

# DRAFT

2020 BOARD OF COMMISSIONERS

Jeffrey L. McClure President

Michael J. Murphy Vice President

Atul Deshmane Secretary

## PUBLIC UTILITY DISTRICT No. 1 of Whatcom County

Agenda for the  
Regular Meeting of February 11, 2020  
8:00 a.m. at the PUD Office

1. Call to Order | Pledge of Allegiance
2. Approval of Agenda
3. Public Comment
4. Consent Agenda
  - a) Approval of Meeting Minutes of the Regular Meeting of January 28, 2020
  - b) Approval of Claims for February 11, 2020
5. Old Business
6. New Business
7. General Manager Report
8. Commissioner Reports
9. Adjourn

### Next Commission Meetings

February 25 and March 10, 2020

All meetings begin at 8:00 a.m. at PUD Administration Office  
1705 Trigg Road, Ferndale, WA unless other location announced.  
(360) 384-4288 xwww.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

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

**January 28, 2020**

**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; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Annette Smith, Director of Finance; Duane Holden, Director of Utility Operations; Alec Strand, Project Manager; Mike Macomber, IT/SCADA Technician; Aaron Peterson, IT/SCADA Technician; and Traci Irvine, Accountant I.

Public attending: Lauren Turner, Phillips 66  
Carole Perry, Citizen  
Max Perry, Citizen  
Robin Dexter, Environmental Working Group  
Dave Olson, Citizen  
Todd Lagestee, Citizen

**2. Public Comment**

None made.

**3. Approval of the Meeting Minutes of January 14, 2020 as presented; and,**

**4. Approval of the Claims of January 28, 2020:**

<b>VENDOR NAME</b>	<b>AMOUNT</b>
BONNEVILLE POWER ADMINISTRATION	719,013.00
BRIDGEVIEW AUTO PARTS	58.68
BROWN & KY SAR, INC.	29,669.50
CENTRAL WELDING SUPPLY	115.71
CESCO NEW CONCEPT CHEMICAL PRODUCTS	163.08
COMCAST	184.92
CULLIGAN NORTHWEST	144.83
EDGE ANALYTICAL LABORATORIES	20.00
EN POINTE TECHNOLOGIES SALES	3,658.36
FEDERAL EXPRESS	6.62
FERNDALE ACE HARDWARE	73.35
FERNDALE LUBE	101.96
GLEASON, GUY G	48.21
INTERNAL REVENUE SERVICE	16,119.99
KAMAN FLUID POWER LLC	21.68
KCDA PURCHASING COOPERATIVE	22.58
NORTHWEST CASCADE, INC.	112.50
PACIFIC UNDERWRITERS CORP INC	600.00
PARAMOUNT SUPPLY COMPANY	18.52
PAYLOCITY	134.33
PAYROLL	172,556.50

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PLATT ELECTRIC SUPPLY CO	311.97
PORTAL WAY FARM & GARDEN	161.38
SHRED-IT USA	39.91
SILVER CREEK GROUP, LLC	3,180.73
SMITH MECHANICAL	4,781.71
WA FEDERAL VISA CARD MEMBER SERVICES	4,461.79
WA PUBLIC UTILITY DISTRICTS ASSOCIATION	15,933.00
WA ST DEPT OF REVENUE	74,080.39
WESTERN CONFERENCE OF TEAMSTERS	8,618.75
WESTSIDE LUMBER	79.86
WHATCOM COUNTY COUNCIL OF GOV.	150.00
WHATCOM FARMERS CO-OP	2,814.46
<b>GRAND TOTAL</b>	<b>\$1,057,458.27</b>

**ACTION:** Commissioner Murphy motioned to APPROVE THE MINUTES OF THE REGULAR MEETING HELD JANUARY 14, 2020 AND THE CLAIMS OF JANUARY 28, 2020. Commissioner Deshmane second the motion. Motion passed unanimously.

## 5. Approval of Resolution No. 768 – Governance and Management Policy

The Commission has been working on the development of a Policy on Governance and Management for the District for several months. This policy will set the standard for effective Board governance and the relationship between the Board and District management. In establishing this policy, the Board recognizes the benefit of aligning the work and relationship of District management and Board roles, as well as how it benefits the electorate and citizens of Whatcom County.

The final draft of the Policy reflects a significant amount of work on behalf of the Board. The requested action is the adoption of a resolution approving the Policy.

