



**City & Borough of Wrangell  
SPECIAL ASSEMBLY MEETING AGENDA  
Tuesday, December 3, 2013  
7:00 p.m.**

1. Call to Order
2. Roll Call
3. Conflict of Interest:
4. Persons to be Heard:
5. Items of Business:
  - a. PROPOSED RESOLUTION No. 12-13-1287: A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, PROVIDING FOR THE AMENDMENT OF THE JOB DESCRIPTION FOR THE FINANCE DIRECTOR
  - b. PROPOSED RESOLUTION No. 12-13-1288: A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING THE PARTICIPATION AGREEMENT WITH THE PUBLIC EMPLOYEES RETIREMENT SYSTEM OF ALASKA (PERS) BY ADDING THE BOROUGH MANAGER TO SAID AGREEMENT
  - c. Discussion and possible action on the TBPA/SEAPA issues
    - a) Power attorney's answers to Assembly's questions
    - b) Petersburg Borough Assembly Resolution
    - c) Future of TBPA & Commission
      - i. Status quo
      - ii. TBPA absorbed by Wrangell
      - iii. TBPA absorbed by SEAPA
      - iv. TBP Commission active vs. inactive status
    - d) SEAPA issues – suggestions for increased communication, transparency and trust-building
    - e) Wrangell's SEAPA Board members (2 voting + 2 alternates)
    - f) MOU between the City of Ketchikan, Wrangell & Petersburg regarding study of divestiture of SEAPA
    - g) Wrangell's Energy Committee

d. **Executive Session:** Approval of the new Borough Manager's contract

6. Adjournment

# **Agenda Item 5a**

## **CITY & BOROUGH OF WRANGELL**

### **BOROUGH ASSEMBLY SPECIAL MEETING AGENDA ITEM December 3, 2013**

#### **INFORMATION:**

PROPOSED RESOLUTION No. 12-13-1287: A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, PROVIDING FOR THE AMENDMENT OF THE JOB DESCRIPTION FOR THE FINANCE DIRECTOR

#### **Attachments**

1. Memo from Jeff Jabusch, Borough Manager, dated November 17, 2013
2. Revised Job Description for the Finance Director position
3. Proposed Resolution No. 12-13-1287

#### **RECOMMENDED ACTION:**

Move to approve Resolution No. 12-13-1287.

## **MEMORANDUM**

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

**FROM: JEFF JABUSCH  
FINANCE DIRECTOR**

**SUBJECT: RESOLUTION NO. 12-13-1287  
TO CHANGE THE JOB DESCRIPTION OF FINANCE DIRECTOR**

**DATE: NOVEMBER 17, 2013**

### **BACKGROUND:**

The current job description was put together by our consultant some time ago and probably wasn't looked at with the current situation in mind. It is very possible with the number of finance director positions available throughout the state, that we are not likely to get what we want in the current job description with the pay we can offer.

I think by changing the job description to reduce the minimum requirements, but still include the same current other skills as preferable, will give us a much better chance of getting more qualified applicants. If we keep it as it is, we may not get anyone that could meet all of the minimum requirements within our pay range. I am confident that by making this change that we can find someone that will have a good education and other skills that will allow them to be trained in the areas that they may lack.

To give you an example, if the current job description had been in place when I applied, I would not have been able to put in an application nor would the others that had applied at that time.

### **RECOMMENDATION:**

Move to approve resolution 12-13-1287 changing the job description for the position of Finance Director.

### **ATTACHMENTS:**

1. Proposed Resolution No. 12-13-1287

CITY AND BOROUGH OF WRANGELL, ALASKA

RESOLUTION NO. 12-13-1287

A RESOLUTION OF THE ASSEMBLY OF THE CITY  
AND BOROUGH OF WRANGELL, ALASKA,  
PROVIDING FOR THE AMENDMENT OF THE JOB  
DESCRIPTION FOR THE FINANCE DIRECTOR

WHEREAS, the amendment of this position description allows the City and Borough of Wrangell's Administration Department the ability to appropriately update the duties and responsibilities of the Finance Director's position; and

WHEREAS, it is desirable to change the requirements of the job description in order to attract as many qualified applicants as possible; and

WHEREAS, the requirements are changed to allow applicants a lower required standard, but still maintain other higher standards as preferences which will allow a larger field of applicants; and

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, approves the revised job description of the Finance Director as presented.

Section 1. The attached Exhibit "A" is the job description which describes the duties, responsibilities and qualifications for the position of the Finance Director.

Section 2. The new job description for the Finance Director for the Administration Department becomes effective immediately upon adoption.

ADOPTED: \_\_\_\_\_, 2013

\_\_\_\_\_  
David L. Jack, Mayor

ATTEST: \_\_\_\_\_  
Kim Lane, Borough Clerk

**City & Borough of Wrangell****Position Description**

Position: Finance Director	Position Number:
Department/Site: Finance	FLSA: Exempt
Evaluated by: Borough Manager	Salary Grade: 30

**Summary**

Plans, organizes, directs, and coordinates centralized financial management and planning for all City functions and selected outside organizations. Manages financial services including, budgeting, treasury, public financing, liability and debt management, accounting operations, utilities and customer accounting, performance reporting, financial database management, accounting controls, and audit support. Directs and coordinates centralized contract review and administration, personnel, purchasing, and information systems.

**Distinguishing Career Features**

The Director of Financial Services is a senior management position responsible for integrating accounting operations, audit, systems, and controls governing business transactions such as purchasing, contracts, and insurance. Advancement to this position is through promotion and compliance with the qualifications of the position.

**Essential Duties and Responsibilities****Financial Services**

- Establishes annual departmental goals, objectives, and priorities. Directs, trains, and supervises the performance of subordinate work sections, ensuring adequate levels of service to other departments.
- Assures protection of assets by developing and directing administration of internal accounting policies, controls, and procedures for accounting operations that include but are not limited to, revenues and reimbursements, expense budgets, accounts receivable, contracts and accounts payable, payroll, investments, grants, and special funds.
- Directs and prepares periodic reports that compare performance with plans, budgets, and standards. Interprets financial and statistical results. Provides sites and departments with periodic financial management information reports, highlighting variances from plan.
- Forecasts short-range cash requirements and obligations, as a basis for maintaining adequate funds.
- Prepares the annual budget development calendar and instructions. Projects revenues and expenditures. Prepares preliminary and final budget summaries for general and special funds. Develops systems for, and implements financial controls for budgets.
- Executes cash disbursements for payment of expenditures of accounts payable, debt, and payroll in accordance with disbursement and accounting policies.
- Directs fixed asset accounting. Maintains up-to-date accounting of fixed asset account balances. Oversees determination of depreciation rates. Monitors inventory levels,

receives verification after physical inventories are completed, compares book versus actual inventory, and advises others on variances.

