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PUBLIC UTILITY DISTRICT No. 1 *of Whatcom County*

Agenda for the Regular Meeting September 10, 2019 8:00 a.m. at the PUD Office

1. Call to Order | Pledge of Allegiance
2. Public Comment
3. Approval of Meeting Minutes of the Regular Meeting of August 27, 2019
4. Approval of Claims for September 10, 2019
5. Approve Resolution No. 760 – Declaration of Surplus
6. Other Business
7. Adjourn

Next Commission Meetings

September 24 & Oct. 8, 2019 – Regular Meetings

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

(360) 384-4288 | www.pudwhatcom.org

Mission Statement

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

**MINUTES OF THE REGULAR
MEETING OF THE COMMISSION**

August 27, 2019

1. Call to Order | Pledge of Allegiance

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 and Pledge of Allegiance recited. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Mike Murphy, Commissioner Atul Deshmane and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Brian Walters, Assistant General Manager; Ann Grimm, Administrative Assistant; Annette Smith, Director of Finance; Duane Holden, Director of Utility Operations; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Aaron Peterson, IT/SCADA Technician; Mike Macomber, IT/SCADA Technician; Alec Strand, Project Manager; and Traci Irvine, Accountant I.

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

2. Public Comment

Carol Perry commented about the District's Strategic Plan and not to jump to conclusions especially regarding climate change. The Amazon jungles are burning yet there are opposing statistics that fires are less this year than in the past. Science is not settled and suggested the Commission be cautious.

3. Approval of the Meeting Minutes of August 13, 2019 as presented; and,

4. Approval of the Claims of August 27, 2019:

VENDOR NAME	AMOUNT
AIR COMPRESSOR SERVICE	830.40
APPLIED INDUSTRIAL TECHNOLOGIES, INC	149.20
BONNEVILLE POWER ADMINISTRATION	810,675.00
BROWN & KYSAR, INC.	19,472.13
CDW/COMPUTER DISCOUNT WAREHOUSE	3,892.11
CESCO NEW CONCEPT CHEMICAL	123.81
COMCAST	183.29
CULLIGAN NORTHWEST	100.37
EDGE ANALYTICAL LABORATORIES	20.00
FEDERAL EXPRESS	9.27
FERGUSON ENTERPRISES, INC	25.30
FERNDALE ACE HARDWARE	22.64
FERNDALE LUBE	61.85
FERNDALE TRUE VALUE HARDWARE	8.15
GRAYBAR ELECTRIC COMPANY, INC	4,549.29
HARDWARE SALES, INC.	92.70
INDUSTRIAL SUPPLY, INC	115.94

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INTERNAL REVENUE SERVICE	16,012.36
KCDA PURCHASING COOPERATIVE	129.74
LITHTEX NW LLC	184.45
LOOMIS, CHRIS	125.25
MURPHY, MICHAEL J	206.42
NORTH COAST ELECTRIC COMPANY	12,991.82
PACIFIC SURVEY & ENGINEERING	9,822.25
PARAMOUNT SUPPLY COMPANY	185.29
PAYLOCITY	134.33
PAYROLL	170,054.53
PLATT ELECTRIC SUPPLY CO	338.37
RDS - RECYCLING & DISPOSAL SERVICE	20.64
RH2 ENGINEERING, INC	533.52
SHRED-IT USA	39.23
SMITH MECHANICAL	356.49
TIGER CONSTRUCTION	555,074.12
WA FEDERAL VISA CARD MEMBER SERV.	7,202.08
WA ST DEPT OF REVENUE	79,376.75
WA ST DEPT TRANSP-NW REGION	658.01
WASHINGTON ALARM, INC.	120.44
WATERHOUSE ENVIRONMENTAL SERVICES	17,316.00
WESTERN CONFERENCE OF TEAMSTERS	7,110.00
WHATCOM CTY PUBLIC WORKS ACCTING	15,000.00
GRAND TOTAL	\$ 1,733,323.54

ACTION: Commissioner Murphy motioned to APPROVE THE MINUTES OF THE REGULAR MEETING HELD AUGUST 13, 2019 AND THE CLAIMS OF AUGUST 27, 2019. Commissioner Deshmane second the motion. Motion passed unanimously.

5. Approve Amendment No. 1 to Work Order No. 5 – Brown and Kysar, Inc.

Whatcom PUD requested BKI to investigate options for serving the additional electric load to the Refinery Substation authorized under BKI Work Order No. 5. It was determined that there were two main options for serving the electric load increase: (1) Make capacity upgrades to the existing Refinery substation; and, (2) Construct a new substation in the general area of the existing Refinery substation. Based on the findings and after consultation with Refinery staff, the preferred option to pursue was the construction of a new substation.

