAPA Facilities, we offer the following recommendations.

1. SEAPA's Member Utilities would be better served from a power cost and project efficiency basis with either a single O&M contractor or by having SEAPA operate and maintain the SEAPA facilities itself. This would provide a more consistent system of operations, planning, budgeting, operator training, career development, staffing, preventative maintenance and board oversight, among other factors. With a single O&M contractor or with SEAPA providing O&M, there is a better opportunity to define procedures and retain operating knowledge in a more consistent manner. We would recommend that one of two options be undertaken:
 - a. Perform the operations and maintenance of the SEAPA Facilities by SEAPA itself. Operators would work directly for SEAPA and work under the direction of SEAPA management.
 - b. Establish a detailed scope of services for the O&M of both projects and solicit bids for these services from potential operating entities. Include specific terms and conditions, operating standards, performance measures, payments and penalties, local procurement requirements (if needed) and expected SEAPA involvement. Retain a single operating contractor for a period of time through a competitive bidding process, three years for example.
2. In the least, the terms and conditions of the O&M Agreements and their exhibits should be reviewed and updated. SEAPA's organization and the SEAPA interconnected electric system are significantly different than what was in place when the existing O&M Agreements were established. If alternative operating structures are expected to be significantly different in the future, the updated terms and conditions will serve as the basis for establishing operating standards and conditions for future operations.

Simply revising the O&M Agreements will not address the difficulties and inconsistencies associated with multiple contractors and governing boards. In order to fully gain the advantages of operating the SEAPA Facilities as an integrated utility system as well as maximize the benefits to the Member Utilities, it is recommended that either a single operating contractor or

SEAPA operate and maintain the projects. The advantages for a single operating organization include:

- Cross-training of operators to work either project or together for certain tasks, as needed;
- Potential reduction in the total number of operators;
- Potential reductions in O&M costs and better cost control;
- Uniform and consistent training of operators;
- Better coordination between operators and SEAPA management and operations staff;
- Tighter integration of R&R projects with operating staff;
- Potential for improvements in budgeting and budget approval procedures;
- Reductions in the number of board and council approvals needed for budgets, labor agreements and other factors.

A concern was noted with regard to bidding out the O&M Agreement to a single contracting firm in that aggregated SEAPA economic efficiency could potentially come at a price to the communities in the loss of local employment and in local purchases of goods and services.

Another noted concern is the importance of electric service to the local communities and the need to seamlessly integrate many of the operational issues with local utility needs. For example, a portion of TBPA Tyee Lake operator time is spent dealing with remote operation and clearances with SEAPA substation breakers serving Wrangell or Petersburg distribution feeders. It will be important to consider these factors in retaining a single contractor. Specific terms and responsibilities will need to be defined.

A single operator would need to be carefully monitored by SEAPA and have the trust of all the key stakeholders. A single operator would also need to have a very carefully detailed list of maintenance requirements for each hydro project and the transmission lines. It will be important to update the O&M standards and define them in significant detail as part of contracting to a single operator. This is less of a problem if SEAPA were to be the operator as SEAPA and its Board of Directors have an obligation to and accountability with the Member Utilities.

Another challenge with a single operating organization will be coordinating modifications to the two IBEW bargaining agreements that now govern the Swan Lake and Tyee Lake operators. The KPU three-year labor agreement was recently signed and the TBPA agreement will be negotiated in 2013. Likewise, as broadband fiber optic communication is brought to the projects and as the Tyee Lake DOS based SCADA system is replaced, there will be the potential to add site security features, increased smart automation, and make enhanced operator training available on-site.

The transition to a single operator organization will require a fair amount of work on SEAPA's part, but in the long-run a single O&M entity would be much more efficient and cost-effective than with the current arrangement of two contractors.

Proposed Operations and Maintenance Staffing

If SEAPA were to undertake the operation and maintenance of both projects or if a single O&M contractor were retained, we would recommend that the number of operators be reduced at the plants. Hydroelectric plants similar to the Swan Lake and Tyee Lake projects are regularly operated and maintained with fewer operators than are currently used by TBPA and KPU. In the past, KPU and TBPA have used fewer operators at the projects and it was not indicated to have caused a problem with reliability. An operating staff of two full-time operators at each plant working five day shifts could be employed. The five day work weeks would not coincide at the two plants so that a caretaker could rotate between the plants to provide security on the days that the two operators are not at the project.

A fifth operator would serve as a rover or relief operator alternating between the plants and providing backup during vacations and at other times. This fifth operator could have other duties and be an assistant operations manager. The skills of the operators could vary but could be general hydroelectric plant operators, as compared to the traditional electrical or mechanical classifications (See Appendix C). With SEAPA or a single contractor handling O&M, the operators could alternate between the projects and at times provide support to each other at one of the plants for special projects and heavier work needs.

At the present time, there are currently approximately 16 FTE's and two seasonal right of way employees devoted to the SEAPA Facilities (See Table 6). There is some additional management and administrative effort provided by KPU in support of their role as an O&M Contractor. Charges for this support labor show up either in overhead rates applied to direct labor costs or in billed hourly charges by KPU to SEAPA. TBPA has some services associated with accounting and billing provided by the City of Wrangell. It should also be noted that some of the TBPA office labor cost is paid directly by Wrangell and Petersburg. Also there are other services now provided by firms under contract either to KPU, TBPA, or directly with SEAPA.

In addition to showing the current staffing levels, Table 6 also shows the proposed staffing if SEAPA were to undertake O&M for the projects directly or if a single contractor were to be retained. In the case of SEAPA undertaking O&M directly, all of the current positions at SEAPA would be continued. We would recommend that one additional FTE be included on staff to serve as an Assistant Operations Director assigned to coordinating training, communications and IT systems, and potentially provide some CADD capability. This employee would also provide operator assistance at the plants periodically as needed. For the single contractor case, the Assistant Operations Director could potentially be an employee of the contractor in a supervisory role. The addition of employees with alternative skills would mitigate some of the impact of the reduction of operators at the Projects.

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**Table 6
Southeast Alaska Power Agency
Potential Modified Organizational Structures**

Existing Organizational Structure			Modified SEAPA Structure With SEAPA Providing O&M	Modified Structure with Single Contractor	
SEAPA	KPU	TBPA		SEAPA	O&M Contractor
CEO			CEO	CEO	
Executive Assistant			Executive Assistant, HR	Executive Assistant, HR	
Controller			Controller	Controller	
Director of Operations			Director of Operations	Director of Operations	
Director Special Projects			Director Special Projects	Director Special Projects	
	Foreman		Assistant Operations Manager (Operator Training, IT and Communications Systems, Roving Operator Tech and Backup)		Operations Supervisor
	Operator		Senior Operator		Senior Operator
	Operator		Operator		Operator
	Operator		Operator		Operator
		General Manager	Operator		Operator
		Office Manager	Roving Caretaker		Roving Caretaker
		Foreman	Right of Way foreman		Right of Way foreman
		Operator	Seasonal worker		Seasonal worker
		Operator	Seasonal worker		Seasonal worker
		Relief Operator			
		Right of Way foreman			
		Seasonal worker			
		Seasonal worker			

For SEAPA to fully undertake O&M of the Swan Lake and Tyee Lake projects and the STI, it would likely require a staff of about eleven regular employees plus some seasonal employees related to right of way clearing. SEAPA currently has five employees. There would be an increase in payroll, purchasing, human resources, public affairs and training functions that SEAPA does not now provide. Some of these functions are directly or indirectly currently supplied by TBPA and KPU. As we stated, we feel that there could be a potential reduction in the number of operator staff if road/airstrip snow removal functions and related shift transportation functions can be streamlined. This could allow for a potential increase in some functions such as training, information technology, electronics, public affairs at SEAPA and its assets.

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Estimated Costs and Benefits

The proposed modified structure will result in the saving of four FTEs and depending on the schedule of operators, additional savings in transportation costs. Whether the O&M is to be provided by a single contractor or SEAPA directly, the estimated cost savings is between \$450,000 and \$500,000 per year when compared to the current costs of O&M. An O&M contractor could potentially include certain administrative and overhead costs among its charges to SEAPA. These costs would need to be defined at the time a contract for O&M services is negotiated. Table 7 shows the estimated cost savings with the modified O&M services approaches.

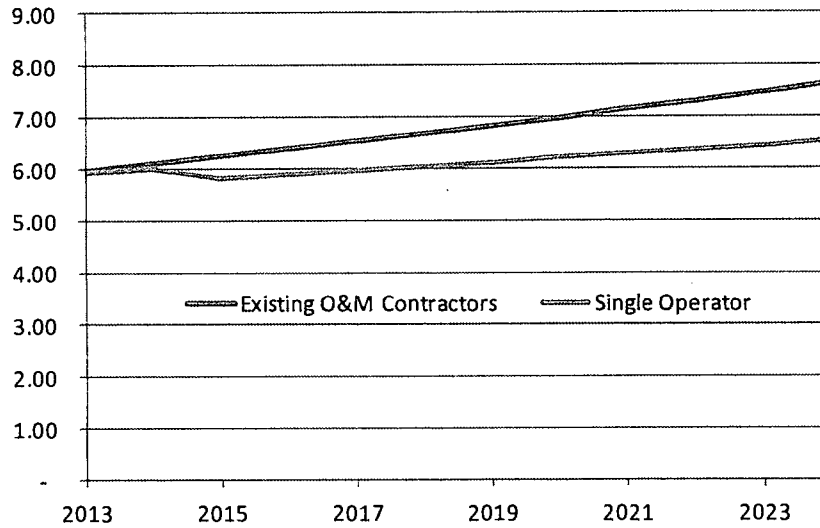
**Table 7
Southeast Alaska Power Agency
Potential Cost Savings with Modified Organizational Structures**

	Cost Reduction	Cost Increase
Plant Operator	\$ 154,000	\$ -
Plant Operator	154,000	-
Plant Operator	139,000	-
Plant Operator	139,000	-
TBPA Manager	115,500	-
Asst. Operations Manager		130,000
Roving Caretaker		120,000
Operater Transportation	10,000	-
Total	\$ 711,500	\$ 250,000
Net Reduction	\$ 461,500	

Assuming that O&M costs were to be reduced by an estimated \$460,000 per year beginning in fiscal year 2015 and that O&M costs would increase annually by 4% per year for the existing case and 2.5% for the single operator case, the estimated cost of power from SEAPA to the Member Utilities would be 6.5 cents per kWh in 2024 compared to 7.7 cents per kWh if the reductions in O&M costs were not made⁷. SEAPA should have a greater opportunity to control and manage costs if it were to operate the projects itself. As a result, it is assumed that escalation in annual O&M costs would be less for the projects if SEAPA were to provide O&M services. The estimated cost of SEAPA power to the Member Utilities is shown in the following chart.

⁷ Based on estimated costs as provided by SEAPA for the Status Quo case assuming no new generating plant developments by SEAPA. Total SEAPA annual energy sales are assumed to increase 1.25% per year from 176,200 MWh in 2015 to 197,100 MWh in 2024.

Figure 3
Estimated Wholesale Cost of SEAPA Power
Cents per kWh



Without a detailed evaluation of current O&M contractor budgets, it can't be stated precisely what total cost savings could potentially be realized. It is important to note, however, that the proposed modified structure includes additional technical capabilities for SEAPA that will directly benefit the operations and maintenance of the system.

Proposed Action Plan

The actions to be undertaken by SEAPA with regard to changes to the operations and maintenance of the SEAPA Facilities will depend upon which approach the SEAPA board chooses to undertake. Further, since additional information will most likely be needed to determine if significant changes are to be made, it is reasonable to expect that various decision points be established where alternative directions can be taken if deemed appropriate. We have prepared a list of action items that could be undertaken by SEAPA to transition towards an alternative approach to operating and maintaining the SEAPA Facilities.

1. Provide notice of cancellation of current O&M contracts.
2. Define and develop operating standards and criteria for the SEAPA Facilities that closely align with the current configuration of the SEAPA system.
3. Develop contract terms, specifications and standards that would supplant and augment the terms and conditions of the existing O&M Agreements.
4. Evaluate contractual arrangements for current employees of the O&M contractors to determine the best way for transitioning these employees to the alternative means of operations and maintenance at the Projects.
5. Define on-going responsibilities of SEAPA staff.
6. Discuss potential transitional labor agreement with the IBEW if SEAPA is to take over operations and maintenance of the SEAPA Facilities. If a single contractor is to be used, the contractor will need to conduct discussions with the IBEW.
7. Solicit bids for O&M contractors.
8. Evaluate bid results and determine if a contractor is to be retained or if SEAPA should undertake the operations and maintenance function.
9. Develop operating plan for SEAPA to operate and maintain the Projects.

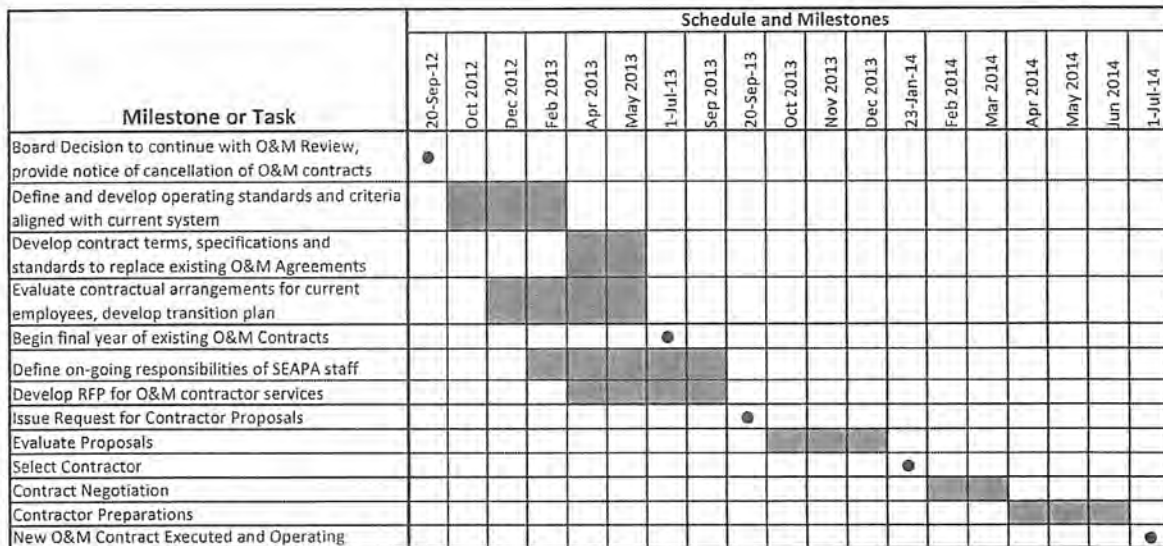
Many of the items in the preceding list can be defined and developed; however, the SEAPA board may ultimately decide not to actually undertake an alternative operating approach. In this manner, as additional research is conducted and cost estimates and transitional operating procedures are prepared it may be determined that going forward would not yield the net benefits desired by SEAPA. If changes in the O&M procedures are not made and the cost of operations and maintenance continue to increase at the historical rate, the time when the wholesale price of power will need to be increased will come sooner rather than later.