- Directs and participates in the closing of financial records to prepare trial balance financial summary statements. Oversees preparation of accounting entries to close accounts, allocation of accounting adjustments, and consolidation to summaries. Prepares final financial statements and performance reports for City and assigned external agencies and special funds.
- Continually reviews accounting systems for appropriate information, accuracy, and controls. Assures that accounting systems comply with appropriate regulations and data transfer requirements.
- Directs and performs the City's public financing, investment and cash management programs. Proposes capital financing and investment guidelines and alternatives. Ensures compliance of financing and investment activities with policy requirements.
- Monitors capital markets and works with bond agencies, investment banking firms, bond insurers, and others connected with issue of revenue bonds or debt borrowings. Monitors the interest rate market to remain alert for refunding opportunities.
- Maintains up-to-date knowledge of laws and regulations governing public agency and capital financing strategies.
- Prepares all grant reports as required by granting agencies and assures that all grant agency requirements are met in the administration of grant funds. Maintains grant folders in a manner that allows auditors easy access to grant documents.

#### **Purchasing, Contracts, and Personnel**

- Directs a program for centralized review and analysis of insurance, purchases and contracts-for-service, and leases for adequacy and to reduce the financial risk of on-going operations, reduce costs, and minimize loss exposure.
- Researches, develops, and implements citywide policies, language, provisions, and procedural controls governing contracts for goods and services. Develops internal procedures for monitoring contractual performance.
- Coordinates and administers the City's insurance coverage for liability, loss recovery, property and asset damage, health and welfare, and other forms of loss prevention.
- Analyzes risk-and-return for decisions on the amount of coverage and self-funded versus third party insurance. Establishes special funds for self-insured claims. Purchases insurance coverage. Negotiates terms and cost of coverage.
- Serves as the City point-of-contact for all insurance and claim matters. Directs, coordinates and/or investigates claims. Works with external adjusters, investigators, and internal safety professionals to adjudicate claims.
- Organizes and directs activities connected with employment, recruitment, and candidate selection processes. Assures compliance with recruitment policies and procedures.
- Serves as advisor to management and staff on matters such as performance management, skill development, general morale, and other employee relations matters. Evaluates

human relations and work related problems, recommending the most effective solutions.

- Communicates salary and benefit programs to employees. Ensures that employees get timely service on benefits matters.
- Performs other duties as assigned that support the overall objective of the position.

## **Qualifications**

### **▪ Knowledge and Skills**

Requires advanced-specialized professional knowledge of the theory, principles, and procedures of accounting, auditing and financial management for governmental agencies. Requires in-depth knowledge of the principles and procedures used in budget preparation, accounting administration, and development of internal control. Requires professional knowledge of the principles and techniques used in public financing, investing, financial analysis, and research. Requires in-depth knowledge of the company's accounting data entry and storage systems. Requires in-depth knowledge of the external audit process. Requires considerable knowledge of the laws and regulations governing financial transactions. Requires a working knowledge of insurance and insurability including risk-and-return analysis. Requires a working knowledge of centralized purchasing and material management functions. Requires advanced math skills to perform an array of business and statistical calculations. Requires well-developed skill with personal computer software sufficient to design and use spreadsheet and database models. Requires well-developed language skills to prepare business plans and complex reports seen by the public. Requires well-developed human relations skills sufficient to carry out negotiations, make formal presentations, conduct performance reviews, and communicate technical concepts to diverse audiences.

### **▪ Abilities**

Requires the ability to carry out all aspects of the position. Requires the ability to conduct complex analyses of accounting systems, financial reports, business opportunities such as grants and capital projects, investments, and on-going operations. Must be able to convert financial information and outcomes into reports of findings and conditions. Must be able to gather and analyze data and develop conclusions and recommendations. Must be able to develop projections using historical data and inferential methods. Must be able to think critically and creatively. Requires the ability to supervise, train, evaluate and motivate staff in a way that optimizes service. Requires the ability to plan, organize and prioritize complex and technical work processes in order to meet schedules and timelines. Requires the ability to work cooperatively with senior citizens. Requires the ability to work as contributing member of a team, work productively and cooperatively with other teams and external customers, and convey a positive image of the City and its services.

### **▪ Physical Abilities**

Requires the ability to function primarily indoors in an office environment engaged in work of primarily a sedentary nature. Requires sufficient ambulatory ability to move about to office and remote locations. Requires auditory ability to carry on large audience, ordinary, and telephonic conversations. Requires near visual acuity to read printed material, computer screens, and observe physical settings. Requires manual and finger dexterity to write and to operate microcomputers and other office equipment. Requires the ability to alternatively sit and stand for sustained periods of time to deliver presentations and perform work.



- **Education and Experience**

The position requires a bachelor's degree in accounting. Experience with federal or state grants, budgeting, auditing and governmental accounting is preferred but not required. Active CPA is preferred, but not required. Supervisory experience or work experience in a highly responsible position preferred, but not required. Experience with computer related accounting systems and operations desired, but not required.

- **Licenses and Certificates**

CPA certificate desired. May require a valid driver's license.

- **Working Conditions**

Work is performed indoors where minimal safety considerations exist.

*This job/class description, describes the general nature of the work performed, representative duties as well as the typical qualifications needed for acceptable performance. It is not intended to be a complete list of all responsibilities, duties, work steps, and skills required of the job.*

# **Agenda Item 5b**

## **CITY & BOROUGH OF WRANGELL**

### **BOROUGH ASSEMBLY SPECIAL MEETING AGENDA ITEM December 3, 2013**

#### **INFORMATION:**

PROPOSED RESOLUTION No. 12-13-1288: A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING THE PARTICIPATION AGREEMENT WITH THE PUBLIC EMPLOYEES RETIREMENT SYSTEM OF ALASKA (PERS) BY ADDING THE BOROUGH MANAGER TO SAID AGREEMENT

#### **Attachments**

1. Memo from Jeff Jabusch, Borough Manager, dated November 15, 2013
2. Proposed Resolution No. 12-13-1288
3. Participation Agreement Amendment No. 8

#### **RECOMMENDED ACTION:**

Move to approve Resolution No. 12-13-1288.

## **MEMORANDUM**

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

**FROM: JEFF JABUSCH  
BOROUGH MANAGER**

**SUBJECT: RESOLUTION No. 12-13-1288  
CHANGING THE PARTICIPATION AGREEMENT WITH THE STATE  
OF ALASKA PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

**DATE: November 15, 2013**

### **BACKGROUND:**

I would like to continue to participate in the Public Employees Retirement System (PERS) through the State of Alaska like other employees. Currently the position of borough manager is not part of the participation agreement we have with PERS. In order for me to continue in the retirement system, the borough needs to amend the participation agreement with PERS allowing the position of borough manager to be eligible.

