

THE SOUTHEAST ALASKA POWER AGENCY

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April 28, 2014

Delivery Via Email to clagoudakis@petersburgak.gov and U.S. Mail

Cindi Lagoudakis, Vice Mayor
Petersburg Borough
Post Office Box 329
Petersburg, Alaska 99833

Re: Wholesale Power Rate

Dear Vice Mayor Lagoudakis:

The Southeast Alaska Power Agency (SEAPA) board of directors had an opportunity to carefully consider and discuss Petersburg's request regarding the wholesale power rate (WPR) at its recent board meeting held on April 24. The following are highlights of the discussion:

- SEAPA is currently pursuing a capital appropriation from the State of Alaska for its Swan Lake Reservoir Expansion Project. Considering that request and the fact that our communities already enjoy some of the lowest rates in the State, any effort to lower its WPR could adversely impact how legislators view our "needs".
- We will likely receive only partial funding for the Swan project, which is estimated at \$13.5 million dollars. The remaining portion would require SEAPA to secure loans or bonds. Either avenue creates additional debt service.
- SEAPA's financial advisor advises that in the bond market, greater preference is given if SEAPA reflects a history of raising rates rather than remaining flat or lowering the rates. If rates are lowered it will directly affect SEAPA's bonding capacity.
- SEAPA needs to consider forward funding some of its known project costs. An example is the cost of the required relicensing for both of its Swan and Tyee Hydroelectric Projects. This process will begin in 2023 and is currently estimated at \$7 to \$8 million dollars.

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Following the discussion the board did not elect to present a motion or take further action. I would like to thank you for your input and look forward to working with Petersburg to provide the lowest wholesale power rate consistent with sound utility planning and business practices.

If you have any questions, please do not hesitate to contact me directly at (907) 617-1139.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bob Sivertsen", with a stylized, flowing script.

Bob Sivertsen, Chairman
The Southeast Alaska Power Agency

cc: City and Borough of Wrangell, Alaska
Attn. The Honorable David Jack, Mayor, via Email to djack80@hotmail.com
City of Ketchikan
Attn. The Honorable Lew Williams, III, Mayor, via Email to mayor@city.ketchikan.ak.us
SEAPA Board of Directors (via Email)