**ACTION:** Commissioner Deshmane motioned to ADOPT RESOLUTION NO. 768 – A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO.1 OF WHATCOM COUNTY ADOPTING A POLICY ON GOVERNANCE AND MANAGEMENT. Commissioner Murphy second the motion. Motion passed unanimously.

## 6. Approval of Resolution No. 769 – Cancellation of Warrant

The District issued a request for a Warrant based on an invoice received from Teamsters Local 231. Following the Commission's authorization of the issuance of the Warrant, the County's Administrative Services Department printed the Warrant with the incorrect vendor number, which was issued to Scott Kelly, not Teamsters. Warrant No. 01100772 issued on January 20, 2020, for \$533.00, to Scott Kelly has not been tendered. The District now requests that the County cancel Warrant No. 01100772. A new warrant will be re-issued.

**ACTION:** Commissioner Murphy motioned to ADOPT RESOLUTION NO. 769 AUTHORIZING CANCELLATION OF WARRANT ISSUED IN ERROR. Commissioner Deshmane second the motion. Motion passed unanimously.

## 7. Strategic Plan 2025 – Review

The purpose of today's discussion is to review the *Six Foundational Goals* and the *New Initiatives* as described in the Strategic 2025 Plan; and, to consider developing special meetings/special topic discussions for the first half of 2020. Highlights included:

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## Foundational Goals and Strategies for Action

**Goal 1. Effectively manage the core water and energy services delivery to the District’s industrial customers.**

- Strategy 1.1 Continue to develop joint strategies with other key stakeholders with interest in water rights to support the PUD’s industrial client base.
- Strategy 1.2 Ensure the reliable delivery of power to the PUD’s existing industrial client base.
- Strategy 1.3 Pursue and achieve operating cost efficiencies.

Update: Status Quo

**Goal 2. Support energy efficiency and energy savings programs and the exploration of alternative energy sources.**

- Strategy 2.1 Promote energy conservation projects with measurable outcomes that result in energy efficiency for industrial, municipal and agricultural uses.
- Strategy 2.2 Seek opportunities to commercialize new energy technologies development.

Update: The PUD is working with farmers and the Ag Water Board continues to have discussion with dairies with digesters (such as Coldstream Farms) but have not moved very far ahead.

**Goal 3. Support water resource management to sustain water supply, increase water use efficiency, improve water conservation, and enhance source protection.**

- Strategy 3.1 Continue to participate as a stakeholder in the resolution or water rights and associated watershed planning needs facing the county.
- Strategy 3.2 Provide leadership in the development of a regional water supply plan.

Update: The PUD is actively involved and continues to engage in water resource management; however, the PUD’s role is constantly changing.

**Goal 4. Provide technical services (to agriculture and water associations).**

- Strategy 4.1 Through the 2019 Initiatives, provide expanded technical and water resources support directly to the local agricultural industry.
- Strategy 4.2 Within the new 2019 Initiatives, continue to supply new and expanding technical support services to the local water supply community with a focus on water associations.

Update: The PUD actively attends the Ag Water Board and different Watershed Improvement Districts meetings – these help identify projects and programs where the PUD could assist.

**Goal 5. Maintain a long-term financial management program to support the services the PUD provides.**

- Strategy 5.1 Implement rate structures that reflect the “true” costs of preserving needed resources, including new initiatives and the PUD’s work on water rights.
- Strategy 5.2 Update and maintain policies and operating procedures to support the financial needs of the PUD.
- Strategy 5.3 Identify and secure additional funding sources to support the PUD’s development of the PUD new initiatives including fees for service, grants and Interlocal agreements.

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Update: This goal has a multi-level approach for grants used for watershed planning.

## **Goal 6. Maintain strong management support and operational proficiency.**

Strategy 6.1 Develop a staffing plan to reflect the commitment of resources for the PUD's new initiative priorities as well as supporting operational needs. This includes, within the 2019 Initiatives, the assessment and if needed, creation of a dedicated staff to advance new initiatives and programs.

Strategy 6.2 Re-brand the PUD in 2019 and undertake an aggressive public outreach program to communicate the agency's priorities and strategic approaches in support of existing and new initiatives.

Update: As staff ages, the PUD works to maintain staffing and intellectual capacity within as the District looks forward in terms of timing and services. We are working on the development of a new logo/brand look for the District.