### **RECOMMENDATION:**

Approve Resolution No. 12-13-1288, which will change the borough's participation agreement with the State of Alaska's Public Employees Retirement System (PERS) for the purpose of allowing the borough manager to participate.

### **RECOMMENDED MOTION:**

Move to approve Resolution No. 12-13-1288.

### **ATTACHMENTS:**

1. Proposed Resolution No. 12-13-1288
2. Participation Agreement Amendment No. 8

CITY OF WRANGELL, ALASKA

RESOLUTION NO. 12-13-1288

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING THE PARTICIPATION AGREEMENT WITH THE PUBLIC EMPLOYEES RETIREMENT SYSTEM OF ALASKA (PERS) BY ADDING THE BOROUGH MANAGER TO SAID AGREEMENT

WHEREAS, the City of Wrangell, a political subdivision of the State of Alaska, entered into a participation agreement with the Public Employees Retirement System on January 1, 1974; and

WHEREAS, the City of Wrangell had previously exempted the position of Borough Manager from participating in the Public Employees Retirement System; and

WHEREAS, the City desires that the position of Borough Manager be included in the retirement system.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, approves the amendment to PERS by adding the Borough Manager.

Section 1. The political subdivision agrees to have the position of Borough Manager to participate in the Public Employees Retirement System.

Section 2. This resolution and the Public Employees Retirement System amendment is effective retroactive to August 7, 2013.

ADOPTED: \_\_\_\_\_, 2013

\_\_\_\_\_  
David L. Jack, Mayor

ATTEST: \_\_\_\_\_  
Kim Lane, Borough Clerk

## PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Division of Retirement and Benefits  
PO Box 110203 Juneau, AK 99811-0203  
Phone: (907) 465-4460  
Fax: (907) 465-3086

### PARTICIPATION AGREEMENT AMENDMENT NO. 8

The Public Employees' Retirement System (PERS) Participation Agreement entered into between the State of Alaska (hereafter referred to as the State) and the City & Borough of Wrangell  
(employer name)  
on 12-3-2013, and approved by the State on \_\_\_\_\_  
(date) (date)

is amended effective 8-7-2013, by changing subparagraph A2  
(date)

on page 1 to read as follows (type text of new subparagraph):

The Political Subdivision agrees that (optional): All permanent full-time employees (those whose positions normally require 30 or more hours of work each week) and that all permanent part-time employees (whose positions normally require 15 or more but less than 30 hours of work each week) will participate in the PERS except for the following employees: Wrangell Medical Center (Hospital) employees, seasonal employees, all temporary employees, non-permanent and elected officials, and the position of project manager are all exempt.

This paragraph is amended to allow the borough manager to participate in PERS.

\_\_\_\_\_  
**Authorized Representative Signature**

\_\_\_\_\_  
**Authorized Representative Name (please type/print)**

\_\_\_\_\_  
**Authorized Representative's Title**

**Approved:**

\_\_\_\_\_  
**Administrator**

\_\_\_\_\_  
**Date**

# Agenda Item 5c

## CITY & BOROUGH OF WRANGELL

### BOROUGH ASSEMBLY SPECIAL MEETING AGENDA ITEM December 3, 2013

#### INFORMATION:

Discussion and possible action on the TBPA/SEAPA issues

- a. Power attorney's answers to Assembly's questions
- b. Petersburg Borough Assembly Resolution
- c. Future of TBPA & Commission
  - i. Status quo
  - ii. TBPA absorbed by Wrangell
  - iii. TBPA absorbed by SEAPA
  - iv. TBP Commission active vs. inactive status
- d. SEAPA issues – suggestions for increased communication, transparency and trust-building
- e. Wrangell's SEAPA Board members (2 voting + 2 alternates)
- f. MOU between the City of Ketchikan, Wrangell & Petersburg regarding study of divestiture of SEAPA
- g. Wrangell's Energy Committee

#### Attachments:

- 1. Correspondence from Svend A. Brandt-Erichsen, Attorney, dated November 13, 2013
- 2. Petersburg Borough approved Resolution No. 2013-21
- 3. Memorandum from Trey Acteson, SEAPA CEO, dated August 19, 2013
- 4. Letter from Assembly Member Daniel Blake, dated October 22, 2013

#### RECOMMENDED ACTION:

Assembly Discussion and Possible Action



1191 Second Ave, Suite 2200  
Seattle, WA 98101

T 206.292.2600  
[www.martenlaw.com](http://www.martenlaw.com)

Svend A. Brandt-Erichsen  
206.292.2611  
[svendbe@martenlaw.com](mailto:svendbe@martenlaw.com)

November 13, 2013

Privileged and Confidential

VIA ELECTRONIC and U.S. MAIL

Jeff Jabusch  
Interim Borough Manager  
City and Borough of Wrangell  
P.O. Box 531  
Wrangell, AK 99929

RE: *Thomas Bay Power Authority*  
Response to Question re Administrative Costs

Dear Mr. Jabusch:

This letter responds to three questions you have asked me regarding clerical and administrative expenses for the Thomas Bay Power Authority (TBPA). Here are the short answers to each of your questions, followed by a background discussion and the analysis that supports the short answers:

**Short Answer**

***1. Are TBPA clerical and administrative costs normally allowed under FERC accounting code 539 and the Long Term Power Sales Agreement?***

As explained below, certain TBPA supervisory activities and clerical support for those activities would fall under FERC accounting code 535. General clerical costs in support of hydroelectric operations would fall under code 539.

The assignment of a cost to a FERC code does not establish a right to recover those costs. TBPA does not sell electricity, so its compensation is not linked to power rates or FERC regulatory requirements. TBPA is compensated for operating the Tyee Lake project under the terms of contracts, and it is those contracts that determine what TBPA costs can be recovered.

The relevant agreements are the Operation and Maintenance Agreement for TBPA (Tyee O&M Agreement) and the Long Term Power Sale Agreement (PSA). The O&M Agreement limits TBPA cost recovery to the O&M budget approved by the Southeast Alaska Power Authority (SEAPA). Similarly, the PSA limits Wrangell's ability to deduct TBPA costs to those costs contained in a SEAPA-approved O&M budget.

***2. Does Southeast Alaska Power Authority (SEAPA) have the legal right to deny reimbursement of TBPA clerical and administrative costs based on SEAPA's Policies and Procedures Handbook?***

Neither the Tyee O&M Agreement nor the PSA specify whether TBPA general administrative costs can be classified as O&M expenses. The PSA says that approved costs are subject to procedures prescribed by SEAPA. I understand that SEAPA uses a Policies and Procedures Handbook that was compiled in 2005 for the Four Dam Pool Power Agency. Since the Handbook proscribes standards and procedures for O&M budgeting, the PSA makes the Handbook applicable to determine TBPA's recoverable O&M costs. As a result, SEAPA does have authority to make decisions regarding TBPA's budget using the Handbook.

