

MINUTES OF THE MEETING OF THE COMMISSION

November 28, 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 Jeff McClure. 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; Brian Walters, Assistant General Manager; Annette Smith, Director of Finance; Duane Holden, Director of Utility Operations; Jon Littlefield, Electric System Supervisor; Paul Siegmund, Manager of Automation and Technology; Mike Macomber, IT/SCADA Technician; Aaron Peterson, IT/SCADA Technician; Alec Strand, Project Manager; and Traci Irvine, Accountant I.

Public attending: Klaus Klix, Infra Pacific
Rick Maricle, Citizen
Dave Olson, Citizen
Carole Perry, Citizen
Max Perry, Citizen
Robin Dexter, Environmental Working Group
Pat Pollock, BP Cherry Point
TJ Lee, Phillips66

◆ **Public Comment**

No comments.

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

The Commissioners were presented with the Minutes of the Meeting of October 24, 2017 and the following Claims November 14, 2017:

VENDOR NAME	AMOUNT
AMAZON BUSINESS	151.89
BONNEVILLE POWER ADMINISTRATION	604,452.00
BROOKS MANUFACTURING CO	15,732.50
COMCAST	91.12
ELECTRIC POWER SYSTEMS - EPS	3,436.42
FERNDALE LUBE	57.48
HAGGEN, INC	86.86
INTERNAL REVENUE SERVICE	13,685.42
IVOXY CONSULTING LLC	1,976.87
KCDA PURCHASING COOPERATIVE	36.92
PAYLOCITY	137.67
PAYROLL	149,395.53
PITNEY BOWES RESERVE ACCOUNT	500.00
PLATT ELECTRIC SUPPLY CO	2,256.34
PUBLIC UTILITY RISK MANAGEMENT SERVICES	1,713.82
PUD #1 OF WHATCOM COUNTY	13.66
RH2 ENGINEERING, INC	7,797.90
SPECIALTY ENGINEERING, INC	11,392.67
US BANK	2,851,843.46
WA FEDERAL VISA CARD MEMBER SERV	4,626.13
WA ST AUDITOR'S OFFICE	22,014.02
WA ST DEPT OF REVENUE	69,460.36
WA ST DEPT TRANSP-NW REGION	237.70
WESTERN CONFERENCE OF TEAMSTERS	4,939.00
GRAND TOTAL	\$3,766,035.74

ACTION: Commissioner Murphy motioned to APPROVE THE MINUTES OF THE MEETING HELD NOVEMBER 14, 2017 and the CLAIMS OF NOVEMBER 28, 2017. Commissioner McClure second the motion. Motion passed unanimously.

◆ **Approve One Year Extension of Waterhouse Environmental Services Corporation Contract/Purchase Order Award**

Background – On December 13, 2016, the District’s Commission approved the award of the chemical flocculant purchase contract/purchase order to Waterhouse Environmental Services Corporation (Waterhouse). The chemical purchased is the flocculant applied at the water treatment plants for controlling water turbidity prior to moving water to the customers.

Walters said that according to the terms of the contract, the initial term of the contract may be extended for two (2) additional one year periods, as well as any mutually agreed upon adjustments in compensation based upon, but not limited to, changes in the cost of raw good, natural gas, fuel oil and transportation. If approved, the effective period of the chemical supply contract/purchase order extension would be January 1, 2018 to December 31, 2018. For 2017, the pricing for the chemical supplied was \$0.386/lb. As per a November 14, 2017 email from Waterhouse, the pricing for 2018 will remain the same as for 2017.

Commissioner Murphy inquired if we are using the same amount of chemical as usual. Walters replied that the river conditions dictate how much chemical is used for turbidity. The Waterhouse chemicals tend to be easier to use and covers a wider range of water issues than other chemical brands used in the past.

Funds are allocated in the 2018 Budget for chemical flocculant purchases and this extension will have no impact.

ACTION: Commissioner Murphy motioned to APPROVE A ONE YEAR EXTENSION OF THE WATERHOUSE ENVIRONMENTAL SERVICES CORPORATION CONTRACT/PURCHASE ORDER FOR CHEMICAL FLOCCULANT AT THE 2017 PRICE AND AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE EXTENSION. Commissioner McClure second the motion. Motion passed unanimously.

◆ **Second Draft 2018 Operating and Capital Budgets Update**

Annette Smith, Finance Director presented the second draft 2018 Budget. The first draft 2018 Budget was presented to the Commission on October 24 and customer meetings for Grandview and Cherry Point were held November 6 and 7, 2017. The Public Hearing notice was advertised in the Bellingham Herald as per legal requirements. Highlights of the second presentation of the draft 2018 budget include:

Presentation Outline

- Capital Budget
- Operating Budget
- Reserves
- Service Rates
- Forecasts

The figures have been updated with the October financials since the first draft presentation.

Capital Budget:

Revenues help pay for capital improvement projects and the figures presented in today’s capital budget project list are estimated from 2018 through 2023. Total project costs for 2018 are estimated at \$6,486,000. The changes to the Capital Budget include updated/actual October financials and two additional water projects:

- (1) Additional Standby Power for the Water Plants was added to the list of capital projects. At the first budget presentation, only one upgrade had been scheduled for 2019. Due to a recent Puget Sound Energy outage which affected the Enterprise Substation (Plant 2) resulted in a shutdown lasting almost two minutes. Fortunately the outage created no major interruptions, however it is foreseeable that this type of outage could happen again. District staff discussed the need to upgrade the substations to allow for permanent installation of a generator or facilities to connect a leased generator to the system as backup power when needed. It was also decided to invest in the Enterprise substation first (2018) and then determine needs at Plant 1 and whether to build a new substation (2019) and/or create a fix for the current Ferndale Substation to connect a generator to (2020). Plant 1 upgrades will be considered at a later date.
- (2) Grandview Potable System Improvements – With the new fiber connection to Grandview, comes upgrades to the SCADA system and adding a programmable logic controller (PLC) will enable the District to remotely monitor the potable water system.