District staff has encountered some siting issues with environmental permitting activities related to the proposed construction of a new substation and process facilities on Refinery property, that warranted a fresh look at the option of modifying the existing Refinery substation to increase capacity. As BKI has completed its work and expended the budget under the original scope of services for Work Order No. 5, staff is requesting this Amendment No.1 for revising the scope of services and increasing the original not to exceed budget maximum. The original dollar amount under the work order was \$20,000. Staff is requesting an additional \$15,000, which would increase the total cost not to exceed Budget to \$35,000.

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Note: The District's notice to proceed to BKI for the tasks to be completed, if Amendment No.1 is approved, is contingent on the District receiving a letter agreement from Phillips 66 that any costs incurred by the District in compensating BKI will be fully reimbursed by Phillips 66. The District has received and executed the Letter Agreement, dated July 8, 2019.

There is no fiscal impact to the District because costs will be paid by Phillips 66

ACTION: Commissioner Murphy motioned to APPROVE AMENDMENT NO. 1 TO WORK ORDER NO. 5 WITH BROWN AND KYSAR, INC. FOR ENGINEERING SERVICES FOR A REVISED COST NOT TO EXCEED BUDGET OF \$35,000 AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO EXECUTE AMENDMENT NO. 1. Commissioner Deshmane second the motion. Motion passed unanimously.

6. Approve Work Order No. 6 with Brown and Kysar, Inc.

Note: This is a follow-up to the previous agenda item. Newly approved Amendment No. 1 to Work Order No. 5 was contingent on Whatcom PUD executing a Letter Agreement with Phillips 66 which indicates Phillips 66 will fully reimbursement the District for the services provided by BKI. This Agreement was executed by both parties on July 8, 2019.

Work Order No. 6 will cover a period of several months during which the group responsible for the Green Apple project will continue to work out the details of the project and the design and specifications for the necessary facilities and equipment for the new or redesigned Refinery Substation. It is anticipated that the initial permitting for the project will be completed approximately mid-year 2020. All work to be performed under Work Order No. 6 will be fully reimbursable in accordance with the Letter Agreement, which the District has in place with Phillips 66. No expenses under Work Order No. 6 that exceed the estimated budget identified under the Letter Agreement will be authorized.

Depending on design changes to the Green Apple project and the needs of the Phillips 66/REG group's needs and requests, PUD staff anticipates that it may be necessary to amend Work Order No. 6 during the period covered.

There is no fiscal impact on the District's approved 2019 budget. Costs incurred are fully reimbursable in accordance with Phillips 66 Letter Agreement.

ACTION: Commissioner Deshmane motioned APPROVE WORK ORDER NO. 6 WITH BROWN AND KYSAR, INC. FOR ENGINEERING SERVICES FOR A COST NOT TO EXCEED BUDGET OF \$30,000 AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO EXECUTE THE WORK ORDER. Commissioner Murphy second the motion. Motion passed unanimously.

7. Approve Amendment No. 2 to Work Order No. 3 – RH2 Engineering, Inc.

Whatcom PUD has retained RH2 Engineering, Inc., (RH2) to update its 2010 Water Supply Comprehensive Plan (2010 Plan). Phase 1 tasks, which included pre-planning meetings and preliminary data collection, were performed under Work Order No. 1, which was executed on June 15, 2015.

A follow-on Work Order No. 3 was executed on March 24, 2016. RH2's scope of services under this work order includes tasks necessary to complete the update to the Plan and to identify potential improvements meant to increase the capacity and reliability of the industrial water system to fulfill Whatcom PUD's existing and projected future water supply commitments. The Plan update will include development of an ongoing Capital Improvement Program (CIP) that outlines and prioritizes future projects. The Plan will only address Whatcom PUD's non-potable industrial water system and the user demands placed on the system. It will not be structured or required to meet planning requirements or utilized for obtaining regulatory approval from the DOH or other agencies.

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RH2's tasks under Work Order No. 3 revised the scope of services. In February 2019, an increase of \$24,889 to Amendment 1 increased the cost not to exceed total budget amount for the work order to \$214,786.00. The budget for Work Order No. 3, Amendment No. 2 further revises the scope of services and budget originally approved under Work Order No. 3. The budget increase is \$14,238, which increases the cost not to exceed total budget amount to \$229,024.00.

