

PUBLIC UTILITY DISTRICT No. 1
of Whatcom County

Agenda for the
Regular Meeting of February 27, 2018
8:00 a.m. at the PUD Office

1. Public Comment
2. Approval of Meeting Minutes held for January 13, 2018
3. Approval of Claims for February 27, 2018
4. Bonneville Power Issues – Presentation by Brian Walters
5. General Manager Employment Contract
6. Senate Bill 6091 (Hirst fix) update
7. Manager's Report
8. Executive Session (potential litigation on water rights)
9. Adjourn

Next Commission Meetings

March 13 & March 27, 2018 – Regular Meetings

*All meetings begin at 8:00 a.m. at PUD Administration Office -
1705 Trigg Road, Ferndale, WA unless other location announced.*

PUD #1 of Whatcom County) (360) 384-4288

MINUTES OF THE MEETING OF THE COMMISSION

February 13, 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 Jeff McClure. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Paul Kenner, 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; Alec Strand, Project Manager; Aaron Peterson, IT/SCADA Technician; Mike Macomber, IT/SCADA Technician; and Traci Irvine, Accountant I.

Public attending: Carole Perry, Citizen
Max Perry, Citizen
Rich Maricle, Citizen
Robin Dexter, Environmental Working Group
Dave Olson, Citizen
Eric Powell, REGENIS

◆ **Public Comment**

Max Perry commented on the REGENIS presentation made at the last Commission meeting. He has heard that the Whatcom Conservation District Supervisors are very interested in this membrane treatment process and are looking for national funding opportunities to help support local farmers.

Carole Perry commented about corruption uncovered at the highest levels of government and that there are lessons to be learned when there is not transparency. Citing Senate Bill 6091 (new Hirst law), she said there is never an ill wind that doesn't blow some good. This has brought an awareness, and the PUD plays a big role. The Hirst fix has brought an opportunity for Whatcom County to engage and find solutions.

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

The Commissioners were presented with the Minutes of the Meeting of January 23, 2018 and the following Claims of February 13, 2018:

VENDOR NAME	AMOUNT
AIR COMPRESSOR SERVICE	205.48
AMAZON BUSINESS	180.17
APERTURE ELECTRICAL	6,971.66
ARBITRAGE GROUP INC.	2,000.00
BELLINGHAM HERALD	2,294.64
BELLINGHAM LOCK & SAFE, INC	576.14
CARLSON STEEL WORKS, INC	2,498.00
CDW/COMPUTER DISCOUNT WAREHOUSE	1,260.93
CENTRAL WELDING SUPPLY	69.95
CESCO NEW CONCEPT CHEMICAL PRODUCTS	109.57
CHMELIK SITKIN & DAVIS	2,235.00
CORNERSTONE MANAGEMENT, INC.	6,351.00
CULLIGAN NORTHWEST	59.61
ELECTRIC POWER SYSTEMS - EPS	38,182.25

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FERNDALE ACE HARDWARE	82.26
FERNDALE LUBE	150.69
FRONTIER	1,366.06
GENEVA CONSULTING	542.50
GUARDIAN SECURITY SYSTEMS, INC	492.00
HARDWARE SALES, INC.	20.35
HD FOWLER CO, INC	853.98
HEALTH PROMOTIONS NORTHWEST	90.00
IVOXY CONSULTING LLC	1,219.54
KAMAN FLUID POWER LLC	46.00
KCDA PURCHASING COOPERATIVE	121.89
MASSMUTUAL RETIREMENT SVCS LLC	11,683.33
MORTIMER, TOM	2,537.50
NORTH COAST ELECTRIC COMPANY	35.22
NORTHWEST CASCADE, INC.	112.50
NORTHWEST MOWING & GARDENING	514.54
NW PUBLIC POWER ASSOCIATION	2,270.00
PACIFIC UNDERWRITERS CORP INC	250.00
PARAMOUNT SUPPLY COMPANY	439.56
PLATT ELECTRIC SUPPLY CO	1,640.39
PROBUILD - OSO LUMBER	55.01
PUD #1 OF WHATCOM COUNTY	50.00
PUGET SOUND ENERGY, INC	9,298.75
REGENCE BLUE SHIELD	37,571.04
REISNER DISTRIBUTION, INC	2,074.78
RH2 ENGINEERING, INC	12,933.91
RICOH USA	264.69
S&P GLOBAL PLATTS	2,614.24
SENSEALYZE PROCESS MEASUREMENTS	573.32
SPECIAL-T STRIPING & SIGN COMPANY	66.96
SSC - SANITARY SERVICE COMPANY	364.05
STERICYCLE	74.07
SURETY PEST CONTROL	59.79
TEAMSTER LOCAL #231	384.00
THRESHOLD DOCUMENTS	8.70
TOP TO BOTTOM, INC	4,891.50
UNITED WAY OF WHATCOM COUNTY	571.00
UTILITIES UNDERGROUND LOCATION	29.67
VERIZON WIRELESS	1,610.42
WASHINGTON DENTAL SERVICE	2,762.40
WASHINGTON TEAMSTERS WELFARE	9,747.90
WESTSIDE LUMBER	54.62
WHATCOM JANITORIAL	1,250.00
ZEE MEDICAL SERVICE	785.41
TOTAL	\$ 175,558.94