It may be possible to argue about whether the Handbook's budgeting standards allow recovery of TBPA's administrative costs. There is a Handbook provision (Section 6.1.1(2)) that excludes general administrative costs. A clause in that paragraph allows administrative costs if they are necessitated by operation of the Project. An argument could be made that all TBPA costs are due to Project operations, since TBPA has no other purpose. However, this Handbook provision appears to have been adopted specifically to exclude the sort of general administrative costs that are at issue. So, while it is possible to make this argument, it seems unlikely to succeed. Moreover, if TBPA administrative costs could be shifted to SEAPA, presumably Ketchikan would want to do the same with its utility's administrative costs. Ultimately that could prove more expensive for Wrangell than the existing arrangement.

***3. If SEAPA does not have the right to deny these charges, can Wrangell deduct these costs when it pays the monthly power bill to SEAPA?***

The PSA does not give Wrangell the power to independently determine on its own whether a TBPA operating cost is recoverable. The PSA only authorizes deduction of costs that have been approved by SEAPA. So, even if Wrangell wanted to pursue an argument about whether the Handbook allows recovery of general administrative costs, the PSA does not give Wrangell the right to unilaterally begin deducting those costs while that argument plays out with SEAPA.



## **Background**

The Assembly's questions stem from a dispute regarding responsibility for TBPA's administrative costs. I understand that historically Petersburg has paid half of these administrative costs, but that it is refusing to pay its share of these costs going forward. You also have told me that TBPA proposed an O&M budget for the Tyee Lake hydroelectric project to SEAPA that included the administrative costs, referred to as "net non-billables," and that SEAPA approved the overall Tyee Lake O&M budget but rejected the net non-billables portion of the proposed budget.

There are several agreements and governing documents that are relevant to questions regarding responsibility for TBPA's administrative costs. SEAPA is a Joint Action Agency (JAA), an Alaska Public Corporation created under authority of AS 42.45.300 to 42.45.320. SEAPA formerly was the Four Dam Pool Power Agency, initially formed by five utilities in December 2000. Two utilities withdrew, and since 2008 SEAPA has had three members: Wrangell, Petersburg and Ketchikan. SEAPA is currently governed by the Third Amended and Restated Joint Action Agency Agreement (the JAA Agreement).

TBPA is an entity created and governed jointly by Wrangell and Petersburg. SEAPA owns (and holds the FERC licenses for) two hydroelectric power projects – Tyee Lake and Swan Lake. TBPA operates the Tyee Lake Project under an operation and maintenance agreement with SEAPA (the Tyee O&M Agreement). The Swan Lake Project is operated by Ketchikan's utility, under a separate O&M agreement.

SEAPA sells power from the projects to the three member communities under the PSA. The current PSA was signed in 2008, replacing the PSA that governed operations of the Four Dam Pool. Revenues from the power sales are used to make bond payments and to operate and maintain the hydro projects and other SEAPA assets. Power output from Tyee Lake is dedicated, in the first instance, to meeting firm power requirements for Wrangell and Petersburg.

Provisions of the Tyee O&M Agreement and the PSA are relevant to the question of TBPA's administrative costs and are discussed in the analysis below. There also is one additional relevant document: the Policies and Procedures Handbook dated June 2005. The Handbook was developed for the Four Dam Pool Power Agency. I understand that SEAPA continues to rely upon the Handbook to guide its operations.

## **Analysis**

### **Where would TBPA Administrative Costs Be Categorized Under FERC's Accounting System?**

FERC has developed a standardized accounting system applicable to all FERC licensees and to all public utilities that are subject to FERC jurisdiction. 18 C.F.R. Part 101.

TBPA is neither a FERC licensee nor a public utility subject to FERC jurisdiction. However, Section 5 of the Tyee O&M Agreement requires TBPA to use the FERC accounting procedures in keeping its books, presumably because SEAPA is the FERC licensee for the Tyee Lake Project.

The FERC accounting system requires more detailed accounting from major utilities and licensees than from smaller utilities and licensees (called “nonmajor utilities” in FERC’s system). Part 101, General Instructions, ¶¶ 1.A and 1.D. The “major” and “nonmajor” criteria are based on power sales. A “major” utility is one with total sales of at least 1 million megawatt-hours, or sales for resale of at least 100 megawatt-hours. *Id.* Since SEAPA’s sales to the communities are for resale, I assume (but have not confirmed) that it is categorized as a major utility under FERC’s accounting system based on sales for resale.

FERC’s accounting system uses a three-digit numbering code with eight general categories of accounts. The 500 series is used to categorize production, transmission and distribution expenses. Part 101, General Instructions, ¶ 3.

For nonmajor utilities, all of the costs of operating a hydroelectric facility, including supervision costs, are reported under code 535. For major utilities, the costs that nonmajor utilities report under code 535 are spread over codes 535-539. Major utilities use code 535 only for the general supervision and direction of hydro facility operations. Costs of operating hydraulic works (including direct supervision) go under code 537, costs of operating electrical equipment (including direct supervision) go under code 538, and miscellaneous labor and expenses are recorded under code 539. The accompanying instructions indicate that code 539 includes general clerical, as well as costs like guarding the plant and yard, building service, snow removal, first aid supplies and safety equipment, office supplies, etc. *See* Part 101.

FERC’s general instructions for the accounting system include guidance on what costs major utilities should record to “operation supervision and engineering” (code 535 for hydro facilities). The instructions state:

The supervision and engineering includable in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each utility function.

Pt. 101, Operating Expense Instructions, ¶ 1. The instructions then list items that major utilities should charge to this category, including preparing or reviewing budgets and estimates related to operation or maintenance activities, reviewing and analyzing operating results, establishing organizational setup of departments, and formulating and reviewing routines of departments, as well as secretarial work for supervisory personnel –

but not general clerical work chargeable to other accounts. *Id.* Those general clerical costs would be recorded to code 539.

Based on the above, assuming TBPA follows the accounting procedures for major utility, I would expect TBPA's general supervisory activities, including secretarial support for supervisory activities, to be recorded to code 535. General clerical and administrative support for operation of hydraulic works and electrical production would be recorded to code 539. Without additional information regarding the work performed by TBPA's board, I cannot say definitively whether administrative costs associated with governance of TBPA would fall within code 535. That question can be answered by comparing the Board's work to the tasks listed and described in Part 101's Operating Expense Instructions.

