

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

**August 11, 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 via Zoom teleconference included Commissioner Mike Murphy, Commissioner Jeff McClure, Commissioner Atul Deshmane, and Legal Counsel Richard Davis. Staff attending via teleconference: Steve Jilk, General Manager, Brian Walters, Assistant General Manager; Duane Holden, Director of Utility Operations; Annette Smith, Director of Finance; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Alec Strand, Project Manager; Jon Littlefield, Electric System Supervisor; Paul Siegmund, Manager of Automation and Technology; Aaron Peterson, IT/SCADA Technician; Mike Macomber, IT/SCADA Technician; and Traci Irvine, Accountant I.

Public attending via teleconference:  
Christine Grant, Citizen  
Max and Carole Perry, Citizens  
Mary Rivkin, Indivisible Bellingham

**2. Approval of Agenda**

Jilk requested that Item No. 4a is removed from the agenda and moved to the August 25<sup>th</sup> meeting. **ACTION:** Commissioner Murphy motioned to APPROVE THE AUGUST 11, 2020 AGENDA AS AMENDED. Commissioner Deshmane second the motion. Motion passed unanimously.

**3. Consent Agenda**

- a. Approval of the Special Meeting Minutes of July 21, 2020 as presented;**
- b. Approval of Regular Meeting Minutes of July 28, 2020 as presented;**
- c. Approval of the Claims of August 11, 2020:**

<b>VENDOR NAME</b>	<b>AMOUNT</b>
3-D NP INFO CORPORATION	252.18
BELLINGHAM HERALD	768.50
BRIM TRACTOR COMPANY	49.40
CESCO NEW CONCEPT CHEMICAL PRODUCTS	983.38
CORNERSTONE MANAGEMENT, INC.	2,437.50
FASTENAL	94.82
FERNDALE ACE HARDWARE	12.79
FERNDALE LUBE	69.40
GENEVA CONSULTING	2,409.00
GUARDIAN SECURITY SYSTEMS, INC	84.63
HACH COMPANY	6,770.40
HEALTH PROMOTIONS NORTHWEST	90.00
HOMEWARD DESIGNS, LLC	2,177.50
MASSMUTUAL RETIREMENT	11,199.99
NORTHWEST CASCADE, INC.	118.50
NORTHWEST MOWING & GARDENING	514.54
PLATT ELECTRIC SUPPLY CO	590.54
PORTAL WAY FARM & GARDEN	140.17
PUD #1 OF WHATCOM COUNTY	2,777.60
PUGET SOUND ENERGY, INC	5,193.90
REGENCE BLUE SHIELD	38,901.73
REISNER DISTRIBUTION, INC	754.37
RH2 ENGINEERING, INC	2,440.99
RICOH USA	290.15
SSC - SANITARY SERVICE COMPANY	509.29
STERICYCLE ENVIRONMENTAL SOLUTIONS	48.75
TEAMSTER LOCAL #231	515.00
UNITED WAY OF WHATCOM COUNTY	420.00
UTILITIES UNDERGROUND LOCATION	19.35
VERIZON WIRELESS	1,806.46
WA ST DEPT OF HEALTH	424.00

WASHINGTON DENTAL SERVICE	2,076.07
WASHINGTON TEAMSTERS WELFARE	11,875.15
WATERHOUSE ENVIRONMENTAL SERVICES	17,593.20
WHATCOM JANITORIAL	1,250.00
WILSON ENGINEERING, LLC	5,278.25
YEAGER'S SPORTING GOODS	236.23
ZIPLY FIBER	1,414.72
<b>GRAND TOTAL</b>	<b>\$ 122,588.45</b>

**ACTION:** Commissioner Murphy motioned to APPROVE THE MINUTES OF SPECIAL MEETING OF JULY 21, 2020; APPROVE THE MINUTES OF THE REGULAR MEETING OF JULY @\*, 2020, AND CLAIMS OF AUGUST 11, 2020. Commissioner Deshmane second the motion. Motion passed unanimously.