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ACTION: Commissioner Kenner motioned to APPROVE THE MINUTES OF THE MEETING HELD JANUARY 23, 2018 and the CLAIMS OF FEBRUARY 13, 2018. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Select District Representatives to Agencies for 2018**

Each year the Commission elects officers for the Commission for the upcoming calendar year, and acts to approve Commission and staff representatives to agencies where the District is a member of. The Commission takes action on the election of officers without recommendation from staff.

Jilk said a request was received with an invitation to join Whatcom Council of Governments (COG). In the past, the PUD has not been a member as COG is a state-designated and federally-recognized transportation planning agency for Whatcom County and its constituent local governments, tribes and districts. The PUD can join as an associate member or a full board member. Jilk feels this would be worthwhile for our elected officials to participate in the transportation sector as it relates to energy and water. The Commission agreed it would be beneficial and Commissioner McClure indicated he would be willing to represent the PUD.

The Commission selected District Representatives to the following agencies (to have representatives designated by the Commission to speak on behalf of the District as appropriate):

District Representatives:

Commissioner McClure recommended District Representatives in 2018 for the below listed agencies as the following:

Washington Public Utility Districts Association (WPUDA) Representative: Commissioner Murphy (currently 2017 representative), to remain the same for 2018.

Northwest Economic Council (NVEC) Board Member: Commissioner McClure (currently 2017 representative). Commissioner McClure said this board is no longer active, and as such no vote or action was taken on a District representative.

Whatcom County Economic Development Investment (EDI) Board: Commissioner McClure (currently 2017 representative) to remain the same for 2018.

Public Utility Risk Management Services (PURMS) – (Elected) Representative: Commissioner Kenner (currently 2017 representative) and Steve Jilk (GM) and Annette Smith (Finance Director) as voting alternates. These will remain the same for 2018.

Watershed Resource Inventory Area 1 (WRIA 1) – Joint Board Representative and alternate; and, a Planning Unit Representative and alternate. There are a few components of WRIA 1 at different representation levels which include Whatcom County, all small cities, the Nooksack Tribe, Lummi Nation and Washington State Department of Fish and Wildlife. Discussion about whether to continue PUD membership in WRIA has been ongoing. Jilk said with the changes coming about with the recent new water law (SB 6091), he recommended the PUD remain in the process and believes it would be more effective if the PUD had an elected member on the Watershed Management Board (formerly the WRIA1Joint Board). As such, Commissioner McClure indicated that he would be willing to act as the PUD's elected representative to the Watershed Management Board, with Jilk as alternate. For the Planning Unit, Jilk will continue as representative and Rebecca Schlotterback as alternate for 2018.

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Energy Northwest – The District isn't currently a member in Energy Northwest, however, with continued developments of energy transmission and distribution related issues for the District, there may be benefit to rejoin Energy Northwest. There is no cost to the District. It was decided that Commissioner Murphy would return as District representative to Energy Northwest should the Commission decide to rejoin in 2018.