The development of contract terms and specifications as indicated in Items 2 and 3, above, could serve as the basis for developing a request for proposals (RFP) for a single operating contractor. The RFP should include provisions for industry standard operating procedures tailored to the specific locations and characteristics of the SEAPA Facilities. The RFP should also state terms and conditions for performance, measures of compliance and non-compliance, financial backing terms for non-compliance, standard payment terms and payment terms for operational excellence objectives, among other items.

If SEAPA decides to pursue a single O&M contractor option, the following chart provides a timeline to implement this option. As shown in the chart, the expected transition date for the new contractor is July 1, 2014.

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Figure 4
Proposed Action Plan Timeline
Single O&M Contractor Alternative





THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Transportation
and Public Facilities

SOUTHEAST REGION
Construction Section

6860 GLACIER HIGHWAY
JUNEAU, ALASKA 99801-7999
Main: (907) 465-1799
Fax: (907) 465-2030
TTY-TDD: (907) 465-4647

Local Address
PO BOX 1364
WRANGELL, ALASKA 99929
Main: (907) 874-4467
Fax: (907) 874-4469

September 18, 2012

PL #32

RE: Wrangell Road and Utilities Improvements
HPRM-0003(135)/68828 & 67789
Final Inspection

Wrangell Road Improvement Project Stakeholder,

This letter is to give notice of the final inspection walkthrough of the subject project.

The final inspection is scheduled for **Tuesday, October 2, 2012**. If you choose to attend this walkthrough please coordinate your travel arrangements to meet at the Department project office at **10:30AM**. The office is located at the corner of Campbell Drive (south) and Front Street, across from the Angerman Outdoor Store. The final punchlist will be generated following this walkthrough.

Please RSVP if you will be attending and let me know if you need any specific project documents or materials prior to the walkthrough. If you plan to attend I suggest bringing a safety vest as there will be normal roadway traffic throughout the corridor during the walkthrough.

Contact me if you have any questions.

Regards,

James Lowell, PE, LS
Chief Construction Engineer

A handwritten signature in black ink, appearing to read "Eric Voorhees".

Eric Voorhees, PE
Project Engineer
evoorhees@dowlhkm.com
907-301-2178

CC:

Chuck McGraw
McGraw's Custom Construction
Contract Manager
P.O. Box 718
Sitka, AK 99835

Chris McGraw
McGraw's Custom Construction
Project Manager
P.O. Box 718
Sitka, AK 99835

Mike Ashton
McGraw's Custom Construction
Superintendent
PO Box 2901
Wrangell, AK 99929

Alex Viteri., Jr.
Federal Highway Administration
Transportation Engineer/FHWA Representative
PO Box 21648
Juneau, AK 99802

Tim Rooney
City and Borough of Wrangell
City Manager
205 Brueger Street
Wrangell, AK 99929

Carl Johnson
City and Borough of Wrangell
Director of Public Works
P.O. Box 531
Wrangell, AK 99929

Carol Rushmore
City and Borough of Wrangell
Economic Development Economic Development Director
PO Box 531
Wrangell, AK 99929

Maureen Hansen
State of Alaska Department of Transportation
Project Manager
PO Box 112506
MS-2506
Juneau, AK 99811-2506

Jim Lowell
State of Alaska Department of Transportation
Chief Construction Engineer
PO Box 112506
MS-2506
Juneau, AK 99811-2506

Al Clough
State of Alaska Department of Transportation
Southeast Region Director
PO Box 112506
MS-2506
Juneau, AK 99811-2506

Bruce Brunette
State of Alaska Department of Transportation
Regional Materials Engineer
PO Box 112506
MS-2506
Juneau, AK 99811-2506

Art Dunn
State of Alaska Department of Transportation
Environmental and Permit Compliance Reviewer
PO Box 112506
MS-2506
Juneau, AK 99811-2506

Toby Lockhart
DOWL HKM
Designer
5368 Commercial Boulevard
Juneau, AK 99801

Steve Noble
DOWL HKM
Contract Manager
4041 B Street
Anchorage, AK 99503

Mark Morris
Morris Engineering
Electrical Engineer
8429 Livingston Way
Juneau, AK 99801

Chris Mertl
Corvus Design
Landscape Architect
119 Seward Street #15
Juneau, AK 99801



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Transportation
and Public Facilities

SOUTHEAST REGION
Construction Section

6860 GLACIER HIGHWAY
JUNEAU, ALASKA 99801-7999
Main: (907) 465-1799
Fax: (907) 465-2030
TTY-TDD: (907) 465-4647

Local Address
PO BOX 1364
WRANGELL, ALASKA 99929
Main: (907) 874-4467
Fax: (907) 874-4469

September 20, 2012

PL #34

RE: Wrangell Road and Utilities Improvements
HPRM-0003(135)/68828 & 67789
Construction Progress Update Memorandum #13

Tim Rooney
City and Borough of Wrangell
205 Brueger Street
Wrangell, AK 99929

Mr. Rooney,

This is to give an update of the construction progress since the last Construction Update Memo and give details of changes in costs associated with the project.

Construction Update and Look-Ahead

Bullet items of completed tasks since the last update are listed below.

- All underground utilities are installed.
- All concrete curb and gutter and sidewalk installations are complete.
- Sealing of roadway joints has begun and is approximately 50% complete..
- Only approximately 45 cubic yards of concrete roadway remains to be poured, with almost 3000 yards already poured on the project.
- Roadway striping sub-contractor is scheduled to arrive this weekend.

Summary of Additional Costs

No additional costs have been incurred during the previous two weeks of the project. At this point, no significant cost changes are expected. Once the project is complete, a final summary of cost changes will be prepared and submitted to the City and Borough of Wrangell.

Please contact me if you have any questions.

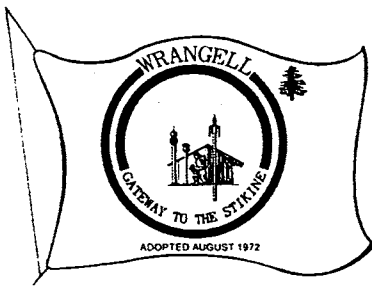
Regards,

James Lowell, PE, LS
Chief Construction Engineer

A handwritten signature in black ink, appearing to read "Eric Voorhees".

Eric Voorhees, PE
Project Engineer
evoorhees@dowlhkm.com
907-301-2178

CC: Maureen Hansen, PE, Project Manager



CITY AND BOROUGH OF WRANGELL

INCORPORATED MAY 30, 2008

P.O. BOX 531 (907)-874-2381
Wrangell, AK 99929 FAX (907)-874-3952

September 19, 2012

Mr. Ernie Christian
Wrangell Cooperative Association
P.O. Box 2021
Wrangell, AK 99929

Re: Chief Shakes Re-dedication May 3-4, 2013

Dear President Christian,

I have received your letter(s) dated August 31, 2012 in which you requested the following:

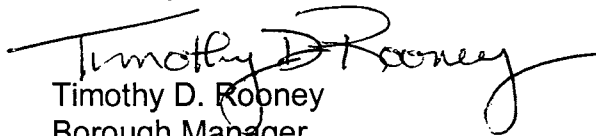
- Lifting of the 24 hour camping restriction at City Park May 2-5, 2013
- The Blocking of Main Street on May 3, 2013 for a parade
- Placement of the Summer Float for canoe races May 2-5, 2013
- Use of the Old Running Track for camping purposes May 2-5, 2013
- Access to Showers at the Swimming Pool
- Access to the Old Gym
- Placement of Port-a-Potties at the Old Running Track*

With the exception of the final item with the asterisk, the City and Borough of Wrangell will be happy to provide access to those items and provide the services requested. Because of the close proximity of the restrooms at the Little League field to the Old Running Track, we will make sure those restroom facilities are open and available in lieu of the port-a-potties.

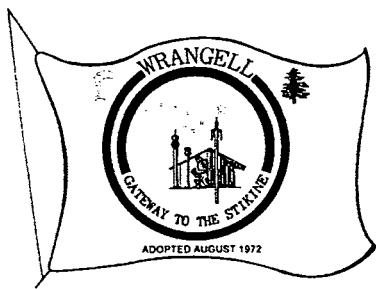
I would be remiss if I failed to note that the types of services being requested by the Wrangell Cooperative Association are the types of non-essential services that are funded through revenues provided by the City and Borough of Wrangell's sales tax. The existing sales tax makes it possible to provide these services and these are the exact types of services that could be impacted by a reduction of the City and Borough of Sales Tax.

Congratulations on the Chief Shakes Re-dedication. The City and Borough of Wrangell is looking forward to assisting in any way possible to make the re-dedication event a success!

Sincerely,


Timothy D. Rooney
Borough Manager

Cc: Wrangell Cooperative Association Board of Directors
Wrangell Borough Assembly



CITY AND BOROUGH OF WRANGELL

INCORPORATED MAY 30, 2008

P.O. BOX 531 (907)-874-2381
Wrangell, AK 99929 FAX (907)-874-3952

September 20, 2012

Mr. Keith Perkins, Area Manager
SE Alaska Area Office – USDA Rural Development
204 Siginaka Way, Suite B
Sitka, Alaska 99835

Re: Wrangell Medical Center Replacement Project
Termination of the USDA Direct Loan

Dear Mr. Perkins,

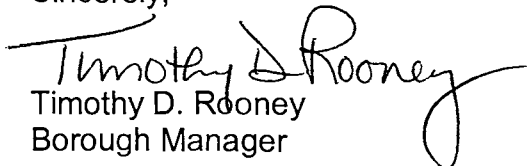
The purpose of this letter is to provide the USDA with notification that the City and Borough of Wrangell wishes to terminate the Direct Loan for the ARRA funded WMC Replacement Project.

As you are aware, the project was stalled as a result of the recall of eight of the nine WMC Board of Directors in June. The newly elected WMC Board has been seated and is looking forward to working the City and Borough of Wrangell and the Borough Assembly in constructing and completing the WMC Replacement facility. It is our understanding that the WMC Board of Directors will be adopting a resolution at their regularly scheduled meeting this evening publically affirming their commitment to the project and support of the Borough Assembly's actions.

It is the City and Borough of Wrangell's intent to re-engage the USDA with a new application as the community overwhelmingly supports this project. We have a team project meeting this Friday and hope to discuss and schedule a time to visit with you in the near future regarding the new application process. Please do not hesitate to contact my office at 907-874-2381 or via email at tdrooney@wrangell.com if you have any questions.

Thank you for your continued help and assistance as we move forward!

Sincerely,


Timothy D. Rooney
Borough Manager

**BOROUGH ASSEMBLY
AGENDA ITEM
September 25, 2012**

ITEM NO. 9

BOROUGH CLERK'S FILE:

Upcoming Dates to Remember

- 9/28 Last day to file Letters of Intent for Write-In candidacy for the October 2nd Regular Election
- 9/28 Last day to file Letters of Interest for City Boards and Committee Vacancies
- 10/2 Regular Borough Election – Nolan Civic Center from 8am to 8pm
- 10/3 Parks & Recreation Meeting scheduled @ 7pm
- 10/4 Canvass Board Meets @ 1pm in the Assembly Chambers
- 10/4 Story Time at the Library @ 10am
- 10/8 Special Assembly Meeting @ 5:30pm to Certify Election Results of the October 2nd Regular Election
- 10/10 Code Review Committee Meets @ 5pm

Regular Election – Tuesday, October 2, 2012

The deadline to file your *Letter of Intent* as a Write-In Candidate is Friday, September 28th at 5:00 p.m., for any of the following elected offices:

Mayor	2 year term
Assembly Member Seat C	3 year term
Assembly Member Seat D	3 year term
Assembly Member Seat F	Unexpired term until October 2013
Port Commission	3 year term (two vacancies)
School Board	3 year term (two vacancies)
Hospital Board	4 year term (three vacancies)

City Boards and Committee Vacancies

The deadline to file your *Letter of Interest* for the City Boards and Committee Vacancies is Friday, September 28th at 5:00 p.m., for any of the following elected appointments:

Planning & Zoning Commission	two (2) vacancies	three year terms
Parks & Recreation	two (2) vacancies	three year terms
Wrangell Convention & Visitors Bureau	one (1) vacancy	three year term
Thomas Bay Power Commission	one (1) vacancy	three year term
Economic Development Committee	three (3) vacancies	three year terms
Cemetery Committee	one (1) vacancy	three year term
Nolan Museum/Civic Center Board	three (3) vacancies	three year terms

UNTIL NEXT TIME...



CITY & BOROUGH OF WRANGELL, ALASKA

BOROUGH ASSEMBLY AGENDA ITEM September 25, 2012

ITEM NO. 13a Request to Hold Special Assembly Meeting on Monday, October 8, 2012 at 5:30 p.m. to Certify Election Results from Regular Election to be held on October 2, 2012

INFORMATION:

RECOMMENDED ACTION:

Move to approve Special Assembly meeting to be held Monday, October 8, 2012 at 5:30 p.m. to Certify the Election Results from the Regular Election held October 2, 2012

CITY & BOROUGH OF WRANGELL, ALASKA

BOROUGH ASSEMBLY AGENDA ITEM September 25, 2012

ITEM NO. 13b Request for funding for the Lynch Street paving project

INFORMATION:

Attachments:

1. Memo from Jeff Jabusch dated September 17, 2012
2. Attachment #1 WMC 5.10.050 B
3. Attachment #2 WMC 5.10.040 B

RECOMMENDED ACTION: Move to approve funding for the Lynch Street paving project in the amount of \$45,000 with funding to come from the general fund reserves.

MEMORANDUM

**TO: HONORABLE MAYOR AND MEMBERS OF THE ASSEMBLY
CITY AND BOROUGH OF WRANGELL**

**FROM: JEFF JABUSCH
FINANCE DIRECTOR**

**COPY TO: TIMOTHY ROONEY
BOROUGH MANAGER**

SUBJECT: LYNCH STREET PAVING PROJECT

DATE: September 18, 2012

BACKGROUND:

As discussed in both the August 24, 2012 and September 7, 2012 Borough Manager's Reports, Staff was in the process of developing cost estimates to address paving concerns on Lynch Street. Currently, the plan is to pave it with six inches of concrete to match the work already performed on Brueger Street and the North end of Campbell Drive. Under this scenario, the City would purchase the concrete and perform the excavation and preparation for concrete installation.

Mr. Johnson requested quotes to install the concrete and the City and Borough of Wrangell only received one quote. The following is a breakdown of the expected costs:

Cost of Concrete (city to pay this directly):	\$22,750
Contract labor to install concrete including wire mesh:	\$17,000
Equipment Rental and other miscellaneous costs:	<u>\$ 5,250</u>
Total estimated cost of project:	\$45,000

There are a couple of procurement requirements involved in this project. The first is the purchase of the concrete. Wrangell Municipal Code (WMC) allows the purchase of supplies, materials, equipment and contractual services when they can only be furnished by a single dealer. In this case, Ketchikan Ready Mix. The other temporary plant in town is only set up to do the Marine Center and their price is the same even if they had the materials to supply for the project. This exemption from bidding is allowed under WMC 5.10.050 B.

