

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

August 25, 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 Jon Sitkin and Legal Counsel Tom Mortimer. Staff attending via teleconference: Steve Jilk, General Manager, Ann Grimm, Administrative Assistant; 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:

Carryn Vande Griend, PSE
Christine Grant, Citizen
Dave Olson, Citizen
Kathy Sabel, Citizen
Lauren Turner, Phillips66
Rick Maricle, Citizen
Max Perry, Citizen
Mary Rivkin, Indivisible Bellingham

2. Approval of Agenda

No changes.

ACTION: Commissioner Murphy motioned to APPROVE THE AUGUST 25, 2020 AGENDA. Commissioner Deshmane second the motion. Motion passed unanimously.

3. Consent Agenda

- a. Approval of Regular Meeting Minutes of August 11, 2020 as presented;
- b. Approval of the Claims of August 25, 2020:

VENDOR NAME	AMOUNT
ASPECT CONSULTING LLC	5,542.71
BONNEVILLE POWER ADMINISTRATION	755,049.00
BRIDGEVIEW AUTO PARTS	15.20
BROWN & KYSAR, INC.	11,979.25
CDW/COMPUTER DISCOUNT WAREHOUSE	1,755.31
COMCAST	184.92
CULLIGAN NORTHWEST	142.34
DLT SOLUTIONS, LLC	1,272.87
EDGE ANALYTICAL LABORATORIES	20.00
FERNDALE ACE HARDWARE	27.83
GRAINGER	475.21
GUARDIAN SECURITY SYSTEMS, INC	452.29
HARDWARE SALES, INC	20.39
INDUSTRIAL SUPPLY, INC	133.97
INTERNAL REVENUE SERVICE	15,337.73
KCDA PURCHASING COOPERATIVE	153.16
PACIFIC SURVEY & ENGINEERING	3,242.50
PARAMOUNT SUPPLY COMPANY	62.83
PAYLOCITY	131.88
PAYROLL	164,168.72
PLATT ELECTRIC SUPPLY CO	184.89

PUD #1 OF WHATCOM COUNTY	23.80
PUGET SOUND ENERGY, INC	759.38
WA FEDERAL VISA CARD MEMBER SERVICES	3,062.64
WA PUBLIC UTILITY DISTRICTS ASSOCIATION	200.00
WA ST DEPT OF REVENUE	75,328.55
WASHINGTON ALARM, INC.	120.44
WESTERN CONFERENCE OF TEAMSTERS	8,184.38
GRAND TOTAL	\$ 1,048,032.19

ACTION: Commissioner Murphy motioned to APPROVE THE MINUTES OF THE REGULAR MEETING OF AUGUST 11, 2020, AND CLAIMS OF AUGUST 25, 2020. Commissioner Deshmane second the motion. Motion passed unanimously.

4. Old Business

a. Budget Priorities Discussion

Jilk prepared a memo using the outcome of previous discussions by the Commission to prioritize the projects and programs considered:

Water:

- New Water Supply (i.e. Clean Water Technology)
- Water Association(s) and Private Well Owners Support
- Watershed Management
- Watershed Planning
- WRIA1 Grants
- Water Rights – Adjudication
- Water Rights – Tribal Relations
- Climate Change Vulnerability to PUD Water Supply

Energy:

- Utility Scale Solar
- Community Solar
- Renewable Natural Gas
- New Industrial Projects (i.e. Hydrogen generation)
- Energy Supply – BPA and New Resources
- Public Power Considerations

Broadband and Fiber Optics:

- Services to the Community

Communications:

- Community
- Other government agencies

Maintain District Infrastructure

Staff Transitions:

- Retirement
- Restructuring
- New Resources

Jilk suggested the following prioritization of the groupings into three broadly scoped areas:

1. Water Resource Management

- Watershed Management
- Climate Change
- Adjudication
- Support for Water Associations, Private Well Owners
- New Water Projects

2. Broadband/Fiber Optics

- Services to the Community

3. Community Solar

The above three would be considered as “new” initiatives – or – a “broadening” of current projects and programs. These are in addition to what the District has ongoing, including responses to new projects which are initiated by *private entities*.