#### 4. Old Business

##### a. Budget Priorities Discussion

Tabled until August 25, 2020 Meeting

##### b. Staff Transition Planning

(Moved up due to online (4.c) presentation delay)

Commissioner McClure requested that the District begin planning/determining a course of action on the retirement of several senior level staff with retirements on the near horizon, and that there is adequate transition time. In discussions with the General Manager, and his plans, Jilk, has offered to extend his contract for another year, which would conclude at year-end 2022. If this is the desire of the Commission, that is one item that would make for additional time and a simple transition.

In planning for the 2021 budget, there are priorities for next year that will require more staff than what we have and accommodating for additional staff is needed. At the very least, McClure will ask staff and Jilk to be tasked with an organizational chart that is illustrative of what staffing levels and transitions will be needed based on budget priorities the Commission is asking for. McClure asked for the other Commissioners input:

Deshmane thinks it is important that they let the community know that transitions are planning to happen at the PUD and Commission is working to address these. Because of his involvement with WPUDA, he has had the opportunity to learn what other PUDs have done in similar processes. He says the most typical is to promote from within, and because our PUD is small, we don't have a line of staff – senior staff is all near the retirement age. He feels we should do a nationwide search, although it hasn't been discussed before, he believes it is innovative, and not just for the GM position but other leadership positions with future retirements. Perhaps a separate committee to begin the search is needed.

Commissioner Murphy appreciates Jilk's willingness to commit to another year, as well as the others interested in retiring. He appreciates the service from all of them. He is not against doing a "nationwide search" as Deshmane suggested for the GM. He appreciates the very uniqueness about Whatcom PUD staff – in that we have the willingness to work with everyone; thinks the PUD is well respected; and that comes from the leadership and staff. It will be hard to find the right person. His experience of bringing someone onboard from afar is that they bring their own "luggage" and we don't know what that is, which is a major concern. He would rather exhaust a local search for someone who understands our uniqueness and is from the community already, first, before launching a national search.

McClure thanked them for their thoughts. In honor of the General Manager's commitment, McClure recommends taking action on the GM contract before the end of 2020. He would like to have Jilk comment on the attributes of the person/persons to fill the positions. At the August 25 meeting, Jilk will compile a look at three different scenarios for staffing and budget priorities in the next three years: (1) Status Quo, (2) Senior Level Retirements; (3) New Initiatives (broadband, etc.) 2021 for positions and skillsets required, with decision points along the way. The preliminary draft of 2021 budget will be ready in October.

##### c. Branding/Logo Discussion

Background: At the July 14, 2020 meeting, graphic designer Heidi Dikeman provided an overview of work she has been doing on the branding and logo designs. She quickly reviewed the steps: What the PUD logo currently looks like, background history and research on the district, qualities to bring forward in a logo; key words in the hierarchy – did not want to use "Whatcom" as the main focus. Public Utility District (PUD) is where we landed as the main focus. Visual elements: energy and regional markers such as mountains and water, were considered and worked in to the pallet of clean air, water and land. Too many colors become messy and complicated.

Typography – Timeless, stable solid font; looked at different font styles and Sans Serif is ‘blocky’ a Serif font is similar to Times New Roman, with more detail. She shared other PUD logos that visualize common elements such as water and other resources, some clearly readable and others not so much. Some logos are quite detailed and when the logo is used in a small size, they are difficult to read. Logo work is complex and branding is essential with logos, and the way logos are going – it’s no longer a standard lockup. Examples shown with waves, a photo visual (mock advertisement). The question is how to make Whatcom PUD stand out more than the rest.

Earlier renditions including waves and energy concepts, using the word Whatcom; refining colors, choosing the solid, classic PUD look. Wavy lines were introduced to visualize water and/or energy waves and mountain ranges.

The next slides displayed combined uses of the wave and stand-alone logo. Whatcom PUD should live on its own as the marker. Stationary designs were displayed, by removing the waves from the logo, it makes it more readable and user-friendly. Depending where the logo would be used, also depends whether to include the waves or not – for example, when the logo is used on a baseball cap or vehicle, wavy lines wouldn’t be included.

Commissioner Murphy commented that he would like to ask Jilk to remind us why we are visiting this topic. He is not against the way we represent ourselves as “Public Utility District No. 1 of Whatcom County.” It is a lot of words to say when a staff person answers the phone, He’s not sure if it is a staff issue but believes it will cost at least \$30-40K. Murphy is concerned about the budget and with state budget cuts to programs unknown yet, he would rather see the funding used for cut programs than logo/branding design. He doesn’t want to spend a lot of time on it, but is open to the other Commissioners’ thoughts.