Purchases of, or contracts for supplies, materials, equipment, or contractual services whose cost exceeds \$10,000 but does not exceed \$25,000 in a single transaction can be made in the open market by written quotation. In this case we requested quotes from three vendors in town to provide the installation and finish of the concrete, including wire mesh for Lynch Street. We only received one response. The action taken here is allowed under WMC 5.10.040 B. Copies of both WMC 5.10.050 B and 5.10.040 B are attached for your information and review.

The project has been procured under the code rules and asphalt removal began on September 11, 2012.

FUNDING:

Funding for this project could come from a variety of different sources. Normally, this project would come out of the roads money in the sales tax fund, but all of the money that is in there is dedicated to the Front Street Project until the final costs are in and we know exactly what is needed for final payment.

Additionally, if there is any money remaining in the sales tax roads money, it is expected to be used in two years to supply the City and Borough of Wrangell's match for the Evergreen paving project. Our match is expected to be around \$500,000. That leaves the maintenance budget from streets in the general fund or the general fund reserve. Staff's recommendation is the general fund reserves because the street budget was developed for the purpose of utilizing funds for patching streets and oil seal overlays in order to extend the life of paved streets.

This is yet another example of the type of project that the City and Borough of Wrangell is able to complete as a result of the existing sales tax.

RECOMMENDATION:

Staff recommends Borough Assembly approval of funding for the Lynch Street paving project in the amount of \$45,000 with funding to come from the general fund reserves.

ATTACHMENTS:

1. Copy of WMC 5.10.050 B
2. Copy of WMC 5.10.040 B

5.10.040 When competitive bidding or quotations are required.

A. Purchases of, or contracts for, supplies, materials, equipment, contractual services, or public improvements whose cost does not exceed \$10,000 in a single transaction may be made on the open market without competitive bidding or quotations; provided, that such purchases or contracts are for budgeted items or items previously approved by the assembly.

B. Except as otherwise provided in WMC 5.10.050, purchases of, or contracts for, supplies, materials, equipment, or contractual services whose cost exceeds \$10,000 but does not exceed \$25,000 in a single transaction shall, at the option of the borough purchasing authority, be made in the open market by written quotation or telephone solicitation or through the competitive bidding process set out in subsection (C) of this section.

C. Except as otherwise provided in WMC 5.10.050, before any purchase of, or contract for, supplies, materials, equipment, or contractual services is made whose cost exceeds \$25,000, the borough purchasing authority shall submit to at least three persons, firms or corporations dealing in and able to supply the same, or to a smaller number if there are not three dealing in and able to supply the same, invitations to bid and specifications to give them opportunity to bid. He shall also publish notice of the proposed purchase in the newspaper of general circulation within the borough.

Adequate public notice shall be given at least 21 days before bid opening. If the borough manager makes a determination, in writing, that a shorter notice period is necessary for a particular bid, the period may be shortened.

When there are at least three such persons, firms or corporations in the borough, he need not, but he may, submit invitations to bid to those outside the borough; provided, that he can always do this at no additional cost to the borough. He shall, however, submit invitations to bid to those outside the borough when this may be necessary to secure bids or to create competitive conditions, or when he thinks that by so doing he can make a saving for the borough.

All bids shall be sealed and shall be opened in public at a designated time and place. He may repeatedly reject all bids and again may submit to the same or other persons, firms or corporations an invitation to bid, and again publish notice of the proposed purchase.

All bids in excess of 10 percent of the engineer's estimate shall be rejected.

He shall purchase from the bidder whose bid is most advantageous to the borough.

D. Local Bidder Preference Award.

1. Unless contrary to federal or state law or regulation, or as otherwise provided in section (D)(2) of this section, a contract for, or purchase of, supplies, materials, equipment, contractual services, or public improvements shall be awarded to a local bidder where the bid by such local bidder is in all material respects comparable to the lowest responsible nonlocal bid, and if the amount bid by such local bidder does not exceed the lowest responsible nonlocal bid by more than:

- a. Five percent of the amount bid by the lowest responsible nonlocal bidder if that nonlocal bidder's bid is \$1,000,000 or less;
- b. Three percent of the amount bid by the lowest responsible nonlocal bidder if that nonlocal bidder's bid is \$1,000,001 or more.

2. This preference shall not be interpreted to mean that the borough is precluded from making the purchase from whatever source is most advantageous to the borough after considering all factors in the public interest even when the price quoted by the local bidder satisfies subsection (D)(1)(a) or (b) of this section.

3. "Local bidder" for purposes of the section shall mean a bidder who:

- a. Holds a current Alaska business license;
- b. Submits a bid for goods or services under the name appearing on the person's current Alaska business license;
- c. Has maintained a place of business within the boundaries of the borough for a period of six months immediately preceding the date of the bid;
- d. Is not delinquent in the payment of any utilities, taxes, charges or assessments owing to the borough on account of that business;
- e. Is incorporated or qualified to do business under the laws of Alaska with its principal place of business in the borough, is a proprietorship and the proprietor is a resident of the

borough, or is a partnership and all partners are residents of the City and Borough of Wrangell;

f. If a joint venture, all joint venture partners must qualify under subsection (D)(3)(a) through (e) of this section;

g. The manager may required such documentation or verification by the person claiming to be a local bidder as is deemed necessary to establish the requirements of this section.

[Ord. 817 § 1, 2008; Ord. 816 § 1, 2008; Ord. 605 § 4, 1995; Ord. 444 § 4, 1983.]

5.10.050 When competitive bidding or quotations are not required.

The following may be purchased or contracted for without giving an opportunity for competitive bidding or soliciting quotations:

- A. Supplies, materials, equipment, or contractual services whose cost does not exceed \$10,000, excluding freight costs, in a single transaction;
- B. Supplies, materials, equipment, or contractual services which can be furnished only by a single dealer, or which have a uniform price wherever bought;
- C. Supplies, materials, equipment, or contractual services purchased from another unit of government at a price deemed below that obtainable from private dealers, including war surplus;
- D. Contractual services purchased from a public utility corporation at a price or rate determined by state or other governmental authority;
- E. Contractual services of a professional nature, such as legal, engineering, architectural, and medical services;
- F. Supplies, materials, equipment, or contractual services which must be purchased from a specific source in order to prevent incompatibility with previously purchased supplies, materials, equipment, or contractual services. For purposes of this subsection the term "incompatibility" is defined as the inability to (1) interconnect, combine, interchange, or join, or (2) that which causes or necessitates maintenance expertise or training where such acquisition would result in substantial duplication. The assembly must approve by motion or resolution any purchase whose cost exceeds \$25,000 which is to be excluded from competitive bidding by the authority of this subsection;
- G. Supplies, materials, equipment, contractual services, or public improvements which the assembly declares to be required on an emergency basis or which the assembly declares is impractical or impossible;
- H. Placement of insurance coverage;
- I. When it is advantageous to the borough to enter into a contract with a bidder for the same supplies or services such bidder is providing another Alaskan local government, the State of Alaska, or the United States where such supplies or services are being provided the other government unit on the basis of formal bids submitted and where the borough contract is on substantially the same terms as those bids, or to contract with

or through such other government unit so that the benefit of the lowest and best responsible bid accrues to the borough;

J. When competitive bidding has been followed, but no bids or quotations are received or the bids or quotations are rejected. In such a case, after assembly approval, the borough manager may proceed to have the services performed or the supplies purchased without further competitive bidding or quotation;

K. Public improvement whose cost does not exceed \$10,000 in a single transaction. [Ord. 816 § 1, 2008; Ord. 444 § 4, 1983.]

CITY & BOROUGH OF WRANGELL, ALASKA

BOROUGH ASSEMBLY AGENDA ITEM September 25, 2012

ITEM NO. 13c Discussion and Possible Action to schedule a Workshop Session to review the "Operations and Maintenance Organizational Review" report produced by D Hittle and Associates and commissioned by SEAPA

INFORMATION:

1. Final Draft Report from SEAPA as prepared by DHittle & Associates, dated 9-13-2012.

RECOMMENDED ACTION:

Move to schedule a Workshop Session to review the "Operations and Maintenance Organizational Review" report produced by D Hittle and Associates and commissioned by SEAPA

Southeast Alaska Power Agency
Operations and Maintenance
Organization Review

September 13, 2012
FINAL DRAFT REPORT

Prepared for
Southeast Alaska Power Agency
Ketchikan, Alaska

by



Engineers and Consultants

Lynnwood, Washington

Southeast Alaska Power Agency Operations and Maintenance Organization Review

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Southeast Alaska Power Agency Operations and Maintenance Organization Review

Introduction

This report summarizes the results and findings of an Operations and Maintenance Organizational Review (the “O&M Review”) of the Southeast Alaska Power Agency (SEAPA) and its hydroelectric and transmission facilities. D. Hittle & Associates, Inc. (DHA) was retained by SEAPA in April 2012 to conduct the O&M Review. The O&M Review is intended to address several issues related to evaluating the overall operation of SEAPA’s system to assure the most effective operation into the future. Ultimately, SEAPA’s goal is to provide safe, reliable and cost effective operation of its power supply and transmission assets for the benefit of the interconnected electric consumers long into the future. As a member-owned entity serving consumer-owned electric utility operations, reductions in SEAPA operating costs and improvements in performance provide a direct positive effect on the cost of electric service in the communities of Ketchikan, Petersburg and Wrangell.

Description of SEAPA

SEAPA is a joint action agency originally organized in 2000 as the Four Dam Pool Power Agency and existing pursuant to the laws of the State of Alaska. The Four Dam Pool Power Agency was created by its members for the purpose of purchasing certain generating and transmission facilities from the Alaska Energy Authority, a public corporation of the State. In 2009, the Four Dam Pool Power Agency was restructured and its name was changed to SEAPA to reflect the withdrawal of two previous cooperative members and the generating and transmission facilities that served those members.

The members of SEAPA are the Alaska home rule municipalities of Ketchikan, Petersburg and Wrangell (collectively, the “Member Utilities” or the “Purchasing Utilities”). The municipally-owned electric utilities of the cities of Ketchikan and Petersburg and the City and Borough of Wrangell provide electric service within their respective communities. SEAPA’s system currently consists of two separate hydroelectric generation facilities and accompanying transmission facilities located in Southeastern Alaska (the Projects). Power is sold from the Projects pursuant to a Long-Term Power Sales Agreement (the “Power Sales Agreement”) dated February 2009 to the Member Utilities.

SEAPA is governed by a five-member board of directors consisting of directors appointed by the City Councils of the Member Utilities. Each director serves for a one-year term, January 1 through December 31, but continues to serve until a successor is appointed. Each year, Ketchikan appoints two directors to the board and Wrangell and Petersburg appoint one director each. In alternating years, the fifth director is appointed by Ketchikan or by either Petersburg or Wrangell. At the present time, there are two directors from Ketchikan, two directors from Petersburg and one director from Wrangell. There are also five non-voting alternate members of the board of directors, appointed in the same manner as the five directors.

Southeast Alaska Power Agency Operations and Maintenance Organization Review

SEAPA is authorized and has the power to design, develop, acquire, purchase, own, operate, manage, maintain and improve power projects or generating and transmission facilities. SEAPA's facilities consist of two hydroelectric generating plants, the Swan Lake Hydroelectric Project ("Swan Lake") and the Tyee Lake Hydroelectric Project ("Tyee Lake"), and related transmission lines (together, the "SEAPA Facilities") that connect the generating plants to the electric systems of the Member Utilities. In late 2009, SEAPA completed a 57-mile long transmission line interconnecting Swan Lake and Tyee Lake, the Swan-Tyee Intertie (STI). The STI provides interconnection of the electric systems of Petersburg, Wrangell and Ketchikan. Prior to completion of the STI, the electric systems of Petersburg and Wrangell were interconnected, however, the electric system of Ketchikan was electrically isolated from any other electric utility systems. Now all three Member Utilities are interconnected with both projects and with each other.

SEAPA owns, manages and administers the SEAPA Facilities. Regular operations and maintenance of the hydroelectric projects is performed by Ketchikan Public Utilities (KPU) and the Thomas Bay Power Authority (TBPA)¹ under contractual arrangements (the "Operations & Maintenance Agreements"). KPU operates the Swan Lake project while the TBPA, an operating entity created by the cities of Petersburg and Wrangell, operates the Tyee Lake project. SEAPA provides maintenance of the STI, which was not contemplated under the Operations and Maintenance Agreements and also supports certain maintenance, repair, and equipment replacement activities at the Swan Lake and Tyee Lake projects.

Power generated by the SEAPA Facilities is sold to the Member Utilities in accordance with the terms and conditions of the Power Sales Agreement. The Power Sales Agreement states, among other things, that:

- The output of Swan Lake is first dedicated to Ketchikan and the output of Tyee Lake is first dedicated to Petersburg and Wrangell.
- All capacity and energy generated by the SEAPA Facilities will be sold by SEAPA;
- The Purchasing Utilities must purchase from SEAPA, to the extent power is available, their full energy requirement that exceeds the output of existing Purchasing Utility-owned hydroelectric resources;
- SEAPA shall at all times, except when prevented by a cause or event not preventable by SEAPA, make power continuously available to the Purchasing Utilities;
- SEAPA is to provide an annual operations plan that estimates the energy requirements of the Purchasing Utilities and identifies the output of the SEAPA Facilities to supply the net loads with the objective of maximizing and optimizing the output of the SEAPA Facilities.

Pursuant to the Power Sales Agreement, energy generated at the two hydroelectric projects is sold at a Firm Wholesale Power Rate established each year to produce sufficient revenue to meet SEAPA's debt service obligations and to pay for the cost of operations, maintenance, renewals

¹ TBPA was initially formed in 1976 to evaluate potential new hydroelectric generating resource opportunities. At the present time, Petersburg and Wrangell pay some of the operating costs of TBPA directly, including the cost of the office administrator.

Southeast Alaska Power Agency Operations and Maintenance Organization Review

and replacements, insurance, regulatory compliance, and other costs. The wholesale power rate may be adjusted during the year as needed.

The Firm Wholesale Power Rate is presently set at 6.8 cents per kilowatt-hour, a rate that is sufficient to produce revenues that will pay all the costs of SEAPA and provide a deposit into SEAPA's Renewal and Replacement Fund (the "R&R Fund"). The Wholesale Power Rate has been at the present level since before the Four Dam Pool Power Agency's formation in 2002. At the present time, SEAPA's only sources of revenue are from the sale of power to the Member Utilities and earnings on invested funds. Table 1 summarizes certain operating statistics for the year ended June 30, 2012 for SEAPA.