Staffing and Retirements Preparation:

The District has four senior level staff considering retirement in the next five years.

- In preparation of senior staff retirement replacements, seek individuals which can provide the skills and temperament to meet our operational and management needs, in a timely manner so we can provide the continuum of high level service, which should be our first priority;
- As the District considers a *realignment* of some positions to support the “new” initiatives – or – “broadening” of current programs and services, we need to identify additional staffing resources; and,
- Lastly, the District need to identify the most appropriate financial resource or funding source, to accomplish these goals.

Additions to the Budget:

Based on the above prioritization of programs/projects and review of staffing needs , Jilk recommends that **we build into the budget**, along with ongoing core, existing operations, capital programming, and staffing needs as following:

Water Resource Management: Water rights including adjudication and tribal relations;
Watershed management;
Clean water projects;
Climate impact vulnerability; and
Water associations and private well owners support.

Fiber Optics/Broadband Services: Building program development,
Infrastructure development; and
Business plans/partnerships with other public agencies to implement a countywide program.

Clean Energy Project at Cherry Point: Analysis of infrastructure needed to support Clean Energy development.

Staffing Necessities:

Here is a general list of ideas on future staffing needs:

Energy: Add a staff person to support work on Energy and Telecommunications projects. This could be an engineer or a person with a high degree of experience in energy services, power supply.

Water Resources: Using a *current staff person* to support and report to Rebecca Schlotterback providing much needed resource for Rebecca to broaden her coordination for watershed planning, water resource grants/projects, climate impact work and more of a lead representation of the PUD to other agencies in support of the General Manager work in this area.

Staff Replacement Person: Fill the position being assigned to water resources with a qualified engineer, civil or electrical, in support of project design, relations with outside engineering support and additional support to all internal PUD programs including water, energy and construction.

General Manager: While implementing the above staff changes and conducting new hires, look at 2021 as an opportunity for the Commission to decide what will be expected of a new General Manager as the Commission conducts a replacement process of the current GM.

Deshmane asked how it would align with our financial revenues, and receiving revenue from the state. How will broadband, community solar and other projects/services (which are non-water related) be funded?

Jilk replied that we would be challenged in using existing revenue from our water and electric customers to support the total cost of adding the two additional staff members, if that is what we end up doing. The District cannot depend upon state or federal dollars to cover the total costs. This creates a very unpredictable situation:

The District has to align the *value* to our current customers: Value being in the work we do in water supply issues, watershed management, etc. How much should the District charge our customers for expanding our work in water supply? On the other hand, how does the District draw upon state and federal resources (grants) to fill the gap? The reality is how much we can *legitimately* charge our current customers, and spend, to broaden the efforts.

For costs related to maintaining District infrastructure, we can legitimately call upon our customers to cover these costs to support them (such as electrical or civil engineering or a staff person).

Specifically on broadband/fiber optics: Future staffing, construction, ownership, operations, etc. will all depend on collaborating with the Port and possibly City of Bellingham on building and operating that infrastructure.

If the Commission sets a firm direction on what is established in the memo, it will be up to staff to determine what type of future staffing and consulting needs, and the best ways to financially support it.

McClure commented the District needs to be prudent on how we deploy the resources of the *opportunity* cost of energy or broadband. Energy is likely where we will be leading by developing infrastructure at Cherry Point to encourage economic development and jobs; there is a business case and a community case to be built for both of these.

Murphy appreciated the information. He is concerned about state/federal budget cuts and they might affect grants for the District. Will we lose support and resources? Perhaps a way to move forward effectively, he suggested, could be a collaboration between the local government agencies and better use the resources given to serve our community. The lack of information from state resources is making him hesitate on moving forward on hiring additional staff. Broadband is an important priority for Whatcom County, and Murphy wants the District to be a part of it, but should the District be a lead agency?