McClure suggested separating the identity and its implementation because it will have some budget impact. That discussion is for another day when there is more input about the budget. He wants to get Murphy’s sense as how this communicates who we are as a leading organization for the next few decades.

Murphy replied that we live in such a beautiful place, and after studying other PUD logos, mountains, sound, the Nooksack River, Mt. Baker, etc., he doesn’t feel that it explains who Whatcom PUD is.

McClure added that other municipalities have more drawn icon logos – City of Lynden has a windmill, County uses Mt. Baker, etc. With Heidi’s designs, we are hoping the waves would be representative on many levels (river/water/mountains/energy). Murphy likes the ad mockup which shows the Nooksack River, Mt. Shuksan, and incorporates the logo and *branding* waves.

Deshmane: Providing input has been a difficult process for him. “All is well that ends well” on this particular project. He likes the work product done so far. Exactly which brand identity that works is not that important to him. The ad mockup displays a connection, which is very much, what a public entity is about. The rebranding is necessary, our prior look is a little bit out of date and the new logo/branding will be a conduit to improving the level of communication that Whatcom PUD has with our community. The work here demonstrates that. His main feedback lines up with Commissioner Murphy’s comment on the Nooksack River and if there is a way to incorporate it more fully, as well as Mt. Baker and they could, it would be a good thing.

He was not aware of the project and even though it is a modest budget item, next time we explore some important tasks like this, he would like for the Commissioners to be aware and able to provide input on the front-end, too.

McClure asked Deshmane the same question: How representation and literal to make the connection with the river, or can it be more representational similar to what is here with the waves? Which indicates about what Deshmane is talking about probably not in such a literal way. McClure agrees that there is concern in the community that we have not told our story as well as we could; and it has to do with a *culture of doing rather than talking*. The PUD has prided ourselves in getting things done; and, the liability of that is we haven’t spent as much time talking about what it is we have accomplished.

McClure can see a more modest budget going forward where we are more out in the community and this gives us the opportunity to do this. The mockup here is an excellent idea of how the logo can be used because it is so simple to be connected directly with the mountain and the water. This image could be the banner on our website; he agrees with the other Commissioners, we need to be intentional on how we employ the logo – it is in what we say and the messaging that will create the grounding effect.

Dikeman added that we have become more dependent on social media and the internet and less print/paper format. The website is where people usually go and agrees with the visuals of Whatcom County, it is a beautiful place. Adding the visuals of branding together with the logo – it can be simplified – or the waves can be more exact replica lines of Baker and Shuksan.

Dikeman will take today’s comments and continue refining the work. Colors can also be modified/adjusted, and she will look at a different color than using gray. The Commissioners agreed on the concept of *connecting* and *color* – Whatcom County’s *connection* to the river and the PUD’s *connection* to the community, and how to create this kind of visual to incorporate into the branding. She will present updated work at meeting date to be announced.

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

**5. New Business**

**a. First Half 2020 Financial Update**

Finance Director Annette Smith presented an update on the 2020 Capital and Operating Budget to Actual figures for January – June 2020.

**2020 Operating Revenue: January – June**

Revenue	Current YTD	Prior	Variance	%	½ Budget	Variance	%
Industrial Water Sales	4,596,965	4,492,563	104,402	2.3	4,611,078	(14,113)	-0.3
Grandview Water Sales	123,204	125,442	(2,238)	-1.8	129,678	(6,474)	-5.0
Electric-Pass Thru	4,786,827	4,754,501	32,326	0.7%	4,984,909	(162,082)	-3.3
Electric Gen. Serv.	1,070,550	1,030,782	39,768	3.9	1,070,549	1	0
Assessment Income	118,133	124,664	(6,531)	-5.2	64,854	53,279	82.2
Interest Income	133,680	136,431	(2,751)	-2	112,150	11,531	9.4
Misc. Income	19,627	134,121	(114,494)	-85.4	551,755	(532,128)	-96.4
<b>TOTAL REVENUE</b>	<b>\$10,848,985</b>	<b>\$10,798,504</b>	<b>\$50,482</b>	<b>.5%</b>	<b>\$11,498,971</b>	<b>(649,986)</b>	<b>-5.7</b>

Revenue

Current compared to last year at this time – we are right on track with last year but compared to budget, we are under – highlighted below:

*Assessment Income* - (Grandview LUD water line extension) is showing a variance due to most assessments are paid during the first half of the year.