*Assuming TBPA Administrative Costs Fall Within FERC Accounting Codes, Does That Make Them Recoverable From SEAPA?*

While some of TBPA's administrative costs are likely to fall under code 539, and others under code 535, that in and of itself does not make those costs recoverable from SEAPA. FERC's accounting system is simply a standardized approach to accounting for the revenues and costs associated with electric power facilities. A FERC licensee is required to record its costs using this standard accounting system and to provide FERC with access to those records on request, but the obligation for any party to pay those costs must be found elsewhere.

IF TBPA were selling electric power, then the fact that administrative costs are recognized in the FERC accounting system would support inclusion of those costs in TBPA's power rate base. But here, TBPA has no role in power sales. It operates Tyee Lake under a contract with SEAPA. The PSA also contains relevant terms. These documents give SEAPA authority over the Tyee Lake project's budget. Neither the O&M Agreement nor the PSA make any reference to FERC accounting codes, so the classification of TBPA costs within the FERC accounting system does not appear relevant to whether those costs are recoverable from SEAPA.

*Does the Tyee Lake O&M Agreement Obligate SEAPA to Pay TBPA's Clerical and Administrative Expenses?*

The Tyee O&M Agreement provides only general guidance on what costs should be included in TBPA's annual budget for operation and maintenance of Tyee Lake. Section 6 of the Agreement sets out the process for development and approval of TBPA's annual budget. Sections 6(a) and (b) provide that TBPA is to prepare an annual draft budget based on "a reasonable estimate of all anticipated expenditures for operating and maintaining the Project Facility during the Contract Year." Section 6(c) provides that SEAPA is to review the draft budget and forward its recommended budget for Project Management Committee (PMC) approval. Section 6(d) provides that TBPA is not to

make any expenditures in excess of the approved budget unless a revised budget has first been approved. Thus, SEAPA is given the power to approve TBPA's budget, but Section 6 does not provide any detailed direction on the content of the budget.

There is some additional guidance provided by Section 4, which lists TBPA's general responsibilities under the O&M Agreement. These include "all operations of the Project Facility," and providing "all material, labor, technical support, and training to operate maintain and repair the Project Facility." Again, these are fairly broad descriptions and do not provide direct guidance on whether clerical or administrative costs are properly part of the annual budget. There is however, further general and specific direction provided by Section 4 regarding facility operations, including a provision that TBPA "shall also prepare operating and financial statements ... relating to the operation, maintenance and repair of the Project Facility." Section 4(f)(6). Administrative or supervisory staff presumably are responsible for preparing operating and financial statements and maintaining the facility records required by Section 4(f)(6). Accordingly, while Section 4 does not expressly authorize the recovery of TBPA's general administrative costs, Section 4(f)(6) does indicate that the annual budget should include at least the administrative costs associated with the tasks identified in that section.

In sum, the Tyee O&M Agreement is essentially silent as to general administrative or overhead costs. This could be interpreted several ways, but the best reading seems to be that the O&M Agreement neither prohibits TBPA from including general administrative overhead in the annual budget, nor requires SEAPA to approve those costs. That means we need to look at the other relevant agreements to see if they provide any additional guidance, starting with the PSA.

*Does The PSA Allow Wrangell To Deduct Unreimbursed TBPA Administrative Costs From Its Power Payments To SEAPA?*

The PSA gives SEAPA control over what may be treated as a facility operating cost.

Section 6.a(iii) of the PSA provides:

Each Purchasing Utility may offset against and deduct from its monthly payments all or a portion of the approved Facility Operating Costs the Purchasing Utility has incurred. All such costs shall be subject to audit, approval, and such other procedures as the Agency may from time to time prescribe.

The term “Facility Operating Costs” is capitalized, which means it should be a defined term in the PSA, but it is not – the current version of the PSA does not specify what constitutes a “Facility Operating Cost.”<sup>1</sup>

Since the term is undefined, it is open to interpretation. Wrangell could argue that “Facility Operating Cost” includes any costs related to operation of Tyee Lake, including TBPA’s clerical and administrative costs. Even though they are overhead costs, they are costs that would not be incurred, but for Tyee Lake operations. And unlike Ketchikan’s utility, which manages other generating facilities besides Swan Lake, TBPA incurs these administrative costs solely to support TBPA operations. Thus, a good argument could be made that TBPA’s administrative costs are “Facility Operating Costs” within the meaning of this provision of the PSA.

But the provision only allows an offset for “approved” Facility Operating Costs. Likewise, the second sentence of this paragraph says that all such costs are subject to “approval” and “such other procedures as the Agency may from time to time prescribe.” Thus, Wrangell may only deduct operating costs that have been approved by SEAPA, and the PSA does not limit SEAPA’s authority over approval of those costs.

Reading the Tyee O&M Agreement and the PSA together, Wrangell may deduct any costs it incurs for TPBA that are part of TBPA’s SEAPA-approved budget. The agreements provide limited guidance on what costs are supposed to be in that budget. However, the second sentence of 6.a(iii) directs us to another document. The proviso that Facility Operating Costs are “subject to” procedures that SEAPA proscribes takes us to SEAPA’s Policies and Procedures Handbook.

*Does SEAPA’s Policies and Procedures Handbook give SEAPA the right to deny TBPA’s clerical and administrative costs?*

I understand that the Handbook was compiled in 2005 for the Four Dam Pool Power Agency and continues to be used by SEAPA. If there is any question regarding whether SEAPA has taken the appropriate administrative steps to formally adopt the Handbook, that question should be presented to SEAPA staff. The comments that follow assume the Handbook was properly adopted.<sup>2</sup>

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<sup>1</sup> There was a definition of “Facility Operating Costs” in the prior version of the PSA, which is reproduced in the Handbook (Section 3.15). The Handbook defines the term to mean “an actual and allowable cost incurred under the provisions of the PSA in operating and maintaining a Dedicated Facility of Facilities.” The PSA provision it cites for this definition is no longer in the PSA – it was removed when the PSA was revised in 2008. In any event, the definition provides no additional guidance, as the term “actual and allowable cost” is effectively the same as the term “approved Facility Operating Cost” in the current version of the PSA.

<sup>2</sup> Even if properly adopted, there are some minor problems with the fit between the Handbook and the current version of the agreements that govern SEAPA and its operations. Section 6 of the Handbook deals with budgeting and billing procedures and standards. The introductory section of Section 6 indicates:

As noted above, Section 6.a(iii) of the PSA provides that Facility Operating Costs are to be subject to “such other procedures as the Agency may from time to time prescribe.” Section 5.1 of the Handbook discusses the O&M Agreements. Paragraph 5.1.4 provides: “An Operator who is also a Purchasing Utility under the Power Sales Agreement may deduct from its monthly power purchase payments, the costs provided for in the O&M budget which are actually incurred, including emergency expenses.” This supports the reading of the term “Facility Operating Costs” in the PSA as meaning costs included in the O&M budget. Beyond this, however, Section 5.1 does not add anything regarding the content of the O&M budget, beyond what it already discussed above in connection with the Tyee O&M Agreement.

