

# MINUTES OF THE MEETING OF THE COMMISSION

January 24, 2017

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 Paul Kenner. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Mike Murphy and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Annette Smith, Director of Finance; Duane Holden, Manager of Construction and Facilities; Paul Siegmund, Manager of Automation and Technology; Mike Macomber, IT/SCADA Tech; Fred Disch, Water Systems Supervisor; Lew Gaskill, Accountant I; and Traci Irvine, Accountant I.

Public attending: Oren Gaskill, Citizen; Dave Olson, Citizen; Rick Maricle, Citizen;  
Max and Carole Perry, Citizens.

## ◆ Public Comment

Carol Perry commented on the County Council's Cherry Point amendments – she has been attending the council and Planning Commission public hearings with packed chambers. Several people commented at these meetings how the amendments will affect their jobs. Perry hopes that citizens keep following these events and that things can change. With a new change in leadership (president), things may become volatile and Perry believes that industry is important at Cherry Point.

Commissioner Kenner thanked her for her comments and noted that the Cherry Point Industrial Area is a huge economic base in our county supporting over 7,000 jobs.

## ◆ Approval of the Meeting Minutes and Claims

The Commissioners were presented with the Minutes of the Meeting January 10, 2017 and the following Claims of January 24, 2017:

| VENDOR NAME                             | AMOUNT     |
|---|------------|
| AIR COMPRESSOR SERVICE                  | 1,577.63   |
| ANDGAR CORPORATION                      | 8,218.43   |
| APPLIED DIGITAL IMAGING                 | 21.74      |
| ASPLUNDH TREE EXPERT CO                 | 12,800.00  |
| ASSOC EARTH SCIENCES, LLC               | 765.00     |
| BIRCH EQUIPMENT COMPANY                 | 6,757.89   |
| BONNEVILLE POWER ADMINISTRATION         | 650,592.00 |
| CDW/COMPUTER DISCOUNT WAREHOUSE         | 154.36     |
| CENTRAL WELDING SUPPLY                  | 50.00      |
| CESCO NEW CONCEPT CHEMICAL PRODUCTS     | 67.20      |
| COMCAST                                 | 61.42      |
| CORNERSTONE MANAGEMENT, INC.            | 2,040.00   |
| DELTA ELECTRIC MOTORS                   | 14,528.16  |
| EDGE ANALYTICAL LABORATORIES            | 20.00      |
| EES CONSULTING                          | 680.00     |
| ELECTRIC POWER SYSTEMS - EPS            | 3,764.25   |
| FERNDALE ACE HARDWARE                   | 165.98     |
| FERNDALE LUBE                           | 114.95     |
| INTERNAL REVENUE SERVICE                | 15,525.44  |
| IVOXY CONSULTING LLC                    | 4,557.00   |
| MANAGEMENT SERVICES NW                  | 1,361.98   |
| MAUL FOSTER & ALONGI                    | 3,603.14   |
| NESS CRANE SERVICE, INC                 | 1,016.35   |
| NORTH COAST ELECTRIC COMPANY            | 9,576.59   |
| PACIFIC NORTHWEST UTILITIES             | 683.00     |
| PAYLOCITY                               | 320.50     |
| PAYROLL                                 | 175,710.74 |
| PITNEY BOWES RESERVE ACCOUNT            | 133.03     |
| PLATT ELECTRIC SUPPLY CO                | 103.39     |
| PUBLIC UTILITY RISK MANAGEMENT SERVICES | 29,766.50  |
| PUD #1 OF WHATCOM COUNTY                | 14.32      |
| PUGET SOUND ENERGY, INC                 | 2,298.73   |
| REISNER DISTRIBUTION, INC               | 582.25     |
| RH2 ENGINEERING, INC                    | 3,166.32   |
| RICOH USA FINANCIAL SVC                 | 152.18     |
| SOFTWAREONE, INC                        | 7,505.47   |
| SOUND SHREDDING & RECYCLING             | 28.00      |
| STERICYCLE ENVIRONMENTAL SOLUTIONS      | 27.00      |
| SURETY PEST CONTROL                     | 59.79      |
| TYLER TECHNOLOGIES-INCODE               | 10,266.50  |
| UTILITIES UNDERGROUND LOCATION          | 18.06      |

