

## MINUTES OF THE MEETING OF THE COMMISSION

May 22, 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 Mike Murphy and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Annette Smith, Director of Finance; Brian Walters, Assistant General Manager; Rebecca Schlotterback, Manager of Contracts and Compliance; Alec Strand, Project Manager; Mike Macomber, IT/SCADA Technician; and Traci Irvine, Accountant I.

Public attending: Carole Perry, Citizen  
Max Perry, Perry Pallet  
Dave Olson, Citizen

### ◆ Public Comment

Mrs. Perry inquired if there is a Watershed Board meeting this week. Jilk responded that this week's meeting was cancelled and the next board meeting is planned for June 6, 2018.

### ◆ Approval of the Meeting Minutes and Claims

The Commissioners were presented with the Minutes of the Meeting of May 8, 2018 and the following Claims of May 22, 2018:

VENDOR NAME	AMOUNT
3-D CORPORATION	313.02
BELLINGHAM HERALD	355.00
BEST TOOLS, INC	144.54
BONNEVILLE POWER ADMINISTRATION	782,600.00
BRIDGEVIEW AUTO PARTS	23.85
BUILDERS FIRSTSOURCE	147.46
CESCO NEW CONCEPT CHEMICAL PRODUCTS	1,664.55
COMCAST	91.12
CORNERSTONE MANAGEMENT, INC.	4,674.50
CULLIGAN NORTHWEST	113.96
EDGE ANALYTICAL LABORATORIES	20.00
EES CONSULTING	85.00
ELECTRIC POWER SYSTEMS - EPS	272.00
FERNDALE ACE HARDWARE	153.52
FERNDALE CITY OF	210.15
FERNDALE LUBE	59.65
GATEWAY CONTROLS	1,770.72
GRIMM, ANN	81.75
HD FOWLER CO, INC	839.47
HEALTH PROMOTIONS NORTHWEST	90.00
INDUSTRIAL SUPPLY, INC	118.65
INTERNAL REVENUE SERVICE	15,432.85
KAMAN FLUID POWER LLC	597.83
KCDA PURCHASING COOPERATIVE	88.89
LITHTEX NW LLC	230.02
MORTIMER, TOM	1,312.50
MURPHY, MICHAEL J	89.85
NORTH COAST ELECTRIC COMPANY	152.00
NORTHWEST CASCADE, INC.	112.50
OVERHEAD DOOR COMPANY	760.59
PACIFIC POWER BATTERIES	315.23
PACIFIC SURVEY & ENGINEERING	915.00
PARAMOUNT SUPPLY COMPANY	526.57
PAYLOCITY	133.25
PAYROLL	168,822.77
PERFORMANCE INFORMATION TECHNOLOGIES	1,739.36
PLATT ELECTRIC SUPPLY CO	85.61
PORTAL WAY FARM & GARDEN	5.85
PUD #1 OF WHATCOM COUNTY	14.71
PUGET SOUND ENERGY, INC	942.44
RH2 ENGINEERING, INC	2,929.54
SMITH MECHANICAL	7,965.46
STAR RENTALS	219.57

US BANK	601,968.46
WA FEDERAL VISA CARD MEMBER SERVICES	2,962.93
WA ST DEPT OF REVENUE	76,031.32
WA ST DEPT TRANSP-NW REGION	36.21
WATERHOUSE ENVIRONMENTAL SERVICES CORP	16,940.00
WESTERN CONFERENCE OF TEAMSTERS	6,681.50
ZEE MEDICAL SERVICE	849.98
<b>GRAND TOTAL</b>	<b>\$ 1,702,691.70</b>

**ACTION:** Commissioner Murphy motioned to APPROVE THE MINUTES OF THE MEETING HELD MAY 8, 2018 AND THE CLAIMS OF MAY 22, 2018. Commissioner McClure second the motion. Motion passed unanimously.

◆ **Approve Changes to Public Utility Risk Management Services Interlocal Agreement**

The Public Utility Risk Management Services (PURMS) organization is the District's liability and property insurance pool. The insurance pool is guided by an Interlocal Agreement (ILA) between all the participating entities and occasionally, this agreement needs to be updated. The last update occurred in November 2011. A board meeting will be conducted on June 7, 2018, to vote on the changes to the ILA. If approved, each member will be asked to pass a resolution to accept the changes.

