

SEAPA BOARD APPROVES FY17 REBATE: Fiscal year 2017 was a record high year for power sales. The SEAPA Board (comprised of representatives from Petersburg, Wrangell, and Ketchikan) approved a \$2.7 million-dollar rebate for FY17, which will be distributed to the member utilities on a three-year average pro-rata basis in December, conditioned upon no significant financial events and possible further consideration of the Agency's reserves. A rebate of \$2.7 million would reduce the FY17 effective wholesale power rate from 6.8 cents/kWh to 5.36 cents/kWh, a 21% reduction. SEAPA utilizes the rebate method to return excess revenues after the business needs of the Agency have been met. The rebate process has allowed SEAPA to maintain a stable wholesale "base" power rate of 6.8 cents/kWh for over 19 years, while effectively managing annual fluctuations in sales and capital improvement needs.

FY18 EXPENSE AND CAPITAL BUDGETS APPROVED: The SEAPA Board of Directors approved the FY18 expense and capital budgets at the June 20th regular meeting in Wrangell. The Agency has several important infrastructure improvements slated for FY18 that will help ensure continued high reliability, availability, safety, and preservation of existing assets. The projects cover a broad range of equipment associated with our two hydro-electric facilities (Tyee & Swan) and 175 miles of transmission lines spanning from Petersburg to Ketchikan. The following is a partial list of the approved projects for FY18.

- Submarine cable remotely operated underwater vehicle (ROV) inspection
- Governor control modernization at Swan Lake (SWL)
- Station battery hydrogen and voltage monitoring system improvements
- Handrail and ladder access improvements at the SWL dam

- Marine bulkhead and dock float refurbishment at SWL
- Installation of helicopter pad access ramps along the Swan-Tyee Intertie
- Replacement of obsolete control system components
- Employee housing improvements at SWL and Tyee remote power plants sites
- Phone system server replacement

2ND QUARTER ACTIVITIES: Renewal and replacement projects accelerated in the 2nd quarter. The Swan Lake Exciter and Switchgear Replacement Project was completed. This was a complex project, requiring over 1,100 manhours to complete removal, installation, and commissioning of equipment and cabling.



Removing Unit 1 Exciter Cabinet



Unit 1 New Switchgear Cabin Installed

A robust debris boom was installed at Swan Lake. New anchors were drilled and grouted at a higher elevation to accommodate the new reservoir height. The new boom includes 24" suspended debris screens and a 30' boat access gate to move larger root wads to the log removal platform.



Hand Drilling Shore Anchors



New Debris Boom Shore Anchor (Complete)



New Swan Lake Debris Boom

SEAPA has applied to the U.S. Army Corps of Engineers (COE) for assistance with design and implementation of a plan to resolve marine access limitations in the Tyee power plant harbor area. Access for supply barges and water based emergency evacuations are limited to extreme high tides. The application has been reviewed by the COE's Washington, DC office and another site visit is planned. The joint review team will consider options for a road out to deeper moorage beyond the silt impacted area, or dredging and rip rap to divert silting.



*Tyee Power Plant Marine Access Silting
(dock in upper left corner)*

Annual transmission line maintenance work was conducted throughout the month of June. Activities included climbing inspections, guy line thimble installations, and damper replacements.

Planned work on the north end of SEAPA's transmission system was aborted at the last-minute due to the IBEW labor strike in Wrangell. Transmission line marker ball replacement contractors had to demobilize their helicopter, equipment, and personnel. Contractors for the Wrangell switchyard circuit switcher work also had to demobilize men and equipment because required switching could not be completed. A transformer bushing replacement at Tyee was also deferred. Efforts are underway to reschedule crews and equipment to remobilize and complete the work.