Table 1
Southeast Alaska Power Agency
Selected Operating Statistics
Year Ended June 30, 2012

Energy Sales (kWh)		
Ketchikan		91,103,000
Petersburg		42,011,980
Wrangell		37,594,100
Total Energy Sales		170,709,080
Revenues from Energy Sales ¹	\$	11,608,217
Other Income	\$	142,442
Expenses ²	\$	10,949,836

¹ Does not include impact of rebates to Member Utilities.

² Includes all operating expenses, debt service and deposits to R&R reserve fund.

SEAPA Facilities

The SEAPA Facilities consist of two separate hydroelectric generating systems and related transmission lines, switchyards and substations. The hydroelectric systems are geographically separate from each other but with the completion of the STI in 2009, the two projects are electrically interconnected. The projects provide a significant portion, if not all of the total electrical power requirement in the communities to which they are connected. Both of the projects include the transmission lines that interconnect the hydroelectric projects to the electric systems in the communities. Table 2 shows the two hydroelectric generating plants owned and operated by SEAPA.

**Southeast Alaska Power Agency
Operations and Maintenance Organization Review**

**Table 2
Southeast Alaska Power Agency
Existing Hydroelectric Generating Plants**

<u>Project</u>	<u>General Location</u>	<u>Nominal Capacity (MW)</u>	<u>Year of Initial Operation</u>
Swan Lake Hydroelectric Project	22 miles northeast of Ketchikan	22.5	1984
Tye Lake Hydroelectric Project	40 miles southeast of Wrangell	22.5	1984

The hydroelectric projects were originally developed and built in the early 1980's. A substantial portion of the original construction costs of the Projects was funded with State grants. The Projects have been in regular operation since they first became commercially operable in 1984.

In fiscal year 2011, SEAPA provided the majority of the total energy requirements of the Member Utilities. Further, the SEAPA projects provide essentially all of the load following for the Member Utilities' systems. Table 3 shows the energy resources of the Member Utilities' systems in 2012 and the percentage of the total energy provided by SEAPA. Note that total energy generation shown for SEAPA in Table 3 is before deductions for transmission losses estimated to be roughly 6.5%.

**Table 3
Southeast Alaska Power Agency
Member Utilities' Energy Resources
Year Ended June 30, 2012**

	<u>Ketchikan</u>	<u>Wrangell</u>	<u>Petersburg</u>
Energy Resources (MWh)			
SEAPA	91,103	37,594	42,012
Utility-owned Hydro	82,000	-	13,500
Diesel	1,118	440	600
Total	174,221	38,034	56,112
Energy Provided by SEAPA	52%	99%	75%
Load Following Provided by SEAPA	100%	100%	100%

Swan Lake Project

The Swan Lake project is located on Revillagigedo Island at the head of Carroll Inlet, about 22 miles northeast of the city of Ketchikan. Primary facilities include a 174-foot tall concrete thin arch dam, a 2,217-foot long, 11-foot diameter power tunnel and a powerhouse with two Francis, vertical shaft turbines and two generating units having a combined nominal generating capacity

of 22.5 MW. The project includes two substations, one at the Swan Lake powerhouse and the Bailey substation in Ketchikan. The two substations are connected by approximately 30.5 miles of 115-kV transmission line. The Swan Lake project was constructed by the City of Ketchikan and subsequently purchased by the Alaska Power Authority. It began commercial operation in June 1984.

The Swan Lake project also contains a number of houses and support buildings, along with a dock. There is a road that connects the dam to the rest of the project features. The project is accessible by helicopter, float plane, boat or barge.

Average annual energy generation at Swan Lake is 74,929 MWh based on actual generation over the period 1991 through 2011. During this twenty-one year period, annual generation at Swan Lake has ranged from a low of 55,538 MWh in 1997 to a high of 82,088 MWh in 2001. Engineering estimates indicate that the average annual energy generation of Swan Lake would be approximately 77,000 MWh with sufficient interconnected load to fully use the energy generation potential of the project in all years. Currently, loads are not in place that match the seasonal variation in available power and energy from SEAPA.

Studies are being contemplated to evaluate raising the level of the dam at Swan Lake to increase both the amount of storage and the amount of available head or water pressure at the existing turbines.

Tyee Lake Project

The Tyee Lake project is located approximately 40 miles southeast of Wrangell and uses a lake tap intake to withdraw water from Tyee Lake. There is no dam at the Tyee Lake project. The project includes the lake tap intake, a drop shaft, an 8,300-foot long, 10-foot diameter unlined power tunnel, a 1,350-foot long steel penstock and a powerhouse. There are two vertical shaft, six jet Pelton turbines and two generating units with a combined nominal capacity of 22.5 MW. Provision was made at the time of construction for a third turbine-generator unit to be installed in the powerhouse at a later date. Provision was also made in the original project design to raise the lake level, which would provide additional head and reservoir storage. The project includes a substation at the powerhouse, the Wrangell switchyard, Wrangell Substation and Petersburg Substation. Approximately 70.5 miles of 138-kV transmission line² and 11.4 miles of submarine cable interconnect the Tyee Lake project to the communities of Wrangell and Petersburg, where the power is utilized.

Average annual energy generation at Tyee Lake has been 48,198 MWh based on actual generation over the period 1991 through 2011. Although energy sales from Tyee Lake were generally in the range of original expectations, connected loads in Wrangell and Petersburg were until recently, significantly lower than the generation capability of the project. As a result, actual historical energy generation at Tyee Lake is not reflective of the long-term energy generation capability of the project. The completion of the STI in 2009 connected the Tyee Lake project to Ketchikan where additional loads can be served. Since completion of the STI, the

² The Tyee Lake transmission system is designed for 138-kV but is presently operated at 69-kV.

annual energy generation at Tyee Lake has increased approximately 30,000 MWh over 2008 levels. Engineering estimates indicate that the annual energy generation of Tyee Lake would be approximately 128,000 MWh with sufficient interconnected load to fully use the energy generation potential of the project in all years.

The Tyee Lake project was constructed by the Alaska Power Authority beginning in 1981. The project became commercially operable in May 1984. Although Tyee Lake was initially operated for a short period by the State, it has since then been operated by the Thomas Bay Power Authority, an entity formed by Petersburg and Wrangell, under agreement with SEAPA. Access to the project is by land-based planes on a gravel runway and there is a small shallow harbor for boat or barge access, but its use is limited by the tidal fluctuations.

Swan-Tyee Intertie

The Swan-Tyee Intertie is a 57-mile long 138-kV transmission line that interconnects the Tyee Lake and Swan Lake hydroelectric projects. Prior to completion of the STI in 2009, the Tyee Lake project only served Wrangell and Petersburg and the Swan Lake project only served Ketchikan. The STI provides for greater utilization of the capability of the Tyee Lake project, greater turbine efficiency of operation at the Swan Lake project, sharing of spinning reserves, as well as for integrated operation of all hydroelectric generation in the interconnected Petersburg, Wrangell and Ketchikan system. Further benefits of the STI should include improved reliability in the interconnected system and more effective scheduling of maintenance outages for the hydroelectric units.

Recently, SEAPA, with the implementation of the Swan-Tyee Intertie Control System (STICS), has implemented a water management plan that allows for additional energy to be produced by the projects through optimized use of turbine efficiency and sharing of energy to reduce spilled water. If there is sufficient desire by the Member Utilities, the interconnected sharing of economic benefits could ultimately include enhanced economic scheduling of some diesel-fired generation between the northern and southern ends of the SEAPA system.

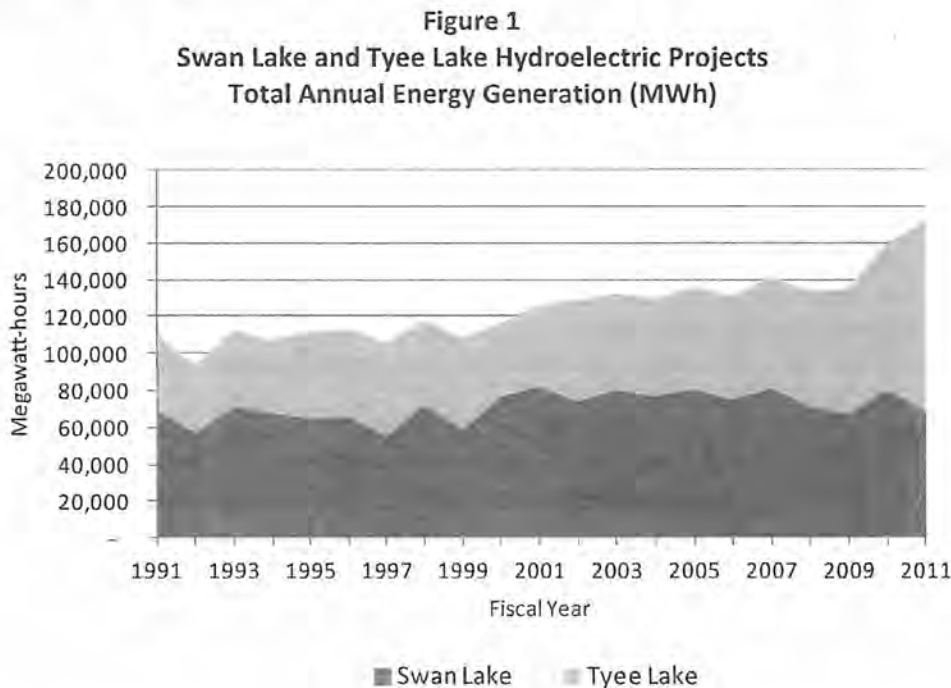
Remote Operation

The Swan Lake and Tyee Lake projects are capable of remote operation. Both projects can be controlled from either powerhouse; however, some additional control and alarm indication may be needed for regular unmanned operation. Remote operation will provide valuable training and an understanding of the plants' and transmission system operation to all the operators. This will be especially beneficial if the operators rove between plants better utilizing the workforce.

The current procedure to restore the system during system wide outage or black start situation is; Swan Lake would energize the Swan - Bailey line and Bailey would sync to it. Tyee Lake would energize the North Line and Wrangell and Petersburg would sync to it. Swan Lake will then energize the STI and Tyee would then connect the North - South systems. This procedure could be implemented from either powerhouse with remote operation.

Total Energy Generation

Total SEAPA energy generation varies from year to year depending on precipitation and the local power requirements. Both Petersburg and Ketchikan own and operate hydroelectric generation plants in the same general region as Swan Lake and Tyee Lake. When precipitation levels are higher in the area, these utility-owned plants produce more power thereby reducing demand for power from the SEAPA projects. With the high cost of heating oil in recent years, there has been a large increase in power demand for the Member Utilities as residential and commercial customers convert to electric space heat. As a result, the overall demand for electricity has increased and with the STI, SEAPA has seen a relatively large increase in energy sales. In fiscal year 2011, total SEAPA energy generation was 172,297 MWh, up 28% from fiscal year 2009. Energy generation for the Swan Lake and Tyee Lake projects over the 21 fiscal years, 1991 through 2011, is shown in the following figure.



Purpose of the O&M Review

The general purpose of the O&M Review is to assess SEAPA's current approach to O&M and determine what adjustments could be made to improve O&M and provide potential cost savings. Eleven tasks were originally defined in the Request for Qualifications. We synthesized these tasks into six primary questions to be addressed in the study.

The primary questions addressed in the study with reference to the initially defined tasks included in the RFQ are as follows:

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1. How are the plants currently being operated? (Task 1)
2. What is actually required in operating and maintaining the plants? Are staffing levels appropriate? (Task 2)
3. How do the existing O&M agreements function with regard to the purpose for which they are intended? How do these agreements function and perform as far as the relationship between SEAPA and its contractors? (Task 10)
4. What improvements could be made in the operations and maintenance of the hydro and transmission projects? What would be involved in establishing an unmanned or caretaker approach to operation of the hydro plants? Should the projects be operated and maintained by one entity rather than the two separate contractors? What costs and benefits could be realized with alternative approaches to operations and maintenance as compared to the current approach? (Tasks 3, 4, 5, 6, 7, 8, 9)
5. Are there functional improvements that could be made to SEAPA's management and staff to better provide for the operations and maintenance of the hydro and transmission system? (Task 11)
6. What specific changes in existing agreements and contracts are recommended to improve operations and maintenance? (Task 12)

In addition to the tasks defined above, the RFQ requested that Kodiak Electric Association be contacted with regard to KEA's operation of the Terror Lake Hydroelectric Project. At the beginning of the study effort, discussions with SEAPA deemphasized some of the initial tasks related to "fixing" the existing contracting arrangements. Rather, the study focused on the recommendations for a revised approach to operations and maintenance of the projects.

In preparing the O&M Review, various documents, financial reports, budgets and other materials were reviewed. SEAPA management and staff were interviewed and both hydroelectric projects were visited where operators were interviewed. Representatives from Ketchikan and the Thomas Bay Power Authority were interviewed as well. During the visits to the SEAPA facilities, the general condition of the facilities was observed on the ground as well as from the air.

Interviews were generally conducted during the week of April 16-20, 2012. The following individuals were interviewed during the course of the O&M Review:

Dave Carlson, Acting CEO, SEAPA
Steve Henson, Director of Operations, SEAPA
Eric Wolfe, Director of Special Projects, SEAPA
Kay Key, Controller, SEAPA
Sharon Thompson, Administrative Assistant, SEAPA
Tim McConnell, Electric Division Manager, Ketchikan Public Utilities
Andy Donato, Ketchikan Public Utilities, SEAPA Board Alternate
Bret Blasingame, Foreman, Swan Lake

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Ray Davis, Swan Lake Operator
Danny Smith, Swan Lake Operator
Joel Buchanan, Swan Lake Operator
Carl Thrift, Foreman (retiring), Tyee Lake
Mick Nicholls, Tyee Lake Operator
Steve Beers, Tyee Lake Operator
Brent Mill, Tyee Lake Operator
Dave Galla TBPA Commissioner
Rhonda Dawson, TBPA Office Manager
Brian Ashton, TBPA Commissioner, SEAPA Board Alternate
Clay Hammer, TBPA Commissioner, Electric Superintendent, Wrangell Municipal Light
& Power
John Jensen, TBPA Commissioner, SEAPA Board Alternate
Robert Larson, TBPA Commissioner, SEAPA Board
Joe Nelson, SEAPA Board, TBPA Commissioner, Electric Superintendent, Petersburg
Municipal Power & Light
Paul Southland, Acting Manager, Thomas Bay Power Authority, TBPA Commissioner
Jay Rhodes, SEAPA Board Alternate, IBEW Local 1547 Unit 104 (Ketchikan, Wrangell,
Petersburg, Prince of Wales Island),

In general, the interviews were conducted to obtain an understanding of the work performed by SEAPA employees, the plant operators, and KPU and TBPA management with regard to performance of tasks pursuant to the O&M Agreements. The role of SEAPA and TBPA board members with regard to oversight of the operation of the SEAPA facilities was also reviewed. To insure candor, it was agreed that individuals interviewed would not be identified by their comments.