McClure suggested that **Number 3 – Community Solar** – be grouped with Cherry Point infrastructure and broadened as *future development* at Cherry Point. Community solar is not the only option – perhaps rename the category as “Renewable Energy”.

Staffing Necessities: For the 2021 budget, staff will determine the potential cost for adding the positions of (1) Energy/broadband Support and (2) Engineering Support. The District expects to know by November on formalizing the agreement with the Port.

Revenue Concerns: The District has taken on several grants through the WRIA 1 Watershed Management Board and Puget Sound Partnership. Jilk is less worried about state grants that would hurt our revenue. Industrial Water Revenue from Cherry Point industries can be challenging. Alcoa is now shutting down – regardless of whether we take on more projects such as broadband, or not.

In summary, the memo is an accurate reflection of discussions and the proposed staffing, as well as taking in Commissioner Murphy’s concerns. The first draft of the budget is due at the end of October. By then we will have a better idea on what these changes will require, along with other potential changes, and how it will impact the budget and where to allocate all those costs.

ACTION: Information only. No action requested or taken.

5. New Business

a. Award of Bid: New Ferndale Substation Standby Generator Purchase

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. The 2018 Capital Improvements Budget included the preliminary design and engineering of the new Ferndale Substation (CIP-E22). During the 2018-2019, period, engineering, permitting and final design have been 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, a 4,160 Volt, 2,500 kW generator, has 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 32 weeks. Therefore, purchase of the equipment must proceed, prior to the completion of the final site design to integrate the specifications of the generator selected into the site.

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.

On August 4, 2020, the District received and publicly read aloud three (3) bids submitted for this project. The Engineer’s estimate for the Standby Diesel Generator was \$1,331,000, not including tax. The District and its Engineer, BKI, reviewed the bids. Based on this review, District staff directed BKI to interview all three bidders to clarify their individual bid proposals and the basis for their bids. BKI spoke with each equipment supplier to get a clearer understanding of each bidder’s proposal and the basis behind each bid cost estimate.

Based on further review of the bids submitted and the interviews conducted, BKI has recommended that the District award the equipment bid to Mills Electric. Based on BKI’s input, staff recommends the same. Accompanying this Action Memo is a BKI memo supporting the recommendation.

District staff recommends that the Commission award the bid to Mill Electric as the most responsive bid. The Commission should note also that staff determined that the N.C. Power Systems bid was non-responsive as the company took exception to the District standard contract information and attempted to modify it as part of the company’s proposal. Staff with coordination with the Engineer also deemed that the Pacific Power Group bid was also unresponsive because they did not arrange for a delivery method.

The three bids are as follows:

Supplier	Manufacturer	Bid Total No Tax
Pacific Power Group	Rolls Royce	\$816,749.00
Mills Electric	Cummins	\$924,522.00
N.C. Power Systems	CAT	\$1,229,394.00
<i>Engineer’s Estimate (no tax)</i>		<i>\$1,331,000.00</i>

In order to accept the Mills bid, for the record, BKI Engineering staff and District staff has determined the N.C. Power Systems bid was non-responsive by not meeting all of the specifications, including delivery arrangements. The Mills bid met all specifications. It was noted that the Mills bid amount was incorrect on the Action Memo (shown as \$959,522.00) – the correct amount (\$924,522.00) is above.

Staff recommends awarding the Backup Generator Bid to Mills Electric, who will supply a Cummins generator. The total bid price for the equipment is below the Engineer’s Estimate (tax not included). There is no fiscal impact to the District as this project included in the 2020 Capital Improvement Projects (CIP E-22) Budget.