*Miscellaneous Income* – The bulk of miscellaneous income comes from grants and out of the ordinary projects. Although the timing between receipts of income and spending can vary, the bulk of this variance is due to grants and projects that have not occurred yet. The amount and number of grants the District participates in fluctuates from year to year. For 2020, the \$200,000 Green Apple project was canceled at the beginning of the year and a \$680,000 grant for a mitigation project was budgeted but has not occurred. For both of these projects, this also means that the expenses have not occurred.

Water and Electric Use

Water YTD (g)	2020	2019	%
Industrial Water	2,180,067,639	1,969,379,933	110.7%
Grandview Water	4,282,332	4,584,598	93.4%
Irrigation	9,307,349	15,737,244	59.1%
	<b>2,193,657,320</b>	<b>1,989,701,775</b>	<b>110.3%</b>

Electric YTD (kWh)	2020	2019	%
	<b>109,977,538</b>	<b>110,871,403</b>	<b>99.2</b>

**2020 Operating Expenses: January – June**

Expenses	Current YTD	Prior	Variance	%	½ Budget	Variance	%
Purchased Power	\$4,774,964	4,545,360	229,604	5.1	4,848,654	(73,690)	-1.5
Purchased Water	7,104	-	7,104	0	7,068	36	.5
Water Purification	164,154	121,310	42,844	35.3	135,521	28,633	21.1
Taxes/Process/Delivery	289,070	287,118	1,952	.7	300,032	(10,962)	-3.7
General O & M	827,291	882,377	(55,086)	-6.2	1,444,459	(617,168)	-42.7
General Administration	1,258,285	1,270,852	(12,568)	1.0	1,169,345	88,940	7.6
Plan & Develop. Grants	75,727	272,821	(197,094)	-72.2	667,500	(591,773)	-88.7
Utility Tax Expense	310,201	290,653	19,548	6.7	310,545	(344)	-0.1
Interest Expense	502,595	546,031	(43,436)	-8	502,595	-	0
<b>TOTAL EXPENSES</b>	<b>8,209,391</b>	<b>8,216,521</b>	<b>(7,131)</b>	<b>-0.1</b>	<b>\$9,385,718</b>	<b>(1,176,328)</b>	<b>-12.5</b>

Expenses are right on track from last year and under budget - highlighted below:

*Water Purification* – This varies year to year depending on river conditions and chemical purchase needs. During April and May, the river experienced higher than usual turbidity and more chemicals were used than usual.

*General O & M* – Currently under budget due to extraordinary maintenance projects usually occurring in the latter half of the year due to weather.

*Plan and Development, Grants* – This represents the expense side of Miscellaneous Revenue:

Plan & Develop, Grants	2020	2019	½ Budget
Cherry Pt. Electric Infrastructure Study			50,000
Cherry Pt. Infrastructure Study		15,000	17,500
Community Communication			12,500
DOH Water Sev. Project	5,219	10,809	
BOR Drought Cont. Plan		9,680	
Fiber Project w/Port		14,625	
Green Apple Project Study			100,000
Habitat Restoration		20,000	
Mitigation Supply Project			340,000
Regenis	751	3,853	
Water Contracts	21,846	10,264	10,000
Water Rights Management		9,649	20,000
Water Supply Plan – WMB			50,000
Water System Service			17,500
WDFW Ground Water		178,940	
	<b>\$75,727</b>	<b>\$272,820</b>	<b>\$667,500</b>

