

MINUTES OF THE MEETING OF THE COMMISSION

January 23, 2018

The regular meeting of the Board of Commissioners of Public Utility District No. 1 of Whatcom County was called to order at 8:00 a.m. by Commissioner Mike Murphy. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Paul Kenner and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Brian Walters, Assistant General Manager; Annette Smith, Director of Finance; Aaron Peterson, IT/SCADA Technician; Mike Macomber, IT/SCADA Technician; and Traci Irvine, Accountant I.

Public attending: Rich Maricle, Citizen
Robin Dexter
Max and Carole Perry, Citizens
Dave Olson, Citizen
TJ Lee, Phillips66

◆ **Public Comment**

No public comment made.

◆ **Approval of the Meeting Minutes and Claims**

The Commissioners were presented with the Minutes of the Meeting of January 9, 2018 and the following Claims of January 23, 2018:

Vendor	Amount
AMAZON BUSINESS	235.66
ARBITRAGE GROUP INC.	1,000.00
BAY CITY SUPPLY	200.44
BONNEVILLE POWER ADMINISTRATION	713,525.00
BRIDGEVIEW AUTO PARTS	139.60
CDW/COMPUTER DISCOUNT WAREHOUSE	1,990.11
COMCAST	91.12
CULLIGAN NORTHWEST	99.79
EDGE ANALYTICAL LABORATORIES	20.00
EES CONSULTING	340.00
ELECTRIC POWER SYSTEMS - EPS	19,348.58
FASTENAL	5.33
FERNDALE ACE HARDWARE	346.61
FERNDALE LUBE	62.88
FERNDALE TRUE VALUE HARDWARE	71.73
GC SYSTEMS, INC.	1,498.97
HACKER, RONALD G	72.56
HARDWARE SALES, INC	13.36
HD FOWLER CO, INC	1,397.46
INDUSTRIAL SUPPLY, INC	17.49
INTERNAL REVENUE SERVICE	14,102.54
KCDA PURCHASING COOPERATIVE	168.09
MORTIMER, TOM	750.00
MURPHY, MICHAEL J	36.13
NORTH COAST ELECTRIC COMPANY	9,751.21
NW PUBLIC POWER ASSOCIATION	630.00
PACIFIC SURVEY & ENGINEERING	14,616.50
PAYLOCITY	131.04
PAYROLL	154,933.67
PORTAL WAY FARM & GARDEN	48.88
PROBUILD - OSO LUMBER	494.65
PUD #1 OF WHATCOM COUNTY	483.49
PUGET SOUND ENERGY, INC	8,976.51
RH2 ENGINEERING, INC	7,637.49
TYLER TECHNOLOGIES-INCODE	10,961.89
WA FEDERAL VISA CARD MEMBER SERVICES	1,620.61
WA PUBLIC UTILITY DISTRICTS ASSOCIATION	15,618.00
WA ST DEPT OF REVENUE	73,128.71
WESTERN CONFERENCE OF TEAMSTERS	5,928.25
GRAND TOTAL	\$ 1,060,494.35

ACTION: Commissioner Kenner motioned to APPROVE THE MINUTES OF THE MEETING HELD JANUARY 9, 2018 and the CLAIMS OF JANUARY 23, 2018. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **REGENIS Water Treatment Proposal**

Background: Regenis, an ANDGAR Company, is partnering with a European leader in membrane treatment (water) with specific experience and performance in membrane treatment of non-traditional wastewaters such as manures and digestants along with waste streams from creameries, berry and other food processing facilities. The process produces clean water and useable solids for fertilizer. The process reduces the cost of disposal of manure and creates water that is clean enough to provide water for cattle, irrigation or streamflow uses. In April 2017, Regenis presented information on a pilot project that they would like to build here in Whatcom County and are seeking the PUD as a potential partner, along with local dairy farms as a demonstration unit. With input received from the Commissioners such as receiving a discounted price and single location for the demonstration unit, Regenis has reworked details and figures. At today's meeting, Regenis representative Eric Powell provided an update on the water treatment proposal.

Original Project – The original capital cost of the project, sized for a 600 cow dairy, producing 20,000 gallons of clean water per day was slated at \$750,000 for a complete two-stage containerized system. Rough costs of \$.02/gallon treated includes electricity, polymer and cleaning chemicals, membrane and parts replacements and daily monitoring. Regenis' first request for funding was for the PUD to consider providing up to half of the capital cost of a system. This included a demonstration unit – to be placed at multiple locations for two to three months at each site and then a permanent installation at a single location. Regenis would arrange installation and operation of the water treatment system.

Updated Request – Regenis has negotiated a lower cost for a system, refurbished, that can be installed on a single dairy farm for \$600,000. A dairy is willing to contribute \$200,000 along with \$200,000 from Regenis, and the revised request is for the PUD to contribute \$200,000. The updated request includes:

- Regenis will install clean water system on a dairy and operate it for one year;
- Regenis and the PUD will have one year to show that water can be used for a beneficial use by demonstrating operation of the system that meets requirements for beneficial use
- If the dairy doesn't want the system after one year of operation, Regenis will remove the system at their (Regenis') expense and reimburse the farm's \$200,000 capital cost.