ACTION: Commissioner Deshmane motioned to AWARD EQUIPMENT PURCHASE TO MILL’S ELECTRIC FOR THE STANDBY DIESEL GENERATOR SYSTEM FOR THE FERNDAL SUBSTATION IN THE AMOUNT OF \$924,522.00 (NOT INCLUDING TAX) AND AUTHORIZE THE DISTRICT’S GENERAL MANAGER TO EXECUTE THE PURCHASE. Commissioner Murphy second the motion. Motion passed unanimously.

b. Approval of Work Order No. 14 – Brown and Kysar, Inc.

Background: Under a previous Work Order 12 (WO12), Brown & Kysar, Inc. (BKI) developed five options for increasing the capacity of the District’s Refinery Substation. These five options were based on the Phillips 66 Refinery’s and District’s future load growth projections, and applicable reliability criteria. Phillips 66 and the District have selected BKI’s option #3, as the preferred alternative. Phillips 66 supports the District proceeding with the engineering design and construction for this alternative. Option #3 replaces the two existing 15/20/25/28 MVA transformers, T2 and T3, with two new 30/38/50/55 MVA transformers. With the implementation of the two new transformers, the combined self-cooled MVA rating increased to 60 MVA. The maximum, 2 stage cooling fans and 65 deg. rise, rating increases to 110 MVA. To support the new transformers and increased capacity, new switchgear and capacitor banks will be added, as well.

The District requested BKI to develop and submit a Statement of Work (SOW) with scope of services and budget for engineering services to support the District’s Refinery Substation capacity increase project. After review and revisions proposed by District staff, a final draft SOW was completed by BKI and accepted by the District. The BKI SOW, dated August 14, is the basis for Work Order No. 14.

The scope of services, which BKI will perform in assisting the District with the Refinery Substation capacity increase project, will be as detailed in BKI’s Work Order No.14 and SOW, dated August 14, 2020.

In general, BKI will provide a comprehensive set of engineering services to support the project from design through construction and project closeout (commissioning, testing, as-built, and PUD project acceptance).

There is no fiscal impact to the District. This Project is funded for 2020, as part of the approved Capital Improvement Projects Budget, and included in the 2021 budget for overlap.

ACTION: Commissioner Deshmane APPROVE WORK ORDER NO. 14 WITH BROWN AND KYSAR, INC. FOR ENGINEERING SERVICES FOR A COST NOT TO EXCEED BUDGET OF \$726,041.00 AND AUTHORIZE THE DISTRICT'S GENERAL MANAGER TO EXECUTE THE WORK ORDER. Commissioner Murphy Second the motion. Motion passed unanimously.

c. Approve Resolution No. 775 – Cancellation of Warrants

Per RCW 36.22.100, Whatcom County can request cancellation of a warrant that was not presented by the vendor and is more than a year old. The County has notified the District that the following warrants have not been cashed:

Warrant No. 1080699 – Devin Crabtree, issued on April 1, 2019

Warrant No. 1082331 – Atul Deshmane, issued on April 29, 2019

As such, the County has requested that the District cancel Warrant Numbers 1080699 and 1082331. There is no fiscal impact to the District.

ACTION: Commissioner Murphy motioned to APPROVE RESOLUTION NO. 775 AUTHORIZING CANCELLATION OF TWO WARRANTS THAT ARE MORE THAN A YEAR OLD. Commissioner Deshmane second the motion. Motion passed unanimously.

6. General Manager Report

Port of Bellingham Interlocal Agreement

Jilk and Sitkin have been in discussion with Port staff on what kind of formal agreement needs to be made regarding the Port/PUD fiber partnership. Several details still to be identified: Who takes on what roles, flexibility in decision-making, a structured business plan, roll out of various segments, open access requirements, fiber buildout, etc.

Further discussion with the Port and County is needed to address questions such as who would build the “final mile to the end user” and an initial business plan. The City of Bellingham will be developing their own business plan and advisory group for broadband within the City.