Existing Operations and Maintenance

SEAPA operates the Swan Lake and Tyee Lake projects in a rather unique way. First, physical operation and maintenance activities have been contracted out by SEAPA to two contractors. Thomas Bay Power Authority operates and maintains the Tyee Lake project and Ketchikan Public Utilities (KPU) operates and maintains the Swan Lake project. Both TBPA and KPU perform their functions as operations and maintenance contractors pursuant to the terms and conditions of Operations and Maintenance Agreements dated January 31, 1997 for the TBPA agreement and January 24, 1997 for the KPU agreement (the "O&M Agreements").

The two O&M Agreements were between the respective contractors and the Alaska Energy Authority, the owner of the Swan Lake and Tyee Lake projects prior to the establishment of the Four Dam Pool Power Agency. Prior to enactment of the O&M Agreements in 1997, TBPA and KPU operated the Tyee Lake and Swan Lake projects, respectively, pursuant to similar agreements. The O&M Agreements have not been revised or updated since establishment of the Four Dam Pool Power Agency and SEAPA.

At the time the O&M Agreements were enacted, the Alaska Energy Authority, an agency of the State of Alaska, assigned operation and maintenance of the projects to the utility organizations that purchased power from the projects. Wrangell and Petersburg ceded their normal operations and maintenance functions to the Thomas Bay Power Authority. The Alaska Energy Authority had only one employee based in Anchorage dedicated to management and administration of the Four Dam Pool projects and as such, did not have staff capable of operating the projects. In addition to the O&M contractors, the Alaska Energy Authority regularly retained the services of other contractors for engineering, construction, licensing-related and major maintenance services.

With the sale by the State of the of Four Dam Pool projects to the Four Dam Pool Power Agency (FDPPA) in 2002, the FDPPA retained management and staff that eventually included several positions to manage and administer the projects as well as provide certain engineering functions.

When SEAPA was established in 2009, some of the FDPPA staff transferred to SEAPA as SEAPA moved its headquarters from Anchorage to Ketchikan. At the present time, the SEAPA staff includes the following positions:

- Chief Executive Officer
- Director of Operations
- Director of Special Projects
- Controller
- Administrative Assistant

The existing SEAPA staff, with the oversight of the SEAPA Board, provides a number of critical functions related to operation and maintenance of the SEAPA Facilities including:

Southeast Alaska Power Agency Operations and Maintenance Organization Review

- Compliance with FERC issues and requirements
- Compliance with provisions and obligations of the Power Sales Agreement
- Coordination with various State and federal agencies
- Community and public relations
- Administration of the O&M Agreements
- Oversight of the extraordinary and normal O&M contractors
- Installation, operation and maintenance of communications systems
- Review and approval of annual O&M budgets provided by the O&M contractors
- Accounting, billing and accounts payable
- Direct procurement of some items and review of procurement of some items
- Compliance with bond covenants and legal commitments
- Planning and implementation of renewal and replacement activities
- Retention and management of selected engineering and construction contractors associated with maintenance, repair, or equipment replacement and with other SEAPA investigations or projects.
- Coordination of O&M activities with plant operators (weekly meetings to discuss generation scheduling, water management, maintenance activities, among other items)
- Coordination of interconnected system operations and efforts to develop further improvements in integrated system operations
- Periodic inspection of certain transmission lines
- Maintenance of the Swan-Tyee Intertie
- Representation of SEAPA to the Alaska legislature and the Alaska congressional delegation
- Coordination with the SEAPA board of directors

In addition to the tasks above, at the present time the CEO and the Director of Special Projects indicate that 30% and 50% of their time, respectively, is spent on long term planning, evaluation of new resources, potential new contracts and other related activities.

SEAPA benefits from the longevity of certain employees and managers who have provided many years of service to SEAPA and its predecessor organizations. It also benefits from the many years of experience that some of the staff bring to their jobs. Further, the SEAPA staff understands that the reliable operation of the SEAPA Facilities is critical to the economic viability of the communities it serves.

For a further definition of the responsibilities of the SEAPA staff, see the job descriptions provided in Appendix A.

The O&M Contractors

TBPA employs the operations and maintenance staff at the Tyee Lake project, and provides management services from Wrangell associated with the regular maintenance of the Tyee Lake project. TBPA is headquartered in the SEAPA owned warehouse near the SEAPA switchyard outside of Wrangell. The facilities also operated and maintained by TBPA include the transmission line between the Tyee Lake project and Wrangell and Petersburg.

In particular there are overhead and submarine transmission facilities from Tyee Lake to the Wrangell SEAPA switchyard station and overhead and submarine transmission facilities from Wrangell to the Petersburg SEAPA substation. The underwater transmission power crossings with submarine cable terminal stations include crossings at Zimovia, Stikine, and Sumner Straight. Other important functions currently provided by TBPA are the supervisory control and data acquisition (SCADA) operations and management of the: (1) Wrangell switchyard and the reactor within the switchyard; (2) the submarine cable termination stations, (3) the Wrangell substation and its breakers, (4) Petersburg substation and its breakers, (5) the STI, and normal synchronization of the intertie between the projects or the Swan Tyee Intertie Control System (STICS).

KPU employs the operations and maintenance staff at the Swan Lake project and provides management services from Ketchikan associated with the regular maintenance of the Swan Lake Project and with the delivery of power to KPU. The facilities also operated and maintained by KPU include the transmission line between the Swan Lake project and the KPU-owned Bailey substation switchyard, within which SEAPA has ownership of certain substation transformer, breaker and communication equipment. KPU, through its Bailey control center can also perform normal synchronization to the Swan Lake transmission line

There are four operators at each hydroelectric plant. The four operators (three operators and a relief operator) at Tyee Lake are employed by TBPA and the four operators at Swan Lake are employed by KPU. TBPA also employs a manager and an office manager, both located in Wrangell, who are assigned full-time to the management and administration of the Tyee Lake O&M Agreement. The cost of the TBPA manager is charged to SEAPA through net-billing while the office manager position is funded by Wrangell and Petersburg. There are three additional TBPA employees who perform right of way clearing, of which only the foreman is a full-time regular employee. KPU manages the Swan Lake O&M Agreement as an activity within its utility operation and does not employ a manager directly related to the O&M Agreement. Until last year, KPU had only used three operators at Swan Lake. A fourth operator was added in 2011 for safety concerns, as identified by KPU. The total number of full-time employees currently assigned to the management, administration, operation and maintenance of the SEAPA Facilities is shown in the following table:

**Southeast Alaska Power Agency
Operations and Maintenance Organization Review**

**Table 4
SEAPA, Swan Lake and Tyee Lake
Existing Staffing Levels (Full-time employees)**

SEAPA		Swan Lake ¹		Tyee Lake ²		Total
Management & Admin	Technical	Plant Operators	Management	Plant Operators	Management	
3	2	4	0	4	2	15

¹ Employed by KPU.

² Employed by TBPA. TBPA indicates that it also has one regular and two seasonal right of way clearing laborers. One of the four Tyee operators is a relief operator. Some of the TBPA management staff labor costs are not SEAPA costs and are paid directly by Wrangell and Petersburg.

The plant operators have a variety of functions they perform. Some of the activities are provided on a daily basis and others are more periodic. In general, the functions provided by the operators are as follows:

- Monitor mechanical and electrical project equipment and log elected metered properties
- Respond to project alarms or abnormal events
- Respond to Wrangell and Petersburg SEAPA substation alarms or abnormal events (Tyee Lake operators)
- Comply with regulatory requirements
- Perform scheduled preventive maintenance via MAPCON
- Perform unscheduled maintenance
- Order parts and supplies
- Provide site security
- Clear snow from roads and aircraft runway
- Maintain dwelling units, shops, docks, miscellaneous buildings and associated utility systems
- Maintain vehicles, equipment, and boats
- Perform on-site training
- Assist other operators with repairs
- Work with contract service providers
- Assist in annual major maintenance outage work
- Take clearances, operate SCADA breakers on submarine cable and at substations and synchronize STI (Tyee Operators)
- Participate in weekly operations meetings with SEAPA

There are typically two plant operators at each project at all times. The TBPA operators and the KPU operators are governed by different IBEW Local 1547 Unit 104 contracts. The KPU three-year contract was just recently negotiated. The TBPA three-year contract will be renegotiated in

2013. As such, the respective project operators have different normal hours of work and some other differences in work rules.

Two operators at Swan Lake work eight ten-hour days at the plant and then have six days off. Each Wednesday the two sets of Swan Lake operators overlap for much of the day at the project. This results in a float plane arriving with a crew each Wednesday morning and then a second float plane returning Wednesday afternoon and taking the relieved crew back to Ketchikan. An estimate of current annual air charter costs for Swan Lake crew changes is indicated to be about \$50,000 per year, although KPU budgets about \$74,000 per year for this expense.

The Tyee Lake operators work a more complex schedule. At Tyee Lake three operators work staggered ten eight-hour days at the plant and have four days off. This schedule allows all operators to be on site together twice a month. During one of these overlap days each month, a Tyee Lake operator performs preventive maintenance at the Wrangell and Petersburg substations. There is a fourth operator who is used for coverage during vacations, illness and major maintenance. With this schedule, a flight will arrive at the project land-based air strip twice each week. One week it will arrive on Monday and Friday and the following week it will arrive on Tuesday and Thursday, with each flight dropping off one fresh operator and leaving with a different operator. An estimate of current annual air charter costs for Tyee Lake is \$44,000 per year.

The Swan Lake and Tyee Lake project operators employ a variety of skills. Traditionally, the primary skills have been classified as either mechanical or electrical. At Swan Lake, currently there are two electrical operators and two mechanical operators. At the time of our interview at Tyee Lake the classifications of the operators were one electrical operator, one lineman, one millwright and one boiler worker. As the projects are maturing and replacements are occurring, skill needs appear to be changing. Most of the preventive maintenance work at the power plants is general in nature, taking readings, and performing routine modifications, changes of filters, cleaning, oil changes, taking samples, etc. Another form of routine maintenance has to do with snow removal associated with roads and the landing strip at Tyee. This principally is heavy equipment operation along with maintenance of the heavy equipment.

Another major function at both projects is administration of the computer maintenance system, MAPCON and its backup. Another significant function has to do with maintenance, both preventative and unscheduled, of support infrastructure at the project sites. This includes repair to dwelling units, shops, potable water lines, infrastructure electrical systems, sewage and solid waste (incineration) systems, and associated vehicles and boats and docks. The Swan Lake project includes a dam that has maintenance requirements including periodic checking.

Currently there are essentially four operators that are distributed in two different types of overlapping shifts at each project. There is a single foreman at each project who is with one shift, but communicates with the other operators and coordinates work on days where staff overlap at the project. It was indicated that in the past, there have been fewer operators employed at the projects.

As the projects have evolved and are likely to evolve in the near future there will be a greater need for electronic, telecommunication, fiber optic, and electronic relay skills at the two projects. This trend is likely to increase even more and should be a consideration for future hiring and training.

Based on observations, if the projects were remotely operated and there were better access, there could come a point in time that one FTE for preventive maintenance may be all that is required per plant, with a care-taker at the plant when operator(s) are not present. The first major change in staffing would likely be to reduce the number of operators to two with principally electrical, mechanical or hydro plant operator skills at each project during the week and a caretaker position at each project on the weekends and, as weekends could alternate, the caretaker position could be shared between the two projects.

A problem with implementing this concept at both Swan Lake and Tyee Lake is equipment operator road/airstrip snow removal during the operator off days and if that lack of snow removal would jeopardize operator access or medical evacuation of the caretaker.

The O&M Agreements

The O&M Agreements are relatively general in their specification of activities to be provided by the contractors. When originally developed, the Alaska Energy Authority had a very limited role in operation and maintenance of the projects and placed a high degree of responsibility on the utility contractors, as recipients of the project output, to maintain and operate the projects. The Swan Lake and Tyee Lake O&M Agreements are essentially the same from the perspective of provisions, terms and conditions. The term of the O&M Agreements was five years from the date of initiation (1997) and year to year thereafter. Written notice must be provided by July 1st one year in advance to terminate the agreement.

Included in the provisions of the O&M Agreements are the following contractor responsibilities, among others:

- Operation of the project including dispatching, starting and stopping
- Maintain project features, station logs and records
- Deliver project power to the Purchasers in accordance with the terms of the Power Sales Agreement
- Provide all labor, material, technical support and training to repair the project facility
- Comply with federal and state agency requirements
- Provide security of the project facility at all times
- Conduct scheduled technical, operation and maintenance inspections of the project facility
- Read, maintain and operate all project facility metering devices
- Integrate power from the project into the Purchaser's system
- Provide trained and qualified personnel with the ability to provide the duties of the agreement

- Interpret the cause of and provide notification of protective relay or alarm action
- Take all reasonable measures to protect equipment, personnel and the general public from hazards from equipment failure
- Monitor and record the operating characteristics of all equipment and machinery
- Each year submit a five (5) year schedule of equipment replacement
- Submit a budget each year for the project facility
- Provide notification of equipment failure or other contingency that requires extraordinary maintenance

In general, it appears that the O&M contractors are fulfilling the requirements of the O&M Agreements. Areas which seem to be of some concern at Swan Lake include: frequency of transmission normal right of way clearing between Swan Lake and Bailey substation by KPU, wood transmission pole testing by KPU along that stretch of transmission line, MAPCON report documentation by KPU operators, Swan Lake operator training and cross trade training, and a detailed MAPCON derived bottoms up normal O&M functional budget. At Tyee Lake some of the areas of concern are: Tyee Lake operator training and cross trade training, quality of power sales metering, current transformers and potential transformers, and the amount of call-out time expended by operators on Wrangell and Petersburg SEAPA substations due to load loss on substations breakers/feeders.

The O&M contractors have not been providing the five year schedule of equipment replacement identified in the O&M Agreements. Since divestiture in 2002, the FDPPA has had to prepare a comprehensive renewals and replacement (R&R) plan. The R&R plan was updated in 2007 and is currently being updated again by SEAPA. The O&M Agreements are provided in Appendix B.

O&M Costs

Each year, the O&M contractors prepare a draft budget, have the draft budgets approved by their respective governing bodies and then submit the draft budgets to SEAPA for the upcoming fiscal year. SEAPA reviews the draft budgets and provides comments and proposed adjustments. The contractors then incorporate the adjustments, as appropriate, and submit the budgets for approval by the SEAPA board. Payments to the O&M contractors are not made directly; rather, they are provided as reductions in the cost of purchased power from the projects by the Member Utilities. Each month, TBPA submits its O&M costs to Wrangell and Petersburg and each community pays half that cost by deducting the payments from the amount owed SEAPA for purchased power. This method of deducting operating costs from purchased power is known as “net-billing”.

The following table shows the actual O&M costs for the past five fiscal years. Typically, budgeted costs each year are noticeably higher than actual results. It is important to understand that O&M costs do not include capital costs or forward funding for certain renewals and replacements.