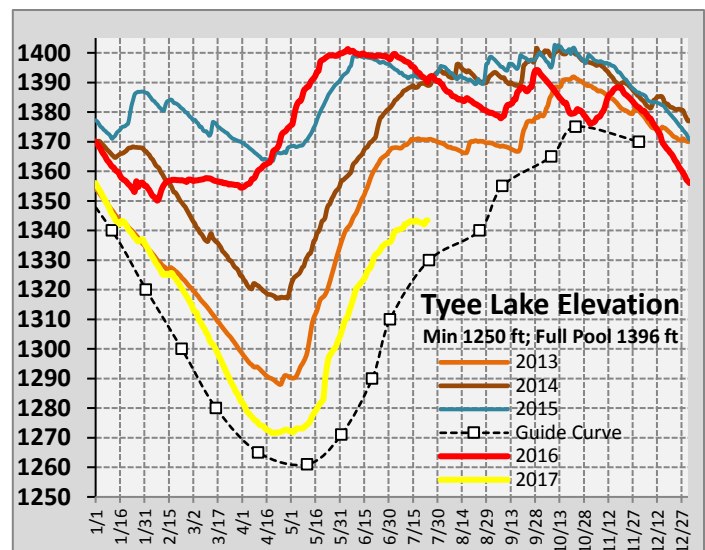
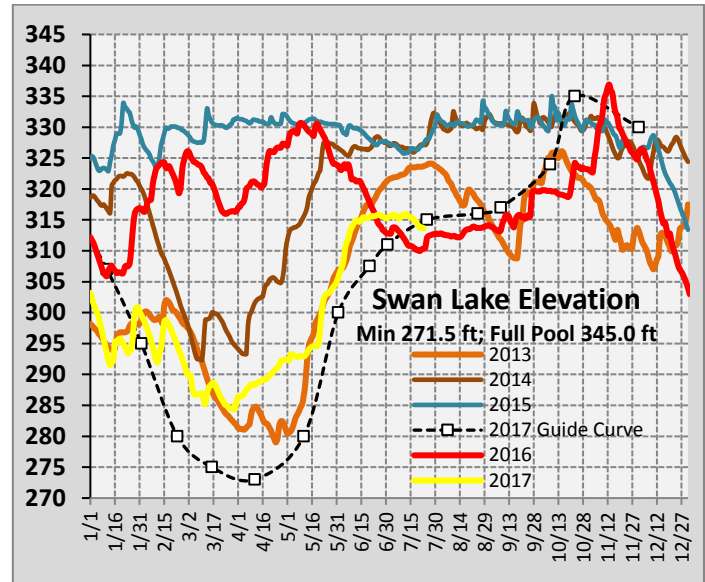


Alaska Power Association Washington D.C. Fly-in

LEGISLATIVE INITIATIVES: SEAPA continues to advocate for important regulatory and policy changes. We are working closely with Alaska's Washington D.C. delegation to streamline renewable energy development and transmission interconnection within our region. Areas of focus include accountability and responsiveness of Federal agencies, land use designations, access to energy resources, streamlining of permitting processes, Roadless Rule exemption, and restructuring of finance models to better fit our unique regional profile. Most of these items are addressed in the proposed Energy and Natural Resources Act of 2017 (S. 1460). The Act is a recompile of last year's omnibus energy bill (S2012) that failed to make it to a vote. We remain hopeful that this important bipartisan energy legislation gets passed and signed into law.

SEAPA is part of a group of Alaska hydro project owners collectively challenging a 71% increase in federal land use fees imposed by the Federal Energy Regulatory Commission (FERC). I met with Acting FERC Chairman LaFleur in June and she reassured me that the commission would be reviewing the land use fee calculation methodology for Alaska. Unfortunately, the FERC has been without a quorum all year. Robert Powelson and Neil Chatterjee were just confirmed and Kevin McIntyre and Richard Glick are scheduled for committee consideration on September 7th. FERC requires a minimum of three commissioners for a quorum. Due to confirmation delays, the FERC has a large backlog of issues to address.

RESERVOIR LEVELS: SEAPA reservoir levels are trending close to the Board-approved Operations Plan guide curve, but well below average. As illustrated in the following graphs, there has been no spill this calendar year at Swan or Tyee lakes. We maximized utilization of our hydro resources over the past year and are well positioned to capture significant seasonal inflows this fall.



CONTACT US: SEAPA is headquartered in Ketchikan and maintains a "part-time" satellite office in Wrangell. We welcome folks to stop by for a visit and look forward to sharing more about our role as your regional generation and transmission entity. We also invite you to visit our website at www.seapahydro.org which is a great resource for further information.

Thank you for the opportunity to serve!