Amendment No. 2 revises Work Order No. 3 as follows:

-) Update the Plan to report on year 2018 customer data.
-) Prepare two (2) alternate CIPs for the distribution system improvement alternatives based on maintaining contract delivery pressures or providing a minimum of 40 psi to customers.
-) Develop a phasing plan for the Water Treatment Plant (WTP) improvements to separate them into smaller projects for more feasible management and funding of the program.
-) Update the Plan to address review comments from the District.
-) Perform project management services consistent with the revised scope of services.

There is no fiscal impact on the District's approved 2019 budget. Funds for the work is sufficiently included in the 2019 budget.

ACTION: Commissioner Murphy motioned to APPROVE AMENDMENT NO. 2 TO WORK ORDER NO. 3 WITH RH2 ENGINEERING INC. FOR A BUDGET COST INCREASE OF \$14,238 AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO EXECUTE THE AMENDED WORK ORDER. Commissioner Deshmane second the motion. Motion passed unanimously.

8. 2020 Budget Development – Commission Work Session

Every year, as District Staff begin the development of the succeeding year(s) budget we schedule a work session for the Commissioners to discuss any specific areas of interest or concerns that they would like the District staff to consider when developing the budget for the upcoming year(s). The planned time for this work session is August 27, which was approved by the Commissioners in the 2020 budget development schedule.

As staff begins development of the 2020 budget, the input, suggestions and direction that the Commission provides in developing our budget is essential. The budget is, in actuality, the tool that staff uses to carry out/implement policies and direction that the Commission sets.

Commissioner McClure commented that there has been generous discussion on the Strategic Plan initiatives, the half-yearly financial report, and updates to the Water System Capital Improvements Plan, which are his topics of concern to cover. McClure added that there is a new agricultural education center/Farm Pavilion at the Northwest Washington Fairgrounds would be a good opportunity to sponsor/support agriculture, farming and water. This could be part of our communications outreach as noted in the Strategic Plan.

Commissioner Deshmane commented that his stated interests are renewable energy and broadband, and the budget should reflect this.

Commissioner Murphy commented on future needs of the District, considering the staffing needs and upcoming retirements such as the General Manager and other key staff. He supports agriculture and would like to see the work the Dave Olson has been doing with the Pilot Project for Group A Water Systems continue. Perhaps this could be expanded to include private well owners support. The first draft 2020 budget presentation is scheduled for October 22. Afterwards Commission and staff can identify areas of concern or if anything has been missed.

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Upcoming important dates:

October 22 First draft budget presentation
First Week of November Customer budget meetings
November 26 Budget Public Hearing and 2nd Work Session
December 10..... 2020 Budget/Rates/Charges approval (scheduled)

ACTION: No action taken. Discussion for informational purposes only.

9. Other Business

Vista Road/Water Main Line Extension Project

Jilk reported the amount of change orders for this project currently is just under \$43,000, or approximately 2.1% of the final contract amount. The largest change order was \$32,000, for work at the Grandview/Aldergrove connection point. The District's 24" pipeline was buried deeper than originally anticipated. Holden said the hot-tap into the 24" line is to be tested today and tomorrow. The line has already been tied into the existing 16" line at WRS and Salashan Loop. Next, the piping will run to the meter vault and water is scheduled to be turned on approximately September 10. Tiger Construction is the contractor and Holden has been pleased with the job. McClure commended Holden and staff for doing a good job managing this big project.

Articles of Note

-) "What is a Water Right Worth for Whatcom Farmland?" by Eric Hirst was distributed;
-) Lead Agency update from the Planning Unit;
-) Draft *Governance and Management Policy* for the District, for review and discussion at the September 24 Commission Meeting. Input from Commissioners should be sent to Jilk prior to October 8.

Commissioner Deshmane Comments:

-) Continues to attend Planning Unit meetings and sub-committee meetings.
-) He was asked to review/comment on the Eric Hirst article to help address water rights and the value of water rights versus value of farmland.
-) Meet with Chemco (District customer) to discuss potential projects relating to distributed generation and renewables.
-) Working on developing new ideas to explore renewable hydrogen.

Legal Counsel Comments:

Sitkin distributed an article from the *Skagit Valley Herald* regarding Skagit PUD making water available to Skagit County Farmers for emergency drought relief.

10. Executive Session

Commission President Jeff McClure requested an Executive Session pursuant to RCW 42.30.110(g) to allow the Commission to continue discuss the General Manager's performance evaluation.

The estimated time for the Executive Session was forty-five (45) minutes. The Commission President indicated that no action was anticipated to occur after the adjournment of the Executive Session. Following a three-minute recess, Commissioner McClure adjourned the Commission into Executive Session at 8:53 a.m.