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**Table 5
Southeast Alaska Power Agency
Actual O&M Costs
(Fiscal Years Ending June 30)**

	Actual				
	2008	2009	2010	2011	2012
Facility O&M					
Swan Lake	\$ 932,942	\$ 885,664	\$ 1,005,028	\$ 740,207	\$ 699,502
Tyee Lake	1,049,487	1,123,342	1,006,509	1,054,015	1,130,918
Subtotal - Facility O&M	\$ 1,982,429	\$ 2,009,006	\$ 2,011,537	\$ 1,794,222	\$ 1,830,420
SEAPA Expenses ¹					
Hydroelectric O&M	\$ 298,308	\$ 559,950	\$ 386,993	\$ 626,705	\$ 817,501
Transmission and Dispatching	32,057	81,500	488,292	561,532	671,827
Administrative Expense	1,521,014	2,125,690	2,010,782	1,918,042	2,017,846
Subtotal - SEAPA Expenses	\$ 1,851,378	\$ 2,767,140	\$ 2,886,067	\$ 3,106,279	\$ 3,507,174
Total Expenses	\$ 3,833,807	\$ 4,776,146	\$ 4,897,604	\$ 4,900,501	\$ 5,337,594

¹ SEAPA Expenses shown for 2008 and 2009 are approximate allocations of The Four Dam Pool Power Agency expenses in those years. SEAPA was established in February 2009.

Included in the facility O&M expenses are the costs of SCADA operation and dispatch at Bailey and the costs of transmission at both plants. Until a recent budget revision, SEAPA had included 50% of KPU's SCADA system costs as Swan Lake operating costs. Deducting these costs from the facility O&M expense provides the cost of operating and maintaining the hydroelectric plants themselves. Table 6 shows the resulting hydroelectric generating plant O&M.

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**Table 6
Southeast Alaska Power Agency
Hydroelectric Generating Plant O&M
(Fiscal Years Ending June 30)**

	Actual				
	2008	2009	2010	2011	2012
Swan Lake					
Facility O&M	\$ 932,942	\$ 885,664	\$ 1,005,028	\$ 740,207	\$ 699,502
Less: SCADA, Dispatch & Trans. O&M ¹	(538,638)	(517,586)	(370,794)	(71,961)	(1,241)
Net Hydroplant O&M	\$ 394,304	\$ 368,078	\$ 634,234	\$ 668,246	\$ 698,261
Increase (Decrease) over Prev. Year		-6.7%	72.3%	5.4%	4.5%
Tyee Lake					
Facility O&M	\$ 1,049,487	\$ 1,123,342	\$ 1,006,509	\$ 1,054,015	\$ 1,130,918
Less: Transmission O&M ²	(275,168)	(302,314)	(177,379)	(195,268)	(238,685)
Net Hydroplant O&M	\$ 774,319	\$ 821,028	\$ 829,130	\$ 858,747	\$ 892,233
Increase (Decrease) over Prev. Year		6.0%	1.0%	3.6%	3.9%
Swan Lake and Tyee Lake Combined					
Net Hydroplant O&M	\$ 1,168,623	\$ 1,189,106	\$ 1,463,364	\$ 1,526,993	\$ 1,590,494
Increase (Decrease) over Prev. Year		1.8%	23.1%	4.3%	4.2%

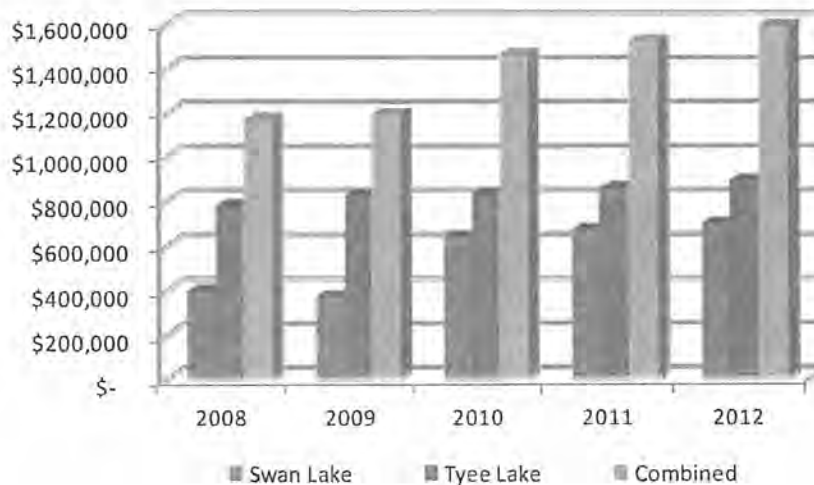
¹ Includes SCADA and Dispatch expenses, Account 561100 and transmission O&M expenses, Account 571100.

² Includes SCADA and Dispatch expenses, Account 561200 and transmission O&M expenses, Account 571200.

As shown in Table 6 the hydroelectric plant O&M costs have increased noticeably at both plants over the past five years. Over the five year period 2008 through 2012, the hydroelectric plant O&M costs have increased an average of 15.4%, 3.6% and 8.0% per year, for the Swan Lake, Tyee Lake and the two plants combined, respectively.

Figure 2 shows the hydroelectric plant O&M costs graphically.

Figure 2
Swan Lake and Tyee Lake Hydroelectric Projects
Hydroelectric Plant O&M Expenses
(Fiscal Years Ending June 30)



If, for an example, the hydroelectric plant O&M costs were to continue to increase at 4% per year over the next ten years (half the average increase of 8.0% per year the past five years) the annual cost would be \$2.4 million, 48% higher than the cost incurred in 2012. The terms of the PSA would indicate that as O&M costs increase, the wholesale cost of power from the SEAPA projects will increase and electric rates in the Purchasing Utilities would need to increase accordingly. Assuming annual energy sales increase approximately 1.25% per year and O&M costs increase 4% per year, the SEAPA wholesale cost of power is estimated to increase from 5.8³ cents per kWh in 2012 to 7.1 cents per kWh in 2021⁴. In addition to O&M costs, the wholesale cost of power includes annual debt service and renewal and replacement expenditures.

Observations

The operations and maintenance contracts with TBPA and KPU have not substantively changed since they were originally created with the Alaska Energy Authority back in 1985. However, the project assets and SEAPA have evolved over time. Much of the Swan Lake and Tyee Lake physical equipment is approximately 28 years old. The STI was constructed and became

³ Although the wholesale price of power as charged by SEAPA is 6.8 cents per kWh, the actual cost of power production is less than this amount. SEAPA has in the past refunded a portion of the difference between the cost of production and the wholesale price to the Member Utilities.

⁴ At 1.25% annual growth, energy sales are estimated to increase from 169,800 MWh in 2012 to 189,900 MWh in 2021. The wholesale cost of power production includes O&M and A&G expenses, debt service and deposits to the R&R Fund.

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operational in late 2009 which interconnected the entire Petersburg, Wrangell and Ketchikan electric systems. Generators have been rewound and governors were replaced at the Tyee Lake project in 2010. An additional significant change has occurred recently with the increase in loads in the communities caused by higher oil prices and the greater reliance upon low-cost power from the SEAPA projects.

Another evolution on the part of SEAPA has been the more active management role it has taken in the operations and maintenance of its assets. SEAPA has ultimate responsibility to provide power to the Purchasing Utilities pursuant to the terms of the PSA and as such, needs to have an active role in assuring the reliable operation of the interconnected utility systems.

Part of the change has been due to the SEAPA staff and their past experience. For example, the current Director of Operations is a good example of local employee experience, having worked as the Electric Superintendent of Wrangell Municipal Light and Power as well as an operator at the Tyee Lake hydro project. His knowledge of hydro maintenance and operations and understanding of the management and training of electric utility employees has helped refocus attention on project maintenance needs in a way that is consistent with the cultures of the projects and their communities.

Concurrent with the personnel changes at SEAPA there have been changes in the leadership at TBPA. TBPA, unlike KPU, does not have other electric utility operations or maintenance. As such, its support of plant operators at Tyee Lake is limited to resources of the individual operators and a limited number of active contract engineers, technicians, and consultants. So when operators at the Tyee Lake project have technical questions regarding the operation or maintenance of the plant they really don't have technical resources within TBPA.

Conversely, when operators at the Swan Lake project have technical questions regarding operation or maintenance they can contact management and staff at KPU who may be able to provide some limited technical support. KPU also maintains and operates the Beaver Falls hydro project, the Silvis Lake hydro project and the Ketchikan Lakes hydro project and significant amounts of diesel generation. A noticeable problem, however, is that KPU management and staff have seen a fair amount of turnover in the past. In the past five years, there have been four different KPU individuals assigned to manage the hydroelectric plants, including Swan Lake. This relatively constant change would indicate that there is a continuing need to relearn the specific requirements related to operation and maintenance of the projects.

Partially because of the limited depth of technical support for operators from TBPA and partially because of the historic knowledge of operations and maintenance at Tyee Lake that resides with SEAPA's Director of Operations, TBPA operators have recently been relying upon SEAPA staff and interacting with them more than in the past. This is indicated to have lead to some perceptions related to control at TBPA.

The Director of Special Projects at SEAPA, has undertaken a number of new projects at SEAPA and technical/engineering leadership has been provided through this position that would potentially have been previously provided by consultants hired and working directly for either KPU or TBPA. A different example of an evolved SEAPA role is due to the completion of the

STI transmission line and the greater need to coordinate operation of all hydroelectric facilities in the interconnected system. SEAPA has implemented a water management system to increase the total energy generation from the two hydro projects through more efficient use of water to meet load requirements. This has significantly benefited the Member Utilities but is not explicitly discussed in the O&M Agreement.

SEAPA staff conducts a weekly telephone meeting with the operators to assure mutual understanding of and coordinate schedules and planned maintenance activities. Problems at the projects are also discussed in these meetings. These meetings have contributed to a greater involvement of SEAPA with the operators and a better understanding of the technical capabilities of SEAPA staff by the operators.

It appears that in recent years, much of the success in continuing to operate the projects effectively is due to the ever increasing role that SEAPA management and staff play in managing the operations and maintenance effort. The O&M Agreements do not provide enough specificity to direct the actions of the O&M Contractors in operating and maintaining the Projects and as such, the projects are operated based on procedures established by the contractors that don't necessarily acknowledge the integrated operation of the system. Prior to the operation of the STI, Swan Lake served only KPU, which operated the project and Tyee Lake served only Wrangell and Petersburg. In essence each contracted operator organization (TBPA & KPU) had an unquestioned vested interest in prudently operating and maintaining the principal low cost source of power to its respective community.

Acknowledging the ongoing increase in operation and maintenance costs, the changes in the SEAPA facilities and the interconnected system, and the changes in SEAPA itself, the need to change the way the SEAPA facilities are operated and maintained is apparent.

Terror Lake Operations and Maintenance

The 22.5-MW Terror Lake hydroelectric project (Terror Lake) is owned and operated by Kodiak Electric Association (KEA). Terror Lake was part of the Four Dam Pool and the Four Dam Pool Power Agency until restructuring of the FDPPA in 2009 and has been operated by KEA since construction of the project was completed in 1985. As part of the O&M Review, SEAPA requested that KEA be contacted to gain a better understanding of how KEA currently operates Terror Lake. The project is located on Kodiak Island approximately 25 miles southwest of Kodiak and access to the project is by boat or float plane only.

Primary facilities of the Terror Lake project include a 193-foot tall, 2,400-foot long concrete faced rock fill dam, a 26,700-foot long power tunnel with additional diversions, penstock, powerhouse and switchyard. Transmission systems include 17.4 miles of 138-kV and 12 miles of 12.5-kV overhead lines and two substations. At the present time, the project includes two vertical shaft, Pelton type turbines although provision exists for a third turbine-generator unit. KEA is planning to install a third turbine with a capacity of approximately 11-MW in 2013.

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KEA operates Terror Lake within its power production division and the chief operator at Terror Lake reports to KEA's Power Production Manager. At the present time, there are three regular operators (two operators and one chief operator) at Terror Lake. All three operators work four ten-hour days each week, Monday through Thursday, and one operator, on a rotating basis, remains on standby duty at the site through the three day weekend to monitor the project and for security. With one operator on standby over the weekend⁵, the other operators can either go home or stay on-site. There are three separate houses for the operating staff at the projects.

The Terror Lake project cannot be started remotely so it is necessary to have an operator available at the project if a restart is needed. Scheduling and dispatching of the project output is conducted by KEA's production and dispatch staff in Kodiak.

KEA indicates that ideally, the skill classifications of the operators would be one electrical and two mechanical, although at the present time, the skills are about ½ electrical and 2-½ mechanical. All operators are represented by IBEW Local 1547. For larger maintenance tasks, KEA will use other KEA staff to supplement the Terror Lake operators. Some contractors are used but to a limited extent. Transmission maintenance is provided by the KEA line crews. Right-of-way clearing is conducted on the entire KEA system on roughly a five year rotation. The 2-½ substations included in the Terror Lake project have been recently overhauled so maintenance on these facilities is minimal.

KEA has continued to use the MAPCON maintenance software for maintenance activity scheduling and monitoring. This system is Windows based and is indicated by KEA to be more robust than is actually needed for a smaller utility such as KEA. Training programs for Terror Lake operators have not been formally established at the present time; however, the close integration of the operations staff with KEA's production staff provides a means for some training and skill improvements.

Although KEA evaluates the long-term replacement needs for Terror Lake, it does not contribute to or maintain an R&R fund to pay the costs of renewals and replacements. Rather, KEA expects to fund renewal and replacement expenditures primarily with new debt at the time the expenses are paid. KEA indicates, however, that it may establish a limited reserve fund to contribute to future expenses.

The total annual O&M budget for Terror Lake is \$2.5 million, as provided by KEA. This budgeted amount includes everything for the operations and maintenance of the project and the transmission lines and also includes insurance costs, FERC costs and other related expenses. The current annual Terror Lake O&M budget amount also includes \$622,000 of system dispatching costs.

⁵ The standby operator is required to make two 30 minute checks of the plant each day.

