

MINUTES OF THE MEETING OF THE COMMISSION

August 25, 2015

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 Jeff McClure. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioners Paul Kenner and Mike Murphy and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Brian Walters, Director of Utility Operations; Rebecca Schlotterback, Contracts and Regulatory Compliance Manager; Duane Holden, Facilities and Construction Manager; Annette Smith, Director of Finance; Lew Gaskill, Accountant I; Mike Macomber, IT/SCADA Technician; and Alec Strand, Project Manager.

Public attending: Dave Olson, Max and Carole Perry, Greg and Karen Brown, and Peggy Uppiano, citizens; Rick Maricle, Phillips 66.

◆ **Public Comment**

No comments made.

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

The Commissioners were presented with the Minutes of the Regular Meeting held August 11, 2015, and the following Claims of August 25, 2015:

VENDOR NAME	AMOUNT
AMERICAN WATER WORKS	339.00
APPLIED DIGITAL IMAGING	47.28
ASSOCIATION OF WASHINGTON CITIES	14.05
BAY CITY SUPPLY	118.00
BIRCH EQUIPMENT COMPANY	558.78
BONNEVILLE POWER ADMINISTRATION	621,986.00
COMCAST	115.98
EDGE ANALYTICAL LABORATORIES	230.00
FERNDALE ACE HARDWARE	90.11
FERNDALE LUBE	91.14
GLEASON, GUY G	246.80
HACH COMPANY	166.76
HARDWARE SALES, INC.	7.50
HD FOWLER CO, INC	452.46
INTERNAL REVENUE SERVICE	11,627.27
IVERSON EARTHWORKS	36,641.44
KAMAN FLUID POWER LLC	350.15
KCDA PURCHASING COOPERATIVE	32.46
MOTION INDUSTRIES, INC	35.65
OCCUPATIONAL SAFETY COUNCILS OF AMERICA	60.00
PACIFIC SURVEY & ENGINEERING	4,137.50
PAYROLL	151,990.40
PEDERSON BROTHERS, INC	507.78
PLATT ELECTRIC SUPPLY CO	24.98
PORTAL WAY FARM & GARDEN	76.07
POTELCO, INC	17,735.56
PROBUILD - OSO LUMBER	48.43
PUD #1 OF WHATCOM COUNTY	138.82
PUGET SOUND ENERGY, INC	493.34
RDS - RECYCLING & DISPOSAL SERVICE	113.30
RICOH USA FINANCIAL SVC	152.18
STAR RENTALS	182.76
SURETY PEST CONTROL	483.72
THATCHER COMPANY OF MONTANA	18,915.76

TRIANGLE PUMP & EQUIPMENT INC	38,751.55
WA FEDERAL VISA CARD MEMBER SERVICES	3,895.40
WA ST DEPT OF REVENUE	67,493.45
WESTERN CONFERENCE OF TEAMSTERS	5,819.00
WHATCOM FARMERS CO-OP	324.66
GRAND TOTAL	\$984,495.49

ACTION: Commissioner Kenner motioned to approve the Minutes of the Regular Meeting held August 11, 2015, and the Claims of August 25, 2015. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Public Hearing for Draft Strategic Plan**

Background – Commissioners received copies of the draft Strategic Plan, prepared for the District by Maul, Foster, and Alongi (MFA). The development of the Strategic Plan began in February as MFA guided the process, holding several workshops in open public meetings. The draft version was presented at the August 11 meeting. Copies of the draft plan were provided for audience members at that meeting, it was posted on the District’s website, and the draft plan was also available for viewing at the District’s office during regular office hours. A notice for the public hearing was published in the Bellingham Herald.

General Manager Jilk said he believes it has been a successful project. With the first phase of the Capital Improvements Plan completed (Plant 2 Redesign/Improvements), the District recognizes that other issues the District is now facing, in addition to subsequent capital projects, especially ones related to water rights and water supply planning. The District has also taken on significant debt due to the recent Capital Improvement Projects. With phase one of the District’s capital projects completed, it is time for the District to take a look at the future and reconfirm the many ways the PUD serves our community.

Commissioner McClure explained the process for the public hearing. Jilk will review highlights accompanied by a slideshow presentation of the draft plan. McClure will officially open the hearing, ask for any public comment written or spoken, and then close the public hearing at which time comments and thoughts from the Commissioners will be heard.

◆ **Highlights of Draft Strategic Plan Presentation**

Jilk explained that the purpose of the strategic plan is to act like a road map for the PUD for the near- and mid-term future as well as manage and preserve the water and electric resources. The first strategic planning workshop was held in February where Commissioners and staff participated in a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.

Strengths: The PUD is governed by RCW 54 which determines what a PUD can do. PUDs are also not-for-profit agencies, serving the greater good of the community. The PUD is also eligible for grants and funding and has effectively used them to effectively advance its service to the community.