**2020 CAPITAL BUDGET: January – June**

Project #	Name	Budget	January – June	EST July – Dec.	Projected Year End	Over (Under)
<b>INTERNAL SERVICES PROJECTS</b>						
IS15	Communications Backbone	\$300,000	\$34,927	\$30,000	\$64,297	(235,703)
IS17	Multi-Use Storage	175,000	-			(175,000)
	Smaller Projects	117,000	22,470	47,000	69,470	(47,530)
<b>WATER PROJECTS</b>						
RW28	Plant 1 Remodel	700,000	48,778	30,000	78,778	(621,222)
RW34	PSE Whitehorn Meter/Valve	260,000	15,722	285,000	300,722	40,722
RW35	Intake VFD	322,000	482	20,000	20,485	(301,518)
	Smaller Projects	131,666	322	1,178	1,500	(130,166)
<b>ELECTRIC PROJECTS</b>						
E6	Pole Replacements	400,000	47,690	445,000	492,690	92,690
E22	Ferndale Substation	4,000,000	195,385	650,000	845,385	(3,154,615)
E27	Refinery Substation	250,000	1,613	160,000	161,613	(88,387)
	Smaller Projects	565,594	8,898		8,898	(556,969)
<b>TOTAL CWIP:</b>		<b>\$7,221,260</b>	<b>\$375,657</b>	<b>\$1,668,178</b>	<b>\$2,043,835</b>	<b>\$(5,177,425)</b>
<b>EXTRAORDINARY MAINT. PROJECTS</b>						
RWM2	Clean Mud Basins	155,000	983	155,000	155,983	983
RWM6	Douglas Rd Vault	152,000	573	-	573	(151,427)
RWM7	D Station Upgrades	350,000	805	-	805	(349,195)
RWM10	Hi Head Pump Rebuild	178,000	1,372	178,000	179,372	1,372
RWM11	Plant 1 Maintenance	250,000	12,424	50,000	62,424	(187,576)
	Smaller Projects	25,000	24,257	-	24,257	(743)
<b>TOTAL EXTRAORDINARY MAINT:</b>		<b>\$1,110,000</b>	<b>\$40,414</b>	<b>\$383,000</b>	<b>\$426,414</b>	<b>(686,586)</b>
<b>TOTAL COSTS</b>		<b>\$8,331,260</b>	<b>\$416,071</b>	<b>\$2,051,178</b>	<b>\$2,467,249</b>	<b>\$(5,864,011)</b>

Many projects have been delayed, or are taking more time due to the pandemic, permitting, or just a delay in the process.

Highlighted CWIP Projects

*Communications Backbone* - This is the Districts internal fiber and has been experiencing permitting issues.

*PSE Whitehorn Meter/Valve* – This has been on the list for a few years and tentative for the remainder of this year due to coordination with the customer.

*Under Extraordinary Maintenance Projects* – There are many that have been delayed this year and some will be pushed forward into 2021. Many are routine projects such as mud basin cleaning and high-head pump rebuilds.

**COVID-19 Operational Impact**

A highlevel view of how the District is being affected – fortunately we are currently doing very well during the pandemic. Customer revenue has not fallen. Smith expects Alcoa to drop off near the end of August, but BP and PSE usage are higher than expected. Expenses have some variances that were mainly due to Extraordinary Maintenance projects. For COVID-19 specific expenses, the largest expense came from getting employees set up to work from home.

<b>Customer Revenue</b>	<b>Current</b>	<b>Prior</b>	<b>Variance</b>	<b>%</b>	<b>½ Budget</b>	<b>Variance</b>	<b>%</b>
Industrial Water Sales	\$4,596,965	\$4,492,563	\$104,402	2.3	\$4,611,078	\$(14,113)	-3
Grandview Water Sales	123,204	125,442	(2,238)	-1.8	129,678	(6,474)	-5.0
Electric Pass-Thru	4,786,827	4,754,501	32,326	0.7	4,948,909	(162,082)	-3.3
Electric Gen. Services	1,070,550	1,030,782	39,768	3.9	1,070,549	1	0.0
<b>TOTAL</b>	<b>\$10,577,545</b>	<b>\$10,403,287</b>	<b>\$174,258</b>	<b>1.7</b>	<b>\$10,760,213</b>	<b>(182,668)</b>	<b>-1.7</b>
<b>Operational Expenses</b>	<b>Current</b>	<b>Prior</b>	<b>Variance</b>	<b>%</b>	<b>½ Budget</b>	<b>Variance</b>	<b>%</b>
General O & M	827,291	882,377	(55,086)	-6.2	1,444,459	(617,168)	-42.7
General Admin.	1,258,285	1,270,852	(12,568)	-1.0	1,169,354	88,940	7.6
<b>Total Operation Expenses</b>	<b>\$2,085,576</b>	<b>\$2,153,230</b>	<b>(67,654)</b>	<b>-3.1</b>	<b>2,613,804</b>	<b>(528,228)</b>	<b>-20.2</b>