ACTION: Commissioner Kenner motioned to APPOINT DESIGNATED REPRESENTATIVES TO THE FOLLOWING AGENCIES:

1. MIKE MURPHY AS REPRESENTATIVE FOR WASHINGTON PUBLIC UTILITY DISTRICTS ASSOCIATION;
2. NO VOTE TAKEN FOR NORTHWEST ECONOMIC COUNCIL;
3. JEFF MCCLURE AS REPRESENTATIVE FOR WHATCOM COUNTY EDI BOARD;
4. PAUL KENNER AS REPRESENTATIVE FOR PUBLIC UTILITY RISK MANAGEMENT SERVICES, STEVE JILK/ANNETTE SMITH AS VOTING ALTERNATES;
5. JEFF MCCLURE AS REPRESENTATIVE FOR WRIA1 JOINT BOARD AND STEVE JILK AS ALTERNATE; STEVE JILK AS REPRESENTATIVE AND REBECCA SCHLOTTERBACK AS ALTERNATE FOR PLANNING UNIT;
6. MIKE MURPHY AS REPRESENTATIVE FOR ENERGY NORTHWEST; AND
7. JEFF MCCLURE AS REPRESENTATIVE FOR WHATCOM COUNCIL OF GOVERNMENTS.

Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Approve Purchase of Vehicle for Water Utility**

As part of a scheduled vehicle replacement/upgrade plan, the need to purchase a new pick-up truck for water utility operations in 2018 has been identified and the approved 2018 CIP budget includes the purchase of this vehicle. The new pick-up will replace one of two Ford Ranger pick-ups scheduled for replacement. The first pick-up to be replaced is a 2006 with 123,000 miles and it is experiencing an escalation in repair frequency. Once the new vehicle arrives, the existing pick-up will be deemed surplus and sold at public auction.

The District, under contract with the State of Washington Department of Enterprise Services, may purchase vehicles available for sale by dealers throughout the State. The dealers and vehicles have been awarded contracts with the State through competitive bids in response to State Request for Bid solicitations. In this manner, the District can secure items at a competitive price, using the State's competitive bid process in lieu of the District issuing its own bid solicitation.

Purchase of the new pick-up will not impact the District's 2018 budget, as the purchase price is less than the 2018 budget amount for CIP RW-14. The budgeted amount for purchase and preparation of water operations vehicles is \$81,000.

ACTION: Commissioner Murphy motioned to APPROVE THE PURCHASE OF A WATER UTILITY VEHICLE (CIP RW-14) FROM BUD CLARY CHEVROLET UNDER A WASHINGTON STATE DEPARTMENT OF ENTERPRISE SERVICES PROCUREMENT CONTRACT FOR THE PRICE OF **\$34,448.00**, (NOT INCLUDING SALES TAX) AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO PROCEED WITH THE PURCHASE. Commissioner Kenner second the motion. Motion passed unanimously.

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◆ **REGENIS Water Treatment System – Consideration for Funding**

Background: REGENIS, an ANDGAR Company, has partnered with a European leader in membrane treatment 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 and reduces the cost of disposal of manure and creates water that is clean enough to provide water for cattle, irrigation or streamflow uses.

REGENIS has made two presentations to the PUD about the system and is now proposing installation of a unit on a dairy farm in Whatcom County. REGENIS would like to develop a “partnership” between the farmer, REGENIS and the PUD to pay for the installation and operation of the first Whatcom County unit. This pilot project would be placed on a dairy farm to process the manure so that clean water is produced and solids can be sold or managed in a more cost effective manner. The water produced would be available to the PUD to find a beneficial use for. If successful, this type of installation could be replicated in other locations in the county and utilized as another tool for creating “new” water for other uses.

REGENIS is seeking a partner in the capital investment of this pilot project and finds the PUD as a potential partner in using the product and clean water as potential source of supply to be provided to augment streamflow, sold for irrigation, or to be used as mitigation in other water supply scenarios. The partnership request from REGENIS is for the PUD to pay one third of the cost for the first unit to be installed or \$200,000. The farm where the unit would be installed would pay one third and REGENIS would pay one third. Other obligations of the PUD would be to determine the legal and physical means of using the water produced by the system.