Section 6.1.1 of the Handbook sets out standards and procedures for the O&M budgeting process. The provision that appears to be key to the dispute over TBPA administrative costs is Paragraph 6.1.1(2), which provides:

Administrative, clerical, and supervisory costs relating to the normal utility operations of the Project that are not the result of the addition of the Project to the Operators system are not permitted as a Project expense.

This provision is the only direct guidance provided by the relevant documents regarding whether administrative costs are properly included in an O&M budget. I understand that SEAPA has relied on this paragraph as the basis for rejecting TBPA’s general clerical and administrative costs. Given the proviso in PSA Section 6.a(iii) that Facility Operating Costs are subject to prescribed procedures, SEAPA is correct in applying this provision to evaluate the O&M budget for TBPA. The remaining question is whether this provision is being properly interpreted by SEAPA.

The intent of the first half of this provision is clear that clerical and administrative costs related to normal utility operations are not recoverable. However, the second half of the provision limits that exclusion to clerical and administrative costs that “are not the result of the addition of the Project to the Operator’s system.” Since TBPA does not have any operations beyond those related to Tyee Lake, an argument could be made that all TBPA costs result from addition of Tyee Lake to TBPA’s system, and so should be recoverable. However, the absolute breadth of this reading – that any TBPA costs are recoverable –

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The PMC has principal budget authority and is responsible for including Agency costs in the annual budget. Section 7 of the PSA, together with a Memorandum of Understanding dated April 8, 1988, gives the PMC the responsibility for approval of budgets.

No reference to the PMC remains in the current PSA. Its role has been wrapped into that of the SEAPA Board. This is more a matter of form than substance, however, as the Handbook makes clear that Agency Board has long acted as the PMC. Therefore these particular discrepancies between the Handbook and the current PSA do not appear to be material to the questions presented.

undercuts its credibility. Furthermore, the apparent purpose of this provision is to exclude the sort of basic administrative costs that an operator would have to incur regardless of whether they are operating a SEAPA hydro project. Given that intent, it is hard to argue that the limiting clause effectively negates to exclusion of general administrative costs.

Even if a broad exception could be read into the Handbook's exclusion of general administrative costs, nothing in the PSA or the Tyee O&M Agreement dictates – or even supports – that reading. Accordingly, nothing would prevent SEAPA from changing the language to clarify its intent. Alternatively, SEAPA could respond by allowing Ketchikan to shift its administrative costs to SEAPA – and thus to Petersburg and Wrangell. If this were to occur, the net effect could be to increase Wrangell's net costs.

Can Wrangell deduct TBPA Administrative Costs from its Payments to SEAPA, Even Though SEAPA Has Not Approved Those Costs?

Even if Wrangell were to make an argument along the lines just discussed for why SEAPA should pay TBPA's administrative costs, that by itself would not give Wrangell the right to withhold those costs from its SEAPA payments over SEAPA's objection.

The PSA only authorizes Wrangell to deduct approved Facility Operating Costs. The Handbook makes explicit what is implied by the PSA and the Tyee O&M Agreement: that by approved costs, the PSA means costs that are part of an O&M budget approved by SEAPA. Thus, the PSA only authorizes deductions for costs SEAPA has approved in the O&M budget for the Tyee Project. The PSA does not give Wrangell the ability to approve Facility Operating Costs on its own. While Wrangell could frame an argument for SEAPA to allow inclusion of these costs in an approved budget, I would recommend against Wrangell engaging in "self help." Among other considerations, Wrangell's potential claim rests on Handbook language that SEAPA could change at any time. Also, withholding the funds could make it more likely this dispute leads to litigation, the cost of which could easily exceed the amounts at issue.

I hope that this analysis proves useful to the Assembly as it deliberates on how to proceed with the future of TBPA.

Sincerely,



Svend A. Brandt-Erichsen

**PETERSBURG BOROUGH, ALASKA  
RESOLUTION #2013-21**

**A RESOLUTION INFORMING THE CITY AND BOROUGH OF WRANGELL ASSEMBLY THAT THE PETERSBURG ASSEMBLY ACCEPTS THE SOUTHEAST ALASKA POWER AGENCY'S AUGUST 19, 2013 OFFER TO TAKE OVER THE COSTS OF OPERATIONS OF THE TYEE HYDROELECTRIC PROJECT AND TO ABSORB THE CURRENT AND PAST EMPLOYMENT CASH LIABILITIES INCURRED BY THOMAS BAY POWER AUTHORITY AND SUGGESTS THAT THE NON-NET BILLABLE EXPENSES BE PAID BY SEAPA; AND URGING THE WRANGELL ASSEMBLY DO THE SAME**

**WHEREAS**, the formation of Southeast Alaska Power Agency (SEAPA) in late 2008, carried forward a 1996 Operation and Maintenance Agreement contract between the Thomas Bay Power Authority (TBPA) and the Alaska Energy Authority (AEA), whereby SEAPA assumed the rights and responsibilities of the operation and maintenance authority, and costs, of the Tyee Lake Hydro project; and

**WHEREAS**, in the mid 1970's the communities of Wrangell and Petersburg voters jointly approved formation of the TBPA for the purpose of hydro development and operation, and

**WHEREAS**, for many years, the Petersburg municipality has been voluntarily supporting and funding one-half of the Non-Net Billable portion of the annual TBPA budget. The Non-Net Billable budget provides mostly for the expenses to employ two positions within TBPA that are outside of the general operations & maintenance crew costs covered by the O&M Agreement with SEAPA. It also provides the administrative costs associated with the TBPA Board of Directors, and

**WHEREAS**, on May 6, 2013, the Petersburg Borough Assembly by a vote of 6-1 determined not to fund the proposed FY 13/14 TBPA Non-Net Billable budget. It was consensus of the Assembly that responsibility for this budget item was an issue which should be resolved between TBPA and SEAPA; and

**WHEREAS**, the CEO for SEAPA, in a memo dated August 19, 2013 addressed to the TBPA President, proposed a very fair solution, subject to SEAPA Board approval, to absorb all existing TBPA employees, to relieve the Petersburg and Wrangell boroughs from absorbing a substantial retirement liability cost incurred over the years for two employment positions, and to add and fund an additional employment position within the Tyee Project, and

**WHEREAS**, it was apparent at the joint work session held between the Wrangell and Petersburg Borough Assemblies on September 10, 2013 the Wrangell representatives may not fully appreciate the effects of the generous offer made by SEAPA that will benefit both communities.