<b>Industrial Usage through June (g)</b>	<b>2020</b>	<b>2019</b>	<b>Variance</b>
BP	1,236,416,875	1,095,679,231	140,736,644
Philipps66	613,123,464	584,476,832	28,646,632
Alcoa	180,967,580	206,411,724	(25,444,144)
PSE	141,300,335	73,194,419	68,105,916
Remainder	8,260,385	9,617,727	(1,357,342)
<b>TOTAL INDUSTRIAL USAGE:</b>	<b>2,180,067,639</b>	<b>1,969,379,933</b>	<b>210,687,706</b>

**COVID-19 COSTS**

Masks, Hand Sanitizer	\$4,597
Signage	296
Reception Shield	443
Thermometers	597
Zoom Mtg Technology	1,231
Audio Equipment	606
VNC Connect	1,175
Gloves	79
Laptops, monitors, printers	12,101
<b>TOTAL</b>	<b>\$21,124</b>

There were no further questions. The Commissioners thanked Smith for the update.

**ACTION: No action taken, information only.**

**b. Approve Medical/Vision/Rx and Dental Insurance for Non-Union Employees**

This request is to approve the medical benefits for the non-union employees. The union employees are covered under a separate Teamsters Health Plan in which the District pays for.

We have received quotes this year from Regence, Premera, and the Association of Washington Counties, and Washington Dental Service. If we choose the renewal, it would be an 8.7% increase in premiums. One plan was lower in cost for renewal, but it did not include a vision rider. To include a vision rider, the cost of the premium would be higher than the original renewal with Regence. The Regence plan is age-banded and that is how the rates are based. The District is so small to be considered under a group rate.

Last year, the increase from Regence was 0.5% and no increase from Washington (Delta) Dental.

Fiscal Impact: The District anticipated a 5% increase for medical and 2% increase for dental premiums budgeted for the remaining four months of 2020. Because the actual increase is slightly higher than the amount budgeted for, the District will experience a small overall budget change of \$13,827.60, due to the change in premiums for the last four mounts of 2020. The District’s policy currently covers 14 employees, 3 Commissioners, 16 spouses and 25 children under this plan. Union employees are covered under a separate plan offered by the Teamsters insurance program. Any changes in the age or number of employees/dependents covered by these plans, during the plan year, September 1, 2020 to August 31, 2021, will impact the premium because that is how the premium is based. A budget amendment is not necessary. Other expenses are lower than the budget.

**ACTION:** Commissioner Murphy motioned to APPROVE THE RENEWAL OF THE DISTRICT'S MEDICAL/VISION/RX AND DENTAL INSURANCE PLANS FOR NON-UNION EMPLOYEES AND COMMISSIONERS: *REGENCE BLUE SHIELD EMPLOYEE CHOICE PLATINUM 250 PLAN* AND THE *DELTA DENTAL SERVICE PREMIER ENHANCED PLAN*, EFFECTIVE SEPTEMBER 1, 2020 AND AUTHORIZE THE GENERAL MANAGER TO SIGN ON BEHALF OF THE DISTRICT. Commissioner Deshmane second the motion. Motion passed unanimously.

**c. Award of Bid for Purchase of Equipment – Ferndale Substation**

The District purchased the Ferndale Substation serving Water Treatment Plant No. 1 in 2011. The substation, previously owned by Puget Sound Energy, was constructed when Plant No. 1 was built in the 1960's. The substation has not been upgraded since construction and has the original single transformer. Testing of electrical gear in the substation during 2016 revealed that the secondary voltage (2400V) side is in very poor condition and should be replaced.

In 2017, District staff with support of engineering consultants discussed conceptual design, location and potential costs of a new substation. The 2018 Capital Improvements Budget included the preliminary design and engineering of the new Ferndale Substation (CIP-E22). During 2018 – 2019, engineering, permitting and final design were substantially completed.