|   |                       |
|---|-----------------------|
| WA FEDERAL VISA CARD MEMBER SERVICES    | 3,483.38              |
| WA PUBLIC UTILITY DISTRICTS ASSOCIATION | 15,209.00             |
| WA ST DEPT OF REVENUE                   | 69,617.79             |
| WESTERN CONFERENCE OF TEAMSTERS         | 5,934.50              |
| WHATCOM COUNTY AUDITOR                  | 3,833.12              |
| WHATCOM FARMERS CO-OP                   | 1,090.84              |
| XEROX CORPORATION                       | 135.80                |
| <b>GRAND TOTAL</b>                      | <b>\$1,068,159.72</b> |

**ACTION:** Commissioner Murphy motioned to approve the MINUTES OF THE MEETING HELD JANUARY 10, 2017 and the CLAIMS OF JANUARY 24, 2017. Commissioner Kenner second the motion. Motion passed unanimously.

◆ **Utility Rate Study Update**

Background – On May 26, 2015, the District entered into a Professional Rate Development Consulting Services Agreement with FCS Group to perform a utility rate study and analysis related to the District’s services. Director of Finance Annette Smith provided an update on the study. Highlights included:

➤ *Goals of the Study*

(1) Review both Industrial Water and Grandview Water utilities; (2) Develop rate models for both; (3) Review financial policies, including reserves; (4) Review rate methodology; and (5) Review connection fees.

➤ *Financial Planning Review*

Review of the process includes (1) Revenue Requirement; (2) Cost of Service Analysis; and (3) Rate Design.

➤ *Grandview Utility*

The proposed model separates the Fire Charge from Fixed Meter Charge. Fixed Meter is still based on meter size while Fixed Fire Charge is based on the number of connections. The connection fee approach is still feasible with updated numbers. The forecast is highly variable with the uncertainty of capital projects. FCS recommends increasing rates to meet these needs.

➤ *Industrial Water Utility*

The current rate structure is viable; however, the recommendation is to eliminate the Fixed Fire Charge. FCS also recommended aligning Irrigation rates to Industrial Water rates. Currently there is no separation in the system for irrigation customers, and instead of having two connection fees (one at the time of contract and one at the time of actual connection/water flow), the recommendation is to have only one connection charge.

The challenge for the District in this would involve contract amendments where the Fixed Fire Charge is specifically called out. By setting a Fixed Charge, it allows for recovery of capital investment in the system. There are some cost structures that should be alike. This will be reviewed when preparation for the 2018 budget begins. Schlotterback added that many of the irrigation contracts are small or hobby farmers and should there be a higher connection charge, many would not be able to afford the fee increase.

➤ *Financial Policies*

A review of the District’s financial policies in preparation of the 2018 budget, in terms of reserves is planned. FCS recommended that the District double-up in both minimum balance of the Restricted Reserves Operating Fund (60 day operating expenses) currently set at \$336,109; Restricted Reserves Capital Fund currently set at \$282,619, and the Emergency Fund Risk Assessment at \$350,000, and eliminate one of the funds. Based on an internal risk assessment, the District’s insurance would cover most occurrences; however, the need to focus on what is a “good” number to use and what insurance does not cover needs to be further explored. For Capital Reserves, FCS recommends that a minimum balance equal to 1% of the Fixed Assets is established. The proposed scenario would be to eliminate the Restricted Operating Fund and Restricted Capital Fund and set the Emergency Fund yearly by consensus (estimated at \$300,000). In turn, a 60-Day Operating Expenses account of \$900,000 and a Minimum 1% of Capital Assets account of \$600,000 would be established.

The full report from FCS Group was distributed to the Commissioners and additional copies for customers are available.

**ACTION:** Information only. No action taken.

- ◆ **Resolution No. 689 – Review and Affirm Supplemental Customer Water Service Conditions Policy**  
Background – The citizens of Washington State voted to legalize the cultivation, distribution and use of marijuana in a well-regulated manner in accordance with Initiative 502, which has since become law and codified in Chapter 69.50 RCW. The United States federal government, Department of Justice has stated in what is known as the Cole Memorandum in August of 2013 that while marijuana cultivation and sale is legal in certain states it remains unlawful under federal law, the Department of Justice may not prosecute such activity although prosecution is not prohibited.