Finance Director Smith explained a high-level summary of the changes:

- Voting – Approve the use of votes cast over the phone or by video conference, also include the ability to reconvene a vote to ensure the maximum participation on important resolutions and amendments to program documents;
- Authority to purchase excess, different or additional insurance – (e.g. Cybersecurity insurance) and if the new policy is mandatory for the entire group (super-majority vote of acceptance) or a subset (less than super-majority) of the members;
- Assessments – Clarify language in determining the 'Actual Balance' to be used in the assessment calculation. The Administrative Committee shall determine if and when any Outstanding Assessment Share shall be deemed a Defaulted Assessment Share and/or shall not be counted in determining the assessment;
- Contingent Reserves – Pre-funding reserves if a large claim is expected, or reserves established in response to an existing Actuarial funding shortfall in primary Assets due to an aberration in claims experience; and,
- Special Purpose Funds – Although they will be kept separately, they will be included in the Primary Assets Test defined by WAC 200-100-03001 to ensure the Risk Pool's compliance with cash and investments held.

In October 2016, the General Manager and Director of Finance were named as alternative designated District 'voting' representatives to PURMS. The Director of Finance is planning on attending the board meeting in June and casting the District's vote.

There is no fiscal impact to the District.

**ACTION:** Commissioner Murphy motioned to APPROVE THE CHANGES TO THE PURMS INTERLOCAL AGREEMENT AND DIRECT AN AFFIRMATIVE VOTE AT THE PURMS BOARD MEETING ON JUNE 7, 2018. Commissioner McClure second the motion. Motion passed unanimously.

◆ **Approve Purchase of Administrative Staff Vehicle (CIP IS-5) from Toyota of Yakima under Washington State Department of Enterprises Procurement Contract**

Walters explained that as part of a scheduled vehicle replacement/upgrade plan, staff has identified the need to purchase a new vehicle for the Administrative Staff in 2018. A new hybrid vehicle will replace the 2009 Ford Escape whose mileage is approaching 100,000 miles and is experiencing costly repairs to provide reliability. The Ford Escape will then be deemed surplus and sold at a local auction.

Under contract with the State of Washington Department of Enterprise Services, the District 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.

If approved, the vehicle to be purchased is a 2018 Toyota Rav4 Hybrid LE all-wheel drive. It is available through the Toyota of Yakima dealership in Yakima, Washington. Toyota of Yakima was awarded a State contract under the State's solicitation for competitive bids.

Purchase of the Vehicle will have no impact on the District's 2018 budget, as the purchase price is less than the 2018 budget amount for CIP IS-5.

**ACTION:** Commissioner Murphy motioned to APPROVE PURCHASE OF AN ADMINISTRATIVE STAFF VEHICLE (CIP IS-5) FROM TOYOTA OF YAKIMA UNDER A WASHINGTON STATE DEPARTMENT OF ENTERPRISE SERVICES PROCUREMENT CONTRACT FOR THE PRICE OF \$28,818.00 (NOT INCLUDING SALES TAX) AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO PROCEED WITH THE PURCHASE. Commissioner McClure second the motion. Motion passed unanimously.

◆ **Approve Bonneville Power Administration Transmission Planner Coordinated Functional Registration Agreement**

Because of the characteristics of the 115kV electric system, Whatcom PUD must comply with certain federally mandated electric system reliability standards, which are under the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). These standards are developed and enforced by the National Electric Reliability Council ("NERC"). Once the standards are approved by FERC, they are implemented and electric utilities subject to the standards must comply with the requirements mandated.

Whatcom PUD is currently registered with NERC as a Transmission Owner ("TO") and must comply with the associated standards. Under an agreement previously executed with the Bonneville Power Administration ("BPA"), BPA on behalf of the PUD, complies with the standards and performs the responsibilities associated with the Transmission Operator function ("TOP"). Absent this agreement, the PUD would have to register with NERC as a TOP and be responsible with compliance with the associated standards.

In 2016, Whatcom PUD was notified by the Western Electricity Coordinating Council ("WECC") that it must also either register with NERC as a Transmission Planner ("TP") and comply with all the standards and requirements associated with this transmission function or enter into an arrangement with a third party to provide TP services on the PUD's behalf.

