

Special Ketchikan City Council meeting was called to order by Mayor Williams at 7:00 p.m., March 25, 2010, with the following members present: Dick Coose, Kj Harris, Matthew Olsen, Robert Sivertsen and Marty West. Councilmember Jack Shay arrived at 7:05 p.m. Councilmember Jason Harris was absent.

The Pledge of Allegiance was given by all persons in the Chambers.

Staff present were Assistant Manager Martin, Finance Director Newell, City Attorney Bradford, Electric Division Manager Kline, several City employees and City Clerk Suiter.

COMMUNICATIONS

Mayor Williams said there were several items laid on the table, including: a memorandum presenting a rate comparison and a PowerPoint presentation; and a memorandum updating the most current information regarding lake levels.

PERSONS TO BE HEARD

Lloyd Gossman updated the Council on his efforts to stop the summer crab fishery in Southeast Alaska. He reported the fishery actually occurred this past summer and he related the waste that happened as a result. He spoke to his appearance and testimony before the Board of Fish, and he felt it was apparent the representation of a commercial fisherman on the Board of Fish was hurting the crab fishery in Southeast. He said State statute gives the Board of Fish the ultimate authority, and he hoped some action could be taken on the legislative level.

Renee Schofield informed the Small Business Development Center was open and being visited daily by small business owners. She said there should be a quarterly report coming from them soon. She requested the audience be allowed to ask questions about the presentations tonight, and Mayor Williams said that would happen.

Charles Freeman related Ketchikan, Petersburg and Wrangell are in the Swan Tyee Intertie together, and that SEAPA is not an enemy as its members are appointed by the municipalities. He said the status quo cannot be maintained, and the thought process needs to change to include the other stakeholders. He encouraged the Council to stop listening to rumors.

Tom Caffrey spoke to the use of heat pumps relative to creating efficiency. He stated they are being used all over the world and he felt they should be considered locally. He noted they can be efficient at freezing temperatures, down to -4°F. He answered questions from the Council.

NEW BUSINESS

Southeast Alaska Power Agency Presentation to the City Council

March 25, 2010

Dave Carlson, representing Southeast Alaska Power Agency, provided a brief PowerPoint background history of the Four Dam Pool/SEAPA and related projects. He commented the Swan-Tyee Intertie has the possibility to connect an entire region of Southeast, from Kake to Metlakatla. He stated there are a lot of potential hydro projects that can be added in along the stretch between Ketchikan and Petersburg.

Mr. Carlson continued that SEAPA is a joint action agency formed under State statute, and is a separate and distinct legal entity from the municipalities involved. He showed a PowerPoint slide of the makeup of the organization's Board of Directors. He outlined the distribution of power between the municipalities, relating the wholesale power price hasn't changed since 1988. He spoke to the Renewal and Replacement Fund, as well as the Risk Management Plan.

Mr. Carlson said the next step is integrated resource planning, which is a regional plan now that we are all connected: where are we going from here? He said it will be a fine tuned plan. He answered questions from the Council and the audience.

Eric Wolfe, acting Operations Manager for SEAPA, picked up the discussion following the integrated resource plan, commenting that we need to constantly look forward. He stated how many machines we have to meet frequency demand is a function of how well it was planned a few years ago. He pointed out his job is to balance the needs between communities, and he explained the comparatives between Swan Lake and Lake Tyee. He reminded diesel generation cannot be eliminated completely, but their goal is to reduce it significantly over the next few years. He outlined the discussion that takes place at the weekly meetings, and showed the transmission that has occurred over the Swan-Tyee Intertie since it came on line. Mr. Wolfe answered questions from the Council as well as members of the audience.

The council took a short break at 8:10 p.m. and reconvened at 8:17 p.m.

Electric Division Presentation to the City Council

Electric Division Manager Kline reinforced the comments Mr. Caffrey made regarding heat pumps. He went over a PowerPoint presentation, outlining generation, load growth, proposed projects, debt service and rate analysis along with managing and shaping load growth. He explained the difference between capacity, demand and energy, and he informed of the output of each of the KPU-owned dams as well as diesel generation. He outlined the diesel generation prevented because of the Intertie, and he related the lake levels that were maintained because of it.

Mr. Kline addressed load growth, and he noted KPU is near term capacity-short and anticipates being energy-short within approximately five years, inclusive of the Swan-Tyee Intertie. He sketched out the anticipated reasons for the load growth, and displayed a graph of customer load growth for the past five years. He continued by explaining a

heating degree day and how it relates to load growth, noting that a 5% load growth means that by 2015 available power could be fully utilized.

Electric Division Manager Kline spoke regarding different proposed projects to increase load capacity, including the Whitman Lake Dam and the Metlakatla Intertie. He pointed out that the SEAPA utilities are required to purchase SEAPA power prior to using any other power sources. He addressed the upgrade of the Bethe substation, and debt service for the Electric Division. Mr. Kline spoke to the need for a cost of service rate study, which will provide much information that will assist in making decisions in several areas. He answered questions from the Council and the audience.

MAYOR AND COUNCIL COMMENTS

Councilmember Sivertsen said he felt it was good to know where we are at and where we are going. He said a question that has been raised to him is if there is the possibility for tapping Lake Grace, even though it is in a protected area. He stated it was very informative to know how the Intertie is working for us and he has seen the benefits. He explained we can't stay still and we will reach the plateau at some point where we will have to make up the difference, and he would rather do that with hydro.

Councilmember Coose said we are all in this together (Ketchikan, Petersburg and Wrangell), and that is how we need to look at this as a Council and a community. He felt by working together we will get the best bang out of every raindrop that comes down into the lakes. He also addressed Lake Grace, stating he thought it previously had a FERC reserve on it. He felt if it has disappeared we need to get it resurrected and it is something the integrated resource plan needs to look at. He also spoke to daylight savings time, noting there is a house bill that passed to remove daylight savings time and we may want to consider a resolution on it.

Assistant Manager Martin said a memorandum would be presented to the Council on the subject at its next meeting.

Councilmember Kj Harris thanked Mr. Freeman and the SEAPA folks who put this information together and for working on it.

Councilmember Shay said early on he had his signature on \$50 million in Intertie bonds, and he was thankful Four Dam Pool and SEAPA took things over. He thanked Mayor Williams and others for the work they have been doing on the upcoming vote on the sale of the Telecommunications Division. He informed the Junior Miss Scholarship Program, for which he is one of the judges, will be at Kayhi on Saturday, and he encouraged everyone to come.

Councilmember Olsen said he was glad to hear the discussion about regional power because it was mentioned by Senator Stedman while they were in Juneau, so they are

March 25, 2010

making a big push. He noted there is a lot of discussion on (Senator Stedman's) part to start the process of shipping power north.

Councilmember West echoed the previous comments, and thanked everyone for the information presented tonight. She also thanked the members of the KPU Advisory Board, at least four of whom attended tonight.

Mayor Williams thanked SEAPA's representatives for coming and giving the great presentation, as well as Electric Division Manager Kline. He hoped everyone learned a lot and understands where we are going so when discussion is held at the table, everyone knows what it is about. He also thanked the Metlakatla representatives for attending, as well as others who began the work in the 1980s.

ADJOURNMENT

As there was no further business, the Council adjourned at 9:01 p.m.

Lew Williams III, Mayor

ATTEST:

Katherine M. Suiter
City Clerk