### **"New Initiatives 2019" established in the 2025 Plan:**

#### **Initiative 4.1 Technical Support to Water Associations**

Allocate sufficient funds to continue to support for County Water Associations.

Action: Extend contract with Cornerstone Management to continue program through 2020.

Update: "Water" will be the topic for an April Special Meeting/Commission Work Session. There will be a lot of legislature activity related to the Hirst Case/6091 updated streamflow rule and bills related to water supply/water rights in our region; additional discussion will include the Water Supply Plan and drainage-based management; also an update from Cornerstone Management on the technical support program and status update on the District's Grandview Water System. What kind of services can the PUD provide?

#### **Initiative 4.2 Transformative Capital Projects**

Develop a list of potential transformative capital projects to advocate the sustainability of the community's water resources.

Action: Develop a long-term strategy to initiative transformative capital projects into the PUD's long-term financial forecast. Ideas: Water Storage, Stream Augmentation projects, Irrigation/Habitat restoration and Drought Planning/Water Exchange/Water Bank.

Update: The challenge is defining transformative. Through a collective thought process with the WIDs and Ag Water Board, determine what is most beneficial. For the North Coast Regional Project – the Drayton WID and City of Blaine came to the PUD for assistance. Are there other priorities or capital projects on the horizon? There is no longer a water mitigation bank (key for economic development). Should the PUD plan a role? What is our authority and whom shall we work with.

#### **Initiative 4.3 Agricultural Sector Support**

Review projects and programs targeted at the agricultural sector – support the sustainability of agriculture focusing on water supply and renewable energy.

Action: Implement drought response plan, developing specific projects, identifying sources of water supply and marketing strategies to utilize supply.

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Update: The PUD continues to support the Ag Water Board and six WIDs to help find projects. Representatives from the AG community will be asked to attend an upcoming special meeting. Renewable Energy: Is the Coldstream Dairy project scale-able? It is important to support the dairy industry and water quality, and continue the discussion of other farms' affordability on methane digesters. Those with operating digesters will add clean water. A high-level discussion on water banking is also favored. RH2 is wrapping up an analysis for Whatcom County on water banking.

We will also be reviewing current bills in the legislature and the Department of Ecology on new regulatory issues of water and issuing water rights available upstream to utilize downstream.

## **Initiative 4.4 Job-Based Land Development at Cherry Point**

The PUD staff is collaborating with the Port's Economic Development Staff and Port Administration on assessing through different avenues the opportunities for development at Cherry Point.

Action: The PUD's role in development of actual infrastructure to support development at Cherry Point is the focus.

Update: Water and energy infrastructure to support Cherry Point development. Although the destiny of Cherry Point is unknown at this point, preplanning by the PUD such as analyses to determine the level or power available and maximum capacity (from BPA), determining locations for substations and other assumptions is started.

## **Initiative 4.5 Innovative Energy Technology**

Identify new technologies and strategies focused on local energy conservation and energy development such as solar energy, renewable natural gas from digesters.

Action: Advance an analysis of a community solar project.  
Review the feasibility of a renewable natural gas (RNG) project.

Update: There has been some discussion on a solar project at Cherry Point with the Port of Bellingham and in the past with the City of Bellingham, which started long before the County Climate Action Plan was introduced. There are also RNG opportunities to assist farms that are selling energy back to Puget Sound Energy.

## **Initiative 4.6 Technical Support to Watershed Planning**

Maintaining its supportive role as a stakeholder in the region's watershed planning efforts, explore the feasibility of the development of a Water Supply Plan under PUD leadership.

Action: Develop a scope of work, budget estimate and funding opportunities for a countywide plan.

Update: The Water Supply Plan is advancing. The PUD recently received a \$100,000 grant from the Puget Sound Partnership and news that the second half of the grant (amount of \$100,000) will be forthcoming in 2021. More discussion on this will be at the "Water" Special Meeting.

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## **Initiative 4.7 Advancing Dark Fiber/Broadband Infrastructure**

Work with the Port on a feasibility study to advance broadband infrastructure to unserved and underserved areas of Whatcom County.

Action: Determine future roles and responsibilities of the PUD in this infrastructure development.  
-Act in an advisory role in support of the Port’s broadband initiative.  
-Work with the Port to determine “best fit role” for the PUD in building and/or operating elements of the dark fiber system.