**NOW THEREFORE BE IT RESOLVED**, the Petersburg Borough Assembly finds the August 19, 2013 memo from the SEAPA CEO to the President of TBPA regarding the Operation and Maintenance Agreement for the Tyee Hydroelectric Project to be acceptable and is willing to work with the SEAPA and TBPA boards to make the offer, or a similar negotiated offer, a permanent agreement.

**RESOLVED FURTHER**, the Petersburg Borough Assembly urges the City and Borough of Wrangell Assembly to acknowledge acceptance of the proposed August 19, 2013 SEAPA terms, or



similar terms that could be negotiated, to save TBPA in excess of \$750,000 in immediate cash liability, as well as retain the ability to influence regional hydro site analysis in the future, is a benefit to both communities.

**FINALLY RESOLVED**, failure of the City and Borough of Wrangell to accept the August 19, 2013 memo terms, or similar terms to be negotiated between SEAPA and TBPA, leaves the Petersburg Borough with no alternative but to take the position that 1) the unfunded PERS liability, exceeding \$750,000, will be the sole liability of the City and Borough of Wrangell should SEAPA determine to terminate the agreement with TBPA; and 2) Petersburg Borough will not fund any future Non-Net Billable items as currently presented in the TBPA budgets.

**Passed and Approved by the Petersburg Borough Assembly on Friday, September 27, 2013.**

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**Mark Jensen, Mayor**

**ATTEST:**

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**Kathy O'Rear, Clerk**

August 19, 2013

To: John Jensen, President - Thomas Bay Power Authority (TBPA)

From: Trey Acteson, CEO - Southeast Alaska Power Agency (SEAPA)

RE: TBPA – Tyee Hydroelectric Project Operation & Maintenance (O&M) Agreement.

Dear President Jensen,

SEAPA is reaching out to the Thomas Bay Power Authority to explore opportunities that exist to remedy a number of important issues that revolve around the current Tyee O&M Agreement. We have provided specific solutions to each of the prominent topics below and believe that collectively they represent an enormous benefit to the TBPA, your employees, and the communities your organization represents. We offer these potential solutions for the Commission's consideration, contingent upon final approval by the SEAPA Board of Directors.

**PERS Unfunded Liability:** The four TBPA power plant employees working under the existing Tyee O&M agreement participate in the State PERS retirement program instead of their Union's (IBEW) pension plan. They are technically employees of the City & Borough of Wrangell and one of the positions has an unfunded liability of \$528,250.00 (\$155,920 termination fee + 18 years of annual payments equaling \$372,330). The other three positions are PERS Tier 4, and although there is no unfunded liability identified for them, the City & Borough of Wrangell currently pays a 10% PERS premium above the normal contribution rate.

The TBPA Secretary position has an unfunded liability of \$228,574.00 (\$3,520 termination fee + 18 years of annual payments equaling \$225,054). There is no unfunded liability identified for the TBPA General Manager's position.

Termination of the existing Tyee O&M contract would result in the TBPA (technically the City & Borough of Wrangell) being burdened with payments for positions that no longer exist, totaling \$756,824.00 (per Buck Consultants' Termination Study).

**Possible Solution:** SEAPA proposes absorbing existing TBPA employees and making a one-time lump sum payment to the City & Borough of Wrangell to cover the unfunded liability for those positions. The City & Borough of Wrangell have indicated that they would consider keeping one employee on their books who prefers to stay in PERS until such time that they retire. The remainder of the employees, with the exception of the Secretary, would have the opportunity to join the IBEW pension plan. The IBEW pension plan is far superior to the PERS Tier 4, which is basically a 401k plan. The IBEW has indicated that they will work with us during any transition and past years of service are typically acknowledged through a partial credit. The secretary position is an administrative position and would be transitioned to SEAPA's NRECA program to be consistent with our other administrative employees.

This solution is a win/win that relieves the Northern communities of a large unfunded liability. It provides a much better opportunity for newer employees to have a "livable" wage when they retire, and also addresses concerns of those approaching retirement.

**ARECA Insurance Rebate:** There is approximately \$259,798.00 available in rebates from ARECA Insurance Exchange. The original premiums were funded by SEAPA through the net billing process. These

rebate monies could be applied toward the PERS unfunded liability payoff to help reduce the collective impact to SEAPA's three member utilities.

**Clearing Crew:** The existing clearing crew is based in Wrangell and consists of one regular full-time position, supplemented by seasonal part-time employees. These individuals face uncertainty every year depending on workload and budgets.

**Possible Solution:** SEAPA proposes absorbing the clearing crew operations as part of a comprehensive package. The crew's home base would remain in Wrangell and SEAPA would commit to hiring one additional regular position. The crew's work scope would expand to cover other areas of the SEAPA transmission system, which would provide greater job stability and help meet line clearing objectives.

**Community Oversight of Tyee:** There is a strong sense of community pride and purpose for the Tyee hydroelectric project in Wrangell and Petersburg. Although the project is owned by SEAPA, it is the primary source of low-cost hydroelectric power for the area. Power from Tyee also now flows south to the interconnected community of Ketchikan to displace high cost diesel generation. Some people feel that if the extra layer of management provided by TBPA is removed, somehow they will lose local control.

**Possible Solution:** The SEAPA Board is comprised of community members appointed by their respective Mayors. They are a direct conduit to their communities and are in a strong position to provide oversight and affect change. It is important to acknowledge that half of the members of the TBPA Commission are already on the SEAPA Board. The misperception of loss of community oversight can be resolved through better outreach and communications. SEAPA would commit to providing quarterly project updates in written report form directly to the City/Borough Assemblies of Wrangell and Petersburg. Community members are always welcome to attend SEAPA Board meetings and significant information regarding budgets and ongoing activities is now readily available on the SEAPA website.

**Thomas Bay Power Authority's Role and Future:** The TBPA's initial mission was to perform hydrosite analysis and advance hydro development in the Thomas Bay Basin. They also assumed the role of O&M contractor for the Tyee project. Over the years TBPA's role has narrowed to just being an O&M contractor.

**Possible Solution:** The State of Alaska has provided funding for SEAPA to perform regional hydrosite analysis and that process will include potential projects in the Thomas Bay Basin. If the Commission desires to have SEAPA transition into the role of managing daily O&M of Tyee, the TBPA could still remain in the community charters and be available for immediate re-activation should a need arise.

**Transition to SEAPA:** There is a clause in the current O&M agreement that requires SEAPA to provide a minimum one year notice of contract termination by June 30, effective the following year. The TBPA currently has a funding gap for non-net billables and they would benefit from an expedited solution.