Final substation site design is dependent on the major electrical equipment to be selected in accordance with project specifications. This electrical component of the substation, six single phase metering units, have a long lead time. The time between issuance of a purchase order to delivery of the equipment to the job site may be up to 21 weeks. Therefore, purchase of the equipment must proceed prior to the completion of the final site design. Due to the circumstances described above, District staff elected to proceed with two separate bid processes, one for equipment purchases and a second for the construction of the substation.

Strand explained that staff prepared bid documents and issued a public notice for Request for Bids (RFB). Upon the deadline date and time, July 7, 2020 at 10 AM, no bids were received. Staff then researched the RCWs and conferred with legal counsel to determine options for addressing this situation. Since no bids were received, staff did not want to expend the time and expense of re-bidding the equipment.

**RCW54.04.080** contains a provision that reads as follows:

*“The commission may procure materials on the open market, have its own personnel perform the work or negotiate a contract for such work to be performed by others, in lieu of advertising, if it receives no bid.”*

The Engineers estimate for the Metering units is \$115,000.00. BKI developed the estimate prior to bidding by asking manufacturers for quotes that met the specifications. The District's project engineers at BKI provided two estimates to District staff for the equipment and BKI recommends the district purchase equipment through ABB.

GE Estimate     \$16,500.00 per unit. 6 units total price not including tax = \$99,000.00  
ABB Estimate    \$12,688.00 per unit. 6 units total price not including tax = \$76,128.00

Based on the situation and provide the citing from RCW 54.04.080, staff requests that the Commission approve the recommended purchase of the six single phase metering units from ABB.

Fiscal Impact – This Project is funded for 2020, as part of the approved Capital Improvement Projects (CIP E-22) Budget. There is no individual budget for the metering units as the metering units are a part of the whole substation project. There is no fiscal impact.

**ACTION:** Commissioner Deshmane motioned to AWARD EQUIPMENT PURCHASE TO ABB FOR SIX SINGLE PHASE METERING UNITS FOR THE FERNDALE SUBSTATION PROJECT (CIP-E22) IN THE AMOUNT OF \$76,128.00 NOT INCLUDING TAX AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO EXECUTE THE PURCHASE. Commissioner Murphy second the motion. Motion passed unanimously.

**d) Approve Work Order No. 1 with The Energy Authority**

Based on load growth on the District's electric system in 2019, the District's power purchases from BPA are approaching the Tier 1 allocation amount available from BPA in accordance with the District's Power Purchase Agreement. Once the allocation amount is exceeded, additional power purchased from BPA will be based on BPA's short-term market purchase price. This is because the District elected to purchase BPA's market based power product through BPA's fiscal year 2024, which ends September 30, 2024. The District elected to purchase this power product in lieu of buying non-federal power to cover above Tier 1 power allocation requirements. Pricing of the market product is projected to continue to be less than BPA Tier 1 priced power through 2024.

The load growth above has been driven by end-use loads already connected to the District's electric system (i.e. P66 Refinery and District's water treatment plants). In addition to this organic growth, District staff over the past couple of years has interacted with several entities, who have and are proposing new industrial facilities to be constructed within the Cherry Point area. All of the inquiries have involved large electric load requirements and connections to the District's electric system or directly to BPA. Given the magnitude of the loads, should any one of the projects proceed, the District would likely need to procure power supply from a non-federal entity source. This would be in addition to the continuing purchase of power from BPA.

One of the main reasons driving the search for non-federal power is that BPA's policy regarding adding new large single loads (NLSL) above ten average megawatts (10 aMWs) is that the price of power to be supplied would be at an NLSL rate. This rate is currently well above what the District pays for its BPA Tier 1 power. The NLSL pricing structure is a historical carry-over from the Regional Power Act. The Act is federal legislation enacted in the early 1980's and the original intent for the NLSL rate was to discourage BPA from supplying federal power to large industrial concerns at very low rates. The NLSL rate was seen as a way of creating a level playing field for areas of the US that wanted to attract industry, but were served by private power companies with much higher power rates.

Another factor driving District staff to assess future power supply needs and the availability and pricing of non-federal power is the expiration of the District's Power Purchase Agreement with BPA On September 30, 2028. Discussions among BPA and its public utility customers have already begun with regard to what the new follow-on agreement might look like and how it would differ from the current contract. Negotiation and document drafting will likely begin in earnest during 2022 with the expectation that new power purchase agreements will be offered and signed prior to BPA's fiscal year 2028.