Weaknesses: There are fluctuating and limited electric capacity supply concerns that are not under the PUD’s control. Water right issues are complicated and the role of the PUD is often misunderstood.

Opportunities: Clarifying the PUD’s role as a holder of senior water rights and its interest in being a facilitator and technical resource in resolving local water rights issues.

Threats: Uncertainty and lack of understanding surrounding water quality and quantity in the long term for the county, including impacts of climate change; and changes in the regulatory environment affecting water and energy.

Issues facing the PUD

There are several significant issues facing the PUD as it moves forward in achieving its mission and goals in serving the Greater Whatcom community. These include:

- Lack of unencumbered funds available to the PUD to pursue initiatives that advance the community’s needs and interests.
- The continuing and growing complexity of water rights issues facing the area as well as the lack of widely accepted data concerning the quality and volume of the resource.
- Increasing costs of energy supply and delivery to the community’s industrial employers.
- Increasing challenges facing the provision of water to local purveyors, the agriculture sector and other uses such as fire suppression. (Fire suppression includes the Grandview water system for fire suppression, and as Jilk noted this will continue to be a factor as growth continues in other areas of the rural county.

Mission and History of PUD No. 1

From the strategic plan discussions, comes a proposed, revised Mission Statement:

Public Utility District No. 1 of Whatcom County is a steward of the water and energy resources providing locally-controlled, utility services and resource protection for the benefit of area residents, businesses, global industries and the agriculture community of greater Whatcom.

The PUD was created by a vote of the citizens of Whatcom County in 1936 and became operational in 1937. General Petroleum was seeking to build a refinery and needed electricity, and the PUD was able to obtain the energy needed, and the refinery was built. It continues to be operational today, now as Phillips66. The PUD treats and distributes about 5 billion gallons of water a year and is the largest water processor in the county – two times as much as other PUDs in the state.

The PUD is governed by three elected, non-partisan commissioners, one from each of the districts as indicated by the Whatcom County Council districts. The organization chart depicts the existing different staff roles and responsibilities.

Cultural Values

The PUD's values define the beliefs and ideals that the PUD subscribes to as it delivers on its mission – in essence, *how* we do our work. The cultural values define how we serve the community:

- **Honesty and Integrity:** Operate and manage the affairs of the PUD in an open and transparent atmosphere.
- **Encourage:** Divergent thinking and perspectives to realize innovative and creative solutions.
- **Courage:** Act strategically upon convictions in the face of skepticism.
- **Mutual Respect:** Encourage and carefully consider all views, even in disagreement, from both within and outside of the organization.
- **Unity:** Understand that in working together, more can be accomplished for the community than operating unilaterally.

Roles and Foundational Goals of the PUD

The PUD serves very important and related roles within the greater Whatcom community. To further its unique roles, the PUD has established six foundational goals. The goals direct the course of the PUD as the PUD fulfills its mission and defines (in general terms) what it aspires to accomplish in the medium and long terms.

ROLES	FOUNDATIONAL GOALS
Stewards of the Resource	<ol style="list-style-type: none">1. Serve as a steward as water resources throughout Whatcom County.2. Serve as a steward of energy resources throughout Whatcom County
Provider of Core Utility Services	<ol style="list-style-type: none">3. Effectively manage the core utility service of the delivery of power and water to our industrial employment client base.4. Maintain the financial capacity of the PUD to continue to provide essential services as well as accommodating the planned expansion of support to the community.
Serve as a Technical Resource	<ol style="list-style-type: none">5. Provide technical assistance and support to the community in the supply and delivery of water and power.6. Provide, educate, support, and maintain consistent, high quality technical proficiency in staff knowledge, experience and performance as well as the corresponding management infrastructure to support that performance.

Planned Strategies and Tactics

To realize its foundational goals, the PUD has devised a set of planned strategies. These strategies put into action the PUD's mission and reflect its values. The PUD's management and technical staff will work closely with the Commission to develop tactics to support and set into action the planned strategies.

Planned strategies reflect the direction and scope of the PUD over the long-term and to meet the needs of its constituents; fulfill stakeholder expectations and realize its goals. Planned Strategies focus on the entire forest, not the individual trees.

Tactics are the planned actions that deliver the planned strategies, a set of maneuvers designed to achieve a specific end and they focus on the trees within the forest. Jilk explained that the Commission's role is to decide on the programs and the staff provides the tactics.

Eleven (11) planned strategies for 2016 were prioritized based on their significant benefit to the large community, as well on the PUD's ability to allocate, sufficient resources to continue to support their undertaking.

1.1 Continue to assist other agencies, organizations, businesses and industries in the management of the scarce water resource in the County and expand that effort to consider innovative approaches such as water banking.

1.2 Continue its active role in participating in the resolution of the water rights and associated watershed planning needs facing the County.