Conclusions and Recommendations

Conclusions

SEAPA and its facilities are a very valuable asset to the residents and businesses of the Petersburg, Wrangell and Ketchikan communities. The benefits of reliable, low-cost, hydroelectric power generation have been realized in the communities and should be realized for many years to come. To ensure the continuation of maximum benefits, it is important that SEAPA and the Member Utilities acknowledge the functional changes that have occurred in recent years to SEAPA's organizational and ownership structure and make appropriate adjustments. Based on our review of SEAPA and its operations we offer the following conclusions:

1. Pursuant to the terms of the PSA, SEAPA has a legal obligation to make electric power available from the SEAPA Facilities to the Purchasing Utilities at all times, except when prevented by a cause or event outside the control of SEAPA. The term of the PSA extends to 2033.
2. The wholesale price of power charged for SEAPA power sales to the Purchasing Utilities, pursuant to the PSA, is a rate that will provide sufficient revenues to pay SEAPA's debt service obligations and pay the costs of operation, maintenance, renewals and replacements, insurance, regulatory compliance and other costs of SEAPA. As such, the costs of operations and maintenance for the SEAPA Facilities will directly affect the cost that the Purchasing Utilities pay for SEAPA power. If the O&M costs continue to increase over time, there will be a need to increase the wholesale power rate. Conversely, if O&M costs can be reduced, the wholesale power rate could potentially be decreased, kept from increasing, or allowed to fund renewals and replacements or other SEAPA board approved activities.
3. Operation and maintenance activities have been contracted out by SEAPA to two contractors. Thomas Bay Power Authority operates and maintains the Tyee Lake project and Ketchikan Public Utilities operates and maintains the Swan Lake project. Both TBPA and KPU perform their functions as operations and maintenance contractors pursuant to the terms and conditions of Operations and Maintenance Agreements dated January 31, 1997 for the TBPA agreement and January 24, 1997 for the KPU agreement. The O&M Agreements have not been revised or updated since establishment of the Four Dam Pool Power Agency and SEAPA. At the direction of SEAPA, TBPA now performs some right of way clearing of SEAPA transmission lines other than the Tyee Lake line.
4. The original purpose of the O&M Agreements was for the Purchasing Utilities, as direct users of the output of the Projects, to perform the needed operations and maintenance of the projects. Although the O&M Agreements have worked over time in that the Swan Lake and Tyee Lake projects have continued to provide reliable electric service to the Purchasing Utilities, there are a number of problems with regard to the continued effectiveness of these agreements. One of the principal issues is that the O&M Agreements do not reflect the current ownership structure of the system and SEAPA's

obligations under the Power Sales Agreement. Exhibits attached to the O&M Agreements are in significant need of being updated to reflect current conditions. Among the problems of the O&M Agreements are:

- a. The O&M Agreements are not consistent with the SEAPA system as it exists today. In particular, the STI was not constructed or operational at the time the agreements were written and, as such, the operation of the interconnected electric systems of the Purchasing utilities was not anticipated.
- b. Responsibilities for the maintenance and operation of certain system facilities such as the STI and STICS are not defined in the O&M Agreements. As such, SEAPA performs some of these functions. This however, creates an area of potential misunderstanding and problems at times, particularly at the interfaces of various system facilities.
- c. SEAPA does not have direct control over staffing and budgeting at the Projects. However, SEAPA has the contractual responsibility for delivery of the output of the projects to the Purchasing Utilities.
- d. Certain provisions of the O&M Agreements, such as the need for the contractors to provide a 5-year plan of equipment replacements, have not been regularly followed. The renewals and replacements for the Projects are planned, financed and implemented by SEAPA. This points out an element of the O&M Agreements that is not consistent with practice.
- e. There are no performance standards defined in the O&M Agreements nor are there any O&M standards reflective of industry standards for similar facilities.
- f. There is a lack of symmetry in the organizational structures of TBPA and KPU as O&M contractors. For example, KPU is a fairly large utility that provides for its own system operations and is responsible for meeting the training requirements of its staff. KPU has many skilled employees on staff that can assist with many different types of utility problems; however, in the past KPU staff may not be available or willing to go to Swan Lake. TBPA has a much more narrowly focused function than KPU and has less depth of technical capability.
- g. There are inconsistencies in staffing, training of operators, preventative maintenance procedures, budgeting, and other factors, as implemented by the two O&M contractors that are not reflective of an interconnected system owned by a single entity.
- h. The turnover of management and employees over the years of TBPA and KPU, as well as, among the operators at the plants, causes a certain degree of uncertainty as to the responsibilities of staff and management in performance of the O&M Agreements.
- i. Because of the need to perform utility functions outside the SEAPA O&M Agreement responsibilities, there can be conflicts in prioritizing the assignment of resources by the O&M contractors to the projects. For example, KPU had a shortage of linemen during a power problem a few years ago and had to decide

whether to assign linemen to Swan Lake to perform switching or to use them in Ketchikan for critical work to serve KPU's retail customers. TBPA expressed concern about the use of its right of way clearing crew by SEAPA on the Swan Lake to Bailey transmission line when it had contract right of way responsibilities on the Tyee Lake transmission line.

- j. The year-to-year budgeting within the O&M Agreements does not provide an appropriate incentive or means to control costs. Further, since each O&M Contractor operates independently of the other, costs and charges are not necessarily similar for each project.
 - k. Charges for O&M services pursuant to the O&M Agreements are credited (net-billed) against the charges to each of the Purchasing Utilities for purchased power. Accounting for the charges through the net billing arrangements is not necessarily easy to appropriately track.
5. There is an asymmetry as to how the two O&M Contractors charge for certain expenses. For example, TBPA has little on-going purpose besides acting as the agent for Wrangell and Petersburg for operation and maintenance of the Tyee Lake project. As such, its overheads, like insurance, management and a portion of office staff are included in the charges to SEAPA pursuant to the O&M Agreement. In contrast, KPU insures its normal electric utility operations and its other hydro-electric projects, so many of these similar items are not directly charged to SEAPA.
6. The cost to operate and maintain the Swan Lake and Tyee Lake projects through the O&M Agreements has increased an average of 8.0% per year over the past five years. If the O&M costs continue to increase at this rate, there will be pressure to increase the wholesale cost of power that SEAPA charges for power sold to the Purchasing Utilities. If total O&M costs increase at 4% per year, the wholesale cost of power from SEAPA would increase from 5.8⁶ cents per kWh to 7.1 cents per kWh over the ten years between 2012 and 2021.
7. The approval process for the annual O&M Contractors' budgets to SEAPA is complicated and time-consuming. The budgets are developed by KPU and TBPA independent of each other and SEAPA. The specific tasks, within each budget are not fully documented and are not based on defined metrics, but are defined by various FERC accounts. These budgets then must be approved by the respective City councils, the TBPA Commissioners and ultimately the SEAPA Board of Directors. As such, the budgeting does not necessarily provide a budget that is aligned with SEAPA's obligations pursuant to the Power Sales Agreement.
8. The current net-billing procedure does not allow for monitoring and review of costs as would typically be expected with utility operations. The Member Utilities have generally paid their monthly power bills net of their respective monthly O&M expenses between 30 and 50 days after each month. In this manner, it has been the responsibility of the

⁶ Although the wholesale price of power as charged by SEAPA is 6.8 cents per kWh, the actual cost of power production is less than this amount. SEAPA has in the past refunded a portion of the difference between the cost of production and the wholesale price to the Member Utilities.

Member Utilities to determine the amount to be paid to SEAPA each month. Although a report of monthly O&M costs is provided to SEAPA by KPU and TBPA, SEAPA does not have time to review the costs before the net-billed payments are made. If SEAPA determines that adjustments need to be made with regard to the net-billed costs reported by TBPA and KPU, the adjustments are made after the fact and can cause some confusion and misunderstanding. It would potentially be a better arrangement if the detailed O&M costs for each month were reported directly to SEAPA by the 15th of the following month for review and adjustment as needed. SEAPA could then prepare and submit to the Member Utilities an invoice by the 30th of each month for power purchases net of the appropriate O&M costs for the previous month. Payment could then be due by the 10th of the next month. This procedure would allow for better tracking and review of O&M expenses.

9. As the two hydro projects have evolved and especially after the generator and governor upgrades at Tyee Lake, the amount of unscheduled power plant maintenance has dropped. Most of the power plant maintenance is now scheduled maintenance or renewals and replacements. The preventive and normally scheduled power plant maintenance requirements at each plant could reasonably be accomplished with one full time equivalent (FTE) operator per project based on our experience and observations at the projects. Maintenance of dwellings, shops, miscellaneous buildings, and especially snow clearing increases the level of O&M work load at each project to something above one FTE and less than two FTEs. However, snow removal is seasonal. Swan Lake has four operators and Tyee Lake has three operators and a relief operator. This indicates that there is potential for significantly reducing project O&M costs as each project now has effectively four FTE operators.

Safety during certain kinds of maintenance such as operation of heavy equipment and work in proximity to live electrical parts, as well as, the remote nature of the two projects will likely require more than one person doing many of the maintenance tasks for most situations. However, if heavy equipment operations and more complex maintenance activities can be planned and performed only when more than one operator is on site, there is the potential to scale back the number of operators from eight to five with a possible floating caretaker. This would potentially be accomplished with two operators at each project during a five day week and the caretaker providing security during the weekends. While not immediately obtainable under current bargaining contract rules, this is something that could be achieved in the next few years as various agreements are renegotiated and with attrition of the operating staff.

10. Transportation of hydro project operators is an expense that could be reduced. For example, even if there were no change in staffing levels, at the Swan Lake project one group of operators is flown to the project in the morning and a separate flight takes the relieved operators home later that day (weather permitting). There is an overlap so that information between operators can be exchanged on what has been modified and what work needs to be done. In talking to Swan Lake operators they questioned the value of the overlap information transfer. With the proposed fiber-optic link to the Swan Lake project, some of the overlap could take place prior to the crew change via a video

conference and reduce the length of time personal communication needs to occur to the point that a single flight might be possible. Similarly, when the all-weather road to Shelter Cove is finished, it will provide an alternate way to get crews in and out of the Swan Lake project that would be less expensive, if a suitable boat is available to transport crews.

11. There is a close and interrelated nature of many of the people serving on various boards or commissions related to the SEAPA projects. For example, there are TBPA board members who are SEAPA board members and KPU management who are SEAPA board members. This can lead to problems when O&M contractor issues come before the SEAPA board. Business theory has long identified that interlocking boards of directors can cause problems if the directors are not extremely careful in their responsibilities to each of the organizations for which they are involved.
12. SEAPA has been fortunate in having a staff with complementing skills that fit together quite well. There are some functions that likely need to be adjusted. With the hiring of the new SEAPA CEO there will be a natural change in direction of some aspects of the organization
13. The SEAPA system could benefit from obtaining certain additional skills. These skills include information technologies, communication systems, and CADD, among others. These specific skills would help with some problems identified by the current SEAPA staff and help provide better support to the hydro projects.
14. A concern indicated by SEAPA staff, KPU staff, and TBPA staff was confusion over what is to be included within normal budgets. A more transparent, bottom up and collaborative budgeting process is needed. It appears that much (with the exception of labor and contracted services) of the Tyee Lake budget was generated via the MAPCON system on a task or bottom up basis. There was further interest expressed regarding budget performance. It was noted that the operators at both the Swan Lake and Tyee Lake plants took pride in their project and wanted the projects to perform well from a reliability basis and from a cost performance basis. The operators were interested in knowing what was within the budget and how their team was performing against the budget.
15. Regular preventive maintenance of transmission systems, structure inspections, sampling and testing (along with treatment if necessary) of wood pole structures, regular air and ground right of way inspections and maintenance conducted by SEAPA are all typical of lower-48 transmission maintenance. SEAPA with the cooperation of TBPA has been working with TBPA to increase right of way clearing efforts along the transmission routes. A cursory examination of the right of way found that it was generally in well cleared condition. SEAPA has been moving forward on a number of fronts in regards to formalizing transmission O&M plans. Sampling of wood poles to determine their structural strength or decay levels, as currently underway, is good.
16. SEAPA is in the position to potentially plan, develop, and finance additional new hydroelectric generating resources to supply power to its currently interconnected system, as well as, other communities which may become interconnected in the future. As such,

the ability to effectively integrate new resources into the interconnected system and operate them efficiently is a critical function that SEAPA provides in southern Southeast Alaska.

Recommendations

The ability for SEAPA to continue to provide highly reliable, low-cost hydroelectric power to the communities of Petersburg, Wrangell and Ketchikan is an essential element in the economic viability and quality of life in these communities. Based on our review of the SEAPA system and the operations and maintenance of the SEAPA Facilities, we offer the following recommendations.

1. SEAPA's Member Utilities would be better served from a power cost and project efficiency basis with either a single O&M contractor or by having SEAPA operate and maintain the SEAPA facilities itself. This would provide a more consistent system of operations, planning, budgeting, operator training, career development, staffing, preventative maintenance and board oversight, among other factors. With a single O&M contractor or with SEAPA providing O&M, there is a better opportunity to define procedures and retain operating knowledge in a more consistent manner. We would recommend that one of two options be undertaken:
 - a. Perform the operations and maintenance of the SEAPA Facilities by SEAPA itself. Operators would work directly for SEAPA and work under the direction of SEAPA management.
 - b. Establish a detailed scope of services for the O&M of both projects and solicit bids for these services from potential operating entities. Include specific terms and conditions, operating standards, performance measures, payments and penalties, local procurement requirements (if needed) and expected SEAPA involvement. Retain a single operating contractor for a period of time through a competitive bidding process, three years for example.
2. In the least, the terms and conditions of the O&M Agreements and their exhibits should be reviewed and updated. SEAPA's organization and the SEAPA interconnected electric system are significantly different than what was in place when the existing O&M Agreements were established. If alternative operating structures are expected to be significantly different in the future, the updated terms and conditions will serve as the basis for establishing operating standards and conditions for future operations.

Simply revising the O&M Agreements will not address the difficulties and inconsistencies associated with multiple contractors and governing boards. In order to fully gain the advantages of operating the SEAPA Facilities as an integrated utility system as well as maximize the benefits to the Member Utilities, it is recommended that either a single operating contractor or

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SEAPA operate and maintain the projects. The advantages for a single operating organization include:

- Cross-training of operators to work either project or together for certain tasks, as needed;
- Potential reduction in the total number of operators;
- Potential reductions in O&M costs and better cost control;
- Uniform and consistent training of operators;
- Better coordination between operators and SEAPA management and operations staff;
- Tighter integration of R&R projects with operating staff;
- Potential for improvements in budgeting and budget approval procedures;
- Reductions in the number of board and council approvals needed for budgets, labor agreements and other factors.

A concern was noted with regard to bidding out the O&M Agreement to a single contracting firm in that aggregated SEAPA economic efficiency could potentially come at a price to the communities in the loss of local employment and in local purchases of goods and services.

Another noted concern is the importance of electric service to the local communities and the need to seamlessly integrate many of the operational issues with local utility needs. For example, a portion of TBPA Tyee Lake operator time is spent dealing with remote operation and clearances with SEAPA substation breakers serving Wrangell or Petersburg distribution feeders. It will be important to consider these factors in retaining a single contractor. Specific terms and responsibilities will need to be defined.

A single operator would need to be carefully monitored by SEAPA and have the trust of all the key stakeholders. A single operator would also need to have a very carefully detailed list of maintenance requirements for each hydro project and the transmission lines. It will be important to update the O&M standards and define them in significant detail as part of contracting to a single operator. This is less of a problem if SEAPA were to be the operator as SEAPA and its Board of Directors have an obligation to and accountability with the Member Utilities.

Another challenge with a single operating organization will be coordinating modifications to the two IBEW bargaining agreements that now govern the Swan Lake and Tyee Lake operators. The KPU three-year labor agreement was recently signed and the TBPA agreement will be negotiated in 2013. Likewise, as broadband fiber optic communication is brought to the projects and as the Tyee Lake DOS based SCADA system is replaced, there will be the potential to add site security features, increased smart automation, and make enhanced operator training available on-site.