The three other new projects that were addressed in detail at the first draft budget presentation are the Multi-Use Storage Building, Plant 2 Basin Weather Enclosures, and Substation Security.

Operating Needs (Costs) by Object

Updates to the Operating Needs by Object include the month of October actuals, resulting in a difference of only \$2,000 in the budgeted total from the first draft presentation:

<u>Operating Needs (Costs) by Object – Updated</u>	<u>Operating Needs (Costs) by Object – First Draft</u>
By Fund:	By Fund:
Industrial Water.....\$9,437,000	Industrial Water.....\$9,410,000
Grandview\$385,000	Grandview\$400,000
<u>Electric\$11,205,000</u>	<u>Electric\$11,215,000</u>
2018 Total\$21,027,000	2018 Total\$21,025,000

Operating Needs (Costs) by Object – 2017 Projected

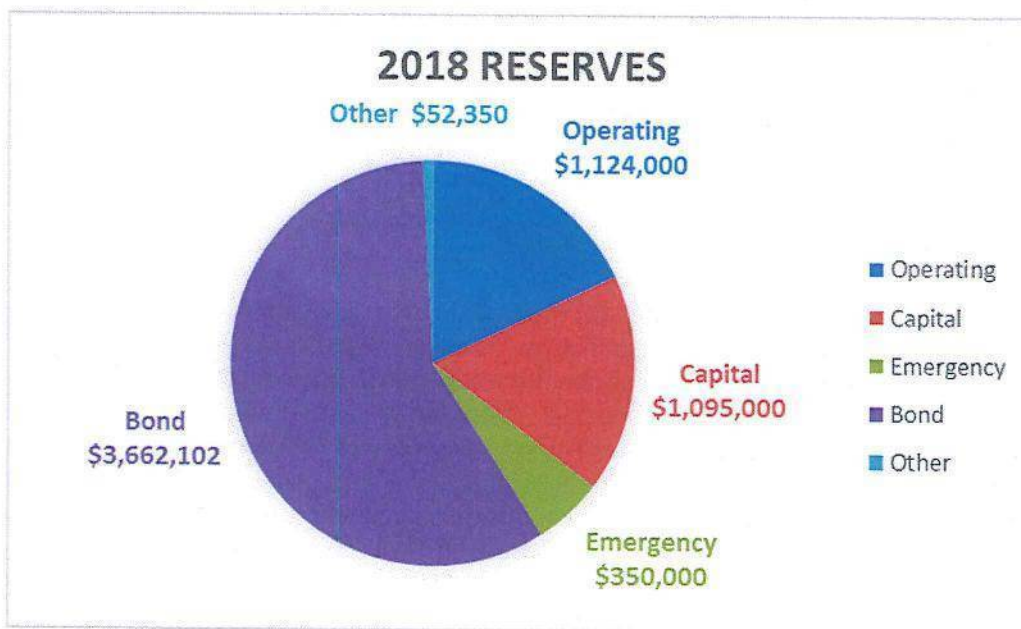
2017 Projected.....\$20,497,507
 Difference (increase).....\$529,493
 Percent increase.....2.6%

Operating Budget – Personnel

Changes in this section include adding the month of October actuals. The District anticipates no new hires or retirees in 2018. The total labor and benefits budget amount for 2018 is \$2.9 million. The Teamsters Collective Bargaining Agreement has been finalized for 2018 – 2022. Commissioner pay is dictated by the State of Washington and the District anticipates a cost of living adjustment (to be determined) in July. Both of these changes are now included in the budget. Also, more labor will be allocated back to capital improvement projects from operations as projects begin to ramp up.

Reserves

		Projected 2018				Current	Change
		Industrial Water	Grandview	Electric	Total		
Operating	60 days Operating Expenses (excludes Extraordinary maintenance, Power Pass-thru)	\$ 700,000	\$ 28,000	\$ 246,000	\$ 974,000	\$ 1,337,330	\$ (363,330)
Capital	1.5% of Capital Assets <i>Capital Assets Split</i>	\$ 691,000	\$ 49,000	\$ 255,000	\$ 995,000	\$ 282,619	\$ 712,381
		66%	6%	28%	100%		
Emergency		\$ 231,000	\$ 20,000	\$ 99,000	\$ 350,000	\$ 350,000	\$ -
Additional	Retirement Cash-outs	\$ 110,000		\$ 40,000	\$ 150,000	\$ 106,500	\$ 43,500
	Customer Reduction	\$ 100,000			\$ 100,000	\$ 100,000	\$ -
					\$2,569,000	\$ 2,176,449	\$ 392,551



The double reserve accounts in Operating and Capital were eliminated with the Financial Management Policy approval on August 8th. The Emergency Reserve level of \$350,000 would be enough to cover an incident that would not be covered by insurance such as a line break in the industrial water system (rough estimate repair \$200,000) or replacing three electric transmissions structures (rough estimate repair \$70,000). The Emergency Reserve amount would be assessed each year. The Bond reserves are restricted by bond covenants. The Other Reserve is a mitigation fund required on a 2011 project, to be kept until 2019.