1.3 Expand its role as a provider of bulk water to county-wide users including allocation of the resource and/or delivery infrastructure.

1.4 Initiate a specific support program targeted at the water resource needs of the local agriculture industry.

2.1 Maintain the current program to promote significant conservation projects with measurable outcomes which result in significant energy conservation.

3.1 Continue to develop joint strategies with other key stakeholders with interests in water rights to support the PUD's industrial client base.

4.1 Promote its current practice of providing limited technical support through interagency agreements to local water associations.

5.1 While maintaining an acceptable source of sufficient funding to serve its core utility service responsibilities, consider modifications to the current rate structure that builds capital capacity and moves to a market-based utility pricing approach, as well as generates sufficient resources to support an expansion of the role of the PUD articulated in its planned strategies for 2016.

6.1 Continue to define and pursue the development of technically qualified staff to undertake the selected planned strategies as well as sufficient capacity to protect against erosion of ability to serve the core activities of the PUD.

6.2 Develop a succession plan for key management and operational personnel.

6.3 Appropriately and clearly brand the PUD in its future role in water and energy resource topics.

In addition, further planned strategies beyond 2016 include:

- Through collaboration with the area's large industrial employers, identify mechanisms for providing more cost effective power to them.
- Further study the PUD's ability to effectively assume Level 2 management services (including rate setting) for local water associations.
- Determine demand for expanded technical support, beyond its informal relationships, to other local public electrical service providers by adopting more formal agreements.
- Assess with the County the PUD's possible assumption of the role of "purveyor of last resort" for water systems.
- Undertake a feasibility analysis of creating a technical assistance "extension service," such as a "water institute," to, as an example, serve the planning and technical needs of those providers of potable, irrigation, process and fire suppression water supply.
- Create an ongoing expertise to understand, monitor and forecast the state of the water resource in Whatcom County.

Overall Financial Strategy

The following are long-term strategies to support the services the PUD provides:

- Develop a long-term specific strategy addressing operations needs; debt management and an appropriate water and electric rate structure so that services provided by the PUD are sustainable.
- Review and update appropriate policies to support the financial management tools developed.
- Develop rate structures that reflect "true" costs of preserving needed resources, including water rights and associated legal, infrastructure, planning and management processes.

These are not stand-alone strategies and can be blended into other strategies. The PUD is facing increased debt and the need to identify where we are financially and not over-burdening the current rate payers with too much debt.

◆ **Public Hearing for Draft Strategic Plan**

Commissioner McClure officially opened the public hearing at 8:31 a.m. It was noted that no comments were received in writing for the draft strategic plan.

Rich Maricle representing Phillips66 commented:

- That the word “energy” is used throughout the document. Maricle stated that the PUD is only authorized for electrical “energy”. Not transportation of fuel delivery and not for delivery of transportation fuels.
- Page 11, number 1.3 reads “*Expand as a provider of bulk water to countywide users including allocation of the resource and/or delivery infrastructure.*” Maricle said he does not see the District expanding their role in the next five to ten years and to be a provider for the entire county would be an enormous undertaking. He’s not sure if that should be included in the document.
- Page 12, number 5.1 reads “*...consider modifications to the current rate structure that builds capital capacity and moves to a market-based utility pricing approach...*” Maricle said this goes against the whole reason of a public utility. If the District goes to a market-based pricing approach, it looks like an attempt to go to higher price market rate to support potential customers. He thought it seemed odd to include this statement.
- Page 16, “Weaknesses” in the SWOT analysis section, second bullet point reads “*There is a lack of cost effective alternative power generating sources, such as wind and solar, available to the PUD locally.*” Maricle said he doubts that solar and wind will ever be cost effective and these sources of energy are not compatible with the nature of the PUD’s electric load. They are not a good fit for the way the load is.
- Page 16, sixth bullet point under Weaknesses – “*Lack of clearly defined and stable source of funds to support the agency’s effort in making progress...*” in regards to the PUD’s taxing authority – if the PUD chooses to pursue taxing authority, he’d rather it be on initiatives that cover the entire county, not just existing customers.

Carole Perry (citizen) commented:

- Because no [written] comments were received, she believes this reflects what goes on in the county, generally, and [public hearings/meetings] are held only to comply with the law but the public knows nothing.
- As a citizen, it pains her that there is no one who knows what is going on, which makes this very difficult as she tries to learn about things.
- References to global warming in the draft plan, Perry suggested that the District be certain on their take on the subject of global warming, specifically, the presentation that was made by Oliver Grah from the Nooksack Tribe earlier in the year, and was challenged by people in the audience.