In order to provide predictability to PUD water customers that may use PUD water to serve marijuana production and processing operations, the District adopted Resolution 689, on December 16, 2014, approving a *Supplemental Customer Water Service Conditions Policy*. This policy essentially advises District Customers that use or could use water provided by the District to serve this type of business may be interrupted under conditions where the federal government enforces the federal statute regarding marijuana production and processing. In which case the District will terminate the supply of water to District customers utilizing the water in the production and/or processing of marijuana.

Legal Counsel Sitkin suggested that with changes taking place at the White House, a new President, and potential changes in the leadership at the Department of Justice that could affect the federal government's position on the enforcement of federal drug laws it is important for our District to again review the status of the regulations dealing with service to marijuana production and processing facilities. Also with this comes the potential of the new administration view on possible grant funding conditions, if in violation of a federal law, funding could be restricted or eliminated.

This recommendation is to allow the Commission to review/discuss and affirm the District's policy on service to customers and policy on potential interruption to that service as impacted by the federal government's regulatory stance. If the Commission re-affirms Resolution 689 staff will send letters of notice to all water service customers affirming such.

**ACTION:** Commissioner Murphy motioned to REAFFIRM AND CONFIRM RESOLUTION NO. 689, ADOPTING A *SUPPLEMENTAL CUSTOMER WATER SERVICE CONDITIONS POLICY* and TO SEND AN UPDATE/NOTICE TO DISTRICT WATER CUSTOMERS as noted above. Commissioner Kenner second the motion. Motion passed unanimously.

- ◆ **Approve Amendment No. 3 to General Manager's Contract**

Background – The General Manager entered into an employment contract with the District that commenced January 1, 2012 with an expiration date of December 31, 2016. That contract was amended on December 17, 2013 and amend a second time in December, 2015. The current term of the contract expires December 31, 2018. This third amendment allows for changes in sections 5.3 and 10.5, Sick Leave and Termination Benefits.

**ACTION:** Commissioner Murphy motioned to APPROVE AMENDMENT NO. 3 TO THE GENERAL MANAGER'S EMPLOYMENT CONTRACT. Commissioner Kenner second the motion. Motion passed unanimously.

- ◆ **Manager's Report**

No report.

- ◆ **Approve Resolution No. 718 – Honoring Lois "Lew" Gaskill upon Retirement**

The Commissioners honored Lew Gaskill upon her retirement from the District after 15 years as Account 1. The Commissioners thanked Gaskill for her outstanding service to the District and presented Resolution No. 718 honoring her upon her retirement.

Resolution No. 718 expressed the Commissioners' sincere appreciation for her valued employment with the District since 2001. Gaskill served the District "...most capably with the interests of the PUD always foremost, and gave generously of her time and talents in performing the duties of her job as the District's Receptionist and Accountant, and Jilk noted she always had a camera on hand to photograph and document District wildlife and various events at the PUD.

Kenner presented Gaskill with a framed copy of the signed resolution and collage of photographs. Commemorative photos were taken and all congratulated and applauded Lew's accomplishments.

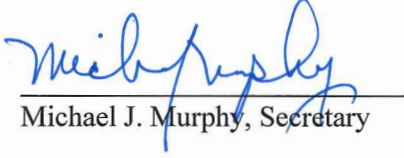
**ACTION:** Commissioner Kenner motioned to APPROVE RESOLUTION NO. 718 HONORING LOIS "LEW" GASKILL UPON HER RETIREMENT AFTER 15 YEARS ACCOUNTANT 1 TO THE DISTRICT. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Adjourn**

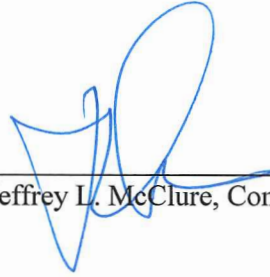
There being no further business for the regular meeting, the Commission adjourned the regular meeting at 8:45 a.m.



Paul D. Kenner, President



Michael J. Murphy, Secretary



Jeffrey L. McClure, Commissioner