Should the PUD agree to support the project as requested by REGENIS, the next step is for PUD legal counsel Sitkin and PUD staff to work out specific details on contracts and ownership to bring back to the Commission for consideration at a later date.

Commissioner Kenner said he sees this as a viable project but wonders if it is feasible for farmers to obtain grant money after such a lengthy timeframe? Powell indicated at the last presentation that funding opportunities are available for certain projects such as Natural Resources Conservation Services (NRCS), although the REGENIS project wouldn't be eligible yet for NRCS funding. Kenner is comfortable with the concept but concerned about final marketing plans. He proposed that at the end of the pilot project that the farmer reimburse the PUD \$100,000 (half of the PUD's investment) so that this money can be reinvested in the next REGENIS water treatment unit or another project.

Commissioner Murphy supports the project but would like to see it in the form of a policy resolution to detail the reasoning of why the PUD supports the project, for example supporting local agriculture and clean water, and clarifying who will own the water at the end of the process. Murphy believes this is a small step forward for the PUD to support these kinds of projects. Murphy would like the ANDGAR named/included in the resolution and also a contract or agreement to protect the PUD on any potential legal issues. He added that he is supportive of Kenner's reimbursement proposal noted above. Powell confirmed that REGENIS is a division of ANDGAR.

Commissioner McClure asked that if the farmer gets to keep the system at the end of the pilot, what happens next and what is the life expectancy of the unit? Powell explained that the farmer would pay for the operation of the system and if the farmer did not want to keep the system, it could be transferred to another farm. Currently, there are two dairy farms interested in participating. As for life expectancy, ongoing maintenance should keep it going indefinitely. There will a one-year contract with daily monitoring of the system, first by REGENIS staff and then the farmer will take on the responsibility. There is also capability of remote monitoring so someone does not need to be on site 24/7.

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Jilk indicated that discussions with the Department of Ecology in relation to SB 6091, there will be \$300 million for the 15 WRIAs affected by the ruling (WRIA 1 is one). Funding will go towards projects that will renew and enhance stream flows. This type of project is a possibility for grant funding under this new law. Jilk added that the PUD will also be applying for use of EDI funding for future projects. If the project is approved by the Commission, the funding could come from the Alcoa Reserve Fund which is not generated from our rate-paying customers.

McClure added that a marketing plan will be an important component, along with the resolution as a policy statement for the PUD.

At this time, the costs of developing contracts and other process details can be assumed in the current operating budget. If a final contract/agreement is reached then a decision on the source of funds for the cost share will need to be determined.

ACTION: Commissioner Murphy motioned THE COMMISSION SUPPORTS THE PROPOSED REGENIS CONCEPT AND DIRECT STAFF AND COUNSEL TO DEVELOP FINAL CONTRACTS FOR CONSIDERATION. Commissioner Kenner second the motion. Motion passed unanimously.

◆ **Manager's Report**

Jilk distributed a copy of a letter addressed to the United States Office of Management and Budget (OMB) signed by 15 members of Congress voicing their opposition to the proposal of selling off the BPA to the private sector. The letter indicated that selling transmission assets would harm individuals and businesses while undermining investment across the Northwest. While there is talk about more wind and solar energy being sold in the marketplace and hydro-generated energy use is declining, there are additional cost issues related to the price of hydro power – one major cost is salmon recovery were approximately \$1 billion is spent each year and BPA rate payers bear that cost.

◆ **Executive Session**

Commission President Jeff McClure requested an Executive Session pursuant to RCW 42.30.110(g) to allow the Commission to discuss with legal counsel the General Manager's performance review and pursuant to RCW 42.30.110(i) to discuss potential litigation.

Commissioner McClure adjourned the Commission into Executive Session at 8:51 am. The estimated time for the Executive Session was one hour. The Commission President indicated that no action was anticipated to occur after the adjournment of the Executive Session.

The Commission was in Executive Session for 58 minutes. No action was taken after the close of the Executive Session.

◆ **Executive Session Adjourn**

There being no further business for the Executive Session, the Commission reconvened to the regular meeting at 9:50 a.m.

◆ **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 9:51 a.m.