-) At 10:00 a.m., Legal Counsel announced an additional fifteen minutes for the Executive Session.
-) At 10:15 a.m., Legal Counsel announced an additional ten minutes for the Executive Session.
-) The Commission was in Executive Session for 90 minutes. No action was taken after the close of the Executive Session.

Executive Session Adjourn

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There being no further business for the Executive Session, the Commission reconvened to the regular meeting at 10:25 a.m.

11. Adjourn

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 10:26 a.m.

Jeffrey L. McClure, President

Michael Murphy, Vice President

Atul Deshmane, Secretary

Memo

To: Commissioners Deshmane, McClure and Murphy
From: Stephan Jilk, General Manager
Date: September 10, 2019
Re: Approve Resolution No. 760 – Declaring Certain Property of District Surplus and Authorizing Staff to Auction the Surplus Property

Requested Action: APPROVAL OF RESOLUTION NO. 760 – DECLARING CERTAIN DISTRICT PROPERTY SURPLUS THAT IS INADEQUATE, OBSOLETE OR NO LONGER FUNCTIONAL, AND HAS LITTLE OR NO VALUE TO THE OPERATIONS OF THE DISTRICT’S UTILITIES AND AUTHORIZE DISTRICT STAFF TO UTILIZE THE BEST METHOD (AUCTION, RECYCLE, DISPOSAL, ETC.) TO DISPOSE OF THE DISTRICT PROPERTY.

Background: District staff previously identified the vehicle as the 2008 Ford F-250 Super Duty 4x4 Pickup Truck (License WA73350C) requiring replacement due to its age and miles.

The purchase of a pickup truck for the Electric Utility to replace the one listed above was approved by the Commission on March 12, 2019. The new pickup truck was ordered from the Washington State Department of Enterprise Services and the District took delivery of the vehicle in July 2019.

District staff considers the 2008 Ford F-250 to be surplus to the District’s needs and that it no longer has any value to the Electric Utility’s operations. If the Commission makes a formal declaration to surplus the pickup truck, then staff’s intent is to sell the vehicle through a local auction company.

Fiscal Impact: Surplus of the vehicle has no impact on the District’s approved 2019 Budget. The District will receive proceeds from the sale of the vehicle less the auctioneer’s expenses.

Recommended Action: APPROVAL OF RESOLUTION NO. 760 – DECLARING CERTAIN DISTRICT PROPERTY SURPLUS THAT IS INADEQUATE, OBSOLETE OR NO LONGER FUNCTIONAL, AND HAS LITTLE OR NO VALUE TO THE OPERATIONS OF THE DISTRICT’S UTILITIES AND AUTHORIZE DISTRICT STAFF TO UTILIZE THE BEST METHOD (AUCTION, RECYCLE, DISPOSAL, ETC.) TO DISPOSE OF THE DISTRICT PROPERTY.

RESOLUTION NO. 760

**RESOLUTION BY PUBLIC UTILITY DISTRICT NO. 1 OF WHATCOM COUNTY
 (“DISTRICT”) DECLARING CERTAIN PROPERTY TO BE NO LONGER
 FUNCTIONAL AND OF LITTLE OR NO VALUE FOR THE OPERATIONS OF THE
 DISTRICT SYSTEM, AND AUTHORIZING THE DISPOSAL THEREOF IN
 ACCORDANCE WITH R.C.W. 54.16.180**

WHEREAS, the DISTRICT currently owns the property described in Exhibit “A”:

WHEREAS, said property has been determined by the Commissioners to be of little value or no value, inadequate, obsolete and no longer functional for use in the DISTRICTS' operations, and

WHEREAS the DISTRICT’S best interests will be served by the disposal of said property as authorized by R.C.W. 54.16.180;

NOW, THEREFORE, BE IS RESOLVED by the Commissioners of Public Utility District No. 1 of Whatcom County declare that said property as set forth above shall be disposed of as soon hereafter as conveniently possible with the highest possible return to the District.

ADOPTED by the Commission of Public Utility District No. 1 of Whatcom County at its regular meeting on the 10th day of September 2019.

**PUBLIC UTILITY DISTRICT NO. 1
 of WHATCOM COUNTY**

Jeffrey L. McClure, President

Atul Deshmane, Secretary

Michael Murphy, Commissioner

EXHIBIT “A”

ITEM DESCRIPTION
2008 Ford F-250 Super Duty 4X4 Pickup Truck WA License 73350C