Given the above factors, District staff has begun reaching out to organizations that provide consulting assistance particularly with regard to public utilities seeking to diversify their power supply portfolios; purchase and manage non-federal power; acquire low carbon and renewable resources; and make transmission arrangements to deliver power to their electric systems.

One of the organizations, which staff has contacted is The Energy Authority (TEA), which has main offices in Bellevue, Washington and Jacksonville, Florida. TEA is a non-profit entity owned by seven municipal and state-chartered electric utilities located across the US. Among its 60 public power customers are eight PUDs in this State. TEA's consulting services offerings are a good match with the District's current and near future electric power supply needs.

The Services to be provided under Work Order No.1 are as described in TEA's letter proposal submitted to the District on July 28, 2020. It is attached to Work Order No.1. Briefly, TEA will provide to the District a white paper discussing wholesale markets on the West Coast; procuring non-federal power supply; managing power supply diversification; and power supply procurement risk issues; and need for a District energy supply risk policy.

#### *Deliverables*

TEA, as part of its Services provided under Work Order No.1 will deliver the following:

- Prepare and provide to the District a whitepaper on energy markets, power supply management, and issues relevant to the District.
- Prepare and conduct a workshop, based on the whitepaper, to District management staff.
- Prepare and conduct a workshop, based on the white paper, to the District's Commission.
- Prepare and deliver other tech memos or white papers on topics and issues related to energy supply and management, as directed by the District.

Staff recommends approval of Work Order No.1. There is no fiscal impact on the District's 2020 Budget. Any work performed under the Agreement would be expensed against the line item budget for administrative consulting services.

**ACTION:** Commissioner Murphy motioned to APPROVE WORK ORDER NO. 1 WITH THE ENERGY AUTHORITY FOR A BUDGET AMOUNT NOT TO EXCEED OF THIRTY-FIVE THOUSAND DOLLARS (\$35,000) AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO EXECUTE THE WORK ORDER. Commissioner Deshmane second the motion. Motion passed unanimously.

## **6. General Manager Report**

*Clearing Up* Weekly Newsletter – Suggested articles to review, especially regarding electric vehicle opportunities for rural utilities and new information on carbon dioxide capture for large industries and using the concept on natural gas generation plants,

Friday Facts from WPUDA, highlighting Pend Oreille PUD and broadband and the Washington Supreme Court ruling on upholding Ecology’s flow rule for the Spokane River. Challenges to the rule were presented because recreational opportunities were not considered. This could potentially impact adjudication and impact on the PUD. Deshmane asked Jilk to elaborate further on Whatcom PUD’s adjudication vs. the Spokane River ruling.

**7. Commissioners Report**

Commissioner Deshmane:

The issue around broadband and speed testing is very different from what is publically available. He believes the instrument used for testing does not work correctly, and is inaccurate to gage the upload/download speeds. For this very reason, new tools are needed and he sees this as a large problem. He plans to come back to the other commissioners and general manager on how to remedy it.

Commissioner Murphy:

He has been busy reading and following up on things.

**8. Public Comment**

One written comment from Christine Grant:

Comments about staff transitions at the national level – about 60% of people that work in the electric utility industry are eligible for retirement in the next few years, many utilities across the country are facing similar challenges with senior staff transitions, leaders with skills and transition management are highly sought after right now.

Carole Perry said the Zoom meeting technology makes it difficult for people to know what is going on, especially the discussions about branding and the connectedness with the community and the District customers. Perry grew up on a homestead in Lewis County and knows the many benefits of the PUD which brought electric utilities to rural areas. She realizes that the District has to go forward and is in agreement with the branding; “Connectedness with the community and our customers is our job”. The Perrys have followed the Cherry Point/County Council Amendments, and in all this time, the PUD has not participated in the hearings; it is even difficult to get the smaller customers involved. There is another hearing this Thursday, and she would like for the public to know that these people (industries at Cherry Point) are the PUD’s customers.

**9. Adjourn**

There being no further business for the meeting, the Commission adjourned the regular meeting at 10:05 a.m.

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Jeffrey McClure, President

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Michael Murphy, Vice President

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Atul Deshmane, Secretary

APPROVED: AUGUST 25, 2020