In response, Whatcom PUD and several other public utilities faced with the same WECC directive, entered into discussions with BPA regarding its transmission group providing the necessary services to satisfy the responsibilities of a Transmission Planner for the utilities involved. Because BPA does not own, maintain, or repair the transmission facilities for the public utilities seeking BPA Transmission Planner services, BPA was not willing to perform all the requirements for the standards associated with the TP function.

The BPA TP-CFR Agreement, offered to the PUD and other public utilities, shares the Transmission Planner requirements and responsibilities between the two parties to the Agreement. This sharing of responsibilities was identified in a matrix contained in the Agreement. Walters explained there are eight (8) standards with 27 requirements in which BPA has agreed to handle under this agreement and three (3) standards with six (6) requirements, which will be accomplished by the PUD.

Because BPA will not be providing services associated with all the requirements of being a Transmission Planner, Whatcom PUD must register with NERC as a Transmission Planner. This registration is anticipated to occur no later than the 3<sup>rd</sup> quarter of 2018.

Staff recommends that the Commission approve the BPA TP-CFR Agreement. Approval of the Agreement will enable the District to manage its regulatory compliance risk associated with the requirements and responsibilities of the Transmission Planner.

Approval and execution of the BPA TP-CFR Agreement has no direct financial impact on the District, as the cost of BPA TP services was forecasted and included in the District's approved 2018 budget. Walters said the first year costs would be \$28,000, which is based on the number/mileage of transmission lines and the size of the electric load, with Whatcom PUD having the lowest cost amount. These costs will be ongoing and will be part of the 2019 budget development process.

Commissioner Murphy asked if BPA is facing challenges and where its "new" leader is taking the group. It was discussed that their transmission entity is in great shape but on the power generation side, BPA faces higher than market-rate prices as low natural gas prices continue to set power market rates. Fish and wildlife restoration costs are the biggest slice of BPA's power services budget.

**ACTION:** Commissioner Murphy motioned to APPROVE BONNEVILLE POWER ADMINISTRATION TRANSMISSION PLANNER COORDINATED FUNCTIONAL REGISTRATION AGREEMENT NO. 18TP-11480 ("BPA TP-CFR AGREEMENT") AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO EXECUTE THE AGREEMENT. Commissioner McClure second the motion. Motion passed unanimously.

◆ **Manager's Report**

WRIA Upcoming Meetings

In response to Mrs. Perry's question during Public Comment, the next Watershed Board meeting will be June 6, 2018 at 1:30 PM. There is a Planning Unit meeting scheduled for Wednesday, May 23 at 6 PM.

REGENIS Project

Word arrived yesterday from Eric Powell at REGENIS that Coldstream Farms and REGENIS has been awarded a grant from the State of Washington Conservation Commission for their proposal *Flocculation and Membrane System for Treatment of Dairy Manure to Produce Fertilizer Concentrates and Dischargeable Clean Water* in the amount of \$930,305. The grant covers the entire cost of the project. Instead of contributing one-third of the amount (\$200,000) for the project, the PUD will partner with REGENIS and Coldstream Farms to assist with environmental permitting and water testing. Jilk estimates this work will cost less than \$50,000. Letters of support for the project were received from the Nooksack Tribe and the agricultural community.


Vista Road Waterline Extension

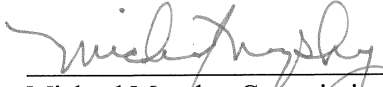
Jilk and Commissioner McClure met with the County's Economic Development Investment Board last week to present the District's proposal to connect the industrial water line to provide water for the fire water supply system at Grandview/I-5/Northgate industrial area. The District is seeking an \$800,000 grant and an \$800,000 loan (about 40% of the estimated total project cost). After discussion and approval from the EDI Board, the proposal now moves to the County Council for approval on either June 5 or June 19, 2018. The grant will lower costs to the customers in that service area. Preparation of the bidding documents with Pacific Surveying and Engineering are forthcoming. This project has been two years in the making for fire water service, impacting property owners, impeding future business and construction due to lack of infrastructure and pond/storm water maintenance issues.

◆ **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 8:31 a.m.

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Jeffrey L. McClure, President

  
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Paul D. Kenner, Secretary

  
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Michael Murphy, Commissioner