Individual Responsibilities – Powell outlined each party's duties:

- **Regenis** will provide \$200,000 contribution to get the system installed;
- Regenis will Install the system at a Whatcom County dairy including water conveyance to place of beneficial use;
- Provide operation and maintenance parts, labor and material for one year (estimated cost \$125,000);
- Work with the PUD, Ecology and others to put water to a beneficial use;
 - Pay for and provide any ongoing testing and reporting requirements for beneficial water use,
- Remove the system if the dairy decides they don't want it after one year.

- **Dairy Farm** will provide \$200,000 contribution to get the system installed;
- Provide appropriate electrical and plumbing services and hookups on the farm to accommodate the needs of the clean water system;
- Allow the water to be used for some beneficial use such as:
 - Water right generation,
 - Water banking/Water trading,
 - Streamflow augmentation, etc.
- Pay for the electricity for one year of operation.

- **PUD** will provide \$200,000 contribution to get the system installed;
- Work with Regenis to identify a beneficial use of water;
- Work with Regenis, Ecology, etc. to make a way for clean water from the system to be discharged to a river, stream or other beneficial water destination;
- Arrange and pay for any legal work needed to generate a water right, set up water banking, or other beneficial use of the treated water.

After interviewing several interested dairy farms, Regenis has narrowed the selection down to two interested candidates. Both farms have potential for beneficial water use including stream flow augmentation, water right/water banking/water trading, irrigation of adjacent farms and/or water for a city or housing development. One farm could discharge water into the south fork of the Nooksack River and the other into the Sumas River. There are several reasons for the farms to participate including that they are into farming for the long haul, desire to be a good steward and tell a good story for agriculture and less costs for disposal of manure.

Ready to Go – The two farmers are ready to pursue the system, the treatment unit is already at Regenis' Ferndale location and the remaining needs are:

- Commitment of the final \$200,000 for funding;
- Detail and finalize agreements between the three, Regenis, PUD and dairy;
- Identify a beneficial use of clean water;
- Once location has been determined, work with Ecology and other partners to identify requirements for clean water use at that location; and
- Install and begin operation of the clean water system.

Commissioner Kenner inquired on the original \$750,000 cost and how many farms would be able to afford the product. Powell noted that although farms are not used to spending quite that much, there are funding opportunities such as Natural Resources Conservation Services (NRCS) offers money for farmers for certain projects. Although the Regenis project wouldn't be eligible yet for NRCS funding, a treatment system can be built locally and sold closer to the \$600,000 price range.

Robin Dexter asked if Powell is certain of the marketplace for the system, noting that the public face of dairy is that they don't have a water quality issue. Powell replied that dairy farmers are under a lot of pressure in dealing with manure where lagoons are required to be lined or to make use of storage tanks. The system reduces the amount of waste that would normally all be stored in a lagoon or tank. The clean water which is produced can be used for a number of applications. Commissioner Murphy added that he has attended a number of local Watershed Improvement Districts (WID) meetings and said the farmers are working to control issues they face with the challenges of handling manure.

Carole Perry asked if "clean" water meant that it is potable. Powell replied no, clean does not mean potable; there are higher standards for potable water purveyors and it is regulated by the State Department of Health. Jilk said there are discussions ongoing with the Department of Ecology (ECO) and whether the clean water produced from the treatment system is considered as "new water": If it is used for streamflow/augmentation, it does not fall under "reclaimed water"; and, if it meets the standards which ECO accepts for streamflow/augmentation then it does not have to meet potable water standards. Jilk sees it as an opportunity and a good test to support agriculture and the economy, by making "new water" available and to work together with other agencies to find where mitigation water is needed. With the State's capital budget just passed and the Hirst-fix law, now *ESSB 6091* which was also passed, there may be funding made available to implement the program.

Rick Maricle asked what happens to the digester's gas byproduct. Powell responded that there is no gas produced from this treatment system.

In the updated proposal, the unit would be on demonstration for one year and then the farm may own the unit. The water produced could be available to the PUD with the possibility for beneficial use. The funding needed would be upfront, however there are many details to be worked out for the trilateral agreement, including implementation of the program and rights to the water.

Dave Olson inquired about operating costs, and by his math, Olson estimated about \$13,000 per year; Powell said close to \$15,000 and then public money is used for a water bank. Olson asked if there are costs that the farmer can offset. Powell replied that operating and/or capital costs of other alternatives offset costs for the farmer. As far as a timeline for the project including permitting runs about a month and a half. How the water will be used (stream augmentation, water banking, etc.) remains an unknown timeframe at this point.

TJ Lee asked where the money comes from if the PUD commits to the funding. Jilk responded that in the PUD's Strategic Plan approved in 2015 and updated again last year, goals were established to assist the water resource needs of local agriculture, finding water and taking an active role in the resolution of water rights, watershed planning as well as finding innovative approaches like a water banking program. The PUD also plans to utilize Economic Development Investment (EDI) funds from the County to support the program, and the PUD's internal Alcoa Reserve Fund which has some funding available for supporting these kind of projects.