Jeffrey L. McClure, President

Paul D. Kenner, Secretary

Michael Murphy, Commissioner

PUBLIC UTILITY DISTRICT No.1
of Whatcom County

1705 Trigg Road • Ferndale, WA 98248
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Memo

To: Commissioners Kenner, McClure and Murphy

From: Stephan Jilk

Date: February 27, 2018

Re: Bonneville Power – Update on issues of rates, financing, long term planning

Requested Action – None – Update only for information

Background – The electrical energy industry is facing significant changes due to renewable energy production, low natural gas prices, environmental restoration costs, and climate change. Our northwest energy generation and transmission system is also facing challenges from the current federal administration in their proposal to sell BPA transmission system to the private sector.

Staff will provide an overview of how these changes could transform not only the cost structure of our energy supply here but also the governance of it.

Fiscal Impact – none at this time

Recommended Action – None – information only

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Memo

To: Commissioners Kenner, McClure, and Murphy
From: Jon Sitkin
Date: February 21, 2018
Re: Extension of General Manager Contract

Requested Action:

Approval of an extension to the existing General Manager contract to December 31, 2020 and amending Sections 1 - Term, and 2 - Retention Compensation, to correspond with the extension of the contract to December 31, 2020.

Background:

The General Manager's current contract commenced on January 1, 2012, with an expiration date of December 31, 2018. The existing contract provides the Commission to conduct, at its discretion, an annual performance review. In addition, that contract provides for a base salary provision for a cost of living adjustment, paid vacation, paid sick leave, paid holidays and a retention bonus, among other benefits.

The Commission recently completed a performance evaluation of the General Manager. In the course of that evaluation, the Commission asked that the District's legal counsel prepare an extension of the General Manager's contract, without an increase in the base salary adjustment clause, and to amend the remainder of the contract to correspond with this extension and return that draft contract to the Commission for review and consideration of approval. A copy of that contract revision is attached hereto for the Commission's consideration. In summary, the extension Amendment is summarized as follows:

- The Contract expires on December 31, 2020.
- The retention bonus provision will be extended to coincide with the new expiration of the extended contract. Accordingly, the number of years for the annual earned retention bonus

will be changed to be reflective of the additional two years of the agreement (December 31 2018 to December 31, 2020) for a total of nine (9) years at \$5,000.00 per year. Thus, if the entire contract is completed, a retention bonus of \$45,000.00 would be due by March 31, 2021.

Fiscal Impact:

The proposal will not have a material impact on the existing budget of the District, as the compensation terms for the next nearly three years of the existing contract are unchanged.

Recommended Action:

Approval of the Contract Extension to December 31, 2020 with the related corresponding amendments and the 2018 AMENDMENT TO EMPLOYMENT AGREEMENT BETWEEN PUD AND STEPHAN JILK, GENERAL MANAGER.

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Memo

To: Commissioners Kenner, McClure and Murphy

From: Stephan Jilk

Date: February 27, 2018

Re: Senate Bill 6091 – Local implementation

Requested Action – None at this time – Information only

Background – In January of this year the Washington State Legislature passed, and Governor Inslee signed into law Senate Bill 6091, what is now known as the Streamflow Restoration Act. Also known as the “Hirst Fix” bill. The law is the legislature’s way of dealing with the Supreme Court’s decision on Counties issuing building permits relying on exempt wells in Watershed basins where Streamflow rules established by Department of Ecology did not specifically restrict the use of exempt wells even in “closed basins”. The Court ruled that Counties must first determine if water is actually available (wet water) and legally available. Though the court decision was a “land use or GMA” issue, the fix that the legislature chose to use is all about watershed restoration, streamflow and mitigation for new wells consumption.

Senate Bill 6091 essentially calls out a process to establish restoration plans that will be used to meet the requirements of 6091 in some 15 Watersheds (basins) and a timeline to complete those plans. Two of the basins in the State, Nooksack and Nisqually have to have their plans completed by February 1 of 2019. Once those plans are completed and approved by Ecology, funds to complete projects to implement the plans are being earmarked by the State.

Staff will provide an overview of how the “plan” will be completed locally in WRIA1.

Fiscal Impact – None at this time

Recommended Action – None – information Only