Update: The Port has proceeded with the study. The next step is to select the engineering firm to design phase 1; PUD staff was asked to review the requests for proposals. A firm should be selected next month and construction is slated to begin this summer. Depending upon the Port’s scope of the bid, the PUD can then develop its role in the project (construction/operation/management) or other opportunities. A broadband update from the Port will be scheduled for an upcoming meeting/work shop.

## **Initiative 4.8 Consider Creation of a Community Resource Group**

A special staff unit operating within the statutory and operation norms of the PUD, dedicated to advancing special projects and initiatives. Specific activities would include but not be limited to:

- Apply for and receive federal and state grants.
- Develop public and private partnerships.
- Undertake research, due diligence and analysis of opportunities
- Prepare plans and strategies to advance programmatic efforts and brick and mortar projects,
- Implement programs/build projects
- Be the catalyst to lead the community discussion and direction on this work.

Update: Look at a different perspective on how to approach this idea, changes in staff roles and determine priorities and what the PUD’s focus should be.

### **Special Meeting Topics/Dates Proposed**

The list of meeting dates proposed to discuss the following topics:

January 28	Strategic Plan Initiatives (review) (Regular Meeting)
February 25	RH2 Industrial Water System Capital Improvement Plan (Regular Meeting)
March 17	Energy and Broadband (Special Meeting date)
March 24	Agriculture/PUD Roles (Regular Meeting)
April 7	Water (Special Meeting date)
May 12	Economic Development/Port/PUD (Regular Meeting)

Staff will develop full details on topics, speakers/presenters, and times and locations. A formal call for the two Special Meetings will be forthcoming.

**ACTION:** No action requested or taken.

## **8. Other Business:**

### **Department of Ecology Grant**

The District has received the contract documents for the grant proposal related to California Creek. Jilk and Legal Counsels Sitkin and Mortimer have concerns about what is identified in the contract to deliver water into California Creek as well potential District liability on the project.

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## Water Supply Plan

The group working on the plan has provided meeting summaries, which are now posted on the WRIA 1 website: [wria1project.whatcomcounty.org](http://wria1project.whatcomcounty.org)

## Lower Snake River Dams Issue

There is a lot of discussion around on the topic of the removal of the four Lower Snake River Dams (LSND). A *Draft Lower Snake River Dams Stakeholder Engagement Report* is now available for public review and comment and an Environmental Impact Statement (EIS) is planned this spring. Jilk decided to leave this topic open until the District holds its “Water” Special Meeting planned for April and/or after the EIS has been issued. Commissioner Deshmane commented that he personally feels that it is not up to the District to make the call on whether or not to decommission the dams) and added that he didn’t believe it was wise for WPUDA to push for individual PUDs to approve resolutions based on their opinion.

## Legislature In Session

There are 16 bills in the current session related to water from impacting watershed planning to water rights/regional supply and new rules for instream flows. There are also few minor bills that could affect the District. Here is a sampling of bills staff is monitoring:

- Concerning digital equality (HB 2414)
- Concerning water rights sales (SB 6292)
- Establishing the water infrastructure program (SB 6345)
- Providing opportunities for drought mitigation using trust water rights (SB 6036)
- Concerning public interest considerations in the transfer or change of surface water rights (SB 6301)
- Concerning special purpose district commissioner compensation (SB 6046)
- Modifying the requirements for posting agendas and notices under the OPMA (HB 2331)
- Concerning system reliability under the clean energy transformation act (SB 6135)

## Commissioner Deshmane Comments

Deshmane will be in Olympia on February 12 for WPUDA’s legislative action day and would like to get more information on SB 6135, as well as input from the other Commissioners on any comments they would like to see made to our legislators.

Deshmane reported that he received two emails regarding the City of Bellingham’s Climate Action Report and concerned citizens regarding Puget Sound Energy electric service (as the only provider) in Bellingham, or “municipalization”. He also received a meeting request from a City Council Member.

Regarding Phillips 66 decision to cancel the Green Apple/Renewable Energy Plant – Deshmane said there is much conversation to explore – what are the real reasons why the project was cancelled other than time and permitting issues (County and Department, of Ecology), and is there a path forward for this or a similar type of project?

## **9. Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 9:50 a.m.

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Jeffrey McClure, President

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Michael Murphy, Vice President

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Atul Deshmane, Secretary