The initial feasibility study where the PUD participated with the Port was to determine fiber optic network around Whatcom County. The Port and PUD will meet again later next week and Jilk will report at the September 22 meeting.

BP /Lightsource BP

At the request of BP Corporate, Lightsource BP, and Cherry Point BP, staff joined in initial discussions regarding a large solar facility to be located at Cherry Point, and for the PUD to be involved in to possibly buy and sell the resources from that facility, but would require a connection to the BPA transmission grid.

September 8 Regular Meeting

Jilk will not be available for the Tuesday September 8 regular meeting and the District is planning an Executive Session to discuss potential litigation on Thursday September 10, 2020. Jilk has proposed to cancel the meeting on the eighth, and set a Special Commission Meeting instead on Thursday, September 10, beginning at 8:30 a.m.

ACTION: Commissioner Murphy motioned to cancel the Regular Meeting of September 8, 2020 and call for a Special Commission Meeting on Thursday, September 10, 2020 at 8:30 a.m., followed by Executive Session at 10:00 a.m., tentatively lasting through noon. Commissioner Deshmane second the motion. Motion passed unanimously.

7. Commissioners Report

Commissioner Deshmane:

Energy Northwest meeting this week – they are likely to receive federal funding for exploration on nuclear facilities pilot projects.

Continues to do ad hoc testing of broadband speeds, upload/downloads, etc. He will provide a report to the Commission shortly.

Commissioner Murphy:

Talked with a Whatcom dairy farmer who told him that two local dairy farms were closing. A berry farmer said it was a good year, however; his raspberries will be replaced with blueberry plants instead. These signs of the times are concerning to him.

Mentioned the news of power poles deliberately damaged in Snohomish County, and in Chelan, the PUD is moving forward with fiber to reach out to the community – an investment of \$25 million. Murphy suggested keeping a watch on the Chelan project to see how they are accomplishing their goals.

Commissioner McClure

Clean Energy Development at Cherry Point

McClure has had conversations with the Port about the idea of this, and utilizing the Alcoa property (after closure) or the adjacent SSA Marine property for clean energy development. A letter proposing this concept and signed by Whatcom County cities' mayors and others in solidarity was sent to Alcoa officials, and is in the initial state. This could be an exciting development for Cherry Point – to create certainty in the development(s) will attract business investment to the area.

8. Public Comment

Rick Maricle: Regarding Jilk's comment on the BP solar project it seems far more logical that BP would transmit any power generated away from their site using existing connections. Recall that BP in the past has used the PUD to gain advantage in negotiations with PSE during the power crisis around 2000 for power prices. He wonders if what BP is proposing to the PUD, is just to an attempt to attain leverage when the infrastructure already exists. Something for Commissioners to keep in the back of their minds - do not get into it too far financially, only to have BP back out in the end.

9. Executive Session

Commission President Jeff McClure requested an Executive Session pursuant to RCW 42.30.110(1) (i) to discuss potential litigation. The estimated time for the Executive Session was 45 minutes. The Commission President indicated that no action is anticipated be taken after the adjournment of the Executive Session.

Commissioner McClure adjourned the Commission into Executive Session at 9:45 a.m. with a short recess.

- The Commission held Executive Session on a separate Zoom webinar platform for privacy and security matters meeting open public meeting requirements.
- At 10:33 a.m., Commissioner McClure requested another thirty minutes for Executive Session.
- At 11:00 a.m., Commissioner McClure requested another fifteen minutes.

Executive Session Adjourn

There being no further business for the Executive Session, the Commission reconvened to the regular meeting at 11:05 a.m. and rejoined the Regular Commission Meeting webinar platform.

10. Adjourn

There being no further business for the meeting, the Commission adjourned the regular meeting at 11:07 a.m.

Jeffrey McClure, President

Michael Murphy, Vice President

Atul Deshmane, Secretary

APPROVED ON SEPTEMBER 10, 2020