**Possible Solution:** There is nothing that prevents an early termination of the O&M contract if it is mutually agreed upon by both parties. If it is the desire of the TBPA Commission (and their respective communities), SEAPA is willing to relieve the TBPA of their contractual obligations as part of a more timely transition. Although not required upon termination of the O&M agreement, SEAPA is offering a package of favorable solutions at this time to help facilitate a seamless and positive transition for all parties.

**To:** Fellow Wrangell City & Borough Assembly Members

**From:** Assembly Member Daniel Blake

**Date:** 10/22/2013

**Re:** SEAPA/TPBA Issues

As most of you know I have spent many hours over the last several weeks studying our current situation concerning the Southeast Alaska Power Agency and Thomas Bay Power Association. Over the years there has been a lot of controversy over this subject, which has resulted in many heated arguments and varied opinions. It appears to me that we should be basing any decision we make with the following goals in mind:

- 1) To provide economical energy resources for the businesses and residents of the City & Borough of Wrangell sufficient to fill our present energy needs.
- 2) To explore opportunities and expand existing facilities to fulfill our future energy needs both short and long term.

Both of these goals can be very expensive to pursue and require resources that are way beyond the reach of our small community alone.

The most recent argument has been whether or not to continue to pay \$55,000.00 in what SEAPA considers to be non-net billable expenses and the community of Petersburg's refusal to pay their share of those expenses. This current argument only addresses a very short term solution to a much larger issue and I don't feel we should be wasting our time on it. It will be solved by concentrating on the much larger issue...What to do with Thomas Bay and our relationship with SEAPA?

First, and foremost you have to understand what SEAPA is and is not. SEAPA is not some large corporation headquartered in a far off land trying to control our energy resources and get rich off of us. SEAPA was formed on February 24<sup>th</sup>, 2009. The old Four Dam Pool was restructured to give the communities of Southeast Alaska more control over their own energy needs. It is made up of a board of five directors that come from each of the member utilities, those members being Wrangell, Petersburg and Ketchikan. **SEAPA is Us and We are SEAPA.**

There are in essence three or four possible solutions, but only one that really makes economic sense for us.

- 1) We could continue with the 'status quo' and simply pay the non-net billable. In which case things continue as they are and our residents foot the bill for something they really

shouldn't have to. In addition, we would eventually be on the hook for the unfunded \$750,000.00 PERS liability. This is not an acceptable option, in my opinion.

- 2) We could deduct the money from our monthly payments to SEAPA. At this point there is no real legal opinion on this, but I suspect that we would end up on the short end of the stick on this.
- 3) We could look at purchasing the equipment at Tyee from SEAPA and take over generating our own power. We own the land at Tyee, but SEAPA currently owns the equipment installed there. SEAPA would then become a regional transmission organization and would move power from Tyee to us for a reasonable fee. While this option sounds good on its face, it would also make us solely responsible for any and all maintenance, repairs, and expansions at Tyee. In addition, it would also preclude us from taking advantage of any future energy explorations and other power resources. Both of these are very expensive and beyond our capabilities as a small community.

The fourth and best option that I have seen is this: SEAPA has made us an offer to take over the O&M operation of Tyee and absorb Thomas Bay employees, thereby relieving us of the responsibility for these expenses along with approximately \$750,000.00 of unfunded PERS liability. With SEAPA absorbing our current Thomas Bay employees they would no longer be employees of the City and Borough of Wrangell, but instead would become SEAPA employees and would still maintain their jobs. In addition, SEAPA would add one additional job on the line clearing crew.

A few individuals have tried to tell me that this is a bad idea. By allowing SEAPA to take over TYEE operations we would be giving up control of our natural resources. After carefully studying this point of view I have come to the conclusion that this statement is inaccurate and that it is made more out of a fear of change than it is fact. **SEAPA is Us/We are SEAPA.** It is an organization where three communities have banded together under a common cause to replace the old Four Dam Pool organization. As a member of SEAPA we have a member(s) that sits on the board which oversees all of SEAPA's operations. So where do we lose control? Thomas Bay currently doesn't control anything and has no say over what SEAPA does or does not do. Those activities are controlled by the SEAPA board with input from its member communities, not by Thomas Bay.

The proposal that I would like you to consider is this:

- 1) Allow SEAPA to take over O&M operations at Tyee. In doing so I would suggest additional oversights such as:
  - a. If it is not already done, SEAPA should be required to undergo an annual audit by an independent outside agency to insure that they are following best economic practices for the mutual benefit of all the member communities and that the

results of this audit be made directly available to the communities that SEAPA serves.

- b. All SEAPA RFPs should be reviewed and approved by SEAPA board members prior to being released to contractors.
  - c. SEAPA board members are kept informed of all SEAPA projects being considered for future development. If this is a propriety issue it may be done as part of an executive session.
  - d. That section I a f (ii) of the power sales agreement be amended to read as follows:  
“The output of Tyee Lake will be, in the first instance, dedicated to serving the firm power requirements of the Interconnected Utilities equally.”
- 2) That Thomas Bay Power not be dissolved, but instead be placed in an “inactive” status. In doing so it would be much easier to reactivate it should the need ever arise.
- 3) SEAPA shall provide quarterly project updates in written report form directly to the City/Borough Assembly.

The bottomline is that it is vitally important the communities of Southeast Alaska stay together in this agreement. Dissolving SEAPA and our partnership with Petersburg and Ketchikan is not an option. As a whole we are more likely to receive much needed support from our legislature, enabling us to fund additional projects required to meet our future energy needs. Working together has allowed us to enjoy the cheapest energy rates in the state of Alaska. Let’s keep it that way.

I would like to see this proposal placed on the agenda for our next meeting to be discussed and action taken on it. We don’t need to keep procrastinating on this important issue and should address it as soon as possible for the benefit of the residents of the community that we serve. My suggestion would be to request a formal proposal, for taking over the O&M operations at Tyee, in writing from SEAPA for us to consider and vote on.

One final thought; this coming year (2014) will be Wrangell’s year to fill the additional seat on the SEAPA board, thereby giving us two votes on any issues that come before the board. We need to begin considerations as to who this person should be. It is a very important position and only the best possible candidate should be selected.

Daniel Blake, Assembly Member

City and Borough of Wrangell

# **Agenda Item 5d**

## **CITY & BOROUGH OF WRANGELL**

### **BOROUGH ASSEMBLY SPECIAL MEETING AGENDA ITEM December 3, 2013**

#### **INFORMATION:**

**Executive Session:** Approval of the new Borough Manager's contract

#### **RECOMMENDED ACTION:**

I move, pursuant to 44.62.320 (c) (2), that we recess into executive session to discuss matters that may tend to prejudice the reputation and character of any person, specifically the approval of the new Borough Manager's contract.