Karen Brown (citizen) commented:

- Can the PUD function on its own without federal and state funding, and collecting sales tax? Brown said she asked the same of the County Executive.
- The “environmental” group does not believe in hydro power and they are all out to shut off the dams, and urged the PUD to be careful on mentioning “environmental” subjects.
- Who are the stakeholders?
- Who are the agencies the PUD will take on?
- The new Interlocal Agreement. Brown is unsure if the Interlocal is even legal and questions the private discussions with the tribes.
- Taxing the public for use of water.
- Has the PUD reached out and talked to the Planning Unit on the Strategic Plan?
- Does the PUD have enough water rights to take over the entire county?
- Is the PUD in negotiations with Birch Bay Water and Sewer District?
- Is Skagit County satisfied with their PUD?

Brown said she was sorry to have missed some of the recent Commission meetings, although believes they were orchestrated with few public attending.

Peggy Uppiano (citizen) commented:

- She is concerned about the unencumbered funds and debt to expand. The PUD should continue to do what they do well.

Dave Olson (citizen) commented:

- Olson was able to attend all of the public workshops and meetings for the strategic plan, and has followed the posted minutes and reports.
- Page 16, “Weaknesses” in the SWOT analysis section, fourth bullet point reads “*Telecom is a highly competitive industry and the PUD’s past involvement...*” Olson indicated that the draft does not state where telecom is going to go. The District is able to facilitate and assist other agencies seeking telecom, but not become an actual provider.
- The draft clearly states the PUD is a steward of energy and water.

- Page 12, second bullet reads “Further study the PUD’s ability to effectively assume Level 2 management services (including rate setting) for local water associations.” Olson said this may be misleading, in that there are other levels (3 and 4) – there should be more clarity in this sentence.

Maricle added his personal opinion regarding Telecom – and that in rare and remote exceptions; high speed internet is available everywhere in Whatcom County. He thinks that [those] seeking help with telecom/internet are looking for someone else to subsidize the service. Peggy Uppiano also stated she agreed with Maricle’s statement.

Commissioner McClure thanked everyone for their comments and appreciated the input. He indicated that some of the sentences crafted can come across differently. The District is not “taking over” – we are here as problem solvers and solution seekers.

◆ **Close of Public Hearing**

There being no further comments for the draft Strategic Plan public hearing, Commissioner McClure closed the hearing at 8:53 a.m.

◆ **Commissioner Comments on Draft Strategic Plan**

Commissioner Murphy thanked the audience for their comments. Murphy had met with Jilk previously to discuss his many comments on the draft. He said that he would like to see the Granges given credit in the history section (it was an act of the Washington State Grange, a populist agricultural organization, that collected more than 60,000 signatures – twice the number necessary – to send Initiative No. 1 to the Legislature, allowing rural communities to form their own publicly owned utilities. When the Legislature failed to act, the measure went to a statewide election, where it passed in 1930 with 54 percent of the vote. The new PUD law went into effect in 1931.)

Commissioner Kenner also thanked the audience for their comments. Kenner said it is good to have a road map, especially for Capital Improvement Projects. He agrees with the “no” on telecom, and on the taxing authority subject, Kenner would never initiate the PUD’s taxing authority unless it was for a major countywide project. Kenner added he is completely against any “takeovers” – the PUD is a problem solver.

Commissioner McClure assured that the Commissioners are thoughtful and progressive with true support on Capital Improvement Projects. He would like to see an expanded role in agriculture, and views the PUD as supporting and sustaining the economy, not as “taking over” other systems or associations. The PUD has a well deserved reputation with staff as problem solvers. McClure would also like to create an organizational identity for the PUD as a progressive problem solver. The District has been a quiet worker and is often misconstrued. There is an educational component about the PUD and McClure said the organizational goals/introduction on the draft plan says it well. He appreciated the input brought to the table.

Jilk said that over the next month, comments from the public hearing and from the Commissioners will be further reviewed and plans to submit a second final draft document (with revisions from comments received) will be planned for the September 22 regular Commission Meeting. Sitkin added that the draft strategic plan is not “an agreement” but an effective planning tool and that the public hearing is not required by law. McClure summarized that the strategic planning process has been very valuable and hopes to have it concluded prior to budget preparation.

ACTION: No action requested of or taken by the Commission.

◆ **Manager’s Report**

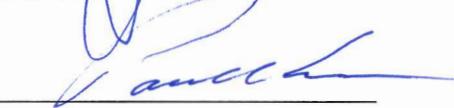
No report.

◆ **Adjourn**

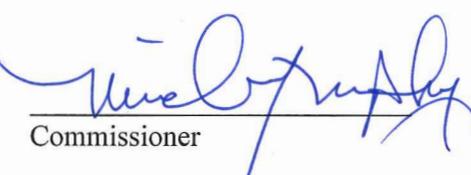
There being no further business for the regular meeting, the Commission adjourned the regular meeting at 9:03 a.m.



President/Commissioner



Secretary/Commissioner



Commissioner