The transition to a single operator organization will require a fair amount of work on SEAPA's part, but in the long-run a single O&M entity would be much more efficient and cost-effective than with the current arrangement of two contractors.

Proposed Operations and Maintenance Staffing

If SEAPA were to undertake the operation and maintenance of both projects or if a single O&M contractor were retained, we would recommend that the number of operators be reduced at the plants. Hydroelectric plants similar to the Swan Lake and Tyee Lake projects are regularly operated and maintained with fewer operators than are currently used by TBPA and KPU. In the past, KPU and TBPA have used fewer operators at the projects and it was not indicated to have caused a problem with reliability. An operating staff of two full-time operators at each plant working five day shifts could be employed. The five day work weeks would not coincide at the two plants so that a caretaker could rotate between the plants to provide security on the days that the two operators are not at the project.

A fifth operator would serve as a rover or relief operator alternating between the plants and providing backup during vacations and at other times. This fifth operator could have other duties and be an assistant operations manager. The skills of the operators could vary but could be general hydroelectric plant operators, as compared to the traditional electrical or mechanical classifications (See Appendix C). With SEAPA or a single contractor handling O&M, the operators could alternate between the projects and at times provide support to each other at one of the plants for special projects and heavier work needs.

At the present time, there are currently approximately 16 FTE's and two seasonal right of way employees devoted to the SEAPA Facilities (See Table 6). There is some additional management and administrative effort provided by KPU in support of their role as an O&M Contractor. Charges for this support labor show up either in overhead rates applied to direct labor costs or in billed hourly charges by KPU to SEAPA. TBPA has some services associated with accounting and billing provided by the City of Wrangell. It should also be noted that some of the TBPA office labor cost is paid directly by Wrangell and Petersburg. Also there are other services now provided by firms under contract either to KPU, TBPA, or directly with SEAPA.

In addition to showing the current staffing levels, Table 6 also shows the proposed staffing if SEAPA were to undertake O&M for the projects directly or if a single contractor were to be retained. In the case of SEAPA undertaking O&M directly, all of the current positions at SEAPA would be continued. We would recommend that one additional FTE be included on staff to serve as an Assistant Operations Director assigned to coordinating training, communications and IT systems, and potentially provide some CADD capability. This employee would also provide operator assistance at the plants periodically as needed. For the single contractor case, the Assistant Operations Director could potentially be an employee of the contractor in a supervisory role. The addition of employees with alternative skills would mitigate some of the impact of the reduction of operators at the Projects.

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**Table 6
Southeast Alaska Power Agency
Potential Modified Organizational Structures**

Existing Organizational Structure			Modified SEAPA Structure With SEAPA Providing O&M	Modified Structure with Single Contractor	
SEAPA	KPU	TBPA		SEAPA	O&M Contractor
CEO			CEO	CEO	
Executive Assistant			Executive Assistant, HR	Executive Assistant, HR	
Controller			Controller	Controller	
Director of Operations			Director of Operations	Director of Operations	
Director Special Projects			Director Special Projects	Director Special Projects	
	Foreman		Assistant Operations Manager (Operator Training, IT and Communications Systems, Roving Operator Tech and Backup)		Operations Supervisor
	Operator		Senior Operator		Senior Operator
	Operator		Operator		Operator
	Operator		Operator		Operator
		General Manager	Operator		Operator
		Office Manager	Roving Caretaker		Roving Caretaker
		Foreman	Right of Way foreman		Right of Way foreman
		Operator	Seasonal worker		Seasonal worker
		Operator	Seasonal worker		Seasonal worker
		Relief Operator			
		Right of Way foreman			
		Seasonal worker			
		Seasonal worker			

For SEAPA to fully undertake O&M of the Swan Lake and Tyee Lake projects and the STI, it would likely require a staff of about eleven regular employees plus some seasonal employees related to right of way clearing. SEAPA currently has five employees. There would be an increase in payroll, purchasing, human resources, public affairs and training functions that SEAPA does not now provide. Some of these functions are directly or indirectly currently supplied by TBPA and KPU. As we stated, we feel that there could be a potential reduction in the number of operator staff if road/airstrip snow removal functions and related shift transportation functions can be streamlined. This could allow for a potential increase in some functions such as training, information technology, electronics, public affairs at SEAPA and its assets.

Estimated Costs and Benefits

The proposed modified structure will result in the saving of four FTEs and depending on the schedule of operators, additional savings in transportation costs. Whether the O&M is to be provided by a single contractor or SEAPA directly, the estimated cost savings is between \$450,000 and \$500,000 per year when compared to the current costs of O&M. An O&M contractor could potentially include certain administrative and overhead costs among its charges to SEAPA. These costs would need to be defined at the time a contract for O&M services is negotiated. Table 7 shows the estimated cost savings with the modified O&M services approaches.

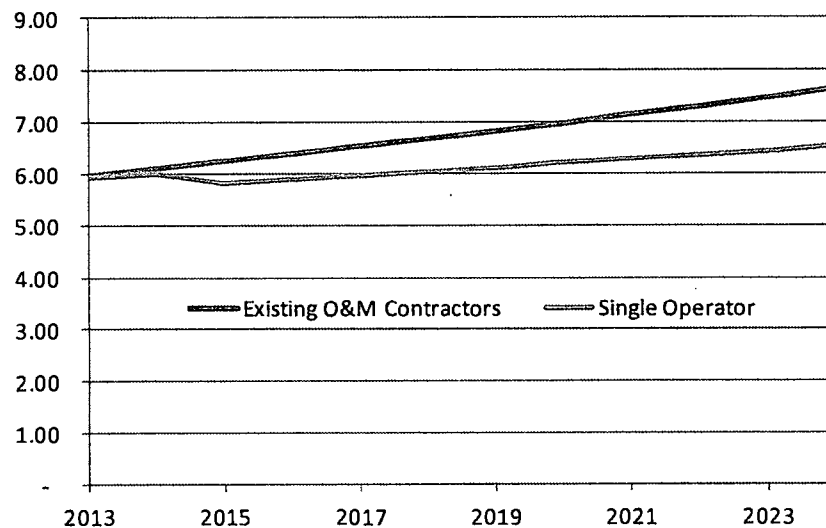
**Table 7
Southeast Alaska Power Agency
Potential Cost Savings with Modified Organizational Structures**

	Cost Reduction	Cost Increase
Plant Operator	\$ 154,000	\$ -
Plant Operator	154,000	-
Plant Operator	139,000	-
Plant Operator	139,000	-
TBPA Manager	115,500	-
Asst. Operations Manager		130,000
Roving Caretaker		120,000
Operator Transportation	10,000	-
Total	\$ 711,500	\$ 250,000
Net Reduction	\$ 461,500	

Assuming that O&M costs were to be reduced by an estimated \$460,000 per year beginning in fiscal year 2015 and that O&M costs would increase annually by 4% per year for the existing case and 2.5% for the single operator case, the estimated cost of power from SEAPA to the Member Utilities would be 6.5 cents per kWh in 2024 compared to 7.7 cents per kWh if the reductions in O&M costs were not made⁷. SEAPA should have a greater opportunity to control and manage costs if it were to operate the projects itself. As a result, it is assumed that escalation in annual O&M costs would be less for the projects if SEAPA were to provide O&M services. The estimated cost of SEAPA power to the Member Utilities is shown in the following chart.

⁷ Based on estimated costs as provided by SEAPA for the Status Quo case assuming no new generating plant developments by SEAPA. Total SEAPA annual energy sales are assumed to increase 1.25% per year from 176,200 MWh in 2015 to 197,100 MWh in 2024.

Figure 3
Estimated Wholesale Cost of SEAPA Power
Cents per kWh



Without a detailed evaluation of current O&M contractor budgets, it can't be stated precisely what total cost savings could potentially be realized. It is important to note, however, that the proposed modified structure includes additional technical capabilities for SEAPA that will directly benefit the operations and maintenance of the system.

Proposed Action Plan

The actions to be undertaken by SEAPA with regard to changes to the operations and maintenance of the SEAPA Facilities will depend upon which approach the SEAPA board chooses to undertake. Further, since additional information will most likely be needed to determine if significant changes are to be made, it is reasonable to expect that various decision points be established where alternative directions can be taken if deemed appropriate. We have prepared a list of action items that could be undertaken by SEAPA to transition towards an alternative approach to operating and maintaining the SEAPA Facilities.

1. Provide notice of cancellation of current O&M contracts.
2. Define and develop operating standards and criteria for the SEAPA Facilities that closely align with the current configuration of the SEAPA system.
3. Develop contract terms, specifications and standards that would supplant and augment the terms and conditions of the existing O&M Agreements.
4. Evaluate contractual arrangements for current employees of the O&M contractors to determine the best way for transitioning these employees to the alternative means of operations and maintenance at the Projects.
5. Define on-going responsibilities of SEAPA staff.
6. Discuss potential transitional labor agreement with the IBEW if SEAPA is to take over operations and maintenance of the SEAPA Facilities. If a single contractor is to be used, the contractor will need to conduct discussions with the IBEW.
7. Solicit bids for O&M contractors.
8. Evaluate bid results and determine if a contractor is to be retained or if SEAPA should undertake the operations and maintenance function.
9. Develop operating plan for SEAPA to operate and maintain the Projects.

Many of the items in the preceding list can be defined and developed; however, the SEAPA board may ultimately decide not to actually undertake an alternative operating approach. In this manner, as additional research is conducted and cost estimates and transitional operating procedures are prepared it may be determined that going forward would not yield the net benefits desired by SEAPA. If changes in the O&M procedures are not made and the cost of operations and maintenance continue to increase at the historical rate, the time when the wholesale price of power will need to be increased will come sooner rather than later.

The development of contract terms and specifications as indicated in Items 2 and 3, above, could serve as the basis for developing a request for proposals (RFP) for a single operating contractor. The RFP should include provisions for industry standard operating procedures tailored to the specific locations and characteristics of the SEAPA Facilities. The RFP should also state terms and conditions for performance, measures of compliance and non-compliance, financial backing terms for non-compliance, standard payment terms and payment terms for operational excellence objectives, among other items.

If SEAPA decides to pursue a single O&M contractor option, the following chart provides a timeline to implement this option. As shown in the chart, the expected transition date for the new contractor is July 1, 2014.

Southeast Alaska Power Agency
Operations and Maintenance Organization Review

Figure 4
Proposed Action Plan Timeline
Single O&M Contractor Alternative

Milestone or Task	Schedule and Milestones																		
	20-Sep-12	Oct 2012	Dec 2012	Feb 2013	Apr 2013	May 2013	1-Jul-13	Sep 2013	20-Sep-13	Oct 2013	Nov 2013	Dec 2013	23-Jan-14	Feb 2014	Mar 2014	Apr 2014	May 2014	Jun 2014	1-Jul-14
Board Decision to continue with O&M Review, provide notice of cancellation of O&M contracts	●																		
Define and develop operating standards and criteria aligned with current system		■	■	■															
Develop contract terms, specifications and standards to replace existing O&M Agreements					■	■													
Evaluate contractual arrangements for current employees, develop transition plan			■	■	■														
Begin final year of existing O&M Contracts							●												
Define on-going responsibilities of SEAPA staff					■	■	■	■											
Develop RFP for O&M contractor services								■											
Issue Request for Contractor Proposals									●										
Evaluate Proposals										■	■	■							
Select Contractor													●						
Contract Negotiation														■	■	■			
Contractor Preparations																■	■	■	
New O&M Contract Executed and Operating																			●

CITY & BOROUGH OF WRANGELL, ALASKA

BOROUGH ASSEMBLY AGENDA ITEM September 25, 2012

ITEM NO. *13d Final Plat Approval for Woody Wilson Subdivision

INFORMATION:

1. Memo from Lavonne Klinke, P & Z Secretary, dated 9-18-2012
2. Maintenance Agreement for Woody Wilson Subdivision, dated 9-11-2012

RECOMMENDED ACTION:

APPROVED UNDER CONSENT AGENDA

Memo

To: Kim Flores, City Clerk
From: Lavonne Klinke, P & Z Secretary
CC: City Council Members
Date: 9/18/2012
Re: Final plat review of the Woody Wilson Subdivision, a subdivision of a portion of Lot 4, Block2, USS 1593, Creating lots 4B-1, 4B-2, 4B-3 and 4B-4, zoned single family residential, requested by Woody Wilson.

The Planning and Zoning Commission at their Regular meeting of September 13, 2012 approved the Final plat review of the Woody Wilson Subdivision, a subdivision of a portion of Lot 4, Block2, USS 1593, Creating lots 4B-1, 4B-2, 4B-3 and 4B-4, zoned single family residential, requested by Woody Wilson. Motion passed unanimously by polled vote.

**Maintenance Agreement For
Woody Wilson Subdivision, Wrangell, Alaska**

Wrangell Recording District

September 11, 2012

This document shall constitute an agreement for the maintenance of the common road ways and utilities that provide service to each lot receiving benefit from such common improvements. It is understood that the access road and common utilities to Lots 4B-1, 4B-2, 4B-3 & 4B-4, Woody Wilson Subdivision shall each receive equal benefit from such improvements and shall participate equally in the joint maintenance and the costs associated thereby to provide for the upkeep, clearing, access and functionality for such improvements. A common water line and sewer line serving Lots 4B-1, 4B-2, 4B-3 and 4B-4 shall be maintained and costs divided evenly for all maintenance and repairs, with the exception that the repair and maintenance cost of the water and sewer service line (branch line) serving each lot from the main line shall be by the owner of the lot in which the branch line serves. The access is a private access not maintained by any public organization or agency therefore this document shall become binding upon each individual entity owning or controlling one or more of Lots 4B-1, 4B-2, 4B-3 & 4B-4, Woody Wilson Subdivision. If any additional lots shall receive benefit from this road access and utilities then these costs shall be extended to include them proportionally. If alternate access or utility services are constructed upon a lot, the lot shall become exempt from the maintenance of any utility services or access improvements which the lot no longer receives benefit from. The meeting shall, unless otherwise agreed to in writing by majority of lot owners, be held on June 1st of each year telephonically in a conference call or other suitable communication method. In such meeting the status of costs, functionality, and suitability of common improvements shall be discussed. Any need to amend this document shall occur by complete consensus by all property owners in attendance at the designated annual meeting.

Signed _____

Larry A. Wilson - Owner

Date _____

9-17-2012

Signed _____

Peggy Wilson - Owner

Date _____

9-17-12



Witness the hand(s) of said Grantor(s) this 17th day of Sept, A.D. 2012

Notary Commission Expires: 08/10/2014

Candace Moody

CITY & BOROUGH OF WRANGELL, ALASKA

BOROUGH ASSEMBLY AGENDA ITEM September 25, 2012

ITEM NO. 14

ATTORNEY'S FILE:

Invoice Attached

CITY & BOROUGH OF WRANGELL, ALASKA

BOROUGH ASSEMBLY AGENDA ITEM September 25, 2012

ITEM NO. 15

EXECUTIVE SESSION

None