Robin Dexter said he would like to hear the PUD's Legal Counsel's position on the legal status of the water and time to look into it. Sitkin replied there are many things to consider, including terms of an agreement which has yet to be developed between the three parties.

The Commissioners thanked Powell for the presentation. Any questions regarding the project can be directed to Jilk or Powell.

ACTION: No action requested – information only.

◆ **Approve Amendment No. 1 to Work Order No. 16 for Electric Power Systems (EPS)**

Background: Work Order No. 16 was executed pursuant to the Standard Agreement for Professional Engineering Services ("Agreement") dated March 30, 2015, between Public Utility District No. 1 of Whatcom County ("Whatcom PUD" or "PUD") and Electric Power Systems ("EPS") and was incorporated into the Agreement as an exhibit thereto. This Amendment No. 1, if approved, would similarly be incorporated into the Agreement.

The Refinery substation currently has two capacitor banks and associated control and protection equipment. The purpose of the capacitor banks is to maintain power factor in a range of 95-100 percent. The original capacitor bank is located in the old control house at the substation. In 2004, two new power transformers and a new switchgear building were installed at the substation. Included in the scope of this project was the installation of a second capacitor bank. It was located in the new switchgear building. Based on the current set-up, both capacitor banks can only be adjusted and controlled manually on-site by electrical staff.

During 2012, the District completed a significant upgrade to the Refinery substation. Upgrade of the existing capacitor banks was not included in the scope of work for the 2012 project. EPS's Work Order No. 16 scope of work covers upgrade and integration of the capacitor banks with the District's SCADA system through the RTAC unit located in the new control house. With the completion of EPS's services and electric staff work, three main objectives would be achieved:

1. Enable remote monitoring and control of the capacitor banks by electrical staff.
2. Consolidate both capacitor banks and associated equipment & controls in the switchgear building.
3. Integrate the capacitor banks with the SCADA system and devices located in the new control building.

Walters said that EPS has requested an amendment to Work Order No. 16 to account for a significant increase in the engineering labor hours required to complete the design phase of the scope of services. The primary reason is that EPS, working in conjunction with the District's electrical staff, has determined that there are significant inaccuracies associated with the substation design drawings and documents needed to complete the scope of services and accomplish the objectives of the project. In essence, the drawings don't reflect "as-built" real field conditions. For example, the District's drawings had inconsistencies with regard to actual wiring in the field.

In order to clean-up the existing inaccuracies and to prepare accurate "as-built" drawings will require significant additional design work, which was not contemplated under the original work order nor cost not to exceed estimate. Commissioner Kenner inquired if the estimate was originally higher – Walters responded that it was. Commissioner Murphy asked who did the original drawings. Walters said the current status of the drawings seems to be an accumulation of drawing issues starting with the original installation of the first capacitor bank, then continuing with the project in 2004 that included the additional capacitor bank. Since upgrade of the capacitor banks was not in the scope of work for the 2012 project, the issues didn't come to light until the current work was initiated. Unfortunately, it is the PUD's problem that the drawings were incorrect.

Amendment No. 1 is to increase the original cost estimate for Work Order No. 16 by \$18,000. The original cost estimate approved was \$24,900. Therefore, if the Commission approves Amendment No. 1, the total cost estimate not to exceed to complete the scope of services will increase to \$42,900.

Staff recommends approval of Amendment No.1. The additional design labor hours for EPS are justified, given the inaccuracies of the District's existing drawings, which was not anticipated by EPS, when the original scope of services was developed.

Approval of Amendment No.1 to Work Order No.16 with EPS has no financial impact on the District, as the project and expenditures are included in Whatcom PUD's 2018 Electrical Maintenance Budget.

ACTION: Commissioner Kenner motioned to approve Amendment No. 1 to Work Order No. 16 with ELECTRIC POWER SYSTEMS INC. (EPS) FOR ENGINEERING SERVICES ASSOCIATED WITH THE DISTRICT'S REFINERY SUBSTATION CAPACITOR BANK CONTROLS PROJECT and authorize the PUD's General Manager to execute the amendment. Commissioner Murphy second the motion. Motion passed unanimously.

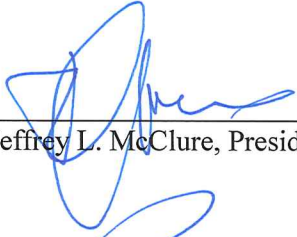
◆ **Manager's Report**

Legislature Update

Jilk reported he is monitoring 216 bills through the Washington Public Utility Districts Association (WPUDA) and the Washington Water Utility Council (WWUC). The capital budget was adopted and the Hirst-fix bill (ESSB 6091) was also approved and signed by the Governor. There may be funding available in the capital budget for water and telecom projects under the Departments of Ecology, Commerce and Health.

◆ **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 9:04 a.m.



Jeffrey L. McClure, President



Paul D. Kenner, Secretary



Michael Murphy, Commissioner